

Supplementary Presentation Material of FY2023 First Quarter Financial Results ANEST IWATA Corporation

August 9, 2023

**Tokyo Stock Exchange Prime Market - Machinery
Securities Code 6381**

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Overseas sales generated by the air energy business drove overall sales.
Significant improvement in profit ratio of coating business due to increased sales of coating equipment in Europe and coating systems in Japan. (million yen)

Net sales	12,175			
	Air energy 7,543 (62.0%)		Coating 4,632 (38.0%)	
Operating profit	1,269			
	Air energy 626 (49.3%)		Coating 643 (50.7%)	

Unit (million yen)	Air energy business			Coating business		
	FY2023 1Q	Year-on-year		FY2023 1Q	Year-on-year	
	Actual	Increase/decrease	Increase/decrease rate (%)	Actual	Increase/decrease	Increase/decrease rate (%)
Net sales	7,543	1,441	+23.6	4,632	735	+18.9
Operating profit	626	121	+24.0	643	327	+104.0
Operating profit ratio (%)	8.3	+0.0 pts	—	13.9	+5.8 pts	—

- In China, export sales of SCR* and sales of air compressors used in the lithium-ion battery manufacturing performed well. Sales of air compressors for vehicle installation in the Americas also increased.
- Sales of vacuum pumps used in the manufacturing of lithium-ion batteries in China remained strong. Sales grew in the U.S. thanks to successful development of sales channels.

*SCR: Shanghai Screw Compressor Co., Ltd.

- Sales of new spray guns remained strong in Europe. Japan witnessed sales growth in coating equipment, including environmental equipment.
- Although we steadily delivered a backlog of orders for coating systems in Japan, orders and sales of coating systems declined in China due to the country's cautious stance on capital investment.

- (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 in the preparation of the consolidated financial statements is three months behind.

While overseas sales led the growth, sales in Japan also increased. Operating profit increased as a result of price hikes and a better product mix due to increased sales of spray guns and vacuum equipment. Ordinary profit and profit attributable to owners of parent increased more than expected due to foreign exchange gains.

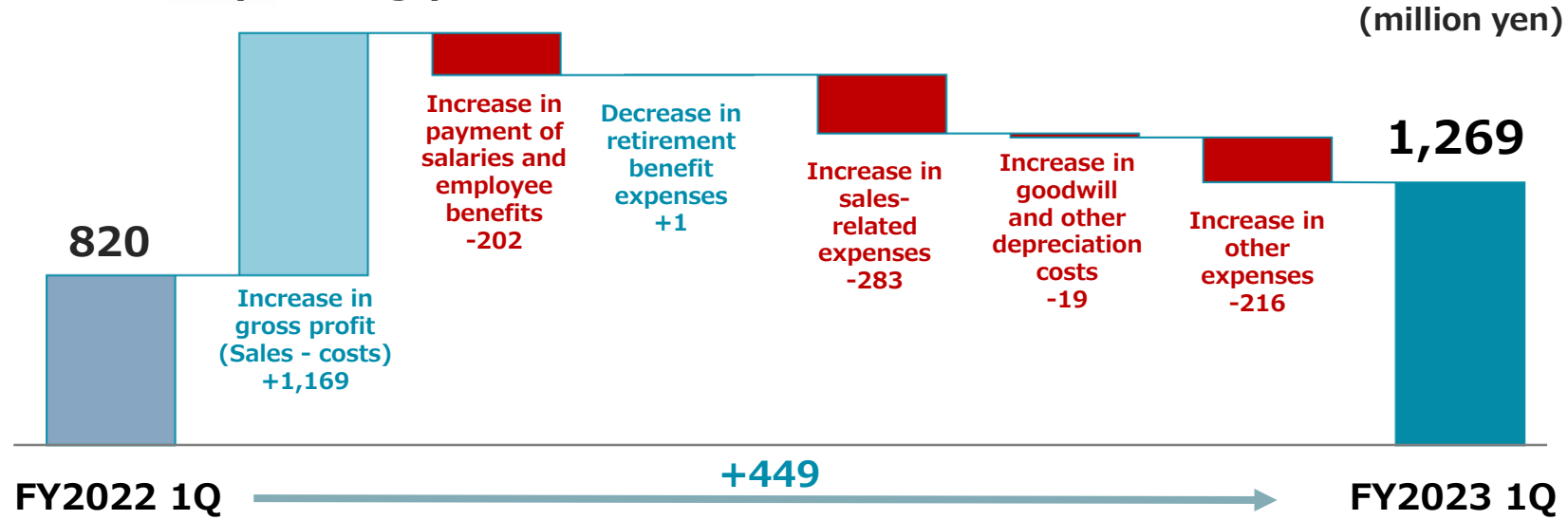
- Net sales were driven by air compressors in China and coating equipment in Europe and Japan. The impact of foreign exchange is +568 million yen.

