Consolidated Balance Sheets

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2021**	2020	**2021**
Current assets			
Cash on hand and at banks (Note 4)	¥ 31,705	¥ 28,723	$ 286,359
Notes and accounts receivable – trade	19,032	20,378	171,899
Electronically recorded monetary claims – operating	2,793	2,748	25,226
Inventories (Note 5)	17,590	16,838	158,872
Advance payments – trade	885	596	8,000
Accounts receivable – other	985	1,628	8,905
Consumption taxes receivable	295	386	2,667
Other current assets	301	490	2,719
Allowance for doubtful accounts	(933)	(223)	(8,430)
Total current assets	72,656	71,568	656,220
Fixed assets			
Property, plant and equipment			
Buildings and structures	25,045	25,001	226,204
Accumulated depreciation	(17,653)	(16,957)	(159,438)
Buildings and structures, net	7,392	8,044	66,765
Machinery and vehicles	17,400	17,095	157,157
Accumulated depreciation	(12,421)	(11,099)	(112,188)
Machinery and vehicles, net	4,978	5,996	44,969
Land	7,236	7,283	65,361
Construction in progress	1,258	377	11,365
Other fixed assets	3,697	3,638	33,396
Accumulated depreciation	(3,213)	(3,077)	(29,025)
Other fixed assets, net	483	561	4,370
Total property, plant and equipment	21,350	22,263	192,832
Intangible assets	779	743	7,043
Investments and other assets			
Investment securities (Note 7)	9,843	5,944	88,906
Insurance reserve fund	1,922	2,324	17,359
Net defined benefit assets (Note 10)	868	814	7,842
Deferred tax assets (Note 15)	249	331	2,255
Other assets	154	156	1,394
Allowance for doubtful accounts	(38)	(32)	(344)
Total investments and other assets	13,000	9,539	117,414
Total fixed assets	35,130	32,546	317,290
Total assets	¥107,787	¥104,114	$ 973,510

The accompanying notes are an integral part of these financial statements.

Liabilities and net assets	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 3) 2021
Liabilities			
Current liabilities			
Accounts payable – trade	¥ 5,004	¥ 4,733	$ 45,197
Electronically recorded monetary obligations – operating	2,500	3,369	22,582
Short-term loans payable (Note 9)	1,297	2,991	11,719
Current portion of long-term loans payable (Note 9)	—	500	—
Accounts payable – other	1,114	707	10,064
Income taxes payable	1,070	1,681	9,669
Accrued expenses	1,089	1,048	9,838
Advances received	8,207	6,134	74,131
Accrued warranty costs	471	583	4,254
Accrued bonuses for employees	1,090	1,129	9,847
Accrued bonuses for directors	36	49	332
Provision for loss on orders received (Note 5)	113	170	1,022
Other current liabilities	1,383	725	12,491
Total current liabilities	23,378	23,823	211,150
Long-term liabilities			
Long-term loans payable (Note 9)	1,500	1,000	13,547
Long-term accounts payable – other	904	883	8,167
Deferred tax liabilities (Note 15)	2,334	1,445	21,088
Accrued stock payments	480	463	4,343
Net defined benefit liabilities (Note 10)	1,390	1,387	12,557
Asset retirement obligations	10	—	96
Other long-term liabilities	281	271	2,544
Total long-term liabilities	6,902	5,450	62,345
Total liabilities	30,281	29,273	273,495
Net assets			
Shareholders' equity			
Common stock (Note 11)	7,831	7,831	70,728
Authorized: 188,149,000 shares in 2021 and 2020			
Issued: 69,448,421 shares in 2021 and 2020			
Additional paid-in capital	12,423	12,415	112,202
Retained earnings	55,963	56,536	505,449
Treasury stock (Note 11)	(4,838)	(4,917)	(43,697)
9,753,258 shares in 2021 and 9,896,566 shares in 2020			
Total shareholders' equity	71,379	71,864	644,682
Accumulated other comprehensive income			
Net unrealized gains on other securities	4,869	2,638	43,982
Deferred hedge gains (losses)	(139)	47	(1,255)
Foreign currency translation adjustments	410	(773)	3,705
Retirement benefit plan adjustments (Note 10)	210	253	1,905
Total accumulated other comprehensive income	5,351	2,166	48,336
Stock options (Notes 11 and 22)	91	139	825
Non-controlling interests	683	669	6,169
Total net assets	77,505	74,840	700,014
Total liabilities and net assets	¥107,787	¥104,114	$973,510

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Net sales	¥58,099	¥69,159	$524,744
Cost of sales (Notes 2 (13), 5 and 13)	45,747	53,966	413,184
Gross profit	12,352	15,192	111,560
Selling, general and administrative expenses (Notes 12 and 13)	8,629	9,019	77,937
Operating income	3,722	6,173	33,623
Non-operating income			
Interest income	43	102	397
Dividend income	227	196	2,055
Foreign exchange gain	—	45	—
Other non-operating income	129	145	1,173
Total non-operating income	401	490	3,625
Non-operating expenses			
Interest expenses	33	31	301
Commission expenses	21	83	196
Foreign exchange loss	236	—	2,139
Restructuring charges	18	71	167
Other non-operating expenses	65	55	588
Total non-operating expenses	375	240	3,393
Ordinary income	3,748	6,423	33,855
Extraordinary gain			
Subsidy income related to suspension or decrease of production	255	—	2,303
Gain on sales of fixed assets	27	3	246
Gain on sales of investment securities (Note 7)	3	44	33
Total extraordinary gains	286	48	2,583
Extraordinary loss			
Loss on suspension or decrease of production	420	—	3,799
Loss on sales of fixed assets	0	0	1
Loss on disposal of fixed assets	29	25	270
Loss on impairment (Note 14)	686	174	6,204
Loss on valuation of investment securities (Note 7)	51	—	466
Other extraordinary loss	—	28	—
Total extraordinary losses	1,189	228	10,742
Income before income taxes	2,845	6,242	25,696
Income taxes			
Current taxes	1,282	2,276	11,587
Deferred taxes	209	(132)	1,888
Total income taxes (Note 15)	1,492	2,143	13,476
Net income	1,353	4,099	12,220
Net income attributable to non-controlling interests	36	76	331
Net income attributable to owners of parent	¥ 1,316	¥ 4,022	$ 11,889

	Yen		U.S. dollars
	2021	2020	2021
Per share			
Net income – Basic (Note 18)	¥ 22.07	¥ 66.88	$ 0.20
– Diluted (Note 18)	22.04	66.75	0.20
Cash dividends (Note 23)	20.00	30.00	0.18

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	2021
Net income	¥1,353	¥ 4,099	$12,220
Other comprehensive income (Note 19)			
Net unrealized gains (losses) on other securities	2,231	(979)	20,156
Deferred hedge gains (losses)	(186)	49	(1,687)
Foreign currency translation adjustments	1,183	(1,418)	10,687
Retirement benefit plan adjustments	(43)	(144)	(388)
Total other comprehensive income	3,185	(2,493)	28,768
Comprehensive income	¥4,538	¥ 1,605	$40,988
Comprehensive income attributable to owners of parent	¥4,501	¥ 1,529	$40,654
Comprehensive income attributable to non-controlling interests	37	76	334

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen													
	Number of shares of common stock issued (Thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Deferred hedge gains (losses)	Foreign currency translation adjustments	Retirement benefit plans adjustments	Total accumulated other comprehensive income	Stock options	Non-controlling interests	Total net assets
Balance at April 1, 2019	71,647	¥7,831	¥12,415	¥55,777	¥(4,230)	¥71,793	¥3,617	¥ (1)	¥ 645	¥ 398	¥ 4,660	¥139	¥613	¥77,206
Cash dividends				(1,955)		(1,955)							(20)	(1,975)
Net income attributable to owners of parent				4,022		4,022								4,022
Purchase of treasury stock					(2,000)	(2,000)								(2,000)
Disposal of treasury stock					4	4								4
Retirement of treasury stock	(2,198)			(1,309)	1,309	—								—
Net changes of items other than shareholders' equity during the year							(979)	49	(1,418)	(144)	(2,493)	—	76	(2,416)
Balance at March 31 and April 1, 2020	69,448	7,831	12,415	56,536	(4,917)	71,864	2,638	47	(773)	253	2,166	139	669	74,840
Cash dividends				(1,889)		(1,889)							(23)	(1,912)
Net income attributable to owners of parent				1,316		1,316								1,316
Purchase of treasury stock					(0)	(0)								(0)
Disposal of treasury stock			7		80	87								87
Net changes of items other than shareholders' equity during the year							2,231	(186)	1,183	(43)	3,184	(48)	37	3,173
Balance at March 31, 2021	69,448	¥7,831	¥12,423	¥55,963	¥(4,838)	¥71,379	¥4,869	¥(139)	¥ 410	¥ 210	¥ 5,351	¥ 91	¥683	¥77,505

	Thousands of U.S. dollars (Note 3)													
	Number of shares of common stock issued (Thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Deferred hedge gains (losses)	Foreign currency translation adjustments	Retirement benefit plans adjustments	Total accumulated other comprehensive income	Stock options	Non-controlling interests	Total net assets
Balance at April 1, 2020	69,448	$70,728	$112,130	$510,622	$(44,413)	$649,067	$23,829	$ 431	$ (6,982)	$2,293	$19,571	$1,261	$6,043	$675,944
Cash dividends				(17,062)		(17,062)							(208)	(17,270)
Net income attributable to owners of parent				11,889		11,889								11,889
Purchase of treasury stock					(6)	(6)								(6)
Disposal of treasury stock			71		722	794								794
Net changes of items other than shareholders' equity during the year							20,152	(1,687)	10,687	(388)	28,764	(435)	334	28,663
Balance at March 31, 2021	69,448	$70,728	$112,202	$505,449	$(43,697)	$644,682	$43,982	$(1,255)	$ 3,705	$1,905	$48,336	$ 825	$6,169	$700,014

