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Corporate Governance Report

CORPORATE GOVERNANCE

AIDA ENGINEERING, LTD.

Last Update: July 13, 2022

AIDA ENGINEERING, LTD.

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The corporate governance of AIDA ENGINEERING, LTD. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

Guided by our Group-wide corporate philosophy and management vision, the Company places top priority on having each Group company achieve sustainable and stable growth and improving corporate value. To this end, the Group has a global business management system led by Japan that organically connects our five global production facilities and our sales and service operations around the world to make maximum use of their respective functions, and we are constantly enhancing our corporate governance framework to support this system.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

[Supplemental Principle 4-10 (1): Utilization of a Certain Framework]

When nominating candidates for directors, the Company considers the balance of knowledge, experience, and ability in the Board of Directors as a whole, and selects individuals who will help improve the Company's medium- to long-term corporate value following deliberation by the Board of Directors that includes three or more outside directors. Remuneration is determined appropriately in accordance with policies regarding decisions on the content of remuneration for each director, within a limited amount determined by the General Meeting of Shareholders. Based on the above, since the Company believes that the current framework is functioning appropriately, it has chosen the current corporate governance system without establishing any voluntary committees, etc.

A decision on remuneration for directors was left to the President who was deemed able to evaluate the tasks of each director appropriately; however, from fiscal year 2021, prior discussion with outside directors is required to enhance transparency.

Disclosure Based on the Principles of the Corporate Governance Code

Details of disclosure items based on each principle of the Corporate Governance Code are as follows:

[Principle 1-4: Cross-Shareholdings]

(1) Policy on cross-shareholdings

The Company holds cross-shareholdings as necessary taking business relationships and business partnership into comprehensive consideration from the perspective of the Company's improvement of its mid-and long-term corporate value.

Generally, the Company gradually reduces shares which are regarded as less significant to hold, taking any

impact on the Company's share price into consideration.

(2) Verification of appropriateness to hold cross-shareholdings

Appropriateness to hold cross-shareholdings is verified by the Board of Directors every year from the viewpoint of business relationships and economic rationality.

(3) Standard to exercise voting rights for cross-shareholdings

Voting rights are appropriately exercised according to criteria such as impact on the Company's corporate value and business relationships with Company's business partners.

[Principle 1-7: Transactions with Stakeholders]

Trading with officers is put on the agenda of the Board of Directors and resolved by the board according to the Rules for the Board of Directors. Also, when a transaction approved by the Board of Directors is performed, the details are reported to the Board of Directors, and important facts are appropriately disclosed as required by law.

Performing highly important transactions with major shareholders is brought to and resolved by the Board of Directors based on the approval authority rules.

Other items such as terms of transactions are resolved in the same manner as transactions with third parties.

[Supplemental Principle 2-4 (1): Ensuring the Company's Diversity Including Women's Empowerment in the Workplace]

[Ensuring the Company's Diversity in Recruitment of Core Human Resources]

Based on the AIDA Group Action Guidelines, the Company respects each and every employee as an individual and has established a corporate culture that embraces talented human resources from various countries and regions, regardless of nationality, gender, age, employment status, or physical ability.

As of 31 March 2022, the ratio of female employees was 12.7%, the ratio of female managers was 3.4%, and the ratio of human resources hired at overseas locations was 47.4%. Furthermore, the average ratio of mid-career hires from fiscal year ended March 31, 2021 to fiscal year ended March 31, 2023 was 39.0%, and the ratio of mid-career hires in management positions as of the end of March 2022 was 38.9%. The Company actively introduced a new personnel system in financial year 2022 to renew the conventional evaluation and remuneration systems, and expanded the training system to train and hire more diverse resources with a high degree of specialization, management skills, and global knowledge for greater diversity.

[Measurable targets]

(1) Female employees

Generally, the manufacturing industry, including the Company, tends to have less female resources than other industries. The Company aims to establish female-friendly work environment, setting the target ratio of newly hired female employees 20% or more.

(2) Human resources hired at overseas locations and mid-career hires in management positions

The Company has established production facilities in five regions of the world (Japan, China, Malaysia, the United States, and Italy) as well as sales and service offices in 20 countries, hiring a number of local employees. In addition, we have been actively recruiting mid-career workers for regular employment. The ratio of human resources hired at overseas locations and mid-career hires in management positions is at a certain level at the moment; therefore, we do not set a specific target ratio.

[Human Resource Development Policy and Internal Environment Policy for Diversity and the Current Status]

Acquiring the knowledge and skills of press machines tends to take a long time; therefore, from the mid- to long-term point of view, the Company re-hires retired elderly persons to train young employees to provide them with know-how to raise the level of the organization. Also, from the viewpoint of a workplace with increased participation of female employees, the Company has improved the work environment in factories, introduced a better childcare leave system and off-peak commuting hours, and set 50% or more use rate of paid leave to achieve work-life balance.

Generally, the Company hires human resources in overseas sites locally to ensure group-wide diversity.

[Principle 2-6: Functioning as a Corporate Pension Asset Owner]

The Company entrusts the corporate pension to an asset management agency which has expressed acceptance of the Stewardship Code.

The Finance and Accounting Departments regularly monitor whether operation targets are achieved and conflicts of interest are appropriately managed, and report the monitoring results to the Management Council once every six months. Also, they give proposals and advice to the asset management agency as necessary.

Furthermore, corporate pension staff from the Finance and Accounting Departments with appropriate

knowledge are assigned and participate in external training to improve their expertise.

[Principle 3-1: Enhancing Information Disclosure]

(1) Corporate philosophy and Medium-Term Management Plan

The corporate philosophy and Medium-Term Management Plan are disclosed on the Company's website:

Corporate Philosophy

<https://www.aida.co.jp/en/company/policy.html>

Medium-Term Management Plan

https://www.aida.co.jp/en/ir/management/pdf/plan_2020-2022.pdf

Medium-Term Management Plan - Revised Plan

https://www.aida.co.jp/en/ir/management/pdf/plan_202105.pdf

(2) For details of the Company's basic stance and policy with regard to corporate governance, please refer to I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile, and Other Basic Information, 1. Basic Views in this report.

(3) For details on the policy and procedures for the Board of Directors to determine remuneration for director, please refer to II. Business Management Organization and Other Corporate Governance Systems with Regard to Decision-Making, Execution of Business Operations, and Supervision, "Amount of remuneration and decision policy for the method of calculating those amounts" in the Remuneration for Directors and Statutory Auditors in this report.

(4) Policy and procedures for the Board of Directors to appoint/dismiss top management and nominate candidates for directors and statutory auditors

Top management are appointed through multilateral evaluation and deliberation of their careers, performance, and qualifications by the Board of Directors including outside directors and the statutory auditors, ensuring transparency and objectivity. On the other hand, top management are dismissed as a result of evaluation of corporate performances and deliberation by the Board of Directors to confirm whether they are not executing their duties or if there is any fraudulent act in the execution of business operations or serious violation of laws and regulations.

When nominating candidates for directors, the Company considers the balance of knowledge, experience, and ability in the Board of Directors as a whole, and selects individuals who will help improve the Company's mid-to long-term corporate value following deliberation by the Board of Directors including three or more outside directors and resolution and submission of the bill of the General Meeting of Shareholders.

When nominating candidates for statutory auditors, the Company selects individuals who have a variety of expertise in finance, accounting, and legal affairs and a variety of viewpoints on management following agreement by the Board of Auditors, resolution as a bill by the Board of Directors, and submission of the bill of the General Meeting of Shareholders.

