

## FY2020 Full-Year Consolidated Financial Results [Japan GAAP] (April 1, 2020 through March 31, 2021)

May 10, 2021

Company Name	: ANEST IWATA Corporation
Stock Exchanges on which the shares are listed	: Tokyo Stock Exchange in Japan
Code Number	: 6381
URL	: <a href="https://www.anest-iwata.co.jp/english">https://www.anest-iwata.co.jp/english</a>
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Date of the Ordinary General Shareholders' Meeting	: June 25, 2021
Payment Date of Cash Dividends	: June 28, 2021
Scheduled Date for Submission of Financial Statements	: June 25, 2021
Supplementary Materials Prepared for Financial Results	: Yes
Holding of the Financial Results Meeting	: Yes (for analysts and institutional investors)

(Amounts are rounded to the nearest million yen)

### 1. Consolidated Results for FY2020 (April 1, 2020 through March 31, 2021)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Parent Company Shareholders	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2020	35,588	(9.0)	3,444	(11.1)	4,253	(3.4)	2,623	(3.5)
FY2019	39,091	0.7	3,876	(10.7)	4,401	(6.4)	2,717	(7.8)

(Note) Comprehensive Income: FY2020 3,223 million yen (26.6%), FY2019 2,545 million yen (18.9%)

	Net Income per share - Basic	Net Income per share - Diluted	Return of Equity	Return of Asset	Operating Profit on Sales
	Yen	Yen	%	%	%
FY2020	63.34	—	8.3	8.7	9.7
FY2019	65.14	—	8.9	9.2	9.9

(Reference) Equity in income of affiliates FY2020 315 million yen, FY2019 324 million yen

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per share
	Million Yen	Million Yen	%	Yen
FY2020	49,458	36,133	65.2	784.91
FY2019	48,102	34,570	64.6	748.16

(Reference) Equity capital: FY2020 32,242 million yen, FY2019 31,092 million yen

### (3) Consolidated Cash Flow

	Net Cash provided by Operating Activities	Net Cash used in Investing Activities	Net Cash used in Financing Activities	Cash and Cash Equivalents at End of Period
	Million Yen	Million Yen	Million Yen	Million Yen
FY2020	4,602	(1,067)	(1,958)	11,643
FY2019	4,141	(1,543)	(2,281)	10,092

### 2. Cash Dividends

	Annual Cash Dividends per share					Total Amount of Cash Dividends	Dividends Payout Ratio (Consolidated)	Dividends on Equity (Consolidated)
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
FY2019	—	12.00	—	12.00	24.00	1,001	36.8	3.3
FY2020	—	12.00	—	12.00	24.00	995	37.9	3.1
FY2021 (forecast)	—	12.00	—	12.00	24.00		39.4	

### 3. Forecast of Consolidated Results for FY2021 (April 1, 2021 through March 31, 2022)

(% of change from FY2020)

	Net Sales		Operating Income		Ordinary Income		Current Net Income Attributable to Parent Company Shareholders		Net Income per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Half-Year	19,000	14.9	1,750	22.4	2,000	13.7	1,250	10.5	30.30
Full-Year	38,500	8.2	3,600	4.5	4,100	(3.6)	2,515	(4.1)	60.96

\* Note

(1) Changes in specified subsidiaries during FY2020: Yes

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

New: None

Excluded: 2 (company name) ANEST IWATA COMPRESSOR Corporation  
ANEST IWATA COATING SOLUTIONS Corporation

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

(i) Change in accounting policy due to the revision of accounting standards, etc.: None

(ii) Change in accounting policy for other reasons: None

(iii) Change in accounting estimates: None

(iv) Restatement: None

(3) Number of shares issued (common share)

(i) Number of shares issued at the end of each fiscal year (including treasury shares)

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

(iii) Average number of shares outstanding in the period

FY2020	41,745,505 shares	FY2019	41,745,505 shares
FY2020	667,323 shares	FY2019	186,703 shares
FY2020	41,418,179 shares	FY2019	41,720,534 shares

\* We have introduced the stock compensation plan, "Board Benefit Trust (BBT)", since FY2019. The company shares owned by the Trust (previous consolidated fiscal year: number of treasury shares at the end of each fiscal year, 180,000 shares, and average number of shares outstanding in the period, 18,277 shares; current consolidated fiscal year: number of treasury shares at the end of each fiscal year, 180,000 shares, and average number of shares outstanding in the period, 180,000 shares) are included in the treasury shares, which are deducted in the calculation of the number of treasury shares at the end of each fiscal year and the average number of shares outstanding in the period.

(Reference) Non-consolidated financial results

Non-consolidated financial results in FY2020 (April 1, 2020 through March 31, 2021)

(1) Non-consolidated Financial Results

(% of change from FY2019)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2020	20,962	23.8	1,908	59.5	2,965	6.4	3,708	67.3
FY2019	16,936	(1.1)	1,197	(37.8)	2,786	(4.7)	2,217	0.6

	Net Income per share - Basic		Net Income per share - Diluted	
	Yen		Yen	
FY2020	89.54	—	—	—
FY2019	53.14	—	—	—

(2) Non-consolidated Financial Position

	Total Assets		Net Assets		Equity Ratio		Net Assets per share	
	Million Yen		Million Yen		%		Yen	
FY2020	35,662		27,852		78.1		678.03	
FY2019	32,718		25,448		77.8		612.35	

(Reference) Equity capital: FY2020 27,852 million yen, FY2019 25,448 million yen

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

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

- Forecasts for operations and other descriptions about the future that are contained in this document are based on the information acquired at the time of publication, as well as certain premises that we judge reasonable. The actual results of operations and so on may change greatly as a result of various factors. For information about the conditions acting as the premise for the expected results of operations and notes on the use of the expected results of operations, see "(1) Explanation for results of operations and financial condition" on page 2 of Attachment.

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## 1. Analysis of results of operations and financial condition

### (1) Explanation for results of operations and financial condition

#### (i) Overview and results of operations

In the current consolidated fiscal year, uncertainty has continued in the world economy because in China and the United States, there has been an upturn in the economy mainly in the manufacturing industry, but in Europe, lockdowns have been implemented in some regions due to the re-expansion of infection, showing regional differences in the recovery from coronavirus disease 2019 (COVID-19). In the domestic economy, the manufacturing industry has grown steadily, but the pace of recovery has slowed down due to, for example, the second declaration of a state of emergency.

Under such circumstances, the results of operations for the current consolidated fiscal year is as follows: Sales stood at 35,588 million yen (down 9.0% from the previous consolidated fiscal year), operating income at 3,444 million yen (down 11.1%), ordinary income at 4,253 million yen (down 3.4%), and net income attributable to parent company shareholders at 2,623 million yen (down 3.5%). Consequently, the ROE for the current consolidated fiscal year is 8.3% (down 0.6 point), but the equity ratio is up by 0.6 point to 65.2%.

(Reference values) Results of each division

(Amount: million yen)

Division	(Product Category)	Current consolidated fiscal year April 1, 2020 - March 31, 2021			
		Consolidated net sales	(Change from the corresponding period of the previous fiscal year)	Consolidated operating income	(Change from the corresponding period of the previous fiscal year)
Air Energy Division		20,866	(6.1%)	1,821	2.6%
	Air Compressors	19,304	(6.6%)		
	Vacuum Equipment	1,561	0.4%		
Coating Division		14,722	(12.7%)	1,623	(22.8%)
	Coating Equipment	11,483	(10.5%)		
	Coating Systems	3,239	(19.7%)		
Total		35,588	(9.0%)	3,444	(11.1%)

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

#### (ii) Results of operations by segment

Results of operations by regional segment, which our group adopts, are as described below. For details of the results of our operations by segment, refer to (Segment information, etc.) in "(5) Notes on consolidated financial statements" in "5. Consolidated financial statements and main notes".

##### Japan

Sales stood at 20,978 million yen (down 8.3% from the previous consolidated fiscal year) and segment income stood at 2,618 million yen (down 23.1%).

In the air compressor field, the demand for general-purpose products, mainly small-size air compressors, has recovered since the second half of the current fiscal year, but that cannot make up for the decrease in the first half of the year, so that sales have decreased in general.

In the vacuum equipment field, the sales of vacuum pumps for semiconductor manufacture-related equipment have increased since the second half of the year due to the recovery of semiconductor demand, so that sales are returning to the same level as that in the previous consolidated fiscal year.

In the coating equipment field, the sales of environmental equipment, mainly coating booths, have decreased greatly, but sales are on a recovery trend due to the sales of new spray guns and spray guns for photocatalyst coating, among others, combined with, for example, the increase in demand due to the backlash against the reluctance in buying in the first half of the year, in addition to the recovery of the auto industry and so on.

In the coating system field, the sales of coating systems for car parts manufacture have grown.

##### Europe

Sales stood at 4,448 million yen (down 4.2% from the previous consolidated fiscal year) and segment income stood at 301 million yen (up 27.6%).

In the air compressor field, sales have grown because of an increase in the demand for air compressors for the generic market, in addition to air compressors for use in milking and gas filling.

In the vacuum equipment field, sales have decreased due to, for example, the stagnation of sales activities owing to the re-expansion of COVID-19 and the effect of changes made to the selling system of the local subsidiaries.

