

# **Financial Results Briefing Material of FY2022 Second Quarter Financial Results ANEST IWATA Corporation**

**November 25, 2022**

**Tokyo Stock Exchange Prime Market - Machinery**

**Securities Code 6381**

- **FY2022 2Q Financial Highlights**
- **Highlights of FY2022 2Q Financial Results**
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Revised full year forecasts due to steady overseas sales, domestic price rise (from 2nd half) and cost control. In the second half, optimization of inventories will be promoted, including the components. (million yen)

|                            |                                  |                   |                            |                              |                   |                            |
|----------------------------|----------------------------------|-------------------|----------------------------|------------------------------|-------------------|----------------------------|
| Net sales                  | <b>22,613</b>                    |                   |                            |                              |                   |                            |
|                            | Air energy <b>13,701 (60.6%)</b> |                   |                            | Coating <b>8,911 (39.4%)</b> |                   |                            |
| Operating profit           | <b>2,340</b>                     |                   |                            |                              |                   |                            |
|                            | Air energy <b>1,330 (56.9%)</b>  |                   |                            | Coating <b>1,009 (43.1%)</b> |                   |                            |
|                            | Air energy business              |                   |                            | Coating business             |                   |                            |
| Unit<br>(million yen)      | FY2022 2Q                        | Year-on-year      |                            | FY2022 2Q                    | Year-on-year      |                            |
|                            | Actual                           | Increase/decrease | Increase/decrease rate (%) | Actual                       | Increase/decrease | Increase/decrease rate (%) |
| sales                      | <b>13,701</b>                    | <b>+1,587</b>     | <b>+13.1</b>               | <b>8,911</b>                 | <b>+665</b>       | <b>+8.1</b>                |
| Operating profit           | <b>1,330</b>                     | <b>+80</b>        | <b>+6.4</b>                | <b>1,009</b>                 | <b>-118</b>       | <b>-10.5</b>               |
| Operating profit ratio (%) | <b>9.7</b>                       | <b>-0.6 pts</b>   | <b>—</b>                   | <b>11.3</b>                  | <b>-2.4 pts</b>   | <b>—</b>                   |

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

(Notes) \* Specific market: Specific applications such as medical care, in-vehicle use and analysis

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

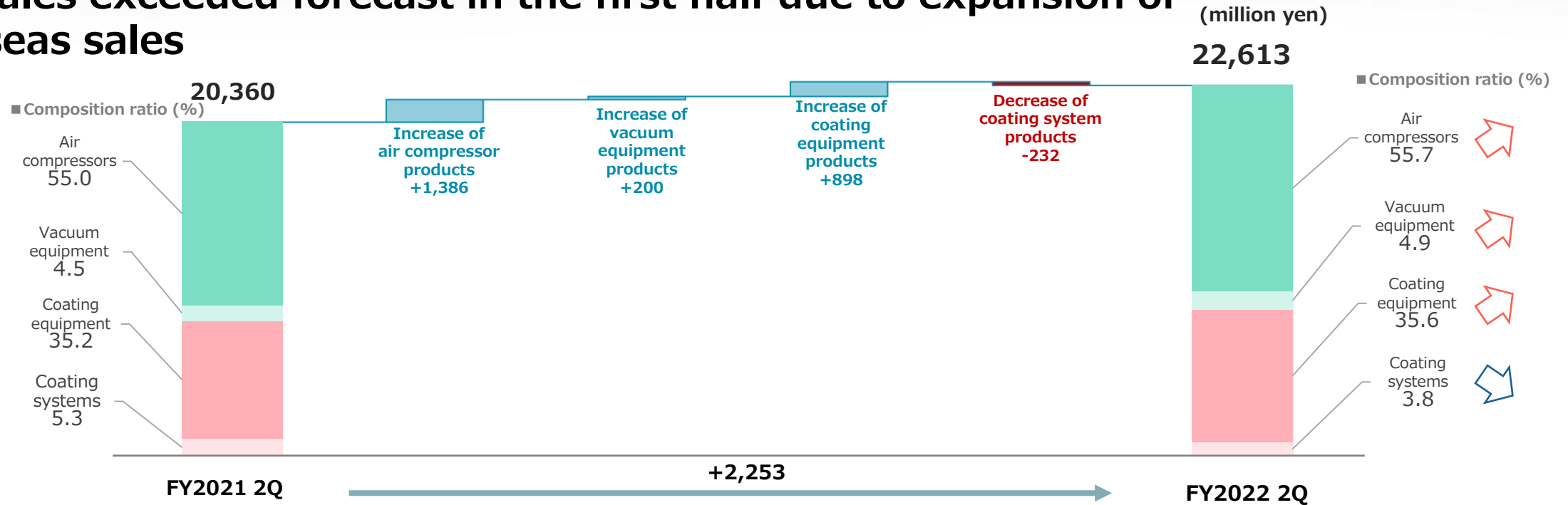
- Although there was improvement compared to 1Q, the impact of the rising raw material costs remained in 2Q, which was before the domestic price increase, and operating profit decreased slightly.
- Although there are many fluctuating factors in the external environment, the full year forecasts were revised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

|   | FY2021 2Q               |                        | FY2022 2Q               |                          | Year-on-year                                     |                                      |                                       | FY2022 result forecasts             |                      |                                       |   |
|---|-------------------------|------------------------|-------------------------|--------------------------|--|--------------------------------------|---------------------------------------|-------------------------------------|----------------------|---------------------------------------|---|
|   | Actual<br>(million yen) | Profit<br>ratio<br>(%) | Actual<br>(million yen) | Profit<br>ratio<br>(%)   | Increase/<br>decrease<br>amount<br>(million yen) | Increase/<br>decrease<br>rate<br>(%) | Profit<br>ratio<br>change<br>(points) | Announced on May 10<br>(First half) |                      | Announced on<br>May 10 (Full<br>year) | Announced on<br>November 9<br>(Full year) |
|   |                         |                        |                         |                          |  |                                      |                                       | Forecast<br>(million yen)           | Progress rate<br>(%) | Forecast<br>(million yen)             | Forecast<br>(million yen)                 |
| Net 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<br>S<br>D             | 107.69 yen             | 122.89 yen              | Depreciated by 15.20 yen |  |                                      | 118.00 yen                            |                                     | 133.30 yen           |                                       |   |
|   | E<br>U<br>R             | 129.82 yen             | 134.25 yen              | Depreciated by 4.43 yen  |  |                                      | 137.00 yen                            |                                     | 138.27 yen           |                                       |   |
|   | C<br>N<br>Y             | 16.66 yen              | 18.94 yen               | Depreciated by 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, Chinese Yuan: 30 million yen

## Net sales exceeded forecast in the first half due to expansion of overseas sales



### [+] Growth in sales of air compressors in China and other countries: (up 1,040 million yen year-on-year)

Overseas Export of SCR in China recovered after lockdown was lifted. In India, in addition to general-purpose air compressors, sales increased for specific markets (medical and vehicle-mounted), on which we are focusing.

