

Presentation Material of FY2023 Second Quarter Financial Results Review of Medium-Term Business Plan Disclosure Contents ANEST IWATA Corporation

November 24, 2023

Tokyo Stock Exchange Prime Market - Machinery

Securities Code 6381

Note: This document has been translated from the original document in Japanese. In the event of any discrepancy between this English translation and the original document in Japanese, the original document in Japanese shall prevail.

- **FY2023 2Q Financial Highlights**
- **Highlights of FY2023 2Q Financial Results**
- **Analysis of Causes of Increase/Decrease in Operating Profit**
- **Net Sales by Area and by Product**
- **Overview of Balance Sheet**
- **Statement of Cash Flows**
- **Capital Investment Plan and R&D Cost**
- **Prospects for FY2023**
- **Prospects for FY2023 - Factors Behind the Revision of the Full-Year Business Results Forecast**
- **Premises for Performance Forecast for 3Q Onwards**
- **Reference Information (Topics, Details of Statement of Income, FY2023 Changes in Business Results)**

In the Air energy business, overseas sales drove total sales as in the Q1, but in terms of profit, overseas expenses increased due to participation in large exhibitions. In the Coating business, sales and profits of coating equipment in Europe and coating systems in Japan increased.

Net sales	25,898		(million yen)
	Air energy 15,967 (61.7%)	Coating 9,930 (38.3%)	

Operating profit	2,866	
	Air energy 1,413 (49.3%)	Coating 1,452 (50.7%)

Unit (million yen)	Air energy business			Coating business		
	FY2023 2Q	Year-on-year		FY2023 2Q	Year-on-year	
	Actual	Increase/decrease	Increase/decrease rate (%)	Actual	Increase/decrease	Increase/decrease rate (%)
Net sales	15,967	+2,265	+16.5	9,930	+1,018	+11.4
Operating profit	1,413	+82	+6.2	1,452	+442	+43.9
Operating profit ratio (%)	8.9	-0.9 pts	—	14.6	+3.3 pts	—

- In China, export sales of SCR* and sales of air compressors used in the lithium-ion battery manufacturing continued to be strong even after the first quarter. In the Americas, sales of air compressors for vehicle installation also increased.
- In China, sales of vacuum pumps for semiconductor production-related equipment and lithium-ion battery manufacturing increased. In the United States, sales of vacuum pumps remained strong due to the effect of partial acquisition of sales business in the first quarter.

- Sales of coating equipment increased as the positive impact of new spray guns continued in Europe. The backlog of orders for environmental equipment in Japan increased due to orders received before the price hikes.
- In China, orders and sales of coating systems declined due to continued weakness in the appetite for capital investment, whereas in Japan, sales increased due to deliveries involving large-scale projects.

*SCR: Shanghai Screw Compressor Co., Ltd.

(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.

Highlights of FY2023 2Q Financial Results

Sales grew both overseas, mainly in the air energy business in China, and in Japan, mainly in coating systems. Operating profit increased due to the effect of price hikes, changes in product mix, and improved profits from coating systems projects. In addition, ordinary profit and profit attributable to owners of parent also increased due to higher equity in earnings of an affiliate in the USA and foreign exchange gains.

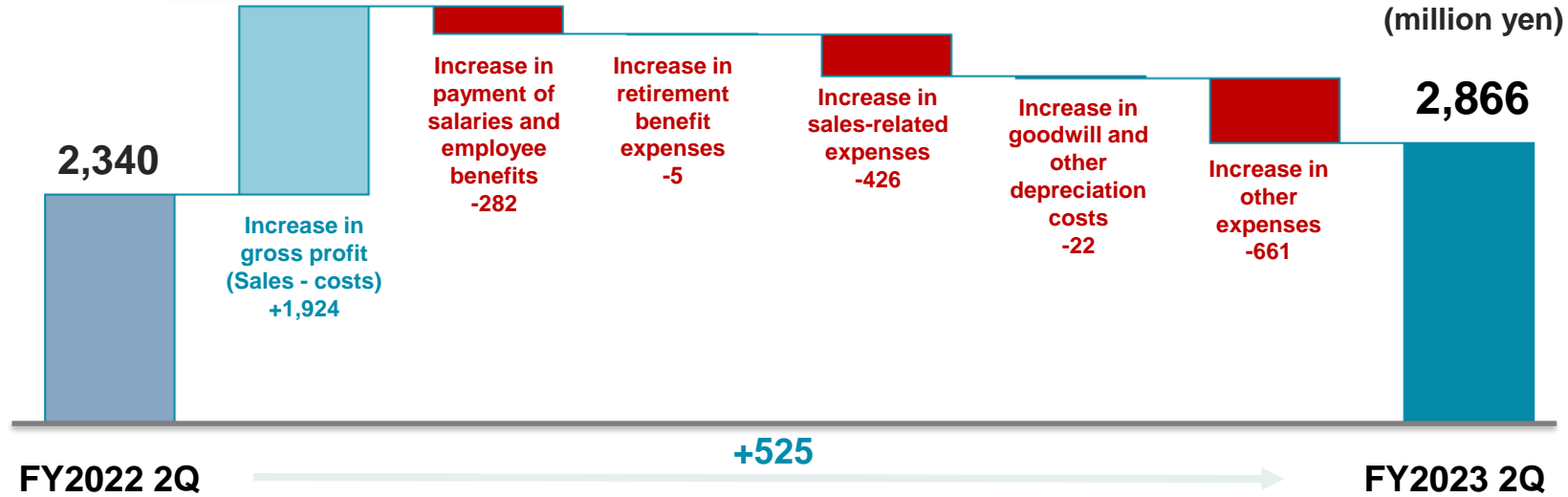
- The impact of foreign exchange on sales: +839 million yen

		FY2022 2Q		FY2023 2Q		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		22,613	—	25,898	—	+3,284	+14.5	—	51,800	50.0
Operating profit		2,340	10.3	2,866	11.1	+525	+22.5	+0.7	6,100	47.0
Ordinary profit		3,098	13.7	3,951	15.3	+852	+27.5	+1.6	7,100	55.6
Profit attributable to owners of parent		1,973	8.7	2,623	10.1	+649	+32.9	+1.4	4,407	59.5
Average exchange rate of yen to	USD	122.89 yen		134.85 yen		Depreciated by 11.96 yen			136.00 yen	
	EUR	134.25 yen		145.79 yen		Depreciated by 11.54 yen			142.00 yen	
	CNY	18.94 yen		19.45 yen		Depreciated by 0.51 yen			19.15 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 the selling, general & administrative expenses ratio, profits increased due to a reduction in the cost-to-sales ratio



	FY2022 2Q		FY2023 2Q	
	Actual (million yen)	Composition ratio (%)	Actual (million yen)	Composition ratio (%)
Net sales	22,613	—	25,898	—
Cost of sales	12,917	57.1	14,277	55.1
SG&A	7,355	32.5	8,754	33.8

[+] Decline in cost-to-sales ratio: 55.1% (-2.0 pts year-on-year)

- Changes in product mix due to increased sales of high-margin spray guns and vacuum pumps, and cost improvements in coating systems.
- Price revision : Increase in domestic and overseas prices - Japan: Due to rising electricity and logistics costs, the Company plans to raise prices of air compressors and parts by 5 to 15% starting from orders in January 2024, following the price increase for coating equipment.

[-] Increase in selling, general & administrative expenses ratio: 33.8% (+1.3 pts year-on-year)

- Increase in overseas labor cost
- In the Air compressors, Increase in expenses related to sales activities aimed at increasing sales, such as advertising costs and travel expenses, etc., related to large-scale exhibitions overseas.
- Increase in provision of allowance for doubtful accounts to cover collection risk in China
- Increase in commission expenses related to server cloud migration, system design, etc.
- Increase in investments for new business development and other measures to expand business performance in the medium term.

Sales remained strong due to exports from China's SCR, growth in sales of air compressors and vacuum equipment for specific markets, continued sales effect of new spray guns in Europe, and increased sales of environmental equipment and coating systems in Japan (overseas sales ratio: 64.9%)

- Japan** ■ Revenue increased. In air compressors, sales of general-purpose oil-free air compressors increased due to stronger property management. Sales of coating equipment also increased as result of effective sales campaigns for spray guns and improved accuracy in property management of environmental equipment. In coating systems, large-scale projects were delivered and sales grew.
- Europe** ■ Revenue increased. Continued positive impact of new spray guns for the car repair market and growth in sales of airbrushes by a German subsidiary. Also in air compressors, sales of oil-free air compressors increased due to continued growth in demand from OEM customers. Positive outlook for sales in other areas due to success in Europe, a preceding spray gun market.
- Americas** ■ Revenue increased. Following the trend of the first quarter, sales of in-vehicle air compressors increased in Brazil and the United States. Sales of vacuum pumps also increased due to the effect of partial acquisition of a sales business and superiority in terms of delivery time. The new spray guns that were previously launched in Europe are now available for sale and have been well received.
- China** ■ Revenue increased. Export sales by SCR along with sales of air compressors and vacuum pumps for the lithium-ion battery manufacturing market also remained strong. On the other hand, sales of general-purpose air compressors, coating equipment, and coating systems declined due to weak appetite for capital investment. Doubtful debt allowances have already been recognized for extent of the currently recognized risk.
- Others** ■ Revenue increased. In India, sales of air compressors increased due to partial completion of capital investment. Moreover, in coating equipment, sales of coating material feeding equipment increased in Southeast Asia.

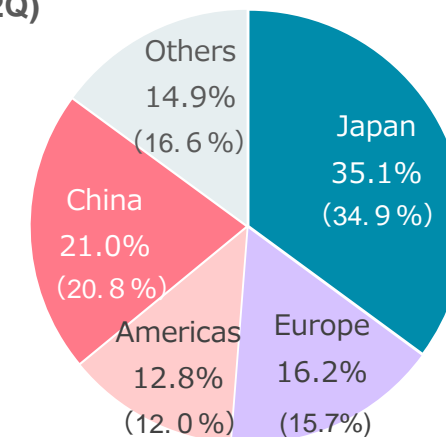
*Specific markets: Specific applications such as medical care, in-vehicle use, and analysis

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

(million yen)	FY2022 2Q	FY2023 2Q	Year-on-year		Air energy business		Coating business	
			Increase/ decrease amount	Increase/ decrease rate (%)	Air compressors	Vacuum equipment	Coating equipment	Coating systems
Japan	7,890	9,085	+1,194	+15.1	○	○	○	◎
Europe	3,560	4,184	+623	+17.5	◎	◎	◎	—
Americas	2,704	3,316	+611	+22.6	◎	◎	○	◎
China	4,710	5,445	+735	+15.6	◎	◎	▽	×
Others	3,747	3,866	+119	+3.2	○	○	○	×
Total	22,613	25,898	+3,284	+14.5	◎	◎	○	◎

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

■ Composition Ratio
FY2023 2Q
(FY2022 2Q)



Overview of Balance Sheet

- Non-current assets increased as a result of acquisition of a portion of sales business from vacuum equipment distributors in the Americas and capital investment to increase production capacity.
- Net assets increased due to improved performance and the impact of foreign exchange rates.

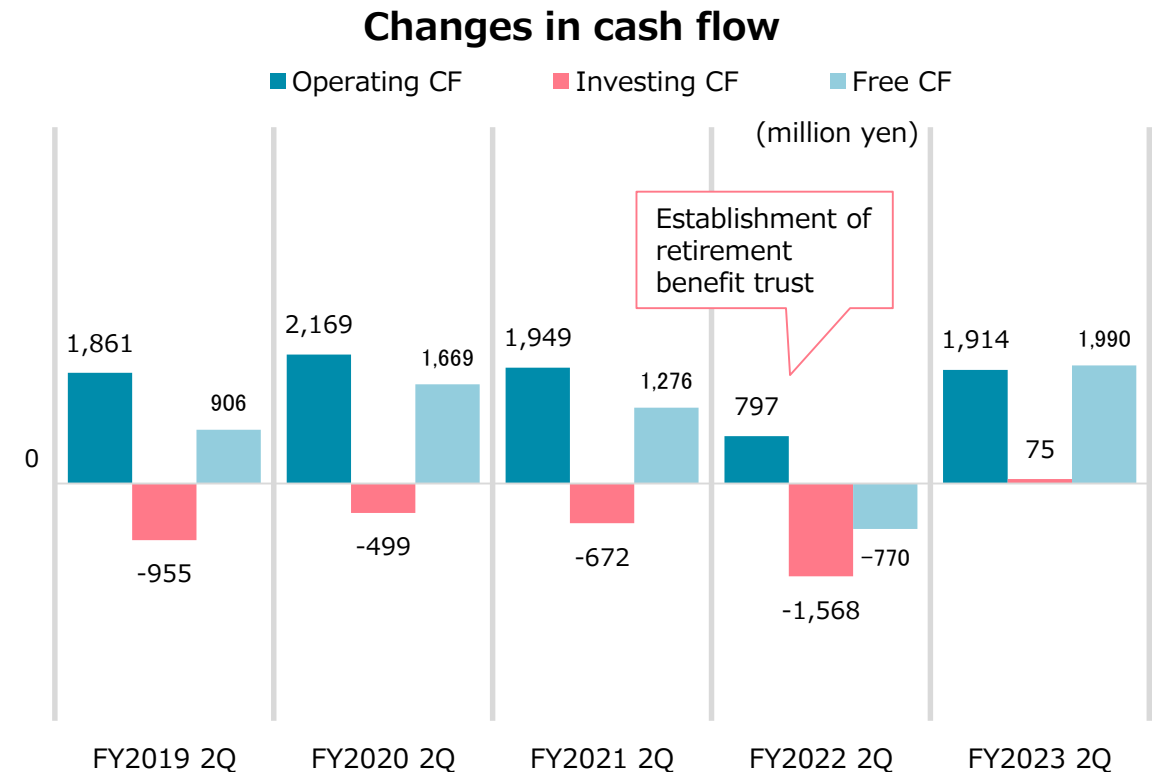
		FY2022	FY2023	Difference against the end of the previous period		
		End of full year	2Q	Increase/ decrease amount (million yen)	Increase/ decrease rate (%)	Primary factors for increase or decrease
		Actual (million yen)	Actual (million yen)			
Assets	Current assets	36,773	39,672	+2,899	+7.9	• Increase in "Notes and accounts receivable-trade" +1,294 million yen • Increase in "Raw materials and supplies" +655 million yen
	Non-current assets	23,363	24,407	+1,044	+4.5	• Increase in "Goodwill" +104 million yen • Increase in "Investment securities" +217 million yen
	Assets	60,136	64,080	+3,944	+6.6	
Liabilities and capital	Current liabilities	11,719	11,828	+108	+0.9	• Increase in "Notes and accounts payable-trade" +253 million yen
	Non-current liabilities	3,161	3,190	+28	+0.9	• Increase in "Retirement benefit liability" +64 million yen
	Liabilities	14,881	15,018	+137	+0.9	
	Shareholders' equity	37,466	39,216	+1,749	+4.7	• Increase in "Retained earnings" +1,729 million yen
	Accumulated other comprehensive income	2,558	4,225	+1,666	+65.1	• Increase in "Foreign currency translation adjustment" +1,394 million yen
	Non-controlling interests	5,229	5,621	+391	+7.5	
	Net assets	45,255	49,062	+3,807	+8.4	
Liabilities and net assets	60,136	64,080	+3,944	+6.6		

Free CF increased due to increased income and reduced expenses. Cash and cash equivalents totaled 13.1 billion yen.