(5) Appointment/dismissal and nomination of top management and candidates for directors

Reasons for appointment of candidates for directors are described in the Notice of the Ordinary General Meeting of Shareholders.

Also, reasons for dismissal will be appropriately disclosed when it occurs in accordance with laws and regulations.

[Supplemental Principle 3-1 (3): Enhancing Information Disclosure]

[The Company's Activities for Sustainability]

The Company has set its business vision to contribute to society by supporting efforts to protect the environment, reduce energy consumption, and advance technology. Furthermore, the Company formulated the AIDA Environmental Policy to advance our environmental protection activities.

The Company's initiatives to address global environmental issues including disclosure based on the Task Force on Climate-related Financial Disclosures (TCFD) are described in the Medium-Term Management Plan and the annual report.

Respect for human rights, consideration for employees' health and working environment, fair and appropriate treatment, and fair and appropriate transactions with business partners are described in the AIDA Group Action Guidelines, the Sustainability Basic Policy, the AIDA Group Human Rights Policy, and the Compliance Manual.

For managing crises such as natural disasters, we have established the Business Continuity Management Manual and the Business Continuity Plan.

Investment in human capital and intellectual property is described in the AIDA Group Action Guidelines in terms of provision of high quality goods and services and creation and utilization of confidential information

and intellectual property. The Company regularly holds Patent Committee meetings consisting of members appointed from the Research & Development and Engineering (Design) Departments and staffs from the Intellectual Property Office to repeatedly deliberate and make proposals on the Company's inventions and developments. Also, a reward and award system is utilized to continue human investment and intellectual property activities at a high level.

Medium-Term Management Plan

https://www.aida.co.jp/en/ir/management/pdf/plan_2020-2022.pdf

AIDA Group Action Guidelines

https://www.aida.co.jp/en/ir/management/images/AIDA_Group_Ethics_Policy_English.pdf

Sustainability Basic Policy and AIDA Group Human Rights Policy

<https://www.aida.co.jp/en/company/guidelines.html>

Annual Report

https://www.aida.co.jp/en/ir/AR2021_All_ENG.pdf

* The Compliance Manual, the Business Continuity Management Manual, and the Business Continuity Plan are not disclosed.

[Supplemental Principle 4-1 (1): Overview of Scope of Delegation from the Board of Directors to Top Management]

The Rules of the Board of Directors stipulates that matters stipulated by laws and regulations and matters regarded as necessary by the Board of Directors are to be resolved by the Board of Directors. Important management matters are resolved by the Board of Directors.

Business execution related to resolution by the Board of Directors is delegated to top management depending on the items stipulated in the Approval Authority Regulations.

[Supplemental Principle 4-9: Independence Criteria for Outside Officers and Qualification]

The Company appoints candidates for outside officers who meet the independence requirements stipulated by the Financial Instruments Exchange that the Company has been listed, the following Independence Criteria for Outside Officers, and the Company's officer appointment policy.

■Independence Criteria for Outside Officers

- In principle, a person who does not fall under any of the following items at present or within the past three years
- (1) A party whose major business partner is the Company, or an executor of business thereof if the party is a corporation, etc.
 - (2) A major business partner of the Company, or an executor of business thereof if the party is a corporation, etc.
 - (3) A consultant, accounting specialist or legal specialist who receives a significant amount of money or other property from the Company other than the compensation from the Company as an Outside Officer.
 - (4) An employee, etc. of the consulting firm, accounting office or law firm, etc. whose major business partner is the Company
 - (5) A party who receives a significant amount of donation, etc. from the Company, or an executor of business thereof if the party is a corporation, etc.
 - (6) A major shareholder (a party who holds more than 10% of the total voting rights) of the Company, or an executor of business thereof if the party is a corporation, etc.
 - (7) A close relative of the following (excluding insignificant person)
 - A. A person who falls under (1) to (6) described above
 - B. A Director, Statutory Auditor, Operating Officer or important employee of the Company or its subsidiary

[Supplemental Principle 4-11 (1): Stance as the Board of Directors]

- Stance on overall balance, diversity, and scale

The Board of Directors defines that the appropriate number of directors is 11 or less to ensure sufficient discussion and make quick and reasonable decisions.

Furthermore, as a general rule, the Board of Directors is to have diversity in experience, knowledge, and expertise. Therefore, multiple outside directors are appointed to ensure appropriate decisions by the Board of Directors and strengthen supervisory functions. Currently, the Company appoints multiple independent outside directors who have management experience in the other companies.

In terms of globalization, the Company has conventionally appointed directors from overseas or directors with

business operation experience in overseas locations, and statutory auditors who are from financial institutions or lawyers with expertise in finance and legal affairs. Also, the Company is tackling gender issues while maintaining and enhancing diversity.

For a skill matrix of the directors, please refer to the material attached at the end of this report.

- Policy and procedures of appointing directors

Please refer to Principle 3-1 (4).

[Supplemental Principle 4-11 (2): Status of Concurrently Serving Directors and Statutory Auditors]

For the status of the directors and statutory auditors concurrently serving as officers of other listed companies, please refer to the Notice of the Ordinary General Meeting of Shareholders and the Securities Reports.

Notice of the Ordinary General Meeting of Shareholders

<https://www.aida.co.jp/en/ir/event/index.html#anc03>

Securities Reports

<https://www.aida.co.jp/en/ir/data/sr.html>

[Supplemental Principle 4-11 (3): Overview of Analysis and Evaluation of Effectiveness of the Board of Directors]

The Board of Directors conducts a self-evaluation questionnaire-based survey (a combination of three-point scale evaluation and a commentary) once a year for all directors and all statutory auditors, including those from outside the Company.

Based on the results of the survey, we analyze the current situation, identify issues, and utilize the results to improve the operation of the Board of Directors and thereby increase the effectiveness of the Board as a whole.

The results of the fiscal year ended March 31, 2022 survey confirmed that the effectiveness of the Board of Directors as a whole has been generally assured without any critical issue.

The Company will improve to provide more opportunities for discussions and exchange of opinions and information on the topics such as growth strategies and management challenges that are raised in questionnaires.

The Company will actively continue to improve the effectiveness of the Board of Directors by utilizing the recommendations in the questionnaires.

[Supplemental Principle 4-14 (2): Training Policy for Directors and Statutory Auditors]

The Company holds training sessions by outside experts to the directors and statutory auditors considering current social situations to give knowledge necessary for them and improve understanding of director's roles and responsibilities.

[Principle 5-1: Policy for Constructive Dialogue with Shareholders]

In order to achieve sustainable growth and improvement of mid- to long-term corporate value, the Company is working on the following structures and initiatives to promote constructive dialogue with shareholders:

(1) The Company expands the contents and opportunities in dialogue with shareholders through various activities such as financial results briefing sessions led by management officers.

(2) The IR Department that supports dialogue with shareholders collaborates with the Finance, Accounting, Sales, Technology, and Production Departments to actively work on IR activities for further dialogue with them.

(3) In order to facilitate understanding of the Company's business and strategies, the Company holds not only financial results briefing sessions but also factory tours for institutional investors and analysts and briefing sessions for individual investors.

(4) Opinions and concerns from shareholders and investors obtained through IR activities are fed back from management officers to top management and the Board of Directors.

(5) Insider information is strictly managed in accordance with the Insider Trading Management Rules.

[Principle 5-2: Making and Disclosing Management Strategies and Management Plans]

The Company understands capital cost precisely; however, it is difficult to dispense the cost to each business portfolio and calculate ROE of each business. Therefore, the Company has conventionally set targets for sales and operating income in the Medium-Term Management Plan. The targets are set and managed considering depreciation costs of capital investments for facilities such as factories. This is high enough to exceed the capital cost of shareholders expected by investors. Also, ROE will increase as operating income increases.

