

Medium-term Management Plan

Review of Medium-term Management Plan 2023

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

Priority Measures

Results

- Expanded data delivery services mainly in the LP gas market
- Secured progress in expanding sales mainly in China and North America; increase in overseas sales (compared with March 2021+26%)
- Curtailed the impact on the environment and costs by reducing the weight and size of products
- Acquired a share of the smart meter market and put in place a system to increase production
- Acquired various certifications, including as a Health & Productivity Management Outstanding Organization
- Took positive steps to diversify the composition of the Board of Directors
- Achieved an increase in market capitalization (approx. 1.7 times during the period of the Plan)

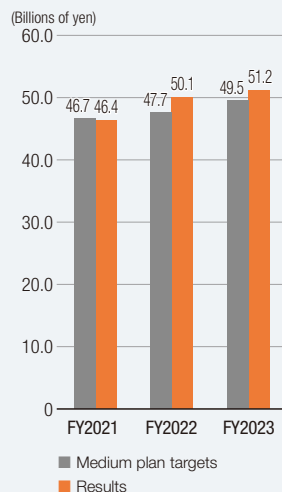
Medium-term Management Plan 2023: Achieved All Indicator Plans

- Secured progress in expanding markets and business fields; achieved substantial growth in sales
- Maintained profit levels in excess of plans

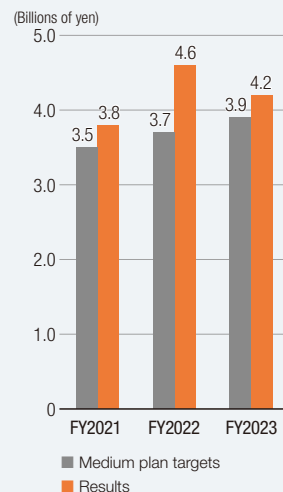
Major Challenges under Medium-term Management Plan 2026

- Further expand business by upgrading data delivery services
- Secure the competitiveness of products in overseas markets; expand efforts in existing markets
- Increase productivity by optimizing production sites and production facilities
- Strengthen measures aimed at increasing corporate value

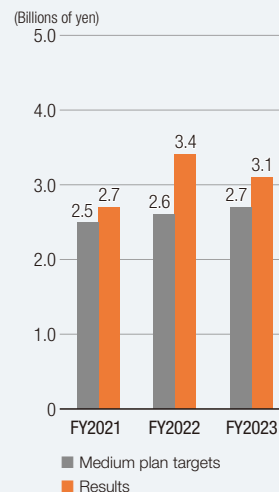
Net sales



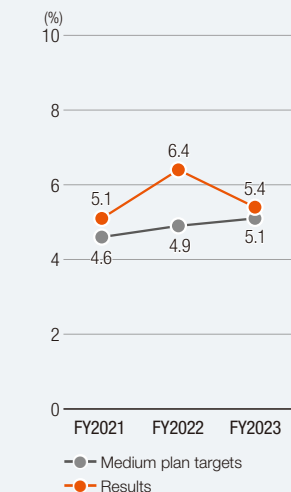
Ordinary profit



Profit



ROA



Medium-term Management Plan

Medium-term Management Plan 2026 Overview

Vision

Aichi Tokei Denki will contribute to the creation of a sustainable society through “measuring technology” and “connecting technology.”

Business strategy

Expand markets and business fields

- Create new value in the measuring field
- Accelerate the pace of global expansion

Strengthen the competitiveness of core businesses

- Balance efforts to increase profitability with the resolution of social issues
- Achieve business reform through DX

Financial and capital strategy

- Invest in growth
- Upgrade and expand shareholder returns

Sustainability strategy

Increase corporate value

- Reduce cross-shareholdings
- Promote sustainability measures
- Further strengthening governance

