

Presentation Material of FY2021 Second Quarter Financial Results ANEST IWATA Corporation

December 20, 2021

**First Section of the Tokyo
Stock Exchange - Machinery**

Securities Code 6381

History of ANEST IWATA's business

We started by manufacturing coating spray guns and air compressors for inspecting those guns.

Founded in 1926

(Former company name: Iwata Seisakusho)

Product differentiation concept

- Environment-friendly
- Ability to present proposals for coating surface creation

- Oil-free
- Energy-saving

Diversification of products
Development of new applications

Coating business

Air energy business

Started manufacturing of spray guns using an American-made spray gun as a model

Spray gun

Coating hand gun

Atomize paint with compressed air

Compressor

Air compressor

Started manufacturing of air compressors for spray gun inspection



Coating robot



Airbrush



Oil-free scroll vacuum pump



Oil-free scroll air compressor

Coating equipment:
Equipment units such as spray guns and paint supply pumps

Coating system:
Systems combining coating equipment with ventilators, driers, and coating robots

Air compressor:
Air compressors, N2 gas generators, and auxiliary equipment such as tanks

Vacuum equipment:
Vacuum pumps and auxiliary equipment such as valves

- 1. FY2021 second quarter financial results**
- 2. Prospects for the FY2021 full-year period**
- 3. Two business strategies and implementation status**
- 4. Activities related to ESG and SDGs**

1. FY2021 second quarter financial results

With an eye toward the post-corona age, we promoted sales reform, and due to a global economic recovery trend, the effect became apparent. We achieved increases in both sales and income. The profit ratio also improved.

(million yen)

Sales	20,360	
	Air energy 12,114 (59.5%)	Coating 8,246 (40.5%)
Operating income	2,378	
	Air energy 1,250 (52.6%)	Coating 1,128 (47.4%)

Unit (million yen)	Air energy business			Coating business		
	Actual	Increase/ decrease	Increase/ decrease rate	Actual	Increase/ decrease	Increase/ decrease rate
Sales	12,114	+2,585	+27.1	8,246	+1,242	+17.7
Operating income	1,250	+448	+55.8	1,128	+500	+79.7
Operating income ratio (%)	10.3	+1.9pt	-	13.7	+4.7pt	-

- Sales of general-purpose air compressors grew mainly in China, so did the sales of vacuum pumps mainly in Japan and East Asia.
- The impact associated with the insufficient air compressor motor procurement was about 60 million yen.

- Sales of general-purpose equipment, mainly spray guns, grew.
- Demand for airbrushes continued.

(Notes) 1. The operating income by business was calculated using our unique standards.
2. In Japan and India, the year ends in March while in other areas, it ends in December, so that the period of the consolidated financial settlement in other areas differs by three months.

Highlights of FY2021 2Q financial results

Active with Newest Technology



Income exceeded the level before COVID-19. Sales, operating income, and ordinary income marked record highs on a semi-annual base. FY2021 result forecasts were revised upward.

- The economic recovery in Europe, the United States, and China served as the driving force behind the increasing sales of general-purpose products. The sales of customized products, mainly air compressors, got close to the pre-COVID level.
- The control of sales costs enabled by the increasing use of the Web contributed to these results.

	FY2020 2Q		FY2021 2Q		Year-on-year			FY2021 result forecasts			
	Actual million yen	Profit ratio %	Actual million yen	Profit ratio %	Increase/ decrease amount million yen	Increase/ decrease rate %	Profit ratio change Point	Beginning of term		Revised forecast (Announced on Nov. 5, 2021)	
								Forecast million yen	Progress rate %	Forecast million yen	Progress rate %
Sales	16,531	—	20,360	—	+3,828	+23.2%	—	38,500	52.9	40,500	50.3
Operating income	1,430	8.7	2,378	11.7	+948	+66.3%	3.0	3,600	66.1	4,250	56.0
Ordinary income	1,759	10.6	2,670	13.1	+911	+51.8%	2.5	4,100	65.1	4,770	56.0
Net income attributable to parent company shareholders	1,131	6.8	1,688	8.3	+556	+49.2%	1.4	2,515	67.1	2,960	57.0
Average exchange rate of yen to the US dollar	108.27 yen		107.69 yen		Appreciated by 0.58 yen			103.00 yen		109.00 yen	
Average exchange rate of yen to the euro	119.3 yen		129.82 yen		Depreciated by 10.52 yen			118.00 yen		130.00 yen	
Average exchange rate of yen to RMB	15.39 yen		16.66 yen		Depreciated by 1.27 yen			15.00 yen		16.80 yen	

Sales were up, while the cost of sales was limited. The selling, general & administrative expenses ratio was down.

Sales grew by 23% (up 699 million yen, year-on-year, which applies hereafter) due to the sales reform, economic recovery, and depreciation of the yen. Also, the operating income substantially increased by 66% mainly for the following reasons:

- Decrease in the cost-to-sales ratio due to the increased sales, product mix, etc.
- Drop in the selling, general & administrative expenses ratio resulting from rationalizing the travel expenses, advertising costs, etc.

	FY2020 2Q		FY2021 2Q		Year-on-year		
	Actual million yen	Composition ratio %	Actual million yen	Composition ratio %	Increase/decrease amount million yen	Increase/decrease rate %	Composition ratio change Point
Sales	16,531	—	20,360	—	+3,828	+23.2	—
Cost of sales	9,690	58.6	11,526	56.6	+1,835	+18.9	-2.0
Gross profit	6,840	41.4	8,833	43.4	+1,992	+29.1	+2.0
Selling, general & administrative expenses	5,410	32.7	6,455	31.7	+1,044	+19.3	-1.0
Operating income	1,430	8.7	2,378	11.7	+948	+66.3	+3.0
Non-operating income	453	2.7	338	1.7	-115	-25.4	-1.1
Non-operating expenses	125	0.8	46	0.2	-78	-62.8	-0.5
Ordinary income	1,759	10.6	2,670	13.1	+911	+51.8	+2.5
Extraordinary income	77	0.5	3	0.0	-74	-95.4	-0.5
Extraordinary losses	100	0.6	4	0.0	-95	-95.3	-0.6
Net income before income taxes	1,736	10.5	2,669	13.1	+933	+53.7	+2.6
Income taxes	478	2.9	695	3.4	+217	+45.4	+0.5
Net income attributable to non-controlling shareholders	126	0.8	285	1.4	+159	+126.0	+0.6
Net income attributable to parent company shareholders	1,131	6.8	1,688	8.3	+556	+49.2	+1.4

Differences between the assumptions at the end of 1Q and at the end of 2Q

<Causes of sales differences>

- The pace of recovery accelerated with air compressor and coating equipment products as pillars.
- Demand for general-purpose air compressors recovered mainly in China and India.
- Impact of fluctuations in foreign exchange rates (depreciation of the yen)

	FY2021	
	1Q actual	First half of the year Beginning-of-term forecast
	million yen	million yen
Sales	9,100	19,000
Operating income	893	1,750
Ordinary income	1,114	2,000
Net income attributable to parent company shareholders	700	1,250
Average exchange rate of yen to the US dollar	105.90 yen	103.00 yen
Average exchange rate of yen to the euro	127.69 yen	115.00 yen
Average exchange rate of yen to RMB	16.36 yen	15.00 yen



FY2021 Actual in the first half of the year
Actual
million yen
20,360
2,378
2,670
1,688
107.69 yen
129.82 yen
16.66 yen

<Causes of operating income differences>

* Shown in parentheses is the year-on-year change.

