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

ANEST IWATA Corporate Philosophy

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

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

The meaning of the name ANEST IWATA
Our founder, Hatsutaro Iwata, taught us to be “honest” and “sincere” as well as to first and foremost be a person and value our humanity over the company. We coined the name “ANEST” to reflect this teaching and our founding principle, “Makotono kokoro” (Trustworthy & Sincere), which is also our corporate motto.

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History of Growth

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

1926
- “Iwata Seisakusho,” the Company’s predecessor, was established in Toyosawa-cho, Shibuya-ku, Tokyo
- Released the “Type 1 and 8 Spray Guns,” which were suited for Japanese hands, and established its reputation in the coating industry
- Established “Iwata Air Compressor Mfg. Co., Ltd.”
- Released the “W-57 Spray gun,” and won the support of the automotive coating field
- “MC series” medium-sized air compressors
- “MRP series,” multi-articulated coating robot
- “LPS-1 series,” low-pressure spray gun
- “S-1 Spray gun” “W-57 Spray gun”
- All employees from around 1950
- Four Iwata brothers including the founder

1940
- Management structure is reorganized following the war
- Released the “Type 5 and 8 Spray Guns,” which were suited for Japanese hands, and established its reputation in the coating industry
- “W-61 Spray gun,” which continues to be popular today

1950
- Listed its stocks in the Second Section of the Tokyo Stock Exchange
- Established “Iwata Air Compressor Mfg. Co., Ltd.”
- Released the “W-57 Spray gun,” and won the support of the automotive coating field
- “ISP series,” oil-free scroll vacuum pump
- Body of oil-free scroll air compressor
- “S-1 Spray gun” “W-57 Spray gun”

1960
- Consolidation and reinforcement of facilities
- Expansion of operations
- 1961
- Listed its stocks in the Second Section of the Tokyo Stock Exchange
- Released the “W-61 Spray gun,” which continues to be popular today
- Made full-scale entry into the coating system market
- Developed the first domestically-produced two-stage, air-cooled, medium-sized air compressor and entered the medium-sized air compressor market
- Listed its stocks in the First Section of the Tokyo Stock Exchange
- Entered the rotary air compressor market
- Developed the world’s first electric, multi-articulated coating robot
- “S-1 Spray gun” “W-57 Spray gun”
- All employees from around 1950

1980
- Aiming to become a “True World-class Company”
- 1986
- Commenced full-scale overseas expansion of manufacturing and sales bases of coating system starting with Taiwan
- Developed a low-pressure spray gun which cleared the Volatile Organic Compound (VOC) Emission Standards of the state of California, USA, which are known to be the strictest in the world
- Developed the world’s first oil-free scroll air compressor
- Developed the world’s first oil-free scroll vacuum pump and entered the vacuum pump market
- 1987
- Committed to the world’s first oil-free scroll air compressor market
- Acquired Shanghai Screw Compressor Co. Ltd. and made a full-scale entry into the large-sized air compressor market
- Introduced the performance-linked stock remuneration plan
- Merged with two domestic sales subsidiaries by absorption

1990
- 1996
- Changed company name to “ANEST IWATA”
- 1991
- Developed the world’s first oil-free scroll air compressor
- 1993
- Developed the world’s first oil-free scroll vacuum pump and entered the vacuum pump market
- 1996
- Changed company name to “ANEST IWATA”
- 1999
- Commenced full-scale overseas expansion of manufacturing and sales bases of air compressors, mainly in China
- 2000
- Transitioned to a governance structure of a company with an Audit and Supervisory Committee
- 2009
- Commenced full-scale overseas expansion of manufacturing and sales bases of air compressors
- 2010
- Merged with two domestic sales subsidiaries by absorption
Value Creation Process

The Company, under the ANEST IWATA Corporate Philosophy, will contribute to the achievement of a prosperous society that is safe, reliable, and capable of sustained growth by having each one of our employees act in a "trustworthy and sincere" (Makotono kokoro) way and providing the highest level of quality and technologies as a development-oriented company. By creating value for our various stakeholders through our business activities, and reinvesting the acquired resources to reinforce various capital, we will aim to achieve the enhancement of corporate value and sustained growth.

### The external environment surrounding the Company

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

### Corporate Policy

"Makotono kokoro"

(Trustworthy & Sincere)

### ESG (environment, social, and governance)-oriented management

"Human capital" the foundation of all business activities

### ANEST IWATA Corporate Philosophy

The value that we create

Becoming a “True World-class Company” that benefits people and people’s lives

### Various capital held by the Company

<table>
<thead>
<tr>
<th>Financial capital</th>
<th>Manufacturing capital</th>
<th>Intellectual capital</th>
<th>Social and related capital</th>
<th>Natural capital</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets:</strong> 34,570 million yen</td>
<td><strong>Capital investments:</strong> 1,245 million yen</td>
<td><strong>Number of Patent applications:</strong> over 1,210</td>
<td><strong>Number of group companies:</strong> 38</td>
<td><strong>CO2 emission (non-consolidated): 5,869 t CO2</strong></td>
</tr>
<tr>
<td><strong>Shareholders’ equity ratio:</strong> 64.6%</td>
<td><strong>Property, plant and equipment:</strong> 11,827 million yen</td>
<td><strong>Number of factories:</strong> 23 factories in 10 countries and regions</td>
<td><strong>Number of subsidiaries in 21 countries and regions</strong></td>
<td><strong>CO2 emission (non-consolidated): 5,869 t CO2</strong></td>
</tr>
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</table>

### Management Strategy

**Medium-term Management Plan (From FY2019 to FY2021)**

- **Think Globally Act Locally**
  - Special number: 1,200 items per year
  - Consumption: 1,084 billion yen

### Business activities and achievements

**Air Energy Business**

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

- **Air compressor products (air compressors and nitrogen gas generators)**
  - Main uses: Factories (the driving source of industrial machinery), food (supplying nitrogen gas when packaging, etc.), hospitals (for dental instruments, etc.), etc.

- **Vacuum pump equipment (oil-free scroll vacuum pumps)**
  - Main uses: General industries (suction transport and deoiling), manufacture of semiconductors, production devices, etc.

**Coating Business**

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

- **Coating equipment**
  - Spray guns, electrostatic coating equipment, paint feeding equipment, liquid application equipment, and coating booths

- **Coating systems**
  - Automatic coating equipment, coating plants, and coating robots

**Quality management**

- **Purchasing**
- **R&D**
- **Production**
- **Sales**

### The external environment surrounding the Company

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

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<td><strong>Coating Business</strong></td>
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<tr>
<td><strong>Vacuum pump equipment (oil-free scroll vacuum pumps)</strong></td>
<td><strong>Coating systems</strong></td>
<td><strong>Purchasing</strong></td>
<td><strong>R&amp;D</strong></td>
<td><strong>Production</strong></td>
<td><strong>Sales</strong></td>
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### The value that we create

Becoming a “True World-class Company” that benefits people and people’s lives

- **Customers and Business Partners**
  - Providing products and services that meet the needs of the country and region
  - Contributing to the development of a broad range of industries

- **Shareholders and Investors**
  - Ensuring the stable return of profits
  - Raising shareholder value

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

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

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

### Initiatives toward SDGs

(17 Goals to Transform Our World)

- Contributing to a sustainable society through business

- **SUSTAINABLE DEVELPOMENT GOALS**

  - **17 GOALS TO TRANSFORM OUR WORLD**

  - **Becoming a “True World-class Company” that benefits people and people’s lives**

  - **Customers and Business Partners**
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  - **Initiatives toward SDGs**
    - (sustainable development goals)
      - Contributing to a sustainable society through business

  - **SUSTAINABLE DEVELPOMENT GOALS**

  - **17 GOALS TO TRANSFORM OUR WORLD**
In May 2020, ANEST IWATA commemorated the 95th anniversary of its founding.

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

Takahiro Tsubota
Representative Director
President and Chief Executive Officer

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**Message from the President**

Aiming to become a “True World-class Company”

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Takahiro Tsubota
Representative Director
President and Chief Executive Officer
We are steadily promoting the medium-term management plan in order to achieve sustained growth even in the midst of COVID-19.

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

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

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

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

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

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

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

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our customers visit us or vice-versa. This has unwittingly become an indispensable platform in the midst of COVID-19. Currently, we are also working on the construction of a formal studio and we are planning to create an environment that provides a place for VR experiences through virtual exhibitions and labs where experiments can be monitored remotely. We also intend to effectively use this as a direct promotion channel for overseas and other customers. As for issues, I am aware that we need to speed up our development a little. Although we have been focusing on product development these past few years, we were only able to release a new spray gun last year. Our strategy is to release many more new products going forward and capture replacement demand.