		FY2022 1Q		FY2023 1Q		Year-on-year			Performance forecast FY2023 (announced on May 9)	
		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 (%)
Net sales		9,999	—	12,175	—	+2,176	+21.8	—	51,800	23.5
Operating profit		820	8.2	1,269	10.4	+449	+54.7	+2.2	6,100	20.8
Ordinary profit		1,291	12.9	2,001	16.4	+709	+54.9	+3.5	7,100	28.2
Profit attributable to owners of parent		808	8.1	1,376	11.3	+567	+70.2	+3.2	4,407	31.2
Average exchange rate of yen to	USD	116.20 yen		132.34 yen		Depreciated by 16.14 yen			136.00 yen	
	EUR	130.39 yen		142.10 yen		Depreciated by 11.72 yen			142.00 yen	
	CNY	18.29 yen		19.34 yen		Depreciated by 1.05 yen			19.50 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/year.

Despite an increase in expenses related to sales activities, the decrease in the cost-to-sales ratio and selling, general & administrative expenses ratio coupled with the effect of increased revenue led to an increase in operating profit.



	FY2022 1Q		FY2023 1Q	
	Actual (million yen)	Composition ratio (%)	Actual (million yen)	Composition ratio (%)
Net sales	9,999	—	12,175	—
Cost of sales	5,613	56.1	6,621	54.4
SG&A	3,564	35.6	4,284	35.2

[+] Decline in cost-to-sales ratio: 54.4% (-1.8 pts year-on-year)

- Improvement in cost of sales of coating systems and growth in sales of coating equipment, etc.
 <Reference> Future price hikes (Japan: from October 2023 <implemented on a case-by-case basis>; overseas: from January 2024 <implemented on a periodic basis>)
 Japan: In response to rising electricity and logistics costs, following last year's price hike, the Company plans to raise prices of coating equipment products and parts by 5-10% beginning with orders placed from October 1, 2023.

[+] Decline in selling, general & administrative expenses ratio: 35.2% (-0.5 pts year-on-year)

- Increase in expenses related to sales activities aimed at expansion of sales, such as advertising costs and travel expenses
- Decrease in amortization of goodwill. (-8 million yen year-on-year): Due to the completion of amortization of the European subsidiary acquired in 2017 and partial acquisition of the vacuum equipment sales business in the Americas*.

Solid growth in sales due to increase in sales of air compressors and vacuum equipment in China, continued positive effect of new spray gun sales in Europe, and increased sales of coating systems in Japan (overseas sales ratio: 65.9%).

- Japan** ■ Revenue increased. In air compressors, sales of general-purpose air compressors increased driven by the continued enthusiasm for capital investment and air compressors for specific markets* such as medical and beauty care also increased. Similarly, sales of coating equipment also increased due to an increase in the introduction of spray guns and other environmental equipment. Steady delivery of order backlog continues for coating systems.
- Europe** ■ Revenue increased. New spray guns for the car repair market continued to sell strongly from the previous fiscal year. Sales of oil-free air compressors increased due to growing demand from OEM customers, etc.
- Americas** ■ Revenue increased. Sales of air compressors for vehicle installation increased in all regions, including Brazil, where we were successful in cultivating new customers. South America also witnessed an increase in sales of medical air compressors. Sales of vacuum equipment increased as a result of the acquisition of a portion of the sales business and increased demand from customers who switched from other manufacturers due to our superiority in terms of delivery time.
- China** ■ Revenue increased. Export sales by SCR continued to be strong. Sales of air compressors and vacuum pumps for lithium-ion battery manufacturing market also increased. On the other hand, sales of coating equipment declined due to a slow recovery from the Zero-COVID policy. Intermediate range spray guns are sold primarily through an EC sites.
- Others** ■ Revenue increased. In India, demand for air compressors continued to increase moderately. Sales of oil-free air compressors increased in South Korea.

