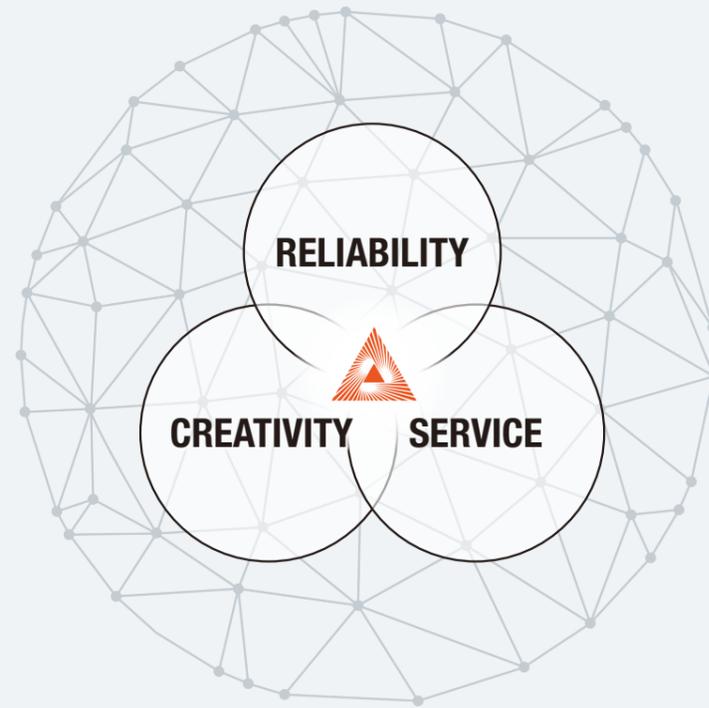




Corporate Philosophy

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



Mission

Creating a People- and Earth-friendly Tomorrow

Vision

Contributing to a sustainable society
through measurement and connection technologies

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■ Editorial policy

With the aim of providing a deeper understanding of its initiatives designed to continue growing over the medium to long term and creating value for all its stakeholders and society, Aichi Tokei Denki has issued an integrated report since fiscal 2023. Based on our new medium-term management plan, which was launched in fiscal 2024, we strove to offer specific details about our activities to strengthen our business plans and financial and non-financial ESG factors in an integrated manner.

■ Scope

Aichi Tokei Denki (parent company and consolidated subsidiaries)
* Some information is for parent company only.

■ When issued

October 2024

■ Period covered

April 1, 2023–March 31, 2024

(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.

At a Glance

We continue to provide new value to society by integrating measurement and IoT technologies.



Aichi Tokei Denki develops various businesses centered on the development and manufacture of "fluid measurement devices" such as water meters, gas meters, and flow rate sensors. Promoting the integration of our accumulated measurement technologies with the latest IoT technologies, we will enter new markets, such as medical care, agriculture, and clean energy. At the same time, we will continue to develop technology that "makes the invisible visible" and provide products that are indispensable to society.

No.1
industry share

Annual gas meter sales results

Approx. **2,000,000** units
(Fiscal 2023)

No.1
industry share

Annual water meter sales results

Approx. **2,000,000** units
(Fiscal 2023)

Establishment

126th anniversary
(1898)

Net sales

51,225 million yen

Ordinary profit/Operating margin

4,265 million yen / **7.1%**

Capital adequacy ratio

71.9%

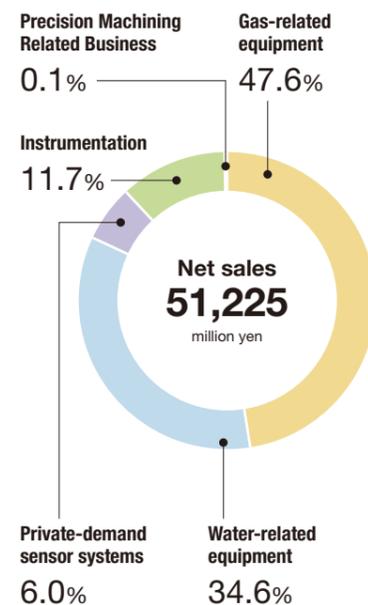
Number of employees
(consolidated)

1,739

Dividend per share

64 yen

Sales composition ratio



Measuring Devices Related Business



Gas-related equipment

Net sales **24,397** million yen → P.22

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.



Water-related equipment

Net sales **17,706** million yen → P.24

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.



Private-demand sensor systems

Net sales **3,072** million yen → P.26

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.



Instrumentation

Net sales **6,001** million yen → P.26

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.

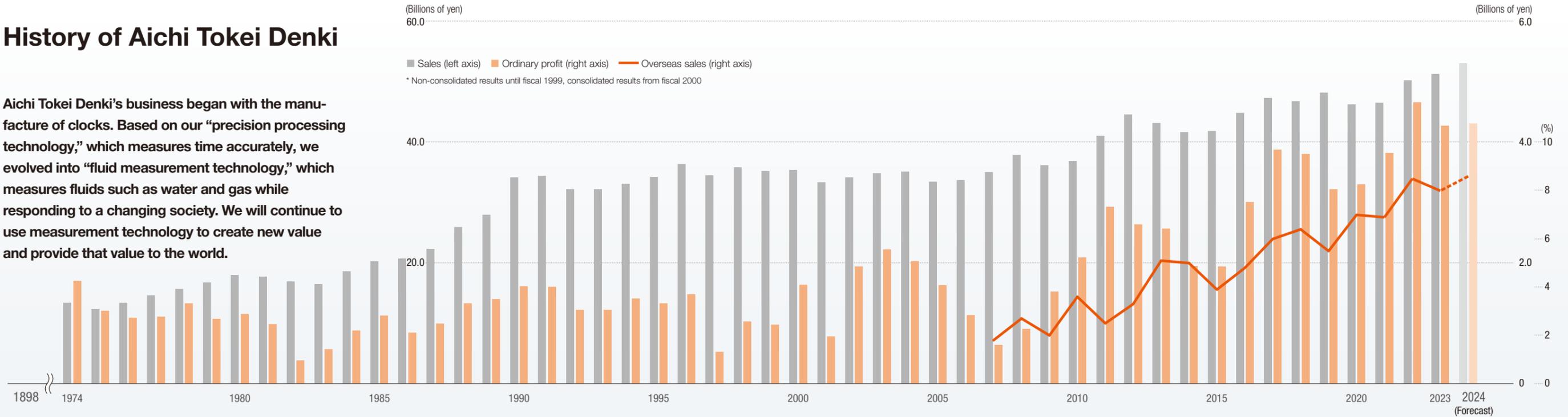


Precision Machining Related Business (Die Sales)

Net sales **47** million yen

History of Aichi Tokei Denki

Aichi Tokei Denki's business began with the manufacture of clocks. Based on our "precision processing technology," which measures time accurately, we evolved into "fluid measurement technology," which measures fluids such as water and gas while responding to a changing society. We will continue to use measurement technology to create new value and provide that value to the world.



History of technological deployment and development

1898
Established AICHI TOKEI MFG. CO., LTD.



1912
Changed the company name to Aichi Tokei Denki Co., Ltd.
The technical strengths we developed in clockmaking technology were highly appreciated, and the electrical division business expanded rapidly. We changed our name as we began to engage in a wide range of businesses other than clockmaking.

Turning Point

1950
Started production of gas meters
Started gas meter production as the second pillar of the business along with the water meter business. The measurement principles of membrane gas meters that were popular around this time are still standard technology.



1961
Start manufacturing machine tools
We started manufacturing machine tools by utilizing the machine tool technology we developed in our previous business. We expanded into areas other than water and gas meters and aimed to diversify.



1983
Launched microcomputer meter
We launched a microcomputer-mounted gas meter that can automatically detect earthquakes and abnormalities and shut off the gas supply. This dramatically improved the safety of gas.



Launched the world's first 2-wire electromagnetic flow rate meter
At a time when the power consumption of general electromagnetic flow rate meters was tens of watts, we developed a technology that reduced power consumption to one-hundredth. Realized the world's first 2-wire system.

1993
Closure of the clock business

2002
Full-scale entry into the construction industry
Organized a specialized department for system construction such as water and sewage facilities and agricultural water. Undertook the overall renovation of facilities such as water and sewerage, and became one of our basic businesses.



2008
Developed a flow rate meter "TRX" to "visualize" usage of air in factories
Contributes to energy saving in factories by measuring the flow rate of compressed air in the factory. In 2011, we received the Aichi Environmental Award for Excellence.

2013
Launched ultrasonic meter for LP gas
We added an ultrasonic gas meter to our lineup of membrane gas meters. It is even lighter and more compact than the membrane type.

Closure of the machining tools business

Contributing to a sustainable society through measurement and connection technologies

2021
Launched environmentally friendly dry-dial type water meter
Aiming to make products that are more environmentally friendly, we launched a new type of dry water meter SD Series that is 50% lighter and more compact than the current product.



Turning Point
2019
Start operation of Aichi Cloud

1985
Launched a small flow rate sensor
Utilized vane wheel-type measurement technology for water meters for a small flow rate sensor for management. Even now, it has been repeatedly improved and has become a best-selling product.

Turning Point
1992
Launched world's first battery-powered electromagnetic water meter



Turning Point
2010
Established overseas plants
China Dalian Plant (Dalian City)
Vietnam Hai Phong Plant (Haiphong City)

Started "Water Meter Business"

Utilizing precision gear technology developed in clockmaking, we were one of the first companies in Japan to engage in the production of water meters and started a business that plays a part in the development of social infrastructure. In December 1927, we received a license from the Minister of Commerce and Industry for the production of water meters, and the following year, in 1928, we received orders from the cities of Nagoya and Tokyo. In the early Showa period, we started the "measurement business" that is indispensable to our company today. Since then, the water meter business has gradually become a major part of our company.

Launched electromagnetic water meters as a global pillar

By adopting electromagnetic water meters, we further enhanced our low power consumption technology and achieved an extremely low power consumption of less than 1/10,000th compared to conventional products. We are the first company in the world to commercialize an electromagnetic water meter with a built-in lithium battery that can be used continuously for 10 years. Since there are no moving parts such as vane wheels or obstacles that prevent the flow of liquid, electromagnetic water meters are positively regarded as a groundbreaking product with features such as excellent durability and stable measurement accuracy over a long period of time, and they are still a pillar of our global expansion today.

Global expansion through the establishment of overseas factories

In 2010, we opened our first overseas factories in Dalian, China and Haiphong, Vietnam. This allowed us to diversify our procurement methods such as for raw materials and avoid risks by decentralizing our production bases. In addition, it has greatly contributed to the expansion of our sales channels in China, Vietnam, and the ASEAN region, leading to an increase in overseas sales.

Leveraging LPWA communication technology to collect Big Data

In recent years, LPWA, a wireless communication technology for IoT, has evolved rapidly, and we have entered the era where devices around the world are connected to the Internet. In November 2019, we launched Aichi Cloud, a data delivery service that utilizes the measurement data of various measurement instruments that we offer to the market, such as gas and water meters.

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

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

Kenji Kunishima

President and Representative Director, President Executive Officer



Review of Medium-term Management Plan 2023

For all intents and purposes, Aichi Tokei Denki achieved the numerical targets for all indicators identified under Medium-term Management Plan 2023, a plan that covered the three-year period from fiscal 2021 to fiscal 2023. In particular, the Company reported record high sales. During the period of the Plan, we were severely affected by the COVID-19 pandemic confronting significant difficulties in maintaining the supply chain. Despite this harsh operating environment, successful steps were taken to substantially expand the number of connections to our data delivery service, “Aichi Cloud,” especially in the domestic propane gas field. Outside of Japan, substantial sales growth in the city gas and water-related fields in China and North America, respectively, was the leading factor in the Group’s robust performance. Working to reduce the size and weight of products, we also made significant strides toward lowering costs while developing environmentally friendly products.

Over and above the aforementioned, we participated in an elderly monitoring service demonstration trial utilizing water and gas smart meters. We believe that the implementation of social contribution activities such as this is another positive outcome of Medium-term Management Plan 2023.

Pursuing Growth Focusing Largely on Smart Meter Expansion

In its principal operating markets, the propane gas field has made relatively early progress in the use of smart technologies and instruments, driving the expansion of data distribution services to date. Moving forward, the city gas and water-related markets are expected to follow suit in earnest. Under our three-year Medium-term Management Plan 2026, which we launched in fiscal 2024, we positioned “the creation of new value in the measurement field” as a business strategy. In addition to expanding each of the propane gas, city gas, and water markets, we will look to develop our business with an eye on the instrumentation field. We will vigorously expand our business with the goal of connecting 2 million meters (cumulative total) to the Aichi Cloud service by March 2027 by increasing the convenience of customers and solving a host of social issues, including labor shortages and operating efficiency.

Meanwhile, we recognize the challenges to be faced in improving our corporate value. Buffeted by the increase in component and raw material prices as well as soaring labor expenses, we continue to confront significant impediments in increasing the profitability of existing businesses.

Focusing on the need to increase earning power, we will engage in a variety of measures. For example, we are promoting the development of DX leaders in each department to help drive productivity improvements. Undergoing training from fiscal 2024, the first year of the Medium-term Management Plan, 20 employees selected under an open in-house application system are expected to play a central role going forward in promoting reforms in each workplace. Unbound by conventional thinking, we will at the same time consider optimizing our production structure, including suppliers, from a global perspective.

Regrettably, the Company’s PBR has fallen below 1 times as of August 2024. Over the period of Medium-term Management Plan 2026, we will firmly promote measures aimed at improving corporate value and target a PBR of at least 1 times while bolstering growth investments and shareholder returns.

Promoting Growth Based on the Incorporation of AI Technology and Use of Digitalization

One of the Company’s strengths is its broad range of liquid and gas measurement technologies. In addition, we have long-accumulated technologies in the field of communications. Symbolic of the fusion of these technologies are smart meters and cloud services. In line with this shift

in the market toward smart technologies, we have seen steady growth in our data delivery service facilitating the accumulation of data on gas and water consumption. Through the combination of AI and other technologies, we will continue to promote the development of technologies that maximize the value of this data. Energy providers are increasingly pursuing various measures to become carbon neutral. In addition to the conventional gas and water resources, we are conducting research into measurements technologies for such new energy sources as hydrogen and ammonia, which continue to attract considerable expectation. On this basis, we will ramp up efforts toward commercialization focusing especially on the hydrogen field. Going a step further overseas, we will advance a variety of measures aimed at expanding the market. In addition to enhancing the competitiveness of our products, these measures include responding in detail through the provision of functions and features that match the requirements of each region. Despite concerns surrounding the temporary severity of the Chinese economy, we will work to expand sales, especially in the Asia-Pacific region.

Expanding the Group’s Global Reach Focusing on China

Aichi Tokei Denki is currently focusing on China, Taiwan, the ASEAN region, and North America as it works to

President's Message

expand overseas. Among each of these target markets, strengthening activities in China in particular is a central component of Medium-term Management Plan 2026. Dating back more than a decade, Aichi Tokei Denki developed and marketed a natural gas ultrasonic gas meter utilizing its proprietary ultrasonic technology for the Chinese market. Demand for gas meters in China is projected to expand in line with the increased use of natural gas. Under these circumstances, we established a joint venture with a major gas company and a distributor headquartered in China (Shenzhen) and Hong Kong and began production of ultrasonic gas meters. The joint venture company has an extremely large customer base in China coupled with substantial influence over group companies. With this as a base, we anticipate capturing a raft of new customers.

Sales of the Company's unique electromagnetic water meters continue to expand steadily in China. At the outset of its establishment in Dalian in 2010, the subsidiary mainly engaged in the manufacture of water meter components for the market in Japan. Thereafter, steps were taken to bolster sales activities for electromagnetic water meters, which offer high added value and are easily distinguished from other companies. Thanks to these endeavors, we have witnessed a gradual upswing in local customer inquiries. In recent years, sales have increased steadily with the business entering a growth track. Looking ahead, we will work to grasp the requirements of our various customers and enhance our competitiveness by providing a product lineup that addresses customers' demands.

Contributing to the Creation of a Sustainable Society through the Development of Environmentally Friendly Products

Aichi Tokei Denki has identified "creating a people- and earth-friendly tomorrow" as its mission under Medium-term Management Plan 2026. As a part of this mission,

we recognize the need "to contribute to the creation of a sustainable society" and as such place considerable emphasis on helping resolve social issues, including the environment, through our business activities.

