

Supplementary Presentation Material of FY2021 Full-Year Financial Results ANEST IWATA Corporation

May 10, 2022

**Prime Market of the Tokyo Stock
Exchange - Machinery**

Securities Code 6381

Overseas markets contributed to increase in sales due to recovery from the Covid-19 pandemic and our measures. November's revised values were exceeded.

Sales: 42,337 million yen (up 6,748 million yen, or 19.0%, from last year)

Operating income: 4,780 million yen (up 1,335 million yen, or 38.8%, from last year)

Air energy business

• Contribution from SCR, a subsidiary acquired in 2018, accelerated. Sales of general-purpose air compressors remained brisk, mainly in China, throughout the year.

• Sales of vacuum pumps for semiconductor-related equipment grew.

Sales: 25,015 million yen (up 4,149 million yen, or 19.9%, from last year)

Operating income: 2,513 million yen (up 692 million yen, or 38.0%, from last year)

Operating income ratio: 10.0% (up 1.3 points from last year)

Coating business

• Sales of products, mainly spray guns, grew mainly in the United States and Europe.

• Sales of coating systems were down as sales activities were restricted by Covid-19 last year.

Sales: 17,321 million yen (up 2,599 million yen, or 17.7%, from last year)

Operating income: 2,267 million yen (up 634 million yen, or 39.7%, from last year)

Operating income ratio: 13.1% (up 2.1 points from last year)

(Notes) The operating income by business was calculated using our unique standards.

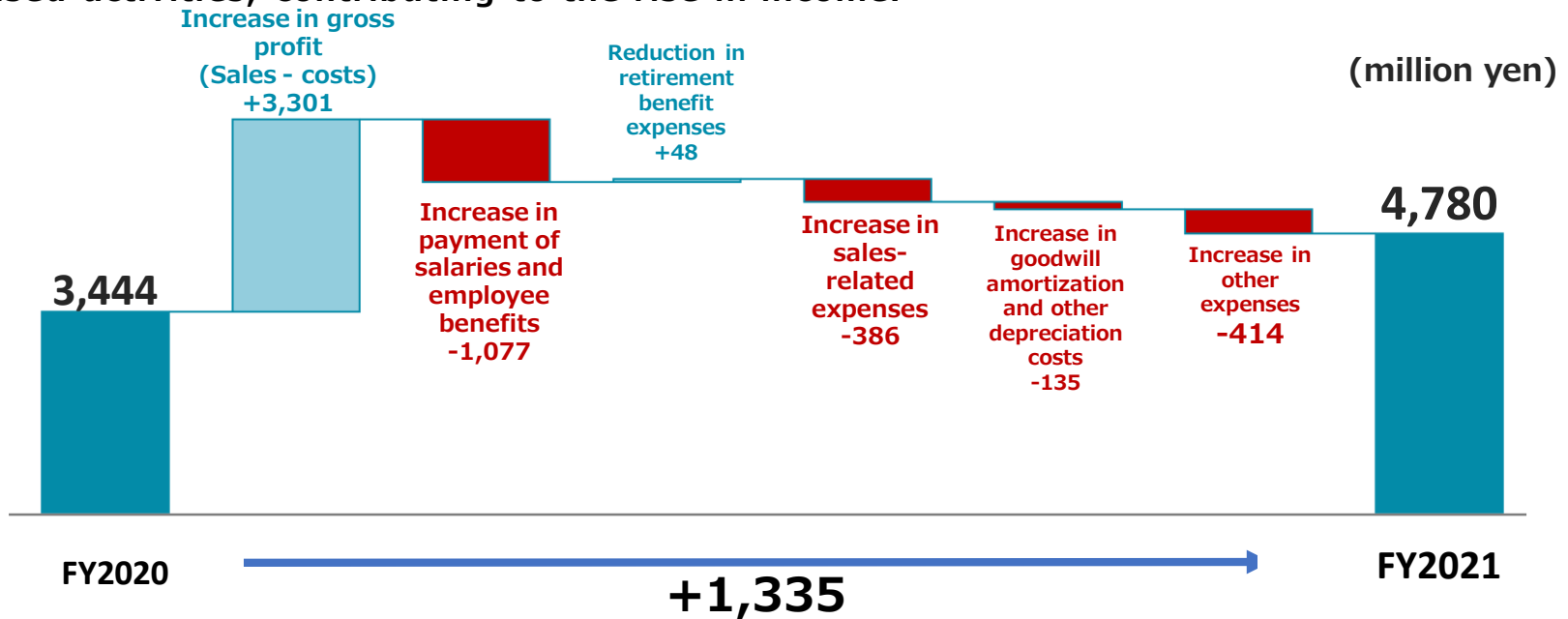
Sales and all income indicators have reached record highs since the company's foundation in 1926.