In the coating equipment field, there has been an effect of the stagnation of economic activities due to the lockdowns owing to the re-expansion of infection. While there are regional differences in the recovery after the lifting of the lockdowns, sales are on a recovery trend due to, for example, campaigns using websites.

#### Asia

Sales stood at 12,895 million yen (down 6.7% from the previous consolidated fiscal year) and segment income stood at 1,045 million yen (down 6.8%).

In the air compressor field, the sales of medium-size air compressors have grown because China is one of the first countries where the economy has recovered. In addition, in India, the sales of medical oil-free air compressors have increased considerably. In Southeast Asia, in contrast, sluggish sales continue due to the effect of COVID-19, combined with political unrest and other factors.

In the vacuum equipment field, the sales of vacuum pumps for semiconductor manufacture-related equipment have grown in China and East Asia due to, for example, the expansion of semiconductor demand and a success in the development of equipment manufacturers.

In the coating equipment field, sales have recovered in China and India, while in Southeast Asia and elsewhere, sales are slow. The recovery cannot make up for the decrease in the first half of the current consolidated fiscal year, so that sales have decreased in general.

In the coating system field, sales have decreased because of, for example, the stagnation of operating activities due to the effect of COVID-19 and the postponed delivery due to a delay in a customer's construction plan.

#### Other

Sales stood at 4,925 million yen (down 6.7% from the previous consolidated fiscal year) and segment income stood at 435 million yen (up 135.0%). The increase in income is mainly due to, for example, the growth of sales of vacuum pumps and airbrushes in the United States and the reduced depreciation burden by recognizing the impairment loss of the "goodwill" about the local subsidiary in Australia in the previous consolidated fiscal year.

In the air compressor field, the sales of dental and medical oil-free air compressors have grown steadily in the United States and Brazil, while the sales of air compressors for general industries have slowed down due to, for example, the effect of the lockdowns owing to the re-expansion of infection, so that sales have decreased in general.

In the vacuum equipment field, sales have increased due to, for example, the sales of vacuum pumps for medical equipment manufacturers and a success in the development of equipment manufacturers in the United States.

In the coating equipment field, sales have grown due to the sudden increase in the sales of airbrushes throughout the year due to stay-at-home demand, despite the effect of the cooling of the car repair market in the United States.

In the coating system field, sales have decreased because of, for example, the stagnation of operating activities due to the effect of COVID-19 in Mexico and the postponed delivery due to a delay in a customer's construction plan.

### (iii) Analysis of financial condition

#### (a) Assets

For assets, our current assets stood at 28,893 million yen (up 8.0% from the previous consolidated fiscal year), mainly due to an increase of 2,050 million yen in the "cash and deposits". Our noncurrent assets stood at 20,565 million yen (down 3.6%), mainly due to, for example, a decrease of 259 million yen in the book value of buildings and structures due to, for example, depreciation, and a decrease of 295 million yen in the "goodwill". As a result, our total assets stood at 49,458 million yen (up 2.8%).

#### (b) Liabilities

For liabilities, our current liabilities stood at 9,606 million yen (up 1.2%), mainly due to, for example, an increase of 249 million yen in the "current portion of long-term payable" because of transfer. Our noncurrent liabilities stood at 3,717 million yen (down 7.8%), mainly due to, for example, an increase of 231 million yen in the "long-term loans payable" because of transfer. As a result, our total liabilities stood at 13,324 million yen (down 1.5%).

#### (c) Net assets

Our net assets stood at 36,133 million yen (up 4.5%), mainly due to an increase of 1,621 million yen in the "retained earnings". Our equity capital, which is calculated by subtracting the non-controlling shareholders' equity from the net assets, stood at 32,242 million yen, increasing our equity ratio by 0.6 percentage points to 65.2%, from 64.6% at the end of the previous consolidated fiscal year.

### (iv) Cash flow

Cash and cash equivalents (referred to as "funds" in the remainder of this document) for the current consolidated fiscal year were up by 1,550 million yen from the end of the previous consolidated fiscal year, at 11,643 million yen (up 15.4%) at the end of the current consolidated fiscal year. Each cash flow in the current consolidated fiscal year, as well as the causes, is as described below.

#### (a) Cash flows from operating activities

As a result of operating activities, the fund balance shows earnings of 4,602 million yen (up 11.1%), with an increase of 460 million yen from the end of the previous consolidated fiscal year, mainly due to, for example, an increase of 154 million yen in the "subsidy income received" including subsidies for employment adjustment and an increase of 1,645 million in proceeds because of fluctuations in the "decrease (increase) in notes and accounts receivable-trade".

(b) Net cash used in investing activities

As a result of investing activities, the fund balance shows expenses of 1,067 million yen (down 30.8%), with a decrease of 475 million yen in expenses from the end of the previous consolidated fiscal year, mainly due to, for example, a decrease of 603 million yen in the "purchase of investment securities".

(c) Net cash used in financing activities

As a result of financing activities, the fund balance shows expenses of 1,958 million yen (down 14.2%), with a decrease of 323 million yen in expenses from the end of the previous consolidated fiscal year, mainly due to, for example, a decrease of 355 million yen in expenses due to fluctuations in the "net decrease in short-term loans payable".

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

(Reference) Changes in cash flow related indexes

	March 2018	March 2019	March 2020	March 2021
Equity ratio (%)	61.4	62.9	64.6	65.2
Market-base equity ratio (%)	101.8	85.3	90.9	86.2
Cash flow-to-interest-bearing liabilities ratio (%)	67.1	63.4	63.7	53.6
Interest coverage ratio	163.5	60.4	52.5	72.8

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

Equity ratio: Equity capital/Total assets

Market-base equity ratio: Market capitalization/Total assets

Cash flow-to-interest-bearing liabilities ratio: Interest-bearing liabilities/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payments

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

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

4. As the operating cash flow, the net cash provided by operating activities in the consolidated statements of cash flow is used. Interest-bearing liabilities are all interest-bearing liabilities that are posted to the consolidated balance sheets. For interest payments, those in the consolidated statement of cash flow are used.

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

(v) Prospects for the upcoming year

Further economic recovery is anticipated in the next consolidated fiscal year, but it is not clear when COVID-19 will end, and it is expected that uncertainty will still continue in the world economy. In such a management environment, our group carries out measures for each region that are suitable for the degree of recovery, and yet at the same time, considers that it is necessary to accommodate the irreversible changes in tide caused by the spread of infection. For this reason, our group will proceed with business activities based on our conventional measures, and at the same time, as for the investment for becoming a 100-year-old company, will steadily carry out our plan mainly for IT investment, including operational reforms.

At present, the expected results of our operations for the full-year fiscal period ending in March 2022 are such that sales will stand at 38,500 million yen (up 8.2% from the current consolidated fiscal year), operating income will be 3,600 million yen (up 4.5%), ordinary income will be 4,100 million yen (down 3.6%), and net income attributable to parent company shareholders will be 2,515 million yen (down 4.1%). The assumed exchange rates are 103 yen to the dollar, 118 yen to the euro, and 15 yen to the yuan.

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

(i) Basic policy

Our group would like to enhance our corporate value and meet shareholder expectations by actively injecting money into the development of human resources, research and development, production capacity increase, production rationalization, M&A, etc. and improving our consolidated financial results from a mid- and long-term perspective. For the dividend, therefore, except in cases where sudden fluctuations occur in financial results or financial position, based on a consolidated dividend payout ratio of 35% or more, using as a guideline the range of the "net income attributable to our company shareholders" in the consolidated results.

(ii) Current dividend

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

(iii) Dividend for next term

At this point, whereas the prospects for the results of operations are severe due to the impact of COVID-19, we plan to make more investment, mainly IT investment, than in the previous fiscal year to ensure sustained growth toward a 100-year-old company as fiscal 2021 is the last year of the current midterm management plan. For the expected results of operations for the next fiscal year, we would like to keep the dividend to be paid at the end of the second quarter at 12 yen per share and the year-end dividend at 12 yen per share, giving an annual dividend per share of 24 yen. As for the internal reserve, we will make effective use of it as an investment fund for sustained growth.

### (3) Risks of businesses, etc.

The major risks recognized by the management to have a significant impact on our corporate value, financial condition, results of operations, and cash flow of our group (referred to collectively as "results of operations, etc." in the remainder of this document) are as described below.

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

#### (i) Risks related to business activities

##### 1) Changes in business environment

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

For this reason, if we stay with the existing markets, products, business models, and so on, we may not be able to achieve sustained growth due to, for example, decreasing demand for current products attributable to market structure changes. This may have a significant impact on the results of operations, etc. of our group.

To prevent such a risk, we need to develop new businesses and create pillar businesses, not to speak of continuing constant effort to improve quality in our existing business, as well as the development of products leading to solving social issues through monozukuri from a global viewpoint and, to that end, we will cultivate a corporate culture to dauntlessly take on a challenge with no fear of failure and, at the same time, promote changes of the mindset and behavior of all employees to collaborate with various outside companies. Our group will aim to further reinforce inter-group company exchanges and information collection, endeavor to determine market needs, and identify the importance of the needs in each country and market first and then create a system and establish management strategies so that we can accommodate changes in business environment in a flexible and prompt manner. In addition, to secure a system for supplying products stably even if a demand increase or a logistics cost increase occurs, we endeavor to reinforce the supply chain by, for example, purchasing from multiple suppliers and reviewing the logistics network.

