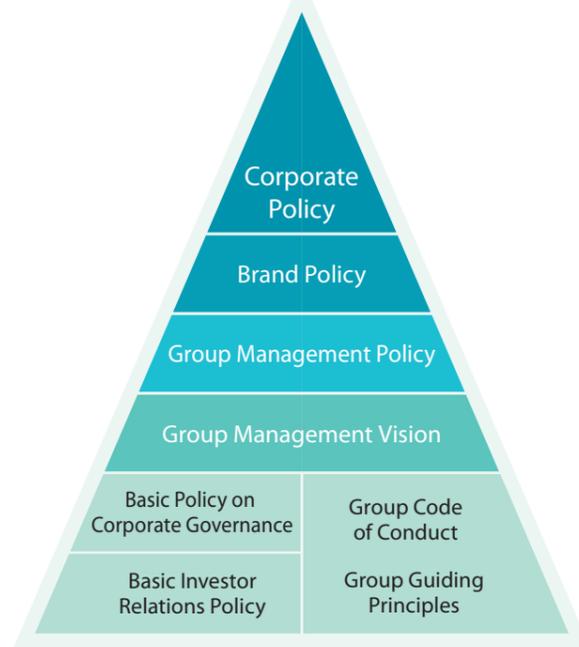




Integrated Report
2020

ANEST IWATA will continue to be a company that benefits people and people's lives, while diligently upholding the company's founding motto of being "trustworthy and sincere" and strive to deliver the highest level of quality, technologies and services.

ANEST IWATA Corporate Philosophy



Corporate Policy

誠心

"Makotono kokoro"
(Trustworthy & Sincere)

Brand Policy

The following marks represent our corporate brand.



Corporate brand promise

ANEST IWATA is a development-oriented company that is consistently vibrant and equipped with innovative technologies. We will leverage these qualities and continue to contribute to the achievement of a prosperous society that is safe, reliable and capable of sustained growth.

Corporate slogan

Active & Newest Technology
The corporate slogan represents the basic IWATA principles of "useful technology, beloved products and a bond of trust" and complements the company name and corporate brand.

The meaning of the name ANEST IWATA

Our founder, Hatsutarō Iwata, taught us to be "Earnest" and "Sincere," as well as to first and foremost be a person and value our humanity over the company. We coined the name "ANEST" to reflect this teaching and our founding principle, "Makotono kokoro" (Trustworthy & Sincere), which is also our corporate motto.

Group Management Policy

1. We will build a true relationship of trust by always thinking from the customers' perspective and meeting the customers' expectations.
2. We will maintain a global perspective at all times and strive for research and development of innovative technologies that anticipate the changes in the environment.
3. We will provide attractive products and services that meet customer needs with sincerity at appropriate levels of quality and at appropriate prices.
4. We will establish a lively and inclusive corporate culture that values the spirit of challenge, upholds the principles of fairness and equality, and brings out the individuality and capabilities of each employee, as well as a robust corporate structure capable of flexibly withstanding changes, and achieve inner happiness and a prosperous lifestyle.
5. All employees of the ANEST IWATA Group shall respect personal and cultural differences, work together with all stakeholders, and establish a corporate culture that maximizes the individual's creativity and teamwork.

Group Management Vision

To become a company with a 100-year history

1. "We will become a vibrant and innovative development-oriented company capable of providing high-performance and high-quality products and services with sincerity from the customers' perspective."
2. "We will transition from improvement-based product development focused mainly on cutting costs and internal core technologies to a flexible company capable of steadily tapping into market needs and collaborating with various businesses."
3. "All employees of the Group will make a concerted effort by aiming to become the No.1 in the world, and will strive to become a "True World-class Company" that maximizes customer satisfaction and continuously creates innovative technology and products."

To become a "True World-class Company" Management slogan

The Group companies will make a concerted effort (ONE ANEST IWATA) to become the Global Number ONE by providing unique (ONLY ONE) products and becoming Number ONE (No.1) in each market.



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Editorial Policy

ANEST IWATA has issued its second "Integrated Report."

The "Integrated Report 2020," intended for our stakeholders including our shareholders and investors, covers such topics as the value created by the Company, management and financial strategies, the strengths of our businesses and a report of operations, as well as ESG information including corporate governance and initiatives toward human capital, the regional communities and the environment.

Period covered by the report

The report, basically, covers the fiscal year 2019 (from April 2019 to March 2020) but it also includes reports of activities prior to and after this period.

Organizations covered

The report, basically, covers the ANEST IWATA Group companies in Japan including ANEST IWATA Corporation.

Date of publication

November 2020

Cautionary note regarding forward-looking statements

Forward-looking statements contained in this report have been prepared based on information available at the time of publication.

Various external factors, including the global economy, fluctuations in exchange rates, market conditions of the industry and trends in capital expenditures, may impact the Company's business performance. Accordingly, please be advised that actual results may differ from the results contained herein.

The purpose of this report is to provide information to our shareholders and is not intended as a solicitation or a recommendation to invest in the Company's shares or to buy or sell or trade any other securities.

History of Growth

In 1926, the Company was founded under the name, "Iwata Seisakusho," and in 1927 developed the first domestically-produced spray gun and next year the air compressor, which would become the driving source of coating equipment. Subsequently, the Company continued to grow along with spray gun and air compressor, and entered the coating system and vacuum pump markets by leveraging its technology for handling liquids and gases. In 1996, on the 70th anniversary of its founding, the Company, in conjunction with management reforms, changed the company name to "ANEST IWATA." Currently, the Group companies are engaged in initiatives to realize the Group Management Vision and are steadily following the path toward becoming "a company with a 100-year history."

FY 2019
Consolidated net sales

39,000 million yen



First domestically-produced spray gun



"S-1 Spray gun"



"W-57 Spray gun"



"MRP series," multi-articulated coating robot



"LPS-1 series," low-pressure spray gun



Air compressors at the time of founding



"MC series" medium-sized air compressors



Body of oil-free scroll air compressor



"ISP series," oil-free scroll vacuum pump

1926

1926 1930 1940 1950 1960 1970 1980 1990 2000 2010 2019

1926–1940

Launch of Iwata Seisakusho
Encounter with the spray gun

- 1926** "Iwata Seisakusho," the Company's predecessor, was established in Toyosawa-cho, Shibuya-ku, Tokyo
- 1927** Commenced manufacture and sales of the first domestically-produced spray gun modeled after an imported spray gun
- 1928** Commenced manufacture and sales of small-sized air compressors



Four Iwata brothers including the founder

1941–1960

Management structure is reorganized
following the war

- 1948** Released the "Type S and B Spray Guns," which were suited for Japanese hands, and established its reputation in the coating industry.
- 1957** Established Iwata Air Compressor Mfg. Co., Ltd. Released the "W-57 Spray gun," and won the support of the automotive coating field.



All employees from around 1950

1961–1985

Consolidation and reinforcement of facilities
Expansion of operations

- 1961** Listed its stocks in the Second Section of the Tokyo Stock Exchange. Released "W-61 Spray gun," which continues to be popular today.
- 1962** Made full-scale entry into the coating system market.
- 1969** Developed the first domestically-produced two-stage, air-cooled, medium-sized air compressors and entered the medium-sized air compressor market.
- 1971** Listed its stocks in the First Section of the Tokyo Stock Exchange
- 1977** Entered the rotary air compressor market
- 1985** Developed the world's first electric, multi-articulated coating robot

1986–to present

Aiming to become a
"True World-class Company"

- 1987** 1987 Commenced full-scale overseas expansion of manufacturing and sales bases of coating system starting with Taiwan
- 1990** Developed a low-pressure spray gun which cleared the Volatile Organic Compound (VOC) Emission Standards of the state of California, USA, which are known to be the strictest in the world
- 1991** Developed the world's first oil-free scroll air compressor
- 1993** Developed the world's first oil-free scroll vacuum pump and entered the vacuum pump market
- 1996** Changed company name to "ANEST IWATA"
- 2009** Commenced full-scale overseas expansion of manufacturing and sales bases of air compressors, mainly in China
- 2016** Transitioned to a governance structure of a company with an Audit and Supervisory Committee
- 2017** Acquired Shanghai Screw Compressor Co., Ltd. and made a full-scale entry into the large-sized air compressor market
- 2020** Introduced the performance-linked stock remuneration plan Merged with two domestic sales subsidiaries by absorption



A coating line from the 1970s



A manufacturing base in Taiwan (Exterior of ANEST IWATA Taiwan Corporation today)



Head Office: History Lounge

Value Creation Process

The Company, under the ANEST IWATA Corporate Philosophy, will contribute 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. 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.



The external environment surrounding the Company

- Reinforcing our international competitiveness
- Responding to the decrease in manpower
- Responding to climate change and environmental problems
- Promoting workstyle reforms and diversity
- Contributing to the development of the regional communities
- Supporting the IT revolution
- Responding to material risks

P.13

Various capital held by the Company

(As of March 31, 2020)

Financial capital

Net assets: **34,570** million yen
Shareholders' equity ratio: **64.6%**

Manufacturing capital

Capital investments: **1,245** million yen
Property, plant and equipment: **11,827** million yen
Number of factories: **23** factories in **10** countries and regions

Human capital

Number of Group employees: over **1,733**
Ratio of overseas employees: **71.4%**

Intellectual capital

Number of Patent applications: over **1,200** patents in Japan and overseas
Research and Development expenses: **1,084** million yen

Social and related capital

Number of group companies: **38** subsidiaries in **21** countries and regions

Natural capital

CO₂ emission (non-consolidated) **5,869** t-CO₂

Management Strategy

Medium-term Management Plan

(From FY2019 to FY2021)



Think Globally
Act Locally

特許件数 国内外 **1,200** 件以上
研究開発費 **1,084** 百万円

P.12

Business activities and achievements

Air Energy Business

P.16

Core technology: Technology to compress gases, mainly air, without using oil

Air compressor products (air compressors and nitrogen gas generators)

Main uses | Factories (the driving source of industrial machinery) / foods (supplying nitrogen gas when packaging, etc.) / hospitals (for dental instruments, supplying medical gases) / electric buses and new transportation systems (brakes and opening/closing doors), etc.

Vacuum pump equipment (oil-free scroll vacuum pumps)

Main uses | General industries (suction transport and defoaming) / manufacture of semiconductors (inspection devices) / foods (vacuum packaging and vacuum cooking) / research facilities (accelerators and radiation facilities), etc.

Small-sized air compressors Domestic market share **2nd** in Japan (according to our research)

Purchasing

R&D

Production

Sales

Quality management

P.24

Coating Business

P.20

Core technology: Technology to atomize liquids, mainly paint, into a mist

Coating equipment

(spray guns, electrostatic coating equipment, paint feeding equipment, liquid application equipment, and coating booths)

Main uses | Automotive refinishing / automobile parts and electrical appliances / woodwork / plastic products / foods (spraying food-related liquids), arts and hobbies, etc.

Coating systems (automatic coating equipment, coating plants, and coating robots)

Main uses | Automobile parts/railway vehicles (bullet trains) / woodwork and electrical appliances, etc.

Hand spray guns Top domestic market share **70% or more** (according to our research)

Global market share **2nd** globally (according to our research)

Airbrushes Global market share **Around 30%** (according to our research)

The value that we create

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

Customers and Business Partners

- Providing products and services that match the needs of the country and region
- Responding to automation and energy-saving needs
- Contributing to the development of a broad range of industries

Shareholders and Investors

- Ensuring the stable return of profits
- Raising shareholder value

Employees

- Building a safe and pleasant work environment
- Improving the life-work balance

Regional Communities

- Creating employment
- Building a relationship of trust with the neighboring communities

Earth Environment

- Development of environmentally-friendly products
- Contributing to the reduction of the environmental burden

Initiatives toward SDGs (sustainable development goals)

Contributing to a sustainable society through business



P.13 ESG (environment, social and governance)-oriented management

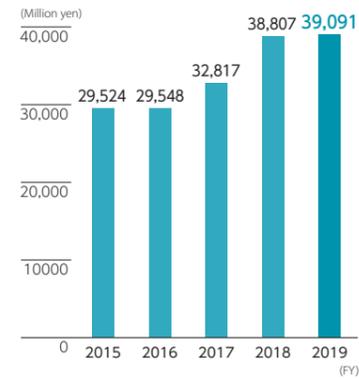
"Human capital" the foundation of all business activities

ANEST IWATA Corporate Philosophy

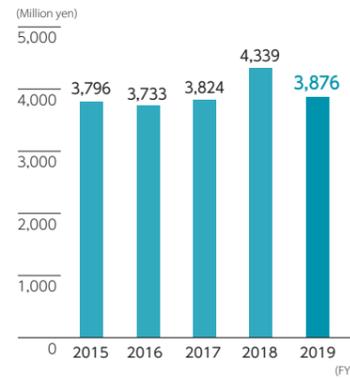
Financial and Non-financial Highlights

Financial Highlights

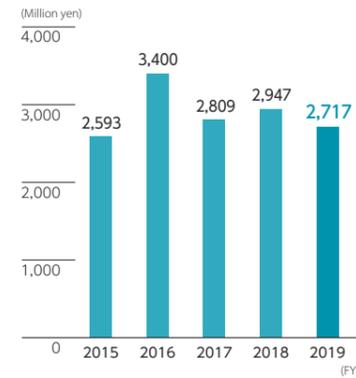
Net Sales



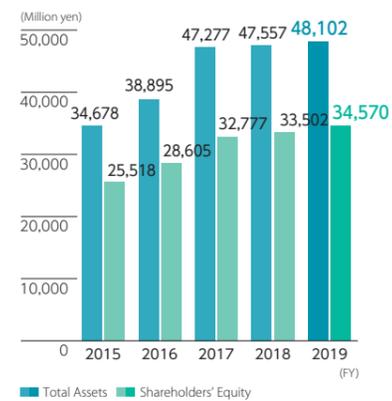
Operating Income



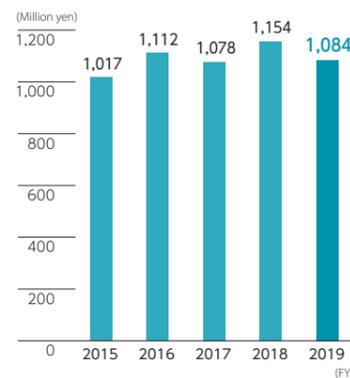
Net Income Attributable to Shareholders of the Parent Company



Total Assets and Shareholders' Equity

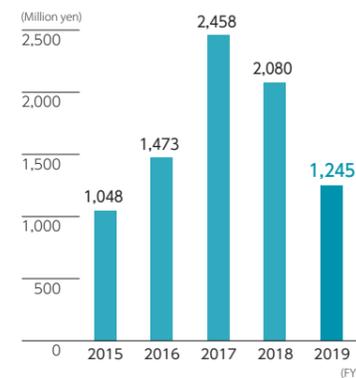


Research and Development Expenses



* Research and development expenses represent the total amount of general and administrative expenses and manufacturing expenses relating to research and development.
* Reportable segments are Japan, Europe and Asia.

Capital Investments

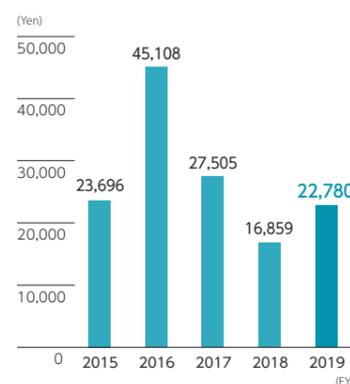


Non-financial Highlights

Number of Employees



Education/training cost per employee



*Non-consolidated figures of ANEST IWATA Corporation

CO₂ emission intensity



*Non-consolidated figures of ANEST IWATA Corporation

Message from the President

Aiming to become a "True World-class Company"

In May 2020, ANEST IWATA commemorated the 95th anniversary of its founding.

We will continue to be a company that benefits people and people's lives, while diligently upholding the company's founding motto of being "trustworthy and sincere" (Makotono kokoro) and strive to deliver the highest level of quality, technologies and services.

Takahiro Tsubota
Representative Director
President and Chief Executive Officer



Interview with the President

We are steadily promoting the medium-term management plan in order to achieve sustained growth even in the midst of COVID-19.

Q Can you give us a recap of the consolidated performance for the fiscal year ended March 31, 2020?

The business environment surrounding the previous fiscal year (FY ended March 31, 2020) turned out to be extremely difficult due to factors such as the trade friction between the US and China and Brexit. And compounded with the effects of COVID-19 from the beginning of 2020, the situation deteriorated even further. In such an environment, we reported net sales of 39,091 million yen, representing a year-on-year increase, albeit a marginal increase of 0.7%, which has allowed us to narrowly report a record-high. However, operating income decreased by 10.7% year-on-year to 3,876 million yen, and overall performance remained weak. In terms of sales, while the general-purpose items in the core air compressor products (compressors) and coating equipment (spray guns), which account for the majority of sales, struggled, coating facilities made significant strides thanks to our proposal-type sales, and managed to boost overall net sales. Meanwhile, in terms of profits, the decrease can be attributed to the rise in the cost of sales ratio resulting from the growth in coating facilities and our continuing investments in human capital for the future. While our proposal-type sales have become a factor for raising the cost of sales due to the time and manpower involved, it can also be effective in uncovering

potential demand as well as ensuring differentiation and can be expected to contribute to improving business performance into the future by enabling the development of stable and long-term relationships with our customers. Furthermore, in terms of profitability, given the ample room for improvements through the utilization of IT and the accumulation of know-how, we intend to concentrate on these areas going forward.