- **Operating CF:** **[+]** "Profit before income taxes" increased by 806 million yen in accordance with increased sales.
[+] Reaction due to the inclusion of 1,000 million yen expense in the previous fiscal year for the establishment of a retirement benefit trust.
- **Investing CF:** **[+]** "Proceeds from withdrawal of time deposits" increased by 888 million yen.
[+] "Purchase of property, plant and equipment" decreased by 334 million yen.
- **Financing CF:** **[-]** "Dividends paid" increased by 199 million yen.

	FY2022 2Q	FY2023 2Q	Year-on-year
	Actual (million yen)	Actual (million yen)	Increase/decrease in amount (million yen)
Operating CF	797	1,914	1,117
Investing CF	-1,568	75	1,644
Financing CF	-1,324	-1,534	-210
Free CF	-770	1,990	2,761

	End of FY2022	FY2023 2Q	Compared to the end of the previous consolidated fiscal year
	Actual (million yen)	Actual (million yen)	Increase/decrease in amount (million yen)
Cash and cash equivalents	12,080	13,130	1,049

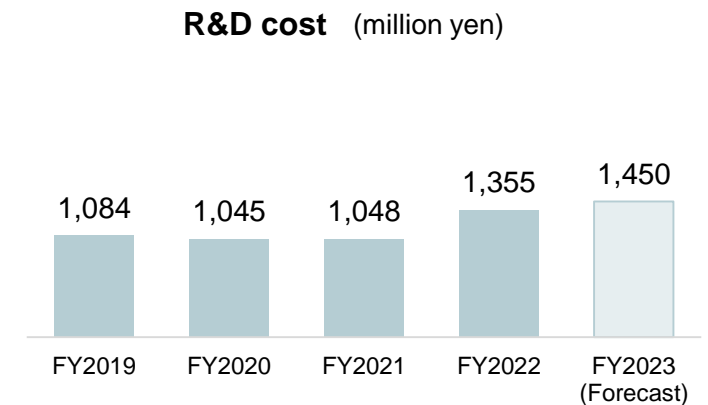
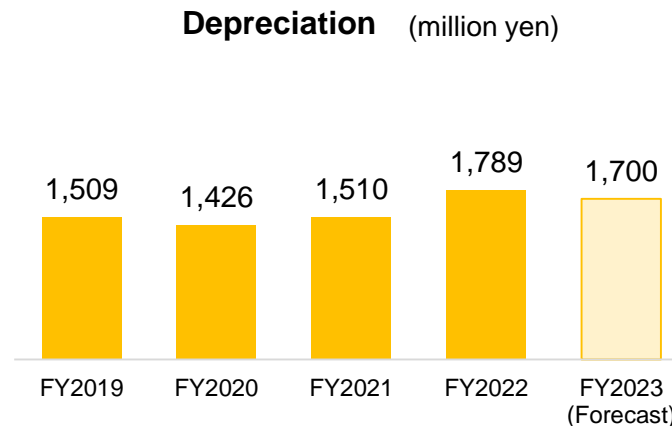
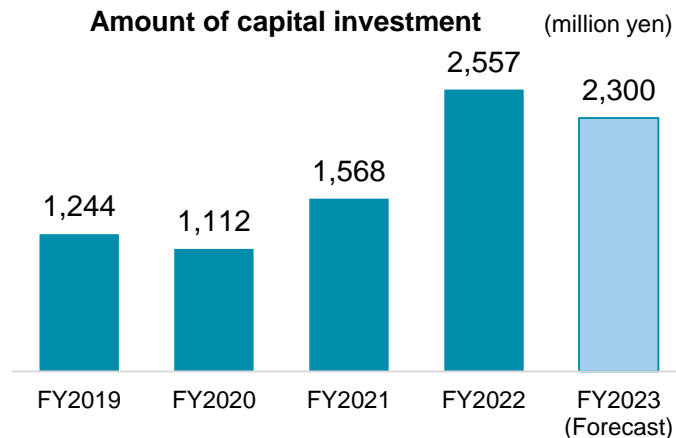


<Capital investment>

Capital investments to increase production capacity for air compressors and spray guns in Japan are proceeding largely as planned.

(million yen)	FY2023 Actual Results		
	Amount of capital investment	Depreciation	R&D cost*
Actual	1,108	946	711
Plan	2,300	1,700	1,450
Progress rate	48.2	55.7	49.0
Description	<ul style="list-style-type: none"> • Renewal and enhancement of production lines • Machine tools (new installation/renewal) • IT-related investment (PLM implementation, etc.) 		

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



Despite the first half results and price hikes in Japan (for coating equipment products and parts from October orders and for compressors from January 2024 orders), we have revised our full-year consolidated forecasts, taking into account the recovery situation in China and the outlook for orders for general-purpose products, mainly in Japan, in the second half of the fiscal year.

		FY2022 (Actual)	
		Actual (million yen)	Composition ratio (%)
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+Term end = FY		16 yen + 22 yen = 38 yen	

FY2023 (Planned)				
Beginning-of-term forecast (announced on May 9)	Revised forecast (announced on Nov. 9)	Composition ratio (%)	As compared with the initial plan (%)	Year-on-year (%)
51,800	52,900	—	+2.1	+9.0
—	—	—	—	—
—	—	—	—	—
31,300	32,500	61.4	+3.8	+10.7
—	—	—	—	—
—	—	—	—	—
20,500	20,400	38.6	-0.5	+6.4
6,100	6,100	11.5	0	+4.5
3,380	3,380	—	0	+3.4
2,720	2,720	—	0	+5.9
7,100	7,700	14.6	+8.5	+9.3
4,407	4,600	8.7	+4.4	+5.0
136.00	138.00	(plan)		
142.00	149.00			
19.15	19.60			
17 [22] yen +23 yen = 45 [40] yen				
(note) Figures in [] are the expected dividend at the beginning of the period.				

Although we expect a slowdown in the Chinese economy, increased labor costs mainly overseas, and increased costs for medium-term performance expansion, we maintained or upwardly revised our initial full-year forecast based on performance in the first half of the fiscal year and sales in favorable areas and products.

(Unit: million yen)	Initial forecast	Revised forecast	Difference	
Net sales	51,800	52,900	+1,100 +2.1%	
- Air energy	31,300	32,500	+1,200 +3.8%	
- Coating	20,500	20,400	-100 -0.5%	
Operating profit	6,100	6,100	0 -%	
- Air energy	3,380	3,380	0 -%	
- Coating	2,720	2,720	0 -%	
Ordinary profit	7,100	7,700	+600 +8.5%	
Profit attributable to owners of parent	4,407	4,600	+193 +4.4%	

Performance in the first half of the year exceeded initial forecasts +

- [+] Revision of the initial exchange rate assumptions in accordance with yen depreciation and increase in overseas sales
- [-] Reduced demand for products targeting the general-purpose market due to the slowdown in the Chinese economy

Air energy

- [+] Air compressors: Increase in unit prices of products due to price hikes in Japan (from orders received in January 2024)
- [+] Air compressors: Increase in demand from OEM customers in Europe and expansion of export sales from SCR in China

Coating

- [+] Coating equipment: Increase in unit prices of products due to price hikes in Japan (from orders received in October)
- [-] Coating equipment and systems: Decrease in sales of coating equipment and systems due to reduced willingness of Japanese companies to invest in equipment and facilities in China

- [+] Increase in gross profit due to increase in revenue
- [-] Increase in preparatory expenses for measures aimed at expanding business performance over the medium-term, such as development of new businesses
- [-] Increase in expenses due to higher labor and logistics costs, especially overseas, and higher energy prices in Japan
- [+] Improvement in cost-to-sales ratio due to increasing exposure to price hikes

- [+] Increase in equity in earnings of affiliates due to the continuation of satisfactory sales at affiliated companies in the U.S.
- [-] Increase in the ratio of net profit attributable to minority interests due to the enhancement in performances of consolidated subsidiaries
- [-] Losses exceeding initial expectations

- Assumptions of the external environment remain difficult due to geopolitical risks, such as conflicts in Eastern Europe, and monetary policies in each country.
- Although the future situation needs to be closely examined, Aim to increase revenues and profits by improving profitability through the penetration of price increases and continued operational reforms in each country.
- Continue to invest in preparation for measures to expand performance, such as new business development, for growth in the current medium-term management plan period and beyond.

Premises

Net sales of 52,900 million yen (up 9.0% year-on-year)

- Although energy/resource prices and logistics costs have soared, raw material prices and purchasing prices for materials remain the same.
- The status quo regarding the supply of semiconductors and electronic components remains the same.
- Exchange rate levels continue the trend of the second quarter.
- Steady orders and deliveries of coating systems both in Japan and overseas
- Demand for general-purpose and specific market air compressors continues to grow worldwide.

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

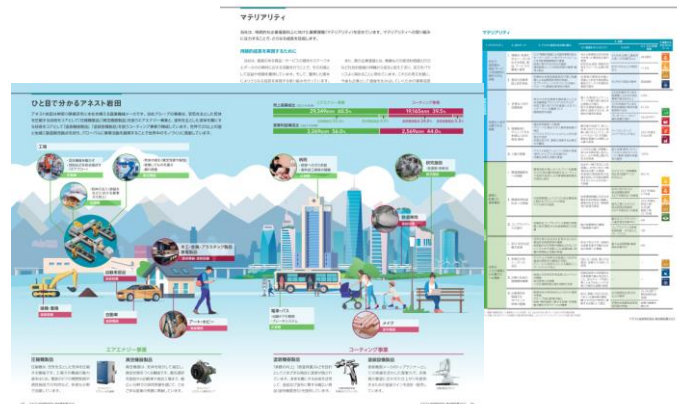
- Price hikes as required domestically and internationally and the continuation of the effects of such hikes
- Continuation of sales reform and operational efficiency improvement
- Increase in investment expenses for new businesses

Release of "Integrated Report 2023" (Japanese version)

Published on our corporate website in September 2023
An English version is scheduled to be published in December of the same year.

Main contents (total 71 pages)

- Medium-Term Business Plan "500 & Beyond"/business overview
- Materiality
- Interview with the President/Three-way Discussion between Independent Directors
- Environment (including TCFD compliance)
- Non-financial information such as human capital and corporate governance



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

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

Participation in international exhibitions

In order to expand sales channels and promote development that captures demand, we actively promote participation in exhibitions where we can expect a certain level of effect.

Examples of major exhibits during the mentioned period

■ HANNOVER MESSE 2023 (Germany)

Duration: April 17 to 21, 2023

Number of visitors: Approx. 130,000

Overview: One of the world's largest industrial exhibitions. More than 4,000 companies from around the world exhibited

Purpose Improvement in name recognition in the European market

In addition to exhibiting SCR's oil-lubricated air compressors for general-purpose markets and oil-free air compressors for specific markets, we also held environmental seminars.



Hannover International Trade Fair Market
Our Group exhibition booth

<Reference Information> Details of Statement of Income

- Operating profit: The cost-to-sales ratio decreased (-2.0 pts year-on-year) due to the effect of price increases in Japan, but the selling, general & administrative expenses ratio increased (+1.3 pts).
- Ordinary profit: Among non-operating income, equity in earnings of an affiliates in the USA increased (+222 million yen year-on-year), and foreign exchange gains also increased (+46 million yen year-on-year).

	FY2022 2Q		FY2023 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)
Net sales	22,613	—	25,898	—	+3,284	+14.5	—
Cost of sales	12,917	57.1	14,277	55.1	+1,360	+10.5	-2.0
Gross profit	9,696	42.9	11,620	44.9	+1,924	+19.8	+2.0
Selling, general and administrative expenses	7,355	32.5	8,754	33.8	+1,398	+19.0	+1.3
Operating profit	2,340	10.3	2,866	11.1	+525	+22.5	+0.7
Non-operating income	806	3.6	1,128	4.4	+321	+39.8	+0.8
Non-operating expenses	48	0.2	43	0.2	-5	-11.1	-0.0
Ordinary profit	3,098	13.7	3,951	15.3	+852	+27.5	+1.6
Extraordinary income	60	0.3	20	0.1	-39	-65.6	-0.2
Extraordinary losses	3	0.0	10	0.0	+6	+157.8	+0.0
Profit before income taxes	3,155	14.0	3,961	15.3	+806	+25.6	+1.3
Income taxes	832	3.7	920	3.6	+88	+10.6	-0.1
Profit attributable to non-controlling interests	349	1.5	417	1.6	+68	+19.7	+0.1
Profit attributable to owners of parent	1,973	8.7	2,623	10.1	+649	+32.9	+1.4

<Reference Information> FY2023 Changes in Business Results

[Total]

Unit: Million yen		FY2023			
		1Q	1 to 2Q	1 to 3Q	1 to 4Q
Net sales		12,175	25,898		
Year-on-year		+21.8%	+14.5%		
Air energy	Air compressors	6,798	14,522		
	Year-on-year	+21.7%	+15.4%		
	Vacuum equipment	745	1,445		
	Year-on-year	+43.9%	+29.6%		
Net sales		7,543	15,967		
Year-on-year		+23.6%	+16.5%		
Coating	Coating equipment	4,281	8,755		
	Year-on-year	+14.9%	+8.7%		
	Coating systems	350	1,175		
	Year-on-year	+105.1%	+37.2%		
Net sales		4,632	9,930		
Year-on-year		+18.9%	+11.4%		
Operating profit		1,269	2,866		
Year-on-year		+54.7%	+22.5%		
Air energy	Operating profit	626	1,413		
	Year-on-year	+24.0%	+6.2%		
Coating	Operating profit	643	1,452		
	Year-on-year	+104.0%	+43.9%		

[Quarterly]

Unit: Million yen		FY2023			
		1Q	2Q	3Q	4Q
Net sales		12,175	13,722		
Year-on-year		+21.8%	+8.8%		
Air energy	Air compressors	6,798	7,724		
	Year-on-year	+21.7%	+10.3%		
	Vacuum equipment	745	699		
	Year-on-year	+43.9%	+17.2%		
Net sales		7,543	8,424		
Year-on-year		+23.6%	+10.8%		
Coating	Coating equipment	4,281	4,473		
	Year-on-year	+14.9%	+3.3%		
	Coating systems	350	824		
	Year-on-year	+105.1%	+20.3%		
Net sales		4,632	5,297		
Year-on-year		+18.9%	+5.7%		
Operating profit		1,269	1,596		
Year-on-year		+54.7%	+5.0%		
Air energy	Operating profit	626	787		
	Year-on-year	+24.0%	-4.6%		
Coating	Operating profit	643	808		
	Year-on-year	+104.0%	+16.6%		

Medium-Term Business Plan "500 & Beyond" (FY2022 to FY2024) Review of Disclosure Contents



- **Review of Medium-Term Business Plan Disclosure Contents**
 - Summary of Medium-Term Business Plan
 - Performance Review
 - Updated Prospects for FY2024
 - Background of Business Strategies under the Current Medium-Term Business Plan
 - Business Strategies
 - (1) Existing Business Growth: Air Energy Business Strategy for FY2024
 - (1) Existing Business Growth: Coating Business Strategy for FY2024
 - (2) M&A Implementation: M&A Strategy in Existing Businesses
 - (3) New Market Development and New Business Development
- **Capital Policy** "Action to Implement Management that is Conscious of Cost of Capital and Stock Price"
- **With a View to Becoming a Company with Sales of 100 Billion Yen**
- **<Reference Material> About ANEST IWATA**

Review of Medium-Term Business Plan Disclosure Contents

3-year medium-term business plan

"500 & Beyond"

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

Aim for organic sales of 55.5 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 borrowings. In addition, as our vision for 2030 and beyond, we aim to achieve sales of 100 billion yen or more.

