Financial Results Presentation

Growing Together with Our Customers

Consolidated Results for the 3rd Quarter
(For The Nine Months Ended Dec 31, 2023)

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AMADA CO., LTD.
February 08 , 2024

AMADA CO.,LTD.

Financial Results Briefing for 3rd Quarter FY2023 (Presentation)

February 8, 2024

FY2023 1Q-3Q(cumulative) Summary

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Results

	Amount	YoY	YoY(in real terms)
Sales revenue	¥285.2 bn	+10.2 %	+6.2 %
Operating profit	¥40.2 bn	+15.0 %	+6.1 %
Net income*	¥28.0 bn	+16.5 %	+7.3 %
Orders	¥275.2 bn	△7.4 %	△11.2 %

*Net income attributable to owners of parent

Topics

- Amidst ongoing uncertainties such as tight monetary policy aimed at curbing inflation and the deceleration of the Chinese economy, capital investment remains robust, particularly in equipment upgrades.
- With the normalization of production activities, we were able to convert the abundant backlog of orders into sales, leading to record-high sales revenue, operating profit, and net income both in the third quarter and on a cumulative basis for the third quarter.
- Regional sales reached record highs in North America and Europe, supported by the impact of the exchange rate.
- In terms of revenue by division, the sheet metal division performed well, while the press division saw a growth in the third quarter, resulting in a positive turnaround in sales.
- Operating profit has increased despite the increase of expenses, such as personnel costs, that were offset by the effects of higher sales revenue and ongoing improvements in selling prices, coupled with the beneficial impact of a weaker yen

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In the current fiscal year, the global situation is becoming increasingly uncertain due to continuing high prices mainly in the US and EU, along with the resulting tight monetary policy, reduced financial support, the deteriorating situation in the Middle East, and the economic slowdown in China, and so on.

Under these circumstances, we have made steady progress in processing our ample accumulation of order backlog as production activities are returning to normal, thanks to an improved procurement environment. Sales revenues were JPY285.2 billion, a 10.2% increase YoY.

Operating profits were JPY40.2 billion, a 15% increase YoY due to the effects of increased revenues, continued improvement in selling prices, lower overseas transportation costs, and a weaker yen, despite higher fixed costs, including personnel expenses and sales-related expenses. Current net incomes were JPY28 billion, a 16.5% increase YoY.

As a result, sales revenues, operating profits, and net incomes all exceeded internal expectations and reached record highs for the cumulative total of Q3.

Although orders received were JPY275.2 billion with a 7.4% decrease YoY, it achieved the third highest level for the Q3 cumulative total, following JPY297.1 billion in the previous fiscal year and JPY279 billion in the fiscal year before that.

Consolidated Income Statement Results

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[Billions of yen]

	FY2022 1Q-3Q cumulative		FY2023 1Q-3Q cumulative		YoY Change		FY2023 [Forecast]		
	Amount	Share	Amount	Share	Amount	%	Amount	Share	Achievement
Sales revenue	258.9	100.0%	285.2	100.0%	26.3	10.2%	395.0	100.0%	72.2%
Gross profit	113.5	43.8%	125.9	44.2%	12.4	10.9%	175.0	44.3%	72.0%
SG&A	79.0	30.5%	86.0	30.2%	7.0	8.9%	117.9	29.8%	73.0%
Variable cost	13.2	5.1%	13.2	4.7%	0.0	0.5%	19.1	4.8%	69.5%
Fixed cost	65.8	25.4%	72.8	25.5%	6.9	10.6%	98.8	25.0%	73.7%
Operating profit	35.0	13.5%	40.2	14.1%	5.2	15.0%	57.0	14.4%	70.6%
Net income *	24.0	9.3%	28.0	9.8%	3.9	16.5%	39.0	9.9%	71.8%
¥exchange rate									
USD	136.53		143.29		6.76		138.00		
EUR	140.60		155.28		14.68		149.19		
RMB	19.88		19.98		0.10		19.32		

* Net income attributable to owners of parent

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Continuing with the financial overview on page two, as mentioned at the beginning of this presentation, sales revenues were JPY285.2 billion, a 10.2% increase YoY. Gross profits were JPY125.9 billion, a 10.9% increase YoY, while gross profit margin increased 0.4 percentage points YoY from 43.8% to 44.2%.

