

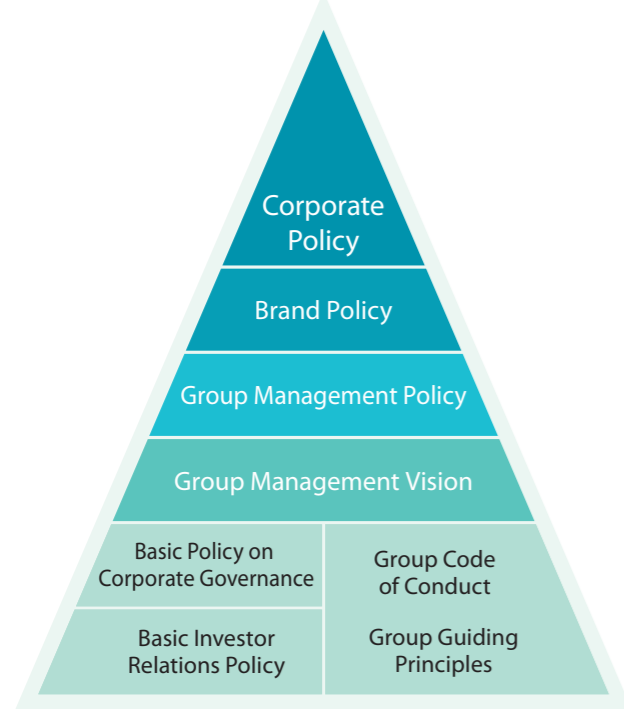
Becoming a world-leading manufacturer
through steady plan execution

ANEST IWATA Corporation
Integrated Report

2023

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

ANEST IWATA Corporate Philosophy



Corporate Policy

誠心

“Makotono kokoro”
(Trustworthy & Sincere)

Brand Policy

The following marks represent our corporate brand.



Corporate brand promise

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

Corporate slogan

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

The meaning of the name ANEST IWATA

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

Group Management Policy

1. We will build a true relationship of trust by always thinking from the customers' perspective and meeting the customers' expectations.
2. We will maintain a global perspective at all times and strive for research and development of innovative technologies that anticipate the changes in the environment.
3. We will provide attractive products and services that meet customer needs with sincerity at appropriate levels of quality and at appropriate prices.
4. We will establish a lively and inclusive corporate culture that values the spirit of challenge, upholds the principles of fairness and equality, and brings out the individuality and capabilities of each employee, as well as a robust corporate structure capable of flexibly withstanding changes, and achieve inner happiness and a prosperous lifestyle.
5. All employees of the ANEST IWATA Group shall respect personal and cultural differences, work together with all stakeholders, and establish a corporate culture that maximizes the individual's creativity and teamwork.

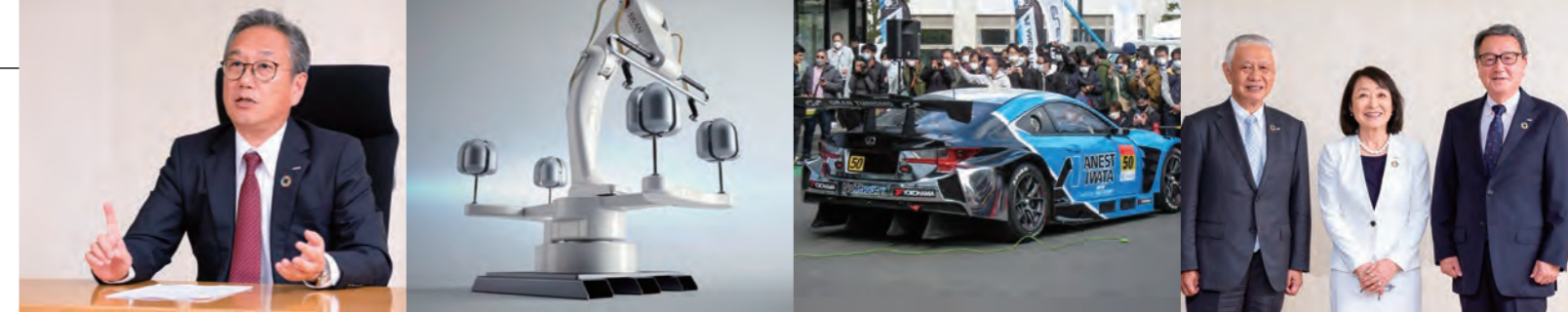
Group Management Vision

To become a company with a 100-year history

1. We will become a vibrant and innovative development-oriented company capable of providing high-performance and high-quality products and services with sincerity from the customers' perspective.
2. We will transition from improvement-based product development focused mainly on cutting costs and internal core technologies to a flexible company capable of steadily tapping into market needs and collaborating with various businesses.
3. All employees of the Group will make a concerted effort by aiming to become the No.1 in the world, and will strive to become a “True World-class Company” that maximizes customer satisfaction and continuously creates innovative technology and products.

To become a “True World-class Company” Management slogan

The Group companies will make a concerted effort (ONE ANEST IWATA) to become the Global Number ONE by providing unique (ONLY ONE) products and becoming Number ONE (No.1) in each market.



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Editorial Policy

ANEST IWATA Corporation, since FY2019, has been issuing the “Integrated Report” instead of the “Environmental and Social Report,” to further deepen the understanding of our stakeholders including shareholders and investors. The Company considers sustainability including the perspectives of ESG and the SDGs as a crucial management theme, and promotes activities that generate profits through business growth while solving social problems. The report focuses on what we want to stress the most among these activities while also covering such topics as the Company's business model, management strategies, and business report, as well as ESG information, such as our HR initiatives. The editing team has referred to the IFRS *Integrated Reporting Framework* and the Ministry of Economy, Trade and Industry *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0 (Guidance for Collaborative Value Creation 2.0)*.

Period covered by the report

The report, basically, covers the fiscal year 2022 (from April 2022 to March 2023) but it also includes reports of activities prior to and after this period.

Organizations covered

The report covers ANEST IWATA Corporation and its consolidated subsidiaries.

Date of publication

December 2023

Cautionary note regarding forward-looking statements

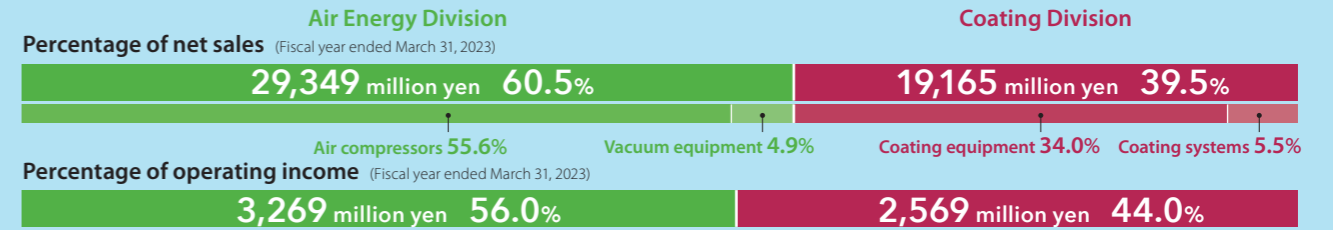
Forward-looking statements contained in this report have been prepared based on information available at the time of publication.

Various external factors, including the global economy, fluctuations in exchange rates, market conditions of the industry and trends in capital expenditures, may impact the Company's business performance. Accordingly, please be advised that actual results may differ from the results contained herein.

The purpose of this report is to provide information to our shareholders and is not intended as a solicitation or a recommendation to invest in the Company's shares or to buy or sell or trade any other securities.

ANEST IWATA Group At a Glance

ANEST IWATA Group is an industrial machinery manufacturer headquartered in Yokohama City, Kanagawa Prefecture. The Group's businesses consist of the Air Energy Business, which deals in "air compressors" and "vacuum equipment" based on its core technology to compress gases (mainly air), and the Coating Business, which deals in "coating equipment" and "coating systems" based on its core technology to atomize liquids (mainly paint) into a mist. With manufacturing and sales bases in more than 20 countries and regions worldwide, we contribute to manufacturing around the world by engaging in business activities on a global scale.



Factories



- Running pneumatic equipment
- Blowing away chips (air blowers)

Air compressors



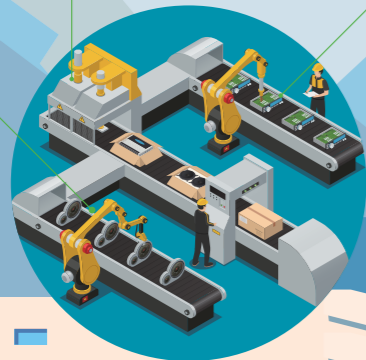
- Suction of gases (vacuum packing and defoaming)
- Transporting through suction
- Leak detection

Vacuum equipment



- Gas injection (generating nitrogen gas for packaging, etc.)

Air compressors



- Woodwork, metal and plastic products
- Electrical appliances

Coating equipment / coating systems

- Automobile parts

Coating systems



- Construction machinery and heavy machinery

Coating systems



- Automobiles

Coating equipment



- Arts and hobbies

Coating equipment



- Hospitals
- Driving gas supply to hospital rooms
- Driving dental implements

Air compressors



- Research facilities
- Accelerators and radiation light

Vacuum equipment



- Railway vehicles

Coating systems



- Trains and buses
- Opening and closing automatic doors
- Brake systems

Air compressors



- Make-up

Liquid application equipment

Air Energy Division

Air compressors

Air compressors are machines that compress gases, mainly air. They play a vital role in various fields, including serving as a power source for machines in factories, controlling the opening/closing of doors in trains and being used in hospital facilities.



Oil-free scroll air compressors

Vacuum equipment

Vacuum equipment refers to a machine that creates a vacuum by gas suction and pressure reduction. Vacuum equipment contributes to the development of various industries based on its track record of being adopted in a wide range of fields, from cutting-edge research facilities to automotive and food factories.



Oil-free scroll vacuum pumps

Coating Division

Coating equipment

Coating is applied to various products for the purpose of "improving the aesthetic appearance" and "protecting the surface," among others. By utilizing the technology to atomize liquids into a mist, we provide a wide range of products related to coating and spraying (including liquid application equipment).



Automotive refinishing spray guns

Coating systems

With the ability to make proposals by taking advantage of our experience as a leading manufacturer of coating equipment, we design and sell coating lines to provide customers with the finish tailored to their requests.



Revolving coating robots

History of Growth

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

Net sales **48,500** million yen Operating profit **5,800** million yen

Trends in net sales

(1968) Tested overseas expansion of spray guns in Europe

(1991) Successfully developed the oil-free scroll air compressor

(2017) Synergy through the acquisition of SCR^{*1}

(2009) Commenced full-scale overseas expansion of compressors

100th anniversary

*1 Shanghai Screw Compressor Co., Ltd. (China: Manufacture and sales of compressors)



1926
"Iwata Seisakusho," the Company's predecessor, was established in Toyosawa-cho, Shibuya-ku, Tokyo



Four Iwata brothers including the founder

1957
Established Iwata Air Compressor Mfg. Co., Ltd.

1971
Listed its stocks in the First Section of the Tokyo Stock Exchange.

1961
Listed its stocks in the Second Section of the Tokyo Stock Exchange.

1996
Changed company name to "ANEST IWATA"



1987
Commenced full-scale overseas expansion of manufacturing and sales bases of coating system starting with Taiwan

2020
Revised the corporate slogan
Active with Newest Technology

2009
Commenced full-scale overseas expansion of manufacturing and sales bases of air compressors, mainly in China

2022
Transitioned from the First Section to the Prime Market

Spray guns Origins of ANEST IWATA

1927
Commenced manufacture and sales of the first domestically-produced spray gun modeled after an imported spray gun



First domestically-produced spray gun

1948
Released the "Type S and B Spray Guns," which were suited for Japanese hands, and established its reputation in the coating industry.

1957
Released the "W-57 Spray gun," and won the support of the automotive coating field.

1962
Made full-scale entry into the coating system market.

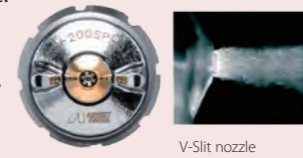


"MRP series," multi-articulated coating robot

1985
Developed the world's first electric, multi-articulated coating robot

Developed and mass-produced spray guns that reduced air pollution, in response to U.S. and European regulations

1999
Released LPH-400, the world's first low-pressure spray gun equipped with a V-groove paint nozzle.



V-Slit nozzle

2018
Expanded product lineup through M&As



Air brush made by AI-SP^{*2}
*2 ANEST IWATA SPARMAX Co., Ltd.

Compressors Proprietary development of compressors for spray gun inspection

1928
Commenced manufacture and sales of small-sized air compressors



Air compressors at the time of founding



"MC series" medium-sized air compressors

1969
Developed the first domestically-produced two-stage, air-cooled, medium-sized air compressors and entered the medium-sized air compressor market.

Air Energy Division

1991
Developed the world's first oil-free scroll air compressor



Body of oil-free scroll air compressor

Mass-produced air compressors that can compress air oil-free, to be environmentally-friendly

1993
Developed the world's first oil-free scroll vacuum pump and entered the vacuum pump market



Oil-free scroll vacuum pump

2017
Expanded product lineup through M&As



Medium-sized air compressor made by SCR^{*1}

Coating equipment

Coating systems

Air compressors

Vacuum equipment

Value Creation Process

The Group has been stepping up its mission by diversifying applications and launching customized unique (ONLY ONE) products in markets with the use of its core technologies, i.e., "liquid atomization" and "gas compression." Going forward, the Group, in accordance with the ANEST IWATA Corporate Philosophy, will continue contributing to the achievement of a prosperous society that is safe, reliable, and capable of sustained growth by having each one of our employees act in a "trustworthy and sincere" (Makotono kokoro) way and providing the highest level of quality and technologies as a development-oriented company. Also, by creating value for our various stakeholders through our business activities and reinvesting the acquired resources to reinforce various capital, we will aim to achieve the enhancement of corporate value and sustained growth.

Corporate Policy

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(Trustworthy & Sincere)

ANEST IWATA Corporate Philosophy

Various capital held by the Company

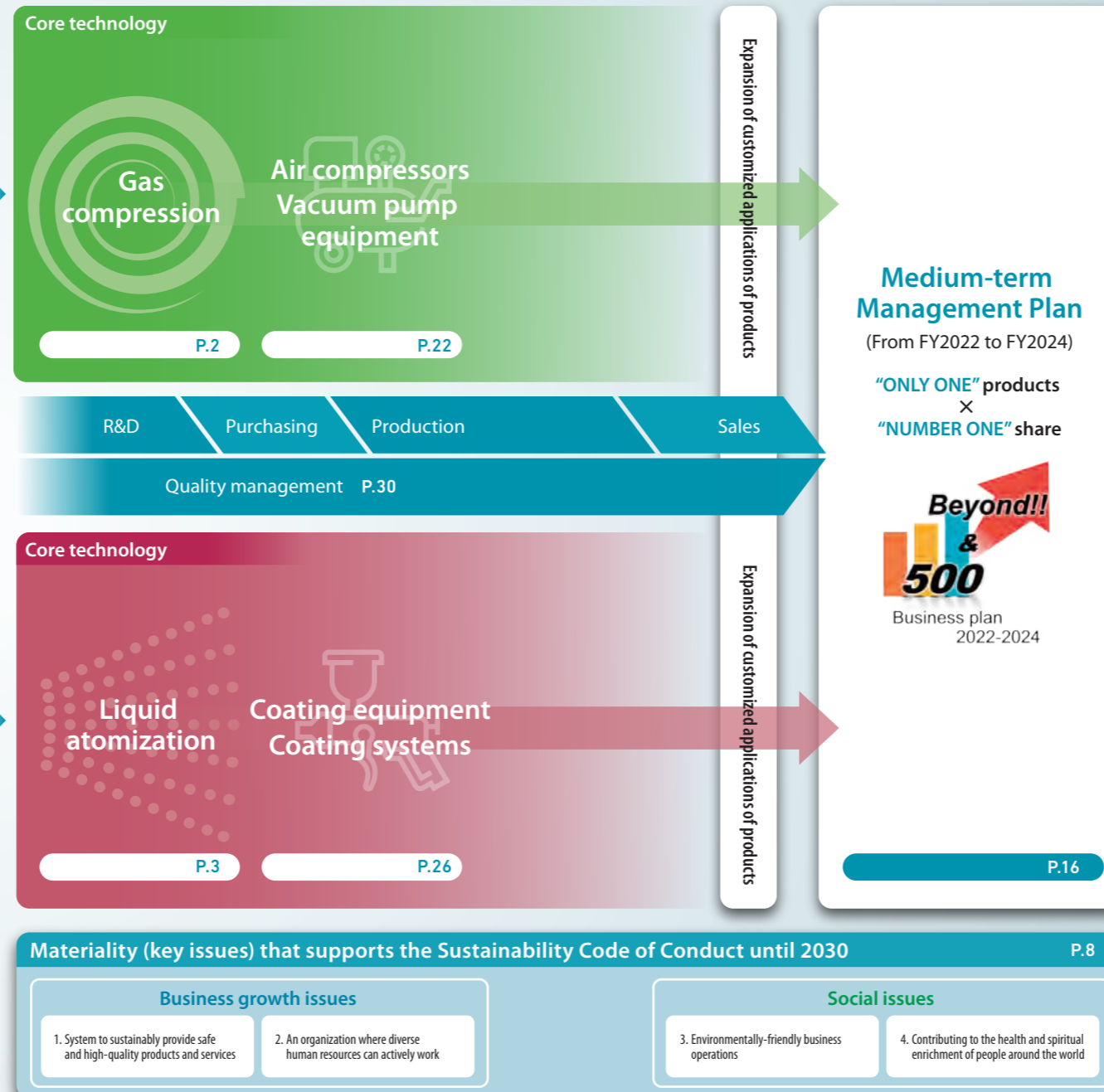
(As of March 31, 2023)

Financial capital
Net assets: 45,255 million yen
Shareholders' equity ratio: 66.6%
Manufacturing capital
Capital investments: 2,557 million yen
Property, plant and equipment: 12,461 million yen
Number of factories: 19 factories in 10 countries and regions
Human capital
Number of Group employees: 1,799
Ratio of overseas employees: 65.3%
Intellectual capital
Number of Patent applications: over 1,200 patents in Japan and overseas
Research and Development expenses: 1,355 million yen
Social and related capital
Number of group companies: 35 group companies more than 20 countries and regions
Natural capital
CO2 emission (non-consolidated) 5,230 t-CO ₂

The external environment surrounding the Company

- Intensifying international competition
 - Decrease in manpower
 - Escalation of climate change and environmental problems
 - Growing social demand
 - Shift toward new lifestyles
 - Increasingly uncertain market environment
 - Advancement of digital society
 - Risks that may have a significant impact on the Company's
- P.58

Business activities and achievements



The value that we create

(As of March 31, 2023)

- ▶ **Creating cash**
Consolidated net sales **48,515** million yen
Free cash flow **1,005** million yen
- ▶ **Providing products and services that meet the needs and are tailored to the needs of countries and regions**
 - Enhancing coordination among Group companies by utilizing ICT tools^{*1}
 - Expanding sales of customized products that are not affected by the economy
 - Enhancing overseas sales

Consolidated overseas net sales **increased 19.3%** compared to FY2021
- ▶ **Contributing to manufacturing in a wide range of fields**
 - Providing industrial machinery playing a vital role in various production factories
- ▶ **Supplying highly reliable products**
 - Gaining support from the market

Hand spray guns
Domestic market share **70%** or more^{*2} Global market share ranking **2nd**^{*2}

Airbrushes
Global market share around **30%**^{*2} Domestic market share ranking **2nd**^{*2}
- ▶ **Building a safe working environment**
 - Stabilizing employment
 - Full-time employees account for **90.1%** of the workforce
 - Promoting health and productivity management

Recognized as one of the **"White 500" enterprises in the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program**

Selected under **"2023 Health & Productivity Stock Selection"**

 - Decrease in annual losses^{*4} due to presenteeism^{*3}

Decreased 11.4% compared to FY2021
- ▶ **Enhancing relationships with regional communities**
 - Collaboration with local organizations
- ▶ **Contributing to the solution of environmental issues**
 - Developing environmentally-friendly products
 - Rectifying environmental problems through the widespread adoption of our environmentally-friendly products

Sales of oil-free models account for **51%** of total sales of air compressors

Becoming a "True World-class Company" that benefits people and people's lives

- E** Development of environmentally-friendly products P.36
- S** Respecting human resources fundamental to the company and our relationship with society P.40
- G** Enhancement of governance structure P.51

^{*1} A general term given to system applications and devices that utilize communication technology
^{*2} According to our research
^{*3} A state of working even though the employee has health problems
^{*4} Average loss per person based on the QQ method

Materiality

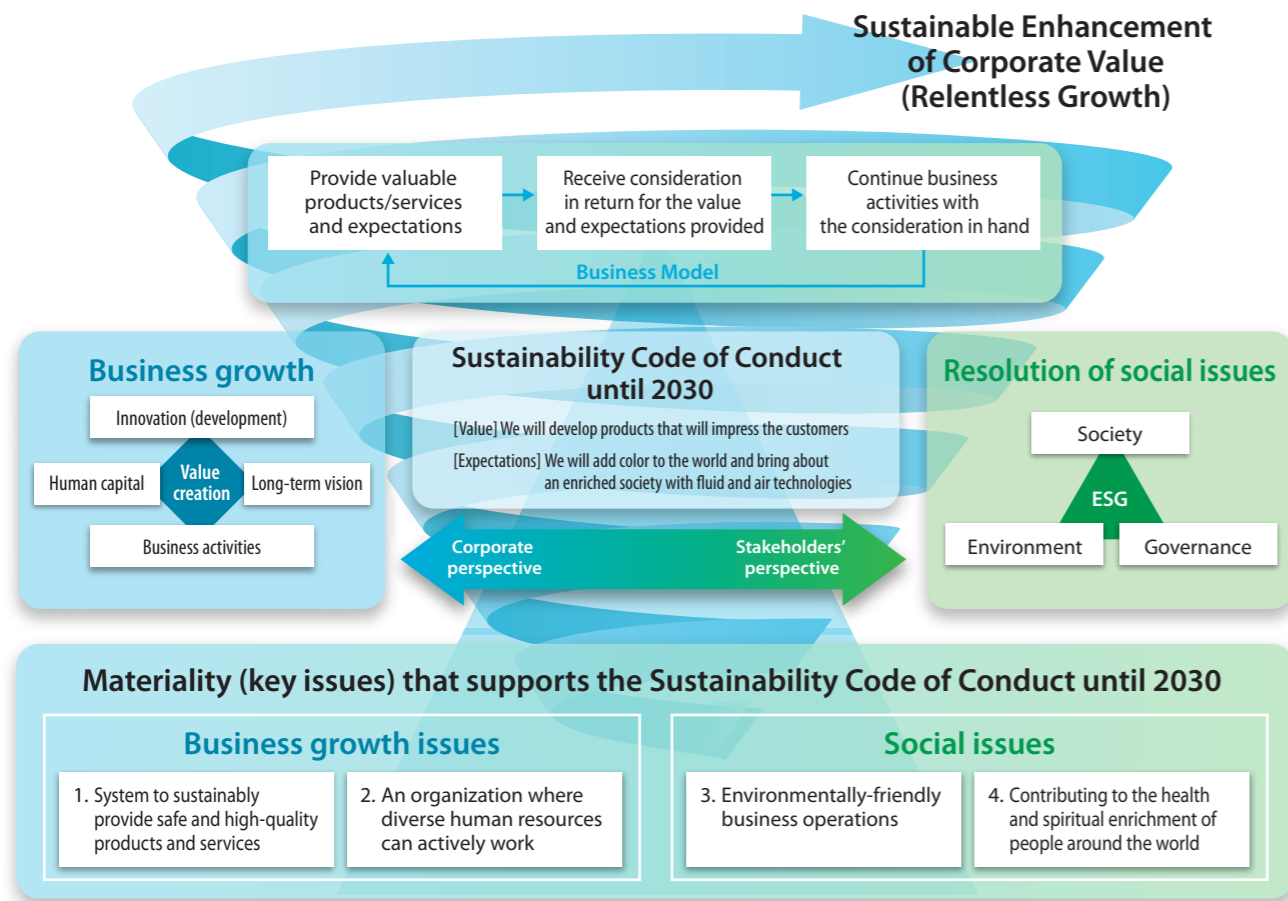
The Company has identified key issues (materiality) toward the sustained enhancement of corporate value. We will aim for further growth by focusing on efforts addressing materiality.

To Achieve Sustained Growth

The Company by providing valuable products and services and engaging in activities that meet the expectations of the stakeholders receives in return revenue and trust as consideration. And with this acquired capital, the Company engages in initiatives that will lead to further growth. We believe that the achievement of sustained growth is predicated on the repetition of this loop.

Furthermore, we believe that true corporate value

comprises both economic values such as business performance, and social values such as ESG, and we are striving to strike the right balance between the two. Based on this approach, we have identified materiality from the two perspectives of issues concerning business growth, which will be required to keep on creating value as a company into the future and social issues whose resolution we will support as a member of society.



Identification Process

STEP 1

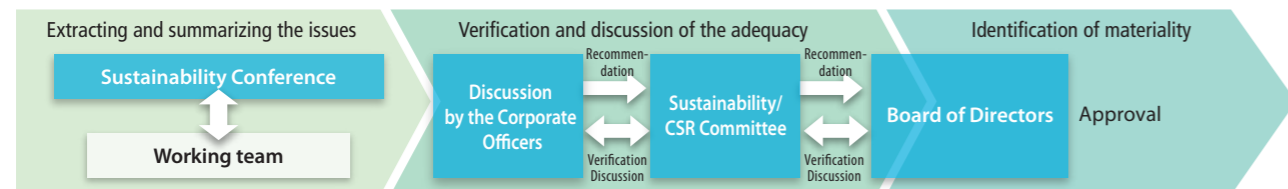
We extracted the issues that would become crucial in achieving sustainable growth, based on the Company's management policies and expected roles. We launched a working team from the Sustainability Conference, whose main members are the General Managers of each department, to address these issues.

STEP 2

The adequacy of the extracted issues was discussed and examined by the Corporate Officers, the Sustainability/CSR Committee, and the Board of Directors.

STEP 3

The issues were identified as the materiality of ANEST IWATA.