In order to ensure that environmental issue initiatives remain sustainable, we recognize the need to maintain a balance between efforts to preserve the environment and profitability. To date, we have successfully cutback on the use of raw materials by reducing the size and weight of existing products while keeping each product's functions and performance intact. Meanwhile, while city gas meters are replaced every 10 years, after the end of their test validity period, rather than their disposal, roughly 93% of component parts are reused or recycled. Taking into account the contributions to profitability while reducing environmental load, we will consider expanding this initiative to various other products.

In November 2023, Aichi Tokei Denki registered and openly disclosed its details of its carbon footprint declaration with respect to the Company's propane gas meters, a mainstay product line, as a part of efforts to support the carbon neutral initiatives of its customers. In this manner, we will promote measures aimed at reducing environmental impact across the supply chain.

As a new environmental issue initiative, we continue to pursue research with the goal of developing hydrogen measurement technology. Hydrogen is attracting considerable interest as a clean energy resource that does not emit carbon dioxide thereby facilitating the realization of a decarbonized society. While the use of hydrogen is projected to expand throughout such industrial fields as power generation, combustion furnaces, and boilers, potential future applications under active consideration include fuel cell vehicles, which are already enjoying practical use, as well as hydrogen-powered vessels and airplanes, areas of considerable familiarity. At the same time,

Balancing the Need to Improving Profitability with the Resolution of Social Issues

We will increase the competitiveness of core businesses, respond to full-fledged smart meter demand, and promote environmental measures.

Strengthen core businesses

- Put in place a system to increase production of smart meters, focusing on city gas and water
- Increase production facility capacity in a bid to address the next phase of LP gas meter demand
- Secure appropriate levels of profit by promoting cost reduction and proper increases in price

Address changes in the business environment

- Develop hydrogen measurement technologies and promote practical application through the use of ultrasonic technologies
- Reduce environmental impact across the product life cycle (promote reuse and recycling)

demonstration trials of Hydrogen Towns that supply hydrogen to retail facilities and households are currently underway. Aichi Tokei Denki is a participant in trials at various locations, including Namiemachi, Fukushima Prefecture and Kita-Kyushu City, Fukuoka Prefecture. Looking ahead, we will develop hydrogen measurement technology and work to ensure commercial application.

Through these means, we are working to bolster human capital and increase productivity throughout the Group as a whole.

To Our Stakeholders

Aichi Tokei Denki is convinced that it must not only work to strengthen its business, but must also redouble its efforts to promote ESG initiatives if it is to secure sustainable growth on a continuous basis. As a company listed on the Prime Market of the Tokyo Stock Exchange, we will endeavor to build a sophisticated governance system while increasing transparency.

Following in the footsteps of a first appointment in 2022, and representative of efforts to increase the diversity of its Board of Directors, Aichi Tokei Denki welcomed a second female Outside Director to its Board in 2024. Moving forward, we will work to further enhance the efficacy of the Board.

I would like to express my sincere gratitude to all stakeholders, including shareholders, customers, business partners, local communities, and employees for their support as we have worked to expand our business. We will continue to create new value and contribute to the creation of a sustainable society by fully utilizing the "measuring technology" we have cultivated over a lengthy period and the "connecting technology" we have continued to refine. As we work toward achieving our goals, I ask for your continued support and understanding.



Human Development That Helps Realize our Corporate Philosophy of Reliability, Creativity, and Service

We have positioned the recruitment and training of human resources responsible for improving corporate value as one of our most important management issues. In this instance, we have clarified our thoughts on human resource development and are accordingly focusing on people capable of realizing the Company's corporate philosophy of reliability, creativity, and service. At the same time, we substantially revised our training program. We are engaging in Group-wide activities with the aim of developing human resources who exhibit three key attributes, namely human resources who can proactively tackle issues without fearing mistakes, can unleash the power of diverse people and work together to get things done, and can exercise self-discipline as a member of society, have a deep sense of ethics and responsibility.

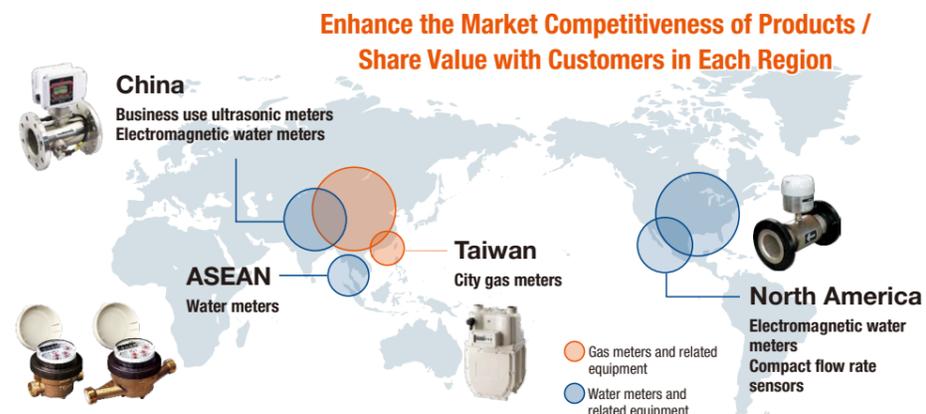
In a bid to promote human capital management, we are placing particular emphasis on improving engagement. In fiscal 2023, we conducted our first engagement survey. Drawing on the results of the survey, each department is promoting specific issue-related measures. Moreover, amid efforts to promote diversity in our human resources, we are vigorously recruiting overseas and mid-career personnel.

Accelerating Global Expansion

Promoting optimization of the production structure, including suppliers

Providing functions and features in demand in each region

Overseas sales
Targets 5,500 million yen
(+34% compared to FY2023)



Value Creation Process



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, 2024)

Financial Capital

- Equity ratio: 71.9%
- Interest-bearing liabilities: 858 million yen
- Net assets: 44,159 million yen

Human Capital

- Consolidated employees: 1,739
- Non-consolidated employees: 1,212 (831 in career-track positions and 215 in specific positions)

Intellectual Capital

- Number of patents: 133
- Brands: 75
- Number of industry-academia-government joint R&D projects: 32 cumulative, 9 ongoing (Reference industry-academia joint R&D projects: 20 cumulative, 7 ongoing)
- Domestic intellectual property: 264
- Foreign intellectual property: 119

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: 3,756 kL (Fiscal 2023 performance based on the Act on the Rational Use of Energy: crude oil equivalent)
- Amount of water used: 47,000 m³
- Raw materials
- Copper alloy purchase amount: 1,111 t
- Resin material purchase amount: 465 t

Business Model →P.12



- City gas companies
- LP gas companies
- Construction equipment companies
- Local governments (Water and Sewerage Bureaus)
- Plant and equipment manufacturers

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
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Medium-term Management Plan 2026 →P.20

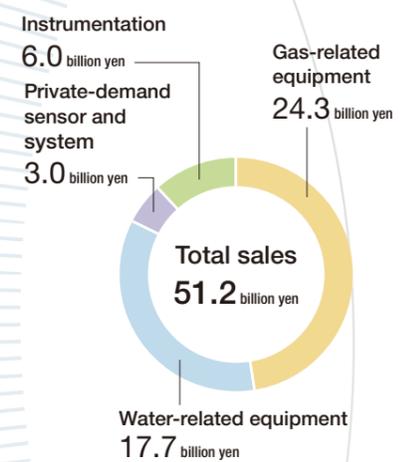
Vision The Company will contribute to the creation of a sustainable society through “measuring technology” and “connecting technology.”

Business Strategy	Expansion of markets and business fields	Strengthen the competitiveness of core businesses
Financial and Capital Strategy	Increasing corporate value	
Sustainability Strategy		

Outputs

(Results for the Fiscal Year Ended March 31, 2024)

Net sales by business unit



Outcomes

(Results for the Fiscal Year Ended March 31, 2024)

Shareholders, Investors →P.28

- TSR 190.5% (10 years)
- Dividend total 982 million yen

Customers →P.40, 41

- Reliability relationships
- Improvement of business efficiency

Employees →P.32

- Employee satisfaction 3.35/5
- Employment
- Wellbeing
- Enhanced childcare system
 - Designated as a Health & Productivity Management Outstanding Organization
 - Days of paid annual leave taken: 14.3 (Previous fiscal year 13.6 days)
 - Low voluntary retirement rate
- Zero retirement due to marriage/childbirth

Suppliers, Collaborative Research Partners →P.34, 40

- Number of patent applications (annual): 12
- Number of patents registered (annual): 9
- Number of new joint research projects (annual): 4
- R&D expenses (annual) 1,384 million yen
- Fair and equitable transactions
- Sustainable supply chain

Environment, Communities →P.36, 38, 40, 41

- Scope 1 and 2 CO₂ emission reduction rate of 61.6% (Fiscal 2023 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 reduce rate (lighter): SD type 50%, ER type 45%
- Community safety and disaster prevention

Value Creation Process Explanation

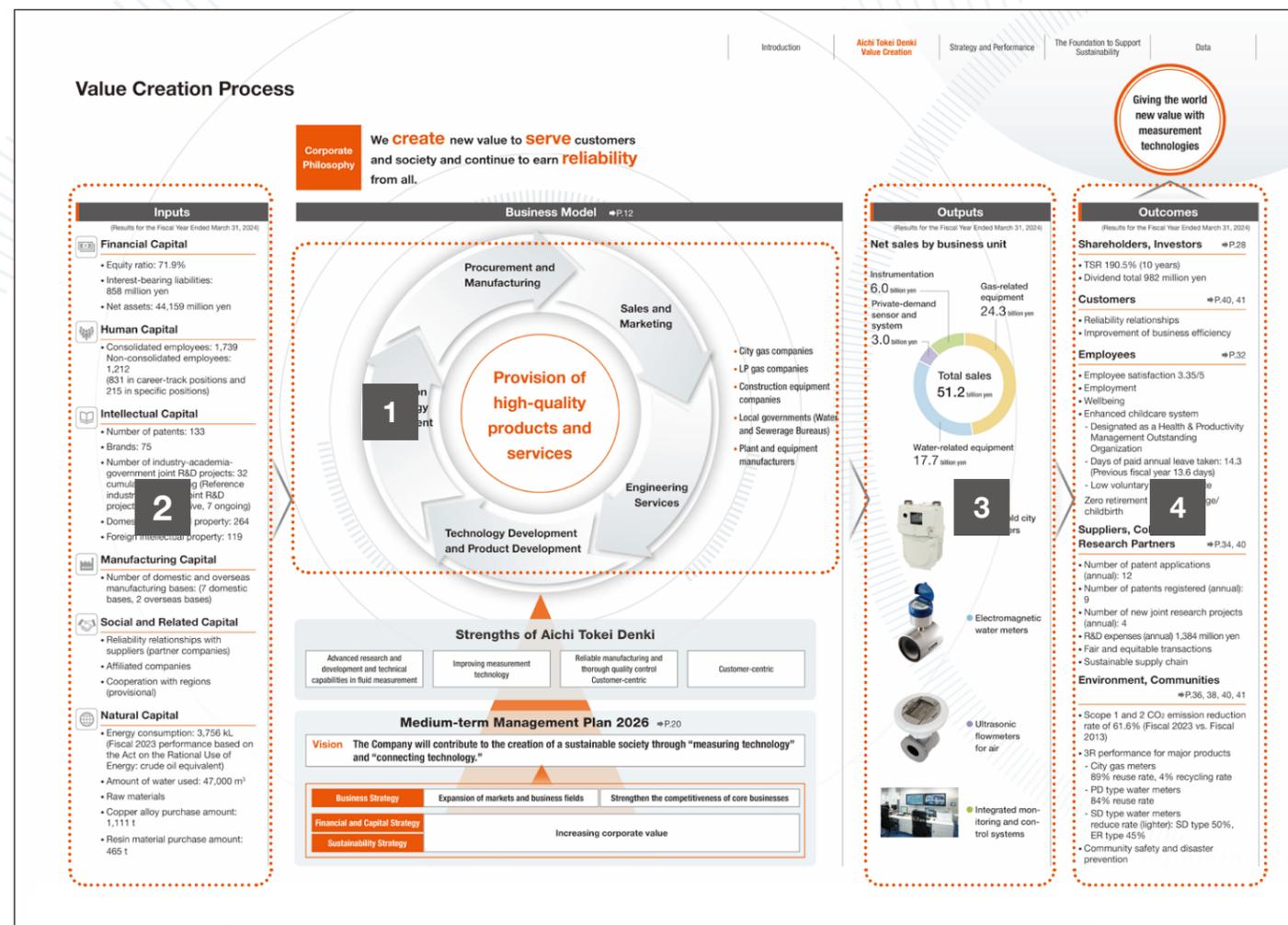
At Aichi Tokei Denki, we have placed “measurement technology” at the center of our business, offering a variety of products and services in response to the changing times. We are also taking on the challenge of expanding our business fields to contribute to solving social issues such as energy conservation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

1 Business Model

Aichi Tokei Denki possesses advanced research and development and technical capabilities in fluid measurement, from technology development and product development to production technology development, and has been enhancing its measurement technology. By means of reliable manufacturing and thorough quality control due to our in-house procurement and manufacturing, we also provide high-quality products and services tailored to the needs of each of our customers, such as city gas companies, LP gas companies, construction equipment companies, local government water bureaus, and plant and equipment manufacturers.

2 Inputs

With equity capital of 44.1 billion yen and an equity ratio of 71.9%, we are maintaining a sound financial capital position that will enable us to respond to the risks and opportunities associated with future changes in the environment. Underpinning our competitive advantage are the technologies and know-how that we have amassed over a history that dates back 125 years, and as intellectual property we hold 133 patents, 75 trademarks, and 54 design rights. To serve our customers and society and to gain and maintain their trust, our human capital of 1,739 people on a consolidated basis represents an essential management resource, and under Medium-Term Management Plan 2026 we have adopted increasing employee engagement, strengthening human resource development, and promoting DE&I as part of our sustainability strategy. Also possessing manufacturing capital in the form of nine plants both in Japan and overseas, we have put in place a system to provide customers with high-quality products in a timely manner. In terms of social and relationship capital, our relationships with suppliers and local communities are also important in co-creating various types of value, and as a manufacturing company, management has adopted contributing to natural capital by reducing environmental impact as a key materiality issue.



3 Outputs

The products and services generated from our business model can be divided into four areas: gas-related equipment, water-related equipment, private-demand sensor systems, and instrumentation. The greatest feature of our products is their wide variety, from water and gas meters that support social infrastructure to industrial equipment with fluid measurement technology at the core, and they cover a total of approximately 200 types and 5,000 items. In particular, at approximately 30% our mainstay water meters and gas meters boast the top share in both markets. We will provide products with Quality, Cost, Delivery (QCD) that satisfy our customers, through reliable quality control and production capabilities based on our experience and achievements.

4 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. Having consistently aimed at manufacturing products that contribute to social infrastructure, through our business we will provide value for all our stakeholders, including our customers, shareholders, suppliers and other business partners and the employees who support them as well as the environment and local communities.

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.

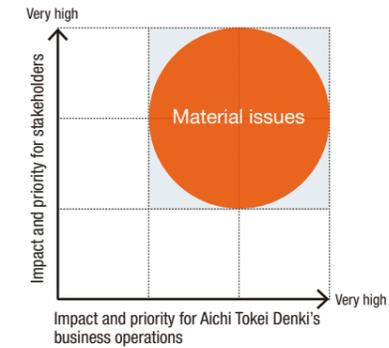
Specific
Process

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, equity, 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 have set KPIs linked to the Medium-term Management Plan for each issue and will work to increase effectiveness through Group-wide efforts.

* ** is the target in the Medium-term Management Plan 2026.

