

FY2014 Third Quarter Consolidated Financial Results [Japan GAAP]

(April 1, 2014 through December 31, 2014)

February 6, 2015

Company Name	: ANEST IWATA Corporation
Stock Exchanges on which the shares are listed	: Tokyo Stock Exchange in Japan
Code Number	: 6381
URL	: http://www.anest-iwata.co.jp
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Filing Date of Quarterly Securities Report	: February 12, 2015
Payment Date of Cash Dividends	: -
Supplemental Materials Prepared for Quarterly Results	: None
Earnings Announcement for Quarterly Financial Results	: None

(Amounts are rounded to the nearest million yen)

1. Consolidated Results for FY2014 (April 1, 2014 through December 31, 2014)

(1) Consolidated Financial Results (For the nine months ended December 31) (% of change from FY2013)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2014 3rd Quarter	19,518	10.1	2,231	7.6	2,718	5.6	1,676	4.6
FY2013 3rd Quarter	17,732	13.8	2,074	42.4	2,573	48.1	1,603	41.1

【Note】Quarterly Comprehensive Income: FY2014 3rd quarter 2,402 million yen (4.0%), FY2013 3rd quarter 2,310 million yen (80.0%)

	Net Income per share - Basic		Net Income per share - Diluted	
	Yen		Yen	
FY2014 3rd Quarter	39.92		-	
FY2013 3rd Quarter	38.02		-	

(2) Consolidated Financial Position

	Total Assets		Net Assets		Equity Ratio	
	Million Yen	%	Million Yen	%	Million Yen	%
FY2014 2nd Quarter	31,688		23,202		69.7	
FY2013	30,856		21,783		67.4	

【Note】Equity Ratio : FY2014 3rd quarter 22,094 million yen, FY2013 20,786 million yen.

2. Cash Dividends

	Annual Cash Dividends per share				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2013	-	7.50	-	8.00	15.50
FY2014	-	8.00	-	-	-
FY2014(forecast)	-	-	-	8.00	16.00

【Note】Revisions to the forecast of cash dividends since latest announcement: None

3. Forecast of Consolidated Results for FY2014 (April 1, 2014 through March 31, 2015)

(% of change from FY2013)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per share	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen	%
FY2014	26,000	2.1	3,400	15.6	3,600	0.6	2,200	0.8	52.34	

【Note】Revisions to the forecast of consolidated results since latest announcement: None

4. Others

(1) Changes in significant subsidiaries during FY2014 third quarter : None
(Changes in specified subsidiaries that caused a change in scope of consolidation)

(2) Number of shares issued and outstanding (common stock)

(i). Number of shares issued and outstanding at the end of each fiscal year (including treasury stock)

(ii). Number of treasury shares at the end of each fiscal year

(iii). Average number of shares issued and outstanding in each period

FY2014 3rd Quarter	41,885,505 shares	FY2013	42,035,505 shares
FY2014 3rd Quarter	6,135 shares	FY2013	6,101 shares
FY2014 3rd Quarter	41,999,375 shares	FY2013 2nd Quarter	42,170,978 shares

Summary of the Financial Results for the Third Quarter of Fiscal Year 2014 Ending March 31, 2015

1. Qualitative information for financial results of the current quarter

(1) Explanation for results of operations

As for the overseas economic situations in the current consolidated cumulative third quarter, the U.S. was on a track to recovery, showing improvements in consumer spending and employment, but the newly industrialized countries continuously faced a situation that was far from rosy, because of a growth deceleration and a political instability, among others. In Japan, despite improvement in export, equipment investment, and employment, prospects continued to be clouded by the consumption tax rise, the depreciation of the yen, and high raw material costs.

