Message to Stakeholders

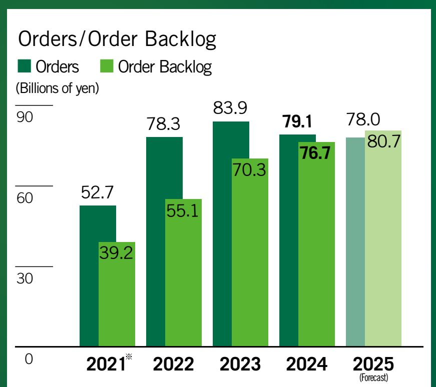
Targeting gains in competitiveness by steadily implementing core management plan strategies despite a rapidly changing business environment

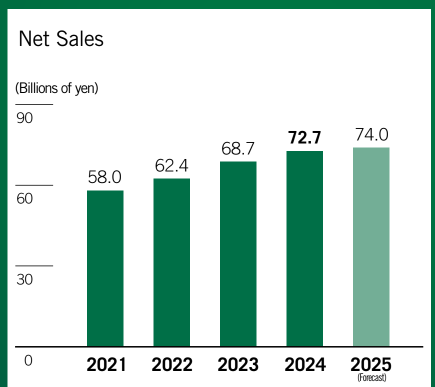
Toshihiko Suzuki
Representative Director and President (CEO)

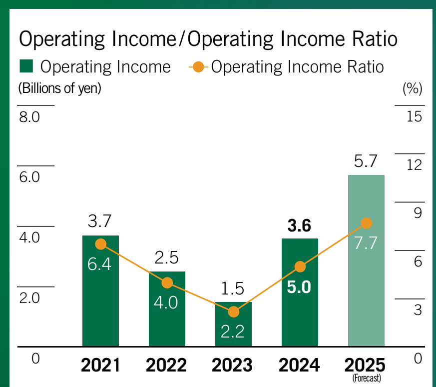
Review of Fiscal Year Ended March 2024

In the fiscal year ended March 31, 2024, the global economy continued to expand steadily, supported by further easing of supply constraints and driven by solid growth in the US. The main overall drags on growth included monetary policy tightening across various countries; economic slowdowns in Europe and China; the Ukraine crisis; conflict in the Middle East; and other geopolitical factors. In Japan's metal-forming machinery industry, while domestic demand was firm, the level of exports dipped and overall press-related orders fell 2.4% year on year to ¥149.6 billion (Japan Forming Machinery Association press orders data).

Consolidated orders declined in the year under review due to the high level of advance orders for high-speed precision presses received by AIDA in the previous year. However, demand remained firm after the exclusion of exceptional factors. Orders received fell 5.8% to ¥79.1 billion, while the order backlog reached a new record high, increasing 9.0% to ¥76.7 billion as of the fiscal year-end. Net sales rose 5.7% to ¥72.7 billion, boosted by increased sales of high-speed precision presses for EV-related applications and the effect of a weaker yen. Profits rose due to higher sales and an improved product mix, despite significantly higher costs for raw materials, outsourcing, logistics, and other factors, as well as major project-related losses. Reflecting the improved gross margin, operating income rose 134.7% to ¥3.6 billion, ordinary income increased 110.2% to ¥3.5 billion, and net income attributable to owners of the parent increased 116.8% to ¥2.8 billion.







* The Company has been applying the Accounting Standards for Revenue Recognition, etc., since the beginning of the fiscal year ended March 2022. The effects of this change have been added to the order backlog for the year ended March 2021.

Medium-Term Management Plan and FY2023 Results/Issues

In April 2023, we commenced the AIDA Group's New Medium-Term Management Plan for the three-year period through the end of March 2026. Our targets for the final year of the plan are net sales of ¥75.0 billion and operating income of ¥6.2 billion.

In the first year of the Medium-Term Management Plan, our net sales of ¥72.7 billion were ahead of the ¥72.0 billion target, partly due to the effect of a weaker yen. Operating income of ¥3.6 billion was less than the first-year target of ¥4.7 billion because we did not make quite as much progress as we had anticipated in terms of transforming the AIDA Group's business portfolio and improving the press product mix. In addition to earnings being depressed by significantly higher costs for raw materials, outsourcing, logistics, and other factors, as well as major project-related losses, delays in parts deliveries and shortages of resources restricted sales of high-value-added high-speed presses. While we saw improvements in profitability and the product mix during the second half of the fiscal year ended March 2024, the outlook is for a slowdown in orders due to a softer Chinese economy and a dip in EV-related capital spending. In addition, the downside risks are increasing due to the growth of economic blocs and geopolitical factors.

