

Supplementary Presentation Material of FY2024 First Quarter Financial Results ANEST IWATA Corporation

August 9, 2024

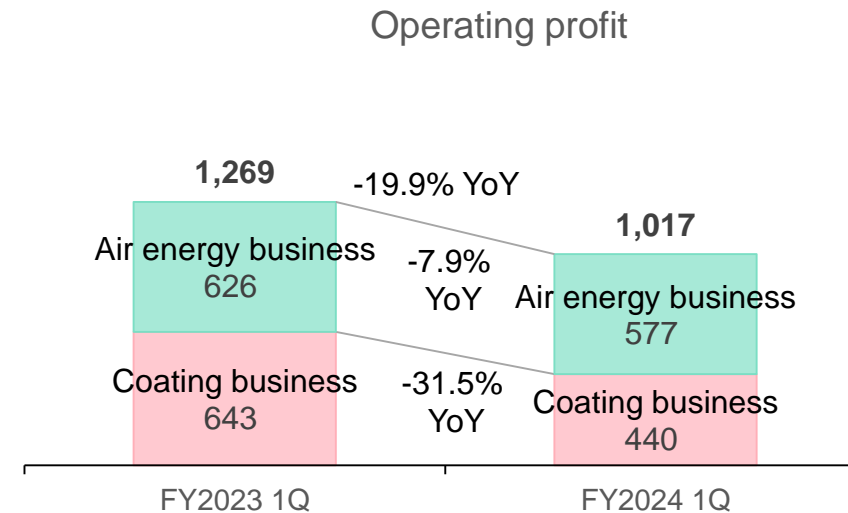
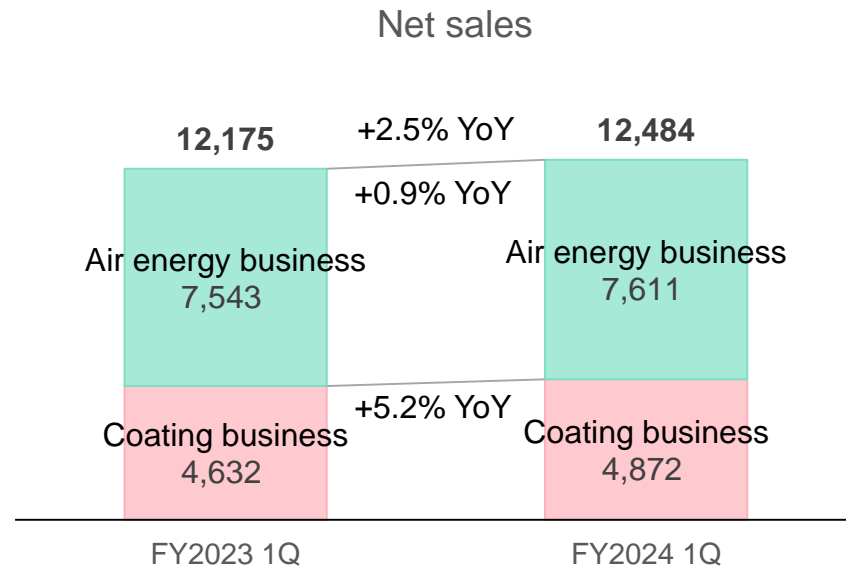
Tokyo Stock Exchange Prime Market - Machinery

Securities Code 6381

Note: This document has been translated from the original document in Japanese. In the event of any discrepancy between this English translation and the original document in Japanese, the original document in Japanese shall prevail.

Results for FY2024 1Q

- Consolidated net sales increased by 2.5% year-on-year, but consolidated operating profit decreased by 19.9% year-on-year.
- Operating profit decreased due to factors such as increased selling, general & administrative (SG&A) expenses including labor costs.



Business Overview

- Sales in Japan and China were weak due to the impact of business sentiment, but sales of coating equipment were strong in Europe and the Americas.

Performance Forecasts for FY2024

- The previous forecast (announced on May 9, 2024) remains unchanged.

