



FY2019 Full-Year Consolidated Financial Results [Japan GAAP] (April 1, 2019 through March 31, 2020)

June 10, 2020

Company Name	: ANEST IWATA Corporation
Stock Exchanges on which the shares are listed	: Tokyo Stock Exchange in Japan
Code Number	: 6381
URL	: https://www.anest-iwata.co.jp/english
Representative	: Takahiro Tsubota, President
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Date of the Ordinary General Shareholders' Meeting	: June 25, 2020
Payment Date of Cash Dividends	: June 26, 2020
Scheduled Date for Submission of Financial Statements	: June 29, 2020
Supplementary Materials Prepared for Financial Results	: Yes
Holding of the Financial Results Meeting	: No Questions will be accepted by email or telephone.

(Amounts are rounded to the nearest million yen)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Parent Company Shareholders	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2019	39,091	0.7	3,876	△10.7	4,401	△6.4	2,717	△7.8
FY2018	38,807	18.3	4,339	13.5	4,701	8.0	2,947	4.9

(Note) Comprehensive Income: FY2019 2,545 million yen (18.9%), FY2018 2,141 million yen (△39.3%)

	Net Income per share - Basic	Net Income per share - Diluted	Return of Equity	Return of Asset	Operating Profit on Sales
	Yen	Yen	%	%	%
FY2019	65.14	—	8.9	9.2	9.9
FY2018	70.62	—	10.0	9.9	11.2

(Reference) Equity in income of affiliates FY2019 324 million yen, FY2018 317 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per share
	Million Yen	Million Yen	%	Yen
FY2019	48,102	34,570	64.6	748.16
FY2018	47,557	33,502	62.9	716.40

(Reference) Equity capital: FY2019 31,092 million yen, FY2018 29,901 million yen

(3) Consolidated Cash Flow

	Cash flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at End of Period
	Million Yen	Million Yen	Million Yen	Million Yen
FY2019	4,141	△1,543	△2,281	10,092
FY2018	4,848	△551	△1,848	9,858

2. Cash Dividends

	Annual Cash Dividends per share					Total Amount of Cash Dividends	Dividends Payout Ratio (Consolidated)	Dividends on Equity (Consolidated)
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
FY2018	—	11.00	—	11.00	22.00	918	31.2	3.1
FY2019	—	12.00	—	12.00	24.00	1,001	36.8	3.3
FY2020 (forecast)	—	10.00	—	10.00	20.00		128.4	

3. Forecast of Consolidated Results for FY2020 (April 1, 2020 through March 31, 2021)

(% of change from FY2019)

	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
Half-Year	—	—	—	—	—	—	—	—	—
Full-Year	30,000	△23.3	500	△87.1	800	△81.8	650	△76.1	15.57

* Note

- (1) Changes in specified subsidiaries during FY2019: None
(Changes in specified subsidiaries that caused a change in scope of consolidation)
New: None
Excluded: None. Company (company name)
- (2) 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
- (3) Number of shares issued and outstanding (common share)
(i) Number of shares issued and outstanding at the end of each fiscal year (including treasury shares)
(ii) Number of treasury shares at the end of each fiscal year
(iii) Average number of shares outstanding in the period

FY2019	41,745,505 shares	FY2018	41,745,505 shares
FY2019	186,703 shares	FY2018	6,664 shares
FY2019	41,720,534 shares	FY2018	41,738,844 shares

* We have introduced the stock compensation plan, "Board Benefit Trust (BBT)", since March 2020. The company shares owned by the Trust (number of treasury shares at the end of each fiscal year, 180,000 shares, and average number of shares outstanding in the period, 18,277 shares) are included in the treasury shares, which are deducted in the calculation of the number of treasury shares at the end of each fiscal year and the average number of shares outstanding in the period.

(Reference) Non-consolidated financial results

Non-consolidated financial results in FY2019 (April 1, 2019 through March 31, 2020)

(1) Non-consolidated Financial Results (% of change from FY2018)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2019	16,936	Δ1.1	1,197	Δ37.8	2,786	Δ4.7	2,217	0.6
FY2018	17,124	1.0	1,923	Δ1.6	2,924	3.2	2,203	0.4

	Net Income per share - Basic		Net Income per share - Diluted	
	Yen	Yen	Yen	Yen
FY2019	53.14	—	—	—
FY2018	52.79	—	—	—

(2) Non-consolidated Financial Position

	Total Assets		Net Assets		Equity Ratio		Net Assets per share	
	Million Yen	Million Yen	Million Yen	Million Yen	%	Yen	Yen	
FY2019	32,718	25,448	25,448	25,448	77.8	612.35	612.35	
FY2018	31,757	24,681	24,681	24,681	77.7	591.33	591.33	

(Reference) Equity capital: FY2019 25,448 million yen, FY2018 24,681 million yen

* These financial results are not subject to audits 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 "(1) Explanation for results of operations and financial condition" on page 2 of Attachment.
- Questions about financial results are accepted by email or telephone. On June 10, an explanatory material for the business overview will be published on our website. Refer also to the material.

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1. Analysis of results of operations and financial condition

(1) Explanation for results of operations and financial condition

(i) Overview and results of operations

In the current consolidated fiscal year, uncertainty has continued in the world economy because of the global spread of the impacts of the trade friction between the United States and China and the leaving of the UK from the EU, among others. In the domestic economy, a drop has been seen in the business sentiment in the manufacturing industry due to, for example, the spread of a cautious approach toward capital investment in response to the increasing uncertainty in the world economy. In addition, since the start of the New Year, the spread of the inflection of the novel coronavirus has become noticeable, which has had a severe impact on the economy of not only our country but also the rest of the world.

Under such circumstances, the results of operations for the current consolidated fiscal year is as follows: Sales standing at 39,091 million yen (up 0.7% from the previous consolidated fiscal year), operating income at 3,876 million yen (down 10.7%), ordinary income at 4,401 million yen (down 6.4%), and net income attributable to parent company shareholders at 2,717 million yen (down 7.8%). The consolidated net sales has become the highest since our foundation, but due to, for example, the increase in the ratio of coating systems to the consolidate net sales, the cost of sales is up by 2.2%, and furthermore, due to, for example, growth investment has been made toward a 100-year-old company, the selling, general & administrative expenses are up by 2.2%. Because of these and other factors, the operating income has decreased. Consequently, the ROE for the current consolidated fiscal year is 8.9%, but the equity ratio is up by 1.7 points to 64.6%.

(Reference values) Situation of each division

(Amount: million yen)

Division	(Product Category)	Current consolidated fiscal year April 1, 2019 - March 31, 2020			
		Consolidated net sales	(Change from the corresponding period of the previous fiscal year)	Consolidated operating income	(Change from the corresponding period of the previous fiscal year)
Air Energy Division		22,224	△3.6%	1,774	-
	Air Compressors	20,669	△2.6%		
	Vacuum Equipment	1,554	△15.6%		
Coating Division		16,866	7.1%	2,101	-
	Coating Equipment	12,832	△2.1%		
	Coating Systems	4,034	52.5%		
Total		39,091	0.7%	3,876	△10.7%

(Note) The consolidated operating income of each division is calculated with our group's unique standard.

(ii) Analysis of financial condition

(a) Assets

For assets, our current assets stood at 26,763 million yen (up 2.8% from the previous consolidated fiscal year), mainly due to an increase of 386 million yen in the "notes and accounts receivable-trade". Our noncurrent assets stood at 21,338 million yen (down 0.9%), mainly due to, for example, an increase of 272 million yen in the "investment securities" and a decrease of 419 million yen in the "goodwill". As a result, our total assets stood at 48,102 million yen (up 1.1%).

(b) Liabilities

For liabilities, our current liabilities stood at 9,497 million yen (down 4.6%), mainly due to, for example, a decrease of 490 million yen in the "short-term loans payable". Our noncurrent liabilities stood at 4,034 million yen (down 1.6%), mainly due to, for example, a decrease of 70 million yen in the "net defined benefit liability". As a result, our total liabilities stood at 13,531 million yen (down 3.7%).

(c) Net assets

Our net assets stood at 34,570 million yen (up 3.2%), mainly due to an increase of 1,757 million yen in the "retained earnings". Our equity capital, which is calculated by subtracting the non-controlling shareholders' equity from the net assets, stood at 31,092 million yen, increasing our equity ratio by 1.7 percentage points to 64.6%, from 62.9% at the end of the previous consolidated fiscal year.

(iii) Cash flow

Cash and cash equivalents (referred to as "funds" in the remainder of this document) for the current consolidated fiscal year were up by 233 million yen from the end of the previous consolidated fiscal year, at 10,092 million yen (up 2.4%) at the end of the current consolidated fiscal year. Each cash flow in the current consolidated fiscal year, as well as the causes, is as described below.

(a) Cash flow from operating activities

As a result of operating activities, the fund balance shows earnings of 4,141 million yen (down 14.6%), with a decrease of 706 million yen from the end of the previous consolidated fiscal year, mainly due to, for example, a decrease of 366 million yen in the "net income before income taxes" and an increase of 634 million yen in the "change in notes and accounts receivables - trade".

(b) Cash flow from investing activities

As a result of investing activities, the fund balance shows expenses of 1,543 million yen (up 179.7%), with an increase of 991 million yen in expenses from the end of the previous consolidated fiscal year, mainly due to, for example, the incurrence of 603 million yen in the "purchase of investment securities" due to, for example, the purchase of corporate bonds for the purpose of the effective use of assets and an increase of 53 million yen in the "payments for investments in capital".

(c) Cash flow from financing activities

As a result of financing activities, the fund balance shows expenses of 2,281 million yen (up 23.5%), with an increase of 433 million yen in expenses from the end of the previous consolidated fiscal year, mainly due to, for example, a decrease of 387 million yen in the "net increase or decrease in short-term loans payable" and an increase of 179 million yen in the "purchase of treasury shares".

Trends in the cash flow indexes for corporate groups are as described below.

(Reference) Changes in cash flow related indexes

	March 2017	March 2018	March 2019	March 2020
Equity ratio (%)	68.7	61.4	62.9	64.6
Market-base equity ratio (%)	108.8	101.8	85.3	90.9
Cash flow-to-interest-bearing liabilities ratio (%)	25.1	67.1	63.4	63.7
Interest coverage ratio	290.8	163.5	60.4	52.5

(Note) 1. To calculate each index, the following formula is used.