Materiality

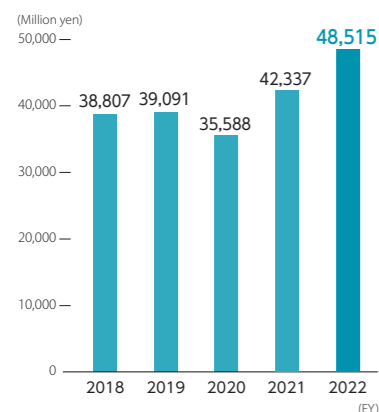
	1. Materiality	2. Major themes	3. Major initiatives of ANEST IWATA	4. Goals		5. Major SDGs that will benefit from the initiatives	
				4-1. Related philosophies	4-2. KPIs		4-3. FY2022 results
Business growth issues	System to sustainably provide safe and high-quality products and services	I. Development and provision of technologies, products, and services in response to obsolescence and diversifying needs	<ul style="list-style-type: none"> Expand existing businesses through the promotion of area-specific strategies Promote new business development using motorsports as a platform Promote M&As that contribute to growth Manage, utilize, and create intellectual property as management resources 	<ul style="list-style-type: none"> Becoming a development-oriented company with vital and innovative technological capabilities Becoming a global company that aims for stable growth and development 	Consolidated net sales of 100 billion yen or more in and after 2030 Maintain and improve ROE to 10% or higher	48.5 billion yen 11.6%	
		II. Quality assurance and stable supply of products	<ul style="list-style-type: none"> Re-examine the quality assurance system through regular internal quality audits and third-party organizations Strengthen supply chain management Consider a globally optimized production system 	<ul style="list-style-type: none"> Providing safe and high-quality products and services that accurately capture customers' needs at appropriate prices 	Maintain ISO9001 certification	Continuing certification	
	An organization where diverse human resources can actively work	I. Promoting the advancement of diverse human resources	<ul style="list-style-type: none"> Launch a project for promoting the advancement of women with members comprising volunteer female employees Create a gender-free workplace through the promotion of DX at the production factories Promote health and productivity management 	<ul style="list-style-type: none"> Establishing a corporate culture that elevates individual creativity and teamwork to the maximum extent Ensuring and promoting diversity to create new value and to grow sustainably 	Raising the ratio of the Company's female managers to 8% or higher by FY2030 Raising the ratio of the Company's male employees acquiring child-care leave to 100% by FY2030 Decrease in the Company's losses due to presenteeism ¹⁾	2.8% 61.5% 30,697 yen ²⁾	
Social issues	Environmentally-friendly business operations	I. Contributing to the resolution of environmental issues	<ul style="list-style-type: none"> Provide and spread environmentally-friendly products through the pursuit of oil-free air compressors with high environmental performance and coating technology that reduces VOC emissions 	<ul style="list-style-type: none"> Aiming to become a creative company that is useful to society by becoming aware that it is a member of society Contributing to society through product development that aims to lessen the customers' environmental burden 	Sales ratio (amount) of oil-free compressors to total compressor sales of 60% or higher	Approx. 51%	
		II. Contributing to a society that mitigates the environmental burden	<ul style="list-style-type: none"> Launch a project to reduce CO₂ emission, as a medium- to long-term task Promote disclosures based on TCFD recommendations 	<ul style="list-style-type: none"> Recognizing activities to resolve problems of the earth's environment as a social mission, formulating an environmental policy, and promoting the reduction of the environmental burden 	Total CO ₂ emission reduction rate at the head office Reduction of 1% compared to FY2021 Reduction rate of CO ₂ intensity per domestic factory Reduction of 1% compared to FY2021	Reduction of 3.7% compared to FY2021 Compared to FY2021 Akita Factory: Reduction of 8.4% Fukushima Factory: Reduction of 22.3%	
	III. Compliance with laws and regulations	<ul style="list-style-type: none"> Conduct regular compliance training Establish a point of contact for whistleblowing operated by a third party 	<ul style="list-style-type: none"> Building a true relationship of trust Compliance with the Guiding Principles 	0 cases of compliance violations Number of compliance training sessions: 1 or more per year (for each theme)	0 cases Once		
	IV. Realizing safe and reliable quality	<ul style="list-style-type: none"> Build a product safety management system to ensure world-class safety Monitor complaints and information from customers and based thereon, carry out improvements and activities to prevent the recurrence of problems 	<ul style="list-style-type: none"> Contributing to the achievement of a prosperous society that is safe, reliable, and capable of sustained growth 	0 cases of major quality problems and accidents	0 cases		
Contributing to the health and spiritual enrichment of people around the world	II. Meeting diverse social needs	<ul style="list-style-type: none"> Build and strengthen an optimal relationship that can connect digitally with the world's customers Improve customer engagement through the utilization of IT tools and other means 	<ul style="list-style-type: none"> Achieving "useful technology, beloved products, and a bond of trust" 				
	III. Building a relationship of trust between companies and society	<ul style="list-style-type: none"> Hold events that aim for co-existence and co-prosperity with the community Collaborate with local organizations Disseminate sufficient information and improve disclosures 	<ul style="list-style-type: none"> Promoting appropriate collaborations with the various people and companies associated with the Group with the goal of sustained growth and the creation of medium- to long-term corporate value 				
	IV. Establishing a governance structure that puts the corporate philosophy into practice	<ul style="list-style-type: none"> Carry out measures to improve the effectiveness of the Board of Directors Strengthen Group company management Disclose investment and utilization strategies and establish governance relating to intellectual property and intangible assets 	<ul style="list-style-type: none"> Building a robust corporate structure capable of flexibly withstanding changes Establishing ANEST IWATA as a company contributing to the achievement of a prosperous society 	Maintaining the ratio of Independent Directors of 50% or higher Conducting regular evaluations of the effectiveness of the Board of Directors	54.5% (After the 77th Annual Shareholders' Meeting) Summaries of the results have been disclosed		

*1. A state of working even though the employee has health problems *2. Average loss per person based on the QQ method *3. A concept describing a positive attitude and state of mind toward work. Measured based on the Utrecht Work Engagement Scale

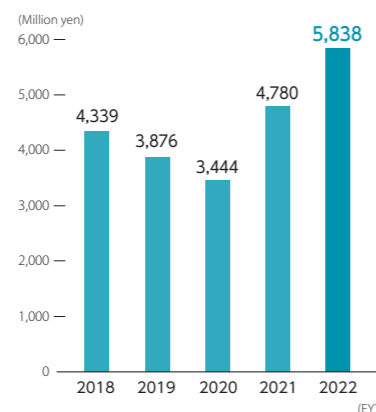
Financial and Non-financial Highlights

Financial Highlights (Consolidated)

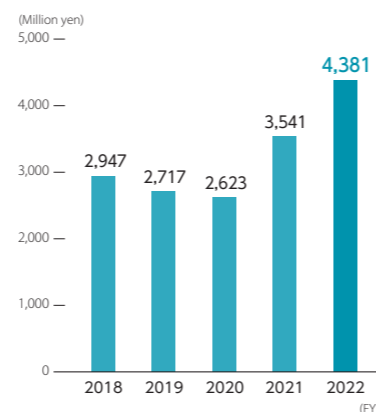
Net Sales



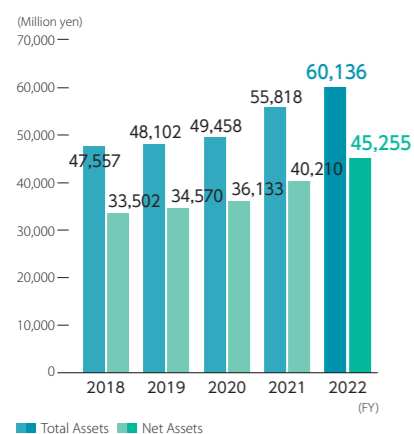
Operating Income



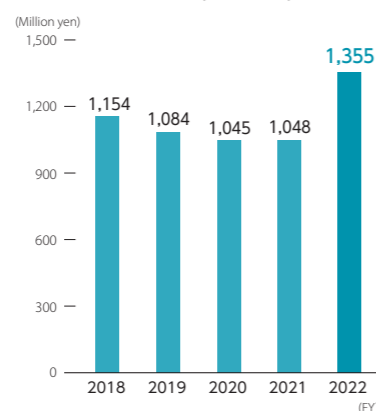
Profit Attributable to Owners of Parent



Total Assets and Net Assets

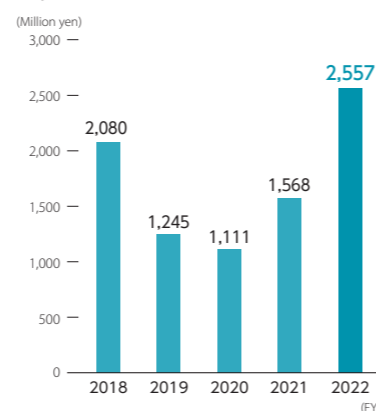


Research and Development Expenses



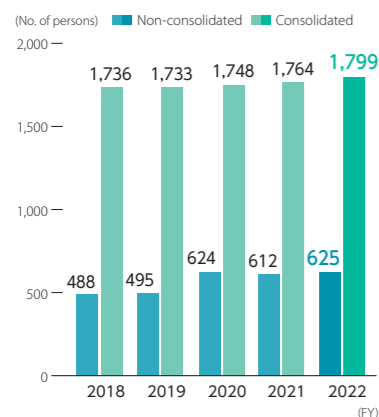
*Research and development expenses represent the total amount of general and administrative expenses and manufacturing expenses relating to research and development.
*Reportable segments are Japan, Europe and Asia.

Capital Investments



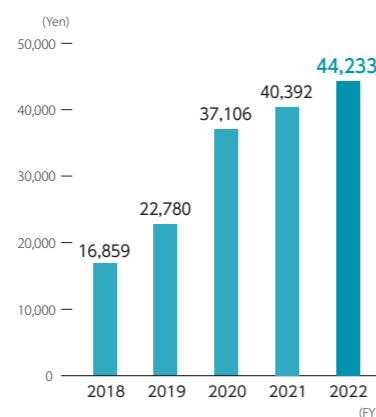
Non-financial Highlights

Number of Employees



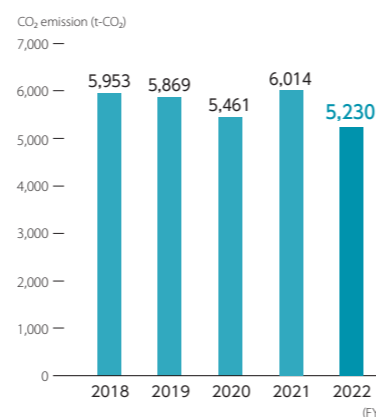
*The number of employees on a non-consolidated basis increased mainly due to the absorption-type merger of two domestic sales companies (formerly consolidated subsidiaries) effective April 1, 2020.

Education/Training Cost per Employee



*Non-consolidated figures of ANEST IWATA Corporation

Total CO₂ emission



*Non-consolidated figures of ANEST IWATA Corporation

Message from the President

Aiming to Be a “True World-class Company” for Customers around the World

In May 2023, ANEST IWATA will reach 9796 years since its foundation.

In order to become a "True World-class Company", based on the "customers first" principle, we will advance the creation of an optimal organizational structure and personnel cultivation that will allow us to respond to the needs of our customers in the various markets of the world.

ANEST IWATA will continue to be a company that benefits people and people's lives, while diligently upholding the company's founding motto of being "trustworthy and sincere" and strive to deliver the highest level of quality, technologies and services. At the same time, "Anest," a component of our company name denotes being "active" and "offering the newest technology, in other words, our aspiration to be a development-oriented company that is always vigorous and possesses cutting-edge technologies. Anest Iwata group employees around world are working together to achieve this goal in their respective fields.

We look forward to your continued patronage and support.

Shinichi Fukase
President, Representative Director and Chief Executive Officer



Interview with the President

We achieved better-than-expected revenues, thanks to the growth of our overseas business. We will make upward revisions to the numerical targets of the Medium-term Management Plan, “500 & Beyond,” and head toward our vision for 2030 and beyond.

It has been a year since your appointment as President. Looking back on the past year, what kind of results have you achieved and what kind of favorable signs have you perceived, if any?

Looking back on the past year since my appointment, I feel that I am off to a good start because I have been making steady progress on each of the medium- to long-term management issues that I had set, including achieving increases in revenue and profits exceeding the plan, mainly through the robust overseas business. Let me give you an example: For an industrial machinery manufacturer to achieve sustained growth, it must “constantly launch new products” and to make this happen we must go back to the basics of “improving our technological development capabilities.” In last year’s Integrated Report, I spoke about “Dual-shaft management” and “Ambidexterity management” and my goals upon my appointment of steadily earning revenues from existing businesses while at the same time pursuing new businesses, as well as striking a balance in management by looking 30 years and even 100 years ahead. I also stressed that to this end, we must not fear making mistakes and we need to change our corporate culture so that it allows us to learn from our mistakes.

As for the results of this past year, in terms of “improving

our technological development capabilities,” we began developing new infrastructure at our headquarters in Yokohama to strengthen our prototype-building function, which had become an issue. Previously, we had been building prototypes at the Fukushima and Akita Factories but we are aiming to speed up the launch of new products. By making the new prototype infrastructure fully operational during the current Medium-term Management Plan period, we hope to enhance the quality and speed of our development. Additionally, at the Annual General Meeting of Shareholders held in June 2023, we welcomed Independent Directors with experience and knowledge of new technology development and production technology and established a structure that encouraged “improving our technological development capabilities,” also from a management standpoint.

In new business development, also, we have been successful in cultivating the spirit of taking on challenges in which mistakes are considered a blessing in disguise, as well as the fostering of competitiveness within the Company. As a result, proposals from employees have increased beyond our expectations, which has given me a good feeling about the future. Previously, our company was known for its sound business management, i.e., being extremely cautious, almost to a fault, but going forward we will change our corporate culture so that we will still be cautious but proceed at a steady pace, in order to

capture the global changes in the business climate as growth opportunities.

There are still issues that need to be addressed. We have set the Long-term Vision, “Vision 2030,” in which we will aim for management with a view to achieving 100 billion yen in sales, as our goal for 2030 and beyond. However, upon taking a detailed look into the required measures to this end, and estimating the amounts required through the organic growth of existing businesses and the extras to be provided through M&As, we have realized that it will be no easy task. Although the current market environment is providing us with a tailwind, there is a limited number of talent that can head up the launch of new businesses, including M&As, and market development, which may very well become a major bottleneck. I have become aware of

the need to take a deeper dive into the specific measures and the precision of the plan, including the hiring and fostering of human resources, to achieve 100 billion yen in sales.

What are the key points of the business performance of the previous fiscal year and what are the major achievements in terms of activities?

The business performance for the consolidated fiscal year ended March 31, 2023 managed to report increases in both sales and profits exceeding the plan, thanks to the exponential growth in the overseas business, mainly in Europe, despite the effects of the delayed market recovery in Japan from COVID-19 and China’s lockdown. The ratio of overseas sales to total sales has also increased to 64.0% (61.5% in the previous fiscal year). Needless to say, this takes into account the positive effects of the weakened yen. Nevertheless, I hope that we are recognized for managing our Group companies in their local currencies and developing a system for tightly managing the progress of our strategies and growth in business performance in each area, as well as the fact that we are on the cusp of capturing major promising markets through the success of our strategic initiatives that have been implemented to date.

For example, Shanghai Screw Compressor Co., Ltd. (SCR)*, which was acquired in 2018, has been steadily improving its business performance by globally rolling out medium- to large-sized compressors, which had previously not been in the Group’s lineup. Also, at our subsidiary in India, where the market is booming, demand has been growing for the Company’s proprietary oil-free compressors for vehicle applications such as electric trains and buses, in addition to the relatively low-priced, general-purpose compressors, which already have a proven track record, and marketing targeting both of these models is proving to be successful. Furthermore, in Europe, the advance sale of the new type of spray gun has been a great success. Europe is the home to major chemical manufacturers and a world leader in state-of-the-art paint manufacturing. Therefore,

*Shanghai Screw Compressor Co., Ltd. (SCR): See the table below.

Name of Subsidiary	Consolidation from	Location	Category	Business description	FY2022 Net sales
Shanghai Screw Compressor Co., Ltd. (SCR)	April 2018	China	Compressor	Manufacture and sales of medium- to large-sized compressors. Engaged not in sales within China but also exports to India, the U.K., Eastern Europe, Brazil, etc.	7,280 million yen (up 35.4% year-on-year)

success in Europe has given us a positive outlook for sales in other regions.

Moreover, the fact that we were able to raise our prices in both Japan and overseas amid the soaring costs of raw materials and logistics also contributed to the increase in revenue. This, of course, was made possible in no small part by the understanding and cooperation of our customers but it should also be noted that it was also due to the periodic price hikes which we have been implementing overseas, and our decision to go ahead and raise our prices in the highly price-competitive domestic market. The other companies have subsequently followed suit and this has become a trend for the entire market.

Meanwhile, in terms of activities, we proactively invested in our future business expansion by making IT investments and investments in production facilities at the Fukushima Factory (compressor manufacturing), while relocating the office and expanding the warehouse of a sales subsidiary in the U.S. In addition, we made preparations to reinforce our production facilities in and after the following fiscal year in India, Italy, Thailand, and other countries.

Can you provide us with the background for the revision of the Medium-term Management Plan and tell us about the direction it will take in the future?

We revised the numerical targets of the 3-year Medium-term Management Plan, “500 & Beyond,” which began in the fiscal year ended March 31, 2023, due to the operating results of the initial year exceeding the plan as a result of strategic progress and the effects of the price hikes, and also because the foreign exchange assumptions were revised reflecting the weakening of the yen. For the consolidated fiscal year ending March 31, 2025, the final year of the plan, we raised the target of sales (excluding M&As) of 50 billion yen or more to 55.5 billion yen or more and the target of operating profit of 5.5 billion yen or more to 6.5 billion yen or more.

However, the fundamental direction of the business



strategies and investment policies has not changed. In other words, our basic strategies are – 1) The targets of the Medium-term Management Plan are merely checkpoints and the first step on the way to realizing our vision for 2030 and beyond of achieving sales of 100 billion yen. 2) The overseas markets with ample room for expanding our share will become future growth drivers but we will also continue to focus on expanding the sales of higher added-value products in the domestic market, where we already maintain a certain share. 3) We will go back to our origins as an industrial machinery manufacturer and make optimal capital investments to enhance the quality and speed of development. 4) We will maintain an operating profit margin of 10% or higher while making capital investments to increase production capacity and IT investments to strengthen the management foundation. 5) We will focus on M&As and new business development in both existing and new businesses. And our strategies have been progressing favorably to date.

As a part of our basic strategy of new business development, we have entered the world of motorsports. Our objectives may be summarized as 1) to explore opportunities for collaboration with various partners by participating in the community surrounding motorsports, and 2) to provide a positive impact on our existing businesses and also motivate our employees by raising our visibility. Especially, in terms of new business development, we believe that rather than sticking to the principle of self-sufficiency, it would be better to explore how and in which areas we can utilize our proprietary technology and expertise and with which partners to form alliances. Therefore, we intend to utilize our entry into motorsports, which is highly compatible with our existing business of compressed air and coating and which is expected to contribute to the creation of new value through encounters with various partners and customers, as a platform for the creation of new businesses. As a part of these efforts, in March 2023, we formed a partnership with HW Electro Co., Ltd., which manufactures and sells small commercial EVs, and launched our PDI (Pre-Delivery Inspection) business. We are also engaged in a number of other projects and there has been a surge in our corporate culture that encourages taking on challenges.

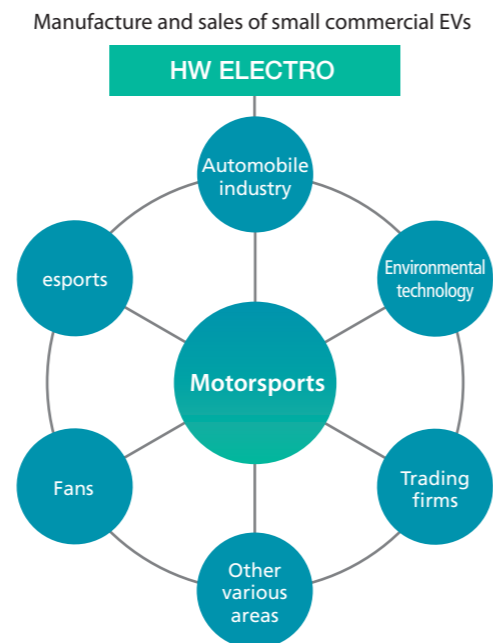
Tell us about your initiatives toward sustainability

The Group has always been focused on the development of environmentally friendly products, for example, by proposing

oil-free and energy-saving air compressors and in terms of coating equipment, making low-pressure spray guns and spray guns for water-based paints. This is what differentiates our products and leads to our competitive edge. And this is why we consider stricter legal regulations and the growing environmental awareness to be business opportunities for the Group. In fact, the move toward water-based paints and oil-free air compressors in specific markets (vehicle applications, product manufacturing, medical, etc.) is expected to further increase demand for the Group's products. Therefore, we consider these markets to be markets with high potential warranting even greater attention going forward.

On the other hand, reinforcing human capital to ensure the Company's sustained growth has become an urgent issue. Securing talent, increasing the productivity of each individual, and becoming a powerful company are prerequisites, especially, if we are to achieve sales of 100 billion yen and survive as a "True World-class Company." Increasing productivity not only improves profitability but also leads to the resolution of labor shortages through the reassignment of human resources. To this end, the systematic improvement of individual capacities is imperative and we intend to continue our investments in both these aspects. Furthermore, to secure talent, we have adopted year-round employment and proactively recruit mid-career hires with a high level of expertise and knowledge.

However, given that overseas employees and overseas



sales account for the majority of both the Group's workforce and sales composition and that the overseas markets are poised to become future growth drivers, our current recruitment and development of talent to take on a leading role overseas are by no means enough. We are currently formulating HR strategies that look toward the future including strengthening cooperation with the overseas subsidiaries and the adoption of a flexible remuneration system. As for the advancement of women, while this is an industry where there are not many women to begin with, a project was launched by volunteer female employees to foment a mindset geared toward career advancement through interviews with managers and workshops.

At any rate, given that human resources are the foundation of all business activities and the good performance of individuals leads to sustained corporate growth, we are addressing the promotion of health and productivity management and the improvement of life-work balance as priority issues.

How would you rate your company's state of governance?

Six of the 11 Directors are Independent Directors, which I believe ensures not only independence and transparency but also a well-balanced composition in line with the Group's business characteristics and strategic direction, where each member embodies an abundance of experience, knowledge, and skills. At the Board of Directors meetings, more in-depth discussions are being held in a free and open atmosphere and through the sharing of important meeting materials such as Corporate Officer Committee documents, and while I am in the position of being supervised, I feel that the governance function is fully effective.

Starting from FY2021, we have been undergoing evaluations on the effectiveness of the Board of Directors by a third-party organization. We are always trying to identify issues with an exacting eye and working hard to further strengthen governance. For example, in response to the issue raised by some directors that the Board meetings spend too much time scrutinizing individual issues and not enough time discussing the big picture to ensure sustainable growth and increase corporate value, we established a new "Board of Directors Opinion



Exchange Meeting." The meeting is a place for voicing candid opinions on Group measures for enhancing corporate value, and it is hoped that the Board of Directors will also raise their effectiveness through these meetings.

Please send a message to the stakeholders.

As for shareholder returns, we are committed to continuing a steady increase of dividends in line with the growth of profits, while aiming for a consolidated payout ratio of 40%. Furthermore, we plan to improve our disclosure of value created through the Group's initiatives toward environmental and social issues, as well as the Group's value in terms of business performance and finances, and we hope to continue the constructive dialogue with our stakeholders on both economic and social value.

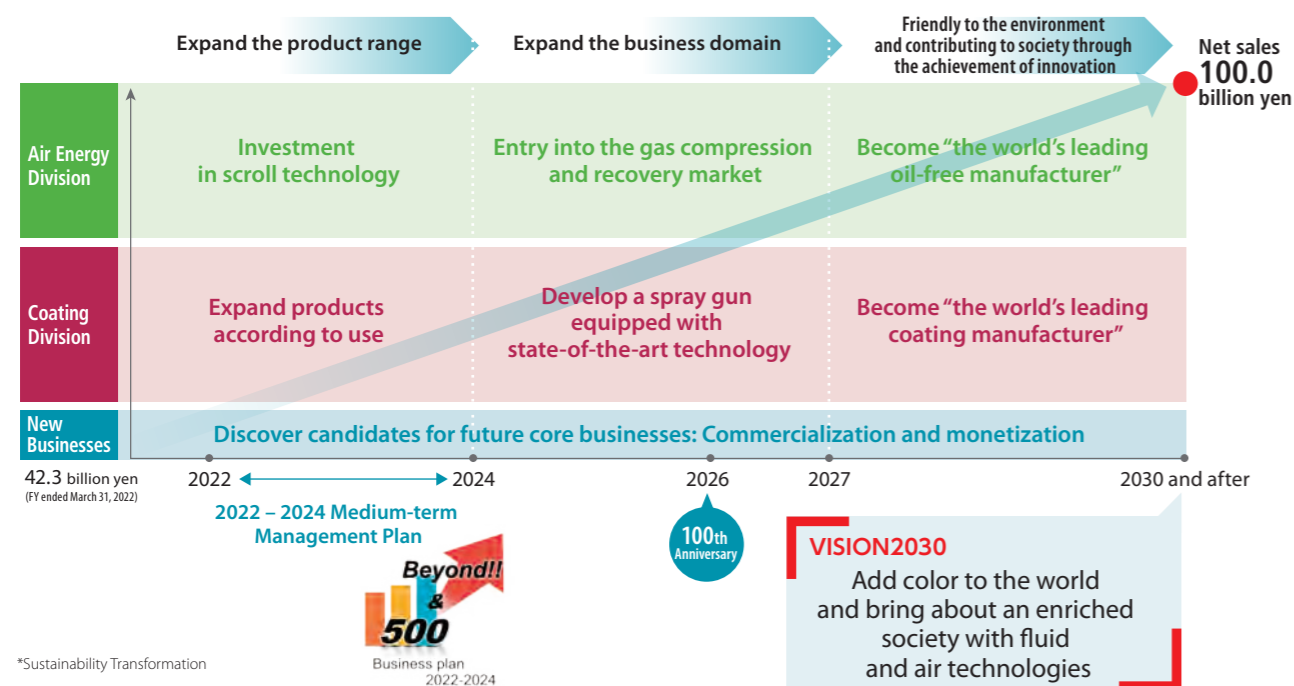
Although in three years, the Company will commemorate its 100th anniversary, we are truly on the verge of growth. I believe that it is my greatest mission to indicate a specific direction toward the achievement of the long-term vision during this period of the Medium-term Management Plan and I will always be looking 30 years into the future to explore growth potential and continue to strengthen our business foundation so that we can contribute to the *monozukuri* (manufacturing) of the world. Technological innovations are rapidly taking place, especially in the *monozukuri* environment, giving rise to a series of new approaches in design and development. In such a climate, "being committed to precise *monozukuri*, while responding to the change in the environment" represents the Group's mission and a business opportunity. In order to appropriately assess risks and capture growth opportunities, I plan to change our corporate culture so that we will still be cautious but proceed at a steady pace. Therefore, please look forward to our further progress in the future.

* Dividend payout ratio was revised on November 9, 2023.

Medium-term Management Plan "500 & Beyond" (FY2022 – FY2024)

In 2022, the Company commenced business activities based on "500 & Beyond," the new 3-year Medium-term Management Plan. Under this plan, we see overseas markets as a source of growth and keep providing high-performance, high-quality products that impress all customers as a true development-oriented company.

The current Medium-term Management Plan is the first step of the Long-term Vision, "Vision 2030." We will enhance corporate value through both ESG and our ability to make profits (SX*).



Under the current Medium-term Management Plan, we will aim for consolidated net sales of 55.5 billion yen or more, consolidated operating income of 6.5 billion yen or more, and ROE of 10% or higher, based on organic growth. Furthermore, we will promote business activities to fulfill our vision for 2030 and beyond of achieving 100 billion yen in consolidated net sales.

Basic Strategy	<ul style="list-style-type: none"> • Capture the No. 1 share (NUMBER ONE) of each market by creating unique (ONLY ONE) products tailored to the needs of each region around the world. • Maximize the synergies between subsidiaries. • Expand the service business in Japan, change the business model, and develop new businesses. • Enhance sustainability management.
Business Strategy	<p>Expand sales of compressors and high/mid-range coating equipment targeting overseas, which is a growing market.</p> <ul style="list-style-type: none"> • Introduce environmentally-friendly, oil-free, medium-sized, general-purpose compressors with high added value and competitiveness. • Expand sales of spray guns that are suitable for difficult painting jobs as well as spray guns that are reasonably priced and meet certain specifications, mainly in emerging countries. • Accelerate growth by both improving profitability and expanding volume. <p>Overseas market: As a growth market, accelerate business expansion by increasing sales volume.</p> <p>Domestic market: As a mature market, improve profitability by increasing the unit price through higher added value.</p>
Investment	<p>Investments will be sourced from operating cash flows and cash and cash deposits</p> <p>Capital investments centered on increasing production capacity, IT investment centered on ERP (Enterprise Resource Planning) to strengthen the management foundation, and proactive deliberation of M&As as an important option for growth</p>
Shareholder Return	<p>Pursue proactive shareholder returns</p> <ul style="list-style-type: none"> • Aggressive shareholder returns with the aim of increasing dividends • Establish and achieve a new index with a target payout ratio of 40% (Dividend payout ratio was revised on November 9, 2023) • 1.5 billion yen for share buyback (approx. 4% of total shares issued and outstanding)

Targets and the Status of Initiative under the Current Medium-term Management Plan

Air Energy Division Strategy

Targets Consolidated net sales of **33.5 billion or more**, consolidated operating income of **3.65 billion or more**

- The overseas market will be positioned as a growth driver. We will continue to carry out measures in both the general-purpose and specific markets (vehicle applications, medical settings, physics and chemistry, etc.).
- As the price competition in the overseas market is more moderate than in Japan, the monetary value share of approx. 1% still represents ample room for growth. We will aim for greater profits by increasing our share.
- Although Japan is a mature market, by raising the ratio of high-value-added products such as oil-free air compressors, we will secure profits. Benefitting from the increased environmentally-friendly demand.
- Aim for 60% or more sales of oil-free products to total consolidated net sales.

