



Corporate Philosophy

We create new value to serve customers and society and continue to win reliability from all.



RELIABILITY
CREATIVITY SERVICE

Mission

Based on our principle of reliability, creativity and service, we enhance “technology to contribute to smart society” and society by “continuing to create and offer new value.”

Vision

- We provide new systems and services by pursuing customer value based on the keywords of “Measurement technology,” “IoT technology,” and “solutions.”
- We continue to make our efforts in overseas markets by enhancing our response and expanding our products and technologies worldwide.
- We respect ESG (Environment, Social, and corporate Governance) in our corporate activities and become a company trusted by society.

Editorial policy

In order to provide all stakeholders, including customers, business partners, investors, and employees, a deeper understanding of Aichi Tokei Denki’s initiatives to create and continue to provide new value, we issue an integrated report that offers information on both financial factors and non-financial factors in an integrated manner. We strove to communicate in easy-to-understand terms the details of our business processes for creating value, our medium-term management plan, and ESG-related initiatives, which form the foundation of the Group’s efforts to create value.

Scope

Aichi Tokei Denki (parent company and consolidated subsidiaries)

* Some information is for parent company only.

When issued

November 2023

Period covered

April 1, 2022–March 31, 2023

(includes some information on activities before and after this period)

Reference guidelines

International Financial Reporting Standards (IFRS)

Foundation’s International Integrated Reporting Framework

Ministry of Economy, Trade and Industry’s Guidance for Collaborative Value Creation



Proper use of earnings forecasts and other notes

Forward looking statements, including earnings forecasts appearing in this report, are based on information available at the time the report was written and certain information judged to be rational. They are not intended as promises that we are sure to achieve, and actual earnings may differ dramatically for various reasons.

Contents

Introduction

Corporate Philosophy

- 1 Editorial Policy and Contents
- 2 At a Glance
- 4 History of Aichi Tokei Denki
- 6 President’s Message

Aichi Tokei Denki Value Creation

- 10 Aichi Tokei Denki Value Creation
- 12 Value Creation Process Explanation
- 14 Risks and Opportunities
- 16 Material Issues
- 18 Financial and Non-Financial Highlights

Strategy and Performance

- 20 Medium-term Management Plan
- 24 Strategy for Each Business Field
 - 24 Strategy for Each Business Field
 - 26 Water Supply-related Equipment
 - 28 Private-demand Sensor Systems
 - 28 Instrumentation
- 29 Global Strategy/IoT Strategy
- 30 Financial and Capital Strategy and Total Shareholders Return (TSR)

The Foundation to Support Sustainability

- 32 Human Resource Strategy
- 34 Technological Foundation
- 36 Environmental Management
- 38 Response to Climate Change
- 40 Supply Chain and Quality Initiatives
- 41 Coexistence with Regions/ Stakeholder Engagement
- 42 Corporate Governance
- 47 Risk Management
- 48 Messages from Outside Directors
- 50 Management Team

Data

- 52 11-Year Key Financial Summary
- 54 Basic Knowledge
- 55 Glossary
- 56 Stock Information
- 57 Company Information/Authenticity Statement

At a Glance

We contribute to integrating measurement and IoT technologies to change society for the better.

Aichi Tokei Denki develops and manufactures various businesses centered on the development and manufacture of “fluid measurement devices” such as water meters, gas meters, and flow rate sensors. Going forward, while working on new markets such as medical care, agriculture, and clean energy, we will continue to develop technology that “makes the invisible visible” and provide essential products to society.

Establishment

125th anniversary
(1898)

Sales

50,160 million yen

Ordinary profit/ Operating margin

4,654 million yen
7.9%

Capital adequacy ratio

68.2%

Number of employees (consolidated)

1,783

Dividend per share

55 yen

Measuring Devices Related Business



Gas-related equipment | Sales **23,780** million yen

→P.24

We develop and manufacture a variety of gas meters, from city gas and propane gas to household and industrial use, with strengths in structural design that achieves accurate weighing over the long term and high manufacturing quality. In addition, we provide a data delivery service, “Aichi Cloud,” and collect and provide various data to the cloud for LP gas meters, contributing to the business efficiency and streamlining of gas companies’ operations.



Gas meters (for city gas and LP gas)



Data delivery service



Water-related equipment | Sales **17,084** million yen

→P.26

We design, develop, and manufacture domestic small water meters, industrial large water meters, and electromagnetic water meters in-house, and support fair and equitable tariff transactions through reliable manufacturing. In addition, we provide various water-related measurement technologies such as hot water meters and heat meters for buildings and commercial facilities.



Electromagnetic water meters



Data delivery service



Private-demand sensor systems | Sales **2,654** million yen

→P.28

We propose, design, and manufacture flow rate meters, flow rate sensors, and systems to meet the measurement needs of various manufacturing sites and devices. There are different types of products and measurement targets, such as flow rate meters that measure the amount of factory air used and flow rate sensors built into hemodialysis equipment.



Ultrasonic flow rate meters for air



Small electromagnetic flow rate sensors



Instrumentation | Sales **6,573** million yen

→P.28

We provide monitoring and control for water supply, sewerage, and agricultural and industrial water facilities based on measurement data such as water levels, flow rates, and water quality. We have developed a comprehensive service from various measurement equipment required for this measurement to the design, construction, and maintenance of monitoring and control systems, contributing to the realization of more stable lifelines.



2-Wire electromagnetic flow meter



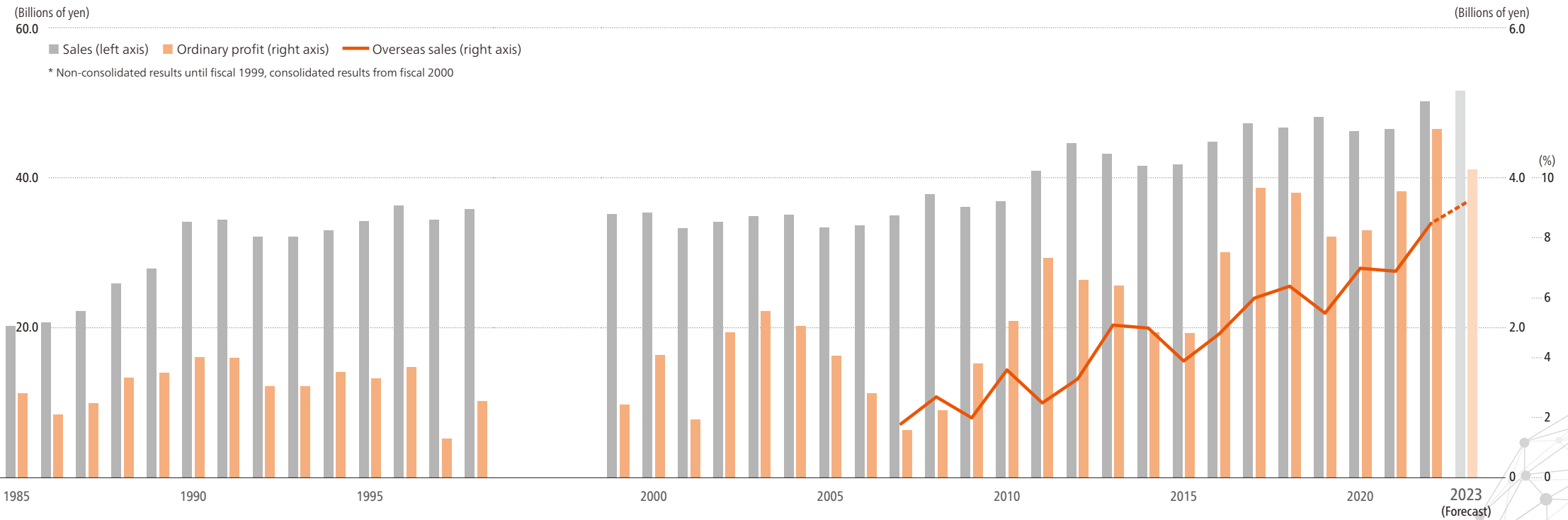
Immersion-type water gauge

Precision Machining Related Business (Die Sales)

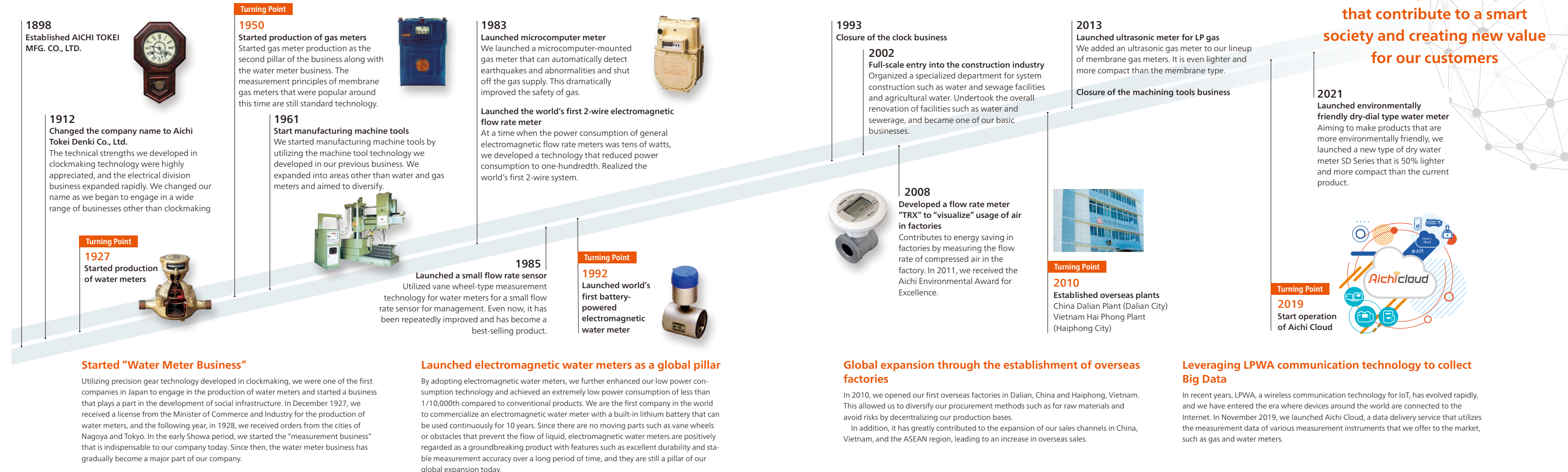
Sales **67** million yen

History of Aichi Tokei Denki

The history of Aichi Tokei Denki, which began with the manufacture of clocks. We have expanded “precision processing technology,” which measures time accurately, has evolved into “fluid measurement technology,” which measures fluids such as water and gas in response to the changes in society. We will continue to use measurement technology to create new value and disseminate it to the world.



History of technological deployment and development



Social movements

1913
Emergence of Made in Japan water meters

1920
Nagoya City adopts city-wide water fee measurement system

1951
Transition from the Weights and Measures Act to the Measurement Act (Former Measurement Act)

1959
Ise Bay Typhoon

1973
Mandatory installation of gas meters

1993
Enforcement of the New Measurement Act

1995
Great Hanshin-Awaji Earthquake
Enforcement of the Product Liability Act (PL Act)

2002
Establishment and enforcement of the Basic Act on Energy Policy

2008
Financial crisis

2011
Great East Japan Earthquake

2017
Full liberalization of gas retail market

2020
The COVID-19 pandemic spread worldwide

President's Message

Kenji Kunishima

President and Representative Director,
President Executive Officer

Solving social issues and continuing to create new value

Based on the precision processing technology developed in clock manufacturing since its establishment in 1898, Aichi Tokei Denki has built relationships of reliability with customers by providing products and based on the core fluid measurement technologies. By combining the measurement technology that we have developed so far with the latest IoT technology, we aim to provide new value that contributes to solving social issues.

We decided to issue an integrated report with the aim of improving the means of communication with all stakeholders, including customers, business partners, employees, and shareholders. We hope this report will help you understand how Aichi Tokei Denki is tackling social issues and improving corporate value through its business activities.

Fiscal 2022 Review and Challenges

The business environment continued to be difficult due to high resource prices caused by the prolonged situation in Ukraine and rising pressure on prices due to the depreciation of the yen, but there were signs of recovery in corporate profits and personal consumption, and corporate capital investment also tended to improve. Under these circumstances, as a result of promoting each key measure based on the basic strategies of the Medium-term Management Plan 2023, "Challenging Ourselves to Expand Markets and Business Fields," "Improving the Competitiveness and Profitability of Core Business Fields," and "Strengthening Management Capacity," sales and category of profit increased in fiscal 2022, and both sales and profits achieved record highs.

"Aichi Cloud" and overseas markets are expanding in terms of the Medium-term Management Plan goal "Expand Markets and Business Fields," but, although the construction of equipment to increase production of smart meters is progressing as planned, in terms of "Improving the Competitiveness and Profitability of Core

Business Fields," we believe that there are still many issues to be addressed in terms of reducing production costs and improving production efficiency. As raw materials and energy costs are expected to rise, we will further promote automation and labor saving, and aim to deliver quality and cost that satisfy customers.

⇒P.20 Medium-term Management Plan

Growth Strategy

Water meters and gas meters that support the core business of Aichi Tokei Denki are subject to an expiry date (test validity period) stipulated by law. They must continuously measure accurately for 8 years or 10 years, respectively, and gas meters are equipped with safety features to ensure that gas can be used safely, which entails advanced technical skills. Also, because meters whose validation expiry date has passed must be replaced, there will always be a constant demand for replacement. This has greatly contributed to the improvement of our technical skills and the establishment of stable business results. We will use the resources obtained in this way to take on the challenge of new fields and aim to further enhance corporate value.

Overseas Development

In overseas markets, we want to expand our sales channels by further strengthening our cooperation with partners. In fiscal 2022, shipping quantities and sales of high-value-added products, such as electromagnetic water meters for North America, ultrasonic gas meters for natural gas in the Chinese market, and small flow rate sensors incorporated into medical devices deployed in Europe, increased, and overseas sales increased significantly, partly due to the depreciation of the Japanese yen. We will continue to deepen our understanding of

President's Message

the markets in each country and promote the development of products and production systems that meet the needs of customers and users.

⇒ P.29 Global Strategy

Promoting Smart Technologies

The spread of IoT has enabled various devices to be equipped with communication functions so that they can share information on the Internet. Aichi Tokei Denki incorporates communication functions using IoT technologies such as LPWA communication technology* into its products to promote smart measuring instruments such as gas and water meters, and aims to expand "Aichi Cloud," a data delivery service launched in November 2019. With regard to the goals of the Medium-term Management Plan 2023, progress has been made almost as planned, mainly in the LP gas field, and we expect to expand into the city gas and water markets in the future.

In January 2011, we signed an agreement with Kakegawa City and Chuen Gas Co., Ltd. on the "Implementation of a Monitoring Service Field Trial" to verify the use of big data collected by Aichi Cloud. This is an effort to use hourly usage data of water and city gas collected automatically in the cloud by smart meters for the safety and security of the elderly. By superimposing usage data for water and gas, we hope to better understand people's "daily routines," confirm the effectiveness of the use of elderly monitoring services, and connect to efforts to maximize the value of data, such as creating mechanisms that detect health abnormalities in the elderly.

*LPWA communication technology: An abbreviation for Low Power Wide Area, a general term for a technology that enables wide-area wireless communication with low power consumption.

⇒ P.29 IoT Strategy

Towards Sustainable Growth

Initiatives Targeting the Environment

In May 2022, we formulated "Carbon Neutral Challenge 2050," analyzed the impact of our businesses, products,

and services on society, and we are promoting "reduction of greenhouse gas emissions," "reduction of environmental impact in the product lifecycle," and "coordination of the entire supply chain." In May 2023, we expressed our support for the final recommendations of the TCFD*, and we are promoting efforts to address climate change issues in accordance with our "Basic Policy on Sustainability" and expanding the disclosure of climate-related information in line with the TCFD recommendations.

Aichi Tokei Denki is promoting initiatives such as reusing city gas meters and reducing the size and weight of water meters in order to reduce the impact on the environment in the development and manufacture of products. City gas meters are replaced every 10 years, after the end of the test validity period, but the reuse rate of parts removed from gas meters is 89%, and many parts can continue to be used for more than 40 years. In the development of water meters, we have significantly revised the amount and structure of materials used to achieve size and weight reduction, contributing to the reduction of CO₂ emissions in transportation and manufacturing processes. Going forward, we will continue to make use of Aichi Tokei Denki's technical skills to reduce our environmental impact at all stages of the product lifecycle.

With increasing demands for carbon neutrality, the use of hydrogen is also attracting attention. Aichi Tokei Denki began research on hydrogen gas meters applying ultrasonic gas meter technology around 2005, and has deepened its knowledge through field trials in Kitakyushu City, Fukuoka Prefecture and Namie Town, Fukushima Prefecture. Going forward, we hope to contribute to the realization of the carbon neutral society by promoting the development of applications, while also considering the expansion of related markets.

*TCFD (Task Force on Climate-related Financial Disclosures): An international initiative established by the Financial Stability Board (FSB) of the G20 in 2015 in order to enhance the disclosure of information concerning the financial impact of climate-related risks and opportunities.

⇒ P.34 Technology Foundation, P.36 Environmental Management, P.38 Responding to Climate Change

We would like to contribute to changing society for the better by integrating measurement and IoT technologies.



Development and Securing of Human Resources

I recognize that promoting the advancement of women is one of the challenges in Aichi Tokei Denki's use of human resources.

The current proportion of female managers is low at 1.2%, but by realizing a system that supports the child-rearing generation and flexible working styles, we aim to create an environment in which everyone wants to continue to work with high motivation in the company, and to become a company where everyone who works can continue to grow and play an active role. In addition, it is important to develop human resources who can play a leading role in promoting aggressive overseas expansion and smart technology development, and in solving challenges such as DX and carbon neutrality. At the same time as developing such human resources through internal and external education, we would also like to hire mid-career human resources.

⇒ P.32 Human Resource Strategy

Toward Further Improvement of Corporate Governance

I worked in the HR department for about 25 years since joining the company, and later experienced the sales department and the manufacturing department. The knowledge I gained in each of these departments has become the backbone of my company management. In the development and selection of future management personnel, I believe that integrity is important along with experience in terms of making risk judgments and

solving problems. I would like to encourage outside directors who are also members of the Nomination and Compensation Advisory Committee to fulfill their management supervision function using their different perspective than that of company directors by increasing opportunities to communicate with both directors and the next generation of leaders who will take responsibility for the company in the future.

Aichi Tokei Denki will continue to work to strengthen corporate governance in order to achieve accountability and further enhance management transparency and fairness.

⇒ P.42 Corporate Governance

To Our Stakeholders

In the final fiscal year of the Medium-Term Management Plan 2023, which began amid the severe social situation of the COVID-19 pandemic, we are actively promoting three basic strategies to achieve our mission of "Based on our principle of reliability, creativity and service, we enhance 'technology to contribute to smart society' and society by 'continuing to create and offer new value.'" With the rapid changes in the environment and social situation, we will integrate measurement and IoT technologies, contribute to changing society for the better, and share value with stakeholders. We look forward to your continued support in the future.

Value Creation Process

Giving the world
new value with
measurement
technologies

Corporate Philosophy

We **create** new value to **serve** customers and society and continue to earn **reliability** from all.

Inputs

(Results for the Fiscal Year Ended March 31, 2023)



Financial Capital

- Equity ratio: 68.2%
- Interest-bearing liabilities: 885 million yen
- Net assets: 38,399 million yen



Human Capital

- Consolidated employees: 1,783
- Non-consolidated employees: 1,213 (863 in career-track positions and 224 in specific positions)



Intellectual Capital

- Number of patents: 144
- Brands: 80
- Number of industry-academia-government joint R&D projects: 26 cumulative, 10 ongoing (Reference industry-academia joint R&D projects: 16 cumulative, 7 ongoing)
- Domestic intellectual property: 282
- Foreign intellectual property: 124



Manufacturing Capital

- Number of domestic and overseas manufacturing bases: (7 domestic bases, 2 overseas bases)



Social and Related Capital

- Reliability relationships with suppliers (partner companies)
- Affiliated companies
- Cooperation with regions (provisional)



Natural Capital

- Energy consumption: 3,863 kL (Fiscal 2022 performance based on the Act on the Rational Use of Energy: crude oil equivalent)
- Amount of water used: 43,000 m³
- Raw materials
- Copper alloy purchase amount: 1,277 t
- Resin material purchase amount: 616 t

Business Model → P.12



Strengths of Aichi Tokei Denki

Advanced research and development and technical capabilities in fluid measurement

Improving measurement technology

Reliable manufacturing and thorough quality control
Customer-centric

Customer-centric

Medium-term Management Plan 2023 → P.20

Vision

- We provide new systems and services by pursuing customer value based on the keywords of "Measurement technology," "IoT technology," and "solutions."
- We continue to make our efforts in overseas markets by enhancing our response and expanding our products and technologies worldwide.
- We respect ESG (Environment, Social, and corporate Governance) in our corporate activities and become a company trusted by society.

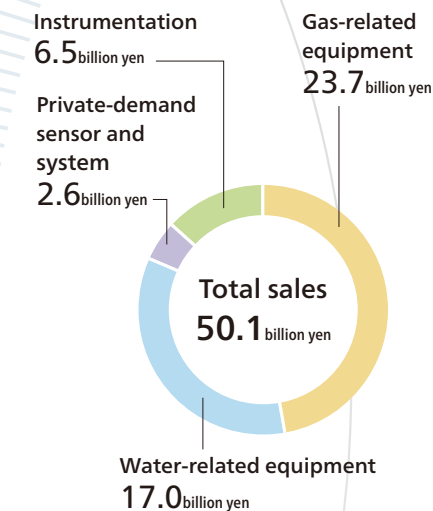
Basic Strategy

- (1) Take on the challenge of market expansion and business area expansion
- (2) Improve competitiveness and profitability in our core business areas
- (3) Strengthen our management capabilities

Outputs

(Results for the Fiscal Year Ended March 31, 2023)

Net sales by business unit



Household city gas meters



Electromagnetic water meters



Ultrasonic flowmeters for air



Integrated monitoring and control systems

Outcomes

(Results for the Fiscal Year Ended March 31, 2023)

Shareholders, Investors → P.30

- TSR 114.8% (10 years)
- Dividend total 519 million yen

Customers → P.41

- Reliability relationships
- Improvement of business efficiency

Employees → P.32

- Employee satisfaction
- Employment
- Wellbeing
- Enhanced childcare system
 - Designated as a Health & Productivity Management Outstanding Organization
 - Days of paid annual leave taken: 13.6
 - Low voluntary retirement rate
- Zero retirement due to marriage/childbirth

Suppliers, Collaborative Research Partners → P.34, 40

- Number of patent applications (annual): 11
- Number of patents registered (annual): 8
- Number of new joint research projects (annual): 4
- R&D expenses (annual) 1,173 million yen
- Fair and equitable transactions
- Sustainable supply chain

Environment, Communities → P.36, 38, 41

- Scope 1 and 2 CO₂ emission reduction rate of 61.9% (Fiscal 2022 vs. Fiscal 2013)
- 3R performance for major products
 - City gas meters: 89% reuse rate, 4% recycling rate
 - PD type water meters: 84% reuse rate
 - SD type water meters: 50% reduce rate (lighter)
- Community safety and disaster prevention

Value Creation Process Explanation

At Aichi Tokei Denki, we have placed “measurement technology” at the center of our business, offering a variety of products and services in response to the changing times. We are also taking on the challenge of expanding our business fields to contribute to solving social issues such as energy conservation by utilizing our advanced research and development and technological capabilities.