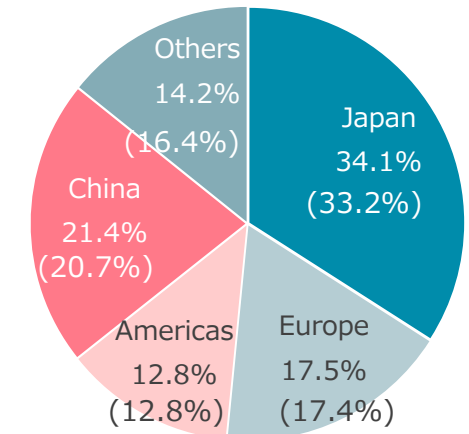
*Specific markets: Specific applications such as medical care, in-vehicle use, and analysis

[Segment category] Americas: US, Mexico, Brazil; Others: Asia excluding China, and Australia and South Africa

(million yen)	FY2022 1Q	FY2023 1Q	Year-on-year		Air energy business		Coating business	
			Increase/ decrease amount	Increase/ decrease rate (%)	Air compressors	Vacuum equipment	Coating equipment	Coating systems
Japan	3,315	4,146	+831	+25.0	◎	◎	◎	◎
Europe	1,737	2,131	+393	+22.7	◎	◎	◎	-
Americas	1,236	1,554	+317	+25.7	◎	◎	◎	◎
China	2,067	2,610	+542	+26.2	◎	◎	●	×
Others	1,641	1,733	+92	+5.6	○	×	◎	×
Total	9,999	12,175	+2,176	+21.8	◎	◎	◎	◎

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

■ **Composition Ratio**
FY2023 1Q
(FY2022 1Q)



Overview of Balance Sheet

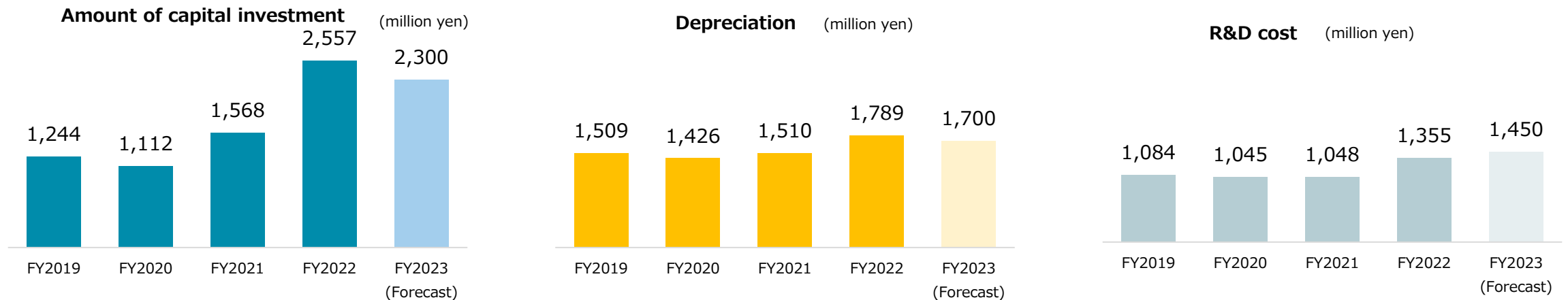
- Non-current assets increased slightly due to the acquisition of a portion of the sales business from a vacuum equipment distributor in the Americas and capital investment to increase production capacity, offsetting bond redemptions.
- Net assets increased due to improved performance and the impact of foreign exchange rates.

		FY2022	FY2023	Difference against the end of the previous period		
		End of full year	1Q	Increase/ decrease amount (million yen)	Increase/ decrease rate (%)	Primary factors for increase or decrease
		Actual (million yen)	Actual (million yen)			
Assets	Current assets	36,773	37,097	+324	+0.9	• Increase in "Raw materials and supplies" +824 million yen
	Non-current assets	23,363	23,364	+0	+0.0	• Increase in "Goodwill" +121 million yen • Decrease in "Investment securities" -147 million yen
	Assets	60,136	60,461	+325	+0.5	
Liabilities and capital	Current liabilities	11,719	11,348	-371	-3.2	• Decrease in "Provision for bonuses" -431 million yen
	Non-current liabilities	3,161	3,079	-82	-2.6	• Decrease in long-term borrowings included in "Other" -83 million yen
	Liabilities	14,881	14,427	-453	-3.0	
	Shareholders' equity	37,466	37,948	+481	+1.3	• Increase in "Retained earnings" +481 million yen
	Accumulated other comprehensive income	2,558	2,888	+329	+12.9	• Increase in "Foreign currency translation adjustment" +185 million yen
	Non-controlling interests	5,229	5,197	-32	-0.6	
	Net assets	45,255	46,033	+778	+1.7	
Liabilities and net assets	60,136	60,461	+325	+0.5		

<Capital investment> Capital investment is proceeding mostly as planned, including investments to increase production capacity of general-purpose air compressors in India and spray guns in Italy.

