

ANEST IWATA Corporation Integrated Report

**2022**

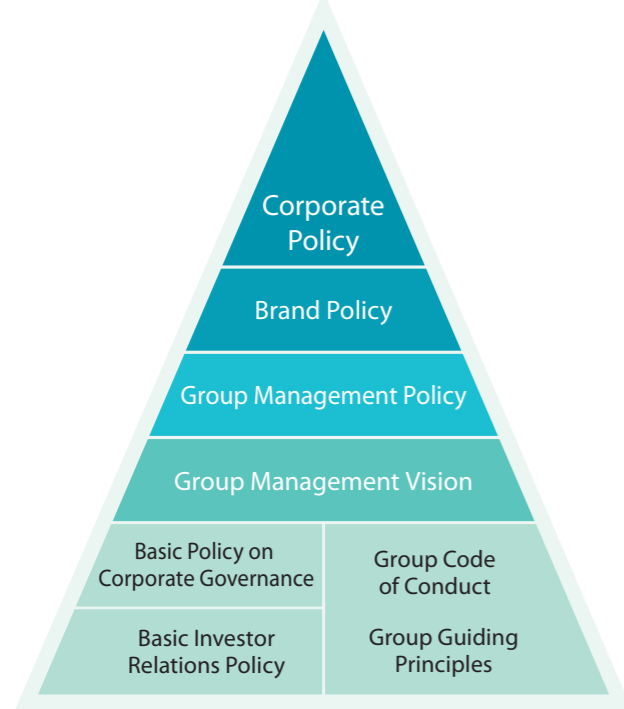


**ANEST IWATA Corporation**

**Active** with Newest Technology

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

## ANEST IWATA Corporate Philosophy



### Corporate Policy

誠心

*"Makotono kokoro"*  
(Trustworthy & Sincere)

### Brand Policy

The following marks represent our corporate brand.



#### Corporate brand promise

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

#### Corporate slogan

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

#### The meaning of the name ANEST IWATA

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

### Group Management Policy

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

### Group Management Vision

#### To become a company with a 100-year history

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

#### To become a "True World-class Company" Management slogan

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



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### Editorial Policy

ANEST IWATA has issued its 4th "Integrated Report."

The "Integrated Report 2022," intended for our stakeholders including our shareholders and investors, covers such topics as the value created by the Company, management and financial strategies, the strengths of our businesses and a report of operations, as well as ESG information including corporate governance and initiatives toward human capital, the regional communities and the environment.

#### Period covered by the report

The report, basically, covers the fiscal year 2021 (from April 2021 to March 2022) but it also includes reports of activities prior to and after this period.

#### Organizations covered

The report, basically, covers the ANEST IWATA Group companies including ANEST IWATA Corporation.

#### Date of publication

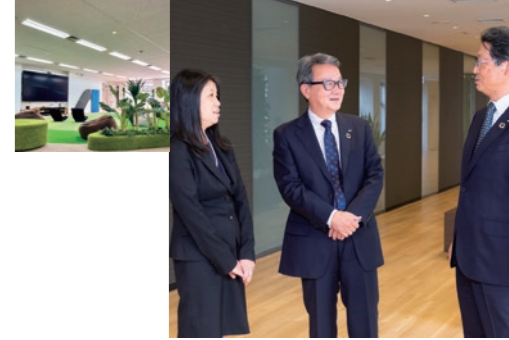
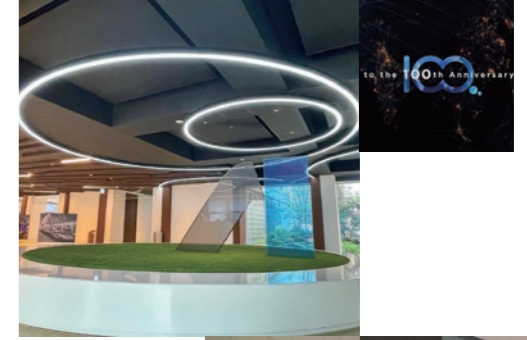
November 2022

#### 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 at a Glance

ANEST IWATA 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 21 countries and regions worldwide, we contribute to manufacturing around the world by engaging in business activities on a global scale.

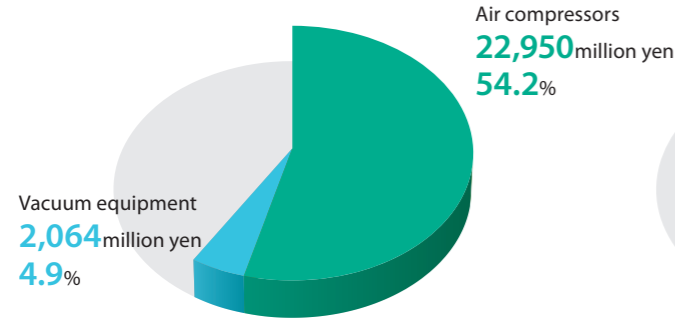
## Consolidated Performance (Fiscal year ended March 31, 2022)

Consolidated net sales **42,337** million yen  
(↑19.0% year-on-year)

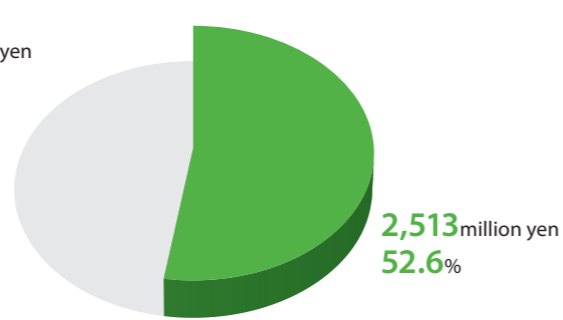
Consolidated operating profit **4,780** million yen  
(↑38.8% year-on-year)

### Air Energy Division

#### Percentage of net sales

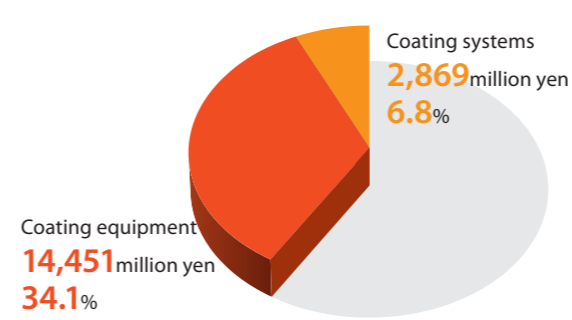


#### Percentage of operating profit

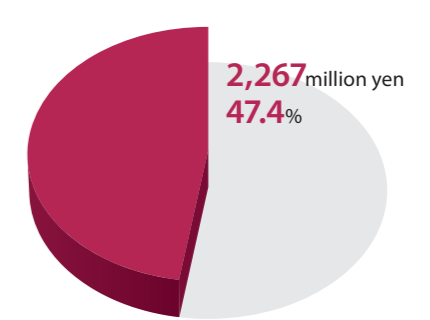


### Coating Division

#### Percentage of net sales



#### Percentage of operating profit



#### Air compressors

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



Factories

Driving source of air blowers and pneumatic equipment



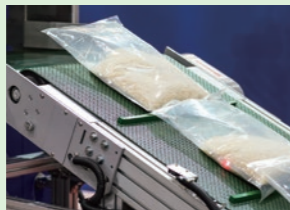
Trains and buses

Driving source of automatic doors and brakes



Medical settings

Driving gas supply to hospital rooms and dental implements



Foods

Generating nitrogen gas for packaging, etc.

#### 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.



General industries

Suction transport and defoaming



Semiconductor manufacturing

Inspection devices



Foods

Vacuum packing and vacuum cooking



Research facilities

Accelerators and radiation light

#### Coating equipment

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



Automobiles



Electrical appliances



Woodwork, metal and plastic products



Arts and hobbies

#### 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.



Automobile parts



Railway vehicles



Woodwork and electrical appliances



Construction machinery and heavy machinery



Oil-free scroll air compressors



Oil-lubricated screw compressors



Oil-free scroll vacuum pumps



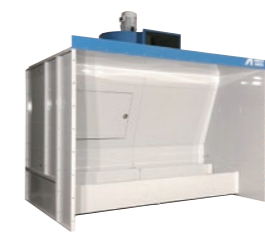
High vacuum pumping systems



Automotive refinishing spray guns



Airbrushes



Coating booths



Revolving coating robots

# History of Growth

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



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



Four Iwata brothers including the founder

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

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

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

**1996**  
Changed company name to "ANEST IWATA"



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

**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  
Earlier efforts for operational reforms were accelerated by the COVID-19 pandemic

## 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.

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

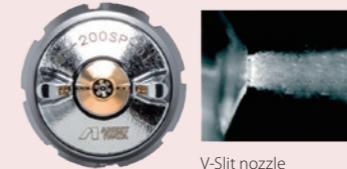
**1957**  
Released the "W-57 Spray gun," and won the support of the automotive coating field.

**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>  
\*2 ANEST IWATA SPARMAX Co., Ltd.

## Spray guns

### Origins of ANEST IWATA

Atomizing paints into a mist with compressed air

## Compressors

### Proprietary development of compressors for spray gun inspection

As long as production plants exist somewhere in the world, the need for compressed air will continue to exist.

**1928**  
Commenced manufacture and sales of small-sized air compressors



Air compressors at the time of founding



"MC series" medium-sized air compressors

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

## Air Energy Division

### Air compressors

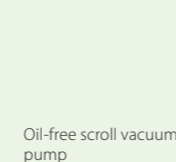
### Vacuum equipment

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

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



Body of oil-free scroll air compressor



Oil-free scroll vacuum pump

**1993**

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

**2017**  
Expanded product lineup through M&As



Medium-sized air compressor made by SCR<sup>\*1</sup>

# Value Creation Process

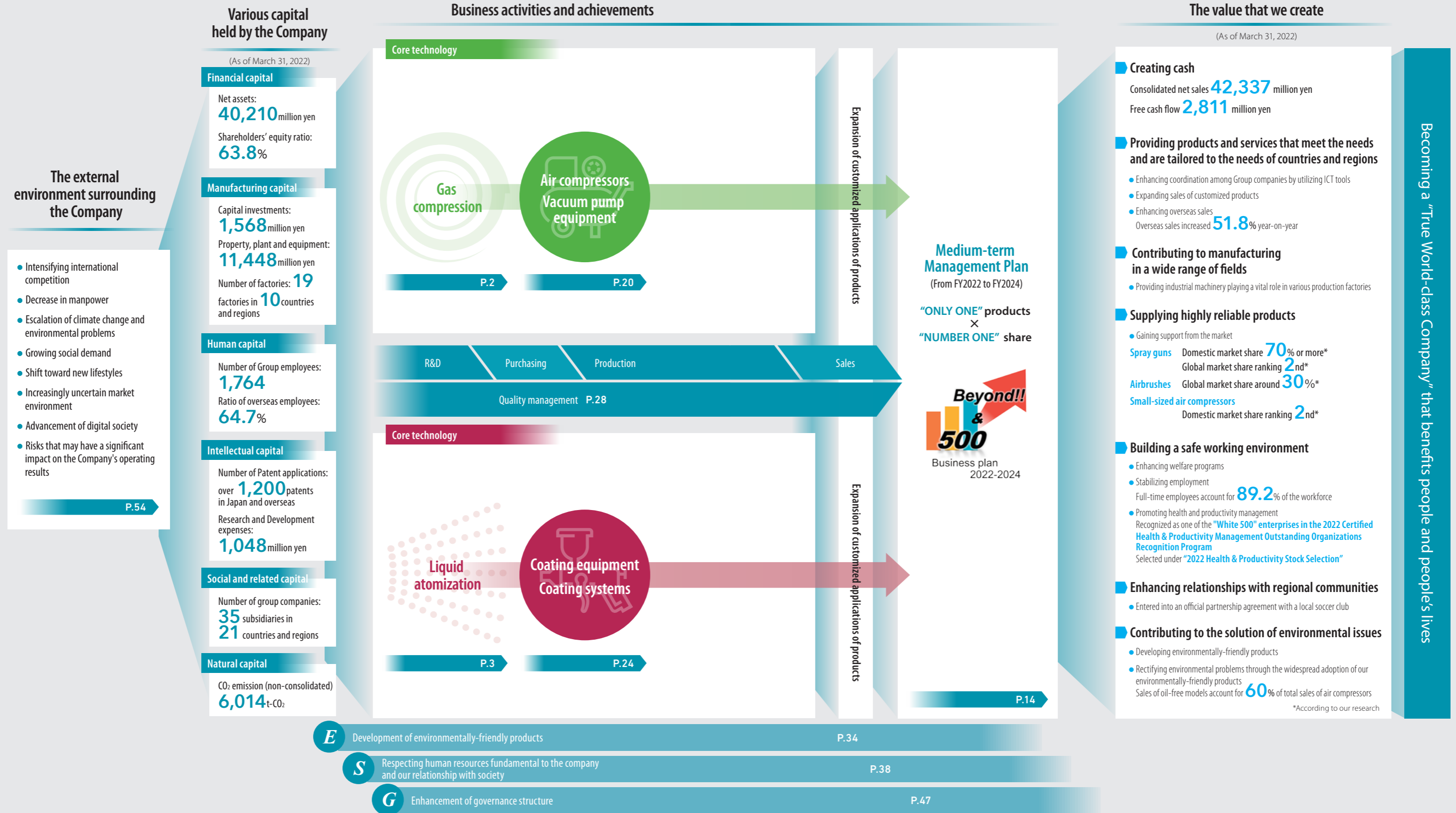
The Company has been stepping up its mission by diversifying applications and launching customized unique (ONLY ONE) products in markets with the use of its core technologies, i.e., "liquid atomization" and "gas compression." Going forward, the Company, in accordance with the ANEST IWATA Corporate Philosophy,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

Corporate Policy

誠心

"Makotono kokoro"  
(Trustworthy & Sincere)

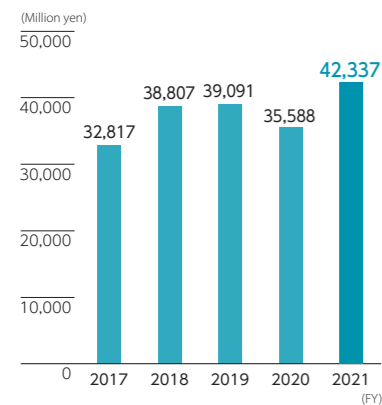
## ANEST IWATA Corporate Philosophy



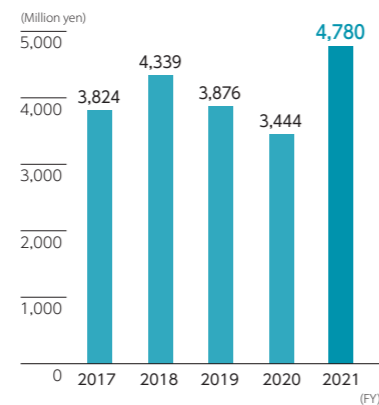
# Financial and Non-financial Highlights

## Financial Highlights (Consolidated)

### Net Sales



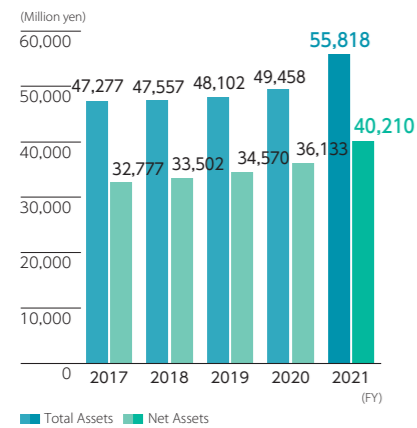
### Operating Profit



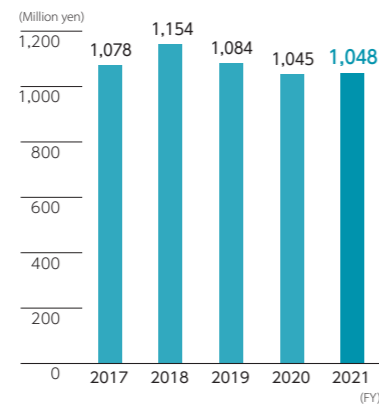
### Profit Attributable to Owners of Parent



### Total Assets and Net Assets

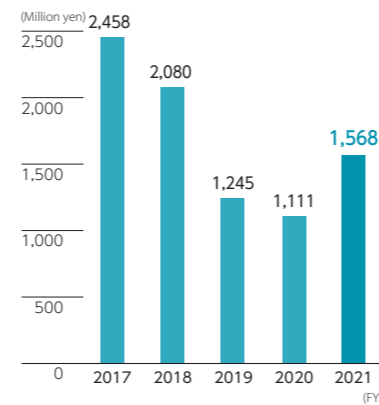


### Research and Development Expenses



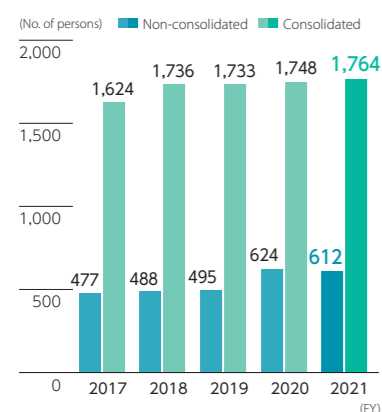
\* Research and development expenses represent the total amount of general and administrative expenses and manufacturing expenses relating to research and development.  
\* Reportable segments are Japan, Europe and Asia.

### Capital Investments



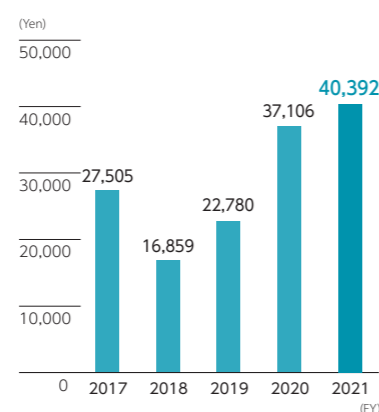
## Non-financial Highlights

### Number of Employees



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

### Education/training cost per employee



\* Non-consolidated figures of ANEST IWATA Corporation

### Total CO<sub>2</sub> emission



\* Non-consolidated figures of ANEST IWATA Corporation

## Message from the President

### Aiming to Be a "True World-class Company" for Customers around the World

In May 2022, ANEST IWATA will reach 96 years since its foundation.

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

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

We look forward to your continued patronage and support.

Shinichi Fukase  
President, Representative Director and Chief Executive Officer



## Interview with the President

# We will promote “500 & Beyond,” our new Medium-term Management Plan, while also aiming to realize our growth potential for the next 30 years

### Now that you have been appointed the new President, can you give us a brief account of your career, accomplishments, and aspirations going forward?

I joined the Company in 1988 and as an engineer, was involved in the development of coating equipment for about 10 years. Subsequently, I worked in the marketing and purchasing departments, as well as gained management experience by serving as the president of a domestic sales subsidiary, the general manager of the division related to vacuum equipment, and the factory manager of the Fukushima Factory, among others. Therefore, “*monozukuri* (manufacturing)” has always been a part of my career but also having experienced a broad range of operations from logistics/procurement to production/sales has been especially meaningful for me in understanding each work site. Throughout my career, I have been able to achieve a certain level of success in establishing marketing methods for

coating equipment, making a domestic sales subsidiary profitable, and revitalizing the Fukushima Factory.

Although the Company has in place a process of selecting its director candidates through the Nominating/Compensation Committee, comprising primarily Independent Directors, I was told that strong opinions were voiced calling for “a president with a knowledge of *monozukuri*.” I am also aware that my management experience as the president of a subsidiary and a factory manager, despite the difference in scale of the organizations, has raised the expectations for my leadership and decision-making capabilities. Accordingly, I can summarize my aspirations as “being committed to precise *monozukuri*, while responding to the changes in the environment.” Amid the rapid pace of digitalization and technological innovations and the resulting new wave in attitudes toward design/development methods and materials, manufacturers that are incapable of keeping with this current will eventually be weeded out. Therefore, I hope to further enhance basic research and raise development skills, while at the same time accelerating development speed by making proactive investments into R&D facilities. I also hope to steadily hand down the culture of “*monozukuri*” and core technology and focus on the thorough pursuit of their potential. For example, we have, to date, thoroughly made appeals for our technological strengths such as “the technology to atomize liquids” and “oil-free gas compression technology” but we do not have a clear answer to the question of “what are the potentials of these core technologies?” We often hear the expression, “Dual-shaft management” and “Ambidexterity management” but I also think that not only deepening technology but also expanding its potential will become a crucial theme when we think about our competitiveness and sustainability in the next 30 years and beyond to the next 100 years.

### So, how would you define your company’s strengths?

When we speak about the Company’s strengths, we tend to focus on the core technologies of “atomizing paints and various liquids” and “compressing air and gases without using lubricating oil” but I believe that our intrinsic strengths lie in more fundamental aspects, such as the diligent way in which our employees address various challenges. Whenever we are faced with a major crisis, such as the Lehman crisis, the Great

Eastern Japan Earthquake, and the recent COVID-19 pandemic, for example, the sense of unity with which we try to figure out how to overcome such hardships is truly incredible. Speaking with friends from other companies, I have found that such unity is rare. I think this is because the corporate motto of “trustworthy and sincere,” which we have upheld since our founding, lives on to this day. Because of such a corporate climate, whenever the leader calls upon the employees to “atomize liquids” or “do without lubricating oils,” everyone makes a concerted and rises up to the challenge, which, in turn, has led to the Company technologically differentiating itself from the others. This is a trend that can also be seen in overseas subsidiaries, including the acquired companies. In the acquisition of overseas companies and human resources, we use similar criteria in our selection, in addition to our mutual compatibility. However, such diligence can also lead to excessiveness at times, and become a weakness, when we need to break out of the mold. In such situations, I think management needs to provide the right direction.

### What is your assessment of the business performance of the previous fiscal year and the previous Medium-term Management Plan?

