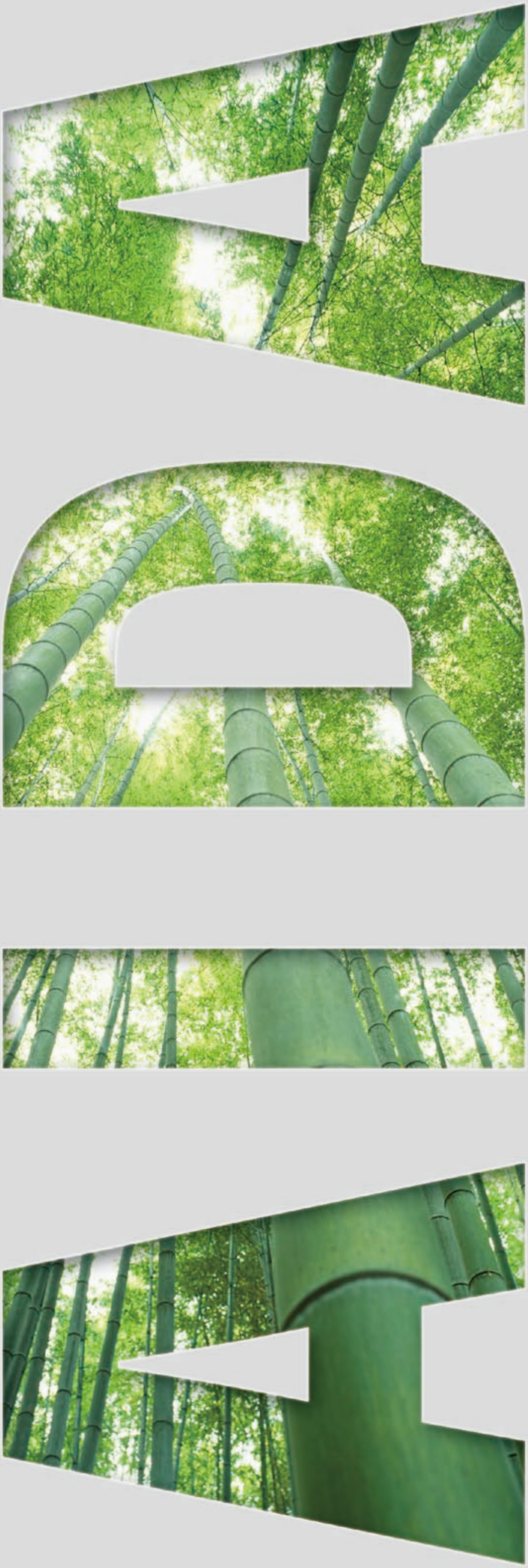


AIDA ENGINEERING, LTD.

Annual Report 2014

Profile

A wide array of industrial products underpins our affluent lifestyle. Many of the metal parts that make up these industrial products are made using press forming systems.

AIDA ENGINEERING has supported technological innovation in the manufacturing of a succession of industrial products for more than ninety years since its establishment in 1917.

Even more technological innovation, including adaptations for new materials, is now required in the press forming sector going forward to achieve an environmentally friendly and more affluent lifestyle. As a leading company in the sector, AIDA ENGINEERING is actively addressing these challenges. We will further refine the strengths that we have developed to date as we aim to realize sustainable growth even in a future of globalization across all sectors and dramatic changes.

For Realizing Sustainable Growth

Contents

Cautionary Statements with Respect to Forward-Looking Statements

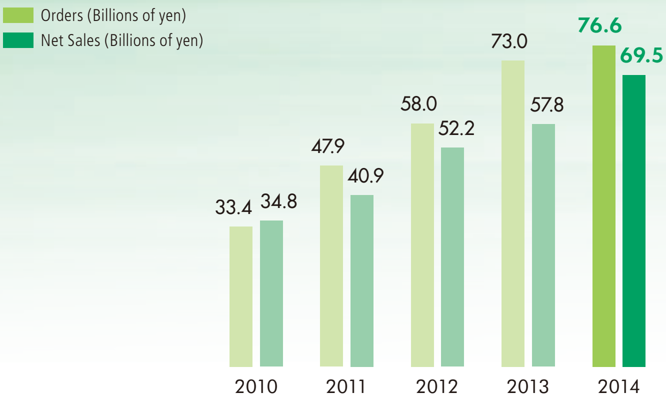
Statements made in this annual report with respect to plans and future performance that are not historical fact are forward-looking statements. These statements are based on management's assumptions and beliefs in light of currently available information. AIDA ENGINEERING cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include but are not limited to foreign exchange rates, market trends and economic conditions.

Cautionary Statements with Respect to Graphs and Financial Figures

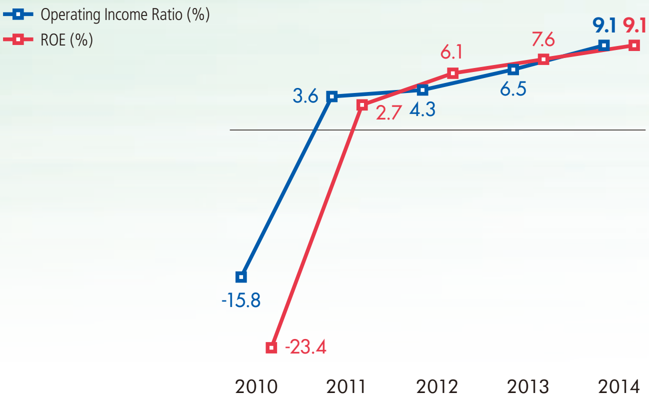
The amounts presented in yen are truncated after either billions or millions.

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

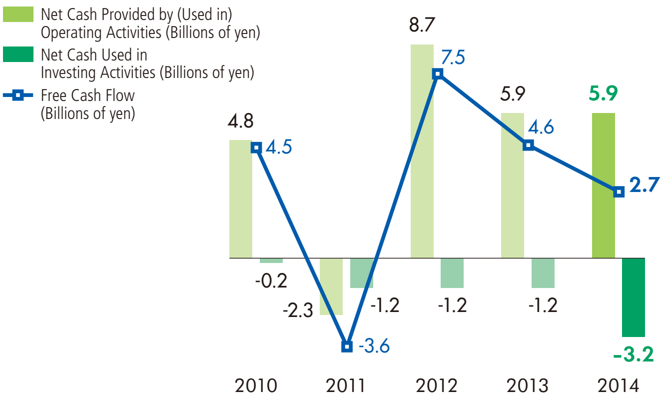
Sustainable Growth



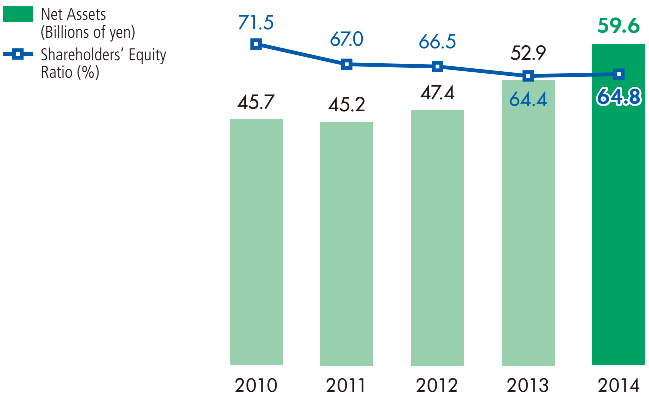
Improvement of Profitability



Generation of Cash Flow



Robust Financial Base



To Our Stakeholders

Aiming to Establish AIDA as the Top Brand in the Global Marketplace

In April 2014 we started a new Medium-Term Management Plan (a three-year plan that runs through the fiscal year ending March 31, 2017). The new Medium-Term Management Plan continues the strategies of the prior Medium-Term Management Plan and we will be bolstering our business infrastructure in order to sustain growth over the medium- and long-term and also be putting in place a solid foundation that will enable even further business expansion. Though AIDA will be marking its 100-year anniversary in March 2017, we are also looking to the future as we aim to establish AIDA as the top brand in the global marketplace.

President & CEO
Kimikazu Aida

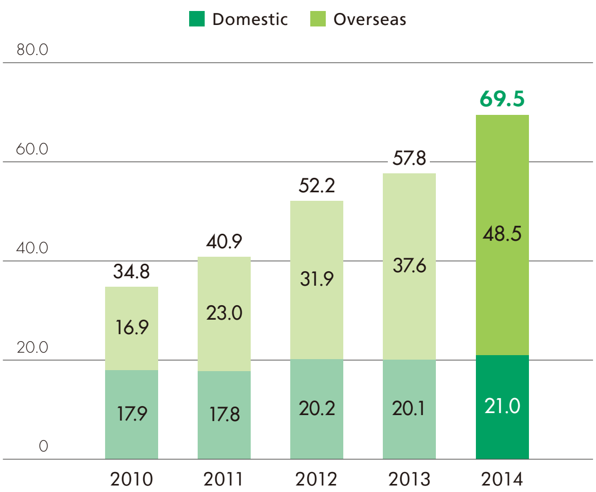
Q How were business results and dividends for the fiscal year ended March 31, 2014?

A **Automotive-related business trended favorably, and for the 4th year in a row we achieved higher sales, profits, and dividends.**

In the fiscal year ended March 31, 2014 (hereafter referred to as "the fiscal year under review"), though press machine manufacturing industry orders in North America, Europe, and China were trending very favorably, the slump in Southeast Asia and in Central and South America had a negative impact, and exports overall were down year-on-year. However, thanks in part to tax incentives promoting machinery investments, domestic orders in Japan began trending favorably in the latter half of the fiscal year under review, and overall order intake grew to ¥141.1 billion, a 4.3% year-on-year increase (Source: Japan Forming Machinery Association; Press-Related Machinery Orders).

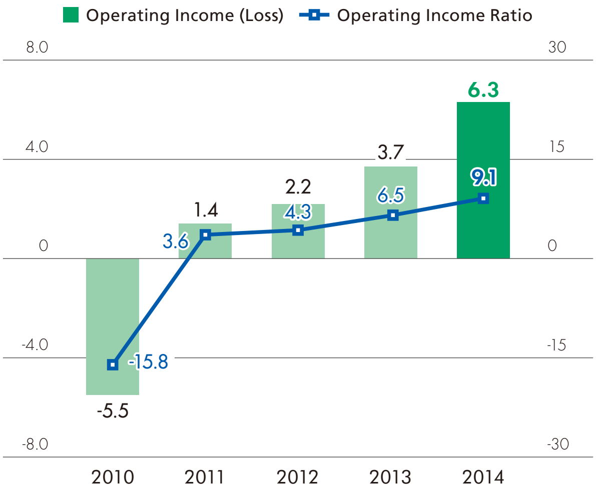
Order intake for the AIDA Group also hit a new record of ¥76.6 billion (a 5.0% year-on-year increase) thanks in part to increased demand from automotive-related industries that were increasing manufacturing capacity in order to target newly developing countries, and our order backlog also grew to ¥58.5 billion (a 13.7% year-on-year increase). Under these favorable order intake conditions, net sales from overseas deliveries—including many in the Americas—rose to a record high of ¥69.5 billion (a 20.4% year-on-year increase).

Net Sales (Billions of yen)



In terms of profits, because of increased revenues and cost ratio improvements, etc., operating income rose to ¥6.3 billion (a 68.1% year-on-year increase that translates into an operating income ratio of 9.1%), and ordinary profit reached ¥6.7 billion (a 64.7% year-on-year increase). Though our tax liability increased due in part to the dissolution of loss carried forward in tax accounting, net income for the year in question reached a record high of ¥5.1 billion (a 34.7% year-on-year increase).

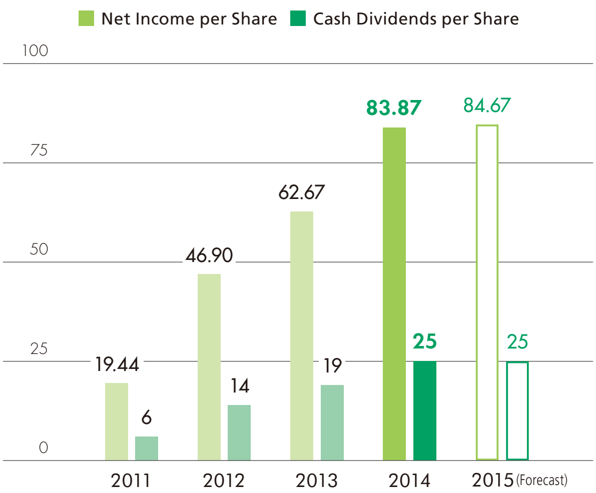
Operating Income (Loss)/ Operating Income Ratio (Billions of yen / %)



The fiscal year under review was the final year of the prior Medium-Term Management Plan, and together with achieving higher sales and higher profits for four straight fiscal years, we were also able to beat our targets of net sales of ¥65.0 billion and an operating income ratio of 8%.

Regarding profit distributions, AIDA comprehensively considers a stable business infrastructure and future expansion of operations, etc., and also places emphasis on the continuation of stable dividends by factoring in our dividend on equity (DOE) ratio, and AIDA's basic policy is to continue targeting a dividend payout ratio of 30% for each consolidated fiscal year based on its consolidated business results. Based on this basic policy, dividends per share reached an all-time high of ¥25—a ¥6 increase from the ¥19 dividend paid in the prior fiscal year.

Net Income per Share/ Cash Dividends per Share (Yen)



To Our Stakeholders

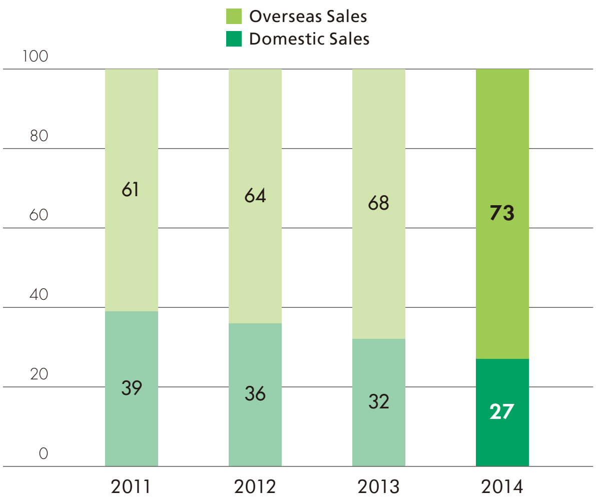
Q What were the results of the prior Medium-Term Management Plan?

A We made great strides in expanding the number of new customers in Europe and the Americas, etc., and we achieved solid results.

In the prior Medium-Term Management Plan we focused on the two key policies of "Creating Customers" and "Increasing Value-Added Content" based on the slogan of "As a forming systems builder, we will strike a balance between 'innovation' and 'continued sustainable growth as a global corporation,' and we will expand as a corporate Group that is trusted by society."

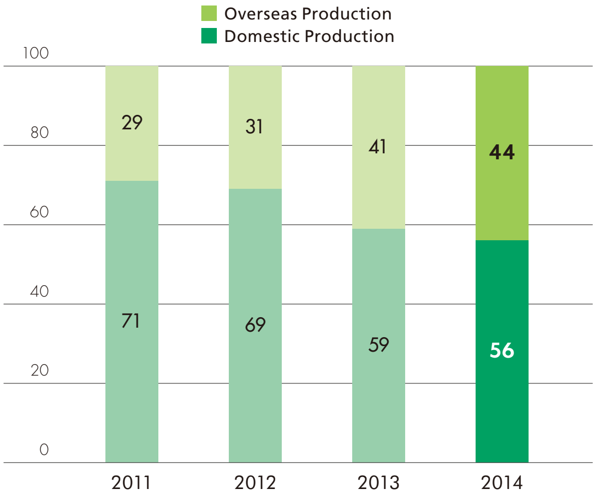
In terms of "creating customers," thanks to proactive initiatives to sell to new local users located primarily in Europe and the Americas, we were able to achieve significant results, including large orders from the European luxury automotive manufacturer Jaguar Land Rover and from the electric vehicle manufacturer Tesla Motors. In the past the customer base of the AIDA Group consisted of primarily Japanese companies, but thanks to bolstered sales efforts overseas we have been able to increase the percentage of overseas customers to approximately 40%. I think it would be fair to say that this result is due to the trust we have garnered from the market's high estimation of AIDA's technological prowess as epitomized by our large "servo tandem lines" in addition to our global operations network that consists of 5 global manufacturing locations (including Japan) and sales and service offices in 20 countries.

Balance between Overseas Sales and Domestic Sales for Press Machines (%)



As for the other key policy of "increasing value-added content," the previously strong general-purpose press and high-speed press products have struggled due to sluggish markets, but our highly profitable Service business was able to expand by 150% compared to before the start of the prior Medium-Term Management Plan, and this contributed greatly to the achievement of stable profits and the improved profitability of the AIDA Group. Additionally, we have been able to post solid results in terms of reaching our targets related to higher productivity—such as improving our inventory asset turnover ratio and increasing the percentage of overseas production—through bolstering the manpower and machinery at our overseas production facilities. The inventory asset turnover ratio grew from 3 rotations before the start of the prior Medium-Term Management Plan to 4.9 rotations, and likewise, the percentage of overseas production (in terms of monetary amounts) rose from 29% to 44%.

Balance between Overseas Production and Domestic Production for Press Machines (%)



In this manner during the prior Medium-Term Management Plan, the AIDA Group further progressed in its globalization—in terms of sales, the AIDA Group's operations successfully broke away from their dependence on Japanese customers, and in terms of production the Group bolstered its overseas production system.

Q What is the business forecast for the fiscal year ending March 31, 2015?

A Our goal is to achieve higher sales and higher profits for a fifth straight year.

In the fiscal year ending March 31, 2015 we are continuing to aim for a 5th straight year of higher sales and profits. Though strong investments by the automotive industry are certainly helping, the AIDA Group's market strategies and product strategies are also adapted to fit the market conditions, and we are seeing the favorable results of these strategies. Though we are projecting a small decrease in ordinary profit, we are projecting higher net sales, operating income, and net income for the fiscal year, and we are aiming to set new records. Moreover, in terms of dividend payments, we are planning to maintain the same level of ¥25 per share.

Towards the future one hundred years and beyond

Q What are your growth strategies going forward?

A With our new Medium-Term Management Plan, we are aiming to establish AIDA as the top brand in the global marketplace.