In the current Medium-Term Management Plan, the following items are clearly stated: review of the business portfolio, identification of important business segments, sales and operating income ratio of each business

segment, prioritized allocation of management assets, and specific targets of capital investment and research and development.

Medium-Term Management Plan

https://www.aida.co.jp/en/ir/management/pdf/plan_2020-2022.pdf

Medium-Term Management Plan - Revised Plan

https://www.aida.co.jp/en/ir/management/pdf/plan_202105.pdf

[Supplemental Principle 5-2 (1): Designing and Disclosing Management Strategies and Management Plans]

In the Medium-Term Management Plan approved by the Board of Directors, basic policy and measures for each business portfolio for the business segments, Press Machines, Automation/FA, and Service (Maintenance/Modernization) are described. Also, in the business portfolio, the review policy to increase the ratio of Automation/FA and Service (Maintenance/Modernization) is clearly described using sales and operating income plans together with prioritized measures for each business segment.

As mid-term management, the monthly qualitative and quantitative target progress of each business portfolio is reported to the Board of Directors since the introduction of a block management system per business segment for discussions.

2. Capital Structure

Foreign Shareholding Ratio	20% or more and less than 30%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,757,600	15.23
Custody Bank of Japan, Ltd. (Trust Account E)	4,348,700	6.79
The Dai-ichi Life Insurance Company, Limited	3,440,065	5.37
Custody Bank of Japan, Ltd. (Trust Account)	3,389,300	5.29
Nippon Life Insurance Company	2,587,343	4.04
Meiji Yasuda Life Insurance Company	2,516,000	3.93
JP MORGAN CHASE BANK 385632	2,260,600	3.53
Mizuho Bank, Ltd.	2,179,173	3.40
AIDA ENGINEERING Trading-Partner Shareholding Association	1,480,500	2.31
Kimikazu Aida	1,447,440	2.26

Name of Controlling Shareholder, if applicable (excluding Parent Company)	—
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Name of Parent Company, if applicable	None
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Supplementary Explanation

- The shares held by The Master Trust Bank of Japan, Ltd. and Custody Bank of Japan Ltd. are related to trust service.
- The Company has treasury stock of 5,400 thousand shares other than those listed above.

3. Custody Bank of Japan Ltd. (Trust Account E) is a re-trustee, entrusted with the Company's shares in Japanese-style Employee Stock Ownership Plan (J-ESOP) and Board Benefit Trust (BBT).

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	March
Business Sector	Machinery
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥10 billion or more and less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more and fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which May have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Board*
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*Referred to in the Corporate Governance Code reference translation as "Company with *Kansayaku* Board"

Directors

Number of Directors Stipulated in Articles of Incorporation	11
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	7
Election of Outside Directors	Elected

Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Hirofumi Gomi	Other											
Mikio Mochizuki	From another company								△			
Isao Iguchi	From another company								△			

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Hirofumi Gomi	○	—	Mr. Gomi has abundant experience and advanced expertise as a former commissioner of Japan's Financial Services Agency, where he was involved in the financial administration of the nation, and provides valuable advice and suggestions about the Company's management. He also has abundant experience outside of the Company, including involvement with the corporate management of multiple companies as the chairman of the board of directors at private financial institutions and as an outside officer, and reflects these attributes in the Company's management and supervises management from an independent and objective standpoint. Mr. Gomi does not conflict with any of independence standards defined by the Tokyo Stock Exchange, and the Company judges that there is no risk of a conflict of interest with ordinary shareholders and no impact on independence, and thus he has accordingly been appointed as an Independent Director.
Mikio Mochizuki	○	Mr. Mochizuki had served until	Mr. Mochizuki has a wealth of experience and

		<p>June 2018 as Director of IHI Corporation, one of the Company's business partners, but for the fiscal year ended March 31, 2022, the transaction amount between the Company and IHI Corporation is immaterial, as the Company's sales to IHI Corporation and purchases from IHI Corporation each comprised less than 1% of the Company's consolidated net sales.</p>	<p>extensive knowledge of press machines and other aspects of the industrial machinery business, as well as keen insight into corporate management, having been appointed at IHI Corporation as President of the Regional Headquarters for the Americas, Director, Managing Executive Officer, and General Manager of the Finance & Accounting Division, and Director of the Industrial Systems and General-Purpose Machinery Business Area, and provides valuable advice and suggestions on the Company's management. Mr. Mochizuki reflects these attributes in the Company's management and supervises management from an independent and objective standpoint. Mr. Mochizuki does not conflict with any of independence standards defined by the Tokyo Stock Exchange, and the Company judges that there is no risk of a conflict of interest with ordinary shareholders and no impact on independence, and thus he has accordingly been appointed as an Independent Director.</p>
Isao Iguchi	○	<p>Mr. Iguchi had served until March 2019 as Senior Vice President of Mitsubishi Electric Corporation, one of the Company's business partners, but for the fiscal year ended March 31, 2022, the transaction amount between the Company and Mitsubishi Electric Corporation is immaterial, as the Company's sales to Mitsubishi Electric Corporation and purchases from Mitsubishi Electric Corporation each comprised less than 1% of the Company's consolidated net sales.</p>	<p>Mr. Iguchi has a wealth of experience and extensive knowledge of the automated machinery and factory automation businesses, on which the Company focuses, as well as keen insight into corporate management, having worked at Mitsubishi Electric Corporation as a Corporate Executive and General Manager of the Industrial Products Marketing Division, Factory Automation Systems Group, Executive Officer and Vice President of the Corporate Marketing Group, and Senior Vice President and Group President of the Automotive Equipment Group, and provides valuable advice and suggestions on the Company's management. Mr. Iguchi reflects these attributes in the Company's management and supervises management from an independent and objective standpoint. Mr. Iguchi does not conflict with any of independence standards defined by the Tokyo Stock Exchange, and the Company judges that there is no risk of a conflict of interest with ordinary shareholders and no impact on independence, and thus he has accordingly been appointed as an Independent Director.</p>

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Not Established
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Audit and Supervisory Board Member*

*Referred to in Corporate Governance Code reference translation as "*kansayaku*"

Establishment of Audit and Supervisory Board	Established
Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit and Supervisory Board Members	3

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments

The statutory auditors build rapport with the Internal Control Audit Office through regular meetings. The statutory auditors and the Internal Control Audit Office receive reports from the accounting auditor on a regular basis and exchange opinions as necessary to build rapport.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	3
Number of Independent Audit and Supervisory Board Members	3

Outside Audit and Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Junichiro Hiratsuka	From another company											△		
Fusakazu Kondo	From another company													
Noriyuki Katayama	Lawyer													

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business or a non-executive director of a parent company
- An Audit and Supervisory Board Member of a parent company of the Company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Audit and Supervisory Board Members' Relationship with the Company (2)

Name	Independent Auditor	Supplementary Explanation of the Relationship	Reasons for Appointment
Junichiro Hiratsuka	○	Mr. Hiratsuka used to work for Mizuho Bank, Ltd., but more than five years have already passed since his retirement from the said bank in February 2017. Additionally, the said bank owns 3.40% of the	Mr. Hiratsuka has abundant experience including overseas assignments at major financial institutions, corporate evaluations, and operational audits, as well as extensive knowledge of finance. We anticipate that he will reflect these attributes in the Company's audit and play an instrumental role in supervising the execution of duties by directors and executive officers from an independent and objective standpoint. Mr. Hiratsuka