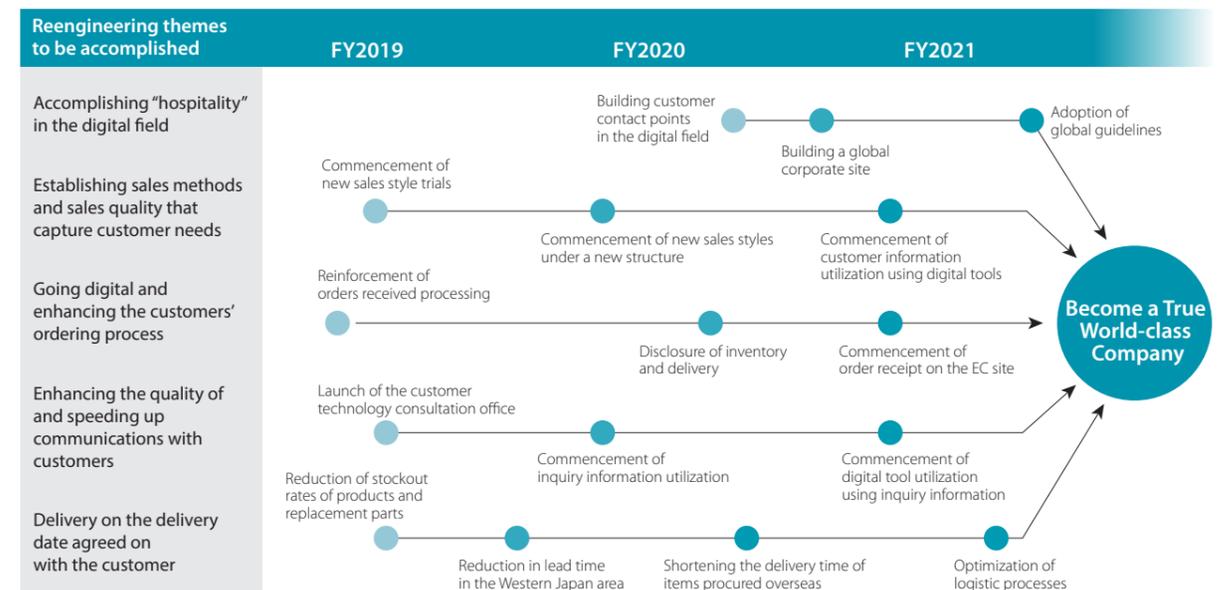
Q Can you tell us about the specific results of your activities and issues going forward?

The growth in customized products in specific markets (such as medical settings and the vehicle application markets), which we have been promoting as a priority measure despite the harsh environment; the strong performance of medium-sized air compressors thanks to the synergy created with Shanghai Screw Compressor Co., Ltd., which joined the Group in April 2018; and the strong growth of our proposal-type sales of coating systems in response to automation and environment needs are achievements, which we hope will be recognized as being in line with our future direction. The healthcare and food industries, in particular, have remained robust under the COVID-19 pandemic and a crucial requisite for introducing air compressors to these industries is that the compressors operate oil-free, which is one of the strengths of our products, and which has worked in our favor. As for coating systems, we have been involved from the early stages as an integral part of our customers' production technology division, and as a result of these efforts, we have been able to capture many repeat orders, including those from automobile and automobile parts manufacturers.

Additionally, in terms of business processes, the launch of our "BPR Project" in an effort to drive digital transformation, can also be considered a huge step. This project aims to reinforce our relationships and contact points with customers, as well as improving business efficiency through the re-engineering of sales styles and the visualization of information by utilizing IT and the optimization of logistics. As far as the re-engineering of sales styles is concerned, we have already started our Web meeting service and Web seminars (Webinar) and created an environment where we can respond to inquiries and promote our proposal-type sales without having



BPR Project Roadmap



our customers visit us or vice-versa. This has unwittingly become an indispensable platform in the midst of COVID-19. Currently, we are also working on the construction of a formal studio and we are planning to create an environment that provides a place for VR experiences through virtual exhibitions and labs where experiments can be monitored remotely. We also intend to effectively use this as a direct promotion channel for overseas and other customers.

As for issues, I am aware that we need to speed up our development a little. Although we have been focusing on product development these past few years, we were only able to release a new spray gun last year. Our strategy is to release many more new products going forward and capture replacement demand.

*Shanghai Screw Compressor Co., Ltd

Q What kind of impact has COVID-19 had? What measures are being taken? And what is the state of your company?

As a result of COVID-19, economic activity has been severely restricted, as businesses were told to shut down and people were asked to stay home around the world and in Japan, also, a state of economic uncertainty continues to prevail. Therefore, COVID-19, without a doubt, has had a negative impact on the Company's business performance. However, given that the Group operates widely around the globe based on a structure that focuses on the three key markets of Europe, the Americas,

and Asia, we have been able to spread out our risks to a certain extent. As the timing of the pandemic varied according to each region, China, for example, was the first to experience a major economic decline, which subsequently moved on to Europe and the US. However, by this time, China was on the path to recovery ahead of the other countries and taken as a whole, the risks have been limited. The most recent results, i.e. the results for the three months ended June 30, 2020 were particularly harsh, as year-on-year decreases were reported in both sales and profits. However, we managed to maintain employment and despite restrictions on our activities, we secured profits on levels exceeding our plan, indicating that we have been able to build up a far more streamlined earnings base compared to that during the Lehman Crisis. Currently, to avoid disruptions to the global supply chain, we are making efforts to diversify our suppliers and add more production areas. We are also working to reduce the risk of infections by promoting work-from-home and teleworking and encouraging staggered working hours. At the height of the pandemic, 70 to 80% of our employees worked from home or teleworked, while currently, 50% of our employees continue to work in this manner. We are proud of our success in the changes to the work environment that we had been promoting since April 2019, and to have adopted these changes in a relatively smooth manner.

On the other hand, there were positive effects such as the clarification of issues as a result of COVID-19 and the start of the "new normal." For example, teleworking will have an immense effect on the life-work balance but we found that

we needed more innovation in the preparation of indices to clarify judgments on the progress and output of work. Additionally, as working from home required the digitalization of various documents, it became necessary to quickly improve the systems for data utilization and information sharing. As for the HR system, we hope to shift to a merit-based system that is in line with today's workstyles. Meanwhile, in terms of customer trends, we are in the midst of speeding up the automation flow of production lines. This would allow us to effectively utilize human capital amid the shortage of manpower as well as raise production efficiency while social distancing. And the Company considers this to be an important business opportunity for our proposal-type sales. It would be meaningless to go back to the way things were once COVID-19 is contained. We must consider this situation in a positive light and use it as an opportunity to take the next step including reforms of sales styles.

Q Can you tell us about the performance forecast and future action plans?

Taking into consideration the impact of COVID-19, for the consolidated performance forecast of the fiscal year ending March 31, 2021, we are forecasting a major decline in both sales and profits with net sales of 32,500 million yen, down

16.9% year-on-year, and an operating income of 2,400 million, down 38.1% year-on-year. However, we consider this forecast to be the minimum level to be achieved and our goal will be to add as much as we can to these levels. Meanwhile, as for the medium-term management plan, which will be in its final year next year (fiscal year ending March 31, 2022), the direction of its strategies will remain unchanged, despite the major changes exceeding our expectations in the economic environment and growing uncertainty due to COVID-19. We will steadily continue with our investments in human capital, R&D, overseas expansion, and IT, toward sustained growth.

In terms of our action plan, we will continue to reinforce customized products in specific markets (such as medical settings and the vehicle application markets) and focus on our medium-sized air compressors. Additionally, in terms of our general-purpose products, especially the spray guns, we will launch competitively-priced products in the volume zones such as the emerging countries and the Chinese market, in addition to the conventional high-functioning models, and pursue the economy of scale. As for HR policies, we will develop and revitalize human capital by adopting a flexible remuneration system and revising the HR system, including the adoption of a merit-based system as well as improving the wages and benefits of specialists with expertise and recruiting outstanding professional human capital (head-hunting). We will also move forward with the

roadmap for our BPR project utilizing IT to achieve our goal of becoming a "True World-class Company."

Q There has been increasing interest in SDGs. What kind of effort is being made by your company?

As for initiatives to solve social problems, we, as a company, have grown by providing products in the past that match society's needs, including our air compressors supplying clean compressed air, which is distinguished for its oil-free and energy-saving qualities; our coating equipment utilizing technology suited for environmentally-friendly paints; our coating systems that support automation and environmentally-friendly functions. Accordingly, we believe that the SDGs (sustainable development goals) overlap with these past efforts. Although we cannot cover all the items under the SDGs, we have taken the first step of raising the Company's awareness by identifying the items which are significant to the Company as well as clarifying which SDG item corresponds to our product development.

Q What kind of topics are being discussed at the board meetings?

With the increasing uncertainty of the world economy due to the effects of COVID-19, managing risks in a global management setting have become one of the crucial themes of the board meetings. One of the unique features of our company's corporate governance is the selection of its Outside Directors and numerous Outside Directors have been selected based on their experience and knowledge as top management or members of management and they have been providing instructions and checks on key points from a management perspective. Initiatives toward SDGs, which have become another new theme, have also been inviting vigorous discussions such as the current state of SDGs and the direction to be taken going forward from the standpoint of creating growth opportunities and responding to risks. Furthermore, the selection of a successor has also become a pressing issue. In my opinion, a flexible thinker with the energy

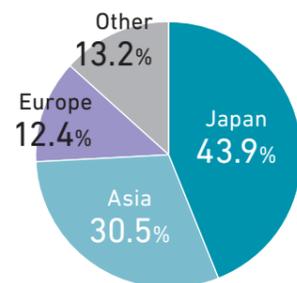
to make changes would be the perfect person to head ANEST IWATA in the future. In the Company's case, the CEO is selected by the Nominating/Compensation Committee comprising primarily Outside Directors. Accordingly, the Nominating/Compensation Committee considers a wide pool of talent of General Managers and above through performance evaluations and other processes.

Q Finally, do you have a message for the shareholders and the investors?

We have always gone on record that our basic policy on shareholder returns is to aim for a consolidated dividend payout ratio of 30% or higher and to pay out at least 3 yen per share. In the fiscal year ending March 31, 2021, despite the harsh earnings environment, we are planning an annual dividend of 24 yen per share (expected consolidated dividend payout ratio of 55.7%). This reflects our belief that because we are in such a situation, we must continue the payment of stable dividends to our shareholders to the extent possible. People make investments for a variety of reasons. As we are committed to doing our best for our continued growth, we hope that investors give us the opportunity to aim for a similar goal. With this in mind, we intend to meet the expectations of our shareholders through steady profit growth and dividends. Going forward we look forward to your continued support.



Sales composition by region



Group Companies (As of March 31, 2020)

Region	Fiscal year-end	Number of companies	Country/region of operation
Japan	March	4	—
Asia	March	2	India
Europe	December	10	Germany, Italy, France, UK, Sweden, Spain, and Poland
Asia	December	12	China, Taiwan, Thailand, South Korea, Vietnam, and Indonesia
Other	December	10	USA, Mexico, Brazil, Australia, Russia, and South Africa

*For details, see "Global Network" on page 48.

Toward the sustained creation of corporate value

We believe that the Company's mission is "to enhance the satisfaction of all our stakeholders and contribute to society." To this end, we will formulate sound management strategies, recognize and manage various risks, and engage in initiatives toward ESG management, thereby aim to become a company that continuously grows and brings value to society.

Medium-term management plan

Basic Strategy

By providing unique (ONLY ONE) products and aiming to become NUMBER ONE in each market, the Group will make a concerted effort under "ONE ANEST IWATA" to further develop the "Global Number ONE" position of the ANEST products.

"ONLY ONE" products × "NUMBER ONE" share

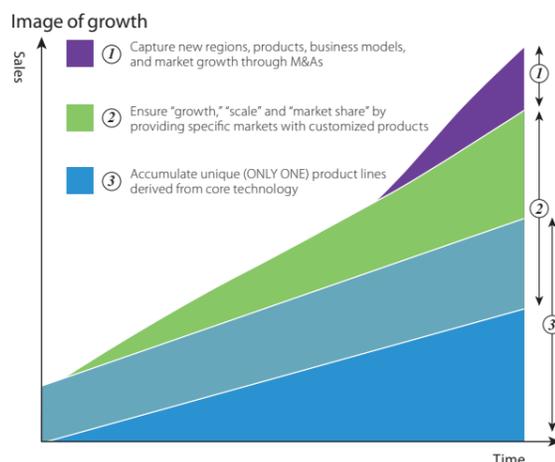


Business Strategy

Under the banner of "THINK GLOBALLY, ACT LOCALLY," we will capture local and onsite customer needs to tap into the global / niche markets around the world.

Positioning the expansion of sales in the overseas markets as a key growth point, we will consider the growth potential and competition status of the global / niche markets and launch unique (ONLY ONE) product lines that have been customized to these market needs and through the accumulation of sales in each market, expand overall sales and market share.

At the same time, by tapping into the market based on the development of products with proprietary uses, we will disperse our dependence on the sales in specific markets and aim for sustained growth in our business performance that is self-directed, proactive, and immune to changes in the external environment.



Target values of the Medium-term Management Plan (From FY2019 to FY2021) (As of September 30, 2020)

Consolidated net sales: **47** billion yen or more
 Consolidated operating profit margin: **10%** or higher
 ROE: **10%** or higher



Investment Strategy

In May 2025, the Company will commemorate its 100th anniversary. Going forward we will make investments toward sustained growth from the following six perspectives. Among them, "IT investments," in particular, will have the highest priority.

- 1 Investment in human capital (Recruiting and nurturing human capital)**
We will proactively recruit and nurture human capital who will support future corporate activities, while aiming to improve employee satisfaction.
- 2 Investment in development**
We will engage in product development that captures market needs and gives rise to innovative technology and products.
- 3 Capital investment**
We will step investments in facilities necessary for improving productivity.
- 4 Investment in market development**
We will tap into the global / niche markets under the banner of "THINK GLOBALLY, ACT LOCALLY."
- 5 Investment in corporate culture reforms**
We will create a work environment where diverse talent can flourish and establish a corporate culture where each employee can proactively engage in activities.
- 6 IT investment**
We will utilize IT to solve problems that need to be overcome including sales and logistic reforms.

Recognition and Management of Risks

Recognition and management of risks have become major issues in corporate management and promoting business activities. As part of its risk management, the Company has developed a system for dealing with risks and crises when they materialize by conducting a questionnaire once a year on its Corporate Officers (including Officers concurrently serving as Directors) and deliberating the results of this questionnaire at the CSR Committee and the Management Conference.

- 1 Business risks**
 - Changes in the business environment
 - Product quality
 - Business expansion including M&As
- 2 Human capital risks**
 - Securing human capital
 - Labor problems
- 3 IT risks**
 - IT investments
 - Information security
- 4 Legal risks**
 - Environmental regulations
 - Accounting fraud and other fraudulent activities
 - Intellectual property
 - Transfer pricing
- 5 Other risks**
 - Pandemics such as COVID-19
 - Contingencies (e.g. acts of terrorism and natural disasters)

Risk distribution map

ESG-oriented Management

The Company, in appreciation of intangible value such as the environment and society as well as tangible value such as business performance, is engaged in management that is mindful of ESG (environment, society and governance). Going forward we will continue to promote ESG-oriented management, while at the same time approach our business from the standpoint of SDGs and move forward with initiatives to solve social issues.



Operating Results, Financial Condition, and Future Financial Strategies

Q What are the key points in evaluating past operating results and financial conditions?

Looking back on our performance over the years, you will see that ever since the fiscal year ended March 31, 2011, when we fully recovered from the Lehman Crisis, we have reported an increase in net sales for 10 consecutive years. Our core products – air compressor products (compressors) and coating equipment (spray guns) – have secured market shares in Japan as well as increased overseas sales thanks to market development efforts. And in recent years, this rise in the ratio of overseas sales has been the main driver of the Company's growth. The impressive growth rate which was reported for two consecutive terms from the fiscal year ended March 31, 2018 was due in no small part to the overseas M&As (4 M&As, of which one was subject to the reporting of impairment of goodwill in the fiscal year ended March 31, 2020) executed for the purpose of expanding the product range and acquiring sales networks, and in the fiscal year ended March 31, 2019, the overseas sales ratio exceeded 50%.

On the other hand, in terms of profitability, while currently feeling the effects of the deteriorating earnings environment due to the COVID-19 pandemic and the burden of the amortization of goodwill in conjunction with an M&A, we managed to maintain an operating profit margin of 11% or higher and an ROE of 10% or higher from the fiscal year ended March 31, 2014, to the fiscal year ended March 31, 2019. Financially, also, our shareholders' equity ratio has been stable at over 60%; our cash flows have been ample; and we have sourced our investments, including investments for M&As, exclusively from operating cash flows. As a result, the Company has secured more than 10 billion yen in cash reserves, which is more than enough to prepare for contingencies such as COVID-19 and which will be effectively utilized in the Company's growth strategies going forward.

Q Can you tell us about the Company's operating results and financial condition for the fiscal year ended March 31, 2020?

The consolidated operating results for the fiscal year ended March 31, 2020, were net sales of 39,091 million yen (up 0.7% from the previous fiscal year), operating income of 3,876 million yen (down 10.7%), ordinary income of 4,401 million yen (down 6.4%), and net income attributable to owners of parent of 2,717 million yen (down 7.8%), which represented a slight increase in net sales, as well as a decrease in profits. Amid the increasing uncertainty of the global economy, including the trade friction between the US and China, Brexit, and the impact of the COVID-19 pandemic from the beginning of the year, sluggish capital investments undermined the Company's business performance.

Net sales by product show that sales of air compressors, vacuum equipment and coating equipment all declined, while sales of coating systems increased, thanks to our proposal-type sales, which, in turn, made up for the decreases and contributed to securing a slight increase in sales overall.

Meanwhile, the decline in profits may be attributable to the rise in the cost of sales ratio (up 0.8 points from the previous fiscal year) and the increase in selling, general and administrative expenses, resulting in a 9.9% decline (down 1.3 points) in the operating profit margin. The rise in the cost of sales ratio was due to the changes in the product mix caused by the growth in coating systems while the increase in selling, general and administrative expenses was primarily due to investments in human capital (increase in personnel expenses) to strengthen IT human capital in anticipation of the future.

As for the financial condition, total assets remained mostly the same at 48,102 million yen (up 1.1% from the previous fiscal year), while equity capital increased to 31,092 million yen (up 3.9%) due to the increase in internal reserves, which resulted in the improvement of the shareholders' equity ratio to 64.6% (up 1.7 points). In terms of cash flows, positive operating cash flows managed to compensate for both the cash used in investing activities (e.g. the acquisition of investment securities as an investment of surplus) and the cash used in financing activities (e.g. repayment of loans-payable and dividend payments). The Company's financial soundness may be said to be ensured, as interest-bearing debt (including lease obligations) is down to 2,640 million yen (down 12.3%) and a high current ratio of 281.8% is being maintained. However, the ROE, which indicates capital efficiency, fell to 8.9% (down 1.1 points) due to the decrease in profits, falling below the targeted 10%.

Q What can you tell us about the performance forecast and financial strategies going forward?

Last year, the Company commenced its new 3-year Medium-term Management Plan. Under the plan, we will continue to aim for a greater market share and improved profitability through such measures as proactive overseas expansion, reinforcing the sales of customized air compressors in specific markets such as medical settings and the vehicle application markets, and the promotion of environmentally-friendly products. We also plan to make proactive investments into the six fields of human capital (recruiting and nurturing human capital), development, capital investments, market development, corporate culture reforms, and IT to ensure sustained growth.