Overseas markets (particularly the market in China, where the results of operations of SCR, an acquired subsidiary, are steady) contributed to increase in sales. The impact of fluctuations in foreign exchange rates was 1.69 billion yen. The increase in the operating income ratio was due to the improved product mix and the streamlining associated with the work reform.

	FY2020		FY2021		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 (P)	Initial forecast	Revised Nov. 5
Sales	35,588	—	42,337	—	+6,748	+19.0	—	Forecast (million yen) 38,500	Forecast (million yen) 40,500
Operating income	3,444	9.7	4,780	11.3	+1,335	+38.8	+1.6	3,600	4,250
Ordinary income	4,253	12.0	5,572	13.2	+1,318	+31.0	+1.2	4,100	4,770
Net income attributable to owners of parent	2,623	7.4	3,541	8.4	+918	+35.0	+1.0	2,515	2,960
Average exchange rate of yen to the US dollar	106.82 yen		109.80 yen		Depreciated by 2.98 yen			103.00 yen	109.00 yen
Average exchange rate of yen to the euro	121.81 yen		129.89 yen		Depreciated by 8.08 yen			118.00 yen	130.00 yen
Average exchange rate of yen to RMB	15.48 yen		17.03 yen		Depreciated by 1.55 yen			15.00 yen	16.80 yen
Dividend	Interim	13 yen (12 yen)		Year-end (Forecast)	17 yen (12 yen)		Annual (Forecast)	30 yen (24 yen)	

* Dividends: Shown within () are the initially forecast dividends. The FY2021 year-end dividend will be formally decided at the 76th ordinary general shareholders' meeting, to be held on June 24.

As in the 3rd quarter, the growth in sales compensated for the cost increase resulting from increased activities, contributing to the rise in income.



[+] **Increase in sales:** 42,337 million yen (up 6,748 million yen from last year)

[+] **Improvement in cost-to-sales ratio:** 56.9% (down 1.1 points from last year)

- Changes in the product mix (up for coating equipment and down for coating systems), increase in income of the U.S. subsidiary that acquired a business, etc.

[+] **Improvement in selling, general & administrative expenses ratio:** 31.8% (down 0.5 points from last year)

- Establishment of cost control through the use of the Web and optimization of face-to-face sales activities, etc.

[-] **Increase in goodwill amortization:** 254 million yen (up 49 million yen from last year), depreciation cost (up 85 million yen from last year)

- Acquisition of a business (sale of coating equipment) in the U.S., etc.

[-] **Increase in commission fees included in other expenses** (up 308 million yen from last year)

- The commission fees*¹ related to IT investments are approx. 148 million yen.

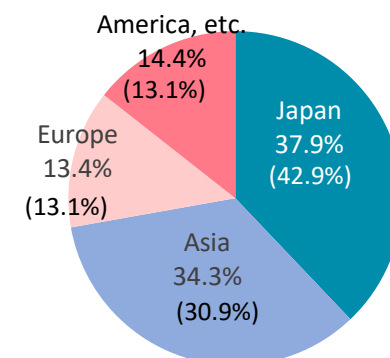
*1 Related to the order-receiving system including product information management, etc.

Due to booming overseas markets and our successful measures, the overseas sales ratio increased (62.1%).

- Japan: Growth in sales. While the delayed supply of air compressor motors impacted us, the increase was propped up by countermeasures. Sales activities for coating systems were restricted by Covid-19, which pushed the sales down. In Japan, the competitive environment was harsh, but profitability was prioritized with price increases, etc.
- Europe: Growth in sales. Despite the spread of infection by variants, effective sales promotion measures using the web and social media were taken. Sales of spray guns for car repair grew. Sales of vacuum pumps also grew steadily as the economy picked up.
- Asia: Growth in sales. Sales of air compressors in China by SCR, as well as sales associated with exports grew at a high level, and so did the sales of medical air compressors by the subsidiary in India. Southeast Asia also shifted to a recovery trend, except for coating systems.
- North America, etc.: Growth in sales. Growth of coating equipment due to the partial transfer of business in the car repair market in the United States; and increase in sales due to finding new customers for vacuum equipment. Sales of medical air compressors in Brazil also grew steadily.