1 Business Model

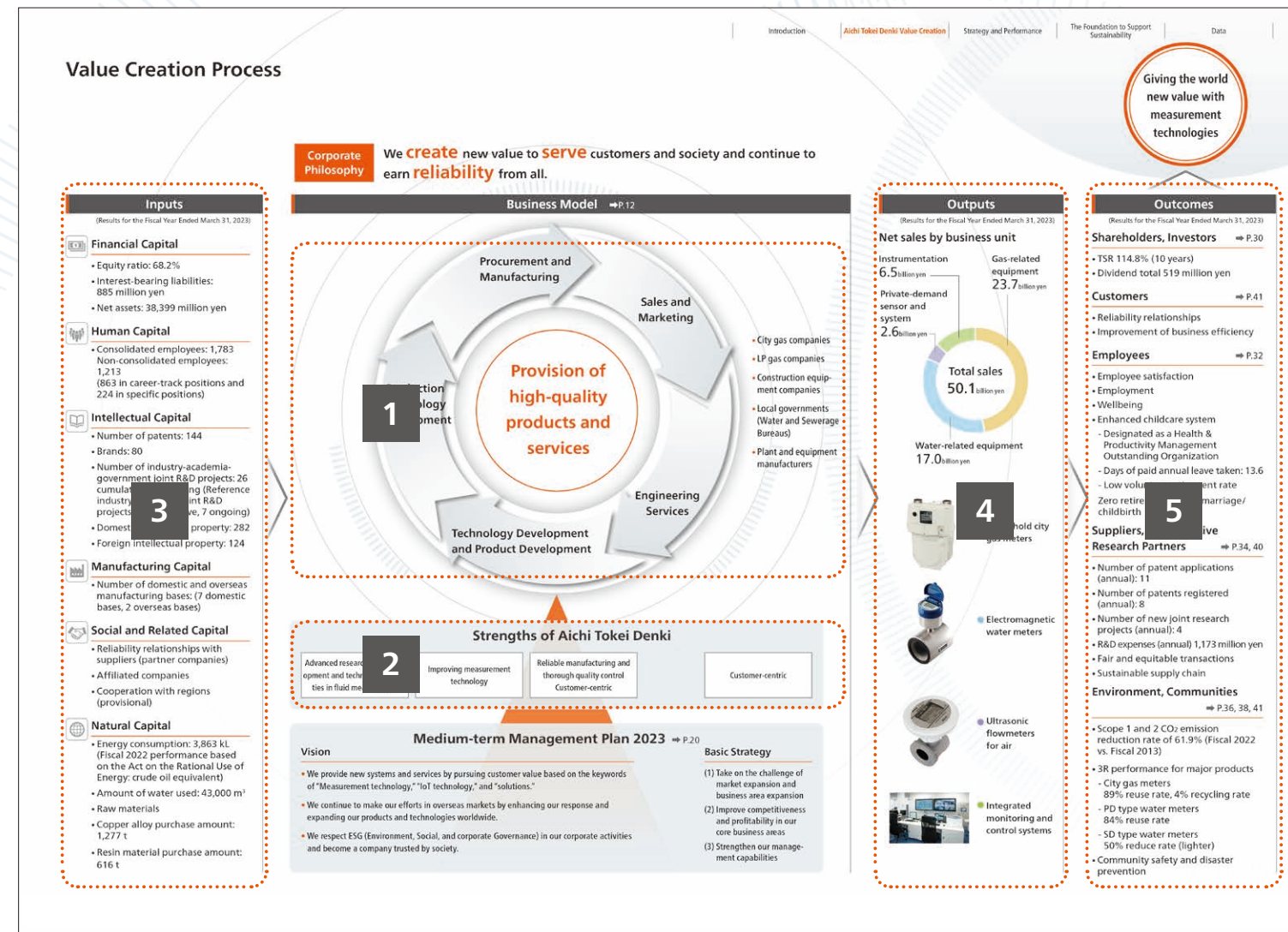
Aichi Tokei Denki provides high-quality products and services through integrated business activities, from development to manufacturing and sales, by utilizing our abundant management resources. We also work with various stakeholders to create value through our business activities, financial management, and ESG initiatives

2 Strengths of Aichi Tokei Denki

While leveraging the high level of R&D and technical expertise in fluid measurement that we have cultivated over the years, we are striving to enhance our measuring technology, and have a record of success in commercializing groundbreaking measuring instruments. We will continue to contribute to solving social issues, and as an R&D-oriented company, we will go on taking up the challenge of innovative manufacturing for the realization of a smart society, based on thorough customer orientation and quality control.

3 Inputs

While maintaining a sound financial position, we will strengthen our business foundation and invest in growth, to respond to the risks and opportunities associated with future changes in the environment. We will also enhance our education and training programs to develop our human resources, and actively engage in joint industry-academia-government R&D to acquire new intellectual property.



4 Outputs

Having put diverse resource inputs into our business model, we can offer products and services in the areas of gas-related equipment, water-related equipment, private-demand sensor systems, and instrumentation, totaling approximately 200 types and 5,000 items. The greatest feature of our products is the wide variety of product variations, from water and gas meters to industrial equipment that support social infrastructure, with fluid measurement technology at the core. We will provide products with QCD (Quality, Cost, Delivery) that satisfy our customers, through reliable quality control and production capabilities based on our experience and achievements.

5 Outcomes

The products and services provided by Aichi Tokei Denki play an important role in supporting the stability of social infrastructure by ensuring that all people can use the precious resources of water and gas fairly and with peace of mind. In addition, “measurement” means understanding the situation, which is essential for the effective use of energy and for the realization of a decarbonized society in the future.

We have consistently aimed at manufacturing products that contribute to social infrastructure. We will continue to refine technologies that benefit a smart society, provide new value, and grow together with our customers, business partners, shareholders, local communities, employees, and all other stakeholders.

Risks and Opportunities

Aichi Tokei Denki analyzes the external environment to identify risks and opportunities for sustainable growth. We will respond to these risks and opportunities and seek to resolve the material issues identified, in order to create value over the medium to long term.

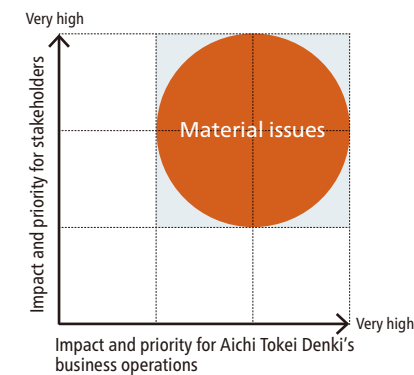
Specific Process

1 Identification of Issues

We identify issues from risks and opportunities identified through analysis of international guidelines and standards as well as social, market, and company conditions.

2 Assessing the Importance of Issues

We map the identified issues on two axes: impact and priority for stakeholders, and impact and priority for Aichi Tokei Denki's business operations, and evaluate their importance accordingly.









3 Development and Implementation of Promotion Plans

The divisions working on each issue take the lead in setting promotion plans to achieve goals. They periodically review implementation status at Senior Executive Committee meetings and improve initiatives as needed.

NO.	External Environment	Risks				Opportunities	Response		Material Issues
		Description	Potential	Impact			Description	Time axis	
1	Natural disasters due to climate change	<ul style="list-style-type: none"> Shutdown of production plants Material and parts supply stoppages at suppliers 	Medium	Large		<ul style="list-style-type: none"> Expansion of markets related to disaster prevention and flood control 	<ul style="list-style-type: none"> BCP formulation Supply chain restructuring 	Short term	5,7 Expansion of markets and business fields
2	Resource depletion and supply shortages	<ul style="list-style-type: none"> Difficulty in procuring energy- and electronics-related materials and components, and price hikes 	Large	Medium		<ul style="list-style-type: none"> Differentiation through environmentally friendly products Product improvement Improvement of production facilities 	<ul style="list-style-type: none"> Differentiation through environmentally friendly products Product improvement Improvement of production facilities 	Short to medium term	6,7 Promotion of technological innovation
3	Declining birthrate and aging population (in Japan)	<ul style="list-style-type: none"> Attenuation of corporate activities due to difficulty in securing personnel Shrinkage in markets due to decreasing number of households 	Medium	Large		<ul style="list-style-type: none"> Diversity and inclusion to build a diverse workforce Increased productivity 	<ul style="list-style-type: none"> Realization of corporate activities with fewer employees (productivity improvement, digitalization) Realization of measures to secure personnel (mid-career hiring, telework, re-hiring after retirement) Work style reform practices Empowerment of women Human development Accelerating global expansion Optimization of production sites 	Ongoing measures	1,2 Environmentally conscious management
4	Rising social responsibility	<ul style="list-style-type: none"> Loss of trust due to noncompliance scandals Decline in corporate value 	Medium	Medium		<ul style="list-style-type: none"> Synergy effects with a stable financial base to improve management strength 	<ul style="list-style-type: none"> Improving the effectiveness of the Board of Directors Prompt and transparent disclosure Active dialog with investors 	Ongoing measures	3 Rewarding work and job satisfaction Increase employee engagement
5	High quality expectations	<ul style="list-style-type: none"> Loss of customer confidence due to complaints and recalls Profit squeeze 	Medium	Large		<ul style="list-style-type: none"> Improve customer satisfaction by providing high quality products 	<ul style="list-style-type: none"> Continue design quality improvement activities Maintain and improve our quality management system Continued quality-focused training 	Ongoing measures	3 Addressing the declining birthrate and aging population (Businesses that adapt to a declining birthrate and aging population environment)
6	Energy shift	<ul style="list-style-type: none"> Shrinking gas meter market due to shift to electrification or new energy sources 	Medium	Medium		<ul style="list-style-type: none"> New energy measurement markets (e.g., hydrogen) 	<ul style="list-style-type: none"> Trend research Forward-looking technology development Explore new markets and expand overseas sales 	Ongoing measures	
7	Diversification of customer needs	<ul style="list-style-type: none"> Decline in demand and sales due to obsolescence of existing products 	Medium	Medium		<ul style="list-style-type: none"> Acquire new customers through the development and sale of digitization-compatible products Develop products that match customer needs 	<ul style="list-style-type: none"> Develop products compatible with digitization Marketing promotion Product proposal → development plan → product realization 	Ongoing measures	4 Strengthening corporate governance

Material Issues

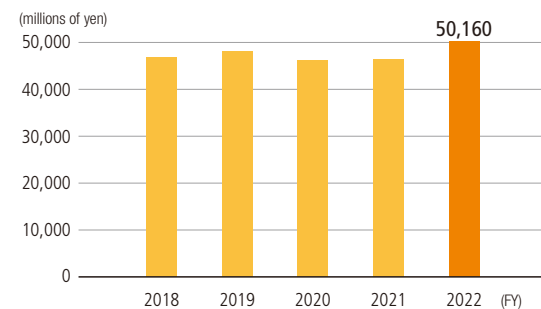
Based on the analysis of risks and opportunities, Aichi Tokei Denki has identified six material issues that we should address. We will establish KPIs for each issue, and make company-wide efforts to increase their effectiveness.

Material Issues	Action		Results for FY2022	KPI
Expansion of markets and business fields ⇒P.24, 39 	<ul style="list-style-type: none"> Shift to products of high added value Global expansion Product portfolio shift 		<ul style="list-style-type: none"> Increase in overseas sales, including ultrasonic gas meters for China (overseas sales: 4,281 million yen, overseas sales ratio: 8.5%) Achieved Cloud connection of approximately 300,000 LP gas meters Full-scale operation of water-related IoT products 	<ul style="list-style-type: none"> Overseas sales, overseas sales ratio Number of “Aichi Cloud” data distribution services users (number of meters connected)
Promotion of technological innovation ⇒P.29, 34 	<ul style="list-style-type: none"> Expansion of data distribution service functions Research with an eye on future trends (e.g., decarbonization, use of AI) 		<ul style="list-style-type: none"> Launched new services with system integration in data distribution services (2 projects) R&D costs: 1,173 million yen Establishment of technology related to hydrogen meters 	<ul style="list-style-type: none"> Expansion of data distribution service content Expansion of R&D investment
Environmentally conscious management ⇒P.36, 38 	<ul style="list-style-type: none"> Carbon neutral compliance Development of environmentally friendly products 		<ul style="list-style-type: none"> CO₂ emissions reduction (compared to FY2013): 61.9% reduction New compact and lightweight water meter released 	<ul style="list-style-type: none"> CO₂ emission volume Achieve carbon neutrality by 2050
Rewarding work and job satisfaction Increase employee engagement ⇒P.32 	<ul style="list-style-type: none"> Promote health and productivity management Empower women Strengthen human resource development 		<ul style="list-style-type: none"> Male employees taking childcare leave: 46.2% Certified as a Health & Productivity Management Outstanding Organization 2023 (third time, for the third consecutive year) Kurumin 2021 certification Aichi Female Empowerment Company Certification 	<ul style="list-style-type: none"> Level-specific training (expanded content, and conducted once a year) Increase the percentage of female employees Increase the percentage of female managers Increase the percentage of male employees taking maternity leave
Adapting to the declining birthrate and aging population (Businesses that adapt to a declining birthrate and aging population environment) ⇒P.29, 32 	<ul style="list-style-type: none"> Personnel system reform (non-regular employees → regular employees) New market initiatives 		<ul style="list-style-type: none"> Use a post-retirement continuous employment system up to age 65 Run demonstration experiments using smart meters for supervision and other purposes 	<ul style="list-style-type: none"> Improve operational efficiency through DX promotion Strengthen mid-career hiring
Strengthening corporate governance ⇒P.42 	<ul style="list-style-type: none"> Improve the effectiveness of the Board of Directors, committees, etc. Strengthen internal control 		<ul style="list-style-type: none"> Promote female executives Establish an Internal Control Committee Monthly compliance training for all employees 	<ul style="list-style-type: none"> Strengthen systems and functions to enhance governance Instill compliance among all employees

Financial and Non-Financial Highlights

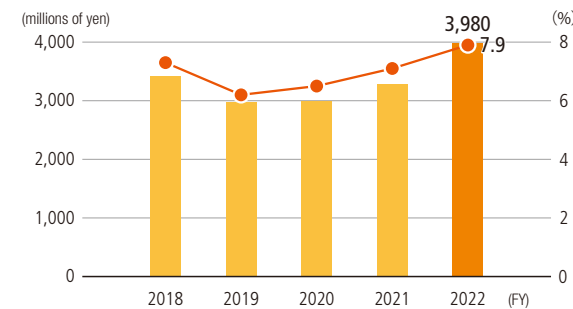
Financial information is calculated on a consolidated basis and non-financial information is calculated on a non-consolidated basis.

Sales



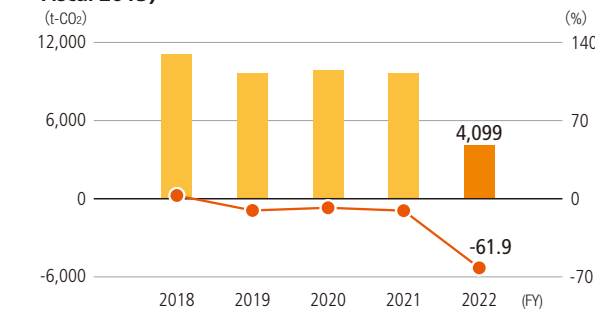
As demand remained strong in both the domestic and overseas markets, sales increased by 7.9% YoY to 50.16 billion yen. Due to the growth of IoT-related equipment and the increase in exports, gas-related equipment sales increased by 5.5%, and sales of water-related equipment, which remained strong in both the domestic and overseas markets, increased by 9.9%. Private-demand sensors and systems, which were affected by parts procurement difficulties, saw sales decline by 4.5%. The property whose construction period was delayed last year was completed, and other properties also progressed well, resulting in an increase in instrumentation sales of 18.8%.

Operating profit/Operating profit margin



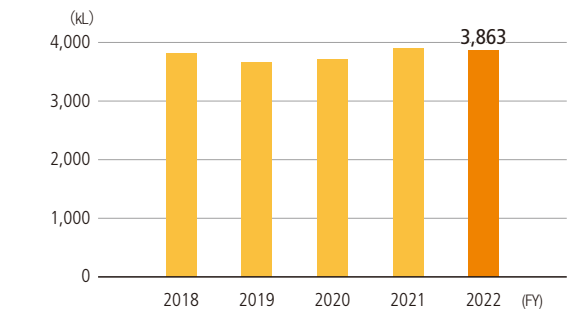
Although it was affected by the increase in resource prices and the increase in purchase prices due to the depreciation of the yen, thanks to the increase in sales, operating profit increased 21.1% YoY to 3.98 billion yen.

CO₂ emissions/Reduction in CO₂ emissions (compared to Fiscal 2013)



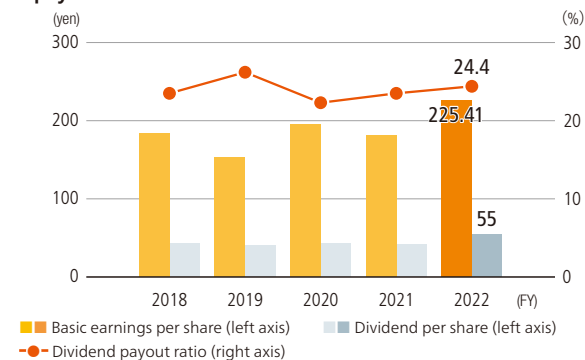
In April 2022, we began introducing CO₂-free power at the head office, the head office factory, the Okazaki factory, and Aichi Kisosaki Seikou Co., Ltd. As a result of this initiative, we reduced our CO₂ emissions in fiscal 2022 by 61.9% compared to fiscal 2013. We significantly exceeded the 2030 target (38% reduction) for the industrial sector set by the Japanese government in the "Plan for Global Warming Countermeasures."

Energy usage



We have been evaluated as an excellent energy-saving business operator (S-Class) in the "Business Class Classification Evaluation System" based on the periodic report of the Act on the Rational Use of Energy implemented by the Ministry of Economy, Trade and Industry. In fiscal 2022, we used 3,863 kiloliters of energy (due to higher plant utilization resulting from increased demand).

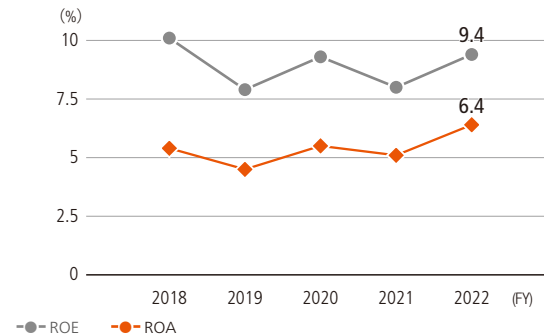
Basic earnings per share*/dividend per share*/dividend payout ratio



In consideration of financial stability and investment plans for long-term growth, we implement shareholder returns based on our business performance. In fiscal 2022, we implemented a 125th anniversary dividend (3 yen).

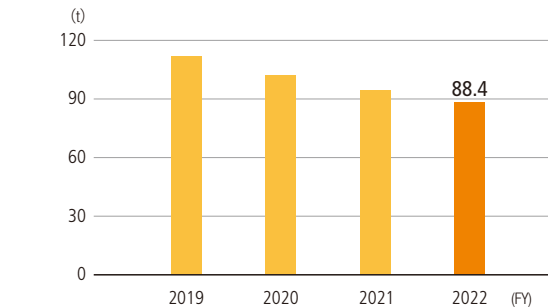
* We implemented a stock split at the rate of 3 shares per common share on February 1, 2022. Basic earnings per share is calculated on the assumption that the stock split was carried out at the beginning of fiscal 2018, and for dividends per share, dividends in and before fiscal 2021 are calculated taking into account the stock split.

ROE/ROA



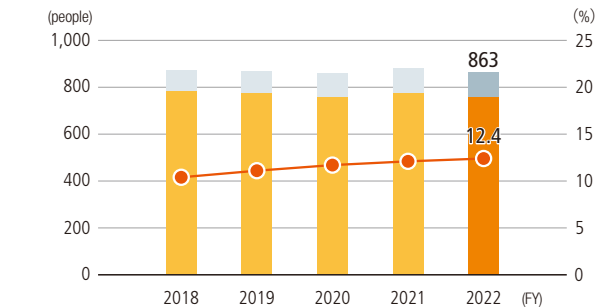
During the Medium-term Management Plan period, ROA, which we position as a key indicator, was 6.4%, exceeding the target of 4.9% when the Medium-term Management Plan was formulated in 2022.

Waste plastic weight



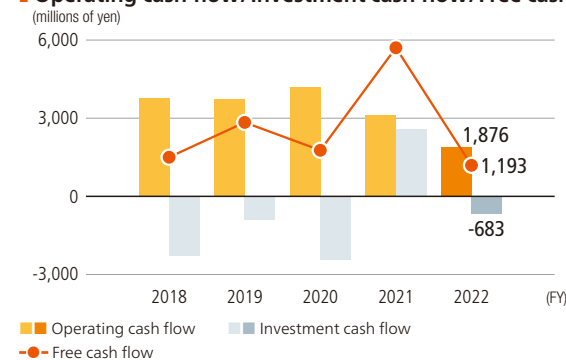
We strive to reduce environmental impact at all stages of the product lifecycle, and we are promoting the reduction of emissions of environmentally harmful substances in our production activities and the design of products that are highly environmentally friendly. For the fourth consecutive year since we started weighing, we have achieved a reduction in the weight of waste plastic, reaching 88.4 tons in fiscal 2022.

Employees (career-track positions) Number/Female percentage



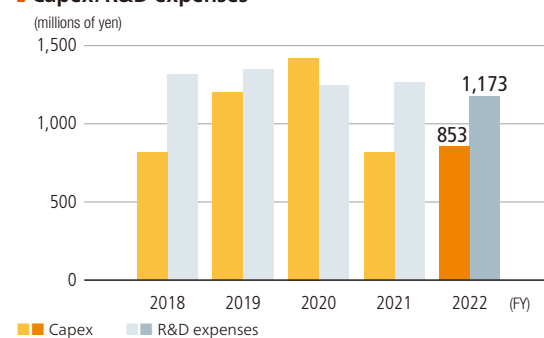
In our Medium-term Management Plan, we promote the advancement of women as one of the pillars for improving our corporate value. In fiscal 2022, the female ratio was 12.4%. In January 2023, we were recognized for our efforts to promote the advancement of women, and we have been certified as an "Aichi Female Empowerment Company."

