



FY2019 First Quarter Consolidated Financial Results [Japan GAAP] (April 1, 2019 through June 30, 2019)

August 9, 2019

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/english
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Filing Date of Quarterly Securities Report	: August 9, 2019
Payment Date of Cash Dividends	: -
Supplemental Materials Prepared for Quarterly Results	: Yes
Earnings Announcement for Quarterly Financial Results	: None

(Amounts are rounded to the nearest million yen)

1. Consolidated Results for FY2019 (April 1, 2019 through June 30, 2019)

	Net Sales		Operating Income		Ordinary Income		Quarterly Net Income Attributable to Parent Company Shareholders	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2019 1st Quarter	8,672	1.8	728	Δ20.3	838	Δ14.9	530	Δ17.3
FY2018 1st Quarter	8,523	12.1	914	21.0	985	1.4	641	8.6

(Note) Quarterly Comprehensive Income: FY2019 1st Quarter 622 million yen (1,302.9%), FY2018 1st Quarter 44 million yen (Δ89.4%)

	Net Income per share - Basic	Net Income per share - Diluted
FY2019 1st Quarter	Yen 12.71	—
FY2018 1st Quarter	15.37	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Shareholders' Equity
FY2019 1st Quarter	Million Yen 47,323	Million Yen 33,402	% 63.4
FY2018	47,557	33,502	62.9

(Note) Shareholders' Equity: FY2019 1st Quarter 29,979 million yen, FY2018 29,901 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
FY2018	Yen —	Yen 11.00	Yen —	Yen 11.00	Yen 22.00
FY2019	—	—	—	—	—
FY2019 (forecast)	—	12.00	—	12.00	24.00

(Note) Revisions to the forecast of cash dividends since latest announcement: None

3. Forecast of Consolidated Results for FY2019 (April 1, 2019 through March 31, 2020)

(% of change from FY2018)

	Net Sales		Operating Income		Ordinary Income		Current Net Income Attributable to Parent Company Shareholders		Net Income per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2019 half year (total)	19,800	2.5	2,400	3.5	2,600	0.0	1,750	6.0	41.93
FY2019	40,000	3.1	4,400	1.4	4,800	2.1	3,100	5.2	74.27

(Note) Revisions to the forecast of consolidated results since latest announcement: None

* Note

(1) Changes in significant subsidiaries during FY2019 1st quarter: None

(Changes in specified subsidiaries that caused a change in scope of consolidation)

New: Company (company name) Excluded: Company (company name)

(2) Application of account processing specific to the creation of quarterly consolidated financial statements: None

(3) Change in accounting policy, change and restatement of accounting estimates

- (i) Change in accounting policy due to the revision of accounting standards, etc.: None
- (ii) Change in accounting policy for other reasons: None
- (iii) Change in accounting estimates: None
- (iv) Restatement: None

(4) 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 outstanding in the period (quarterly total)

FY2019 1st Quarter	41,745,505 shares	FY2018	41,745,505 shares
FY2019 1st Quarter	6,699 shares	FY2018	6,664 shares
FY2019 1st Quarter	41,738,832 shares	FY2018 1st Quarter	41,738,846 shares

* These quarterly financial results are not subject to quarterly reviews by certified public accountants or audit corporations.

* Explanation of the appropriate use of the expected results of operations, other special notes

Forecasts for operations and other descriptions about the future that are contained in this document are based on the information acquired at the time of publication, as well as certain premises that we judge reasonable. The actual results of operations and so on may change greatly as a result of various factors. For information about the conditions acting as the premise for the expected results of operations and notes on the use of the expected results of operations, see "(2) Explanation for the information on future prospects including the expected consolidated results of operations" on page 3 of Attachment.

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1. Qualitative information for financial results of the current quarter

(1) Explanation for results of operations and financial condition

(i) Overview and results of operations

During the current consolidated cumulative first quarter, the world economy continues to be uncertain. The impact of the prolonged trade friction between the United States and China has spread to other countries. There are concerns about the slowdown of the Chinese economy, as well as the impact of the trade friction on the European and the U.S. economies. The trade friction has also had a significant impact on the Japanese economy. The outlook remains uncertain because, while the employment environment and the consumption trend continue to be stable, the equipment investment is weak.