If we ever get into a situation where we cannot achieve sustained growth, adversely affecting our results of operations, etc., we will immediately discuss through the board of directors and the management meeting, for example, to turn around the business strategy.

##### 2) Product quality

If any product not meeting the quality standard is supplied to the market, with any defect being overlooked in the procurement, processing, assembly, etc. of products, causing damage attributable to the defect, the loss arising from compensation, the handling of complaints, product recovery, product replacement, etc. will cost a great deal of money and, at the same time, we may lose customers' trust on products, which may have a significant adverse impact on the results of operations, etc. of our group.

Thus, in order to prevent such situations from happening, our group complies with the necessary rules, such as raw material standards and product standards, and the quality assurance division intervenes by taking an objective view right from the initial stages of product development to eliminate potential issues. Furthermore, by preparing an appropriate quality control system on production sites not only in Japan but also overseas by the use of, for example, techniques for promoting ISO9001, our group ensures product quality that meets the market needs in the respective countries.

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

##### 3) Business expansion with M&As

In order to accelerate the reinforcement of our business foundation and ensure sustained growth, our group actively promotes comprehensive business tie-ups with partners, including capital tie-ups with, and acquisitions of, companies that we recognize are necessary.

If we lose customers' trust in a specific sales area due to a failure to smoothly proceed with the sharing of the future direction or we fail to obtain the initially anticipated effect or benefit, resulting in the poor results of operations of the target company or if we fail to maintain the expected profitability, causing the real value to decrease remarkably, this may have a significant impact on the results of operations, etc. of our group.

In M&As, therefore, we have clarified the items to confirm, and we conduct M&As after going through the advance, careful examination of risks and returns, as well as the financial conditions, contractual relationships, etc. of the target company, and due diligence to judge whether sufficient synergetic effect can be obtained. In addition, we conduct PMI appropriately and ensure that the management and the business division in charge provide management assistance in an effort to prevent such risks from occurring.

If such a risk occurs for an inevitable reason, we will promptly proceed with management decisions by, for example, deciding whether the contract can be continued and determining losses.

(ii) Risks related to human resources

1) Securing human resources

Our group recognizes that it is vital to secure and train human resources that have diverse personalities and abilities to achieve sustained growth and accommodate market environment changes. In Japan, therefore, in line with the principle of hiring all employees as full-time employees, our group conducts recruiting activities throughout the year.

However, if we continue to stick to our existing hiring strategies, as well as the training policy and the personnel evaluation system for hired human resources, without making any improvements based on changes in business environment and so on, we may not be able to secure sufficient human resources toward future sustained growth, stagnating business activities and making sustained growth impossible.

For this reason, under legal labor management, we will focus on the development of human resources for placing the right people at the right place, the preparation of diversity management with the creation of a personnel evaluation system from a global viewpoint, and education of evaluators, among others. In addition, we will work on the effective use of labor force to accelerate operational reforms by promoting the automation and digitization of various business operations.

2) Labor issues

A majority of the employees of our group are locally hired people on sites overseas.

Under the circumstances in which a way of working suitable for the social situation and labor environment in each country is demanded, labor issues regarding working conditions, etc. may be raised between us and organizations in and out of the country, such as labor unions. If any labor dispute occurs, and cannot be settled promptly, the stability and continuity of business operations will be impaired. If the dispute becomes serious, this will have a significant impact on the supply of products and, at the same time, we may lose the trust of our customers, thereby adversely affecting results of operations, etc. Thus, through the promotion of the spread of "ANEST IWATA Corporate Philosophy", with our corporate policy, "Makotono kokoro" (Trustworthy & Sincere), at the core, we improve our employees' sense of belonging to our group and, at the same time, grant powers to the representatives on overseas sites in accordance with the employment conditions and evaluation system suited for the systems and realities in their respective countries, based on the administrative authority of the representatives on overseas sites, thereby endeavoring to prevent dissatisfaction with the working conditions and the labor environment.

(iii) Risks related to IT

1) IT investment

We consider that to steadily promote the reinforcement of competitiveness in global expansion, it is vital to change our business model, develop high-value-added products, and improve business efficiency by introducing IT, in which constant innovations are under way.

If the execution of an IT strategy stagnates because of the loss of knowledge or know-how about IT from the company due to a contingency or if there occurs a delay in the development of a product that matches the latest IT trend, this may adversely affect results of operations, etc. because of declining competition in the market or impaired management efficiency.

Thus, in combination with a management plan, our group formulates mid- to long-term IT strategies and regards IT investment as a key element for driving corporate growth and, at the same time, continually verifies the contribution to corporate growth.

If such a risk occurs, we will start active personnel employment, as well as partnerships with new partner companies and, at the same time, rebuild our management foundation by depreciating obsolete IT assets.

2) Information security

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

If information leakage, falsification, or a system fault occurs due to a natural disaster, unexpected cyberattack, unauthorized access attributable to the entry of a computer virus, etc. or if information is leaked by an employee intentionally or negligently and such information is misused, this may adversely affect the results of operations, etc. because we need to bear liability for compensation.

Thus, our group prepares an appropriate information security system to take necessary and sufficient security measures and, at the same time, conducts education for employees.

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

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

1) Environmental regulations

While environmental awareness is increasing globally, the tendency is that new environmental laws and regulations are established and existing ones are tightened in Japan and other countries. If there occurs a delay in complying with laws and regulations or putting products that satisfy such laws and regulations, this may cause the business activities to be restricted and revenue opportunities to be lost, adversely affecting the business and the results of operation of our group.

The details of such regulations differ depending on the country or area, and we proceed with the preparation of systems by, for example, transferring the necessary functions, so that the local subsidiaries located in each country can collect information and meet regulations. If, for example, laws and regulations are revised unexpectedly and are further tightened in the future, we will judge whether to further invest in the relevant items or withdraw from them by considering whether meeting the laws and regulations is economically reasonable.



2) Fraudulent acts by violating laws and regulations, etc.

In recent years, an increasing number of misconduct cases, etc. by companies have been reported. If such an act should be committed in our group, this may have a short-term impact on the results of operations, etc. due to compensation. Not only that, but we may get into a situation in which the corporate value of our group worsens over an extended period of time or the existence of our group as companies is threatened because, for example, the sales activities and the recruitment activities are hindered by remarkable damage to the trust in our group.

For this reason, our group creates systems and structures for ensuring that officers and employees commit no fraudulent acts and promotes healthy management assistance for group companies and, at the same time, establishes a whistle-blowing system including overseas subsidiaries and creates a monitoring system for conducting audits with audit & supervisory committee members and the internal audit division, thereby endeavoring to prevent acts of violating laws and regulations, etc. We have a system in place whereby if such an incident occurs, this can be promptly reported to our board of directors and we can take measures such as researching with third parties, disclosing facts, and punishing the relevant people properly, develop recurrence prevention measures, and promptly disclose them.

3) Intelligent property

Our group aims to become a development-oriented company full of vigor and novelty that is capable of providing high-performance, high-quality products and services to customers all over the world. As a result, we run the risk of having a third party imitate any of the products, technologies, business models, and so on that our group reserves at present or will develop in the future or of infringing on any of the intelligent property rights, patent rights, and trademark rights of third parties unintentionally. In that case, results of operations, etc. of our group may be adversely affected because, for example, costs are incurred due to damage compensation or a lawsuit or we are unable to use the technology itself or are obliged to use it in an unfavorable manner.

For this reason, our group will acquire intelligent property rights, patent rights, and trademark rights related to the functions and designs of products and reinforce their management and, at the same time, create a system whereby our group is not impacted by infringement or minimizes the impact, while receiving cooperation from outside organizations concerned.

4) International tax affairs

Our group possesses subsidiaries in major areas in the world, expanding business activities globally. In inter-group company transactions, we take meticulous care to the risks of international tax affairs by, for example, endeavoring to adhere to transfer price taxation and other regulations to set appropriate transaction prices. If any finding is received from tax authorities due to a difference of view, this will incur additional taxes, etc. and may adversely affect the results of operations, etc. of our group. Our group will endeavor to prevent differences of view from tax authorities by understanding law correctly, while focusing on the developments of international financial affairs and receiving cooperation from outside organizations.

5) Accounting of impairment loss, etc. of noncurrent assets

Appropriate accounting of impairment loss, etc. of noncurrent assets requires a business plan that appropriately estimates a future cash flow. As mentioned in 3) of (1), our group makes investment in subsidiaries, etc. actively, including M&As. To make the following accounting decisions, in particular, an appropriate business plan for each subsidiary, etc. is necessary.

- Judgment on the impairment loss on shares, etc. of affiliates in our individual financial statements
- Judgment on the impairment loss on noncurrent assets of subsidiaries, etc., which is used as basic data for consolidated financial statements
- Calculation of the years of depreciation when posting goodwill in consolidated financial statements and judgment on impairment loss

We understand that if the business plan at the points of these judgments is not an appropriate one, we run the risk of losing the trust in us remarkably because that means that inappropriate accounting has been performed as a consequence.