The business performance for the fiscal year ended March 31, 2022, the final year of the previous Medium-term Management Plan, managed to report substantial increases in both sales and profits due to the recovery from the COVID-19 pandemic and the expansion of overseas operations, resulting in record highs. In particular, in overseas operations, SCR\* of Shanghai, China, which was acquired through an M&A nearly four years contributed significantly to performance through the utilization of sales channels, and I believe that we can utilize this success in our future overseas strategies. Furthermore, in terms of profits, our earlier efforts for operational reforms were accelerated by

the COVID-19 pandemic, and we significantly improved our ratio of selling, general and administrative expenses through the utilization of the web and the optimization of face-to-face sales. Meanwhile, in terms of the quantitative targets of the previous Medium-term Management Plan, despite undershooting the sales targets as a result of suspending certain sales activities due to the COVID-19 pandemic, we managed to surpass our targets for the operating profit margin and ROE, thanks to the greater-than-expected progress made in our operational reforms. Also, when we consider our investments for the past three years, proactive IT investments in preparation for the operational reforms were made, and we were also able to establish a system for the mass production of spray guns and compressors in our Akita and Fukushima Factories. Furthermore, in terms of business management, we promoted health and productivity management, in an effort to revitalize the organization and improve labor productivity, which resulted in our recognition as a “White 500” enterprise in the Health & Productivity Management Outstanding Organizations Recognition Program for the second consecutive year, and our first-time selection under the “2022 Health & Productivity Stock Selection.” In other words, while we were faced with extreme difficulties due to the impact of the COVID-19 pandemic, overall, we were able to achieve our results, as planned, including making strategic preparations for the future.

### Can you tell us about the direction to be taken and the strategies of the newly launched Medium-term Management Plan?

The new Medium-term Management Plan, “500 & Beyond,” aims for organic growth of 50 billion yen or more in sales by the fiscal year ending March 31, 2025, the final year of the plan, while also planning for M&As. It is also positioned as a first step of the Long-term Vision, “Vision 2030,” with a

\*See the table below.

Name of Subsidiary	Consolidation from	Location	Category	Business description	Results for FY2021
Shanghai Screw Compressor Co., Ltd. (SCR)	April 2018	China	Compressor	Manufacture and sales of medium- to large-sized compressors. Engaged not in sales within China but also exports to India, the U.K., Eastern Europe, Brazil, etc.	Net sales: 5,375 million yen (up 39% year-on-year)

view to achieving 100 billion yen in sales. However, there have been no major revisions in the direction of the strategies. We will continue to target the growth markets overseas and focus on the sales expansion and the cross-sell of the high-value-added and environmentally-friendly oil-free compressors and medium-sized, general-purpose compressors, as well as the sales expansion of mid-range coating equipment targeting the volume-zone of the emerging countries where demand is growing and the shift to the high-range products. Achieving 70 or 80 billion yen in sales going forward will entail a completely different scenario and completely different methods, and therefore, while we strive toward our goal of 50 billion yen, we intend to reform our management structure in preparation for the next step in the next three years. In terms of our investment plans, also, we will continue investments to increase productivity and reinforce our management base, while also investing in R&D facilities to accelerate development speed. Furthermore, after the operational reforms are completed in Japan, we will promote DX in the overseas markets, our main battlefields. We must also establish HR strategies that look toward the future including human resources development and recruiting. While the Company will celebrate the 100th anniversary of its founding in 2026, we will determine what needs to be done and steadily implement them to ensure sustained growth beyond our 100 years.

**What are your thoughts on the changes to the business environment going forward? Please explain both from the perspectives of risk and opportunities.**

We are assuming that soaring raw material prices and logistic costs will have wide-ranging effects on business activities. We intend to absorb such rising costs, including the rise in added value, by securing the understanding of the customers and price revisions. We also need to be wary of escalating geopolitical risks. Given that we procure many parts from overseas, even a delay in a single part can interfere with the completion of a product. Therefore, diversification of parts procurement is a crucial issue, which we have already begun studying.

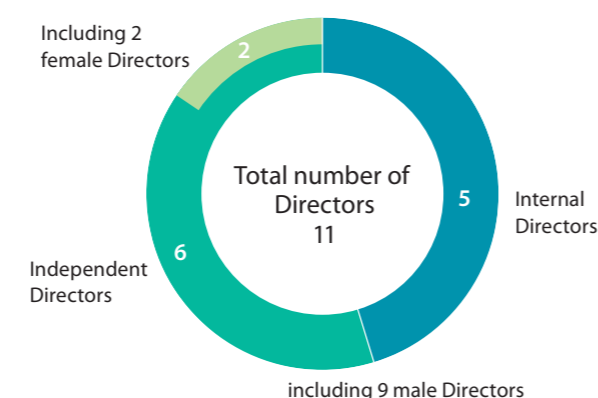
On the other hand, our sales areas are dispersed around

the world and we believe that this dispersal of functions served as a risk hedge and contributed to the early recovery from the COVID-19 pandemic. The heightened global awareness of the environment has also been an obvious boost to the Company. Concern for the environment is clearly being accelerated, particularly as a result of the regulatory reinforcements of each country. Although we will need to prepare for the day when coating-free will become the norm through technological innovations and the reduced usage of compressed air due to changes in the industrial structure, we will expand our core technology to other areas and respond flexibly to the changes in the environment.

**Tell us about the features of your company's governance and the effectiveness of the Board of Directors.**

Six out of the eleven Directors are Independent Directors. And looking at our Directors, I am convinced that we have established a management structure that fully ensures the transparency, objectivity, and fairness required for global business expansion. We have directed particular attention to our selection of Outside Directors and our Directors represent a well-balanced mix of experience, knowledge, and attributes. The Outside Directors are also invited to attend the Management Conference, which is held once a month, as observers, to strengthen the supervision function of the Board of Directors

Composition of the Directors



by sharing information through the discussions. An evaluation of the effectiveness of the Board of Directors is held each year and in FY2021, a third-party organization evaluated the board for the first time. According to the evaluation, despite certain issues, active discussions were taking place and the Board of Directors was found to be fully effective.

**Please tell us about your initiatives toward sustainability, including SDGs and measures against climate change. In particular, can you explain their relationship with business strategies?**

The Company's business activities and product development activities have always been linked to the improvement of the earth's environment and we have always been proactively working to differentiate our products and create new markets. Therefore, such initiatives are integral to our business strategies. For example, in the Coating Business, coating equipment that atomizes paint and enhances the added value of an item has been our mainstay product and we have been developing technologies that reduce the volume of paint consumed to the extent possible, thereby reducing the release of VOC (volatile organic compounds) as well as products that spray water-based paints, which contain less VOC, in the first place. In the Air Energy Business, also, we have been focusing on oil-free compressors and vacuum pumps and development that reduces the electricity consumption of such products.

SDGs and measures against climate change have been attracting global attention in recent years but for the Company, our past activities have exactly been about incorporating the SDGs and measures against climate change, and we, therefore, consider this to be a major opportunity. To further raise the precision of the initiatives, in product development, the Company has made it mandatory to indicate to which SDG, the development will contribute, while raising the awareness of each employee by investigating and internally disclosing to which SDG the activities of each division are contributing, among other efforts. Furthermore, given that the capacity development of each employee is indispensable in achieving sustained growth as an enterprise, the Company intends to continue providing a healthy and pleasant work environment by promoting health and productivity management and improving life-work bal-



ance. At any rate, as social contribution is not possible without the continuity of business activities, the Company will strengthen its sustainability management both from the standpoint of business and society.

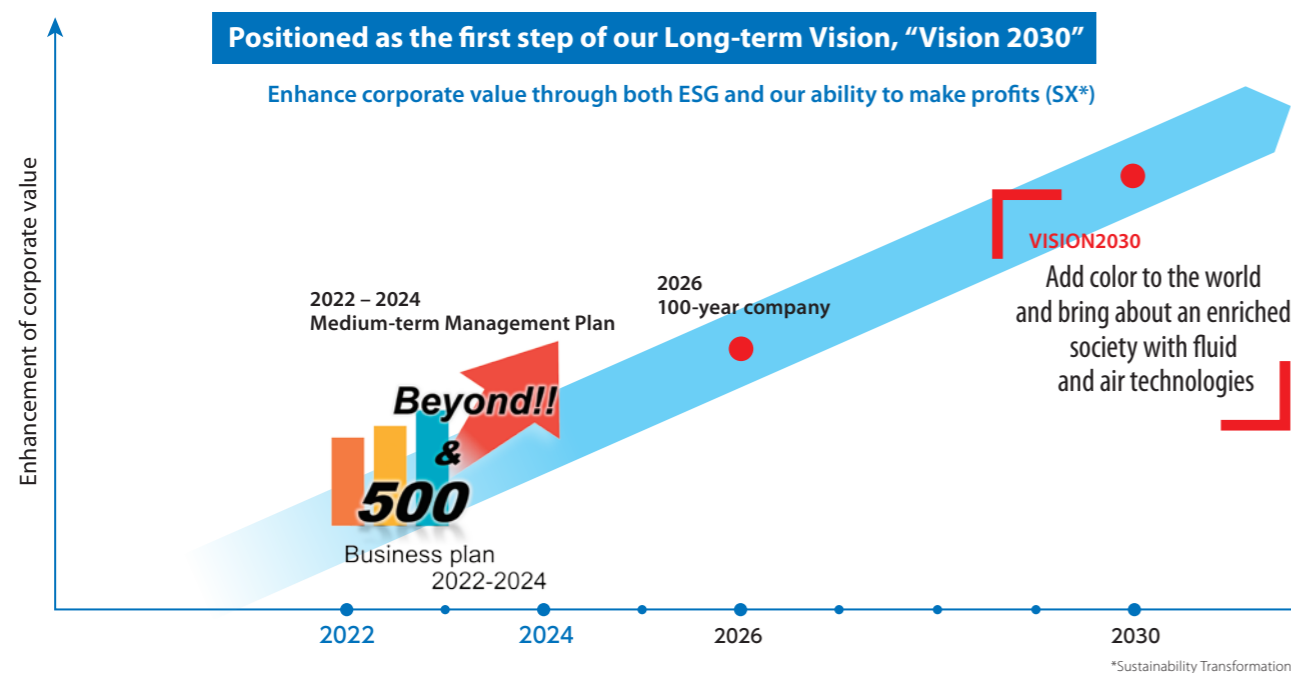
**Finally, do you have a message for the shareholders and investors?**

The new Medium-term Management Plan, "500 & Beyond," was launched, as I took the office of president. I do not intend to rest on the steady accumulation of business performance but hope to constantly seek growth potential with the next 30 years in mind and implement initiatives to realize such potential. Therefore, I believe that it is my greatest mission to indicate the specific direction to be taken in the next three years, and to this end, I hope to have many constructive dialogues with our shareholders and investors. I look forward to your support in the long term.



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

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



Under the Medium-term Management Plan to FY2024, we will aim for consolidated net sales of 50 billion yen or more, consolidated operating profit of 5.5 billion yen or more, and ROE of 10% or higher, based on organic growth. Furthermore, we will promote business activities with a view to achieving consolidated net sales of 100 billion yen by FY2035.

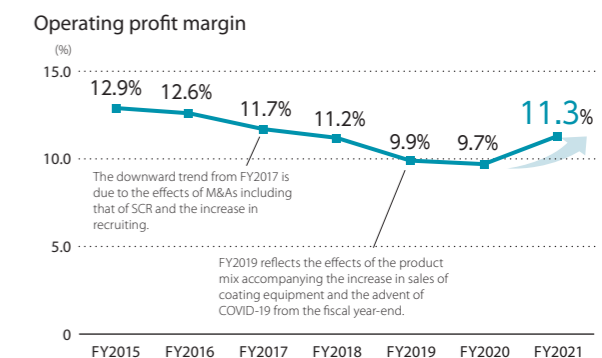
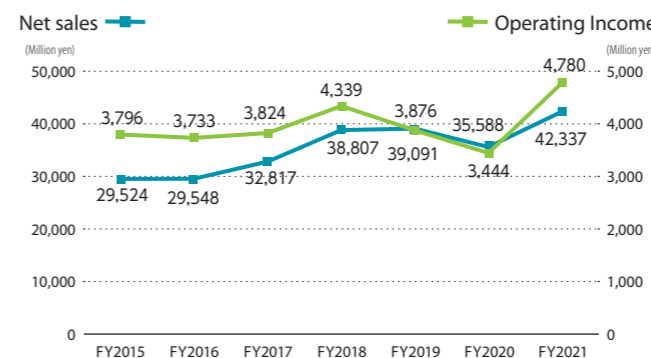
<b>Basic Strategy</b>	<ul style="list-style-type: none"> <li>• Capture the No. 1 share (NUMBER ONE) of each market by creating unique (ONLY ONE) products tailored to the needs of each region around the world.</li> <li>• Maximize the synergies between subsidiaries.</li> <li>• Expand the service business in Japan, change the business model, and develop new businesses.</li> <li>• Enhance sustainability management.</li> </ul>
<b>Business Strategy</b>	<p><b>Expand sales of compressors and high/mid-range coating equipment (spray guns) targeting overseas, which is a growing market.</b></p> <ul style="list-style-type: none"> <li>• Introduce environmentally-friendly, oil-free, medium-sized, general-purpose compressors with high added value and competitiveness.</li> <li>• Expand sales of spray guns that are suitable for difficult painting jobs as well as spray guns that are reasonably priced and meet certain specifications, mainly in emerging countries.</li> <li>• Accelerate growth by both improving profitability and expanding volume.</li> </ul> <p>Overseas market: As a growth market, accelerate business expansion by increasing sales volume.</p> <p>Domestic market: As a mature market, improve profitability by increasing the unit price through higher added value.</p>
<b>Investment</b>	<p><b>Investments will be sourced from operating cash flows and cash and cash deposits</b></p> <p>Capital investments centered on increasing production capacity, IT investment centered on ERP (Enterprise Resource Planning) to strengthen the management foundation, and proactive deliberation of M&amp;As as an important option for growth</p>
<b>Shareholder Return</b>	<p><b>Pursue proactive shareholder returns</b></p> <ul style="list-style-type: none"> <li>• Aggressive shareholder returns with the aim of increasing dividends</li> <li>• Establish and achieve a new index with a target payout ratio of 35%</li> <li>• 1.5 billion yen for share buyback (approx. 4% of total shares issued and outstanding)</li> </ul>

## Review of the Previous Medium-term Management Plan

While the initial sales targets have not been achieved due to the COVID-19 pandemic, operational reforms have been accelerated and the operating profit margin has been on a rising trend.

Since 2016, we have been solidifying our foundations by expanding our overseas bases, securing engineers and other human resources, supplementing our product range through M&As, and revising/reinforcing our production lines. And since the advent of COVID-19 in 2021, sales and operational reforms, including IT investments, have been accelerated, and progress has been made in establishing a system that reduces selling, general and administrative expenses and increases sales.

Million yen	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Net Sales</b>	<b>29,524</b>	<b>29,548</b>	<b>32,817</b>	<b>38,807</b>	<b>39,091</b>	<b>35,588</b>	<b>42,337</b>
Air Energy Division	15,597	16,090	18,133	23,053	22,224	20,866	25,015
Coating Division	13,926	13,457	14,682	15,752	16,866	14,722	17,321
<b>Operating Profit</b>	<b>3,796</b>	<b>3,733</b>	<b>3,824</b>	<b>4,339</b>	<b>3,876</b>	<b>3,444</b>	<b>4,780</b>



## Product Development

- Promoted new product development and remodeling**
  - Joint development of a new type of air compressor with SCR in China, which underwent M&A in FY2018
  - Remodeled the spray gun (WIDER series)
  - Developed mid-range spray guns
- Entered new markets**
  - Commercialized oil-free scroll air compressors for the vehicle application market
  - Expanded the lineup of compressors for the medical market
- Strengthened development of environmentally-friendly products**
  - Strengthened the development of oil-free air compressors to prepare for carbon neutrality
- Promoted the development of new businesses**

## Operational Reforms

- Sales reform**
  - Promoted reforms of the sales process by using the rise in customer satisfaction as a value index.
  - Conducted efficient sales activities utilizing ICT tools
  - Established and put in place a platform that links all customer relations
  - Implemented a system for improved business efficiency and improved responses such as confirming delivery dates, thereby increasing the number of precise inquiries
- Logistics reform**
  - Transitioned to planned production to improve production efficiency and stabilize the supply chain. Strategically expanded inventory to avoid sales opportunity losses
- Reform of the services business**
  - Transitioned to a business that sells not only products centered on hardware but also intangibles including serves

\*1: E.M.S. CONCEPT S.A.R.L. \*2: Automotive Spraying Equipment Technologies, LLC

## Investment

- Promoted digitization**
  - An in-house studio was built to promote the digitization of sales and training
  - Established systems related to operational reforms and improved networks
- Capital alliances and business transfers**
  - Investment in a French manufacturer<sup>1</sup> of air compressors for vehicle applications
  - Cultivated sales channels through a partial transfer of business from a North American coating equipment distributor<sup>2</sup>

## Organizational Development

- Strengthened the governance structure**
  - Established the Management Conference in which Independent Directors participate as observers
  - The Crisis Management Committee chaired by the President and Chief Executive Officer to improve the speed at which strategies are implemented
- Promoted corporate culture reforms**
  - Promoted health and productivity management and recognized under "2022 Health & Productivity Stock Selection" and the "White 500" enterprise in the "Health & Productivity Management Outstanding Organizations Recognition Program"
  - Focused on organizational development that targets sustained growth including the development of sound corporate culture and strengthening human resources development
- Launched a company-wide project for operational reforms**
  - For each issue a working team headed by an Executive Officer was established

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

## Management Strategies of "500 & Beyond"

### Overall

#### Human Capital

- Establish human resources strategies through companywide optimization
- Establish a human resources development system for talent capable of actively working overseas  
Improve the labor environment so that diverse human resources can demonstrate their capabilities

→ P.38

#### DX

- Fully utilize systems that were built during the previous medium-term management plan period, such as integrated customer databases
- Visualize global business management and improve the efficiency of consolidated accounting
- Prepare for the renewal of the core system and consider digitizing design technology information
- After verifying the effects in Japan, plan to roll out DX reforms overseas

### Business

#### Air Energy Division

**Targets** Consolidated net sales of **29.5 billion or more**, consolidated operating profit of **2.9 billion or more**

- As the price competition in the overseas market is more moderate than in Japan, the monetary value share of approx. 1% still represents ample room for growth. We will aim for greater profits by increasing our share.
- Although Japan is a mature market, by raising the ratio of high-value-added products such as oil-free air compressors, we will secure profits. Benefitting from the increased environmentally-friendly demand.
- Aim for 60% or more sales of oil-free products to total consolidated net sales.

→ P.20

#### Coating Division

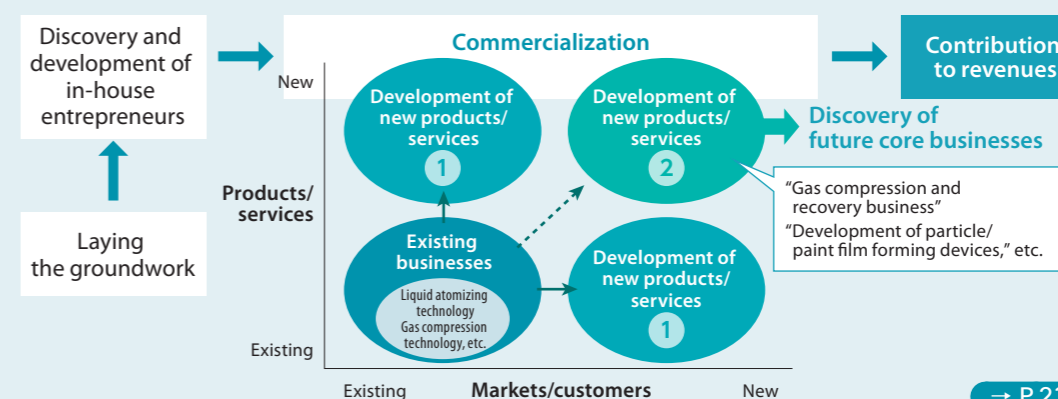
**Targets** Consolidated net sales of **20.5 billion or more**, consolidated operating profit of **2.6 billion or more**

- In the overseas markets, we will aim for the growth of reasonable mid-range spray guns that meet certain specifications mainly in emerging countries, in addition to our strengths, the high-range spray guns.
- Although Japan is a mature market, we leverage our high market share and secure profits through high-value-added products, including products for difficult paint jobs.

→ P.24

### Development of New Businesses

- Cultivating markets and developing new products/services by leveraging core technologies/knowhow (1)
- Entering new domains that are not extensions of existing businesses by leveraging core technologies and from a sustainability standpoint (2)



→ P.23 P.27

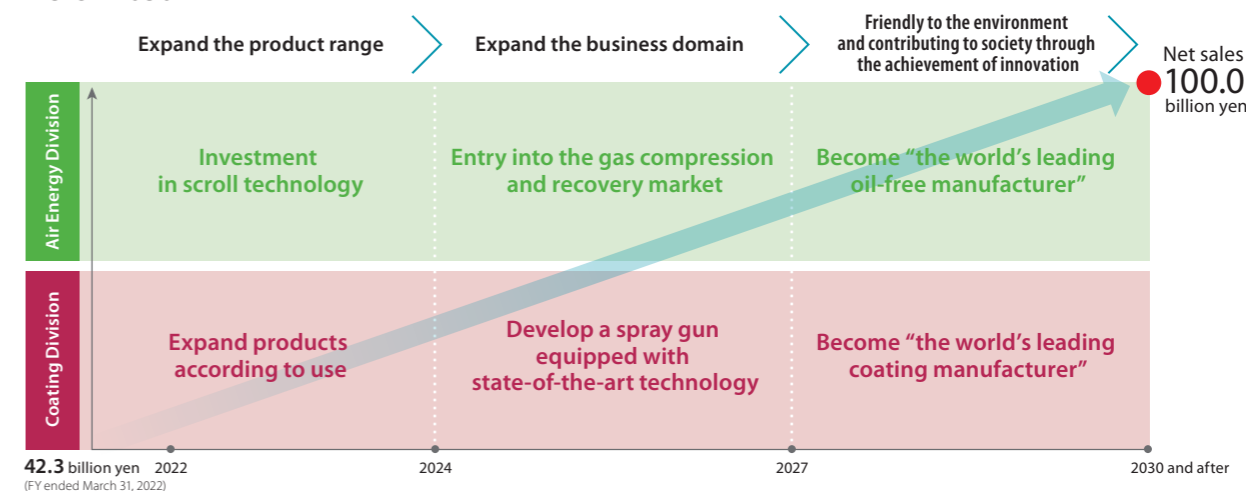
### M&A

- Proactively pursue M&A for regional coverage, technology, and knowhow, and to supplement product range
- Focus on securing the necessary specs and target manufacturers that have procurement, production, sales and service systems

### Others

- Expand the domestic services business
- Stabilize and optimize production and strengthen supply chain management
- Strengthen the quality assurance system to enable the provision of safe and secure products and services (→P.28)

### VISION2030



# Operating Results, Financial Condition, and Future Financial Strategies

## What are the key points in evaluating past operating results and financial conditions?

Looking back at the trends in net sales, the Company 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 the fiscal year ended March 31, 2011 – the year marked by our full recovery from the Lehman Crisis. Our growth in business performance to date has been brought about by securing market share in Japan and developing overseas markets for our mainstay products, namely air compressors and coating equipment. However, lately, the Company's growth has been driven by the rise in the ratio of overseas sales. In the past ten years, the ratio of overseas sales rose from 39.6% to 62.1%. In particular, a major contributor to the high growth rate realized for two consecutive years from the fiscal year ended March 31, 2018 was overseas M&As 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 26.7-fold in the past six years. Approximately 1.0 billion yen in goodwill associated with past M&As have been capitalized but it is currently not considered to be major a risk factor (e.g. of impairment risk).

