AIDA INNOVATION

2022
Annual Integrated Report

Fiscal Year Ended March 31, 2022

AIDA ENGINEERING, LTD.

Contributing to society through products that are indispensable to our daily lives

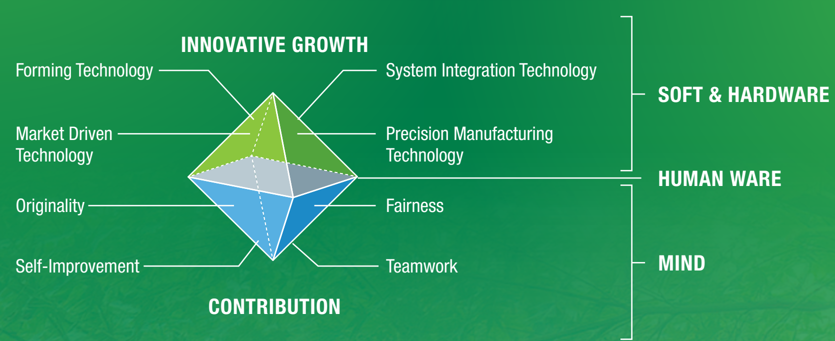
Corporate Philosophy

AIDA will grow as a forming systems builder and continue its contribution to people and community.

Action Guidelines

1. Contributing to the Needs of Society
2. Compliance with the Law and the Spirit of the Law
3. Respect for All Concerned Parties
4. Promoting Environmentally Friendly Business Activities
5. Proper Usage of Confidential Information and Respect for Intellectual Property
6. Respect for Employees and Environmental Consideration

AIDA Octahedron Philosophy



An octahedron, stably balanced in each direction, represents the corporate vision of the AIDA Group. The upper pyramid represents the future of the Company: software/hardware technological innovations that achieve customer satisfaction. The lower pyramid represents the human wisdom and drive that support these future innovations. These two pyramids are connected by human resources, showing that we contribute to and are devoted to people and community.

Editorial Policy

Cautionary Statements about Information on Future Performance, etc.

This integrated report contains statements about plans and future performance. Such forward-looking statements reflect management's assumptions based on information currently available.

They also include risk and uncertainty factors and do not represent a guarantee of future performance.

Cautionary Statements about Financial Figures and Graphs

Yen-based figures in this integrated report are rounded down to the nearest hundred million yen or million yen.

Contents

Creating Added Value to Meet the Needs of the Times

Our history began in 1917 when Yokei Aida founded AIDA Ironworks in Honjo, Tokyo.
We have been dedicated to “forming” for over 100 years. As a leading company in the field of forming systems related to metalforming, we have been engaged in the development of a wide array of forming systems, such as press machines, as well as factory automation, industrial robots, and forming methodologies.

As a company that has continued to grow by understanding the issues and the requirements of each era to create value, we will inherit the “manufacturing DNA” of our founder, while evolving and supporting diverse industries with our unique technology development capabilities in order to contribute to people and community.

OUR HISTORY

Industrial Revolutions and Technological Innovations | 1970—Expansion of Global Operations | 2000—Resource/Energy-Saving Manufacturing | Looking to the Future

Historical Context

- The Russo-Japanese War
- The Great Kanto Earthquake
- World War II
- Start of the electric consumer appliances era
- Color television broadcasts
- International competition
- Japan’s high economic growth
- Advances in IT
- Kyoto Protocol adopted
- SDGs adopted at United Nations Summit
- Labor reform laws enacted in Japan

Value Creation

- Contributing to postwar infrastructure reconstruction
- Contributing to full-scale production and popularization of automobiles made in Japan
- Promoting the prevalence of the home appliances
- Contributing to the automation and streamlining of production
- Promoting even higher performance and sophistication of automobiles
- Contributing to the widespread use of IT-related products such as personal computers
- Contributing to the manufacture of environmentally friendly vehicles
- Contributing to a carbon-free society
- Contributing to digital transformation (DX) of production facilities

2017
100th Anniversary

Environmental Problems
- Reduction of CO_2 emissions
- Carbon neutrality

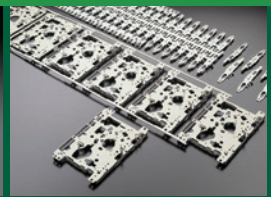
Innovation
- Digitalization
- Automation

Utilization of Human Resources
- High-level development of human resources
- Diversification of human resources

Products Made Using AIDA Presses


Automobile parts

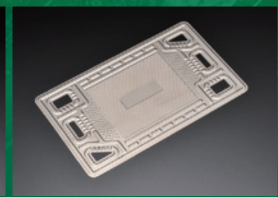

TV frames


Car audio parts


A wide array of motor cores


Aluminum outer panels for vehicles


Motor cores for electric vehicles


Separators for fuel cell vehicles

1917 Founding

Founder Yokei Aida established AIDA Ironworks with the grand vision of creating his own world-leading press machines that would outperform those of Europe and the United States.

1977

Digital control
Promoted automation and streamlining of production with the development of the world’s first transfer press stamping center

Mark IV Stamping Center System (3-D Transfer)

1967

2,500-ton transfer press—the largest in Japan and among the largest in the world (at the time)—also with world-leading speed, contributing to a dramatic increase in production capacity

2002

Introduced the world’s first direct-drive servo press


AIDA’s independently developed and manufactured high-capacity, low-speed, high-torque servo motor

Reduces energy loss by employing a direct drive mechanism that does not use a speed reducer. These motors are equipped with power storage equipment that suppresses peak current and reduces the required capacity of the factory power supply. The system also saves energy by storing regenerated electricity and effectively utilizing energy.

2003

Contributed to the electrification of automobiles by means of a press machine optimized for producing electric vehicle motors, etc.


MSP Series Multi-Suspension High-Speed Automatic Precision Press

2004

Net-shaped forming* reduces the amount of materials and resources that are used and reduces the number of process stages, thereby enabling lower electric power consumption and resource and energy conservation.

* A forming method that achieves the final product shape through press forming without the need for cutting or grinding finishing processes.


UL Series Ultimate Precision Forming Press

2016

Development of the D-MAT Press-to-Press Transfer System


Using two arms to convey workpieces

Higher degrees of freedom in conveyance motion that enables workpiece orientation changes when it is being placed and removed from a die enables the stable conveyance of even complex-shaped workpieces and contributes to efficient automated production.

2009

To increase fuel efficiency by reducing automotive chassis weight and increasing chassis strength, manufacturers have been increasingly adopting frame components made from difficult-to-form high-tensile steel and aluminum materials. AIDA developed one of the largest servo transfer systems in the world (at the time) that improved forming technologies for automotive frame components and boosted production efficiency.


SMX-D Series Large Servo Tandem Line

The AIDA Value Creation Process

Under our corporate philosophy of “AIDA will grow as a forming systems builder and continue its contribution to people and community,” we will support the creation of prosperous societies around the world by supplying press forming systems. Through our business we will work to solve social issues, such as environmental problems, as we aim to achieve sustainable grow and a better society.

Key SGDs That AIDA Is Addressing

3 Good Health and Well-Being · 5 Gender Equality · 7 Affordable and Clean Energy · 8 Decent Work and Economic Growth · 9 Industry, Innovation and Infrastructure · 10 Reduced Inequalities · 11 Sustainable Cities and Communities · 12 Responsible Consumption and Production · 13 Climate Action · 15 Life on Land · 16 Peace, Justice and Strong Institutions · 17 Partnerships for the Goals

Social Issues Addressed by AIDA

Environmental Problems
- Reduction of CO_2 emissions
- Carbon neutrality

Innovation
- Digitalization
- Automation

Utilization of Human Resources
- High-level development of human resources
- Diversification of human resources

INPUT

Management Resources

Financial Capital
Consolidated net assets: ¥78.6 billion
Shareholders’ equity ratio: 68.4%

Manufactured Capital
Global production network in 5 Regions
A global network spanning 20 countries

Intellectual Capital
Research and development expenditures: ¥1.2 billion

Human Capital
Number of consolidated employees: 2,057
(Including 977 in the overseas segment)

Social Capital
Number of shareholders: 5,919
Number of collaborating suppliers: approx. 950
Number of AIDA distributors: 41

Natural Capital
Total energy inputs (crude oil equivalent): 4,036 kL

Business Model

R & D
Engineering
Manufacturing
Installation
After-Sales Service

AIDA’s Value Chain
VALUE CHAIN
AIDA’s Strengths
→page 23

“Manufacturing DNA” That Has Evolved for Over 100 Years Since Our Founding
→page 3

OUTPUT

AIDA’s Value Creation

AIDA’s Press Business: Automation/FA


MSP Series Multi-Suspension High-Speed Automatic Precision Press

Responding to the Transition to EVs →pages 19–20
Optimal high-speed presses for producing high-precision drive-motor cores

Responding to the Transition to Lighter Vehicles
Servo presses for forming difficult-to-form materials


EV drive motor cores

Responding to Resource/ Energy Conservation →pages 17–18
Net shape forming, etc.
Precision forming presses that can reduce the amount of resources used and the number of processes


DSF-N2-A Series Direct Servo Former with AI Functionality

Leveraging Digital Technology →pages 21–22
DSF-N2-A Series Direct Servo Former with AI functionality that enables preventative maintenance, remote monitoring, and machine visualization

AIDA’s Service (Maintenance and Modernization) Business

Extending service life via overhauls and retrofits

Creating Social Value

Contributing to society through manufacturing that supports ways of life


Contributing to the next-generation mobility society through the development of new technologies and products


Reducing environmental impact through business and production activities


Increasing the value provided to stakeholders

The Materiality Themes Selected by AIDA

E — Manufacturing User-Friendly and Environmentally Friendly Products
- Energy conservation
- Reduce CO_2 emissions and recycle waste materials
- Develop environmentally friendly products
- Achieve a carbon-free society
- Reduce environmental impact

(SDGs 7, 9, 12, 13, 15)

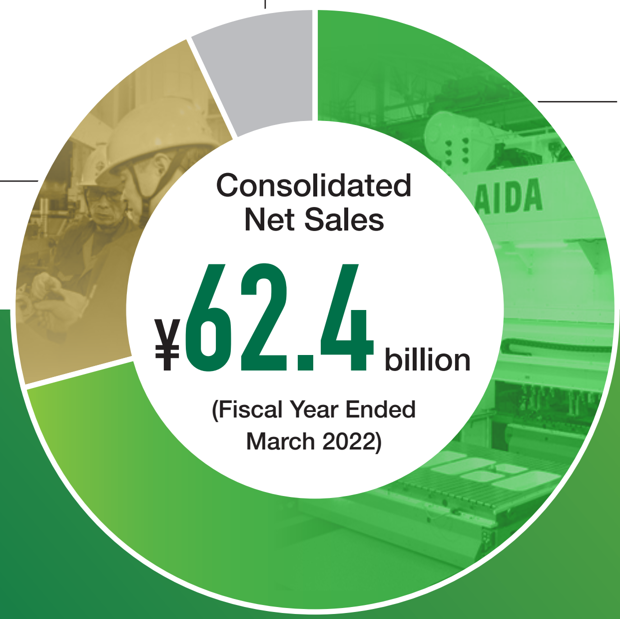
S — Creating Value That Contributes to Societal Development
- Improved quality and service (SDG 12)
- Human resource development (SDGs 8, 10, 16)
- Diversity (SDGs 5, 8)
- Health and safety (SDGs 3, 8)
- Intellectual property and investment in people (SDGs 9, 12)
- Societal contributions (SDGs 3, 11)
- Industry advancements (SDGs 8, 17)

G — Improve Governance to Achieve Harmony with Society
- Shareholder returns
- Information disclosure

The AIDA Group Global Network

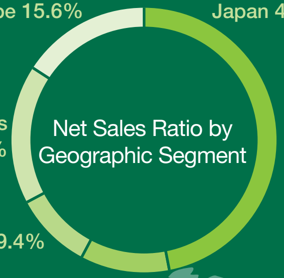
As our customers' production activities expand globally, our products need to be supplied to different countries and regions. AIDA has production facilities in Japan, China, Malaysia, the United States, and Italy, representing five major world regions, as well as direct sales and service office in 41 locations in 20 countries, which increases our ability to respond to the needs of customers in every region of the world.

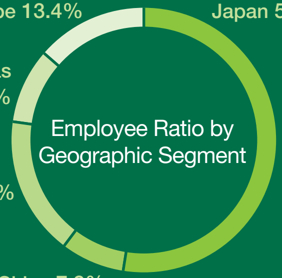
With our close coordination between each AIDA Group location, we work hand-in-hand with our customers' production sites to provide comprehensive manufacturing, sales, and after-sales service support to our customers.

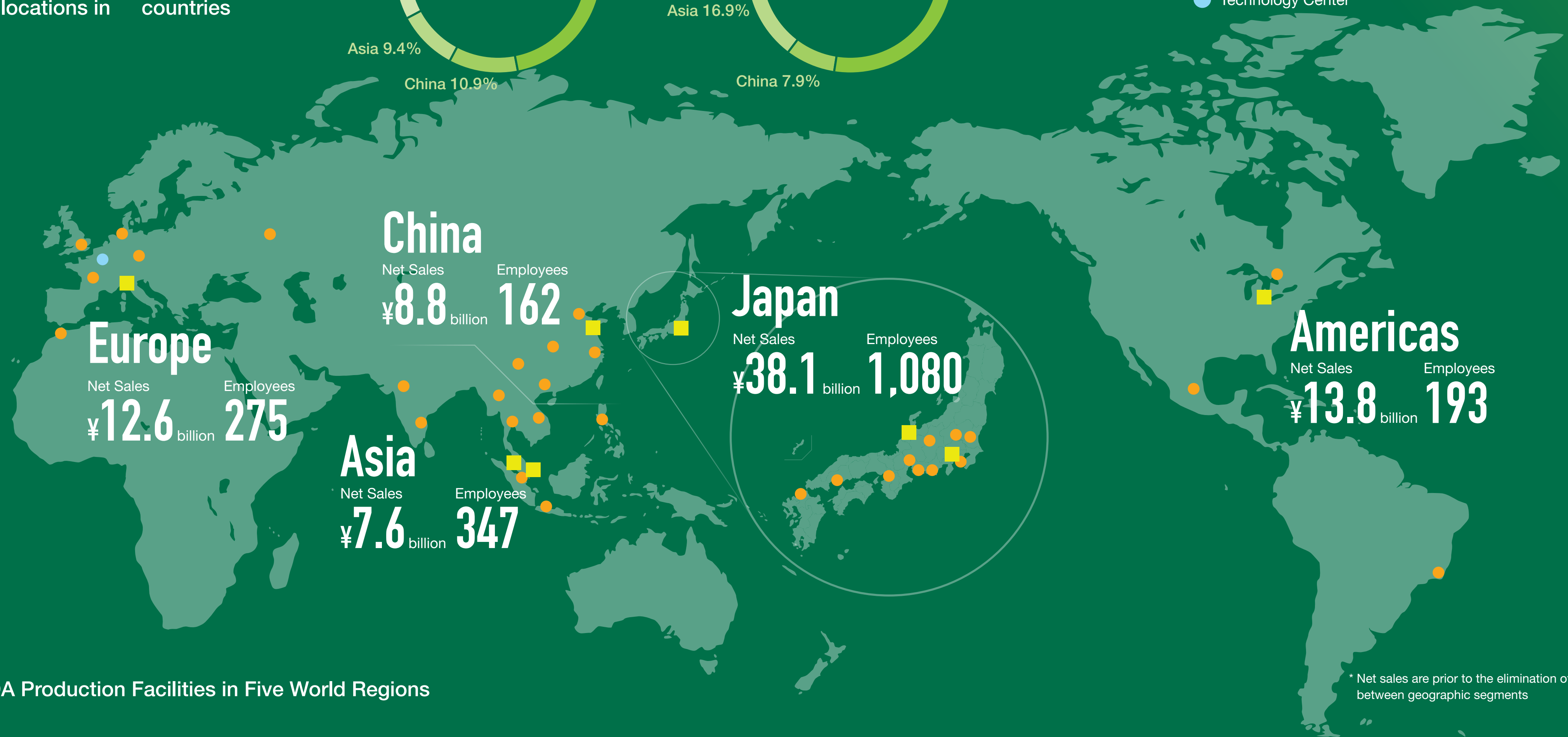


Global Direct Sales and Service Offices

41 locations in **20** countries







AIDA Production Facilities in Five World Regions

* Net sales are prior to the elimination of transactions between geographic segments

Press Machines
¥44.4 billion
71.1%

Net Sales by Press Machine Industry Segment

Automotive-Related	¥30.8 billion
Electric/Electronics-Related	¥4.6 billion
Others	¥8.9 billion

Service (Press-Related)
¥13.8 billion
22.2%

Other
¥4.1 billion
6.7%

Net Sales of Press Machines

No. 2 in the world*

Through its international business development, AIDA has established a global brand in the press forming systems field and is the world's second largest press manufacturer in terms of sales.

* Based on our research data

JAPAN
AIDA ENGINEERING, LTD. (Head Office)
Site area: 184,000 m²
Building area: 78,000 m²

JAPAN
REJ Co., Ltd. (Domestic Group Company)
Leveraging exceptional control technologies to provide system drive solutions for various automation products, including in the automotive sector

CHINA
AIDA PRESS MACHINERY SYSTEMS CO., LTD.
Site area: 67,000 m²
Building area: 30,000 m²

MALAYSIA
AIDA ENGINEERING (M) SDN. BHD.
AIDA MANUFACTURING (ASIA) SDN. BHD.
Site area: 72,000 m²
Building area: 32,000 m²

U.S.A.
AIDA AMERICA CORP.
Site area: 155,000 m²
Building area: 16,000 m²

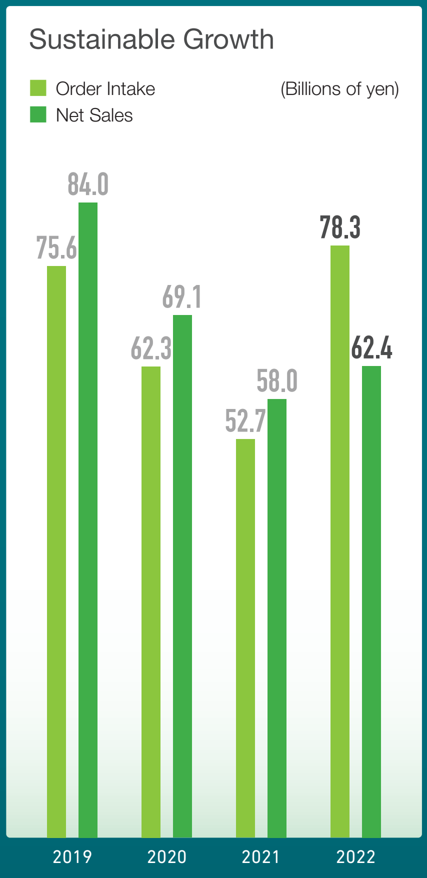
ITALY
AIDA S.r.l.
Site area: 55,000 m²
Building area: 24,000 m²

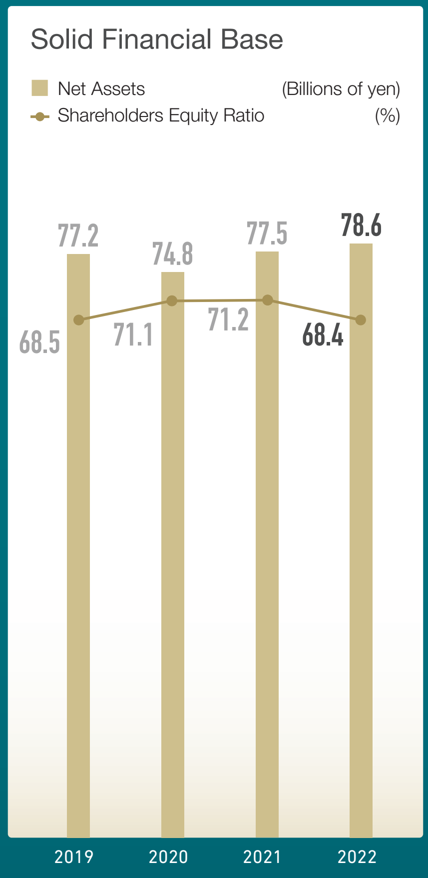
Note: Site and building areas are rounded down to the nearest 1,000 m²

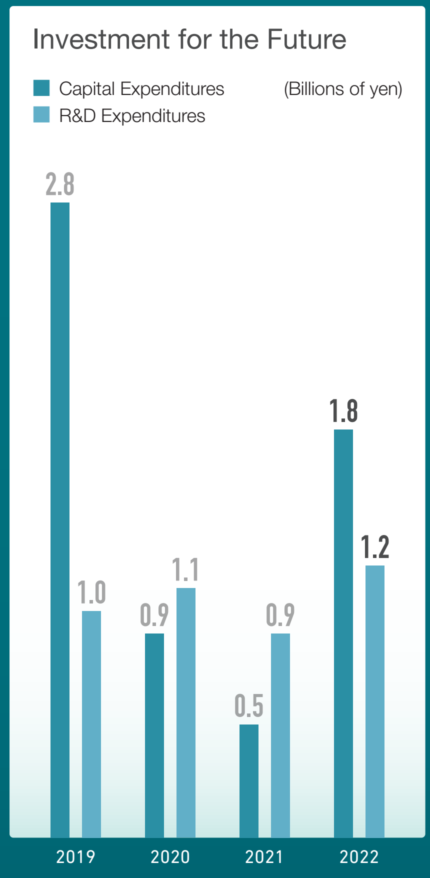
AIDA ENGINEERING by the Numbers

Showcasing AIDA ENGINEERING by numerical data that looks at various aspects.

Financial Information







HISTORY

Founding

105 years ago

We continue to create social value through forming system technologies.

PRODUCT LINEUP

Press Product Series

From **35**-ton to **4,000**-ton

We produce a wide range of products from small general-purpose machines to large special-purpose machines.

