

# **Presentation Material of FY2020 Full-Year Financial Results ANEST IWATA Corporation**

**May 27, 2021**

**First Section of the Tokyo Stock  
Exchange - Machinery**

**Securities Code 6381**

- 1. FY2020 full-year financial results**
- 2. Prospects for the FY2021 full-year period**
- 3. Business-specific strategies**
- 4. Accelerating promotion of operational reforms**
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# **1. FY2020 full-year financial results**

# Highlights of FY2020 financial results

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**Sales and income figures all exceeded the revised forecasts announced in February 2021.**

	FY2019		FY2020		Year-on-year			FY2020 result forecasts	
	Actual (million yen)	Profit ratio (%)	Actual (million yen)	Profit ratio (%)	Increase/ decrease amount (million yen)	Increase/ decrease rate (%)	Profit ratio change (P)	Initial forecast	Revised Feb. 10
Sales	39,091	—	35,588	—	-3,502	-9.0	—	Forecast (million yen)	Forecast (million yen)
Operating income	3,876	9.9	3,444	9.7	-431	-11.1	-0.2	30,000	34,500
Ordinary income	4,401	11.3	4,253	12.0	-147	-3.4	+0.7	500	3,000
Net income attributable to parent company shareholders	2,717	7.0	2,623	7.4	-94	-3.5	+0.4	800	3,600
Average exchange rate of yen to the US dollar	109.05 yen		106.82 yen		Appreciated by 2.23 yen			650	2,100
Average exchange rate of yen to the euro	122.07 yen		121.81 yen		Appreciated by 0.26 yen			105.00 yen	105.00 yen
Average exchange rate of yen to RMB	15.78 yen		15.48 yen		Appreciated by 0.3 yen			115.00 yen	115.00 yen
Dividend	Interim	12 yen (10 yen)		Year-end	12 yen (10 yen)		Annual	24 yen (20 yen)	

\* Shown within ( ) are the initially forecast dividends.

**Demand in the manufacturing industry recovered more quickly than anticipated, and customized products propped up the income.**

**S a l e s : 35,588 million yen (down 3,502 million yen, or 9.0%, from last year)**

**Operating income: 3,444 million yen (down 431 million yen, or 11.1%, from last year)**

## **Air energy business**

- Sales of oil-free air compressors and vacuum pumps were robust.
- As a result, the profit ratio rose, allowing us to achieve higher operating income than last year.

Sales: 20,866 million yen (down 1,358 million yen, or 6.1%, from last year)

(Reference)

Operating income: 1,821 million yen (up 46 million yen, or 2.6%, from last year)

Operating income ratio: 8.7% (up 0.7 points from last year)

## **Coating business**

- Sales of airbrushes were robust (see p. 25).
- By contrast, the sales of coating systems and general-purpose coating equipment were down as sales activities were restricted by COVID-19.

Sales: 14,722 million yen (down 2,144 million yen, or 12.7%, from last year)

(Reference)

Operating income: 1,623 million yen (down 478 million yen, or 22.8%, from last year)

Operating income ratio: 11.0% (down 1.6 points from last year)

(Note) The operating income by business was calculated using our unique standards.

# Details of profit and loss statements

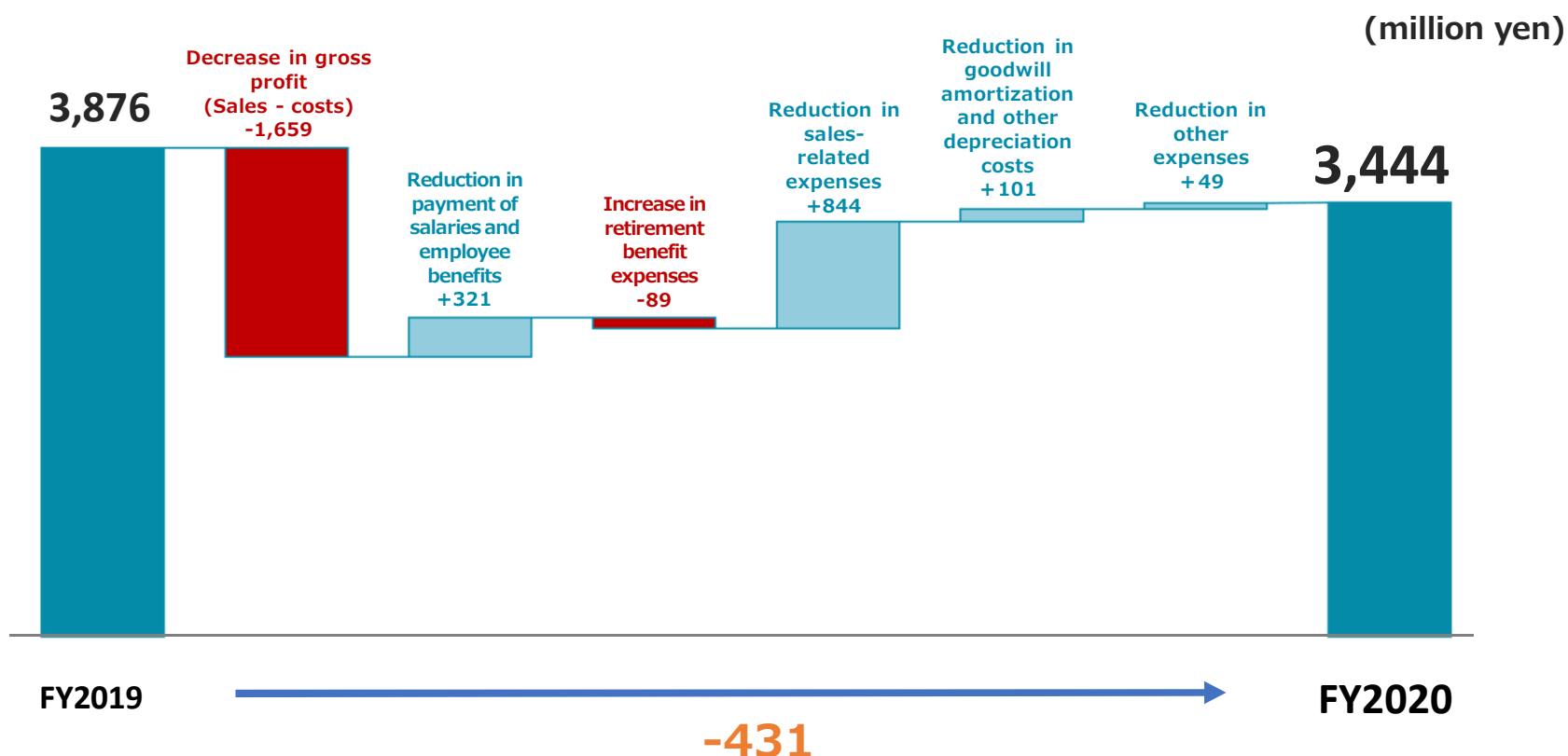
**While both sales and income dropped partly due to the COVID-19 pandemic, the decrease in sales was not more than 9%.**

- Sales : Affected by fluctuations in foreign exchange rates (down 540 million yen).
- Cost of sales: The decrease in sales led to a higher cost-to-sales ratio (up 0.5 points).
- Non-operating income: Increased due to subsidies for employment adjustment (up 181 million yen) and exchange gains (up 88 million yen).
- Extraordinary income: Increased due to subsidies for employment adjustment (up 77 million yen).
- Extraordinary losses: Loss from COVID-19 (100 million yen) and loss from amortization of goodwill of an Italian subsidiary (108 million yen)

	FY2019		FY2020		Year-on-year		
	Actual (million yen)	Composition ratio (%)	Actual (million yen)	Composition ratio (%)	Increase/decrease amount (million yen)	Increase/decrease rate (%)	Composition ratio change (P)
<b>Sales</b>	<b>39,091</b>	—	<b>35,588</b>	—	<b>-3,502</b>	<b>-9.0</b>	—
Cost of sales	22,505	57.6	20,662	58.1	-1,842	-8.2	+0.5
<b>Gross profit</b>	<b>16,586</b>	<b>42.4</b>	<b>14,926</b>	<b>41.9</b>	<b>-1,659</b>	<b>-10.0</b>	<b>-0.5</b>
Selling, general & administrative expenses	12,710	32.5	11,481	32.3	-1,228	-9.7	-0.3
<b>Operating income</b>	<b>3,876</b>	<b>9.9</b>	<b>3,444</b>	<b>9.7</b>	<b>-431</b>	<b>-11.1</b>	<b>-0.2</b>
Non-operating income	750	1.9	940	2.6	+190	+25.4	+0.7
Non-operating expenses	225	0.6	131	0.4	-93	-41.6	-0.2
<b>Ordinary income</b>	<b>4,401</b>	<b>11.3</b>	<b>4,253</b>	<b>12.0</b>	<b>-147</b>	<b>-3.4</b>	<b>+0.7</b>
Extraordinary income	59	0.2	96	0.3	+37	+63.3	+0.1
Extraordinary losses	246	0.6	213	0.6	-33	-13.6	-0.0
<b>Net income before income taxes</b>	<b>4,213</b>	<b>10.8</b>	<b>4,136</b>	<b>11.6</b>	<b>-76</b>	<b>-1.8</b>	<b>+0.8</b>
Income taxes	1,165	3.0	1,092	3.1	-73	-6.3	+0.1
Net income attributable to non-controlling shareholders	330	0.8	420	1.2	+90	+27.5	+0.3
Net income attributable to parent company shareholders	<b>2,717</b>	<b>7.0</b>	<b>2,623</b>	<b>7.4</b>	<b>-94</b>	<b>-3.5</b>	<b>+0.4</b>

While the total income decreased due to declined sales and other factors, promoting the use of the Web reduced the selling, general and administrative expenses, resulting in the income exceeding the February revised forecasts.