(million yen)	FY2020	FY2021	Increase/ decrease amount	Increase/ decrease rate (%)	Air energy business		Coating business	
					Air compressor	Vacuum equipment	Coating equipment	Coating system
Japan	15,271	16,050	779	+5.1	○	◎	○	×
Europe	4,651	5,663	1,011	+21.8	○	◎	◎	-
Asia	10,988	14,536	3,548	+32.3	◎	◎	◎	◎
North America, etc.	4,677	6,086	1,409	+30.1	◎	◎	◎	×
Total	35,588	42,337	6,748	+19.0	◎	◎	◎	×

■ Composition ratio
FY2021
(FY2020)



Note) Converted to actual sales in each individual area

◎ ≥ 10%, 3% ≤ ○ < 10%, 0% < △ < 3%,
0% > ▼ > -3%, -3% ≥ ● > -10%, × ≤ -10%

Prospects for FY2022

Sales of 44,000 million yen (up 3.9%) and operating income of 4,900 million yen (up 2.5%)

		FY2021 (Actual)	
		Actual (million yen)	Composition ratio (%)
Sales		42,337	100.0
Air energy	Air compressor	22,950	54.2
	Vacuum equipment	2,064	4.9
	Subtotal	25,015	59.1
Coating	Coating equipment	14,451	34.1
	Coating system	2,869	6.8
	Subtotal	17,321	40.9
Operating income		4,780	11.3
Air energy		2,513	—
Coating		2,267	—
Ordinary income		5,572	13.2
Net income attributable to owners of parent		3,541	8.4
Average exchange rate of yen to U.S. dollar		109.80	(Actual)
Average exchange rate of yen to euro		129.89	
Average exchange rate of yen to RMB		17.01	
* Dividend (interim + year-end = annual)		13 yen + 17 yen = 30 yen	

FY2022 (Planned)			
Target amount (million yen)	Composition ratio (%)	Increase/ decrease amount (million yen)	Increase/ decrease rate (%)
44,000	100.0	+1,662	+3.9
—	—	—	—
—	—	—	—
26,000	59.1	+984	+3.9
—	—	—	—
—	—	—	—
18,000	40.9	+678	+3.9
4,900	11.1	+119	+2.5
2,600	—	+86	+3.5
2,300	—	+32	+1.5
5,650	12.8	+77	+1.4
3,580	8.1	+39	+1.1
118.00	(Forecast)		
137.00			
18.50			
15 yen + 16 yen = 31 yen			

* Dividends: The FY2021 year-end dividend will be formally decided at the 76th ordinary general shareholders' meeting, to be held on June 24. The FY2022 values are forecasts.

Uncertainty is expected to continue globally due to, for example, the conflict in Eastern Europe and the Covid-19 pandemic, mainly in China.

We aim to achieve increase in sales and income with the spread of price increases and by continuing the work reform.

For the sales of 44,000 million yen (up 3.9%), we expect the following:

- Impact of the Covid-19 pandemic, mainly in Southeast Asia and China, on the world economy
- Impact of soaring resource prices, for example, due to the conflict in Eastern Europe, on the world economy, including the European economy
- As for the exchange rate, an assumed rate is used as a basis but will be reviewed flexibly.
- Impact of the short supply of semiconductor and electronic parts on production
- Steady delivery of unfilled orders for coating systems

For the operating income of 4,900 million yen (up 2.5%), we expect the following:

- As in FY2021, the continuation of sales reform and operational efficiency improvement. Avoidance of swing back to a situation before the Covid-19 pandemic.
- Further spread of price increases due to soaring raw material and logistics costs

<IT investment went as planned. Factory capital investment slid to the next fiscal year to consider increasing production. The actual values declined.>

(Actual) 4Q: Amount of capital investment 78.4% (IT-related investments: 603 million yen), R&D cost 91.1%