### [+] Growth in sales of coating equipment in Europe: (up 433 million yen year-on-year)

- Started pre-sales of new spray guns for the automotive repair market. Active participation in large-scale exhibitions. Increase in sales by strengthening sales promotion activities

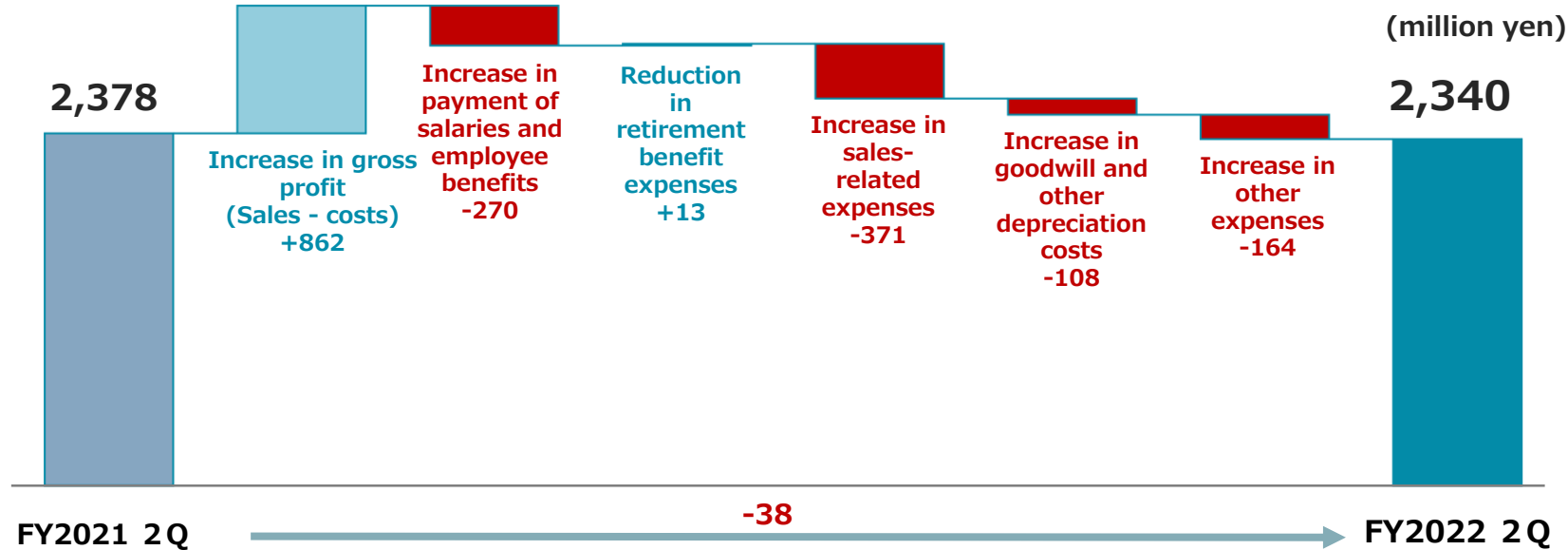
### [-] Decrease in sales of coating systems in Japan and China: (down 389 million yen year-on-year)

- In Japan, sales decreased year-on-year owing to delays in delivery due to customer circumstances and large number of deliveries in the second half. Sales decreased in China due to a rebound from the previous fiscal year.

### [+] Impact of exchange rate fluctuations (yen depreciation): (up 1,403 million yen year-on-year)

Cost-to-sales ratio showed an increasing trend.

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)

- Among these increases, impact of sales increase: +1,250 million yen (of which, foreign exchange impact: +780 million yen)
- Impact of increases in raw material costs, logistics cost, etc.: +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

## In continuation of 1Q, overseas sales progressed favorably due to effects of sales of new spray guns and expansion of air compressors sales 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. Numerous projects for coating systems are scheduled to be delivered in the second half, including delays in delivery due to customer circumstances.

### 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. the sales of compressors for fuel cells progressed favorably. Liquidated coating systems manufacturer "ANEST IWATA (DONGGUAN) Corporation" and integrated it with a coating equipment manufacturing subsidiary.

### Other

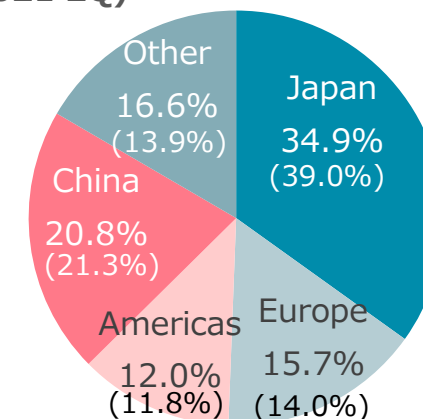
- Revenue increased. In addition to general-purpose air compressors, sales of air compressors for medical use and in-vehicle mounting in India, where our strategy was successful, and that of coating systems in Southeast Asia increased.

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

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)



# Overview of Balance Sheet

- 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/<br>decrease amount<br>(million yen)     | Increase/<br>decrease rate<br>(%) | Primary factors for increase or decrease  |
|                               |  | Actual<br>(million yen) | Actual<br>(million yen) |   |                                   |   |
| Assets                        | Current assets                         | 34,326                  | 35,920                  | +1,594  | +4.6                              | <ul style="list-style-type: none"> <li>• Decrease in "Cash and deposits" -752 million yen</li> <li>• Increase in "Notes and accounts receivable-trade" +1,388 million yen</li> <li>• Increase in "Raw materials and supplies" +1,146 million yen</li> </ul> |
|                               | Non-current assets                     | 21,492                  | 23,274                  | +1,781  | +8.3                              | <ul style="list-style-type: none"> <li>• Increase in "Buildings and structures, net" +669 million yen</li> </ul>  |
|                               | <b>Assets</b>                          | <b>55,818</b>           | <b>59,194</b>           | <b>+3,375</b>                                     | <b>+6.0</b>                       |   |
| Liabilities<br>and<br>capital | Current liabilities                    | 11,616                  | 11,972                  | +356  | +3.1                              | <ul style="list-style-type: none"> <li>• Increase in "Notes and accounts payable-trade" +612 million yen</li> </ul>   |
|                               | Non-current liabilities                | 3,992                   | 3,213                   | -778  | -19.5                             | <ul style="list-style-type: none"> <li>• Decrease in the "Retirement benefit liability" due to the establishment of retirement benefit trust -988 million yen</li> </ul>  |
|                               | <b>Liabilities</b>                     | <b>15,608</b>           | <b>15,186</b>           | <b>-421</b>                                       | <b>-2.7</b>                       |   |
|                               | Shareholders' equity                   | 34,582                  | 35,703                  | +1,120  | +3.2                              |   |
|                               | Accumulated other comprehensive income | 1,040                   | 3,086                   | +2,046  | +196.7                            | <ul style="list-style-type: none"> <li>• Increase in "Foreign currency translation adjustments" +2,026 million yen</li> </ul>   |
|                               | Non-controlling shareholders' equity   | 4,586                   | 5,218                   | +631  | +13.8                             |   |
|                               | <b>Net assets</b>                      | <b>40,210</b>           | <b>44,007</b>           | <b>+3,797</b>                                     | <b>+9.4</b>                       |   |
|                               | <b>Liabilities and net assets</b>      | <b>55,818</b>           | <b>59,194</b>           | <b>+3,375</b>                                     | <b>+6.0</b>                       |   |



# Statement of Cash Flow

Operating CF decreased by 1.1 billion yen due to contribution of 1 billion yen associated with the establishment of retirement benefit trust. Cash and cash equivalents were 11.6 billion yen.