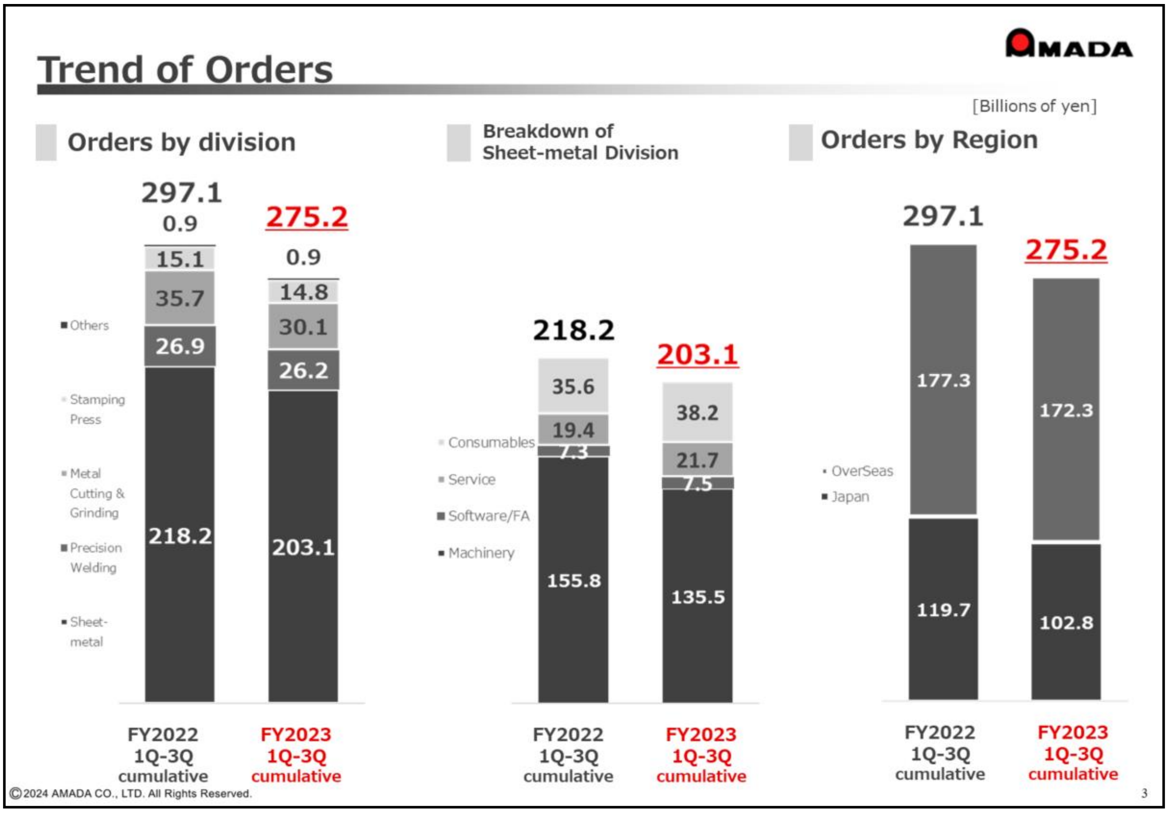
This 0.4-point increase in gross profit margin is attributed to the positive impact of foreign exchange rates, as well as the 0.2-point improvement in sales prices, including the effect of new products and product mix, which outweighed the 0.1-point effect of rising material costs.

Although SG&A expenses were JPY86 billion with a JPY7 billion increase YoY, the SG&A ratio was 30.2%, 0.3 percentage points improvement YoY from 30.5%. Variable cost remained at a similar level YoY, while the variable cost ratio was 4.7%, a 0.4 percentage point decrease YoY from 5.1%.

For fixed costs, which increased by JPY6.9 billion YoY, I will explain the factors behind the increase later on. As a result, operating profits were JPY40.2 billion, a 15% increase YoY.

The progress rate toward the disclosed forecast that was revised during the Q2 financial results announcement, shown on the right side of the table, is 72.2% for sales revenues, 70.6% for operating profits, and 71.8% for net incomes, which are higher than the same period last year and the past average, partly due to the effects of foreign exchange rates.

The exchange rates are JPY143.29 to the US dollar, JPY155.28 to the euro, and JPY19.98 to the renminbi, with the yen particularly showing significant depreciation against the euro.



Next, the trends in orders received on page three yielded JPY275.2 billion, a decrease of more than 7% YoY from JPY297.1 billion. Among this amount, the sheet metal sector indicated in the bar graph in the center was JPY203.1 billion, a decrease of less than 7% YoY from JPY218.2 billion.

Machinery is shown in black and was JPY135.5 billion, a 13% decrease from JPY155.8 billion YoY. The right side shows orders received by region. Domestic orders were JPY102.8 billion, a 14% decrease YoY from JPY119.7 billion, partly due to the high level of orders in the previous fiscal year.

