

# 2024

Becoming a world-leading manufacturer  
through steady plan execution

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



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, Hatsutaro 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.



CONTENTS

02	ANEST IWATA in Everyday Life
04	ANEST IWATA by the Numbers
06	History of Growth
08	Value Creation Process
10	Materiality
12	Financial and Non-financial Highlights
13	Message from the President
14	Interview with the President
18	Medium-term Management Plan “500 & Beyond” (FY2022 – FY2024)
22	Operating Results, Financial Condition, and Future Financial Strategies

The Businesses of ANEST IWATA

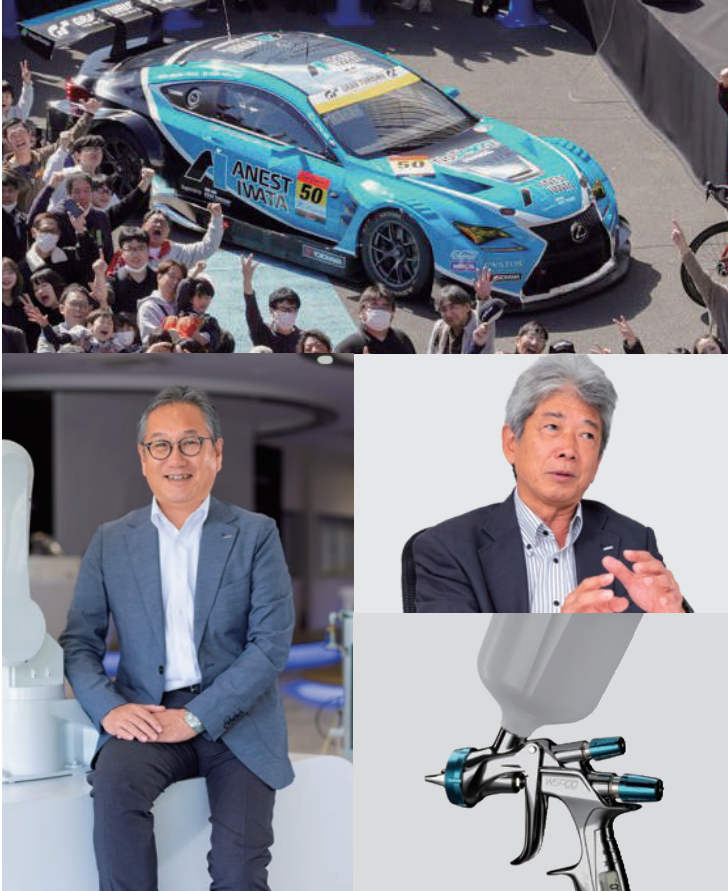
24	Business Overview Air Energy Division
28	Business Overview Coating Division
32	Quality Assurance
34	Maintaining and Strengthening Business Competitiveness through Intellectual Property

The Foundations that Support Value Creation

37	Sustainability
38	The Environment
44	Human Capital
50	Respect for Human Rights
51	Cooperation with the Regional Communities
52	Stakeholder Engagement
53	Message from the Independent Director
54	Executives
55	Corporate Governance
61	Compliance and Risk Management

Financial / Corporate Information

66	11-year Consolidated Financial Summary
68	Global Network
70	Stock Information
71	Corporate Profile



Editorial Policy

ANEST IWATA Corporation publishes the “Integrated Report” to further deepen the understanding of the Group by 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 Group’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 *Integrated Reporting Framework* of the IFRS Foundation 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 2023 (from April 2023 to March 2024) 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

November 2024

Cautionary note regarding forward-looking statements

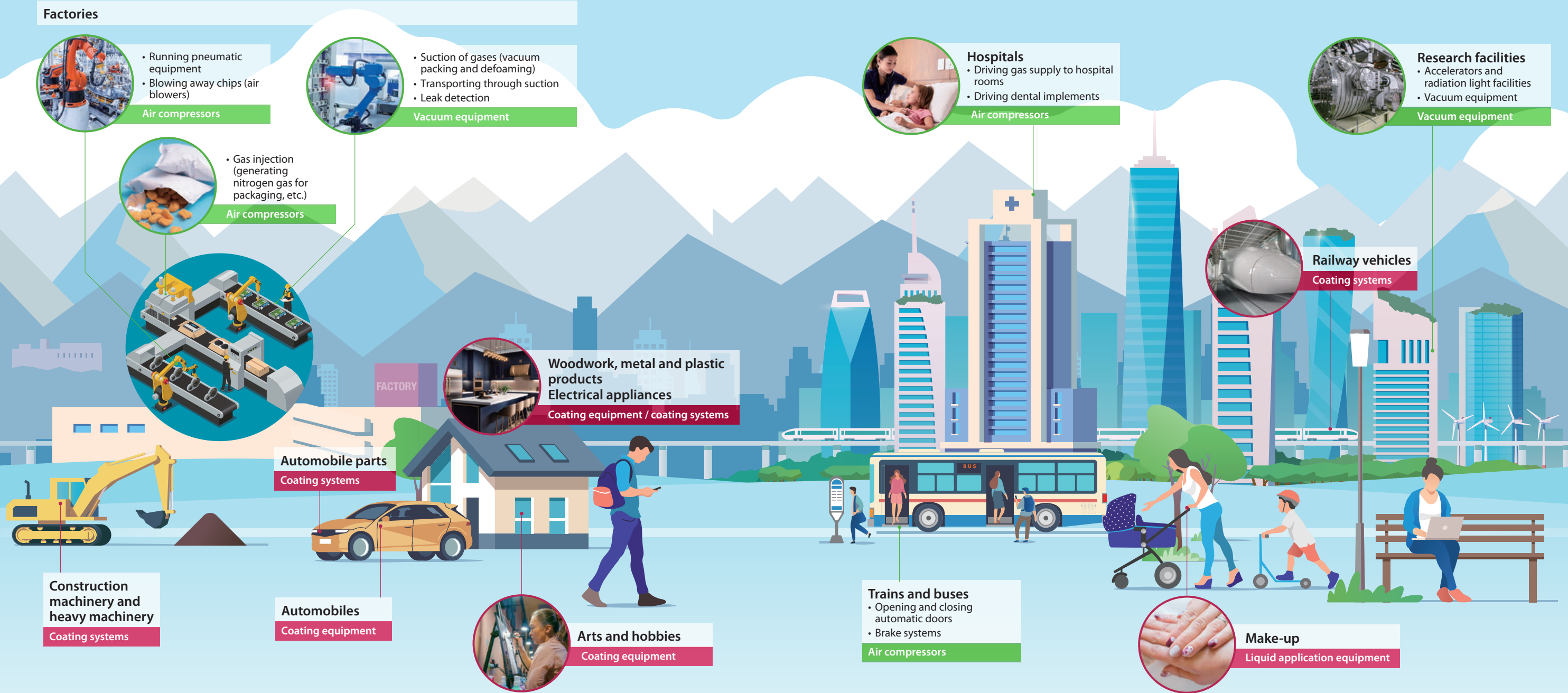
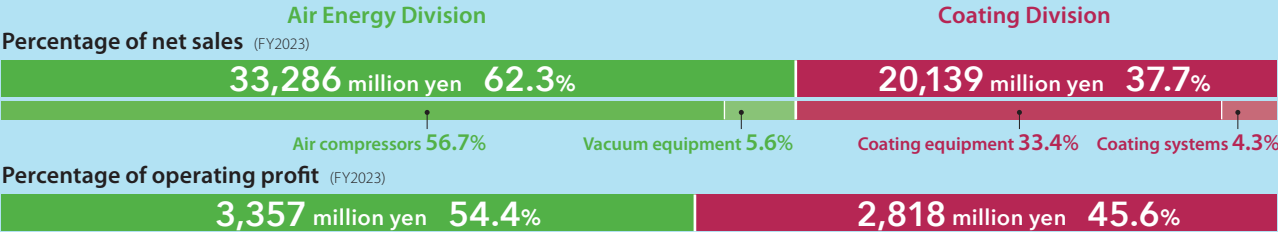
Forward-looking statements contained in this report have been prepared based on information available at the time of publication. Various external factors, including the global economy, fluctuations in exchange rates, market conditions of the industry and trends in capital expenditures, may impact the 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 in Everyday Life

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.



### Air Energy Division

#### Air compressors

Air compressors are machines that compress gases, mainly air. In addition to being an indispensable part of industrial plant facilities, they play a vital role in various fields, including vehicle applications and their use 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

Everywhere we look, we find a multitude of products that have been coated or sprayed to "improve aesthetic appearance," "protect the surface," or "add functionality." We provide products such as equipment to atomize the liquids used in that process and to transport such liquids.



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

# ANEST IWATA by the Numbers

The ANEST IWATA Group, based on its gas-and-liquid-handling technology nurtured since its founding, continues to grow through its mainstay products – air compressors and coating equipment. Our stable earnings are underpinned by high productivity grounded in our manufacturing know-how which has been accumulated over the years and product groups leveraging our proprietary technology.

## Industry leader

The Group’s products have won the support of countless customers through our proven technical capabilities and quality.

### Creating the World’s Firsts Air Energy Division

We are contributing to the development of a sustainable society by leveraging oil-free air compressors, our major strength.

Small-sized oil-free scroll air compressors

**World’s No. 1\***  
in possible production volume  
50,000 units/year

Small-sized air compressors

**No. 2\***  
in domestic market share (by volume) 35 to 30%

Small-sized oil-free vacuum pumps

(Pumping speed: less than 600L/min.)

**No.2\*** in domestic market share (by volume)  
40% or higher



- World’s first oil-free scroll air compressor
- Highly-profitable vacuum equipment

### Proud of its proven track record and technology Coating Division

Starting with the development of Japan’s first hand spray gun, we have been an industry leader since 1926, contributing to society with our technology and know-how

High-range hand spray guns

**No. 2\***  
in global market share 35 to 30%

**No. 1\***  
in domestic market share 75%

Air brushes

**No. 1\***  
in global market share  
Around 30%



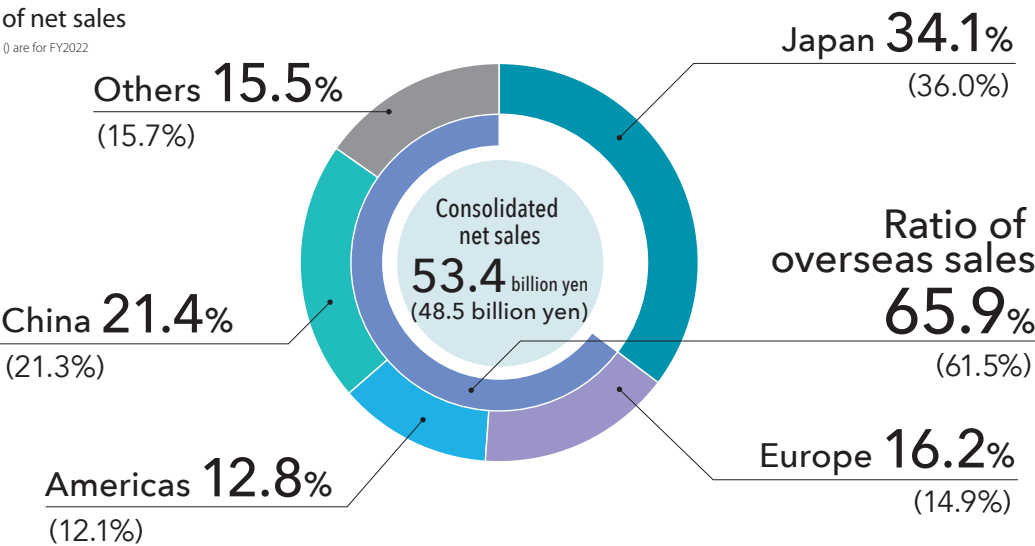
- Spray guns that are No. 1 in domestic market share and No. 2 in global market share
- Coating systems capable of designing optimal coating methods

## A global company operating in over 20 countries

ANEST IWATA Group is increasing its overseas sales with overseas sales accounting for a greater portion of total sales than domestic sales. The Air Energy Business typically boasts high sales in Asia, while the Coating Business enjoys high demand in Europe.

Percentage of net sales

FY2023\* Values given in () are for FY2022



## A sound management structure

The stable management foundation supports the Group’s revenue growth.

\*According to a survey by the Company

Years since founding

**98** years

Number of employees (consolidated)

(As of March 31, 2024)

**1,865**

including 1,224 overseas employees

Ratio of Independent Directors

(As of the date of the report's issue)

**50%以上**

Shareholder’s equity ratio (FY2023)

**66.8%**

Operating profit margin (FY2023)

**11.6%**

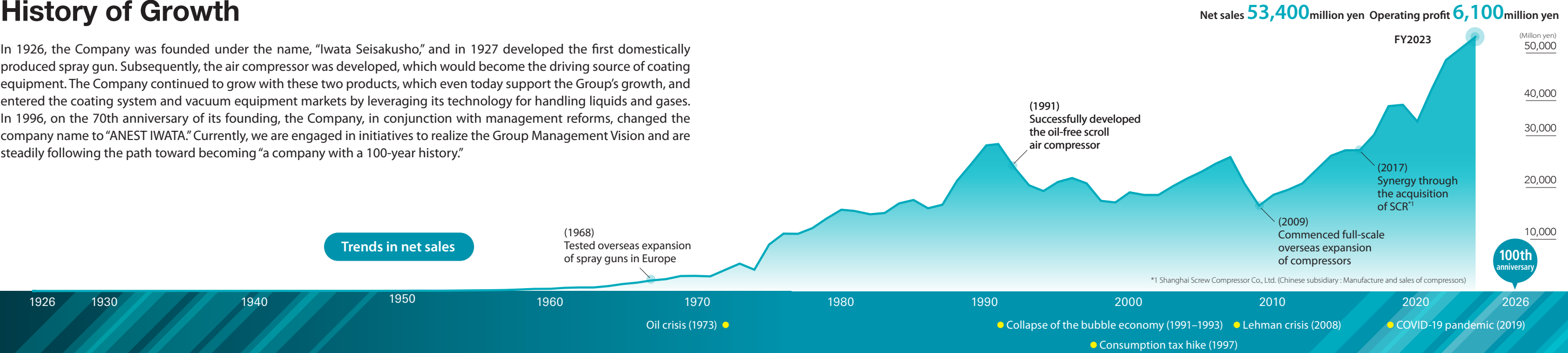
ROE (FY2023)

**11.7%**




History of Growth

In 1926, the Company was founded under the name, "Iwata Seisakusho," and in 1927 developed the first domestically produced spray gun. Subsequently, the air compressor was developed, which would become the driving source of coating equipment. The Company continued to grow with these two products, which even today support the Group's growth, and entered the coating system and vacuum equipment 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, we are engaged in initiatives to realize the Group Management Vision and are steadily following the path toward becoming "a company with a 100-year history."



1926

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



Four Iwata brothers including the founder

1957

Established Iwata Air Compressor Mfg. Co., Ltd.

1961

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

1971


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

1987

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

1996

Changed company name to "ANEST IWATA"



2009

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

2020

Revised the corporate slogan

Active with Newest Technology

2022

Transitioned from the First Section to the Prime Market

Spray guns Origins of ANEST IWATA

Coating Division

Coating equipment

Coating systems

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.

1985

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



"MRP series," multi-articulated coating robot

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<sup>\*2</sup>  
<sup>\*2</sup> ANEST IWATA SPARMAX Co., Ltd.

Air compressors Proprietary development of compressors for spray gun inspection

Air Energy Division

Air compressors

1928

Commenced manufacture and sales of small-sized air compressors



Air compressors at the time of founding

1969

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



"MC series" medium-sized air compressors

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<sup>\*1</sup>

Vacuum equipment

Value Creation Process

The Group has been stepping up its mission by leveraging its core technologies, i.e., “liquid atomization” and “gas compression” and providing valuable products and services to its stakeholders. We have been earning revenues and the trust of the stakeholders by meeting their expectations. By reinvesting these acquired resources to reinforce capital, we aim to achieve the enhancement of corporate value and sustained growth. Furthermore, based on our belief that true corporate value comprises both economic value and social value (e.g. ESG), we are putting our efforts into balancing the two.

Corporate Policy

誠心

“Makotono kokoro”  
(Trustworthy & Sincere)

ANEST IWATA Corporate Philosophy

Various types of invested capital

(As of March 31, 2024)

**Financial capital**

Stable revenue structure and sound financial foundations

Net assets: **50,074** million yen

**Manufacturing capital**

Manufacturing bases operating globally

Domestic factories: **2** locations

Overseas manufacturing bases: **15** companies

Capital investments: **2,854** million yen

**Intellectual capital**

Technology and know-how accumulated over the years

Research and Development expenses: **1,468** million yen

Number of Patent applications: over **1,200** patents

**Human capital**

Human resources who support value creation

Number of Group employees: **1,865**

**Social and related capital**

Communication with stakeholders

Number of group companies: **30**

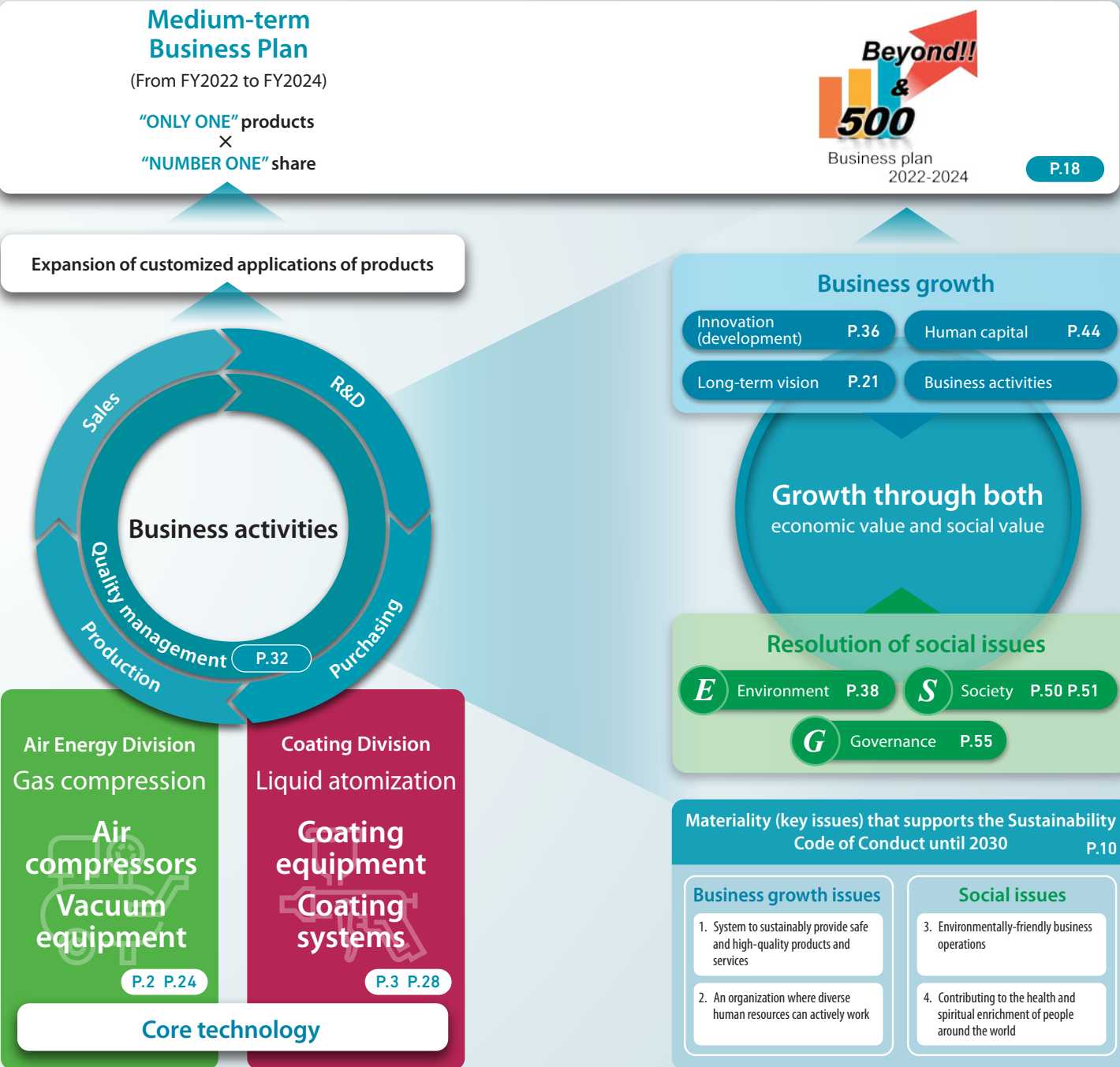
group companies more than **20** countries and regions

**Natural capital**

Resources sourced from nature

Scope 1 + 2 GHG emissions **11,910**t-CO<sub>2</sub>e

Business activities and achievements



Business model

The value that we create

Economic value

Net Sales: **53.4** billion yen

Operating profit: **6.1** billion yen

Shareholders' equity ratio: **66.8**%

Annual dividend per share: **49** yen (FY2023)

Social value

- Add color to the world and enrich society with fluid and air technologies
- Contribute to the revitalization of global manufacturing
- Reduce the environmental burden
- Build a relationship of trust with stakeholders
- Provide a safe working environment

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

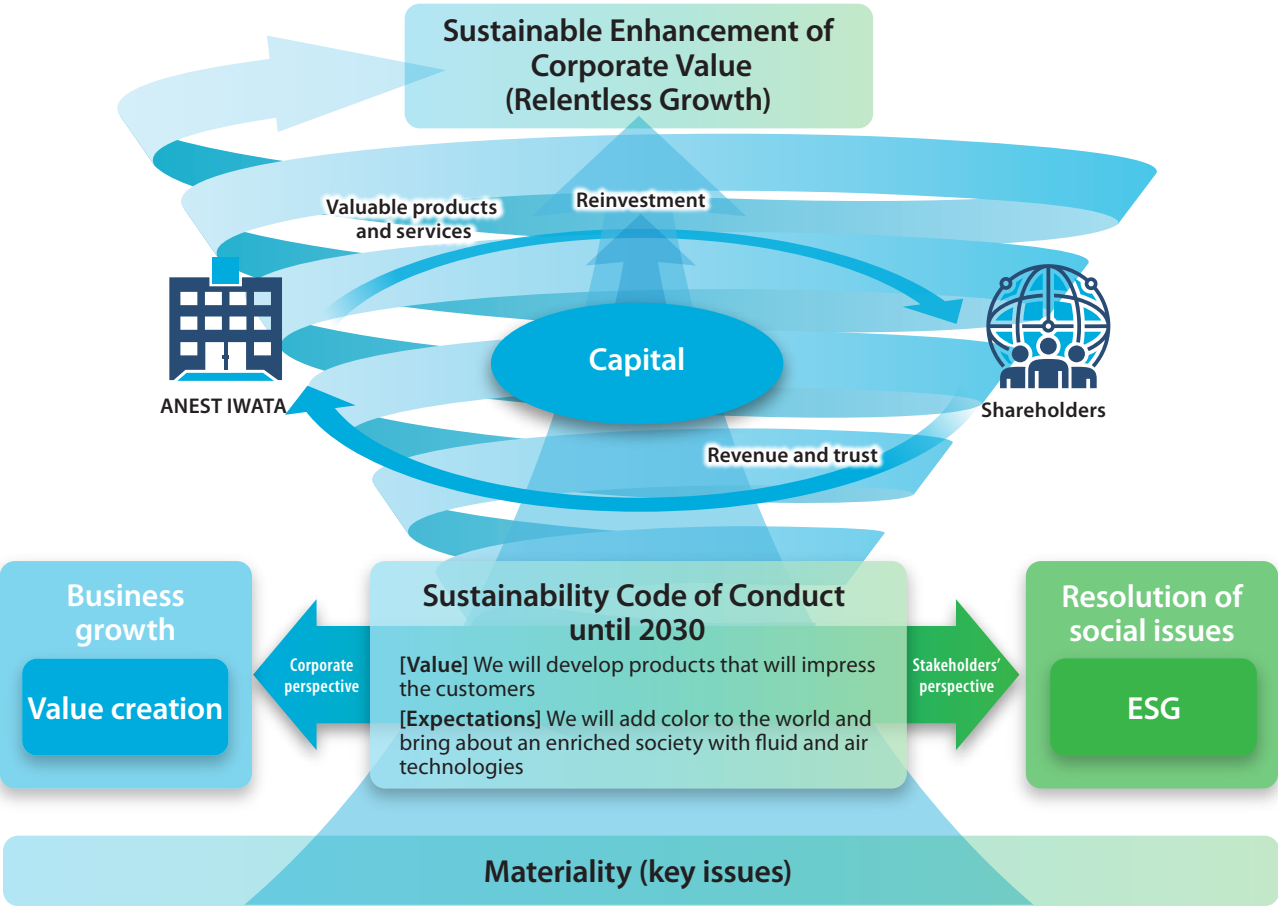


Materiality

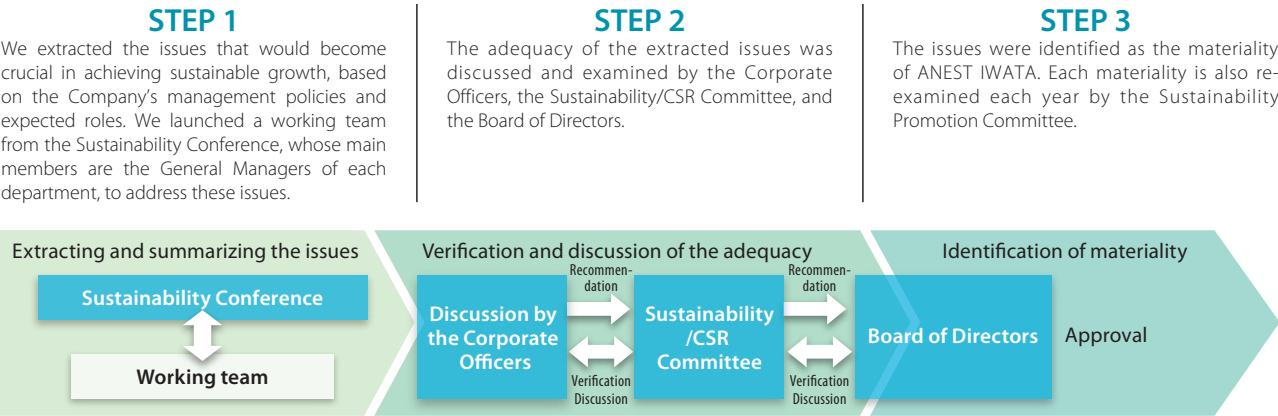
The Company has identified key issues (materiality) toward the sustained enhancement of corporate value. We will aim for further growth by focusing on efforts addressing materiality.