On the other hand, in terms of profitability, except for the fiscal years ended March 31, 2020 and March 31, 2021, 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 the fiscal year ended March 31, 2014. 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 13 billion yen in cash reserves as a consequence, our policy is to effectively utilize them for the Company's future growth strategies.

## Can you tell us about the Company's operating results and financial condition for the fiscal year ended March 31, 2022?

The consolidated operating results for the fiscal year ended March 31, 2022, were net sales of 42,337 million yen (up 19.0%), operating profit of 4,780 million yen (up 38.8%), ordinary profit of 5,572 million yen (up 31.0%), and net profit attributable to owners of parent of 3,541 million yen (up 35.0%), which represent a significant increase in both net sales and profits, exceeding the forecasts at the beginning of the year, and thus reaching record highs in sales and all profitability indicators. Recovery from the COVID-19 pandemic and the expansion of overseas businesses contributed substantially to this increase in revenue, and even without the effects of the foreign exchange markets (an increase of approximately 1,690 million yen), this was a significant increase. In particular, in the overseas businesses, the cooperation with SCR, which was acquired in 2018, got into full swing, which, in turn, accelerated the growth in operating results, especially in Asia. As a result, the ratio of overseas sales exceeded 60% for the first time at 62.1% (compared to 57.1% in the previous fiscal year).

On the profit front, also, we reported a significant increase in operating profit, due to the effects of increased revenue and improved cost to sales ratio (e.g., changes in the product mix), as well as the improvement of the ratio of selling, general and administrative expenses to 31.8% (down 0.5 points), thanks to the greater-than-expected progress made in operational reforms through the use of the web and other means, triggered by the COVID-19 pandemic. The operating profit margin also rose to 11.3% (up 1.6 points), and we hope to firmly establish this trend of structural change rather than dismissing it as a one-time phenomenon.

As for the Company's financial condition, total assets increased significantly to 55,818 million yen (up 12.9% from the previous fiscal year). Major contributing factors included the in-

crease in "Notes and accounts receivable-trade" and "Merchandise and finished goods," reflecting the increase in net sales, the securing of "Raw materials and supplies" to prepare for a shortage of parts, and the increase in "Software" as a result of IT-related investments. On the other hand, equity capital also increased to 35,623 million yen (up 10.5%) due to the increase in internal reserves, and while the shareholders' equity ratio declined slightly to 63.8% (down 1.4%), it, nevertheless, remained high. In terms of capital investments, we made IT-related investments and investments to expand the production lines for a total of 1,568 million yen as well as disbursed 1,048 million yen in research and development expenses, thereby making strategic preparations for the future. Meanwhile, in terms of the cash flow status, positive operating cash flows have continued to compensate for both cash used in investing activities (e.g., capital investments) and cash used in financing activities (e.g., repayment of loans-payable, share buyback, and dividend payments), and given that interest-bearing debt (including lease liabilities) decreased to 2,417 million yen (down 2.1%), the Company may be acknowledged for maintaining financial soundness. Furthermore, ROE, an indicator of capital efficiency, also improved significantly to 10.4% (up 2.1 points).

## What can you tell us about the performance forecast and the underlying assumptions?

Our performance forecast for the fiscal year ending March 31, 2023, is a continuing increase in both sales and profits, i.e., net sales of 44,000 million yen (up 3.9%), operating profit of 4,900 million yen (up 2.5%), ordinary profit of 5,650 million yen (up 1.4%), profit attributable to owners of parent of 3,580 million yen. While both the Air Energy Division and Coating Division will grow mainly overseas, we expect increases in both net sales and profits, assuming that operational reforms will continue and price hikes will stick, despite a certain level of impact from the effects of the COVID-19 pandemic on the global economy, as well as the effects on production of soaring material prices due to the disputes in Eastern Europe and the supply shortage of semiconductors and electronic components.

## What are the financial strategies of the new Medium-term Management Plan?

The newly-launched Medium-term Management Plan, "500 &

Beyond," aims to achieve 50 billion yen or more in net sales, 5.5 billion yen or more in operating profit (operating profit margin of 11.0%), and an ROE of 10% or higher by the fiscal year ending March 31, 2025, the final year of the plan, while also considering the possibility of further business expansion through M&As. In particular, by targeting the overseas markets as growth markets and accelerating the quantitative expansion of air compressors and mid/high-range coating equipment, and increasing the unit price by raising the added value in the domestic market, we will improve profitability. Additionally, by further promoting operational reforms, we plan to reduce the ratio of selling, general and administrative expenses to 30% or below and bolster our earnings structure.

As for the 3-year investment plan, we will continue to invest (1) 5.0 to 6.0 billion yen to enhance production capacity at the Akita and Fukushima Factories (in response to increased overseas exports), (2) 5.0 billion yen for research and development, new business development, and M&As, etc., and (3) 5.0 billion yen for shareholder returns, dividends and share buyback. And these investments are expected to be sourced from the 15.0 to 16.0 billion yen in accumulated operating cash flows from the three years. (Estimated: as of May 25, 2022)

As for M&As, both the Air Energy Division and the Coating Division are expected to utilize their cash at hand and treasury stock (in conjunction with the share buyback) to engage in M&As to expand regional coverage and supplement their technology, expertise, and product range.

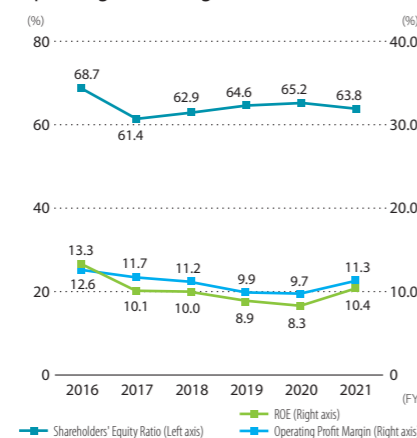
## Can you tell us about your shareholder return policy?

As for shareholder returns, we aim for a consolidated payout ratio of 35% based on our policy to strike a balance between securing internal reserves for growth investments and paying stable dividends. In the fiscal year ending March 31, 2023, we are planning an annual dividend of 31 yen per share (consisting of an interim dividend of 15 yen and a year-end dividend of 16 yen), up 1 yen from the previous fiscal year, and we will aim for increases in dividends in line with the growth of profits going forward. Furthermore, during the Medium-term Management Plan period, we are planning a share buyback of 1.5 billion yen or more (approx. 4% of total shares issued and outstanding).

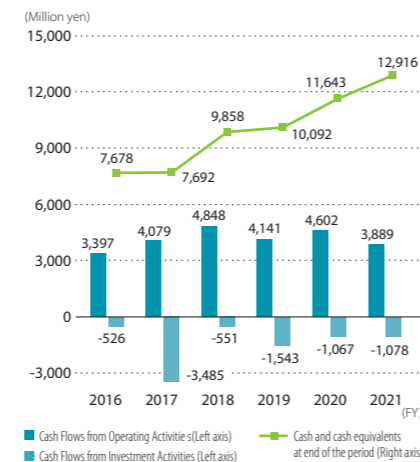
Consolidated net sales and ratio of overseas sales to total sales



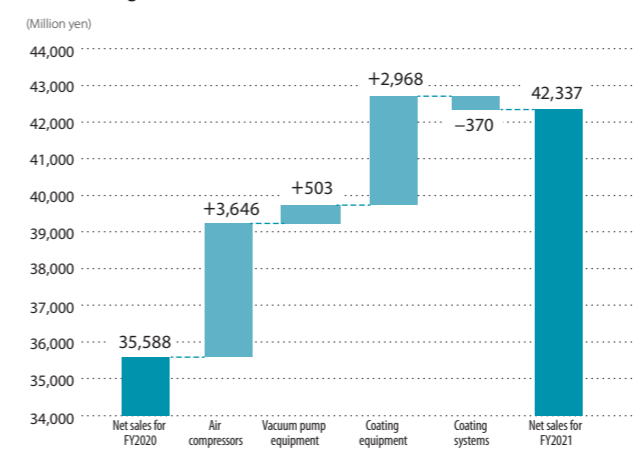
Shareholders' Equity Ratio, ROE, and Operating Profit Margin



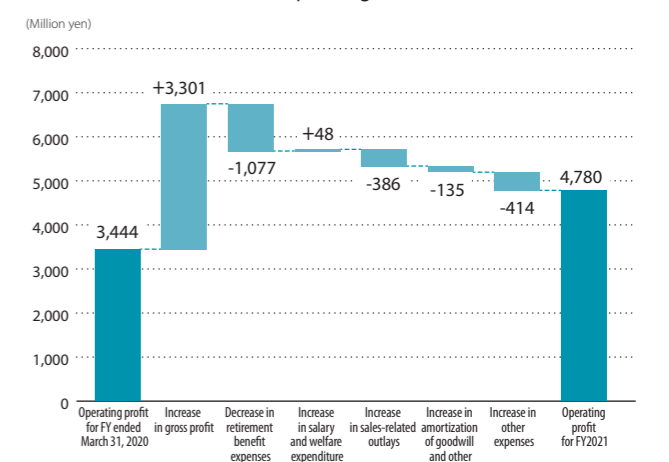
Cash Flows



Positive/Negative Contributors to Net Sales



Increase/decrease Factors of Operating Profit





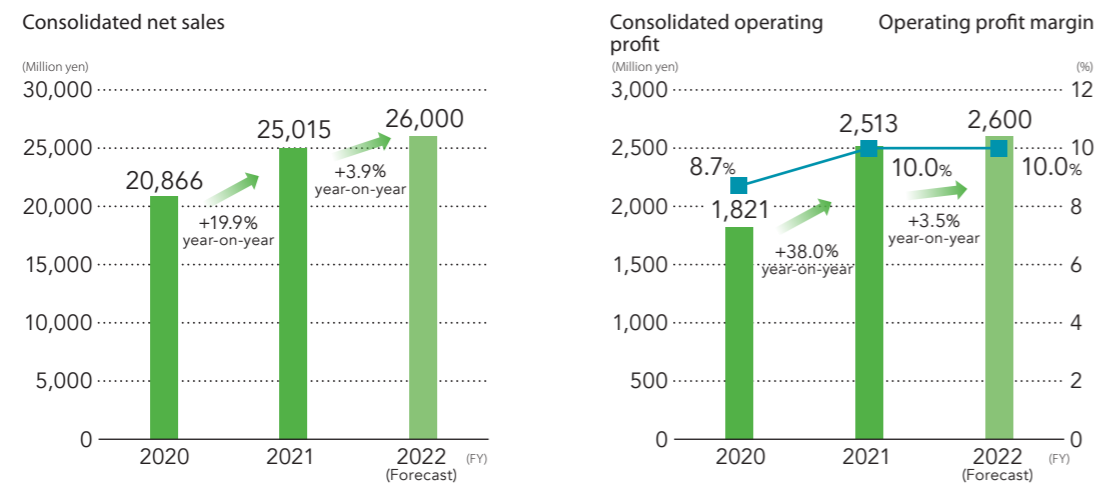
We will help create a prosperous society by pursuing technology to compress gases, mainly air oil-free, as well as energy-saving qualities, and providing products that match the demands of our customers around the world.

**Hitoshi Iwata**

Managing Executive Officer  
Chief Operating Officer of Air Energy Division

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

**FY2021 Operating Results of the Air Energy Business**

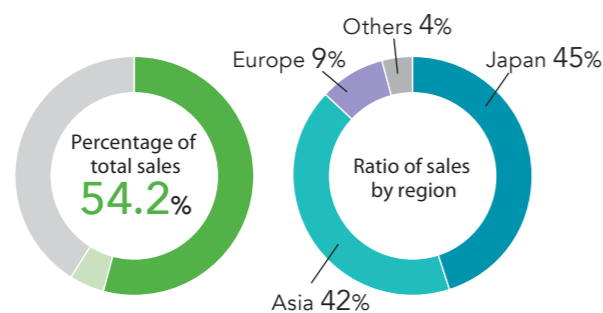


\*FY2022 represents the forecast as of May 10, 2022

**Air compressors**

FY2021 Consolidated net sales

**22,950** million yen  
(↑18.9% year-on-year)



Year-on-year change in net sales by region

Japan	○
Europe	○
Asia	○
Others	○

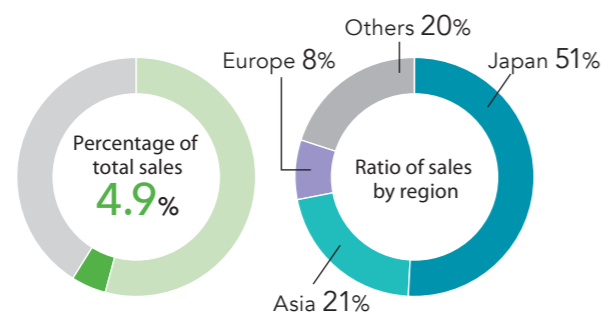
○ 10% - 3% - 10%  
△ 0% - 3%  
▽ 0% - -3%  
● -3% - -10%  
× -10% -

(note) Results have been translated based on the delivery destination

**Vacuum equipment**

FY2021 Consolidated net sales

**2,064** million yen  
(↑32.2% year-on-year)



Year-on-year change in net sales by region

Japan	○
Europe	○
Asia	○
Others	○

○ 10% - 3% - 10%  
△ 0% - 3%  
▽ 0% - -3%  
● -3% - -10%  
× -10% -

(note) Results have been translated based on the delivery destination

**Air compressors** Air compressors and nitrogen gas generators

**Strengths / Opportunities and Risks**

**Strengths**

- Technology that can manufacture oil-free air compressors that supply clean compressed air without using lubricating oils
- Technology that can manufacture the world's first air-cooled, oil-free, scroll compressors which are quiet with excellent 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 product quality through production in a work environment which 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

\*1 Company's estimate

**Opportunities**

- Global economic recovery
- Revitalization of medical and pharmaceutical markets
- Construction of new hospitals and enhancement of medical-related facilities, especially in emerging countries
- Strengthened initiatives toward reducing the environmental burden including providing energy-saving products and compliance with environmental regulations
- Expanding the EV market (electric buses, electric trucks, trains, etc.)
- Demands for improved air compressor installation environment (space-saving, reduced vibration/noise, removal of oil leaking onto the floor and into the air)
- Higher demand for markets where minimal noise is particularly required (e.g., research facilities, medical facilities)

**Risks**

- Slowdown of the global economy due to the remaining impact of the COVID-19 pandemic and the materialization of geopolitical risks (impact mainly on sales of general-purpose air compressors)
- Deteriorating profit margin due to intensified price wars in Japan
- Maturing air compressors market in Japan
- New and stricter laws/regulations, rules and standards stipulated in each country/region
- Further rise in raw materials prices
- Loss of sales opportunities and increase in costs due to disruption to supply chain management/logistics

**Major Achievements in FY2021**

- Increased sales of general-purpose air compressors due to global economic recovery and revitalized sales activities
- Accelerated contribution by SCR, which was acquired and made into a subsidiary in 2018 (please refer to P.11)
- Increased sales of customized oil-free air compressors tailored to each customer's requests in specific markets\*2 (Especially for the medical market)
- Passed on the rise in raw materials prices in Japan and overseas to product prices
- Although the supply of motors was delayed due to the lockdown in Southeast Asia from September to October, the effects were minimized through persistent parts procurement by the procurement divisions

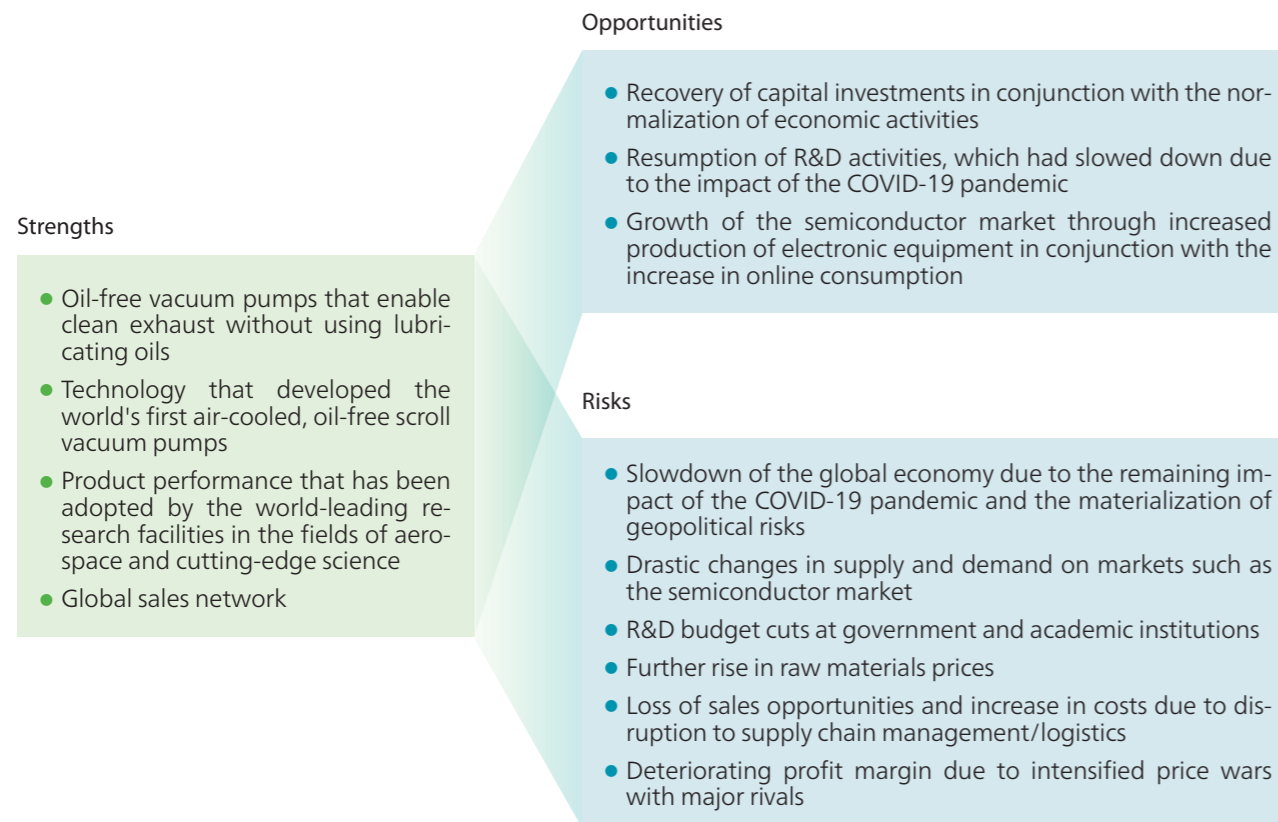
**Measures to be taken in and after FY2022**

- Raise prices once again in response to the further rise in raw materials prices (Japan: From October 2022)
- Continue strategy to prioritize the securing of inventory to avoid sales opportunity losses
  - In response to procurement difficulties due to the global shortage of parts
- Build an optimal location-based production structure on a global level and enhance the management foundation, including reviewing the management structure in each activity hub
  - Full-scale cross-production and cross-sell with each hub
  - Strengthen cooperation between the hubs by such means as promoting human resources exchanges and rolling out best practices
- Improve production efficiency by such means as developing communication infrastructure and utilizing IoT in domestic plants
- Focus efforts on overseas markets with room to expand market share, niche markets deemed to have high added value, and strong markets
- Explore the possibility of entry into new businesses (please refer to P.23 "Creation of new businesses")
- Promote superior, oil-free air compressors with high added value as environmentally friendly and in specific markets\*2 (please refer to P.23 "Promoting oil-free air compressors that enable clean exhaust")

\*2. Specific markets: Markets for specific uses such as medical settings, vehicle applications, and analytical uses

## Vacuum equipment Oil-free scroll vacuum pumps

### Strengths / Opportunities and Risks



### Major Achievements in FY2021

- Increased sales due to global economic recovery and revitalized sales activities
  - Recognized for short delivery time and captured orders
- Succeeded in enhancing sales capabilities by utilizing business activity hubs in the US, i.e., the biggest market
  - Succeeded in developing customers, mainly equipment manufacturers
  - Sales of products for research institutions were strong reflecting the robust R&D field
- Increased sales of products for equipment related to the production of specimens for PCR tests (freeze dehydration/sterilization)
  - Continued to increase sales of products for semiconductor manufacturing-related equipment on the back of growth in semiconductor demand worldwide
  - Products are primarily used in the manufacturing process, such as in exposure devices for circuit printing, leak detectors, and conveyors.
- Passed on the rise in raw materials prices in Japan and overseas to product prices

### Measures to be taken in and after FY2022

- Raise prices once again in response to the further rise in raw materials prices (Japan: From October 2022)
- Cultivate sales channels to equipment manufacturers, especially in the US and China
- Develop customized products based on specifications tailored to the characteristics of each country
- Explore the possibility of entry into new businesses (please refer to P.23 "Creation of new businesses")

## Special Feature

# Contributing to the Resolution of Environmental Problems

### Oil-free Scroll Compressors that Contribute to Energy Saving

Air compressors are general industrial machines used in almost all production factories, and their electricity consumption accounts for approximately 20% to 25% of all electricity consumed by factory facilities. For this reason, improvement of energy efficiency is demanded in terms of environmental impact and costs.