- Use of online conferencing systems and other services reduced travel expenses for business trips.
- Depreciation costs decreased (down 101 million yen from last year).  
Amount of goodwill amortization: 205 million yen (down 67 million yen from last year)
- Cancellation of tradeshow and other factors led to lower advertising costs.





# Sales by area and by product

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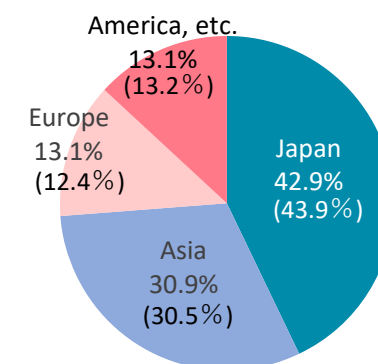


The sales composition ratio did not change much (Japan: 42.9%, overseas: 57.1%).

- J a p a n : While sales declined, demand for general-purpose products in the fourth quarter did not worsen as anticipated. Sales exceeded the February revised forecast.
- E u r o p e : Despite a drop in sales, the sales of air compressors for milking and general-purpose product markets grew. The degree of sales recovery from lockdowns enforced as infections rose again varied from area to area.
- A s i a : Sales dropped. Sluggish sales continued in Southeast Asia. By contrast, the sales of medical oil-free air compressors in India increased, and the sales of vacuum pumps for semiconductor manufacturing expanded as semiconductor demand grew.
- North America, etc.: Sales declined. Demand for medical oil-free air compressors, vacuum pumps, and airbrushes increased, mainly in the U.S. By contrast, the automotive repair and general-purpose product markets were slow to recover. There was also a drop in sales of coating system, which sold well in Mexico in the first half of the fiscal year.

(million yen)	FY2019	FY2020	Increase/ decrease amount	Increase/ decrease rate(%)	Air energy business		Coating business	
					Air compressor	Vacuum equipment	Coating equipment	Coating system
Japan	17,161	<b>15,271</b>	-1,889	-11.0	×	▼	×	◎
Europe	4,865	<b>4,651</b>	-213	-4.4	○	×	●	-
Asia	11,920	<b>10,988</b>	-932	-7.8	△	○	×	×
North America, etc.	5,143	<b>4,677</b>	-466	-9.1	●	◎	○	×
Total	39,091	<b>35,588</b>	-3,502	-9.0	●	△	×	×

■ Composition ratio  
FY2020  
(FY2019)



Note) Converted to actual sales in each individual area

◎ ≥ 10%, 3% ≤ ○ < 10%, 0% < △ < 3%,  
0% > ▼ > -3%, -3% ≥ ● > -10%, × ≤ -10%



**The operating cash flow (CF) increased by 460 million yen.**

**The free cash flow grew over 900 million yen from last year, with the cash and cash equivalents standing at 11.6 billion yen.**

**Operating CF (+)** The "subsidy income received", including subsidies for employment adjustment, increased by 154 million yen.

(+) The income rose by 1,645 million yen due to fluctuations in the "decrease (increase) in notes and accounts receivable-trade".

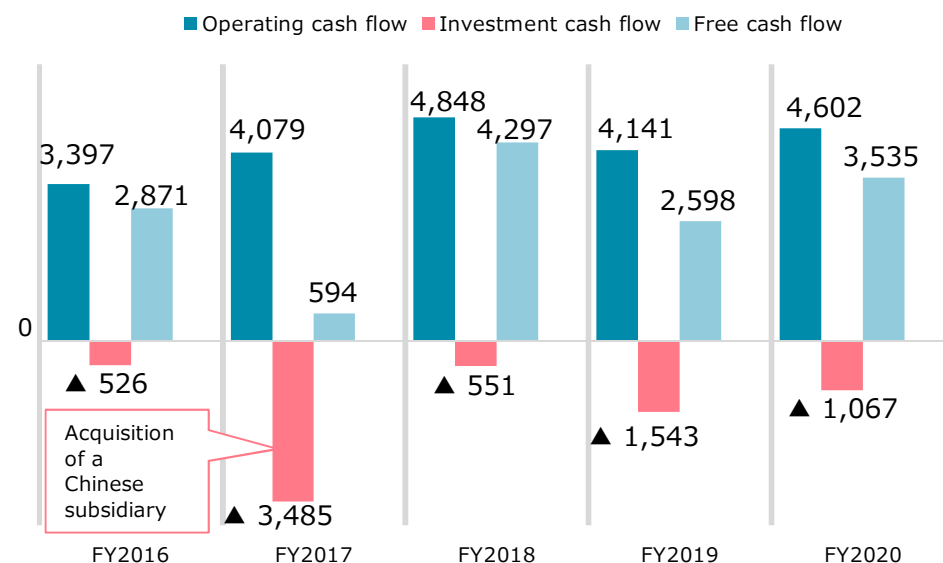
**Investment CF(+)** A decrease of 603 million yen in the "purchase of investment securities"

**Financial CF (+)** A decrease of 355 million yen in expenses due to fluctuations in the "net decrease in short-term loans payable"

	FY2019	FY2020	Year-on-year
(million yen)	Actual	Actual	Increase/decrease amount
Operating CF	4,141	4,602	+460
Investment CF	-1,543	-1,067	+475
Free CF	2,598	3,535	+937
Financial CF	-2,281	-1,958	+323
Cash and cash equivalents	10,092	11,643	+1,550

## Cash flow changes

(million yen)



## **2. Prospects for the FY2021 full-year period**

# Prospects for FY2021

Business recovery trend – Sales: 38,500 million yen (up 8.2%) , Operating income: 3,600 million yen (up 4.5%)

		FY2020 (Actual)			
		Actual (million yen)	Composition ratio (%)	Year-on-year (million yen)	Increase/ decrease rate (%)
Sales		35,588	100.0	-3,502	-9.0
Air energy	Air compressor	19,304	54.2	-1,365	-6.6
	Vacuum equipment	1,561	4.4	+6	+0.4
	Subtotal	20,866	58.6	-1,358	-6.1
Coating	Coating equipment	11,483	32.3	-1,348	-10.5
	Coating system	3,239	9.1	-795	-19.7
	Subtotal	14,722	41.4	-2,144	-12.7
Operating income		3,444	9.7	-431	-11.1
Air energy		1,821	5.1	+46	+2.6
Coating		1,623	4.6	-478	-22.8
Ordinary income		4,253	12.0	-147	-3.4
Net income attributable to parent company shareholders		2,623	7.4	-94	-3.5
Average exchange rate of yen to U.S. dollar		106.82	(Actual)		
Average exchange rate of yen to euro		121.81			
Average exchange rate of yen to RMB		15.48			
Dividend (interim + year-end = annual)		1 2   y e n   +   1 2   y e n   =   2 4   y e n			

FY2021 (Prospect)	
Target amount (million yen)	Composition ratio (%)
38,500	100.0
—	—
—	—
22,400	58.2
—	—
—	—
16,100	41.8
3,600	9.4
1,868	—
1,732	—
4,100	10.6
2,515	6.5
103.00	(Forecast)
118.00	
15.00	
12 yen + 12 yen = 24 yen	

Foreign exchange sensitivity: As the yen weakens by 1 yen against the U.S. dollar and euro, the annual ordinary income will increase by approx. 15 million yen, respectively.

**Sales: While all the areas are expected to return to a recovery path, recovery is considered to take time in Asia except China.**

Japan: Up 10% or so from last year

As the economy picks up, sales of general-purpose products will return to a recovery path.

Coating system: Reducing the backlog of orders resulting from the restricted sales activities of this fiscal year are a concern.

Asia: Up 5% or so from last year

While China is on a recovery path, recovery will take time in India and ASEAN nations where the impact of COVID-19 is continuing.