*Shanghai Screw Compressor Co., Ltd

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

As a result of COVID-19, economic activity has been severely restricted, as businesses were told to shut down and people were asked to stay home around the world and in Japan, also, a state of economic uncertainty continues to prevail. Therefore, COVID-19, without a doubt, has had a negative impact on the Company’s business performance. However, given that the Group operates widely around the globe based on a structure that focuses on the three key markets of Europe, the Americas, and Asia, we have been able to spread out our risks to a certain extent. As the timing of the pandemic varied according to each region, China, for example, was the first to experience a major economic decline, which subsequently moved on to Europe and the US. However, by this time, China was on the path to recovery ahead of the other countries and taken as a whole, the risks have been limited. The most recent results, i.e. the results for the three months ended June 30, 2020 were particularly harsh, as year-on-year decreases were reported in both sales and profits. However, we managed to maintain employment and reduce restrictions on our activities, we secured profits on levels exceeding our plan, indicating that we have been able to build up a far more streamlined earnings base compared to that during the Lehman Crisis. Currently, to avoid disruptions to the global supply chain, we are making efforts to diversify our suppliers and add more production areas. We are also working to reduce the risk of infections by promoting work-from-home and teleworking and encouraging staggered working hours. At the height of the pandemic, 70 to 80% of our employees worked from home or teleworked, while currently, 50% of our employees continue to work in this manner. We are proud of our success in the changes to the work environment that we had been promoting since April 2019, and to have adopted these changes in a relatively smooth manner.

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

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

Taking into consideration the impact of COVID-19, for the consolidated performance forecast of the fiscal year ending March 31, 2021, we are forecasting a major decline in both sales and profits with net sales of 32,500 million yen, down 38.1% year-on-year. However, we consider this forecast to be the minimum level to be achieved and our goal will be to add as much as we can to these levels. Meanwhile, as for the medium-term management plan, which will be in its final year next year (fiscal year ending March 31, 2022), the direction of its strategies will remain unchanged, despite the major changes exceeding our expectations in the economic environment and growing uncertainty due to COVID-19. We will steadily continue with our investments in human capital, R&D, overseas expansion, and IT, toward sustained growth.

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

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

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

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

With the increasing uncertainty of the world economy due to the effects of COVID-19, managing risks in a global management setting have become one of the crucial themes of the board meetings. One of the unique features of our company’s corporate governance is the selection of its Outside Directors and numerous Outside Directors have been selected based on their experience and knowledge as top management or members of management and they have been providing instructions and checks on key points from a management perspective. Initiatives toward SDGs, which have become another new theme, have also been inviting vigorous discussions such as the current state of SDGs and the direction to be taken going forward from the standpoint of creating growth opportunities and responding to risks. Furthermore, the selection of a successor has also become a pressing issue. In my opinion, a flexible thinker with the energy to make changes would be the perfect person to head ANEST IWATA in the future. In the Company’s case, the CEO is selected by the Nominating/Compensation Committee comprising primarily Outside Directors. Accordingly, the Nominating/Compensation Committee considers a wide pool of talent of General Managers and above through performance evaluations and other processes.

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

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

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

Medium-term management plan

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

"ONLY ONE" products x “NUMBER ONE” share

Targeting the No. 1 market share in the global / niche markets
- New product development that captures market needs
- Flexible product development by collaborating with various players
- Further improvement of product quality

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

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

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

Image of growth

- Capture new regions, product, business models, and market growth through M&As
- Launch "only one" in global / niche markets
- Accurately unique (ONLY ONE) results from business model evolution and strategy

Target values of the Medium-term Management Plan
(From FY2019 to FY2021) (As of September 30, 2020)
- Consolidated net sales: 47 billion yen or more
- Consolidated operating profit margin: 10% or higher
- ROE: 10% or higher

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

Investment Strategy
In May 2023, the Company will commemorate its 100th anniversary. Going forward we will make investments toward sustained growth from the following six perspectives. Among them, “IT investments,” in particular, will have the highest priority.

1. Investment in human capital (Recruiting and nurturing human capital)
   - We will proactively recruit and nurture human capital who will support future corporate activities, while aiming to improve employee satisfaction.

2. Investment in development
   - We will engage in product development that captures market needs and gives rise to innovative technology and products.

3. Capital investment
   - We will step investments in facilities necessary for improving productivity.

4. Investment in market development
   - We will tap into the global / niche markets under the banner of “THINK GLOBALLY, ACT LOCALLY.”

5. Investment in corporate culture reforms
   - We will create a work environment where diverse talent can flourish and establish a corporate culture where each employee can proactively engage in activities.

6. IT investment
   - We will utilize IT to solve problems that need to be overcome including sales and logistic reforms.

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

1. Business risks
   - Changes in the business environment
   - Product quality
   - Business expansion including M&As
   - Labor problems
   - IT risks
     - IT investments
     - Information security

2. Human capital risks
   - Securing human capital
   - Environmental regulations
   - Accounting fraud and other fraudulent activities
   - Intellectual property
   - Transfer pricing

3. Other risks
   - Pandemics such as COVID-19
   - Contingencies (e.g. acts of terrorism and natural disasters)

4. IT risks
   - Information security
   - Environmentally-friendly product development
   - Reduction of the environmental burden
   - Promoting diversity and the work-life balance
   - Health and Productivity Management

5. Risk distribution map
   - Probability of occurrence
   - Impact
   - Business
   - Legal
   - Human capital
   - Other

6. ESG-oriented Management
   - Environmental
   - Social
   - Governance

P.10 The Environment
P.11 Human Capital
P.12 Regional Communities
P.24 Corporate Governance

ANEST IWATA Integrated Report 2020
What are the key points in evaluating past operating results and financial conditions?

Looking back on our performance over the years, you will see that ever since the fiscal year ended March 31, 2011, when we fully recovered from the Lehman Crisis, we have reported an increase in net sales for 10 consecutive years. Our core products — air compressor products (compressors) and coating equipment (spray guns) — have secured market shares in Japan as well as increased overseas sales thanks to market development efforts. And in recent years, this rise in the ratio of overseas sales has been the main driver of the Company’s growth. The impressive growth rate which was reported for two consecutive terms from the fiscal year ended March 31, 2018 was due in part to the overseas M&As (4 M&As, of which one was subject to the reporting of impairment of goodwill in the fiscal year ended March 31, 2020) executed for the purpose of expanding the product range and acquiring sales networks, and in the fiscal year ended March 31, 2019, the overseas sales ratio exceeded 50%.

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

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

Operating Results, Financial Condition, and Future Financial Strategies

Last year, the Company commenced its new 3-year Mid-term Management Plan. Under the plan, we will continue to aim for a greater market share and improved profitability through sales of 331 billion yen (down 12.9%) and a high current ratio of 281.8% being maintained. However, the ROE, which indicates capital efficiency, fell to 8.9% (down 1.1 points) due to the decrease in profits, falling below the targeted 10%.

The consolidated operating results for the fiscal year ended March 31, 2020 were net sales of 343.91 billion yen (down 7.0% from the previous fiscal year), operating income of 3.876 billion yen (up 15.4% from the previous fiscal year), operating income of 2,400 million yen (down 38.1%), ordinary income of 3,100 million yen (down 31.8%) and net income attributable to owners of parent of 1,800 million yen (down 33.8%). The Company has forecasted these figures as its bottom line and it also feels that it is also becoming increasingly difficult to achieve the Medium-term Management Plan in its final year, the fiscal year ending March 31, 2022, due to the impact of the COVID-19 pandemic, which we had not anticipated when the plan was formulated. Nevertheless, the direction of the strategies will remain the same and we intend to continue our investments into the future without any restrictions. M&As will continue to be a crucial part of our growth strategies and we will take a proactive approach, should any potential high-quality M&A project arise that aligns with our strategies. For profitability, including the impact of external factors, we believe that there is plenty of room for improvements through the enhancement of added-value based on new product development and our proposal-type sales, the promotion of the BRP project by leveraging IT, and the pursuit of Group synergy with the overseas subsidiaries.

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

How do you perceive financial risks?

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

Increased/decrease Factors of Net Sales

The following table shows the increased/decrease factors of net sales for the fiscal year ended March 31, 2021, classified by type of sales. The table shows that the decrease in net sales is primarily due to the decrease in sales of vacuum equipment and coating equipment. The increase in net sales is primarily due to the increase in sales of compressors.

Consolidated sales and ratio of overseas sales to total sales

The following chart shows the consolidated sales and ratio of overseas sales to total sales. The chart shows that the ratio of overseas sales to total sales has increased from 2015 to 2020, indicating that the Company is becoming more dependent on overseas sales.