Scroll air compressors, in which the Company has an edge, realize high compression efficiency by ensuring a high level of

airtightness based on the application of special coating on the inside of the air compressor unit itself. This has made it possible to produce compressed air with limited electricity.

We are striving to reduce the environmental impact of society as a whole by having our air compressors adopted and helping customers realize energy-saving.

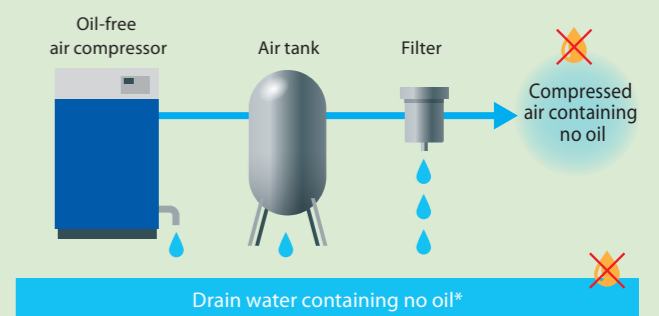
### Promotion of Oil-free Models

Air compressors and vacuum pumps are available in two types: oil type, which uses lubricating oils, and oil-free type, which does not use any lubricating oils. Oil-type products are cheap in price but the oil contained in the compressed air and other components of the compressor raises concerns over water and air pollution. Additionally, large volumes of CO<sub>2</sub> emissions are released in the manufacturing process of lubricating oils, which have a negative impact on the Earth's environment.

In the case of oil-free type air compressors, the compressed air and other components do not contain oil, thus preventing water and air pollution. In addition, the widespread adoption of oil-free type air compressors will lead to a reduction in the amount of lubricating oils used by society as a whole, which, in turn, will help reduce CO<sub>2</sub> emissions released during production and disposal after use.

While, currently, oil-free oil compressors account for around 60% of all air compressors made by the Company, we are aiming

to raise this proportion, as the promotion of oil-free models has been positioned as a key growth strategy. By spreading environmentally-friendly, oil-free type products around the world, we will realize the creation of values shared between society and the Company.



In the case of an oil-free type air compressor, no oil is contained

\*Moisture generated by cooling down after air compression. If it contains oil above the regulation value, it is treated as industrial waste.

# Creation of New Businesses

To ensure sustained growth, the Company is focusing its efforts on cultivating new business domains beyond the existing business domains that utilize our core technology and discovering future core businesses.

### Gas Compression and Recovery

While the Company's core technology lies in the compression of gases and its product lineup contains such products as nitrogen gas generators and vacuum pumps for helium recovery, its

main target is air. Therefore, the Company will expand the types of targeted gases and focus on gas compression and recovery.

### Introduction of a Subscription System

The Company has launched a pay-as-you-go-type service that combines the rental and maintenance of air compressors in Japan.



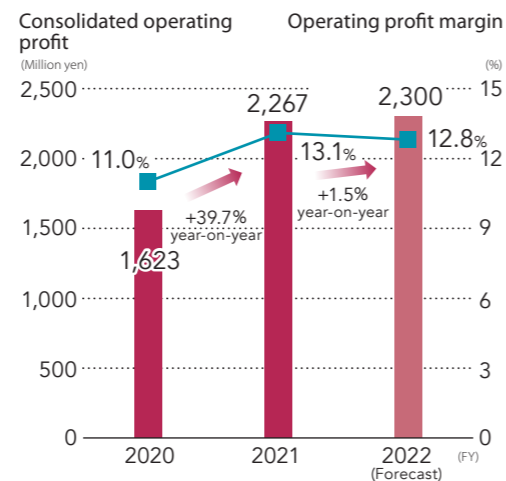
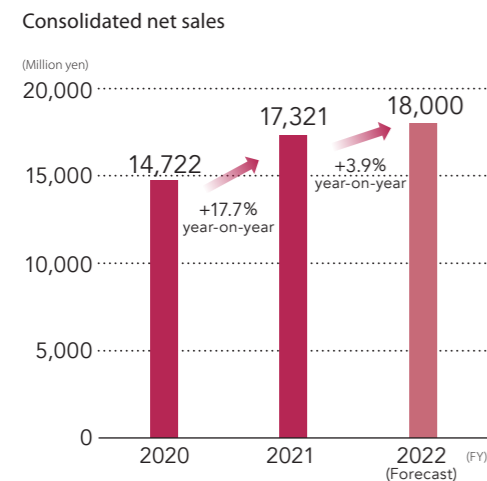
As a world-class coating manufacturer, we provide optimal paint film technology and environmentally-friendly coating technology.

### Kenichi Osawa

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

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

### FY2021 Operating Results of the Coating Business



\*FY2022 represents the forecast as of May 10, 2022

#### Year-on-year change in net sales by region

Region	Change (%)
Japan	○
Europe	◎
Asia	◎
Others	◎

○ 10% - 3% - 10%  
△ 0% - 3%  
▽ 0% - -3%  
● -3% - -10%  
× -10% -

(note) Results have been translated based on the delivery destination

#### Year-on-year change in net sales by region

Region	Change (%)
Japan	×
Europe	◎
Asia	—
Others	—

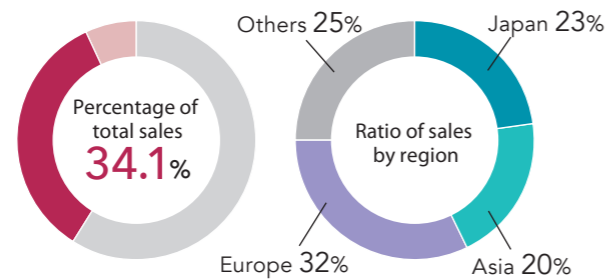
○ 10% - 3% - 10%  
△ 0% - 3%  
▽ 0% - -3%  
● -3% - -10%  
× -10% -

(note) Results have been translated based on the delivery destination

### Coating equipment

#### FY2021 Consolidated net sales

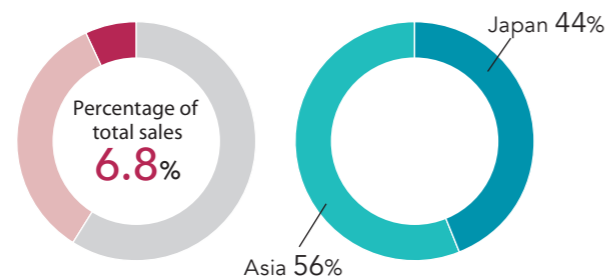
**14,451** million yen  
(↗ 25.9% year-on-year)



### Coating systems

#### FY2021 Consolidated net sales

**2,869** million yen  
(↘ 11.4% year-on-year)



## Coating equipment

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

### Strengths / Opportunities and Risks

#### Strengths

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

#### Opportunities

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

#### Risks

- Slowdown of the global economy due to the remaining impact of the COVID-19 pandemic and the materialization of geopolitical risks
- Loss of sales opportunities due to delayed new product development
- Increased distribution of low-priced imitation products
- Emergence of surface furnishing (film) technology as an alternative to coating
- Further rise in raw materials prices
- Loss of sales opportunities and increase in costs due to disruption to supply chain management/logistics

### Major Achievements in FY2021

- Increased sales due to global economic recovery and revitalized sales activities
  - Effective sales promotion measures utilizing the web/social media were conducted, especially in Europe
- The transfer of certain businesses from a North American distributor proved successful and sales of spray guns for vehicle repairs increased
  - More timely promotion activities and precise information gathering were made possible by selling directly on the transferred sales channels
- Increased sales of airbrushes used for art, hobbies (painting plastic models), makeup, etc.,
  - Orders remained robust even after the drastic increase in demand due to stay-at-home consumption

- Currently, demand seems to be going through a slight pause
- Passed on the rise in raw materials prices in Japan and overseas to product prices
- Made progress in cultivating the market for liquid application in which liquids other than paint such as mold release agents are blown onto objects (“liquid application”)
- Built appropriate strategies and enhanced global collaboration by holding marketing meetings with major overseas areas on an ongoing basis
  - Promoted the activities of the global technical team consisting of several engineers from subsidiaries in each country, to obtain certification from paint manufacturers in each country (spray gun)

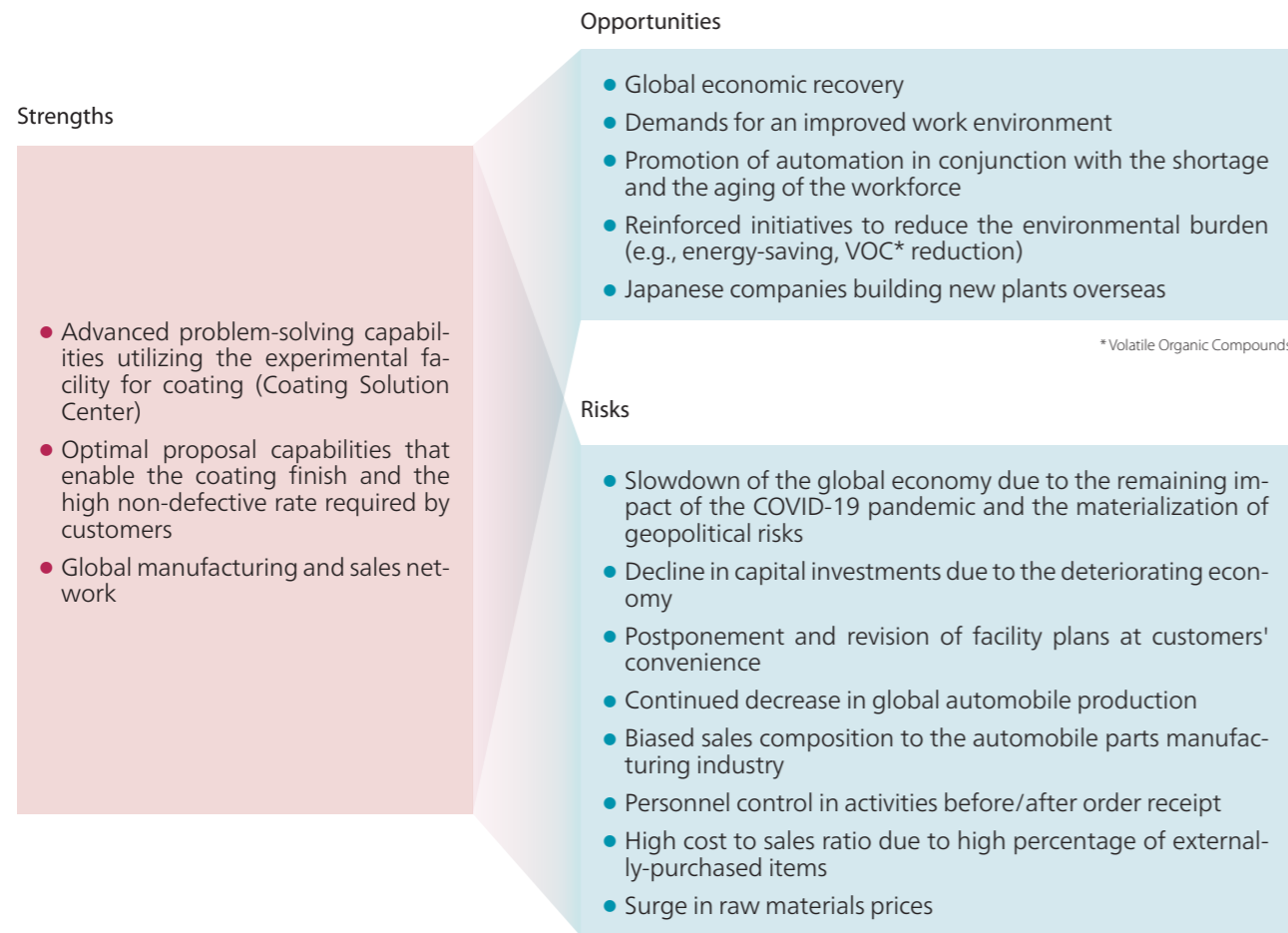
### Measures to be taken in and after FY2022

- Raise prices once again in response to the further rise in raw materials prices (Japan: From October 2022)
- Supply coating equipment by fixing the product specs and price range by region
  - In the high-range, expand sales of elaborate spray guns for difficult paint jobs
  - In the mid-range, conduct early penetration of the mid-range spray gun, “KATANA,” to cultivate the volume zone market and raise brand visibility. Promote the progression of using “KATANA” for the first coating job and lead the user

- on to mid-range and high-range projects.
- Develop a structure and implement measures tailored to each area to tackle the industrial coating market
- Cultivate the liquid application market
- Change the business model focusing on product sales to a business model focusing on providing coating technology  
**(please refer to P.27 “Creation of New Businesses”)**
- Promote the utilization of the e-commerce website

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

### Strengths / Opportunities and Risks



### Major Achievements in FY2021

- Steadily delivered project orders received in the previous fiscal year, despite the decrease in revenue resulting from slow sales activities due to the COVID-19 pandemic
  - Excluding postponements at the customers' convenience
- Succeeded in providing on-site assistance in launching project involving overseas facility delivery remotely from Japan (remote supervisor)
- Supported multinational users and captured repeat customers reflecting the track record of delivery to such customers

### Measures to be taken in and after FY2022

- Steadily deliver and launch projects for which orders are received without being affected by external factors
  - Enhance both face-to-face and on-the-Web sales activities and remote supervising initiatives
- Reinforce the consulting function to offer the optimal type of coating to customers
- Establish fully-automated coating as well as environmentally-compliant technology and product development
- Win contracts for and deliver projects without being biased toward automobile parts coating
  - Create projects related to liquid application facilities other than paint
- Design and develop environmentally-friendly coating systems with zero-VOC emission
- Improve the high cost to sales ratio

## Special Feature

# Contributing to the Resolution of Environmental Problems

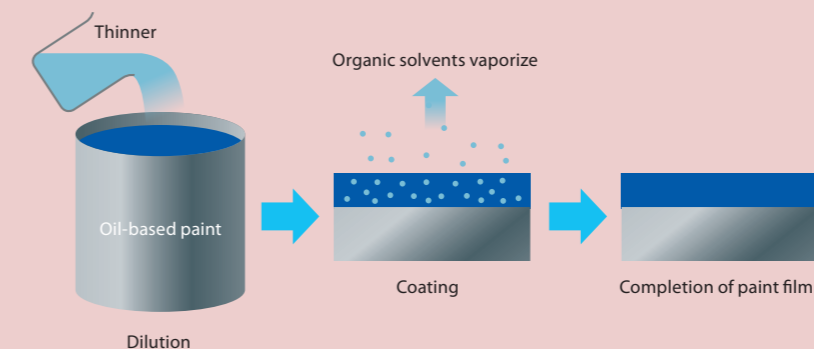
### Coating Equipment Meeting Environmental Demand

Many paints contain Volatile Organic Compounds (VOCs), which cause air pollution and health hazards. Therefore, countries around the world have established tough laws and regulations against organic solvents related to paints.

The Company has been one of the first to work on the development of products compliant with environmental regulations in regions that are advanced in terms of environmental protection, i.e., Europe and the US. In 1994, we released the world's

first spray gun compliant with European environmental regulations. Currently, we are developing coating equipment optimized for environmentally-friendly paints such as water-based paints and products that require lower input of resources when discharging coating mist, and selling spray guns compliant with environmental regulations that are becoming more prevalent in countries around the world. We will help spread environmentally-friendly coating through our products.

#### When coating with oil-based paints



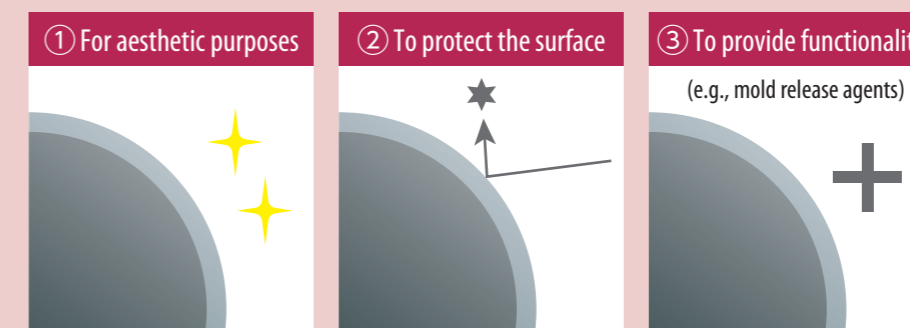
## Creation of New Businesses

To ensure sustained growth, the Company is focusing its efforts on cultivating new business domains beyond the existing business domains that utilize our core technology and discovering future core businesses.

### Development of particle/paint film-forming devices

We will not only sell machinery but also provide coating technology.

#### Main reasons for coating



### Introduction of subscription-type business model

## The Businesses of ANEST IWATA Quality Assurance and Intellectual Property Management

In our relentless pursuit of customer satisfaction, we are striving to build and upgrade our quality assurance system as well as maintain and enhance quality, to achieve safe and reliable quality. We also appropriately handle our intellectual property as important management assets.

### Basic Approach to Quality

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

dently propose and sell the products and services provided by the Company, 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 Policy

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

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

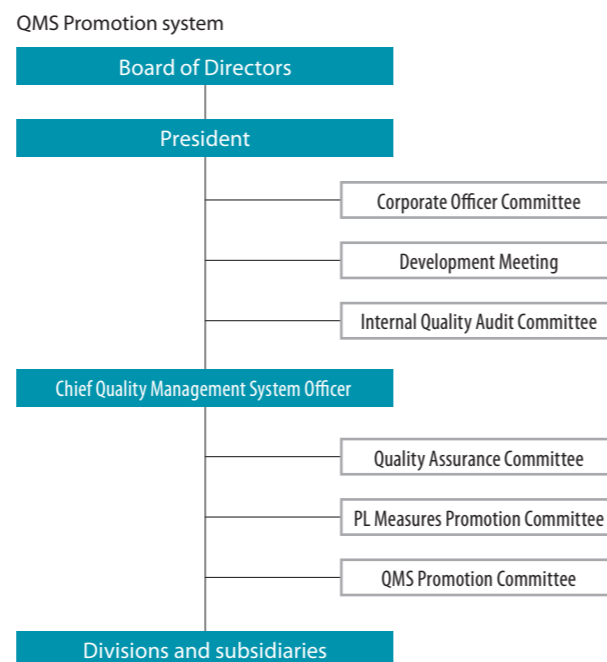
#### Quality Slogan

▶ 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 is deepening its 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 dissatisfaction cases" as a quality indicator since FY2019, 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 aware-

ness by disclosing these results within the Company.

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

### Initiatives Toward Further Quality Enhancement

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

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

#### Action Policy



#### Tasks

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

### Initiatives Toward Improving Customer Satisfaction

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

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

### Intellectual Property Management

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

Number of patent applications: Past results

Over **1,200**  
patents in Japan and overseas



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

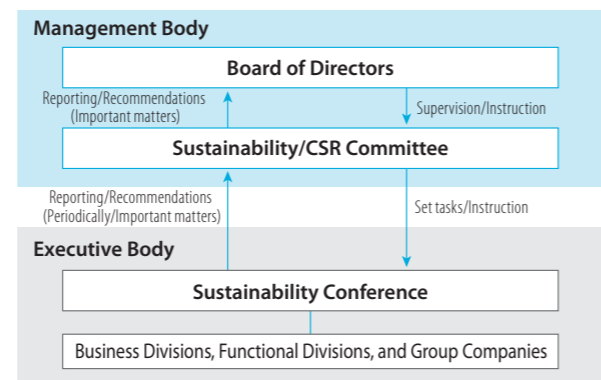
### Sustainability Promotion System

In December 2021, the Group established the Sustainability/CSR Committee, as a non-statutory committee under the Board of Directors to control the risks surrounding the Company, to prevent its corporate value from being impaired, and to seize opportunities for further growth.

The committee, which comprises the Representative Director, four non-executive Directors, and the Chief Corporate Planning Officer, who serves as chair, discusses important matters related to sustainability, risk management, responses to compliance, management of corporate information disclosures, responses to the whistleblowing system/ disciplinary actions, etc., and makes recommendations and reports to the Board of Directors, as necessary.

Additionally, in January 2022, the Sustainability Conference was newly established as a subordinate organization to the Sustainability/CSR Committee to oversee the executive bodies. To flexibly and promptly respond to sustainability-related matters, the conference comprises an Corporate Officer serving as an

advisor and the chair of the Sustainability/CSR Committee, led by an elected general manager. It discusses the sustainability of the entire Group, as well as shares ESG information within the Company, and periodically reports on the details of the discussions to the Sustainability/CSR Committee. For each important theme requiring priority implementation, a working team is established to carry out focused discussions.










### Contribution to SDGs

In the Company, there is a mandate to clearly state, out of the 17 SDGs, which one of the goals we can contribute to when putting forth an agenda at the Development Meeting. In addition, we are promoting our businesses by exploring how we can make a contribution as an industrial machinery manufacturer—for example, in April 2021, we 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.

Major SDGs	Social issues to be resolved	Goals of 500 & Beyond (Medium-term Management Plan)	Major achievements	Social value
	Health of the employees	<ul style="list-style-type: none"> <li>Improve the penetration of health and productivity management</li> </ul>	<ul style="list-style-type: none"> <li>Certified as a "White 500" enterprise in the Health &amp; Productivity Management Outstanding Organizations Recognition Program" (FY2021 – 2022)</li> <li>Selected under "2022 Health &amp; Productivity Stock Selection"<sup>*2</sup></li> <li>Recognized as "SPORTS YELL COMPANY"<sup>*3</sup> (FY2021 – 2022)</li> <li>Certified "Healthy Meals and Food Environment" (FY2021, certification duration: 2 years)</li> <li>Promoted the improvement of health information unique to women (conducted e-learning)</li> </ul>	By promoting better health and fitness of the employees, we are raising productivity and the employees' creativity, and contributing to making the work and the lives of each employee more meaningful. It also has the effect of reducing medical expenses.
	Human resources and development	<ul style="list-style-type: none"> <li>Establish a human resources development system for talent capable of actively working overseas</li> <li>Development human resources capable of formulating and executing business expansion</li> <li>Job-type employment</li> <li>Pursue workstyles that allow diverse human resources to demonstrate their capabilities</li> <li>Build strategies for resilient human resources and the development of management that will welcome the Company's 110th and 120th anniversaries</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened talent management</li> <li>Strengthened job-type employment</li> <li>Distributed email newsletters to employees on the SDGs to be promoted by the government, other companies, and the Company</li> <li>Employment rate of persons with disabilities: 2.51% (FY2021)</li> </ul>	Shift to changing the individual's mindset, vigorously demand results, and aiming for business expansion and continuous growth.