Europe: Up 10% or so from last year

Demand in the general industrial market is slow to recover. Focus will be placed on booming markets.

North America, etc.: Up 10% or so from last year

Sales will remain robust even though the growth of demand in medical and airbrush markets may slow down.

**Operating income: IT-related investments will continue to reinforce our business foundation. As we energize sales activities, we anticipate a rise in the selling, general and administrative expenses. Income will increase, while the operating income ratio will drop.**

- Travel expenses/advertising costs:

While cost control will continue, an increase in costs is anticipated as the impact of COVID-19 is subdued.

- IT-related investments:

As continuous investments get under way in earnest, there will be an increase in commission fees included in the selling, general & administrative expenses, for activities such as:

① Building of a customer database ② Improvement of EC websites ③ Establishment of in-factory communication infrastructure

## Two businesses' environments and others

### Air energy business

Supported by the growth of overseas sales, profits will increase as the sales of customized products and vacuum pumps expand.

#### <Air compressor>

The sales of SCR-made medium-size air compressors will be boosted as the sales of medical air compressors increase mainly in emerging countries and the general-purpose product market recovers.

#### <Vacuum equipment>

Efforts will continue to meet demand for semiconductor manufacturing equipment and develop equipment manufacturers in the U.S. and China.

### Coating business

New models will be brought to market continuously, and profits will increase as the general-purpose product market recovers.

#### <Coating equipment>

The automotive repair and industrial coating markets will recover, and efforts to promote the use of new spray gun models will be reinforced. The sales of airbrushes will grow slowly.

#### <Coating system>

Efforts will be made to win over potential customers of not only automotive parts but also other products, as well as to increase the ratio of delivered equipment remotely test-run and inspected. While we expect to complete the delivery of orders lagging behind schedule in the previous fiscal year, insufficient face-to-face sales activities may impact the reduction in the backlog of orders.

### Others

Efforts will continue to develop products that are environment-friendly and designed with SDGs in mind, and the domestic production facilities will be upgraded to bolster the production infrastructure.

# Equipment investment plan and R&D cost

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(Actual) Virtual sales activities were reinforced, and investments were made in studio equipment for public relations.

(million yen)	FY2020			
	Amount of capital investment	Depreciation cost	R&D cost*	Sales
Actual (planned)	<b>1,111</b> <b>(1,600)</b>	<b>1,426</b> <b>(1,200)</b>	<b>1,045</b> <b>(900)</b>	<b>35,588</b>
Contents	<ul style="list-style-type: none"> <li>• Machine tools</li> <li>• Head office studio construction</li> <li>• IT-related investments</li> </ul>			

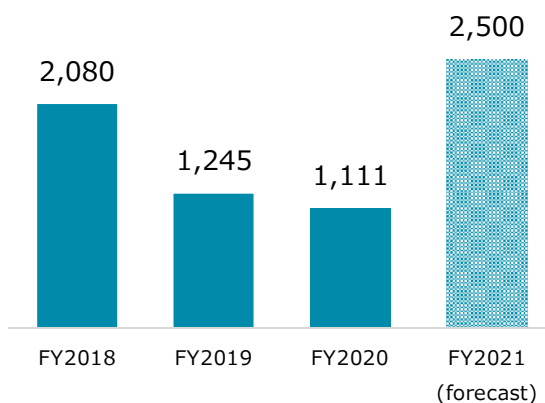
(Note) R&D cost: Total of general administrative expenses and manufacturing costs related to research and development

## (FY2021 plan)

- Investments will be made to upgrade and add production facilities in main factories (in Akita and Fukushima). These will include adding and repairing air tank production lines, upgrading machine tools, and establishing in-factory communication infrastructure.
- IT-related investments will continue, totaling approx. 700 million yen a year.

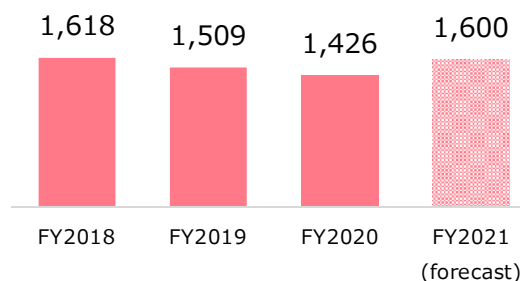
Amount of capital investment

(million yen)

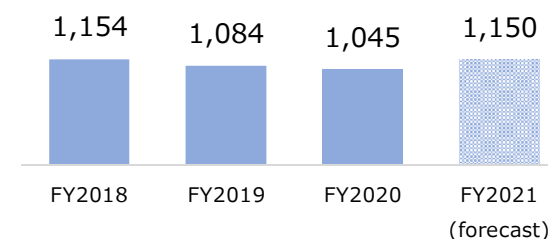


Depreciation cost

(million yen)



R&D cost (million yen)



## Dividend policy

We secured internal reserves to invest in growth and ensure stable dividends. The payout ratio was 35% or more.

## Dividend

FY2020 (planned): **24 yen (annual)** (12 yen (interim) + 12 yen (year-end))  
FY2021 (forecast): **24 yen (annual)** (12 yen (interim) + 12 yen (year-end))

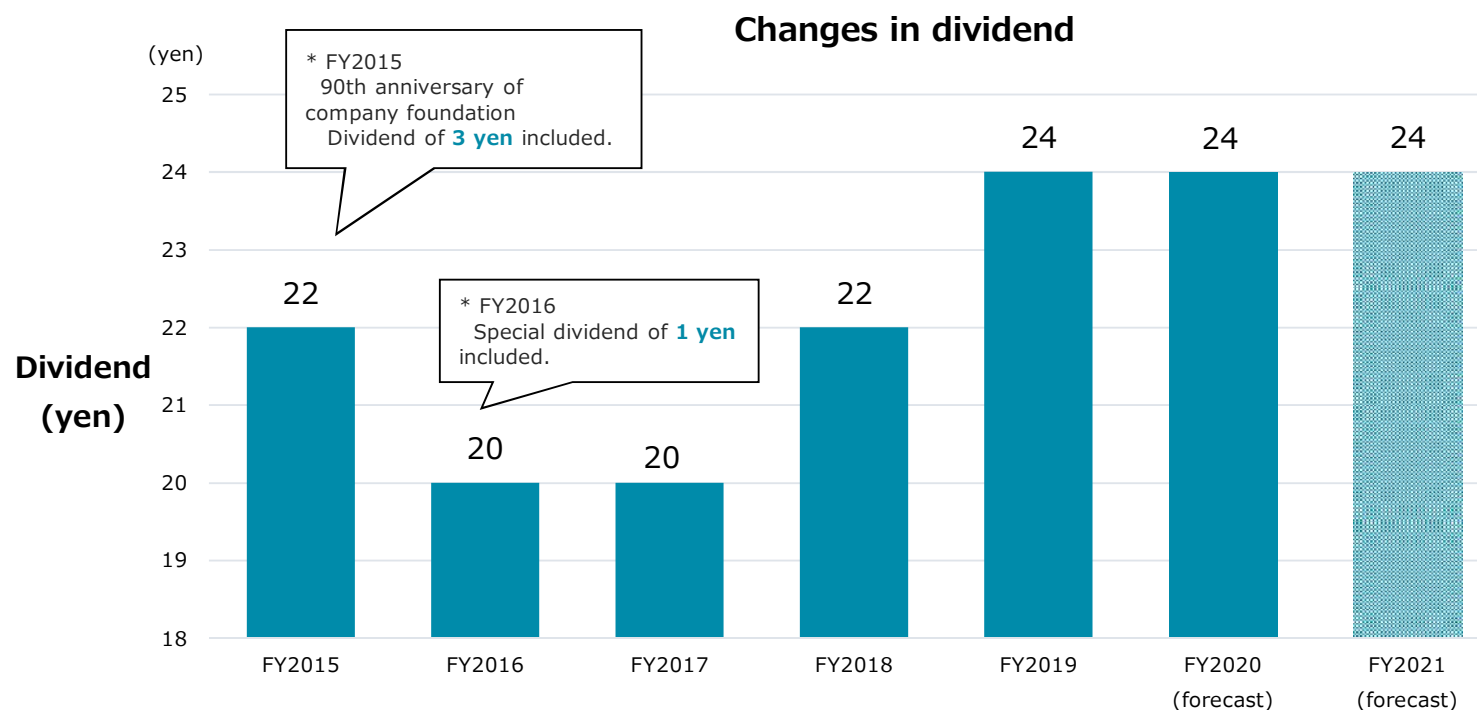
## Stock buyback

We bought back up to 760,000 shares of our company's stock (1.82% of shares issued excluding treasury shares) or shares worth of up to 500 million yen over the period from Nov. 11, 2020, to March 31, 2021.