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021	2020	**2021**
Cash flows from operating activities			
Income before income taxes	**¥ 2,845**	¥ 6,242	**$ 25,696**
Depreciation and amortization	**2,048**	2,146	**18,498**
Loss on impairment	**686**	174	**6,204**
(Gain) loss on sales of fixed assets	**(27)**	(3)	**(245)**
Loss on disposal of fixed assets	**29**	25	**270**
(Gain) loss on sales of securities	**(3)**	(44)	**(33)**
(Gain) loss on valuation of investment securities	**51**	—	**466**
Increase (decrease) in allowance for doubtful accounts	**675**	(2)	**6,103**
Increase (decrease) in accrued bonuses for employees, net	**(44)**	53	**(404)**
Increase (decrease) in accrued bonuses for directors, net	**(12)**	4	**(114)**
Increase (decrease) in accrued warranty costs, net	**(131)**	(1)	**(1,186)**
Increase (decrease) in net defined benefit liabilities	**(5)**	(5)	**(53)**
(Increase) decrease in net defined benefit assets	**(121)**	(15)	**(1,099)**
Increase (decrease) in accrued stock payments, net	**17**	61	**161**
Increase (decrease) in provision for loss on orders received, net	**(64)**	116	**(581)**
Interest and dividend income	**(271)**	(298)	**(2,452)**
Interest expenses	**33**	31	**301**
(Increase) decrease in accounts receivable – trade	**4,319**	(740)	**39,010**
(Increase) decrease in inventories	**(187)**	(714)	**(1,694)**
Increase (decrease) in accounts payable – trade	**(677)**	(2,776)	**(6,121)**
(Increase) decrease in other assets	**120**	379	**1,089**
Increase (decrease) in other liabilities	**795**	(500)	**7,183**
Other, net	**(1,229)**	607	**(11,109)**
Sub-total	**8,845**	4,738	**79,893**
Interest and dividend income received	**271**	299	**2,454**
Interest expenses paid	**(31)**	(31)	**(287)**
Income taxes paid	**(1,822)**	(1,097)	**(16,456)**
Net cash provided by operating activities	**7,263**	3,908	**65,604**
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	**(1,051)**	(1,219)	**(9,496)**
Proceeds from sales of property, plant and equipment	**162**	5	**1,469**
Payments for purchase of intangible assets	**(202)**	(93)	**(1,830)**
Payments for purchase of investment securities	**(851)**	(500)	**(7,690)**
Proceeds from sales of investment securities	**9**	218	**87**
Proceeds from withdrawal of time deposits	**7**	497	**69**
Other, net	**3**	(0)	**33**
Net cash used in investing activities	**(1,921)**	(1,091)	**(17,357)**
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	**(1,855)**	604	**(16,757)**
Proceeds from long-term loans payable	**500**	500	**4,515**
Repayment of long-term loans payable	**(500)**	(500)	**(4,515)**
Payments for finance lease obligations	**(3)**	(3)	**(34)**
Proceeds from sales of treasury stock	**2**	—	**23**
Payments for purchase of treasury stock	**(0)**	(2,000)	**(6)**
Cash dividends paid	**(1,889)**	(1,956)	**(17,069)**
Cash dividends paid to non-controlling interests	**(23)**	(20)	**(208)**
Net cash used in financing activities	**(3,770)**	(3,377)	**(34,053)**
Effect of exchange rate changes on cash and cash equivalents	**1,418**	(1,363)	**12,809**
Net increase (decrease) in cash and cash equivalents	**2,989**	(1,923)	**27,002**
Cash and cash equivalents at the beginning of the year	**28,710**	30,633	**259,307**
Cash and cash equivalents at the end of the year (Note 4)	**¥31,700**	¥28,710	**$286,310**

The accompanying notes are an integral part of these financial statements.

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of AIDA ENGINEERING, LTD. ("AIDA") and its consolidated subsidiaries (collectively, "the Companies") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (IFRS).

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Finance Bureau in Japan have been reclassified and rearranged for the convenience of readers outside Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of AIDA and any significant companies controlled directly or indirectly by AIDA. The number of consolidated subsidiaries was 23 in 2021 and 24 in 2020. Significant consolidated subsidiaries as of March 31, 2021 are as follows:

- Domestic:
  REJ Co., LTD.
- Overseas:
  CHINA
  AIDA ENGINEERING CHINA CO., LTD.
  AIDA PRESS MACHINERY SYSTEMS CO., LTD.
  ASIA
  AIDA GREATER ASIA PTE. LTD.
  AIDA ENGINEERING (M) SDN. BHD.
  AIDA MANUFACTURING (ASIA) SDN. BHD.
  AMERICAS
  AIDA AMERICA CORP.
  EUROPE
  AIDA S.r.l.

(Remark)
From the fiscal year ended March 31, 2021, ACCESS LTD. was excluded from the scope of consolidation due to an absorption-type merger through which ACCESS LTD., the absorbed company, merged with and into AIDA, the surviving company, effective April 1, 2020.

All significant inter-company transactions, balances, and unrealized inter-company profits are eliminated on consolidation.

For consolidation purposes, the financial statements of those subsidiaries whose fiscal year-end date is December 31 have been included in consolidation on the basis of a full year provisional closing of accounts as of March 31.

(2) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term highly liquid investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(3) Inventories

Finished goods and work in process are principally stated at the lower of cost or net realizable value determined by using the specific identification method. Raw materials are principally stated at the lower of cost or net realizable value determined by using the first-in first-out (FIFO) method.

(4) Investment securities

Other securities with fair market value are reported at such fair market value at the balance sheet date, and the related unrealized gains or losses, net of applicable tax effects thereon, are reported in a separate component of net assets. The cost of securities sold is determined by the moving average method.

Other securities without fair market value are stated at cost determined by the moving average method.

(5) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognized as either assets or liabilities at fair value, and changes in fair value are recognized as gains or losses unless the derivative financial instruments are used for hedging purposes.

If the derivative financial instruments meet certain hedging criteria, the gains or losses are deferred as deferred hedge gains and losses in net assets until the gains and losses on the underlying hedged transactions are recognized.

The Companies enter into exchange contracts to hedge the foreign exchange fluctuation risks on expected foreign currency transactions in accordance with the internal policies and rules relating to derivative transactions. Hedge effectiveness is not assessed as the substantial terms and conditions of the hedging instruments and the expected foreign currency transactions are the same.

(6) Property, plant and equipment

Property, plant and equipment, including significant renewals and improvements, are carried at cost. Maintenance and repairs including minor renewals and improvements are charged to the consolidated statements of income as incurred. Depreciation of property, plant and equipment in the Companies is mainly calculated by applying the straight-line method.

(7) Intangible assets
Intangible assets including capitalized software costs are carried at cost less accumulated amortization. Capitalized software costs are amortized under the straight-line method over the estimated useful life of 5 years.

(8) Leases
Non-cancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. The finance leases transactions are capitalized to recognize leased assets for financial accounting purposes. All other lease transactions are accounted for as operating leases and relating payments are charged to the consolidated statements of income as incurred.

Leased assets under finance lease transactions that do not transfer the ownership to the lessee are depreciated using the straight-line method on the assumption that the useful life is equal to the lease term and the residual value is equal to zero. For leases with a residual value guarantee, the contracted residual value is considered to be the residual value.

(9) Allowance for doubtful accounts
The allowance for doubtful accounts is provided based on the estimated uncollectible amounts for doubtful receivables in addition to the general provision for normal receivables computed by applying the rate computed based on past credit loss experience.

(10) Accrued warranty costs
Accrued warranty costs are provided in the amount of estimated future warranty costs to be incurred in the period covered by the warranty contract.

(11) Accrued bonuses for employees
Accrued bonuses for employees are provided based on the estimated amounts expected to be paid to employees after the year-end.

(12) Accrued bonuses for directors
Accrued bonuses for directors are provided based on the estimated amounts expected to be paid to directors after the year-end.

(13) Provision for loss on orders received
Provision for loss on orders received is provided based on the estimated future losses related to order contracts at the end of the fiscal year.

Provision for loss on orders received included in cost of sales amounted to ¥246 million (U.S. $2,227 thousand) and ¥340 million for the years ended March 31, 2021 and 2020, respectively.

(14) Accrued stock payments
Accrued stock payments are provided in the amount of estimated future payments of treasury stock and money for employees based on the employee stock benefit regulations and for directors based on the officer stock benefit regulations.

(15) Accounting method for retirement benefits
(a) Attribution of expected retirement benefit payments
In calculating retirement benefit obligations, the benefit formula method is used to allocate the expected retirement benefit payments up to the fiscal year ended March 31.

(b) Actuarial gains and losses and prior service cost
Actuarial gains and losses are being amortized by the straight-line method over certain periods of 10 years, which are within the average remaining years of service of the employees at the time.

The amounts are recognized in each fiscal year, starting from the year following the respective fiscal year of occurrence.

Prior service cost is expensed in the period of occurrence.

(c) Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminated their employment at fiscal year-end, approximate the retirement benefit obligation at year-end.

(16) Research and development costs
Research and development costs are expensed as incurred.

(17) Recognition of material sales and cost of sales
The percentage of completion method (cost-comparison method using primarily estimates of construction progress) is applied for the construction contracts of which the percentage of completion can be reliably estimated. The completed-contract method is applied for other construction contracts.

(18) Consolidated taxation system
AIDA and certain domestic subsidiaries adopt the consolidated taxation system.

Impact on Tax Effect Accounting Due to Transition from the Consolidated Taxation System to the Group Tax Sharing System
With respect to items subject to the review of the Non-Consolidated Taxation System conducted to coincide with the transition from the Consolidated Taxation System to the Group Tax Sharing System, which was established under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020) established on March 27, 2020, AIDA and its domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28), and the amounts of deferred tax liabilities and deferred tax assets are based on the provisions of tax laws before the revision.

(19) Significant accounting estimates
The Companies made accounting estimates based on assumptions, including that the impact of the COVID-19 on social and economic activities will continue for a certain period in the next fiscal year.