In these circumstances, our group has been aiming at "a real global company (i.e. an establishment of global management system)" which has the optimum marketing, development, sales, production, procurement and business management systems for each market by gathering global customers' needs in accordance with the midterm business plan for three years from April 2013. The current third quarter is in the middle year in the plan, and we implemented a series of measures to boost our business performance. In our organization, we employed a divisional system for the air compressors and coating equipment & systems businesses to make decisions and take actions more speedily and, the ERP (integrated business software produced by SAP), which we installed to replace the old one for the purposes of more efficient and more global business management, ran smoothly. In terms of the development of new products, we developed the F Series of oil-free scroll compressors with its energy efficiency improved by 14% with the adoption of a new-type compressor main unit and a high-efficiency motor in the field of air compressors; and in the field of coating equipment, we released limited models of the LPH-80, a spray gun popular in the United States and Europe, and developed a variable-pattern gun for adhesives that enables the user to change the coating width simply by operating the trigger. In terms of sales activities, we established PT. ANEST IWATA Indonesia in Indonesia to enhance the overseas sales structure. In terms of production activities, we promoted automated and labor-saving operations in Japan and enhanced production sites overseas in China, Germany, Brazil, and elsewhere.

As a result, our business performance for the current consolidated cumulative third quarter grew both in revenue and income, with sales standing at 19,518 million yen (up 10.1% from the same consolidated cumulative quarter of the previous fiscal year), operating profit at 2,231 million yen (up 7.6%), current profit at 2,718 million yen (up 5.6%) and quarterly net profit at 1,676 million yen (up 4.6%).

(i) Results of operations by segment

The results of operations by segments are omitted as those are shown in "(Segment information, etc.)" in "3. Consolidated quarterly financial statements - (3) Notes on consolidated quarterly financial statements".

(ii) Sales by product category are as follows:

(Amount: thousand yen)

Product Category	Consolidated cumulative third quarter of the previous fiscal year April 1, 2013 - December 31, 2013		Consolidated cumulative third quarter of this fiscal year April 1, 2014 - December 31, 2014		Increase/Decrease from the corresponding quarter of the previous fiscal year	
	Sales	Composition rate (%)	Sales	Composition rate (%)	Amount of increase/decrease	Increase/Decrease rate (%)
Air Compressors	8,658,508	48.8	9,088,608	46.6	430,100	5.0
Vacuum Equipment	1,164,558	6.6	1,242,466	6.4	77,908	6.7
Coating Equipment	7,166,524	40.4	7,952,523	40.7	785,998	11.0
Coating Systems	742,766	4.2	1,235,122	6.3	492,355	66.3
Total	17,732,357	100.0	19,518,721	100.0	1,786,363	10.1

(2) Explanation for financial condition

Our assets were 15,142 million yen (down 1.6% from the previous consolidated fiscal year), mainly due to a decrease 693 million yen in the "cash and deposits". Our noncurrent assets were 16,546 million yen (up 6.9%), primarily due to an increase of 736 million yen in the "investments in securities" due to the acquisition and re-evaluation of investment in securities. As a result, our total assets were 31,688 million yen (up 2.7%). Our current liabilities were 5,529 million yen (down 7.7%), mainly due to the decrease of 467 million yen in the "accrued corporate tax". Our noncurrent liabilities were 2,957 million yen (down 4.0%), primarily because of a decrease of 113 million yen in the "retirement benefit obligations". As a result, the total liabilities were 8,486 million yen (down 6.5%).

Our net assets were 23,202 million yen (up 6.5%). Our equity capital, which is calculated by subtracting minority shareholders' equity from net assets, stood at 22,094 million yen, increasing our capital-to-asset ratio by 2.3 percentage points to 69.7% from 67.4% at the end of the previous consolidated fiscal year.

(3) Explanation for the information on future prospects including the expected consolidated results of operations

At present, the expected consolidated results of operations for the full year announced on May 8, 2014 remain unchanged. The expected dividends announced on November 5, 2014 remain unchanged.

2. Matters concerning the summary information (notes)

(1) Changes to principal subsidiaries in the current consolidated cumulative quarter

We established a new consolidated subsidiary, PT. ANEST IWATA Indonesia (unspecified subsidiary) (in Indonesia).