■ Buyback completed on Feb. 2

480,500/760,000 shares (63.2%) 499.9/500 million yen (≈100%)

Number of shares issued: 41,745,505





### **3. Business-specific strategies**

**Focus on overseas growth markets by leveraging our "product power" while maintaining our presence in the Japanese market, which is our revenue base.**

## FY2020 operating income ratio

### Air energy business

**8.7%**

In Japan, there is fierce price competition with all-around manufacturers. We will strengthen our operations by boosting the productivity of Fukushima Factory and increasing the ratio of oil-free models.

### Coating business

**11.0%**

The ratio of processed parts used in spray guns is high, and the cost of parts is low. The market share is large, and the profit margin is relatively high.

## Mid-term direction

There is much room for increasing our shares in highly profitable overseas markets. We will increase the sales ratio of oil-free air compressors. We will also continue to benefit from the automated assembly lines in Fukushima Factory, which will lead to an increased operating income and an improved profit margin.

We will aggressively launch new medium-range products in overseas markets with high growth potential. As more environment-friendly paint is used, the operating income will increase. We will develop coating systems designed to reduce air pollution.

Domestic market: Secure income with oil-free and other value-added products in a mature market.

Overseas markets: Price competition is less severe than in Japan. Expand profits by increasing shares in overseas markets.

	Huge and high-margin overseas markets	Mature and increasingly eco-conscious domestic market
Market size	Approx. 1,377.4 billion yen	Approx. 80 billion yen (approx. 6% of the global market)
Competitors	Multiple manufacturers almost solely specializing in air compressors	Major electronics manufacturer A, steel manufacturer B, etc.
Major player's operating income ratio	<b>Approx. 10 - 20%</b>	<b>Less than 10%</b>
Market structure	Several major manufacturers deal with air compressors as their main business. Price competition is limited.	Price competition is always severe as all-around manufacturers supply air compressors with other large-scale products.
Profitability assessment	There is price competition, but <b>there is much room for us to increase our shares and profits, compared to the domestic market.</b>	The market is mature and price competition is severe. <b>Increasing profits is difficult.</b>
Our sales and share	10 billion yen (approx. 1% share)	11.2 billion yen (approx. 14% share, mainly small-size air compressors)
<b>Our strategy</b>	<b>Increase overseas sales through M&amp;A and other means</b>	<b>Increase high-margin products (e.g., oil-free scroll-type)</b>

\* Investigated or estimated by ANEST IWATA

Air energy business strategy ≈ Air compressor strategy (Air compressors account for approx. 92% of sales in FY2020.)

## Increase the sales ratio of oil-free air compressors

Our sales ratio of oil-free air compressors  
Approx. 54% (FY2020)



Further promote oil-free air compressors in the Japanese market by adding the new claw-type model to the existing reciprocating and scroll air compressors



New oil-free claw-type model (FRL-B Series)

## 1. For the general-purpose product market (general-purpose products)

### ● Promote oil-free models for selected industries.

#### Small-size air compressors

- Promotional campaign commemorating the 30th anniversary of the launch of the oil-free scroll-type model

#### Medium-size air compressors

- Expansion of the SCR model lineup and rapid spread of the new oil-free claw-type model
- Support in utilization of energy-saving subsidies

## 2. For specific markets (customized products)

### ● Step up both face-to-face and online sales activities.

#### Medical market

- Vitalization of the dental market by launching new models

#### Vehicle-mounted product market

- Continue sales efforts mainly in railways and expand into buses and trucks.

#### Specific markets

- Focus on the field of science and chemistry, including boosters, high-pressure applications, and N<sub>2</sub> gas generators, and launch of steam electric generators

#### Vacuum equipment market

- Proposals for production lines and focus on winning over equipment manufacturers

## 3. Improvement in production efficiency

### ● Upgrading and enhancement of facilities

- Use of IoT and further improvement in the machine operating rate by integrating manual air compressor assembly lines, upgrading machine tools, and establishing communication infrastructure in Fukushima Factory

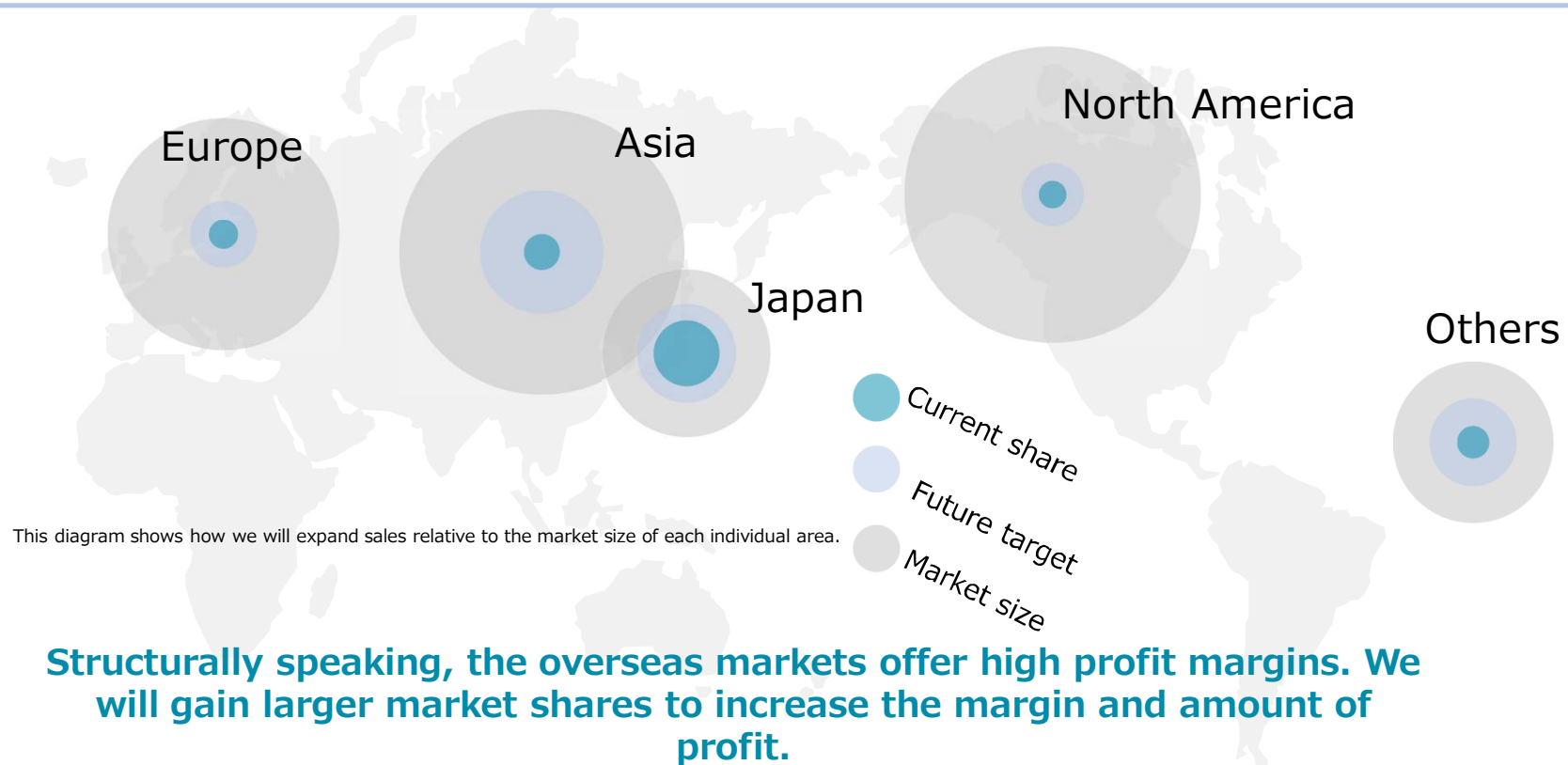
# Air energy business strategy ② Overseas markets

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Our small-size models have a relatively large share of the Japanese market. By contrast, we have a market share as low as 1% abroad, meaning there is much room for expansion. Particularly, the medical and vehicle-mounted product markets have great potential, and we will aggressively expand into these markets through M&A and other available means. Also, we will use medium-size air compressors made by Shanghai Screw Compressor Co., Ltd. of China in order to meet the demand for general-purpose production lines.

In the domestic compressor market, the share of our small-size air compressors is around 25%. Competitors are all-around machinery manufacturers, who supply air compressors with their main products, making the market prone to undergo price competition. By contrast, overseas competitors are manufacturers almost solely specializing in air compressors. Since these manufacturers provide air compressors as their main products and place importance on profitability, profit margins tend to be higher. The overseas markets are a niche and have great potential for high profit margins.



Domestic market: Although this is a mature market, we will secure profit with value-added products by leveraging our large market share (our hand spray guns have a share of approx. 75%).  
Overseas markets: In addition to the competitive high-end range, we will seek to achieve growth in the mid-range spray gun market.