For this reason, in establishing the business plan for each subsidiary, etc., the business division and account division of us, the supervising company, are actively involved. Such business plans are reported to the board of directors, of which independent directors, who are knowledgeable about management and accounting, account for a majority, to seek their guidance and supervision. With such transparent procedures, the appropriateness of the business plans is ensured.

This accounting and the series of procedures associated with it are important audit items of Seinan Audit Corporation and the audit & supervisory committee.

(v) Other risks

1) Novel coronavirus

As for coronavirus disease 2019 (COVID-19), which has spread throughout the world since the end of 2019 up to the present, if any of our customers and group employees is confirmed infected, this may hinder the business activities because of, for example, the business suspension or temporary closure of those concerned, adversely affecting the results of operations, etc. of our group.

Our group makes it a top priority to ensure the safety of our customers and employees and endeavors to prevent infection in accordance with administrative guidelines and, at the same time, promotes remote business meetings using IT tools, expands home working (teleworking), and thoroughly adheres to staggered commuting. At the same time, to minimum the impact on the production system, we continue to take measures such as expanding inventory and decreasing the dependence on specific suppliers.

If the situation where the global prevalence of the virus is not curbed is prolonged, this could have a severe impact on the corporate value and the results of operations, etc. of our group.

Thus, we will hold a crisis management committee with the president and chief executive officer as the chairperson to optimize the BCP (business continuity plan), and we will take the necessary measures by promptly and appropriately determining the management environment surrounding our group.

2) Unexpected events

Our group expands business operations to various countries in the world. If, in any of these countries and areas, an unpredictable political or economic change is made, an act of terror or a war breaks out, an infectious disease spreads, or a natural disaster such as an earthquake and typhoon occurs, this may have an immense impact on the supply of products to various parts of the world because of damaged offices, the stagnation of raw material procurement and logistics, and so on. If such a situation is prolonged, this will increase the possibility of having a significant adverse impact on the results of operations, etc. of our group because of the impairment of noncurrent assets, decreased profitability, etc.

Our group makes a BCP and, at the same time, endeavors to create an organization so that we can quickly establish a supply system even if such an event should occur by, for example, distributing production functions and seeking a possibility of inter-group company product procurement.

## 2. Conditions of the corporate group

Our group, consisting of our company, 34 subsidiaries, and 2 affiliates, manufactures and sells air compressors, vacuum equipment, and coating equipment/systems exclusively, and is in a single business configuration because of similarities in product market, product use, and so on. The positioning of our company, subsidiaries, and affiliates in the business configuration is as shown in the diagram below.

Name Companies with an * are specified subsidiaries.	Description of the main business
Our company [Japan] ANEST IWATA Corporation	Manufacture and sale of air compressors, vacuum equipment, coating equipment, and coating systems
Consolidated subsidiaries [Japan] AIR ENGINEERING Corporation [Europe] ANEST IWATA Deutschland GmbH ANEST IWATA Europe GmbH HARDER & STEENBECK GmbH & Co. KG ANEST IWATA STRATEGIC CENTER s.r.l. Anest Iwata Italia s.r.l. ANEST IWATA France S.A. ANEST IWATA (U.K.) Ltd. Anest Iwata Scandinavia AB ANEST IWATA Iberica, S.L.U. ANEST IWATA Polska Sp.z o.o. [Asia] ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) Co.,Ltd ANEST IWATA (SHANGHAI) Corporation ANEST IWATA (DONGGUAN) Corporation ANEST IWATA FEELER Corporation* SHANGHAI SCREW COMPRESSOR Co., Ltd.* SHANGHAI GLOBE SCREW TECHNOLOGY Co., Ltd ANEST IWATA Taiwan Corporation  ANEST IWATA SPARMAX Co., Ltd. ANEST IWATA MOTHERSON Pvt. Ltd.* ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd. ANEST IWATA SOUTHEAST ASIA Co., Ltd.  ANEST IWATA Korea Corp.  ANEST IWATA VIETNAM Co., Ltd. PT. ANEST IWATA INDONESIA [Other areas] ANEST IWATA USA, Inc. ANEST IWATA-Medea, Inc. ANEST IWATA AIR ENGINEERING, Inc. ANEST IWATA Mexico, S.de R.L.de C.V. ANEST IWATA DO BRASIL COMERCIAL LTDA. AIRZAP-ANEST IWATA INDUSTRIA E COMERCIO LTDA. ANEST IWATA Australia Pty. Ltd. ANEST IWATA RUS LLC ANEST IWATA South Africa (Pty) Ltd.	Incidental work of air compressors, vacuum equipment, and coating systems  Sale of coating equipment Manufacture and sale of air compressors; and sale of vacuum equipment Manufacture and sale of coating equipment Manufacture and sale of coating equipment and coating systems Sale of coating equipment Sale of air compressors, coating equipment, and coating systems Sale of coating equipment and coating systems Sale of coating equipment Sale of coating equipment Sale of coating equipment  Manufacture and sale of coating equipment and coating systems Sale of coating equipment and coating systems Manufacture and sale of coating systems Manufacture and sale of air compressors; and sale of vacuum equipment Manufacture and sale of air compressors Manufacture and sale of air compressors Sale of air compressors and vacuum equipment; and manufacture and sale of coating equipment Manufacture and sale of air compressors and coating equipment Manufacture and sale of air compressors Manufacture and sale of coating equipment and coating systems  Manufacture and sale of air compressors, vacuum equipment, coating equipment, and coating systems Manufacture and sale of air compressors and vacuum equipment; and sale of coating equipment Sale of air compressors, coating equipment, and coating systems Sale of air compressors, vacuum equipment, coating equipment, and coating systems  Sale of coating equipment; and manufacture and sale of coating systems Manufacture and sale of coating equipment Manufacture and sale of air compressors and vacuum equipment Sale of air compressors, coating equipment, and coating systems Sale of coating equipment Manufacture and sale of air compressors and vacuum equipment Sale of air compressors and coating equipment Sale of vacuum equipment and coating equipment Sale of coating equipment
Affiliates (equity method applied) ADVANCE RIKEN Inc. Powerex-Iwata Air Technology, Inc.	Manufacture and sale of oxygen, nitrogen, and ozone gas generators Manufacture and sale of air compressors

(Notes) 1. On April 1, 2020, we merged ANEST IWATA COMPRESSOR Corporation and ANEST IWATA COATING SOLUTIONS Corporation by short form merger. For details, see (Information related to the combination of enterprises, etc.) in "(5) Notes on consolidated financial statements" in "5. Consolidated financial statements and main notes".

### 3. Management policy

#### (1) Basic policy for corporate management

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

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

#### (2) Targeted management index

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

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

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

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

#### (4) Issues that the company should address

We think that in the upcoming consolidated fiscal year, while the uncertainty in the world economy will intensify due to the spread of COVID-19, it is necessary to carry out measures for each region that are suitable for the degree of recovery to return the results of operations to the level before the occurrence of the infection, while minimizing the risks due to the infection. In such a management environment, our group makes it a top priority to ensure the safety of our stakeholders, including all our employees and their families, and to secure employment, and will proceed with business activities based on our conventional measures. As for the investment for becoming a 100-year-old company, we will steadily carry out our plan mainly for IT investment, including sales and logistics reforms.

##### • Addressing of social issues in business promotion

In air energy business, we are proceeding with the development of scroll expanders by applying the technology for the oil-free scroll air compressor that we have released for the first time in the world. We will contribute to CO2 emission reduction by pursuing the possibilities of the reuse of the water vapor discharged as the surplus energy of the factory using the know-how we have accumulated.

In coating business, we endeavor to spread environmentally-friendly coating technologies through, for example, the practical use of the electro-spray method, which is a new atomization method achieving a coating efficiency close to 100%, and proposals for coating systems that make use of VR, IoT, and other full automation technologies.

##### • Optimization of the supply chain

To avoid the supply chain from being severed due to the COVID-19 pandemic, we establish a BCP for each supplier. For parts that require special materials, processing, and treatment, and production centralized in a single country overseas, in particular, we assist suppliers in conditions of transactions and, at the same time, proceed with the addition of suppliers and producing areas.

We have proceeded with the reform of the production plan with an aim to improve the production efficiency and stabilize the supply chain for some time. Even in the COVID-19 pandemic, we will promote this reform more powerfully to achieve stable production and product supply.

##### • Operational reforms for reinforcing the relationship and contact with customers

To accommodate the situation in which the business environment changes greatly with the rapid progress of IT, we will establish a contact optimum for customers in the world and promote the penetration and reinforcement of the brand by creating an environment in which information about products and services can be easily accessed from a variety of digital routes. In addition, we will further reinforce the development of products meeting diversifying needs through the creation of an environment that can connect to customers digitally.