Sales in Europe and the Americas were strong, resulting in increased revenue. On the other hand, profits decreased due to increased labor costs and decreased foreign exchange gains

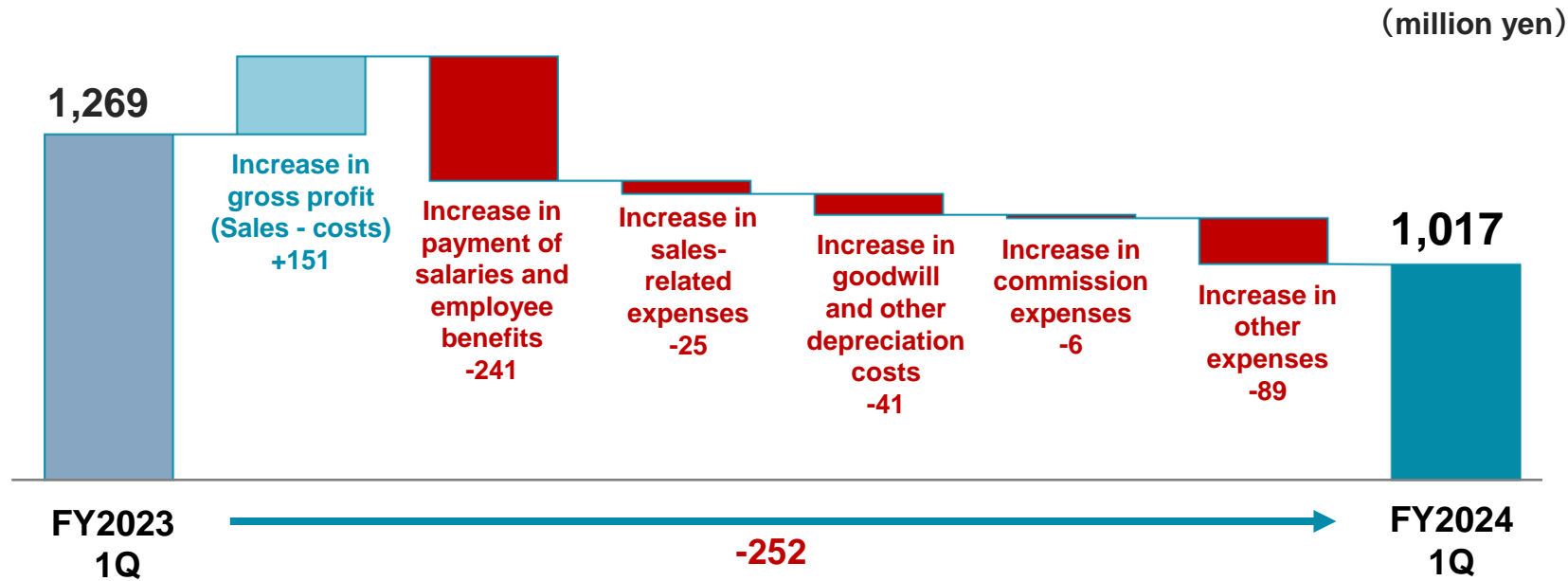
- The impact of foreign exchange on net sales: +814 million yen
- Foreign exchange gains: 344 million yen (-119 million yen year-on-year)

	FY2023 1Q		FY2024 1Q		Year-on-year			FY2024 result forecasts	
	Actual (million yen)	Profit ratio (%)	Actual (million yen)	Profit ratio (%)	Increase/ decrease amount (million yen)	Increase/ decrease rate (%)	Profit ratio change (Points)	Forecast (million yen)	Progress rate (%)
Net sales	12,175	—	12,484	—	+308	+2.5	—	58,000	21.5
Operating profit	1,269	10.4	1,017	8.2	-252	-19.9	-2.3	6,800	15.0
Ordinary profit	2,001	16.4	1,704	13.7	-297	-14.8	-2.8	7,800	21.8
Profit attributable to owners of parent	1,376	11.3	1,052	8.4	-323	-23.5	-2.9	4,950	21.3
Average exchange rate of yen to USD	132.34 yen		148.61 yen		Depreciated by 16.27 yen			145.00 yen	
Average exchange rate of yen to EUR	142.1 yen		161.31 yen		Depreciated by 19.21 yen			156.33 yen	
Average exchange rate of yen to CNY	19.34 yen		20.63 yen		Depreciated by 1.29 yen			19.95 yen	