	Huge overseas markets; each can be developed according to their local characteristics.	Mature domestic market where there is a need for value-added products
<b>Main players</b>	SATA GmbH & Co. KG, Carlisle Fluid Technologies (Devilbiss brand), etc.	Carlisle Fluid Technologies (Devilbiss brand) Meiji Air Compressor MFG, etc. Our products: WIDER, 'kiwami Series, etc.
Market size	Approx. 130,000 million yen	Approx. 13,000 million yen
<b>Reason why we can expect to expand market shares abroad</b>	Major competitors have strengths in the high-end range, which represents our main product line. Products of the high-end range are often not necessary in emerging nations. We can improve productivity and expect to increase sales by setting product specifications and price ranges for each individual area.	Major competitors have strengths in the high-end range, and it remains difficult for brand change to take place. We boast a wealth of know-how gained from years of operating in the European and American markets and have launched commercial models in these markets. If the use of water-based paint increases as environmental regulations are tightened, there is potential for us to increase sales. We will meet demand for mid-range products by marketing a second brand.

Market size investigated or estimated by ANEST IWATA in FY2017

## Mid-range spray gun "KATANA" Series

We have developed and will launch this series mainly for emerging markets. Price ranges, models, and others will be set according to the local characteristics of each individual area. This model is intended for markets where a certain level of finish and reasonable prices are required for DIY and other daily uses. We will promote the sales of this spray gun as the AIRREX brand.



Increase the market share and brand recognition while enticing users toward the high-end range





## 1. Coating equipment

- Focus on increasing the recognition and use of the EC website for general-purpose products.

### Automotive repair market

- Boost market penetration of new models (via social media, websites, and promotional campaigns).
- Continue to collaborate with paint makers.

### Industrial coating market

- Present more effective user proposals created from a coating system perspective, not from an individual equipment perspective.
- Hold webinars focused on automation.

### Non-paint liquid application market

- Present application-specific proposals based on the information that "Customer Support" receives from end users.

### Airbrush

- Promote the use of the EC website featuring diverse applications and other topics.

## 2. Coating system

- Step up both face-to-face and online sales activities and increase cases of coating trials.
- Create use cases of non-paint liquid application equipment while staying focused on automotive parts.

## 3. Improvement in production efficiency

- Upgrading and enhancement of facilities
- Upgrade production facilities in Akita Factory, improve the machine operating rate, and promote planned production and use of common parts between models.



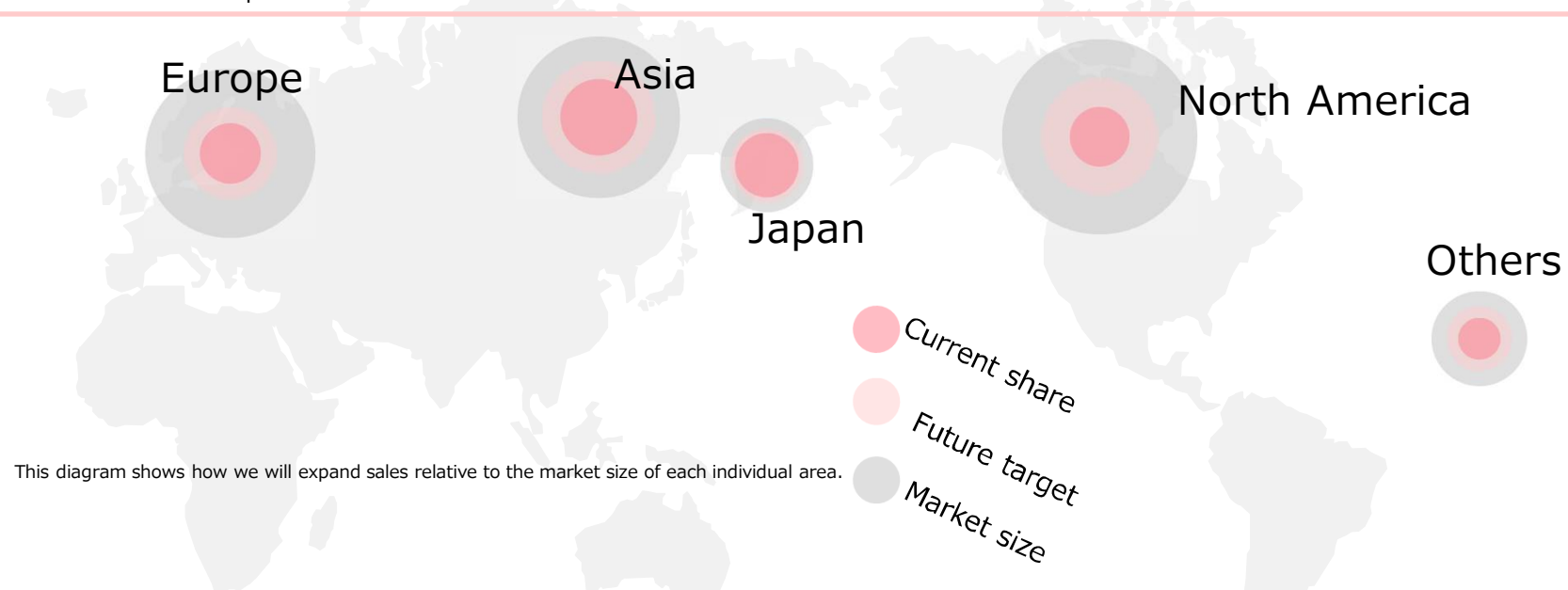
# Coating business strategy ② Overseas markets

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Focus on launching new products in overseas markets that account for around 70% of our sales.  
Seek to achieve growth as we develop and enhance environment-friendly products.

- Spray guns account for approx. 60% of the sales of our coating business. Both hand spray guns and automatic spray guns have the largest share of the domestic market. These spray guns are targeted at emerging nations in Asia and other areas where products sell in large volumes. We also expect that they will shift to high-end markets as the use of water-based paint increases and the economy grows.
- The rise in profit margins is predicted to slow down temporarily when new mid-range products are initially marketed in large volumes. In the long term, however, profit growth is expected.
- Advances will be made as the global technical team of our European and Asian subsidiaries develop new products in collaboration with paint makers.
- We also expect an increase in demand for coating booths designed to improve the coating environment and systems that prevent solvent emissions to the atmosphere.



We continue to launch new products in emerging nations where the demand growth is remarkable and products sell in large volumes.

While the rise in profit margins may slow down until market penetration is achieved, an increase in profit is expected.

Customized products are less susceptible to an economic slump and generally tend to provide high margins, supporting us in maintaining our business performance.

## Air energy business

### Air compressors

Vehicle-mounted	Medical	Science & chemistry	Dedicated equipment
Electric vehicles (buses, trains, trucks) • Brakes • Door opening/closing ... ...	Hospital equipment operation Medical gas generators Aspirators Dental ... ...	Analyzers Generation of nitrogen and other gases Ozone generation ... ...	Booster applications Production lines Embedded dedicated equipment Device embedding ... ...

\* The ratio of customized products is high for air compressors.

## Coating business

### Spray guns (Coating equipment)

Automotive parts	Large vehicles	Functional materials	Industrial products
Side mirrors Lamps Bumpers Door handles Interior panels ... ...	Railway vehicles (bullet trains, etc.) Construction machinery Buses Trucks Special vehicles ... ...	Adhesive Sealing agent Mold release agent Food-related liquid Photocatalyst (exterior walls, bathrooms, etc.) Sanitary pottery Sanitizer ...	Wooden products (furniture, piano, Buddhist altars, etc.) Electronic devices Home appliances Construction materials ... ...

\* All coating equipment needs to be customized.  
The ratio of customized functional materials is also very high.

## Development of new applications and reinforcement of market development efforts

- ① Provide medical small-size oil-free air compressors and auxiliary equipment (mainly North America, Brazil, and India).
- ② Increase customers of spray gun-air compressor units for photocatalyst/sanitizer application.
- ③ Continue collaboration with venture businesses.