In the press machine manufacturing industry there is an upturn in demand due in part to more equipment investments in automotive-related industries. However, the harsh competitive environment is continuing, and we cannot afford to let down our guard just as before.

We commenced the new three-year Medium-Term Management Plan in 2014, and it will end in the fiscal year ending March 31, 2017 when we will be marking the 100th anniversary of the founding of our company. The new Medium-Term Management Plan promotes the vision of "As a cutting-edge corporation that supports manufacturing, we will further develop and pursue environmentally friendly and energy-saving products," and we will press forward to strengthen our business foundation in order to sustain continued medium- and long-term growth and to build a solid foundation that will enable expanded operations. Additionally, as we push towards future growth, we will proactively take up new challenges in order to keep pace with changes and technological innovations in the market. The AIDA Group is still in the process of globalizing, and going forward, we will further increase coordination between the various divisions in the Group—including Development, Engineering, Manufacturing, Marketing, and Service—and we will mobilize all of our resources in order to establish AIDA as the top brand in the global marketplace.

We would like to ask all of our shareholders for their continued support of our business operations.

Forecast for the FY ending March 31, 2015 (Billions of yen)

	2014 (Results)	2015 (Forecast)	Change (%)
Net Sales	69.5	70.0	+0.6%
Operating Income	6.3	6.4	+1.3%
Operating Income Ratio	9.1%	9.1%	
Net Income	5.1	5.2	+1.5%

July 2014

Kimikazu Aida
President & CEO

Special Feature 1

AIDA's Strengths 1

Industry-Leading Product Development Capabilities

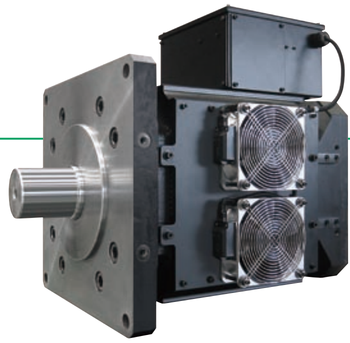
DSF-P Series (High-Performance Progressive Servo Press System) awarded the *Nikkan Kogyo Shimbun*'s 2013 (56th) Best 10 New Product Awards

An Extensive Product Lineup That Meets a Wide Range of Requirements

From small 35-ton to large 4,000-ton class press machines, AIDA's press products are meeting the wide-ranging requirements of our customers, and we offer extensive product lineups for every forming application, including high-precision forming, thick plate forming, progressive forming, cold forging, transfer forming, and high-speed automatic forming. In 2002, we developed the world's first general-purpose direct-drive servo press which boasts high accuracy and high formability compared to conventional press machines, and it has been instrumental in our business with the automotive industry. Since 2002, AIDA has leveraged its diverse and innovative R&D capabilities to meet increasingly diversified market requirements and has continued to develop a succession of new servo press models—including high-precision forming servo presses, the world's fastest class of large servo tandem lines, and servo transfer presses—and AIDA has expanded its customer base and has developed strong partnerships with its customers. Recently in 2013, AIDA unveiled the evolutionary DSF-A Series general-purpose servo press line as well as the DSF-P Series (awarded the *Nikkan Kogyo Shimbun*'s 2013 (56th) Best 10 New Product Awards) that enables maximum productivity for progressive applications via simple operations. With its extensive product lineup AIDA has continued to maintain its top position in terms of net sales in the Japanese market.

Independently Developed and Manufactured Servo Motors That Showcase AIDA's Technological Expertise

AIDA's technological advantage is that it possesses the engineering expertise to develop the servo motors that drive the AIDA servo presses. AIDA's independently developed high-capacity low-speed, high-torque servo motors coupled with direct-drive mechanisms that directly transmit motor torque to the press machine's drivetrain deliver the power and accuracy needed to achieve precision metalforming. All AIDA servo press machines are equipped with these unique servo motors—the only such motors in Japan—that were developed and are manufactured in-house, and this technology together with AIDA's after-sales service set it apart from the competition.

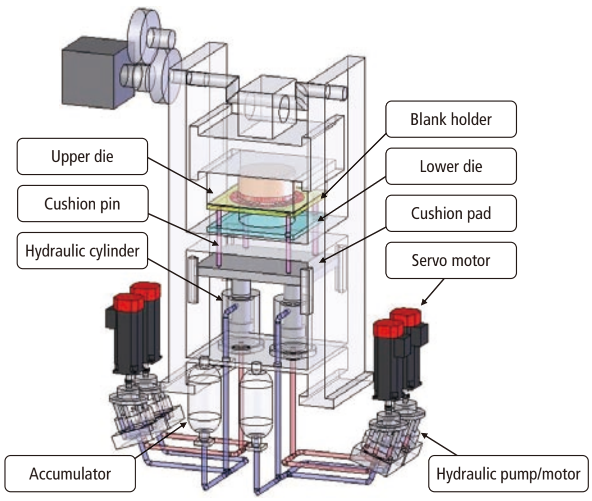


AIDA's independently developed and manufactured servo motors are at the heart of AIDA servo presses

Press Lines That Make the Visions of Automotive Designers a Reality

In recent years, automotive sales trends have been driven by vehicle designs and fuel efficiency, and automotive manufacturers are also being driven by consumer tastes rather than by the conventional demands from their production facilities for stable and simple production. Press machines are suited for mass production and thus they are also being asked to deliver not only higher production speeds but also the higher formability that makes superior designs a reality. Though AIDA servo presses have enabled forming that was not possible using conventional methods, servo die cushions also play a major role in such forming technologies.

A die cushion is an equipment that serves to "cushion" the impact forces during forming. The motorized hydraulic servo die cushion developed by AIDA not only makes graceful and curved automotive designs a reality in deep drawing, but it also uses hydraulics to lessen impact forces and to apply the force necessary to reduce product surface wrinkling, thereby enabling the press machine to reliably form the contours required by designers. Moreover, AIDA servo die cushions are environmentally friendly because they use regenerated electrical power*. As the requirements for press machines are becoming increasingly more demanding due to changing conditions and times, AIDA is held in high esteem in the marketplace for its innovative technological capabilities that achieve high-level results for a wide variety of requirements.



AIDA's motorized hydraulic servo die cushion configuration

* Regenerated electrical power: The motor rotates in the opposite direction during deceleration, which generates electrical power just like an electrical generator.

A finished automobile sporting a highly appealing design

A large servo press line for forming automotive body panels

Special Feature 1

AIDA's Strengths 2

The Production and Quality Control Systems That Deliver High Quality

Technological Expertise That Enables High Rigidity, High Accuracy and High Quality

The press systems manufactured by AIDA are an essential part of stamping factories, and these presses have been used in production for several decades. And AIDA's products are supported by uncompromising manufacturing standards. AIDA's manufacturing technologies that enable industry-leading high rigidity, high accuracy, and high quality have been handed down from generation to generation throughout its over 90-year history, and this is a major force that now supports the global production system. Moreover, these systems that maintain and improve AIDA's technological capabilities have served as the wellspring of AIDA's corporate values.

1 Production Processes That Enable High Rigidity

Very high rigidity is required to maintain press accuracy and to continue to use the press machine over several decades. AIDA press machines are especially known for their high rigidity. Exhaustive quality control measures are implemented during each process in order to achieve such high rigidity.

First, the designs of the main structural frame components that support the press machine are subjected to Finite Element Method* (FEM) analysis in the Engineering Department before they are released to the production floor.

The welding process is also subjected to strict controls, such as checking clearances where the frame plates meet and having experienced welders oversee the welding of the initial layer, as this can greatly affect the overall weld quality. Also, the residual stresses that build up during the welding process are released using the stress-relieving furnace located inside the AIDA factory. Additionally, preventive measures such as needle peening are performed in order to diffuse the stresses that are unavoidably exerted on each component and location during presswork.

These manufacturing processes that enable high rigidity come at a higher cost, but this is just part of AIDA's commitment to manufacture products that its customers can feel secure about using for many years. Frames that have been stress-relieved are sent through the shot-blast, painting, and the centerlining inspection processes before being sent on to the machining processes. These processes from welding through machining are laid out in the same factory area, and these sequential production lines can flexibly accommodate changes in types and quantities, thereby greatly contributing to shorter lead times and better productivity.

* Finite Element Method (FEM) analysis is a numerical technique for analyzing stress, deformation, strength, and vibration characteristics in materials, components, and other objects.

2 Our Commitment to Component Machining Accuracy

In order to manufacture products with high accuracy and high quality, AIDA manufactures all the main structural components and all the critical primary components of its press machines in-house. And AIDA minimizes the effects of temperature fluctuations on product accuracy by maintaining a uniform temperature throughout the year inside its high-precision machining facility. High product accuracy is achieved via "dynamic setup" machining methods that use fixtures, etc., to pre-apply the type of deformation (compression, tension, deflection, etc.) that is expected to be exerted on the component after it is installed.

For example, when machining female threads that will be subjected to compression forces after assembly, the equivalent compression forces will be applied while the part is being machined. This method makes it possible to assure 0.02 mm thread clearances.

And in the case of machining irregular-shaped components, the amount and the location of deflection that is calculated via FEM analysis is noted on the drawings, and the target clearances needed when the press machine is in operation are achieved by using a dynamic setup during the machining process. And AIDA is promoting even better quality and higher accuracy in its production processes by introducing three laser trackers which are capable of high-precision measurements of horizontal, vertical, and other measurable features of large objects, thereby combining the experience-based methods of its skilled workers with scientific methods.

3 Rigorous Quality Control

AIDA strives to improve customer satisfaction via exhaustive quality control measures that start from the design stage and continue on through final customer acceptance.

In the Engineering Department, multiple design reviews are held in order to assure compliance with customer requirements and to improve the quality of the designs. FEM analyses are performed on all the main structural components of press machines that will be used to manufacture automobile frame members—where the usage of super high-strength steels has become mainstream—in order to visualize possible risks.

Once all the primary components being processed in the upstream Welding and Machining departments in the Manufacturing Department have undergone in-process quality inspections, there is a firmly entrenched independent evaluation system that prevents components with quality issues from being sent on to the next process. Likewise, purchased parts from suppliers are also subjected to a receiving inspection, and suppliers are also subjected to both regularly scheduled and unscheduled visits for training purposes, and supplier parts are subjected to the same strict quality checks used for internally manufactured parts. In the downstream Assembly and Inspection departments in the Manufacturing Department, quality is assured by either using the AIDA Manufacturing Standards or, once the in-process inspections have been performed in all processes by qualified personnel, by having a dedicated Quality Inspector confirm the specifications, functionality, operation, and the customer requirements of the finished product before it is shipped to the customer.

Moreover, the Sales Department has the customer fill out a Customer Satisfaction Survey after delivery, and there is a system in place to disseminate customer feedback (evaluations, complaints, requests) within the Company.

This important feedback information is disseminated to all departments via the Quality Control Meeting in order to further strive to improve customer satisfaction.

AIDA's Global Production System

AIDA's commitment to high-quality production is also the same at each of its five global production facilities. Global production and capacity loading is primarily coordinated at AIDA ENGINEERING, LTD., and we are building a production network that enables production and procurement at optimal locations as well as shorter lead times and lower shipping and tariff costs. Moreover, equipment investment decisions are also made based on overall optimization, and we are moving ahead to even further improve production efficiencies and bolster our production capabilities by installing identical machining centers that can share machining programs.

AIDA S.r.l. (ITALY) Brescia Factory

Special Feature 1

AIDA's Strengths 3

Enabling Long-Term Business Relationships with Customers through Service Activities

Achieving Long-Term Business Relationships through Service Activities

Even after a press machine has been in operation for a long time, overhauling it by replacing parts and performing corrective machining can further lengthen its lifespan. AIDA provides fast and precise service that enables its customers to confidently use its products for a long time. AIDA's framework for these service operations enables to bring a sense of security that will be the foundation of long-term business relationships with its customers.

You Can Have Confidence in AIDA Overhauls

Press machines are generally used for a very long time, and it is not possible to avoid heavy impact forces and vibration when the press machine is running.

AIDA's preventive maintenance checks not only confirm that safety devices are operating correctly, but they also check the condition of many other items—ranging from mechanical components and electronic devices to pneumatic, hydraulic, and lubrication systems—from the standpoint of press machine's accuracy and the overall condition of the press machine. AIDA leverages its state-of-the-art equipment to provide overhaul services that can only be provided by a manufacturer who designs new products from scratch, and AIDA customers appreciate the fact that such overhauls proactively support their production by averting unexpected press stoppages before they occur as well as support even more stable long-term operation.

Work being performed by experienced press machine technicians

Retrofitting: A Wide Range of Options with a Proven Track Record

While an overhaul is where components are replaced or problems are remedied in order to restore functionality or to countermeasure obsolescence, a retrofit is where a press machine is outfitted with additional features to make it a more advanced press. It is also possible to convert a mechanical transfer to a servo transfer to enable three-dimensional motion, or to replace entire control and operation panels in order to dramatically enhance user settings and operability. We offer a wide variety of proven retrofit services, including a "2-Day Weekend Menu" of retrofit jobs that can be completed over a 2-day weekend and thereby not impact customer production schedules.

Retrofit example (converting a Mechanical Press to a Servo Press)

Establishing Dominance with a Service Network That Spans the Globe

Overseas expansion of our customers as represented by the automotive and consumer electronics industries has grown in both scope and scale. As such, there are many requests for overhauls of local equipment or of equipment at the time it is being relocated. Leveraging our globally expanded network, we provide extensive support ranging from export-related tasks to local onsite work and after-sales service. Including Japan, our current global support network boasts 36 offices in 20 countries.

The fact that AIDA ventured overseas early on as a dedicated press machine manufacturer and went on to establish production facilities in five countries provides a feeling of security to our customers and is also a foundational element of AIDA's dominance.

Special Feature 1

AIDA's Strengths 4

Providing Comprehensive Solutions to Support Customer Production

Comprehensive Solutions as a "Forming System Builder"

As a "forming system builder," AIDA doesn't only design press machines, but we also design entire forming systems that include material insertion, forming processes, material conveyance, and product removal. The AIDA Group includes ACCESS, Ltd., a company which develops, designs, and manufactures automation equipment such as feeders and transfer robots, and also includes the AIDA Forming Engineering Center, which is a division that researches metalforming technologies. This enables AIDA to recommend comprehensive production line solutions that will improve production efficiencies and enable high-accuracy forming.

For example, a production line consisting of multiple small general-purpose presses enables flexible production because the line configuration can be changed based on the type of stamping work being performed. This system leverages advanced transfer technologies and synchronization technologies in order to achieve optimal throughput for entire press lines by synchronization with press machines and transfer equipments. Comprehensive solutions like this and the associated technologies are factors that lead customers to choose AIDA solutions.

A line composed of multiple 150-ton press machines.
With the 3 press machines lined up side-by-side it can also be utilized as a 450-ton press machine.

Providing High Value-Added Content by Developing Forming Methodologies That Have Turned Conventional Metalforming Concepts on Their Head

AIDA developed a new methodology called Flow Control Forming (FCF) which combines sheet forming and forging concepts. This has enabled the forming of high value-added shapes from sheet metal material, such as localized thin and thick walls, stepped contours, and toothed shapes. Products that couldn't be made without using machining, sintering, or die casting processes or without welding two parts together can now be manufactured using only press processes, and this translates into overwhelming cost benefits and enables the usage of more compact production equipment and fewer process steps. Moreover, FCF methodologies have also garnered attention as being environmentally friendly manufacturing methods that help conserve resources and energy and enable more lightweight products.

Because FCF methodologies involve the high-deformation forming of materials, die designs must take into account stress concentrations, elastic deformation of the die, and dimensional changes and seizing resulting from thermal expansion, and thus press machines with high rigidity are also required. AIDA provides high value-added solutions to support the manufacturing activities of its customers that include both tangible elements like press machines and intangible elements such as metalforming methodologies and dies.

Example of products manufactured using FCF methodologies

FCF Methodology (Sheet Forging)

Sheet Forming + Cold Forging

- Enables forming of variable thicknesses and stepped parts.
- Enables a transition to large thin-walled parts.
- Enables localized wall thickening and boss forming.
- Enables high-precision shearing.

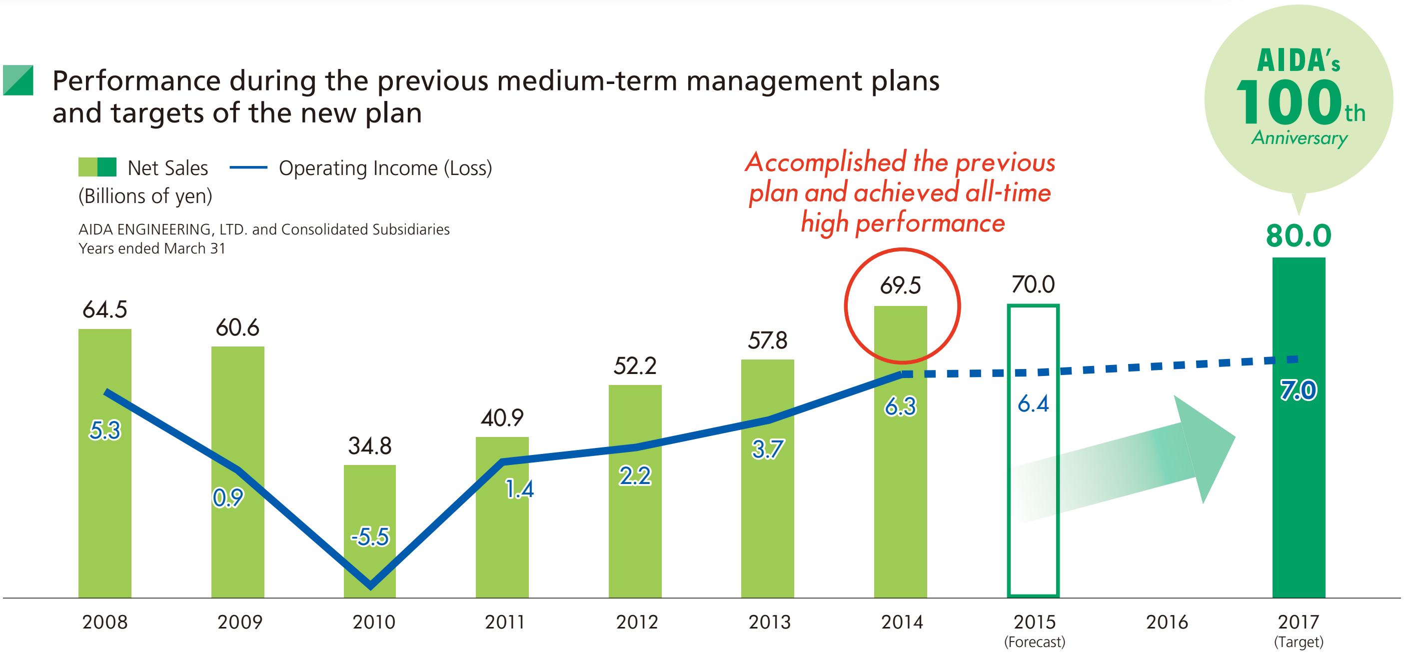
- Eliminates machining processes.
- Enables the cold-forging of hot-forged parts.
- Enables the forming of a single part that replaces two-piece parts.

