Medium-Term Management Plan (Fiscal Year Ending March 2024 – 2026): Overview and Progress

Starting in the fiscal year ended March 2024 and based on the management policy of "improving corporate value by solving societal issues and aiming for sustainable growth together with our stakeholders," the Medium-Term Management Plan builds on the issues recognized in the previous plan by identifying the following five core strategies: (1) transforming our business portfolio; (2) creating new added value; (3) strengthening our business infrastructure; (4) environmental measures and contributing to the community; and (5) capital policies. By developing such strategies, we will create a virtuous cycle of generating corporate value through solving the problems of customers and society, and we will achieve sustainable growth together with stakeholders, including customers, employees, suppliers, local communities, business partners, and shareholders and investors.

Management Policies for the New Medium-Term Management Plan

Improving corporate value by solving societal issues and aiming for sustainable growth together with our stakeholders

Medium-Term Management Plan Core Strategies

Transforming Our Business Portfolio

Expanding high-value-added/growth fields
Shifting of management resources

Creating New Added Value

P.19-22

Strengthening Our Business Infrastructure

Manpower Investments P.23-26

Environmental Measures and Contributing to the Community

P.27-31

Capital Policies

Emphasize a balance between strategic investments, manpower investments, and profit distribution

Expand Corporate Value

Solve Customer and Societal Issues

- Support the manufacturing of next-generation vehicles
- Support customer productivity improvements (automation/digitalization)
- Support customers in reducing their environmental impact, etc.

Contributing to Stakeholders

- Customers
- Employees
- Suppliers
- Regional Communities
- Business Partners
- Shareholders/Investors

Transforming Our Business Portfolio

Expanding High-Value-Added/Growth Fields
Shifting of Management Resources

- Press Business [A Mix of Mature & Growth Fields] ⇨ Improve product mix & improve competitiveness in mature fields
- Automation/FA Business [Growth Field] ⇨ Expand
- Service Business [Growth Field] ⇨ Expand

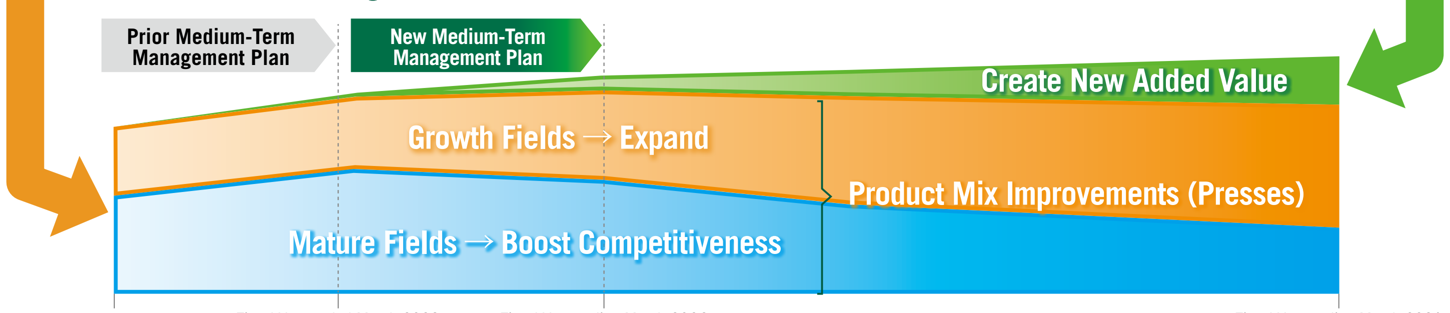
Creating New Added Value

Leveraging AIDA's Technologies (including investments and collaboration to supplement AIDA's technologies)

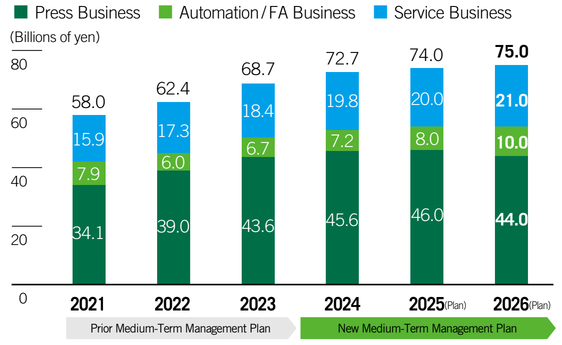
Forming technologies, die/forming methodology expertise, servo technologies, and manufacturing expertise

- Provide Solutions for EVs
- Provide Energy-Saving & Environmentally Friendly Solutions
- Develop Energy-Saving, Resource-Saving, and Manpower-Saving Products
- Provide DX/AI-Based Manufacturing Solutions

Adjust earnings balance and build new growth domains based on changes to business/product mix by shifting existing business from mature to growth fields