- Increase associated with the expansion of sales
- Product mix
 - Coating equipment sales increase (+38.1%) and the profitability improvement of the subsidiary in the United States which has been transferred in 1Q
 - Coating system sales decrease
 - Vacuum equipment sales increase (+36.5%), etc.
- Continuation of control of selling, general & administrative expenses
 - Selling, general & administrative expenses increase (+19.3%)
 - Sales increase (+23.2%)

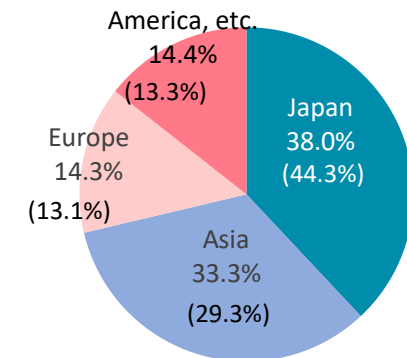
Sales of general-purpose products increased due to the global economic recovery and efficient operating activities enabled through the use of the Web and other technologies. Japan got close to the level before COVID-19.

- Sales of general-purpose air compressors grew strongly in China (products of SCR*), India, and elsewhere, so did the sales of vacuum pumps in East Asia, Japan, and the United States.
- Sales of spray guns and airbrushes rose in Europe and the U.S.
The increase in the spray gun sales in the U.S. in particular was due to the transfer of part of the automotive refinishing business.

*SCR: Shanghai Screw Compressor Co., Ltd.

(million yen)	FY2020 2Q	FY2021 2Q	Increase/ decrease amount	Increase/ decrease rate (%)
Japan	7,327	7,736	408	5.6
Europe	2,168	2,912	743	34.3
Asia	4,842	6,783	1,941	40.1
North America, etc.	2,193	2,927	734	33.5
Total	16,531	20,360	3,828	23.2

■ Composition ratio
FY2021 2Q
(FY2020 2Q)

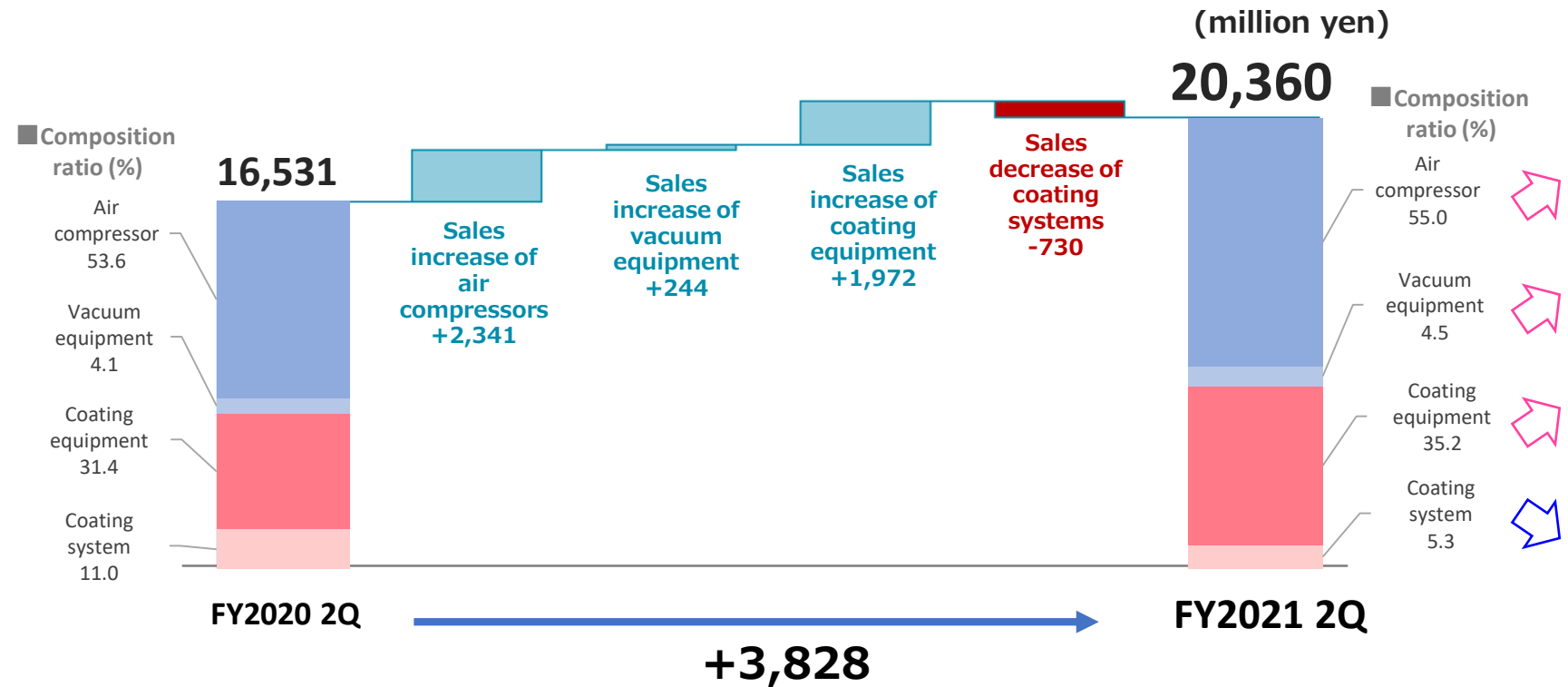


Note) Converted to actual sales in each individual area

Aggressive sales efforts resulted in business performance exceeding the forecasts for the first half of the year.