Material Issues	Action	Results for FY2023	Targets
Expansion of markets and business fields ⇒P.22, 27 	<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: 4,091 million yen, overseas sales ratio: 8.0%) Achieved Cloud connection of approximately 900,000 LP gas meters Expand city gas smart meter market share 	<ul style="list-style-type: none"> Overseas sales: 5,500 million yen (*) Number of "Aichi Cloud" data distribution services users (number of meters connected): 2,000,000 (*)
Promotion of technological innovation ⇒P.24, 27, 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"> Undertake research in elderly monitoring services that employ AI technology and data on water usage as well as mechanisms to detect frailty R&D costs: 1,384 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 Promote biodiversity and symbiosis with nature 	<ul style="list-style-type: none"> CO₂ emissions reduction (compared to FY2013): 61.6% reduction Formulated Environmental Vision 2028 for Company vehicles Openly disclosed details of its carbon footprint declaration for LP gas meters Expanded the lineup of wireless meter reading products that help streamline operations Established a natural area at the Okazaki Plant 	<ul style="list-style-type: none"> Reduce CO₂ emissions by at least 1% each year Achieve carbon neutrality by 2050 Ensure that at least half of the Company's fleet is comprised of hybrid vehicles by fiscal 2028 Create natural areas that are in harmony with the global environment
Rewarding work and job satisfaction Increase employee engagement ⇒P.32 	<ul style="list-style-type: none"> Promote health and productivity management DE&I Strengthen human resource development 	<ul style="list-style-type: none"> Male employees taking childcare leave: 72.7% Certified as a Health & Productivity Management Outstanding Organization 2024 (fourth time, for the fourth consecutive year) Kurumin 2021 certification Aichi Female Empowerment Company Certification 	<ul style="list-style-type: none"> Increase employee engagement (*) Engagement assessment results UP 0.1 of a point Percentage of male employees taking paternity leave 100% Strengthen human resource development (*) Training hours UP 10% Promote diversity, equity, and inclusion (DE&I) (*) Percentage of women among new graduate hires (career-track positions) Average 30% Formulate a human rights policy and conduct due diligence
Adapting to the declining birthrate and aging population (Businesses that adapt to a declining birthrate and aging population environment) ⇒P.24, 27, 32, 34 	<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"> Improve the effectiveness of the Board of Directors (*) Increase opportunities for dialogue with investors (*) Upgrade information disclosure (*)

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," and "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. 	<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 electromagnetic 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 competitiveness Realize superiority in QCD (quality, price, delivery date) for the peak demand of propane gas meters Strengthen 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 market Promote 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 Japan Respond to customer environmental changes such as the liberalization of energy markets in the gas business and revisions to laws related to the water business Respond to growing business opportunities such as conversion to natural gas in China and infrastructure development in the ASEAN region Consider the use of smart technologies such as the advancement of data communication technology and changes in services In 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 business Respond to changes in the market environment, such as radical digitalization and decarbonization (carbon neutrality) Respond to growing business opportunities in China and the ASEAN region Respond to diversified customer value by expanding the use of IT/IoT technology and AI technology Manufacturing that enhances manufacturing technology and optimal production across the group 																																																																																																																																				
(billions of yen)	<table border="1"> <thead> <tr> <th></th> <th colspan="2">FY2012</th> <th colspan="2">FY2013</th> <th colspan="2">FY2014</th> <th>Five-year target</th> </tr> <tr> <th></th> <th>Plan</th> <th>Results</th> <th>Plan</th> <th>Results</th> <th>Plan</th> <th>Results</th> <th>FY2016</th> </tr> </thead> <tbody> <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> </tbody> </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 border="1"> <thead> <tr> <th></th> <th colspan="2">FY2015</th> <th colspan="2">FY2016</th> <th colspan="2">FY2017</th> </tr> <tr> <th></th> <th>Plan</th> <th>Results</th> <th>Plan</th> <th>Results</th> <th>Plan</th> <th>Results</th> </tr> </thead> <tbody> <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> </tbody> </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 border="1"> <thead> <tr> <th></th> <th colspan="2">FY2018</th> <th colspan="2">FY2019</th> <th colspan="2">FY2020</th> </tr> <tr> <th></th> <th>Plan</th> <th>Results</th> <th>Plan</th> <th>Results</th> <th>Plan</th> <th>Results</th> </tr> </thead> <tbody> <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> </tbody> </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
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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.

Priority Measures

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

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)

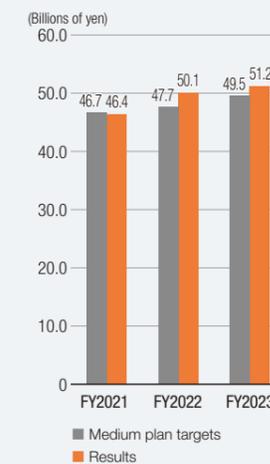
Medium-term Management Plan 2023: Achieved All Indicator Plans

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

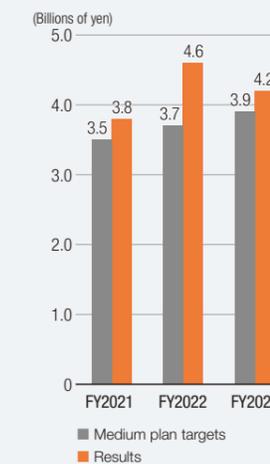
Major Challenges under Medium-term Management Plan 2026

- 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

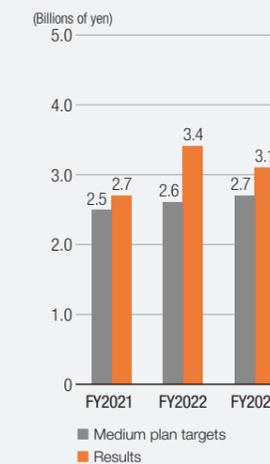
Net sales



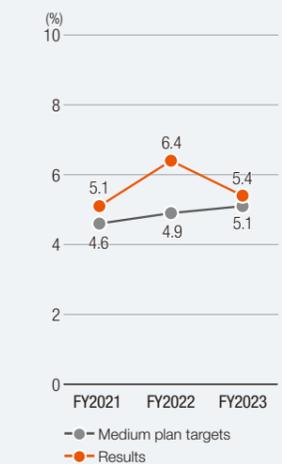
Ordinary profit



Profit

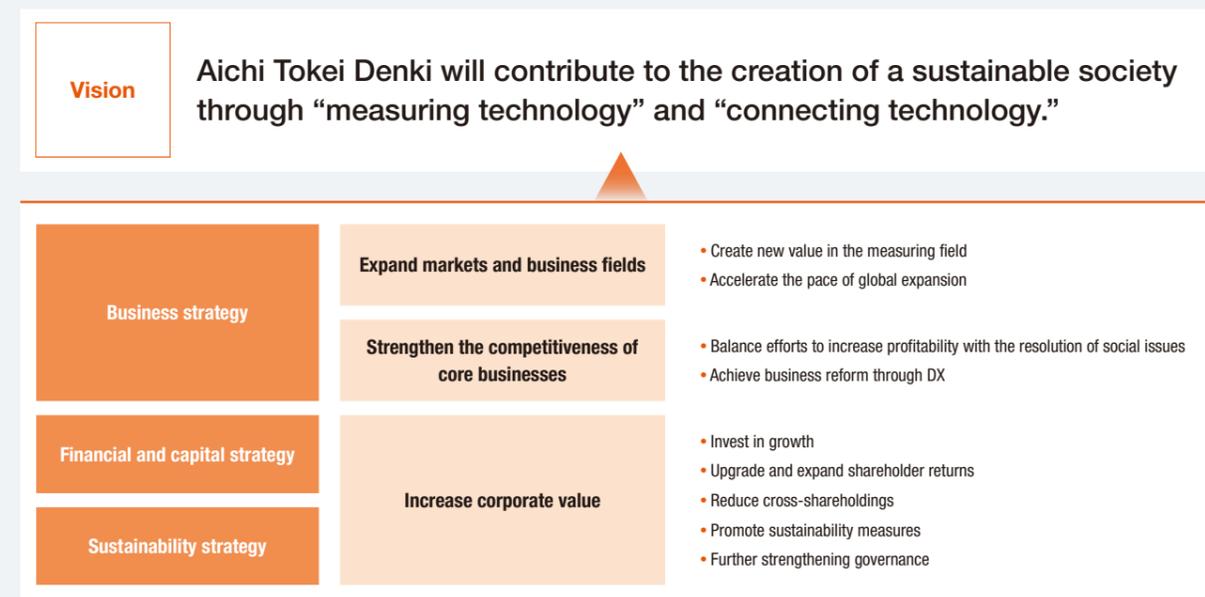


ROA



Medium-term Management Plan

Medium-term Management Plan 2026 Overview

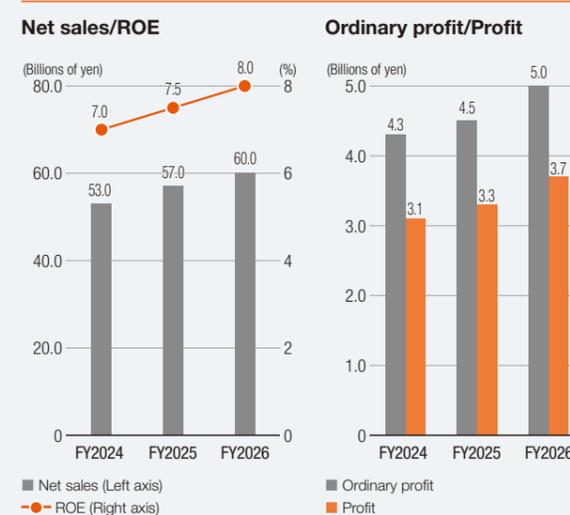


Aichi Tokei Denki will work to expand markets and business fields, increase profitability while endeavoring to increase the efficiency of business operations, and strengthen the competitiveness of core businesses by advancing its business strategy under Medium-term Management Plan 2026. With the goal 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



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

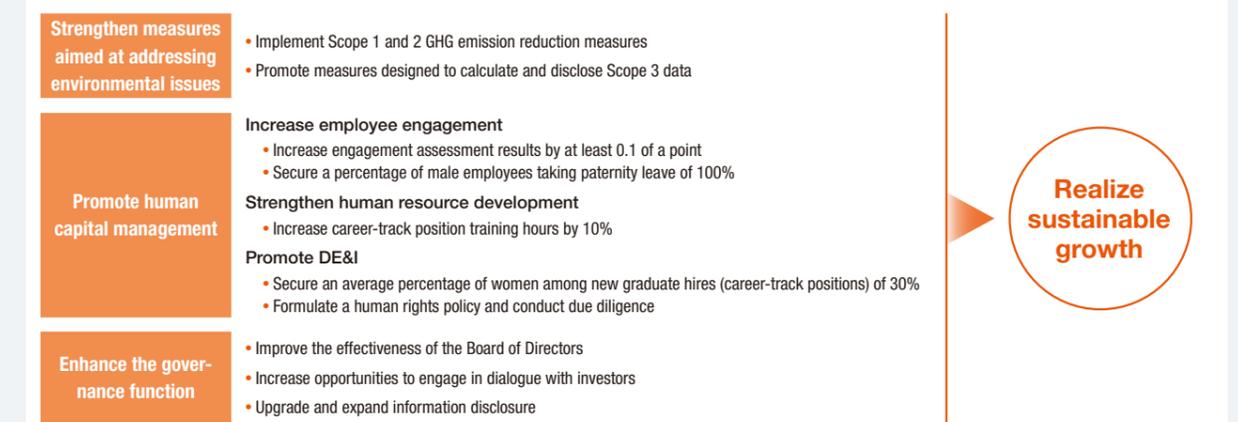
and during the current Medium-term Management Plan, conditions are projected to worsen as a result of upswings in the prices of procured components and labor expenses as well as a deterioration in the product sales mix. While ROE is not anticipated to return to the 8% level until fiscal 2026, the final 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.



Strategy for Each Business Field

Gas-related Equipment

Main Markets Homes, multiple-dwelling complexes, and plants, etc.

In modern society, energy supply is an essential element that underpins the foundations of our daily lives. 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. Aichi Tokei Denki is playing its 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.



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 microcomputers 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. Gas meters are also measuring instruments that have a legal expiration date and need to be updated periodically.

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.

Main Products

City gas meters



LP gas meters



Turbine meters / Roots gas meters



Pressure-measuring instruments and governors



Review of Medium-term Management Plan 2023

In fiscal 2023, sales of residential LP gas meters declined due to the impact of the replacement demand cycle. In contrast, sales of gas-related equipment increased 2.6% compared with the previous fiscal year, to 24.39 billion yen owing to the growth of IoT-related products and increased switchover to smart meters in the city gas market, mainly in metropolitan areas. In the gas meter field, we worked to expand our Aichi Cloud data delivery service in the LP gas market throughout the period of Medium-term Management Plan 2023. As a result, total service subscriptions reached 900,000 on a cumulative basis. Furthermore, we have developed a "delivery prediction system" for LP gas containers (cylinders) that utilizes big data, and a "web statement service" that notifies LP gas rates via the Internet.

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.

We are creating new value by improving customers' operational efficiency and providing new services.

Medium-term Management Plan 2026

Working to further expand the use of Aichi Cloud specific to LP gas, we will coordinate with a variety of related services to enhance convenience.

We will launch Aichi Cloud in the city gas market with a view to expanding data delivery services. This city gas version of Aichi Cloud will help city gas companies increase their operational efficiency and resilience in the event of unforeseen circumstances, including disasters.

In addition to regular reading values, communicating with smart meters facilitates the automatic collection of hourly guideline and gas pressure values. Expectations are also high for the use of meter reading data in visualizing gas consumption and pressure data in gas pipeline management. At the same time, through the communication of such onsite security information as the shutting off of meters and alarms, positive steps can be taken to enhance the safety of gas companies and improve operating efficiency.

Currently, major city gas companies have initiated the full-fledged transition to smart technologies that facilitate communication with gas meters. As a result, the installation of smart meters continues to progress. Looking ahead, we anticipate that this trend will extend to other city gas companies thereby suggesting smart meter sales growth on a nationwide scale. Against this backdrop, we will address the needs of gas companies through our product lineup.

In light of the mounting interest in SDGs both in Japan and overseas, we have begun to consider the recycling of LP gas meters for residential use, following on from our earlier efforts with city gas meters. In this manner, we will push forward measures that contribute to society from an environmental perspective.

TOPICS Global Expansion

Established the joint venture company Shenzhen Aichi Shido Instruments and Measurements Co., Ltd. in China



Aichi Tokei Denki, M-Tech Metering Solutions Co., Ltd., and Shandong Star Measurement and Control Equipment Co., Ltd. established Shenzhen Aichi Shido Instruments and Measurements Co., Ltd., a joint venture company, in Shenzhen China in April 2024. Production of natural gas ultrasonic gas meters for domestic sale commenced from July.

Drawing on our proprietary ultrasonic technology, we have developed ultrasonic meters for natural gas use targeting the China market for over a decade. Here, Shandong Star Measurement and Control Equipment Co., Ltd. has taken the lead in driving sales. Furthermore, M-Tech Metering Solutions Co., Ltd. has engaged in a variety of activities including the sale of smart gas meters through the nationwide network of its parent company, The Hong Kong and China Gas Company Limited. Each company has built up a sound track record in its respective field. Amid the growing acceptance of natural gas and expectations toward market expansion, energies will be directed toward increasing sales by leveraging the strengths of each company.

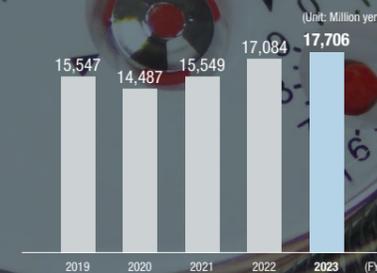
Strategy for Each Business Field

Water-related Equipment

Main Markets Homes, housing complexes, buildings, and commercial facilities

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.

Trend in net sales



Strengths of Aichi Tokei Denki

Thoroughly attuned to user needs

Aichi Tokei Denki engages in the development and improvement of products while listening carefully to feedback from the field, including waterworks managers, meter readers, and waterworks construction workers. Paying particular attention to customers' opinions, we have, for example, manufactured equipment based on the development and improvement of products that make it easier to ascertain flow and heat rates, and that take into consideration convenience in building energy and facility management, which is becoming increasingly diverse.

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.

Development of environmentally friendly smart meters

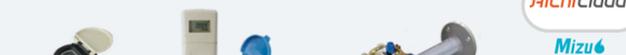
Through resource-saving and eco-friendly design that takes environmental conservation into consideration, we have developed an electronic water meter [Model ER] that is significantly smaller and lighter than conventional models by about 45% (for a 20 mm bore diameter). This will contribute to decarbonizing society by reducing CO₂ emissions during manufacturing, and improving transportability.