Overseas sales were JPY172.3 billion, only a 3% decrease YoY from JPY177.3 billion, partly due to the effects of foreign exchange rates.

Results by Segments

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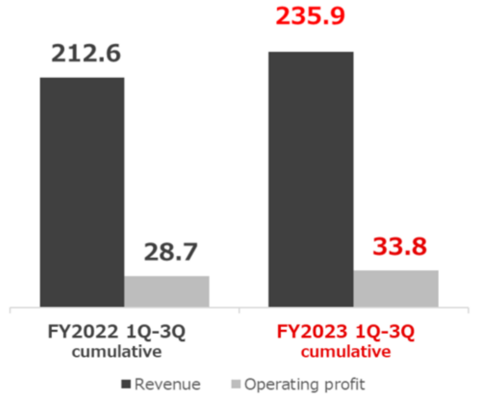
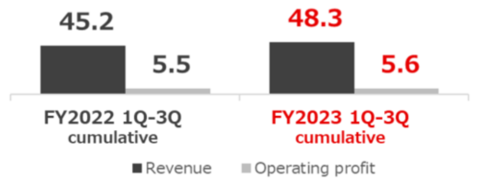
[Billions of yen]

Metal Working Machinery Segment



Sales	FY2022 1Q-3Q cumulative	FY2023 1Q-3Q cumulative	YoY
Sheet-metal	189.5	211.4	11.5%
Precision Welding	23.0	24.4	6.1%
OPM	13.5%	14.4%	

Metal Machine Tools Segment



Sales	FY2022 1Q-3Q cumulative	FY2023 1Q-3Q cumulative	YoY
Metal Cutting & Grinding	31.0	33.4	7.6%
Stamping press	14.1	14.8	4.5%
OPM	12.3%	11.7%	

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Next is performances by business segment on page four. As indicated in the bar graph on the left, sales revenues in the metal working machinery segment were JPY235.9 billion, an 11% increase YoY from JPY212.6 billion. Operating profits were JPY33.8 billion, an 18% increase YoY from JPY28.7 billion.

On the right side, the metal machine tools segment reported sales revenues of JPY48.3 billion, a 7% increase YoY from JPY45.2 billion, while operating profits were JPY5.6 billion, a 2% increase YoY from JPY5.5 billion.

Sales of Geographical & Industry Segments

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[Billions of yen]

	Japan Amount	Japan [Ratio]	North America Amount	North America [Ratio]	Europe Amount	Europe [Ratio]	Asia and others Amount	Asia and others [Ratio]	Overseas Amount	Overseas [Ratio]	Total Amount	Total [Ratio]
Metal Working Machinery	75.8	27%	71.6	25%	54.3	19%	34.0	12%	160.0	56%	235.9	83%
YoY(%)	7%		17%		24%		-6%		13%	7%	11%	7%
Sheet metal Fabrication	71.4	25%	64.2	23%	49.6	17%	26.1	9%	139.9	49%	211.4	74%
YoY(%)	6%		16%		25%		-4%		14%	8%	12%	7%
Machinery	46.6	16%	43.6	15%	34.8	12%	19.6	7%	98.2	34%	144.8	51%
YoY(%)	7%		18%		27%		-5%		15%		12%	
After-sales business	24.8	9%	20.5	7%	14.8	5%	6.4	2%	41.7	15%	66.5	23%
YoY(%)	5%		11%		21%		-17%		13%		10%	
Precision Welding	4.3	2%	7.4	3%	4.7	2%	7.9	3%	20.1	7%	24.4	9%
YoY(%)	11%		29%		10%		-13%		5%	-0%	6%	2%
Metal Machine Tools	25.4	9%	9.3	3%	6.2	2%	7.2	3%	22.8	8%	48.3	17%
YoY(%)	5%		10%		5%		11%		9%	3%	7%	4%
Metal Cutting & Grinding	14.3	5%	7.8	3%	5.9	2%	5.2	2%	19.1	7%	33.4	12%
YoY(%)	11%		7%		3%		6%		5%	-0%	8%	4%
Stamping Press	11.0	4%	1.4	1%	0.2	0%	1.9	1%	3.7	1%	14.8	5%
YoY(%)	-2%		29%		123%		26%		31%	25%	5%	3%
Others	0.9	0%	0	0%	0		0.0	0%	0.0	0%	0.9	0%
Total	102.2	36%	81.0	28%	60.6	21%	41.3	14%	182.9	64%	285.2	100%
YoY(%)	6%		16%	11%	22%	10%	-3%	-6%	13%	6%	10%	6%

☐ =YoY change shown in the same exchange rate

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On the next page, page five, I will explain the table that indicates sales revenues by sector and region.