Operating cash flow/Investment cash flow/Free cash flow



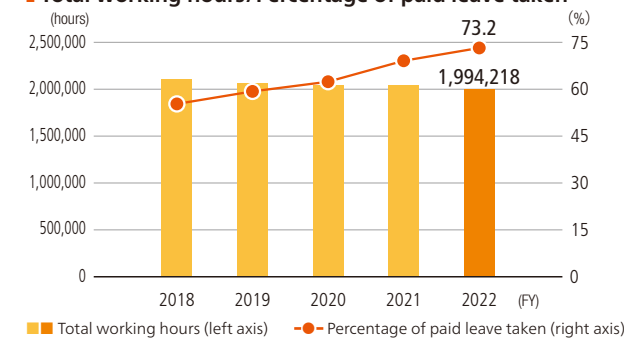
Operating cash flow amounted to +1,876 million yen (down 1,238 million yen compared to the previous fiscal year) due to an increase in sales receivables, and investment cash flow amounted to -683 million yen (+2,589 million yen in the previous fiscal year) due to expenses incurred through the acquisition of property, plant and equipment. The balance of cash and cash equivalents in the current fiscal year increased by 570 million yen compared to the end of the previous fiscal year to 8,847 million yen.

Capex/R&D expenses



Mainly in the measurement equipment-related business, we invested 853 million yen for capex in gas-related equipment production equipment and water-related equipment production equipment. Our R&D activities consist of two parts: Product development activities led by the R&D headquarters to develop products that meet market needs, and technology development activities to conduct basic R&D necessary to create new product groups. The total amount of R&D expenses in the current fiscal year was 1,173 million yen.

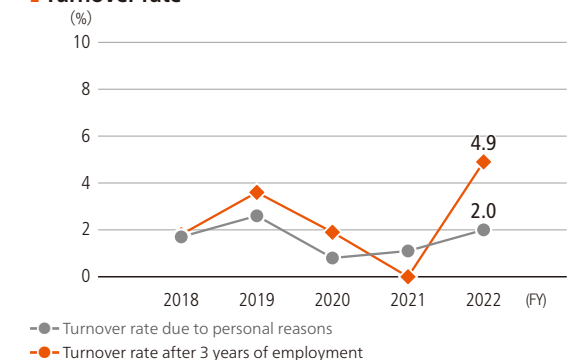
Total working hours/Percentage of paid leave taken



In order to improve the productivity of the staff department, we are standardizing and diversifying work, reducing long overtime work, and encouraging staff to take their paid leave. In 2022, the percentage of paid leave taken was over 70%. We are certified as a "Health and Productivity Management Organization 2023 (Large Enterprise Category)" under the scheme jointly implemented by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi (Japan Health Council).

* Based on the average of all employees. The number of days of paid leave granted excludes days carried forward.

Turnover rate



We are pursuing an ideal work-life balance based on each employee's values, aiming to empower our staff to play an active role in the workplace and at home, and are developing the environment and systems necessary for various work styles such as childcare and family care leave systems. The turnover rate due to personal reasons was 2.0%, and the turnover rate after 3 years of employment was 4.9%, both indicating low levels.

Medium-term Management Plan

Review of the Previous Medium-term Management Plans

	Medium-term Management Plan 2016 Fiscal 2012-2014	Medium-term Management Plan 2017 Fiscal 2015-2017	Medium-term Management Plan 2020 Fiscal 2018-2020																																																																																																																														
Vision	<ul style="list-style-type: none">Strengthen the core businesses and contribute to the realization of a "safe, secure, and comfortable" life plan.We will provide products that create new value with the keywords of "Measurement Technology," "Smart Technology," and "Solutions."We aim to become a company that respects ESG (Environment, Social, and Corporate Governance) in our corporate activities and that is loved and needed by society.		<ul style="list-style-type: none">We will pursue customer value with the keywords of "Measurement Technology," "Smart Technology," "Solutions," and provide new products.We will further expand to overseas markets, and expand our products and technologies to the world.We will become a company that respects ESG (environment, social, corporate governance) in our corporate activities and that is loved by society.																																																																																																																														
Backbone of the Plan	<p>Basic Strategy</p> <p>Improving profitability of core businesses: Strengthening competitiveness in the water and gas meter fields and strengthening the "manufacturing system"</p> <p>Taking on the challenge of market expansion and new businesses: Expansion into overseas markets, expansion into private-demand markets, and evolution of core technologies such as ultrasonic and electro-magnetic application technologies</p> <p>Strengthening management capabilities: Achieving transparent management practices that are CSR-conscious and improving the effectiveness of the internal control system, shifting to a slim management structure, and strengthening the management of the entire group</p>	<p>Basic Strategy</p> <p>Improving the profitability of the core businesses: Improving the profitability of water meters, increasing sales and profits during the demand period of propane gas meters, increasing sales in the instrumentation market</p> <p>Taking on the challenge of market expansion and new businesses: Taking on the challenge of new products through technology seeds and expanding to overseas markets</p> <p>Strengthening our management capabilities: Sustainable growth, increasing our corporate value, and shifting to a slim management structure</p>	<p>Basic Strategy</p> <p>Taking on the challenge of market expansion and business area expansion: Promoting local production and local sales and finding new partners at overseas bases, strengthening the structure in the instrumentation field, expanding the product lineup in the factory utilities market, and considering measurement data delivery services</p> <p>Improve competitiveness and profitability in our core business areas: Driving down costs for our core products, prioritizing quality in our manufacturing, and promoting technology transfer and next-generation development</p> <p>Strengthening management capabilities: Improving the productivity of staff departments, group management with an overall optimal orientation, and ESG-focused management to achieve sustainable growth and increase corporate value</p>																																																																																																																														
Reflections	<ul style="list-style-type: none">Due to the decline in the price of water meters, our core business, and the high price of copper, which is the casing material of meters, profits did not reach the planned level.Although sales to the private-demand sensor field and overseas markets, which were expected to be growth fields, grew steadily, they did not achieve the expected results.	<ul style="list-style-type: none">Although sales did not reach the plan, sales and profits reached record highs.Sales increased significantly due to an increase in demand for household propane gas meters and gas meters for overseas use, and an increase in orders for large properties in the instrumentation field.Increased sales of high-value-added products and additional measures to reduce costs in response to rising raw material prices contributed to profits.	<ul style="list-style-type: none">Sales and ordinary profit fell short of the plan due to the decline in the instrumentation field due to natural disasters and the decline in overseas demand due to the impact of US-China trade friction. Profit for the period achieved the plan due to gains from the sale of shares.The measurement data delivery service, for which we took on the challenge of market expansion and business area expansion, has grown in the household propane gas meter field, and we expect it to expand in the future.																																																																																																																														
Issues	<p>[Core Businesses]</p> <ul style="list-style-type: none">Be thorough in selective orders in water meter bidding and strengthen price competitivenessRealize superiority in QCD (quality, price, delivery date) for the peak demand of propane gas metersStrengthen construction and management structures in the instrumentation field <p>[New Markets]</p> <ul style="list-style-type: none">Develop new technologies and services to advance the domestic factory marketPromote research and study for participation in the overseas water business and consider business development	<ul style="list-style-type: none">Respond to the decline in profitability of core businesses, such as the decline in demand for household gas and water meters due to the decline in the population in JapanRespond to customer environmental changes such as the liberalization of energy markets in the gas business and revisions to laws related to the water businessRespond to growing business opportunities such as conversion to natural gas in China and infrastructure development in the ASEAN regionConsider the use of smart technologies such as the advancement of data communication technology and changes in servicesIn the face of labor shortages, there is an urgent need to enhance manufacturing technology and improve productivity to respond to the evolution of manufacturing	<ul style="list-style-type: none">Respond to customer environmental changes such as the liberalization of energy markets in the gas business and revisions to laws related to the water businessRespond to changes in the market environment, such as radical digitalization and decarbonization (carbon neutrality)Respond to growing business opportunities in China and the ASEAN regionRespond to diversified customer value by expanding the use of IT/IoT technology and AI technologyManufacturing that enhances manufacturing technology and optimal production across the group																																																																																																																														
(billions of yen)	<table><tr><th colspan="2">FY2012</th><th colspan="2">FY2013</th><th colspan="2">FY2014</th><th>Five-year target</th></tr><tr><th>Plan</th><th>Results</th><th>Plan</th><th>Results</th><th>Plan</th><th>Results</th><th>FY2016</th></tr><tr><td>Sales</td><td>42.3</td><td>44.5</td><td>42.5</td><td>43.1</td><td>44.5</td><td>41.5</td><td>50.0</td></tr><tr><td>Ordinary profit</td><td>2.5</td><td>2.6</td><td>3.2</td><td>2.5</td><td>3.5</td><td>1.9</td><td>4.0</td></tr><tr><td>Profit</td><td>1.4</td><td>1.7</td><td>1.7</td><td>1.6</td><td>1.9</td><td>1.1</td><td>2.2</td></tr><tr><td>ROE (%)</td><td>8.0</td><td>9.5</td><td>9.5</td><td>8.3</td><td>9.8</td><td>5.7</td><td>10.0% or more</td></tr></table> <p>8% or more over 5 years, 10% or more after 5 years</p>	FY2012		FY2013		FY2014		Five-year target	Plan	Results	Plan	Results	Plan	Results	FY2016	Sales	42.3	44.5	42.5	43.1	44.5	41.5	50.0	Ordinary profit	2.5	2.6	3.2	2.5	3.5	1.9	4.0	Profit	1.4	1.7	1.7	1.6	1.9	1.1	2.2	ROE (%)	8.0	9.5	9.5	8.3	9.8	5.7	10.0% or more	<table><tr><th colspan="2">FY2015</th><th colspan="2">FY2016</th><th colspan="2">FY2017</th></tr><tr><th>Plan</th><th>Results</th><th>Plan</th><th>Results</th><th>Plan</th><th>Results</th></tr><tr><td>Sales</td><td>42.2</td><td>41.7</td><td>45.2</td><td>44.7</td><td>48.2</td><td>47.2</td></tr><tr><td>Ordinary profit</td><td>2.4</td><td>1.9</td><td>2.8</td><td>3.0</td><td>3.2</td><td>3.8</td></tr><tr><td>Profit</td><td>1.5</td><td>1.4</td><td>1.8</td><td>2.2</td><td>2.1</td><td>2.7</td></tr><tr><td>ROE (%)</td><td>7.1</td><td>6.6</td><td>7.8</td><td>9.8</td><td>8.5</td><td>10.9</td></tr></table> <p>Increase to 8% or more within the period</p>	FY2015		FY2016		FY2017		Plan	Results	Plan	Results	Plan	Results	Sales	42.2	41.7	45.2	44.7	48.2	47.2	Ordinary profit	2.4	1.9	2.8	3.0	3.2	3.8	Profit	1.5	1.4	1.8	2.2	2.1	2.7	ROE (%)	7.1	6.6	7.8	9.8	8.5	10.9	<table><tr><th colspan="2">FY2018</th><th colspan="2">FY2019</th><th colspan="2">FY2020</th></tr><tr><th>Plan</th><th>Results</th><th>Plan</th><th>Results</th><th>Plan</th><th>Results</th></tr><tr><td>Sales</td><td>47.4</td><td>46.7</td><td>48.9</td><td>48.1</td><td>48.0</td><td>46.2</td></tr><tr><td>Ordinary profit</td><td>3.9</td><td>3.8</td><td>4.1</td><td>3.2</td><td>4.1</td><td>3.2</td></tr><tr><td>Profit</td><td>2.7</td><td>2.8</td><td>2.8</td><td>2.3</td><td>2.8</td><td>2.9</td></tr><tr><td>ROE (%)</td><td>9.6</td><td>10.1</td><td>9.2</td><td>7.9</td><td>8.6</td><td>9.3</td></tr></table> <p>Maintain at least 8% within the period</p>	FY2018		FY2019		FY2020		Plan	Results	Plan	Results	Plan	Results	Sales	47.4	46.7	48.9	48.1	48.0	46.2	Ordinary profit	3.9	3.8	4.1	3.2	4.1	3.2	Profit	2.7	2.8	2.8	2.3	2.8	2.9	ROE (%)	9.6	10.1	9.2	7.9	8.6	9.3
FY2012		FY2013		FY2014		Five-year target																																																																																																																											
Plan	Results	Plan	Results	Plan	Results	FY2016																																																																																																																											
Sales	42.3	44.5	42.5	43.1	44.5	41.5	50.0																																																																																																																										
Ordinary profit	2.5	2.6	3.2	2.5	3.5	1.9	4.0																																																																																																																										
Profit	1.4	1.7	1.7	1.6	1.9	1.1	2.2																																																																																																																										
ROE (%)	8.0	9.5	9.5	8.3	9.8	5.7	10.0% or more																																																																																																																										
FY2015		FY2016		FY2017																																																																																																																													
Plan	Results	Plan	Results	Plan	Results																																																																																																																												
Sales	42.2	41.7	45.2	44.7	48.2	47.2																																																																																																																											
Ordinary profit	2.4	1.9	2.8	3.0	3.2	3.8																																																																																																																											
Profit	1.5	1.4	1.8	2.2	2.1	2.7																																																																																																																											
ROE (%)	7.1	6.6	7.8	9.8	8.5	10.9																																																																																																																											
FY2018		FY2019		FY2020																																																																																																																													
Plan	Results	Plan	Results	Plan	Results																																																																																																																												
Sales	47.4	46.7	48.9	48.1	48.0	46.2																																																																																																																											
Ordinary profit	3.9	3.8	4.1	3.2	4.1	3.2																																																																																																																											
Profit	2.7	2.8	2.8	2.3	2.8	2.9																																																																																																																											
ROE (%)	9.6	10.1	9.2	7.9	8.6	9.3																																																																																																																											
Dividend payout ratio	5-year average of 30% or more		30% or more on average over 3 years																																																																																																																														

Medium-term Management Plan 2023 Overview

Mission

- Based on our corporate philosophy of reliability, creativity, and service, we will improve technologies that contribute to a smart society and contribute to society by continuing to create and provide new value to our customers.

Vision

- We will pursue customer value with the keywords of "Measurement Technology," "IoT Technology," and "Solutions," and provide new systems and services.
- We will continue to make our efforts for overseas markets more responsive, and we will expand our products and technologies to the world.
- We will become a company that respects ESG (environment, social, corporate governance) in our corporate activities and that is trusted by society.

Basic Strategy and Priority Measures

Take on the challenge of market expansion and business area expansion

- Promote smart products and expand data delivery services
- Strengthen product competitiveness for overseas markets and strengthen relationships with partners
- Strengthen sales, construction, and maintenance capabilities of sensors and systems for public facilities

Improve competitiveness and profitability in our core business areas

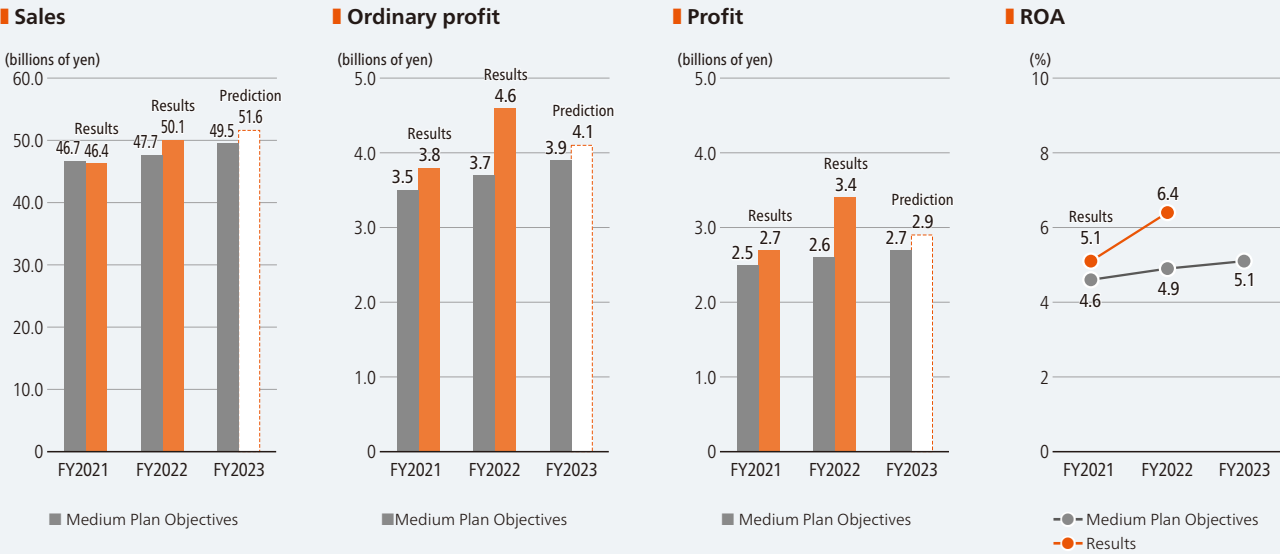
- Improve price competitiveness
- Improve customer satisfaction
- Response to smart meter production

Strengthen our management capabilities

- Improve staff department productivity
- Overall optimal group management
- Increase corporate value

Achieved both the Sales and Profit Plans in fiscal 2022

- Efforts to focus on priority measures have progressed, and sales and profits have grown significantly.
- In fiscal 2023 (final year), while sales are expected to increase and profits are expected to decrease, we expect to achieve the plan.

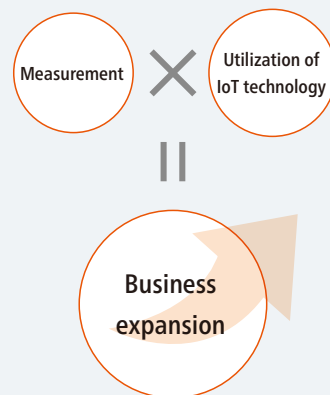


Medium-term Management Plan

Medium-term Management Plan 2023 Priority Measures

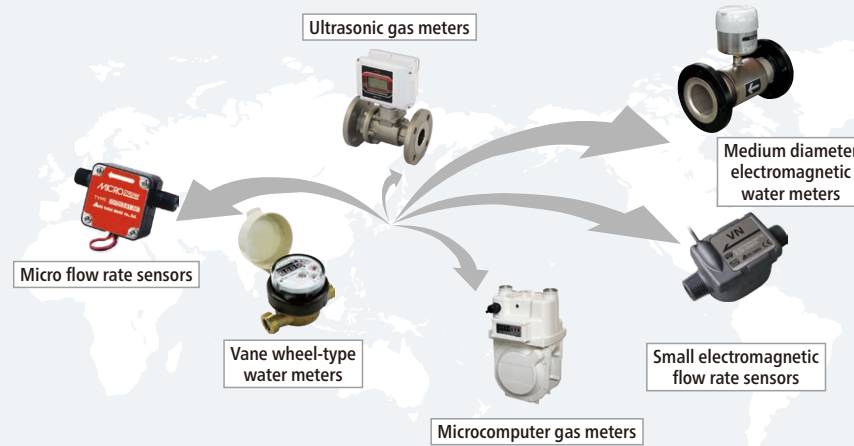
Promote smart products and expand data delivery services

We will promote our company's smart measurement equipment and contribute to customer business efficiency and new service development by providing collected data.



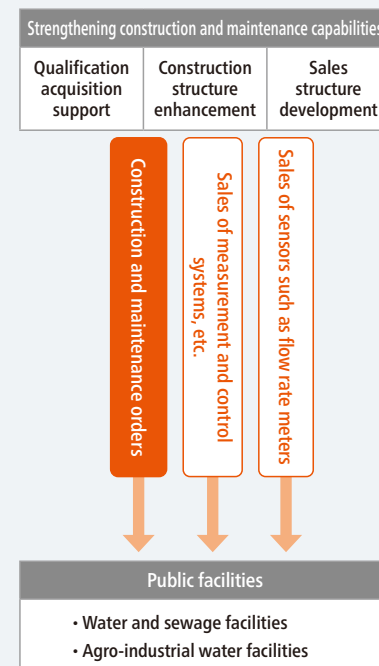
Strengthen product competitiveness for overseas markets and strengthen relationships with partners

In addition to expanding sales of gas meters and water meters for China and the ASEAN region by improving the competitiveness of products, we will expand sales of smart meters and flow rate sensors by strengthening relationships with sales partners.



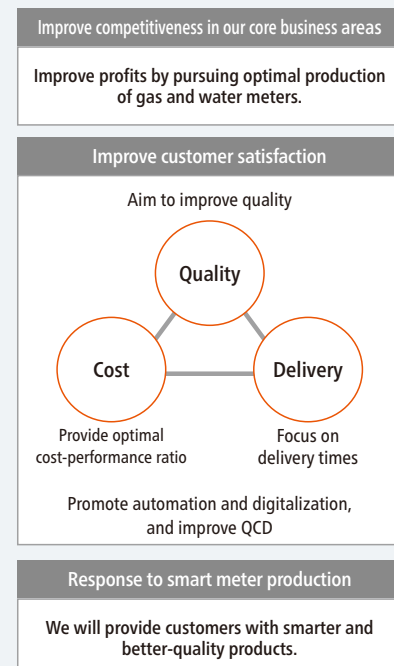
Strengthen sales, construction, and maintenance capabilities of sensors and systems for public facilities

We will strengthen our ability to make proposals for public facilities, and expand sales of sensors and measurement and control systems such as flow rate meters. At the same time, we will promote the installation, facility design, construction, and maintenance orders of sensors and systems, and strengthen our competitiveness in public works.



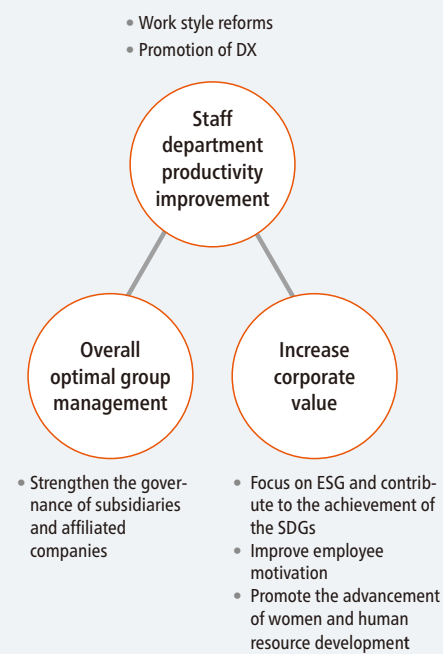
Improve competitiveness in our core business areas maintenance capabilities

By pursuing optimal production of gas and water meters, promoting automation and digitalization, and responding to smart meter production, we aim to improve price competitiveness and customer satisfaction, and improve competitiveness and profitability in our core business areas.



Strengthen our management capabilities

We will strengthen management capabilities and increase corporate value by further strengthening governance and improving employee motivation through work style reforms, promotion of DX, and human resource development.