→ P.22

Status of initiatives

- | | |
|-------------------------|---|
| Air compressors | <p>Japanese market: The delivery time for procurement of air compressor parts has been mostly leveled. Air compressors for machine tools such as laser processing machines have increased sales through the utilization of subsidies, and other means.</p> <p>European market: We increased sales of oil-free air compressors for equipment manufacturers and for EVs. We promoted measures to increase sales of air compressors made by SCR* in China.</p> <p>Chinese market: Despite the effects of government policies associated with COVID-19 on the economy, there has been an increase in the number of oil-free air compressors adopted in the lithium-ion battery manufacturing process.</p> <p>Others (Indian) market: We further increased sales of small-sized and medium-sized, general-purpose air compressors. In the specific market, we are promoting the increased sales of oil-free air compressors for medical settings, commercial EVs, and electric trains.</p> <p>In manufacturing, we commenced capital investments to raise the productivity of a local subsidiary. We are also considering knockdown production of medium-sized air compressors currently manufactured by SCR in China.</p> |
| Vacuum equipment | <p>Japanese market: Performed strongly despite the effects of the fluctuating inventory of equipment manufacturers, reflecting the changes in semiconductor demand.</p> <p>Americas and Chinese markets: The adoption of oil-free vacuum pumps increased among various equipment manufacturers, including those for semiconductor inspection processes, and for lithium-ion battery manufacturing processes.</p> |

*Shanghai Screw Compressor Co., Ltd.

Coating Division Strategy

Targets Consolidated net sales of **22.0 billion or more**, consolidated operating income of **2.85 billion or more**

- The overseas market will be positioned as a growth driver. We will expand our share of mid-range spray guns that are reasonably priced and meet certain specifications, in addition to increasing profits from high-range spray guns, which are our strengths.
- Although Japan is a mature market, we leverage our high market share and secure profits through high-value-added products, including products for difficult paint jobs.

→ P.26

Status of initiatives

- | | |
|--------------------------|--|
| Coating equipment | <p>Japanese market: Sales increased in both the automobile repair and the industrial coating markets, due to recovery as a result of the normalization of economic activities. We promoted the renewal of environmental equipment through repeated remote negotiations with the participation of engineers.</p> <p>European market: Sales increased thanks to the successful promotion of the new model spray guns for the automobile repair market.</p> <p>Americas market: In the industrial coating market, also, sales increased due to progress in developing users in the woodworking coating market.</p> <p>Others market: Sales of spray guns for the automobile repair market increased thanks to the rolling out of European best practices and strengthening relationships with coating manufacturers in ASEAN.</p> |
| Coating systems | <p>Japanese market: We steadily delivered the order backlog from the previous term. We began to market the indium mirror coating system that is design-forward and replaces metal-plating, to become environmentally-compliant.</p> <p>We commenced commissioned prototype-production services using the trial coating facilities at the Head Office.</p> <p>Chinese market: While the appetite for capital investments is waning mainly among Japanese companies, we are focused on capturing projects, including those of neighboring countries.</p> |

Medium-term Management Plan "500 & Beyond" (FY2022 – FY2024)

DX Promotion

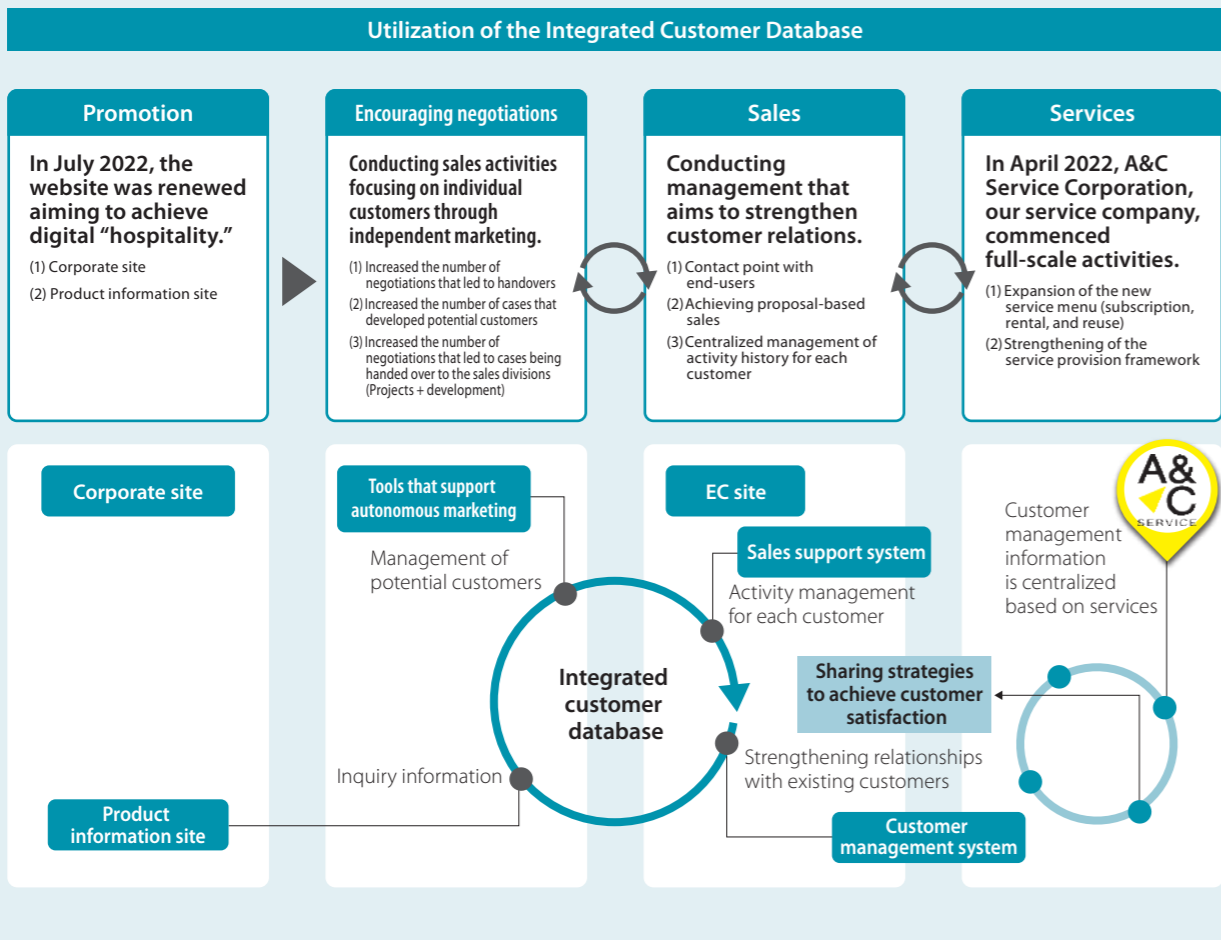
- Currently we are promoting DX in the 5 areas of Japan, Europe, the Americas, China, and other regions, which reflects the characteristics of each region.
- Going forward we will mutually adopt initiatives and systems that are found to be effective, aim to become connected from a global perspective while enhancing customer satisfaction, and promote increased productivity of the entire Group.

Specific Initiatives

- Establishing an intranet in the same area and sharing various content
- Integrating the ERP of subsidiaries in the same area
- Optimization of factory operations using IoT

Sales Reforms in Japan

- During the period of the previous Medium-term Management Plan, we made IT investments and built an integrated customer database.
- We centralized customer data from sales to services and accumulated data while promoting activities aiming to make proposals that pinpointed the needs of each customer.
- We updated our website. The website was divided into corporate and product information, facilitating the provision of information to visitors.



Development of New Businesses

- Cultivating markets and developing new products/services by utilizing core technologies/know-how that we have accumulated so far.
- Entering new domains that are not extensions of existing businesses from the standpoint of sustainability

Specific Initiatives

- We entered the world of motorsports to launch new business domains, in addition to our existing businesses. We will aim to build new businesses that will become a third pillar beyond our existing businesses using the various "human connections" born from the motorsport platform created through this undertaking.
- We will take on the challenge of developing new businesses through the expansion into the mobility business and strengthening relationships with mobility-related companies.

New challenges through motorsports

- In April 2023, we entered the SUPER GT GT300 class as "ANEST IWATA Racing."
- We will build relationships with various industries associated with motorsports including the automobile industry.



Entry into the Pre-Delivery Inspection (PDI) business

- Thanks to the "connections" through motorsports, we formed a capital and business alliance with HW ELECTRO K.K. We undertake the PDI of multi-purpose small commercial EVs as a commissioned business.
- We are pursuing the expansion of the new EV-related business, the further improvement of the quality management system including that of the existing businesses, and the possibility of new services such as the reuse of batteries.

Capital and business alliance partner:

HW ELECTRO K.K.

Representative: Weicheng Hsiao

Address: SOHO Bldg. 301, 2-7-4 Aomi, Koto-ku, Tokyo

Business description: Manufacture and sales of the multi-purpose small commercial EV, "ELEMO"



Front "ELEMO", back "ELEMO-K"

Operating Results, Financial Condition, and Future Financial Strategies

Operating Results and Financial Condition to Date

Looking back at the trends in net sales, the Company temporarily took a step backward in FY2020, as a result of the impact of the COVID-19 pandemic but has been on an uptrend overall since FY2010 – the year marked by our full recovery from the Lehman Crisis. Our growth in business performance to date has been brought about by securing market share in Japan and developing overseas markets for our mainstay products, namely air compressors and coating equipment. However, lately, the Company's growth has been driven by the rise in the ratio of overseas sales. In the past 11 years, the ratio of overseas sales rose from 39.6%* to 64.0%. In particular, a major contributor to the high growth rate realized from FY2017 was overseas M&As, including that of Shanghai Screw Compressor Co., Ltd. (SCR) aimed at expanding the product range and acquiring sales networks. PMI (post-merger integration) and the creation of synergy have been progressing smoothly and net sales of the acquired companies have grown 33.2-fold in the past seven years. Approximately 750 million yen in goodwill associated with past M&As have been capitalized but it is currently not considered to be a major risk factor (e.g. of impairment risk).

On the other hand, in terms of profitability, except for FY2019 and FY2020, which were impacted by the COVID-19 pandemic, the Company has kept its operating profit margin at 11% or higher and ROE at 10% or higher ever since FY2013. Our profit margin has been trending upward, especially through the promotion of operational reforms triggered by COVID-19. In financial terms, our shareholders' equity ratio has been stable at over 60%, cash flows have been ample, and funds for investments, including those for M&As, have been sourced within the limit of operating cash flows. Having secured more than 12 billion yen in cash reserves as a consequence, our policy is to effectively utilize them for the Company's future growth strategies.

*Results have been translated based on the delivery destination

Operating Results and Financial Condition for FY2022

The consolidated operating results for FY2022, were net sales of 48,515 million yen (up 14.6%), operating profit of 5,838 million yen (up 22.1%), ordinary profit of 7,043 million yen (up 26.4%), and net profit attributable to owners of parent of 4,381 million

yen (up 23.7%), which represent a significant increase in both net sales and profits, exceeding the plan, and thus reaching record highs in sales and all profitability indicators.

Even considering the positive factor of the weak yen, the business strategies that we have been pursuing to date proved to be successful, resulting in overseas sales to drive overall sales throughout the year and expanding profits beyond our expectations. The ratio of overseas sales also rose to 64.0% (compared to 61.5% in the previous fiscal year). Sales have grown particularly in Europe and other areas, mainly in India. In Europe, sales of the new model spray guns increased, while in India, the demand for oil-free air compressors for specific markets (for vehicle applications such as trains and electric buses) as well as general-purpose compressors increased significantly. Additionally, SCR in China, which we acquired in 2018, has been performing strongly in export sales and contributing to the increase in sales.

On the profit front, also, despite the impact of soaring costs including material and logistic costs, our cost-to-sales ratio improved significantly at 56.0% (down 0.9 points), thanks to lower procurement costs as a result of an improved product mix and a stable supply of parts, in addition to the understanding and co-operation of our customers allowing us to implement cost pass-throughs both in Japan and overseas. Additionally, while selling, general and administrative expenses increased in line with greater sales activities and the rise in overseas personnel costs, we reported an increase in operating profit, and the operating profit margin also rose to 12.0% (up 0.7 points), due to the effects of increased revenue and thorough cost control measures.

As for the Company's financial condition, total assets increased to 60,136 million yen (up 7.7% from the end of the previous fiscal year). Major contributing factors included the increase in "Notes and accounts receivable-trade," reflecting the increase in net sales, the securing of "Raw materials and supplies" to prepare for a shortage of parts, and the increase in "Non-current assets" as a result of capital investments in the Fukushima Factory (manufacture of compressors), among others. On the other hand, equity capital also increased to 40,025 million yen (up 12.3%) due to the increase in internal reserves and an increase in "Foreign currency translation adjustment" reflecting the weak yen, while the shareholders' equity ratio rose to 66.6% (up 2.8 points).

In terms of capital investments, we made IT-related investments and investments to expand the production lines at the Fukushima Factory and other factories for a total of 2,557 million yen as well as disbursed 1,355 million yen in research and development expenses, thereby making strategic preparations for the future. Meanwhile, in terms of the cash flow status, positive operating cash flows and a portion of the ample cash at hand compensate for both cash used in investing activities (e.g., capital investments) and cash used in financing activities (e.g., dividend payments and share buybacks), and while interest-bearing debt (including lease liabilities) increased to 2,671 million yen (up 10.5%), the Company acknowledges that financial soundness is being sufficiently maintained. Furthermore, ROE, an indicator of capital efficiency, also improved significantly to 11.6% (up 1.2 points).

Performance Forecast for FY2023 and Underlying Assumptions

Our performance forecast for FY2023* is a continuing increase in both sales and profits, i.e., net sales of 52,900 million yen (up 9.0%), operating profit of 6,100 million yen (up 4.5%), ordinary profit of 7,700 million yen (up 9.3%), profit attributable to owners of parent of 4,600 million yen (up 5.0%). While the external climate remains uncertain due to geopolitical risks such as the disputes in Eastern Europe and the financial policies of each country, and concerns are being raised for a slowdown in the global economy stemming from the soaring prices of energy, natural resources, and parts, we expect both the Air Energy Division and the Coating Division to grow, as a result of a steady increase in demand for coating systems both in Japan and overseas and the continuing increase in the demand for general-purpose compressors as well as those for specific markets, mainly overseas. On the profit front, also, while raw material and logistics costs are expected to remain high, and upfront expenditures in new business development are anticipated, we are assuming that we will be able to secure an increase in operating profit through the effects of increased revenue and making sure that the price hikes in Japan and overseas stick, as well as operational reforms and improvement in business efficiency.

*The forecast was revised on November 9, 2023.

Revision of the Medium-term Management Plan and Future Financial Strategies

We updated the numerical targets of the Medium-term Management Plan, "500 & Beyond," in light of the higher-than-expected operating results for FY2022, the progress in market de-

velopment, and our revision of the exchange rate assumptions. As the targets for FY2024, the final year of the plan, we raised the target of net sales (excluding M&As) of 50 billion yen or more to 55.5 billion yen or more and the target of operating profit of 5.5 billion yen or more (operating profit margin of 11.0%) to 6.5 billion yen or more (operating profit margin of 11.7%). However, the plan's position remains unchanged as the first step of the Long-term Vision, "Vision 2030," to achieve sales of 100.0 billion yen or more, which has been set forth as our vision for 2030 and beyond. Accordingly, there have been no major revisions to the business strategies or the investment plans. By targeting the overseas markets as growth markets and accelerating the quantitative expansion of air compressors and mid/high-range coating equipment, and increasing the unit price by raising the added value in the domestic market, we will improve profitability. Additionally, by further promoting operational reforms, we plan to reduce the ratio of selling, general and administrative expenses to 30% or below and bolster our earnings structure.

Additionally, in terms of the investment plan, we will continue to make capital investments to enhance production capacity and IT investments to enhance the management foundation, sourced from operating cash flows and cash at hand, as well as reinforce our business foundations for the future by proactively promoting R&D, the development of new businesses, and M&As. Furthermore, as M&As are considered to be a part of our crucial growth strategies, both the Air Energy Division and the Coating Division are expected to utilize their cash at hand and debt financing to engage in M&As to expand regional coverage and supplement their technology, expertise, and product range, as well as develop new businesses.

Shareholder Return Policy

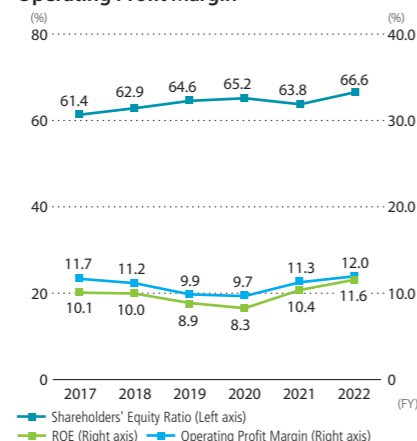
Based on our policy to strike a balance between securing internal reserves for growth investments and paying stable dividends, we aim for a consolidated payout ratio of 40%* and continuous dividend increases in line with the growth of profits. In the fiscal year ended March 31, 2023, we paid an annual dividend of 38 yen per share, up 8 yen from the previous fiscal year. In FY2023, we are planning an annual dividend of 45 yen per share, up 7 yen from the year before, which, if implemented, will represent an increase in dividends for three consecutive years. Furthermore, during the Medium-term Management Plan period, we are planning a share buyback of 1.5 billion yen or more (approx. 4% of total shares issued and outstanding).

*Dividend payout ratio was revised on November 9, 2023.

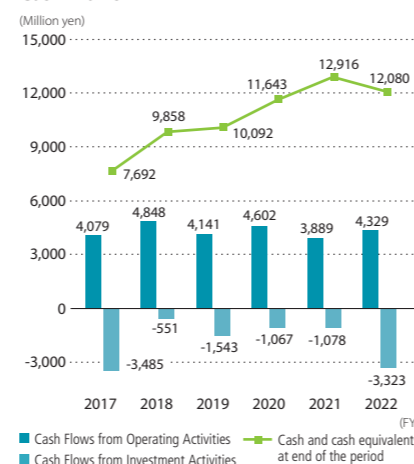
Consolidated net sales and ratio of overseas sales to total sales*



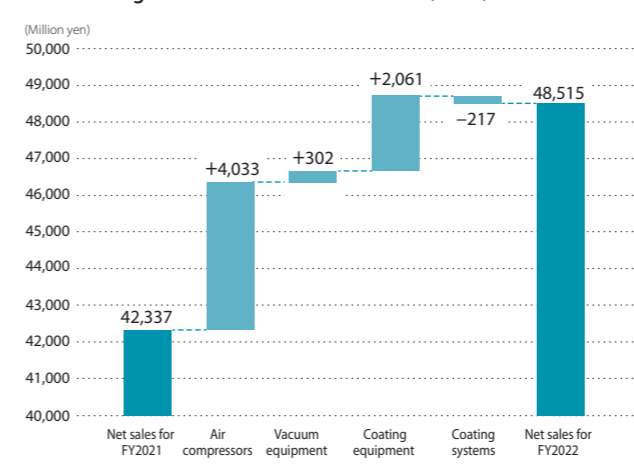
Shareholders' Equity Ratio, ROE, and Operating Profit Margin



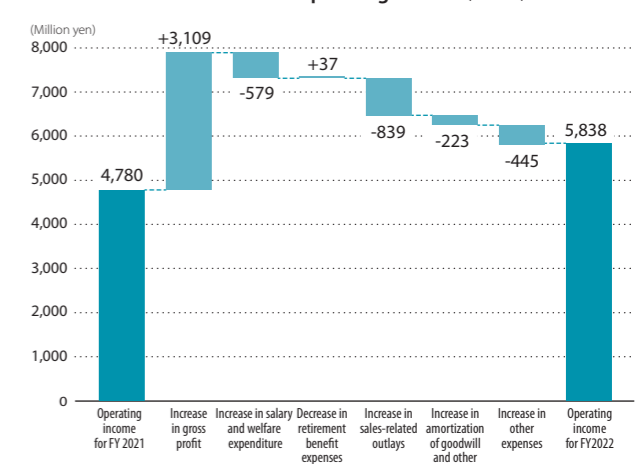
Cash Flows



Positive/Negative Contributors to Net Sales (FY2022)



Increase/decrease Factors of Operating Income (FY2022)





We will help create a prosperous society by pursuing technology to compress gases, mainly air without using lubricating oils, as well as energy-saving qualities, and providing products that match the demands of our customers around the world.

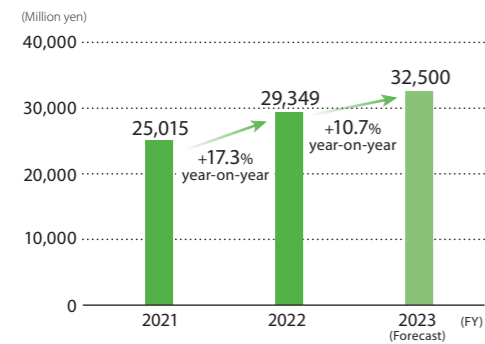
Hitoshi Iwata

Managing Executive Officer
Chief Operating Officer of Air Energy Division

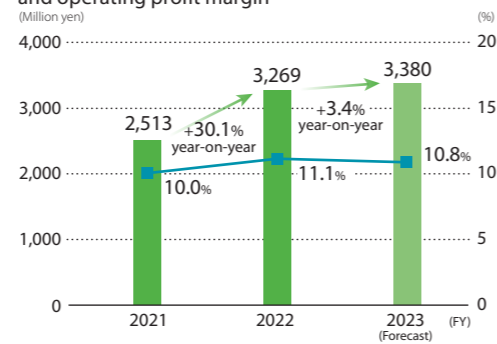
The Businesses of ANEST IWATA
Business Overview **Air Energy Division**

FY2022 Operating Results of the Air Energy Business

Consolidated net sales



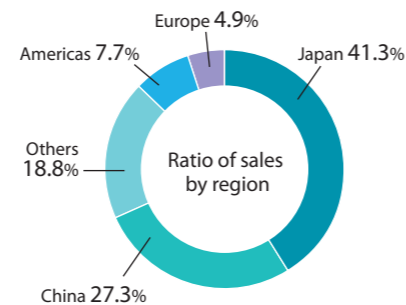
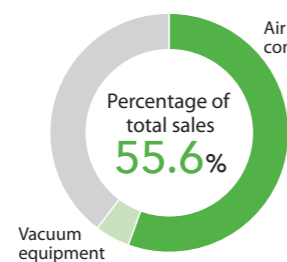
Consolidated operating income and operating profit margin



*FY2023 represents the forecast as of November 9, 2023

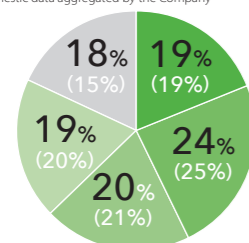
Air compressors Compressors and nitrogen gas generators

FY2022 Consolidated net sales
26,983 million yen
(↑ 17.6% year-on-year)



Percentage to total sales of air compressors by major industry

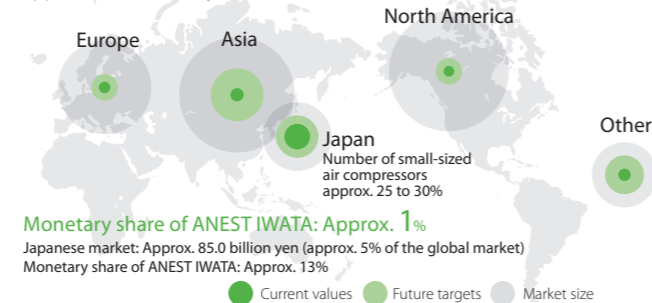
FY ended March 31, 2023
*Figures in parentheses: FY ended March 31, 2022
Based on domestic data aggregated by the Company



■ Manufacture of transportation machinery, including automobiles
■ Manufacture of general machinery and electrical/electronic equipment
■ Manufacture of foods and beverages ■ Specific markets (medical settings, vehicle applications, etc.)
■ OEM, others

Size of the global market for air compressors

Approx. 1,800 billion yen (increased by approx. 29% in approx. 6 years)



Monetary share of ANEST IWATA: Approx. 1%

Japanese market: Approx. 85.0 billion yen (approx. 5% of the global market)

Monetary share of ANEST IWATA: Approx. 13%

● Current values ● Future targets ● Market size

*Market share and market size represent the Company's estimates.

Strengths / Opportunities and Risks

Strengths

- Technology that can manufacture oil-free air compressors that supply clean compressed air without using lubricating oils
- Technological capabilities that developed the world's first oil-free, scroll air compressors, which are quiet with superior energy-saving features.
- Capacity to produce world-class, oil-free, scroll compressors that combine automated assembly lines
- Capacity to tailor products to the extensive requests of the customers
- Uniform and superior product quality through production under a work environment that combines people and automation
- Reliability and stability backed by the second largest market share^{*1} in the domestic, small-sized air compressor market
- Global manufacturing and sales network

Opportunities

- Increase in capital investments in line with economic recovery
- Construction of new hospitals and enhancement of medical-related facilities, especially in emerging countries
- Promoting energy-saving measures to encourage decarbonization
- Promoting oil-free products in line with efforts toward lessening the environmental burden
- Expanding the EV market (electric buses, electric trucks, railway vehicles, etc.)
- Demands for improved air compressor installation environment (space-saving, reduced vibration/noise, removal of oil leaking onto the floor and into the air)
- Higher demand for markets where minimal noise is particularly required (e.g., research facilities, medical facilities)

Risks

- Slowdown of the global economy due to the pandemic and the materialization of geopolitical risks (impact mainly on sales of general-purpose air compressors)
- Continuing shortage in the supply of semiconductors and electronic parts
- New and stricter laws/regulations, rules and standards stipulated in each country/region
- Accelerated conversion to electric power to replace compressed air
- Maturing air compressors market in Japan and a deteriorating profit margin due to intensified price competition
- Further rise in raw materials prices
- Loss of sales opportunities and increase in costs due to disruption to supply chain management/logistics

*1 Company's estimate

Major Achievements in FY2022

- Growth in sales of general-purpose air compressors due to the effects of the global economic recovery and integrated manufacturing and sales activities
- Growth in overseas sales, thanks to SCR* in China, which was acquired and became a subsidiary in FY2018
- Growth in sales of oil-free air compressors for the manufacturing of lithium-ion batteries in China
- Growth in sales of oil-free air compressors for the medical and vehicle applications markets, mainly in India and Brazil

- With the understanding and cooperation of our customers, we passed on the higher prices of raw materials and purchased goods onto product prices in Japan and overseas (Japan: From October 2022, overseas: from January 2022)
- Shortened the time required for electronic parts procurement by re-examining the supply chain
- Improved productivity by reinforcing the air tank manufacturing line at the Fukushima Factory

*Shanghai Screw Compressor Co., Ltd.