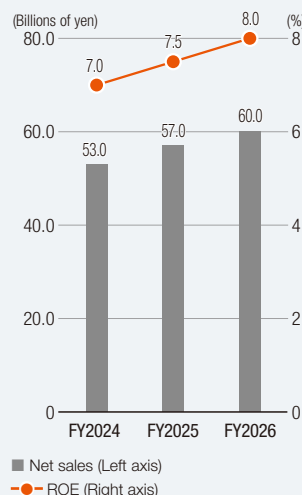
Aichi Tokei Denki will work to expand markets and business fields, increase profitability while endeavoring to increase the efficiency of business operations, and strengthen the competitiveness of core businesses by advancing its business strategy under Medium-term Management Plan 2026. With the goal of balancing efforts to increase the profitability of core businesses with the resolution of social issues, we will look to create new value in the measuring field, accelerate the pace of global expansion, and promote the development of environmentally friendly products. In addition to building a robust production systems, we will implement a pricing policy that ensures an appropriate level of profit, establish hydrogen measuring technologies, and promote the development of product that impose minimal environment impact in response to changes in the business environment.

As one specific measure, we will further expand our “Aichi Cloud” data delivery service. Within the energy business, a field in which the Company operates, we will work to further expand in the city gas and water markets going forward, while continuing to expand sales in the propane gas market, which is exhibiting the most aggressive shift to smart technologies and offers considerable potential for growth. Both of these markets offer tremendous opportunities and we will work diligently as a group to secure a solid share. Furthermore, we will focus on research and development that entails combining the gas and water usage data (big data) obtained through the operation of our data delivery services with AI technology in a bid to maximize value.

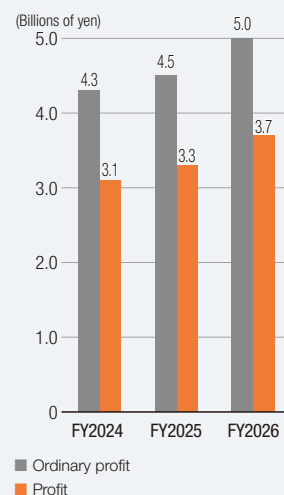
As far as efforts toward global expansion are concerned, we will further ramp up conventional measures targeting various countries and regions, including China, Taiwan, ASEAN, and North America. By earning the trust of customers through the delivery of products with functions and features that match the needs of each region, we will enhance our competitiveness in each market and expand sales. Building on these endeavors, we will optimize our production structure and systems, including suppliers, from a global perspective.