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 market

Because the markets are growing, increase in sales volume 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 annual 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)

Note: No revisions to business strategies and investment policies accompanying the update

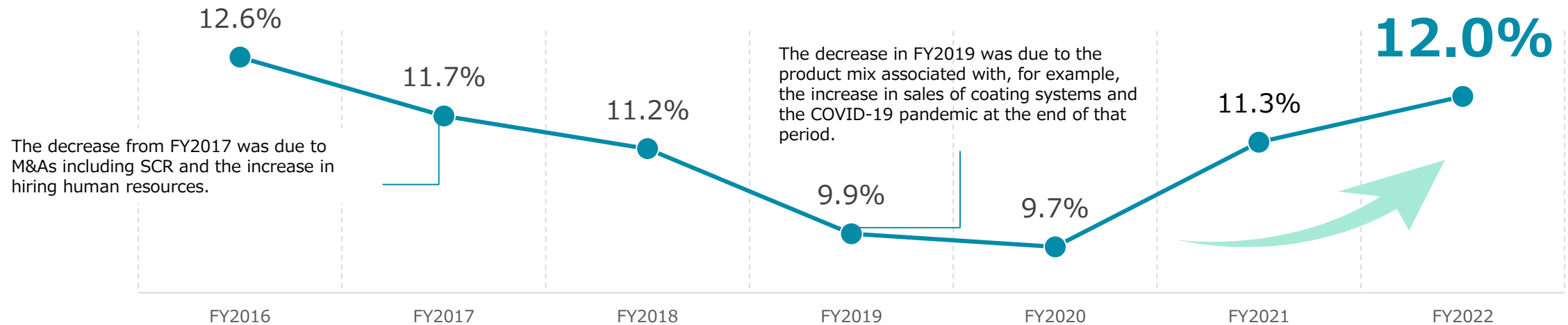
Sales increased mainly overseas. The work reform we had promoted accelerated, and the operating profit ratio is in an upward trend.

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	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Sales	29,548	32,817	38,807	39,091	35,588	42,337	48,515
Air energy	16,090	18,133	23,053	22,224	20,866	25,015	29,349
Coating	13,457	14,682	15,752	16,866	14,722	17,321	19,165
Operating profit	3,733	3,824	4,339	3,876	3,444	4,780	5,838

Changes in operating profit ratio



Updated prospects for FY2024

Based on the latest performance trends and market environment, we revised the target value for the final year of the current medium-term business plan

Vision for 2030 and beyond

- Sales of 100 billion yen or more
- Operating profit ratio of 10% or greater
(Expand sales scale and maintain the profit ratio above a certain level)
- Increase in overseas sales ratio
- Expansion of domestic service business
- Suppression of SG&A expenses with IT investment effect, total personnel cost management, and work reform

FY2021 (Actual at the time of initial plan announcement)

		Actual (million yen)	Ratio (%)
Sales		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	10.0
Coating		2,267	13.1

FY2024 (Initial plan)

Organic target value (million yen)	Composition ratio (%)
50,000	100.0
—	—
—	—
29,500	59.0
—	—
—	—
20,500	41.0
5,500	11.0
2,900	9.8
2,600	12.7

FY2024 (After revision)

Organic target value (million yen)	Composition ratio (%)
55,500	100.0
—	—
—	—
33,500	60.4
—	—
—	—
22,000	39.6
6,500	11.7
3,650	10.9
2,850	13.0

Indicators to place particular emphasis on

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

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

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

Our business environment

- Changes in the market environment caused by rising energy and raw material prices, rising labor and logistics costs, and increased uncertainty due to geopolitical risks and climate change
- Changes in stakeholder values and increased expectations of companies due to the transition to a decarbonized society through improvement in environmental awareness and the promotion of human resource diversity



Group-wide policies

To establish a strong management foundation unaffected by various uncertainties, including rapidly changing business environments and market structure changes

- As a "true development-oriented company," we strive to offer "product development that impresses all customers" along with "high performance and high quality."
- Our aim is to pursue social values and capture new business opportunities with a mission to create products and technologies that can contribute to solving social issues and provide a wide range of products and technologies to society.

▶ Earn trust and profit by providing value-added products and services and by engaging in activities that meet-up the expectations of stakeholders. Ensure sustainable growth by implementing initiatives to achieve further growth

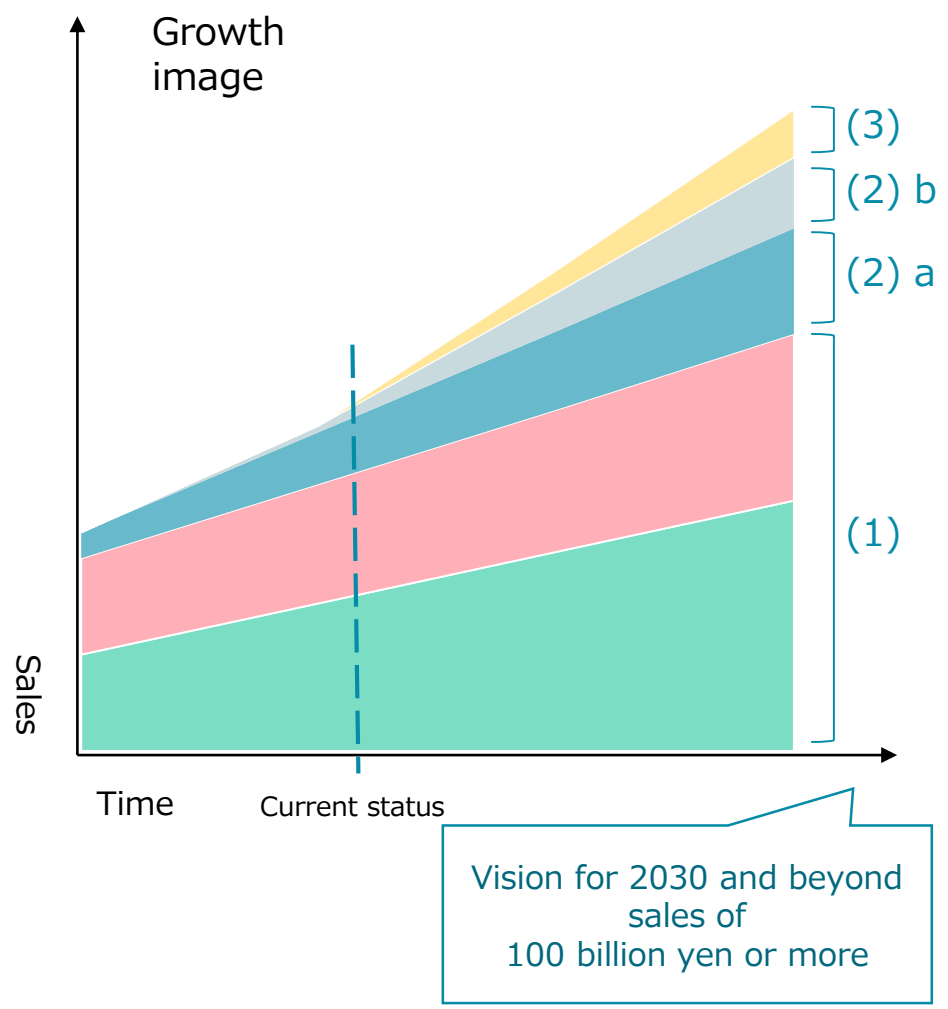


Business strategies

Expand existing businesses including M&A based on company-wide policies and improve profitability by developing new businesses

▶ **See next page**

Aim to achieve Vision2030 through M&A, new market development, and new business development, in addition to growth of existing businesses



(1) Growth of existing businesses

Consider overseas as a growth market, and develop individual growth strategies for each area characteristic

Air energy business

See P24

Coating business

See P25

(2) Implementation of M&A (a: Existing business , b: New business)

Mainly consider M&A (a) as an extension of existing business for the purpose of regional coverage, etc., and also consider M&A (b) for the development of new business by acquiring new business models

See P26

(3) New market development and new business development

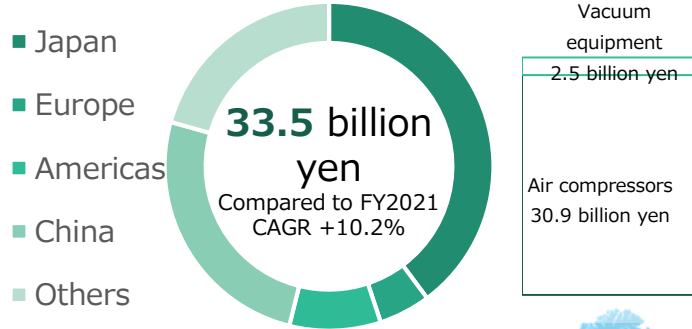
Actively promote the development of new markets and new businesses to ensure the further growth

- Develop markets, new products, and services by utilizing the core technologies and know-how cultivated over the years
- Enter new areas that are not extensions of conventional business

See P27

(1) Existing Business Growth: Air Energy Business Strategy for FY2024

Air energy business Consolidated sales (Estimation for FY2024)



(FY2021: Final year of previous Medium-Term Business Plan)

Air energy business strategy based on Group-wide policies

- Expand sales of products that are used at manufacturing sites and are aimed at the general-purpose market [●]
- Capture specific markets that are less susceptible to economic fluctuations (e.g., vehicle mounting, healthcare, physics and chemistry applications, etc.) [■]
- Promote oil-free products to meet growing environmental needs [▲]

Europe

1.7 billion yen*1, CAGR +23.7% [Up Arrow]

Introduce oil-free air compressors to strategies targeting specific markets and sales network for general-purpose products

- Expand sales of air compressors for vehicle mounting through EMS*3
- ▲ Expand sales of scroll air compressors to markets where oil-free compressors are needed

China

8.6 billion yen*1, CAGR +12.4% [Right Arrow]

Concerns about slowdown of China's economy are covered by exports to other countries from China

- Expand sales of booster compressors manufactured by SCR*2 through energy saving proposals
- ▲ Expand sales of scroll air compressors to markets where oil-free compressors are needed

Americas

3 billion yen*1, CAGR+12.1% [Right Arrow]

Focus on strategies targeting specific markets

- Expand sales of air compressors intended for medical and vehicle mounting applications
- Expand sales of oil-free vacuum pumps for physics and chemistry

Japan

13.4 billion yen*1, CAGR +4.6% [Right Arrow]

Maintain the market share of small-sized air compressors while expanding the sales of medium-sized air compressors

- Expand sales of high-efficiency air compressors by SCR
- ▲ Promote the oil-free products by expanding sales of oil-free air compressors

Others (India)*4

4 billion yen*1, CAGR +28.3% [Up Arrow]

In addition to the strategy targeting specific markets, expansion of medium-sized air compressors is also on the rise

- Expand sales of air compressors intended for medical and vehicle mounting applications
- Produce and expand the sales of SCR's highly durable and high temperature resistant air compressors

Others (Excluding India)*4

2.8 billion yen*1, CAGR +6.4% [Right Arrow]

Re-established area strategy because the competitive environment differs by country

- Expand sales of oil-free vacuum pumps for physics and chemistry
- ▲ Model change and expansion of sales of oil-free recipro air compressors

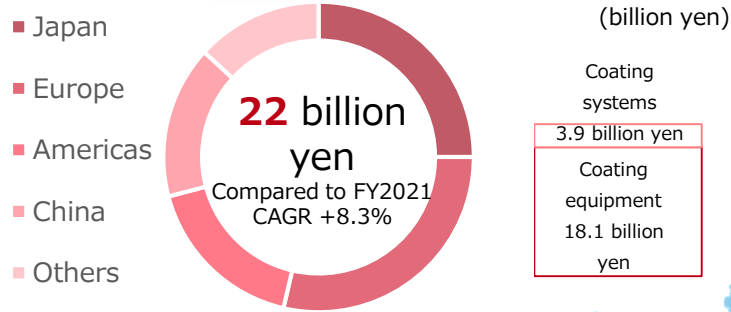
Forecast

- [Up Arrow] +20% or more
- [Right Arrow] +5 to less than 20%
- [Right Arrow] 0 to less than 5%

*1 Amounts are estimates for the end of FY2024.
 *2 SCR: Shanghai Screw Compressor Co., Ltd.(consolidation started in FY2018)
 *3 EMS: E.M.S. CONCEPT SARL (investments started in FY2019)
 *4 Classification of reporting segments: "Others" = Asia excluding China, and Australia and South Africa

(1) Existing Business Growth: Coating Business Strategy for FY2024

Coating business Consolidated sales (Estimation for FY2024)



(FY2021: Final year of previous Medium-Term Business Plan)

Coating business strategy based on Group-wide policies

- Pursue coating technology and expand sales of high value-added products [●]
- Develop new layers (product range, customers, markets) to meet diverse needs [■]
- Expand sales of products that benefit society by reducing environmental impact and saving labor during the coating process [▲]

Europe

6.3 billion yen*1, CAGR +9.1%

Automotive market remains stable, and there is a lot of potential for the growth of the industrial market

- Promote orders for automated coating peripheral equipment for industrial use
- Continue developing and maintaining partnerships with major coating material manufacturers

China

3.5 billion yen*1, CAGR +2.2%

Forecast remains unchanged due to concerns over economic slowdown

- Capture the automotive repair market and the market for mid-range spray guns
- Accept and promote orders for coating systems from local companies (non-Japanese companies)

USA

3.8 billion yen*1, CAGR +10.4%

Expansion to new areas and new commercial products is possible. High expectations for the future

- Begin sales of products for woodwork coating and new automotive repair spray guns
- ▲ Begin sales of eco-friendly equipment and coating booths

Japan

5.5 billion yen*1, CAGR +6.2%

Existing markets are shrinking. Create new merchandise through direct sales

- Expand the environmental equipment through 100% efficiency and widespread use of electrification
- Start a painting robot subscription and painting business

Others (India)*2

1 billion yen*1, CAGR +38.9%

Continued growth with the growth of India's automotive and IT industries

- Expand sales of mid-range spray guns and paint lines
- ▲ Promote orders for coating systems for the automotive industry

Others (Other than India)*2

1.9 billion yen*1, CAGR +11.4%

Booming investment for EVs and remarkable expansion of high-end range

- Expand new sales network. Start the sales of high-grade automotive repair spray guns
- ▲ Promote sales to Chinese customers. Start the sales of coating booths

Forecast

- +20% or more
- +5 to less than 20%
- 0 to less than 5%

*1 Amounts are estimates for the end of FY2024.
*2 Classification of reporting segments: "Others" = Asia excluding China, and Australia and South Africa

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 are cash on hand and borrowings.