FIELD

Delivery Track Record

Over **60** countries

We support customer global manufacturing in countries all around the world.

Non-Financial Information

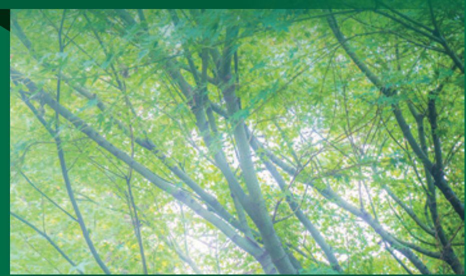
Technology

Number of patents in Japan and overseas	467
Number of overseas utility model patents	23
Number of personnel with national qualifications (non-consolidated) * Excluding driver's licenses.	523
Domestic market share of 300-ton and larger high-speed progressive presses	90%+

Diversity and Human Resources

Number of consolidated employees	2,057
Ratio of overseas segment employees	47.5%
Ratio of mid-career hires in management (non-consolidated)	38.9%
Ratio of female managers (non-consolidated)	3.7%
Ratio of employees returning to work after childcare leave (non-consolidated)	100%
Average length of continuous employment (non-consolidated)	15.0 years

Environment



CO_2 emissions	7,499 t-CO_2*
Total energy inputs (crude oil equivalent)	4,036 kL*

* Scope: AIDA ENGINEERING, LTD. (The Sagami, Tsukui, Shimokuzawa, and Hakusan Factories)

Industrial waste recycling ratio from business activities	90.0%*

* Scope: AIDA ENGINEERING, LTD. (The Sagami, Tsukui, and Shimokuzawa Factories)

We will contribute to people and society from a long-term perspective and achieve sustainable growth even in uncertain times.

Kimikazu Aida
Chairman and President (CEO)

We have started to see signs of a recovery from the impact of the COVID-19 pandemic on economic activity, but the spread of new variants has still not ended and it is impossible to foresee the future course of the impact of new disruptions caused by Russia's invasion of Ukraine. Although the management environment remains highly uncertain, we will work to address universal issues in society as we meet the challenges of a new era, with the aim of achieving sustainable growth and improved corporate value. It is precisely because the times are so tumultuous that we will endeavor to solve ESG issues and improve our corporate value based on our Management Vision: "As a leading company, AIDA will contribute to society by supporting efforts to protect the environment, reduce energy consumption, and develop new technologies."

Review of the Fiscal Year Ended March 31, 2022

Substantial Recovery in Orders Supported by Demand for Electric Vehicles

During the fiscal year ended March 31, 2022, though economic activity was recovering from the impact of the COVID-19 pandemic, the global economy continued to face tumultuous conditions, due to factors such as logistics disruptions, shortages of semiconductors and electronic parts, surging prices for energy, parts, and materials, and the conflict between Russia and Ukraine. In the metal-forming machinery industry, orders on a worldwide basis shifted from a downward trend to a growth trend. The Japan Forming Machinery Association reported that overall order intake for press machines increased 60.8% year on year to ¥143.2 billion in the fiscal year under review.

In the fiscal year ended March 31, 2022, the Group continued to post steady growth in orders for high-speed presses supported by demand for electric vehicles, and orders for general-purpose presses also made a recovery. The Group received a large order in the U.S. for a large servo tandem line for electric vehicles. Due partly to this order, consolidated order intake increased substantially by 48.7% year on year to ¥78.3 billion and the order backlog was up 40.5% year on year to ¥55.1 billion. Net sales also recovered, rising 7.5% year on year to ¥62.4 billion.

On the earnings front, the gross profit margin declined due to factors that included soaring raw material costs, the postponement of sales due to supply shortages for electronic parts, and higher R&D expenditures. Consequently, operating income decreased 32.7% to ¥2.5 billion and ordinary income decreased 35.1% to ¥2.4 billion. Net income attributable to owners of parent decreased 31.9% to ¥896 million, due to the posting of an impairment loss at a plant in China in addition to the factors described above.

The Group has already completed capital expenditures to address the growth in orders for high-speed presses. These capital expenditures include the addition of a paint booth, the installation of a 60-ton overhead crane, and the introduction of large 5-axis multi-functional machining centers for the Tsukui Plant. In the fall of 2022, the Group also plans to start operation of a machining plant for the internal components of high-speed presses to further strengthen its mass production systems.

Progress of the Medium-Term Management Plan

Heading into the Final Year of the Medium-Term Management Plan

During the Medium-Term Management Plan launched in the fiscal year ended March 31, 2021, we have encountered a challenging environment, but we have made steadfast efforts to solve issues faced by customers and society by leveraging AIDA's technological capabilities. In the plan's final year, we will ramp up the capacities of production facilities in Japan and overseas in order to respond to higher demand for electric vehicles. In addition, we will revamp the workplace environment of our employees—our greatest assets—and strive to put the finishing touches on various measures that emphasize investing in human resources.

We have been implementing initiatives to address each of the plan's three core strategies: (1) Technological innovation, (2) Strengthening our business infrastructure, and (3) Improving profitability. The initiatives are outlined below.

Initiatives That Focus on Our Three Core Strategies

(1) Technological Innovation: Improving Product Competitiveness & Fostering and Strengthening Our Growth Businesses

● Developing Optimized Technologies for Press Lines for High-Speed Presses

Against the backdrop of the electrification of automobiles, demand has been growing for high-speed presses to produce EV drive motors. In the fiscal year ended March 31, 2022, we completed the development of optimized technologies for these press lines, including peripheral equipment. In the fiscal year ending March 31, 2023, we have been working to sell a second forming line which incorporates even more improvements.

● Improving Methodologies for Forming Lightweight Materials to Reduce Vehicle Weight

We will push ahead with the development of improved methodologies for forming lightweight materials, such as high-tensile steel, aluminum, and carbon fiber, by improving the capacities of our servo motors and enhancing our hydraulic controls.

● Digital Transformation (DX) Measures

We are also developing a "digital twin" function that will visualize the operating status of press machines on a computer in real time by importing their operational data (temperatures, amperage values, pressure, etc.) The DSF-N2-4000A Direct Servo Former, which is equipped with this functionality, was awarded the Nikkan Kogyo Shimbun's 64th (2021) Ten Greatest Innovations Prize. Going forward, the Group will explore ways to develop its subscription business by expanding sales of these sorts of functions.

Net Sales by Business Segment in "The Evolved AIDA PLAN 523" Medium-Term Management Plan (Fiscal Year Ended March 2022)

Press Machines

Net Sales ¥39.0 billion
Ratio of Net Sales 62.6%

Principal Products

- General-purpose servo presses
- Mid-size and large servo presses
- Precision forming presses
- General-purpose presses
- Mid-size and large presses
- High-speed presses
- Cold forging presses

Automation/FA

Net Sales ¥6.0 billion
Ratio of Net Sales 9.7%

Principal Products

- Piling systems
- Material feeders
  - Coil feeders
  - Destack feeders, etc.
- Transfer equipment
  - Transfer robots
  - Intermediate transfer feeders
  - Die changers, etc.
- Electrical control equipment

Service (Maintenance/Modernization)

Net Sales ¥17.3 billion
Ratio of Net Sales 27.8%

Principal Services

- Retrofits/Modernization
- Overhauls
- Preventive maintenance
- Press inspections
- Machine relocations

(2) Strengthening Our Business Infrastructure: Developing and Strengthening Infrastructure to Support Technological Innovation

● Introducing a New Personnel System

In the summer of 2022, we introduced a new personnel system, which we had been preparing since the fiscal year ended March 31, 2022. The new system revamps our previous personnel evaluation system and remuneration structure, both of which strongly reflected a traditional seniority system, and updates it to a system that improves organizational management and contributes to human resource development. Efforts will be made to firmly entrench the new system within our organization.

● Introducing a New Engineering System

With the introduction of a new engineering system that we upgraded in the fiscal year ended March 31, 2022, we will streamline our production processes and make them smarter, including linking our engineering system with our machining center system and introducing an IoT-based system for monitoring the status of our operations.

(3) Improving Profitability: Transforming Our Profit Structure

Although we face problems such as the COVID-19 pandemic and shortages of electronic parts, we will steadily advance measures to transform our profit structure, including strengthening our service business and related areas and improving our product mix. By doing so, we aim to achieve profit growth in the fiscal year ending March 31, 2023.

● Steady Initiatives Focused on Priority Policies by Business Segment

Amid intensifying price competition in our press business, we will reallocate management resources to strengthen our service (maintenance/modernization) and automation/FA businesses, which deliver higher-value-added content.

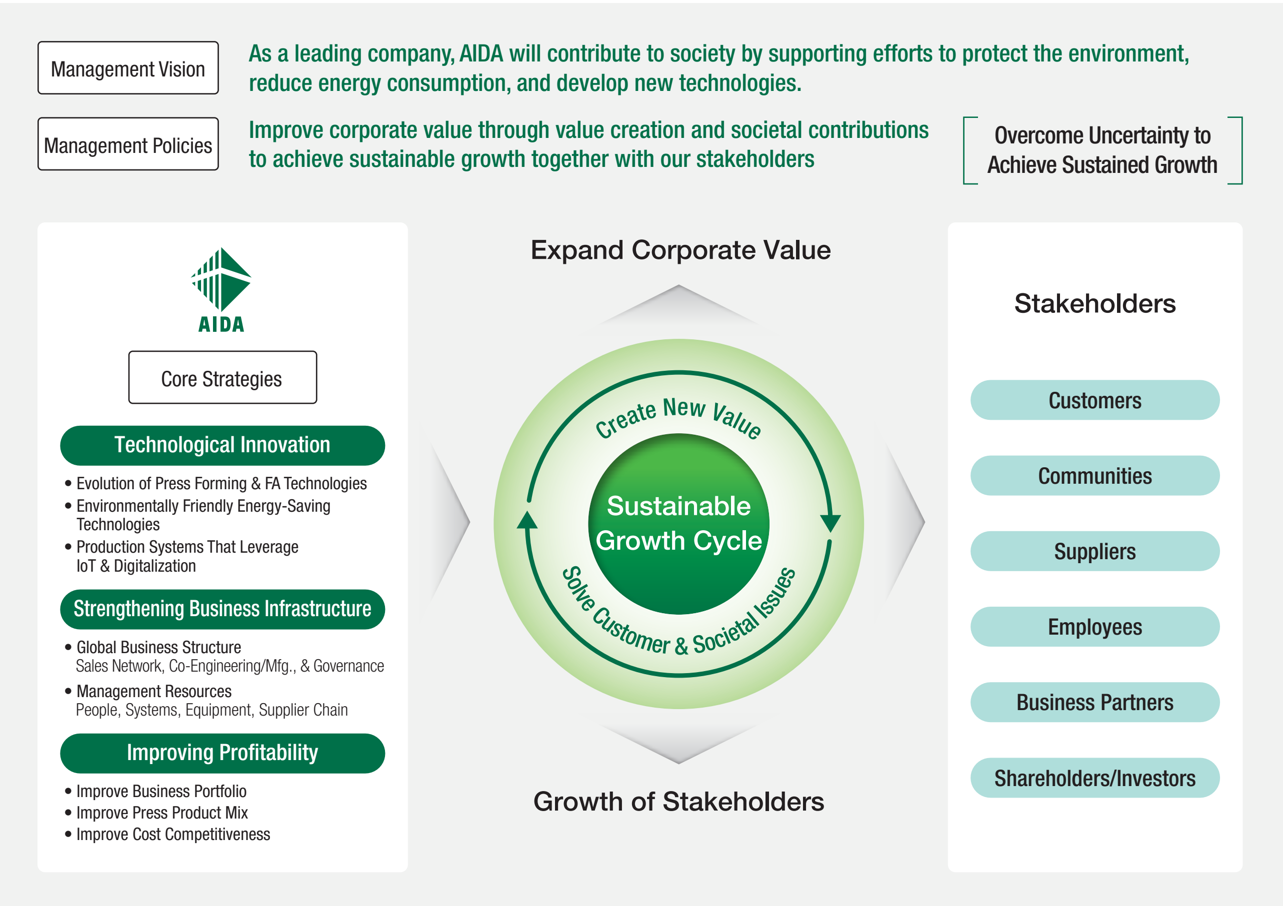
● Improve Our Press Machine Product Mix Based to Market Requirements

In our press business, in anticipation of growing demand for EVs and other next-generation vehicles, we will strive to improve our press machine product mix according to market needs, while putting emphasis on high-speed and precision presses, which result in higher added value.

Initiatives Focused on Priority Strategies by Business Segment

In line with these core strategies, we have established priority strategies for each of our business segments—our press business, our automation/FA business and our service (maintenance/modernization) business—and are advancing the following initiatives.

Outline of the Medium-Term Management Plan "The Evolved AIDA PLAN 523" (Fiscal Years Ending March 2021–2023)



(1) Our Press Business
Strengthening Our Press Offerings for Next-Generation Vehicles and Enhancing Our Product Mix

● Seeking to Improve Our High-Speed Press Production Capacity

We have completed layout changes at the Tsukui Plant to increase production of the high-speed presses used to produce drive motors for EVs and other electric vehicles, and we will strive to improve production efficiencies by transitioning some Sagami Plant resources to high-speed press production. In addition, we have expanded our supply capabilities for the Asian region through new equipment that came online at our Malaysia Plant in the second half of the fiscal year ended March 31, 2022. In the fiscal year ending March 31, 2023, we will provide training to manufacturing and service staff at our sites in Europe and the U.S. and work to localize high-speed press manufacturing and installation-related tasks that had previously been covered by our headquarters plant in Japan.

(2) Our Automation/FA Business
Leveraging Control Technologies to Create Value-Added Content

● Further Enhancements to Press-to-Press Transfer Feeders

Our D-MAT press-to-press transfer feeders have garnered high praise for their highly flexible conveyance capabilities through the usage of image sensors. These feeders have been successively incorporated in the large servo tandem lines orders AIDA has received in recent years. We have also been receiving more and more inquiries for modernizing transfer feeders. We will focus on capturing such modernization needs along with striving to further improve the performance of our transfer feeders.

● Strengthening In-House Manufacturing of Automation Equipment in Europe and the U.S.

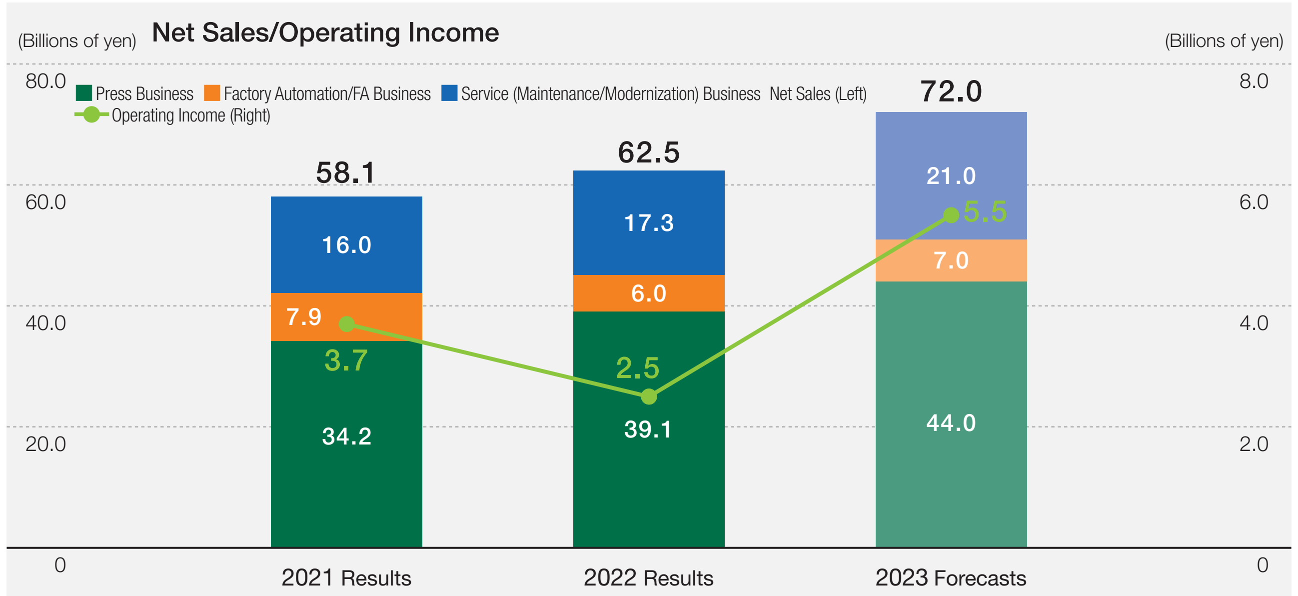
In Europe and the U.S., local specialized automation equipment manufacturers are very competitive, and AIDA automation product sales to European and U.S. customers have been lagging. Going forward, we will work on enhancing the production capacities of our overseas sites in Europe and the U.S. to bolster the in-house manufacturing of automation equipment and to expand AIDA's participation in supplying automation systems in these regions.

(3) Our Service (Maintenance/Modernization) Business
Strengthening Our "Recommendation-Based Sales Efforts" Focused on Preventive Maintenance and Equipment Enhancements

● Overhaul and Modernization Work on Existing Equipment

Peripheral equipment for high-speed press systems developed in the fiscal year ended March 31, 2022 will be introduced to the market, and efforts will be made to expand sales of these products. In addition, the servo motor-equipped press machines that were developed in-house in 2002 will soon be reaching an age where they will need to be overhauled. For this reason, we will boost sales efforts towards customers worldwide. Together with these efforts, we will leverage IoT and DX to visualize the timing of component replacements, etc. as part of our efforts to improve preventive maintenance measures and discover new needs.

Performance Forecasts in "The Evolved AIDA PLAN 523" Medium-Term Management Plan



* Rounded to the nearest ¥100 million. * 2023 forecast numbers are the numbers announced in May 2022.

Business Outlook and Shareholder Return Policy for the Fiscal Year Ending March 31, 2023

The economy has been returning to normal after the COVID-19 pandemic and demand in automotive-related industries has been recovering. Accordingly, for the fiscal year ending March 31, 2023, we forecast consolidated net sales of ¥72.0 billion. Based on the increase in net sales and the improved gross profit margin, the operating income forecast is ¥5.5 billion. We forecast ordinary income of ¥5.7 billion and net income attributable to owners of parent of ¥4.0 billion. Overall, these forecasts represent year-on-year increases in both revenue and earnings.

In the fiscal year under review, while we posted a decrease in earnings, we believe that there were no major changes in overall business trends. Therefore, with respect to shareholder returns, in the fiscal year ended March 31, 2022, we paid a cash dividend of ¥25 per share, for a consolidated dividend payout ratio of 166.5%, as initially planned in accordance with the basic policy of our Medium-Term Management Plan. In the fiscal year ending March 31, 2023, based on forecasted profit improvements we plan to pay a dividend of ¥30 per share, for a consolidated dividend payout ratio of 44.8%.

Achieving a Sustainable Society

Companies are being strongly urged to contribute to a sustainable society through ESG, SDGs, and other means. We are implementing the initiatives listed below to specifically address investments in human resources and environmental protection.

(1) Fostering Human Resources and Diversity

We will widely recruit diverse human resources regardless of gender, nationality, age, disabilities or other factors.

In addition, under the new personnel system introduced in July 2022, we have reorganized complex hierarchies in our organization and have clearly defined the roles and abilities that are expected for employees at each job level. These changes have made it easier to reflect the expertise and abilities of employees in personnel evaluations. Together with this, we will strive to further bolster our in-house education and training system. →pages 25–26

(2) Developing Environmentally Friendly Products

We will develop products that fully demonstrate AIDA's "Manufacturing DNA," thereby enabling our press machines to help reduce the environmental impact of customers' production sites and of society as a whole. →page 16

(3) Carbon Neutrality Initiatives

In April 2022, we disclosed our Carbon-Neutral Initiative Policy, with the aim of becoming carbon-neutral by 2050. Approximately 20% of the electric power used at our domestic business sites comes from in-house power generation, which helps to lower CO_2 emissions. In October 2021, we took this a step further by switching to carbon-neutral LNG* for in-house power generation. This initiative is expected to reduce the roughly 7,400 tons of annual CO_2 emissions from our domestic business sites by approximately 2,000 tons. Moreover, we are advancing initiatives to foster renewable energy sources, including the start of research and development of peripheral equipment for wind power generation that leverages AIDA's existing technological capabilities. Looking ahead, as we rebuild our aging headquarters plant, we will also use this construction as an opportunity to look at transitioning our domestic business sites to renewable energy sources and achieving zero emissions. →page 32

Our Corporate Philosophy states that "AIDA will grow as a forming systems builder and continue its contribution to people and community." Under this Corporate Philosophy, we are determined to achieve sustainable growth by working to address societal issues from a long-term perspective. We kindly ask for the continued support of all our stakeholders.

August 2022

Chairman and President (CEO)

* Carbon-neutral LNG: A type of gas that is considered CO_2-free even when used on a global scale. This is made possible by offsetting the greenhouse gases emitted throughout the value chain with CO_2 credits created through forest preservation and other such initiatives (carbon offsets).

Environment

Reducing Environmental Impact through Efficient Energy Use

At our headquarters plant in Sagamihara City, we have introduced a gas co-generation system (GCS) and Genelink (a gas absorption water chiller-heater that utilizes hot waste water). The introduction of this equipment has greatly reduced our total energy costs, by allowing us to utilize hot waste water from power generation for factory and office air conditioning. Solar power generation equipment is also installed alongside this equipment. If there is an emergency, this equipment will make electric power available for a limited time. In 2020, we were certified as a "Business that Promotes the Local Supply and Local Consumption of Energy in Kanagawa Prefecture" in recognition of our efforts to use renewable energy sources to achieve in-house power generation and for internal power consumption.

Developing Environmentally Friendly Products

AIDA was awarded the 2021 "MF Technology Excellence Award" by the Japan Forming Machinery Association in recognition of the "Manufacturing of Highly Difficult Knurled Parts Through a Multi-Stage Press Forging Process" using the high forming precision of our NS2-D Series Digital Servo Former. Because of the high degree of difficulty in forming the required shape, these parts had been previously manufactured using a metal powder sintering process. However, using our press machine to form the parts has (1) improved productivity, (2) improved material yield, and (3) achieved higher strength. The forming technologies and the resource conservation leveraged by this process have earned high praise.

