[Cover]

[Documents to be submitted]	Annual Securities Report
[Clause of stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submit to]	Director-General of the Kanto Local Finance Bureau
[Date of submission]	June 23, 2023
[Fiscal year]	77th term (From April 1, 2022 to March 31, 2023)
[Company name]	ANEST IWATA Kabushiki Kaisha
[English name]	ANEST IWATA Corporation
[Title and name of representative]	Shinichi Fukase, President, Representative Director and Chief Executive Officer
[Location of head office]	3176 Shinyoshida-cho, Kohoku-ku, Yokohama-shi, Kanagawa
[Telephone number]	Yokohama (045) 591-9344
[Administrative contact name]	Takayoshi Iribe, General Manager, Corporate Planning Department
[Nearest contact location]	3176 Shinyoshida-cho, Kohoku-ku, Yokohama-shi, Kanagawa
[Telephone number]	Yokohama (045) 591-9344
[Administrative contact name]	Takayoshi Iribe, General Manager, Corporate Planning Department
[Places for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

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.

Part 1 [Corporate Information]

Section 1 [Company Overview]

1. [Trends in major management indicators, etc.]

(1) Consolidated management indicators, etc.

Term		73rd term	74th term	75th term	76th term	77th term
Fiscal-year end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(thousand yen)	38,807,259	39,091,312	35,588,516	42,337,011	48,515,155
Ordinary profit	(thousand yen)	4,701,300	4,401,226	4,253,373	5,572,289	7,043,534
Profit attributable to owners of parent	(thousand yen)	2,947,727	2,717,840	2,623,282	3,541,395	4,381,835
Comprehensive income	(thousand yen)	2,141,103	2,545,665	3,223,823	5,900,684	7,064,431
Net assets	(thousand yen)	33,502,897	34,570,471	36,133,902	40,210,005	45,255,453
Total assets	(thousand yen)	47,557,798	48,102,044	49,458,678	55,818,537	60,136,510
Net assets per share	(yen)	716.40	748.16	784.91	876.20	989.09
Basic earnings per share	(yen)	70.62	65.14	63.34	86.32	108.25
Diluted earnings per share	(yen)	—	—	—	—	—
Equity ratio	(%)	62.9	64.6	65.2	63.8	66.6
Return on equity (ROE)	(%)	10.0	8.9	8.3	10.4	11.6
Price earnings ratio (PER)	(times)	13.8	16.1	16.2	9.6	9.3
Cash flows from operating activities	(thousand yen)	4,848,026	4,141,396	4,602,183	3,889,943	4,329,170
Cash flows from investing activities	(thousand yen)	(551,750)	(1,543,313)	(1,067,955)	(1,078,808)	(3,323,636)
Cash flows from financing activities	(thousand yen)	(1,848,200)	(2,281,828)	(1,958,140)	(2,103,291)	(2,357,633)
Cash and cash equivalents at end of period	(thousand yen)	9,858,835	10,092,523	11,643,240	12,916,842	12,080,990
Number of employees	(persons)	1,736	1,733	1,748	1,764	1,799

(Notes) 1. The number of employees refers to the number of full-time employees.

2. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied from the beginning of the 76th term, and the management indicators for this term and hereafter have been obtained after application of the said accounting standards.

3. The amount of diluted earnings per share is not included because there are no dilutive shares such as bonds with subscription rights to shares.

4. The Company has introduced the "Board Benefit Trust (BBT)," a performance-based stock compensation plan, since the 74th fiscal year. Accordingly, in the calculation of the basic earnings per share, the Company shares owned by the Trust are included in the treasury shares, which are deducted in the calculation of the number of treasury shares at the period-end and the average number of shares outstanding in the period.

(2) Management indicators of the submitting company, etc.

Term		73rd term	74th term	75th term	76th term	77th term
Fiscal-year end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(thousand yen)	17,124,281	16,936,215	20,962,362	22,806,793	24,770,370
Ordinary profit	(thousand yen)	2,924,223	2,786,204	2,965,119	3,666,932	4,288,720
Profit	(thousand yen)	2,203,399	2,217,060	3,708,603	2,751,298	3,356,724
Share capital	(thousand yen)	3,354,353	3,354,353	3,354,353	3,354,353	3,354,353
Total number of shares issued	(shares)	41,745,505	41,745,505	41,745,505	41,745,505	41,745,505
Net assets	(thousand yen)	24,681,301	25,448,667	27,852,092	29,190,883	31,198,542
Total assets	(thousand yen)	31,757,950	32,718,964	35,662,392	37,842,531	38,806,499
Net assets per share	(yen)	591.33	612.35	678.03	717.99	770.96
Dividend per share	(yen)	22.00	24.00	24.00	30.00	38.00
[Interim dividend per share]	(yen)	[11.00]	[12.00]	[12.00]	[13.00]	[16.00]
Basic earnings per share	(yen)	52.79	53.14	89.54	67.06	82.92
Diluted earnings per share	(yen)	—	—	—	—	—
Equity ratio	(%)	77.7	77.8	78.1	77.1	80.4
Return on equity (ROE)	(%)	9.1	8.8	13.9	9.6	11.1
Price earnings ratio (PER)	(times)	18.4	19.7	11.5	12.3	12.1
Dividends payout ratio	(%)	41.7	45.2	26.8	44.7	45.8
Number of employees	(persons)	488	495	624	612	601
Total shareholder return	(%)	86.2	90.4	95.7	80.7	99.0
[Comparative index: TOPIX including dividends]	(%)	[95.0]	[85.9]	[122.1]	[124.6]	[131.8]
Highest share price	(yen)	1,290	1,100	1,180	1,098	1,035
Lowest share price	(yen)	909	787	756	720	790

(Notes) 1. The number of employees refers to the number of full-time employees.

2. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied from the beginning of the 76th term, and the management indicators for this term and hereafter have been obtained after application of the said accounting standards.

3. The amount of diluted earnings per share is not included because there are no dilutive shares such as bonds with subscription rights to shares.

4. The highest and lowest share prices are as quoted on the First Section of the Tokyo Stock Exchange prior to April 3, 2022, and as quoted on the Prime Market of the Tokyo Stock Exchange on April 4, 2022 and after.

5. Some consolidated business indicators for the 75th term reflect changes resulting from the merger on April 1, 2020 of ANEST IWATA Compressor Corporation and ANEST IWATA Coating Solutions Corporation, which were consolidated subsidiaries of the Company until the end of the 74th term.

6. The Company has introduced the "Board Benefit Trust (BBT)," a performance-based stock compensation plan, since the 74th term. Accordingly, in the calculation of the basic earnings per share, the Company shares owned by the Trust are included in the treasury shares, which are deducted in the calculation of the number of treasury shares at the period-end and the average number of shares outstanding in the period.

2. [History]

May 1926	Founded by Iwata Seisakusho
Apr. 1957	Established Iwata Air Compressor Manufacturing Co., Ltd.
Aug.1961	Stock is listed on the Second Section of the Tokyo Stock Exchange
Oct. 1972	Established Tohoku Iwata Coating Equipment Co., Ltd. (Presently Akita Factory)
Aug. 1973	Stock is listed on the First Section of the Tokyo Stock Exchange
Sep. 1975	Established Fukushima Iwata Coating Equipment Co., Ltd. (Presently Fukushima Factory)
Aug. 1987	Engaged in full-scale business activities after capital participation in Taiwan Iwata Coating Equipment Ltd. (Presently ANEST IWATA Taiwan Corporation, consolidated subsidiary)
Mar. 1991	Introduced the world's first oil-free scroll air compressor
May 1993	Introduced the world's first air-cooling oil-free vacuum pump
Apr. 1994	Introduced the world's first spray gun compliant with European environmental regulations
Oct. 1996	Company name changed to ANEST IWATA Corporation
Dec. 2000	Established ANEST IWATA MOTHERSON Ltd. (Presently ANEST IWATA MOTHERSON Pvt. Ltd., consolidated subsidiary)
Apr. 2006	Introduced the corporate officer system
Nov. 2009	Capital participation in ANEST IWATA FEELER Corporation (Presently consolidated subsidiary)
Jun. 2011	Introduced Independent Directors
Apr. 2012	Established non-statutory Nominating and Compensation Committees
Jun. 2016	Transitioned to a company with Audit and Supervisory Committee
Jan. 2017	Capital participation by ANEST IWATA Deutschland GmbH into HARDER & STEENBECK GmbH & Co.KG (Presently consolidated subsidiary)
Dec. 2017	Capital participation in Shanghai Screw Compressor Co., Ltd. (Presently consolidated subsidiary) and its subsidiary Shanghai Globe Screw Technology Co., Ltd. (Presently consolidated subsidiary)
Jul. 2018	Capital participation in ANEST IWATA SPARMAX Co., Ltd. (Formerly: Han Shen Corporation, presently consolidated subsidiary)
Feb. 2020	Introduced performance-based stock compensation plan
Apr. 2022	Moved from the First Section to the Prime Market due to revision of the market classification of the Tokyo Stock Exchange

3. [Business description]

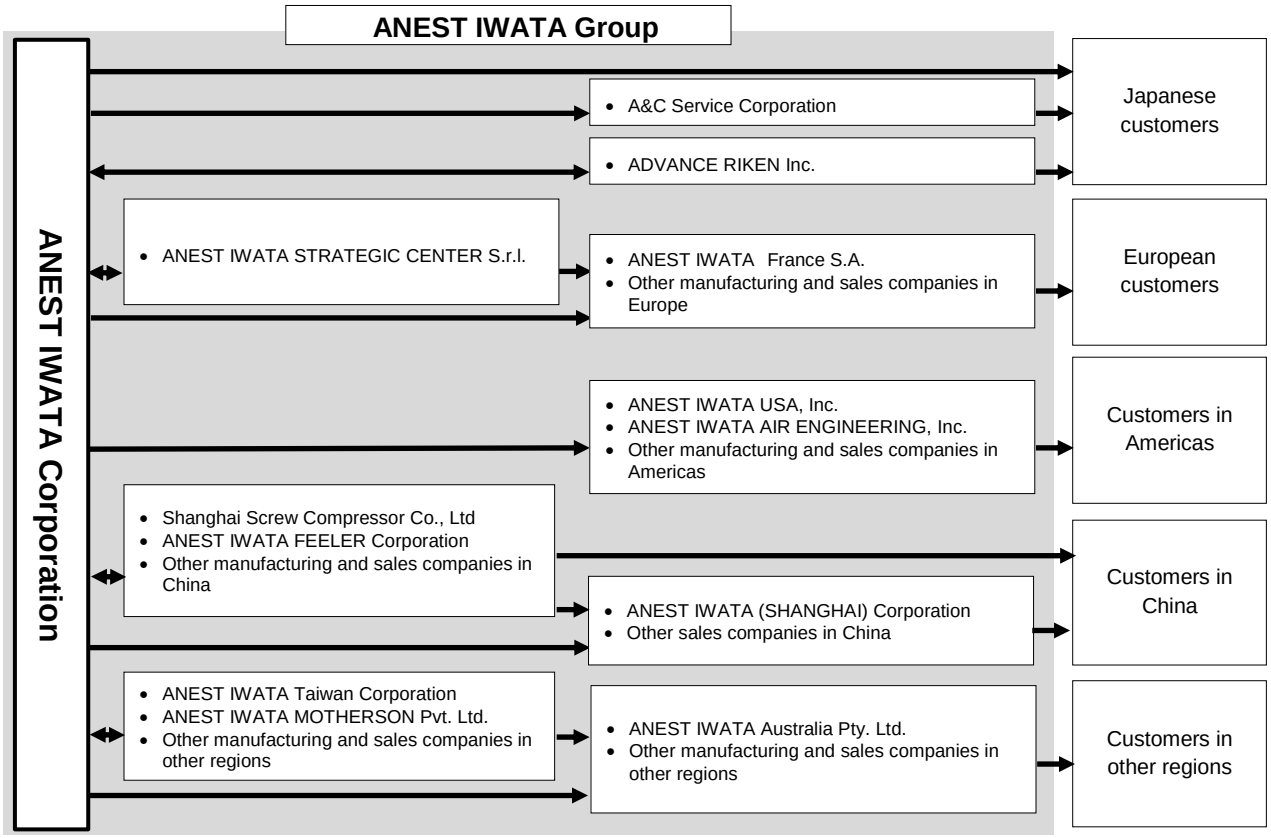
Our Group, consisting of our Company, 32 subsidiaries, and 2 affiliates, manufactures and sells air compressors, vacuum equipment, and coating equipment/systems exclusively, and is in a single business configuration because of similarities in product market, product use, and so on.

The Company mainly handles sales functions within Japan. We have established subsidiaries with sales functions in overseas regions and seek to provide products and services that are appropriate for each respective region.

Our factories in Japan as well as our overseas subsidiaries that have their own factories handle the manufacturing function.

The following diagram provides an overview of these functions.

The classification of reporting segments has changed from the consolidated fiscal year under review. For details, refer to (Segment information, etc.) in "Section 5 [Status of Accounting] – 1. [Consolidated financial statements] – [Notes]."



In some cases, the Group companies manufacture their own brand of air compressors (mainly screw compressors) and coating equipment (mainly airbrushes) and sell them directly to customers in non-regional areas or via Group companies, including the Company.

Refer to "Section 1 [Company Overview] – 4. [Status of affiliated companies]" for details regarding our subsidiaries.

4. [Status of affiliated companies]

Name	Address	Share capital or investments in capital	Description of the main business	Ratio of voting rights holding (%)	Ratio of voting rights (held) (%)	Relation
(Consolidated subsidiaries) (Japan)						
A&C Service Corporation	Tsuzuki Ward, Yokohama	60,000 thousand yen	Sale, repair, and incidental work of air compressors, vacuum equipment, and coating systems	100.0	—	Sale, repair and incidental work of air compressors, vacuum equipment and coating systems in Japan. Financial assistance from parent company: Yes
(Europe)						
ANEST IWATA Deutschland GmbH	Sachsen, Germany	400 thousand EUR	Sale of coating equipment	100.0	—	Mainly in charge of sales and services within Germany. Interlocking officers, etc.: Yes Financial assistance from parent company: Yes
ANEST IWATA Europe GmbH	Baden-Württemberg, Germany	598 thousand EUR	Manufacture and sale of air compressors; and sale of vacuum equipment	100.0	—	Manufacture of products with built-in air compressor units and sales in Europe. Sale of vacuum equipment. Lease of buildings owned by parent company: Yes
HARDER & STEENBECK GmbH & Co.KG	Hamburg, Germany	125 thousand EUR	Manufacture and sale of coating equipment	100.0 (100.0)	—	Mainly involved in the manufacture and sale of airbrushes in Europe.
ANEST IWATA STRATEGIC CENTER S.r.l.	Lombardy, Italy	956 thousand EUR	Manufacture and sale of coating equipment	100.0	—	Manufacture of coating equipment and supply to this Company. Supervising sales and logistics in Europe. Interlocking officers, etc.: Yes Financial assistance from parent company: Yes
ANEST IWATA Italia S.r.l.	Torino, Italy	260 thousand EUR	Sale of coating equipment	100.0	—	Mainly in charge of sales and services within Italy. Interlocking officers, etc.: Yes
ANEST IWATA France S.A.	Saint-Quentin-Fallavier, France	160 thousand EUR	Sale of air compressors and coating equipment	100.0	—	Mainly in charge of sales and services within France. Interlocking officers, etc.: Yes
ANEST IWATA (U.K.)Ltd.	Cambridgeshire, United Kingdom	1,677 thousand GBT	Sale of coating equipment	100.0	—	Mainly in charge of sales and services within United Kingdom. Interlocking officers, etc.: Yes
ANEST IWATA Scandinavia AB	Partille, Sweden	800 thousand SEK	Sale of coating equipment	100.0	—	In charge of sales and services in Scandinavia. Interlocking officers, etc.: Yes
ANEST IWATA Iberica S.L.U.	Barcelona, Spain	500 thousand EUR	Sale of coating equipment	100.0	—	Mainly in charge of sales and services within Spain and Portugal as well as in South America. Interlocking officers, etc.: Yes
ANEST IWATA Polska Sp.Z o.o.	Poznań, Poland	200 thousand EUR	Sale of coating equipment	100.0	—	In charge of sales and services within Poland. Interlocking officers, etc.: Yes
ANEST IWATA RUS LLC	Moscow, Russia	6,500 thousand RUB	Sale of coating equipment	100.0	—	Mainly in charge of sales and services within Russia and CIS countries. Interlocking officers, etc.: Yes

Name	Address	Share capital or investments in capital	Description of the main business	Ratio of voting rights holding (%)	Ratio of voting rights (held) (%)	Relation
(Americas)						
ANEST IWATA USA, Inc.	Ohio, USA	2,400 thousand USD	Sale of coating equipment; and manufacture and sale of coating systems	100.0	—	Sale of coating equipment mainly within the United States. Manufacture and sales of coating systems.
ANEST Iwata-Medea,Inc.	Oregon, USA	500 thousand USD	Manufacture and sale of coating equipment	51.0	—	Supervising the airbrush business and sales mainly to art and beauty markets. Interlocking officers, etc.: Yes Financial assistance from parent company: Yes
ANEST IWATA AIR ENGINEERING,Inc.	Ohio, USA	2,300 thousand USD	Manufacture and sale of air compressors and vacuum equipment	100.0	—	Manufacture of products with built-in air compressor units and vacuum equipment, with sales mainly in the United States.
ANEST IWATA Mexico S. de R.L. de C.V.	Guanajuato, Mexico	26,282 thousand MXP	Sale of air compressors, coating equipment, and coating systems	100.0 (1.0)	—	Sales mainly within Mexico. Interlocking officers, etc.: Yes
AIRZAP-ANEST IWATA INDUSTRIA E COMERCIO LTDA.	Sao Paulo, Brazil	3,843 thousand BRL	Manufacture and sale of air compressors and vacuum equipment; and sale of coating equipment	51.0	—	Manufacture of air compressors and vacuum equipment and sales mainly within Brazil. Sales of coating equipment. □ Financial assistance from parent company: Yes
(China)						
ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) Co., Ltd.	Jiaxing City, Zhejiang Province, People's Republic of China	2,300 thousand USD	Manufacture and sale of coating equipment and coating systems	100.0	—	Manufacture of coating equipment and coating systems and sales mainly within China. Interlocking officers, etc.: Yes
ANEST IWATA (SHANGHAI) Corporation	Shanghai, People's Republic of China	200 thousand USD	Sale of coating equipment and coating systems	100.0	—	Mainly in charge of sales and services within China. Interlocking officers, etc.: Yes
ANEST IWATA FEELER Corporation (Specified)	Hangzhou City, Zhejiang Province, People's Republic of China	9,000 thousand USD	Manufacture and sale of air compressors; and sale of vacuum equipment	65.0 (30.0)	—	Manufacture of air compressor products and mainly supply them to this Company and sales within China. Sale of vacuum equipment. Financial assistance from parent company: Yes
Shanghai Screw Compressor Co., Ltd. (Specified) (Note 5)	Shanghai, People's Republic of China	35,000 thousand CNY	Manufacture and sale of air compressors	51.0	—	Manufacture of air compressors with sales mainly within China, and supply to Europe, Asia, and North America. Interlocking officers, etc.: Yes
Shanghai Globe Screw Technology Co., Ltd.	Shanghai, People's Republic of China	17,000 thousand CNY	Manufacture and sale of air compressors	93.4 (93.4)	—	Manufacture of air compressor units and supply mainly to Shanghai Screw Compressor Co., Ltd.
(Others)						
ANEST IWATA Taiwan Corporation (Specified)	Hsinchu, Taiwan, Republic of China	33,000 thousand TWD	Sale of air compressors and vacuum equipment; and manufacture and sale of coating equipment	50.1	—	Manufacture of coating equipment and supply to this Company and sales within Taiwan. Sale of air compressors and vacuum equipment within Taiwan. Interlocking officers, etc.: Yes
ANEST IWATA SPARMAX Co., Ltd.	Datong District, Taipei City, Republic of China	60,000 thousand TWD	Manufacture and sale of air compressors and coating equipment	51.0	—	Manufacture of air compressors and coating equipment with sales within Taiwan, and supply to Europe, Asia, and North America. Interlocking officers, etc.: Yes
ANEST IWATA MOTHERSON Pvt. Ltd. (Specified)	New Delhi, India	385,850 thousand INR	Manufacture and sale of air compressors	51.0	—	Manufacture of air compressors and supply to this Company and sales in India. Interlocking officers, etc.: Yes
ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd.	New Delhi, India	2,000 thousand INR	Manufacture and sale of coating equipment and coating systems	51.0	—	Manufacture of coating equipment and coating systems, and sales mainly within India. Interlocking officers, etc.: Yes