Examples of our desired purposes of M&As

- Regional coverage
(Example: 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. Moreover, we can acquire optimal sales channels and service functions for local areas.)
- Complement of product ranges
- Technology and know-how related to products and parts

Candidate examples

- 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.)
- Sales channels possessing technical service skills
- Ingredients and material manufacturers

M&A target areas

	Japan	Overseas
Technology	☆	
Production and products		☆
Sales and services		☆

☆: Priority targets

New market development and new business development are also in progress for further growth.

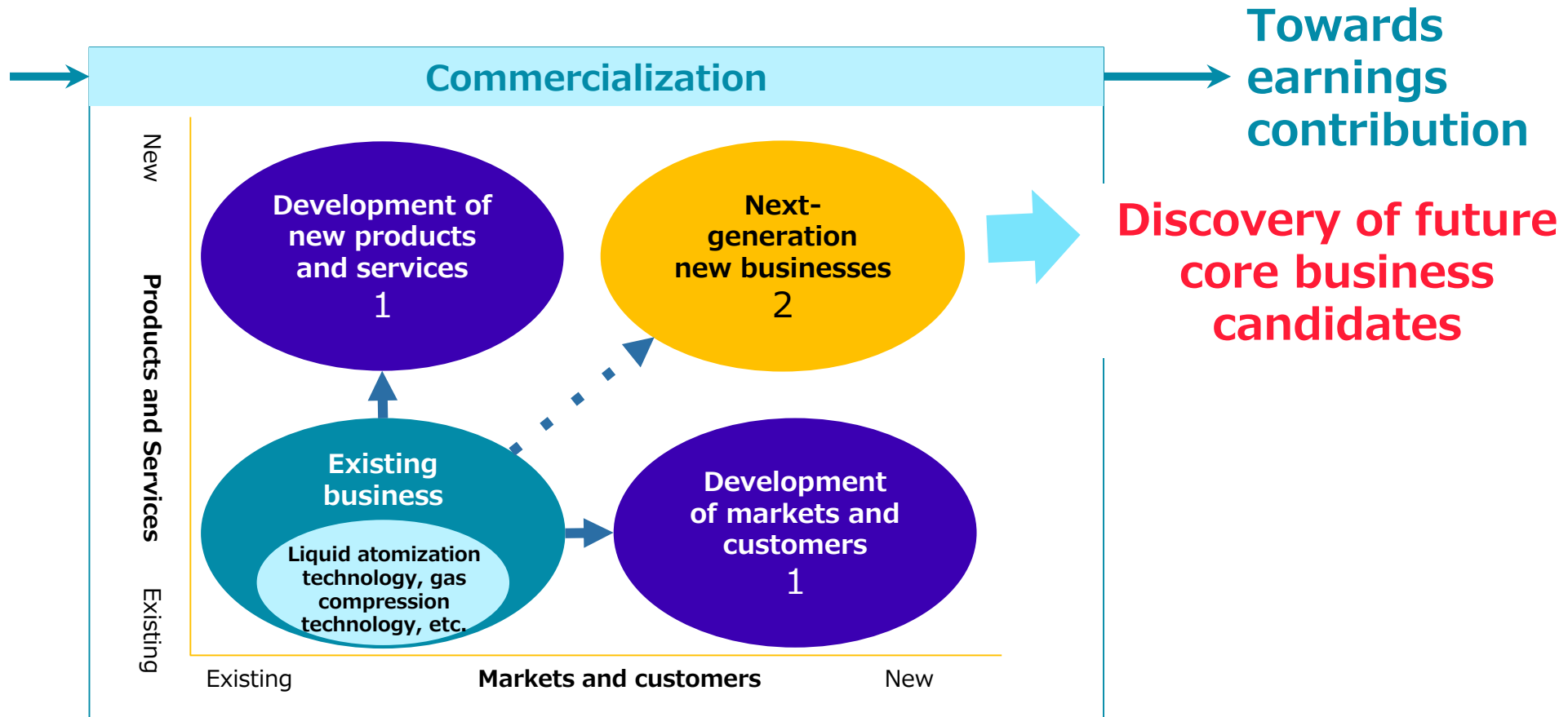
1 Create markets and develop new products and services by utilizing the core technologies and know-how cultivated thus far
⇒ "Gas compression/recovery businesses" by utilizing scroll compression technologies, "development of particle/coated film formation devices" by expanding liquid spray technologies, etc.

2 From the sustainability viewpoint, enter new areas that are not an extension of conventional businesses
⇒ Build relationships with related industries through participation in motorsports (platform for new business development) ▶ See P60

Discovery and training of our company entrepreneurs



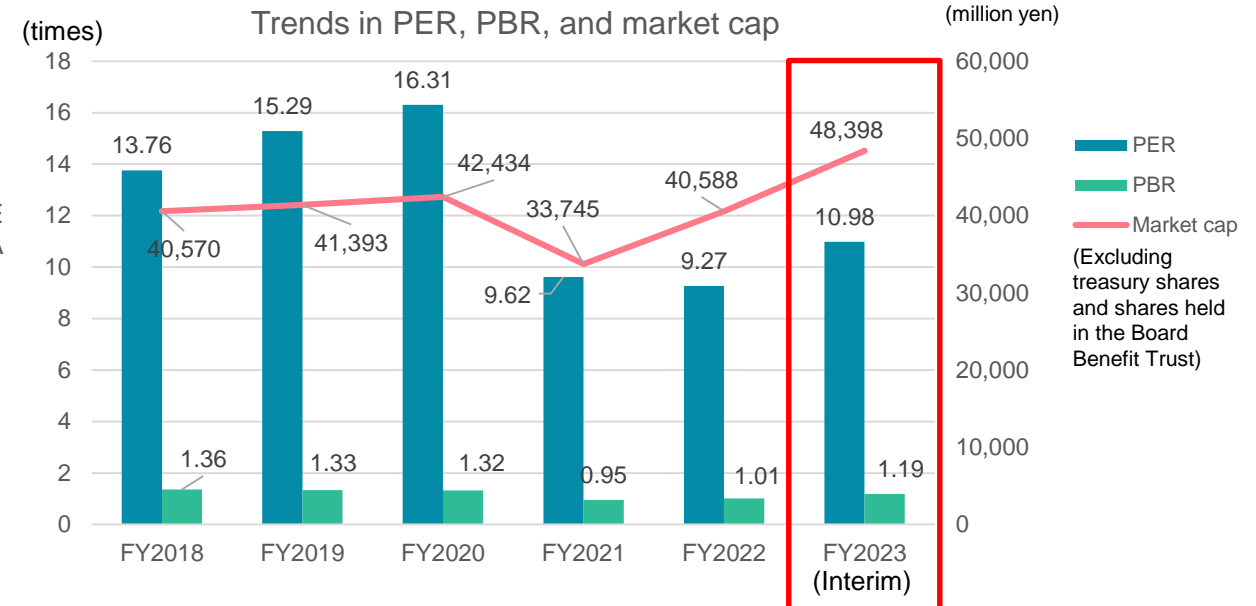
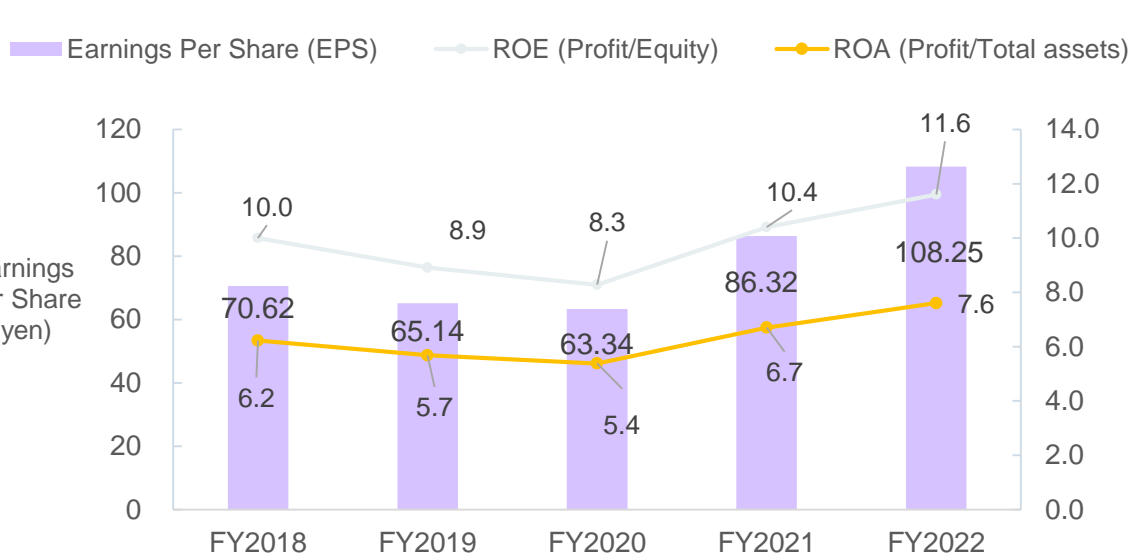
Groundwork



Notice Regarding “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”

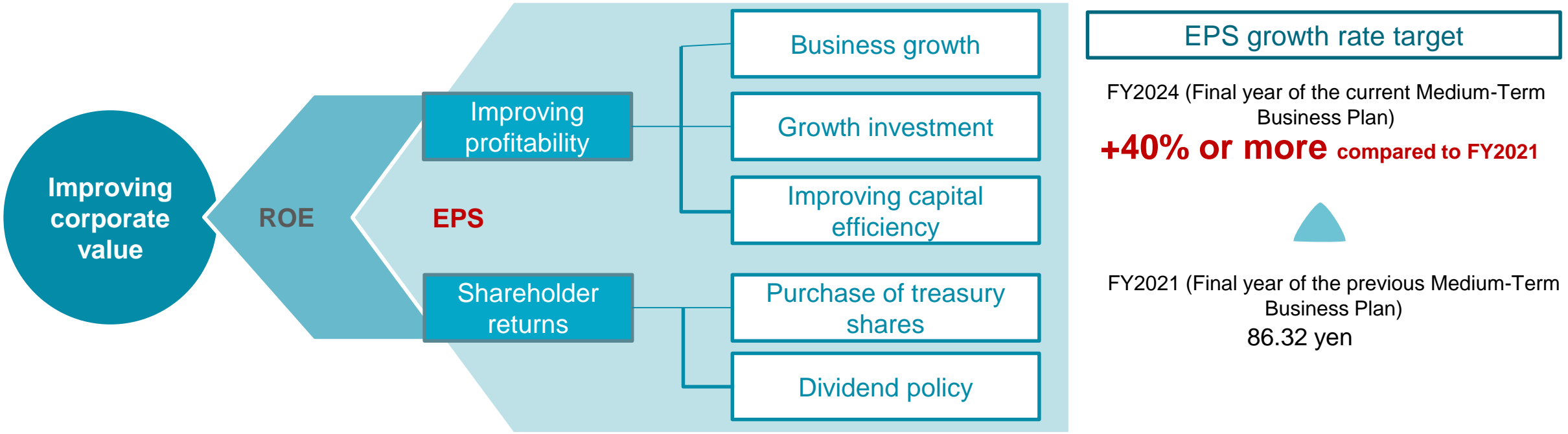
- Reviewing the disclosure related to capital policy -

PER and PBR were temporarily subdued, partly due to the stock offering in January 2022, but are picking up. It is necessary to further increase the ROE by considering the increase in the cost of the shareholders' equity and debt due to the expected rise in interest rates in the future

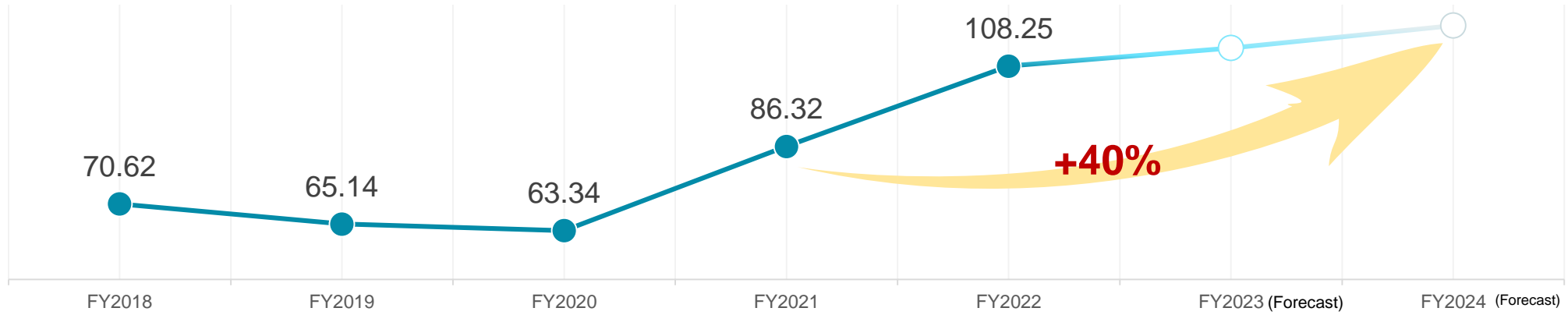


		End of FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022	FY2023 Interim (September end)	End of FY2023 (Forecast, Revised on November 9)
EPS (Earnings Per Share)	Yen	70.62	65.14	63.34	86.32	108.25	64.82	113.65
ROE (Return on Equity)	%	10.0	8.9	8.3	10.4	11.6	-	10.6
ROA (Return on Assets)	%	6.2	5.7	5.4	6.7	7.6	-	-
PER (Price-to-Earnings Ratio)	Times	13.76	15.29	16.31	9.62	9.27	10.98	-
PBR (Price-to-Book Ratio)	Times	1.36	1.33	1.32	0.95	1.01	1.19	-
Market cap	Million yen	40,570	41,393	42,434	33,745	40,588	48,398	-

Set the Earnings Per Share (EPS), which is one of the indicators most closely linked to business performance, as a KPI
 Aim for profit growth through business expansion and increase EPS through flexible share buy-backs



EPS trend



Active Investment for the Growth and Expansion of the Business Scale

Three years (April 2022 to March 2025)

Cumulative operating cash flow Illustration of amount distribution

**Operating cash flow
15 to 16 billion yen**

**Capital investment
5 to 6 billion yen**
Breakdown
Facility maintenance/upgrade and increase the production capacity
3 to 4 billion yen
IT investment
2 billion yen

- **Investment for increasing production capacity**
Promoting increasing capacity (expansion of production lines and replacement with state-of-the-art equipment) at the Fukushima and Akita factories to increase products for export to overseas markets
- **IT investment**
Strengthening the integrated core system (ERP) to promote global management, and promoting business management and consolidated accounting to include overseas

**Research and development, new development, M&A, etc.
5 billion yen**

- **The Company's own funds and loans are used for M&A**

**Shareholder returns/dividends/share buybacks
5 billion yen**

- **Dividend payout ratio raised from roughly 35% to roughly 40% (from November 2023)**
- **Share buyback limit of 1.5 billion yen or more**

