AIDA

AIDA

Annual Report 2018

Year ended March 31, 2018

AIDA ENGINEERING, LTD.

Profile

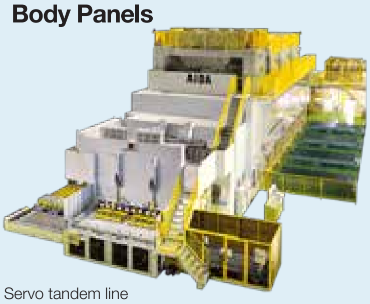
As a top brand in press forming systems, we are a key contributor to the manufacturing of products essential for daily life.

AIDA ENGINEERING's technologies are used to make all manner of common, everyday products.
When it comes to making massive volumes of objects identical in shape, nothing outperforms high-productivity, resource- and energy-efficient press forming. Our press technology makes daily life richer, more convenient, and more comfortable, and we remain steadfast in our commitment to furthering R&D toward that end.

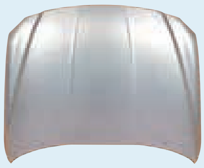
Automotive-Related (examples)

1 Automobiles

Body Panels



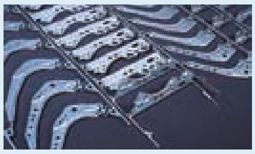
Servo tandem line



Hoods, doors, and other exterior panels

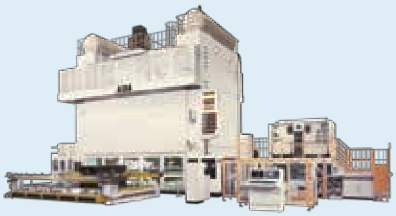
Seat Components

Progressive press



Seat-belt buckles, seat rails, etc.

Vehicle Body Frame Components

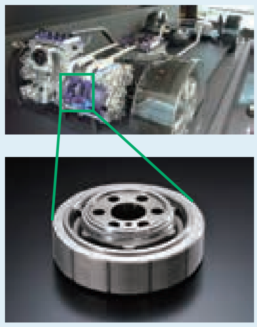


Transfer press

Center pillars

HV/EV Motor Cores

High-speed precision press



Motor core (rotor)

Home Appliances and Daily Necessities (examples)

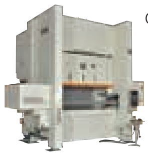
2 Printers

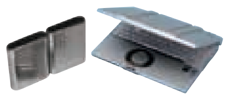
General-purpose servo press

Printer components

5 Smartphone/Personal-Computer-Related Items

General-purpose servo press





Smartphone frames, personal computer chassis, USB sockets, etc.

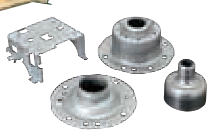
3 Bicycles

Precision forming press

Pedals, hubs, brakes and other bicycle components

6 Washing Machines

Transfer press



Washing machine components (various types of motor cases, brackets, etc.)

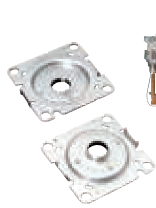
4 Coins

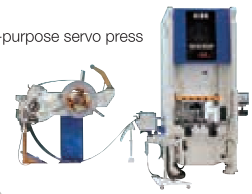
Cold forging press

Bullion coins, commemorative medals, etc.

7 Kitchen-Related Items

General-purpose servo press



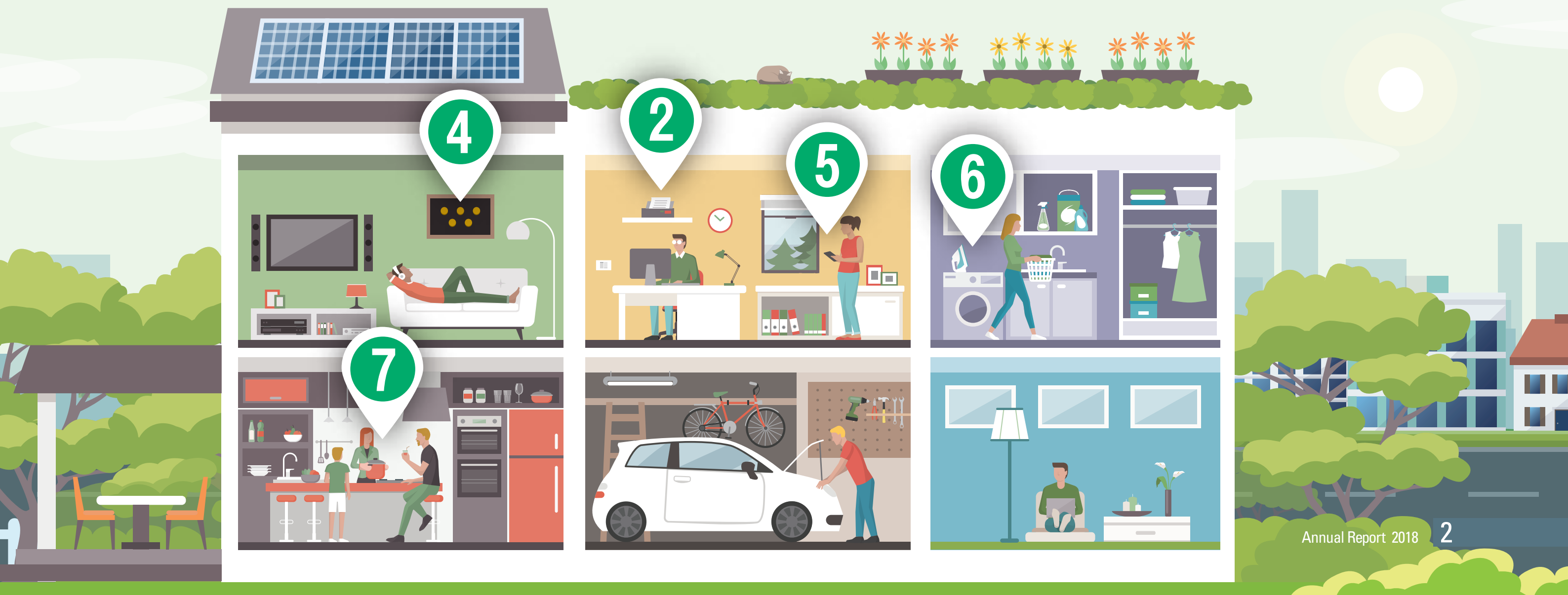


Range hoods, gas stoves, rice cooker components, etc.

8 Medical Equipment Components

Dental elevator handles, catheters, etc.

General–purpose servo press



Contents

Disclaimer Regarding Forward-Looking Statements

This annual report contains statements that address plans and future performance and are not statements of historical fact. These forward-looking statements are based on management's assumptions in light of information currently available. Risks, uncertainties and other factors may cause actual results and achievements to differ from those anticipated in these statements.

Period Covered

The period covered by this annual report is the fiscal year that began on April 1, 2017 and ended on March 31, 2018. "Fiscal year 2018" is the fiscal year ended on March 31, 2018.

Cautionary Statements with Respect to Graphs and Financial Figures

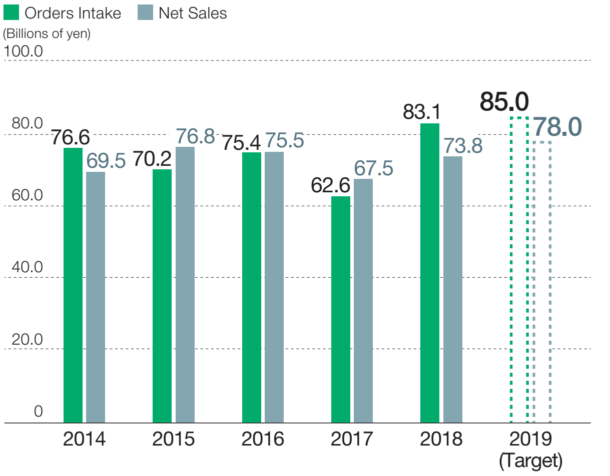
The amounts presented in yen are rounded down to the nearest hundred millions or millions.

At a Glance

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

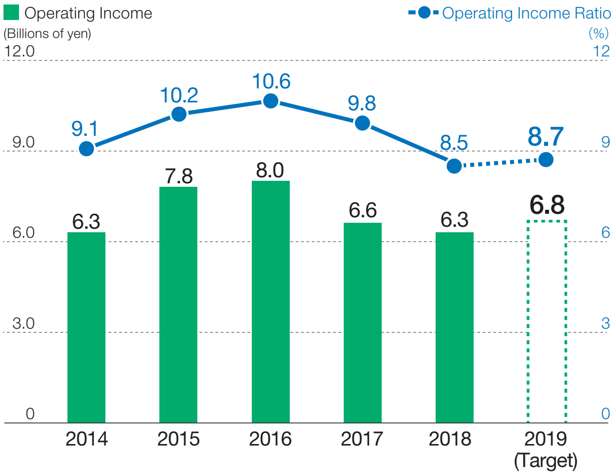
Orders Intake/Net Sales

Targeting Sustainable Growth and Record Earnings



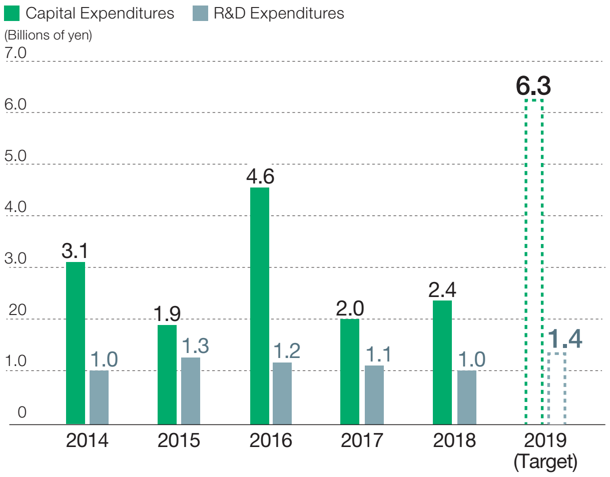
Operating Income/Operating Income Ratio

Aiming for a Stable Operating Income Ratio of 10% or Higher



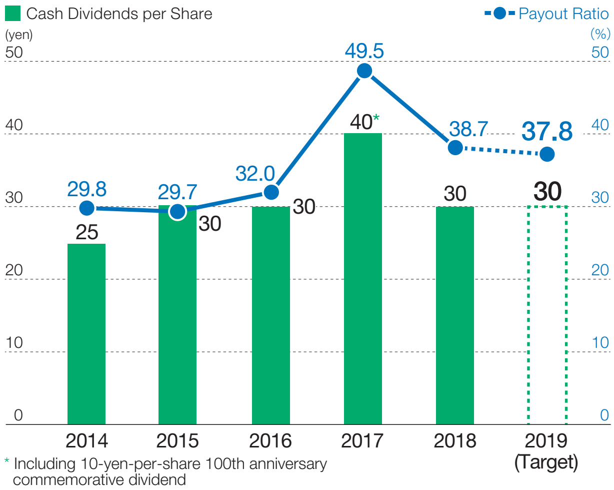
Capital Expenditures/R&D Expenditures

Actively Investing for Growth



Cash Dividends per Share/Payout Ratio

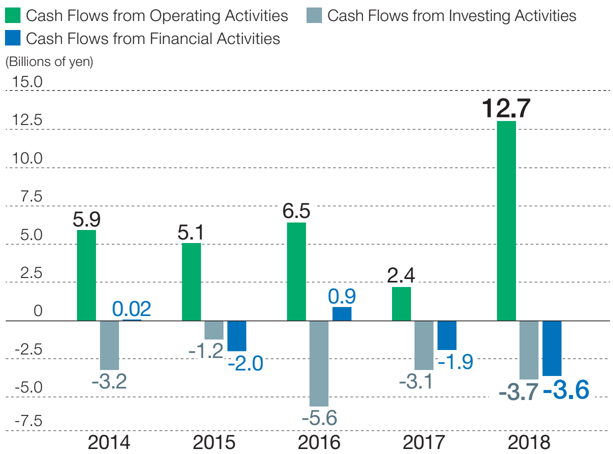
Sustaining a Stable Payout Ratio of 30% or Higher



* Including 10-yen-per-share 100th anniversary commemorative dividend

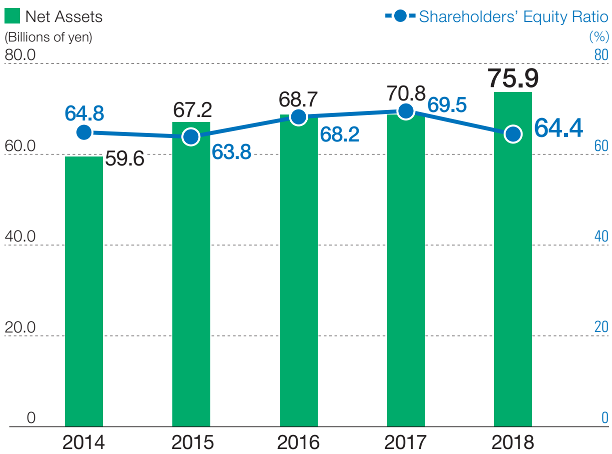
Cash Flow

Maintaining a High-Quality CF Portfolio Enabling Growth Investment



Net Assets/Shareholders' Equity Ratio

Standing on a Robust Financial Base



Net Sales

Worldwide 2nd in Net Sales

AIDA is a globally recognized brand in the field of press forming systems, and in the automotive-related, consumer electronics and electric machinery industries in particular. With customers throughout the world, we are now the second-largest press manufacturer by sales.

Press Product Series

Capacities Ranging from 35 to 4,000 Tons

As a forming systems builder with development capabilities that allow us to respond to all manner of customer needs, we offer a wide variety of product series, from small, general-purpose presses to large, special-purpose presses.

Principal Products and Services

Press Machines

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

Factory Automation (FA)

Principal Products

- Piling systems
- Material feeders
  - Coil feeders
  - Destack feeders, etc.
- Conveyancemachines
  - Conveyance robots
  - Sub-transfer feeders
  - Die changing devices, etc.

Service

Principal Services

- Retrofits/Modernization
- Overhaul
- Preventive maintenance
- Press inspections
- Machine relocation

Net Sales by Business Segment and Press Machine Market Segment

Press Machines

Ratio of Net Sales

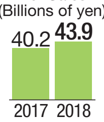
76.2%

Net Sales (Billions of yen)

Automotive related

78.0%

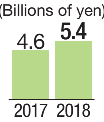
Net Sales (Billions of yen)



Electric related

9.7%

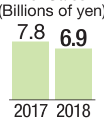
Net Sales (Billions of yen)



Others

12.3%

Net Sales (Billions of yen)



Service (Related to Presses)

Ratio of Net Sales

20.4%

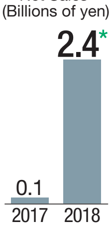
Net Sales (Billions of yen)

Others

Ratio of Net Sales

3.4%

Net Sales (Billions of yen)



*Including ¥1.9 billion due to Reliance Electric Limited and RAS Co., Ltd. newly consolidated effect

Net Sales by Business Segment in the Mid-Term Management Plan "The AIDA PLAN 523" (Year ended March 2018)

	Net Sales (Billions of yen)	Ratio
Press Machines	46.1	62.4%
Factory Automation (FA)	12.3*1	16.7%
Service	15.4*2	20.9%
Total	73.8	100.0%

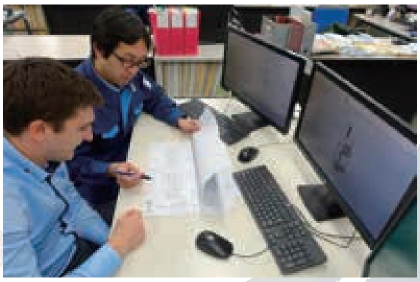
*1 Including ¥1.5 billion from the addition of Reliance Electric Limited to the consolidated Group
*2 Including ¥300 million from the addition of RAS Co., Ltd. to the consolidated Group

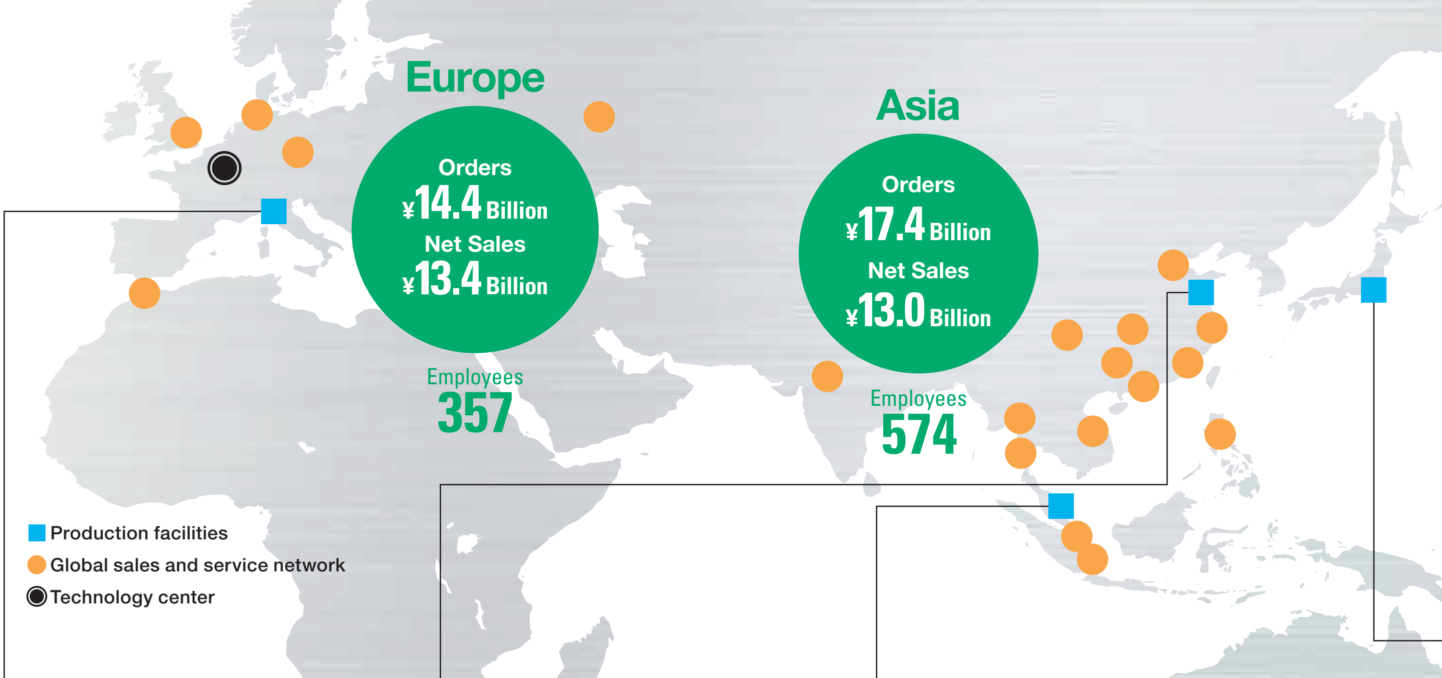
AIDA's Global Network

Global Sales and Service Network

Automotive-related industries, our primary market, continue to add production capacity and expand the vertical startup approach in which new automobile models are produced and sold in volume simultaneously in multiple countries. To serve the global manufacturing needs of these customers, we have established our own sales and service locations in 37 cities located in 19 countries, and, starting with the installation of presses, respond with meticulous attention to customer needs, going beyond standard after-sales support.

Furthermore, our International Sales Teams collaborate across national and regional borders to ensure information integrity for sales operations that focus intently on serving the needs of the customer's headquarters and local manufacturing plants.





AIDA S.r.l.

ITALY

Site area:55,000m² Building area:24,170m²

AIDA PRESS MACHINERY SYSTEMS CO., LTD.

CHINA

Site area:67,960m² Building area:30,004m²

AIDA ENGINEERING (M) SDN. BHD.
AIDA MANUFACTURING (ASIA) SDN. BHD.

MALAYSIA

Site area:72,843m² Building area:29,131m²

Five-Pole Globally Optimized Production System

Our customers pursue production activities on a global basis. It is necessary, therefore, for us to be able to supply products across national and regional boundaries. Having established a five-pole production system with manufacturing facilities in Japan, China, Malaysia, the U.S., and Italy, we are able to link our production activities across multiple manufacturing facilities for globally optimized production. By locating production close to demand, we have succeeded in cutting procurement and shipping costs, and reducing production lead times. Furthermore, because we use machining centers of the same specifications throughout our global operations, we are able to apply the same software and jigs in all of these locations, and ensure stable quality regardless of plant location. To remain a trusted partner for customers, we will continue to augment our production infrastructure in anticipation of future business expansion.

Japan

Orders
¥33.5 Billion
Net Sales
¥28.9 Billion

Employees
1,062

Americas

Orders
¥17.6 Billion
Net Sales
¥18.4 Billion

Employees
208

AIDA ENGINEERING, LTD.

AIDA AMERICA CORP.

JAPAN

Site area: 184,968m^2 Building area: 82,325m^2

U.S.A.

Site area: 171,858m^2 Building area: 16,750m^2

Partnering with Customers Over the Long Term, We Make Optimal Production Lines a Reality.