Under such circumstances, our business performance for the current consolidated cumulative first quarter increased in terms of revenue but decreased in income, with sales standing at 8,672 million yen (up 1.8% from the same consolidated cumulative quarter of the previous fiscal year), operating profit at 728 million yen (down 20.3%), current profit at 838 million yen (down 14.9%), and quarterly net profit attributable to the parent company shareholders at 530 million yen (down 17.3%). The selling, general & administrative expenses increased because of active human investments in the efforts to become a 100-year-old company, which we have continued since the previous quarter, as well as advance investments in activities such as participation in exhibitions for the purpose of developing new markets and new sales channels.

Sales by product category are as listed below.

(Amount: thousand yen)

Product Category	Consolidated cumulative first quarter of the previous fiscal year		Consolidated cumulative first quarter of this fiscal year		Increase/decrease from the corresponding quarter of the previous fiscal year	
	April 1, 2018 - June 30, 2018		April 1, 2019 - June 30, 2019		Amount of increase/decrease	Increase/decrease rate (%)
	Sales	Composition rate (%)	Sales	Composition rate (%)		
Air Compressors	4,813,121	56.5	4,824,669	55.6	11,548	0.2
Vacuum Equipment	419,267	4.9	383,689	4.4	△35,577	△8.5
Coating Equipment	3,069,946	36.0	3,256,757	37.6	186,810	6.1
Coating Systems	220,768	2.6	207,577	2.4	△13,190	△6.0
Total	8,523,103	100.0	8,672,694	100.0	149,590	1.8

(ii) Analysis of financial condition

For assets, our current assets stood at 25,321 million yen (down 2.7% from the previous consolidated fiscal year), mainly due to a decrease of 997 million yen in the "cash and deposits" and a decrease of 517 million yen in the "notes and accounts receivable-trade". Our noncurrent assets stood at 22,002 million yen (up 2.2%), mainly due to an increase of 477 million yen in the "buildings and structures" including the Coating Solution Center. As a result, our total assets stood at 47,323 million yen (down 0.5%).

For liabilities, our current liabilities stood at 9,762 million yen (down 1.9%), mainly due to a decrease of 229 million yen in the "short-term loans payable" and a decrease of 251 million yen in the "income taxes payable". Our noncurrent liabilities stood at 4,157 million yen (up 1.4%). As a result, our total liabilities stood at 13,920 million yen (down 1.0%).

Our net assets stood at 33,402 million yen (down 0.3%). Our equity capital, which is calculated by subtracting the non-controlling shareholders' equity from the net assets, stood at 29,979 million yen, increasing our equity ratio by 0.5 percentage points to 63.4%, from 62.9% to 63.4% at the end of the previous consolidated fiscal year.

(iii) Results of operations by segment

Results of operations by regional segment, which our group adopts, are as described below. For details of the results of our operations by segment, refer to (Segment information, etc.) in "2. Quarterly consolidated financial statements - (3) Notes on quarterly consolidated financial statements".

Japan

Sales stood at 4,854 million yen (down 4.5% from the same consolidated cumulative quarter of the previous fiscal year) and

segment income stood at 523 million yen (down 34.3%).

In the vacuum equipment field, sales decreased from the same consolidated cumulative quarter of the previous fiscal year due to the demand trends related to semiconductor peripheral devices. In the air compressor field, orders for proposal type products, i.e., medium-size compressors, as well as oil free scroll compressors, have been at rather a slow pace. In the coating system field, the sales during the current consolidated cumulative quarter have decreased from the same consolidated cumulative quarter of the previous fiscal year, but by actively using the Coating Solution Center, which was completed at the end of the previous consolidated fiscal year, we focus on proposing optimum coating methods and systems based on coating trials. Partly due to delivery date-related reasons, this has not necessarily resulted in the sales during the current consolidated cumulative quarter, but the backlog of orders is on the increase.

In the coating equipment field, the main spray gun products have undergone a full model change and have been released as the "WIDER Series". They are estimated to contribute to the sales during and after the consolidated fiscal second quarter.

Europe

Sales stood at 1,316 million yen (up 4.6% from the same consolidated cumulative quarter of the previous fiscal year) and segment income stood at 133 million yen (down 5.0%).

In the vacuum equipment field, we have continued to have a hard time due to the demand trends of OEM partners since the previous quarter. In other fields, however, such as the air compressor field, in which we expand the scope of products, including vehicle-mounted units, and the coating equipment field, in which the promotion activities that we continue to carry out in the car repair market are successful, sales have grown.

Asia

Sales stood at 3,133 million yen (up 6.1% from the same consolidated cumulative quarter of the previous fiscal year) and segment income stood at 258 million yen (up 37.6%).