To Achieve Sustained Growth

The Company believes that using the revenues and trust it receives in return for providing valuable products and services as capital to further reinvest in growth is the key to relentless growth. Based on this approach, we identify 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



\*This meeting body is as of 2022 when we identified materiality for the first time. For the current system, please refer to "Sustainability Promotion System" on page 37.

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	<ul style="list-style-type: none"><li>Expand existing businesses through the promotion of area-specific strategies</li><li>Develop new markets by leveraging core technology and know-how</li><li>Promote new business development using motorsports as a platform</li><li>Promote M&amp;As that contribute to growth</li><li>Create, manage, and utilize intellectual property as management resources</li></ul>	<ul style="list-style-type: none"><li>Becoming a development-oriented company with vital and innovative technological capabilities</li><li>Becoming a global company that aims for stable growth and development</li></ul>	Consolidated net sales of 100 billion yen or more in and after 2030	53.4 billion yen	
	II. Quality assurance and stable supply of products	<ul style="list-style-type: none"><li>Re-examine the quality assurance system through regular internal quality audits and third-party organizations</li><li>Strengthen supply chain management</li><li>Consider a globally optimized production system</li></ul>	<ul style="list-style-type: none"><li>Providing safe and high-quality products and services that accurately capture customers' needs at appropriate prices</li></ul>	Maintain ISO9001 certification	Continuing certification	
	I. Promoting the advancement of diverse human resources	<ul style="list-style-type: none"><li>Implement measures that allow employees to pursue work comfort and job satisfaction regardless of individual attributes</li><li>Strengthen the framework for the aggregation and management of HR-related data</li><li>Create a gender-free workplace through the promotion of DX at the production factories</li><li>Promote health and productivity management</li></ul>	<ul style="list-style-type: none"><li>Establishing a corporate culture that elevates individual creativity and teamwork to the maximum extent</li><li>Ensuring and promoting diversity to create new value and to grow sustainably</li></ul>	Raising the ratio of the Company's female managers to 8% or higher by FY2030	1.5%	
	II. Development and securing diverse human resources that can take on the challenge of value creation	<ul style="list-style-type: none"><li>Expand training programs including programs for management candidates</li><li>Consider a personnel evaluation system with a global perspective</li><li>Hire and utilize talent who are business professionals</li><li>Foster a corporate culture that does not shy away from mistakes and takes bold challenges</li></ul>	<ul style="list-style-type: none"><li>Practicing the corporate slogan of heading to the future with the newest technology, and continuously and actively taking on challenges</li><li>Realizing dreams with an agile imagination and passion</li></ul>	Raising the ratio of the Company's male employees acquiring child-care leave to 100% by FY2030	84.6%	
Social issues	III. Respect for human rights	<ul style="list-style-type: none"><li>Conduct ANEST IWATA philosophy training (For new graduates and mid-career hires)</li><li>Promote occupational health and safety activities</li></ul>	<ul style="list-style-type: none"><li>Respecting different people and cultures, cooperating with all stakeholders, and achieving inner happiness and a prosperous lifestyle</li></ul>	Improving the Company's work-engagement score <sup>3</sup>	Reduction of 0.6 points compared to FY2022	
	I. Contributing to the resolution of environmental issues	<ul style="list-style-type: none"><li>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</li></ul>	<ul style="list-style-type: none"><li>Aiming to become a creative company that is useful to society by becoming aware that it is a member of society</li><li>Contributing to society through product development that aims to lessen the customers' environmental burden</li></ul>	Sales ratio (amount) of oil-free compressors to total compressor sales of 60% or higher	Approx. 53%	
	II. Contributing to a society that mitigates the environmental burden	<ul style="list-style-type: none"><li>Launch a project to reduce CO2 emission, as a medium- to long-term task</li><li>Promote disclosures based on TCFD recommendations</li></ul>	<ul style="list-style-type: none"><li>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</li></ul>	Total CO2 emission reduction rate at the head office Reduction of 1% compared to FY2022	Increase of 9% compared to FY2022	
	III. Compliance with laws and regulations	<ul style="list-style-type: none"><li>Conduct regular compliance training for executives and all employees</li><li>Establish a point of contact for whistleblowing operated by a third party</li></ul>	<ul style="list-style-type: none"><li>Building a true relationship of trust</li><li>Compliance with the Guiding Principles</li></ul>	Reduction rate of CO2 intensity per domestic factory Reduction of 14% Fukushima Factory: Reduction of 5%	0 cases of compliance violations	0 cases
Contributing to the health and spiritual enrichment of people around the world	I. Realizing safe and reliable quality	<ul style="list-style-type: none"><li>Build a product safety management system to ensure world-class safety</li><li>Monitor complaints and information from customers and based thereon, carry out improvements and activities to prevent the recurrence of problems</li></ul>	<ul style="list-style-type: none"><li>Contributing to the achievement of a prosperous society that is safe, reliable, and capable of sustained growth</li></ul>	Number of compliance training sessions: 1 or more per year (for each theme)	Once	
	II. Meeting diverse social needs	<ul style="list-style-type: none"><li>Build and strengthen an optimal relationship that can connect digitally with the world's customers</li><li>Improve customer engagement through the utilization of IT tools and other means</li></ul>	<ul style="list-style-type: none"><li>Achieving "useful technology, beloved products, and a bond of trust"</li></ul>	0 cases of major quality problems and accidents	0 cases	
	III. Building a relationship of trust between companies and society	<ul style="list-style-type: none"><li>Hold events that aim for co-existence and co-prosperity with the community</li><li>Collaborate with local organizations</li><li>Disseminate sufficient information and improve disclosures</li></ul>	<ul style="list-style-type: none"><li>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</li></ul>	—	—	
	IV. Establishing a governance structure that puts the corporate philosophy into practice	<ul style="list-style-type: none"><li>Carry out measures to improve the effectiveness of the Board of Directors</li><li>Strengthen Group company management</li><li>Disclose investment and utilization strategies and establish governance relating to intellectual property and intangible assets</li></ul>	<ul style="list-style-type: none"><li>Building a robust corporate structure capable of flexibly withstanding changes</li><li>Establishing ANEST IWATA as a company contributing to the achievement of a prosperous society</li></ul>	Maintaining the ratio of Independent Directors of 50% or higher	55.6% (After the 78th Annual Shareholders' Meeting)	
Conducting regular evaluations of the effectiveness of the Board of Directors					Conducted	

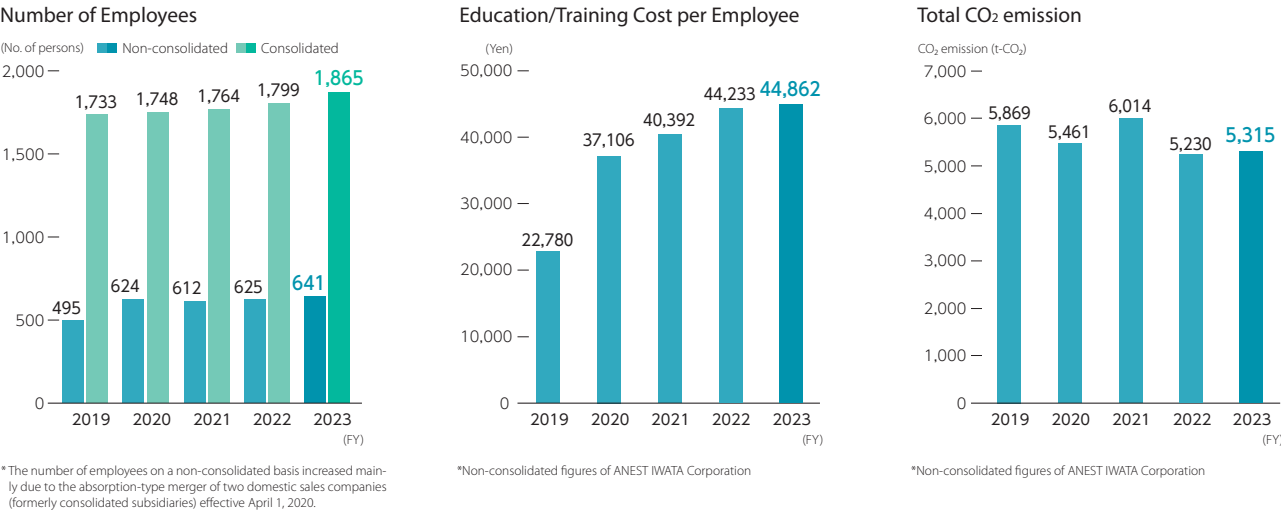
\*1. A state of working even though the employee has health problems \*2. Average loss per person based on the QQ method \*3. A concept describing a positive attitude and state of mind toward work. Measured based on the Utrecht Work Engagement Scale

# Financial and Non-financial Highlights

## Financial Highlights (Consolidated)



## Non-financial Highlights



# Message from the President

As a “true development-oriented company” we impress customers worldwide with our products.

In May 1926, the Company was founded under the name “Iwata Seisakusho” and started the manufacture of coating spray guns as well as air compressors which were indispensable for the use of the spray guns. Today, spray guns and air compressors have developed and expanded to spearhead the Coating and Air Energy businesses, respectively, meeting customers’ various needs worldwide.

FY2024 (the fiscal year ending March 2025) will be the final year of the Medium-term Business Plan, “500 & Beyond,” the first step in achieving the Long-term Vision, “Vision 2030: We will add color to the world and bring about an enriched society with fluid and air technologies,” and we have been promoting various measures toward fulfilling the planned targets. At the same time, to place ourselves on a sustainable growth trajectory as we welcome our 100th anniversary in 2026, we are also contemplating our next Medium-term Business Plan. We will continue to set our sights on becoming a “true development-oriented company” to impress customers worldwide with our products.

We, therefore, ask all of our stakeholders for their continued patronage and support.

Shinichi Fukase  
President, Representative Director and Chief Executive Officer



## Interview with the President

**We are seeing steady progress on the Medium-term Business Plan, “500 & Beyond.”**

**We are also bolstering our product development capabilities to achieve our Long-term Vision, “Vision 2030.”**



triggered the growing demand for products and services and the fortified investments in their production facilities have clearly translated into a positive tailwind for the Company. Meanwhile, geopolitical issues and multilateral tension have given rise to global shifts in commercial flows. While these shifts may not necessarily be negative, no effort on our part can divert them. Therefore, our success will hinge on our capabilities for prompt action when such shifts do occur. Needless to say, we must always move forward with a medium- to long-term perspective but I am also acutely aware that we need to balance our long-term views with a grasp of the short-term.

As for our operating results, both our domestic and overseas businesses grew. The main drivers overseas were the export sales (mainly to Europe and India) of air

compressors from China by our Chinese subsidiary, Shanghai Screw Compressor Co., Ltd. (“SCR”), and coating equipment in Europe. In Japan, sales of oil-free air compressors to the medical market and vacuum pumps to the semiconductor-related markets were brisk. Furthermore, the rise in product prices due to the price hikes both in Japan and overseas contributed to our performance. And of special note is the fact that in the past few years, with the understanding of our customers, we were able to raise our prices in the domestic market, where price hikes are more difficult to implement compared to the overseas markets. On the other hand, the slight rise in selling, general and administrative expenses is attributable to personnel costs and increases in depreciation due to upfront capital expenditures, as well as preliminary research costs for M&As. In other words, while partly due to the effects of rising costs on the back of global inflation, the increases also include forward-looking costs.

### Business strategies suited to each region have been the key to success overseas

The growth of the overseas business may be attributed to

the key growth drivers including the robust export sales of air compressors by SCR in China, the high recognition in the European market of our spray guns for automobile repairs launched in the first half of FY2022, and the growing demand for air compressors, the very foundation for manufacturing, in the Indian market, which is undergoing remarkable economic growth. SCR in China, which we acquired in 2018, in particular, continues to grow through the global rollout of medium- to large-sized compressors, which had previously not been in the Group’s lineup. And despite the effects of the economic slowdown within China, SCR has been enjoying brisk export sales to the European and Indian markets. Our spray guns for automobile repair with the built-in, hand-held air pressure regulator gauge have been garnering praise for their ease of handling and stable atomization, which has led to customers switching from competitor products to ours. In fact, this concept of built-in air pressure regulator gauges has been around for more than 30 years, but it was not acted upon because it was considered too technically advanced back then. This has become possible only through the relentless pursuit of those involved and advances in our technology, which deserves high recognition. Given that many of the new types of paints are developed in Europe, after which they are rolled out to the U.S., Japan, and Asia, the recognition of our spray gun in Europe brings with it the promise of greater sales to each area along with the new paints. Furthermore, the Indian market is seeing growing demand for medium-sized screw compressors and we are currently shoring up the mass production framework of compressors at SCR in China. Considering the growth rate of the market as a whole, the speed at which we are expanding is not nearly fast enough, but we are committed to enhancing our product proposal capabilities and accelerating our collaborations with partners to capture the Indian market.

The expansion of our overseas business, therefore, may be said to be a product of our efforts to expand the various initiatives we have promoted to date. Nevertheless, there are still some parts missing from our area coverage, product lineup, and production and sales/service framework. Therefore, we intend to continue expanding our business mainly through M&As. Meanwhile, the lack of depth compared to spatial coverage of our initiatives is another issue that needs to be tackled

going forward. In other words, cross-selling that leverages the Company’s new products and characteristics is still insufficient, or from another perspective, still offers room for growth. This also involves our capabilities for product proposals, which will be incorporated as one of the themes of the next Medium-term Business Plan.

### The Medium-term Business Plan, while making good progress, is posing challenges to taking the next step

We are in the final year of our 3-year Medium-term Business Plan, “500 & Beyond.” This plan represents the first step in achieving our vision of 100.0 billion yen or more in sales in 2030 and beyond, and promotes the basic strategies: 1) 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. 2) 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. 3) 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. 4) We will focus on M&As and new business development in both existing and new businesses. Looking back on our progress, our pace has exceeded that of the initial plan in business performance, and in strategy also, we are achieving results mostly as planned. However, we are still lacking in the “Beyond” portion of the plan for the next step. For example, while M&As may not happen due to unavoidable circumstances such as inopportune timing and the counterparty’s situation, we are also behind in revving up the development speed of new products. Therefore, in this last year of the plan, we will build the foundations for the “Beyond” portion of the plan. Especially, in product development, we will build systems for generating development resources by, among others, commencing operations of the prototype-building wing in the head office during the fiscal year ending March 31, 2025, and promoting joint developments with other companies.

### We will aim for even greater business expansion and reinforcement of the business foundations in the next Medium-term Business Plan

The next Medium-term Business Plan to start in the fiscal year ending March 31, 2026, will basically embrace 1) in addition to the growth of existing businesses, 2) M&As, and 3) the achievement of the Long-term Vision, "Vision 2030" through the development of new markets and new businesses. In terms of existing businesses, the overseas markets and the air compressors will continue to be growth drivers while we will reap the returns on investments of the current plan (e.g. the utilization of mass production facilities and the prototype-building wing [scheduled for completion in the summer of 2025]). As for M&As, we will explore those that are extensions of existing businesses to supplement regional coverage and the product range, as well as new business development through the capture of new business models. However, new business development in so-called enclaves is only being considered as a possible long-term agenda, and in the medium term, we are focused on the reinforcement of existing businesses through new market development. Air compressors for the medical and vehicle application markets, and spray guns for the automobile repair and woodworking markets are examples of these. These products are extensions of the Company's expertise and have proven track records of success and high profitability, and are expected to raise our earnings power and accumulate technical know-how.

The next Medium-term Business Plan will also be acutely aware of our financial position (B/S) as well as profit/loss (P/L). In other words, the achievement of 100 billion or more in net sales will not be feasible under the current balance sheet. As net sales and investments scale up, we will contemplate the ideal financial balance, including the optimal capital composition and cash allocation based on capital efficiency and soundness. Another unique feature of the plan is our goal of enhancing earnings per share (EPS). Previously, we had focused on increasing net sales and raising the operating profit margin, but we have concluded that to return profits to all stakeholders increasing the so-called bottom line (Net profit attributable to owners of parent) was imperative and decided to set EPS as a KPI. Accordingly, from now on, we will

study optimal capital allocation among the Group companies and tax planning on a global basis to prevent the outflow of profits.

Meanwhile, one of the changes in the business environment that has raised concerns is the changing public opinion toward energy-consuming air compressors amid rising energy prices and heightened awareness of environmental protection. While air compressors are indispensable equipment for manufacturing plants and promise stable market growth as long as products are manufactured, in the future, we will need to take a deeper dive into contemplating energy efficiency as well as performance. The coating equipment market has also seen moderate growth and with the advent of highly-difficult paints, expectations are high for greater demand for coating equipment suitable for such paints. However, shrinking demand due to the development of film technology is also a concern. The Company believes that film technology should be considered as part of coating technology and will consider future measures accordingly.

### Product development including environmentally-friendly products and the strengthening of human capital will become the key to sustained growth

The Group has a history of focusing on the development of environmentally friendly products. Our proposals for oil-free and energy-saving compressors, and in terms of coating equipment, making spray guns low-pressure and making spray guns compatible with water-based paints have not only contributed to the environment but also differentiated our products and provided a competitive edge. And this is why we consider stricter legal regulations and growing environmental awareness to be business opportunities for the Group.

On the other hand, reinforcing product development capabilities and human capital to ensure the Group's sustained growth is our greatest theme. I have just explained our product development capabilities but reinforcing human capital has also become an urgent issue. Especially as the Group aims for growth in the overseas markets, our workforce capable of taking on leading roles overseas is by no means enough and

we will formulate HR strategies that look toward the future including strengthening cooperation with the overseas subsidiaries and the adoption of a flexible remuneration system. Additionally, to raise the overall level of human capital, human resources development and reducing the turnover rate are imperative, and to this end, we are improving training programs, promoting health and productivity management, and improving the life-work balance. As for the advancement of women, while this is an industry with few women to begin with and there are currently no women in management positions, a project was launched by volunteer female employees as part of initiatives to raise and change awareness.

I feel that our governance system, too, is functioning sufficiently both in terms of offense and defense. The Board of Directors comprises nine members of whom five are Independent Directors (including two female Directors), with each member embodying an abundance of experience, knowledge, and skills. Furthermore, the "Board of Directors Opinion Exchange Meeting," which convenes separately from the Board of Directors meetings, delves into deeper discussions and is a good reminder of our position of being supervised. Starting in 2023, Independent Directors with experience and knowledge in the fields of technological development and production technology have joined offering extremely meaningful advice.

### Our 100th Anniversary and beyond

In 2026, we will mark the milestone of our 100th anniversary. The term, "100-year enterprise," may connote a company shrouded in long history and traditions but we are still in the process of growing and this anniversary is merely a milepost on our way to achieving the Long-term Vision, "Vision 2030." As the starting point for further growth, we will grasp the changes in the environment as opportunities to achieve our vision.

I have always practiced management that is aware of returning profits to stakeholders including shareholders,



investors, customers, and employees. This all boils down to "whether we are capable of continuously launching new products that contribute to the world around us." This is also what makes sustained growth and continuous profit distribution possible. Therefore, in this last year of the current Medium-term Business Plan, I will make every effort to shore up our framework, and in the next Medium-term Business Plan, bring about tangible results in our product development. As for shareholder returns, we are committed to continuing a steady increase of dividends in line with the growth of profits aiming for a consolidated payout ratio of 40%. Through awareness of the balance sheet and the improvement of EPS, which I have mentioned earlier, I am intent on practicing capital cost management, more than ever before, and to make this possible, I will strive for the improvement of disclosures and dialogues. Therefore, we ask that you provide us with your continuing support and also that you look forward to the Group's future growth.