		Company's issued shares (excluding treasury shares), and the Company has lending and other transactions with the bank, but the bank is one of multiple lenders and not a lender that is relied on for funding to the extent that it is irreplaceable. The bank also is not a business partner that has a significant influence over the Company's decision-making.	does not conflict with any of independence standards defined by the Tokyo Stock Exchange, and the Company judges that there is no risk of a conflict of interest with ordinary shareholders and no impact on independence, and thus he has accordingly been appointed as an Independent Director.
Fusakazu Kondo	○	—	Mr. Kondo has worked at a life insurance company, where he mainly engaged in finance-related work and also performed audit work as a member of that company's Senior Audit and Supervisory Board (full-time) and an Audit and Supervisory Committee (full-time), and has abundant experience and extensive knowledge in these fields. He reflects these attributes in the Company's management and supervises management from an independent and objective standpoint and play an instrumental role in supervising the execution of duties by directors and executive officers. Mr. Kondo does not conflict with any of independence standards defined by the Tokyo Stock Exchange, and the Company judges that there is no risk of a conflict of interest with ordinary shareholders and no impact on independence, and thus he has accordingly been appointed as an Independent Director.
Noriyuki Katayama	○	—	As an attorney at law for many years, Mr. Katayama has extensive experience and advanced expertise in all aspects of business law, including international transactions, corporate acquisitions, corporate legal affairs, corporate governance, and financial legal affairs. He also has experience being involved with the management of multiple companies as an outside officer, and reflects these attributes in the Company's management and supervise management from an independent and objective standpoint while playing an instrumental role in supervising the execution of duties by directors and executive officers. Mr. Katayama does not conflict with any of independence standards defined by the Tokyo Stock Exchange, and the Company judges that there is no risk of a conflict of interest with ordinary shareholders and no impact on independence, and thus he has accordingly been appointed as an Independent Director.

Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent
Audit and Supervisory Board Members

6

Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

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Incentives

Implementation Status of Measures related to
Incentives Granted to Directors

Introduction of Stock Options Scheme / Other

Supplementary Explanation for Applicable Items

In the 82nd General Meeting of Shareholders held on June 19, 2017, the Company resolved to introduce the new share-based compensation plan, BBT (hereinafter called “the system”) for the directors excluding outside directors. The share-based payment stock option has been applied to remuneration for directors since 2007; however, the system was introduced for the purpose of improvement of incentive effects and reduction of clerical burden.

Persons Eligible for Stock Options

Inside Directors

Supplementary Explanation for Applicable Items

The share-based payment stock option compensation plan was abolished due to the introduction of BBT, resolved in the 82nd General Meeting of Shareholders held on June 19, 2017. Unused share options given to the directors excluding outside directors based on the stock option system are only retained.

Director Remuneration

Status of Disclosure of Individual Directors’
Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

The total remuneration for directors and outside directors are disclosed.
Remuneration for directors is disclosed in the Securities Reports and the attachment to the Notice of Ordinary General Meeting of Shareholders on the Company's website for public inspection.
Remuneration for directors in the fiscal year ended March 31, 2022 is as follows:
4 directors excluding outside directors: Total 198 million yen (basic remuneration 133 million yen, stock compensation 23 million yen, and performance-based remuneration 41 million yen)
5 outside directors: Total 25 million yen (basic remuneration 25 million yen).

Policy on Determining Remuneration Amounts and
the Calculation Methods Thereof

Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

The Company has set a policy to determine details of remuneration for each director. Overview of this is as below:
Remuneration for directors consists of (a) basic remuneration as fixed remuneration, (b) performance-based

remuneration to be paid in conjunction with the Company's performance in a single year, and (c) non-monetary remuneration (stock compensation) in conjunction with the Company's share price. Remuneration for outside directors is (a) basic remuneration as fixed remuneration only, considering their responsibilities to maintain independence and supervise general management from an objective perspective.

Upper limit of monetary remuneration for directors, (a) basic remuneration as fixed remuneration and (b) performance-based remuneration, is set to 300 million yen per year excluding payment for employee positions of the directors who serve as employees, in the 66th General Meeting of Shareholders held on June 28, 2001. A decision on remuneration for directors is again left to the President who is deemed to be able to appropriately evaluate the tasks of each director, in accordance with the Company's standard. In addition, the President consults with outside directors in advance when making the decision so that the authority is properly exercised. Also, (c) non-monetary remuneration (stock compensation) has a remuneration limit of 105 million yen for three fiscal years determined at the 82nd General Meeting of Shareholders held on June 19, 2017, apart from the remuneration limit for the directors above. Remuneration for each director is determined based on the Officer Stock Benefit Rules stipulated by the Board of Directors within a limited amount approved by the relevant General Meeting of Shareholders.

(a) Basic remuneration is determined by the rank of a position and experience and the base monthly remuneration for each rank, and is paid monthly. The base monthly remuneration is appropriately set according to the business environment and social standards.

(b) Performance-based remuneration is aimed to give incentive for achievement of business performance in a single fiscal year. The total amount to be paid is calculated by adding a base part according to the base monthly remuneration that is not paid when consolidated operating income in a single fiscal year is lower than a certain level and an operating income-based part that is calculated by multiplying operating income in a single fiscal year by a coefficient. And then the distribution amount to each director is determined according to the positions and paid in summer and winter every year. The performance-based remuneration is calculated based on the actual performance of consolidated operating income, which is an important management indicator shared with shareholders; however, this remuneration does not have a target. The consolidated operating income in this fiscal year was 2,505 million yen.

The performance-based remuneration varies according to the level of the consolidated operating income with a lower limit of zero regardless of the level of the basic remuneration. Payment ratio of the basic remuneration, the performance-based remuneration, and the non-monetary remuneration (stock compensation) is determined according to the level of the consolidated operating income; therefore, the ratio is not determined in advance to determine the amount of each remuneration accordingly.

(c) Non-monetary remuneration (stock compensation) is aimed to give incentive for the improvement of mid- and long-term corporate value. Points (1 point = 1 share) are given to officers according to their positions each year based on the Share Payment Regulations for Officers. When an officer retires, the accumulated points are converted to the number of shares and the shares are converted to the monetary amount based on the market value of the share, and it is paid to the officer through the trust bank.

This policy was deliberated and determined by the Board of Directors on May 13, 2021.

With regard to determination of remuneration for directors including individual remuneration in this fiscal year, (a) basic remuneration and (b) performance-based remuneration are determined by the Chairman and President appointed by the Board of Directors, Mr. Kimikazu Aida, and (c) non-monetary remuneration (stock compensation) is determined according to the Share Payment Regulations for Officers, within a limited amount of remuneration resolved by the General Meeting of Shareholders, according to the predefined internal standard. Therefore, the Board of Directors understands that the remuneration is valid in accordance with the policy above.

Support System for Outside Directors and/or Outside Audit and Supervisory Board Members

Standing statutory auditors are committed to share information related to the Company and management with outside directors and outside statutory auditors.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

[Directors, the Board of Directors, Operating Officers, and the Management Council]

The Company has adopted an operating officer system since April 2001 to separate management supervisory functions and business execution functions, and strives to expedite management decision-making and clarify

lines of authority and responsibility. The current management structure consists of operating officers, four of whom concurrently serve as directors, and three outside directors (all of whom are independent directors). As a general rule, the Board of Directors convenes monthly ordinary board meetings with the Chairman and President serving as the chair, and convenes extraordinary board meetings as needed, thereby performing a decision-making function for important matters mandated by law and a supervisory function for the execution of business operations. In addition, the Management Council, which as a general rule is convened twice a month, is chaired by a person approved by the Board of Directors and is composed of operating officers and others. The Management Council deliberates and resolves important matters related to business execution based on management policies decided by the Board Directors, and strives to achieve a consensus among management and the swift execution of business operations. Outside directors attend important meetings of the Board of Directors, Management Council, and other bodies to develop a clear understanding of the current status of business execution by the Company and Group companies. They also provide valuable advice and suggestions on the Company's management from an objective perspective.