### 4. Basic concept on choice of accounting standards

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

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

## 5. Consolidated financial statements and main notes

### (1) Consolidated balance sheets

(Amount: thousand yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	*2 10,850,291	*2 12,900,314
Notes and accounts receivable-trade	7,722,900	6,636,359
Securities	—	299,992
Merchandise and finished goods	3,899,513	4,468,215
Work in process	1,133,701	1,138,424
Raw materials and supplies	2,273,238	2,433,388
Other	1,148,741	1,254,136
Allowance for doubtful account	(265,279)	(237,777)
Total current assets	26,763,107	28,893,053
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*2 10,841,437	*2 10,959,113
Accumulated depreciation	(5,482,653)	(5,859,934)
Buildings and structures, net	5,358,783	5,099,178
Machinery, equipment and vehicles	7,407,981	7,538,757
Accumulated depreciation	(5,044,485)	(5,352,165)
Machinery, equipment and vehicles, net	2,363,495	2,186,591
Land	*2 2,133,994	*2 2,137,609
Lease assets	2,645,637	2,714,688
Accumulated depreciation	(1,213,923)	(1,384,190)
Lease assets, net	1,431,713	1,330,498
Construction in progress	88,770	177,413
Other	2,539,096	2,599,321
Accumulated depreciation	(2,088,728)	(2,175,679)
Other, net	450,368	423,642
Total property, plant and equipment	11,827,126	11,354,933
Intangible assets		
Goodwill	1,269,023	973,798
Software	191,680	240,286
Other	1,396,805	1,554,856
Total intangible assets	2,857,508	2,768,942
Investments and other assets		
Investment securities	*1 4,510,713	*1 4,464,876
Long-term loans receivable	18,348	26,824
Deferred tax assets	1,079,262	996,231
Net defined benefit assets	628,946	687,755
Long-term deposits	168,888	28,519
Other	258,868	248,267
Allowance for doubtful accounts	(10,725)	(10,725)
Total investments and other assets	6,654,301	6,441,749
Total noncurrent assets	21,338,937	20,565,625
Total assets	48,102,044	49,458,678

(Amount: thousand yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	*2 4,251,944	*2 4,104,589
Short-term loans payable	*2, *3 909,930	*2, *3 822,970
Current portion of long-term payable	—	*2, *3 249,160
Lease obligations	229,334	247,909
Income taxes payable	443,970	677,692
Provision for bonuses	667,484	718,884
Provision for directors' bonuses	114,850	81,345
Provision for product warranties	230,634	224,122
Other	2,649,257	2,480,221
<b>Total current liabilities</b>	<b>9,497,408</b>	<b>9,606,895</b>
<b>Non-current liabilities</b>		
Long-term loans payable	*2, *3 231,990	—
Lease obligations	1,268,763	1,148,600
Deferred tax liabilities	258,663	228,213
Retirement benefit liability	2,169,606	2,181,792
Provision for share-based remuneration for directors and other officers	39,785	83,041
Other	65,356	76,232
<b>Total non-current liabilities</b>	<b>4,034,165</b>	<b>3,717,880</b>
<b>Total liabilities</b>	<b>13,531,573</b>	<b>13,324,776</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,354,353	3,354,353
Capital surplus	1,117,838	1,017,080
Retained earnings	27,136,665	28,758,216
Treasury shares	(185,165)	(685,266)
<b>Total shareholders' equity</b>	<b>31,423,692</b>	<b>32,444,383</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	217,457	414,112
Foreign currency translation adjustments	(332,219)	(513,712)
Remeasurements of defined benefit plans	(216,271)	(102,234)
<b>Total accumulated other comprehensive income</b>	<b>(331,032)</b>	<b>(201,835)</b>
Non-controlling shareholders' equity	3,477,811	3,891,353
<b>Total net assets</b>	<b>34,570,471</b>	<b>36,133,902</b>
<b>Total liabilities and net assets</b>	<b>48,102,044</b>	<b>49,458,678</b>

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

Consolidated profit and loss statements

(Amount: thousand yen)

	FY2019 (April 1, 2019 through March 31, 2020)	FY2020 (April 1, 2020 through March 31, 2021)
Net sales	39,091,312	35,588,516
Cost of sales	*1 22,505,142	*1 20,662,193
Gross profit	16,586,169	14,926,322
Selling, general & administrative expenses		
Sales commission	490,176	381,742
Packing and transportation expenses	871,815	784,089
Directors' compensations, salaries and allowances	4,449,810	4,270,106
Provision for bonuses	419,641	437,488
Provision for directors' bonuses	114,850	81,345
Provision for share-based remuneration for directors and other officers	39,785	43,256
Retirement benefit expenses	188,362	277,602
Welfare expenses	1,064,306	904,405
Rent expenses	479,328	469,234
Provision of reserve for product warranties	191,711	214,374
Provision of allowance for doubtful accounts	100,702	(18,238)
Other	4,299,529	3,636,522
Total selling, general & administrative expenses	12,710,019	11,481,929
Operating income	3,876,150	3,444,393
Non-operating income		
Interest income	61,168	52,920
Dividend income	77,391	69,548
Foreign exchange gains	—	87,615
Insurance income	14,261	30,346
Share of profit of entities accounted for using equity method	324,753	315,887
Subsidies for employment adjustment	—	*3 181,696
Subsidy income	*4 137,056	*4 32,764
Other	135,626	169,670
Total non-operating income	750,257	940,449
Non-operating expenses		
Interest expenses	78,844	63,254
Foreign exchange loss	129,082	—
Custom duties for prior years	—	31,009
Other	17,253	37,205
Total non-operating expenses	225,180	131,469
Ordinary income	4,401,226	4,253,373

(Amount: thousand yen)

	FY2019 (April 1, 2019 through March 31, 2020)	FY2020 (April 1, 2020 through March 31, 2021)
<b>Extraordinary income</b>		
Gain on sales of non-current assets	*5 5,320	*5 9,336
Subsidies for employment adjustment	—	*3 76,885
Gain on sales of investment securities	—	10,288
Gain on liquidation of subsidiaries	53,761	—
Total extraordinary income	59,082	96,510
<b>Extraordinary losses</b>		
Impairment loss	*6 135,552	*6 107,854
Loss on sales of noncurrent assets	*7 1,190	*7 97
Loss on retirement of non-current assets	*8 2,886	*8 5,623
Loss due to COVID-19	—	*9 99,784
Dismantlement cost	370	—
Loss on liquidation of subsidiaries	24,975	—
Product warranty expenses	52,641	—
Special pay to employees due to COVID-19	29,322	—
Total extraordinary losses	246,938	213,359
<b>Profit before Income Taxes</b>	4,213,369	4,136,523
Income taxes - current	1,204,862	1,175,145
Income taxes - deferred	(39,515)	(82,826)
Total income taxes	1,165,346	1,092,319
<b>Net income</b>	3,048,023	3,044,204
Net income attributable to non-controlling shareholders	330,182	420,922
Net income attributable to owners of parent	2,717,840	2,623,282



Consolidated statements of comprehensive income

(Amount: thousand yen)

	FY2019 (April 1, 2019 through March 31, 2020)	FY2020 (April 1, 2020 through March 31, 2021)
Net Income	3,048,023	3,044,204
Other comprehensive income		
Valuation difference on available-for-sale securities	(309,929)	196,654
Foreign currency translation adjustment	(228,605)	(37,555)
Remeasurements of defined benefit plans, net of tax	55,131	114,036
Share of other comprehensive income of entities accounted for using equity method	(18,953)	(93,516)
Total other comprehensive income	(502,357)	179,619
Comprehensive income	2,545,665	3,223,823
Breakdown of comprehensive income		
Comprehensive income attributable to owners of parent	2,330,829	2,752,479
Comprehensive income attributable to non-controlling interests	214,836	471,344

(3) Consolidated statements of changes in shareholders' equity  
FY2019 (April 1, 2019 through March 31, 2020)

(Amount: thousand yen)

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

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

FY2020 (April 1, 2020 through March 31, 2021)

(Amount: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	3,354,353	1,117,838	27,136,665	(185,165)	31,423,692
Changes of items during the period					
Dividends from surplus			(1,001,731)		(1,001,731)
Net income attributable to parent company shareholders			2,623,282		2,623,282
Purchase of treasury shares				(500,101)	(500,101)
Purchase of treasury shares by Board Benefit Trust					—
Purchase of treasury shares by Board Benefit Trust		(100,757)			(100,757)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(100,757)	1,621,551	(500,101)	1,020,691
Balance at the end of current period	3,354,353	1,017,080	28,758,216	(685,266)	32,444,383

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	217,457	(332,219)	(216,271)	(331,032)	3,477,811	34,570,471
Changes of items during the period						
Dividends from surplus						(1,001,731)
Net income attributable to parent company shareholders						2,623,282
Purchase of treasury shares						(500,101)
Purchase of treasury shares by Board Benefit Trust						—
Purchase of treasury shares by Board Benefit Trust						(100,757)
Net changes of items other than shareholders' equity	196,654	(181,493)	114,036	129,197	413,541	542,739
Total changes of items during the period	196,654	(181,493)	114,036	129,197	413,541	1,563,430
Balance at the end of current period	414,112	(513,712)	(102,234)	(201,835)	3,891,353	36,133,902