Note) Converted to actual sales in each individual area

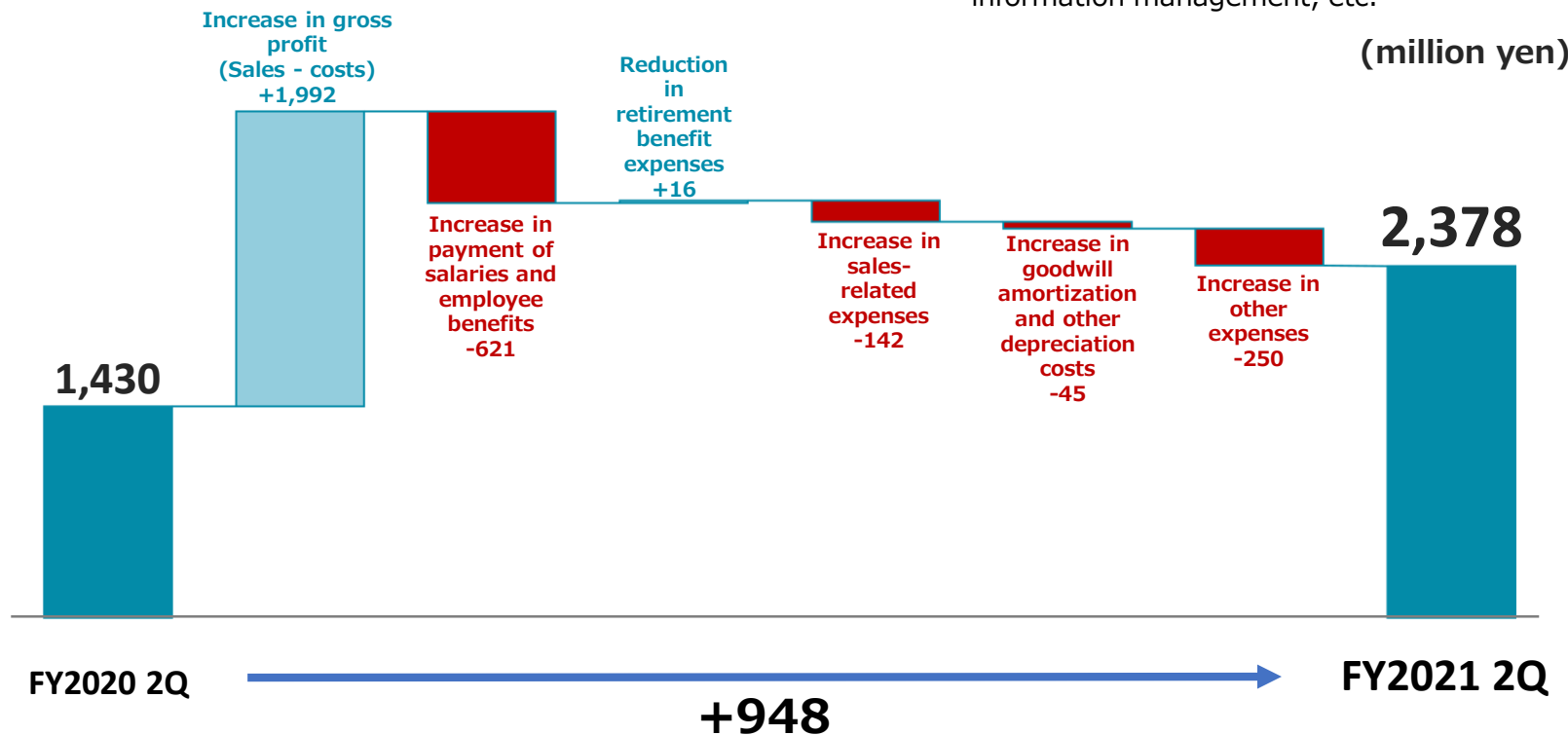
- Sales of air compressors grew in Asia (up 1,415 million yen from last year).
 - Expansion of sales of mid-sized air compressors in China led by SCR, as well as export of these compressors
 - Recovery of demand for general-purpose air compressors, in addition to medical air compressors, and aggressive sales efforts
- Sales of coating equipment grew in Europe and the U.S. (up 1,340 million yen from last year).
 - Sales of spray guns increased as Europe resumed economic activities and we promoted our products via social media.
 - We addressed the demand for airbrushes that grew as companies added and upgraded production equipment.
 - Use of sales channels made available as part of the North American automotive refinishing business was transferred
- Affected by fluctuations in foreign exchange rates (depreciation of the yen) (up 699 million yen from last year)



The increase in sales compensated for the cost increase, contributing to the increase in income.

- Substantial increase in gross profit resulting from the increase in sales
- Increase in payment of salaries and so on, which were transferred to the extraordinary losses in the same period last year
- Amount of goodwill amortization: 125 million yen (up 24 million yen from last year; transfer of a business in the United States)
- While sales-related expenses increased, the sales reform brought the sales commission fees, incentives, and other expenses down by 19 million yen.
- Increase in commission fees included in other expenses (up 158 million yen from last year, where the commission fees* related to IT investments are about 71 million yen.)

* Related to the order-receiving system including product information management, etc.



2. Prospects for the FY2021 full-year period

Prospects for FY2021

Both results and dividends will be revised upward: An optimal mix of remote and face-to-face sales activities is expected to lead to recovery of sales.

Amount: million yen		FY2020 (Actual)	
		Actual	Composition ratio %
Sales		35,588	100.0
Air energy	Air compressor	19,304	54.2
	Vacuum equipment	1,561	4.4
	Subtotal	20,866	58.6
Coating	Coating equipment	11,483	32.3
	Coating system	3,239	9.1
	Subtotal	14,722	41.4
Operating income		3,444	9.7
Air energy		1,821	—
Coating		1,623	—
Ordinary income		4,253	12.0
Net income attributable to parent company shareholders		2,623	7.4

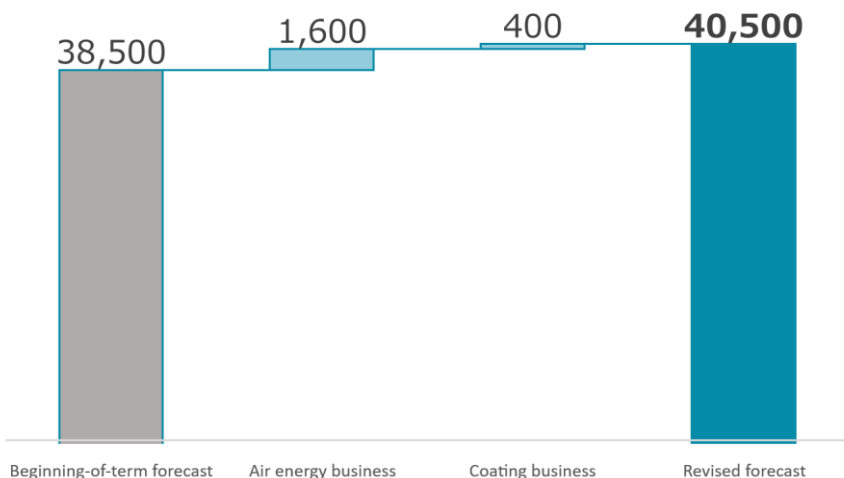
FY2021 (Prospect)				
Beginning-of-term forecast (announced on May 10)	Revised forecast (announced on Nov. 5)	Composition ratio %	As compared with the initial plan (%)	Year-on-year %
38,500	40,500	100.0	5.2	13.8
—	—	—	—	—
—	—	—	—	—
22,400	24,000	59.3	7.1	15.0
—	—	—	—	—
—	—	—	—	—
16,100	16,500	40.7	2.5	12.1
3,600	4,250	10.5	18.1	23.4
1,868	2,210	—	18.3	21.4
1,732	2,040	—	17.8	25.7
4,100	4,770	11.8	16.3	12.2
2,515	2,960	7.3	17.7	12.8

Average exchange rate of yen to U.S. dollar	106.82	Actual
Average exchange rate of yen to euro	121.81	
Average exchange rate of yen to RMB	15.48	
Dividend (interim + year-end = annual)	12 yen + 12 yen = 24 yen	

103.00	109.00	+6.00	+2.18
118.00	130.00	+12.00	+8.19
15.00	16.80	+1.80	+1.32
13 yen + 13 yen = 26 yen			

Revised sales forecast

(Unit: Million yen)



Key points

■ Common

- + Global economic recovery
- + Price rises beginning in September (next January for overseas markets)

■ Air energy business

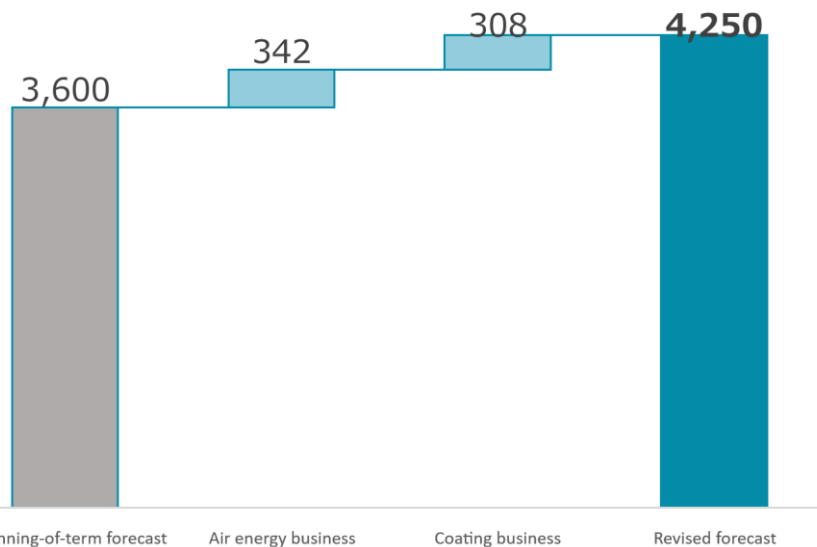
- + Reinforced efforts to sell compact oil-free air compressors and SCR-made mid-sized air compressors in domestic and overseas markets
- + Normalization of compressor motor procurement

■ Coating business

- + Expansion of sales of coating booths through remote support

Revised operating income forecast

(Unit: Million yen)



Key points

■ Common

- + Impact of the sales increase
- Surging material costs
- + Absorption of material cost increases by price rises (starting in September)
- Increase in the cost-to-sales ratio due to the product mix change (Increased ratio of sales of coating systems)

■ Other

- + Continued control of costs associated with optimized operating activities using the Web and the face-to-face approach
- Concentrated IT investment

● The COVID-19 pandemic that began in FY2019 made clear the effects of our existing strategy.