**Operating CF** **[+]** "Profit before income taxes" increased by 485 million yen, **[-]** "Contribution to retirement benefit trust" generated 1,000 million yen

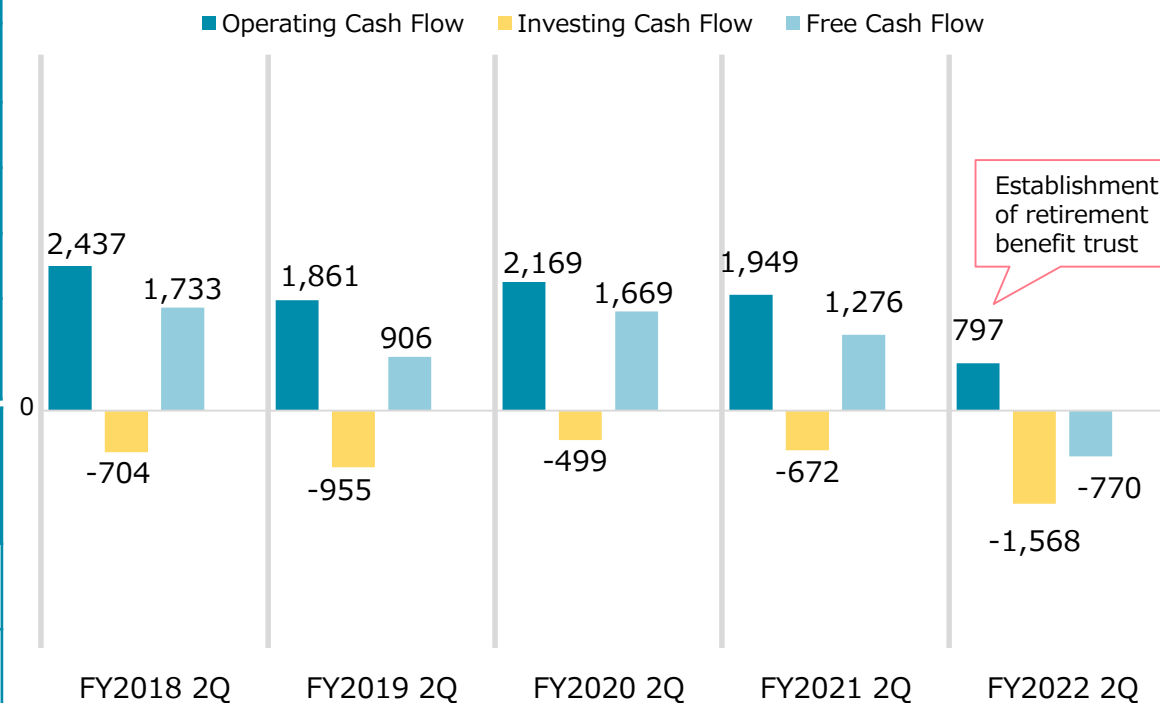
**Investing CF** **[-]** "Payments into time deposits" increased by 688 million yen, **[-]** "Purchase of property, plant and equipment" increased by 640 million yen

**Financing CF** **[-]** "Purchase of treasury shares" increased by 159 million yen, **[-]** "Dividends paid" increased by 198 million yen

|              | FY2021 2Q            | FY2022 2Q            | Year-on-year                           |
|--------------|----------------------|----------------------|--|
|              | Actual (million yen) | Actual (million yen) | Increase/decrease amount (million yen) |
| Operating CF | 1,949                | 797                  | -1,152                                 |
| Investing CF | -672                 | -1,568               | -895                                   |
| Financing CF | -831                 | -1,324               | -492                                   |
| Free CF      | 1,276                | -770                 | -2,047                                 |

|                           | End of FY2021        | FY2022 2Q            | Compared to the end of the previous fiscal year |
|---------------------------|----------------------|----------------------|---|
|                           | Actual (million yen) | Actual (million yen) | Increase/decrease amount (million yen)          |
| Cash and cash equivalents | 12,916               | 11,692               | -1,224  |

Changes in cash flow (million yen)



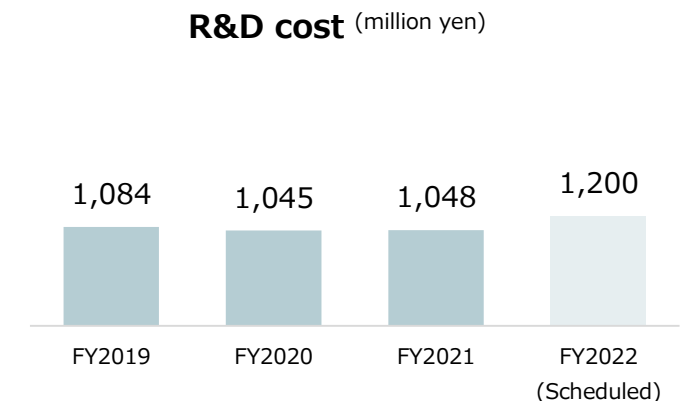
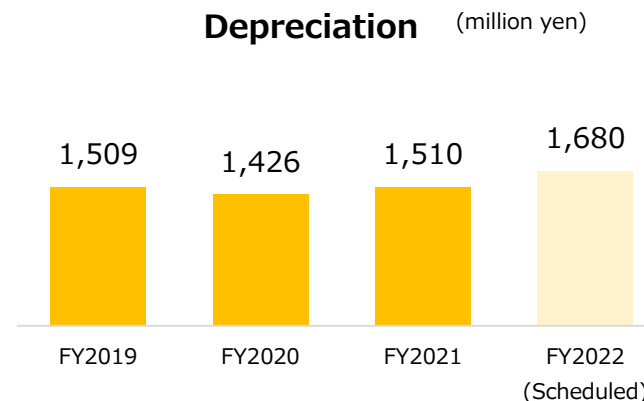
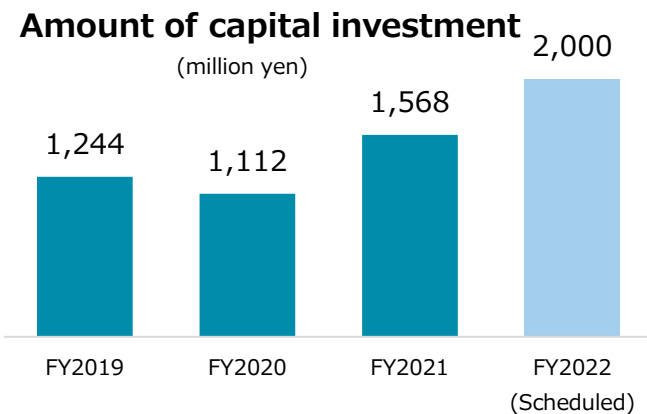
## <Capital investment> Progress almost as planned

\*A small coating tool used in the hobby, art and makeup markets.

- Completed renewal of our website. Relocated the office of the US subsidiary to expand the warehouse for the purpose of creating sales opportunities for airbrushes\* and accessories. Including 460 million yen for the acquisition of non-current assets

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

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



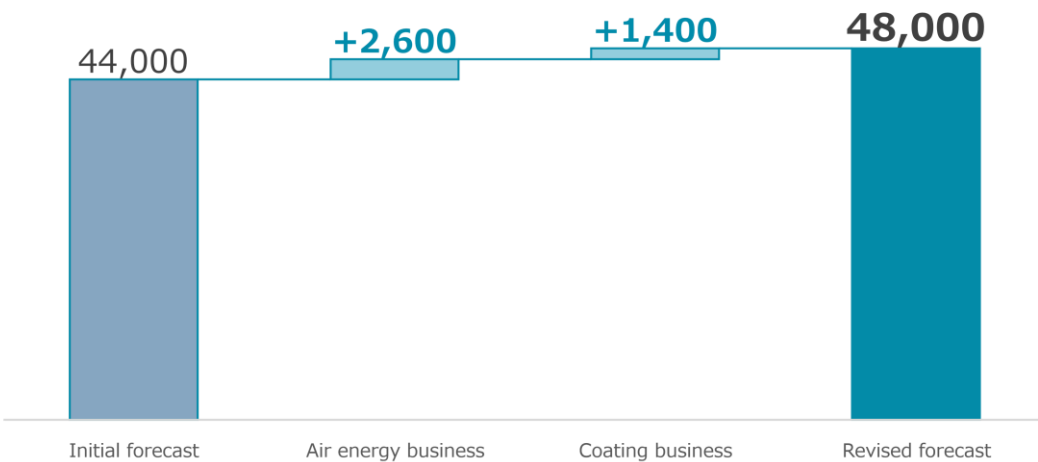
The full year forecast has been revised upward along with the passing on the increase in raw material costs due to the price increases from October (in Japan), and due to the effect of yen depreciation.