DUSKIN staff applying photocatalyst

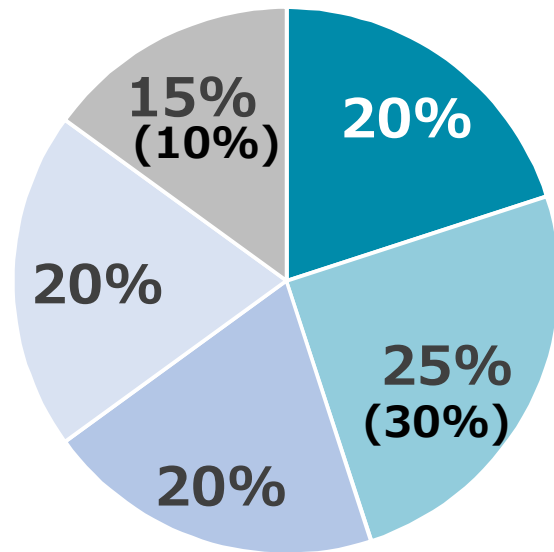


<FY2020>

\* ( ) FY2019

## Air energy business

### Air compressors

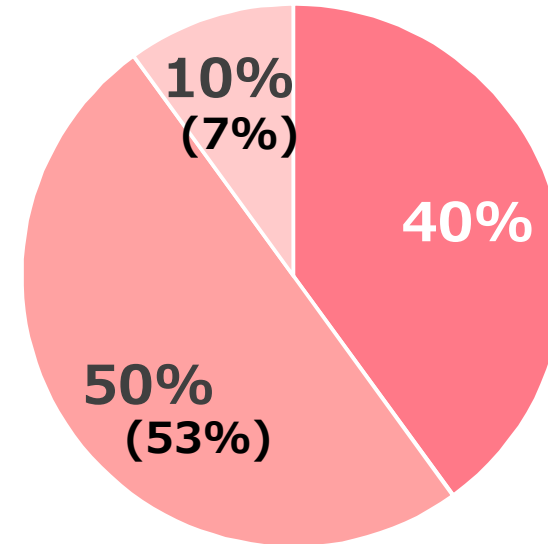


Source: Estimates based on internally collected data

- Manufacturing of automobiles and other transportation equipment
- Manufacturing of general machinery and electric/electronic equipment
- Manufacturing of food and beverages
- Specific markets (medical, vehicle-mounted, etc.)
- OEM, etc.

## Coating business

### Spray guns (coating equipment)



Source: Estimates based on internally collected data

- Automotive (manufacturing and repair)
- Manufacturing of general industrial products (wooden, metal, and plastic products, etc.)
- Hobbies, art, etc. (airbrushes)

## **4. Accelerating promotion of operational reforms**

We will promote reforms based on the mid-term management plan, thinking of the COVID-19 pandemic as a good opportunity.

Promote sales reform, logistics reform, customer relations, and digitization  
based on a company-wide project from four perspectives

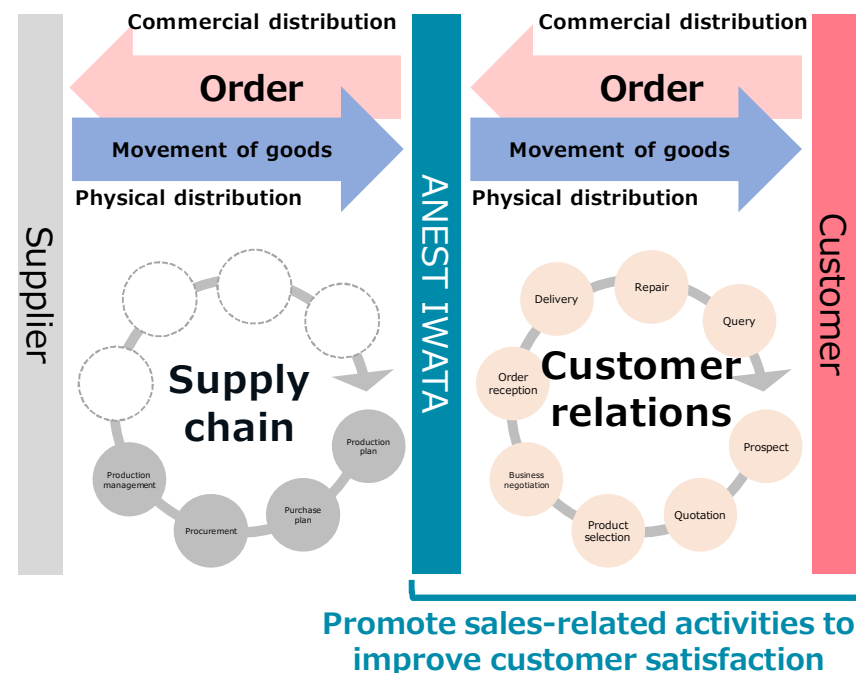
## Sales reform

Besides the conventional channel-centered framework, we have adopted an additional framework whereby we approach users directly. By introducing Web and other digital tools, we have increased the number of online negotiations, the direct sales ratio, and the order reception rate.

## Logistics reform

We have pushed forward a reform to maximize customer satisfaction by optimizing the worldwide purchase process, delivery dates of procured parts, and inventory levels, reviewing the entire process leading up to delivery, etc.

## Reform areas



## Customer relations

**We will examine and reform business processes, information provision, and customer information usage from the customer's point of view to make sure that customers make full use of our products and receive greater value than they expect.**

- Ensure better and quicker communication via a single point of customer support.
- Disclose information on inventory, delivery dates and status, and products.
- The stockout rate of service parts has been reduced to 0.5%.
- Streamline the customer order reception work. (The above-mentioned measures have been implemented, and an EC website has been established and put into operation.)

## Promotion of DX

**We will consider how best to implement digital marketing and promote it to drive our sales reform.**

- Improve customer satisfaction by upgrading our website by such means as the addition of new features to increase the direct sales ratio.  
(The new website is planned to be completed in fiscal year 2021.)
- Create digital contents for public relations, post the contents on our website, and distribute more information on social media.
- Shift from traditional media-based public relations to enhanced direct public relations to customers.  
→ Build a studio in our head office building for taking photos of our products and holding webinars and presentations (to be completed in March 2021).
- Allow potential customers of coating systems to do remote monitoring and evaluate the quality of finish from a coating trial lab.
- Attend and host virtual tradeshow to secure a sufficient number of customer contacts even during the COVID-19 pandemic.



Continued to promote the sales reform even during the COVID-19 pandemic → Achieved sales exceeding the revised February forecast

Activities in Japan (compared to FY2019):

Business trips reduced by 70%; almost no online business meetings held → Number of online business meetings increased to 800, domestic sales per hour increased by 3%, etc.

## 1. Sales activities using ICT tools

Using an online business meeting system, FaceTime, etc., we actively promoted activities such as product presentations for customers, sales planning meetings, management of product delivery destination information, and deal closing. Our overseas subsidiaries also conducted sales activities through online interviews and other means.



## 2. Webinars to present new products

We conducted aggressive virtual sales activities using the new studio built in the head office building.

We started holding webinars ahead of other companies in the industry. The AAA Studio, built on the premises of the head office in March this year, was used for public relations purposes such as holding seminars to offer proposals and presenting new products. This prompted many customers to participate in these events regardless of their locations.



## 3. Inside sales activities (to create sales opportunities)

Despite a sharp decrease in "real" tradeshows, we created sales opportunities by using targeted online media and user information gathered through telephone interviews.

The order reception rate was improved by increased business meetings and inside sales activities.





## **5. Activities related to ESG and SDGs**

## Products

### 1. Development from the perspective of SDGs

Make it mandatory to indicate which goals will be attained by a new product when proposing it in a development meeting.



### 2. Development of eco-friendly products

Help customer reduce their environmental impact by leveraging our core business competencies: oil-free technology and coating equipment, systems, and products.



### 3. Contribution to industry development

Contribute to various types of manufacturing through air compressors that drive the production facilities in a factory and coating equipment used to paint cars, home appliances, etc. and to spray liquid.



## Business sites

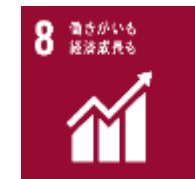
### 1. Promotion of health and productivity management

Build a health management promotion system and take relevant measures to help employees stay healthy or become healthier, which is essential for the company.



### 2. Better work-life balance

Establish a working environment in which diverse human resources can work for long periods of time, and improve the system to build a corporate culture that maximizes the teamwork and abilities of individuals.



### 3. Interaction with the local community

Build a trusting relationship as a member of the local community by donating face shields to nearby facilities and holding events in the area.



## We implemented an ESG-conscious management style early on.

### Development of eco-friendly products

#### Air energy business:

- Promotion of oil-free air compressors and vacuum equipment that do not use lubricant
- Mechanisms and installation and operation methods to save energy

#### Coating business:

- Development of spray guns for eco-friendly paint
- Reduction in paint mist emissions

### Promotion of the work style reform

#### Working environment improvement

- Promotion of hiring of all employees as permanent workforce
- Active promotion of telework and staggered working hours
- Promotion of health and productivity management
- Introduction of shorter working hours
- Childcare leave covering children up to age 3
- Guarantee of reinstatement under the same conditions after childcare or nursing care leave

### Strengthening of governance

- Active discussions are made about investments in human resources, production equipment, M&A, etc. for future growth from mid- and long-term perspectives.
- Independent directors with diverse backgrounds who are well versed in corporate management, finance, and accounting actively offer advice on management.

〈Independence〉 Of the 11 directors, seven\* are independent directors.