Name	Address	Share capital or investments in capital	Description of the main business	Ratio of voting rights holding (%)	Ratio of voting rights (held) (%)	Relation
ANEST IWATA SOUTHEAST ASIA Co.,Ltd.	Bangkok, Thailand	90,000 thousand THB	Manufacture and sale of air compressors, vacuum equipment, coating equipment, and coating systems	100.0	—	Manufacture of products with built-in air compressor units, vacuum equipment, coating equipment, and coating systems, and sales within the ASEAN region.
ANEST IWATA Korea Corp.	Ansan, Republic of Korea	1,500 million KRW	Manufacture and sale of air compressors and vacuum equipment; and sale of coating equipment	51.0	—	Manufacture of products with built-in air compressor units and vacuum equipment and sales mainly within South Korea. Sales of coating equipment. Interlocking officers, etc.: Yes
ANEST IWATA Vietnam Co.,Ltd.	Ho Chi Minh, Vietnam	910 thousand USD	Sale of air compressors, coating equipment, and coating systems	100.0	—	Mainly in charge of sales and services within Vietnam
PT.ANEST IWATA INDONESIA	Special Capital Region of Jakarta, Indonesia	1,200 thousand USD	Sale of air compressors, vacuum equipment, coating equipment, and coating systems	100.0 (1.0)	—	Mainly in charge of sales and services within Indonesia.
ANEST IWATA Australia Pty.Ltd. (Specified)	New South Wales, Australia	500 thousand AUD	Sale of air compressors and coating equipment	99.6	—	In charge of sales and services within Oceania.
ANEST IWATA South Africa(Pty)Ltd.	Johannesburg, South Africa	24,697 thousand ZAR	Sale of coating equipment	100.0	—	In charge of sales and services within Southern Africa. Interlocking officers, etc.: Yes
(Entities accounted for using equity method) (Japan)						
ADVANCE RIKEN Inc,	Yawata City, Kyoto	80,000 thousand yen	Manufacture and sale of oxygen, nitrogen, and ozone gas generators	29.6	—	Manufacture and sales of products with built-in air compressor units. Interlocking officers, etc.: Yes
(Americas)						
Powerex-Iwata Air Technology, Inc.	Ohio, USA	1,632 thousand USD	Manufacture and sale of air compressors and vacuum equipment	33.0	—	Manufacture of products with built-in air compressor units and sales mainly in the United States.

(Notes) 1. Description of the main business includes operating categories such as manufacturing, sales, and service (and repair) by product category.

2. None of the above companies has filed a securities registration statement or Annual Securities Report.

3. Figures in parentheses of the ratio of voting rights holding are the indirect ownership ratios and are included in the ratio of voting rights holding.

4. (Specified) after the name denotes a specified subsidiary.

5. Shanghai Screw Compressor Co., Ltd. represents more than 10% of the consolidated net sales (excluding internal sales between segments).

Principal profit/loss information (Unit: Million yen)

SHANGHAI SCREW COMPRESSOR Co., Ltd.	
Net sales	7,280
Ordinary profit	682
Profit	611
Net assets	3,994
Total assets	7,576

6. ANEST IWATA (DONGGUAN) Corporation in China has been liquidated.

5. [Status of employees]

(1) Status of consolidated companies

Employees of the Company and its consolidated subsidiaries are as listed below.

(As of March 31, 2023)

Segment	Fiscal year ended March 31, 2023 (persons)	Fiscal year ended March 31, 2022 (persons)	Increase/decrease (persons)
Japan	625	622	3
Europe	198	185	13
Americas	109	104	5
China	417	406	11
Others	450	447	3
Total	1,799	1,764	35

(Note) Employees are full-time employees.

(2) Status of the submitting company

The table below shows data for the Japan segment.

(As of March 31, 2023)

Number of employees (persons)	Average age (age)	Average years of service (years)	Average annual pay (yen)
601	42.6	17.06	5,603,684

(Notes) 1. Employees are full-time employees
2. Average annual pay includes bonuses and extra wages.

(3) Labor union status

The Company has the JAM ANEST IWATA Labor Union (with 429 union members), which is a member union of JAM (Japanese Association of Metal, Machinery, and Manufacturing Workers).

Matters regarding labor-management relations are of no particular note.

(4) Percentage of female employees in management positions, percentage of male employees taking childcare leave, and difference in pay by gender

Submitting company

Fiscal year ended March 31, 2023					Supplementary details
Percentage of female employees in management positions (%) (Note 1)	Percentage of male employees taking childcare leave (%) (Note 2)	Difference in pay by gender (%) (Note 1) (Note 3)			
		All workers	Full-time workers	Part-time and fixed-term workers	
2.8	61.5	72.9	75.1	68.5	We take a variety of measures to create a workplace where diverse human resources can play an active role. For details, refer to “(ii) Internal environmental improvement policy” in “Section 2 [Status of Business] – 2 [Approach to sustainability and its initiatives] – (3) Strategies.”

(Notes) 1. Calculated based on the provisions of the "Act on Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).
2. Acquisition rate of childcare leave, etc. as stipulated in Article 71-4, Item 1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ministry of Labor Ordinance No. 25 of 1991) is calculated based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).
3. Difference in pay by gender indicates the ratio of the average annual pay of female employees to the average annual pay of male employees. However, there is no difference in pay for the same job type, and this is due to the difference in the composition of the number of employees in each rank.

Section 2 [Status of Business]

1. [Management policy, management environment, and issues to be addressed]

Matters referring to the future are based on the judgment of the Group as of the end of the current consolidated fiscal year and may be affected by economic conditions in Japan and overseas, etc., and therefore are not guaranteed.

(1) Group Management Vision

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

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

(2) Management policy and strategy, etc.

The Company has started business activities based on a new three-year mid-term business plan from the fiscal year ended March 31, 2023.

Based on this plan, we have positioned overseas as our growth market and will continue to provide "product development that impresses all customers" and "high performance and high quality" as a "true development-oriented company."

Outline of the new mid-term business plan

(i) Numerical targets

Key Goal Indicators (KGIs) for the fiscal year ending March 31, 2025
Consolidated net sales of 55.5 billion yen or more, consolidated operating profit of 6.5 billion yen or more, ROE of 10% or more
(Based on organic growth. The following reference values indicate the breakdown.)

1) Air energy business
Consolidated net sales of 33.5 billion yen or more and consolidated operating profit of 3.65 billion yen or more
2) Coating business
Consolidated net sales of 22.0 billion yen or more and consolidated operating profit of 2.85 billion yen or more

(ii) Concept

As a specialized manufacturer, it is our mission to create products and technologies that can contribute to solving social issues in our target markets and provide a wide range of products and technologies to society, and in this way, pursuing social value and capturing new business opportunities will lead to our growth.

(iii) Basic strategy

1) Create "ONLY ONE" products appropriate for each region in the world and capture "NUMBER ONE" market share
2) Maximize synergy among subsidiaries to demonstrate effectiveness
3) Expand service business in Japan and reform business model
4) Develop new businesses
5) Strengthen sustainability management
   a. As a specialized manufacturer, our Company's emphasis on each of E, S, and G has been the driving force behind our achievement of the highest earnings in FY2022, and the continuation and strengthening of this emphasis is the central idea behind “500 & Beyond.” Under "VISION 2030 (Adding color to the world and bringing about an enriched society with fluid and air technologies)," we have examined materiality and set sustainable goals
   b. Investment in and development of human resources

・In the current mid-term business plan period, we will emphasize investment in human resources, strengthen "each individual's earning power" by adopting total personnel cost management, and improve labor productivity
・Continued evolution of work style reforms and health management to enhance corporate value

c. Product development from the perspective of SDGs and contribution to society

(3) Businesses and financial issues to be addressed on priority

In the upcoming consolidated fiscal year, based on the current midterm business plan, we will realize the establishment of a powerful management foundation that will not be affected by various uncertainties, including the soaring purchase prices of energy, raw materials and other items, and geopolitical risks. We regard market overseas as the main battlefield for business expansion, and we will formulate growth strategies to suit the characteristics of the individual areas individually and proceed with the effective use of management resources, involving all Group companies, despite increasing global uncertainty.

In such a management environment, our Group will intensify multilateral investments to secure sustainable growth. We will develop new businesses to create new needs and increase human investments and development investments to foster a variety of human resources that can promote global expansion, aiming to become a "true development-oriented company" that can inspire all customers beyond our 100th anniversary.

• Addressing of social issues in business promotion

In air energy business, we will continue to contribute to the reduction of CO2 emissions by further promoting the oil-free scroll air compressors first developed and launched by our Company to improve energy efficiency and achieve energy savings. In addition, we will increase the sales ratio of oil-free machines, with the aim to reduce the environmental burden of CO_2 emissions released during the production of industrial lubricants.

In coating business, in order to reduce the emissions of volatile organic compounds (VOCs) generated during the coating process, we will continue to pursue coating technologies and focus on developing coating equipment and facilities to suppress the energy costs during coating, drying and transportation, as much as possible. We also plan to promote indium mirror coating system, which is low-cost, environment-friendly and can produce highly precise, uniform thin films. This will be a good alternative to plating, which has a high environmental impact in terms of wastewater treatment, and evaporation, which is expensive to implement.

• Optimization of the supply chain

We establish a BCP for each supplier to avoid the supply chain from being severed due to any of the various uncertainties. For parts that require special materials, processing and treatment, and for centralized production in a single country overseas, we assist suppliers in the conditions of transactions and promote the addition of suppliers and production sites.

We have proceeded with the reform of the production plan with an aim to improve the production efficiency and stabilize the supply chain for some time. We will promote this reform more powerfully to achieve stable production and product supply.

• Operational reforms for reinforcing the relationship and contact with customers

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

• Revitalization of the organization by maintaining the health of employees and their families

We recognize that in order for our Group to contribute to the realization of an affluent society that can achieve sustainable growth, it is an indispensable element to maintain and improve the health of employees and their families. We appoint President, Representative Director and Chief Executive Officer as CHO (Chief Health Officer), so that the Health Management Promotion Committee can work together with related departments to tackle with work style reform toward improving health literacy and securing a work-life balance.

In the current consolidated fiscal year, a series of our activities were highly evaluated and we were recognized as an "Outstanding Health and Productivity Management Organization 2023 (White 500)" by the Ministry of Economy, Trade and Industry and the NIPPON KENKO KAIGI for the third consecutive year and as a "Health and Productivity Management Brand 2023" by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for the second consecutive year. We will continue effort to improve the health of employees and their families in the future, with an aim to be the "top White 500 company in the machinery sector."

2. [Approach to sustainability and its initiatives]

The Group's approach to sustainability and its initiatives are as follows. Matters related to future statements are based on the judgment of the Group as of the end of the consolidated fiscal year under review.

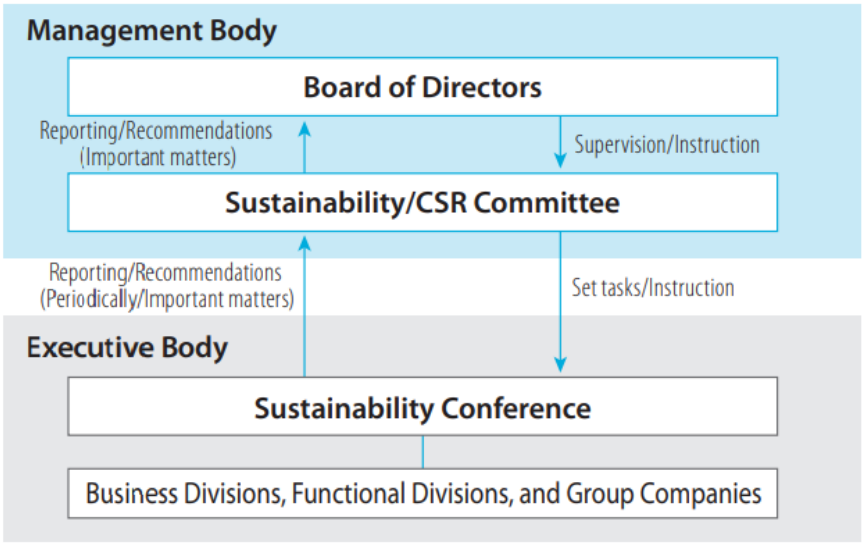
(1) Governance

The Group has created the "ANEST IWATA Corporate Philosophy," with the "corporate policy" and "Group Management Policy" at its core, and shares this with the Group's stakeholders. This includes the basic policy of the Group and matters on sustainability. We have established the Sustainability/CSR Committee as a non-statutory committee under our Board of Directors to promote the realization of these goals. The committee is comprised of the Representative Director, four non-executive Directors, and the Chief Corporate Planning Officer, who serves as chair. The Corporate Planning Department serves as the secretariat. Important matters related to sustainability, risk management, compliance measures, corporate information disclosure management, and response to whistleblowers in our Group are discussed, and all such matters are reported to the Board of Directors as necessary.

Further, the Sustainability Conference has been established as a subordinate organization to the Sustainability/CSR Committee to oversee the executive bodies of our operations, to flexibly and promptly respond to sustainability-related matters. The Sustainability Conference is chaired by the Chairman of the Sustainability/CSR Committee and comprises of several Corporate Officers acting as advisors and Corporate Planning Department working as secretariat, led by elected General Managers of each department. It discusses the sustainability of the Group, shares ESG information within the Company, and periodically reports on the details of such discussions to the Sustainability/CSR Committee.

We promote ESG management under this system.

<Sustainability Promotion System>



(2) Risk management

Our Group has created the promotion system described in "(1) Governance" above, and as part of Company-wide risk management that includes sustainability, Corporate Officers (including executives concurrently serving as Directors) identify and assess risks that may have a significant impact on corporate value and operating results, each year. The Sustainability/CSR Committee deliberates on the results of these discussions, and the Board of Directors establishes a system to respond to risks and crises by resolution.

Refer to "Section 2 [Status of Business] – 3. [Business risks] – (2) Risks related to human resources" for details of risks related to human resources.

(3) Strategies

Uniformly introducing policies on human resources development, including ensuring diversity of human resources, and policies to improve the internal environment to the entire Group is difficult because they are closely integrated with the legal systems and regional/national cultures. Therefore, the policies of the submitting company, which operates the main business of our Group, are described below. Various measures are implemented for consolidated subsidiaries based on the mandates of the representatives, granting discretionary authority over operational policies that conform to the systems and actual conditions in their respective countries.

(i) Human resource policy

Our Group has adopted "change and growth" as keywords and set three goals for the employees to achieve in human resource development, namely, "Be an OWNER, be involved," "WILL, aspire and accomplish," and "OPEN, be attentive to outside competition." We believe that respect for our employees who fearlessly accept challenges, create opportunities for growth and success, and express themselves will brings us closer to our goal to become a "True World-Class Company." Our practical initiatives are as follows.

a. Training by position

We provide training for employees at all levels, including junior employees, medium-level employees, managers, and management candidates. We aim to ensure that employees practice what they have learned during training, providing opportunities to firmly establish the skills.

b. Internal cultural reform project focusing on junior employees

We carry out activities where junior employees can independently consider points of improvement for the company and implement those ideas as an inter-departmental group. We encourage junior employees to express their own ideas and put them into action, thereby fostering a bottom-up corporate culture.

c. Internal recruitment system

We have introduced a system for employees to apply for internal job openings available in departments in order to promote self-directed career development. We seek to create a workplace culture where employees can build their own careers, thereby revitalizing the organization and its human resources.

d. Career planning system

We significantly updated the existing "self-reporting system" (which mainly surveys employees who are interested in job transfer) in 2022 and redesigned it into a "career planning system" as an opportunity to more precisely foster aspirations and achieve the original purpose of "self-realization of the employees and company development." Employees can submit their ideas regarding career plans to the company once a year and can discuss their plans with their supervisors and the human resource representative.

e. Project to strengthen human resource development at factories

As a manufacturer of industrial machinery, we believe it is necessary to strengthen the development of human resources on the production floor of our factories. Consequently, we have initiated a project involving managers and human resource representatives in the factories, and are working to develop human resources, including the transfer and improvement of skills.

・Factory management training for factory managers through group training and e-learning

・Periodic discussions between factory management and the human resources department regarding human resource development plans in the factory

(ii) Internal environmental improvement policy

Our Group actively implements initiatives to promote "Diversity & Inclusion" and "Health Management" as key topics in our internal environmental improvement efforts.

1) Diversity & Inclusion

Our initiatives include developing an environment where all employees, regardless of age, gender, other characteristics or lifestyles, can thrive and excel in their long-term professional careers, ensuring diversity. Details of these initiatives are as follows.

a. Constructing a system where employees are actively involved regardless of their age, characteristics or lifestyle

We have adopted a variety of advanced systems to create a fulfilling work environment where employees of various characteristics and personalities can work together to achieve results, thus enriching their work-life equation.

・Additional part-time work system and related four-day work week system
・System for employees to extend the retirement age to 65 or choose a retirement age between 55 and 65
・Year-round recruitment and alumni system
(Comeback recruitment, where comeback passes are issued to retirees who meet certain criteria)
・Telework and staggered work hours systems

b. Utilizing diverse human resources

To promote diversity, we are engaged in activities for employees regardless of gender. However, the number of female employees is currently low, partly due to the nature of the industry. We have therefore implemented various measures with the goal of achieving a female employee ratio of 30% or more among full-time employees by 2030. We also actively support the self-directed growth of female employees by creating opportunities for them to demonstrate their abilities and by providing them with a means for growth.

・Launch of a project to promote solidarity among interested young female employees from various departments with a vision for the next generation
・Conduct awareness surveys for female employees using questionnaires
・Provide career awareness training for female employees and for male supervisors with female subordinates

c. Childcare support including childcare leave

We have sought to assist employees to balance work and childcare, allowing them to remain active without interrupting their careers. In April 2022, the system was changed to further promote this system, with emphasis on encouraging all eligible employees to apply for childcare leave.

・Encourage childcare leave for male employees (by providing individualized system briefings to eligible employees, and posting stories and questionnaires on the Company's intranet).
・Shortened work hour systems
(Employees can choose to work 4, 5, 6, or 7 hours until their child graduates from elementary school)
・Telework system for persons returning from childcare leave
・Nursing leave period in exceeding the legally set number of days
(8 days per year for one child, including 3 days with pay. 16 days per year for two or more children, including 6 days with pay)
・Guaranteed re-employment program for employees who leave the company for childcare

2) Health management

Our Group promotes health management with the aim of becoming the "top White 500 company in the machinery sector." We believe "productivity improvement" for each individual and "revitalization of the organization" are important, and the health of our employees and their families is the foundation for corporate development. The President, Representative Director and Chief Executive Officer as CHO (Chief Health Officer) implements various measures throughout the Company, including enhancing the personnel system and benefits, diet, exercise, communication, and health awareness surveys. We have been highly evaluated for our efforts to secure a better work-life balance and improve health literacy within the Group, and recognized by the Ministry of Economy, Trade

and Industry and the Tokyo Stock Exchange as a "Health and Productivity Management Brand 2023" for the second consecutive year. We will continue to strategically implement various health maintenance and promotion activities so our employees and their families can "smile and shine brightly" in the future.

