

Supplementary Presentation Material of FY2021 Full-Year Financial Results and New Mid-term Business Plan ANEST IWATA Corporation

May 26, 2022

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

Securities Code 6381

- **FY2021 financial highlights**
- **Highlights of FY2021 financial results**
- **Analysis of causes of operating income increase/decrease**
- **Sales by area and by product**
- **Cash flow statement**
- **Prospects for FY2022**
- **Capital investment plan and R&D cost**
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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.

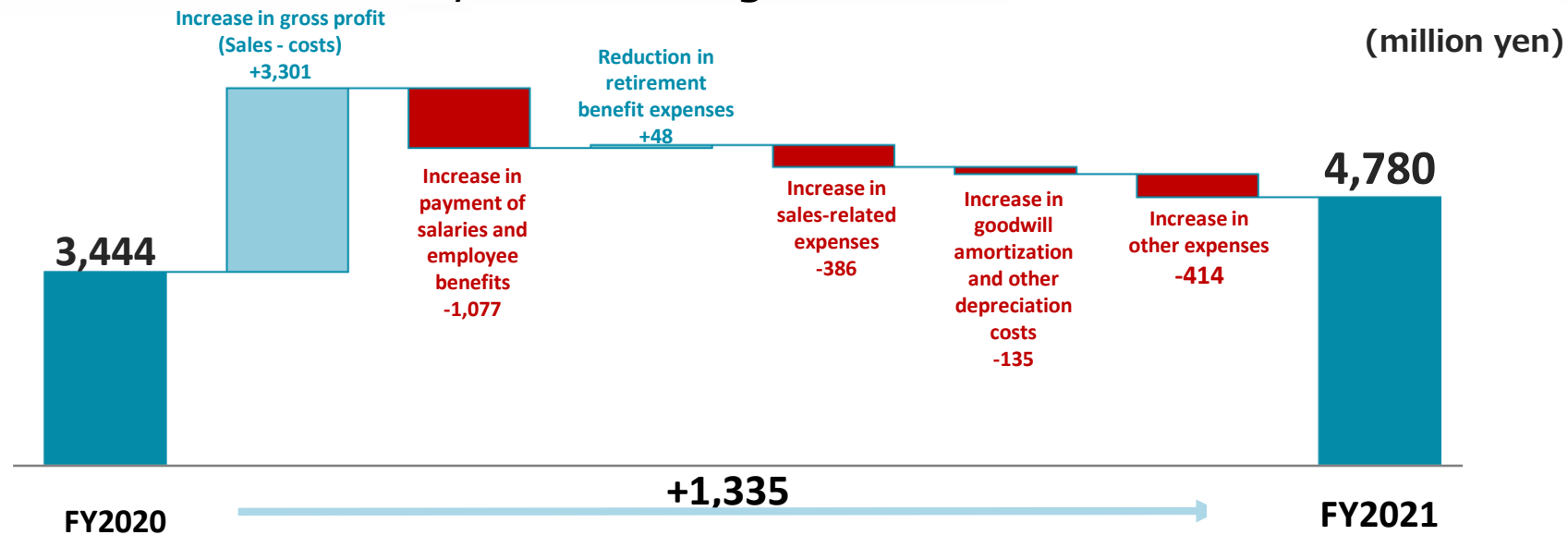
Sales and all income indicators have reached record highs since the company's foundation in 1926.

- 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 coating grew. Sales of vacuum pumps also grew steadily as the economy picked up.

Asia

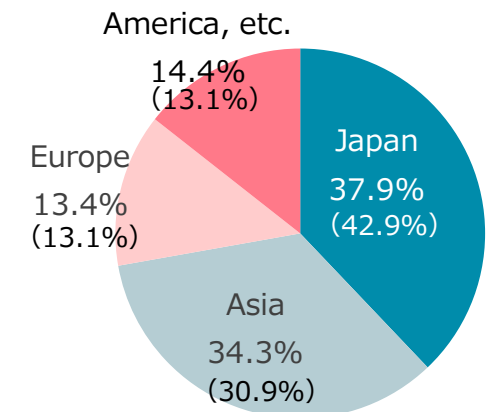
- Growth in sales
- Sales of air compressors in China by SCR, as well as sales associated with exports grew at a high level, and so did the sales of medical air compressors by the subsidiary in India.
- Southeast Asia also shifted to a recovery trend, except for coating systems.

North America, etc.

- Growth in sales
- Growth of coating equipment due to the partial transfer of business in the car repair coating 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)



* Converted to actual sales in each individual area

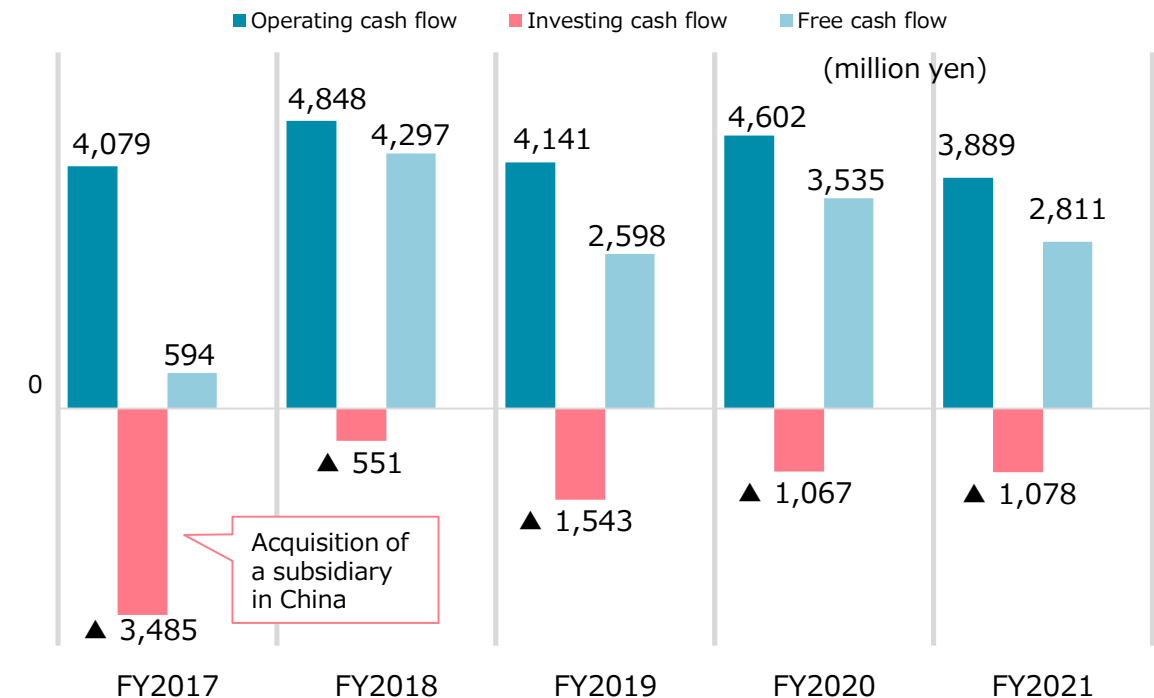
◎ ≥ 10%, ○ 3% ≤ ○ < 10%, △ 0% < △ < 3%, ◊ 0% > ◊ > -3%, ● > -3% ≥ ● > -10%, × ≤ -10%

The operating CF was down 710 million yen. The free CF was down 720 million yen from last year, and the cash and cash equivalents were 12.9 billion yen.

- **Operating CF: (-)** The earnings were down 2,038 million yen because fluctuations in the "decrease (increase) in notes and accounts receivable-trade".
- **Investing CF (-)** "Purchase of property, plant and equipment and intangible assets" was up 354 million yen.
- **Financing CF: (-)** "Cash dividends paid to non-controlling shareholders" were up 214 million yen.

	FY2020	FY2021	Year-on-year
(million yen)	Actual	Actual	Increase/ decrease amount
Operating CF	4,602	3,889	-712
Investing CF	-1,067	-1,078	-10
Free CF	3,535	2,811	-724
Financing CF	-1,958	-2,103	-145
Cash and cash equivalents	11,643	12,916	+1,273

Changes in cash flow



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.

Preconditions

Sales of 44,000 million yen (up 3.9%)

- 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

Operating income of 4,900 million yen (up 2.5%)

- As in FY2021, the continuation of sales reform and operational efficiency improvement
- As for costs, avoidance of swing back to a situation before the Covid-19 pandemic, and aiming for creation of profits
- 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.

