

Management's Discussion and Analysis of Business Results and Financial Position

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
Years ended March 31

Orders, Net Sales and Earnings

In the fiscal year ended March 31, 2024, the global economy recovered steadily amid incremental improvements in supply constraints, driven by the strong U.S. economic expansion. However, growth was inhibited in overall terms by tighter monetary policy conditions across many nations and slower economic growth in Europe and China. Geopolitical factors such as U.S.-China tensions, the war in Ukraine, and conflict in the Middle East also magnified the downside risks.

In the metalforming machinery industry, the Japan Forming Machinery Association reported that orders for presses received in the fiscal year under review fell 2.4% year on year to ¥149.6 billion due to lower exports despite robust domestic demand.

Under these conditions, orders received by AIDA ENGINEERING, LTD. (the “Company”) and its Group companies (collectively, the “Group”) in the fiscal year ended March 31, 2024 declined 5.8% year on year to ¥79.1 billion after excluding exceptional factors, a consequence of the significant number of advance orders for high-speed presses in the previous fiscal year. The order backlog as of March 31, 2024 hit a new record of ¥76.7 billion, up 9.0% from the end of the previous fiscal year. Net sales increased 5.7% year on year to ¥72.7 billion mainly due to higher sales of high-speed presses for electric vehicle (EV) production and the effects of a weaker yen. In terms of profit, operating income rose 134.7% to ¥3.6 billion, while ordinary income increased 110.2% to ¥3.5 billion despite sharp increases in material, outsourcing, and transport costs as well as slimmer profit margins on some major projects, reflecting higher sales revenues and an improved product mix. In addition to the above factors, net income attributable to owners of parent was bolstered by gains from the sale of fixed assets, increasing 116.8% to ¥2.8 billion.

The Group's basic policy regarding shareholder returns is to provide stable shareholder returns by aiming for a consolidated dividend payout ratio of 40% or higher while taking into consideration the need to ensure the stability of our management and financial foundations and our strategic investments for

sustainable growth, which is consistent with our management policy of growing together with our stakeholders. Prioritizing maintaining a stable dividend, the Group declared an ordinary dividend of ¥30 per share for the fiscal year ended March 31, 2024 (equivalent to a consolidated payout ratio of 63.8%).

Segment Analysis

Results by Business Segment

Presses

Orders in this segment decreased 10.1% to ¥57.8 billion, a consequence of the significant number of advance orders in the prior fiscal year for EV-related high-speed presses. However, the level of demand was higher year on year after excluding exceptional factors. Supplementing the growth from EV-related demand, currency movements supported an increase in segment sales of 5.3% to ¥52.1 billion.

Service (Press-Related)

With domestic service operations expanding steadily, orders in this segment rose 14.4% to ¥16.9 billion, while segment sales increased 7.0% to ¥16.4 billion.

Others (REJ Co., Ltd.)

Due to electronic component shortages, orders declined 11.4% to ¥4.2 billion. However, segment sales rose 5.7% to ¥4.1 billion due to higher sales by REJ.

Results by Geographic Segment

Japan

Net sales in Japan increased 3.0% to ¥42.9 billion due to buoyant press and service-related sales. Segment profit rose 144.1% to ¥1.1 billion despite sharp increases in material, outsourcing and transport costs, and slimmer profit margins on some major projects, reflecting higher sales revenues and an improved product mix.

China

Strong sales of customized and high-speed presses helped Group sales in China increase 7.0% to ¥11.7 billion. Driven by higher sales, the segment posted a profit of ¥797 million, compared with a loss of ¥149 million in the prior fiscal year.

Asia

Net sales in Asia rose 1.5% to ¥10.8 billion, reflecting higher service revenue and the effects of a weaker yen. Segment profit rose 31.2% to ¥1.1 billion, supported by an improved product mix and other factors.

The Americas

Net sales in the Americas declined 4.5% to ¥16.0 billion due to lower sales of customized presses offsetting the growth in sales of high-speed presses. Segment profit rose 38.8% to ¥397 million, supported by an improved product mix.