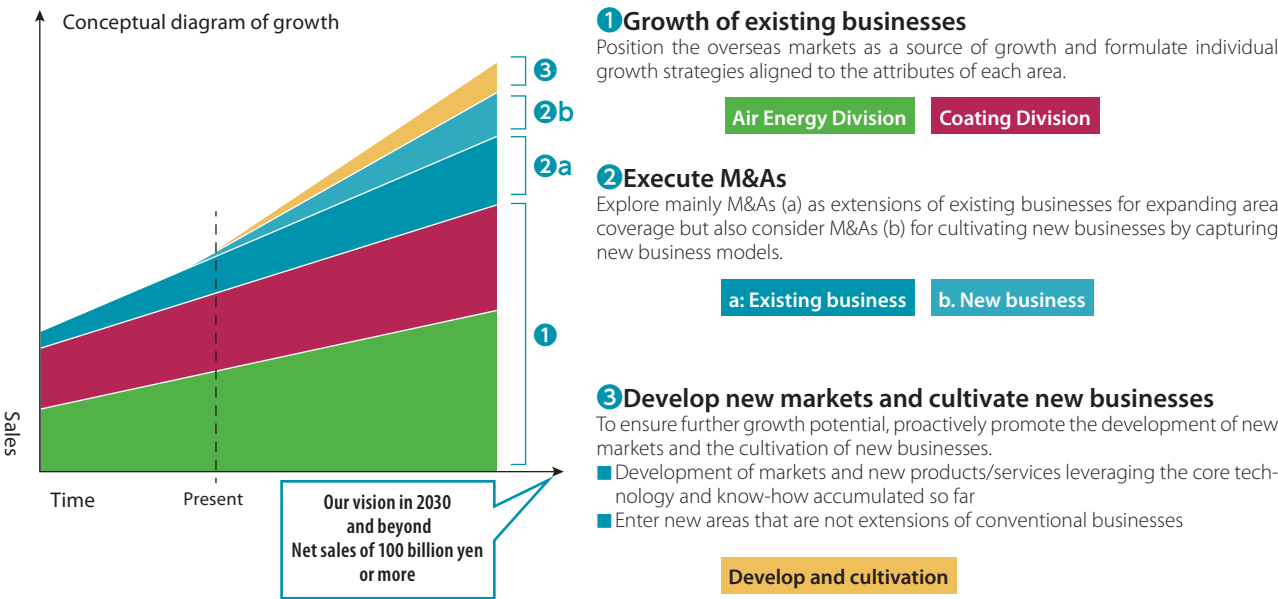




# Medium-term Business Plan "500 & Beyond"(FY2022 – FY2024)

## M&As and Cultivating New Businesses

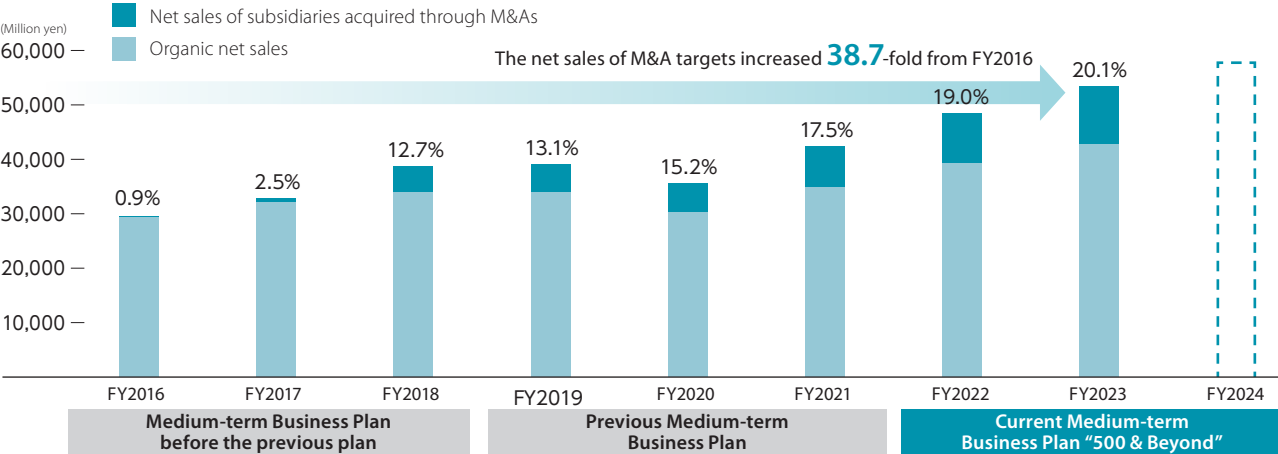
In addition to the growth of existing businesses, we promoted business expansion through M&As, new market development, and the cultivation of new businesses. Currently, the business divisions are leading the way in proactively exploring M&As by identifying candidates.



M&A targets	
<b>Objectives</b> <ul style="list-style-type: none"> <li>Area coverage</li> <li>Supplement product range</li> <li>Gain technology and know-how related to products and parts</li> </ul>	<b>Candidates and precedents</b> <ul style="list-style-type: none"> <li>Manufacturers possessing the required specifications and with a procurement/production, sales, and services structure</li> <li>Sales channel with services and technology capabilities</li> <li>Manufacturer of materials</li> </ul>

## Trends in sales of major subsidiaries acquired through M&A

Contributing to the continuous increase of sales by utilizing target companies' brand and management structures to the extent possible.



## Investments

Promote investments based on the Medium-term Management Plan in the areas of technological development, production, sales, etc. Continue with proactive growth investments that look toward future growth.

### IT investments

Major initiatives	Effects
<b>Japan</b> <ul style="list-style-type: none"> <li>Build a customer database and utilize BI tools for centralized management of sales activity data</li> <li>Manage business negotiations with CRM and make more use of remote business negotiation systems</li> </ul>	Compared to FY2021 <ul style="list-style-type: none"> <li>Rise in percentage of direct sales (+270%)</li> <li>Managed business negotiations increased by 1.9-fold and order intakes by 1.4-fold</li> </ul>
<b>Americas and Europe</b> <ul style="list-style-type: none"> <li>Promote the integration of customer databases that had previously been scattered and the integration of the ERP systems</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened coordination between sections</li> <li>Enhanced business efficiency</li> </ul>

### Capital investments

Examples of capital investments	
<b>Air Energy Division</b> <ul style="list-style-type: none"> <li>Expanded production capacity of small-sized air compressors (India)</li> <li>Automation of air tank production (Japan)</li> </ul>	<b>Coating Division</b> <ul style="list-style-type: none"> <li>Expanded spray gun production capacity (Italy)</li> </ul>

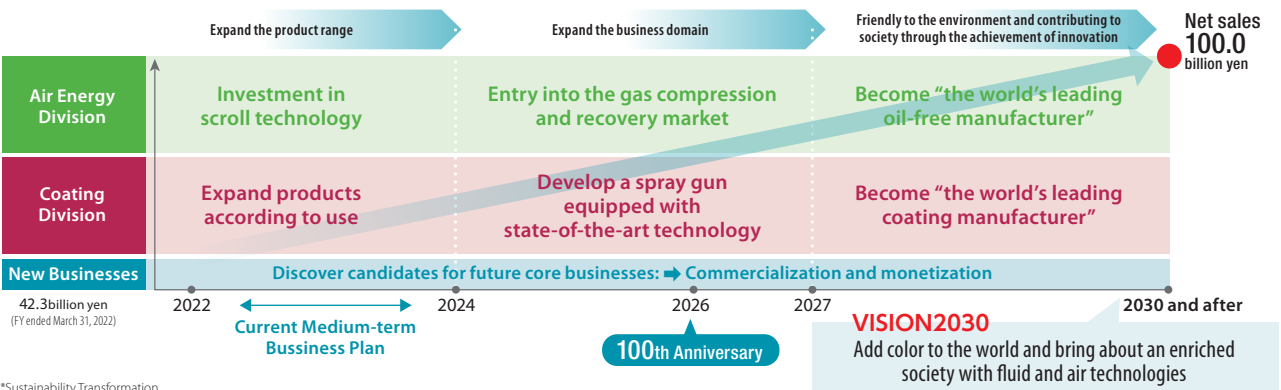
### Major investment plans for the future

<b>Both Air Energy and Coating Divisions</b> <ul style="list-style-type: none"> <li>Completion of the prototype-building wing (Japan)</li> <li>Aim to enhance precision and shorten the development cycle through function reinforcements in the prototype-building process</li> </ul>	
<b>Air Energy Division</b> <ul style="list-style-type: none"> <li>Completion of the assembly line of SCR's medium-sized compressors (India)</li> </ul>	<b>Coating Division</b> <ul style="list-style-type: none"> <li>Further expansion of production capacity of spray guns (Italy)</li> </ul>

### Others Promoting the reinforcement of human capital supporting the management foundations

- Strengthen human resources development → P44
- Promote health and productivity management → P47
- Build a resilient governance structure → P55

### Vision2030 We will enhance corporate value through both ESG and our ability to make profits (SX\*)



\*Sustainability Transformation



# Operating Results, Financial Condition, and Future Financial Strategies

## Operating Results and Financial Conditions to Date

Looking back at the trends in net sales, the Group temporarily took a step backward in the fiscal year ended March 31, 2021, 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 Group's growth has been driven by the rise in the ratio of overseas sales. In the past 12 years, the ratio of overseas sales rose from 39.6%\* to 65.9%. In particular, a major contributor to the high growth rate realized from the fiscal year ended March 31, 2018 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 38.7-fold in the past eight years. Approximately 730 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. 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. 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 14.5 billion yen in cash reserves, our policy is to effectively utilize them for the Group's future growth strategies.

\*1 Results have been translated based on the delivery destination  
\*2. Shanghai Screw Compressor Co., Ltd. (a subsidiary in China)

## Review of Operating Results for the Fiscal Year Ended March 31, 2024

The consolidated operating results for the fiscal year ended March 31, 2024, were net sales of 53,425 million yen (up 10.1%), operating profit of 6,176 million yen (up 5.8%), ordinary profit of 7,986 million yen (up 13.4%), and net profit attributable to own-

ers of parent of 4,931 million yen (up 12.5%), which represent a significant increase in both net sales and profits, exceeding the plan, and thus reaching record highs in sales and all profit indicators.

Even without the positive factor of the weak yen, there has been steady growth in business performance mainly in the overseas business and the ratio of overseas sales rose to 65.9% (compared to 64.0% in the previous fiscal year). Despite being impacted by the slowdown of the Chinese economy, business in Europe and others, most notably in India, exhibited significant growth, while the Group's new spray guns for the European automobile repair market gained high recognition and demand for air compressors grew considerably in India where manufacturing is booming. As for air compressors, SCR in China, which joined the Group in 2018, has enjoyed robust export sales. In Japan and Europe, oil-free air compressors for specific markets (e.g., for vehicle and medical applications) are spreading steadily.

On the profit front, also, despite the impact of soaring costs including material and logistics costs, our cost-to-sales ratio improved significantly to 54.2% (down 1.8 points), thanks to the price hikes both in Japan and overseas and the reduction of costs. Additionally, while selling, general and administrative expenses increased in line with increased personnel costs and increased expenses necessitated by greater sales activities, as well as M&A research costs and systems-related expenses, we reported an increase in operating profits, due to increased revenue and cost control efforts absorbing the expenses. The operating profit margin fell slightly from the previous fiscal year but we managed to maintain high levels at 11.6% (12.0% in the previous fiscal year).

As for the Company's financial condition, total assets increased to 66,144 million yen (up 10.0% from the end of the previous fiscal year). Major contributing factors include an increase in current assets such as "Cash and deposits" reflecting improved business performance and the impact of the weak yen, as well as an increase in non-current assets due to the expansion of production facilities. On the other hand, equity capital also increased to 44,195 million yen (up 10.3%) due to the increase in internal reserves and an increase in "Foreign currency translation adjustment" reflecting the weak yen, and the shareholders' equity ratio rose slightly to 66.8% (up 0.2 points). While

interest-bearing debt (including lease liabilities) increased to 3,072 million yen (up 15.0%), the Company acknowledges that financial soundness is being sufficiently maintained. On the other hand, ROE, an indicator of capital efficiency, also improved to 11.7% (up 0.1 points).

## Performance Forecast for the Fiscal Year Ending March 31, 2025

Our performance forecast for the fiscal year ending March 31, 2025 is an increase in both sales and profits, except for ordinary profit. In other words, net sales of 58,000 million yen (up 8.6%), operating profit of 6,800 million yen (up 10.1%), ordinary profit of 7,800 million yen (down 2.3%), and profit attributable to owners of parent of 4,950 million yen (up 0.4%). The reason for the decrease in ordinary profit is that we do not expect any gains on foreign exchange.

Continued growth in net sales is expected to continue in both the Air Energy Division and the Coating Division, as a result of a steady increase in demand for coating equipment and 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, increases in personnel costs including investments in human resources and upfront expenditures such as investments into development are anticipated. Nevertheless, 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 assumed exchange rates are 145.00 yen to the dollar, 156.33 yen to the euro, and 19.95 yen to the yuan. And we will need to closely monitor the effects of the trends in exchange rates on business performance, as was the case in the previous fiscal year.

## Prospects for the Achievement of the Medium-term Business Plan and Future Financial Policies

As for the Medium-term Business Plan, "500 & Beyond," which is in its final year, business performance is expected to significantly exceed initial plans, given the progress in market development and our revision of the exchange rate assumptions. However, the plan's position remains unchanged as the first step of the Long-term Vision, "Vision 2030," to achieve net sales of 100.0 billion yen and we plan to put the finishing touches on the plan to prepare for the next step. By singling out and targeting the overseas markets as growth markets, and accelerating the quantitative expansion of air compressors and mid/high-range coat-

ing equipment, as well as increasing the unit price by raising the added value in the domestic market, we will improve profitability. Meanwhile, the plan to reduce selling, general and administrative expenses to 30% or below through the promotion of operational reforms, has run into roadblocks and may be difficult to achieve due to increases in personnel costs and ongoing growth investments. We have seen a greater-than-expected increase in personnel costs but even so, we have determined that it should not deter us from making further growth investments.

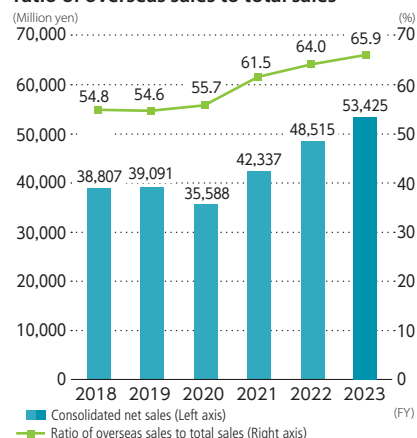
Additionally, in terms of the investment plan, we have continued to make capital investments to enhance production capacity and IT investments to enhance the management foundation, sourced from operating cash flows and cash at hand, as well as reinforcing our business foundations for the future by proactively promoting R&D and M&As. Capital investments and R&D expenses during these three years are expected to reach approximately 8.0 billion yen and 4.5 billion yen, respectively. Although M&As have yet to materialize, along with equity investments in partners, they are considered to be a part of our crucial growth strategies. Both the Air Energy Division and the Coating Division are committed to engaging in M&As to expand regional coverage and supplement their technology, expertise, and product range, as well as develop new businesses, by utilizing cash at hand, treasury stock (resulting from share buybacks), and debt financing, when necessary.

In the next Medium-term Business Plan, we will set EPS growth as a KPI and focus more on the balance sheet than in the previous plan. By optimizing the allocation of cash and capital across the Group, we will achieve profit growth that even takes into account the bottom line (net profit).

## Shareholder Return Policy

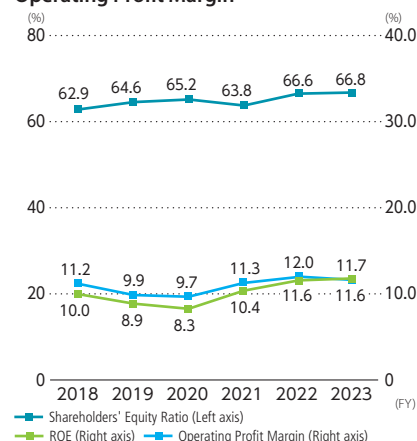
Based on the policy to strike a balance between securing internal reserves for growth investments and reinforcing shareholder returns, we have raised our target for the consolidated payout ratio from 35% to 40%. In the fiscal year ended March 31, 2024, we paid an annual dividend of 49 yen per share, up 11 yen from the previous fiscal year and in the fiscal year ending March 31, 2025, we are planning an annual dividend of 50 yen per share, up 1 yen from the year before, which, if implemented, will represent an increase in dividends for four consecutive terms. Furthermore, we are planning share buybacks of up to 1.5 billion yen (approx. 3.7% of total shares issued and outstanding) from January to the end of December 2024 (75% completed as of August 31, 2024). Going forward, we intend to prioritize growth investments while also returning surplus funds to shareholders through dividends and share buybacks.

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

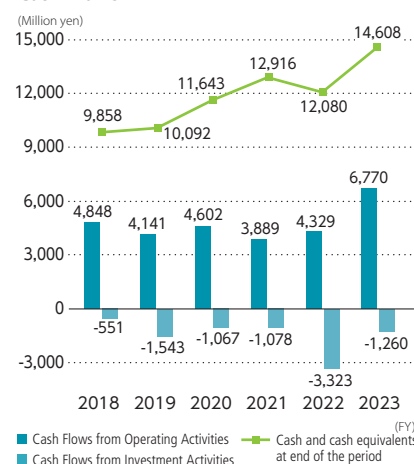


\*Results are translated based on the seller.

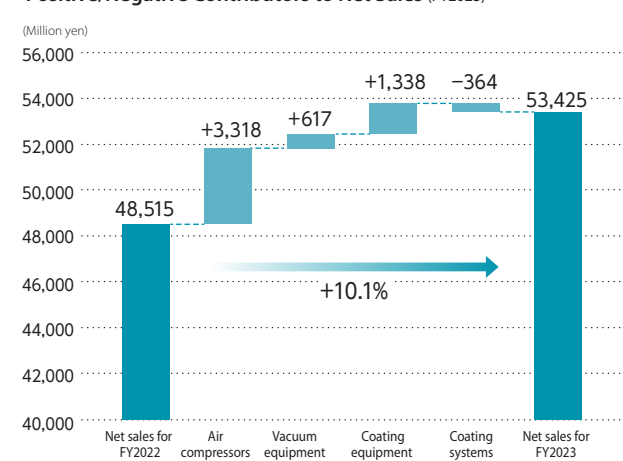
### Shareholders' Equity Ratio, ROE, and Operating Profit Margin



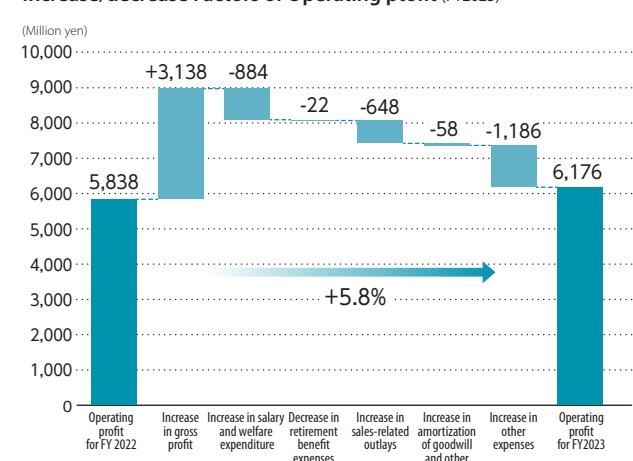
### Cash Flows



### Positive/Negative Contributors to Net Sales (FY2023)



### Increase/decrease Factors of Operating profit (FY2023)



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.



## Masanori Daimaru

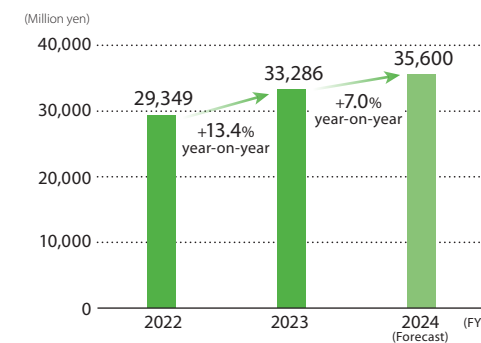
Corporate Officer  
Chief Operating Officer of Air Energy Division, General  
Manager of Development Engineering Department

The Businesses of ANEST IWATA

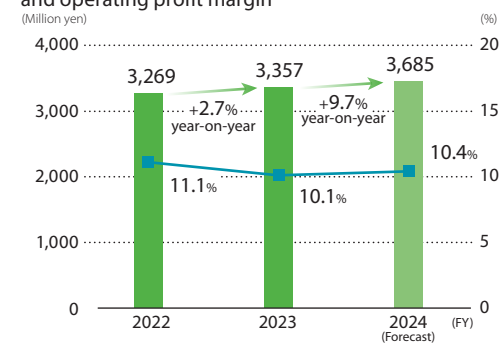
## Business Overview Air Energy Division

### FY2023 Operating Results of the Air Energy Business

#### Consolidated net sales



#### Consolidated operating profit and operating profit margin

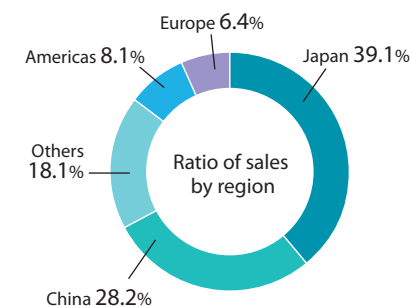
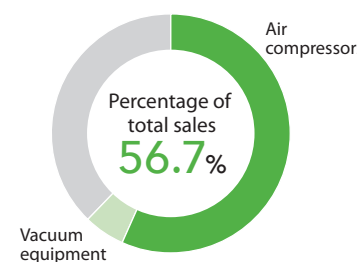


\*FY2024 represents the forecast as of May 9, 2024

### Air compressors Compressors and nitrogen gas generators

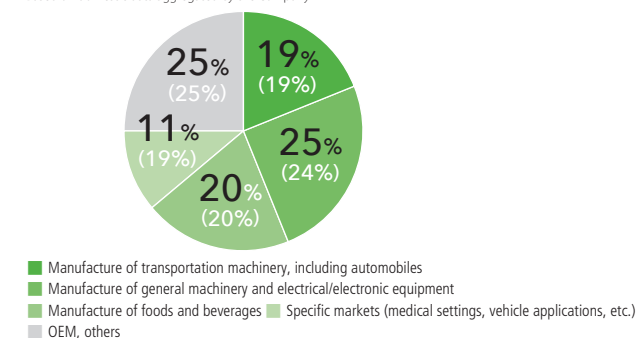
#### FY2023 Consolidated net sales

**30,302 million yen**  
(+12.3% year-on-year)



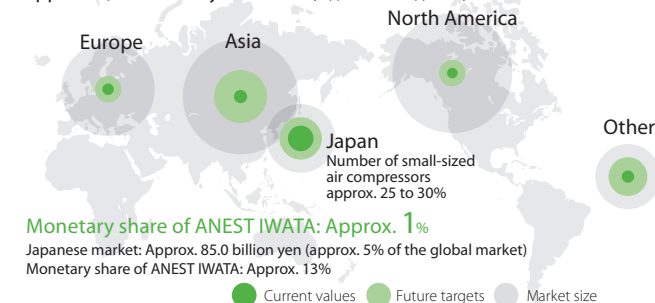
#### Percentage to total sales of air compressors by major industry

FY2024  
\*Figures in () are for FY2023  
Based on domestic data aggregated by the Company



#### 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%

\*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

- Decline in the appetite for capital investments due to the slow-down of the global economy (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
- Rise in raw materials and energy prices
- Loss of sales opportunities and increase in costs due to disruption to supply chain management/logistics

\*1 Company's estimate

### FY2023 Business Overview

#### Japan

- In addition to increased sales of general-purpose, oil-free air compressors in conjunction with strengthened property management and other factors, sales of oil-free air compressors for set manufacturers including those in the medical field increased steadily.

#### Europe

- Sales of oil-free air compressors grew due to the increasing demand of OEM customers, among others.

#### Americas

- Sales of oil-free air compressors for the vehicle application market increased in the US which has recovered from lower production of EV buses due to the semiconductor shortage and Brazil where we succeeded in developing product supply destinations.

#### China

- Despite the diminished demand for air compressors for the general-purpose market in the aftermath of the stagnant Chinese economy, export sales by SCR\*2 in China have been robust.

— Major export destinations: India, Spain, Czech Republic, etc.

