

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

February 9, 2024

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.

Overseas sales of air energy business, led by SCR in China, drove overall sales. Although the cost increased due to continuous participation in exhibition, effects of participation in the Hannover (Germany) exhibition conducted in the second quarter contributed to the expansion of SCR's exports to Europe. Coatings business was supported by strong sales of coating equipment in Europe and Japan despite shrinking demand in China.

*SCR: Shanghai Screw Compressor Co., Ltd.

Net sales	38,970				(million yen)
	Air energy	24,653	(63.3%)	Coating	
Operating profit	4,494				
	Air energy	2,544	(56.6%)	Coating	

Unit (million yen)	Air energy business			Coating business		
	FY2023 3Q	Year-on-year		FY2023 3Q	Year-on-year	
	Actual	Increase/decrease	Increase/decrease rate (%)	Actual	Increase/decrease	Increase/decrease rate (%)
Net sales	24,653	+3,189	+14.9	14,316	+948	+7.1
Operating profit	2,544	+151	+6.3	1,950	+228	+13.3
Operating profit ratio (%)	10.3	-0.8 pts	—	13.6	+0.7 pts	—

- In China, SCR*'s export sales continue to be strong. Sales of air compressors for vehicle installation in the Americas continue to be strong.
- Sales of vacuum pumps used in the manufacturing of lithium-ion batteries in China are strong, but are showing signs of slowing down. In the U.S., sales grew in response to switching demand for our superior delivery times and an increased appetite for capital investment toward the end of fiscal year.

- Despite weak market conditions in Europe, spray gun sales remained strong. On the other hand, demand recovery is delayed in China.
- Continued weakness in capital investment in China led to a decline in orders and sales of coating equipment, while the backlog of orders in India is increasing.

(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.

Sales of air compressors drive the overall sales. In terms of operating profit, although there was an improvement in cost-to-sales ratio due to the effect of price increases, but the profits were squeezed due to increased costs associated with continued investment to expand sales and strengthened risk management. In addition, ordinary profit and net profit increased due to equity in earnings of affiliates resulting from strong sales of compressors for vehicle installation at an affiliated company in the U.S., as well as an increase in foreign exchange gains.

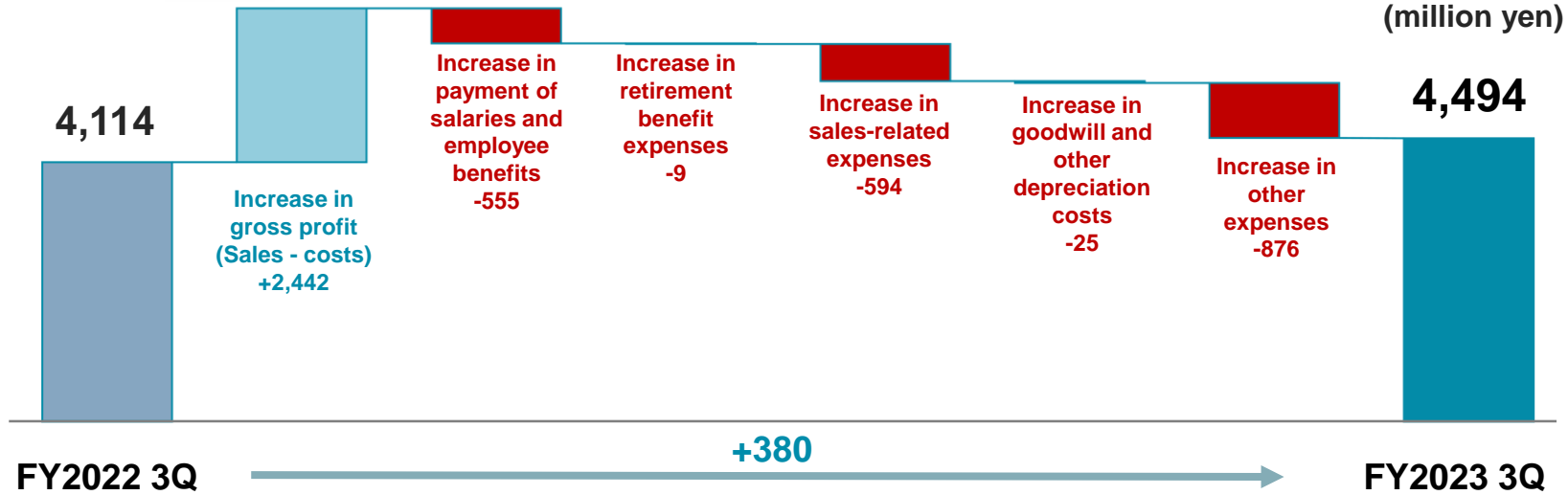
- The impact of foreign exchange on sales: +1,165 million yen