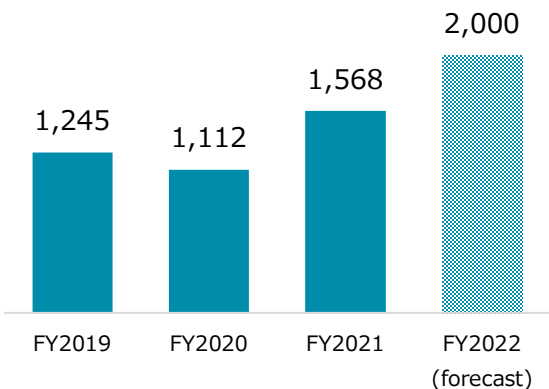
IT-related investments: About 753 million yen were used annually, including about 150 million yen for items not yet subject to receiving inspection, such as the construction of work reform-related systems and the improvement of networks.

Other investments: For factory capital investment, we reconsidered increasing production and slid it to the next fiscal year.

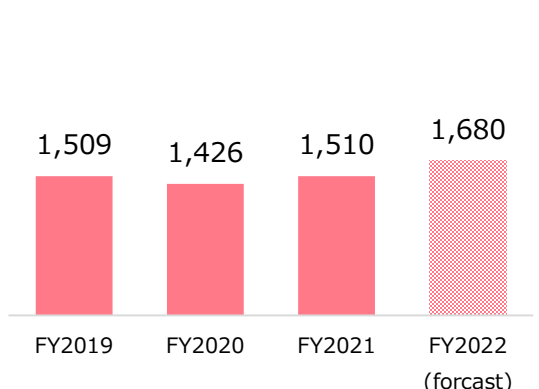
(million yen)	FY2021			
	Amount of capital investment	Depreciation cost	R&D cost*	Sales
Actual (Progress rate)	1,568 (78.4%)	1,510 (97.4%)	1,048 (91.1%)	42,337
Plan	2,000	1,550	1,150	—
Contents	<ul style="list-style-type: none"> • Machine tools (creation of new ones and upgrading of existing one) • Upgrading 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

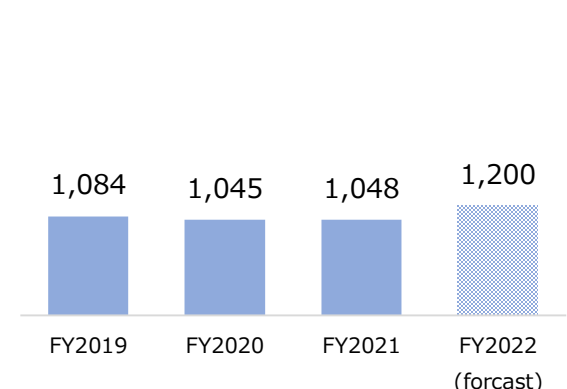
Amount of capital investment
(million yen)



Depreciation cost
(million yen)



R&D cost (million yen)



Dividend policy

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

Dividend

FY2021 (planned): **30 yen (annual) (13 yen (interim) + 17 yen (year-end))**
 FY2022 (forecast): **31 yen (annual) (15 yen (interim) + 16 yen (year-end))**