Increase/decrease Factors of Operating Income

The following table shows the increased/decrease factors of operating income for the fiscal year ended March 31, 2021. The table shows that the decrease in operating income is primarily due to the decrease in operating income of vacuum equipment and coating equipment. The increase in operating income is primarily due to the increase in operating income of compressors.

Cash Flows

The following chart shows the cash flows. The chart shows that the cash flows have been ample, indicating that the Company has sufficient cash reserves to meet its cash needs.
We will contribute to a prosperous society by pursuing oil-free technology to compress gases, mainly air, as well as energy-saving qualities, and providing products that match the demands of our customers around the world.

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

Business Overview for FY2019

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

In terms of vacuum equipment, despite efforts to strengthen the business frameworks in the US and China and cultivate the vacuum pump system manufacturers, sales activities of vacuum pumps for semiconductor-related manufacturing equipment have weakened due to the sluggish semiconductor market in Japan from the beginning of FY2018, while the demand by OEM suppliers, which had contributed to sales throughout the previous term, also dropped. As a result, sales for the segment declined overall.

FY2019 Consolidated Operating Results of the Coating Business

Consolidated net sales 22,224 million yen
Consolidated operating income 1,774 million yen

Market Environment and Outlook for FY2020

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

Demand has been growing for our oil-free air compressors and vacuum equipment, our Company’s strengths, in the food-, beverage-, and pharmaceutical-manufacturing markets and the healthcare market in conjunction with the demand for casual work environment which combines people and automation.

In the medium-sized air compressor business in Japan from the beginning of FY2019, while the demand by OEM suppliers, which had contributed to sales throughout the previous term, also dropped. As a result, sales for the segment declined overall.

We are also going forward with targeted market development to increase sales of oil-free air compressors which are extensively used particularly overseas in food manufacturing and at hospitals. Meanwhile, due to the decline in sales of small-sized, general-purpose air compressors in Japan as a result of the consumption tax hike, the decrease in orders for automotive air compressor units in China in conjunction with the changes being instigated by the government to the policies for the fast-growing electric commercial vehicle market, and the sluggish growth of the services business in Australia, sales for the segment declined overall.

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Major Achievements in FY2019

- Expanded sales of products customized to the requirements of each customer in the specific markets
- Increased overseas sales utilizing the distributorship network built by SCR*1
- By concluding a capital alliance with EMS*2, a production/sales foundation was established for automotive air compressors which require compliance with European standards
- Strengthened initiatives toward reducing the environmental burden including providing energy-saving products and compliance with environmental regulations
- Revitalized pharmaceutical market and increased construction of healthcare facilities
- Growing demand to replace oil-lubricated air compressors due to the revision of Japan’s Food Sanitation Act
- Deteriorating profit margin due to intensified price wars in Japan
- Decline in capital investments due to the sluggish global economy
- No more room for increasing our share in the Japanese market
- Stricter and new regulations
- Postponement and revision of projects due to COVID-19 (mainly in specific markets)

Opportunities

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

Risks

- Expanding the EV market (electric buses, electric trucks, trains, etc.)
- No more room for increasing our share in the Japanese market
- Stricter and new regulations
- Postponement and revision of projects due to COVID-19 (mainly in specific markets)

Measures to be taken in and after FY2020

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

*1 Shanghai Screw Compressor Co., Ltd.
*2 EMS Concept SP.

Air compressors Air compressors and nitrogen gas generators

FY2019 Consolidated net sales 20,669 million yen

Percentage of total sales 52.9%

2018 2019

21,212 20,669

21,212 20,669
Major Achievements in FY2019

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

Strengths

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

Opportunities

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

Risks

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

Measures to be taken in and after FY2020

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

Production and Development

Improvement of production efficiency

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

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

(Major initiatives at the Fukushima Factory)

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

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

Overseas expansion of the products of the Chinese consolidated subsidiary

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

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

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

TOPICS

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

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

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

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

Scenes from the presentation ceremony

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

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

Business Overview for FY2019
In terms of coating equipment, the spray gun, the Companies core product in Japan, was launched as the “WIDER” series after undergoing a full model change. Sales of spray guns increased thanks to the effects of the promotion commemorating the sales of the new types of spray guns, while sales of airbrushes to dealers who utilize the e-commerce site grew and spray guns for automotive refinishing in Europe also reported robust sales. However, due to factors such as the US-China trade friction, the slowdown of the automobile production market mainly in India and Southeast Asia, and the effects of the reorganization of the distribution channels of the automotive refinishing market in the US, sales for the segment declined overall.

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

FY2019 Operating Results of the Coating Business

<table>
<thead>
<tr>
<th></th>
<th>FY2019 Consolidated net sales 12,832 million yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated</td>
<td>16,866 million yen</td>
</tr>
<tr>
<td>operating</td>
<td>2,101 million yen</td>
</tr>
</tbody>
</table>

Market Environment and Outlook for FY2020

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>FY2020 Performance Forecast for the Coating Business</th>
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<tbody>
<tr>
<td>Consolidated</td>
<td>13,770 million yen</td>
</tr>
<tr>
<td>operating</td>
<td>1,280 million yen</td>
</tr>
</tbody>
</table>

Strengths / Opportunities and Risks

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

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

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

Major Achievements in FY2019
- 2 new types of high-range spray guns were launched
- Made progress in the development of niche markets including the market for applying food-related liquids
- The estimated global market share of airbrushes reached approx. 30%

Measures to be taken in and after FY2020
- Expand the targeted market from automotive refinishing to industrial coating
- Develop global and niche markets
- Launch the medium-range spray gun, a new product, and quickly penetrate the market
- Develop the liquid application market for food-related liquids, sanitizer, and high-function materials

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

<table>
<thead>
<tr>
<th></th>
<th>Percentage of total sales</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Unit Million yen)</td>
<td>32.8%</td>
<td>13,107</td>
<td>12,832</td>
</tr>
</tbody>
</table>
Coating systems Automated coating units, coating plants, coating robots, environment systems, and coating booths

Strengths / Opportunities and Risks

Strengths

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

Opportunities

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

Risks

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

Major Achievements in FY2019

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

Measures to be taken in and after FY2020

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

Production and Development

Reinforcement of the production structure

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

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

New product development

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

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

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

TOPICS

Utilization of the head office research & development building

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

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

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

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

Achieving a prosperous society

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

Quality Assurance and Intellectual Property Management

In our relentless pursuit of customer satisfaction, we are striving to “build and update our quality assurance system,” “carry out initiatives to maintain and enhance quality,” and “respond to complaints and comments from our dealers, distributors and customers and resolve problems.” We also appropriately handle our intellectual property as important management assets.

Basic Approach to Quality

As indicated in the "ANEST IWATA Corporate Philosophy," we recognize the enhancement of quality of the products and services handled by the Group to be a significant management issue. ANEST IWATA has established a number of internal regulations, including the "Quality Manual" for the maintenance and enhancement of quality. The "Quality Policy" and the "Quality Slogan" are articulated in the "Quality Manual" and the "Quality Policy," in particular, is revised in a flexible manner by undergoing a management review by the President each year and a policy is determined based on the optimal solution that aligns with the situation of each year.

Quality Policy

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

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

Quality Management System

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

Quality Slogan

Our quality goal = Customer satisfaction

Initiatives Toward Quality Enhancement

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

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

Initiatives Toward Improving Customer Satisfaction

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

Items such as products, parts, order receipt, delivery/re- response, services, etc. are evaluated from the perspective of Q (Quality), C (Cost), and D (Delivery/response), and the results are analyzed and used to solve problems. At the same time, we asked the same questions to our relevant staff from a self-evaluation perspective, and have been measuring the gap between the replies of the two parties.

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

Responding to Comments and Complaints

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

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

Intellectual Property Management

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

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

Number of patent applications: Past results

Over 1,200 patents in Japan and overseas
The Company, recognizing the enhancement of corporate advisory panels for the Board of Directors, the Nominating/Supervisory Committee. It has also established, as non-statutory corporate governance. The Company operates as a company with an Audit and Supervisory Committee (5 members) who are Audit and Supervisory Committee Members and (3) Independent Directors who are Audit and Supervisory Committee Members. In addition to receiving reports on the status of business execution, decides the basic policies of the Company’s business execution, and monitors and supervises the company. The Company, recognizing the enhancement of corporate value and its sustained growth for each one of its stakeholders. ANEST IWATA strives to realize its sustained growth and the maximization of its corporate value. To this end, the Company ensures the enhancement of corporate value and the fairness in a timely and appropriate manner, thereby ensuring the fairness and transparency of management. Through these initiatives, it increases the flexibility of corporate governance to be a management priority, has proactively appointed Independent Directors with diverse expertise and insight, in addition to having Directors who are Audit and Supervisory Committee Members conduct supervision and audits.

