Consolidated Balance Sheets

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2023**	2022	**2023**
Current assets			
Cash and deposits (Note 4)	¥ 30,510	¥ 35,031	$ 228,475
Notes and accounts receivable – trade and contract assets	22,506	17,690	168,539
Electronically recorded monetary claims – operating	1,018	1,087	7,625
Inventories (Note 5)	25,867	21,575	193,703
Advance payments – trade	2,222	1,719	16,642
Accounts receivable – other	526	489	3,941
Consumption taxes receivable	1,220	846	9,140
Other	487	302	3,651
Allowance for doubtful accounts	(1,837)	(1,040)	(13,761)
Total current assets	82,522	77,703	617,957
Non-current assets			
Property, plant and equipment			
Buildings and structures	26,737	25,709	200,217
Accumulated depreciation	(19,222)	(18,481)	(143,943)
Buildings and structures, net	7,514	7,227	56,273
Machinery, equipment and vehicles	20,479	18,849	153,359
Accumulated depreciation	(15,092)	(13,822)	(113,015)
Machinery, equipment and vehicles, net	5,387	5,027	40,344
Land	7,297	7,263	54,648
Construction in progress	234	1,437	1,759
Other	4,245	3,925	31,795
Accumulated depreciation	(3,665)	(3,418)	(27,447)
Other, net	580	506	4,348
Total property, plant and equipment	21,015	21,462	157,373
Intangible assets	1,961	1,179	14,686
Investments and other assets			
Investment securities (Note 7)	9,186	10,469	68,793
Insurance funds	571	1,891	4,282
Retirement benefit asset (Note 10)	633	820	4,740
Deferred tax assets (Note 17)	268	285	2,012
Other	161	153	1,206
Allowance for doubtful accounts	(32)	(32)	(246)
Total investments and other assets	10,788	13,588	80,789
Total non-current assets	33,765	36,230	252,849
Total assets	¥116,287	¥113,933	$870,807

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
Liabilities and net assets	**2023**	2022	**2023**
Liabilities			
Current liabilities			
Accounts payable – trade	¥ 6,942	¥ 6,137	$ 51,990
Electronically recorded obligations – operating	2,536	2,888	18,991
Short-term borrowings (Note 9)	582	1,094	4,364
Current portion of long-term borrowings (Note 9)	500	—	3,744
Accounts payable – other	1,329	1,612	9,958
Income taxes payable	345	175	2,590
Accrued expenses	1,089	1,128	8,159
Contract liabilities	15,407	12,091	115,379
Provision for product warranties	615	497	4,605
Provision for bonuses	961	1,020	7,201
Provision for bonuses for directors (and other officers)	14	22	107
Provision for loss on orders received (Note 5)	180	211	1,349
Other	1,381	1,270	10,342
Total current liabilities	31,887	28,150	238,786
Non-current liabilities			
Long-term borrowings (Note 9)	1,000	1,500	7,488
Long-term accounts payable – other	1,005	924	7,530
Deferred tax liabilities (Note 17)	1,870	2,336	14,006
Provision for share awards	649	510	4,864
Retirement benefit liability (Note 10)	1,451	1,456	10,872
Asset retirement obligations	9	9	73
Other	369	380	2,765
Total non-current liabilities	6,356	7,119	47,601
Total liabilities	38,244	35,269	286,388
Net assets			
Shareholders' equity			
Share capital (Note 11)	7,831	7,831	58,641
Authorized: 188,149,000 shares in 2023 and 2022			
Issued: 69,448,421 shares in 2023 and 2022			
Capital surplus	13,007	12,836	97,403
Retained earnings	55,205	55,511	413,400
Treasury shares (Note 11)	(5,247)	(5,250)	(39,291)
9,736,558 shares in 2023 and 9,748,838 shares in 2022			
Total shareholders' equity	70,796	70,927	530,154
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	3,994	4,815	29,915
Deferred gains or losses on hedges	(173)	(295)	(1,296)
Foreign currency translation adjustment	3,463	2,365	25,939
Remeasurements of defined benefit plans (Note 10)	(130)	87	(978)
Total accumulated other comprehensive income	7,155	6,973	53,580
Share acquisition rights (Notes 11 and 23)	91	91	684
Non-controlling interests	—	671	—
Total net assets	78,043	78,664	584,419
Total liabilities and net assets	¥116,287	¥113,933	$870,807

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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Net sales (Note 12)	¥68,795	¥62,466	$515,170
Cost of sales (Notes 2 (13), 5 and 13)	57,168	51,574	428,096
Gross profit	11,627	10,892	87,073
Selling, general and administrative expenses (Notes 13 and 14)	10,087	8,386	75,540
Operating income	1,540	2,505	11,533
Non-operating income			
Interest income	96	36	721
Dividend income	298	202	2,238
Other	122	79	916
Total non-operating income	517	318	3,876
Non-operating expenses			
Interest expenses	8	18	66
Commission expenses	80	22	604
Foreign exchange losses	172	269	1,291
Loss on restructuring of Europe business	—	19	—
Other	85	62	640
Total non-operating expenses	347	391	2,602
Ordinary income	1,710	2,432	12,806
Extraordinary income			
Gain on sale of non-current assets	8	10	66
Gain on sales of investment securities (Note 7)	146	6	1,097
Subsidy income related to suspension or decrease of production	7	22	59
Gain on liquidation of subsidiaries	117	—	880
Total extraordinary income	280	39	2,103
Extraordinary losses			
Loss on sale of non-current assets	2	0	20
Loss on retirement of non-current assets	14	56	104
Loss on suspension or decrease of production (Note 15)	6	123	46
Loss on impairment (Note 16)	—	492	—
Loss on liquidation of subsidiaries	3	—	28
Other	—	46	—
Total extraordinary losses	26	718	200
Income before income taxes	1,964	1,753	14,710
Current taxes	790	772	5,917
Deferred taxes	(121)	75	(908)
Income taxes (Note 17)	668	848	5,009
Net income	1,295	904	9,701
Net income attributable to non-controlling interests	—	8	—
Net income attributable to owners of parent	¥ 1,295	¥ 896	$ 9,701

	Yen		U.S. dollars
	2023	2022	2023
Per share			
Net income – Basic (Note 20)	¥21.70	¥15.02	$0.16
– Diluted (Note 20)	21.67	14.99	0.16
Cash dividends (Note 24)	30.00	25.00	0.22

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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Net income	¥1,295	¥ 904	$ 9,701
Other comprehensive income (Note 21)			
Valuation difference on available-for-sale securities	(821)	(54)	(6,148)
Deferred gains or losses on hedges	122	(156)	919
Foreign currency translation adjustment	1,098	1,955	8,225
Remeasurements of defined benefit plans, net of tax	(218)	(123)	(1,636)
Total other comprehensive income	181	1,621	1,359
Comprehensive income	¥1,477	¥2,526	$11,060
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥1,477	¥2,518	$11,060
Comprehensive income attributable to non-controlling interests	—	8	—

