

The **114**th Fiscal Year **Business Report**

To Our Shareholders

April 1, 2022 ▶ March 31, 2023

 **AICHI ELECTRIC CO., LTD.**

Stock Exchange Code: 6623

To Our Shareholders



We are pleased to extend our greetings to our shareholders in presenting our 114th annual report for the fiscal year ended March 31, 2023 ("FY2022").

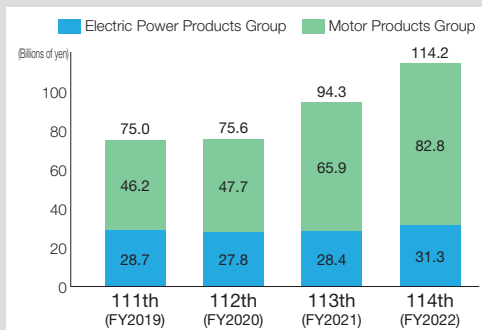
Overview of business

During the period under review, despite a continuing moderate upturn in conditions, the outlook remained clouded due to factors such as the prolonged conflict in Ukraine and dramatic fluctuations in exchange rates. Our Group continued to face an adverse environment in orders for electric power products due to cost reductions by power distribution companies against the backdrop of electricity market deregulation. However, demand was generally strong for motor products such as motors for car air-conditioner compressors and package

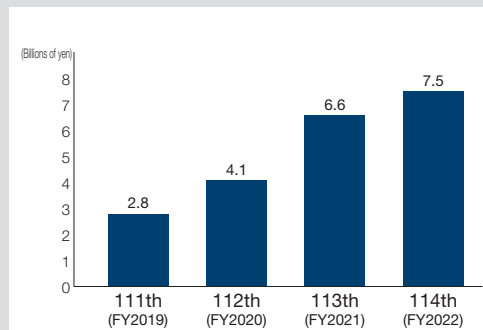
board cores, thanks to market growth in electrified vehicles and the expansion of investment in digital infrastructure.

Under such circumstances, our Group pushed ahead with initiatives to achieve sustainable growth under the 2023 medium-term management plan "Create the future with reliable technology - Innovation and Challenge -." The Electric Power Products Group worked to enhance productivity through factory renewal and TPS improvement activities. At the same time, it took the challenge to develop new products and businesses, including developing new customers for hydropower generation system products and developing next generation digital control equipment. The Motor Products Group worked on enhancing production capacity for motors for car air-conditioner compressors and package board cores. It also worked to build more robust and resilient supply chains by securing substitute suppliers and developing new suppliers.

Net sales 114.2 billion yen



Operating income 7.5 billion yen



With regard to the consolidated performance for the fiscal year ended March 31, 2023, both sales and income increased compared with the previous fiscal year, due to strong first-half results from the Motor Products Group. Net sales increased by 21.1% to 114,286 million yen, operating income increased by 12.6% to 7,504 million yen, ordinary income increased by 10.4% to 8,793 million yen. We recorded appraisal losses of investments in overseas affiliate, etc. of 338 million yen as extraordinary losses, and net income attributable to owners of parent increased by 7.0% to 5,954 million yen.

Dividend

Our year-end dividend was 80 yen per share. Combined with the interim dividend, the total dividend was 160 yen per share.

Future prospects

The business conditions surrounding our Group are becoming increasingly severe, with a

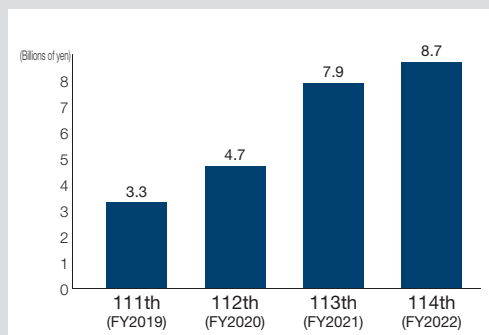
slowdown in the semiconductor market and a cyclical downturn in demand in the air conditioning market. However, in the medium and long term, growth is expected in demand for products such as motors for car air-conditioner compressors, sophisticated power distribution products and package board cores, in the context of the accelerating spread of electrified vehicles, promotion of the introduction of renewable energy and rising levels of investment in digital technology. Our Group will continue to strive to be even more competitive through enhanced QCD, and aim for sustainable business growth through continuing investment in these fields.