Details of these initiatives are as follows.

a. Promoting work-life balance

We believe that employees require ample rest to maintain their health, and have implemented various measures to ensure that they have sufficient time for daily activities and sleep.

- Implementation of measures to achieve a 100% acquisition rate using friendly names, such as calling paid leave a "Smile Holiday"
- Introduction of a working hours interval system
  (A rest period of 11 hours or more shall be allocated between the end of the work shift and the start of work the next day)

b. Establishment of an occupational health support system

The secondary health checkup rate was 100% for two consecutive years in FY2020 and FY2021 by stationing occupational health nurses for individual health management and to provide detailed feedback and health guidance based on the results of the health checkup.

- Stationing public health nurses at the head office and factories
- Annual visits to branch offices
- Conduct online interviews

c. Support for balancing medical treatment and work

We have introduced the "Three Major Diseases Support Insurance" as a provision in case of an emergency illness, and are working to enhance the system to support balance between medical treatment and work.

For information on sustainability, and other ESG initiatives, please refer to the Integrated Report 2023, published on our website in September 2023 (URL https://www.anestiwata-corp.com/jp/ir/library/integrated-report).

(4) Indicators and targets

The Group uses the following indicators for policies in "(3) Strategies," described above. Targets and results for these indicators are provided by the submitting company, which carry out the main businesses of the consolidated companies.

Indicator	Target	Results (fiscal year ended March 31, 2023)
Percentage of female employees in management positions (Note 1)	8% by 2030	2.8%
Percentage of male employees taking childcare leave (Note 2)	100% by 2030	61.5%

(Notes) 1. Calculated based on the provisions of the "Act on Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

2. Acquisition rate of childcare leave, etc. as stipulated in Article 71-4, Item 1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ministry of Labor Ordinance No. 25 of 1991) is calculated based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

3. [Business risks]

Among matters related to the "Status of Business," "Status of Accounting," etc. described in the Annual Securities Report, major risks recognized by management which may significantly impact corporate value, financial position, operating results and the cash flow situation (hereinafter referred to as the “results of operations”) of the Group are as follows.

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

(1) Risks related to business activities

(i) Changes in business environment

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

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

In expanding global businesses, the sales, material procurement, and other transactions in our Group include foreign currency dominated transactions, so that any unexpected, sudden currency exchange fluctuations can also affect the results of operations, etc. of our Group.

To prevent such a risk, we need to develop new businesses and create pillar businesses, while continuing the constant efforts to improve quality in our existing business as well as developing products that will help solve social issues such as climate change through Monozukuri from a global perspective. To that end, we will cultivate a corporate culture to dauntlessly take on challenges with no fear of failure, and at the same time, promote a change of mindset and behavior in all employees and collaborate with various outside companies. Our Group will aim to further reinforce inter-group company exchanges and information collection, endeavor to determine market needs, and identify the importance of the needs in each country and market first and then create a system and establish management strategies so that we can accommodate changes in business environment in a flexible and prompt manner. In addition, to secure a system for supplying products stably even if a demand increase or a logistics cost increase occurs, we endeavor to reinforce the supply chain by, for example, purchasing from multiple suppliers and reviewing the logistics network.

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

(ii) Product quality

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

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

If any contingency occurs, this will be immediately reported to the Board of Directors and the Management Conference of our Company and, at the same time, the quality assurance division will promptly take the necessary

measures including recalls.

(iii) Business expansion with M&As

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

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

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

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

(iv) Damage to corporate value due to an act of hostile large-scale purchase of Company shares

Our Group, as a listed company, upholds the free trade of Company shares. We, therefore, do not flatly deny acts of large-scale purchase of Company shares as long as they benefit corporate value and the common interests of shareholders. Nevertheless, large-scale purchases of shares include quite a few that could damage corporate value and the common interest of shareholders remarkably judging from their purposes, etc. and that could practically compel shareholders to sell their shares. In the event of such an act, this could have a significant impact on the results of operations, etc. of our Group and greatly damage sustainable growth due to business split and transfer. For this reason, we have introduced a "policy for dealing with acts of large-scale purchase of Company shares (takeover defense measures)" for the purpose of protecting corporate value and the common interests of shareholders and securing the time necessary for shareholders to judge appropriately whether to accept the purchase offer. This policy is intended to secure the common interests of shareholders under the conditions that the policy is placed before an ordinary general shareholders' meeting and approved every year.

(2) Risks related to human resources

(i) Securing human resources

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

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

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

(ii) Enhancing organizational performance through health management

We recognize that in order to improve the organizational performance and competitive spirit of our Group, it is essential to maintain and improve the health of each and every employee who supports business development. We appoint the President and Chief Executive Officer as the Chief Health Officer (CHO) and work on various health management measures under the "Health Management Declaration." If such initiatives are brought to a halt or

reduced and the expected effects are not achieved, it may result in an increase in health risks and deterioration of working environment, and adversely affect the business performance. With the aim to be the "top White 500 company in the machinery sector," we have taken sincere efforts to secure a work-life balance and improve health literacy within the Group; and have been highly evaluated and recognized by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a "Health and Productivity Management Brand 2023" for the second consecutive year. As a development-oriented company full of vigor and novelty, we will continue our efforts to establish a corporate culture with maximum emphasis on team work and creativity.

(iii) Labor issues

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

Under the circumstances in which a way of working suitable for social situation and labor environment in each country is demanded, labor issues regarding the working conditions, etc. may be raised between us and organizations in and out of the country, such as labor unions. If any labor dispute occurs and cannot be settled promptly, the stability and continuity of business operations will be impaired. If the dispute becomes serious, this will have a significant impact on the supply of products, and we may lose the trust of our customers, thereby adversely affecting our enterprise value and business performance.

Thus, through the promotion of the spread of "ANEST IWATA Corporate Philosophy," with our corporate policy, "Makotono kokoro" (Trustworthy & Sincere), at the core, we improve our employees' sense of belonging to our Group and, at the same time, grant powers to the representatives on overseas sites in accordance with the employment conditions and evaluation system suited for the systems and realities in their respective countries, based on the administrative authority of the representatives on overseas sites, thereby endeavoring to prevent dissatisfaction with the working conditions and the labor environment.

3) Risks related to IT

(i) IT investment

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

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

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

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

(ii) Information security

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

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

Thus, our Group prepares an appropriate information security system to take necessary and sufficient security measures such as acquiring appropriate backups of important data and, at the same time, conducts education for employees.

If such a risk occurs, we will create a system to promptly determine the cause and the details and take appropriate

measures and, at the same time, disclose information about the damage, if necessary, thereby endeavoring to minimize secondary damage and restore trust.

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

(i) Conformance to regulations and standards about the earth's environment and climate change

Amid increasing global awareness of the earth's environment and climate change, Japan and other countries have a tendency to establish new environmental laws and regulations and tighten existing ones. If there occurs a delay in putting products that comply with such regulations, this may cause the business activities to be restricted and revenue opportunities to be lost, adversely affecting the business and the results of operation of our Group.

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

We also recognize the importance of information disclosure based on the framework of the TCFD (Task Force on Climate-related Financial Disclosures), and will make the necessary efforts, mainly at the Sustainability and CSR Committee, so as to implement appropriate information disclosure.

(ii) Fraudulent acts by violating laws and regulations, etc.

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

For this reason, our Group creates systems and structures for ensuring that officers and employees commit no fraudulent acts and promotes healthy management assistance for Group companies and, at the same time, establishes a whistle-blowing system including overseas subsidiaries and creates a monitoring system for conducting audits with Audit and Supervisory Committee Members and the internal audit division, thereby endeavoring to prevent acts of violating laws and regulations, etc.

We have a system in place whereby if such an incident occurs, this can be promptly reported to our Board of Directors and we can take measures such as researching with third parties, disclosing facts, and punishing the relevant people properly, develop recurrence prevention measures, and promptly disclose them.

(iii) Intelligent property

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

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

(iv) International tax affairs

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

Our Group will endeavor to prevent differences of view from tax authorities by understanding law correctly, while focusing on the developments of international financial affairs and receiving cooperation from outside organizations.

(v) Accounting of impairment loss, etc. of non-current assets

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

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

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

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

(5) Other risks (unexpected events)

Our Group expands business operations to various countries in the world. If, in any of these countries and areas, an unpredictable political or economic change is made, a geopolitical risk becomes tangible resulting in an act of war or terror due to the rise of hegemony, an infectious disease spreads, or a natural disaster such as a large-scale earthquake and typhoon occurs, this may have an immense impact on the supply of products to various parts of the world because of damaged offices, the stagnation of raw material procurement and logistics, and so on. If such a situation is prolonged or if the measures for the increasing possibility of such a situation are not sufficient, this will increase the possibility of having a significant adverse impact on the results of operations, etc. of our Group because of the impairment of non-current assets, decreased profitability, etc.

In addition to making a BCP, our Group endeavors to make our business activities resilient by establishing a supply system that minimizes the impact of the above events by, for example, distributing product functions and exploring the possibility of inter-group product procurement, and by promptly and appropriately determining the management environment surrounding our Group.

4. [Management's analysis of financial condition, results of operations and cash flow]

An overview of the financial position, operating results and cash flow (hereinafter referred to as "operating results, etc.") of the Group (the Company, consolidated subsidiaries and equity-method-applied companies) in the current consolidated fiscal year, as well as the recognition, analysis and examination of the Group's operating results, etc. from the management's perspective are as follows.

Matters related to the future appearing in this text are based on judgements as of the last day of the current consolidated fiscal year.

(1) Explanation of performance

(i) Operating results

The results for the current consolidated fiscal year were sales of 48,515 million yen (up 14.6% increase from the previous consolidated fiscal year), operating profit of 5,838 million yen (up 22.1%), ordinary profit of 7,043 million yen (up 26.4%), and profit attributable to owners of parent of 4,381 million yen (up 23.7%).

(Reference values) Results of each division

(Amount: million yen)

Division		Fiscal year ended March 31, 2023			
	(Product category)	Consolidated net sales	(Change from the previous fiscal year)	Consolidated operating profit	(Change from the previous fiscal year)
Air Energy Division		29,349	17.3%	3,269	30.1%
	Air Compressors	26,983	17.6%		
	Vacuum Equipment	2,366	14.6%		
Coating Division		19,165	10.6%	2,569	13.3%
	Coating Equipment	16,512	14.3%		
	Coating Systems	2,652	(7.6%)		
Total		48,515	14.6%	5,838	22.1%

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

(ii) Analysis of financial condition

1) Assets

For assets, our current assets stood at 36,773 million yen (up 7.1% from the previous consolidated fiscal year). This was mainly due to an increase of 1,097 million yen in “Notes and accounts receivable-trade.” Our non-current assets stood at 23,363 million yen (up 8.7%). This was mainly due to increases of 903 million yen in “Buildings and structures” and 934 million yen in “Investment securities.” As a result, our total assets stood at 60,136 million yen (up 7.7%).

2) Liabilities

For liabilities, our current liabilities stood at 11,719 million yen (up 0.9%). This was mainly due to an increase of 130 million yen in “Notes and accounts payable-trade.” Our non-current liabilities stood at 3,161 million yen (down 20.8%). This was mainly due to a decrease of 1,043 million yen in “Retirement benefit liability” as a result of the establishment of a retirement benefit trust. As a result, our total liabilities stood at 14,881 million yen (down 4.7%).

3) Net assets

Our net assets stood at 45,255 million yen (up 12.5%). This was mainly due to an increase of 3,037 million yen in “Retained earnings.” Our equity capital, which is calculated by subtracting the non-controlling interests from the net assets, stood at 40,025 million yen, increasing our equity ratio by 2.8 percentage points to 66.6%, from 63.8% at the end of the previous consolidated fiscal year.

(iii) Cash flow

Cash and cash equivalents (hereinafter referred to as "funds") for the current consolidated fiscal year decreased by 835 million yen from the end of the previous consolidated fiscal year, to 12,080 million yen (down 6.5%) at the end of the current consolidated fiscal year. Each cash flow in the current consolidated fiscal year, as well as the causes, is as described below.

1) Cash flows from operating activities

As a result of operating activities, the fund balance shows earnings of 4,329 million yen (up 11.3%), with an increase of 439 million yen from the end of the previous consolidated fiscal year, mainly due to an increase of 1,549 million in “Profit before income taxes” and an increase of 1,780 million yen in earnings because of fluctuations in "Decrease (increase) in inventories."

2) Cash flows from investing activities

As a result of investing activities, the fund balance shows expenses of 3,323 million yen (up 208.1%), with an increase of 2,244 million yen in expenses from the end of the previous consolidated fiscal year, mainly due to an increase of 980 million yen in "Proceeds from sale of property, plant and equipment" due to the intensification of capital investment in Fukushima Factory, etc.

3) Cash flows from financing activities

As a result of financing activities, the fund balance shows expenses of 2,357 million yen (up 12.1%), with an increase of 254 million yen in expenses from the end of the previous consolidated fiscal year, mainly due to an increase of 312 million yen in "Dividends paid."

(2) Status of production, orders received and sales

(i) Production results

Actual production in the current consolidated fiscal year is as follows.

Segment	Amount (million yen)	Year-on-year increase/decrease rate (%)
Japan	19,833	6.3
Europe	2,377	39.4
Americas	781	12.9
China	7,686	(5.5)
Others	5,601	13.8
Total	36,280	6.3

(ii) Orders received and order outstanding

Orders received for coating systems in the current consolidated fiscal year are as follows.

Segment	Orders received (million yen)	Year-on-year increase/decrease rate (%)	Order outstanding (million yen)	Year-on-year increase/decrease rate (%)
Japan	1,227	(46.8)	898	(38.2)
Europe	—	—	—	—
Americas	22	470.9	14	—
China	269	(73.2)	24	(88.0)
Others	426	153.5	253	16.4
Total	1,944	(44.2)	1,190	(36.5)

(Notes) 1. These orders received and order outstanding are for coating system products. Orders received and order outstanding are not subject to management because of the short time from order to sale, except for coating system products.

2. The decrease in orders received and order outstanding in Japan was mainly due to a slowdown in the acquisition of capital investment projects related to automobile production.

3. The decrease in orders received in China was mainly due to a slowdown in the acquisition of capital investment projects related to automobile production.

(iii) Sales results

Actual sales in the current consolidated fiscal year is as follows.

Segment	Amount (million yen)	Year-on-year increase/decrease rate (%)
Japan	17,473	7.1
Europe	7,233	26.8
Americas	5,863	18.0
China	10,336	11.1
Others	7,608	25.8
Total	48,515	14.6

(Notes) 1. The increase in Europe is mainly due to the increased sales of coating equipment in France and Germany.
2. The increase in Others is mainly due to increased sales of air compressors in India.

(3) Analysis and examination details regarding the status of operating results, etc. from the management's perspective

(i) Overview and results of operations

In the current consolidated fiscal year, despite the suppression of soaring energy prices due to warm winter in Europe and the lifting of China's zero-COVID policy, the global business sentiment remained stagnant due to rising interest rates and high inflation rate in U.S. and Europe and activity restrictions in China prior to its policy shift. The Japanese economy continued to lack strength as high prices and deterioration in external demand continued to put downward pressure. On the other hand, an improved business confidence encouraged by factors such as recovery of inbound tourism consumption and expectations for its progress led to an increased appetite for capital investment.

Under such circumstances, our business performance for the current consolidated fiscal year is as follows: sales stood at 48,515 million yen (up 14.6% from the previous consolidated fiscal year), operating profit at 5,838 million yen (up 22.1%), ordinary profit at 7,043 million yen (up 26.4%), and profit attributable to owners of parent at 4,381 million yen (up 23.7%). From these results, the ROE in the current consolidated fiscal year stood at 11.6% (up 1.2 points), and the equity ratio improved by 2.8 points to 66.6%.

(ii) Results of operations by segment

Results of operations by regional segment, which our Group adopts, are as described below. Classification of the reporting segment has been changed from the first quarter consolidated accounting period. For details of the results of our operations by segment, refer to (Segment information, etc.) in "Section 5 [Status of Accounting] – 1. [Consolidated financial statements, etc.] – (1) [Consolidated financial statements] – [Notes]."

(Japan)

Sales stood at 25,154 million yen (up 9.5% from the previous consolidated fiscal year) and segment profit stood at 3,519 million yen (up 6.5%).

In the air compressor field, demand for general-purpose air compressors grew with the increase in capital investment towards the end of the fiscal year. Sales of oil-free air compressors for medical use also increased.

In the vacuum equipment field, sales of vacuum pumps for semiconductor manufacturing-related equipment decreased as the semiconductor market, which had been expanding rapidly, entered an adjustment phase.

In the coating equipment field, the orders for environmental equipment increased and overall sales grew as a result of the normalization of economic activity and improvement in the will to invest, in addition to the strong demand for spray guns.

In the coating system field, sales grew due to completion of deliveries of large-sale projects, including coating systems for automobile component manufacturing.

(Europe)

Sales stood at 7,505 million yen (up 24.3% from the previous consolidated fiscal year) and segment profit stood at 504 million yen (up 9.4%).

In the air compressor field, sales of oil-free air compressors, including those for cow milking equipment, remained

strong. We are also focusing on cultivating new customers for air compressors for specific markets and strengthening our relationships with agencies.

In the coating equipment field, our marketing strategy has been successful and the demand continues to grow for new spray guns for car repair market, which were launched during the consolidated second quarter of the current term.

(Americas)

Sales stood at 6,257 million yen (up 16.2% from the previous consolidated fiscal year) and segment profit stood at 640 million yen (up 9.8%).

In the air compressor field, sales of air compressors for in-vehicle use increased in North and South America, while the sales of medical air compressors increased in Brazil.

In the vacuum equipment field, sales of vacuum pumps for lithium-ion battery manufacturing equipment and research facilities in the U.S. remained strong.

In the coating equipment field, even though the sales of airbrushes in the U.S. returned to the same level as before the stay-at-home demand, the overall sales remained strong due to progress in customer development for coating equipment in the industrial coating market.

(China)

Sales stood at 11,164 million yen (up 13.1% from the previous consolidated fiscal year) and segment profit stood at 815 million yen (up 52.5%). The increase in income was mainly due to the increase in sales of air compressors.

In the air compressor field, the sales of Shanghai Screw Compressor Co., Ltd. which has favorable exports and the sales of air compressors for lithium-ion battery manufacturing-related equipment continued to be steady.

In the vacuum equipment field, sales of vacuum pumps for semiconductor, LED and lithium-ion battery manufacturing-related equipment increased.

In the coating equipment field, though the speed of recovery was slow due to the impact of Zero COVID policy, which restricted sales activities, sales increased year-on-year.

In the coating system field, sales decreased year-on-year as a reaction to largescale equipment delivered in the previous consolidated fiscal year.

(Others)

Sales stood at 9,406 million yen (up 20.6% from the previous consolidated fiscal year) and segment profit stood at 1,467 million yen (up 34.3%). The increase in income was mainly due to increased sales of our flagship air compressors in India and coating equipment in Southeast Asia.

In the air compressor field, sales of air compressors for general purposes and specific markets in India remained strong throughout the year. In Southeast Asia, we made progress in cultivating sales channels for general-purpose air compressors; and the sales of medical air compressors also grew.

In the coating equipment field, sales of spray guns for the car repair market increased in Southeast Asia, thanks to the activities of the global technical team consisting of several engineers from Europe, the Americas and Japan.