Major SDGs	Social issues to be resolved	Goals of 500 & Beyond (Medium-term Management Plan)	Major achievements	Social value
	Diversity and inclusion	<ul style="list-style-type: none"> <li>Accelerate diversity, increase female managers at headquarters, and transition to a rewarding company regardless of specific attributes such as gender</li> </ul>	<ul style="list-style-type: none"> <li>Improved the labor environment</li> <li>Ratio of female managers: 7.4% (FY2021)</li> <li>Launched the "STAR★PROJECT," a project to promote the advancement of women</li> </ul>	Promote diversity and pursue workstyles that allow diverse human resources to demonstrate their potential
	Reduction of greenhouse gas emissions	<ul style="list-style-type: none"> <li>Continue activities to reduce CO<sub>2</sub> through corporate activities</li> </ul>	<ul style="list-style-type: none"> <li>Installed solar panels</li> <li>Promoted the use of returnable boxes in transport packaging</li> <li>Recognized as an excellent enterprise in 3R activities (FY2021 – 2022)</li> <li>Managed indicators as part of the promotion of the environment management system</li> </ul>	Achieve sustainable <i>monozukuri</i> (manufacturing) by contributing to a decarbonized society through the reduction of greenhouse gas emissions
	Contributing to local communities	–	<ul style="list-style-type: none"> <li>Participated in various events on the Anest Iwata Turnpike Hakone</li> <li>Became an official partner of Yokohama F. Marinos and conducted various events</li> <li>Picked litter around headquarters and the factories</li> <li>Commenced the provision of spray guns as thank you gifts for the home town tax donation program (<i>Arusato-noze</i>)</li> </ul>	Revitalize the local communities through activities rooted in the region
	Realizing reliable and safe quality	<ul style="list-style-type: none"> <li>Realize "Ideal quality = Customer satisfaction"</li> <li>Reduce customer dissatisfaction cases by 20% from FY2021</li> </ul>	<ul style="list-style-type: none"> <li>Design screening rate: 100%</li> <li>Compliance with the standards and laws of each country</li> </ul>	Incorporate quality, safety, and environmental elements into products and services and achieve sustainable <i>monozukuri</i> (manufacturing)
	Sincere and fair business activities	<ul style="list-style-type: none"> <li>As a manufacturer's mission, pursue products and technologies that help solve social issues and by providing them widely in society, create social value and seize new business opportunities</li> <li>Establish ongoing engagement with stakeholders including investors (improve disclosures, IR/RSR activities)</li> <li>Respond appropriately to requests for frameworks by international organizations and government agencies</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of Independent Directors of the Company's Board of Directors: 54.5% (as of August 2022)</li> <li>Established the Management Conference with Independent Directors as observers to strengthen governance (from FY2020)</li> <li>Periodically carried out compliance education for all employees</li> <li>Continued related discussions on an ongoing basis at the Sustainability/CSR Committee, in which Directors serve as committee members</li> </ul>	Carry out appropriate anti-corruption measures that take into account the political, economic, and cultural background of each country and contribute to a sound and orderly society based on law Ensure fair transactions in line with the laws of each country and global rules, and contribute to the realization of a society capable of fair and free competition

### Goals to which we contribute through business activities

	<ul style="list-style-type: none"> <li>Resolving manpower shortages</li> <li>Resolving the issue of shortages in skilled workers</li> <li>Enhancing <i>monozukuri</i></li> </ul>	<b>Coating Division</b> <ul style="list-style-type: none"> <li>In dealing with carbon neutrality, promote technological innovations that will enable the achievement of both non-polluting (minimal polluting) products and CO<sub>2</sub> reduction</li> <li>Promote automated coating in the automobile repair process</li> </ul>	<b>Coating Division</b> <ul style="list-style-type: none"> <li>Establish remote coating technology utilizing collaborative robots</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to economic development by improving the productivity of society</li> <li>Support the development of an environment where different types of people can work</li> </ul>
	Creating the value and sustainable <i>monozukuri</i> <ul style="list-style-type: none"> <li>Product development that complies with "environmental regulations" and "high-efficiency regulations"</li> <li>Reduction of CO<sub>2</sub> in corporate activities</li> </ul>	<b>Air Energy Division</b> <ul style="list-style-type: none"> <li>Become a world-class, oil-free manufacturer</li> <li>Contribute to society through environmentally-friendly equipment such as renewable energy and gas collection</li> </ul>	<b>Air Energy Division</b> <ul style="list-style-type: none"> <li>Promoted oil-free, reciprocating air compressors</li> <li>Ratio of oil-free air compressors to total compressor sales: Approx. 60% (FY2021)</li> <li>Launched the PRIME series – quiet, oil-free air compressors (September 2020)</li> </ul>	Promote oil-free products (Air Energy Division) <ul style="list-style-type: none"> <li>Improve coating efficiency (Coating Division)               <ul style="list-style-type: none"> <li>Contribute to the resolution of social issues based on energy-saving technology while at the same time reducing CO<sub>2</sub> in corporate activities by raising the product recycling rate in the Company's proprietary production activities</li> </ul> </li> </ul>
	Product safety <ul style="list-style-type: none"> <li>Application of the latest safety standards and laws</li> <li>Enhancement of market/customer usability</li> </ul>	Achieve safe and reliable product quality	<b>Coating Division</b> <ul style="list-style-type: none"> <li>Become a world-class coating manufacturer</li> <li>Take on the challenge of the 100% recycle rate at the Akita Factory and achieve a 60% reduction of CO<sub>2</sub></li> <li>Promote technological innovations that will enable the achievement of both non-polluting (minimal polluting) products and CO<sub>2</sub> reduction in the coating process</li> </ul>	<ul style="list-style-type: none"> <li>Carried out machinery risk assessments</li> <li>Compliance with environmental regulations</li> </ul> <b>Air Energy Division</b> <ul style="list-style-type: none"> <li>Improved design/product quality by adopting quality engineering (Taguchi Method)</li> </ul>

<sup>\*1</sup> The Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi have jointly established a system to recognize corporations that practice excellent health management that takes into consideration the health of their employees, etc. In principle, the top 500 companies are awarded the "White 500" designation.  
<sup>\*2</sup> Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) jointly select one company per industry in principle, from corporations certified as "Health & Productivity Management Outstanding Organization."  
<sup>\*3</sup> Japan Sports Agency (Ministry of Education, Culture, Sports, Science and Technology) recognizes companies that are making active efforts to implement sports to promote the health of their employees as "Sports Yell Companies."

 **The Foundations that Support Value Creation**  
**Materiality**

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

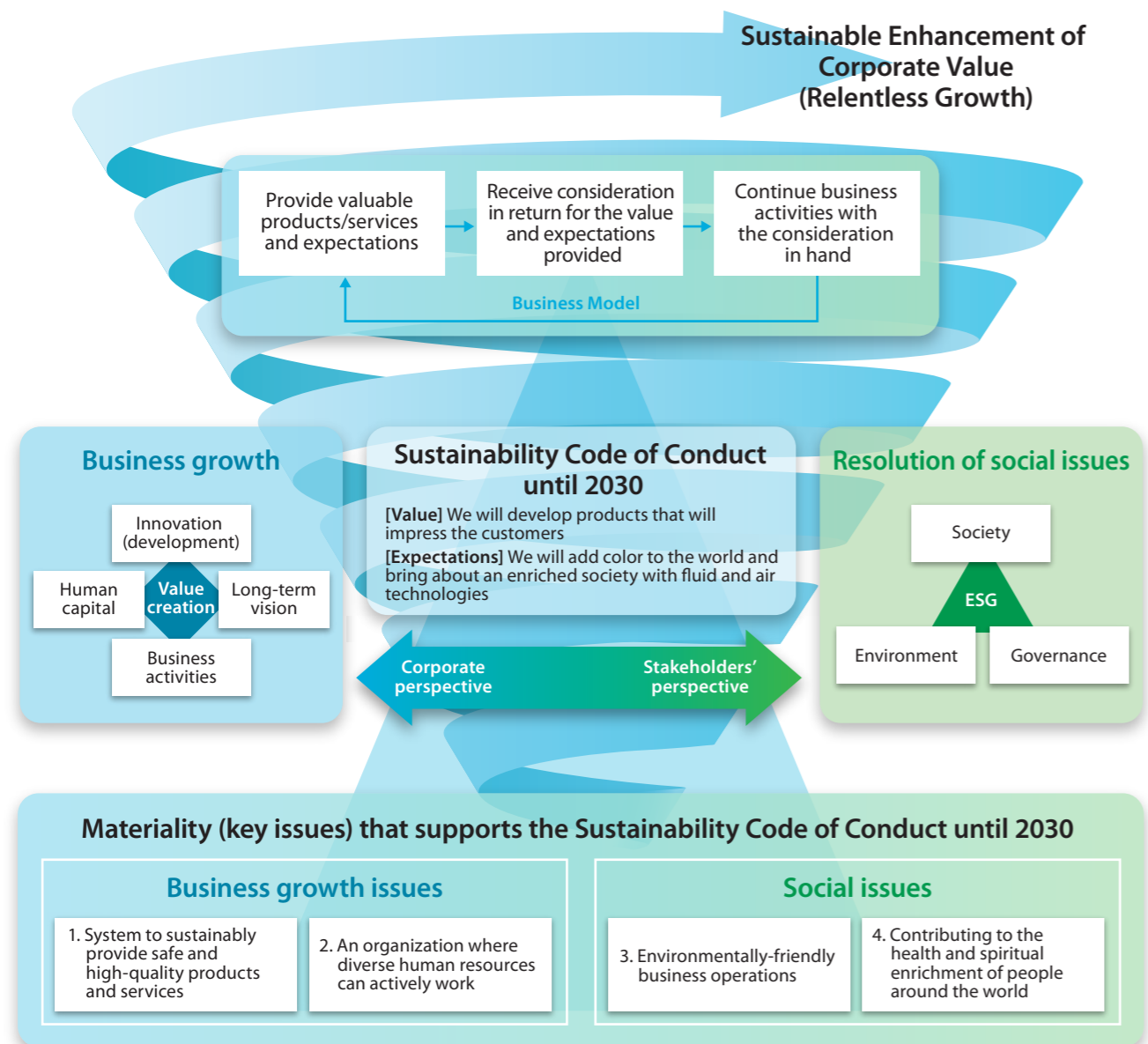
**To Achieve Sustained Growth**

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

Furthermore, we believe that true corporate value comprises both economic values such as business performance, and

social values such as ESG, and we are striving to strike the right balance between the two.

Based on this approach, we have identified materiality from the two perspectives of issues concerning business growth, which will be required to keep on creating value as a company into the future and social issues whose resolution we will support as a member of society.



**Materiality**

Type	Materiality	Major themes
Business growth issues	System to sustainably provide safe and high-quality products and services	Development and provision of technologies, products, and services in response to obsolescence and diversifying needs Quality assurance and stable supply of products
	An organization where diverse human resources can actively work	Promoting the advancement of diverse human resources Development and securing diverse human resources that can take on the challenge of value creation Respect for human rights
Social issues	Environmentally-friendly business operations	Contributing to the resolution of environmental issues Contributing to a society that mitigates the environmental burden Compliance with laws and regulations
	Contributing to the health and spiritual enrichment of people around the world	Realizing safe and reliable quality Meeting diverse social needs Building a relationship of trust between companies and society Establishing a governance structure that puts the corporate philosophy into practice

**Identification Process**

**STEP 1**

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

**STEP 2**

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

**STEP 3**

The issues were identified as the materiality of ANEST IWATA.



# The Foundations that Support Value Creation

## The Environment

ANEST IWATA strives to live in harmony with the earth environment, while effectively utilizing the Environmental Management System to promote the protection of the environment through product development and other business activities. ANEST IWATA, in accordance with the ANEST IWATA Corporate Philosophy, also articulates its environmental policy in the Environmental Manual 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

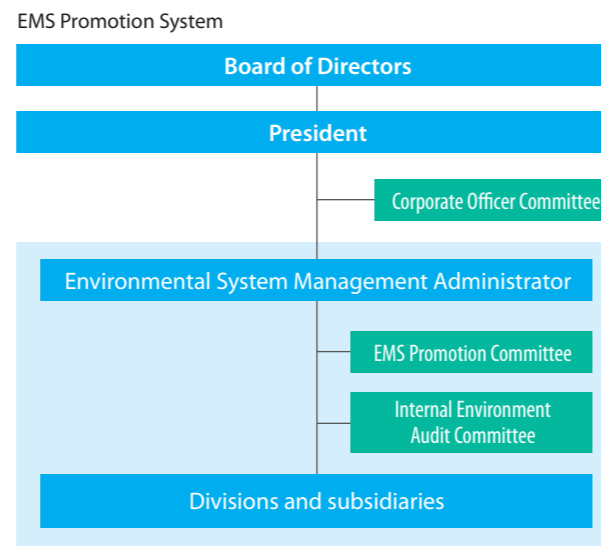
### Environmental Slogan

▶ Future environment =  
Our responsibility

## Environmental Management System

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

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



## Key Environmental Issue

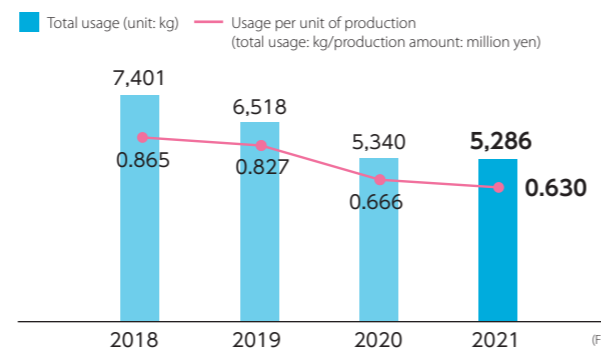
The Company promotes the protection of the environment based on the three themes of "Prevent environmental contamination," "Reduce greenhouse gases and save energy," and "Form

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 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 and regulations as well as voluntary odor

### Usage of specific chemical substances



measurements, and promoting activities to improve them.

In FY2021, the usage of specific chemical substances declined mainly due to the decrease in test applications at the Head Office and production usage at the Akita Factory, etc. as a

result of fewer opportunities for use reflecting the impact of the COVID-19 pandemic. We will continue to make efforts in reducing specific chemical substances on a per unit of production basis.

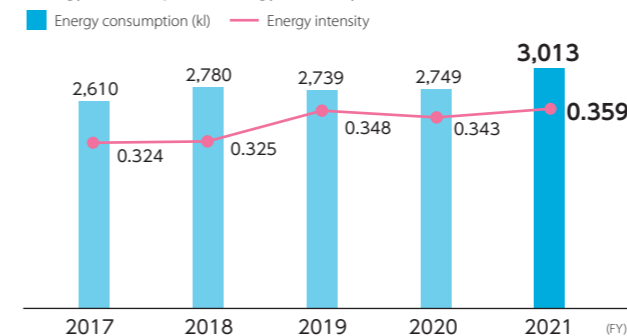
## Reduction of Greenhouse Gases and Saving Energy

The Company strives to reduce all energy consumption and has 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.

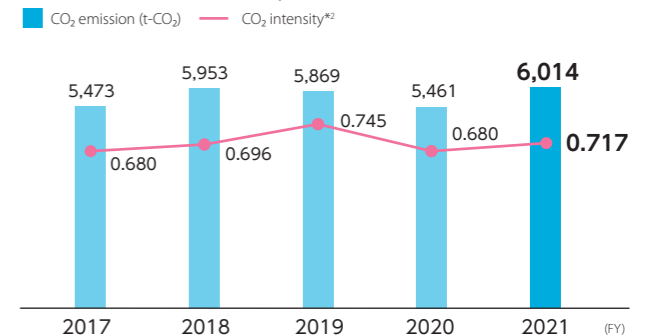
Specifically, we are continuously implementing measures including enhancing efficiency, reducing human errors and reducing air leaks through layout modification and consolidation of worksites, and making efforts to reduce the consumption of energy such as electricity.

### Energy consumption/Energy intensity \*1



\*1. Energy intensity by crude oil equivalent (kl) / monetary amount of production (millions of yen)

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



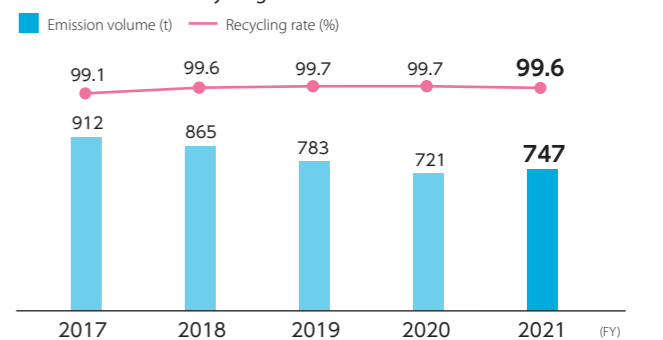
\*2. Subject of calculation: Scope 1+2 \*3. t-CO<sub>2</sub> / monetary amount of production (millions of yen)

## Form a Recycle-based Society

In the development and production of productions, also, we 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 FY2021, we maintained the same levels of recycling as the previous fiscal year. Going forward we will promote the 3Rs so that each of our locations will also be able to maintain or not fall short of the recycling rate of the previous fiscal year.

### Waste volume and recycling



## Responses to Climate Change

As part of its efforts to promote “environmentally-friendly business operations,” the Company, aiming for disclosures in line with TCFD (Task Force on Climate-related Financial Disclosures) recommendations, conducted an analysis of risks and opportunities including the effects of climate change problems on the Company’s business activities.

Going forward we will conduct scenario analyses, expand the targets to include the consolidated overseas subsidiaries and strive to improve disclosures.

### Governance

The Company has specified responses to climate change problems as a crucial management issue.

To promote responses to this problem, we launched a working team at the Sustainability Conference, whose main members are the General Managers of each department and at which Corporate Officers serve as advisors, to engage in such tasks as identifying risks and opportunities.

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

### Risk Management

The Company identified for the first time the risks and opportunities associated with the problem of climate change in our business activities.

The identified risks and opportunities were assessed by the working team, after which the adequacy of their content was discussed by the Sustainability/CSR Committee.

Going forward we will periodically conduct reviews.



## Strategies

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

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

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

## Metrics and Targets

We have set and manage indicators, including CO2 emissions (Scope 1 + 2) \* under the three major themes of “Prevent environmental contamination,” “Reduce greenhouse gases and save energy,” and “Form a recycle-based society.” → P.34-35

\* Scope of calculation of emissions based on the GHG Protocol  
 Scope1 : Direct emission from the company  
 Scope2 : Indirect emission from the use of electricity, heat, or steam purchased from other companies

# The Foundations that Support Value Creation Human Capital

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

## Basic Approach to Human Capital

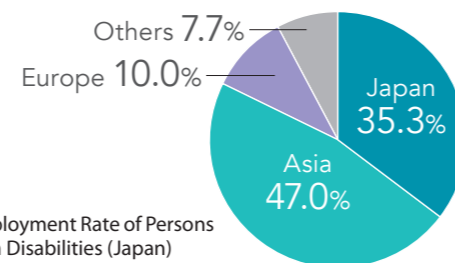
We consider the securing and development of human capital in line with the company's sustained growth to be an essential task in achieving business expansion. To this end, the Company will broadly pursue human capital, while at the same time strive, as articulated in the Group Code of Conduct, to promote the es-

tablishment and maintenance of a safe and sound workplace without discrimination to enable all the employees to better demonstrate their capabilities. We will also promote the optimization of human capital assignments that value the capabilities and personality of the individual.

## Aiming to Realize a Pleasant Work Environment for Everyone

The Company is aiming to become a "True World-class Company" that takes on challenges in pursuit of unexplored solutions and constantly gives birth to innovations. In creating innovative technologies and products, one of the important keywords is diversity. Accordingly, we are striving to realize organizational operation in which each and every employee with a wide range of values fully demonstrates his/her capabilities, regardless of his/her gender, race, age, background, etc., and the diverse ideas brought about from this process are respected.

Ratio of Distribution of Group Employees by Region



Employment Rate of Persons with Disabilities (Japan)

FY2021 **2.51%**

## Promotion of Female Advancement

As part of efforts to promote diversity, the Company is encouraging female employees to play a greater role. However, the percentage of women tends to be low relative to the total number of employees at the Company, due in part to the industry's characteristics, and the number of female managers is also small.

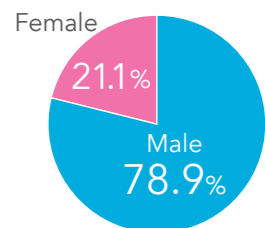
To resolve this issue, the "STAR★PROJECT," with a group of volunteer female employees as members, was launched in FY2021, in addition to holding exchanges of opinions between female employees aspiring to become managers and female Outside Directors.

As a medium- to long-term goal, we are aiming for a 10% or higher ratio of female managers and to this end, we are having female employees proactively participate in projects to solve key

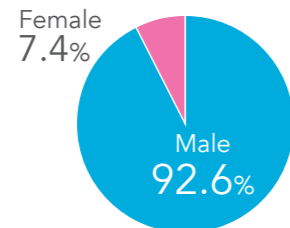
issues, supporting the employees' autonomous growth, and providing systems that will lead to personal growth and an environment where employees can demonstrate their potential.

Going forward we will make efforts to provide a labor environment and systems to enable female employees to actively work through each life event and the stage of their careers, as well as aim for an organization where every employee regardless of gender or age mutually respects their personalities and lifestyles and can continue to grow through synergy.

Percentage of male/female employees (Japan)



Percentage of Male/Female Managers (Japan)



(Target) Ratio of female managers **10% or higher**

### To be a STAR

I will choose a career that will make me shine and move forward

**S**mile

I will make everyone smile even more through my activities.

**T**omorrow

I will execute a career plan that looks toward the future.

**A**ction

I will develop the ability to raise questions and provide answers.