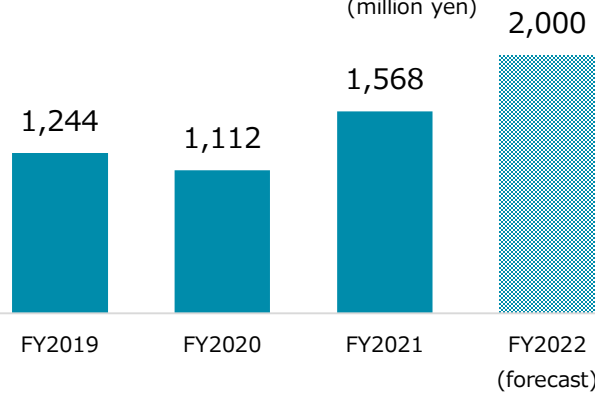
Other investments

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

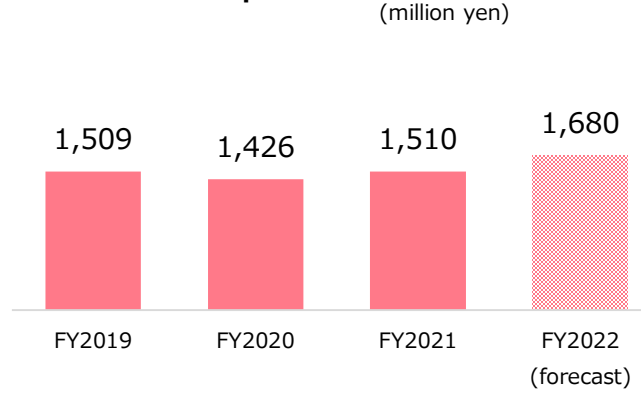
(million yen)	FY2021			
	Amount of capital investment	Depreciation cost	R&D cost *	Sales
Actual (Progress rate)	1,568 (78.4%)	1,510 (97.4%)	1,048 (91.1%)	42,337
Plan	2,000	1,550	1,150	—
Contents	<ul style="list-style-type: none"> • Machine tools (creation of new ones and upgrading of existing one) •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

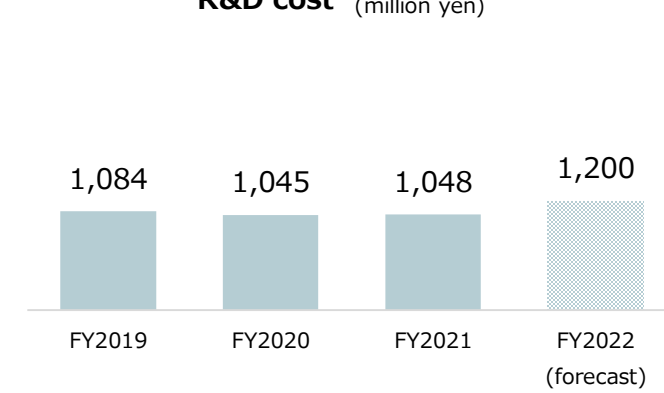
Amount of capital investment (million yen)



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.

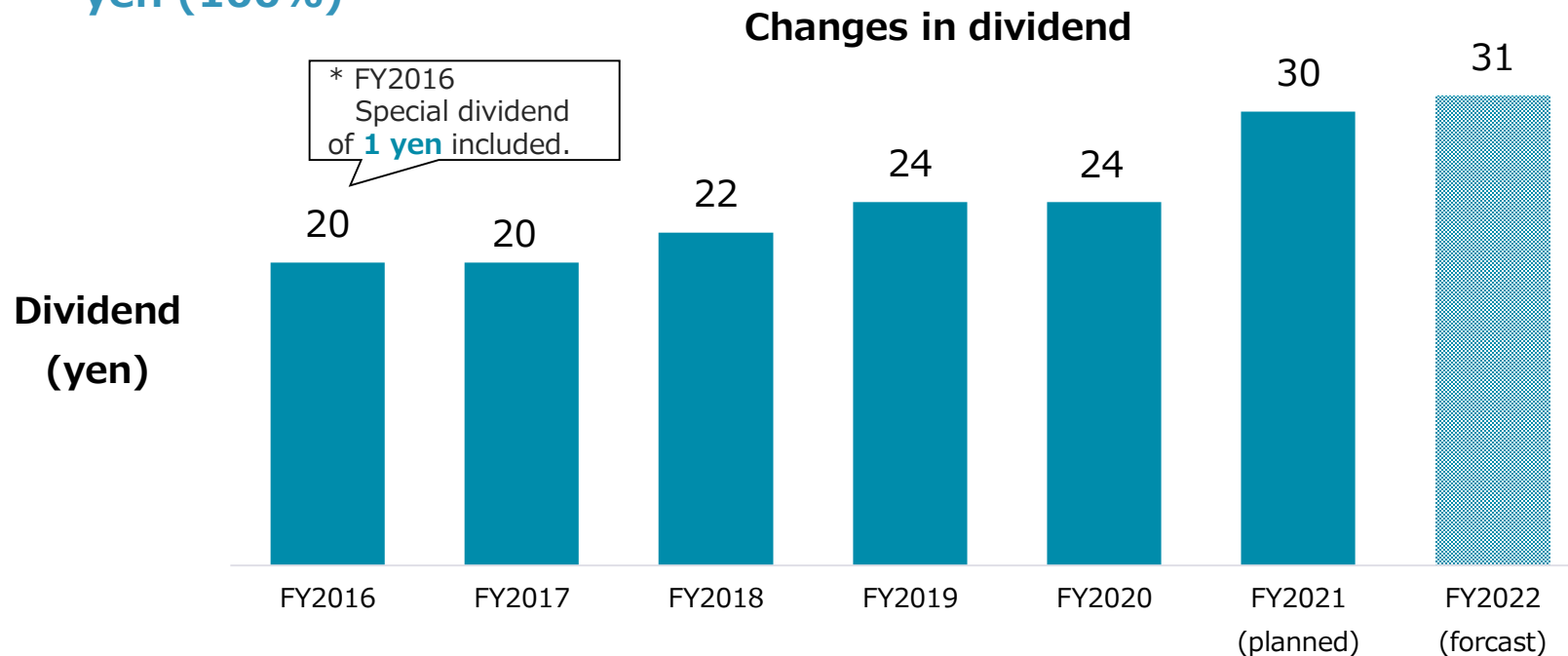
Dividend

- 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
- The period from Jan. 27, 2022, to June 30, 2022 was scheduled.
- **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).
- 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".

*1: "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.

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 (pts)
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			
		1 Q	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			
		1 Q	2 Q	3 Q	4 Q
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%

Mid-term Business Plan "500&Beyond" (FY2022 to FY2024) ANEST IWATA Corporation



3-year mid-term business plan "500&Beyond"

First step of the long-term vision "Vision 2030"

Aim for organic sales of 50 billion yen or greater in the final year, FY2024.
Plan M&As for the main purpose of expanding the area coverage in both businesses.
The capital source is cash on hand and treasury stocks.
In addition, take the FY2035 sales of 100 billion yen into consideration as well.

Business strategy

Targeting at the overseas markets, which are growing, increase the sales of air compressors and high- to mid-price range coating equipment (spray guns).

- Input high value-added, competitive, environmentally friendly oil-free air compressors and medium-size general-purpose air compressors.
- Promote the sales of spray guns for highly difficult coating, as well as reasonable ones that meet certain specifications mainly for emerging countries.
- Achieve both profitability improvement and quantitative expansion, thereby accelerating growth.

Overseas markets

Because the markets are growing, increase sales to accelerate business expansion.

Domestic market

Because the market is mature, increase profitability by increasing the unit price with high value-added products.

Investment

The capital source is the operating cash flow and cash and deposits.

Capital investment mainly to increase production capacity; and IT investment mainly in ERP (enterprise resource planning) to reinforce the management foundation.
M&As are also important options for growth. Debt financing as the case may be.

Shareholder returns

Active shareholder returns

- Conduct active shareholder returns with an aim to increase the dividend.
- Establish new indicators and achieve them, with a dividend payout ratio of 35% as a rough guide.
- Our company's stock purchase limit: 1.5 billion yen (about 4% of the total number of shares outstanding)

- **ANEST IWATA**
- **ESG Management of ANEST IWATA**
- **Business Model of ANEST IWATA**
 - What is the compressed air created with an air compressor used for?
 - Sales composition ratio of main products by industry
 - Market sizes and our market shares
 - Market trends and business strategies
 - Review: The profit ratio is in an upward trend.
 - Prospects for FY2024
 - Overseas - Expansion with organic sales and M&As
 - M&A strategy and successful examples
 - Uses of cumulative operating cash flow
- **With a View to Becoming a Company with Sales of 100 Billion Yen**

ANEST IWATA

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

Founded in 1926

(Former company name: Iwata Seisakusho)

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

Spray gun

Coating hand gun

Atomize paint with compressed air

Air compressor

Compressor

Started manufacturing of air compressors for spray gun inspection

Product differentiation concept

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

• Oil-free
• Energy-saving



Coating robot



Airbrush

Diversification of products
Development of new applications



Oil-free scroll vacuum pump



Oil-free scroll air compressor

Coating business

Air energy 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 compressor

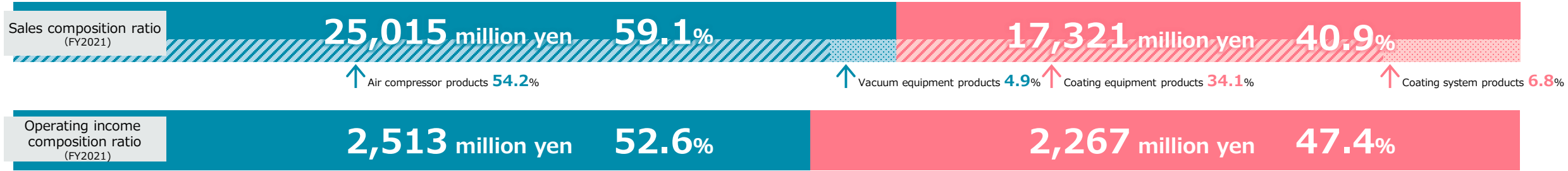
Air compressors, N2 gas generators, and auxiliary equipment such as tanks

Vacuum equipment

Vacuum pumps and auxiliary equipment such as valves

ANEST IWATA at a glance

Air energy business for manufacturing air compressors; and coating business for handling coating equipment and systems



Air energy business

Air compressor products

Machines that compress gas, mainly air

For use in machine drive sources at factories, train door opening/closing control, hospital facilities, etc.

Factory



Train/bus



Medical



Food



Oil-free scroll air compressor

Vacuum equipment products

Machines that suck in gas to reduce the pressure, creating a vacuum

For use in advanced research institutes, car/food factories, etc.