[Statutory Auditors and the Board of Auditors]

The Company has adopted a statutory auditor system. In order to strengthen the functions of the Board of Auditors, it has appointed three highly independent statutory auditors (all of whom are independent auditors), one of whom also serves as a standing statutory auditor. The activities of the statutory auditors include attending important meetings of the Board of Directors, the Management Council, and other bodies in accordance with the audit plan to oversee the performance of duties by directors, as well as asking questions and expressing opinions to ensure the legality and validity of the decision-making by the Board of Directors and other bodies. In addition, statutory auditors receive reports from the accounting auditor, listen to ask questions about business reports, examine important documents, and conduct on-site inspections of the operations and assets of each division at the Company, main offices, and consolidated subsidiaries in order to monitor and gain a clear understanding of the status of management operations.

The Company has built a structure to support audits performed by the statutory auditors by assigning staff from the Internal Control Audit Office, the Finance & Accounting Department, and other administrative divisions.

[Accounting Audit]

The Company has contracted with Ernst & Young ShinNihon LLC to conduct accounting audits in accordance with the requirements of the Companies Act and the Financial Instruments and Exchange Act. The audit firm receives compensation in return for conducting such activities. There are no conflicts of interest between the auditing firm and the employees of that firm who perform the audits and the Company. Furthermore, there are self-imposed safeguards in place to ensure that the auditing firm and the auditing accountants of that firm are only involved in the accounting auditing of the Company for set periods of time.

[Overview of Contract for Limitation of Liability]

According to Article 427, paragraph 1 of the Companies Act, the Company signed the contract with outside directors and outside statutory auditors to limit the amount of liability for damage in Article 423, paragraph 1 of the Companies Act to the amount in Article 425, paragraph 1 of the Companies Act.

3. Reasons for Adoption of Current Corporate Governance System

The Company has a Board of Directors consisting of seven members (including three outside directors, all of whom are independent officers) to ensure swift decision-making. It also has a Board of Auditors with three members (all of whom are outside statutory auditors and independent officers) to strengthen management oversight. When nominating candidates for directors, the Company considers the balance of knowledge, experience, and ability in the Board of Directors as a whole, and selects individuals who will help improve the Company's mid- to long-term corporate value following deliberation by the Board of Directors including three or more outside directors. Remuneration is determined appropriately in accordance with policies regarding decisions on the content of remuneration for each director after the entrusted representative director and president has consulted with outside directors in advance, within a limited amount determined by the General Meeting of Shareholders. Based on the above, since the Company believes that the current framework is functioning appropriately, it has chosen the current corporate governance system without establishing any voluntary committees, etc.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	The Company sends the Notice of the Ordinary General Meeting of Shareholders to shareholders 24 days before the General Meeting of Shareholders.
Electronic Exercise of Voting Rights	The Company has started online voting rights since the Ordinary General Meeting of Shareholders held in June 2015. Further, the Company has started a voting service, Smart Voting, using smart phones since the Ordinary General Meeting of Shareholders held in June 2020.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has joined the electronic voting platform for institutional investors, operated by ICJ, Inc., since the Ordinary General Meeting of Shareholders held in June 2015 so that domestic and foreign institutional investors can exercise their voting rights smoothly.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Notice of the Ordinary General Meeting of Shareholders in English (summary) is posted on the websites of the Company and the Tokyo Stock Exchange.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Disclosure Policy of the Company is given on the Company's website. The URL is as follows: (Japanese) https://www.aida.co.jp/ir/management/irpolicy.html (English) https://www.aida.co.jp/en/ir/management/irpolicy.html	
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds financial results briefing sessions after the announcement of financial results in the 2nd and 4th quarters.	Held
Regular Investor Briefings held for Overseas Investors	The Company participates in conferences for foreign investors hosted by a securities company.	Held
Online Disclosure of IR Information	The Company occasionally posts documents on financial results and disclosure on the Company's website. The URL is as follows: (Japanese) https://www.aida.co.jp/ir/index.html (English) https://www.aida.co.jp/en/ir/index.html	
Establishment of Department and/or Placement of a Manager in Charge of IR	IR Department is in the Company's General Administration Headquarters.	
Other	The Company conducts individual interviews with analysts and institutional investors.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The AIDA Group Action Guidelines stipulates that the Company respects all stakeholders including customers, shareholders, clients, and local communities for executing the Company's corporate activities. It is stipulated in the AIDA Group Action Guidelines that we respect those involved.
Implementation of Environmental Preservation	The Company actively conducts environmentally friendly corporate activities

Activities and CSR Activities, etc.	and environmental conservation activities, and gained ISO14001 certification. One of the Company's main products, the press machine, is an energy-saving production method; therefore, promoting the Company's products and business leads to environmental conservation activities, contributing to communities.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The AIDA Group Action Guidelines stipulates that the Company shall appropriately disclose information such as the management policy and performance required by stakeholders including shareholders and investors.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

Basic Policy Concerning Improvements to the Internal Control System

The Company has already improved the systems detailed in items 1 through 10 below, and it shall continue to maintain these systems and make efforts to further strengthen and improve them.

1. System to Ensure the Legality of the Duties Executed by Directors and Employees

The Company shall establish AIDA Group Action Guidelines and ensure full compliance by appointing Officers in charge of compliance in order to promote such guidelines and by organizing a Compliance Committee under the supervision of such Officers, and the Company shall also establish an independent Internal Control Audit Office to verify the implementation status of such guidelines and other related matters on a regular and on an as-needed basis.

In the event that an Officer or employee of the Company discovers any conduct that is suspected of being a breach of the laws and regulations, etc., such conduct shall be reported to the Compliance Committee via a member of the Compliance Committee, and based on the gravity of the conduct, the Board of Directors shall develop measures to prevent the reoccurrence of such conduct.

Moreover, in accordance with the AIDA Group Compliance Hotline System regulations, we shall strive to further bolster our internal reporting systems to attain proactive prevention and early detection of compliance violations.

2. System Concerning the Storage and Management of Information Related to the Execution of Duties of Directors

The information related to the execution of duties of Directors shall be properly stored and managed in accordance with the laws and regulations and the internal regulations of the Company, and the Directors and Auditors may, at any time, inspect these documents in accordance with the internal regulations of the Company.

3. Other Systems and Provisions Relating to the Management of Risks of Damage to the Company

With respect to any risks related to safety, the environment, disaster prevention, quality, compliance, export management, etc., the Company shall manage such risks by causing each division in charge of the relevant operations to establish applicable regulations and guidelines, monitor the management of such risks and perform other similar tasks and, with respect to risks related to the promotion of the company-wide business of the Company, the Company shall make an effort to manage such risks by determining the critical issues relating to such risks by deliberating such critical issues from various standpoints at Board of Directors meetings, management meetings, etc., and then take action based on final decisions.

4. System to Ensure the Efficient Execution of the Duties of Directors

The Company shall establish annual policies as company-wide objectives, and each Director shall develop division-level objectives based on these annual policies. The Director is in charge of and shall report the status of the achievement thereof at Board of Directors meetings or at management meetings.

Directors shall make efforts to efficiently execute critical initiatives by obtaining consensus at the relevant divisions through thorough deliberation of such critical initiatives at Board of Directors meetings, management meetings, etc., in accordance with the rules governing the segregation of duties and decision-making as given in the various regulations.