Partly due to the impact of the trade friction between the United States and China, the sales of air compressors in China have somewhat decreased, but on the whole, sales have been solid. In the air compressor field, we continue to carry out activities to promote the sales of vehicle-mounted and medical compressor units in not only China but also India, ASEAN countries, and elsewhere. We have continued to reorganize subsidiaries overseas for the purpose of reinforcing group management functions, liquidating one consolidated company in China to increase the efficiency of business activities.

Other

Sales stood at 1,224 million yen (up 4.8% from the same consolidated cumulative quarter of the previous fiscal year) and segment income stood at 67 million yen (up 23.9%).

In the coating equipment field, where sales are solid, we focus on sales promotion activities, particularly in the industrial coating market. In the vacuum equipment field, in which we have had a hard time since the previous consolidated fiscal year in the United States, which is our main sales area, the business performance is recovering due to the development of new equipment manufacturers, proposals for general manufacturing processes, and other activities. As backlog of orders, we have received orders for coating systems in Mexico, where the equipment investment demand is estimated to increase in the future, and we are carrying out activities with an aim to receive more orders.

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

At present, the expected consolidated results of operations and the expected dividend for the full year announced on May 10, 2019 remain unchanged.

2. Quarterly consolidated financial statements and main notes
 (1) Quarterly consolidated balance sheets

(Amount: thousand yen)

	FY2018 (As of March 31, 2019)	FY2019 (As of June 30, 2019)
Assets		
Current Assets		
Cash and deposits	10,787,387	9,789,726
Accounts receivable-trade	7,336,396	6,818,920
Merchandise and finished goods	3,914,313	4,281,767
Work in process	873,703	909,799
Raw materials and supplies	2,231,808	2,457,864
Other	1,065,432	1,259,525
Allowance for doubtful accounts (current)	△187,458	△196,453
Total current assets	26,021,583	25,321,151
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures, net	5,237,877	5,613,177
Other, net	7,019,587	6,703,531
Total property, plant and equipment	12,257,465	12,316,708
Intangible assets		
Goodwill	1,688,080	1,622,678
Other	1,630,755	1,632,617
Total intangible assets	3,318,836	3,255,295
Investments and other assets		
Investment securities	4,238,656	4,666,658
Other	1,731,982	1,774,092
Allowance for doubtful accounts (noncurrent assets)	△10,725	△10,725
Total investments and other assets	5,959,913	6,430,025
Total noncurrent assets	21,536,214	22,002,029
Total assets	47,557,798	47,323,180

(Amount: thousand yen)

	FY2018 (As of March 31, 2019)	FY2019 (As of June 30, 2019)
Liabilities		
Current Liabilities		
Accounts payable-trade	4,204,616	4,129,502
Short-term loans payable	1,400,770	1,171,334
Income taxes payable	500,515	248,874
Provision for bonuses	646,434	355,818
Provision for other	295,262	218,273
Other	2,908,529	3,638,757
Total current liabilities	9,956,130	9,762,560
Noncurrent liabilities		
Net defined benefit liability	2,239,742	2,207,028
Other	1,859,028	1,950,762
Total noncurrent liabilities	4,098,770	4,157,791
Total liabilities	14,054,901	13,920,352
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	25,450,067
Treasury stock	△5,393	△5,427
Total shareholders' equity	29,845,616	29,916,832
Valuation and translation adjustment		
Valuation difference on available-for-sale securities	527,387	436,838
Foreign currency translation adjustments	△200,006	△123,185
Remeasurements of defined benefit plans	△271,402	△251,125
Total valuation and translation adjustments	55,978	62,527
Non-controlling shareholders' equity	3,601,303	3,423,469
Total net assets	33,502,897	33,402,828
Total liabilities and net assets	47,557,798	47,323,180

(2) Quarterly consolidated profit and loss statements and quarterly consolidated statements of comprehensive income
 Quarterly consolidated profit and loss statement
 Consolidated cumulative first quarter

(Amount: thousand yen)