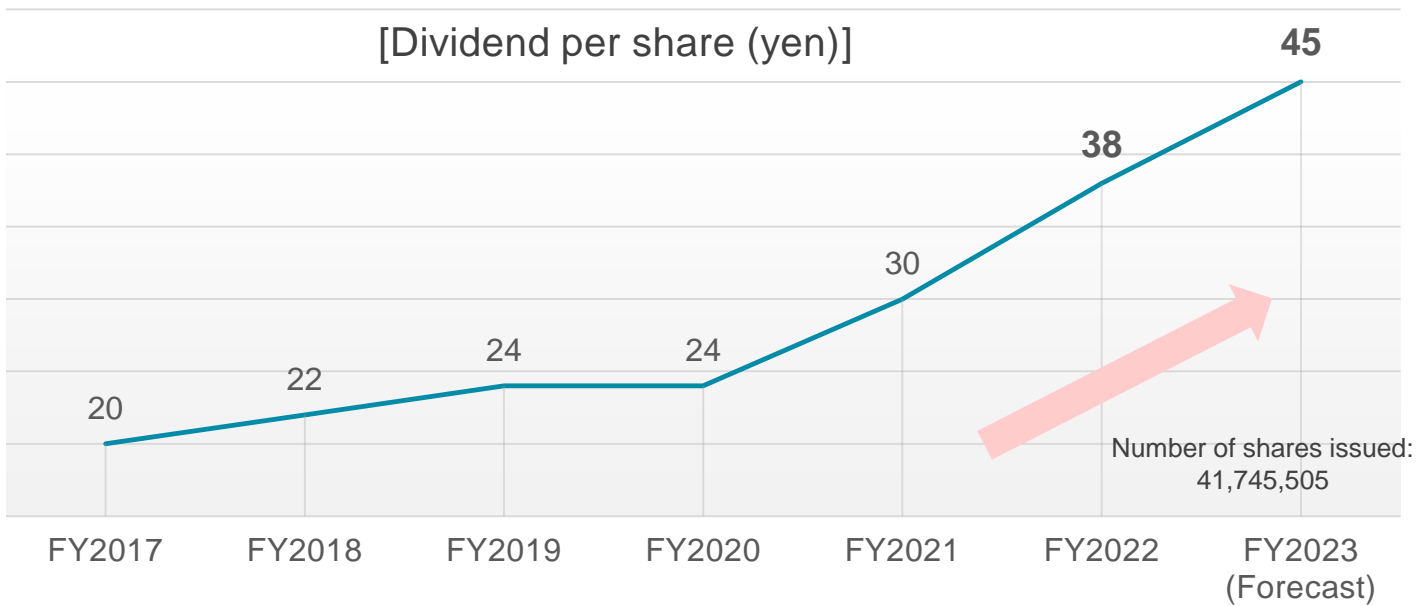
As a policy, the dividend payout ratio has been raised from 35% to 40%. Increased the interim dividend by 5 yen

Dividend policy

- Ensuring internal reserves for investment in growth and stable dividends
- Dividend payout ratio: Roughly 40%

Dividend

Dividend	Interim (yen)	Year-end (yen)	Annual (yen)	Dividend payout ratio (%)
FY2022 Actual	16	22	38	35.1
FY2023 Initial forecast	17	23	40	-
Actual	22			
Latest forecast		23	45	39.8

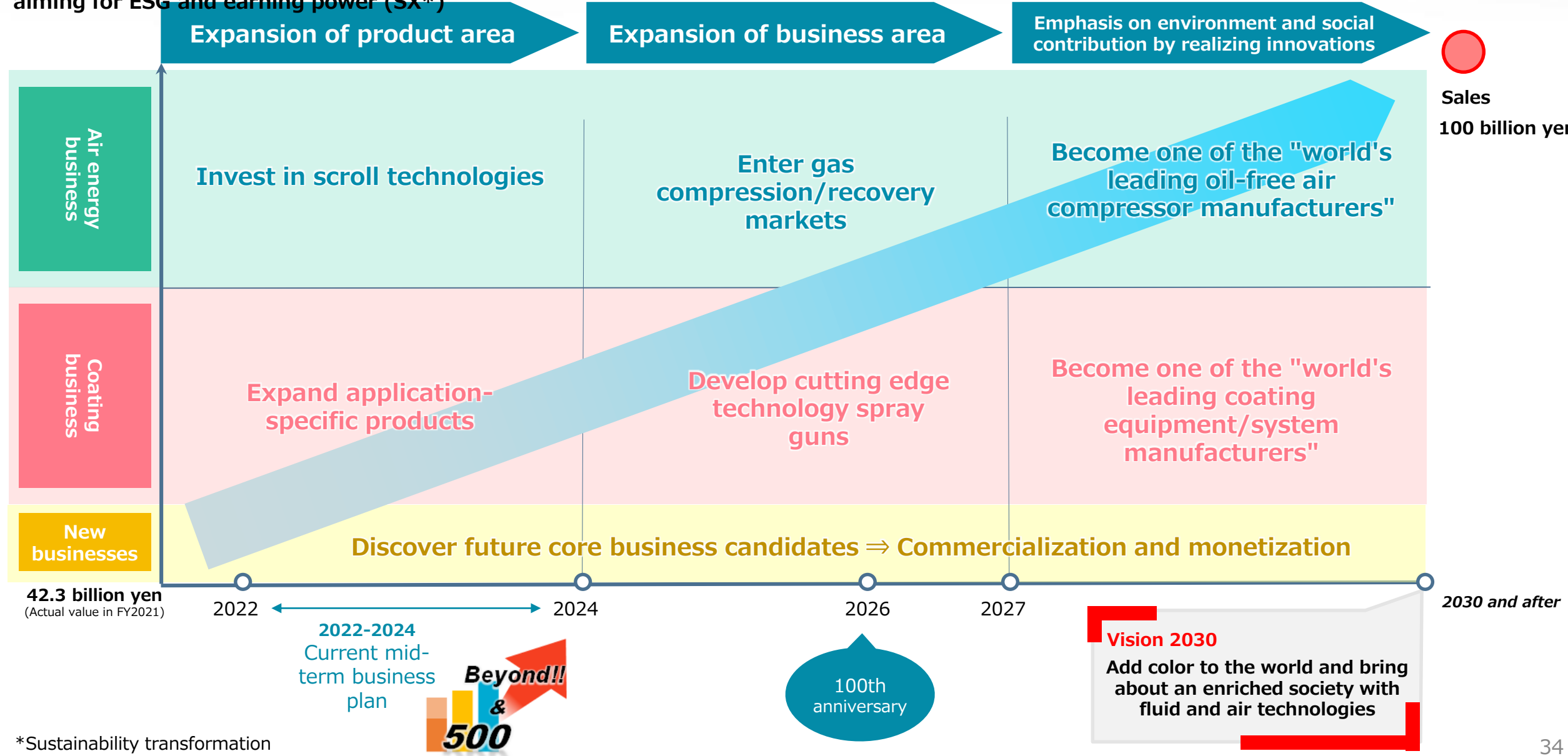


Share buyback

- About 1,500 million yen is planned in the current Medium-Term Business Plan

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

The current medium-term business plan is the first step towards medium- to long-term vision, "Vision 2030." Improve corporate value by aiming for ESG and earning power (SX*)



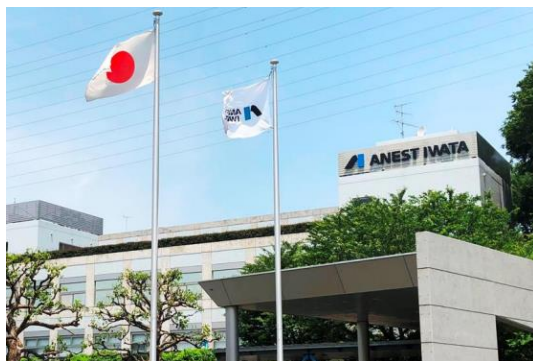
*Sustainability transformation

<Reference Material> About ANEST IWATA

<As of March 31, 2023>



Shinichi Fukase, President,
Representative Director and Chief
Executive Officer



Headquarters

Company Name	ANEST IWATA Corporation
Headquarters	3176, Shinyoshida-cho, Kohoku-ku, Yokohama-shi, Kanagawa 223-8501, Japan
Representative	Shinichi Fukase, President, Representative Director and Chief Executive Officer
Founded	May 1926
Incorporated	June 1948
Capital	3,354 million yen
Line of Business	Manufacture and sale of air compressors, vacuum equipment, coating equipment, coating systems and peripheral equipment
Number of Employees	1,799 (of which 625 are in Japan)
End of Fiscal Year	March 31
Listed Stock Exchange	Prime Market, Tokyo Stock Exchange

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

Atomizing paint with compressed air

Air compressor

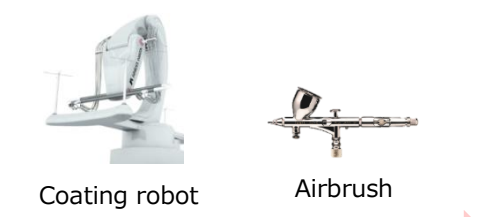
Compressor

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



Diversification of products
Development of new applications



Coating business

Coating equipment
Equipment units such as spray guns and paint supply pumps

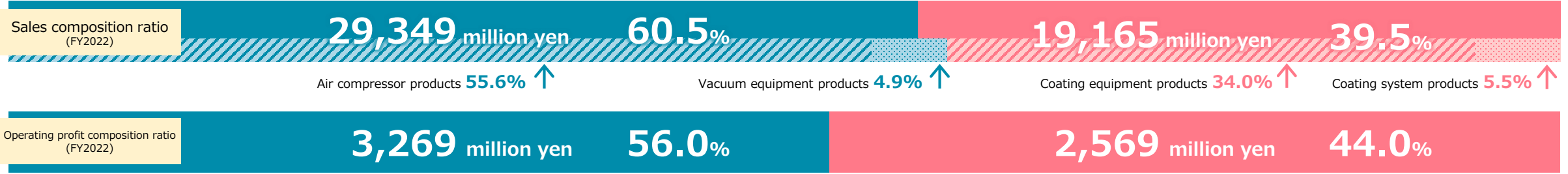
Coating systems
Systems combining coating equipment with ventilators, driers, and coating robots

Air energy business

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

Vacuum equipment
Vacuum pumps and auxiliary equipment such as valves

Manufacturer specializing in air compressors and coating machinery and appliances (spray guns)
Air energy business for manufacturing air compressors; and coating business for handling coating equipment and systems



Air energy business

Coating business

Air compressor products	Vacuum equipment products
Machines that compress gas, mainly air	Machines that suck in gas to reduce the pressure, creating a vacuum
For use in machine drive sources at factories, train door opening/closing control, hospital facilities, etc.	For use in advanced research institutes, car/food factories, etc.
<p>Factory</p> <p>Train/bus</p> <p>Medical</p> <p>Food</p> <p>Oil-free scroll air compressor</p>	<p>General industry</p> <p>Semiconductor manufacture</p> <p>Food</p> <p>Research institute</p> <p>Oil-free scroll vacuum pump</p>

Coating equipment products	Coating system products
Tools for painting and coating by spraying paints and other liquids, and machines for transporting liquids	Systems that handle a coating process and processes before and after it in a series of flows, including coating equipment
Supply of products related to painting and coating	Design and sale of coating lines
<p>Car</p> <p>Home appliances</p> <p>Wood, metal, and plastic</p> <p>Art and hobbies</p> <p>Spray gun for the car repair coating market</p>	<p>Car parts</p> <p>Railway vehicle</p> <p>Wood products/home appliances</p> <p>Construction machinery/heavy machinery</p> <p>Rotary coating robot</p>

Value Creation Process

The Group 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 Group, 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
誠心
"Makotono kokoro"
(Trustworthy & Sincere)

ANEST IWATA Corporate Philosophy

Various capital held by the Company

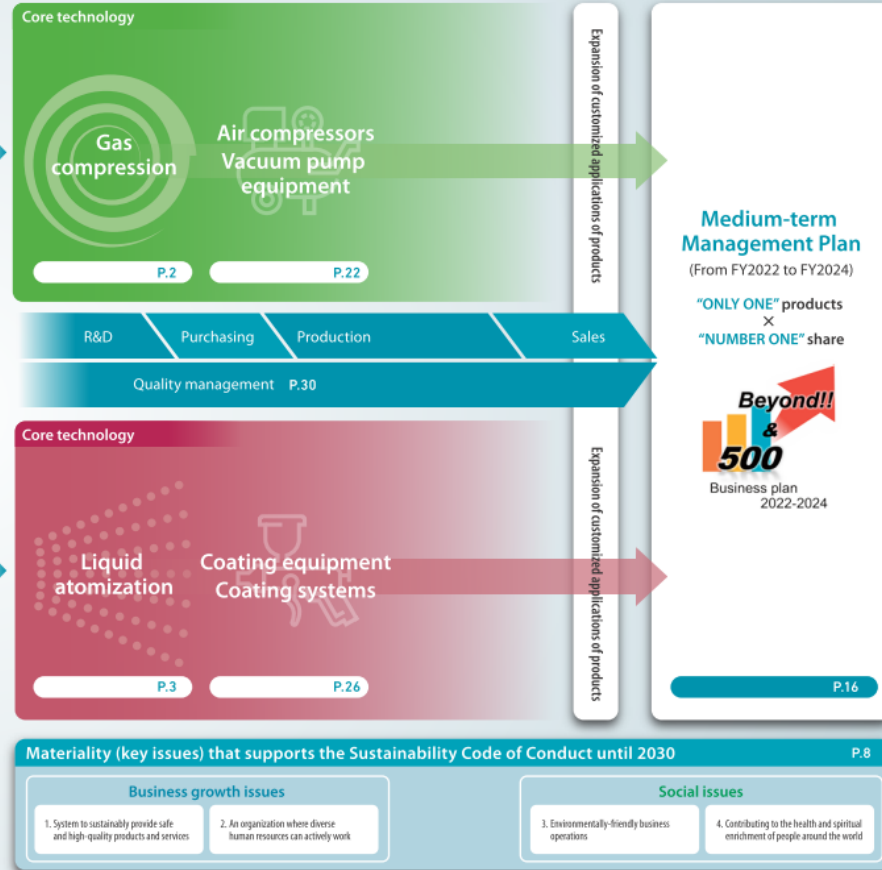
(As of March 31, 2023)

Financial capital
Net assets: 45,255 million yen
Shareholders' equity ratio: 66.6%
Manufacturing capital
Capital investments: 2,557 million yen
Property, plant and equipment: 12,461 million yen
Number of factories: 19 factories in 10 countries and regions
Human capital
Number of Group employees: 1,799
Ratio of overseas employees: 65.3%
Intellectual capital
Number of Patent applications: over 1,200 patents in Japan and overseas
Research and Development expenses: 1,355 million yen
Social and related capital
Number of group companies: 35 subsidiaries in 20 countries and regions
Natural capital
CO2 emission (non-consolidated) 5,230 t-CO ₂