Based on the issues recognized in the first year of the plan, we will deploy the following strategies over its remaining years.

Core Strategies

① Transforming Our Business Portfolio: Expanding High Value-Added and Growth Fields and Shifting Management Resources

Press Business

As the shift to EVs changes the mix of automotive parts, we are moving away from mature products—where we are seeing our competitiveness gradually eroding—and towards growth products in fields related to EVs and the environment. Parts supply constraints and reduced capacity were causing longer lead-times and a greater order backlog for our high-speed precision presses used to make EV motor cores. We have steadily expanded our production capacity by expanding our supplier base, improving the Tsukui Plant layout, and utilizing space that had been used for assembling large presses. This has improved our product mix for presses.

Although EV-related capital spending has slowed, the long-term trend towards electrified vehicles, including fuel cell vehicles (FCVs) and hybrids, is unchanged. We are also expecting to see new demand in non-automotive fields such as air conditioners. Besides reducing lead-times for high-speed precision presses, we are working to further boost our competitiveness with functionally differentiated products.

Automation/FA Business

We have positioned the Automation/FA Business as a growth field due to the ongoing adoption of automation and digital technologies within factories. With growing demand for EV-oriented high-speed precision presses, to help achieve higher forming speeds and better quality we have developed in-house peripheral equipment that we had previously outsourced. We have now started selling high-speed press lines as a turnkey package. Utilizing AI and digital technologies to enable monitoring of the entire press line, we have also created ways to visualize the operational status of presses and related processes. We are selling this system as part of our turnkey sales and are working to create demand for peripheral system upgrades.

To cater to overseas customers with a strong preference for local automation solutions, we have begun selling feeders developed and made at our European company, and we plan to expand the range and size of models going forward. We are also exploring alliances with partners in the European and US markets, as well as related M&A possibilities.

Major Business Growth Opportunities and Risks & the Market Environment

Growth Opportunities

- Stricter environmental regulations and increasing awareness of environmental conservation
- Changes to automobile parts due to accelerated transition to electrification and autonomous driving
- Accelerating demand for labor saving and productivity improvements due to a shrinking population
- Economic growth in emerging countries and the Global South

Risks

- Changes in materials and forming methods in manufacturing
- Economic downturns due to pandemics and natural disasters
- Political instability and other geopolitical risks
- Risk of economic slowdowns
- Increased supply chain risks due to a shift to bloc economies
- Production delays due to energy and semiconductor shortages
- Rising manufacturing costs of raw materials, etc.
- Intensified global price competition

Service Business

We see our Service business as a major pillar of future growth since many of the existing AIDA presses installed worldwide will need parts replaced or will need to be modernized. We anticipate demand for the overhauling and replacement of AIDA-made servo motors. Our Head Office is bolstering marketing activities in cooperation with our overseas Group companies. We are also working to create demand for DX/AI-based preventive maintenance and upgraded diagnostic functions for presses. To promote these strategies, we are building a cross-regional collaborative structure while at the same time investing in various human capital-related initiatives.

② Creating New Added Value: Further Evolving AIDA's Technologies

Solutions for EVs

We commercialized high-speed press lines for the production of EV motor cores in the fiscal year under review. With the industry increasingly wanting presses offering higher productivity with wider forming areas, we will launch a new high-speed press that delivers the widest forming area in its class to further differentiate AIDA products. We have also made progress developing a new manufacturing method for battery cases, which we aim to commercialize as soon as possible.

Energy-Saving and Environmentally Friendly Solutions

In non-EV alternative energy-related fields, we have commercialized a large dedicated precision press for making the separators used in fuel cells and hydrogen-powered vehicles. We have received an order from a European customer that makes hydrogen fuel cells for power generation in hospitals. Since demand for hydrogen fuel cells used in non-automotive applications such as commercial facilities and homes is expected to grow, we will continue to focus on improving functions and creating demand.

DX/AI-Based Manufacturing Solutions

To bolster monitoring functions for press processes, we have developed a 3D machine visualization tool, which is a proprietary AI function for our Ai CARE system, and a function for estimating the remaining die life based on load analyses. Going forward, we will continue to improve these products by proposing solutions to customers and listening to their feedback.

Please see the Feature section P.19–22 for more information about new products that leverage AIDA's technologies.

③ Strengthening Our Business Infrastructure: Laying the Groundwork for Business Portfolio Transformation and New Value Creation

Manpower Investments

Because we consider our human resources to be AIDA's most important asset, we seek to create working conditions that boost motivation and allow every employee to reach their full potential. Having actively increased remuneration levels in the fiscal year under review, we plan to also continue this in the next fiscal year. Moreover, we are conducting re-skilling programs to provide our global workforce with the requisite training as we shift our resources from mature to growth fields such as high-speed precision presses and Service. Our internal re-skilling training is tailored to the level of every employee and focuses on the acquisition of DX skills.