		FY2022 3Q		FY2023 3Q		Year-on-year			Performance forecast FY2023 (announced on Nov. 9, 2023)	
		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		34,832	—	38,970	—	+4,137	+11.9	34,832	52,900	73.7
Operating profit		4,114	11.8	4,494	11.5	+380	+9.2	4,114	6,100	73.7
Ordinary profit		4,852	13.9	5,856	15.0	+1,003	+20.7	4,852	7,700	76.1
Profit attributable to owners of parent		3,069	8.8	3,635	9.3	+565	+18.4	3,069	4,600	79.0
Average exchange rate of yen to	USD	128.05 yen		138.11 yen		Depreciated by 10.06 yen			138.00 yen	
	EUR	135.95 yen		149.62 yen		Depreciated by 13.67 yen			149.00 yen	
	CNY	19.35 yen		19.61 yen		Depreciated by 0.26 yen			19.60 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.

Although the selling, general & administrative expenses ratio rose, profits increased due to a decline in the cost-to-sales ratio resulting from increased sales and increase in price.



	FY2022 3Q		FY2023 3Q	
	Actual (million yen)	Composition ratio (%)	Actual (million yen)	Composition ratio (%)
Net sales	34,832	—	38,970	—
Cost of sales	19,657	56.4	21,353	54.8
SG&A	11,060	31.8	13,122	33.7

[+] Decline in cost-to-sales ratio: 54.8% (-1.6 pts year-on-year)

- The cost-to-sales ratio of coating systems remained low as in the second quarter.
- There was improvement in cost-to-sales ratio due to the effect of price rise in domestic as well as overseas markets (domestic: coating equipment and parts in October 2023, air compressors in January 2024) and an increase in the export sales ratio of SCR in China.

[-] Increase in selling, general & administrative expenses ratio: 33.7% (+1.9 pts year-on-year)

- Rising labor costs in Europe and the U.S. and other areas
- Expenses related to sales activities aimed at increasing sales, such as advertising costs and travel expenses associated with exhibiting at overseas exhibitions (see page 10), increased.
- Increase in provision of allowance for doubtful accounts in China compared to the previous cumulative third quarter
- In addition to system design costs, commission expenses increased due to the continuation of measures aimed at medium-term business expansion, such as new business development and M&A consideration

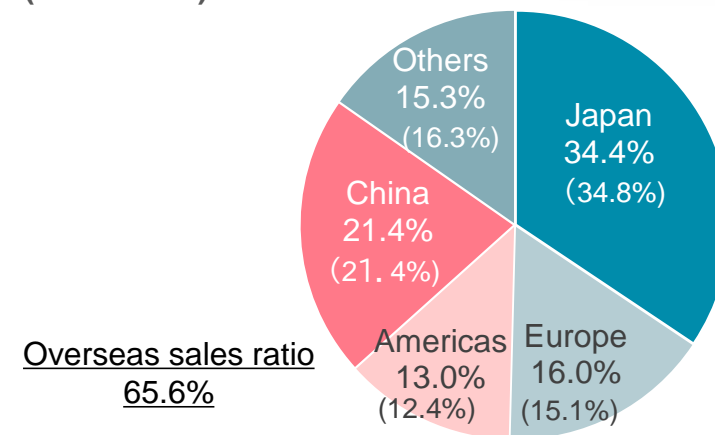
Sales by Area and by Product (Air Energy Business)