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, 2023 and 2022

	Number of shares of common stock issued (Thousands)	Millions of yen											
		Share capital	Capital surplus	Retained earnings	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeas-urements of defined benefit plans	Total accumulated other compre-hensive income	Share acquisi-tion rights	Non-controlling interests	Total net assets
Balance at April 1, 2021	69,448	¥7,831	¥12,423	¥55,963	¥(4,838)	¥71,379	¥4,869	¥(139)	¥ 410	¥ 210	¥5,351	¥91	¥ 683	¥77,505
Cumulative effects of changes in accounting policies				(85)		(85)							(14)	(99)
Restated Balance at April 1, 2021	69,448	7,831	12,423	55,877	(4,838)	71,293	4,869	(139)	410	210	5,351	91	668	77,405
Cash dividends				(1,263)		(1,263)								(1,263)
Net income attributable to owners of parent				896		896								896
Purchase of treasury stock					(0)	(0)								(0)
Disposal of treasury stock					1	1								1
Disposal of treasury stock to stock benefit trust			412		(412)	—								—
Net changes of items other than shareholders' equity							(53)	(156)	1,955	(123)	1,621	—	2	1,624
Balance at March 31 and April 1, 2022	69,448	7,831	12,836	55,511	(5,250)	70,927	4,815	(295)	2,365	87	6,973	91	671	78,664
Cash dividends				(1,601)		(1,601)								(1,601)
Net income attributable to owners of parent				1,295		1,295								1,295
Purchase of treasury stock					(0)	(0)								(0)
Disposal of treasury stock						—								—
Disposal of treasury stock to stock benefit trust					3	3								3
Change in ownership interest of parent due to transactions with non-controlling interests			171			171								171
Net changes of items other than shareholders' equity							(821)	122	1,098	(218)	181	—	(671)	(489)
Balance at March 31, 2023	69,448	¥7,831	¥13,007	¥55,205	¥(5,247)	¥70,796	¥3,994	¥(173)	¥3,463	¥(130)	¥7,155	¥91	¥ —	¥78,043

	Number of shares of common stock issued (Thousands)	Thousands of U.S. dollars (Note 3)											
		Share capital	Capital surplus	Retained earnings	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeas-urements of defined benefit plans	Total accumulated other compre-hensive income	Share acquisi-tion rights	Non-controlling interests	Total net assets
Balance at April 1, 2022	69,448	$58,641	$96,121	$415,689	$(39,317)	$531,135	$36,064	$(2,215)	$17,713	$ 658	$52,220	$684	$ 5,026	$589,067
Cash dividends				(11,990)		(11,990)								(11,990)
Net income attributable to owners of parent				9,701		9,701								9,701
Purchase of treasury stock					(2)	(2)								(2)
Disposal of treasury stock						—								—
Disposal of treasury stock to stock benefit trust					28	28								28
Change in ownership interest of parent due to transactions with non-controlling interests			1,282			1,282								1,282
Net changes of items other than shareholders' equity during the year							(6,148)	919	8,225	(1,636)	1,359	—	(5,026)	(3,667)
Balance at March 31, 2023	69,448	$58,641	$97,403	$413,400	$(39,291)	$530,154	$29,915	$(1,296)	$25,939	$ (978)	$53,580	$684	$ —	$584,419

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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Cash flows from operating activities			
Income before income taxes	¥ 1,964	¥ 1,753	$ 14,710
Depreciation	1,847	1,833	13,833
Loss on impairment	—	492	—
Loss (gain) on sale of fixed assets	(6)	(10)	(45)
Loss on disposal of fixed assets	14	56	104
Loss (gain) on sale of investment securities	(146)	(6)	(1,097)
Loss (gain) on liquidation of subsidiaries	(113)	—	(851)
Increase (decrease) in allowance for doubtful accounts	745	14	5,580
Increase (decrease) in provision for bonuses	(67)	(80)	(506)
Increase (decrease) in provision for bonuses for directors (and other officers)	(8)	(14)	(63)
Increase (decrease) in provision for product warranties	89	3	666
Increase (decrease) in retirement benefit liability	(13)	57	(104)
Decrease (increase) in retirement benefit asset	(32)	(30)	(246)
Increase (decrease) in provision for share awards	138	29	1,039
Increase (decrease) in provision for loss on orders received	(46)	85	(346)
Interest and dividend income	(395)	(238)	(2,959)
Interest expenses	8	18	66
Decrease (increase) in trade receivables	(1,284)	7,137	(9,615)
Decrease (increase) in inventories	(3,310)	(2,542)	(24,793)
Increase (decrease) in trade payables	(240)	455	(1,801)
Decrease (increase) in other assets	193	(8)	1,451
Increase (decrease) in other liabilities	125	(245)	937
Other, net	(434)	(1,321)	(3,254)
Sub-total	(974)	7,439	(7,298)
Interest and dividends received	392	237	2,941
Interest paid	(10)	(19)	(80)
Income taxes paid	(537)	(1,752)	(4,024)
Net cash provided by (used in) operating activities	(1,129)	5,905	(8,461)
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,914)	(1,682)	(14,333)
Proceeds from sales of property, plant and equipment	718	8	5,383
Purchase of intangible assets	(459)	(511)	(3,441)
Purchase of investment securities	(99)	(659)	(748)
Proceeds from sales of investment securities	367	9	2,749
Payments into time deposits	(342)	(66)	(2,567)
Proceeds from withdrawal of time deposits	345	71	2,588
Purchase of shares of subsidiaries	(500)	—	(3,744)
Other, net	—	1	—
Net cash provided by (used in) investing activities	(1,884)	(2,828)	(14,113)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(563)	(261)	(4,221)
Payments for finance lease obligations	(2)	(4)	(18)
Proceeds from sale of treasury stock	3	1	28
Purchase of treasury shares	(0)	(0)	(2)
Dividends paid	(1,601)	(1,263)	(11,990)
Dividends paid to non-controlling interests	(2)	(5)	(20)
Net cash provided by (used in) financing activities	(2,166)	(1,533)	(16,224)
Effect of exchange rate change on cash and cash equivalents	659	1,786	4,941
Net increase (decrease) in cash and cash equivalents	(4,521)	3,330	(33,857)
Cash and cash equivalents at beginning of period	35,030	31,700	262,320
Cash and cash equivalents at end of period (Note 4)	¥30,508	¥35,030	$228,462

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

Notes to Consolidated Financial Statements

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries

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 20 in 2023 and 23 in 2022. Significant consolidated subsidiaries as of March 31, 2023 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)
AIDA HONG KONG, LTD., AIDA EUROPE Holding AG and OOO AIDA were excluded from the scope of consolidation due to their liquidation.

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 market price are reported at the fair 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 with no market price are stated at the 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 statement 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 related 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 the cost of sales amounted to ¥763 million (U.S. $5,715 thousand) and ¥829 million for the years ended March 31, 2023 and 2022, 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 fiscal year-end.

(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 significant sales and cost of sales

(a) Performance obligations
The Companies are engaged in the manufacturing and sales of press machines and their ancillary equipment and auxiliary business such as services.
Customers are mainly suppliers in the automobile, home appliances and electronic devices industries.

(b) When the entity typically satisfies its performance obligations
For sales of press machines and ancillary equipment, revenue is recognized at the point in time when product installation or performance testing is completed.
For services such as periodic checks, maintenance, repair and other services, revenue is recognized when a provision of the service is completed and performance obligation is satisfied.
For sales of service parts, revenue is recognized when the customers accept the goods. Conditions for acceptance, such as shipping and receipt by customers depend on contracts or arrangements with customers and the like.
The Companies manufacture and sell certain specialized 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.
In such cases, the Companies' performance does not create an asset with an alternative use to the Companies and the Companies have an enforceable right to payment for performance completed to date. Therefore, the Companies recognize revenue as the Companies satisfy a performance obligation, and 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.