|   |                   | FY2022 (Actual)          |                         |
|---|-------------------|--------------------------|-------------------------|
|   |                   | Actual<br>(million yen)  | Composition<br>ratio(%) |
| <b>Net sales</b>                        |                   | 42,337                   | 100.0                   |
| Air energy                              | Air compressors   | 22,950                   | 54.2                    |
|   | Vacuum equipment  | 2,064                    | 4.9                     |
|   | Subtotal          | 25,015                   | 59.1                    |
| Coating                                 | Coating equipment | 14,451                   | 34.1                    |
|   | Coating systems   | 2,869                    | 6.8                     |
|   | Subtotal          | 17,321                   | 40.9                    |
| Operating profit                        |                   | 4,780                    | 11.3                    |
| Air energy                              |                   | 2,513                    | —                       |
| Coating                                 |                   | 2,267                    | —                       |
| Ordinary profit                         |                   | 5,572                    | 13.2                    |
| Profit attributable to owners of parent |                   | 3,541                    | 8.4                     |
| Average exchange rate of yen to         | USD               | 109.80                   | (Actual)                |
|   | EUR               | 129.89                   |                         |
|   | CNY               | 17.01                    |                         |
| Dividend: Interim + year-end = Annual   |                   | 13 yen + 17 yen = 30 yen |                         |

| FY2023 (Planned)                                |   |                       |                                       |                          |
|---|---|-----------------------|---------------------------------------|--------------------------|
| Initial forecast<br>(Announced on May 10)       | Revised forecast<br>(Announced on Nov. 9) | Composition ratio (%) | As compared with the initial plan (%) | Year-on-year (%)         |
| <b>44,000</b>                                   | <b>48,000</b>                             | <b>100.0</b>          | <b>+9.1</b>                           | <b>+13.4</b>             |
| —   | —   | —                     | —                                     | —                        |
| —   | —   | —                     | —                                     | —                        |
| <b>26,000</b>                                   | <b>28,600</b>                             | <b>59.6</b>           | <b>+10.0</b>                          | <b>+14.3</b>             |
| —   | —   | —                     | —                                     | —                        |
| —   | —   | —                     | —                                     | —                        |
| <b>18,000</b>                                   | <b>19,400</b>                             | <b>40.4</b>           | <b>+7.8</b>                           | <b>+12.0</b>             |
| <b>4,900</b>                                    | <b>5,000</b>                              | <b>10.4</b>           | <b>+2.0</b>                           | <b>+4.6</b>              |
| <b>2,600</b>                                    | <b>2,850</b>                              | —                     | <b>+9.6</b>                           | <b>+13.4</b>             |
| <b>2,300</b>                                    | <b>2,150</b>                              | —                     | <b>-6.5</b>                           | <b>-5.2</b>              |
| <b>5,650</b>                                    | <b>6,200</b>                              | <b>12.9</b>           | <b>+9.7</b>                           | <b>+11.3</b>             |
| <b>3,580</b>                                    | <b>3,650</b>                              | <b>7.6</b>            | <b>+2.0</b>                           | <b>+3.1</b>              |
| 118.00  | <b>133.30</b>                             | (Forecast)            | Depreciated by 15.30 yen              | Depreciated by 23.50 yen |
| 137.00  | <b>138.27</b>                             |                       | Depreciated by 1.27 yen               | Depreciated by 8.38 yen  |
| 18.50   | <b>19.78</b>                              |                       | Depreciated by 1.28 yen               | Depreciated by 2.77 yen  |
| <b>16 yen (15 yen)+16 yen = 32 yen (31 yen)</b> |   |                       |                                       |                          |

(Note) Figures in parentheses indicate initial dividend forecast

Revised net sales forecast (Unit: Million yen)

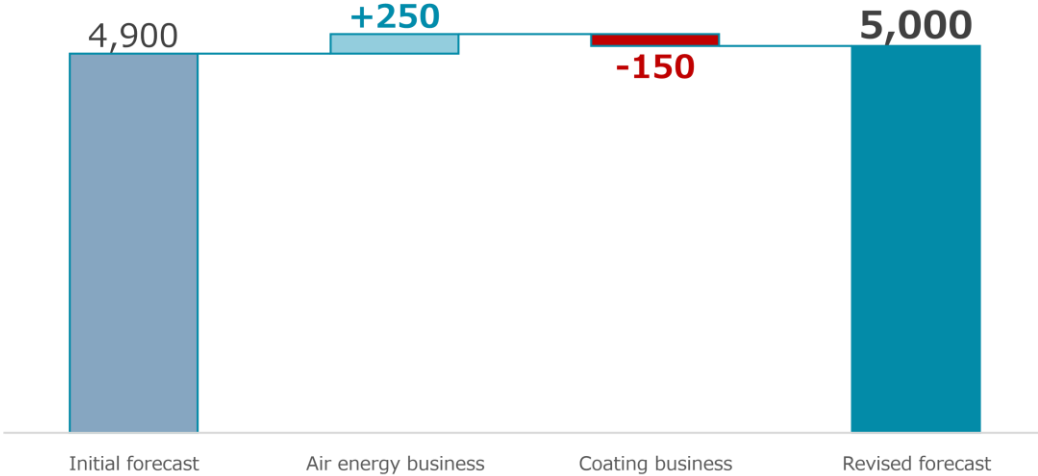


**Key Points**

- Shared
  - [+] Impact of exchange rates (yen depreciation) due to overseas sales growth
  - [+] Japan: Implementation of price increases along with rising raw material costs, etc.
- Air energy business
  - [+] Japan: Normalization of component procurement for air compressors
  - [+] Overseas: Increasing demand for air compressors, mainly in China and India
- Coating business
  - [+] Japan: Numerous projects for coating systems scheduled for delivery in the second half
  - [+] Overseas: Promising sales of new spray guns

Revised forecast for operating profit

(Unit: Million yen)



**Key Points**

- Shared
  - [+] Impact of increased sales
  - [-] Increase in cost of sales due to rising raw material and distribution costs
  - [+] Japan: Passing on the increase in raw material costs to selling prices
  - [-] Increased costs due to increased sales and promotional activities that meet actual demand
  - [+] Continuation of expense control
- Coating business
  - [-] Increase in cost-to-sales ratio due to changes in product mix (expansion in sales ratio of coating systems)

- Assumptions of the global external environment are becoming increasingly tough due to rising geopolitical risks, such as conflicts in Eastern Europe.
- We 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
- Gradual resolution of supply shortage of semiconductors and electronic parts
- Flexible review of assumed rates of exchange
- 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%)

- Continuation of sales reforms and operational efficiency improvement like the previous fiscal year
- As for costs, avoidance of swing back to the levels before COVID-19 pandemic, and aiming for creation of profits
- Implementation of price increases in Japan from October in response to rising raw material and distribution costs