〈Diversity〉 Two female directors are newly appointed.\*

\* If approved at the 75th ordinary general shareholders' meeting

Independent directors' profiles and messages to shareholders (See pp. 34 and 35.)



We cooperated with the Ministry of the Environment in creating a video about "measures to suppress volatile organic compound emissions" in 2021.



For details, scan this QR code.



We signed an official partnership contract with Yokohama F Marinos in 2020 to promote our local community and social contribution activities and health maintenance activities.

We were certified as a "White 500" company under the 2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program in recognition of our efforts to promote health maintenance and enhancement among employees who support the company and their families.



**Our health goal:** Make sure that all employees work lively and happily.

#### Concrete actions

- |  |   |
|--|---|
| • Increase in health literacy                                      | • Promotion of the work-life balance  |
| • Promotion of communication                                       | • Promotion of prevention of lifestyle-related diseases                                 |
| • Support for employees who work while receiving medical treatment | • Implementation of measures to help employees quit smoking and prevent passive smoking |

\* Certified Health & Productivity Management Outstanding Organizations Recognition Program: A program under which the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi jointly honor organizations that exercise excellent health and productivity management taking into consideration the health of employees and other stakeholders

For details, visit our website.



Independent directors, each with an outstanding career, not only help us overcome various management challenges that we face but greatly contribute to the vitalization of our company as well by proactively giving advice and suggestions to executive directors.

## 2 independent directors

### Kozo Yoneda

Mar. 1972 Joined Sumitomo Bank (current Sumitomo Mitsui Banking Corp.).  
 Apr. 2001 Executive Officer and General Manager of Corporate Banking Dept. II of the above bank  
 June 2002 Chairman and CEO of Japan Equity Capital Co., Ltd.  
 Apr. 2003 Senior Adviser of Daiwa Securities SMBC Principal Investments Co., Ltd.  
 June 2005 President of Hirata Corp.  
 Apr. 2012 President and Representative Director of Kinrei Corp. (current KR Food Service Corp.)  
 Dec. 2014 Outside Director of amifa Co., Ltd. (current post)  
 June 2015 Independent Director of ANEST IWATA Corp. (current post)  
 Outside Director of Takagi Co., Ltd.  
 Dec. 2015 Managing Director of Three Fields LLC (current post)  
 Nov. 2016 Outside Director of FORLIFE Co., Ltd. (current post)  
 June 2018 Outside Director of HOKUETSU METAL Co., Ltd. (current post)

(Status of concurrent holding of important posts)

- Outside Director of amifa Co., Ltd.
- Managing Director of Three Fields LLC
- Outside Director of FORLIFE Co., Ltd.
- Outside Director of HOKUETSU METAL Co., Ltd.



Immediately after a state of emergency was declared on April 7 of last year in connection with the COVID-19 pandemic, we created a survival plan and set up a crisis management committee chaired by the president to promote the execution of the plan. The purpose of this plan is to ensure that the company survives under any circumstances and secures jobs for employees.

This raging pandemic may change how we do business in the post-COVID era. But we see this crisis positively as an opportunity for big change and are formulating a long-term corporate plan. When this plan materializes, our company will be the biggest fish in the pond, no matter how small that pond may be. I look forward to our future.

### Yoshitsugu Asai

Apr. 1977 Joined BROTHER INDUSTRIES, Ltd.  
 July 1989 Temporarily assigned to work at BROTHER INDUSTRIES (AUST) PTY LTD.  
 Representative Director and President of the above company  
 Oct. 2000 General Manager, General Planning Dept. of BROTHER INDUSTRIES, Ltd.  
 June 2004 Executive Officer, EVP\* of I&D Company, and General Manager, Corporate Planning Dept. of BROTHER INDUSTRIES, Ltd.  
 \*EVP: Executive Vice President  
 Apr. 2006 Executive Officer and General Manager, Human Resource Dept. of BROTHER INDUSTRIES, Ltd.  
 Apr. 2011 Managing Executive Officer and General Manager, Legal & General Affairs Dept. responsible for Corporate Communications (Public Relations) Dept. of BROTHER INDUSTRIES, Ltd.  
 Apr. 2016 Managing Executive Officer and General Manager, responsible for Finance & Accounting Dept., Legal, Environment & General Affairs Dept., CSR and Corporate Communications Dept. of BROTHER INDUSTRIES, Ltd.  
 June 2017 Outside Director of Fujimi Inc. (current post)  
 June 2020 Independent Director of ANEST IWATA Corp. (current post)

(Status of concurrent holding of important posts)

- Outside Director of Fujimi Inc.



The global economy is already starting to change and adapt steadily to the post-COVID era, the signs of this trend manifesting in various aspects. These include technological innovation that will go beyond the boundaries of the traditional industry, IT-based distribution revolution and logistics revolution in supply chains, and work style reforms through DX. I expect that, several years from now, we will likely witness the emergence of a world that is entirely different from the previous one. We work in manufacturing, an industry that tends to take a relatively long time to change. We should be bold and try to change the way we do things, without being bound by common sense. Our corporate policy - Trustworthy & Sincere - is a wonderful principle that has something in common with the SDGs. I hope that all employees stay committed to this policy and work toward new business.



## 3 independent directors serving as audit and supervisory committee members

### Masashige Takayama

Sept. 1987 Joined Eiwa Audit Corp. (current KPMG AZSA LLC).  
 Feb. 1990 Joined Kyowa Audit Corp.  
 Aug. 1990 Registered as a certified public accountant.  
 Jan. 2007 Senior Partner of Kyowa Audit Corp. (current post)  
 Senior Partner of Kyowa Tax Corp. (current post)  
 June 2012 Audit & Supervisory Board member of ANEST IWATA Corp.  
 Aug. 2013 Consultant of the Public Interest Commission of the Cabinet Office (current post)  
 Apr. 2015 Auditor of the National Museum of Nature and Science (current post)  
 June 2016 Independent Director of ANEST IWATA Corp. (Audit & Supervisory Committee member) (current post)

(Status of concurrent holding of important posts)  
 •Senior Partner of Kyowa Audit Corp.  
 •Senior Partner of Kyowa Tax Corp.



We see the spreading COVID-19 pandemic positively as a big chance for us to grow by drastically changing our business model that is based on past experiences and practices. We consider product development a critical mission for a manufacturer, and we will aggressively take on challenges this year to develop unique (ONLY ONE) products and become NUMBER ONE (the No. 1 company) in niche markets. It will take some time before we see results, but I believe that our efforts will definitely pay off in a few years' time. I keep looking forward to seeing ANEST IWATA continue to grow.

### Kyosuke Oshima

Aug. 1982 Joined SUNX Limited (current Panasonic Industrial Devices SUNX Co., Ltd.).  
 June 2000 Director and General Manager, Sensor Business Div. of SUNX Limited  
 June 2007 Managing Director of SUNX Limited, in charge of corporate planning, personnel, legal affairs, and internal controls  
 June 2011 Full-time Audit & Supervisory Board member of SUNX Limited  
 June 2015 Independent Director of ANEST IWATA Corp.  
 June 2016 Independent Director of ANEST IWATA Corp. (Audit & Supervisory Committee member) (current post)

(Status of concurrent holding of important posts)  
 None



As soon as a state of emergency was declared last spring, we set up a crisis management committee made up of the president and all executive directors. The committee convenes a meeting once a week to discuss ways to address all kinds of management issues and make quick decisions. While our income decreased in fiscal year 2020, we managed to keep our profit margins at the same level as last year. It seems that our flexible, robust management style has evolved further over the past year. While eliminating waste thoroughly, we are investing more in IT to ensure more speedy and better communication with customers and enable a more rational and shorter delivery process from order reception to shipment, as well as in the development of products and systems that contribute to reducing environmental burdens. Preparations are being made steadily for the post-COVID era. I look forward to seeing our company become stronger, fairer, and better.

### Kazumichi Matsuki

Apr. 1976 Joined Mitsubishi Corp.  
 June 1979 Earned the Legum Magister (LL.M) at Harvard Law School.  
 Jan. 2003 General Manager, Legal Affairs Div., Mitsubishi Corp.  
 Apr. 2007 Director of Mitsubishi Corp.  
 May 2007 Chairman of the Association of Corporate Legal Departments  
 Apr. 2009 Director, Corporate Executive Assistant, and Compliance General Manager of Mitsubishi Corp.  
 Apr. 2010 Visiting Professor of the University of Tokyo Graduate Schools for Laws and Politics  
 Apr. 2011 Executive Officer of Hokuetsu Kishu Paper Co., Ltd. (current Hokuetsu Corp.)  
 June 2011 Managing Director of Hokuetsu Kishu Paper Co., Ltd.  
 Member of the "Special Committee on the Criminal Justice System of the New Era" of the Legislative Council of the Ministry of Justice  
 June 2013 Managing Director of Hokuetsu Kishu Paper Co., Ltd.  
 June 2016 Director of Dream Incubator Inc.  
 Auditor of SANDEN Holdings Corp. (current post)  
 June 2018 Independent Director of ANEST IWATA Corp.  
 Mar. 2019 Outside Director of Nissha Co., Ltd. (current post)  
 June 2020 Independent Director of ANEST IWATA Corp. (Audit & Supervisory Committee member) (current post)

(Status of concurrent holding of important posts)  
 •Auditor of SANDEN Holdings Corp.  
 •Outside Director of Nissha Co., Ltd.