Percentage of completion method

(1) Amount recognized in the consolidated financial statements as of and for the current fiscal year

Net sales ¥23,347 million (U.S. $210,871 thousand)

Accounts receivable – trade ¥7,454 million (U.S. $67,325 thousand)

(2) Other information for users to understand the consolidated financial statements

(a) Calculation method

The Companies manufacture and sell press machines and ancillary equipment. Each product is highly customized and it takes a certain period to complete construction because it is necessary to satisfy the specifications required by each customer especially for mid-size and large-size press machines. When the percentage of completion method is applied, revenue and cost of the construction contract in the current fiscal year are recognized in the consolidated statements of income provided that the Companies can reliably estimate contract revenue, contract cost, and percentage of completion at the end of the fiscal year. The percentage of completion at the end of the fiscal year is calculated based on the portion of actual costs incurred to total estimated contract costs.

(b) Main assumptions

The Companies make assumptions in calculating revenue and percentage of completion about estimated contract costs. Each construction project is highly customized because the products are installed as a part of the customer's production line and the fundamental specifications and manufacturing steps are determined based on the customer's instructions. Therefore, it is difficult to set a standard criterion to estimate contract costs. Assumptions and judgments by responsible persons in the Cost Control Department who have expertise and experience are required in estimating inherently uncertain contract costs. The timely and appropriate review of contract costs is complex due to changes in the content of the contract and fluctuation of material price and man-hours during construction.

(c) Risk of resulting a material adjustment to the consolidated financial statements within next fiscal year

Uncertainty in estimating contract costs is high. Profit or loss recognition can significantly affect the consolidated financial statements if conditions and assumptions are changed due to higher-than-expected material prices and man-hours, and so on.

Impairment of fixed assets of AIDA PRESS MACHINERY SYSTEMS CO., LTD.

(1) Amount recognized in the consolidated financial statements as of and for the current fiscal year

Loss on impairment ¥686 million (U.S. $6,204 thousand)

Carrying amount of property, plant and equipment, and intangible assets (Before impairment)

¥1,937 million (U.S. $17,502 thousand)

Details of impairment loss are stated in Note 14.

(2) Other information for users to understand the consolidated financial statements

(a) Calculation method

The Companies assess whether or not any asset (group) is impaired whenever any events or circumstances indicate that impairment might exist by comparing the future net undiscounted cash flows expected to be generated from the asset (group) to the carrying amount. The Companies reduce the carrying amount to the recoverable amount and recognize a loss on impairment when the net undiscounted cash flows in the future are less than carrying amount. The recoverable amount is calculated at the higher of value in use or net realizable value.

AIDA PRESS MACHINERY SYSTEMS CO., LTD. is identified as one asset group and the recoverable amount of the asset is based on the value in use in calculating loss on impairment. The value in use is the net discounted cash flows in the future based on the business plan approved by a Board of Directors meeting.

(b) Main assumptions

The Companies make assumptions in calculating the net cash flows in the future about expected order intakes, gross margin rate, and market growth rate of main products in the business plan and discount rate.

(c) Risk of resulting a material adjustment to the consolidated financial statements within next fiscal year

Uncertainty in estimating market growth rate and gross margin rate of main products is high. Loss on impairment of assets could be recognized that could significantly affect the consolidated financial statements if conditions and assumptions are changed due to market deterioration, the decline in profitability, and so on.

Allowance for doubtful accounts

(1) Amount recognized in the consolidated financial statements as of and for the current fiscal year

Allowance for doubtful accounts ¥971 million (U.S. $8,774 thousand)

The main items within allowance for doubtful accounts recognized in the current fiscal year are as follows:

For accounts receivable of ¥1,271 million (U.S. $11,486 thousand) from a specific customer held by AIDA ENGINEERING CHINA CO., LTD. the allowance for doubtful accounts of ¥635 million (U.S. $5,743 thousand) has been recognized to prepare for losses due to bad debts.

(2) Other information for users to understand the consolidated financial statements

(a) Calculation method

The Companies classify accounts receivables into the following three categories based on the financial conditions and business performance of the creditor: ordinary receivables, receivables from debtors at risk of bankruptcy, and receivables from debtors in bankruptcy or under reorganization.

For ordinary receivables, the amount of the allowance is based on the historical rate of loss. For receivables from debtors at risk of bankruptcy and receivables from debtors in bankruptcy or under reorganization, the amount of the allowance is based on individually estimated unrecoverable amounts.

Regarding accounts receivable from a specific customer held by AIDA ENGINEERING CHINA CO., LTD., the estimate of doubtful accounts was calculated by the estimated disposal value of press machines delivered by the Companies from the amount of receivables.

(b) Main assumptions
The Companies made assumptions in calculating the allowance for doubtful accounts recognized by AIDA ENGINEERING CHINA CO., LTD. about the amount expected to be collected based on the payment plan of the debtor and estimated disposal value of press machines delivered by the Companies.

(c) Risk of resulting a material adjustment to the consolidated financial statements within next fiscal year
There is uncertainty in measuring the amount expected to be collected based on the payment plan of the creditor and the estimated disposal value of press machines. Provision of allowance for doubtful accounts or reversal of allowance for doubtful accounts could be recognized and could significantly affect the consolidated financial statements if conditions and assumptions are changed.

Recoverability of deferred tax assets

(1) Amount recognized in the consolidated financial statements as of and for the current fiscal year

Deferred tax assets ¥1,825 million (U.S. $16,487 thousand)
(Amount after deducting deferred tax liabilities
¥249 million (U.S. $2,255 thousand))

Of the above, the deferred tax assets recorded by AIDA are ¥1,175 million (U.S. $10,620 thousand) (64% of the total).

(2) Other information for users to understand the consolidated financial statements

(a) Calculation method
The Company recognizes deferred tax assets to the extent of deductible temporary differences that are determined to be recoverable in accordance with “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26). The recoverability is based on the earnings forecast and tax planning based on the business plan approved by a Board of Directors meeting.

(b) Main assumptions
The Companies make assumptions in calculating the taxable income in the future about expected order intakes and gross margin rate of main products in the business plan.

(c) Risk of resulting a material adjustment to the consolidated financial statements within next fiscal year
There is uncertainty in estimating order intakes and the gross margin rate of the main product. Deferred tax assets could be additionally recognized or reserved and could significantly affect the consolidated financial statements if conditions and assumptions are changed due to market deterioration, the decline in profitability, and so on.

(20) Accounting standards issued but not yet effective

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 30, 2018, the ASBJ issued “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30).

(1) Overview
This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:
1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption
The Companies expect to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance
AIDA is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

(21) Change in presentation

The Companies have adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, March 31, 2020) (hereinafter, the “Accounting Standard for Estimates”) from the fiscal year ended March 31, 2021, and disclosed “Significant accounting estimates.” Regarding the adoption of the Accounting Standard for Estimates, the Companies follow the transitional treatment provided for in the proviso of Paragraph 11 of the accounting standard and do not include comparative information for the previous fiscal year in the consolidated financial statements.

(22) Additional information

Employee Stock Ownership Plan (ESOP) Trust

Since December 2010, AIDA and certain domestic subsidiaries have operated an ESOP trust as an employee incentive plan with the aim of improving long-term corporate value.

(a) Transaction summary

In this transaction, employees are granted points as a form of bonus payment, and they will receive AIDA's shares depending on the number of accumulated points when they retire.

(b) Company's own stock in the trust

AIDA's own stock in the trust is recorded in treasury stock under net assets based on the book value in the trust. The book value and the number of shares of treasury stock as of March 31, 2021 are ¥948 million (U.S. $8,569 thousand) and 3,306,100 shares, respectively.

Board Benefit Trust (BBT)

Since October 2017, AIDA has introduced a BBT for the purpose of raising awareness of contributing to the improvement of medium- to long-term business results and increasing corporate value by further clarifying the link between the compensation of directors (excluding outside directors; "Directors") and AIDA's share value, and by Directors sharing with shareholders not only the benefits of share price rises but also the risks of share price declines based on the resolution of the General Shareholders' Meeting held on June 19, 2017.

(a) Transaction summary

In this transaction, Directors are granted points, the amount of which is to be decided by their respective positions and so on, based on the officer stock benefit regulations, and they will receive AIDA's shares and cash depending on the number of accumulated points when they retire.

(b) Company's own stock in the trust

AIDA's own stock in the trust is recorded in treasury stock under net assets based on the book value in the trust. The book value and the number of shares of treasury stock as of March 31, 2021 are ¥144 million (U.S. $1,307 thousand) and 157,900 shares, respectively.

3 U.S. DOLLAR AMOUNTS

The U.S. dollar amounts stated in the consolidated financial statements are included solely for the convenience of readers outside Japan. The rate of ¥110.72 = U.S. $1, the approximate rate of exchange as of March 31, 2021, has been used for the purpose of such translation. Those translations should not be construed as representations that the Japanese yen amounts actually represent, or have been, or could be converted into U.S. dollars at that rate.

4 SUPPLEMENTARY CASH FLOW INFORMATION: CASH AND CASH EQUIVALENTS

Cash and cash equivalents are reconciled to cash on hand and at banks reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2021**	2020	**2021**
Cash on hand and at banks	**¥31,705**	¥28,723	**$286,359**
Less: Time deposits with maturities of more than three months	**(5)**	(12)	**(49)**
Cash and cash equivalents	**¥31,700**	¥28,710	**$286,310**

5 INVENTORIES

"Inventories" on the consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2021**	2020	**2021**
Finished goods	**¥ 3,237**	¥ 2,618	**$ 29,239**
Work in process	**10,751**	10,662	**97,102**
Raw materials	**3,601**	3,557	**32,529**
Inventories	**¥17,590**	¥16,838	**$158,872**

Inventories were offset by a corresponding provision for loss on orders received. A breakdown of the offset amounts is as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2021**	2020	**2021**
Work in process	**¥1**	¥28	**$15**
Total	**¥1**	¥28	**$15**

Losses recognized and charged to cost of sales as a result of the devaluation of inventories for the years ended March 31, 2021 and 2020 were ¥212 million (U.S. $1,915 thousand) and ¥388 million, respectively.

6 FINANCIAL INSTRUMENTS

(1) Status of Financial Instruments

(a) Policy for financial instruments

Fund management is restricted to short-term deposits at banks; financing activities of the Companies are mainly through loans from financial institutions. Derivatives are not used for speculative transactions but are used in order to hedge the risks described below.