General industry



Semiconductor manufacture



Food



Research institute



Oil-free scroll vacuum pump

Coating business

Coating equipment products

Tools for painting and coating by spraying paints and other liquids, and machines for transporting liquids

Supply of products related to painting and coating

Car



Wood, metal, and plastic



Home appliances



Art and hobbies



Spray gun for the car repair coating market

Coating system products

Systems that handle a coating process and processes before and after it in a series of flows, including coating equipment

Design and sale of coating lines

Car parts



Wood products/home appliances



Railway vehicle



Construction machinery/heavy machinery



Rotary coating robot

Value Creation Process

The Company has been stepping up its mission by diversifying applications and launching customized unique (ONLY ONE) products in markets with the use of its core technologies, i.e., "liquid atomization" and "gas compression." Going forward, the Company, in accordance with the ANEST IWATA Corporate Philosophy, will continue contributing to the achievement of a prosperous society that is safe, reliable, and capable of sustained growth by having each one of our employees act in a "trustworthy and sincere" (Makotono kokoro) way and providing the highest level of quality and technologies as a development-oriented company. Also, by creating value for our various stakeholders through our business activities and reinvesting the acquired resources to reinforce various capital, we will aim to achieve the enhancement of corporate value and sustained growth.

Corporate Policy



ANEST IWATA Corporate Philosophy



Becoming a "True World-class Company" that benefits people and people's lives

E Development of environmentally-friendly products P.30

S Respecting human resources fundamental to the company and our relationship with society P.33

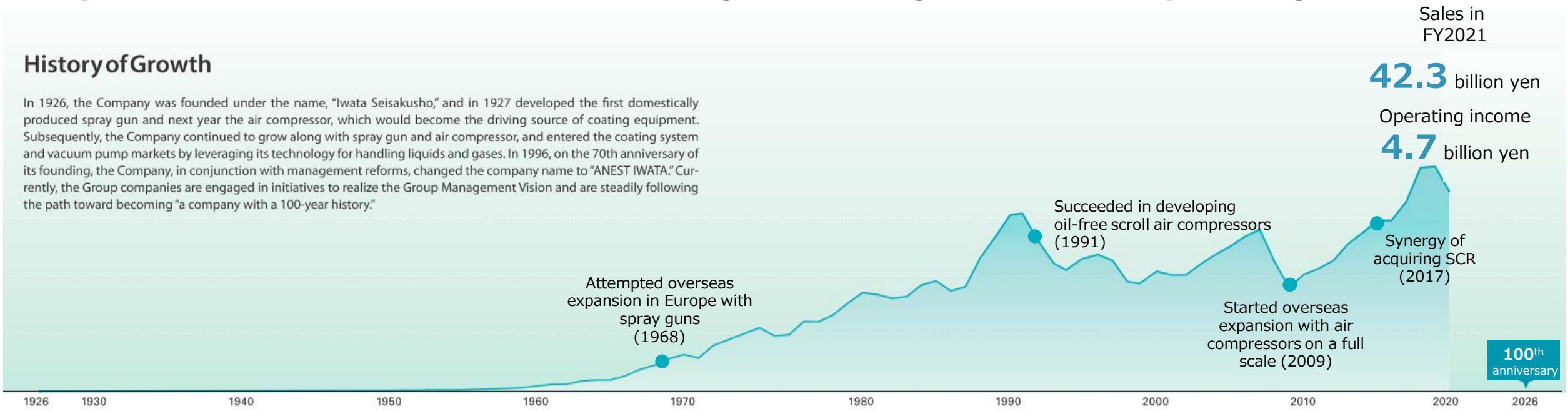
G Enhancement of governance structure P.38

ESG Management of ANEST IWATA

By placing ESG at the base of management, we have gotten over several recessions for 96 years since our foundation, achieving record high sales and operating income.

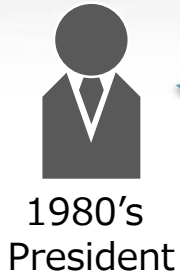
History of Growth

In 1926, the Company was founded under the name, "Iwata Seisakusho," and in 1927 developed the first domestically produced spray gun and next year the air compressor, which would become the driving source of coating equipment. Subsequently, the Company continued to grow along with spray gun and air compressor, and entered the coating system and vacuum pump markets by leveraging its technology for handling liquids and gases. In 1996, on the 70th anniversary of its founding, the Company, in conjunction with management reforms, changed the company name to "ANEST IWATA." Currently, the Group companies are engaged in initiatives to realize the Group Management Vision and are steadily following the path toward becoming "a company with a 100-year history."



ESG management: Accumulation of detailed experiences is the key to success. Continuing to enhance each of E, S, and G is a driver for growth.

- We were aware of environmental issues from early on, and mass-produced oil-free air compressors, which compress air with no oil.
- Faced with regulations in the United States and Europe, we developed and mass-produced spray guns that can atomize paint not containing organic solvents and reduce air pollution.
- As long as there are production plants somewhere in the world, there will be no changes in the basic structure, which requires air compressor (compressed air).
- Accumulation of detailed experiences is the key to success. Continuing to enhance each of E, S, and G is the point for long-term prosperity.
- The business reform, which we had been promoting for some time, accelerated due to the COVID-19 pandemic, so that we achieved record highs with 42.3 billion yen in sales and 4.7 billion yen in operating income in FY2021.
- Increase in sales overseas contributed to growth. We dedicated ourselves to increasing the shares in the overseas air compressor markets, in particular, where our superiority is easy to bring out.



"Pure-play manufacturers like us cannot survive unless we continue to consider **what products can contribute to the world.**"

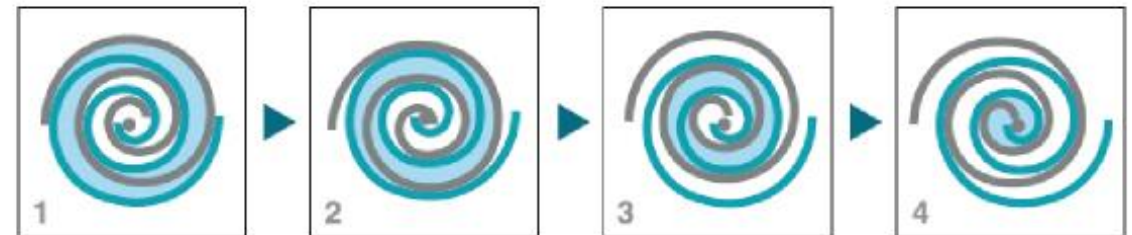
To grow in the global market, we need to develop and commercialize products that are excellently environment-friendly.

- Developed the world's first air-cooled oil-free air compressor based on small-size scroll type air compressors, which enabled us to expand our business by developing new markets, such as food and beverage manufacture and medical applications.

- Advantages of oil-free products as compared with the oil feed type
 - Environmentally friendly
 - Improved quality of compressed air
 - Increased productivity



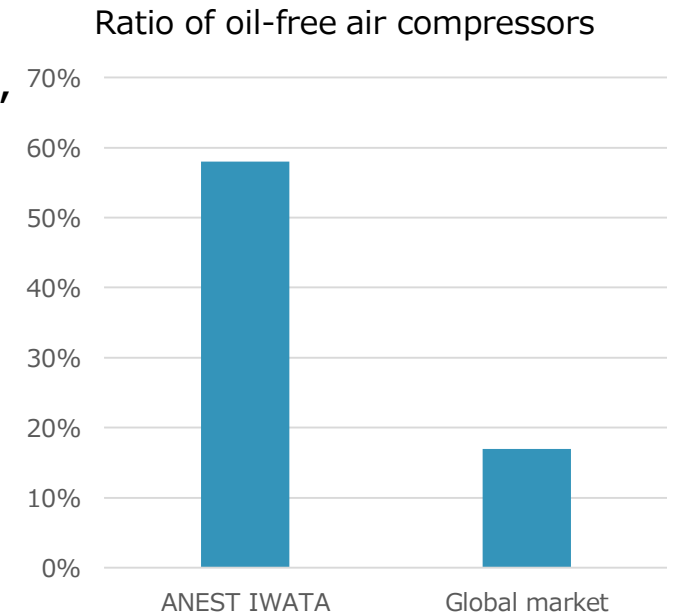
Compression System



— orbiting scroll — fixed scroll — Compressing room



- Oil-free air compressors account for less than 50% in the domestic market in the number of units. The sales ratio of oil-free air compressors in ANEST IWATA is about 58%. It is estimated that they account for around 15% to 20% in the global market. There is large room for increase in the overseas markets, in particular.
- In value terms, the oil-free air compressors of our group account for about 60% of total air compressor sales (FY2021). In FY2021, about 58%
- The only manufacturers that mass-produce air compressors of various models are ANEST IWATA (pure-play manufacturer) and one domestic all-around manufacturer. The all-around manufacturer has not been successful in developing sales channels for air compressors alone in the overseas markets.
- We expanded the supply of oil-free air compressor main units as OEM products to air compressor-specializing large manufacturers overseas.
- Oil-free air compressors are about 1.5 times higher in price than the oil feed type. In contrast, the profit ratio is higher than that of the oil feed type.
- The overseas air compressor markets are **less severe in price competition than the Japanese market.**
- **As compared with an operating income ratio of about 10% in Japan, it is possible to secure 10% to 20% overseas.** (Details on page 37.)
- **Raising prices due to soaring material costs** was implemented in Japan as well. In the overseas markets, periodic price revision and **price increase become widespread.**





1980's
President

"Pure-play manufacturers like us cannot survive unless we continue to consider **what products can contribute to the world.**"

To grow in the global market, we need to develop and commercialize products that are excellently environment-friendly.

- Rise of **water-based paint not containing volatile organic compounds (VOCs)**, which are among the causes of atmospheric environment destruction and health damage
- Increasing demand for **spray guns that can easily form coated film of required quality, can reduce the total amount of paint used, and can also reduce the working hours**



Development of spray guns dedicated for car repair coating, especially for water-based paints, which are hard to atomize because of their higher viscosity than general solvent-based paints, which contain large amounts of VOCs, as well as difficult-to-apply paints that have high design properties



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Latest spray gun dedicated for car repair coating, WS-400 Series 2

E S G

Improvement of management power through investment in management foundation: Human resources

Human resource investment

Previous mid-term plan measure

Improve the work environment

Achievements

Recognized in the "Health and Productivity Outstanding Organization (White 500)" system (two years in a row since 2021)

Measures

Achieve the placement of the right people at the right place

System for training human resources so that they can be active overseas

Changes in employment structure

Adopt job-type employment

Infrastructure personnel management

Promote talent management

Diversity

Ensure that diverse human resources can exhibit their abilities

Develop personnel strategies through group company-wide optimization

E S G

Improvement of management power through investment in management foundation: DX

DX promotion

Previous mid-term plan measure

Enhance infrastructures and networks

Achievements

- Build a customer integrated database
- Open an official EC site
- Operational efficiency improvement system
(Improvement of responses to inventory confirmation, delivery, distribution confirmation, etc.)