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

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

Consolidated net sales (million yen)	FY2022 3Q	FY2023 3Q	Year-on-year		Air energy business		Coating business	
			Increase/decrease amount	Increase/decrease rate (%)	Air compressors	Vacuum equipment	Coating equipment	Coating systems
Japan	12,109	13,400	+1,291	+10.7	○	○	○	◎
Europe	5,272	6,241	+969	+18.4	◎	◎	◎	-
Americas	4,318	5,046	+728	+16.9	◎	◎	○	◎
China	7,441	8,321	+880	+11.8	◎	◎	●	×
Others	5,690	5,959	+269	+4.7	○	◎	△	×
Total	34,832	38,970	+4,138	+11.9	◎	◎	○	◎

■ Composition Ratio
FY2023 3Q
(FY2022 3Q)



Sales of air compressors grew in all segments, including strong sales at China's SCR, centered on exports. Sales of vacuum equipment grew mainly in Japan and the U.S. due to sales that capture the market conditions and needs.

Japan

- Sales of air compressors increased due to increased demand which was because of optimization of delivery schedules and strong sales of oil-free air compressors for the dental market. In vacuum equipment, sales for semiconductor manufacturing-related equipment grew steadily.

Europe

- In air compressors, sales grew due to continued demand from suppliers in the business of OEM for scroll-type air compressors, which leveraged our strengths in production capacity. Sales of vacuum equipment increased due to progress in customer development.

Americas

- Sales of air compressors continued to be strong, mainly for vehicle-mounted air compressors in Brazil and the U.S. In vacuum equipment, sales increased due to continuous demand coming from customers who switched from our competitors' products because of our superiority in delivery schedule and also due to an increased intent for capital investment towards the end of the fiscal year.

China

- In air compressors, Domestic sales continued to struggle, but SCR's exports continued to be strong due to the successful investment at the Hannover exhibition, resulting in sales growth. Sales of vacuum equipment used in the manufacturing of lithium-ion batteries in China are steady but showing signs of slowing down.

Others

- Sales of air compressors increased due to increasing demand in India on the back of business confidence. In addition, we are promoting the implementation of measures to strengthen the sales capabilities of local subsidiaries in Southeast Asia. Sales of vacuum equipment increased due to increasing demand in East Asia.

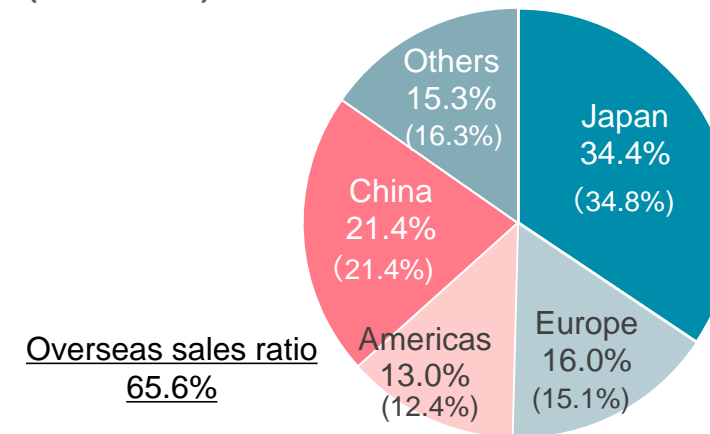
Sales by Area and by Product (Coating Business)

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

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

Consolidated net sales (million yen)	FY2022 3Q	FY2023 3Q	Year-on-year		Air energy business		Coating business	
			Increase/ decrease amount	Increase/ decrease rate (%)	Air compressors	Vacuum equipment	Coating equipment	Coating systems
Japan	12,109	13,400	+1,291	+10.7	○	○	○	◎
Europe	5,272	6,241	+969	+18.4	◎	◎	◎	-
Americas	4,318	5,046	+728	+16.9	◎	◎	○	◎
China	7,441	8,321	+880	+11.8	◎	◎	●	×
Others	5,690	5,959	+269	+4.7	○	◎	△	×
Total	34,832	38,970	+4,138	+11.9	◎	◎	○	◎

■ Composition Ratio
FY2023 3Q
(FY2022 3Q)



Overall sales were supported by steady sales of coating equipment in Japan and Europe, despite shrinking demand in China for coating equipment and systems.