5. System to Ensure the Appropriate Business Performance of the Consolidated Group Which Consists of the

Company and Its Subsidiaries

(1) Systems Relating to the Efficiency of the Execution of Duties of Directors, etc., at Company Subsidiaries and Relating to Reporting Requirements to the Company

At the Business Plan Meetings which are convened on a regular basis each year, all Group Companies shall report on the achievement status of their respective targets set in accordance with yearly Company policies, and, in addition, they shall also report their operational and financial status to the Company on a regular basis. In accordance with the Global Management Regulations, when Group Companies make important operational-related decisions they shall obtain prior approval from the Company by submitting a sanction acquisition.

(2) Other Systems and Provisions Relating to the Management of Risks of Damage to Company Subsidiaries

Whenever a Group Company discovers violations of laws or internal rules, or uncovers facts that could possibly result in significant damage to the Group Company or to the Company, such items shall be reported to the Company.

(3) System to Ensure the Legality of the Duties Executed by Directors and Employees of Company Subsidiaries

Together with establishing The AIDA Group Action Guidelines and the Global Management Regulations in order to define items that Group Companies should adhere to, the Company has also instituted the AIDA Group Compliance Hotline System to assure that Group Companies are complying with the law in the execution of their duties. Moreover, the Company's Administration Department is also monitoring compliance, etc., at each Group Company.

However, the operation of the Company point-of-contact for Group Company reporting and whistle-blowing shall be performed so as not to conflict with local laws.

6. Provisions Relating to the Independence of Company Employees Assigned to Assist Auditors and the Command Authority of Auditors

If requested by Auditors, the Company shall select an employee that assists in the duties of Auditors. The consent of Auditors shall be required for any reassignments and for any performance reviews of the employee referred to above.

Moreover, in order to assure independence from Directors, Auditors shall possess all rights of command authority over such employees.

7. System Relating to Reports to Company Auditors

Auditors shall attend management meetings, etc., as well as meetings of the Board of Directors, and receive reports about critical issues.

In addition to issues covered by laws, if a Director has knowledge of and/or discovers any other issues related to compliance, such as issues that have been decided in a management meeting, any issues that threaten to cause substantial damage to the Company, any critical issues regarding monthly business conditions, any critical issues concerning internal audit conditions and risk management, any material breaches of laws, regulations, or the Articles of Incorporation or any other critical issues, the Director shall report such facts to the Board of Auditors.

In addition, in accordance with the Auditing Standards for Auditors, Company and Group Company Directors and employees shall submit any necessary reports when requested by an Auditor.

The Company and Group Companies shall implement appropriate measures to prevent persons making such reports from being subjected to retaliatory actions.

8. System for Ensuring Effective Audits by Company Auditors

Auditors shall meet periodically with the Representative Director and shall be able to consult with or request reports from Directors and employees as necessary.

In accordance with the Auditing Standards for Auditors, costs that are incurred during the execution of the duties of Auditors shall be budgeted, and, when deemed necessary by an Auditor, the Auditor can utilize attorneys or outside experts within reasonable limits, and can bill the Company for such costs before or after the fact.

9. System for Ensuring Financial Reporting Reliability

In order to ensure the reliability of financial reporting, the Company establishes and manages internal controls within the entire AIDA Group and seeks to achieve the effectiveness of its internal controls related to financial reporting. In order to ensure sound and appropriate internal controls, the Internal Control Audit Office evaluates the operational status of internal controls both periodically and continuously and recommends any

necessary corrective actions or improvements.

10. The Company's Basic Stance Regarding the Elimination of Anti-Social Forces

The Company takes a firm and unyielding stance against anti-social forces that threaten the order and safety of civilian life and wholly refuses to have any dealings with such entities.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

In accordance with the AIDA Group Action Guidelines and the Basic Policy Concerning Improvements to the Internal Control System, the Company takes a firm and unyielding stance against anti-social forces that threaten the order and safety of civilian life and wholly refuses to have any dealings with such entities. The Company takes the following measures to eliminate such anti-social forces:

(1) Department in charge

The General Administration Headquarters oversees the elimination of anti-social forces.

(2) Cooperation with external expert organizations

The Company communicates with external expert organizations such as the police, the Kanagawa Prefecture Corporate Defense Measures Council, and corporation lawyers on a regular basis to build close cooperation. If any unfair request is made by anti-social forces, the Company will consult with these organizations to get appropriate instructions and measures.

(3) Information gathering

The Company closely communicates with the local police, the Kanagawa Prefecture Corporate Defense Measures Council, and neighboring companies to gather information on anti-social forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted
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Supplementary Explanation for Applicable Items

I. Substance of Basic Policy Concerning the Person Who Controls the Decisions on the Company's Financial and Business Policies

The Board of Directors believes that if a specific person intends to conduct a large-scale purchase aiming at acquiring such number of the Company's shares as may have an influence on the decisions of the Company's financial and business policies, the Company's shareholders should make the final decision regarding whether or not to accept such large-scale purchase.

However, in a case where a large-scale purchase is carried out without the provision to shareholders of appropriate and sufficient information or sufficient time to review such information, as is most noteworthy in cases of large-scale purchases of shares on the market in a short time and tender offers where there is a limit to the number of shares subject to the offer, there is the danger that shareholders will sell their shares even though a sufficient premium is not reflected in the sale price or that pressure will be applied to shareholders who believe that such a large-scale purchase of shares will harm the corporate value of the Company, forcing them to sell their shares to avoid such risk (i.e., the problem of coercion). Thus, if no countermeasures are taken against such a large-scale purchase, there is the danger that a buy-out will be carried out that damages the Company's corporate value and harms the common interests of shareholders.

In managing the Company, it is indispensable to have specific management know-how based on highly-technical knowledge concerning the press machine business, which is the Company's principal business, and an understanding of the relationships established with the Company's stakeholders, such as the each business partners and customers, and without a sufficient understanding of the above matters by a person controlling decisions on the Company's financial and business policies, the common interests of the shareholders may be damaged.

When a large-scale purchase as stated in above is made, it is indispensable that the Company's shareholders be provided with appropriate and sufficient information by both the large-scale purchaser and the Board of Directors so that they can appropriately determine, within a short period of time, whether or not the purchase price of the Company's shares proposed by the large-scale purchaser is reasonable.

Taking the above into account, the Company believes that such large-scale purchaser should provide the Board of Directors with necessary and sufficient information regarding the large-scale purchase in advance and should be allowed to commence the large-scale purchase only after a certain assessment period for the Board of Directors elapses, in accordance with certain reasonable rules established and disclosed in advance by the Company for the benefit of the decision-making process of the Company's shareholders; and the Company believes that clearly specifying such rules in advance is reasonable from the perspective of ensuring a fair process.

Among large-scale purchases, it cannot be said that there are never cases where the large-scale purchase in question has clearly abusive purposes or is inappropriate and as a result will seriously undermine the common interests of the shareholders, including the cases where irreparable damage is caused to the Company. In order to protect the common interests of the shareholders, the Company believes that it is necessary to take such measures against such kind of large-scale purchase deems appropriate in accordance with certain reasonable rules established and disclosed in advance by the Company.

The aforementioned policy should be is hereinafter referred to as the "Basic Policy Concerning Company Control."

