

**Mass production and supply of TiAl blades for next-generation aircraft engines**

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**[7409 AeroEdge Sector : Transportation Equipment]**

Fiscal Year	Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
Jun.2021	848	-59.8	-845	-	-757	-	-766	-	-229.8	293.5	0.0
Jun.2022	1,964	2.3x	-124	-	10	-	7	-	2.2	285.1	0.0
Jun.2023 f	2,903	47.8	451	-	551	51.2x	639	87.3x	191.8	-	0.0

Note: Non-consolidated basis. Figures for the fiscal year ending June 2023 are the company's forecasts.

It conducted 1:10 stock split on March 17, 2023. Per share indices are adjusted retroactively.

**Manufacture and Sale of TiAl Blades for Aircraft Engines**

Established in September 2015 in a carve-out from Kikuchi Gear, AeroEdge specializes in the manufacture and sale of titanium-aluminum (TiAl) blades for aircraft engines. In January 2013, Kikuchi Gear signed an agreement with French aircraft engine manufacturer Safran to supply them with TiAl blades for aircraft engines. However, due to the large scale of the business and funding needs, AeroEdge was established based on the judgment that it would be beneficial to have an organization separate from Kikuchi Gears.

AeroEdge's net sales are divided into two segments, processing and sale of LEAP aircraft engine parts (TiAl blades), and processing and sale of other parts. Processing and sales of aircraft engine parts (TiAl blades) accounted for 92.9% of net sales in fiscal year ended June 2022, and processing and sales of other parts accounted for 7.1%.

The LEAP engines for commercial aircraft were developed by CFM International, a joint venture between GE and Safran, and are mounted on Airbus' A320neo family aircraft and Boeing 737 MAX aircraft.

TiAl blades are one of the new technologies deployed in LEAP engines, and they have contributed to significant weight reduction and notable improvements in fuel efficiency in aircraft. AeroEdge is one of only two companies that supply TiAl blades for LEAP.

**Contracts with Safran**

Based on a long-term contract from 2016 to 2027, AeroEdge supplies TiAl blades to Safran.

The supply of TiAl blades for LEAP engines is divided between AeroEdge, which is contracted to supply 35% while another company supplies the remaining 65%. In principle, this ratio will not change under the current contract, which continues until 2027. Also, the materials for TiAl blades are provided by Safran at no charge, and AeroEdge does not bear any risk of fluctuations in raw material prices, including exchange rates.

## Financial Statements

Statement of income	Fiscal Year	Jun.2021		Jun.2022		Nine months to Mar.2023	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		848	100.0	1,964	100.0	2,132	100.0
Cost of sales		1,105	130.3	1,404	71.5	1,249	58.6
Gross profit		-256	-30.3	560	28.5	883	41.4
Selling, general and administrative expenses		588	69.4	684	34.9	487	22.9
Operating profit		-845	-99.7	-124	-6.3	395	18.6
Non-operating income		162	-	191	-	160	-
Non-operating expenses		74	-	56	-	52	-
Ordinary profit		-757	-89.3	10	0.5	503	23.6
Profit before income taxes		-762	-89.9	10	0.6	504	23.7
Net profit		-766	-90.3	7	0.4	590	27.7

Balance sheet	Fiscal Year	Jun.2021		Jun.2022		Mar.2023	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		2,310	44.3	2,126	39.7	2,761	47.9
Cash and deposits		1,823	34.9	1,119	20.9	1,720	29.8
Accounts receivable-trade		119	2.3	464	8.7	524	9.1
Inventories		235	4.5	284	5.3	323	5.6
Non-current assets		2,910	55.7	3,231	60.3	3,005	52.1
Property, plant and equipment		2,869	55.0	3,145	58.7	2,837	49.2
Intangible assets		28	0.5	66	1.2	58	1.0
Investments and other assets		13	0.3	20	0.4	108	1.9
Total assets		5,221	100.0	5,358	100.0	5,766	100.0
Current liabilities		491	9.4	889	16.6	736	12.8
Accounts payable - trade		37	0.7	77	1.4	98	1.7
Non-current liabilities		3,747	71.8	3,513	65.6	3,464	60.1
Net assets		982	18.8	955	17.8	1,565	27.1
Owners' equity		978	18.7	950	17.7	1,561	27.1

Statement of cash flows	Fiscal Year	Jun.2021	Jun.2022
		(mn yen)	(mn yen)
Cash flows from operating activities		-88	38
Depreciation		424	468
Cash flows from investing activities		-53	-794
Cash flows from financing activities		204	53
Dividends paid		-	-
Net increase in cash and cash equivalents		87	-704
Cash and cash equivalents		1,823	1,119

Note: Non-consolidated

Source: Prepared by Stock Research Center based on the notifiable prospectus.

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