The external environment surrounding the Company

- Intensifying international competition
 - Decrease in manpower
 - Escalation of climate change and environmental problems
 - Growing social demand
 - Shift toward new lifestyles
 - Increasingly uncertain market environment
 - Advancement of digital society
 - Risks that may have a significant impact on the Company's
- P.58

Business activities and achievements



The value that we create

(As of March 31, 2023)

- Creating cash**
Consolidated net sales **48,515** million yen
Free cash flow **1,005** million yen
- Providing products and services that meet the needs and are tailored to the needs of countries and regions**
 - Enhancing coordination among Group companies by utilizing ICT tools^{*1}
 - Expanding sales of customized products that are not affected by the economy
 - Enhancing overseas sales
- Consolidated overseas net sales increased **19.3%** compared to FY2021
- Contributing to manufacturing in a wide range of fields**
 - Providing industrial machinery playing a vital role in various production factories
- Supplying highly reliable products**
 - Gaining support from the market
- Hand spray guns**
Domestic market share **70%** or more^{*2} Global market share ranking **2nd**^{*2}
- Airbrushes**
Global market share around **30%**^{*2} Domestic market share ranking **2nd**^{*2}
- Building a safe working environment**
 - Stabilizing employment
 - Full-time employees account for **90.1%** of the workforce
 - Promoting health and productivity management
 - Recognized as one of the "White 500" enterprises in the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program
 - Selected under "2023 Health & Productivity Stock Selection"
 - Decrease in annual losses^{*3} due to presenteeism^{*4}
 - Decreased **11.4%** compared to FY2021
- Enhancing relationships with regional communities**
 - Collaboration with local organizations
- Contributing to the solution of environmental issues**
 - Developing environmentally-friendly products
 - Rectifying environmental problems through the widespread adoption of our environmentally-friendly products
 - Sales of oil-free models account for **51%** of total sales of air compressors

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

E Development of environmentally-friendly products P.36

S Respecting human resources fundamental to the company and our relationship with society P.40

G Enhancement of governance structure P.51

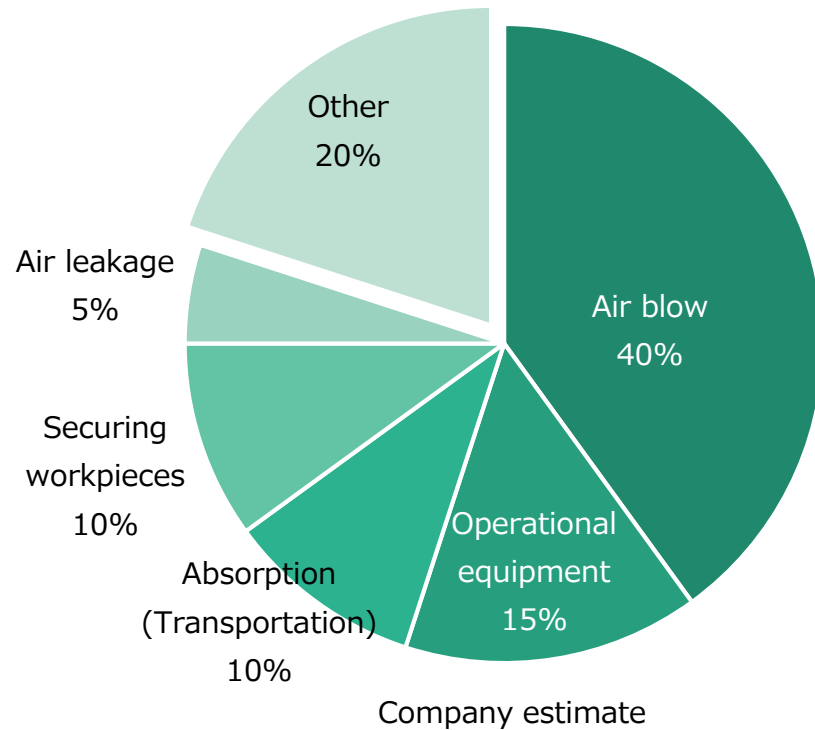
^{*1} A general term given to system applications and devices that utilize communication technology
^{*2} According to our research
^{*3} A state of working even though the employee has health problems
^{*4} Average loss per person based on the IQ method

Business Model of ANEST IWATA (Business Strategy)

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.

Main uses of compressed air at production plants



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 the supply of oil-free air compressor main units to top-class air compressor manufacturers overseas)



Sales composition ratio of main products by industry

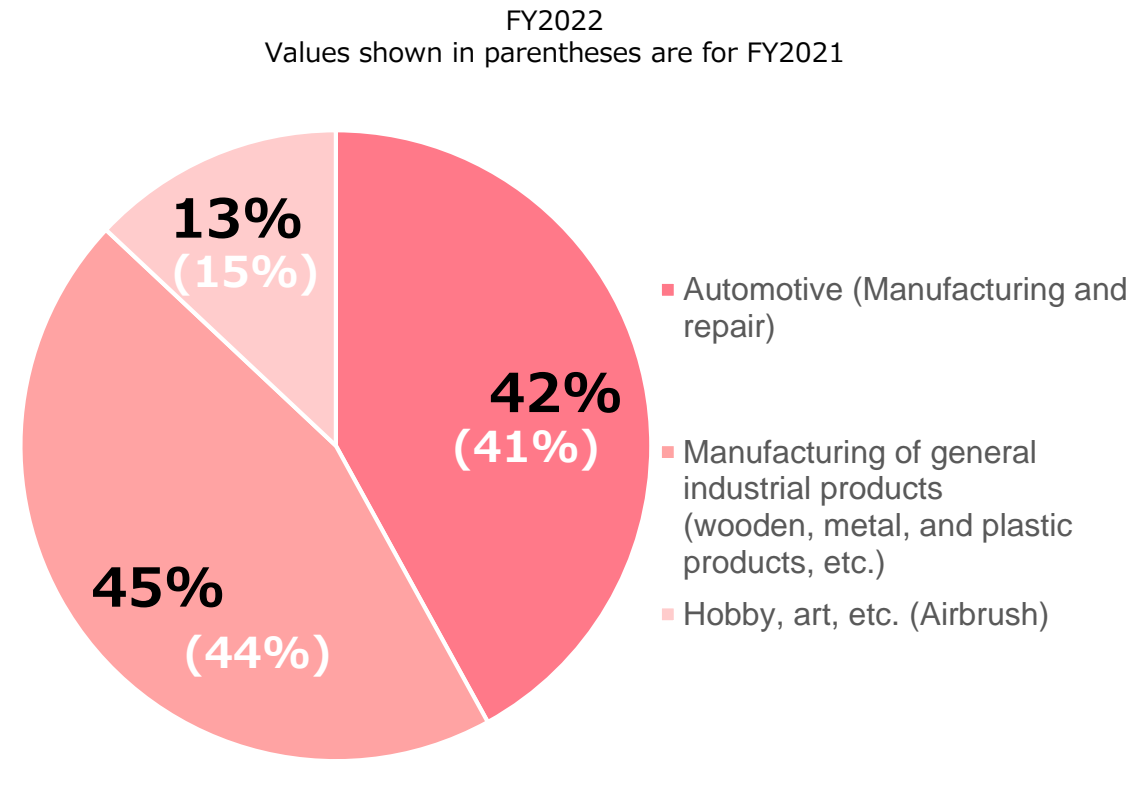
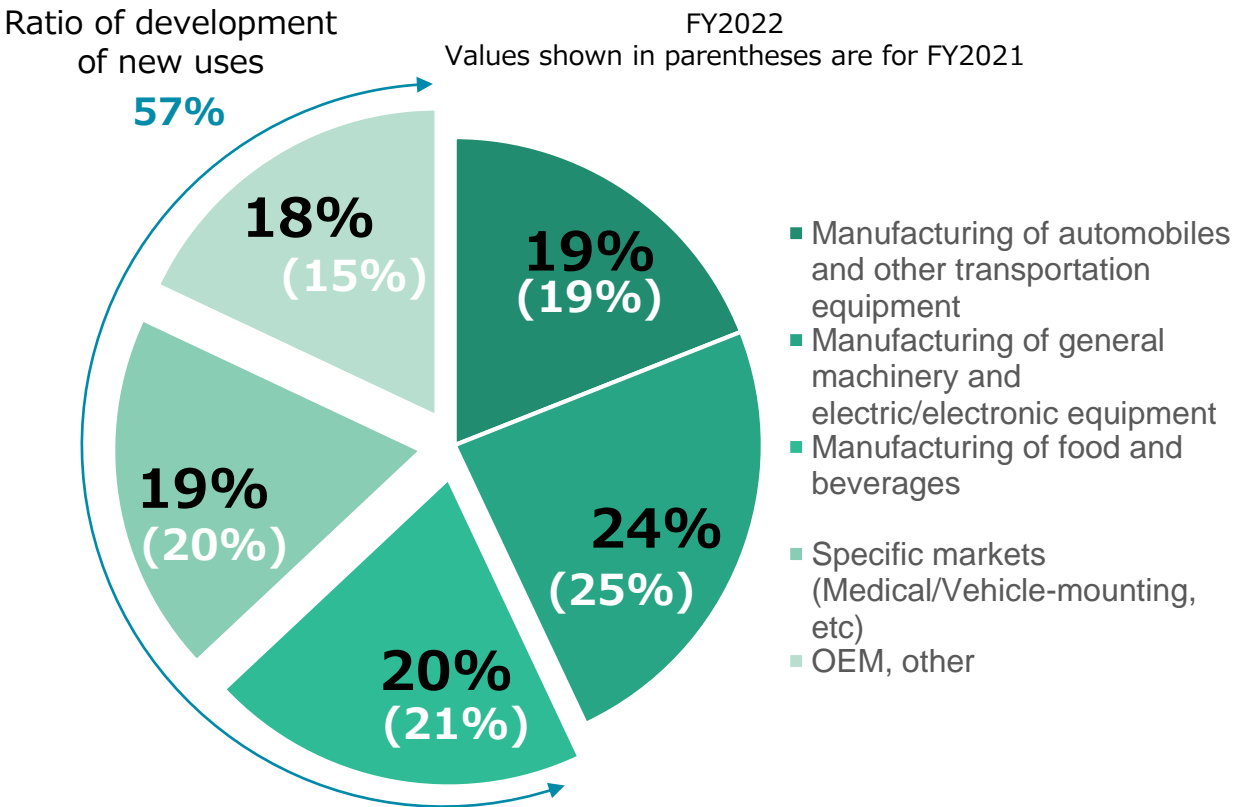
Both air compressors and spray guns (coating equipment) are sold mostly to automobiles and general industries. Application development by introducing products that meet the specifications required by customers contributed to sales. Oil feed type air compressors, which have been widely used in the past, have been the mainstay of air compressor sales, but the introduction of oil-free air compressors has successfully cultivated new demand in food and beverage industries, specific markets, OEMs, etc.

Air energy business

Coating business

Air Compressors

Spray guns (Coating equipment)



Estimates based on our domestically collected data

Estimates based on our domestically collected data

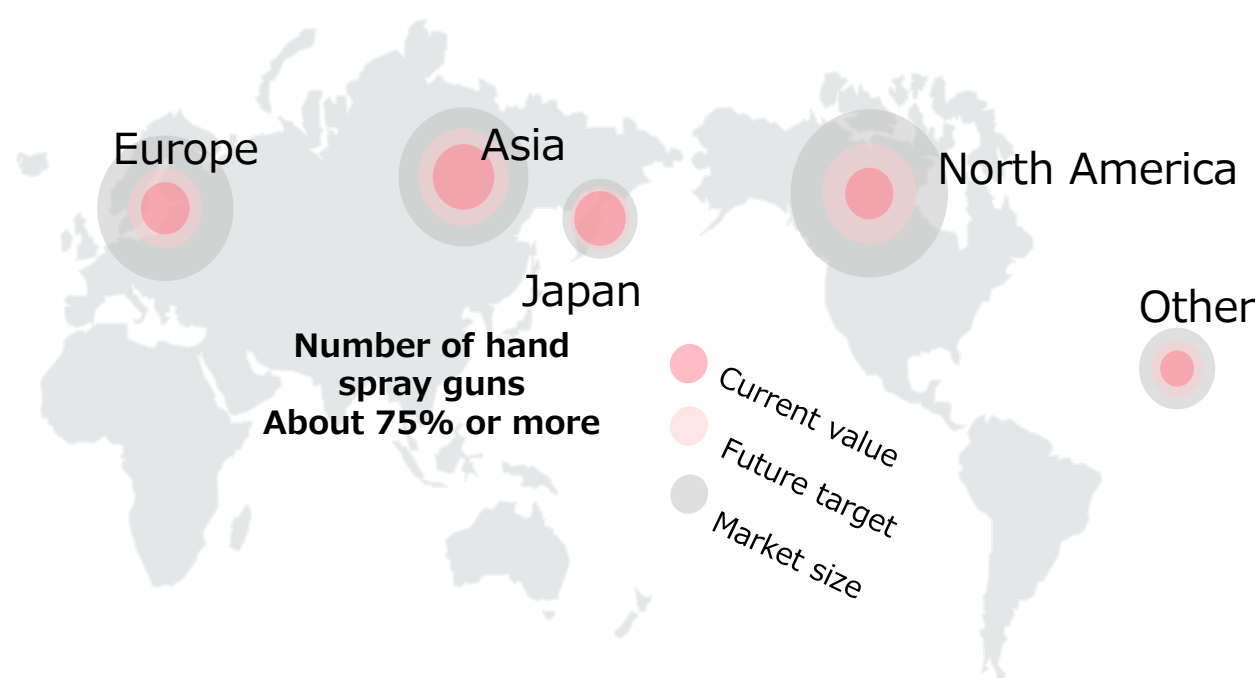
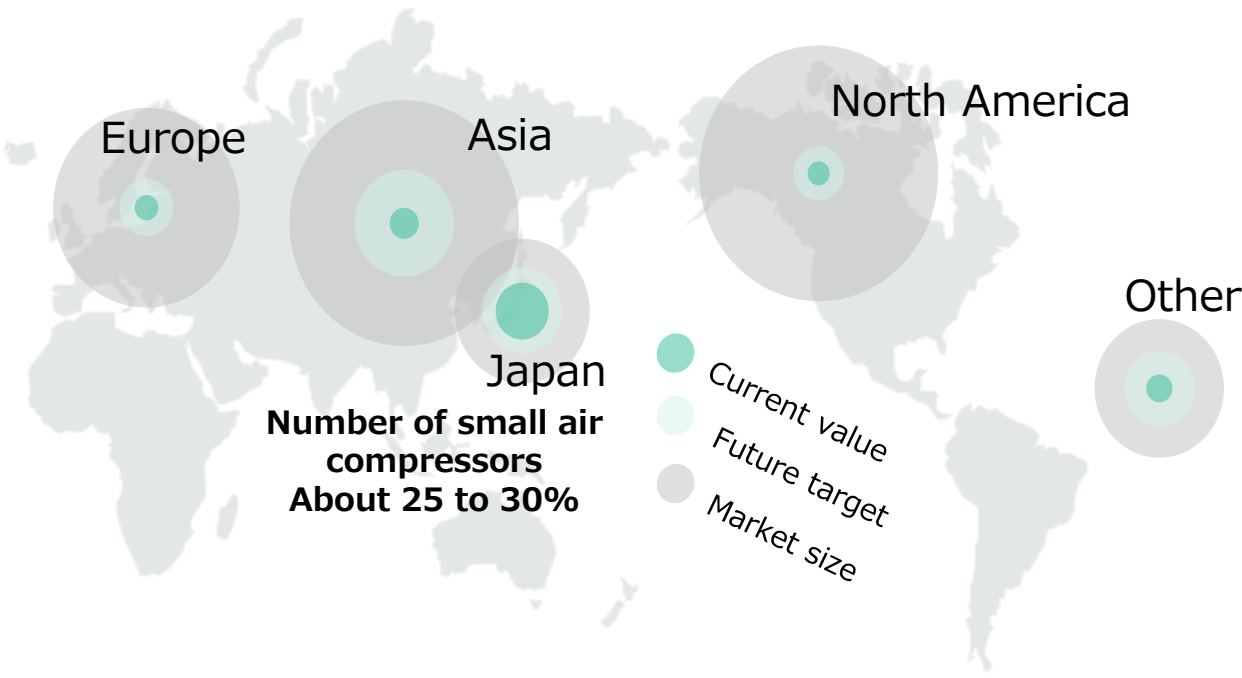
The global market scale is expanding for both. Growth drivers are overseas, and there is no change in the policy of expanding sales of air compressors in particular.