Management Targets

Net sales/ROE



Ordinary profit/Profit

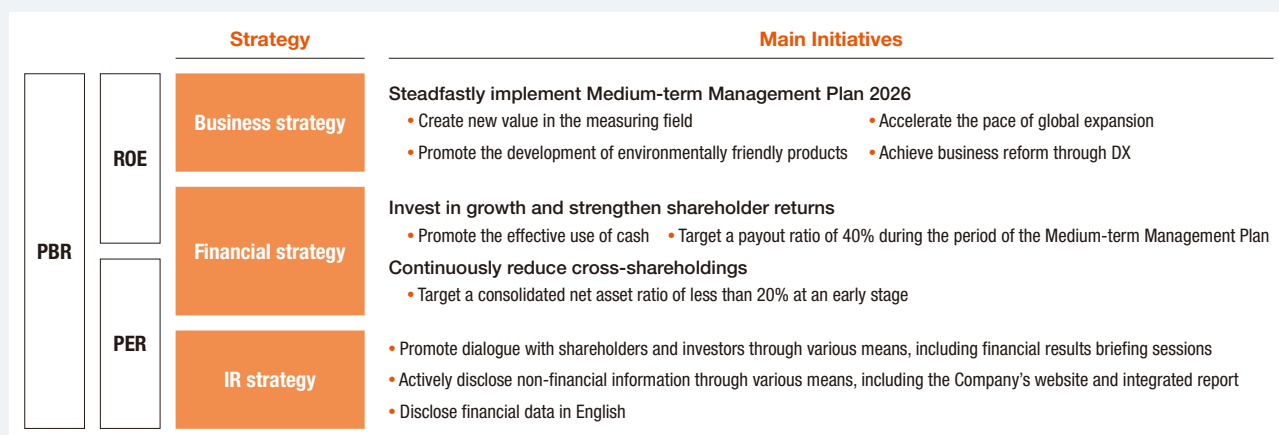


Medium-term Management Plan

Efforts to Increase Corporate Value

Aichi Tokei Denki is targeting net sales of 60 billion yen in fiscal 2026 under Medium-term Management Plan 2026. This represents a 17% increase over the three-year period from fiscal 2023 when net sales totaled 51.2 billion yen. As an initiative designed to increase corporate value, we will strive to improve our PBR by increasing both ROE and PER, focusing on investments in growth fields while upgrading and expanding shareholder returns. Through to fiscal 2023, we have maintained an ROE of around 8-9%. From fiscal 2024

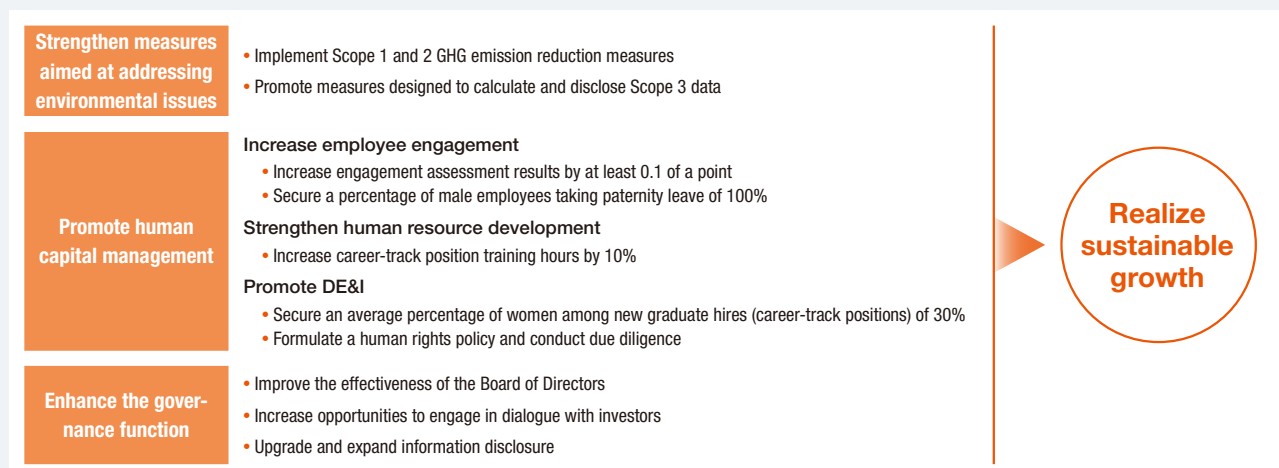
and during the current Medium-term Management Plan, conditions are projected to worsen as a result of upswings in the prices of procured components and labor expenses as well as a deterioration in the product sales mix. While ROE is not anticipated to return to the 8% level until fiscal 2026, the final fiscal year of the plan, we will work diligently to improve productivity and secure adequate profits at each level while steadfastly implementing financial and capital strategies, including a continued increase in the payout ratio.



Sustainability Initiatives

Under our sustainability strategy, we will work to secure sustainable growth by advancing measures across the three core environment issue, human capital management, and governance fields. In an effort to address environment issues, we will definitively execute measures aimed at curtailing greenhouse gas emissions while at the same time calculating and disclosing Scope 3 data. From a human capital management perspective, we will pay particular attention to increasing engagement. Drawing on the results of an initial engagement survey conducted in fiscal

2023, we will endeavor to increase Group-wide productivity through the ongoing activities of each department. Working to further enhance the governance function, we are implementing measures in a bid to improve the effectiveness of the Board of Directors. These measures include a survey and questionnaire of the Board of Directors conducted by an external organization. Complementing these endeavors, we will also upgrade and expand the disclosure of information and wherever possible increase opportunities to interact with investors.