[Foreign exchange sensitivity] Trend value based on operating profit (**The currency ratio is not reflected in the following**)

Due to the depreciation of 1 yen, the respective increase was US dollar: 10 million yen/year, Euro: 10 million yen/year, Chinese Yuan: 30 million yen/year.

In particular, labor costs in Europe and the US increased, and the weak yen added to the increase in overseas SG&A expenses.



	FY2024 1Q	Year-on-year
Cost of sales (million yen)	6,778	+156
Cost-to-sales ratio (%)	54.3	-0.1
SG&A expenses (million yen)	4,688	+403
SG&A expense ratio (%)	37.6	+2.4

[-] Increase in SG&A expenses (+403 million yen year-on-year)

- Labor costs overseas increased due to wage increases aimed at securing personnel. The increase was particularly notable in Europe, the Americas, and China.
- Depreciation increased due to the expansion of production facilities for coating equipment in Europe and for medium-sized air compressors at SCR* in China, where sales continue to grow.
- The impact of foreign exchange on SG&A expenses was +265 million yen.

Revenue increased except for Japan. In Europe and the US, sales were driven by coating equipment.

- In particular, spray guns for the car repair market, which were deployed from Europe to the US in line with the trend in coating materials in car repairs, were doing well.
- Sales of coating equipment in Europe and the US increased even on the basis of local currency.

	FY2023 1Q		FY2024 1Q		Year-on-year		
	Actual (million yen)	Composition ratio (%)	Actual (million yen)	Composition ratio (%)	Increase/ decrease amount (million yen)	Increase/ decrease rate (%)	Composition ratio Change (points)
Japan	4,146	34.1	3,858	30.9	-288	-6.9	-3.1
Europe	2,131	17.5	2,365	18.9	+234	+11.0	+1.4
Americas	1,554	12.8	1,802	14.4	+248	+16.0	+1.7
China	2,610	21.4	2,652	21.2	+42	+1.6	-0.2
Others	1,733	14.2	1,805	14.5	+72	+4.2	+0.2
Total	12,175	—	12,484	—	+309	+2.5	—

(Notes) 1. In Japan and India, the year ends in March, while in other areas, it ends in December, so the period of the consolidated financial settlement in other areas is three months behind.

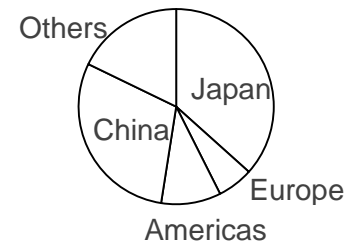
2. Segment category: Others = Asia excluding China, and Australia and South Africa

Despite the shrinking domestic demand in Japan and China, revenue increased due to sales in the US and exports from China. On the other hand, profit decreased mainly due to lower sales of vacuum pumps for the Chinese market.