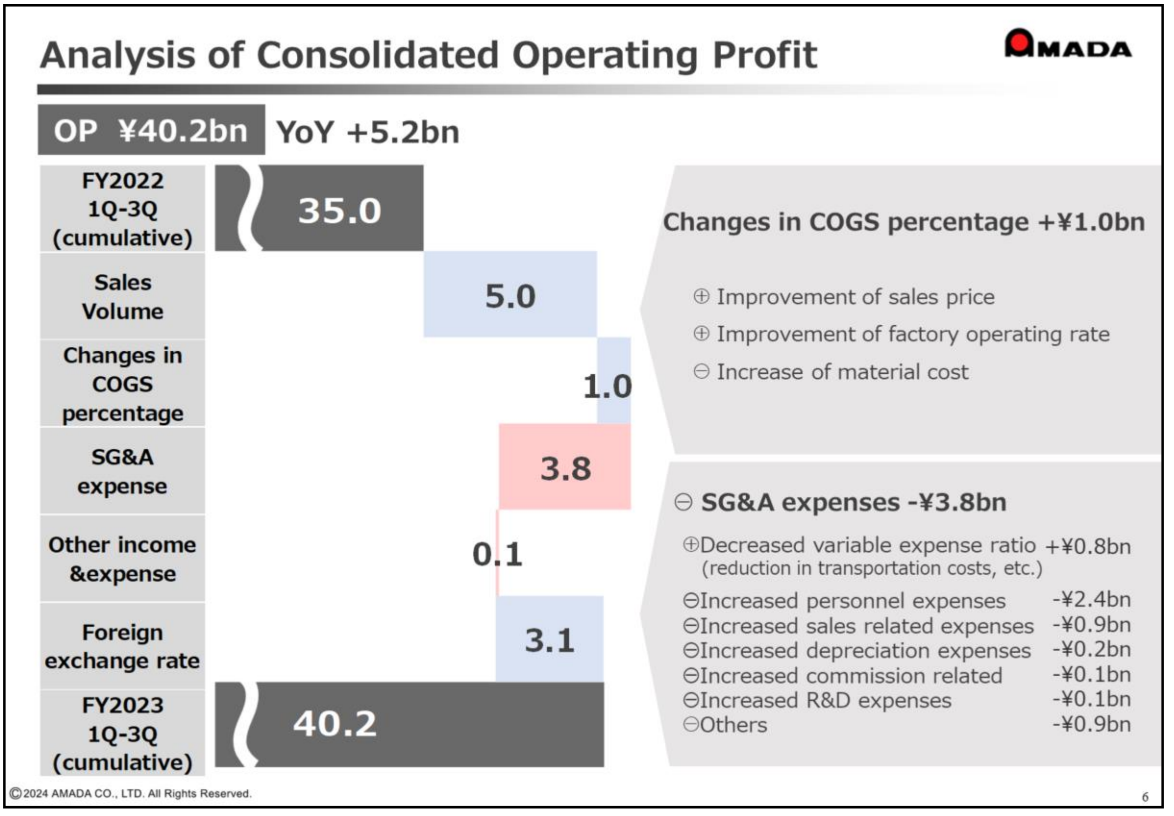
By business segment, the sheet metal fabrication segment for metal working machinery totaled JPY211.4 billion, a 12% increase YoY. Among these, machinery and after-sales business accounted for 12% and 10% increases respectively.

Although the precision welding segment was JPY24.4 billion with only a 6% increase YoY, the EV battery business for Korean companies in North America is beginning to pay off.

Next, the metal cutting & grinding machine segment for metal machine tools was JPY33.4 billion, an 8% increase YoY. The stamping press experienced a downward trend until Q2 due to the effects of decreased orders received in H2 of the last fiscal year, as a result of production cutbacks in the automobile industry. However, it achieved a positive rebound in Q3 at JPY14.8 billion, a 5% increase YoY.

By region, domestic sales were JPY102.2 billion, a 6% increase YoY. For overseas, North America was JPY81 billion, a 16% increase YoY. Europe was JPY60.6 billion, a 22% increase YoY due to strong sales in UK, France, Italy, and Spain, in addition to the Scandinavia and Eastern Europe.

On the other hand, while India, Australia, Brazil, and other countries contributed to an increase in sales, Asia and other regions were JPY41.3 billion overall, a 3% decrease YoY. This is attributed to a significant decrease in sales in China due to slowing economic growth and shifting production overseas.