II. Effective Utilization of the Company's Assets, Formation of Appropriate Consolidated Group and Other Special Efforts to Realize the Basic Policy Concerning Company Control

The Company and its subsidiaries (with the Company, hereinafter referred to as the "Consolidated Group") have adopted the corporate philosophy to develop activities as a forming system builder and to contribute to people and society. Pursuant to this corporate philosophy, the Consolidated Group focuses on the technical and product development of forming systems that meet the diversified values and needs of our many customers in the global marketplace, as the pillar of its management strategies to become the world's "top runner" over the long term in the area of forming systems. The Consolidated Group also promptly provides high-quality products and services to customers located all over the world, by fully leveraging its five production bases across the world, including Japan, and its sales and service bases in 20 countries around the world.

Under the medium-term management plan that commenced in the term ended March 2021, with the managerial vision of "As a leading company, AIDA will contribute to society by supporting efforts to protect the environment, reduce energy consumption, and develop new technologies", the Company is carrying out the strategy of making ESG initiatives a foundation of business activities. In particular, the Company is advancing initiatives that present solutions to broad challenges facing both society and the Company's customers, including the "electrification" and "lighter weights" of automobiles in the creation of next-generation vehicles, improvements in productivity through automation and digitalization of production facilities at customers' production sites, and reduction in environmental load through energy conservation and de-carbonization at customers' production sites.

Amid these efforts, the Consolidated Group will build a relationship of long-term trust with the Company's stakeholders, such as the Company's shareholders, customers, business partners, employees and local communities, through development, production, sales and services in respect of innovative forming systems that deal with various materials, including metals, and contribute to people and society in accordance with its corporate philosophy and achieve sustainable growth and enhanced corporate value.

The Company will also continue to actively engage in IR activities to help our shareholders understand the state of progress of the above efforts and their results.

III. Efforts to Prevent the Company's Decisions on Financial and Business Policies from Being Controlled by an Inappropriate Person according to the Basic Policy Concerning Company Control

The Board of Directors resolved at the Board of Directors meeting held on May 16, 2022 that the Company shall establish the Large-Scale Purchase Rules which are to be applied to (i) purchases of the Company's shares and other securities (Note 1) by a group of specific shareholders is implemented with the intent to hold 20% or more of the voting rights ratio of the group of specific shareholders or (ii) purchases of the Company's shares and other securities resulting in the group of specific shareholders holding 20% or more of the voting rights ratio is implemented. (Note 2) (hereinafter referred to as a "Large-Scale Purchase" and a person who conducts such a purchase is referred to as a "Large-Scale Purchaser"), and to continue this specific policy in relation to

Large-Scale Purchasers (hereinafter referred to as the "Policy"), and this resolution was approved at the ordinary general meeting of shareholders held on June 27, 2022.

The Large-Scale Purchase Rules require that a Large-Scale Purchaser provide the Board of Directors, in advance, with necessary and sufficient information regarding the Large-Scale Purchase, and that the Large-Scale Purchaser commence the Large-Scale Purchase only after a certain assessment period for the Board of Directors elapses.

The Board of Directors shall thoroughly assess and examine the Necessary Information it receives, with advice from independent outside experts, etc. and shall deliberately summarize and disclose its opinion.

Under the Policy, if the Large-Scale Purchase Rules are not complied with by the Large-Scale Purchaser or even if the Large-Scale Purchase Rules are complied with, if it is deemed appropriate to invoke countermeasures because the Large-Scale Purchase would significantly harm the common interests of shareholders, the Board of Directors may issue stock acquisition rights or implement other prescribed measures.

For the details on the Policy, please refer to the “AIDA ENGINEERING, LTD. Announces Maintenance of Basic Policy Concerning Company Control and Continuation of Policy toward a Large-Scale Purchase (Take-over Defense Measures)” dated May 16, 2022 (<https://www.aida.co.jp/en/ir/pdf/ir31.pdf>).

Note 1. “Shares and Other Securities” means those falling under any of (i) such Shares and Other Securities as set forth in Article 27-23, Paragraph 1 of the Securities and Exchange Law or (ii) such Shares and Other Securities as set forth in Article 27-2, Paragraph 1 of the same Law.

Note 2. With respect to any of such purchase, the purchase to which the Board of Directors has given prior consent is excluded and any specific means of purchase, such as market transactions or tender offers, are acceptable.

Note 3. The Board of Directors may negotiate with the Large-Scale Purchaser in order to improve the terms of the proposed Large-Scale Purchase or offer the Company’s shareholders alternative plans, if deemed necessary.

2. Other Matters Concerning the Corporate Governance System

1. Basic Policy Concerning Timely Disclosure

The Company’s corporate philosophy is “AIDA will grow as a forming systems builder and continue its contribution to people and the community”. Furthermore, the Company has a Compliance Manual in which we fully understand the purpose of Insider Trading Restrictions, and stipulate our strict compliance with rules as for handling important information. The company conducts timely disclosure under the basic policy which requests us to observe laws, and conduct fair and transparent corporate activities in the context of social norms and corporate ethics.

Specifically, we implement disclosure in compliance with “Timely disclosure rules and other regulations for issuers of listed negotiable securities or valuable instruments” (hereinafter called "Timely disclosure rules") of the Tokyo Stock Exchange, We will also try to actively and promptly disclose corporate information for which we consider disclosure is effective and valuable for shareholders and investors, even if there is no obligation to disclose in accordance with the Timely Disclosure Rules.

2. Corporate structure for gathering and managing timely disclosure information and disclosing it properly and timely

(1) Information of decided matters

The Company promptly conducts timely disclosure of decisions to be disclosed in accordance with the Timely Disclosure Rules after resolution of the Board of Directors or the Management Council.

(2) Information of matters occurring

The information handling department conducts timely disclosure in compliance with the Timely Disclosure Rule after receiving a report from a department which recognizes the occurrence of an incident to the Board of Directors or the Management Council.

In case of emergency, the department reports to the information handling department, and the information handling department promptly conducts timely disclosure after consulting with the related department.

(3) Financial result information

Financial result information is prepared by the General Administration Headquarters and audited by accounting

auditors, and then disclosed by the General Administration Headquarters after approval from the Board of Directors.

In case of an emergency such as revising the earnings forecast, the information handling department conducts timely disclosure after consulting with the director in charge.

(4) Information of subsidiaries

As for information of the Company's subsidiaries, it is collected at the information handling department through the subsidiaries' departments. Timely disclosure of the information is conducted after the information handling department discusses with the relevant department and resolution is made by the Board of Directors or the Management Council if needed. The flow up to timely disclosure of the corporate information is as shown in the attached timely disclosure flowchart.

3. Monitoring of Timely Disclosure

Statutory auditors conduct monitoring and verification about the operation systems for proper and timely disclosure of corporate information according to the regulations of the Audit of Corporate Structure for Corporate Information Disclosure stipulated in the Internal Auditing Standards.

4. Efforts on the Prevention of Insider Trading

While managing to disclose the corporate information properly in a proper and timely manner according to the Timely Disclosure Rules, the Company makes all possible efforts to properly manage the corporate information and prevent insider trading.