Main Products

Electromagnetic water meters



Remote water meters



Local water meters



Hot water meters/Integrating heat meters



Review of Medium-term Management Plan 2023

During Medium-term Management Plan 2023, there were signs of an increase in certain bidding prices in the public-demand market. In the private-demand market, there was a steady recovery mainly in Japan. This largely reflected the pickup in activity as the impact of shortages in electronic components began to gradually wane and the resumption of postponed renewal work from May 2023 as COVID-19 was reclassified to a category 5 infectious disease. Meanwhile, the previously robust international markets witnessed a decline from the third quarter owing mainly to the economic downturn in China. While steps were taken to review selling prices and reduce costs, the effects were limited as these measures failed to fully offset the surge in raw material prices.

Building on this launch of Aichi Cloud for water-supply-related use in 2021, water supply-related data delivery services are now available, which in turn help further expand the market and business domains. With the ability to now choose from multiple carriers depending on the circumstances, positive steps are being taken to facilitate communication over an increasingly broad area. Moreover, the new web statement service is contributing to labor-savings, paperless meter reading, and reduced costs.

Medium-term Management Plan 2026

In the domestic market, we are putting forward value-added proposals that will help improve the residential services of business operators in a bid to expand the use of smart meter Aichi Cloud. In particular, we will continue to collect information with an eye toward the shift by business operators to smart meters, and develop smart meters that address the needs of customers from each of the measuring principle and manufacturing perspectives.

In the private-demand market, we will work to widely promote Aichi Cloud in a bid to uncover latent needs. Through these endeavors, we will cultivate new customers.

As part of our environmental endeavors, we will proactively switch to new environmentally friendly products (SD, MD, and ER).

At the same time, we will work to bring value-added products that help resolve customers' issues to the market, including ultrasonic flow meters for air conditioning use.

In overseas markets, we will bolster collaboration with local partners across the world, including North America, the Middle East, Southeast Asia, and China. We will also actively exchange opinions with customers. Through the development, improvement, and launch of products that address specification and cost needs, we will look to uncover new needs and expand sales.

TOPICS Initiatives for Smarter Methods

Automation of water supply-related meter reading operations and monitoring business that employs smart water meters (Bizen City, Okayama Prefecture)

Funded through the use of Digital Garden City Nation grants, the Company's smart water meters were introduced and adopted by Bizen City. In addition to automated meter reading in depopulated, island, and other remote locations, and efforts to increase operating efficiency, these meters serve a monitoring function of both consumption and non-consumption abnormalities. In conjunction with these endeavors, we are looking into business that we can share with local welfare workers and distant family members.



Strategy for Each Business Field

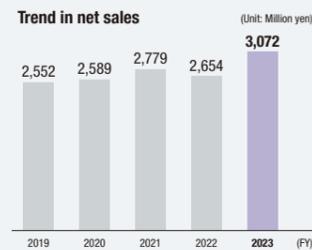
Private-demand Sensor Systems

Main Markets Plant and equipment integration

Aichi Tokei Denki puts forward optimal equipment solutions, including flow meters and systems that help save energy and monitor conditions, for industrial manufacturing facilities and equipment, medical devices, and agricultural equipment, that are expected to contribute to production efficiency, improvements in quality, and reductions in costs through such means as the effective use of energy aimed at carbon neutrality and the shift to IoT through DX.

Strengths of Aichi Tokei Denki

Utilizing our long-term accurate measurement technologies, we contribute to the resolution of customers' issues through the development of services that integrate everything from electromagnetic flow meters for monitoring and controlling the flow of cooling water, wastewater, chemicals, etc., ultrasonic flow meters for measuring gases useful in energy management, and related systems.



Main Products



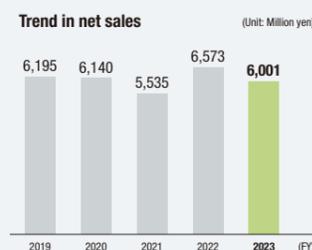
Instrumentation

Main Markets Public facilities

For public facilities, including those for water supply and sewage facilities as well as agricultural water, we are building systems that monitor and control multiple measurement devices via communication infrastructure. Through various means, including participation in large numbers of construction projects, including maintenance following equipment installation we continue to support social infrastructure.

Strengths of Aichi Tokei Denki

In the monitoring and control function based on such measurement data as water levels, flow rates, and water quality, we develop services that integrate everything from the installation of various measuring devices to the design, construction, and maintenance of monitoring and control systems and contribute to the realization of increasingly stable lifelines.



Main Products



Review of Medium-term Management Plan 2023

Under Medium-term Management Plan 2023, we focused on strengthening product proposals for water and energy management in the domestic plant market as well as sensors for equipment integration in Japan and overseas while expanding our product lineup.

Midway through the plan, we were forced to adjust production of ultrasonic flow meters for air and fuel gas, a mainstay product, owing to the shortage of electronic components. However, driven by such factors as the return to normal production from the third quarter of fiscal 2023, renewed interest in energy conservation owing to the surge in energy prices, and the promotion of DX, capital investment exhibited a gradual recovery trend. Based on the aforementioned, private-demand sensor system net sales totaled 3,072 million yen, up 13.8% compared with plans.

Medium-term Management Plan 2026

Guided by Medium-term Management Plan 2026, Aichi Tokei Denki will push forward priority measures geared specifically to expand the domestic plant market in light of the growing interest in sustainability and carbon neutrality as well as the equipment integration market in Japan and overseas.

We will work to expand sales by collaborating with companies that are engaged in advanced energy conservation solutions, acquiring new projects through the pursuit of applications using various media, and promoting the market launch of new products that capture such trends as carbon neutrality.

Review of Medium-term Management Plan 2023

Despite efforts to strengthen public facility proposal and construction capabilities in a bid to secure large-scale construction project orders, we were significantly impacted by a variety of factors, including the loss of orders as a result of changes in bidding requirements, an order downturn in the wake of the COVID-19 pandemic, and the postponement of construction schedules on the back of delays in construction component delivery. Accounting for each of these factors, sales fell below plans despite securing a higher level of project orders compared with previous years.

Meanwhile, we were successful in securing a record high order backlog in the leadup to fiscal 2024, by improving bidding evaluation points and systematically increasing the number of qualified construction management engineers.

Medium-term Management Plan 2026

Under the plan, we will carefully examine large-scale property information and promote measures aimed at increasing the degree or order certainty. With multi-year construction projects becoming the norm, the achievement of plans is now dependent on the number of large projects awarded. For this reason, we will work to build a steady inventory of large projects. In order to cope with the increase in the number of construction properties, we will endeavor to promote DX and improve construction capabilities while increasing the efficiency of construction management. Buoyed by these initiatives, we are projecting an 11% increase in net sales compared with fiscal 2023.

Global Strategy/ IoT Strategy

Global Strategy

Aichi Tokei Denki's fluid measurement technology is highly regarded worldwide. We export products to 26 countries and regions around the world and have established a global production system with manufacturing bases in Vietnam and China. We will accelerate the pace of global expansion going forward through a variety of measures, including vigorously cultivating and expanding overseas markets and providing functions and features that address the requirements of each region to enable people around the world to lead safe, secure, and comfortable lives.

Technical Capabilities to Meet Overseas Needs

Positioning efforts "to accelerate global expansion" as a key initiative under Medium-term Management Plan 2026, we are focusing on "enhancing the market competitiveness of products" and "sharing value with customers in each region." Based on a green energy policy and in light of the growing need for natural gas flow meters, we collaborated with local partners to develop and launch for sale an AS ultrasonic flow meter tailored to local specifications in China.

Meanwhile, we have cultivated and expanded the market by addressing the needs of customers, including requirements specific to each country for such products as electromagnetic water meters and flow sensors in Europe, the U.S., and the Middle East.

In addition to promoting improvements that conform to the specifications of each country and are suitable for the operating environment, we will work to increase our market competitiveness and expand the market by optimizing our production system, including suppliers.

To Strengthen Relationships with Overseas Partners

We recognize that understanding the local market and environment and listening to customer needs are key when expanding overseas. For this reason, we have concluded agency agreements with various parties, including instrument engineering companies in each country, and are working to expand sales. In addition to supporting day-to-day sales activities, we are endeavoring to foster increasingly close ties with these sales partners through various means, including regular on-site and online exchanges of information and opinions. We are also taking steps to acquire new partners in new markets and fields.

Looking ahead, our local representatives in each region and International Sales Division staff working together with sales partners will endeavor to grasp the needs of markets in each region and put forward optimal proposals for customers by promoting sales activities in unison with the frontline.

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

Our data delivery service, Aichi Cloud, which employs LPWA communication technology, reported roughly 900,000 connections as of the end of fiscal 2023 since its launch in November 2019 and is targeting two million connections during the period of Medium-term Management Plan 2026.

Status of implementation of various measures for further growth

Under the mission and vision of Medium-term Management Plan 2026, we will play a fundamental role in promoting digital transformation/green transformation (DX/GX) for gas and water utilities and promote business strategies that are useful in solving social issues, including the declining birthrate and aging population as well as environmental issues.

Strategy	Status of initiatives
(1) Expand functionality while improving the overall availability of the service system.	Acquired ISO/IEC 27001:2013 and JIP-ISMS517-1.0(ISO/IEC 27017:2015) in July 2024 Preparations underway to provide a city gas version of Aichi Cloud
(2) Expand cooperation with telecommunication carriers and eliminate inaccessible areas.	Realize a multi-carrier environment by making DOCOMO's communication lines available in April 2024.
(3) Contribute to customers' business reforms by linking with various services, including those of other companies.	In addition to a web statement service that eliminates the hassle of mailing usage statements, provide a delivery efficiency system for the LP market that streamlines the delivery of gas cylinders.
(4) Promote the construction of a model for the utilization of Big Data.	Continue efforts to implement the social monitoring of elderly people living alone and detection of frailty using water usage in collaboration with university research institutes and private care providers.



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%

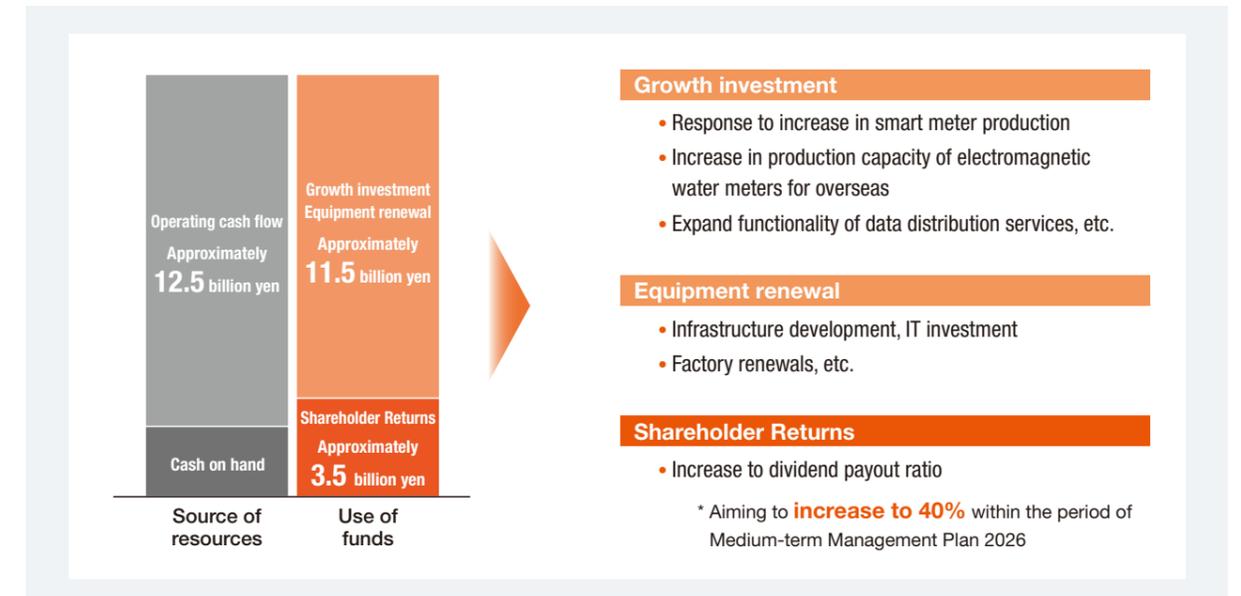
Financial strategy in Medium-term Management Plan 2026

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

Medium-term Management Plan 2026 Management Targets			
	(Billions of yen)		
	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%

(1) Cash allocation

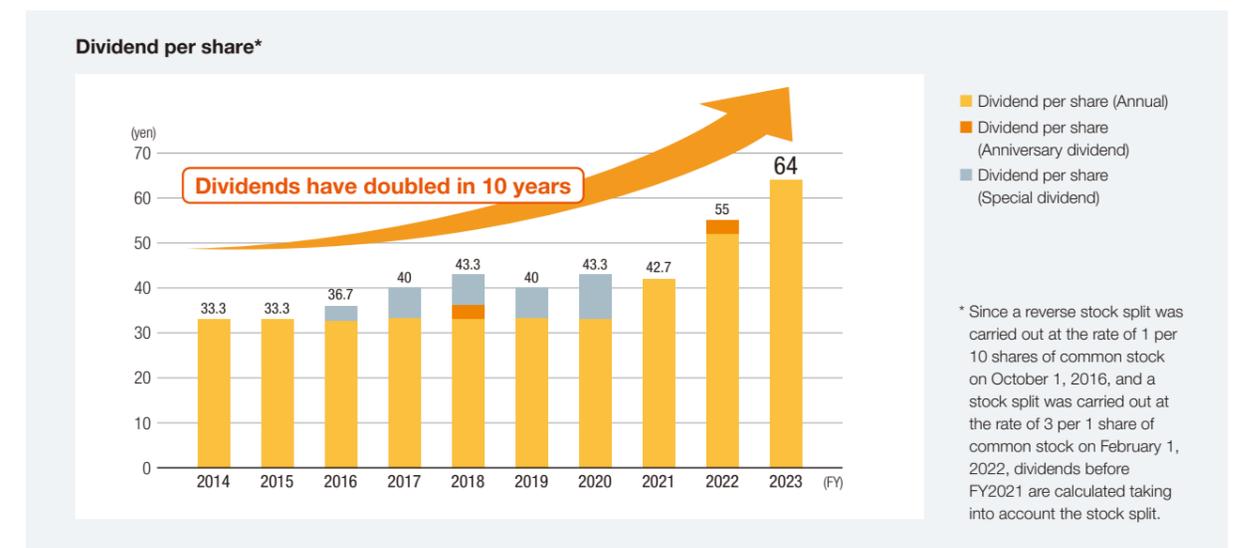
Our policy is to utilize operating cash flow and cash on hand to invest in future growth and upgrade our infrastructure, while also providing appropriate shareholder returns.



(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.



Financial and Capital Strategy and Total Shareholders Return (TSR)

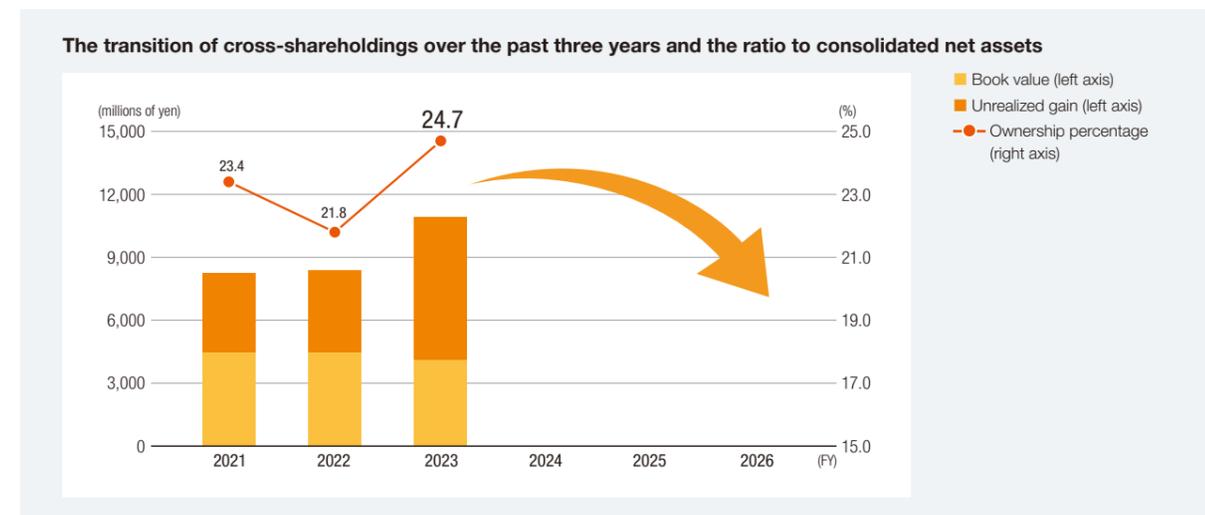
Our policy under Medium-term Management Plan 2026 is to strengthen shareholder returns, and we have adopted a dividend payout ratio of 40% as a target value for the duration of the Plan.