(c) Other notes and other items on revenue recognition determined to be included in significant accounting policies
The transaction price does not include a significant financing component in the contract because the payment is made within one year from the time of satisfaction of the performance obligations.

(18) Group Tax Sharing System

AIDA and certain domestic subsidiary apply the group tax sharing system.

(19) Significant accounting estimates

Revenue recognition for construction contracts for which the performance obligations are satisfied over time

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2023	2022	2023
Net sales of construction contracts for which the performance obligations are satisfied over time	¥24,792 36%	¥21,513 34%	$185,656
Contract assets related to the above	¥ 7,948	¥ 6,627	$ 59,523

(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. In recognition of revenue for long-term construction contracts for which the performance obligations are satisfied over time, the revenue is recognized over a certain period based on the percentage of satisfaction of performance obligations. The estimate of the percentage of satisfaction of performance obligation is based on the ratio of construction costs incurred through the end of the period to the total estimated construction costs of each contract.

(b) Main assumptions

The Companies make assumptions in calculating revenue for which the performance obligations are satisfied over time about the total 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 fluctuations of material prices and man-hours during construction.

(c) Risk of resulting in a material adjustment to the consolidated financial statements within the 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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2023	2022	2023
Loss on impairment	¥ —	¥ 492	$ —
Carrying amount of property, plant and equipment, and intangible assets	1,048	1,117	7,854

Details of impairment loss are stated in Note 16.

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

(a) Calculation method

The Companies assess whether 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 the carrying amount. The recoverable amount is calculated at the higher 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 in a material adjustment to the consolidated financial statements within the next fiscal year

Uncertainty in estimating the 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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2023	2022	2023
Allowance for doubtful accounts	¥1,870	¥1,073	$14,008

The main allowances for doubtful accounts recognized in the current fiscal year are as follows.

For contract assets of ¥1,625 million (U.S. $12,173 thousand) from a specific customer held by AIDA ENGINEERING CHINA CO., LTD. the allowance for doubtful accounts of ¥1,625 million (U.S. $12,173 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 contract assets 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 contract assets.

(b) Main assumptions

The Companies make 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 the possibility to recover 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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2023	2022	2023
Deferred tax assets	¥1,981	¥2,010	$14,836
(Amount after deducting deferred tax liabilities)	268	285	2,012

Of the above, the deferred tax assets recorded by AIDA are ¥1,198 million (U.S. $8,973 thousand) (60% 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 in a material adjustment to the consolidated financial statements within the 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) Changes in accounting policies

Accounting Standard for Fair Value Measurement and other standards

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, revised on June 17, 2021; "Fair Value Measurement Accounting Standard Guidance") was applied effective from the beginning of the year ended March 31, 2023.

The Companies prospectively applied the new accounting policies stipulated in the Fair Value Measurement Accounting Standard Guidance from the beginning of the year ended March 31, 2023 in accordance with the transitional treatment stipulated in paragraph 27-2 of the Fair Value Measurement Accounting Standard Guidance.

The application has no impact on the consolidated financial statements.

(21) Accounting standards issued but not yet effective

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

This stipulates the classification of income taxes when applied to other comprehensive income and the treatment of tax effects related to the sale of shares in subsidiaries when the group tax sharing system is applied.

(2) Expected Application Date

Scheduled to be introduced at the beginning of the fiscal year ending March 31, 2025.

(3) Effect of Applying the Accounting Standard

The impact is being evaluated at the time of preparation of these consolidated financial statements.

(22) Additional information

Employee Stock Ownership Plan (ESOP) Trust (Retirement benefits type)

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, 2023 are ¥943 million (U.S. $7,066 thousand) and 3,288,200 shares, respectively.

Employee Stock Ownership Plan (ESOP) Trust (Performance-linked type)

Since March 2022, 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 after a certain time period.

(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, 2023 are ¥942 million (U.S. $7,056 thousand) and 889,848 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, 2023 are ¥144 million (U.S. $1,083 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 ¥133.54 = U.S. $1, the approximate rate of exchange as of March 31, 2023, 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	2023	2022	2023
Cash on hand and at banks	¥30,510	¥35,031	$228,475
Less: Time deposits with maturities of more than three months	(1)	(1)	(12)
Cash and cash equivalents	¥30,508	¥35,030	$228,462

5. INVENTORIES

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

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2022	2023
Finished goods	¥ 4,387	¥ 4,135	$ 32,857
Work in process	17,022	13,019	127,471
Raw materials	4,456	4,420	33,373
Inventories	¥25,867	¥21,575	$193,703

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	2023	2022	2023
Work in process	¥5	¥20	$40
Total	¥5	¥20	$40

Gains recognized and credited to cost of sales as a result of reversal of loss on devaluation of inventories for the year ended March 31, 2023 were ¥122 million (U.S. $915 thousand).

Losses recognized and charged to cost of sales as a result of the devaluation of inventories for the year ended March 31, 2022 were ¥203 million.

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 borrowings 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 and contract assets, 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 mainly consist of stocks and are exposed to price fluctuation risks.

Operating payables (accounts payable – trade and electronically recorded 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 borrowings 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 sheets 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
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 as follows:

As of March 31, 2023	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Investment securities						
Other securities	¥8,840	¥8,840	¥—	$66,198	$66,198	$ —
Total assets	¥8,840	¥8,840	¥—	$66,198	$66,198	$ —
Long-term borrowings and current portion of long-term borrowings	¥1,500	¥1,496	¥(3)	$11,232	$11,207	$(24)
Total liabilities	¥1,500	¥1,496	¥(3)	$11,232	$11,207	$(24)
Derivative transactions which are not subject to hedge accounting*3	¥ (308)	¥ (308)	¥—	$(2,310)	$ (2,310)	$ —
Derivative transactions which are subject to hedge accounting*3	(296)	(296)	—	(2,220)	(2,220)	—

*1 "Cash on hand and at banks," "Notes and accounts receivable – trade and contract assets," "Electronically recorded monetary claims – operating," "Accounts receivable – other," "Accounts payable – trade," "Electronically recorded obligations – operating," "Accounts payable – other," and "Short-term borrowings" are omitted because they are cash or are settled within a short time and the fair value is almost equal to the carrying value.

*2 The amounts of non-marketable securities are recorded in the consolidated balance sheets as follows.

As of March 31, 2023	Millions of yen Carrying value	Thousands of U.S. dollars Carrying value
Other securities		
Unlisted stocks	¥346	$2,594

*3 The assets and liabilities arising from derivative transactions are presented at net amounts.

As of March 31, 2022	Millions of yen		
	Carrying value	Fair value	Difference
Investment securities			
Other securities	¥10,123	¥10,123	¥—
Total assets	¥10,123	¥10,123	¥—
Long-term borrowings	¥ 1,500	¥ 1,500	¥ 0
Total liabilities	¥ 1,500	¥ 1,500	¥ 0
Derivative transactions which are not subject to hedge accounting*3	¥ (184)	¥ (184)	¥—
Derivative transactions which are subject to hedge accounting*3	(429)	(429)	—

*1 "Cash on hand and at banks," "Notes and accounts receivable – trade and contract assets," "Electronically recorded monetary claims – operating," "Accounts receivable – other," "Accounts payable – trade," "Electronically recorded obligations – operating," "Accounts payable – other," and "Short-term borrowings" are omitted because they are cash or are settled within a short time and the fair value is almost equal to the carrying value.

*2 The amounts of non-marketable securities are recorded in the consolidated balance sheets as follows.