Europe

Net sales in Europe rose 28.3% to ¥16.5 billion due to higher sales of high-speed presses and related services as well as the effect of a weaker yen. Due to higher sales revenue, segment profit increased 29.3% to ¥293 million.

Analysis of AIDA's Financial Position

Total assets as of March 31, 2024 were ¥126.1 billion, an increase of ¥9.9 billion compared with the previous fiscal year-end. This is attributable to a ¥2.8 billion increase in cash and deposits, a ¥3.1 billion decrease in trade receivables (including notes and accounts receivable—trade, contract assets, and electronically recorded monetary claims—operating), a ¥5.4 billion increase in inventories, and a ¥2.0 billion increase in investment securities.

Total liabilities were ¥43.8 billion, an increase of ¥5.6 billion compared with the prior fiscal year-end. Major contributing factors included increases in trade payables (including accounts

payable—trade and electronically recorded obligations—operating) of ¥1.4 billion, short-term borrowings of ¥886 million, contract liabilities of ¥769 million, and other current liabilities of ¥952 million.

Net assets increased by ¥4.2 billion compared with the prior fiscal year-end to ¥82.3 billion. The principal contributing factors included increases in the valuation difference on available-for-sale securities of ¥1.4 billion and in the foreign currency translation adjustment of ¥2.2 billion. As a result, the shareholders' equity ratio as of the fiscal year-end was 65.2%.

Cash Flows

The balance of cash and cash equivalents as of March 31, 2024, was ¥32.2 billion, an increase of ¥1.7 billion compared with the previous fiscal year-end.

Cash flows from activities in the fiscal year under review and related major factors are summarized below.

(i) Cash flows from operating activities

Net cash provided by operating activities was ¥3.1 billion (compared with a net cash outflow of ¥1.1 billion in the previous fiscal year). The principal factors in terms of cash inflows were income before income taxes of ¥4.2 billion; a decline in trade receivables of ¥3.5 billion; and depreciation of ¥2.0 billion; offsetting cash outflows included an increase in inventories of ¥3.9 billion, among other factors.

(ii) Cash flows from investing activities

Net cash used in investing activities was ¥1.9 billion, up from ¥1.8 billion in the previous fiscal year. This mainly reflected cash outflows totaling ¥1.6 billion relating to the acquisition of tangible and intangible assets.

(iii) Cash flows from financing activities

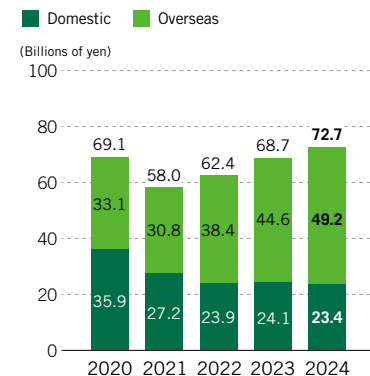
Net cash used in financing activities totaled ¥1.1 billion, compared with ¥2.1 billion in the previous fiscal year. This mainly reflected the cash outflow of ¥1.9 billion due to the payment of cash dividends.

Orders/Order Backlog

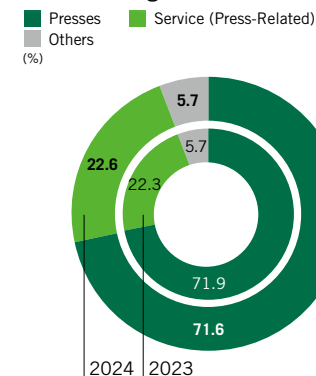


* The Company has been applying the Accounting Standards for Revenue Recognition, etc., since the beginning of the fiscal year ended March 2022. The effects of this change have been added to the order backlog for the year ended March 2021.