Measures

Visualization of global business management and improvement of efficiency of consolidated accounting

- Make preparations for renovating the core system
- Study digitalizing design technology information
- Improve the functions of estimation and order-receiving systems

Increase in the number of higher-accuracy inquiries due to domestic sales reform

After confirming further domestic sales reform, we plan to expand DX reform to the overseas markets.

E S G

Enhancement of the supply chain: Stabilization and optimization to support production and sales increases

Impacts on the results of operations

Money amount (operating income)

Income-increasing factors

- Cost rate improvement
- Establishment of a logistics department
- Optimization of the collaboration system through supplier evaluation

+0.5 billion yen

Income-decreasing factors

- Soaring raw materials
- Shortage of logistics resources
- Global supply-demand imbalance

-1 billion yen

Measures

Powerful production system

Supply chain management system

Price increases



Quality assurance

Realize safe and secure product quality, so that:

- Sales personnel in our group can propose and sell with confidence.
 - Dealers and service shops can recommend to customers with a sense of security.
 - After purchase, customers can be satisfied with product quality.
- ⇒Divide three activity policies into nine issues and promote them.

Assurance policy

Aimed-for quality = Customer satisfaction

KGI: Customer satisfaction

KPI: Customer complaint rate

The target is a 20% reduction from the FY2021 level at the end of the mid-term in the next period.

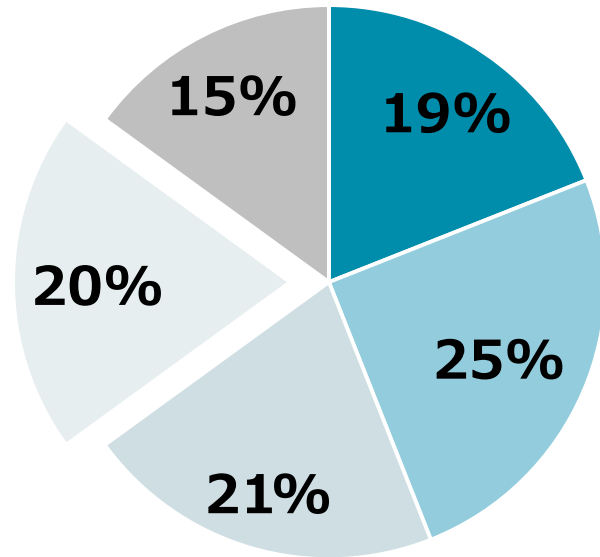


Issues

<p>Rules that can be followed</p> <p>Downsizing</p>	<p>Global</p> <p>Share the assurance policy</p>	<p>Monitoring</p> <p>Transmit information timely and improve efficiency</p>
<p>Complaint handling</p> <p>Standardize analysis keys</p>	<p>Defect prevention</p> <p>Increase quality by, for example, making changes to existing products</p>	<p>Recurrence prevention</p> <p>Identify causes, increase the quality of measures, and expand them horizontally</p>
<p>Product risk management</p> <p>Clarify the corporate attitude</p>	<p>Product safety</p> <p>Prevent risks from occurring</p>	<p>Compliance</p> <p>Respond to product accidents and PL</p>



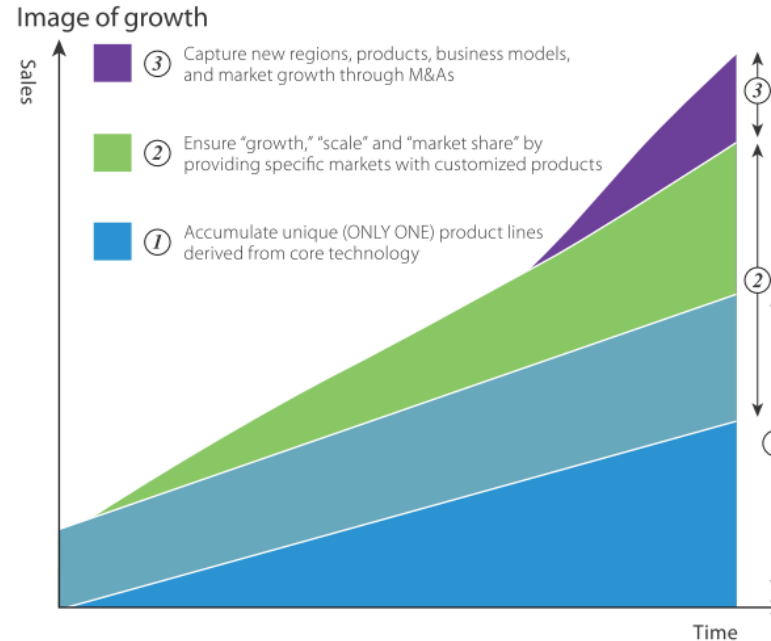
Business model with the dispersion of risks in mind.
During bad times, customized products supported our business performance.
During good times, general-purpose products contributed to revenue.



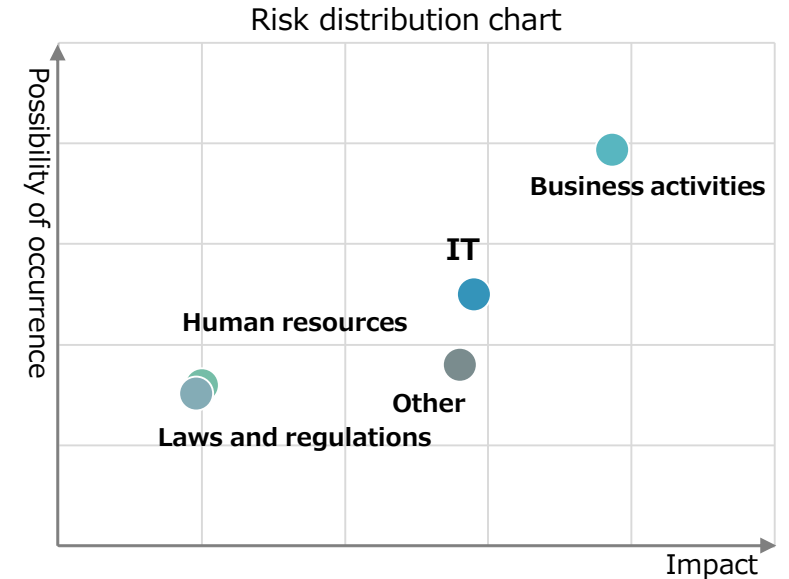
- Manufacturing of automobiles and other transportation equipment
- Manufacturing of general machinery and electric/electronic equipment
- Manufacturing of food and beverages
- Specific markets (medical, vehicle-mounted, etc.)
- OEM, etc.

Customize: Manufacture and pricing according to customer specifications
 * Specific uses such as medical, car-mount, analysis uses (The ratio of oil-free air compressors are very high.)

Estimates based on our domestic data collected in FY2021



<Recognize risks and respond to them>



- ① Risks related to business activities
 - Business environment
 - Product quality
 - Business expansion including M&As
- ② Risks related to human resources
 - Securing of human resources
 - Labor problems
- ③ Risks related to IT
 - IT investment
 - Information security
- ④ Risks related to laws and regulations
 - Environmental regulations
 - Fraudulent acts violating laws and regulations
 - Intellectual property
 - International taxation
 - Accounting including impairment loss of non-current assets, etc.
- ⑤ Other risks
 - COVID-19
 - Unpredictable events (such as acts of terror and natural disasters)