(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%.

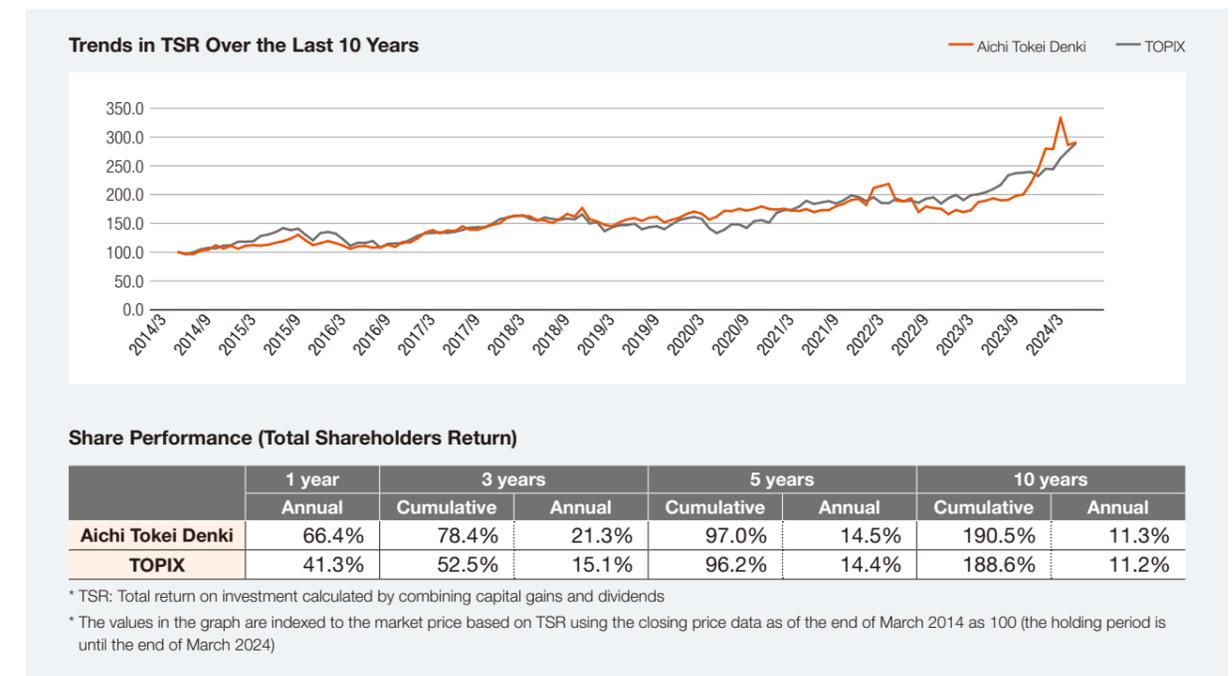
Our policy is to continue to reduce cross-shareholdings (including deemed shareholdings) with the aim of quickly lowering our consolidated net asset ratio to less than 20%.



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

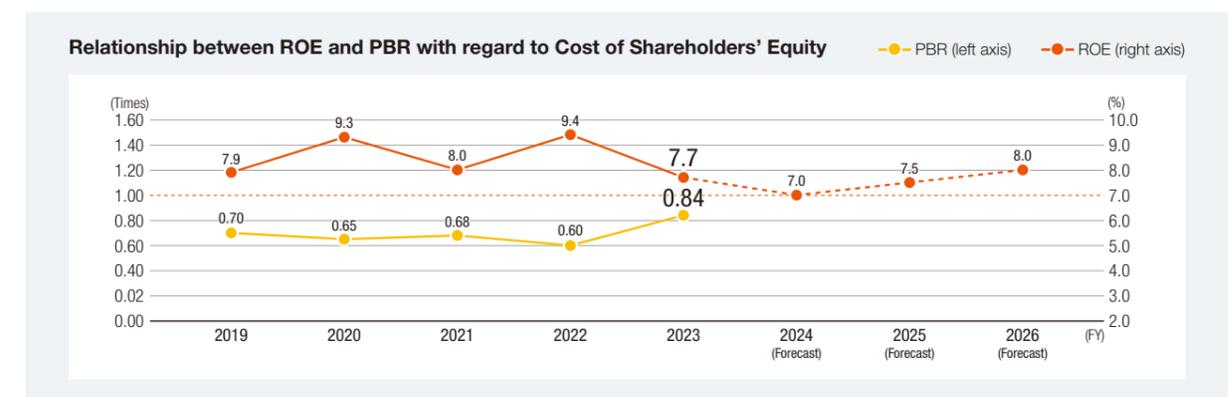
the TOPIX (including dividends), exceeding our cost of shareholders' equity.



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.



Human Resource Strategy

Related Material Issues
Rewarding work and job satisfaction
Increase employee engagement



Please see our website for details on initiatives related to Aichi Tokei Denki's health management.
[WEB https://www.aichitokei.net/sustainability/society/health/](https://www.aichitokei.net/sustainability/society/health/)

With the aim of strengthening its human capital, Aichi Tokei Denki has set promoting human capital management as a sustainability strategy under Medium-term Management Plan 2026. We have formulated respective KPIs to increase employee engagement, strengthen human resource development and for DE&I, and will push forward efforts toward their achievement.

Promoting human capital management

In fiscal 2023, the Company defined its ideal image of human resource development as "human resources who can realize its corporate philosophy." Namely, human resources that serve customers and society through the creation of new value and who broadly win trust. The Company seeks to secure excellent human resources, not only by hiring new graduates, but also by active mid-career recruitment as well.

Such hires who make the most of their career experience gained prior to entering the Company not only rise to become managers, but also to higher levels of management, accounting for 35.7% of executive officers and 40% of the Company's Internal Directors.

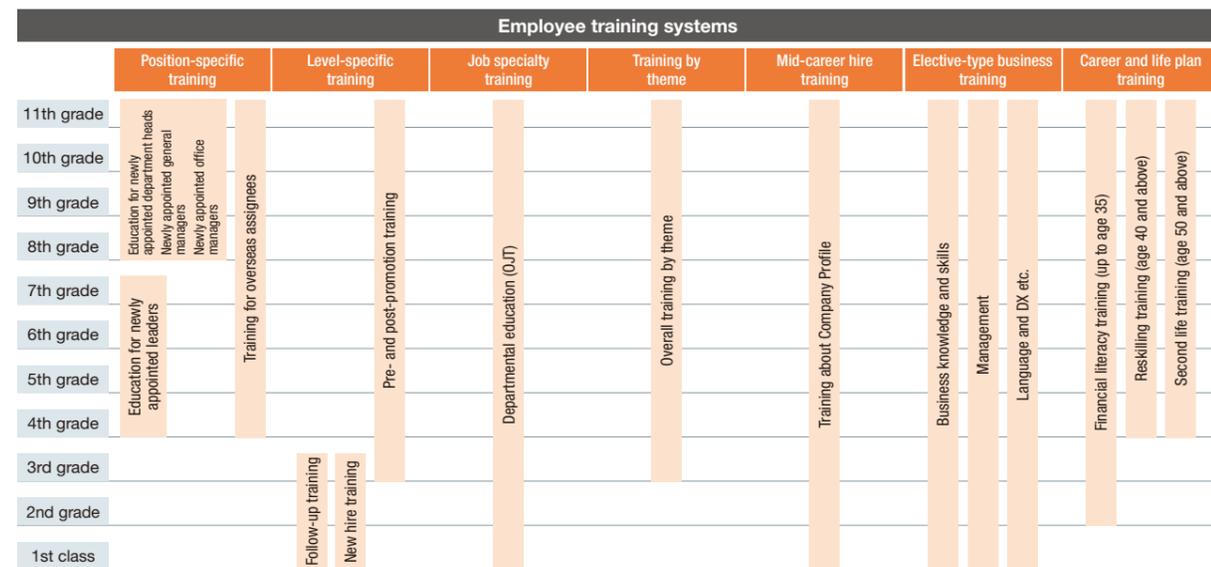
Increasing employee engagement

Increasing employee engagement contributes to the organization's higher productivity and to retaining human resources by securing psychological safety as well as by making it easier for employees to demonstrate vitality. To implement measures that make for more efficient increases in engagement, the Company has from fiscal 2023 commenced engagement surveys, and that fiscal year's assessment result for engagement amounted to 3.35 (five being the highest). We will continue to review results by respective department and establish issues with the aim of further increasing engagement.

Main Education and Training Systems

In line with setting the image of human resource development to which we aspire, we also took a broad review of our educational framework. In addition to hierarchy-based education according to traditional grades and roles and professional training based on occupation, we conduct training for mid-career hire employees. Moreover, we have newly established courses for elective-type business training that facilitate the acquisition of business knowledge and language learning, management capabilities and other skills to support employee's independent career development, as well as financial literacy, reskilling, and second life-related education according to age group. The content of the newly established employee training and the KPIs related to human capital under Medium-term Management Plan 2026 are as stated in the table below.

Training Systems



* Includes future scheduled training.

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.

Health and Productivity Management

In our pursuit of maintaining the health of employees, 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. 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 four years in a row, and the Company's health management continues to steadily achieve results.



Regarding physical health, we disseminate regular health information to employees and have introduced the health support app "Aichi Health Plus," among other initiatives, and from April 2024 have gone 100% smoking-free across all worksites. In terms of mental health, in addition to training for the prevention and early detection of mental health disorders, we are also focusing on preventing recurrence by conducting regular interviews for employees who have returned from leave of absence for a certain period of time. Going forward, we will promote health management that contributes to the sustainable growth of the Company by keeping employees physically and mentally healthy.

Realization of work styles tailored to life stage

The ratio of our female employees who have taken childcare leave stands at 100%. In fiscal 2023, 72.2% of men took childcare leave, an increase of 26.5 points over the previous fiscal year. We continue to aim to maintain a 100% rate for women taking childcare leave, and to raise to 100% the ratio of men taking such 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 develop systems, such as those that improve the nursing care support system, and have established a system that allows us to respond flexibly to changes in employee lifestyles, such as nursing care leave, short-term leave for caregivers, shortened working hours, and restrictions on overtime work.



Diversity, Equity & Inclusion (DE&I)

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. To promote the empowerment of women, the Company implements 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 12.8%, and the proportion of women in management positions is 1.3% (as of the end of March 2024).

Promoting DE&I that accepts differences in values regardless of gender, age, race, nationality, etc. will lead to the realization of a comfortable work environment for everyone, which in turn will contribute to the recruitment and retention of human resources. We will continue to promote DE&I that embraces a diverse workforce and respects the way people work.

KPI for human capital under Medium-term Management Plan 2026

KPI	Current situation	Target	Status of efforts toward achieving targets
Increase employee engagement	Engagement assessment result 3.35/5 (FY2023)	Engagement assessment result Up over 0.1 of a point (above 3.45)	Review of results by respective department and establishment of issues while making efforts toward improvement
Strengthen human resource development	Career-track position training hours 12.1 hours per year/person (FY2023)	Career-track position training hours up 10% (above 13.3 hours)	<ul style="list-style-type: none"> Newly established for new department heads Expanded content of training for Overseas Assignees Implementing elective-type business training (from fiscal 2024)
DE&I	The percentage of women among new graduate hires (career-track positions) 27.7% (2022-2024 new graduate average)	30% or more on average over 3 years	<ul style="list-style-type: none"> Female employees placed even in positions with few females Implementing ongoing career education for female employees Implementing ongoing diversity promotion training for those in management
	-	Formulate a human rights policy and implement due diligence	<ul style="list-style-type: none"> Establishing a human rights subcommittee, promoting initiatives to respect human rights

Technological Foundation and Intellectual Property

Related Material Issues

Promotion of technological innovation

Related SDGs



As a research and development company, Aichi Tokei Denki is focused on developing next-generation measuring devices. Having refined our core technologies in electromagnetic measurement technology and ultrasonic measurement technology, we have been commercializing epoch-making measuring devices. Going forward, we will continue to work on evolving those core technologies and introducing the latest technologies and take on the challenges of developing new business fields and in creating new markets and value in the measurement field. At the same time, we will capture demand from social needs, such as a decarbonized society, the declining birthrate and aging population.

Technological Trends in Electromagnetic Flowmeters: Efforts to Accelerate Global Expansion

Leveraging our advanced electromagnetic flowmeter technology, we have been developing a range of electromagnetic flowmeters. These have included: the world's first electromagnetic water meter that can operate for 10 years on an internal battery; a small electromagnetic flow rate sensor suitable for incorporation into equipment; a non-full electromagnetic flowmeter capable of measuring a wide range of flow rates from non-full to full; and a capacitance-type electromagnetic flow monitor that overcomes the problem of foreign objects and deposits adhering to the electrodes, a drawback of electromagnetic flowmeters.

Of these, the battery-powered electromagnetic water meter has been a long-selling product since it was first sold domestically in 1992, and is now widely regarded not only in Japan but also overseas, particularly in North America and China. This product is supported by our proprietary, ultra-low power consumption technology, which is composed of magnetic circuit design technology, for which the residual magnetic excitation method was adopted, and micro-signal processing technology for electronic circuits. As our elemental technologies, we are continuing to evolve analysis and simulation technologies specialized for electromagnetic flowmeters, such as fluid analysis, electromagnetic field analysis, and circuit simulation.

In the case of our small electromagnetic flow rate sensors, while continuing to hone our technology by specializing in miniaturization, we have been developing products to meet market needs in various regions around the world. As a result, the market for integrating our products into equipment is expanding and includes agriculture, medicine, and food. In the years to come, we will continue to develop products that bring to fruition the functions and specifications required in each of the world's regions.



Small electromagnetic flow rate sensors

Technological Trends in Ultrasonic Flowmeters: Efforts toward a Decarbonized Society

In moves toward the realization of carbon neutrality, the use of hydrogen is being advanced in various locations, including fuel cell vehicles, and in "Hydrogen Town" demonstration experiments that supply hydrogen to commercial facilities and ordinary homes. With an eye toward the coming hydrogen society, we have been pioneering research that applies to hydrogen the ultrasonic flow measurement technology developed for city gas 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 addition, normal gas meters do not require an external power source and can run for 10 years using only their internal battery. Having therefore worked on research and development with the aim of making hydrogen gas meters as accurate and easy to use as normal gas meters, we have obtained eight patents and established them as our proprietary technology.

Having participated in the "Hydrogen Town" demonstration experiments, we installed hydrogen meters in demonstration tests of pure hydrogen fuel cells that are operated using hydrogen supplied via pipeline. In addition to evaluating meter durability against hydrogen exposure, data from actual operational use has been collected and stored. Combining the data obtained from these tests and the gas meter technology that we have developed to date, with an eye toward the coming hydrogen society we would like to provide hydrogen measurement technology that meets our customers' needs and are continuing to conduct further research and development.

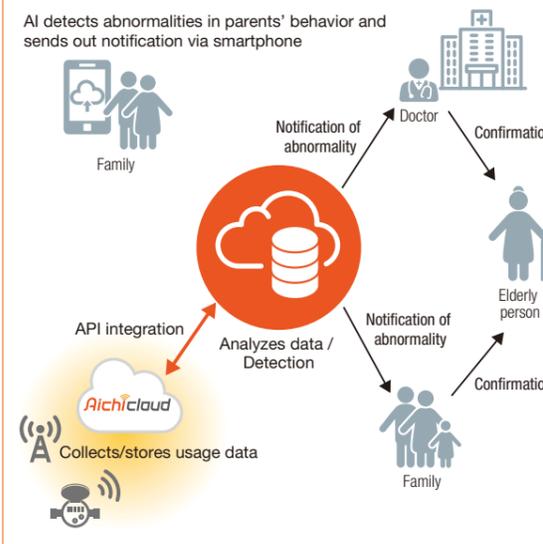


Linking Technology—Promoting Smart Technology for Meters and Leveraging AI Technology-based Measurement Data

In utilizing IoT technology to promote the introduction of smart technology into measuring devices, such as gas and water meters and sensors, we are obtaining a variety of measurement data. By applying artificial intelligence (AI) technology to this measurement data, we will be able to address customer needs and issues that were difficult to address with conventional technology, leading to the creation of product added value.