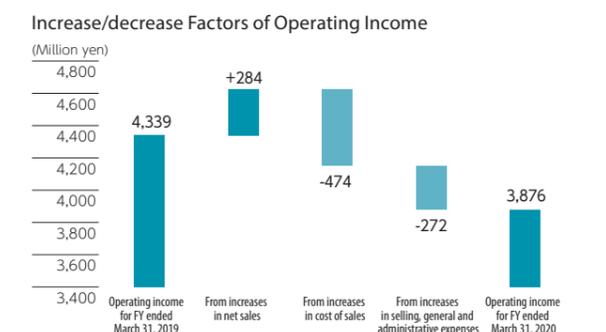
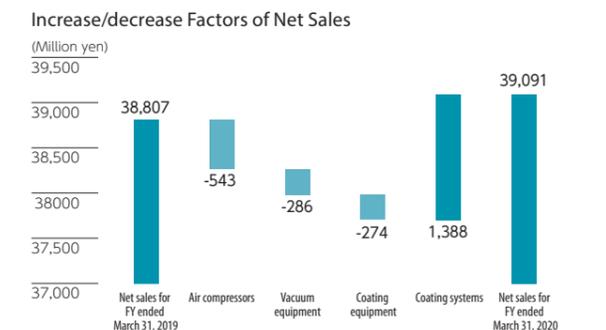
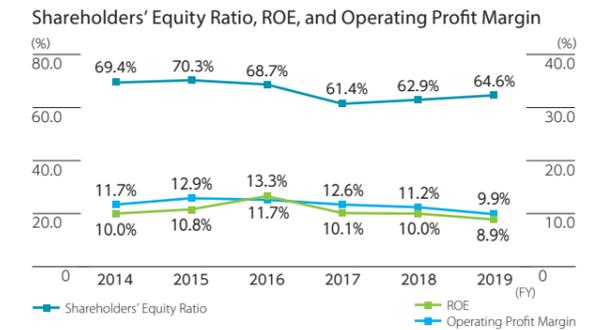
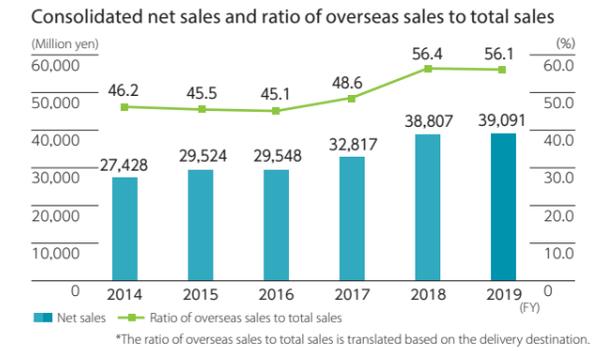
However, in terms of our performance forecast for the fiscal year ending March 31, 2021, in light of the current situation

and the prevailing uncertainty, we are forecasting a significant decrease in both sales and profits, i.e. net sales of 32,500 million yen (down 16.9% from the previous fiscal year), operating income of 2,400 million yen (down 38.1%), ordinary income of 3,000 million (down 31.8%), and net income attributable to owners of parent of 1,800 million yen (down 33.8%). The Company has forecasted these figures as its bottom line and it also feels that it is also becoming increasingly difficult to achieve the Medium-term Management Plan in its final year, the fiscal year ending March 31, 2022, due to the impact of the COVID-19 pandemic, which we had not anticipated when the plan was formulated. Nevertheless, the direction of the strategies will remain the same and we intend to continue our investments into the future without any restrictions. M&As will continue to be a crucial part of our growth strategies and we will take a proactive approach, should any potential high-quality M&A project arise that aligns with our strategies. As for profitability, excluding the impact of external factors, we believe that there is plenty of room for improvements through the enhancement of added-value based on new product development and our proposal-type sales, the promotion of the BRP project by leveraging IT, and the pursuit of Group synergy with the overseas subsidiaries.

Finally, in terms of shareholder returns, we intend to continue with stable dividends and going forward we will aim for the stability of our financial foundations and the improvement of capital efficiency while maintaining a balance between investments for the future and returning profits to shareholders.

Q How do you perceive financial risks?

The extended period of the COVID-19 pandemic, the uncertainty of the global economy due to the US-China trade friction, and the fluctuations in exchange rates (appreciation of the yen) will continue to impact the Company's business performance. However, in the Company's case, we have been able to diversify our sales and supply chain risks to a certain extent from having expanded our sales network around the world as well as devising a BCP (business continuity plan), thereby expanding our inventory and lowering our dependence on specific suppliers. Furthermore, while we need to be wary of the risk of impairment loss of non-current assets including goodwill on past M&As (approx. 1.3 billion yen), at present, we do not recognize them to be material risk factors, judging from the status of PMI (the post-merger integration process) and the operation status of non-current assets. We believe that having secured sufficient cash reserves our financial foundations are stable and that there is little chance of our financing capabilities being compromised.



The Businesses of ANEST IWATA
Business Overview **Air Energy Division**



We will contribute to a prosperous society by pursuing oil-free technology to compress gases, mainly air, as well as energy-saving qualities, and providing products that match the demands of our customers around the world.

Shinichi Fukase

Director and Senior Managing Executive Officer
Chief Operating Officer of Air Energy Division

Business Overview for FY2019

In terms of air compressors, sales of medium-sized air compressors used to mainly operate machinery in entire production factories increased. We are also going forward with targeted market development to increase sales of oil-free air compressors which are extensively used particularly overseas in food manufacturing and at hospitals. Meanwhile, due to the decline in sales of small-sized, general-purpose air compressors in Japan as a result of the consumption tax hike, the decrease in orders for automotive air compressor units in China in conjunction with the changes being instigated by the government to the policies for the fast-growing electric commercial vehicle market, and the

sluggish growth of the services business in Australia, sales for the segment declined overall.

In terms of vacuum equipment, despite efforts to strengthen the business frameworks in the US and China and cultivate the vacuum pump system manufacturers, sales activities of vacuum pumps for semiconductor-related manufacturing equipment have weakened due to the sluggish semiconductor market in Japan from the beginning of FY2019, while the demand by OEM suppliers, which had contributed to sales throughout the previous term, also dropped. As a result, sales for the segment declined overall.

FY2019 Operating Results of the Coating Business

Consolidated net sales **22,224** million yen

Consolidated operating income **1,774** million yen

Market Environment and Outlook for FY2020

Amid the impact of COVID-19, harsh business results are forecasted in FY2020 for the Air Energy Business. This is due to the high proportion of sales of general-purpose air compressors in Japan, which makes them particularly vulnerable to the economic climate, and the considerable time which is expected for the economy to recover in the emerging countries, especially India and Brazil, and the ASEAN nations.

Demand has been growing for our oil-free air compressors and vacuum equipment, our Company's strengths, in the food-, beverage-, and pharmaceutical-manufacturing markets and the healthcare market in conjunction with the demand for casual medical facilities and increasing hospital construction. In such a climate, we intend to address them as strategic markets and direct our activities to such markets.

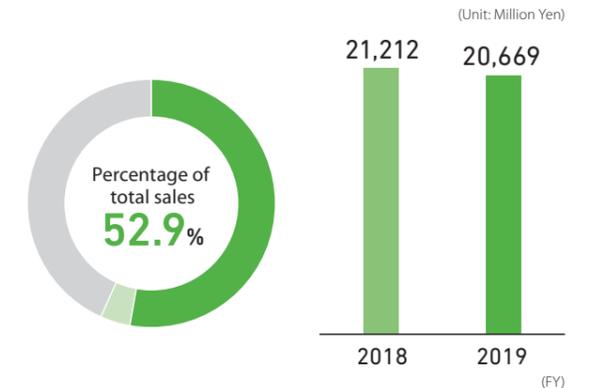
FY2020 Performance Forecast for the Coating Business (As announced on November 10, 2020)

Consolidated net sales **18,730** million yen

Consolidated operating income **1,120** million yen

Air compressors Air compressors and nitrogen gas generators

FY2019 Consolidated net sales **20,669** million yen



Strengths / Opportunities and Risks

Strengths

- Oil-free air compressors that supply clean compressed air without using lubricating oils
- Technology that developed the world's first air-cooled, oil-free scroll compressors which are quiet with excellent energy-saving features
- Industry-leading productivity that combines automated assembly lines
- Uniform product quality through production in a work environment which combines people and automation
- Reliability and stability backed by the second largest market share (Company's estimate) in the domestic, small-sized air compressor market
- Supply system which enables the same day-order receipt and shipment of small-sized air compressors in Japan
- Global manufacturing and sales network

Opportunities

- Revitalized pharmaceutical market and increased construction of healthcare facilities
- Growing demand to replace oil-lubricated air compressors due to the revision of Japan's Food Sanitation Act
- Strengthened initiatives toward reducing the environmental burden including providing energy-saving products and compliance with environmental regulations
- Expanding the EV market (electric buses, electric trucks, trains, etc.)

Risks

- Decline in capital investments due to the sluggish global economy
- Deteriorating profit margin due to intensified price wars in Japan
- No more room for increasing our share in the Japanese market
- Stricter and new regulations
- Postponement and revision of projects due to COVID-19 (mainly in specific markets)

Major Achievements in FY2019

- Expanded sales of products customized to the requirements of each customer in the specific markets
- Increased overseas sales utilizing the distributorship networks built by SCR*1
- By concluding a capital alliance with EMS*2, a production/sales foundation was established for automotive air compressors which require compliance with European standards

*1. Shanghai Screw Compressor Co., Ltd. Consolidated in FY2018 to upgrade the Company's product range.

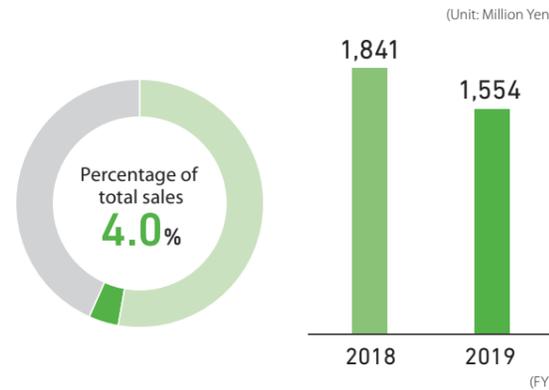
*2. E.M.S. CONCEPT SARL

Measures to be taken in and after FY2020

- Expand the medium-sized air compressor business through the overseas expansion of SCR products
- Expand sales of automotive air compressor units which require compliance with European standards through EMS
- Enter the nursing care market utilizing the small-sized air compressors of ANEST IWATA SPARMAX, which was acquired through an M&A in FY2018
- Manufacture and sell steam power generators which reuse excess energy
- Focus on overseas markets with room for greater market shares and niche markets recognized to have high added value

Vacuum equipment Oil-free scroll vacuum pumps

FY2019 Consolidated net sales **1,554** million yen



Strengths / Opportunities and Risks

Strengths

- Oil-free vacuum pumps that enable clean exhaust without using lubricating oils
- Technology that developed the world's first air-cooled, oil-free scroll vacuum pumps
- Product performance that has been adopted by the world-leading research facilities in the fields of aerospace and cutting edge science
- Global sales network



Opportunities

- Growth of the semiconductor market through increased production of electronic equipment in conjunction with increased teleworking and online consumption
- Increased demand accompanying responses to COVID-19 (e.g. equipment for PCR tests and sterilizing devices)
- Growing demand to replace oil-lubricated vacuum pumps due to the revision of Japan's Food Sanitation Act
- Government-led improvements of communication infrastructure including 5G in China
- Improvement and strengthening of laboratory facilities

Risks

- Decline in capital investments due to the sluggish global economy
- Continuing decrease in global automotive production
- Drastic changes in supply and demand on markets such as the semiconductor market
- R&D budget cuts at government and academic institutions

Major Achievements in FY2019

- Strengthened the global business system including the assignment of specialists to China and America
- Improved business results by continuing activities to cultivate device manufacturers
- Model upgrades were made to the core product, "ISP series" oil-free vacuum pumps

Measures to be taken in and after FY2020

- Relocate the base of business activities to the US, the biggest market, and rebuild the business foundations
- Execute sales promotion measures dedicated to the US, Japan, and China
- Develop products whose specifications have been customized to each country

Production and Development

Improvement of production efficiency

The Air Energy Division revised its structure to strengthen the business administration of the entire division and to establish a production reform structure.

As part of this revision, the Fukushima Factory carried out various measures and achieved the improvement of quality and production efficiency. By rolling out this know-how to the overseas factories, we will aim for the global improvement of productivity while at the same time proceed with optimal production suited to the attributes of each production base. Currently, we are engaged in further production reforms targeting completion in FY2021.

(Major initiatives at the Fukushima Factory)

- Conduct IE analysis
- Change the production control method
- Adopt combined production* lines in the assembly process
- Introduce a quality record management system using voice and touch

*Production method in which multiple products are assembled in one production line



Fukushima Factory

Overseas expansion of the products of the Chinese consolidated subsidiary

Upon becoming a subsidiary by means of an M&A, Shanghai Screw Compressor Co., Ltd. (China) has been developing products that pursue energy-saving, increasing its products, including the oil-free scroll air compressor, and expanding sales on the Chinese market. It is also focusing on sales activities outside of China, and in FY2019, it raised the ratio of its overseas sales through the expansion of its distributorship network. From FY2020, it will launch its proprietary products that have been remodeled according to the requirements of the Japanese market.

Additionally, the Group is aiming to further expand sales by handling products made by the overseas subsidiaries, including efforts to obtain medical approval in Japan and commence sales of the portable suction pump (aspirator), which is manufactured by ANEST IAWA SPARMAX Co., Ltd. (Taiwan)* and sold around the world.

* Consolidated in FY2018 by means of an M&A to upgrade the Company's product range



Medium-sized air compressor (tank-mount screw compressor) manufactured by Shanghai Screw Compressor Co., Ltd.

TOPICS

Capital alliance with E.M.S. CONCEPT SARL

In October 2019, the Company entered into a capital alliance with E.M.S. CONCEPT SARL (EMS). EMS is a leading manufacturer of automotive air compressors in France, selling products widely in France and other European countries. Through this capital alliance, the Group will upgrade the product lineup of automotive air compressors intended for Europe, strengthen the production structure, and enhance its compliance with European standards, thereby aim to further accelerate its business growth in the vehicle markets in Europe and areas with European standards.



E.M.S. CONCEPT SARL

Donating tire pumps for wheelchairs

The Company, via Fukushima Ward Council on Social Welfare, donated 64 battery-operated tire pumps to special elderly nursing homes mainly in the area where the Fukushima Factory is located.

In 2018, tire pumps for wheelchairs were donated to the City of Yokohama, where our head office is located, and the Air Energy Division, in line with its business identity to "contribute to a prosperous society through the power of air," has been making efforts to create a new type of connection with the regional communities.

Going forward we will continue to engage in social contribution activities and aim to become a company that grows along with the members of the regional communities



Scenes from the presentation ceremony

The Businesses of ANEST IWATA
Business Overview **Coating Division**



As a world-class coating manufacturer, we provide optimal paint film technology and environmentally-friendly coating technology.

Kenichi Osawa

Director and Senior Managing Executive Officer
Chief Operating Officer of Coating Division and General Manager of Development Department
East Asian Regional General Manager

Business Overview for FY2019

In terms of coating equipment, the spray gun, the Companies core product in Japan, was launched as the "WIDER" series after undergoing a full model change. Sales of spray guns increased thanks to the effects of the promotion commemorating the sales of the new types of spray guns, while sales of airbrushes to dealers who utilize the e-commerce site grew and spray guns for automotive refinishing in Europe also reported robust sales. However, due to factors such as the US-China trade friction, the slowdown of the automobile production market mainly in India

and Southeast Asia, and the effects of the reorganization of the distribution channels of the automotive refinishing market in the US, sales for the segment declined overall.

In terms of coating systems, multiple orders were received for coating systems primarily for automobile parts manufacturers in Japan, Europe, Asia, and all other regions, which significantly contributed to the increase in sales for the Coating Division overall.

FY2019 Operating Results of the Coating Business

Consolidated net sales **16,866** million yen

Consolidated operating income **2,101** million yen

Market Environment and Outlook for FY2020

Currently, corporate activities both in Japan and overseas continue to be unavoidably restricted due to the spread of COVID-19. Additionally, the latter half of the fiscal year remains uncertain, as concerns rise for possible postponements and readjustments of coating systems projects. Given that the Coating Business generates a high percentage of its sales, i.e. 70%, from overseas, risks will become even greater, if this situation

continues in the long-term.

Meanwhile, the demand for sanitizer liquid application devices and the demand for airbrushes as a result of growing consumption by people who are staying at home have increased, and we will continue to follow up on the markets where sales have been slow and focus on markets which are being revitalized.