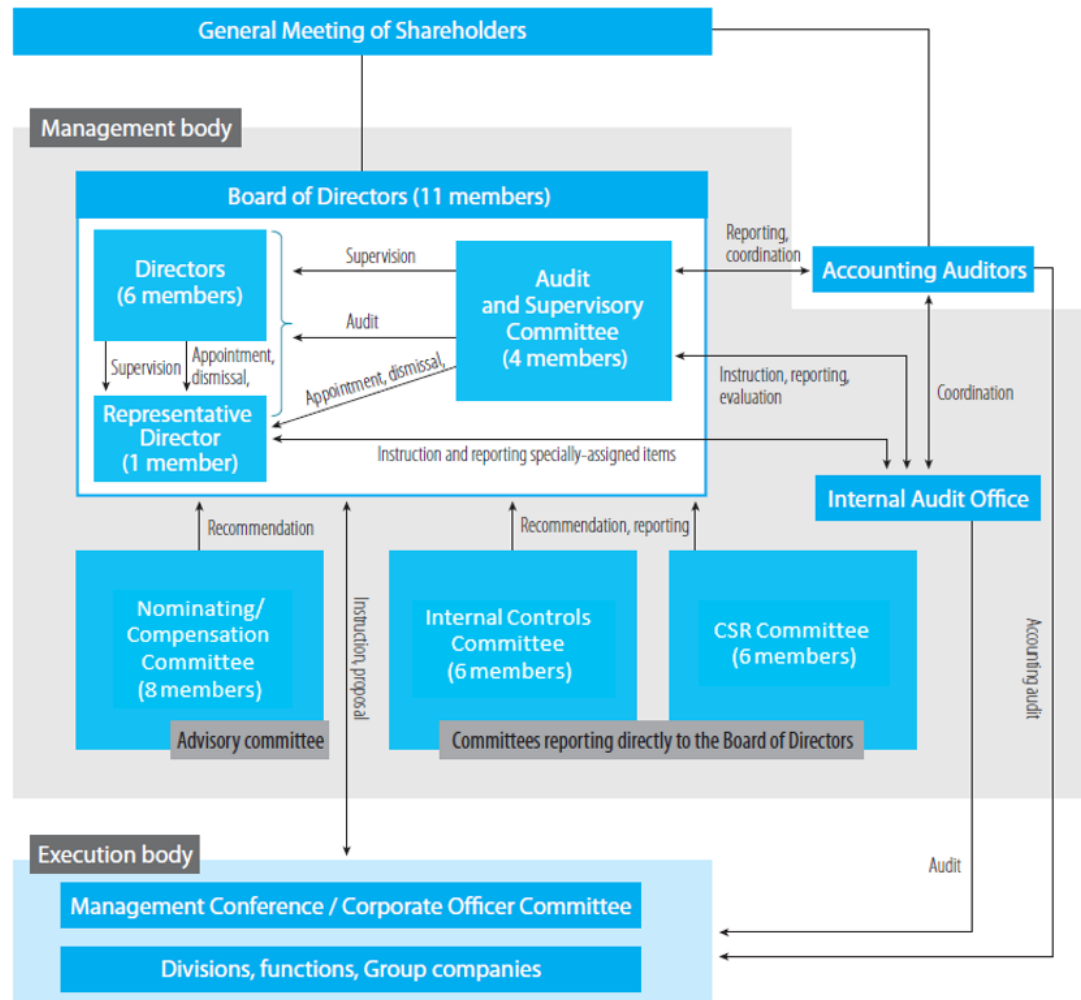


Appoint multiple independent directors from early on to acquire external knowledge and, at the same time, create a transparent governance system.

(The ratio of external, independent directors at our board of directors is about 64%.)

To enhance governance, establish a management meeting with independent officers as observers.

Governance Structure (Diagram) (As of April 1, 2021)



The Role and Composition of the Supervisory Organization ★ represents chairperson/chairman

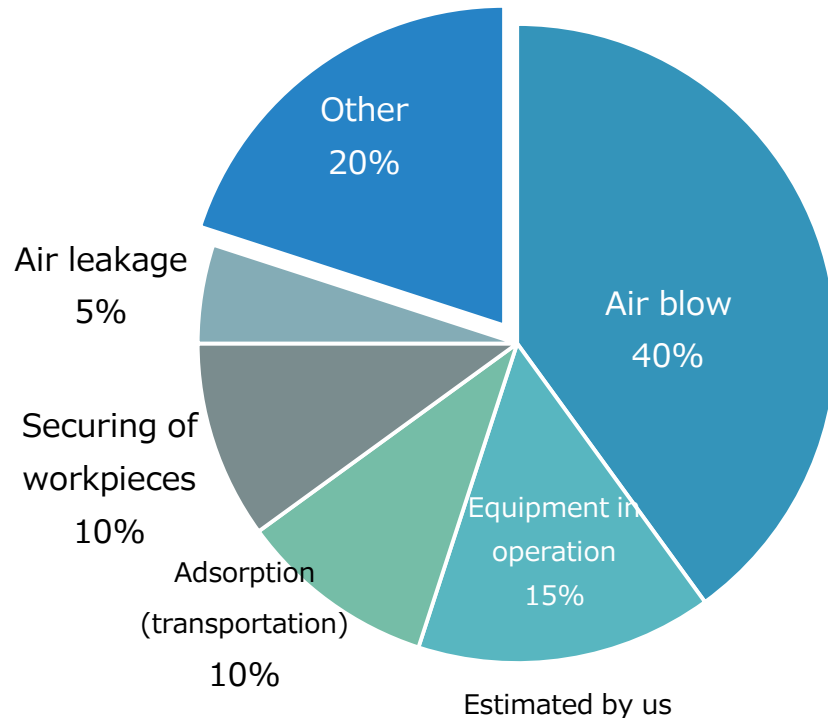
Organization	Composition	Purpose	Secretariat
Board of Directors	11 members (6 Directors, 1 Representative Director, 4 Audit and Supervisory Committee Members)	In addition to receiving reports on the status of business execution, decides the basic matters of the Company's business execution, and monitors and supervises the execution.	General Manager, Corporate Planning Department
Audit and Supervisory Committee	4 members (1 Internal Director, 1 Internal Director who is an Audit and Supervisory Committee Member, 2 Independent Directors)	Exchanges opinions with Directors and the execution bodies, audits the execution of duties by Directors and prepares audit reports, etc.	Director (full-time) who is an Audit and Supervisory Committee Member
Management Conference	Corporate Officers not concurrently serving as Directors (5 persons), General Manager, and Observers	Holds discussions and shares information between Corporate Officers—including those concurrently serving as Directors—and Independent Directors, and discusses and deliberates mainly matters relating to business operations.	Corporate Planning Department
Corporate Officer Committee	Other Corporate Officers not concurrently serving as Directors (5 persons)	Communicates the matters to be resolved at the Board of Directors meetings, and deliberates the matters to be resolved at the Corporate Officer Committee and the matters to be proposed to the Board of Directors meetings.	Corporate Planning Department
Nominating/Compensation Committee	8 members (1 Representative Director, 1 Internal Director, 1 Independent Director, 5 Internal Directors)	A non-statutory advisory committee under the Board of Directors, which discusses the selection, the promotion/demotion, the assessment and compensation of Directors and Corporate Officers and makes recommendations to the Board of Directors.	General Manager, Corporate Planning Department
Internal Controls Committee	6 members (1 Internal Director, 1 Internal Director who is an Audit and Supervisory Committee Member, 4 Independent Directors)	A non-statutory committee established under the Board of Directors, which reports on the development and operation and the implementation status of internal control systems.	General Manager, Internal Audit Department
CSR Committee	6 members (1 Internal Director, 1 Internal Director who is an Audit and Supervisory Committee Member, 1 Independent Director, 3 Independent Directors)	A non-statutory committee under the Board of Directors, which is in charge of compliance and risk management, deliberates related matters and develops an operational framework.	General Manager, Public Relations Department

Business Model of ANEST IWATA

Conventional uses

- Blowing away the chips generated during machining with a machine tool (air blow)
- Operating air cylinders that can be seen in robot motions, etc. (equipment in operation)
- In the graph below, painting and coating are included in "Other".

Main uses of compressed air at production plants



Specific uses (specific markets) that we have developed for oil-free air compressors

- Manufacture of food, beverages, chemicals, etc.
- Physics and chemistry/Research and development
- Medical treatment at hospitals, dental offices, etc.
- Mounting in the braking systems of commercial and other vehicles
- OEM
(including the supply of oil-free air compressor main units to top-class air compressor manufacturers overseas)



Previously, both air compressors and spray guns (coating equipment) were mainly for automobiles and general industries. Development of uses by inputting new products contributed to sales. For air compressors for automobiles and general industries, the oil feed type, frequently used for some time, accounted for the main part of air compressor sales, but by inputting the oil-free type, we were successful in developing new demand in food and beverages, specific markets, OEM, etc.

Air energy business

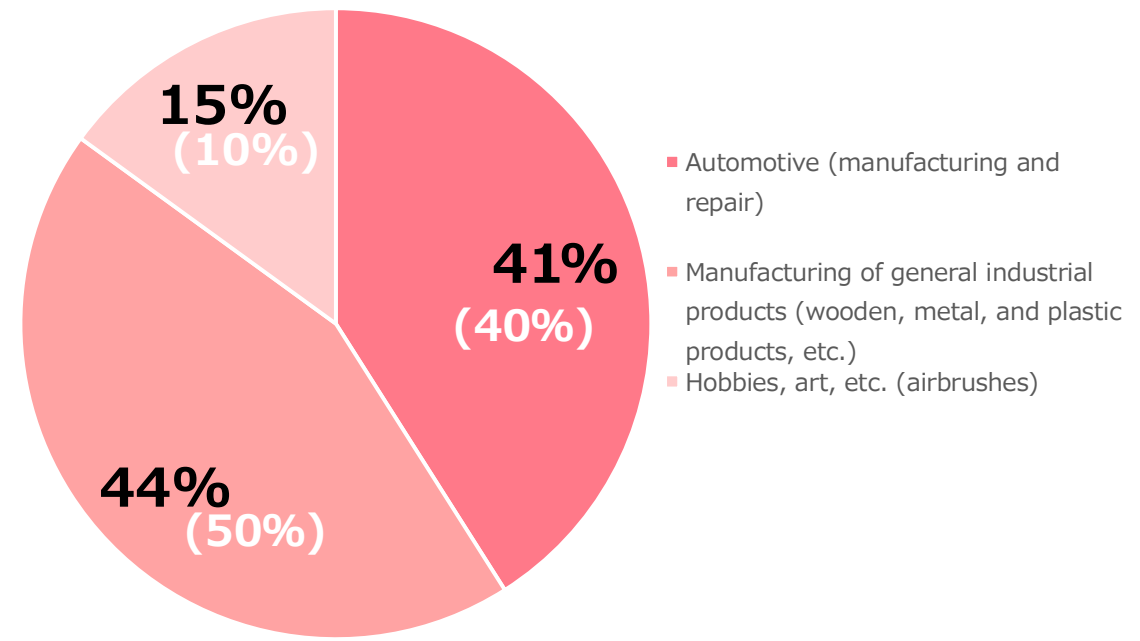
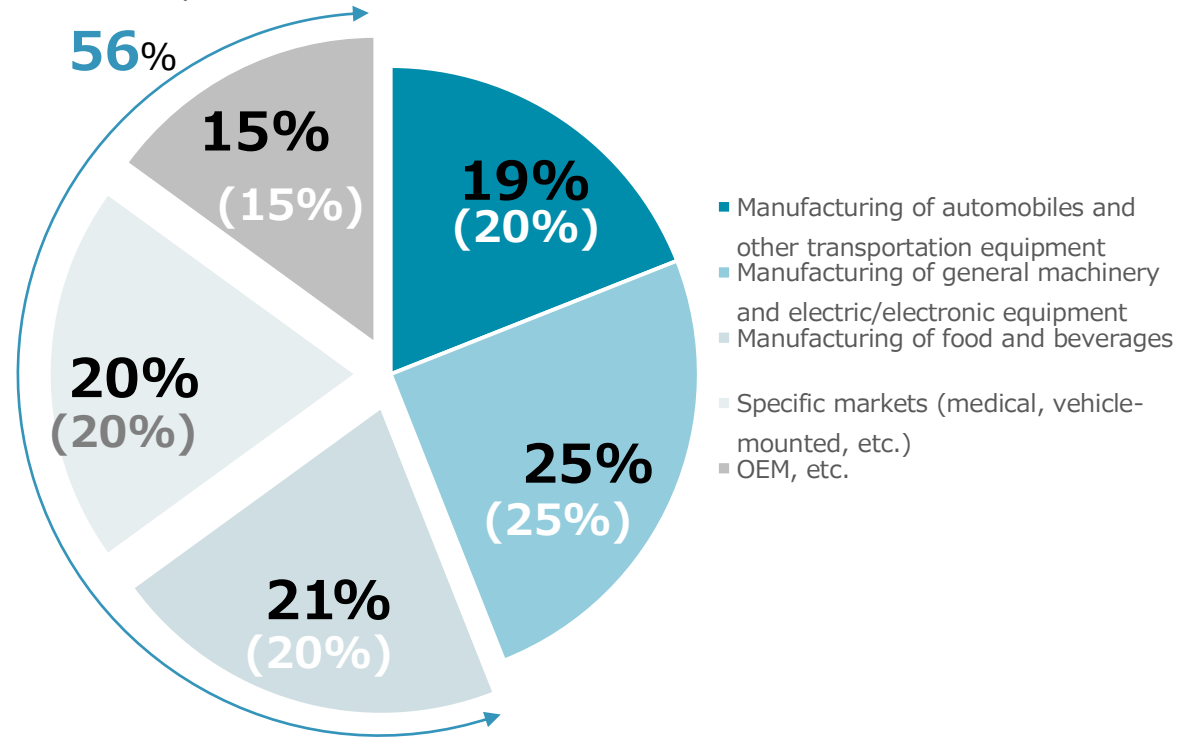
Coating business