(iii) Analysis of financial resources and liquidity of funds

Financial resources of the Group are basically funded by equity capital, but partly procured through borrowing from financial institutions. Working capital of the Group is primarily needed to purchase raw materials and operating expenses such as manufacturing, selling, general and administrative expenses. The capital needs for investment are due to capital investment including overseas subsidiaries, M&A, etc.

Cash and cash equivalents at end of period of the current consolidated fiscal year of the Group were 12,080 million yen against short-term borrowings of 908 million yen, ensuring liquidity of funds. We have an overdraft limit and a commitment line agreement amount of approximately 15,540 million yen, and based on these contracts, the balance of executed loans at the end of the current consolidated fiscal year was 375 million yen.

(iv) Significant accounting estimates and assumptions using such estimates

Consolidated financial statements of the Group are prepared in accordance with generally accepted accounting standards in Japan. For the important accounting policies adopted by the Company, refer to "Section 5 [Status of Accounting] – 1. [Consolidated financial statements, etc.] - (1) [Consolidated financial statements] - [Notes] (Basic,

important matters for preparing consolidated financial statements)." When preparing the consolidated financial statements for matters that require estimates, such accounting estimates are based on reasonable standards. Regarding these estimates, authority is clearly defined and judgments based on appropriate information are sought. However, actual results may differ from these estimates due to uncertainties.

Important accounting estimates and assumptions used in the preparation of consolidated financial statements are as follows. For details, refer to (Significant accounting estimates) in "Section 5 [Status of Accounting] – 1. [Consolidated financial statements, etc.] - (1) [Consolidated financial statements] - [Notes]."

(Impairment of property, plant and equipment and intangible assets including goodwill)

Determining recognition of impairment losses for non-current assets is based on business plans that estimate future cash flow. Since the Group actively invests in subsidiaries, including M&A, for business expansion, determination of impairment losses on shares of affiliated companies and on non-current assets and goodwill held by subsidiaries, etc., and calculation of the amortization period when recording goodwill are especially recognized to have significant impact on the performance of the Group, and the appropriateness of the estimates and assumptions used in these calculations is ensured by careful consideration and supervision by the Board of Directors. However, if the assumptions for estimating future cash flows change due to changes in the market environment, etc., such may significantly impact the determination of whether to recognize impairment losses and the amount of such impairment losses.

5. [Important business contracts, etc.]

There are no relevant matters.

6. [Research and development activities]

The research and development activities of the Group are in the form of joint promotion with affiliated companies, led by the Company. In addition to making environmental conservation a major objective in our technological development, we actively promote development of new products and improvement of existing products to meet the needs of our customers, while promoting the advancement of our unique technology and the application development of advanced technology.

Total R&D cost for the current period was 810 million yen. In addition, 545 million yen used to improve and modify products has been allocated for manufacturing costs. Reporting segments are Japan, Europe and China, and Japan accounts for 1,110 million yen of the total of 1,355 million yen.

Section 3 [Status of Facilities]

1. [Outline of capital investments]

Based on the basic policy of "transformation into a corporate structure and corporate culture that is not affected by economic fluctuations," the Group has made a total capital investment of 2,557 million yen, Based on the basic policy of "transformation into a corporate structure and corporate culture that is not affected by economic fluctuations," the Group has made a total capital investment of 2,557 million yen,

By segment, in Japan, we invested 1,376 million yen mainly in new installations and renewals of machinery and equipment for maximizing production efficiency, and IT investments such as product sites. In Europe, we invested 337 million yen, mainly to expand production facilities. In the Americas, we invested 631 million yen mainly for the relocation of subsidiary offices for the purpose of expanding sales activities. In China, we invested 84 million yen, mainly to expand production facilities. In other segment, we invested 127 million yen.

Required funds are provided by cash-on-hand and lease agreements.

2. [Status of major facilities]

Major facilities of the Company and its consolidated subsidiaries are as listed below.

(1) Segment-wise breakdown

As of March 31, 2023

Segment	Book value (thousand yen)						Number of employees (persons)
	Buildings and Structures	Machinery, equipment and vehicles	Leased assets	Land (Area; m^2)	Other	Total	
Japan	3,145,074	1,031,438	1,270,384	1,246,939 (215,401.9) [1,095.0]	379,215	7,073,053	625
Europe	375,817	423,041	123,826	96,946 (12,010.0)	120,930	1,140,562	198
Americas	613,271	79,287	5,138	92,576 (13,091.2)	17,128	807,402	109
China	724,565	259,248	—	—	47,821	1,031,634	417
Others	731,747	455,528	23,172	899,354 (11,401.2)	61,552	2,171,356	450
Total	5,590,477	2,248,544	1,422,522	2,335,817 (251,904.3) [1,095.0]	626,648	12,224,009	1,799

(Notes) 1. Book value does not include construction in progress, 237,169 thousand yen.

2. Land, buildings, vehicles and other parts are leased. Rent expenses or lease fees are 639,238 thousand yen.

Land area of rented land is described in square brackets [ ].

3. No major facilities are out of service.

(2) Submitting company

As of March 31, 2023

Office name□ (location)	Segment	Facility details	Book value (thousand yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Leased assets	Land (Area; m²)	Other	Total	
Head office/factory (Kohoku Ward, Yokohama City)	Japan	Production facilities such as air compressors, and other facilities	1,983,204	184,024	67,241	665,348 (36,716.8) [1,095.0]	272,427	3,172,246	300
Akita Factory (Daisen City, Akita Prefecture)	Japan	Coating equipment production facilities	326,975	285,315	126,471	40,315 (33,937.3)	3,624	782,702	69
Fukushima Factory (Yabuki Town, Nishishirakawa District, Fukushima Prefecture)	Japan	Air compressors production facilities	764,362	561,314	1,070,040	414,978 (143,527.6)	80,129	2,890,825	171
Sales office (Nagoya City, Aichi Prefecture, etc.)	Japan	Other facilities	62,619	—	—	126,297 (1,220.3)	9,724	198,640	61
Rental real estate to subsidiaries (Baden-Württemberg, Germany)	Europe	Air compressors production facilities, etc.	41,343	—	—	21,514 (2,238.0)	—	62,857	—
Total			3,178,505	1,030,655	1,263,753	1,268,453 (217,639.9) [1,095.0]	365,905	7,107,272	601

(Notes) 1.Book value does not include construction in progress, 34,109 thousand yen.
2. Book value includes 210 thousand yen for fixtures lent to affiliated companies.
3. Land, buildings, vehicles and other parts are leased. Land area of rented land is described in square brackets [ ].
4. Major rental and lease facilities are as follows.

Office name□ (location)	Segment	Facility details	Rent expenses or lease fees (thousand yen)
Head office/factory (Kohoku Ward, Yokohama City)	Japan	Production facilities such as air compressors, and other facilities	97,913
Akita Factory (Daisen City, Akita Prefecture)	Japan	Coating equipment production facilities	6,090
Fukushima Factory (Yabuki Town, Nishishirakawa District, Fukushima Prefecture)	Japan	Production facilities such as air compressors	58,189
Sales office (Nagoya City, Aichi Prefecture, etc.)	Japan	Other facilities	68,328

(3) Domestic subsidiary

As of March 31, 2023

Office name (location)	Segment	Facility details	Book value (thousand yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Leased assets	Land (Area; m²)	Other	Total	
A&C Service Corporation (Tsuzuki Ward, Yokohama City)	Japan	Other facilities	7,912	783	6,631	—	13,310	28,638	24

(4) Overseas subsidiaries

As of March 31, 2023

Office name (location)	Segment	Facility details	Book value (thousand yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Leased assets	Land (Area; m²)	Other	Total	
ANEST IWATA Deutschland GmbH□ (Sachsen,, Germany)	Europe	Other facilities	—	2,400	—	—	12,800	15,200	10
ANEST IWATA EUROPE GmbH (Baden-Württemberg, Germany)	Europe	Other facilities	3,616	565	—	—	6,988	11,170	20
HARDER & STEENBECK GmbH & Co. KG (Hamburg, Germany)	Europe	Coating equipment production facilities	—	140,909	—	—	39,676	180,585	28
ANEST IWATA STRATEGIC CENTER S.r.l. (Lombardy, Italy)	Europe	Coating equipment production facilities	285,223	256,721	—	68,582 (7,464.0)	12,639	623,166	61
ANEST IWATA Italia S.r.l. (Torino, Italy)	Europe	Other facilities	17,500	1,712	123,826	—	2,369	145,408	12
ANEST IWATA France S.A. (Saint-Quentin-Fallavier, France)	Europe	Other facilities	—	214	—	—	31,069	31,284	26
ANEST IWATA(U.K.) Ltd. (Cambridgeshire, United Kingdom)	Europe	Other facilities	—	4,480	—	—	13,545	18,025	11
ANEST IWATA Scandinavia AB (Partille, Sweden)	Europe	Other facilities	12,707	7,754	—	6,849 (2,308.0)	—	27,312	5
ANEST IWATA Iberica,S.L. (Barcelona, Spain)	Europe	Other facilities	14,524	1,708	—	—	1,840	18,073	7
ANEST IWATA Polska Sp.Z o.o. (Poznań, Poland)	Europe	Other facilities	902	6,277	—	—	—	7,179	10
ANEST IWATA RUS LLC (Moscow, Russia)	Europe	Other facilities	—	297	—	—	—	297	8
ANEST IWATA USA, Inc. (Ohio, USA)	Americas	Other facilities	161,175	22,646	5,138	25,665 (8,842.2)	2,463	217,089	22
ANEST Iwata-Medea,Inc. (Oregon, USA)	Americas	Other facilities	404,174	6,718	—	66,911 (4,249.0)	6,604	484,408	25
ANEST IWATA AIR ENGINEERING,INC. (Ohio, USA)	Americas	Air compressors production facilities, etc.	43,876	18,921	—	—	36	62,834	25
ANEST IWATA Mexico,S.de R.L.de C.V. (Guanajuato, Mexico)	Americas	Other facilities	4,045	22,316	—	—	2,651	29,014	9
AIRZAP-ANEST IWATA INDUSTRIA E COMERCIO LTDA. (Sao Paulo, Brazil)	Americas	Air compressors production facilities, etc.	—	8,684	—	—	5,372	14,056	28
ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) COMPANY LIMITED (Jiaxing City, Zhejiang Province, People's Republic of China)	China	Coating equipment production facilities	30,804	42,779	—	—	10,644	84,229	43
ANEST IWATA (SHANGHAI) Corporation (Shanghai, People's Republic of China)	China	Other facilities	—	—	—	—	13,162	13,162	41
ANEST IWATA FEELER Corporation (Hangzhou City, Zhejiang Province, People's Republic of China)	China	Air compressors production facilities, etc.	198,457	53,016	—	—	10,217	261,690	67
Shanghai Screw Compressor Co., Ltd. (Shanghai, People's Republic of China)	China	Air compressors production facilities, etc.	393,987	48,290	—	—	12,905	455,183	230
Shanghai Globe Screw Technology Co., Ltd. (Shanghai, People's Republic of China)	China	Air compressors production facilities, etc.	101,316	115,161	—	—	890	217,368	35
ANEST IWATA Taiwan Corporation (Hsinchu, Taiwan, Republic of China)	Others	Coating equipment production facilities	452,953	265,595	722	591,414 (3,610.0)	11,214	1,321,899	48

Office name (location)	Segment	Facility details	Book value (thousand yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Leased assets	Land (Area; m^2)	Other	Total	
ANEST IWATA SPARMAX Co., Ltd. (Datong District, Taipei City, Republic of China)	Others	Air compressors production facilities, etc.	—	44,125	—	—	22,757	66,883	92
ANEST IWATA MOTHERSON Pvt. Ltd. (New Delhi, India)	Others	Air compressors production facilities, etc.	109,473	91,038	15,893	—	21,729	238,134	174
ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd. (New Delhi, India)	Others	Coating equipment production facilities	—	253	6,556	—	784	7,594	38
ANEST IWATA SOUTHEAST ASIA Co.,Ltd. (Bangkok, Thailand)	Others	Air compressors production facilities, etc.	45,783	15,998	—	90,520 (4,484.0)	451	152,754	44
ANEST IWATA Korea Corp. (Ansan, Republic of Korea)	Others	Air compressors production facilities, etc.	123,215	2,561	—	217,420 (3,307.2)	3,453	346,650	14
ANEST IWATA Vietnam Co.,Ltd. (Ho Chi Minh, Vietnam)	Others	Other facilities	—	996	—	—	734	1,730	9
PT.ANEST IWATA INDONESIA (Special Capital Region of Jakarta, Indonesia)	Others	Other facilities	321	2,448	—	—	244	3,013	7
ANEST IWATA Australia Pty. Ltd. (New South Wales, Australia)	Others	Other facilities	—	28,312	—	—	—	28,312	20
ANEST IWATA South Africa (Pty) Ltd. (Johannesburg, South Africa)	Others	Other facilities	—	4,197	—	—	183	4,381	4

(Note) Book value does not include construction in progress, 203,060 thousand yen.

3. [Planned new installations and removals, etc. of facilities]

Capital investment by the Company and its consolidated subsidiaries is planned based on the mid-term business plan, comprehensively taking into consideration the ratio of investment to profit. Domestic subsidiaries are included in the investment plan of the submitting company, and overseas subsidiaries are individually planned. However, adjustments to avoid any duplication of investment overall is sought.

As of the end of the current consolidated fiscal year, the amount of capital investment related to planned new installations and repairs, etc. of important facilities is 2,300,000 thousand yen, and appropriation of the required funds from cash-on-hand and lease agreements is planned.

Planned new installations and removals, etc. of important facilities are as follows.

(1) New installations of important facilities

New installations of facilities of the Company and its consolidated subsidiaries are as listed below.

As of March 31, 2023

Segment	Amount planned at the end of March 2023 (thousand yen)	Main content and purpose of facilities, etc.	Fund-raising method
Japan	1,358,269	Enhancement of production facilities, IT investment, etc.	Cash-on-hand/leasing
Europe	347,723	Enhancement of production facilities, etc.	Same as above
Americas	233,700	Same as above	Same as above
China	861	Same as above	Same as above
Others	359,445	Same as above	Same as above
Total	2,300,000		

(2) Removal of important facilities

There are no plans for removal of important facilities.

Section 4 [Status of the Submitting Company]

1. [Status of shares, etc.]

(1) [Total number of shares, etc.]

(i) [Total number of shares]

Class	Total number of shares authorized to be issued (shares)
Common shares	189,290,000
Total	189,290,000

(ii) [Shares issued]

Class	Number of shares issued as of the end of the fiscal year (shares) (March 31, 2023)	Number of shares issued as of the date of submission (shares) (June 23, 2023)	Name of listed stock exchange or registered authorized financial instruments firms association	Description
Common shares	41,745,505	41,745,505	Prime Market of Tokyo Stock Exchange	Number of shares constituting one unit: 100 shares
Total	41,745,505	41,745,505	—	—

(2) [Status of subscription rights to shares, etc.]

(i) [Details of the stock option plan]

There are no relevant matters.

(ii) [Details of the rights plan]

There are no relevant matters.

(iii) [Status of other subscription rights to shares, etc.]

There are no relevant matters.

(3) [Status of exercise of bonds with subscription rights to shares with exercise price amendment clause, etc.]

There are no relevant matters.

(4) [Changes in the total number of shares issued, share capital, etc.]

Date	Changes in the total number of shares issued (shares)	Balance of the total number of shares issued (shares)	Changes in share capital (million yen)	Balance of share capital (million yen)	Changes in legal capital surplus (million yen)	Balance of legal capital surplus (million yen)
December 25, 2015	(140,000)	41,745,505	—	3,354	—	1,380

(Note) The decrease was due to the cancellation of treasury shares.

(5) [Status by owner]

As of March 31, 2023

Classification	Status of shares (Number of shares per trading unit: 100 shares)								Shares representing less than one unit (shares)
	National and local governments	Financial institution	Financial instruments business operator	Other legal entities	Foreign corporation, etc.		Individuals and other	Total	
					Non-individual	Individual			
Number of shareholders (persons)	—	15	24	100	115	3	3,469	3,726	-
Number of shares held (unit)	—	146,351	4,835	37,062	83,285	700	145,050	417,283	17,205
Percentage of shares held (%)	—	35.07	1.16	8.88	19.96	0.17	34.76	100.00	-

(Note) Out of 1,104,372 treasury shares, 11,043 units are described as "Individuals and other" and 72 shares are described as "Shares representing less than one unit."
The actual number of shares held is same as the number of shares on the shareholder registry as of March 31,

2023.

(6) [Status of major shareholders]

As of March 31, 2023

Name	Address	Number of shares held (thousand shares)	Ratio of number of shares held to total number of shares issued (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	5,120	12.6
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	4,218	10.4
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yurakucho, Chiyoda-ku, Tokyo	2,272	5.6
ANEST IWATA Suppliers' Stockholding	3176 Shinyoshida-cho, Kohoku-ku, Yokohama-shi	1,954	4.8
ANEST IWATA Customers' Stockholding	3176 Shinyoshida-cho, Kohoku-ku, Yokohama-shi	1,933	4.8
The Bank of New York 133652 (Standing proxy: Settlement & Clearing Service Department, Mizuho Bank, Ltd.)	Boulevard Anspach1, 1000 Brussels, Belgium (2-15-1 Konan, Minato-ku, Tokyo)	1,552	3.8
Meiji Yasuda Life Insurance Company	2-1-1 Marunouchi, Chiyoda-ku, Tokyo	1,520	3.7
ANEST IWATA Employees' Stockholding	3176 Shinyoshida-cho, Kohoku-ku, Yokohama-shi	867	2.1
Kazuya Iwata	Kohoku-ku, Yokohama	773	1.9
Taikisha Ltd.	8-17-1 Nishi-shinjuku, Shinjuku-ku, Tokyo	695	1.7
Total		20,904	51.4

(Notes) 1. Shareholding ratio is calculated after deducting treasury shares (1,104,372 shares).

2. The report on large volume holdings submitted by the Mitsubishi UFJ Financial Group (Joint owners: MUFG Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and MU Investments Co., Ltd.) on January 31, 2022, mentions that as of January 24, 2022, the company owned 2,357,235 shares. However, the company has not been included in the above major shareholders as we have been unable to confirm the actual number of shares held by the company as of March 31, 2023.

(7) [Status of voting rights]

(i) [Shares issued]

As of March 31, 2023

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Non-voting shares	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (other)	—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares 1,104,300	—	—
Shares with full voting rights (other)	Common shares 40,624,000	406,240	—
Shares constituting less than one unit	Common shares 17,205	—	Shares less than one unit (100 shares)
Total number of shares issued	41,745,505	—	—
Voting rights of all shareholders	—	406,240	—

(ii) [Treasury shares, etc.]