Special Feature 2

Towards the future one hundred years and beyond

The New Medium-Term Management Plan

Performance during the previous medium-term management plans and targets of the new plan



FY2008-2011 Medium-Term Management Plan

Diversify Products and Enhance Global Systems

FY2012-2014 Medium-Term Management Plan

Achieve Sustainable Growth as a Global Company

FY2015-2017 New Medium-Term Management Plan

Enhance Foundation for Further Growth Looking ahead to AIDA's 100th Anniversary

FY2015-2017 New Medium-Term Management Plan

Vision

As a Cutting-Edge Corporation That Supports Manufacturing, We Will Further Develop and Pursue Environmentally Friendly and Energy-Saving Products

Basic Policies

Enhance Foundation for Further Growth Looking ahead to AIDA's 100th Anniversary

- **Put in Place a Solid Corporate Foundation That Will Enable Even Further Business Expansion**
- **Establish AIDA as the Top Brand in the Global Marketplace**
- **Pursue New Forming Technologies**

Performance Targets

Net sales
Net sales exceeding ¥80.0 billion by the fiscal year ending March 31, 2017

Operating income
Operating income exceeding ¥7.0 billion by the fiscal year ending March 31, 2017

Shareholder returns
A consolidated payout ratio of approximately 30%, taking into account the consolidated dividend on equity (DOE) ratio

New Medium-Term Management Plan Strategic Action Plan

Basic Strategies

Develop Market and Customer Base
- Enhance Technical Marketing (Optimize Sales Engineering Function)
- Diversify and Expand Marketing Channels

Strengthen Products
- Upgrade and Expand AIDA Core Products
- Further Expansion of Servo Technologies
- Take on the Challenge of New Materials and New Forming Systems

Pursue Further Globalization
- Establish a Global Network System
- Develop a Global Production System
- Develop Global Human Resources

Strategic Action Plan by Business Segment

Business Segment	Objectives	Strategic Action Plan
Press Machine Business (1) Custom-Made Presses	• Secure Competitive Edge • Improve Profitability	• Continue to differentiate product functions and promote standardization • Expand our servo product lineup • Reduce cost by refining our global co-manufacturing system
Press Machine Business (2) General-Purpose Presses	• Differentiate from Competitors in Emerging Countries	• Reduce manufacturing costs by increasing the production of servo motors for general-purpose presses • Shift the production of general-purpose servo presses overseas and expand global sales
Press Machine Business (3) High-Speed Presses	• Develop Growth Markets • Develop the Vehicle Electronics Market	• Boost demand in emerging countries and expand our product lineup for the markets • Develop products for the eco-friendly car market
Service Business	• Enhance Solution Business • Expand Service Operations in Overseas Markets	• Develop modernization (retrofit) products Generate demand for modernization (through servo conversions and upgrading transfer systems and automation, etc.) • Expand offices and increase / develop service personnel

Corporate Governance

Organizational Initiatives to Support Promotion of Business

AIDA ENGINEERING promotes its business to secure high growth and profitability with a global production system that has bases located in five countries. Internal organizational control that comprehensively supports the promotion of our business is essential, not only as a business strategy, but also for the smooth promotion of business at our bases in Japan and overseas. This is systematically implemented based on a variety of regulations, supporting long-term growth in the Company's corporate value.

Governance Structure

In order to reinforce the functions of its fair and sound management system, expedite decision-making and ensure transparency, the Company has appointed external officers (two external directors and three external statutory auditors), each of whom maintain a high level of independence, and is working to reinforce the supervisory functions of its management by enhancing its operating officer and internal control systems.

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

The Company's management structure comprises operating officers, seven of whom concurrently serve as directors, and two external 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. Moreover, each department regularly reports its performance in the Monthly Performance Review Meeting, which, in addition to the manager of the department, is attended by the directors, the statutory auditors and the operating officers, who strive to assess the overall status of execution of operations at the Company in a timely manner.

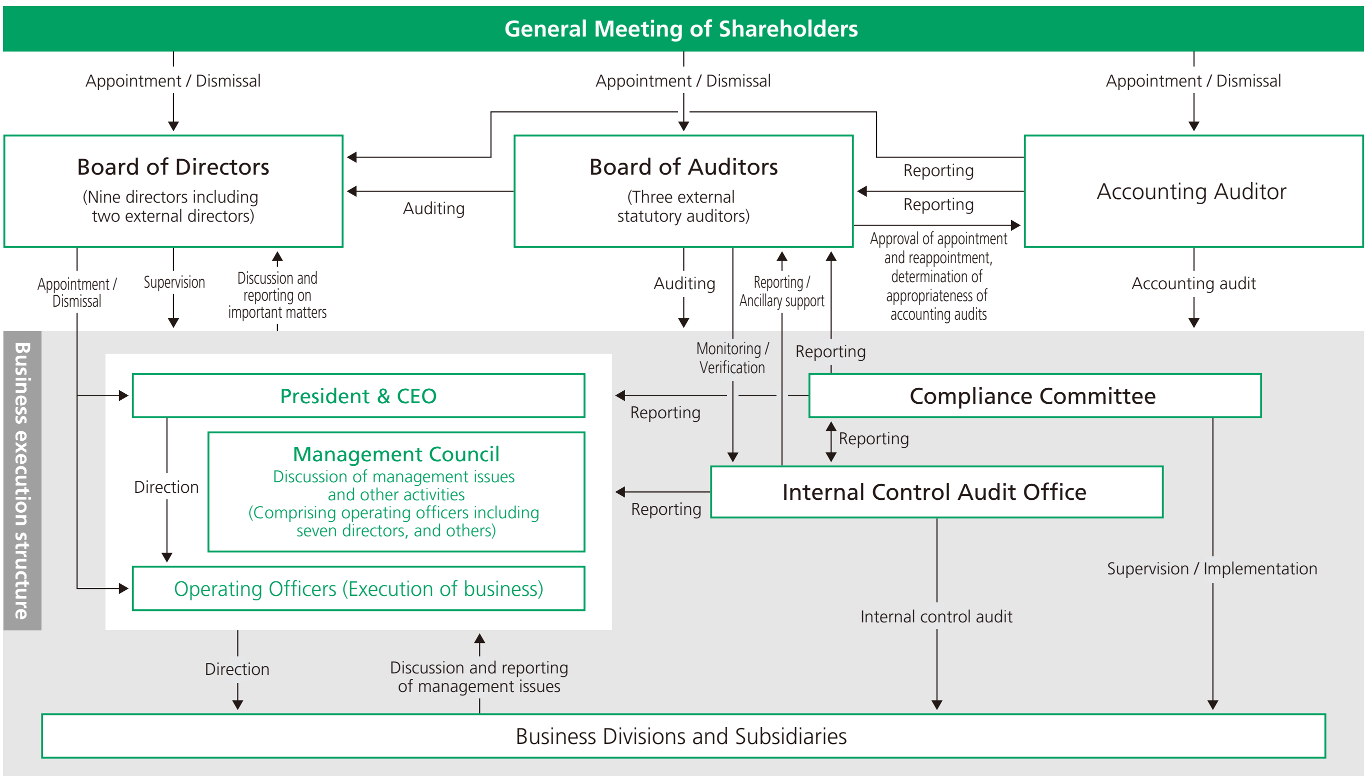
Statutory Auditors and the Board of Auditors

The Company appoints three statutory auditors, all of whom are external statutory auditors and independent auditors as defined by the Tokyo Stock Exchange. The statutory auditors attend important meetings, including meetings of the Board of Directors, and receive reports from the accounting auditor and the Internal Control Audit Office. The statutory auditors also receive briefings and inspect important documents related to the Company's business, and carry out on-site inspections of the operations and assets of each division of the Company. In addition, the statutory auditors evaluate the legal compliance and appropriateness of the directors' execution of duties.

Remuneration for Directors and Statutory Auditors

In the fiscal year ended March 31, 2014, remuneration for the Company's directors and statutory auditors was as follows:

Corporate Governance Structure (As of June 27, 2014)



(Millions of yen)

Category	Number of persons	Basic remuneration	Stock options	Bonus	Total amount
Directors (excluding external directors)	8	¥ 101	¥ 32	¥ 95	¥ 228
External directors	2	¥ 15	—	—	¥ 15
Statutory auditors (all external)	4	¥ 25	—	—	¥ 25

Note: Figures above include remuneration paid to one director and one statutory auditor that resigned from their positions following the conclusion of the general meeting of shareholders held in June 2013.

Compliance and Internal Control System

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

The Company has also established the Compliance Committee to strengthen its internal control system. In addition, the Internal Control Audit Office, which has two specialists on staff, conducts training programs related to the AIDA Group Action Guidelines and audits the status of their implementation.

Furthermore, the Company strives to ensure the reliability of its financial reports in accordance with the Financial Instruments and Exchange Act by conducting reviews of the status of Group-wide control systems and control activities.

Compliance Framework

Based on the AIDA Group Action Guidelines, the Internal Control Audit Office identifies compliance violations through the audit process, whistleblowing and other means and reports any violations to the chair of the Compliance Committee. The chair of the Compliance Committee convenes the committee after discussing the seriousness of the violation with the officer in charge and directs the department concerned to take countermeasures. The Company is presently promoting enhancement of its compliance regulations and manuals.

Compliance Training

The Internal Control Audit Office runs lectures on the Company's corporate philosophy, the AIDA Group Action Guidelines and the hotline* for new employees joining the Company each year. In addition, the Internal Control Audit Office runs visiting lectures at Group companies in and outside of Japan. The Internal Control Audit Office also seeks to educate employees by regularly issuing booklets that feature examples of wrongdoing at other companies.

* AIDA Group Compliance Hotline System
A system for reporting compliance violations or possible violations when they are discovered—including legal infringements and improper conduct—to a reporting hotline 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 with exposure to that risk. 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 have also established a dynamic risk management structure to respond to such risks. This includes committees for health and safety, product liability, export administration, risk assessment promotion, and other cross-functional committees, as well as project teams assembled to address specific risks.

Information Security Initiatives

Information leaks and infringements of intellectual property rights concerning the technology and know-how of the Company, which boasts advanced technical capabilities, could shake the foundation of its management.

Therefore, the Company has formulated "Company Secrets Management Regulations" and the "AIDA Information Network System Management Regulations," which it manages and operates as systems for preventing information leaks by blocking the outflow of information from inside the Company. The Company manages the software used in its business and monitors and restricts Internet access. The Company monitors its PCs, having adopted software to manage viruses and unauthorized access. Furthermore, the Company has put in place controls on remote access to in-house systems from overseas Group companies.

The Company restricts access by its employees to drawing data that falls within the scope of confidential information as a practical initiative to protect technical information. Moreover, when such information is to be disclosed to a third party, the Company will conclude confidentiality agreement with the party to whom it is disclosed. The Company has developed information security measures whereby drawing data is encrypted so that it cannot be retrieved by an external device even if the data was leaked.

In addition, the Company makes proactive efforts to obtain patents both in Japan and overseas in order to protect its intellectual property rights.

As outlined above, the Company provides lateral support for the promotion of its business strategy through rigorous information security measures and protection of its technical information and intellectual property rights.

External Directors and External Statutory Auditors

The Company appointed two external directors in order to incorporate their wealth of experience and expertise as managers into the management of the Company.

In addition, the Company appointed three external statutory auditors in order to utilize the wealth of experience and expertise of two of them as managers and one of them as a lawyer in the Company's auditing system.

All five of the external officers, two external directors and three external statutory auditors, meet the criteria defined by the Tokyo Stock Exchange for independent officers, and the Company has designated all five as independent officers as there is no possibility of conflicts of interest with ordinary shareholders.

Corporate Governance

Board of Directors (As of June 27, 2014) *Excluding external directors

President and Chief Executive Officer (CEO)

1 Kimikazu Aida

Directors

2 Naoyoshi Nakanishi
3 Hiromichi Kataoka
4 Sadayuki Kanemura
5 Takashi Yagi
6 Yap Teck Meng
7 Ken Masuda

The Status of External Directors

Name	Attendance at meetings of the Board of Directors
Takeru Yamazaki	In the fiscal year ended March 31, 2014, he attended nine out of ten meetings of the Board of Directors during the year, at which he offered advice on the Company's business based on his broad perspective as a corporate executive from an independent and objective standpoint outside of the Company.
Kimio Oiso	In the fiscal year ended March 31, 2014, he attended all ten meetings of the Board of Directors held during the year, at which he offered advice on the Company's business based on his broad perspective as a corporate executive from an independent and objective standpoint outside of the Company.

External Directors / External Statutory Auditors (As of June 27, 2014)

External Directors

1 Takeru Yamazaki
2 Kimio Oiso

External Statutory Auditors

3 * Shigeo Matsumoto
4 Hiroshi Kanai
5 Shigeru Makinouchi

*Standing Statutory Auditor

The Status of External Statutory Auditors

Name	Attendance at meetings of the Board of Directors and Board of Auditors
Shigeo Matsumoto	In the fiscal year ended March 31, 2014, he attended all ten meetings of the Board of Directors and all nine meetings of the Board of Auditors held during the year, at which he supervised the Company's management from an independent and objective standpoint outside of the Company and offered advice based on his broad perspective as a corporate executive.
Hiroshi Kanai	In the fiscal year ended March 31, 2014, he attended eight of the ten meetings of the Board of Directors and eight of the nine meetings of the Board of Auditors held during the year, at which he supervised the Company's management from an independent and objective standpoint outside of the Company and offered advice based on his broad perspective as a corporate executive.
Shigeru Makinouchi	In the fiscal year ended March 31, 2014, he attended all eight meetings of the Board of Directors and all seven meetings of the Board of Auditors held during the year following his appointment as statutory auditor, at which he supervised the Company's management from an independent and objective standpoint outside of the Company and offered advice based on his expert perspective as an attorney at law.

Reducing Environmental Impact for Better Sustainability

Environmental Management

AIDA has established an environmental policy aimed at promoting environmental preservation management activities. In our new Medium-Term Management Plan, the Company's vision statement reads: As a cutting-edge corporation that supports manufacturing, we will further develop and pursue environmentally friendly and energy-saving products. Together with reducing our environmental footprint, as we aim for even further growth, we will strive to develop highly eco-friendly and energy-efficient products.

Environmental Policy

■ Corporate Philosophy

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

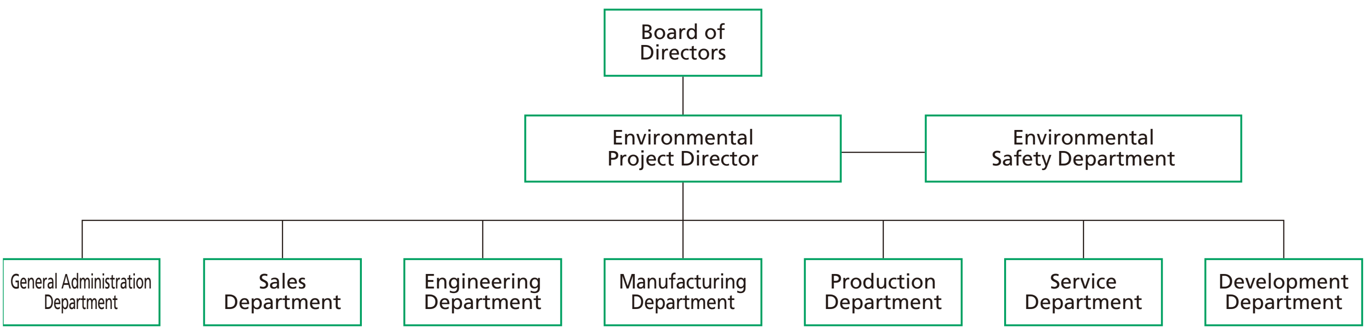
Kimikazu Aida
President and Chief Executive Officer (CEO)

■ Environmental Policy

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

1. **AIDA will work to reduce its environmental footprint by continuously improving its environmental management systems, and AIDA will also promote environmental management activities by revising its environmental-related targets and goals.**
2. **AIDA will strive to protect the environment and strictly adhere to any other requirements stipulated by laws, regulations, and accepted practices.**
3. **In order to proactively prevent the destruction and pollution of the natural environment to the extent that it is technologically and economically feasible, AIDA will promote the following and will strive to reduce the burden being placed on the earth's environment.**
   (1) Promote resource and energy conservation.
   (2) Eliminate waste products and promote recycling.
   (3) Minimize the release of harmful substances. Additionally, move towards the use of substances that present minimal harm.
   (4) Painstakingly manage buildings, equipment, and processes, etc., that could possibly have an adverse effect on the environment.
   (5) Implement oil leakage countermeasures (even in drop-size increments) and prevent water and soil contamination.
4. **Strive to ensure that all employees understand this environmental policy and have a heightened environmental awareness, and work towards the practical implementation of environmental improvements and protections. Moreover, we will also inform participating business partners of this environmental policy and ask for their understanding and cooperation in implementing environmental improvements and protections.**

Environmental Management Organization (Diagram)



Material Balance

AIDA quantifies inputs such as energy consumed through its business activities and also quantifies greenhouse gases and other outputs as it promotes environmentally conscious business activities.