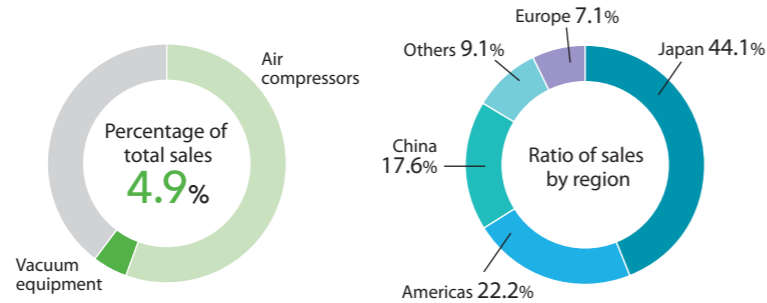
Measures to be taken in and after FY2023

- Increase the number of cases of energy-saving proposals in line with the enhanced utilization of web business negotiations in Japan
- Increase sales of oil-free air compressors for specific markets such as the medical settings, vehicle applications, and physics and chemistry markets
- Increase sales of oil-free air compressors for lithium-ion battery manufacturing in China and also rollout to other countries

- Increase sales of oil-free, scroll air compressors by utilizing the European sales network developed by SCR in China
- Promote the model change of oil-free, reciprocating air compressors in the ASEAN
- Make capital investments to bolster the production of reciprocating air compressors in India

Vacuum equipment Oil-free scroll vacuum pumps

FY2022 Consolidated net sales
2,366 million yen
 (↑14.6% year-on-year)



Strengths / Opportunities and Risks

Strengths

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

Opportunities

- Increase in capital investments and R&D budgets in line with economic recovery
- Growth of the semiconductor market through increased production of electronic equipment in conjunction with the increase in online consumption
- Creation of new uses such as the manufacturing of lithium-ion batteries

Risks

- Slowdown of the global economy due to the pandemic and the materialization of geopolitical risks
- Drastic changes in supply and demand on markets such as the semiconductor market
- R&D budget cuts at government and academic institutions
- Deteriorating profit margin due to intensified price wars with major rivals
- Rise in raw materials and energy prices
- Loss of sales opportunities and increase in costs due to disruption to supply chain management/logistics

Major Achievements in FY2022

- Increased order intake through the effects of the global economic recovery and as a result of being recognized for our short delivery time
- Increased sales on a consolidated basis, despite being affected by the inventory adjustments of semiconductor production-related equipment
- Increased sales of oil-free vacuum pumps for the manufacture of lithium-ion batteries in China and the Americas
- With the understanding and cooperation of our customers, we passed on the higher prices of raw materials and purchased goods onto product prices in Japan and overseas (Japan: From October 2022, overseas: from January 2022)

Measures to be taken in and after FY2023

- Increase sales of oil-free vacuum pumps for semiconductor production-related equipment
- Cultivate equipment manufacturers and R&D institutes that specialize in the areas of Japan, the Americas, and China
- Increase sales of oil-free vacuum pumps for the manufacture of lithium-ion batteries in such regions as China and the Americas
- Develop customized products based on specifications tailored to the characteristics of each country
- Increase the customer base through proposals that combine proprietary products with products of other company brands

Special Feature

Proposal for Oil-free Air Compressors that Take Environmental Issues into Consideration

The Group, which has been manufacturing and selling various types of air compressors, proposes updating our customers' reciprocating air compressors, which are the most prevalent in the market among air compressors that use lubricating oils in the gas compression process,

to oil-free air compressors that do not use oil.

Given that CO₂ is produced during the entire process from oil refining to disposal, reducing the use of oil will curb the emission of CO₂.

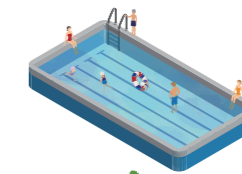
The process of CO₂ generation in compressor oil

Compressor oil generates CO₂ in the industrial waste treatment process (combustion) after it has become degraded due to transportation, refining, and use.

Q. How much CO₂ is generated by the oil consumed in reciprocating air compressors?

A. The CO₂ emissions in the process of refining and incinerating reciprocating air compressor oil used and sold in a year by ANEST IWATA amount to about **237 tons**.

ANEST IWATA uses and sells about **70,000** liters of compressor oil for reciprocating air compressors in a year



Equivalent in volume to **237** 25m swimming pools
 Volume of a pool (25m×13m×1.5m): 487.5m³
 Volume of 1 ton of CO₂: 509m³ (In standard condition: At 0°C, 1 atmospheric pressure)



Cedar tree
 Equivalent to the volume of CO₂ absorbed in a year by approx. **17,000** cedar trees

The volume of oil used in a year by 1 oil-lubricated reciprocating air compressor (7.5kW) is approximately 6 liters*, generating approximately 20kg of CO₂ per year. Oil consumption generally increases as the output becomes larger.



×6L

= CO₂ emissions
 ×20kg



Oil-lubricated reciprocating air compressor
 TLP75EG-10 (7.5kW: small-sized)

*Volume of oil consumed: 3.75L assuming 2,500 hours of operation per year 2.3L at the time of full replacement once a year

Air compressors are indispensable machinery for factories and are in operation in various parts of society. As oil-free air compressors still account for a small percentage of the world's air compressors, we can expect to reduce CO₂ emissions by going oil-free.

ANEST IWATA promotes the conversion of air compressors into oil-free air compressors.

At the same time, we are also making efforts in the development of oils that help achieve carbon neutrality, to deal with cases where the continued use of air compressors that use oil is unavoidable.



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

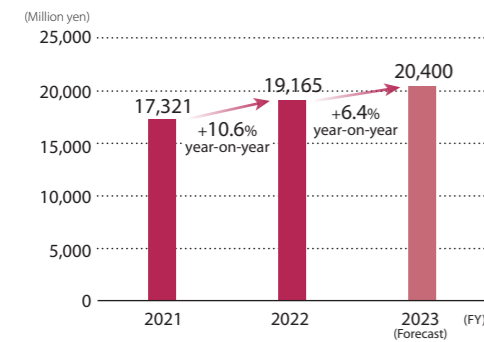
Kenichi Osawa

Director and Senior Managing Executive Officer
Chief Operating Officer of Coating Division

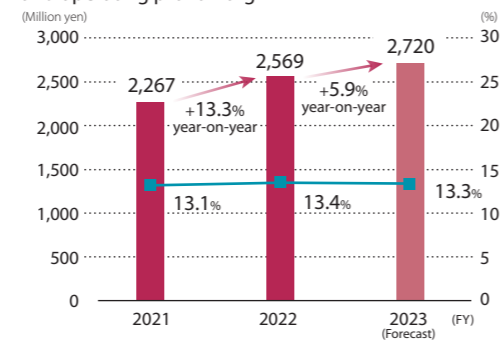
The Businesses of ANEST IWATA
Business Overview **Coating Division**

FY2022 Operating Results of the Coating Business

Consolidated net sales



Consolidated operating income and operating profit margin

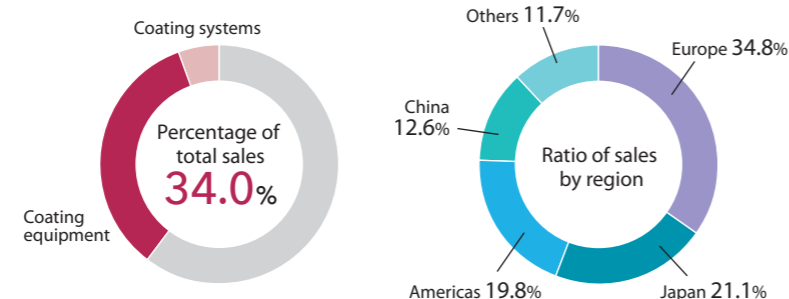


*FY2023 represents the forecast as of November 9, 2023

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

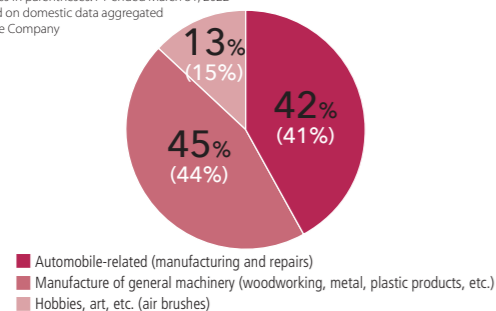
FY2022 Consolidated net sales

16,512 million yen
(**↑14.3%** year-on-year)

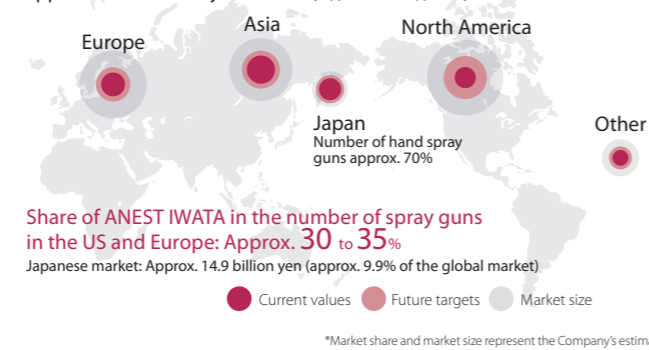


Percentage of total sales of spray guns (coating equipment) by major industry

FY ended March 31, 2023
*Figures in parentheses: FY ended March 31, 2022
Based on domestic data aggregated by the Company



Size of the global market for spray guns (coating equipment)



Strengths / Opportunities and Risks

Strengths

- The know-how accumulated over the years from having developed and commercialized the first Japanese-made hand spray gun
- Knowledge and experience to develop spray guns and propose coating methods optimized according to the paint
- Technology which offers a uniform and optimal coating finish
- Reliability backed by a market share of 70% or more in the domestic hand spray gun market
- Brand power with a large market share overseas as well
- Development and commercialization of environmentally-friendly products that are compliant with strict environmental regulations through collaborations with paint manufacturers
- Production capacity for mass-production of high-spec, high-quality spray guns
- Global manufacturing and sales network

Opportunities

- Growing demand for medium- and high-end decorative coating in line with economic growth
- Establishment of new and stricter environmental regulations in each country
- Growing demand for the application of liquids such as chemicals, photocatalysts and other functional materials
- Heightened interest in environmental consideration (e.g., greater demand for improved coating efficiency)
- Increased demand for optimal coating equipment for paints that continue to evolve

Risks

- Slowdown of the global economy due to the pandemic and the materialization of geopolitical risks
- Loss of sales opportunities due to delayed new product development
- Increased distribution of low-priced imitation products
- Emergence of surface furnishing (film) technology as an alternative to coating
- Further rise in raw materials prices
- Loss of sales opportunities and increase in costs due to disruption to supply chain management/logistics

Major Achievements in FY2022

- Growth in sales of coating equipment due to the effects of the global economic recovery and integrated manufacturing and sales activities
- Successful promotion and growth in sales of spray guns for the automobile repair market, which had been sold in advance in Europe
- The effects of collaboration with paint manufacturers and the activities of the Global Technical Team. Growth in sales of spray guns for the automobile repair market in the ASEAN
- Growth in sales in the Americas, particularly in the application unit for the woodworking coating market
- Expanded the warehouse at an American subsidiary to increase sales of air brushes and products for home centers
- With the understanding and cooperation of our customers, we passed on the higher prices of raw materials and purchased goods onto product prices in Japan and overseas (Japan: From October 2022, overseas: from January 2022)

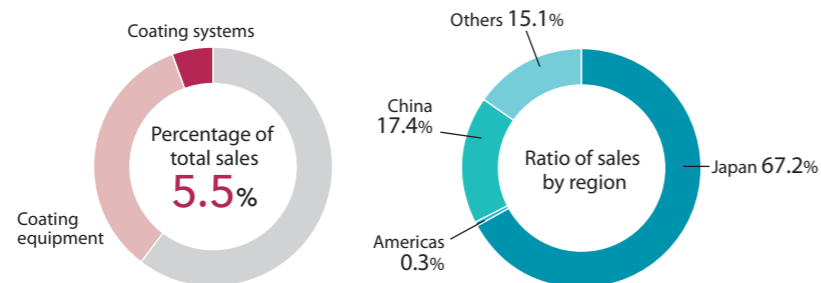
Measures to be taken in and after FY2023

- Increase sales of the new model spray gun for the automobile repair market in the Americas and Asia, following Europe
- Increase sales of mid-range spray guns through home improvement stores in the US
- Commence manufacture and sales of coating booths in the Americas
- Increase sales of mid-range spray guns mainly through EC sites in China
- Develop a new market for industrial coating and application, including leather and glazes, in the ASEAN
- Cultivate the liquid application market
- Make capital investments to bolster the production capacity of spray guns in Italy
- Raise prices in Japan, in light of the rising costs of energy and logistics (From October 2023)

Coating systems Automated coating units, coating plants, and coating robots

FY2022 Consolidated net sales

2,652 million yen
(↓7.6% year-on-year)



Strengths / Opportunities and Risks

Strengths

- Advanced problem-solving capabilities utilizing the experimental facility for coating (Coating Solution Center) and support for producing prototypes as well as proposals on the production of small lot products
- Optimal proposal capabilities that enable the coating finish and the high non-defective rate required by customers
- Global manufacturing and sales network

Opportunities

- Global economic recovery
- Demands for an improved work environment
- Promotion of automation in conjunction with the shortage and the aging of the workforce
- Reinforced initiatives to reduce the environmental burden (Product development for energy-saving, VOC* reduction, etc.)
- Japanese companies building new plants in Japan and overseas
- Proposals for environmentally-friendly coating equipment to the local companies of each country in line with the rising awareness of the environment
- Greater demand for new methods for adopting high-performance coating equipment

Risks

- Slowdown of the global economy due to the pandemic and the materialization of geopolitical risks
- Decline in capital investments due to the deteriorating economy
- Postponement and revision of facility plans at customers' convenience
- Biased sales composition to the automobile parts manufacturing industry
- Personnel control in activities before/after order receipt
- Rise in the cost to sales ratio due to the rising percentage of externally-purchased items
- Rise in raw materials and energy prices

* Volatile Organic Compounds

Major Achievements in FY2022

- With the exception of postponements due to the customer's circumstances, steady deliveries were made and sales were reported including those of large-scale projects in Japan
- Increased deliveries and increased percentage of test runs, using remote means in outlying areas, resulted in lowering the cost to sales ratio
- Engaged in initiatives to improve the productivity of coating

through collaboration with other companies (Indium mirror coating) → p. 29 ("Establishment of a Coating Method That Takes Environmental Issues into Consideration")

- Provided support for producing prototypes using the experimental facility for coating and proposed the production of small lot products

Measures to be taken in and after FY2023

- Promote the adoption of coating robot systems in Japan using subscription plans
- Promote order intake for coating equipment from local companies in China and the ASEAN
- Continue deliveries using remote means in outlying areas and provide support for commissioning trial runs
- Design and develop coating equipment with zero VOC emissions and environmentally-friendly coating equipment

Special Feature

Establishment of a Coating Method That Takes Environmental Issues into Consideration

From the standpoint of environmental protection, ANEST IWATA, together with Musashi Paint Holdings Co., Ltd. and Takubo Engineering Co., Ltd., developed, in February 2023, the "Indium Mirror Coating System," as a technology that would take the place of conventional plating and vacuum deposition.

The Three Benefits of the Indium Mirror Coating System

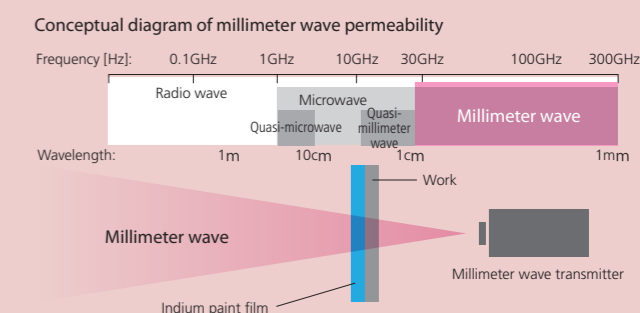
1 Lower costs and more environmentally friendly than conventional plating processing

Plating, vacuum deposition, and sputtering are methods that are known to provide a mirror finish but plating carries a heavy environmental burden due to its various processes such as wastewater treatment while vacuum deposition which requires large-scale facilities entails high costs. The "Indium Mirror Coating System," on the other hand, is characterized by lower cost and a smaller environmental burden than any of these methods.



2 High-performance indium paints can be applied

Indium paint is highly permeable to radio waves and by thinning the coating, it becomes a functional coating with excellent permeability for millimeter waves, etc. It can be applied to smartphones, electrical appliances, electronic machinery components for automobiles, and many other devices, and it can also be applied on any type of material.



3 Mass production is possible

By using the Group's revolving coating robot "SWAN," the indium paint can be uniformly applied at a thickness of 1 micron. Since conventional mirror finishing by vapor deposition is a batch process, it is not conducive to continuous line production. However, with the SWAN, line production is possible.



Thin-film coating technology that made the "Indium Mirror Coating System" possible and struck the perfect balance with cost

Coating films are required to have "weather resistance" and "corrosion resistance." Indium paint, which can be applied to any material, is the answer to both of these problems. Indium paint's superior weather resistance and corrosion resistance are what led to this development. Revolving thin-film coating technology

is essential for uniformly applying indium paint at a thickness of 1 micron. The revolving coating robot "SWAN," with its high coating efficiency, cuts back on the consumption of paints and industrial waste treatment costs and is instrumental in greatly improving productivity.

The Businesses of ANEST IWATA Quality Assurance

In our relentless pursuit of customer satisfaction, we are striving to build and upgrade our quality assurance system, engage in initiatives to maintain and enhance quality and respond to complaints and opinions as well as solve problems.

Basic Approach to Quality

The Group has set forth the enhancement of the safety and quality of the products and services handled by the Group as a significant management policy in the "ANEST IWATA Corporate Philosophy." We are working to realize safe and high-quality products and services by ensuring that the Group sales staff

Quality Policy

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

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

can confidently propose and sell the products and services provided by the Group, that the dealers and service dealers can safely recommend these products and services, and above all, that the customers who have purchased these products and services are satisfied with their quality.

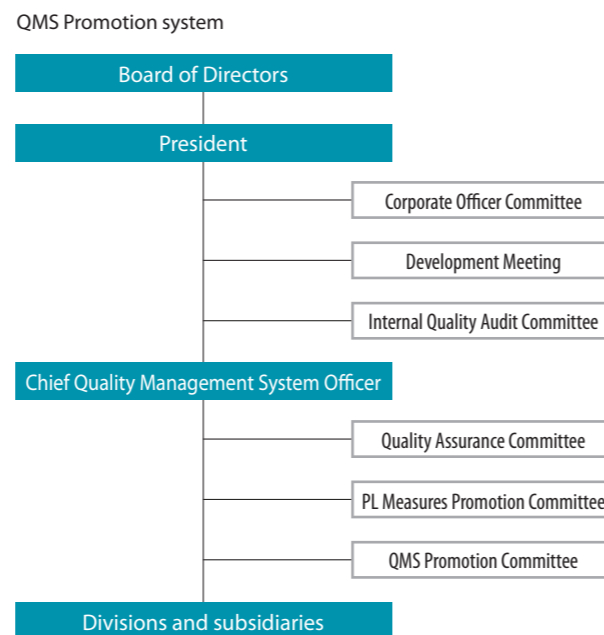
Quality Slogan

▶ Our quality goal =
Customer satisfaction

Quality Management System

The overall framework for quality management comprises a QMS Promotion System with the President as the Chief Quality Management System Officer. The Company and some of its consolidated subsidiaries are deepening their efforts so that the QMS activities will lead to even more concrete improvement of quality by engaging in QMS activities based on the ISO9001:2015 and reviewing the quality assurance system through the once-a-year internal quality audits and the ISO certification assessment by a third party.

Furthermore, we have established a number of internal regulations including the "Quality Manual" for the maintenance and enhancement of quality. The "Quality Policy" and the "Quality Slogan" are articulated in the "Quality Manual," and the "Quality Policy," in particular, is revised in a flexible manner by undergoing a management review by the President each year and a policy is determined based on the optimal solution that aligns with the situation of each year.



Providing Safe and High-quality Products and Services

The Company conducts various audits on products and parts, steadily monitors the quality status through complaints and information from customers, carries out improvements, as needed, and prevents the recurrence of problems, while promoting such initiatives as the Quality Assurance Committee chaired by the President. In addition, to get a broad grasp of quality-related issues, we have been utilizing the "ratio of customer complaints with and without compensation" as a quality indicator, while at the same time aggregating "failure costs," namely complaint expenses, the time and cost spent on dealing with complaints and the disposal costs of non-conforming products and working to raise quality awareness by disclosing these results within

the Company.

Furthermore, in the development of new products, various divisions including the marketing, manufacturing, procurement, and quality assurance divisions participate from the early stages of development to prevent any problems before they can occur by multilaterally screening the development quality, identifying any potential issues, and implementing countermeasures, while the Development Meeting chaired by the President rigorously deliberates the safety and quality of the new product and its response to market demands, in an effort to deliver safe and high-quality products and services to our customers.

Initiatives Toward Further Quality Enhancement

Going forward the Company will pursue products and services that are safer and of greater quality on a global scale by deepening its initiatives toward the nine tasks related to quality and

upgrading its quality assurance system so that it will be able to meet the market demands and the quality standards of each country and ensure world-class safety.

Action Policy



Tasks

Rules that can be followed	Global	Monitoring
Processing complaints	Preventing problems before they occur	Preventing the recurrence of problems
Product risk management	Product safety	Compliance

Initiatives Toward Improving Customer Satisfaction

To raise the quality of communications with our customers, the Company has established a "Contact Center" as a comprehensive portal for customer inquiries. A system is in place that ensures quick and precise responses to inquiries by utilizing operators who are stationed at each branch but are able to respond

to inquiries from any location.

The Company also formulates an annual educational plan and conducts training by specifying multiple themes based on such plan aimed at reducing and preventing sales-related complaints and upskilling the personnel in charge.

The Businesses of ANEST IWATA

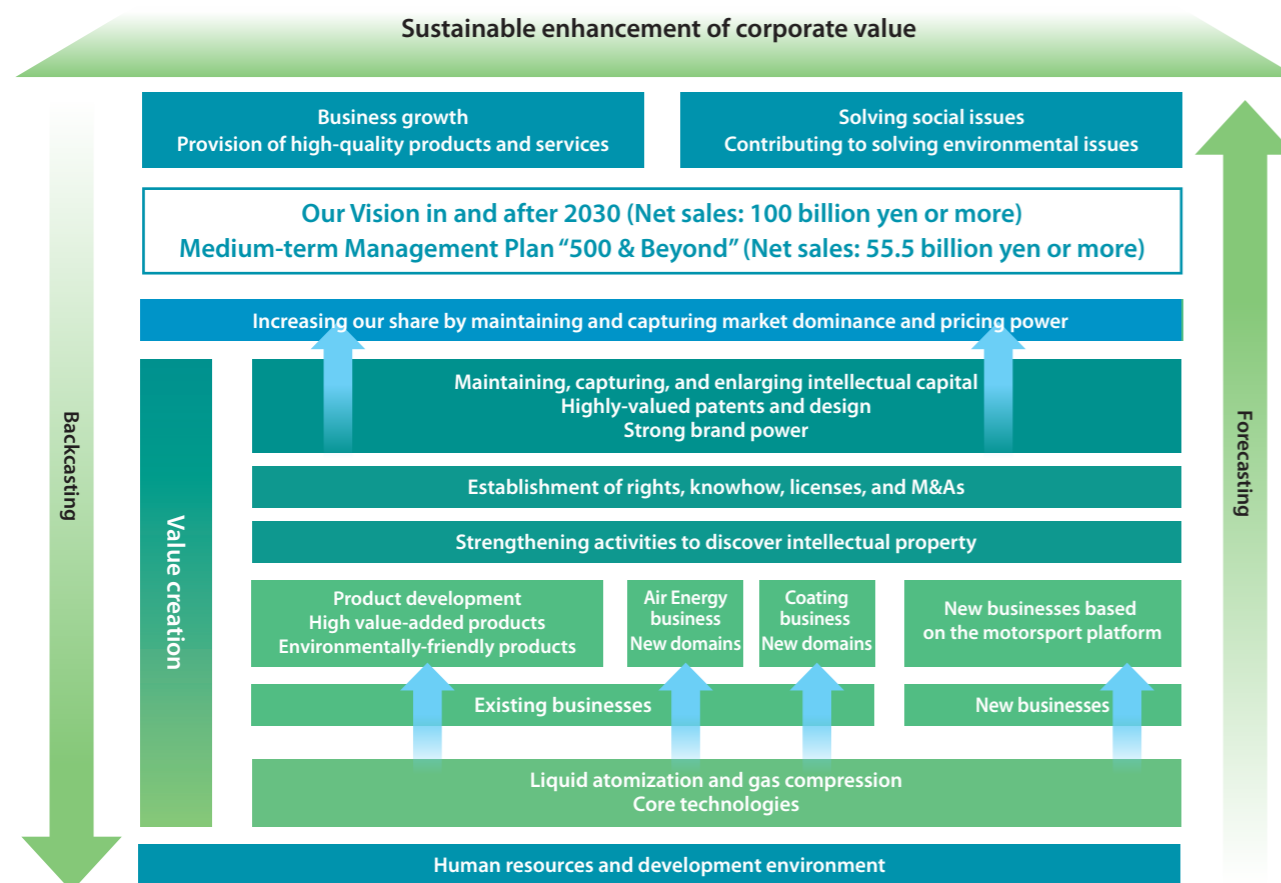
Intellectual Property Management (Maintain/strengthen business competitiveness)

The Group strives to appropriately handle its intellectual property while respecting the intellectual property rights of third parties.
Total number of patent applications: Over 1,200 patents in Japan and overseas

Basic Approach to Intellectual Property

ANEST IWATA engages in activities based on the basic policy of promoting the creation, acquisition, and utilization of intellectual property and intangible assets to sustainably enhance corporate value. In the existing businesses, we are rediscovering and uncovering the value of environmentally-friendly products by further sublimating our core technologies of "liquid atomization" and "gas compression," which we have been accumulating during our 97-year history. We are maintaining and strengthening our brand power, which we have built since

our founding through various activities including the protection and enhancement of patents, utility models, trademarks, and designs combined with anti-counterfeiting measures. In our new businesses based on the motorsport platform, we are striving to create value by generating intellectual property and intangible assets that were not previously available to the Company. Furthermore, we are poised to take on the challenge of creating further value by multiplying our core technologies and new businesses through the synergies created by them.



The Intellectual Property Activities of the Company

1. Establishment of a Robust Rights Network through Intellectual Property Rights

The Company is making efforts to maintain and strengthen its global brand power and combat counterfeits by acquiring, both in Japan and overseas, patents and utility model rights for its core technologies, design rights for its distinctive designs, and trademarks for the brand names of each of its products. For the spray guns, in particular, which boast a significant market share both in Japan and overseas, the Company has been striving to establish a robust rights network by holding the basic patents for the proprietary nozzle shapes and core atomization technologies, while at the same time establishing a patent network

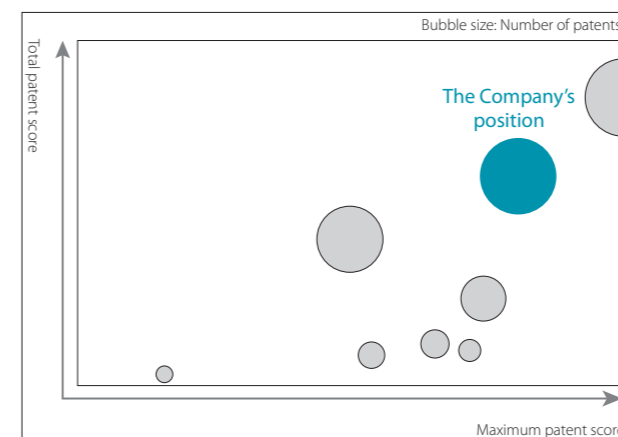
of application patents, which have been further combined with design and trademark rights.

Furthermore, the patents and utility model rights of spray guns and oil-free, scroll, air compressors, as shown in the figure below, have a high patent score*, which indicates their ability to hold other companies in check and contribute to maintaining business competitiveness.