## Dividend policy

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

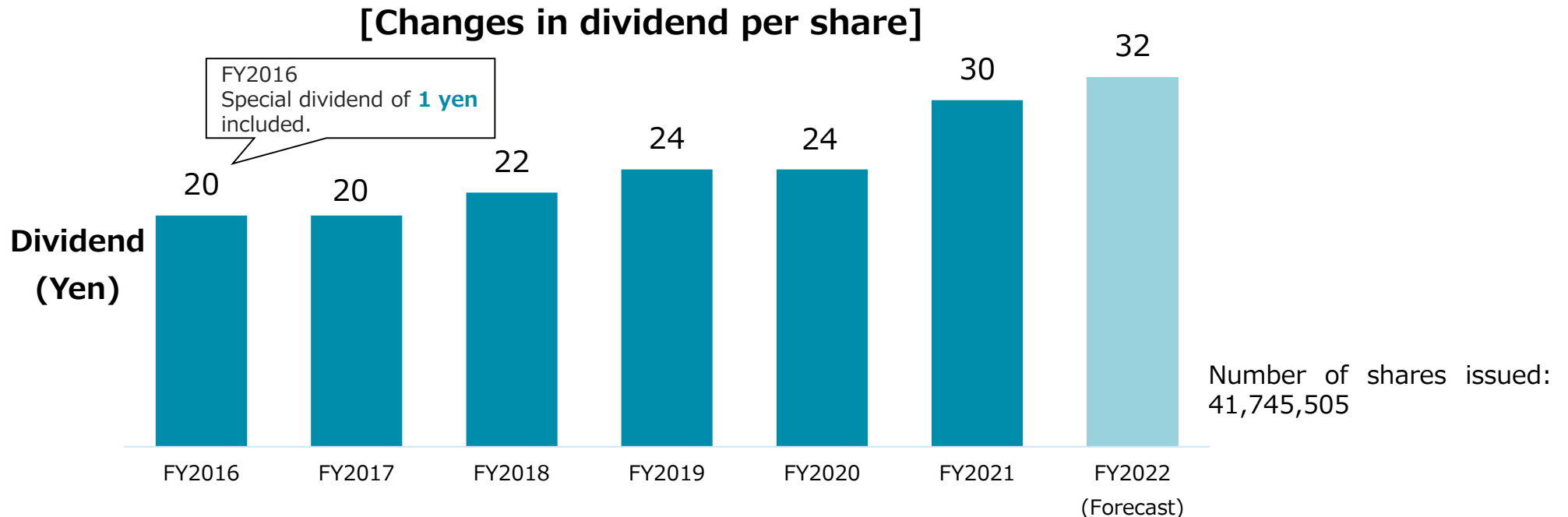
## Dividend

- FY2022 (forecast): **Dividend increased in the dividend forecast (announced on November 9, 2022)**

| Dividend         | Interim       | Year-end      | Annual        |
|------------------|---------------|---------------|---------------|
| Initial forecast | 15 yen        | 16 yen        | 31 yen        |
| Revised forecast | <b>16 yen</b> | <b>16 yen</b> | <b>32 yen</b> |

## Stock buyback

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



## Main Themes and Progress of Sales Reforms

### Utilization of integrated customer database

Completed as a part of the mechanism to directly deliver information and propose key products that meet user characteristics. Utilized for targeting visits. Efficient visits are also possible by checking the information before and after visit. Towards completion of personal information

### Completion of official EC website

Number of new registrants doubled compared to FY2021. Main products for sales include airbrushes and small compressors. Received orders for large and expensive products from users who do not have a purchasing channel for our products. Development of original campaigns and promotion of related products.

### Website renewal (Product information site)

Renewal aimed at resolving customer queries and concerns on the website (July 2022). Continuation of expansion of content

### Business efficiency system

By using a dedicated portal site, dealers can enter orders, and responsiveness to quotations for general-purpose products and confirmation of delivery dates and other delivery information have improved. Utilization destinations are being expanded to promote efficiency of both operations

### Establishment of a nationwide contact center

Response to phone calls at branches all over the country, as a point of contact for inquiries, serving as a front desk and customer consultation window, regardless of the area. Improving customer satisfaction along with renewal of the website.

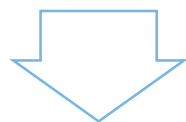


President Fukase

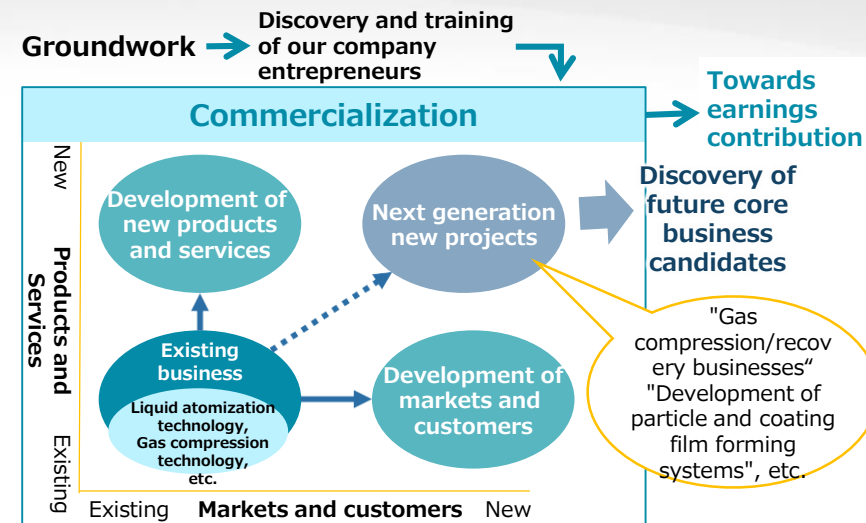
Our technological strengths have been promoted sufficiently, but there is no clear answer to, "Where is the potential of our core technology?"

Not only deepening technology, but also raising its potential is an important theme when considering competitiveness and sustainability in the next 30 or 100 years.

<From the interview with the president from the Integrated Report 2022>



Scan here for the Integrated Report 2022



## Initiatives in the air energy business

- **Gas compression and recovery other than air and nitrogen gas**  
Expansion to other inert gases in addition to gases that are already performing
- **Subscription models related to air compressors**  
PR in progress on the A&C Service website and various media



## Initiatives in the coating business

- **Development of particle and coating film forming systems**  
Automation of car repairing and painting processes using robots
- **Subscription models related to coating equipment and systems**  
Automation including ancillary equipment in the advanced spot coating process





## Initiatives in the new projects

### Development of production equipment using scent

A new scent spray device, that is not yet on the market, has been created by combining our atomization and air compression technology. This device is under joint development with SceneryScent Co., Ltd. a scent production specialist. With an approach different from existing aroma diffusers, it enables localized scent spraying. Further, by making the perfume into a cartridge and installing multiple nozzles, it is possible to spray according to the environment and mood.

It can be used in restaurants to attract more customers, art museums to create highly immersible experiences and relaxing spaces in offices. A market trial is underway, and feedback from the market is being used for product development.



### Examination of health management promotion consultants

The aim is to improve productivity in the industrial machinery business and to secure stable human resources along with the improvement of employee satisfaction by deploying the promotion know-how and measures that we have acquired in the process of the acquisition of "Health & Productivity Management Outstanding Organization (White 500)" and "Health Management Brand" to other companies. We are acting as consultants (for monitoring) for companies that practice health management, from FY2022. Furthermore, as a practice of health management in our company, we are shifting the focus from health management centered on office workers and searching for the optimal form of health management for members working on factory site.



