

Supplementary Presentation Material of FY2022 Second Quarter Financial Results ANEST IWATA Corporation

November 9, 2022

Tokyo Stock Exchange Prime Market - Machinery

Securities Code 6381

Revised financial results forecasts due to steady overseas sales, price increase (from 2nd half) and cost control. In the second half, optimization of inventories will be promoted, including the components.

Sales: 22,613 million yen (up +2,253 million yen, or +11.1%, year-on-year)

Operating profit: 2,340 million yen (down 38 million yen, or 1.6%, year-on-year)

Air energy business

- In addition to sales of general-purpose air compressors, sales of oil-free air compressors for specific markets* continued to be strong in India. Despite the impact of the lockdown in China, local subsidiaries such as SCR are recovering.
- Demand for vacuum pumps for semiconductor-related equipment calmed down but the sales remained at the same level as the same period of the previous fiscal year.

Sales: 13,701 million yen (up 1,587 million yen, or 13.1%, year-on-year)

Operating profit: 1,330 million yen (up 80 million yen, or 6.4%, year-on-year)

Operating profit ratio: 9.7% (down 0.6 points year-on-year) *Specific market: Specific applications such as medical care, in-vehicle use, and analysis

Coating business

- Sales of coating equipment, mainly spray guns, grew, especially overseas.
- The unfilled orders for coating systems are expected to be sold in the second half of the year. Activities including acquisition of unfilled orders for the next fiscal year will be continued.

Sales: 8,911 million yen (up 665 million yen, or 8.1%, year-on-year)

Operating profit: 1,009 million yen (down 118 million yen, or 10.5%, year-on-year)

Operating profit ratio: 11.3% (down 2.4 points year-on-year)

(Notes) 1. The operating profit 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 the period of the consolidated financial settlement in other areas is three months behind.

Highlights of FY2022 2Q Financial Results

- Although there was improvement compared to 1Q, the impact of the rising raw material costs remained in 2Q, which was before the domestic price increase, and operating profit decreased slightly.
- Although there are many fluctuating factors in the external environment, the full year forecasts was revised upward due to **steady overseas sales** and a review of foreign exchange rates.
- Sales are driven by overseas markets (especially Europe, and India and its surrounding areas). The impact of foreign exchange is +1,403 million yen.