(b) Types of financial instruments and related risks

Operating receivables (notes and accounts receivable – trade, electronically recorded monetary claims – operating and accounts receivable – other) are exposed to the customer credit risks. In addition, operating receivables in foreign currencies through global business activities are exposed to foreign exchange fluctuation risks. The Companies hedge such risks by utilizing forward exchange contracts.

Investment securities are mainly consisted of stocks and exposed to price fluctuation risks.

Operating payables (accounts payable – trade and electronically recorded monetary obligations – operating) are to be settled within 6 months. Some operating payables in foreign currencies through imports such as raw materials are exposed to foreign exchange fluctuation risks. However, these amounts are within the range of operating receivables in the same currency.

The main purpose of loans is to fund capital investment and research and development, and the repayment periods are within 5 years at most.

Derivatives include forward exchange contracts to hedge foreign exchange fluctuation risks arising from expected foreign currency transactions.

(c) Risk management for financial instruments

1) Monitoring of credit risk (risk of default by counterparties)

For operating receivables, AIDA's sales and service departments monitor account balances and payment schedules periodically by individual customers in accordance with the accounts receivable policies and identify and mitigate the default risk of customers at an early stage. The consolidated subsidiaries monitor credit risks in the same way in accordance with the policies.

Derivative transactions are conducted only with financial institutions with a high credit profile to minimize counterparty risks.

At the balance sheet date, the maximum credit risk is reported at the balance sheet amount of financial instruments exposed to credit risk.

2) Monitoring of market risk (risk of fluctuation in foreign exchange or market price)

The Companies hedge the foreign exchange fluctuation risks on expected foreign currency transactions by utilizing forward exchange contracts in accordance with the internal policies and rules relating to derivative transactions.

For investment securities, the Companies monitor the fair values of such investment securities and financial conditions of issuers regularly.

(d) Supplementary information on the fair value of financial instruments

The fair value of financial instruments is based on quoted market price if available. Fair value is reasonably estimated if there is no quoted market price available. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values. In addition, the notional amounts of derivatives in Note 8, Derivative Financial Instruments, are not necessarily indicative of the actual market risk involved in derivative transactions.

(2) Information regarding fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheets and fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (see Remark 2 below).

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2021	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash on hand and at banks	¥31,705	¥31,705	¥—	$286,359	$286,359	$—
(2) Notes and accounts receivable – trade and electronically recorded monetary claims – operating	21,825	21,825	—	197,125	197,125	—
(3) Accounts receivable – other	985	985	—	8,905	8,905	—
(4) Investment securities						
Other securities	9,504	9,504	—	85,841	85,841	—
Total assets	¥64,021	¥64,021	¥—	$578,231	$578,231	$—
(1) Accounts payable – trade and electronically recorded monetary obligations – operating	¥ 7,504	¥ 7,504	¥—	$ 67,779	$ 67,779	$—
(2) Accounts payable – other	1,114	1,114	—	10,064	10,064	—
(3) Short-term loans payable	1,297	1,297	—	11,719	11,719	—
(4) Long-term loans payable	1,500	1,501	1	13,547	13,559	12
Total liabilities	¥11,416	¥11,417	¥ 1	$103,112	$103,124	$12
Derivative transactions which are not subject to hedge accounting*	¥ (208)	¥ (208)	¥—	$ (1,886)	$ (1,886)	$—
Derivative transactions which are subject to hedge accounting*	(257)	(257)	—	(2,325)	(2,325)	—

*The value of assets and liabilities arising from derivative transactions is shown at net value and with the amount in parentheses representing net liability position.

	Millions of yen		
As of March 31, 2020	Carrying value	Fair value	Difference
(1) Cash on hand and at banks	¥28,723	¥28,723	¥—
(2) Notes and accounts receivable – trade and electronically recorded monetary claims – operating	23,127	23,127	—
(3) Accounts receivable – other	1,628	1,628	—
(4) Investment securities			
Other securities	5,605	5,605	—
Total assets	¥59,084	¥59,084	¥—
(1) Accounts payable – trade and electronically recorded monetary obligations – operating	¥ 8,103	¥ 8,103	¥—
(2) Accounts payable – other	707	707	—
(3) Short-term loans payable	2,991	2,991	—
(4) Long-term loans payable	1,500	1,501	1
Total liabilities	¥13,301	¥13,303	¥ 1
Derivative transactions which are not subject to hedge accounting*	¥ (2)	¥ (2)	¥—
Derivative transactions which are subject to hedge accounting*	65	65	—

*The value of assets and liabilities arising from derivative transactions is shown at net value and with the amount in parentheses representing net liability position.

Remark 1: Computing method of fair value for financial instruments and information regarding securities and derivative transactions

Assets

(1) Cash on hand and at banks, (2) Notes and accounts receivable – trade and electronically recorded monetary claims – operating, (3) Accounts receivable – other

As these are settled in the short term and carrying value approximates fair value, the carrying value is used as fair value.

(4) Investment securities

Other securities

The fair value of stocks is based on quoted market prices. The information on securities is shown in Note 7.

Liabilities

(1) Accounts payable – trade and electronically recorded monetary obligations – operating, (2) Accounts payable – other

As these are settled in the short term, the fair value and carrying value of these items are almost the same. Therefore, carrying value is used as fair value.

(3) Short-term loans payable, (4) Long-term loans payable and current portion of long-term loans payable

Fair value is computed by discounting the total amount of principal and interest using an interest rate that is assumed to be applied for a new borrowing with the same conditions.

Derivative Transactions

Computing method of fair value and information of derivative transactions are shown in Note 8.

Remark 2: Financial instruments for which it is extremely difficult to determine the fair value

As of March 31, 2021	Carrying value	
Types of securities	Millions of yen	Thousands of U.S. dollars
Unlisted stocks	¥339	$3,064
Total	¥339	$3,064

As of March 31, 2020	Carrying value
Types of securities	Millions of yen
Unlisted stocks	¥339
Total	¥339

Items above do not have market value and their fair value is extremely difficult to determine. Therefore, the amounts above are not included in Investment securities as Other securities.

Remark 3: The redemption schedule for monetary claims or securities with maturities was as follows:

As of March 31, 2021	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at banks	¥31,684	¥—	¥—	¥—
Notes and accounts receivable – trade and electronically recorded monetary claims – operating	21,825	—	—	—
Accounts receivable – other	985	—	—	—
Total	¥54,495	¥—	¥—	¥—

As of March 31, 2021	Thousands of U.S. dollars			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at banks	$286,165	$—	$—	$—
Notes and accounts receivable – trade and electronically recorded monetary claims – operating	197,125	—	—	—
Accounts receivable – other	8,905	—	—	—
Total	$492,196	$—	$—	$—

As of March 31, 2020	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at banks	¥28,695	¥—	¥—	¥—
Notes and accounts receivable – trade and electronically recorded monetary claims – operating	23,127	—	—	—
Accounts receivable – other	1,628	—	—	—
Total	¥53,450	¥—	¥—	¥—

Remark 4: The redemption schedule for loans payable was as follows:

As of March 31, 2021	Millions of yen					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	¥1,297	¥—	¥ —	¥ —	¥ —	¥—
Long-term loans payable	—	—	500	500	500	—
Total	¥1,297	¥—	¥500	¥500	¥500	¥—

As of March 31, 2021	Thousands of U.S. dollars					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	$11,719	$—	$ —	$ —	$ —	$—
Long-term loans payable	—	—	4,515	4,515	4,515	—
Total	$11,719	$—	$4,515	$4,515	$4,515	$—

As of March 31, 2020	Millions of yen					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	¥2,991	¥—	¥—	¥ —	¥ —	¥—
Long-term loans payable	500	—	—	500	500	—
Total	¥3,491	¥—	¥—	¥500	¥500	¥—

7 INVESTMENT SECURITIES

(1) The carrying value and acquisition cost of other securities with market values were as follows:

As of March 31, 2021	Millions of yen			Thousands of U.S. dollars		
Types of securities	Carrying value	Acquisition cost	Unrealized gains (losses)	Carrying value	Acquisition cost	Unrealized gains (losses)
Carrying value exceeds acquisition cost:						
Stocks	¥9,504	¥2,525	¥6,979	$85,841	$22,808	$63,032
Sub-total	9,504	2,525	6,979	85,841	22,808	63,032
Carrying value does not exceed acquisition cost:						
Stocks	—	—	—	—	—	—
Sub-total	—	—	—	—	—	—
Total	¥9,504	¥2,525	¥6,979	$85,841	$22,808	$63,032

Remark: AIDA recognized loss on valuation of investment securities of ¥51 million (U.S. $466 thousand) for other securities for the year ended March 31, 2021.

As of March 31, 2020	Millions of yen		
Types of securities	Carrying value	Acquisition cost	Unrealized gains (losses)
Carrying value exceeds acquisition cost:			
Stocks	¥5,012	¥ 929	¥4,083
Sub-total	5,012	929	4,083
Carrying value does not exceed acquisition cost:			
Stocks	592	826	(233)
Sub-total	592	826	(233)
Total	¥5,605	¥1,755	¥3,849

(2) Sales of other securities were as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2021	2020	2021
Total sales amounts	¥9	¥93	$87
Gains on sales	3	44	33

8 DERIVATIVE FINANCIAL INSTRUMENTS

Fair value information on the derivatives outstanding is summarized in the following tables:

As of March 31, 2021

(1) Derivative transactions (hedge accounting not applied)

Currency-related transactions (non-market transactions)

	Millions of yen				Thousands of U.S. dollars			
	Contract value				Contract value			
	Contract value total	Over 1 year	Fair value	Unrealized gain (loss)	Contract value total	Over 1 year	Fair value	Unrealized gain (loss)
Forward exchange transactions:								
Sell —								
USD	¥ 88	¥ —	¥ (3)	¥ (3)	$ 796	$ —	$ (30)	$ (30)
EUR	3,366	116	(144)	(144)	30,402	1,055	(1,305)	(1,305)
CNY	1,535	—	(60)	(60)	13,871	—	(550)	(550)
Total	¥4,990	¥116	¥(208)	¥(208)	$45,070	$1,055	$(1,886)	$(1,886)

Remark: Calculation of fair value is based on information provided by financial institutions.