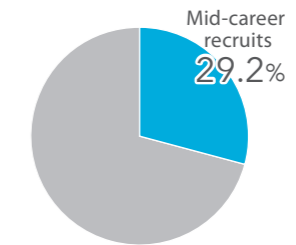
**R**espect

I will develop a culture where we can respect each other's differences.

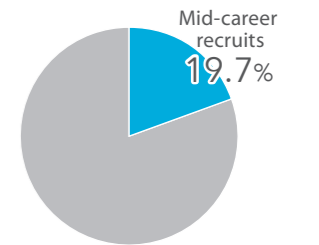
## Basic Approach to Recruitment

The business environment is changing at a startling pace and in order to succeed in this era, we need to take on the challenge of new businesses and expand our existing businesses. To this end, we are proactively promoting not only the hiring of new college graduates but also the mid-career recruitment of diverse professional talent with a high level of expertise and knowledge. We are also promoting the policy of proactively hiring women and also increasing the number of hires in the engineering and special

Percentage of mid-career recruits among all employees (Japan)



Percentage of managerial mid-career recruits among all employees (Japan)



skills field and 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."

## Human Capital Development

As part of the efforts to build an organization capable of creating further value, the Company is improving its education and training. The Company, in the belief that the "individual "growth" of each employee will lead to the Company's future and sustained growth, provides various training programs including the training by po-

sition which is conducted at every stage of the employee's career starting when the employees are first given their job offers, and specialized training offered when the employee is assigned to a division, as well as supporting the personal development of its employees through language training and correspondence courses.

Diagram of the Education System (FY2022 Plan)

Position	Training by position		Training for promoted employees Candidates for promotion	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	Senior Management Training							
Group Managers Managers		Manager Training		Management Training		Foreign language training (training prior to foreign posting)		
Leaders	Newly-appointed Manager Training		Anest Iwata Café	ANEST IWATA Academy	e-learning			
Medium-level employees	Mid-level Employee Training	Mid-level Employee Training						
Junior employees	Third-year Employee Training		Anest Iwata Café			Correspondence courses	Career Training	OJT for junior employees
Prior to joining	Training for those given job offers							

## Personnel System that Maximizes Diversity

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 which enables early promotion depending on personnel evaluations. Everyone from generalists to specialists can now flexibly choose workstyles that align with their career plan so that each employee can realize a workstyle that utilizes the diversity of the employees, and by raising the link

between outcomes and evaluations/compensation, we have adopted a promotion system where 30 year-olds can become Executive Officers, and through these initiatives, we are aiming to achieve a rewarding company for our employees. Additionally, to ensure an open and fair evaluation system, we utilize the Open Judge System (OJS), in which the managers' peers and employees of the same workplace evaluate managers.

## Promoting Health and Productivity Management

### Basic Approach to Health and Productivity Management

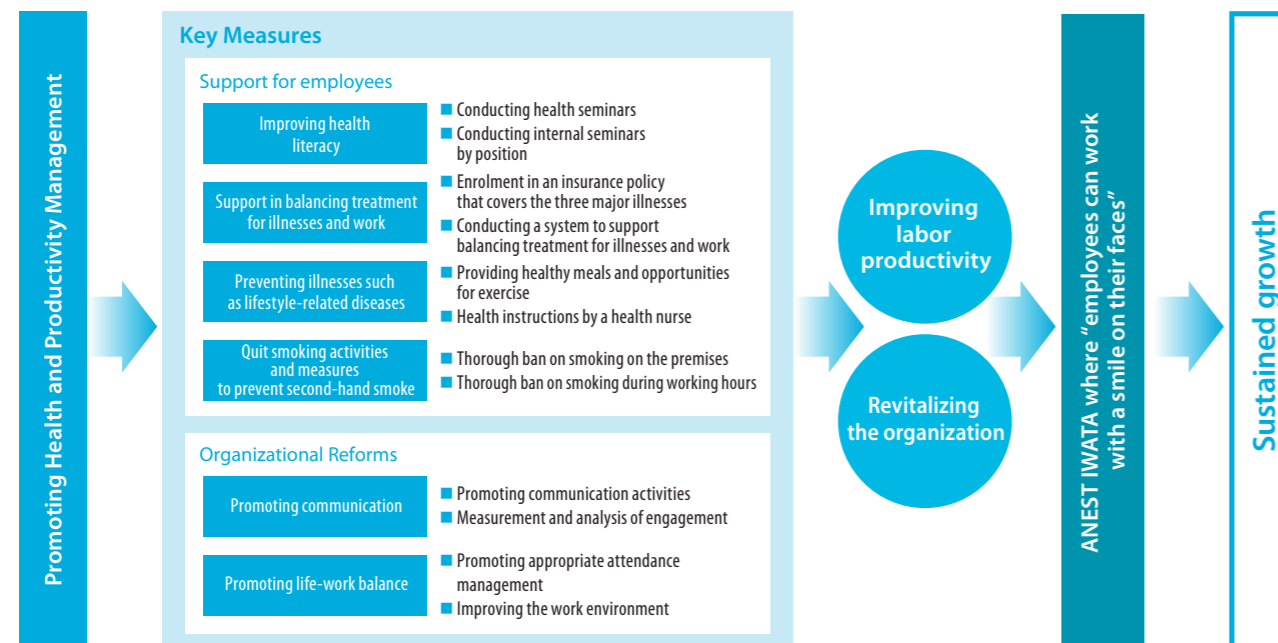
For corporate progress, we believe that it is important to "improve the productivity" of each individual and "invigorate the organization," underpinned by the health of employees. We have, thus, appointed the President, Representative Director and Chief Executive Officer as the CHO\* and are working on various health and productivity measures on a Company-wide scale.

According to a questionnaire survey conducted on all employees in Japan, employees' awareness of communication and work engagement vary by attributes (e.g., by age), workplaces, and other factors. We are holding discussions at the Health and Productivity Management Promotion Committee and conducting awareness surveys on an ongoing basis not only on indi-

vidual health indicators but also on work engagement. In this context, we place particular importance on taking paid leave. Taking plenty of rest translates into higher productivity and greater motivation, so we named the paid leave "Smile Holiday" to make it easier for employees to take it, and we are encouraging employees to go on paid leave to reach the target percentage of paid leave taken, i.e., 100%.

Through health and productivity management, we will make our employees and their families shine brilliantly with a smile on their faces, and contribute to the progress of not only the Company but also society, and achieve ongoing growth with the aim of becoming a leading good-standing company in the machinery sector.

\*CHO: Chief Health Officer



### Specific Measures (FY2021)

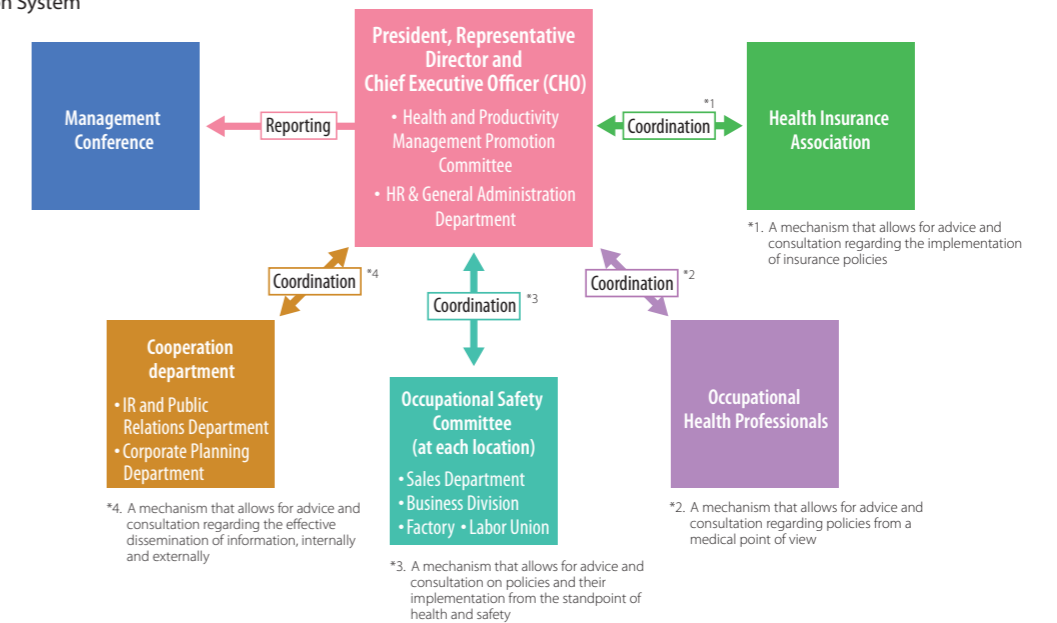
- Opened an in-house gym
- Held a walking event
- Provided a healthy menu (Head office, Akita and Fukushima Factories)
- Introduced health appliances
- Conducted a health awareness survey
- Conducted an online seminar on improving health literacy

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

### Health and Productivity Management Promotion System

The Company, with the President, Representative Director and Chief Executive Officer as the Chief Health Officer (CHO) and together with the related departments including the Health and Productivity Management Promotion Committee, is engaged in health productivity management initiatives.

### Health Promotion System



### Measuring Engagement

We conducted health awareness surveys for two consecutive years from 2021, in which we measured "work engagement."

From the survey results, we were also able to confirm differences according to attributes. Additionally, we were able to

confirm the correlation between work engagement and other indicators (e.g. communication issues, sleep, and level of stress) and the results have been reflected in the policies for health and productivity management.

### Life-work Balance

The Company promotes workstyle reforms so that the Company and the products it produces become a source of the employees' pride, which will be shared with family and friends. The Company will achieve this by having the employees, who support the very

foundations of the Company, find joy and pride in their work. The Company will provide a work environment, in which employees can remain healthy and safe and work energetically, and aim to become the leading white-collar company in the machinery sector.

### Example of workstyle reforms conducted by the Company

#### Promoting flexible workstyles

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

#### Support for life events

- Payment of money gifts at childbirth
- 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

### Results of Each Measure

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

In March 2022, 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 second consecutive year. We were also selected as a "Health & Productivity Management Brand 2022" by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE).





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 engage in activities that are rooted in the regional communities.

### Living in Harmony with Society

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

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

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

### Collaboration with Local Companies

#### Obtained the Right to Name a Sightseeing Tollway

The Company, since obtaining the right to name the sightseeing tollway Hakone Turnpike, has been co-sponsoring various events on this road.



Marathon Event (November 2021)

Because this road had been called a mecca for “cars and motorcycles” where automobile manufacturers use it frequently to hold various events, and also because the Company’s products have close ties with “cars and motorcycles,” we believed that the Company had a close affinity to the Hakone Turnpike based on the common denominator of “cars and motorcycles” and therefore, decided to acquire the right to name the road starting from March 2018. By co-sponsoring events, we are promoting the revitalization of the community and also encouraging a greater understanding of ANEST IWATA.

Fewer events were held in FY2021 due to the impact of the COVID-19 pandemic but going forward we will keep an eye on the situation and hope to plan and carry out various events that will make ANEST IWATA a familiar name.

#### Co-sponsorship of an Event with the Regional Soccer Club

We signed an official partnership agreement with Yokohama F. Marinos.

Yokohama F. Marinos is a soccer club, one of whose home-towns is Yokohama City, Kanagawa Prefecture. And through this partnership, we are aiming to invigorate the local communities of Yokohama City in which the Company is headquartered, in addition to boosting our employees’ motivation and their awareness of health and productivity.

In FY2021, together with Yokohama F. Marinos, we cooperated with such organizations as the Traffic Safety Association, to hold the traffic safety program, “Yokohama Children’s Safety Class.” It was an interactive event, which also incorporated demonstrations using live buses and cars and visited 25 primary schools in the areas surrounding the Company’s head office from May to July. In addition, we co-sponsored the “ANEST IWATA Cup” soccer tournament in which primary school children of Yokohama City were invited to participate.



The Foundations that Support Value Creation

## Three-way Discussion between Independent Directors

For the committees to which each Director belongs and the skills held by each Director, see [p.46](#).

**Yoshitsugu Asai**  
Independent Director

**Kyosuke Oshima**  
Independent Director  
Audit & Supervisory Committee Member

**Reiko Ohashi**  
Independent Director  
Audit & Supervisory Committee Member

### To become a Board that maintains sound and solid management and provides greater support to business growth

The three Independent Directors discussed the current state and issues of corporate governance, which serves as the foundation for sustained growth.

They exchanged candid opinions on topics including the operation of the Board and the activities of the Nominating/Compensation Committee.

#### The Role that Must Be Fulfilled by Independent Directors

**Oshima:** I am aware of two missions as an Independent Director of ANEST IWATA. The first is to supervise management from the shareholders’ perspective at the Board of Directors and the Nominating/Compensation Committee. The other mission is to lend the knowledge and experience that I have accumulated through my involvement in business operations in the manufacturing industry and in corporate management to the growth of ANEST IWATA. My past career has been centered around the marketing of new products and services. Although I have experienced both successes and failures, I hope to impart the importance of taking a deep dive into customer needs, which I have gleaned from various experiences, and utilizing them in business, by raising questions and giving recommendations at the Board of Directors meetings and the Management Conference.

**Asai:** I believe that my biggest mission is to utilize my experience for the growth of ANEST IWATA. In the past, I was involved in the management of an overseas sales base in the

manufacturing industry, in an environment characterized by the appreciating yen and economic slowdown, and right when the lifecycle of our company’s product was going into decline. What I learned from that experience is the importance of going back to the basics of management. Today, the environment surrounding corporate management is becoming increasingly harsh and changing at an unprecedented pace. This is the very



reason why I believe that my experience will be helpful to the management of ANEST IWATA.

**Ohashi:** As a certified public accountant, I have engaged in the accounting audits of listed companies of various industries including finance, services, and information. I have served not only as the accounting auditor of companies but also as a part-time officer of independent administrative agencies and national universities. I am acutely aware of the need to make comments that cannot be swayed by others based on my experience of various viewpoints not only from an accounting point of view but also from the standpoint of all stakeholders.

### The Mood of the Boardroom and Improvements in Recent years

**Ohashi:** At ANEST IWATA's board meetings, the Independent Director and internal Directors work together to conduct meaningful discussions. When I first joined the board in 2015, I initially felt that the meetings were not as lively as they are now. However, the secretariat took the lead in improving the steering of the meetings and as a result, the quality of the Board of Directors has definitely improved. Specifically, the meetings are now steered based on the clearly-articulated classifications of matters to be resolved, matters to be reported, and matters to be deliberated, and we are encouraged to discuss the important issues more deeply than ever before.

**Asai:** I feel that the way the Independent Directors raise questions has inspired the Board and generated favorable effects. Independent Directors sometimes ask questions regardless of the events leading to the meeting or ignore such events even if



they are aware of them and ask questions. The internal Director replying to such questions, on the other hand, takes the issues arising from the questions seriously and works on improvements. Such a relationship is extremely appealing. I also think very highly of the information disclosed to the Independent Directors. For example, when evaluating internal Directors, even sensitive information about the individual is disclosed, which allows us to have extremely fair discussions.

**Ohashi:** I think the word "diversity" best describes the Board of Directors of ANEST IWATA. As you can see from the disclosed skill matrix of the Director, Directors with a wide variety of backgrounds, including corporate management, overseas experience, finance, accounting, legal affairs, etc. are proactively expressing their opinions. And the fact that each one of the Directors is expressing their opinions from a standpoint that values sound corporate management and governance, adds to the effectiveness of the Board.

### Aiming for Even Greater Effectiveness of the Board of Directors

**Oshima:** I believe that ANEST IWATA's Board is a well-balanced group comprising diverse individuals that has achieved a high level of effectiveness. However, certain issues remain; namely, the need to further bolster the system for overseeing large investment projects such as M&As. Some large-scale investments turn out as expected, while others do not necessarily achieve the anticipated results. Therefore, it is necessary to periodically oversee the progress of the investment post-execution and accumulate such information as the "knowledge of ANEST IWATA."

**Asai:** I also feel that further reinforcement of the supervision function is necessary over management including investment activities. While the governance structure of ANEST IWATA, generally speaking, has reached advanced levels, it is by no means complete. Although the governance structure is improving, the next issue is how effectively the Board of Directors, at the center of the governance structure, can get involved in the promotion of the management plan. Shouldn't the Board be discussing the long-term and medium-term management goals more? Since the business environment relentlessly changes after a plan is formulated, I believe that the achievement of the management

goals depends on how much support the Board can provide in the business execution.

**Oshima:** I also agree with the opinion of Director Asai. There is nothing to suggest any problems with the soundness and solidity of management. However, I think the Board needs to take a deeper dive and involve itself in the growth potential of the business.

**Ohashi:** I am going to speak from a perspective different from that of the business growth potential that you two have mentioned. Currently, with increasing interest in ESG management, companies are being required to update their disclosures of non-financial information, in addition to financial information. In such a climate, ANEST IWATA must always think about how to disclose never-before-disclosed information, as means to communicate the truth to the stakeholders. For example, the Company has fewer female managers compared to other industries but various initiatives are currently being taken. Although it may take time, I think we need to confirm the effects of these ongoing initiatives and further improve and continue these measures.

### The Transparency and Fairness of the Nominating/Compensation Committee

**Oshima:** I believe that ANEST IWATA's Nominating/Compensation Committee is functioning quite well. In the process of selecting Mr. Fukase, Representative Director, President and Chief Executive Officer, who assumed office in April 2022, for the past two years, the committee had been evaluating candidates based on the necessary qualities and requirements as President of ANEST IWATA but former president, Mr. Tsubota, consistently maintained the stance of participating in the process simply a member of the committee. I think we were able to elect the president through an extremely open and fair process. Additionally, the process of determining the compensation of Directors and Executive Officers is also very objective. Even in situations where the Outside Directors evaluate the performance of the President, more candid opinions were expressed than anyone would imagine.

**Asai:** There is no doubt that the Nominating/Compensation Committee is functioning as a fair system. I would also like to add that I was especially impressed with "the detailed discus-



sions that took place assuming various scenarios on how to select senior management that will support the President" when selecting the President. It is a given that the President is the most important person in management but "how outstanding Directors and Executive Officers support the President as a group" is also crucial from the standpoint of governance.

**Ohashi:** I have been serving on the Nominating/Compensation Committee since April 2022, and I have been able to confirm that the committee operates based on the succession plan and detailed information on the candidates and the rules on compensation. As a member, I hope to continue these initiatives to raise transparency and fairness to even greater heights.

### What is Required for Sustained Growth

**Oshima:** I believe that as a "strong, healthy, and good company," ANEST IWATA is capable of further growth. I hope it dynamically promotes its growth strategies, while at the same time continues to be a company that cherishes its serious stance toward customers, employees, business partners, and society, as exemplified in the Corporate Policy, "Trustworthy & Sincere."


**Asai:** One of the crucial medium- to long-term issues of ANEST IWATA is its human resources and how it secures capable engineers is especially important. I believe that communicating the appeal of ANEST IWATA to society, such as its "employees who embody "Trustworthy & Sincere" and its "global business expansion and the advanced governance system that supports such expansion," will lead to the hiring of diverse human resources, which, in turn, will become the driving force for growth.

**Ohashi:** I hope to contribute to the sustained growth of ANEST IWATA by not only providing recommendations from a professional perspective but also maintaining the stance of "stating precise opinions on behalf of the stakeholders from the standpoint of governance." I will work together with Mr. Oshima, Mr. Asai, and all the Directors to address the issues of the Board that we talked about today including how to involve ourselves in the management plan and business growth.




**The Foundations that Support Value Creation**  
**Executives** As of the end of the 76th Annual General Meeting of Shareholders (June 24, 2022)


**Directors**




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




**Takahiro Tsubota**  
 Chairman  
*Significant concurrently-held position*  
 ANEST IWATA Korea Corp. Representative Director




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




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



**Kozo Yoneda**  
 Independent Director  
 Nominating/Compensation Committee Member  
*Significant concurrently-held position*  
 Outside Director of amifa Co., Ltd.  
 Managing Director of Three Fields LLC  
 Outside Director of FORLIFE Co., Ltd.



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



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

**Directors, Audit & Supervisory Committee Members**



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



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



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



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

**Composition of Executives**

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

**Director Portfolio**

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

**The Foundations that Support Value Creation**  
**Corporate Governance**

ANEST IWATA strives to realize its sustained growth and the maximization of its corporate value. To this end, the Company recognizes that it is imperative that upon considering the perspectives of its stakeholders including the shareholders, the customers, the business partners, the employees, and the regional communities, it increases the flexibility of its management, enhances transparency, reinforces the oversight over management and raises the effectiveness of its corporate governance.