* The photo shows the current model: DSF-N2 Series Direct Servo Former.

Social

Registration as a Sagamihara SDGs Partner

We registered as a Sagamihara SDGs Partner in March 2022. Under this program, we are working closely with the community to solve local community issues, with a view to achieving SDGs.

Opening the Tsukui Plant Sports Field to the Public

As part of our efforts to contribute to the local community, the sports field on the grounds of our Tsukui Plant has been opened to the public on non-working days free of charge. The sports field can be used for a variety of sports, such as the local community's Little League baseball and rugby teams.

* Sports field usage restrictions may be imposed at times to prevent the spread of COVID-19.

Sponsorship Agreement with S.C. SAGAMIHARA

In April 2022, we became an official sponsor of S.C. SAGAMIHARA, Sagamihara City's J-League soccer club. Through our sponsorship of S.C. SAGAMIHARA we will strive to improve our corporate branding along with helping to energize the community and promote sports as a means of supporting the development of a healthy society.

Registration as a Sagamihara City Disaster Management Cooperative Business

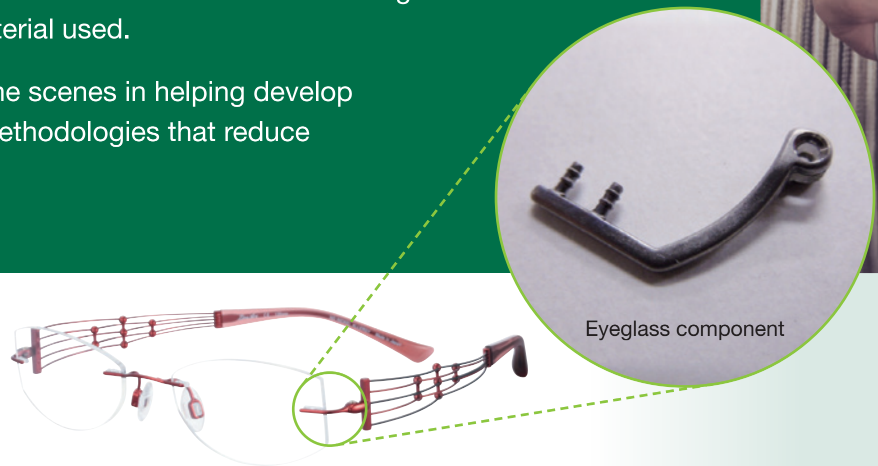
In May 2020, we registered as a Sagamihara City Disaster Management Cooperative Business. We will make our headquarters' cafeteria, commissaries, and restrooms available for use as an evacuation center in case of a disaster. This cooperation will allow us to help bolster the community's disaster management capabilities.

AIDA's Technologies Help Our Daily Lives.

Press machine technology is indispensable for manufacturing eyeglasses, which play an integral role in our daily lives.

By devising forming methods that leverage AIDA's servo technologies, manufacturers are able to reduce the number of manufacturing stages and the amount of material used.

AIDA is instrumental behind the scenes in helping develop groundbreaking production methodologies that reduce environmental impact.



Titanium eyeglass components made using AIDA servo presses. Achieving saving in both resources and energy.

Eyeglass frames must be safe and lightweight because people wear them directly. In that regard, titanium is 40% lighter than steel with twice the strength. It is also a metal that is not likely to cause adverse effects on the human body and tends not to cause metal-related allergic reactions*.

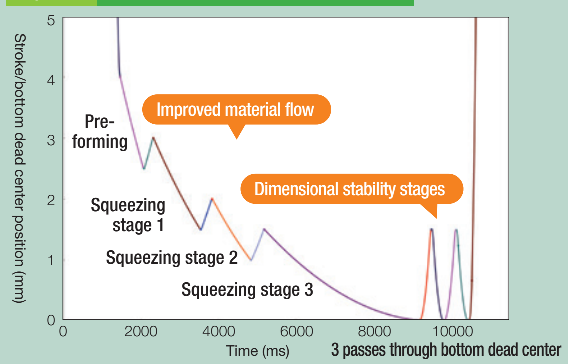
However, titanium is classified as a difficult-to-form material. Because its maximum tensile strength is so high, it also generates a substantial amount of springback (the tendency of a formed material to revert to its original shape), and it also has a high affinity with other materials. This gives rise to numerous issues, such as the material adhering to the die during the press forming process and a decrease in formability as friction increases.

To address these issues, we have developed optimal servo press motion controls. AIDA's servo presses are distinctive as they enable operators to freely program the motion in the forming portion of the stroke and also to apply high forming energies even at low speeds. Operators are able to tightly control the slide up and down motions during a single stroke to repeatedly apply and release pressure (Figure 1), which reduces the effects of friction and greatly improves formability.

This has resulted in greater product precision, an almost tenfold increase in die life, and in addition there are 11 fewer forming stages (Figure 2) which translates into significant energy savings. Our servo presses also conserve resources because even smaller materials can be used to form the same part, thereby reducing material consumption by approximately 20%.

* Source: The official website of The Japan Titanium Society: http://www.titan-japan.com/indexe.htm

Figure 1 Development phase slide motion



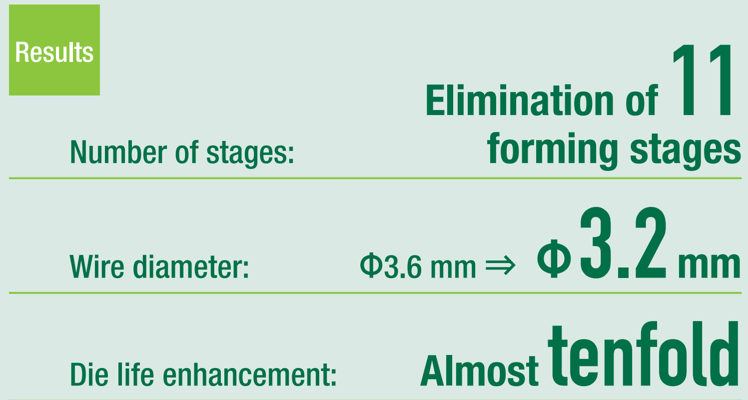
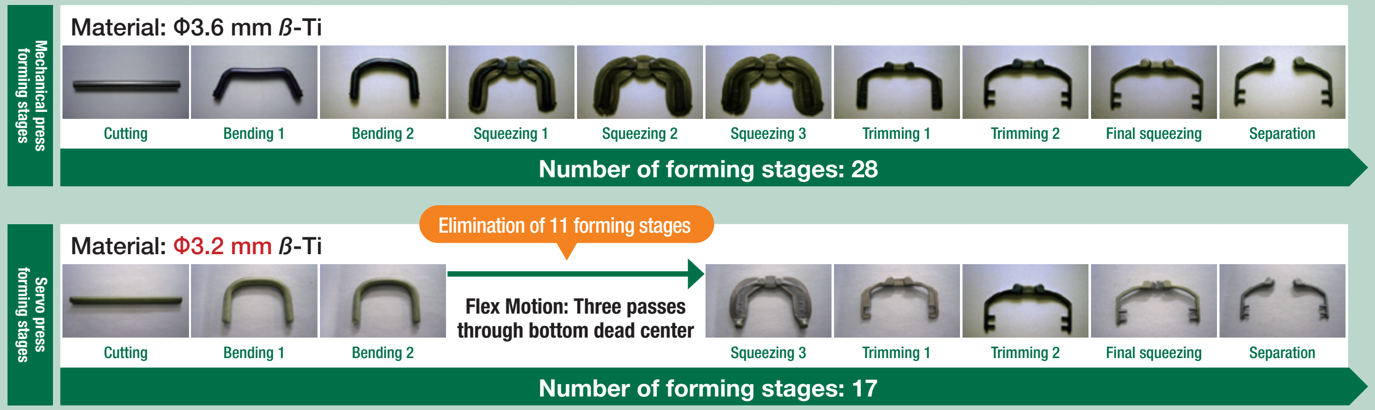


Figure 2 Comparison between mechanical press & servo press forming stages



Source: CHARMANT INC.

Our High-Quality Products Help Promote Carbon Neutrality.

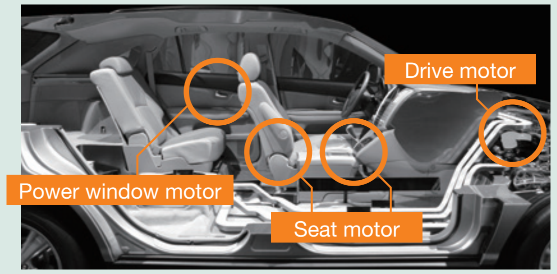
The rapid development of electric vehicles has been prompted by the goal of reducing CO_2 emissions that cause global warming.

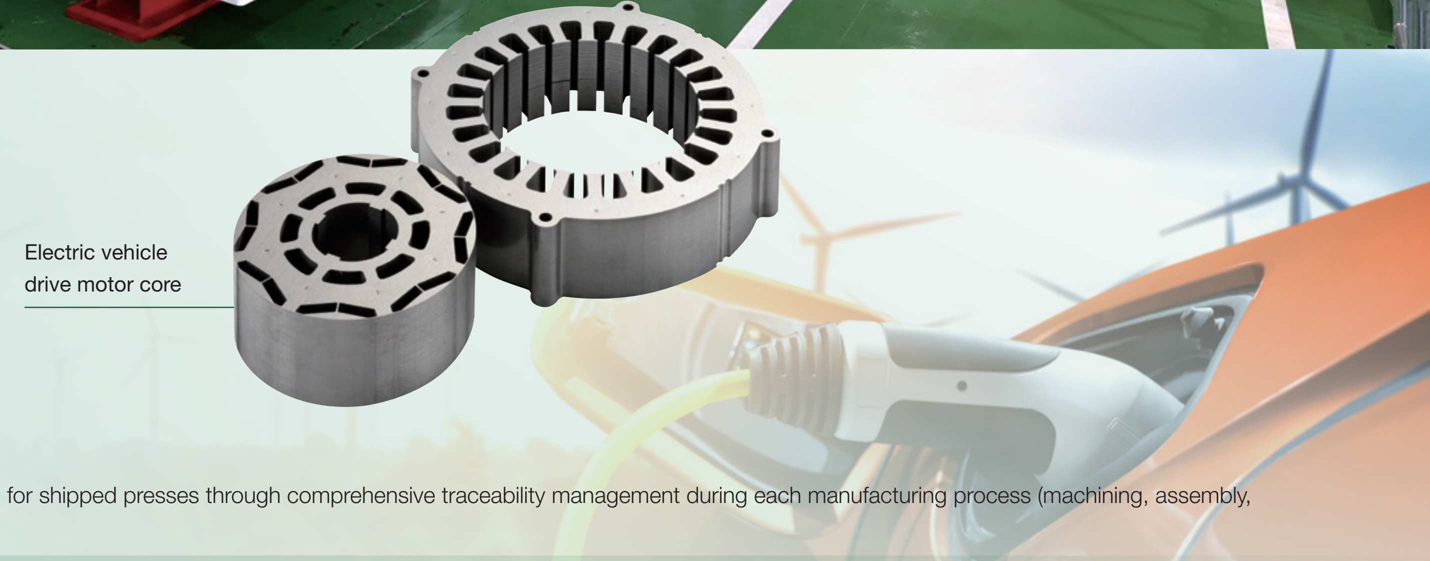
With many nations having announced that they intend to ban the sale of gasoline-powered vehicles in the near future, there is a growing need for large motor cores required for powering electric vehicles.

AIDA will keep striving to further develop technologies and improve production capabilities with its sights set on contributing to environmental conservation around the world.

Motors are used for a wide variety of applications in vehicles.

Vehicles are equipped with numerous motors that are used to open and close windows, to run windshield wipers, and to adjust seat positions. The number of such applications has been increasing in recent years together with the transition to electric-powered vehicles, including drive motors, electric power steering (EPS), steer-by-wire, and automatic braking.

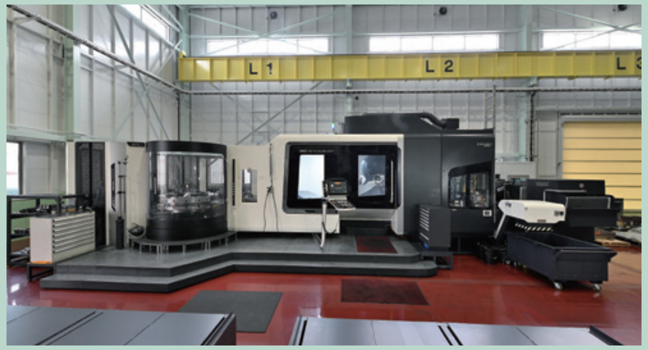




A look inside the factory that builds the high-speed presses used to produce motor cores

Utilizing the latest equipment, we have internalized the manufacturing of critical high-speed press components. In addition, we are aiming for the highest quality level for shipped presses through comprehensive traceability management during each manufacturing process (machining, assembly, and inspection).


To boost production efficiency, we built a new factory to consolidate the equipment used to machine internal components.


A state-of-the-art 5-axis machining center for high-precision components (DMC160FD/dB)


A large 5-face machining center for slides and beds, etc.


Hand-finishing the final fit

Minimizing Worker Workloads: A New Era is Coming to Manufacturing Facilities.

The manufacturing industry is encountering major challenges that include a decreasing number of young workers and the aging of skilled engineers.

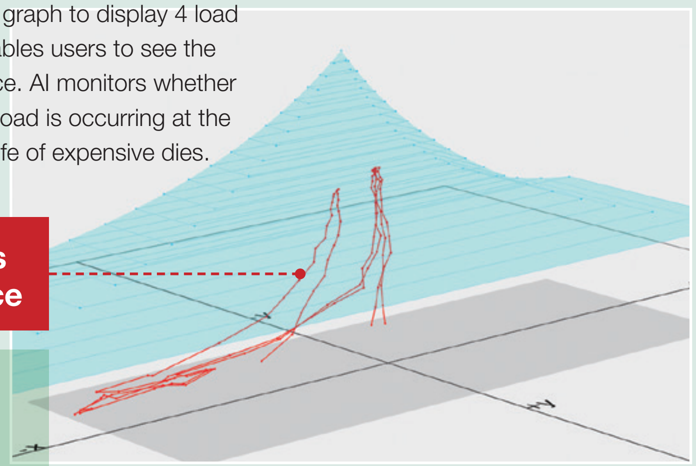
The utilization of DX technologies, such as visually monitoring operation conditions and production, and using AI to identify signs of potential issues, serve to reduce the burden on personnel and make it possible to maintain stable operations that will not be affected by the experience levels of individual workers.

DSF-N2-4000A
Direct Servo Former

The DSF-N2-4000A is equipped with a load monitoring system that leverages AI to lengthen the die life of expensive dies.

During the press forming process, dies are used to apply the load need to form materials. Failure to appropriately apply these loads could result in defective products or damaged dies.

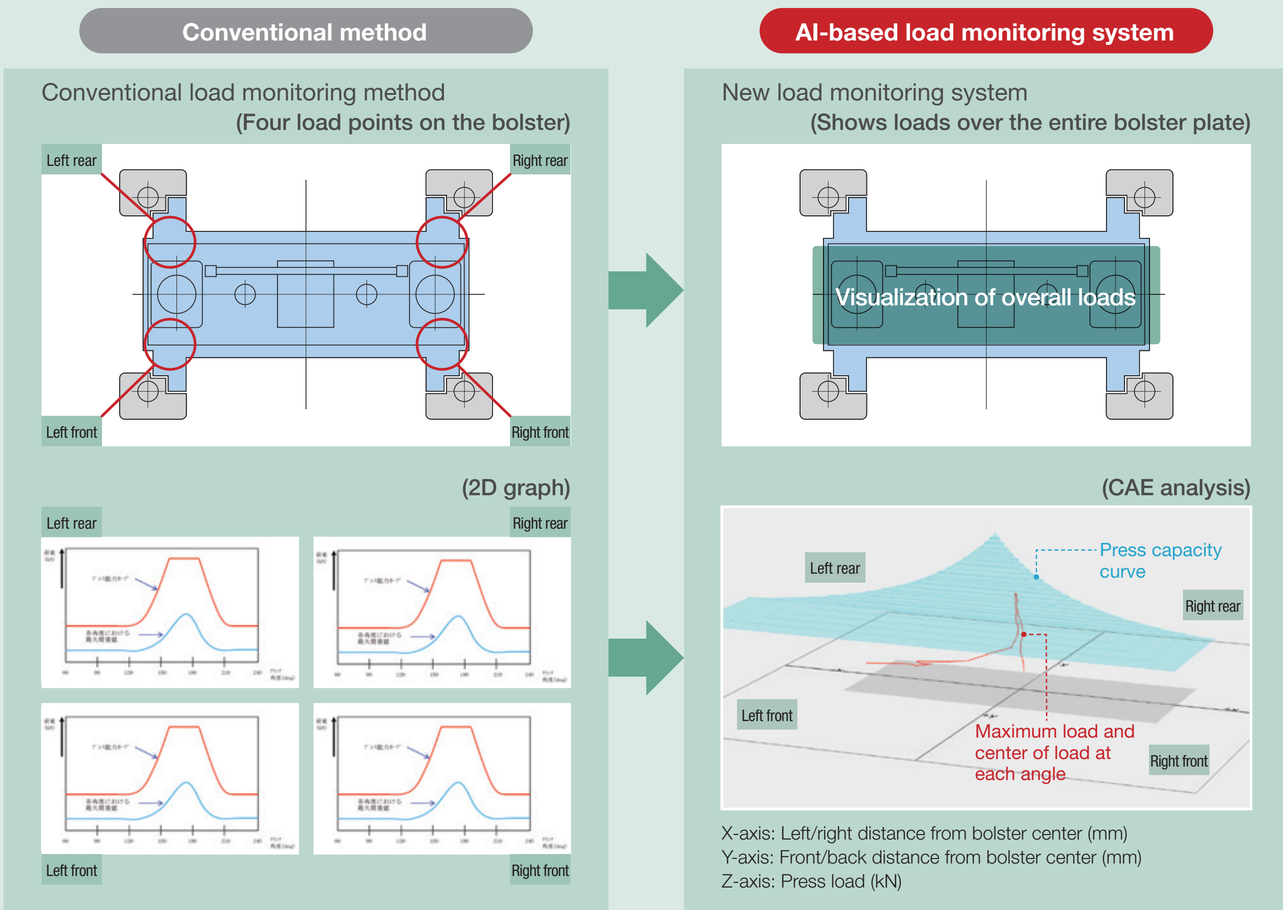
The customary load monitoring method is to use a 2D graph to display 4 load points on the bolster, but the AIDA monitoring system enables users to see the load shifts over the entire bolster in a 3-D graph at a glance. AI monitors whether load waveforms are distorted and whether the maximum load is occurring at the appropriate point, which makes it possible to extend the life of expensive dies.



Identify load trends variations at a glance

[Outcome]
Enables the visualization of forming load trend changes that a conventional 2-D graph can't provide.

⇒ Greater precision in identifying anomalies



X-axis: Left/right distance from bolster center (mm)
Y-axis: Front/back distance from bolster center (mm)
Z-axis: Press load (kN)

AIDA's Strengths Drive Higher Corporate Value

We will continue to improve corporate value by enabling our customers to achieve optimal production lines by leveraging our strengths, including our own unique technologies and product development capabilities which we have amassed as a pioneer in press forming, our comprehensive solutions that include auxiliary equipment and forming methodology development, as well as our comprehensive after-sales services.

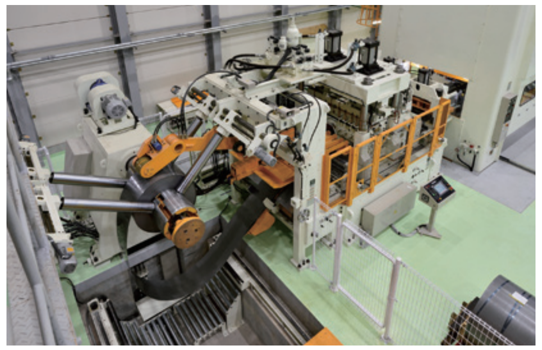
AIDA's Strength

1

Technological and Product Development Capabilities

A Specialist in Press Forming Systems

We develop and provide optimal press lines that leverage the unique technologies and product development capabilities that we have been amassing for more than a century.



AIDA developed the world's first direct-drive servo press which revolutionized press forming systems, and also developed many press machines that were the first of their kind in Japan. We continue to evolve as a specialist in press forming systems by leveraging the technological capabilities we have developed over the years.

Moreover, we will provide customers with optimal press lines precisely tailored to their needs while nimbly responding to the increasingly diverse external environment by providing an extensive lineup of high-value-added presses machines suited for a wide array of applications and objectives—including the forming of thick plates and high-speed precision forming—and by internalizing the production of critical components.

AIDA's Strength

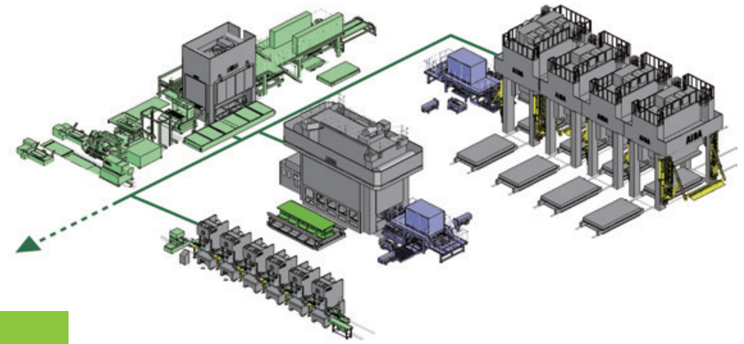
2

Comprehensive Solutions

A Forming Systems Builder That Optimizes Production Lines

We offer our customers optimal solutions that span from press machines and auxiliary equipment to forming methodology development.