Air compressors

Spray guns (coating equipment)

Ratio of new uses developed FY2021 * Shown in parentheses are values in FY2020.

FY2021 * Shown in parentheses are values in FY2020.



Estimates based on our domestically collected data

Estimates based on our domestically collected data

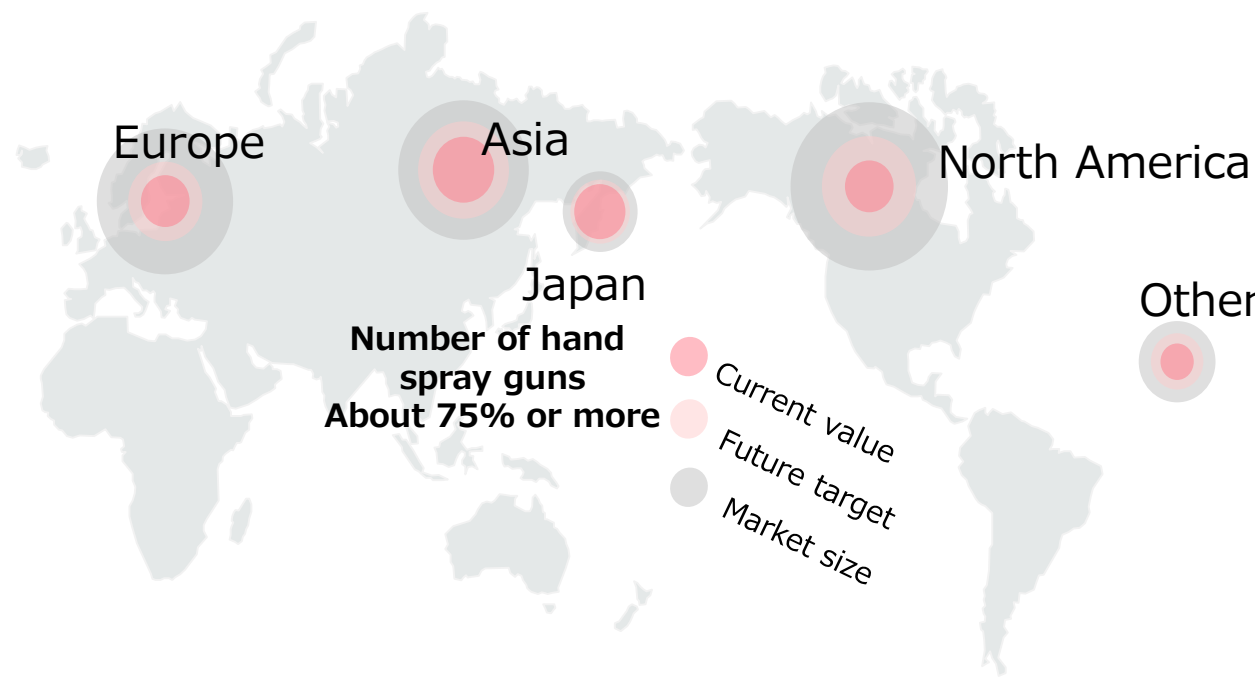
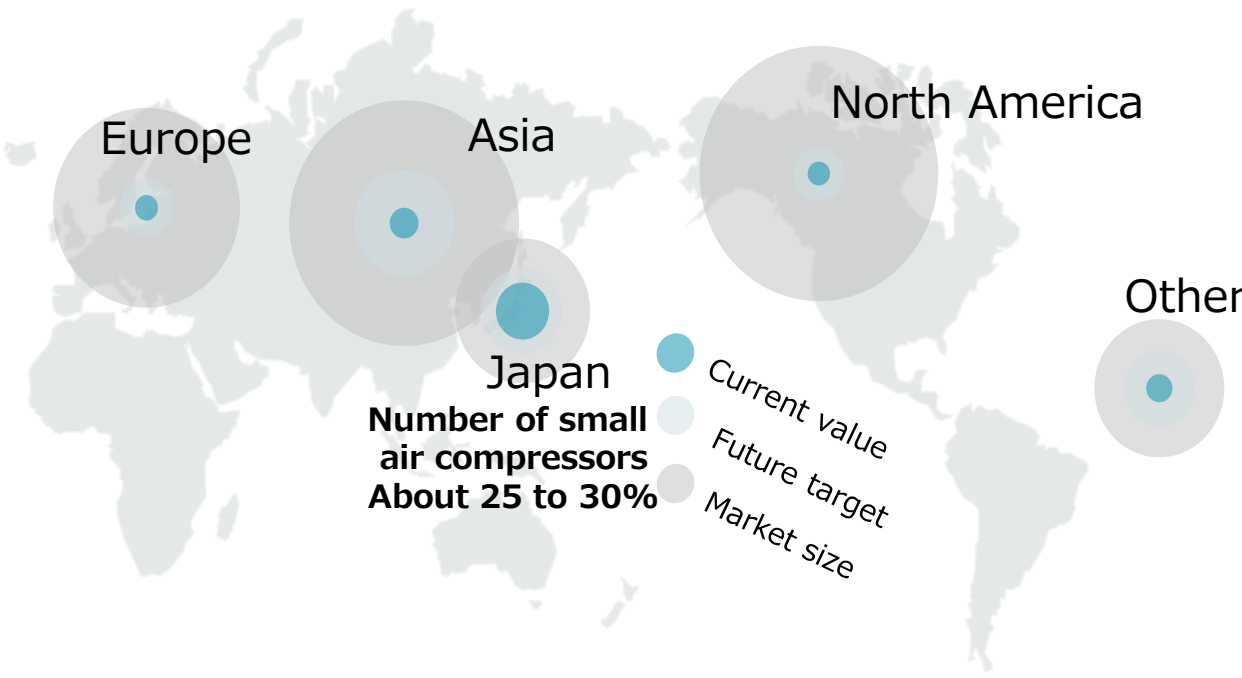
The growth driver is the increase in sales of air compressors in the overseas markets.

**Global air compressor market:
About 1,400 billion yen**

**Global spray gun (coating equipment) market:
About 140 billion yen**

**Our market shares in terms of money value:
About 1%**

**Our market share in the United States
and Europe in terms of number of units:
25 to 30%**



* Market shares and market sizes are estimated by us.

Overseas markets

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

Domestic market

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

Huge and high-margin overseas markets

Mature and increasingly eco-conscious domestic market

Market size

Approx. 1,400 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 less severe.

Price competition is always severe as all-around manufacturers supply air compressors with other 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

12.5 billion yen (approx. 1% share)

10.5 billion yen
(approx. 13% 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 FY2021.)

Overseas market

In addition to the competitive high-end range, we will seek to achieve growth in the mid-range spray gun market.

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%).

Huge overseas markets; each can be developed according to their local characteristics.

SATA GmbH & Co. KG, Carlisle Fluid Technologies (Devilbiss brand), etc.

Mature domestic market where there is a need for value-added products

Carlisle Fluid Technologies (Devilbiss brand)
Meiji Air Compressor MFG, etc.
Our products: WIDER, 'kiwami Series, etc.

Main players

Market size

Approx. 140,000 million yen

Approx. 14,300 million yen

Reason why we can expect to expand market shares abroad

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.

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.