- Sales of oil-free air compressors for the manufacturing of lithium-ion batteries increased.

#### Others

- Given that air compressors are indispensable factory infrastructure, sales of air compressors for the general-purpose market increased in India where manufacturing is blooming.

— We are considering a knockdown production structure of medium-sized air compressors manufactured by SCR, which is growing in demand in India.

#### Japan and overseas

- With the understanding and cooperation of our customers, we passed on the higher prices of raw materials and purchased goods onto product prices.

(Japan: From January 2024, overseas from January 2023)

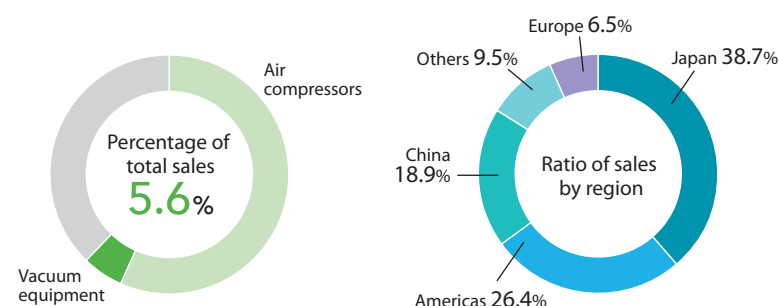
\*2. Shanghai Screw Compressor Co., Ltd. (a subsidiary in China)



## Vacuum equipment Oil-free scroll vacuum pumps

FY2023 Consolidated net sales

**2,983** million yen  
(↑26.1% 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 in conjunction with increased AI-related investments
- Creation of new uses such as the manufacturing of lithium-ion batteries

#### Risks

- Decline in the appetite for capital investments due to the slow-down of the global economy
- 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

### FY2023 Business Overview

#### Japan

- Despite the continuing adjustment phase of the semiconductor market, sales of vacuum pumps for semiconductor production-related equipment including exports increased.
- Used mainly in the manufacturing process, in the exposure equipment for baking circuits, leak detectors, transport equipment, etc.

#### Americas

- Sales increased as a result of customers switching from other manufacturers due to our superior delivery time.
- Sales increased due to the effects of acquiring a portion of the business of the largest distributor of our vacuum equipment in the American market.

- By selling directly to the customers taken over from the distributor, we can accurately gauge market needs and quickly establish promotions.

#### China

- Sales of vacuum pumps for equipment to manufacture lithium-ion batteries and semiconductor production-related equipment increased.
- We will continue to cultivate new equipment manufacturers.

## Special Feature

### The oil-free method that produces high-quality compressed air

In 1991, ANEST IWATA developed the world's first oil-free scroll air compressor, and two years later, it developed the world's first oil-free scroll vacuum pump.

Through these products, we continue to bring high-quality compressed air and clean vacuums to the world.

#### Advantages of the oil-free method

- Enhanced quality of compressed air
- Enhanced productivity
- Environmentally-friendly

#### Difference between oil-free and oil compressors

	Oil-free type	Oil type
Price	Relatively high	Relatively low
Oil in the compressed air	None	Present
Treatment of drainage water*	Special treatment is not necessary	Treated as industrial waste
Regular filling and replacement of lubricant oils	Unnecessary	Necessary
Regular maintenance	Necessary	Necessary
Uses of compressed air	A wide range of uses is possible	Cannot be used in processes requiring clean air

\*The moisture arising after compressing and cooling air. When it contains oil exceeding a certain level, it is processed as industrial waste.

#### Prerequisites for specific markets

Oil-free air compressors that do not use lubricant oils are suited to markets requiring clean compressed air.

Because compressed air becomes contaminated with lubricant oils in oil air compressors, the oil will also stick to substances that touch the air. Therefore, oil-free air compressors that can produce high-quality compressed air are suited to the

manufacturing processes of foods, pharmaceuticals, and precision equipment as well as medical applications that affect the human body.

Additionally, when compressed air is used to drive pneumatic equipment, impurities such as the oil contained in the air can cause malfunctions.

#### Markets suited to the oil-free method

- Manufacture of foods, beverages, pharmaceuticals, etc.
- Physics, chemistry, and R&D
- Medical market such as hospitals and dentists
- Vehicle applications such as braking systems for commercial vehicles
  - Can handle tilting when driving uphill. No need to manage oil.
- Fields using precision equipment
- Other markets not conducive to being contaminated by impurities such as oil

#### Contributing to the reduction of the environmental burden

The drainage discharged from oil air compressors contains oil and therefore, requires appropriate wastewater treatment.

Additionally, lubricant oils emit large volumes of CO<sub>2</sub> in the manufacturing process whereas if the oil-free method becomes more widespread and the use of lubricant oil is reduced in society

as a whole, it will contribute to reducing CO<sub>2</sub> emission during the refining process and in the waste treatment process after use.

As the ratio of oil-free usage around the world is low and as we can anticipate the reduction of CO<sub>2</sub> emissions by becoming oil-free, we are strongly promoting the oil-free method.

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



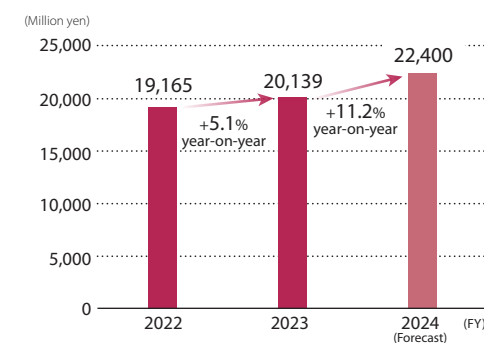
## Kenichi Osawa

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

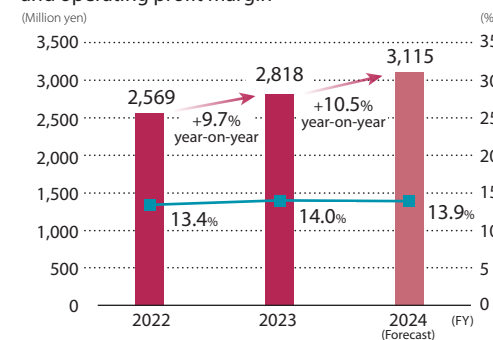
### The Businesses of ANEST IWATA Business Overview Coating Division

#### FY2023 Operating Results of the Coating Business

##### Consolidated net sales



##### Consolidated operating profit and operating profit margin

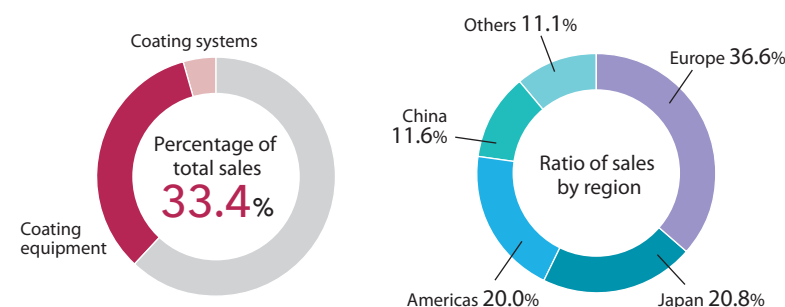


\*FY2024 represents the forecast as of May 9, 2024

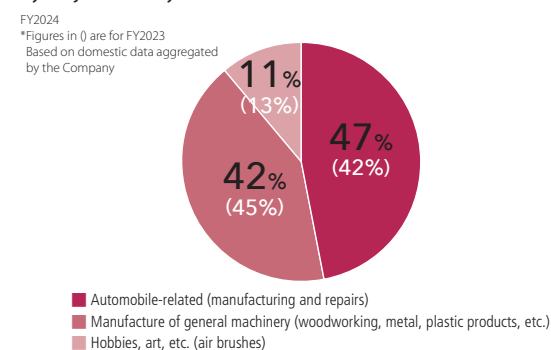
#### Coating equipment Spray guns, electrostatic coating equipment, paint supply equipment, liquid application equipment and coating booths

##### FY2022 Consolidated net sales

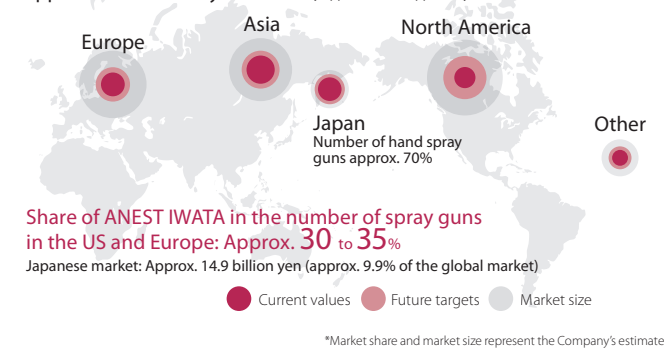
**17,851 million yen**  
(**↑8.1%** year-on-year)



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



##### 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 that enables a uniform and optimal coating finish
- Reliability backed by a market share of 75% 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, mold release agent and other functional materials
- Heightened interest in environmental consideration (e.g., an increase in demand for improved coating efficiency)
- Increased demand for optimal coating equipment for paints that continue to evolve

##### Risks

- Decline in the appetite for capital investments due to deteriorating business conditions
- 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
- Rise in raw materials and energy prices
- Loss of sales opportunities and increase in costs due to disruption to supply chain management/logistics

#### FY2023 Business Overview

##### Japan

- Sales of coating booths\* that improve the coating environment increased due to property management with increased use of IT tools.
  - We will promote increased sales of coating booths overseas going forward.
- We discontinued sales of some spray guns in 3Q as part of a review of the Group sales structure based on regional discrepancies.

##### Europe

- Sales of spray guns for the automobile repair market drove overall sales.
  - Riding on the tails of the favorable reaction to the model launched in FY2022, demand from customers switching from other companies arose.
  - We plan to successively begin sales in other areas.

##### ➡ p. 31 ("Distribution Channels of Paints and Spray Guns")

##### Americas

- Sales of coating units for the woodworking market increased by exhibiting at tradeshows and raising our profile.
- We commenced our rollout to the American home improvement market to expand opportunities for the sale of mid-range spray guns.

##### China

- Demand for spray guns declined due to the effects of China's deteriorating market conditions.

##### Others

- Sales increased mainly of spray guns in India and paint supply equipment in Southeast Asia.
  - We began cultivating the Southeast Asia market with ample room for market share growth.

##### Japan and overseas

- With the understanding and cooperation of our customers, we passed on the higher prices of raw materials and purchased goods onto product prices.  
(Japan: From October 2023, overseas from January 2023)

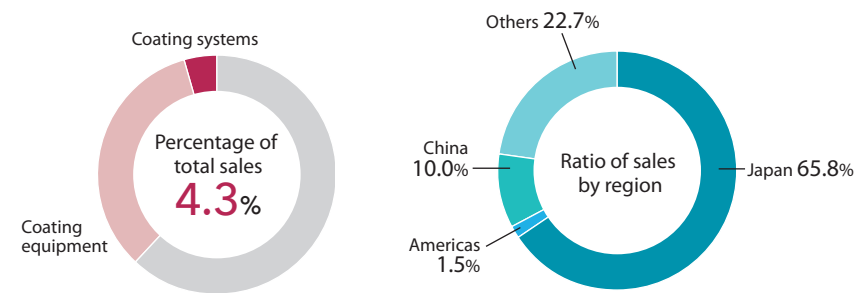
\*Starting from FY2024, the product classification of coating booths will be changed from "coating equipment" to "coating systems."



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

FY2023 Consolidated net sales

**2,288** million yen  
(↓13.7% 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

- Rise in the appetite for capital investments due to 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

- Decline in the appetite for 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

### FY2023 Business Overview

#### Japan

- Order backlog from the previous fiscal year, including large projects was steadily delivered.
- Sales decreased due to a decline in order intake compared to the previous fiscal year and the reporting of sales from certain projects being postponed to the next fiscal year.
- We carried out measures to meet coating automation needs.
  - We launched products that packaged general-purpose coating systems to facilitate the shift to coating robots.
  - We commenced subscription services of coating robots to facilitate coating automation which necessitates heavy initial investments.

#### China

- Order intake decreased due especially to a decline in the appetite for capital investments by Japanese companies impacted by the effects of deteriorating Chinese business confidence.
  - Human resources were reallocated from China to Southeast Asia and India to optimize staffing taking into consideration trends in demand.

#### Others

- Sales of systems for the automobile parts manufacturing and woodworking industries increased in Southeast Asia and India.

## Special Feature

### Distribution Channels of Paints and Spray Guns

#### Paints and spray guns that continue to evolve

The attributes and performance of paints will vary by the composition of its components such as the pigments for coloring and additives and they evolve constantly according to the objects to be coated and the uses of paints. As

various types of paints are developed, spray guns must adapt to the attributes of each type of paint and provide high-quality coating that maximizes its functions.

#### Cooperation with paint manufacturers

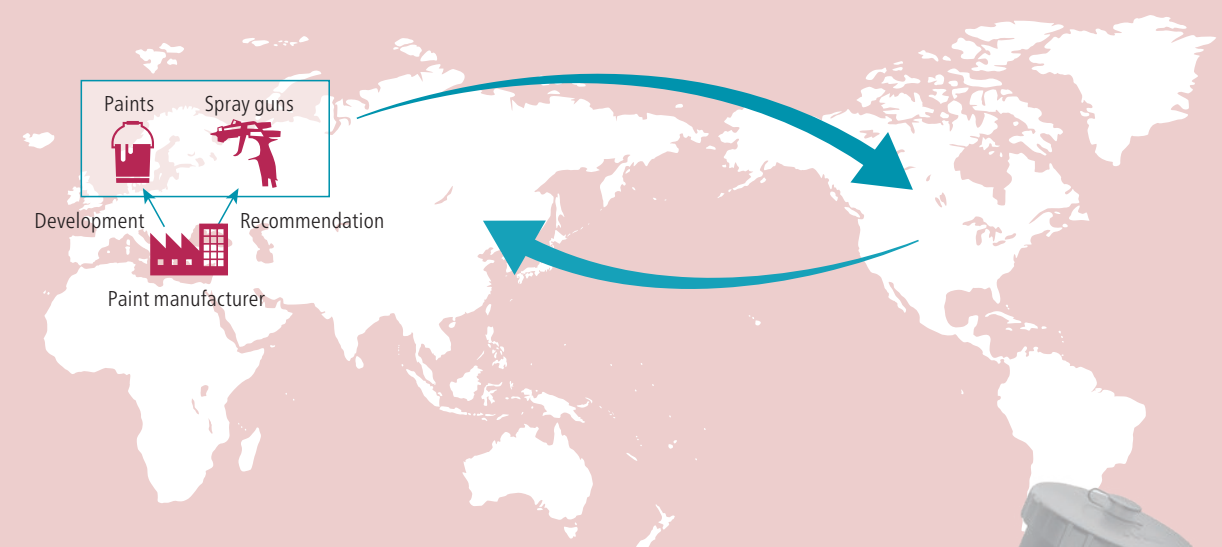
When distributing paints that it has developed, a paint manufacturer will designate a recommended spray gun model for each type of paint so that the customer can maximize its performance. Therefore, if we can obtain a recommen-

dation, it will translate into high promotional effects. The Group aims to expand its sales by cooperating with paint manufacturers in the development of its spray guns.

#### From Europe to the Americas and on to Asia

Europe is the base of major chemical manufacturers and where many of the new paints are developed. Paints launched in Europe are subsequently rolled out to the Americas and Asia. If recommendations are obtained from the paint manufacturers in Europe, increased sales in each area around the world can be anticipated based on these recommendations along with the new paints.

Additionally, Europe, which is the home of state-of-the-art paint manufacturing is also the frontrunner market for spray guns which are integral to paints. Whether we can gain a certain level of recognition in Europe can be utilized as an advance benchmark of how we will fare in other areas. Therefore, the Group considers Europe to be a crucial strategic area for the Spray Gun business.



#### Spray guns with the built-in digital air pressure regulator gauge for the auto mobile repair market

This model which was built in cooperation with a paint manufacturer from the development stage was launched in advance in Europe in FY2022.

It was highly recognized for its ease of handling and stable atomization with its built-in, digital, hand-held air pressure regulator gauge.

We began its full-scale rollout in the Americas in FY2024 and has garnered favorable recognition. We are planning its rollout in Asia going forward.



WS-400(SR2)

## The Businesses of ANEST IWATA Quality Assurance

In our relentless pursuit of customer satisfaction, we are striving to improve and review, 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 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.

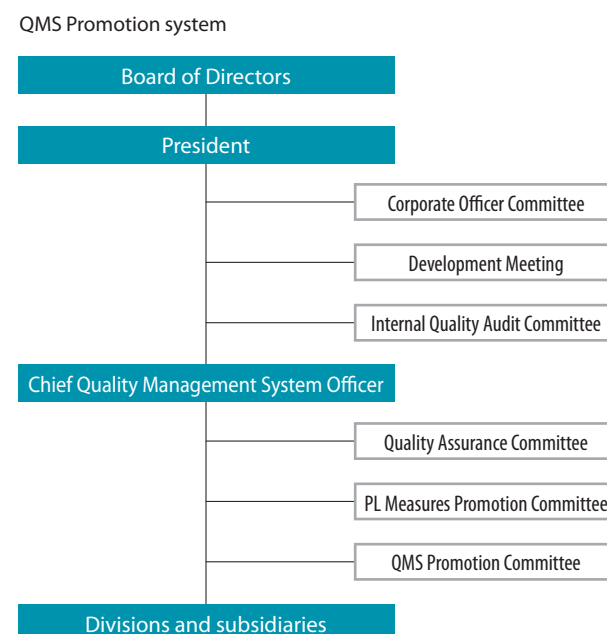
#### Quality Slogan

► 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





The Businesses of ANEST IWATA

## Maintaining and Strengthening Business Competitiveness through Intellectual Property

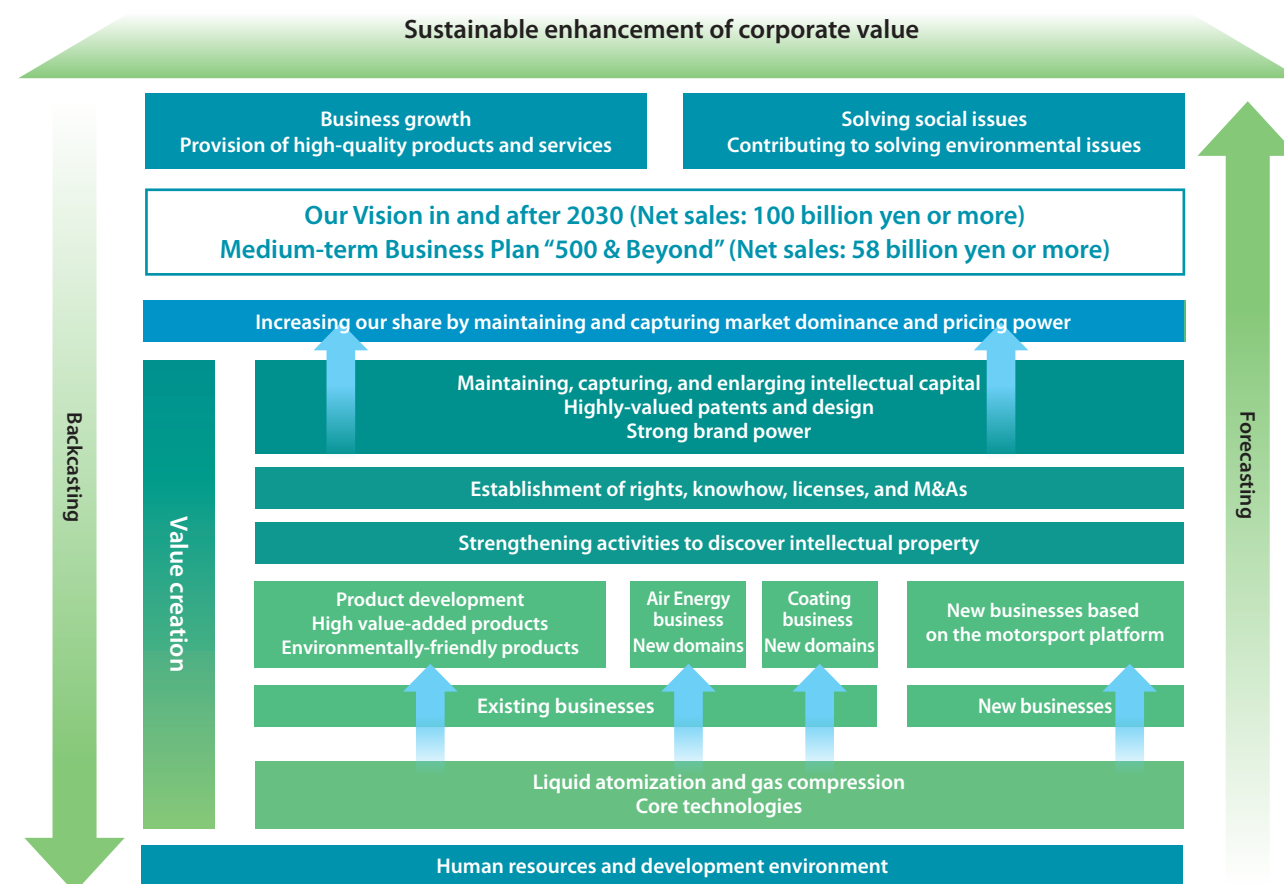
We engage in activities based on the basic policy of promoting the creation of intellectual property and intangible assets and the acquisition and utilization of related rights to sustainably enhance corporate value.

Total number of patent applications: Over 1,200 patents in Japan and overseas

### Basic Approach to Intellectual Property

The Group strives to sustainably grow its businesses by promoting the continuous creation of high-quality intellectual property and the acquisition and utilization of rights. In the existing businesses, we are working to generate new intellectual properties to raise corporate value by sublimating our core technologies of “liquid atomization” and “gas compression,” which we have been accumulating during our 98-history. In our new

businesses based on the motorsport platform, we are striving to create corporate 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 corporate value through the synergies created by utilizing our core technologies in new businesses.



### The Intellectual Property Activities of the Company

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

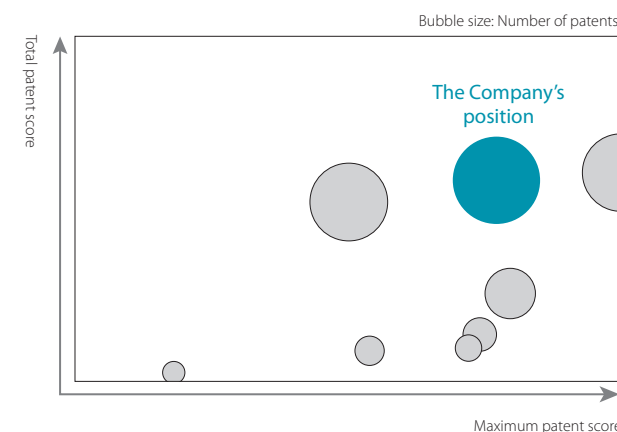
The Company is building a global rights network by acquiring rights both in Japan and overseas for the designs and names of its new technology and products. For the spray guns, in particular, which boast a significant market share both in Japan and overseas, the Company has established a patent network by holding both the basic patents and the application patents. The basic patents include those for the core technology of atomizing liquids such as the proprietary nozzle shapes. Furthermore,

we are striving to establish a robust rights network by combining design and trademark rights.