Example Utilizing smart meters for water and gas: Use in monitoring and healthcare systems

Research is being conducted in various locations into technologies to monitor elderly people living alone, using data obtained from measuring instruments such as water meters and gas meters. We have also been working with various business operators to conduct monitoring demonstration experiments and collecting and saving the usage data obtained from those experiments. By combining these data, we are ascertaining people's daily routines more precisely. By conducting AI technology-based analyses, we are examining a system that will capture changes in a person's daily routines and behavioral patterns and detect any abnormalities in advance, leading to the confirmation of that person's safety. As instances of people dying alone without anyone knowing become a social issue, it is hoped that this initiative will provide peace of mind. By conducting research and verifying anomaly detection in building a monitoring and healthcare support system, we will continue to make social contributions to assist in addressing the aging society issue.



<https://www.aichitokei.co.jp/technicalinfo/#technologyTechList> (in Japanese only)

Intellectual Property Strategy

With the aim of creating new value, we are actively working to strengthen our intellectual capital. By appropriately securing the rights for the results of our research and development, we have contributed to improving corporate profitability and maintaining our competitive advantage. Going forward, we will continue to strive to improve our corporate value through the protection and utilization of our intellectual property.

Basic Policy on Intellectual Property Strategy

Maximization of profit from our own businesses

Utilizing the intellectual property rights that we have acquired, we ensure freedom in our business and develop business to our advantage.

Respect for other companies' intellectual property rights

While properly understanding the value of intellectual property rights, we will strive to reduce business risks without infringing on the rights of other companies.

Open/closed strategy for technology

We will strategically decide whether to apply for a patent for any new technology we develop or to keep it secret and handle appropriately as know-how.

Intellectual Property Strategies for Technology Development

We conduct the management of intellectual property that maintains an awareness of both "offensive" and "defensive" stances. When on the "offensive," we analyze the patent application trends of other companies and proactively file patent applications for core technologies to give us an advantage in our business. In terms of the "defensive" stance, we not only acquire rights to our core technologies, but also to peripheral and improved technologies necessary for commercialization, thereby continuously protecting our core technologies. We are focusing on strengthening our competitive advantage in our business from both offensive and defensive perspectives. In addition to core technologies such as measurement technology, we will promote the acquisition of rights for hydrogen gas meters and smart meters as well as support innovative manufacturing geared toward the next generation from an intellectual property perspective.

Industry-Academia Collaboration

Planning collaborations with universities and other public institutions, we promote projects with new perspectives. During the course of these projects, we jointly file patent applications, establishing the results of industry-academia collaboration as intellectual property and promoting innovation.

Number of patent applications

2019	2020	2021	2022	2023
11	5	11	12	8

Environmental Management

Related Material Issues

Environmental-conscious
management

Related SDGs



At Aichi Tokei Denki, we strive to curb greenhouse gas (GHG) emissions in our corporate activities and to reduce the burden we place on the environment by cutting emissions from materials used in manufacturing activities, as well as to conserve energy and resources 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.” We also promote product design that takes the 3Rs (reduce, reuse, and recycle) into consideration, and at all stages of the product life cycle work to reduce the burden we place on the environment while helping to realize a decarbonized society and carbon neutrality.

Initiatives to Reduce the Burden We Place on the Environment

Initiatives to become carbon neutral

We formulated our Carbon Neutral Challenge 2050 to contribute to measures that combat global warming. While seeking to achieve collaboration throughout our supply chain, the Sustainability Committee performs a central role in curbing GHG emissions and reducing the burden we place on the environment.

As part of this effort, we have established our Environmental Vision 2028, which sets a target of converting 50% or more of the Company’s automobile fleet to hybrid vehicles by fiscal 2028. We will continue to monitor trends in the automobile market, including transportation trucks, to further raise our goals.

We have also initiated energy efficiency improvements in the water meter manufacturing process. Relaxation of the water temperature control of the inspection water significantly reduces the power consumption of the control equipment.

Curbing emissions in our supply chain

The Company is working to make its LP gas meters more lightweight and compact with the goal of reducing the burden they place on the environment throughout the supply chain. In order for our customers to widely leverage that result, in February 2024 we made our Carbon Footprint Declaration for these devices and opened up registration. In this way our customers will be able to benefit when selecting products with a low environmental burden.

In addition, we have eliminated individual packaging with plastic bags (materials) in packing boxes when shipping LP gas meters. These initiatives will lead to the curbing of emissions associated with materials manufacturing and waste disposal.

* The Carbon Footprint Declaration is a communication tool that demonstrates that the environmental burden of a product throughout its life cycle stages, from raw material procurement, to production, distribution, use, as well as disposal and recycling, has been digitized (quantified) in an appropriate procedure using the LCA (life cycle assessment) method.

performance. Accordingly, we will continue to contribute to reductions in environmental load by promoting energy-saving activities.

Independent Evaluations

In recognition of the efforts undertaken, including steps to reduce GHG emissions, and subsequent results at its head office and other offices, Aichi Tokei Denki has again been certified as an “outstanding ecological business” under Nagoya City’s 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. Meanwhile, the Company was rated an excellent energy efficient business (S class) based on Japan’s Ministry of Economy, Trade and Industry’s business classification evaluation system (SABC evaluation system), in regular reports stipulated by the Act on Rationalizing Energy Use. This rating reflects increased operations indicative of our robust



Promote biodiversity and symbiosis with nature

Established a natural area within plant sites

The rapid economic growth and expansion of business activities that has continued since the 20th century have been “nature-negative business activities,” that lack consideration for nature and living organisms. In recent years, along with the rise in global environmental awareness, there has been increasing demand to engage in “nature-positive business activities.”

The Okazaki Plant, located in Okazaki City, Aichi Prefecture, is surrounded by abundant nature, with the Oto River flowing nearby and a view of the Mikawa Mountains. In April 2024, under the guidance of the

local government and related agencies, a natural area (approx. 600m²) was established on the site. The goal is to create an area with a lush environment of native plants in which a wide variety of creatures can fly about and breed.



Environment-Friendly Manufacturing

Carbon Footprint Declaration

The Company has registered and openly disclosed details of its Carbon Footprint Declaration with respect to its LP gas meters.

The membrane Type S safety gas meter emits roughly 20 kg of CO₂ per product unit. In addition, the ultrasonic Type E safety gas meter emits approximately 17 kg of CO₂ per product unit. We will continue to use our Carbon Footprint Declaration to increase awareness of our meters as environmentally friendly products.

Elimination of individual wrapping for LP gas meters

In the past, the Company individually wrapped its products in plastic bags. However, the decision was made to eliminate such wrapping with the goal of reducing emissions in its supply chain. This initiative contributes to Scope 3 Category 1 (purchased goods) and category 12 (elimination of sold product waste). Based on our customers’ opinions and requests, we will continue to evolve our products to be even more environmentally friendly.

The two device types covered by the Carbon Footprint Declaration

SuSuMo[®]

S-type safety gas meter
SA25MT1-6



Per product
JR-BJ-23003C



E! SuSuMo[®]

Type E safety gas meter
EA25MT-2



Per product
JR-BJ-23002C



Before the elimination of plastic bags



After the elimination of plastic bags

Response to Climate Change

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

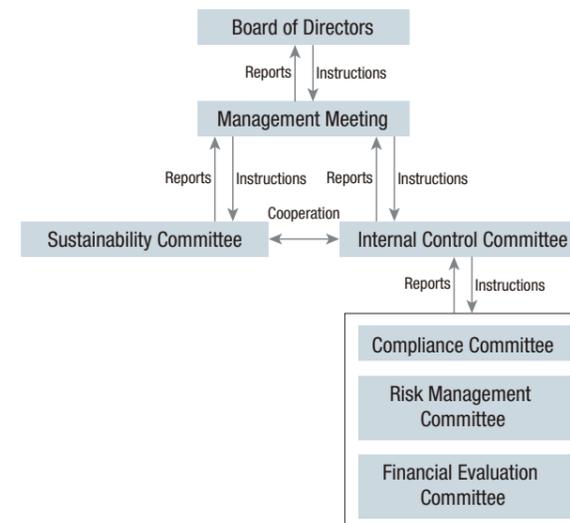


* TCFD (Task Force on Climate-related Financial Disclosures): An international initiative established by the Financial Stability Board (FSB) of the G20 in 2015, in order to enhance the disclosure of information concerning the financial impact of climate-related risks and opportunities.

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. In the future, the Sustainability Committee will report on the progress of the Carbon Neutral Challenge while undertaking discussions and deliberations.

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 facilities Introduce 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 use If 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 facilities Aim 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 basis Consider physical damage reduction measures by revising flood protection boards and drainage routes Formulate 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 updates Prepare 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 goods Return 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 governments
	Increased needs for new products that contribute to carbon neutrality	Medium	—	<ul style="list-style-type: none"> Improve favorability through carbon neutral initiatives and strategic public relations, and appeal to society and investors 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. Building on efforts to promote such measures as the use of renewable energy while reducing the weight and size of products, we were able to cutback our FY2023 CO₂ emissions by 61.6%

compared to FY2013. On this basis, we significantly exceeded the 2030 target (38% reduction) for the industrial sector set by the Japanese government in the “Plan for Global Warming Countermeasures.”

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	Reduce the impact on the environment at all stages of the product lifecycle <ul style="list-style-type: none"> Promote energy-saving and environmentally safe product design Reduce emissions of environmentally harmful substances in production activities and save energy and resources Proactively 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

To provide products that meet customers' needs and expectations, Aichi Tokei Denki has established its own quality control system. At the same time, the Company is working to establish a system, together with business partners in the supply chain, to solve such issues as maintaining quality control systems, complying with laws and regulations, risk management, environmental considerations, and the SDGs. To respond flexibly to the changing needs and expectations over time, we will continue to actively 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.

Human Rights Initiatives

We believe it is essential to respect the human rights of all individuals affected by our business activities. To this end, we have established a Human Rights Subcommittee under the Sustainability Committee to promote efforts to respect human rights, including clarifying our human rights policy and considering the implementation of human rights due diligence.

Providing Higher Quality, Safe, and Secure Products

We obtained ISO 9001 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.

To achieve higher quality, safe, and secure products, we are promoting the acquisition of product certifications that meet customer needs. Having obtained Japan Water Works Association (JWWA) certification for flow sensors, we are

working to obtain various certifications for flow meters for overseas use in Western and other countries, while striving to develop and provide products that satisfy our customers at an early stage.

Furthermore, the number of chemicals recognized as harmful is increasing every day. 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.

Considering quality to mean responding to customers' needs and expectations, we use our quality management system as a cornerstone to create a reliable system, properly maintain quality, and work toward continuous improvement.

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 Engagement survey 	<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 Acceptance of elementary and junior high school students for tours 	<ul style="list-style-type: none"> General Affairs Division Human Resources Division Corporate Planning Office Each Sales Office

Dialogue with shareholders and investors

FY2023 Results

Classification	Implementation details	Responders
For institutional investors, securities analysts	Financial results briefing: 2 (June, November)	President and Representative Director Senior Executive Officer Management Planning Office
	Individual meetings: 36 Face-to-face meetings: 4 Telephone: 5 Web: 27 (of which 5 overseas)	Senior Executive Officer Management Planning Office Accounting Division
For Individual Investors	Company information sessions 3 times (September (twice), December)	President and Representative Director Management Planning Office

Results up to June 2024

Classification	Implementation details	Responders
For institutional investors, securities analysts	Financial results briefing: 1 (May)	President and Representative Director Senior Executive Officer Management Planning Office
	Individual meetings: 7 Face-to-face meetings: 2 Telephone: 1 Web: 4 (of which 1 overseas)	Senior Executive Officer Management Planning Office Accounting Division

Dialogue Structure

Dialogue with institutional investors is handled by the Senior Executive Officers and each relevant department, with the President and CEO also handling matters as appropriate.

Feedback to the Board of Directors

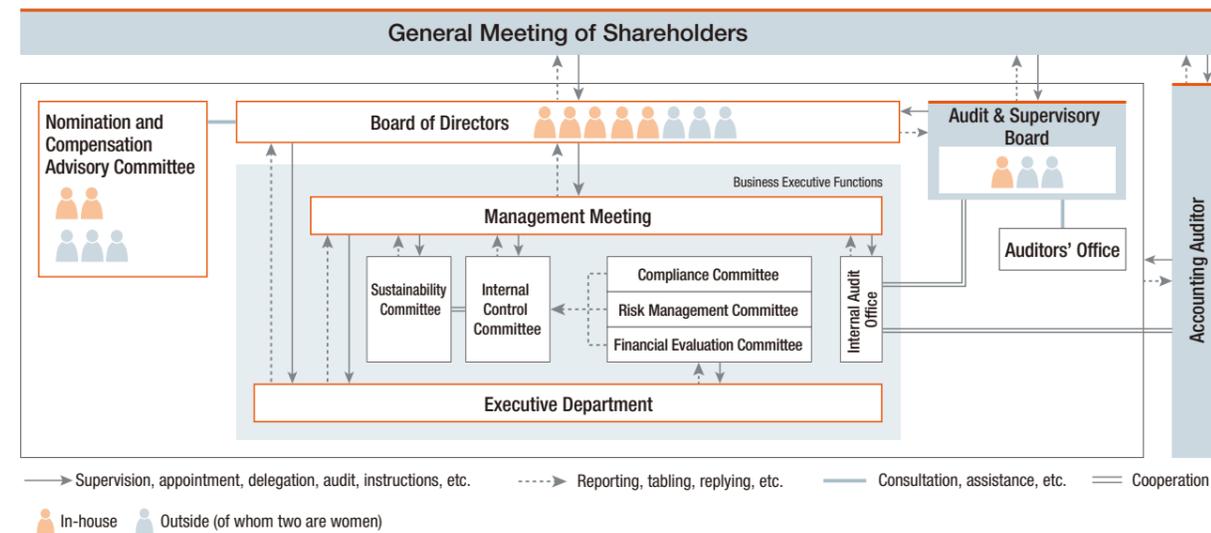
Valuable opinions received during this dialogue are reported to the Board of Directors.

Corporate Governance

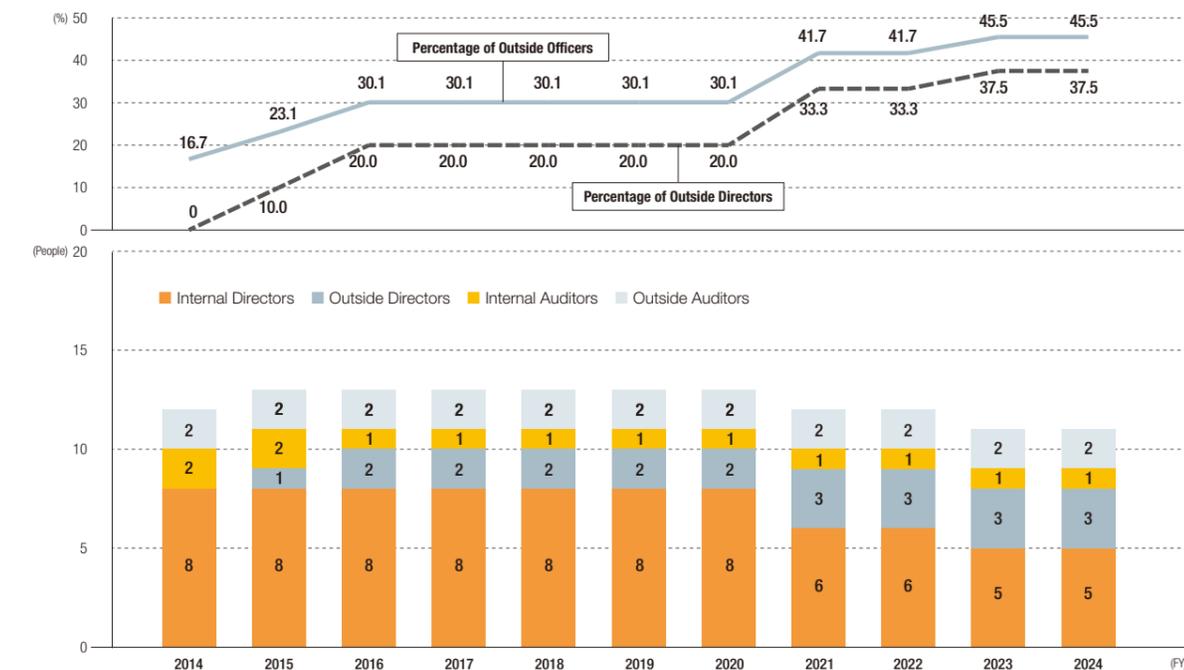
Related Material Issues
Strengthen Corporate
Governance



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.