As of March 31, 2023

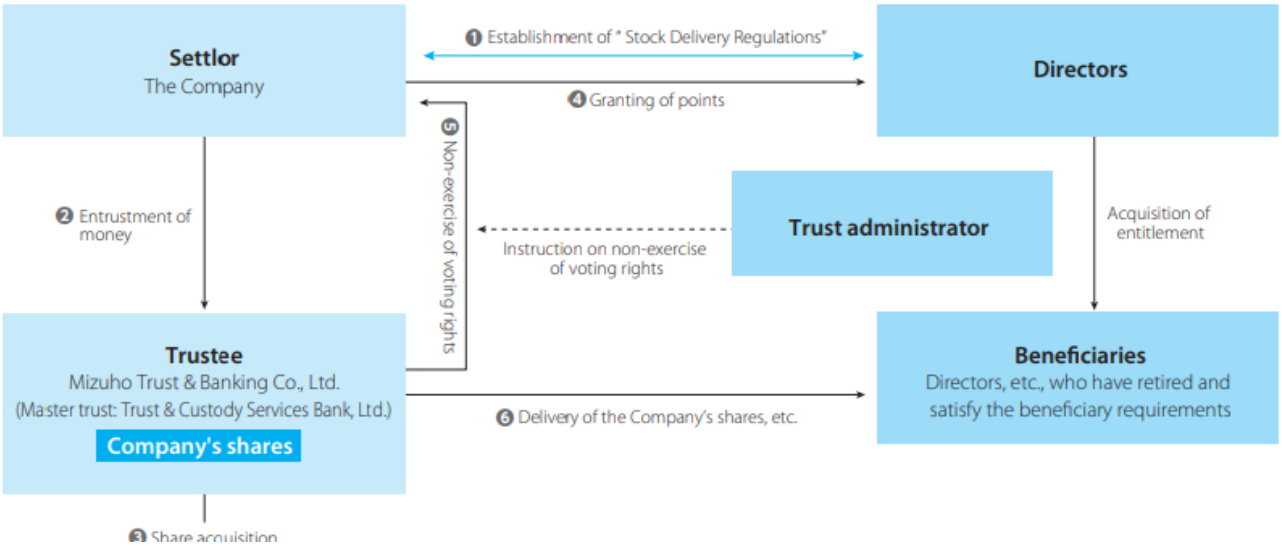
Name of owner	Address of owner	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total number of shares held (shares)	Ratio of number of shares held to total number of shares issued (%)
(Treasury shares) ANEST IWATA Corporation	3176 Shinyoshida-cho, Kohoku-ku, Yokohama-shi	1,104,300	—	1,104,300	2.65
Total	—	1,104,300	—	1,104,300	2.65

(8) [Description of officer/employee shares ownership plan]

Based on the resolution of the 73rd Ordinary General Shareholders' Meeting (hereinafter referred to as the "General Shareholders' Meeting") held on June 25, 2019, a new performance-based stock compensation plan, "Board Benefit Trust (BBT)" (hereinafter referred to as the "plan"), was introduced for Directors (excluding Chairman, Directors who are Audit and Supervisory Committee Members, and other Directors who are Independent Directors) and corporate officers who do not hold a concurrent position as a Director (hereinafter referred to as "Directors and others").

1. Overview of the plan

The plan is a performance-based stock compensation plan whereby the trust established by the Company (the trust established in accordance with the plan is hereinafter referred to as the “trust”) acquires Company shares by using the money contributed by the Company as a fund and through the trust, Company shares and money equivalent to the amount of money resulting from translating Company shares at market value (hereinafter referred to as "Company shares, etc.") to Directors and others according to the rules for granting shares. In addition, the purpose is to clarify the connection between the compensation of Directors and others and the Company's business performance and stock value, and to raise awareness of the need to share not only the benefits of rising shares prices but also the risks of falling shares prices with shareholders thereby contributing to better medium- to long-term business performance and increasing corporate value. In order to achieve the goals of the new mid-term business plan that started in the fiscal year ended March 31, 2023, we will further strengthen the executive function of the management body and further promote the sharing of value with our shareholders.



(i) At the 73rd Ordinary General Shareholders' Meeting, we passed a resolution regarding officer compensation for the plan, and established the rules for granting shares within the scope of the framework approved at the General Shareholders' Meeting.

(ii) We shall entrust money within the scope approved by the resolution of the General Shareholders' Meeting in (i).

(iii) The trust shall acquire Company shares using the money entrusted in (ii) as a fund, through the stock exchange market or by subscribing to the disposal of the Company's treasury shares.

(iv) We shall award points to Directors and others based on the rules for granting shares.

(v) The trust shall follow the instructions of the trust administrator independent from the Company and shall not exercise voting rights pertaining to the Company shares in the trust account.

(vi) The trust shall provide Company shares to eligible persons who meet the beneficiary requirements stipulated in the rules for granting shares (hereinafter referred to as “beneficiaries”) in accordance with the number of points granted to such beneficiaries. However, if Directors and others meet the requirements stipulated in the rules for granting shares, a certain percentage of points shall be paid in cash equivalent to the market value of the Company shares.

2. Maximum total number of shares to be provided to Directors and others

285,000 shares

3. Scope of persons who can receive beneficiary rights and other rights under the plan

Eligible persons who meet the beneficiary requirements as stipulated in the rules for granting shares

2. [Status of purchase, etc. of treasury shares]

[Types of shares, etc.]

Acquisition of common shares pursuant to Article 155, Item 3 and Article 155, Item 7 of the Companies Act

(1) [Status of acquisition by resolution at a general shareholders' meeting]

There are no relevant matters.

(2) [Status of acquisition by resolution at a Board of Directors meeting]

Classification	Number of shares (shares)	Total value (thousand yen)
Board of Directors resolution status (January 11, 2022) (Acquisition period: January 27, 2022 to June 30, 2022)	682,000	500,000
Acquired treasury shares before the fiscal year under review	421,700	340,606
Acquired treasury shares in the fiscal year under review	195,200	159,326
Total number and value of remaining resolution shares	65,100	66
Unexercised percentage as of the last day of the fiscal year under review (%)	9.5	0.0
Acquired treasury shares during the current period	—	—
Unexercised ratio as of submission date (%)	9.5	0.0

(3) [Description of matters not based on a resolution at a general shareholders' meeting or a resolution at a Board of Directors meeting]

Classification	Number of shares (shares)	Total value (thousand yen)
Acquired treasury shares in the fiscal year under review	80	71
Acquired treasury shares during the current period	—	—

(Note) Acquired treasury shares during the current period do not include the number of shares acquired through the purchase of shares less than one unit from June 1, 2023 to the date of submission of the Annual Securities Report.

(4) [Processing status and holding status of acquired treasury shares]

Classification	Fiscal year under review		Current period	
	Number of shares (shares)	Total disposition amount (thousand yen)	Number of shares (shares)	Total disposition amount (thousand yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that have been canceled	—	—	—	—
Acquired treasury shares that have been transferred due to a merger, shares exchange, shares delivery, or company split	—	—	—	—
Other	—	—	—	—
Number of treasury shares held	1,104,372	-	1,104,372	—

(Note) The number treasury shares held during the current period does not include the number of shares acquired through the purchase of shares less than one unit from June 1, 2023 to the date of submission of the Annual Securities Report.

3. [Dividend policy]

Our Group would like to enhance our corporate value and meet shareholder expectations by actively injecting money into the development of human resources, research and development, production capacity increase, production rationalization, M&A, etc. and improving our consolidated financial results from a mid- and long-term perspective. For the dividend, therefore, except in cases where sudden fluctuations occur in financial results or financial position, the range of the profit attributable to owners of parent in the consolidated results and a consolidated dividend payout ratio of 35% are used as guidelines.

The Articles of Incorporation stipulate that interim dividends may be paid as prescribed in Article 454, Paragraph 5 of the Companies Act.

The Company's basic policy is to pay dividends from surplus twice a year, one interim and one year-end. The Board of Directors determines the amount of the interim dividends and the Shareholders determine the amount of the year-end dividends at the general shareholders' meeting.

Dividends of surplus for the 77th term are as follows.

Resolution date	Total amount of dividends (thousand yen)	Dividend per share (yen)
November 9, 2022 Resolution by Board of Directors	650,259	16.0
June 23, 2023 Resolution by ordinary general shareholders' meeting	894,104	22.0

4. [Status of corporate governance]

(1) [Overview of Corporate Governance]

(i) Basic approach to corporate governance

We aim to achieve sustained growth and to maximize corporate value. To this end, we consider it imperative to improve the agility and transparency of management and to strengthen oversight of it, and to improve the effectiveness of corporate governance, taking into account the perspectives of shareholders, employees, customers, business partners, and regional communities, among others.

(ii) Corporate governance system

<Overview and reasons for adopting the system>

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

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

1) Board of Directors

The Board of Directors is comprised of 11 Directors (including six Independent Directors), including four whom are Directors who are Audit and Supervisory Committee Members (three Independent Directors). The Board of Directors meets at least once a month to receive reports on company management decision-making and the business execution status, and to monitor and supervise business execution by the Representative Director and Corporate Officers. The number of Members of the Board of Directors shall be 11 or less, and dismissal shall be subject to special resolution by the general shareholders' meeting.

2) Audit and Supervisory Committee

The Audit and Supervisory Committee consists of four Audit and Supervisory Committee Members (including three Independent Directors). In principle, the Audit and Supervisory Committee meets once a month. In addition to attending important meetings such as the Management Conference and Corporate Officer Committee, the Audit and Supervisory Committee reviews materials and minutes, and regularly exchanges opinions with Directors and employees. We strive to improve the quality of audits through regular audit discussions between the accounting auditor, the internal audit division, and the Audit and Supervisory Committee based on the audit policy and audit plan formulated by the Audit and Supervisory Committee. Expert employees who assist Audit and Supervisory Committee Members are designated as the internal audit division, which is organized within the management body. Expenses needed for audits by Audit and Supervisory Committee Members, including any provisional payments, are determined by the Audit and Supervisory Committee.

3) Management Conference

The Management Conference consists of nine corporate officers with voting rights appointed by the Board of Directors (including the Representative Director and three Directors who concurrently serve as Corporate Officers), non-executive Directors and General Managers and meets at least once a month, chaired by the President and Chief Executive Officer. Aiming to facilitate effective business execution, the Corporate Officers and Independent Directors review and share information, while discussing and deliberating matters centered on business operations.

4) Corporate Officer Committee

The Corporate Officer Committee consists of nine members appointed by the Board of Directors (including the Representative Director and three Directors who concurrently serve as Corporate Officers). The Corporate Officer Committee meets at least once a month, promptly implements business execution that are derived from the management policy articulated by the Board of Directors and the Management Conference, based on the

effectiveness and efficiency of operations, the reliability of financial reports, and compliance with applicable laws, regulations, and internal rules.

5) Non-statutory committees within the management body

a. Nominating/Compensation Committee

A non-statutory advisory committee under the Board of Directors, it consists of six members: the Representative Director and five Independent Directors, and is chaired by an Independent Director. The Nominating/Compensation Committee reports to the Board of Directors regarding nominations for the post of Representative Director and Director, the revision and abolition of compensation rules for the Representative Director and Directors, and the evaluations regarding the Representative Director and Directors who are not Audit and Supervisory Committee Members.

b. Internal Controls Committee

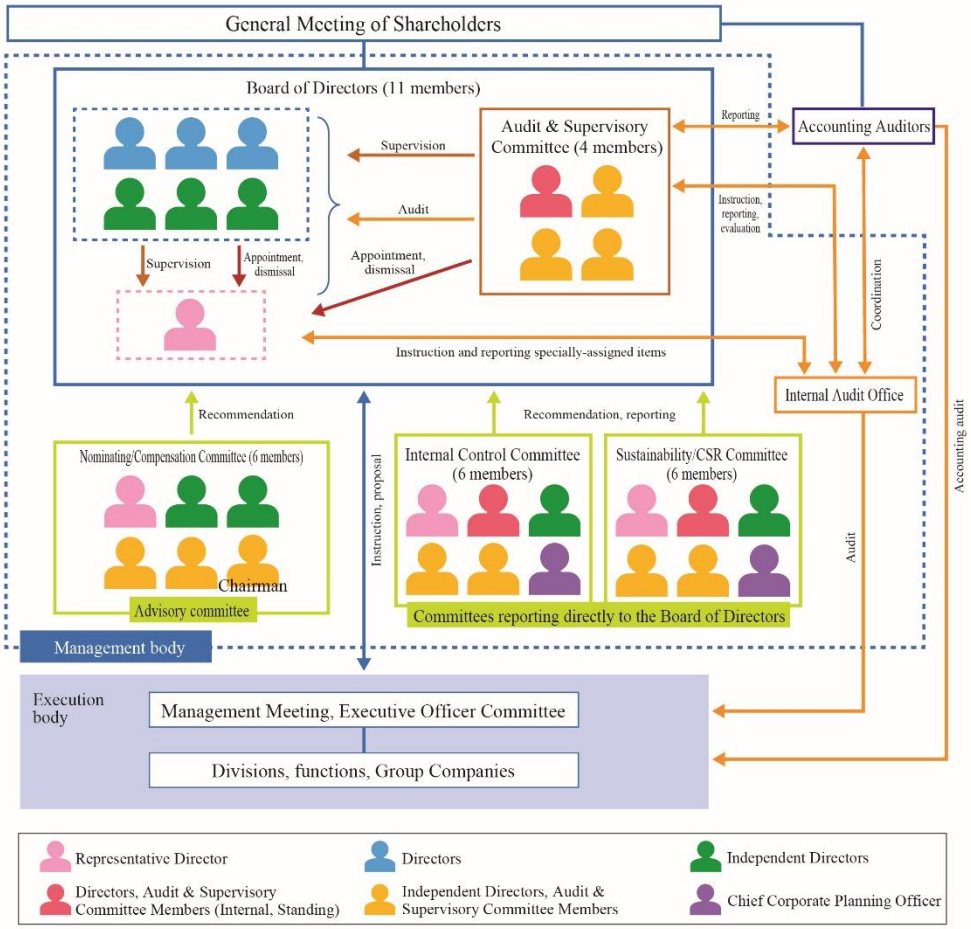
A non-statutory committee established under the Board of Directors, it consists of six members: the Representative Director, four Directors, and the Chief Corporate Planning Officer. It is chaired by the Representative Director, and the Chief Internal Audit Officer assumes the role of the secretariat. It reports to the Board of Directors on the development of policies such as the basic internal control policy, the maintenance policy for the internal control system, and the corporate governance policy, and their quarterly implementation status.

c. Sustainability/CSR Committee

A non-statutory committee established under the Board of Directors, it consists of six members: the Representative Director, four Directors, and the Chief Corporate Planning Officer. It is chaired by the Chief Corporate Planning Officer, and the Corporate Planning Department assumes the role of the secretariat. It makes recommendations and reports to the Board of Directors on risk management, compliance measures, corporate information disclosure management, and handling of whistleblowers and disciplinary actions.

A schematic diagram of the Company's corporate governance structure is shown below.

The structure of each committee is as follows.



		Board of Directors	Audit and Supervisory Committee	Nominating/ Compensation Committee	Internal Controls Committee	Sustainability/ CSR Committee	Remarks	
Directors	Shinichi Fukase	Chairman		✓	Chairman	✓	Concurrently serves as Corporate Officer	
	Kenichi Osawa	✓					Concurrently serves as Corporate Officer	
	Katsumi Takeda	✓					Concurrently serves as Corporate Officer	
	Eisuke Miyoshi	✓					Concurrently serves as Corporate Officer	
	Yoshitsugu Asai	✓		✓				Outside Officer
	Yuko Shirai	✓		✓	✓	✓		Outside Officer
	Makoto Shimamoto	✓						Outside Officer
Director, Audit and Supervisory Committee Members	Masato Suzuki	✓	Chairman		✓	✓		
	Kyosuke Oshima	✓	✓	Chairman	✓	✓		Outside Officer
	Kazumichi Matsuki	✓	✓	✓	✓	✓		Outside Officer
	Reiko Ohashi	✓	✓	✓				Outside Officer

<Other matters>

1) Internal control development status

a. The ANEST IWATA Corporate Philosophy, which stipulates the basic policies of the Group, guidelines for all employees working in the Group to act responsibly, and observance of laws and regulations, Articles of Incorporation, policies, internal regulations, etc., is compiled and promoted. In addition to the legal division continuously conducting compliance education, we confirm the penetration status by arranging the internal audit division.

b. The division in charge of each product provides guidance and support as the supervisor for each Group company. In addition, each Group company regularly reports to the Company on its financial status and the results of deliberations by the Board of Directors.

c. We have established a point of contact for whistleblowing, the ANEST IWATA Hotline and the ANEST IWATA Group Hotline, in order to reduce the risk of fraud and construct a system for early detection and response to legally questionable acts. In addition, we have also set up a "Suggestion Post" for consultation.

2) Regulations and other systems to manage risk of loss in the Company and the Group

a. We have established Risk and Crisis Management Regulations in order to identify and prevent risks and maintain corporate value in the event risks appear.

b. Based on the Risk and Crisis Management Regulations, we have established a Crisis Management Committee chaired by the President and Chief Executive Officer as a unified risk management system. In the event of an emergency, "Crisis Management Committee" will be convened for a prompt and appropriate response and to take preventative measures.

c. We have established an independent quality assurance division to appropriately respond in the unlikely event that there is a problem with a product of our Group, and to improve customer satisfaction.

3) Outline of the contents of the contract for limitation of liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, a contract with Directors who are not Executive Directors has been concluded to limit his or her liabilities for damages under Article 423, Paragraph 1 of

the same Act.

Contents of the contract shall limit liability for damages to the minimum liability amount as stipulated in Article 425, Paragraph 1 of the Companies Act, provided that the performance of duties is done in good faith and without gross negligence.

4) Overview of the contents of the officers' liability insurance contract

An officers' liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act has been concluded, and covers damages in the event the insured is held responsible for the performance of his or her duties or a claim related to the pursuit of such liability is made.

Persons covered by this insurance contract are the Company's Directors, Corporate Officers, and other key business executives, and the Company bears the full amount of the insurance premiums for all insured persons. Persons receiving remuneration from the Company's subsidiaries are excluded. In addition, persons who have not concluded a direct employment contract with the Company are excluded.

(iii) Activities of the Board of Directors

During the current fiscal year, meetings are held once a month in principle and whenever necessary. During the fiscal year ended March 31, 2023, 13 meetings were held. Attendance status of each Director is as follows.

		Number of meetings	Number of times attended	Remarks	
Directors	Shinichi Fukase	13	13	Concurrently serves as Corporate Officer	
	Takahiro Tsubota	13	13	Concurrently serves as Corporate Officer	
	Kenichi Osawa	13	13	Concurrently serves as Corporate Officer	
	Katsumi Takeda	10	10	Concurrently serves as Corporate Officer	
	Kozo Yoneda	13	13		Outside Officer
	Yoshitsugu Asai	13	13		Outside Officer
	Yuko Shirai	13	13		Outside Officer
Director, Audit and Supervisory Committee Members	Masato Suzuki	13	13		
	Kyosuke Oshima	13	13		Outside Officer
	Kazumichi Matsuki	13	13		Outside Officer
	Reiko Ohashi	13	13		Outside Officer

(Note) Katsumi Takeda assumed the post of Director at the 76th Ordinary General Shareholders' Meeting held on June 24, 2022. Attendance after the date of said meeting is shown in the table.

In addition to matters specified by laws and regulations or the Company's Articles of Incorporation, the Board of Directors shall make decisions on fundamental issues related to the execution of the Company's business and supervise the implementation of such matters. Main items for discussion are as follows

- Basic corporate governance system of the ANEST IWATA Group
- Medium-to long-term management policies and mid-term business plan
- Fiscal year management policies and business plan
- Promotion of new businesses and M&A
- Capital policy of the Group
- Policy for dealing with large-scale purchases of the Company's shares

(iv) Basic policy regarding persons who control decisions on financial and business policies

The Company has established basic policies regarding the nature of entities that control the Company's financial and business policy decisions, details of which (matters set forth in Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act) are as follows.

1) Initiatives to secure and enhance the Company's corporate value and the common interests of shareholders

Since our founding in 1926, our corporate policy has always been "Sincere." We are committed to "delivering products and services with sincerity from the customer's perspective." Our commitment to improving quality and technological innovation has earned us the support of our customers. We have grown into a company that aspires to be the top in the world, as a specialized manufacturer of coating equipment, coating systems, air compressors, and vacuum equipment.

The Group has established the following "Group Management Vision" as its medium to long-term management strategy to become a 100-year-old company.

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

We will continue to seek to improve quality and technological innovation to embody our corporate policy, while expanding the scale of our business and contributing to society. We believe this will enhance our corporate value over the long term and contribute to securing and improving the common interests of our shareholders.