(million yen)	FY2023 Actual Results		
	Amount of capital investment	Depreciation	R&D cost*
Actual	579	463	341
Plan	2,300	1,700	1,450
Progress rate	25.2	27.2	23.5
Description	<ul style="list-style-type: none"> • IT-related investments (SAP cloud computing, etc.) • Renewal and enhancement of production lines • Machine tools (new installation/renewal) • Development of communication infrastructure 		

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



Although we plan to raise prices in Japan from October (for coating equipment products and parts), there is no change at this stage, taking into account the recovery situation in China and the fact that the increase in ordinary profit and Profit attributable to owners of parent is largely due to foreign exchange gains.

		FY2022 (Actual)	
		Actual (million yen)	Composition ratio(%)
Net sales		48,515	100.0
Air energy	Air compressors	26,983	55.6
	Vacuum equipment	2,366	4.9
	Subtotal	29,349	60.5
Coating	Coating equipment	16,512	34.0
	Coating systems	2,652	5.5
	Subtotal	19,165	39.5
Operating profit		5,838	12.0
Air energy		3,269	—
Coating		2,569	—
Ordinary profit		7,043	14.5
Profit attributable to owners of parent		4,381	9.0
Average exchange rate of yen to	USD	131.43	(Actual)
	EUR	138.04	
	CNY	19.48	
Dividend: Interim + year-end = Annual		16 yen + 22 yen = 38 yen	

FY2023 (Planned)			
Target value (million yen)	Composition ratio (%)	Increase/ decrease amount (million yen)	Increase/ decrease rate (%)
51,800	—	+3,284	+6.8
—	—	—	—
—	—	—	—
31,300	60.4	+1,950	+6.6
—	—	—	—
—	—	—	—
20,500	39.6	+1,334	+7.0
6,100	11.8	+261	+4.5
3,380	—	+110	+3.4
2,720	—	+150	+5.9
7,100	13.7	+56	+0.8
4,407	8.5	+25	+0.6
136.00	(Forecast)	Depreciated by 4.57 yen	
142.00		Depreciated by 3.96 yen	
19.15		Appreciated by 0.33 yen	
17 yen + 23 yen = 40 yen			

- Assumptions of the external environment remain difficult due to geopolitical risks, such as conflicts in Eastern Europe, and monetary policies in each country.
- Aim to increase revenues and profits by improving profitability through the penetration of price increases and continued operational reforms in each country.

Premises

Net sales of 51,800 million yen (up 6.8% year-on-year)

- Deceleration of global economic growth due to soaring prices of energy and resources, purchase prices of materials and logistics costs, among other factors
- Further elimination of supply shortages of semiconductors and electronic components
- Flexible review of assumed exchange rates
- Steady increase in orders for coating systems, both in Japan and overseas
- Continually increasing demand for general-purpose and market-specific air compressors, especially overseas

Operating profit of 6,100 million yen (up 4.5% year-on-year)

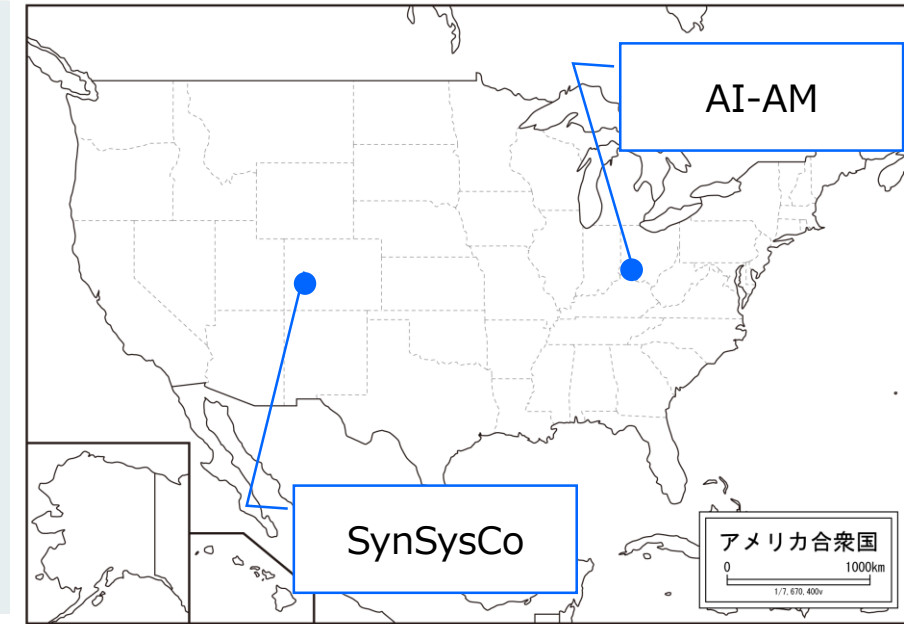
- Effects of continued price increases in Japan and overseas and implementation of newly increased prices
- Continuation of sales reform and operational efficiency improvement
- Increase in investment expenses for new businesses