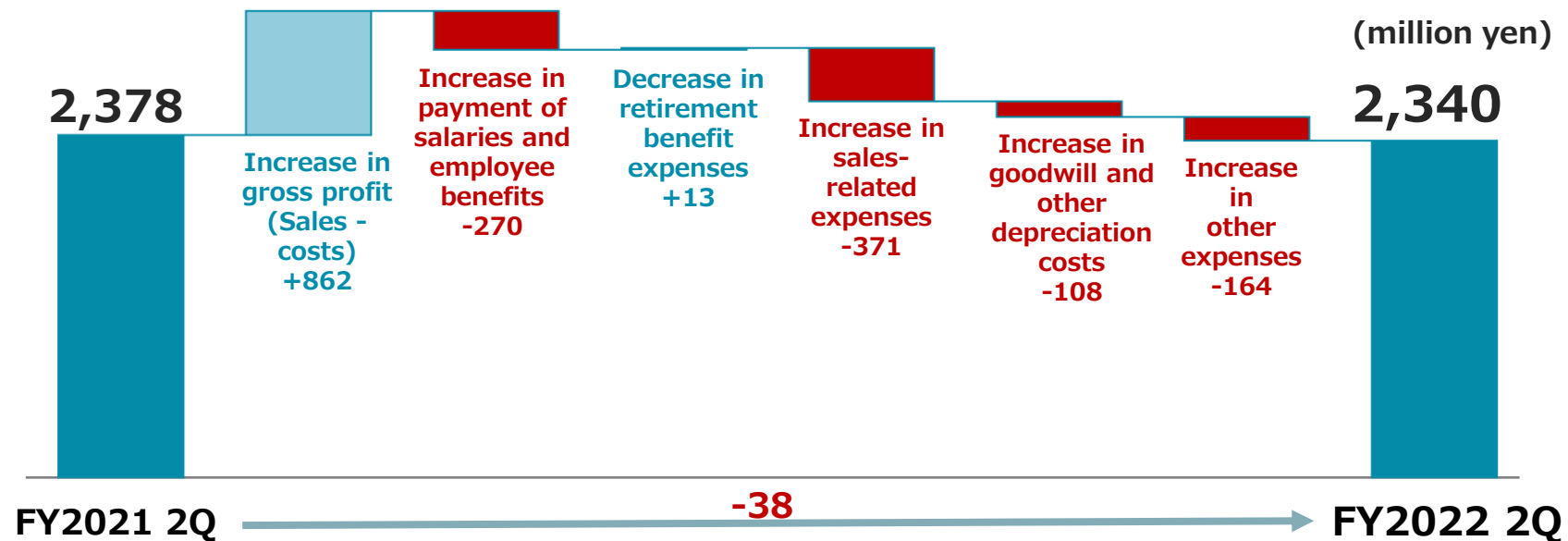
		FY2021 2Q		FY2022 2Q		Year-on-year			FY2022 result forecasts			
									Announced on May 10, 2022			on Nov 9, 2022
									First half		Full year	
		Actual (million yen)	Profit ratio (%)	Actual (million yen)	Profit ratio (%)	Increase/decrease amount (million yen)	Increase/decrease rate (%)	Profit ratio change (Points)	Forecast (million yen)	Progress rate (%)	Forecast (million yen)	Forecast (million yen)
Sales		20,360	-	22,613	-	+2,253	+11.1	-	21,500	105.2	44,000	48,000
Operating profit		2,378	11.7	2,340	10.3	-38	-1.6	-1.3	2,430	96.3	4,900	5,000
Ordinary profit		2,670	13.1	3,098	13.7	+427	+16.0	+0.6	2,750	112.7	5,650	6,200
Profit attributable to owners of parent		1,688	8.3	1,973	8.7	+285	+16.9	+0.4	1,700	116.1	3,580	3,650
Average exchange rate of yen to	U S D	107.69 yen		122.89 yen		15.20 yen			118.00 yen		133.30 yen	
	E U R	129.82 yen		134.25 yen		4.43 yen			137.00 yen		138.27 yen	
	C N Y	16.66 yen		18.94 yen		2.28 Yen			18.50 yen		19.78 yen	

[Foreign exchange sensitivity] Trend value based on operating profit **(The currency ratio is not reflected in the following)**

Due to the depreciation of 1 yen, the respective increase was US dollar: 10 million yen/year, Euro: 10 million yen/year, Yuan: 30 million yen/year.

Cost-to-sales ratio continued to rise to 57.1%.

The selling, general and administrative expenses ratio was 32.5% due to the control on overseas expenses (lower compared to 35.6% in 1Q).



[+] Increase in sales: 22,613 million yen (up 2,253 million yen year-on-year)

[-] Increase in the cost of sales: 12,917 million yen (up 1,390 million yen year-on-year)

- Impact of sales increase: +1,250 million yen (of which, foreign exchange impact: +780 million yen)
- Impact including increases in raw material costs and logistics cost: +120 million yen

[-] Increase in selling, general and administrative expenses: 7,355 million yen (up 900 million yen year-on-year)

- Travel expenses and advertising costs associated with participation in real exhibitions increased despite continued control of activities to meet actual demand
- Increase in labor expenses overseas
- Amortization costs pertaining to software related to sales reforms increased and depreciation costs amounted to +95 million yen

Overseas sales were strong due to the effect of new spray gun sales and expanded sales of compressors for specific markets (Sales ratio: 65.1%)

Japan

- Revenue decreased. Delays in supply of air compressor parts tend to normalize. Sales of pumps for semiconductor-related equipment have come to a standstill. Many projects including cases where delivery has been postponed for reasons attributable to the customer for coating systems should be recorded in the second half.

Europe

- Revenue increased. Sales increased due to the launch of new spray guns for the car repair market and the development of sales channels for oil-free air compressors.

Americas

- Revenue increased. Sales of spray guns for the American car repair market and other markets increased with the transfer of business.

China

- Revenue increased. Sales of general-purpose air compressors and coating equipment increased with the lifting of the lockdown and resumption of economic activities. Focused on the sales of scroll air compressors manufactured by SCR. Liquidated coating systems manufacturer "ANEST IWATA (DONGGUAN) Corporation" and integrated it with a coating equipment manufacturing subsidiary.