Corporate Governance Structure

The Company operates as a company with an Audit and Supervisory Committee. It has also established, as non-statutory corporate governance. The Company operates as a company with an Audit and Supervisory Committee (5 members) who are Audit and Supervisory Committee Members and (3) Independent Directors who are Audit and Supervisory Committee Members. In addition to receiving reports on the status of business execution, decides the basic policies of the Company’s business execution, and monitors and supervises the company. The Company, recognizing the enhancement of corporate value and its sustained growth for each one of its stakeholders.

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

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

*As of March 31, 2020, Kazumichi Matsuki, formerly a Director, was elected as an Independent Director and an Audit and Supervisory Committee Member. In addition to receiving reports on the status of business execution, decides the basic policies of the Company’s business execution, and monitors and supervises the company.

ANEST IWATA Integrated Report 2020
Policy for the Determination of Compensation for Directors

The basic policy of compensation upholds a compensation system that motivates executives to improve business performance and contribute to the long-term increase in corporate value. The Company’s compensation system comprises a regular same-amount salary (fixed compensation), short-term incentives (performance-linked bonus), and medium- to long-term incentives (performance-linked stock remuneration). Compensation is decided within the limit resolved by the General Meeting of Shareholders, based on the recommendation by the Nominating/Compensation Committee, which is chaired by an Independent Director who is an Audit and Supervisory Committee Member, comprehensively taking into account the Company’s business performance and the responsibilities and achievements of each Director, and upon deliberation of the recommendation by the Board of Directors.

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

Fixed Compensation

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

At the 70th Annual General Meeting of Shareholders held in June 2016, it was resolved that the total amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) would be within ¥200 million per year and the total amount of compensation for Directors who are Audit and Supervisory Committee Members would be within ¥68 million per year.

Performance-linked Bonuses

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

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

Performance-linked Stock Remuneration

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

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

Overview of the plan

1. Target period
   Three fiscal years from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022

2. Upper limit of money contributed by the Company to the trust as the funds to acquire the Company’s shares
   ¥130 million during the period

3. Upper limit of shares
   44,000 shares per three fiscal years

4. Timing of the delivery of the Company’s shares
   Upon retirement, in principle

5. Position Points

| Position Points Number of Directors Total points |
|-----------------------------------|-----------------|------------------|
| Representative Director           | 1.00            | 1.00             |
| Director and Senior Managing Officer | 0.35           | 2.00             |
| Director, Audit and Supervisory Committee Member (full-time) | 0.30           | 0.70             |

6. Performance-linked bonus

- Performance-linked bonus = Consolidated ordinary income × 1.10% × total points of Directors

Evaluation of the effectiveness of the Board of Directors

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

Analysis and Evaluation Process

A questionnaire survey of Directors who gave their names was conducted (June 2020)

Self-evaluation by providing short and long answers to questions on “composition of the Board,” “operation of the Board,” and “provision of information to the Independent Directors”

The Foundations that Support Value Creation

Overview of the Analysis and Evaluation Results of FY2019

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

- The provision of information on business execution to Independent Directors should be improved to deepen their understanding, and efforts should be made to further refine deliberations of important agenda by the Board.
The Company promotes initiatives toward compliance with the CSR Committee serving as the formulation, deliberation and decision-making body and the Legal Department as the execution body.

Basic Approach toward the Internal Control System and Establishment Status

We have documented and have been making efforts to embed the Group basic policy; the guidelines to ensure that each person working at the Group takes responsible actions; and the "ANEST IWATA Philosophy," which sets forth compliance with laws, the Articles of Incorporation, policies, internal rules, etc. The Company has set forth the basic policies on internal control in the Basic Policy on Corporate Governance, which is a basic component of the "ANEST IWATA Philosophy."

Risk Management

The Group has established rules such as the "Risk and Crisis Management Regulations" and the "Information Security Regulations" and strives to avoid and reduce the various risks relating to business. Additionally, the CSR Committee, on behalf of the Crisis Management Committee, identifies and assesses company-level risks, reviews control methods (acceptance, avoidance, mitigation, and transference), and reports once a year to the Board of Directors.

Major initiatives relating to risk management

Establishment of the overseas contact, "ANEST IWATA Group Hotline," in addition to the domestic whistle-blowing system, "ANEST IWATA Hotline."

Establishment of the "Suggestion Post," a system for making suggestions to the Representative Director

A system where the President personally receives awareness-raising information such as customer requests, product ideas, the stance of responding to the market, suggestions and problems/improvements; and other everyday matters that have become concerns for the employees, and responds to them in a timely and an appropriate manner, which aims to create a corporate culture which will allow senior management to respond to risks as quickly as possible.

Establishment of a Crisis Management Committee

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

Initiatives toward BCP*

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

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

*BCP: Business Continuity Planning

Convene the Crisis Management Committee and formulate the Group’s basic policies

Provide an environment conducive to new workstyles such as the proactive promotion of teleworking and the establishment of new evaluation methods.

Build a structure to maintain company functions and avoid greater risk in the event of an outbreak by dividing up the internal functions of the company and the functions of the facilities.

Identify the necessary emergency supplies, and consider and implement methods to procure them, and establish procurement channels that take advantage of the location of the overseas Group companies.

Distribute hard-to-get items (e.g. masks and face shields) to local residents and related parties, etc.
Prevention of Harassment

The Company considers sexual harassment and abuse of authority to be human rights problems and has formulated policies accordingly. The employment rules also prohibit both types of harassment as well as harassment as a result of having taken male advancement and diversity/inclusion.

Employment of Persons with Disabilities

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

Utilization of Elderly Human Capital

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

Human Capital Development

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

Example of human capital development systems and training

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of male employees</th>
<th>Percentage of female employees</th>
<th>Percentage of female managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>79%</td>
<td>21%</td>
<td>1.6%</td>
</tr>
<tr>
<td>2016</td>
<td>79%</td>
<td>21%</td>
<td>1.6%</td>
</tr>
<tr>
<td>2017</td>
<td>79%</td>
<td>21%</td>
<td>1.6%</td>
</tr>
<tr>
<td>2018</td>
<td>79%</td>
<td>21%</td>
<td>1.6%</td>
</tr>
<tr>
<td>2019</td>
<td>79%</td>
<td>21%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

*ANEST IWATA Corporation (Japan)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of employees with disabilities (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2.01%</td>
</tr>
<tr>
<td>2016</td>
<td>1.91%</td>
</tr>
<tr>
<td>2017</td>
<td>2.08%</td>
</tr>
<tr>
<td>2018</td>
<td>1.97%</td>
</tr>
<tr>
<td>2019</td>
<td>2.79%</td>
</tr>
</tbody>
</table>

*ANEST IWATA Corporation (Japan)
Life-work Balance

The Company promotes work-style reforms so that the Compa-
ny and the products it produces become a source of the em-
ployees’ pride, which will be shared with family and friends. The
Company will achieve this by having the employees, who sup-
port the very foundations of the Company, find joy and pride in
their work. The Company will provide a work environment, in
which employees can remain healthy and safe and work ener-
ggetically, and aim to become the leading white-collar company
in the machinery sector.

Example of workstyle reforms conducted by the Company

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

Support for life events
• Payment of money gifts at childbirth

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

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees using the childcare leave system</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Number of employees using the nursing care leave system</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Number of employees using reduced work schedules</td>
<td>—</td>
<td>—</td>
<td>6</td>
<td>6</td>
<td>5</td>
</tr>
</tbody>
</table>

Occupational Safety

The Company is focused on its occupational safety activities
based on the principle of “Safety First (Safety shall have priority
overall”). To promote these activities, an in-house Occupational
Safety Committee has been established to conduct safety pa-
trols of the head office and the factories on a monthly basis,
responds in accordance with the pre-determined “Disaster Re-
sponse Flow.” Additionally, we conduct fire drills using the ac-
tual ABC Dry Powder Fire Extinguisher, CPR training, and other
emergency drills twice a year.

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

In 2018, the “Safety School (Annex Doki),” a facility where indus-
trial accidents are recreated and their dangers can be experi-
enced firsthand, was established within the factory building of
the Fukushima Factory. This facility allows employees to actually
experience the types of potential dangers that could occur when
on-site and through this experience raises their safety awareness.

Health and Productivity Management Declaration

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

The type of health targeted by the Company is where “every-
one shines brilliantly with a smile on their faces.” To this end, we
will establish mechanisms for better health as well as reinforce-
ment and promotion systems for supporting the balance of work
and medical treatment so that employees, when they become ill,
can devote themselves to treatment without any worries. At
the same time, we will raise the awareness of each employee to-
ward health and make company-wide efforts to promote health
and productivity management. Through health and productivity
management, we will strive to ultimately contribute to the devel-
opment of the local community and the machinery industry, as
well as the development of the Company where the employees
and their families shine brilliantly with a smile on their faces.