	Category	FY2023 1Q	FY2024 1Q	Year-on-year		Overview
				Increase/decrease amount	Increase/decrease rate (%)	
Net sales	Air compressors	6,798	6,862	+64	+1.0	(Japan) ↓ Sales of general-purpose air compressors decreased. Industry-wide shipments are on a downward trend. (Europe) ↓ Sales of oil-free air compressors decreased because of changes in demand trends from OEM customers. (Americas) ↑ Sales of air compressors for medical equipment and in-vehicle mounting increased in the US. (China) ↑ SCR's export sales remained strong. ↓ Domestic demand in China decreased due to economic slowdown. (Others) ↑ Sales growth of general-purpose air compressors in India.
	Vacuum equipment	745	748	+3	+0.5	(Americas) ↑ Sales growth of vacuum pumps, mainly for equipment manufacturers. (China) ↓ Sales of vacuum pumps to equipment manufacturers decreased due to the lack of the spot demand experienced in the previous fiscal year.
	Total	7,543	7,611	+68	+0.9	
Operating profit	Air energy	626	577	-49	-7.9	Operating profit ratio: 7.6% (-0.7 pts year-on-year) *1 ↓ Increased cost-to-sales ratio of vacuum pumps. ↑ Operating profit ratio of air compressors improved mainly due to increased sales in the Americas and export sales in China. Thorough implementation of more effective sales activities, such as carefully selecting exhibitions to participate in.

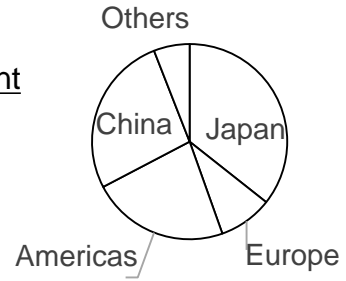
[Image of sales composition ratio by area and year-on-year comparison*2]

Air compressors



- Japan: ●
- Europe: ×
- Americas: ◎
- China: ○
- Others: ○

Vacuum equipment



- Japan: ▽
- Europe: ◎
- Americas: ◎
- China: ×
- Others: ◎

*1: (Image of product-wise profit margin)
Vacuum equipment > Coating equipment > Air compressors > Coating systems

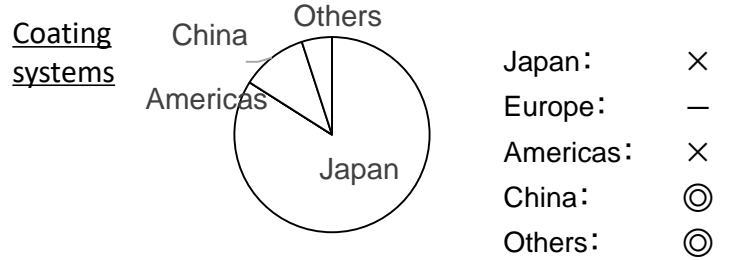
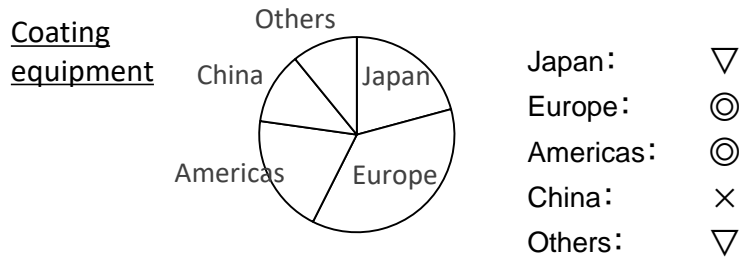
*2: Year-on-year comparison
◎ 10% or more ○ 3% to 10% △ 0% to 3%
▽ 0% to -3% ● -3% to 10% × -10% or less

Sales of spray guns for the car repair market in Europe and the US led to increased revenue, but profits decreased due to a decrease in sales of coating systems.

	Category	FY2023 1Q	FY2024 1Q	Year-on-year		Overview
				Increase/decrease amount	Increase/decrease rate (%)	
Net sales	Coating equipment	4,017	4,348	+330	+8.2	(Japan) ↓ The impact of the spray guns that were discontinued in the previous fiscal year remained. Sales volume decreased, but market share was maintained. (Europe) ↑ Sales of spray guns for the car repair market remained strong. (Americas) ↑ Sales of spray guns for the car repair market, which were well received in Europe, have increased in the US. ↑ Sales of coating units for the woodworking coating market increased.
	Coating systems	615	524	-90	-14.7	(Japan) ↓ Sales decreased due to a lack of backlog of orders at the beginning of the period resulting from capital investment trends. • Orders in Japan and China are showing signs of recovery. They are expected to contribute to sales from the second half onwards.
	Total	4,632	4,872	+240	+5.2	
Operating profit	Coating	643	440	-202	-31.5	Operating profit ratio: 9.0% (-4.9 pts year-on-year) *1 ↓ Cost-to-sales ratio of coating systems rose due to sales decline. ↓ Subsidiary expenses increased due to the impact of weak yen.