Please see the Human Capital section P.23–26 for more details.

Promoting the Transition to DX in Our Work Infrastructure

In the fiscal year under review, we completed the implementation of iCAD software to support even more sophisticated in-house design capabilities. Besides introducing Microsoft365 in the fiscal year ending March 2025, we are also progressively adopting new digital and paperless systems to upgrade specific worktasks in procurement, HR, cost accounting, and other functions. Our DX promotion also includes system upgrades to production processes and logistics, with the aim of enabling "process visualization" to boost internal productivity and address any related management issues.

Restructuring Supply Chains and Procurement Processes

To combat parts shortages relating to our high-speed press production, etc., we are working to reduce delivery lead-times by upgrading our procurement capabilities and developing alternative supply lines. However, given the growing risk of global logistical delays caused by economic blocs, conflicts, and other factors, aside from upgrading and reviewing our ties to overseas carriers, we are also looking to bolster local procurement at the Group's overseas companies.

④ Environmental Measures and Social Contributions

Our environmental measures are aimed at making Group operations carbon-neutral by 2050. To promote decarbonization, we have started generating some of the power on-site at our Sagamihara Plant while contracting with a major utility to source city gas supplies with fully offset carbon emissions. Since November 2023, we have also started using power certified as having been sourced from renewable energy. We expect all these initiatives to translate into a further annual reduction in the Group's GHG emissions of about 5,000 t-CO_2. Going forward, we will consider further measures after assessing our global CO_2 emissions. By supplying eco-friendly products and developing solutions for EVs and alternative energy sources, we are also helping our customers to reduce their GHG emissions and their environmental impact. In terms of community contributions and revitalization, as well as electrifying the company vehicle fleet, we have installed a new community infrastructure on our grounds—an EV charging station—that is open to the public. We hope this will be a valuable contribution to the region.

Please see the Environmental Measures and Social Contributions section P.27–31 for further details.

⑤ Capital Policies and Our Approach to Cost of Capital and Share Price

The Group's basic policy is to maintain a productive balance aimed at generating stable shareholder returns through investments in human capital and strategic opportunities to transform our business portfolio and foster innovation while also seeking to preserve the stability of our management and financial foundations. In line with this policy, the Board of Directors decided to acquire and cancel treasury stock at the meeting held in March 2024. A total of 2,243,800 shares of treasury stock were cancelled in July 2024.
As outlined in the Medium-Term Management Plan, our medium- to long-term aim is to raise the share price and eliminate any discount to book value by raising operating income through the transformation of our business portfolio, a core strategy, and by achieving sustained growth by creating innovative value and building a stronger business foundation.

Forecast for the Fiscal Year Ending March 2025

We expect consolidated orders to remain flat overall and to decline 1.4% to ¥78.0 billion as orders for high-speed precision presses level off. Given the cumulative order backlog, we expect net sales to increase 1.7% to ¥74.0 billion as we continue to ship high-speed precision and general-purpose presses. Reflecting anticipated growth in sales and further improvements to the product mix, we expect significant profit growth, with operating income rising 57.7% to ¥5.7 billion, ordinary income increasing 61.3% to ¥5.8 billion, and net income attributable to owners of the parent increasing 49.6% to ¥4.2 billion. Achieving these figures would put us back on track to reach the targets set forth in the Medium-Term Management Plan.

Message to Stakeholders

Recognizing that generating increased profits for shareholders is one of our most important management priorities, we are striving to enhance corporate value and deliver stable shareholder returns. In the fiscal year under review, we paid out an ordinary dividend of ¥30 per share (equivalent to a consolidated payout ratio of 63.8%). We also agreed at the Board of Directors meeting held in March 2024 to acquire and cancel treasury stock to further enhance shareholder returns.

In terms of our management approach to the cost of capital and our share price, we believe that the goal stated in the Medium-Term Management Plan of eliminating any discount to book value in the share price is an achievable one. Based on the cost of capital and the Group's ROE, we see this occurring via future growth based on improving the level of earnings and generating new added value.

Going forward, we will maintain the Group's unswerving commitment to engaging in initiatives aimed at addressing societal issues and leveraging the manufacturing technologies we have amassed over more than a century of business. I humbly ask all our stakeholders for their continued support.

September 2024
Representative Director and President (CEO)
Toshihiko Suzuki