- * Capturing the niche market of air compressors made clear the effect of customized products in boosting sales.
 - Sales of medical oil-free air compressors grew in the U.S., India, and Brazil.
 - In Japan, the automated assembly lines of oil-free scroll air compressors proved effective in meeting the surging demand, contributing to the increase in sales.
- * A crisis management committee meeting was held (on a weekly basis) under the direct leadership of the president, helping all members of the company come together and speeding up the execution of the strategy.

● FY2020 and beyond

- * Expand the sales of general-purpose products and increase the income through mass production
- * Restore the sales of customized products to the pre-COVID level
- * Increase the sales ratio of profitable oil-free air compressors
- * Receive orders faster in the coating business through face-to-face sales activities
- * Keep investing aggressively (in IT and factory equipment)
- * Continue to hold the crisis management committee meeting (on a weekly basis) under the direct leadership of the president

Problems identified as of FY2018 (reasons for the reform)

- Logistics: The problem is the impact of lack of appropriate procurement, SCM*¹, and transportation systems not only in Japan but around the world, resulting in issues such as degraded logistic quality and higher costs arising from the outsourced order reception systems and shortages of truck drivers.
- Sales: The channel-based sales approach has led to insufficient engagement by our sales staff in the purchase process of users. The user purchase process is focused on the Web, and e-commerce is common for general-purpose products. This prevents us from obtaining customer information, making it difficult to seize future business opportunities.

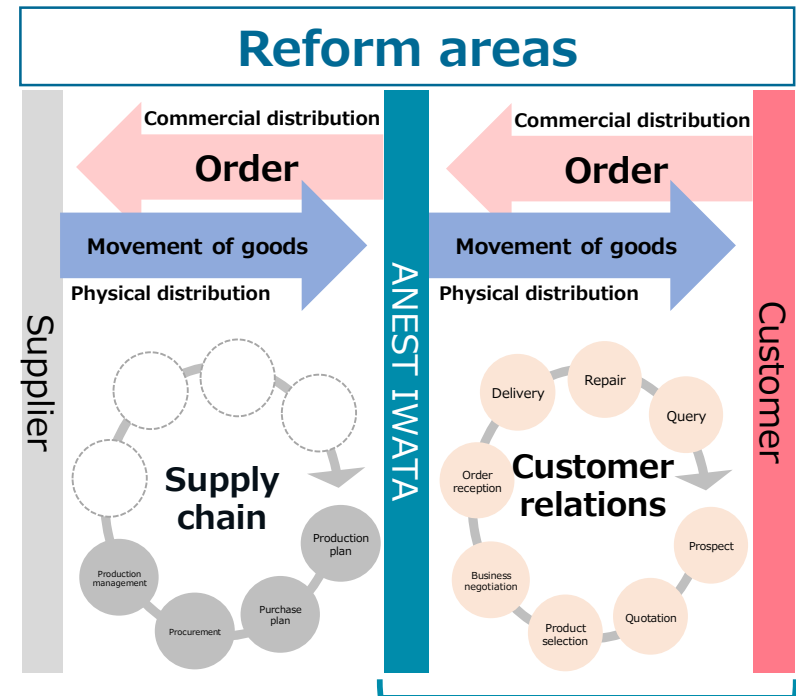
•Internal systems:

Internal systems are highly customized on-premise systems (* a type of system residing in an internal server). They include **SFA***², a sales support system aimed at visualizing sales activities and streamlining and standardizing those activities, as well as **CRM***³, a customer management system used to store, analyze, and utilize user-related information as history data for the purpose of grasping diversified user needs. The problem is that these systems are at high risk of facing the so-called "2025 Digital Cliff" due to changes in tasks, the need for maintenance of physical servers, etc.

*1 SCM: Supply Chain Management

*2 SFA: Sales Force Automation

*3 CRM: Customer Relationship Management



Promote sales-related activities to improve customer satisfaction

New sales style we aim to achieve

- * Sales: Divide products into general-purpose products and proposed ones (including customized products).
 - Inside sales (This sales style involves conducting follow-up on many prospective customers according to the possibility of receiving an order.)
 - Field sales (In this sales style, sales visits, product/service presentations, and deal closing are conducted using established customer relationships and accumulated information of customers and prospective customers.)
- The roles in the sales process are divided according to these two sales categories. Field sales requires high-quality sales activities regardless of the area or sales personnel.

IT investment to achieve the desired sales style

1. Start building a new integrated customer database (for individual customers) focused on the SFA and CRM data.
The operation of this database started in a phased manner, beginning in April 2020, and the construction of the database will be completed in January 2022.
2. Open an official EC website (put into operation in January 2021).
This EC website has been set up as a means for users to purchase our products when they are not able to buy through our existing commercial channels.
3. System to improve work efficiency (to be put into operation in January 2022).
Open a dedicated portal site that incorporates the order management, inventory checking, quotation request, and other systems for dealers. The portal site allows us to respond quickly to dealers' quotation requests, order input requests, delivery date queries, and delivery status check requests, as well as streamlines the work in our company.
4. Upgrade our website (to be partially made public beginning in April 2022).
We are upgrading our website from the customer's point of view. The website structure will be divided into the "corporate site" intended to enhance our corporate value through branding and the "product information site" meant for product promotion. The website offers a digital service tailored to the purposes and usage scenes of individual customers.

Continue to promote the sales reform even during the COVID-19 pandemic

Continued promotion of the work reform

1. Operating activities using information and communication technology (ICT)

Using an online business meeting system, FaceTime, etc., we actively promoted activities such as product presentations for customers, sales planning meetings, management of product delivery destination information, and deal closing. Our overseas subsidiaries also conducted operating activities through online interviews and other means. Our website now has a chatbot that responds to queries via chats.



2. Webinars to present new products

We conducted aggressive virtual sales activities using the new studio built in the head office building.

We started holding webinars ahead of other companies in the industry. The AAA Studio, built on the premises of the head office in March this year, was used for public relations purposes such as holding seminars to offer proposals and presenting new products. This prompted many customers to participate in these events regardless of their locations.



3. Creation of an opportunity to stay connected to customers (enhancement of service capability)

In October 2021, we expanded our existing service company to reinforce the service business and create new types of business such as a subscription business model.