Japan

- In coating equipment, although there was an impact due to the discontinuation of sales of some models of hand spray guns, sales increased due to thorough property management in environmental equipment. Although sales of coating systems are increasing, order backlog is decreasing.

Europe

- In coating equipment, despite the weak business sentiment in European economy, sales of spray guns, mainly for the car repair market, remained strong and sales grew. Based on recommendations from paint manufacturers received in Europe, which is the leading market for spray guns, we expanded sales to other parts of the world including the Americas and Asia.

Americas

- In coating equipment product line, mainly the sales of spray guns for the woodworking market increased, because of the developments in the industrial coating market. The new spray gun that was pre-sold in Europe received good reviews, but full-scale sales expansion is scheduled to begin next fiscal year.

China

- Sales of coating equipment decreased due to slow recovery of demand after the impact of Chinese market conditions. Sales of coating systems decreased as result of decline in orders due to continuous decline in the intent for corporate capital investment.

Others

- In coating equipment, sales increased mainly for spray guns in India and coating material feeding equipment in Southeast Asia. In coating systems, sales decreased as a reaction to the projects delivered in the previous fiscal year, but the backlog of orders is on the rise, mainly in India.

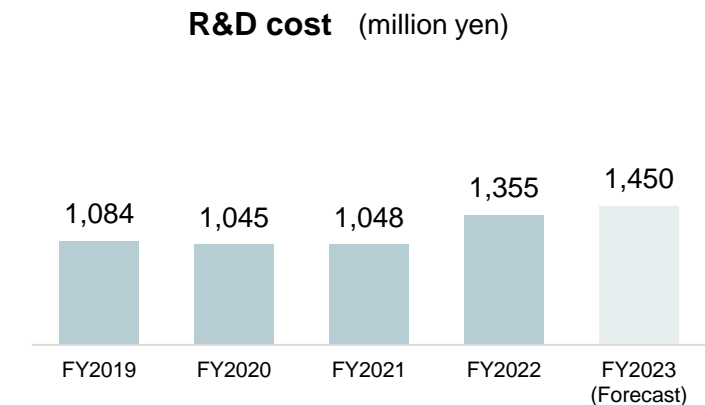
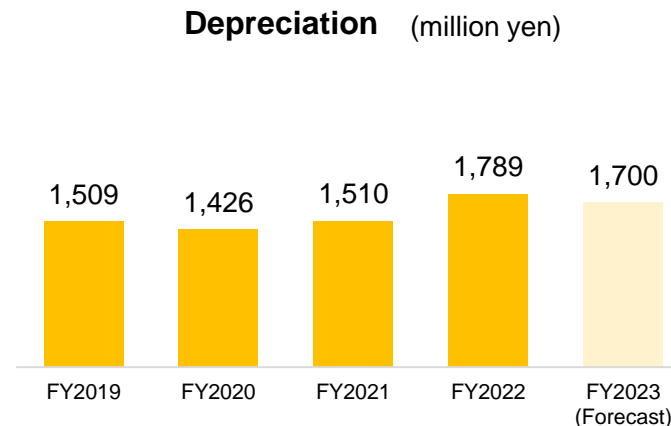
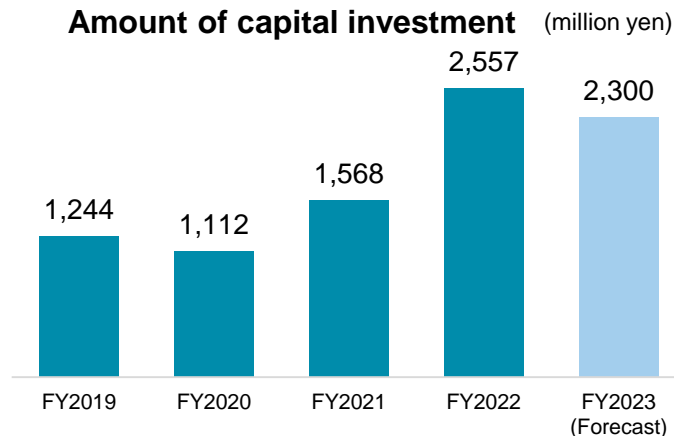
- **Assets:** Current assets including cash and deposits increased due to sales expansion
- **Net assets:** Increased due to business growth and impact of exchange rate