Inputs (for the fiscal year ended March 31, 2014*)

Energy: Total Usage (Crude Oil Equivalent) 3,417 kL

Electricity	12 million kWh
Heavy Oil	0 kL
Kerosene	145 kL
City Gas	454 km^3
LPG	2,690 m^3

Water 22 km^3

Raw Materials

Steel Materials	14,441 t
Nonferrous Metals	189 t
Castings	5,134 t
Forgings	1,495 t

Chemicals 69 t

AIDA's Business Flow

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

Outputs (for the fiscal year ended March 31, 2014*)

Air Emissions

Exhaust Gases (NOx)	1,166 kg
Exhaust Gases (SOx)	0 kg
Exhaust Gases (Soot)	27 kg
CO_2	5,949 t-CO_2

Waste Water Emissions

Discharge (Total) 16 km^3

Waste

General Waste	68 t
Industrial Waste	1,120 t
Recycled Amount	
General Waste	36 t
Industrial Waste	992 t
Net Waste	159 t

Products

* The Environmental impact of AIDA production processes for the fiscal year ended March 31, 2014 (All figures are rounded off)
Scope of Analysis: AIDA Engineering (Head Office, Tsukui Plant, and Shimokuzawa Plant)

Environmental Objectives and Targets

Taking into account laws and other requirements based on the Company's environmental policy as well as factors with a significant impact on the environment, AIDA has established the following three-year medium-term targets spanning FY2014~FY2016.

	1	2	3	4	5
Environmental Objectives: 3-year targets, spanning FY2014~FY2016	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	Promote the recycling of waste materials and prevent further waste generation Efforts to recycle and reuse • Emissions* target: 1,350 tons or less • Industrial waste recycling ratio: 93% or higher	Promote energy conservation • Total energy usage (crude oil equivalent): 4,500 kL or below • CO_2 emissions (unit conversion coefficient): 24.14 tons CO_2/¥100 million (production volume) or lower	Improve environmental protection initiatives • Feedback about environmental-related product requirements • Introduction of eco-conscious processes and auxiliary equipment • Efforts to enact measures to reduce environmental impact	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
FY2014 Actuals	• Results of maintenance inspections on processes and auxiliary equipment: Good	• Total emissions: 1,188 tons; target achieved • Industrial waste recycling rate: 89%	• Total energy usage (crude oil equivalent): 3,417 kL; target achieved • CO_2 emissions: 26.7 tons CO_2/¥100 million (production volume)	• Green material procurement and recordkeeping: Good • Solicitation of suggestions for environmental improvement initiatives: Target number of suggestions achieved • Enhance product oil leakage prevention measures	(1) Display power usage on servo press HMI screens (2) Develop small servo die cushions

*Emissions: Total emissions of general waste and industrial waste

Consolidated Financial Summary

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

	2005	2006	2007	2008
Orders, Net Sales, and Income (Loss)				
Orders	¥ 53,341	¥ 62,838	¥ 67,434	¥ 65,785
Net sales	43,679	54,303	62,120	64,513
Cost of sales	34,175	42,208	47,180	49,023
Selling, general and administrative expenses	7,476	8,682	9,776	10,124
Operating income (loss)	2,027	3,412	5,164	5,365
Income (loss) before income taxes	2,566	3,168	4,809	5,411
Income taxes	1,285	1,375	1,755	1,825
Net income (loss)	1,281	1,792	3,053	3,585
Profitability Ratio				
Operating income ratio	4.6%	6.3%	8.3%	8.3%
Total Assets, Total Net Assets, and Interest-bearing Debt				
Total assets	¥ 75,687	¥ 83,510	¥ 90,076	¥ 85,036
Total net assets	59,413	60,780	64,138	61,326
Total interest-bearing debt	—	1,000	—	1,500
Shareholders' equity ratio	78.5%	72.8%	71.2%	72.1%
Capital Expenditures, Depreciation and Amortization and R&D Expenditures				
Capital expenditures	¥ 2,240	¥ 1,800	¥ 3,087	¥ 4,771
Depreciation and amortization	1,883	1,814	1,894	2,333
R&D expenditures	1,450	1,448	1,433	1,658
Return Indicators				
Return on equity (ROE)	2.2%	3.0%	4.9%	5.7%
Return on assets (ROA)	1.8%	2.3%	3.5%	4.1%
Cash Flows				
Net cash provided by (used in) operating activities	¥ 3,297	¥ 407	¥ 4,054	¥ (1,103)
Net cash (used in) provided by investing activities	424	(1,300)	(1,275)	(0)
Free cash flow	3,721	(892)	2,779	(1,103)
Net cash provided by (used in) financing activities	1,502	(2,078)	(1,609)	(2,162)
Cash and cash equivalents at the end of the year	12,420	9,983	11,475	7,420

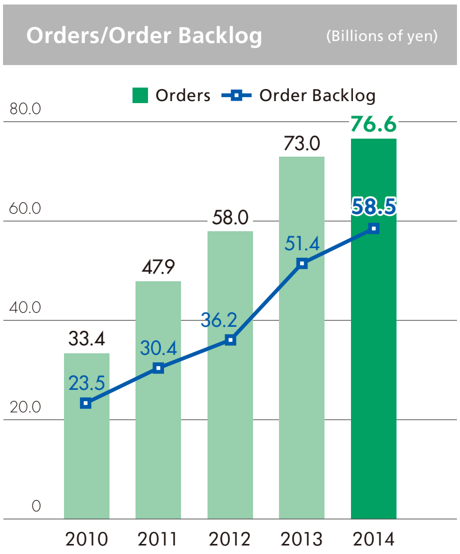
	2005	2006	2007	2008
Per Share Data				
Net income (loss)–Basic	¥ 17.40	¥ 23.79	¥ 42.67	¥ 50.27
Cash dividends	10.00	10.00	13.00	15.00
Net assets	801.36	849.94	893.19	911.28
Stock Information (at Year-End)				
Stock price	¥ 627	¥ 939	¥ 828	¥ 626
Market capitalization (millions of yen)	49,625	74,319	65,533	49,546
Number of shares issued (shares)	79,147,321	79,147,321	79,147,321	79,147,321
Other Data				
Number of employees	1,375	1,472	1,539	1,610

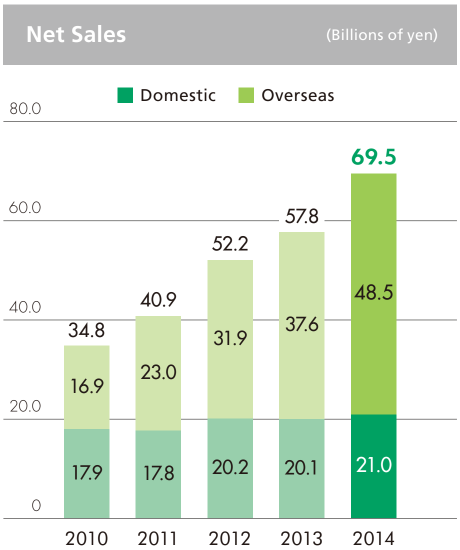
Millions of yen						% change
2009	2010	2011	2012	2013	**2014**	**2014 vs 2013**
¥ 40,883	¥ 33,403	¥ 47,924	¥ 58,021	¥ 73,033	**¥ 76,670**	**5.0**
60,675	34,898	40,989	52,240	57,812	**69,594**	**20.4**
50,148	32,313	33,346	42,593	46,396	**54,621**	**17.7**
9,571	8,114	6,181	7,425	7,659	**8,657**	**13.0**
955	(5,529)	1,461	2,221	3,756	**6,315**	**68.1**
145	(8,945)	1,093	2,922	4,015	**6,579**	**63.9**
(664)	3,144	(134)	79	211	**1,456**	**588.6**
810	(12,090)	1,228	2,842	3,803	**5,123**	**34.7**
1.6%	(15.8)%	3.6%	4.3%	6.5%	**9.1%**	**—**
¥ 74,796	¥ 63,867	¥ 67,342	¥ 71,300	¥ 82,118	**¥ 91,830**	**11.8**
57,869	45,706	45,216	47,472	52,978	**59,639**	**12.6**
500	1,124	1,500	2,048	1,500	**2,491**	**66.1**
77.3%	71.5%	67.0%	66.5%	64.4%	**64.8%**	**—**
¥ 3,248	¥ 578	¥ 689	¥ 2,667	¥ 1,555	**¥ 3,117**	**100.4**
2,728	2,684	1,403	1,378	1,362	**1,548**	**13.6**
1,567	1,203	1,079	909	1,008	**1,076**	**6.8**
1.4%	(23.4)%	2.7%	6.1%	7.6%	**9.1%**	**—**
1.0%	(17.4)%	1.9%	4.1%	5.0%	**5.9%**	**—**
¥ 2,475	¥ 4,857	¥ (2,359)	¥ 8,749	¥ 5,938	**¥ 5,978**	**0.7**
3,985	(294)	(1,253)	(1,231)	(1,277)	**(3,254)**	**—**
6,460	4,562	(3,613)	7,517	4,660	**2,723**	**(41.6)**
(3,599)	309	(1,029)	35	(1,446)	**26**	**—**
9,859	14,580	9,569	17,129	22,281	**26,038**	**16.9**

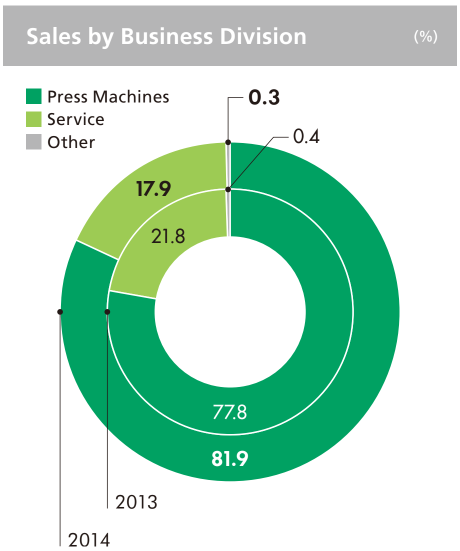
Yen						% change
2009	2010	2011	2012	2013	**2014**	**2014 vs 2013**
¥ 12.41	¥ (189.36)	¥ 19.44	¥ 46.90	¥ 62.67	**¥ 83.87**	**33.8**
5.00	5.00	6.00	14.00	19.00	**25.00**	**31.6**
905.90	715.08	745.19	781.51	868.12	**969.08**	**11.6**
¥ 278	¥ 390	¥ 374	¥ 476	¥ 756	**¥ 982**	**29.9**
22,002	30,867	29,601	37,674	59,835	**77,722**	**29.9**
79,147,321	79,147,321	79,147,321	79,147,321	79,147,321	**79,147,321**	**—**
1,629	1,507	1,478	1,566	1,647	**1,728**	**4.9**

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

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







Orders and Sales

In the fiscal year under review ended March 31, 2014, despite increasing fears of economic slowdown in emerging nations, which had heretofore been major drivers of growth, the economic trend in the Americas was bullish and signs of a departure from the extended slowdown in Europe were beginning to emerge, for an overall gradual economic upturn worldwide.

The economic climate in Japan has demonstrated stable recovery with support of strong business performance and consumer spending, accompanied by yen depreciation and a rise in the stock market, benefiting from robust monetary and fiscal policies.

In the press machine manufacturing industry, while orders from markets in North America, Europe, and China have improved, sluggish orders from Southeast Asia and Latin America have resulted in a drop for exports overall compared to the previous fiscal year. Partially owing to a tax incentive arising from capital investment initiatives promoted by the Japanese government, the industry's domestic orders began improving in the second half of the year, and there was a 4.3% year-on-year increase in press machine orders to ¥141.1 billion for the year according to figures from the Japan Forming Machinery Association, of which the Company is a member.

Under these conditions, the AIDA Engineering Group entered into the final year of its three-year Medium-Term Management Plan as it continued to promote initiatives toward "Creating Customers" and "Increasing Value-Added Content," which were key policies of the plan. During the fiscal year under review, we focused on furthering global sales cooperation among Group companies in order to increase our order bookings and develop new customers. On the production side of operations, in addition to enhancing our manufacturing capabilities including the expansion of a plant at a manufacturing subsidiary in Europe (Italy), we improved global co-manufacturing systems in response to increased orders from overseas customers. Through these and other efforts, our manufacturing succeeded in addressing changes in the market environment and the diversification of customer needs.

Consequently, overall order bookings increased 5.0% year on year to a record high of ¥76.6 billion. This was mainly due to capturing the increasing demand, especially in automotive-related industries, which are expanding production capacity in emerging markets. The order backlog also advanced 13.7% to ¥58.5 billion, also a record high.

Net sales increased for the fourth consecutive year, growing 20.4% year on year to ¥69.5 billion, a record high. This increase was due to a significant rise in sales in the Americas and other overseas locations and to a last-minute surge in demand prior to the tax rate hike in Japan. These results were achieved by fully leveraging the strength of our global business network in responding to increasing demand overseas, including improvement of productivity and shortening of lead time through enhancement of Group company coordination.

Results by Business Division and Geographic Segment

Business Divisions

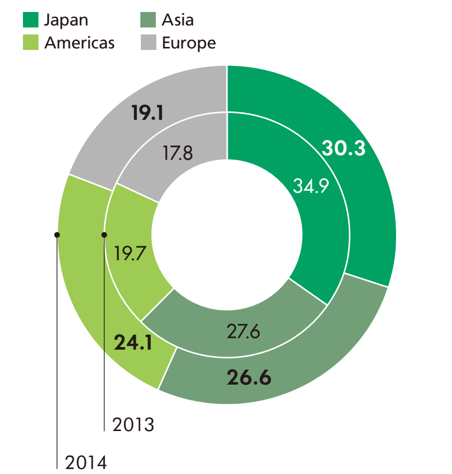
Press Machines

Orders and sales in the automotive industries, primarily for the Americas, were strong. Accordingly, order bookings grew 11.9% year-on-year to ¥64.8 billion, and net sales increased 26.7% to ¥56.9 billion.

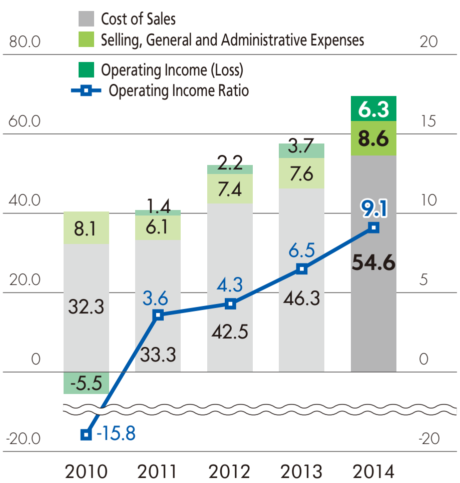
Service

Although orders for modernization (retrofitting) increased, restoration works related to floods in Thailand came to an end. As a result, order bookings dropped 22.3% year

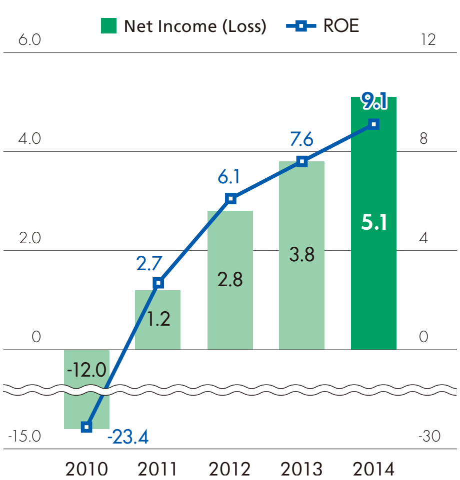
Sales by Geographic Segment (to External Customers) (%)



Cost and Expenses/Operating Income (Loss)/Operating Income Ratio (Billions of yen / %)



Net Income (Loss)/ROE (Billions of yen / %)



on year to ¥11.6 billion, and net sales decreased 1.4% to ¥12.4 billion.

Other

Order bookings increased 76.4% year on year to ¥0.2 billion, and net sales decreased 14.3% to ¥0.1 billion.

Geographic Segments

Japan

Slow domestic sales in the first half of the year picked up in the latter half, resulting in a net sales decrease of 0.1% year on year to ¥39.6 billion. The manufacturing cost rate improved partially due to the increase of production efficiency, resulting in a segment income increase of 101.8% year on year to ¥4.1 billion.

Asia

Net sales increased 14.1% year on year to ¥19.9 billion, while segment income increased 8.4% to ¥1.5 billion due to higher sales. The increase in net sales is partly attributed to increased sales as per the percentage of completion method for mid-size and large-size press machines for the automotive industry.

Americas

Sales of mid-size and large-sized press machines for the automotive industry increased, resulting in a 45.9% year-on-year increase in sales to ¥17.3 billion. As a result of higher sales—including the impact of yen depreciation—and the improved manufacturing cost rate, segment income rose 82.8% to ¥0.9 billion.

Europe

Increased sales as per the percentage of completion method for mid-size and large-sized press machines for the automotive industry led to a 38.9% increase in sales year on year to ¥16.4 billion. However, a worsening of profitability, coupled with a worsened manufacturing cost rate, resulted in a segment loss of ¥0.7 billion, compared with a ¥49 million loss in the previous fiscal year.

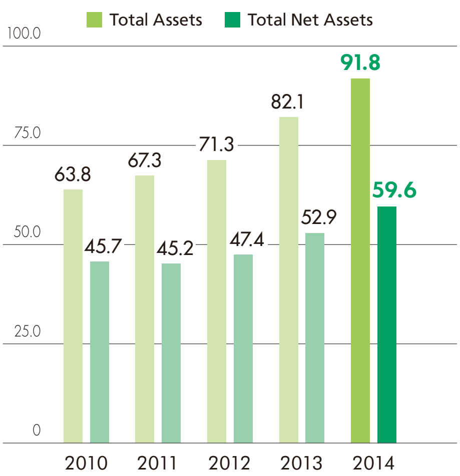
Earnings

Breaking down press machine sales, custom-made orders of mid-size and large-size machines for the automotive industry have been increasing. Recent years have seen increased demand in this industry for vehicles that are lighter, stronger and thus safer, and better designed. As a provider of machinery to accomplish this, AIDA is required to pursue high-accuracy, high-rigidity press systems in order to meet customers' needs. Although products that satisfy this demand have increased the manufacturing cost rate due to sophisticated development and design, AIDA utilizes the Group's production network to bring costs down and improve productivity. Thus, AIDA succeeded in absorbing cost increases for custom-made orders and achieving increased profits for the fourth straight fiscal year.