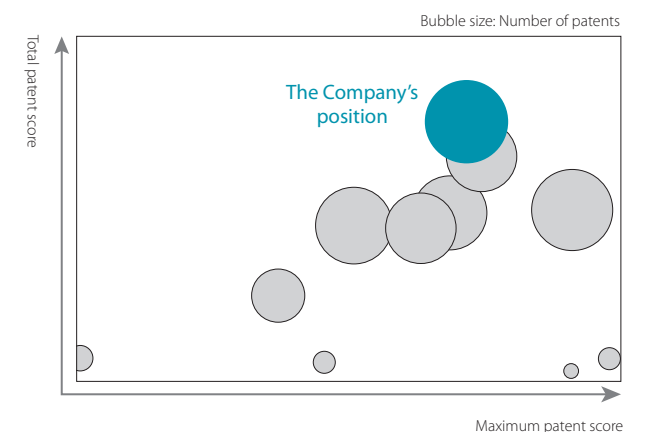
Moreover, the patent network of our mainstay products, spray guns and scroll air compressors, as shown in the figure below, similarly to FY2022, maintains a positive position in its patent score\* which indicates quality and value, and the bubble size indicating the number of patents is also growing. Going forward, we will maintain these patent networks as well as continuously acquire patents of high quality and value and strive to bolster our position.

#### 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 protect certain technologies and knowhow by keeping them secret by purposely not obtaining their rights. Confidential technology and knowhow are summarized into technology reports and managed within the Company. Around 200 such reports are submitted each year.

adaptation of paints that do not contain VOC (Volatile Organic Compounds).

Additionally, in the Air Energy Business, we acquire intellectual property rights created through the technological developments for reducing power consumption of oil-free air compressors and vacuum pumps.

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

Traditionally, in the Coating Business, we have been acquiring intellectual property rights created through technological development to improve paint application efficiency and the

Going forward, we will continue to promote initiatives for sustained business growth and the resolution of social issues through our ongoing technological developments that contribute to mitigating the environmental burden and achieving the SDGs, while also establishing rights to the intellectual property that we have created.

#### 4. New Domains and New Businesses

In new domains and new businesses, we are promoting the establishment of rights to the intellectual property that we have created. For example, in the new domain of manufacturing conductive thread, we are carrying out development for the commercialization

of the manufacture of conductive thread by utilizing one of our strengths – fluid delivery technology. We have also entered new businesses based on the motorsport platform. We are raising our corporate value by also establishing rights to the intellectual properties created in these businesses.

#### Inventions related to new domains Coating technology that seeks the best possible paint application efficiency

##### An inventor who is proposing coating technology in new domains and multiple related inventions

EAC (Electrostatic Atomizing Coating) is a method for atomizing fluids such as paints and functional materials without using compressed air and will become coating technology in a completely new and different domain compared to conventional spray guns using compressed air. With its extremely high paint application efficiency, it can reduce the volume of paints used and VOC emissions, and thus it is being developed as a technology that is compatible with SDGs.

[Patents] Patent No. 6750167, Patent No. 6473629, Patent No. 6657504, Patent No. 6634645, Patent No. 6884962, etc.

In conventional spray guns, the pressure of the compressed air atomizes the paint but with EAC, paints are atomized by static electricity. Being based on a different principle of atomization compared to conventional spray guns makes its development so much more difficult. Nevertheless, I have been pushing forward by promptly materializing the knowledge acquired from the Company and my own ideas, verifying them, and reflecting them in the development. I have been particularly focused on the development of stable atomization and special coating methods, and proceeding with patent applications and establishing rights.

Shoji Kakizaki, System R&D Group, Coating System Marketing / R&D Department, Coating Division



#### 5. Invention and Creation

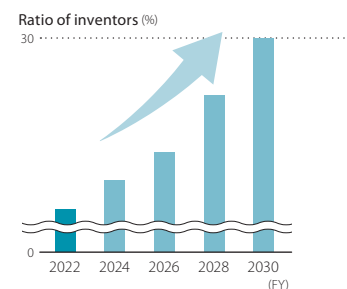
We are mining inventions for the establishment of rights from the early development phase.

Specifically, by holding regular Invention Creation Conferences with patent lawyers and other parties, in addition to in-house committees, we are working to acquire high-quality rights.

Furthermore, as measures to promote invention and creation, we conduct in-house seminars for development engineers, in addition to updating our reward and commendation

systems for inventors.

Through these measures, we are promoting intellectual property creation activities so that we will be able to maintain a ratio of the number of inventors to the total number of development engineers of 30% or higher by 2030.



#### 6. Intellectual Property Portfolio and Value Creation

We have been raising our corporate value by the establishment of rights and confidentiality of newly created intellectual property.

Starting from FY2024, in addition to these activities, we have launched the “Intellectual Property Strategy Conference” with the participation of the development divisions, marketing divisions, and the intellectual property divisions.

At the Intellectual Property Strategy Conference, we conduct IP landscape and attempt the systematic construction and expansion of the intellectual property portfolio to align with our business strategies. Through these efforts, we are further strengthening the value of our intellectual properties both in existing businesses and new businesses and working to raise our corporate value.

applications, the most recent status of patent applications, and the Company’s position according to the patent map.

The formulation of intellectual property strategies and the results of their implementation are incorporated into the development plans, and reported to the Board of Directors after deliberation by the Corporate Officer Committee and the Development Meeting, which ensures the substantive supervision function of the Board of Directors over the intellectual property strategies.

#### Governance Structure over Intellectual Property Activities (Reporting Line and Governance)

Starting from FY2024, we launched the aforementioned “Intellectual Property Strategy Conference.”

At the Intellectual Property Strategy Conference, we deliberate, execute, and assess the most recent development plans as well as intellectual property utilization strategies from a medium-term perspective based on various information including the submission status of technology reports and technology improvement proposals which become the source of patent



The Foundations that Support Value Creation

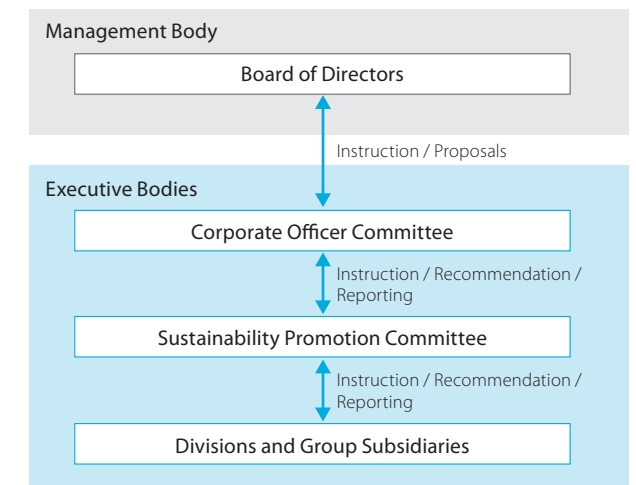
## Sustainability

Based on the ANEST IWATA Corporate Philosophy of contributing as a development-oriented company to the achievement of a prosperous society capable of sustained growth, we are promoting activities upon designating sustainability as a crucial management theme.

#### Sustainability Promotion System

We have established sustainability-related items in the ANEST IWATA Corporate Philosophy and have been taking actions to create value to be shared by the Company and society and together with society, achieve sustained growth by resolving social issues through the promotion of businesses.

To bring these initiatives to life, we established a Sustainability Promotion Committee, a non-statutory committee, under the Corporate Officer Committee. This committee comprises the President and Chief Executive Officer and heads of the related divisions, chaired by the President and Chief Executive Officer and with the Corporate Planning Department acting as the secretariat. The committee discusses and deliberates mainly matters relating to sustainability promotion activities and makes recommendations and reports to the Corporate Officer Committee, as necessary. It is convened regularly and promotes strengthening the risk management framework by discussing the risks and opportunities pertaining to ESG.



#### 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







# The Environment

The Group 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

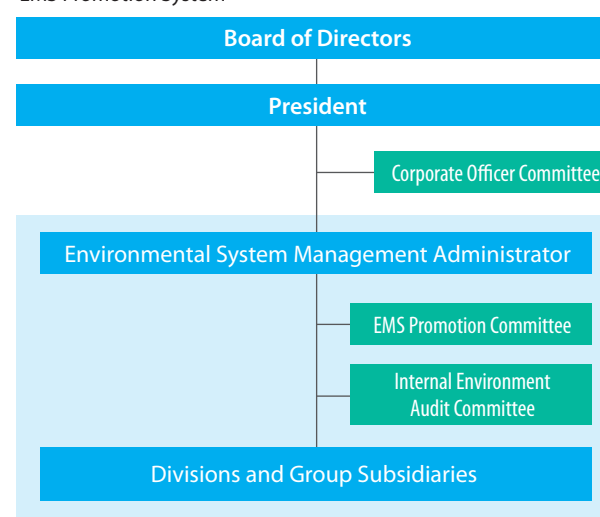
▶ Future environment =  
Our responsibility

## 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.

### EMS Promotion System



## Key Environmental Issue

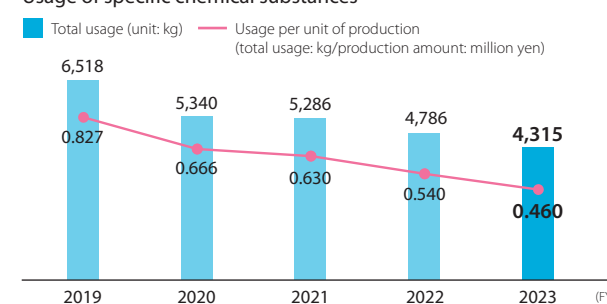
As part of its EMS activities, the Company and its domestic consolidated subsidiaries promote the protection of the environment based on the three themes of "Prevent environmental contamination," "Reduce greenhouse gases and save energy,"

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<sup>\*1</sup>



<sup>\*1</sup> Subject of calculation: The Head Office and two domestic factories

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

In FY2023, the usage of specific chemical substances continued to decline from the previous fiscal year on a total usage and 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 the use of such substances on a per unit of production basis. Additionally, according to water quality surveys of wastewater conducted at the Head Office and factories, water quality within the regulated parameters is also being maintained at all bases.

## Reduction of Greenhouse Gases and Saving Energy

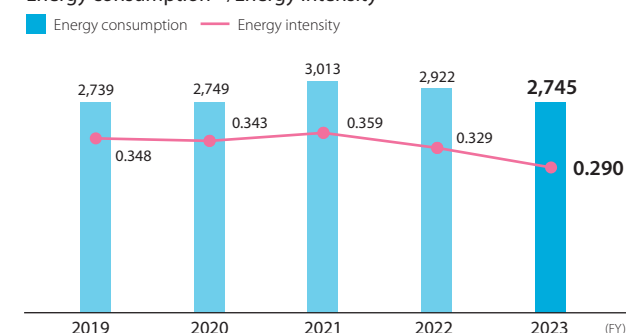
The Company and its domestic consolidated subsidiaries strive to reduce all energy consumption and have been reducing the emission of greenhouse gases (CO<sub>2</sub>) and contributing to the prevention of global warming. Based on the internal rules set forth pursuant to the government's Act Concerning 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 CO<sub>2</sub> intensity.

In FY2023, we were able to reduce energy consumption through the above-mentioned efforts to improve efficiency, despite the increase in production volume mainly in conjunction with increased sales. In terms of CO<sub>2</sub> emission, total emissions increased due to the rise in the CO<sub>2</sub> emission conversion factor used in the calculations but it has been on a declining trend on a per unit of production basis. In FY2024, we will aim for a 1% reduction in energy consumption from the results of FY2023. CO<sub>2</sub> emission is expected to be drastically reduced due to the switch to power sourced from renewable energy for 100% of our high voltage power at the Head Office and both factories starting from June 2024. .

<sup>\*</sup>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.

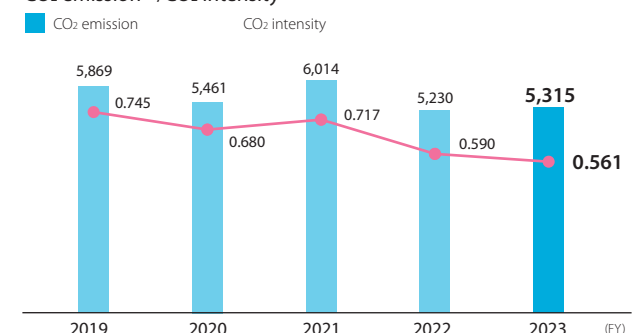
### Energy consumption<sup>\*1</sup>/Energy intensity<sup>\*2</sup>



<sup>\*1</sup> Subject of calculation: The Head Office and two domestic factories

<sup>\*2</sup> Energy intensity by crude oil equivalent (kl) / monetary amount of production (millions of yen)

### CO<sub>2</sub> emission<sup>\*3</sup>/CO<sub>2</sub> intensity<sup>\*4</sup>



<sup>\*3</sup> Subject of calculation: The Head Office and two domestic factories

<sup>\*4</sup> t-CO<sub>2</sub> / 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 FY2023, we achieved a recycling rate of over 99% at the Head Office and the 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). In FY2023, we expanded the scope of GHG emissions calculations,

while also conducting scenario analyses. Going forward, we will make efforts to address climate change by maintaining a dialogue with our stakeholders.



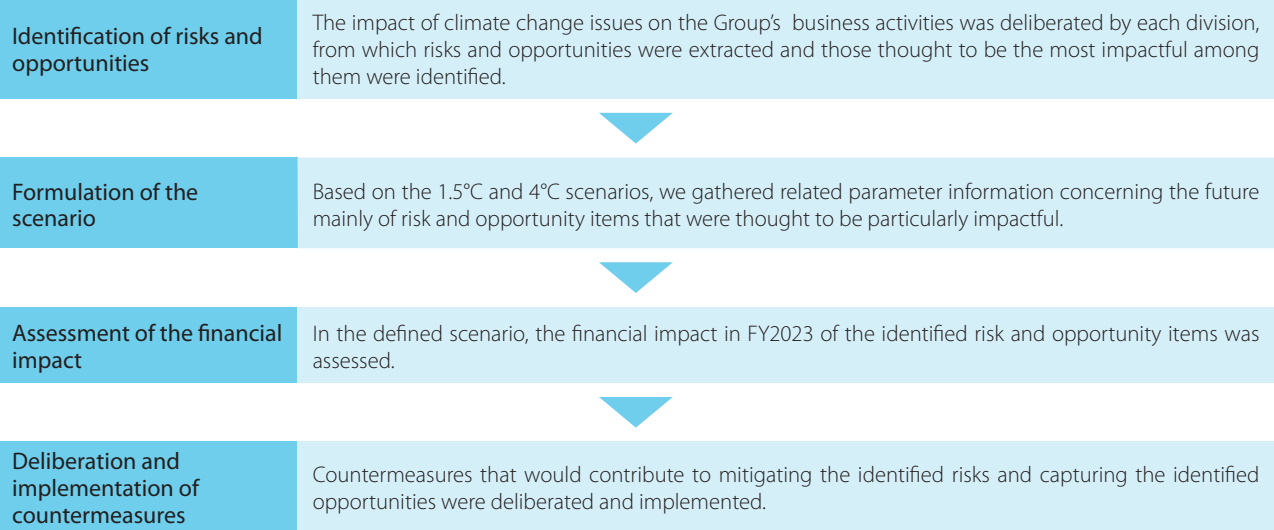
Strategies

We conducted scenario analyses to assess the resilience of our businesses.

In the scenario analysis, taking into account reports based on scientific evidence such as that of the International Energy

Agency (IEA) and various trends including the United Nations Framework Convention on Climate Change (COP), we adopted the 1.5°C and 4°C scenarios in the transition to a carbon-free society.

The scenario analysis process



Assumptions of the scenario analyses

Businesses subject to the scenario analyses		Air Energy Business and Coating Business
Major scenarios referenced	1.5°C	IEA WEO NZE IPCC SSP1-RCP1.9
	4°C	IEA WEO STEPS IPCC SSP5-RCP8.5
Temporal axis		Short-term: Less than 3 years, Medium-term: 3 years to less than 10 years, Long-term: 10 to 30 years
Financial impact		Small: Less than 0.1 billion yen, Medium: 0.1 to less than 1.0 billion yen, Large: 1.0 billion yen or more

The Group's material risks, opportunities, financial impact, and countermeasures related to climate change 1.5°C scenario

Category	Climate change drivers	Assumption	Risks/ Opportunities	Impact on business	Manifestation period	Financial impact	Countermeasures for risks/ opportunities	
Policies/Laws and regulations	Newly established and stricter carbon taxes and emissions trading schemes, and carbon border adjustment measures	Financial burden is incurred due to carbon emissions	Risks	Increase in procurement costs caused by suppliers passing on the burden of carbon emissions to price	Medium-to long-term	Large	• Refine GHG emissions calculations • Procure low-carbon materials	
			Risks	Increase in transportation costs due to logistics providers passing on the burden of carbon emissions to prices	Medium- to long-term	Medium	• Consider low-carbon distribution and procurement	
			Risks	Increase in manufacturing and sales costs due to incurring the burden of Scope 1, 2 carbon emissions	Medium- to long-term	Medium	• Expand procurement of power sourced from renewable energy • Expand adoption of highly efficient units	
			Opportunities	Decrease in manufacturing and sales costs due to a decrease in the burden of Scope 1, 2 carbon emissions	Medium- to long-term	Medium		
	Stricter VOC emission regulations	Stricter emission regulations are put in place against VOC, which is one of the causes of increasing global warming	Opportunities	Increase in sales due to growing demand for spray guns specifically using water-based paints that do not contain VOC	Medium- to long-term	Medium	• Collaborate with paint manufacturers • Continue proposal activities (Switch to water-based paints / oil-free air compressors) • Calculate product CFP • Expand environmentally-friendly product lineup	
	Stricter wastewater regulations	Stricter wastewater regulations are put in place as a preventive measure against deteriorating water quality due to climate change	Opportunities	Increase in sales due to growing demand for oil-free compressors that do not require waste water treatment	Medium- to long-term	Large		
Technology	Technical innovations in the climate change field	Development of environmentally-friendly products is accelerated	Risks	Increase in technological development costs necessitated by technological development to maintain our superiority in the environment field for our environmentally-friendly products	Medium- to long-term	Large	• Expand the adoption of in-house renewable energy generation facilities • Expand adoption of highly efficient units • Expand procurement of power sourced from renewable energy	
			Opportunities	Increase in sales of environmentally-friendly products due to improved performance of existing environmentally-friendly products through new technology or the development of new products	Medium- to long-term	Large		
		More efficient units and systems are developed	Risks	Increase in capital investment costs due to capital investments into more efficient units and systems	Medium- to long-term	Medium		• Collaborate with paint manufacturers • Continue proposal activities (Switch to water-based paints / oil-free air compressors) • Calculate product CFP • Expand environmentally-friendly product lineup
			Opportunities	Decrease in manufacturing and sales costs due to Scope 1, 2 reductions due to the advent of more efficient units and systems	Medium- to long-term	Small		
Markets	A rise in the environmental awareness of the customers	The customers demand the use of low-carbon energy and the achievement of carbon neutrality	Risks	Increase in manufacturing and sales costs due to carrying out Scope 1, 2 reduction measures to achieve carbon neutrality by 2050	Short- to long-term	Small	• Collaborate with paint manufacturers • Continue proposal activities (Switch to water-based paints / oil-free air compressors) • Calculate product CFP • Expand environmentally-friendly product lineup	
		Customers seeking environmentally-friendly products increase	Opportunities	Increase in sales due to growing demand for our environmentally-friendly products	Short- to long-term	Large		
	Increase in retail electricity prices	Retail electricity prices rise due to the transition of power companies to renewable power generation	Risks	Increase in procurement costs due to suppliers passing on the burden of electricity costs to prices	Medium- to long-term	Medium	• Refine GHG emissions calculations • Procure low-carbon materials • Expand the adoption of in-house renewable energy generation facilities • Expand adoption of highly efficient units • Expand procurement of power sourced from renewable energy	
			Risks	Increase in manufacturing and sales costs due to the Company's rising electricity costs	Medium- to long-term	Medium		
			Risks	Increase in procurement costs due to the procurement of low-carbon aluminum	Medium- to long-term	Large		• Purchase low-carbon materials • Strengthen price bargaining power through multiple purchases
			Risks	Increase in procurement costs due to the procurement of low-carbon iron	Medium- to long-term	Medium		
Reputation	Greater interest by companies in environmental initiatives	There is increasing interest in converting to a low-carbon business model	Opportunities	Decrease in interest payment due to lower interest rates payable as a result of capturing ESG investments and improvement in brand value	Medium- to long-term	Small	• Further improve disclosures of ESG information • Expand the scope of and refine calculations of GHG emissions • Capture ESG investments	



4°C scenario

Category	Climate change drivers	Assumption	Risks/ Opportunities	Impact on business	Manifestation period	Financial impact	Countermeasures for risks/ opportunities
Physical (acute)	Intensified natural disasters and extreme weather	Suppliers suffer weather disasters	Risks	Shutdown losses are incurred due to delayed parts deliveries due to supplier bases suffering weather disasters	Medium- to long-term	Small	• Monitor the suppliers' production bases and other locations • Understand the risks of suffering weather disasters (depth of flooding) at the time of concluding contracts with new suppliers • Diversify risks through multiple purchases
		The Company's bases suffer weather disasters	Risks	Losses of inventories and fixed assets from disasters are incurred due to the Company's bases suffering weather disasters	Medium- to long-term	Large	• Assess the risks of weather disasters of the Company bases and third-party warehouses
			Risks	Shutdown losses are incurred due to the Company suffering weather disasters	Medium- to long-term	Medium	• Monitor river flooding information • Implement measures at bases prone to the impact of floods and hightide
		The importance of BCP increases in conjunction with the intensification of natural disasters and extreme weather	Risks	Increase in BCP expenses	Medium- to long-term	Medium	• Maintain and update BCP • Diversify risks through multiple purchases
Physical (chronic)	A rise in average temperature	There is an increasing need to upgrade air-conditioning units to deal with rising temperatures	Risks	Increase in capital investment costs due to upgrading air-conditioning units	Medium- to long-term	Medium	• Install appropriate air-conditioning units
		There is increasing risk of heat strokes and illnesses	Risks	Increase in costs to combat heat strokes	Medium- to long-term	Small	• Share information on heat stroke warnings • Arrange to distribute equipment to deal with heat strokes at bases in tropical regions
		There are more infections due to rising average temperatures	Risks	Shutdown losses are incurred due to the outbreak of infectious diseases	Medium- to long-term	Large	• Maintain and update BCP • Build a production system prepared for lockdowns and other circumstances
	Changes in rainfall patterns	Water shortage occurs due to changes in seasonal rainfall	Risks	Shutdown losses are incurred due to delayed parts deliveries due to water shortages at supplier bases	Medium- to long-term	Small	• Monitor the production bases and other locations of suppliers • Understand water shortage risks • Diversify risks through multiple purchases
			Risks	Shutdown losses are incurred due to water shortages at the Company's bases	Medium- to long-term	Small	• Maintain and update BCP • Consider implementing measures in bases with a high risk of water shortages and being prepared when a water shortage occurs

Results of the scenario analyses

We will bolster the resilience of our business strategies by reflecting the results of the scenario analyses in the Group's long-term vision and medium-term business plan.

We will continue to review risks and opportunities, and execute, and monitor countermeasures going forward.

Metrics and Targets

In FY2023, we expanded the Scope 1, 2 calculations to include overseas subsidiaries and conducted Scope 3 calculations in Japan.