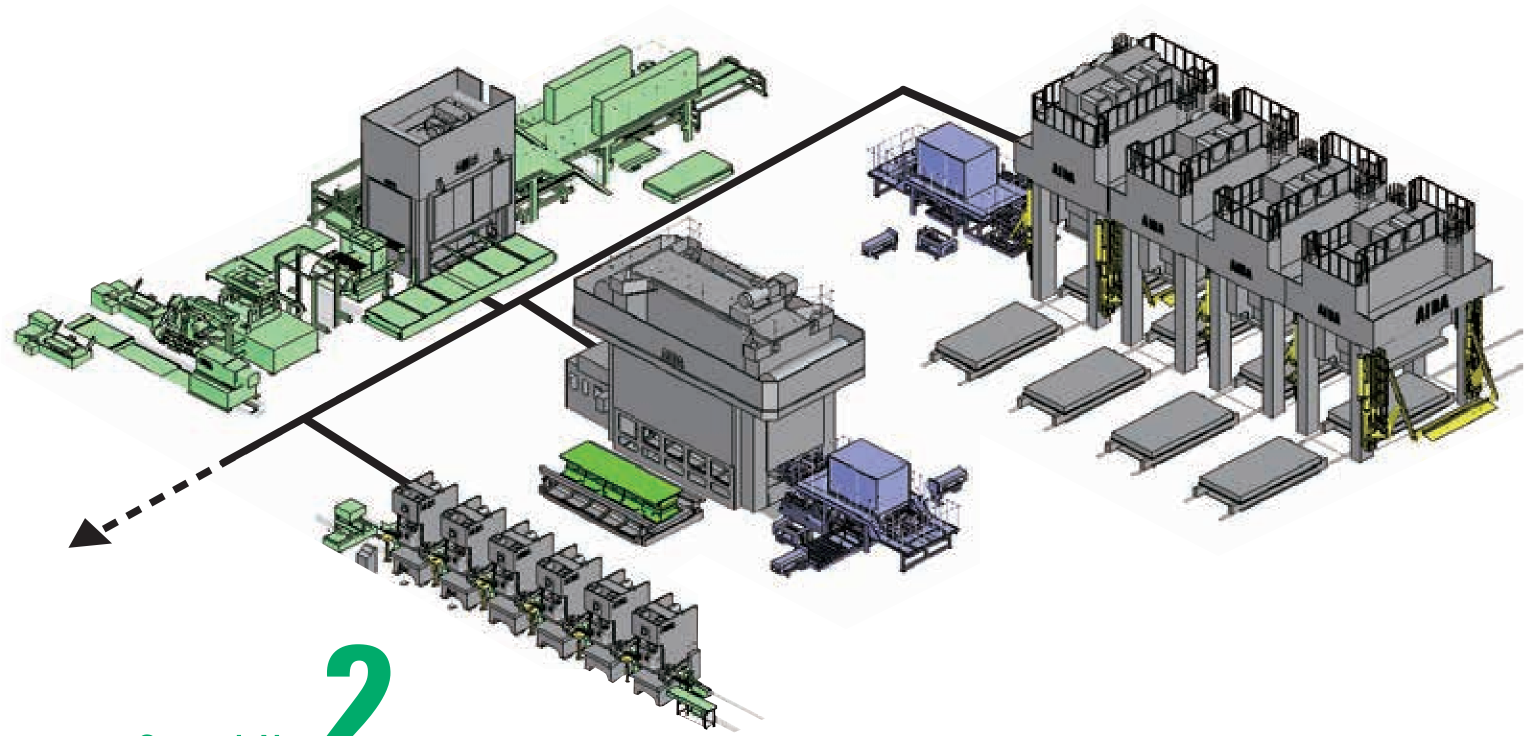
Strength No. 1

Technology and Product Development

A Pioneer and Specialist in Press Forming Systems

As conditions surrounding manufacturing (*monozukuri* in Japanese) undergo dramatic change due to factors such as market globalization, and environmental, energy, and other concerns, manufacturing environments are having to respond to a growing range of increasingly sophisticated and varied issues. AIDA offers a broad line of high-value-added presses, with products ranging from small- to large-capacity and designed to meet specific needs, such as thick-plate and high-speed, high-precision forming. We offer press lines that not only enhance production efficiency and product quality but are also optimized for high-value-added forming, handling low-formability materials, and responding to a wide array of other customer needs.

AIDA has been in business for over a century and during that time we have developed numerous presses that were the first of their kind to be made in Japan. In 2002, we debuted the world's first direct-drive servo press, and in 2008 we introduced a press that was one of the world's largest-capacity servo presses at the time. Throughout our history, we have been a pioneer in extending the possibilities of press forming systems. By shifting to in-house production for key components, maintaining our solid commitment to manufacturing, and drawing on our own unique technologies and product development capabilities, we will continue to offer products that optimize our customers' production environments.



Strength No. 2

Comprehensive Solutions

A Forming Systems Builder that Makes Total Production Line Optimization Possible

Solving the myriad issues involved in achieving goals such as enhancing production efficiency, boosting quality, and increasing energy efficiency requires a whole-production-line management perspective. AIDA makes not only presses but also material feeders, automated transfer equipment, and other peripheral equipment. We also develop industrial robots and offer forming system recommendations that include production process development. We provide customers with optimal solutions.

Strength No. 3

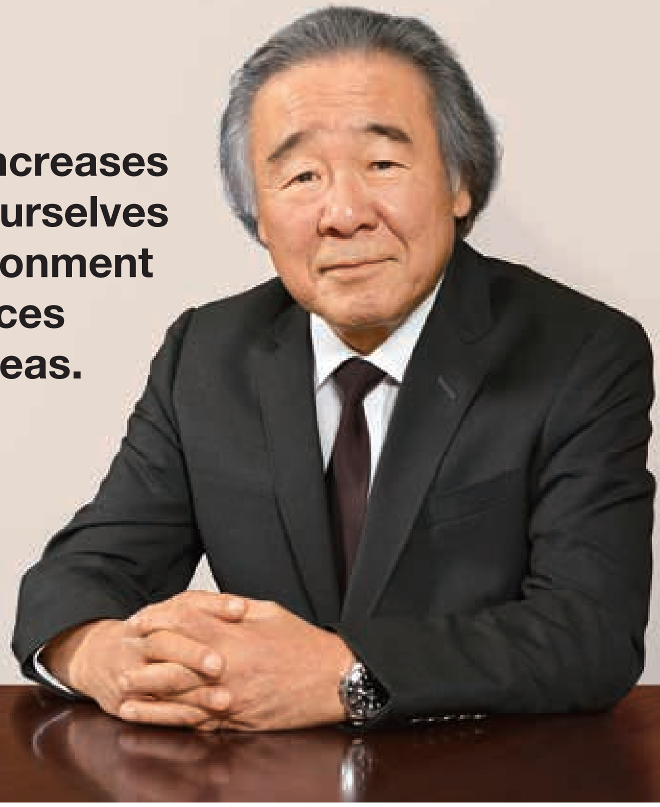
Customer Service and Support Capabilities

An Engineering Group that Manufacturers Can Count on Over the Long Term

Through our world-wide service locations, we perform after-sales services—such as dispatching expert service engineers to perform regular and preventive maintenance for presses and peripheral equipment, and distributing spare parts—which are critical for earning the long-term trust of our customers.

We also have helped customers increase the value of their existing equipment and reduce costs through retrofitting (modernization), which can include overhaul work, measures to increase precision or performance, the addition of new functions, and upgrading to the latest system component.

To Our Stakeholders



We aim to achieve sustainable increases in corporate value by adapting ourselves to changes in the business environment and proactively investing resources in key businesses and growth areas.

Kimikazu Aida Chairman & President (CEO)

Would you provide an overview of consolidated results for the fiscal year ended March 31, 2018?

Orders received recovered significantly in Japan and overseas. Our order intake hit a record high, and sales and earnings are on a recovery track.

The AIDA Group began its new three-year Mid-Term Management Plan in the fiscal year ended March 31, 2018. Having completed the first year covered by the Plan, I think we have succeeded in taking a strong first step toward achieving further growth.

Under the Mid-Term Management Plan, we have established end-goals of ¥80.0 billion in net sales and a stable operating margin of 10% or higher. During the fiscal year ended March 31, 2018—the first year of the Plan—we saw a significant increase in press orders from automotive-related customers in Japan and overseas. With rising demand for electric vehicles (EVs), growth was particularly strong for sales of our high-speed presses used to make EV motor cores. Large orders were also received from a Chinese EV manufacturer for tandem lines to be used for forming aluminum car bodies. And orders for mid-size and large-size transfer presses and other products also displayed solid growth. As a result, order intake for the year reached a record high of ¥83.1 billion, up 32.7% year on year.

Net sales rose 9.3% to ¥73.8 billion, surpassing the ¥72.0 billion target. This increase was led by higher automotive-related sales in Japan and abroad, and the new consolidation of Reliance Electric Limited to the Group helped as well. On a regional basis, press sales were solid especially in Japan and Europe.

Operating income fell 4.6% to ¥6.3 billion, mainly due to higher costs of raw materials, costs related to the establishment of a Technology Center in Germany, and expenditures related to AIDA's 100th anniversary celebration. Ordinary profit fell 12.5% to ¥5.9 billion, and net income fell 4.0% to ¥4.7 billion.

What is your assessment of progress in implementing the Mid-Term Management Plan?

Steady progress has been made in implementing the six core strategies, and we are moving forward in terms of expanding our business and enhancing our foundation for further growth.

Under the Mid-Term Management Plan that commenced in the fiscal year ended March 31, 2018, we set six core strategies: 1) Develop markets and customers; 2) Improve product competitiveness; 3) Strengthen strategic business segments; 4) Further sophistication of our global business structure; 5) Human resource development; and 6) Establish a strong foundation for future growth.

Let me explain what we achieved for each of these core strategies in the fiscal year just ended and what we are doing for the current fiscal year (ending March 31, 2019).

Develop markets and customers

Continuing from the fiscal year ended March 31, 2018, we are developing customers globally and strengthening our technical marketing capabilities. More specifically, we are expanding business with mega-suppliers and are developing business in the European and emerging country markets. Given the accelerating transition to electrically powered automobiles, we have been focusing on developing demand for our high-speed and general-purpose presses, both of which are high-added-value products that are well-suited for the manufacture of motors, batteries, and other electrical vehicle components. With our global sales promotion efforts, orders and inquiries are on the rise from not only Japanese, but also non-Japanese motor component manufacturers, especially for our high-speed presses.

Improve product competitiveness

Price competition for mid-size and large-size presses has been intensifying, particularly of late. The AIDA Group, therefore, has been focusing on development initiatives aimed at enhancing the competitiveness of its presses in terms of both price and performance. Examples of these efforts include reducing the number of servo motors on our presses by utilizing larger-capacity servo motors recently developed by AIDA, creating transfer presses with small footprints, and enhancing the performance of our progressive presses. Responding to rising demand for the use of new materials, such as high tensile strength steel, aluminum, and carbon fiber, in automobile bodies, we are also working to develop forming systems that leverage our servo technology to provide superior forming capabilities for new materials. Regarding cold stamping presses to form ultra-high tensile strength steels, we have developed a prototype and intend to commercialize it in the near future, after further enhancements.

Strengthen strategic business segments

To help strengthen our factory automation (FA) business, we added both Reliance Electric Limited and its subsidiary RAS Co., Ltd. as consolidated subsidiaries during the fiscal year ended March 31, 2018. During the current fiscal year, we are working to further integrate both of these companies into the Group and expand synergies in areas such as designing of auxiliary equipment, manufacturing of control devices, and development in the fields of servo drivers and IoT.

As a new initiative in our service business, we will newly empower service locations to undertake modernization and overhaul jobs by creating a manufacturing function. Selecting the Nagoya Plant as the first location to offer these services, we began plant renovations in November 2017. These are scheduled for completion in the fall of 2018, and we will work to fast-track startup. Similar renovations will be done at the Kansai and Northern Kanto service locations from the following fiscal year.

Nagoya Plant scheduled for completion in fall of 2018 (conceptual drawing)

Further sophistication of our global business structure

Under the previous Mid-Term Management Plan (covering the fiscal years ended March 31, 2015 to March 31, 2017), we began to expand plants by adding more machine tools to increase in-house production. We completed a plant expansion in China during the fiscal year ended March 31, 2018 and the plant is now fully operational. At the same time, we equipped a total of three plants in Japan and abroad with large-capacity vertical turning lathes. Furthermore, we aim to continue to expand facilities and add equipment, boost operator skills, raise utilization rates at existing facilities, and take other steps, as well, to further expand in-house production.

Meanwhile, in the engineering department, we have been implementing a global collaborative approach, and moving forward with the global standardization of product specifications and components. To strengthen our global governance, we continue to standardize the operational processes of sales, design, manufacturing and cost management, and also to standardize our business system codes.

Human resource development

Continuing from the previous fiscal year, we are actively engaging in manpower development. Through OJT at our head office, we are training overseas employees and boosting the skillsets at overseas manufacturing plants. In the fiscal year ending March 31, 2019, we are also focusing on training personnel who will be involved in providing modernization and overhaul services at our service locations. This training will take place at the Nagoya Plant once the renovations are completed in the fall of 2018.

In addition, we are focusing on thorough management of working hours to prevent workers from spending excessive time at work, on strengthening our health and safety measures, and on other initiatives to promote workstyle reforms.

Establish a strong foundation for future growth

Regarding R&D, our top priority is to make strategic investments that enhance the competitiveness of our products. Examples include servo press development, refinement of transfer presses and progressive presses, and development of forming systems for new materials, all of which are part of our strategies explained in “2) improve product competitiveness.”

As for growth investments, we plan capital expenditures totaling ¥6.3 billion (up 158.8% year on year). Our highest-priority investment for the fiscal year ending March 31, 2019 is the creation of more production capacity for high-speed presses. With growing demand for drive motors used in EVs and other electrically powered vehicles, we began upgrading the facilities at our Tsukui Factory in the fiscal year ended March 31, 2018. The purpose of these upgrades is to increase the production capacity of high-speed presses used for blanking motor core laminations. Completion is scheduled during the winter of 2018 and this is expected to increase our production capacity by 50% or more.

The Mid-Term Management Plan Years Ending March 2018–2020

Slogan

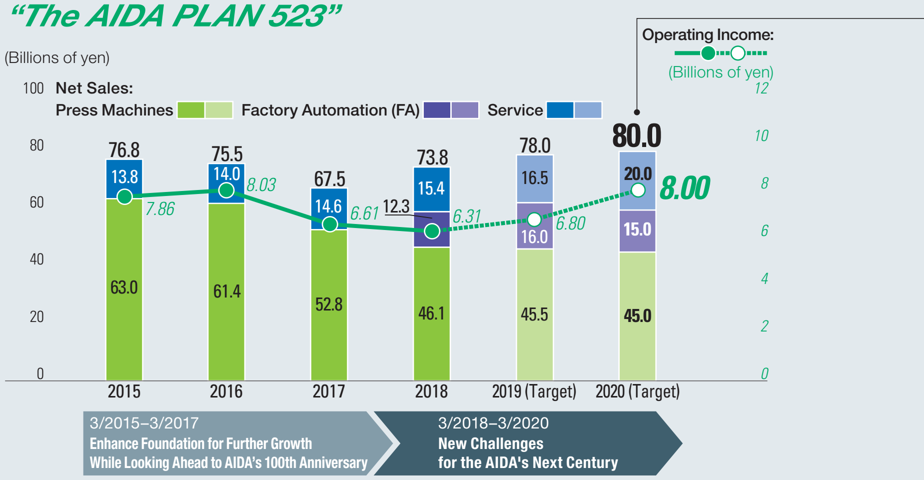
New Challenges for the AIDA's Next Century

Vision

As a leading global company, we will contribute to protect the environment, reduce energy consumption and develop technologies.

Performance Targets

“The AIDA PLAN 523”



What is the policy for shareholder returns and the outlook for shareholder returns for the fiscal year ending March 31, 2019?

We aim to generate greater sales and earnings, from solid order intake performance for presses and the advantages of bringing Reliance Electric and RAS into the Group. For our shareholders, we intend to maintain a stable dividend.

For the fiscal year ending March 31, 2019, we believe order intake will maintain its solid growth and end the year at around ¥85.0 billion, up 2.2% year on year. Helped by the positive impact of bringing Reliance Electric Limited and RAS Co., Ltd. into the Group, net sales are expected to reach a record high of ¥78.0 billion (up 5.6% year on year). As for operating income, costs for raw materials and outsourcing are likely to move even higher. Nevertheless, higher sales of high-value-added presses and services are seen as absorbing these cost increases and pushing operating income to ¥6.8 billion, up 7.7%.

Looking at net sales in the business segments set forth in AIDA Plan 523, net sales in the Press business are expected to remain almost flat at ¥45.5 billion. The Factory Automation (FA) business, benefitting from the addition of Reliance Electric Limited to the Group, is forecast to see its net sales rise 29.9%, to ¥16.0 billion, while the Service business, similarly helped by the addition of RAS Co., Ltd., is expected to see its net sales rise 6.9%, to ¥16.5 billion. As a percentage of the whole, we project that FA net sales will achieve the 20% target in the Mid-Term Management Plan.

As for shareholder returns, as stated in the Mid-Term Management Plan, our basic policy is to balance four needs: securing a stable management foundation; investing for the future growth; maintaining a consolidated dividend payout ratio of 30% or higher; and providing stable dividends to shareholders. For the fiscal year ended March 31, 2018, net income per share came in slightly below target, but we still paid a dividend of ¥30 per share (38.7% consolidated dividend payout ratio), as planned. Difficult earnings conditions are expected to continue through the fiscal year ending March 31, 2019. Nevertheless, we still plan to pay a dividend of ¥30 per share (37.8% consolidated dividend payout ratio).

Business conditions are undergoing tremendous changes. We see these changes as opportunities for growth and believe that steady and continuous implementation of the core strategies in our Mid-Term Management Plan is the best way to turn these opportunities into sustainable growth. We look forward to the continuous support and understanding of our stakeholders as we move forward along these lines.

August 2018

Chairman & President (CEO)

3/2020

Net Sales ¥80.0 Billion

With a basic policy of "Stable Growth," aim for new highs in net sales.

Operating Income ¥8.0 Billion

Aim for stable operating profits of 10% or higher.

Long-term sales target

Net Sales ¥100.0 Billion

Ratio by business segment:

- Press Machines 5
- Factory Automation (FA) 2
- Service 3

II

"The AIDA PLAN 523"

Basic Strategies

Develop Markets & Customers
- Develop Global Customers (Appeal of the AIDA Brand)
- Technical Marketing

Improve Product Competitiveness
- Promote Servo Presses
- Press Standardization
- New Materials

Strengthen Strategic Business Segments
- Factory Automation
- Service

Sophistication of Our Global Business Structure
- Global Co-Manufacturing
- Global Governance

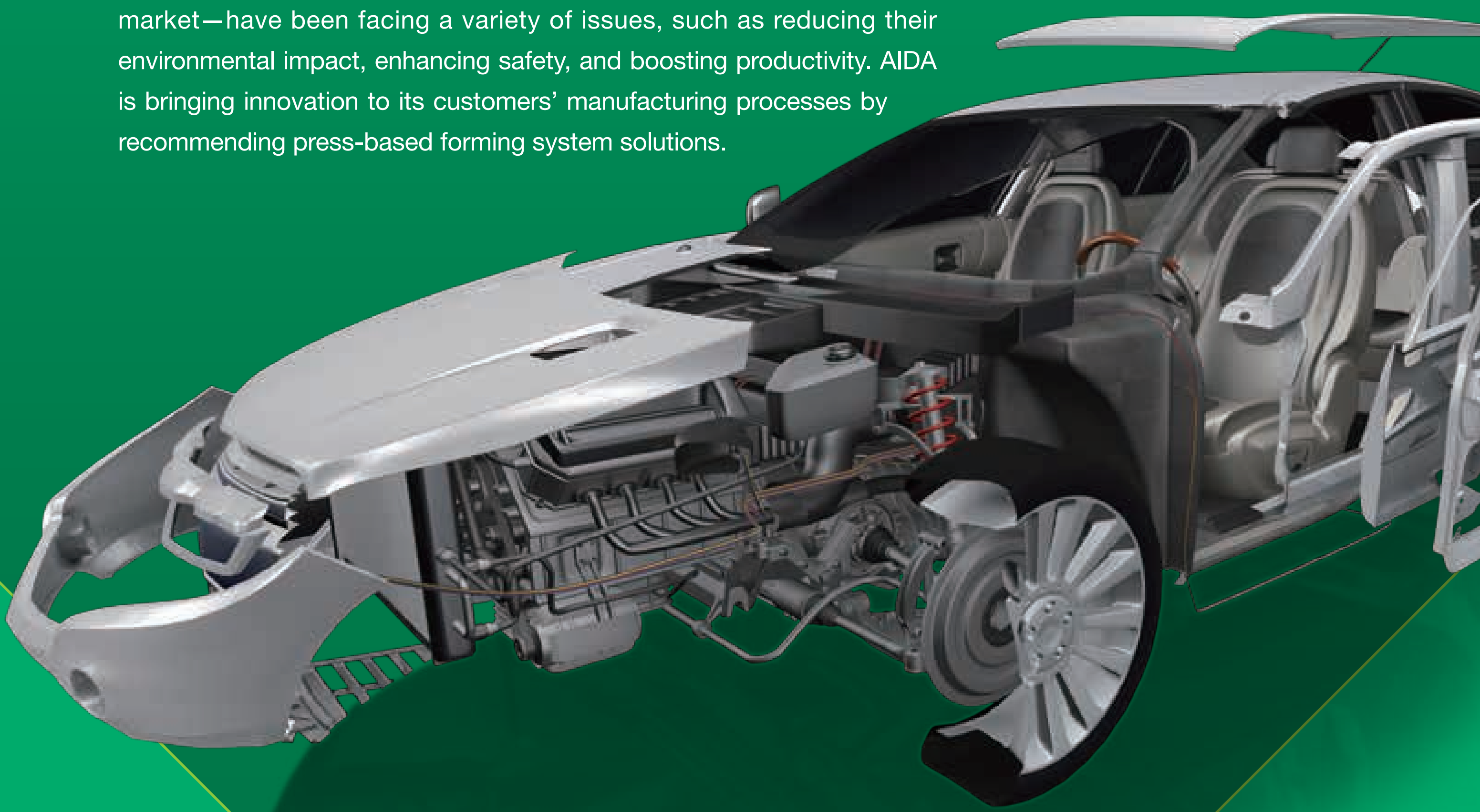
Human Resource Development
- Global Human Resource Development
- Strategic Personnel Rotation

Strengthen Our Foundation for Growth
- Bolster R&D
- Investment

Feature

AIDA's Comprehensive Capabilities for Responding to Automotive Industry Issues

In recent years, automotive-related industries—AIDA'S mainstay market—have been facing a variety of issues, such as reducing their environmental impact, enhancing safety, and boosting productivity. AIDA is bringing innovation to its customers' manufacturing processes by recommending press-based forming system solutions.