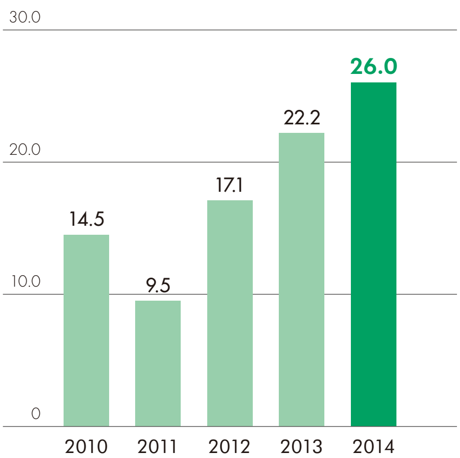
Gross profit rose 31.2% year on year to ¥14.9 billion as a result of higher sales—including the impact from a weaker yen—and improved productivity. Operating income increased 68.1% to ¥6.3 billion, while selling, general and administrative (SG&A) expenses increased to ¥8.6 billion due to increases in selling costs accompanying the growth in sales and personnel expenses incidental to improved business performance. In regard to non-operating items, improved financial accounts contributed to an ordinary profit increase of 64.7% year on year to ¥6.7 billion, and to a 63.9% increase in income before taxes to ¥6.5 billion for the fiscal year under review.

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

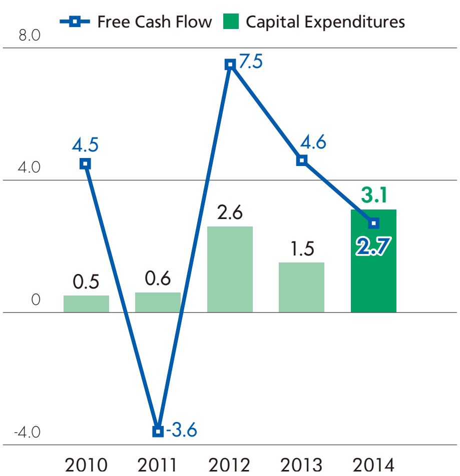
Total Assets/Total Net Assets (Billions of yen)



Cash and Cash Equivalents at the End of the Year (Billions of yen)



Free Cash Flow/ Capital Expenditures (Billions of yen)



Net income for the period increased 34.7% year on year to a record-high ¥5.1 billion, despite a ¥1.2 billion higher tax burden due in part to the dissolution of loss carried forward in tax accounting.

In this manner, we recorded higher sales and income for the fourth straight year and achieved our original targets for the Medium-Term Management Plan.

Based on the Company's strong financial performance and the basic dividend policies stated in the Medium-Term Management Plan, the Company decided to raise dividends by ¥6.00 per share, to ¥25.00 per share for the year, resulting in the fourth straight year of increase and the highest level yet since our being listed.

Financial Position

Total assets increased ¥9.7 billion from the previous fiscal year-end to ¥91.8 billion. Major increases included ¥3.6 billion in notes and accounts receivable, trade; ¥4.6 billion in short-term securities and investment securities; and ¥1.4 billion in property, plant and equipment.

Total liabilities increased ¥3.0 billion from the end of the previous fiscal year to ¥32.1 billion. Major increases included ¥1.0 billion in purchase liabilities (accounts payable, trade; and electronically recorded monetary obligations-operating), ¥0.9 billion in short-term loans payable, and ¥0.5 billion in income taxes payable.

Total net assets increased ¥6.6 billion from the end of the previous fiscal year to ¥59.6 billion. This was primarily due to a ¥3.9 billion increase in retained earnings, ¥1.3 billion increase in foreign currency translation adjustments and ¥0.6 billion increase in net unrealized gains on other securities. As a result, the shareholders' equity ratio was 64.8% at the end of the fiscal year.

Cash Flows

Cash and cash equivalents at the end of the year increased ¥3.7 billion from the previous fiscal year-end to ¥26.0 billion.

Net cash provided by operating activities was ¥5.9 billion, compared with ¥5.9 billion in the previous fiscal year. Major inflows included income before income taxes of ¥6.5 billion, depreciation and amortization of ¥1.5 billion, and a decrease in inventories of ¥2.1 billion. Major outflows included an increase in accounts receivable, trade of ¥3.3 billion.

Net cash used in investing activities was ¥3.2 billion, compared to last fiscal year's ¥1.2 billion. Major outflows included the purchase of property, plant and equipment and, intangible assets of ¥2.5 billion, and payments for deposits of funds into time deposits of ¥0.4 billion.

Net cash provided by financing activities was ¥26 million, compared with net cash used in financing activities of ¥1.4 billion in the previous fiscal year. Major inflows included proceeds from short-term loans of ¥0.9 billion and proceeds from sale of treasury stock of ¥0.3 billion. Major outflows included cash dividends paid of ¥1.2 billion.

Capital Expenditures

In the fiscal year under review, the Company recorded capital expenditures totaling ¥3.1 billion. These expenditures were primarily associated with the expansion of the plant at a subsidiary in Italy.

Research and Development

In the fiscal year under review, R&D expenditures totaled ¥1.0 billion. These expenditures were primarily directed toward the development of a high-performance servo progressive press system and the DSF-C1-A series of new servo presses.

Business and Other Risks

Risks with the potential to significantly influence investment decisions are presented below. Forward-looking statements included in this section are the conclusions of the AIDA ENGINEERING Group as of June 2014.

International Business Activities and Overseas Operations

The AIDA ENGINEERING Group conducts manufacturing and sales activities in various regions throughout the world, including Japan, the Americas, Europe and Asia. These overseas business operations involve inherent risk factors, including (1) unanticipated changes in policies, laws and regulations, (2) substantial and abrupt changes in foreign exchange rates, and (3) terrorism, epidemics, war and other causes of social upheaval. The situation in local areas may have a material impact on the operating results and financial position of the Group.

Product Quality Assurance

The AIDA ENGINEERING Group manufactures a range of products in factories located in countries around the world in accordance with internal quality control standards that comply with the laws and regulations of those countries. However, there is no guarantee that all products will be completely free of defects, or will not be subject to a future recall. Further, although the Company has product liability insurance, there is no guarantee that this insurance will be sufficient to cover the entire final amount of damages incurred. It is also not certain that the Group will be able to continue to obtain product liability insurance under acceptable terms. Should the Company's products be found to have defects that lead to a large-scale recall or a product liability claim, this could lead to substantial expenses, or negatively affect the reputation of the Group. This may result in decreased sales, and may have a material impact on the operating results and financial position of the Group.

Fluctuation in the Purchase Price of Raw Materials

The AIDA ENGINEERING Group's products are made primarily of steel. Drastic fluctuations in the price of raw materials may have a material impact on the operating results and financial position of the Group.

Heavy Dependence on a Particular Industry (The Automotive Industry)

The AIDA ENGINEERING Group derives three-fourths of its product sales from the automotive industry. Trends in the business conditions and capital expenditures of the automotive industry may have a material impact on the business, operating results and financial position of the Group.

Effects of Competition

The forming machinery that comprises the main products of the AIDA ENGINEERING Group is subject to competition in global markets from other companies in terms of quality, price, delivery terms and service. Should competition for sales intensify as a result of excessive supply or a sharp decline in demand in the industry, this may have a material impact on the operating results and financial position of the Group.

Retirement Benefit Obligations and Expenses

The AIDA ENGINEERING Group calculates employee retirement benefit obligations and expenses based on assumptions determined through computation of discount rates and other numerical factors. Should actual results vary from these assumptions, or should there be a change in the assumptions, the effects will be amortized over future accounting periods, and the expenses recognized and obligations recorded in future accounting periods. This may have a material impact on the operating results and financial position of the Group.

Effects of Earthquakes and Other Natural Disasters

AIDA ENGINEERING's main factory is located in the northwest region of Kanagawa Prefecture in the southern area of the Kanto Plain, where a major earthquake is predicted to occur at some point in the future. Should a major earthquake or other natural disaster occur in this area, this may have a material impact on the production operations and operating results of the Group.

Consolidated Segment Information

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

	Millions of yen					% change
	2010	2011	2012	2013	2014	2014 vs 2013
Business Division						
Net sales						
Press machines	¥ 27,093	¥ 32,581	¥ 41,574	¥ 44,969	**¥ 56,963**	**26.7**
Service	7,392	8,040	10,483	12,619	**12,439**	**(1.4)**
Other	412	368	181	223	**191**	**(14.3)**
Consolidated	¥ 34,898	¥ 40,989	¥ 52,240	¥ 57,812	**¥ 69,594**	**20.4**
Geographic Segment						
Net sales						
Japan	¥ 24,889	¥ 30,998	¥ 34,577	¥ 39,714	**¥ 39,679**	**(0.1)**
Asia	7,034	12,628	13,490	17,482	**19,954**	**14.1**
Americas	3,630	5,107	9,434	11,924	**17,397**	**45.9**
Europe	7,914	6,461	12,959	11,822	**16,418**	**38.9**
Reconciliation	(8,570)	(14,206)	(18,222)	(23,131)	**(23,855)**	**—**
Consolidated	¥ 34,898	¥ 40,989	¥ 52,240	¥ 57,812	**¥ 69,594**	**20.4**
Operating income (loss)						
Japan	¥ (2,462)	¥ 799	¥ 1,294	¥ 2,070	**¥ 4,177**	**101.8**
Asia	59	671	880	1,462	**1,585**	**8.4**
Americas	(800)	198	352	493	**902**	**82.8**
Europe	(2,418)	32	(405)	(49)	**(717)**	**(1,337.7)**
Reconciliation	93	(240)	99	(219)	**368**	**—**
Consolidated	¥ (5,529)	¥ 1,461	¥ 2,221	¥ 3,756	**¥ 6,315**	**68.1**

Quarterly Information

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

	Millions of yen					% change
	2010	2011	2012	2013	2014	2014 vs 2013
Net Sales						
1st quarter	¥ 9,378	¥ 9,689	¥ 12,961	¥ 12,064	**¥ 14,960**	**24.0**
2nd quarter	8,360	9,304	13,924	14,638	**16,913**	**15.5**
3rd quarter	7,089	10,208	11,844	14,569	**17,930**	**23.1**
4th quarter	10,070	11,786	13,510	16,541	**19,791**	**19.6**
Consolidated	¥ 34,898	¥ 40,989	¥ 52,240	¥ 57,812	**¥ 69,594**	**20.4**
Operating Income (Loss)						
1st quarter	¥ (805)	¥ 545	¥ 603	¥ 854	**¥ 1,521**	**78.0**
2nd quarter	(703)	58	511	1,215	**1,602**	**31.9**
3rd quarter	(1,065)	453	712	986	**1,665**	**68.8**
4th quarter	(2,955)	404	393	701	**1,527**	**117.9**
Consolidated	¥ (5,529)	¥ 1,461	¥ 2,221	¥ 3,756	**¥ 6,315**	**68.1**

Financial Statements

Consolidated Balance Sheets

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
As of March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	2013	**2014**	**2014**
Current assets:			
Cash on hand and at banks (Note 4)	¥18,675	**¥19,579**	**$190,241**
Notes and accounts receivable, trade	16,091	**19,768**	**192,074**
Electronically recorded monetary claims-operating	98	**114**	**1,108**
Short-term securities (Notes 4 and 7)	3,700	**7,200**	**69,957**
Inventories (Note 5)	13,066	**11,661**	**113,310**
Deferred income taxes (Note 15)	1,623	**1,459**	**14,178**
Other current assets	3,270	**3,853**	**37,440**
Allowance for doubtful accounts	(71)	**(69)**	**(673)**
Total current assets	56,454	**63,567**	**617,638**
Fixed assets:			
Property, plant and equipment (Note 14)**:**			
Buildings and structures	20,055	**20,993**	**203,982**
Less: Accumulated depreciation	(13,935)	**(13,756)**	**(133,659)**
	6,119	**7,237**	**70,322**
Machinery and vehicles	8,607	**10,268**	**99,771**
Less: Accumulated depreciation	(5,139)	**(5,872)**	**(57,058)**
	3,468	**4,395**	**42,712**
Land	4,851	**5,088**	**49,440**
Construction in progress	550	**433**	**4,216**
Other	3,479	**2,510**	**24,390**
Less: Accumulated depreciation	(2,302)	**(2,020)**	**(19,632)**
	1,177	**489**	**4,758**
Total property, plant and equipment	16,167	**17,645**	**171,449**
Intangible assets	842	**1,092**	**10,610**
Investments and other assets:			
Investment securities (Note 7)	4,116	**5,231**	**50,835**
Insurance reserve fund	3,216	**3,456**	**33,586**
Net defined benefit asset (Note 10)	—	**582**	**5,657**
Deferred income taxes (Note 15)	61	**93**	**912**
Other assets	1,336	**237**	**2,310**
Allowance for doubtful accounts	(77)	**(77)**	**(748)**
Total investments and other assets	8,654	**9,525**	**92,554**
Total fixed assets	25,663	**28,263**	**274,614**
Total assets	¥82,118	**¥91,830**	**$892,253**

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

Liabilities and net assets	Millions of yen 2013	Millions of yen 2014	Thousands of U.S. dollars (Note 3) 2014
Current liabilities:			
Accounts payable, trade	¥ 5,991	**¥ 7,781**	**$ 75,607**
Electronically recorded monetary obligations-operating	2,703	**1,931**	**18,766**
Short-term loans payable (Note 9)	—	**991**	**9,631**
Current portion of long-term loans payable (Note 9)	500	**500**	**4,858**
Non-trade payables	1,365	**1,052**	**10,227**
Income taxes payable	428	**943**	**9,170**
Advances from customers on contracts	9,381	**9,293**	**90,299**
Accrued warranty costs	1,231	**1,427**	**13,867**
Accrued bonuses for employees	810	**1,087**	**10,565**
Accrued bonuses for directors	33	**54**	**530**
Provision for loss on orders received (Note 5)	257	**324**	**3,156**
Other current liabilities	2,586	**2,587**	**25,142**
Total current liabilities	25,290	**27,976**	**271,823**
Long-term liabilities:			
Long-term loans payable (Note 9)	1,000	**1,000**	**9,716**
Long-term accounts payable	362	**402**	**3,911**
Deferred income taxes (Note 15)	1,947	**2,367**	**23,007**
Accrued pension and severance costs for employees (Note 10)	117	**—**	**—**
Net defined benefit liability (Note 10)	—	**114**	**1,111**
Other long-term liabilities	422	**330**	**3,212**
Total long-term liabilities	3,850	**4,215**	**40,959**
Total liabilities	29,140	**32,191**	**312,783**
Net assets:			
Shareholders' equity:			
Common stock	7,831	**7,831**	**76,088**
Authorized: 188,149,000 shares in 2013 and 2014			
Issued: 79,147,321 shares in 2013 and 2014			
Additional paid-in capital	12,979	**13,062**	**126,921**
Retained earnings	39,573	**43,474**	**422,412**
Treasury stock (Note 11)	(8,992)	**(8,745)**	**(84,973)**
(18,236,991 shares in 2013)			
(17,730,640 shares in 2014)			
Total shareholders' equity	51,391	**55,623**	**540,449**
Accumulated other comprehensive income (loss)			
Net unrealized gains (losses) on other securities	1,898	**2,529**	**24,581**
Deferred hedge (losses) gains	(412)	**(219)**	**(2,131)**
Foreign currency translation adjustments	0	**1,367**	**13,285**
Remeasurements of defined benefit plans	—	**216**	**2,105**
Total accumulated other comprehensive income (loss)	1,485	**3,894**	**37,839**
Stock options (Note 21)	100	**121**	**1,180**
Total net assets	52,978	**59,639**	**579,469**
Total liabilities and net assets	¥82,118	**¥91,830**	**$892,253**

Consolidated Statements of Income

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	**2014**	**2014**
Net sales	¥57,812	**¥69,594**	**$676,198**
Cost of sales (Notes 2(12), 5 and 13)	46,396	**54,621**	**530,715**
Gross profit	11,416	**14,973**	**145,483**
Selling, general and administrative expenses (Notes 12, 13 and 21)	7,659	**8,657**	**84,119**
Operating income	3,756	**6,315**	**61,364**
Interest income	29	**76**	**746**
Dividend income	73	**73**	**717**
Foreign exchange gain	232	**236**	**2,301**
Gain from redemption at maturity of endowment insurance	84	**64**	**623**
Other non-operating income	103	**73**	**718**
Total non-operating income	523	**525**	**5,108**
Interest expense	58	**39**	**380**
Commission expense	24	**24**	**236**
Other non-operating expenses	123	**67**	**652**
Total non-operating expenses	206	**130**	**1,269**
Ordinary profit	4,073	**6,710**	**65,202**
Gain on sale of fixed assets	6	**3**	**30**
Gain on sale of investment securities	—	**25**	**246**
Total extraordinary gain	6	**28**	**277**
Loss on sale of fixed assets	3	**0**	**5**
Loss on disposal of fixed assets	2	**159**	**1,548**
Impairment loss on fixed assets (Note 14)	49	**—**	**—**
Loss on evaluation of golf club membership	8	**—**	**—**
Total extraordinary loss	64	**159**	**1,553**
Income before income taxes	4,015	**6,579**	**63,927**
Current	560	**1,258**	**12,230**
Deferred	(348)	**197**	**1,919**
Income taxes (Note 15)	211	**1,456**	**14,149**
Income before minority interests	3,803	**5,123**	**49,777**
Net income	¥ 3,803	**¥ 5,123**	**$ 49,777**

	Yen		U.S. dollars
	2013	**2014**	**2014**
Per share:			
Net income - Basic (Note 18)	¥ 62.67	**¥ 83.87**	**$ 0.81**
- Diluted (Note 18)	62.54	**83.37**	**0.81**
Cash dividends (Note 22)	19.00	**25.00**	**0.24**

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, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	**2014**	**2014**
Income before minority interests	¥3,803	**¥5,123**	**$49,777**
Other comprehensive income (Note 19)			
Net unrealized gains (losses) on other securities	327	**631**	**6,135**
Deferred hedge gains (losses)	(432)	**193**	**1,880**
Foreign currency translation adjustments	2,546	**1,367**	**13,284**
Total other comprehensive income (loss)	2,441	**2,192**	**21,299**
Comprehensive income	¥6,245	**¥7,315**	**$71,077**
Comprehensive income attributable to shareholders of Aida Engineering	¥6,245	**¥7,315**	**$71,077**