Progress Evaluation and Challenges

Basic Strategy Market Expansion: Take on the challenge of business area expansion

Priority Measures	Evaluation
Promote smart products and expand data delivery services	○
Strengthen product competitiveness for overseas markets and strengthen relationships with partners	○
Strengthen sales, construction, and maintenance capabilities of sensors and systems for public facilities	○

Promote smart products and expand data delivery services

Sales related to the data delivery service Aichi Cloud remained strong, and the number of connected meters since the start of sales has reached about 600,000 units. Expansion has been roughly as planned, mainly in the LP gas market. In the future, we will strive to further expand in the city gas and water markets.

Strengthen product competitiveness for overseas markets and strengthen relationships with partners

Sales of high-value-added products, such as ultrasonic meters

for natural gas in the Chinese market and electromagnetic water meters for North America progressed, and overseas sales have increased significantly. We will work to strengthen our product competitiveness in order to expand our share in the Chinese gas market, which is expected to continue to grow.

Strengthen sales, construction, and maintenance capabilities of sensors and systems for public facilities

Strengthen sales, construction, and maintenance capabilities of sensors and systems for public facilities. As a result of efforts to cultivate SEs, such as promoting the acquisition of qualifications, we have enhanced the construction structure. Contribute to winning large projects. We aim to improve our proposal capabilities by expanding our product lineup and utilizing digital technologies.

Basic Strategy Improve price competitiveness

Priority Measures	Evaluation
Improve price competitiveness	△
Improve customer satisfaction	△
Response to smart meter production	○

Improve price competitiveness

Although we made our water meters smaller and lighter, and reduced production costs and environmental impact, the contribution to profitability was limited due to rising raw material prices and parts procurement difficulties. We will continue to promote product design changes and optimization of production bases.

Improve customer satisfaction

In preparation for the occurrence of a serious quality problem, we have established a structure to quickly resolve incidents by strengthening interdepartmental cooperation. We will promote automation of production processes and labor saving, and aim to further improve QCD.

Response to smart meter production

Capital investment to increase production of smart meters for city gas has generally remained as planned. We will promote efforts to strengthen the production structure of smart meters for water supply, for which we expect demand in the future.

Basic Strategy Strengthen our management capabilities

Priority Measures	Evaluation
Staff department productivity improvement	△
Overall optimal group management	○
Increase corporate value	△

Staff department productivity improvement

We improved overall productivity by standardizing and diversifying work roles, reducing long hours of overtime, and promoting the acquisition of paid holidays. In addition to the digitization of internal documents, the acquisition of certifications such as Health & Productivity Management Outstanding Organization, Kurumin, and Aichi Female Empowerment Company, is progressing, while the expansion of the internal structure for the advancement of women and the establishment of employee education are issues for the future.

Overall optimal group management

In addition to promoting the sharing of business management methods across the group and the establishment of compliance education, we aimed to strengthen the group by implementing progress management of subsidiary investment plans and business restructuring. Going forward, we will further strengthen governance by expanding training opportunities for group company leaders.

Increase corporate value

During the Medium-term Management Plan period, sales and profits increased significantly, but the share price only increased by about 3%. In addition to promoting efforts toward sustainability, we will strive to improve our market reputation by actively disclosing information that is easy to understand.

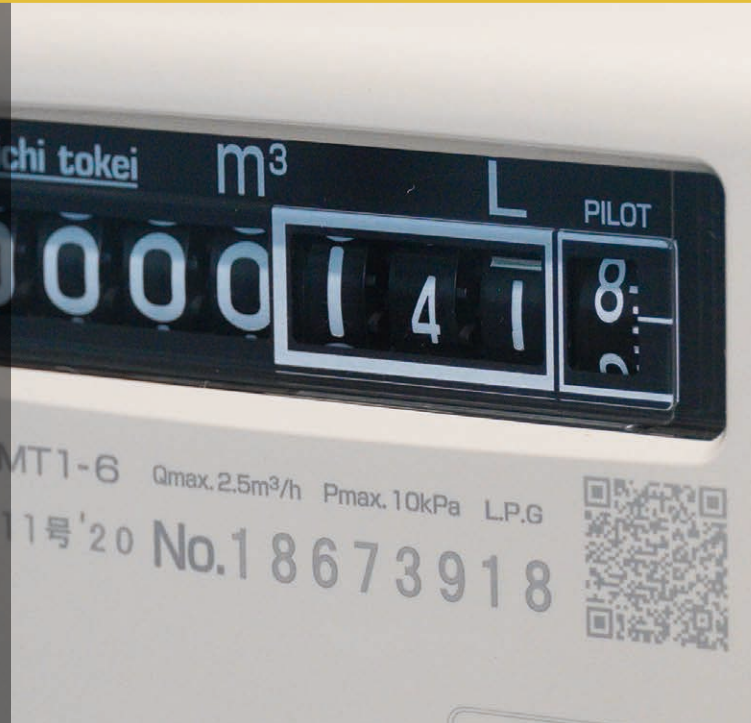
Strategy for Each Business Field



Gas-related Equipment

Main Markets Homes and multiple-dwelling complexes

In modern society, energy supply is an essential element that underpins the foundations of our daily lives. Among energy supplies, gas is used for a wide range of purposes, including heating, cooking, and industrial processes, making it indispensable for daily life and economic activities. A stable supply of gas and a high level of safety are directly related to the stability and development of society, and ensuring this is a pressing issue. We are playing our part in addressing this issue and contributing to a sustainable energy supply, through the development, manufacture, and sale of gas meters. We achieve annual sales of approximately 2 million units for both residential and industrial use, and enjoy the top market share in the industry.



Main Products

City gas meters



Turbine meters / Roots gas meters



LP gas meters



Pressure-measuring instruments and governors



Strengths of Aichi Tokei Denki

Precision machining technology cultivated in watchmaking

The source of Aichi Tokei Denki's technology is the high-level precision machining technology we cultivated in watchmaking and other fields. We use this technology to create high-quality die-cast aluminum molding housings to prevent gas leakage, resulting in highly accurate meters.

Reliable technology leading to safety and security

Current mainstream gas meters accurately measure gas using a measurement membrane that reciprocates under the pressure of gas flow. From 1983, we installed micro-computers and added safety functions to detect abnormal use and shut off the gas supply. The recent introduction of ultrasonic gas meters has contributed to further safety and security.

Wide range of gas measurement technologies

Accurate gas metering and safe and reliable supply are essential elements for gas utilities. We offer a wide range of measurement technologies, including membrane, turbine, and ultrasonic meter types, to meet a variety of needs from residential to industrial applications. Gas meters are also measuring instruments that have a legal expiration date and need to be updated periodically.

Medium-term Strategy

In FY2022, sales of residential LP gas meters declined due to the impact of the replacement demand cycle, but sales of gas-related equipment steadily increased due to the growth of IoT-related products, steady sales of gas meters of city gas appliances to China and Taiwan, and replacement demand for governor pressure monitoring systems. As a result, sales of gas-related equipment increased 5.5% from the previous fiscal year to 23.78 billion yen.

For FY2023, we will promote the development of smarter products and the expansion of data distribution services in accordance with our Medium-term Management Plan 2023. In particular, we will collect and analyze data through "Aichi Cloud" to achieve efficient use and safe supply of energy by improving customers' operational efficiency and providing new services.

In the field of pressure measurement instruments, pressure test results used to be recorded manually and stored on paper, but the WM-1000 series of digital manometers, introduced in 2022, can be used in conjunction with tablets and smartphones, enabling efficient data management of test results. This product is expected to play an important role as the entire industry moves forward with DX.

In addition, we will be pushing ahead with governor pressure monitoring systems as products to support enhanced response to natural disasters and to improve the resilience of society.

Quality Initiatives

Aichi Tokei Denki focuses on strengthening its technological capabilities, and is committed to extensive research on gas measurement technology and the development of new products and technologies. Our reputation for high quality products is the result of a corporate structure centered on its Engineering Division. Every process, including in the Production Division, is rigorously inspected using the latest testing equipment, in accordance with ISO 9001 quality assurance standards. We have also established our own internal standards and continue to strive for a zero defect rate. We will continue to promote automation and digitization during manufacturing, to improve our services in terms of quality, cost, and delivery time.

Creating New Value with Connecting Technologies

Aichi Cloud, and communication terminals and smart gas meters utilizing LPWA* communication technology, will streamline gas operations and deliver new services. Through monitoring services based on daily gas meter information and appliance monitoring, we assist in early detection of abnormalities and accident prevention. We also aim to solve issues faced by gas service providers and contribute to society by improving the efficiency of meter reading operations and proposing new rate plans.

* LPWA (Low Power Wide Area)
A communication method that achieves long-distance communication with low power consumption.

Initiatives for Smarter Methods

Our "Smart Gas Meter for Residential Use" Received the Japan Gas Association's Technology Award for 2023

The "Smart Gas Meter for Residential Use" manufactured and sold by our company received the Technology Award (Gas Technology Category) for 2023, sponsored by the Japan Gas Association. In addition to the latest communication functions for automatic meter reading and transmitting error reports to cloud services, it is equipped with a motorized shutoff valve so that gas supply can be remotely shut off and restarted, and an LCD screen that allows the user to clearly understand the details of any error.

(Received jointly with Takenaka Seisakusho Co., Ltd., Toyo Gas Meter Co., Ltd., Yazaki Energy System Corporation, Kansai Gas Meter Co., Ltd., and Panasonic Corporation)



Strategy for Each Business Field

Water Supply-related Equipment

Main Markets Homes and housing complexes

Aichi Tokei Denki started manufacturing water meters in 1927. Currently, we sell approximately 2 million units annually, and along with gas meters, we have the top market share in the industry. As water resources become increasingly scarce around the world, the technology to properly measure water is becoming increasingly important. We are also taking on the challenge of developing new products, such as smart meters, and pursuing technology to correctly measure precious water.

Main Products

Local water meters



Electromagnetic water meters



Remote water meters



Hot water meters/Integrating heat meters



Strengths of Aichi Tokei Denki

Thoroughly attuned to user needs

Aichi Tokei Denki continues to meticulously improve water meters by listening to feedback from the field, to make them easier to use for users such as waterworks managers, meter readers, and waterworks construction workers. Water meters are often installed in dimly lit or cramped places, and we have devised ways to prevent incorrect meter readings by improving the visibility of the display and making displays rotatable.

Electromagnetic water meter technology

Electromagnetic water meters are highly durable because there are no moving parts or obstacles in the flow path to impede the flow of liquid. Aichi Tokei Denki has achieved the world's first use of the residual magnetic excitation method to achieve ultra-low power consumption of less than 1/10,000th of the current level. That enables continuous measurement for 10 years with a built-in lithium battery.

Easy to hold, lightweight, and environmentally friendly smart meters

Through resource-saving and eco-friendly design that takes environmental conservation into consideration, we have developed a smart meter [Model ER] that is significantly smaller and lighter than conventional electronic water meters by about 45% (for a 20 mm bore diameter). This will contribute to decarbonizing society by reducing CO₂ emissions during manufacturing, and improving transportability. In addition, our Aichi Cloud water data distribution service is available by connecting to a wireless transmitter for water meters.

Medium-term Strategy

In FY2022, the public-demand market increased due to strong bidding. Although some products were affected by the shortage of electronic components, demand from the domestic private-sector market continued to increase from the previous year. In the waterworks field, we launched our Aichi Cloud data distribution service in 2021 as an initiative to expand the market and business domain under the "Medium-term Management Plan 2023," aiming to promote the spread of smart water meters and expand data distribution services.

In recent years, water services have faced major challenges, such as declining water rate revenues due to population decline, labor shortages, and the aging of meter readers. Smart water meters and Aichi Cloud are expected not only to be a means of solving these issues, but also to be utilized in various ways, including early detection of water leakage, monitoring of water use and non-use, improvement of water conservation awareness, and efficient water distribution management based on changes in water demand.

We will actively promote the use of smart water meters, with the aims of solving problems in the water supply business, making the business sustainable, and improving the quality of life for consumers through the use of water consumption data.

Quality Initiatives

Manufacturing water meters requires two types of government certification: the Type Approval System and the Designated Manufacturer System under the Measurement Act. In addition to these two certifications, Aichi Tokei Denki has obtained the third-party certifications ISO 9001 and ISO 14001 for its product quality management system and environmental management system. We will continue to obtain certifications that meet international standards.

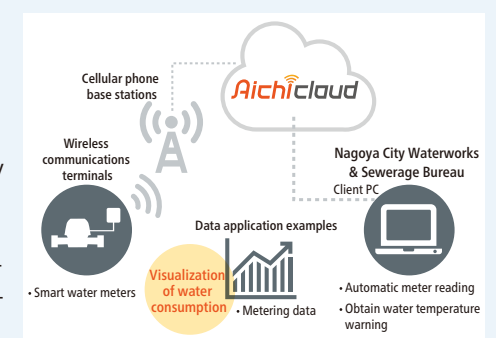
Diverse Product Lineup

Aichi Tokei Denki offers a large lineup of water-related metering instruments, including hot water meters and heat meters for buildings and commercial facilities. A heat meter is a meter that measures the amount of heat consumed by an air conditioner or heat exchanger. Two temperature sensors measure the temperature difference between the outgoing and returning pipes and calculate it together with the flow rate, enabling calorimetric measurements in a wide range of applications, from building facilities to heat-supplied housing. Calorimetry is closely related to energy conservation and decarbonization, and the demand for visualization of heat quantities, which is the first step toward improving equipment efficiency, will continue to grow.

Initiatives for Smarter Methods

Conducted joint research on smart water meters with the Nagoya City Waterworks & Sewerage Bureau

Since January 2022, we have been working with the Nagoya City Waterworks & Sewerage Bureau to verify data utilization by installing about 100 smart water meters in an area in Midori Ward, Nagoya City, where there is a concentration of single-family and multi-family dwellings, schools, parks, restaurants, and complex facilities. Hourly guideline values and leakage warning information are collected by Aichi Cloud, and the data is imported to the client PC of the Nagoya City Waterworks & Sewerage Bureau. In addition to verifying communication quality, communication success rate, durability of waterproof wireless communication terminals, etc., for the construction of an automatic meter reading system, we are also conducting research and studies on the effects and issues of acquiring high-density meter reading data. The study period is scheduled to run through March 2025.



Strategy for Each Business Field

Private-demand Sensor Systems

Main Markets Plant and equipment integration



Recently, there have been calls for using DX to shifting to IoT use and to make effective use of energy to become carbon neutral, and various initiatives are under way in many industries. In this context, we propose optimal equipment, including flow meters and systems that help save energy and monitor conditions, for industrial manufacturing facilities and equipment, medical devices, and agricultural equipment. These products are intended to address customers' issues from multiple perspectives, such as cost reduction, production efficiency, and quality improvement.

Main Products

Electromagnetic flow meters

Ultrasonic flow meters for fuel gas



Ultrasonic flow meters for air

Non-full electromagnetic flow meters

Compact electromagnetic flow sensors



Instrumentation

Main Markets Public facilities



For public facilities such as those for water supply and sewage facilities, and for agricultural water, we build systems that monitor and control multiple measurement devices via communication infrastructure, to realize safe and secure lifelines.

We support social infrastructure not only by selling and installing measuring equipment, but also by maintaining equipment through subsequent maintenance, and by undertaking numerous construction projects.

Main Products

2-wire electromagnetic flow meters

High-sensitivity electromagnetic flow meters

Electromagnetic flow meters for agricultural water

Immersion-type water level gauges



Intelligent printers

Information communication terminal devices

Remote monitoring and operation support systems



Strengths of Aichi Tokei Denki

Utilizing the technology of “long-term, accurate measurement” cultivated through the development of gas meters and water meters, we contribute to solving our customers' problems by proposing electromagnetic flow meters for measuring water, wastewater, and chemicals; ultrasonic flow meters for measuring air and gas; and peripheral systems.

Medium-term Strategy

In FY2022, sales of sensors and systems for private demand decreased 4.5% from the previous fiscal year to 2,654 million yen, mainly due to the shortage of electronic components in the domestic market for ultrasonic flow meters for air and fuel gas, our main products. This occurred despite an increase in sales of flow meters for medical equipment, and for building into industrial manufacturing equipment, in overseas markets.

With the renewed recognition of the need for DX and the accelerating global movement toward carbon neutrality, we will continue to expand sales of various flow meters and systems to contribute to IoT, environmental measures, and energy conservation in the manufacturing industry.

Strengths of Aichi Tokei Denki

Mains water and sewage, and agricultural and industrial water facilities are monitored and controlled based on measurement data such as water level, flow rate, and water quality. We offer a full range of services, from the installation of the various instruments necessary for these measurements to the design, construction, and maintenance of monitoring and control systems, contributing to the realization of stabler lifelines. We aim to become an indispensable part of water infrastructure by providing flexible and accurate proposals through the construction of systems tailored to actual conditions of use.

Medium-term Strategy

In FY2022, sales of instrumentation increased 18.8% from the previous fiscal year, to 6,573 million yen. This was partly due to the completion of a project whose construction period was extended in the previous fiscal year due to difficulties in procuring electronic components and other materials, as well as to steady orders received for other projects.

In the future, we will strengthen our ability to make proposals for public facilities and public works construction, and grow sales of flow meters, other measuring instruments, and monitoring and control systems. At the same time, we will push to win more design, construction, and maintenance orders and strengthen our competitiveness in public works projects.

Global Strategy/ IoT Strategy

Global Strategy

Aichi Tokei Denki's fluid measurement technology is highly regarded worldwide. Our products are exported to 26 countries and regions around the world, and we have established a global production system with manufacturing bases in Vietnam and China. We will continue to vigorously pursue global development, including product development for overseas markets and expansion of our business partners, to enable people around the world to lead safe, secure, and comfortable lives.

Technical Capabilities to Meet Overseas Needs

In China, PM2.5 air pollution is becoming more serious, and the Chinese government is promoting a shift from coal to natural gas and other energy sources as part of its clean energy policy. In the context of that growing need for flow meters for natural gas, we launched the AS ultrasonic flow meter. As there was no certification system for ultrasonic flow meters in China, we worked with our local partners to create a certification environment. The relationships of reliability we built with our customers in the process also became the driving force behind our market expansion.

In addition, we have been working to expand sales of electromagnetic water meters and flow sensors in Europe, the U.S., and the Middle East, to meet the needs of each country. Since the required functions of flow meters vary from country to country, additional specifications are necessary in some cases. We are striving to expand our market by conforming to the specifications of each country and promoting improvements suitable for their operating environments.

To Strengthen Relationships with Overseas Partners

The vision of the Medium-term Management Plan 2023 is to continue our efforts in overseas markets with a more responsive approach, and expand our products and technologies around the world. We aimed to expand sales by strengthening the competitiveness of products for overseas markets and strengthening relationships with sales partners, even amid concerns about

continued activity restrictions due to the Covid-19 pandemic.

Our International Sales Division has agency agreements with instrument manufacturers in many countries in addition to our local representatives in various regions. The division's staff work with our distributors to understand the market and needs in each region, and to make the best proposals.

IoT Strategy

In recent years, LPWA, a wireless communication technology for the IoT, has evolved rapidly, and devices around the world are now connected to the Internet. For Aichi Tokei Denki, IoT means equipping various objects with communication functions and sharing data over the Internet. This technology is being used to develop cloud services in the gas and water markets.

Promoting Smarter Products and Expanding Data Distribution Services

We have been promoting the use of LPWA communication technology and other IoT technologies to smarten the various measurement equipment we have brought to market, such as gas and water meters, and have been working to expand our data distribution services through the “Aichi Cloud,” which utilizes measurement data. As a result, more than 600,000 LPWA

automated meter reading terminals have been connected to LP gas meters and water meters in Japan to date, with the launch of the Aichi Cloud data distribution service for LP gas service providers in November 2019, followed by the data distribution service for water meters in November 2021.

For Further Expansion of Services

We will continue to leverage IoT technology and pursue the following strategies to promote the expansion of our data distribution services.

- (1) Expand functionality while improving the overall availability of the service system.
- (2) Expand cooperation with telecommunication carriers to promote the elimination of inaccessible areas.
- (3) Contribute to customers' business reforms by linking with various services, including those of other companies.
- (4) Promote the construction of a model for the utilization of Big Data.

We will play a fundamental role in promoting DX/GX (digital transformation/green transformation) for gas and water utilities,

and contribute to solving pressing social issues, such as the declining workforce and growing elderly population due to the declining birthrate and aging population, and CO₂ reduction related to environmental issues.



Financial and Capital Strategy and Total Shareholders Return (TSR)

Financial Situation

The financial position at the end of FY2022 was 56.3 billion yen (+7.8% YoY) in total assets and 38.3 billion yen (+9.0% YoY) in net assets, and the equity ratio increased to 68.2% (+0.8% YoY). Interest-bearing liabilities increased slightly to 880 million yen at the end of the fiscal year, but we continue to maintain high financial stability. In FY2022, operating cash flow amounted to 1.87 billion yen (-39.8% YoY)

due to increases in notes and accounts receivable - trade and inventories, investment cash flow was negative at 680 million yen, and FCF was positive at 1.19 billion yen. Financial cash flow was negative at 820 million yen due to the payment of dividends, etc. As a result, the balance of cash at the end of the fiscal year increased by 570 million yen to 8.84 billion yen.

Financial Analysis for the Last 10 Years

The results of comparing and analyzing our performance and financial situation in FY 2013 and FY 2022 are as follows.

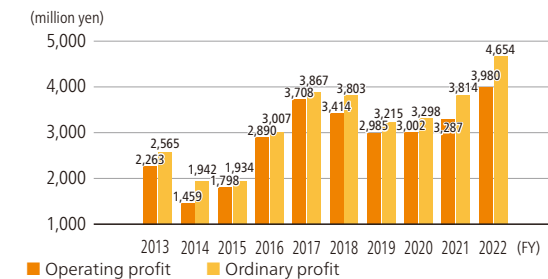
	FY2013	FY2022	Evaluation/Comment
Sales	43.1 billion yen	50.1 billion yen	Highest on record at +16.2%
Operating profit	2.26 billion yen	3.98 billion yen	Highest on record at +75.9%
Operating profit ratio	5.2%	7.9%	Improvement trend for 3 consecutive periods
Profit	1.62 billion yen	3.45 billion yen	Highest profit on record
ROE	8.3%	9.4%	The average for the last 10 periods is 8.6%
ROA	3.7%	6.4%	The average for the last 10 periods is 4.7%
Total assets	43.5 billion yen	56.3 billion yen	10.3 billion yen increase in current assets
Net assets	20.0 billion yen	38.3 billion yen	Retained earnings increased by 16.9 billion yen
Interest-bearing liabilities	8.41 billion yen	0.88 billion yen	Significantly compressed
Equity ratio	45.2%	68.2%	Stable financial base due to increase in net assets

About Shareholder Returns

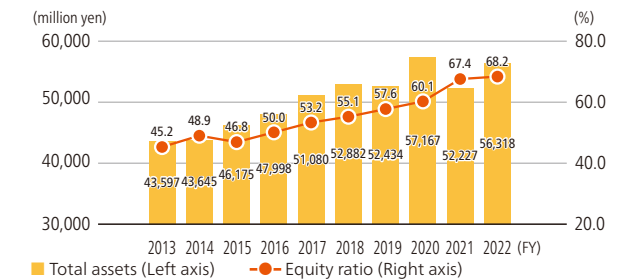
Mainly in the measurement equipment-related business, we are engaged in a business that is deeply involved in public investment, and it is necessary to secure a stable management foundation in the long term. For this reason, while aiming for financial stability and long-term growth, we also aim for stable dividends and shareholder returns based on profit growth. For the time being, we will continue to pay a stable dividend, consider financial and investment plans, and provide returns to shareholders according to our busi-

ness results. In addition, the TSR in the past 10 years has been on the same level as TOPIX. Although the PBR at the end of the fiscal year has been less than 1.0 times in the past 10 years (pages 52-53), we will continue to improve capital efficiency and take appropriate shareholder return measures, and will also strive to improve information disclosure so that business results are steadily reflected in the stock price.