We appreciate your continued understanding and support.

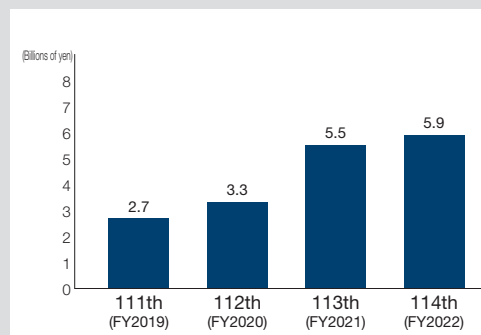
June 2023

Tatsuo Kobayashi
President

Ordinary income 8.7 billion yen



Net income attributable to owners of parent 5.9 billion yen



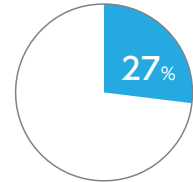
Electric Power Products Group

Net sales 31.3 billion yen

Business description

This Group is engaged in the design, manufacture and sale of electric power equipment such as different types of transformers, protection and control devices, equipment related to renewable energy, and industrial equipment such as powder processing machines, as well as designing and executing the construction of receiving and transforming substations in Japan and overseas.

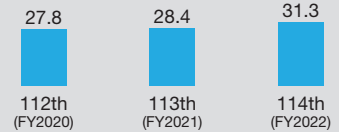
Sales ratio



Overview of FY2022

Compared with the previous year, net sales increased by 10.5% to 31,397 million yen while segment income decreased by 10.5% to 2,650 million yen. Net sales increased due to robust sales of small and large transformers, despite a year-on-year decline in substation construction and sales of voltage regulators for distribution lines (medium transformers). Segment income decreased mainly due to the impact of a decline in production resulting from soaring basic materials prices and a shortage of semiconductor components.

Net sales trend (Billions of yen)



Main products



Pole-mounted transformers



"TOP RUNNER" low loss transformers



Bi-directional power flow type SVR



A²-TVR



A²-STATCOM

Automatic voltage regulators



On-load tap-changing transformers (LRT)



Digital-type observation, protection and control devices



Hydropower turbine and generator



Receiving and transforming substation construction



Powder processing machines

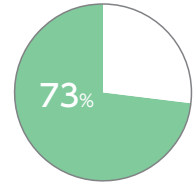
Motor Products Group

Net sales 82.8 billion yen

Business description

This Group supplies products that facilitate daily living, such as various small motors including hermetic motors for air-conditioner compressors, printed wiring boards, linear actuators for electric beds, shutter operators, etc.

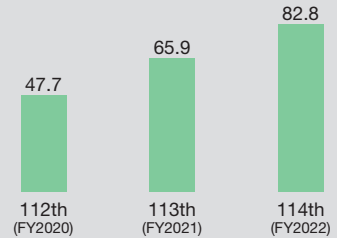
Sales ratio



Overview of FY2022

Compared with the previous year, net sales increased by 25.6% to 82,889 million yen and segment income increased by 22.4% to 6,718 million yen. Results were affected by inventory adjustments by some semiconductor manufacturers and building air-conditioner manufacturers in the fourth quarter, but both net sales and segment income increased due to substantial growth in motors for car and building air-conditioner compressors and package board cores in the first half.