	FY2018 (April 1, 2018 through June 30, 2018)	FY2019 (April 1, 2019 through June 30, 2019)
Net sales	8,523,103	8,672,694
Cost of sales	4,628,632	4,700,883
Gross profit	3,894,471	3,971,810
Selling, general & administrative expenses	2,979,808	3,243,112
Operating income	914,662	728,697
Non-operating income		
Interest and dividend income	47,762	56,376
Equity in earnings of affiliates	66,143	86,243
Other	46,004	49,023
Total non-operating income	159,910	191,643
Non-operating expenses		
Interest expenses	17,926	21,357
Depreciation expenses	67,537	59,015
Other	3,611	1,666
Total non-operating expenses	89,075	82,040
Ordinary income	985,497	838,301
Extraordinary income		
Gain on sales of fixed assets	1,341	2,810
Gain on step acquisitions	2,697	—
Total extraordinary income	4,038	2,810
Extraordinary losses		
Loss on sales of noncurrent assets	24,761	174
Dismantlement cost	7,582	—
Loss on liquidation of subsidiaries	2,229	24,975
Total extraordinary losses	34,574	25,150
Income before income taxes	954,962	815,962
Income taxes - current	213,082	190,242
Income taxes - deferred	57,983	30,823
Total income taxes	271,066	221,065
Net income	683,895	594,896
Quarterly net income attributable to non-controlling shareholders or quarterly net loss attributable to non-controlling shareholders (Δ)	42,465	64,519
Quarterly net income attributable to parent company shareholders	641,429	530,377

Quarterly consolidated statements of comprehensive income
Consolidated cumulative first quarter

(Amount: thousand yen)

	FY2018 (April 1, 2018 through June 30, 2018)	FY2019 (April 1, 2019 through June 30, 2019)
Net income	683,895	594,896
Other comprehensive income		
Valuation difference on available-for-sale securities	△101,385	△90,549
Foreign currency translation adjustment	△468,442	100,035
Remeasurements of defined benefit plans	3,393	20,277
Share of other comprehensive income of associates accounted for using equity method	△73,108	△2,419
Total comprehensive income	△639,541	27,343
Comprehensive income	44,354	622,240
(Comprehensive income attributable to)		
Parent company shareholders	121,345	536,926
Non-controlling shareholders	△76,991	85,313

(3) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

There are no relevant matters.

(Notes relating to cases in which there are significant changes in the amount of shareholders' equity)

There are no relevant matters.

(Segment information, etc.)

[Segment information]

I Previous consolidated cumulative first quarter (April 1, 2018 through June 30, 2018)

1. Information about the amounts of sales and incomes in each report segment

(Amount: thousand yen)

	Report segment				Other (Note)	Total
	Japan	Europe	Asia	Total		
Sales						
Sales to external customers	3,639,341	1,184,848	2,570,288	7,394,479	1,128,624	8,523,103
Internal sales or transfers between segments	1,443,050	74,610	383,600	1,901,261	39,774	1,941,036
Total	5,082,392	1,259,458	2,953,889	9,295,740	1,168,398	10,464,139
Segment income	796,314	141,070	187,936	1,125,321	54,792	1,180,113

(Note) The "Other" category addresses those business segments not covered by the report segments; business activities of local corporations in the United States, Mexico, Brazil, Australia, Russia, South Africa, and the United Arab Emirates.

2. Difference between the total amounts of incomes of the report segments and the amount reported in the quarterly consolidated profit and loss statements, as well as the main items of the difference (matters related to difference adjustment)

(Amount: thousand yen)

Income	Amount
Report segment total	1,125,321
Income from "Other" category	54,792
Inter-segment transactions erased	26,652
Company-wide expenses (Note)	△292,103
Operating income in the quarterly consolidated profit and loss statement	914,662

(Note) Company-wide expenses are mainly the sales expenses and general administrative expenses that cannot be attributed to the report segments.

II Current consolidated cumulative first quarter (April 1, 2019 through June 30, 2019)

1. Information about the amounts of sales and incomes in each report segment

(Amount: thousand yen)

	Report segment				Other (Note)	Total
	Japan	Europe	Asia	Total		
Sales						
Sales to external customers	3,603,051	1,266,918	2,633,370	7,503,339	1,169,354	8,672,694
Internal sales or transfers between segments	1,251,623	49,860	500,379	1,801,863	55,325	1,857,189
Total	4,854,674	1,316,779	3,133,749	9,305,203	1,224,679	10,529,883
Segment income	523,504	133,966	258,522	915,993	67,861	983,854

(Note) The "Other" category addresses those business segments not covered by the report segments; business activities of local corporations in the United States, Mexico, Brazil, Australia, Russia, and South Africa.

2. Difference between the total amounts of incomes of the report segments and the amount reported in the quarterly consolidated profit and loss statements, as well as the main items of the difference (matters related to difference adjustment)

(Amount: thousand yen)

Income	Amount
Report segment total	915,993
Income from "Other" category	67,861
Inter-segment transactions erased	99,294
Company-wide expenses (Note)	△354,451
Operating income in the quarterly consolidated profit and loss statement	728,697

(Note) Company-wide expenses are mainly the sales expenses and general administrative expenses that cannot be attributed to the report segments.