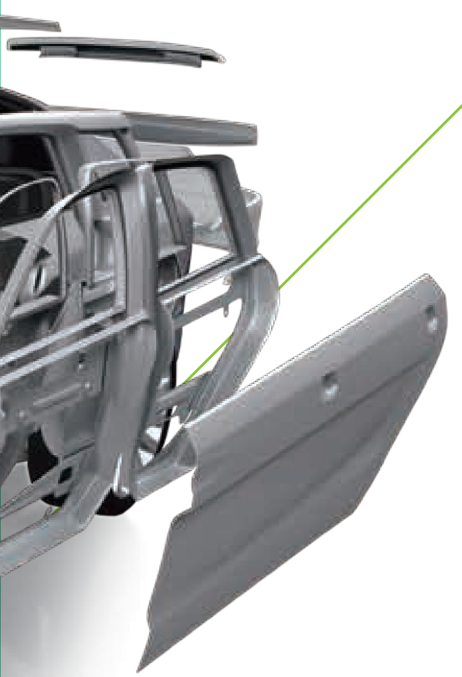
Trends and Issues in Automotive-Related Industries

Shift to electric vehicles	Transition to lighter-weight vehicle bodies	Adoption of manufacturing automation and IoT
↓	↓	↓
Higher component forming precision	Solutions for difficult-to-form materials	Computerization of forming systems

Solved through AIDA's Comprehensive Capabilities

Responding to the Shift towards Electric Vehicles…

As the shift from vehicles with internal combustion engines to EVs and other types of vehicles using electric motors continues, the composition of parts used in automobiles is also changing greatly.



Vehicle exhaust and CO_2 emission regulations are getting stricter every year, and some governments have announced that they intend to limit sales of gasoline- and diesel-fueled vehicles. For example, the EU's CO_2 emissions regulations, the zero-emission vehicle (ZEV) regulations passed by the state of California in the US and other entities, and the new energy vehicle (NEV) regulations passed by China include vehicle fuel efficiency regulations and require that ZEVs or NEVs make up specific percentages—which increase every year—of vehicle manufacturing and sales. Amid tightening regulations, the shift to EVs, hybrids (PHEVs and HVs), and fuel cell vehicles (FCVs), all of which use electric motors, is accelerating on a global basis. With this shift, the manufacture of drive-related components is also moving away from components for internal combustion engines and toward motors, batteries, and other items needed for electrically powered vehicles.

Contributing to Higher Forming Precision for Parts

AIDA's high-speed presses used for forming the motor cores that go into electric vehicles are among the very best in the world.

EV and HV acceleration and cruising distance are greatly affected by factors such as electric motor output and battery capacity. Many of the parts that go into vehicles powered by electric motors must be made to standards equal to those used for high-precision devices. And this requires that manufacturers update their facilities with equipment capable of high-precision, high-speed mass production.

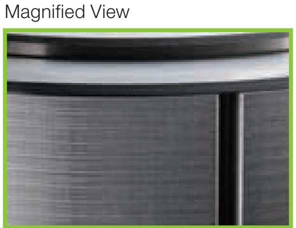
Among the parts that go into a vehicle powered by an electric motor are rotors and stators. These form the core of the motor and consist of many ultra-precise thin lamination sheets in a stacked structure. Manufacturing of rotors and stators requires special technology. AIDA's MSP Series high-speed presses can accommodate large ultra-precise dies and can handle a wide variety of lamination methodologies. The MSP Series has won high accolades as equipment for forming motor cores. For the fiscal year ended March 31, 2018, AIDA products accounted for approximately 60%* of the high-speed press market in Japan. For large-capacity, high-speed presses—300- to 400-ton capacity presses, which require a higher overall level of technical skill to manufacture—AIDA's domestic market share was 90%*.

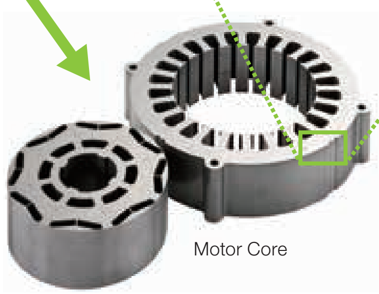
Looking to the future, we project that demand for high-speed presses will continue to expand over the long term and we have begun initiatives aiming to increase our production capacity. By the end of the fiscal year ending March 31, 2019, we expect that our production capacity for high-speed presses will have increased by 50% or more over the previous year.

*Based on orders intake amounts. Research by AIDA ENGINEERING, LTD.

AIDA's high-speed presses rapidly blank and stack motor core laminations inside the press.

Magnified View





Motor Core

MSP-3000 High-Speed Press for Stamping Motor Cores

Responding to the Need for Lighter-Weight Vehicles…

There is demand for both high-quality and high-efficiency forming technologies that enable the forming of high-strength steel, aluminum, and other difficult-to-form materials.

With higher fuel economy driving the transition to lighter-weight vehicles throughout the world, manufacturers are increasingly using high-strength steel and aluminum in order to achieve the material strength required to assure vehicle collision safety performance. High-strength steel is a hard material that is difficult to form. It requires a great deal of force for forming and, after forming, can have significant internal stresses that can lead to springback and cracks. It can also easily damage the forming dies. In recent years, hot stamping has been the primary methodology used to form high-strength steel. In hot stamping, the steel is pre-heated to soften it prior to forming. Once formed, the steel is then quenched with cold water. Because of the need for a quenching process, the production efficiency of hot stamping presses is low. Furthermore, hot stamping requires a relatively high level of capital investment, and issues such as uneven material temperatures can result in high defect rates.

As for aluminum materials, they have limited elongation properties which make it difficult to form complex shapes. In addition, because aluminum is not magnetic, it cannot be conveyed using conventional magnetic transfer systems.

There is a growing need in automotive-related industries for new forming technologies and new forming machinery that can handle such difficult-to-form materials and non-ferrous materials.

Helping Customers Accommodate Difficult-to-Form Materials

AIDA leverages cutting-edge forming technologies to offer comprehensive solutions for difficult-to-form materials.

AIDA offers a broad selection of small- to large-capacity servo presses well-suited for forming high strength steel, aluminum, and other difficult-to-form materials.

AIDA's servo presses use optimized motion control to counteract the tendency of formed materials to return to their original shape and to eliminate cracks and other issues. Furthermore, combining AIDA's proprietary motorized hydraulic servo die cushion with a servo press enables multi-action forming using pressure from both above and below. This means that cold stamping presses—which do not require heating of the material being formed—can achieve precision forming of high-strength materials. At present, we are collaborating with a major automotive parts manufacturer to develop a cold stamping press that can handle ultra high-strength steel. We are currently refining this product and hope to market it soon.

Servo presses enable precise control of press motion and forming speed, so they are capable of high-precision, high-quality forming of even aluminum, which has only limited elongation properties and is difficult to form. In addition, we are developing feeders to convey aluminum using air pressure. When such a feeder is combined with a press in a line configuration, it contributes to greater efficiency in the forming of aluminum materials.

An aluminum vehicle side panel formed by an AIDA press

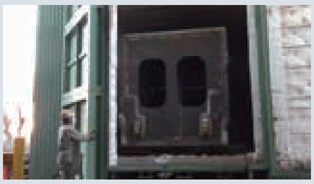
FOCUS

AIDA's Meticulous Attention to Detail

High-strength steel is stronger and harder to form than conventional steel, and it applies significant internal loads on the forming press itself. This results in deflection in the slide and major deformation of the frame. To minimize this risk, AIDA conducts painstaking analyses of the internal stresses that can build up in the press itself and then designs the press frame to reduce and relieve stress concentrations. We also include several days of annealing*1 in our manufacturing process to eliminate the residual stresses and strains that result when frames are welded. And we use a special process called hammer peening*2 to give welds greater fatigue strength. AIDA is the only manufacturer that goes to such meticulous lengths to assure the long service life of its products.

*1 A process that relieves internal strain, softens the structure, and makes the metallographic structure uniform.

*2 A technique for enhancing fatigue strength and other properties of welded metals by using a hammer or other device to pound and stretch the metal.



A large-capacity annealing furnace for relieving residual stresses and strains

Hammer peening a weld to increase its fatigue strength

Adopting Manufacturing Automation and IoT

As automation of production processes via computerized controls continues to evolve, it is anticipated that AI will be leveraged to resolve problems.

There are concerns that lower fertility and aging population trends primarily in Japan and China will result in future labor shortages. Governments are thus promoting the automation of production facilities and the use of robots to increase productivity. And this has resulted in growing demand for manufacturers of industrial machinery—including presses—to make greater use of automation and robots.

In addition, production process automation is being pushed beyond conventional computer control, and Industry 4.0, or "Fourth Industrial Revolution," initiatives in Germany and the "Connected Industries" initiative in Japan are already underway. In general, these initiatives seek the computerization of manufacturing environments, the usage of big data and AI to help solve issues on the manufacturing floor, and the application of big data and AI in the specialized field of customization. Technical development initiatives such as these are gaining momentum around the globe.

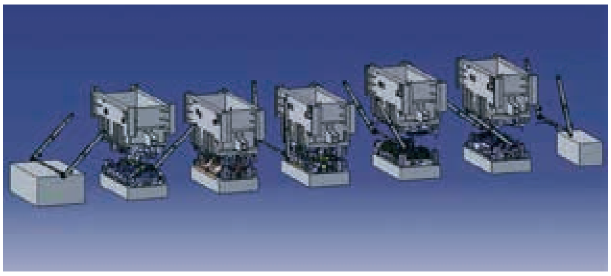
Making Contributions Via Computerization of Forming Systems

Promoting production line controls centered on servo presses and further enhancement of production management through IoT systems.

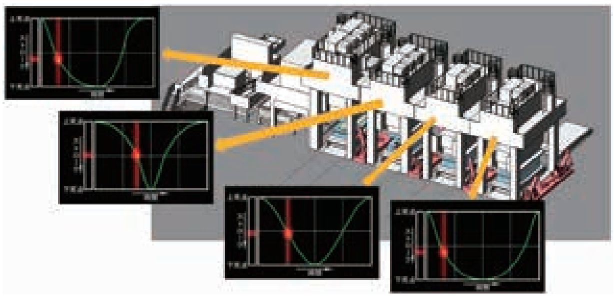
Since introducing the world's first direct-drive servo press in 2002, we have continued to rapidly evolve our control technology. To achieve not only motion control for individual presses but also control and synchronization for multiple presses—as in tandem lines—and for entire lines that include material feeders, automated transfer equipment, product removal devices, and other types of peripheral equipment, we have enhanced and expanded computer-based automation. Such press line data-sharing has enabled simulations for the achievement of optimal production and the sharing of production programs among manufacturing sites.

In addition, with AiCARE, our proprietary IoT system, we equip presses with a feature for gathering press operation and quality-related data that is then used by our customers for preventive maintenance and quality management purposes. Looking to the future, we aim to refine data gathering and analysis functions to strengthen the system's predictive capabilities, and to develop AI-based functions to expand the control scope to include not only press lines but also processes for shipping materials from warehouses and for shipping formed products.

Reliance Electric Limited, which became a consolidated subsidiary during the fiscal year ended March 31, 2018, has outstanding automated control technology and IoT knowledge in areas ranging from ferrous and nonferrous metal forming to automotive parts forming. Going forward, we intend to further develop automation, IoT, and AI functions to enhance connectivity and increase the value-added content of our products.



Using AIDA's Synchronization Control System to perform 3D simulations of high-speed transfers

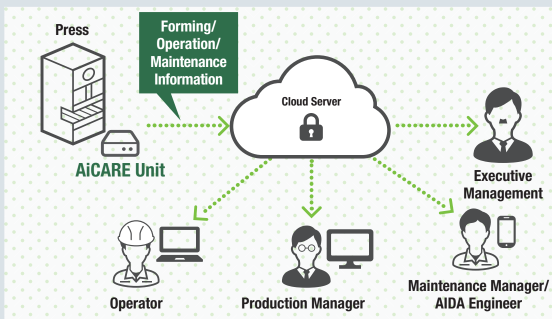


Even when the forming motion for each press is different, high productivity is achieved by the optimal synchronization of the entire line at the fastest transfer speed.

FOCUS

AIDA's Proprietary AiCARE IoT System

Developed by AIDA, AiCARE centralizes the gathering of data from sensors installed on presses and other equipment. But it also goes beyond that—it can be customized to provide the information desired by the customer and it can perform various types of analyses. AiCARE enables remote monitoring of production lines, and is instrumental for tasks such as management and analysis of operating conditions and the centralized management of production and preventive maintenance. Taking into consideration future AI-based advanced processing, and we are moving forward with research that targets further improvements in our information analysis capabilities.



Initiative for Environment Preservation and Energy Saving

While working to lower the environmental impact of its own operations, AIDA helps customers lower their environmental impact by providing them with environmentally friendly products and technologies.

To Reduce the Environmental Impact of Our Operations

Environmental Management

AIDA has established concrete targets for reducing its environmental impact year by year, in line with AIDA's Environmental Policy, and is implementing various types of measures to achieve them.

The Environmental Management Organization, which is chaired by the environmental project director and includes members appointed by each of the Company's departments to handle environmental matters, takes the lead in advancing environmental preservation activities. Results for the fiscal year ended March 31, 2018 are presented below.

AIDA's Environmental Policy
http://www.aida.co.jp/en/company/csr/index.html

Efficient Energy Usage

At our headquarters plant, in Sagamihara City, we have installed a CGS (a cogeneration system providing heat and electric power) together with a Genelink system (a water heating and cooling system fueled by hot wastewater from the CGS). As electricity is generated, hot water results as a byproduct. We use this hot water for heating and air conditioning in the manufacturing plant and administrative offices, and adjust thermostats and take other steps in line with air conditioning loads. Doing this has allowed us to slash our total energy cost and smooth our electricity demand.

In addition, applying electricity generated by CGS and solar power systems, we developed an emergency power system for our headquarters plant. The system allows the plant to function temporarily without external power supplies during times of emergency and protects primary servers when access to regular power sources has been interrupted.

In recognition of our efforts, Kanagawa Prefecture awarded us a winner of a Kanagawa Global Environment Award in January 2017, and the Advanced Cogeneration and Energy Utilization Center JAPAN presented AIDA with its Co-Gene Special Award in February 2018.

CGS facility

Environmental Objectives and Targets for the Year Ended March 31, 2018

Environmental objectives	Targets for the year ended March 31, 2018	Results for the year ended March 31, 2018
Maintain compliance with laws and ordinances (air, water, noise, etc.)	• Examine how to keep process and auxiliary equipment values within regulatory limits, and further reduce them	• Results of maintenance inspections on processes and auxiliary equipment: Good • Results of efforts to maintain performance within specified limits: No problems encountered
Promote the recycling of waste materials and prevent further waste generation (Efforts to recycle and reuse)	• Emissions* target: 1,700 tons or less • Industrial waste recycling ratio: 86% or higher	• Total emissions: 1,366 tons; target achieved • Industrial waste recycling rate: 90%; target achieved
Promote energy conservation	• Total energy usage (crude oil equivalent): 4,500 kL or below • CO_2 emissions (unit conversion coefficient): 37.0 tons CO_2/¥100 million (production volume) or lower	• Total energy usage (crude oil equivalent): 4,066 kL; target achieved • CO_2 emissions: 28.7 tons CO_2/¥100 million (production volume); target achieved
Improve environmental protection initiatives	• Feedback about environmental product requirements/ Collection and transmission of complaints • Promote adoption of environmentally friendly processes and auxiliary equipment • Efforts to enact measures to reduce environmental impact	• Green material procurement and recordkeeping: Good • Promoted environmentally friendly retrofitting services • Promoted sales of used machines • Tracked reductions in customer claims for product oil leaks
Develop environmentally friendly products	• Examine products in terms of energy-saving, resource conservation, toxic chemical avoidance measures, vibration/noise measures, recyclability, and controlling the amount of emissions and the usage of environmentally harmful substances	• Eliminated large isolation transformers by adapting noise-reduction measures • Improved transfer feeder design to use fewer components • Reduced the size, and increased the capacity, of servo motors • Developed net shape forming process for thick plate • Reduced the number of parts and volume of lubricant needed for high-speed presses

*Emissions: Total emissions of general waste and industrial waste

Material Balance

Inputs (for the year ended March 31, 2018*)

Energy	
Total Energy Inputs (in terms of crude oil)	**4,066** kL
Electricity	**14.44** million kWh
Heavy Oil	**0** kL
Kerosene	**2** kL
City Gas	**1,113** kNm³
LPG	**5,098** m³
Gasoline	**0** kL
Diesel	**0** kL
Water	**32** km³
Raw Materials	
Steel Materials	**14,839** t
Nonferrous Metals	**271** t
Castings	**7,625** t
Forgings	**1,440** t
Paper	**29** t
Chemicals	**76** t

AIDA's Business Flow

Research and Development
Engineering
Procurement
Manufacturing
Shipping and Transport
Installation
After-Sales Service

Outputs (for the year ended March 31, 2018*)

Products	
Air Emissions	
CO_2	**8,070** t-CO_2
Exhaust Gases (NOx)	**3,988** kg
Exhaust Gases (SOx)	**0** kg
Exhaust Gases (Soot)	**33** kg
Wastewater Emissions	
Discharge (Total)	**28** km³
Waste	
General Waste	**92** t
Industrial Waste	**1,274** t
Recycled Amount	
• General Waste	**40** t
• Industrial Waste	**1,149** t

*The Environmental impact of AIDA production processes for the year ended March 31, 2018 (All figures are rounded)
Scope of Analysis: AIDA ENGINEERING, LTD. (Sagami Plant, Tsukui Plant, and Shimokuzawa Plant)

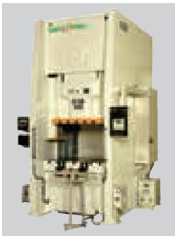
To Help Customers Lower Their Environmental Impact

Helping to Lower Environmental Impacts through Press Forming

Press forming is more resource efficient than are machining and other material-forming approaches because it results in less material losses and scrap. It is also a very efficient mode of high-volume production and, therefore, efficient in its energy (electricity) usage. In constantly working to achieve even better performance in products such as its proprietary servo presses, AIDA is improving the resource- and energy-efficiency of its products and ultimately helping customers lower the environmental impact of their manufacturing operations.

Furthermore, by developing various systems for forming high tensile strength steel and aluminum - new materials that make vehicles lighter and more fuel efficient - and offering these technologies to customers, we are also helping to lower the environmental impact of society as a whole.

Recognizing the environmental contributions of our products, the Japan Forming Machinery Association has certified six of our presses as MF Eco Machines.



MF Eco machine
Japan Forming Machinery Assoc.
http://www.j-fma.or.jp
Cert.No.:MF-

"MF Eco Machine" certified
Direct servo former DSF-C1-1500

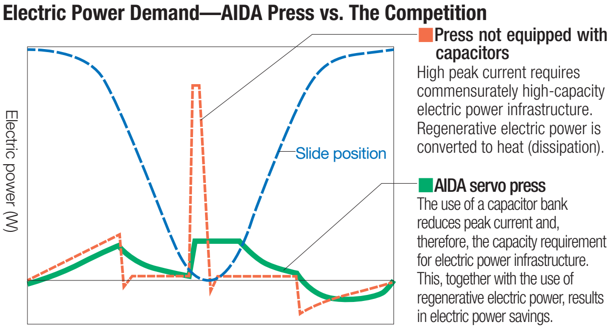
Using Servo Presses to Save Electricity

AIDA's servo presses are direct-drive, which means they do not use speed reducers and experience minimal energy losses. In addition, their high-capacity capacitors reduce peak current and power supply requirements, and their effective use of regenerative electric power* produces additional energy savings.

That servo presses can have their forming speed and motion adjusted for the forming application at hand means they save energy while enhancing production efficiency. Furthermore, with a servo press, the speed of the slide is reduced just before the upper and lower dies make contact, producing a soft touch that reduces noise and vibration. This is beneficial for both the dies and the environment.

*The electric power that results when a decelerating motor is used as a generator

Electric Power Demand—AIDA Press vs. The Competition



Cold Stamping Press for High Tensile Strength Steel

In recent years, the use of high tensile strength steel in automobiles has been on the rise because of its weight-saving and safety benefits. Hot stamping, in which steel is first softened by heating and then quenched with water, or some other liquid, as it is pressed, is the dominant method of forming high tensile strength steel. This approach, however, has drawbacks in terms of production efficiency and environmental impacts.