Other

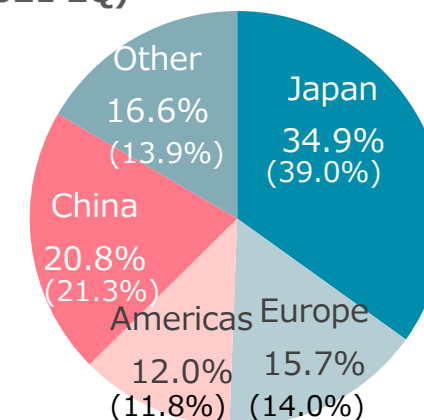
- Revenue increased. In addition to general-purpose compressors, sales of compressors for medical and in-vehicle use in India, where our strategy is proving successful, and painting equipment in South East Asia increased.

[Segment category] With the formulation of the current mid-term business plan, the method of classifying segments by location has changed from the current consolidated fiscal year. Europe: Added Russia to the existent Europe category, Americas: US, Mexico, Brazil, Other: Asia excluding China, and Australia and South Africa

(million yen)	FY2021 2Q	FY2022 2Q	Increase/ decrease amount	Increase/ decrease rate (%)	Air energy business		Coating business	
					Air compressors	Vacuum equipment	Coating equipment	Coating systems
Japan	7,932	7,890	-42	-0.5	△	▼	△	×
Europe	2,848	3,560	+712	+25.0	◎	◎	◎	-
Americas	2,407	2,704	+297	+12.3	○	◎	◎	◎
China	4,336	4,710	+373	+8.6	◎	◎	◎	×
Other	2,834	3,747	+912	+32.2	◎	△	◎	◎
Total	20,360	22,613	+2,253	+11.1	◎	◎	◎	×

year-on-year : ◎ 10% or more ○ 3% to 10% △ 0% to 3% ▼ 0% to -3% ● -3% to 10% × -10% or less

■ Composition Ratio
FY2022 2Q
(FY2021 2Q)



- Increasing current assets due to the strategy to ensure a stable supply of our products in response to global material shortages. Inventory to be optimized in the 2nd half of the year. Net assets increased significantly due to the impact of yen depreciation.

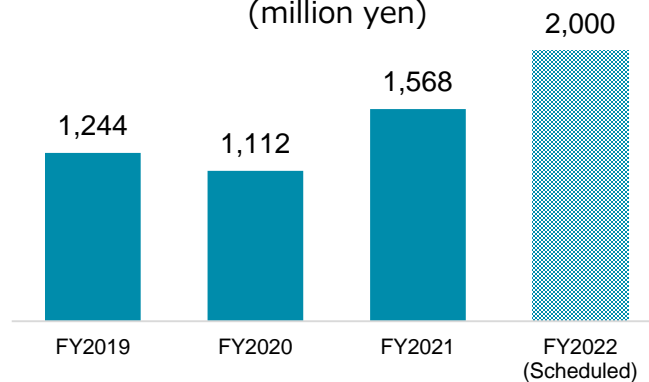
		FY2021	FY2022	Difference against the end of the previous period		
		End of full year	2Q	Increase/ decrease amount (million yen)	Increase/ decrease rate (%)	Primary factors for increase or decrease
		Actual (million yen)	Actual (million yen)			
Assets	Current assets	34,326	35,920	+1,594	+4.6	• Decrease in "Cash and deposits" -752 million yen • Increase in "Notes and accounts receivable-trade" +1,388 million yen • Increase in "Raw materials and supplies" +1,146 million yen
	Non-current assets	21,492	23,274	+1,781	+8.3	• Increase in "Buildings and structures, net" +669 million yen
	Assets	55,818	59,194	+3,375	+6.0	
Liabilities and capital	Current liabilities	11,616	11,972	+356	+3.1	• Increase in "Notes and accounts payable-trade" +612 million yen
	Non-current liabilities	3,992	3,213	-778	-19.5	• Decrease in the "Retirement benefit liability" due to the establishment of contribution to retirement benefit trust -988 million yen
	Liabilities	15,608	15,186	-421	-2.7	
	Shareholders' equity	34,582	35,703	+1,120	+3.2	
	Accumulated other comprehensive income	1,040	3,086	+2,046	+196.7	• Increase in "Foreign currency translation adjustment" +2,026 million yen
	Non-controlling interests	4,586	5,218	+631	+13.8	
	Net assets	40,210	44,007	+3,797	+9.4	
Liabilities and net assets	55,818	59,194	+3,375	+6.0		

- Completed renewal of our website. Progress almost as planned
- Capital investment includes 460 million yen for office relocation for the purpose of warehouse expansion at a subsidiary in America.