		FY2022	FY2023	Difference against the end of the previous period		
		End of full year	3Q			
		Actual (million yen)	Actual (million yen)	Increase/ decrease amount (million yen)	Increase/ decrease rate (%)	Primary factors for increase or decrease
Assets	Current assets	36,773	40,069	+3,296	+9.0	<ul style="list-style-type: none"> • Increase in "Cash and deposits" +2,223 million yen • Increase in "Notes and accounts receivable-trade" +812 million yen • Increase in "Raw materials and supplies" +689 million yen
	Non-current assets	23,363	24,908	+1,545	+6.6	<ul style="list-style-type: none"> • Increase in "Investment securities" +496 million yen
	Assets	60,136	64,978	+4,841	+8.1	
Liabilities and capital	Current liabilities	11,719	11,765	+45	+0.4	<ul style="list-style-type: none"> • Increase in "Notes and accounts payable-trade" +497 million yen
	Non-current liabilities	3,161	3,324	+163	+5.2	<ul style="list-style-type: none"> • Increase in "Lease liabilities (Non-current)" +161 million yen
	Liabilities	14,881	15,089	+208	+1.4	
	Shareholders' equity	37,466	39,333	+1,867	+5.0	<ul style="list-style-type: none"> • Increase in "Retained earnings" +1,847 million yen
	Accumulated other comprehensive income	2,558	4,554	+1,995	+78.0	<ul style="list-style-type: none"> • Increase in "Foreign currency translation adjustment" +1,740 million yen
	Non-controlling interests	5,229	6,000	+770	+14.7	
	Net assets	45,255	49,888	+4,633	+10.2	
Liabilities and net assets	60,136	64,978	+4,841	+8.1		

<Capital investment> Following the second quarter, the capital investment to increase production capacity of air compressors, auxiliary equipment, and spray guns in Japan is generally proceeding as planned.

(million yen)	FY2023 3Q Actual Results		
	Amount of capital investment	Depreciation	R&D cost*
Actual	1,861	1,452	1,102
Plan	2,300	1,700	1,450
Progress rate	81.0	85.4	76.0
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



No revisions have been made to the most recently announced performance forecasts, taking into consideration the recovery situation in China and the outlook on orders for general-purpose products 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 + year-end = Annual		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	4,60	8.7	+4.4	+5.0
136.00	138.00	(Forecast)	Depreciated by 2.00 yen	Depreciated by 6.57 yen
142.00	149.00		Depreciated by 7.00 yen	Depreciated by 10.96 yen
19.15	19.60		Depreciated by 0.45 yen	Depreciated by 0.12 yen
		22 yen + 23 yen = 45 yen		

- 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, we 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

Participation in international exhibitions

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

Example of exhibition results in the third quarter

■ AWFS 2023 - Woodworking & Furnishings Suppliers Fair

<Coating>

Date: July 25 – 28, 2023

Venue: The U.S.

Frequency: Once every two years

Target items: Woodworking related products and services

Purpose: To improve name recognition in the wood coating field



■ ASEAN SUSTAINABLE ENERGY WEEK 2023

<Air energy>

Date: August 30 – September 1, 2023

Venue: Thailand

Number of visitors: 25,000 or more

Target items: Pollution prevention technology/equipment, pollution removal systems, environment protection technology (EV exhibition was also held at the same time)

Purpose: PR of our products to meet energy saving demands and building relationships with local users



Visit to Fukushima Factory

Invited institutional investors to the Fukushima Factory, the main factory for air energy product production, and gave descriptions

Tour overview

The factory manager took the lead in providing an overview, site tour, and question-and-answer session.