AIDA offers not only hot stamping presses but also cold stamping presses for forming high tensile strength steel. Compared with hot stamping, cold stamping requires none of the facilities or time needed for heating and then cooling. That means it offers greater production efficiency and, because it requires less energy and produces no exhaust gases, is more environmentally friendly than hot stamping.

AIDA has recently succeeded in developing a prototype cold stamping press for ultra-high tensile strength steel, which is more difficult to form than high tensile strength steel. At present, we are undertaking design improvements with plans to have this product on the market as soon as possible.

Comparison of Characteristic of Cold Stamping and Hot Stamping Presses

	Cold stamping	Hot stamping	Negative aspects of hot stamping
Productivity	○	△	Requires quenching time.
Forming capability	△	○	Formed materials hardened by quenching require a separate laser-cutting process.
Electricity consumption	○	△	Electricity is required to operate a heating furnace.
Infrastructure cost	○	△	Requires a heating furnace, shot blast machine, etc.

Use of Water-Cooled Motors

To run stably, a motor must be continuously cooled, so that its internal temperature does not exceed the temperature range for which the motor was designed. In recent years, AIDA has been transitioning to water-cooled motor designs, which are more environmentally friendly than are traditional air-cooled designs. Water is a more efficient coolant than air is and water-cooled motor designs are quieter than are air-cooled designs*. In addition, despite being more compact than comparable air-cooled motors, water-cooled motors offer greater rated output (horsepower). A press equipped with water-cooled motors, therefore, can accomplish the same amount of work as a press equipped with air-cooled motors, and do so with fewer motors and consequently less resource consumption.

*A water-cooled motor is about 10dB quieter than the comparable air-cooled motors AIDA uses on its large-capacity presses.

Water-cooled motor

Corporate Governance

AIDA enhances the global management system and corporate governance for ongoing increases in corporate value.

Basic Concepts on Corporate Governance

The Company sees its greatest management priorities as increasing corporate value by having each of the Group companies achieve sustainable and stable growth, in line with the corporate philosophy and management vision shared throughout the Group. Toward that end, it is working to maintain organic connections among the five manufacturing locations, led by Japan, and sales and service locations throughout the world, and to ensure that properly functioning management and supporting corporate governance systems are in place to enable the optimal exercise of each individual location's functions.

Governance Structure

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

The Company's management structure comprises operating officers, five of whom concurrently serve as directors, and two outside directors, both of whom are independent directors as defined by the Tokyo Stock Exchange. The Board of Directors functions as the decision-making body for important matters mandated by law and as a supervisory body for the execution of business operations. The Company has also adopted an operating officer system as a means of expediting management decision-making and clarifying lines of authority and responsibility. The Management Council—comprising the directors, the statutory auditors, the operating officers and other officers—discusses management policies and issues, and strives to achieve a unified management purpose and swift execution of business operations. Outside directors attend Board of Directors, Management Council, and other important meetings to develop a clear understanding of the current status of business operations at the Company and Group companies, and provide valuable advice and recommendations on the Company's management, from an objective perspective.

Statutory Auditors and the Board of Auditors

The Company appoints three statutory auditors, all of whom are outside auditors, and independent officers as defined by the Tokyo Stock Exchange, and one of whom is a standing statutory auditor. The statutory auditors attend Board of Directors, Management Council, and other important meetings, in accordance with the audit plan, to oversee the performance of duties by directors and ask questions and express opinions to help ensure the legality and reasonableness of decision-making by the Board of Directors and other bodies. Statutory auditors also receive reports from the accounting auditor, hear business reports, inspect important documents, and carry out on-site inspections of the operations and assets of each division of the Company in their effort to develop a clear understanding of, and oversee, business operations.

By provoding staff from the Internal Control Audit Office, the Finance & Accounting Department and other general administration areas, the Company supports audits carried out by the statutory auditors.

Remuneration for Directors and Statutory Auditors

In the fiscal year ended March 31, 2018, remuneration for the Company's directors and statutory auditors was as follows:

(Millions of yen)

Category	Number of people	Basic remuneration	Stock compensation	Bonus	Total amount
Directors (excluding outside directors)	6	119	32	91	243
Outside directors	2	17	—	—	17
Statutory auditors (all outside)	3	27	—	—	27

Note: The amounts shown above for basic and other remuneration include amounts attributable to one director who resigned from his position following the conclusion of the General Meeting of Shareholders held on June 19, 2017 and one director who resigned from his position following the conclusion of the General Meeting of Shareholders held on June 27, 2018.

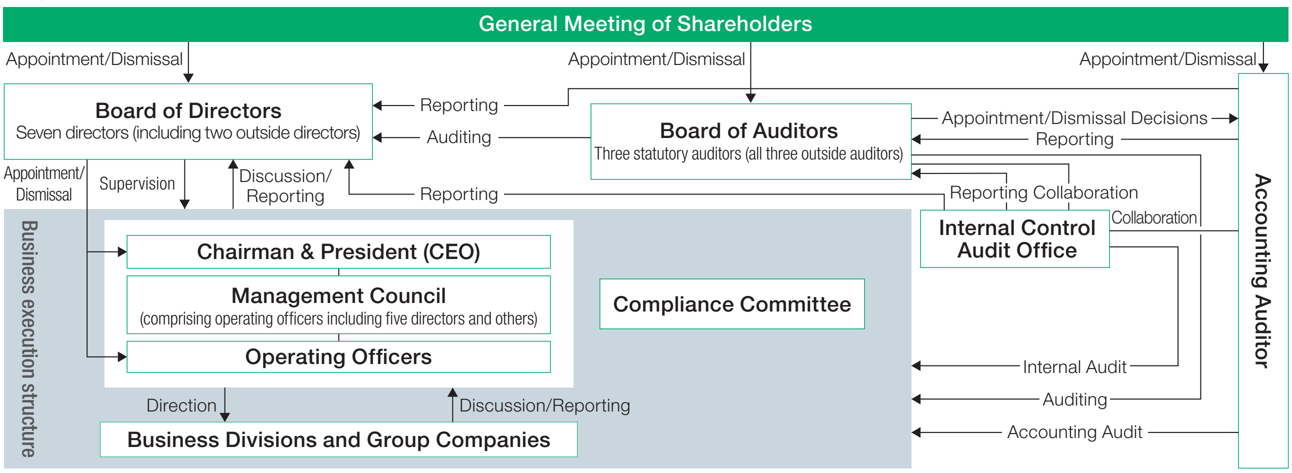
Enhancing the Effectiveness of the Board of Directors

The Company's Board of Directors undertakes evaluations once a year through self-evaluations by all directors, including outside directors and statutory auditors.

The Board of Directors is trying to improve overall effectiveness by resolving issues identified through self-evaluations.

During the fiscal year ended March 31, 2018, improvements were made for issues identified through self-evaluation conducted in the previous fiscal year, and overall effectiveness of the Board of Directors was confirmed.

Corporate Governance Structure (As of June 28, 2018)



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

Internal Control System

Suitability of Business Conducted

At the Company, to ensure suitable and efficient business, the Board of Directors and the Management Council deliberate and share information on important matters that could significantly affect the Company's operations, and, if necessary, potential countermeasures are also discussed. During the fiscal year under review, Board of Directors meetings and Management Council meetings were convened 15 times and 19 times respectively. We also respond appropriately to safety, quality, export regulatory control, product liability, and other types of risks, via various types of cross-Group committees.

Group Company Management Structure

Process for both decision-making by Group companies and approval by parent company is set forth in the "AIDA Global Management Regulations". The Internal Control Audit Office takes the lead to ensure the suitability of Group company business by monitoring whether actual operations are in line with Regulations or not.

Each Group company presents monthly performance reports to the Board of Directors and the Management Council of parent company. In addition, issues discussed at Group Company management council are also shared with management of parent company. At semi-annual AIDA Global Business Plan Meetings, top management from parent company and individual Group companies gather to report progress in achieving performance objectives. At Meetings, information are also shared on important matters and risks for individual Group companies, and counter-measures is discussed.

In addition, the Internal Control Audit Office monitors suitability of internal controls and compliance at individual Group companies, and statutory auditors and the Internal Control Audit Office conduct on-site audits of Group companies.

Compliance

To ensure legal compliance and high ethical standards in the conduct of its business, the Company formulates AIDA Corporate Philosophy, and the AIDA Group Action Guidelines. The Company distributes relevant language versions of the guidelines to not only domestic but also overseas Group companies, and is working for full awareness of them.

Compliance Framework

At the Company, employees can report corporate ethics concerns via the AIDA Group Compliance Hotline*. This line of communication puts them in touch with an outside attorney and the whistleblower desk within the Internal Control Audit Office. Furthermore, for compliance observation, the Company receives reports from Group companies inside and outside Japan to help ensure proper business operations and effective 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, recurrence prevention measures, and issue directions. The Internal Control Audit Office conducts various types of internal training to help ensure that all AIDA Group employees thoroughly understand AIDA Corporate Philosophy, the AIDA Group Action Guidelines and the AIDA Group Compliance Hotline.

*AIDA Group Compliance Hotline
A system for reporting compliance violations or possible violations when they are discovered—including legal infringements and improper conduct—to outside attorney and whistleblower desk in order to reinforce the AIDA Group's compliance management efforts.

Risk Management System

Risks related to the execution of management strategies are analyzed, and appropriate countermeasures are considered by the relevant business units. These matters are then discussed as needed by the Board of Directors and the Management Council. Inherent risks in daily operations are usually handled by the respective business units, but depending on the nature of the risk we also establish a proactive risk management structure to respond to such risks. This includes committees for health and safety, product liability, export regulatrory control, risk assessment promotion, and other cross-functional committees, as well as project teams assembled to address specific risks.

In addition, the Global Operation Promotion Office is established to cross-functionally and centrally manage risks that could significantly impact operations of entire Group, including product liability, export regulatory control, compliance, information security, and protection of intellectual property rights.

Information Security Initiatives

The Company formulates and implements its Corporate Secrets Management Regulations and AIDA Information Network System Management Regulations as measures to prevent the leaking of information. The Company manages software used for business operations, monitors and restricts on internet access, and adopts software to monitor personal computers for viruses, unauthorized access and other problems. Furthermore, from overseas Group companies, remote access controls to in-house systems are also put in place.

To protect technical information, the Company sets restriction rules of employee access to confidential drawing data, and, when third parties must be given access to this information, non-disclosure agreements shall be concluded beforehand. Drawing data is encrypted so that it cannot be retrieved by external devices even if data is leaked.

To protect intellectual property, the Company proactively obtains patents in Japan and other countries as well.

Leaks of technology and know-how, and infringement of intellectual property rights could pose a serious threat to the basic foundation of the Company, for which advanced technology is a crucial asset. The information security measures and thorough protections for technical information and intellectual property rights, described above, play key supporting roles in the promotion of business strategies of the Company.

Board of Directors & Statutory Auditors

As of June 28, 2018

Board of Directors

Kimikazu Aida

Chairman and President (CEO)

1976 Joined AIDA ENGINEERING, LTD.
1989 Representative Director (current position)
1992 President (current position)
2001 Chief Executive Officer (CEO) (current position)
2011 Division Manager, Research and Development Headquarters (current position)
2012 Chairman, AIDA AMERICA CORP. (current position)
Chairman, AIDA S.r.l. (current position)
2018 Chairman (current position)

Naoyoshi Nakanishi

Director, Executive Vice President and Chief Operating Officer (COO)

1970 Joined AIDA ENGINEERING, LTD.
2001 Director (current position)
2010 Chief Operating Officer (COO) (current position)
2011 Executive Vice President (current position)
2017 Chairman, ACCESS, LTD. (current position)

Toshihiko Suzuki

Director, Senior Managing Executive Officer

2011 Joined AIDA ENGINEERING, LTD.
2015 Division Manager, Engineering Headquarters (current position)
Director (current position)
2017 Managing Executive Officer
Division Manager, Sales Headquarters (current position)
Chairman, Reliance Electric Limited (current position)
2018 Senior Managing Executive Officer (current position)

Yap Teck Meng

Director, Managing Executive Officer

1996 Joined AIDA MANUFACTURING (MALAYSIA) SDN. BHD. (currently AIDA ENGINEERING (M) SDN. BHD.)
2011 Chairman and Managing Director, AIDA GREATER ASIA PTE. LTD. (current position)
2013 Director (current position)
2014 Managing Executive Officer (current position)
Chairman, AIDA ENGINEERING CHINA CO., LTD. (current position)
2015 Chairman, AIDA PRESS MACHINERY SYSTEMS CO., LTD. (current position)
2017 Chairman, AIDA ENGINEERING (M) SDN. BHD. (current position)

Masahiro Kawakami

Director, Operating Officer

1991 Joined AIDA ENGINEERING, LTD.
2015 Operating Officer (current position)
2016 President, AIDA S.r.l. (current position)
2018 Director (current position)
Vice Chairman, AIDA AMERICA CORP. (current position)

Kimio Oiso

Outside Director (Independent)

2000 Statutory Auditor, The Dai-ichi Mutual Life Insurance Company (currently Dai-ichi Life Insurance Company, Ltd.)
2007 Representative Director and Senior Executive Officer, The Dai-ichi Mutual Life Insurance Company
2008 Statutory Auditor, AIDA ENGINEERING, LTD.
2010 President, The Cardiovascular Institute
2012 Director, AIDA ENGINEERING, LTD. (current position)

Hirofumi Gomi

Outside Director (Independent)

1972 Joined the Ministry of Finance
2000 Secretary-General, Executive Bureau, Securities and Exchange Surveillance Commission, Financial Services Agency
2001 Director-General, Inspection Bureau of Financial Services Agency
2002 Director-General, Supervisory Bureau of Financial Services Agency
2004 Commissioner, Financial Services Agency
2009 Visiting Professor, Aoyama Gakuin University (current position)
2011 Auditor, Miroku Jyoho Service Co., Ltd.
2014 Advisor, NISHIMURA & ASAHI (current position)
2015 Senior Advisor, THE BOSTON CONSULTING GROUP (current position)
Director, AIDA ENGINEERING, LTD. (current position)
2016 Director, Infoteria Corporation (current position)
Director, Miroku Jyoho Service Co., Ltd. (current position)
2017 Director, SBI Holdings, Inc. (current position)

Statutory Auditors

Shigeo Matsumoto

Outside Standing Statutory Auditor (Independent)

1999 General Manager, Operation Audit Dept., The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)
2001 Standing Auditor, The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)
2002 Standing Statutory Auditor, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
Standing Statutory Auditor, Fuji Research Institute Corporation
2004 Standing Statutory Auditor, Mizuho Information & Research Institute, Inc.
2010 Standing Statutory Auditor, AIDA ENGINEERING, LTD. (current position)

Hiroshi Kanai

Outside Statutory Auditor (Independent)

2011 Director and Managing Executive Officer, The Dai-ichi Life Insurance Company, Ltd.
2012 Statutory Auditor, AIDA ENGINEERING, LTD. (current position)
2014 Director, Senior Managing Executive Officer, The Dai-ichi Life Insurance Company, Ltd.
2015 President, The Dai-ichi Frontier Life Insurance Co., Ltd.
2017 Chairman, The Dai-ichi Frontier Life Insurance Co., Ltd. (current position)

Shigeru Makinouchi

Outside Statutory Auditor (Independent)

1979 Admission as an attorney-at-law
Head of Makinouchi Ageishi Law Office (current position)
2001 Practicing-Attorney-Professor for Civil Advocacy, Legal Training and Research Institute, Supreme Court of Japan
2013 Statutory Auditor, AIDA ENGINEERING, LTD. (current position)

Rational for Appointment and Summary of Activities

Outside Directors

Kimio Oiso

Kimio Oiso was appointed to the position of Outside Director in June 2012 based on the expectation that the wealth of experience and sophisticated insight he has as a former corporate executive would enable him to contribute advice and recommendations from an objective perspective to help ensure the reasonableness and propriety of decision-making by the Board of Directors. In the fiscal year ended March 31, 2018, he attended all 15 meetings of the Board of Directors.

Hirofumi Gomi

Hirofumi Gomi was appointed to the position of Outside Director in June 2015 based on the expectation that the wealth of experience and high-level expertise he has acquired handling matters concerning financial administration as the former commissioner of Japan's Financial Services Agency, and in other government positions, would enable him to provide the Company with advice and recommendations from an objective perspective to help ensure the reasonableness and propriety of decision-making by the Board of Directors. In the fiscal year ended March 31, 2018, he attended all 15 meetings of the Board of Directors.

Outside Statutory Auditors

Shigeo Matsumoto

Shigeo Matsumoto was appointed to the position of Outside Statutory Auditor in June 2010 based on the expectation that his wealth of financial and management experience including working overseas for major financial institutions and conducting internal audit would enable him to ask questions and express opinions from an objective perspective to help ensure the legality and reasonableness of decision-making by the Board of Directors. As the Standing Statutory Auditor, he regularly communicates with the Representative Director, speaks with managers at all levels, and meets with the independent auditor to understand current conditions at AIDA ENGINEERING and AIDA Group companies. Based on what he learns, he freely expresses his opinions to the Company's management. In the fiscal year ended March 31, 2018, he attended all 15 meetings of the Board of Directors and all 9 meetings of the Board of Auditors.

Hiroshi Kanai

Hiroshi Kanai was appointed to the position of Outside Statutory Auditor in June 2012 based on the expectation that the wealth of experience and sophisticated insight he has as a corporate executive would enable him to ask questions and express opinions from an objective perspective to help ensure the legality and reasonableness of decision-making by the Board of Directors. In the fiscal year ended March 31, 2018, he attended all 15 meetings of the Board of Directors and all 9 meetings of the Board of Auditors.

Shigeru Makinouchi

Shigeru Makinouchi was appointed to the position of Outside Statutory Auditor in June 2013 based on the expectation that the wealth of experience and sophisticated, specialized knowledge he has as an attorney-at-law would enable him to ask questions and express opinions from an objective perspective to help ensure the legality and reasonableness of decision-making by the Board of Directors. In the fiscal year ended March 31, 2018, he attended 14 of 15 meetings of the Board of Directors and all 9 meetings of the Board of Auditors.

Message from an Outside Statutory Auditor

For over 20 years, I have performed duties of internal audit and corporate auditor. During that time, I have carefully observed improprieties in various domestic and overseas companies.

The majority of improprieties, such as the events leading to the passage of the Sarbanes-Oxley Act in the U.S. and the scandals that have occurred at major Japanese companies, I believe, fall into largely two categories. The first is action directly attributable to management; the second is the failure of management to have a thorough grasp of what is happening within the company.

Of late in Japan, arguments are often made that Japanese companies should increase numbers of outside officers. However, there have been numerous cases of improprieties occurring even at U.S. and Japanese companies with substantial numbers of outside officers. Just increasing outside officers, therefore, would not be the solution. I believe that the professional responsibility of an outside officer is to both prevent improprieties and contribute to the sound management of companies.

In performing the duty of auditor, nothing is more important than information. Therefore, I, as an Outside Standing Statutory Auditor, interact with people at various levels of the organization, try to understand what is happening within the company, and make communication with the president, as well as upper management, to share such information. Furthermore, I try to provide the basis of discussions in the Board Meeting by actively sharing what I have learned in the company with other outside officers.

It is also important for outside officers to have passion for promoting sound management. Without passion, actions such as proactively raising issues and engaging in discussions in the Board Meeting and other venues, which is a matter of course, would cease.

With all of these things in mind, I will continue to perform my professional responsibilities as an outside officer.

Shigeo Matsumoto
Outside Standing Statutory Auditor
(Independent)

Having served in positions such as General Manager of the Internal Audit Division at The Fuji Bank, Ltd. (now Mizuho Bank, Ltd.), Standing Corporate Auditor at Mizuho Corporate Bank, Ltd., (now Mizuho Bank, Ltd.) and Corporate Auditor at Mizuho Information & Research Institute, Inc., Shigeo Matsumoto joined AIDA to fill the current position in June 2010. Mr. Matsumoto is regarded as a pioneer in the field of audit in Japan's financial sector.

Consolidated Financial Summary

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

	2009	2010	2011	2012
Orders, Net sales, and Income (Loss)				
Orders	¥ 40,883	¥ 33,403	¥ 47,924	¥ 58,021
Net sales	60,675	34,898	40,989	52,240
Cost of sales	50,148	32,313	33,343	42,589
Selling, general and administrative expenses	9,571	8,114	6,180	7,424
Operating income (loss)	955	(5,529)	1,466	2,225
Income (loss) before income taxes	145	(8,945)	1,098	2,927
Income taxes	(664)	3,144	(134)	79
Net income (loss) attributable to owners of parent	810	(12,090)	1,232	2,847
Profitability Ratio				
Operating income ratio	1.6%	(15.8)%	3.6%	4.3%
Total Assets, Total Shareholders' Equity and Interest-bearing Debt				
Total assets	¥ 74,796	¥ 63,867	¥ 67,342	¥ 71,300
Total shareholders' equity	57,869	45,706	45,221	47,476
Total interest-bearing debt	500	1,124	1,500	2,048
Shareholders' equity ratio	77.3%	71.5%	67.0%	66.5%
Capital Expenditures, Depreciation and Amortization and R&D Expenditures				
Capital expenditures	¥ 3,248	¥ 578	¥ 689	¥ 2,667
Depreciation and amortization	2,728	2,684	1,403	1,378
R&D expenditures	1,567	1,203	1,079	909
Return Indicators				
Return on equity (ROE)	1.4%	(23.4)%	2.7%	6.2%
Return on assets (ROA)	1.0%	(17.4)%	1.9%	4.1%
Cash Flows				
Cash flows from operating activities	¥ 2,475	¥ 4,857	¥ (2,359)	¥ 8,749
Cash flows from investing activities	3,985	(294)	(1,253)	(1,231)
Free cash flow	6,460	4,562	(3,613)	7,517
Cash flows from financing activities	(3,599)	309	(1,029)	35
Cash and cash equivalents at the end of year	9,859	14,580	9,569	17,129

	2009	2010	2011	2012
Per Share Data				
Net income	¥ 12.41	¥ (189.36)	¥ 19.51	¥ 46.97
Cash dividends	5.00	5.00	6.00	14.00
Shareholders' equity	905.90	715.08	745.27	781.58
Stock Information (at Year End)				
Stock price	¥ 278	¥ 390	¥ 374	¥ 476
Market capitalization (millions of yen)	22,002	30,867	29,601	37,674
Number of shares issued (shares)	79,147,321	79,147,321	79,147,321	79,147,321
Other Data				
Number of employees	1,629	1,507	1,478	1,566

Note: Amounts presented from the year ended March 31, 2011 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).