As of March 31, 2022	Millions of yen Carrying value
Other securities	
Unlisted stocks	¥346

*3 The assets and liabilities arising from derivative transactions is presented at net amounts.

Remark 1: The redemption schedule for monetary claims or securities with maturities was as follows.

As of March 31, 2023	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at banks	¥30,490	¥—	¥—	¥—
Notes and accounts receivable – trade and contract assets	22,506	—	—	—
Electronically recorded monetary claims – operating	1,018	—	—	—
Accounts receivable – other	526	—	—	—
Total	¥54,542	¥—	¥—	¥—

As of March 31, 2023	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	$228,327	$—	$—	$—
Notes and accounts receivable – trade and contract assets	168,539	—	—	—
Electronically recorded monetary claims – operating	7,625	—	—	—
Accounts receivable – other	3,941	—	—	—
Total	$408,434	$—	$—	$—

As of March 31, 2022	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at banks	¥35,011	¥—	¥—	¥—
Notes and accounts receivable – trade and contract assets	17,690	—	—	—
Electronically recorded monetary claims – operating	1,087	—	—	—
Accounts receivable – other	489	—	—	—
Total	¥54,279	¥—	¥—	¥—

Remark 2: The repayment schedule for borrowings was as follows.

As of March 31, 2023	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 borrowings	¥ 582	¥ —	¥ —	¥—	¥—	¥—
Long-term borrowings and current portion of long-term borrowings	500	500	500	—	—	—
Total	¥1,082	¥500	¥500	¥—	¥—	¥—

As of March 31, 2023	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 borrowings	$4,364	$ —	$ —	$—	$—	$—
Long-term borrowings and current portion of long-term borrowings	3,744	3,744	3,744	—	—	—
Total	$8,109	$3,744	$3,744	$—	$—	$—

As of March 31, 2022	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 borrowings	¥1,094	¥ —	¥ —	¥ —	¥—	¥—
Long-term borrowings	—	500	500	500	—	—
Total	¥1,094	¥500	¥500	¥500	¥—	¥—

(3) Fair value of financial instruments by levels

The fair value of financial instruments is classified into the following levels according to the observability and materiality of the inputs used to calculate fair value.

Level 1: Fair value derived from quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value derived from directly or indirectly observable inputs that are not included in Level 1 inputs.

Level 3: Fair value derived from unobservable inputs.

When multiple inputs that have a significant impact on the fair value calculation are used, the fair value is classified at the lowest priority level.

(a) Financial instruments recorded at fair value in the consolidated balance sheets

As of March 31, 2023	Millions of yen Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	¥8,840	¥ —	¥—	¥8,840
Total assets	¥8,840	¥ —	¥—	¥8,840
Derivative transactions				
Currency-related transactions	¥ —	¥(605)	¥—	¥ (605)
Total liabilities	¥ —	¥(605)	¥—	¥ (605)

As of March 31, 2023	Thousands of U.S. dollars Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	$66,198	$ —	$—	$66,198
Total assets	$66,198	$ —	$—	$66,198
Derivative transactions				
Currency-related transactions	$ —	$(4,530)	$—	$ (4,530)
Total liabilities	$ —	$(4,530)	$—	$ (4,530)

As of March 31, 2022	Millions of yen Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	¥10,123	¥ —	¥—	¥10,123
Total assets	¥10,123	¥ —	¥—	¥10,123
Derivative transactions				
Currency-related transactions	¥ —	¥(613)	¥—	¥ (613)
Total liabilities	¥ —	¥(613)	¥—	¥ (613)

(b) Financial instruments not recorded at fair value in the consolidated balance sheets

As of March 31, 2023	Millions of yen Fair value Level 1	Level 2	Level 3	Total
Long-term borrowings and current portion of long-term borrowings	¥—	¥1,496	¥—	¥1,496
Total assets	¥—	¥1,496	¥—	¥1,496

As of March 31, 2023	Thousands of U.S. dollars Fair value Level 1	Level 2	Level 3	Total
Long-term borrowings and current portion of long-term borrowings	$—	$11,207	$—	$11,207
Total assets	$—	$11,207	$—	$11,207

As of March 31, 2022	Millions of yen Fair value Level 1	Level 2	Level 3	Total
Long-term borrowings	¥—	¥1,500	¥—	¥1,500
Total assets	¥—	¥1,500	¥—	¥1,500

Remark: Valuation techniques and inputs of fair value for financial instruments

Derivative Transactions

The fair value is calculated using observable inputs such as exchange rates and is classified as Level 2 fair value.

Long-term borrowings and current portion of long-term borrowings

The fair value is calculated using the discounted present value method based on the total principal amount and an interest rate that takes into account the remaining term of the debt and credit risk, and is classified as Level 2 fair value.

7. INVESTMENT SECURITIES

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

As of March 31, 2023 Types of securities	Millions of yen Carrying value	Acquisition cost	Unrealized gains (losses)	Thousands of U.S. dollars Carrying value	Acquisition cost	Unrealized gains (losses)
Carrying value exceeds acquisition cost:						
Stocks	¥8,324	¥2,401	¥5,923	$62,338	$17,983	$44,355
Sub-total	8,324	2,401	5,923	62,338	17,983	44,355
Carrying value does not exceed acquisition cost:						
Stocks	515	653	(137)	3,860	4,890	(1,029)
Sub-total	515	653	(137)	3,860	4,890	(1,029)
Total	¥8,840	¥3,054	¥5,785	$66,198	$22,873	$43,325

As of March 31, 2022 Types of securities	Millions of yen Carrying value	Acquisition cost	Unrealized gains (losses)
Carrying value exceeds acquisition cost:			
Stocks	¥ 9,602	¥2,566	¥7,036
Sub-total	9,602	2,566	7,036
Carrying value does not exceed acquisition cost:			
Stocks	520	608	(88)
Sub-total	520	608	(88)
Total	¥10,123	¥3,175	¥6,947

(2) Sales of other securities were as follows:

Year ended March 31	Millions of yen 2023	2022	Thousands of U.S. dollars 2023
Total sales amounts	¥367	¥9	$2,749
Gains on sales	146	6	1,097

8. DERIVATIVE FINANCIAL INSTRUMENTS

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

As of March 31, 2023

(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)	Thousands of U.S. dollars Contract value Contract value total	Over 1 year	Fair value	Unrealized gain (loss)
Forward exchange transactions:								
Sell —								
USD	¥ 117	¥ —	¥ (20)	¥ (20)	$ 882	$ —	$ (150)	$ (150)
EUR	5,847	480	(288)	(288)	43,786	3,601	(2,164)	(2,164)
CNY	307	—	(3)	(3)	2,299	—	(27)	(27)
Buy —								
USD	0	—	(0)	(0)	4	—	(0)	(0)
EUR	165	—	4	4	1,240	—	32	32
Total	¥6,438	¥480	¥(308)	¥(308)	$48,214	$3,601	$(2,310)	$(2,310)

(2) Derivative transactions (hedge accounting applied)

Currency-related transactions (Deferred hedge accounting method)

	Main hedged item	Millions of yen Contract value Contract value total	Over 1 year	Fair value	Thousands of U.S. dollars Contract value Contract value total	Over 1 year	Fair value
Forward exchange transactions:							
Sell —							
USD	Expected foreign currency transactions	¥ 5,066	¥ 728	¥(216)	$37,940	$ 5,458	$(1,618)
EUR		3,670	2,625	(114)	27,483	19,660	(854)
JPY		244	53	10	1,833	400	81
CNY		921	537	2	6,901	4,025	18
Buy —							
USD		248	—	(14)	1,860	—	(108)
EUR		1,105	—	33	8,281	—	249
JPY		135	33	1	1,014	247	12
Total		¥11,392	¥3,978	¥(296)	$85,315	$29,792	$(2,220)