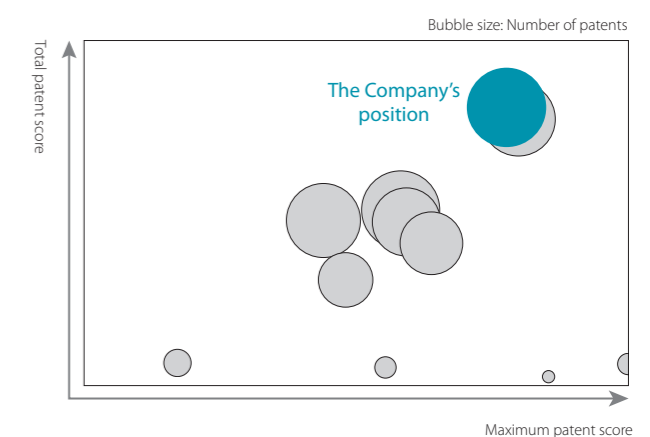
The Company also makes efforts to mitigate the risk of infringing the intellectual property rights of third parties by conducting infringement prevention surveys (for each type of development) and regular surveys on the patent applications of other companies.

Position in Patent Scoring

Scroll air compressors



Spray guns



*Patent score: Calculated based on such factors as the number of forward citations and the number of times information was provided.

2. Protection of Knowhow through Confidentiality

We are making every effort to prevent leaks of technology and knowhow utilized in our products by keeping them secret by purposely not obtaining patents and utility model rights. Confidential technology and knowhow are summarized into technology reports and managed and utilized within the Company. Around 200 such reports are submitted each year.

air compressors and vacuum pumps, as epitomized by the oil-free scroll air compressors, it involves improving quietness and reducing power consumption.

Going forward, we will promote technological developments that contribute to mitigating the environmental burden and the SDGs and appropriately protect the intellectual property that is created in the process to ensure sustained product development.

3. Strengthening the Rights that Contribute to Mitigating the Environmental Burden and the SDGs

Traditionally, we have protected intellectual property that contributes to mitigating the environmental burden and the SDGs by establishing rights and confidentiality. In terms of coating equipment, as epitomized by the spray gun, the intellectual property covers the improvement of paint application efficiency and the adaptation of paints that do not contain VOC. As for

4. New Domains and New Businesses

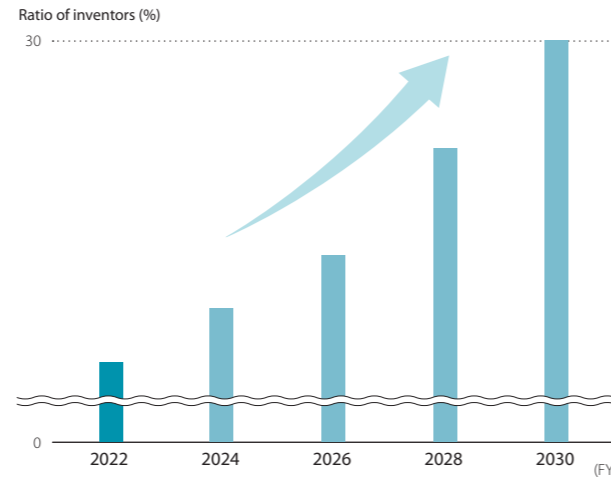
While continuing to maintain and strengthen our rights network for our core technologies, in the future, we plan to create and bolster a new rights network by establishing rights for intellectual property associated with intangibles such as business models that utilize our technologies as well as intellectual property created through new businesses based on the motorsport platform.

5. Activities to Discover Intellectual Property

To promote the establishment of rights beneficial to business activities, we are endeavoring to further uncover core technologies and applied technology from the early development phase.

Specifically, by holding regular conferences with patent lawyers, in addition to in-house committees, we are working to increase the percentage of inventors (ratio of inventors) to the total number of development engineers.

Going forward, by improving the in-house and outside seminars for inventors as well as the reward and commendation system to motivate inventors to be more creative, we will further boost activities to discover intellectual property in order to maintain a 30% or higher ratio of inventors by 2030.



6. Intellectual Property Portfolio and Value Creation

We have been strengthening the value of our technology to ensure our competitive edge by providing double protection – the establishment of rights and confidentiality – to the newly created ideas and knowhow. In the future, in addition to these activities, we plan to build an intellectual property portfolio,

through analyses of the market, competition, and the Company. Furthermore, by promoting an IP landscape through a strategic map based on proprietary technology, we will strengthen the value of our technology in both our existing and new businesses in the future and pursue the sustained enhancement of overall corporate value for the ANEST IWATA Group.

Governance Structure over Intellectual Property Activities

The Company has set in place a transparent governance structure under the supervision of the Board of Directors over its intellectual property activities.

While the activities of the intellectual property management divisions including the status of patent applications are currently being reported each month to the Board of Directors,

the Company intends to establish a structure by the end of FY2023 whereby, every six months, the formulation of intellectual property strategies and progress on important measures are reported to and discussed by the Corporate Officer Committee and approved by the Board of Directors.

The Foundations that Support Value Creation Sustainability

Based on our corporate brand promise of contributing to the achievement of a prosperous society capable of sustained growth, we are aiming for the resolution of social issues through the promotion of businesses and the sustainable enhancement of corporate value

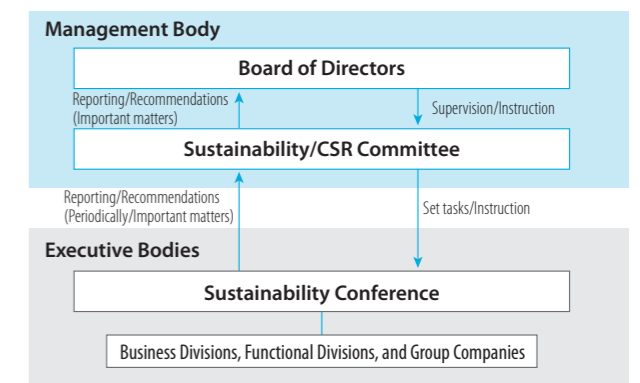
Sustainability Promotion System

The Group has established the Sustainability/CSR Committee, as a non-statutory committee under the Board of Directors to control the risks surrounding the Company, to prevent its corporate value from being impaired, and to seize opportunities for further growth.

The committee comprises the Representative Director, four non-executive Directors, and the Chief Corporate Planning Officer, who serves as chair, with the Corporate Planning Department acting as the secretariat. It discusses important matters related to the Group's sustainability, risk management, responses to compliance, management of corporate information disclosures, responses to the whistleblowing system, etc., and makes recommendations and reports to the Board of Directors, as necessary.

Additionally, to flexibly and promptly respond to sustainability-related matters, the Sustainability Conference, responsible for overseeing the executive bodies, was established as a subordinate organization to the Sustainability/CSR Committee. The Sustainability Conference, which is also chaired by the chair of the Sustainability/CSR Committee, comprises several

Corporate Officers serving as advisors and the Corporate Planning Department serving as the secretariat, led by the elected heads of each department. It discusses the sustainability of the entire Group, as well as shares ESG information within the Company, and periodically reports on the details of the discussions to the Sustainability/CSR Committee. For each important theme requiring priority implementation, a working team is established to carry out focused discussions.



Contribution to SDGs

In the Company, there is a mandate to clearly state, out of the 17 SDGs, which one of the goals we can contribute to when putting forth an agenda at the Development Meeting. In addition, we are promoting our businesses by exploring how we can make a contribution as an industrial machinery manufacturer—for example, we also put a system in place to make managers aware of SDGs in process management.

For the fulfillment of goals, it is important for each and

every employee to have an awareness with respect to the resolution of issues, not just thinking about how product development, production, and other basic operations as a manufacturer should be carried out. We believe that operations tackled by each and every employee with such an awareness of resolving issues will help contribute toward SDGs, no matter how minor they may be.

SUSTAINABLE DEVELOPMENT GOALS



ANEST IWATA strives to live in harmony with the earth environment, while promoting the protection of the environment through product development and other business activities. The company, in accordance with the ANEST IWATA Corporate Philosophy, also articulates its environmental policy in its internal rules and conducts its activities based thereon.

Environmental Policy

We will always be aware of our impact on the earth environment and continuously promote the prevention of environmental contamination.

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

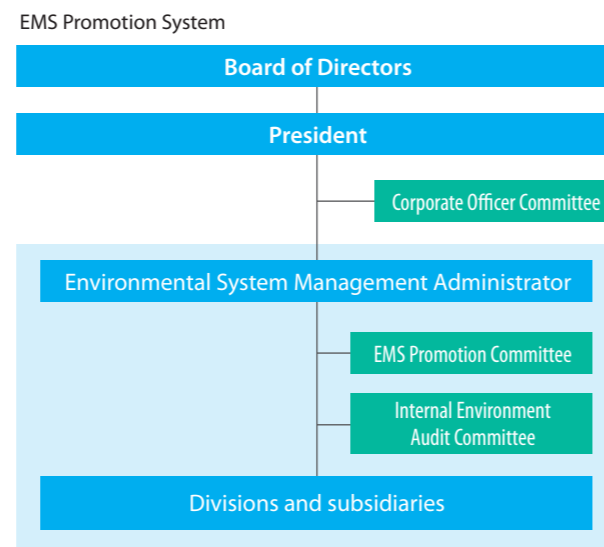
Environmental Slogan

▶ Future environment =
Our responsibility

Environmental Management System

The Group considers the protection of the environment as one of its priority management issues. Accordingly, the Company and its domestic consolidated subsidiaries, based on the above environmental policy, set objectives and targets and operate an Environmental Management System (EMS).

In order to put these into practice, we are making efforts to carry out EMS activities and make ongoing improvements in accordance with internal regulations established based on ISO14001:2015. At the same time, we are conducting environmental education on such topics as environmental management based on an annual plan for our employees as well.



Key Environmental Issue

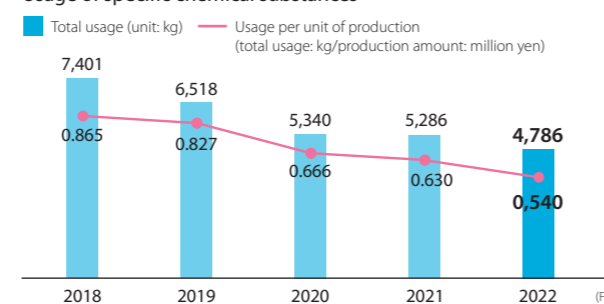
As part of its EMS activities, the Company and its domestic consolidated subsidiaries promote the protection of the environment based on the three themes of "Prevent environmental contamination," "Reduce greenhouse gases and save energy,"

and "Form a recycle-based society." Each theme is managed by the Head Office and each domestic factory by setting indicators and making improvements.

Prevention of Environmental Contamination

Chemical substances that are mainly used by the Company and its domestic consolidated subsidiaries are contained in solvent paints and diluents used in the development of various coating equipment and the manufacturing of products, among others. We manage these substances in accordance with the Pollutant Release and Transfer Register (PRTR) system and are making efforts to reduce their usage. We are also striving to prevent environmental contamination by reducing all forms of environmental impact arising in production activities, including conducting water quality measurements at frequencies mandated by laws

Usage of specific chemical substances^{*1}



*1 Subject of calculation: The Yokoyama Head Office and two domestic factories

and regulations as well as voluntary odor measurements, and promoting activities to improve them.

In FY2022, the usage of chemical substances declined compared to the previous fiscal year on a per unit of production basis

mainly due to the decrease in usage for testing purposes at the Head Office. We will continue to make efforts to reduce on a per unit of production basis.

Reduction of Greenhouse Gases and Saving Energy

The Company and its domestic consolidated subsidiaries strive to reduce all energy consumption and have been reducing the emission of greenhouse gases (CO₂) and contributing to the prevention of global warming. Based on the internal rules set forth pursuant to the government's Act Concerning the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures, we are making efforts to reduce the consumption of energy such as electricity.

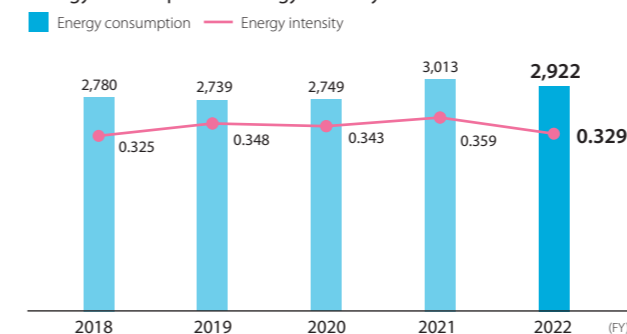
Specifically, we are continuously implementing measures including enhancing efficiency, reducing human errors, and

reducing air leaks through layout modification and consolidation of worksites, and making efforts to reduce energy intensity and CO₂ intensity.

In FY2022, we improved the efficiency of the air compressors* that were primarily installed in factories by reexamining the way that they were being used, among others, and as a result, both CO₂ emissions and CO₂ intensity are improving compared to FY2021. In FY2023, we are aiming for a 1% reduction of the results of FY2022.

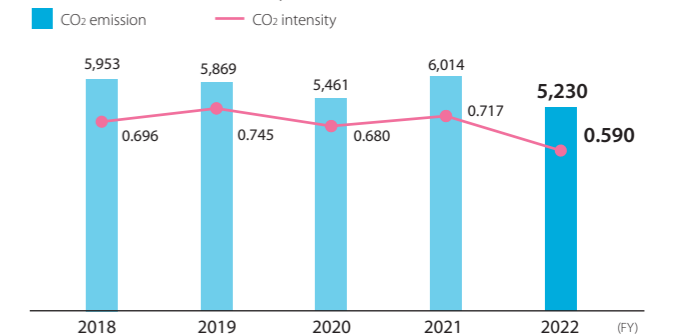
* Air compressors are general industrial machines used in almost all production plants for such uses as operating pneumatic equipment and using air to blow away dust and other foreign matter. The power consumed by air compressors is said to account for approximately 20 to 25% of the total power consumed by the plant facilities.

Energy consumption^{*1} / Energy intensity^{*2}



*1 Subject of calculation: The Yokoyama Head Office and two domestic factories
 *2 Energy intensity by crude oil equivalent (kl) / monetary amount of production (millions of yen)

CO₂ emission^{*3} / CO₂ intensity^{*4}



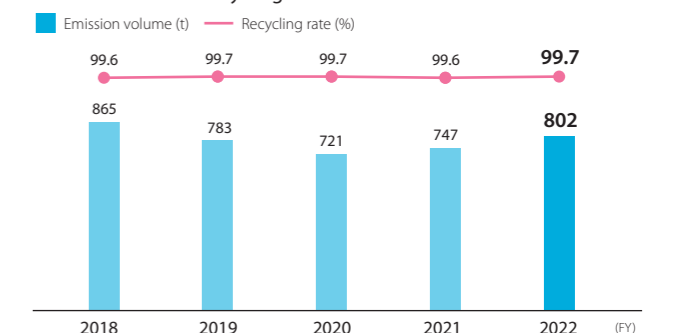
*3 Subject of calculation: The Yokoyama Head Office and two domestic factories
 *4 t-CO₂ / monetary amount of production (millions of yen)

Form a Recycle-based Society

In the development and production of products, also, the Company and its domestic consolidated subsidiaries are striving to make products and systems that are easily disposed of and recycled by the customers, based on the concept of the 3Rs (Reduce, Reuse, and Recycle).

In FY2022, while waste volume increased due to the increased production at the Fukushima Factory, the recycling rate rose slightly.

Waste volume and recycling^{*1}



*1 Subject of calculation: The Yokoyama Head Office and two domestic factories

Responses to Climate Change (Initiatives in Line with the TCFD)

In promoting “environmentally-friendly business operations,” we engage in business activities upon first considering what impact climate change has on the Company. As part of these efforts, in light of the increasing interest by society and the importance of such information, we endorsed and became a signatory of the Task Force on Climate-related Financial

Disclosures (TCFD). Going forward, we are considering expanding the scope of GHG emissions calculations and conducting scenario analyses to further improve our disclosures.



Strategies

How climate change problems affect the Company’s business activities are discussed by each department, and the content of the discussions is summarized as either a risk or an opportunity, and among them, those with particularly immense impact have been identified.

We are considering regularly reexamining the content of these discussions in the future, while also conducting scenario analyses in line with the TCFD recommendations. We expect to disclose the results of these endeavors as soon as possible – hopefully around FY2025.

		Event	Risks/Opportunities
Transitional	Technology	Technological innovation occurs in the environmental field	Risks <ul style="list-style-type: none"> Technological development costs to maintain our environmental edge in environmentally-friendly products will increase Opportunities <ul style="list-style-type: none"> The advent of more efficient equipment or systems will cause CO₂ emissions related to the Company’s business activities to decrease The utilization of new technology will improve the performance of existing environmentally-friendly products* or facilitate the development of new products, which will improve business performance
	Markets	A rise in the environmental awareness of the customers/risk management	Risks <ul style="list-style-type: none"> Sales will decrease when the environmental superiority of the Company’s environmentally-friendly products declines, due to improved environmental technology of our competitors Opportunities <ul style="list-style-type: none"> Successful early development will secure our competitive edge, which, in turn, will improve business performance Demand for the environmentally-friendly products* handled by the Company will increase By establishing a framework capable of a stable supply even in the event of natural disasters, for example, by formulating an appropriate BCP, we will win the trust of our business partners and gain sales opportunities
	Policies/Laws and regulations	New/stricter environmental regulations in each country or region	Risks <ul style="list-style-type: none"> Due to stricter regulations related to CO₂ emissions and fossil fuels, business activities such as transport and production will be restricted and sales will decrease Procurement costs related to renewable energy and costs for introducing new equipment will increase Opportunities <ul style="list-style-type: none"> Demand for the Company’s environmentally-friendly products will increase
	Reputation	Greater interest by companies in environmental initiatives	Risks <ul style="list-style-type: none"> Costs will increase in conjunction with the transition to a low-carbon business model, including the costs of using alternative and environmentally-friendly materials and reviews of procurement methods Opportunities <ul style="list-style-type: none"> We will capture ESG investments and raise our brand value by focusing on environmentally-friendly businesses and making an appeal for our solid business foundations
Physical	Acute	Intensified natural disasters and extreme weather	Risks <ul style="list-style-type: none"> Due to the risk of flood damage, our asset value will decline as a result of the disasters or costs will increase due to relocation Sales will decrease due to a decline in the production activities of the Company’s factories, the disruption of the supply chain, and the shortage of procured parts
	Chronic	A rise in average temperature	Risks <ul style="list-style-type: none"> The health of the employees of the Company or our business partners will be harmed and business activities including production and sales will decline as a result Costs will increase due to the addition or reinforcement of air conditioning equipment Sales will decrease due to frequent malfunctions of the Company’s products, or costs will increase to develop products resistant to rising temperatures

*Environmentally-friendly products: Mainly oil-free air compressors and coating equipment compatible with environmentally-friendly paints

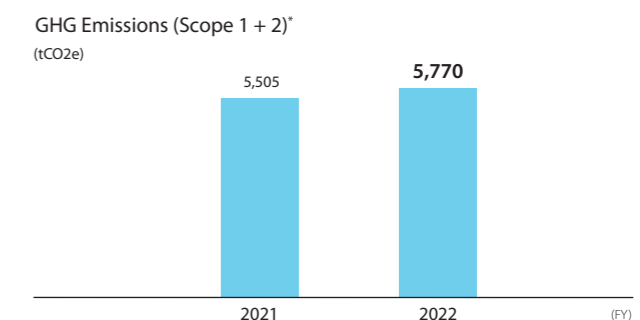
Metrics and Targets

We began calculations of GHG emissions based on the GHG Protocol in FY2022.

In FY2022, mainly due to increased testing and research activity of air compressor products and greater utilization of air conditioning equipment at the Head Office, energy consumption increased, which, in turn, led to an increase in GHG emissions. We are continuing our efforts to reduce GHG emissions. As a part of these efforts, we have adopted a solar power generation system for power sales, and we are also considering the adoption of renewable energy.

We are currently in preparation to expand the subjects of calculation to include the overseas subsidiaries, the results of which are expected to be disclosed in the Integrated Report

to be published in FY2024. Subsequently, we also plan to set reduction targets and conduct calculations based on Scope 3.



*1 Scope of calculation of emissions based on the GHG Protocol
 Scope1: Direct emission from the company
 Scope2: Indirect emission from the use of electricity, heat, or steam purchased from other companies (Market based)
 *2 Subject of calculation: The Company (includes factories and sales offices) and domestic Group Subsidiaries
 *3 FY2021 results were recalculated retrospectively.

Governance

To promote responses to climate change problems, the Company launched a working team at the Sustainability Conference, whose main members are the General Managers of each department and at which Corporate Officers serve as advisors, and is engaged in such tasks as identifying risks and opportunities.

Among these tasks, important matters are discussed by the Sustainability/CSR Committee comprising the Representative Director, four non-executive Directors, and the Chief Corporate Planning Officer, who serves as chair.

Risk Management

The Company identifies the risks and opportunities associated with the problem of climate change in our business activities.

The working team narrows down and assesses the risks and opportunities, after which the adequacy of their content is discussed by the Sustainability/CSR Committee. Going forward we will periodically conduct reviews.



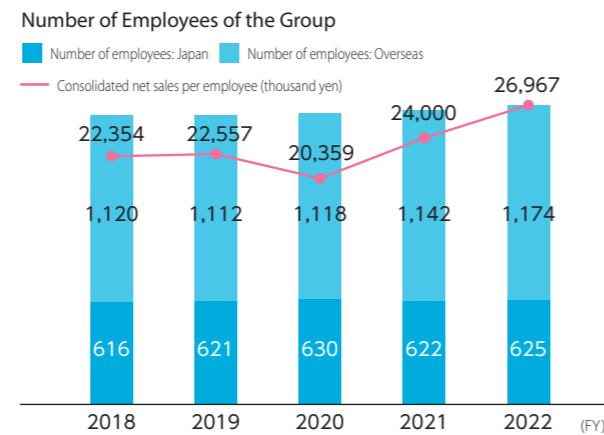
Capable employees play a leading role in and are indispensable to the sustained growth of the Group. Accordingly, the Company is making efforts to provide a work environment where diverse human capital can continue to play an active role for a long time and a corporate culture that maximizes the individual's creativity and teamwork spirit.

Basic Approach to Human Capital

We consider the securing and development of human capital in line with the company's sustained growth to be an essential task in achieving business expansion. To this end, the Company will broadly pursue human capital, while at the same time striving to promote the establishment and maintenance of an equitable, safe, and sound workplace to enable all the employees to better demonstrate their capabilities. We will also promote an "Active" organizational management that values the capabilities and personality of the individual as well as encourages diverse thinking and challenges, and will aim for further growth by enhancing the labor productivity of each individual.

Operating HR systems require consideration of the different laws, cultures, and customs of each country and region and we acknowledge the difficulty of adopting a uniform system throughout the Group. Accordingly, the overseas subsidiaries are allowed discretion in the management of human

resources within the scope of the representative's administrative authority.



*The number of employees is the number of persons employed.
*For the location of the Group companies, see pp. 68-69 (Global Network).

Basic Approach to Recruitment

The business environment is changing at a startling pace and in order to succeed in this era, we need to take on the challenge of new businesses and expand our existing businesses. To this end, we have adopted year-round employment and are proactively promoting mid-career recruitment. We are also increasing the number of hires in the engineering and special skills field and focusing on providing growth support.

With respect to employees after joining the Company, we are promoting human resources development in various ways so that they will have a flexible mindset and embrace the spirit of a challenger at all times, and gain the ability to act on their own initiative and communicate proactively, based on the Company's founding motto of being "trustworthy and sincere."

Business Professional System

In our mid-career recruitment, we have adopted a system that treats talent who are expected to utilize their high level of knowledge and skills in their field as well as their outside experience as business professionals and that applies an evaluation system that requires more results.

Recruitment Results for FY2022

Number of new graduates hired		Number of mid-career recruits hired	
Male	Female	Male	Female
11	3	9	2

Human Capital Development

In our human resources development, under the slogan of "Change and Growth," we have set three goals for our employees -- "Be an OWNER," "Have the Will to work through it," and "OPEN your eyes to the outside world." We believe that by valuing employees who are willing to take challenges without fear of failure and creating opportunities for growth, success, and self-expression, we will become closer to achieving the goal of becoming a "True World-class Company." As a part of these efforts, we provide various training programs including the training by position which is conducted at every stage of the employee's career, and specialized training offered when the employee is assigned to a division, as well as supporting the personal development of the employees.

Training by Position

We offer training for each level of employee including junior employee training, mid-level employee training, and manager training, and we aim to firmly establish the skills acquired

through these trainings by setting timelines by which the employee is required to demonstrate what he or she has learned, instead of merely sitting through the training.

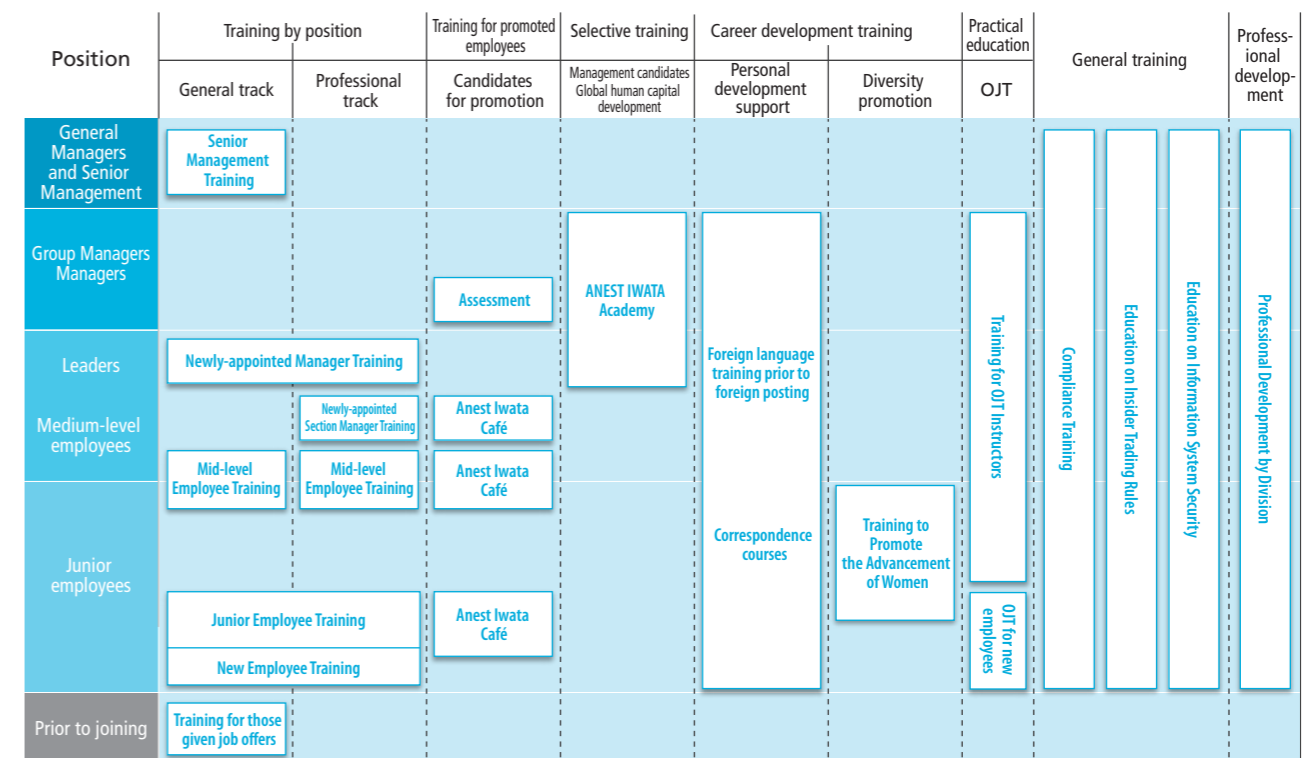
Selective Education

To nurture next-generation senior management, the Company selects candidates from among managers and provides education.