Market size investigated or estimated by ANEST IWATA in FY2021

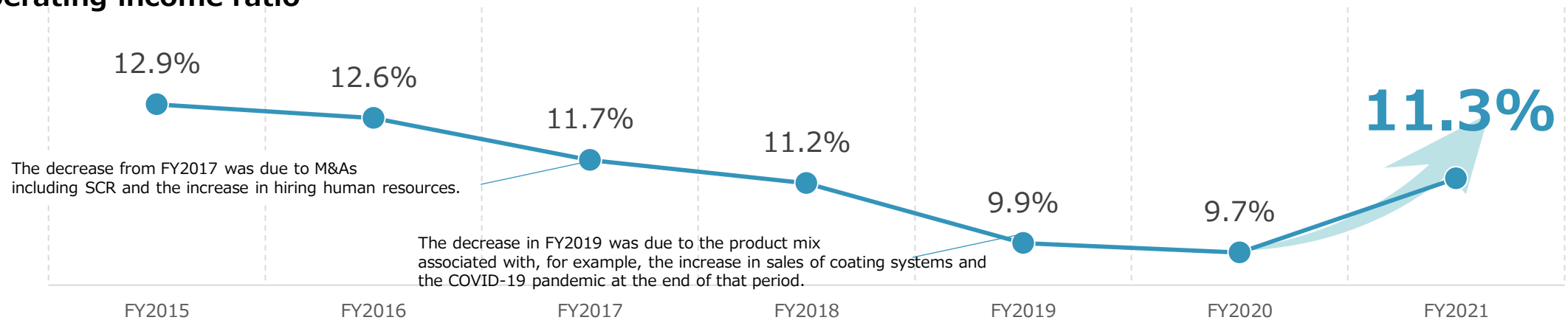
The sales plan was not achieved due to the COVID-19 pandemic, but the work reform we had promoted accelerated, and the operating income ratio is in an upward trend.

Starting in 2016, we gained a solid footing by expanding overseas bases, acquiring human resources, mainly engineers, complementing the product range with M&As, and organizing and reinforcing the production line.

Starting in 2021 amid the COVID-19 pandemic, the sales and work reforms, including IT investment, accelerated, promoting the development of a system that can increase sales while suppressing selling, general & administrative expenses.

Million yen	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Sales	29,524	29,548	32,817	38,807	39,091	35,588	42,337
- Air energy	15,597	16,090	18,133	23,053	22,224	20,866	25,015
- Coating	13,926	13,457	14,682	15,752	16,866	14,722	17,321
Operating income	3,796	3,733	3,824	4,339	3,876	3,444	4,780

Changes in operating income ratio



		FY2021 (Actual)	
		Actual (million yen)	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			
Air energy		2,513	10.0
Coating		2,267	13.1

		FY2024 (Planned)	
		Organic target value (million yen)	Composition ratio (%)
Sales		50,000	100.0
Air energy		—	—
		—	—
	Subtotal	29,500	59.0
Coating		—	—
		—	—
	Subtotal	20,500	41.0
Operating income			
Air energy		5,500	11.0
Coating		2,900	*9.8
Coating		2,600	12.7

Prospects for FY2035

- Sales of 100 billion yen
- Operating income ratio of 10% or greater
- Increase in overseas sales ratio
- Expansion of domestic service business
- Suppression of selling, general & administrative expenses with IT investment effect, total personnel cost management, and work reform

Indicators to place particular emphasis on

Overseas sales composition	
Air energy	54.1%
Coating	73.7%
Oil-free product consolidated sales ratio	60%
SGA ratio	31.8%

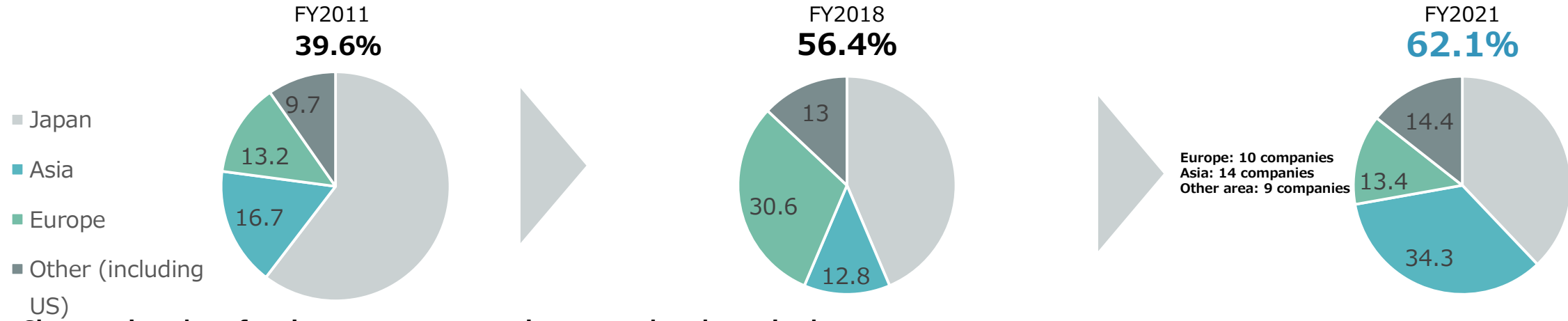
* For the air energy business, we expect to invest in new businesses and product development, in particular.

55.9%
71.5%
60% or more
30% or less

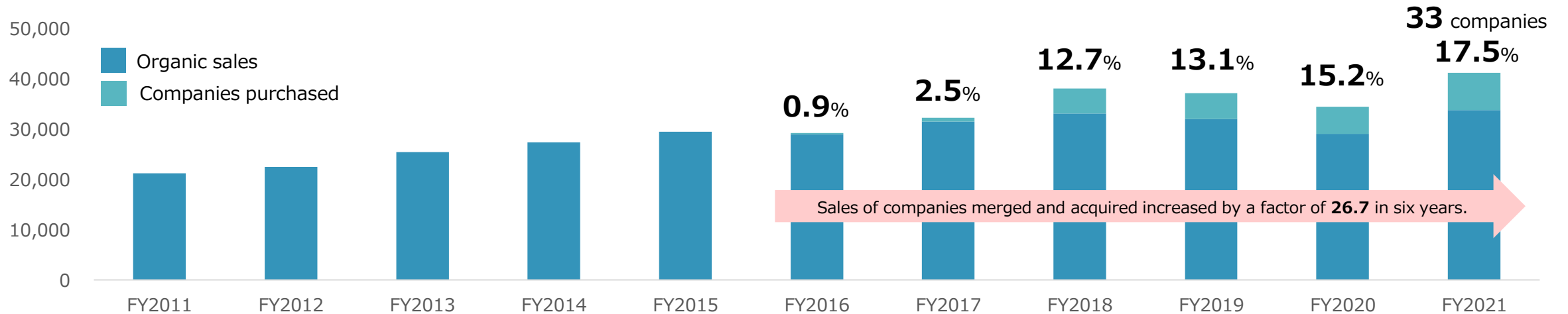
Overseas sales expanded from 39.6% to 62.1% in the past 10 years. With a technical tie-up with SCR, acquired through M&A in November 2017, the sales of oil feed type screw air compressors were expanded toward the global market (including the Japanese market).

Overseas sales (%)

Note) Converted to actual sales in each individual area



Changes in sales of main overseas companies merged and acquired



Our group extracts candidates, led by both Air Energy and Coating Divisions, and evaluates them together with the Headquarters.

The capital source for M&As will be cash on hand and treasury stocks.

Our desired purposes of M&As

- Regional coverage (For air compressors, the standards for electrical equipment, pressure vessels, etc. differ from country to country. By acquiring local manufacturers, we can obtain local procurement routes for parts conforming to standards, optimal sales channels and service functions for the local areas.)
- Complement of technologies, know-how, and product ranges

Candidates

Companies that reserve necessary standards. Manufacturers that have procurement, production, sale, and service systems. Emphasis is placed on securing standards. The company size does not matter. (Small sizes are OK.)

Successful examples

- H&S in Germany (manufacture of airbrushes. By expanding equipment, sale destinations were increased.)
- SCR in China (manufacture of mid- to large-size air compressors. By utilizing our and our subsidiary's sales channels, sales increased considerably.)
* Sales were up about 37% from FY2018.

Successful examples with collaborations with merged & acquired companies

We acquired an air compressor manufacturer in Brazil as a subsidiary, and started mass-production of oil-free air compressors.

This subsidiary in Brazil developed sales channels, establishing sales channels from the subsidiary to local hospitals.