<No changes to the prospects at the beginning of the term>

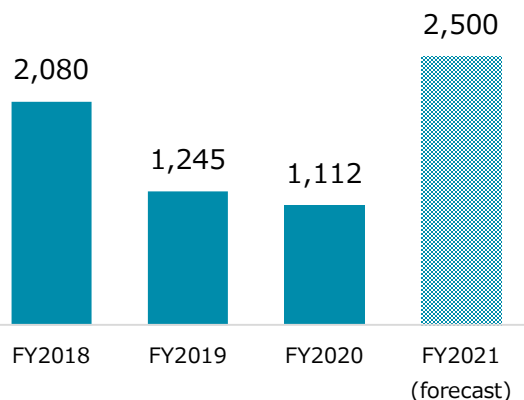
(Actual) 2Q: Amount of capital investment 22.4%, R&D cost 43.7%

IT-related investments: In comparison with the plan to spend approx. 700 million yen a year, approx. 110 million yen were spent on the establishment of communication infrastructures in the head office and domestic sales offices in the first half of the year. (The uninspected portion was approx. 274 million yen.) Due to careful consideration, we will concentrate on capital investment in the second half of the year.

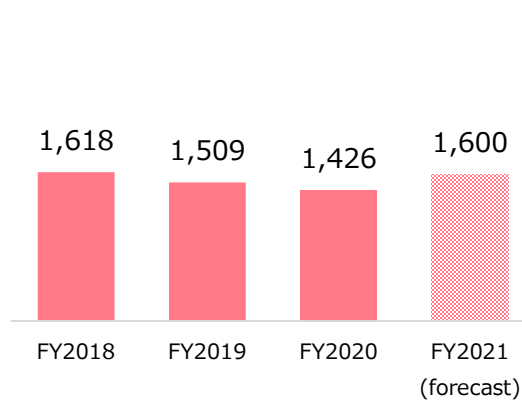
(million yen)	FY2021 2Q actual			
	Amount of capital investment	Depreciation cost	R&D cost*	Sales
Actual (as compared with the plan)	559 (22.4%)	716 (44.8%)	502 (43.7%)	20,360
Plan	2,500	1,600	1,150	—
Contents	<ul style="list-style-type: none"> • Machine tools (creation of new ones and upgrading of existing one) • Upgrading and enhancement of production lines • Establishment of communication infrastructure • IT-related investments 			

(Note) R&D cost: Total of general administrative expenses and manufacturing costs related to research and development

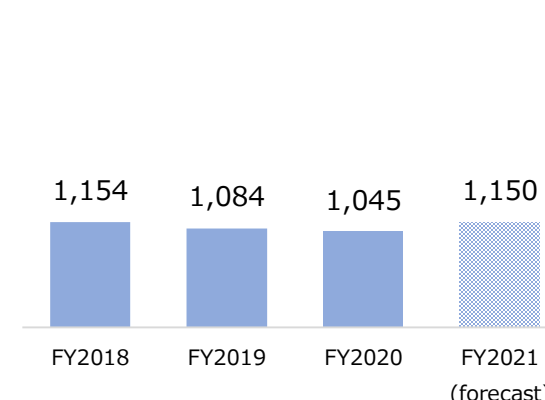
Amount of capital investment (million yen)



Depreciation cost (million yen)



R&D cost (million yen)



Dividend policy

We secure internal reserves to invest in growth and ensure stable dividends. The payout ratio is 35% or more.

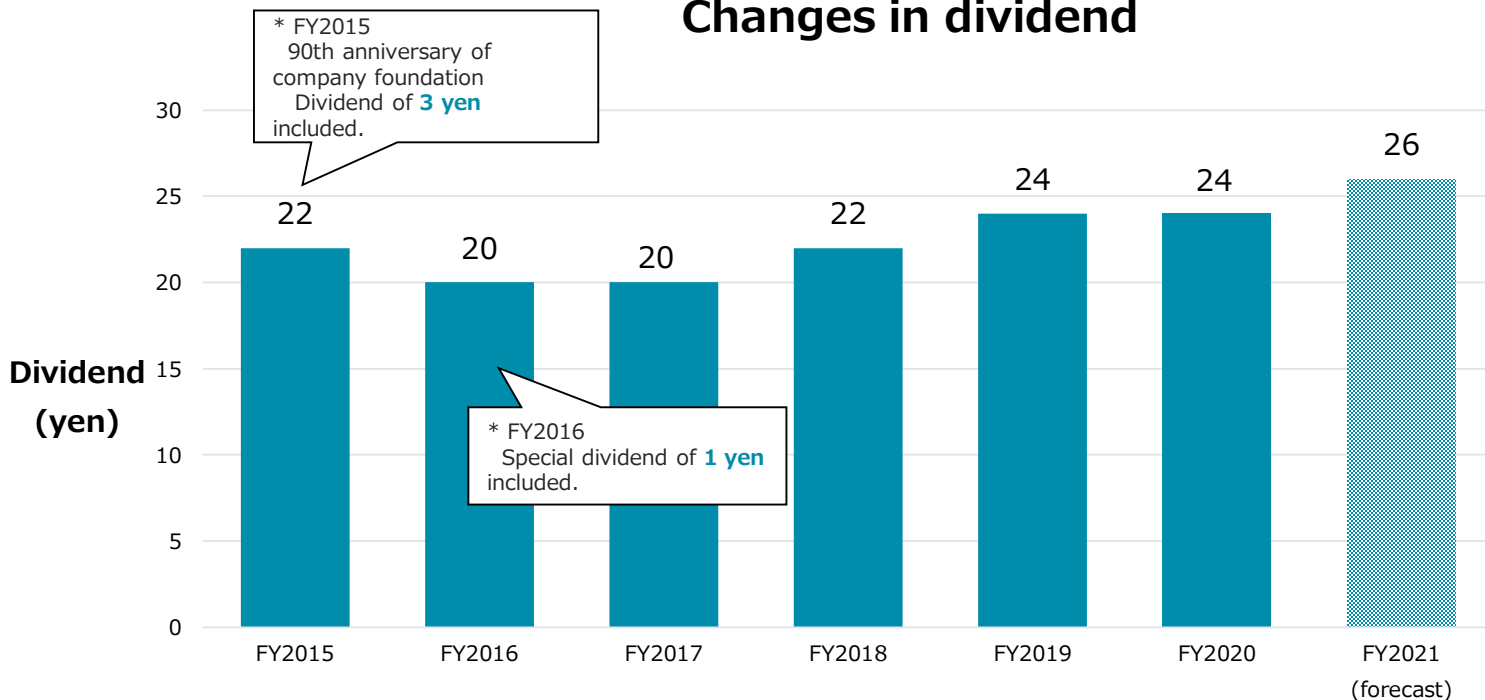
Dividend

FY2021 (forecast): **26 yen (annual)** (13 yen (interim) + 13 yen (year-end))

The dividend forecasts were revised upward. (Announced on Nov. 5, 2021)

Dividend	Interim	Year-end	Annual
Beginning of term	12 yen	12 yen	24 yen
Revised forecast	13 yen	13 yen	26 yen

Changes in dividend



3. Two business strategies and implementation status

Customized products are less affected by the economic situation and help keep business performance on track.

Air energy business

Air compressors

Vehicle-mounted	Medical	Science & chemistry	Dedicated equipment
Electric vehicles (buses, trains, trucks) • Brakes • Door opening/closing	Hospital equipment operation Medical gas generators Aspirators Dental	Analyzers Generation of nitrogen and other gases Ozone generation	Booster applications Production lines Embedded dedicated equipment Device embedding

* Customization makes air compressors highly competitive.

Coating business

Spray guns (Coating equipment)

Automotive parts	Large vehicles	Functional materials	Industrial products
Side mirrors Lamps Bumpers Door handles Interior panels	Railway vehicles (bullet trains, etc.) Construction machinery Buses Trucks Special vehicles	Adhesive Sealing agent Mold release agent Food-related liquid Photocatalyst (exterior walls, bathrooms, etc.) Sanitary pottery Sanitizer ...	Wooden products (furniture, piano, Buddhist altars, etc.) Electronic devices Home appliances Construction materials

* All coating systems require customization. Coating and application equipment products need to be customized according to the paint or liquid used.