2) Purpose and basic thinking of this policy

As a listed company, we uphold the free trade of our Company shares. The Board of Directors does not flatly deny so-called "hostile takeovers" carried out without its consent, as long as this benefits corporate value and interests of all shareholders. We believe the shareholders who own the Company's shares ultimately decide whether or not to sell their shares in response to a large-scale purchase by a specific entity.

However, there are some forms of large-scale share purchases that do not facilitate the securing and improving of corporate value of the target company and the common interests of its shareholders, such as those which

i) could significantly damage corporate value and the common interests of shareholders when judged from their purpose;

ii) may effectively compel shareholders to sell their shares;

iii) do not provide sufficient time or information to the Board of Directors of the target company or shareholders to consider the details of the large-scale purchase of shares or for the Board of Directors of the target company to make an alternative proposal;

iv) necessitate negotiations with the buyer in order to provide more favorable terms for the target company than those offered by the buyer. for the purpose of protecting corporate value and the common interests of shareholders and securing the time necessary for shareholders to judge appropriately whether to accept the purchase offer, the Board of Directors introduced rules regarding large-scale purchases on May 15, 2007 (hereinafter referred to as "large-scale purchase rules").

At present, we are not aware of any specific indications of a large-scale purchase of our shares.

3) Contents of the large-scale purchase rules

According to the large-scale purchase rules, a large-scale purchase shall be initiated after the large-scale buyer has provided the necessary and sufficient information to our Board of Directors in advance, and after the period for our Board of Directors to evaluate and consider such large-scale purchase based on such information has passed; and in the event a general shareholders' meeting is held, after the period of consideration for shareholders to decide whether to initiate the Large-Scale Purchase has passed.

An overview of the large-scale purchase rules is as follows.

a. Targeted large-scale purchases

This policy shall apply to any purchase of our Company's shares or similar action that falls under i or ii below (However, purchases approved by the Board of Directors of the Company are excluded. Such acts are hereinafter referred to as "large-scale purchases"). Any entity which intends to engage in a large-scale purchase (hereinafter referred to as the "large-scale buyer") shall follow the procedures set forth in the policy in advance.

i. Any purchase of share certificates, etc. issued by the Company (Note 1) which would result in the shareholding ratio (Note 3) of the holder (Note 2) to be 20% or more

ii. Any tender offer for share certificates, etc. issued by the Company (Note 4) for which the sum of total shareholding ratio (Note 6) pertaining to the tender offer (Note 5) and total shareholding ratio pertaining to the specially related parties (Note 7) is 20% or more

Note 1 Share certificates, etc. as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

Note 2 Holder as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, which shall include entities deemed to be holders pursuant to Paragraph 3 of the same article. The same shall apply hereinafter.

Note 3 Shareholding ratio as defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

Note 4 Share certificates, etc. as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply hereinafter in ii.

Note 5 Defined in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

Note 6 Shareholding ratio as defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

Note 7 A specially related party as defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act. However, with regard to the entities listed in Item 1 of the same paragraph, entities specified in Article 3, Paragraph 2 of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates by Persons Other Than Issuers shall be excluded. The same shall apply hereinafter.

b. Provision of large-scale purchase information

A large-scale buyer who intends to conduct a large-scale purchase shall, prior to the large-scale purchase, submit to our Board of Directors a "Statement of Intention" to the effect that it will comply with the large-scale purchase rules, clearly indicating the name, address, governing law of incorporation, name of representative, domestic contact information and outline of the proposed large-scale purchase, and shall provide our Board of Directors with necessary and sufficient information (hereinafter "necessary information") for our shareholders to make a decision and for our Board of Directors to form its own opinions. Within 10 business days of receiving the Statement of Intention, the Board of Directors shall deliver to the large-scale buyer a list of the necessary information to be initially provided by the large-scale buyer. If, after careful examination of the initially provided information, the Board of Directors deems such insufficient, the Board of Directors will request the large-scale buyer to provide additional information until all necessary information has been gathered. The specific contents of the necessary information will vary depending on the attributes of the large-scale buyer and the terms of the large-scale purchase, but general items are as follows.

i. Overview (including information regarding the large-scale buyer's business, capital structure, experience in the same type of business as that of the Company and the Group) of the large-scale buyer and the Group (including joint holders, specially related parties and (in the case of a fund) each partner and other constituent members.)

ii. Purpose and details of the large-scale purchase (including the price and type of compensation for the purchase, timeframe of the purchase, structure of related transactions, legality of the purchase method, feasibility of the purchase and related transactions, etc.)

iii. Basis of calculation of the compensation for the acquisition of the Company's shares and the funds to support the acquisition (including the specific name of the provider of the funds (including the substantive provider),

procurement method, and details of related transactions.)

iv. Management candidates (including information regarding experience in businesses similar to those of the Company and the Group), management policy and philosophy, business plan, financial plan, capital policy, dividend policy, asset utilization policy, etc. which are envisioned for the Company and its Group after participation in the management thereof.

v. Whether or not there are any changes planned after the completion of the large-scale purchase regarding the relationship between the stakeholders such as business partners, customers and employees of the Company and the Group, and the Company and the Group, and the details of such changes.

vi. Other information that the Company's Board of Directors or the Independent Committee (Note 8) reasonably deems necessary to determine the validity and legality, etc. of the large-scale purchase

Note 8 The Independent Committee, as a third-party organization independent of the Board of Directors of the Company, shall monitor policies to ensure that they are not used to shield the Directors. In addition, the Independent Committee is responsible for deterring purchases that would damage the securing and enhancing corporate value and the common interests of shareholders. In order to enable fair and reasonable judgment, the Independent Committee shall be independent from the Company's management team that conducts the Company's business operations. The committee shall consist of a total of three or more members appointed from among the Company's Independent Directors, lawyers, certified public accountants, academic experts, persons familiar with investment banking, and proven company managers who have no special interest in the Company or its Board of Directors.

The Board of Directors may set a deadline for the large-scale buyer to provide information, as necessary, from the perspective of ensuring prompt implementation of the large-scale purchase rules. However, such deadline may be extended upon request by the large-scale buyer based on reasonable grounds.

The fact that a large-scale purchase has been proposed and the required Information provided to our Board of Directors will be disclosed in whole or in part at a time deemed appropriate by our Board of Directors if it is deemed necessary for our shareholders to make a decision.

c. Evaluation period by the Board of Directors

Depending on the difficulty of assessment of the large-scale purchase, and after the large-scale buyer provides all necessary information to the Board of Directors of the Company, a period of 60 days (in the case of purchase of all the Company's shares through a tender offer in which the compensation is cash (Japanese yen only)) or 90 days (in the case of other large-scale purchases) is considered appropriate for the Board of Directors to evaluate, examine, negotiate, form an opinion, and develop an alternative proposal (hereinafter referred to as the "Board of Directors evaluation period"). During the Board of Directors evaluation period, the Board of Directors shall fully evaluate and consider the provided necessary information, consulting with the Independent Committee and receiving advice from outside experts, etc. as necessary, and seriously considering the recommendations of the Independent Committee to the maximum extent possible, and then carefully formulate and announce its opinion. Furthermore, the Board of Directors shall negotiate with the large-scale buyer to improve the terms of the large-scale purchase and present an alternative proposal to the shareholders of the Company as needed. Once all necessary information has been provided to the Board of Directors, the Board of Directors shall promptly announce such publicly, along with the date of expiration of the Board of Directors evaluation period.

d. Resolutions by the Board of Directors and holding of a general shareholders' meeting

When determining whether or not to implement a countermeasure, the Board of Directors of the Company shall seriously consider the recommendations of the Independent Committee to the maximum extent possible, and shall pass a resolution as an entity under the Companies Act regarding the implementation or non-implementation of a countermeasure after duly considering the necessity, reasonableness, etc. of the countermeasure.

In the event the Independent Committee recommends the implementation of countermeasures and requests a general shareholders' meeting to be held for a resolution regarding the implementation of the countermeasures, the Board of Directors may set a period (hereinafter referred to as the "shareholder review period") of up to 60 days for shareholders to fully consider whether or not to implement the countermeasures under the policies, and hold a general

shareholders' meeting during such shareholder review period.

In the event the Company's Board of Directors decides to hold a general shareholders' meeting and determine a record date, the Board of Directors evaluation period will end on such date and the period will immediately switch to the shareholder review period.

At the time of holding such general shareholders' meeting, the Board of Directors will send documents containing the necessary information provided by the large-scale purchaser to the shareholders, along with the opinion of the Board of Directors on the necessary information, the alternative proposal of the Board of Directors, and other matters that the Board of Directors deems appropriate, along with the notice of the general shareholders' meeting. The Board of Directors will disclose such information in a timely and appropriate manner.

In the event a resolution is passed at a general shareholders' meeting regarding the implementation or non-implementation of countermeasures, the Board of Directors of the Company shall comply with the resolution of such general shareholders' meeting. In the event that such general shareholders' meeting resolves to reject the implementation of the countermeasures, the Board of Directors of the Company will not implement the countermeasures.

(v) Matters regarding Directors

Resolution requirements for the appointment and dismissal of Directors

1) According to the Articles of Incorporation of this Company, for the appointment of a Director, a resolution is required at a general shareholders' meeting, where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present and a majority of the voting rights of the shareholders present is used. In addition, cumulative voting shall be not used for the appointment of a Director.

2) According to the Articles of Incorporation of this Company for the dismissal of a Director, a resolution is required at a general shareholders' meeting, where shareholders holding a majority of the voting rights of shareholders who are entitled to exercise their voting rights are present, and two-thirds or more of the voting rights of the such shareholders present is used.

Delegation of decisions regarding the execution of important duties

Pursuant to Article 399-13, Paragraph 6 of the Companies Act, the Articles of Incorporation of this Company stipulate that the Board of Directors may delegate the execution of important business decisions (excluding the matters listed in the items of paragraph 5 of the same article), all or in part, to the Directors by resolution of the Board of Directors.

(vi) Matters related to resolutions passed at the general shareholders' meeting

Matters to be resolved at the general shareholders' meeting which can be resolved by the Board of Directors

1) Acquisition of treasury shares

According to the Articles of Incorporation of the Company, the Company may acquire its own shares through a resolution of the Board of Directors in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act for the purpose of implementing a flexible capital policy.

2) Interim dividends

According to the Articles of Incorporation of this Company, the Company may pay interim dividends by resolution of the Board of Directors, setting September 30 of each year as the record date for the flexible profit distribution to shareholders.

3) Exemption from liability for officers and accounting auditors

To enable the Directors and accounting auditors to fully carry out their expected roles, the Articles of Incorporation of this Company stipulate that, pursuant to Article 426, Paragraph 1 of the Companies Act, Directors (including former Directors) and accounting auditors (including former accounting auditors) under Article 423, Paragraph 1 of the Companies Act, may be exempted from liability to the extent permitted by laws and regulations and by resolution of the Board of Directors. Supplementary Provisions of the Articles of Incorporation stipulate that the liability for damages incurred by auditors (including former auditors) due to negligence of their duties before the partial amendment to the Articles of Incorporation passed at the 70th Ordinary General Shareholders' Meeting (transition

to a company with an Audit and Supervisory Committee) took effect, may be exempted by a resolution by the Board of Directors to the extent permitted by laws and regulations.

(vii) Requirements for special resolution at a general shareholders meeting

For the smooth operation of the general shareholders' meeting, the Articles of Incorporation of this Company stipulates that resolutions described in Article 309, Paragraph 2 of the Companies Act shall be passed by two-thirds or more of the voting rights of the shareholders present at a meeting where the shareholders holding one-third or more of the voting rights entitled to exercise their voting rights are present.

(2) [Status of officers]

(i) List of officers

Males: 9, Females: 2 (ratio of female officers: 18.2%)

Job title	Name	Date of birth	Brief personal record		Term of office	Number of shares held
President, Representative Director and Chief Executive Officer	Shinichi Fukase	May 13, 1965	Apr. 1988	Joined the Company	(Note) 2	32,395
			Apr. 2008	President of ANEST IWATA CAMPBELL K.K.		
			Apr. 2010	Corporate Officer and General Manager of Vacuum Equipment Department of the Company		
			Apr. 2016	Corporate Officer and Factory Manager of Fukushima Factory, Air Energy Division of the Company		
			Apr. 2019	Executive Vice President, Chief Operating Officer of Air Energy Division, and Factory Manager of Fukushima Factory of the Company		
			Jun. 2019	Director of the Company		
			Apr. 2020	Senior Managing Executive Officer and Chief Operating Officer of Air Energy Division of the Company		
			Apr. 2022	President, Representative Director and Chief Executive Officer of the Company (current position)		
Director and Senior Managing Executive Officer Chief Operating Officer of Coating Division	Kenichi Osawa	January 19, 1970	Apr. 1990	Joined the Company	(Note) 2	4,457
			Jan. 2010	President of ANEST IWATA (SHANGHAI) Corporation		
			Jun. 2012	President of ANEST IWATA Shanghai Trading Corporation		
			Apr. 2014	General Manager of Fluid Engineering Department of the Company		
			Apr. 2015	Corporate Officer of the Company		
			Jan. 2018	Corporate Officer and General Manager of Coating Development Department of the Company		
			May 2019	Executive Vice President and General Manager of East Asia Region of the Company		
			Jan. 2020	Assistant Chief Operating Officer of Coating Division of the Company		
			Apr. 2020	Senior Managing Executive Officer and Chief Operating Officer of Coating Division of the Company (current position)		
			Jun. 2020	Director of the Company (current position)		
Director and Managing Executive Officer Chief Operating Officer of Sales Division	Katsumi Takeda	March 28, 1967	Apr. 1989	Joined the Company	(Note) 2	19,763
			Apr. 2008	Corporate Officer and General Manager of Coating Equipment Department of the Company		
			Apr. 2011	General Manager of Fluid Engineering Department of the Company		
			Apr. 2014	General Manager of Coating System Marketing and R&D Department of the Company		
			Apr. 2016	Corporate Officer and General Manager of Coating System Marketing and R&D Department, Coating Division of the Company		
			Apr. 2020	Managing Executive Officer and General Manager of Coating System Marketing and R&D Department, Coating Division of the Company		
			Apr. 2021	Managing Executive Officer, Chief Operating Officer of Domestic Sales Division, and General Manager of Partner Alliance Department of the Company		
			Apr. 2022	Managing Executive Officer and Chief Operating Officer of Sales Division of the Company (current position)		
			Jun. 2022	Director of the Company (current position)		

Job title	Name	Date of birth	Brief personal record		Term of office	Number of shares held
Director and Managing Executive Officer Chief Operating Officer of Business Administration Division	Eisuke Miyoshi	April 22, 1970	Apr. 1993 Apr. 2012 Apr. 2014 Apr. 2016 Jan. 2018 Apr. 2019 Jan. 2020 Aug. 2020 Apr. 2021 Apr. 2023 Jun. 2023	Joined the Company President of ANEST IWATA Coating Service Corporation President of ANEST IWATA Coating Solutions Corporation Corporate Officer of the Company General Manager of Coating Marketing Department of the Company Deputy Chief Operating Officer of Business Administration Division and General Manager of HR & General Administration Department of the Company Chief Operating Officer of Business Administration Division and General Manager of HR & General Administration Department of the Company Chief Operating Officer of Business Administration Division, General Manager of HR & General Administration Department, and General Manager of Financial and Accounting Department of the Company Managing Executive Officer, Chief Operating Officer of Business Administration Division, and General Manager of Financial and Accounting Department of the Company Managing Executive Officer and Chief Operating Officer of Business Administration Division of the Company (current position) Director of the Company (current position)	(Note) 2	4,805
Director	Yoshitsugu Asai	May 16, 1954	Apr. 1977 Jul. 1989 Oct. 2000 Jun. 2004 Apr. 2006 Apr. 2011 Apr. 2016 Jun. 2017 Jun. 2020	Joined BROTHER INDUSTRIES, LTD. Seconded to BROTHER INDUSTRIES (AUST) PTY LTD. Representative Director & President of BROTHER INDUSTRIES (AUST) PTY LTD. General Manager of General Planning Department of BROTHER INDUSTRIES, LTD. Executive Officer, EVP* of I&D Company, and General Manager of Corporate Planning Department of BROTHER INDUSTRIES, LTD. Executive Officer and General Manager of Human Resources Department of BROTHER INDUSTRIES, LTD. Managing Executive Officer and General Manager of Legal & General Affairs Department responsible for Corporate Communications (Public Relations) Department of BROTHER INDUSTRIES, LTD. Managing Executive Officer responsible for Finance & Accounting Department, Law, Environment & General Affairs Department and CSR & Corporate Communication Department of BROTHER INDUSTRIES, LTD. Outside Director of FUJIMI INCORPORATED (current position) Independent Director of the Company (current position) *EVP: Executive Vice President	(Note) 2	10,935
Director	Yuko Shirai	February 11, 1954	Apr. 1986 Apr. 1991 Apr. 2004 Apr. 2005 May 2009 Apr. 2010 Apr. 2011	Registered as an attorney-at-law (member of Tokyo Bar Association) Established Wing Law Office, Partner Director of Kanto Federation of Bar Associations Expert Committee Member and Conciliation Committee Member of Tokyo District Court Chair of Shinjuku Ward Board of Education Auditor of Japan Federation of Bar Associations Auditor of Japan Intellectual Property Arbitration Center	(Note) 2	3,173

弁護士登録（東京弁護士会所属）
ウィング総合法律事務所開設　パー
関東弁護士連合会 理事
東京地方裁判所 鑑定委員・調停委員
東京都新宿区教育委員会 委員長
日本弁護士連合会 監事
日本知的財産仲裁センター 監事

Job title	Name	Date of birth	Brief personal record		Term of office	Number of shares held
			Apr. 2012	Vice-President of Tokyo Bar Association 東京弁護士会 副会長		
			Oct. 2013	Chair of Shinjuku Ward Board of Education 東京都新宿区教育委員会 委員長		
			Jun. 2015	Outside Director of Seika Corporation (current position) 西華産業株式会社 社外取締役（現）		
			Apr. 2016	Audit Commissioner of Shinjuku Ward, Tokyo (current position) 東京都新宿区 監査委員（現）		
			Jun. 2021	Independent Director of the Company (current position) 当社社外取締役（現）		
Director	Makoto Shimamoto	August 19, 1960	Apr. 1983	Joined Yamaha Motor Co. Ltd.	(Note) 2	—
			Jan. 2007	General Manager of Engine Designing Division, Product Development Section, MC[*1] Business Operations of Yamaha Motor Co., Ltd.		
			Jan. 2010	Senior General Manager of Cost Innovation Section, Procurement Center of Yamaha Motor Co., Ltd.		
			Jan. 2012	Director and President of Yamaha Motor Asian Center Co., Ltd.		
			Jan. 2014	Senior General Manager of PF[*2] Model Development Section, PF Model Unit of Yamaha Motor Co., Ltd.		
			Mar. 2014	Executive Officer of Yamaha Motor Co., Ltd.		
			Jan. 2015	Chief General Manager of PF Model Unit and Senior General Manager of PF Model Development Section, PF Model Unit of Yamaha Motor Co., Ltd.		
			Mar. 2015	Senior Executive Officer of Yamaha Motor Co., Ltd.		
			Jan. 2017	Chief General Manager of Technology Center and Chief General Manager of PF Model Unit of Yamaha Motor Co., Ltd.		
			Mar. 2017	Senior Executive Officer and Director of Yamaha Motor Co., Ltd.		
			Jan. 2018	Chief General Manager of Mobility Technology Center of Yamaha Motor Co., Ltd.		
			Jan. 2020	Chief General Manager of Mobility Technology Center and Chief General Manager of Advanced Technology Center of Yamaha Motor Co., Ltd.		
			Jan. 2021	Technical Advisor of Yamaha Motor Co., Ltd.		
			Mar. 2022	Advisor of Yamaha Motor Co., Ltd. (current position)		
			Jun. 2023	Independent Director of the Company (current position)		
			*1 MC: Motorcycle *2 PF: Platform			
Director, Audit and Supervisory Committee Member (Full-time)	Masato Suzuki	February 11, 1965	Apr. 1987	Joined the Company 当社入社	(Note) 3	23,432
			Oct. 2007	General Manager of Logistics Department of the Company 当社ロジスティクス部長		
			Apr. 2011	Corporate Officer and General Manager of Coating Equipment Department of the Company 当社執行役員塗装機部長		
			Apr. 2014	Corporate Officer and Chief Operating Officer of Coating Equipment Division of the Company 当社執行役員塗装機事業部長		
			Jun. 2015	Director of the Company 当社取締役		
			Apr. 2016	Executive Vice President and Chief Operating Officer of Coating Division of the Company 当社上席執行役員コーティング事業		
			Jul. 2016	Chairman of ANEST IWATA STRATEGIC CENTER s.r.l ANEST IWATA STRATEGIC CENTE Chairman		
			Mar. 2017	Chairman of the Board of ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) COMPANY LIMITED 嘉興阿耐思特岩田産業機械有限公司		
			Jun. 2018	Director (Audit and Supervisory Committee Member, full-time) of the Company (current position) 当社取締役（監査等委員・常勤）		