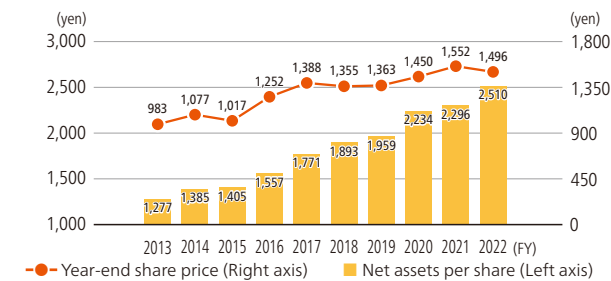
Operating profit/Ordinary profit



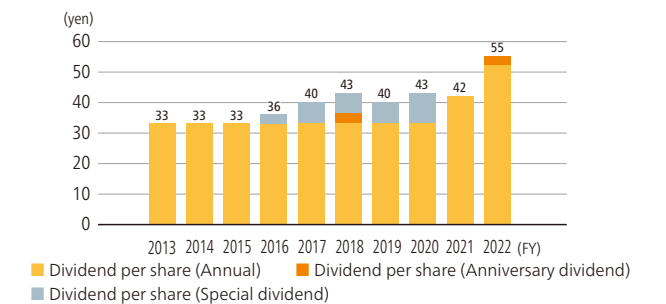
Total assets/Equity ratio



Year-end share price*/Net assets per share*



Dividend per share*

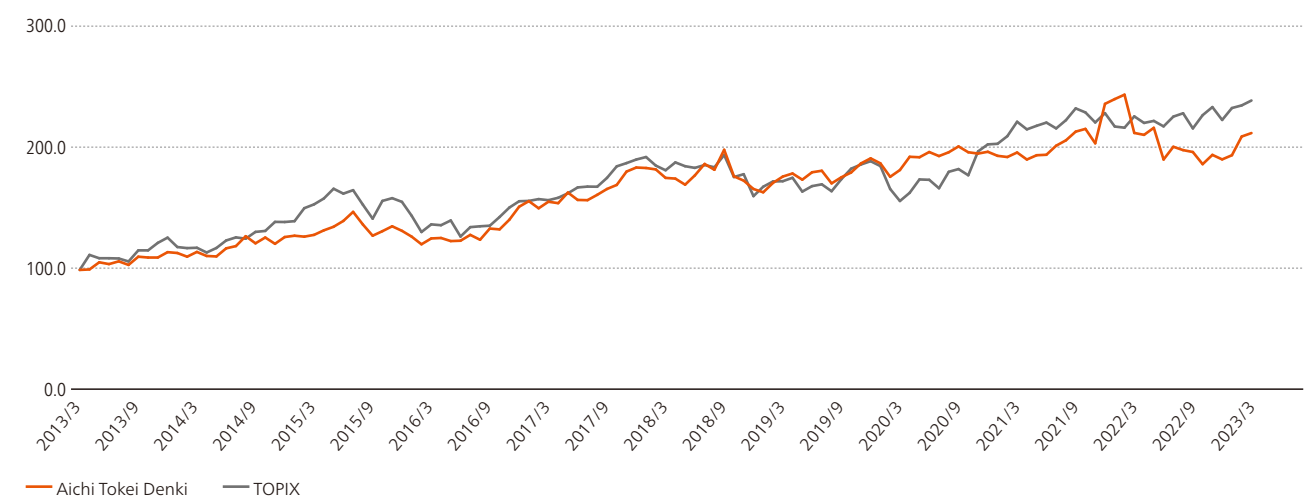


* Since a reverse stock split was carried out at the rate of 1 per 10 shares of common stock on October 1, 2016 and a stock split was carried out at the rate of 3 per 1 share of common stock on February 1, 2022, dividends before FY2021 are calculated taking into account the stock split.

TSR Over the Last 10 Years

Total Shareholders Return (TSR) due to dividends and share price changes are as follows.

Total Shareholders Return (TSR) trend



Total Shareholders Return

	1 year	3 years		5 years		10 years	
	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual
Aichi Tokei Denki	(0.1%)	20.1%	6.3%	23.9%	4.4%	114.8%	7.9%
TOPIX	5.8%	53.4%	15.3%	31.8%	5.7%	142.1%	9.2%

* Total Shareholders Return (TSR) Total return on investment calculated by combining capital gains and dividends

* Aichi Tokei Denki calculates TSR based on the cumulative dividend amount and stock price fluctuation, and TOPIX calculates TSR based on the stock price index including dividends (prepared by Aichi Tokei Denki based on Bloomberg data, etc.)

* The values in the graph are indexed to the market price based on TSR using the closing price data as of the end of March 2013 as 100 (the holding period is until the end of March 2023)

Human Resource Strategy

Related Material Issues

Rewarding work and job satisfaction
Increase employee engagement

Related SDGs



In Aichi Tokei Denki's Medium-term Management Plan 2023, we aim to improve employee motivation, promote the advancement of women, and develop human resources as pillars for increasing corporate value. While increasing corporate value through human capital management, we will contribute to the realization of a sustainable society through our business.

Human Resource Development

Career Development Support

Aichi Tokei Denki believes that the career and skills development of each employee will lead to increased corporate value, and in addition to hierarchy-based education according to grade and role, we also carry out professional training based on occupation. In addition to training for new employees (including follow-up after one year of employment), promotion training, and training for key positions based on their career stage, we provide DX promotion training and compliance training for all employees.

By reviewing the human resources system in fiscal 2020

and defining managers as “people responsible for organizational management (policy formulation, performance management, human resources management, etc.) as the head of the organization, such as holding a high degree of expertise in their responsible field,” we have clarified the human resources image required by the company, and have established a mechanism to develop those human resources from a medium- to long-term perspective. In order to secure excellent human resources, we are actively promoting mid-career recruitment as necessary.

■ Main Education and Training Systems

System	Overview
New Hire Training	Approximately one month of training to acquire the knowledge and thinking necessary for working adults and to deepen understanding of Aichi Tokei Denki. The training is held at the head office plant and includes a tour of our subsidiary in Vietnam. Follow up training is provided one year after joining the company.
Promotion Training	We provide training in conjunction with selection tests at the time of promotion. The training is aimed at grasping the gap between the expected role of the higher position and the employee's current situation, and encouraging behavioral changes towards the achievement of the expected role.
New Management Training	Training to master the overall management practice and skills required as a manager.
Inaugural Training for Key Positions	Training to acquire the necessary management practices and skills as a site manager when assuming the position of sales office director or affiliated company president at one of our 11 bases nationwide (including overseas group companies).
Training for Overseas Assignees	Training on language and crisis management before being assigned to an overseas group company.
DX Promotion Training	Briefings on our in-house system are held about 12 times a year.
Compliance Education	Implemented monthly for all employees.
TQC Education/ISO Education	We conduct inspector education and human error prevention courses from time to time for employees who wish to learn about themes related to quality control.
Departmental Education	We conduct departmental training to master the practices and skills required to perform work in each job category.
Training for Women's Empowerment	Training on the empowerment of women for female employees and managers.

■ Mid-career recruitment ratio

Fiscal 2020	14.8%
Fiscal 2021	17.6%
Fiscal 2022	41.9%

■ Human resource development image

Can proactively tackle issues without fearing mistakes
Can unleash the power of diverse people and work together to get things done
Can exercise self-discipline as a member of society, has a deep sense of ethics and responsibility

Promoting Diverse Work Styles

Aichi Tokei Denki considers the decline in the labor force due to low birthrate and aging population as a risk in human capital management. In addition to improving work efficiency by promoting work style reform and DX, we are developing the environment and systems necessary for diverse work styles with the aim of securing long-term human resources.

Work-Life Balance

We are working to reduce overtime work and improve the rate of paid leave taken so that all employees can enjoy a good work-life balance. In fiscal 2022, the average monthly overtime work time was 16.23 hours, and the percentage of taking paid leave was 73.5%, which is a significant improvement compared to before fiscal 2016, when we began to strengthen our efforts.

Health and Productivity Management

At Aichi Tokei Denki, we believe that investing in human capital is essential to realizing a human resources strategy to increase corporate value. As an important part of the theme of investing in human capital, we are committed to investing in the health of our employees and strive to maintain and improve physical and mental health through joint efforts by the company, labor union, health insurance association, and employees in order to minimize the decline in productivity caused by absenteeism and presenteeism. Regarding physical health, we disseminate regular health information to employees, have introduced the health support app “Aichi Health Plus,” and have strengthened smoking restrictions across all worksites (100% smoking-free from fiscal 2024). In terms of mental health, in addition to training for the prevention and early detection of mental health disorders, we are also focusing on pre-

venting recurrence by conducting regular interviews for employees who have returned from leave of absence for a certain period of time.

These initiatives have been recognized and we are certified as a “Health & Productivity Management Outstanding Organization (Large Enterprise Category)” under the scheme jointly implemented by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi (Japan Health Council) for three years in a row.



Realization of work styles tailored to life stage

100% of our female employees have taken childcare leave. In addition, we are also encouraging men to take childcare leave, such as by distributing brochures that introduce our childcare support systems, etc. In fiscal 2022, 46.2% of men took childcare leave. In addition, we are developing a childcare short-time work system and a childcare leave (paid) system exceeding the statutory standards.

We are also working to improve the nursing care support system, and have established a system that allows us to respond flexibly to employee needs, such as nursing care leave, short-term leave for caregivers, shortened working hours, and restrictions on overtime work.

With these measures, we were recognized with “Kurumin Certification” as a childcare support company in 2021, and in January 2023, we were recognized for our efforts to promote the empowerment of women, and we have been certified as an “Aichi Female Empowerment Company.”

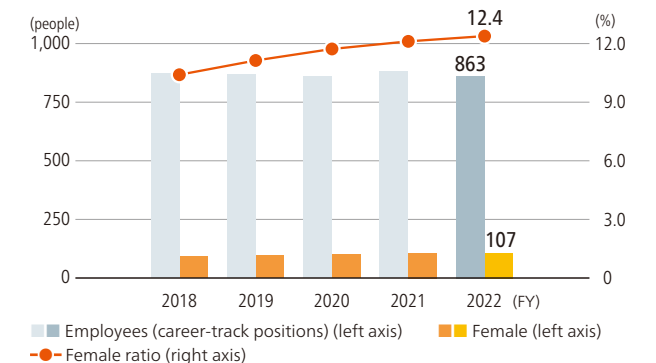


Diversity & Inclusion (D&I)

Promoting the Empowerment of Women

Aichi Tokei Denki aims to empower not only women but also employees to pursue an ideal work-life balance based on their respective values, and to play active roles in the workplace and at home. Regarding promotion of the empowerment of women, we are implementing measures such as conducting questionnaires and career education for female employees and establishing a consultation desk. The proportion of women among employees (career-track positions) is 12.3%, and the proportion of women in management positions is 1.2% (as of the end of March 2023).

■ Female ratio of employees (career-track positions)



Technological Foundation

Related Material Issues

Promotion of technological innovation

Related SDGs



Aichi Tokei Denki is a research-and-development-type company focused on developing next-generation measuring devices. By refining our “electromagnetic measurement technology” and “ultrasonic measurement technology,” our core technologies, we have succeeded in commercializing epoch-making measuring devices. We will not only continue to take on the challenge of innovative manufacturing to develop next-generation measuring devices but also develop new business fields by capturing the social needs related to energy savings and control.

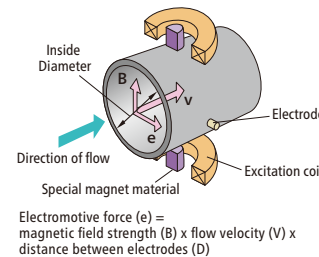
Electromagnetic Flow Meter Technology

Traditional water meters employ a mechanism that measures water volume using a vaned wheel that rotates when water flows. However, if used for large or continuous water flow, the rotating part of the wheel degrades, which can lead to malfunctions. There is also the negative effect that valuable pressure energy is dissipated from resistance when the water spins the vaned wheel. Both of these problems are eliminated with electromagnetic flow meters. An electrical current flowing in a coil generates a magnet field in the measurement tube. The meter measures the flow by detecting size of the generated electromotive flow force due to the speed of the conductive fluid. There are no movable parts and nothing to hinder the flow of fluid, which contributes to the meter’s outstanding durability. However, measuring the flow by continually running a current through the coil quickly exhausts the battery.

Our development team achieved ultra-low power consumption, less than 1/10,000th conventional power consumption, using the world’s first “residual magnetic excitation system,” which makes it possible to continuously

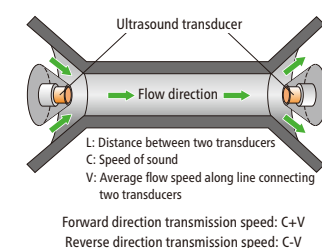
make measurements for ten years with the internal lithium battery. The development resulted in a magnetic field water meter with a certified operating life of eight years that runs on only its internal battery.

During the development process, we applied for more than 180 related patents. These patents include ones for energy efficient technology, and technology that makes it possible to measure a wide range of flows, from minute flow volumes to large flow volumes. Development of one product can give birth to various ideas and technologies that lead to the development of other products. Aichi Tokei Denki will continue to undertake development that improves on these ideas and core technologies, transforming them into performance the people need.



Ultrasonic Flow Meter Technology

Ultrasonic waves have similar properties as light, such as traveling in a straight line, reflecting, and generating energy due to vibrations. Membranes and vaned wheels have traditionally been used to measure the flow of gases and fluids, but Aichi Tokei Denki developed ultrasonic flow meters that measure flow by transmitting and receiving ultrasonic waves and precisely measuring the time it takes for the sound wave to propagate.



The operating principle behind membrane gas meters, one of the main types of gas flow meters used today, is based on measuring the volume of a measurement chamber created

by a rubber membrane that is inflated and then deflated, but multiple chambers are required for meters to operate efficiently. In particular, commercial membrane meters require large measurement chambers, which has hindered the miniaturization of meters. Ultrasonic flow meters, however, use a simple structure that employs only a miniature ultrasound sensor located in the flow, and this has dramatically contributed to miniaturization of these meters. There is also almost no pressure loss because there are no mechanically moveable parts in the flow, which helps conserve energy.

There are high expectations for the use of ultrasound to make measurements in fields that require low costs and high value, whether the substance to be measured is gas or liquid. Aichi Tokei Denki will develop numerous meters that make use of the characteristics of ultrasound.

Linking Technology—Promoting Smart Technology for Meters and Leveraging LPWA Wireless Communication Technology

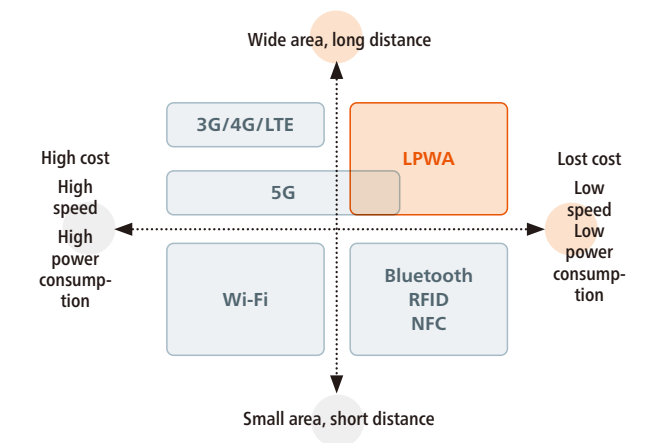
We are using LPWA wireless communication technology, an IoT technology, to promote the introduction of smart technology into measuring devices, such as gas and water meters and sensors. Based on the distinctive characteristics of various technologies, including LTE-M and NB-IoT, which use licensed bandwidths, and LoRa, which employs an unlicensed bandwidth, we match the technology to the particular situation it will be used.

What is LPWA?

LPWA, an acronym of low power wide area, is a wireless communication technology that offers wide-area, long-distance communication but requires little power. While the volume of data communicated is small and the transmission speed is slower than that of other methods, such as Wi-Fi, the technology makes wireless communication over distances of more than 10 km possible. It is drawing attention as a wireless communication technology that will form the foundation for the introduction of smart technology for homes, basic service infrastructure, factories, logistics, agriculture, and other venues that require long-distance networks for small amounts of data.

LPWA distinguishing characteristics

The following figure depicts the relationship between communication distance and speed for wireless communication based on such technologies as LPWA. Despite having a slow communication speed, LPWA is characterized by achieving wide-area, long-distance communication equivalent to LTE with low power consumption and costs.

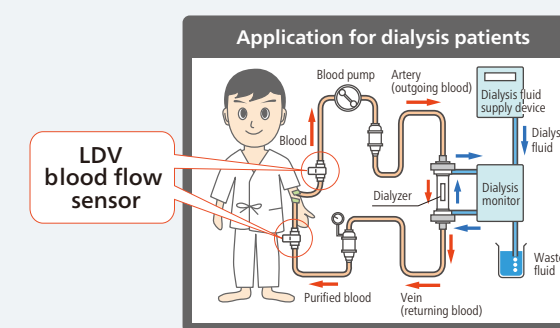


Recent research case

1 Contributing to the creation of a carbon neutral society through the development of hydrogen gas meters

With an eye toward the coming hydrogen society, we quickly launched development of hydrogen gas meters that apply ultrasonic gas meter technology developed for use with city and LP gas.

Hydrogen is one of the gases in which ultrasound waves have the most difficulty propagating as the signal strength is only about one-fourth that for city and LP gas. With hydrogen meters, the noise level, which is no problem for normal gas meters, impacts measurements because ultrasound waves are weak and hydrogen gas properties make it difficult for the signal to propagate. In response, we increased the transmission voltage compared to normal gas meters and amplification.



2 Medical Equipment Applications: Laser doppler velocimeter

In various medical treatment situations, it is necessary to measure the flow of blood because it helps medical practitioners ascertain the physical state of patients and illness. Ultrasonic waves are already used to measure blood flow, but the technology has not spread much as the equipment is large and expensive. At Aichi Tokei Denki, we are researching blood flow measurement using a laser doppler velocimeter (LDV), a compact, inexpensive way to measure blood flow using light.

Environmental Management

Related Material Issues

Environmental-conscious management

Related SDGs



At Aichi Tokei Denki, we aim to realize a decarbonized society and carbon neutrality in line with our environmental philosophy that states we will “undertake environment friendly business activities and contribute to society through products and business activities that are in harmony with the environment.” At all stages of the product life cycle, we work to reduce the burden we place on the environment by not only curbing emissions of greenhouse gases (GHG) and compounds used in manufacturing activities that place a burden on the environment but also promoting product design that takes the 3Rs (reduce, reuse, and recycle) into consideration.

Initiatives to Reduce the Burden We Place on the Environment

Initiatives to become carbon neutral

Touting Carbon Neutral Challenge 2050, we are striving to curb GHG emissions and reduce the burden we place on the environment in collaboration with our whole supply chain in order to contribute to measures to combat global warming and realize a decarbonized society by 2050. One related initiative is introducing CO₂-free electricity* at our head office and manufacturing plants in Aichi Prefecture, which we started to do in April 2022. We will also give careful consideration to moving forward with energy-saving measures and introducing photovoltaic power generation equipment in order to reduce our CO₂ emissions.

* Fee structure for achieving net zero CO₂ emissions from electricity consumption through the use of non-fossil certificates that attest to the renewable energy source.

Curbing emissions in our supply chain

We are also actively working to reduce GHG emissions in our supply chain (Scope 3). In regard to purchasing category 1 materials and products, those that are used the most in the meter manufacturing business, we work to reduce the weight and size of products through product development and thus cut energy and material use.

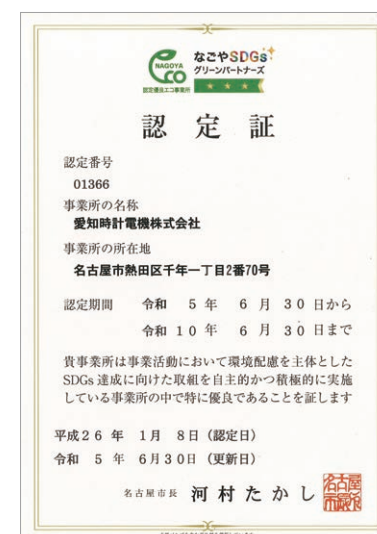
We also provide products that can help users manage energy and prevent problems, such as equipment failures, using the product’s measuring function.

Independent Evaluations

Since FY2018, we have been rated an energy efficient business (S class) for four consecutive years based on the Ministry of Economy, Trade and Industry’s business classification evaluation system (SABC evaluation system), appearing in its regular reports stipulated by the Act on Rationalizing Energy Use. Furthermore, Nagoya City operates the Nagoya SDGs Green Partners program, which involves the registration and certification of businesses that independently and actively undertake SDG-related initiatives with a particular focus on the environment in their business activities, and our initiatives on several fronts,



including reducing GHG emissions at our head office and other offices, and corresponding results have won high praise, making it possible for the company to continue to be certified an “outstanding ecological business.”