Project to Reinforce Human Resources Development at the Factories

We believe that reinforcing human resources at the production sites is essential as an industrial machinery manufacturer. To this end, managers at the factories and HR personnel, after holding regular and repeated discussions attended by both parties, launched a project to develop human resources including the enhancement of management capabilities and skills and the passing down of skills.

Diagram of the Education System



Achieving a Rewarding Company

To encourage human resources to play an even greater role, the Company adopted a role-based grading system for its personnel system, which is a system of compensation commensurate with the required roles that enable early promotion depending on personnel evaluations. Everyone from generalists to specialists can now flexibly choose workstyles that align with their career plan so that each employee can realize a workstyle that utilizes the diversity of the employees, and by raising the link between outcomes and evaluations/compensation, we have adopted a promotion system where 30 year-olds can become Executive Officers, and through these initiatives, we are aiming to achieve a rewarding company for our employees.

Meister System

The Company, in an effort to enhance the skills of the production sites and motivate the on-site workers, has adopted a system that certifies employees who possess superior skills and knowledge as skilled workers and meet requirements as Meisters to give them incentives.

In-house Recruitment System

To support the autonomous career development of the employees, the Company has introduced a system where employees

can apply to be assigned to internally posted job openings, thereby creating a workplace culture in which employees can create their own careers and revitalize the organization and its human resources.

Career Planning System

We provide opportunities for employees to address their careers by having them submit their thoughts on their career plans once a year and consult their superiors and HR personnel. By providing opportunities for employees to nurture their aspirations more positively, we are aiming to achieve "employee self-actualization and company development."

Roundtable Discussions with the President

We held several conferences in which employees, who were section chiefs or higher of each division, shared their achievements, policies, and perspectives with the President. Additionally, the President hosted a roundtable discussion on the theme of "how we can make each other grow through friendly competition." The participants were then divided into groups according to whether they were general managers, group managers, or other employees who voluntarily participated and discussed the theme.

Aiming to Realize a Pleasant Work Environment for Everyone

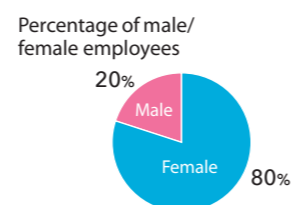
To build a rewarding environment, in which employees with various attributes and personalities can fulfill their lives and work and cooperate with each other to achieve results, we

are striving to develop relevant systems and improve benefits packages.

Diversity & Inclusion

As part of efforts to promote diversity, the Company is engaged in initiatives to promote the advancement of its employees regardless of gender. However, due to the nature of the industry, there are currently few female employees. To address this issue, we are promoting initiatives to proactively support the autonomous growth of the individual by providing systems that will lead to the personal growth of female employees and creating opportunities where they can demonstrate their potential. As part of these initiatives, a project led by volunteer female employees is conducting questionnaires and awareness surveys on female employees, as well as conducting training for women and men, who have women working under them, to nurture a career mindset.

Furthermore, in factories where heavy lifting is required, we are aiming to build an environment where employees can work efficiently regardless of gender through the promotion of DX.



FY	Percentage
FY2019	0%
FY2020	2.7%
FY2021	2.7%
FY2022	2.8%
FY2030 (Target)	8.0%

* Subject of calculation: ANEST IWATA Corporation (non-consolidated)
 * Starting this year, we provide figures calculated based on the "Act on the Promotion of Women's Active Engagement in Professional Life (Act. No. 64 of 2015)."

Promoting Health and Productivity Management

The Company is promoting health and productivity management with the aim of becoming a leading good-standing company in the machinery sector. For corporate progress, we believe that it is important to "improve the productivity of each individual" and "invigorate the organization," underpinned by the health of employees. We have, thus, appointed the President, Representative Director and Chief Executive Officer as the CHO* and are working on various health and productivity measures on a Company-wide scale. Moreover, based on the belief that getting plenty of rest is crucial for maintaining good health, we are targeting 100% paid leave-taking by the employees, by naming paid leave "Smile Holidays" and sharing this accessible name within the Company to make it easier for everyone to take paid leave.

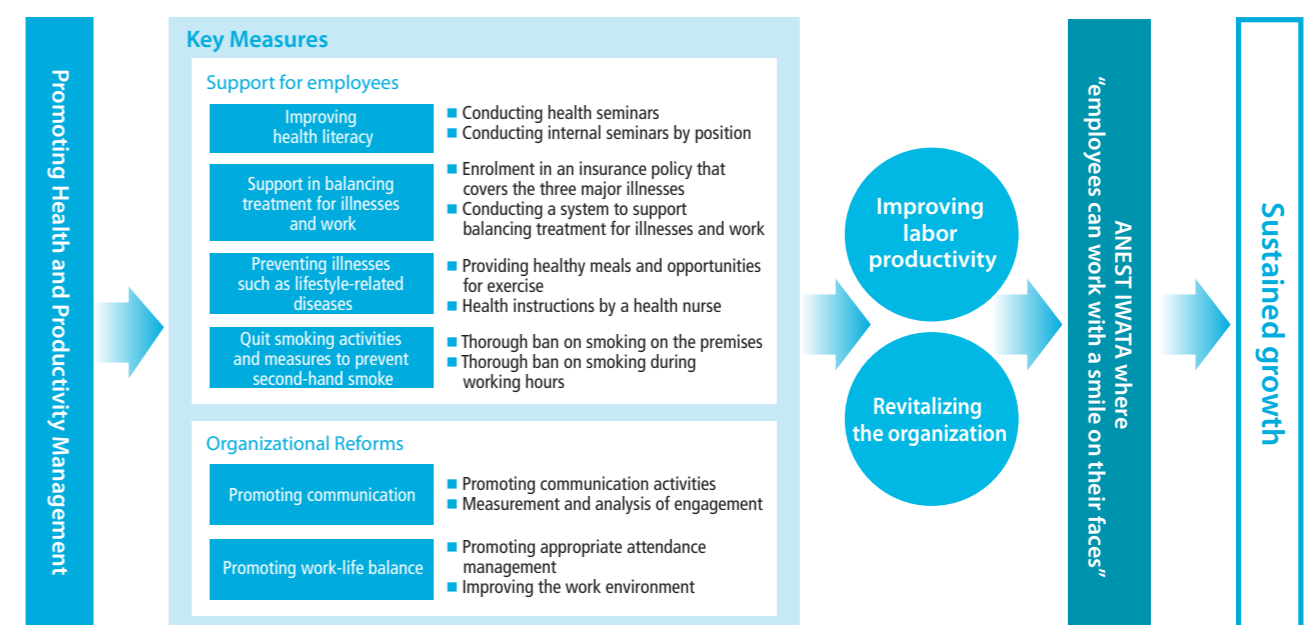
As for managing the health of individuals, occupational

health nurses systematically conduct interviews with all employees and provide detailed feedback and health instruction based on the results of regular physical check-ups. As a result, we have maintained a 100% secondary physical checkup uptake rate since FY2020, which has triggered behavioral changes toward health among the employees.

To accommodate these behavioral changes in the employees we are improving their environment and moving forward with initiatives to support them.

To further improve these activities and allow our employees to continue to shine brilliantly with a smile on their faces, we will contribute to the progress of not only the Company but also society, and aim for even greater progress of ANEST IWATA.

*CHO: Chief Health Officer



Specific Measures (FY2022)

- 1 Opened an in-house gym (Akita Factory and Fukushima Factory)
- 2 Held walking events (Twice a year)
- 3 Provided a healthy menu (Head office, Akita and Fukushima Factories)
- 4 Activities contributing to local communities (Health Checks)
- 5 Conducted a health awareness survey
- 6 Conducted an online seminar on improving health literacy



Health Checks (BLUE LINK Fes. 2023 site)
 → p.45 (Cooperation with the Regional Communities)

For details, click the following URL and visit the Company's website.
<https://www.anestiwata-corp.com/sustainability/society/health-management>



Results of Each Measure

Recognized as "Health & Productivity Management Outstanding Organization (White 500)" and selected as "Health & Productivity Management Brand"

In March 2023, we were recognized as "Health & Productivity Management Outstanding Organization (White 500)" under the Health & Productivity Management Outstanding Organizations Recognition Program by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi for the third consecutive year. We were also selected as a "Health & Productivity Management Brand 2023" by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) for the second year in a row.





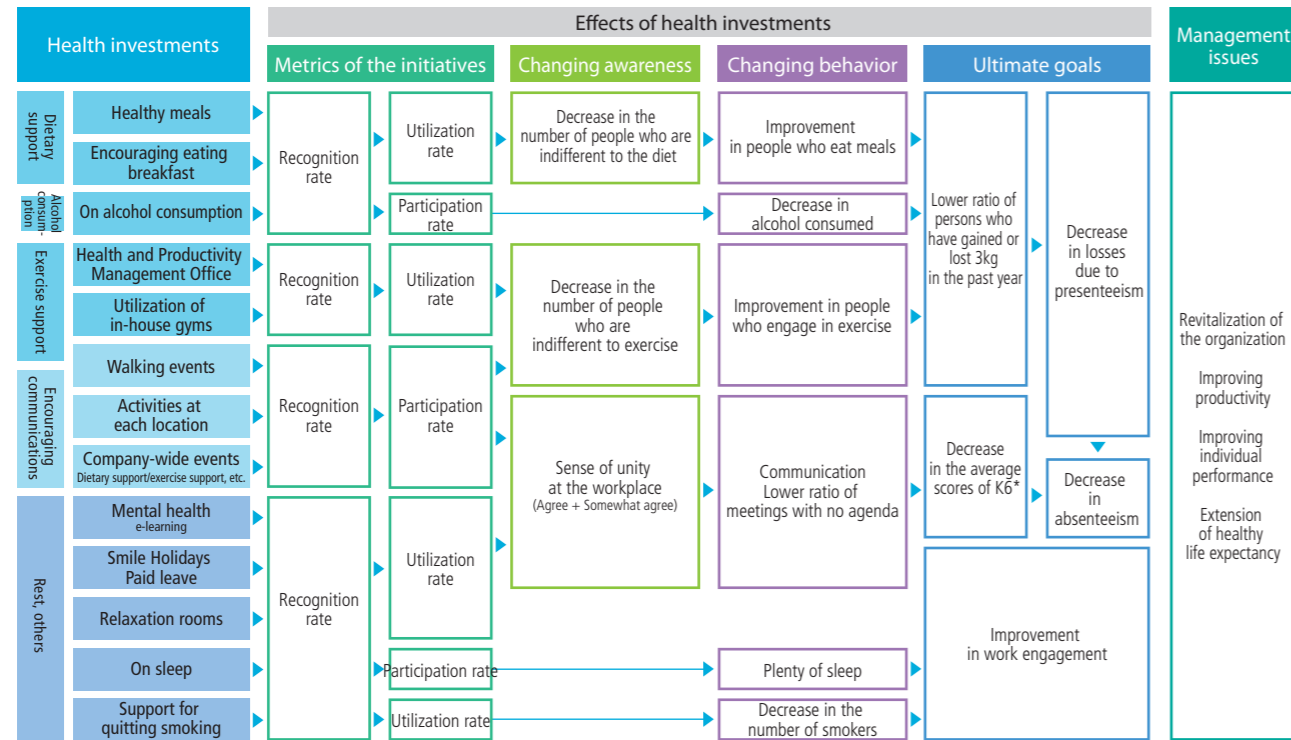
Cooperation with the Regional Communities

The Group, aware of being a member of society, contributes to society through various business activities in the countries and regions of the world, as well as engage in activities that are rooted in the regional communities.

FY2023 Health and Productivity Management Strategy Map

METI recommends the preparation and disclosure of “Health and Productivity Management Strategy Maps” to visualize the narrative on how health and productivity management initiatives are contributing to the resolution of management issues, and we have also created, updated, and disclosed this map.

We will focus on the four activities of dietary support, exercise support, encouraging communications, and getting plenty of rest, to help our employees demonstrate their performance, which, in turn, will lead to the sustained growth of the Company.



Initiatives for health and productivity management are promoted not only by the Company but also our business partners and members of the local community.

*Scale to measure mental health

Life-work Balance

The Company will improve health literacy by providing a work environment where the employees, who support the very foundations of the Company, can work safely and energetically and through health and productivity management. The Company

will promote activities that will enable employees, not only during their active careers but also after retirement, to utilize the knowledge they acquired at the Company, contribute to local community activities, and extend their healthy life expectancy.

Measuring Engagement

We conducted health awareness surveys for three consecutive years from 2021, in which we measured “work engagement.”

The measurement results have been improving for three years in a row. In addition to work engagement, we have

also been reflecting the results of surveys on eating habits, exercise habits, smoking, alcohol consumption, and changes in health awareness and behavior in our activities. In particular, we are promoting activities that prioritize “encouraging actions based on changing health awareness.”

Example of workstyle reforms conducted by the Company

Promoting flexible workstyles

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

Support for life events

- Payment of money gifts at childbirth
- Childcare leave which may be taken until the child turns three
- Support of correspondence courses while on childcare leave
- A system for short working hours which may be continued until nursing care is no longer needed, in addition to statutory leave

Living in Harmony with Society

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

from the development of more efficient new products down to innovations in packaging materials, we will be able to contribute to better “manufacturing” and ultimately to the realization of a sustainable society.

Furthermore, in the regions where the offices are located, the Company believes that promoting business activities that are rooted in the community and achieving co-existence and co-prosperity is the true form of social contribution.

Collaboration with Local Sports Teams

Akita Prefecture

In July 2022, we became an official sponsor of Akita Northern Happinets, a team that plays in the professional basketball league (B.League). Under the slogan of “Let’s energize Akita with basketball,” Akita Northern Happinets aims to become a world-class team. We signed a sponsorship agreement with the team in the hope that together with the team, we will be able to send out a message of “Akita’s challenge to the world” and reinvigorate the community. We also believe that demonstrating Akita’s potential will lead to sustainable business activities such as maintaining employment and the continuous recruitment of talent.

Yokohama City

Yokohama F. Marinos, a soccer club, one of whose hometowns is Yokohama City where the Company’s head office is located: In FY2019, we signed an official partnership agreement with the team.

We have been cosponsoring various events, including offering our cooperation to the traffic safety programs targeting the primary schools of Yokohama City as well as holding soccer tournaments. Through these events, we are aiming to invigorate the local communities, in addition to boosting our employees’ motivation and their awareness of health.

Participation in and Hosting of Events

Yabuki-cho, Fukushima Prefecture

In November 2022, we participated in the “Yabuki Frontier Festival 2022,” which was organized by the local government and other organizations, to promote interaction with the local community of Yabuki-cho, where our Fukushima Factory is located, and to raise the visibility of ANEST IWATA. The festival hosted nearly 6,500 visitors and the shooting and ball-scooping games as well as the interactive racing games based on “ANEST IWATA Racing” offered at the Company’s booth were well received by the visitors.

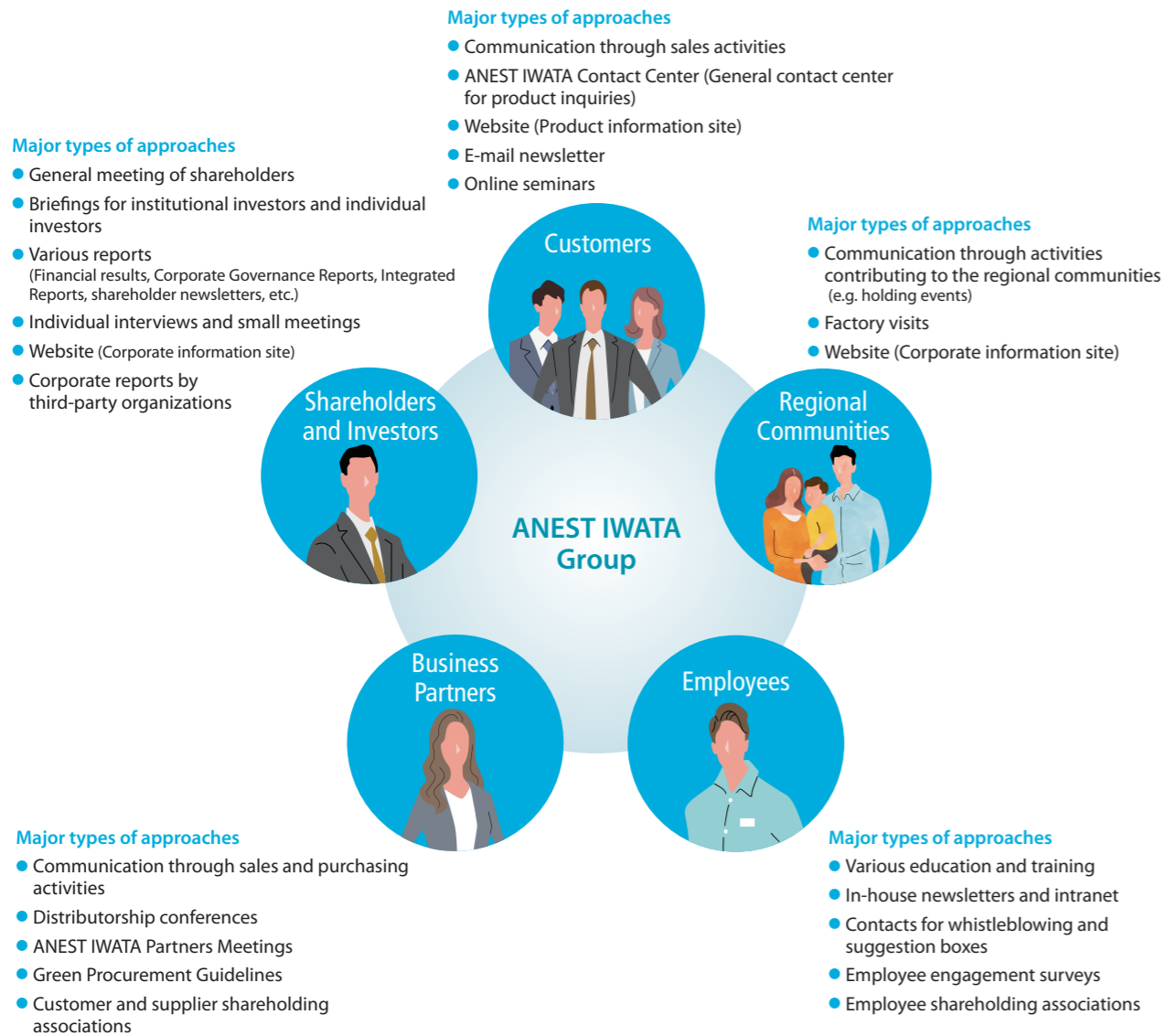


Interactive racing game



Unveiling of our racing car

Based On ANEST IWATA Corporate Philosophy, the Group is aware of the importance of communicating effectively to a wide range of stakeholders and is committed to providing sufficient corporate information and achieving constructive dialogue. The Company aims to enhance corporate value by cooperating with all stakeholders and building a relationship of sincere trust.



Constructive Dialogue with Shareholders

To ensure the transparency and fairness of decision-making and appropriate market evaluation, the Group observes the Fair Disclosure Rules and based on the IR policy articulated under the ANEST IWATA Corporate Philosophy, strives to disseminate information in a timely and appropriate manner led by the IR Department.

Dialogue with Institutional Investors and Analysts

Each year, the Company holds briefings for institutional investors and small meetings on the full-year (in May) and interim

(in November) financial results, which are attended by the President, several Corporate Officers, and the IR Department. In addition, individual interviews are held each quarter, mainly by the IR Department.

Dialogue with Individual Shareholders and Investors

Each year, the Company holds one or more briefings for individual investors, at which the President or the heads of the divisions provide explanations of the Group's businesses.

For the committees to which each Director belongs and the skills held by each Director, see p.50.



Evolving into a corporate group with steadfastness and added boldness and supporting the growth trajectory for the next generation

The three Independent Directors discuss and communicate the strengths and challenges of ANEST IWATA. They discussed various themes relating to the sustainable enhancement of corporate value from the management structure to growth strategies and the corporate culture.

The Strengths of the ANEST IWATA Corporate Culture

Oshima: Frankly speaking, what impresses me most about the senior management and employees of ANEST IWATA is their sincerity. The corporate motto of being "trustworthy and sincere" has been handed down since the Company's founding as its traditional and unchanging corporate culture. On the other hand, I have also noticed changes in the corporate culture as a result of the reforms which began under the previous President. The current President, Mr. Fukase, seems to be intentionally raising management challenges among the relevant divisions and encouraging them to come up with proposals, and as a result, constructive and proactive proposals are being made more than ever before.

Matsuki: I feel the same way as Director Oshima – what strikes me the most about the corporate culture of ANEST IWATA is its "sincerity." I believe that this culture of addressing its customers, its business partners, and its employees in earnest is a major strength for a company. ANEST IWATA is a company that is especially kind to its employees. So much so that I worry that

employees might become complacent with their given environment and "fall into a state of not perceiving changes and risks, and lose their ability to take action."

Shirai: I also agree with the two Directors on how the company motto of being "trustworthy and sincere" has been established within the Company. I would also like to add "the customer's perspective" and "the commitment to quality" to ANEST IWATA's strengths. The pride that the employees take in manufacturing products focused on quality and from the customer's perspective manifests itself as the steadfastness of ANEST IWATA as well as in its products and corporate management. I believe this is what enables ANEST IWATA to respond to the demands of the ever-changing society and business environment in a timely manner.

Assessment of Growth Strategies and the Medium-term Management Plan, "500 & Beyond"

Oshima: With regard to the Medium-term Management Plan, "500 & Beyond" ("Plan"), I give high marks to the content of the Plan, which, unlike the previous plan, covers the entire company and all divisions, and is laid out in a way that allows each



employee to personally take ownership of the initiatives. However, if you were to ask me, whether the content and the numerical targets of the Plan sufficiently communicate the growth potential of ANEST IWATA to the shareholders and investors, I would have to say, "Probably not." Currently, the Board is revising the Plan and discussing how to make an appeal for the growth potential of ANEST IWATA by enhancing its narrative and sense of satisfaction, and I have high expectations for the outcome of these discussions.

Matsuki: This Plan, like ANEST IWATA, is very straightforward and cautious. However, while it describes the Company's steady growth, it does not accurately portray the seeds for the great leap forward inherent in the Company. The Company's seeds of the great leap forward are not contained in the isolated enclaves of new businesses but can be found in great numbers around existing businesses. They are more feasible than what people have been led to believe.

Oshima: I agree with Director Matsuki. When we look at financially superior industrial machinery manufacturers, they are developing peripheral markets with creative ideas, using their unique products and existing customer bases. Similar possibilities exist in abundance for ANEST IWATA. It is already providing product sets optimized for each industry in the vehicle application and medical fields, and I hope ANEST IWATA further promotes this type of marketing.

Shirai: In order to develop peripheral markets, as you two have pointed out, human resources will become indispensable. Securing and nurturing human resources to support growth strategies may be said to be an urgent issue. Necessary human resources cannot be conveniently hired at once, and there is also a limit to how much existing employees can do, no matter how earnest they are. I believe that ANEST IWATA should utilize its ample internal reserves and proactively invest in the hiring of new human resources.

The Effectiveness of the Board of Directors and the Challenges of the Governance System

Oshima: I have found that the Board of Directors is functioning effectively through the activities of the Nominating/Compensation Committee in the fiscal year ended March 31, 2023. In the selection of new Independent Directors, discussions on "the type of human resources that should be replenished and reinforced when considering the skills of the Board members from the perspective of sustainable growth" took place that were more profound than ever before. As a result of these discussions, we were able to elect talent equipped with technical and management skills as new Independent Directors.

Matsuki: I believe that the reinforcement of the technical skills of the Board was born from top management's focus on technology and manufacturing. As evidenced by the proactive R&D investments, I emphatically feel the presence of a management stance of "let's pursue new value with manufacturing at our base" in Mr. Fukase.

The Board of Directors itself is also in a good state with vigorous discussions being exchanged from medium- to long-term perspectives. To further enhance its effectiveness, we will discuss "the appropriate number of members and composition of the Board," "revising the structure of each committee to ensure a high level of transparency," and other topics.

Shirai: I would like to commend senior management's strong commitment to strengthening corporate governance. The spontaneous discussions that are held on "withdrawing the participation of Independent Directors in the Management Conference, which makes decisions for the executive bodies, in order to clarify the division of roles and responsibilities of the business execution and supervision functions" illustrate this point. In terms of the effectiveness of the Board, also, when an issue is identified from the evaluation results, discussions



commence promptly to resolve such issues. I think it is wonderful that the Board members are engaged in proactive activities in which all members search for the ideal Board required by the Companies Act and the CGC (Corporate Governance Code) and work to solidify the corporate governance structure.

Sustainability and Materiality (Key Issues)

Matsuki: As for the reduction of CO₂ emissions, which is a sustainability issue applicable to all companies, it should be promoted throughout the company's activities while also reporting on its progress to all stakeholders. Upon fulfilling its disclosure obligations, ANEST IWATA must pursue its business by incorporating the sustainability perspective of "how the Company's products and services impact society and the earth's environment" from the planning and design stage of manufacturing. Oil-free air compressors are a good example of this.

Shirai: The oil-free compressor mentioned by Director Matsuki is a good example. Unless a product is developed with social issues in mind, it will not be accepted by society, and will ultimately fail to launch as a business. The materiality (key issues) identified for the first time by ANEST IWATA is divided into "business growth issues" and "social issues," which is a clear indication of the Company's awareness that "business growth is only possible in tandem with society."

Oshima: The Sustainability/CSR Committee is taking the lead in activities that are grounded and reflect the worksites and are clearly not superficial attempts ordered by senior management. As the next step, ANEST IWATA must establish the principles and plans formulated by the committee in the Group as a whole including the overseas subsidiaries, and put them into practice around the world. I hope ANEST IWATA utilizes tools such as the Group intranet to share the principles and information to simply and powerfully promote sustainability.

Challenges of ANEST IWATA for the Next Generation

Matsuki: I would like to talk about the challenges facing the young talent who will lead the next generation. I hope that they look outside of Japan, experience something different from Japan, and think about "what kind of value their products have" from the standpoint of global business or sustainability. Young talent must take the lead, and in the spirit of "thinking outside the box," take on the challenge of disrupting the existing framework, for further advancement.



Shirai: "A robust corporate governance structure and internal controls," "corporate management that respects human rights," and "further promotion of female advancement," which share something in common with my personal mission as a lawyer and a woman, are themes that are indispensable for the sustained growth of ANEST IWATA. I hope to contribute to ANEST IWATA so that it fulfills its assigned mission and it achieves growth as a company equipped with both steadfastness and boldness.

Oshima: ANEST IWATA still has ample room for growth by pursuing its business globally and expanding its business from standalone hardware manufacturing to the domain of combined products and services. In order to develop these fields, ANEST IWATA must further evolve its corporate culture based on being "trustworthy and sincere." In order for ANEST IWATA to remain a "strong, healthy, and good company" to its shareholders, customers, employees, business partners, and regional communities, and become a presence with even greater growth potential, I hope to support the aggressive and bold challenges of the President and senior management as well as of the employees who will lead the next generation.

Directors



Shinichi Fukase
President, Representative Director and Chief Executive Officer
Nominating/Compensation Committee Member
Chairman of Internal Controls Committee
Sustainability/CSR Committee Member
Significant concurrently-held position
None



Kenichi Osawa
Director and Senior Managing Executive Officer
Chief Operating Officer, Coating Division
Significant concurrently-held position
None



Katsumi Takeda
Director and Managing Executive Officer
Chief Operating Officer, Sales Division
Significant concurrently-held position
None



Eisuke Miyoshi
Director and Managing Executive Officer
Chief Operating Officer of Business Administration Division
Newly appointed
Significant concurrently-held position
None



Yoshitsugu Asai
Independent Director
Nominating/Compensation Committee Member
Significant concurrently-held position
Outside Director of FUJIMI INCORPORATED



Yuko Shirai
Independent Director
Nominating/Compensation Committee Member
Internal Controls Committee Member
Sustainability/CSR Committee Member
Significant concurrently-held position
Attorney at law
Outside Director of Seika Corporation
Audit Commissioner, Shinjuku Ward, Tokyo



Makoto Shimamoto
Independent Director
Newly appointed
Significant concurrently-held position
Advisor of Yamaha Motor Co., Ltd.