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

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

Initiatives toward the Promotion of Health and Productivity Management

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

In addition to establishing a doctor’s room at the head office
and the factories, the Company is providing care for both the
mental and physical well-being of its employees, through the
prevention of lifestyle diseases, support in quitting smoking, and
periodic interviews relating to mental health, as well as the health
and safety provided by the industrial physicians and health nurses.
We also hold lectures by the industrial physicians to support
health and health-related events by expert lecturers each year.
In FY2019, we held a seminar for exercises that can be done in
chairs, and the seminar was broadcast live to each factory with
the participation of many employees. At the head office, we also
periodically hold voluntary stretch classes by the health nurse on
the artificial turf area of the communication lounge to improve
the health of our employees.

Additionally, as part of our health and social contribution ac-

tivities, we hold a blood drive within our premises
twice a year. This year we received a letter of grati-
tude from the Japan Red Cross Society, in recog-
nition of our blood donation
tivities for the past 40 years.

Oriental Safety Initiatives at the Factories

In every stage.
risks of danger lurking at the production and experiment sites
agers of each location and the executives of the labor unions.
controls of the head office and the factories on a monthly basis,
Based on the principle of “Safety First (Safety shall have priority

Management Conference

Health and Productivity Management Promotion Committee

Health Insurance

Industrial health staff

安全管理の実施方法

*3. Mechanism which allows for advice and consultations on policies
and the implementation of policies from a health and safety standpoint

*4. Mechanism which allows for advice and consultations on policies
and the implementation of policies from a health and safety standpoint
The Group, aware of being a member of society, contributes to society through various business activities in the countries and regions of the world, as well as engage in activities that are rooted in the regional communities.

Living in Harmony with Society

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

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

Head Office: Holding External Events

In November 2019, at our head office in Kohoku-ku, Yokohama, we held “ANEST IWATA Presents: WAKUWAKU Research Center” an external event to interact and build a relationship with our wide-ranging stakeholders, namely the neighboring residents and the families of our employees. Approximately 650 guests attended this event. The event was held under fair skies with attractions using the Company’s products and facilities, such as the cake-decorating experience using the spray equipment dedicated to foods and the “Cold Experience” in which visitors experienced 20 degrees centigrade below 0 conditions in an environmental testing laboratory. Additionally, local foods were offered from Yokohama, Akitaka, Fukushima, and Germany, where the Company has its bases. In this way, the event offered content that could be enjoyed by all five senses of “see,” “hear,” “touch,” “eat,” and “smell.” Visitors commented, “Although we live nearby, we didn’t realize that ANEST IWATA was making these products,” and “We had fun learning what kind of a company ANEST IWATA was,” and the event encouraged an understanding of not only the Company’s products but also its corporate culture and its business activities.

Akita Factory: Boosting the Revitalization of the Regional Community

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

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

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

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

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

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

Other major social contribution activities

- Accepted high school student interns, and provided work experience to junior high students and persons with disabilities
- Conducted once-a-year cleanups of the areas surrounding the factory
- Co-sponsored local sports fairs
- Accepted high school student interns, and provided work experience to junior high schools and business associations
- Conducted regular factory visits (e.g. for the executive meetings of the administrative district and extracurricular events of the local schools)
- Conducted activities to raise and promote hospitality (e.g. presentation of commemorative gifts to visitors and offering meals that meet the dietary requirements of the visitor, such as halal meals and children's meals)
Environmental Policy
We will always be aware of our impact on the earth environment and continuously promote the prevention of environmental contamination.

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

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

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

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

Major environmental education programs implemented in FY2019

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

Environmental Slogan
Future environment = Our responsibility

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

<table>
<thead>
<tr>
<th>Prevention of environmental contamination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
</tr>
<tr>
<td>Reduction of greenhouse gases and saving energy</td>
</tr>
<tr>
<td>Reduction of the use of specific chemical substances</td>
</tr>
<tr>
<td>Prevention of water pollution</td>
</tr>
<tr>
<td>Maintain the readings on sewer water within the regulation values at the 3 locations (Head office, Akita Factory, and Fukushima Factory)</td>
</tr>
<tr>
<td>Reduction of energy consumption (weight equivalent)</td>
</tr>
<tr>
<td>1% or more year-on-year reduction in energy intensity</td>
</tr>
<tr>
<td>Reduction of CO₂ emission</td>
</tr>
<tr>
<td>1% or more year-on-year reduction in energy intensity</td>
</tr>
<tr>
<td>Reduction of waste emission</td>
</tr>
<tr>
<td>Reduction below the previous year’s level in energy intensity at the 3 locations (Head office, Akita Factory, and Fukushima Factory)</td>
</tr>
<tr>
<td>Formation of a recycle-based society</td>
</tr>
<tr>
<td>Recycling of waste</td>
</tr>
<tr>
<td>Maintain a waste recycling rate of 95% or higher at the 3 locations (Head office, Akita Factory, and Fukushima Factory)</td>
</tr>
</tbody>
</table>

Prevention of Environmental Contamination
The chemical substances that are mainly used by the Company are contained in solvent paints and diluents used in the experiments and tests of various coating equipment and the manufacture of products. We manage these substances in accordance with the Pollutant Release and Transfer Register (PRTR) system and are making efforts to reduce their use. We are also conducting water quality measurements at frequencies mandated by laws as well as voluntary measurements of odor and striving to prevent environmental contamination through the promotion of these improvement activities.
Reduction of Greenhouse Gases and Saving Energy

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

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

Reduction of Waste

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

Green Procurement

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

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

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

5-year Condensed Financial Data

ANEST IWATA Corporation and Consolidated Subsidiaries

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (Million yen)</td>
<td>29,524</td>
<td>29,548</td>
<td>32,817</td>
<td>38,807</td>
<td>39,091</td>
</tr>
<tr>
<td>Cost of sales (Million yen)</td>
<td>16,486</td>
<td>16,557</td>
<td>18,384</td>
<td>22,030</td>
<td>22,505</td>
</tr>
<tr>
<td>Total selling, general and administrative expenses (Million yen)</td>
<td>9,241</td>
<td>9,257</td>
<td>10,608</td>
<td>12,437</td>
<td>12,710</td>
</tr>
<tr>
<td>Operating profit (Million yen)</td>
<td>3,796</td>
<td>3,733</td>
<td>3,824</td>
<td>4,339</td>
<td>3,876</td>
</tr>
<tr>
<td>Net income attributable to owners of parent (Million yen)</td>
<td>2,593</td>
<td>3,400</td>
<td>2,809</td>
<td>2,947</td>
<td>2,717</td>
</tr>
<tr>
<td>Net cash provided by operating activities (Million yen)</td>
<td>3,749</td>
<td>3,397</td>
<td>4,079</td>
<td>4,848</td>
<td>4,141</td>
</tr>
<tr>
<td>Net cash used in investing activities (Million yen)</td>
<td>(849)</td>
<td>(526)</td>
<td>(3,485)</td>
<td>(551)</td>
<td>(1,543)</td>
</tr>
<tr>
<td>Net cash used in financing activities (Million yen)</td>
<td>(1,089)</td>
<td>(1,319)</td>
<td>(666)</td>
<td>(1,848)</td>
<td>(2,281)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of period (Million yen)</td>
<td>6,220</td>
<td>7,678</td>
<td>7,692</td>
<td>9,858</td>
<td>10,092</td>
</tr>
<tr>
<td>Total assets (Million yen)</td>
<td>34,678</td>
<td>38,895</td>
<td>47,277</td>
<td>47,557</td>
<td>48,102</td>
</tr>
<tr>
<td>Total net assets (Million yen)</td>
<td>25,518</td>
<td>28,605</td>
<td>32,777</td>
<td>33,502</td>
<td>34,570</td>
</tr>
<tr>
<td>Total shareholders’ equity (Million yen)</td>
<td>23,535</td>
<td>26,047</td>
<td>27,981</td>
<td>29,845</td>
<td>31,423</td>
</tr>
<tr>
<td>Net income attributable to owners of parent (yen)</td>
<td>62.14</td>
<td>81.48</td>
<td>67.32</td>
<td>70.62</td>
<td>65.14</td>
</tr>
<tr>
<td>Cash dividends (yen)</td>
<td>22.00</td>
<td>20.00</td>
<td>20.00</td>
<td>22.00</td>
<td>24.00</td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>70.3</td>
<td>68.7</td>
<td>61.4</td>
<td>62.9</td>
<td>64.6</td>
</tr>
<tr>
<td>Return on assets (ROA) (%)</td>
<td>7.6</td>
<td>9.2</td>
<td>6.5</td>
<td>6.2</td>
<td>5.7</td>
</tr>
<tr>
<td>Return on equity (ROE) (%)</td>
<td>10.9</td>
<td>13.3</td>
<td>10.1</td>
<td>10.0</td>
<td>8.9</td>
</tr>
</tbody>
</table>