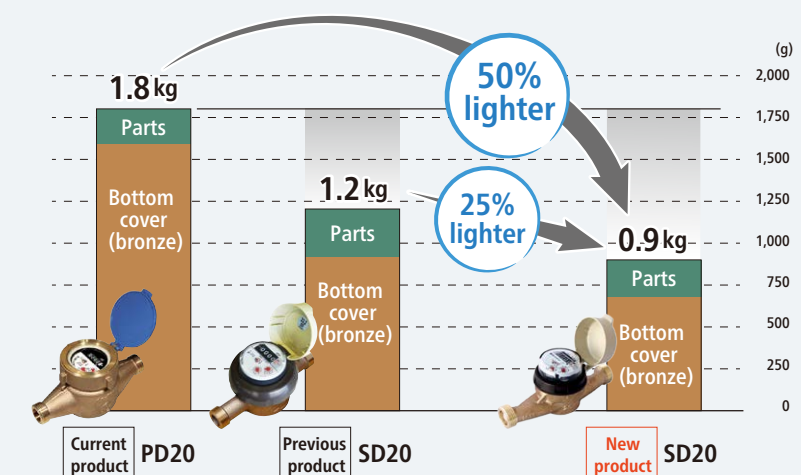


Environment-Friendly Manufacturing

Reducing the weight and size of water meters

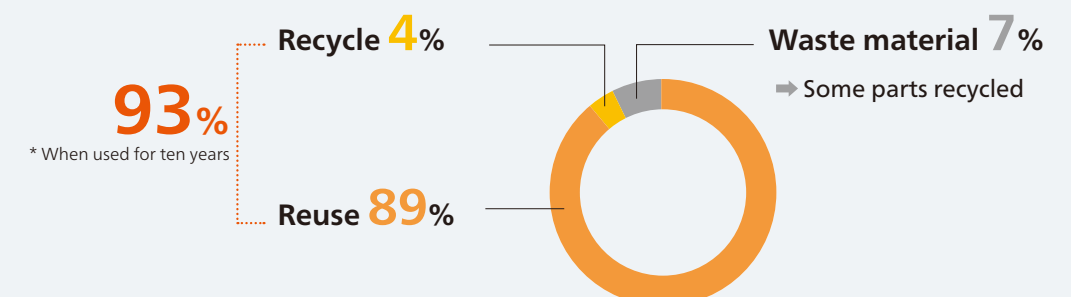
Water meters are certified for eight years according to laws and ordinance, and about 7.50 million water meters in Japan are replaced every year. We are working to reduce the weight and size of water meters, our core product, as one part of our effort to achieve Carbon Neutral Challenge 2050. Our SD series of local meters are 50% lighter than current ones, and our ER series of digital water meters are 45% lighter. These efforts contribute to not only reducing the use of Scope 3, Category 1 materials but also increasing the efficiency of transportation (Category 4 and 9) and use.

Compared to current PD20 products, former SD20 products, and new SD20S products



Reuse and recycling of gas meters

Small city gas meters are certified for 10 years, and when they are replaced, they are not disposed of but reused after exchanging nondurable parts and reinspecting them. By making them more durable through technical innovations related to industrial materials and improved design, we are able to achieve a reuse rate of 89% and recycling rate of 4%, which reduced the disposal rate to 7%. These initiatives target not only Scope 3 Category 1 materials but also contribute to a reduction in category 12 waste.



Response to Climate Change

Under the corporate philosophy of “Reliability, Creativity, and Service,” the Aichi Tokei Denki Group positions the promotion of sustainability as the main axis of management in order to achieve sustainable development of society and create new corporate value for the Group. We are promoting efforts to address climate change issues in accordance with our “Basic Policy on Sustainability,” which clarifies this basic approach, and we are expanding the disclosure of climate-related information in line with the TCFD recommendations. In May 2023, recognizing that responding to climate change is one of our major management issues, we expressed our support for the final recommendations of the TCFD* (Task Force on Climate-related Financial Disclosure).



* TCFD (Task Force on Climate-related Financial Disclosures): An international initiative established by the Financial Stability Board (FSB) of the G20 in 2015, in order to enhance the disclosure of information concerning the financial impact of climate-related risks and opportunities.

Governance

In view of the importance of climate change issues and human capital management, the Group established the Sustainability Committee in May 2023 as a committee responsible for discussing sustainability issues, and reviews and deliberates on the formulation of basic policies, action plans, and performance reviews, including risks and opportunities for climate change issues. The Committee coordinates with the Risk Management Committee through the Internal Control Committee and important matters are reported to the Board of Directors (Chair: Chair of the Board of Directors) after deliberation at the Management Meeting, etc., and the status of response is monitored and supervised. In April 2022, we formulated the “Carbon Neutral Challenge 2050” with the approval of the President and representative director to work toward achieving carbon neutrality.

Governance Structure Diagram



Strategy

We conducted a climate change scenario analysis based on the TCFD recommendations, identified the climate change risks and opportunities of our main businesses, qualitatively assessed the impacts, and considered countermeasures.

Assumed Scenarios

1.5°C/2°C World Scenario	If strict measures are taken to combat global warming, the average annual temperature will rise by less than 1.5 degrees Celsius compared to the period of the Industrial Revolution.
4°C World Scenario	If we do not take measures to combat global warming that exceed the current situation, the average temperature will increase by 3.2 to 5.4 degrees Celsius compared to the period of the Industrial Revolution.

Source: Ministry of the Environment
<https://www.env.go.jp/content/000118155.pdf> (Japanese only)

Risk Management

Through scenario analysis in line with the TCFD recommendations, the relevant departments identified climate change-related risks and opportunities, evaluated the importance and impact on business, and formulated a risk response plan based on the degree of impact to the continuation of business, the likelihood of occurrence, and the timeline in which it is expected to become apparent. The Sustainability Committee formally approved these scenarios and monitors the progress of risk response on an annual basis and verifies the effectiveness of each response measure and revises it.

We recognize that climate change risks have a significant impact on our business activities, and we report the status of risk management to the company's leadership.

Impact of Climate Change Risks and Opportunities on Businesses and Countermeasures

Risks/ opportunities	Potential risks, opportunities	Impact degree	Timing of impact	Strategy (measures)
Migration risks	Response to the Government's Carbon Neutrality Statement	Large	Short term	<ul style="list-style-type: none">Strive to reduce energy consumption by updating to energy-efficient production facilitiesIntroduce carbon-free energy at the head office and main plant (head office and Okazaki Plant), and consider expanding to other production bases (achieve zero emissions by 2050)
	Concerns about increased burden due to carbon pricing (carbon taxes)	Small	Short term	<ul style="list-style-type: none">Reduce the impact of taxation on energy used in our own factories by advancing plans such as equipment renewal and expansion of carbon-free energy useIf price increases are transferred down the supply chain, based on the plan, promote cost reduction through product design improvement
	Soaring energy prices, transportation costs, and raw material procurement costs due to the promotion of renewable energy and carbon pricing	Medium	Short term	<ul style="list-style-type: none">Reduce energy consumption and improve production efficiency by upgrading to energy- and production-efficient facilitiesAim to reduce risks by reducing costs through improved product design
Physical risks	Shutdowns due to climate change (typhoons, heavy rains, floods, etc.), earthquakes, tsunamis, etc.	Large	Long term	<ul style="list-style-type: none">Conduct regular risk assessment revisions on an annual basisConsider physical damage reduction measures by revising flood protection boards and drainage routesFormulate a BCP for tsunami damage at the head office plant and continue training through simulations
	Chemical spills from damage to plants associated with climate change, earthquakes, and tsunamis	Small	Long term	<ul style="list-style-type: none">Properly maintain and manage facilities such as buildings and warehouses, storage facilities, etc., and perform regular repairs and updatesPrepare for emergencies by summarizing spill handling and communication methods, and conducting relevant staff training
	Concerns about procurement of parts and materials due to climate change, earthquakes, and tsunamis (supplier disaster)	Medium	Long term	<ul style="list-style-type: none">Promote the purchase of materials and purchased goods from multiple suppliers, and select business partners who can produce substitutes for outsourced goodsReturn to normal production status at an early stage by maintaining and utilizing manufacturing resource information
Opportunities	Increased needs for environmentally friendly products (existing products) due to growing awareness of carbon neutrality	Medium	-	<ul style="list-style-type: none">Strengthen the promotion and proposal sales of environmentally friendly products based on the policy direction of the government and local governmentsImprove favorability through carbon neutral initiatives and strategic public relations, and appeal to society and investors
	Increased needs for new products that contribute to carbon neutrality	Medium	-	<ul style="list-style-type: none">Reflect the strategy obtained through scenario analysis in the Medium-term Management Plan, sales/profit plan, and product planning/development plan

Indicators and Objectives

The Group has launched the Carbon Neutral Challenge 2050 in order to achieve carbon neutrality by 2050. Up to fiscal 2022, we promoted the use of renewable energy and

reduced the weight and size of our products, and we were able to reduce our fiscal 2022 CO₂ emissions by 61.9% compared to fiscal 2013.

Carbon Neutral Challenge 2050

Target 2050
We aim to realize a decarbonized society, that is, carbon neutrality, by 2050.

Action Plan

1. Reduction of greenhouse gas emissions	Reduce greenhouse gas emissions from energy sources in our business activities and contribute to carbon neutrality
2. Reduce the impact on the environment during the product lifecycle	<ul style="list-style-type: none">Reduce the impact on the environment at all stages of the product lifecyclePromote energy-saving and environmentally safe product designReduce emissions of environmentally harmful substances in production activities and save energy and resourcesProactively introduce DX that increases productivity and reduces environmental impact
3. Cooperation across the whole supply chain	Cooperate across the whole supply chain to promote greenhouse gas reduction efforts to realize a decarbonized society

Supply Chain and Quality Initiatives

In order for Aichi Tokei Denki to provide products that meet customers' needs and expectations, it is not enough for us to strengthen our own quality control system. We must cooperate and solve many issues such as maintaining quality control systems, complying with laws and regulations, risk management, environmental considerations, and the SDGs, including the suppliers that make up our supply chain. In order to respond flexibly to the changing needs and expectations of the times, we will actively work to build new partnerships and realize the stable provision of high-quality and safe products throughout the supply chain.

Aiming to Increase Value throughout the Supply Chain

Aichi Tokei Denki is focusing on coexistence and co-prosperity throughout the supply chain, seamless collaboration across scales and industries, and compliance with the "Promotion Standards." We aim to increase the added value of the entire supply chain by working with the suppliers to our direct suppliers (from "Tier N" to "Tier N+1") in cooperation with our direct suppliers. At that time, we will also support our business partners in formulating business continuity plans (BCPs) from the viewpoints of business continuity in the event of a disaster and workstyle reform,

and in sharing information and providing advice on promoting digitalization.

In December 2022, we released the Partnership Building Declaration, which promotes cooperation, coexistence and co-prosperity with our business partners that make up the supply chain and businesses that create value.



Providing Higher Quality, Safe, and Secure Products

We obtained ISO9001 certification for quality in the 1990s and have accurately developed a management system for design, development, manufacturing, and sales. For our specified measuring instruments (gas meters, water meters, hot water meters, and cumulative calorimeters), which are our basic products, our quality control methods at all domestic production bases have been verified and meet the compliance standards based on the designated manufacturing business operator system specified in the Measurement Act. We strive to provide products that contribute to appropriate measurements, and we plan and implement continuous internal system audits and process audits, including for our suppliers, to ensure that we operate a sound management system.

In addition, we work to obtain product certifications in order to achieve higher quality, safe, and secure products. Our water meters were the first domestically manufactured product to pass the standard examination (product testing and quality control system by a third-party organization)

and obtained JIS certification. Furthermore, we have obtained JWWA (Japan Water Works Association) certification for flow sensors and we are working to obtain various certifications for flow meters for overseas use in Western countries and other countries, and strive to develop and provide products that meet customers' needs at an early stage.

In order to appropriately manage chemical substances contained in products, including management as stipulated in the RoHS Directive, throughout the supply chain, we have introduced a common information transmission scheme, chemSHERPA, to quickly respond to newly added hazardous chemical substances.

We consider quality to mean responding to customers' needs and expectations, and we will continue to build reliable systems and operate them appropriately.

Coexistence with Regions/Stakeholder Engagement

Aichi Tokei Denki actively and fairly discloses corporate information in order to promote communication with all stakeholders. In particular, we disclose management information such as financial information to customers, business partners, shareholders, and employees in a timely and appropriate manner, ensure high transparency to the wider society, strive for smooth communication, promote dialogue between management and stakeholders, and actively promote feedback to directors and executive officers based on the results.

	Stakeholder engagement	Means of dialogue	Department in charge
Customer	We have built a wealth of experience and achievements in responding to a wide variety of customer requests. We provide products that satisfy our customers with a wealth of product variations, reliable quality control, and production capacity.	<ul style="list-style-type: none"> Daily sales activities Customer Center Website 	<ul style="list-style-type: none"> Sales Department Production Department R&D Headquarters
Supplier	We are working to increase the added value of the entire supply chain by working with secondary level suppliers via our direct suppliers, and we are also working to collaborate beyond our existing business relationships and company scale.	<ul style="list-style-type: none"> Process audit Conduct surveys Briefings for suppliers Website 	<ul style="list-style-type: none"> Procurement Management Division Quality and Environment Division
Shareholders/Investors	Through dialogue with shareholders and investors, we aim to deepen our understanding of the ideas and positions of both sides, take appropriate measures based on this, and improve corporate value.	<ul style="list-style-type: none"> Shareholders' Meeting IR Activities (Individual Investor/ Institutional Investor Briefings, etc.) Shareholder Communication Website 	<ul style="list-style-type: none"> Management Planning Office Accounting Division
Employees	We strive to create a safe and vibrant work environment where employees can be healthy physically and mentally and fully exert their abilities. In addition, we are committed to promoting work-life balance and aim to become a "company that is easy and rewarding to work for."	<ul style="list-style-type: none"> Internal Newspaper "Aichi Tokei Denki News" Employee training Establishment of a whistleblowing and consultation desk 	<ul style="list-style-type: none"> Human Resources Division Legal Intellectual Property Office
Communities	We are working to contribute to local communities, such as performing evacuation training sessions with local residents in the head office building, which is designated as a Regional Disaster Prevention Cooperative Business Operator, inviting students for workplace experiences, and performing cleaning activities around the head office.	<ul style="list-style-type: none"> Regional Disaster Prevention Cooperative Business Operator registration Naming Rights Partner Cleaning activities Website 	<ul style="list-style-type: none"> General Affairs Division Human Resources Division Corporate Planning Office Each Sales Office

Concrete Example

Dialogue with shareholders and investors

In December 2022, President Kunishima took the stage at the "Stock Investment Winter Seminar 2022" held in Nagoya. This seminar was hosted by the Nagoya Stock Exchange (NSE), and top management and IR staff from companies listed on the NSE presented the characteristics of their companies to individual investors.

At our briefing session, about 300 individual investors participated, filling the venue, and they listened enthusiastically for about 40 minutes as President Kunishima explained our company information, history, and business results. After the explanation, we received a wide range of questions from the participants, such as "the situation of the smart gas and water market" and "Aichi Tokei Denki's policy on capital investment," and we were able to see the high level of interest from the participants.



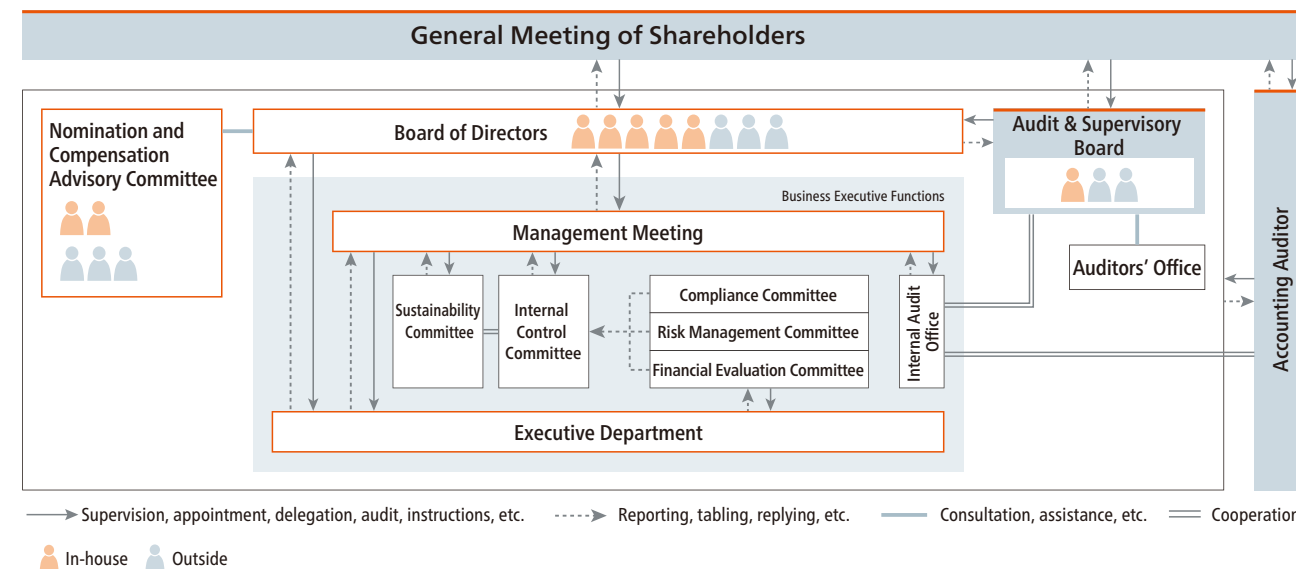
Full venue

Corporate Governance

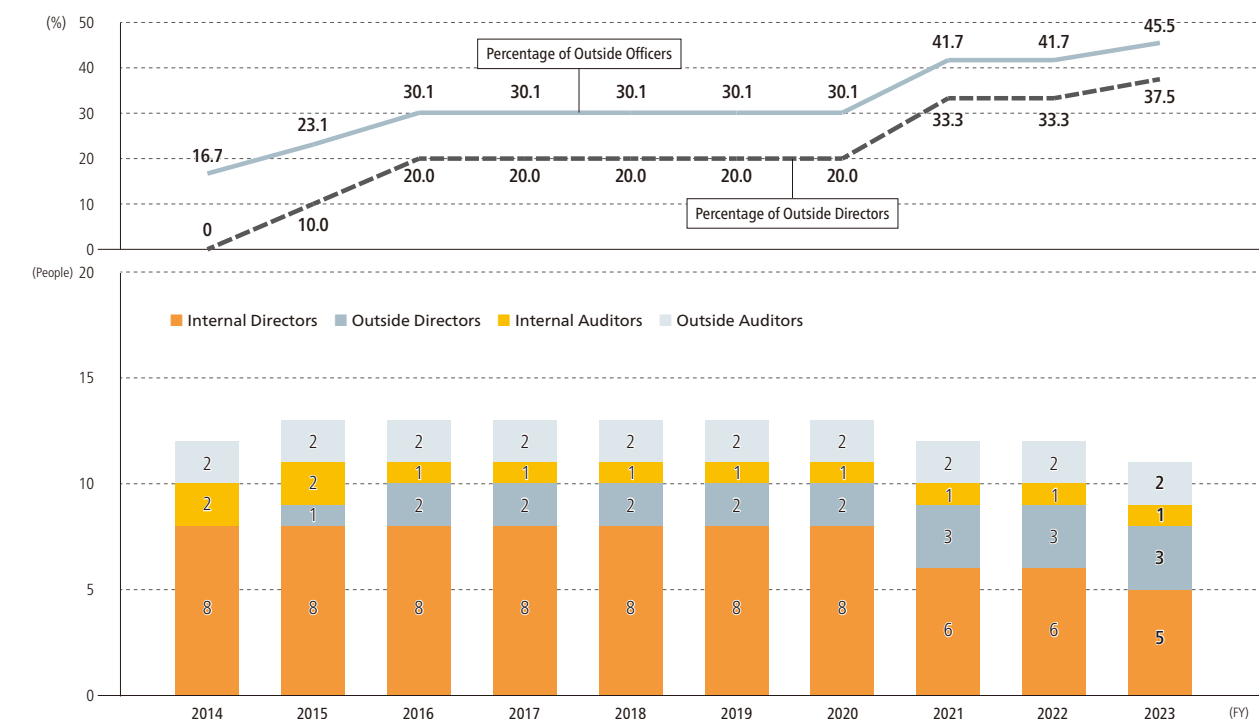
Related Material Issues
Strengthen Corporate Governance



Aichi Tokei Denki's Corporate Governance System



Efforts to Strengthen Corporate Governance



2021
Reduced the number of Internal Directors by two to a system of nine directors. The aim is to speed up decision-making.

2023
Reduced the number of Internal Directors by one to a system of eight directors. Changed the Executive Officer appointment type to a one-year term.

Features of Aichi Tokei Denki's Corporate Governance System

In order to contribute to society through business and increase corporate value on a sustainable basis, the Group strives to build a management system that makes transparent, fair, prompt, and decisive decisions based on the perspectives of all stakeholders. We are a company with an Audit & Supervisory Board, and we have appointed two Outside Auditors.

Board of Directors/Management Meeting

The Board of Directors consists of eight members, including three Outside Directors. As a general rule, it is held once a month, and three auditors also attend the meeting. In addition to making decisions on important matters stipulated by laws, the articles of incorporation, and the rules of the Board of Directors, the Board of Directors strives to improve the company's sustainable growth and medium- to long-term corporate value by appropriately fulfilling its roles and responsibilities such as supervising the status of business execution. In order to ensure the effectiveness of independent and objective management supervision by the Board of Directors, we have appointed multiple Outside Directors, and each Outside Director uses his/her work history, experience, and knowledge, etc., to confirm important matters from an external perspective, and strive to ensure the rationality of management decisions.

In addition, we have introduced an Executive Officer system to strengthen our business execution functions, and at the Management Meeting held once a month, Executive Officers discuss important business execution decisions and board resolutions related to their areas of executive responsibility that need to be discussed in advance, in accordance with the decisions of the Board of Directors.

Audit & Supervisory Board

The Audit & Supervisory Board consists of three members, including two Outside Auditors, and audits are conducted by attending various important meetings such as the Board of Directors, reviewing approval documents, and cooperating with the Internal Audit Office and Accounting Auditor.

Each Outside Auditor makes use of their work experience, and knowledge, etc., and conducts audits from an external perspective, ensuring objectivity and neutrality that can properly fulfill the monitoring and audit functions of management.

Nomination and Compensation Advisory Committee

The Nomination and Compensation Advisory Committee consists of five members, including three Outside Directors. It deliberates on the policy for nominating candidates for Directors, Executive Officers, and Auditors, and the policy for determining the compensation of Directors, Executive Officers, and Auditors, etc., and advises the Board of Directors.

Exchanging Opinions with Outside Officers

We hold "Opinion Exchange Meetings" with independent Outside Directors and independent Outside Auditors about once or twice a year. At these Opinion Exchange Meetings, we analyze and evaluate the effectiveness of the Board of Directors on matters related to the Board of Directors, taking into consideration factors such as the self-assessments of each Director, and report the results to the Board of Directors.

Implementation Status of the Corporate Governance Code

We describe the status of implementing each principle of the Corporate Governance Code in our Corporate Governance Report.

[WEB https://www.aichitokei.co.jp/company/governance/pdf/cg_20230703_en.pdf](https://www.aichitokei.co.jp/company/governance/pdf/cg_20230703_en.pdf)

For the "Basic Policy on Corporate Governance," please visit the website.