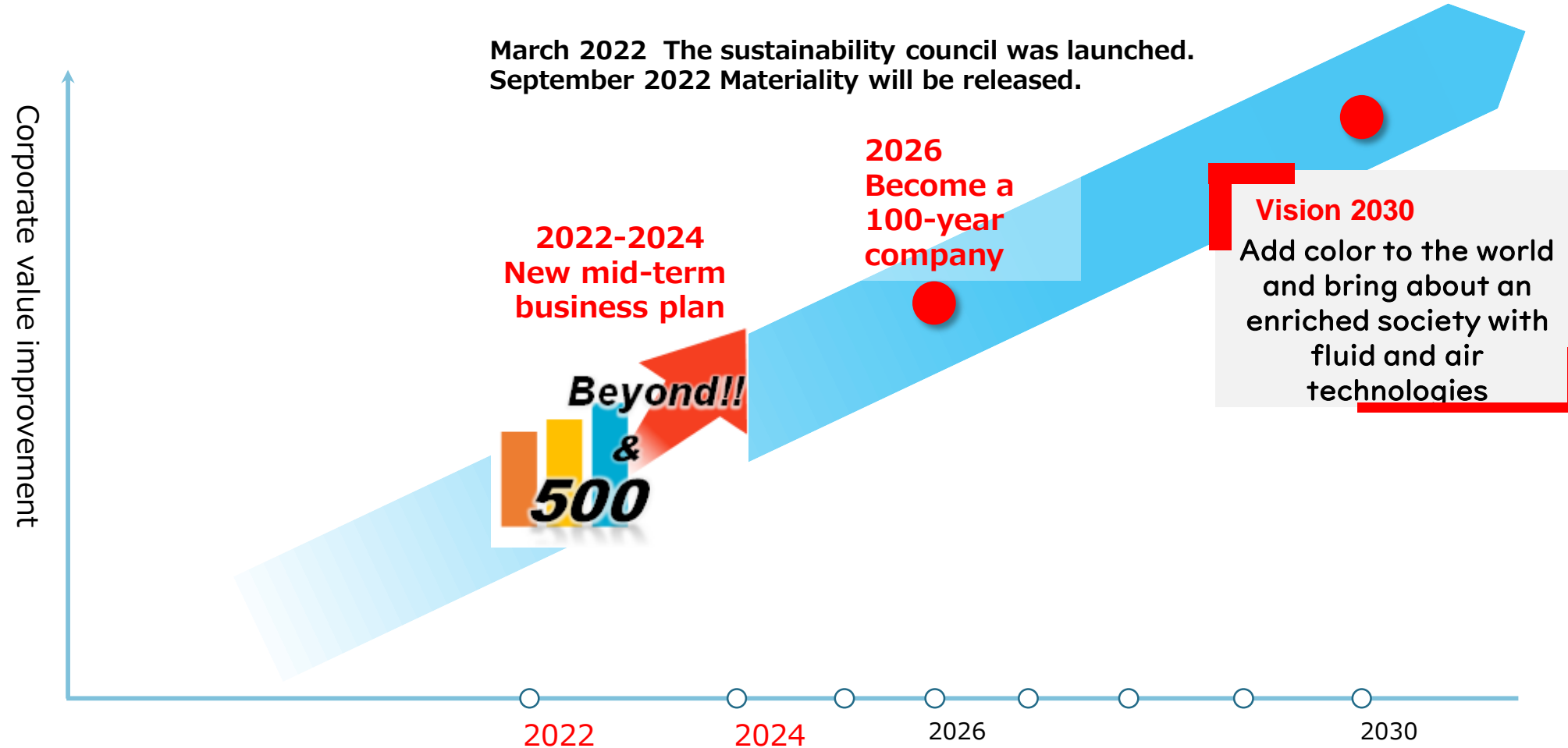
Active investment for growth and the expansion of the business scale

Three years (April 2022 to March 2025)
 Cumulative operating cash flow * Illustration of distributing money amounts

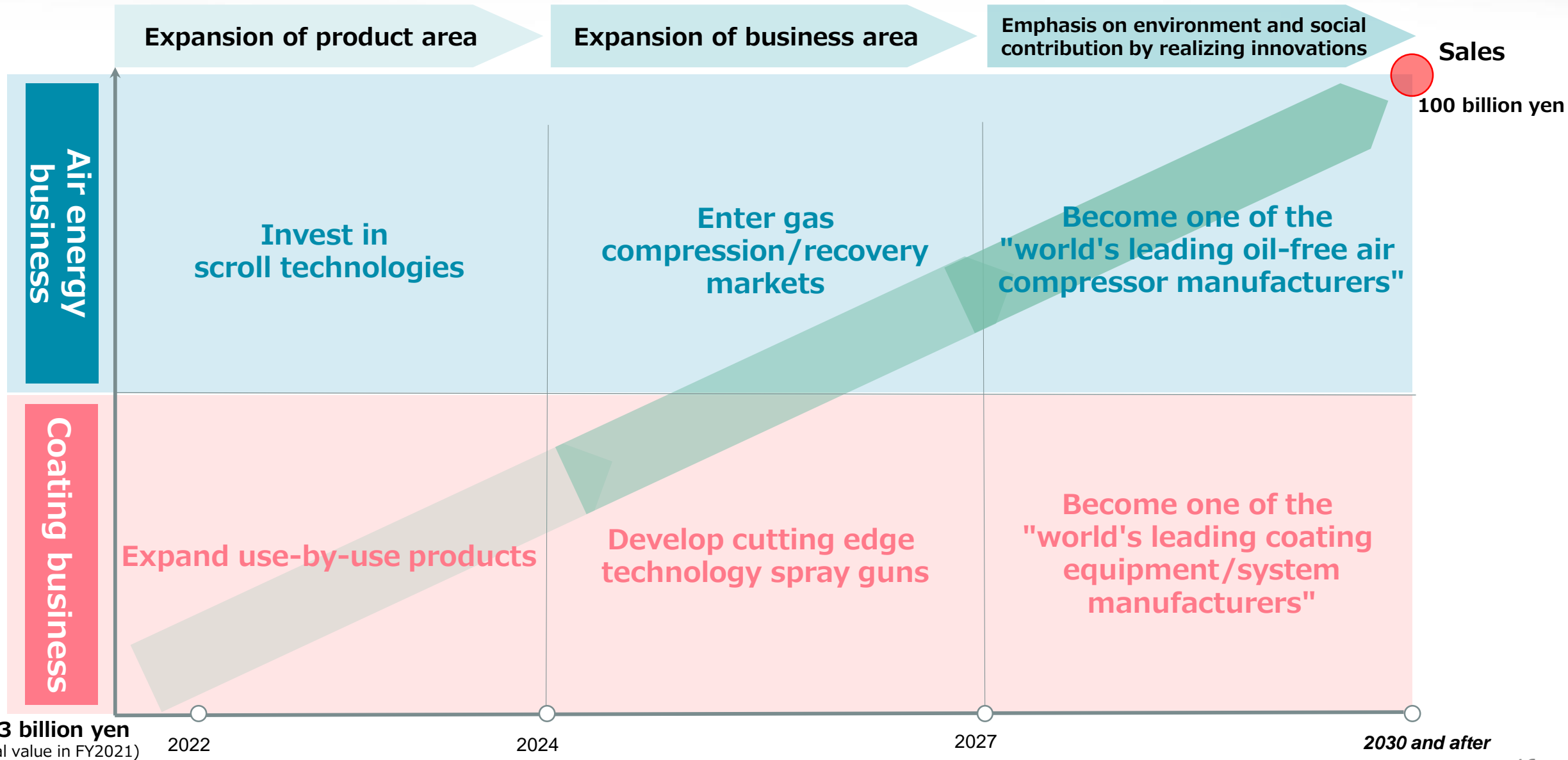


**With a View to Becoming a Company
with Sales of 100 Billion Yen**

Achieve both ESG and earning power (SX*) and improve our corporate value

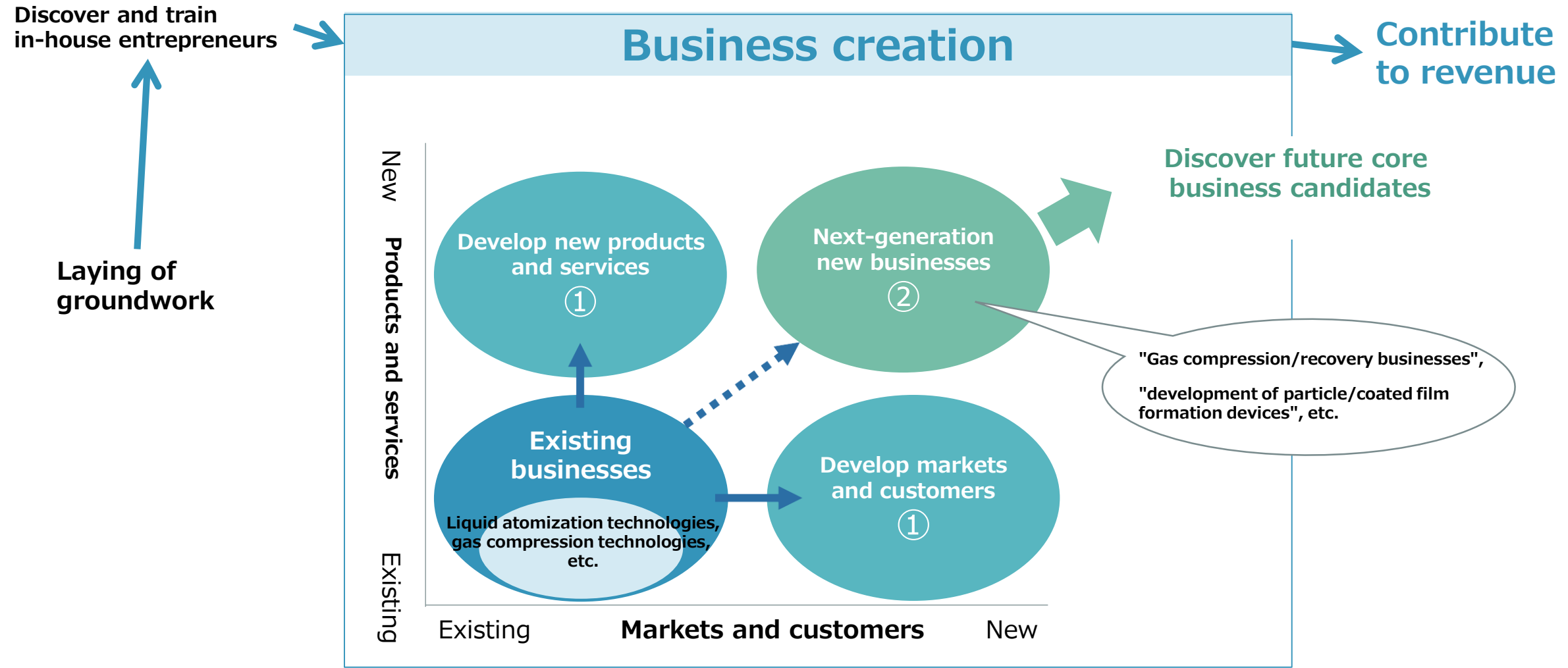


* Sustainability transformation



Creating a system for developing new businesses: Making new businesses our future core businesses

- ① Create markets and develop new products and services by utilizing the core technologies and know-how cultivated thus far
- ② Enter new areas, not on extensions of conventional businesses, from the sustainability viewpoint, by utilizing core technologies ("gas compression/recovery businesses" by utilizing scroll compression technologies, "development of particle/coated film formation devices" by expanding liquid spray technologies, etc.)



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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