					Millions of yen	% change
2013	2014	2015	2016	2017	**2018**	**2017 vs 2018**
¥ 73,033	¥ 76,670	¥ 70,256	¥ 75,474	¥ 62,655	**¥ 83,143**	**32.7**
57,812	69,594	76,897	75,529	67,547	**73,856**	**9.3**
46,393	54,617	59,650	57,544	51,761	**57,926**	**11.9**
7,657	8,656	9,383	9,947	9,168	**9,617**	**4.9**
3,760	6,320	7,863	8,037	6,617	**6,312**	**(4.6)**
4,019	6,584	8,543	8,329	6,754	**6,639**	**(1.7)**
211	1,456	2,337	2,546	1,769	**1,810**	**2.4**
3,808	5,127	6,205	5,782	4,985	**4,786**	**(4.0)**
6.5%	9.1%	10.2%	10.6%	9.8%	**8.5%**	**–**
¥ 82,118	¥ 91,830	¥ 105,126	¥ 100,609	¥ 101,683	**¥ 116,755**	**14.8**
52,990	59,655	67,254	68,758	70,834	**75,924**	**7.2**
1,500	2,491	1,891	4,663	4,470	**4,111**	**(8.0)**
64.4%	64.8%	63.8%	68.2%	69.5%	**64.4%**	**–**
¥ 1,555	¥ 3,117	¥ 1,958	¥ 4,654	¥ 2,093	**¥ 2,434**	**16.3**
1,362	1,548	1,712	1,995	1,961	**2,061**	**5.1**
1,008	1,076	1,345	1,237	1,197	**1,036**	**(13.4)**
7.6%	9.1%	9.8%	8.5%	7.2%	**6.6%**	**–**
5.0%	5.9%	6.3%	5.6%	4.9%	**4.4%**	**–**
¥ 5,938	¥ 5,978	¥ 5,100	¥ 6,596	¥ 2,400	**¥ 12,714**	**429.6**
(1,277)	(3,254)	(1,237)	(5,655)	(3,118)	**(3,789)**	**–**
4,660	2,723	3,863	941	(718)	**8,924**	**–**
(1,446)	26	(2,077)	915	(1,954)	**(3,668)**	**–**
22,281	26,038	29,958	29,524	25,572	**31,721**	**24.0**

					Yen	% change
2013	2014	2015	2016	2017	**2018**	**2017 vs 2018**
¥ 62.74	¥ 83.95	¥ 100.99	¥ 93.78	¥ 80.82	**¥ 77.59**	**(4.0)**
19.00	25.00	30.00	30.00	40.00	**30.00**	**(25.0)**
868.33	969.35	1,088.96	1,112.51	1,145.74	**1,219.02**	**6.4**
¥ 756	¥ 982	¥ 1,380	¥ 978	¥ 988	**¥ 1,286**	**30.2**
59,835	77,722	101,633	72,027	72,763	**94,710**	**30.2**
79,147,321	79,147,321	73,647,321	73,647,321	73,647,321	**73,647,321**	**–**
1,647	1,728	1,818	1,951	1,950	**2,201**	**12.9**

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

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

Orders, Sales, and Earnings

During the fiscal year ended March 31, 2018, the global economy experienced both investment and trade expansion that led to growth in both advanced and emerging countries. Nevertheless, future prospects remain uncertain due to rising protectionism on a global basis, trade friction and geopolitical risks.

In Japan, for the forming-machinery industry, domestic orders rose 17.6% year on year, to ¥156.6 billion, based on data from the Japan Forming Machinery Association.

For the AIDA Group, order intake for the fiscal year benefited from increases in both domestic and overseas orders and it ended at a record-high ¥83.1 billion, up 32.7%. The order backlog finished the year at ¥59.3 billion, up 26.3%. Net sales were ¥73.8 billion, up 9.3%, mainly because of higher sales to automotive-related industries in Japan and abroad.

We recorded operating income of ¥6.3 billion (down 4.6%), ordinary income of ¥5.9 billion (down 12.5%), and net income attributable to owners of parent of ¥4.7 billion (down 4.0%). The decrease in operating income was due to higher cost of sales and expenses relating to the Company's 100th anniversary commemoration. The ordinary income decrease was due to foreign exchange fluctuations.

As for profit distribution, our basic policy is to maintain a stable dividend, with a consolidated dividend payout ratio of 30% or higher, while also providing for the stability of our business infrastructure and maintaining internal reserves for future growth investments. For the fiscal year ended March 31, 2018, we set the per-share dividend at ¥30.

Result by Business Segments and Geographic Segments

Business Segments

Press Machines

Order intake totaled ¥66.2 billion (up 35.8% year-on-year), mainly due to more orders for large tandem lines and high-speed presses. Net sales came to ¥56.3 billion (up 6.8%), primarily on the strength of higher sales to automotive-related customers in Europe and Japan.

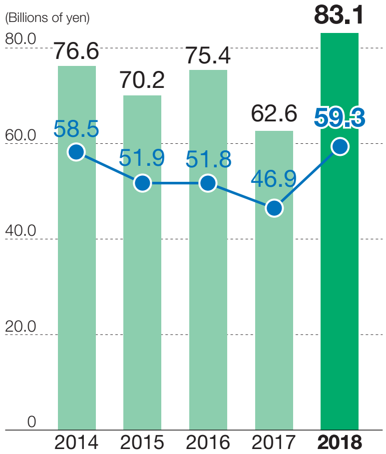
Service (Related to Presses)

Order intake for service activities totaled ¥15.0 billion (up 11.2%), with net sales of ¥15.0 billion (up 2.8%). These increases resulted primarily from solid results in modernization/retrofitting activities outside of Japan.

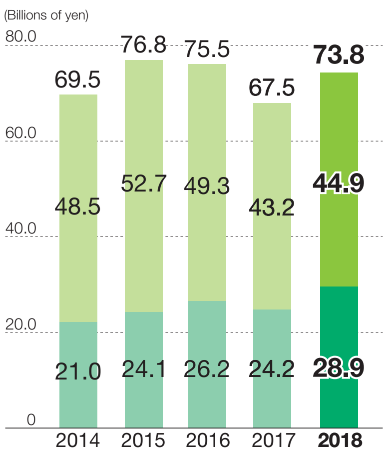
Others

Consolidation of Reliance Electric Limited and RAS Co., Ltd. contributed to higher order intake of ¥1.8 billion (up 490.3%), and net sales of ¥2.4 billion (up 1,442.3%).

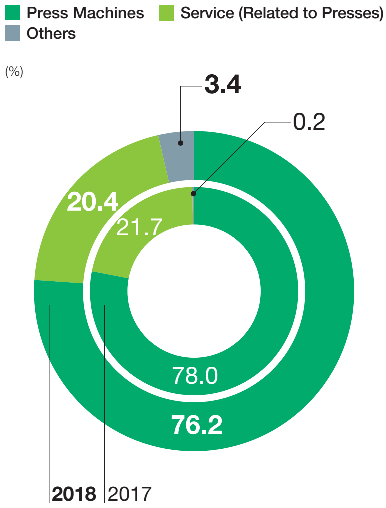
Orders/Order Backlog



Net Sales



Sales by Business Segment



Geographic Segments

Japan

Net sales totaled ¥46.3 billion (up 12.7% year-on-year), mainly because of higher sales of press machines to automotive-related industries and the consolidation of Reliance Electric Limited. Nevertheless, higher costs of sales and expenditures related to the Company's 100th-anniversary commemoration lowered operating income to ¥3.4 billion (down 1.8%).

Asia

With greater sales of press machines and services to automotive-related industries in China, net sales reached ¥15.8 billion (up 3.7%). Operating income totaled ¥1.6 billion (up 7.2%) thanks to higher earnings at the Malaysia plant.

Americas

A rise in sales (percentage-of-completion basis) of mid-size and large-size presses for automotive-related industries, together with favorable foreign exchange effects, etc., resulted in a 0.9% increase in net sales, which reached ¥18.9 billion. Operating income, however, fell 19.4%, to ¥1.2 billion, mainly due to higher cost of sales.

Europe

Higher sales (percentage-of-completion basis) of mid-size and large-size presses for automotive-related industries and favorable foreign exchange effects helped to boost net sales by 14.0%, which reached ¥14.0 billion. Operating income came to ¥125 million (vs. an operating loss of ¥65 million for the previous fiscal year) mainly because of improved gross margins.

Financial Position

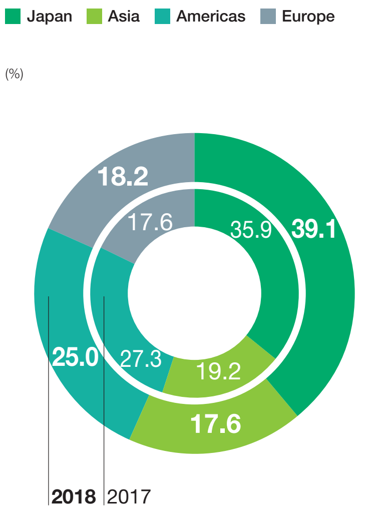
As of March 31, 2018, assets increased by ¥15.0 billion compared to the previous fiscal year end, to ¥116.7 billion. Primary factors for this result include an increase of ¥6.6 billion in cash on hand and at banks, and short-term securities; a ¥3.3 billion increase in inventories; a ¥2.6 billion increase in property, plant and equipment; a ¥0.7 billion increase in the insurance reserve fund due to revision of an insurance agreement, and a ¥1.9 billion increase in investment securities resulting from a rise in share prices. The consolidation of Reliance Electric Limited and RAS Co., Ltd. increased assets by ¥7.1 billion.

Liabilities increased by ¥9.9 billion compared to the previous fiscal year end, to ¥40.8 billion. This increase was primarily due to an increase of ¥3.6 billion in advances received, a ¥3.1 billion increase in accounts payable - trade and electronically recorded monetary obligations - operating, a ¥1.3 billion increase in net defined benefit liabilities, and a ¥1.1 billion increase in deferred tax liabilities. The consolidation of Reliance Electric Limited and RAS Co., Ltd. increased liabilities by ¥3.8 billion.

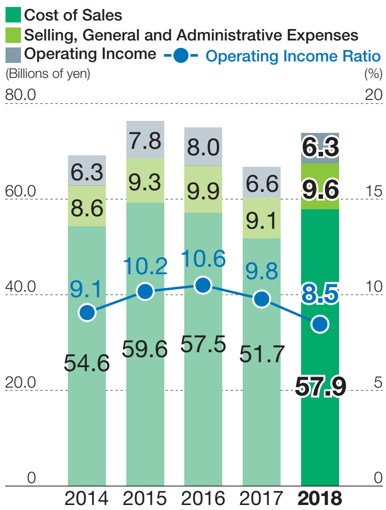
Net assets increased by ¥5.0 billion compared to the previous fiscal year end, to ¥75.9 billion. This increase was primarily due to a ¥2.1 billion increase in retained earnings, a ¥1.1 billion increase in net unrealized gains on other investment securities, and a ¥1.0 billion increase in foreign currency translation adjustments. The consolidation of Reliance Electric Limited and RAS Co., Ltd. added ¥0.5 billion to non-controlling interests.

As a result, our shareholders' equity ratio at the end of the fiscal year was 64.4%.

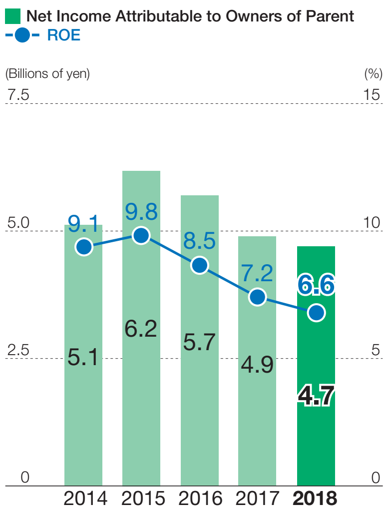
Sales by Geographic Segment (to External Customers)



Cost and Expenses/Operating Income/Operating Income Ratio



Net Income Attributable to Owners of Parent/ROE



Cash Flow

Cash and cash equivalents as of March 31, 2018 increased by ¥6.1 billion from the previous fiscal year end, to ¥31.7 billion.

Net cash provided by operating activities was ¥12.7 billion, compared with net cash provided by operating activities of ¥2.4 billion in the previous fiscal year. Major inflows included income before income taxes of ¥6.6 billion, depreciation and amortization of ¥2.0 billion, and a decrease in accounts receivable receivable - trade of ¥5.7 billion. Major outflows included an increase in inventories of ¥2.1 billion and income tax payments of ¥1.3 billion.

Net cash used in investing activities was ¥3.7 billion, compared with net cash used in investing activities of ¥3.1 billion in the previous fiscal year. Major outflows included purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥1.7 billion and purchases of tangible and intangible assets of ¥1.6 billion.

Net cash used in financing activities was ¥3.6 billion compared with net cash used in financing activities of ¥1.9 billion in the previous fiscal year. Major outflows included cash dividends paid of ¥2.5 billion.

Capital Expenditures

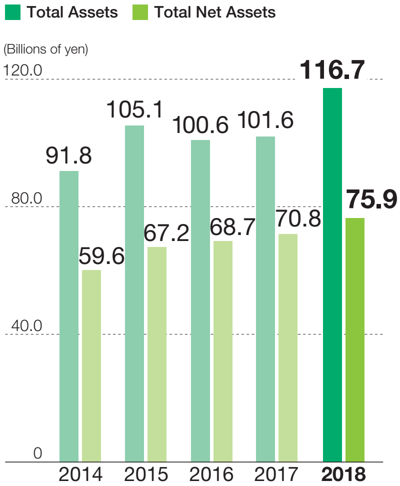
In the fiscal year under review, the Company recorded capital expenditures totaling ¥2.4 billion. Principal expenditures included the following items.

1. Expansion of existing plants, and enhancement of auxiliary functions at existing plants, to increase production in China.
2. Installation of large machining centers to strengthen production and co-manufacturing activities in Japan, China and Italy.
3. Enhancement of auxiliary functions to promote greater in-house manufacturing and production streamlining in US.

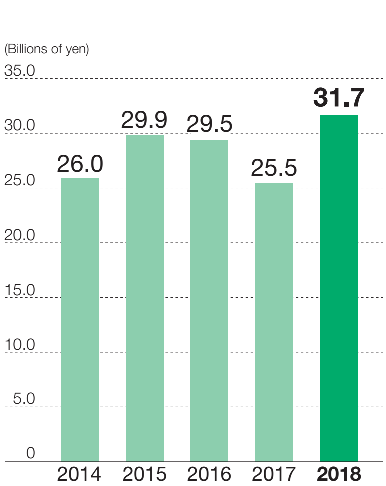
Research and Development

During the fiscal year ended March 31, 2018, we invested ¥1.0 billion in R&D for both the development of new and core technologies, such as servo motor systems for presses, forming systems for materials used to achieve lighter-weight products, and IoT-related technologies, and for strengthening our core product offerings, such as the development of a large-capacity servo transfer press (DSF-T4-35000), a high-speed press (MSP-3000-370), and a down-loop coil line with a small installation footprint.

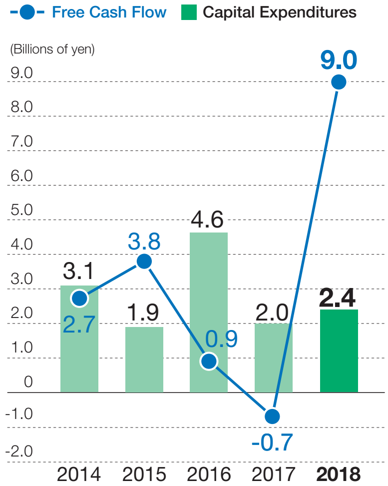
Total Assets/Total Net Assets



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
	2014	2015	2016	2017	2018	2017 vs 2018
Business Segment:						
Net sales						
Press machines	¥ 56,963	¥ 62,893	¥ 61,234	¥ 52,711	**¥ 56,300**	6.8
Service	12,439	13,803	14,072	14,674	**15,082**	2.8
Others	191	199	222	160	**2,474**	1,442.3
Consolidated	¥ 69,594	¥ 76,897	¥ 75,529	¥ 67,547	**¥ 73,856**	9.3
Geographic Segment:						
Net sales						
Japan	¥ 39,679	¥ 45,994	¥ 44,041	¥ 41,176	**¥ 46,398**	12.7
Asia	19,954	18,858	20,989	15,259	**15,822**	3.7
Americas	17,397	24,699	19,008	18,752	**18,926**	0.9
Europe	16,418	14,948	14,853	12,337	**14,069**	14.0
Adjustments	(23,855)	(27,604)	(23,363)	(19,979)	**(21,360)**	–
Consolidated	¥ 69,594	¥ 76,897	¥ 75,529	¥ 67,547	**¥ 73,856**	9.3
Operating income (loss)						
Japan	¥ 4,181	¥ 4,765	¥ 4,967	¥ 3,521	**¥ 3,459**	(1.8)
Asia	1,585	1,478	2,321	1,519	**1,628**	7.2
Americas	902	1,587	1,327	1,496	**1,206**	(19.4)
Europe	(717)	78	(490)	(65)	**125**	–
Adjustments	368	(45)	(88)	144	**(107)**	–
Consolidated	¥ 6,320	¥ 7,863	¥ 8,037	¥ 6,617	**¥ 6,312**	(4.6)

Quarterly Information

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

	Millions of yen					% change
	2014	2015	2016	2017	2018	2017 vs 2018
Net Sales						
1st Quarter	¥ 14,960	¥ 17,168	¥ 17,857	**¥ 15,338**	**¥ 15,792**	**3.0**
2nd Quarter	16,913	16,994	19,611	**16,429**	**16,942**	**3.1**
3rd Quarter	17,930	21,950	19,393	**15,881**	**18,028**	**13.5**
4th Quarter	19,789	20,782	18,668	**19,897**	**23,093**	**16.1**
Total	¥ 69,594	¥ 76,897	¥ 75,529	**¥ 67,547**	**¥ 73,856**	**9.3**
Operating Income						
1st Quarter	¥ 1,522	¥ 1,815	¥ 2,097	**¥ 1,266**	**¥ 1,315**	**3.9**
2nd Quarter	1,603	1,814	2,135	**2,059**	**1,561**	**(24.2)**
3rd Quarter	1,667	2,535	2,221	**1,205**	**1,265**	**4.9**
4th Quarter	1,526	1,696	1,582	**2,086**	**2,170**	**4.0**
Total	¥ 6,320	¥ 7,863	¥ 8,037	**¥ 6,617**	**¥ 6,312**	**(4.6)**

Consolidated Balance Sheets

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
As of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2018**	**2017**	**2018**
Current assets			
Cash on hand and at banks (Note 4)	¥ 33,163	¥ 24,491	$ 312,069
Notes and accounts receivable – trade	22,444	23,233	211,197
Electronically recorded monetary claims – operating	2,485	657	23,387
Short-term securities (Notes 4 and 7)	–	2,000	–
Inventories (Note 5)	17,366	14,026	163,414
Advance payments – trade	1,155	997	10,874
Deferred tax assets (Note 15)	930	857	8,759
Accounts receivable – other	797	1,276	7,508
Consumption taxes receivable	984	1,497	9,267
Other current assets	219	1,119	2,068
Allowance for doubtful accounts	(226)	(202)	(2,131)
Total current assets	79,321	69,955	746,416
Fixed assets			
Property, plant and equipment			
Buildings and structures	24,664	21,756	232,096
Accumulated depreciation	(16,106)	(14,241)	(151,561)
Buildings and structures, net	8,558	7,515	80,534
Machinery and vehicles	16,326	14,785	153,628
Accumulated depreciation	(9,579)	(8,276)	(90,145)
Machinery and vehicles, net	6,746	6,508	63,483
Land	7,140	5,053	67,195
Construction in progress	362	1,151	3,411
Other fixed assets	3,535	2,861	33,269
Accumulated depreciation	(2,894)	(2,273)	(27,235)
Other fixed assets, net	641	587	6,033
Total property, plant and equipment	23,449	20,815	220,658
Intangible assets	927	845	8,731
Investments and other assets			
Investment securities (Note 7)	8,734	6,824	82,191
Insurance reserve fund	2,943	2,192	27,698
Net defined benefit assets (Note 10)	795	630	7,482
Deferred taxes assets (Note 15)	423	247	3,988
Other assets	195	195	1,843
Allowance for doubtful accounts	(36)	(23)	(341)
Total investments and other assets	13,056	10,067	122,863
Total fixed assets	37,434	31,728	352,253
Total assets	¥ 116,755	¥ 101,683	$1,098,670