Global air compressor market
Approx. 1,800 billion yen (About 29% increase in approx. 6 years)

Global spray gun market (coating equipment):
About 150 billion yen (About 15% increase in approx. 6 years)

Our share of the amount
About 1%

Our share in Europe and America
30 to 35%



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"

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

Market size	Approx. 1,800 billion yen	About 85 billion yen (about 5% of the global market)
Competitors	Multiple manufacturers almost solely specializing in air compressors	Major electronic manufacturer A, steel manufacturer B, etc.
Major player's operating profit ratio	About 10 to 20%	Less than 10%
Market structure	Several major companies are considering this as their main business, and price competition is lenient	Price competition is always severe as all-round manufacturers supply air compressors alongside other products.
Profitability evaluation	There is price competition, but there is much room for us to increase our share and profits, compared to the domestic market	The market is mature. Price competition is severe and increasing profits is difficult.
Our sales and share	15.8 billion (approx. 1% share)	11.1 billion yen (Approx. 13% share, mainly small size air compressors)
Our strategy	Expanding overseas sales, including M&A	Increasing the composition high-margin products (Oil-free scroll-type, etc.)

Investigated or estimated by ANEST IWATA

Air energy business strategy ≙ Air compressor strategy (air compressors account for approx. 92% of sales composition in FY2022)

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

Approx. 150,000 million yen

Approx. 14,900 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.

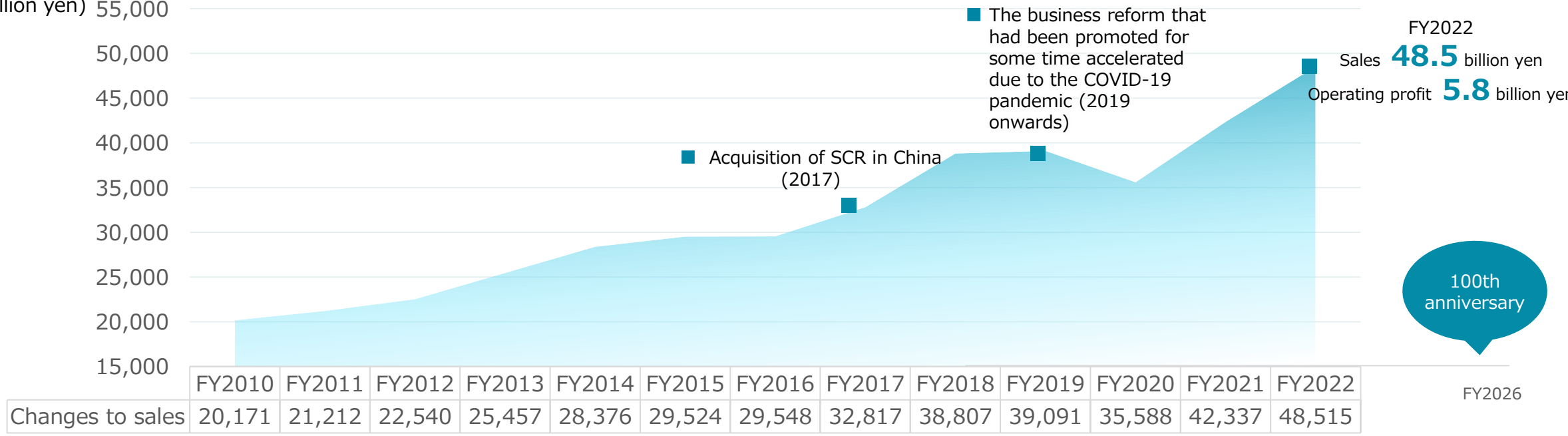
Major competitors have strengths in the high-end range, and it remains difficult for brand changes to take place. However, if use of water-based paint increases as environmental regulations are tightened, there is potential for us to increase sales due to the know-how gained from years of operation in 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.

Market sizes and values are researched and estimated by ANEST IWATA in FY2022

Anest Iwata's ESG Management (The Status of Effort for Each Measure)

By placing ESG at the base of management, we have gotten over several recessions for 97 years since our foundation, achieving record high sales and operating profit.

(Unit: Million yen)



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 48.5 billion yen in sales and 5.8 billion yen in operating profit in FY2022.
- 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.



To secure growth in the global market: we need to develop and commercialize products that are excellently environment-friendly.

Sales promotion of environment-conscious products

Promoting development

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



1980's President

Air energy

Oil-free (no use of lubricating oil)

Developed the world's first air-cooled oil-free air compressor based on small-size scroll type air compressors
(See next page for details)

In addition to responding to environmental needs, in food and beverage manufacturing, medical care, etc., we expanded our business through new market development

Coating

Dealing with water-based paint

Water-based paints that do not contain VOC* are more difficult to atomize than general solvent-based paints

Reduction in paint usage

Increasing demand for spray guns that can easily form coated film of required quality, and can also reduce the working hours

Development of water-based paints that are difficult to atomize and spray guns for car repair coating specialized for difficult-to-apply paints with an enhanced design.

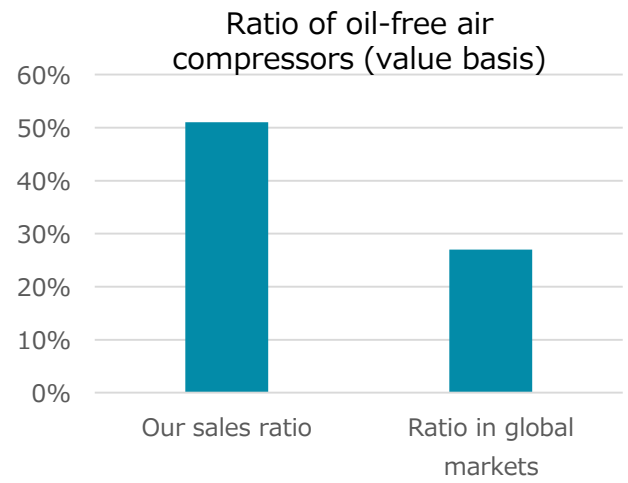
*VOC: Volatile organic compounds. One of the causes of destruction of atmospheric environment or health damage

ESG Status of our initiatives towards promoting oil-free products

- Advantages of oil free products as compared with the oil feed type
 - Environmentally friendly
 - Improved quality of compressed air
 - Increased productivity
- Oil-free air compressors account for approximately 50% in the domestic market in number of units. The sales ratio of oil-free air compressors in ANEST IWATA is about 57%. In the global market, it is estimated to be less than 30% on a value basis, there is large room for increase in the overseas markets, in particular.
- The oil-free air compressors of our Group account for about 51% of total air compressor sales (FY2022)

For reference: Due to the increase in sales of SCR in China, the ratio on a consolidated basis is on a downward trend

- The only manufacturers that mass-produce air compressors of various models are ANEST IWATA and one domestic integrated manufacturer. The integrated manufacturer has not been successful in developing sales channels for air compressors alone in the overseas markets.
- We expanded the OEM supply of oil-free air compressor main units to air compressor-specializing large manufacturers overseas.
- Oil-free machines are about 1.5 times higher in price than the oil feed type. 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 profit ratio of about 10% in Japan, it is possible to secure 10% to 20% overseas. (Details on page 44.)
- Raising prices due to soaring material costs was implemented twice in Japan as well. In the overseas markets, periodic price revision and price increase become widespread.





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

Human resource investment

Previous medium-term business plan measure

Improve the work environment

Achievements

- Recognized in the "Health and Productivity Outstanding Organization "White 500" system (**since 2021**)
- Selected as Health and Productivity Management Brand* (since 2022)

*One company from each industry is selected from among the top 500 "White 500" listed companies that have been jointly certified by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as "Health and Productivity Outstanding Organizations."

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 & Inclusion

Implementation of a system in which diverse human resources can exhibit their abilities, including the promotion of women's active participation

Effort status for FY2022

- Development of PJ activities to promote women's active participation in the workplace for the next generation consisting of volunteer female employees
- Selected as Health and Productivity Management Brand 2023 (2 years in a row)
- Considering the introduction of career planning system
- Implementation of organization diagnosis (once a year)

Develop personnel strategies through Group-wide optimization



Improvement of management power through investment in management foundation: DX

DX promotion

Previous mid-term business plan measure

Enhance infrastructures and networks

Achievements

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



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

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

Effort status for FY2022

- Shifting core systems to the cloud (Ready for testing)
- Started the study of next-generation core system
- Continue the study of design technology information digitization
- Completed the improvement of the functions of estimation and order-receiving systems
- Started business improvement through RPA utilization



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

Promoting DX at domestic and overseas sites

Theme	Main initiative	Aim
<p>Structure of system</p>	<ul style="list-style-type: none"> ■ Building a customer database and using BI tools to centrally manage sales activity data (Japan) ■ Linking Smart Manufacturing System and Financial Cost System (Taiwan) ■ Promoting the unification of integrated customer databases and ERP systems in each business division, subsidiary, and area (Americas and Europe) ■ Real-time and smooth grasping of area-wise sales and profit status, inventory and other information through ERP renewal (Europe) 	<ul style="list-style-type: none"> ■ Utilization of accumulated data ■ Strengthening of cooperation between sections ■ Efficiency improvement of administrative operations
<p>Development (Efficient development that has accurately identified the needs)</p>	<ul style="list-style-type: none"> ■ Digital management of the user information obtained in after-sales service and feedback to the development section (Japan) ■ Introduction of a PLM system in the development process of air compressors for the improvement in operational efficiency and personnel skills (China) 	<ul style="list-style-type: none"> ■ Provision of products that meet customer needs ■ Improvement in operational efficiency ■ Strengthening of manufacturing system
<p>Production (Efficiency of production)</p>	<ul style="list-style-type: none"> ■ Paperless operation, monitoring of production schedule, and automatic man-hour counting through smart manufacturing system (Taiwan) ■ Visualization of operating status, etc. through the adoption of automatic control type processing equipment and transportation equipment, and realization of unmanned automatic processing at night (Taiwan) 	<ul style="list-style-type: none"> ■ Improvement in production efficiency
<p>Sales (Data unification and effective utilization)</p>	<ul style="list-style-type: none"> ■ Usage of marketing automation (Japan) ■ Enhancing sales capabilities by utilizing the intranet to share marketing tools and various other content among subsidiaries (Europe) ■ Management of operation status of air compressors through remote management system and development of sales techniques based on usage status (China) 	<ul style="list-style-type: none"> ■ Acquisition, training, and generation of business negotiations with potential customers ■ Improvement in sales efficiency



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

Impacts on the results of operations

Money amount (operating profit)

Effort status for FY2022

Profit-increasing factors

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

+0.5 billion yen

Profit-decreasing factors

- Soaring prices of raw materials and other purchased goods
- Shortage of logistics resources
- Global supply-demand imbalance

-1 billion yen

- Product price increases in Japan/overseas
- Capital investment for a strong production system
- Review of domestic logistics bases
- Strengthening of supply chain management (BCP measures)
- Promotion of multiple purchases

Though a negative impact was expected at the beginning of the plan, product price increase and improved delivery time of components contributed to increased revenue and profit



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.



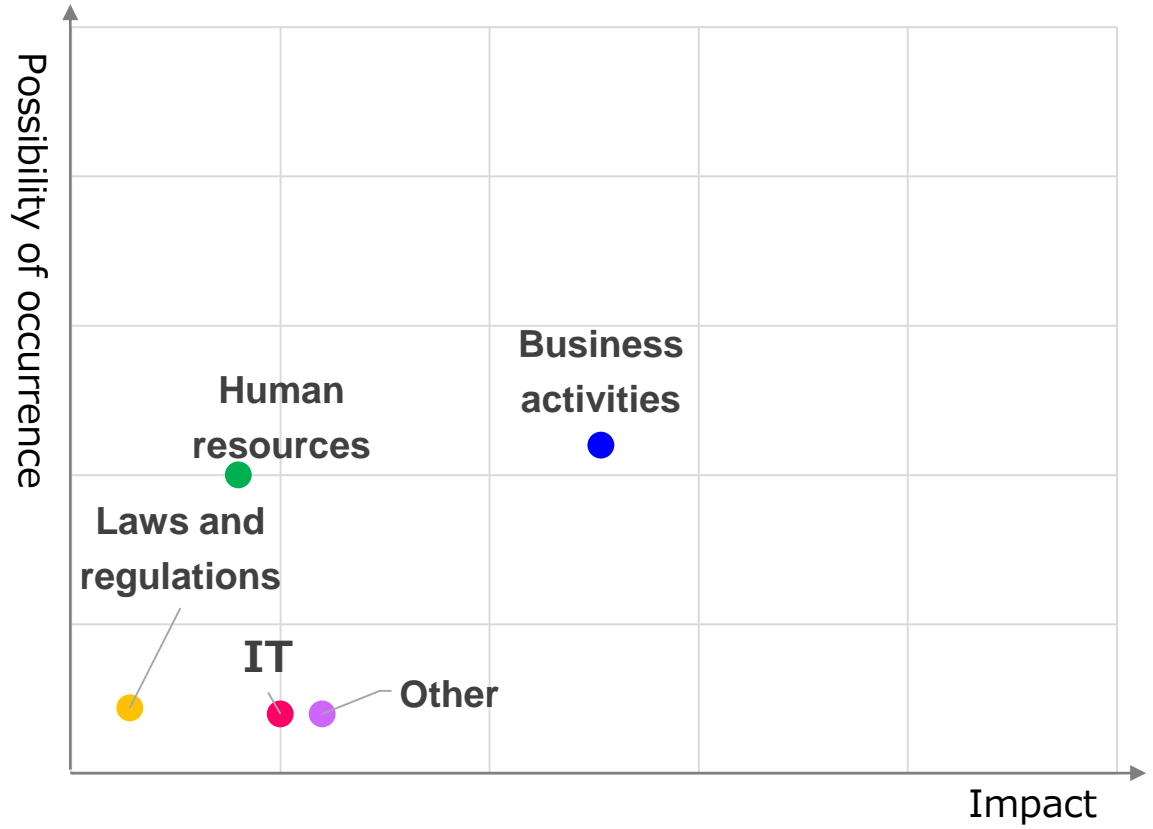
Issues

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

<Recognize risks and respond to them>
 Risk distribution chart



- ① Risks related to business activities
 - Changes in business environment
 - Product quality
 - Business expansion including M&As
 - Damage to corporate value due to a hostile large-scale purchase of our Company's shares
- ② Risks related to human resources
 - Securing of human resources
 - Enhancing organizational performance through health management
 - Labor problems