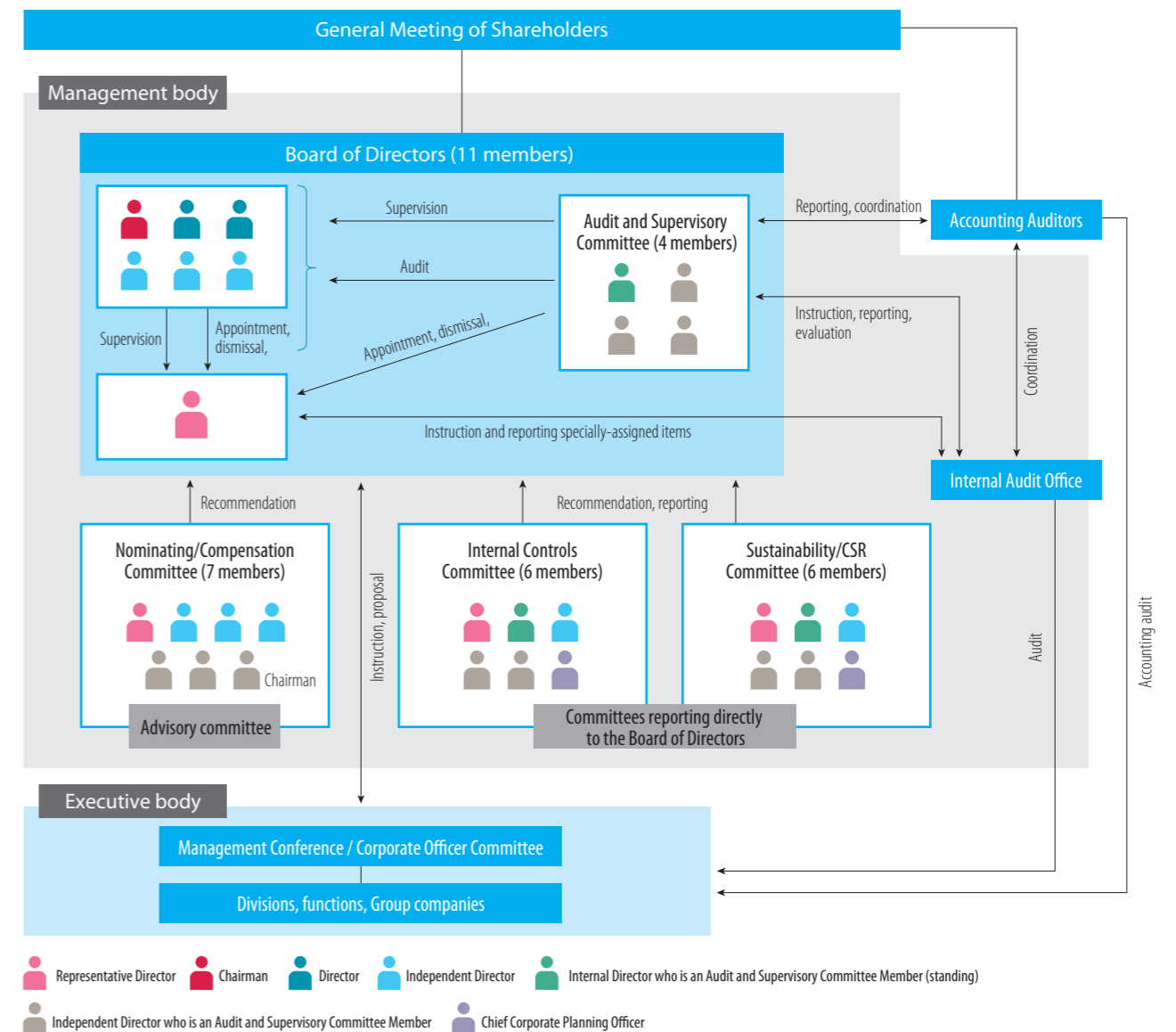
**Corporate Governance Structure**

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

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

The Company, recognizing the enhancement of corporate

**Governance Structure (Diagram)** As of the end of the 76th Annual General Meeting of Shareholders (June 24, 2022)



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

Organization	Composition	Purpose
Board of Directors		In addition to receiving reports on the status of business execution, decides the basic matters of the Company's business execution, and monitors and supervises the execution.
Audit and Supervisory Committee		Exchanges opinions with Directors and the execution bodies, audits the execution of duties by Directors and prepares audit reports, etc.
Management Conference		Holds discussions and shares information between Corporate Officers—including those concurrently serving as Directors—and Independent Directors, and discusses and deliberates mainly matters relating to business operations
Corporate Officer Committee		Communicates the matters to be resolved at the Board of Directors meetings, and deliberates the matters to be resolved at the Corporate Officer Committee and the matters to be proposed to the Board of Directors meetings.
Nominating/Compensation Committee		A non-statutory advisory committee under the Board of Directors, which discusses the selection, the promotion/demotion, the assessment and compensation of Directors and Corporate Officers and makes recommendations to the Board of Directors
Internal Controls Committee		A non-statutory committee established under the Board of Directors, which reports on the development and operation and the implementation status of internal control systems
Sustainability/CSR Committee		A non-statutory committee under the Board of Directors, which is in charge of compliance and risk management, deliberates related matters and develops an operational framework

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

Number of meetings held in FY2021 and Directors' attendance rate

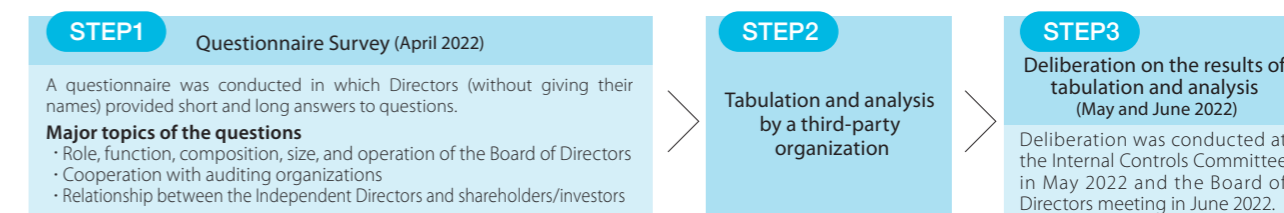
Organization	Number of meetings held	Attendance rate (number of persons)	
		Internal Directors	Independent Directors
Board of Directors	13 times	100% (4 persons)	98.8% (7 persons)
Audit and Supervisory Committee	13 times	100% (1 person)	100% (3 persons)
Management Conference	13 times	100% (4 persons)	100% (7 persons)
Corporate Officer Committee	12 times	100% (3 persons)	—
Nominating/Compensation Committee	6 times	100% (1 person)	100% (5 persons)
Internal Controls Committee	5 times	100% (2 persons)	100% (2 persons)
Sustainability/CSR Committee	5 times	100% (2 persons)	100% (2 persons)

\*Ms. Reiko Ohashi and Ms. Yuko Shirai assumed the post of Director at the 75th Annual General Meeting of Shareholders held on June 25, 2021, and therefore, their attendance rates have been calculated based on their attendance on and after the said date.

Evaluation of effectiveness of the Board of Directors

To improve the functions of the Board of Directors, the Company conducts analysis and evaluation of its effectiveness each year. The Company has conducted evaluations of the effectiveness of the Board of Directors each year since FY2016 and in FY2021, we underwent an evaluation by a third-party organization for the first time.

Analysis and Evaluation Process



Overview of the Analysis and Evaluation Results of FY2021

An evaluation was conducted with respect to the effectiveness of meetings of the Board of Directors held between April 2021 and March 2022 (13 meetings in total).

The third-party organization found all Directors to be working together to voluntarily and actively carry out a variety of activities and while certain issues remained, the Board of Directors demonstrated sufficient effectiveness.

Regarding the issues raised, we will further improve the deliberations by the Board of Directors and raise its effectiveness through the planning and proposals of the divisions involved including the Internal Controls Committee.

Positive assessments

- The supervision function regarding nominations and compensation was demonstrated through the Nominating/Compensation Committee.
- An atmosphere and meeting procedures conducive to open and active discussions are in place.

Issues going forward

- The succession plan among the Independent Directors and the standing Audit & Supervisory Committee Members and training for executives
- An appropriate system for reporting the results of matters that were discussed at the Board of Directors meetings

### Activity Report of the Board of Directors

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

In the fiscal year ended March 31, 2022, in formulating the next Medium-term Management Plan, we considered and discussed a vision from a long-term perspective that went beyond three years.

#### Major matters discussed by the Board of Directors during the fiscal year ended March 31, 2022

- The annual plan for the next fiscal year and the next Medium-term Management Plan
- Deliberation of the evaluation of effectiveness of the Board of Directors and the evaluation by a third-party organization
- Yearly evaluation of shares held in cross-shareholdings
- Selection and appointment of major members of management including the Representative Director based on the recommendations of the Nominating/Compensation Committee.
- Analysis of the results of the exercise of voting rights at the annual general meeting of shareholders
- The report on the results of internal audits, the annual plan, and the basic policy on internal control
- Initiatives toward sustainability

### Activity Report of the Audit & Supervisory Committee

In the fiscal year ended March 31, 2022, the Audit & Supervisory Committee determined the key matters for implementing audits and carried out audits based on the following 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 and overseas subsidiaries for audits and also continued monitoring by remote
- Conducted audits on the development and operation of the Group's whistleblowing system
- Confirmed the risk of changes in business performance due to the COVID-19 pandemic and conducted audits on measures taken by Executive Directors to address such risks
- Discussed KAM (key audit matters) with the audit corporation
- Conducted interviews with key members of management including the President, Representative Director and Chief Executive Officer and the Executive Directors

### Policy for the Determination of Compensation for Directors

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

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

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

### Compensation System (FY2022)

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

### Fixed Compensation

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

At the 70th Annual General Meeting of Shareholders held

in June 2016, it was resolved that the total amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) would be within ¥200 million per year and the total amount of compensation for Directors who are Audit and Supervisory Committee Members would be within ¥60 million per year.

### 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 ordinary income for the purpose of assessing the actual status of profit/loss and raising their awareness to contribute to

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

#### Calculation method (FY2022)

$$\text{Performance-linked bonus} = \frac{\text{Consolidated ordinary income}}{\text{Total points of Directors}} \times 1.10\% \times \text{Points of each Director}$$

(Note) Total points of Directors are the sum total of the points of the Representative Director and the Directors & Senior Managing Executive Officers.

#### Points of Directors by position and number of Directors

Position	Points	Number of Directors	Total points
Representative Director	1.00	1	1.00
Director and Senior Managing Executive Officer	0.50	1	0.50
Director and Managing Executive Officer	0.40	1	0.40

(Note) Points are calculated using the positions based on the resolution of the Board of Directors held on June 24, 2022.



### Performance-linked Stock Remuneration

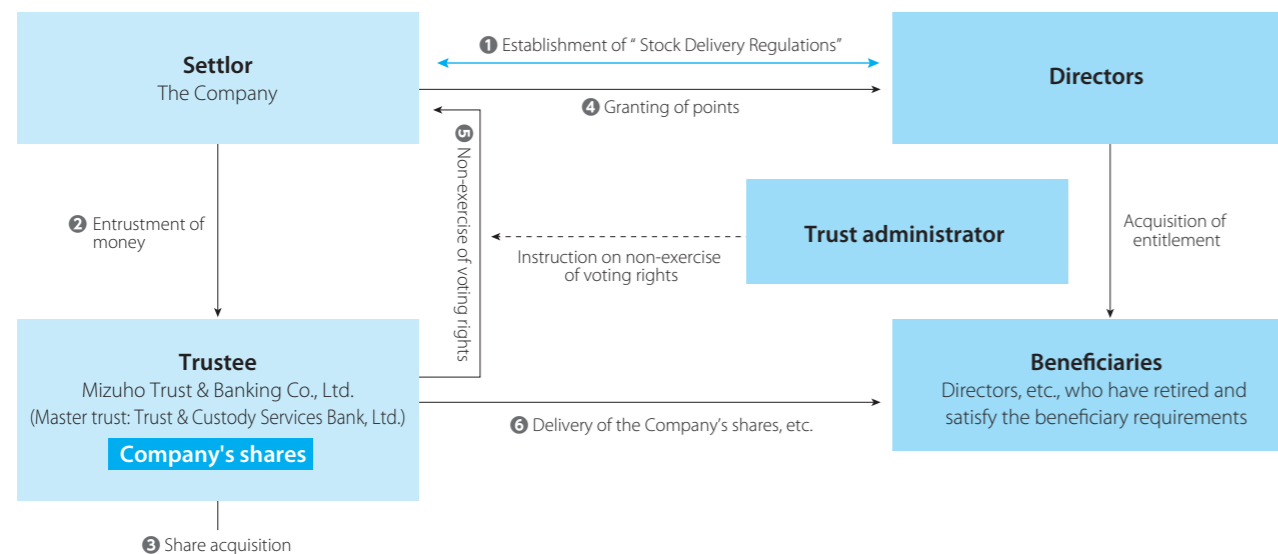
The Company has adopted a performance-linked stock remuneration plan for its Directors, etc. (described as persons eligible for points below), for the purpose of raising their awareness to contribute to the improvement of business performance over the medium- to long-term and the enhancement of corporate 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)

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



### Compliance Promotion Structure

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

execution body.

In FY2021, we conducted lectures on the basic knowledge of compliance for all domestic employees and based on such knowledge, group work to discover problems from fictional examples.

### Basic Approach toward the Internal Control System and Establishment Status

We have put together documented and have been making efforts to embed the Group's basic policy, the guidelines for to ensure that each and every person working atin 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

- **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). In addition, we have introduced "ANEST IWATA Group Hotline" (for employees working overseas) in some regions in Asia ahead of others, and we plan to introduce it in 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.

- **Establishment of Crisis Management Committee (Chaired by President and Chief Executive Officer)**  
The Committee is convened in the event of an emergency to quickly and appropriately deal with the emergency and take preventive measures after the fact.

#### Initiatives toward BCP\*

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

The criteria for triggering the BCP (natural disasters) are de-

termined and enforced based on the judgment of each location, by taking into account various conditions including the amount of rain and snowfall.

\*BCP: Business Continuity Planning

## Recognition and Management of Risks

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

the corporate value and operating results of the Company. By deliberating the results at the Sustainability/CSR Committee and the Management Conference, a system is in place that deals with risks and crises when they materialize.

### 1 Business risks

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

### 2 Human capital risks

- Securing human capital
- Labor problems

### 3 IT risks

- IT investments
- Information security

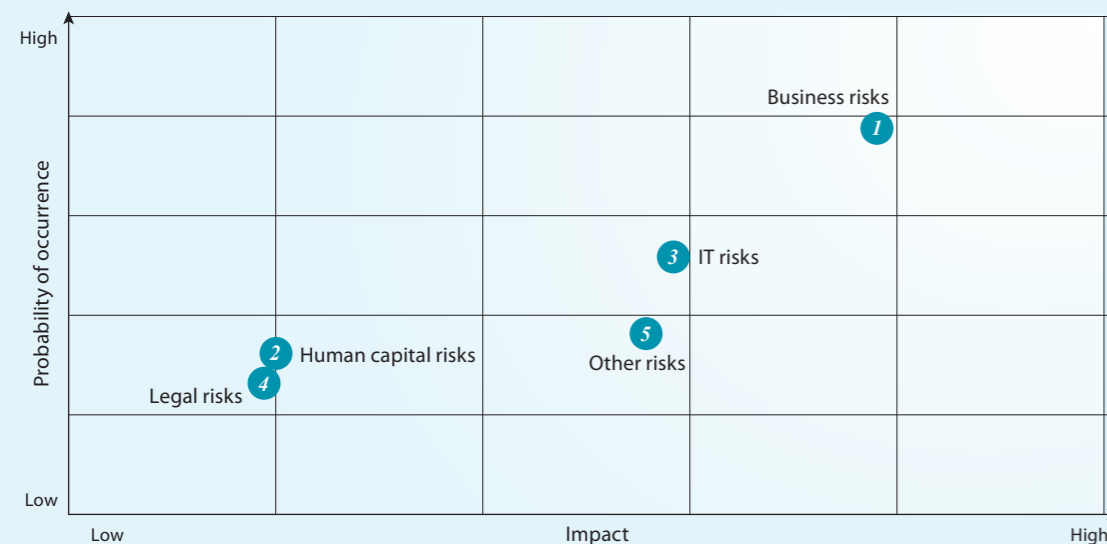
### 4 Legal risks

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

### 5 Other risks

- COVID-19
- Contingencies (e.g. acts of terrorism and natural disasters)

Risk distribution map



	Risk	Summary	Countermeasure
1. Business risks	Changes in the business environment (risk of depending on existing products and business models, foreign exchange fluctuations, etc.)	<ul style="list-style-type: none"> <li>• Concentration of risk due to rising dependence on existing markets, products, and business models</li> <li>• Sudden fluctuations in foreign exchange</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting quality improvement in existing businesses, product development that will lead to resolving social issues, and developing new businesses</li> <li>• Cultivate a corporate culture that encourages taking on challenges in new fields</li> <li>• Build a structure and establish management strategies that will enable flexible and timely responses to changes in the business environment</li> </ul>
	Product quality	<ul style="list-style-type: none"> <li>• Damages incurred and loss of trust due to defects of products that do not meet the Company's quality standards</li> </ul>	<ul style="list-style-type: none"> <li>• Thoroughly enforce compliance with internal rules on quality</li> <li>• Develop a global quality management system that satisfies the market demands and quality standards of each country</li> </ul>
	Business expansion including M&As	<ul style="list-style-type: none"> <li>• Unsuccessful PMI* after aggressive M&amp;As</li> </ul> <small>* PMI: Post Merger Integration The integration process after M&amp;As</small>	<ul style="list-style-type: none"> <li>• Clarify matters requiring advance confirmation and due diligence</li> <li>• Management support by senior management and the responsible divisions</li> </ul>
	Damage to corporate value due to an act of hostile, large-scale purchase of the Company's shares	<ul style="list-style-type: none"> <li>• A large-scale purchase of shares occurs that could significantly damage sustained growth and corporate value/shared value with shareholders as a result of company splits and transfers</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce takeover defense measures to ensure enough time for shareholders to make appropriate decisions</li> <li>• Consider and implement measures to raise stock prices and corporate value</li> </ul>
2. Human capital risks	Securing human capital	<ul style="list-style-type: none"> <li>• Shortage of manpower from clinging to existing recruitment strategies, development policies, and HR systems</li> </ul>	<ul style="list-style-type: none"> <li>• Seek optimal personnel allocation</li> <li>• Build a personnel assessment system with a global perspective and nurture assessors</li> <li>• Strengthen recruiting of multinational talent and establish diversity management</li> <li>• Effectively utilize labor through automated operations and the promotion of digitalization</li> </ul>
	Labor problems	<ul style="list-style-type: none"> <li>• Occurrence of labor problems due to forcing workstyles that do not align with the social landscape and labor environment of each country</li> </ul>	<ul style="list-style-type: none"> <li>• Share Group awareness through the penetration of the ANEST IWATA Corporate Philosophy</li> <li>• Set recruiting requirements and assessment systems that align with the systems and situations of each country based on the administrative authorities of the representatives of the overseas bases</li> </ul>
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>

	Risk	Summary	Countermeasure
4. Legal risks	Compliance with regulations and standards related to the earth environment and climate change	<ul style="list-style-type: none"> <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 TCFD framework</li> </ul>
	Fraudulent activities due to violations of laws and regulations, etc.	<ul style="list-style-type: none"> <li>A scandal occurs</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 patent and other rights to the intellectual property of third parties</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	COVID-19	<ul style="list-style-type: none"> <li>Activities are restricted due to the discovery of infections among the business partners and employees of the Company</li> </ul>	<ul style="list-style-type: none"> <li>Thorough enforcement of measures to prevent infection by making the safety of the customers and employees the top priority</li> <li>Promote remote business meetings, teleworking, and staggered commuting</li> <li>Review the supply chain to expand inventory and decrease the dependence on specific suppliers</li> <li>Explore and take prompt measures through the Crisis Management Committee and optimize BCP</li> </ul>
	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> </ul>	<ul style="list-style-type: none"> <li>Optimize BCP</li> <li>Diversify 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>

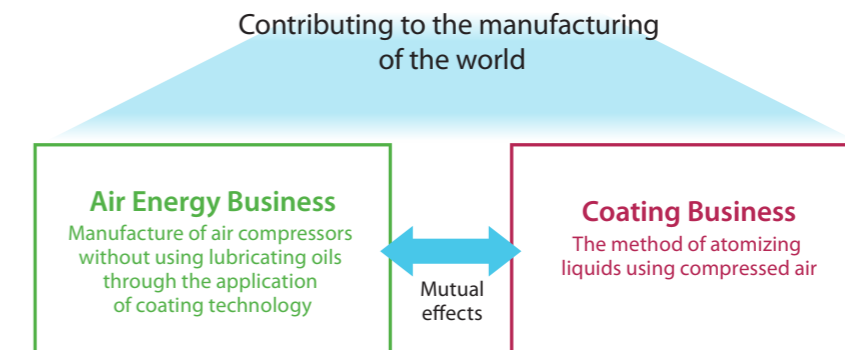
### The Company's Approach toward Takeover Defense Measures

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

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

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

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



## Consolidated Balance Sheets

	(Thousands of yen)	
	As of March 31, 2021	As of March 31, 2022
<b>ASSETS</b>		
Current Assets		
Cash and deposits	12,900,314	14,319,597
Notes and accounts receivable - trade	6,636,359	8,004,883
Securities	299,992	-
Merchandise and finished goods	4,468,215	6,326,762
Work in process	1,138,424	1,280,101
Raw materials and supplies	2,433,388	3,222,945
Other	1,254,136	1,434,802
Allowance for doubtful accounts	(237,777)	(262,772)
Total current assets	28,893,053	34,326,320
Non-Current Assets		
Property, Plant and Equipment		
Buildings and structures	10,959,113	11,594,241
Accumulated depreciation	(5,859,934)	(6,400,816)
Buildings and structures, net	5,099,178	5,193,424
Machinery, equipment and vehicles	7,538,757	8,053,829
Accumulated depreciation	(5,352,165)	(5,922,278)
Machinery, equipment and vehicles, net	2,186,591	2,131,551
Land	2,137,609	2,212,639
Leased assets	2,714,688	2,551,325
Accumulated depreciation	(1,384,190)	(1,340,667)
Leased assets, net	1,330,498	1,210,657
Construction in progress	177,413	167,018
Other	2,599,321	2,909,447
Accumulated depreciation	(2,175,679)	(2,376,208)
Other, net	423,642	533,239
Total property, plant and equipment	11,354,933	11,448,530
Intangible Assets		
Goodwill	973,798	981,998
Software	240,286	670,050
Other	1,554,856	1,654,647
Total intangible assets	2,768,942	3,306,695
Investments and Other Assets		
Investment securities	4,464,876	4,530,045
Deferred tax assets	996,231	1,211,958
Retirement benefit asset	687,755	717,208
Other	303,611	288,503
Allowance for doubtful accounts	(10,725)	(10,725)
Total investments and other assets	6,441,749	6,736,991
Total non-current assets	20,565,625	21,492,217
Total Assets	49,458,678	55,818,537