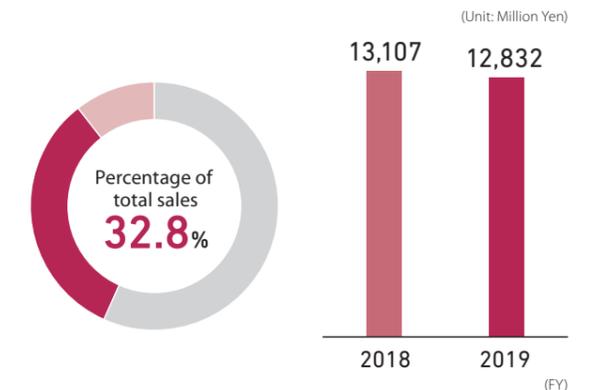
FY2020 Performance Forecast for the Coating Business (As announced on November 10, 2020)

Consolidated net sales **13,770** million yen

Consolidated operating income **1,280** million yen

Coating equipment Spray guns, electrostatic coating equipment, paint supply equipment, and liquid application equipment

FY2019 Consolidated net sales **12,832** million yen



Strengths / Opportunities and Risks

Strengths

- The know-how accumulated over the years from having developed and commercialized the first Japanese-made hand spray gun
- Possessing the knowledge and experience to develop optimal spray guns for each type of paint and to propose coating methods
- Technology which offers a uniform and optimal coating finish
- Reliability backed by a market share of 70% or more in the domestic hand spray gun market
- Brand power with a large market share overseas as well
- Environmentally-friendly products that are compliant with the environmental regulations which are becoming increasingly stricter in Europe and the US ahead of Japan
- Created an automated production facility capable of mass-production of high-spec, high-quality spray guns
- Global manufacturing and sales network

Opportunities

- Establishment of new and stricter environmental regulations in each country
- Growth of the sanitary ware market in the Asian and emerging countries
- Growing demand for applying chemicals including sanitizer
- Growth of the DIY/hobby markets due to growing consumption by people staying at home
- Growing demand for medium and high-end decorative coating in line with economic growth

Risks

- Slowdown of economic activity due to the spread of COVID-19
- Loss of sales opportunities due to delayed new product development
- Shrinking of the automotive refinishing market due to the spread of vehicles equipped with anti-collision devices
- Continued decrease in global automobile production

Major Achievements in FY2019

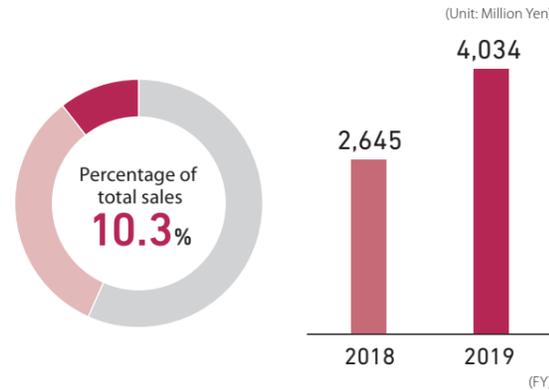
- 2 new types of high-range spray guns were launched
- Made progress in the development of niche markets including the market for applying food-related liquids
- The estimated global market share of airbrushes reached approx. 30%

Measures to be taken in and after FY2020

- Expand the targeted market from automotive refinishing to industrial coating
- Develop global and niche markets
- Launch the medium-range spray gun, a new product, and quickly penetrate the market
- Develop the liquid application market for food-related liquids, sanitizer, and high-function materials

Coating systems Automated coating units, coating plants, coating robots, environment systems, and coating booths

FY2019 Consolidated net sales **4,034** million yen



Strengths / Opportunities and Risks

Strengths

- Advanced problem-solving capabilities utilizing the experimental facility for coating (Coating Solution Center)
- Optimal proposal capabilities that enable the coating finish and the high non-defective rate required by customers
- Global manufacturing and sales network

Opportunities

- Demands for an improved work environment
- Promotion of automation in conjunction with the shortage and the aging of the workforce
- Reinforced initiatives to reduce the environmental burden
- Japanese companies building new plants overseas

Risks

- Decline in capital investments due to the deteriorating economy
- Postponement and revision of projects due to COVID-19
- Continued decrease in global automobile production
- Controlling the number of personnel in activities prior to/post-order receipt
- Rise of the cost of sales ratio in the consolidated financial statements due to the increase in net sales

Major Achievements in FY2019

- Developed coating booths with better maintenance qualities
- Held educational lectures on industrial robots
- Supported multinational users and captured repeat customers reflecting the track record of delivery to such customers
- Proactive entry into the woodwork markets mainly in Asia

Measures to be taken in and after FY2020

- Steadily deliver and launch projects for which orders were received, even amid the COVID-19 pandemic
- Reinforce the consulting function to offer the optimal type of coating to customers
- Establish fully-automated coating as well as environmentally-compliant technology and product development
- Conduct in-person (in Japan) and remote seminars for local overseas staff

Production and Development

Reinforcement of the production structure

The Akita Factory increased the number of its die-casting machines*in conjunction with the model changes to the hand spray gun. This has enabled the increase in output to keep up with the increase in sales and stable production. We are also continuing to invest in production facilities at our overseas factories as well as those in Japan.

We will promote a production structure capable of a stable supply of strategic products by continuing to reinforce our production facilities, while at the same time achieving optimal production at the main factories in Akita, Taiwan and Italy, and the sub-factory in China.

*Equipment used in pouring molten metal into dies, cooling the metal until it is solidified and shaped.



Akita Factory

New product development

In August 2019, the Company's best-selling product, the hand spray gun, underwent a full model change, for the first time in 22 years. The new model, under the concept of "Undeniable quality and stability," has achieved enhanced maneuverability based on a pursuit of ergonomics and a high level of maintenance by revising the shape of its parts. At the same time, the "kiwami" automotive refinishing spray guns were also launched as a standalone brand.

In FY2020, we are planning to launch a new medium-range spray gun and carry out a model change for automatic spray guns.

Going forward the Company will pursue the manufacture of better products that value the "customer's perspective," one of the key points of the ANEST IWATA philosophy, by such means as having our marketing staff with onsite coating experience propose product development.



The new model hand spray gun (WIDER)

TOPICS

Utilization of the head office research & development building

Operations are in full swing at the head office research & development facility (Coating Solution Center), which was built at the end of FY2018.

This facility is equipped with three laboratories where customers can witness coating trials by coating robots in an environment replicating actual conditions of use. This allows us to make specific proposals on coating methods and the adoption of facilities that will vary depending on the size and shape of the object to be coated.

Additionally, we are holding special educational seminars* about the Company's unique industrial robots dedicated to coating. Although the seminars were suspended in FY2019, due to the impact of COVID-19, going forward we will continue with activities that utilize this facility.

*A seminar system that meets the criteria of the Ministry of Health, Labour and Welfare. Operators of industrial robots are required to undergo relevant education.



Laboratory

Achieving a prosperous society

As the leading manufacturer of coating machinery, the Company, in an effort to earn the trust and meet the expectations of the consumers even in the midst of the COVID-19 pandemic, has begun the development of sanitizer liquid application tools and face shields by leveraging its know-how, from the end of FY2019. Currently, we are donating these items to hospitals and nursing care facilities, where the need is the highest, and also pursuing this as a business.



Sanitizer liquid application tool

The Businesses of ANEST IWATA

Quality Assurance and Intellectual Property Management

In our relentless pursuit of customer satisfaction, we are striving to “build and update our quality assurance system,” “carry out initiatives to maintain and enhance quality,” and “respond to complaints and comments from our dealers, distributors and customers and resolve problems.

We also appropriately handle our intellectual property as important management assets.

Basic Approach to Quality

As indicated in the “ANEST IWATA Corporate Philosophy,” we recognize the enhancement of quality of the products and services handled by the Group to be a significant management issue.

ANEST IWATA has established a number of internal regulations including the “Quality Manual” for the maintenance and

enhancement of quality. The “Quality Policy” and the “Quality Slogan” are articulated in the “Quality Manual,” and the “Quality Policy,” in particular, is revised in a flexible manner by undergoing a management review by the President each year and a policy is determined based on the optimal solution that aligns with the situation of each year.

Quality Policy

We recognize the paramount importance of maintaining and enhancing product quality.

- 1 The quality management system is fundamental to our corporate management.
- 2 We will satisfy the demands of the market.
- 3 We will continuously improve the effectiveness of the quality management system.
- 4 We will endeavor to contribute to the reduction of production costs.

Quality Slogan

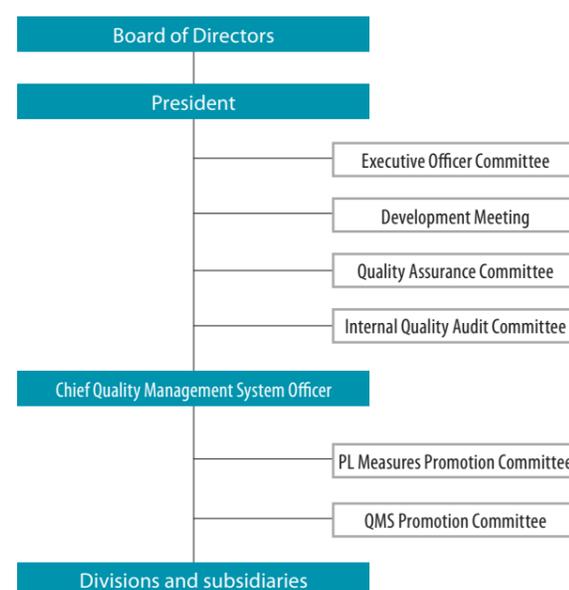
▶ Our quality goal =
Customer satisfaction

Quality Management System

The overall framework for quality management comprises a QMS Promotion System with the President as the Chief Quality Management System Officer.

The Company is engaged in QMS activities based on the ISO9001:2015 and is working to maintain and enhance quality, for example, by having the Quality Assurance Department take an objective perspective and eradicate potential problems from the early stages of product development. We also undergo screenings by the Quality Assurance Committee and the Development Meeting, which are served by the Quality Assurance Department and the Technical Administration Department as secretariats, respectively, and the once-a-year ISO certification assessment by a third party. Furthermore, by solving any problems discovered in these screenings, we ensure the quality of products that meet market requirements.

QMS Promotion system



Initiatives Toward Quality Enhancement

The Company gathers data on costs incurred as a result of complaints, disposal costs of non-conforming products, and the time and cost of dealing with complaints as proprietary “failure costs,” and from FY2019, has been calculating the “ratio of customer dissatisfaction cases” based on the number of cases of receiving complaints and product sales volume, and using these indices as assessment criteria to enhance quality. These results are disclosed internally along with the other QMS

activities once a year.

We are also preparing and studying for the establishment of a Global Quality Assurance System to cover the overseas production bases as well as Japan. We will make efforts toward creating this system through education activities and by sharing an awareness of such concepts as “failure costs” with the overseas factories.

Initiatives Toward Improving Customer Satisfaction

Since 2018, the Company has been conducting the “Survey on Customer Satisfaction,” in which the major domestic dealers, servicing dealers, and system manufacturers are directly interviewed.

Items such as products, parts, order receipt, delivery/response, services, etc. are evaluated from the perspective of Q (Quality), C (Cost), and D (Delivery/response), and the results are analyzed and used to solve problems. At the same time, we asked the same questions to our relevant staff from a

self-evaluation perspective, and have been measuring the gap between the replies of the two parties.

Additionally, in July 2019, we set up a “Customer Support” as a contact point for customer inquiries. The customer support is manned by dedicated members as well as managers of the business divisions alternating on a daily basis to ensure a system where inquiries are answered quickly and accurately. Through these initiatives, we are working to enhance the quality of our communication with our customers.

Responding to Comments and Complaints

The Quality Assurance Department responds to complaints from the dealers and distributors who supply the Company’s products, via the Company’s branches, sales offices, representative offices or the Head Office serving as contacts.

Additionally, the Company has established a “PL emergency measure flow,” in preparation for extremely serious complaints in violation of the PL Act (Product Liability Act) or which could seriously impact the market or the customers.

In such an event, the Quality Assurance Department promptly will report to the President and convene the PL Measures Promotion Committee, and ultimately make a report to the Board of Directors.

The Company also conducts seminars for its junior and mid-level employees to reduce and prevent complaints concerning sales.

Intellectual Property Management

As stated in the Group Guiding Principles, the Group strives to appropriately handle its intellectual property while respecting the intellectual property of third parties.

An example of the Group’s utilization of its intellectual property rights is the initiatives being taken by the Group to offer the inventions and the rights, which have been achieved through research and development with universities, as licensable patents to companies interested in their commercialization.

Number of patent applications: Past results

Over **1,200**
patents in Japan and overseas

ANEST IWATA strives to realize its sustained growth and the maximization of its corporate value. To this end, the Company recognizes that it is imperative that upon considering the perspectives of its stakeholders including the shareholders, the customers, the business partners, the employees, and the regional communities, it increases the flexibility of its management, enhances transparency, reinforces the oversight over management and raises the effectiveness of its corporate governance.

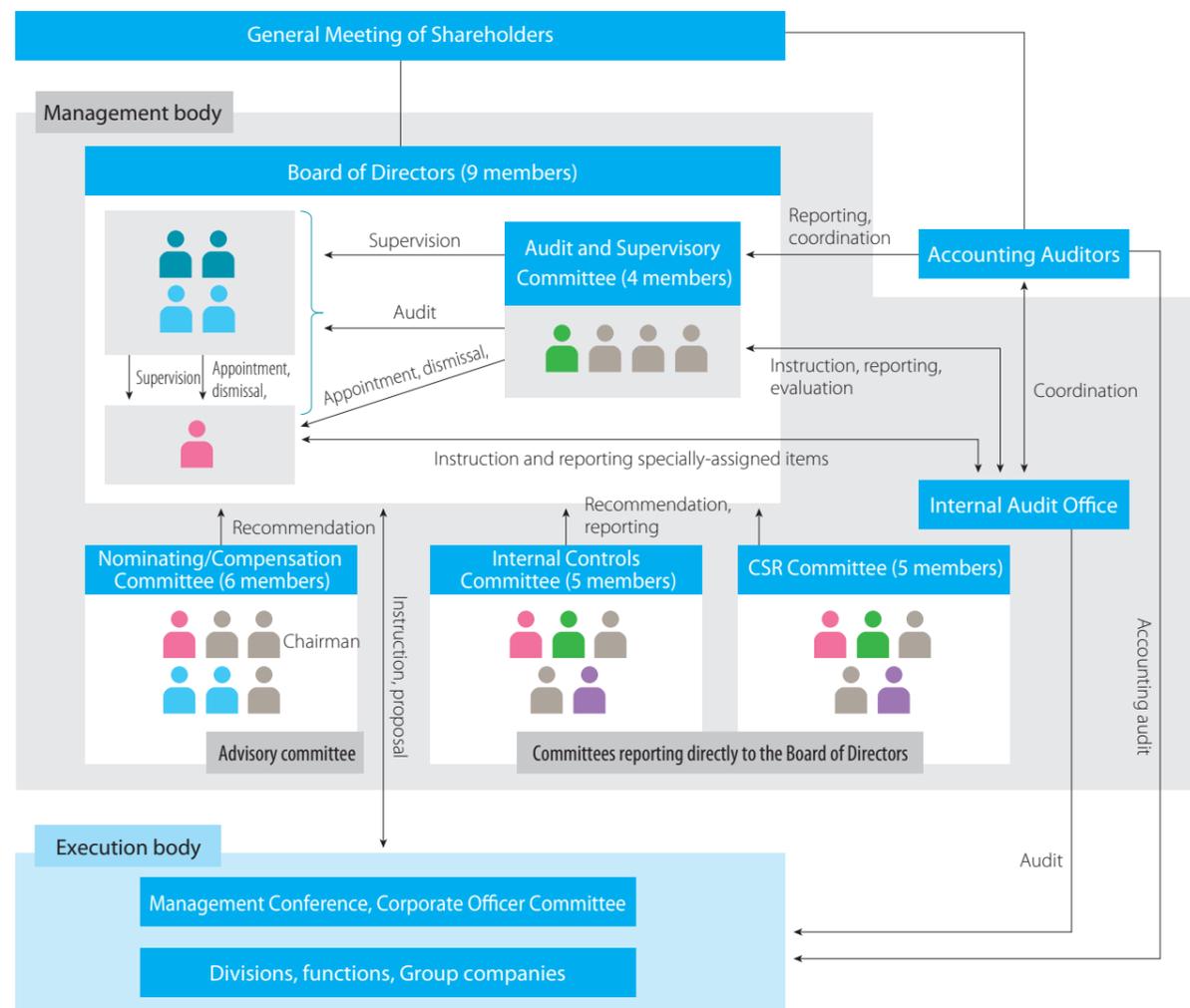
Corporate Governance Structure

The Company operates as a company with an Audit and Supervisory Committee. It has also established, as non-statutory advisory panels for the Board of Directors, the Nominating/Compensation Committee, as well as the Internal Controls Committee and the CSR Committee to assist the Board of Directors. In order to ensure flexible decision-making in response to the changing business environment, the Company has also adopted the corporate officer system.

governance to be a management priority, has proactively appointed Independent Directors with diverse expertise and insight, in addition to having Directors who are Audit and Supervisory Committee Members conduct supervision and audits in a timely and appropriate manner, thereby ensuring the fairness and transparency of management. Through these initiatives, the Company ensures the enhancement of corporate value and its sustained growth for each one of its stakeholders.

The Company, recognizing the enhancement of corporate

Governance Structure (Diagram)



● Representative Director
 ● Directors
 ● Independent Directors
 ● Directors, Audit and Supervisory Committee Members
● Independent Directors, Audit and Supervisory Committee Members
 ● Chief Corporate Planning Officer

The Role and Composition of the Supervisory Organization

Organization	Composition ★: Chairman (number of persons)	Purpose	Secretariat	Number of meetings held in FY2019
Board of Directors	★ (1) Representative Director, (3) Internal Directors, and (5) Independent 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.	General Manager, Corporate Planning Department	15
Audit and Supervisory Committee	★(1) Director (full-time) who is an Audit and Supervisory Committee Member, and (3) Independent Directors who are Audit and Supervisory Committee Members	Exchanges opinions with Directors and employees, audits the business execution of Directors, prepares audit reports, etc.	Director (full-time) who is an Audit and Supervisory Committee Member	13
Management Conference	★ (1) President and Chief Executive Officer, (8) Corporate Officers, (6) non-executive Directors, and General Manager	Deliberates and shares information between Corporate Officers and non-executive Directors, and discusses and deliberates mainly matters relating to business operations	Corporate Planning Department	*
Corporate Officer Committee	★ (1) President and Chief Executive Officer, (8) Corporate Officers, and General Managers	Communicates the matters to be resolved at the Board of Directors meetings, and deliberates the matters to be resolved at the Corporate Officer Committee and the matters to be proposed to the Board of Directors meetings	Corporate Planning Department	14
Nominating/Compensation Committee	★ (1) Independent Director who is an Audit and Supervisory Committee Member, (1) Representative Director and (4) other Independent Directors	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	General Manager, Corporate Planning Department	4
Internal Controls Committee	★ (1) Representative Director, (3) non-executive Directors, and (1) General Manager, Corporate Planning Department	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	General Manager, Internal Audit Department	6
CSR Committee	★ (1) General Manager, Corporate Planning Department, (1) Representative Director, and (3) non-executive Directors	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	General Manager, Public Relations Department	6

*The Management Conference was newly established in FY2020.