Sports gym at Yokohama Head Office

# <Reference Information> Details of Profit and Loss Statement

- **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<br>(million yen) | Composition ratio<br>(%) | Actual<br>(million yen) | Composition ratio<br>(%) | Increase/<br>decrease amount<br>(million yen) | Increase/<br>decrease rate<br>(%) | Composition<br>ratio change<br>(points) |
| <b>Net sales</b>                                 | <b>20,360</b>           | —                        | <b>22,613</b>           | —                        | <b>+2,253</b>                                 | <b>+11.1</b>                      | —                                       |
| Cost of sales                                    | 11,526                  | 56.6                     | 12,917                  | 57.1                     | +1,390  | +12.1                             | +0.5                                    |
| <b>Gross profit</b>                              | <b>8,833</b>            | 43.4                     | <b>9,696</b>            | 42.9                     | <b>+862</b>                                   | <b>+9.8</b>                       | -0.5                                    |
| Selling, general and administrative expenses     | 6,455                   | 31.7                     | 7,355                   | 32.5                     | +900  | +14.0                             | +0.8                                    |
| <b>Operating profit</b>                          | <b>2,378</b>            | <b>11.7</b>              | <b>2,340</b>            | <b>10.3</b>              | <b>-38</b>                                    | <b>-1.6</b>                       | <b>-1.3</b>                             |
| 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                                    |
| <b>Ordinary profit</b>                           | <b>2,670</b>            | <b>13.1</b>              | <b>3,098</b>            | <b>13.7</b>              | <b>+427</b>                                   | <b>+16.0</b>                      | <b>+0.6</b>                             |
| 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                                    |
| <b>Profit before income taxes</b>                | <b>2,669</b>            | <b>13.1</b>              | <b>3,155</b>            | <b>14.0</b>              | <b>+485</b>                                   | <b>+18.2</b>                      | <b>+0.8</b>                             |
| 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                                    |
| <b>Profit attributable to owners of parent</b>   | <b>1,688</b>            | <b>8.3</b>               | <b>1,973</b>            | <b>8.7</b>               | <b>+285</b>                                   | <b>+16.9</b>                      | <b>+0.4</b>                             |

# <Reference Information> FY2022 Changes in Business Results

Active with Newest Technology



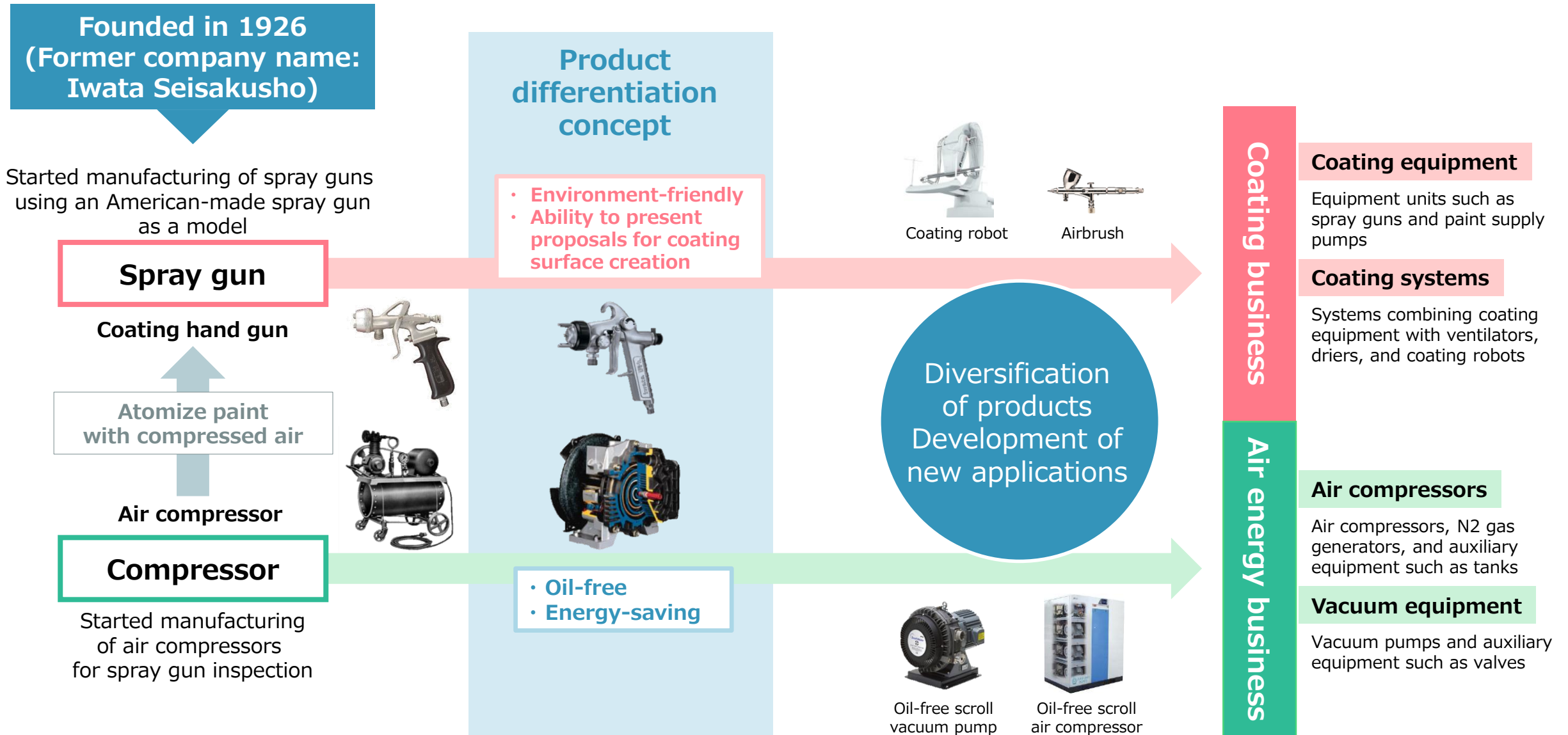
[Total]

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

[Quarterly]

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

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



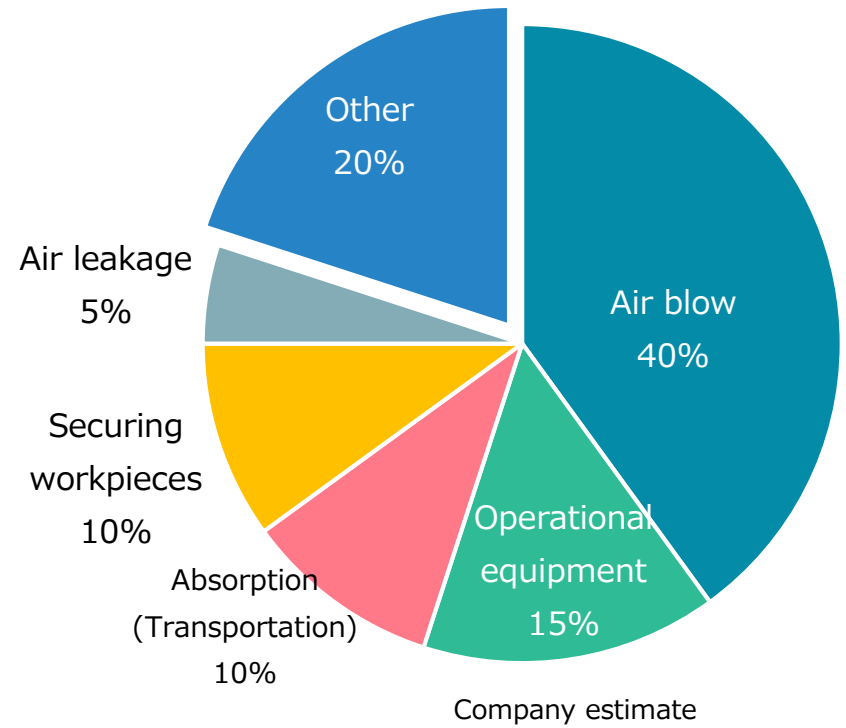
## Conventional uses

- Blowing away the chips generated during machining with a machine tool (air blow)
- Operation of air cylinders that can be seen in robot motion, etc. (operational equipment)
- In the graph below, "Other" includes painting and coating.