As of March 31, 2022

(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	¥ 120	¥ —	¥ (4)	¥ (4)
EUR	4,324	263	(171)	(171)
CNY	48	—	(7)	(7)
Total	¥4,494	¥263	¥(184)	¥(184)

(2) Derivative transactions (hedge accounting applied)
Currency-related transactions (Deferred hedge accounting method)

	Main hedged item	Millions of yen Contract value Contract value total	Over 1 year	Fair value
Forward exchange transactions:				
Sell —				
USD	Expected foreign currency transactions	¥3,519	¥ 367	¥(286)
EUR		2,267	1,686	(77)
JPY		6	—	0
CNY		547	—	(60)
Buy —				
EUR		226	—	5
JPY		159	—	(11)
Total		¥6,727	¥2,053	¥(429)

9. BORROWINGS

Short-term borrowings and long-term borrowings are as follows:

As of March 31, 2023	Millions of yen	Weighted average interest rate	Repayment dates	Thousands of U.S. dollars
Short-term borrowings	¥ 582	4.13%	September 22, 2023	$ 4,364
Current portion of long-term borrowings	500	0.68%	March 29, 2024	3,744
Long-term borrowings	1,000	0.59%	March 19, and December 15, 2025	7,488
Total	¥2,082	—%	—	$15,597

As of March 31, 2022	Millions of yen	Weighted average interest rate	Repayment dates
Short-term borrowings	¥1,094	0.72%	June 23, 2022
Long-term borrowings	1,500	0.62%	March 29, 2024, March 19, and December 15, 2025
Total	¥2,594	—%	—

Repayment schedules for long-term borrowings as of March 31, 2023 are as follows:

As of March 31	Millions of yen	Thousands of U.S. dollars
2024	¥500	$3,744
2025	500	3,744
2026	500	3,744

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. A 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

Year ended March 31	Millions of yen 2023	2022	Thousands of U.S. dollars 2023
Balance at the beginning of the year	¥ 4,830	¥ 4,765	$ 36,171
Service cost	251	244	1,882
Interest cost	27	26	207
Actuarial gain and loss	24	16	185
Retirement benefits paid	(237)	(227)	(1,781)
Others	5	5	42
Balance at the end of the year	¥ 4,901	¥ 4,830	$ 36,707

*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 2023	2022	Thousands of U.S. dollars 2023
Plan assets at the beginning of the year	¥4,195	¥4,243	$31,415
Expected return on plan assets	83	84	628
Actuarial gain and loss	(190)	(61)	(1,425)
Contributions by the Company	125	125	941
Retirement benefits paid	(131)	(196)	(983)
Plan assets at the end of the year	¥4,083	¥4,195	$30,576

(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 2023	2022	Thousands of U.S. dollars 2023
Funded retirement benefit obligation	¥ 3,450	¥ 3,374	$ 25,835
Plan assets at fair value	(4,083)	(4,195)	(30,576)
	(633)	(820)	(4,740)
Unfunded retirement benefit obligation	1,451	1,456	10,872
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ 818	¥ 635	$ 6,131
Retirement benefit liability	¥ 1,451	¥ 1,456	$ 10,872
Retirement benefit asset	(633)	(820)	(4,740)
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ 818	¥ 635	$ 6,131

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

(d) Components of retirement benefit expenses

Year ended March 31	Millions of yen 2023	2022	Thousands of U.S. dollars 2023
Service cost	¥251	¥ 244	$1,882
Interest cost	27	26	207
Expected return on plan assets	(83)	(84)	(628)
Amortization of actuarial gain and loss	(99)	(101)	(747)
Retirement benefit expenses	¥ 95	¥ 85	$ 714

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

(e) Components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect)

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2023	2022	2023
Actuarial gain and loss	**¥(314)**	¥(180)	**$(2,358)**
Total	**¥(314)**	¥(180)	**$(2,358)**

(f) Components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect)

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2022	2023
Unrecognized actuarial loss	**¥188**	¥(126)	**$1,409**
Total	**¥188**	¥(126)	**$1,409**

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

As of March 31	2023	2022
Bonds	**33.0%**	26.4%
Stocks	**25.3%**	23.6%
General accounts	**26.8%**	27.3%
Others	**14.9%**	22.7%
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	2023	2022
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 2.9%**	Mainly 3.1%

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, 2023 and 2022 were ¥184 million (U.S. $1,383 thousand) and ¥175 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, 2023

Types of shares	Number of shares at April 1, 2022	Increase	Decrease	Number of shares at March 31, 2023
Shares issued:				
Common stock	**69,448,421**	**—**	**—**	**69,448,421**
Treasury stock:				
Common stock (Remarks 1, 2 and 3)	**9,748,838**	**472**	**12,752**	**9,736,558**

Remarks: 1. Details of the increase are as follows:
Increase due to the purchase of shares of less than standard unit..472
2. Details of the decrease are as follows:
Decrease due to the grant of shares from ESOP trust (Retirement benefits type)................12,752
3. The number of shares of treasury stock held by Trust Account E as of April 1, 2022 and March 31, 2023 includes 4,348,700 shares and 4,335,948 shares, respectively.

During the year ended March 31, 2022

Types of shares	Number of shares at April 1, 2021	Increase	Decrease	Number of shares at March 31, 2022
Shares issued:				
Common stock	69,448,421	—	—	69,448,421
Treasury stock:				
Common stock (Remarks 1, 2 and 3)	9,753,258	890,880	895,300	9,748,838

Remarks: 1. Details of the increase are as follows:
Increase due to the purchase of shares of less than standard unit..880
Increase due to purchase of shares by ESOP trust (Performance-linked type).................890,000
2. Details of the decrease are as follows:
Decrease due to the grant of shares from ESOP trust (Retirement benefits type).................5,300
Decrease due to disposition of treasury stock by third-party allocation............................890,000
3. The number of shares of treasury stock held by Trust Account E as of April 1, 2021 and March 31, 2022 includes 3,464,000 shares and 4,348,700 shares, respectively.

(2) Share subscription rights
During the year ended March 31, 2023

							Millions of yen	Thousands of U.S. dollars
Company	Description	Type of shares issued	Number of shares at April 1, 2022	Increase	Decrease	Number of shares at March 31, 2023	Balance at March 31, 2023	Balance at March 31, 2023
Parent company	Share subscription rights as stock options	—	—	—	—	**—**	**¥91**	**$684**
	Total	—	—	—	—	**—**	**¥91**	**$684**

During the year ended March 31, 2022

							Millions of yen
Company	Description	Type of shares issued	Number of shares at April 1, 2021	Increase	Decrease	Number of shares at March 31, 2022	Balance at March 31, 2022
Parent company	Share subscription rights as stock options	—	—	—	—	—	¥91
	Total	—	—	—	—	—	¥91

12. REVENUE RECOGNITION

(1) Information regarding disaggregation of revenue from contracts with customers
Regarding net sales, revenue from contracts with customers and revenue from other sources are not separately presented. Information regarding disaggregation of revenue from contracts with customers was represented in "22. SEGMENT INFORMATION (3) Information on sales, profit or loss, assets, and other items by reportable segments."