Equity ratio: $\text{Equity capital} / \text{Total assets}$

Market-base equity ratio: $\text{Market capitalization} / \text{Total assets}$

Cash flow-to-interest-bearing liabilities ratio: $\text{Interest-bearing liabilities} / \text{Operating cash flow}$

Interest coverage ratio: $\text{Operating cash flow} / \text{Interest payments}$

2. Each index is calculated with financial values on a consolidated basis.

3. Market capitalization is calculated as follows: Closing share price at year end x Number of shares outstanding at year end.

4. As the operating cash flow, the cash flow from operating activities in the consolidated statements of cash flow is used.

Interest-bearing liabilities are all interest-bearing liabilities that are posted to the consolidated balance sheets. For interest payments, those in the consolidated statement of cash flow are used.

5. Due to changes in accounting policy, retrospective application is performed. For the fiscal period ending in March 2018, values after retrospective application are indicated.

(iv) 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 "(5) Notes on consolidated financial statements" in "5. Consolidated financial statements and main notes".

Japan

Sales stood at 22,877 million yen (up 0.4% from the previous consolidated fiscal year) and segment income stood at 3,405 million yen (down 14.0%). The cause of the decrease in income is, in addition to an increase in selling, general & administrative expenses incurred in connection with the active human investment toward a 100-year-old company, partly the occurrence of product mix variations due to the expansion of sales of coating systems.

In the air compressor field, the effect of the campaign conducted over the year end, as well as the sales of transport vehicle-mounted compressor units, has grown steadily, while a cautious approach toward capital investment in each industry type has spread, so that the net sales have decreased.

In the vacuum equipment field, signs of pickup can be partially seen in the development of equipment manufacturers and in the stagnation in the semiconductor market that has continued since early this year, but the sense of stagnation has not been dispelled, and decreases in sales of vacuum pumps for semiconductor manufacture-related equipment have continued.

In the coating equipment field, the sales of environmental equipment mainly for use in coating booths have grown steadily. The effect of the campaign associated with the full model change of the "WIDER Series" of spray guns, which are among our main products, as well as the sales of the air brushes for dealers that use EC sites, have grown steadily, so that the sales have expanded.

In the coating system field, the activities for making proposals by using the Coating Solution Center, a research and development facility newly established in the previous consolidated fiscal year, have been started in earnest and, at the same time, the number of inquiries for coating systems for car part manufacturers, as well as the number of orders received, has increased throughout the year, thereby greatly increasing the sales.

Europe

Sales stood at 4,643 million yen (down 2.4% from the previous consolidated fiscal year) and segment income stood at 236 million yen (up 41.9%). The cause of the increase in income is that the earning situation has become better due to the improvement of business efficiency mainly at subsidiaries in Italy after the reorganization of subsidiaries in the previous consolidated fiscal year.

In the air compressor field, we have proceeded with the development of markets where the demand for oil-free compressors is high, as well as equipment manufacturers. The collaboration with E.M.S. CONCEPT SARL in France, with which we have started a capital tie-up this year, has been progressed steadily.

In the vacuum equipment field, continued decreases in demand have been seen in OEM suppliers, but we continue to develop high-value-added equipment manufacturers, making achievement after achievement.

In the coating equipment field, the sales of car repair spray guns have grown due to continued promotion activities and exhibits at exhibitions. At HARDER & STEENBECK GmbH & Co.KG, a consolidated subsidiary in Germany, we make capital investment in an effort to increase the air brush supply capacity, focusing on increasing sales.

Asia

Sales stood at 13,819 million yen (up 1.9% from the previous consolidated fiscal year) and segment income stood at 1,121 million yen (down 3.5%). The cause of the decrease in income is, in addition to an increase in cost of sales due to an increase in sales of coating systems in China, partly a decrease in sales of coating equipment in Southeast Asia and India.

In the air compressor field, the sales of oil-free compressor units for food and chemical manufacture have grown in China, but the sales of transport vehicle-mounted compressor units have decreased considerably. In India, the sales of medical and transport vehicle-mounted compressor units, as well as medium-size compressors have grown steadily, but at the end of the year, the business activities suddenly became stagnant due to the impact of the spread of novel coronavirus infection.

In the vacuum equipment field, the development of equipment manufacturers has progressed by making efforts to reinforce the business system, such as dispatching Japanese staff to local subsidiaries in China, thereby increasing sales.

In the coating equipment field, sales have decreased due to the deceleration of the car production markets in India and Southeast Asia, where we are proceeding with the reconstruction of sales channels.

In the coating system field, coating systems for car part and woodwork manufacturers have continued to grow steadily, increasing sales.

Other

Sales stood at 5,280 million yen (up 3.3% from the previous consolidated fiscal year) and segment income stood at 185 million yen (down 5.9%). The cause of the decrease in income is, in addition to an increase in cost of sales due to an increase in the sales of coating systems in Mexico, partly a decrease in the sales of coating equipment in North America.

In the air compressor field, the sales of dental and medical oil-free compressors in the United States and Brazil have grown steadily. As for the service business in Australia, we have proceeded with the reconstruction of the sales system, among others, but because the results of operation differ from the initial forecast, the impairment of goodwill is underway.

In the vacuum equipment field, we have continued to conduct active activities in an effort to find equipment manufacturers and large-size research facilities as customers in the United States since the third quarter of this year, increasing sales.

In the coating equipment field, sales have decreased partly because, while the sales of air brushes have grown in the United States, the reorganization of the distribution channels in the car repair market has progressed, causing the promotion activities to stagnate.

In the coating system field, sales have grown due to orders for coating systems for car part manufacturers and the delivery of them in Mexico.

(v) Prospects for the upcoming year

We think that in the upcoming consolidated fiscal year, while the uncertainty in the world economy will intensify due to the spread of novel coronavirus infection, it is necessary to carry out measures for each region that are suitable for the degree of recovery to return the results of operations to the level before the occurrence of the infection, while minimizing the risks due to the infection. In such a management environment, our group makes it a top priority to ensure the safety of our stakeholders, including our employees and their families, and to secure employment, and will proceed with business activities based on our conventional measures. As for the investment for becoming a 100-year-old company, we will steadily carry out our plan mainly for IT investment, including sales and logistics reforms.

At present, the expected results of our operations for the full-year fiscal period ending in March 2021 are such that sales will stand at 30,000 million yen (down 23.3% from the current consolidated fiscal year), operating income will be 500 million yen (down 87.1%), ordinary income will be 800 million yen (down 81.8%), and net income attributable to parent company shareholders will be 650 million yen (down 76.1%). The assumed exchange rates are 105 yen to the dollar, 115 yen to the euro, and 15 yen to the yuan.

(2) Basic policy for profit allocation and current and next-term dividends

(i) Basic policy

Our group would like to enhance our corporate value and meet shareholder expectations by actively injecting money into research and development, production capacity increase, production rationalization, M&A, etc. and improving our consolidated financial results from a mid- and long-term perspective. For the dividend, therefore, except in cases where sudden fluctuations occur in financial results or financial position, we shall continue to pay a dividend of at least 3 yen per share annually based on a consolidated dividend payout ratio of 30% or more, using as a guideline the range of the "net income attributable to parent company shareholders" in the consolidated results.

(ii) Current dividend

The common dividend paid at the end of the current term will be 12 yen per share. Combined with the dividend of 12 yen per share at the end of the second quarter, this will translate into an annual dividend per share of 24 yen. The dividend at the end of the current term will be decided at the ordinary general meeting of shareholders of our company, scheduled for June 25.

(iii) Dividend for next term

At this point, whereas the prospects for the results of operations are severe due to the impact of the novel coronavirus, we take it as our basic principle to ensure sustained growth in the upcoming year and after by securing employment and continuing to make growth investment toward a 100-year-old company, the dividend to be paid at the end of the second quarter will be 10 yen per share and the year-end dividend will be 10 yen per share, giving an annual dividend per share of 20 yen.

(3) Risks of businesses, etc.

The major risks recognized by the management to have a significant impact on our corporate value, financial condition, results of operations, and cash flow of our group are as described below.

Matters related to the future appearing in this text have been judged as of the last day of the current consolidated fiscal year, and may be influenced by the economic conditions in and out of Japan, and the risks of businesses, etc. are not limited to the ones described below.

(i) Risks related to business activities

1) Changes in business environment

Since its foundation, our group has contributed to monozukuri in the world by supplying products such as coating equipment and air compressors, as well as services incidental to them, to the markets. As a result, the overseas sales ratio has become predominant, so that, while the flows of human resources, products and services, and funds diversify, the rate at which we are affected by the rapidly changing business environment is ever increasing.

For this reason, if we stay with to the existing markets, products, business models, and so on, we run the risk of not being able to achieve sustainable growth due to, for example, decreasing demand for current products attributable to market structure changes. We recognize that we need to develop new businesses and create pillar businesses, not to speak of continuing constant effort to improve quality in our existing business, as well as the development of products leading to solving social issues through monozukuri from a global viewpoint and that, to that end, it is an urgent issue to cultivate a corporate culture to dauntlessly tackle with no fear of failure and, at the same time, promote the changing of the mindset and behavior of all employees in collaborating with various outside companies.

Our group will aim to further reinforce inter-group company exchanges and information collection, endeavor to determine market needs, and identify the importance of the needs in each country and market first and then create a system and establish management strategies so that we can accommodate changes in business environment in a flexible and prompt manner.

2) Product quality

Our group takes meticulous care to ensure the quality of products in the quality control system based on ISO 9001. If any product not meeting the quality standard is supplied to the market, with any defect being overlooked in the procurement, processing, assembly, etc. of products, causing damage attributable to the defect, we may have to bear liability for any compensation not covered by product-liability insurance. In addition, the handling of complaints, product recovery, product replacement, etc. will cost a great deal of money, possibly affecting our corporate value and results of operations. Thus, in order to prevent such situations from happening, we comply with the necessary rules, such as raw material standards and product standards, and ensure that the quality assurance division takes an objective view right from the initial stages of product development to eliminate potential issues. Furthermore, by preparing an appropriate quality control system on production sites not only in Japan but also overseas, we ensure product quality that meets the market needs in the respective countries.

If any contingency occurs, this will be immediately reported to the board of directors and the management meeting and, at the same time, the quality assurance division will promptly take the necessary measures including recalls.