(4) Consolidated cash flow statements

	(Amount: thousand yen)	
	FY2019 (April 1, 2019 through March 31, 2020)	FY2020 (April 1, 2020 through March 31, 2021)
<b>Cash flows from operating activities</b>		
Profit before Income Taxes	4,213,369	4,136,523
Depreciation	1,509,755	1,426,903
Amortization of goodwill	272,414	205,257
Increase (decrease) in allowance for doubtful accounts	85,068	(28,830)
Increase in provision for bonuses	32,736	60,439
Increase (decrease) in provision for product warranties	29,490	(6,373)
Increase in net defined benefit liability	31,632	78,931
Decrease (increase) in net defined benefit asset	(71,358)	34,695
Increase (decrease) in provision for directors' bonuses	23,091	(33,505)
Increase in provision for share-based remuneration for directors and other officers	39,785	43,256
Interest and dividend income	(138,560)	(122,469)
Interest expenses	78,844	63,254
Share of profit of entities accounted for using equity method	(189,486)	(102,929)
Gain on sales and retirement of noncurrent assets	(1,243)	(3,615)
Subsidies for employment adjustment	—	(258,566)
Gain on sales of investment securities	—	(10,288)
Gain on sales of shares of associates	(53,761)	—
Impairment loss	135,552	107,854
Decrease (increase) in notes and accounts receivables-trade	(538,372)	1,107,042
Increase in inventories	(417,424)	(757,356)
Increase (decrease) in notes and accounts payable-trade	173,034	(171,324)
Other	15,211	(597,561)
Subtotal	5,229,780	5,171,338
Interest and dividend income received	138,923	122,831
Interest expenses paid	(78,844)	(63,254)
Subsidy income received	137,056	291,331
Income taxes paid	(1,285,519)	(920,062)
Net cash provided by operating activities	4,141,396	4,602,183
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,435,458)	(1,530,793)
Proceeds from withdrawal of time deposits	1,429,639	1,172,370
Purchase of property, plant and equipment and intangible assets	(866,972)	(512,967)
Proceeds from sales of property, plant and equipment	31,076	21,389
Purchase of intangible assets	(111,950)	(253,076)
Proceeds from sales of intangible assets	1,348	—
Purchase of investment securities	(603,248)	—
Proceeds from sales of investment securities	102,855	48,039
Payments of loans receivable	(316)	(17,722)
Collection of loans receivable	5,543	7,382
Payments for investments in capital of subsidiaries and associates	(53,139)	—
Other	(42,691)	(2,577)
Net cash used in investing activities	(1,543,313)	(1,067,955)

(Amount: thousand yen)

	FY2019 (April 1, 2019 through March 31, 2020)	FY2020 (April 1, 2020 through March 31, 2021)
<b>Cash flows from financing activities</b>		
Net decrease in short-term loans payable	(449,548)	(94,395)
Repayments of lease obligations	(242,563)	(232,711)
Proceeds from long-term loans payable	—	36,300
Repayments of long-term loans payable	(40,200)	(18,150)
Purchase of treasury shares	(179,771)	(500,101)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	—	74,106
Cash dividends paid	(959,807)	(1,001,044)
Cash dividends paid to non-controlling shareholders	(409,937)	(222,142)
Net cash used in financing activities	(2,281,828)	(1,958,140)
Effect of exchange rate change on cash and cash equivalents	(82,565)	(25,371)
Net increase in cash and cash equivalents	233,688	1,550,716
Cash and Cash Equivalents at Beginning of Period	9,858,835	10,092,523
Cash and Cash Equivalents at End of Period	* 10,092,523	* 11,643,240

(5) Notes on consolidated financial statements

(Notes on the premise of a going concern)

There are no relevant matters.

(Basic, important matters for preparing consolidated financial statements)

1 Matters concerning the scope of consolidation

(a) Number of consolidated subsidiaries: 34

In the consolidated fiscal first quarter and after, ANEST IWATA COMPRESSOR Corporation and ANEST IWATA COATING SOLUTIONS Corporation, which were consolidated subsidiaries, are excluded from the scope of consolidation because they disappeared as a result of the absorption-type merger with our company as a surviving company on April 1, 2020.

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

2 Matters concerning the application of the equity method

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

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

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

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

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

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

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

4 Matters concerning the accounting policy

(a) Valuation criteria and valuation methods for important assets

(i) Securities

Bonds held to maturity

Amortized cost method (straight-line method)

Other securities

Securities with market value

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

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

Securities without market value

Cost method mainly based on the moving average method

(ii) Derivatives

Market value method

(iii) Inventory assets

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

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

(b) Depreciation method for important depreciable assets

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

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

Buildings and structures: 15 to 50 years

Machinery, equipment and vehicles: 4 to 17 years

(ii) Intangible assets (excluding lease assets)

Mainly the straight-line method is employed.

(iii) Lease assets

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

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

- (c) Recording criteria for important allowances
- (i) Allowance for doubtful accounts  
To prepare for losses due to bad debts, estimated uncollectible amounts are recorded by considering a loan loss ratio for general accounts receivable and collectability for specific credits such as doubtful accounts receivable individually.
  - (ii) Provision for bonuses  
To prepare for the payment of bonuses to employees, the estimated payments at the end of the current consolidated fiscal year are recorded.
  - (iii) Provision for directors' bonuses  
To prepare for the payment of directors' bonuses, the estimated payments at the end of the current consolidated fiscal year are recorded.
  - (iv) Provision for share-based remuneration for directors  
To prepare for the granting of company shares to our directors and executive officers in accordance with the share grant rules, the estimated share-based remuneration obligations at the end of the current consolidated fiscal year are recorded.
  - (v) Provision for product warranties  
To prepare for the payment of the costs for after-sales services of products sold, estimated costs according to past experience rates, etc. based on sales are recorded.
- (d) Method of accounting related to retirement benefits
- To prepare for the retirement benefits for employees, the retirement benefit obligations at the end of the current consolidated fiscal year, with pension fund amounts deducted from them, are recorded as the liabilities pertaining to the retirement benefits. If the pension fund amounts exceed the retirement benefit obligations, the obligations are recorded as assets pertaining to the retirement benefits.
- (i) Period attribution method for estimated retirement benefits  
In calculating retirement benefit obligations, the method for attributing the estimated retirement benefits to the period up to the end of the current consolidated fiscal year is based on the benefit formula standard.
  - (ii) Method for recording actuarial differences and past service costs method for cost  
Past service costs are recorded as costs with the straight-line method based on a certain number of years (10 years) within the average remaining years of service of employees when they are incurred.  
For actuarial differences, the amounts prorated with the straight-line method based on a certain number of years (5 years) within the average remaining years of service of employees when they occur in each consolidated fiscal year are recorded as costs in and after the following consolidated fiscal year.
  - (iii) Adoption of the simplified method at small enterprises, etc.  
At some consolidated subsidiaries, for the calculation of the net defined benefit liability and the retirement benefit expenses, a simplified method is applied in which the term-end necessary payment for voluntary retirement pertaining to retirement benefits is used as the retirement benefit obligations.
- (e) Basis for the translation of important foreign currency dominated assets and liabilities into Japanese currency
- Monetary foreign currency dominated debts and credits are translated into Japanese currency at the spot exchange rate on the consolidated accounting date, and translation differences are recorded as gains or losses. The assets and liabilities of overseas subsidiaries, etc. are translated into Japanese currency at the spot exchange rate on the accounting dates of the overseas subsidiaries, etc., the income and cost are translated into Japanese currency at the average rate in the period, and translation differences are included in foreign currency translation adjustments and Non-controlling shareholders' equity in Net assets.
- (f) Amortization method and amortization period of goodwill
- We make judgment on an item-by-item basis and perform amortization with the straight-line method over 6 to 10 years.
- (g) Range of the fund in the consolidated cash flow statements
- Consists of cash on hand, deposits that can be drawn at any time, and short-term investments that are easily convertible and that will mature within three months from the acquisition date so that they have only insignificant risks about value fluctuations.
- (h) Other important matters for preparing consolidated financial statements
- Accounting for consumption taxes, etc.  
Based on the tax exclusion method.
- (Change of accounting policy)
- There are no relevant matters.

(Changes in presentation method)

(Related to consolidated cash flow statements)

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

As a result, 137,056 thousand yen as "Other", presented under "Net cash provided by operating activities" in the consolidated cash flow statements for the previous consolidated fiscal year, is revised to 137,056 thousand yen as "Subsidy income received".

(Additional information)

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

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

(1) Overview of this plan

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

(2) Company shares that remain in the trust

Company shares that remain in the trust are recorded as treasury shares in Net assets at the book value (excluding the incidental costs) in the trust. At the end of the previous consolidated fiscal year, the book value of the treasury shares is 179,733 thousand yen, and the number of shares is 180 thousand. At the end of the current consolidated fiscal year, the book value of the treasury shares is 179,733 thousand yen, and the number of shares is 180 thousand.

(Accounting estimates concerning the impact of spread of COVID-19)

For the accounting estimates of noncurrent asset impairment accounting, the collectability of deferred tax assets, etc., our group uses obtainable information when creating consolidated financial statements. Regarding the accounting estimates, there are no important changes from the previous business year.

As for the impact of COVID-19 on our group, the impact and its level differ depending on the business and the country, and involve many uncertainties. Depending on the situation, etc., the future financial condition and the results of operations of our group may be affected.