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

Liabilities and net assets	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 3) 2018
Current liabilities			
Accounts payable – trade	¥ 7,374	¥ 6,353	$ 69,389
Electronically recorded monetary obligations – operating	4,600	2,457	43,292
Short-term loans payable (Note 9)	2,611	2,970	24,575
Current portion of long-term loans payable (Note 9)	500	–	4,704
Accounts payable – other	1,065	854	10,029
Income taxes payable	1,156	708	10,885
Accrued expenses	1,075	1,072	10,122
Advances received	11,745	8,085	110,522
Accrued warranty costs	717	700	6,747
Accrued bonuses for employees	1,214	1,040	11,424
Accrued bonuses for directors	52	53	498
Provision for loss on orders received (Note 5)	105	166	989
Other current liabilities	990	1,055	9,318
Total current liabilities	33,209	25,518	312,501
Long-term liabilities			
Long-term loans payable (Note 9)	1,000	1,500	9,409
Long-term accounts payable – other	820	581	7,716
Deferred taxes liabilities (Note 15)	3,675	2,543	34,587
Accrued stock payments	344	278	3,246
Net defined benefit liabilities (Note 10)	1,461	108	13,755
Other long-term liabilities	319	319	3,002
Total long-term liabilities	7,621	5,330	71,717
Total liabilities	40,831	30,848	384,219
Net assets			
Shareholders' equity			
Common stock	7,831	7,831	73,689
Authorized: 188,149,000 shares in 2018 and 2017			
Issued: 73,647,321 shares in 2018 and 2017			
Additional paid-in capital	12,486	12,420	117,494
Retained earnings	54,000	51,817	508,148
Treasury stock (Note 11)	(5,222)	(5,158)	(49,148)
(11,950,279 shares in 2018)			
(11,955,096 shares in 2017)			
Total shareholders' equity	69,095	66,909	650,184
Accumulated other comprehensive income			
Net unrealized gains on other securities	4,930	3,761	46,396
Deferred hedge gains (losses)	26	(75)	246
Foreign currency translation adjustments	734	(301)	6,914
Retirement benefit plan adjustments (Note 10)	423	390	3,984
Total accumulated other comprehensive income	6,114	3,774	57,541
Stock options (Note 22)	148	151	1,395
Non-controlling interests	566	—	5,328
Total net assets	75,924	70,834	714,450
Total liabilities and net assets	¥ 116,755	¥ 101,683	$1,098,670

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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Net sales	¥ 73,856	¥ 67,547	$ 694,991
Cost of sales (Notes 2 (12), 5 and 13)	57,926	51,761	545,089
Gross profit	15,930	15,785	149,901
Selling, general and administrative expenses (Notes 12, 13 and 22)	9,617	9,168	90,502
Operating income	6,312	6,617	59,398
Interest income	87	68	822
Dividend income	145	115	1,371
Insurance premiums refunded cancellation	22	120	216
Gain from redemption at maturity of endowment insurance	28	60	269
Other non-operating income	146	129	1,380
Total non-operating income	431	495	4,060
Interest expenses	45	41	424
Foreign exchange loss	549	129	5,174
Other non-operating expenses	221	165	2,083
Total non-operating expenses	816	336	7,682
Ordinary income	5,927	6,775	55,776
Gain on change in insurance (Note 14)	608	–	5,727
Gain on sales of fixed assets	71	4	672
Gain on bargain purchase (Note 20)	55	–	518
Other extraordinary gain	0	0	0
Total extraordinary gain	735	5	6,919
Loss on sales of fixed assets	0	0	1
Loss on disposal of fixed assets	23	26	217
Total extraordinary loss	23	26	219
Income before income taxes	6,639	6,754	62,476
Current taxes	1,813	1,421	17,065
Deferred taxes	(2)	347	(25)
Income taxes (Note 15)	1,810	1,769	17,039
Net income	4,828	4,985	45,437
Net income attributable to non-controlling interests	41	–	392
Net income attributable to owners of parent	¥ 4,786	¥ 4,985	$ 45,044

	Yen		U.S. dollars
	2018	2017	2018
Per share			
Net income - Basic (Note 18)	¥ 77.59	¥ 80.82	$ 0.73
- Diluted (Note 18)	77.38	80.65	0.72
Cash dividends (Note 23)	30.00	40.00	0.28

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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Net income	¥ 4,828	¥ 4,985	$ 45,437
Other comprehensive income (Note 19)			
Net unrealized gains on other securities	1,169	717	11,000
Deferred hedge gains (losses)	102	(235)	960
Foreign currency translation adjustments	1,036	(1,512)	9,751
Retirement benefit plan adjustments	33	56	311
Total other comprehensive income (loss)	2,340	(974)	22,025
Comprehensive income	¥ 7,169	¥ 4,011	$ 67,462
Comprehensive income attributable to owners of parent	¥ 7,127	¥ 4,011	$ 67,070
Comprehensive income attributable to non-controlling interests	¥ 41	¥ –	$ 392

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, 2018 and 2017

	Millions of yen													
	Number of shares of common stock issued (Thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total share-holders' equity	Net unrealized gains (losses) on other securities	Deferred hedge gains (losses)	Foreign currency translation adjustments	Retire-ment benefit plans adjustments	Total accumula-ted other comprehen-sive income (loss)	Stock options	Non-controlling interests	Total net assets
Balance at April 1, 2016	73,647	¥7,831	¥12,416	¥48,783	¥(5,166)	¥63,864	¥3,043	¥159	¥1,211	¥333	¥4,748	¥145	¥-	¥68,758
Cash dividends	-	-	-	(1,951)	-	(1,951)	-	-	-	-	-	-	-	(1,951)
Net income attributable to owners of parent	-	-	-	4,985	-	4,985	-	-	-	-	-	-	-	4,985
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	-	-	(0)
Disposal of treasury stock	-	-	3	-	8	11	-	-	-	-	-	-	-	11
Net changes of items other than shareholders' equity during the year	-	-	-	-	-	-	717	(235)	(1,512)	56	(974)	6	-	(968)
Balance at March 31 and April 1, 2017	73,647	7,831	12,420	51,817	(5,158)	66,909	3,761	(75)	(301)	390	3,774	151	-	70,834
Cash dividends	-	-	-	(2,603)	-	(2,603)	-	-	-	-	-	-	-	(2,603)
Net income attributable to owners of parent	-	-	-	4,786	-	4,786	-	-	-	-	-	-	-	4,786
Purchase of treasury stock	-	-	-	-	(106)	(106)	-	-	-	-	-	-	-	(106)
Disposal of treasury stock	-	-	66	-	42	108	-	-	-	-	-	-	-	108
Net changes of items other than shareholders' equity during the year	-	-	-	-	-	-	1,169	102	1,036	33	2,340	(3)	566	2,903
Balance at March 31, 2018	73,647	¥7,831	¥12,486	¥54,000	¥(5,222)	¥69,095	¥4,930	¥26	¥734	¥423	¥6,114	¥148	¥566	¥75,924

	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 share-holders' equity	Net unrealized gains (losses) on other securities	Deferred hedge gains (losses)	Foreign currency translation adjustments	Retire-ment benefit plans adjustments	Total accumula-ted other comprehen-sive income (loss)	Stock options	Non-controlling interests	Total net assets
Balance at April 1, 2017	73,647	$73,689	$116,873	$487,598	$(48,546)	$629,614	$35,395	$(714)	$(2,837)	$3,672	$35,516	$1,424	$-	$666,555
Cash dividends	-	-	-	(24,494)	-	(24,494)	-	-	-	-	-	-	-	(24,494)
Net income attributable to owners of parent	-	-	-	45,044	-	45,044	-	-	-	-	-	-	-	45,044
Purchase of treasury stock	-	-	-	-	(1,002)	(1,002)	-	-	-	-	-	-	-	(1,002)
Disposal of treasury stock	-	-	621	-	400	1,022	-	-	-	-	-	-	-	1,022
Net changes of items other than shareholders' equity during the year	-	-	-	-	-	-	11,000	960	9,751	311	22,025	(28)	5,328	27,325
Balance at March 31, 2018	73,647	$ 73,689	$117,494	$508,148	$(49,148)	$650,184	$46,396	$246	$6,914	$3,984	$57,541	$1,395	$5,328	$714,450

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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
Cash flows from operating activities:	**2018**	**2017**	**2018**
Income before income taxes	¥ 6,639	¥ 6,754	$ 62,476
Adjustments for:			
Depreciation and amortization	2,061	1,961	19,403
(Gain) loss on sales of fixed assets	(71)	(4)	(670)
Loss on disposal of fixed assets	23	26	217
Increase (decrease) in allowance for doubtful accounts	24	16	229
Increase (decrease) in accrued bonuses for employees, net	134	(70)	1,264
Increase (decrease) in accrued bonuses for directors, net	(0)	(7)	(7)
Increase (decrease) in accrued warranty costs, net	(41)	(350)	(388)
Increase (decrease) in net defined benefit liabilities	(117)	14	(1,102)
(Increase) decrease in net defined benefit assets	(14)	(73)	(137)
Increase (decrease) in accrued stock payments, net	66	39	629
Increase (decrease) in provision for loss on orders received, net	(121)	9	(1,144)
Interest and dividend income	(233)	(184)	(2,194)
Interest expenses	45	41	424
(Increase) decrease in accounts receivable – trade	5,776	(3,471)	54,352
(Increase) decrease in inventories	(2,190)	(817)	(20,612)
Increase (decrease) in accounts payable – trade	1,531	582	14,409
(Increase) decrease in other assets	849	1,058	7,990
Increase (decrease) in other liabilities	(139)	(1,179)	(1,309)
Other, net	(349)	(91)	(3,289)
Sub-total	13,872	4,253	130,540
Interest and dividend income received	233	178	2,195
Interest expenses paid	(44)	(41)	(422)
Income taxes paid	(1,346)	(1,989)	(12,672)
Net cash provided by operating activities	12,714	2,400	119,640

	Millions of yen		Thousands of U.S. dollars (Note 3)
Cash flows from investing activities:	**2018**	**2017**	**2018**
Payments for purchase of property, plant and equipment	(1,547)	(2,368)	(14,562)
Proceeds from sales of property, plant and equipment	188	11	1,771
Payments for purchase of intangible assets	(89)	(63)	(839)
Payments into time deposits	(2,987)	(1,459)	(28,114)
Proceeds from withdrawal of time deposits	2,420	759	22,778
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 4)	(1,749)	–	(16,463)
Other, net	(24)	0	(228)
Net cash used in investing activities	(3,789)	(3,118)	(35,658)

	Millions of yen		Thousands of U.S. dollars (Note 3)
Cash flows from financing activities:	**2018**	**2017**	**2018**
Net increase (decrease) in short-term loans	(1,172)	–	(11,032)
Payments for finance lease obligations	(1)	(3)	(13)
Proceeds from sales of treasury stock	104	0	987
Payments for purchase of treasury stock	(1)	(0)	(15)
Cash dividends paid	(2,597)	(1,950)	(24,444)
Net cash used in financing activities	(3,668)	(1,954)	(34,518)
Effect of exchange rate changes on cash and cash equivalents	891	(1,278)	8,391
Net increase (decrease) in cash and cash equivalents	6,148	(3,951)	57,855
Cash and cash equivalents at the beginning of the year	25,572	29,524	240,639
Cash and cash equivalents at the end of the year (Note 4)	¥ 31,721	¥ 25,572	$ 298,494

The accompanying notes are 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 based on the financial statements of AIDA and its consolidated subsidiaries and the consolidated financial statements filed with the Director of the Kanto Finance Bureau in Japan in accordance with the Financial Instruments and Exchange Act.

The accounting records of the Companies are maintained 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).

Items presented in the consolidated financial statements filed with the Director of the Kanto Finance Bureau in Japan have been reclassified and / or recapitulated and certain notes are added 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.

The amounts presented in millions of yen are truncated after millions and thousands of U.S. dollars after thousands.

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 numbers of consolidated subsidiaries were 26 in 2018 and 24 in 2017. Significant consolidated subsidiaries as of March 31, 2018 are as follows:

- Domestic subsidiaries:
  ACCESS, LTD.
  Reliance Electric Limited
- Overseas subsidiaries:
  <u>ASIA</u>
  AIDA GREATER ASIA PTE. LTD.
  AIDA ENGINEERING (M) SDN. BHD.
  AIDA HONG KONG, LTD.
  AIDA ENGINEERING CHINA CO., LTD.
  AIDA PRESS MACHINERY SYSTEMS CO., LTD.
  <u>AMERICAS</u>
  AIDA AMERICA CORP.
  <u>EUROPE</u>
  AIDA S.r.l.

(Remarks)
During the year ended March 31, 2018, Reliance Electric Limited and its subsidiary RAS Co., Ltd. were newly included in the scope of consolidation in connection with a share acquisition as of November 1, 2017.

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 and net realizable value determined by using the specific identification method. Raw materials are principally stated at the lower of cost and net realizable value determined by using the first-in first-out (FIFO) method.

(4) Financial instruments

Japanese accounting standards for financial instruments, which cover accounting treatments for short-term securities, investment securities, derivative financial instruments and hedge accounting, have been applied.

(a) Investment securities

Other securities with fair market value are reported at such fair market 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. Cost of securities sold is determined by the moving average method.

Other securities without fair market value are stated at cost determined by the moving average method.

(b) Derivative financial instruments

All derivatives are recognized as either assets or liabilities at fair value, and changes in fair value are charged to current income for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see below (c) Hedge accounting).

(c) Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as “hedging instruments” are deferred as deferred hedge gains and losses in net assets and charged to income in the period during which the gains and losses on the underlying hedged transactions are recognized.

The derivatives designated as hedging instruments by the Companies are forward foreign exchange contracts.

(5) 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 consolidated statement of income as incurred. Depreciation of property, plant and equipment in the Companies is mainly calculated by applying the straight-line method, over the estimated useful lives of the respective assets as follows:

Buildings and structures:	2 to 50 years
Machinery and vehicles:	2 to 15 years

(6) 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.

(7) 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 purpose. 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.

(8) 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.

(9) Accrued warranty costs

Accrued warranty costs are provided in the amount of estimated future warranty costs to be incurred in the period covered by warranty contract.

(10) 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.

(11) 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.

(12) 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 ¥324 million (U.S. $3,055 thousand) and ¥223 million for the years ended March 31, 2018 and 2017, respectively.

(13) Accrued stock payments

Accrued stock payments are provided in the amount of estimated future payments of treasury stock or money for employees based on the employee stock benefit regulations and for directors based on the officer stock benefit regulations.

(14) 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 (principally 10 years, but 5 years for certain domestic subsidiaries), 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.

(15) Research and development costs

Research and development costs are expensed as incurred.

(16) Recognition of material sales and cost of sales

The percentage of completion method (cost-comparison method using primarily estimates of construction progress) is applied for the construction contracts of which the percentage of completion can be reliably estimated. The completed-contract method is applied for other construction contracts.

(17) Consolidated taxation system

AIDA and certain domestic subsidiaries adopt the consolidated taxation system.

(18) Accounting standards issued but not yet effective

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

(1) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption

The Companies expect to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

AIDA is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

(19) Additional information

Employee stock ownership plan (ESOP) trust

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, 2018 are ¥970 million (U.S. $ 9,133 thousand) and 3,381,800 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, 2018 are ¥104 million (U.S. $ 987 thousand) and 81,800 shares, respectively.

3 U.S. DOLLAR AMOUNTS

The U.S. dollar amounts stated in the consolidated financial statements are included solely for convenience of readers outside Japan. The rate of ¥106.27 = U.S. $1, the approximate rate of exchange as of March 31, 2018, 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 as of March 31, 2018 and 2017 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
	2018	2017	**2018**
Cash on hand and at banks	**¥ 33,163**	¥ 24,491	**$ 312,069**
Add: Securities with maturities of three months or less	**-**	2,000	**-**
Less: Time deposits with maturities of more than three months	**(1,442)**	(918)	**(13,574)**
Cash and cash equivalents	**¥ 31,721**	¥ 25,572	**$ 298,494**

Remarks: The major components of assets and liabilities of subsidiaries newly consolidated by share acquisition
The major components of assets and liabilities at the commencement of consolidation due to share acquisition of Reliance Electric Limited and its subsidiary of RAS Co., Ltd. and the relationship between the acquisition cost of the shares and expenditure for acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 3,591**	**$ 33,793**
Fixed assets	**3,315**	**31,195**
Current liabilities	**(2,233)**	**(21,013)**
Long-term liabilities	**(2,093)**	**(19,701)**
Bargain purchase	**(55)**	**(518)**
Non-controlling interests	**(524)**	**(4,934)**
Acquisition cost	**2,000**	**18,819**
Cash and cash equivalents	**(250)**	**(2,356)**
Expenditure for acquisition	**¥ 1,749**	**$ 16,463**

5 INVENTORIES

"Inventories" on the consolidated balance sheets as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Finished goods	**¥ 2,312**	¥ 1,647	**$ 21,759**
Work in process	**11,038**	9,416	**103,873**
Raw materials	**4,014**	2,962	**37,781**
Inventories	**¥ 17,366**	¥ 14,026	**$ 163,414**

Inventories as of March 31, 2018 and 2017 were offset by a corresponding provision for loss on orders received. A breakdown of the offset amounts as of March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Work in process	**¥ 26**	¥ 21	**$ 249**
Total	**¥ 26**	¥ 21	**$ 249**

Losses recognized and charged to cost of sales as a result of devaluation of inventories for the year ended March 31, 2018 were ¥15 million (U.S. $146 thousand).

Gains recognized and credited to cost of sales as a result of reversal of loss on devaluation of inventories for the year ended March 31, 2017 were ¥122 million.

6 FINANCIAL INSTRUMENTS

Status of financial instruments

(1) Policy for financial instruments

Fund management is restricted to short-term deposits at banks; financing activities of the Companies are mainly through bank loans. Derivatives are not used for speculative transactions, but are used in order to hedge the risks described in a later section.

(2) Types of financial instruments and related risk

Operating receivables (notes and accounts receivable – trade, electronically recorded monetary claims – operating and accounts receivable – other) are exposed to the customer credit risks. In order to hedge foreign exchange risks on operating receivables from global business activities, the Companies use exchange contracts.

As for short-term securities, the credit risk of negotiable deposits is significantly minimized as these investments are limited to financial institutions with high credit ratings.

Operating payables (accounts payable – trade and electronically recorded monetary obligations – operating) are to be settled within 6 months, and partly include foreign exchange risks on import of raw materials from overseas; however, these amounts are within the range of operating receivables in the same currency.

The main purpose of debts is for funding capital investment and research and development. The repayment period for these debts is within 5 years at most.

Investment securities mainly consist of stocks, which are exposed to price fluctuation risk.

Derivatives include forward contracts to hedge transactions subject to foreign exchange fluctuation risk caused by operating receivables and payables denominated in foreign currencies.

(3) Risk management for financial instruments

(3-1). Management of credit risk (risk of contractual default)

In order to manage operating receivables, our sales and service departments (including those in consolidated subsidiaries) monitor account balances and payment schedules periodically, based on the Companies' accounts receivable policies, which also help to identify the financial risks in initial stages.

To minimize counterparty risks, derivative transactions are conducted only with financial institutions with a high credit profile.

At the balance sheet date, the carrying value of financial assets represents the maximum credit risk born by the Companies.

(3-2). Market risk management

The Companies use exchange contracts in order to avoid foreign exchange fluctuation risk on operating receivables and payables denominated in foreign currencies.

Based on internal rules and policies about derivative transactions, the Companies hedge foreign exchange fluctuation risk in a certain range.

Risk management of investment securities is conducted by inspecting market value and financial conditions of issuers, periodically.

(4) Supplementary information on the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market value, if available. Fair value is reasonably estimated if the market value is not available. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. 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.

Information regarding fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheets and fair value as of March 31, 2018 and 2017 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (see Remark 2 below).

As of March 31, 2018

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash on hand and at banks	**¥ 33,163**	**¥ 33,163**	**¥ -**	**$ 312,069**	**$ 312,069**	**$ -**
(2) Notes and accounts receivable – trade and electronically recorded monetary claims – operating	**24,929**	**24,929**	**-**	**234,584**	**234,584**	**-**
(3) Accounts receivable – other	**797**	**797**	**-**	**7,508**	**7,508**	**-**
(4) Investment securities Other securities	**8,395**	**8,395**	**-**	**78,998**	**78,998**	**-**
Total assets	**67,285**	**67,285**	**-**	**633,160**	**633,160**	**-**
(1) Accounts payable – trade and electronically recorded monetary obligations – operating	**11,974**	**11,974**	**-**	**112,681**	**112,681**	**-**
(2) Accounts payable – other	**1,065**	**1,065**	**-**	**10,029**	**10,029**	**-**
(3) Short-term loans payable	**2,611**	**2,611**	**0**	**24,575**	**24,575**	**0**
(4) Long-term loans payable and current portion of long-term loans payable	**1,500**	**1,503**	**3**	**14,114**	**14,148**	**33**
Total liabilities	**17,152**	**17,155**	**3**	**161,401**	**161,434**	**33**
Derivative transactions which are not subject to hedge accounting*	**8**	**8**	**-**	**77**	**77**	**-**
Derivative transactions which are subject to hedge accounting*	**¥ (16)**	**¥ (16)**	**¥ -**	**$ (153)**	**$ (153)**	**$ -**

*The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing net liability position.