Directors, Audit & Supervisory Committee Members



Masato Suzuki
Director (Audit & Supervisory Committee Member)
Internal Controls Committee Member
Sustainability/CSR Committee Member
Significant concurrently-held position
None



Kyosuke Oshima
Independent Director (Audit & Supervisory Committee Member)
Chairman of Nominating/Compensation Committee
Internal Controls Committee Member
Sustainability/CSR Committee Member
Significant concurrently-held position
None



Kazumichi Matsuki
Independent Director (Audit & Supervisory Committee Member)
Nominating/Compensation Committee Member
Internal Controls Committee Member
Sustainability/CSR Committee Member
Significant concurrently-held position
Outside Director of the Board of Nissha Co., Ltd.
Outside Director of the Board of TOYO CONSTRUCTION CO., LTD.



Reiko Ohashi
Independent Director (Audit & Supervisory Committee Member)
Nominating/Compensation Committee Member
Significant concurrently-held position
Managing Director of Ohashi Certified Public Accountant Office,
Senior Partner of Audit Corporation Yakumo

Composition of Executives

The Company is making efforts to ensure diversity in terms of experience, knowledge, gender, etc. in the Board of Directors as a whole, in order to further enhance its governance structure and management foundation aimed at realizing its business strategies. We will hold adequate discussions and swiftly and rationally make decisions by selecting the appropriate number of persons in a well-balanced manner.

Director Portfolio

	Name	Gender	Corporate management	Overseas corporate management	Personnel affairs and human resources development	Auditing	Research & development and manufacturing	Sales and marketing	Finance and accounting	Legal affairs
Directors	Shinichi Fukase	Male	●				●	●		
	Kenichi Osawa	Male		●			●	●		
	Katsumi Takeda	Male					●	●		
	Eisuke Miyoshi	Male			●			●	●	
	Yoshitsugu Asai	Male		●	●			●	●	●
	Yuko Shirai	Female			●	●				●
	Makoto Shimamoto	Male		●			●	●		
Directors, Audit & Supervisory Committee Members	Masato Suzuki	Male			●	●	●	●		●
	Kyosuke Oshima	Male	●		●	●	●	●		●
	Kazumichi Matsuki	Male	●	●	●	●	●	●		●
	Reiko Ohashi	Female				●			●	

ANEST IWATA strives to realize its sustained growth and the maximization of its corporate value. To this end, the Group recognizes the importance of increasing flexibility, enhancing transparency, reinforcing oversight over management, and raising the effectiveness of its corporate governance.

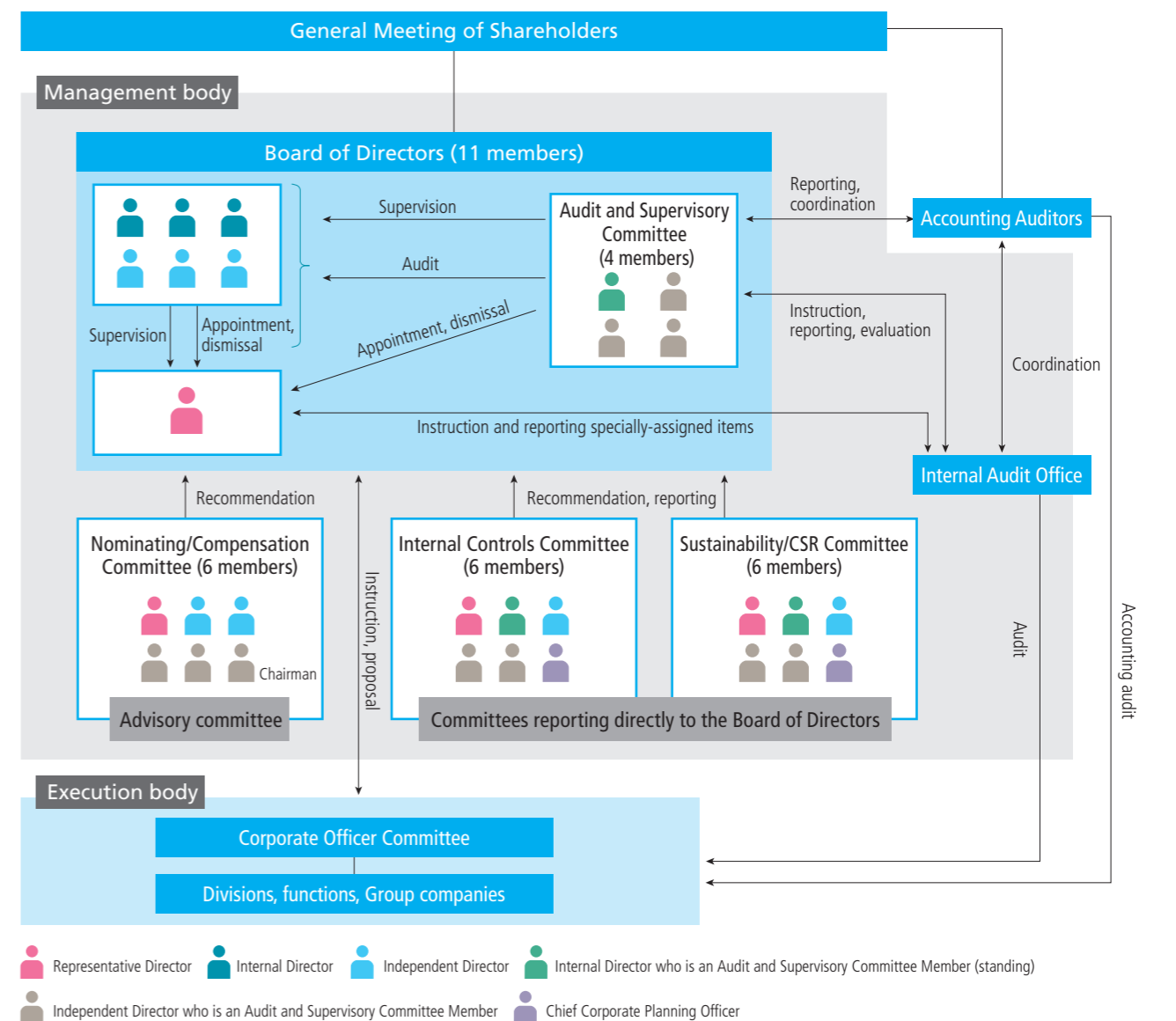
Corporate Governance Structure

The Company operates as a company with an Audit and Supervisory Committee. It has also established, as non-statutory advisory panels for the Board of Directors, the Nominating/Compensation Committee, as well as the Internal Controls Committee and the Sustainability/CSR Committee to assist the Board of Directors. In order to ensure flexible decision-making in response to the changing business environment, the Company has also adopted the corporate officer system.

governance to be a management priority, has proactively appointed Independent Directors with diverse expertise and insight, in addition to having Directors who are Audit and Supervisory Committee Members conduct supervision and audits in a timely and appropriate manner, thereby ensuring the fairness and transparency of management. Through these initiatives, the Company ensures the enhancement of corporate value and its sustained growth for each one of its stakeholders.

The Company, recognizing the enhancement of corporate

Governance Structure (Diagram) As of the publication date of this report



The Role and Composition of the Supervisory Organization ★ represents chairperson/chairman

Management body	Composition	Purpose
Board of Directors		In addition to receiving reports on the status of business execution, decides the basic matters of the Company's business execution, and monitors and supervises the execution.
Audit and Supervisory Committee		Exchanges opinions with Directors and the execution bodies, audits the execution of duties by Directors and prepares audit reports, etc.
Nominating/Compensation Committee		A non-statutory advisory committee under the Board of Directors, which discusses the selection, the promotion/demotion, the assessment and compensation of Directors and Corporate Officers and makes recommendations to the Board of Directors
Internal Controls Committee		A non-statutory committee established under the Board of Directors, which reports on the development and operation and the implementation status of internal control systems
Sustainability/CSR Committee		A non-statutory committee under the Board of Directors, which is in charge of compliance and risk management, deliberates related matters and develops an operational framework

President, Representative Director
 Internal Director
 Independent Director
 Internal Director who is an Audit and Supervisory Committee Member (standing)
 Independent Director who is an Audit and Supervisory Committee Member
 Chief Corporate Planning Officer

Executive body	Details
Corporate Officer Committee	Comprises 9 Corporate Officers (including Corporate Officers serving concurrently as Directors) and communicates the matters to be resolved at the Board of Directors meetings, and deliberates the matters to be resolved at the Corporate Officer Committee and the matters to be proposed to the Board of Directors meetings.

Number of meetings held in FY2022 and Directors' attendance rate

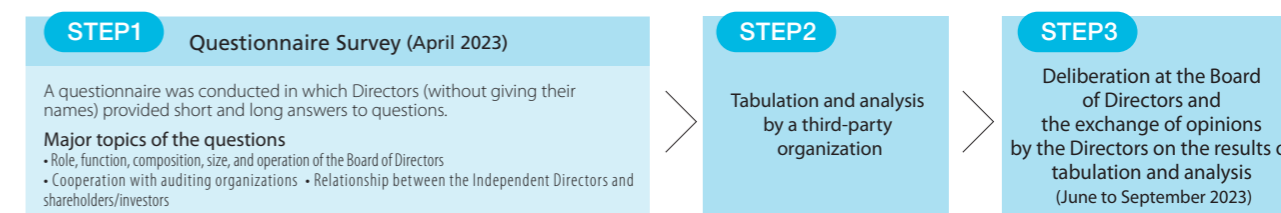
Management body	Number of meetings held	Average attendance rate (number of persons)	
		Internal Directors	Independent Directors
Board of Directors	13 times	100% (5 persons)	100% (7 persons)
Audit and Supervisory Committee	14 times	100% (1 person)	100% (4 persons)
Nominating/Compensation Committee	8 times	100% (1 person)	96% (7 persons)
Internal Controls Committee	5 times	90% (2 persons)	100% (3 persons)
Sustainability/CSR Committee	5 times	90% (2 persons)	100% (3 persons)

* The attendance rate is calculated based on the number of Directors (including retired Directors) who were eligible to attend each of the meetings held in FY2022. The numbers in parentheses () indicate the total number of Directors eligible to attend the meeting.

Evaluation of effectiveness of the Board of Directors

To improve the functions of the Board of Directors, the Company conducts analysis and evaluation of its effectiveness each year. The Company has conducted evaluations of the effectiveness of the Board of Directors each year since FY2016 and starting from FY2021, we have been undergoing evaluations by a third-party organization.

Analysis and Evaluation Process



Overview of the Analysis and Evaluation Results of FY2022

An evaluation was conducted with respect to the effectiveness of meetings of the Board of Directors held between April 2022 and March 2023 (13 meetings in total).

The third-party organization found that the Company's Board of Directors has been assessed from a more stringent perspective compared to the previous fiscal year and continues to make appropriate improvements based on the results of the annual evaluation of the Board's effectiveness, and that the Board demonstrates sufficient effectiveness, despite certain issues remaining, because all Directors are working together to engage in candid and vigorous discussions under the appropriate proceedings of the chairman.

Regarding the issues raised, we will further improve the deliberations by the Board of Directors and raise its effectiveness by

utilizing the Board of Directors and the exchanges of opinions held before and after the Board meetings, through the planning and proposals of the secretariat of the Board of Directors.

Issues going forward

- Improvement of the training program for internal Directors conducted at the time of appointment and as part of the succession plan and holding seminars for Outside Directors to deepen their understanding of the Group's businesses and the business environment.
- Continuation of deliberations on the composition of Directors based on the skill matrix to enhance the diversity of the Board of Directors and the nurture of managerial thinking skills that executives in Japan and overseas will utilize when deepening personal interaction.
- Continuation of discussions to ensure the further understanding of the Group's growth strategies by stakeholders.

Activity Report of the Board of Directors

Based on the results of the evaluation of effectiveness of the Board of Directors, the Company aims to clarify management issues from a medium- to long-term perspective to effect further improvements.

Major matters discussed by the Board of Directors during the fiscal year ended March 31, 2023

- Updating the Medium-term Management Plan
- Formulation of the annual management policy and business plan
- Deliberation of the evaluation of effectiveness of the Board of Directors and the analysis results by a third-party organization
- Yearly evaluation of shares held in cross-shareholdings
- Deliberation of the Group's capital policies
- Deliberation of new businesses and M&As
- Analysis of the results of the exercise of voting rights at the annual general meeting of shareholders
- The report on the results of internal audits, the annual plan, and the basic policy on internal control
- Initiatives toward sustainability

Activity Report of the Audit & Supervisory Committee

The Audit & Supervisory Committee determined the key matters for implementing audits and carried out audits based on the 2023 audit policy. The audit results did not indicate any problems.

Audit policy

Based on the Group Management Policy articulated in the ANEST IWATA Corporate Philosophy and the Basic Policy on Corporate Governance, we will conduct fair and unbiased audits as an independent organization striving to establish and operate a high-quality corporate governance structure that meets the mandate of the shareholders and the trust placed in us by society, in an effort to secure the soundness of the Company, its sustained growth, and the medium- to long-term enhancement of corporate value.

Key matters for implementing audits

Based on the above audit policy, we conducted audits on the following key matters.

- Visited significant domestic locations and conducted monitoring audits
- Visited significant domestic and overseas subsidiaries for audits and also continued monitoring that also used remote means
- Conducted audits on the development and operation of the Group's whistleblowing system
- Confirmed the risk of major changes in business performance and conducted audits on measures taken by Executive Directors to address such risks
- Conducted interviews with key members of management including the President, Representative Director and Chief Executive Officer and the Executive Directors

Policy for the Determination of Compensation for Directors

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

Committee Member, comprehensively taking into account the Company's business performance and the responsibilities and achievements of each Director, and upon deliberation of the recommendation by the Board of Directors.

Compensation for Independent Directors comprises exclusively of fixed compensation in order to make them effectively fulfill their management supervision function in consideration of their roles and independence. Compensation for Directors who are Audit and Supervisory Committee Members is determined based on discussions by Directors who are Audit and Supervisory Committee Members.

Compensation System (FY2023)

	Business Execution	Cash compensation		Non-cash compensation
		Fixed Compensation	Performance-linked Bonuses	Performance-linked Stock Remuneration
Director	Internal	○	○	○
	Independent	—	○	—
Director, Audit and Supervisory Committee Member	Internal	—	○	—
	Independent	—	○	—

Fixed Compensation

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

At the 77th Annual General Meeting of Shareholders held in June 2023, it was resolved that the total amount of

compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) would be within ¥300 million per year and the total amount of compensation for Directors who are Audit and Supervisory Committee Members would be within ¥60 million per year, in accordance with the 70th Annual General Meeting of Shareholders held in June 2016.

Performance-linked Bonuses

The Company pays a performance-linked bonus once a year to the Representative Director and Executive Directors. As an index for calculating the performance-linked bonus, the Company has selected consolidated ordinary income for the purpose of assessing the actual status of profit/loss and raising their awareness

to contribute to the enhancement of corporate value through the improvement of business performance over the medium- to long-term as well as the improvement of common interests with shareholders. Of note, the performance-linked bonus is paid in the amount calculated based on the following equation.

Calculation method (FY2023)

The amount of the performance-linked bonus paid to each Director, etc. is determined by multiplying the consolidated ordinary income for the relevant period by the following ratios.

Position	Ratio
Representative Director	(1.10 % × 1.0 ÷ 2.3) %
Director and Senior Managing Executive Officer	(1.10 % × 0.5 ÷ 2.3) %
Director and Managing Executive Officer	(1.10 % × 0.4 ÷ 2.3) %



Performance-linked Stock Remuneration

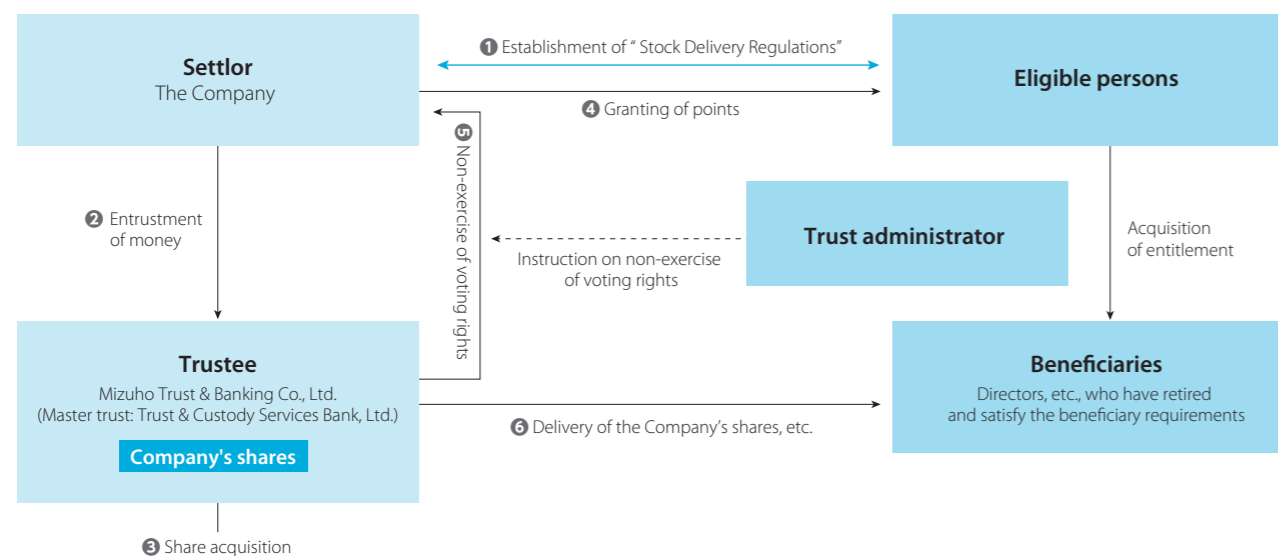
The Company has adopted a performance-linked stock remuneration plan for its Directors, etc. (described as persons eligible for points below), for the purpose of raising their awareness to contribute to the improvement of business performance over the medium- to long-term and the enhancement of corporate value by further clarifying the link between the Company's business performance and stock value and sharing not only the benefits of rising stock price but also the risks of falling stock

price with its shareholders.

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

Overview of the plan

1 Persons eligible for points	Directors (excluding non-executive Directors) and Corporate Officers who do not serve concurrently as Directors during the targeted period of the Medium-term Management Plan, excluding non-residents
2 Initial target period	Three fiscal years from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022 <small>*After the initial target period, each three fiscal-year period starting thereafter will be the target period.</small>
3 Upper limit of money contributed by the Company to the trust as the funds to acquire the Company's shares	¥270 million for each target period (including ¥130 million for Directors)
4 Upper limit of shares	95,000 points for each fiscal year (including 44,000 points for Directors)
5 Standards for granting points	The number of points determined based on position will be granted and the points granted will be adjusted according to the degree of achievement of the targets of the Medium-term Management Plan.
6 Timing of the delivery of the Company's shares	In principle, upon retirement or the date of loss of employee status



Compliance Promotion Structure

The Company's compliance initiatives involve developing and implementing a compliance promotion structure and awareness-raising/educational programs, etc., in which the Sustainability/CSR Committee serves as the planning, deliberation and decision-making body and the Legal Department serves as the

execution body.

In FY2022, we carried out lectures to raise compliance awareness and acquire knowledge on laws and harassment for all domestic employees, and based on such knowledge, conducted group work to discover problems from fictional examples.

Basic Approach toward the Internal Control System and Establishment Status

We have put together documented and have been making efforts to embed the Group's basic policy, the guidelines for to ensure that each and every person working at in the Group to takes responsible actions, and the "ANEST IWATA Philosophy," which sets forth compliance with laws and regulations, the Articles of Incorporation, policies, internal rules, etc. The Company has set forth the basic policies on internal controls in the "Basic

Policy on Corporate Governance," which is one of the a basic components of the "ANEST IWATA Philosophy."

The "ANEST IWATA Philosophy" is translated into three languages (i.e., Japanese, English and Chinese), and the translated versions are compiled in the form of the "Philosophy Book," which is used to instill the "ANEST IWATA Philosophy" across the entire Group.

Basic Policy on Corporate Governance

We shall establish and implement internal controls on a continuous basis to ensure effective and efficient business operations and the credibility of financial reporting, comply with laws and other legal requirements and protect our assets.

Major initiatives relating to risk management

We have established a framework to ensure the appropriate handling of risks based on the rules stipulating the basic policy on risk and crisis management and the methods of risk and crisis management.

- Establishment of point of contact for whistleblowing**
 We have established a point of contact for whistleblowing operated by a third party called "ANEST IWATA Hotline" (for employees working in Japan) for the early detection and prevention of compliance violations. Furthermore, through periodic self-assessments, we are preventing this system from becoming a mere formality. In addition, we have introduced the "ANEST IWATA Group Hotline" (for employees working overseas) in some regions in Asia ahead of others, and it is being introduced to the other areas in a phased manner.
- Establishment of suggestion system "Suggestion Post"**
 This is a system where information on matters that have come to attention regarding "customer requests, product ideas, the stance on responding to the market, suggestions and problems/improvements" and other everyday matters that employees have heard of or felt about is received by the General Manager of the Corporate Planning Department and subject to the exchange of opinions among senior management. Its purpose is to create a corporate culture that enables senior management to respond to risks promptly and appropriately.

Initiatives toward BCP*

The Company has formulated a BCP manual as a response manual for fires and natural disasters such as earthquakes, typhoons, heavy rain, and heavy snow at each department and factory.

The criteria for triggering the BCP are determined and enforced based on the judgment of each location, by taking into account various conditions including the amount of rain and snowfall.

*BCP: Business Continuity Planning

Recognition and Management of Risks

Recognition and management of risks have become major issues in promoting corporate management and business activities. As part of its risk management, the Corporate Officers (including Officers concurrently serving as Directors) identify and evaluate risks each year that could have a significant

impact on the corporate value and operating results of the Company. By deliberating the results at the Board of Directors, the Sustainability/CSR Committee, and other meeting bodies a system is in place that deals with risks and crises when they materialize.

1 Business risks

- Changes in the business environment
- Product quality
- Business expansion including M&As
- Damage to corporate value due to an act of hostile, large-scale purchase of the Company's shares

2 Human capital risks

- Securing human capital
- Reinforcing organizational performance through health and productivity management
- Labor problems

3 IT risks

- IT investments
- Information security

4 Legal risks

- Compliance with regulations and standards related to the earth environment and climate change
- Fraudulent activities due to violations of laws and regulations, etc.
- Intellectual property
- International tax affairs
- Accounting treatment of impairment loss of non-current assets, etc.

5 Other risks

- Contingencies

Risk distribution map



	Risk	Summary	Countermeasure
1 Business risks	Changes in the business environment (risk of depending on existing products and business models, foreign exchange fluctuations, etc.)	<ul style="list-style-type: none"> • Concentration of risk due to rising dependence on existing markets, products, and business models • Sudden fluctuations in foreign exchange 	<ul style="list-style-type: none"> • Promoting quality improvement in existing businesses, product development that will lead to resolving social issues including climate change, and developing new businesses • Cultivate a corporate culture that encourages taking on challenges in new fields • Build a structure and establish management strategies that will enable flexible and timely responses to changes in the business environment
	Product quality	<ul style="list-style-type: none"> • Damages incurred and loss of trust due to defects of products that do not meet the Company's quality standards 	<ul style="list-style-type: none"> • Thoroughly enforce compliance with internal rules on quality • Develop a global quality management system that satisfies the market demands and quality standards of each country
	Business expansion including M&As	<ul style="list-style-type: none"> • Unsuccessful PMI* after aggressive M&As <small>* PMI: Post-Merger Integration The integration process after M&As</small>	<ul style="list-style-type: none"> • Clarify matters requiring advance confirmation and due diligence • Management support by senior management and the responsible divisions
	Damage to corporate value due to an act of hostile, large-scale purchase of the Company's shares	<ul style="list-style-type: none"> • A large-scale purchase of shares occurs that could significantly damage sustained growth and corporate value/shared value with shareholders as a result of company splits and transfers 	<ul style="list-style-type: none"> • Introduce takeover defense measures to ensure enough time for shareholders to make appropriate decisions • Consider and implement measures to raise stock prices and corporate value
2 Human capital risks	Securing human capital	<ul style="list-style-type: none"> • Shortage of manpower from clinging to existing recruitment strategies, development policies, and HR systems 	<ul style="list-style-type: none"> • Seek optimal personnel allocation • Build a personnel assessment system with a global perspective and nurture assessors • Strengthen recruiting of multinational talent and establish diversity management • Effectively utilize labor through automated operations and the promotion of digitalization
	Reinforcing organizational performance through health and productivity management	<ul style="list-style-type: none"> • Increase in health risks • Deterioration of the labor environment 	<ul style="list-style-type: none"> • Promote health and productivity management with the President acting as the Chief Officer • Carry out measures to improve the work-life balance and health literacy
	Labor problems	<ul style="list-style-type: none"> • Occurrence of labor problems due to forcing workstyles that do not align with the social landscape and labor environment of each country 	<ul style="list-style-type: none"> • Share Group awareness through the penetration of the ANEST IWATA Corporate Philosophy • Set recruiting requirements and assessment systems that align with the systems and situations of each country based on the administrative authorities of the representatives of the overseas bases
3 IT risks	IT investments	<ul style="list-style-type: none"> • Stagnant IT strategies as a result of a loss of IT knowledge and expertise 	<ul style="list-style-type: none"> • Formulate medium- to long-term IT strategies • Proactive recruiting of professional talent and alliances with partner companies
	Information security	<ul style="list-style-type: none"> • Information leakage and system malfunctions occur resulting from natural disasters, cyberattacks, or intrusion by computer viruses • Information leaks due to lower employee literacy 	<ul style="list-style-type: none"> • Develop an appropriate information security system • Acquire appropriate backup and develop sufficient security measures • Carry out employee education

	Risk	Summary	Countermeasure
4 Legal risks	Compliance with regulations and standards related to the earth environment and climate change	<ul style="list-style-type: none"> A slowdown in business strategies or restrictions on activities occur due to failure to meet new or more stringent environmental regulations 	<ul style="list-style-type: none"> Develop a compliance system according to each country or region Manage environment-related information based on the TCFD framework
	Fraudulent activities due to violations of laws and regulations, etc.	<ul style="list-style-type: none"> A scandal occurs 	<ul style="list-style-type: none"> Develop a framework and a system that does not allow executives and employees to engage in fraud Promote sound management support to the Group companies Build a global monitoring system
	Intellectual property	<ul style="list-style-type: none"> A third party imitates the Company's products or technology Unwittingly infringe the patent and other rights to the intellectual property of third parties 	<ul style="list-style-type: none"> Strengthen the system for managing intellectual property, etc. Cooperate with the relevant outside organizations
	International tax affairs	<ul style="list-style-type: none"> Back taxes may be incurred due to differences in the way transactions between Group companies are viewed by the tax authorities 	<ul style="list-style-type: none"> Promote an accurate understanding of the law with the cooperation of outside organizations
	Accounting treatment of impairment loss of non-current assets, etc.	<ul style="list-style-type: none"> Inappropriate accounting treatment may occur as a result of using inappropriate business plans in the determination of impairment losses of non-current assets 	<ul style="list-style-type: none"> Proactive involvement by the division or Accounting Department at the time of formulation of business plans by the subsidiaries Develop a system for instruction and supervision by the Board of Directors
5 Other risks	Contingencies	<ul style="list-style-type: none"> Materialization of geopolitical risks such as the occurrence of unpredictable political and economic changes and acts of terrorism in the countries and regions in which we do business Occurrence of major natural disasters Outbreak of infectious diseases 	<ul style="list-style-type: none"> Optimize BCP Diversity the production function and explore the possibility of product procurement within the Group Establish a supply system that minimizes the effects of risks when they materialize and promote the resilience of business activities

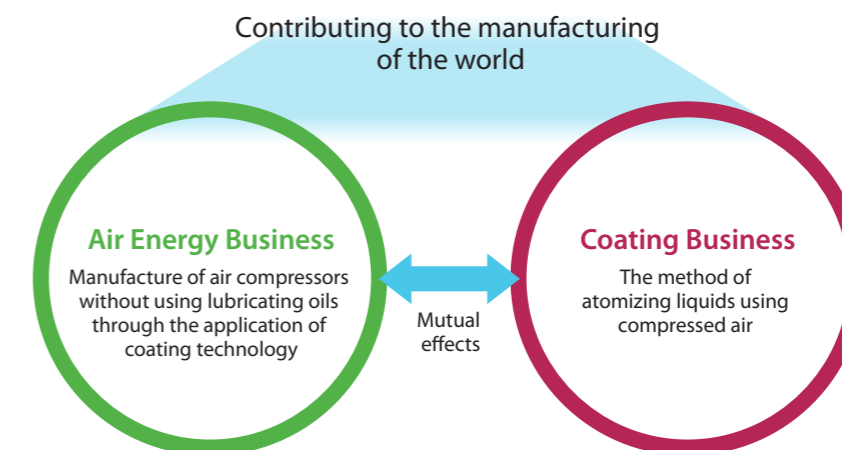
The Company's Approach toward Takeover Defense Measures

As indicated in the diagram below, the Company's business activities comprise the Air Energy Business based on its core "technology to compress air and other gases without using lubricating oils" and the Coating Business based on its core "technology of atomizing paints and other liquids into mist."