Tour date: October 13, 2023

Venue: Fukushima Factory 1 (Yabuki Town, Nishishirakawa District, Fukushima Prefecture)

Production items: Air compressors, vacuum equipment and related equipment

Number of participants: 11



Fukushima Factory 1 - Exterior

Due to popular demand, we plan to hold tours at our Akita Factory, the main factory for coating equipment production, next fiscal year

<Reference Information> Details of Statement of Income

- Operating profit: The cost-to-sales ratio decreased (-1.6 pts year-on-year) due to the effect of price increases in Japan, but the selling, general & administrative expenses ratio increased (+1.9 pts).
- Ordinary profit: Among non-operating income, equity in earnings of an affiliates in the USA increased (+265 million yen year-on-year), and foreign exchange gains also increased (+270 million yen year-on-year).

	FY2022 3Q		FY2023 3Q		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	34,832	—	38,970	—	+4,137	+11.9	—
Cost of sales	19,657	56.4	21,353	54.8	+1,695	+8.6	-1.6
Gross profit	15,174	43.6	17,617	45.2	+2,442	+16.1	+1.6
Selling, general and administrative expenses	11,060	31.8	13,122	33.7	+2,062	+18.6	+1.9
Operating profit	4,114	11.8	4,494	11.5	+380	+9.2	-0.3
Non-operating income	798	2.3	1,437	3.7	+638	+79.9	+1.4
Non-operating expenses	60	0.2	75	0.2	+15	+25.2	+0.0
Ordinary profit	4,852	13.9	5,856	15.0	+1,003	+20.7	+1.1
Extraordinary income	61	0.2	24	0.1	-37	-60.4	-0.1
Extraordinary losses	6	0.0	12	0.0	+6	+110.4	+0.0
Profit before income taxes	4,908	14.1	5,867	15.1	+959	+19.6	+1.0
Income taxes	1,214	3.5	1,460	3.7	+245	+20.2	+0.3
Profit attributable to non-controlling interests	624	1.8	772	2.0	+148	+23.7	+0.2
Profit attributable to owners of parent	3,069	8.8	3,635	9.3	+565	+18.4	+0.5

<Reference Information> FY2023 Changes in Business Results

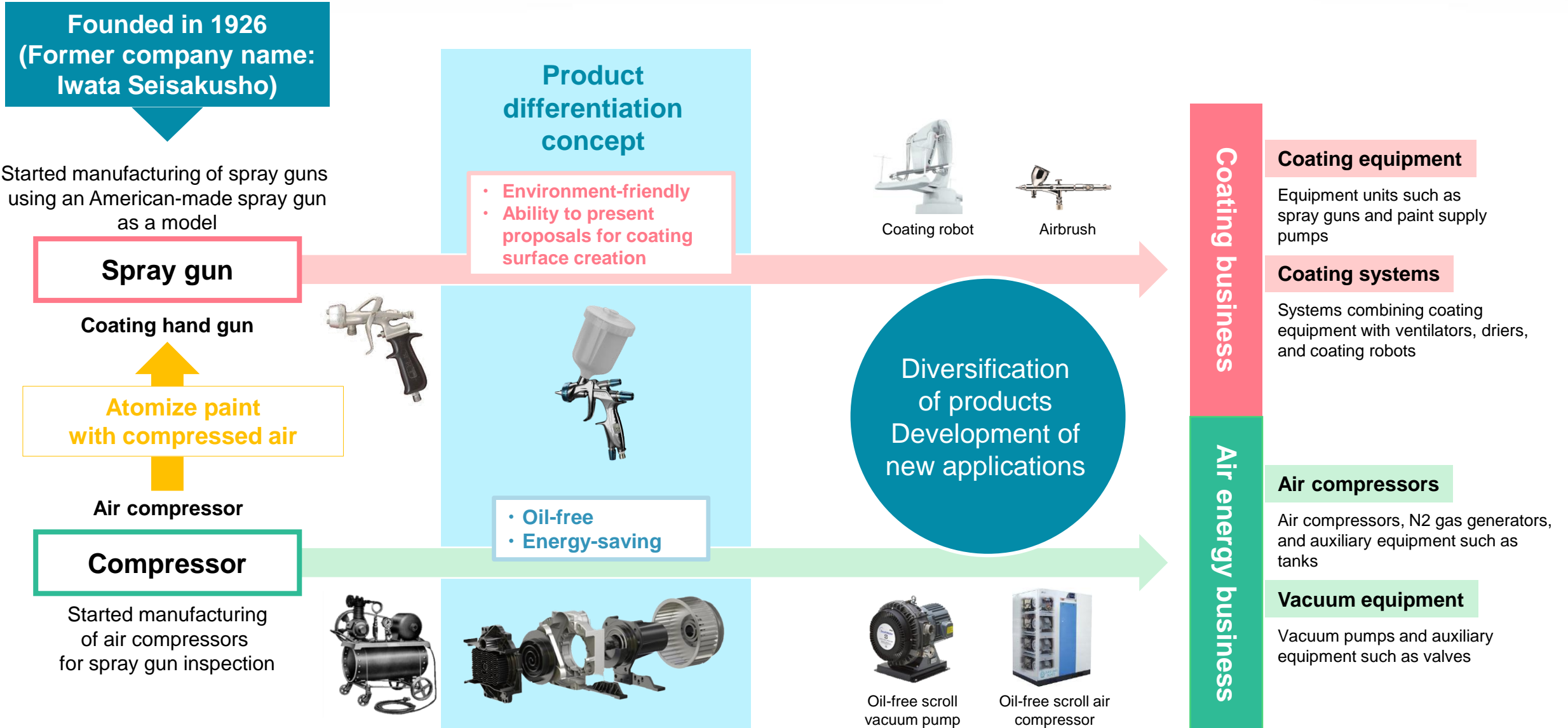
[Total]