As of March 31, 2017

	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash on hand and at banks	¥ 24,491	¥ 24,491	¥ -
(2) Notes and accounts receivable – trade and electronically recorded monetary claims – operating	23,891	23,891	-
(3) Short-term securities	2,000	2,000	-
(4) Accounts receivable – other	1,276	1,276	-
(5) Investment securities Other securities	6,711	6,711	-
Total assets	58,371	58,371	-
(1) Accounts payable – trade and electronically recorded monetary obligations – operating	8,811	8,811	-
(2) Accounts payable – other	854	854	-
(3) Short-term loans payable	2,970	2,970	(0)
(4) Long-term loans payable	1,500	1,505	5
Total liabilities	14,135	14,141	5
Derivative transactions which are not subject to hedge accounting*	(167)	(167)	-
Derivative transactions which are subject to hedge accounting*	¥ 76	¥ 76	¥ -

*The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing net liability position.

Remark 1: Computing method of fair value for financial instruments and information regarding securities and derivative transactions

Assets

(1) Cash on hand and at banks
As these are settled in the short term, carrying value approximates fair value. Therefore, carrying value is used as fair value.

(2) Notes and accounts receivable – trade and electronically recorded monetary claims – operating
As these are settled in the short term, fair value and carrying value of these items are almost the same. Therefore, carrying value is used as fair value.

(3) Accounts receivable – other
As these are settled in the short term, fair value and carrying value of these items are almost the same. Therefore, carrying value is used as fair value.

(4) Investment securities
The fair value of stocks in based on quoted market prices. The information on securities is shown in Note 7.

Liabilities

(1) Accounts payable – trade and electronically recorded monetary obligations - operating
As these are settled in the short term, fair value and carrying value of these items are almost the same. Therefore, carrying value is used as fair value.

(2) Accounts payable – other
As these are settled in the short term, fair value and carrying value of these items are almost the same. Therefore, carrying value is used as fair value.

(3) Short-term loans payable
Fair value is computed by discounting the nominal amount using an interest rate which is assumed to be applied for a new borrowing with the same conditions.

(4) Long-term loans payable and current portion of long-term loans payable
Fair value is computed by discounting the nominal amount using an interest rate which is assumed to be applied for a new borrowing with the same conditions.

Derivative Transactions

Computing method of fair value and information of derivative transactions are shown in Note 8.

Remark 2: Financial instruments for which it is extremely difficult to determine the fair value

As of March 31, 2018

Types of securities	Carrying value: Millions of yen	Carrying value: Thousands of U.S. dollars
Unlisted stocks	**¥339**	**$3,193**
Total	**¥339**	**$3,193**

As of March 31, 2017

Types of securities	Carrying value: Millions of yen
Unlisted stocks	¥113
Total	¥113

Items above do not have market value and their fair value is extremely difficult to determine. Therefore, the amounts above are not included in Investment securities as Other securities.

Remark 3: The redemption schedule for monetary claims or securities with maturities subsequent was as follows.

As of March 31, 2018

	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at banks	**¥33,129**	**¥ -**	**¥ -**	**¥ -**
Notes and accounts receivable – trade and electronically recorded monetary claims – operating	**24,929**	**-**	**-**	**-**
Accounts receivable – other	**797**	**-**	**-**	**-**
Total	**¥ 58,856**	**¥ -**	**¥ -**	**¥ -**

As of March 31, 2018

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at banks	**$311,750**	**$ -**	**$ -**	**$ -**
Notes and accounts receivable – trade and electronically recorded monetary claims – operating	**234,584**	**-**	**-**	**-**
Accounts receivable – other	**7,508**	**-**	**-**	**-**
Total	**$553,843**	**$ -**	**$ -**	**$ -**

As of March 31, 2017

	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at banks	¥24,466	¥ -	¥ -	¥ -
Notes and accounts receivable – trade and electronically recorded monetary claims – operating	23,891	-	-	-
Short-term securities (Negotiable deposits)	2,000	-	-	-
Accounts receivable – other	1,276	-	-	-
Total	¥51,634	¥ -	¥ -	¥ -

Remark 4: The redemption schedule for loans payable was as follows.

As of March 31, 2018

	Millions of yen					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	**¥2,611**	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥ -**
Long-term loans payable	**500**	**500**	**500**	**-**	**-**	**-**
Total	**¥3,111**	**¥500**	**¥500**	**¥ -**	**¥ -**	**¥ -**

As of March 31, 2018

	Thousands of U.S. dollars					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	**$24,575**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Long-term loans payable	**4,704**	**4,704**	**4,704**	**-**	**-**	**-**
Total	**$29,280**	**$4,704**	**$4,704**	**$ -**	**$ -**	**$ -**

As of March 31, 2017

	Millions of yen					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	¥2,970	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	-	500	500	500	-	-
Total	¥2,970	¥500	¥500	¥500	¥ -	¥ -

7 SHORT-TERM SECURITIES AND INVESTMENT SECURITIES

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

As of March 31, 2018

	Millions of yen			Thousands of U.S. dollars		
Types of securities	Acquisition cost	Carrying value	Unrealized gains (losses)	Acquisition cost	Carrying value	Unrealized gains (losses)
Carrying value exceeds acquisition cost:						
Stocks	**¥ 1,343**	**¥ 8,386**	**¥ 7,042**	**$ 12,646**	**$ 78,914**	**$ 66,268**
Sub-total	**1,343**	**8,386**	**7,042**	**12,646**	**78,914**	**66,268**
Carrying value does not exceed acquisition cost:						
Stocks	**27**	**8**	**(18)**	**255**	**83**	**(172)**
Others	**-**	**-**	**-**	**-**	**-**	**-**
Sub-total	**27**	**8**	**(18)**	**255**	**83**	**(172)**
Total	**¥ 1,371**	**¥ 8,395**	**¥ 7,023**	**$ 12,902**	**$ 78,998**	**$ 66,095**

As of March 31, 2017

	Millions of yen		
Types of securities	Acquisition cost	Carrying value	Unrealized gains (losses)
Carrying value exceeds acquisition cost:			
Stocks	¥ 1,343	¥ 6,711	¥ 5,367
Sub-total	1,343	6,711	5,367
Carrying value does not exceed acquisition cost:			
Stocks	-	-	-
Others	2,000	2,000	-
Sub-total	2,000	2,000	-
Total	¥ 3,343	¥ 8,711	¥ 5,367

(2) Sales of securities classified as other securities and aggregate gain or loss were as follows:

For the year ended March 31, 2018

There were no sales of securities classified as other securities for the year.

For the year ended March 31, 2017

There were no sales of securities classified as other securities for the year.

8 DERIVATIVE FINANCIAL INSTRUMENTS

The Companies enter into forward exchange contracts and currency options to hedge market risks relating to possible future changes in foreign exchange rates for foreign-currency denominated trading accounts. These contracts reduce the overall exposure to exchange fluctuations by effectively fixing the transaction costs.

Counterparty risk relating to derivative instruments is relatively low as all counterparties are limited to creditworthy financial institutions. The Companies have internal rules and policies related to derivative transactions.

Fair value information on the derivatives outstanding as of March 31, 2018 and 2017 is summarized in the following tables:

As of March 31, 2018

(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	**¥ 169**	**¥ -**	**¥ 4**	**¥ 4**	**$ 1,595**	**$ -**	**$ 46**	**$ 46**
EUR	**962**	**1**	**17**	**17**	**9,053**	**9**	**161**	**161**
CNY	**183**	**-**	**(13)**	**(13)**	**1,729**	**-**	**(130)**	**(130)**
Total	**¥ 1,315**	**¥ 1**	**¥ 8**	**¥ 8**	**$ 12,378**	**$ 9**	**$ 77**	**$ 77**

Remark: Calculation of fair value is based on information provided by financial institutions.

(2) Derivative transactions (hedge accounting applied)

Currency-related transactions (Deferred hedge accounting method)

	Main hedged item	Millions of yen			Main hedged item	Thousands of U.S. dollars		
		Contract value				Contract value		
		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**	**¥ 5,215**	**¥ 340**	**¥ 207**	**Expected foreign currency transactions**	**$ 49,079**	**$ 3,206**	**$ 1,954**
EUR		**4,988**	**741**	**(61)**		**46,941**	**6,973**	**(576)**
JPY		**1**	**-**	**(0)**		**13**	**-**	**(0)**
CNY		**3,031**	**414**	**(127)**		**28,525**	**3,903**	**(1,198)**
Buy -								
USD		**705**	**-**	**(37)**		**6,642**	**-**	**(356)**
EUR		**43**	**-**	**0**		**405**	**-**	**8**
JPY		**123**	**-**	**1**		**1,162**	**-**	**16**
CNY		**47**	**-**	**0**		**450**	**-**	**0**
Total		**¥ 14,157**	**¥ 1,496**	**¥ (16)**		**$133,221**	**$ 14,083**	**$ (153)**

Remark: Calculation of fair value is based on information provided by financial institutions.

As of March 31, 2017

(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	¥ 1,308	¥ -	¥ (61)	¥ (61)
EUR	3,026	-	21	21
CNY	69	-	(3)	(3)
Buy -				
USD	739	-	(8)	(8)
JPY	2,152	-	(116)	(116)
Total	¥ 7,295	¥ -	¥ (167)	¥ (167)

Remark: Calculation of fair value is based on information provided by financial institutions.

(2) Derivative transactions (hedge accounting applied)

Currency-related transactions (Deferred hedge accounting method)

Millions of yen

	Main hedged item	Contract value		Fair value
		Contract value total	Over 1 year	
Forward exchange transactions:				
Sell -				
USD	Expected foreign currency transactions	¥ 4,222	¥ 798	¥ (109)
EUR		3,305	347	166
JPY		132	1	1
CNY		2,022	475	17
Buy -				
USD		58	-	(0)
EUR		230	-	(3)
JPY		373	-	3
GBP		124	-	1
CAD		72	-	(0)
Total		¥ 10,541	¥ 1,623	¥ 76

Remark: Calculation of fair value is based on information provided by financial institutions.

9 LOANS PAYABLE

Short-term loans payable and current portion of long-term loans payable as of March 31, 2018 consisted of the following:

	Millions of yen	Weighted average interest rate	Repayment dates	Thousands of U.S. dollars
Short-term loans payable	**¥2,611**	**0.70%**	**September 28, 2018**	**$24,575**
Current portion of long-term loans payable	**500**	**0.86%**	**March 29, 2019**	**4,704**
Total	**¥3,111**	**-%**	**-**	**$29,280**

Short-term loans payable as of March 31, 2017 consisted of the following:

	Millions of yen	Weighted average interest rate	Repayment dates
Short-term loans payable	¥2,970	0.85%	September 28 and 29, 2017

Long-term loans payable as of March 31, 2018 consisted of the following:

	Millions of yen	Weighted average interest rate	Repayment dates	Thousands of U.S. dollars
Long-term loans payable	**¥1,000**	**0.68%**	**March 19 and December 15, 2020**	**$9,409**

Long-term loans payable as of March 31, 2017 consisted of the following:

	Millions of yen	Weighted average interest rate	Repayment dates
Long-term loans payable	¥1,500	0.74%	March 29, 2019, March 19 and December 15, 2020

Repayment schedules for long-term loans payable as of March 31, 2018 are as follows:

As of March 31	Millions of yen	Thousands of U.S. dollars
2020	**¥500**	**$4,704**
2021	**500**	**4,704**
2022	**-**	**-**
2023	**-**	**-**

10 RETIREMENT BENEFITS FOR EMPLOYEES

AIDA and certain domestic consolidated subsidiaries have a cash balance plan as a defined benefit pension plan and a defined contribution pension plan. Certain consolidated subsidiaries have a lump-sum payment plan and use 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

The changes in the retirement benefit obligation during the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Balance at the beginning of the year	**¥3,712**	¥3,637	**$ 34,934**
(1) Service cost	**264**	165	**2,484**
(2) Interest cost	**22**	23	**210**
(3) Actuarial gain and loss	**(128)**	(13)	**(1,213)**
(4) Retirement benefits paid	**(321)**	(113)	**(3,025)**
(5) Others	**1,380**	13	**12,993**
Balance at the end of the year	**¥4,929**	¥3,712	**$ 46,384**

*1 Retirement benefit expenses of certain consolidated subsidiaries that use a simplified method are included in "Service cost."
*2 The increase due to the acquisition of subsidiaries is included in "Others."

The changes in plan assets during the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Plan assets at the beginning of the year	**¥4,234**	¥3,972	**$ 39,844**
(1) Expected return on plan assets	**84**	79	**796**
(2) Actuarial gain and loss	**(76)**	72	**(723)**
(3) Contributions by the Company	**217**	216	**2,045**
(4) Retirement benefits paid	**(196)**	(106)	**(1,851)**
Plan assets at the end of the year	**¥4,262**	¥4,234	**$ 40,112**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2018 and 2017 for the Companies' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
(1) Funded retirement benefit obligation	**¥3,467**	¥3,603	**$ 32,629**
(2) Plan assets at fair value	**(4,262)**	(4,234)	**(40,112)**
	(795)	(630)	**(7,482)**
(3) Unfunded retirement benefit obligation	**1,461**	108	**13,755**
(4) Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	**666**	(521)	**6,272**
(5) Net defined benefit liabilities	**1,461**	108	**13,755**
(6) Net defined benefit assets	**(795)**	(630)	**(7,482)**
(7) Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	**¥ 666**	¥ (521)	**$ 6,272**

*Above table includes plans accounted for using the simplified method.

The components of retirement benefit expenses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
(1) Service cost	**¥ 264**	¥ 165	**$ 2,484**
(2) Interest cost	**22**	23	**210**
(3) Expected return on plan assets	**(84)**	(79)	**(796)**
(4) Amortization of actuarial gain and loss	**(5)**	(1)	**(52)**
Retirement benefit expenses	**¥ 196**	¥ 107	**$ 1,845**

*Retirement benefit expenses of certain consolidated subsidiaries that use a simplified method are included in "Service cost."

The component of retirement benefit plan adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Actuarial gain and loss	**¥ 46**	¥ 83	**$ 437**
Total	**¥ 46**	¥ 83	**$ 437**

The component of retirement benefit plan adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Unrecognized actuarial loss	**¥ (613)**	¥(566)	**$ (5,770)**
Total	**¥ (613)**	¥(566)	**$ (5,770)**

The fair value of plan assets by major category, as a percentage of total plan assets, as of March 31, 2018 and 2017 is as follows:

	2018	2017
(1) Bonds	**44.7%**	26.6%
(2) Stocks	**20.3%**	30.9%
(3) Cash on hand and at banks	**-%**	3.7%
(4) General accounts	**27.0%**	26.9%
(5) Others	**8.0%**	11.9%
Total	**100.0%**	100.0%

The expected return on assets has been estimated based on the anticipated allocation to each asset class the expected long-term returns on assets held in each category.

The actuarial assumptions used in the calculation of liabilities for retirement benefits as of March 31, 2018 and 2017 are as follows:

	2018	2017
(1) Discount rate	**Mainly 0.7%**	Mainly 0.7%
(2) Expected rate of return on plan assets	**Mainly 2.0%**	Mainly 2.0%
(3) Expected rate of salary increase	**Mainly 3.1%**	Mainly 3.2%

(2) Defined contribution pension plan

The contributions to the defined contribution plan of the Companies for the years ended March 31, 2018 and 2017 were ¥183 million (U.S. $1,722 thousand) and ¥176 million, respectively.

11 NET ASSETS

Information regarding changes in net assets during the years ended March 31, 2018 and 2017 was as follows:

(1) Shares issued and outstanding / Treasury stock

During the year ended March 31, 2018

Types of shares	Number of shares at April 1, 2017	Increase	Decrease	Number of shares at March 31, 2018
Shares issued:				
Common stock	**73,647,321**	**-**	**-**	**73,647,321**
Treasury stock:				
Common stock (Remarks 1, 2 and 3)	**11,955,096**	**83,183**	**88,000**	**11,950,279**

Remarks: 1. Details of the increase are as follows:

Increase due to introduction of BBT trust	81,800
Increase due to purchase of shares of less than standard unit	1,383

2. Details of the decrease are as follows:

Decrease due to the contribution of BBT trust	81,800
Decrease due to the grant of shares from ESOP trust	2,200
Decrease due to exercising share subscription rights	4,000

3. The number of shares of treasury stock held by the Trust Account E as of April 1, 2017 and March 31, 2018 includes 3,384,000 shares and 3,463,600 shares, respectively.

During the year ended March 31, 2017

Types of shares	Number of shares at April 1, 2016	Increase	Decrease	Number of shares at March 31, 2017
Shares issued:				
Common stock	73,647,321	-	-	73,647,321
Treasury stock:				
Common stock (Remarks 1, 2 and 3)	11,973,276	1,020	19,200	11,955,096

Remarks: 1. Increase due to purchase of shares of less than standard unit 1,020

2. Details of the decrease are as follows:

Decrease due to the grant of shares from ESOP trust	4,200
Decrease due to exercising share subscription rights	15,000

3. The number of shares of treasury stock held by the Trust Account E as of April 1, 2016 and March 31, 2017 includes 3,388,200 shares and 3,384,000 shares, respectively.

(2) Share subscription rights

During the year ended March 31, 2018

							Millions of yen	Thousands of U.S. dollars
Company	Description	Type of shares issued	Number of shares at April 1, 2017	Increase	Decrease	Number of shares at March 31, 2018	Balance at March 31, 2018	Balance at March 31, 2018
Parent company	Share subscription rights as stock options	-	-	-	-	-	**¥148**	**$1,395**
	Total	-	-	-	-	-	**¥148**	**$1,395**

During the year ended March 31, 2017

							Millions of yen
Company	Description	Type of shares issued	Number of shares at April 1, 2016	Increase	Decrease	Number of shares at March 31, 2017	Balance at March 31, 2017
Parent company	Share subscription rights as stock options	-	-	-	-	-	¥151
	Total	-	-	-	-	-	¥151

12 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The significant components of selling, general and administrative expenses for the years ended March 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Salaries and wages	**¥2,483**	¥2,237	**$23,368**
Bonuses	**376**	371	**3,539**
Provision for accrued bonuses for employees	**457**	424	**4,306**
Retirement benefit expenses	**72**	65	**680**
Welfare expenses	**590**	550	**5,555**
Commission expenses	**332**	294	**3,129**
Advertising and promotion expenses	**114**	113	**1,073**
Traveling expenses	**563**	542	**5,301**
Communication expenses	**108**	96	**1,022**
Rental expenses	**293**	264	**2,763**
Insurance expenses	**281**	252	**2,649**
Depreciation expenses	**588**	531	**5,533**
Taxation and other public dues	**375**	406	**3,530**
Compensation fee	**595**	533	**5,605**

13 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in “Cost of sales” and “Selling, general and administrative expenses” for the years ended March 31, 2018 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Selling, general and administrative expenses	**¥ 870**	¥ 956	**$ 8,192**
Cost of sales	**165**	240	**1,561**
Total	**¥ 1,036**	¥ 1,197	**$ 9,753**

14 GAIN ON CHANGE IN INSURANCE

Gain on change in insurance for the year ended March 31, 2018 resulted from the change in an endowment insurance contract in the amount of ¥608 million (U.S. $5,727 thousand).

15 INCOME TAXES

The applicable statutory tax rate in Japan was approximately 30.8% as of March 31, 2018 and 2017, respectively.

(1) Reconciliations of the differences between the effective income tax rates and statutory income tax rates for the years ended March 31, 2018 and 2017 are as follows:

	2018	2017
Statutory income tax rates	30.8%	30.8%
Non-deductible expenses (entertainment expenses and others) for tax purposes	2.5	2.3
Dividend income	(0.6)	(0.1)
Dividends from overseas subsidiaries	0.1	0.3
Inhabitant taxes per capita	0.3	0.2
Difference of tax rates applied to overseas subsidiaries	(3.9)	(1.3)
Tax credit	(4.0)	(4.6)
Changes in valuation allowance	(1.1)	(1.9)
Effect of tax rate reduction	0.9	0.0
Others	2.3	0.4
Effective income tax rates	27.3%	26.2%

(2) The major components of deferred tax assets and liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Loss on write-down of inventories	¥ 660	¥ 589	$ 6,217
Accrued warranty costs	211	206	1,991
Accrued bonuses for employees	320	237	3,013
Depreciation expense	695	866	6,546
Accrued stock payments	101	79	952
Long-term accounts payable - other	120	76	1,131
Tax losses carried forward	1,301	870	12,247
Retirement benefit obligation	411	-	3,874
Others	708	566	6,668
Subtotal deferred tax assets	4,531	3,493	42,644
Less: Valuation allowance	(2,971)	(2,178)	(27,960)
Total deferred tax assets	1,560	1,314	14,683
Deferred tax liabilities:			
Undistributed subsidiaries' earnings	(414)	(374)	(3,898)
Reserve for reduction entry of replaced property	(454)	(461)	(4,281)
Net defined benefit assets	(251)	(197)	(2,366)
Fixed assets	(640)	-	(6,031)
Unrealized gains on other securities	(2,113)	(1,606)	(19,890)
Others	(16)	(112)	(151)
Total deferred tax liabilities	(3,891)	(2,752)	(36,619)
Net deferred tax assets (liabilities)	¥ (2,331)	¥ (1,438)	$ (21,935)

(3) Change in deferred tax assets and deferred tax liabilities due to reduction in corporate income tax rate:

On December 22, 2017, the Tax Cuts and Jobs Act was enacted in the United States. Consequently, the federal corporate income tax rate applicable to AIDA's consolidated subsidiaries in the U.S. was reduced from 35% to 21%.