3) Business expansion with M&As

In the previous midterm management plan period, we conducted four M&As. As such, in order to accelerate the reinforcement of our business foundation and ensure sustained growth, our group actively promotes comprehensive business tie-ups with partners, including capital tie-ups with, and acquisitions of, companies that we recognize are necessary. In M&As, we have clarified the items to confirm, and we conduct M&As after going through the advance, careful examination of risks and returns, as well as the financial conditions, contractual relationships, etc. of the target companies, and due diligence to judge whether sufficient synergetic effect can be obtained. Nevertheless, the worsening of inter-company relationships attributable to a failure to smoothly proceed with the sharing of the future direction or the poor results of operations of a target company due to a failure to obtain the initially anticipated effect or benefit for some reason or other, as well as amortizing goodwill at once due to a failure to maintain the expected profitability as the case may be, can have a negative impact on the results of operations. Furthermore, if the relationships with an acquired company are broken, we may lose the trust of their sales area and market, as well as their customers. For such risks, we conduct after-the-fact PMI appropriately and ensure that the management and the business division in charge provide management assistance in an effort to prevent such risks from occurring. If such a risk occurs for an inevitable reason, we will promptly proceed with management decisions as to whether the contract can be continued, the determination of losses, and so on.

(ii) Risks related to human resources

1) Securing human resources

In line with the principle of hiring all employees as full-time employees, our group conducts recruiting activities throughout the year. If we continue to stick to our existing hiring strategies, as well as the training policy and the personnel evaluation system for hired human resources, without making any improvements based on changes in business environment and so on, we run the risk of not being able to secure sufficient human resources toward future sustained growth, stagnating business activities and making sustained growth impossible. For this reasons, under legal labor management, we will focus on the development of human resources for placing the right people at the right place, the creation of a personnel evaluation system from a global viewpoint, and education of evaluators, among others.

2) Labor issues

A majority of the employees of our group are non-Japanese people working on sites overseas. Under the circumstances in which a way of working suitable for the social situation and labor environment in each country is demanded, labor issues regarding working conditions, etc. may be raised between us and organizations in and out of the country, such as labor unions. If any labor dispute occurs, and cannot be settled promptly, the stability and continuity of business operations will be impaired. If the dispute becomes serious, this will have a significant impact on the supply of products and, at the same time, we may lose the trust of our customers, thereby adversely affecting our corporate value and results of operations.

Thus, through the promotion of the spread of "ANEST IWATA Corporate Philosophy", with our corporate policy, "Makotono kokoro" (Trustworthy & Sincere), at the core, we improve our employees' sense of belonging to our group and, at the same time, grant powers to the representatives on overseas sites in accordance with the employment conditions and evaluation system suited for the systems and realities in their respective countries, based on the administrative authority of the representatives on overseas sites, thereby endeavoring to prevent dissatisfaction with the working conditions and the labor environment. If such a risk occurs, we will prepare a necessary system including the management, review the working conditions, etc., and take the necessary measures such as modifying the supply chain.

(iii) Risks related to IT

1) IT investment

We consider that to steadily promote the reinforcement of competitiveness in global expansion, it is vital to change our business model, develop high-value-added products, and improve business efficiency by introducing IT, in which constant innovations are under way. If the execution of an IT strategy stagnates because of the loss of knowledge or know-how about IT from the company due to a contingency or if there occurs a delay in the development of a product that matches the latest IT trend, this may adversely affect our corporate value and results of operations because of declining competition in the market or impaired management efficiency. Thus, in combination with a management plan, we formulate mid- to long-term IT strategies and regard IT investment as a key element for driving corporate growth and, at the same time, continually verify the contribution to corporate growth. If such a risk occurs, we will start aggressive personnel recruitment, as well as partnerships with new partner companies and, at the same time, rebuild our management foundation by depreciating obsolete IT assets.

2) Information security

To promote business activities in a stable and sustainable manner, the importance of maintaining the safety and reliability of an information system is ever increasing. We exercise strict control over confidential information related to technology development and sales that are acquired in the process of expanding business activities, as well as personal information.

If information leakage, falsification, or a system fault occurs due to a natural disaster, unexpected cyberattack, unauthorized access attributable to the entry of a computer virus, etc. or if information is leaked by an employee intentionally or negligently, it is expected that we will lose the trust of the market. Furthermore, if the leaked information is misused, this may adversely affect our corporate value and results of operations because we need to bear liability for compensation. Thus, our group prepares an appropriate information security system to take necessary and sufficient security measures and, at the same time, conducts awareness-raising education for employees.

If such a risk occurs, we will create a system to promptly determine the cause and the details and take appropriate measures and, at the same time, disclose information about the damage, if necessary, thereby endeavoring to minimize secondary damage and restore trust.

(iv) Risks related to laws and regulations, etc.

1) Environmental regulations

While environmental awareness is increasing globally, new environmental laws and regulations are established and existing ones are reinforced in Japan and other countries. The details of such regulations differ depending on the country or area, and we proceed with the preparation of systems by, for example, transferring the necessary functions, so that the local subsidiaries located in each country can collect information and meet regulations. If there occurs a delay in putting products that satisfy standards or in meeting regulations, the business activities of our group may be restricted. In that event, we will judge whether to further invest in the relevant items by considering whether meeting the regulations is economically reasonable.

2) Fraudulent accounting and other fraudulent acts

In recent years, there have occurred incidents, such as fraudulent accounting and misconduct cases, that significantly destroy the trust in companies due to problems related to flaws in internal controls and that threaten the existence of companies. We create systems and structures for ensuring that group officers and employees act in accordance with compliance rules and promote healthy management assistance for group companies and, at the same time, establish a whistle-blowing system including overseas subsidiaries and create a monitoring system for irregular audits by audit and other committee members, thereby endeavoring to prevent compliance rule violations in our group. If such an incident should be discovered, short-term damage to the results of operations may be occurred due to compensation liability and also the management environment may worsen over an extended period of time because, for example, the sales activities and the recruitment activities will be hindered by damage to the trust in us.

If such an incident occurs, this will be promptly reported to the board of directors of the parent company and we will conduct research with third parties. We will then punish the relevant people properly, develop recurrence prevention measures, and promptly disclose them.

3) Intelligent property

Our group promotes overseas expansion extensively. We run the risk of having a third party imitate any of the products, technologies, business models, and so on that our group reserves at present or will develop in the future or of infringing on any of the intelligent property rights, patent rights, and trademark rights of other companies unintentionally. In that case, the results of operations or the financial condition may be adversely affected because, for example, costs are incurred due to damage compensation or a lawsuit or we are unable to use the technology itself or are obliged to use it in an unfavorable manner. For this reason, we will acquire intelligent property rights, patent rights, and trademark rights related to the functions and designs of products and reinforce their management and, at the same time, create a system whereby we are not impacted by infringement or minimize the impact, while receiving cooperation from outside organizations concerned.

4) Transfer price taxation

Our group possesses subsidiaries in major areas in the world, expanding business activities globally. In inter-group company transactions, we endeavor to adhere to transfer price taxation to set transaction prices. We run the risk that if any finding is received from tax authorities due to a difference of view, this may adversely affect the results of operations and the financial condition of our group due to, for example, additional taxes. For this reason, we will endeavor to prevent differences of view from tax authorities by understanding law correctly, while receiving cooperation from outside organizations.

(v) Other risks

1) Novel coronavirus

As for coronavirus disease 2019 (COVID-19), which has spread throughout the world since the end of 2019 up to the present, if any of our customers and group employees is confirmed infected, this may adversely affect the business activities because of, for example, the business suspension or temporary closure of those concerned. Our group makes it a top priority to ensure the safety of our customers and employees and endeavors to prevent infection in accordance with administrative guidelines and, at the same time, suspend unnecessary and non-urgent business trips, promote home working (teleworking), and thoroughly adhere to staggered commuting. At the same time, to minimum the impact on the production system, we continue to take measures such as expanding inventory and decreasing the dependence on specific suppliers. If the situation where the global prevalence of the virus is not curbed is prolonged, this could lead to the worsening of the results of operations. Thus, we will hold a crisis management committee with the president and chief executive officer as the chairperson to optimize the BCP (business continuity plan), and we will take the necessary measures by promptly and appropriately determining the management environment surrounding our group.

2) Unexpected events

Our group expands business operations to various countries in the world. If, in any of these countries and areas, an unpredictable political or economic change is made, an act of terror or a war breaks out, an infectious disease spreads, or a natural disaster such as an earthquake and typhoon occurs, this may have a significant impact on the supply of products to various parts of the world and adversely affect our business activities and performance because of damaged offices, the stagnation of raw material procurement and logistics, and so on. We make a BCP and, at the same time, endeavor to create an organization so that we can quickly establish a supply system even if such an event should occur by, for example, distributing production functions and seeking a possibility of inter-group company product procurement.

2. Conditions of the corporate group

Our group, consisting of our company, 36 subsidiaries, and 2 affiliates, manufactures and sells air compressors, vacuum equipment, and coating equipment/systems exclusively, and is in a single business configuration because of similarities in product market, product use, and so on. The positioning of our company, subsidiaries, and affiliates in the business configuration is as shown in the diagram below.