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, 2013 and 2014

	Number of shares of common stock issued (Thousands)	Millions of yen											
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Deferred hedge gains (losses)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Stock options	Total net assets
Balance at April 1, 2012	79,147	¥ 7,831	¥ 12,978	¥ 36,666	¥ (9,114)	¥ 48,360	¥ 1,570	¥ 19	¥ (2,546)	—	¥ (955)	¥ 66	¥ 47,472
Net income	—	—	—	3,803	—	3,803	—	—	—	—	—	—	3,803
Net unrealized gains (losses) on other securities	—	—	—	—	—	—	327	—	—	—	327	—	327
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	2,546	—	2,546	—	2,546
Cash dividends	—	—	—	(896)	—	(896)	—	—	—	—	—	—	(896)
Treasury stock transactions, net	—	—	0	—	122	123	—	—	—	—	—	—	123
Deferred hedge gains (losses)	—	—	—	—	—	—	—	(432)	—	—	(432)	—	(432)
Stock options (Note 21)	—	—	—	—	—	—	—	—	—	—	—	33	33
Balance at March 31 and April 1, 2013	79,147	7,831	12,979	39,573	(8,992)	51,391	1,898	(412)	0	—	1,485	100	52,978
Net income	—	—	—	**5,123**	—	**5,123**	—	—	—	—	—	—	**5,123**
Net unrealized gains (losses) on other securities	—	—	—	—	—	—	**631**	—	—	—	**631**	—	**631**
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	**1,367**	—	**1,367**	—	**1,367**
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	**216**	**216**	—	**216**
Cash dividends	—	—	—	**(1,221)**	—	**(1,221)**	—	—	—	—	—	—	**(1,221)**
Treasury stock transactions, net	—	—	**83**	—	**246**	**329**	—	—	—	—	—	—	**329**
Deferred hedge gains (losses)	—	—	—	—	—	—	—	**193**	—	—	**193**	—	**193**
Stock options (Note 21)	—	—	—	—	—	—	—	—	—	—	—	**20**	**20**
Balance at March 31, 2014	**79,147**	**¥ 7,831**	**¥ 13,062**	**¥ 43,474**	**¥ (8,745)**	**¥ 55,623**	**¥ 2,529**	**¥ (219)**	**¥ 1,367**	**¥ 216**	**¥ 3,894**	**¥ 121**	**¥ 59,639**

	Number of shares of common stock issued (Thousands)	Thousands of U.S. dollars (Note 3)											
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Deferred hedge gains (losses)	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Stock options	Total net assets
Balance at April 1, 2013	79,147	$ 76,088	$ 126,111	$ 384,507	$ (87,369)	$ 499,337	$ 18,446	$ (4,012)	$ 0	—	$ 14,434	$ 976	$ 514,749
Net income	—	—	—	**49,777**	—	**49,777**	—	—	—	—	—	—	**49,777**
Net unrealized losses on other securities	—	—	—	—	—	—	**6,135**	—	—	—	**6,135**	—	**6,135**
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	**13,284**	—	**13,284**	—	**13,284**
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	**2,105**	**2,105**	—	**2,105**
Cash dividends	—	—	—	**(11,871)**	—	**(11,871)**	—	—	—	—	—	—	**(11,871)**
Treasury stock transactions, net	—	—	**809**	—	**2,396**	**3,205**	—	—	—	—	—	—	**3,205**
Deferred hedge gains (losses)	—	—	—	—	—	—	—	**1,880**	—	—	**1,880**	—	**1,880**
Stock options (Note 21)	—	—	—	—	—	—	—	—	—	—	—	**203**	**203**
Balance at March 31, 2014	**79,147**	**$ 76,088**	**$ 126,921**	**$ 422,412**	**$ (84,973)**	**$ 540,449**	**$ 24,581**	**$ (2,131)**	**$ 13,285**	**$ 2,105**	**$ 37,839**	**$ 1,180**	**$ 579,469**

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, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	**2014**	**2014**
Cash flows from operating activities:			
Income before income taxes	¥ 4,015	**¥ 6,579**	**$ 63,927**
Adjustments for:			
Depreciation and amortization	1,362	**1,548**	**15,042**
Impairment loss on fixed assets	49	**—**	**—**
(Gain) loss on sale of property, plant and equipment	(2)	**(2)**	**(25)**
Loss on disposal of fixed assets	2	**159**	**1,548**
(Gain) loss on sales of investment securities	—	**(25)**	**(246)**
Increase (decrease) in allowance for doubtful accounts	(24)	**(12)**	**(124)**
Increase (decrease) in accrued bonuses for employees, net	95	**253**	**2,466**
Increase (decrease) in accrued bonuses for directors, net	8	**20**	**202**
Increase (decrease) in accrued warranty costs, net	411	**118**	**1,150**
Increase (decrease) in accrued pension and severance costs for employees, net	(194)	**(137)**	**(1,331)**
Increase (decrease) in net defined benefit liability	—	**114**	**1,111**
(Increase) decrease in net defined benefit asset	—	**49**	**483**
(Increase) decrease in provision for loss on orders received, net	(248)	**33**	**327**
Interest and dividend income	(102)	**(150)**	**(1,464)**
Interest expense	58	**39**	**380**
(Increase) decrease in accounts receivable, trade	(1,115)	**(3,331)**	**(32,366)**
(Increase) decrease in inventories	734	**2,135**	**20,750**
Increase (decrease) in accounts payable, trade	1,165	**(810)**	**(7,872)**
(Increase) decrease in other assets	(319)	**(513)**	**(4,986)**
Increase (decrease) in other liabilities	417	**274**	**2,664**
Other, net	48	**100**	**980**
Sub-total	6,361	**6,444**	**62,617**
Interest and dividends received	102	**150**	**1,462**
Interest paid	(58)	**(39)**	**(381)**
Income taxes paid	(466)	**(577)**	**(5,613)**
Net cash provided by operating activities	5,938	**5,978**	**58,086**
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	(1,399)	**(2,003)**	**(19,471)**
Proceeds from sale of property, plant and equipment	199	**68**	**667**
Payments for purchase of intangible assets	(38)	**(563)**	**(5,476)**
Proceeds from sale of intangible assets	—	**0**	**3**
Payments for purchase of investment in short-term securities	—	**(200)**	**(1,943)**
Payments for purchase of investment securities	(50)	**(200)**	**(1,944)**
Proceeds from sale of investment securities	—	**74**	**720**
Payments for deposits of funds into time deposits	—	**(432)**	**(4,197)**
Proceeds from withdrawal of time deposits	8	**—**	**—**
Other, net	2	**2**	**21**
Net cash used in investing activities	(1,277)	**(3,254)**	**(31,619)**
Cash flows from financing activities:			
Proceeds from short-term loans	—	**941**	**9,146**
Payments for short-term loans	(535)	**—**	**—**
Payments for finance lease obligations	(141)	**(16)**	**(156)**
Proceeds from sale of treasury stock	124	**320**	**3,114**
Payments for purchase of treasury stock	(0)	**(2)**	**(20)**
Cash dividends paid	(893)	**(1,217)**	**(11,826)**
Net cash (used in) provided by financing activities	(1,446)	**26**	**257**
Effect of exchange rate changes on cash and cash equivalents	1,934	**1,006**	**9,779**
Net increase in cash and cash equivalents	5,148	**3,756**	**36,503**
Cash and cash equivalents at the beginning of the year	17,129	**22,281**	**216,491**
Increase in cash and cash equivalents from newly consolidated subsidiary	2	**—**	**—**
Cash and cash equivalents at the end of the year (Note 4)	¥22,281	**¥26,038**	**$252,994**

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

Notes to Consolidated Financial Statements

AIDA ENGINEERING, LTD. and Consolidated Subsidiaries

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of AIDA ENGINEERING, LTD. ("AIDA") and its consolidated subsidiaries (collectively, the "Companies") have been prepared 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 AIDA and its consolidated subsidiaries 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.

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

Consolidated subsidiaries as of March 31, 2014 and for the year then ended are as follows:

In principle, from a materiality perspective, excluding 1 subsidiary (A N TOOLING TECHNOLOGY CO., LTD.), all subsidiaries have been consolidated (20 subsidiaries in 2013 and 2014).

- Domestic subsidiaries:
  ACCESS LTD.
  AIDA BUSINESS CORP.
- Overseas subsidiaries:
  ASIA
  AIDA GREATER ASIA PTE. LTD.
  AIDA ENGINEERING (M) SDN. BHD.
  AIDA MALAYSIA SDN. BHD.
  AIDA (THAILAND) CO., LTD.
  PT. AIDA INDONESIA
  AIDA INDIA PVT. LTD.
  AIDA VIETNAM CO., LTD.
  AIDA HONG KONG, LTD.
  AIDA ENGINEERING CHINA CO., LTD.
  AIDA PRESS MACHINERY SYSTEMS CO., LTD.
  AMERICAS
  AIDA AMERICA CORP.
  AIDA CANADA, INC.
  AIDA ENGINEERING DE MEXICO, S. DE R. L. DE C.V.
  AIDA do BRASIL
  EUROPE
  AIDA S.r.l.
  AIDA Germany GmbH
  AIDA Maroc Sarl
  OOO AIDA

(Remarks)
All consolidated subsidiaries are exclusively owned by AIDA or its subsidiaries.

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 for the year ended 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. Other securities without fair market value are stated at cost.

Cost of securities sold is 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 and currency options.

(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 income as incurred. Depreciation of property, plant and equipment in AIDA and its subsidiaries 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 9 years

Leased assets under finance lease transactions which 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 for financial accounting purposes.

(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. However, finance lease transactions which do not transfer the ownership of the leased property to the lessee, and of which the commenced date was prior to April 1, 2008, are continuously categorized as operating leases. All other lease transactions are accounted for as operating leases and relating payments are charged to income as incurred.

(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.

Provisions for losses on orders received included in cost of sales are ¥305 million and ¥289 million (U.S.$2,810 thousand) for the years ended March 31, 2013 and 2014, respectively.

(13) Accounting method for retirement benefits

(a) Attribution of expected retirement benefit payments

In calculating retirement benefit obligations, the straight-line 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

Notes to Consolidated Financial Statements

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 in which they occur.

(14) Research and development costs

Research and development costs are expensed as incurred.

(15) 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.

(16) Consolidated taxation system

AIDA and its domestic subsidiaries adopt the consolidated taxation system.

(17) Accounting standards issued but not yet effective

Accounting standard for retirement benefits

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(a) Summary
The treatment of unrecognized actuarial gains and losses and unrecognized prior service costs, and the calculation of the retirement benefit obligation and service costs have been amended.

(b) Effective date
The amendment of the calculation method for the present value of the retirement benefit obligation and service costs is scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

(c) Effect of adoption
The effect of adopting this revised accounting standard on the consolidated financial statements was under assessment at the time of preparation of these consolidated financial statements.

Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts (ASBJ Practical Issue Task Force No. 30, December 25, 2013.)

(a) Summary
The practical solution clarifies accounting treatment for transactions involving the transfer of a company's own stock to employees or employee stockholding associations through trusts.

(b) Effective date
This is scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

(c) Effect of adoption
The effect of adopting the practical solution was under assessment at the time of preparation of these consolidated financial statements.

(18) Changes in Accounting Policy

From the fiscal year ended March 31, 2014, the Companies applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012). (Excluding provisions in the text of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits). As a result, the difference between the retirement benefit obligation and plan assets is recorded as net defined benefit asset or liability and unrecognized actuarial gains or losses are recorded in net defined benefit asset.

At the application of the Accounting Standard for Retirement Benefits, the Companies recognized the effect of this change in remeasurements of defined benefit plans in accumulated other comprehensive income at the end of the fiscal year in accordance with transitional accounting treatment as stipulated in Article 37 of the Accounting Standard for Retirement Benefits.

As a result, ¥582 million (U.S.$5,657 thousand) was recorded as net defined benefit asset and ¥114 million (U.S.$1,111 thousand) was recorded as net defined benefit liability and accumulated other comprehensive income increased by ¥216 million (U.S.$2,105 thousand) as of March 31, 2014.

The effect on per share information is presented in 18. NET INCOME PER SHARE.

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 ¥102.92 = U.S.$1, the approximate rate of exchange as of March 31, 2014, 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 the years ended March 31, 2013 and 2014 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
	2013	**2014**	**2014**
Cash on hand and at banks	¥18,675	**¥19,579**	**$190,241**
Add: Securities with maturities of three months or less	3,700	**7,000**	**68,013**
Less: Time deposits with maturities of more than three months	(94)	**(541)**	**(5,260)**
Cash and cash equivalents	¥22,281	**¥26,038**	**$252,994**

5 INVENTORIES

"Finished goods," "Work in process" and "Raw materials" in "Inventories" on the consolidated balance sheets as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Finished goods	¥ 2,042	**¥ 1,231**	**$ 11,969**
Work in process	8,566	**8,710**	**84,636**
Raw materials	2,457	**1,719**	**16,703**
Inventories	¥13,066	**¥11,661**	**$113,310**

Inventories as of March 31, 2013 and 2014, were offset by corresponding provisions for losses on orders received of ¥90 million and ¥30 million (U.S.$296 thousand), respectively.

All of the amount of ¥30 million (U.S.$296 thousand) was deducted from work in process.

Gains recognized and credited to cost of sales as a result of reversal of loss on valuation of inventories for the year ended March 31, 2013 were ¥60 million.

Gains recognized and credited to cost of sales as a result of reversal of loss on valuation of inventories for the year ended March 31, 2014 were ¥69 million (U.S.$670 thousand).

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 later section.

(2) Types of financial instruments and related risk

Operating receivables (notes and accounts receivable, trade and electronically recorded monetary claims-operating) 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 deposit 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) on import of raw materials from overseas are to be settled within 6 months, and therefore partly include foreign exchange risks; 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 and currency options to

Notes to Consolidated Financial Statements

hedge transactions subject to foreign exchange fluctuation risk caused by operating receivables and payables denominated in foreign currency.

(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 receivables policies, which also help to identify the financial risks in initial stages.

To minimize counterparty risks, derivative transactions are conducted only with banks 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 the foreign exchange fluctuation risk on operating receivables and payables denominated in foreign currency.

Based on the 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

Excluding items of which the fair value is extremely difficult to determine, the following is the balance of fair value as of March 31, 2014 and 2013.

	Millions of yen			Thousands of U.S. dollars		
March 31, 2014	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash on hand and at banks	**¥19,579**	**¥19,579**	**¥—**	**$190,241**	**$190,241**	**$—**
(2) Notes and accounts receivable, trade and electronically recorded monetary claims-operating	**19,882**	**19,882**	**—**	**193,183**	**193,183**	**—**
(3) Short-term securities	**7,200**	**7,200**	**—**	**69,957**	**69,957**	**—**
(4) Investment securities Other securities	**5,108**	**5,108**	**—**	**49,635**	**49,635**	**—**
Total assets	**51,770**	**51,770**	**—**	**503,017**	**503,017**	**—**
(1) Accounts payable, trade and electronically recorded monetary obligations- operating	**9,712**	**9,712**	**—**	**94,373**	**94,373**	**—**
(2) Non-trade payables	**1,052**	**1,052**	**—**	**10,227**	**10,227**	**—**
(3) Short-term loans payable	**991**	**996**	**5**	**9,631**	**9,686**	**54**
(4) Long-term loans payable	**1,500**	**1,562**	**62**	**14,574**	**15,177**	**603**
Total liabilities	**13,256**	**13,324**	**67**	**128,807**	**129,465**	**658**
Derivative transactions which are not subject to hedge accounting (*)	**(101)**	**(101)**	**—**	**(989)**	**(989)**	**—**
Derivative transactions which are subject to hedge accounting (*)	**(318)**	**(318)**	**—**	**(3,093)**	**(3,093)**	**—**

March 31, 2013	Millions of yen Carrying value	Fair value	Difference
(1) Cash on hand and at banks	¥18,675	¥18,675	¥—
(2) Notes and accounts receivable, trade and electronically recorded monetary claims-operating	16,190	16,190	—
(3) Short-term securities	3,700	3,700	—
(4) Investment securities Other securities	3,994	3,994	—
Total assets	42,559	42,559	—
(1) Accounts payable, trade and electronically recorded monetary obligations- operating	8,695	8,695	—
(2) Non-trade payables	1,365	1,365	—
(3) Long-term loans payable	1,500	1,503	3
Total liabilities	11,560	11,563	3
Derivative transactions which are not subject to hedge accounting (*)	85	85	—
Derivative transactions which are subject to hedge accounting (*)	(346)	(346)	—

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

Note 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 bank deposits are all short term, carrying value approximates 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.
(3) Short-term securities
As these are settled in the short term, fair value and carrying value of these items are almost the same.
(4) Investment securities
The details of investment securities are 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.
(2) Non-trade payables
As these are settled in the short term, fair value and carrying value of these items are almost the same.
(3) 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
Details of derivative transactions are shown in Note 8.

Note 2: Financial instruments of which the fair value is extremely difficult to determine

March 31, 2014

Types of securities	Carrying value Millions of yen	Thousands of U.S. dollars
Unlisted stocks	**¥110**	**$1,071**
Equity in an unconsolidated subsidiary	**13**	**127**
Total	**¥123**	**$1,199**

March 31, 2013

Types of securities	Carrying value Millions of yen
Unlisted stocks	¥110
Equity in an unconsolidated subsidiary	12
Total	¥122

Items above do not have market value, and the fair value is extremely difficult to determine. Therefore, the amounts above are not included in assets (4) Investment securities.

Note 3: Redemption schedule for monetary claims or securities with maturities subsequent to March 31, 2014.

	Millions of yen Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at bank	**¥19,520**	—	—	—
Notes and accounts receivable, trade and electronically recorded monetary claims-operating	**19,882**	—	—	—
Short-term securities (Negotiable deposits)	**7,200**	—	—	—
Total	**¥46,602**	—	—	—

	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 bank	**$189,665**	—	—	—
Notes and accounts receivable, trade and electronically recorded monetary claims-operating	**193,183**	—	—	—
Short-term securities (Negotiable deposits)	**69,957**	—	—	—
Total	**$452,805**	—	—	—

Redemption schedule for monetary claims or securities with maturities subsequent to March 31, 2013.

	Millions of yen Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash at bank	¥18,653	—	—	—
Notes and accounts receivable, trade and electronically recorded monetary claims-operating	16,190	—	—	—
Short-term securities (Negotiable deposits)	3,700	—	—	—
Total	¥38,543	—	—	—

Notes to Consolidated Financial Statements

Note 4: The redemption schedule for loans payable were as follows.