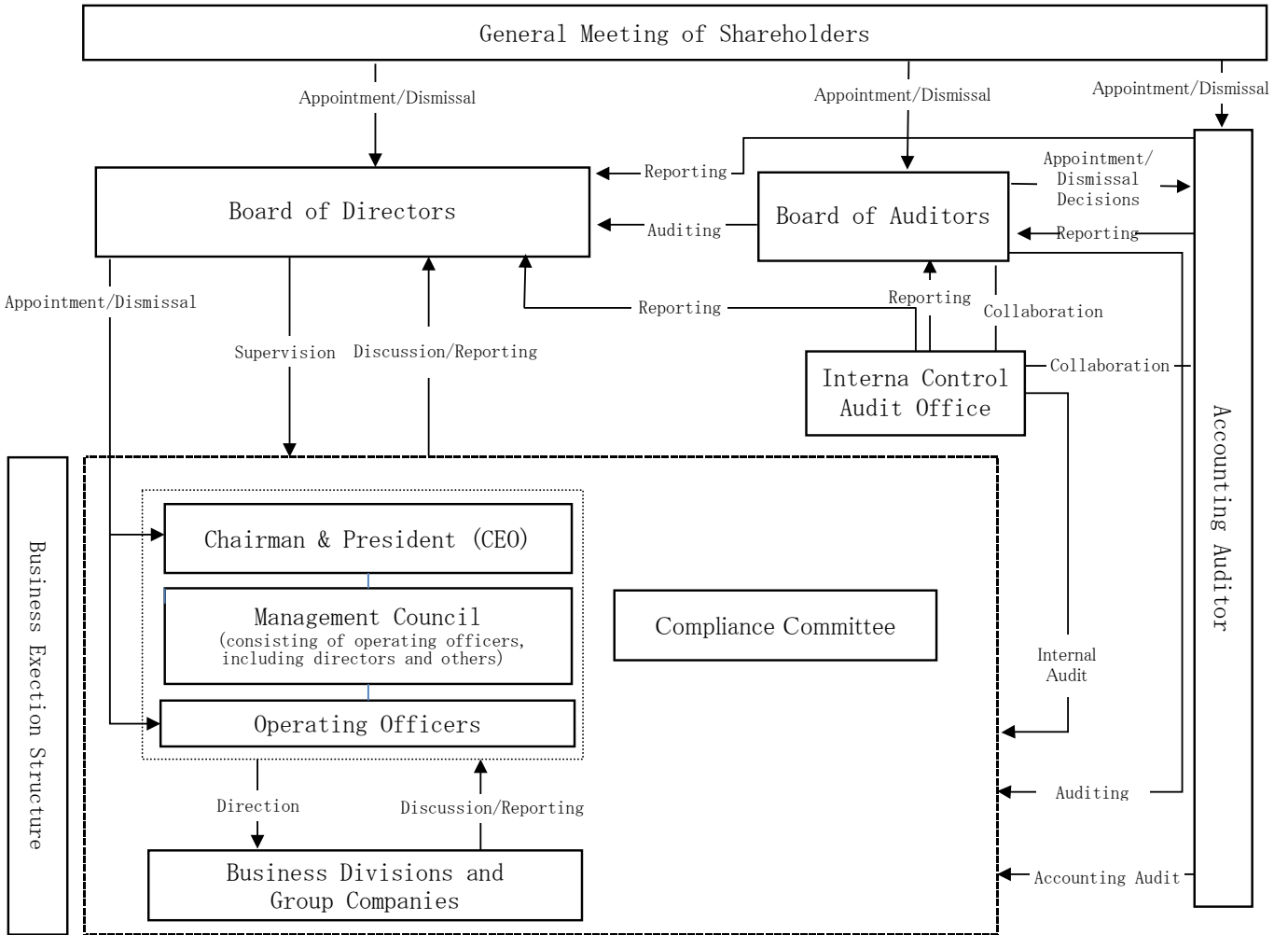
The Company has internal rules which stipulate even if any director or employee receives information regarding an important incident of the company or any other company, they must not disclose it until the facts become public.

When any director or employee tries to buy or sell the Company's shares, the in-house stock administrator makes sure whether it is insider trading or not in advance.

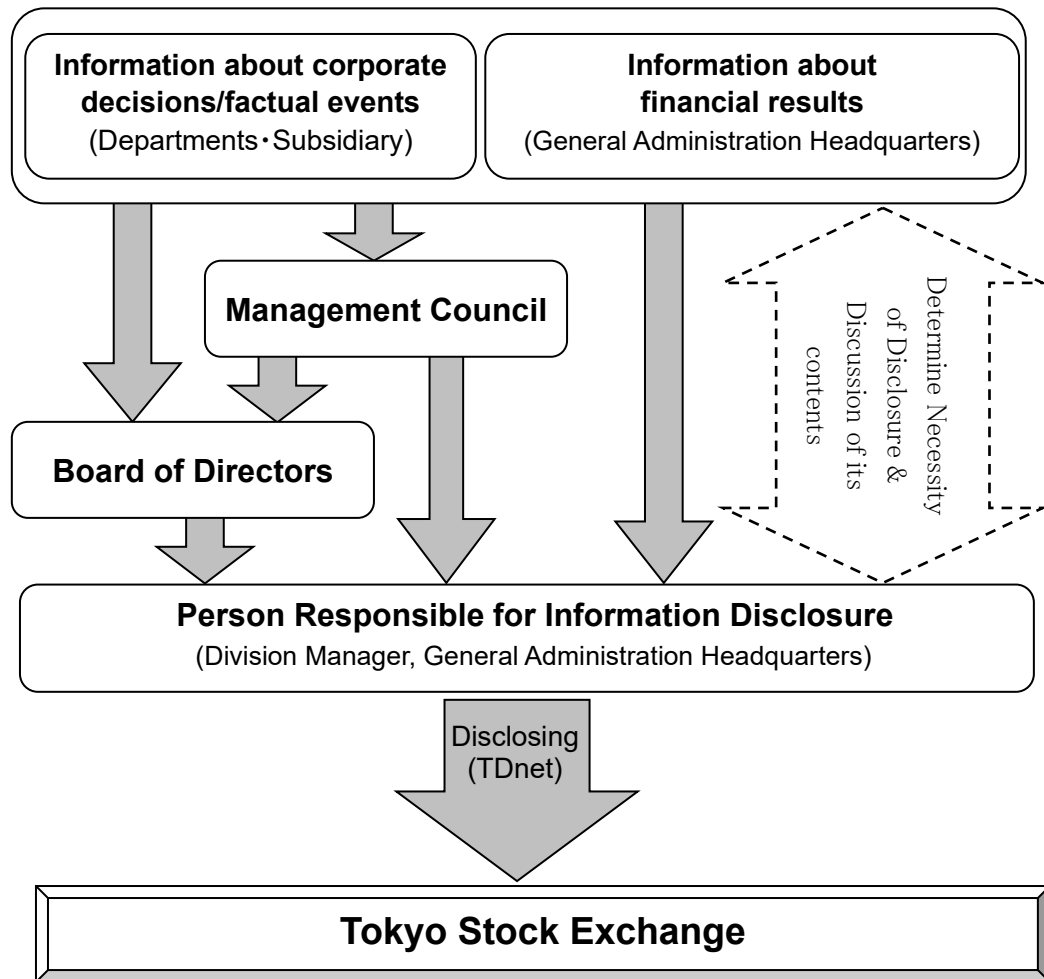
(If it is applicable to insider trading, trading is restricted until the measurable facts become public.)

END

Corporate Governance Structure



Structure of Information Disclosure Flow



<Skills Matrix of Directors>

Category Name	Outside Independent Officer	Expertise/experience				
		Corporate management & business strategy	Finance & accounting	Risk management, legal affairs, & compliance* ¹	ESG	International operations
Kimikazu Aida		○			○	○
Toshihiko Suzuki		○		○	○	
Yap Teck Meng		○				○
Hiromitsu Ugawa		○	○	○	○	○
Hirofumi Gomi	✓	○	○	○	○	
Mikio Mochizuki	✓	○	○	○		○
Isao Iguchi	✓	○		○		

(Notes) 1. “Risk management, legal affairs, & compliance” includes the perspective of product liability (PL).

2. The above table shows areas where each Director is particularly expected to contribute to the Company’s management. It does not indicate all of the skills and expert knowledge possessed by each Director.