(2) Change of accounting policy, change and restatement of accounting estimates

(Change of accounting policy)

From the consolidated fiscal first quarter, the "Accounting Standards for Retirement Benefits" (the corporate accounting standards No. 26 dated May 17, 2012 and hereinafter referred to as the "Accounting Standards for Retirement Benefit") and the "Application Guideline for Accounting Standards for Retirement Benefit" (the application guideline for corporate accounting standards No. 25 dated May 17, 2012 and hereinafter referred to as the "Application Guideline for Retirement Benefit") were applied to the provisions prescribed in the body text of section 35 of the Accounting Standards for Retirement Benefit and in the body text of section 67 of the Application Guideline for Retirement Benefit, whereby we revised the method of calculating the retirement benefit obligations and business expenses; changed the method of estimating the retirement benefit for a certain period from the term-based allocation standards to the benefit calculation formula standards; and changed the method of deciding the discount rate to the duration approach.

In applying the Accounting Standards for Retirement Benefit, etc., we added or subtracted the amount affected by the change of the method of calculating the retirement benefit obligations and business expenses to and from the capital surplus at the beginning of the current consolidated cumulative third quarter in accordance with the transitional measures prescribed in section 37 of the Accounting Standards for Retirement Benefit. As a result, our assets pertaining to the retirement benefit at the beginning of the current consolidated cumulative third quarter decreased by 145,695 thousand yen, while our obligations pertaining to the retirement benefit increased by 85,813 thousand yen and the capital surplus decreased by 149,323 thousand yen. The influence on the operating profit, current profit and quarterly net profit before tax adjustment for the current consolidated cumulative third quarter is minor.

(Change of accounting policy which is difficult to be discriminated from the change of accounting estimate)

Our group has been using the declining-balance method for depreciation of machine equipment but has decided to use the straight-line method for the machine equipment relating to photovoltaic generation from the consolidated fiscal first quarter.

This aims at a more appropriate periodic accounting of profit and loss by a reasonable adjustment between revenue and depreciation cost because the stable revenue from selling electricity is expected during a period when the photovoltaic generation equipment is used.

The influence on the operating profit, current profit and quarterly net profit before tax adjustment for the current consolidated cumulative third quarter is minor.

(3) Additional information

Change of indication method

(Quarterly consolidated balance sheet)

Due to a clarified scope of production activities and a revised accounting category for products, work in process and raw materials, some of those which were previously indicated as the "raw materials and stock" are now indicated as "goods and products" or "work in process". To reflect this change of indication method, we revised the consolidated financial statements of the previous consolidated fiscal year.

As a result, 263,751 thousand yen indicated as the "raw materials and stock" in the consolidated balance sheet of the previous consolidated fiscal year are now indicated as the "goods and products" of 1,703 thousand yen and the "work in process" of 262,048 thousand yen.

Quarterly Consolidated Balance Sheets

(Amount: thousand yen)