Financial and Capital Strategy and Total Shareholders Return (TSR)

Financial Situation

The financial position at the end of March 2024 was 61.3 billion yen (+9.0% YoY) in total assets and 44.1 billion yen (+15.0% YoY) in net assets, and the equity ratio increased to 71.9% (+3.7% YoY). Interest-bearing liabilities increased slightly to 850 million yen at the end of the fiscal year, but we continue to maintain high financial stability.

In terms of cash flows, operating cash flow amounted to 1.74 billion yen due to such factors as an increase in inventories, a slight decrease compared with the previous fiscal year, and FCF was positive at 0.65 billion yen.

Financial Figures for Medium-term Management Plan 2023

A summary of our financial figures for the last three years is as follows.

(Millions of yen)

	FY2021	FY2022	FY2023
Net sales	46,483	50,160	51,225
Operating profit	3,287	3,980	3,617
Operating profit margin	7.1%	7.9%	7.1%
Profit	2,789	3,458	3,174
Operating cash flow	3,115	1,876	1,742
Investment cash flow	2,589	(683)	(1,092)
ROE	8.0%	9.4%	7.7%
ROA	5.1%	6.4%	5.4%
Total assets	52,227	56,318	61,399
Net assets	35,228	38,399	44,159
Cash and deposits	10,737	11,305	10,831
Interest-bearing liabilities	731	885	858
Equity ratio	67.4%	68.2%	71.9%

Financial strategy in Medium-term Management Plan 2026

The management targets and financial strategy for Medium-term Management Plan 2026, which started in fiscal 2024, are as follows.

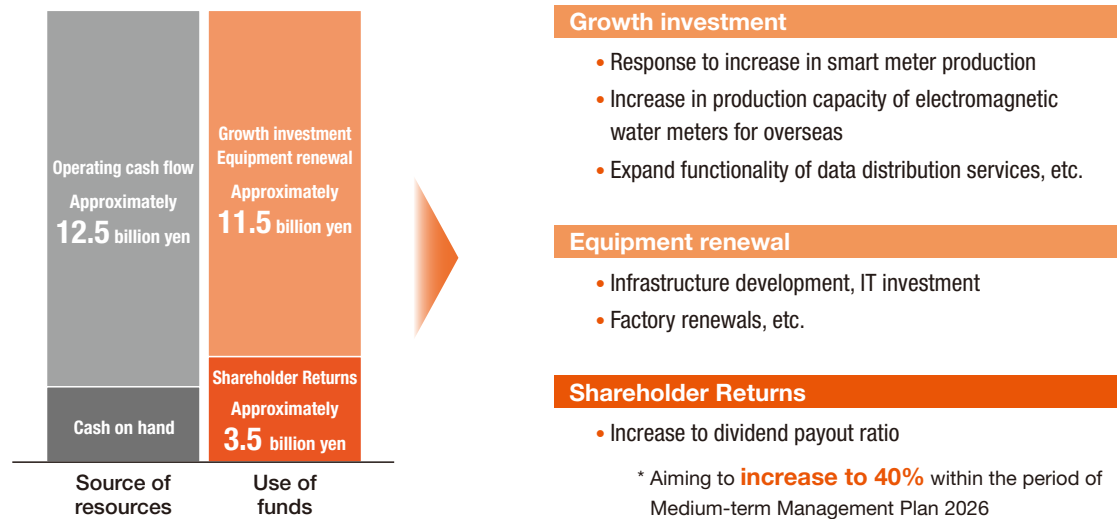
(Billions of yen)

Medium-term Management Plan 2026 Management Targets			
	FY2024	FY2025	FY2026
Net sales	53.0	57.0	60.0
Ordinary profit	4.3	4.5	5.0
Profit	3.1	3.3	3.7
ROE	7.0%	7.5%	8.0%

Financial and Capital Strategy and Total Shareholders Return (TSR)

(1) Cash allocation

Our policy is to utilize operating cash flow and cash on hand to invest in future growth and upgrade our infrastructure, while also providing appropriate shareholder returns.