(Note) Starting this fiscal year, **the product category for "environmental equipment" that improves the working environment during coating has been changed from "coating equipment" to "coating systems."**

[Image of sales composition ratio by area and year-on-year comparison*2]



*1: (Image of product-wise profit margin)
Vacuum equipment > Coating equipment > Air compressors > Coating systems

*2: Year-on-year comparison
◎ 10% or more ○ 3% to 10% △ 0% to 3%
▽ 0% to -3% ● -3% to 10% × -10% or less

Non-current assets increased due to the construction of a prototype building at the headquarters for further growth and investment in air compressor production facilities.

Equity ratio was 68.2% (+1.4 pts compared to the end of the previous fiscal year).

		FY2023	FY2024	Difference against the end of the previous period		
		End of full year	1Q	Increase/ decrease amount (million yen)	Increase/ decrease rate (%)	Primary factors for increase or decrease
		Actual (million yen)	Actual (million yen)			
Assets	Current assets	40,571	40,053	-517	-1.3	•Decrease in "Cash and deposits" -702 million yen
	Non-current assets	25,573	25,761	+188	+0.7	•Increase in "Construction in progress" +186 million yen
	Assets	66,144	65,815	-329	-0.5	
Liabilities and capital	Current liabilities	12,789	11,593	-1,196	-9.4	•Decrease in "Income taxes payable" -702 million yen
	Non-current liabilities	3,280	3,247	-32	-1.0	•Decrease in "Lease liabilities" -59 million yen
	Liabilities	16,069	14,841	-1,228	-7.6	
	Shareholders' equity	39,737	39,476	-260	-0.7	
	Accumulated other comprehensive income	4,421	5,428	+1,006	+22.8	•Increase in "Foreign currency translation adjustment" +981 million yen
	Non-controlling interests	5,915	6,069	+153	+2.6	
	Net assets	50,074	50,974	+899	+1.8	
Liabilities and net assets	66,144	65,815	-329	-0.5		

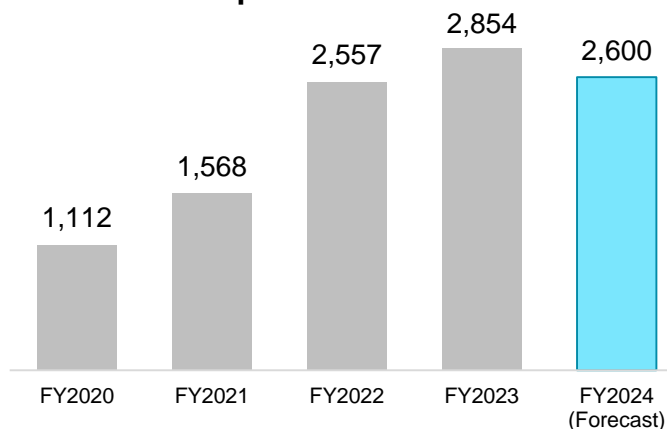
We are continuing to invest in production facilities for medium-sized air compressors in India, which is the core of our business strategy. In addition, a prototyping building is being constructed at the headquarters to improve the product development speed for both businesses.

- The prototyping building at the headquarters will be operational sequentially from around autumn this fiscal year. It is scheduled to be completed around summer 2025. Aiming to shorten the development cycle by strengthening the functionality of the prototyping process.