<Americas> Integration of American subsidiaries

On January 1, 2023, an absorption-type merger was carried out between two subsidiaries in the Americas.

- Objective: Further rationalization of management, improvement of profitability, and business expansion in the area by undertaking control functions in the Americas
- Surviving company: ANEST IWATA AIR ENGINEERING, Inc.
 - Business activities: Manufacturing and sales of air compressors and vacuum equipment
- Absorbed company: ANEST IWATA USA, Inc.
 - Business activities: Sales of coating equipment and manufacturing and sales of coating systems

*The surviving company changed its name to ANEST IWATA Americas, Inc. (hereinafter AI-AM)



<Americas> Acquisition of a portion of the sales business from a vacuum equipment distributor

AI-AM, a consolidated subsidiary in the U.S., acquired a portion of the sales business from Synergy Systems Corporation (hereinafter SynSysCo), the largest distributor of our vacuum equipment in the U.S. market.

- Objective: To accurately identify market needs and quickly penetrate promotional activities by selling directly to customers taken over from SynSysCo.
- Business acquisition date: January 1, 2023*
- Acquisition cost: 1,250 thousand USD (about 165 million yen; exchange rate: 1 USD = 132.7 yen)
- Method and period of amortization of goodwill: Equal amortization for 5 years

*Amortization of goodwill is incurred from the first quarter of the current fiscal year because the fiscal year ends on December 31.

<Reference Information> Details of Statement of Income

- Operating profit: Cost-to-sales ratio improved due to price hikes in Japan (-1.8 pts year-on-year).
- Ordinary profit: Among the increase in non-operating income, foreign exchange gains increased 119 million yen year-on-year.

	FY2022 1Q		FY2023 1Q		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)
Net sales	9,999	—	12,175	—	+2,176	+21.8	—
Cost of sales	5,613	56.1	6,621	54.4	+1,007	+18.0	-1.8
Gross profit	4,385	43.9	5,554	45.6	+1,169	+26.7	+1.8
Selling, general and administrative expenses	3,564	35.6	4,284	35.2	+720	+20.2	-0.5
Operating profit	820	8.2	1,269	10.4	+449	+54.7	+2.2
Non-operating income	493	4.9	753	6.2	+259	+52.6	+1.3
Non-operating expenses	22	0.2	22	0.2	+0	-2.5	-0.0
Ordinary profit	1,291	12.9	2,001	16.4	+709	+54.9	+3.5
Extraordinary income	2	0.0	2	0.0	+0	-4.3	-0.0
Extraordinary losses	1	0.0	0	0.0	+0	-79.5	-0.0
Profit before income taxes	1,293	12.9	2,003	16.5	+710	+54.9	+3.5
Income taxes	323	3.2	444	3.6	+120	+37.2	+0.4
Profit attributable to non-controlling interests	160	1.6	183	1.5	+22	+14.0	-0.1
Profit attributable to owners of parent	808	8.1	1,376	11.3	+567	+70.2	+3.2