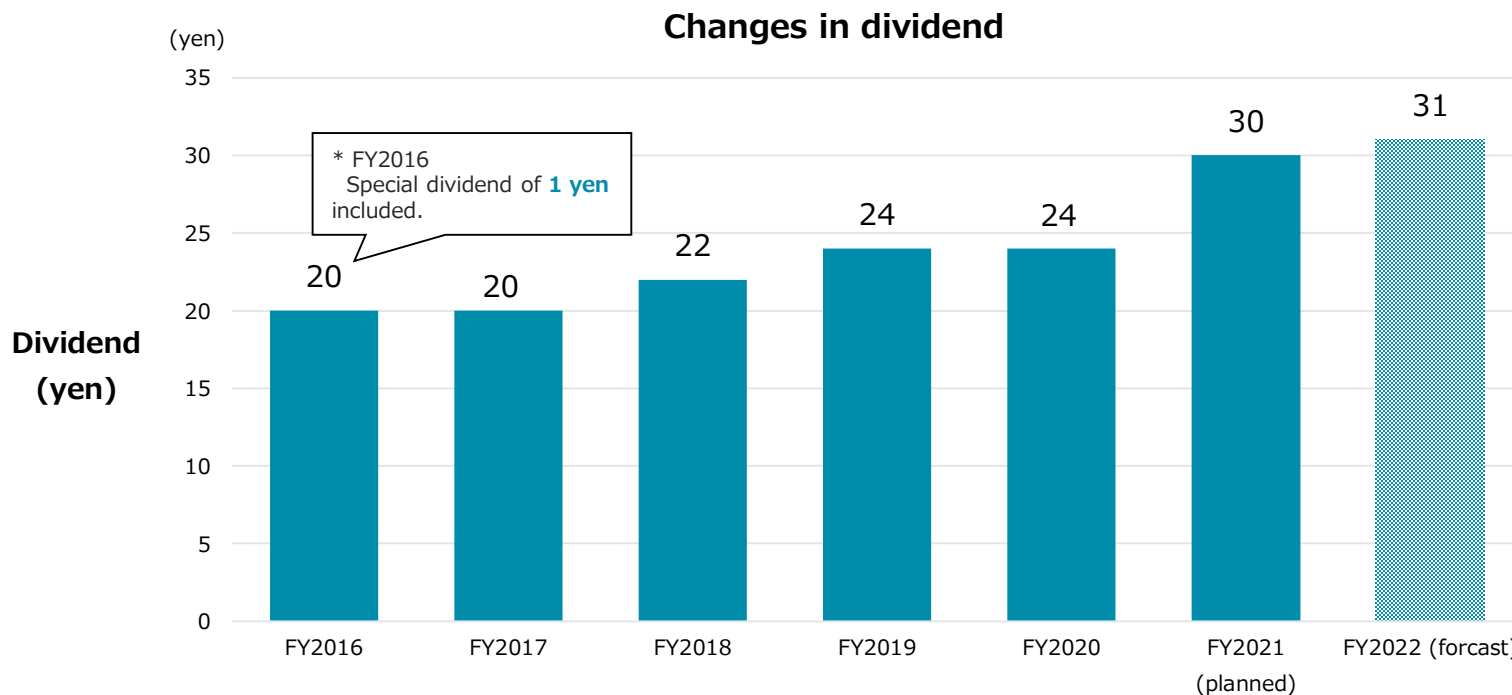
Stock buyback

We bought back up to 682,000 shares of our company's stock (1.65% of shares issued excluding treasury shares) or shares worth of up to 500 million yen over the period from Jan. 27, 2022, to June 30, 2022.

■ Buyback completed on April 28

616,900/682,000 shares (90.5%) 499.9/500 million yen (100%)

Number of shares issued: 41,745,505



* Dividends: The FY2021 year-end dividend will be formally decided at the 76th ordinary general shareholders' meeting, to be held on June 24. The FY2022 values are forecasts.

Recognized as a "Health and Productivity Management Brand 2022" for the first time (March 2022)



In March 2022, ANEST IWATA was recognized as a company that practices management conscious about its employees and their families in the **"Health and Productivity Management Brand"** and **"Outstanding Health and Productivity Management Organization (White 500)"** systems (for two years in a row as a White 500 company).

"Health and Productivity Management Brand" refers to a system established jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to select the best health and productively management companies. From 2,299 corporations recognized in the "Outstanding Health and Productivity Management Organization" system in all industry sectors, one company is, in principle, selected from each industry sector.

ANEST IWATA carries out various health maintenance and improvement activities strategically so that our employees and their families can live happily and healthily. We have also been recognized in the **"Sports Yell Company 2022"** system as a company that makes active efforts to promote sports for health improvement, such as establishing internal training gyms.

We will enlighten all our employees about the importance of health and, at the same time, make concerted efforts to promote activities toward health maintenance and improvement, with an aim to be the "top White 500 company in the machinery sector".

The increase in sales and the product mix contributed to bringing down the cost-to-sales ratio. The establishment of cost control associated with the work reform led to a drop in the selling, general & administrative expenses ratio by 0.5 points. The operating income ratio rose by 1.6 points.