As manufacturing sites become increasingly sophisticated and diverse in terms of technological innovation and energy conservation, a perspective that considers the entire production line is needed to resolving challenging issues. We provide optimal solutions to our customers by recommending comprehensive press forming systems, auxiliary equipment such as material feeders and automated transfers, and forming methodology development.



AIDA's Strength

3

Service and Support Capabilities

Our Engineering Teams Support Manufacturing Sites Over the Long Term

We provide customers worldwide with peace of mind and confidence for services spanning from maintenance to retrofits.

We have built longstanding relationships of trust with our customers both in Japan and overseas through services that include all kinds of maintenance, spare parts, and preventive maintenance of AIDA presses and other delivered products. In recent years, we have also been focusing our efforts on retrofitting, which includes overhauls, accuracy and performance improvements, the addition of new functions, and equipment replacements and upgrades. We also assist our customers in terms of technology, the environment, and expenses by enabling them to reduce costs while also increasing the value and extending the life of their existing equipment.

The Source of Value Creation: Human Capital Sophistication and Diversification

Believing that human resources represent our greatest management asset, we strive to develop human resources with the aim of having each employee attain a high degree of specialization. Based on the AIDA Group Action Guidelines, we respect each and every employee as an individual and have established a corporate culture that embraces talented human resources from various countries and regions regardless of nationality, gender, age, employment status, or physical ability. We will continue to further strengthen our foundation for growth by building an organization and developing human resources for achieving global management.

Global Human Resources

The expansion of our overseas business and the continuing globalization of our operations underscore the need to provide customers with AIDA's superior technology and quality uniformly throughout the world. In addition to technology exchanges with our overseas locations through local guidance and training by instructors from Japan, we are working to develop human resources hired at overseas locations into capable employees by dispatching them to Japan for extended training. In these and other ways we are working on a global scale to instill the AIDA DNA that has been amassed over many years in order to pass along our technology and maintain and improve the quality of our products worldwide.

To increase our corporate value and strengthen our competitiveness in the global market, we have established production facilities in five regions of the world (Japan, China, Malaysia, the U.S, and Italy) as well as sales and service offices in 20 countries. Moreover, when it comes to employees at our overseas locations, we seek to ensure Group-wide diversity by fundamentally recruiting locally and providing environments that enable local employees to maximize their abilities.

As of March 31, 2022, on a consolidated basis we had 2,057 employees—a 1.3-fold increase from 10 years ago due to the expansion of our business operations, including mergers and acquisitions, with nearly half of these employees (47.5%) working overseas.

Ratio of overseas segment employees

47.5%

Sales and service offices

20 countries worldwide

Active Recruitment of Mid-Career Employees

In order to attract diverse human resources and revitalize our organization, we have been actively recruiting mid-career workers for regular employment. Our ratio of mid-career hires averaged 39.0% over the last three fiscal years (fiscal years ended March 2020–2022), and our ratio of mid-career hires in management positions is 38.9%, reflecting a work environment where mid-career hires are able to play active roles.

Ratio of mid-career hires

39.0%

Ratio of mid-career hires in management

38.9%

Promoting Dynamic Engagement of All Citizens (Proactive Employment of the Elderly)

We have been actively rehiring skilled workers who have reached retirement age, providing job opportunities to employees aged 65 years and over since before the enactment of the revised Act on Stabilization of Employment of Elderly Persons*. As of March 31, 2022, the Company has an 88.2% ratio of employees rehired after reaching retirement age and more than 30 employees aged 65 years or older. In addition, we actively promote motivated and capable employees to management positions after rehiring them, and 14 out of 96 rehired employees over the age of 60 are in management positions (representing 14.6% of all managers).

* In April 2021, the Act on Stabilization of Employment of Elderly Persons was revised to require companies to not only provide secure employment until the age of 65 (mandatory) but to also assure (make an effort to provide) employment opportunities for workers between the ages of 65 to 70.

Ratio of employees rehired after reaching retirement age

88.2%

Number of employees aged 65 years and over

30 or more

Other Human Capital-Related Indicators (Non-Consolidated)

Ratio of male and female hires

Male 81.1%

Female 18.9%

Ratio of female employees

12.7%

Ratio of female managers

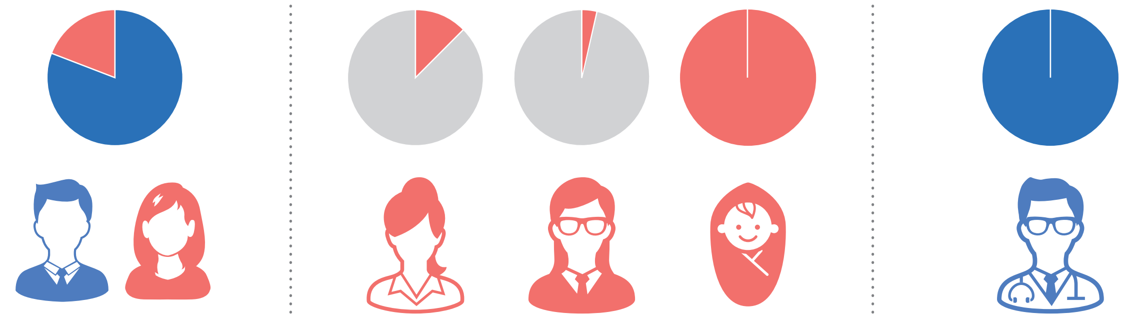
3.7%

Ratio of employees returning after childcare leave

100%

Ratio of employee participation in health checkups

100%



We have been engaging in recruitment activities that aims to increase the percentage of female hires to at least 20% by fiscal year 2025.

We aim to create comfortable work environments for our female employees whose careers may be affected by life events such as marriage, childbirth, and childcare. Specifically, we have been promoting initiatives to enable a healthy work-life balance by offering them options that include childcare leave, reduced working hours, and staggered shifts.

We provide for regular health checkups, stress assessments, and other initiatives to promote mental healthcare with the aim of ensuring that our employees are mentally and physically capable of maintaining vibrant and active roles in the workplace.

TOPICS

Formulation of the AIDA Group Human Rights Policy

We are keenly aware that it is important to respect human rights in a manner commensurate with our corporate philosophy of "AIDA will grow as a forming system builder and continue its contribution to people and community." The AIDA Group Action Guidelines already pledges to respect the dignity and basic human rights of all involved parties under, but in April 2022, we also established the AIDA Group Human Rights Policy,* which declares that we will engage in corporate management in a manner that respects the human rights of all people, and have pronounced a policy of prohibiting all forms of harassment as well as forced labor and child labor, and this also applies to our business partners.

Going forward, we will continue to help foster the attainment of a sustainable society by showing understanding and respect for human rights across every aspect of our corporate activities.

* The AIDA Group Human Rights Policy is available on our corporate website.
https://www.aida.co.jp/en/company/guidelines.html

Adoption of a New Personnel System

We seek to ensure that our employees make the most of their abilities and we are accordingly committed to creating rewarding work environments. To that end, our aims include understanding every associate's awareness and values with regard to the Company and their work tasks, increasing employee satisfaction, and reflecting such concerns in our management. During the 2020 fiscal year we had an external organization administer an employee awareness survey, and based on the results we revamped our employment rankings, positions, and qualifications in our seniority-based employee assessment system. In July 2022, we adopted a new personnel system under which we have articulated and explicitly stated the roles and abilities required for each employment classification. Under the new personnel system, we have defined (1) employment classifications, (2) performance reviews, and (3) remuneration frameworks, and have been proceeding with operations in a manner that involves taking into account the standards of our respective workplaces. This has facilitated our efforts to improve our organizational management and to build mechanisms for human resource development. Going forward, we will further strengthen our foundation of human resources, including the proactive implementation of the new personnel system and also by instilling it and firmly establishing it within our organization.

Basic Stance on Corporate Governance

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 increasing corporate value. To this end, the Group has a global business management system led by Japan that organically connects our five global manufacturing facilities and our sales and service operations around the world in order to make maximum use of their respective functions, and we are constantly enhancing our corporate governance framework to support this system.

Governance Structure

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.

Remuneration for Directors and Statutory Auditors

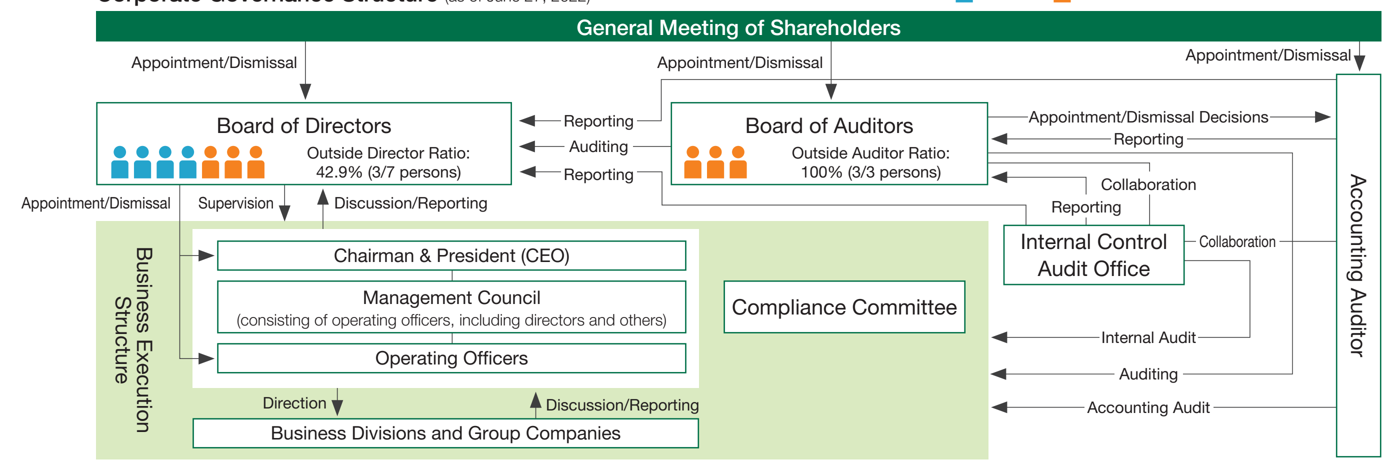
In the fiscal year ended March 31, 2022, remuneration for the Company's directors and statutory auditors was as follows:

Officer Category	Number of Eligible Officers	Total Remuneration by Type (Millions of yen)				Total (Millions of yen)
		Monetary Remuneration			Non-Monetary Remuneration (Stock Compensation)	
		Basic Remuneration	Performance-Based Remuneration	Subtotal		
Directors (excluding outside directors)	4	133	41	174	23	198
Outside directors	5	25	—	25	—	25
Statutory auditors (all outside)	4	28	—	28	—	28

* Performance-based remuneration is the amount of provision for bonuses for directors (and other officers)
* The above remuneration includes amounts for two directors and one statutory auditor who retired at the conclusion of the 86th General Meeting of Shareholders held on June 28, 2021.
* Amount of remuneration and decision policy for the method of calculating those amounts are disclosed in the Corporate Governance Report.

Corporate Governance Structure (as of June 27, 2022)

Directors　Independent Outside Directors & Statutory Auditors



Details on corporate governance and the status of the Company's implementation of Japan's Corporate Governance Code are described in the Corporate Governance Report.
https://www.aida.co.jp/en/ir/management/governance.html

Internal Control System

Ensuring Appropriate Business Execution

To ensure appropriate and efficient business execution, the Board of Directors and the Management Council deliberate and share information on important matters that could significantly affect the Company's management, and also discuss countermeasures as necessary. In the fiscal year under review, the Board of Directors and Management Council were convened 13 times and 20 times, respectively. In addition, each business division takes the lead in addressing risks related to day-to-day operations. And by means of various cross-Group committees, each business division also appropriately address risks related to issues like safety, environment, disaster prevention, quality, compliance, export regulatory control, and product liability.

Group Company Management Structure

Processes for both decision-making by Group companies and approval by the parent company are set forth in the AIDA Global Management Regulations. The Internal Control Audit Office takes the lead in monitoring whether actual operations are in line with the regulations in order to ensure the appropriateness of business operations at each Group company.

Each Group company presents monthly performance reports and the status of updates on initiatives to the Board of Directors and the Management Council, and also shares the details of the Management Council meetings held regularly at each Group company with the management team at the Company. Moreover, at the AIDA Global Business Plan Meetings held twice a year, top management from the Company and each Group company within Japan and overseas gather to report their progress in achieving performance targets. They also share information on issues and risks faced by each Group company and discuss countermeasures.

In addition, the Internal Control Audit Office regularly monitors the internal control and compliance status of each Group company. Statutory auditors and the Internal Control Audit Office also conduct on-site audits at each Group company.

Compliance

To ensure legal compliance and high ethical standards in the conduct of its business, the Company formulated the AIDA Corporate Philosophy, the AIDA Group Action Guidelines, the Sustainability Policy, and the AIDA Group Human Rights Policy. Our Group Action policy states that AIDA will respect the dignity and basic human rights of all stakeholders and create a corporate culture imbued with respect for mankind. We distribute relevant language versions of the AIDA Corporate Philosophy, the Sustainability Basic Policy and the AIDA Group Action Guidelines to domestic and overseas Group companies to ensure they are fully understood.

Compliance Framework

The Company established the AIDA Group Compliance Hotline*, a communication channel that provides access to an outside attorney and the whistleblower desk within the Internal Control Audit Office. The Company also has a system in place to receive reports from domestic and overseas Group companies regarding the status of compliance, and we are working to ensure appropriate operation and enhance the effectiveness of legal compliance.

Hotline reports are initially consolidated and presented to the executive officer in charge of internal controls. Depending on their importance, matters are also reported to the Compliance Committee and the Board of Directors. These bodies discuss responses and recurrence prevention measures, and then issue directions. Meanwhile, the Internal Control Audit Office conducts various types of internal training to help ensure that all Group employees fully understand the AIDA Corporate Philosophy, the AIDA Group Action Guidelines, and the AIDA Group Compliance Hotline.

*AIDA Group Compliance Hotline:
A system for reporting compliance violations that have occurred or may occur—including legal actions and improper conduct—to the whistleblower desk. It was established to reinforce the AIDA Group's compliance management efforts.

Risk Management System

Risks related to the execution of management strategies are analyzed by the relevant business divisions, which also consider countermeasures. These matters are also discussed by the Board of Directors and Management Council as necessary. Risks related to daily operations are addressed by the respective business divisions based on the nature of the risk. We also have a flexible management system in place to help respond, including committees for health and safety, product liability, export regulatory control, risk assessment promotion, and, and there are also other cross-functional committees as well as specific project teams.

In addition, we have established the Global Operation Promotion Office at the Company, and undertake cross-functional and centralized management of risks both within Japan and overseas that relates to Group-wide issues. These include risks which are particularly likely to have a tremendous impact on management, including product liability, export regulatory control, compliance, information security, and the protection of intellectual property rights.

For managing crises such as natural disasters, we have established a business continuity management manual and business continuity plan.

Information Security Initiatives

The Company formulates and implements regulations such as the Document Management Regulations, the Corporate Secrets Management Regulations and AIDA Information Network System Management Regulations as measures to prevent the leakage of information from inside the Company. In addition to managing software used in daily operations and monitoring and restricting internet access, the Company utilizes software to monitor computers for viruses, unauthorized access, and other issues. It also oversees remote access to the Company's internal systems from overseas Group companies.

As part of its IT audit, the Company also verifies the status of anti-virus countermeasures implemented at major Group companies at least once a year, and also assures that security and information management systems are in place.

The Company has advanced technological assets, and any technology or intellection property leaks, or any infringement of intellectual property rights, could threaten its fundamental management foundation. For that reason, the Company protect technical information by restricting employee access to confidential drawing data, and when third parties require access to such information, a non-disclosure agreement is concluded beforehand. Moreover, all drawing data is encrypted and prevent it from being viewed by external devices. In addition, the Company actively seeks to obtain patents in Japan and overseas in order to protect intellectual property.

As described above, the Company has information security measures in place and work meticulously to protect technical information and intellectual property rights to support the advancement of business strategies.

Corporate Governance (As of July 1, 2022)

Board of Directors


Representative Director, Chairman and President (CEO)
Kimikazu Aida


Representative Director, Executive Vice President (COO)
Toshihiko Suzuki


Director, Managing Executive Officer
Hiromitsu Ugawa


Director, Operating Officer
Yap Teck Meng


Outside Director (Independent)
Hirofumi Gomi


Outside Director (Independent)
Mikio Mochizuki


Outside Director (Independent)
Isao Iguchi

Director Skill Matrix

Name \ Category	Outside Director (Independent)	Expertise/Experience: Corporate Management/ Business Strategy	Finance & Accounting	Risk Management/ Legal Affairs/Compliance*1	ESG	International Operations
Kimikazu Aida		○			○	○
Toshihiko Suzuki		○		○	○	
Hiromitsu Ugawa		○	○	○	○	○
Yap Teck Meng		○				○
Hirofumi Gomi	✔	○	○	○	○	
Mikio Mochizuki	✔	○	○	○		○
Isao Iguchi	✔	○		○		

*1. "Risk Management/Legal Affairs/Compliance" includes the perspective of product liability (PL).
*2. The chart above shows fields in which the directors are particularly expected to make contributions to the Company's management, and does not illustrate all of the skills and specialized knowledge that each director possesses.

Statutory Auditors


Outside Standing Statutory Auditor (Independent)
Junichiro Hiratsuka


Outside Statutory Auditor (Independent)
Fusakazu Kondo


Outside Statutory Auditor (Independent)
Noriyuki Katayama

Operating Officers (Those concurrently serving as directors are listed above)

Managing Executive Officer	Tsukasa Kitano	Division Manager, Sales Headquarters
Managing Executive Officer	Yoshinori Ozaki	Division Manager, Service Headquarters
Executive Officer	Yasuyuki Kaneoya	Co-CEO, AIDA EUROPE GmbH
Executive Officer	Mitsuru Hirasawa	Chairman, AIDA PRESS MACHINERY SYSTEMS CO., LTD. Managing Director, AIDA ENGINEERING CHINA CO., LTD.
Executive Officer	Naoki Nakatsuka	Deputy Division Manager, Sales Headquarters Deputy Division Manager, Production Headquarters
Operating Officer	Koji Okurano	Deputy Division Manager, Production Headquarters
Operating Officer	Takashi Koshimizu	Deputy Division Manager, Production Headquarters
Operating Officer	Yoshiharu Hashimukai	Deputy Division Manager, Production Headquarters Deputy Division Manager, Research and Development Headquarters

For the career histories of directors and statutory auditors, please refer to the Annual Securities Report.
https://www.aida.co.jp/ir/annual_securities_repoert_202203_J.pdf (Japanese)

History of Strengthening Corporate Governance

2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

- 2001: Adopted an operating officer system
- 2002: Appointed one outside director
- 2003: Formulated Action Guidelines
- 2004: Shortened directors' terms from two years to one year
- 2006: Established the Internal Control Audit Office
- 2006: Formulated a basic policy for the establishment of an internal control system
- 2007: Abolished an executive retirement benefits plan and adopted a stock compensation plan for directors
- 2008: Established a system with two outside directors
- 2010: Secured independent officers and issued disclosures
- 2013: Appointed one foreign director
- 2015: Addressed the Corporate Governance Code
- 2015: Began evaluating the effectiveness of the Board of Directors
- 2017: Reevaluated the stock compensation plan for directors
- 2019: Established a system with three outside directors; Increased the outside director ratio to more than 1/3
- 2021: Disclosed the director skill matrix

Activity Status of Outside Directors and Outside Statutory Auditors

Outside Directors

Name	Attendance at the Board of Directors Meetings	Reason for Appointment
Hirofumi Gomi	92% 12/13 times	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.
Mikio Mochizuki	100% 10/10 times (After being appointed on June 28, 2021)	Mr. Mochizuki has a wealth of experience and 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.
Isao Iguchi	100% 10/10 times (After being appointed on June 28, 2021)	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.

Outside Statutory Auditors

Name	Attendance of the Board of Directors Meetings	Attendance of the Board of Auditors Meetings	Reason for Appointment
(Newly appointed) Junichiro Hiratsuka	–	–	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.
Fusakazu Kondo	100% 13/13 times	100% 10/10 times	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.
Noriyuki Katayama	100% 10/10 times (After being appointed on June 28, 2021)	100% 8/8 times (After being appointed on June 28, 2021)	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.

* All Outside Directors and Outside Statutory Auditors have been registered with the Tokyo Stock Exchange as independent officers.

Reasons for Choosing the 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 medium- 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.

Initiatives to Address Climate Change and Other External Environmental Issues That May Pose Management Risks and Offer Opportunities

We formulated the AIDA Environmental Policy in order to advance our environmental protection activities. In our Medium-Term Management Plan, the vision statement "As a leading company, AIDA will contribute to society by supporting efforts to protect the environment, reduce energy consumption, and develop new technologies" expresses our commitment to achieving further growth while reducing our environmental impact and developing products with superior environmental and energy-saving performance. To ensure business continuity and achieve sustainable growth, we will strive to understand the risks and opportunities associated with climate change and other environmental issues, and to disclose information based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Governance

◆ Environmental Policy

Recognizing that protecting the earth's environment is one of the most important goals shared by all mankind, as AIDA ENGINEERING, LTD. rises to the challenge of attaining "a harmony between people and technology" that creates a people-friendly environment as it pursues original technologies in the metalforming field, it will establish and implement a workplace environment where environmental protections will be incorporated into the engineering, manufacturing, and sales activities for its presses, automation equipment, and auxiliary equipment.

1 We will work to reduce our environmental footprint by continuously improving our environmental management systems, and we will also promote environmental management activities by revising our environmental-related targets and goals.

2 We will strive to protect the environment and strictly adhere to any other requirements stipulated by laws, regulations, and accepted practices.