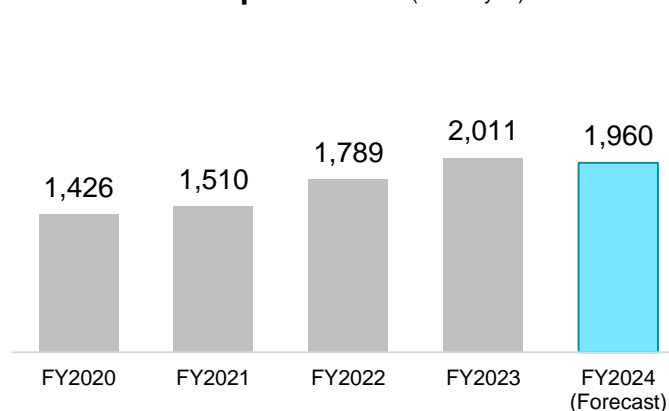
(million yen)	FY2024 1Q Actual Results		
	Amount of capital investment	Depreciation	R&D cost *
Actual	622	540	399
Plan	2,600	1,960	1,700
Progress rate	24.0	27.6	23.5
Description	<ul style="list-style-type: none"> •Construction of prototyping building •Upgrading and enhancement of production lines •Machine tools (new ones and upgrading existing ones) •IT-related investment 		

*R&D cost: Total of general administrative expenses and manufacturing costs related to research and development

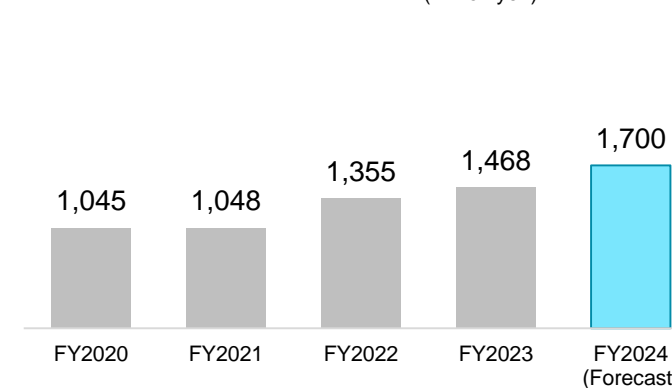
Amount of capital investment (million yen)



Depreciation (million yen)



R&D cost (million yen)



At this stage, the previous forecast (announced in May 2024) remains unchanged. Going forward, we will carefully determine changes in the business environment and review them as appropriate.

- The impact of China's economic slowdown, monetary policies of various countries, currency trends, and rising geopolitical risks on business performance remains unclear.
- From 2Q onward, we will work to achieve our full-year forecasts by maintaining sales levels in Europe and the U.S. and completing this fiscal year's actions in growth markets such as India.

		FY2023
		Actual (million yen)
Net sales		53,425
Air energy	Air compressors	30,302
	Vacuum equipment	2,983
	Subtotal	33,286
Coating	Coating equipment	17,851
	Coating systems	2,288
	Subtotal	20,139
Operating profit		6,176
Air energy		3,357
Coating		2,818
Ordinary profit		7,986
Profit attributable to owners of parent		4,931
Average exchange rate of yen to	USD	140.56
	EUR	152.00
	CNY	19.82

FY2024 (Forecast)		
Target value (million yen)	Increase/decrease amount (million yen)	Increase/ decrease rate (%)
58,000	+4,574	+8.6
—	—	—
—	—	—
35,600	+2,313	+7.0
—	—	—
—	—	—
22,400	+2,260	+11.2
6,800	+623	+10.1
3,685	+327	+9.7
3,115	+296	+10.5
7,800	-186	-2.3
4,950	+18	+0.4
145.00	Depreciated by 4.44 yen	
156.33	Depreciated by 4.33 yen	
19.95	Depreciated by 0.13 yen	

FY2024 1Q	
Actual (million yen)	Progress rate (%)
12,484	21.5
6,862	—
748	—
7,611	21.4
4,348	—
524	—
4,872	21.8
1,017	15.0
577	15.7
440	14.1
1,704	21.8
1,052	21.3
148.61	
161.31	
20.63	

Although labor costs and costs for mid-term business performance expansion are expected to increase, the increase in overseas income will offset the expenses

Assumed business environment

- Energy/resource prices, logistics costs, raw material prices, and purchasing prices for components are also expected to rise
- Exchange rate levels are expected to change from the initial trend of yen depreciation in line with the monetary policies of various countries(Assumed exchange rate remains unchanged).
- The Chinese market is taking time to recover, but a gradual recovery is expected towards the end of the fiscal year.