(2) Basic information to understand revenue from contracts with customers
Basic information to understand revenue from contracts with customers was represented in "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (17) Recognition of significant sales and cost of sales."

(3) Information to understand the amount of revenue in the current and subsequent fiscal years
(a) Contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars
For the year ended March 31, 2023	As of April 1, 2022	As of March 31, 2023	As of March 31, 2023
Receivables from contracts with customers			
Trade notes	¥ 516	**¥ 329**	**$ 2,471**
Accounts receivable	10,546	**14,227**	**106,544**
Total receivables from contracts with customers	¥11,062	**¥14,557**	**$109,015**
Contract assets	¥ 6,627	**¥ 7,948**	**$ 59,523**

For the year ended March 31, 2022	Millions of yen As of April 1, 2021	As of March 31, 2022
Receivables from contracts with customers		
Trade notes	¥ 817	¥ 516
Accounts receivable	10,761	10,546
Total receivables from contracts with customers	¥11,578	¥11,062
Contract assets	¥ 7,454	¥ 6,627

Contract assets are the Companies' rights to consideration for performance obligations recognized but not yet billed as of the year-end date for contracts with customers for the manufacture and sale of presses that meet the definition of the performance obligations satisfied over time. Contract assets become receivables from contracts with customers once the Companies' rights to the consideration become unconditional.

Contract liabilities are mainly advance payments received from customers under certain payment terms for contracts with customers for the manufacture and sale of presses. Contract liabilities are reversed upon recognition of revenue.

Of the contract liabilities balance at the beginning of the fiscal year, revenue recognized for the years ended March 31, 2023 and 2022 were ¥11,106 million (U.S. $83,170 thousand) and ¥6,337 million, respectively.

(b) Transaction price allocated to the remaining performance obligations

Of the ¥70,343 million (U.S. $526,756 thousand) order backlog (remaining performance obligation) as of March 31, 2023, 84.0% will be recognized as revenue within one year, and the remainder is expected to be recognized as revenue within approximately three years.

Of the ¥55,171 million order backlog (remaining performance obligation) as of March 31, 2022, 87.1% will be recognized as revenue within one year, and the remainder is expected to be recognized as revenue within approximately two years.

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	Millions of yen 2023	2022	Thousands of U.S. dollars 2023
Salaries and wages	¥3,148	¥2,949	$23,576
Provision of allowance for doubtful accounts	878	1	6,578
Provision for accrued bonuses for employees	365	373	2,733
Retirement benefit expenses	75	60	565

14. RESEARCH AND DEVELOPMENT EXPENSES

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

Year ended March 31	Millions of yen 2023	2022	Thousands of U.S. dollars 2023
Selling, general and administrative expenses	¥ 565	¥ 509	$4,233
Cost of sales	511	740	3,829
Total	¥1,076	¥1,250	$8,062

15. LOSS ON SUSPENSION OR DECREASE OF PRODUCTION

For the year ended March 31, 2023

This extraordinary loss was fixed costs such as personnel expenses for the period during which the governments required shutdowns and reductions in operations to prevent the spread of COVID-19 infections.

For the year ended March 31, 2022

This extraordinary loss was fixed costs such as personnel expenses for the period during which the governments required shutdowns and reductions in operations to prevent the spread of COVID-19 infections.

16. LOSS ON IMPAIRMENT OF FIXED ASSETS

For the year ended March 31, 2023

There is no loss on impairment of fixed assets for the year ended March 31, 2023.

For the year ended March 31, 2022

(1) Loss on impairment of fixed assets was recognized for the year ended March 31, 2022 as follows:

Subsidiaries	Purpose	Types of Fixed Assets	Millions of yen
AIDA PRESS MACHINERY SYSTEMS CO., LTD.	Business use	Buildings and structures	¥263
		Machinery and vehicles	224
		Other fixed assets	0
		Software	3
		Other investments and assets	0

(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 the 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 ¥492 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%.

17. INCOME TAXES

The applicable statutory tax rate in Japan was approximately 30.6% for the years ended March 31, 2023 and 2022.

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

Year ended March 31	2023	2022
Statutory income tax rates	30.6%	30.6%
Non-deductible expenses (entertainment expenses and others) for tax purposes	5.1%	6.6%
Dividend income	(1.1%)	(0.6%)
Inhabitant taxes per capita	1.0%	1.1%
Difference of tax rates applied to overseas subsidiaries	(1.6%)	(3.6%)
Tax credit	(3.8%)	(5.8%)
Changes in valuation allowance	5.8%	15.5%
Expired net operating loss carryforwards	1.8%	2.2%
Others	(3.7%)	2.4%
Effective income tax rates	34.1%	48.4%

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

As of March 31	Millions of yen 2023	2022	Thousands of U.S. dollars 2023
Deferred tax assets:			
Loss on write-down of inventories	¥ 821	¥ 1,010	$ 6,150
Accrued warranty costs	169	136	1,266
Accrued bonuses for employees	271	290	2,030
Depreciation expense	516	517	3,868
Accrued stock payments	164	128	1,229
Long-term accounts payable – other	71	71	537
Tax losses carried forward	2,259	2,045	16,921
Retirement benefit obligation	413	498	3,097
Others	1,562	1,282	11,698
Subtotal deferred tax assets	6,249	5,983	46,800
Valuation allowance for net operating loss carryforwards	(2,231)	(1,999)	(16,713)
Valuation allowance for deductible temporary differences	(2,036)	(1,973)	(15,250)
Less: Valuation allowance	(4,268)	(3,972)	(31,964)
Total deferred tax assets	1,981	2,010	14,836
Deferred tax liabilities:			
Undistributed subsidiaries' earnings	(393)	(364)	(2,945)
Reserve for reduction entry of replaced property	(422)	(427)	(3,164)
Net defined benefit assets	(285)	(256)	(2,137)
Fixed assets	(662)	(795)	(4,963)
Unrealized gains on other securities	(1,786)	(2,128)	(13,381)
Others	(31)	(90)	(237)
Total deferred tax liabilities	(3,582)	(4,062)	(26,830)
Net deferred tax assets (liabilities)	¥(1,601)	¥(2,051)	$(11,994)

*1 The valuation allowance increased by ¥295 million (U.S. $2,213 thousand). The increase was mainly due to the recognition of an additional valuation allowance of ¥231 million (U.S. $1,736 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.

As of March 31, 2023 (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	Total
Net operating loss carryforwards (a)	¥—	¥ 109	¥ 313	¥ 103	¥—	¥ 1,734	¥ 2,259
Valuation allowance	—	(109)	(313)	(100)	—	(1,708)	(2,231)
Deferred tax assets	¥—	¥ —	¥ —	¥ 2	¥—	¥ 25	¥ 27

As of March 31, 2023 (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	Total
Net operating loss carryforwards (a)	$—	$ 816	$ 2,345	$ 773	$—	$ 12,986	$ 16,921
Valuation allowance	—	(816)	(2,345)	(755)	—	(12,795)	(16,713)
Deferred tax assets	$—	$ —	$ —	$ 18	$—	$ 190	$ 208

(a) Net operating loss carryforwards were the amount multiplied by the effective statutory tax rate.
(b) For the net operating loss carryforward of ¥2,259 million (U.S. $16,921 thousand) (amount multiplied by effective statutory tax rate), deferred tax assets of ¥27 million (U.S. $208 thousand) have been recorded.
The deferred tax assets of ¥27 million (U.S. $208 thousand) are for part of the balance of the tax loss carryforward of ¥2,259 million (U.S. $16,921 thousand) (amount multiplied by effective statutory tax rate), mainly due to AIDA AMERICA CORP. and REJ Co., LTD.
Net operating loss carryforwards arose mainly due to the loss before income taxes of ¥2 million (U.S. $1,584 thousand) for the fiscal year ended March 31, 2018.
The tax loss carryforward was determined to be recoverable as future taxable income is anticipated, and therefore no corresponding valuation allowance has been recognized.