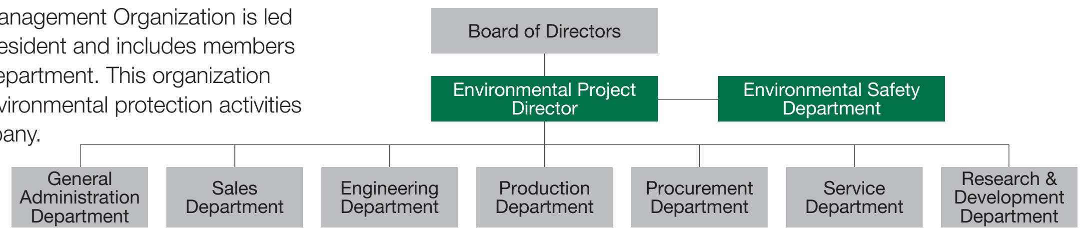
3 In order to proactively prevent the destruction and pollution of the natural environment to the extent that it is technologically and economically feasible, we will promote the following and will strive to reduce the burden being placed on the earth's environment.

(1) Promote resource and energy conservation.
(2) Reduce waste products and promote recycling.
(3) Minimize the release of harmful substances. Additionally, move towards the use of substances that present minimal harm.
(4) Painstakingly manage buildings, equipment, and processes, etc., that could possibly have an adverse effect on the environment.
(5) Implement oil leakage countermeasures (even in drop-size increments) to prevent water and soil contamination.

4 We will strive to ensure that all employees understand this Environmental Policy and have a heightened environmental awareness, and work towards the practical implementation of environmental improvements and protections. Moreover, we will also inform participating business partners of this Environmental Policy and ask for their understanding and cooperation in implementing environmental improvements and protections.

◆ Environmental Management Organization (Simplified Diagram)

Our Environmental Management Organization is led by the Company's President and includes members appointed by each department. This organization advances efficient environmental protection activities throughout the Company.



Strategy

◆ Potential Risks

<Physical Risks>

- Extreme weather events such as floods or natural disasters could disrupt our product manufacturing operations and our supply chain, which could impact our revenue and require major outlays to bring our manufacturing equipment back online.

<Transitional Risks>

- Stricter energy efficiency regulations that apply to our products and services could result in the loss of sales opportunities if our engineering and development responses were inadequate.
- Higher taxes stemming from the introduction of environmental and carbon taxes and the resulting higher product costs could impact revenue.
- Alternative materials required for the electrification and weight reduction of automobiles could increase our R&D expenses related to these alternative materials, which could affect profitability.
- Revised assessments of the Company due to its attitude toward climate change, etc. could lead to a decrease in corporate value.

◆ Opportunities

- The introduction of energy-saving equipment and more efficient usage of energy in production activities could lead to cost reductions and improve product competitiveness.
- As we continue to develop product technologies in response to the electrification and weight reduction of automobiles, it could lead to the development of highly competitive products that deliver better energy efficiency and productivity, which would enhance our product competitiveness.
- Our ability to respond quickly to natural disasters and other calamities (by bringing machines back online and delivering consumables) using our robust service system could enhance our service response and improve trust, which could lead to more sales opportunities.

Risk Management

To address risks related to management strategies, the involved departments are analyzing the risks and reviewing countermeasures, and such items are discussed as necessary in Board of Directors meetings and Management Council meetings. We have identified climate change as one of the most critical risks for the entire company, and we plan to develop countermeasures and disclose information about physical risks and transitional risks related to laws, regulations, and markets, etc., as necessary.

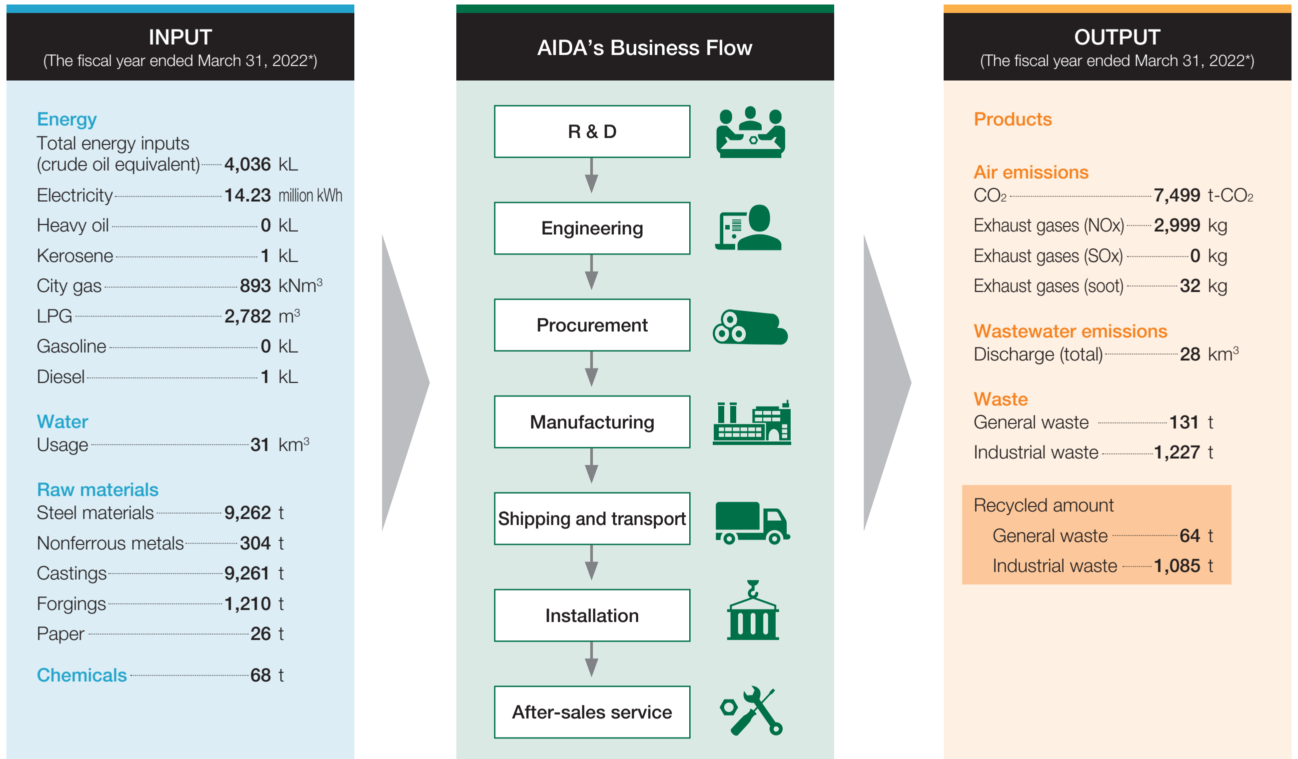
Indicators and Targets

Based on our environmental policy, we have set environmental targets that take into consideration laws, regulations, and other requirements as well as factors that can significantly affect the environment. We also strive to ensure compliance with laws and regulations, to improve our environmental protection efforts, and to develop environmentally friendly products.

Environmental Objectives	Targets for the Fiscal Year Ended March 31, 2022	Results for the Fiscal Year Ended March 31, 2022
Promote the recycling of waste materials and control waste generation (promote recycling and reuse)	● Emissions* target: Sagamihara: 1,600 tons or less; Hakusan: 110 tons or less ● Industrial waste recycling ratio: Sagamihara: 86% or higher; Hakusan: 85% or higher	● Total emissions: Sagamihara: 1,286 tons; target achieved; Hakusan: 90 tons; target achieved ● Industrial waste recycling ratio: Sagamihara: 90%; target achieved; Hakusan: 65%; target not achieved
Promote energy conservation	● Total energy usage (crude oil equivalent) Sagamihara: 4,500 kL or below, Hakusan: 300 kL or below ● CO_2 emissions (unit conversion coefficient) Sagamihara: 37 t-CO_2/¥100 million (production volume) or lower Hakusan: 12 t-CO_2/¥100 million (net sales) or lower	● Total energy usage (crude oil equivalent)* Sagamihara: 3,805 kL, Hakusan: 231 kL; target achieved ● CO_2 emissions Sagamihara: 28 t-CO_2/¥100 million (production volume); target achieved Hakusan: 16 t-CO_2/¥100 million (net sales); target achieved

* Emissions: Total emissions of general waste and industrial waste * Sagamihara's scope of analysis: Sagami Plant, Tsukui Plant, and Shimokuzawa Plant

◆ Material Balance



* Environmental impact of AIDA production processes for the fiscal year ended March 31, 2022 (all figures after decimal points are rounded)
Scope of analysis: AIDA ENGINEERING, LTD. (Sagami Plant, Tsukui Plant, Shimokuzawa Plant, and Hakusan Plant)

TOPICS

AIDA's Initiatives for Carbon Neutrality

[Initiative Policy] We regard environmental measures such as decarbonization, energy conservation, and resource conservation as major business opportunities, and we will aim to be carbon-neutral by 2050 and will strive to solve ESG issues and improve corporate value.

Initiatives	Status of Initiatives
Utilization of renewable energy sources, etc.	· AIDA head office completed the transition to carbon-neutral LNG in 2021 (Target: Reduce annual CO_2 emissions by approximately 2,000 tons) Continued review of the adoption of renewable energy sources · In regard to initiatives relating to wind power generation, we began researching power generation-related businesses, focusing on the usage of our motors and inverters that leverage the energy management technologies developed for our servo motors and other products.
Promotion of energy conservation at factories	· We began reviewing the reorganization of our domestic offices in conjunction with the reconstruction of our aging headquarter factories Aim for zero emissions at company buildings through the introduction of renewable energy and energy-saving equipment, etc.
Develop and sell environmentally friendly products	· We will leverage our press technologies to continue to develop products that reduce CO_2 emissions in conjunction with Scope 3 emissions-related business activities.

Consolidated Financial Summary

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

										Millions of yen	% change
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2021 vs. 2022
Orders, Net Sales, and Income											
Orders	¥ 73,033	¥ 76,670	¥ 70,256	¥ 75,474	¥ 62,655	¥ 83,143	¥ 75,694	¥ 62,326	¥ 52,708	**¥ 78,357**	**48.7**
Net sales	57,812	69,594	76,897	75,529	67,547	73,856	84,082	69,159	58,099	**62,466**	**7.5**
Cost of sales	46,393	54,617	59,650	57,544	51,761	57,926	68,851	53,966	45,747	**51,574**	**12.7**
Selling, general and administrative expenses	7,657	8,656	9,383	9,947	9,168	9,617	9,669	9,019	8,629	**8,386**	**(2.8)**
Operating income	3,760	6,320	7,863	8,037	6,617	6,312	5,561	6,173	3,722	**2,505**	**(32.7)**
Income before income taxes	4,019	6,584	8,543	8,329	6,754	6,639	5,785	6,242	2,845	**1,753**	**(38.4)**
Income taxes	211	1,456	2,337	2,546	1,769	1,810	1,092	2,143	1,492	**848**	**(43.1)**
Net income attributable to owners of parent	3,808	5,127	6,205	5,782	4,985	4,786	4,634	4,022	1,316	**896**	**(31.9)**
Profitability Ratio											
Operating income ratio	6.5%	9.1%	10.2%	10.6%	9.8%	8.5%	6.6%	8.9%	6.4%	**4.0%**	**—**
Total Assets, Total Net Assets and Interest-Bearing Debt											
Total assets	¥ 82,118	¥ 91,830	¥ 105,126	¥ 100,609	¥ 101,683	¥ 116,108	¥ 111,564	¥ 104,114	¥ 107,787	**¥ 113,933**	**5.7**
Total net assets	52,990	59,655	67,254	68,758	70,834	75,924	77,206	74,840	77,505	**78,664**	**1.5**
Total interest-bearing debt	1,500	2,491	1,891	4,663	4,470	4,111	3,991	4,491	2,797	**2,594**	**(7.3)**
Shareholders' equity ratio	64.4%	64.8%	63.8%	68.2%	69.5%	64.8%	68.5%	71.1%	71.2%	**68.4%**	**—**
Capital Expenditures, Depreciation and Amortization and R&D Expenditures											
Capital expenditures	¥ 1,555	¥ 3,117	¥ 1,958	¥ 4,654	¥ 2,093	¥ 2,434	¥ 2,867	¥ 939	¥ 597	**¥ 1,839**	**208.0**
Depreciation and amortization	1,362	1,548	1,712	1,995	1,961	2,061	2,142	2,146	2,048	**1,833**	**(10.5)**
R&D expenditures	1,008	1,076	1,345	1,237	1,197	1,036	1,067	1,140	996	**1,250**	**25.5**
Return Indicators											
Return on equity (ROE)	7.6%	9.1%	9.8%	8.5%	7.2%	6.6%	6.1%	5.3%	1.7%	**1.2%**	**—**
Return on assets (ROA)	5.0%	5.9%	6.3%	5.6%	4.9%	4.4%	4.1%	3.7%	1.2%	**0.8%**	**—**
Cash Flows											
Cash flows from operating activities	¥ 5,938	¥ 5,978	¥ 5,100	¥ 6,596	¥ 2,400	¥ 12,714	¥ 2,821	¥ 3,908	¥ 7,263	**¥ 5,905**	**(18.7)**
Cash flows from investing activities	(1,277)	(3,254)	(1,237)	(5,655)	(3,118)	(3,789)	(1,650)	(1,091)	(1,921)	**(2,828)**	**—**
Free cash flow	4,660	2,723	3,863	941	(718)	8,924	1,171	2,817	5,341	**3,077**	**(42.4)**
Cash flows from financing activities	(1,446)	26	(2,077)	915	(1,954)	(3,668)	(1,956)	(3,377)	(3,770)	**(1,533)**	**—**
Cash and cash equivalents at the end of the year	22,281	26,038	29,958	29,524	25,572	31,721	30,633	28,710	31,700	**35,030**	**10.5**

										Yen	% change
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2021 vs. 2022
Per Share Data											
Net income	¥ 62.74	¥ 83.95	¥ 100.99	¥ 93.78	¥ 80.82	¥ 77.59	¥ 75.10	¥ 66.88	¥ 22.07	**¥ 15.02**	**(31.9)**
Cash dividends	19.00	25.00	30.00	30.00	40.00	30.00	30.00	30.00	20.00	**25.00**	**25.0**
Net assets	868.33	969.35	1,088.96	1,112.51	1,145.74	1,219.02	1,238.41	1,243.15	1,285.38	**1,304.89**	**1.5**
Stock Information (at Year-End)											
Stock price	¥ 756	¥ 982	¥ 1,380	¥ 978	¥ 988	¥ 1,286	¥ 798	¥ 691	¥ 994	**¥ 1,057**	**6.3**
Market capitalization (millions of yen)	59,835	77,722	101,633	72,027	72,763	94,710	57,174	47,988	69,031	**73,406**	**6.3**
Number of shares issued (shares)	79,147,321	79,147,321	73,647,321	73,647,321	73,647,321	73,647,321	71,647,321	69,448,421	69,448,421	**69,448,421**	**—**
Other Data											
Number of employees	1,647	1,728	1,818	1,951	1,950	2,201	2,202	2,146	2,113	**2,057**	**(2.7)**

Notes: 1. Amounts presented from the year ended March 31, 2013 to the year ended March 31, 2014 were retrospectively adjusted to reflect the changes in accounting policies of the Japanese employee stock ownership plan (J-ESOP).
2. Amounts presented in the year ended March 31, 2018 were retrospectively reclassified to reflect the changes in "Partial Amendments to Accounting Standard for Tax Effect Accounting."

Order Intake, Net Sales, and Earnings

In the fiscal year ended March 31, 2022, the global economy remained on a recovery path, as the economy progressively normalized following a drastic downturn brought about by the COVID-19 pandemic that continued from the previous fiscal year. However, from the latter half of the fiscal year under review, the pace of growth has slowed due to factors such as logistics disruptions, shortages of semiconductors and electronic parts, surging prices that include energy prices and parts and materials, and the conflict between Russia and Ukraine. Downside risks have continued to increase as these problems become drawn out over the long term. In the metalforming machinery industry, orders both in Japan and overseas have been recovering from the slump caused by the impact of COVID-19 in the previous fiscal year. The Japan Forming Machinery Association reported that worldwide orders for press machines increased 60.8% year on year to ¥143.2 billion in the fiscal year under review.

Under these conditions, in the fiscal year ended March 31, 2022, the Group recorded total order intake of ¥78.3 billion, up 48.7% year on year, and the order backlog at fiscal year-end totaled ¥55.1 billion, up 40.5% year on year. These results were supported by a recovery in capital investment in the manufacturing sector, including the automobile industry, and firm demand related to electric vehicles. Net sales rose 7.5% year on year to ¥62.4 billion, reflecting the diminished impact of COVID-19 and an increase in demand related to electric vehicles. On the earnings front, the gross profit margin declined because of factors such as soaring raw material costs, the postponement of sales from highly profitable projects due to logistics disruptions and shortages of parts and materials, and an increase in R&D expenses. Consequently, operating income decreased 32.7% to ¥2.5 billion and ordinary income declined 35.1% to ¥2.4 billion. Net income attributable to owners of parent decreased 31.9% to ¥896 million, mainly due to the recording of an impairment loss at a plant in China in addition to the factors described above.

Based on the Company's management policy of growing together with stakeholders, management's basic policy on profit distribution is to maintain consistent returns to shareholders and a consolidated dividend payout ratio target of 40.0%, while preserving the stability of our business and its financial underpinnings and our internal reserves for strategic investments for future sustainable growth. As for the dividend for the fiscal year ended March 31, 2022, in order to maintain stable dividends, the Group announced an ordinary dividend of ¥25 per share, for a consolidated dividend payout ratio of 166.5%.

Results by Business Segment and Geographic Segment

Business Segments

Press Machines

Order intake in this segment increased 65.3% to ¥59.8 billion, supported by a recovery in capital investment in the automobile industry and firm demand related to electric vehicles. Segment sales rose 7.8% to ¥44.4 billion, reflecting the diminished impact of COVID-19 and an increase in demand related to electric vehicles.

Service (Press-Related)

Due to steady growth, primarily overseas, in areas such as parts sales, repairs, and modernization work, order intake in this segment increased 7.4% to ¥13.3 billion, and segment sales rose 11.6% to ¥13.8 billion.

Others (REJ Co., Ltd., etc.)

Order intake in this segment rose 26.1% to ¥5.1 billion, due to an increase in orders for control devices and other products at REJ Co., Ltd. However, segment sales decreased 6.4% to ¥4.1 billion, reflecting factors such as a shortage of electronic parts and other items, and delays in operational tests in connection with COVID-19.

Geographic Segments

Japan

Net sales in Japan were ¥38.1 billion, down 5.1%, as sales of large press machines decreased, while there was steady growth in sales of mid-size and small press machines. Segment profit decreased 74.0% to ¥802 million mainly due to decreased net sales and a lower gross profit margin associated with factors such as increased raw material costs, along with an increase in R&D expenses.

China

Net sales in China rose 19.2% to ¥8.8 billion, driven by an increase in sales of mid-size and small press machines and services. Segment profit was ¥741 million (compared to a segment loss of ¥284 million in the previous fiscal year). The segment profit mainly reflected increased net sales and an improved gross profit margin.

Asia

Net sales in Asia increased 6.0% to ¥7.6 billion and segment profit rose 10.6% to ¥745 million, due to increases in sales of press machines and services for the Group companies in Japan, the U.S. and China.

The Americas

Net sales in the Americas rose 32.7% to ¥13.8 billion as both sales of press machines and services increased. However, segment profit was ¥269 million, down 47.6%. This decrease was mainly due to surging material costs and outsourcing expenses, a decrease in the gross profit margin which reflected a temporary increase in the sales composition of projects with low gross profit, and an increase in selling, general and administrative expenses.

Europe

Net sales in Europe rose 32.1% to ¥12.6 billion due to an increase in sales of press machines. Segment profit was ¥110 million (compared to a segment loss of ¥121 million in the previous fiscal year), reflecting the increase in net sales.

Financial Position

Analysis of Financial Position

As of March 31, 2022, total assets amounted to ¥113.9 billion, up ¥6.1 billion from the previous fiscal year-end. The main factors behind this change were an increase of ¥3.3 billion in cash on hand and at banks, a decrease of ¥3.0 billion in trade receivables (such as notes and accounts receivable – trade and contract assets and electronically recorded monetary claims – operating), an increase of ¥3.9 billion in inventories, an increase of ¥833 million in advance payments – trade, and an increase of ¥625 million in investment securities.

Total liabilities were ¥35.2 billion, an increase of ¥4.9 billion from the previous fiscal year-end. The main factors behind this change were an increase of ¥1.5 billion in trade payables (such as accounts payable – trade and electronically recorded monetary obligations – operating) and an increase of ¥3.8 billion in advances received and contract liabilities. Net assets were ¥78.6 billion, an increase of ¥1.1 billion from the previous fiscal year-end. The main factors behind this change were a decrease of ¥452 million in retained earnings and an increase of ¥1.9 billion in foreign currency translation adjustments. As a result, the shareholders' equity ratio at fiscal year-end was 68.4%.

Cash Flow

Cash and cash equivalents amounted to ¥35.0 billion as of March 31, 2022, an increase of ¥3.3 billion from the previous fiscal year-end.

Cash flows in the fiscal year ended March 31, 2022 and the main factors behind them are summarized below:

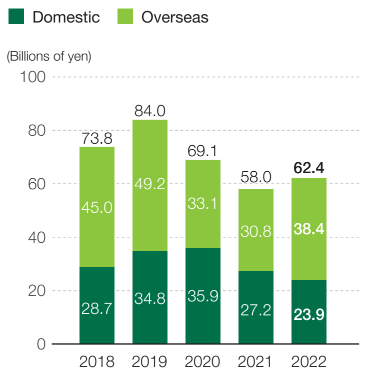
(i) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥5.9 billion, compared to ¥7.2 billion in the previous fiscal year. The main factors behind this change included major inflows such as decrease in trade receivables of

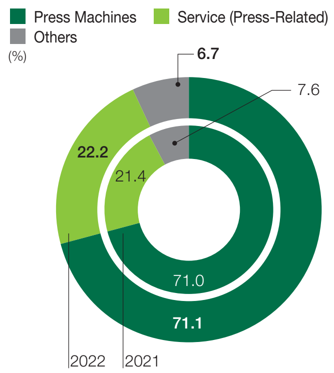
Order Intake/Backlog

* The Company has applied the Accounting Standard for Revenue Recognition, etc. since the beginning of the fiscal year ended March 31, 2022. The effect of this change has been added to the order backlog for the year ended March 31, 2021.