Name Companies with an * are specified subsidiaries.	Description of the main business
Our company [Japan] ANEST IWATA Corporation	Manufacture and sale of air compressors, vacuum equipment, coating equipment, and coating systems
Consolidated subsidiaries [Japan] ANEST IWATA COMPRESSOR Corporation* ANEST IWATA COATING SOLUTIONS Corporation* AIR ENGINEERING Corporation [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) Co.,Ltd 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 areas] 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 BRASILCOMERCIAL LTDA. AIRZAP-ANEST IWATA INDUSTRIA E COMERCIO LTDA. ANEST IWATA Australia Pty. Ltd. ANEST IWATA RUS LLC ANEST IWATA South Africa (Pty) Ltd.	Sale and repair of air compressors and vacuum equipment Sale and repair of coating equipment; and manufacture, sale, and repair of coating systems Incidental work of air compressors, vacuum equipment, and coating systems Sale of coating equipment Manufacture and sale of air compressors Manufacture and sale of coating equipment Manufacture and sale of coating equipment and coating systems Sale of coating equipment Sale of air compressors, coating equipment, and coating systems Sale of coating equipment and coating systems Sale of coating equipment Sale of coating equipment Sale of coating equipment Manufacture and sale of coating equipment and coating systems Sale of coating equipment and coating systems Manufacture and sale of coating systems Manufacture and sale of air compressors; and sale of vacuum equipment and coating equipment Manufacture and sale of air compressors Manufacture and sale of air compressors Sale of air compressors and vacuum equipment; and manufacture and sale of coating equipment Manufacture and sale of air compressors and coating equipment Manufacture and sale of air compressors Manufacture and sale of coating equipment and coating systems Manufacture and sale of air compressors, vacuum equipment, coating equipment, and coating systems Manufacture and sale of air compressors, vacuum equipment, coating equipment, and coating systems Sale of air compressors, coating equipment, and coating systems Sale of air compressors, vacuum equipment, coating equipment, and coating systems Sale of coating equipment; and manufacture and sale of coating systems Manufacture and sale of coating equipment Manufacture and sale of air compressors and vacuum equipment Sale of coating equipment and coating systems Sale of coating equipment Manufacture and sale of air compressors and vacuum equipment Sale of air compressors and coating equipment Sale of vacuum equipment and coating equipment Sale of coating equipment
Affiliates (equity method applied) ADVANCE RIKEN Inc. Powerex-Iwata Air Technology, Inc.	Manufacture and sale of oxygen, nitrogen, and ozone gas generators Manufacture and sale of air compressors

(Notes) 1. (Changes in subsidiaries and affiliates)

- SHANGHAI ANEST IWATA COATING MACHINERY Co. in China was liquidated.
2. On April 1, 2020, we merged ANEST IWATA COMPRESSOR Corporation and ANEST IWATA COATING SOLUTIONS Corporation by short form merger. For details, see (Important subsequent events) in "(5) Notes on consolidated financial statements" in "5. Consolidated financial statements and main notes".

3. Management policy

(1) Basic policy for corporate management

Part of the mission of our group is that officers and employees work together as one to sincerely provide attractive products and services that meet customer needs with appropriate levels of quality at appropriate prices with the spirit of founding - "Makotono kokoro" (Trustworthy & Sincere), which is part of our corporate policy.

We aim to become a "True World-Class Company" that creates innovative technologies and products by accurately understanding market needs and achieving unexplored solutions.

(2) Targeted management index

We shall strive to achieve a return on equity (ROE) of not less than 10% as an appropriate indicator that the ANEST IWATA Group has a solid financial base that enables it to invest and take risks for sustained growth.

(3) Mid- to long-term corporate management strategies

Our group has established the "Management Vision", described below, toward a "100-year-old company".

- become a development-oriented company full of vigor and novelty that is capable of providing high-performance, high-quality products and services in a sincere manner from the customer's point of view;
- shift from enhancement-based product development focused on cost cutting and internal core technologies to become a flexible company that collaborates with many different businesses based on an accurate understanding of market needs; and
- aim to become a "True World-Class Company" where all employees of the group work as one in order to maximize customer satisfaction and constantly create innovative technologies and products for achieving the world's No. 1 position.

(4) Issues that the company should address

The future prospects are such that the uncertainty will continue due to concerns about the rapid cooling of the world economy attributable to the spread of novel coronavirus infection and the prolonged trade friction between the United States and China. For this reason, our group, which is increasing the overseas sales ratio, will endeavor to engage in corporate activities based on the policy stated below, while avoiding risks due to regional bias.

• Spread of "ANEST IWATA Corporate Philosophy"

We have compiled and systematized our corporate policy, Management Policy, and the spirit upholding the basis of management perpetually into "ANEST IWATA Corporate Philosophy". All officers and employees will aim to become a "100-year-old company" by carrying on the tradition that has been carefully handed down since the foundation in 1926.

• Securing and fostering human resources

In Japan, in which the core of our group is located, a decrease in working-age population due to the declining birth rate and an increase in aging population have become more serious, so that the shortage of labor has become a major issue in all industry sectors. For our group to achieve the expansion of sustained business under such circumstances, we think that it is an important issue to secure and foster superior human resources suitable to corporate growth. To that end, our group will search extensively for human resources and endeavor to secure and foster human resources that can think of business and act in a flexible manner. Also, we will respect the abilities and aptitudes of employees and work on the optimization of an international human resource assignment system.

• Acceptance and use of human resource diversity

To create innovative technologies and products, our group endeavors to realize organizational operation whereby each and every one of our employees, who have various backgrounds, can perform at their full potential, and ideas produced from diverse values can be respected. As part of such efforts, we promote flexible ways of working suitable to the life styles of individual employees more than ever before, by, for example, using the short working hour system toward childbirth/childcare support and so on and actively introducing teleworking, in an attempt to create opportunities where females can work actively. We will improve our working environment so that diverse human resources can continue to be active for a long time.

• Guidelines of the Air Energy Division and the Coating Division

The air compressor and vacuum equipment business will aim to become the total air energy business that supplies "energies essential to society" related to pneumatics, expansion, and vacuum efficiently and stably. It will create and accumulate the know-how for this purpose, foster human resources, develop the services deemed necessary, and proceed with the development of products related to efficient energy management, and will continue to promote a shift to the "total management business for pneumatic, expansion, and vacuum energies".

As one of the world's best coating makers offering optimum coated film creation technologies satisfactory to customers all over the world, the coating equipment and coating system business will supply software including coating and spraying methods and coating and spraying technologies as well as the hardware of coating equipment, and will further pursue "high efficiency, working environment improvement, and global environmental conservation".

- Active utilization of advanced ITs

Due to rapid progress in ITs, the social environment surrounding our group has undergone unprecedented changes. Thus far, our group has made our production lines more efficient by turning our proprietary know-how into data and using it. We are also proceeding with the development of products equipped with IoT functions. We will supply products and services with new added value by the use of ever-advancing ITs.

- Governance system

Since we shifted to a company with audit and other committees in 2016, our group has consistently worked on the improvement of governance functions up to the present. Outside directors account for a majority of the board of directors, and non-executive directors account for more than two thirds. As advisory panels for the board of directors, a nominating committee and a compensation committee, both formed by the representative director and all outside directors and chaired by an outside director, keep in check dogmatic behavior of the representative director and the board of directors, reinforcing governance functions. Also, an internal controls committee and a CSR committee are established to complement the functions of the board of directors. We will endeavor to further reinforce governance and activate the board of directors.

4. Basic concept on choice of accounting standards

Considering the comparability of periods of consolidated financial statements and the comparability of statements among companies, our group has a policy to prepare consolidated financial statements in accordance with the Japanese standards for the time being.

Regarding the application of IFRS, we have a policy to appropriately cope with this while considering the situations in and outside of Japan.

5. Consolidated financial statements and main notes

(1) Consolidated balance sheets

(Amount: thousand yen)

	FY2018 (As of March 31, 2019)	FY2019 (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 account	△187,458	△265,279
Total current assets	26,021,583	26,763,107
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*2 10,376,487	*2 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 2,137,302	*2 2,133,994
Lease assets	2,330,835	2,645,637
Accumulated depreciation	△987,630	△1,213,923
Lease 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
Investment and other assets		
Investment securities	*1 4,238,656	*1 4,510,713
Long-term loans receivable	23,665	18,348
Deferred tax assets	957,769	1,079,262
Net defined benefit assets	574,630	628,946
Long-term 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 noncurrent assets	21,536,214	21,338,937
Total assets	47,557,798	48,102,044

(Amount: thousand yen)

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	*2 4,204,616	*2 4,251,944
Short-term loans payable	*2, *3 1,399,568	*2, *3 909,930
Current portion of long-term debt	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
Noncurrent liabilities		
Long-term loans payable	*2, *3 270,892	*2, *3 231,990
Lease obligations	1,194,754	1,268,763
Deferred tax liabilities	295,098	258,663
Net defined benefit liability	2,239,742	2,169,606
Provision for share-based remuneration for directors	—	39,785
Other	98,282	65,356
Total noncurrent 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 adjustments	△200,006	△332,219
Remeasurements of defined benefit plans	△271,402	△216,271
Total accumulated other comprehensive income	55,978	△331,032
Non-controlling shareholders' equity	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

(2) Consolidated profit and loss statements and consolidated statements of comprehensive income

Consolidated profit and loss statements

(Amount: thousand yen)

	FY2018 (April 1, 2018 through March 31, 2019)	FY2019 (April 1, 2019 through 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 & 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
Retirement benefit expenses	100,832	188,362
Welfare expenses	1,036,612	1,064,306
Rent expenses	427,794	479,328
Provision of reserve for product warranties	187,672	191,711
Provision of allowance for doubtful accounts	35,566	100,702
Other	4,520,769	4,339,314
Total selling, general & administrative expenses	12,437,642	12,710,019
Operating income	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 2,623	*2 137,056
Other	149,631	135,626
Total non-operating income	659,144	750,257
Non-operating expenses		
Interest expenses	80,244	78,844
Foreign exchange loss	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 income	4,701,300	4,401,226

(Amount: thousand yen)

	FY2018 (April 1, 2018 through March 31, 2019)	FY2019 (April 1, 2019 through March 31, 2020)
Extraordinary income		
Gain on step acquisitions	2,697	—
Gain on sales of noncurrent assets	*3 8,689	*3 5,320
Gain on sales of shares of affiliates	—	*4 53,761
Gain on liquidation of subsidiaries	*5 50,668	—
Total extraordinary income	62,055	59,082
Extraordinary losses		
Impairment loss	*6 69,090	*6 135,552
Loss on sales of noncurrent assets	*7 29,440	*7 1,190
Loss on retirement of noncurrent assets	*8 7,063	*8 2,886
Demolition and demobilization cost	*9 27,996	*9 370
Loss on liquidation of subsidiaries	—	*10 24,975
Market measure expenses	—	*11 52,641
Legal settlement	*12 49,920	—
Special consolation payments	—	*13 29,322
Total extraordinary losses	183,510	246,938
Net income 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 shareholders	395,800	330,182
Net income attributable to parent company shareholders	2,947,727	2,717,840

Consolidated statements of comprehensive income

(Amount: thousand yen)

	FY2018 (April 1, 2018 through March 31, 2019)	FY2019 (April 1, 2019 through 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 adjustments	△830,069	△228,605
Remeasurements of defined benefit plans	△16,769	55,131
Share of other comprehensive income of associates accounted for using equity method	△19,488	△18,953
Total comprehensive income	△1,202,423	△502,357
Comprehensive income	2,141,103	2,545,665
(Comprehensive income attributable to)		
Parent company shareholders	1,978,698	2,330,829
Non-controlling shareholders	162,405	214,836