Next, the analysis of consolidated operating profits on page six shows that operating profits increased by JPY5.2 billion YoY. The blue portions in the bar graph indicate positive factors, and sales volume (excluding foreign exchange rates) of JPY5 billion is the greatest among them, while the effects of the foreign exchange rate and the changes in COGS percentage contributed to increases of JPY3.1 billion and JPY1 billion respectively.

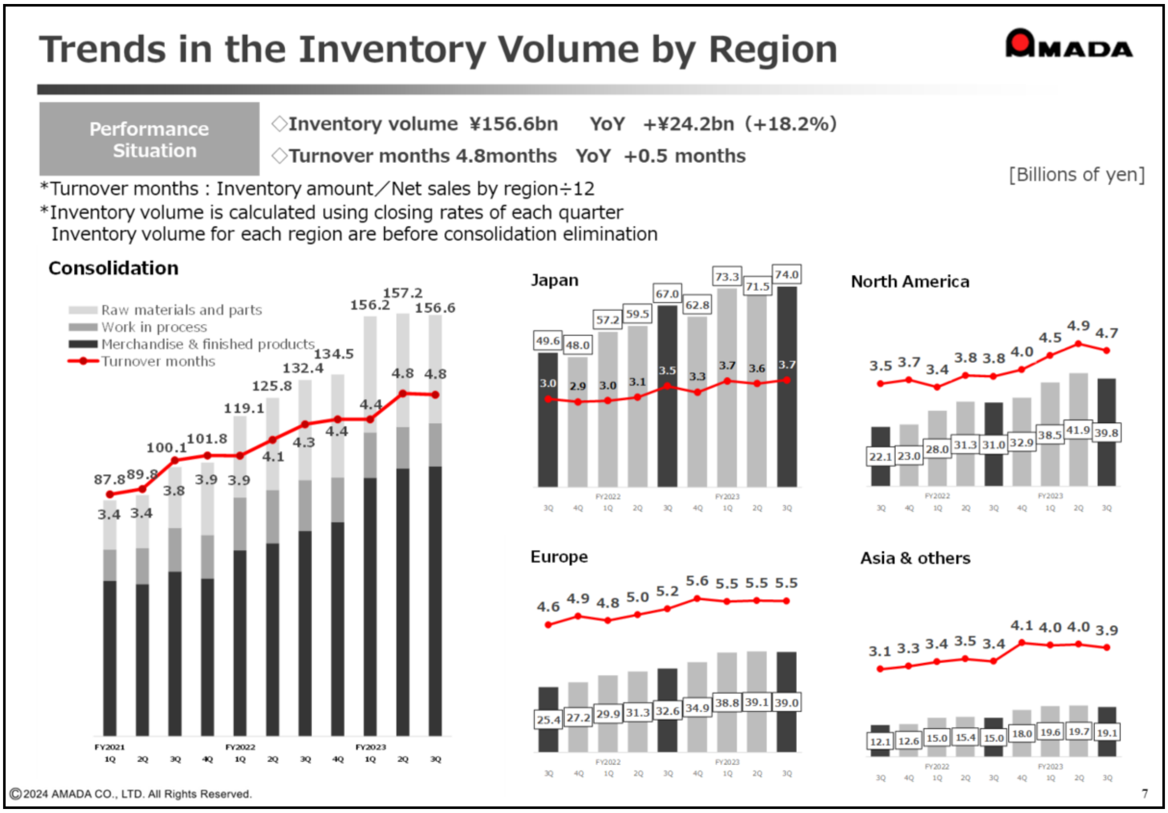
Next, the red portions indicate negative factors, such as the SG&A expenses at JPY3.8 billion while the other income&expense were JPY100 million.

As for the COGS ratio fluctuation, although costs have continued to rise due to rising material costs for mainly electronic components, the rise in production volume resulting from the improved procurement environment, price discount restraints on existing products, new product effects, and a mix of products contributed significantly.

The sales price of sheet metal machines has been improving continuously, and the effects of the price increase are steadily beginning to pay off in businesses other than sheet metal.

Next, I will explain SG&A expenses. First, variable costs have a positive effect of JPY800 million, as the variable cost ratio decreased 0.4 percentage points YoY to 4.7%, due to a decrease in air transportation and a decline in vessel transportation costs mainly for Asia.

On the other hand, fixed costs increased mainly due to a JPY2.4 billion increase in overall personnel expenses, including higher personnel expenses overseas, as well as base salary and bonus raises in Japan. Additionally, a JPY900 million increase in sales-related expenses is also attributed to the increase, including exhibition activities at public exhibitions in Japan and overseas, as well as activities to attract customers.