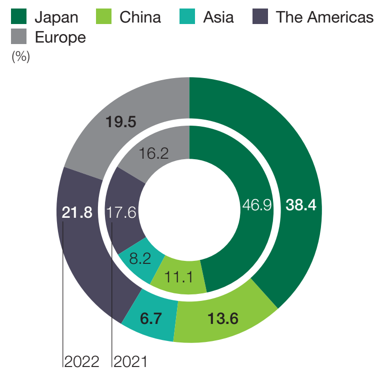
Net Sales



Net Sales Ratio by Business Segment

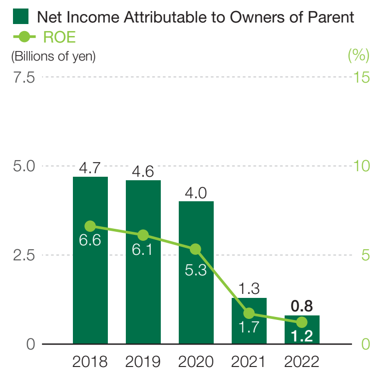


Net Sales Ratio by Geographic Segment (to External Customers)



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

Net Income Attributable to Owners of Parent/ROE



¥7.1 billion, depreciation and amortization of ¥1.8 billion, and income before income taxes of ¥1.7 billion, and major outflows such as an increase in inventories of ¥2.5 billion and income taxes paid of ¥1.7 billion.

(ii) Cash flows from investing activities
Net cash used in investing activities totaled ¥2.8 billion, compared to ¥1.9 billion in the previous fiscal year. Cash was used mainly for payments for the purchase of tangible and intangible assets of ¥2.1 billion.

(iii) Cash flows from financing activities
Net cash used in financing activities was ¥1.5 billion, compared to ¥3.7 billion in the previous fiscal year. One of the main factors was an outflow of ¥1.2 billion for cash dividends paid.

Capital Expenditures

In the fiscal year ended March 31, 2022, capital expenditures totaled ¥1.8 billion.

The main capital expenditures in each segment were ¥274 million for the rebuilding of the Osaka Service Plant and ¥241 million for the purchase of equipment and machinery for the Tsukui Plant in the Japan segment, and ¥457 million for the purchase of machining centers for the Malaysia Plant in the Asia segment.

Research and Development

The Group conducts research and development (R&D) in accordance with the basic policy of strengthening and establishing fundamental technologies, reinforcing core products, and developing environmentally friendly flagship products. R&D activities are led by the Research & Development Headquarters, which collaborates with the Production Headquarters. In the fiscal year ended March 31, 2022, total R&D expenses were ¥1.2 billion, most of which were recorded in the Japan segment.

The following are the primary R&D activities in the fiscal year under review.

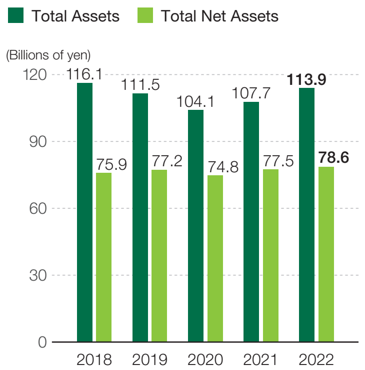
(1) Development of dedicated servo press control systems
(2) Development of forming systems for rectangular battery cases
(3) Development of general-purpose servo presses/DSF-N2-4000A
(4) Development of 3D monitoring systems for press systems
(5) Development of AI-based failure diagnosis and operational support functions
(6) Enhancement of product capabilities using the preventive maintenance and related functions of AIDA's AiCARE machine information management system (AIDA IoT System)

Capital Resources and Funding Liquidity

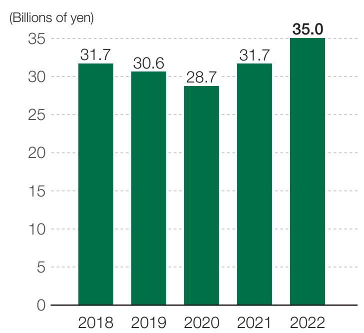
The Group utilizes working capital mainly for manufacturing expenditures, including the purchase of materials and parts and payments for outsourced machining, as well as for selling, general and administrative expenses. Moreover, funds for capital expenditures are primarily used to construct internal production systems, and our basic policy is to primarily use our own available funds for these expenditures.

In the fiscal year ended March 31, 2022, total capital expenditures were ¥1.8 billion, an increase of ¥1.2 billion from the previous fiscal year. In terms of working capital, the balance of cash and cash equivalents at fiscal year-end was ¥35.0 billion, up ¥3.3 billion year on year, due mainly to net cash provided by operating activities. Therefore, the Group does not have any liquidity issues.

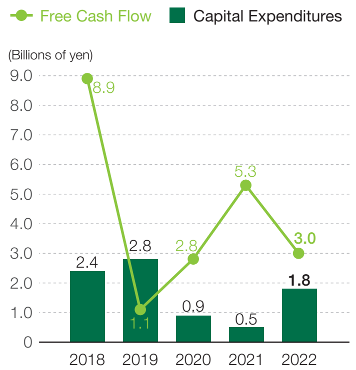
Total Assets/Total Net Assets



Cash and Cash Equivalents at the End of the Year



Free Cash Flow/Capital Expenditures



Consolidated Segment Information

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

					Millions of yen	% change
	2018	2019	2020	2021	**2022**	**2021 vs. 2022**
Business Division:						
Net sales						
Press machines	¥ 56,300	¥ 63,177	¥ 48,540	¥ 41,237	**¥ 44,443**	**7.8**
Service	15,082	14,852	14,961	12,422	**13,865**	**11.6**
Others	2,474	6,052	5,657	4,439	**4,156**	**(6.4)**
Total	¥ 73,856	¥ 84,082	¥ 69,159	¥ 58,099	**¥ 62,466**	**7.5**
Geographic Segment:						
Net sales						
Japan	¥ 46,349	¥ 51,263	¥ 48,655	¥ 40,237	**¥ 38,188**	**(5.1)**
China	9,453	13,909	6,731	7,422	**8,851**	**19.2**
Asia	8,803	9,649	8,228	7,212	**7,646**	**6.0**
Americas	18,825	16,625	11,817	10,451	**13,869**	**32.7**
Europe	14,669	15,485	11,189	9,584	**12,658**	**32.1**
Adjustments	(24,244)	(22,851)	(17,463)	(16,808)	**(18,747)**	**—**
Total	¥ 73,856	¥ 84,082	¥ 69,159	¥ 58,099	**¥ 62,466**	**7.5**
Operating income						
Japan	¥ 3,462	¥ 2,431	¥ 4,726	¥ 3,087	**¥ 802**	**(74.0)**
China	224	723	240	(284)	**741**	**—**
Asia	1,595	1,398	1,062	673	**745**	**10.6**
Americas	1,196	693	542	515	**269**	**(47.6)**
Europe	127	4	(243)	(121)	**110**	**—**
Adjustments	(294)	310	(155)	(148)	**(164)**	**—**
Total	¥ 6,312	¥ 5,561	¥ 6,173	¥ 3,722	**¥ 2,505**	**(32.7)**

Quarterly Information

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

					Millions of yen	% change
	2018	2019	2020	2021	**2022**	**2021 vs. 2022**
Net Sales						
1st quarter	¥ 15,792	¥ 18,862	¥ 16,007	¥ 10,559	**¥ 13,079**	**23.9**
2nd quarter	16,942	21,449	18,267	15,202	**13,830**	**(9.0)**
3rd quarter	18,028	20,945	16,534	13,476	**17,192**	**27.6**
4th quarter	23,093	22,825	18,349	18,862	**18,363**	**(2.6)**
Total	¥ 73,856	¥ 84,082	¥ 69,159	¥ 58,099	**¥ 62,466**	**7.5**
Operating Income						
1st quarter	¥ 1,315	¥ 1,203	¥ 1,097	¥ 179	**¥ 270**	**50.7**
2nd quarter	1,561	1,130	1,929	1,364	**528**	**(61.2)**
3rd quarter	1,265	1,389	1,287	892	**601**	**(32.6)**
4th quarter	2,170	1,837	1,858	1,287	**1,105**	**(14.1)**
Total	¥ 6,312	¥ 5,561	¥ 6,173	¥ 3,722	**¥ 2,505**	**(32.7)**

Consolidated Balance Sheets

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2022**	2021	**2022**
Current assets			
Cash on hand and at banks (Note 4)	¥ 35,031	¥ 31,705	$ 286,185
Notes and accounts receivable – trade	—	19,032	—
Notes and accounts receivable – trade and contract assets	17,690	—	144,514
Electronically recorded monetary claims – operating	1,087	2,793	8,887
Inventories (Note 5)	21,575	17,590	176,256
Advance payments – trade	1,719	885	14,043
Accounts receivable – other	489	985	4,002
Consumption taxes receivable	846	295	6,915
Other current assets	302	301	2,473
Allowance for doubtful accounts	(1,040)	(933)	(8,497)
Total current assets	77,703	72,656	634,781
Fixed assets			
Property, plant and equipment			
Buildings and structures	25,709	25,045	210,026
Accumulated depreciation	(18,481)	(17,653)	(150,983)
Buildings and structures, net	7,227	7,392	59,042
Machinery and vehicles	18,849	17,400	153,987
Accumulated depreciation	(13,822)	(12,421)	(112,918)
Machinery and vehicles, net	5,027	4,978	41,068
Land	7,263	7,236	59,335
Construction in progress	1,437	1,258	11,744
Other fixed assets	3,925	3,697	32,066
Accumulated depreciation	(3,418)	(3,213)	(27,926)
Other fixed assets, net	506	483	4,139
Total property, plant and equipment	21,462	21,350	175,331
Intangible assets	1,179	779	9,639
Investments and other assets			
Investment securities (Note 7)	10,469	9,843	85,529
Insurance reserve fund	1,891	1,922	15,453
Net defined benefit assets (Note 10)	820	868	6,706
Deferred tax assets (Note 17)	285	249	2,328
Other assets	153	154	1,255
Allowance for doubtful accounts	(32)	(38)	(268)
Total investments and other assets	13,588	13,000	111,004
Total fixed assets	36,230	35,130	295,974
Total assets	¥113,933	¥107,787	$ 930,755

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	**2022**	2021	**2022**
Liabilities			
Current liabilities			
Accounts payable – trade	¥ 6,137	¥ 5,004	$ 50,140
Electronically recorded monetary obligations – operating	2,888	2,500	23,599
Short-term loans payable (Note 9)	1,094	1,297	8,938
Accounts payable – other	1,612	1,114	13,169
Accrued expenses	1,128	1,089	9,215
Income taxes payable	175	1,070	1,431
Advances received	—	8,207	—
Contract liabilities	12,091	—	98,778
Accrued warranty costs	497	471	4,067
Accrued bonuses for employees	1,020	1,090	8,335
Accrued bonuses for directors	22	36	186
Provision for loss on orders received (Note 5)	211	113	1,729
Other current liabilities	1,270	1,383	10,376
Total current liabilities	28,150	23,378	229,969
Long-term liabilities			
Long-term loans payable (Note 9)	1,500	1,500	12,253
Long-term accounts payable – other	924	904	7,555
Accrued stock payments	510	480	4,173
Net defined benefit liabilities (Note 10)	1,456	1,390	11,895
Asset retirement obligations	9	10	80
Deferred tax liabilities (Note 17)	2,336	2,334	19,087
Other long-term liabilities	380	281	3,111
Total long-term liabilities	7,119	6,902	58,158
Total liabilities	35,269	30,281	288,127
Net assets			
Shareholders' equity			
Common stock (Note 11)	7,831	7,831	63,973
Authorized: 188,149,000 shares in 2022 and 2021			
Issued: 69,448,421 shares in 2022 and 2021			
Additional paid-in capital	12,836	12,423	104,860
Retained earnings	55,511	55,963	453,486
Treasury stock (Note 11)	(5,250)	(4,838)	(42,892)
9,748,838 shares in 2022 and 9,753,258 shares in 2021			
Total shareholders' equity	70,927	71,379	579,428
Accumulated other comprehensive income			
Net unrealized gains on other securities	4,815	4,869	39,343
Deferred hedge gains (losses)	(295)	(139)	(2,417)
Foreign currency translation adjustments	2,365	410	19,324
Retirement benefit plan adjustments (Note 10)	87	210	718
Total accumulated other comprehensive income	6,973	5,351	56,968
Stock options (Notes 11 and 23)	91	91	747
Non-controlling interests	671	683	5,483
Total net assets	78,664	77,505	642,627
Total liabilities and net assets	¥113,933	¥107,787	$930,755

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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Net sales (Note 12)	**¥62,466**	¥58,099	**$510,303**
Cost of sales (Notes 2 (13), 5 and 13)	**51,574**	45,747	**421,323**
Gross profit	**10,892**	12,352	**88,979**
Selling, general and administrative expenses (Notes 13 and 14)	**8,386**	8,629	**68,510**
Operating income	**2,505**	3,722	**20,469**
Non-operating income			
Interest income	**36**	43	**298**
Dividend income	**202**	227	**1,650**
Other non-operating income	**79**	129	**653**
Total non-operating income	**318**	401	**2,602**
Non-operating expenses			
Interest expenses	**18**	33	**147**
Commission expenses	**22**	21	**183**
Foreign exchange loss	**269**	236	**2,197**
Restructuring charges	**19**	18	**161**
Other non-operating expenses	**62**	65	**511**
Total non-operating expenses	**391**	375	**3,201**
Ordinary income	**2,432**	3,748	**19,870**
Extraordinary gain			
Gain on sales of fixed assets	**10**	27	**88**
Gain on sales of investment securities (Note 7)	**6**	3	**56**
Subsidy income related to suspension or decrease of production	**22**	255	**181**
Total extraordinary gain	**39**	286	**326**
Extraordinary loss			
Loss on sales of fixed assets	**0**	0	**0**
Loss on disposal of fixed assets	**56**	29	**458**
Loss on valuation of investment securities	**—**	51	**—**
Loss on suspension or decrease of production (Note 15)	**123**	420	**1,009**
Loss on impairment (Note 16)	**492**	686	**4,025**
Other extraordinary loss	**46**	—	**376**
Total extraordinary loss	**718**	1,189	**5,870**
Income before income taxes	**1,753**	2,845	**14,326**
Income taxes			
Current taxes	**772**	1,282	**6,314**
Deferred taxes	**75**	209	**619**
Total income taxes (Note 17)	**848**	1,492	**6,934**
Net income	**904**	1,353	**7,391**
Net income attributable to non-controlling interests	**8**	36	**68**
Net income attributable to owners of parent	**¥ 896**	¥ 1,316	**$ 7,323**

	Yen		U.S. dollars
	2022	2021	**2022**
Per share			
Net income – Basic (Note 20)	**¥15.02**	¥22.07	**$0.12**
– Diluted (Note 20)	**14.99**	22.04	**0.12**
Cash dividends (Note 24)	**25.00**	20.00	**0.20**

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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Net income	**¥ 904**	¥1,353	**$ 7,391**
Other comprehensive income (Note 21)			
Net unrealized gains (losses) on other securities	**(54)**	2,231	**(441)**
Deferred hedge gains (losses)	**(156)**	(186)	**(1,281)**
Foreign currency translation adjustments	**1,955**	1,183	**15,973**
Retirement benefit plan adjustments	**(123)**	(43)	**(1,005)**
Total other comprehensive income	**1,621**	3,185	**13,245**
Comprehensive income	**¥2,526**	¥4,538	**$20,637**
Comprehensive income attributable to owners of parent	**¥2,518**	¥4,501	**$20,571**
Comprehensive income attributable to non-controlling interests	**8**	37	**66**

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, 2022 and 2021

Millions of yen

	Number of shares of common stock issued (Thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Deferred hedge gains (losses)	Foreign currency translation adjustments	Retirement benefit plans adjustments	Total accumulated other comprehensive income	Stock options	Non-controlling interests	Total net assets
Balance at April 1, 2020	69,448	¥7,831	¥12,415	¥56,536	¥(4,917)	¥71,864	¥2,638	¥ 47	¥ (773)	¥ 253	¥2,166	¥139	¥669	¥74,840
Cash dividends				(1,889)		(1,889)							(23)	(1,912)
Net income attributable to owners of parent				1,316		1,316								1,316
Purchase of treasury stock					(0)	(0)								(0)
Disposal of treasury stock			7		80	87								87
Net changes of items other than shareholders' equity during the year							2,231	(186)	1,183	(43)	3,184	(48)	37	3,173
Balance at March 31 and 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 change 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 during the year							(53)	(156)	1,955	(123)	1,621	—	2	1,624
Balance at March 31, 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

Thousands of U.S. dollars (Note 3)

	Number of shares of common stock issued (Thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Deferred hedge gains (losses)	Foreign currency translation adjustments	Retirement benefit plans adjustments	Total accumulated other comprehensive income	Stock options	Non-controlling interests	Total net assets
Balance at April 1, 2021	69,448	$63,973	$101,487	$457,179	$(39,524)	$583,116	$39,782	$(1,136)	$ 3,351	$ 1,723	$43,720	$747	$5,580	$633,164
Cumulative effects of change in accounting policies				(697)		(697)							(116)	(814)
Restated Balance at April 1, 2021	69,448	63,973	101,487	456,482	(39,524)	582,419	39,782	(1,136)	3,351	1,723	43,720	747	5,463	632,350
Cash dividends				(10,319)		(10,319)								(10,319)
Net income attributable to owners of parent				7,323		7,323								7,323
Purchase of treasury stock					(6)	(6)								(6)
Disposal of treasury stock					12	12								12
Disposal of treasury stock to stock benefit trust			3,373		(3,373)	—								—
Net changes of items other than shareholders' equity during the year							(439)	(1,281)	15,973	(1,005)	13,247	—	20	13,268
Balance at March 31, 2022	69,448	$63,973	$104,860	$453,486	$(42,892)	$579,428	$39,343	$(2,417)	$19,324	$ 718	$56,968	$747	$5,483	$642,627

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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Cash flows from operating activities			
Income before income taxes	¥ 1,753	¥ 2,845	$ 14,326
Depreciation and amortization	1,833	2,048	14,975
Loss on impairment	492	686	4,025
(Gain) loss on sales of fixed assets	(10)	(27)	(88)
Loss on disposal of fixed assets	56	29	458
(Gain) loss on sales of securities	(6)	(3)	(56)
(Gain) loss on valuation of investment securities	—	51	—
Increase (decrease) in allowance for doubtful accounts	14	675	114
Increase (decrease) in accrued bonuses for employees, net	(80)	(44)	(654)
Increase (decrease) in accrued bonuses for directors, net	(14)	(12)	(114)
Increase (decrease) in accrued warranty costs, net	3	(131)	31
Increase (decrease) in net defined benefit liabilities	57	(5)	470
(Increase) decrease in net defined benefit assets	(30)	(121)	(252)
Increase (decrease) in accrued stock payments, net	29	17	244
Increase (decrease) in provision for loss on orders received, net	85	(64)	697
Interest and dividend income	(238)	(271)	(1,949)
Interest expenses	18	33	147
(Increase) decrease in accounts receivable – trade	7,137	4,319	58,311
(Increase) decrease in inventories	(2,542)	(187)	(20,767)
Increase (decrease) in accounts payable – trade	455	(677)	3,721
(Increase) decrease in other assets	(8)	120	(71)
Increase (decrease) in other liabilities	(245)	795	(2,002)
Other, net	(1,321)	(1,229)	(10,791)
Subtotal	7,439	8,845	60,776
Interest and dividend income received	237	271	1,942
Interest expenses paid	(19)	(31)	(158)
Income taxes paid	(1,752)	(1,822)	(14,320)
Net cash provided by operating activities	5,905	7,263	48,240
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(1,682)	(1,051)	(13,742)
Proceeds from sales of property, plant and equipment	8	162	73
Payments for purchase of intangible assets	(511)	(202)	(4,175)
Payments for purchase of investment securities	(659)	(851)	(5,384)
Proceeds from sales of investment securities	9	9	73
Payments into time deposits	(66)	—	(541)
Proceeds from withdrawal of time deposits	71	7	581
Other, net	1	3	13
Net cash used in investing activities	(2,828)	(1,921)	(23,103)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(261)	(1,855)	(2,132)
Proceeds from long-term loans payable	—	500	—
Repayment of long-term loans payable	—	(500)	—
Payments for finance lease obligations	(4)	(3)	(33)
Proceeds from sales of treasury stock	1	2	12
Payments for purchase of treasury stock	(0)	(0)	(6)
Cash dividends paid	(1,263)	(1,889)	(10,324)
Cash dividends paid to non-controlling interests	(5)	(23)	(45)
Net cash used in financing activities	(1,533)	(3,770)	(12,531)
Effect of exchange rate changes on cash and cash equivalents	1,786	1,418	14,597
Net increase (decrease) in cash and cash equivalents	3,330	2,989	27,203
Cash and cash equivalents at the beginning of the year	31,700	28,710	258,967
Cash and cash equivalents at the end of the year (Note 4)	¥35,030	¥31,700	$286,171

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 23 in 2022 and 23 in 2021. Significant consolidated subsidiaries as of March 31, 2022 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)

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 statements 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 relating 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 cost of sales amounted to ¥829 million (U.S. $6,774 thousand) and ¥246 million for the years ended March 31, 2022 and 2021, 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 the fiscal year ended March 31.

(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 check, maintenance, and repair and other services, revenue is recognized when 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, 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) Consolidated taxation system
AIDA and certain domestic subsidiaries apply the consolidated taxation system.

Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
With respect to items subject to the review of the Non-Consolidated Taxation System conducted to coincide with the transition from the Consolidated Taxation System to the Group Tax Sharing System, which was established under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020) established on March 27, 2020, certain domestic subsidiaries have not applied the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28), and the amounts of deferred tax liabilities and deferred tax assets are based on the provisions of tax laws before the revision for application "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020).

AIDA and certain domestic subsidiaries are going to apply "Practical Solution No. 42, Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" from the beginning of fiscal year 2022.

(19) Significant accounting estimates
The Companies made accounting estimates based on assumptions, including that the impact of the COVID-19 on social and economic activities will continue for a certain period in the next fiscal year.

Revenue recognition for construction contracts
(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	2022	2021	2022
Net sales of construction contracts for which the performance obligations are satisfied over time (Percentage of consolidated net sales)	¥21,513 (34%)	¥23,347 (40%)	$175,752
Contract assets related to the above	¥ 6,627	¥ 7,454	$ 54,140

(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 fluctuation of material price and man-hours during construction.
(c) Risk of resulting a material adjustment to the consolidated financial statements within 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	2022	2021	2022
Loss on impairment	¥ 492	¥ 686	$4,025
Carrying amount of property, plant and equipment, and intangible assets	1,117	1,594	9,126

Details of impairment loss are stated in Note 14.

(2) Other information for users to understand the consolidated financial statements
(a) Calculation method
The Companies assess whether or not 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 carrying amount. The recoverable amount is calculated at the higher of 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 a material adjustment to the consolidated financial statements within next fiscal year
Uncertainty in estimating 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	2022	2021	2022
Allowance for doubtful accounts	¥1,073	¥971	$8,766

For contract assets of ¥1,513 million (U.S. $12,360 thousand) from a specific customer held by AIDA ENGINEERING CHINA CO., LTD. the allowance for doubtful accounts of ¥756 million (U.S. $6,180 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 estimated disposal value of 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	2022	2021	2022
Deferred tax assets	¥2,010	¥1,825	$16,426
(Amount after deducting deferred tax liabilities)	285	249	2,328

Of the above, the deferred tax assets recorded by AIDA are ¥1,174 million (U.S. $9,597 thousand) (58% 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 a material adjustment to the consolidated financial statements within 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 Revenue Recognition and other standards
The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) (hereinafter, the "Revenue Recognition Accounting Standard") and other related guidance have been applied since the beginning of the current fiscal year. The application of the Revenue Recognition Accounting Standard follows the transitional treatment in the proviso to paragraph 84 of the standard. Accordingly, cumulative effects of retrospective application of the change in accounting policies to periods prior to the beginning of the current fiscal year have been reflected as adjustments to retained earnings and the new accounting policy has been applied from the beginning of the period.

As a result, compared with figures calculated using the previous accounting procedures, notes and accounts receivable - trade and contract assets increased by ¥343 million (U.S. $2,805 thousand), and finished goods decreased by ¥238 million (U.S. $1,950 thousand) as of March 31, 2022. Similarly, for the current fiscal year, net sales and cost of sales increased by ¥320 million (U.S. $2,615 thousand) and ¥232 million (U.S. $1,901 thousand) respectively, while operating income, ordinary income, and income before income taxes increased by ¥87 million (U.S. $713 thousand) each. In addition, the balance of retained earnings and non-controlling interests at the beginning of the current fiscal year decreased by ¥85 million (U.S. $697 thousand) and ¥14 million (U.S. $116 thousand), respectively.

Accounting Standard for Fair Value Measurement and other standards

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) (hereinafter, the "Fair Value Measurement Standard") and other related guidance have been applied since the beginning of the current fiscal year. The application of the Fair Value Measurement Standard follows the transitional treatment in the proviso to paragraph 19 of the standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), and the new accounting policy specified in the Fair Value Accounting Standard and related standards will be applied prospectively.

The application has no impact on the consolidated financial statements.

In addition, "Fair value of financial instruments by levels" was represented in "6.FINANCIAL INSTRUMENTS." However, in accordance with the transitional treatment set forth in Article 7-4 of Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019), notes regarding the prior fiscal year are not presented.

(21) Accounting standards issued but not yet effective

Implementation Guidance on Accounting Standard for Fair Value Measurement

On June 17, 2021, the ASBJ issued "Implementation Guidance on Accounting Standard for Fair Value Measurement," (ASBJ Guidance No. 31).

(1) Overview

The implementation guidance establishes the treatment of calculation of the fair value and notes regarding investment trusts, and the treatment of notes to the fair value of investments in partnerships, etc., in which the equity equivalents are booked on the balance sheet.

(2) Effective date

The Companies will apply the implementation guidance from the beginning of the fiscal year ending March 31, 2023.

(3) Impact

AIDA is currently evaluating the impact of the application of the implementation guidance on its 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, 2022 are ¥947 million (U.S. $7,738 thousand) and 3,300,800 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, 2022 are ¥942 million (U.S. $7,699 thousand) and 890,000 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, 2022 are ¥144 million (U.S. $1,182 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 ¥122.41 = U.S. $1, the approximate rate of exchange as of March 31, 2022, 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	2022	2021	2022
Cash on hand and at banks	¥35,031	¥31,705	$286,185
Less: Time deposits with maturities of more than three months	(1)	(5)	(13)
Cash and cash equivalents	¥35,030	¥31,700	$286,171

5 INVENTORIES

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

	Millions of yen		Thousands of U.S. dollars
As of March 31	2022	2021	2022
Finished goods	¥ 4,135	¥ 3,237	$ 33,783
Work in process	13,019	10,751	106,361
Raw materials	4,420	3,601	36,111
Inventories	¥21,575	¥17,590	$176,256

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	2022	2021	2022
Work in process	¥20	¥1	$167
Total	¥20	¥1	$167

Losses recognized and charged to cost of sales as a result of the devaluation of inventories for the years ended March 31, 2022 and 2021 were ¥203 million (U.S. $1,666 thousand) and ¥212 million, respectively.

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 loans 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 are mainly consisted of stocks and exposed to price fluctuation risks.

Operating payables (accounts payable – trade and electronically recorded monetary 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 loans 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 sheet 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:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2022	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Investment securities						
Other securities	¥10,123	¥10,123	¥—	$82,698	$82,698	$—
Total assets	¥10,123	¥10,123	¥—	$82,698	$82,698	$—
Long-term loans payable	¥ 1,500	¥ 1,500	¥ 0	$12,253	$12,261	$ 7
Total liabilities	¥ 1,500	¥ 1,500	¥ 0	$12,253	$12,261	$ 7
Derivative transactions which are not subject to hedge accounting*3	¥ (184)	¥ (184)	¥—	$ (1,505)	$ (1,505)	$—
Derivative transactions which are subject to hedge accounting*3	(429)	(429)	—	(3,509)	(3,509)	—

*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 monetary obligations – operating," "Accounts payable – other," and "Short-term loans payable" 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:

	Millions of yen	Thousands of U.S. dollars
As of March 31, 2022	Carrying value	Carrying value
Other securities		
Unlisted stocks	¥346	$2,830

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

	Millions of yen		
As of March 31, 2021	Carrying value	Fair value	Difference
Investment securities			
Other securities	¥9,504	¥9,504	¥—
Total assets	¥9,504	¥9,504	¥—
Long-term loans payable	¥1,500	¥1,501	¥ 1
Total liabilities	¥1,500	¥1,501	¥ 1
Derivative transactions which are not subject to hedge accounting*3	¥ (208)	¥ (208)	¥—
Derivative transactions which are subject to hedge accounting*3	(257)	(257)	—

*1 "Cash on hand and at banks," "Notes and accounts receivable – trade," "Electronically recorded monetary claims – operating," "Accounts receivable – other," "Accounts payable – trade," "Electronically recorded monetary obligations – operating," "Accounts payable – other," and "Short-term loans payable" 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 financial instruments whose fair value is deemed to be extremely difficult to determine are recorded in the consolidated balance sheets as follows:

	Millions of yen
As of March 31, 2021	Carrying value
Other securities	
Unlisted stocks	¥339

*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:

	Millions of yen			
As of March 31, 2022	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 asset	17,690	—	—	—
Electronically recorded monetary claims – operating	1,087	—	—	—
Accounts receivable – other	489	—	—	—
Total	¥54,279	¥—	¥—	¥—

	Thousands of U.S. dollars			
As of March 31, 2022	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at banks	$286,020	$—	$—	$—
Notes and accounts receivable – trade and contract assets	144,514	—	—	—
Electronically recorded monetary claims – operating	8,887	—	—	—
Accounts receivable – other	4,002	—	—	—
Total	$443,424	$—	$—	$—

	Millions of yen			
As of March 31, 2021	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at banks	¥31,684	¥—	¥—	¥—
Notes and accounts receivable – trade and electronically recorded monetary claims – operating	21,825	—	—	—
Accounts receivable – other	985	—	—	—
Total	¥54,495	¥—	¥—	¥—

Remark 2: The repayment schedule for loans payable was as follows:

	Millions of yen					
As of March 31, 2022	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 loans payable	¥1,094	¥ —	¥ —	¥ —	¥—	¥—
Long-term loans payable	—	500	500	500	—	—
Total	¥1,094	¥500	¥500	¥500	¥—	¥—

	Thousands of U.S. dollars					
As of March 31, 2022	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 loans payable	$8,938	$ —	$ —	$ —	$—	$—
Long-term loans payable	—	4,084	4,084	4,084	—	—
Total	$8,938	$4,084	$4,084	$4,084	$—	$—

	Millions of yen					
As of March 31, 2021	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 loans payable	¥1,297	¥—	¥ —	¥ —	¥ —	¥—
Long-term loans payable	—	—	500	500	500	—
Total	¥1,297	¥—	¥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

	Millions of yen			
	Fair value			
As of March 31, 2022	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)

	Thousands of U.S. dollars			
	Fair value			
As of March 31, 2022	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	$82,698	$ —	$—	$82,698
Total assets	$82,698	$ —	$—	$82,698
Derivative transactions				
Currency-related transactions	$ —	$(5,014)	$—	$ (5,014)
Total liabilities	$ —	$(5,014)	$—	$ (5,014)

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

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

	Thousands of U.S. dollars			
	Fair value			
As of March 31, 2022	Level 1	Level 2	Level 3	Total
Long-term loans payable	$—	$12,261	$—	$12,261
Total liabilities	$—	$12,261	$—	$12,261

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 loans payable

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, 2022	Millions of yen			Thousands of U.S. dollars		
Types of securities	Carrying value	Acquisition cost	Unrealized gains (losses)	Carrying value	Acquisition cost	Unrealized gains (losses)
Carrying value exceeds acquisition cost						
Stocks	¥ 9,602	¥2,566	¥7,036	$78,444	$20,965	$57,479
Subtotal	9,602	2,566	7,036	78,444	20,965	57,479
Carrying value does not exceed acquisition cost						
Stocks	520	608	(88)	4,253	4,973	(720)
Subtotal	520	608	(88)	4,253	4,973	(720)
Total	¥10,123	¥3,175	¥6,947	$82,698	$25,939	$56,759

As of March 31, 2021	Millions of yen		
Types of securities	Carrying value	Acquisition cost	Unrealized gains (losses)
Carrying value exceeds acquisition cost			
Stocks	¥9,504	¥2,525	¥6,979
Subtotal	9,504	2,525	6,979
Carrying value does not exceed acquisition cost			
Stocks	—	—	—
Subtotal	—	—	—
Total	¥9,504	¥2,525	¥6,979

(2) Sales of other securities were as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2022	2021	2022
Total sales amounts	¥9	¥9	$73
Gains on sales	6	3	56

8 DERIVATIVE FINANCIAL INSTRUMENTS

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

As of March 31, 2022

(1) Derivative transactions (hedge accounting not applied)

Currency-related transactions (non-market transactions)

	Millions of yen				Thousands of U.S. dollars			
	Contract value				Contract value			
	Contract value total	Over 1 year	Fair value	Unrealized gain (loss)	Contract value total	Over 1 year	Fair value	Unrealized gain (loss)
Forward exchange transactions								
Sell —								
USD	¥ 120	¥ —	¥ (4)	¥ (4)	$ 986	$ —	$ (37)	$ (37)
EUR	4,324	263	(171)	(171)	35,328	2,155	(1,402)	(1,402)
CNY	48	—	(7)	(7)	400	—	(64)	(64)
Total	¥4,494	¥263	¥(184)	¥(184)	$36,715	$2,155	$(1,505)	$(1,505)

(2) Derivative transactions (hedge accounting applied)

Currency-related transactions (Deferred hedge accounting method)

		Millions of yen			Thousands of U.S. dollars		
		Contract value			Contract value		
	Main hedged item	Contract value total	Over 1 year	Fair value	Contract value total	Over 1 year	Fair value
Forward exchange transactions							
Sell —							
USD	Expected foreign currency transactions	¥3,519	¥ 367	¥(286)	$28,755	$ 2,998	$(2,340)
EUR		2,267	1,686	(77)	18,527	13,777	(633)
JPY		6	—	0	49	—	4
CNY		547	—	(60)	4,471	—	(493)
Buy —							
EUR		226	—	5	1,851	—	47
JPY		159	—	(11)	1,304	—	(93)
Total		¥6,727	¥2,053	¥(429)	$54,961	$16,776	$(3,509)

As of March 31, 2021

(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	¥ 88	¥ —	¥ (3)	¥ (3)
EUR	3,366	116	(144)	(144)
CNY	1,535	—	(60)	(60)
Total	¥4,990	¥116	¥(208)	¥(208)

(2) Derivative transactions (hedge accounting applied)

Currency-related transactions (Deferred hedge accounting method)

		Millions of yen		
		Contract value		
	Main hedged item	Contract value total	Over 1 year	Fair value
Forward exchange transactions				
Sell —				
USD	Expected foreign currency transactions	¥2,450	¥206	¥(125)
EUR		957	—	(57)
JPY		90	—	3
CNY		864	170	(69)
Buy —				
USD		19	—	0
EUR		490	—	(2)
JPY		167	—	(8)
CNY		49	—	2
Total		¥5,090	¥376	¥(257)

9 LOANS PAYABLE

Short-term loans payable and long-term loans payable are as follows:

As of March 31, 2022	Millions of yen	Weighted average interest rate	Repayment dates	Thousands of U.S. dollars
Short-term loans payable	¥1,094	0.72%	June 23, 2022	$ 8,938
Long-term loans payable	1,500	0.62%	March 29, 2024, March 19, and December 15, 2025	12,253
Total	¥2,594	—%	—	$21,192

As of March 31, 2021	Millions of yen	Weighted average interest rate	Repayment dates
Short-term loans payable	¥1,297	0.70%	June 23, 2021
Long-term loans payable	1,500	0.62%	March 29, 2024, March 19, and December 15, 2025
Total	¥2,797	—%	—

Repayment schedules for long-term loans payable as of March 31, 2022 are as follows:

As of March 31	Millions of yen	Thousands of U.S. dollars
2023	¥ —	$ —
2024	500	4,084
2025	500	4,084
2026	500	4,084

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. 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 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Balance at the beginning of the year	¥4,765	¥4,697	$38,927
Service cost*	244	240	1,997
Interest cost	26	25	218
Actuarial gain and loss	16	5	137
Retirement benefits paid	(227)	(211)	(1,860)
Others	5	7	40
Balance at the end of the year	¥4,830	¥4,765	$39,460

* 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 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Plan assets at the beginning of the year	¥4,243	¥4,124	$34,663
Expected return on plan assets	84	82	693
Actuarial gain and loss	(61)	23	(506)
Contributions by the Company	125	127	1,028
Retirement benefits paid	(196)	(115)	(1,607)
Plan assets at the end of the year	¥4,195	¥4,243	$34,271

(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 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Funded retirement benefit obligation	¥ 3,374	¥ 3,374	$ 27,564
Plan assets at fair value	(4,195)	(4,243)	(34,271)
	(820)	(868)	(6,706)
Unfunded retirement benefit obligation	1,456	1,390	11,895
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheets	¥ 635	¥ 521	$ 5,188
Net defined benefit liabilities	¥ 1,456	¥ 1,390	$ 11,895
Net defined benefit assets	(820)	(868)	(6,706)
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheets	¥ 635	¥ 521	$ 5,188

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

(d) Components of retirement benefit expenses

Year ended March 31	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Service cost*	¥ 244	¥240	$1,997
Interest cost	26	25	218
Expected return on plan assets	(84)	(82)	(693)
Amortization of actuarial gain and loss	(101)	(79)	(827)
Retirement benefit expenses	¥ 85	¥103	$ 695

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

(e) Components of retirement benefit plan adjustments included in other comprehensive income (before tax effect)

Year ended March 31	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Actuarial gain and loss	¥(180)	¥(61)	$(1,471)
Total	¥(180)	¥(61)	$(1,471)

(f) Components of retirement benefit plan adjustments included in accumulated other comprehensive income (before tax effect)

As of March 31	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Unrecognized actuarial loss	¥(126)	¥(306)	$(1,034)
Total	¥(126)	¥(306)	$(1,034)

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

As of March 31	2022	2021
Bonds	26.4%	42.6%
Stocks	23.6	17.9
General accounts	27.3	27.6
Others	22.7	11.9
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	2022	2021
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 3.0%	Mainly 3.0%

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, 2022 and 2021 were ¥175 million (U.S. $1,434 thousand) and ¥168 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, 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 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 the Trust Account E as of April 1, 2021 and March 31, 2022 includes 3,464,000 shares and 4,348,700 shares, respectively.

During the year ended March 31, 2021

Types of shares	Number of shares at April 1, 2020	Increase	Decrease	Number of shares at March 31, 2021
Shares issued				
Common stock (Remarks 2)	69,448,421	—	—	69,448,421
Treasury stock				
Common stock (Remarks 1, 2 and 3)	9,896,566	102,392	245,700	9,753,258

Remarks: 1. Details of the increase are as follows:
Increase due to purchase of shares of less than standard unit 892
Increase due to purchase of shares by BBT trust 101,500
2. Details of the decrease are as follows:
Decrease due to the grant of shares from ESOP trust 32,600
Decrease due to the grant of shares from BBT trust 23,600
Decrease due to exercising share subscription rights 88,000
Decrease due to disposition of treasury stock by third-party allocation 101,500
3. The number of shares of treasury stock held by the Trust Account E as of April 1, 2020 and March 31, 2021 includes 3,418,700 shares and 3,464,000 shares, respectively.

(2) Share subscription rights
During the year ended March 31, 2022

Company	Description	Type of shares issued	Number of shares at April 1, 2021	Increase	Decrease	Number of shares at March 31, 2022	Millions of yen Balance at March 31, 2022	Thousands of U.S. dollars Balance at March 31, 2022
Parent company	Share subscription rights as stock options	—	—	—	—	—	¥91	$747
	Total		—	—	—	—	¥91	$747

During the year ended March 31, 2021

Company	Description	Type of shares issued	Number of shares at April 1, 2020	Increase	Decrease	Number of shares at March 31, 2021	Millions of yen Balance at March 31, 2021
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
Current fiscal year	As of April 1, 2021	As of March 31, 2022	As of March 31, 2022
Receivables from contracts with customers			
Notes receivable – trade	¥ 817	¥ 516	$ 4,220
Accounts receivable – trade	10,761	10,546	86,153
Total receivables from contracts with customers	¥11,578	¥11,062	$90,373
Contract assets	¥ 7,454	¥ 6,627	$54,140

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 current fiscal year, ¥6,337 million (U.S. $51,769 thousand) was recognized as revenue in the current fiscal year.

(b) Transaction price allocated to the remaining performance obligations
Of the ¥55,171 million (U.S. $450,709 thousand) order backlog (remaining performance obligation) at the end of the fiscal year, 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		Thousands of U.S. dollars
Year ended March 31	2022	2021	2022
Salaries and wages	¥2,949	¥2,930	$24,096
Provision for accrued bonuses for employees	373	332	3,047
Retirement benefit expenses	60	69	492

14 RESEARCH AND DEVELOPMENT EXPENSES

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2022	2021	2022
Selling, general and administrative expenses	¥ 509	¥571	$ 4,161
Cost of sales	740	424	6,053
Total	¥1,250	¥996	$10,214

15 LOSS ON SUSPENSION OR DECREASE OF PRODUCTION

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.

For the year ended March 31, 2021

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, 2022

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

Asset group	Purpose	Types of fixed assets	Millions of yen	Thousands of U.S. dollars
AIDA PRESS MACHINERY SYSTEMS CO., LTD.	Business-use assets	Buildings and structures	¥263	$2,151
		Machinery and vehicles	224	1,836
		Other fixed assets	0	7
		Software	3	29
		Other investments and other assets	0	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 a 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 (U.S. $4,025 thousand) 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%.

For the year ended March 31, 2021

(1) Loss on impairment of fixed assets was recognized for the year ended March 31, 2021 as follows:

Asset group	Purpose	Types of fixed assets	Millions of yen
AIDA PRESS MACHINERY SYSTEMS CO., LTD.	Business-use assets	Buildings and structures	¥345
		Machinery and vehicles	327
		Other fixed assets	4
		Software	5
		Other investments and other assets	3

(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 a 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 ¥686 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, 2022 and 2021.