(3) Consolidated statements of changes in shareholders' equity
FY2018 (April 1, 2018 through March 31, 2019)

(Amount: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	3,354,353	1,324,472	23,307,605	△5,387	27,981,043
Changes of items during the period					
Dividends from surplus			△876,515		△876,515
Net income attributable to parent company shareholders			2,947,727		2,947,727
Purchase of treasury shares				△5	△5
Purchase of treasury shares by Board Benefit Trust					—
Parent company's equity fluctuations relating to transactions with non-controlling shareholders		△206,633			△206,633
Net changes of items during the period other than shareholders' equity					
Total changes of items during the period	—	△206,633	2,071,212	△5	1,864,573
Balance at the end of current period	3,354,353	1,117,838	25,378,817	△5,393	29,845,616

	Accumulated other comprehensive income				Non-controlling shareholders' equity	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	863,484	416,156	△254,633	1,025,007	3,771,688	32,777,739
Changes of items during the period						
Dividends from surplus						△876,515
Net income attributable to parent company shareholders						2,947,727
Purchase of treasury shares						△5
Purchase of treasury shares by Board Benefit Trust						—
Parent company's equity fluctuations relating to transactions with non-controlling shareholders						△206,633
Net changes of items during the period other than shareholders' equity	△336,096	△616,163	△16,769	△969,029	△170,385	△1,139,414
Total changes of items during the period	△336,096	△616,163	△16,769	△969,029	△170,385	725,158
Balance at the end of current period	527,387	△200,006	△271,402	55,978	3,601,303	33,502,897

FY2019 (April 1, 2019 through March 31, 2020)

(Amount: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	3,354,353	1,117,838	25,378,817	△5,393	29,845,616
Changes of items during the period					
Dividends from surplus			△959,992		△959,992
Net income attributable to parent company shareholders			2,717,840		2,717,840
Purchase of treasury shares				△37	△37
Purchase of treasury shares by Board Benefit Trust				△179,733	△179,733
Parent company's equity fluctuations relating to transactions with non-controlling shareholders					—
Net changes of items during the period other than shareholders' equity					
Total changes of items during the period	—	—	1,757,847	△179,771	1,578,076
Balance at the end of current period	3,354,353	1,117,838	27,136,665	△185,165	31,423,692

	Accumulated other comprehensive income				Non-controlling shareholders' equity	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	527,387	△200,006	△271,402	55,978	3,601,303	33,502,897
Changes of items during the period						
Dividends from surplus						△959,992
Net income attributable to parent company shareholders						2,717,840
Purchase of treasury shares						△37
Purchase of treasury shares by Board Benefit Trust						△179,733
Parent company's equity fluctuations relating to transactions with non-controlling shareholders						—
Net changes of items during the period other than shareholders' equity	△309,929	△132,212	55,131	△387,011	△123,491	△510,502
Total changes of items during the period	△309,929	△132,212	55,131	△387,011	△123,491	1,067,573
Balance at the end of current period	217,457	△332,219	△216,271	△331,032	3,477,811	34,570,471

(4) Consolidated cash flow statements

(Amount: thousand yen)

	FY2018 (April 1, 2018 through March 31, 2019)	FY2019 (April 1, 2019 through March 31, 2020)
Cash flow from operating activities		
Net income before income taxes	4,579,845	4,213,369
Depreciation	1,618,117	1,509,755
Amortization of goodwill	268,347	272,414
Change in allowance for doubtful accounts (Δ for decrease)	22,394	85,068
Change in provision for bonuses (Δ for decrease)	22,935	32,736
Change in provision for product warranties (Δ for decrease)	Δ 31,462	29,490
Change in net defined benefit liability (Δ for decrease)	Δ 82,805	31,632
Change in net defined benefit asset (Δ for increase)	Δ 165,889	Δ 71,358
Change in provision for directors' bonuses (Δ for decrease)	7,862	23,091
Change in provision for share-based remuneration for directors (Δ for decrease)	—	39,785
Interest and dividend income	Δ 121,498	Δ 138,560
Interest expenses	80,244	78,844
Share of profit or loss of entities accounted for using equity method (Δ for profit)	Δ 254,688	Δ 189,486
Loss or gain on sales and retirement of noncurrent assets (Δ for gain)	27,813	Δ 1,243
Loss or gain on step acquisitions (Δ for gain)	Δ 2,697	—
Loss or gain on sales of shares of subsidiaries and affiliates (Δ for gain)	—	Δ 53,761
Impairment loss	69,090	135,552
Legal settlement	49,920	—
Change in notes and accounts receivables - trade (Δ for increase)	96,371	Δ 538,372
Change in inventories (Δ for increase)	Δ 180,122	Δ 417,424
Change in notes and accounts payable - trade (Δ for decrease)	Δ 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	Δ 80,244	Δ 78,844
Income taxes paid	Δ 1,409,605	Δ 1,285,519
Cash flow from operating activities	4,848,026	4,141,396
Cash flow from investing activities		
Payments into time deposits	Δ 1,464,247	Δ 1,435,458
Proceeds from withdrawal of time deposits	2,030,531	1,429,639
Purchase of property, plant and equipment	Δ 1,508,227	Δ 866,972
Proceeds from sales of property, plant and equipment	426,676	31,076
Purchase of intangible assets	Δ 112,191	Δ 111,950
Proceeds from sales of intangible assets	13,121	1,348
Purchase of investment securities	—	Δ 603,248
Proceeds from sales of investment securities	91,050	102,855
Proceeds from redemption of investment securities	500,000	—
Payments of loans	Δ 820	Δ 316
Proceeds from collection of loans	39,102	5,543
Payments for investments in capital	Δ 252,014	Δ 53,139
Payments for investments in capital of subsidiaries resulting in change in scope of consolidation	Δ 313,239	—
Other	Δ 1,491	Δ 42,691
Cash flow from investing activities	Δ 551,750	Δ 1,543,313

(Amount: thousand yen)

	FY2018 (April 1, 2018 through March 31, 2019)	FY2019 (April 1, 2019 through March 31, 2020)
Cash flow from financing activities		
Net increase or decrease in short-term loans payable (Δ for decrease)	Δ 62,288	Δ 449,548
Repayments of lease obligations	Δ 172,703	Δ 242,563
Proceeds from long-term loans payable	528,990	—
Repayments of long-term loans payable	Δ 682,344	Δ 40,200
Purchase of treasury shares	Δ 5	Δ 179,771
Purchase of treasury shares of subsidiaries	Δ 77,548	—
Payments for investments in capital of subsidiaries not resulting in change in scope of consolidation	Δ 213,851	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	Δ 137,451	—
Cash dividends paid	Δ 877,163	Δ 959,807
Cash dividends paid to non-controlling shareholders	Δ 153,832	Δ 409,937
Cash flow from financing activities	Δ 1,848,200	Δ 2,281,828
Effect of exchange rate change on cash and cash equivalents	Δ 281,774	Δ 82,565
Changes in cash and cash equivalents (Δ for decrease)	2,166,299	233,688
Beginning cash and cash equivalents	7,692,535	9,858,835
Cash and cash equivalents at year end	* 9,858,835	* 10,092,523

(5) Notes on consolidated financial statements

(Notes on the premise of a going concern)

There are no relevant matters.

(Basic, important matters for preparing consolidated financial statements)

1 Matters concerning the scope of consolidation

(a) Number of consolidated subsidiaries: 36

SHANGHAI ANEST IWATA COATING MACHINERY Co. has been liquidated, and is excluded in the scope of consolidation in the current consolidated fiscal year and after.

(b) Number of main non-consolidated subsidiaries: 0

2 Matters concerning the application of the equity method

(a) Number of non-consolidated subsidiaries to which the equity method is applied: 0

(b) Number of affiliates to which the equity method is applied: 2

(c) Number of non-consolidated subsidiaries to which the equity method is not applied: 0

(d) Number of affiliates to which the equity method is not applied: 0

(e) The accounting dates of the equity method-applied companies differ from the consolidated accounting date, and the financial statements of the individual companies for the most recent fiscal year are used.

3 Matters concerning the fiscal years of consolidated subsidiaries, etc.

Of the consolidated subsidiaries, ANEST IWATA COMPRESSOR Corporation, ANEST IWATA COATING SOLUTIONS Corporation, AIR ENGINEERING Corporation, ANEST IWATA MOTHERSON Pvt. Ltd., and ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd. have the same accounting date as the consolidated accounting date. For other consolidated subsidiaries, the accounting date is December 31. In preparing consolidated financial statements, the financial statements of the individual consolidated subsidiaries as of their accounting dates are used, and any important transactions made between the accounting dates and consolidated accounting date undergo the necessary adjustments for consolidation.

4 Matters concerning the accounting policy

(a) Valuation criteria and valuation methods for important assets

(i) Securities

Bonds held to maturity

Amortized cost method (straight-line method)

Other securities

Securities with market value

Market value method based mainly on the market price, etc. on the accounting date

(Valuation differences are processed with the full net asset direct entry method and the cost of sales is calculated with the moving average method.)

Securities without market value

Cost method mainly based on the moving average method

(ii) Derivatives

Market value method

(iii) Inventory assets

Cost method mainly based on the first-in first-out method

(Balance sheet values are calculated with the method of devaluing book values based on decreased profitability.)

(b) Depreciation method for important depreciable assets

(i) Property, plant and equipment (excluding lease assets)

Mainly based on the declining-balance method. For buildings acquired on and after April 1, 1998 by our company and domestic consolidated subsidiaries (excluding building accessories), building accessories and structures acquired on and after April 1, 2016, and photovoltaic facilities, the straight-line method is employed. Main useful lives in years are as follows:

Buildings and structures: 15 to 50 years

Machinery, equipment and vehicles: 4 to 17 years

(ii) Intangible assets (excluding lease assets)

Mainly based on the straight-line method.

(iii) Lease assets

Lease assets pertaining to finance lease transactions under which ownership is not transferred

We adopt a method whereby the difference between the total lease fee and the amount equivalent to the acquisition price is regarded as the amount equivalent to the interest, with the lease period as the useful life in years, and is distributed to each term with the interest method.