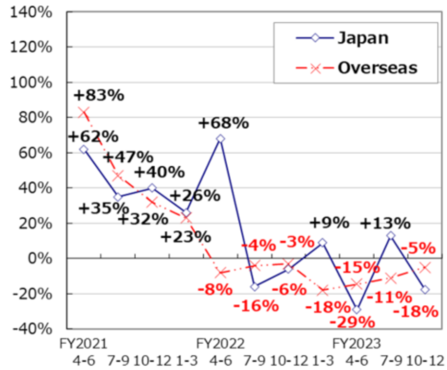
Regarding the inventory volume on page seven, the bar graph on the left side shows trends on a consolidated basis. Inventory volume at the end of December was JPY156.6 billion, a JPY22.1 billion increase compared to JPY134.5 billion at the end of March, despite decreasing from the end of September.

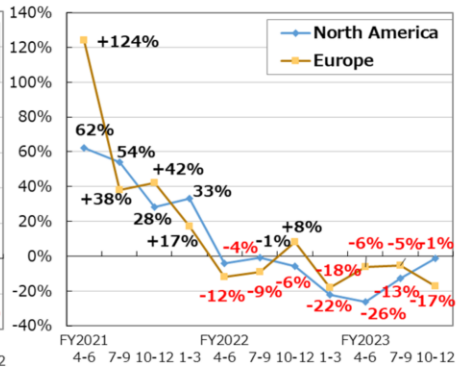
The dark gray portions in the bar graph indicate products in progress, which already began to decline as production activities normalized, while the light gray and black portions indicate raw materials and product inventories respectively, both of which increased significantly YoY and from the end of March.

In Q4, we will accelerate the control of inventories to an appropriate level while further processing order backlogs and making production adjustments toward the end of the fiscal year.

Transition of Orders by Region(YoY)

YoY same exchange rate	FY2021 Apr-Jun	FY2021 Jul-Sep	FY2021 Oct-Dec	FY2021 Jan-Mar	FY2021 Total	FY2022 Apr-Jun	FY2022 Jul-Sep	FY2022 Oct-Dec	FY2022 Jan-Mar	FY2022 Total	FY2023 Apr-Jun	FY2023 Jul-Sep	FY2023 Oct	FY2023 Nov	FY2023 Dec	FY2023 Oct-Dec	Jan
Japan	+62%	+35%	+40%	+26%	+38%	+68%	-16%	-6%	+9%	+9%	-29%	+13%	-0%	-30%	-20%	-18%	-18%
North America	+62%	+54%	+28%	+33%	+43%	-4%	-1%	-6%	-22%	-8%	-26%	-13%	+2%	+6%	-12%	-1%	
Europe	+124%	+38%	+42%	+17%	+48%	-12%	-9%	+8%	-18%	-8%	-6%	-5%	-13%	-29%	-9%	-17%	
Asia and others	+77%	+49%	+26%	+13%	+39%	-10%	-4%	-12%	-10%	-9%	-6%	-15%	-1%	-16%	+61%	+11%	
Overseas	+83%	+47%	+32%	+23%	+44%	-8%	-4%	-3%	-18%	-8%	-15%	-11%	-4%	-13%	+3%	-5%	
Total	+76%	+42%	+35%	+24%	+41%	+15%	-9%	-4%	-7%	-2%	-21%	-1%	-3%	-19%	-7%	-10%	





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Next, I will explain the trends in orders received on page eight.

For the domestic market, although it turned toward positive performance in Q2, Q3 performed much lower than planned at a negative 18%. This is partly due to subsidy adoptions for business restructuring being postponed until February or later, resulting in the total lack of subsidy adoptions during this period.

In North America, although orders received remained positive in October and November, they turned toward negative performance in December with a decrease in Q3, despite the minor figure of 1%. This is due to a slowdown in the market's willingness for capital investment amid interest rates remaining high.