Reasons for the Selection of Independent Directors (Including Directors who are Audit and Supervisory Committee Members) and Status of Activities

	Name	Major reasons for selection	Activities in FY2019
Independent Directors	Kozo Yoneda	He has been engaged in the management of numerous companies for many years and has a high-level of insight into management.	Attended 15 out of 15 Board of Directors meetings.
	Yoshitsugu Asai (Newly appointed)	He has held a number of important positions at human resources, legal, and general affairs departments at an electronics manufacturer and thus he has abundant experience and broad knowledge in business administration.	—
Independent Directors who are Audit and Supervisory Committee Members	Kyosuke Oshima	He has been engaged in corporate management in the manufacturing industry for many years as a director and a standing corporate auditor and has a high-level of insight in management.	Attended 15 out of 15 Board of Directors meetings. Attended 13 out of 13 Audit and Supervisory Committees.
	Masashige Takayama	He has abundant experience and broad expertise as a certified public accountant and a tax accountant.	Attended 15 out of 15 Board of Directors meetings. Attended 13 out of 13 Audit and Supervisory Committees.
	Kazumichi Matsuki (Newly appointed)	In addition to his performance as the Company's Director, he has extensive business experience at various companies including manufacturers and has particularly deep knowledge in the fields of legal affairs and compliance.	Attended 15 out of 15 Board of Directors meetings.

*Mr. Yoshitsugu Asai is a newly appointed Director approved by the 74th Annual General Meeting of Shareholders.

*Mr. Kazumichi Matsuki, formerly a Director, was elected as a new Director who is an Audit and Supervisory Committee Member at the 74th Annual General Meeting of Shareholders.

Other activities

- Attendance of non-statutory committees
- Inspection of the domestic plants and the overseas subsidiaries
- Attendance of business meeting with the presidents of overseas subsidiaries held at the head office
- Attendance of Board of Directors meetings of overseas subsidiaries
- Attendance of management seminars
- Participation in events sponsored by the labor union, etc.

Policy for the Determination of Compensation for Directors

The basic policy of compensation upholds a compensation system that motivates executives to improve business performance and contribute to the long-term increase in corporate value. The Company's compensation system comprises a regular same-amount salary (fixed compensation), short-term incentives (performance-linked bonus), and medium- to long-term incentives (performance-linked stock remuneration). Compensation is decided within the limit resolved by the General Meeting of Shareholders, based on the recommendation

by the Nominating/Compensation Committee, which is chaired by an Independent Director who is an Audit and Supervisory Committee Member, comprehensively taking into account the Company's business performance and the responsibilities and achievements of each Director, and upon deliberation of the recommendation by the Board of Directors.

Compensation, etc. of Directors who are Audit and Supervisory Committee Members are determined upon deliberation by Directors who are Audit and Supervisory Committee Members.

Fixed Compensation

The amount to be paid to each Director as fixed compensation is determined within the limit of the total amount of compensation resolved by the General Meeting of Shareholders, according to the position of the responsibilities of the Director and paid as a monthly salary each month.

At the 70th Annual General Meeting of Shareholders held

in June 2016, it was resolved that the total amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) would be within ¥200 million per year and the total amount of compensation for Directors who are Audit and Supervisory Committee Members would be within ¥60 million per year.

Performance-linked Bonuses

The Company, upon conducting an assessment of actual profit/loss, has selected ordinary income as an index to determine the performance-linked bonus to each Director, in an effort to raise the awareness of Directors to contribute to the enhancement of corporate value through the medium- to long-term improvement of performance and the improvement of common interests with shareholders. Bonuses are paid by calculating the

amount using the following equation.

In addition, from FY2020, in light of the roles and the independence of Independent Directors, and to ensure that they effectively supervise management, performance-linked bonuses have been eliminated and compensation of Independent Directors comprises exclusively of fixed compensation.

(Calculation method)
$$\text{Performance-linked bonus} = \text{Consolidated ordinary income} \times 1.10\% \times \frac{\text{Points of each Director}}{\text{Total points of Directors}}$$

Points of Directors by position and number of Directors

Position	Points	Number of Directors	Total points
Representative Director	1.00	1	1.00
Director and Senior Managing Executive Officer	0.35	2	0.70
Director, Audit and Supervisory Committee Member (full-time)	0.30	1	0.30

Performance-linked Stock Remuneration

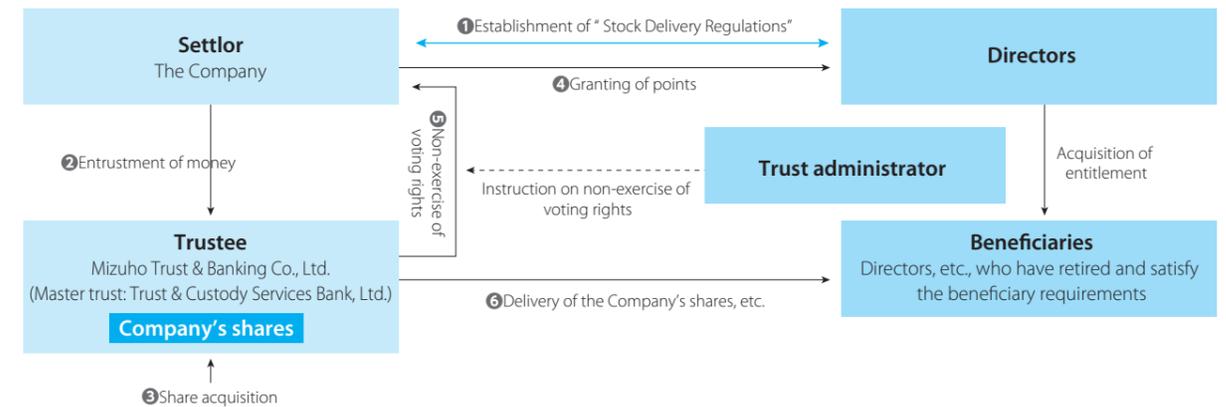
The Company has adopted a performance-linked stock remuneration plan for Directors (excluding non-executive Directors), to further clarify the link between the Company's business performance and stock value, and to raise the Directors' awareness to contribute to the medium- to long-term improvement of business performance and the enhancement of corporate value by sharing risks of lower stock prices, as well as the benefits

of higher stock prices with the shareholders.

Under this plan, shares in the Company are acquired through a trust using money contributed by the Company as funds, and shares in the Company and cash equivalents of such shares at their market value are delivered through the Trust to the eligible Directors pursuant to the Stock Delivery Regulations established by the Company.

Overview of the plan

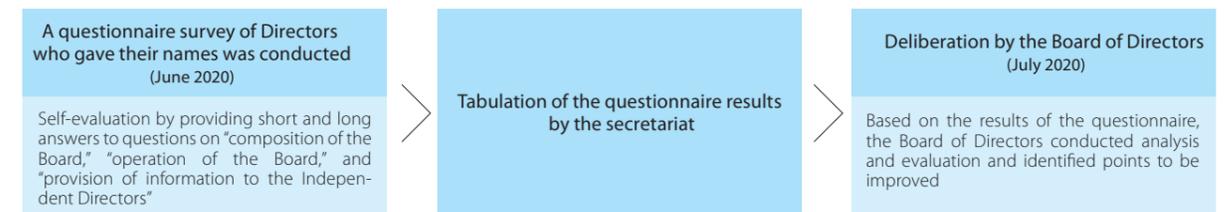
1 Target period	Three fiscal years from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022
2 Upper limit of money contributed by the Company to the trust as the funds to acquire the Company's shares	¥130 million during the period in 1
3 Upper limit of shares	44,000 shares per three fiscal years
4 Timing of the delivery of the Company's shares	Upon retirement, in principle



Evaluation of effectiveness of the Board of Directors

To improve the functions of the Board of Directors, the Company conducts an analysis and evaluation of its effectiveness each year.

Analysis and Evaluation Process



Overview of the Analysis and Evaluation Results of FY2019

On the whole, the Board was found to be conducting active deliberations, which included the Independent Directors, and functioning sufficiently. As major matters for improvement, the following points were confirmed.

	Status of major initiatives	Issues going forward
Composition of the Board	<ul style="list-style-type: none"> Independent Directors account for more than half of the Board Board comprises only Japanese Directors 	Further efforts should be deliberated to ensure diversity, considering the high ratio of overseas sales and the growing number of employees recruited by the Group who are not Japanese nationals.
Deliberations by the Board	<ul style="list-style-type: none"> The agenda was narrowed down by delegating authority to the Representative Director The Management Conference attended by all Directors was established in FY2020, and matters relating to business execution were transferred 	The provision of information on business execution to Independent Directors should be improved to deepen their understanding, and efforts should be made to further revitalize deliberations of important agenda by the Board.

Directors



Takahiro Tsubota
Representative Director
President and Chief Executive Officer
1981 Joined the Company
2001 Director of the Company
2008 President and Representative Director of the Company
Representative Director of ANEST IWATA Korea Corp.(current position)
2014 President, Representative Director and Chief Executive Officer of the Company (current position)
2018 Chief Operating Officer, Business Administration Division of the Company
2020 Chief Operating Officer, Coating Division of the Company



Kenichi Osawa
Director and Senior Managing Executive Officer
1990 Joined the Company
2010 President of ANEST IWATA (SHANGHAI) Corporation
2012 President of ANEST IWATA Shanghai Trading Corporation
2014 General Manager, Fluid Engineering Department of the Company
2015 Corporate Officer of the Company
2018 General Manager, Coating Development Department of the Company (current position)
2019 Executive Vice President
East Asian Regional General Manager of the Company (current position)
2020 Assistant Chief Operating Officer, Coating Division of the Company
Senior Managing Executive Officer and Chief Operating Officer, Coating Division of the Company (current position)



Shinichi Fukase
Director and Senior Managing Executive Officer
1988 Joined the Company
2008 President of ANEST IWATA CAMPBELL K.K.
2010 Corporate Officer of the Company
2019 Director of the Company (current position)
Executive Vice President
Chief Operating Officer, Air Energy Division
Factory Manager, Fukushima Factory of the Company
2020 Senior Managing Executive Officer and Chief Operating Officer, Air Energy Division of the Company (current position)



Yoshitsugu Asai
Independent Director
1977 Joined BROTHER INDUSTRIES, LTD.
1989 Representative Director & President of BROTHER INDUSTRIES (AUST) PTY LTD.
2000 General Manager, General Planning Department of BROTHER INDUSTRIES, LTD.
2004 Executive Officer, EVP* of I&D Company, and General Manager, Corporate Planning Department of BROTHER INDUSTRIES, LTD.
*EVP: Executive Vice President
2006 Executive Officer and General Manager, Human Resource Department of BROTHER INDUSTRIES, LTD.
2011 Managing Executive Officer and General Manager, Legal & General Affairs Department, responsible for Corporate Communications (Public Relations) Department of BROTHER INDUSTRIES, LTD.
2016 Managing Executive Officer responsible for Finance & Accounting Department, Law, Environment & General Affairs Department and CSR & Corporate Communications of BROTHER INDUSTRIES, LTD.
2017 Outside Director of FUJIMI INCORPORATED (current position)
2020 Independent Director of the Company (current position)



Kozo Yoneda
Independent Director
1972 Joined the Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
2001 Executive Officer and General Manager, Corporate Banking Dept. II of Sumitomo Mitsui Banking Corporation
2002 Chairman and CEO of Japan Equity Capital Co., Ltd.
2003 Senior Advisor of Daiwa Securities SMBC Principal Investments Co., Ltd.
2005 President of Hirata Corporation
2012 President and Representative Director of Kinrei Corporation (currently KR FOOD SERVICE CORPORATION)
2014 Outside Director of amifa Co., Ltd. (current position)
2015 Independent Director of the Company (current position)
Outside Director of Takagi Co., Ltd. (current position)
Managing Director of Three Fields LLC. (current position)
2016 Outside Director of FORLIFE Co., Ltd. (current position)
2018 Outside Director of HOKUETSU METAL LTD.

Directors, Audit & Supervisory Committee Members



Masato Suzuki
Director
1987 Joined the Company
2011 Corporate Officer of the Company
2015 Director of the Company
2016 Executive Vice President of the Company
2018 Director who is an Audit & Supervisory Committee Member of the Company (standing) (current position)



Kyosuke Oshima
Independent Director
1982 Joined SUNX Limited (currently Panasonic Industrial Devices SUNX Co., Ltd.)
2000 Director of SUNX Limited
2007 Managing Director of SUNX Limited
2011 Full-time Audit & Supervisory Board Member of SUNX Limited
2015 Independent Director of the Company
2016 Independent Director (Audit & Supervisory Committee Member) of the Company (current position)



Masashige Takayama
Independent Director
1987 Joined Eiiwa Audit Corporation (currently KPMG AZSA LLC)
1990 Joined Kyowa Audit Corporation Registered as a certified public accountant
2007 Senior Partner of Kyowa Audit Corporation (current position)
Senior Partner of Kyowa Tax Corporation (current position)
2012 Audit & Supervisory Board Member of the Company
2013 Consultant of Public Interest Commission, Cabinet Office (current position)
2015 Auditor of National Museum of Nature and Science (current position)
2016 Independent Director (Audit & Supervisory Committee Member) of the Company (current position)
2016 Independent Director (Audit & Supervisory Committee Member) of the Company (current position)



Kazumichi Matsuki
Independent Director
1976 Joined Mitsubishi Corporation
2007 Chairman of the Association of Corporate Legal Departments
2010 Visiting Professor of the University of Tokyo Graduate Schools for Laws and Politics
2011 Executive officer of Hokuetsu Kishu Paper Co., Ltd. (currently Hokuetsu Corporation)
2013 Managing Director of Hokuetsu Kishu Paper Co., Ltd.
2016 Director of Dream Incubator Inc.
Auditor of SANDEN HOLDINGS CORPORATION (current position)
2018 Independent Director of the Company (current position)
2019 Outside Director of the Board of Nissha Co., Ltd. (current position)
2020 Independent Director who is an Audit & Supervisory Committee Member of the Company (current position)

Director Portfolio

Name	Management in general					Expertise			
	Corporate management	Overseas corporate management	Business administration	Accounting audits	Corporate Auditor, etc.	Technology / manufacturing	Sales / distribution	Treasury / finance	Legal affairs
Directors	Takahiro Tsubota	○		○		○	○		
	Shinichi Fukase					○	○		
	Kenichi Osawa		○			○	○		
	Yoshitsugu Asai		○	○			○	○	○
	Kozo Yoneda	○	○					○	
Directors, Audit & Supervisory Committee Members	Masato Suzuki				○	○	○		
	Kyosuke Oshima	○		○	○		○		○
	Masashige Takayama	○			○			○	
	Kazumichi Matsuki	○	○	○	○				○

Compliance Promotion Structure

The Company promotes initiatives toward compliance with the CSR Committee serving as the formulation, deliberation and

decision-making body and the Legal Department as the execution body.

Basic Approach toward the Internal Control System and Establishment Status

We have documented and have been making efforts to embed the Group basic policy, the guidelines to ensure that each person working at the Group takes responsible actions, and the “ANEST IWATA Philosophy,” which sets forth compliance with

laws, the Articles of Incorporation, policies, internal rules, etc. The Company has set forth the basic policies on internal control in the Basic Policy on Corporate Governance, which is a basic component of the “ANEST IWATA Philosophy.”

Basic Policy on Corporate Governance ANEST IWATA Basic Policy on Corporate Governance Search

Risk Management

The Group has established rules such as the “Risk and Crisis Management Regulations” and the “Information Security Regulations” and strives to avoid and reduce the various risks relating to business. Additionally, the CSR Committee, on behalf of the

Crisis Management Committee, identifies and assesses company-level risks, reviews control methods (acceptance, avoidance, mitigation, and transfer), and reports once a year to the Board of Directors.

Major initiatives relating to risk management

- Establishment of the overseas contact, “ANEST IWATA Group Hotline,” in addition to the domestic whistle-blowing system, “ANEST IWATA Hotline”
- Establishment of the “Suggestion Post,” a system for making suggestions to the Representative Director
A system where the President personally receives awareness-raising information such as “customer requests, product ideas, the stance of responding to the market, suggestions and problems/improvements” and other everyday matters

that have become concerns for the employees, and responds to them in a timely and an appropriate manner, and which aims to create a corporate culture which will allow senior management to respond to risks as quickly as possible.

- Establishment of a Crisis Management Committee
The committee, chaired by the President, is convened in the event of emergencies to quickly and appropriately deal with emergencies and formulate prevention measures after-the-fact.

Initiatives toward BCP*

The Company has formulated a BCP manual as a response manual for fires and natural disasters such as earthquakes, typhoons, heavy rain, and heavy snow at each department and factory. The criteria for triggering the BCP (natural disasters) are determined and enforced based on the judgment of each location, by taking into account various conditions including the amount of rain and snowfall.

As for the novel coronavirus (COVID-19) which has continued to spread from the end of the FY2019, amid these unprecedented conditions, the Company has established an organization and structure which prioritizes “securing safety” and “maintaining employment” and is capable of responding to changes. Additionally, in preparation for the second wave of the pandemic, the Company is currently formulating a response manual for infectious diseases.

- 1 Convene the Crisis Management Committee and formulate / promote the Group’s basic policies.
- 2 Provide an environment conducive to new workstyles such as the proactive promotion of teleworking and the establishment of new evaluation methods.
- 3 Build a structure to maintain company functions and avoid greater risk in the event of an outbreak by dividing up the internal functions of the company and the functions of the facilities.
- 4 Identify the necessary emergency supplies, and consider and implement methods to procure them; and establish procurement channels that take advantage of the location of the overseas Group companies.
- 5 Distribute hard-to-get items (e.g. masks and face shields) to local residents and related parties, etc.

*BCP: Business Continuity Planning

The Foundations that Support Value Creation
Human Capital

Capable employees play a leading role in and are indispensable to the sustained growth of the Group. Accordingly, the Company is making efforts to provide a work environment where diverse human capital can continue to play an active role for a long time and a corporate culture that maximizes the individual's creativity and teamwork spirit.

Basic Approach to Human Capital

We consider the securing and development of human capital in line with the company's growth to be an essential task in achieving business expansion. To this end, the Company will pursue human capital from around the world, while at the same time strive, as articulated in the Group Code of Conduct, to promote the establishment and maintenance of a safe and sound workplace without discrimination to enable employees to demonstrate their capabilities and to optimize the system of international human capital assignments that value the capabilities and competence of the individual.

In terms of recruitment, the Company is improving its personnel structure to become a company with a 100-year history by continuing to recruit new graduates, while at the same time hiring mid-career recruits as human capital who can make an immediate impact.

The Company is engaged in various types of human capital development to foster talent with a flexible perspective who consistently embraces the spirit of challenges, acts responsibly, and is capable of proactive communication, based on its founding motto of being "trustworthy and sincere."