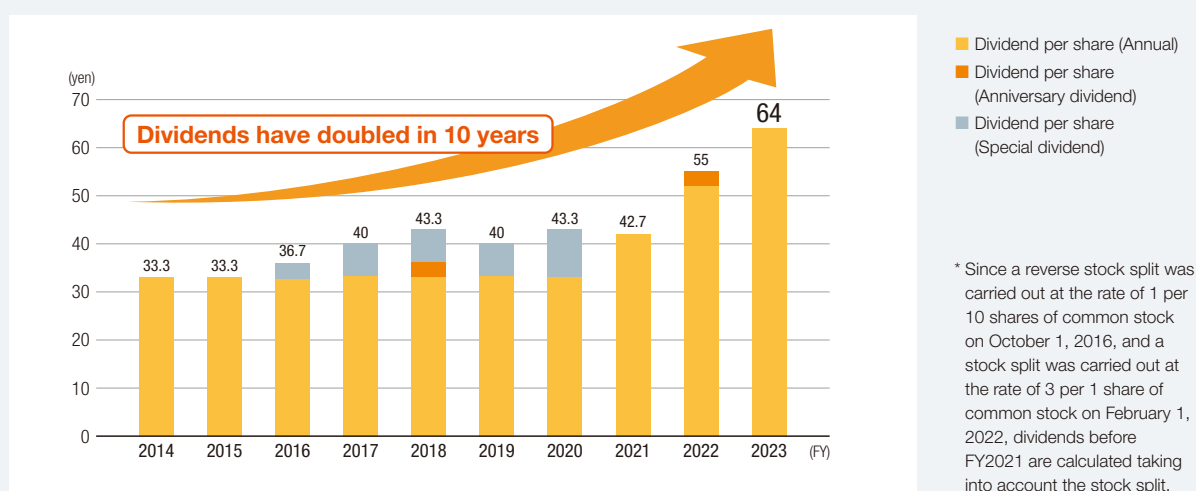


(2) Shareholder Returns

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 are providing stable dividends to shareholders based on profit growth.