GHG emissions by Scope

Scope 1,2		unit: t-CO <sub>2</sub> e		
Classification	FY2021	FY2022	FY2023	
Scope 1	2,785	2,741	3,780	
Scope 2 (Market-based)	9,133	8,529	8,130	
Scope 2 (Location-based)	9,098	8,451	8,346	

Scope 3		unit: t-CO <sub>2</sub> e	
Category	FY2022	FY2023	
1 Purchased products and services	32,381	34,431	
2 Capital goods	5,196	7,419	
3 Fuel and energy activities not included in Scope 1, 2	894	910	
4 Transport, distribution (upstream)	4,470	3,981	
5 Waste generated by the business	64	101	
6 Business trips	81	84	
7 Commuting employees	168	173	
9 Transport, distribution (downstream)	92	96	
11 Use of products sold	1,283,738	1,386,376	
12 Disposal of products sold	458	571	
13 Leased assets (downstream)	225	97	
Total	1,327,767	2,821,281	

\*Categories that do not apply to the Company's business activities have been omitted.

[Scope of tabulations]  
Scope1, 2: The Company and its consolidated subsidiaries  
Scope3: The Company

\* For the calculation method and sources, please refer to the Company's corporate website.



Governance

[Supervisory structure of the Board of Directors]

At the Company, each division addresses climate change issues according to their assigned roles such as product development and disclosures. Issues relating to these activities are shared through regular reports and deliberations at the Sustainability Promotion Committee and other organs under the Corporate Officer Committee.

Additionally, the Board of Directors deliberates and resolves

important matters upon receiving recommendations and reports from the Sustainability Promotion Committee and the Corporate Officer Committee, while supervising efforts relating to sustainability issues by overseeing the Integrated Report which includes descriptions of business activities such as those involving climate change.

[Role of the Management]

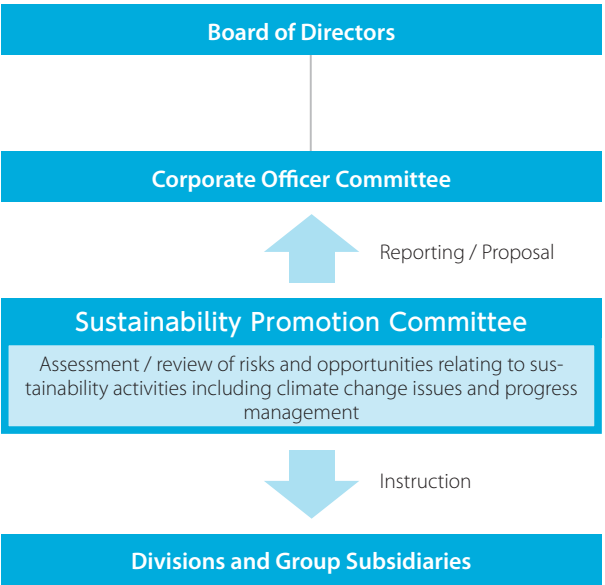
The Representative Director serves as the chairman of the Board as well as the chairman of the Sustainability Promotion Committee which formulates and deliberates matters relating to sustainability promotion activities including climate-related issues.

Risk Management

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

The Sustainability Promotion Committee will continue to regularly review assessments of risks and opportunities to reinforce the risk management system.

Additionally, the identified risks will be reported, as necessary, to the Crisis Management Committee which forms the centralized management system of risks so that climate-related risks are integrated into the companywide risk management system.





Capable employees play a leading role in and are indispensable to the sustained growth of the Group. Accordingly, the Group 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.

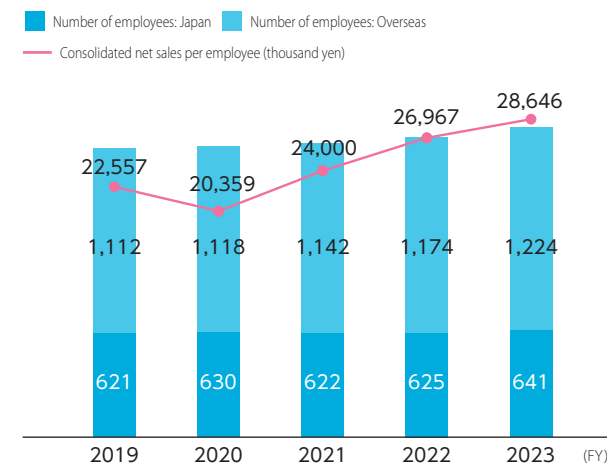
## Basic Approach to Human Capital

In becoming a "True World-class Company" and achieving sustained business expansion, we consider the securing and development of human capital in line with the company's growth to be an essential task. To this end, the Group is encouraging proactive investments in human capital that form the foundations of our management resources. The Group broadly pursues human capital, while at the same time strives 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.

### Number of Employees of the Group



\*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 secure talent who will become leaders of these business endeavors, 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."

### Mid-career Recruitment

Incorporating outside knowledge and diverse cultures to encourage "Change and Growth" is another overriding objective for promoting mid-career recruitment. To this end, we create

opportunities for the recruits to communicate directly with management as well as carry out regular interviews with them during their 6-month OJT at their hiring divisions as part of onboarding<sup>\*1</sup> measures to fill in the gap with the other employees after joining the Company.

\*1: Initiatives to facilitate new hires to become established in the organization and set them up for earlier success.

### 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. As part of these initiatives, we are willing to offer flexible compensation that aligns with their roles and performance to secure and retain excellent talent.

## 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 provide training so that every employee from junior employees to managers can acquire the skills and mindset required for each level. We aim to firmly establish these skills and mindset by setting timelines by which the employee is required to demonstrate what he or she has learned and conducting review sessions, instead of merely having them sit through the training.

### Selective Education

To nurture next-generation senior management, the Company selects candidates from among managers and provides support through various programs including training to nurture the skills and mindset required to play an active role on the global stage.

### Diagram of the Education System

Types of Training/ Applicable Persons	Training by position		Training for promotion candidates	Selective training		Career development training Personal development support	Diversity promotion	OJT
	General track	Professional track		Management candidates	Global human capital development			
General Managers and Senior Management								
Group Managers Managers				Management Training		Foreign language training (prior to foreign posting)		
Leaders Medium-level employees	Mid-level Employee Training		Anest Iwata Café	ANEST IWATA Academy	e-learning			
Junior employees			Anest Iwata Café			Correspondence courses	Career-building training	OJT for junior employees
	Third-year Employee Training		Anest Iwata Café					
	Second-year Employee Training		Anest Iwata Café					
Prior to joining	New Employee Training							
	Training for those given job offers							

## Aiming to Realize a Pleasant Work Environment for Everyone

We aspire to build a work environment, in which employees with various attributes and personalities can fulfill their lives and work and cooperate with each other. We are developing

relevant systems and improving benefit packages to bring to life a rewarding workplace where individuals can demonstrate their capabilities to the maximum extent.



## 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. We are putting in place a system to ensure that everyone from generalists to specialists can flexibly choose workstyles that align with their career plan so that each employee can realize a workstyle that utilizes his or her diverse background. In addition, we have adopted a number of systems that aim to achieve a rewarding company where capable talent can fast track their careers such as promotion systems that raise the link between outcomes and evaluations/compensation making it possible for 30 year-olds to become Executive Officers.

### 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.”

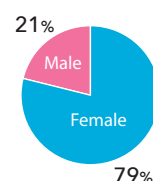
## Diversity & Inclusion

As part of efforts to promote diversity, the Company is engaged in initiatives to promote the advancement of its employees regardless of gender. Additionally, we are putting in place systems to support employees to balance work with important milestones and encouraging a culture tolerant of diverse workstyles to enable each employee to play an active role in the long-term.

### Promoting the Advancement of Women

Due to the nature of the industry, female employees continue to be a minority in the Company. To address this issue, we are promoting initiatives to proactively support their autonomous growth by providing systems that will lead to the personal growth of female employees and creating opportunities where they can demonstrate their potential.

Ratio of male/  
female employees



Percentage of female employees among managers

FY2021	FY2022	FY2023	FY2030 (Target)
2.7%	2.8%	1.5%	8.0%

\* Subject of calculation: ANEST IWATA Corporation (non-consolidated)

\* 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 DX at Domestic Factories

Previously, at our factories, the male employees had taken the initiative in doing work requiring heavy lifting. However, by promoting DX, we are working to provide a work environment where all employees, regardless of their physical capabilities can actively participate.

### The Outcome of Each Measure

To ensure that employees can remain active without having to put their careers on hold, we focused on having all applicable employees take childcare leave, and as a result, we obtained the “Kurumin” certification in October 2023. Currently, we are engaged in further initiatives including raising the ratio of paid leave-taking to obtain the “Platinum Kurumin.”



Ratio of male employees taking child-care leave

FY2021	FY2022	FY2023
40%	62%	85%

\* Number of employees taking child-care leave in the fiscal year divided by the number of employees with spouses who gave birth in the fiscal year

## Promoting Health and Productivity Management

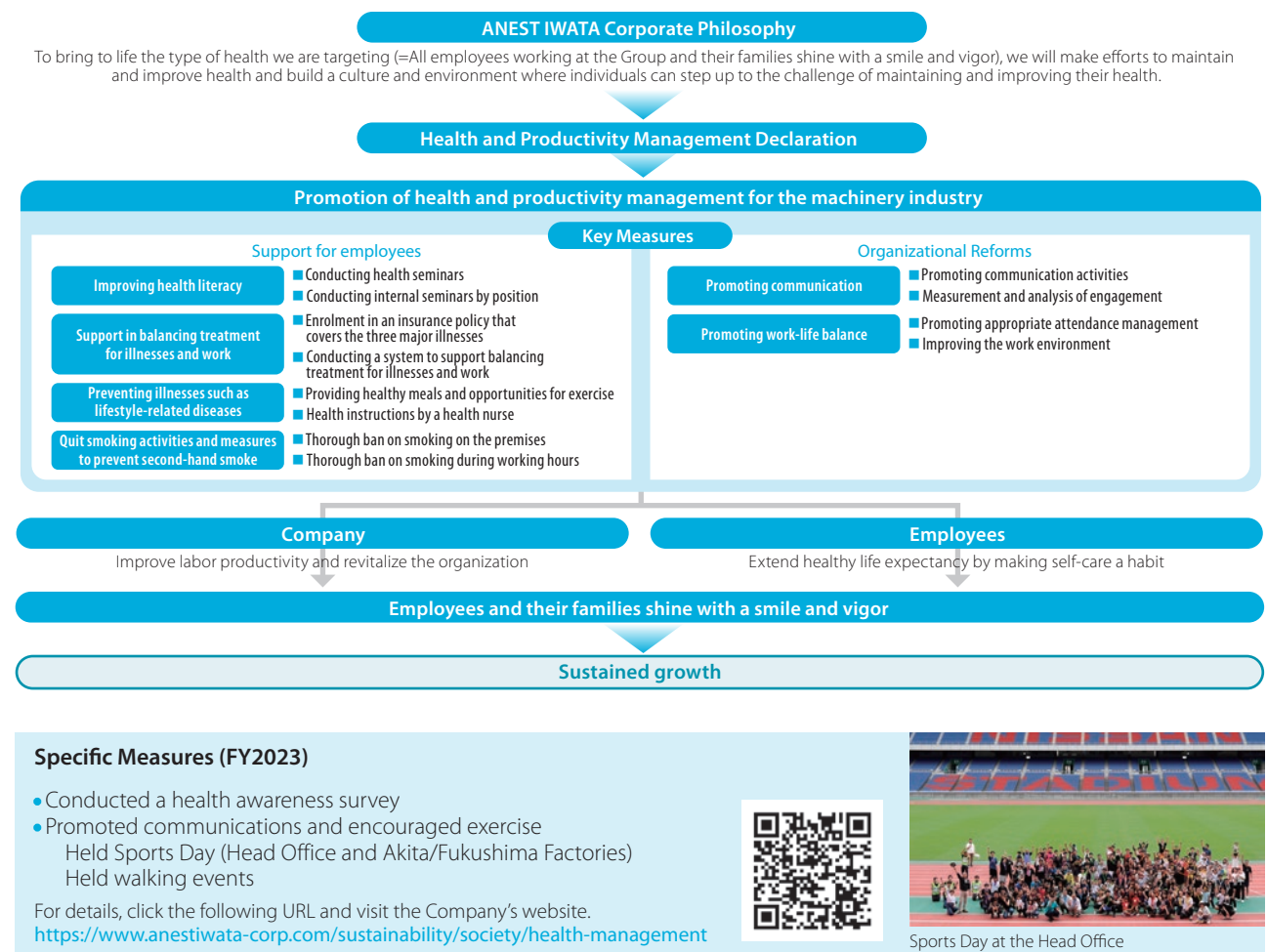
The Company is promoting health and productivity management with the aim of becoming a leading good-standing company in the machinery sector. For corporate progress, we believe that it is important to “improve the productivity of each individual,” “secure talent while invigorating the organization,” and “extend healthy life expectancy,” underpinned by the health of employees. We have, thus, appointed the President, Representative Director and Chief Executive Officer as the Chief Officer in charge of the Promotion of Health and Productivity Management. The Health and Productivity Management Promotion Committee, HR & General Administration Department, and the cooperating divisions are working together 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 and safety, 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.

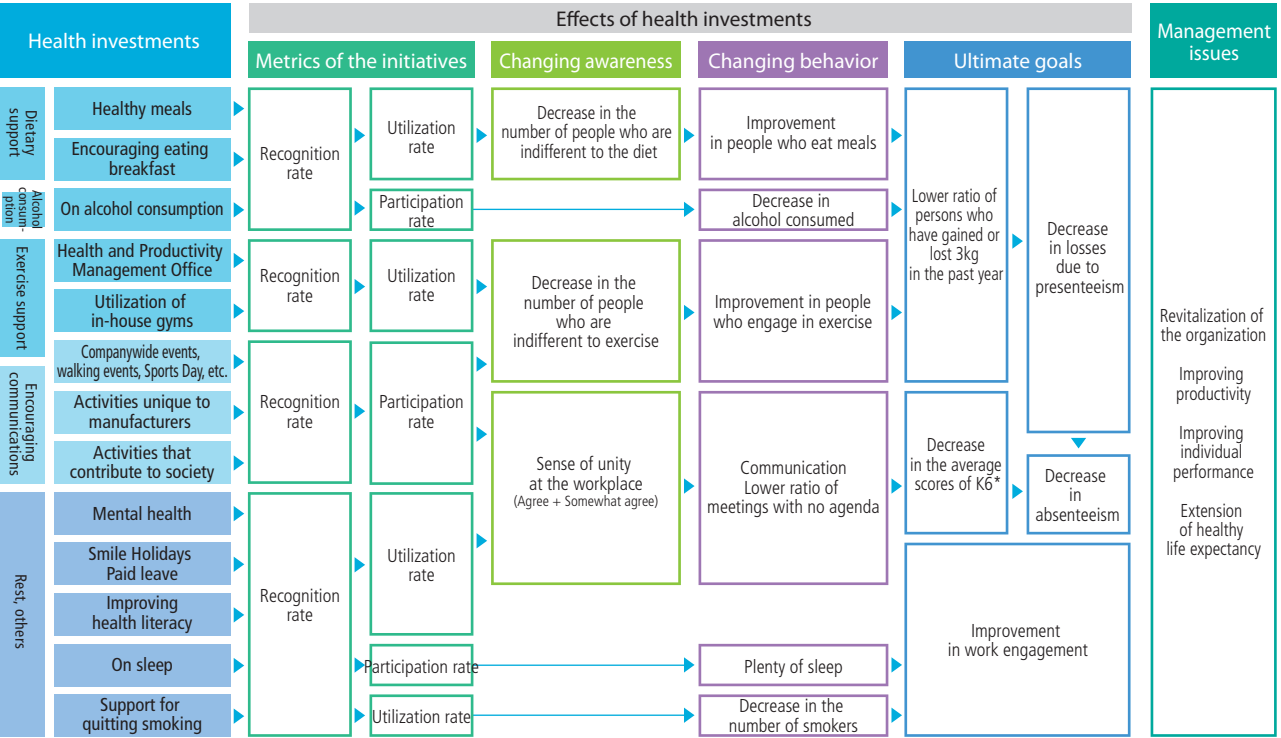


FY2024 Health and Productivity Management Strategy Map

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 various activities including dietary support,

exercise support, encouraging communications, and getting plenty of rest, to help our employees demonstrate their performance. By enhancing communications through activities that contribute to society, we also hope to work toward 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

Losses Due to Presenteeism

We measure the average amount of loss per employee from having to work in diminished labor productivity conditions due to mental or physical disorders of the employee based on the QQ method<sup>\*1</sup>.

This is calculated using the replies to questions on the presence of health issues or the accompanying self-assessments of performance in the health awareness surveys conducted once a year.

Trends in losses due to presenteeism			Unit: yen/person (per month)
FY2021	FY2022	FY2023	
34,637	30,697	35,645	

\*1: One of the calculation methods given in the Ministry of Economy, Trade and Economy *Guidebook on Corporate Health and Productivity Management*.

In FY2023, the amount of loss increased year-on-year but when converted into the percentage of loss, it was lower than that of other companies.

Absenteeism

We measure the average leaves of absence and days absent from work due to injury or illness of regular employees as absenteeism. The average number of days of Japanese companies is 2.6 days and in FY2023, our average was slightly higher but there have been no major changes in past years.

Trends in absenteeism			Unit: day/person
FY2021	FY2022	FY2023	
3.2	3.2	3.0	

Work Engagement

We measure “work engagement” as part of the health awareness survey conducted once a year. Based on nine questions and replies concerning vigor, dedication, and absorption toward work in the Utrecht 9-item Work Engagement Scale, we measure the level of motivation with which the employees address their work.

The results of FY2023 declined slightly from the previous year but there have been no major changes in past years. There is a tendency for the score to rise in proportion to the rise in age of the employee.

Trends in work engagement

FY2021	FY2022	FY2023
25.3	25.9	25.3

\*2: An internationally accepted method of measuring a positive, fulfilling, work-related state of mind (work engagement), formulated by the professors of Utrecht University, Netherlands



“Promoting health and productivity management = For the smiles of me and my family”

Results of Each Measure

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

In April 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 fourth consecutive year. We were also selected as a “Health & Productivity Management Brand” by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) for the third year in a row.



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.

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





The Foundations that Support Value Creation

## Respect for Human Rights

By respecting human rights, the Group aims to achieve the ANEST IWATA Corporate Philosophy.

### Basic Approach

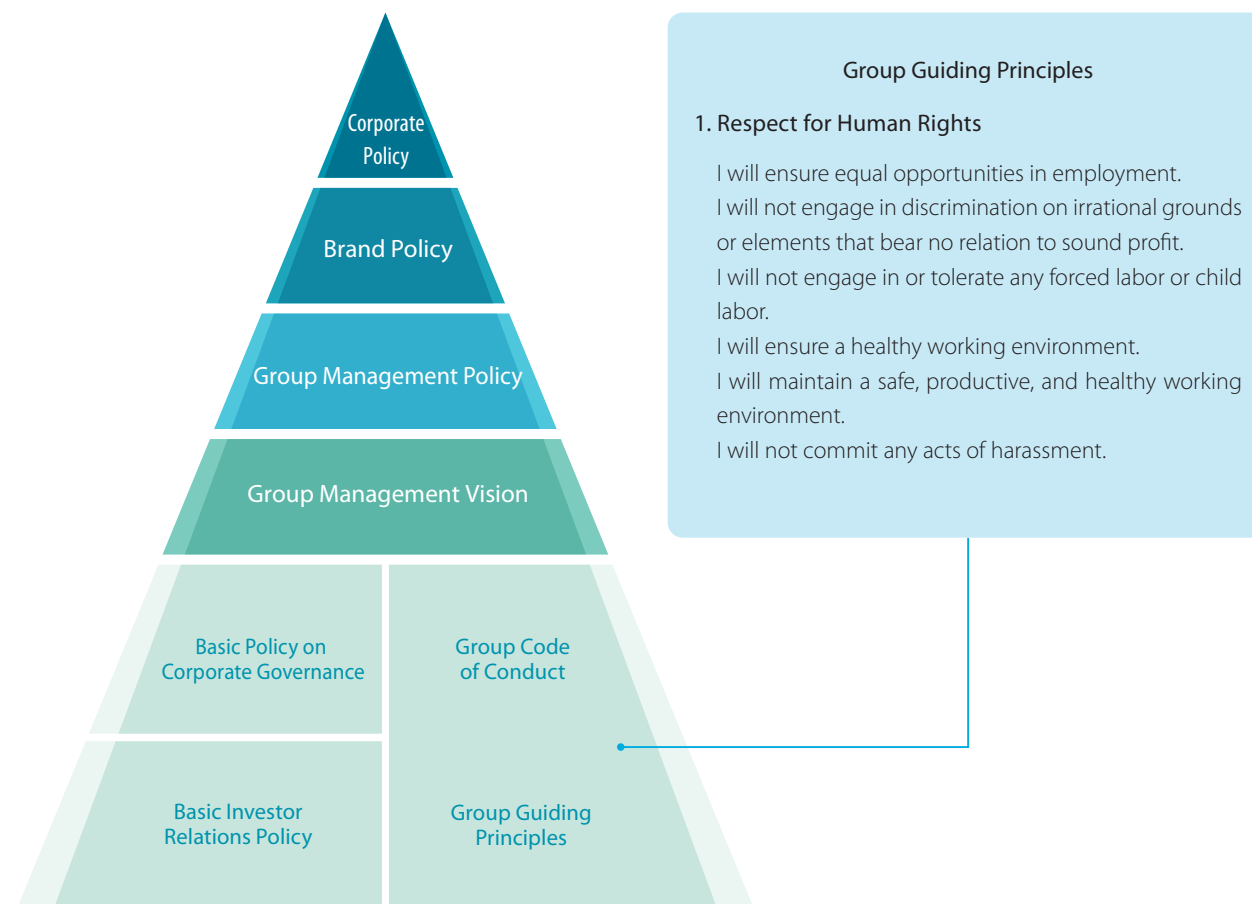
The Group complies with the laws and regulations of each country, prohibits labor practices and discriminatory behavior that infringes on human rights in the ANEST IWATA Corporate

Philosophy, and strives to protect the work environment including taking measures against acts of harassment.

### ANEST IWATA Corporate Philosophy (Group Guiding Principles)

The Group Guiding Principles included in the ANEST IWATA Corporate Philosophy declare the direction in which our

actions should point, in line with the Group Code of Conduct. Among the declarations is respect for human rights.



### Firmly Establishing the ANEST IWATA Corporate Philosophy

When joining the Company, the employees regardless of whether they are new graduates or mid-career hires are given training to encourage their understanding of the ANEST IWATA Corporate Philosophy.

Additionally, we make efforts to instill the ANEST IWATA Corporate Philosophy in our Group employees by having them share in the English- and Chinese-language versions.



The Foundations that Support Value Creation

## 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 engages in activities that are rooted in the regional communities.

### Living in Harmony with Society

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

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

Furthermore, in the regions where the 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.

### Generating Communications through Sports

#### Motor Sports

In February 2023, we entered motorsports as a platform for cultivating new businesses.

In February 2024, in an effort to make our initiatives better known, we held the “BLUE LINK Fes.” at our Head Office to unveil our FY2024 racing team and racing car, with more than 1,700 guests attending. Additionally, we have held various other events using motorsports as opportunities for encouraging



Official ANEST IWATA Racing website (Japanese only)

exchanges both within and outside of the company.

#### Cycling Events

In January 2024, the Company concluded a partnership agreement with the cycling road race team “JCL TEAM UKYO,” headed by the former F1 race driver Ukyo Katayama.

Going forward, our European subsidiary will lead activities to support the team and through these efforts, it will raise the profile of the Group and its products throughout the European region and generate communications.