As of March 31, 2022 (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	Total
Net operating loss carryforwards (a)	¥ 59	¥—	¥ 111	¥327	¥ 22	¥ 1,524	¥ 2,045
Valuation allowance	(32)	—	(111)	(327)	(22)	(1,505)	(1,999)
Deferred tax assets	¥ 27	¥—	¥ —	¥ —	¥ —	¥ 18	¥ 45

(a) Net operating loss carryforwards were the amount multiplied by the effective statutory tax rate.
(b) For the net operating loss carryforward of ¥2,045 million (amount multiplied by effective statutory tax rate), deferred tax assets of ¥45 million have been recorded.
The deferred tax assets of ¥45 million are for part of the balance of the tax loss carryforward of ¥2,045 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 ¥193 million for the fiscal year ended March 31, 2014.
The tax loss carryforward was determined to be recoverable as future taxable income is anticipated, and therefore no corresponding valuation allowance has been recognized.

(3) Application of the group tax sharing system
AIDA and a certain domestic consolidated subsidiary applied the group tax sharing system from the beginning of the fiscal the year ended March 31, 2023. As a result, with regard to accounting procedures and disclosure for income tax, local corporation tax and tax effect accounting, "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (Practical Issues Task Force No. 42, August 12, 2021; hereinafter referred to as "PITF No. 42") is applied.

18. LEASES

Description of finance leases is omitted due to its insignificance as of March 31, 2023 and 2022.

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

As of March 31	Millions of yen 2023	2022	Thousands of U.S. dollars 2023
Operating leases:			
Due within 1 year	¥122	¥ 62	$ 914
Thereafter	115	56	867
Total	¥237	¥119	$1,781

19. RELATED PARTY TRANSACTIONS

There were no transactions between AIDA and its related companies and individuals for the years ended March 31, 2023 and 2022.

20. PER SHARE INFORMATION

Shares held by the 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, 2022 and March 31, 2023 includes 4,348,700 shares and 4,335,948 shares, respectively.

Calculation of net assets per share and net income per share are as follows:

As of and for the year ended March 31	Millions of yen 2023	2022	Thousands of U.S. dollars 2023
Net assets per share*1	¥1,305.47	¥1,304.89	$9.78
Net income – Basic*2	21.70	15.02	0.16
– Diluted*2	21.67	14.99	0.16

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

As of March 31	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars 2023
Total net assets on consolidated balance sheets	¥78,043	¥78,664	$584,419
Total net assets attributable to shares of common stock	77,951	77,901	583,734
Main differences:			
Stock options	91	91	684
Non-controlling interests	—	671	—
Number of shares outstanding (thousands of shares)	69,448	69,448	—
Number of treasury stock (thousands of shares)	9,736	9,748	—
Number of shares used for computing net assets per share (thousands of shares)	59,711	59,699	—

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

Year ended March 31	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars 2023
Net income	¥ 1,295	¥ 896	$9,701
Net income attributable to shares of common stock	1,295	896	9,701
Average number of shares outstanding during the years (thousands of shares)	59,703	59,695	—
Potential increase in common stock for the diluted income calculation (thousands of shares)	81	94	—
Excluded potential increase in common stock for the diluted income calculation due to no dilutive effect (thousands of shares)	20	10	—

21. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

Year ended March 31	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars 2023
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥(1,036)	¥ (30)	$ (7,759)
Reclassification adjustments for gains and losses included in net income	(146)	—	(1,097)
Amount before tax effect	(1,182)	(30)	(8,856)
Tax effect	361	(23)	2,708
Valuation difference on available-for-sale securities	(821)	(54)	(6,148)
Deferred gains or losses on hedges:			
Amount arising during the year	(777)	(506)	(5,819)
Reclassification adjustments for gains and losses included in net income	945	287	7,079
Amount before tax effect	168	(219)	1,259
Tax effect	(45)	62	(340)
Deferred gains or losses on hedges	122	(156)	919
Foreign currency translation adjustments:			
Amount arising during the year	1,696	1,986	12,700
Reclassification adjustments for gains and losses included in net income	(113)	—	(851)
Amount before tax effect	1,582	1,986	11,848
Tax effect	(483)	(31)	(3,623)
Foreign currency translation adjustments:	1,098	1,955	8,225
Remeasurements of defined benefit plans:			
Amount arising during the year	(215)	(78)	(1,610)
Reclassification adjustments for gains and losses included in net income	(99)	(101)	(747)
Amount before tax effect	(314)	(180)	(2,358)
Tax effect	96	57	721
Remeasurements of defined benefit plans	(218)	(123)	(1,636)
Total other comprehensive income (loss)	¥ 181	¥1,621	$ 1,359

22. 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 including 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, 2023 (Millions of yen)	Japan	China	Asia	Americas	Europe	Sub total	Adjustments*1	Consolidated*2
Sales								
(1) Sales to third parties								
① Press Machines	¥14,909	¥ 9,190	¥ 4,265	¥12,814	¥ 8,296	¥ 49,476	¥ —	¥ 49,476
② Service	5,383	1,388	1,973	3,529	3,095	15,370	—	15,370
③ Others	3,866	20	27	1	32	3,948	—	3,948
Subtotal	24,160	10,599	6,265	16,345	11,424	68,795	—	68,795
(2) Inter-segment sales	17,487	422	4,410	446	1,440	24,207	(24,207)	—
Total sales	41,648	11,021	10,676	16,792	12,864	93,003	(24,207)	68,795
Segment profit or loss	455	(149)	909	286	227	1,729	(189)	1,540
Segment assets	83,898	14,684	12,489	12,144	16,223	139,441	(23,153)	116,287
Others								
Depreciation	1,118	126	211	193	197	1,846	0	1,847
Increase in property, plant, equipment and intangible assets	¥ 1,938	¥ 65	¥ 587	¥ 62	¥ 148	¥ 2,801	¥ —	¥ 2,801

As of and for the year ended March 31, 2023 (Thousands of U.S. dollars)	Japan	China	Asia	Americas	Europe	Sub total	Adjustments*1	Consolidated*2
Sales								
(1) Sales to third parties								
① Press Machines	$111,651	$ 68,822	$31,938	$ 95,963	$ 62,125	$ 370,501	$ —	$370,501
② Service	40,316	10,395	14,776	26,431	23,178	115,098	—	115,098
③ Others	28,956	153	205	7	246	29,570	—	29,570
Subtotal	180,924	79,372	46,919	122,401	85,551	515,170	—	515,170
(2) Inter-segment sales	130,954	3,162	33,028	3,343	10,785	181,274	(181,274)	—
Total sales	311,879	82,535	79,947	125,745	96,336	696,445	(181,274)	515,170
Segment profit or loss	3,411	(1,116)	6,810	2,143	1,700	12,949	(1,416)	11,533
Segment assets	628,267	109,966	93,526	90,940	121,490	1,044,191	(173,384)	870,807
Others								
Depreciation	8,375	944	1,586	1,447	1,475	13,829	4	13,833
Increase in property, plant, equipment and intangible assets	$ 14,515	$ 491	$ 4,398	$ 465	$ 1,110	$ 20,981	$ —	$ 20,981