Development of new applications and reinforcement of market development efforts

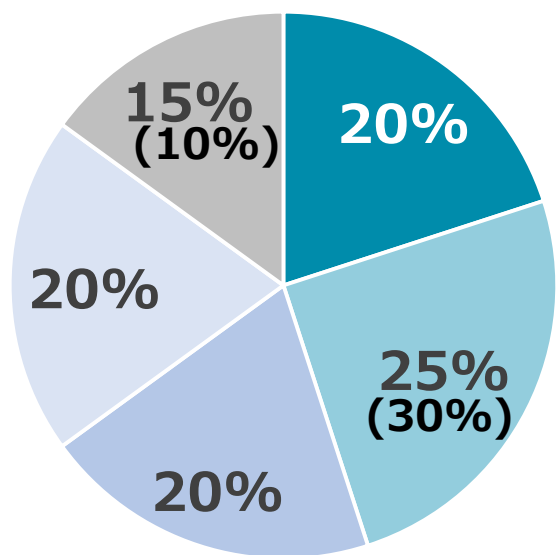
- ① **Provide medical small-size oil-free air compressors and auxiliary equipment**
(mainly North America, Brazil, and India).
- ② **Increase customers of spray gun-air compressor units for photocatalyst/sanitizer application.**
- ③ **Continue collaboration with venture businesses.**

DUSKIN staff applying photocatalyst



Air energy business

Air compressors

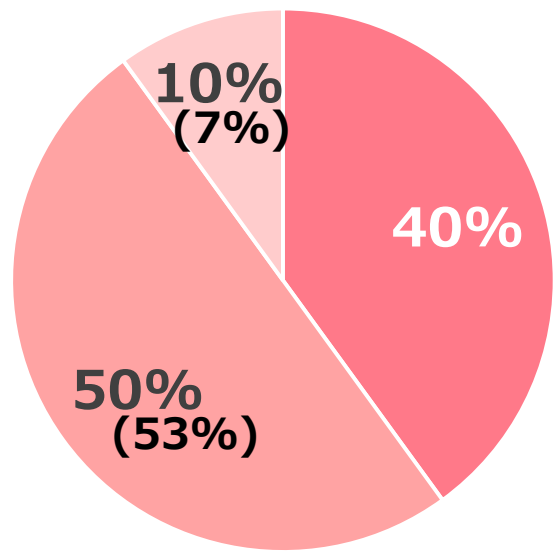


Source: Estimates based on internally collected data

- Manufacturing of automobiles and other transportation equipment
- Manufacturing of general machinery and electric/electronic equipment
- Manufacturing of food and beverages
- Specific markets (medical, vehicle-mounted, etc.)
- OEM, etc.

Coating business

Spray guns (coating equipment)



Source: Estimates based on internally collected data

- Automotive (manufacturing and repair)
- Manufacturing of general industrial products (wooden, metal, and plastic products, etc.)
- Hobbies, art, etc. (airbrushes)

* () FY2019

Shift to highly profitable products while maintaining a high share of the Japanese market. In overseas markets, by contrast, there is room for increasing our share and a huge opportunity for income growth. So, broaden the product range and business areas by introducing new products, expanding sales networks, engaging in M&A activities, etc.

FY2020 operating income ratio

Air energy business

8.7%

(Reference)
FY2021 2Q
10.3%

In Japan, there is fierce price competition with all-around manufacturers. We will strengthen our operations by boosting the productivity of Fukushima Factory and increasing the ratio of oil-free models.

Coating business

11.0%

(Reference)
FY2021 2Q
13.7%

The ratio of processed parts used in spray guns is high, and the cost of parts is low. The market share is large, and the profit margin is relatively high.

Mid-term direction

There is much room for increasing our shares in highly profitable overseas markets. We will increase the sales ratio of oil-free air compressors. We will also continue to benefit from the automated assembly lines in Fukushima Factory, which will lead to an increased operating income and an improved profit margin.

We will aggressively launch new medium-range products in overseas markets with high growth potential. As more environment-friendly paint is used, the operating income will increase. We will develop coating systems designed to reduce air pollution.

Domestic market: Secure income with oil-free and other value-added products in a mature market.

Overseas markets: Price competition is less severe than in Japan. Expand profits by increasing shares in overseas markets.

	Huge and high-margin overseas markets	Mature and increasingly eco-conscious domestic market
Market size	Approx. 1,377.4 billion yen	Approx. 80 billion yen (approx. 6% of the global market)
Competitors	Multiple manufacturers almost solely specializing in air compressors	Major electronics manufacturer A, steel manufacturer B, etc.
Major player's operating income ratio	Approx. 10 - 20%	Less than 10%
Market structure	Several major manufacturers deal with air compressors as their main business. Price competition is limited.	Price competition is always severe as all-around manufacturers supply air compressors with other large-scale products.
Profitability assessment	There is price competition, but there is much room for us to increase our shares and profits, compared to the domestic market.	The market is mature and price competition is severe. Increasing profits is difficult.
Our sales and share	10 billion yen (approx. 1% share)	11.2 billion yen (approx. 14% share, mainly small-size air compressors)
Our strategy	Increase overseas sales through M&A and other means	Increase high-margin products (e.g., oil-free scroll-type)

* Investigated or estimated by ANEST IWATA
 Air energy business strategy ≈ Air compressor strategy (Air compressors account for approx. 92% of sales in FY2020.)

Increase the sales ratio of oil-free air compressors

Our sales ratio of oil-free air compressors
 Approx. 54% (FY2020)



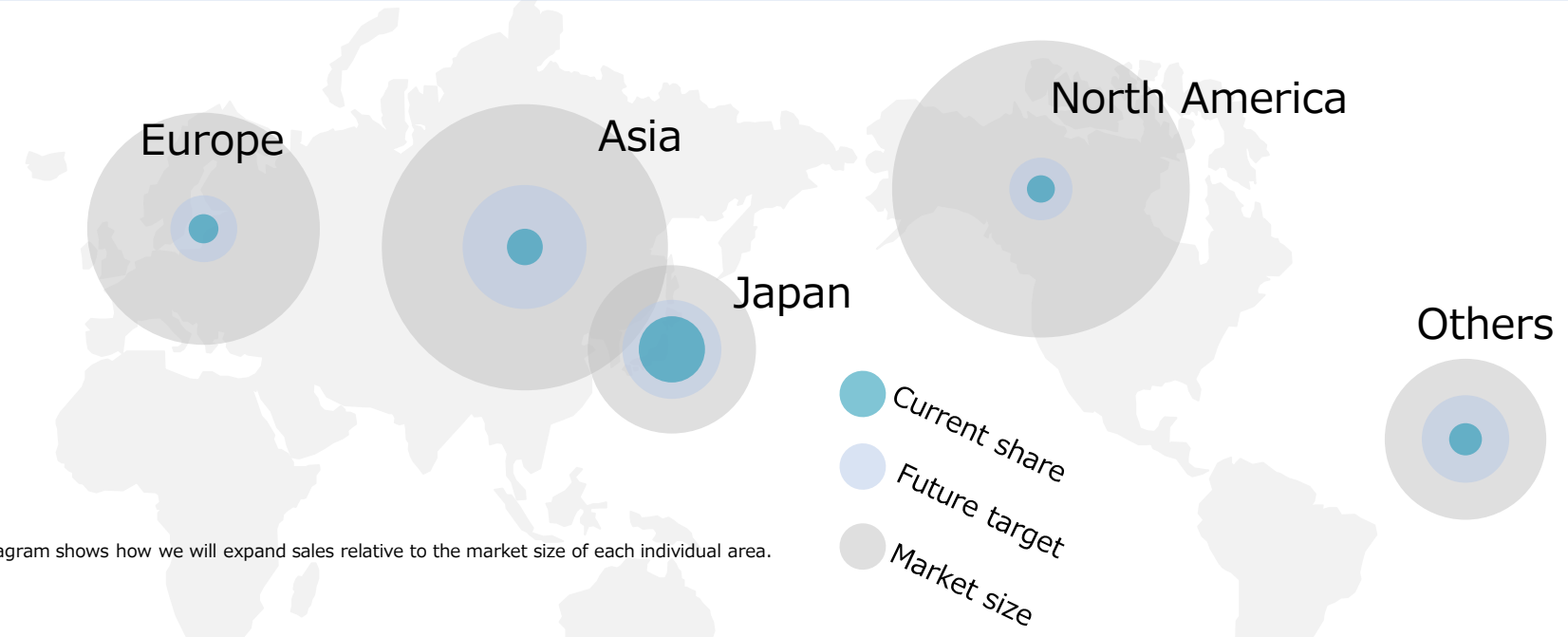
Further promote oil-free air compressors in the Japanese market by adding the new claw-type model to the existing reciprocating and scroll air compressors