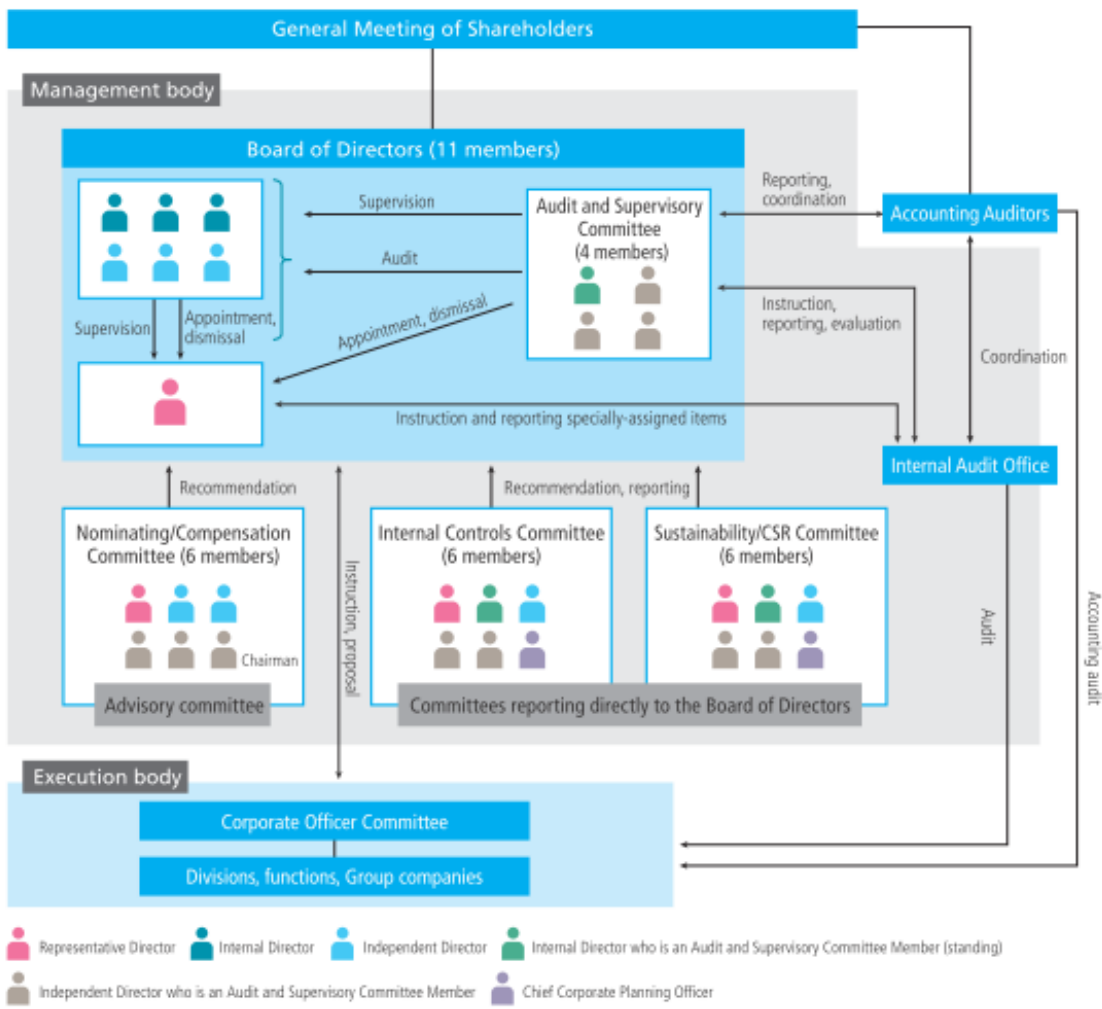
- ③ Risks related to IT
 - IT investment
 - Information security
- ④ Risks related to laws and regulations
 - Misconduct due to legal violation of regulations and standards related to global environment and climate change
 - Fraudulent acts violating laws and regulations
 - Intellectual property
 - International taxation
 - Accounting including impairment loss of non-current assets, etc.
- ⑤ Other risks



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 55%.)

To enhance governance, establish a Management Conference with independent officers as observers.

Governance Structure (Diagram) As of the publication date of this report



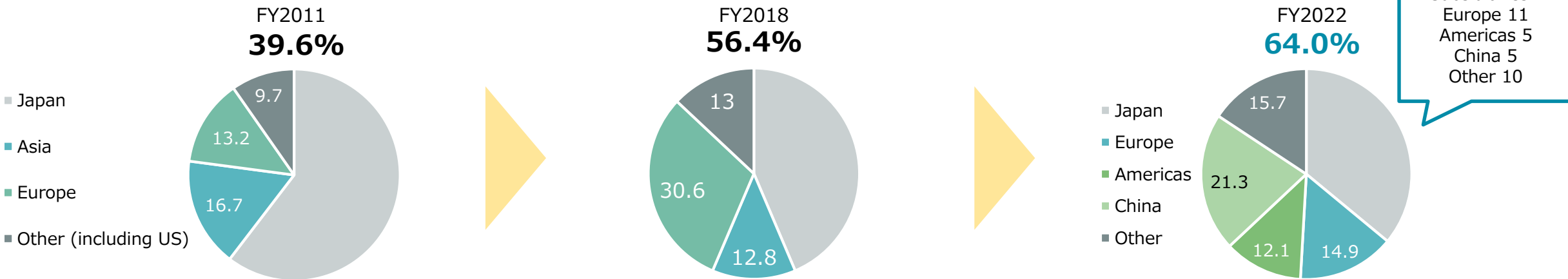
The Role and Composition of the Supervisory Organization ★ represents chairperson/chairman

Management body	Composition	Purpose
Board of Directors		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.
Audit and Supervisory Committee		Exchanges opinions with Directors and the execution bodies, audits the execution of duties by Directors and prepares audit reports, etc.
Nominating/Compensation Committee		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
Internal Controls Committee		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
Sustainability/CSR Committee		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

Promotion of M&A and Development of New Business

Overseas sales expanded from 39.6% to 64.0% in the past 11 years. With a technical tie-up with SCR in China, 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 (%)

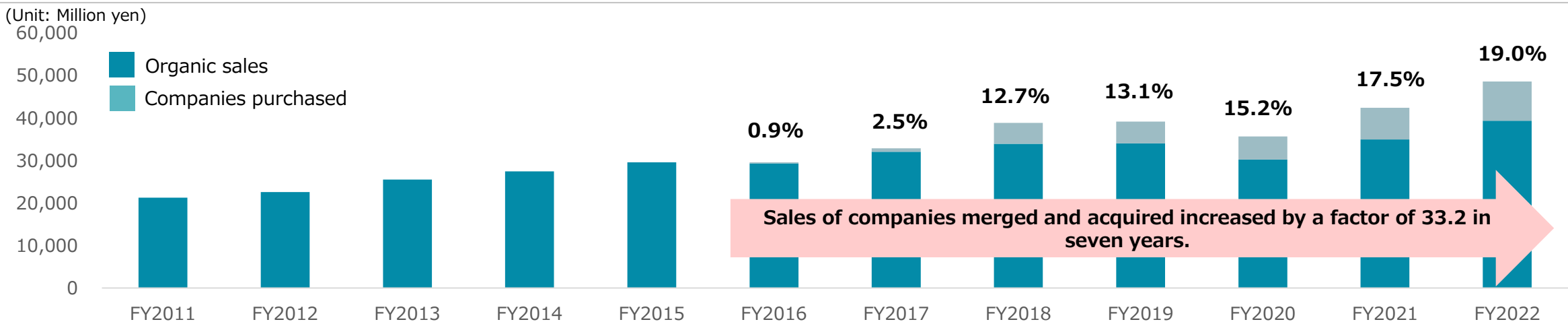


<Overseas Subsidiaries>
 Europe 11
 Americas 5
 China 5
 Other 10

Note) Figures for FY2011 and FY2018 are converted to actual sales in each individual area

From FY2022 segmentation method by location was changed

Changes in sales of main overseas companies merged and acquired



Sales of companies merged and acquired increased by a factor of 33.2 in seven years.

By making the most of the partner company's brand and management as much as possible, the Company maintains its desire to grow even after the M&A.

Examples of successful M&A and business acquisitions

- Shanghai Screw Compressor Co., Ltd. (SCR) : China
Manufacture and sale of mid- to large-size air compressors. It has a strong sales base as a mid-range brand manufacturer in China. In addition, it has expanded to more than 40 countries, mainly in Asia and Europe. By utilizing our Company's (Japan) and our overseas subsidiary's sales channels, sales increased considerably. (1.8 times compared to FY2018)

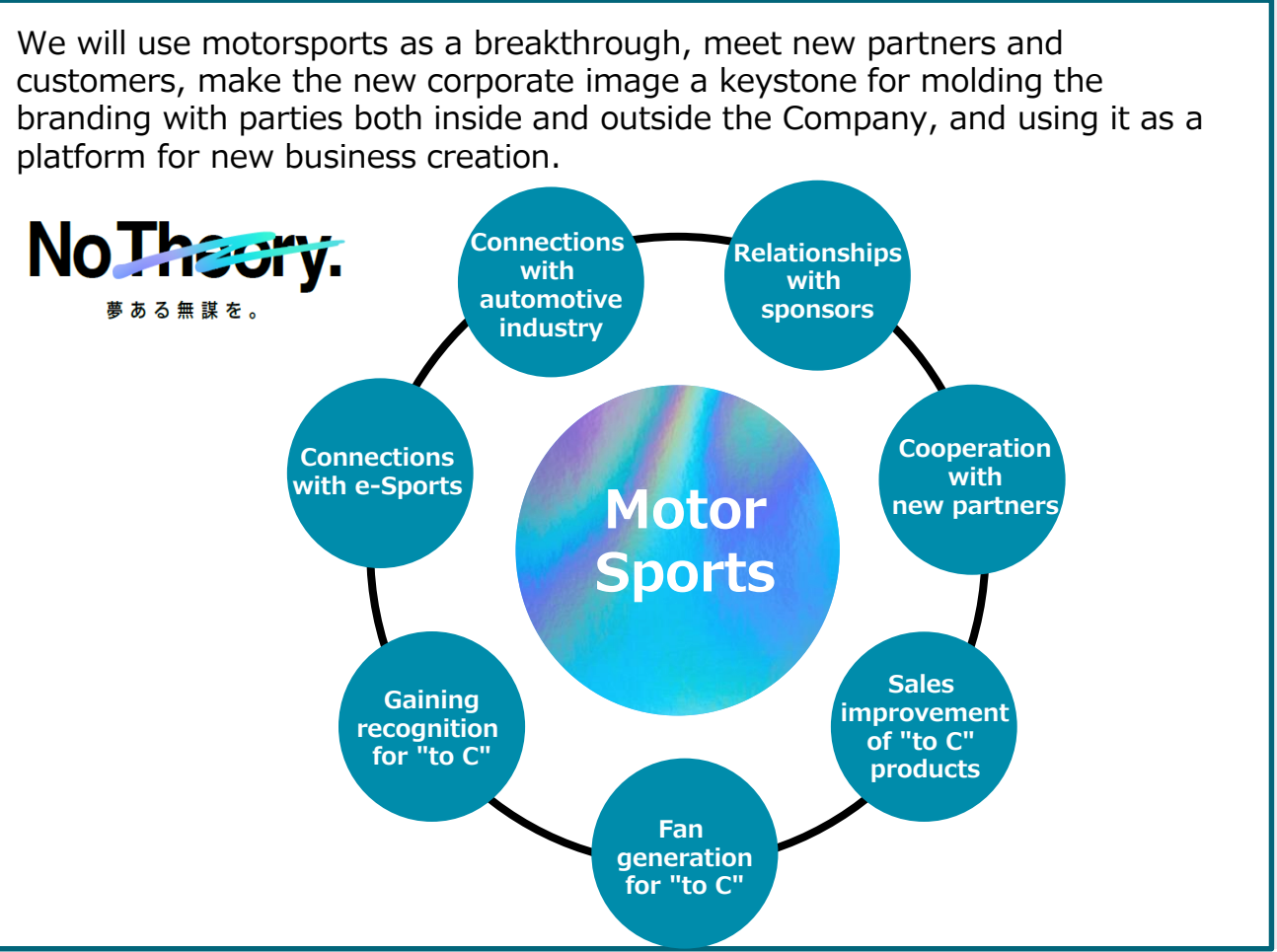
While promoting the sales expansion of oil-free scroll air compressors, by taking advantage of the sales channel of SCR, the ratio of exports to countries other than China is expected to increase further.
- HARDER & STEENBECK GmbH & Co. KG (H&S): Germany
Manufacture and sale of airbrushes. Being a leading brand in Europe, it has expanded its sales destinations to US, Asia, etc. with the help of production facility enhancement.
- Air compressor manufacturer: Brazil
We acquired an air compressor manufacturer as a subsidiary, and started mass-production of oil-free air compressors. In addition to the existing dental market, this subsidiary in Brazil developed its own sales channels and established sales channels to local hospitals, leading to increased sales of oil-free air compressors. Sales of oil-free air compressors for EV vehicles have also started.
- Coating equipment distributors: USA
Acquired the sales business mainly for the car repair market. After the acquisition, the local Group subsidiary conducts direct promotion to sales companies beyond the distributors. Not only the car repair market, but the sales of coating equipment for industrial coating market too had increased. This has contributed significantly to profit growth.

We cultivate new areas with motor sports as the platform. Discovering new sources of business

Participation in motor sports as "ANEST IWATA Racing" from 2023 (Announcement on February 7, 2023)
 Participation in Super GT GT300 Class in the 2023 season with a strong tag of "Gran Turismo"



Gran Turismo 7:TM/©2022 Sony Interactive Entertainment Inc. Developed by Polyphony Digital Inc.



Propagation effect of cultivating new areas

Molding new corporate image	Gaining recognition from new customers
Changes in recognition by existing customers	Changes in in-house awareness

In March 2023, the company announced a partnership with HW ELECTRO, a manufacturer and seller of small commercial EV vehicles, to launch a pre-delivery inspection (PDI) business for vehicles. Various other projects are underway.

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.

Contact: IR Corporate Communication Office,
Corporate Planning Department,
ANEST IWATA Corporation
Phone: 045-591-9344
E-mail: ir_koho@anest-iwata.co.jp
URL : <https://www.anestiwata-corp.com/>