As of and for the year ended March 31, 2022	Japan	China	Asia	Americas	Europe	Sub total	Adjustments*1	Consolidated*2
	Millions of yen							
Sales								
(1) Sales to third parties								
① Press Machines	¥14,388	¥ 6,851	¥ 2,633	¥10,997	¥ 9,573	¥ 44,443	¥ —	¥44,443
② Service	5,545	1,591	1,528	2,640	2,558	13,865	—	13,865
③ Others	4,034	55	13	—	53	4,156	—	4,156
Subtotal	23,968	8,498	4,175	13,638	12,185	62,466	—	62,466
(2) Inter-segment sales	14,219	353	3,470	231	472	18,747	(18,747)	—
Total sales	38,188	8,851	7,646	13,869	12,658	81,213	(18,747)	62,466
Segment profit	802	741	745	269	110	2,670	(164)	2,505
Segment assets	82,809	12,796	11,705	10,355	13,096	130,763	(16,829)	113,933
Others								
Depreciation	999	200	280	176	178	1,835	(1)	1,833
Increase in property, plant, equipment and intangible assets	¥ 1,153	¥ 55	¥ 512	¥ 66	¥ 52	¥ 1,839	¥ —	¥ 1,839

*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
This information is omitted because similar information is disclosed in the segment information.

2. Geographical information
(1) Sales
For the year ended March 31, 2023

Japan	U.S.A.	China	Others	Total	Japan	U.S.A.	China	Others	Total
Millions of yen					Thousands of U.S. dollars				
¥20,952	¥12,764	¥11,623	¥23,455	¥68,795	$156,901	$95,582	$87,040	$175,645	$515,170

For the year ended March 31, 2022

Japan	U.S.A.	China	Others	Total
Millions of yen				
¥19,955	¥11,385	¥9,352	¥21,772	¥62,466

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

(2) Property, plant and equipment
As of March 31, 2023

Japan	China	Italy	U.S.A.	Malaysia	Others	Total
Millions of yen						
¥14,220	¥757	¥2,525	¥1,785	¥1,027	¥698	¥21,015

Japan	China	Italy	U.S.A.	Malaysia	Others	Total
Thousands of U.S. dollars						
$106,491	$5,670	$18,913	$13,372	$7,697	$5,227	$157,373

As of March 31, 2022

Japan	China	Italy	U.S.A.	Malaysia	Others	Total
Millions of yen						
¥13,986	¥816	¥2,438	¥1,756	¥1,135	¥1,329	¥21,462

(Reportable segment information for impairment loss on fixed assets)
For the year ended March 31, 2023
There is no impairment loss on fixed assets.

For the year ended March 31, 2022

Japan	China	Asia	Americas	Europe	Adjustments	Total
Millions of yen						
¥—	¥492	¥—	¥—	¥—	¥—	¥492

(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, 2023 and 2022.

(Reportable segment information for gain on bargain purchase)
There is no gain on bargain purchase recorded for the years ended March 31, 2023 and 2022.

23. 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)	—	—	—	—	—	—	—	—	—	—
Fair value per share when granted (yen)	—	—	—	—	—	—	—	—	—	—
Share subscription rights which are not yet vested										
Outstanding as of April 1, 2022 (shares)	—	—	—	—	—	—	—	—	—	—
Granted (shares)	—	—	—	—	—	—	—	—	—	—
Forfeited (shares)	—	—	—	—	—	—	—	—	—	—
Vested (shares)	—	—	—	—	—	—	—	—	—	—
Outstanding as of March 31, 2023 (shares)	—	—	—	—	—	—	—	—	—	—
Share subscription rights which have already been vested										
Outstanding as of April 1, 2022 (shares)	12,000	16,000	35,000	30,000	22,000	23,000	15,000	10,000	10,000	13,000
Vested (shares)	—	—	—	—	—	—	—	—	—	—
Exercised (shares)	—	—	—	—	—	—	—	—	—	—
Forfeited (shares)	—	—	—	—	—	—	—	—	—	—
Outstanding as of March 31, 2023 (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.

24. SUBSEQUENT EVENTS

1. Appropriation of retained earnings

On June 28, 2023, at the General Meeting of Shareholders, the following appropriation of retained earnings was approved:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥30.00 (U.S. $0.22) per share)	¥1,921	$14,388

The amount includes dividends of ¥130 million (U.S. $974 thousand) on shares (4,335,948 shares as of March 31, 2023) 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, 2023, 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, 2023, 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.

Estimation of total cost of construction for construction contracts for which performance obligations are satisfied over time

Description of Key Audit Matter	Auditor's Response
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 (17) "Recognition of significant sales and cost of sales" and (19) "Significant accounting estimates" under 2. "SUMMARY	In order to evaluate the appropriateness of the estimation of the total cost of construction when recognizing revenue based on progress towards satisfaction of performance obligations, we mainly performed 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. ・Controls over the estimation of the total

OF SIGNIFICANT ACCOUNTING POLICIES" in the Notes to Consolidated Financial Statements, for performance obligations satisfied over time for long-term construction contracts, the Group estimates progress towards satisfaction of performance obligations and recognizes revenue over time based on this progress. The amount of net sales recognized based on progress towards satisfaction of performance obligations for the fiscal year ended March 31, 2023 is ¥24,792 million, which accounted for 36% of consolidated net sales. In recognizing revenue based on progress towards satisfaction of performance obligations, it is necessary to reasonably estimate the total amount of construction project revenue, the total amount of construction project cost, and progress towards satisfaction of performance obligations at the end of the fiscal year. The Group measures progress towards satisfaction of performance obligations based on the ratio of construction costs incurred up to the end of the fiscal year to the total expected cost of construction for each contract. In the manufacturing of press machines and the like 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. Accordingly, the estimation of the total cost of construction involves certain assumptions and judgments by the responsible persons in the Cost Control Department with expertise and experience in construction work, and therefore is subject to uncertainty. In addition, appropriately revising the total cost of construction in a timely manner is a complex process since there may be changes in contract details, unit prices of materials, manufacturing labor hours, and so forth while construction is in progress. Based on the above, we concluded that the estimation of the total cost of construction used in calculating both revenue recognized over time as performance obligations are satisfied and progress towards satisfaction of performance obligations is of particular significance for the fiscal year ended March 31, 2023, and therefore determined that this is a key audit matter.	cost of construction and the calculation of progress towards satisfaction of performance obligations ・ System whereby the responsible persons in the Cost Control Department monitor, in a timely manner, changes in net sales recognized based on progress towards satisfaction of performance obligations and comparisons between anticipated and actual progress towards satisfaction of performance obligations (2) Evaluation 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 in accordance with specifications agreed with the customer was included in the cost estimate. ・In order to examine whether the total amount of construction costs is revised in a timely and appropriate manner, we reviewed the documentation from internal meetings regarding the revision of construction costs and made inquiries of the responsible persons in the Cost Control Department about the determination as to whether the total amount of construction costs should be revised. ・For construction projects where 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 of the responsible persons in the Cost Control Department 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.

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 consolidated 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, 2023 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

October 25, 2023

Yoshiyuki Nomizu
Designated Engagement Partner
Certified Public Accountant

Tomo Ito
Designated Engagement Partner
Certified Public Accountant