(2) Derivative transactions (hedge accounting applied)

Currency-related transactions (Deferred hedge accounting method)

		Millions of yen			Thousands of U.S. dollars		
		Contract value			Contract value		
	Main hedged item	Contract value total	Over 1 year	Fair value	Contract value total	Over 1 year	Fair value
Forward exchange transactions:							
Sell —							
USD	Expected foreign currency transactions	¥2,450	¥206	¥(125)	$22,135	$1,863	$(1,133)
EUR		957	—	(57)	8,645	—	(520)
JPY		90	—	3	820	—	31
CNY		864	170	(69)	7,804	1,537	(632)
Buy —							
USD		19	—	0	177	—	7
EUR		490	—	(2)	4,429	—	(22)
JPY		167	—	(8)	1,515	—	(75)
CNY		49	—	2	445	—	18
Total		¥5,090	¥376	¥(257)	$45,974	$3,401	$(2,325)

Remark: Calculation of fair value is based on information provided by financial institutions.

As of March 31, 2020

(1) Derivative transactions (hedge accounting not applied)

Currency-related transactions (non-market transactions)

	Millions of yen			
	Contract value			
	Contract value total	Over 1 year	Fair value	Unrealized gain (loss)
Forward exchange transactions:				
Sell —				
USD	¥ 26	¥ —	¥ (0)	¥ (0)
EUR	1,783	20	9	9
CNY	1,622	—	(11)	(11)
Total	¥3,432	¥20	¥ (2)	¥ (2)

Remark: Calculation of fair value is based on information provided by financial institutions.

(2) Derivative transactions (hedge accounting applied)

Currency-related transactions (Deferred hedge accounting method)

		Millions of yen		
		Contract value		
	Main hedged item	Contract value total	Over 1 year	Fair value
Forward exchange transactions:				
Sell —				
USD	Expected foreign currency transactions	¥ 445	¥ 22	¥ (1)
EUR		1,362	473	31
JPY		294	80	(1)
CNY		1,066	495	9
GBP		157	—	6
Buy —				
USD		107	—	2
EUR		43	—	(0)
JPY		399	—	18
CNY		82	—	1
Total		¥3,959	¥1,071	¥65

Remark: Calculation of fair value is based on information provided by financial institutions.

9 LOANS PAYABLE

Short-term loans payable and long-term loans payable are as follows:

As of March 31, 2021	Millions of yen	Weighted average interest rate	Repayment dates	Thousands of U.S. dollars
Short-term loans payable	**¥1,297**	**0.70%**	June 23, 2021	**$11,719**
Long-term loans payable	**1,500**	**0.62%**	March 29, 2024, March 19, and December 15, 2025	**13,547**
Total	**¥2,797**	**—%**	**—**	**$25,267**

As of March 31, 2020	Millions of yen	Weighted average interest rate	Repayment dates
Short-term loans payable	¥2,991	0.96%	June 26, 2020
Current portion of long-term loans payable	500	0.64%	December 15, 2020
Long-term loans payable	1,000	0.64%	March 29, 2024 and March 19, 2025
Total	¥4,491	—%	—

Repayment schedules for long-term loans payable as of March 31, 2021 are as follows:

As of March 31	Millions of yen	Thousands of U.S. dollars
2023	**¥ —**	**$ —**
2024	**500**	**4,515**
2025	**500**	**4,515**
2026	**500**	**4,515**

10 RETIREMENT BENEFITS FOR EMPLOYEES

AIDA and a certain domestic consolidated subsidiary have a cash balance plan as a defined benefit pension plan and a defined contribution pension plan. Certain consolidated subsidiary has a lump-sum payment plan and uses a simplified method for calculating retirement benefit expenses and liabilities.

Certain overseas consolidated subsidiaries have a defined benefit pension plan and a defined contribution pension plan.

(1) Defined benefit pension plan

(a) Changes in retirement benefit obligation

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2021**	2020	**2021**
Balance at the beginning of the year	**¥4,697**	¥4,733	**$42,424**
Service cost*	**240**	261	**2,170**
Interest cost	**25**	25	**232**
Actuarial gain and loss	**5**	(5)	**53**
Retirement benefits paid	**(211)**	(309)	**(1,913)**
Others	**7**	(9)	**68**
Balance at the end of the year	**¥4,765**	¥4,697	**$43,037**

*Retirement benefit expenses of the certain consolidated subsidiary that uses a simplified method are included in "Service cost."

(b) Changes in plan assets

Year ended March 31	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Plan assets at the beginning of the year	¥4,124	¥4,205	$37,254
Expected return on plan assets	82	84	745
Actuarial gain and loss	23	(77)	215
Contributions by the Company	127	128	1,154
Retirement benefits paid	(115)	(215)	(1,046)
Plan assets at the end of the year	¥4,243	¥4,124	$38,322

(c) Funded status of the plans and the amounts recognized in the consolidated balance sheets for the Companies' defined benefit plans

As of March 31	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Funded retirement benefit obligation	¥ 3,374	¥ 3,310	$ 30,479
Plan assets at fair value	(4,243)	(4,124)	(38,322)
	(868)	(814)	(7,842)
Unfunded retirement benefit obligation	1,390	1,387	12,557
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheets	¥ 521	¥ 572	$ 4,714
Net defined benefit liabilities	¥ 1,390	¥ 1,387	$ 12,557
Net defined benefit assets	(868)	(814)	(7,842)
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheets	¥ 521	¥ 572	$ 4,714

Remark: Above table includes plans accounted for using the simplified method.

(d) Components of retirement benefit expenses

Year ended March 31	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Service cost*	¥240	¥ 261	$2,170
Interest cost	25	25	232
Expected return on plan assets	(82)	(84)	(745)
Amortization of actuarial gain and loss	(79)	(137)	(721)
Retirement benefit expenses	¥103	¥ 66	$ 937

*Retirement benefit expenses of the certain consolidated subsidiary that uses a simplified method are included in "Service cost."

(e) Components of retirement benefit plan adjustments included in other comprehensive income (before tax effect)

Year ended March 31	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Actuarial gain and loss	¥(61)	¥(208)	$(559)
Total	¥(61)	¥(208)	$(559)

(f) Components of retirement benefit plan adjustments included in accumulated other comprehensive income (before tax effect)

As of March 31	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Unrecognized actuarial loss	¥(306)	¥(368)	$(2,770)
Total	¥(306)	¥(368)	$(2,770)

(g) Fair value of plan assets by major category, as a percentage of total plan assets

As of March 31	2021	2020
Bonds	42.6%	46.7%
Stocks	17.9	7.0
General accounts	27.6	28.1
Others	11.9	18.2
Total	100.0%	100.0%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

(h) Actuarial assumptions used in the calculation for defined benefit pension plan

As of March 31	2021	2020
Discount rate	Mainly 0.7%	Mainly 0.7%
Expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%
Expected rate of salary increase	Mainly 3.0%	Mainly 3.0%

Remark: Above table is indicated as a weighted average.

(2) Defined contribution pension plan

The contributions to the defined contribution plan of the Companies for the years ended March 31, 2021 and 2020 were ¥168 million (U.S. $1,521 thousand) and ¥172 million, respectively.

11 NET ASSETS

Information regarding changes in net assets was as follows:

(1) Shares issued and outstanding / Treasury stock

During the year ended March 31, 2021

Types of shares	Number of shares at April 1, 2020	Increase	Decrease	Number of shares at March 31, 2021
Shares issued:				
Common stock	69,448,421	—	—	69,448,421
Treasury stock:				
Common stock (Remarks 1, 2 and 3)	9,896,566	102,392	245,700	9,753,258

Remarks: 1. Details of the increase are as follows:

Increase due to purchase of shares of less than standard unit	892
Increase due to purchase of shares by BBT trust	101,500

2. Details of the decrease are as follows:

Decrease due to the grant of shares from ESOP trust	32,600
Decrease due to the grant of shares from BBT trust	23,600
Decrease due to exercising share subscription rights	88,000
Decrease due to disposition of treasury stock by third-party allocation	101,500

3. The number of shares of treasury stock held by the Trust Account E as of April 1, 2020 and March 31, 2021 includes 3,418,700 shares and 3,464,000 shares, respectively.

During the year ended March 31, 2020

Types of shares	Number of shares at April 1, 2019	Increase	Decrease	Number of shares at March 31, 2020
Shares issued:				
Common stock (Remarks 2)	71,647,321	—	2,198,900	69,448,421
Treasury stock:				
Common stock (Remarks 1, 2 and 3)	9,912,330	2,199,336	2,215,100	9,896,566

Remarks: 1. Details of the increase are as follows:

Increase due to purchase of treasury stock	2,198,900
Increase due to purchase of shares of less than standard unit	436

2. Details of the decrease are as follows:

Decrease due to retirement of treasury stock	2,198,900
Decrease due to the grant of shares from ESOP trust	16,200

3. The number of shares of treasury stock held by the Trust Account E as of April 1, 2019 and March 31, 2020 includes 3,434,900 shares and 3,418,700 shares, respectively.

(2) Share subscription rights

During the year ended March 31, 2021

Company	Description	Type of shares issued	Number of shares at April 1, 2020	Increase	Decrease	Number of shares at March 31, 2021	Millions of yen Balance at March 31, 2021	Thousands of U.S. dollars Balance at March 31, 2021
Parent company	Share subscription rights as stock options	—	—	—	—	—	**¥91**	**$825**
	Total		—	—	—	—	**¥91**	**$825**

During the year ended March 31, 2020

Company	Description	Type of shares issued	Number of shares at April 1, 2019	Increase	Decrease	Number of shares at March 31, 2020	Millions of yen Balance at March 31, 2020
Parent company	Share subscription rights as stock options	—	—	—	—	—	¥139
	Total		—	—	—	—	¥139

12 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The significant components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2021**	2020	**2021**
Salaries and wages	**¥2,930**	¥2,789	**$26,467**
Provision for accrued bonuses for employees	**332**	326	**3,006**
Retirement benefit expenses	**69**	66	**628**
Provision of allowance for doubtful accounts	**654**	12	**5,909**

13 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in “Cost of sales” and “Selling, general and administrative expenses” are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2021**	2020	**2021**
Selling, general and administrative expenses	**¥571**	¥ 775	**$5,166**
Cost of sales	**424**	364	**3,832**
Total	**¥996**	¥1,140	**$8,998**

14 LOSS ON IMPAIRMENT OF FIXED ASSETS

As of and for the year ended March 31, 2021

(1) Loss on impairment of fixed assets was recognized for the year ended March 31, 2021 as follows:

Asset group	Purpose	Types of fixed assets	Millions of yen	Thousands of U.S. dollars
AIDA PRESS MACHINERY SYSTEMS CO., LTD.	Business-use assets	Buildings and structures	**¥345**	**$3,118**
		Machinery and vehicles	**327**	**2,961**
		Other fixed assets	**4**	**45**
		Software	**5**	**51**
		Other investments and other assets	**3**	**27**

(2) Grouping method

The Companies group assets based on the lowest level for which there are identifiable cash flows that are independent of cash flows of other groups of assets.