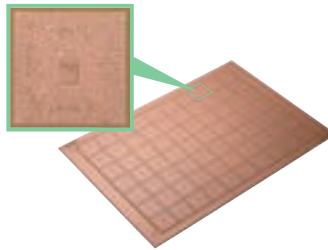
Net sales trend (Billions of yen)



Main products



Hermetic motors for air-conditioner compressors



Printed wiring boards



Linear actuators
Controllers and handsets for linear actuators



Motors for submersible pumps



Shutter operators



Fans for cattle farms



Inverters

Consolidated Balance Sheets

(Millions of yen)

Assets	FY2022 (As of March 31, 2023)	FY2021 (As of March 31, 2022)	Liabilities and Net assets	FY2022 (As of March 31, 2023)	FY2021 (As of March 31, 2022)
Current assets	84,660	74,179	Liabilities		
Non-current assets	38,718	36,124	Current liabilities	39,580	37,027
Property, plant and equipment	27,707	24,988	Non-current liabilities	15,284	9,768
Intangible assets	517	509	Total liabilities	54,865	46,796
Investments and other assets	10,493	10,626	Net assets		
			Shareholders' equity	63,683	59,439
			Accumulated other comprehensive income	3,425	2,790
			Non-controlling interests	1,404	1,278
			Total net assets	68,513	63,508
Total assets	123,378	110,304	Total liabilities and net assets	123,378	110,304

Consolidated Statements of Income

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2021 (From April 1, 2021 to March 31, 2022)
Net sales	114,286	94,381
Cost of sales	98,118	79,612
Gross profit	16,167	14,768
Selling, general and administrative expenses	8,663	8,100
Operating income	7,504	6,667
Non-operating income	1,559	1,466
Non-operating expenses	270	166
Ordinary income	8,793	7,966
Extraordinary income	66	34
Extraordinary losses	364	148
Income before income taxes	8,494	7,853
Income taxes-current	2,452	2,231
Income taxes-deferred	18	65
Net income	6,023	5,557
Net income (loss) attributable to non-controlling interests	69	(7)
Net income attributable to owners of parent	5,954	5,564

Non-Consolidated Balance Sheets

(Millions of yen)

Assets	FY2022 (As of March 31, 2023)	FY2021 (As of March 31, 2022)	Liabilities and Net assets	FY2022 (As of March 31, 2023)	FY2021 (As of March 31, 2022)
Current assets	47,455	41,509	Liabilities		
Non-current assets	27,911	27,045	Current liabilities	20,393	17,573
Property, plant and equipment	9,059	8,916	Non-current liabilities	6,672	3,923
Intangible assets	84	70	Total liabilities	27,066	21,496
Investments and other assets	18,766	18,058	Net assets		
			Shareholders' equity	47,241	46,031
			Valuation and translation adjustments	1,059	1,026
Total assets	75,367	68,555	Total net assets	48,300	47,058
			Total liabilities and net assets	75,367	68,555

Non-Consolidated Statements of Income

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2021 (From April 1, 2021 to March 31, 2022)
Net sales	60,797	52,115
Cost of sales	53,128	43,745
Gross profit	7,669	8,369
Selling, general and administrative expenses	4,847	4,741
Operating income	2,821	3,627
Non-operating income	1,507	989
Non-operating expenses	88	67
Ordinary income	4,239	4,550
Extraordinary income	23	55
Extraordinary losses	341	81
Income before income taxes	3,921	4,523
Income taxes-current	868	1,164
Income taxes-deferred	132	103
Net income	2,920	3,255

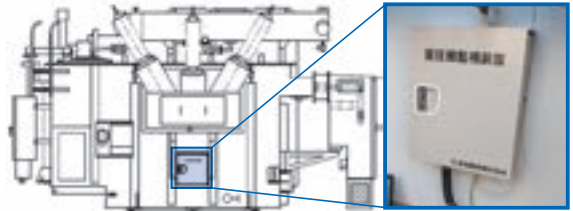
Electric Power Products Group

Development of a transformer monitoring device

We have developed a transformer monitoring device that constantly monitors the operational status of transformers.

The device collects the information necessary for maintenance services (such as temperature, electrical current and the concentration of hydrogen in the oil) through various sensors attached to the transformer. The collected information can be used to detect any indications of equipment malfunction. This is expected to lead to greater efficiency and the reduction of maintenance work by making it possible to reduce the frequency of regular inspections or eliminate them altogether.

The long-term use of transformers has progressed in recent years, bringing a greater proportion for aging products. As a result, there is an increasing trend in maintenance work to ascertain the operational status of transformers.