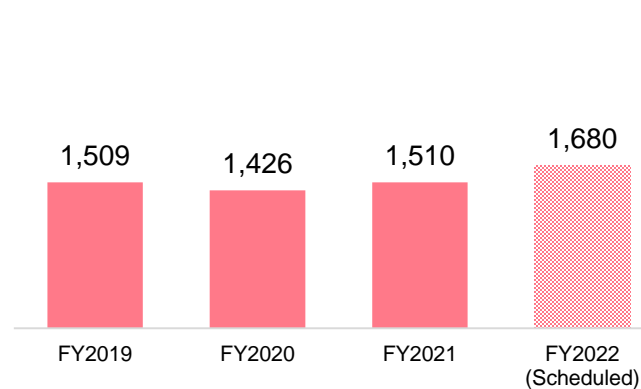
(million yen)	FY2022 2Q Actual Results			
	Amount of capital investment	Depreciation	R&D cost*	Sales
Actual (progress rate)	1,437 (71.9%)	853 (50.8%)	646 (53.8%)	22,613
Plan	2,000	1,680	1,200	-
Description	<ul style="list-style-type: none"> • IT related investment (creation of product site system and product information management system) • Upgrading and enhancement of production lines • Machine tools (creation of new ones and upgrading of existing ones) • Establishment of communication infrastructure 			

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

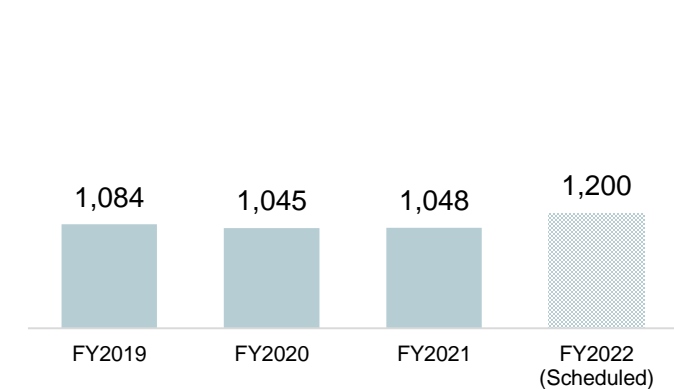
Amount of capital investment
(million yen)



Depreciation (million yen)



R&D cost (million yen)



Price increases from October (Japan) to pass on higher raw material costs, as well as the effect of a weaker yen, have led to an upward revision of the full-year forecast.

		FY2021 (Actual)		FY2022 (Planned)				
		Actual (million yen)	Composition ratio (%)	Beginning-of-term forecast (announced on May 10)	Revised forecast (announced on Nov. 9)	Composition ratio (%)	As compared with the initial plan (%)	Year-on-year (%)
Sales		42,337	100.0	44,000	48,000	100.0	+9.1	+13.4
Air energy	Air compressors	22,950	54.2	—	—	—	—	—
	Vacuum equipment	2,064	4.9	—	—	—	—	—
	Subtotal	25,015	59.1	26,000	28,600	59.6	+10.0	+14.3
Coating	Coating equipment	14,451	34.1	—	—	—	—	—
	Coating systems	2,869	6.8	—	—	—	—	—
	Subtotal	17,321	40.9	18,000	19,400	40.4	+7.8	+12.0
Operating profit		4,780	11.3	4,900	5,000	10.4	+2.0	+4.6
Air energy		2,513	—	2,600	2,850	—	+9.6	+13.4
Coating		2,267	—	2,300	2,150	—	-6.5	-5.2
Ordinary profit		5,572	13.2	5,650	6,200	12.9	+9.7	+11.3
Profit attributable to owners of parent		3,541	8.4	3,580	3,650	7.6	+2.0	+3.1
Average exchange rate of yen to	USD	109.80	(Actual)	118.00	133.30	(plan)	15.30円 円安	23.50円 円安
	EUR	129.89		137.00	138.27		1.27円 円安	8.38円 円安
	CNY	17.01		18.50	19.78		1.28円 円安	2.77円 円安
Dividend: Interim+Term end = FY		13 yen + 17 yen = 30 yen		16 [15] yen + 16 yen = 32 [31] yen				

(note) Figures in [] are the expected dividend at the beginning of the period.