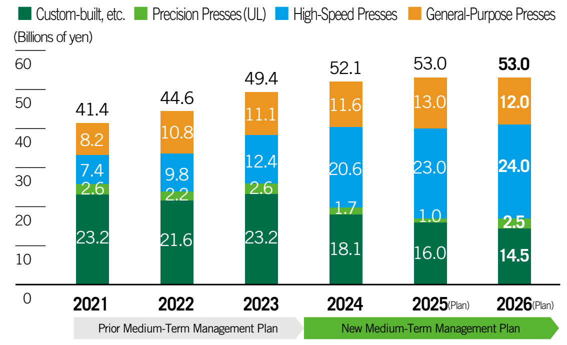


Net Sales by Business



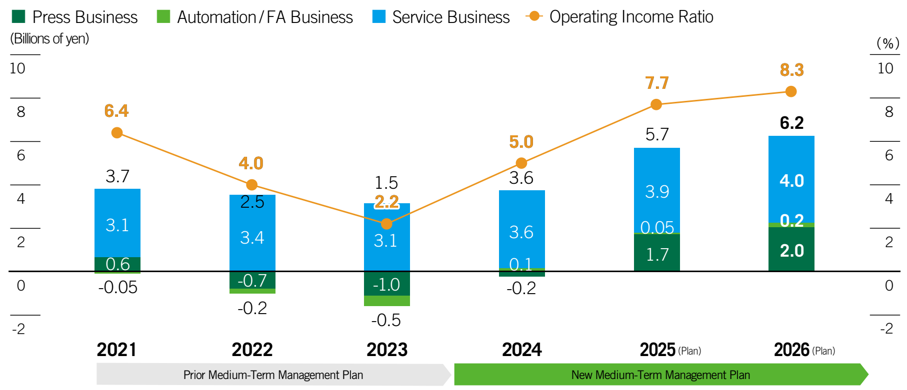
Driven by EV-related demand for high-speed precision presses and yen depreciation, incremental sales growth across all sectors adding up to 5.7% YoY growth.

Press Sales by Model (incl. FA)



Press turnover in both mature and growth fields is showing growth potential, and sales of our high-profit high-speed presses are trending favorably.

Operating Income by Business



The operating margin is rising as a result of higher sales and an improved product mix which more than offsets significant cost increases for raw materials, outsourcing, and logistics, as well as lower profits from some large-scale projects; elimination of the bad debt write-off expense recorded in the prior year also supported profit gains.

Medium-Term Management Plan Targets (Fiscal Year Ending March 2024 – 2026)

Net Sales: ¥75.0 billion
Operating Income: ¥6.2 billion
Operating Income Ratio: 8.3%

Projected P/B: 0.8 x (assuming P/E = 15x)

Long-term operating income ratio goal for fiscal year ending March 2028: 10%

Goal of P/B > 1.0 x (assuming P/E = 15x)

Creating Sustained Growth by Implementing Plan Strategies

Message from the Director Overseeing Finance

Management Approach to Cost of Capital and Share Price

Hiromitsu Ugawa
Director, Managing Executive Officer

Management initiatives that are conscious of capital costs and stock price have been discussed by the Board of Directors, and the course of action is explained in the Medium-Term Management Plan. The basic concept is to drive the expansion of corporate value by implementing growth strategies aimed at strengthening our earnings power, which will translate over time into an improvement of our price-to-book (P/B) ratio. Under the plan, the target for the fiscal year ending March 2028 is operating income of ¥7.7 billion (equivalent to an operating margin of 10%), which we assume will result in exceeding 1.0 in the price-to-book (P/B) ratio by achieving more than 15X of the price-to-earnings (P/E) ratio. In turn, we expect ROE to exceed the 6.6% cost of capital.

Under the plan, we aim to boost operating income by realizing the core strategy of transforming the Group's business portfolio based on shifting from mature fields to high value-added and growth fields. By segment, this will entail shifting our resources to the Service and Automation/FA businesses, while also improving the product mix in the press business to boost profit margins by shifting from mature models to products with higher growth potential linked to EV/HEV-related demand, such as high-speed and precision presses. At the same time, the "creating new added value" strategy involves the development of products and forming methods based on applying AIDA technology to emerging fields such as EV motors/batteries and hydrogen fuel cells. We believe that laying these growth foundations will enable us to boost the P/E ratio to at least 15x.

To bolster shareholder returns, besides achieving a payout ratio of 63.8% in the fiscal year ended March 2024, we plan to acquire and cancel around ¥2.0 billion worth of treasury stock in the first half of the fiscal year ending March 2025. Our investment policy is to actively pursue strategic investments such as M&A, capital alliances, and other actions to help transform the business portfolio and create new added value, while also ensuring capital policy considering stable shareholder returns.