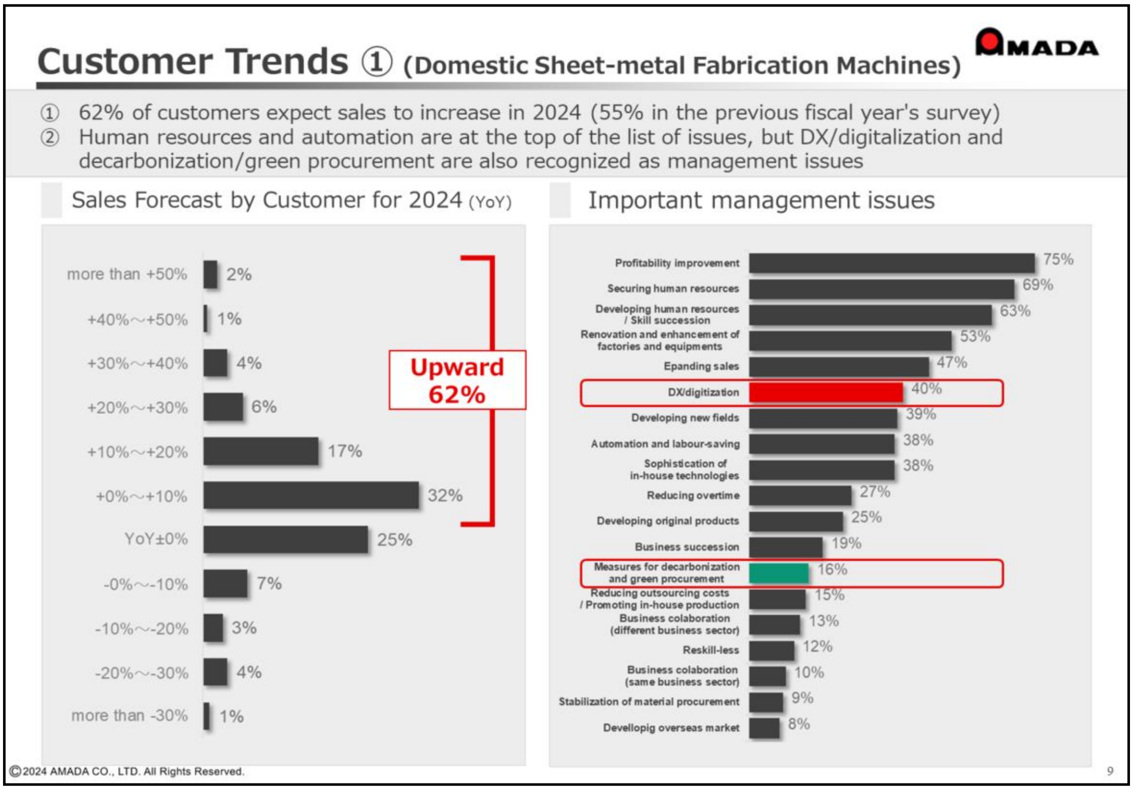
In Europe, due to the impact of interest rate hikes, the GDP growth rate in the eurozone for the July to September period fell by minus 0.5%, followed by a sluggish but positive 0.1% from October to December, according to preliminary figures. This has resulted in a 17% decrease in orders for the same period.

However, orders in the UK and Spain were relatively strong and this was slightly higher than our plan, which was expected to be minus 19%.

As for Asia and other regions, the Chinese economy is slowing down due to sluggish real estate development and the withdrawal of foreign companies, and capital investment in ASEAN is being postponed due to a decline in exports. However, as infrastructure investments progress in India, while the precision welding sector is supported by EV-related orders in South Korea, both regions have shown favorable performance. As a result, orders exceeded the planned figures by 11%.

The preliminary figures for only the domestic market in January were minus 18% YoY. For Q4, we continue to expect negative performance in Japan, as Q4 of the previous fiscal year saw an upswing of approximately JPY4 billion, due to a rush in demand for existing products before the release of new products start. However, we anticipate being able to meet equipment investment demand overseas through the appeal of automation addressing labor shortages and shortage of skilled workers.

As explained above, performance for the Q3 cumulative total contributes to leading the ample order backlog toward strong sales revenues, while the progressing sales price improvements are contributing to both sales revenues and profits achieving levels exceeding the same period of the previous year and past averages for disclosed expectations. However, as the world economy's future remains uncertain, as well as our plans to adjust production to cut back on inventory in Q4, we have left our earnings forecast unchanged.