- Assumptions of the global external environment are becoming increasingly tough due to rising geopolitical risks, such as conflicts in Eastern Europe.
- Aim to increase sales and profits by raising prices and their penetration in Japan, and by continuing with operational reforms to improve profitability.

Premises

Sales of 48,000 million yen (up 13.4%)

- Slowdown in the global economy due to soaring resource prices caused by conflicts in Eastern Europe
- Supply shortages of semiconductors and electronic components slowly dissipating
- Flexible review of assumed exchange rates
- Steady delivery of unfilled orders for coating systems, mainly in Japan
- Little impact of delays in shipments of new cars by car manufacturers
- Continually increasing demand for air compressors, especially overseas

Operating profit of 5,000 million yen (up 4.6%)

- The continuation of sales reform and operational efficiency improvement as the previous fiscal year
- As for costs, avoidance of swing back to the levels before COVID-19 pandemic, and aiming for creation of profits
- Price increase in Japan from October in response to rising raw material and logistics costs

Dividend policy

- Ensuring internal reserves for investment in growth and stable dividends
- The dividend payout ratio is roughly 35%

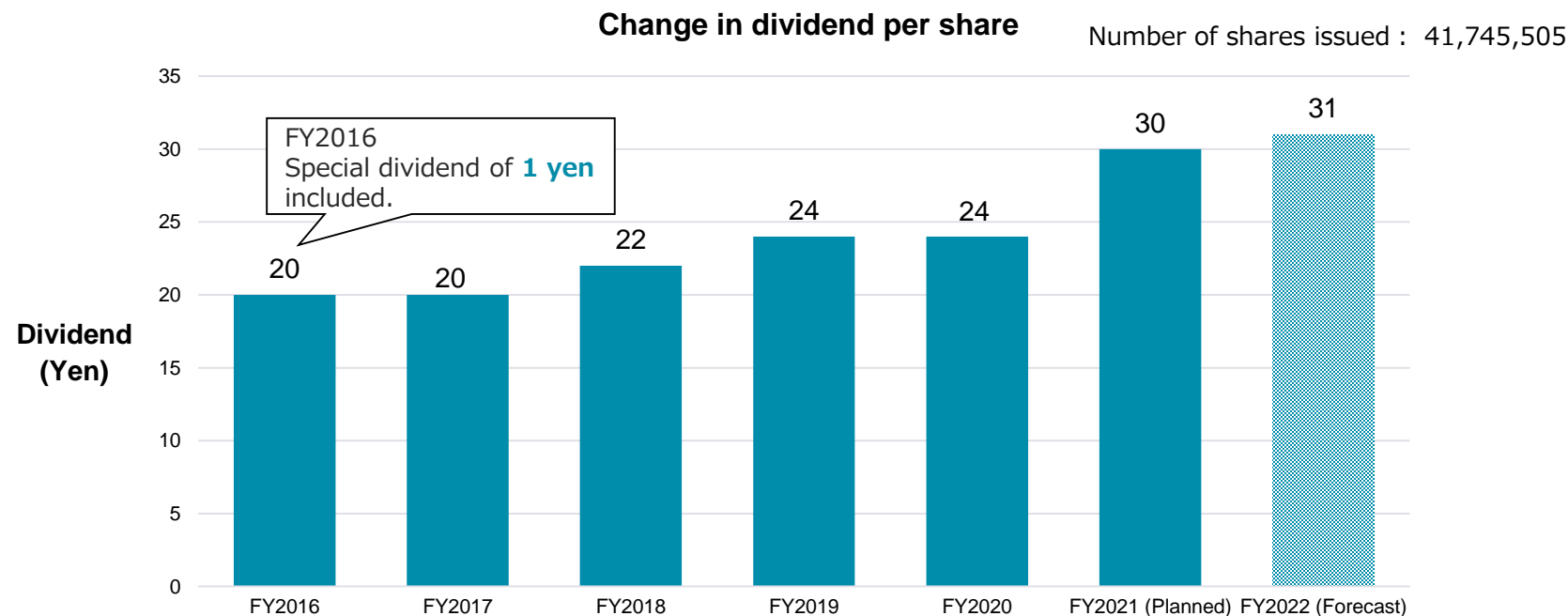
Dividend

- FY2022 (forecast) : **The dividend forecasts were revised up. (Announced on Nov. 9, 2022)**