	(Thousands of yen)	
	As of March 31, 2021	As of March 31, 2022
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable - trade	4,104,589	5,225,044
Short-term borrowings	822,970	856,923
Current portion of long-term borrowings	249,160	10,305
Lease liabilities	247,909	254,526
Income taxes payable	677,692	902,879
Provision for bonuses	718,884	751,950
Provision for bonuses for directors	81,345	80,299
Provision for product warranties	224,122	256,356
Other	2,480,221	3,277,995
Total current liabilities	9,606,895	11,616,282
Non-Current Liabilities		
Long-term borrowings	-	283,845
Lease liabilities	1,148,600	1,011,814
Deferred tax liabilities	228,213	229,445
Retirement benefit liability	2,181,792	2,231,837
Provision for share awards for directors and other officers	83,041	136,788
Other	76,232	98,519
Total non-current liabilities	3,717,880	3,992,250
Total Liabilities	13,324,776	15,608,532
Net Assets		
Shareholders' equity		
Share capital	3,354,353	3,354,353
Capital surplus	1,017,080	1,008,864
Retained earnings	28,758,216	31,245,575
Treasury shares	(685,266)	(1,025,936)
Total shareholders' equity	32,444,383	34,582,856
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	414,112	378,134
Foreign currency translation adjustment	(513,712)	679,490
Remeasurements of defined benefit plans	(102,234)	(17,285)
Total accumulated other comprehensive income	(201,835)	1,040,339
Non-controlling interests	3,891,353	4,586,809
Total Net Assets	36,133,902	40,210,005
Total Liabilities and Net Assets	49,458,678	55,818,537

## Consolidated Statement of Income and Comprehensive Income

### Consolidated Statement of Income

	(Thousands of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net Sales	35,588,516	42,337,011
Cost of Sales	20,662,193	24,109,236
Gross Profit	14,926,322	18,227,774
Selling, General and Administrative Expenses		
Sales commission	381,742	346,834
Packing and transportation costs	784,089	918,251
Remuneration, salaries and allowances for directors	4,270,106	5,116,694
Provision for bonuses	437,488	448,463
Provision for bonuses for directors	81,345	80,299
Provision for share awards for directors and other officers	43,256	53,746
Retirement benefit expenses	277,602	229,251
Welfare expenses	904,405	1,124,247
Rent expenses	469,234	502,100
Provision for product warranties	214,374	201,271
Provision of allowance for doubtful accounts	(18,238)	4,957
Commission expenses	1,050,659	1,358,888
Other	2,585,863	3,062,556
Total selling, general and administrative expenses	11,481,929	13,447,564
Operating Profit	3,444,393	4,780,210
Non-Operating Income		
Interest income	52,920	60,856
Dividend income	69,548	65,404
Foreign exchange gains	87,615	231,773
Share of profit of entities accounted for using equity method	315,887	359,389
Subsidies for employment adjustment	181,696	11,679
Other	232,781	162,946
Total non-operating income	940,449	892,049
Non-Operating Expenses		
Interest expenses	63,254	57,856
Custom duties for prior periods	31,009	-
Commission for commitment line	7,381	10,514
Other	29,824	31,600
Total non-operating expenses	131,469	99,970
Ordinary Profit	4,253,373	5,572,289

	(Thousands of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Extraordinary Income		
Gain on sale of non-current assets	9,336	3,180
Subsidies for employment adjustment	76,885	-
Gain on sales of investment securities	10,288	11,950
Total extraordinary income	96,510	15,131
Extraordinary Losses		
Impairment losses	107,854	-
Loss on valuation of investments in capital	-	34,427
Loss on sale of non-current assets	97	406
Loss on retirement of non-current assets	5,623	10,887
Loss on COVID	99,784	-
Total extraordinary losses	213,359	45,721
Profit before Income Taxes	4,136,523	5,541,699
Income Taxes - Current	1,175,145	1,639,721
Income Taxes - Deferred	(82,826)	(246,729)
Total Income Taxes	1,092,319	1,392,992
Profit	3,044,204	4,148,706
Profit Attributable to Non-Controlling Interest	420,922	607,310
Profit Attributable to Owners of Parent	2,623,282	3,541,395

### Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	3,044,204	4,148,706
Other Comprehensive Income		
Valuation difference on available-for-sale securities	196,654	(35,977)
Foreign currency translation adjustment	(37,555)	1,511,028
Remeasurements of defined benefit plans, net of tax	114,036	84,949
Share of other comprehensive income of entities accounted for using equity method	(93,516)	191,976
Total other comprehensive income	179,619	1,751,977
Comprehensive Income	3,223,823	5,900,684
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,752,479	4,783,570
Comprehensive income attributable to non-controlling interests	471,344	1,117,113



## Consolidated Statement of Changes in Equity

ANEST IWATA Corporation and Subsidiaries  
For the Years Ended March 31, 2021 and 2022

For the Year Ended March 31, 2021

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at beginning of period	3,354,353	1,117,838	27,136,665	(185,165)	31,423,692	217,457	(332,219)	(216,271)	(331,032)	3,477,811	34,570,471
Cumulative effects of changes in accounting policies											
Balance at beginning of period reflecting change in accounting policy	3,354,353	1,117,838	27,136,665	(185,165)	31,423,692	217,457	(332,219)	(216,271)	(331,032)	3,477,811	34,570,471
Changes during period											
Dividends of surplus			(1,001,731)		(1,001,731)						(1,001,731)
Profit attributable to owners of parent			2,623,282		2,623,282						2,623,282
Purchase of treasury shares				(500,101)	(500,101)						(500,101)
Change in ownership interest of parent due to transactions with non-controlling interests		(100,757)			(100,757)						(100,757)
Net changes in items other than shareholders' equity						196,654	(181,493)	114,036	129,197	413,541	542,739
Total changes during period		(100,757)	1,621,551	(500,101)	1,020,691	196,654	(181,493)	114,036	129,197	413,541	1,563,430
Balance at end of period	3,354,353	1,017,080	28,758,216	(685,266)	32,444,383	414,112	(513,712)	(102,234)	(201,835)	3,891,353	36,133,902

For the Year Ended March 31, 2022

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

## Consolidated Statement of Cash Flows

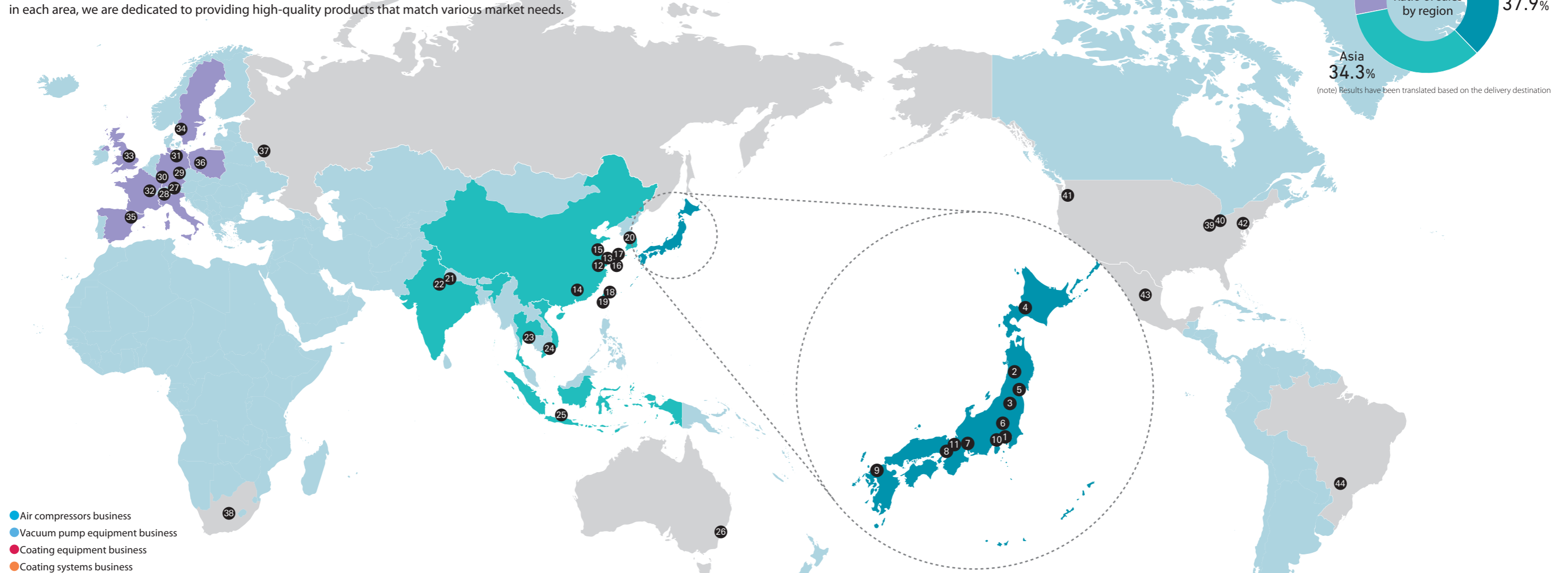
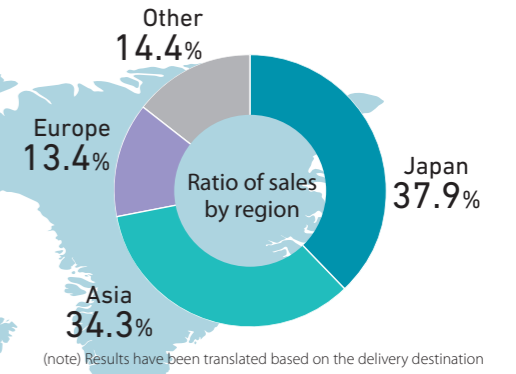
ANEST IWATA Corporation and Subsidiaries  
For the Years Ended March 31, 2021 and 2022

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash Flows from Operating Activities		
Profit before Income Taxes	4,136,523	5,541,699
Depreciation	1,426,903	1,510,082
Amortization of goodwill	205,257	254,676
Decrease in allowance for doubtful accounts	(28,830)	(4,363)
Increase in provision for bonuses	60,439	24,859
Increase (decrease) in provision for product warranties	(6,373)	30,909
Increase in retirement benefit liability	78,931	167,982
Decrease (increase) in retirement benefit asset	34,695	(30,154)
Decrease in provision for bonuses for directors	(33,505)	(1,045)
Increase in provision for share awards for directors and other officers	43,256	53,746
Interest and dividend income	(122,469)	(126,260)
Interest expenses	63,254	57,856
Share of profit of entities accounted for using equity method	(102,929)	(197,181)
Loss (gain) on sale and retirement of non-current assets	(3,615)	8,113
Subsidies for employment adjustment	(258,566)	-
Gain on sale of investment securities	(10,288)	(11,950)
Loss on valuation of investments in capital	-	34,427
Impairment losses	107,854	-
Decrease (increase) in trade receivables	1,107,042	(931,656)
Increase in inventories	(757,356)	(2,118,889)
Increase(decrease) in trade payables	(171,324)	519,575
Other	(597,561)	365,278
Subtotal	5,171,338	5,147,703
Interest and dividends received	122,831	126,634
Interest paid	(63,254)	(57,856)
Subsidy income received	291,331	46,636
Income taxes paid	(920,062)	(1,373,175)
Net cash provided by operating activities	4,602,183	3,889,943
Cash Flows from Investing Activities		
Payments into time deposits	(1,530,793)	(1,580,741)
Proceeds from withdrawal of time deposits	1,172,370	1,515,568
Purchase of property, plant and equipment	(512,967)	(867,034)
Proceeds from sale of property, plant and equipment	21,389	15,956
Purchase of intangible assets	(253,076)	(568,024)
Purchase of investment securities	-	(202)
Proceeds from sale of investment securities	48,039	284,212
Proceeds from redemption of investment securities	-	299,992
Loan advances	(17,722)	-
Proceeds from collection of loans receivable	7,382	11,098
Payments for acquisition of businesses	-	(150,975)
Other	(2,577)	(38,658)
Net cash used in investing activities	(1,067,955)	(1,078,808)
Cash Flows from Financing Activities		
Net decrease in short-term borrowings	(94,395)	(52,940)
Repayments of lease liabilities	(232,711)	(256,464)
Proceeds from long-term borrowings	36,300	54,309
Repayments of long-term borrowings	(18,150)	(39,372)
Purchase of treasury shares	(500,101)	(340,669)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	74,106	1
Dividends paid	(1,001,044)	(1,031,461)
Dividends paid to non-controlling interests	(222,142)	(436,693)
Net cash used in financing activities	(1,958,140)	(2,103,291)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(25,371)	565,759
Net Increase in Cash and Cash Equivalents	1,550,716	1,273,602
Cash and Cash Equivalents at Beginning of Period	10,092,523	11,643,240
Cash and Cash Equivalents at End of Period	11,643,240	12,916,842

# Global Network (As of March 31, 2022)

Starting from the late 1980's, the Group has made full-entry into the overseas market by establishing bases in Asia, followed by North America and Europe. Currently, we manufacture and sell our products in 21 countries and regions around the world. Our overseas sales have grown considerably, accounting for 62.1% of total sales. As the markets continue to expand in each area, we are dedicated to providing high-quality products that match various market needs.



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

## Europe

- Italy**
- 27 ANEST IWATA STRATEGIC CENTER S.r.l. ●
  - 28 Anest Iwata Italia S.r.l. ●
- Germany**
- 29 ANEST IWATA Deutschland GmbH ●
  - 30 ANEST IWATA Europe GmbH ●●
  - 31 HARDER & STEENBECK GmbH & Co.KG ●
- France**
- 32 ANEST IWATA France S.A. ●●
- UK**
- 33 ANEST IWATA (U.K.) Ltd. ●
- Sweden**
- 34 Anest Iwata Scandinavia AB ●
- Spain**
- 35 ANEST IWATA Iberica, S. L. U. ●
- Poland**
- 36 ANEST IWATA Polska Sp. Z o.o. ●

## Asia

- China**
- 12 ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) COMPANY LIMITED ●●
  - 13 ANEST IWATA (SHANGHAI) Corporation ●●
  - 14 ANEST IWATA (DONGGUAN) Corporation ●
  - 15 ANEST IWATA FEELER Corporation ●●
  - 16 Shanghai Screw Compressor Co., Ltd. ●
  - 17 Shanghai Globe Screw Technology Co., Ltd. ●
- Taiwan**
- 18 ANEST IWATA Taiwan Corporation ●●●
  - 19 ANEST IWATA SPARMAX Co., Ltd. ●●
- South Korea**
- 20 ANEST IWATA Korea Corp. ●●●
- India**
- 21 ANEST IWATA MOTHERSON Pvt. Ltd. ●
  - 22 ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd. ●●
- Thailand**
- 23 ANEST IWATA SOUTHEAST ASIA Co., Ltd. ●●●●

## Asia

- Vietnam**
- 24 ANEST IWATA Vietnam Co., Ltd. ●●●
- Indonesia**
- 25 PT. ANEST IWATA INDONESIA ●●●●

## Japan

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

## Other

- U.S.**
- 39 ANEST IWATA USA, Inc. ●●
  - 40 ANEST IWATA AIR ENGINEERING, Inc. ●●
  - 41 ANEST IWATA-Medea, Inc. ●
  - 42 Powerex-Iwata Air Technology, Inc.\* ●●
- Mexico**
- 43 ANEST IWATA Mexico, S. de R.L. de C.V. ●●●
- Brasil**
- 44 AIRZAP-ANEST IWATA INDÚSTRIA E COMÉRCIO LTDA. ●●●
- Australia**
- 26 ANEST IWATA Australia Pty. Ltd. ●●
- Russia**
- 37 ANEST IWATA RUS LLC ●
- South Africa**
- 38 ANEST IWATA South Africa (Pty) Ltd. ●

\* An affiliated company accounted for using the equity method

# Stock Information

## Number of Shares Issued (As of March 31, 2022)

Total number of authorized shares	189,290,000 shares
Total number of shares issued	40,836,413 shares (Excluding 909,092 treasury shares)
Number of shareholders	3,813

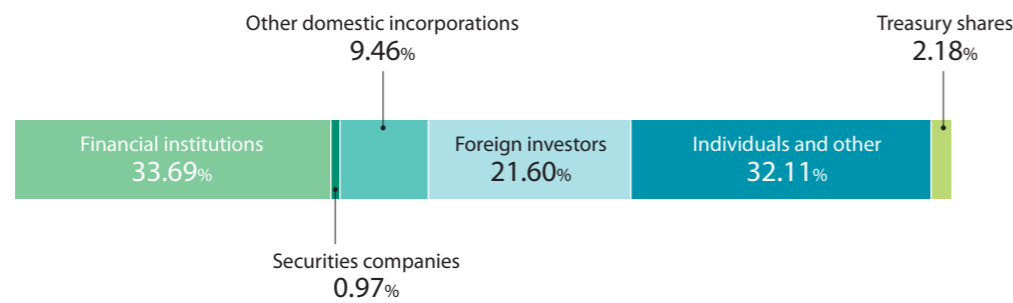
(Note) The treasury shares do not include 180,000 shares of the Company held by the Board Benefit Trust (BBT).

## Principal Shareholders (As of March 31, 2022)

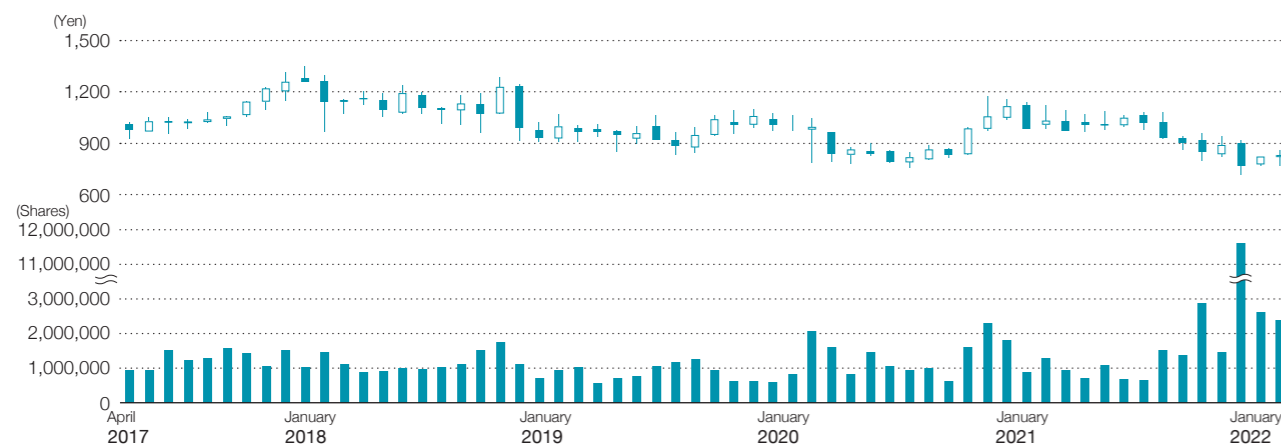
Name	Number of shares owned (thousands)	Ownership percentage of total shares issued (%)
Japan Trustee Services Bank, Ltd. (Trust account)	4,874,100	11.9
Custody Bank of Japan, Ltd. (Trust account)	3,820,800	9.4
The Dai-ichi Life Insurance Company, Limited	2,272,000	5.6
ANEST IWATA Supplier Shareholding Association	1,872,200	4.6
ANEST IWATA Customer Shareholding Association	1,858,500	4.6
Meiji Yasuda Life Insurance Company	1,520,848	3.7
THE BANK OF NEW YORK 133652	1,338,500	3.3
Taikisha Ltd.	895,000	2.2
FCP SEXTANT AUTOUR DU MONDE	850,000	2.1
ANEST IWATA Customer Employee Shareholding Association	815,096	2.0

(Note) 1. The shareholding ratio is calculated excluding treasury shares (909,092 shares).  
 2. The Report of Possession of Large Volume (Change Report) submitted for public perusal by Mitsubishi UFJ Financial Group, Inc. (joint holders: MUFG Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and MU Investments Co., Ltd.) dated January 31, 2022 states that Mitsubishi UFJ Financial Group, Inc. held 2,357,235 shares of the Company as of January 24, 2022. However, the actual number of shares held by Mitsubishi UFJ Financial Group, Inc. as of March 31, 2022 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, 2022)



## Stock Prices and Trading Volume (From April 2017 to March 2022)



# Corporate Profile (As of the date of this Report)

Company Name	ANEST IWATA Corporation
Head Office	3176, Shinyoshida-cho, Kohoku-ku, Yokohama 223-8501, Japan
Representative	Shinichi Fukase, President, Representative Director and Chief Executive Officer
Founded	May, 1926
Incorporated	June, 1948
Main Business	Manufacture and sales of air compressors, vacuum pumps, coating equipment, and coating systems
Capital	3,354 million yen
Number of Employees	1,764 (Japan: 622, Overseas: 1,142)
End of Fiscal Year	March 31
Listed Securities Exchange	Prime Market, Tokyo Stock Exchange



Head Office



Akita Factory



Fukushima Factory

## Domestic Locations

### Domestic Locations

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

### Factories

- Akita Factory
- Fukushima Factory

## Consolidated Subsidiaries

### Japan

- A&C Service Corporation

### Europe

- ANEST IWATA Deutschland GmbH
- ANEST IWATA Europe GmbH
- HARDER & STEENBECK GmbH & Co.KG
- ANEST IWATA STRATEGIC CENTER s.r.l.
- Anest Iwata Italia s.r.l.
- ANEST IWATA France S.A.
- ANEST IWATA (U.K.) Ltd.
- Anest Iwata Scandinavia AB
- ANEST IWATA Iberica, S. L.
- ANEST IWATA Polska Sp. Z o.o.

### Asia

- ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) COMPANY LIMITED
- ANEST IWATA (SHANGHAI) Corporation
- ANEST IWATA (DONGGUAN) Corporation
- ANEST IWATA FEELER Corporation
- Shanghai Screw Compressor Co., Ltd.
- Shanghai Globe Screw Technology Co., Ltd.
- ANEST IWATA Taiwan Corporation
- ANEST IWATA SPARMAX Co., Ltd.
- ANEST IWATA MOTHERSON Pvt. Ltd.
- ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd.
- ANEST IWATA SOUTHEAST ASIA Co., Ltd.
- ANEST IWATA Korea Corp.
- ANEST IWATA Vietnam Co., Ltd.
- PT. ANEST IWATA INDONESIA

### Other Regions

- ANEST IWATA USA, Inc.
- ANEST IWATA-Medea, Inc.
- ANEST IWATA AIR ENGINEERING, Inc.
- ANEST IWATA Mexico, S. de R.L. de C.V.
- ANEST IWATA DO BRASIL COMERCIAL LTDA.
- AIRZAP-ANEST IWATA INDÚSTRIA E COMÉRCIO LTDA.
- ANEST IWATA Australia Pty. Ltd.
- ANEST IWATA RUS LLC
- ANEST IWATA South Africa (Pty) Ltd.



**ANEST IWATA Corporation**

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