[WEB https://www.aichitokei.co.jp/company/governance/](https://www.aichitokei.co.jp/company/governance/) (in Japanese only)

Corporate Governance

Evaluation of Effectiveness of the Board of Directors

In order to contribute to the improvement of the management of the Board of Directors, the Company conducts an analysis and evaluation of the effectiveness of the Board of Directors every year.

Analysis/Evaluation Process

- We conduct a questionnaire for all Directors and Auditors.
- Based on the results of the questionnaire, an Opinion Exchange Meeting is held with Outside Officers.
- Based on the results of the questionnaire and the Outside Officers Opinion Exchange Meeting, effectiveness improvement measures are reported to the Board of Directors.

Overview of Analysis and Evaluation Results

We generally consider that the effectiveness of the Company's Board of Directors has been ensured. In addition,

from the results of this analysis and evaluation, we will strive to improve the following in order to further improve effectiveness.

- (i) In order to further activate the discussions, we will further improve the materials so that the content and background of the agenda can be understood.
- (ii) In order to improve the monitoring accuracy of the business strategy, we will increase the frequency of reporting on the Medium-term Management Strategy.
- (iii) We will increase opportunities to provide information necessary for discussion and judgment.

Based on the above, we will further enhance the efficiency and flexibility of business execution, further enhance the supervision by the Board of Directors, and continue to improve the effectiveness of the Board of Directors.

Criteria for Appointment of Directors

Qualities of Directors

Directors shall be fully aware of their fiduciary responsibilities and shall perform duties such as supervision and monitoring of management to continuously increase corporate value. To do this, Directors must have the following qualities and standards of behavior.

- Directors shall always endeavor to practice the Corporate Philosophy and the Corporate Conduct Charter, and shall have the necessary knowledge, insight, high ethical standards, fairness, and integrity as Directors.
- In executing their duties, Directors shall collect sufficient information that should normally be available, and actively speak based on their values, ethics, experience, and knowledge on the themes and proposals to be discussed, considered, or resolved at the Board of Directors, and conduct open-minded and constructive discussions.
- Directors shall strive to acquire and develop the knowledge necessary to perform their roles and responsibilities appropriately on a daily basis, and shall also actively provide useful information to other Directors.

Role of Outside Directors

Outside Directors shall attach importance to the following matters, perform their roles and responsibilities of giving advice, supervising management, supervising conflicts of interest, and reflecting the opinions of stakeholders such as shareholders from the standpoint and perspective of independence from the Executive Officers, and shall actively express their opinions at the Board of Directors based on their own experience and expertise.

- Outside Directors shall cooperate with the Audit & Supervisory Board and exchange opinions on the management of the Company.
- Outside Directors shall, as necessary, ask other Directors or Executive Officers to provide information on management, business, or business performance, etc.
- Outside Directors shall devote the required time and effort on Company matters to fulfill their responsibilities, and their concurrent positions shall be disclosed annually through the Corporate Governance Report and the Notice of Convocation of the Shareholders' Meeting.

Reasons for Appointment of Directors, Skills Matrix

The Board of Directors consists of a variety of Directors with different backgrounds such as expertise and experience. The following shows the items that are particularly

expected based on the knowledge, experience, and abilities of each Director candidate.

Reason for Appointment of Directors

Toshiyuki Hoshika	Mr. Hoshika has been in charge of the management of the Group as President and Representative Director for the past six years. He has rich experience in corporate management; it is expected he will use these experiences and achievements in the management of the Company, so it is judged that he can perform his duties appropriately as a Director.
Kenji Kunishima	In April 2022, he was in charge of the management of the Group as President and Representative Director/President Executive Officer, and he has led the Group's business. He has rich experience in corporate management; it is expected he will use these experiences and achievements in the management of the Company, so it is judged that he can perform his duties appropriately as a Director.
Yutaka Yoshida	Mr. Yoshida has particularly extensive experience and knowledge of the development and quality departments, and qualified and prompt decision-making can be expected, so it is judged that he can perform his duties appropriately as a Director.
Hiroshi Yasui	Mr. Yasui has a particularly wide range of experience and knowledge of the sales department, and qualified and prompt decision-making can be expected, so it is judged that he can perform his duties appropriately as a Director.
Kazuhisa Mori	Mr. Mori is mainly engaged in development-related business and has extensive experience and insight, such as contributing to the development of overseas markets as the General Manager of the International Sales Division as the Company has expanded its business globally, so it is judged that he can perform his duties appropriately as a Director.
Nobuyuki Matsui	Professor Matsui has served as a professor and President of Nagoya Institute of Technology and has been President of the International Professional University of Technology in Nagoya since April 2021. Due to his extensive experience as a scholar, it is judged that he can be expected to enhance the monitoring and supervision functions of management from an independent position.
Chie Okada	Ms. Okada is active as a lawyer, and it is judged that she can reflect her rich experience and wide-ranging insights into governance centering on legal aspects in the management of the Company, and that she can be expected to enhance the monitoring and supervision functions of management from an independent position.
Masatsugu Kasano	It is judged that Mr. Kasano can reflect his wide range of insights developed in metal and machinery trading companies in the management of the Company, and that he can be expected to enhance the monitoring and supervision functions of management from an independent position.

Skills Matrix

Name	Position and responsibilities	Management	Finance & Accounting	Sales & Marketing	Overseas businesses	Development & Quality	Manufacturing & Procurement	Legal affairs & Governance
Toshiyuki Hoshika	Representative Director, Chairman	●	●					●
Kenji Kunishima	President and Representative Director, President Executive Officer	●	●					●
Yutaka Yoshida	Director, Managing Executive Officer, in charge of Technology			●		●	●	
Hiroshi Yasui	Director, Managing Executive Officer, General Manager of Sales Headquarters			●	●			
Kazuhisa Mori	Director, Senior Executive Officer, General Manager of R&D Headquarters			●	●	●		
Nobuyuki Matsui	Outside Director	●				●	●	
Chie Okada	Outside Director	●	●					●
Masatsugu Kasano	Outside Director	●		●		●		

* The table shown above does not represent all knowledge that each candidate for Director has.

Executive Compensation

The Company has established a decision policy (hereinafter referred to as the Decision Policy) regarding the details of Directors' individual compensation, etc., which broadly consists of basic compensation, executive bonuses, and share-

based compensation with restrictions on transfers based on the Director Compensation Regulations. The ratio for each type of compensation is based on basic compensation: executive bonus: share-based compensation with restric-

Corporate Governance

tions on transfer = 70:20:10.

The basic compensation of Directors is determined by the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee within the limit of the total amount of compensation resolved at the General Meeting of Shareholders taking into account the balance between standards in society, Company performance, and employee salaries.

In order to make executive bonuses, which are a form of compensation linked to performance, appropriate as an incentive to increase the growth and profitability of the Company, they shall be paid to Directors (excluding Outside Directors) according to the Company's performance. The Company uses consolidated ordinary profit as the indicator of performance because it is a financial indicator of the Company's profitability, and when calculating executive bonuses, the Company takes into account the year-on-year increase or decrease rate of the indicator and makes a comprehensive judgment. In fiscal 2022, the target for consoli-

dated ordinary profit, which is the indicator for executive bonuses, was 3,730 million yen, and the actual amount was 4,654 million yen. Share-based compensation with restrictions on transfers is granted for the purpose of further enhancing the willingness to contribute to share price growth and performance improvement, and to further enhance the shareholder-oriented management attitude. The number of shares of restricted stock allocated to Directors (excluding Outside Directors) is calculated based on the Restricted Stock Compensation Regulations, and after deliberation by the above committee, it is decided by the Board of Directors.

The compensation of Auditors is limited to basic compensation and is determined in consultation with the Auditors within the limit of the total compensation resolved at the Shareholders' Meeting.

The decision policy is determined by the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee.

■ Total amount of compensation for each executive category, total amount by type of compensation, and number of target Executive Officers

Executive category	Total amount of compensation (million yen)	Total amount by type of compensation (million yen)			Number of target executives
		Basic compensation	Performance-based stock compensation, etc.	Non-monetary compensation, etc.	
Directors (excluding Outside Directors)	246	163	50	32	8
Auditors (excluding Outside Auditors)	20	20	–	–	1
Outside Directors	48	48	–	–	5

(Note) 1. The total amount of Director compensation does not include the salary for employees who are also Directors.
2. Non-monetary compensation, etc. includes the amount of expenses recorded in the current fiscal year based on the share-based compensation with restrictions on transfers system. In addition, the Company has entered into an agreement with target Directors that common shares issued or disposed of under this system may not be disposed of such as by transfer until the date of resignation or retirement of Director status in the Company.

Cross-Shareholdings

If it contributes to the improvement of the company's corporate value for shareholders and other stakeholders, the Company will hold cross-shareholdings as necessary. Regarding cross-shareholdings, the Company examines whether the advantages to the Company from the stock and cross-shareholdings portfolio and the benefits and risks associated with holding them are commensurate with the cost of capital (WACC), and verifies the purpose and rationality of holding individual cross-shareholdings at the Board of Directors meeting every year. In addition, the Company will sell cross-shareholdings if they meet the review criteria for cross-shareholdings and if there is no reasonable reason to continue holding them.

In fiscal 2022, as a result of the individual evaluation of cross-shareholdings by the Board of Directors of the

Company, although some stocks were lower than the cost of capital, it was determined that by holding shares mutually the Company can obtain management advantages such as useful information and management advice, and it was decided to continue to hold them. In addition, the Company recognizes that the portfolio of cross-shareholdings is biased towards some industries, and the yield tends to be relatively low.

■ Number of individual stocks and balance sheet amount

	Number of individual stocks	Total balance sheet amount (million yen)
Unlisted shares	40	489
Shares other than unlisted shares	40	6,263

Risk Management

Appropriately recognizing the risks surrounding the Company and developing countermeasures such as avoidance, reduction, relocation, and retention depending on their importance and likelihood of occurrence is an important issue in corporate activities under the theme of risk management. In order to ensure the sound and sustainable development of the business, we manage risk through an internal control system that integrates risk management and compliance under an appropriate corporate governance system.

Risk Management Structure

The Company has established an Internal Control Committee chaired by the President, which deliberates on the activities of the Compliance Committee, the Risk Management Committee, and the Financial Evaluation Committee based on the "Internal Control Committee Regulation."

The Risk Management Committee comprehensively identifies and evaluates risks related to the Group based on the "Risk Management Regulation." Regarding important risks, in accordance with the type and content of the risk, the department in charge takes the lead in implementing measures in a planned manner, and the Risk Management

Committee manages the progress. In addition, the Compliance Committee strives to maintain and improve employees' awareness of compliance and promote the Group's compliance activities by formulating education and training plans on compliance and conducting internal awareness surveys (questionnaires) based on the "Compliance Regulation." The Financial Evaluation Committee evaluates the development and operation of internal controls related to financial reporting based on the "Financial Evaluation Regulation."

Potential Risks and Responses

Key risk items	Potential risks	Response
Market environment risks	<ul style="list-style-type: none">Fluctuations in raw material pricesDecrease in sales priceLong delivery time for parts, etc.	<ul style="list-style-type: none">Improve productivity and promote total cost reductionPromote purchasing from multiple companies and consider alternative parts
Quality risks	<ul style="list-style-type: none">Product defects	<ul style="list-style-type: none">Manufacture of various products according to the international quality management systemIn the event of a product defect, prompt response and fundamental measures are taken to minimize the amount of damage and prevent reputational risk
Environmental risks	<ul style="list-style-type: none">Natural disasters such as the Nankai Trough earthquake	<ul style="list-style-type: none">Physical measures against earthquakes such as buildings and other equipmentNon-physical response, such as creating BCP guidelines, earthquake response manuals, and conducting evacuation drills and safety confirmation training
Risks due to overseas business development	<ul style="list-style-type: none">Unexpected legal, tax and regulatory changes, political changes, war and terrorism, etc.	<ul style="list-style-type: none">Gathering information through the use of expertsPreparation of overseas safety management rules and overseas safety measures manualsConducting crisis management training before being assigned
Violation of laws and regulations risks	<ul style="list-style-type: none">Contract and transaction risksCompliance risks	<ul style="list-style-type: none">Compliance education and training (monthly departmental education, new management training, etc.)Establishment of whistleblowing desk (internal/external)

Messages from Outside Directors



“

I will use my experience in development and manufacturing to contribute to the development of technology development managers with a “macro perspective.”

Nobuyuki Matsui Outside Director

Doctor of Engineering (Tokyo Institute of Technology). Professor Matsui has served as a professor and President of Nagoya Institute of Technology and has been President of the International Professional University of Technology in Nagoya since 2021. He is engaged in research such as power electronics and motor design, and promoted industry-academia collaboration in areas such as new product development, sales channel development, and power conversion application technology products. Aichi Tokei Denki Outside Director since 2015.

“

I will work hard to achieve real governance that looks at the essence.

Chie Okada Outside Director

Ms. Okada registered as a lawyer in 1998. She has served as a civil mediator (part-time judge) of the Nagoya Summary Court and as a member of the Dispute Coordination Committee of the Aichi Labor Bureau. She has rich experience and wide-ranging insights into governance centered on legal aspects. Ms. Okada has been an Aichi Tokei Denki Outside Director since 2021.



Expecting new shoots to grow in traditional markets

I believe that the product market of Aichi Tokei Denki has a somewhat different character from that of a general industrial product manufacturer, and that the corresponding business development and business management are being implemented steadily. In the water and gas sectors, which have a strong public interest nature, it is encouraging to see that new business development through cloud services is growing steadily, while steadily developing business in a somewhat conservative market. In addition, in the fields of private-demand sensors and systems and instrumentation, we have been developing system products with various sensors as the core, which have been a unique technology of Aichi Tokei Denki for many years, and I have high hopes for a different kind of business development that has firmly grasped the trend of the times.

Promoting new initiatives and aiming for further development

With our participation in the TSE Prime/NSE Premier markets, we have been conducting a general overhaul of traditional corporate activities and actively pursuing new initiatives such as promoting women's participation in the core sectors of corporate activities that has been noted as a challenge, and further strengthening safety and security of production sites, such as upgrading the head office factory including earthquake resistance. In addition, in order to strengthen governance and transform it into a more muscular management, we are working to streamline the Board of Directors, strengthen the full-time Executive Officer system, clarify the functions and powers of the Nomination and Compensation Advisory Committee, and improve the sense of management participation and the sense of value sharing with shareholders among employees by promoting

the Employee Shareholding Association incentive system. In addition, we have been working to strengthen and thoroughly enforce compliance, including for affiliated companies, and to strengthen our IR activities through which we appeal to the public about these realities.

In order to grasp the development of our business, there are opportunities for Outside Directors to have preliminary briefings before the Board of Directors, to visit the plants, and to exchange opinions directly with employees. I have been involved in the education of electrical and electronic students and research at Nagoya Institute of Technology for a long time, and have worked in the management of the university as a national university corporation through my appointment as Vice President and President. I would like to reflect my experience in development, manufacturing, and management in my role as an Outside Director of Aichi Tokei Denki. In addition, going forward, I will contribute to the development of the Company through the integration of unique products such as sensors to increase the added value of products through system product development, the training and strengthening of digital human resources to support it, and the training of technology development managers who have a “macro perspective” that can feel the trends in our greatly changing society with sensitivity.

At the northeast gate of the head office, there is a Jizo (traditional Japanese stone statue) that was built after World War II for the souls of employees and many citizens who were killed in the Nakagawa Canal, which is adjacent to the head office, during the war, and there has always been a display of flowers and water placed next to it. Nowadays, the importance of the relationship between the local community and the company is emphasized, but I am inspired by our “high virtue as a company” through the story of the Jizo, which has been protected by employees and citizens for a long time since the war. I would like to continue to strive for coexistence and prosperity with the local community, and to monitor the progress of Aichi Tokei Denki towards the sustainable development of society.

Role as Outside Director

Although the main role expected of an Outside Director is to supervise management, I am particularly mindful of the following two points.

First, as someone from the legal community, I pay close attention to the organization's risk management and compliance perspectives. In particular, we are expected to continue to be a company with a high degree of social trust since we are a manufacturer of products that support social infrastructure. I would like to consciously monitor whether there are any events or factors that damage corporate value, and whether the internal control system that is currently established and operated is fully functioning and improving effectiveness.

On the other hand, as a female executive, I think I am in a position to promote diversity. It is necessary to always think about what we should do and to steadily take initiatives to create real innovation and become a strong company that grows sustainably by allowing diverse employees to drive forward their work with confidence while fully harnessing the individual aspirations and abilities. This should be true regardless of gender, age, or work history, etc., and even for employees with a variety of backgrounds such as those who are providing nursing care or fighting diseases who are likely to increase in the future. Simply saying “respect diversity” is actually a very difficult task. The more diverse the workforce, the higher the communication barrier and the higher the level of governance required to tie the Company together. People's views are completely different when their position and environment are different. I believe that tackling the issue of workforce diversity means that the management should clearly communicate its vision for the landscape of the Company, based on the reality that the landscape that people can see is completely different, and build a steady consensus throughout the Company.

About the Future of Aichi Tokei Denki

At an IR seminar, I received a warm comment from a shareholder that “your corporate approach of being unchanging in your essence while adapting to new changes is great.” While we have a solid management backed by strong technical skills built up together with the history and progress of Nagoya's manufacturing industry, which is a fundamental part of the city, we have been actively and boldly embarking on the new field of IoT and overseas expansion, further strengthening our competitiveness, and increasing corporate value, which is exactly what our Company is aiming for, and I keenly realized that Aichi Tokei Denki is highly valued by shareholders and other stakeholders.

Shortly after taking up my position, I had the opportunity to hear from a young female employee in the R&D department about a product under development. Although she was a little shy, her eyes sparkled as she spoke happily about her research, and it was very impressive. These young men and women will become the core of our company in the near future, and I expect they will grow and develop Aichi Tokei Denki into a company that will contribute to solving various social problems more than ever before. To that end, I will work hard to achieve real governance that looks at the essence that is typical of our Company while engaging in frank discussions about what we need to do now.

Management Team

(As of June 23, 2023)



Standing Statutory Auditor

Director (Outside, Independent)

Director (Outside, Independent)

Director

President and Representative Director

Representative Director, Chairman

Director

Director

Director (Outside, Independent)

Standing Statutory Auditor

Auditor (Outside, Independent)

Kenji Tsuji

Masatsugu Kasano

Nobuyuki Matsui

Hiroshi Yasui

Kenji Kunishima

Toshiyuki Hoshika

Yutaka Yoshida

Kazuhisa Mori

Chie Okada

Koji Yoda

Osamu Nakamura

Directors

Representative Director, Chairman

Toshiyuki Hoshika 39,700 shares

Apr. 1978 Joined the Company
Jun. 2008 Executive Officer and Head of Osaka Branch Office
Apr. 2011 Executive Officer, General Manager of Public SS Sales Department, Sales Management Headquarters
Jun. 2014 Senior Executive Officer, Deputy General Manager of Production Management Headquarters, and General Manager of Gas Equipment Manufacturing Division
Jun. 2015 Director, Senior Executive Officer, General Manager of Production Department, and General Manager of Gas Equipment Manufacturing Division
Jun. 2016 Director, Managing Executive Officer in charge of Production, and General Manager of Production Department
Jun. 2017 President and Representative Director, President Executive Officer
Apr. 2022 Representative Director, Chairman (to present)

Director

Yutaka Yoshida 11,900 shares

Jan. 1987 Joined the Company
Apr. 2009 General Manager of Sales Development Department, Sales Management Headquarters
Apr. 2012 Deputy General Manager of R&D Headquarters
Jun. 2013 Executive Officer and Deputy General Manager of R&D Headquarters
Oct. 2013 Executive Officer and General Manager of Quality Assurance Department
Apr. 2014 Executive Officer and General Manager of International Sales Department, Sales Management Headquarters
Apr. 2015 Executive Officer and General Manager of International Sales Division, Sales Department
Jun. 2017 Director, Senior Executive Officer, General Manager of R&D Headquarters
Apr. 2022 Director, Senior Executive Officer, in charge of Technology
Apr. 2023 Director, Managing Executive Officer, in charge of Technology (to present)

New Director**Kazuhisa Mori** 2,500 shares

Apr. 1986 Joined the Company
Apr. 2009 General Manager of Technology Development Office, Sales Development Department, Sales Management Headquarters
Oct. 2010 General Manager of Technology Development Department, R&D Headquarters
Apr. 2015 General Manager of R&D Headquarters
Jun. 2015 Executive Officer and General Manager of R&D Headquarters
Jun. 2017 Executive Officer and General Manager of International Sales Division, Sales Department
Apr. 2022 Senior Executive Officer, General Manager of R&D Headquarters
Jun. 2023 Director, Senior Executive Officer, General Manager of R&D Headquarters (to present)

Director (Outside, Independent)

Chie Okada

Apr. 1998 Registered as an attorney. Joined Tsunehiko Nakane & Associates
Oct. 2003 Partner, Kakura Law Office (to present)
Oct. 2006 Civil Mediator, Nagoya Summary Court (Part-time Justice)
Oct. 2015 Member, Dispute Adjustment Committee, Aichi Labor Bureau
Jun. 2022 Director of the Company (to present)

[Significant concurrent positions]

Auditor, National University Corporation Aichi University of Education

New Director (Outside, Independent)**Masatsugu Kasano**

Apr. 1984 Joined OKAYA & CO., LTD.
Mar. 2008 Deputy General Manager, Toyota Branch Office, Nagoya Head Office of OKAYA & CO., LTD.
Mar. 2011 Senior General Manager, Toyota Division, Nagoya Head Office and Deputy General Manager, Toyota Branch Office of OKAYA & CO., LTD.
Mar. 2015 Senior General Manager, Corporate Planning & Coordination Division and Senior General Manager, Toyota Division, Nagoya Head Office of OKAYA & CO., LTD.
May 2016 General Manager, Kariya Branch Office, Toyota Division, Nagoya Head Office of OKAYA & CO., LTD.
May 2018 Member of the Board, Deputy General Manager of Nagoya Head Office and General Manager, Kariya Branch Office, Toyota Division of OKAYA & CO., LTD.
May 2021 Member of the Board in charge of New Technology Promotion of OKAYA & CO., LTD.
May 2022 Member of the Board in charge of New Technology Promotion and Assistant to Head of Information & Electronics Segment of OKAYA & CO., LTD. (to present)
Jun. 2023 Director of the Company (to present)

Auditors

Standing Statutory Auditor (Outside, Independent)

Koji Yoda

Apr. 1984 Joined the Tokai Bank, Ltd.
Jan. 2002 Head of Retail and Deputy Branch Manager, Nagoya Ekimae Branch, UFJ Bank Limited
Jan. 2004 Secretary, Secretarial Office (Nagoya), Nagoya Ekimae Branch, UFJ Bank Limited
Jan. 2006 General Manager, Secretarial Office (Nagoya), General Affairs Department, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)
Nov. 2007 Deputy General Manager, Planning Department (Nagoya), The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)
May 2009 President, Gifu Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)
Jun. 2010 Executive Officer in charge of Middle Japan Area Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)
May 2013 Executive Officer in charge of East Japan Area Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)
Jun. 2014 Managing Executive Officer, Mitsubishi UFJ NICOS Co., Ltd.
Jun. 2020 Resigned from Mitsubishi UFJ NICOS Co., Ltd.
Jun. 2020 Standing Statutory Auditor of the Company (to present)