Dividend	Interim	Year-end	Annual
Beginning of term	15 yen	16 yen	31 yen
Revised forecast	16 yen	16 yen	32 yen

Stock buyback

- About 1,500 million yen is planned in the current mid-term business plan



- **Operating profit:** Although the cost-to-sales ratio continued to rise, it is expected to improve in the second half. The selling, general and administrative expenses ratio decreased compared to 1Q.
- **Ordinary profit:** Foreign exchange gains increased 504 million yen year-on year.
- **Extraordinary income:** Liquidation of a subsidiary in China for improving management efficiency generated 56 million yen.

	FY2021 2Q		FY2022 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 (points)
Sales	20,360	-	22,613	-	+2,253	+11.1	-
Cost of sales	11,526	56.6	12,917	57.1	+1,390	+12.1	+0.5
Gross profit	8,833	43.4	9,696	42.9	+862	+9.8	-0.5
Selling, general and administrative expenses	6,455	31.7	7,355	32.5	+900	+14.0	+0.8
Operating profit	2,378	11.7	2,340	10.3	-38	-1.6	-1.3
Non-operating income	338	1.7	806	3.6	+468	+138.4	+1.9
Non-operating expenses	46	0.2	48	0.2	+2	+5.1	-0.0
Ordinary profit	2,670	13.1	3,098	13.7	+427	+16.0	+0.6
Extraordinary income	3	0.0	60	0.3	+56	+1573.0	+0.2
Extraordinary losses	4	0.0	3	0.0	+0	-16.3	-0.0
Profit before income taxes	2,669	13.1	3,155	14.0	+485	+18.2	+0.8
Income taxes	695	3.4	832	3.7	+136	+19.5	+0.3
Profit attributable to non-controlling interests	285	1.4	349	1.5	+63	+22.3	+0.1
Profit attributable to owners of parent	1,688	8.3	1,973	8.7	+285	+16.9	+0.4

<Reference Information> FY2022 Changes in Business Results

Active with Newest Technology



[Total]

Unit: Million yen		FY2022			
		1Q	1 to 2Q	1 to 3Q	1 to 4Q
Sales		9,999	22,613		
Year-on-year		+9.9%	+11.1%		
Air energy	Air compressors	5,583	12,586		
	Year-on-year	+10.3%	+12.4%		
	Vacuum equipment	518	1,115		
	Year-on-year	+25.8%	+22.0%		
Sales		6,101	13,701		
Year-on-year		+11.5%	+13.1%		
Coating	Coating equipment	3,726	8,055		
	Year-on-year	+12.5%	+12.6%		
	Coating systems	171	856		
	Year-on-year	-45.9%	-21.4%		
Sales		3,897	8,911		
Year-on-year		+7.4%	+8.1%		
Operating profit		820	2,340		
Year-on-year		-8.1%	-1.6%		
Air energy	Operating profit	505	1,330		
	Year-on-year	+12.9%	+6.4%		
Coating	Operating profit	315	1,009		
	Year-on-year	-29.3%	-10.5%		

[Quarterly]

Unit: Million yen		FY2022			
		1Q	2Q	3Q	4Q
Sales		9,999	12,614		
Year-on-year		+9.9%	+12.0%		
Air energy	Air compressors	5,583	6,974		
	Year-on-year	+10.3%	+13.6%		
	Vacuum equipment	518	625		
	Year-on-year	+25.8%	+24.4%		
Sales		6,101	7,600		
Year-on-year		+11.5%	+14.4%		
Coating	Coating equipment	3,726	4,329		
	Year-on-year	+12.5%	+12.6%		
	Coating systems	171	685		
	Year-on-year	-45.9%	-11.3%		
Sales		3,897	5,014		
Year-on-year		+7.4%	+8.6%		
Operating Profit		820	1,519		
Year-on-year		-8.1%	+2.3%		
Air energy	Operating profit	505	825		
	Year-on-year	+12.9%	+2.8%		
Coating	Operating profit	315	694		
	Year-on-year	-29.3%	+1.7%		

"Integrated Report 2022" issued (Japanese: September 2022, English: Scheduled for publication in December 2022)

An annual integrated report is published as a communication tool to help our stakeholders to deepen their understanding of our company.