- (c) Recording criteria for important allowances
 - (i) Allowance for doubtful accounts
To prepare for losses due to bad debts, estimated uncollectible amounts are recorded by considering a loan loss ratio for general accounts receivable and collectability for specific credits such as doubtful accounts receivable individually.
 - (ii) Provision for bonuses
To prepare for the payment of bonuses to employees, the estimated payments at the end of the current consolidated fiscal year are recorded.
 - (iii) Provision for directors' bonuses
To prepare for the payment of directors' bonuses, the estimated payments at the end of the current consolidated fiscal year are recorded.
 - (iv) Provision for share-based remuneration for directors
To prepare for the granting of company shares to our directors and executive officers in accordance with the share grant rules, the estimated share-based remuneration obligations at the end of the current consolidated fiscal year are recorded.
 - (v) Provision for product warranties
To prepare for the payment of the costs for after-sales services of products sold, estimated costs according to past experience rates based on sales are recorded.
 - (d) Method of accounting related to retirement benefits
To prepare for the retirement benefits for employees, the retirement benefit obligations at the end of the current consolidated fiscal year, with pension fund amounts deducted from them, are recorded as the liabilities pertaining to the retirement benefits. If the pension fund amounts exceed the retirement benefit obligations, the obligations are recorded as assets pertaining to the retirement benefits.
 - (i) Period attribution method for estimated retirement benefits
In calculating retirement benefit obligations, the method for attributing the estimated retirement benefits to the period up to the end of the current consolidated fiscal year is based on the benefit formula standard.
 - (ii) Method for recording actuarial differences and past service costs method for cost
Past service costs are recorded as costs with the straight-line method based on a certain number of years (10 years) within the average remaining years of service of employees when they are incurred.
For actuarial differences, the amounts prorated with the straight-line method based on a certain number of years (5 years) within the average remaining years of service of employees when they occur in each consolidated fiscal year are recorded as costs in and after the following consolidated fiscal year.
 - (e) Basis for the translation of important foreign currency dominated assets and liabilities into Japanese currency
Monetary foreign currency dominated debts and credits are translated into Japanese currency at the spot exchange rate on the consolidated accounting date, and translation differences are recorded as gains or losses. The assets and liabilities of overseas subsidiaries, etc. are translated into Japanese currency at the spot exchange rate on the accounting dates of the overseas subsidiaries, etc., the income and cost are translated into Japanese currency at the average rate in the period, and translation differences are included in foreign currency translation adjustments and Non-controlling shareholders' equity in Net assets.
 - (f) Amortization method and amortization period of goodwill
We make judgment on an item-by-item basis and perform amortization with the straight-line method over 5 to 10 years.
 - (g) Range of the fund in the consolidated cash flow statements
Consists of cash on hand, deposits that can be drawn at any time, and short-term investments that are easily convertible and that will mature within three months from the acquisition date so that they have only insignificant risks about value fluctuations.
 - (h) Other important matters for preparing consolidated financial statements
Accounting for consumption taxes, etc.
Based on the tax exclusion method.
- (Change of accounting policy)
There are no relevant matters.

(Changes in presentation method)

(Related to consolidated profit and loss statements)

"Subsidy income", which was included in "Other" under "Non-operating income" in the previous consolidated fiscal year, is set down independently in the current consolidated fiscal year and after because its amount now has more significance. To reflect this change in presentation method, we revised the consolidated financial statements for the previous consolidated fiscal year.

As a result, 2,623 thousand yen as "Other", presented under "Non-operating income" in the consolidated profit and loss statements for the previous consolidated fiscal year, is revised to 2,623 thousand yen as "Subsidy income".

(Additional information)

(Performance-based stock compensation plan for directors and executive officers)

In accordance with a resolution at the 73rd ordinary general shareholders' meeting, held on June 25, 2019, we have introduced a performance-based stock compensation plan, "Board Benefit Trust (BBT)" (referred to as "this plan" in the remainder of this document), targeted at our directors (excluding audit committee members and outside directors) and executive officers who do not concurrently serve as directors (referred to collectively as "directors and others"), for the purposes of improving mid- to long-term results of operations, increasing our corporate value, and promoting management awareness that puts shareholders' interests first.

(1) Overview of this plan

This plan is a performance-based stock compensation plan whereby the trust established by us (the trust established in accordance with this plan is referred to as "this trust" in the remainder of this document) acquires company shares by using the money contributed by us as a fund and through this trust, company shares and money equivalent to the amount of money resulting from translating company shares at market value (referred to collectively as "company shares, etc." in the remainder of this document) to directors and others according to the rules for granting shares to officers. The time at which directors and others can be granted company shares, etc. is, in principle, the time at which the directors and others retire.

(2) Company shares that remain in the trust

Company shares that remain in the trust are recorded as treasury shares in Net assets at the book value (excluding the incidental costs) in the trust. At the end of the current consolidated fiscal year, the book value of such treasury shares is 179 million yen, and the number of shares is 180 thousand.

(Related to consolidated balance sheets)

*1 Shares of affiliates in Investment securities

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
	1,635,316 thousand yen	1,752,459 thousand yen

*2 Pledged assets and secured debts

Assets offered as collateral and secured debts are as below.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Cash and deposits	293,195 thousand yen	136,407 thousand yen
Land and buildings	1,569,462 thousand yen	1,547,009 thousand yen
Total	1,862,658 thousand yen	1,683,417 thousand yen
Notes and accounts payable-trade	267,448 thousand yen	415,255 thousand yen
Short-term loans payable	953,440 thousand yen	564,120 thousand yen
Long-term loans payable	252,700 thousand yen	218,400 thousand yen
Total	1,473,588 thousand yen	1,197,775 thousand yen

*3 Overdraft facility agreement and a loan commitment agreement

To procure operating funds efficiently, our company and some consolidated subsidiaries have concluded an overdraft facility agreement and a loan commitment agreement with our bank. The balance of unexecuted loans at the end of the current consolidated fiscal year under these agreements is as below.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Maximum limit of overdraft and loan commitment agreement price	8,314,796 thousand yen	8,305,250 thousand yen
Balance of executed loans	423,673 thousand yen	403,760 thousand yen
Balance of unexecuted loans	7,891,122 thousand yen	7,901,489 thousand yen

*4 Notes receivable transfer by endorsement

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Notes receivable transfer by endorsement	727,443 thousand yen	667,448 thousand yen

(Related to consolidated profit and loss statements)

*1 Research and development expenses included in general & administrative expenses

	FY2018 (April 1, 2018 through March 31, 2019)	FY2019 (April 1, 2019 through March 31, 2020)
	547,937 thousand yen	528,243 thousand yen

*2 Subsidy income

Subsidies pertaining to research and development, employment, etc. that our group receives.

*3 Gain on sales of noncurrent assets

FY2018 (April 1, 2018 through March 31, 2019)

Mainly due to the sales of buildings, as well as tools, apparatus and equipment.

FY2019 (April 1, 2019 through March 31, 2020)

Mainly due to the sales of machinery and equipment, as well as tools, apparatus and equipment.

*4 Gain on sales of shares of affiliates

Due to the transfer of part of the shares of ADVANCE RIKEN Inc., an equity method affiliate.

*5 Gain on liquidation of subsidiaries

FY2018 (April 1, 2018 through March 31, 2019)

Gain on business liquidation due to the liquidation of the consolidated subsidiaries, SHANGHAI ANEST IWATA COATING MACHINERY Co., ANEST IWATA Shanghai Trading Corporation, and ANEST IWATA MIDDLE EAST FZE.

*6 Impairment loss

FY2018 (April 1, 2018 through March 31, 2019)

Due to the closedown of existing facilities at the time of relocation of research facilities and product exhibition facilities, impairment loss (59,955 thousand yen as buildings and structures, 8,582 thousand yen as machinery, equipment and vehicles, and 551 thousand yen as tools, apparatus and equipment) is posted to Extraordinary losses.

FY2019 (April 1, 2019 through March 31, 2020)

At the consolidated subsidiary, ANEST IWATA Australia Pty. Ltd., because, as for business assets, the gain or loss from the sales activities continues to be negative, the relevant assets are posted as impairment loss to Extraordinary losses. As for goodwill, because the income initially estimated in the business plan at the time of acquisition is not likely to be achieved, the total amount of the book value is posted as impairment loss to Extraordinary losses.

*7 Loss on sales of noncurrent assets

FY2018 (April 1, 2018 through March 31, 2019)

Mainly due to the sales of buildings and structures and land.

FY2019 (April 1, 2019 through March 31, 2020)

Mainly due to the sales of machinery and equipment.

*8 Loss on retirement of noncurrent assets

FY2018 (April 1, 2018 through March 31, 2019)

Mainly due to the retirement of machinery and equipment.

FY2019 (April 1, 2019 through March 31, 2020)

Mainly due to the retirement of machinery and equipment.

*9 Demolition and demobilization cost

FY2018 (April 1, 2018 through March 31, 2019)

Mainly due to the demolition and demobilization of buildings and structures.

FY2019 (April 1, 2019 through March 31, 2020)

Mainly due to the demolition and demobilization of buildings and structures.

*10 Loss on liquidation of subsidiaries

Loss on business liquidation due to the liquidation of the consolidated subsidiary, SHANGHAI ANEST IWATA COATING MACHINERY Co.

*11 Market measure expenses

Due to, for example, the recovery of part of the air compressor products manufactured and sold by an Asian consolidated subsidiary of our company from the market, the costs required for the inspection, replacement, etc. of the target products are estimated in a reasonable manner and are posted to Extraordinary losses.

*12 Legal settlement

FY2018 (April 1, 2018 through March 31, 2019)

Regarding the lawsuit related to business transfer that was conducted by the consolidated subsidiary ANEST IWATA Australia Pty. Ltd. in October 2016, a settlement was reached. The legal expense and the settlement money are posted.

*13 Special consolation payments

Due to the consolation payments associated with the spread of novel coronavirus infection.