Auditor (Outside, Independent)

Osamu Nakamura

Apr. 1989 Joined TOHO GAS Co., Ltd.
Oct. 2005 General Manager, Solution Engineering Department, TOHO GAS Co., Ltd.
Jun. 2009 Executive Officer, General Manager, Supply Management Department, TOHO GAS Co., Ltd.
Jun. 2011 Director, Managing Executive Officer, TOHO GAS Co., Ltd.
Jun. 2015 Director, Senior Managing Executive Officer, TOHO GAS Co., Ltd.
Jun. 2016 Representative Director, Vice President, Executive Officer, TOHO GAS Co., Ltd.
Jun. 2018 Audit & Supervisory Board Member, TOHO GAS Co., Ltd.
Jun. 2020 Auditor of the Company (to present)

President and Representative Director

Kenji Kunishima 13,100 shares

Apr. 1986 Joined the Company
Jun. 2009 General Manager of Secretary Office and Deputy General Manager of General Affairs Department
Apr. 2010 Head of Nagoya Branch Office, Sales Management Headquarters
Jun. 2013 Executive Officer, Head of Tokyo Branch Office, Sales Management Headquarters
Jun. 2017 Executive Officer, Head of Okazaki Plant, and General Manager of Gas Equipment Manufacturing Division, Production Department
Apr. 2019 Senior Executive Officer, Head of Okazaki Plant, and General Manager of Gas Equipment Manufacturing Division, Production Department
Apr. 2020 Senior Executive Officer, General Manager of Production Department
Jun. 2020 Director, Senior Executive Officer, and General Manager of Production Department
Apr. 2021 Director, Managing Executive Officer, General Manager of Production Headquarters
Apr. 2022 President and Representative Director, President Executive Officer (to present)

Director

Hiroshi Yasui 8,900 shares

Apr. 1985 Joined the Company
Apr. 2008 General Manager of Sales Development Division, Sales Department
Apr. 2010 Deputy General Manager of Sales Development Department, Sales Management Headquarters and General Manager of Private-Demand Instrumentation Sales Division
Jun. 2014 Executive Officer, General Manager of Industry System Sales Department, Sales Management Headquarters
Apr. 2015 Executive Officer, Deputy General Manager of Sales Department, General Manager of Industry System Sales Department, and General Manager of Operation Promotion Office
Jun. 2017 Senior Executive Officer, Deputy General Manager of Sales Department, and General Manager of Gas Sales Promotion Division
Apr. 2019 Senior Executive Officer and General Manager of Sales Department
Jun. 2019 Director, Senior Executive Officer, General Manager of Sales Headquarters
Apr. 2023 Director, Managing Executive Officer, General Manager of Sales Headquarters (to present)

Director (Outside, Independent)

Nobuyuki Matsui

Apr. 1985 Professor at Department of Electrical Engineering in Nagoya Institute of Technology
Jan. 2004 President at Nagoya Institute of Technology
Apr. 2010 Auditor of Aichi University of Education, Adviser of Aichi Prefectural Government Office (Industrial Labor Section)
Apr. 2012 Specially Appointed Professor with Chairman at Chubu University
Jun. 2015 Director of the Company (to present)
Apr. 2021 President of International Professional University of Technology in Nagoya (to present)
[Significant concurrent positions]
Outside Director of Rinnai Corporation
President of International Professional University of Technology in Nagoya

Executive Officers

President Executive Officer

Kenji Kunishima

Managing Executive Officer, in charge of Technology

Yutaka YoshidaManaging Executive Officer, General Manager of Sales Headquarters
Hiroshi Yasui

Senior Executive Officer, General Manager of R&D Headquarters

Kazuhisa Mori

Senior Executive Officer, General Manager of Production Department

Takayuki HaradaSenior Executive Officer, General Manager of Administration Headquarters
Satoru Maruyama

Executive Officer, Head of Okazaki Plant, and General Manager of Gas Equipment Manufacturing Division, Production Department

Kawata Naofumi

Executive Officer, Head of Osaka Branch Office, Sales Department

Osamu HashimotoExecutive Officer, Quality Assurance Department
Masanori Watanabe

Executive Officer, Head of Tokyo Branch Office, Sales Department

Tomohiro Kawakami

Executive Officer, Deputy General Manager of Tokyo Branch Office, Sales Department

Hirotoshi Kajima

Executive Officer, General Manager of Procurement Management Division, Production Department

Shinji Toda

Executive Officer, General Manager of International Sales Division, Sales Department

Jun Nagamine

Executive Officer, President of Aichi Tokei Denki Vietnam Co., Ltd.

Katsuya Inuzuka

11-Year Key Financial Summary

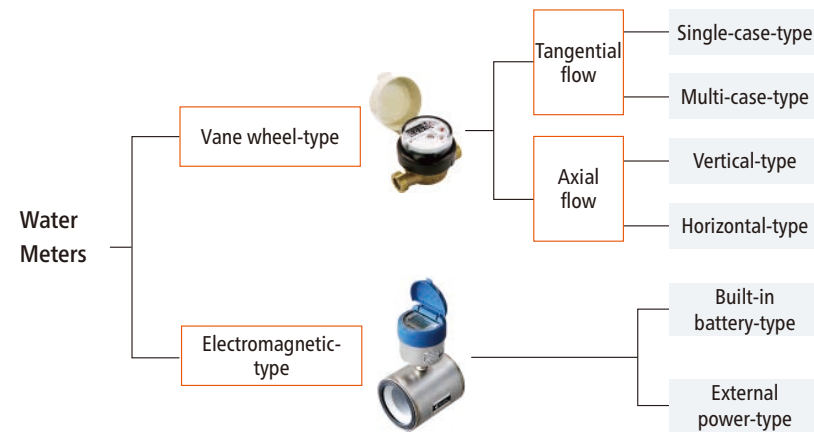
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
For the year (millions of yen)											
Net sales	44,566	43,154	41,581	41,782	44,770	47,275	46,722	48,118	46,225	46,483	50,160
Cost of sales	34,263	32,539	31,843	31,891	33,556	35,133	34,583	36,371	34,732	34,905	37,848
Gross profit	10,303	10,614	9,738	9,891	11,214	12,141	12,139	11,747	11,493	11,577	12,311
Selling, general and administrative expenses	7,899	8,350	8,279	8,093	8,323	8,433	8,725	8,762	8,490	8,290	8,330
Operating profit	2,403	2,263	1,459	1,798	2,890	3,708	3,414	2,985	3,002	3,287	3,980
Ordinary profit	2,638	2,565	1,942	1,934	3,007	3,867	3,803	3,215	3,298	3,814	4,654
Profit attributable to owners of parent	1,717	1,625	1,159	1,411	2,235	2,788	2,829	2,354	2,987	2,789	3,458
Capital investment	2,968	2,052	1,248	2,274	1,678	891	819	1,198	1,421	814	853
Depreciation	920	1,155	1,166	1,219	1,182	1,135	1,095	1,068	977	1,147	1,033
R&D expenses	1,369	1,278	1,370	1,476	1,332	1,382	1,315	1,349	1,245	1,262	1,173
Cash flows from operating activities	1,184	2,071	3,119	2,180	2,434	2,628	3,782	3,739	4,192	3,115	1,876
Cash flows from investing activities	(3,265)	(1,316)	(769)	(1,124)	(1,422)	(2,541)	(2,279)	(900)	(2,423)	2,589	(683)
Cash flows from financing activities	2,439	(806)	(2,029)	404	(1,937)	(768)	(779)	(1,856)	(1,022)	(5,926)	(828)
Financial information per share (yen)*											
Basic earnings per share	121.47	105.53	75.25	91.58	145.19	181.54	184.16	152.89	194.65	181.43	225.41
Net assets per share	1,280.24	1,277.30	1,385.44	1,405.14	1,557.10	1,770.70	1,892.61	1,959.33	2,233.55	2,296.49	2,510.14
Dividend per share	30.00	33.33	33.33	33.33	36.67	40.00	43.33	40.00	43.33	42.67	55.00
End of the year (millions of yen)											
Total assets	43,787	43,597	43,645	46,175	47,998	51,080	52,882	52,434	57,167	52,227	56,318
Interest-bearing debt	8,517	8,412	7,063	8,196	6,899	6,889	6,889	5,759	5,731	731	885
Net assets	20,103	20,008	21,659	21,956	24,339	27,301	29,243	30,318	34,357	35,228	38,399
Other indicators											
Operating profit to net sales ratio (%)	5.4	5.2	3.5	4.3	6.5	7.8	7.3	6.2	6.5	7.1	7.9
Capital adequacy ratio (%)	45.0	45.2	48.9	46.8	50.0	53.2	55.1	57.6	60.1	67.4	68.2
Rate of return on assets (ROA) (%)	4.1	3.7	2.7	3.1	4.7	5.6	5.4	4.5	5.5	5.1	6.4
Rate of return on equity (ROE) (%)	9.5	8.3	5.7	6.6	9.8	10.9	10.1	7.9	9.3	8.0	9.4
Price book value ratio (PBR) (times)	0.69	0.77	0.78	0.72	0.80	0.78	0.72	0.70	0.65	0.68	0.60
Price earnings ratio (PER) (times)	7.27	9.32	14.31	11.10	8.62	7.65	7.36	8.92	7.45	8.55	6.64
Payout ratio (%)	24.7	31.6	44.3	36.4	25.3	22.0	23.5	26.2	22.3	23.5	24.4
Number of outstanding shares (shares)	51,400,000	51,400,000	51,400,000	51,400,000	5,140,000	5,140,000	5,140,000	5,140,000	15,420,000	15,420,000	15,420,000
Year-end share price (yen)	795	885	969	915	1,252	1,388	1,355	1,363	1,450	1,552	1,496

* We implemented a reverse stock split at the rate of 1 per 10 shares of common stock on October 1, 2016 and a stock split at the rate of 3 shares per common share on February 1, 2022.
Accordingly, financial information per share and year-end share price are calculated on the assumption that the reverse stock split and stock split was carried out at the beginning of fiscal 2012.

Basic Knowledge

Water Meters

Classification by measurement principle

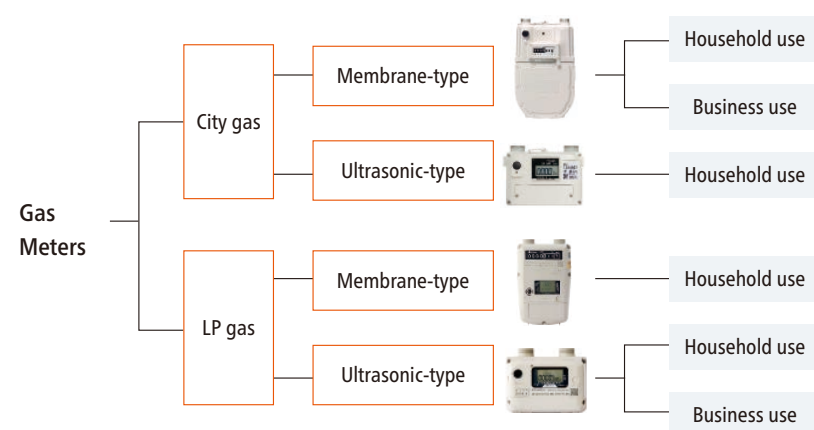


Water meters are mainly divided into “vane wheel-type” and “electromagnetic-type” (there are also others such as positive displacement-type). The principle of vane wheel-type measurement is based on the fact that the amount of water passing is proportional to the rotational speed of the vane wheel. Because they are relatively easy and inexpensive to produce, and their performance has been incrementally improved, many of the water meters currently used in Japan are vane wheel-type.

The principle of electromagnetic measurement is based on the fact that when a magnetic field of a certain strength is applied perpendicular to the flow of water, an electromagnetic force that is proportional to the flow velocity is induced in accordance with the electromagnetic induction law (Fleming’s Right-Hand Rule). Since there is no need for any moving parts or throttle mechanism, electromagnetic-type water meters have a wide measuring range compared to the vane wheel-type, and their biggest feature is that they can be used continuously at large flow rates.

Gas Meters

Classification by measurement principle

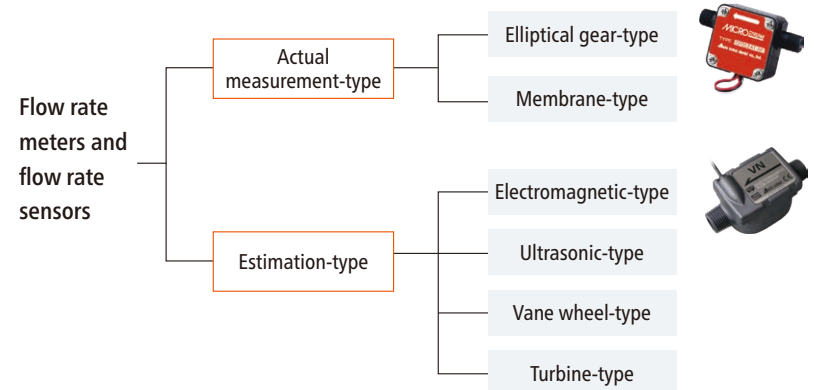


Gas meters are mainly divided into “membrane type” and “ultrasonic type” (there are also others such as Roots-type and turbine-type). The measurement principle of the membrane-type is based on the throughput of gas and the reciprocating movement caused by filling and discharging the measuring membrane. Gas meters for city gas are replaced before the end of their test validity period of 10 years, and the removed gas meter is not discarded, but used again after consumable parts have been replaced and re-tested.

The measurement principle of the ultrasonic-type is based on placing a pair of ultrasonic sensors in the measurement unit to measure the difference in arrival time of the sound waves. For example, if you throw a ball downwind, it will arrive early because there is little wind resistance, but if you throw it upwind, it will arrive late due to wind resistance. By measuring the time difference of the arrival times, you can know the strength of the wind (gas flow velocity).

Flow Rate Meters and Flow Rate Sensors

Classification by measurement principle



Flow rate meters and flow rate sensors are mainly divided into “actual measurement-type” and “estimation-type” (there are also others such as mass flow rate meters). The type that is more suitable for the fluid to be measured and the installation environment should be selected.

The measurement principle of the actual measurement-type is based on directly measuring the volume of the actual fluid flowing. Because it is a type that measures using a measuring cup, it is highly accurate, but resistance to the flow is large, and when the diameter is large, the flow rate meter also becomes large, which makes it expensive.

The measurement principle of the estimation-type is based on indirectly measuring what is flowing. In addition to meters with moving parts such as vane wheel and turbine-types, some meters do not have moving parts, such as electromagnetic and ultrasonic-types.

Glossary

Term	Meaning
Aichi Cloud	A data delivery service that installs a transmitter using LPWA communication technology on a gas meter or water meter, accumulates usage data and alarm information obtained from the meter on the cloud, and provides it via the Internet. Realizes the streamlining of meter reading operations and the creation of new services.
Calorimeter	A measurement device that calculates the amount of heat in equipment such as air conditioning boilers in office buildings and facilities.
Dry-type water meter	A water meter with a structure where the display part with an integrated value is separated from the part where water flows. The display is easier to read because it is less prone to condensation than the wet-type where water enters the display.
Electromagnetic flow meter	A measurement device that generates a magnetic field in a measurement tube by flowing an electric current through the coil, and calculates the flow rate from the magnitude of the electromotive force generated according to the flow velocity of the conductive liquid flowing within.
Electronic-type water meter	A water meter with a built-in microcomputer. In addition to measuring water usage, it is equipped with functions such as water leak detection and non-use detection.
ISO9001	Quality management system that realizes customer satisfaction improvement and organizational improvement through product quality assurance. Certification by a third party.
ISO14001	Environmental management system aimed at both reducing environmental risks and contributing to the environment and management. Certification by a third party.
LoRa	One of the wireless communication standards that covers a wide area with low power consumption. Communication distance is shorter than NB-IoT, but no radio license is required.
LPWA	Abbreviation for Low Power Wide Area. A communication method that realizes long-distance communication while reducing power consumption.
LTE-M	One of the mobile phone communication standards (LPWA) that uses only part of the LTE frequency band. A communication standard that enables long-distance wireless communication with less power than LTE-M. It offers a wide network and high communication stability by using existing LTE base stations.
Microcomputer gas meter	A gas meter with safety features such as a built-in microcomputer that automatically shuts off gas in the event of an earthquake with a seismic intensity of 5 or higher.
NB-IoT	One of the mobile phone communication standards (LPWA) that uses only part of the LTE frequency band. A communication standard that enables long-distance wireless communication with less power than LTE-M. It offers a wide network and high communication stability by using existing LTE base stations.
Smart gas meter/smart water meter	A meter that can digitize usage and alarm information and send it to the cloud or the center by communication. In addition to automatic meter reading, the gas meter can be opened and closed remotely.
Test validity period	Validity period stipulated by the Measurement Act. Gas meters expire after 10 years, and water meters expire after 8 years.
TQC	Abbreviation for Total Quality Control. In manufacturing, etc., a quality management system that is implemented under a unified goal in cooperation with departments other than those directly responsible for manufacturing (design, purchasing, marketing, etc.).
Ultrasonic flow rate meter	A measurement device that measures and calculates the flow velocity by placing a pair of ultrasonic sensors in the measurement tube, accurately measuring the difference in arrival time of the sound waves, and multiplying by the correction coefficients such as the cross-sectional area of the tube and flow rate distribution to calculate the flow rate.
3R	Three initiatives: Reduce, Reuse, and Recycle.

Stock Information (As of March 31, 2023)

Stock Status

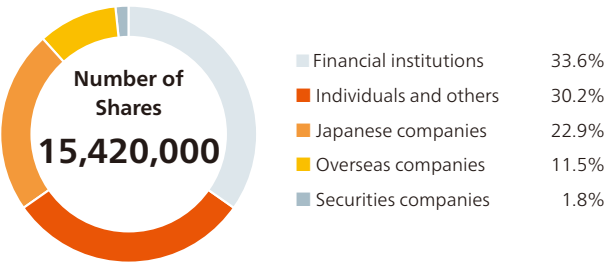
Total number of authorized shares	43,200,000
Total number of issued shares	15,420,000 (Including 126,216 shares of treasury shares)
Number of shareholders	3,135
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited
Location of the handling office	3-15-33 Sakae, Naka-ku, Nagoya City Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited
Stock exchange listing	Tokyo (Prime), Nagoya (Premier) (Code number: 7723)

Major Shareholders (Top 10 shareholders)

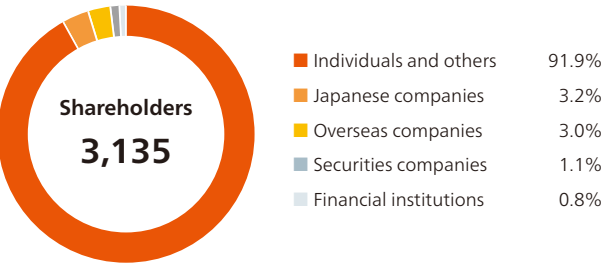
Name	Number of shares held	Shareholding ratio (%)
Nippon Life Insurance Company	1,157,424	7.6
The Master Trust Bank of Japan, Ltd. (Trust account)	848,500	5.5
Toho Gas Co., Ltd.	691,872	4.5
Norio Minorikawa	641,900	4.2
MUFG Bank, Ltd.	616,600	4.0
Meiji Yasuda Life Insurance Company	603,600	3.9
Aichi Tokei Denki Mutual Prosperity Association	601,300	3.9
Mizuho Bank, Ltd.	560,150	3.7
THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD-SINGAPORE BRANCH PRIVATE BANKING DIVISION CLIENT A/C 8221-563114	525,000	3.4
Mizuho Leasing Company, Limited	492,600	3.2

* Shareholding ratio is calculated excluding treasury stock (126,216 shares).

Share Distribution by Number of Shares



Share Distribution by Shareholders



Company Information (As of March 31, 2023)

Company Profile

Foundation	July 1, 1898
Incorporation	June 1, 1949
Capital	¥3.218 billion
Number of employees Consolidated basis Non-consolidated basis	1,783 1,213
Line of business	Gas meters and related equipment, Water meters and related equipment, Private-demand flowsensors and systems including housing and building equipment & systems, Instrumentations, Precision machining (Dies and other parts)
Offices Headquarters and Plant Plants Branch Offices Sales Offices Overseas Sales Bases Consolidated Subsidiaries	1-2-70 Chitose, Atsuta-ku, Nagoya, Aichi, Japan TEL: +81-(0)52-661-5151 Okazaki, Hokkaido (Sapporo), Sendai, Imabari No. 1, Imabari No. 2, Kyushu (Fukuoka) Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, Sendai Takamatsu, Kanazawa, Hiroshima, Kushiro, Aomori, Shizuoka, Chiba, Morioka, Kagoshima, Omiya, Okayama Bangkok (Thailand), Ho Chi Minh (Vietnam) Aisei Tec Co., Ltd. (Imabari, Japan) Aichi Konpou Unyu Co., Ltd. (Nagoya, Japan) Dalian Aichi Tokei Technology Co., Ltd. (Dalian, China) Aichi Kisosaki Seikou Co., Ltd. (Mie, Japan) Aichi Tokei Denki Vietnam Co., Ltd. (Hai Phong, Vietnam)

Authenticity Statement

Issuance of “Aichi Tokei Denki Integrated Report 2023”

Satoru Maruyama

Senior Executive Officer
General Manager of Administration Headquarters

Aichi Tokei Denki has been providing information about its medium- to long-term initiatives and sustainability through its website and other methods. This time, we have issued the “Integrated Report” to further understanding among stakeholders about Aichi Tokei Denki’s goal, which is integrating measurement and IoT technologies to contribute to changing society for the better.

In the report, we communicate the medium- to long-term efforts we are carrying out to realize our corporate philosophy of “continue to create new value (‘Creativity’), serve customers and society (‘Service’), and continue to win ‘Reliability’ from all,” and present our approach to solving

our challenges by clarifying the value creation story we depict in order to contribute to a sustainable society, as well as material issues and goals for them.

The production of the report was led by the Administration Headquarters and involved sincere discussions with related departments. As the General Manager responsible for the production of the report, I declare that the production process is legitimate and that the contents are accurate. Please read the report and let us know what you think candidly. We will continue to strive to further enrich the content and use it to help us communicate with stakeholders. I hope this report will help you better understand the Aichi Tokei Denki Group.

Aichi Tokei Denki Co., Ltd.

1-2-70 Chitose, Atsuta-ku, Nagoya, Aichi 456-8691, Japan

www.aichitokei.net

Published in November 2023