Job title	Name	Date of birth	Brief personal record		Term of office	Number of shares held
Director, Audit and Supervisory Committee Member	Kyosuke Oshima	January 28, 1954	Aug. 1982	Joined SUNX Limited (currently Panasonic Industrial Devices SUNX Co., Ltd.)	(Note) 3	13,187
			Jun. 2000	Director and Chief Operating Officer of Sensor Division of SUNX Limited		
			Jun. 2007	Managing Director responsible for Corporate Planning, Human Resources, Legal Affairs, and Internal Control of SUNX Limited		
			Jun. 2011	Full-time Audit & Supervisory Board Member of SUNX Limited		
			Jun. 2015	Independent Director of the Company		
			Jun. 2016	Independent Director (Audit and Supervisory Committee Member) of the Company (current position)		
Director, Audit and Supervisory Committee Member	Kazumichi Matsuki	August 17, 1951	Apr. 1976	Joined Mitsubishi Corporation	(Note) 3	5,776
			Jun. 1979	Master of Laws (LL.M) from Harvard Law School		
			Jan. 2003	General Manager of Legal Department of Mitsubishi Corporation		
			Apr. 2007	Senior Vice President of Mitsubishi Corporation		
			May 2007	Chairman of the Association of Corporate Legal Departments		
			Apr. 2009	Senior Vice President, Assistant Corporate Officer, and Chief of Compliance Department of Mitsubishi Corporation		
			Apr. 2010	Visiting Professor of the University of Tokyo Graduate Schools for Law and Politics		
			Apr. 2011	Executive Officer of Hokuetsu Kishu Paper Co., Ltd. (currently Hokuetsu Corporation)		
			Jun. 2011	Director of Hokuetsu Kishu Paper Co., Ltd.		
				Member of the Special Committee on Criminal Justice for a New Era, Legislative Council		
			Jun. 2016	Outside Director (Audit & Supervisory Committee Member) of Dream Incubator Inc.		
				Outside Auditor of Sanden Holdings Corporation		
			Jun. 2018	Independent Director of the Company		
			Mar. 2019	Outside Director of the Board of Nissha Co., Ltd. (current position)		
			Jun. 2020	Independent Director (Audit and Supervisory Committee Member) of the Company (current position)		
Director, Audit and Supervisory Committee Member	Reiko Ohashi	July 31, 1962	Oct. 1991	Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)	(Note) 3	2,655
			Mar. 1995	Registered as a certified accountant		
			Jul. 2009	Director of Ohashi Certified Accountant Office (current position)		
			Jun. 2014	Representative employee of Yakumo Audit Corporation (current position)		
			Oct. 2015	Auditor of Japan Sport Council (current position)		
			Sep. 2020	Auditor of Tokyo University of Agriculture and Technology (current position)		
			Jun. 2021	Independent Director of the Company		
			Jun. 2022	Independent Director (Audit and Supervisory Committee Member) of the Company (current position)		
Total						120,582

(Notes) 1. Directors Yoshitsugu Asai, Yuko Shirai, Makoto Shimamoto, Kyosuke Oshima, Kazumichi Matsuki, and Reiko Ohashi are Independent Directors. These six Directors meet the requirements for independency, as stipulated by the Tokyo Stock Exchange, and are registered as Independent Officers.
2. The term of office shall be from the time of the closing of the ordinary general shareholders' meeting for the fiscal year ended March 31, 2023 until the time of the closing of the ordinary general shareholders' meeting for the fiscal year ending March 31, 2024.
3. The term of office shall be from the time of the closing of the ordinary general shareholders' meeting for the fiscal year ended March 31, 2022 until the time of the closing of the ordinary general shareholders' meeting for the fiscal year ending March 31, 2024.

4. The number of the Company’s shares held represents the actual number of shares owned as of March 31, 2023, including interests under the Officers' Shareholding Association of the Company.

(ii) Status of Outside Officers

The Company employs six Independent Directors (including three Directors who are Audit and Supervisory Committee Members). Independent Directors are selected from among experts and managers who do not have any direct interest in the Company. These Independent Directors make management decisions from an objective standpoint without being involved in the execution of the Company's business, thus strengthening the supervisory function of the Board of Directors.

In accordance with Article 427, Paragraph 1 of the Companies Act, the Company enters an agreement with Independent Directors to limit their liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under such agreements is the amount stipulated by laws and regulations. Such limitation on liability for damages is valid only when said Independent Director has acted in good faith and without gross negligence in the execution of his/her duties which cause such liability.

Independent Director Yoshitsugu Asai has extensive experience and a wide range of knowledge in business management, having held key positions in the human resources, legal, and general affairs divisions of an electronics manufacturer. As an Independent Director, he actively participates in the Board of Directors meetings and Advisory Committee meetings to enhance the transparency and fairness, as well as appropriately supervise, the management of the Company. He does not have any personal, financial or significant business relationships with the Company, nor does he hold any vested interest in the Company. He also serves as an Outside Director for Fujimi Incorporated. However, there are no personal, financial or significant business relationships, or other interests between the Group and Fujimi Incorporated or its affiliated companies. Based on the above, he is considered to be independent and has been appointed as an Independent Director. He has served as an Independent Director of the Company for three years.

Independent Director Yuko Shirai has extensive experience and a wide range of knowledge in corporate legal affairs as an Attorney at Law. As an Independent Director, she actively participates in the Board of Directors meetings to enhance the transparency and fairness, as well as appropriately supervise, the management of the Company with independence, and from an objective viewpoint that takes into account the entire corporate community, including laws and regulations. She does not have any personal, financial or significant business relationships with the Company, nor does she hold any other vested interest in the Company. She concurrently serves as an Attorney-at-Law, an Outside Director at Seika Corporation and an Audit Commissioner of Shinjuku Ward, Tokyo. However, there are no personal, financial or significant business relationships, or other interests between the Group and the above mentioned companies or its affiliated companies. Transactions between Seika Corporation and the Company amounts to less than 2% of the Company's total consolidated net sales on average for the latest fiscal year and the past three fiscal years, which satisfies criteria of the Company for independency. Based on the above, she is considered to be independent and has been appointed as an Independent Director. She has served as an Independent Director of the Company for two years.

Independent Director Makoto Shimamoto was newly elected at the 77th Ordinary General Shareholders' Meeting. Through his work in the engineering division of a small vehicle manufacturer and involvement in the management of overseas subsidiaries, he has accumulated extensive knowledge. He also has extensive expertise that will help enhance the governance capabilities of the Board of Directors of the Company. He does not have any personal, financial or significant business relationships with the Company, nor does he hold any vested interest in the Company. He also serves as an Advisor to Yamaha Motor Co., Ltd. However, there are no personal, financial or significant business relationships, or other vested interest between the Group and Yamaha Motor Co., Ltd. or its affiliated companies. Based on the above, he is considered to be independent and has been appointed as an Independent Director.

Independent Director Kyosuke Oshima, an Audit and Supervisory Committee Member, has long been involved in corporate management in the manufacturing industry as a Director and full-time Audit & Supervisory Board Member, and possesses a high level of management expertise. As an Independent Director, he actively participates in the Board of Directors meetings and Advisory Committee meetings to enhance the transparency and fairness, as well as appropriately supervise, the management of the Company. He does not have any personal, financial or significant

business relationships with the Company, nor does he hold any vested interest in the Company. Based on the above, he is considered to be independent and has been appointed as an Independent Director. He has served as an Independent Director of the Company for one year, and as a Director who is an Audit and Supervisory Committee Member for seven years.

Independent Director Kazumichi Matsuki, an Audit and Supervisory Committee Member, has extensive business experience in various companies, including those in the manufacturing industry, and is particularly knowledgeable in the areas of legal affairs and compliance. As an Independent Director, he actively participates in the Board of Directors meetings and Advisory Committee meetings to enhance the transparency and fairness, as well as appropriately supervise, the management of the Company. He does not have any personal, financial or significant business relationships with the Company, nor does he hold any other vested interest in the Company. He also serves as an Independent Outside Director of the Board to Nissha Co., Ltd. However, there are no personal, financial or significant business relationships, or other vested interests between the Group and Nissha Co., Ltd. or its affiliated companies. Based on the above, he is considered to be independent and has been appointed as an Independent Director. He has served as an Independent Director of the Company for two years and as a Director who is an Audit and Supervisory Committee Member for three years.

Independent Director Reiko Ohashi, an Audit and Supervisory Committee Member, has extensive experience and a wide range of knowledge in finance and accounting as a certified public accountant. As an Independent Director of the Company since 2021, she actively participates in the Board of Directors meetings to enhance the transparency and fairness, as well as appropriately supervise, the management of the Company. She does not have any personal, financial or significant business relationships with the Company, nor does she hold any vested interest in the Company. She concurrently serves as a Director of Ohashi Certified Accountant Office and a representative employee of Yakumo Audit Corporation. However, there are no personal, financial or significant business relationships, or other vested interests between the Group and the above-mentioned organizations or its affiliated companies. Based on the above, she is considered to be independent and has been appointed as an Independent Director. She has served as an Independent Director of the Company for one year and as a Director who is an Audit and Supervisory Committee Member for one year.

The Company has established criteria regarding independence in the appointment of Independent Directors in accordance with the "Practical Considerations for Securing Independent Officers" (criteria for independence of Independent Officers, etc.) stipulated by the Tokyo Stock Exchange. All six Independent Directors have been registered with the Tokyo Stock Exchange as Independent Officers in accordance with the Tokyo Stock Exchange's regulations, based on the Company's judgment that they will provide objective and neutral opinions on the Company’s business based on their backgrounds and expertise.

(Independence criteria for Independent Directors of the Company)

1. Independent Directors must not fall under any of the following.

a. Persons involved in the execution (Note 1) of our Company's business or that of its subsidiaries, and persons who have been involved in the execution of our Company's business in the past.

b. Persons whose main business partner is our Company or any of its subsidiaries (Note 2), persons who execute their business, and persons who have executed their business in the past.

c. Major business partners (Note 3) of our Company or any of its subsidiaries, persons who execute their business, and persons who have executed their business in the past.

d. Consultants, accounting professionals, or legal professionals (in case of corporate entities and other organizations, persons who belong to or have belonged to the organization in the past) who receive considerable compensation in money or other assets (Note 4) from our Company or its subsidiaries, apart from officer compensation.

e. Major shareholders (Note 5) of our Company (in case of corporate entities, persons who have executed the business of the corporate entity or have executed the business of the corporate entity in the past).

f. Relatives (Note 6) of persons described in a. to e.

g. Persons from a company, or its parent company or subsidiary, that has accepted directors from our company or our subsidiaries.

Note 1. “Persons involved in the execution" refers to Executive Directors and employees.

Note 2. "Persons whose main business partner is our Company or any of its subsidiaries" refers to any of our business partners for which payments received from our Company amount to 2% or more of its consolidated net sales for the most recent fiscal year or averaged over the past three years.

Note 3. "Major business partners" refers to any of our business partners which account for 2% or more of our Company's consolidated net sales for the most recent fiscal year or averaged over the past three years.

Note 4. "Considerable compensation in money or other assets" refers to an annual amount of 10 million yen or more, or 2% or more of their consolidated net sales, for the most recent fiscal year or averaged over the past three years.

Note 5. "Major shareholders" refers to shareholders with voting shares of 10% or more.

Note 6. "Relatives" refers to any relative up to the second degree, or cohabiting relatives.

Note 7. “In the past” in a. to d. shall refer to the past described in the standards for independence prescribed by the Exchange.

2. Independent Directors must not have possible conflicts of interest even for reasons other than those considered above in Paragraph 1.

3. Even if a person falls under Paragraphs 1 and 2 above, if the person is deemed suitable as an Independent Director of our Company in light of such aspects as their character and insight, the Company may appoint the person as an Independent Director, on the condition that the Company provide an explanation to outside parties on the reasons it considers the person suitable as an Independent Director.

4. In consideration of their independence, Independent Directors, and Directors who are Audit and Supervisory Committee Members, shall not be reappointed past 10 years of service. However, if the Nominating/Compensation Committee makes a special recommendation in exception of the above, depending on the situation, the Board of Directors may deliberate and make a resolution.

(iii) Mutual cooperation between supervision or audits by Independent Directors and internal audits; audits by the Audit and Supervisory Committee and accounting audits; and their relationship with internal control division

Independent Directors attend Board of Directors meetings and Management Conference to provide advice from an independent standpoint and supervise the execution of business operations.

In addition, Independent Directors who are Audit and Supervisory Committee Members, attend Audit and Supervisory Committee meetings to share information and exchange opinions with the accounting auditors and the internal audit division, in order to improve the effectiveness of supervision and auditing.

(3) [Status of audits]

(i) Status of audits by the Audit and Supervisory Committee

For the Audit and Supervisory Committee to make appropriate judgments, the Company has established a system in which, three Independent Directors who are Audit and Supervisory Committee Members in a completely independent position, and one Director who is an Audit and Supervisory Committee Member from within the Company with a thorough knowledge of internal affairs, shall serve as full-time members, allowing the committee to maintain its independence and objectivity while monitoring a wide range of internal affairs. In addition, one certified public accountant and persons with experience as a manager, etc., who possess extensive knowledge in accounting, finance, and legal affairs which is necessary to serve as Audit and Supervisory Committee Members, shall be appointed. Directors who are Audit and Supervisory Committee Members attend meetings of the Board of Directors, supervise the execution of business by the Directors, and conduct audits based on the audit reports from the accounting auditor and the internal audit division.

In the current fiscal year, the Company held 14 meetings of the Audit and Supervisory Committee. Attendance status of each Director who is an Audit and Supervisory Committee Member is as follows. Audit and Supervisory Committee Member Reiko Ohashi was appointed as an Independent Director who is an Audit and Supervisory Committee Member at the 76th Ordinary General Shareholders' Meeting held on June 24, 2022. Consequently attendance after the date of the meeting is shown in the table. Masashige Takayama retired from office at the end of his term of office at the conclusion of the same General Shareholders' Meeting.

Name	Number of meetings	Number of times attended
Masato Suzuki	14	14
Masashige Takayama	5	5
Kyosuke Oshima	14	14
Kazumichi Matsuki	14	14
Reiko Ohashi	9	9

Specific matters to be considered by the Audit and Supervisory Committee include audits on the execution of duties by Directors and preparation of audit reports, quarterly and annual financial audits, selection of a candidate for Director who is not an Audit and Supervisory Committee Member, decision of opinions on compensation for Directors, evaluation of the accounting auditor, determination of election proposals, consent to audit fees, etc.

In addition, full-time Directors who are Audit and Supervisory Committee Members attend important meetings, request reports from business execution bodies as necessary, obtain information on the operating status of internal controls from the internal audit division, collect other information on the status of business execution from related divisions, and report such information to the Audit and Supervisory Committee.

(ii) Status of internal audits

The Internal Audit Office within the internal audit division, is organized directly under the Audit and Supervisory Committee, and is comprised solely of full-time employees, is independent from divisions executing business.

Basically, reports are given only to the Audit and Supervisory Committee, but monthly reports on the status of operations are also made to the Representative Director. Personnel evaluations are handled under the Audit and Supervisory Committee, but the Representative Director shall appoint the General Manager of the internal audit division based on the evaluation by the Audit and Supervisory Committee.

Quality assurance is carried out every year to maintain and improve the quality of the audits. We also promote the acquisition of expert qualifications, and assign one Certified Internal Auditor (CIA) and one Certified Fraud Examiner (CFE) to the internal audit division.

The scope of auditing shall cover the overall business execution of the Group, including internal control over financial reporting. Based on the internal audit regulations approved by the Board of Directors, risk-based audits are carried out and the improvement status of business execution divisions is supervised as needed.

In addition, the General Manager of the internal audit division serves as the secretariat for the three-way audit conferences held regularly with the Audit and Supervisory Committee and accounting auditors, and as necessary,

directly cooperates with the full-time Audit and Supervisory Committee Members and accounting auditors to ensure effective and efficient audits.

(iii) Status of accounting audit

The accounting auditor discusses the accounting audit plan and review of the system with the Audit and Supervisory Committee Members, and also receives accounting audit reports and reports on necessary matters once every three months.

(Audit corporation name)

Seinan Audit Corporation

Pursuant to Article 426, Paragraph 1 of the Companies Act, according to the Articles of Incorporation of this Company, liability for damages by accounting auditors (including those who were accounting auditors) as prescribed in Article 423, Paragraph 1 of the same act may be exempted to the extend provided in laws and regulations by resolution of the Board of Directors, and based on the provisions of Article 427, Paragraph 1 of the Companies Act, a liability limitation contract with the following content has been concluded.

Except in the case of bad faith or gross negligence by the accounting auditor, limit on liability for damages shall be the highest total amount of financial benefits received from the Company as remuneration and consideration for the execution of duties for each fiscal year multiplied by two.

(Continuous audit period)

41 years

The above describes the continuous audit period by Seinan Audit Corporation. Prior to this, the Company was audited by an individual firm, the predecessor of Seinan Audit Corporation, for an effective continuous audit period exceeding the above period. However, since this exceeds the scope of our investigation, the description is as above.

(Certified public accountants who executed the business)

Toshio Saito

Miho Toriumi

(Composition of assistants involved in audit work)

Eight certified public accountants assist in the accounting audit of the Company.

(Policies and reasons for selecting the audit corporation)

When selecting and evaluating an accounting auditor, we make a comprehensive judgement based on factors such as familiarity with the industry and business content of the Group, ability to efficiently perform audits, possession of a well-established examination system, and reasonable and appropriate in terms of the number of audit days, audit period, specific audit implementation guidelines, and audit costs. In addition, independence based on the "Guidelines for Independence" established by the Japanese Institute of Certified Public Accountants is confirmed, and the necessary expertise is verified and confirmed.

(Evaluation of the audit corporation by the Audit and Supervisory Committee)

The Audit and Supervisory Committee has carried out an evaluation based on the above selection policy and passed a confirmation resolution regarding the reappointment of the accounting auditor.

(iv) Details of audit fees, etc.

(Remuneration to auditing certified public accountants, etc.)

Classification	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Remuneration based on audit certification work (thousand yen)	Remuneration based on non-audit work (thousand yen)	Remuneration based on audit certification work (thousand yen)	Remuneration based on non-audit work (thousand yen)
Submitting company	34,000	1,500	34,735	—
Consolidated subsidiaries	—	—	—	—
Total	34,000	1,500	34,735	—

(Note) Contents of non-audit work at the Company during the previous consolidated fiscal year included the preparation of comfort letters related to the secondary offering of shares.