(Note) In conjunction with the issue of ASBJ Statement No. 28, “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc., relevant standards have been applied retrospectively. Accordingly, the figures for the fiscal year ended March 31, 2019, represent the figures after retrospective application.
### Consolidated Balance Sheets

**As of March 31, 2019 and 2020**

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2019</th>
<th>As of March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>10,787,387</td>
<td>10,850,291</td>
</tr>
<tr>
<td>Notes and accounts receivable - trade</td>
<td>7,336,996</td>
<td>7,722,900</td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>3,914,313</td>
<td>3,899,513</td>
</tr>
<tr>
<td>Work in process</td>
<td>873,703</td>
<td>1,148,741</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>2,231,808</td>
<td>2,273,238</td>
</tr>
<tr>
<td>Other</td>
<td>1,065,432</td>
<td>(187,458)</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>26,021,583</td>
<td>26,763,107</td>
</tr>
<tr>
<td>Total current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>10,376,487</td>
<td>10,841,437</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(5,138,609)</td>
<td>(5,482,653)</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles</td>
<td>7,297,478</td>
<td>7,407,981</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(4,740,931)</td>
<td>(5,044,485)</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles, net</td>
<td>2,556,546</td>
<td>2,363,495</td>
</tr>
<tr>
<td>Land</td>
<td>2,137,302</td>
<td>2,133,994</td>
</tr>
<tr>
<td>Leased assets</td>
<td>2,330,835</td>
<td>2,645,637</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(987,630)</td>
<td>(1,213,923)</td>
</tr>
<tr>
<td>Leased assets, net</td>
<td>1,341,204</td>
<td>1,431,713</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>522,237</td>
<td>88,770</td>
</tr>
<tr>
<td>Other</td>
<td>2,388,584</td>
<td>2,133,994</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(1,928,287)</td>
<td>(2,088,728)</td>
</tr>
<tr>
<td>Other, net</td>
<td>460,996</td>
<td>450,368</td>
</tr>
<tr>
<td>Total property, plant and equipment</td>
<td>12,257,465</td>
<td>11,827,126</td>
</tr>
<tr>
<td><strong>Intangible Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>1,688,080</td>
<td>1,269,023</td>
</tr>
<tr>
<td>Software</td>
<td>169,019</td>
<td>191,680</td>
</tr>
<tr>
<td>Other</td>
<td>1,461,736</td>
<td>1,396,805</td>
</tr>
<tr>
<td>Total intangible assets</td>
<td>3,318,836</td>
<td>2,965,508</td>
</tr>
<tr>
<td><strong>Investments and Other Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>4,238,656</td>
<td>4,510,713</td>
</tr>
<tr>
<td>Long-term loans receivable</td>
<td>23,665</td>
<td>33,148</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>957,769</td>
<td>1,079,262</td>
</tr>
<tr>
<td>Net defined benefit asset</td>
<td>574,630</td>
<td>628,946</td>
</tr>
<tr>
<td>Long-term time deposits</td>
<td>11,786</td>
<td>168,888</td>
</tr>
<tr>
<td>Other</td>
<td>(1,641,130)</td>
<td>258,868</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>58,999,193</td>
<td>6,654,361</td>
</tr>
<tr>
<td>Total investments and other assets</td>
<td>21,536,214</td>
<td>21,338,937</td>
</tr>
<tr>
<td>Total Assets</td>
<td>47,557,998</td>
<td>48,102,044</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2019</th>
<th>As of March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable - trade</td>
<td>4,204,616</td>
<td>4,251,944</td>
</tr>
<tr>
<td>Short-term loans payable</td>
<td>1,399,568</td>
<td>909,930</td>
</tr>
<tr>
<td>Current portion of long-term loans payable</td>
<td>1,201</td>
<td>—</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>205,039</td>
<td>229,334</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>500,151</td>
<td>443,970</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>646,434</td>
<td>667,484</td>
</tr>
<tr>
<td>Provision for directors' bonuses</td>
<td>91,759</td>
<td>114,850</td>
</tr>
<tr>
<td>Provision for product warranties</td>
<td>203,503</td>
<td>230,634</td>
</tr>
<tr>
<td>Other</td>
<td>2,703,490</td>
<td>2,649,257</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>9,056,130</td>
<td>9,497,408</td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term loans payable</td>
<td>270,192</td>
<td>231,990</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>1,194,754</td>
<td>1,28,763</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>295,098</td>
<td>258,663</td>
</tr>
<tr>
<td>Retirement benefit liability</td>
<td>2,239,742</td>
<td>2,169,606</td>
</tr>
<tr>
<td>Provision for share-based remuneration for directors and other offices</td>
<td>—</td>
<td>39,785</td>
</tr>
<tr>
<td>Other</td>
<td>98,282</td>
<td>65,356</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>4,098,770</td>
<td>4,034,165</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>14,054,901</td>
<td>13,531,573</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>3,354,353</td>
<td>3,354,353</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>1,117,838</td>
<td>1,117,838</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>25,778,817</td>
<td>27,136,665</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(5,993)</td>
<td>(185,165)</td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td>29,845,616</td>
<td>31,423,692</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>527,187</td>
<td>217,457</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>(200,006)</td>
<td>(332,219)</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(216,271)</td>
<td>(216,271)</td>
</tr>
<tr>
<td>Total accumulated other comprehensive income</td>
<td>55,978</td>
<td>(331,032)</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>3,601,303</td>
<td>3,477,811</td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>33,402,997</td>
<td>34,570,471</td>
</tr>
<tr>
<td>Total Liabilities and Net Assets</td>
<td>47,557,998</td>
<td>48,102,044</td>
</tr>
</tbody>
</table>
## Consolidated Statements of Income

### From April 1, 2018 To March 31, 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>(Thousands of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>38,807,259</td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td>22,010,151</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>16,777,107</td>
</tr>
<tr>
<td><strong>Selling, General and Administrative Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Sales commission</td>
<td>499,904</td>
</tr>
<tr>
<td>Packing and transportation expenses</td>
<td>899,922</td>
</tr>
<tr>
<td>Directors’ compensations, salaries and allowances</td>
<td>4,250,915</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>385,894</td>
</tr>
<tr>
<td>Provision for directors’ bonuses</td>
<td>91,759</td>
</tr>
<tr>
<td>Provision for share-based remuneration for directors and other officers</td>
<td>—</td>
</tr>
<tr>
<td>Retirement benefit expenses</td>
<td>100,832</td>
</tr>
<tr>
<td>Welfare expenses</td>
<td>1,036,612</td>
</tr>
<tr>
<td>Rent expenses</td>
<td>427,794</td>
</tr>
<tr>
<td>Provision for product warranties</td>
<td>187,672</td>
</tr>
<tr>
<td>Provision of allowance for doubtful accounts</td>
<td>35,566</td>
</tr>
<tr>
<td>Other</td>
<td>4,520,769</td>
</tr>
<tr>
<td><strong>Total selling, general and administrative expenses</strong></td>
<td>12,437,642</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>4,339,464</td>
</tr>
<tr>
<td><strong>Non-Operating Income</strong></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>52,557</td>
</tr>
<tr>
<td>Dividend income</td>
<td>68,941</td>
</tr>
<tr>
<td>Insurance income</td>
<td>67,842</td>
</tr>
<tr>
<td>Share of profit of entities accounted for using equity method</td>
<td>317,548</td>
</tr>
<tr>
<td>Subsidy income</td>
<td>2,623</td>
</tr>
<tr>
<td>Other</td>
<td>149,631</td>
</tr>
<tr>
<td><strong>Total non-operating income</strong></td>
<td>659,144</td>
</tr>
<tr>
<td><strong>Non-Operating Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Interest expenses</td>
<td>80,244</td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>85,135</td>
</tr>
<tr>
<td>Retirement benefit expenses for prior periods</td>
<td>111,359</td>
</tr>
<tr>
<td>Other</td>
<td>20,669</td>
</tr>
<tr>
<td><strong>Total non-operating expenses</strong></td>
<td>297,308</td>
</tr>
<tr>
<td><strong>Ordinary Profit</strong></td>
<td>4,701,700</td>
</tr>
</tbody>
</table>