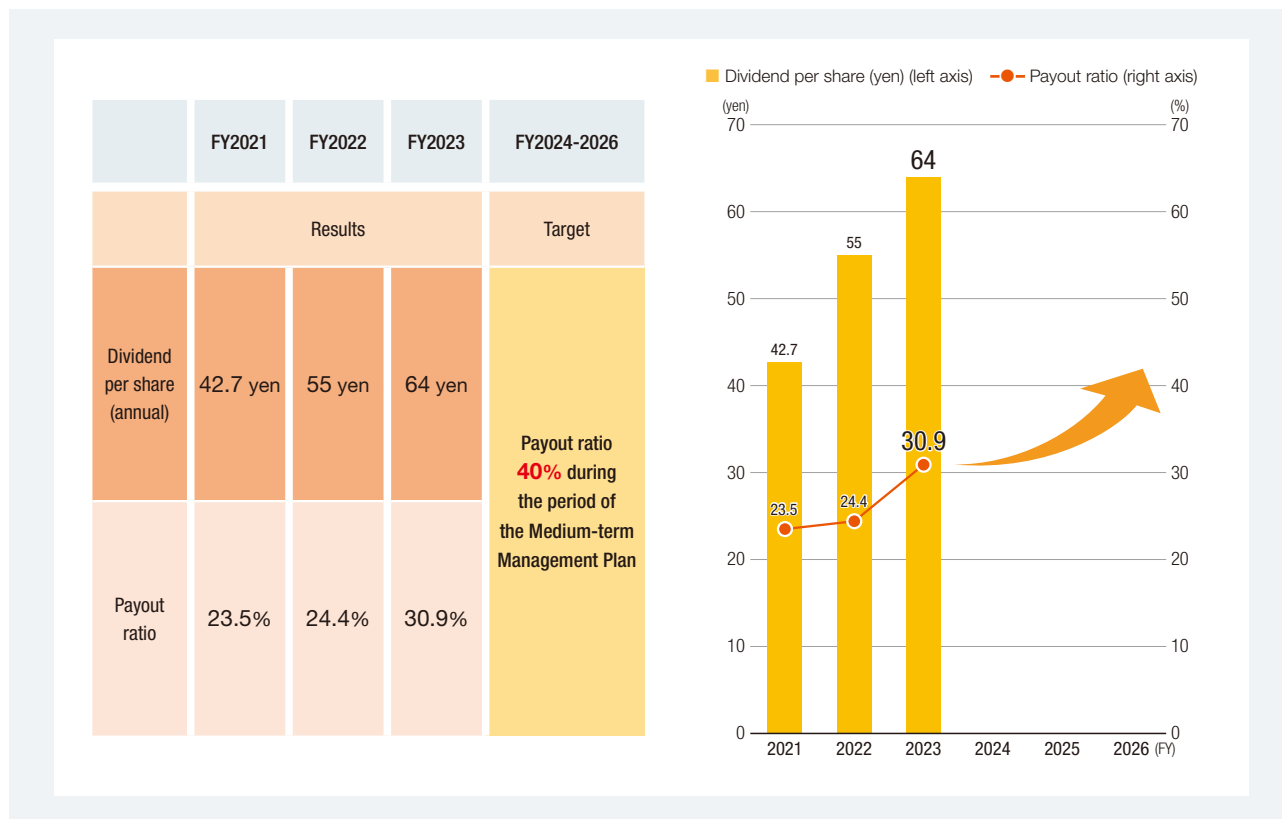
Dividend performance over the past 10 years is shown in the graph below. From fiscal 2014 to the most recent fiscal 2023, the dividend per share amount has approximately doubled.

Dividend per share*



Financial and Capital Strategy and Total Shareholders Return (TSR)

Our policy under Medium-term Management Plan 2026 is to strengthen shareholder returns, and we have adopted a dividend payout ratio of 40% as a target value for the duration of the Plan.

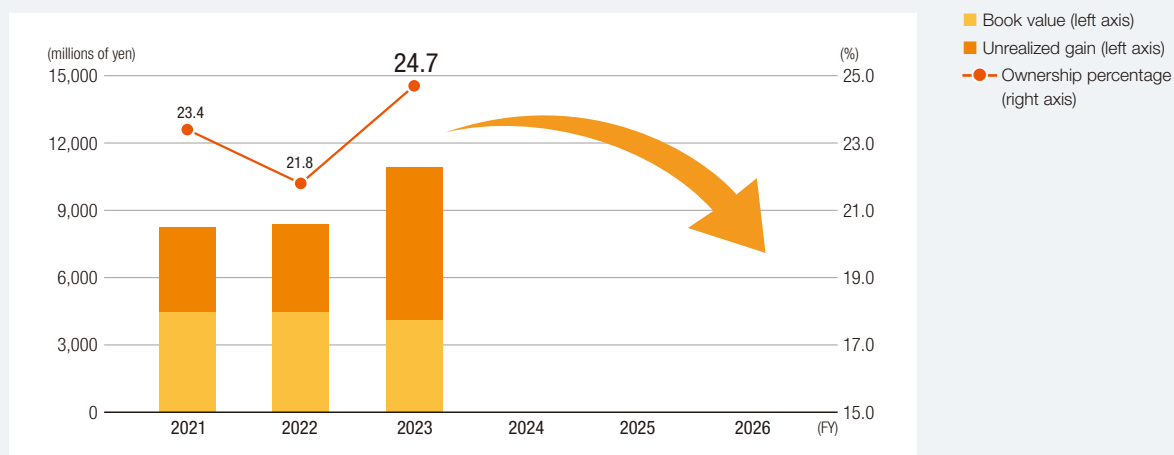


(3) Reduce cross-shareholdings

The balance (on a market value basis) of cross-shareholdings (including deemed shareholdings) was 10.9 billion yen (up 2.5 billion yen from the previous fiscal year) due to the rise in the stock market, and the ratio of this to net assets was 24.7%.