	FY2020		FY2021		Year-on-year		
	Actual (million yen)	Composition ratio (%)	Actual (million yen)	Composition ratio (%)	Increase/decrease amount (million yen)	Increase/decrease rate (%)	Composition ratio change (P)
Sales	35,588	—	42,337	—	6,748	19.0	—
Cost of sales	20,662	58.1	24,109	56.9	3,447	16.7	-1.1
Gross profit	14,926	41.9	18,227	43.1	3,301	22.1	1.1
Selling, general & administrative expenses	11,481	32.3	13,447	31.8	1,965	17.1	-0.5
Operating income	3,444	9.7	4,780	11.3	1,335	38.8	1.6
Non-operating income	940	2.6	892	2.1	-48	-5.1	-0.5
Non-operating expenses	131	0.4	99	0.2	-31	-24.0	-0.1
Ordinary income	4,253	12.0	5,572	13.2	1,318	31.0	1.2
Extraordinary income	96	0.3	15	0.0	-81	-84.3	-0.2
Extraordinary losses	213	0.6	45	0.1	-167	-78.6	-0.5
Profit before income taxes	4,136	11.6	5,541	13.1	1,405	34.0	1.5
Income taxes	1,092	3.1	1,392	3.3	300	27.5	0.2
Net income attributable to non-controlling shareholders	420	1.2	607	1.4	186	44.3	0.3
Net income attributable to owners of parent	2,623	7.4	3,541	8.4	918	35.0	1.0

<Reference information> FY2021 Changes in business results

[Total]

Amount: million yen		FY2021			
		1Q	1 to 2Q	1 to 3Q	1 to 4Q
Sales		9,100	20,360	30,229	42,337
Year-on-year		31.6%	23.2%	18.5%	19.0%
Air energy	Air compressor	5,061	11,199	16,889	22,950
	Year-on-year	34.2%	26.4%	21.3%	18.9%
	Vacuum equipment	411	914	1,437	2,064
	Year-on-year	52.0%	36.5%	36.1%	32.2%
	Sales	5,473	12,114	18,326	25,015
Year-on-year		35.4%	27.1%	22.3%	19.9%
Coating	Coating equipment	3,311	7,156	10,446	14,451
	Year-on-year	22.3%	38.1%	28.9%	25.9%
	Coating system	316	1,089	1,456	2,869
	Year-on-year	92.3%	-40.1%	-40.0%	-11.4%
	Sales	3,627	8,246	11,903	17,321
Year-on-year		26.3%	17.7%	13.0%	17.7%
Operating income		893	2,378	3,527	4,780
Year-on-year		117.8%	66.3%	42.7%	38.8%
Air energy	Operating income	447	1,250	2,028	2,513
	Year-on-year	123.6%	55.8%	53.2%	38.0%
Coating	Operating income	446	1,128	1,499	2,267
	Year-on-year	112.2%	79.7%	30.7%	39.7%

[Quarterly]

Amount: million yen		FY2021			
		1Q	2Q	3Q	4Q
Sales		9,100	11,259	9,869	12,107
Year-on-year		31.6%	17.1%	9.9%	20.2%
Air energy	Air compressor	5,061	6,138	5,689	6,061
	Year-on-year	34.2%	20.7%	12.3%	12.7%
	Vacuum equipment	411	502	522	627
	Year-on-year	52.0%	25.9%	35.4%	24.2%
	Sales	5,473	6,640	6,212	6,689
Year-on-year		35.4%	21.1%	13.9%	13.7%
Coating	Coating equipment	3,311	3,845	3,290	4,004
	Year-on-year	22.3%	55.3%	12.7%	18.5%
	Coating system	316	772	366	1,413
	Year-on-year	92.3%	-53.3%	-39.5%	73.8%
	Sales	3,627	4,618	3,657	5,418
Year-on-year		26.3%	11.8%	3.7%	29.3%
Operating income		893	1,485	1,149	1,252
Year-on-year		117.8%	45.6%	10.4%	28.7%
Air energy	Operating income	447	803	777	485
	Year-on-year	123.6%	33.4%	49.1%	-2.4%
Coating	Operating income	446	681	371	767
	Year-on-year	112.2%	63.3%	-28.5%	61.2%

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

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 business

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 energy business

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

Vacuum equipment:
Vacuum pumps and auxiliary equipment such as valves

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.

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