(Related to consolidated balance sheets)

\*1 Shares of affiliates in Investment securities

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
	1,752,459 thousand yen	1,761,874 thousand yen

\*2 Pledged assets and secured debts

Assets offered as collateral and secured debts are as below.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Cash and deposits	136,407 thousand yen	321,728 thousand yen
Land and buildings	1,547,009 thousand yen	1,335,792 thousand yen
Total	1,683,417 thousand yen	1,657,520 thousand yen
Notes and accounts payable-trade	415,255 thousand yen	536,744 thousand yen
Short-term loans payable	564,120 thousand yen	508,160 thousand yen
Current portion of long-term debt	—	239,200 thousand yen
Long-term loans payable	218,400 thousand yen	—
Total	1,197,775 thousand yen	1,284,104 thousand yen

\*3 Overdraft facility agreement and a loan commitment agreement

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

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Maximum limit of overdraft and loan commitment agreement price	8,305,250 thousand yen	15,367,093 thousand yen
Balance of executed loans	403,760 thousand yen	388,975 thousand yen
Balance of unexecuted loans	7,901,489 thousand yen	14,978,117 thousand yen

\*4 Notes receivable transfer by endorsement

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Notes receivable transfer by endorsement	667,448 thousand yen	852,613 thousand yen

(Related to consolidated profit and loss statements)

\*1 Amount of devaluation of book values based on decreased profitability of inventory assets included in cost of sales

	FY2019 (April 1, 2019 through March 31, 2020)	FY2020 (April 1, 2020 through March 31, 2021)
	72,102 thousand yen	64,191 thousand yen

2 Research and development expenses included in general & administrative expenses

	FY2019 (April 1, 2019 through March 31, 2020)	FY2020 (April 1, 2020 through March 31, 2021)
	528,243 thousand yen	511,278 thousand yen

\*3 Subsidies for employment adjustment

Due to the special measures associated with the impact of COVID-19.

\*4 Subsidy income

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

\*5 Gain on sales of noncurrent assets

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

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

FY2020 (April 1, 2020 through March 31, 2021)

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

\*6 Impairment loss

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

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

FY2020 (April 1, 2020 through March 31, 2021)

As for the goodwill pertaining to the consolidated subsidiary, Anest Iwata Italia s.r.l., because the income initially estimated in the business plan at the time of acquisition is not likely to be achieved, the total amount of the book value is posted as impairment loss to Extraordinary losses.

\*7 Loss on sales of noncurrent assets

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

Mainly due to the sales of machinery and equipment.

FY2020 (April 1, 2020 through March 31, 2021)

Mainly due to the sales of machinery and equipment.

\*8 Loss on retirement of noncurrent assets

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

Mainly due to the retirement of machinery and equipment.

FY2020 (April 1, 2020 through March 31, 2021)

Mainly due to the retirement of machinery and equipment.

\*9 Loss due to COVID-19

Fixed costs (such as labor cost and depreciation cost), etc. incurred during temporary closure and other periods in accordance with requests from the governments, etc. of various countries for the prevention of the spread of COVID-19.

(Related to consolidated statements of comprehensive income)

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

	FY2019 (April 1, 2019 through March 31, 2020)	FY2020 (April 1, 2020 through March 31, 2021)
Valuation difference on available-for-sale securities		
Amount incurred in current period	(445,942) thousand yen	293,244 thousand yen
Recycling	—	(10,288) thousand yen
Before tax effect adjustment	(445,942) thousand yen	282,956 thousand yen
Amount of tax effect	136,012 thousand yen	(86,302) thousand yen
Valuation difference on available-for-sale securities	(309,929) thousand yen	196,654 thousand yen
Foreign currency translation adjustments		
Amount incurred in current period	(240,566) thousand yen	(37,555) thousand yen
Recycling	11,960 thousand yen	—
Foreign currency translation adjustments	(228,605) thousand yen	(37,555) thousand yen
Remeasurements of defined benefit plans		
Amount incurred in current period	(37,379) thousand yen	(8,713) thousand yen
Recycling	116,704 thousand yen	172,794 thousand yen
Before tax effect adjustment	79,325 thousand yen	164,081 thousand yen
Amount of tax effect	(24,194) thousand yen	(50,044) thousand yen
Remeasurements of defined benefit plans	55,131 thousand yen	114,036 thousand yen
Share of other comprehensive income of associates accounted for using equity method		
Amount incurred in current period	(18,953) thousand yen	(93,516) thousand yen
Recycling	—	—
Share of other comprehensive income of associates accounted for using equity method	(18,953) thousand yen	(93,516) thousand yen
Total comprehensive income	(502,357) thousand yen	179,619 thousand yen

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

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

1 Matters concerning issued shares

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

2 Matters concerning treasury shares

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

(Overview of the cause of changes)

The breakdown of the increase is as below.

Increase due to the acquisition from the market due to the "Board Benefit Trust (BBT)"	180,000 shares
Increase due to the purchase of fractional shares	39 shares

3 Matters concerning dividends

(1) Dividends paid

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

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

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

(Note) The total amount of dividends includes the dividend of 2,160 thousand yen for the company shares owned by the "Board Benefit Trust (BBT)".

FY2020 (April 1, 2020 through March 31, 2021)

1 Matters concerning issued shares

Class of shares	Beginning of FY2020	Increase	Decrease	End of FY2020
Common (shares)	41,745,505	—	—	41,745,505

2 Matters concerning treasury shares

Class of shares	Beginning of FY2020	Increase	Decrease	End of FY2020
Common (shares)	186,703	480,620	—	667,323

(Overview of the cause of changes)

The breakdown of the increase is as below.

Increase due to the purchase of treasury shares based on the resolution of the board of directors	480,500 shares
Increase due to the purchase of fractional shares	120 shares

### 3 Matters concerning dividends

#### (1) Dividends paid

Resolution	Class of shares	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
June 25, 2020 ordinary shareholders' meeting	Common	500,865	12.0	March 31, 2020	June 26, 2020
November 10, 2020 board of directors' meeting	Common	500,865	12.0	September 30, 2020	December 7, 2020

(Note) The total amount of dividends includes the dividend of 2,160 thousand yen for the company shares owned by the "Board Benefit Trust (BBT)".

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

Resolution	Class of shares	Dividend resource	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
June 25, 2021 ordinary shareholders' meeting	Common	Retained earnings	495,098	12.0	March 31, 2021	June 28, 2021

(Note) The total amount of dividends includes the dividend of 2,160 thousand yen for the company shares owned by the "Board Benefit Trust (BBT)".

(Related to consolidated cash flow statements)

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

	FY2019 (April 1, 2019 through March 31, 2020)	FY2020 (April 1, 2020 through March 31, 2021)
Cash and deposits	10,850,291 thousand yen	12,900,314 thousand yen
Time deposit exceeding 3 months in deposit term	(621,359) thousand yen	(935,344) thousand yen
Derivative deposit	(136,407) thousand yen	(321,728) thousand yen
Cash and cash equivalents	10,092,523 thousand yen	11,643,240 thousand yen

(Information related to the combination of enterprises, etc.)

(Common control transaction, etc.)

(Absorption-type merger of consolidated subsidiaries)

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

#### 1. Overview of transactions

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

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

##### (2) Date of the combination of enterprises

April 1, 2020

##### (3) Legal form of the combination of enterprises

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

##### (4) Name of the combined enterprise

ANEST IWATA Corporation

##### (5) Overview of the transaction including the purpose of the transaction

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

## 2. Overview of the accounting implemented

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

(Segment information, etc.)

(Segment information)

### 1 Overview of report segments

#### (1) Overview of report segments

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

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

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

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

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

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

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

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

(Amount: thousand yen)

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

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

FY2020 (April 1, 2020 through March 31, 2021)

(Amount: thousand yen)

	Report segment				Other (Note)	Total
	Japan	Europe	Asia	Total		
Sales						
Sales to external customers	15,753,411	4,229,412	10,956,482	30,939,306	4,649,209	35,588,516
Internal sales or transfers between segments	5,224,603	219,286	1,938,857	7,382,748	275,835	7,658,583
Total	20,978,015	4,448,698	12,895,340	38,322,055	4,925,044	43,247,099
Segment income	2,618,417	301,487	1,045,668	3,965,572	435,619	4,401,192
Segment assets	24,790,611	4,339,861	13,374,867	42,505,340	3,635,758	46,141,099
Other items						
Depreciation	821,091	128,958	416,231	1,366,280	47,443	1,413,724
Amortization of goodwill	127,536	77,720	—	205,257	—	205,257
Impairment loss	107,854	—	—	107,854	—	107,854
Increase in property, plant and equipment, and intangible assets	755,378	181,855	134,497	1,071,731	40,151	1,111,882

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

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

(Amount: thousand yen)

Sales	FY2019	FY2020
Report segment total	41,340,263	38,322,055
Sales from the "Other" category	5,280,025	4,925,044
Inter-segment transactions erased	(7,528,977)	(7,658,583)
Sales in the consolidated financial statements	39,091,312	35,588,516

(Amount: thousand yen)

Income	FY2019	FY2020
Report segment total	4,763,844	3,965,572
Income from the "Other" category	185,352	435,619
Company-wide expenses (Note)	(1,277,343)	(845,319)
Inter-segment transactions erased	204,296	(111,479)
Operating income in the consolidated financial statements	3,876,150	3,444,393