(3) Background to recognition of impairment

With regard to the above asset groups, due to changes in a business environment, related assets are no longer expected to generate sufficient cash flow in the future. The Companies reduced the carrying amount of the assets to the recoverable amount based on the applicable Accounting Standard and the difference is recorded as an impairment loss of ¥686 million (U.S. $6,204 thousand) in an extraordinary loss.

(4) Calculation of recoverable amount

The recoverable amount of the assets is calculated based on the value in use. Assets that are difficult to sell or reuse are recognized as zero. The discount rate used was 14%.

As of and for the year ended March 31, 2020

(1) Loss on impairment of fixed assets was recognized for the year ended March 31, 2020 as follows:

Asset group	Purpose	Classification of fixed assets	Millions of yen
AIDA PRESS MACHINERY SYSTEMS CO., LTD.	Business-use assets	Buildings and structures	¥72
		Machinery and vehicles	73
		Other fixed assets	4
AIDA EUROPE GMBH	Business-use assets	Software	24

(2) Grouping method

The Companies group assets based on the lowest level for which there are identifiable cash flows that are independent of cash flows of other groups of assets.

(3) Background to recognition of impairment

With regard to the above asset groups, due to changes in a business environment, related assets are no longer expected to generate sufficient cash flow in the future. The Companies reduced the carrying amount of the assets to the recoverable amount based on the applicable accounting standard and the difference is recorded as an impairment loss of ¥174 million in an extraordinary loss.

(4) Calculation of recoverable amount

The recoverable amount of the assets is calculated based on the value in use. Assets that are difficult to sell or reuse are recognized as zero. The discount rate used was 14%.

15 INCOME TAXES

The applicable statutory tax rate in Japan was approximately 30.6% for the years ended March 31, 2021 and 2020.

(1) Reconciliations of the differences between the effective income tax rates and statutory income tax rates are as follows:

	Millions of yen	
Year ended March 31	2021	2020
Statutory income tax rates	30.6%	30.6%
Non-deductible expenses (entertainment expenses and others) for tax purposes	3.0	2.1
Dividend income	(3.4)	(0.3)
Inhabitant taxes per capita	0.7	0.3
Difference of tax rates applied to overseas subsidiaries	0.5	(1.8)
Tax credit	(3.2)	(1.2)
Changes in valuation allowance	21.7	1.2
Capital gain tax on transfer of shares	—	1.3
Others	2.5	2.1
Effective income tax rates	52.4%	34.3%

(2) The major components of deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2021	2020	2021
Deferred tax assets:			
Loss on write-down of inventories	¥ 809	¥ 746	$ 7,315
Accrued warranty costs	130	164	1,177
Accrued bonuses for employees	306	315	2,767
Depreciation and amortization	532	573	4,807
Accrued stock payments	121	143	1,095
Long-term accounts payable – other	71	93	648
Tax losses carried forward	1,907	1,403	17,225
Retirement benefit obligation	393	395	3,555
Others	1,071	694	9,677
Subtotal deferred tax assets	5,344	4,529	48,271
Valuation allowance for net operating loss carryforwards*2	(1,793)	(1,313)	(16,200)
Valuation allowance for deductible temporary differences	(1,725)	(1,275)	(15,582)
Less: Valuation allowance*1	(3,519)	(2,588)	(31,783)
Total deferred tax assets	1,825	1,940	16,487
Deferred tax liabilities:			
Undistributed subsidiaries' earnings	(323)	(323)	(2,924)
Reserve for reduction entry of replaced property	(434)	(441)	(3,925)
Net defined benefit assets	(269)	(257)	(2,435)
Fixed assets	(741)	(750)	(6,697)
Unrealized gains on other securities	(2,105)	(1,231)	(19,013)
Others	(35)	(49)	(323)
Total deferred tax liabilities	(3,910)	(3,054)	(35,320)
Net deferred tax assets (liabilities)	¥(2,085)	¥(1,113)	$(18,832)

*1 The valuation allowance increased by ¥930 million (U.S. $8,400 thousand). The increase was mainly due to the recognition of an additional valuation allowance of ¥539 million (U.S. $4,874 thousand) related to tax loss carryforwards at consolidated subsidiaries.

***2** A breakdown of net operating loss carryforwards and valuation allowance by expiry date is as follows:

	Millions of yen						
As of March 31, 2021	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Net operating loss carryforwards (a)	**¥39**	**¥59**	**¥—**	**¥—**	**¥ 2**	**¥ 1,806**	**¥ 1,907**
Valuation allowance	**—**	**(7)**	**—**	**—**	**(2)**	**(1,783)**	**(1,793)**
Deferred tax assets	**¥39**	**¥51**	**¥—**	**¥—**	**¥—**	**¥ 22**	**(b)¥ 113**

	Thousands of U.S. dollars						
As of March 31, 2021	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Net operating loss carryforwards (a)	**$353**	**$535**	**$—**	**$—**	**$ 22**	**$ 16,314**	**$ 17,225**
Valuation allowance	**—**	**(70)**	**—**	**—**	**(22)**	**(16,108)**	**(16,200)**
Deferred tax assets	**$353**	**$465**	**$—**	**$—**	**$ —**	**$ 206**	**(b)$ 1,025**

(a) Net operating loss carryforwards were the amount multiplied by the effective statutory tax rate.

(b) For the net operating loss carryforward of ¥1,907 million (U.S. $17,225 thousand) (amount multiplied by effective statutory tax rate), deferred tax assets of ¥113 million (U.S. $1,025 thousand) have been recorded.

The deferred tax assets of ¥113 million (U.S. $1,025 thousand) are for part of the balance of the tax loss carryforward of ¥1,907 million (U.S. $17,225 thousand) (amount multiplied by effective statutory tax rate), mainly due to AIDA S.r.l. and REJ Co., LTD.

Net operating loss carryforwards arose mainly due to the loss before income taxes of ¥128 million (U.S. $1,156 thousand) for the fiscal year ended March 31, 2013.

The tax loss carryforward was determined to be recoverable as future taxable income is anticipated, and therefore no corresponding valuation allowance has been recognized.

	Millions of yen						
As of March 31, 2020	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Net operating loss carryforwards (a)	¥20	¥ 39	¥ 59	¥—	¥—	¥ 1,285	¥ 1,403
Valuation allowance	—	(10)	(59)	—	—	(1,243)	(1,313)
Deferred tax assets	¥20	¥ 28	¥ —	¥—	¥—	¥ 41	(b)¥ 90

(a) Net operating loss carryforwards were the amount multiplied by the effective statutory tax.

(b) For the net operating loss carryforward of ¥1,403 million (amount multiplied by effective statutory tax rate), deferred tax assets of ¥90 million have been recorded.

The deferred tax assets of ¥90 million are for part of the balance of the tax loss carryforward of ¥1,403 million (amount multiplied by effective statutory tax rate), mainly due to AIDA S.r.l. and REJ Co., LTD.

Net operating loss carryforwards arose mainly due to the loss before income taxes of ¥66 million for the fiscal year ended March 31, 2012.

The tax loss carryforward was determined to be recoverable as future taxable income is anticipated, and therefore no corresponding valuation allowance has been recognized.

16 LEASES

Description of finance leases is omitted due to its insignificance as of March 31, 2021 and 2020.

A summary of future payments under non-cancellable operating leases is as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2021**	2020	**2021**
Operating leases:			
Due within 1 year	**¥49**	¥60	**$448**
Thereafter	**46**	30	**416**
Total	**¥95**	¥91	**$865**

17 RELATED PARTY TRANSACTIONS

There were no transactions between AIDA and its related companies and individuals for the years ended March 31, 2021 and 2020.

18 PER SHARE INFORMATION

Shares held by Custody Bank of Japan, Ltd. (Trust Account E) are treated as treasury stock on the consolidated financial statements. As a result, those shares have been excluded from the number of shares to calculate "Average number of shares outstanding during the years" and "Number of shares used for computing net assets per share" shown below. The number of shares of treasury stock held by the Trust Account E as of April 1, 2020 and March 31, 2021 includes 3,418,700 shares and 3,464,000 shares, respectively.