As a result, as of and for the year ended March 31, 2018, net deferred tax assets have decreased by ¥88 million (U.S. $834 thousand) and income taxes-deferred have increased by ¥88 million (U.S. $834 thousand).

16 LEASES

Description of finance leases is omitted due to its insignificance as of March 31, 2018 and 2017.

The following is a summary of future minimum payments under operating leases, as of March 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Operating leases:			
Due within 1 year	¥ 76	¥ 59	$ 722
Thereafter	27	24	254
Total	¥ 103	¥ 84	$ 976

17 RELATED PARTY TRANSACTIONS

There were no material transactions between AIDA and its related companies and individuals for the years ended March 31, 2018 and 2017.

18 NET INCOME PER SHARE

Shares held by the Trust & Custody Services Bank, 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, 2017 and March 31, 2018 includes 3,384,000 shares and 3,463,600 shares, respectively.

Calculation of net assets per share and net income per share as of and for the years ended March 31, 2018 and 2017 are as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net assets per share*1	¥1,219.02	¥1,145.74	$11.47
Net income - Basic*2	77.59	80.82	0.73
- Diluted*2	77.38	80.65	0.72

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total net assets on consolidated balance sheets	¥75,924	¥70,834	$714,450
Total net assets attributable to shares of common stock	75,210	70,683	707,726
Main differences:			
Stock options	148	151	1,395
Non-controlling interests	566	-	5,328
Number of shares outstanding (thousands of shares)	73,647	73,647	-
Number of treasury stock (thousands of shares)	11,950	11,955	-
Number of shares used for computing net assets per share (thousands of shares)	61,697	61,692	-

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net income	¥ 4,786	¥ 4,985	$45,044
Net income attributable to shares of common stock	4,786	4,985	45,044
Average number of shares outstanding during the years (thousands of shares)	61,695	61,686	-
Potential increase in common stock for the diluted income calculation (thousands of shares)	163	129	-

19 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Net unrealized gains (losses) on securities:			
Amount arising during the year	**¥ 1,679**	¥ 1,025	**$ 15,807**
Reclassification adjustments for gains and losses included in net income	**-**	-	**-**
Amount before tax effect	**1,679**	1,025	**15,807**
Tax effect	**(510)**	(307)	**(4,806)**
Net unrealized gains (losses) on securities	**1,169**	717	**11,000**
Deferred hedge gains (losses):			
Amount arising during the year	**(85)**	(157)	**(801)**
Reclassification adjustments for gains and losses included in net income	**230**	(182)	**2,170**
Amount before tax effect	**145**	(340)	**1,368**
Tax effect	**(43)**	104	**(408)**
Deferred hedge gains (losses)	**102**	(235)	**960**
Foreign currency translation adjustments:			
Amount arising during the year	**1,036**	(1,512)	**9,751**
Retirement benefit plan adjustments:			
Amount arising during the year	**53**	87	**503**
Reclassification adjustments for gains and losses included in net income	**(6)**	(3)	**(63)**
Amount before tax effect	**46**	83	**439**
Tax effect	**(13)**	(26)	**(128)**
Retirement benefit plan adjustments	**33**	56	**311**
Total other comprehensive income (loss)	**¥ 2,340**	¥ (974)	**$ 22,025**

20 BUSINESS COMBINATION

Business combination through acquisition

(1) Outline of the business combination

(a) Name and business description of the acquired company

Name: Reliance Electric Limited

Business description: Manufacture and sale of material supply devices and automated conveyor devices

(b) Main reasons for the business combination

In recent years, as the need for automation and robotization of production facilities to improve productivity grows globally, AIDA has adopted a strategy to aggressively invest in the field of automation products (FA) as a key business and to strengthen its system development capabilities for automation surrounding press machines, under its new medium-term business plan that commenced from this fiscal year.

With the addition of Reliance Electric Limited and its subsidiary RAS Co., Ltd., which possess high technological and service provision capabilities, to the AIDA's group, the group can strengthen its automation system development capabilities and enhance product competitiveness, while exploring new business areas, with a foothold in both companies' technological capabilities and customer bases. For these reasons, AIDA decided to conduct the share acquisition.

(c) Date of the business combination: November 1, 2017

(d) Legal form of the business combination: Acquisition of shares by cash

(e) Name of the entity after the business combination: The name has not been changed

(f) Ratio of acquired voting rights: 80%

(g) Grounds for determining on the acquirer: AIDA acquired 80% of shares by cash

(2) Period of the acquired company's financial results included in the consolidated financial statements from January 1, 2018 to March 31, 2018

(3) Acquisition cost and consideration paid for the acquired company

	Millions of yen	Thousands of U.S. dollars
Consideration		
Cash	**¥ 2,000**	$ 18,819
Acquisition cost	**2,000**	18,819

(4) Major acquisition-related costs

Advisory fee, etc. ¥31 million (U.S. $299 thousand)

(5) Amount of assets acquired and liabilities assumed on the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 3,591**	$ 33,793
Fixed assets	**3,315**	31,195
Total assets	**6,906**	64,989
Current liabilities	**(2,233)**	(21,013)
Long-term liabilities	**(2,093)**	(19,701)
Total liabilities	**(4,326)**	(40,715)

(6) Amount of gain on bargain purchase and its reason

(a) Amount of gain on bargain purchase

¥55 million (U.S. $518 thousand)

(b) Reason for gain on bargain purchase

The excess of fair value of acquired net assets over the acquisition cost arising from the business combination is recognized as a gain on bargain purchase.

(7) Approximate amount and calculation method of impact of business combination on the consolidated statement of income for the fiscal year ended March 31, 2018, assuming that the business combination had been completed at the beginning of the fiscal year.

	Millions of yen	Thousands of U.S. dollars
Net sales	**¥ 4,013**	$ 37,763
Operating income	**15**	146

(Method for calculating approximate amount)

The approximate amount of impact on the consolidated statement of income was calculated as differences between net sales and operating income assuming the business combination had been completed as of the beginning of the year ended March 31, 2018, and net sales and operating income included in the consolidated statement of income. This information is unaudited.

21 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 facilities, and auxiliary business such as services.

AIDA plays a key role for the domestic business.

As for the overseas business, each local company including Asia (China, Hong Kong, Singapore and Malaysia), Americas (U.S.A.) and Europe (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," "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 is used as reportable segment income. Inter-segment sales and transfer prices are based on fair value.

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

As of and for the year ended March 31, 2018

	Millions of yen					
	Japan	Asia	Americas	Europe	Adjustments*1	Consolidated*2
Sales:						
Sales to third parties	**¥ 28,911**	**¥ 13,032**	**¥ 18,481**	**¥ 13,431**	**¥ -**	**¥ 73,856**
Inter-segment sales	**17,486**	**2,789**	**445**	**638**	**(21,360)**	**-**
Total sales	**46,398**	**15,822**	**18,926**	**14,069**	**(21,360)**	**73,856**
Segment profit	**3,459**	**1,628**	**1,206**	**125**	**(107)**	**6,312**
Segment assets	**84,757**	**22,944**	**11,138**	**16,471**	**(18,556)**	**116,755**
Others:						
Depreciation	**973**	**596**	**207**	**287**	**(1)**	**2,061**
Increase in property, plant, equipment and intangible assets	**¥ 3,271**	**¥ 1,560**	**¥ 168**	**¥ 340**	**¥ -**	**¥ 5,341**

As of and for the year ended March 31, 2018

	Thousands of U.S. dollars					
	Japan	Asia	Americas	Europe	Adjustments*1	Consolidated*2
Sales:						
Sales to third parties	**$ 272,055**	**$ 122,639**	**$ 173,908**	**$ 126,388**	**$ -**	**$ 694,991**
Inter-segment sales	**164,551**	**26,250**	**4,194**	**6,005**	**(201,001)**	**-**
Total sales	**436,606**	**148,889**	**178,102**	**132,394**	**(201,001)**	**694,991**
Segment profit	**32,556**	**15,328**	**11,350**	**1,179**	**(1,015)**	**59,398**
Segment assets	**797,572**	**215,902**	**104,814**	**154,994**	**(174,613)**	**1,098,670**
Others:						
Depreciation	**9,157**	**5,609**	**1,949**	**2,704**	**(18)**	**19,403**
Increase in property, plant, equipment and intangible assets	**$ 30,788**	**$ 14,680**	**$ 1,589**	**$ 3,207**	**$ -**	**$ 50,266**

As of and for the year ended March 31, 2017

	Millions of yen					
	Japan	Asia	Americas	Europe	Adjustments*1	Consolidated*2
Sales:						
Sales to third parties	¥ 24,249	¥ 12,966	¥ 18,466	¥ 11,865	¥ -	¥ 67,547
Inter-segment sales	16,927	2,293	286	472	(19,979)	-
Total sales	41,176	15,259	18,752	12,337	(19,979)	67,547
Segment profit or loss	3,521	1,519	1,496	(65)	144	6,617
Segment assets	72,499	21,444	10,401	15,698	(18,360)	101,683
Others:						
Depreciation	1,070	458	179	256	(2)	1,961
Increase in property, plant, equipment and intangible assets	¥ 612	¥ 840	¥ 202	¥ 457	¥ (19)	¥ 2,093

*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

For the year ended March 31, 2018

	Millions of yen			
	Press machines	Service	Others	Total
Sales to third parties	**¥56,300**	**¥15,430**	**¥2,126**	**¥73,856**

	Thousands of U.S. dollars			
	Press machines	Service	Others	Total
Sales to third parties	**$529,783**	**$145,199**	**$20,008**	**$694,991**

For the year ended March 31, 2017

	Millions of yen			
	Press machines	Service	Others	Total
Sales to third parties	¥52,711	¥14,674	¥160	¥67,547

2. Geographical information

(1) Sales

For the year ended March 31, 2018

Millions of yen					Thousands of U.S. dollars				
Japan	U.S.A.	China	Others	Total	Japan	U.S.A.	China	Others	Total
¥26,666	**¥13,794**	**¥8,810**	**¥24,585**	**¥73,856**	**$250,930**	**$129,805**	**$82,903**	**$231,351**	**$694,991**

For the year ended March 31, 2017

Millions of yen				
Japan	U.S.A.	China	Others	Total
¥24,339	¥13,058	¥8,277	¥21,871	¥67,547

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

(2) Property, plant and equipment

As of March 31, 2018

Millions of yen						Thousands of U.S. dollars					
Japan	China	Italy	U.S.A.	Others	Total	Japan	China	Italy	U.S.A.	Others	Total
¥13,481	**¥3,107**	**¥3,090**	**¥2,070**	**¥1,698**	**¥23,449**	**$126,862**	**$29,244**	**$29,084**	**$19,488**	**$15,979**	**$220,658**

As of March 31, 2017

Millions of yen					
Japan	China	Italy	U.S.A.	Others	Total
¥11,131	¥2,866	¥2,889	¥2,116	¥1,811	¥20,815

(Reportable segment information for impairment loss of fixed assets)

There is no impairment loss of fixed assets for the year ended March 31, 2018. Information is omitted due to its insignificance for the year ended March 31, 2017.

(Reportable segment information for amortization and balance of goodwill)

There is no amortization or ending balance of goodwill recorded as of and for the years ended March 31, 2018 and 2017.

(Reportable segment information for gain on bargain purchase)

In the Japan segment, Reliance Electric Limited and RAS Co., Ltd. were newly included in the scope of consolidation in connection with the share acquisition as of November 1, 2017. Consequently, gain on bargain purchase of ¥55 million (U.S. $518 thousand) is recognized for the year ended March 31, 2018. There is no gain on bargain purchase recorded for the year ended March 31, 2017.

22 STOCK OPTIONS

The directors' remuneration amounts recorded in "Selling, general and administrative expenses" for the years ended March 31, 2017 were ¥16 million.

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)	-	-	-	-	-	-	-	-	**1,074**	**1,074**
Fair value per share when granted (yen)	-	-	-	-	-	-	-	-	**865.58**	**671.07**
Share subscription rights which are not yet vested										
Outstanding as of April 1, 2017 (shares)	-	-	-	-	-	-	-	-	-	-
Granted (shares)	-	-	-	-	-	-	-	-	-	-
Forfeited (shares)	-	-	-	-	-	-	-	-	-	-
Vested (shares)	-	-	-	-	-	-	-	-	-	-
Outstanding as of March 31, 2018 (shares)	-	-	-	-	-	-	-	-	-	-
Share subscription rights which have already been vested										
Outstanding as of April 1, 2017 (shares)	**15,000**	**21,000**	**47,000**	**41,000**	**33,000**	**37,000**	**29,000**	**20,000**	**20,000**	**25,000**
Vested (shares)	-	-	-	-	-	-	-	-	-	-
Exercised (shares)	-	-	-	-	-	-	-	-	**2,000**	**2,000**
Forfeited (shares)	-	-	-	-	-	-	-	-	-	-
Outstanding as of March 31, 2018 (shares)	**15,000**	**21,000**	**47,000**	**41,000**	**33,000**	**37,000**	**29,000**	**20,000**	**18,000**	**23,000**

Because it is difficult to reasonably estimate the number of options that will expire 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.

23 SUBSEQUENT EVENTS

(Appropriation of retained earnings)

On June 27, 2018, at the General Meeting of Shareholders, the following appropriation of retained earnings was approved:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥30.00 (U.S. $0.28) per share)	**¥1,954**	**$18,394**

The amount includes dividends of ¥103 million (U.S. $977 thousand) on shares (3,463,600 shares as of March 31, 2018) held by the Trust Account E.

Independent Auditor's Report

Ernst & Young ShinNihon LLC
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Building a better working world

Independent Auditor's Report

The Board of Directors
AIDA Engineering Ltd.

We have audited the accompanying consolidated financial statements of AIDA Engineering Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AIDA Engineering Ltd. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 27, 2018
Tokyo, Japan

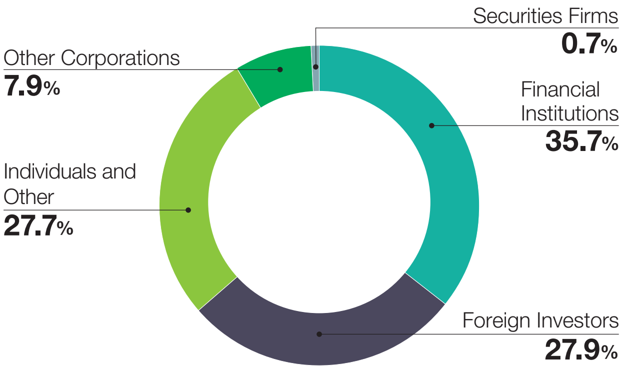
Stock Information

As of March 31, 2018

Securities Code	6118
Stock Listing	Tokyo Stock Exchange, 1st Section
Number of Shares Authorized	188,149,000
Number of Shares Issued	73,647,321
Number of Shares of Treasury Stock	11,950,279*
Number of Shares per Trading Unit	100 shares
Number of Shareholders	6,982
Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd.

*Number of shares of treasury stock includes 3,463,600 shares of treasury stock held by Trust & Custody Services Bank, 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



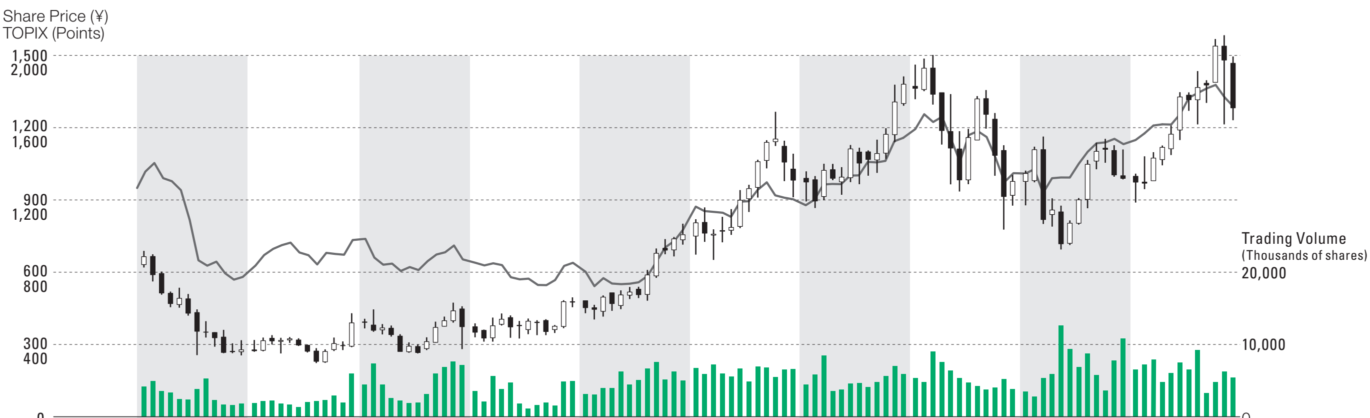
Major Shareholders (Top 10)[*1]

Name of Shareholders	Number of Shares Held (thousands)	Percentage of Total Issued Shares (%)
The Dai-ichi Life Insurance Company, Ltd.	4,000	6.14
Trust & Custody Services Bank, Ltd. (Trust Account E) [*2]	3,463	5.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,828	4.34
Japan Trustee Services Bank, Ltd. (Trust Account)	2,644	4.06
Nippon Life Insurance Company	2,533	3.89
Meiji Yasuda Life Insurance Company	2,516	3.86
Mizuho Bank, Ltd.	2,179	3.34
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	1,965	3.02
Kimikazu Aida	1,444	2.22
JP MORGAN CHASE BANK 385632	1,352	2.08

*1 Although the Company holds 8,486,679 shares of treasury stock, it is excluded from the major shareholders listed above. Ownership percentages are based on 65,160,642 shares, the total number of issued and outstanding shares, less treasury stock.

*2 Shares shown as held by Trust & Custody Services Bank, Ltd. (Trust Account E) are being held in a re-entrustment related to a J-ESOP and Board Benefit Trust (BBT).

Monthly Share Price Range and Trading Volume



	09/3	10/3	11/3	12/3	13/3	14/3	15/3	16/3	17/3	18/3
High (¥)	689	430	474	496	802	1,266	1,413	1,500	1,151	1,586
Low (¥)	255	223	263	312	404	651	867	783	696	889
At Year-End (¥)	278	390	374	476	756	982	1,380	978	988	1,286

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

Corporate Data/History

As of March 31, 2018

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	757 (Consolidated: 2,201)
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.

http://www.aida.co.jp/en/

History

1917 AIDA Ironworks is founded in Honjo, Tokyo, by Yokei Aida.

1923 The factory is totally destroyed by the Great Kanto Earthquake, but 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.

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 Stock Exchange.

1972 Established a subsidiary in the United States.

1974 Tsukui Factory is constructed (the current Tsukui Plant Division in Sagamihara City).

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 United States 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 a newly 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 developed 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 Chinese production base to Nantong City and expanded base.

2011 Established subsidiaries in Vietnam and Morocco.

2012 Established a subsidiary in Russia.

2013 Segregation of production functions from AIDA ENGINEERING (M) SDN. BHD. 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.

Operating Bases

As of September 11, 2018

■ Production facilities ● Global sales and service network ◉ Technology center

Overseas

AMERICAS

■ AIDA AMERICA CORP. (U.S.A.)
7660 Center Point 70 Blvd., Dayton, Ohio
45424-6380, U. S. A.
TEL (1)937-237-2382
FAX (1)937-237-1995

● AIDA CANADA, INC. (CANADA)
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● AIDA ENGINEERING DE MEXICO,
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Poligono Empresarial Santa Rosa, Santa Rosa
Jaureguí, Queretaro. C.P. 76220, México
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● AIDA do Brasil Comércio de Máquinas Ltda.
(BRAZIL)
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Distrito Industrial Vitória Martini, Indaiatuba (SP),
13347-610, Brazil
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● AIDA Germany GmbH (GERMANY)
Südfeld, 9d D-59174 Kamen, Germany
TEL (49)2307-43864-20
FAX (49)2307-43864-40

◉ AIDA EUROPE GmbH (GERMANY)
Josef-Eggler Strasse.8, 88250 Weingarten,
Germany

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City Road, Derby DE1 3RP, England
TEL (44)1332-648200
FAX (44)1332-648221

● AIDA S.r.l. CZECH Branch (CZECH)
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FAX (420)255-739-315

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Lot 81 Ilot C5, Zone Franche d' Exportation,
90 100, Tangier, Morocco
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FAX (212)539-392-262

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FAX (852)2375-6581

■ AIDA PRESS MACHINERY SYSTEMS CO., LTD.
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FAX (86)20-8412-0291

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FAX (60)7-252-0688

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FAX (66)2136-3907 [Services Dept.],
(66)2136-3909 [Sales Dept.]

● PT. AIDA INDONESIA (INDONESIA)
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Timur -Bekasi 17530, Indonesia
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● AIDA INDIA PVT. LTD. (INDIA)
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Sector 30, Gurgaon 122001, Haryana, India
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FAX (91)124-4716889

● AIDA VIETNAM CO., LTD. (VIETNAM)
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Industrial Park, Kim Chung Commune, Dong
Anh District, Hanoi, Vietnam
TEL (84)4-3885-3388
FAX (84)4-3885-3399

● AIDA GREATER ASIA PHILIPPINES , INC.
(PHILIPPINES)
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Business Park, Ayala Alabang, Muntinlupa City,
Philippines 1780
TEL (63)2-771-1561
FAX (63)2-771-1268

Domestic

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

■ ACCESS, LTD.

■ Reliance Electric Limited
RAS Co., Ltd.

AIDA

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