The spread of COVID-19 is causing paradigm shifts in various fields, and there is no denying the possibility of an unexpected disruptor of the existing business emerging. How do we respond to these paradigm shifts? Protecting the existing business is important, of course. However, paradigm shifts, on the other hand, offer opportunities for us to find and develop new business pillars. As we head toward the 100th anniversary of our company's foundation, we should consolidate the global capabilities of the ANEST IWATA Group, identify underutilized or undiscovered synergies, and create new synergies. It is vital for all of us to work together to overcome this crisis and build a foundation for further growth. To make these happen, I am determined to supervise and support the management team thoroughly as an independent director.

## 6. Reference information



The corporate slogan represents our ideal to establish the ANEST IWATA brand.

**Active & Newest Technology** (Former slogan: Created in 1996)



Active with Newest Technology (Current slogan: Revised in 2020)

## Ideal of the ANEST IWATA Group

### "Newest Technology" brings a new future to us all

- Provide values that we share with all stakeholders including customers, investors, and employees.
- Contribute to society and realize fulfilling life through our technologies.

### "Active" workplace

- Build a corporate culture in which everyone boldly tries new technologies.
- Improve the workplace environment so that each individual can work actively while making the most of their individuality.

**With cutting-edge technology, we will continue to tackle challenges actively toward a new future.**

# History of ANEST IWATA's business

Active with Newest Technology



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

**Founded in 1926**

(Former company name: Iwata Seisakusho)

Started manufacturing of spray guns using as an American-made spray gun as a model

**Spray gun**

**Coating hand gun**

Atomize paint with compressed air

**Compressor**

**Air compressor**

Started manufacturing of air compressors for spray gun inspection

Product differentiation concept

- Environment-friendly
- Ability to present proposals for coating surface creation

- Oil-free
- Energy-saving

Diversification of products  
Development of new applications

**Coating business**

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

**Coating system:**  
Systems combining coating equipment with ventilators, driers, and coating robots

**Air energy business**

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

**Vacuum equipment:**  
Vacuum pumps and auxiliary equipment such as valves



Coating robot



Airbrush



Oil-free scroll vacuum pump



Oil-free scroll air compressor

# History highlights – Business turning points

Active with Newest Technology



1926

- The Iwata Brothers founded a metal processing company **Iwata Seisakusho**.

1927

- Started manufacture and sale of spray guns this year and small-size air compressors the following year.



1987

- Building manufacturing and sales sites of coating equipment overseas began in earnest.



1991

- Started manufacture and sale of oil-free scroll air compressors.



1994

- Started manufacture and sale of spray guns compliant with European environmental regulations.

1996

- Management reform began after the collapse of the bubble economy; a person other than members of the founding family became president for the first time in the company's history.
- The company name changed to the current one.

iwata



2009

- Building manufacturing and sales sites of air compressors overseas began in earnest.



# Changes in past business performance

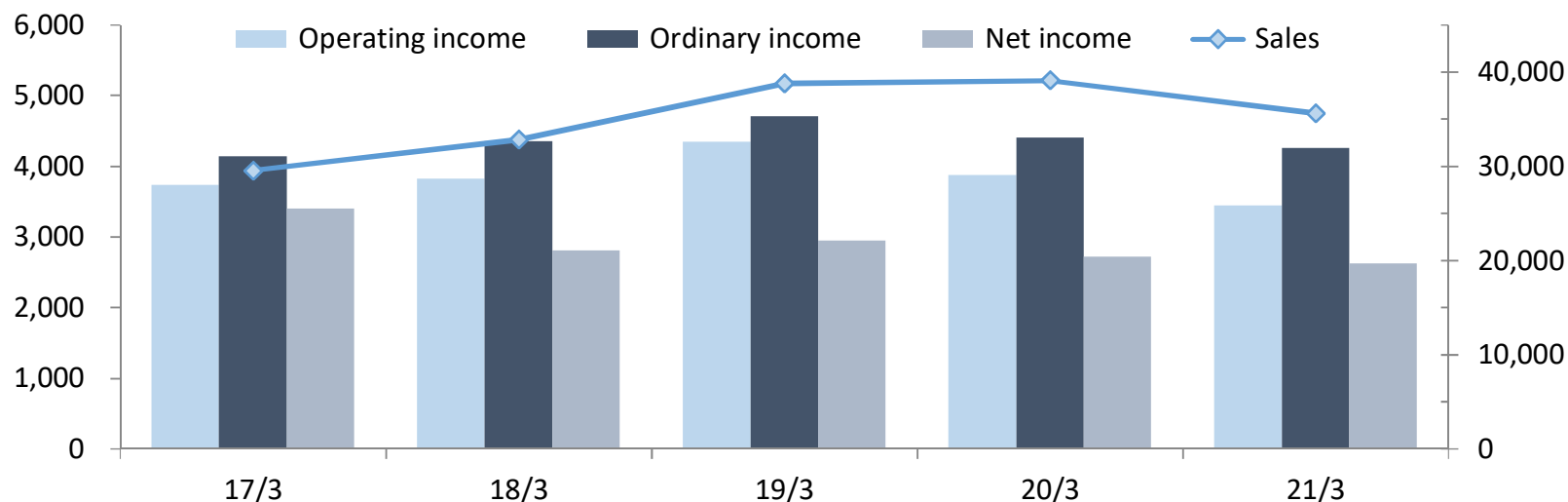
Active with Newest Technology



(Income: million yen)

## Sales and incomes

(Sales: million yen)

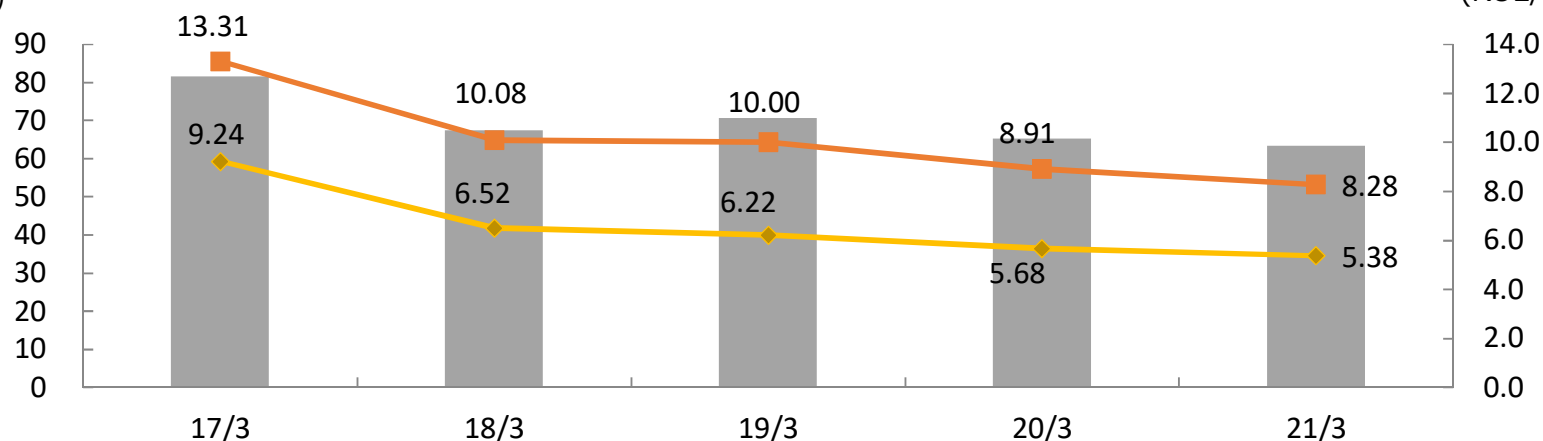


## Key management indexes

(Net income per share: yen)

Net income per share ROE (net income/equity capital) ROA (net income/total assets)

(ROE/ROA: %)



## Notes on the descriptions about future prospects and other matters

The future prospects for our company mentioned in this document are based on the currently available information.

Please be advised that there are various external factors that can impact our business performance, such as the global economy, exchange rate fluctuations, the industry's market conditions, and capital investment trends, and that the actual performance may differ from what is stated herein.

This document is intended to provide investors with relevant information and not meant to invite or recommend anyone to buy or sell shares in our company or any other securities.

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