FY2024 (million yen)	Forecast	Year-on-year	
Sales	58,000	+8.6%	<ul style="list-style-type: none"> ■ Overseas sales lead the overall sales <ul style="list-style-type: none"> -Air energy: Expansion of China's SCR exports and air compressor sales for the Indian market -Coating: Expanding demand with the release of new spray guns in the Americas, and the development of industrial coatings ■ Recovery in appetite for capital investment, particularly in China, is expected to be moderate
– Air energy	35,600	+7.0%	
– Coating	22,400	+11.2%	
Operating profit	6,800	+10.1%	<ul style="list-style-type: none"> ■ The cost of sales ratio remains at the same level as the fiscal year ending March 2024 ■ Labor costs, including human resource investment, are increasing in all areas ■ Continued proactive growth investments such as R&D investment, capital investment, and IT investment (increase in commission expenses) <ul style="list-style-type: none"> -Purposes include improving the development environment, reinforcing and updating production equipment, M&A considerations, and developing new businesses
– Air energy	3,685	+9.7%	
– Coating	3,115	+10.5%	
Ordinary profit	7,800	-2.3%	<ul style="list-style-type: none"> ■ Investment costs covered by increased gross profit due to sales growth ■ Decrease in foreign exchange gains
Profit Attributable to Owners of Parent	4,950	+0.4%	

Established a new company based in Japan to create a dedicated structure to build a third business.

ANEST IWATA A.I.R. Corporation

Line of Business

Mobility service business with strong affinity to existing business

- Light Sheet Metal Painting Business
- Automotive after-sales service
- Car washing and coating

Mobility service business will start in the Philippines and expanded to other ASEAN regions and Japan

⇒ Philippines: Market quality requirements are close to those in Japan, and we can expand by providing technical support.

- Management of ANEST IWATA racing teams

Diversification of Company ANEST IWATA brands

New Business Development

Brand Enhancement

Aiming for aggressive business expansion

Company Name	ANEST IWATA A.I.R. Corporation
Headquarters	3176, Shinyoshida-cho, Kohoku-ku, Yokohama-shi, Kanagawa, Japan
Representative	Yoshiyuki Suzuki
Establishment	July 12, 2024
Capital	50 million yen

*The impact on consolidated results for the fiscal year ending March 31, 2025 will be immaterial.

<Reference Information> Details of Statement of Income

- Operating profit: SG&A expenses ratio increased due to factors such as rising labor costs.
- Non-operating income: Equity in earnings of affiliates increased (+72 million yen year-on-year) due to the strong performance of US affiliates, but foreign exchange gains decreased (-119 million yen year-on-year)

	FY2023 1Q		FY2024 1Q		Year-on-year		
	Actual (million yen)	Composition ratio (%)	Actual (million yen)	Composition ratio (%)	Increase/ decrease amount (million yen)	Increase/ decrease rate (%)	Composition ratio change (points)
Net sales	12,175	—	12,484	—	+308	+2.5	—
Cost of sales	6,621	54.4	6,778	54.3	+156	+2.4	-0.1
Gross profit	5,554	45.6	5,706	45.7	+151	+2.7	+0.1
SG&A expenses	4,284	35.2	4,688	37.6	+403	+9.4	+2.4
Operating profit	1,269	10.4	1,017	8.2	-252	-19.9	-2.3
Non-operating income	753	6.2	728	5.8	-25	-3.4	-0.4
Non-operating expenses	22	0.2	42	0.3	+19	+88.2	+0.2
Ordinary profit	2,001	16.4	1,704	13.7	-297	-14.8	-2.8
Extraordinary income	2	0.0	2	0.0	+0	-6.0	-0.0
Extraordinary losses	0	0.0	2	0.0	+2	+1,238.7	+0.0
Profit before income taxes	2,003	16.5	1,703	13.6	-300	-15.0	-2.8
Income taxes	444	3.6	453	3.6	+9	+2.2	-0.0
Profit attributable to non-controlling interests	183	1.5	197	1.6	+14	+7.7	+0.1
Profit attributable to owners of parent	1,376	11.3	1,052	8.4	-323	-23.5	-2.9