(Related to consolidated statements of comprehensive income)

* Recycling and amount of tax effect relating to other comprehensive income

	FY2018 (April 1, 2018 through March 31, 2019)	FY2019 (April 1, 2019 through March 31, 2020)
Valuation difference on available-for-sale securities		
Amount incurred in current period	△483,592 thousand yen	△445,942 thousand yen
Recycling	—	—
Before tax effect adjustment	△483,592 thousand yen	△445,942 thousand yen
Amount of tax effect	147,496 thousand yen	136,012 thousand yen
Valuation difference on available-for-sale securities	△336,096 thousand yen	△309,929 thousand yen
Foreign currency translation adjustments		
Amount incurred in current period	△811,876 thousand yen	△240,566 thousand yen
Recycling	△18,193 thousand yen	11,960 thousand yen
Foreign currency translation adjustments	△830,069 thousand yen	△228,605 thousand yen
Remeasurements of defined benefit plans		
Amount incurred in current period	△43,662 thousand yen	△37,379 thousand yen
Recycling	19,533 thousand yen	116,704 thousand yen
Before tax effect adjustment	△24,128 thousand yen	79,325 thousand yen
Amount of tax effect	7,359 thousand yen	△24,194 thousand yen
Remeasurements of defined benefit plans	△16,769 thousand yen	55,131 thousand yen
Share of other comprehensive income of associates accounted for using equity method		
Amount incurred in current period	△23,027 thousand yen	△18,953 thousand yen
Recycling	3,539 thousand yen	—
Share of other comprehensive income of associates accounted for using equity method	△19,488 thousand yen	△18,953 thousand yen
Total comprehensive income	△1,202,423 thousand yen	△502,357 thousand yen

(Related to consolidated statements of changes in shareholders' equity)

FY2018 (April 1, 2018 through March 31, 2019)

1 Matters concerning issued shares

Class of shares	Beginning of FY2018	Increase	Decrease	End of FY2018
Common (shares)	41,745,505	—	—	41,745,505

2 Matters concerning treasury shares

Class of shares	Beginning of FY2018	Increase	Decrease	End of FY2018
Common (shares)	6,659	5	—	6,664

(Overview of the cause of changes)

The breakdown of the increase is as below.

Increase due to the purchase of fractional shares 5 shares

3 Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
June 22, 2018 ordinary shareholders' meeting	Common	417,388	10.0	March 31, 2018	June 25, 2018
November 9, 2018 board of directors' meeting	Common	459,127	11.0	September 30, 2018	December 7, 2018

(2) Of the dividends whose record dates are contained in the current consolidated fiscal year, those whose effective days are in the following consolidated fiscal year

Resolution	Class of shares	Dividend resource	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
June 25, 2019 ordinary shareholders' meeting	Common	Retained earnings	459,127	11.0	March 31, 2019	June 26, 2019

FY2019 (April 1, 2019 through March 31, 2020)

1 Matters concerning issued shares

Class of shares	Beginning of FY2019	Increase	Decrease	End of FY2019
Common (shares)	41,745,505	—	—	41,745,505

2 Matters concerning treasury shares

Class of shares	Beginning of FY2019	Increase	Decrease	End of FY2019
Common (shares)	6,664	180,039	—	186,703

(Overview of the cause of changes)

The breakdown of the increase is as below.

Increase due to the acquisition from the market due to the "Board Benefit Trust (BBT)" 180,000 shares

Increase due to the purchase of fractional shares 39 shares

3 Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
June 25, 2019 ordinary shareholders' meeting	Common	459,127	11.0	March 31, 2019	June 26, 2019
November 11, 2019 board of directors' meeting	Common	500,865	12.0	September 30, 2019	December 6, 2019

(2) Of the dividends whose record dates are contained in the current consolidated fiscal year, those whose effective days are in the following consolidated fiscal year

Resolution	Class of shares	Dividend resource	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
June 25, 2020 ordinary shareholders' meeting	Common	Retained earnings	500,865	12.0	March 31, 2020	June 26, 2020

(Note) The total amount of dividends includes the dividend of 2 million yen for the company shares owned by the "Board Benefit Trust (BBT)".

(Related to consolidated cash flow statements)

* Relations between the cash and cash equivalents at year-end and the amounts contained account titles in the consolidated balance sheets

	FY2018 (April 1, 2018 through March 31, 2019)	FY2019 (April 1, 2019 through March 31, 2020)
Cash and deposits	10,787,387 thousand yen	10,850,291 thousand yen
Time deposit exceeding 3 months in deposit term	△635,356 thousand yen	△621,359 thousand yen
Derivative deposit	△293,195 thousand yen	△136,407 thousand yen
Cash and cash equivalents	9,858,835 thousand yen	10,092,523 thousand yen

(Segment information, etc.)

(Segment information)

1 Overview of report segments

(1) Overview of report segments

The report segments of our group are those of the constituent units for which separate financial information is obtainable and for which the board of directors is to periodically consider to decide on the allocation of management resources and evaluate business performance.

(2) Product and service types belonging to each report segment

Our group manufactures and sells air compressors, vacuum equipment, coating equipment, and coating systems exclusively. Japan is in the charge of our company and the domestic consolidated subsidiaries. Overseas, Europe (mainly Italy, France, and Germany), Asia (mainly China, India, and Thailand), and other areas are in the charge of their respective local corporations. The local corporations are management units independent of one another. They create comprehensive strategies for the products they handle in their areas, and carry out business activities.

Thus, our group consists of segments according to location, based on the production and sale system, and regards the three areas, "Japan", "Europe", and "Asia", as report segments.

2 Method of calculating the amounts of the net sales, income, assets, and other items for each report segment

In general, the accounting method for the reported business segments is the same as that used for preparing consolidated financial statements.

3 Information about the amounts of net sales, assets, and other items for report segment

FY2018 (April 1, 2018 through March 31, 2019)

(Amount: thousand yen)

	Report segment				Other (Note 1)	Total
	Japan	Europe	Asia	Total		
Net Sales						
Sales to external customers	17,522,648	4,482,081	11,854,108	33,858,838	4,948,420	38,807,259
Internal sales or transfers between segments	5,273,814	274,442	1,709,299	7,257,556	161,898	7,419,455
Total	22,796,463	4,756,524	13,563,408	41,116,395	5,110,319	46,226,714
Segment income	3,957,946	166,616	1,162,112	5,286,675	196,980	5,483,656
Segment assets	23,733,400	4,101,041	13,569,957	41,404,398	3,811,639	45,216,038
Other items						
Depreciation	1,032,501	104,926	419,936	1,557,364	54,902	1,612,267
Amortization of goodwill	112,742	83,214	—	195,957	72,390	268,347
Impairment loss	69,090	—	—	69,090	—	69,090
Increase in property, plant and equipment, and intangible assets (Note 2)	1,462,522	155,953	372,214	1,990,691	89,756	2,080,447

(Note 1) 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.

(Note 2) Increase in property, plant and equipment, and intangible assets does not cover any increases due to new consolidations.

FY2019 (April 1, 2019 through March 31, 2020)

(Amount: thousand yen)

	Report segment				Other (Note)	Total
	Japan	Europe	Asia	Total		
Sales						
Sales to external customers	17,735,977	4,431,565	11,850,874	34,018,417	5,072,894	39,091,312
Internal sales or transfers between segments	5,141,327	211,811	1,968,706	7,321,845	207,131	7,528,977
Total	22,877,304	4,643,377	13,819,581	41,340,263	5,280,025	46,620,289
Segment income	3,405,580	236,363	1,121,900	4,763,844	185,352	4,949,197
Segment assets	24,504,082	4,028,476	13,047,246	41,579,805	3,410,333	44,990,139
Other items						
Depreciation	905,839	121,779	423,609	1,451,228	57,435	1,508,663
Amortization of goodwill	128,070	77,886	—	205,957	66,457	272,414
Impairment loss	—	—	—	—	135,552	135,552
Increase in property, plant and equipment, and intangible assets	787,234	183,313	228,828	1,199,375	45,495	1,244,871

(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.

- 4 Difference between the total amounts of the report segments and the amounts reported in the consolidated financial statements, as well as the main items of the difference (matters related to difference adjustment)

(Amount: thousand yen)

Sales	FY2018	FY2019
Report segment total	41,116,395	41,340,263
Sales from the "Other" category	5,110,319	5,280,025
Inter-segment transactions erased	△7,419,455	△7,528,977
Sales in the consolidated financial statements	38,807,259	39,091,312

(Amount: thousand yen)

Income	FY2018	FY2019
Report segment total	5,286,675	4,763,844
Income from the "Other" category	196,980	185,352
Company-wide expenses (Note)	△1,240,710	△1,277,343
Inter-segment transactions erased	96,518	204,296
Operating income in the consolidated financial statements	4,339,464	3,876,150

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

(Amount: thousand yen)

Assets	FY2018	FY2019
Report segment total	41,404,398	41,579,805
Assets from the "Other" category	3,811,639	3,410,333
Company-wide assets (Note)	5,094,344	5,667,224
Inter-segment transactions erased	△2,752,583	△2,555,319
Total assets in the consolidated financial statements	47,557,798	48,102,044

(Note) Company-wide assets are mainly the surplus funds and long-term investment funds that cannot be attributed to the report segments.

(Amount: thousand yen)

Other items	Report segment total		Other		Adjustment		Amount reported in consolidated financial statements	
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019
Depreciation	1,557,364	1,451,228	54,902	57,435	5,850	1,092	1,618,117	1,509,755
Amortization of goodwill	195,957	205,957	72,390	66,457	—	—	268,347	272,414
Impairment loss	69,090	—	—	135,552	—	—	69,090	135,552
Increase in property, plant and equipment, and intangible assets	1,990,691	1,199,375	89,756	45,495	—	—	2,080,447	1,244,871

(Information about items per share)

(Amount: yen)

	FY2018	FY2019
	(April 1, 2018 through March 31, 2019)	(April 1, 2019 through March 31, 2020)
Net assets per share	716.40	748.16
Net income per share	70.62	65.14

(Notes) 1. The amount of Net Income per share - Diluted is not included because there are no dilutive shares such as bonds with subscription rights to shares.

2. The company shares that remain in the "Board Benefit Trust (BBT)", posted as treasury shares in Shareholder's equity are included in the number of treasury shares to be deducted from the number of shares issued and outstanding at the end of each fiscal year to calculate the net assets per share and are included in the treasury shares to be deducted in the calculation of the average number of shares outstanding in the period to calculate the net income per share. The number of treasury shares issued and outstanding at the end of each fiscal year that are deducted to calculate the net assets per share are 180 thousand in the current consolidated fiscal year, and the average number of treasury shares outstanding in the period that are deducted to calculate the net income per share are 18 thousand in the current consolidated fiscal year.