## Applications for our specialized oil-free machines (specific markets)

- Manufacture of food, beverages, pharmaceuticals, etc.
- Physics and chemistry/Research and development
- Medical treatment at hospitals, dental clinics, etc.
- In-vehicle mounting of braking system for commercial cars
- OEM (including supply of oil-free air compressor main units to top-class compressor manufacturers overseas)

Main uses of compressed air at production plants



Both compressors (air compressors) and spray guns (coating equipment) were conventionally used mainly for automobiles and general industries. Development of uses by introduction of new products contributed to the sales. In the sale of compressors for automobiles and general industries, the oil feed type, which has been used frequently for sometime, accounted for main part of the sales, but by introduction of the oil-free type, we were successful in developing new demand in food and beverages, specific markets, OEM, etc.

**Air energy business**

**Coating business**

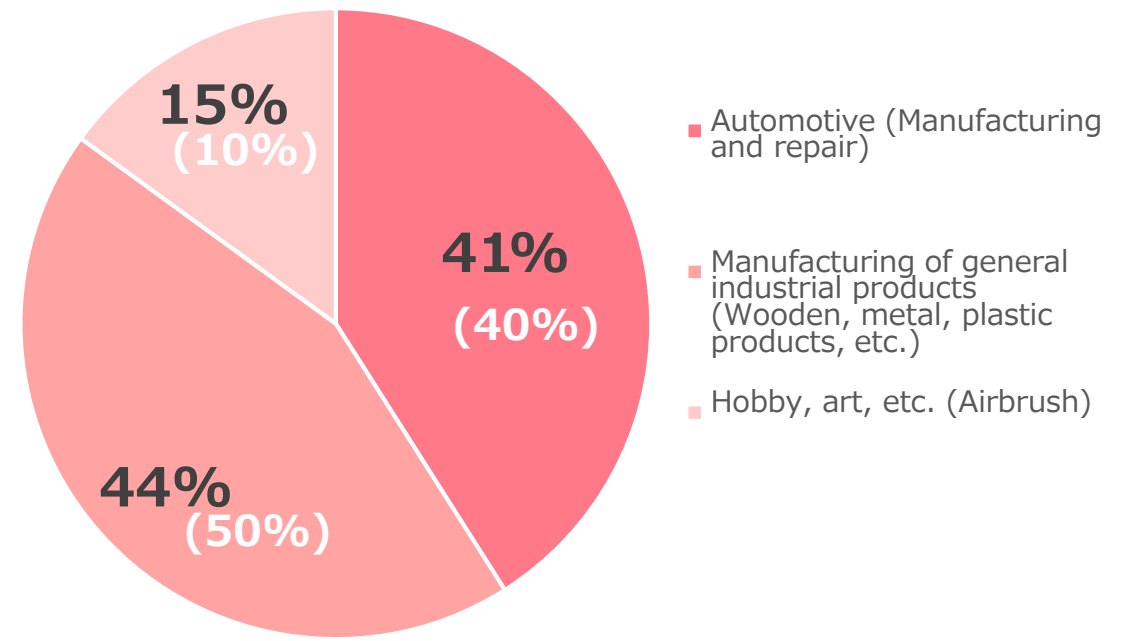
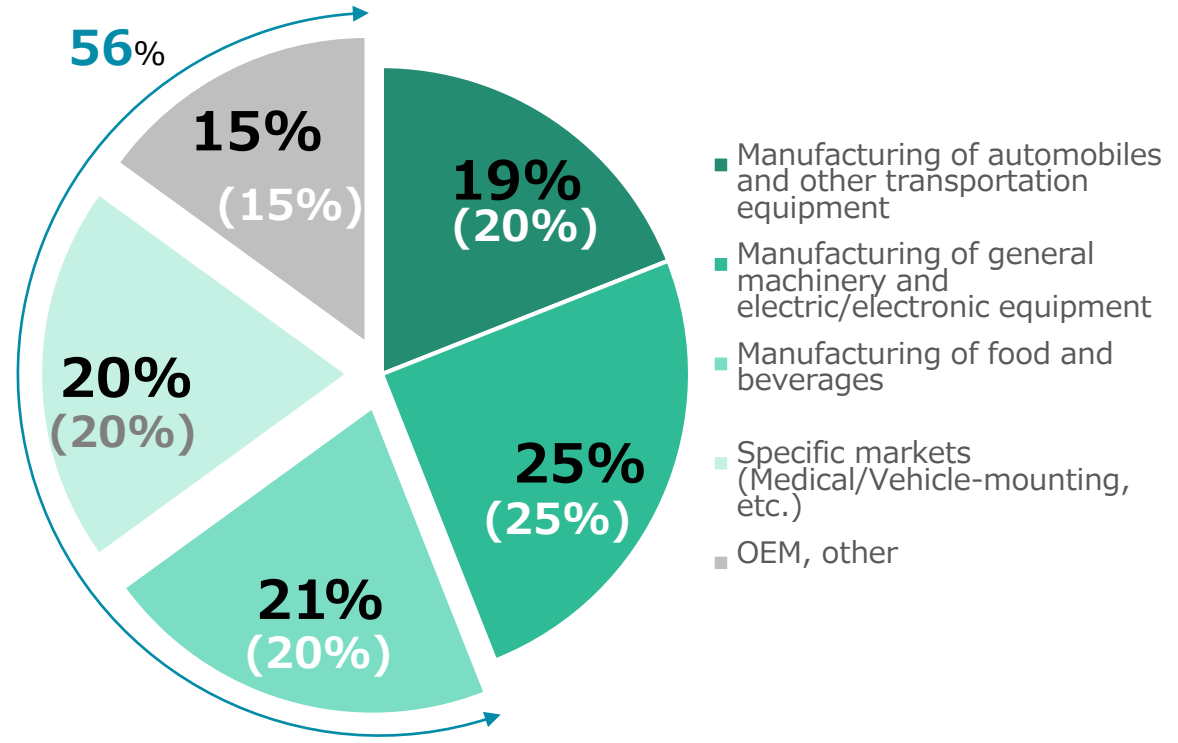
**Compressors (Air compressors)**