<Reference Information> FY2024 Changes in Business Results

[Total]

Unit: Million yen		FY2024			
		1Q	1 to 2Q	1 to 3Q	1 to 4Q
Net sales		12,484			
Year-on-year		+2.5%			
Air energy	Air compressors	6,862			
	Year-on-year	+1.0%			
	Vacuum equipment	748			
	Year-on-year	+0.5%			
	Net sales	7,611			
	Year-on-year	+0.9%			
Coating	Coating equipment	4,348			
	Year-on-year	+8.2%			
	Coating systems	524			
	Year-on-year	-14.7%			
	Net sales	4,872			
	Year-on-year	+5.2%			
Operating profit		1,017			
Year-on-year		-19.9%			
Air energy	Operating profit	577			
	Year-on-year	-7.9%			
Coating	Operating profit	441			
	Year-on-year	-31.5%			

[Quarterly]

Unit: Million yen		FY2024			
		1Q	2Q	3Q	4Q
Net sales		12,484			
Year-on-year		+2.5%			
Air energy	Air compressors	6,862			
	Year-on-year	+1.0%			
	Vacuum equipment	748			
	Year-on-year	+0.5%			
	Net sales	7,611			
	Year-on-year	+0.9%			
Coating	Coating equipment	4,348			
	Year-on-year	+8.2%			
	Coating systems	524			
	Year-on-year	-14.7%			
	Net sales	4,872			
	Year-on-year	+5.2%			
Operating profit		1,017			
Year-on-year		-19.9%			
Air energy	Operating profit	577			
	Year-on-year	-7.9%			
Coating	Operating profit	441			
	Year-on-year	-31.5%			

We started by manufacturing coating spray guns and air compressors for inspecting those guns.

Founded in 1926
(Former company name: Iwata Seisakusho)

Started manufacturing of spray guns using an American-made spray gun as a model

Spray gun

Coating hand gun

Atomizing paint with compressed air

Air compressor

Compressor

Started manufacturing of air compressors for spray gun inspection

Product differentiation concept

- Environment-friendly
- Ability to present proposals for coating surface creation



Diversification of products
Development of new applications



Coating robot



Airbrush

- Oil-free
- Energy-saving



Oil-free scroll vacuum pump



Oil-free scroll air compressor

Coating business

Coating equipment

Tools for painting and coating by spraying paints and other liquids, and machines for transporting liquids
Equipment units such as spray guns and paint supply pumps

Coating systems

Systems that handle a coating process and processes before and after it in a series of flows, including coating equipment
Systems combining coating equipment with ventilators, driers, and coating robots

Air energy business

Air compressors

Machines that compress gas, mainly air
Air compressors, N2 gas generators, and auxiliary equipment such as tanks

Vacuum equipment

Machines that suck in gas to reduce the pressure, creating a vacuum
Vacuum pumps and auxiliary equipment such as valves

Notes on the descriptions about future prospects and other matters

The future prospects for our Company mentioned in this document are based on the currently available information. Please be advised that there are various external factors that can impact our business performance, such as the global economy, exchange rate fluctuations, the industry's market conditions, and capital investment trends, and that the actual performance may differ from what is stated herein.

This document is intended to provide investors with relevant information and not meant to invite or recommend anyone to buy or sell shares in our Company or any other securities.

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