It includes an interview with the president, business overviews and ESG initiatives, etc.



New content (All 67 pages)

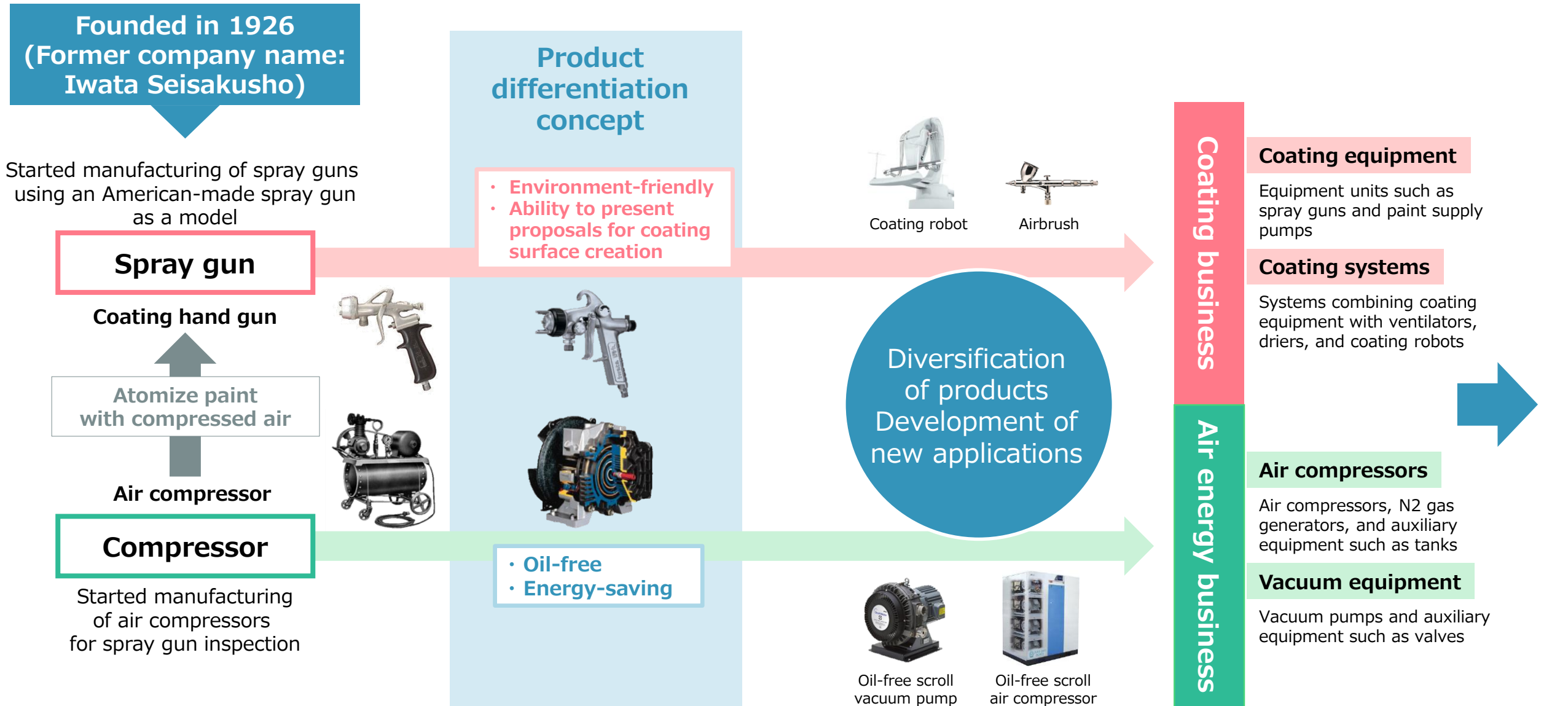


- Mid-term business plan "500 & Beyond"
- Business Overview special feature (Contribution to environmental solutions and creation of new businesses)
- Sustainability (Promotion system, SDGs support, etc.)
- Materiality
- Environment (TCFD-friendly)
- Meeting of Independent Directors
- Corporate Governance (Report on the activities of the Board of Directors/Audit and Supervisory Committee)

Japanese : <https://www.anestiwata-corp.com/jp/ir/library/integrated-report>

English : <https://www.anestiwata-corp.com/ir/library/integrated-report>

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



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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