New oil-free claw-type model (FRL-B Series)

Our small-size models have a relatively large share of the Japanese market. By contrast, we have a market share as low as 1% abroad, meaning there is much room for expansion. Particularly, the medical and vehicle-mounted product markets have great potential, and we will aggressively expand into these markets through M&A and other available means. Also, we will use medium-size air compressors made by Shanghai Screw Compressor Co., Ltd. of China in order to meet the demand for general-purpose production lines.

In the domestic compressor market, the share of our small-size air compressors is around 25%. Competitors are all-around machinery manufacturers, who supply air compressors with their main products, making the market prone to undergo price competition. By contrast, overseas competitors are manufacturers almost solely specializing in air compressors. Since these manufacturers provide air compressors as their main products and place importance on profitability, profit margins tend to be higher. The overseas markets are a niche and have great potential for high profit margins.



This diagram shows how we will expand sales relative to the market size of each individual area.

Structurally speaking, the overseas markets offer high profit margins. We will gain larger market shares to increase the margin and amount of profit.

Our strengths

- Concentrated investment in the niche market
- Accumulation of abundant technical know-how
- Ability to meet global demand and supply capacity

◆ **General-purpose product and customized product**
 General-purpose product: Mentioned in a catalog and a suggested retail price is set
 Customized product: Product manufactured and price set according to customer specs
 * For specific applications such as medical care, in-vehicle use, and analysis
 Oil-free ratio: Almost 100%
 * General-purpose products account for about 80% of air compressor sales.

Expansion of sales of air compressors made by SCR of China

- Increase sales not only in China but also in Japan and other foreign markets.

▶ Sales expansion mainly in Asia through both SCR's sales channels and our local subsidiaries



SCR-made new screw compressor (LRS-B series)

Expansion of sales of oil-free air compressors

- Markets where oil-free air compressors are required, such as pharmaceutical, food/beverage, healthcare/dental, and automotive industries
- Expansion of sales of our oil-free air compressors through SCR's sales channels
- Aim to gain a 15% share of the global medical air compressor market by 2024

<Sales ratio of medical air compressors in our air compressor segment>

FY2020: Approx. 7% → FY2024: Approx. 15% (planned)

(Reference) Global market size of medical air compressors: Approx. 20 billion yen (estimated by ANEST IWATA)



Booth at a medical equipment tradeshow

Domestic market: Although this is a mature market, we will secure profit with value-added products by leveraging our large market share (our hand spray guns have a share of approx. 75%).
 Overseas markets: In addition to the competitive high-end range, we will seek to achieve growth in the mid-range spray gun market.

<p>Main players</p>	<p>Huge overseas markets; each can be developed according to their local characteristics.</p> <p>SATA GmbH & Co. KG, Carlisle Fluid Technologies (Devilbiss brand), etc.</p>	<p>Mature domestic market where there is a need for value-added products</p> <p>Carlisle Fluid Technologies (Devilbiss brand) Meiji Air Compressor MFG, etc. Our products: WIDER, 'kiwami Series, etc.</p>
<p>Market size</p>	<p>Approx. 130,000 million yen</p>	<p>Approx. 13,000 million yen</p>
<p>Reason why we can expect to expand market shares abroad</p>	<p>Major competitors have strengths in the high-end range, which represents our main product line. Products of the high-end range are often not necessary in emerging nations. We can improve productivity and expect to increase sales by setting product specifications and price ranges for each individual area.</p>	<p>Major competitors have strengths in the high-end range, and it remains difficult for brand change to take place. We boast a wealth of know-how gained from years of operating in the European and American markets and have launched commercial models in these markets. If the use of water-based paint increases as environmental regulations are tightened, there is potential for us to increase sales. We will meet demand for mid-range products by marketing a second brand.</p>

Market size investigated or estimated by ANEST IWATA in FY2017

Mid-range spray gun "KATANA" Series

We have developed and will launch this series mainly for emerging markets. Price ranges, models, and others will be set according to the local characteristics of each individual area. This model is intended for markets where a certain level of finish and reasonable prices are required for DIY and other daily uses. We will promote the sales of this spray gun as the AIRREX brand.