Our policy is to continue to reduce cross-shareholdings (including deemed shareholdings) with the aim of quickly lowering our consolidated net asset ratio to less than 20%.

The transition of cross-shareholdings over the past three years and the ratio to consolidated net assets



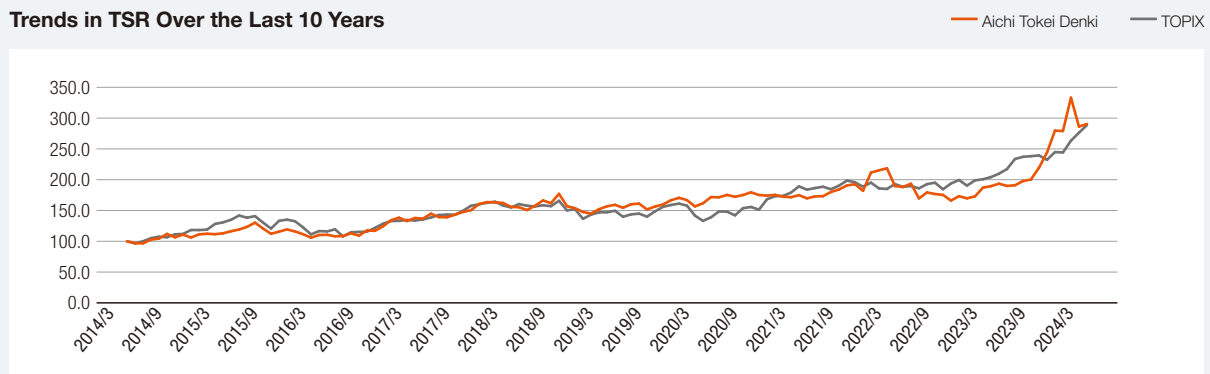
Financial and Capital Strategy and Total Shareholders Return (TSR)

Cost of Shareholders' Equity and TSR

We recognize that our cost of shareholders' equity is 7-8%, and our TSR over the last 10 years has been +11.3% per annum, which is roughly the same return as

the TOPIX (including dividends), exceeding our cost of shareholders' equity.

Trends in TSR Over the Last 10 Years



Share Performance (Total Shareholders Return)

	1 year	3 years		5 years		10 years	
	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual
Aichi Tokei Denki	66.4%	78.4%	21.3%	97.0%	14.5%	190.5%	11.3%
TOPIX	41.3%	52.5%	15.1%	96.2%	14.4%	188.6%	11.2%

* TSR: Total return on investment calculated by combining capital gains and dividends

* 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 2014 as 100 (the holding period is until the end of March 2024)

Toward Improving Capital Efficiency

Although return on equity (ROE) has exceeded the assumed cost of shareholders' equity of 7% over the past 10 fiscal years, the PBR at the end of the period was less than 1.0 (P.52-53). We will continue to improve capital efficiency by implementing business strategies and appropriate financial strategies under Medium-term Management Plan 2026, aiming for an ROE of 8% by fiscal 2026.

Through appropriate information disclosure and IR activities, we will also work to optimize capital costs by reducing share price volatility, thereby ensuring that our business results are steadily reflected in the stock price. Please see P.21 for information on efforts to increase corporate value under Medium-term Management Plan 2026.

Relationship between ROE and PBR with regard to Cost of Shareholders' Equity