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

	Millions of yen	
Year ended March 31	2022	2021
Statutory income tax rates	30.6%	30.6%
Non-deductible expenses (entertainment expenses and others) for tax purposes	6.6	3.0
Dividend income	(0.6)	(3.4)
Inhabitant taxes per capita	1.1	0.7
Difference of tax rates applied to overseas subsidiaries	(3.6)	0.5
Tax credit	(5.8)	(3.2)
Changes in valuation allowance	15.5	21.7
Expired net operating loss carryforwards	2.2	—
Others	2.4	2.5
Effective income tax rates	48.4%	52.4%

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

As of March 31	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Deferred tax assets			
Loss on write-down of inventories	¥ 1,010	¥ 809	$ 8,255
Accrued warranty costs	136	130	1,117
Accrued bonuses for employees	290	306	2,377
Depreciation and amortization	517	532	4,228
Accrued stock payments	128	121	1,053
Long-term accounts payable – other	71	71	586
Tax losses carried forward	2,045	1,907	16,709
Retirement benefit obligation	498	393	4,075
Others	1,282	1,071	10,479
Subtotal deferred tax assets	5,983	5,344	48,882
Valuation allowance for net operating loss carryforwards*2	(1,999)	(1,793)	(16,337)
Valuation allowance for deductible temporary differences	(1,973)	(1,725)	(16,118)
Less: Valuation allowance*1	(3,972)	(3,519)	(32,456)
Total deferred tax assets	2,010	1,825	16,426
Deferred tax liabilities			
Undistributed subsidiaries' earnings	(364)	(323)	(2,979)
Reserve for reduction entry of replaced property	(427)	(434)	(3,495)
Net defined benefit assets	(256)	(269)	(2,093)
Fixed assets	(795)	(741)	(6,498)
Unrealized gains on other securities	(2,128)	(2,105)	(17,385)
Others	(90)	(35)	(735)
Total deferred tax liabilities	(4,062)	(3,910)	(33,188)
Net deferred tax assets (liabilities)	¥(2,051)	¥(2,085)	$(16,761)

*1 The valuation allowance increased by ¥453 million (U.S. $3,707 thousand). The increase was mainly due to the recognition of an additional valuation allowance of ¥206 million (U.S. $1,684 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, 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	(b) ¥ 45

As of March 31, 2022 (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)	$ 484	$—	$ 914	$ 2,672	$ 186	$ 12,451	$ 16,709
Valuation allowance	(263)	—	(914)	(2,672)	(186)	(12,299)	(16,337)
Deferred tax assets	$ 220	$—	$ —	$ —	$ —	$ 151	(b) $ 371

(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 (U.S. $16,709 thousand) (amount multiplied by effective statutory tax rate), deferred tax assets of ¥45 million (U.S. $371 thousand) have been recorded.

The deferred tax assets of ¥45 million (U.S. $371 thousand) are for part of the balance of the tax loss carryforward of ¥2,045 million (U.S. $16,709 thousand) (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 (U.S. $1,584 thousand) 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.

As of March 31, 2021 (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)	¥39	¥59	¥—	¥—	¥ 2	¥ 1,806	¥ 1,907
Valuation allowance	—	(7)	—	—	(2)	(1,783)	(1,793)
Deferred tax assets	¥39	¥51	¥—	¥—	¥—	¥ 22	(b)¥ 113

(a) Net operating loss carryforwards were the amount multiplied by the effective statutory tax.

(b) For the net operating loss carryforward of ¥1,907 million (amount multiplied by effective statutory tax rate), deferred tax assets of ¥113 million have been recorded.

The deferred tax assets of ¥113 million are for part of the balance of the tax loss carryforward of ¥1,907 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 ¥128 million for the fiscal year ended March 31, 2013.

The tax loss carryforward was determined to be recoverable as future taxable income is anticipated, and therefore no corresponding valuation allowance has been recognized.

18 LEASES

Description of finance leases is omitted due to its insignificance as of March 31, 2022 and 2021.

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

As of March 31	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Operating leases			
Due within 1 year	¥ 62	¥49	$512
Thereafter	56	46	462
Total	¥119	¥95	$974

19 RELATED PARTY TRANSACTIONS

There were no transactions between AIDA and its related companies and individuals for the years ended March 31, 2022 and 2021.

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, 2021 and March 31, 2022 includes 3,464,000 shares and 4,348,700 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	Yen 2022	Yen 2021	U.S. dollars 2022
Net assets per share*1	¥1,304.89	¥1,285.38	$10.66
Net income per share – Basic*2	15.02	22.07	0.12
– Diluted*2	14.99	22.04	0.12

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

	Millions of yen		Thousands of U.S. dollars
As of March 31	2022	2021	2022
Total net assets on consolidated balance sheets	¥78,664	¥77,505	$642,627
Total net assets attributable to shares of common stock	77,901	76,731	636,396
Main differences			
Stock options	91	91	747
Non-controlling interests	671	683	5,483
Number of shares outstanding (thousands of shares)	69,448	69,448	—
Number of treasury stock (thousands of shares)	9,748	9,753	—
Number of shares used for computing net assets per share (thousands of shares)	59,699	59,695	—

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2022	2021	2022
Net income	¥896	¥1,316	$7,323
Net income attributable to shares of common stock	896	1,316	7,323
Average number of shares outstanding during the years (thousands of shares)	59,695	59,653	—
Potential increase in common stock for the diluted income calculation (thousands of shares)	94	84	—
Excluded potential increase in common stock for the diluted income calculation due to no dilution effect (thousands of shares)	10	35	—

21 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2022	2021	2022
Net unrealized gains (losses) on securities			
Amount arising during the year	¥ (30)	¥3,057	$ (252)
Reclassification adjustments for gains and losses included in net income	—	47	—
Amount before tax effect	(30)	3,105	(252)
Tax effect	(23)	(873)	(188)
Net unrealized gains (losses) on securities	(54)	2,231	(441)
Deferred hedge gains (losses)			
Amount arising during the year	(506)	(246)	(4,139)
Reclassification adjustments for gains and losses included in net income	287	(19)	2,350
Amount before tax effect	(219)	(266)	(1,789)
Tax effect	62	79	508
Deferred hedge gains (losses)	(156)	(186)	(1,281)
Foreign currency translation adjustments			
Amount arising during the year	1,986	1,183	16,227
Reclassification adjustments for gains and losses included in net income	—	—	—
Amount before tax effect	1,986	1,183	16,227
Tax effect	(31)	—	(253)
Foreign currency translation adjustments	1,955	1,183	15,973
Retirement benefit plan adjustments			
Amount arising during the year	(78)	23	(639)
Reclassification adjustments for gains and losses included in net income	(101)	(85)	(832)
Amount before tax effect	(180)	(61)	(1,471)
Tax effect	57	18	466
Retirement benefit plan adjustments	(123)	(43)	(1,005)
Total other comprehensive income (loss)	¥1,621	¥3,185	$13,245

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.

As noted in "Changes in accounting policies," Revenue Recognition Accounting Standard and other related guidance have been applied since the beginning of the current fiscal year. Due to a change in the accounting method for revenue recognition, the measurement of sales and income by reportable segment was changed accordingly. Compared with the previous method, net sales of Japan increased by ¥182 million (U.S. $1,487 thousand), net sales of Asia decreased by ¥19 million (U.S. $158 thousand), net sales of Europe increased by ¥157 million (U.S. $1,286 thousand), segment profit of Japan increased by ¥87 million (U.S. $714 thousand), segment profit of Asia decreased by ¥4 million (U.S. $37 thousand), and segment profit of Europe increased by ¥4 million (U.S. $36 thousand) for the current fiscal year.

(3) Information on sales, profit or loss, assets, and other items by reportable segments

	Millions of yen							
As of and for the year ended March 31, 2022	Japan	China	Asia	Americas	Europe	Subtotal	Adjustments*1	Consolidated*2
Sales								
(1) Sales to third parties								
Press Machines	¥14,388	¥ 6,851	¥ 2,633	¥10,997	¥ 9,573	¥ 44,443	¥ —	¥ 44,443
Service	5,545	1,591	1,528	2,640	2,558	13,865	—	13,865
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

As of and for the year ended March 31, 2022	Thousands of U.S. dollars							
	Japan	China	Asia	Americas	Europe	Subtotal	Adjustments*1	Consolidated*2
Sales								
(1) Sales to third parties								
Press Machines	$117,546	$ 55,968	$21,511	$ 89,837	$ 78,206	$ 363,070	$ —	$363,070
Service	45,301	13,003	12,490	21,575	20,904	113,274	—	113,274
Others	32,958	452	108	—	438	33,958	—	33,958
Subtotal	195,805	69,424	34,110	111,412	99,549	510,303	—	510,303
(2) Inter-segment sales	116,163	2,886	28,352	1,889	3,863	153,154	(153,154)	—
Total sales	311,969	72,311	62,462	113,302	103,413	663,458	(153,154)	510,303
Segment profit	6,553	6,061	6,091	2,202	905	21,814	(1,344)	20,469
Segment assets	676,490	104,539	95,628	84,597	106,987	1,068,241	(137,485)	930,755
Others								
Depreciation	8,164	1,634	2,291	1,438	1,460	14,990	(15)	14,975
Increase in property, plant, equipment and intangible assets	9,419	450	4,186	540	428	15,025	—	15,025

As of and for the year ended March 31, 2021	Millions of yen							
	Japan	China	Asia	Americas	Europe	Subtotal	Adjustments*1	Consolidated*2
Sales								
Sales to third parties	¥27,255	¥ 6,435	¥ 4,768	¥10,214	¥ 9,426	¥ 58,099	¥ —	¥ 58,099
Inter-segment sales	12,981	987	2,444	237	158	16,808	(16,808)	—
Total sales	40,237	7,422	7,212	10,451	9,584	74,908	(16,808)	58,099
Segment profit or loss	3,087	(284)	673	515	(121)	3,871	(148)	3,722
Segment assets	80,350	10,685	10,555	9,859	12,376	123,827	(16,040)	107,787
Others								
Depreciation and amortization	987	326	275	195	264	2,050	(1)	2,048
Increase in property, plant, equipment and intangible assets	506	17	27	15	41	607	—	607

*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

For the year ended March 31, 2022

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

For the year ended March 31, 2021

	Millions of yen			
Sales	Press machines	Service	Others	Total
Sales to third parties	¥41,237	¥12,422	¥4,439	¥58,099

2. Geographical information

(1) Sales

For the year ended March 31, 2022

Millions of yen					Thousands of U.S. dollars				
Japan	U.S.A.	China	Others	Total	Japan	U.S.A.	China	Others	Total
¥19,955	¥11,385	¥9,352	¥21,772	¥62,466	$163,019	$93,012	$76,404	$177,867	$510,303

For the year ended March 31, 2021

Millions of yen				
Japan	U.S.A.	China	Others	Total
¥25,377	¥7,518	¥7,483	¥17,720	¥58,099

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

(2) Property, plant and equipment

As of March 31, 2022

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

Thousands of U.S. dollars						
Japan	China	Italy	U.S.A.	Malaysia	Others	Total
$114,256	$6,667	$19,924	$14,347	$9,272	$10,862	$175,331

As of March 31, 2021

Millions of yen						
Japan	China	Italy	U.S.A.	Malaysia	Others	Total
¥13,437	¥1,313	¥2,440	¥1,698	¥1,217	¥1,243	¥21,350

(Reportable segment information for impairment loss on fixed assets)

For the year ended March 31, 2022

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

Thousands of U.S. dollars						
Japan	China	Asia	Americas	Europe	Adjustments	Total
$—	$4,025	$—	$—	$—	$—	$4,025

For the year ended March 31, 2021

Millions of yen						
Japan	China	Asia	Americas	Europe	Adjustments	Total
¥—	¥686	¥—	¥—	¥—	¥—	¥686

(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, 2022 and 2021.

(Reportable segment information for gain on bargain purchase)

There is no gain on bargain purchase recorded for the years ended March 31, 2022 and 2021.

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, 2020 (shares)	–	–	–	–	–	–	–	–	–	–
Granted (shares)	–	–	–	–	–	–	–	–	–	–
Forfeited (shares)	–	–	–	–	–	–	–	–	–	–
Vested (shares)	–	–	–	–	–	–	–	–	–	–
Outstanding as of March 31, 2021 (shares)	–	–	–	–	–	–	–	–	–	–
Share subscription rights which have already been vested										
Outstanding as of April 1, 2021 (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, 2022 (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 27, 2022, at the General Meeting of Shareholders, the following appropriation of retained earnings was approved:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥25.00 (U.S. $0.20) per share)	¥1,601	$13,080

The amount includes dividends of ¥108 million (U.S. $888 thousand) on shares (4,348,700 shares as of March 31, 2022) 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, 2022, 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, 2022, 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	
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	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.

accounting estimates” under 2. “SUMMARY 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, 2022 is ¥21,513 million, which accounted for 34% 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	・Controls over the estimation of the total 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 reasonableness 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
performance obligations is of particular significance for the fiscal year ended March 31, 2022, and therefore determined that this is a key audit matter.	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, 2022 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

September 21, 2022

/s/Yoshiyuki Nomizu
Designated Engagement Partner
Certified Public Accountant

/s/Tomo Ito
Designated Engagement Partner
Certified Public Accountant

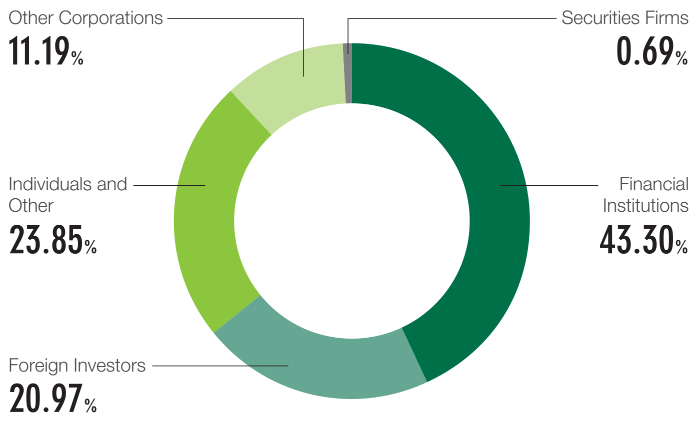
Stock Information

As of March 31, 2022

Securities Code	6118
Stock Listing	Tokyo Stock Exchange, Prime Market
Number of Shares Authorized	188,149,000
Number of Shares Issued	69,448,421
Number of Shares of Treasury Stock	9,748,838*
Number of Shares per Trading Unit	100
Number of Shareholders	5,919
Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd.

* Number of shares of treasury stock includes 4,348,700 shares of treasury stock held by Custody Bank of Japan, Ltd. (Trust Account E) in a re-entrustment related to a J-ESOP (Japanese Employee Stock Ownership Plan) and BBT (Board Benefit Trust).

Breakdown of Issued Shares by Type of Shareholder

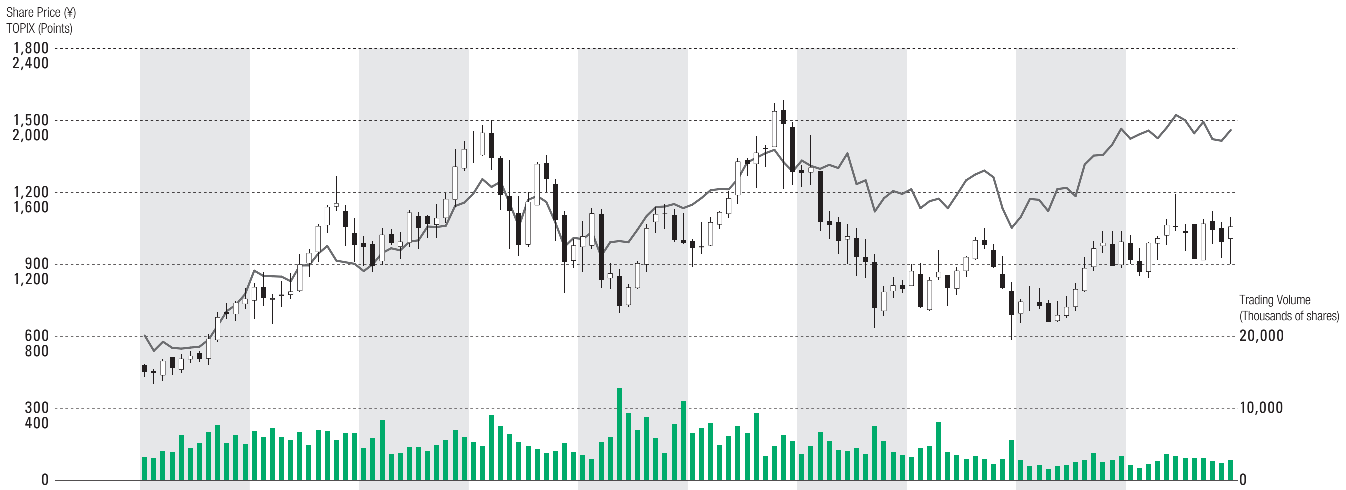


Major Shareholders (Top 10)*1

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

*1 Although the Company holds 5,400,138 shares of treasury stock, it is excluded from the major shareholders listed above.
Ownership percentages are based on 64,048,283 shares, the total number of issued and outstanding shares, less treasury stock.
*2 Shares shown as held by Custody Bank of Japan, Ltd. (Trust Account E) are being held in a re-entrustment related to a J-ESOP and BBT.

Share Price and Trading Volume



	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3
High (¥)	802	1,266	1,413	1,500	1,151	1,586	1,441	1,053	1,040	1,192
Low (¥)	404	651	867	783	696	889	635	584	656	842
At Year-End (¥)	756	982	1,380	978	988	1,286	798	691	994	1,057

Share Price (upper left) — TOPIX (lower left) Trading Volume (right)

Corporate Data/History

As of March 31, 2022

Corporate Data

Company Name	AIDA ENGINEERING, LTD.
Founded	March 1917
Established	March 25, 1937
Capital	¥7,831 million
Fiscal Year-End	March 31
Number of Employees	835 (Consolidated: 2,057)
Head Office	2-10 Ohyama-cho, Midori Ward, Sagamihara City, Kanagawa Prefecture 252-5181, Japan TEL (81) 42-772-5231 FAX (81) 42-772-5263
Website	On its corporate website, AIDA offers a wealth of information, including timely disclosure of financial information for its shareholders and other investors, information on products and after-service support for customers, and information for those unfamiliar with the Company's operations. https://www.aida.co.jp/en/
Domestic Group Company	R E J Co., Ltd. 2-3-2 Fukuura, Kanazawa Ward, Yokohama City, Kanagawa Prefecture 236-8641, Japan TEL (81) 45-701-1770 FAX (81) 45-783-7486

History

1917	AIDA Ironworks is founded in Honjo, Tokyo, by the late Mr. Yokei Aida.
1923	The factory is totally destroyed by the Great Kanto Earthquake, but is rebuilt immediately.
1933	Introduced the first Japanese knuckle-joint press.
1937	Incorporated as a limited company with capital of ¥200,000.
1945	The factory is totally destroyed in an air raid, then rebuilt and operations are restarted two months later.
1951	Introduced the first Japanese crown capping press.
1956	Introduced the first 200-ton high-speed automatic press.
1959	New factory constructed in Sagamihara City in Kanagawa Prefecture (current headquarters).
1960	Introduced the first Japanese transfer press.
1962	Listed on the Tokyo Stock Exchange, 2nd Section.
1964	Headquarters and Kameido Factory are moved and integrated into the Sagamihara facility.
1967	Completed the development of a 2,500-ton transfer press (among the world's largest capacity presses at the time).
1968	Introduced "Autohand," the first Japanese industrial robot.
1970	Company name is changed to AIDA ENGINEERING, LTD.
1971	Promoted to the 1st Section of the Tokyo and Osaka Stock Exchange.
1972	Established a subsidiary in the United States.
1974	Tsukui Factory is constructed (in Sagamihara City).
1977	Introduced 3-D Motion Mark IV Transfer Press stamping center system.
1985	Nominated as a marginable stock on the Tokyo Stock Exchange. Established a subsidiary in Canada.
1989	Established a subsidiary in Singapore.
1992	ACCESS, LTD. is established in Ishikawa Prefecture. AIDA BUSINESS CORP. is established in Sagamihara City.
1993	Established a subsidiary in Hong Kong.
1995	Manufacturing bases are established in the U.S.A. and Malaysia. A new facility is constructed in Hakusan City in Ishikawa Prefecture.
1997	Established a subsidiary in Thailand.
2001	Received ISO 14001 certification.
2002	Established subsidiaries in China (Shanghai) and France. Introduced the world's first direct-drive servo press (now called the Direct Servo Former).
2003	A manufacturing base is established in China (Shanghai). Completed the development of the Precision Forming Press UL Series.
2004	Established a subsidiary in Germany (Kamen). Absorbed an Italian company and established a manufacturing base.
2005	Established subsidiaries in Brazil and Indonesia.
2007	A new plant is constructed on land adjacent to the headquarters. Established a subsidiary in India.
2008	Announced new development of a 2,300-ton large servo press (among the world's largest capacity presses at the time).
2009	Established a subsidiary in Mexico. Completed the development of AIDA Ultimate Precision Forming Press UL-D Series.
2010	Launched commercial marketing of large-capacity servo motors for servo presses developed and manufactured by AIDA. Transferred the Chinese production base to Nantong City and expanded the base.
2011	Established subsidiaries in Vietnam and Morocco.
2012	Established a subsidiary in Russia.
2013	Separation of production functions from AIDA ENGINEERING (M) SDN. BHD. and transfer to AIDA MANUFACTURING (ASIA) SDN. BHD.
2015	Established a subsidiary in the Philippines. Completed the development of a 2,700-ton progressive servo press (among the world's largest capacity presses).
2016	Established a Technology Center in Germany (Weingarten).
2017	Made Reliance Electric Limited and its subsidiary, RAS Co., Ltd., into subsidiaries of AIDA ENGINEERING, LTD.
2018	Reliance Electric Limited absorbed its subsidiary, RAS Co., Ltd. (Company name was changed to R E J Co., Ltd. in January 2019).
2020	Merged with ACCESS, LTD., a wholly owned subsidiary.
2022	Transferred to the Prime Market with the reorganization of the Tokyo Stock Exchange market segments.

Operating Bases

As of March 31, 2022

■ Production Facilities ● Global Sales/Service Network ● Technology Center

Overseas

AMERICAS

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AFRICA

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■ **AIDA PRESS MACHINERY SYSTEMS CO., LTD. (Nantong)**
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ASIA

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Domestic

■ **AIDA ENGINEERING, LTD.**
● **Oyama, Takasaki, Kanagawa, Nagano, Hamamatsu, Chubu, Komaki, Osaka, Chugoku/Shikoku, Fukuoka**

■ **R E J Co., Ltd.**

AIDA

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