	Yen		U.S. dollars
As of and for the year ended March 31	**2021**	2020	**2021**
Net assets per share*1	**¥1,285.38**	¥1,243.15	**$11.61**
Net income per share – Basic*2	**22.07**	66.88	**0.20**
– Diluted*2	**22.04**	66.75	**0.20**

***1** Data used in the calculation of "Net assets per share" are as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2021**	2020	**2021**
Total net assets on consolidated balance sheets	**¥77,505**	¥74,840	**$700,014**
Total net assets attributable to shares of common stock	**76,731**	74,031	**693,019**
Main differences:			
Stock options	**91**	139	**825**
Non-controlling interests	**683**	669	**6,169**
Number of shares outstanding (thousands of shares)	**69,448**	69,448	—
Number of treasury stock (thousands of shares)	**9,753**	9,896	—
Number of shares used for computing net assets per share (thousands of shares)	**59,695**	59,551	—

***2** Data used in the calculation of "Net income per share – Basic and Diluted" are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2021**	2020	**2021**
Net income	**¥ 1,316**	¥ 4,022	**$11,889**
Net income attributable to shares of common stock	**1,316**	4,022	**11,889**
Average number of shares outstanding during the years (thousands of shares)	**59,653**	60,149	—
Potential increase in common stock for the diluted income calculation (thousands of shares)	**84**	114	—

19 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Reclassification adjustments and tax effects allocated to each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2021**	2020	**2021**
Net unrealized gains (losses) on securities:			
Amount arising during the year	**¥3,057**	¥(1,246)	**$27,611**
Reclassification adjustments for gains and losses included in net income	**47**	(65)	**433**
Amount before tax effect	**3,105**	(1,312)	**28,044**
Tax effect	**(873)**	332	**(7,886)**
Net unrealized gains (losses) on securities	**2,231**	(979)	**20,157**
Deferred hedge gains (losses):			
Amount arising during the year	**(246)**	176	**(2,230)**
Reclassification adjustments for gains and losses included in net income	**(19)**	(107)	**(177)**
Amount before tax effect	**(266)**	68	**(2,407)**
Tax effect	**79**	(19)	**719**
Deferred hedge gains (losses)	**(186)**	49	**(1,687)**
Foreign currency translation adjustments:			
Amount arising during the year	**1,183**	(1,418)	**10,687**
Reclassification adjustments for gains and losses included in net income	**—**	—	**—**
Amount before tax effect	**1,183**	(1,418)	**10,687**
Tax effect	**—**	—	**—**
Foreign currency translation adjustments:	**1,183**	(1,418)	**10,687**
Retirement benefit plan adjustments:			
Amount arising during the year	**23**	(70)	**213**
Reclassification adjustments for gains and losses included in net income	**(85)**	(137)	**(773)**
Amount before tax effect	**(61)**	(208)	**(559)**
Tax effect	**18**	64	**171**
Retirement benefit plan adjustments	**(43)**	(144)	**(388)**
Total other comprehensive income (loss)	**¥3,185**	¥(2,493)	**$28,769**

20 BUSINESS COMBINATION

AIDA resolved to implement an absorption-type merger with its wholly-owned subsidiary, ACCESS, LTD., and signed the merger agreement at a Board of Directors meeting held on January 14, 2020, effective April 1, 2020, (the "Merger").

1.Outline of Merger

(1) Name and business description of the absorbed company

Name of the company: ACCESS, LTD.,

Business description:

The development, design, manufacture, sale, among others, of metal processing machines, metal machine tools, automated conveyor equipment, measuring machines, inspection equipment and control devices for their accessories, and mechatronics

(2) Date of Merger

April 1, 2020

(3) Legal form of Merger

The Merger was an absorption-type merger through which ACCESS, LTD., the absorbed company, merged with and into AIDA, the surviving company, and ACCESS, LTD. was dissolved as a result of the Merger, effective April 1, 2020.

(4) Company name after Merger

AIDA ENGINEERING, LTD.

(5) Purpose of Merger

Since its establishment in 1992, ACCESS, LTD. has been engaged in the manufacture and sale of material supply equipment and automated conveyor equipment, which are auxiliary equipment for machine presses. Under its medium-term management plan, the implementation of which commenced in fiscal year 2017, the Company regards the field of factory automation (FA) as one of its core businesses, and has been striving to expand and strengthen it. However, in recent years, amid the need for high value-added and diversified press-related factory automation products, the Company is aiming to further strengthen cooperation with its press business and to enhance the competitiveness of its factory automation products through absorbing and merging with ACCESS, LTD.

21 SEGMENT INFORMATION

(1) Overview of reportable segments

The reportable segments of the Companies are components for which discrete financial information is available and whose operating results are regularly reviewed by management to make decisions about resource allocation and to assess performance.

The Companies operate within a single business related to the manufacture and sale of press machines and their ancillary equipment and auxiliary business such as services.

AIDA plays a key role in the domestic business.

As for the overseas business, each local company in China, Asia (mainly Singapore and Malaysia), Americas (mainly U.S.A.), and Europe (mainly Italy) plays an important role.

Each foreign subsidiary is a single business entity, planning comprehensive business strategies for products and conducting business activities in each area. Accordingly, the Companies consist of geographic segments which have the fundamental function of manufacturing, sales, and service.

Reportable segments are categorized into "Japan," "China," "Asia," "Americas" and "Europe."

(2) Basis for calculating sales, profit or loss, assets, and other items by reportable segments

Accounting policies of the segments are substantially the same as those described in "Summary of Significant Accounting Policies."

Operating income or loss is used as reportable segment profit or loss. Segment transactions are inter-company transactions and based on market prices.

(3) Information on sales, profit or loss, assets, and other items by reportable segments

As of and for the year ended March 31, 2021	Japan	China	Asia	Americas (Millions of yen)	Europe	Adjustments*1	Consolidated*2
Sales:							
Sales to third parties	¥27,255	¥ 6,435	¥ 4,768	¥10,214	¥ 9,426	¥ —	¥ 58,099
Inter-segment sales	12,981	987	2,444	237	158	(16,808)	—
Total sales	40,237	7,422	7,212	10,451	9,584	(16,808)	58,099
Segment profit or loss	3,087	(284)	673	515	(121)	(148)	3,722
Segment assets	80,350	10,685	10,555	9,859	12,376	(16,040)	107,787
Others:							
Depreciation and amortization	987	326	275	195	264	(1)	2,048
Increase in property, plant, equipment and intangible assets	506	17	27	15	41	—	607

As of and for the year ended March 31, 2021	Japan	China	Asia	Americas (Thousands of U.S. dollars)	Europe	Adjustments*1	Consolidated*2
Sales:							
Sales to third parties	$246,167	$58,124	$43,063	$92,253	$85,136	$ —	$524,744
Inter-segment sales	117,246	8,916	22,077	2,141	1,431	(151,813)	—
Total sales	363,413	67,041	65,141	94,394	86,567	(151,813)	524,744
Segment profit or loss	27,889	(2,565)	6,086	4,651	(1,099)	(1,339)	33,623
Segment assets	725,706	96,507	95,338	89,052	111,781	(144,876)	973,510
Others:							
Depreciation and amortization	8,917	2,951	2,492	1,765	2,389	(17)	18,498
Increase in property, plant, equipment and intangible assets	4,572	158	246	137	375	—	5,490

As of and for the year ended March 31, 2020	Japan	China	Asia	Americas (Millions of yen)	Europe	Adjustments*1	Consolidated*2
Sales:							
Sales to third parties	¥35,988	¥6,147	¥ 5,160	¥11,467	¥10,395	¥ —	¥ 69,159
Inter-segment sales	12,667	583	3,067	350	794	(17,463)	—
Total sales	48,655	6,731	8,228	11,817	11,189	(17,463)	69,159
Segment profit or loss	4,726	240	1,062	542	(243)	(155)	6,173
Segment assets	78,123	9,718	10,341	8,436	11,077	(13,582)	104,114
Others:							
Depreciation and amortization	1,067	329	277	208	262	0	2,146
Increase in property, plant, equipment and intangible assets	371	43	389	45	88	—	939

*1 Adjustments of sales represent elimination of inter-segment transactions.
Adjustments of segment profit or loss represent elimination of inter-segment transactions.
Adjustments of segment assets represent elimination between inter-segment receivables and payables.
Adjustments of depreciation and increase in property, plant, equipment and intangible assets represent elimination of inter-segment transactions.
*2 Segment profit or loss is adjusted to operating income of consolidated statements of income.

(Related Information)

1. Products and service information

For the year ended March 31, 2021	Press machines	Service (Millions of yen)	Others	Total
Sales to third parties	¥41,237	¥12,422	¥4,439	¥58,099

For the year ended March 31, 2021	Press machines	Service (Thousands of U.S. dollars)	Others	Total
Sales to third parties	$372,448	$112,196	$40,099	$524,744

For the year ended March 31, 2020	Press machines	Service (Millions of yen)	Others	Total
Sales to third parties	¥48,540	¥14,961	¥5,657	¥69,159

2. Geographical information

(1) Sales

For the year ended March 31, 2021

Millions of yen					Thousands of U.S. dollars				
Japan	U.S.A.	China	Others	Total	Japan	U.S.A.	China	Others	Total
¥25,377	**¥7,518**	**¥7,483**	**¥17,720**	**¥58,099**	**$229,200**	**$67,908**	**$67,585**	**$160,050**	**$524,744**

For the year ended March 31, 2020

Millions of yen			
Japan	U.S.A.	Others	Total
¥34,206	¥8,920	¥26,032	¥69,159

Remark: Sales are presented based on customer location, and they are classified by country.

(2) Property, plant and equipment

As of March 31, 2021

Millions of yen						
Japan	China	Italy	U.S.A.	Malaysia	Others	Total
¥13,437	**¥1,313**	**¥2,440**	**¥1,698**	**¥1,217**	**¥1,243**	**¥21,350**

Thousands of U.S. dollars						
Japan	China	Italy	U.S.A.	Malaysia	Others	Total
$121,360	**$11,867**	**$22,037**	**$15,343**	**$10,993**	**$11,231**	**$192,832**

As of March 31, 2020

Millions of yen						
Japan	China	Italy	U.S.A.	Malaysia	Others	Total
¥13,906	¥2,124	¥2,452	¥1,853	¥1,341	¥585	¥22,263

(Reportable segment information for impairment loss on fixed assets)

For the year ended March 31, 2021

Millions of yen						
Japan	China	Asia	Americas	Europe	Adjustments	Total
¥—	**¥686**	**¥—**	**¥—**	**¥—**	**¥—**	**¥686**

Thousands of U.S. dollars						
Japan	China	Asia	Americas	Europe	Adjustments	Total
$—	**$6,204**	**$—**	**$—**	**$—**	**$—**	**$6,204**

For the year ended March 31, 2020

Millions of yen						
Japan	China	Asia	Americas	Europe	Adjustments	Total
¥24	¥150	¥—	¥—	¥—	¥—	¥174

(Reportable segment information for amortization and balance of goodwill)

There is no amortization and ending balance of goodwill recorded as of and for the years ended March 31, 2021 and 2020.

(Reportable segment information for gain on bargain purchase)

There is no gain on bargain purchase recorded for the years ended March 31, 2021 and 2020.