### From April 1, 2019 To March 31, 2020

<table>
<thead>
<tr>
<th>Description</th>
<th>(Thousands of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>39,091,312</td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td>22,505,142</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>16,586,169</td>
</tr>
<tr>
<td><strong>Selling, General and Administrative Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Sales commission</td>
<td>490,176</td>
</tr>
<tr>
<td>Packing and transportation expenses</td>
<td>871,815</td>
</tr>
<tr>
<td>Directors’ compensations, salaries and allowances</td>
<td>4,449,810</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>419,641</td>
</tr>
<tr>
<td>Provision for directors’ bonuses</td>
<td>114,850</td>
</tr>
<tr>
<td>Provision for share-based remuneration for directors and other officers</td>
<td>—</td>
</tr>
<tr>
<td>Retirement benefit expenses</td>
<td>188,362</td>
</tr>
<tr>
<td>Welfare expenses</td>
<td>1,064,306</td>
</tr>
<tr>
<td>Rent expenses</td>
<td>479,328</td>
</tr>
<tr>
<td>Provision for product warranties</td>
<td>191,711</td>
</tr>
<tr>
<td>Provision of allowance for doubtful accounts</td>
<td>100,702</td>
</tr>
<tr>
<td>Other</td>
<td>4,299,529</td>
</tr>
<tr>
<td><strong>Total selling, general and administrative expenses</strong></td>
<td>12,710,019</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>3,876,150</td>
</tr>
<tr>
<td><strong>Non-Operating Income</strong></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>61,168</td>
</tr>
<tr>
<td>Dividend income</td>
<td>77,391</td>
</tr>
<tr>
<td>Insurance income</td>
<td>14,261</td>
</tr>
<tr>
<td>Share of profit of entities accounted for using equity method</td>
<td>324,753</td>
</tr>
<tr>
<td>Subsidy income</td>
<td>137,056</td>
</tr>
<tr>
<td>Other</td>
<td>135,626</td>
</tr>
<tr>
<td><strong>Total non-operating income</strong></td>
<td>3,786,150</td>
</tr>
<tr>
<td><strong>Non-Operating Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Interest expenses</td>
<td>78,844</td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>129,082</td>
</tr>
<tr>
<td>Retirement benefit expenses for prior periods</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>17,253</td>
</tr>
<tr>
<td><strong>Total non-operating expenses</strong></td>
<td>225,190</td>
</tr>
<tr>
<td><strong>Ordinary Profit</strong></td>
<td>4,401,226</td>
</tr>
</tbody>
</table>

### Extraordinary Income

<table>
<thead>
<tr>
<th>Description</th>
<th>(Thousands of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on step acquisitions</td>
<td>2,697</td>
</tr>
<tr>
<td>Gain on sales of non-current assets</td>
<td>8,689</td>
</tr>
<tr>
<td>Loss on liquidation of associates</td>
<td>53,761</td>
</tr>
<tr>
<td>Gain on liquidation of subsidiaries</td>
<td>50,668</td>
</tr>
<tr>
<td><strong>Total extraordinary income</strong></td>
<td>62,055</td>
</tr>
</tbody>
</table>

### Extraordinary Losses

<table>
<thead>
<tr>
<th>Description</th>
<th>(Thousands of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment loss</td>
<td>135,552</td>
</tr>
<tr>
<td>Loss on sales of non-current assets</td>
<td>1,190</td>
</tr>
<tr>
<td>Loss on retirement of non-current assets</td>
<td>2,886</td>
</tr>
<tr>
<td>Dismantlement cost</td>
<td>370</td>
</tr>
<tr>
<td>Loss on liquidation of subsidiaries</td>
<td>24,975</td>
</tr>
<tr>
<td>Product warranty expenses</td>
<td>52,641</td>
</tr>
<tr>
<td>Litigation settlement</td>
<td>—</td>
</tr>
<tr>
<td>Special pay to employees due to COVID-19</td>
<td>29,322</td>
</tr>
<tr>
<td><strong>Total extraordinary losses</strong></td>
<td>246,938</td>
</tr>
</tbody>
</table>

### Profit before Income Taxes

<table>
<thead>
<tr>
<th>Description</th>
<th>(Thousands of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extraordinary income</td>
<td>4,213,369</td>
</tr>
<tr>
<td>Income Taxes - Current</td>
<td>1,204,862</td>
</tr>
<tr>
<td>Income taxes - Deferred</td>
<td>(39,515)</td>
</tr>
<tr>
<td><strong>Total Income Taxes</strong></td>
<td>1,165,346</td>
</tr>
<tr>
<td>Net income</td>
<td>3,443,527</td>
</tr>
<tr>
<td>Net Income Attributable to Non-Controlling Interest</td>
<td>330,182</td>
</tr>
<tr>
<td>Net Income Attributable to Owners of Parent</td>
<td>2,177,840</td>
</tr>
</tbody>
</table>

### Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th>Description</th>
<th>From April 1, 2018 To March 31, 2019</th>
<th>From April 1, 2019 To March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>3,343,527</td>
<td>3,048,023</td>
</tr>
<tr>
<td><strong>Other Comprehensive Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>(309,929)</td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>(228,605)</td>
<td></td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans, net of tax</td>
<td>55,131</td>
<td></td>
</tr>
<tr>
<td>Share of other comprehensive income of entities accounted for using equity method</td>
<td>(18,953)</td>
<td></td>
</tr>
<tr>
<td><strong>Total other comprehensive income</strong></td>
<td>(502,357)</td>
<td>(2,024,213)</td>
</tr>
<tr>
<td><strong>Comprehensive Income</strong></td>
<td>3,041,170</td>
<td>2,545,665</td>
</tr>
<tr>
<td><strong>Breakdown of comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income attributable to owners of parent</td>
<td>2,177,840</td>
<td></td>
</tr>
<tr>
<td>Comprehensive income attributable to non-controlling interests</td>
<td>214,836</td>
<td></td>
</tr>
</tbody>
</table>
### Consolidated Statements of Changes in Net Assets

**ANEST IWATA Corporation and Subsidiaries**  
For the Year Ended March 31, 2020

<table>
<thead>
<tr>
<th>Year Ended March 31, 2019</th>
<th>(Thousands of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>1,544,823</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>1,544,823</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>237,667</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>4,970</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>1,819,870</td>
</tr>
<tr>
<td><strong>Accumulated other comprehensive income</strong></td>
<td></td>
</tr>
<tr>
<td>Value difference on available-for-sale securities</td>
<td>40,753</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>30,109</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plan</td>
<td>256,935</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>313,708</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>123,087</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>3,771,848</td>
</tr>
</tbody>
</table>

#### Changes of items during period

- **Balance at April 1, 2018**
  - 1,544,823
  - 1,544,823
  - 237,667
  - 4,970
  - 1,819,870

- **Change in treasury shares**
  - (37)
  - (37)
  - (37)

- **Dividends of surplus**
  - (876,515)
  - (876,515)
  - (876,515)

- **Change in provision for bonuses**
  - (11,462)
  - (138,137)
  - (11,462)

- **Change in provision for product warranties**
  - (82,805)
  - (82,805)
  - (82,805)

- **Change in provision in net defined benefit liability**
  - (165,889)
  - (165,889)
  - (165,889)

- **Increase in provision for directors’ bonuses**
  - 7,000
  - 7,000
  - 7,000

- **Increase in provision for share-based remuneration for directors and other officers**
  - 37,576
  - 37,576
  - 37,576

- **Profit before Income Taxes**
  - 4,579,845
  - 4,579,845
  - 4,579,845

#### Balance at March 31, 2019

- 3,757,847
- 1,757,847
- (179,771)
- 1,578,076
- (309,929)
- (132,212)
- 55,131
- (387,011)
- (123,491)
- 1,067,573

#### Changes of items during period

- **Total changes of items**
  - 3,354,353
  - 1,117,838
  - 27,136,665
  - (185,165)
  - 31,423,692
  - 217,457
  - (332,219)
  - (216,271)
  - (331,032)
  - 3,477,811
  - 34,570,471