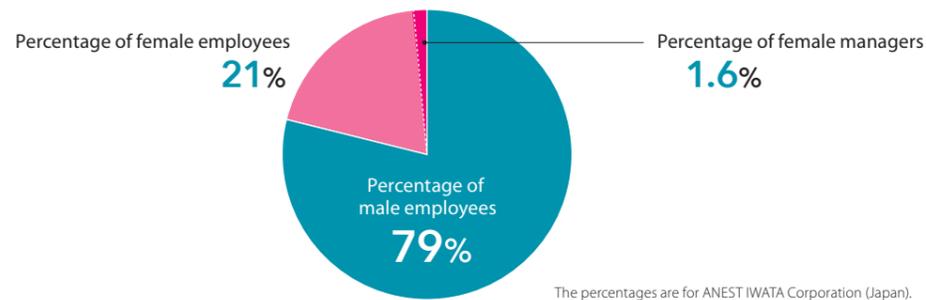
Initiatives toward Diversity

To create innovative technology and products and achieve sustained growth, the Company is striving to operate an organization in which willing employees, regardless of gender, race, age, and the presence of disabilities, can demonstrate their capabilities to the fullest extent and that respects ideas born from diverse values.

Our company tends to have a low percentage of women to total employees due to the nature of the industry but we are focusing on the "Promotion of Women Empowerment" as a primary issue. Therefore, from FY2018, we have continued to conduct

training to provide a basic knowledge of diversity and to explain its necessity. This year, a career advancement seminar for female employees working at the head office and a management-level seminar to raise awareness about diversity management for the superiors of the female employees were held. After undergoing the respective seminars, the female employees and their superiors engaged in an active exchange of opinions that went beyond their respective positions to deepen their understanding of female advancement and diversity/inclusion.

Percentage of male/female employees and female managers (FY2019)



Prevention of Harassment

The Company considers sexual harassment and abuse of authority to be human rights problems and has formulated policies accordingly. The employment rules also prohibit both types of harassment as well as harassment as a result of having taken childcare/nursing care leave. In addition, we have established

consultation counters and are making efforts to educate our employees.

Furthermore, in-house training by the Legal Department including training for newly-appointed managers is conducted on the various types of harassment.

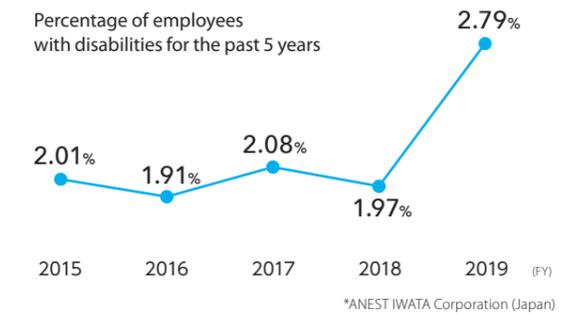
Employment of Persons with Disabilities

The Company is striving to support the work and employment opportunities of persons with disabilities, in an effort to achieve

the common mission of society of improving welfare.

In January 2019, the Company introduced and commenced

services to support the employment of persons with disabilities at agricultural farms. The indoor farms provide vegetables, which are used at the Company's cafeterias and herbs, which are used to make herb tea offered at the communication lounge,



and have been linked to improving the health and relaxation of the employees and, ultimately, to raising their satisfaction. The Company will continue to provide a work environment where persons with disabilities can discover the joy of working.

Utilization of Elderly Human Capital

The Company has adopted a re-employment system, whereby employees who want to continue working after their mandatory retirement age can continue to work. Many employees over the mandatory retirement age of 60 take advantage of this system and remain active in various workplaces.

Japan is facing a serious decline in the working-age population due to the aging of the population and low birthrates, and shortages have become major issues in every industry. In such

a climate, the Company believes that the utilization of elderly human capital with abundant experience and skills is a crucial key to corporate sustainability. The Company is considering the possibility of postponing the mandatory retirement age to 65, in an effort to promote the reinforcement of the organization through the seasoned skills and know-how of elderly employees and to pass on their skills to the younger employees.

Human Capital Development

As part of the efforts to build an organization capable of creating further value, the Company is reviewing its personnel system and improving its education and training. The Company is raising the skills of its employees by providing various training programs including the training by position which is conducted at every stage of the employee's career starting when the employees are first given their job offers, and specialized training offered when the employee is assigned to a division, as well as supporting the personal development of its employees through language training and correspondence courses.

Additionally, as a new personnel system from FY2021, the Company is planning to transition to a "worthwhile personnel system," which encourages and rewards the challenges of the individual employee. Furthermore, aiming for the early development of management candidates and the fostering of talent with a high level of expertise, the Company is also considering the possibility of postponing the mandatory retirement age to 65, to expand the areas requiring extensive experience and expertise and to utilize such talent as true members of the workforce.

Example of human capital development systems and training

Name of system/training	Eligible employees	Details
New Employee Basic Onboarding Education	New employees (new graduates)	Basic education over three months encouraging new employees to acquire the skills and mindset required of a businessperson, while receiving training at the divisions and practical training at the factories
On-the-Job Training (OJT) System	New employees (new graduates)	Practical instruction on the knowledge and skills required for work by the same senior employee for two years
Elder System	New employees (new graduates)	An employee with a limited history with the company serves as an elder to support the new employee's life at the company while promoting his or her own development
New Employee Follow-up Training	New employees (new graduates)	Six months after joining the company, new employees receive applied training as businesspersons, and by being given the opportunity to declare the type of human capital they aspire to, they are encouraged to renew their awareness as the Company's employee
Mid-career Basic Onboarding Education	New employees (mid-career recruits)	Employees learn the ANEST IWATA Philosophy and other knowledge necessary for life at the company
Overseas Assignment Training	Junior employees	Employees are dispatched to overseas subsidiaries on short-term assignments to encourage career development as global human capital
OJT Instructor Training	Potential instructors	Encourages an understanding of the role as an instructor and aims to enhance skills through drills of case studies involving interviews
Leadership Training	Team leaders	Employees think what type of leadership is required and what type of action they should take in the future and by formulating individual action plans clarify their targeted future vision
ANEST IWATA Academy	Management-level employees	The participants team up with mid-level employees and set the goal of having the mid-level employees give presentations on "establishing the future vision of the group to which they belong." Evaluating the actions of the Managers in this process nurtures the perspectives of the participants as next-generation corporate managers

Life-work Balance

The Company promotes workstyle reforms so that the Company and the products it produces become a source of the employees' pride, which will be shared with family and friends. The Company will achieve this by having the employees, who support the very foundations of the Company, find joy and pride in

their work. The Company will provide a work environment, in which employees can remain healthy and safe and work energetically, and aim to become the leading white-collar company in the machinery sector.

Example of workstyle reforms conducted by the Company

Promoting flexible workstyles

- Measures to lighten the workload through short working hours and limits on overtime work
- A flexible leave system in which even allows for the combination of paid leave which can be acquired in 1- to 2-hour units and half-day paid leave
- Introduction of the system of intervals between working hours
- Proactive promotion of teleworking and staggered working hours

Support for life events

- Payment of money gifts at childbirth

- Childcare leave which may be taken until the child turns three
- Support of correspondence courses while on childcare leave
- A system for short working hours which may be continued until nursing care is no longer needed, in addition to statutory leave
- If an employee resigns on account of childcare or nursing care, the employee may be reinstated under the same conditions prior to resignation after he or she is finished with childcare or nursing care.
- Leave for nursing sick children of up to 8 days per child (of which 3 days are paid leave), in addition to annual paid leave

Employees taking childcare leave, nursing care leave and reduced work schedules

	FY2015	FY2016	FY2017	FY2018	FY2019
Number of employees using the childcare leave system	4	2	3	1	2
Number of employees using the nursing care leave system	0	0	0	1	0
Number of employees using reduced work schedules	—	—	6	6	5

Occupational Safety

The Company is focused on its occupational safety activities based on the principle of "Safety First (Safety shall have priority overall)." To promote these activities, an in-house Occupational Safety Committee has been established to conduct safety patrols of the head office and the factories on a monthly basis, mainly by committee members together with the safety managers of each location and the executives of the labor unions. During these patrols, detailed checks are made of the potential risks of danger lurking at the production and experiment sites at every stage.

Additionally, in accordance with the occupational safety

management system established by the Company, the Akita and Fukushima Factories conduct self-inspections each year by mutually shuffling the members of each factory.

In the event of an industrial accident, the Company responds in accordance with the pre-determined "Disaster Response Flow." Additionally, we conduct fire drills using the actual ABC Dry Powder Fire Extinguisher, CPR training, and other emergency drills twice a year.

Additionally, we conduct fire drills using actual fire extinguishers, CPR training, and other emergency drills twice a year.

Occupational Safety Initiatives at the Factories

In 2018, the "Safety School (Anzen Dojo)," a facility where industrial accidents are recreated and their dangers can be experienced firsthand, was established within the factory building of

the Fukushima Factory. This facility allows employees to actually experience the types of potential dangers that could occur when on-site and through this experience raises their safety awareness.

Health and Productivity Management Declaration

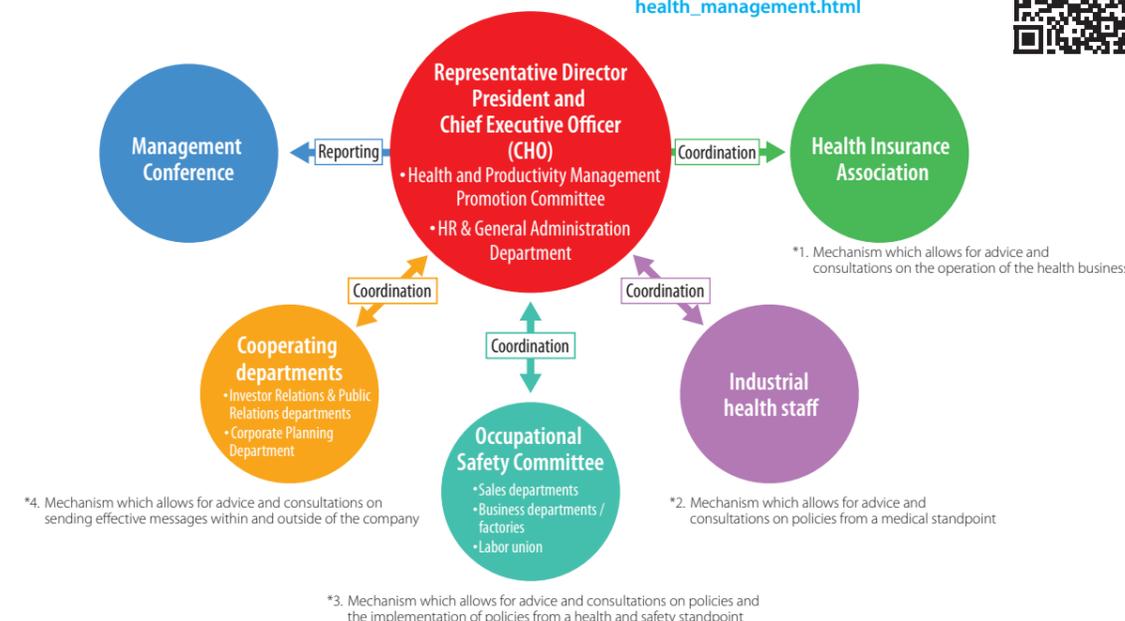
The Company launched a Health and Productivity Management Promotion Committee and Mr. Tsubota, President and the Chief Health Officer (CHO), issued a Health and Productivity Management Declaration.

The type of health targeted by the Company is where "everyone shines brilliantly with a smile on their faces." To this end, we will establish mechanisms for better health as well as reinforcement and promotion systems for supporting the balance of work and medical treatment so that employees, when they become ill, can devote themselves to treatment without any worries. At

the same time, we will raise the awareness of each employee toward health and make companywide efforts to promote health and productivity management. Through health and productivity management, we will strive to ultimately contribute to the development of the local community and the machinery industry, as well as the development of the Company where the employees and their families shine brilliantly with a smile on their faces.

For details, please click the following URL or scan the QR code to view the Company's website.

https://www.anest-iwata.co.jp/company/health_management.html



Initiatives toward the Promotion of Health and Productivity Management

The Company is carrying out various policies based on the health and productivity management declaration.

In addition to establishing a doctor's room at the head office and the factories, the Company is providing care for both the mental and physical well-being of its employees, through the prevention of lifestyle diseases, support in quitting smoking, and periodic interviews relating to mental health, as well as the health and safety provided by the industrial physicians and health nurses.

We also hold lectures by the industrial physicians to support health and health-related events by expert lecturers each year. In FY2019, we held a seminar for exercises that can be done in chairs, and the seminar was broadcast live to each factory with the participation of many employees. At the head office, we also

periodically hold voluntary stretch classes by the health nurse on the artificial turf area of the communication lounge to improve the health of our employees.

Additionally, as part of our health and social contribution activities, we hold a blood drive within our premises twice a year. This year we received a letter of gratitude from the Japan Red Cross Society, in recognition of our blood donation activities for the past 40 years.



Co-sponsorship of sports events (ANEST IWATA TURNPIKE HAKONE)

The Foundations that Support Value Creation

Cooperation with the Regional Communities

The Group, aware of being a member of society, contributes to society through various business activities in the countries and regions of the world, as well as engage in activities that are rooted in the regional communities.

Living in Harmony with Society

The Company, by emphasizing “making safe and reliable products,” “providing even more attentive service to its customers,” and “connecting technology to the future” in its business activities, contributes to the development of society. To achieve this, an awareness by each manufacturing and sales employees that ANEST IWATA products are contributing to society, as well as improvements in product quality and technological innovations, is essential. We believe that by regularly raising awareness of social contribution and applying it to every aspect of operations

from the development of more efficient new products down to innovations in packaging materials, we will be able to contribute to better “manufacturing” and ultimately to the realization of a sustainable society.

Furthermore, in the regions where the head office, factories, and offices are located, ANEST IWATA believes that promoting a business that is rooted in the community and achieving co-existence and co-prosperity is the true form of social contribution.

Head Office: Holding External Events

In November 2019, at our head office in Kohoku-ku, Yokohama, we held “ANEST IWATA Presents: WAKUWAKU Research Center” an external event to interact and build a relationship with our wide-ranging stakeholders, namely the neighboring residents and the families of our employees. Approximately 650 guests attended this event.

The event was held under fair skies with attractions using the Company’s products and facilities, such as the cake-decorating experience using the spray equipment dedicated to foods and the “Cold Experience,” in which visitors experienced 20 degrees centigrade below 0 conditions in an environmental testing laboratory. Additionally, local foods were offered from Yokohama, Akita, Fukushima, and Germany, where the Company has its bases. In this way, the event offered content that could be enjoyed by all five senses of “see,” “hear,” “touch,” “eat,” and “smell.” Visitors commented, “Although we live nearby, we didn’t realize that ANEST IWATA was making these products,”



Main Gate

and “We had fun learning what kind of a company ANEST IWATA was,” and the event encouraged an understanding of not only the Company’s products but also its corporate culture and its business activities.

Akita Factory: Boosting the Revitalization of the Regional Community

The Akita Factory conducts regular factory visits to provide a deeper understanding of the Company’s businesses. In FY2019, in response to requests from the local schools and the neighboring commerce and industry associations, the Akita Factory gave factory tours and presented the Company’s products and the initiatives being taken by the factory.

Additionally, it installed a spray gun at an exhibition space in Ōmagari Station in March 2020 and conducted other activities to encourage communications with the regional community, thereby advertising ANEST IWATA while also contributing to the revitalization of the regional community.



Collaboration with the Ōmagari Fireworks

Other major social contribution activities

- Accepted high school student interns, and provided work experience to junior high students and persons with disabilities
- Co-sponsored local regional sports fairs
- Conducted once-a-year cleanups of the areas surrounding the factory

Fukushima Factory: Aiming to Live and Develop in Harmony with the Regional Community

The Fukushima Factory is proactively promoting exchanges with the regional community.

As part of these efforts, the Fukushima Factory has been engaged in activities that allow the community and the factory to mutually and sustainably maintain their relationship, including 1) the ongoing exhibition beginning in 2017 in the “Yabuki-machi Frontier Festival,” a major economic development project of the area, where the factory is located and 2) the planting of 600 seedlings within the factory site as part of the environmental beautification and greening activity, “Hana Ippai (Lots of Flowers) Movement,” a local urban development project supported by the local government, in FY2019.

For the children who visit the factory, the Fukushima Factory has installed booths where children can experience an air shooting gallery using air compressors and a vacuum fishing pond where they can pull in candy using the vacuum theory, and these efforts have been favorably received by the community as an opportunity to learn about the work being done by the Air Energy business of the factory while also having fun.



Corporate booth at the “Yabuki-machi Frontier Festival”

Going forward the Fukushima Factory, led by the “F100 Executive Committee,” founded to raise its presence, the appeal of the entire factory, and the employees’ motivation, will continue to strive to live in harmony with the regional community.

Other major social contribution activities

- Opened its cafeteria to the public (e.g. for the executive meetings of the administrative district and extracurricular events of the local schools)
- Accepted high school student interns
- Conducted regional cleanup activities of the areas surrounding the factory and the downtown areas twice a year
- Conducted regular factory visits (e.g. for local primary and junior high schools and business associations)
- Conducted activities to raise and promote hospitality (e.g. presentation of commemorative gifts to visitors and offering meals that meet the dietary requirements of the visitor, such as halal meals and children’s meals)

The Foundations that Support Value Creation
The Environment

ANEST IWATA strives to live in harmony with the earth environment, while effectively utilizing the Environmental Management System to promote the protection of the environment through product development and other business activities.

ANEST IWATA, in accordance with the ANEST IWATA Corporate Philosophy, also articulates its environmental policy in the Environmental Manual and conducts its activities based thereon.

Environmental Policy

We will always be aware of our impact on the earth environment and continuously promote the prevention of environmental contamination.

- Prevention of environmental contamination
- Reduction of greenhouse gases and saving energy
- Formation of a recycle-based society

Environmental Slogan

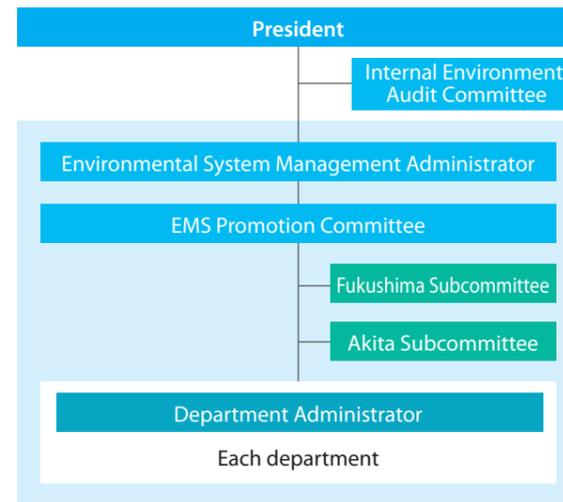
▶ Future environment =
Our responsibility

Environmental Management System

The Company considers the protection of the environment as one of its priority management issues. The bases in Japan, based on the same environmental policy, sets objectives and targets and operates an Environmental Management System (EMS).