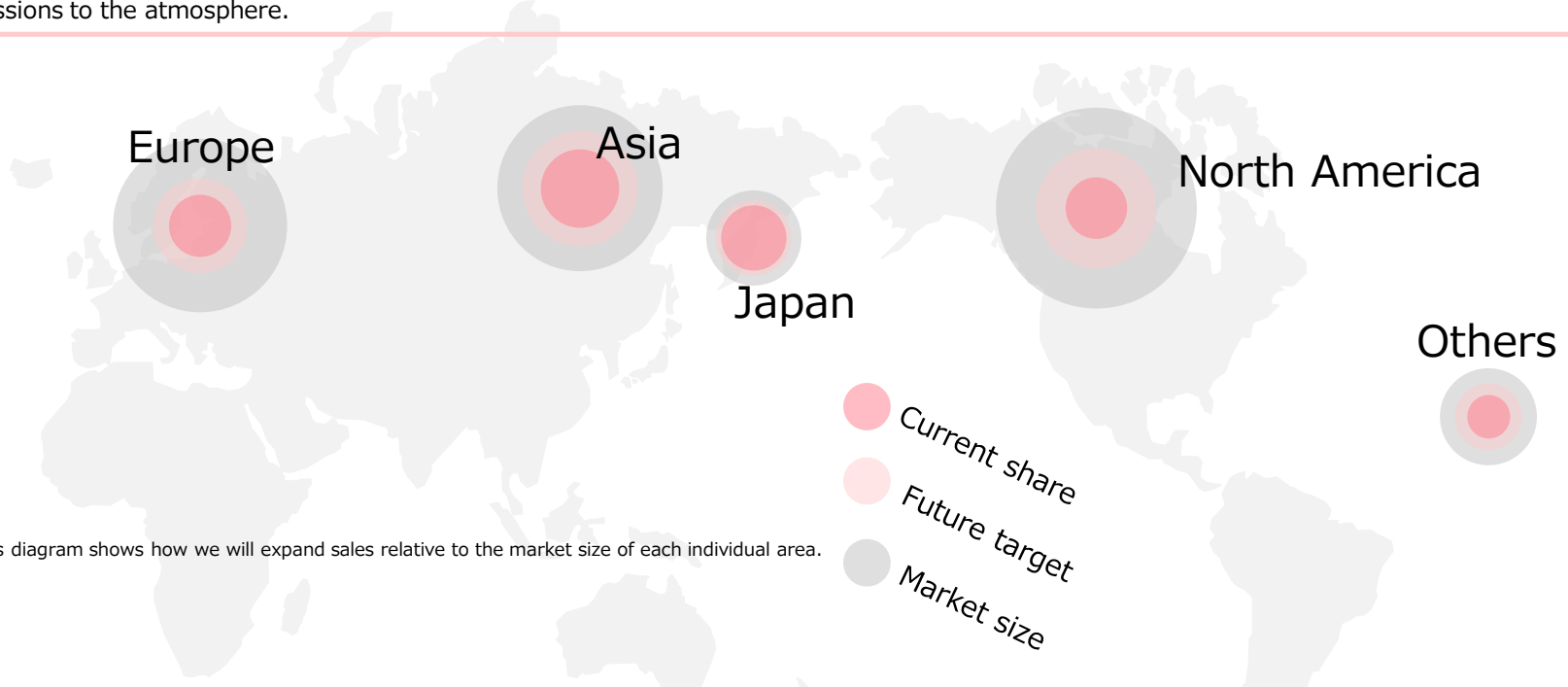


Increase the market share and brand recognition while enticing users toward the high-end range



Focus on launching new products in overseas markets that account for around 70% of our sales. Seek to achieve growth as we develop and enhance environment-friendly products.

- Spray guns account for approx. 60% of the sales of our coating business. Both hand spray guns and automatic spray guns have the largest share of the domestic market. These spray guns are targeted at emerging nations in Asia and other areas where products sell in large volumes. We also expect that they will shift to high-end markets as the use of water-based paint increases and the economy grows.
- The rise in profit margins is predicted to slow down temporarily when new mid-range products are initially marketed in large volumes. In the long term, however, profit growth is expected.
- Advances will be made as the global technical team of our European and Asian subsidiaries develop new products in collaboration with paint makers.
- We also expect an increase in demand for coating booths designed to improve the coating environment and systems that prevent solvent emissions to the atmosphere.



We continue to launch new products in emerging nations where the demand growth is remarkable and products sell in large volumes. Despite the flat profit ratio, we can boost income by increasing sales.

Our strengths

- Concentrated investment in the niche market
- Accumulation of abundant technical know-how
- Ability to meet global demand and supply capacity

◆General-purpose product and customized product

General-purpose product: Mentioned in a catalog and a suggested retail price is set

Most coating spray guns and paint supply devices fall into this category.

Customized product: Product manufactured and price set according to customer specs

Coating systems and special-use coating and application equipment

* Customized product ratio of coating systems: Nearly 100%

Evolution of collaboration with paint makers

●"Global technical team" activities to promote acquisition of certification from paint makers

- ▶ A total of 12 members have been working in Europe, the U.S., and Japan since FY2020. The team aims to obtain certification for new types of paint for the automotive refinishing market, and its members have not only expertise in development and manufacturing technologies but spraying skills as well.

Expansion of sales of equipment for the photocatalyst application market

● Expanded product lineup and sales increase of antibacterial photocatalyst application equipment

- ▶ While we have been using photocatalyst in years, the COVID-19 pandemic has expanded the market to meet antibacterial needs. We have expanded the lineup of application equipment and launched a kit combining application equipment with an air compressor.



Video of photocatalyst application

Web meetings with overseas subsidiaries

- A Web meeting is held on a monthly basis, contributing to faster decision making in terms of product development, expansion into the target market, etc.

4. Activities related to ESG and SDGs

“Integrated Report 2021” was issued (September 2021). English version will be released in December 2021.

As a communication tool for helping stakeholders enhance their understanding of ANEST IWATA, an integrated report is issued every year. It introduces value creation processes and businesses and contains efforts for ESG and so on.

<New topics> “ANEST IWATA at a glance” and “ESG management and SDGs”

For details, visit here.



We implemented an ESG-conscious management style early on.

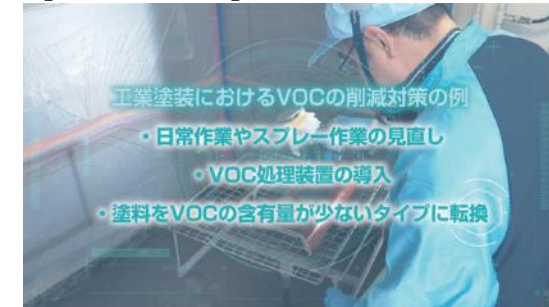
Development of eco-friendly products

Air energy business:

- Provision of oil-free air compressors that do not use lubricants as well as energy-saving products

Coating business:

- Development of spray guns for eco-friendly paint and reduction in paint mist emissions



We cooperated with the Ministry of the Environment in creating a video about "measures to suppress volatile organic compound emissions" in 2021.



For details, scan this QR code.

Promotion of the work style reform

- Promotion of the work style reform and health and productivity management to improve productivity and revitalize the organization with the aim of becoming a leading White 500 company in the machinery sector

Work style reform:

Promotion of flexible work styles, including teleworking, side jobs, and optional four-day week. Provision of employee benefits that support child-rearing and other life events

Health and productivity management:

Certified as a White 500 enterprise in the large enterprise category under the 2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program



2021
健康経営優良法人
Health and productivity
ホワイト500

Strengthening of governance

- Active discussions are made about investments in human resources, production equipment, M&A, etc. for future growth from mid- and long-term perspectives.
- Independent directors with diverse backgrounds who are well versed in corporate management, finance, and accounting actively offer advice on management.

〈Independence〉 Of the 11 directors, seven (**64%**) are independent directors.

〈Diversity〉 **Two** female directors are newly appointed.



Traffic safety campaign co-sponsored with Yokohama F. Marinos (2021)

Products

1. Development from the perspective of SDGs

Make it mandatory to indicate which goals will be attained by a new product when proposing it in a development meeting.



2. Development of eco-friendly products

Help customer reduce their environmental impact by leveraging our core business competencies: oil-free technology and coating equipment, systems, and products.



3. Contribution to industry development

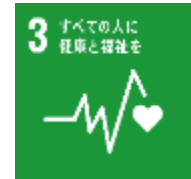
Contribute to various types of manufacturing through air compressors that drive the production facilities in a factory and coating equipment used to paint cars, home appliances, etc. and to spray liquid.



Business sites

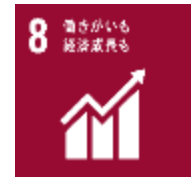
1. Promotion of health and productivity management

Build a health management promotion system and take relevant measures to help employees stay healthy or become healthier, which is essential for the company.



2. Better work-life balance

Establish a working environment in which diverse human resources can work for long periods of time, and improve the system to build a corporate culture that maximizes the teamwork and abilities of individuals.



3. Interaction with the local community

Build a trusting relationship as a member of the local community by donating face shields to nearby facilities and holding events in the area.



Notes on the descriptions about future prospects and other matters

The future prospects for our company mentioned in this document are based on the currently available information.

Please be advised that there are various external factors that can impact our business performance, such as the global economy, exchange rate fluctuations, the industry's market conditions, and capital investment trends, and that the actual performance may differ from what is stated herein.

This document is intended to provide investors with relevant information and not meant to invite or recommend anyone to buy or sell shares in our company or any other securities.

Contact: Investor Relations & Public Relations Office,
Corporate Planning Department,
ANEST IWATA Corporation
Phone: 045-591-9344
E-mail: ir_koho@anest-iwata.co.jp
URL : <https://www.anest-iwata.co.jp/>