#### Balance at March 31, 2020

- 4,213,369
- 9,835,586
- 8,050,529

### Consolidated Statements of Cash Flows

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

#### From April 1, 2018 To March 31, 2019

<table>
<thead>
<tr>
<th>From April 1, 2018 To March 31, 2019</th>
<th>(Thousands of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Profit before Income Taxes</td>
<td>4,579,845</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,618,117</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>264,147</td>
</tr>
<tr>
<td>Increase in allowance for doubtful accounts</td>
<td>22,394</td>
</tr>
<tr>
<td>Increase in provision for bonuses</td>
<td>22,000</td>
</tr>
<tr>
<td>Increase (decrease) in provision for product warranties</td>
<td>(31,462)</td>
</tr>
<tr>
<td>Increase (decrease) in net defined benefit liability</td>
<td>(82,805)</td>
</tr>
<tr>
<td>Increase in net defined benefit asset</td>
<td>(165,889)</td>
</tr>
<tr>
<td>Increase in provision for directors’ bonuses</td>
<td>7,000</td>
</tr>
<tr>
<td>Increase in provision for share-based remuneration for directors and other officers</td>
<td>—</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>(121,498)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>80,244</td>
</tr>
<tr>
<td>Share of profit of entities accounted for using equity method</td>
<td>(354,668)</td>
</tr>
<tr>
<td>Loss (Gain) on sales of property, plant and equipment</td>
<td>27,813</td>
</tr>
<tr>
<td>Gain on step acquisitions</td>
<td>(2,697)</td>
</tr>
<tr>
<td>Gain on sales of shares of associates</td>
<td>—</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>69,090</td>
</tr>
<tr>
<td>Litigation settlement</td>
<td>49,010</td>
</tr>
<tr>
<td>Decrease (increase) in notes and accounts receivable - trade</td>
<td>96,371</td>
</tr>
<tr>
<td>Increase in inventories</td>
<td>(188,122)</td>
</tr>
<tr>
<td>Increase (decrease) in notes and accounts payable - trade</td>
<td>(503,777)</td>
</tr>
<tr>
<td>Other</td>
<td>716,437</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>5,966,856</td>
</tr>
<tr>
<td>Interest and dividend income received</td>
<td>121,498</td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>(76,844)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(1,406,600)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>4,414,396</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>From April 1, 2019 To March 31, 2020</th>
<th>(Thousands of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Payments into time deposits</td>
<td>(1,464,247)</td>
</tr>
<tr>
<td>Proceeds from withdrawal of time deposits</td>
<td>2,030,531</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment and intangible assets</td>
<td>(1,006,227)</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>192,876</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(121,191)</td>
</tr>
<tr>
<td>Proceeds from sales of intangible assets</td>
<td>131,212</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from sales of investment securities</td>
<td>91,050</td>
</tr>
<tr>
<td>Proceeds from redemption of investment securities</td>
<td>500,000</td>
</tr>
<tr>
<td>Payments of loans receivable</td>
<td>(8,020)</td>
</tr>
<tr>
<td>Collection of loans receivable</td>
<td>39,102</td>
</tr>
<tr>
<td>Payments for investments in capital of subsidiaries and associates</td>
<td>(252,014)</td>
</tr>
<tr>
<td>Purchase of shares of subsidiaries resulting in change in scope of consolidation</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>(1,491)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(1,543,311)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>From April 1, 2019 To March 31, 2020</th>
<th>(Thousands of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Financing Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Net decrease in short-term loans payable</td>
<td>(62,288)</td>
</tr>
<tr>
<td>Repayments of lease obligations</td>
<td>(172,703)</td>
</tr>
<tr>
<td>Proceeds from long-term loans payable</td>
<td>528,990</td>
</tr>
<tr>
<td>Repayments of long-term loans payable</td>
<td>(662,344)</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>(5)</td>
</tr>
<tr>
<td>Proceeds from treasury shares of subsidiaries</td>
<td>(77,649)</td>
</tr>
<tr>
<td><strong>Payments for investments in capital of subsidiaries not resulting in change in scope of consolidation</strong></td>
<td>(23,851)</td>
</tr>
<tr>
<td>Payment from change in ownership interests in subsidiaries that do not result in change in scope of consolidation</td>
<td>(137,451)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(997,663)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>(13,832)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(1,548,200)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>From April 1, 2019 To March 31, 2020</th>
<th>(Thousands of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effect of Exchange Rate Change on Cash and Cash Equivalents</strong></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2,166,299</td>
</tr>
<tr>
<td><strong>Increase in Cash and Cash Equivalents at Beginning of Period</strong></td>
<td>2,692,535</td>
</tr>
<tr>
<td>Cash and Cash Equivalents at Beginning of Period</td>
<td>9,835,586</td>
</tr>
<tr>
<td><strong>Increase in Cash and Cash Equivalents at End of Period</strong></td>
<td>7,542,969</td>
</tr>
</tbody>
</table>
Global Network  As of March 31, 2020

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

Number of Shares Issued (As of March 31, 2020)
- Total number of authorized shares: 189,290,000 shares
- Total number of shares issued: 41,738,841 shares
- Number of shareholders: 2,617

(Note) The treasury shares do not include 198,000 shares of the Company held by the Broad Benefit Trust (BFT).

Principal Shareholders (As of March 31, 2020)

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

(Note) 1. The ownership percentage of total shares issued has been calculated after the deduction of treasury shares.
2. According to a Report of Possession of Large Volume (Change Report) submitted by the Mitsubishi UFJ Financial Group, Inc. (Joint holders: MUFG Bank Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and MU Investments Co., Ltd.) for public inspection, as of April 16, 2018, it held 3,370,535 shares of the Company’s shares as of April 9, 2018. However, as of March 31, 2019, the actual number of shares held by the said company could not be confirmed by the Company, and accordingly, it was not included in the above major shareholders.

Composition of Shareholders (As of March 31, 2020)

- Securities companies: 30.59%
- Foreign investors: 20.07%
- Financial instruments business operators: 39.29%
- Other domestic incorporations: 9.78%
- Individuals and other: 0.56%
- Treasury shares: 0.02%

Consolidated Subsidiaries

- Japan
  - ANEST IWATA COMPRESSOR Corporation
  - ANEST IWATA COATING SOLUTIONS Corporation

- Air Engineering Co., Ltd.

- Asia
  - ANEST IWATA INDUSTRIAL MACHINERY (SHANGHAI) COMPANY LIMITED
  - ANEST IWATA (SHANGHAI) Corporation
  - ANEST IWATA (DONGGUAN) Corporation
  - ANEST IWATA FEILER CORPORATION
  - Shanghai Screw Compressor Co., Ltd.
  - Shanghai Globe Screw Technology Co., Ltd.
  - ANEST IWATA SPARMAX Co., Ltd.
  - ANEST IWATA MOTHERSON PVT. LTD.
  - ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) COMPANY LIMITED
  - ANEST IWATA (SHANGHAI) Corporation

- Europe
  - ANEST IWATA Deutschland GmbH
  - ANEST IWATA Europe GmbH
  - HARDER & STEENBECK GMBH & CO.KG
  - ANEST IWATA STRATEGIC CENTER Europe
  - ANEST IWATA France S.A.

- America
  - ANEST IWATA USA, Inc.
  - ANEST IWATA Canada, Inc.
  - ANEST IWATA INDUSTRIA E COMÉRCIO LTDA.
  - ANEST IWATA Australia Pty Ltd.

- Other Regions
  - ANEST IWATA South Africa (Pty) Ltd.

Corporate Profile (As of March 31, 2020)

Company Name: ANEST IWATA Corporation
Head Office: 31% 7, Shin Yoshioka-cho, Kohoku-ku, Yokohama 223-8501, Japan
Representative: Takahiro Tsubota, President
Founded: May, 1926
Incorporated: June, 1948
Main Business: Manufacture and sales of air compressors, vacuum pumps, coating equipment, and coating systems
Capital: 3,354 million yen
Number of Employees: 1,733 (Japan: 621, Overseas: 1,112)
End of Fiscal Year: March 31
Listed Securities Exchange: First section, Tokyo Stock Exchange

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

(Note) 1. The shareholding ratio has been calculated by subtracting the number of treasury shares (6,664 shares).
2. The shareholding ratio has been calculated after the deduction of treasury shares.
3. ANEST IWATA Compact Corporation and ANEST IWATA Coating Solutions Corporation were merged into the Company by an absorption-type merger, effective April 1, 2020.
4. ANEST IWATA MOTHERSON COATING EQUIPMENT CORPORATION in China was dissolved.

Domestic Locations

- Sapporo Branch
- Tochoku Branch
- Kanto Branch
- North Kanto Branch
- Chubu Branch
- Kansai Branch
- Fukushima Branch

Foreign Locations

- ANEST IWATA Polska Sp. z o.o.
- ANEST IWATA Iberica, S. L.
- ANEST IWATA SCANDINAVIA AB
- ANEST IWATA France S.A.
- ANEST IWATA USA, Inc.
- ANEST IWATA Australia Pty Ltd.
- ANEST IWATA South Africa (Pty) Ltd.
- ANEST IWATA MOTHERSON COATING EQUIPMENT CORPORATION in China was dissolved.
- ANEST IWATA Compact Corporation and ANEST IWATA Coating Solutions Corporation were merged into the Company by an absorption-type merger, effective April 1, 2020.