<Reference Information> FY2023 Changes in Business Results

Active with Newest Technology



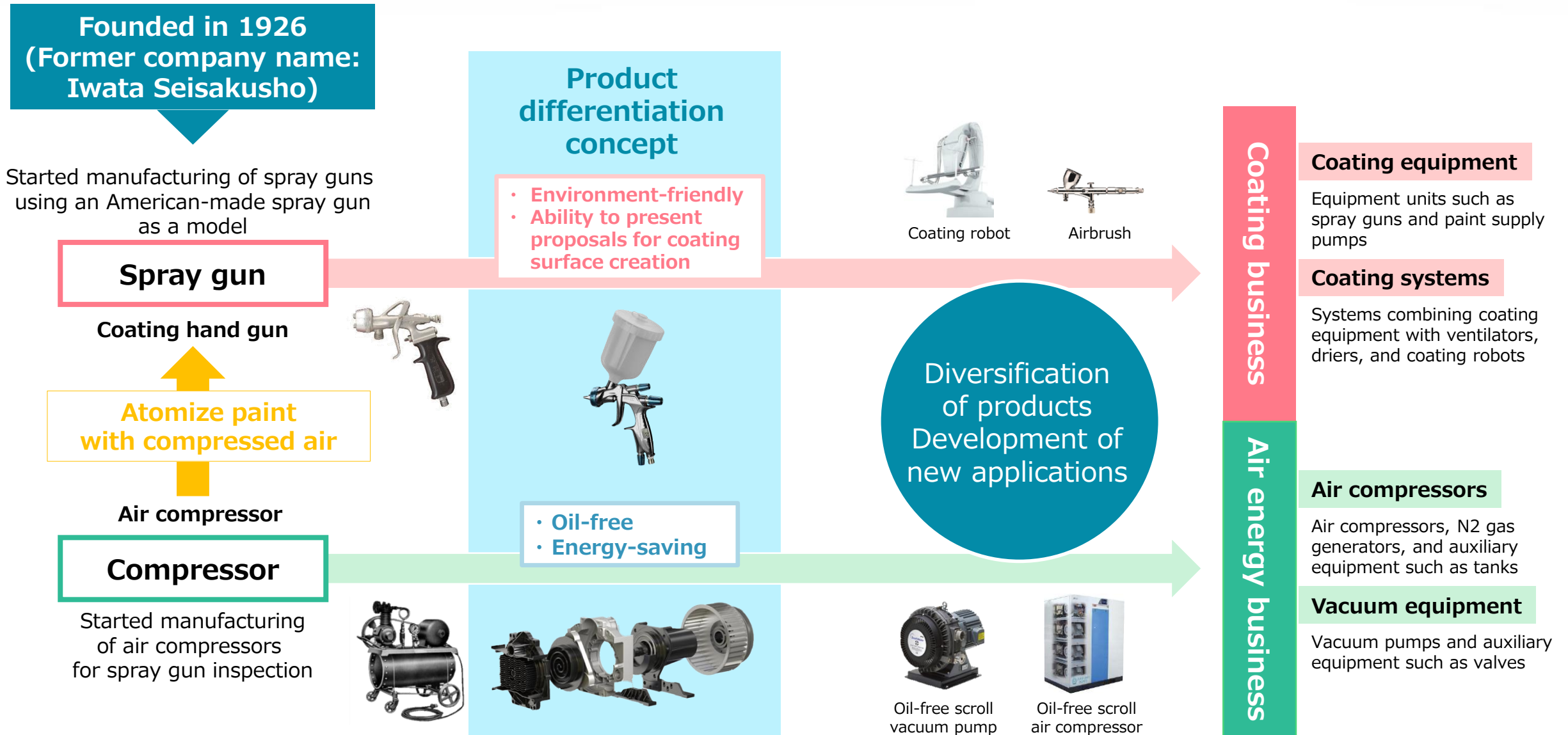
[Total]

Unit: Million yen		FY2023			
		1Q	1 to 2Q	1 to 3Q	1 to 4Q
Net sales		12,175			
Year-on-year		+21.8%			
Air energy	Air compressors	6,798			
	Year-on-year	+21.7%			
	Vacuum equipment	745			
	Year-on-year	+43.9%			
Net sales		7,543			
Year-on-year		+23.6%			
Coating	Coating equipment	4,281			
	Year-on-year	+14.9%			
	Coating systems	350			
	Year-on-year	+105.1%			
Net sales		4,632			
Year-on-year		+18.9%			
Operating profit		1,269			
Year-on-year		+54.7%			
Air energy	Operating profit	626			
	Year-on-year	+24.0%			
Coating	Operating profit	643			
	Year-on-year	+104.0%			

[Quarterly]

Unit: Million yen		FY2023			
		1Q	2Q	3Q	4Q
Net sales		12,175			
Year-on-year		+21.8%			
Air energy	Air compressors	6,798			
	Year-on-year	+21.7%			
	Vacuum equipment	745			
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Air energy	Operating profit	626			
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Coating	Operating profit	643			
	Year-on-year	+104.0%			

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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