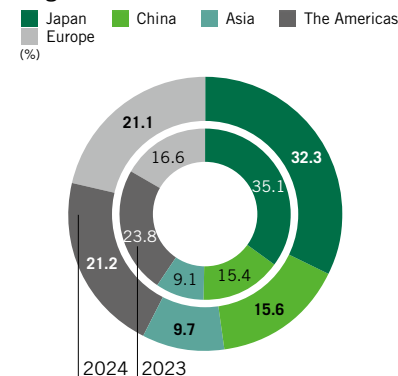
Net Sales



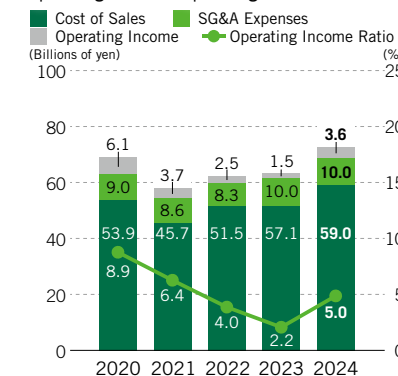
Net Sales Ratio by Business Segment



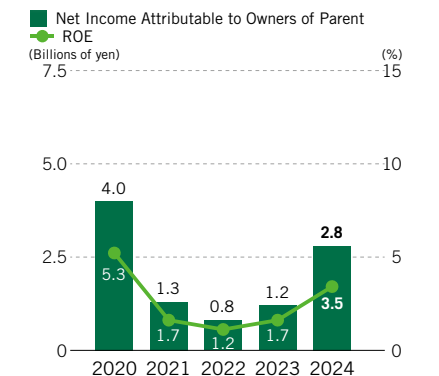
Net Sales Ratio by Geographic Segment (to External Customers)



Cost of Sales/SG&A Expenses/Operating Income/Operating Income Ratio



Net Income Attributable to Owners of Parent/ROE



Capital Expenditures

Capital expenditures totaled ¥1.8 billion in the fiscal year ended March 31, 2024.

By segment, the main items of capital spending were in the Japan segment, constituting ¥546 million for improvements to operational systems and ¥136 million to upgrade equipment and machinery at the Sagami Plant.

No significant Group facilities were either retired or sold.

Research and Development

The Group conducts research and development in accordance with the basic policy of strengthening and establishing fundamental technologies, upgrading core products, and developing eco-friendly flagship products. R&D activities are led by the Research and Development Headquarters in collaboration with the Production Headquarters. In the fiscal year ended March 31, 2024, R&D expenses totaled ¥957 million and were mostly recorded in the Japan segment. In the fiscal year under review, our high-speed precision press line for production of EV motor cores won the major award at the 66th Top Ten New Product Awards in 2023 sponsored by the *Nikkan Kogyo Shimbun (Business and Technology Daily News)*. The system was commended for using both hardware and software to challenge the limits of EV motor core production.

The major R&D activities during the fiscal year under review are listed below.

Development of new and fundamental technologies

(1) Development of servo motors for press systems

(2) Development of DX/AI technologies

[a] Development of a SCADA (Supervisory Control and Data

Acquisition) 3D monitoring system for press systems

[b] Development of a proprietary data analytics system (Ai CARE)

[c] Development of simulation software

Upgrading core products

(1) Development of the BEX Series of dedicated presses for forming bipolar plates (BPP)

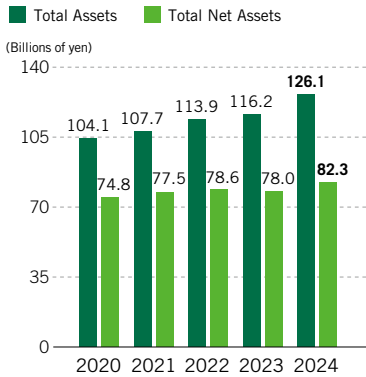
(2) Development of a wide-area MSP-4000-430 model

Capital Resources and Funding Liquidity

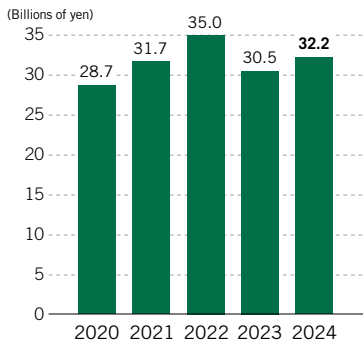
The Group utilizes working capital primarily for manufacturing expenses such as the purchase of raw materials and parts and for outsourced machining, along with selling, general, and administrative expenses. The Group’s basic policy is to fund capital spending using internal financial resources, which are primarily allocated to the construction of in-house production systems.