### Building Solidarity by Supporting Regional Events

In April 2023, in commemorating the 50th anniversary of the Akita Factory, we entered into a full-year sponsorship agreement for 2023 of “Omagari Fireworks” a traditional summer event in Akita prefecture. The “Omagari Fireworks” are held in the city of Daisen where our Akita Factory is located. The Company decided to cosponsor the event hoping to promote

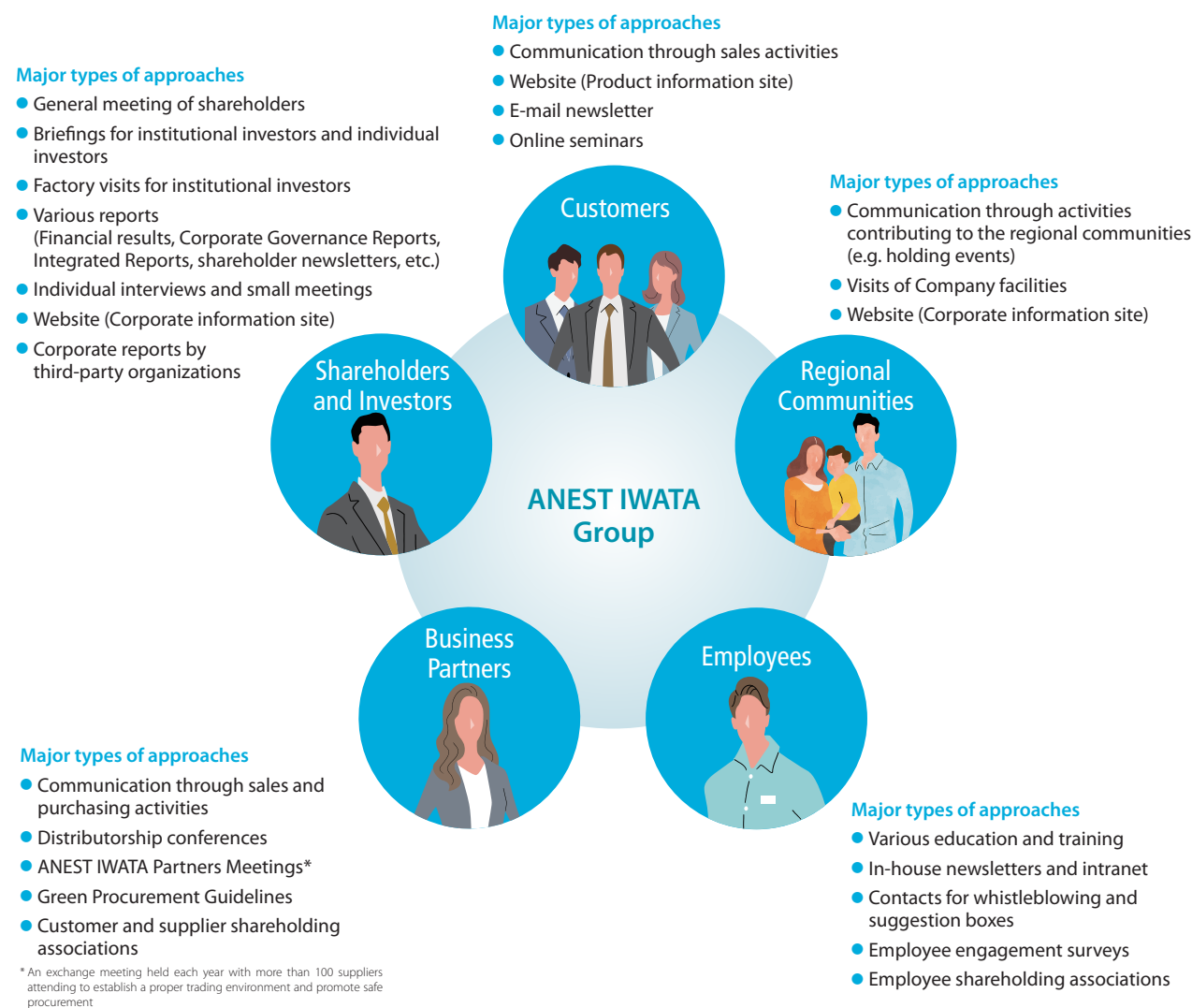
regional exchanges and stimulate the regional economy through the “Omagari Fireworks.”





## Stakeholder Engagement

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 and Chief Executive Officer, 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 these briefings, the Executive Officers mainly serve as the speakers to provide explanations of the Group's businesses.



## Message from the Independent Director



**I will contribute to ANEST IWATA's growth into a leading global/niche brand from a technical standpoint.**

Makoto Shimamoto  
Independent Director

### The presence of a corporate culture that supports sustained growth

I have been on the Board of ANEST IWATA for nearly a year now, and I feel that the company has a healthy corporate culture. Members of the Board, including the Representative Director, engage in a frank exchange of opinions. The prevailing free and open atmosphere where people are allowed to speak their minds is not only the source of a company's value creation powers but also the prerequisite for fraud/scandal prevention and the development of the compliance framework. Therefore, in terms of corporate culture, the company possesses marked strengths that will ensure its sustained growth. Business-wise, also, ANEST IWATA is accelerating its business expansion by targeting overseas markets in the Medium-term Business Plan, "500 & Beyond," and is steadily building its foothold to take the next step. Such a corporate culture will become a driver of global strategies that face uncertainty and require momentum.

### Pointing out business risks inherent in global strategies

I have experienced various positions, from onsite management to corporate head at the technology division of a transport equipment manufacturer operating globally. Because I was involved in a business similar to the company, i.e., the proprietary design, development, and manufacture of products, I hope to offer meaningful advice in dealing with and resolving various issues that occur in the process from the design to merchandising. I also intend to leverage my experience to proactively identify risks and opportunities in production activities at sites around the world in different business environments and marketing activities in overseas markets that vary by country and region. I am aware that as an Independent Director, I am being called on

to offer an objective perspective on the company's growth strategies. As someone acutely aware of the difficulty of a company's difficulty in executing management policies as planned, I hope to step up to this challenge.

### Contributing to the achievement of unparalleled technology and quality

As an Independent Director, I hope to offer an objective perspective to management decisions while paying healthy respect to the thoughts and intentions of the company's Corporate Officers. They are the ones, not me, who have a feel of the Air Energy and Coating Businesses. However, in the business world, the success or failure of a project cannot be predicted by past experiences and data alone. Every day we are reminded that the needs of the market, which you thought you had grasped, have been outdated, and your company's competitive edge no longer exists. This is why Independent Directors are being called upon to pose questions and offer recommendations that are unconventional and untethered by the industry's past. It is also our responsibility to face the company's management brimming with enthusiasm for future challenges and encourage balance in their management decisions by offering comments and pointing out risks from a multilateral perspective.

The Group has the potential to become a leading brand in the global/niche markets. However, to make this a reality, it must achieve unparalleled technology and quality. I will support the company in its efforts to improve its technology and quality and contribute to its value creation to become a leading brand.



## Directors



**Shinichi Fukase**  
President, Representative Director and Chief Executive Officer  
Nominating/Compensation Committee Member  
Chairman of Internal Controls Committee  
Chairman of Sustainability Promotion Committee  
  
**Significant concurrently-held position**  
Representative Director of ANEST IWATA Korea Corporation



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



**Eisuke Miyoshi**  
Director and Managing Executive Officer  
Chief Operating Officer, Sales Division  
  
**Significant concurrently-held position**  
None



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



**Makoto Shimamoto**  
Independent Director  
Nominating/Compensation Committee Member  
  
**Significant concurrently-held position**  
None

## Directors, Audit & Supervisory Committee Members



**Katsumi Takeda**  
Director (Audit & Supervisory Committee Member)  
Internal Controls Committee Member **Newly appointed**  
  
**Significant concurrently-held position**  
None



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



**Yuko Shirai**  
Independent Director (Audit & Supervisory Committee Member)  
Nominating/Compensation Committee Member  
Internal Controls Committee Member **Newly appointed**  
  
**Significant concurrently-held position**  
Attorney at law  
Outside Director of Seika Corporation (Audit & Supervisory Committee Member)

## 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 business	Personnel affairs/ accounting and human resources development	Auditing	Research & development	Manufacturing and supply chain	Sales and marketing	Finance and accounting	Legal affairs and risk management	IT and digital	New business development
Directors	Shinichi Fukase	Male	●	●			●	●	●				●
	Kenichi Osawa	Male		●			●	●	●			●	●
	Eisuke Miyoshi	Male		●	●				●	●		●	●
	Yoshitsugu Asai	Male		●	●				●	●	●		●
	Makoto Shimamoto	Male	●	●			●	●				●	●
Directors, Audit & Supervisory Committee Members	Katsumi Takeda	Male		●			●	●	●				●
	Kazumichi Matsuki	Male	●	●	●	●					●		
	Reiko Ohashi	Female				●				●	●		
	Yuko Shirai	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.

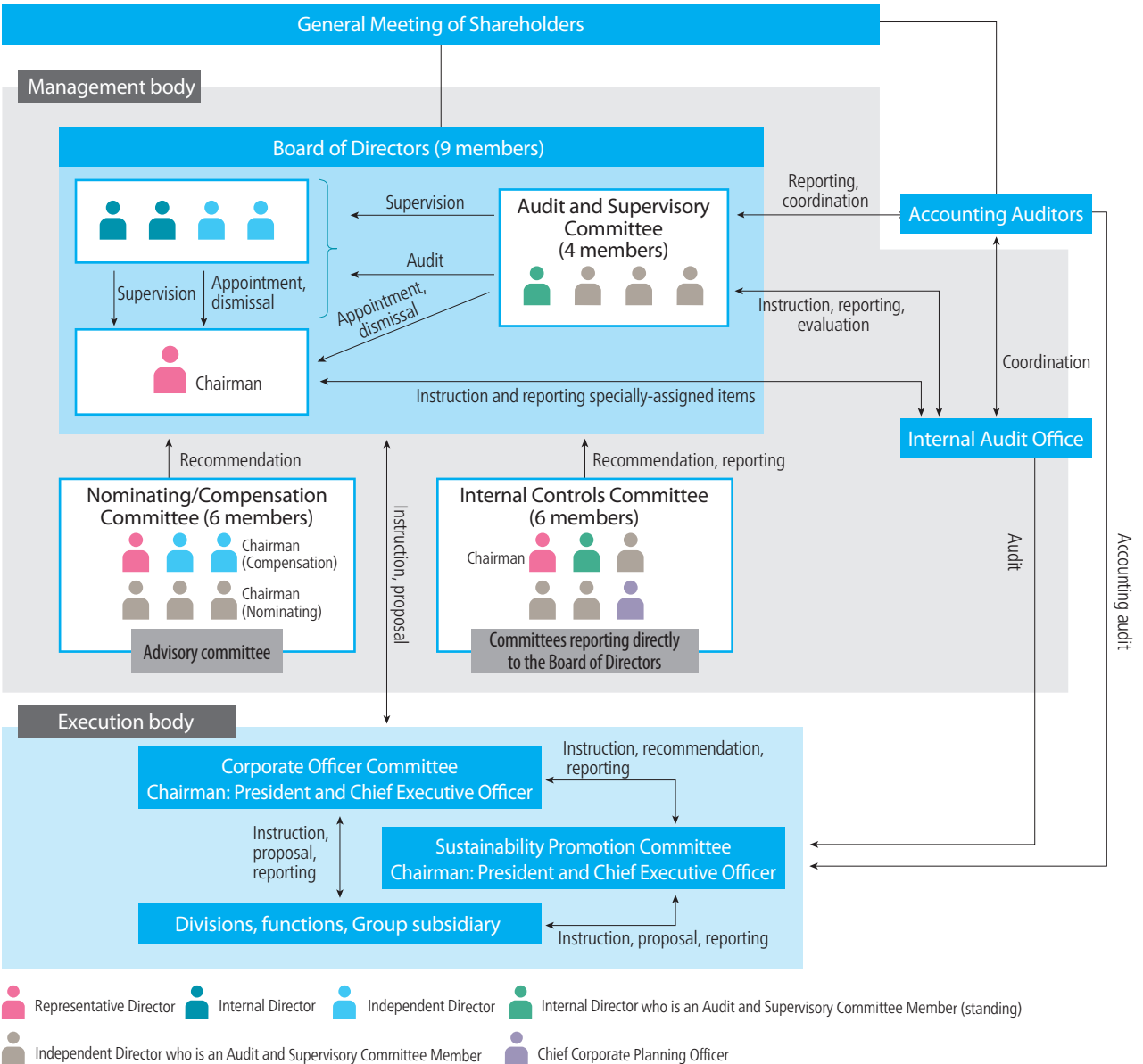
## Corporate Governance Structure

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 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.

The Company, recognizing the enhancement of corporate

governance to be a management priority, has proactively appointed Independent Directors with diverse expertise and insight, in addition to having Directors who are Audit and Supervisory Committee Members conduct supervision and audits 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.

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



List of meetings

Name of meeting	Chairman/committee members	Purpose
Board of Directors	Representative Director	Comprises all Directors and meets at least once a month. In addition to receiving reports on the status of business execution, it decides the basic matters of the Company's business execution, and monitors and supervises business execution by the Representative Director and Corporate Officers
Board of Directors Opinion Exchange Meeting	—	Meets once a month as an informal meeting. Candid opinions are exchanged such as voicing views on themes that have been raised regarding business execution matters as well as management matters based on the expert knowledge and experience of Independent Directors
Technological Briefings	—	Convenes, as necessary, to deepen the understanding of the Independent Directors of the Group's business. Reports are given on products using core technology and technology under development
Audit and Supervisory Committee	Standing Audit and Supervisory Committee Member	Comprises Independent Directors who are Audit and Supervisory Committee Members and an Internal Director who is an Audit and Supervisory Committee Member (standing) and well-versed in company matters. Meets once a month, in principle. Based on the audit policy and audit plans formulated by the Audit and Supervisory Committee, views the materials and minutes of important meetings such as the Corporate Officer Committee, exchanges opinions with Directors and the execution bodies, audits the execution of duties by Directors and prepares audit reports, etc.
Nominating/Compensation Committee	Independent Director	A non-statutory advisory committee under the Board of Directors, comprising the Representative Director and Independent Directors. It discusses the nomination, the promotion/demotion, the assessment and compensation of the Representative Director, Directors, and Corporate Officers and makes recommendations to the Board of Directors
Internal Controls Committee	Representative Director	A non-statutory committee established under the Board of Directors, comprising the Representative Director, non-executive Directors, and the Chief Corporate Planning Officer. It reports on the status of formulation and implementation for each quarter of the basic policy on internal control, the policy on the development of the internal control system, the policy on corporate governance, etc. to the Board of Directors
Corporate Officer Committee	President and Chief Executive Officer	Comprises Corporate Officers (including Corporate Officers serving concurrently as Directors) and meets at least once a month, in principle, to support the decision-making of the President and Chief Executive Officer based on the management policy resolved by the Board of Directors
Sustainability Promotion Committee	President and Chief Executive Officer	A non-statutory committee established under the Corporate Officer Committee comprising the President and Chief Executive Officer and the heads of the related divisions with the Corporate Planning Department serving as the secretariat. It discusses and deliberates mainly activities to promote sustainability and makes recommendations and reports to the Corporate Officer Committee, as necessary

Attendance of Directors (FY2023)

Name of meeting	Status of attendance								
	Fukase	Osawa	Miyoshi	Asai (Independent)	Shimamoto (Independent)	Takeda	Matsuki (Independent)	Ohashi (Independent)	Shirai (Independent)
Board of Directors	14/14	14/14	11/11 <sup>*1</sup>	14/14	11/11 <sup>*1</sup>	14/14	14/14	14/14	14/14
Audit and Supervisory Committee	—	—	—	—	—	— <sup>*2</sup>	15/15	15/15	— <sup>*3</sup>
Nominating/Compensation Committee	9/9	—	—	9/9	— <sup>*3</sup>	—	9/9	9/9	9/9
Internal Controls Committee	5/5	—	—	—	—	— <sup>*3</sup>	5/5	— <sup>*3</sup>	5/5

<sup>\*1</sup>: Appointed as Director at the 77th Annual General Meeting of Shareholders held on June 23, 2023. Hence the status of attendance from said date is stated.  
<sup>\*2</sup>: Appointed as Director who is an Audit and Supervisory Committee Member at the 78th Annual General Meeting of Shareholders held on June 25, 2025. Hence there is no record of attendance for FY2023.  
<sup>\*3</sup>: Appointed as a committee member on April 1, 2024. Hence there is no record of attendance for FY2023.

Activity Report of the Board of Directors

Major matters discussed by the Board of Directors during the fiscal year ended March 31, 2024

- Updating the basic corporate governance structure of the ANEST IWATA Group
  - Updating the Medium-term Management Policy and Medium-term Business Plan
  - Formulation of the annual management policy and business plan
  - Formulation of the Group's capital policies
- Promoting new businesses and M&As
  - Review of the countermeasures (Anti-takeover Measures) for large-scale purchase of the Company's shares
- ➡p.65

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 2024 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

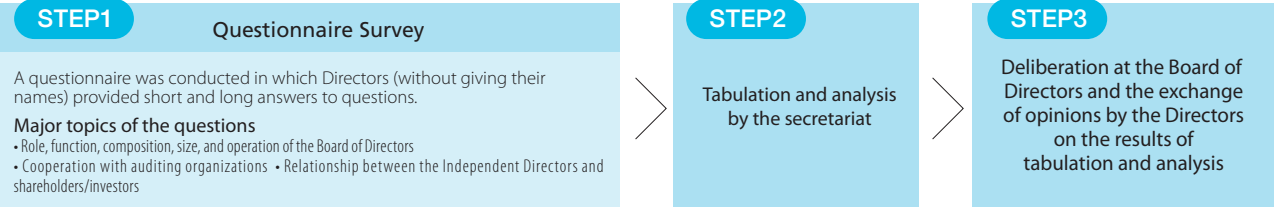
Based on the above audit policy, we conducted audits on the following key matters.

- Visited significant domestic locations and conducted monitoring audits
  - Visited significant domestic and overseas subsidiaries for audits and also conducted monitoring audits
  - 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 the President, Representative Director and Chief Executive Officer, the Executive Directors, and general managers

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. 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 Board of Directors Opinion Exchange Meeting held before and after the Board meetings, through the planning and proposals of the secretariat of the Board of Directors.

Analysis and Evaluation Process





## Evaluation of FY2023

An evaluation was conducted with respect to the effectiveness of meetings of the Board of Directors held between April 2023 and March 2024 (14 meetings in total).

Deliberation by the Board of Directors resulted in the evaluation that appropriate improvements are continuing based on the results of the annual evaluation of the Board's effectiveness,

and that appropriate agendas are being set under the Board proceedings and all Directors are fulfilling their roles and responsibilities to take part in frank discussions. Consequently, while certain issues remain, the Board has demonstrated sufficient effectiveness.

Issues identified in FY2022	<ol style="list-style-type: none"> <li>Improvement of the training program as part of the succession plan and holding regular seminars for Independent Directors to deepen their understanding of the Group</li> <li>Continuation of deliberation on the composition of Directors based on the skill matrix</li> <li>Personal interaction among executives and nurturing managerial thinking skills</li> <li>Continuation of discussions to ensure further understanding of the Group's growth strategies including shareholder returns by the stakeholders</li> </ol>
Initiatives in FY2023	<ol style="list-style-type: none"> <li>Convened briefings on products using core technology and reports on technology under development to deepen the understanding of the Independent Directors of the Group's business and distributed in-house training materials</li> <li>Reviewed the number of Directors and continued deliberation on the skill matrix</li> <li>Nurtured managerial thinking skills among domestic executives through interviews with internal and Independent Directors and participation in various meetings</li> <li>Established key management indicators (EPS) in conjunction with the review of capital policies. Disclosed reports of meetings with investors and presentation materials of financial results, as well as continued discussions to further enhance corporate value</li> </ol>
Future initiatives based on the evaluation results of FY2023	<ul style="list-style-type: none"> <li>Deepen discussion on the compensation system for Directors</li> <li>Continue discussions on the system for educating Corporate Officers who are candidates for Directors and senior management</li> <li>Develop a system to facilitate the sharing of information to encourage even more candid discussions</li> <li>Conduct discussions on the issues that have been clarified through audits to further improve the systems and practices to enable Independent Directors and the Audit and Supervisory Committee to fulfill the roles expected of them</li> </ul>

## 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 (basic compensation), performance-linked bonus (short-term incentives), and performance-linked stock remuneration (medium- to long-term incentives). 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

		Regular Same-amount Salary	Performance-linked Compensation	Performance-linked Stock Remuneration
Objective		Basic compensation	Short-term incentives	Medium- to long-term incentives
Form		Fixed compensation	Variable compensation	
Performance Evaluation Indicators		—	Consolidated ordinary profit	Achievement rate of consolidated operating profit and profit attributable to owners of parent targeted in the final year of the Medium-term Business Plan
Type of Payment		Cash		Stocks and cash
Recipients	Director	Internal	○	○
		Independent	○	×
	Director, Audit and Supervisory Committee Member	Internal	○	×
		Independent	○	×
Maximum amount	Director		300 million yen per year (including 40 million yen for Independent Directors)	Maximum contribution by the Company to the Trust: 130 million yen for 3 fiscal years Number of shares to be delivered: 44,000 points per fiscal year (1 point = 1 share)
	Director, Audit and Supervisory Committee Member		Up to 60 million yen per year	—

Conceptual diagram of the composition of the compensation of Directors (excluding Independent Directors and Directors who are Audit and Supervisory Committee Members) (FY2023)



## Regular Same-amount Salary

The amount to be paid to each Director as basic 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.

## 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 profit 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 (FY2024)

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

Position	Ratio
Representative Director	$1.10\% \times (1.0 \div 2.3)$
Director and Senior Managing Executive Officer	$1.10\% \times (0.5 \div 2.3)$
Director and Managing Executive Officer	$1.10\% \times (0.4 \div 2.3)$

Performance-linked Stock Remuneration

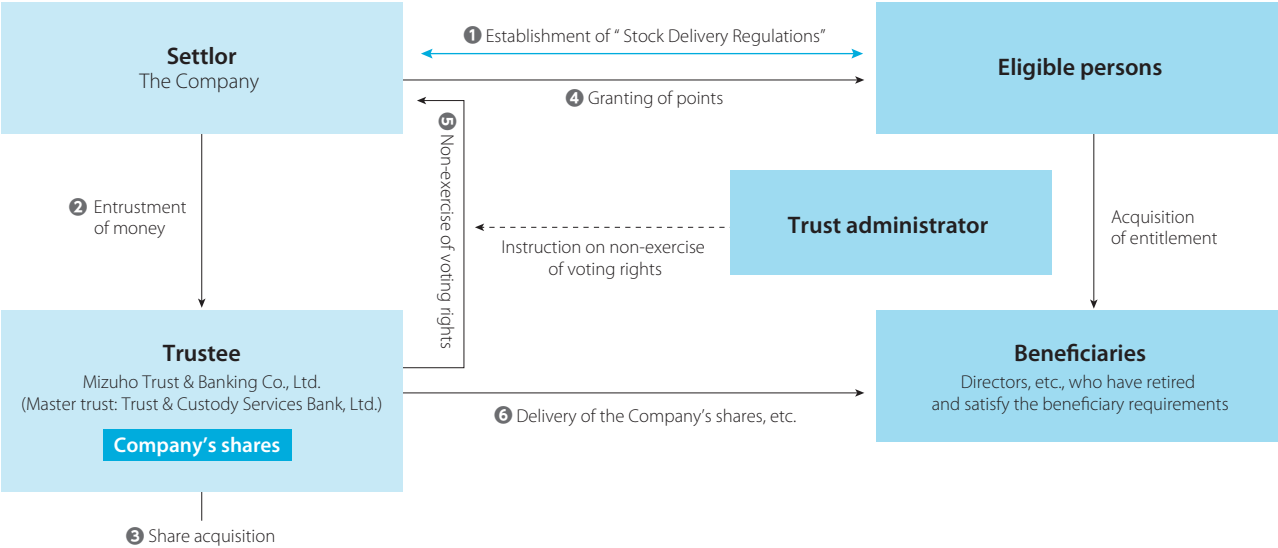
The Company has adopted a performance-linked stock remuneration plan for its Directors, etc. (described as persons eligible for points below), for the purpose of raising their awareness to contribute to the improvement of business performance over the medium- to long-term and the enhancement of corporate 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 Business 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 Business Plan.
6 Timing of the delivery of the Company's shares	In principle, upon retirement or the date of loss of employee status



Compliance and Risk Management

Compliance Promotion Structure

The Company's compliance initiatives are overseen by the Legal Department and involve developing and implementing a compliance promotion structure and awareness-raising/educational programs, among others.