**Spray guns (Coating equipment)**

Ratio of development of new uses

FY2021  
Values shown in parentheses are for FY2020

FY2021  
Values shown in parentheses are for FY2020



Estimates based on our domestically collected data

Estimates based on our domestically collected data

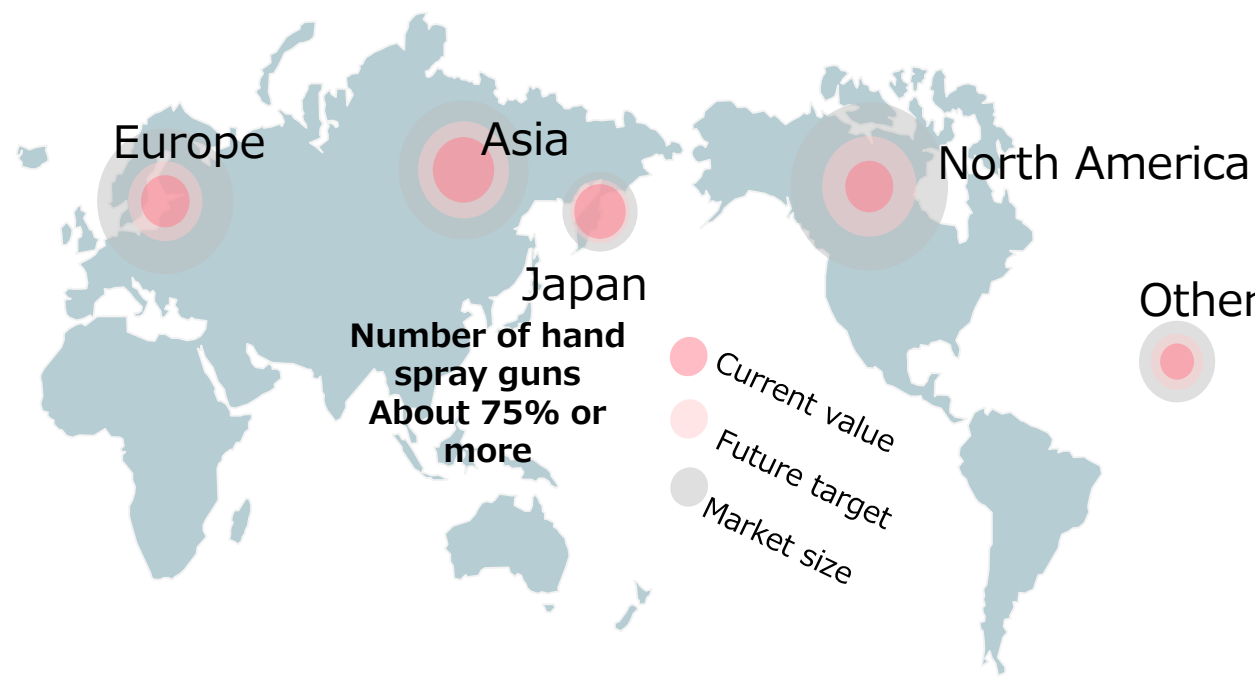
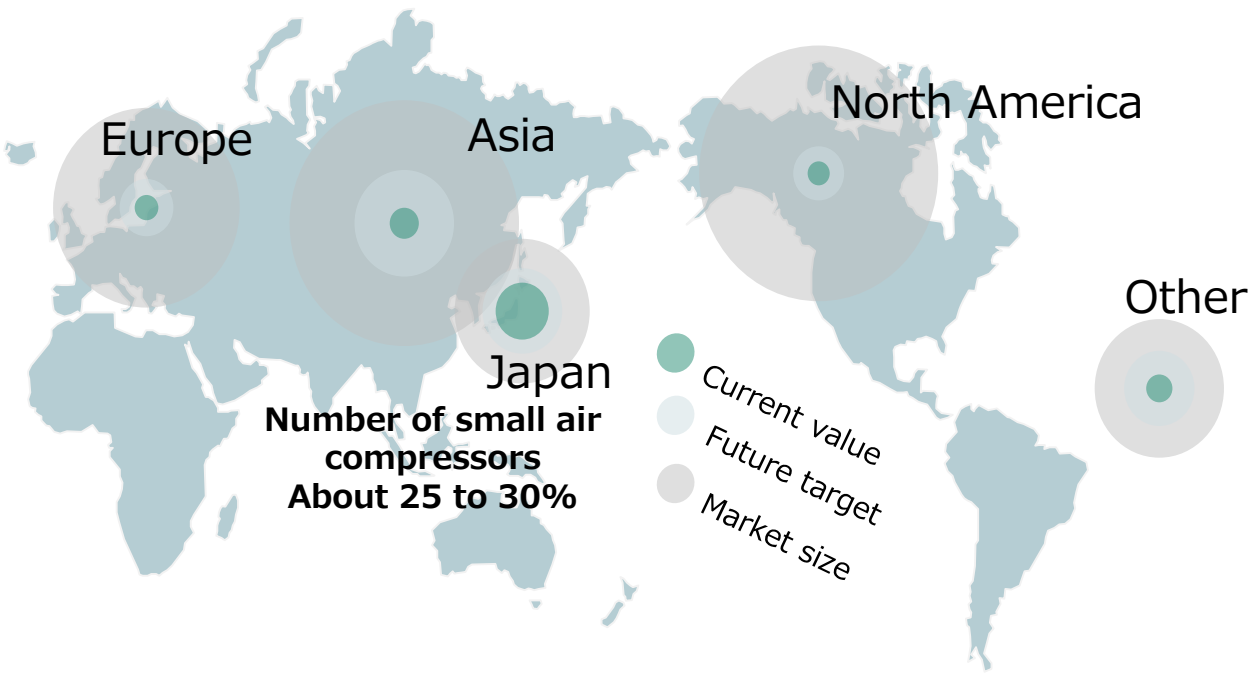
The growth driver is overseas, especially sales expansion of compressors

Global compressor market (air compressors) : About 1,400 billion yen

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

Our share of the amount About 1%

Our share in Europe and America 25 to 30%



Share and market sizes are estimated by ANEST IWATA

Overseas market

Price competition is more lenient than Japan. Profit expansion will be achieved by increasing shares in overseas market

Domestic market

Earnings will be secured with oil-free machines and other value-added products in a mature market

**Overseas market "that is huge and where high profit margin is estimated"**

|                                       |  |
|---------------------------------------|--|
| Market size                           | About 1,400 billion yen  |
| Competitors                           | Companies with sales composition close to multiple compressor specialist corporations  |
| Major player's operating profit ratio | <b>About 10 to 20%</b>   |
| Market structure                      | Several major companies are considering this as their main business, and price competition is lenient                        |
| Profitability evaluation              | There is price competition, but there is much room for us to increase our share and profits, compared to the domestic market |
| Our sales and share                   | 12.5 billion (approx. 1% share)  |
| <b>Our strategy</b>                   | <b>Expanding overseas sales, including M&amp;A</b>   |

**Domestic market "that is mature and increasingly eco-conscious"**

|                                       |   |
|---------------------------------------|---|
| Market size                           | About 80 billion yen (about 6% of the global market)  |
| Competitors                           | Major electronic manufacturer A, steel manufacturer B, etc.   |
| Major player's operating profit ratio | <b>Less than 10%</b>  |
| Market structure                      | Price competition is always severe as all-round manufacturers supply compressors alongside other products |
| Profitability evaluation              | The market is mature. Price competition is severe and increasing profits is difficult.                    |
| Our sales and share                   | 10.5 billion yen (Approx. 13% share, mainly small size air compressors)                                   |
| <b>Our strategy</b>                   | <b>Increasing the composition of profitable products (Oil-free scroll-type, etc.)</b>                     |

Investigated or estimated by ANEST IWATA.

Air energy business strategy ≙ Air compressor (compressors) strategy (air compressors account for approx. 92% of sales composition in FY2021)



Overseas market

In addition to the competitive high-end range, we will seek to achieve growth in 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%).

**Overseas market "that is huge and can be developed according to local characteristics"**

**Domestic market "that is mature and where there is need for value-added products"**

**Main players**

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

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

Market size

About 140,000 million yen

About 14,300 million yen

**Background for expected increase in market share overseas**

Major competitors have strengths in our main high-end range. Products of high-end range are often not necessary in emerging nations. We can contribute to improving productivity and expect to increase sales by setting product specifications and price ranges for each individual area before supply.

Major competitors have strengths in the high-end range, and it remains difficult for brand changes to take place. However, if use of water-based paint increases as environmental regulations are tightened, there is potential for us to increase sales due to the know-how gained from years of operation in the European and American markets, and the launch of commercial models in these markets. We will meet demand for mid-range products by marketing a second brand.

## 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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