Capital expenditures totaled ¥1.8 billion in the fiscal year ended March 31, 2024, a decrease of ¥1.0 billion from the previous year. In terms of working capital, the balance of cash and cash equivalents at the fiscal year-end was ¥32.2 billion (a year-on-year increase of ¥1.7 billion), reflecting higher operating cash flows and other factors. Management does not believe the Group is faced with any liquidity issues.

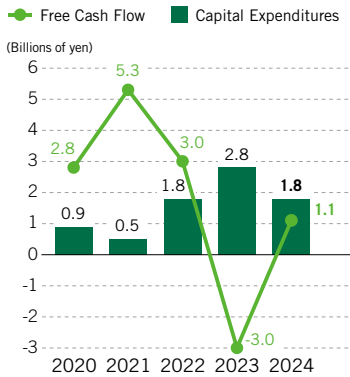
Total Assets/Total Net Assets



Cash and Cash Equivalents at the End of the Year



Free Cash Flow/Capital Expenditures



Consolidated Segment Information

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				% change	
	2020	2021	2022	2023	2024	2023 vs. 2024
Business Division:						
Net sales						
Press machines	¥ 48,540	¥ 41,237	¥ 44,443	¥ 49,476	¥ 52,118	5.3
Service	14,961	12,422	13,865	15,370	16,450	7.0
Others	5,657	4,439	4,156	3,948	4,173	5.7
Total	¥ 69,159	¥ 58,099	¥ 62,466	¥ 68,795	¥ 72,742	5.7
Geographic Segment:						
Net sales						
Japan	¥ 48,655	¥ 40,237	¥ 38,188	¥ 41,648	¥ 42,904	3.0
China	6,731	7,422	8,851	11,021	11,794	7.0
Asia	8,228	7,212	7,646	10,676	10,836	1.5
Americas	11,817	10,451	13,869	16,792	16,041	(4.5)
Europe	11,189	9,584	12,658	12,864	16,506	28.3
Adjustments	(17,463)	(16,808)	(18,747)	(24,207)	(25,339)	—
Total	¥ 69,159	¥ 58,099	¥ 62,466	¥ 68,795	¥ 72,742	5.7
Operating income						
Japan	¥ 4,726	¥ 3,087	¥ 802	¥ 455	¥ 1,112	144.1
China	240	(284)	741	(149)	797	—
Asia	1,062	673	745	909	1,193	31.2
Americas	542	515	269	286	397	38.8
Europe	(243)	(121)	110	227	293	29.3
Adjustments	(155)	(148)	(164)	(189)	(178)	—
Total	¥ 6,173	¥ 3,722	¥ 2,505	¥ 1,540	¥ 3,615	134.7

Quarterly Information

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				% change	
	2020	2021	2022	2023	2024	2023 vs. 2024
Net Sales						
1st Quarter	¥ 16,007	¥ 10,559	¥ 13,079	¥ 13,665	¥ 16,867	23.4
2nd Quarter	18,267	15,202	13,830	18,498	17,708	(4.3)
3rd Quarter	16,534	13,476	17,192	15,970	17,042	6.7
4th Quarter	18,349	18,862	18,363	20,660	21,124	2.2
Total	¥ 69,159	¥ 58,099	¥ 62,466	¥ 68,795	¥ 72,742	5.7
Operating Income						
1st Quarter	¥ 1,097	¥ 179	¥ 270	¥ (121)	¥ 671	—
2nd Quarter	1,929	1,364	528	837	756	(9.7)
3rd Quarter	1,287	892	601	277	373	34.6
4th Quarter	1,858	1,287	1,105	545	1,813	232.2
Total	¥ 6,173	¥ 3,722	¥ 2,505	¥ 1,540	¥ 3,615	134.7