To conduct stable business activities, we recognize the importance of measures against large-scale purchases of the Company's shares without having any intention of participating in the Company's management and the disposal of the business for the sole purpose of benefitting the purchaser by temporarily controlling management. For this reason, we have introduced a policy to secure the time necessary for the shareholders and the Company to make appropriate decisions, when

large-scale purchases of the Company's shares occur that may damage the interests of the stakeholders, as well as significantly impair the corporate value of the Group and the common interests of the shareholders.

With regard to the continuation of the policy, its necessity is carefully deliberated by the Board of Directors and proposed every year at the annual general meeting of shareholders. Going forward we will continue to deliberate the future treatment of the policy based on factors including the opinions of the shareholders, the recent trends of takeover defense policies, and the changes in the business environment surrounding the Company and its effects.



Consolidated Balance Sheets

	(Thousands of yen)	
	As of March 31, 2022	As of March 31, 2023
ASSETS		
Current assets		
Cash and deposits	14,319,597	14,512,347
Notes and accounts receivable-trade	8,004,883	9,102,141
Merchandise and finished goods	6,326,762	6,842,557
Work in process	1,280,101	1,261,128
Raw materials and supplies	3,222,945	3,740,027
Other	1,434,802	1,693,067
Allowance for doubtful accounts	(262,772)	(377,928)
Total current assets	34,326,320	36,773,341
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,594,241	12,497,282
Accumulated depreciation	(6,400,816)	(6,906,804)
Buildings and structures, net	5,193,424	5,590,477
Machinery, equipment and vehicles	8,053,829	8,647,052
Accumulated depreciation	(5,922,278)	(6,398,508)
Machinery, equipment and vehicles, net	2,131,551	2,248,544
Land	2,212,639	2,335,817
Leased assets	2,551,325	3,014,132
Accumulated depreciation	(1,340,667)	(1,591,610)
Leased assets, net	1,210,657	1,422,522
Construction in progress	167,018	237,169
Other	2,909,447	3,132,694
Accumulated depreciation	(2,376,208)	(2,506,045)
Other, net	533,239	626,648
Total property, plant and equipment	11,448,530	12,461,179
Intangible assets		
Goodwill	981,998	757,052
Software	670,050	879,746
Other	1,654,647	1,568,191
Total intangible assets	3,306,695	3,204,990
Investments and other assets		
Investment securities	4,530,045	5,464,595
Deferred tax assets	1,211,958	1,191,393
Retirement benefit asset	717,208	683,581
Other	288,503	368,152
Allowance for doubtful accounts	(10,725)	(10,725)
Total investments and other assets	6,736,991	7,696,997
Total non-current assets	21,492,217	23,363,168
Total assets	55,818,537	60,136,510

	(Thousands of yen)	
	As of March 31, 2022	As of March 31, 2023
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	5,225,044	5,355,758
Short-term borrowings	856,923	908,407
Current portion of long-term borrowings	10,305	—
Lease liabilities	254,526	283,766
Income taxes payable	902,879	888,720
Provision for bonuses	751,950	844,981
Provision for bonuses for directors (and other officers)	80,299	83,570
Provision for product warranties	256,356	185,374
Other	3,277,995	3,169,232
Total current liabilities	11,616,282	11,719,814
Non-current liabilities		
Long-term borrowings	283,845	275,086
Lease liabilities	1,011,814	1,204,081
Deferred tax liabilities	229,445	205,640
Retirement benefit liability	2,231,837	1,188,604
Provision for share awards for directors (and other officers)	136,788	181,618
Other	98,519	106,212
Total non-current liabilities	3,992,250	3,161,243
Total liabilities	15,608,532	14,881,057
Net assets		
Shareholders' equity		
Share capital	3,354,353	3,354,353
Capital surplus	1,008,864	1,008,864
Retained earnings	31,245,575	34,282,931
Treasury shares	(1,025,936)	(1,179,543)
Total shareholders' equity	34,582,856	37,466,606
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	378,134	527,154
Foreign currency translation adjustment	679,490	2,034,941
Remeasurements of defined benefit plans	(17,285)	(3,162)
Total accumulated other comprehensive income	1,040,339	2,558,933
Non-controlling interests	4,586,809	5,229,913
Total net assets	40,210,005	45,255,453
Total liabilities and net assets	55,818,537	60,136,510

Consolidated Statement of Income and Comprehensive Income

Consolidated Statement of Income

	(Thousands of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	42,337,011	48,515,155
Cost of sales	24,109,236	27,178,106
Gross profit	18,227,774	21,337,049
Selling, general and administrative expenses		
Sales commission	346,834	489,250
Packing and transportation costs	918,251	1,019,919
Remuneration, salaries and allowances for directors (and other officers)	5,116,694	5,444,283
Provision for bonuses	448,463	543,001
Provision for bonuses for directors (and other officers)	80,299	83,570
Provision for share awards for directors (and other officers)	53,746	53,221
Retirement benefit expenses	229,251	192,053
Welfare expenses	1,124,247	1,281,884
Rent expenses	502,100	556,112
Provision for product warranties	201,271	175,707
Provision of allowance for doubtful accounts	4,957	139,478
Commission expenses	1,358,888	1,549,547
Other	3,062,556	3,970,823
Total selling, general and administrative expenses	13,447,564	15,498,854
Operating profit	4,780,210	5,838,194
Non-operating income		
Interest income	60,856	78,125
Dividend income	65,404	61,059
Foreign exchange gains	231,773	464,900
Share of profit of entities accounted for using equity method	359,389	523,632
Other	174,625	185,665
Total non-operating income	892,049	1,313,382
Non-operating expenses		
Interest expenses	57,856	58,715
Commission for commitment line	10,514	9,275
Other	31,600	40,051
Total non-operating expenses	99,970	108,042
Ordinary profit	5,572,289	7,043,534

	(Thousands of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Extraordinary income		
Gain on sale of non-current assets	3,180	9,212
Gain on sale of investment securities	11,950	—
Gain on liquidation of subsidiaries	—	56,510
Total extraordinary income	15,131	65,722
Extraordinary losses		
Loss on valuation of investments in capital	34,427	—
Loss on sale of non-current assets	406	1,427
Loss on retirement of non-current assets	10,887	16,356
Total extraordinary losses	45,721	17,783
Profit before income taxes	5,541,699	7,091,474
Income taxes - current	1,639,721	1,890,071
Income taxes - deferred	(246,729)	(68,349)
Total income taxes	1,392,992	1,821,722
Profit	4,148,706	5,269,751
Profit attributable to non-controlling interests	607,310	887,916
Profit attributable to owners of parent	3,541,395	4,381,835

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	4,148,706	5,269,751
Other comprehensive income		
Valuation difference on available-for-sale securities	(35,977)	(149,019)
Foreign currency translation adjustment	1,511,028	1,316,363
Remeasurements of defined benefit plans	84,949	14,122
Share of other comprehensive income of entities accounted for using equity method	191,976	315,173
Total other comprehensive income	1,751,977	1,794,679
Comprehensive income	5,900,684	7,064,431
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,783,570	5,900,428
Comprehensive income attributable to non-controlling interests	1,117,113	1,164,002

Consolidated Statement of Changes in Equity

ANEST IWATA Corporation and Subsidiaries
For the Years Ended March 31, 2022 and 2023

Fiscal year ended March 31, 2022

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	3,354,353	1,017,080	28,758,216	(685,266)	32,444,383	414,112	(513,712)	(102,234)	(201,835)	3,891,353	36,133,902	
Cumulative effects of changes in accounting policies			(22,583)		(22,583)						(22,583)	
Restated balance	3,354,353	1,017,080	28,735,633	(685,266)	32,421,800	414,112	(513,712)	(102,234)	(201,835)	3,891,353	36,111,319	
Changes during period												
Dividends of surplus			(1,031,454)		(1,031,454)						(1,031,454)	
Profit attributable to owners of parent			3,541,395		3,541,395						3,541,395	
Purchase of treasury shares				(340,669)	(340,669)						(340,669)	
Disposal of treasury shares by stocks payment trust												
Change in ownership interest of parent due to transactions with non-controlling interests		(8,216)			(8,216)						(8,216)	
Net changes in items other than shareholders' equity						(35,977)	1,193,203	84,949	1,242,174	695,455	1,937,630	
Total changes during period	—	(8,216)	2,509,941	(340,669)	2,161,055	(35,977)	1,193,203	84,949	1,242,174	695,455	4,098,685	
Balance at end of period	3,354,353	1,008,864	31,245,575	(1,025,936)	34,582,856	378,134	679,490	(17,285)	1,040,339	4,586,809	40,210,005	

Fiscal year ended March 31, 2023

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	3,354,353	1,008,864	31,245,575	(1,025,936)	34,582,856	378,134	679,490	(17,285)	1,040,339	4,586,809	40,210,005	
Cumulative effects of changes in accounting policies												
Restated balance	3,354,353	1,008,864	31,245,575	(1,025,936)	34,582,856	378,134	679,490	(17,285)	1,040,339	4,586,809	40,210,005	
Changes during period												
Dividends of surplus			(1,344,478)		(1,344,478)						(1,344,478)	
Profit attributable to owners of parent			4,381,835		4,381,835						4,381,835	
Purchase of treasury shares				(159,398)	(159,398)						(159,398)	
Disposal of treasury shares by stocks payment trust				5,791	5,791						5,791	
Change in ownership interest of parent due to transactions with non-controlling interests												
Net changes in items other than shareholders' equity						149,019	1,355,451	14,122	1,518,593	643,104	2,161,698	
Total changes during period	—	—	3,037,356	(153,607)	2,883,749	149,019	1,355,451	14,122	1,518,593	643,104	5,045,447	
Balance at end of period	3,354,353	1,008,864	34,282,931	(1,179,543)	37,466,606	527,154	2,034,941	(3,162)	2,558,933	5,229,913	45,255,453	

Consolidated Statement of Cash Flows

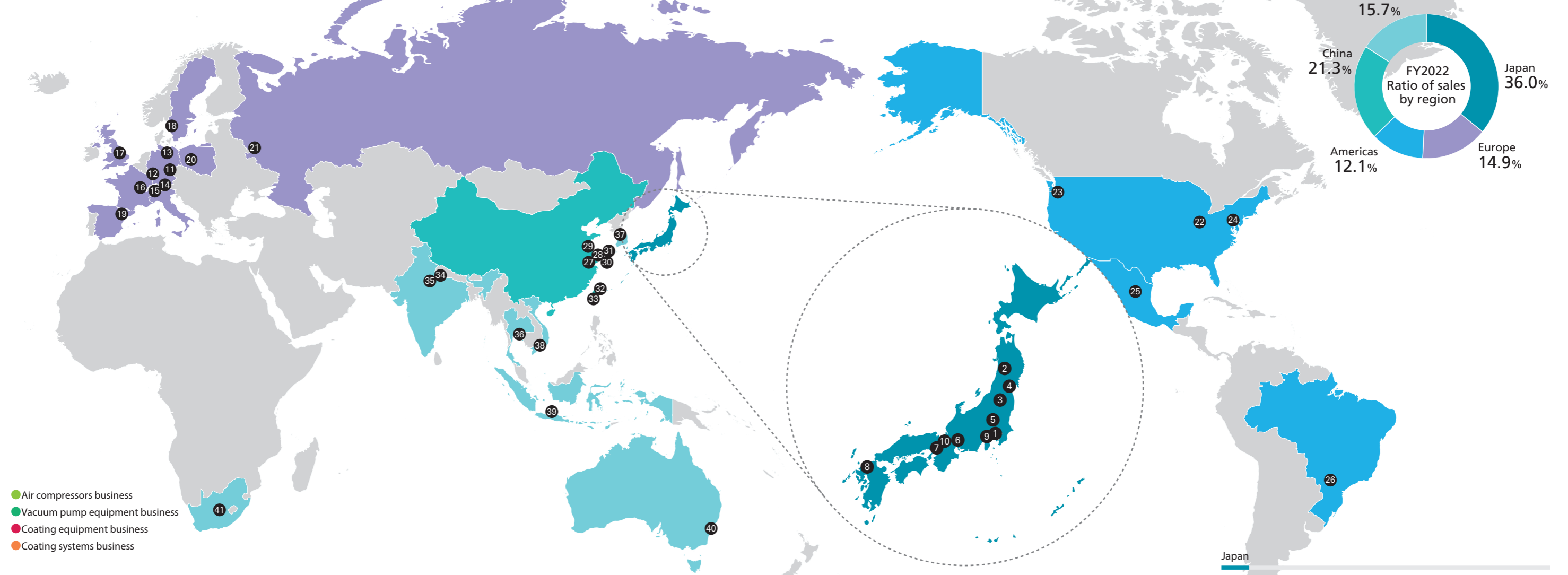
ANEST IWATA Corporation and Subsidiaries
For the Years Ended March 31, 2022 and 2023

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	5,541,699	7,091,474
Depreciation	1,510,082	1,789,487
Amortization of goodwill	254,676	286,438
Increase (decrease) in allowance for doubtful accounts	(4,363)	101,248
Increase (decrease) in provision for bonuses	24,859	100,784
Increase (decrease) in provision for product warranties	30,909	(71,299)
Increase (decrease) in retirement benefit liability	167,982	27,256
Decrease (increase) in retirement benefit asset	(30,154)	(25,984)
Contribution to retirement benefit trust	—	(1,000,000)
Increase (decrease) in provision for bonuses for directors (and other officers)	(1,045)	3,271
Increase (decrease) in provision for share awards for directors (and other officers)	53,746	44,830
Interest and dividend income	(126,260)	(139,185)
Interest expenses	57,856	58,715
Share of loss (profit) of entities accounted for using equity method	(197,181)	(306,428)
Loss (gain) on sale and retirement of non-current assets	8,113	8,571
Loss (gain) on liquidation of subsidiaries	—	(56,510)
Subsidies for employment adjustment	(11,679)	(1,927)
Loss (gain) on sale of investment securities	(11,950)	—
Loss on valuation of investments in capital	34,427	—
Decrease (increase) in trade receivables	(931,656)	(645,704)
Decrease (increase) in inventories	(2,118,889)	(338,745)
Increase (decrease) in trade payables	519,575	(407,122)
Other	376,958	(368,278)
Subtotal	5,147,703	6,150,890
Interest and dividends received	126,634	140,459
Interest paid	(57,856)	(58,715)
Subsidy income received	46,636	19,787
Income taxes paid	(1,373,175)	(1,923,251)
Net cash provided by (used in) operating activities	3,889,943	4,329,170
Cash flows from investing activities		
Payments into time deposits	(1,580,741)	(3,723,921)
Proceeds from withdrawal of time deposits	1,515,568	2,687,937
Purchase of property, plant and equipment	(867,034)	(1,847,382)
Proceeds from sale of property, plant and equipment	15,956	23,571
Purchase of intangible assets	(568,024)	(325,605)
Purchase of investment securities	(202)	(300,000)
Proceeds from sale of investment securities	284,212	—
Proceeds from redemption of investment securities	299,992	200,000
Loan advances	—	(12,931)
Proceeds from collection of loans receivable	11,098	11,028
Payments for acquisition of businesses	(150,975)	—
Other	(38,658)	(36,334)
Net cash provided by (used in) investing activities	(1,078,808)	(3,323,636)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(52,940)	(9,630)
Repayments of lease liabilities	(256,464)	(288,249)
Proceeds from long-term borrowings	54,309	—
Repayments of long-term borrowings	(39,372)	(35,258)
Purchase of treasury shares	(340,669)	(159,398)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	1	—
Dividends paid	(1,031,461)	(1,344,197)
Dividends paid to non-controlling interests	(436,693)	(520,897)
Net cash provided by (used in) financing activities	(2,103,291)	(2,357,633)
Effect of exchange rate change on cash and cash equivalents	565,759	516,247
Net increase (decrease) in cash and cash equivalents	1,273,602	(835,851)
Cash and cash equivalents at beginning of period	11,643,240	12,916,842
Cash and cash equivalents at end of period	12,916,842	12,080,990

Global Network (As of the date of this Report)

Starting from the late 1980's, the Group has made full-entry into the overseas market by establishing bases in Asia, followed by North America and Europe. Currently, we manufacture and sell our products in 21 countries and regions around the world. Our overseas sales have grown considerably, accounting for 64.0% of total sales. As the markets continue to expand in each area, we are dedicated to providing high-quality products that match various market needs.



- Air compressors business
- Vacuum pump equipment business
- Coating equipment business
- Coating systems business

Europe

Germany

- 11 ANEST IWATA Deutschland GmbH ●●●
- 12 ANEST IWATA Europe GmbH ●●●
- 13 HARDER & STEENBECK GmbH & Co.KG ●●●

Italy

- 14 ANEST IWATA STRATEGIC CENTER S.r.l. ●●●
- 15 ANEST IWATA Italia S.r.l. ●●●

France

- 16 ANEST IWATA France S.A. ●●●

UK

- 17 ANEST IWATA (U.K.) Ltd. ●●●

Sweden

- 18 ANEST IWATA Scandinavia AB ●●●

Spain

- 19 ANEST IWATA Iberica, S. L. U. ●●●

Europe

Poland

- 20 ANEST IWATA Polska Sp. Z o.o. ●●●

Russia

- 21 ANEST IWATA RUS LLC ●●●

China

China

- 27 ANEST IWATA Industrial Machinery (Jiaxing) Co., Ltd. ●●●
- 28 ANEST IWATA Shanghai Corporation ●●●
- 29 ANEST IWATA FEELER Corporation ●●●
- 30 Shanghai Screw Compressor Co., Ltd. ●●●
- 31 Shanghai Globe Screw Technology Co., Ltd. ●●●

Others

Taiwan

- 32 ANEST IWATA Taiwan Corporation ●●●
- 33 ANEST IWATA SPARMAX Co., Ltd. ●●●

Others

India

- 34 ANEST IWATA MOTHERSON Pvt. Ltd. ●●●
- 35 ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd. ●●●

Thailand

- 36 ANEST IWATA SOUTHEAST ASIA Co., Ltd. ●●●

South Korea

- 37 ANEST IWATA Korea Corp. ●●●

Vietnam

- 38 ANEST IWATA Vietnam Co., Ltd. ●●●

Indonesia

- 39 PT. ANEST IWATA INDONESIA ●●●

Australia

- 40 ANEST IWATA Australia Pty. Ltd. ●●●

South Africa

- 41 ANEST IWATA South Africa (Pty) Ltd. ●●●

Japan

ANEST IWATA Corporation

- 1 Head Office ●●●●
- 2 Akita Factory ●●●●
- 3 Fukushima Factory ●●●●
- 4 Tohoku Branch ●●●●
- 5 North Kanto Branch ●●●●
- 6 Chubu Branch ●●●●
- 7 Kansai Branch ●●●●
- 8 Fukuoka Branch ●●●●
- 9 A&C Service Corporation ●●●●
- 10 ADVANCE RIKEN Inc.* ●●●●

Americas

U.S.

- 22 ANEST IWATA Americas, Inc. ●●●●
- 23 ANEST Iwata-Medea, Inc. ●●●●
- 24 Powerex-Iwata Air Technology, Inc.* ●●●●

Brasil

- 25 ANEST IWATA Mexico, S. de R.L. de C.V. ●●●●

Brasil

- 26 AIRZAP-ANEST IWATA INDÚSTRIA E COMÉRCIO LTDA. ●●●●

*An affiliated company accounted for using the equity method

Stock Information

Number of Shares Issued (As of March 31, 2023)

Total number of authorized shares	189,290,000 shares
Total number of shares issued	40,641,133 shares (Excluding 1,104,372 treasury shares)
Number of shareholders	4,378

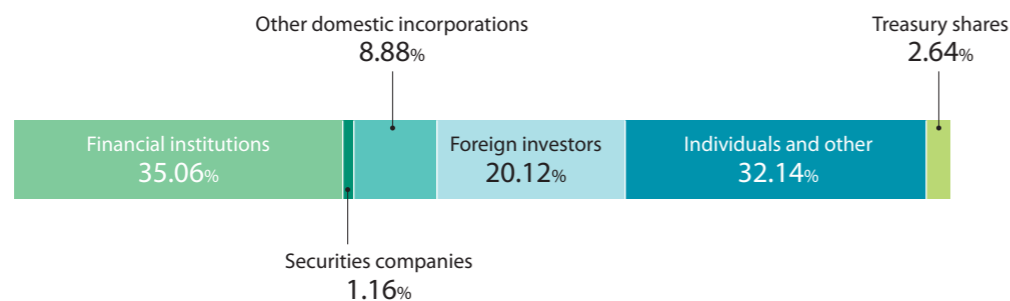
(Note) The treasury shares do not include 174,200 shares of the Company held by the Board Benefit Trust (BBT).

Principal Shareholders (As of March 31, 2023)

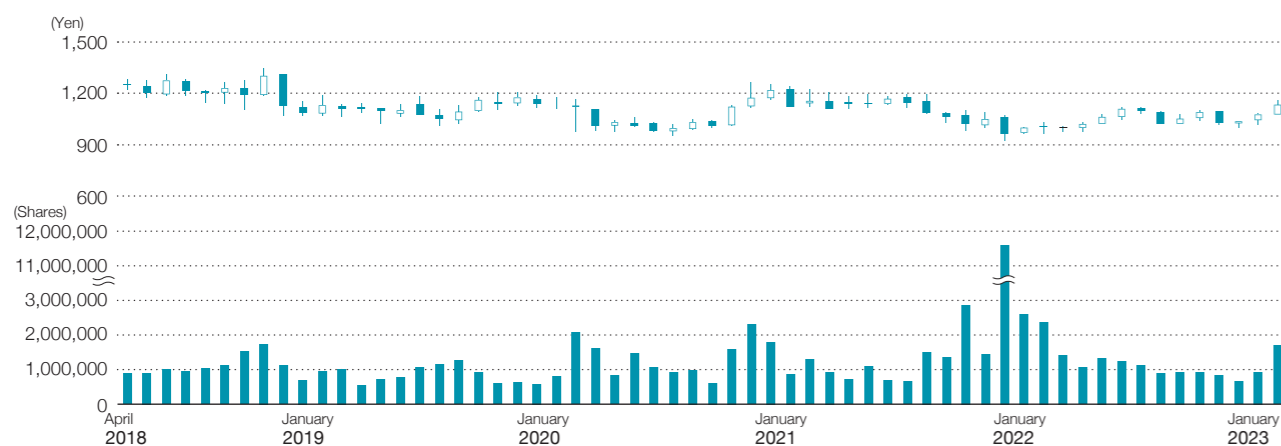
Name	Number of shares owned (thousands)	Ownership percentage of total shares issued (%)
Japan Trustee Services Bank, Ltd. (Trust account)	5,120,600	12.6
Custody Bank of Japan, Ltd. (Trust account)	4,218,900	10.4
The Dai-ichi Life Insurance Company, Limited	2,272,000	5.6
ANEST IWATA Supplier Shareholding Association	1,954,700	4.8
ANEST IWATA Customer Shareholding Association	1,933,800	4.8
THE BANK OF NEW YORK 133652	1,552,300	3.8
Meiji Yasuda Life Insurance Company	1,520,848	3.7
ANEST IWATA Customer Employee Shareholding Association	867,691	2.1
Kazuya Iwata	773,000	1.9
Taikisha Ltd.	695,000	1.7

Notes 1. The shareholding ratio is calculated excluding treasury shares (1,104,372 shares).
 2. The Report of Possession of Large Volume (Change Report) submitted for public perusal by Mitsubishi UFJ Financial Group, Inc. (joint holders: MUFG Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and MU Investments Co., Ltd.) dated January 31, 2022 states that Mitsubishi UFJ Financial Group, Inc. held 2,357,235 shares of the Company as of January 24, 2022. However, the actual number of shares held by Mitsubishi UFJ Financial Group, Inc. as of March 31, 2023 could not be confirmed by the Company, so it is not included in the above list of major shareholders.

Composition of Shareholders (As of March 31, 2023)



Stock Prices and Trading Volume (From April 2018 to March 2023)



Corporate Profile (As of the date of this Report)

Company Name	ANEST IWATA Corporation
Head Office	3176, Shinyoshida-cho, Kohoku-ku, Yokohama 223-8501, Japan
Representative	Shinichi Fukase, President, Representative Director and Chief Executive Officer
Founded	May, 1926
Incorporated	June, 1948
Main Business	Manufacture and sales of air compressors, vacuum pumps, coating equipment, and coating systems
Capital	3,354 million yen
Number of Employees	FY2022: 1,799 (Japan: 625, Overseas: 1,174)
End of Fiscal Year	March 31
Listed Securities Exchange	Prime Market, Tokyo Stock Exchange

Domestic Locations

Domestic Locations

- Tohoku Branch
- North Kanto Branch
- Kanto Branch
- Chubu Branch
- Kansai Branch
- Fukuoka Branch

Factories

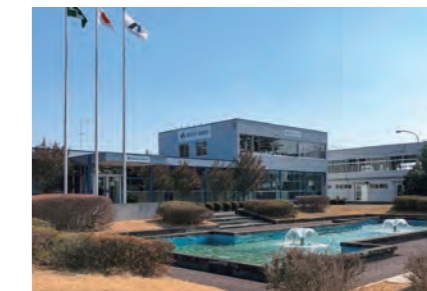
- Akita Factory
- Fukushima Factory



Head Office



Akita Factory



Fukushima Factory

Consolidated Subsidiaries

Japan

A&C Service Corporation

China

- ANEST IWATA Industrial Machinery (Jiaxing) Co., Ltd.
- ANEST IWATA Shanghai Corporation
- ANEST IWATA FEELER Corporation
- Shanghai Screw Compressor Co., Ltd.
- Shanghai Globe Screw Technology Co., Ltd.

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.
- ANEST IWATA RUS LLC

Americas

- ANEST IWATA Americas, Inc.
- ANEST Iwata-Medea, Inc.
- ANEST IWATA Mexico S. de R.L. de C.V.
- AIRZAP-ANEST IWATA INDUSTRIA E COMERCIO LTDA.

Others

- 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
- ANEST IWATA Australia Pty. Ltd.
- ANEST IWATA South Africa (Pty) Ltd.



ANEST IWATA Corporation

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223-8501, Japan

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<https://www.anestiwata-corp.com/>