Unit: Million yen		FY2023			
		1Q	1 to 2Q	1 to 3Q	1 to 4Q
Net sales		12,175	25,898	38,970	
Year-on-year		+21.8%	+14.5%	+11.9%	
Air energy	Air compressors	6,798	14,522	22,438	
	Year-on-year	+21.7%	+15.4%	+13.8%	
	Vacuum equipment	745	1,445	2,215	
	Year-on-year	+43.9%	+29.6%	+26.5%	
Net sales		7,543	15,967	24,653	
Year-on-year		+23.6%	+16.5%	+14.9%	
Coating	Coating equipment	4,281	8,755	12,905	
	Year-on-year	+14.9%	+8.7%	+6.1%	
	Coating systems	350	1,175	1,411	
	Year-on-year	+105.1%	+37.2%	+16.6%	
Net sales		4,632	9,930	14,316	
Year-on-year		+18.9%	+11.4%	+7.1%	
Operating profit		1,269	2,866	4,494	
Year-on-year		+54.7%	+22.5%	+9.2%	
Air energy	Operating profit	626	1,413	2,544	
	Year-on-year	+24.0%	+6.2%	+6.3%	
Coating	Operating profit	643	1,452	1,950	
	Year-on-year	+104.0%	+43.9%	+13.3%	

[Quarterly]

Unit: Million yen		FY2023			
		1Q	2Q	3Q	4Q
Net sales		12,175	13,722	13,072	
Year-on-year		+21.8%	+8.8%	+7.0%	
Air energy	Air compressors	6,798	7,724	7,915	
	Year-on-year	+21.7%	+10.3%	+11.1%	
	Vacuum equipment	745	699	770	
	Year-on-year	+43.9%	+17.2%	+21.1%	
Net sales		7,543	8,424	8,686	
Year-on-year		+23.6%	+10.8%	+11.9%	
Coating	Coating equipment	4,281	4,473	4,149	
	Year-on-year	+14.9%	+3.3%	+1.2%	
	Coating systems	350	824	236	
	Year-on-year	+105.1%	+20.3%	-33.3%	
Net sales		4,632	5,297	4,386	
Year-on-year		+18.9%	+5.7%	-1.6%	
Operating profit		1,269	1,596	1,628	
Year-on-year		+54.7%	+5.0%	-8.2%	
Air energy	Operating profit	626	787	1,130	
	Year-on-year	+24.0%	-4.6%	+6.4%	
Coating	Operating profit	643	808	497	
	Year-on-year	+104.0%	+16.6%	-30.0%	

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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