To this end, we are making efforts to carry out EMS activities and make ongoing improvements in accordance with the Environmental Manual which was established based on ISO14001:2015.

EMS Promotion System



Environmental Education

The Company carries out environmental education programs regarding environmental management for its employees in accordance with an annual plan.

Major environmental education programs implemented in FY2019

Name of education program	Applicable employees	Implementation period	Number of participants	Details
EMS Education	New employees	April and June	9	Explanation of the Company's EMS. Experiencing environmental initiatives during the on-the-job factory training
Individual EMS Briefings	Departments that were subject to internal quality and environmental audits in the previous fiscal year	June and July	64 internal departments	Dissemination of EMS and confirming that the results of the previous year audits have been reviewed
Corrective Measures Education	Person in charge of non-conforming products and complaints	August and December	10	Education on rules of internal corrective measures taken in response to environment-related non-conforming products and complaints, and points to be noted
Auditor Education	Auditor candidates	July and August	25	Practical and applied education for participants taking novice auditor courses
Education for Compliance Evaluators and Administrators	Persons in charge of contacts for environmental laws	June, September, November and December	5	Promoting an understanding of the mechanisms of compliance with environmental laws and practical instruction

Major Environmental Issues

The Company strives to promote improvement activities environmentally-friendly in its products and services in line with major environmental policies and becoming

Item	Details	KPIs	FY2019 Results	FY2020 Targets
Prevention of environmental contamination	Reduction of the use of specific chemical substances	Reduction below the previous year's level in energy intensity at the 3 locations (Head office, Akita Factory, and Fukushima Factory)	Head Office: 0.91 (8% decrease), Akita Factory, 1.79 (12% decrease), Fukushima Factory 0.35 (13% decrease)	Reduction below the levels of FY2019 in energy intensity
	Prevention of water pollution	Maintain the readings on sewer water within the regulation values at the 3 locations (Head office, Akita Factory, and Fukushima Factory)	All locations: Within the regulation values	Continue to maintain levels within regulation values at all 3 locations
Reduction of greenhouse gases and saving energy	Reduction of energy consumption (weight equivalent)	1% or more year-on-year reduction in energy intensity	0.348 (+7%)	1% reduction compared to FY2019 in energy intensity.
	Reduction of CO ₂ emission	1% or more year-on-year reduction in energy intensity	0.745 (+7%)	1% reduction compared to FY2019 in energy intensity.
Formation of a recycle-based society	Reduction of waste emission	Reduction below the previous year's level in energy intensity	Head Office: 30.79 (5% decrease), Akita Factory, 72.45 (2% increase), Fukushima Factory 90.46 (4% decrease)	Reduction below FY2019 levels in energy intensity.
	Recycling of waste	Maintain a waste recycling rate of 95% or higher at the 3 locations (Head office, Akita Factory, and Fukushima Factory)	Head Office: 100% (-%), Akita Factory, 100% (-%), Fukushima Factory 99.6% (0.1% increase)	Maintain or increase the waste recycling rate compared to FY2019

Prevention of Environmental Contamination

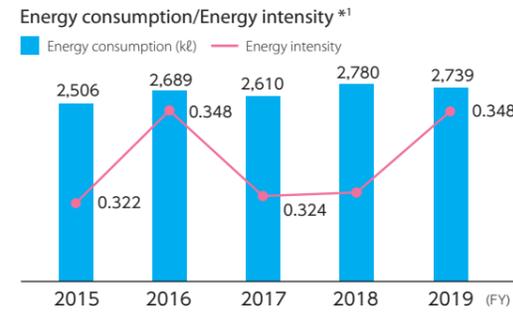
The chemical substances that are mainly used by the Company are contained in solvent paints and diluents used in the experiments and tests of various coating equipment and the manufacturing of products. We manage these substances in accordance with the Pollutant Release and Transfer Register (PRTR)

system and are making efforts to reduce their use. We are also conducting water quality measurements at frequencies mandated by laws as well as voluntary measurements of odor and striving to prevent environmental contamination through the promotion of these improvement activities.

Reduction of Greenhouse Gases and Saving Energy

The Company strives to reduce all energy consumption and has been reducing the emission of greenhouse gases (CO₂) and contributing to the prevention of global warming.

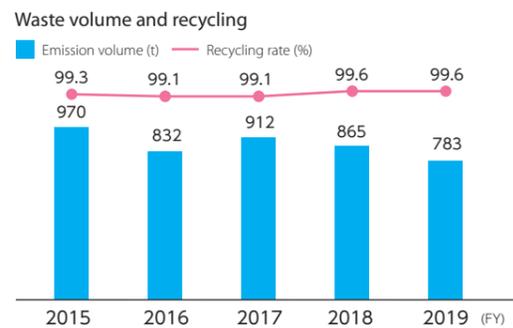
The Company has set forth the Energy Management Regulations and promotes energy-saving activities centering on the reduction of electricity consumption. Specifically, we are continuously implementing measures including enhanced efficiency, the reduction of human error, and the reduction of air leaks through layout changes and the consolidation of the worksite, and making efforts to reduce energy consumption including electricity consumption.



*1. Energy intensity by crude oil equivalent (kℓ) / monetary amount of production (millions of yen)



*2. t-CO₂ / monetary amount of production (millions of yen)



Reduction of Waste

At all our domestic locations, we promote the 3Rs (Reduce, Reuse and Recycle) and maintain a waste recycling rate of 95% (target) or higher. In product development and manufacturing, also, we are striving to make products and systems that will be easy to dispose of or recycle for our customers based on the concept of the 3Rs.

Green Procurement

The Company has established guidelines to ensure the procurement of environmentally-friendly parts and materials, as part of its efforts to provide products and services with a smaller burden on the environment. As part of its compliance with the RoHS 2 Directive (revised RoHS)*3 which went into effect in July 2019, the Company, in November of the same year, revised its green procurement guidelines to clarify the prohibited chemical substances and disclosed the guidelines on its website.

<https://www.anest-iwata.co.jp/environment/kangaekata.html>



*3. RoHS 2 Directive: Regulation prohibiting the use of specific hazardous substances in electrical and electronic equipment. Non-compliant products will be prohibited from sale in the EU region (excluding certain exemptions).

5-year Condensed Financial Data ANEST IWATA Corporation and Consolidated Subsidiaries

	FY2015	FY2016	FY2017	FY2018	FY2019
For the fiscal year (Million yen)					
Net sales	29,524	29,548	32,817	38,807	39,091
Cost of sales	16,486	16,557	18,384	22,030	22,505
Total selling, general and administrative expenses	9,241	9,257	10,608	12,437	12,710
Operating profit	3,796	3,733	3,824	4,339	3,876
Net income attributable to owners of parent	2,593	3,400	2,809	2,947	2,717
Net cash provided by operating activities	3,749	3,397	4,079	4,848	4,141
Net cash used in investing activities	(849)	(526)	(3,485)	(551)	(1,543)
Net cash used in financing activities	(1,089)	(1,319)	(666)	(1,848)	(2,281)
Cash and cash equivalents at the end of period	6,220	7,678	7,692	9,858	10,092

	FY2015	FY2016	FY2017	FY2018	FY2019
At fiscal year-end (Million yen)					
Total assets	34,678	38,895	47,277	47,557	48,102
Total net assets	25,518	28,605	32,777	33,502	34,570
Total shareholders' equity	23,535	26,047	27,981	29,845	31,423

	FY2015	FY2016	FY2017	FY2018	FY2019
Per share data (yen)					
Net income attributable to owners of parent	62.14	81.48	67.32	70.62	65.14
Cash dividends	22.00	20.00	20.00	22.00	24.00

	FY2015	FY2016	FY2017	FY2018	FY2019
Other information (%)					
Equity ratio	70.3	68.7	61.4	62.9	64.6
Return on assets (ROA)	7.6	9.2	6.5	6.2	5.7
Return on equity (ROE)	10.9	13.3	10.1	10.0	8.9

(Note) In conjunction with the issue of ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc., relevant standards have been applied retrospectively. Accordingly, the figures for the fiscal year ended March 31, 2018, represent the figures after retrospective application.

Consolidated Balance Sheets

As of March 31, 2019 and 2020

	(Thousands of yen)	
	As of March 31, 2019	As of March 31, 2020
ASSETS		
Current Assets		
Cash and deposits	10,787,387	10,850,291
Notes and accounts receivable - trade	7,336,396	7,722,900
Merchandise and finished goods	3,914,313	3,899,513
Work in process	873,703	1,133,701
Raw materials and supplies	2,231,808	2,273,238
Other	1,065,432	1,148,741
Allowance for doubtful accounts	(187,458)	(265,279)
Total current assets	26,021,583	26,763,107
Non-Current Assets		
Property, Plant and Equipment		
Buildings and structures	10,376,487	10,841,437
Accumulated depreciation	(5,138,609)	(5,482,653)
Buildings and structures, net	5,237,877	5,358,783
Machinery, equipment and vehicles	7,297,478	7,407,981
Accumulated depreciation	(4,740,931)	(5,044,485)
Machinery, equipment and vehicles, net	2,556,546	2,363,495
Land	2,137,302	2,133,994
Leased assets	2,330,835	2,645,637
Accumulated depreciation	(987,630)	(1,213,923)
Leased assets, net	1,343,204	1,431,713
Construction in progress	522,237	88,770
Other	2,388,584	2,539,096
Accumulated depreciation	(1,928,287)	(2,088,728)
Other, net	460,296	450,368
Total property, plant and equipment	12,257,465	11,827,126
Intangible Assets		
Goodwill	1,688,080	1,269,023
Software	169,019	191,680
Other	1,461,736	1,396,805
Total intangible assets	3,318,836	2,857,508
Investments and Other Assets		
Investment securities	4,238,656	4,510,713
Long-term loans receivable	23,665	18,348
Deferred tax assets	957,769	1,079,262
Net defined benefit asset	574,630	628,946
Long-term time deposits	11,786	168,888
Other	164,130	258,868
Allowance for doubtful accounts	(10,725)	(10,725)
Total investments and other assets	5,959,913	6,654,301
Total non-current assets	21,536,214	21,338,937
Total Assets	47,557,798	48,102,044

	(Thousands of yen)	
	As of March 31, 2019	As of March 31, 2020
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	4,204,616	4,251,944
Short-term loans payable	1,399,568	909,930
Current portion of long-term loans payable	1,201	—
Lease obligations	205,039	229,334
Income taxes payable	500,515	443,970
Provision for bonuses	646,434	667,484
Provision for directors' bonuses	91,759	114,850
Provision for product warranties	203,503	230,634
Other	2,703,490	2,649,257
Total current liabilities	9,956,130	9,497,408
Non-Current Liabilities		
Long-term loans payable	270,892	231,990
Lease obligations	1,194,754	1,268,763
Deferred tax liabilities	295,098	258,663
Retirement benefit liability	2,239,742	2,169,606
Provision for share-based remuneration for directors and other officers	—	39,785
Other	98,282	65,356
Total non-current liabilities	4,098,770	4,034,165
Total Liabilities	14,054,901	13,531,573
Net Assets		
Shareholders' equity		
Capital stock	3,354,353	3,354,353
Capital surplus	1,117,838	1,117,838
Retained earnings	25,378,817	27,136,665
Treasury shares	(5,393)	(185,165)
Total shareholders' equity	29,845,616	31,423,692
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	527,387	217,457
Foreign currency translation adjustment	(200,006)	(332,219)
Remeasurements of defined benefit plans	(271,402)	(216,271)
Total accumulated other comprehensive income	55,978	(331,032)
Non-controlling interests	3,601,303	3,477,811
Total Net Assets	33,502,897	34,570,471
Total Liabilities and Net Assets	47,557,798	48,102,044

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Thousands of yen)

Consolidated Statements of Income	From April 1, 2018 To March 31, 2019	From April 1, 2019 To March 31, 2020
Net Sales	38,807,259	39,091,312
Cost of Sales	22,030,151	22,505,142
Gross Profit	16,777,107	16,586,169
Selling, General and Administrative Expenses		
Sales commission	499,904	490,176
Packing and transportation expenses	899,922	871,815
Directors' compensations, salaries and allowances	4,250,915	4,449,810
Provision for bonuses	385,894	419,641
Provision for directors' bonuses	91,759	114,850
Provision for share-based remuneration for directors and other officers	—	39,785
Retirement benefit expenses	100,832	188,362
Welfare expenses	1,036,612	1,064,306
Rent expenses	427,794	479,328
Provision for product warranties	187,672	191,711
Provision of allowance for doubtful accounts	35,566	100,702
Other	4,520,769	4,299,529
Total selling, general and administrative expenses	12,437,642	12,710,019
Operating Profit	4,339,464	3,876,150
Non-Operating Income		
Interest income	52,557	61,168
Dividend income	68,941	77,391
Insurance income	67,842	14,261
Share of profit of entities accounted for using equity method	317,548	324,753
Subsidy income	2,623	137,056
Other	149,631	135,626
Total non-operating income	659,144	750,257
Non-Operating Expenses		
Interest expenses	80,244	78,844
Foreign exchange losses	85,135	129,082
Retirement benefit expenses for prior periods	111,359	—
Other	20,569	17,253
Total non-operating expenses	297,308	225,180
Ordinary Profit	4,701,300	4,401,226

ANEST IWATA Corporation and Subsidiaries
For the Years Ended March 31, 2019 and 2020

(Thousands of yen)

	From April 1, 2018 To March 31, 2019	From April 1, 2019 To March 31, 2020
Extraordinary Income		
Gain on step acquisitions	2,697	—
Gain on sales of non-current assets	8,689	5,320
Loss on liquidation of associates	—	53,761
Gain on liquidation of subsidiaries	50,668	—
Total extraordinary income	62,055	59,082
Extraordinary Losses		
Impairment loss	69,090	135,552
Loss on sales of non-current assets	29,440	1,190
Loss on retirement of non-current assets	7,063	2,886
Dismantlement cost	27,996	370
Loss on liquidation of subsidiaries	—	24,975
Product warranty expenses	—	52,641
Litigation settlement	49,920	—
Special pay to employees due to COVID-19	—	29,322
Total extraordinary losses	183,510	246,938
Profit before Income Taxes	4,579,845	4,213,369
Income Taxes - Current	1,306,711	1,204,862
Income taxes - Deferred	(70,393)	(39,515)
Total Income Taxes	1,236,317	1,165,346
Net Income	3,343,527	3,048,023
Net Income Attributable to Non-Controlling Interest	395,800	330,182
Net Income Attributable to Owners of Parent	2,947,727	2,717,840

(Thousands of yen)

Consolidated Statements of Comprehensive Income	From April 1, 2018 To March 31, 2019	From April 1, 2019 To March 31, 2020
Net Income	3,343,527	3,048,023
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(336,096)	(309,929)
Foreign currency translation adjustment	(830,069)	(228,605)
Remeasurements of defined benefit plans, net of tax	(16,769)	55,131
Share of other comprehensive income of entities accounted for using equity method	(19,488)	(18,953)
Total other comprehensive income	(1,202,423)	(502,357)
Comprehensive Income	2,141,103	2,545,665
Breakdown of comprehensive income		
Comprehensive income attributable to owners of parent	1,978,698	2,330,829
Comprehensive income attributable to non-controlling interests	162,405	214,836

Consolidated Statements of Changes in Net Assets

ANEST IWATA Corporation and Subsidiaries
For the Years Ended March 31, 2019 and 2020

For the Year Ended March 31, 2019

	Shareholders' equity				Accumulated other comprehensive income							Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests		
Balance at April 1, 2018	3,354,353	1,324,472	23,307,605	(5,387)	27,981,043	863,484	416,156	(254,633)	1,025,007	3,771,688	32,777,739	
Changes of items during period												
Dividends of surplus			(876,515)		(876,515)						(876,515)	
Net income attributable to owners of parent			2,947,727		2,947,727						2,947,727	
Purchase of treasury shares				(5)	(5)						(5)	
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(206,633)			(206,633)						(206,633)	
Net changes of items other than shareholders' equity						(336,096)	(616,163)	(16,769)	(969,029)	(170,385)	(1,139,414)	
Total changes of items during period	—	(206,633)	2,071,212	(5)	1,864,573	(336,096)	(616,163)	(16,769)	(969,029)	(170,385)	725,158	
Balance at March 31, 2019	3,354,353	1,117,838	25,378,817	(5,393)	29,845,616	527,387	(200,006)	(271,402)	55,978	3,601,303	33,502,897	

For the Year Ended March 31, 2020

	Shareholders' equity				Accumulated other comprehensive income							Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests		
Balance at April 1, 2019	3,354,353	1,117,838	25,378,817	(5,393)	29,845,616	527,387	(200,006)	(271,402)	55,978	3,601,303	33,502,897	
Changes of items during period												
Dividends of surplus			(959,992)		(959,992)						(959,992)	
Net income attributable to owners of parent			2,717,840		2,717,840						2,717,840	
Purchase of treasury shares				(37)	(37)						(37)	
Purchase of treasury shares by Board Benefit Trust				(179,733)	(179,733)						(179,733)	
Net changes of items other than shareholders' equity						(309,929)	(132,212)	55,131	(387,011)	(123,491)	(510,502)	
Total changes of items during period	—	—	1,757,847	(179,771)	1,578,076	(309,929)	(132,212)	55,131	(387,011)	(123,491)	1,067,573	
Balance at March 31, 2020	3,354,353	1,117,838	27,136,665	(185,165)	31,423,692	217,457	(332,219)	(216,271)	(331,032)	3,477,811	34,570,471	

Consolidated Statements of Cash Flows

ANEST IWATA Corporation and Subsidiaries
For the Years Ended March 31, 2019 and 2020

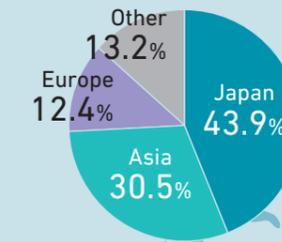
(Thousands of yen)