2024
Increased the number of female directors by one to two. The aim is to improve diversity.

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

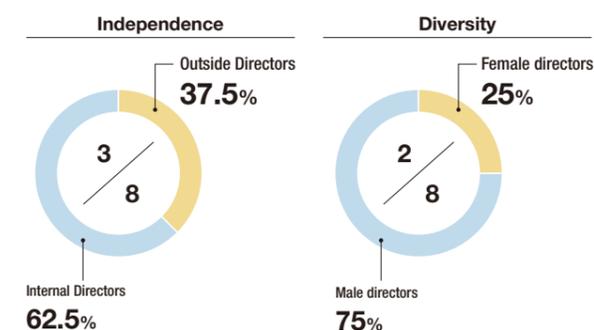
We describe the status of implementing each principle of the Corporate Governance Code in our Corporate Governance Report.

[WEB](https://contents.xj-storage.jp/xcontents/AS00137/252a1857/a476/4cc2/b76a/cbaf8aceb4cc/20240701120900218s.pdf) <https://contents.xj-storage.jp/xcontents/AS00137/252a1857/a476/4cc2/b76a/cbaf8aceb4cc/20240701120900218s.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)

Composition of the Board of Directors



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.

Fiscal 2023 was the first year the Company used an external organization.

Analysis/Evaluation Process

- (1) A questionnaire survey of all Directors and Audit & Supervisory Board Members was conducted by an external organization.
- (2) Measures for enhancing effectiveness were reported to the Board of Directors based on the results of the questionnaire survey reported by that external organization.

Effectiveness Evaluation Questionnaire Survey Items (partial list)

- Format of the Board of Directors
- Composition of the Board of Directors
- Management of the Board of Directors
- Deliberations the Board of Directors
- Monitoring function of the Board of Directors
- Performance of Outside Directors
- Support system for Directors and Audit & Supervisory Board Members
- Training
- Dialog with shareholder (investors)
- Personal initiatives

Fiscal 2023 Evaluation and Fiscal 2024 Action Policy

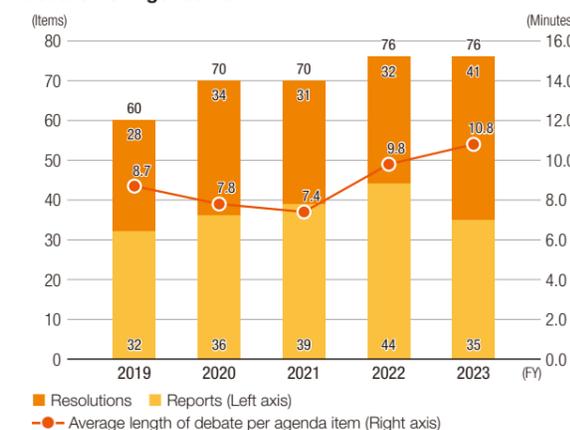
Fiscal 2022 Evaluation Results and Fiscal 2023 Action Policy	Although the effectiveness of the Board of Directors has generally been ensured, the following improvements are required in order to further improve effectiveness. (i) In order to further activate the discussions, further improve the materials so that the content and background of the agenda can be understood. (ii) In order to improve the monitoring accuracy of the business strategy, increase the frequency of reporting on the Medium-term Management Strategy. (iii) Increase opportunities to provide information necessary for discussion and judgment.
↓	
Fiscal 2023 Actions and Initiatives	<ul style="list-style-type: none"> • The Company held preliminary briefings for Outside Directors on the day before the Board of Directors. The Company provided materials ahead of the preliminary briefings. • The Company held Q&A sessions following direct explanations by the persons in charge of each responsible department at the preliminary briefings in order to further deepen understanding. • The Company made suitable improvements to Board of Directors' materials in reference to opinions offered at the preliminary briefings. • The Company held informal meetings between the Outside Directors and the Representative Director, and reported on progress, etc., regarding priority issues in the Medium-term Management Plan 2023 (1 time/year). • The Company held opinion/information exchange meetings between Outside Directors and Audit & Supervisory Board Members (1 time/ year). • The Company organized factory tours
↓	
Fiscal 2023 Evaluation Results and Fiscal 2024 Action Policy (Effectiveness evaluation date: April 2024)	As a result of the analysis and evaluation, we generally consider that the effectiveness of the Company's Board of Directors has been ensured. (i) The Company will increase the frequency of reports regarding the Medium-term Management Strategy in order to enhance precision in the monitoring of business strategy. (ii) The Company will deepen discussions on the succession plan for top management. (iii) The Company will consider expanding training opportunities to enable knowledge acquisition necessary for Directors and Audit & Supervisory Board members.

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.

Major Discussion Topics in Fiscal 2023

Classification	No. of items
Matters related to the General Meeting of Shareholders	4
Matters related to the Nomination and Compensation	10
Matters related to the settlement of accounts	15
Matters related to the stock	6
Matters related to the corporate governance	6
Matters related to the Organization and Human Resources	4
Matters related to important duties (research and development, capital investment, and management etc.)	8
Matters related to the sustainability	4
Other matters	19

Number of Agenda Items and Average Length of Debate Per Agenda Item



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 seven 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.
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.
Asako Itakura	Ms. Itakura has served many years in important management positions, and it is judged that she can reflect her rich experience and wide-ranging insights into labor affairs, and that she can be expected to enhance the monitoring and supervision functions of management from an independent position.

Skills Matrix * Independent Director

Name	Position and responsibilities	Attendance frequency		Management	Finance & Accounting	Sales & Marketing	Overseas businesses	Development & Quality	Manufacturing & Procurement	Legal affairs & Governance
		Nomination and Compensation Advisory Committee	Board of Directors							
Toshiyuki Hoshika	Representative Director, Chairman	3/3 Chair	12/12 Chairperson	●	●					●
Kenji Kunishima	President and Representative Director, President Executive Officer	3/3	12/12	●	●					●
Yutaka Yoshida	Director, Managing Executive Officer, in charge of Technology	—	12/12			●		●	●	
Hiroshi Yasui	Director, Managing Executive Officer, General Manager of Sales Headquarters	—	12/12			●	●			
Kazuhisa Mori	Director, Senior Executive Officer, General Manager of R&D Headquarters	—	10/10			●	●	●		
Chie Okada*	Outside Director	3/3	12/12	●	●					●
Masatsugu Kasano*	Outside Director	2/2	10/10	●		●		●		
New Asako Itakura*	Outside Director	—	—	●	●					●

* Director Kazuhisa Mori and Outside Director Masatsugu Kasano were appointed to and assumed the position of Director at the General Meeting of Shareholders held on June 24, 2023. Their attendance frequency indicates the number of times they attended the Board following their appointment.

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

Corporate Governance

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 restrictions 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 2023, the target for consolidated ordinary profit, which is the indicator for executive bonuses, was 4,740 million yen, and the actual amount was 4,265 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)	227	148	46	33	7
Auditors (excluding Outside Auditors)	20	20	-	-	1
Outside Directors	50	50	-	-	6

(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.

Risk Management

Precisely recognizing the full range of risks involved in business activities, and developing countermeasures such as avoidance, reduction, relocation, and retention in accordance with their importance and likelihood of occurrence, is an important issue in corporate activities under the theme of risk management. The Company therefore revised the Basic Policy for Internal Control System in 2022. The Company has established the Internal Control Committee as a Company-wide committee, and organized the Compliance Committee, the Risk Management Committee, and the Financial Evaluation Committee. The Company manages risk by operating an internal control system that integrates risk management and compliance under an appropriate corporate governance system.

Risk Management Structure

The Internal Control Committee chaired by the President deliberates on the activities of the Compliance Committee, the Risk Management Committee, and the Financial Evaluation Committee based on the "Internal Control Committee Regulation," and reports on the status of internal control to the Management Meeting.

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 prices Decrease in sales price Long delivery time for parts, etc. 	<ul style="list-style-type: none"> Improve productivity and promote total cost reduction Promote 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 system In the event of a product defect, prompt response and fundamental measures are taken to minimize the amount of damage and prevent reputational risk
Disaster 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 equipment Non-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 experts Preparation of overseas safety management rules and overseas safety measures manuals Conducting crisis management training before being assigned
Violation of laws and regulations risks	<ul style="list-style-type: none"> Contract and transaction risks Compliance risks 	<ul style="list-style-type: none"> Compliance education and training (monthly departmental education, new management training, etc.) Establishment of whistleblowing desk (internal/external)
Information and communication risks	<ul style="list-style-type: none"> System failure Cyber attacks 	<ul style="list-style-type: none"> Renewal and enhancement of system infrastructure and constant monitoring Strengthening of monitoring system for information security, development of internal rules, and provision of education

Outside Director Dialogue



Masatsugu Kasano Outside Director

Mr. Kasano joined OKAYA & CO., LTD. in April 1984. As a director of that company since 2018, he has served as Deputy General Manager of the Nagoya Head Office, as well as officer in charge of New Technology Promotion. He possesses a wide range of knowledge developed in metal and machinery trading companies. Mr. Kasano has been an Aichi Tokei Denki Outside Director since 2023.

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 2022.

Dialogue was held between two of our Outside Directors about the growth strategy in Medium-term Management Plan 2026, discussions at Board of Directors' meetings, and their expectations for the future.

Aichi Tokei Denki's manufacturing is backed by its long history

Okada: In the Company's Integrated Report 2023, I mentioned an episode in which a shareholder had told me, "your corporate approach of being unchanging in your essence while adapting to new changes is great." I agree with that statement. While the Company is conducting sound and stable management in its core business fields, I believe it is also proactively and boldly expanding into new business fields such as its data distribution service business and further developing and expanding its global markets.

Kasano: I feel that the Company is proud to contribute to society with its water and gas meters, which form part of essential lifelines. This is no doubt also backed by a positive corporate culture that has been steadily pushing ahead in manufacturing for more than 100 years.

Okada: One particularly impressive discussion at a Board of Directors' meeting in fiscal 2023 concerned the response to defects that had occurred in some products during the period. Although the Company's business performance for the fiscal year was generally good, unfortunately, the upshot was that profits were significantly impacted by the recording of costs to address the product defects.

Kasano: The case involved household ultrasonic gas meters produced at a certain time in fiscal 2023 that may have been defective, although there was an extremely low probability of this happening. In assuming the worst-case scenario, the Company decided to replace all of the products, and we witnessed its focus on prioritizing its credibility with society.

Okada: Prior to each Board of Directors' meeting, a pre-meeting briefing based on Management Meeting discussion is held for Outside Directors by the heads of the relevant departments. This system allows us, the Outside Directors, to directly ask questions about any issues or specific matters we want to know about, including this case. I felt that the discussions were lively, with both full-time and Outside Directors drawing on their respective areas of expertise and knowledge.



The vision for the Medium-term Management Plan reflects the Company's proactive stance of taking on any challenge to meet the needs that society demands.

Future Challenges and Expectations

Kasano: During a Board of Directors' meeting discussion on the establishment of a gas meter production base in China, I put a question to President Kunishima. This was because of the sluggish nature of the Chinese economy and decisions by Japanese companies to downsize or withdraw from the market. When I asked about the chances of success, I received a clear answer that the trend of replacing coal with gas as an energy source is expected to continue, that the joint venture partner has strong sales capabilities, and other factors, so I agreed with the idea.

Okada: I too was impressed by the discussions regarding the establishment of a joint venture in China. Under the new Medium-term Management Plan, "new value creation in the measurement field" and "acceleration of the pace of global expansion" have been adopted as the pillars of the growth strategy. The Company is currently facing challenges that include concerns about a slowdown in the global economy, rising raw material prices, and a deterioration in its product sales mix due to the immediate expansion of smart meter sales. It is hoped that these issues will be addressed swiftly by steadily implementing each measure.

Kasano: The vision for Medium-term Management Plan 2026 represents the Company's proactive attitude of taking on any challenge to meet the needs of society, contributing to society with high-precision "measuring technology" in its core competency of fluid measurement, even in the future when gas is replaced by hydrogen, and also in the medical field. To remain a company that is second to none in water and gas meters, Aichi Tokei Denki needs to maintain and improve the quality that allows customers to use its meters with confidence and also to pursue functions that provide added convenience.

Okada: To pursue the technological aspects that Mr. Kasano mentioned, all manner of growth investment strategies should be on the table for discussion, such as strengthening collaboration with universities and venture companies, M&As, and the hiring of talent from outside the Company. Another major issue is securing and developing human resources, which form the foundation for growth. Under the strong direction of the president, the Company is working to improve its internal environment by implementing a raft of measures, including expanding the personnel system to support the child-rearing generation. I believe that the appointment of Ms. Itakura, who has extensive experience in the field of human resources and labor management, is an indication of top management's determination to strongly promote human capital management.

Kasano: When the proposals for the Medium-term Management Plan were discussed at a Board of Directors' meeting, I asked for the development of new technologies for main products and daily cost reductions to maintain and expand the Company's business performance. To achieve these aims, I believe it will be necessary for all those involved

Based on the inherited "unchanging" essence, I will carry out my duties with the aim of achieving further growth and improving corporate value.



in manufacturing to fully understand the importance of the products they are making and for everyone to take part in the effort.

Okada: That's right. None of these are easy tasks that will produce immediate results, but I hope that by getting everyone involved in the work, we can steadily change the awareness of the entire Company and bring about a transformation in the landscape.

In what ways can Outside Directors contribute to increasing corporate value?

Okada: As a legal professional, I am constantly keeping a close eye from the perspectives of organizational risk management and compliance. In particular, I intend to monitor risks that have not yet materialized in cooperation with the Audit & Supervisory Board and the Internal Audit Office, taking into account the actual operation of the internal control system. As an Outside Director, I continue to study to better understand business activities and will speak frankly so that people within the Company can pay closer attention to points that they may not notice or tend to overlook.

Kasano: During my roughly 40 years of involvement in the electronics and automotive industries, I have witnessed many people working sincerely to eliminate defects in cutting-edge technology development and, for example, at rare metal mining sites. I would like to utilize that experience to advise the Company on its sales strategies, development strategies, and manufacturing quality. Aichi Tokei Denki has gained and maintained the trust of its stakeholders for so many years, and this is the result of approaching everything with sincerity. As an Outside Director, I would like to do my utmost to help maintain that trust.

Okada: I recognize that the New Medium-term Management Plan 2026 heralds a period in which the Company will set sail into the open sea, during which time its true worth will be put to the test. Its strong belief in "supporting society through measuring technology" and sincere approach to manufacturing will provide the driving force to propel the Company out onto the open sea. Based on that unchanging essence that has been carefully handed down throughout the Company, I would like to fulfill my responsibilities in aiming for further growth and an increase in corporate value.