As of March 31, 2014

	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
Short-term loans payable	¥ 991	¥ —	—	—	¥ —
Long-term loans payable	500	500	—	—	500
Total	¥1,491	¥500	—	—	¥500

As of March 31, 2013

	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
Long-term loans payable	¥500	¥500	¥500	—	—
Total	¥500	¥500	¥500	—	—

As of March 31, 2014

	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
Short-term loans payable	$ 9,631	$ —	—	—	$ —
Long-term loans payable	4,858	4,858	—	—	4,858
Total	$14,489	$4,858	—	—	$4,858

7 SHORT-TERM SECURITIES AND INVESTMENT SECURITIES

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

March 31, 2014

	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	¥1,142	¥5,011	¥3,868	$11,103	$48,693	$37,590
Sub-total	1,142	5,011	3,868	11,103	48,693	37,590
Carrying value does not exceed acquisition cost:						
Stocks	100	96	(3)	979	942	(37)
Others	7,200	7,200	—	69,957	69,957	—
Sub-total	7,300	7,296	(3)	70,936	70,899	(37)
Total	¥8,443	¥12,308	¥3,865	$82,039	$119,593	$37,553

March 31, 2013

	Millions of yen		
Types of securities	Acquisition cost	Carrying value	Unrealized gains (losses)
Carrying value exceeds acquisition cost:			
Stocks	¥1,022	¥3,931	¥2,909
Sub-total	1,022	3,931	2,909
Carrying value does not exceed acquisition cost:			
Stocks	69	63	(6)
Others	3,700	3,700	—
Sub-total	3,769	3,763	(6)
Total	¥4,792	¥7,694	¥2,902

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

For the year ended March 31, 2014

	Millions of yen	Thousands of U.S. dollars
Sales proceeds	¥74	$720
Stocks	74	720
Aggregate gain	25	246
Stocks	¥25	$246

For the year ended March 31, 2013

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

8 DERIVATIVE FINANCIAL INSTRUMENTS

The Companies use forward exchange contracts and currency options as derivative financial instruments primarily to reduce exposure to adverse fluctuations in foreign currency exchange rates. We do not enter into derivative financial transactions for trading or speculative purposes.

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, 2014 and 2013 is summarized in the following tables:

March 31, 2014

(1) Derivative transactions (hedge accounting not applied)

Currency-related transactions

	Millions of yen				Thousands of U.S. dollars			
	2014				2014			
	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 (JPY Buy)	**¥1,010**	**¥ —**	**¥ (74)**	**¥ (74)**	**$9,820**	**$ —**	**$ (720)**	**$ (720)**
EUR (JPY Buy)	**115**	**—**	**(6)**	**(6)**	**1,125**	**—**	**(59)**	**(59)**
Buy -								
USD (EUR Sell)	**97**	**—**	**6**	**6**	**945**	**—**	**60**	**60**
Currency options								
Sell -								
-Call/Put-								
USD	**5,553**	**—**	**—**	**—**	**53,956**	**—**	**—**	**—**
Option premium	**(147)**	**—**	**(99)**	**47**	**(1,431)**	**—**	**(967)**	**463**
EUR	**45**	**—**	**—**	**—**	**437**	**—**	**—**	**—**
Option premium	**(0)**	**—**	**(0)**	**(0)**	**(6)**	**—**	**(9)**	**(2)**
Buy -								
-Call/Put-								
USD	**1,922**	**—**	**—**	**—**	**18,676**	**—**	**—**	**—**
Option premium	**33**	**—**	**72**	**38**	**324**	**—**	**700**	**375**
EUR	**45**	**—**	**—**	**—**	**437**	**—**	**—**	**—**
Option premium	**0**	**—**	**0**	**(0)**	**6**	**—**	**6**	**(0)**
Total	**¥8,789**	**¥ —**	**¥ (74)**	**¥ (74)**	**$85,400**	**$ —**	**$ (719)**	**$ (719)**
	(113)	**—**	**(27)**	**86**	**(1,107)**	**—**	**(270)**	**836**

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

Notes to Consolidated Financial Statements

(2) Derivative transactions (hedge accounting applied)

Currency-related transactions

Deferred hedge accounting method

	Millions of yen				Thousands of U.S. dollars			
	2014				2014			
		Contract value				Contract value		
	Main hedged item	Contract value total	Over 1 year	Fair value	Main hedged item	Contract value total	Over 1 year	Fair value
Forward exchange transactions:	**Expected foreign currency transactions**				**Expected foreign currency transactions**			
Sell -								
USD (JPY and EUR Buy)		**¥ 2,854**	**¥ —**	**¥ (42)**		**$ 27,731**	**$ —**	**$ (414)**
EUR (JPY and USD Buy)		**1,722**	**42**	**(149)**		**16,738**	**410**	**(1,451)**
JPY (USD Buy)		**5**	**0**	**0**		**52**	**8**	**5**
CNY (JPY Buy)		**594**	**—**	**(178)**		**5,772**	**—**	**(1,738)**
Buy -								
USD (JPY and EUR Sell)		**154**	**—**	**4**		**1,499**	**—**	**39**
JPY (USD Sell)		**1,676**	**—**	**(15)**		**16,287**	**—**	**(150)**
Currency options								
Sell -								
-Call/Put-								
USD		**335**	**—**	**—**		**3,263**	**—**	**—**
Option premium		**(3)**	**—**	**(1)**		**(34)**	**—**	**(19)**
EUR		**7**	**—**	**—**		**75**	**—**	**—**
Option premium		**(0)**	**—**	**(0)**		**(1)**	**—**	**(1)**
Buy -								
-Call/Put-								
USD		**3,212**	**—**	**—**		**31,215**	**—**	**—**
Option premium		**117**	**—**	**65**		**1,141**	**—**	**637**
EUR		**7**	**—**	**—**		**75**	**—**	**—**
Option premium		**0**	**—**	**0**		**1**	**—**	**1**
Total		**¥10,571**	**¥ 43**	**¥ (381)**		**$102,713**	**$ 419**	**$ (3,710)**
		113	**—**	**63**		**1,107**	**—**	**617**

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

March 31, 2013

(1) Derivative transactions (hedge accounting not applied)

Currency-related transactions

	Millions of yen			
	2013			
	Contract value			
	Contract value total	Over 1 year	Fair value	Unrealized gain (loss)
Forward exchange transactions:				
Sell -				
EUR (JPY Buy)	¥ 184	¥ —	¥ (14)	¥ (14)
USD (JPY Buy)	173	—	(23)	(23)
JPY (EUR Buy)	1,771	—	224	224
Buy -				
GBP (EUR Sell)	310	—	2	2
USD (EUR Sell)	51	—	(0)	(0)
JPY (EUR Sell)	729	—	(44)	(44)
Currency options				
Sell -				
-Call-				
USD	465	—	—	—
Option premium	2	—	(57)	(59)
Buy -				
-Put-				
USD	465	—	—	—
Option premium	(2)	—	0	2
Total	¥3,221	¥ —	142	¥142
	—	—	(57)	(57)

Note: 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			
	2013			
		Contract value		
	Main hedged item	Contract value total	Over 1 year	Fair value
Forward exchange transactions:				
Sell -				
USD (JPY and EUR Buy)		¥437	¥ —	¥ (55)
JPY (USD Buy)		134	2	5
CNY (JPY Buy)		594	594	(102)
Buy -				
EUR (USD Sell)		5	—	0
JPY (USD Sell)		266	—	(20)
Currency options				
Sell -	Expected foreign currency transactions			
-Call-				
USD		1,434	—	—
Option premium		(18)	—	(155)
-Put-				
EUR		105	—	—
Option premium		(2)	—	0
Buy -				
-Put-				
USD		1,434	—	—
Option premium		18	—	(17)
-Call-				
EUR		105	—	—
Option premium		2	—	(0)
Total		¥1,439	¥597	¥ (173)
		—	—	(173)

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

9 SHORT-TERM LOANS PAYABLE AND LONG-TERM LOANS PAYABLE

Short-term loans payable as of March 31, 2014 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	Amount	Interest rate	Repayment term	Amount
Short-term loans payable	**¥991**	**1.12%**	**September 30, 2014**	**$9,631**

There were no short-term loans payable as of March 31, 2013.

Long-term loans payable as of March 31, 2014 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	Amount	Average interest rate	Repayment term	Amount
Current portion of long-term loans payable	**¥ 500**	**1.70%**	**March 31, 2015**	**$4,858**
Long-term loans payable	**1,000**	**1.21%**	**December 15, 2015 and March 29, 2019**	**9,716**

Notes to Consolidated Financial Statements

Long-term loans payable as of March 31, 2013 consisted of the following:

	Millions of yen		
	Amount	Average interest rate	Repayment term
Current portion of long-term loans payable	¥ 500	1.94%	March 31, 2014
Long-term loans payable	1,000	1.63%	March 31, 2015 and December 15, 2015

Repayment schedules for long-term loans payable as of March 31, 2014 are as follows:

Long-term loans payable:

As of March 31	Millions of yen	Thousands of U.S. dollars
2016	**¥500**	**$4,858**
2017	**—**	**—**
2018	**—**	**—**
2019	**500**	**4,858**

10 RETIREMENT BENEFITS FOR EMPLOYEES

(For the year ended March 31, 2014)

AIDA and its domestic consolidated subsidiaries have a defined contribution pension plan and a cash balance plan as a defined benefit pension plan.

Certain overseas consolidated subsidiaries have a defined contribution pension plan.

(1) Defined benefit pension plan

The changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Retirement benefit obligations at April 1, 2013	**¥3,444**	**$33,471**
(1) Service cost	**169**	**1,648**
(2) Interest cost	**69**	**676**
(3) Actuarial loss	**(51)**	**(496)**
(4) Retirement benefits paid	**(272)**	**(2,649)**
(5) Other	**(7)**	**(66)**
Retirement benefit obligations at March 31, 2014	**¥3,353**	**$32,583**

The changes in plan assets during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Plan assets at April 1, 2013	**¥3,582**	**$34,812**
(1) Expected return on plan assets	**71**	**696**
(2) Actuarial gain	**267**	**2,595**
(3) Contributions by the Company	**170**	**1,655**
(4) Retirement benefits paid	**(270)**	**(2,630)**
Plan assets at March 31, 2014	**¥3,821**	**$37,129**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 for AIDA's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
(1) Funded retirement benefit obligation	¥ 3,239	$ 31,471
(2) Plan assets at fair value	(3,821)	(37,129)
	(582)	(5,657)
(3) Unfunded retirement benefit obligation	114	1,111
(4) Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	(467)	(4,546)
(5) Net defined benefit liability	114	1,111
(6) Net defined benefit asset	(582)	(5,657)
(7) Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ (467)	$ (4,546)

The components of retirement benefit expense for the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
(1) Service cost	¥169	$1,648
(2) Interest cost	69	674
(3) Expected return on plan assets	(71)	(696)
(4) Amortization of actuarial loss	58	566
Retirement benefit expense	¥225	$2,193

The unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial loss	¥ (336)	$ (3,268)
Total	¥ (336)	$ (3,268)

The fair value of plan assets by major category, as a percentage of total plan assets, as of March 31, 2014 is as follows:

	2014
(1) Bonds	35.6%
(2) Stocks	30.1%
(3) Cash on hand and at banks	1.8%
(4) General accounts	28.6%
(5) Other	3.9%
Total	100.0%

The actuarial assumptions used in the calculation of liabilities for retirement benefits as of March 31, 2014 are as follows:

(1) Discount rate	Mainly 2.0%
(2) Expected rate of return on plan assets	Mainly 2.0%

Notes to Consolidated Financial Statements

(2) Defined contribution pension plan

The amount of the contribution to the defined contribution pension plan of AIDA and its consolidated subsidiaries was ¥157 million ($1,528 thousand) for the year ended March 31, 2014.

(For the years ended March 31, 2013)

Information on liabilities for retirement benefits as of March 31, 2013:

	Millions of yen
	2013
(1) Projected benefit obligations	¥ (3,444)
(2) Plan assets	3,582
(3) Unfunded liabilities for retirement benefits (1) + (2)	138
(4) Unrecognized actuarial differences	40
(5) Total (3) + (4)	178
(6) Prepaid expenses for retirement benefits	296
(7) Accrued pension and severance costs for employees (5) – (6)	¥ (117)

Expenses for retirement benefits to employees for the years ended March 31, 2013 are summarized as follows:

	Millions of yen
	2013
(1) Service cost	¥171
(2) Interest cost	72
(3) Expected return on fund assets	(67)
(4) Amortization of actuarial differences	126
(5) Contribution for pension plan	124
(6) Expenses for retirement benefits	¥426

Assumptions used in the calculation of liabilities for retirement benefits as of March 31, 2013 are as follows:

	2013
(1) Discount rate	Mainly 2.0%
(2) Expected rate of return on plan assets	2.0%
(3) Method of attributing projected benefits to periods of services	Straight-line basis
(4) Amortization of actuarial differences	Mainly 10 years from the following year of recognition

11 NET ASSETS

Information regarding changes in net assets for the years ended March 31, 2014 and 2013 is as follows:

Shares issued and outstanding / Treasury stock

For the year ended March 31, 2014

Types of shares	Number of shares at April 1, 2013	Increase	Decrease	Number of shares at March 31, 2014
Shares issued:				
Common stock	**79,147,321**	—	—	**79,147,321**
Treasury stock:				
Common stock (Notes 1 and 2)	**18,236,991**	**2,368**	**508,719**	**17,730,640**

Notes: 1. Increase due to purchase of shares of less than standard unit 2,368
2. Details of the decrease are as follows:
Decrease due to sale of shares less than standard unit 19
Decrease due to the grant of shares from the ESOP trust 700
Decrease due to exercising share subscription rights 508,000
3. The number of shares of treasury stock includes 3,395,600 shares held by the Trust Account E as of March 31, 2014.

For the year ended March 31, 2013

Types of shares	Number of shares at April 1, 2012	Increase	Decrease	Number of shares at March 31, 2013
Shares issued:				
Common stock	79,147,321	—	—	79,147,321
Treasury stock:				
Common stock (Notes 1 and 2)	18,488,681	1,150	252,840	18,236,991

Notes: 1. Increase due to purchase of shares of less than standard unit 1,150
2. Details of the decrease are as follows:
Decrease due to sale of shares less than standard unit 140
Decrease due to the grant of shares from the ESOP trust 700
Decrease due to exercising share subscription rights 252,000
3. The number of shares of treasury stock includes 3,396,300 shares held by the Trust Account E as of March 31, 2013.

12 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The significant components of selling, general and administrative expenses for the years ended March 31, 2013 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Salaries and wages	¥2,274	**¥2,394**	**$23,270**
Bonuses	243	**301**	**2,928**
Provision for accrued bonuses for employees	350	**425**	**4,135**
Retirement benefit expenses	114	**97**	**948**
Welfare expenses	513	**586**	**5,697**
Commission expenses	211	**356**	**3,459**
Advertising and promotion expenses	196	**139**	**1,351**
Traveling expenses	400	**471**	**4,583**
Communication expenses	108	**106**	**1,039**
Rental expenses	232	**284**	**2,760**
Insurance expenses	176	**261**	**2,542**
Depreciation expenses	381	**319**	**3,104**
Taxation and other public dues	193	**263**	**2,560**
Compensation fee	291	**389**	**3,784**

Notes to Consolidated Financial Statements

13 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in "Selling, general and administrative expenses" and "Cost of sales" for the years ended March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Selling, general and administrative expenses	¥ 705	**¥ 829**	**$ 8,063**
Cost of sales	303	**247**	**2,400**
Total	¥1,008	**¥1,076**	**$10,464**

14 IMPAIRMENT LOSS ON FIXED ASSETS

There is no impairment loss on fixed assets recorded for the year ended March 31, 2014.

Impairment loss on fixed assets recorded for the year ended March 31, 2013 is summarized as follows:

Purpose	Type of assets	Location	Millions of yen
Idle assets	Machine, equipment	Ohio (USA)	**¥49**
	Total		**¥49**

For idle assets owned by the Companies, those for which the recoverable value is below the book value are reduced to their recoverable value, and the difference is recorded as impairment loss in extraordinary loss.

The recoverable value is determined after consideration of net sales price or real estate appraisal value.

The Companies classify business properties based on managerial accounting classification and classify idle assets on an individual basis.

15 INCOME TAXES

The Companies are subject to a number of different income taxes. The applicable statutory tax rate in Japan was approximately 38.0% for the years ended March 31, 2013 and 2014, respectively.

(1) Reconciliation of the difference between the effective income tax rates and statutory income tax rate for the years ended March 31, 2013 and 2014 is shown below:

	2013	**2014**
Statutory income tax rate	38.0%	**38.0%**
Non-deductible expenses (entertainment expenses and others) for tax purposes	3.1	**2.1**
Dividend income	(0.4)	**(0.2)**
Inhabitant taxes per capita	0.4	**0.2**
Difference of tax rates applied to overseas subsidiaries	(7.2)	**(3.9)**
Changes in valuation allowance	(25.8)	**(14.8)**
Effect of tax rate reduction	—	**0.9**
Others	(2.8)	**(0.2)**
Effective income tax rate	5.3%	**22.1%**

(2) The major components of deferred income tax assets and liabilities as of March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Deferred income tax assets:			
Loss on write-down of inventories	¥ 632	**¥ 562**	**$ 5,466**
Accrued warranty costs	328	**462**	**4,490**
Accrued bonuses for employees	235	**320**	**3,116**
Depreciation expense	1,231	**1,217**	**11,830**
Unrealized loss on golf club membership	8	**8**	**82**
Long-term payables	89	**89**	**866**
Tax losses carried-forward	2,502	**1,540**	**14,964**
Others	642	**860**	**8,363**
Subtotal deferred income tax assets	5,672	**5,061**	**49,180**
Less: Valuation allowance	(3,798)	**(3,344)**	**(32,494)**
Total deferred income tax assets	1,873	**1,717**	**16,686**
Deferred income tax liabilities:			
Undistributed subsidiaries' earnings	(264)	**(334)**	**(3,247)**
Reserve for reduction entry of replaced property	(564)	**(557)**	**(5,420)**
Accrued pension and retirement expenses for employees	(106)	**—**	**—**
Net defined benefit assets	—	**(207)**	**(2,020)**
Unrealized gains on other securities	(1,004)	**(1,335)**	**(12,974)**
Others	(197)	**(99)**	**(963)**
Total deferred income tax liabilities	(2,136)	**(2,534)**	**(24,627)**
Net deferred income tax assets (liabilities)	¥ (263)	**¥ (817)**	**$ (7,940)**

(3) Revision of the amount of deferred tax assets and deferred tax liabilities due to change in corporation tax rate:
"The Act on Partial Revision of the Income Tax Act" (Act No.10 of 2014) was promulgated on March 31, 2014 and the Special Reconstruction Corporation Tax will be abolished from fiscal years beginning on or after April 1, 2014. As a result, the effective statutory corporate tax rate to calculate deferred tax assets and deferred tax liabilities expected to be settled during the fiscal year beginning April 1, 2014 was reduced from 38.0% to 35.6%.