	From April 1, 2018 To March 31, 2019	From April 1, 2019 To March 31, 2020
Cash Flows from Operating Activities		
Profit before Income Taxes	4,579,845	4,213,369
Depreciation	1,618,117	1,509,755
Amortization of goodwill	268,347	272,414
Increase in allowance for doubtful accounts	22,394	85,068
Increase in provision for bonuses	22,935	32,736
Increase (decrease) in provision for product warranties	(31,462)	29,490
Increase (decrease) in net defined benefit liability	(82,805)	31,632
Increase in net defined benefit asset	(165,889)	(71,358)
Increase in provision for directors' bonuses	7,862	23,091
Increase in provision for share-based remuneration for directors and other officers	—	39,785
Interest and dividend income	(121,498)	(138,560)
Interest expenses	80,244	78,844
Share of profit of entities accounted for using equity method	(254,688)	(189,486)
Loss (Gain) on sales of property, plant and equipment	27,813	(1,243)
Gain on step acquisitions	(2,697)	—
Gain on sales of shares of associates	—	(53,761)
Impairment loss	69,090	135,552
Litigation settlement	49,920	—
Decrease (increase) in notes and accounts receivable - trade	96,371	(538,372)
Increase in inventories	(180,122)	(417,424)
Increase(decrease) in notes and accounts payable - trade	(503,777)	173,034
Other	716,375	152,267
Subtotal	6,216,377	5,366,836
Interest and dividend income received	121,498	138,923
Interest expenses paid	(80,244)	(78,844)
Income taxes paid	(1,409,605)	(1,285,519)
Net cash provided by operating activities	4,848,026	4,141,396
Cash Flows from Investing Activities		
Payments into time deposits	(1,464,247)	(1,435,458)
Proceeds from withdrawal of time deposits	2,030,531	1,429,639
Purchase of property, plant and equipment and intangible assets	(1,508,227)	(866,972)
Proceeds from sales of property, plant and equipment	426,676	31,076
Purchase of intangible assets	(112,191)	(111,950)
Proceeds from sales of intangible assets	13,121	1,348
Purchase of investment securities	—	(603,248)
Proceeds from sales of investment securities	91,050	102,855
Proceeds from redemption of investment securities	500,000	—
Payments of loans receivable	(820)	(316)
Collection of loans receivable	39,102	5,543
Payments for investments in capital of subsidiaries and associates	(252,014)	(53,139)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(313,239)	—
Other	(1,491)	(42,691)
Net cash used in investing activities	(551,750)	(1,543,313)
Cash Flows from Financing Activities		
Net decrease in short-term loans payable	(62,288)	(449,548)
Repayments of lease obligations	(172,703)	(242,563)
Proceeds from long-term loans payable	528,990	—
Repayments of long-term loans payable	(682,344)	(40,200)
Purchase of treasury shares	(5)	(179,771)
Purchase of treasury shares of subsidiaries	(77,548)	—
Payments for investments in capital of subsidiaries not resulting in change in scope of consolidation	(213,851)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(137,451)	—
Cash dividends paid	(877,163)	(959,807)
Dividends paid to non-controlling interests	(153,832)	(409,937)
Net cash used in financing activities	(1,848,200)	(2,281,828)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(281,774)	(82,565)
Net Increase in Cash and Cash Equivalents	2,166,299	233,688
Cash and Cash Equivalents at Beginning of Period	7,692,535	9,858,835
Cash and Cash Equivalents at End of Period	9,858,835	10,092,523

Global Network (As of March 31, 2020)

Starting from the late 1980's, the Group has made full-entry into the overseas market by establishing bases in Asia, followed by North America and Europe. Currently, we manufacture and sell our products in 21 countries and regions around the world. Our overseas sales have grown considerably, accounting for 56.1%^(note) of total sales. As the markets continue to expand in each area, we are dedicated to providing high-quality products that match various market needs.

Ratio of sales by region

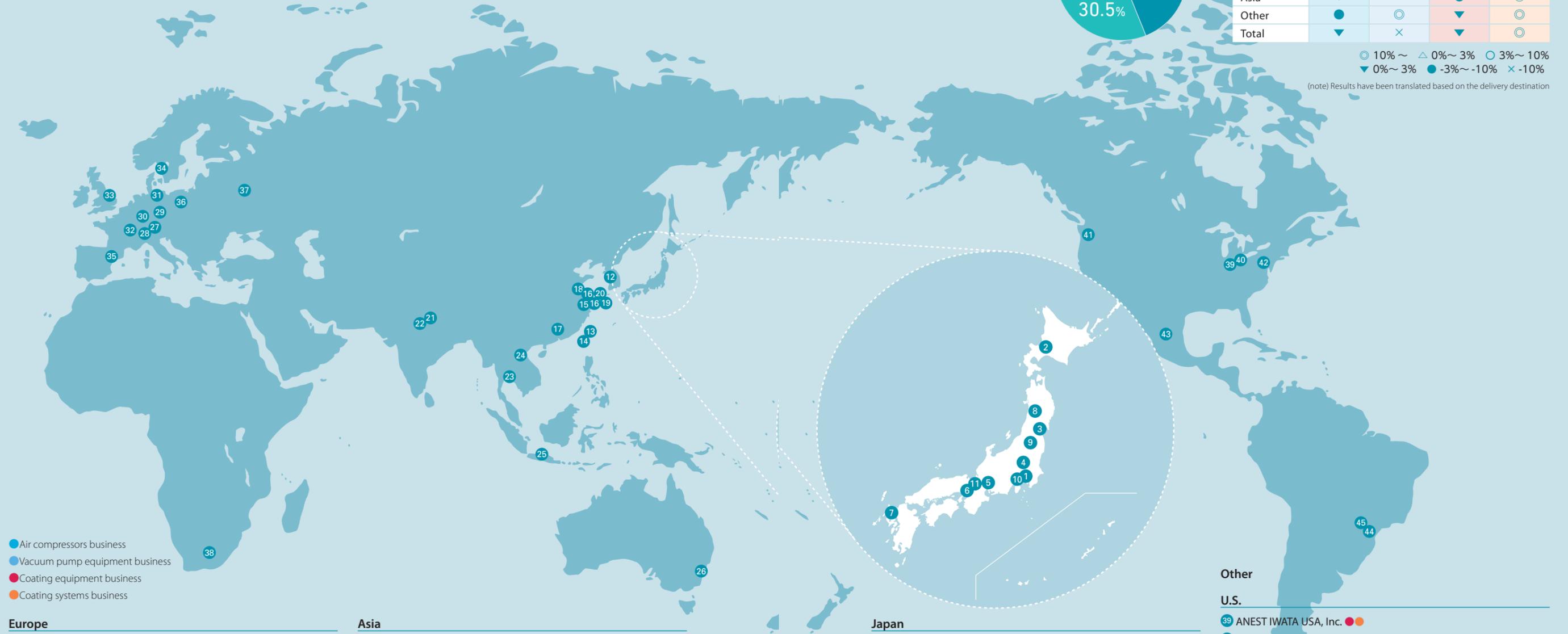


Year-on-year change in net sales by region

	Air Energy Division		Coating Division	
	Air compressors	Vacuum pump equipment	Coating equipment	Coating systems
Japan	▼	×	▼	○
Europe	△	×	▼	—
Asia	▼	×	●	○
Other	●	○	▼	○
Total	▼	×	▼	○

○ 10% ~ △ 0% ~ 3% ◯ 3% ~ 10%
▼ 0% ~ 3% ● -3% ~ -10% × -10%

(note) Results have been translated based on the delivery destination



- Air compressors business
- Vacuum pump equipment business
- Coating equipment business
- Coating systems business

Europe

- 27 ANEST IWATA STRATEGIC CENTER S.R.L. ●●
- 28 Anest Iwata Italia s.r.l. ●
- 29 ANEST IWATA Deutschland GmbH ●
- 30 ANEST IWATA Europe GmbH ●●
- 31 HARDER & STEENBECK GmbH & Co.KG ●
- 32 ANEST IWATA France S.A. ●●●
- 33 ANEST IWATA (U.K.) Ltd. ●●
- 34 Anest Iwata Scandinavia AB ●
- 35 ANEST IWATA Iberica, S. L. U. ●
- 36 ANEST IWATA Polska Sp. Z o.o. ●

Asia

- 12 ANEST IWATA Korea Corp. ●●●●
- 13 ANEST IWATA Taiwan Corporation ●●●●
- 14 ANEST IWATA SPARMAX Co., Ltd. ●●
- 15 ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) COMPANY LIMITED ●●●●
- 16 ANEST IWATA (SHANGHAI) Corporation ●●●●
- 17 ANEST IWATA (DONGGUAN) Corporation ●●
- 18 ANEST IWATA FEELER Corporation ●●
- 19 Shanghai Screw Compressor Co., Ltd. ●
- 20 Shanghai Globe Screw Technology Co., Ltd. ●
- 21 ANEST IWATA MOTHERSON Pvt. Ltd. ●
- 22 ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd. ●●●
- 23 ANEST IWATA SOUTHEAST ASIA Co., Ltd. ●●●●
- 24 ANEST IWATA Vietnam Co., Ltd. ●●●●
- 25 PT. ANEST IWATA INDONESIA ●●●●

Japan

- ANEST IWATA Corporation
- 1 Head Office ●●●●
- 8 Akita Factory ●
- 9 Fukushima Factory ●●
- ANEST IWATA COMPRESSOR CORPORATION*1
- ANEST IWATA COATING SOLUTIONS CORPORATION*1
- 2 Sapporo Branch ●●●●
- 3 Tohoku Branch ●●●●
- 1 Kanto Branch ●●●●
- 4 North Kanto Branch ●●●●
- 5 Chubu Branch ●●●●
- 6 Kansai Branch ●●●●
- 7 Fukuoka Branch ●●●●
- 10 Air Engineering Co., Ltd. ●●●●
- 11 ADVANCE RIKEN Inc.*2 ●●

Other

U.S.

- 39 ANEST IWATA USA, Inc. ●●●
- 40 ANEST IWATA AIR ENGINEERING, Inc. ●●●
- 41 ANEST IWATA-Medea, Inc. ●
- 42 Powerex-Iwata Air Technology, Inc.*2 ●

Mexico

- 43 ANEST IWATA Mexico, S. de R.L. de C.V. ●●●

Brasil

- 44 ANEST IWATA DO BRASIL COMERCIAL LTDA. ●
- 45 AIRZAP-ANEST IWATA INDÚSTRIA E COMÉRCIO LTDA. ●●●

Australia

- 26 ANEST IWATA Australia Pty. Ltd. ●●

Russia

- 37 ANEST IWATA RUS LLC ●●

South Africa

- 38 ANEST IWATA South Africa (Pty) Ltd. ●

*1. Anest Iwata Compressor Corporation and Anest Iwata Coating Solutions Corporation were merged into the Company by an absorption-type merger, effective April 1.

*2. An affiliated company accounted for using the equity method

Stock Information

Number of Shares Issued (As of March 31, 2020)

Total number of authorized shares	189,290,000 shares
Total number of shares issued	41,738,841 shares (Excluding 6,703 treasury shares)
Number of shareholders	2,617

(Note) The treasury shares do not include 180,000 shares of the Company held by the Board Benefit Trust (BBT).

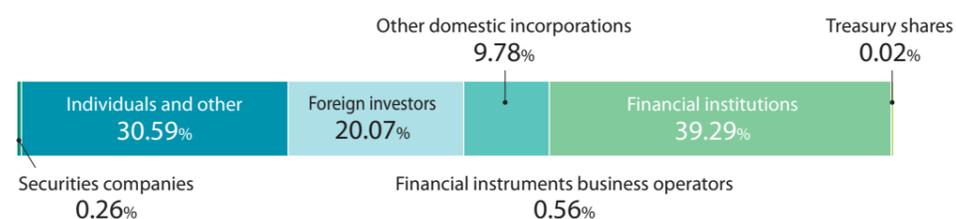
Principal Shareholders (As of March 31, 2020)

Name	Number of shares owned (thousands)	Ownership percentage of total shares issued (%)
Japan Trustee Services Bank, Ltd. (Trust account)	3,620	8.7
Japan Trustee Services Bank, Ltd. (Trust account)	2,790	6.6
The Dai-ichi Life Insurance Company, Limited	2,272	5.4
ANEST IWATA Customer Shareholding Association	1,813	4.3
ANEST IWATA Supplier Shareholding Association	1,798	4.3
Meiji Yasuda Life Insurance Company	1,520	3.6
MUFJ Bank, Ltd.	1,105	2.6
The Jyo Bank, Ltd.	960	2.3
THE BANK OF NEW YORK 133652	924	2.2
J. P. MORGAN BANK LUXEMBOURG S. A. 1300000	900	2.1

(Note) 1. The ownership percentage of total shares issued has been calculated after the deduction of treasury shares.

2. According to a Report of Possession of Large Volume (Change Report) submitted by the Mitsubishi UFJ Financial Group, Inc. (Joint holders: MUFJ Bank Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and MU Investments Co., Ltd.) for public inspection, as of April 16, 2018, it held 3,370,535 shares of the Company's shares as of April 9, 2018. However, as of March 31, 2020, the actual number of shares held by the said company could not be confirmed by the Company, and accordingly, it was not included in the above major shareholders.

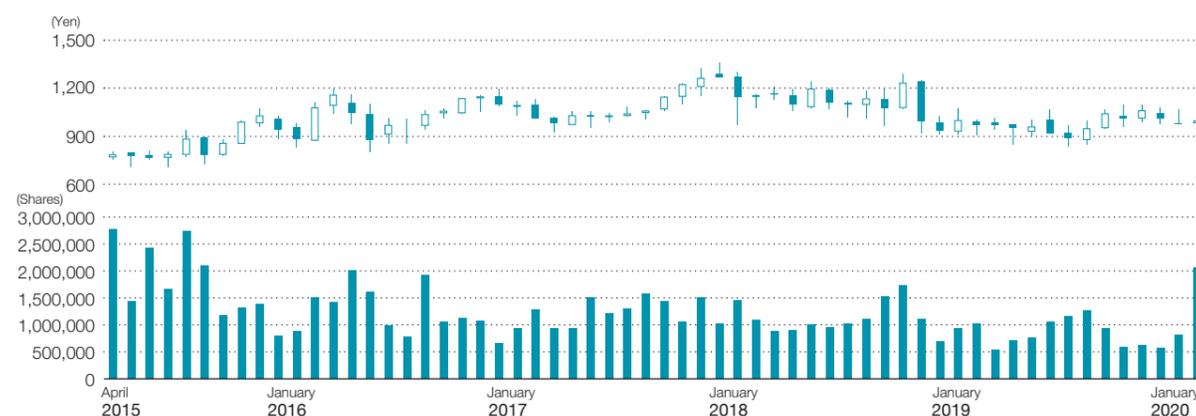
Composition of Shareholders (As of March 31, 2020)



(Note) 1. The shareholding ratio has been calculated by subtracting the number of treasury shares (6,664 shares).

2. According to a Report of Possession of Large Volume (Change Report) submitted by the Mitsubishi UFJ Financial Group, Inc. (Joint holders: MUFJ Bank Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and MU Investments Co., Ltd.) for public inspection, as of April 16, 2018, it held 3,370,535 shares of the Company's shares as of April 9, 2018. However, as of March 31, 2019, the actual number of shares held by the said company could not be confirmed by the Company and accordingly, it was not included in the above major shareholders.

Stock Prices and Trading Volume (From April 2015 to March 2020)



Corporate Profile (As of March 31, 2020)

Company Name	ANEST IWATA Corporation
Head Office	3176, Shinyoshida-cho, Kohoku-ku, Yokohama 223-8501, Japan
Representative	Takahiro Tsubota, President
Founded	May, 1926
Incorporated	June, 1948
Main Business	Manufacture and sales of air compressors, vacuum pumps, coating equipment, and coating systems
Capital	3,354 million yen
Number of Employees	1,733 (Japan: 621, Overseas: 1,112)
End of Fiscal Year	March 31
Listed Securities Exchange	First section, Tokyo Stock Exchange



Head Office



Akita Factory



Fukushima Factory

Domestic Locations

Domestic Locations

Sapporo Branch
Tohoku Branch
Kanto Branch
North Kanto Branch
Chubu Branch
Kansai Branch
Fukuoka Branch

Factories

Akita Factory
Fukushima Factory

Consolidated Subsidiaries

Japan

ANEST IWATA COMPRESSOR Corporation
ANEST IWATA COATING SOLUTIONS Corporation
Air Engineering Co., Ltd.

Europe

ANEST IWATA Deutschland GmbH
ANEST IWATA Europe GmbH
HARDER & STEENBECK GmbH & Co.KG
ANEST IWATA STRATEGIC CENTER s.r.l.
Anest Iwata Italia s.r.l.
ANEST IWATA France S.A.
ANEST IWATA (U.K.) Ltd.
Anest Iwata Scandinavia AB
ANEST IWATA Iberica, S. L.
ANEST IWATA Polska Sp. Z o.o.

Asia

ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) COMPANY LIMITED
ANEST IWATA (SHANGHAI) Corporation
ANEST IWATA (DONGGUAN) Corporation
ANEST IWATA FEELER Corporation
Shanghai Screw Compressor Co., Ltd.
Shanghai Globe Screw Technology Co., Ltd.
ANEST IWATA Taiwan Corporation
ANEST IWATA SPARMAX Co., Ltd.
ANEST IWATA MOTHERSON Pvt. Ltd.
ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd.
ANEST IWATA SOUTHEAST ASIA Co., Ltd.
ANEST IWATA Korea Corp.
ANEST IWATA Vietnam Co., Ltd.
PT. ANEST IWATA INDONESIA

Other Regions

ANEST IWATA USA, Inc.
ANEST IWATA-Medea, Inc.
ANEST IWATA AIR ENGINEERING, Inc.
ANEST IWATA Mexico, S. de R.L. de C.V.
ANEST IWATA DO BRASIL COMERCIAL LTDA.
AIRZAP-ANEST IWATA INDÚSTRIA E COMÉRCIO LTDA.
ANEST IWATA Australia Pty. Ltd.
ANEST IWATA RUS LLC
ANEST IWATA South Africa (Pty) Ltd.

(Note) 1. SHANGHAI ANEST IWATA COATING MACHINERY CORPORATION in China was dissolved.

2. Anest Iwata Compressor Corporation and Anest Iwata Coating Solutions Corporation were merged into the Company by an absorption-type merger, effective April 1, 2020.



ANEST IWATA Corporation

3176, Shinyoshida-cho, Kohoku-ku, Yokohama
223-8501, Japan

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<https://www.anest-iwata.co.jp/english>