Management Team (As of June 21, 2024)



Standing Statutory Auditor
Masanori Watanabe

Director (Outside, Independent)
Asako Itakura

Director (Outside, Independent)
Chie Okada

Director
Hiroshi Yasui

President and Representative Director
Kenji Kunishima

Representative Director, Chairman
Toshiyuki Hoshika

Director
Yutaka Yoshida

Director
Kazuhisa Mori

Director (Outside, Independent)
Masatsugu Kasano

Standing Statutory Auditor
(Outside, Independent)
Yoichi Orikasa

Auditor (Outside, Independent)
Osamu Nakamura

Directors

Representative Director, Chairman

Toshiyuki Hoshika 45,200 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)

President and Representative Director

Kenji Kunishima 18,700 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)

Executive Officers

President Executive Officer

Kenji Kunishima

Managing Executive Officer, in charge of Technology
Yutaka Yoshida

Managing Executive Officer, General Manager of Sales Headquarters
Hiroshi Yasui

Director

Yutaka Yoshida 15,300 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)

Director

Hiroshi Yasui 12,300 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

Kazuhisa Mori 4,900 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
Sep. 2020 Auditor, National University Corporation Aichi University of Education (to present)
Jun. 2022 Director of the Company (to present)
Jun. 2023 Outside Director (Audit and Supervisory Board Member), AMG HOLDINGS CO., LTD. (to present)

Executive Officer, Head of Osaka Branch Office, Sales Department
Osamu Hashimoto

Executive Officer, Head of Tokyo Branch Office, Sales Department
Tomohiro Kawakami

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)

New Director (Outside, Independent)

Asako Itakura

Apr. 1983 Joined Nagoya Broadcasting Network
Feb. 2004 Executive Officer and Station Manager of Nagoya Broadcasting Network, in charge of systems and ERP
Oct. 2005 Executive Officer and Station Manager of Nagoya Broadcasting Network, General Manager of Compliance Office
Jun. 2008 Assistant to President's Office of Nagoya Broadcasting Network, Senior Managing Director of NagoyaTV Enterprise Co., Ltd.
Jun. 2011 Deputy Director of Sales Department of NagoyaTV Enterprise Co., Ltd. (Station Manager)
Mar. 2013 Deputy Director of Corporate Strategy Office of NagoyaTV Enterprise Co., Ltd. (Station Manager)
Jun. 2016 Senior Managing Director of NagoyaTV Enterprise Co., Ltd.
Jul. 2019 Managing Director of NagoyaTV Enterprise Co., Ltd.
Dec. 2019 Employer Committee Member of Aichi Prefectural Labor Relations Commission (to present)
Jul. 2021 Advisor to NagoyaTV Enterprise Co., Ltd. (to present)
Feb. 2022 Established Office Itakura Asako (a Specified Labor and Social Security Attorney and Small and Medium Enterprise Management Consultant firm) (to present)
Jun. 2023 Outside Director (Audit Committee Member) of Aichi Financial Group, Inc. (to present)
Jun. 2024 Director of the Company (to present)

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

Executive Officer, Quality Assurance Department
Shinji Tada

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

Auditors

New Standing Statutory Auditor (Outside, Independent)
Yoichi Orikasa

Apr. 1987 Joined The Tokai Bank, Ltd.
Nov. 2008 Branch Manager, Shimo-Akatsuka Branch of MUFG Bank, Ltd.
May 2012 Branch Manager, Nagoya Branch of MUFG Bank, Ltd.
May 2013 Managing Director, Head of Internal Audit Division of Mitsubishi UFJ Financial Group, Inc.
Jun. 2013 Executive Officer and Managing Director, Head of Internal Audit Division of Mitsubishi UFJ Financial Group, Inc.
Jun. 2015 Corporate Executive, Group CAO, and Managing Director, Head of Internal Audit Division of Mitsubishi UFJ Financial Group, Inc.
Jun. 2016 Executive Officer of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., General Manager, Solutions Division
Apr. 2020 Executive Officer of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., General Manager of Kyoto Branch
Jun. 2024 Standing Statutory Auditor of the Company (to present)

New Standing Statutory Auditor

Masanori Watanabe 2,600 shares

Apr. 1986 Joined the Company
Nov. 2011 General Manager, Inspection Department, Technology Department, Production Management Headquarters
Apr. 2012 Deputy General Manager of Quality Assurance Department and General Manager, Inspection Department
Apr. 2013 Deputy General Manager of Quality Assurance Department and General Manager, Quality Environment Department
Apr. 2019 Executive Officer and General Manager of Quality Assurance Department
Apr. 2024 Assistant to General Manager of Administration Headquarters
Jun. 2024 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)

Executive Officer, Deputy General Manager of Administration Headquarters
Takashi Tsunoda

Executive Officer, Production Headquarters, General Manager of Procurement Administration Department
Katsuya Inuzuka

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

11-Year Key Financial and Non-financial Summary

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Financial Information											
For the year (millions of yen)											
Net sales	43,154	41,581	41,782	44,770	47,275	46,722	48,118	46,225	46,483	50,160	51,225
Cost of sales	32,539	31,843	31,891	33,556	35,133	34,583	36,371	34,732	34,905	37,848	39,234
Gross profit	10,614	9,738	9,891	11,214	12,141	12,139	11,747	11,493	11,577	12,311	11,990
Selling, general and administrative expenses	8,350	8,279	8,093	8,323	8,433	8,725	8,762	8,490	8,290	8,330	8,373
Operating profit	2,263	1,459	1,798	2,890	3,708	3,414	2,985	3,002	3,287	3,980	3,617
Ordinary profit	2,565	1,942	1,934	3,007	3,867	3,803	3,215	3,298	3,814	4,654	4,265
Profit attributable to owners of parent	1,625	1,159	1,411	2,235	2,788	2,829	2,354	2,987	2,789	3,458	3,174
Capital investment	2,052	1,248	2,274	1,678	891	819	1,198	1,421	814	853	1,540
Depreciation	1,155	1,166	1,219	1,182	1,135	1,095	1,068	977	1,147	1,033	1,101
R&D expenses	1,278	1,370	1,476	1,332	1,382	1,315	1,349	1,245	1,262	1,173	1,384
Cash flows from operating activities	2,071	3,119	2,180	2,434	2,628	3,782	3,739	4,192	3,115	1,876	1,742
Cash flows from investing activities	(1,316)	(769)	(1,124)	(1,422)	(2,541)	(2,279)	(900)	(2,423)	2,589	(683)	(1,092)
Cash flows from financing activities	(806)	(2,029)	404	(1,937)	(768)	(779)	(1,856)	(1,022)	(5,926)	(828)	(1,176)
Financial information per share (yen)*1											
Basic earnings per share	105.53	75.25	91.58	145.19	181.54	184.16	152.89	194.65	181.43	225.41	206.94
Net assets per share	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	2,875.22
Dividend per share	33.33	33.33	33.33	36.67	40.00	43.33	40.00	43.33	42.67	55.00	64.00
End of the year (millions of yen)											
Total assets	43,597	43,645	46,175	47,998	51,080	52,882	52,434	57,167	52,227	56,318	61,399
Interest-bearing debt	8,412	7,063	8,196	6,899	6,889	6,889	5,759	5,731	731	885	858
Net assets	20,008	21,659	21,956	24,339	27,301	29,243	30,318	34,357	35,228	38,399	44,159
Other indicators											
Operating profit to net sales ratio (%)	5.2	3.5	4.3	6.5	7.8	7.3	6.2	6.5	7.1	7.9	7.1
Capital adequacy ratio (%)	45.2	48.9	46.8	50.0	53.2	55.1	57.6	60.1	67.4	68.2	71.9
Rate of return on assets (ROA) (%)	3.7	2.7	3.1	4.7	5.6	5.4	4.5	5.5	5.1	6.4	5.4
Rate of return on equity (ROE) (%)	8.3	5.7	6.6	9.8	10.9	10.1	7.9	9.3	8.0	9.4	7.7
Price book value ratio (PBR) (times)	0.77	0.78	0.72	0.80	0.78	0.72	0.70	0.65	0.68	0.60	0.84
Price earnings ratio (PER) (times)	9.32	14.31	11.10	8.62	7.65	7.36	8.92	7.45	8.55	6.64	11.72
Payout ratio (%)	31.6	44.3	36.4	25.3	22.0	23.5	26.2	22.3	23.5	24.4	30.9
Number of outstanding shares (thousand shares)	51,400	51,400	51,400	5,140	5,140	5,140	5,140	5,140	15,420	15,420	15,420
Year-end share price (yen)	983	1,077	1,017	1,252	1,388	1,355	1,363	1,450	1,552	1,496	2,425

*1 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 2013.

	2018	2019	2020	2021	2022	2023
Non-financial Information						
CO ₂ emissions (t-CO ₂)	11,077	9,640	9,895	9,618	4,099	4,136
CO ₂ emissions (compared to FY2013) (%)	2.9	(10.5)	(8.1)	(10.7)	(61.9)	(61.6)
Energy usage (kL)	3,822	3,664	3,707	3,899	3,863	3,756
Waste plastic weight (t)	–	111.8	102.1	94.4	88.4	74.4
Employees (career-track positions) Number (people)	873	870	860	882	863	831
(Career-track positions) Male (people)	782	773	759	775	756	725
(Career-track positions) Female (people)	91	97	101	107	107	106
Female percentage (%)	10.4	11.1	11.7	12.1	12.4	12.8
Annual working hours per person*2 (hours)	2,035	2,012	1,992	1,959	1,947	1,972
Percentage of paid leave taken*3 (%)	65.1	65.7	62.4	69.5	73.2	76.0
Turnover rate due to personal reasons (%)	1.7	2.6	0.8	1.1	2.0	2.5
Turnover rate of new graduates after 3 years of employment (%)	7.7	8.3	0.0	13.3	4.2	0.0

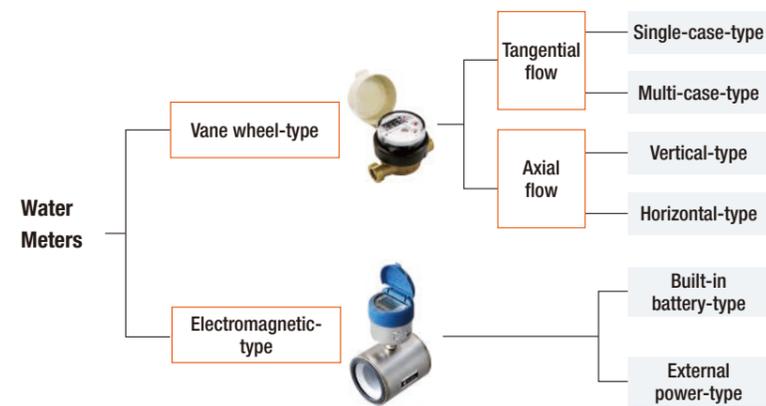
*2 Based on the average of all employees excluding management positions.

*3 The number of days of paid leave granted excluding days carried forward.

Basic Knowledge

Water Meters

Classification by measurement principle

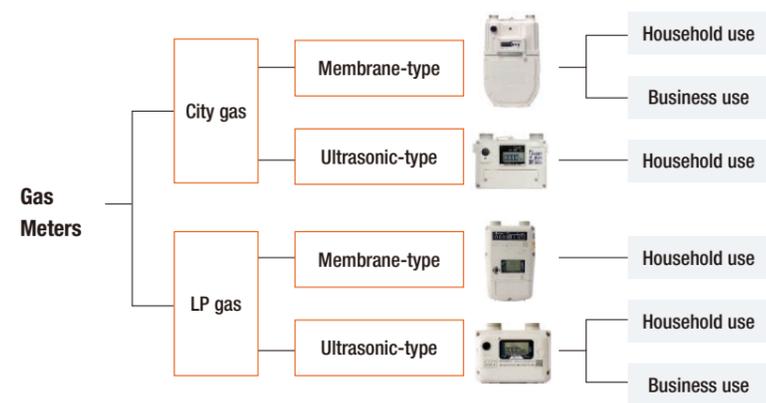


Water meters are mainly divided into "vane wheel-type" and "electromagnetic-type" (there are also others such as positive displacement-type). The principle of vane wheel-type measurement is based on the fact that the amount of water passing is proportional to the rotational speed of the vane wheel. Because 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

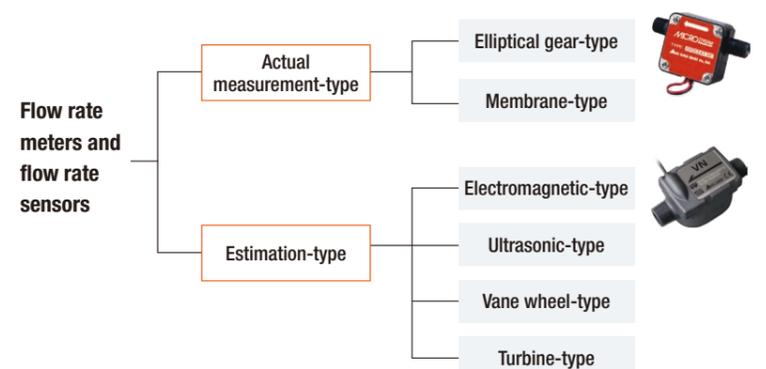


Gas meters are mainly divided into "membrane-type" and "ultrasonic-type" (there are also others such as Roots-type and turbine-type). The measurement principle of the membrane-type is based on the throughput of gas and the reciprocating movement caused by filling and discharging the measuring membrane. 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.
LPWA	Abbreviation for Low Power Wide Area. A communication method that realizes long-distance communication while reducing power consumption.
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.
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.
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.

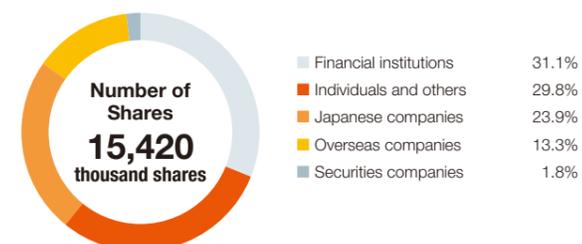
Stock Information (As of March 31, 2024)

Stock Status	
Total number of authorized shares	43,200,000
Total number of issued shares	15,420,000 (Including 63,116 shares of treasury shares)
Number of shareholders	4,271
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)

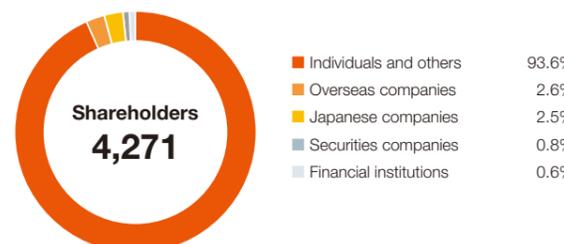
Major Shareholders (Top 10 shareholders)		
Name	Number of shares held	Shareholding ratio (%)
THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD-SINGAPORE BRANCH PRIVATE BANKING DIVISION CLIENTS A/C 8221-623793	1,213,100	7.9
Nippon Life Insurance Company	1,157,424	7.5
The Master Trust Bank of Japan, Ltd. (Trust account)	911,900	5.9
Toho Gas Co., Ltd.	691,872	4.5
Meiji Yasuda Life Insurance Company	603,600	3.9
Aichi Tokei Denki Mutual Prosperity Association	597,100	3.9
Mizuho Leasing Company, Limited	492,600	3.2
NIPPON SHARYO, LTD.	480,000	3.1
MUFG Bank, Ltd.	462,600	3.0
Aichi Tokei Denki Employee Stock Ownership Association	457,676	3.0

* Shareholding ratio is calculated excluding treasury stock (63,116 shares).

Share Distribution by Number of Shares



Share Distribution by Shareholders



Company Information (As of March 31, 2024)

Company Profile	
Foundation	July 1, 1898
Incorporation	June 1, 1949
Capital	¥3.218 billion
Number of employees	1,739
Consolidated basis	1,739
Non-consolidated basis	1,212
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	1-2-70 Chitose, Atsuta-ku, Nagoya, Aichi, Japan TEL: +81-(0)52-661-5151
Plants	Okazaki, Hokkaido (Sapporo), Sendai, Imabari No. 1, Imabari No. 2, Kyushu (Fukuoka)
Branch Offices	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, Sendai
Sales Offices	Takamatsu, Kanazawa, Hiroshima, Kushiro, Aomori, Shizuoka, Chiba, Morioka, Kagoshima, Omiya, Okayama
Overseas Sales Bases	Bangkok (Thailand), Ho Chi Minh (Vietnam)
Consolidated Subsidiaries	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 2024”

Satoru Maruyama

Senior Executive Officer
General Manager of Administration Headquarters

Aichi Tokei Denki publishes its Integrated Report to deepen stakeholders understanding of the Company's efforts to contribute to society through business growth as well as its expansion while providing new value to society through the integration of measuring and IoT technologies.

A major focus of this report is the Company's Medium-term Management Plan 2026, which commenced in fiscal 2024. From both the financial and capital strategy perspectives in particular, we have provided a detailed explanation of the strategies and measures aimed at increasing corporate value going forward. Moreover, in preparing this report, we invited two Outside Directors to speak candidly about the Company's value creation endeavors, future challenges, and governance. Through this and other initiatives, we placed considerable

emphasis on outlining details of the course the Company plans to chart over the next three years in a multifaceted, easy-to-understand manner.

The production of the report was led by the Administration Headquarters and involved collaboration with numerous internal 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. We will continue to further enrich the content of this report and hope that it will help stakeholders better understand the Aichi Tokei Denki Group, and serve as a tool for dialogue. Upon reading this report, we humbly request your candid feedback and comments.

Aichi Tokei Denki Co., Ltd.

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Published in October 2024

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