22 STOCK OPTIONS

The number of common shares to be granted for stock options is as follows:

Fiscal year	Grantees	Number of common shares granted (shares)	Grant date	Exercise price per share (yen)	Exercise periods
2007	Directors (4)	22,000	September 26, 2007	1	From September 27, 2007 to September 26, 2037
2008	Directors (6)	36,000	September 25, 2008	1	From September 26, 2008 to September 25, 2038
2009	Directors (6)	85,000	September 25, 2009	1	From September 26, 2009 to September 25, 2039
2010	Directors (6)	79,000	September 24, 2010	1	From September 25, 2010 to September 24, 2040
2011	Directors (7)	57,000	September 29, 2011	1	From September 30, 2011 to September 29, 2041
2012	Directors (6)	62,000	November 29, 2012	1	From November 30, 2012 to November 29, 2042
2013	Directors (6)	39,000	September 26, 2013	1	From September 27, 2013 to September 26, 2043
2014	Directors (6)	28,000	September 29, 2014	1	From September 30, 2014 to September 29, 2044
2015	Directors (6)	22,000	September 28, 2015	1	From September 29, 2015 to September 28, 2045
2016	Directors (5)	25,000	September 29, 2016	1	From September 30, 2016 to September 29, 2046

A summary of stock option activity is as follows:

Granted fiscal year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Exercise price per share (yen)	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Average stock price when exercised (yen)	**720**	**720**	**720**	**720**	**720**	**720**	**720**	**720**	**720**	**720**
Fair value per share when granted (yen)	—	—	—	—	—	—	—	—	—	—
Share subscription rights which are not yet vested										
Outstanding as of April 1, 2020 (shares)	—	—	—	—	—	—	—	—	—	—
Granted (shares)	—	—	—	—	—	—	—	—	—	—
Forfeited (shares)	—	—	—	—	—	—	—	—	—	—
Vested (shares)	—	—	—	—	—	—	—	—	—	—
Outstanding as of March 31, 2021 (shares)	—	—	—	—	—	—	—	—	—	—
Share subscription rights which have already been vested										
Outstanding as of April 1, 2020 (shares)	**15,000**	**21,000**	**47,000**	**41,000**	**33,000**	**37,000**	**26,000**	**17,000**	**16,000**	**21,000**
Vested (shares)	—	—	—	—	—	—	—	—	—	—
Exercised (shares)	**3,000**	**5,000**	**12,000**	**11,000**	**11,000**	**14,000**	**11,000**	**7,000**	**6,000**	**8,000**
Forfeited (shares)	—	—	—	—	—	—	—	—	—	—
Outstanding as of March 31, 2021 (shares)	**12,000**	**16,000**	**35,000**	**30,000**	**22,000**	**23,000**	**15,000**	**10,000**	**10,000**	**13,000**

Because it is difficult to reasonably estimate the number of forfeited options in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number.

23 SUBSEQUENT EVENTS

1. Appropriation of retained earnings

On June 28, 2021, at the General Meeting of Shareholders, the following appropriation of retained earnings was approved:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥20.00 (U.S. $0.18) per share)	**¥1,263**	**$11,408**

The amount includes dividends of ¥69 million (U.S. $625 thousand) on shares (3,464,000 shares as of March 31, 2021) held by the Trust Account E.

Independent Auditor's Report

The Board of Directors
AIDA ENGINEERING, LTD.

Opinion

We have audited the accompanying consolidated financial statements of AIDA ENGINEERING, LTD. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Estimation of total cost of construction in applying percentage of completion method</th></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor’s Response</th></tr>
<tr><td>AIDA ENGINEERING, LTD. (the Company) and its consolidated subsidiaries (the Group) are engaged in the manufacture and sale of press machines and other products. Particularly for medium and large-sized press machines, each product is highly customized and requires a certain period of time to complete because it must meet the specifications of each client.

As stated in “2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (17) Recognition of material sales and cost of sales, and (19) Significant accounting estimates” in the notes to the consolidated financial statements, the Group has adopted the percentage of completion method (estimation of the percentage of completion of construction work is based on the cost ratio method) for construction projects for which the outcome of the construction activity is deemed certain by the end of the current fiscal year. The amount of net sales recognized based on the percentage of completion method for the current fiscal year is ¥23,347 million, which accounted for 40% of consolidated net sales.

In applying the percentage of completion method, it is necessary to reasonably estimate the total amount of construction project revenue, the total amount of construction project cost, and the degree of completion at the end of the fiscal year. The percentage of completion method is based on the ratio of the cost incurred to total cost of construction at the end of the fiscal year.

In the manufacturing of press machines, etc., of the Group, the basic specifications and work processes are based on the instructions of customers, and it is difficult to apply a uniform standard in determining the estimated total cost of construction. Therefore, the estimation of the total cost of construction involves certain assumptions and judgments by persons in charge of the cost control department with expertise and experience in construction work, and therefore is subject to uncertainty.</td><td>In order to evaluate the appropriateness of the estimation of the total cost of construction in applying the percentage of completion method, we conducted the following audit procedures.

(1) Assessment of internal control

We assessed the status of the following internal controls of the Group regarding the estimation of total construction costs.

・ Control of estimation of total cost of construction and calculation of progress of construction.

・ System for timely monitoring changes in profit or loss on construction projects and comparisons of the degree of progress of construction projects with actual budget results, etc. by the person in charge of the cost control division.

(2) Evaluation of the reasonableness of the estimate of the total cost of construction

In light of the details related to the construction contract amount, construction profit or loss, construction specifications, and progress of construction, we identified construction projects with relatively high uncertainty in estimating the total construction cost and performed the following procedures.

・ We reviewed the total cost of the construction project against the cost estimate data on which it was based, and examined whether the cost of manufacturing the machine to the specifications agreed with the customer was included in the cost estimate.

・ In order to examine whether the total amount of construction costs is reviewed in a timely and appropriate manner, we reviewed the documentation of internal meetings regarding the review of construction costs and made inquiries with the person in charge of the cost control division about the judgment as to whether the total amount of construction costs should be reviewed.</td></tr>
</table>

In addition, changes in contract details, unit prices of materials, manufacturing man-hours, etc. may occur during the course of construction, and conducting a timely and appropriate review of the total cost of construction is complicated. Based on the above, we concluded that the estimation of the total cost of construction is particularly significant in the current fiscal year for the calculation of construction revenue and the percentage of completion, and therefore, it is a key audit matter.	• In the case of construction projects where the degree of progress has fluctuated beyond a certain range set by the auditor based on cost accrual patterns involving similar projects in the past, we made inquiries with the person in charge of the cost control division about the reasons for such fluctuations and examined the reasonableness of the answers in light of the process schedule and cost accrual status. • We evaluated the process of estimating the total cost of construction by comparing initially estimated amounts with finalized amounts and examining the details of any differences.

Impairment of property, plant and equipment and intangible assets related to AIDA PRESS MACHINERY SYSTEMS CO., LTD.	
Description of Key Audit Matter	Auditor's Response
As stated in "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (19) Significant accounting estimates and 14. LOSS ON IMPAIRMENT OF FIXED ASSETS" in the notes to the consolidated financial statements, the Company recognized impairment loss of ¥686 million during the year ended March 31, 2021 on property, plant and equipment and intangible assets in the amount of ¥1,937 million (book value before impairment loss recognition) related to AIDA PRESS MACHINERY SYSTEMS CO., LTD., a consolidated subsidiary that manufactures press machines in China due to a decline in profitability caused by changes in the business environment.	With the involvement of the component auditor of AIDA PRESS MACHINERY SYSTEMS CO., LTD., the audit procedures we performed to assess impairment loss on property, plant and equipment and intangible assets of AIDA PRESS MACHINERY SYSTEMS CO., LTD. include the following, among others: • We compared the cash flow projection period with the remaining economic useful lives of the major assets. • We compared the estimated future cash flows with the business plan approved by the Board of Directors to evaluate whether the estimates are based on assumptions and forecasts that reflect the circumstances unique to the entity.

Whenever there are indications of impairment for an asset or an asset group, the Company determines whether or not the recognition of impairment loss is necessary. When the Company determines that an impairment loss should be recognized, the Company reduces the carrying amount to the recoverable amount and recognizes the difference as an impairment loss. The Company classifies AIDA PRESS MACHINERY SYSTEMS CO., LTD. as an asset group, and in assessing the amount of impairment loss on property, plant and equipment and intangible assets of AIDA PRESS MACHINERY SYSTEMS CO., LTD., the Company measures the recoverable amount of the asset group based on its value in use. Value in use is calculated as the present value of estimated future cash flows. The estimated future cash flows generated from the continued use of an asset group are determined based on the business plan approved by the Board of Directors. As stated in "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (19) Significant accounting estimates" in the notes to consolidated financial statements, significant assumptions in estimating the present value of estimated future cash flows include expected orders and gross margin for major products, which serve as the basis of the business plan, the market growth rates and the discount rates. Given that the significant assumptions used to estimate the present value of estimated future cash flows are subject to uncertainty and require management's judgement, we determined impairment of property, plant and equipment to be a key audit matter.	・ We compared the Company's business plan for prior years with actual results to evaluate the effectiveness of management's estimation process. ・ With the involvement of valuation specialists of our network firm, we assessed the reasonableness of the valuation methodologies used by the Company considering relevant accounting standards and the discount rates and real estate valuation by checking the consistency of the inputs used to calculate the discount rates and real estate valuation with publicly available data. ・ The audit procedures we performed to evaluate expected orders, gross margin for the major products and market growth rates, which serve as the basis of the business plan and are important assumptions, include the following, among others: (1) We assessed the expected orders by discussing with the sales manager and inspecting the construction contracts, quotations and business records. (2) We assessed the gross margin by conducting trend analyses based on past performance by product. (3) We assessed the market growth rates by discussing with the management and inspecting the market forecast reports prepared by third parties. (4) We conducted a sensitivity analysis, taking into account possible fluctuations due to future uncertainties.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

・ Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

・ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

・ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

・ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

・ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 28, 2021

/s/ Yoshihiro Sugimoto
Designated Engagement Partner
Certified Public Accountant

/s/ Masanobu Saito
Designated Engagement Partner
Certified Public Accountant