	FY2013 (As of March 31, 2014)	FY2014 (As of December 31, 2014)
(Assets)		
Current Assets		
Cash and deposits	5,004,647	4,311,142
Accounts receivable-trade	4,954,265	4,272,628
Short-term investment securities	-	300,000
Merchandise and finished goods	2,598,110	2,968,553
Work in process	361,610	534,546
Raw materials and supplies	1,078,847	1,329,002
Deferred Tax Assets (current)	671,066	537,601
Other	758,818	915,243
Allowance for doubtful accounts (current)	△ 46,817	△ 26,655
Total current assets	15,380,548	15,142,063
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures, net	2,775,235	2,894,684
Others, net	4,045,714	4,387,866
Total property, plant and equipment	6,820,949	7,282,551
Intangible assets	1,276,809	1,157,301
Investments and other assets		
Investment securities	4,976,885	5,713,645
Deferred tax assets (noncurrent)	718,258	494,634
Other	1,701,343	1,916,843
Allowance for doubtful accounts (noncurrent assets)	△ 18,175	△ 18,175
Total investments and other assets	7,378,311	8,106,947
Total noncurrent assets	15,476,071	16,546,800
Total assets	30,856,619	31,688,864
(Liabilities)		
Current Liabilities		
Accounts payable-trade	2,672,340	2,564,139
Short term loans payable	125,394	236,371
Income taxes payable	754,220	286,284
Provision for bonuses	566,874	271,822
Provision for other	205,997	195,712
Other	1,667,189	1,974,964
Total current liabilities	5,992,015	5,529,295
Noncurrent liabilities		
Long-term loans payable	-	77,850
Provision for retirement benefits	2,653,642	2,540,521
Other	427,669	338,995
Total noncurrent liabilities	3,081,312	2,957,366
Total liabilities	9,073,328	8,486,661
(Net Assets)		
Shareholders' equity		
Capital stock	3,354,353	3,354,353
Capital surplus	1,380,431	1,380,380
Retained earnings	15,898,115	16,635,358
Treasury stock	△ 3,254	△ 4,814
Total shareholders' equity	20,629,645	21,365,277
Valuation and translation adjustment		
Valuation difference on available-for-sale securities	210,840	471,447
Foreign currency translation adjustments	270,423	364,056
Remeasurements of defined benefit plans	△ 324,513	△ 106,647
Total valuation and translation adjustments	156,750	728,856
Minority interests	996,895	1,108,068
Total net assets	21,783,291	23,202,202
Total liabilities and net assets	30,856,619	31,688,864

Quarterly Consolidated Statement of Income

(Amount: thousand yen)

	FY2013 (April 2013 through December 31, 2013)	FY2014 (April 2014 through December 31, 2014)
Net sales	17,732,357	19,518,721
Cost of sales	9,817,351	10,839,545
Gross profit	7,915,006	8,679,175
Selling, general & administrative expenses	5,840,649	6,447,414
Operating income	2,074,357	2,231,761
Non-operating income		
Interest and dividend income	48,197	63,286
Equity in earnings of affiliates	63,743	104,135
Foreign exchange gains	246,916	169,429
Other	173,966	176,152
Total Non-operating income	532,824	513,003
Non-operating expenses		
Interest expenses	6,569	8,302
Other	27,444	18,462
Total non-operating expenses	34,014	26,764
Ordinary income	2,573,167	2,718,000
Extraordinary income		
Compensation for transfer of property in case of expropriation	-	46,758
Gain on sale of investment securities	-	15,207
Other extraordinary income	89	2,316
Total extraordinary income	89	64,282
Extraordinary losses		
Loss on sales of noncurrent assets	35,614	20,847
Demobilization cost	15,834	113,582
Other	855	-
Total extraordinary losses	52,305	134,429
Income before income taxes	2,520,952	2,647,853
Income taxes-current	825,304	684,821
Income taxes-deferred	50,316	176,918
Total income taxes	875,620	861,739
Income before minority interests	1,645,331	1,786,113
Minority interests in income	42,137	109,418
Net income	1,603,193	1,676,695

Statements of Comprehensive Income

(Amount: thousand yen)

	FY2013 (April 2013 through December 31, 2013)	FY2014 (April 2014 through December 31, 2014)
Income before minority interests	1,645,331	1,786,113
Other comprehensive income		
Valuation difference on available-for-sale securities	198,008	260,606
Foreign currency translation adjustment	307,407	90,173
Remeasurements of defined benefit plans	-	217,866
Share of other comprehensive income of associates accounted for using equity method	159,804	47,448
Total comprehensive income	665,220	616,094
Comprehensive income	2,310,551	2,402,208
(Comprehensive income attributable to)		
Owners of the parent	2,220,756	2,248,802
Minority interests	89,795	153,406