In FY2023, we conducted group work for all domestic employees to discover problems and measures from fictional examples

based on lectures that presented the background and impact of actual compliance violations and the knowledge gleaned from such cases. Additionally, we conducted seminars for employees to acquire basic knowledge of contracts and put up posters to enhance compliance.

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 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.

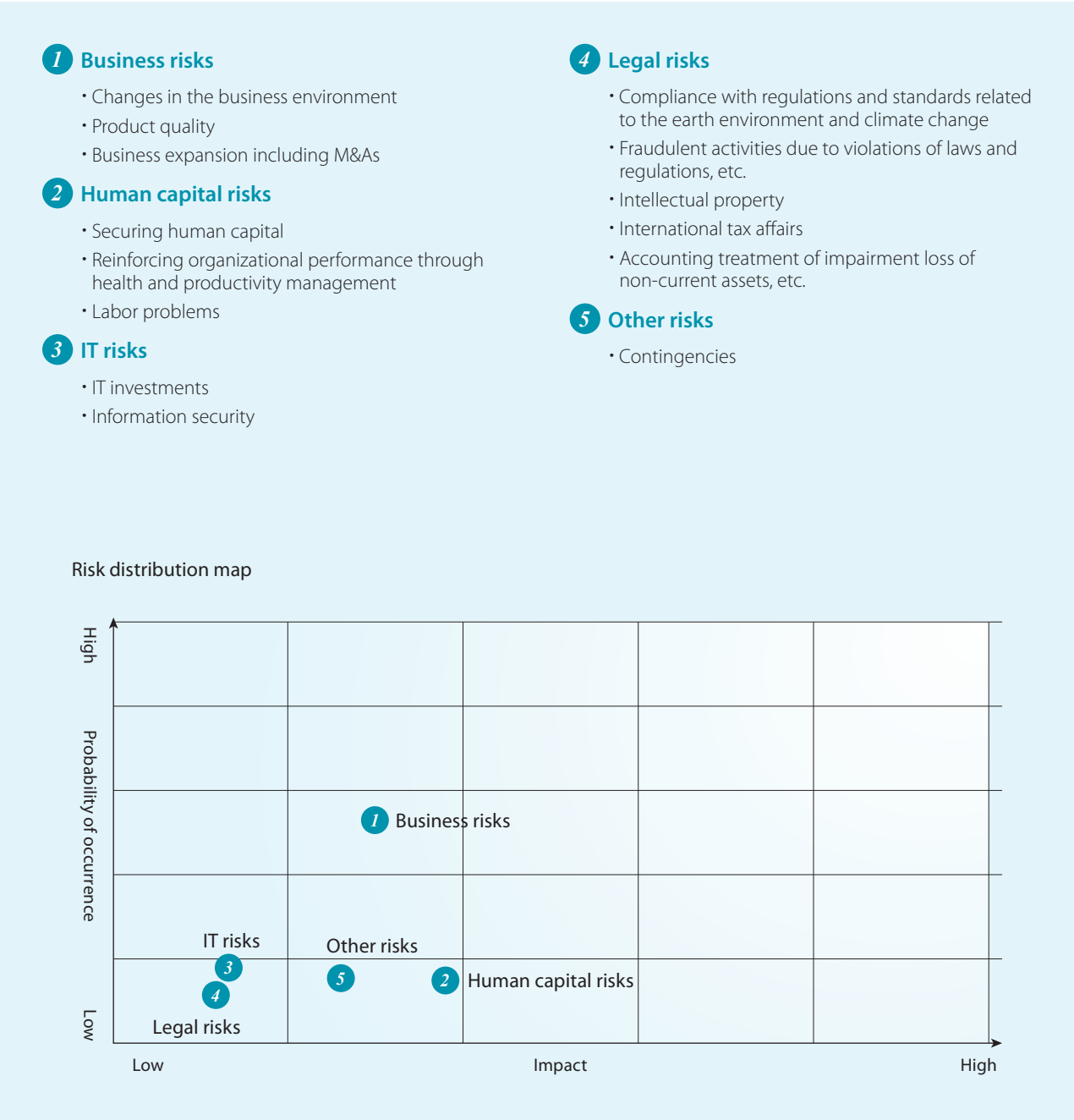
The criteria for triggering the BCP are determined and enforced based on the judgment of each location, by taking into account various conditions including the amount of rain and snowfall.

\*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 Group. By deliberating the results at the Corporate Officer Committee, a system is in place that deals with risks and crises when they materialize.





	Risk	Summary	Countermeasure
3 IT risks	IT investments	<ul style="list-style-type: none"><li>Stagnant IT strategies as a result of a loss of IT knowledge and expertise</li></ul>	<ul style="list-style-type: none"><li>Formulate medium- to long-term IT strategies</li><li>Proactive recruiting of professional talent and alliances with partner companies</li></ul>
	Information security	<ul style="list-style-type: none"><li>Information leakage and system malfunctions occur resulting from natural disasters, cyberattacks, or intrusion by computer viruses</li><li>Information leaks due to lower employee literacy</li></ul>	<ul style="list-style-type: none"><li>Develop an appropriate information security system</li><li>Acquire appropriate backup and develop sufficient security measures</li><li>Carry out employee education</li></ul>
4 Legal risks	Compliance with regulations and standards related to the earth environment and climate change	<ul style="list-style-type: none"><li>A slowdown in business strategies or restrictions on activities occur due to failure to meet new or more stringent environmental regulations</li></ul>	<ul style="list-style-type: none"><li>Develop a compliance system according to each country or region</li><li>Manage environment-related information based on the framework of public institutions</li></ul>
	Fraudulent activities due to violations of laws and regulations, etc.	<ul style="list-style-type: none"><li>Incidents of fraud including infringements of intellectual property rights, quality fraud, bribery, or harassment occur</li></ul>	<ul style="list-style-type: none"><li>Develop a framework and a system that does not allow executives and employees to engage in fraud</li><li>Promote sound management support to the Group companies</li><li>Build a global monitoring system</li></ul>
	Intellectual property	<ul style="list-style-type: none"><li>A third party imitates the Company's products or technology</li><li>Unwittingly infringe the intellectual property rights of third parties (patent and other rights)</li></ul>	<ul style="list-style-type: none"><li>Strengthen the system for managing intellectual property, etc.</li><li>Cooperate with the relevant outside organizations</li></ul>
	International tax affairs	<ul style="list-style-type: none"><li>Back taxes may be incurred due to differences in the way transactions between Group companies are viewed by the tax authorities</li></ul>	<ul style="list-style-type: none"><li>Promote an accurate understanding of the law with the cooperation of outside organizations</li></ul>
	Accounting treatment of impairment loss of non-current assets, etc.	<ul style="list-style-type: none"><li>Inappropriate accounting treatment may occur as a result of using inappropriate business plans in the determination of impairment losses of non-current assets</li></ul>	<ul style="list-style-type: none"><li>Proactive involvement by the division or Accounting Department at the time of formulation of business plans by the subsidiaries</li><li>Develop a system for instruction and supervision by the Board of Directors</li></ul>
5 Other risks	Contingencies	<ul style="list-style-type: none"><li>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</li><li>Occurrence of major natural disasters</li><li>Outbreak of infectious diseases</li><li>Slowdown in procurement and distribution caused by the above incidents and the increase in required costs</li></ul>	<ul style="list-style-type: none"><li>Optimize BCP</li><li>Diversity the production function and explore the possibility of product procurement within the Group</li><li>Establish a supply system that minimizes the effects of risks when they materialize and promote the resilience of business activities</li></ul>

Discontinuation of Takeover Defense Measures

In 2007, the Company adopted the “Policy against Large-scale Purchases of the Company’s Shares (Takeover Defense Measures).” However, at the conclusion of the 78th Annual General Meeting of Shareholders held on June 25, 2024, it abolished the said policy.

Since the introduction of this policy, the Company has striven to build a relationship of trust with the various stakeholders who have supported the Company, enhance corporate value, and ensure and raise the common interests of its shareholders. Additionally, in light of recent trends in the discussions surrounding the Corporate Governance Code and trends in judicial

rulings involving large-scale purchases of shares, the Company has determined that the necessity for takeover defense measures has diminished compared to the time policy was initially introduced and hence the Company’s Board of Directors has unanimously resolved the discontinuation (abolishment) of this policy.

The Company, by dedicating itself to business activities that aspire to the further improvement of performance and sustained growth, will continue to work toward ensuring and enhancing corporate value and the common interests of its shareholders.

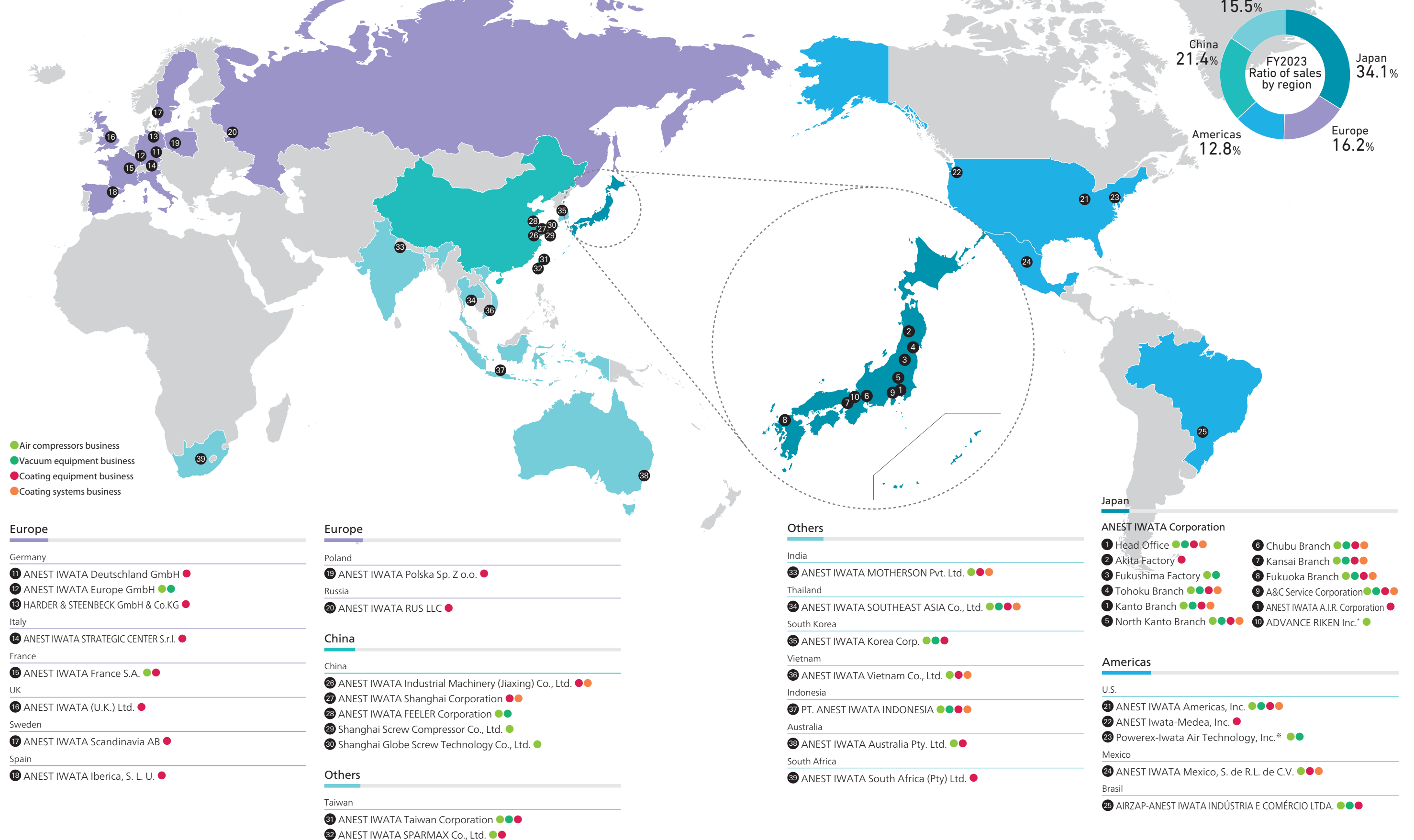
# 11-year Consolidated Financial Summary

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Operating Results</b> (Millions of yen)											
Net sales	25,457	28,377	29,525	29,549	32,817	38,807	39,091	35,589	42,337	48,515	53,425
Cost of sales	14,304	16,215	16,487	16,558	18,384	22,030	22,505	20,662	24,109	27,178	28,950
Gross profit	11,153	12,162	13,038	12,991	14,433	16,777	16,586	14,926	18,228	21,337	24,475
Selling, general and administrative expenses	8,213	8,876	9,242	9,258	10,609	12,438	12,710	11,482	13,448	15,499	18,299
Operating profit	2,941	3,286	3,797	3,733	3,824	4,339	3,876	3,444	4,780	5,838	6,176
Ordinary profit	3,580	3,841	4,138	4,139	4,352	4,701	4,401	4,253	5,572	7,044	7,986
Profit before income taxes	3,513	3,759	4,099	4,925	4,410	4,580	4,213	4,137	5,542	7,091	7,987
Profit attributable to owners of parent	2,182	2,303	2,594	3,401	2,810	2,948	2,718	2,623	3,541	4,382	4,931
<b>Cash flows</b> (Millions of yen)											
Cash flows from operating activities	2,652	2,398	3,750	3,397	4,080	4,848	4,141	4,602	3,890	4,329	6,770
Cash flows from investing activities	(2,796)	(1,871)	(849)	(526)	(3,486)	(552)	(1,543)	(1,068)	(1,079)	(3,324)	(1,260)
Free cash flows	(144)	527	2,901	2,871	594	4,296	2,598	3,534	2,811	1,005	5,510
Cash flows from financing activities	(927)	(857)	(1,089)	(1,320)	(666)	(1,848)	(2,282)	(1,958)	(2,103)	(2,358)	(3,584)
Cash and cash equivalents at end of period	4,744	4,589	6,220	7,679	7,693	9,859	10,093	11,643	12,917	12,081	14,608
<b>Financial Position (at fiscal year-end)</b> (Millions of yen)											
Total assets	30,857	33,766	34,678	38,895	47,308	47,558	48,102	49,459	55,819	60,137	66,144
Net assets	21,783	24,690	25,519	28,605	32,778	33,503	34,570	36,134	40,210	45,255	50,074
Equity capital	20,786	23,449	24,366	26,719	29,006	29,902	31,093	32,243	35,623	40,026	44,159
<b>Investments</b> (Millions of yen)											
Capital investments	1,708	1,364	1,048	1,473	2,458	2,080	1,244	1,111	1,568	2,557	2,854
Depreciation	744	1,008	1,076	1,128	1,239	1,618	1,510	1,427	1,510	1,789	2,011
Research and development expenses*	983	854	1,017	1,112	1,078	1,154	1,084	1,045	1,048	1,355	1,468
<b>Per Share Information</b>											
Annual dividends per share (yen)	15.50	16.50	22.00	20.00	20.00	22.00	24.00	24.00	30.00	38.00	49.00
Dividend payout ratio (%)	29.9	30.0	35.4	24.5	29.7	31.2	36.8	37.9	34.8	35.1	40.1
Earnings per share (EPS) (yen)	51.78	54.91	62.14	81.48	67.32	70.62	65.14	63.34	86.32	108.25	122.13
Book-value per share (BPS) (yen)	494.57	561.80	583.76	640.14	694.94	716.40	748.16	784.91	876.20	989.09	1,109.65
<b>Key Management Indicators</b> (%)											
Cost of sales ratio	56.2	57.1	55.8	56.0	56.0	56.8	57.6	58.1	56.9	56.0	54.2
Gross profit margin	43.8	42.9	44.2	44.0	44.0	43.2	42.4	41.9	43.1	44.0	45.8
SG&A ratio	32.3	31.3	31.3	31.3	32.3	32.1	32.5	32.3	31.8	31.9	34.3
Operating profit margin	11.6	11.6	12.9	12.6	11.7	11.2	9.9	9.7	11.3	12.0	11.6
ROE	11.0	10.4	10.8	13.3	10.1	10.0	8.9	8.3	10.4	11.6	11.7
ROA	7.5	7.1	7.6	9.2	6.5	6.2	5.7	5.4	6.7	7.6	7.8
Equity ratio	67.3	69.4	70.2	68.6	61.3	62.8	64.6	65.2	63.8	66.6	66.8
<b>Others</b>											
Ratio of overseas sales	46.4	48.0	45.5	45.1	48.6	56.4	56.1	57.1	62.1	64.0	65.9
Number of employees (Consolidated) (at fiscal year-end)	1,112	1,132	1,159	1,316	1,624	1,736	1,733	1,748	1,764	1,799	1,865
Ratio of overseas employees (%)	48.7	51.7	52.3	56.1	63.2	64.5	64.2	64.0	64.7	65.3	65.6

\*Total of general administrative expenses and manufacturing costs related to research and development

# 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 around the world. Our overseas sales have grown considerably, accounting for 65.9% 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.



\* An affiliated company accounted for using the equity method



Stock Information

Number of Shares Issued (As of March 31, 2024)

Total number of authorized shares	189,290,000 shares
Total number of shares issued	39,949,953 shares (Excluding 1,795,552 treasury shares)
Number of shareholders	5,213

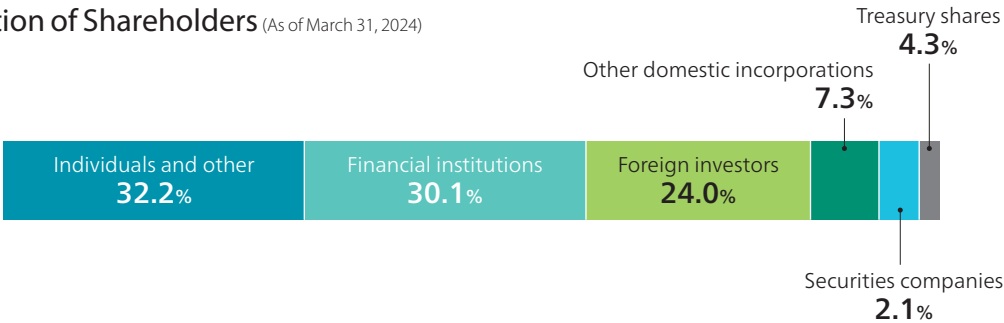
(Note) The treasury shares do not include 174,200 shares of the Company held by the Board Benefit Trust (BBT).

Principal Shareholders (As of March 31, 2024)

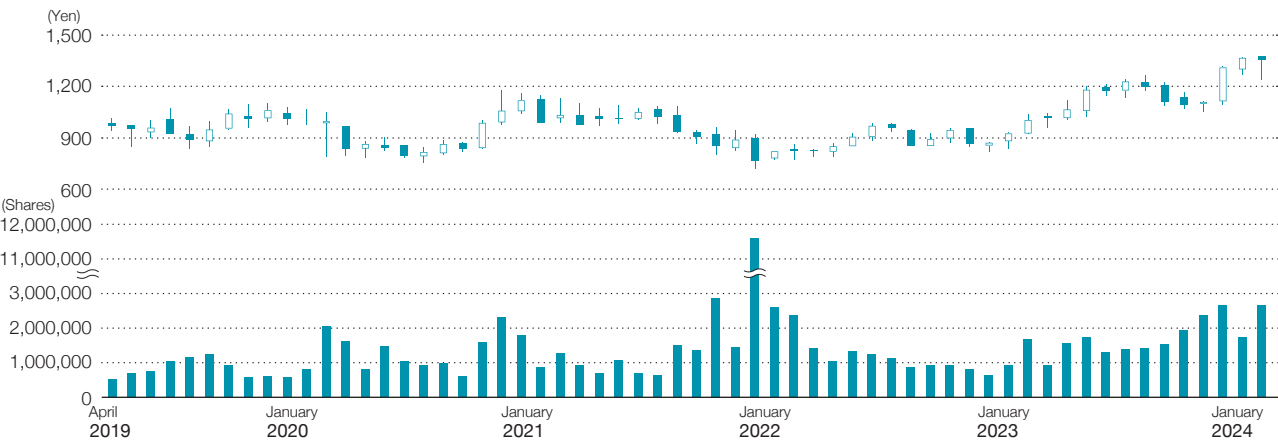
Name	Number of shares owned (thousands)	Ownership percentage of total shares issued (%)
Japan Trustee Services Bank, Ltd. (Trust account)	4,559	11.4
Custody Bank of Japan, Ltd. (Trust account)	2,754	6.9
The Dai-ichi Life Insurance Company, Limited	2,272	5.7
ANEST IWATA Customer Shareholding Association	1,955	4.9
ANEST IWATA Supplier Shareholding Association	1,840	4.6
THE BANK OF NEW YORK 133652	1,628	4.1
Meiji Yasuda Life Insurance Company	1,520	3.8
ANEST IWATA Customer Employee Shareholding Association	873	2.2
BNYMSANV RE MIL RE FSI ICVC-ST IV ASIA PAC AND JN SU FD	805	2.0
KIA FUND 136	774	1.9

Notes 1. The shareholding ratio is calculated excluding treasury shares (1,795,552 shares).  
2. The Report of Possession of Large Volume (Change Report) submitted for public perusal by Mitsubishi UFJ Financial Group, Inc. (joint holders: Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Asset Management Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., and First Sentier Investors (UK) IM Limited) dated January 29, 2024 states that Mitsubishi UFJ Financial Group, Inc. held 2,931,547 shares of the Company as of January 22, 2024. However, the actual number of shares held by Mitsubishi UFJ Financial Group, Inc. as of March 31, 2024 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, 2024)



Stock Prices and Trading Volume (From April 2019 to March 2024)



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 equipment, coating equipment, and coating systems
Capital	3,354 million yen
Number of Employees	641 (1,865 consolidated) *As of March 31, 2024
End of Fiscal Year	March 31
Listed Securities Exchange	Prime Market, Tokyo Stock Exchange

Domestic Locations

Domestic Locations	Factories
Tohoku Branch	Akita Factory
North Kanto Branch	Fukushima Factory
Kanto Branch	
Chubu Branch	
Kansai Branch	
Fukuoka Branch	



Head Office



Akita Factory



Fukushima Factory

Consolidated Subsidiaries

Japan

A&C Service Corporation  
ANEST IWATA A.I.R. Corporation

Europe

ANEST IWATA Deutschland GmbH  
ANEST IWATA Europe GmbH  
HARDER & STEENBECK GmbH & Co.KG  
ANEST IWATA STRATEGIC CENTER 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.

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.

Others

ANEST IWATA Taiwan Corporation  
ANEST IWATA SPARMAX Co., Ltd.  
ANEST IWATA MOTHERSON 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**

3176, Shinyoshida-cho, Kohoku-ku, Yokohama

223-8501, Japan

**Inquiries:** Corporate Planning Dept.

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