Transformer monitoring device

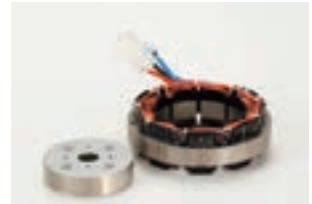
Motor Products Group

Expansion of production lines for hermetic motors for car air-conditioner compressors

We are expanding our production lines to handle expanding demand for hermetic motors for car air-conditioner compressors.

In FY2022, we established and began mass-production at another two stator lines and three rotor lines for these motors. This represents a capital investment of approximately 800 million yen, and is expected to boost production capacity by around 50%.

We will continue to strengthen our production systems and expand our automotive motor business to respond swiftly to market needs.



Rotor (left) and stator (right) from a hermetic motor for a car air-conditioner compressor

Motor Products Group

Expansion of the package board core business

AIKOKIKI MFG. CO., LTD. (a consolidated subsidiary) is progressively expanding its package board core business. As part of this expansion, it has constructed a new metal plating factory on the land next to its head office factory. The new factory began production in January 2023.

In March 2023, it went on to acquire factory buildings formerly used by KYOCERA Corporation in Shibata, Niigata, as a new production base. It is currently installing equipment for building production lines in this factory.

The package board cores manufactured in these factories are expected to experience demand growth in the medium and long term, with the accelerating spread of 5G communications, AI and the IoT. Our Group will strive to continue to grow the package board core business to respond to this expanding demand.



Exterior of the new metal plating factory



Metal plating production line

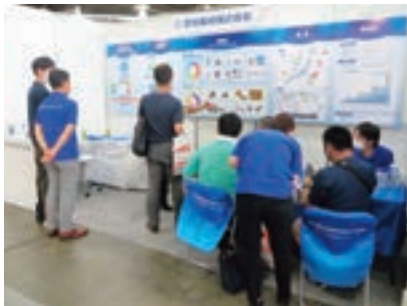
First ever participation in the Nagoya Stock Exchange IR EXPO 2022 for individual investors

We participated in the IR EXPO 2022 organized by the Nagoya Stock Exchange.

This event was held at Fukiage Hall (Nagoya Trade & Industry Center) over two days from Friday, September 9 to Saturday, September 10, 2022.

Our booth was visited by many individual investors during the event, who were briefed on information such as our corporate overview and performance trends.

We will continue to participate in exhibitions for investors.



Our booth at the event



The event venue

First ever financial results briefing for institutional investors

On Friday, May 26, 2023, we held an online financial results briefing for institutional investors.

We have posted a video of the event, as well as the briefing materials, etc., under “IR Information” on our website.

You can access the video and materials (Japanese only) from the URL below or by scanning the QR code.

URL: <https://www.aichidenki.jp/ir/briefing.html>



The financial results briefing



An image from our website

Corporate Data (As of March 31, 2023)

AICHI ELECTRIC CO., LTD.

Established: May 27, 1942

Capital: 4,053 million yen

Number of Employees: 1,082 (Consolidated: 2,783)

Head Office: 1, Aichi-cho, Kasugai city, Aichi pref.,
486-8666, JAPAN
Phone +81-568-31-1111

Board of Directors and Auditors (As of June 29, 2023)

President	Kazuo Kobayashi
Managing Director	Shinobu Kato
Director	Hisashi Tajima
Director	Masaki Kakiyama
Director	Yoshikazu Suda
Director	Yukinari Yokote
Director	Hirotsugu Shibayama
Director	Fujio Nakaseko
Director (Outside)	Keiichiro Urakami
Director (Outside)	Hideshige Seo
Auditor	Hideki Hosoe
Auditor (Outside)	Akinori Kataoka
Auditor (Outside)	Wataru Hashimoto

Status of Shares (As of March 31, 2023)

Total number of shares authorized to be issued	23,912,200 shares
Total number of shares issued	9,500,000 shares
Number of shareholders	8,295 persons