3. The basis for the calculating the net income per share is as below.

	FY2018	FY2019
	(April 1, 2018 through March 31, 2019)	(April 1, 2019 through March 31, 2020)
Net income attributable to parent company shareholders (thousand yen)	2,947,727	2,717,840
Amount not attributable to common shareholders (thousand yen)	—	—
Net income attributable to parent company shareholders related to common shares (thousand yen)	2,947,727	2,717,840
Average number of common shares outstanding in the period (No. of shares)	41,738,844	41,720,534

(Important subsequent events)

(Absorption-type merger of consolidated subsidiaries)

At the board of directors meeting on October 1, 2019, we passed a resolution to absorb and merge our wholly owned subsidiaries, ANEST IWATA COMPRESSOR Corporation and ANEST IWATA COATING SOLUTIONS Corporation, on April 1, 2020, and merged them on April 1, 2020.

1. Overview of transactions

(1) Names of the constituent enterprises or businesses and the description of the businesses

Enterprise name	Description of the business
ANEST IWATA COMPRESSOR Corporation	Sale and repair of compressors and vacuum equipment
ANEST IWATA COATING SOLUTIONS Corporation	Sale and repair of coating equipment and manufacture, sale, and repair of coating systems

(2) Legal form of the combination of enterprises

Short form merger with our company as a surviving company and ANEST IWATA COMPRESSOR Corporation and ANEST IWATA COATING SOLUTIONS Corporation as disappearing companies

(3) Name of the combined enterprise

ANEST IWATA Corporation

(4) Contents of the allotment pertaining to absorption-type merger

We own all the issued shares of ANEST IWATA COMPRESSOR Corporation and ANEST IWATA COATING SOLUTIONS Corporation, so that there is no allotment of shares, money, etc. for this merger.

(5) Status of inherited assets and liabilities

On the effective date of merger, we inherited all assets, liabilities, and other rights and obligations of ANEST IWATA COMPRESSOR Corporation and ANEST IWATA COATING SOLUTIONS Corporation.

(6) Overview of the transaction including the purpose of the transaction

Reinforce the business foundation of our group by integrating the sales function and the service function together for the purpose of achieving the further improvement of customer satisfaction and, at the same time, increase the efficiency of operations.

2. Overview of the accounting to be implemented

Processed as common control transaction in accordance with the "Accounting Standard for Business Combination" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(Spread of coronavirus disease 2019)

Due to the impact of the spread of coronavirus disease 2019, a curfew is imposed and business activities are halted in various parts of the world. Under such circumstances, falling sales due to sluggish demand, reducing operating rates at factories, etc. may affect our financial condition and results of operations. The amount of impact is difficult to estimate in a reasonable manner as of the date of submission.

6. Non-consolidated financial statements and main notes

(1) Balance sheets

(Amount: thousand yen)

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	4,457,711	4,806,508
Accounts receivable-trade	3,876,455	4,377,043
Merchandise and finished goods	948,903	1,464,877
Work in process	672,318	226,127
Raw materials and supplies	813,026	853,212
Other	276,659	471,686
Allowance for doubtful accounts	△3,867	△4,402
Total current assets	11,041,207	12,195,052
Noncurrent assets		
Property, plant and equipment		
Buildings	2,676,968	2,983,933
Structures	178,832	162,870
Machinery and equipment	1,386,827	1,303,130
Motor vehicles and transport equipment	3,726	3,764
Tools, apparatus and equipment	221,881	208,294
Land	1,268,453	1,268,453
Lease assets	1,196,544	1,279,470
Construction in progress	486,909	31,552
Total property, plant and equipment	7,420,145	7,241,468
Intangible assets		
Leasehold	790	790
Software	125,017	157,895
Other	23,128	43,696
Total intangible assets	148,936	202,381
Investment and other assets		
Investment securities	2,598,945	2,755,887
Shares of subsidiaries and affiliates	2,888,909	2,858,512
Investments in capital	1,200	54,339
Investments in capital of subsidiaries and affiliates	4,765,524	4,577,874
Long-term loans receivable from subsidiaries and affiliates	1,719,643	1,439,872
Long-term prepaid expenses	—	201
Prepaid pension cost	715,181	786,540
Deferred tax assets	471,312	631,600
Other	107,669	95,957
Allowance for doubtful accounts	△120,725	△120,725
Total investments and other assets	13,147,660	13,080,061
Total noncurrent assets	20,716,743	20,523,911
Total assets	31,757,950	32,718,964

(Amount: thousand yen)

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	1,977,405	1,970,438
Lease obligations	197,895	216,867
Accounts payable-other	939,580	704,210
Income taxes payable	169,925	79,365
Deposits received	22,689	22,154
Provision for bonuses	438,816	443,161
Provision for directors' bonuses	91,759	114,850
Provision for product warranties	200,354	184,079
Other	37,737	404,161
Total current liabilities	4,076,164	4,139,289
Noncurrent liabilities		
Lease obligations	1,107,168	1,175,580
Provision for retirement benefits	1,874,726	1,897,052
Provision for share-based remuneration for directors	—	39,785
Other	18,588	18,588
Total noncurrent liabilities	3,000,484	3,131,007
Total liabilities	7,076,648	7,270,296
Net assets		
Shareholders' equity		
Capital stock	3,354,353	3,354,353
Capital surplus		
Capital reserve	1,380,380	1,380,380
Total capital surplus	1,380,380	1,380,380
Retained earnings		
Retained earnings reserve	838,588	838,588
Other retained earnings		
Other reserve	9,700,000	9,700,000
Retained earnings carried forward	8,885,985	10,143,053
Total retained earnings	19,424,574	20,681,641
Treasury shares	△5,393	△185,165
Total shareholders' equity	24,153,913	25,231,209
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	527,387	217,457
Total valuation and translation adjustments	527,387	217,457
Total net assets	24,681,301	25,448,667
Total liabilities and net assets	31,757,950	32,718,964

(2) Profit and loss statements

(Amount: thousand yen)

	FY2018 (April 1, 2018 through March 31, 2019)	FY2019 (April 1, 2019 through March 31, 2020)
Net sales	17,124,281	16,936,215
Cost of sales	10,908,858	11,225,491
Gross profit	6,215,423	5,710,724
Selling, general & administrative expenses	4,291,899	4,513,709
Operating income	1,923,523	1,197,014
Non-operating income		
Interest income	21,997	12,526
Dividend income	807,730	1,596,962
Technical support fee	123,250	75,940
Other	142,941	91,056
Total non-operating income	1,095,918	1,776,486
Non-operating expenses		
Interest expenses	20,205	25,875
Foreign exchange loss	49,817	130,493
Real estate rental expenses	23,147	20,165
Provision for allowance for doubtful accounts	—	10,000
Other	2,048	762
Total non-operating expenses	95,219	187,297
Ordinary income	2,924,223	2,786,204
Extraordinary income		
Gain on sales of shares of subsidiaries	14,126	—
Gain on sales of shares of affiliates	—	29,791
Gain on liquidation of subsidiaries	—	612
Total extraordinary income	14,126	30,403
Extraordinary losses		
Impairment loss	69,090	—
Loss on sales of noncurrent assets	23,673	—
Loss on retirement of noncurrent assets	4,129	1,307
Loss on valuation of shares of subsidiaries	—	165,948
Demolition and demobilization cost	27,996	370
Loss on liquidation of subsidiaries	25,045	26,704
Special consolation payments	—	29,322
Total extraordinary losses	149,935	223,652
Net Income before tax	2,788,414	2,592,954
Income taxes - current	502,643	400,170
Income taxes - deferred	82,371	△24,275
Total income taxes	585,015	375,894
Net income	2,203,399	2,217,060

(3) Statements of changes in shareholders' equity
FY2018 (April 1, 2018 through March 31, 2019)

(Amount: thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings reserve	Retained earnings		Total retained earnings
		Capital reserve	Total capital surplus		Other retained earnings	Retained earnings carried forward	
				Other reserve			
Balance at the beginning of current period	3,354,353	1,380,380	1,380,380	838,588	9,700,000	7,559,102	18,097,690
Changes of items during the period							
Dividends from surplus						△876,515	△876,515
Net income						2,203,399	2,203,399
Purchase of treasury shares							
Purchase of treasury shares by Board Benefit Trust							
Net changes of items during the period other than shareholders' equity							
Total changes of items during the period	—	—	—	—	—	1,326,883	1,326,883
Balance at the end of current period	3,354,353	1,380,380	1,380,380	838,588	9,700,000	8,885,985	19,424,574

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	△5,387	22,827,036	863,484	863,484	23,690,520
Changes of items during the period					
Dividends from surplus		△876,515			△876,515
Net income		2,203,399			2,203,399
Purchase of treasury shares	△5	△5			△5
Purchase of treasury shares by Board Benefit Trust	—				—
Net changes of items during the period other than shareholders' equity			△336,096	△336,096	△336,096
Total changes of items during the period	△5	1,326,877	△336,096	△336,096	990,781
Balance at the end of current period	△5,393	24,153,913	527,387	527,387	24,681,301

FY2019 (April 1, 2019 through March 31, 2020)

(Amount: thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings reserve	Retained earnings		Total retained earnings
		Capital reserve	Total capital surplus		Other retained earnings	Retained earnings carried forward	
				Other reserve			
Balance at the beginning of current period	3,354,353	1,380,380	1,380,380	838,588	9,700,000	8,885,985	19,424,574
Changes of items during the period							
Dividends from surplus						△959,992	△959,992
Net income						2,217,060	2,217,060
Purchase of treasury shares							
Purchase of treasury shares by Board Benefit Trust							
Net changes of items during the period other than shareholders' equity							
Total changes of items during the period	—	—	—	—	—	1,257,067	1,257,067
Balance at the end of current period	3,354,353	1,380,380	1,380,380	838,588	9,700,000	10,143,053	20,681,641

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	△5,393	24,153,913	527,387	527,387	24,681,301
Changes of items during the period					
Dividends from surplus		△959,992			△959,992
Net income		2,217,060			2,217,060
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 during the period other than shareholders' equity			△309,929	△309,929	△309,929
Total changes of items during the period	△179,771	1,077,295	△309,929	△309,929	767,365
Balance at the end of current period	△185,165	25,231,209	217,457	217,457	25,448,667