As a result, net deferred tax assets decreased by ¥65 million (U.S.$635 thousand), and deferred income taxes increased by ¥60 million (U.S.$588 thousand) as of and for the year ended March 31, 2014.

Notes to Consolidated Financial Statements

16 LEASES

The following is a summary of future minimum payments under operating leases and finance leases, other than those which are deemed to transfer the ownership of the leased assets, for lease transactions that commenced on or before March 31, 2008, as of March 31, 2013 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Operating leases:			
Due within one year	¥164	**¥ 64**	**$ 625**
Thereafter	44	**45**	**443**
Total	209	**110**	**1,069**
Finance leases:			
Due within one year	3	**—**	**—**
Thereafter	—	**—**	**—**
Total	¥ 3	**¥ —**	**$ —**

Lease expenses relating to finance leases which do not transfer ownership of the leased assets for the years ended March 31, 2013 and 2014 were ¥29 million and ¥3 million (U.S.$35 thousand), respectively.

The amounts of future minimum lease obligations under finance leases include the imputed interest portion.

Pro forma data as of March 31, 2013 and 2014 as to acquisition cost, accumulated depreciation, net book value, depreciation expense and interest expense of the assets leased under finance leases that do not transfer the ownership of leased assets to the lessee are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Acquisition cost	¥ 51	**¥ —**	**$ —**
Accumulated depreciation	(47)	**—**	**—**
Net book value	3	**—**	**—**
Depreciation expense	¥ 29	**¥ 3**	**$ 35**

In the above table, the amounts of acquisition costs and depreciation expenses include the imputed interest portion, and depreciation is based on the straight-line method over the lease term with no residual value.

Leased assets and their depreciation methods are presented in 2. Summary of Significant Accounting Policies.

17 RELATED PARTY TRANSACTIONS

There were no material transactions between AIDA and its related companies and individuals, excluding transactions with consolidated subsidiaries which were eliminated in consolidation other than those disclosed elsewhere in these financial statements, for the years ended March 31, 2013 and 2014.

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.

Calculation of net assets per share and net income per share for the years ended March 31, 2013 and 2014 is as follows:

	Yen		U.S. dollars
	2013	**2014**	**2014**
Net assets per share*1	¥868.12	**¥969.08**	**$9.42**
Net income—Basic*2	62.67	**83.87**	**0.81**
—Diluted*2	62.54	**83.37**	**0.81**

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

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Total net assets on consolidated balance sheets	¥52,978	**¥59,639**	**$579,469**
Total net assets attributable to shares of common stock	52,877	**59,517**	**578,289**
Main differences: Stock options	100	**121**	**1,180**
Number of shares outstanding (thousands of shares)	79,147	**79,147**	—
Number of treasury stock (thousands of shares)	18,236	**17,730**	—
Number of shares used for computing net assets per share	60,910	**61,416**	—

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

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Net income	¥ 3,803	**¥ 5,123**	**$49,777**
Net income attributable to shares of common stock	3,803	**5,123**	**49,777**
Average number of shares outstanding during the years (thousands of shares)	60,700	**61,083**	—
Potential increase in common stock for the diluted income calculation (thousands of shares)	124	**367**	—

As mentioned in "10. RETIREMENT BENEFITS FOR EMPLOYEES," the Accounting Standard for Retirement Benefits has been applied in accordance with transitional accounting treatment as stipulated in article 37 of the Accounting Standard for Retirement Benefits.

As a result, net assets per share increased by ¥3.53 as of March 31, 2014.

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, 2013 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Net unrealized gains (losses) on securities:			
Amount arising during the year	¥ 494	**¥ 987**	**$ 9,597**
Reclassification adjustments for gains and losses included in net income	—	**(25)**	**(246)**
Amount before tax effect	494	**962**	**9,350**
Tax effect	(166)	**(330)**	**(3,215)**
Net unrealized gains (losses) on securities	327	**631**	**6,135**
Deferred hedge gains (losses):			
Amount arising during the year	(167)	**(744)**	**(7,236)**
Reclassification adjustments for gains and losses included in net income	(276)	**886**	**8,611**
Amount before tax effect	(443)	**141**	**1,375**
Tax effect	10	**51**	**505**
Deferred hedge gains (losses)	(432)	**193**	**1,880**
Foreign currency translation adjustments:			
Amount arising during the year	2,546	**1,367**	**13,284**
Total other comprehensive income (loss)	¥2,441	**¥2,192**	**$21,299**

20 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

Notes to Consolidated Financial Statements

(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 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

For the years ended March 31, 2014 and 2013

	Millions of yen					
For the year ended March 31, 2014	Japan	Asia	Americas	Europe	Reconciliation	Consolidated
Sales to third parties	**¥21,053**	**¥18,478**	**¥16,796**	**¥13,266**	**¥ —**	**¥69,594**
Inter-segment sales	**18,626**	**1,475**	**600**	**3,152**	**(23,855)**	**—**
Total sales	**39,679**	**19,954**	**17,397**	**16,418**	**(23,855)**	**69,594**
Segment profit or loss	**4,177**	**1,585**	**902**	**(717)**	**368**	**6,315**
Segment assets	**62,621**	**20,917**	**11,650**	**15,767**	**(19,126)**	**91,830**
Depreciation	**860**	**422**	**92**	**175**	**(3)**	**1,548**
Increase in property, plant, equipment and intangible assets	**977**	**513**	**131**	**1,496**	**—**	**3,117**

	Thousands of U.S. dollars					
For the year ended March 31, 2014	Japan	Asia	Americas	Europe	Reconciliation	Consolidated
Sales to third parties	**$204,559**	**$179,541**	**$163,199**	**$128,897**	**$ —**	**$676,198**
Inter-segment sales	**180,979**	**14,337**	**5,837**	**30,633**	**(231,788)**	**—**
Total sales	**385,538**	**193,879**	**169,037**	**159,531**	**(231,788)**	**676,198**
Segment profit or loss	**40,586**	**15,402**	**8,772**	**(6,976)**	**3,579**	**61,364**
Segment assets	**608,452**	**203,239**	**113,203**	**153,200**	**(185,842)**	**892,253**
Depreciation	**8,364**	**4,107**	**897**	**1,706**	**(33)**	**15,042**
Increase in property, plant, equipment and intangible assets	**9,498**	**4,984**	**1,274**	**14,538**	**—**	**30,295**

	Millions of yen					
For the year ended March 31, 2013	Japan	Asia	Americas	Europe	Reconciliation	Consolidated
Sales to third parties	¥20,192	¥15,946	¥11,410	¥10,263	¥ —	¥57,812
Inter-segment sales	19,522	1,535	514	1,558	(23,131)	—
Total sales	39,714	17,482	11,924	11,822	(23,131)	57,812
Segment profit	2,070	1,462	493	(49)	(219)	3,756
Segment assets	52,419	18,140	8,997	10,322	(7,761)	82,118
Depreciation	874	321	74	104	(12)	1,362
Increase in property, plant, equipment and intangible assets	718	731	43	118	(56)	1,555

- 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 for increased property, plant, equipment and intangible assets represent elimination of inter-segment transactions.

(Related Information)

1. Products and service

For the year ended March 31, 2014

	Millions of yen			
	Press machines	Service	Others	Total
Sales to third parties	**¥56,963**	**¥12,439**	**¥191**	**¥69,594**

	Thousands of U.S. dollars			
	Press machines	Service	Others	Total
Sales to third parties	**$553,469**	**$120,864**	**$1,864**	**$676,198**

For the year ended March 31, 2013

	Millions of yen			
	Press machines	Service	Others	Total
Sales to third parties	¥44,969	¥12,619	¥223	¥57,812

2. Geographical information

(1) Sales

Year ended March 31, 2014

Millions of yen					
Japan	Asia	Americas	Europe	Others	Total
¥19,758	**¥20,224**	**¥17,874**	**¥11,591**	**¥145**	**¥69,594**

Thousands of U.S. dollars					
Japan	Asia	Americas	Europe	Others	Total
$191,979	**$196,505**	**$173,671**	**$112,628**	**$1,413**	**$676,198**

Year ended March 31, 2013

Millions of yen					
Japan	Asia	Americas	Europe	Others	Total
¥16,355	¥19,190	¥12,541	¥9,723	¥2	¥57,812

Note. Sales are presented based on customer location, and they are classified by country and areas.

(2) Property, plant and equipment

As of March 31, 2014

Millions of yen				
Japan	Asia	Americas	Europe	Total
¥10,058	**¥3,590**	**¥832**	**¥3,164**	**¥17,645**

Thousands of U.S. dollars				
Japan	Asia	Americas	Europe	Total
$97,735	**$34,886**	**$8,084**	**$30,743**	**$171,449**

As of March 31, 2013

Millions of yen				
Japan	Asia	Americas	Europe	Total
¥10,594	¥3,294	¥718	¥1,560	¥16,167

Notes to Consolidated Financial Statements

(Reportable segment information for impairment loss of fixed assets)
There is no impairment loss of fixed assets for the year ended March 31, 2014.

Year ended March 31, 2013

Millions of yen					
Japan	Asia	Americas	Europe	Elimination of inter-segment transaction	Total
¥—	¥—	¥49	¥—	¥—	¥49

(Reportable segment information for amortization and balance of goodwill)
There is no amortization or ending balance of goodwill for the years ended March 31, 2014 and 2013.

(Reportable segment information for negative goodwill)
There is no negative goodwill recorded for the years ended March 31, 2014 and 2013.

21 STOCK OPTIONS

The directors' remuneration recorded in "Selling, general and administrative expenses" for the years ended March 31, 2014 and 2013 is ¥32 million (U.S.$315 thousand) and ¥33 million, respectively.

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
2005	Directors (7) Employees of AIDA (667) Directors of subsidiaries (1) Employees of subsidiaries (76)	924,000	September 30, 2005	725	From July 1, 2007 to March 31, 2015
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

A summary of stock option activity is as follows:

Granted fiscal year	2004	2005	2007	2008	2009	2010	2011	2012	2013
Exercise price per share (yen)	**563**	**725**	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Average stock price when exercised (yen)	**1,001**	**1,046**	—	**733**	**733**	**733**	**733**	**733**	—
Fair value per share when granted (yen)	**563**	**725**	—	—	—	—	—	—	—
Outstanding as of April 1, 2013 (shares)	—	—	—	—	—	—	—	—	—
Granted (shares)	—	—	—	—	—	—	—	—	**39,000**
Forfeited (shares)	—	—	—	—	—	—	—	—	—
Vested (shares)	—	—	—	—	—	—	—	—	**39,000**
Outstanding as of March 31, 2014 (shares)	—	—	—	—	—	—	—	—	—
Outstanding as of April 1, 2013 (shares)	**311,000**	**811,000**	**15,000**	**25,000**	**59,000**	**55,000**	**49,000**	**62,000**	—
Vested (shares)	—	—	—	—	—	—	—	—	**39,000**
Exercised (shares)	**161,000**	**316,000**	—	**2,000**	**6,000**	**7,000**	**7,000**	**9,000**	—
Forfeited (shares)	**150,000**	**21,000**	—	—	—	—	—	—	—
Outstanding as of March 31, 2014 (shares)	—	**474,000**	**15,000**	**23,000**	**53,000**	**48,000**	**42,000**	**53,000**	**39,000**

The method for estimating the fair value of stock options granted in the year ended March 31, 2014 is as follows:

(a) Valuation method used: Black-Scholes model

(b) Principal basic values and assumptions

Volatility (*1) 44.50%

Projected remaining period (*2) .... 6 years

Projected dividend (*3) .... ¥16.50 [U.S.$0.16] / share

Risk-free interest rate 0.294%

(*1) Computed based on share prices during a six-year period from September 27, 2007 to September 26, 2013.
(*2) Estimated based on the past experience during the directors' term of office.
(*3) Determined based on the average of the dividend amounts for the years ended March 31, 2012 and 2013.

22 SUBSEQUENT EVENT

March 31, 2014:

On June 27, 2014, at the general meeting of shareholders, the following appropriation of retained earnings was approved:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥25.00 (U.S.$0.24) per share)	**¥1,620**	**$15,743**

The amount includes the dividend of ¥84 million (U.S.$824 thousand) on shares (3,395,600 shares as of March 31, 2014), held by the Trust Account E.

Cancellation of treasury stock

At the board of directors meeting held on May 13, 2014, AIDA resolved to cancel treasury stock based on the provisions of Article 178 of the Companies Act of Japan.

(1) Class of shares to be cancelled: Common stock of AIDA

(2) Total number of shares to be cancelled: 5,500,000 shares

(3) Total amount of shares to be cancelled: ¥2,689 million (U.S.$26,131 thousand)

(4) Total number of outstanding shares after cancellation: 73,647,321 shares

(5) Cancellation date: May 30, 2014

Report of Independent Auditors

EY
Building a better working world

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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, 2014, 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, 2014, 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.

June 27, 2014
Tokyo, Japan

Ernst & Young ShinNihon LLC

History

1917	AIDA Ironworks is founded in Honjo, Tokyo, by Yokei Aida.
1923	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.
1955	Introduced the first 200-ton high-speed automatic press.
1959	New factory constructed in Sagamihara City (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 a 2,500-ton transfer press, the largest class in the world (at the time of completion).
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.
1999	Received ISO 9001 certification.
2001	Received ISO 14001 certification.
2002	Established subsidiaries in China 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.
2004	Established a subsidiary in Germany.
	Absorbed an Italian subsidiary, 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	Completed the development of a 2,300-ton capacity large servo press.
2009	Established a subsidiary in Mexico.
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.

Corporate Data (As of March 31, 2014)

Company Name	AIDA ENGINEERING, LTD.
Founded	March 1917
Established	March 25, 1937
Capital	¥7,831 million
Fiscal Year-End	March 31
Number of Employees	716 (Consolidated: 1,728)
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 users, and information for those unfamiliar with the Company's operations.

www.aida.co.jp/en/

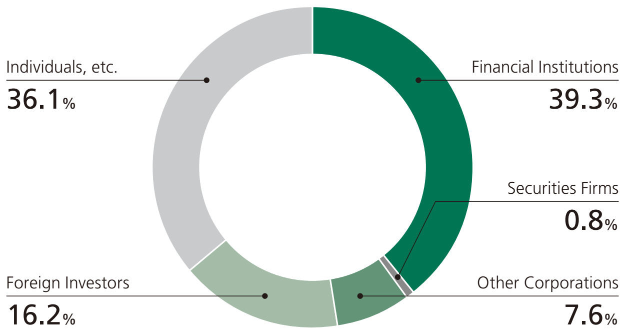
Stock Information (As of March 31, 2014)

Securities Code	6118
Stock Listing	Tokyo Stock Exchange, 1st Section
Number of Shares Authorized	188,149,000
Number of Shares Issued	79,147,321*1
Number of Shares of Treasury Stock	17,730,640*1,2
Number of Shareholders	7,996
Number of Shares per Trading Unit	100 shares
Custodian of Shareholders	Mizuho Trust & Banking Co., Ltd.

*1: Due to the retirement of 5,500,000 shares of treasury stock effective May 30, 2014, the total number of issued shares decreased by the number of shares retired, and the balance of total issued shares stood at 73,647,321.

*2: Number of shares of treasury stock includes the 3,395,600 shares of treasury stock held by Trust & Custody Services Bank, Ltd. as part of J-ESOP (Japanese employee stock ownership plan).

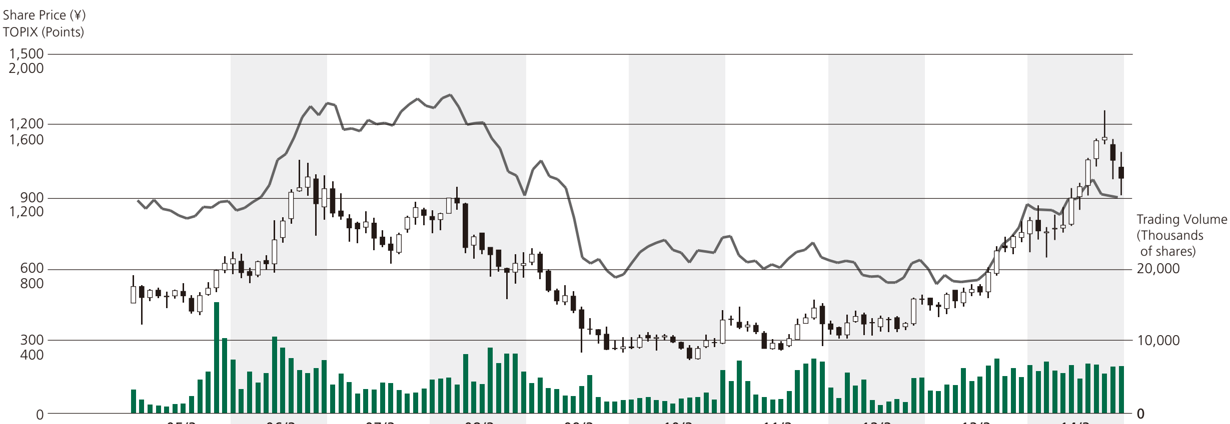
Breakdown of Issued Shares by Type of Shareholder



Major Shareholders

	Number of Shares Held (thousands)	Percentage of Total Issued Shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	4,710	5.95
The Dai-ichi Life Insurance Company, Ltd.	4,000	5.05
Trust & Custody Services Bank, Ltd. (Trust Account E)	3,395	4.29
Nippon Life Insurance Company	2,756	3.48
Meiji Yasuda Life Insurance Company	2,516	3.18
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,471	3.12
Mizuho Bank, Ltd.	2,179	2.75
Kimikazu Aida	1,433	1.81
UEDA YAGI TANSHI Co, Ltd.	1,400	1.77
CMBL S. A. RE MUTUAL FUNDS	1,292	1.63

Monthly Share Price Range and Trading Volume



	05/3	06/3	07/3	08/3	09/3	10/3	11/3	12/3	13/3	14/3
High (¥)	657	1,059	969	946	689	430	474	496	802	1,266
Low (¥)	371	544	625	477	255	223	263	312	404	651
At Year-End (¥)	627	939	828	626	278	390	374	476	756	982

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

Operating Bases (As of June 30, 2014)

● Production facilities ● Sales and service network

Overseas

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● ACCESS LTD.
● AIDA BUSINESS CORP.

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