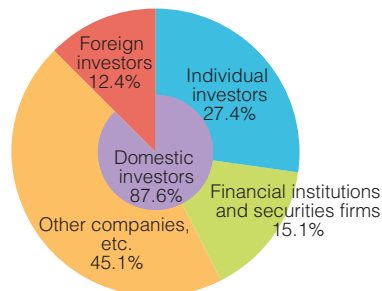
Major shareholders (top ten shareholders)

	Number of shares (thousand shares)	Shareholding ratio (%)
Chubu Electric Power Co., Inc.	2,326	24.5
BBH FOR FIDELITY LOW – PRICED STOCK FUND(PRINCIPAL ALL SECTOR SUBPORTFOLIO)	598	6.3
Furukawa Electric Co., Ltd.	565	5.9
TSUCHIYA CORPORATION	500	5.2
MUFG Bank, Ltd.	312	3.2
Custody Bank of Japan, Ltd. (trust account 4)	303	3.1
Yasumitsu Shigeta	266	2.8
Kawaguchi Kosan Co., Ltd.	200	2.1
Meiji Yasuda Life Insurance Company	175	1.8
Tokio Marine & Nichido Fire Insurance Co., Ltd.	164	1.7

Note 1 Numbers of shares are rounded down to the nearest thousand shares.

Note 2 The shareholding ratio is calculated excluding treasury shares (4,918 shares).

Distribution of shares by shareholder



Share buyback

This program enables shareholders to sell amounts of fractional shares less than 100 shares back to the Company at the market price.

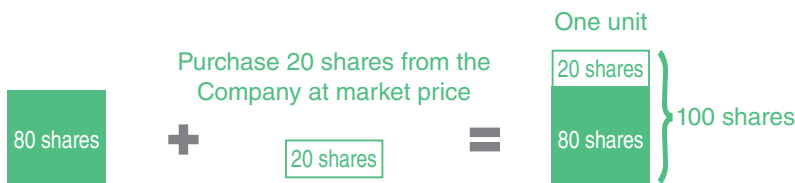
Example: If you hold 80 shares, you can sell them back to the Company at the market price. Blocks of 80 shares cannot be sold on the share market.



Additional purchase

This program enables shareholders to purchase amounts of fractional shares less than 100 shares (one unit) from the Company at the market price.

Example: If you hold 80 shares, you can purchase an additional 20 shares from the Company at the market price, making a total of 100 shares.



- Contacts for procedures for the share buyback and additional purchase program
 - For shareholders who have an account with a securities company
 - Please contact your securities company.
 - For shareholders who do not have an account with a securities company
 - Please contact Sumitomo Mitsui Trust Bank, Limited.

Information on Shares

Business Year April 1 to March 31 of the following year

Ordinary General Meeting of Shareholders June

Record date for shareholder rights for the Ordinary General Meeting of Shareholders March 31

Record date for year-end dividend March 31

Record date for interim dividend September 30

Stock Transfer Agent and Account Management Institution for Special Accounts Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo, JAPAN

Handling Office Stock Transfer Agency Business
Planning Department, Sumitomo Mitsui Trust Bank, Limited
3-15-33, Sakae, Naka-ku, Nagoya, JAPAN

Inquiries Stock Transfer Agency Business
Planning Department, Sumitomo Mitsui Trust Bank, Limited
2-8-4, Izumi, Suginami-ku, Tokyo
168-0063, JAPAN
Telephone +81-120-782-031 (toll-free in Japan)

Public Notices Public notices shall be made electronically.
Public notice URL:
<https://www.aichidenki.jp>
If electronic notice is impossible due to accidents or other unavoidable circumstances, the notice shall be posted in the Chunichi Shimbun which is published in Nagoya city.

Contacts for various procedures

(Changes in name or address, buyback and additional purchase of fractional shares less than one unit)

For shareholders who have an account with a securities company

→ Please contact your securities company.

For shareholders who do not have an account with a securities company

→ Please contact Sumitomo Mitsui Trust Bank, Limited.

Concerning outstanding dividend payments

Please contact Sumitomo Mitsui Trust Bank, Limited.

 **AICHI ELECTRIC CO., LTD.**

<https://www.aichidenki.jp/english>