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

(Amount: thousand yen)

Assets	FY2019	FY2020
Report segment total	41,579,805	42,505,340
Assets from the "Other" category	3,410,333	3,635,758
Company-wide assets (Note)	5,667,224	6,205,637
Inter-segment transactions erased	(2,555,319)	(2,888,058)
Total assets in the consolidated financial statements	48,102,044	49,458,678

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

(Amount: thousand yen)

Other items	Report segment total		Other		Adjustment		Amount reported in consolidated financial statements	
	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020
Depreciation	1,451,228	1,366,280	57,435	47,443	1,092	13,179	1,509,755	1,426,903
Amortization of goodwill	205,957	205,257	66,457	—	—	—	272,414	205,257
Impairment loss	—	107,854	135,552	—	—	—	135,552	107,854
Increase in property, plant and equipment, and intangible assets	1,199,375	1,071,731	45,495	40,151	—	—	1,244,871	1,111,882

(Information about items per share)

(Amount: yen)

	FY2019	FY2020
	(April 1, 2019 through March 31, 2020)	(April 1, 2020 through March 31, 2021)
Net assets per share	748.16	784.91
Net income per share	65.14	63.34

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

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

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

	FY2019	FY2020
	(April 1, 2019 through March 31, 2020)	(April 1, 2020 through March 31, 2021)
Net income attributable to parent company shareholders (thousand yen)	2,717,840	2,623,282
Amount not attributable to common shareholders (thousand yen)	—	—
Net income attributable to parent company shareholders related to common shares (thousand yen)	2,717,840	2,623,282
Average number of common shares outstanding in the period (No. of shares)	41,720,534	41,418,179

(Important subsequent events)

There are no relevant matters.



## 6. Non-consolidated financial statements and main notes

### (1) Balance sheets

(Amount: thousand yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	4,806,508	6,799,875
Notes and accounts receivable-trade	4,377,043	4,477,046
Securities	—	299,992
Merchandise and finished goods	1,464,877	2,069,539
Work in process	226,127	258,075
Raw materials and supplies	853,212	855,708
Other	471,686	1,117,075
Allowance for doubtful accounts	(4,402)	(50,000)
Total current assets	12,195,052	15,827,312
Noncurrent assets		
Property, plant and equipment		
Buildings	2,983,933	2,888,721
Structures	162,870	148,174
Machinery and equipment	1,303,130	1,163,971
Motor vehicles and transport equipment	3,764	1,703
Tools, apparatus and equipment	208,294	205,009
Land	1,268,453	1,268,453
Lease assets	1,279,470	1,177,680
Construction in progress	31,552	122,054
Total property, plant and equipment	7,241,468	6,975,770
Intangible assets		
Leasehold	790	790
Software	157,895	191,315
Other	43,696	216,744
Total intangible assets	202,381	408,849
Investments and other assets		
Investment securities	2,755,887	2,700,739
Shares of subsidiaries and affiliates	2,858,512	3,129,658
Investments in capital	54,339	54,339
Investments in capital of subsidiaries and affiliates	4,577,874	4,416,328
Long-term loans receivable from subsidiaries and affiliates	1,439,872	681,830
Long-term prepaid expenses	201	4,603
Prepaid pension cost	786,540	751,845
Deferred tax assets	631,600	630,358
Other	95,957	91,482
Allowance for doubtful accounts	(120,725)	(10,725)
Total investments and other assets	13,080,061	12,450,460
Total noncurrent assets	20,523,911	19,835,080
<b>Total assets</b>	<b>32,718,964</b>	<b>35,662,392</b>

(Amount: thousand yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	1,970,438	1,648,028
Lease obligations	216,867	232,841
Accounts payable-other	704,210	1,297,592
Income taxes payable	79,365	528,960
Deposits received	22,154	22,133
Provision for bonuses	443,161	583,059
Provision for directors' bonuses	114,850	81,345
Provision for product warranties	184,079	214,471
Other	404,161	73,725
Total current liabilities	4,139,289	4,682,159
Noncurrent liabilities		
Lease obligations	1,175,580	1,053,933
Provision for retirement benefits	1,897,052	1,972,576
Provision for share-based remuneration for directors	39,785	83,041
Other	18,588	18,588
Total noncurrent liabilities	3,131,007	3,128,140
Total liabilities	7,270,296	7,810,299
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,354,353	3,354,353
Capital surplus		
Capital reserve	1,380,380	1,380,380
Total capital surplus	1,380,380	1,380,380
Retained earnings		
Retained earnings reserve	838,588	838,588
Other retained earnings		
Other reserve	9,700,000	9,700,000
Retained earnings carried forward	10,143,053	12,849,925
Total retained earnings	20,681,641	23,388,513
Treasury shares	(185,165)	(685,266)
Total shareholders' equity	25,231,209	27,437,980
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	217,457	414,112
Total valuation and translation adjustments	217,457	414,112
Total net assets	25,448,667	27,852,092
Total liabilities and net assets	32,718,964	35,662,392

(2) Profit and loss statements

	(Amount: thousand yen)	
	FY2019 (April 1, 2019 through March 31, 2020)	FY2020 (April 1, 2020 through March 31, 2021)
Net sales	16,936,215	20,962,362
Cost of sales	11,225,491	13,148,469
Gross profit	5,710,724	7,813,893
Selling, general & administrative expenses	4,513,709	5,905,158
Operating income	1,197,014	1,908,735
Non-operating income		
Interest income	12,526	6,992
Dividend income	1,596,962	755,370
Foreign exchange gain	—	133,017
Technical support fee	75,940	74,621
Subsidies for employment adjustment	—	107,785
Other	91,056	67,152
Total non-operating income	1,776,486	1,144,938
Non-operating expenses		
Interest expenses	25,875	22,906
Foreign exchange loss	130,493	—
Real estate rental expenses	20,165	6,811
Provision for allowance for doubtful accounts	10,000	50,000
Other	762	8,837
Total non-operating expenses	187,297	88,554
Ordinary income	2,786,204	2,965,119
Extraordinary income		
Gain on extinguishment of tie-in shares	—	1,611,196
Subsidies for employment adjustment	—	74,448
Gain on sales of investment securities	—	10,288
Gain on sales of shares of subsidiaries	—	35,336
Gain on sales of shares of affiliates	29,791	—
Gain on liquidation of subsidiaries	612	—
Total extraordinary income	30,403	1,731,269
Extraordinary losses		
Loss on retirement of noncurrent assets	1,307	3,307
Loss on valuation of investments in capital of subsidiaries and affiliates	—	161,546
Loss due to COVID-19	—	76,418
Loss on valuation of shares of subsidiaries	165,948	—
Demolition and demobilization cost	370	—
Loss on liquidation of subsidiaries	26,704	—
Special consolation payments	29,322	—
Total extraordinary losses	223,652	241,272
Net income before tax	2,592,954	4,455,116
Income taxes - current	400,170	774,873
Income taxes - deferred	(24,275)	(28,360)
Total income taxes	375,894	746,512
Net income	2,217,060	3,708,603

(3) Statements of changes in shareholders' equity  
FY2019 (April 1, 2019 through March 31, 2020)

(Amount: thousand yen)

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

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(5,393)	24,153,913	527,387	527,387	24,681,301
Changes of items during the period					
Dividends from surplus		(959,992)			(959,992)
Net income		2,217,060			2,217,060
Purchase of treasury shares by Board Benefit Trust	(37)	(37)			(37)
Purchase of treasury shares by Board Benefit Trust	(179,733)	(179,733)			(179,733)
Net changes of items other than shareholders' equity		—	(309,929)	(309,929)	(309,929)
Total changes of items during the period	(179,771)	1,077,295	(309,929)	(309,929)	767,365
Balance at the end of current period	(185,165)	25,231,209	217,457	217,457	25,448,667

FY2020 (April 1, 2020 through March 31, 2021)

(Amount: thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings reserve	Retained earnings		Total retained earnings
		Capital reserve	Total capital surplus		Other retained earnings	Retained earnings carried forward	
				Other reserve			
Balance at the beginning of current period	3,354,353	1,380,380	1,380,380	838,588	9,700,000	10,143,053	20,681,641
Changes of items during the period							
Dividends from surplus						(1,001,731)	(1,001,731)
Net income						3,708,603	3,708,603
Purchase of treasury shares by Board Benefit Trust							
Purchase of treasury shares by Board Benefit Trust							
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	—	—	—	—	2,706,872	2,706,872
Balance at the end of current period	3,354,353	1,380,380	1,380,380	838,588	9,700,000	12,849,925	23,388,513

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(185,165)	25,231,209	217,457	217,457	25,448,667
Changes of items during the period					
Dividends from surplus		(1,001,731)			(1,001,731)
Net income		3,708,603			3,708,603
Purchase of treasury shares by Board Benefit Trust	(500,101)	(500,101)			(500,101)
Purchase of treasury shares by Board Benefit Trust		—			—
Net changes of items other than shareholders' equity		—	196,654	196,654	196,654
Total changes of items during the period	(500,101)	2,206,770	196,654	196,654	2,403,425
Balance at the end of current period	(685,266)	27,437,980	414,112	414,112	27,852,092