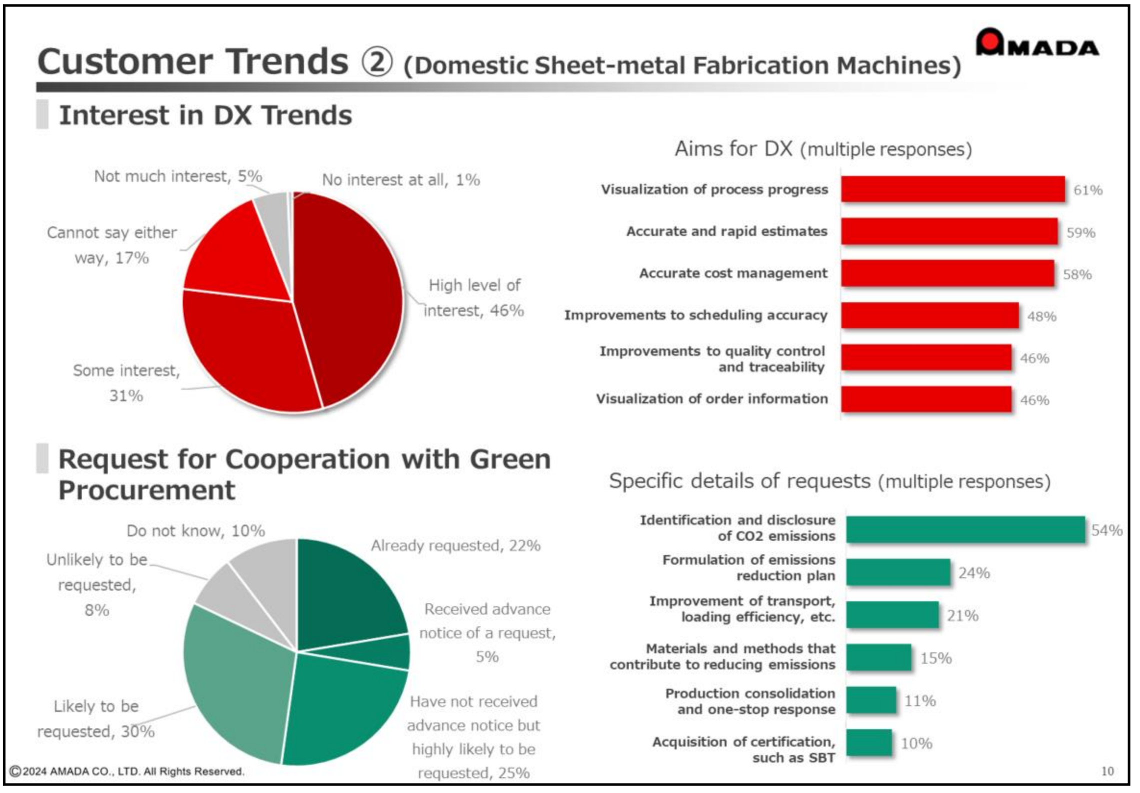


Finally, on pages nine and ten, I will describe the results of the survey we conducted for domestic customers at the end of last year. Although the content is different from the usual DI survey in terms of the subject matter and questions and is not continuous, I will show the details for reference.

First, for the outlook of sales revenue in 2024, 62% of clients expect them to increase from last year, despite concerns of an economic recession. This indicates an improvement from the previous year's survey of 55%.

In addition, the top management issues shown on the right side are securing human resources, educating human resources/skill transfer, and other items relating to labor shortages. Methods of addressing such issues are automation/manpower reduction, updating and enhancing factory equipment, and deskilling.

In addition to addressing these labor shortages, DX and digitalization to improve the efficiency of business processes, as well as decarbonization and green procurement in response to requests from purchasers, are also recognized as management issues.



On page ten, we present the results of our awareness survey regarding interest in DX trends and cooperation requests for green procurement. The upper left-hand portion shows interest in DX trends, with nearly 80% of customers showing interest.

As shown in the upper right-hand portion, the realization of visualizing production progress, accurate and prompt estimation, and accurate prime cost control using DX is under consideration. However, the actual implementation is just underway.

The lower left-hand portion shows cooperation requests for green procurement. If we include responses of "likely to be requested" and "already requested," we can see that more than 80% of customers have received requests from their purchasers or expect to receive requests from them.

Also, as shown in the lower right-hand portion, many customers among this 80% are likely to be required to track and disclose their CO_2 emissions while establishing emission reduction plans. Some customers believe they will be required to obtain SBT and other certifications.

At this point, although there are movements mainly among global companies, of making efforts to utilize renewable energy and reducing CO_2 as a condition of transaction for Tier 1 suppliers, there seems to be differences in opinions toward CO_2 emission reduction efforts throughout the supply chain.

Although we currently expect progress in replacing conventional facilities with automated systems with the goal of reducing manpower and improving efficiency, as well as machinery with superb environmental performance and productivity, we will focus on providing services as a solution that solves our customer’s diverse needs and boosts their business expansions, such as through improved efficiency or optimization of the entire factory by utilizing digital technologies, improved accuracy in estimation and prime cost control, tracking CO_2 emissions, and acquiring SBT certification.

These materials include performance projections and descriptions of future strategies for use in connection with presentations and the provision of answers to inquiries, and these projections and descriptions are based on the Company's managers' judgments made in light of currently available information.

These kinds of statements and forecasts based on projections of future situations are not guarantees of future performance. Please be aware that actual results may differ greatly from such statements and forecasts due to diverse factors, including trends in demand for products, currency exchange rates, and interest rates.

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