(Remuneration for the same network as auditing certified public accountants, etc.)

There are no relevant matters.

(Details of remuneration based on other important audit certification work)

There are no relevant matters.

(Policy to determine audit fees)

The policy to determine audit fees for auditing certified public accountants of this Company is based on multiplying the scheduled time for the audit by a generally acceptable hourly unit price.

(Reasons for consent by the Audit and Supervisory Committee regarding remuneration, etc. for accounting auditors)

Regarding remuneration for accounting auditors, the Audit and Supervisory Committee of this Company comprehensively judged the audit system of the audit plan summary, audit content, validity of audit days, etc., as well as the comparison of audit standards with other companies in the industry, and then decides whether to agree with the amount of remuneration, etc. for the audit corporation.

(4) [Compensation for officers, etc.]

(i) Total amount of compensation, etc. for each officer classification of the submitting company, total amount of compensation. etc. by type, and number of officers targeted

Officer classification	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)			Number of officers targeted (persons)
		Monetary compensation		Non-monetary compensation, etc.	
		Fixed compensation	Performance-based Bonus	Performance-based stock compensation	
Director (excluding Audit and Supervisory Committee Member)	226	130	69	26	8
(Of which, Independent Directors)	24	24	—	—	4
Director (Audit and Supervisory Committee Member)	46	46	—	—	5
(Of which, Independent Directors)	24	24	—	—	4
Total	273	177	69	26	13

(Notes) 1. The above includes one Director (Audit and Supervisory Committee Member) who retired at the conclusion of the 76th Ordinary General Shareholders' Meeting held on June 24, 2022, and one person who retired from the position of Director (excluding Audit and Supervisory Committee Member) and was appointed as Director (Audit and Supervisory Committee Member).

2. At the 77th Ordinary General Shareholders' Meeting held on June 23, 2023, a resolution was passed stating that the maximum limit of compensation for Directors (excluding those who are Audit and Supervisory Committee Members) to be 300 million yen or less per year (of which, 40 million yen or less for Independent Director). At the time of the resolution, there were seven Directors (excluding Audit and Supervisory Committee Members) (of which, three are Independent Directors) and four Directors (Audit and Supervisory Committee Members) (of which, three are Independent Directors).
3. Performance-based bonuses are the provision for bonuses for Directors (and other officers) for the current term.
4. At the 70th Ordinary General Shareholders' Meeting held on June 28, 2016, a resolution was passed stating that the maximum limit of compensation for Directors who are Audit and Supervisory Committee Members to be 60 million yen or less. At the time of the resolution, there were five Directors (excluding Audit and Supervisory Committee Members) (of which, one is Independent Director) and four Directors (Audit and Supervisory Committee Members) (of which, three are Independent Directors).
5. Regarding the performance-based stock compensation plan, at the 73rd Ordinary General Shareholders' Meeting held on June 25, 2019, a resolution was passed stating that the maximum amount of funds to be contributed by the Company to the trust shall be 130 million yen over three fiscal years as funds for acquiring shares to be provided to the Directors (excluding Independent Directors and non-executive Directors) in the future, and that the maximum number of Company shares that will be granted shall be 44,000 shares per fiscal year.

   In principle, timing to receive Company shares and the amount equivalent to the Company shares converted to market price is set to be at the time of retirement as a Director. There are three Directors (excluding Audit and Supervisory Committee Members) subject to this resolution.
6. The total amount of performance-based stock compensation is the amount recorded as expenses during the current consolidated fiscal year under Japanese standards.
7. In addition to the amount paid above, at the end of the current fiscal year, the balance of final payment for retirement benefits for officers is 9 million yen, based on the resolution passed at the 59th Ordinary General Shareholders' Meeting held on June 28, 2005 to abolish the retirement benefit system for officers.

(ii) Total amount of consolidated compensation, etc. for each officer of the submitting company

No single person has been awarded a consolidated compensation of 100 million yen or more in total, therefore none are listed.

(iii) Significant employee salaries for employees also serving as officers

Total amount (million yen)	Number of officers targeted (persons)	Description
1	1	Concurrently serves as the Chief Operating Officer of Sales Division

(iv) Matters related to the amount of officer compensation, etc., and policies to determine the calculation method thereof

Directors (excluding Independent Directors) shall receive a fixed monthly compensation, annual performance-based bonuses, and performance-based stock compensation (excluding Chairman of the Board of Directors and Directors who are Audit and Supervisory Committee Members). When making specific decisions at the Nominating/Compensation Committee chaired by an Independent Director who is an Audit and Supervisory Committee Member, a report is prepared after comprehensively considering the company's business performance and the responsibilities and achievements of each Director. Based on the contents, the amount is determined by deliberation of the Board of Directors within the limits approved by the resolution of the general shareholders' meeting.

In consideration of their role and independence, compensation for Independent Directors shall only be a fixed compensation to ensure effective execution of the supervisory functions for management. Compensation for Directors who are Audit and Supervisory Committee Members shall be determined through discussions among Directors who are Audit and Supervisory Committee Members.

In addition, the decision policy is deliberated and approved by the Nominating/Compensation Committee, a report is submitted to the Board of Directors, and then a resolution of the Board of Directors is carried out.

When calculating performance-based monetary bonuses, the actual state of profit and loss is evaluated, and consolidated ordinary profit is used as an indicator from the perspective of developing global business activities and implementing effective capital policies. The target for performance-based bonus indicator for the current fiscal year was 6,600 million yen, and the actual result was 7,043 million yen.

(Reasons for the Board of Directors to determine that the content of compensation for Directors is in harmony with the decision policy)

When determining compensation contents, etc. for each individual Director, the Nominating/Compensation Committee, chaired by an Independent Director who is an Audit and Supervisory Committee Member, comprehensively considers the original proposal, including consistency with the decision policy, to ensure fairness and transparency of the deliberation process within the maximum limit of compensation approved at the general shareholders' meeting. The contents have been determined to be in harmony with the decision policy since the Board of Directors makes such decisions while respecting the contents in the reports from the Nominating/Compensation Committee.

(Method to calculate performance-based bonuses for Directors)

At the meeting of the Board of Directors held on May 9, 2023, a resolution stating that performance-based bonuses for the fiscal year ending March 31, 2024 will be paid based on the following calculation method was passed.

Calculation method

The amount of performance-based bonuses paid to each officer shall be the amount obtained by multiplying the ratio specified below by the amount of consolidated ordinary profit for the applicable accounting period.

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

Points to consider

- Director, Senior Managing Executive Officer and Director, Managing Executive Officer shall be executive officers as stipulated in Article 34, Paragraph 1, Item 3 of the Corporation Tax Law.
- The "indicator showing profit status" as stipulated in Article 34, Paragraph 1, Item 3, A of the Corporation Tax Law shall be the consolidated ordinary profit.
- The "fixed amount" as stipulated in Article 34, Paragraph 1, Item 3, A (1) of the Corporation Tax Law shall be limited to 100 million yen. If the total amount of performance-based bonuses paid exceeds 100 million yen, the amount of performance-based bonuses paid to each officer shall be the amount obtained by multiplying the above ratio by 100 million yen.
- If a Director resigns in the midterm of the execution of duties due to unavoidable circumstances, the amount paid will be based on the number of months in office of the Director (fractions less than one month are rounded up) starting from time of execution of duties and ending at the time such duties are discontinued. For resignations after the end of a term, the number of months will not be prorated.

(Contents of non-monetary compensation, etc.)

We have introduced a performance-based stock compensation plan for Directors, etc. (referred to as persons eligible for points, hereafter in this section) to clarify the connection between the compensation of Directors and others and the Company's business performance and stock value, and to raise awareness of the need to share not only the benefits of rising shares prices but also the risks of falling shares prices with shareholders thereby contributing to better medium- to long-term business performance and increasing corporate value.

Under this plan, Company shares are acquired through a trust using money contributed by the Company as funds, and Company shares and money equivalent to the amount of money resulting from translating Company shares at market value are delivered through the trust to eligible Directors, etc. according to the rules for granting shares.

1) Persons eligible for points

Directors (excluding Chairman of the Board of Directors, Directors who are Audit and Supervisory Committee Members, and other Directors who are Independent Directors) and Corporate Officers who do not concurrently serve as Directors of the Company, excluding non-residents of Japan, during the period of the target mid-term business plan.

2) Number of points to be granted

a. Target period to grant points

Pints are granted to the extent permitted by the resolution of the 73rd Ordinary General Shareholders' Meeting held on June 25, 2019, for scheduled right owners (hereinafter referred to as "prospective recipients," including those who retiring on that day) to receive stock benefits as of the date of each ordinary general shareholders' meeting (excluding the ordinary general shareholders' meeting held in the first year of the mid-term business plan) held during the target mid-term business plan period and the date (hereinafter referred to as the "point grant date") of the ordinary general shareholders' meeting held in the year that includes the last day of the final year of the target mid-term business plan period, as compensation for the performance of duties during the period described below. The number of points for each year of the target mid-term business plan are granted according to the position of the prospective recipients during the period of performance of duties, as shown in Table 1. If a Director concurrently serves as a Corporate Officer, the number of position points will be granted on the point grant date to the extent permitted by resolution at the General Shareholders' Meeting.

・Period of execution of duties

April 1st of each year to March 31st of the following year

b. Performance indicators linked to compensation

Although consolidated ordinary profit has already selected by the Company as an indicator for performance-based bonuses, consolidated operating profit and the profit attributable to owners of parent at the end of the final fiscal year of the mid-term business plan were set as indicators after taking a broad view of business growth and aiming for well-balanced management from the perspective of realizing sustainable profit growth.

<Target value at the end of the final year of the mid-term business plan (April 1, 2022 to March 31, 2025)>

Consolidated operating profit: 5,500 million yen

Profit attributable to owners of parent: 3,980 million yen

(Note) The above target values are values set at the time of planning.

c. Number of points to be granted

・Position points (Table 1)

Position	Position point
President, Representative Director and Chief Executive Officer President and Chief Executive Officer	10,400 points
Director and Senior Managing Executive Officer Director and Senior Managing Executive Officer	8,300 points
Senior Managing Executive Officer Managing Executive Officer	6,300 points
Corporate Officer	4,200 points

(Note) 1 point = 1 share.

・Proportional distribution method of position points (Table 2)

The number of position points shall be allocated proportionally and considered as the number of granted position points according to the period in which the person to whom points were granted served in his/her respective position.

(1) Position points to be granted on the first point grant date after assuming office shall be calculated according to the following formula.

Position points as set forth in Table 1 according to position during the period of execution of duties X (Number of months of execution of duties after the month in which the officer assumed office ÷ 12)

(2) If there is a change in position during the period of execution of duties, the position points to be granted on the point grant date immediately after the change shall be calculated according to the following formula.

Total points calculated by the following formula (a) and by formula (b)

(a) Position points specified in Table 1 according to the position before the change due to an appropriate reason
x (Number of months during which the post was held before such reason occurred during the period of execution of duties ÷ 12)

(b) Position points stipulated in Table 1 according to the position after the change due to an appropriate reason
x (Number of months during which the post was held after the change within the period of execution of duties ÷ 12)

(3) In the event of resignation during the period of execution of duties due to expiration of the term of office, or other reason as stipulated by the rules for granting shares, the position points to be granted on the point grand date immediately after the event shall be calculated according to the following formula.

Position points stipulated in Table 1 according to the position before the appropriate reason occurred
x (Number of months during which the post was held before the appropriate reason occurred during the period of execution of duties ÷ 12)

・Benefit standard points

The number of points which form the basis for benefits under this plan for the period of the target mid-term business plan shall be the number of points calculated by the following formula.

Number of position points granted which are accumulated during the target mid-term business plan
x Performance coefficient determined according to the target achievement level in the final year of the target mid-term business plan (Table 3)

・Performance coefficient (Table 3)

Profit target / Operating profit target	Achievement rate of mid-term business plan target 100% or more	Achievement rate of mid-term business plan target 95% or more and less than 100%	Final year of the previous mid-term business plan Achievement or better results
Achievement rate of mid-term business plan target 100% or more	1.0	0.9	0.75
Achievement rate of mid-term business plan target 95% or more and less than 100%	0.9	0.8	0.6
Final year of the previous mid-term business plan Achievement or better results	0.75	0.6	0.4

(Notes) 1. Achievement of the operating profit target and profit target in the mid-term business plan is evaluated based on profit/loss (budget) including the amount of provision for share awards for Directors (and other officers). In cases where the profit and loss, including the provision for share awards for Directors (and other officers), does not exceed the results for the final year of the previous mid-term business plan, "fixed points" will not be granted and reevaluation with gains on reversal of benefits will not be carried out.

2. For the operating profit target and profit target used to determine the performance coefficient, target values set at the time of formulation of the mid-term business plan are used.

3) Rights to receive benefits, number of shares to be provided and monetary amount

・If a prospective recipient retires by the retirement date of an officer after fulfilling the conditions stipulated in the rules for granting shares (excluding cases where the prospective recipient becomes an employee or is retired due to death), he/she shall be entitled to receive the benefits on the retirement date. However, in the case the prospective recipient becomes an employee, he or she shall be entitled to receive the benefits on the day he or she loses his or her employee status (hereinafter referred to as the "termination date").

・On the other hand, if the prospective recipient is dismissed by resolution at a general shareholders' meeting or by the Board of Directors, if he/she has resigns due to specific misconduct during his/her term of office or between the retirement date and the date on which benefits are paid, or in cases of an inappropriate activity which damages the company during his/her term of office or between the retirement date and the date on which benefits are paid, such prospective recipient shall not be entitled to receive benefits.

4) Formula for the number of shares to be provided and the monetary amount

a. Shares

Number of shares calculated by the following formula "1 point = 1 share"

Number of shares = Number of benefit standard points (hereinafter referred to as "number of points held") accumulated by the date of retirement × 70% (fractions less than one unit are rounded down)

b. Money

Monetary amount calculated by the following formula

Monetary amount = Number of shares corresponding to the number of points held x 30% x Market price of the shares on the date of termination date

・If the prospective recipient retires at a different time than that of expiration of his/her term of office by personal choice

The number of points held will be paid as "1 point = 1 share" in stock.

・If the prospective recipient dies

If the surviving family of the prospective recipient satisfies the conditions stipulated in the rules for granting shares by the Company by the date separately designated by the Company to the surviving family, the surviving family shall be entitled to receive monetary benefits as a surviving family benefit on the day they express their intention to receive the surviving family benefits to the Company. In addition, the amount is calculated by the following formula.

Survivor benefit = Number of position points granted to the prospective recipient for the fiscal year during the mid-term business period corresponding to the date of death) x Market value of the shares at the date of death

(Note) The market value of the shares shall be the closing price on the major financial instruments exchange on which the shares are listed on the day when the market value of the shares is required to be calculated. If the closing price is not announced on that day, it shall be calculated retroactively to the most recent day on which the closing price can be obtained.

・The maximum number of shares (number of points) for each position in one fiscal year is as follows.

Position	Maximum number of shares
President, Representative Director and Chief Executive Officer President and Chief Executive Officer	10,400 points
Director and Senior Managing Executive Officer Director and Senior Managing Executive Officer	8,300 points
Senior Managing Executive Officer Managing Executive Officer	6,300 points
Corporate Officer	4,200 points

(Note) The maximum number of shares above includes the number of shares to be converted and provided in monetary form at the time of retirement.

(5) [Shareholding status]

(i) Standards and approach to investment stock classification

The Company classifies the brands held as profit securities for the purpose of securing profits such as receiving dividends obtained by owning shares, as investment stocks for net investment purposes and stocks whose ownership is determined to contribute to the maintenance and strengthening of relationships with business partners through business operations, as investment stocks other than net investment purposes.

(ii) Investment stocks held for purposes other than net investment

1) Holding policy and the holding rationale verification method, as well as the details of verification by the Board of Directors, etc. regarding the suitability of individual brand holdings

The Group holds listed shares in order to promote business strategies such as continuous improvement in corporate value and business alliances and stable supply of products. Every year, the Board of Directors verifies the purpose and rationale of holding shares based on qualitative matters (strategic importance at the time of holding, possibility of mid- to long-term development of business relationships, risks in case of postponement or termination of holding, etc.) and quantitative matters (changes in the most recent transaction amounts, market valuations of shares acquired, annual dividend income, etc.). As a result, stocks which are judged as those which continued holding is unnecessary are sold, in consideration of the effect on the market and other factors. Exercise of voting rights is judged based on whether the details are suitable for the holding purpose.

2) Number of brands and balance sheet amount

	Number of brands (brands)	Total balance sheet amount (million yen)
Unlisted shares	7	475
Shares other than unlisted shares	9	1,913

(Brands for which the number of shares increased during the current fiscal year)

	Number of brands (brands)	Total balance sheet amount (million yen)	Reason for increase in number of shares
Unlisted shares	1	300	Acquisition of shares through business alliances and capital alliances with partner companies that lead to the creation of new businesses
Shares other than unlisted shares	-	-	-

(Brands for which the number of shares decreased during the current fiscal year)

There are no relevant matters.

3) Information on the number of shares for each brand of specified investment stocks and deemed holding stocks, and the amount recorded on the balance sheet

Specified investment stocks

Brand	As of March 31, 2023 Number of shares (shares) Balance sheet amount (million yen)	As of March 31, 2022 Number of shares (shares) Balance sheet amount (million yen)	Purpose of holding, outline of business alliance, etc., quantitative effect of holding and reason for increase in number of shares	Shares held in the Company
Taikisha Ltd.	220,400 811	220,400 671	We have acquired and continue to hold shares for the purpose of maintaining and strengthening relationships in business transactions. Our aim is to increase profits and corporate value mainly through transactions that expand coating systems business overseas, and achieve sustainable development of cooperative relationships.	Yes
Topre Corporation	252,000 309	252,000 296	We have acquired and continue to hold shares for the purpose of maintaining and strengthening relationships in business transactions. As a leading supplier of auxiliary equipment for our air compressor products, our aim is to increase profits and corporate value through transactions, and to achieve sustainable development of our cooperative relationship.	Yes
Mebuki Financial Group, Inc.	678,628 219	678,628 173	We have acquired and continue to hold shares for the purpose of maintaining and strengthening relationships in business transactions. In addition to conventional transactions, the purpose is to facilitate smooth fund procurement in the event of an emergency.	No
SUGIMOTO & CO., LTD.	83,950 174	83,950 174	We have acquired and continue to hold shares for the purpose of maintaining and strengthening relationships in business transactions. Our aim is to increase profits and corporate value through transactions, utilizing our sales channels and logistics network, and to achieve sustainable development of our cooperative relationship.	Yes
MARUKA FURUSATO Corporation	50,468 141	50,468 149	We have acquired and continue to hold shares for the purpose of maintaining and strengthening relationships in business transactions. Our aim is to increase profits and corporate value through transactions, utilizing our sales channels and logistics network, and to achieve sustainable development of our cooperative relationship.	Yes
YUASA TRADING CO., LTD.	22,800 86	22,800 66	We have acquired and continue to hold shares for the purpose of maintaining and strengthening relationships in business transactions. Our aim is to increase profits and corporate value through	Yes

			transactions, utilizing our sales channels and logistics network, and to achieve sustainable development of our cooperative relationship.	
Maruyama Mfg. Co., Inc.	35,906 64	35,906 56	We have acquired and continue to hold shares for the purpose of maintaining and strengthening relationships in business transactions. Our aim is to increase profits and corporate value mainly through transactions for business expansion in the agricultural market, and to achieve sustainable development of our cooperative relationship.	Yes
Dai-ichi Life Holdings, Inc.	24,500 59	24,500 61	We have acquired and continue to hold shares for the purpose of maintaining and strengthening relationships in business transactions. Our aim is to exchange information necessary to promote health management, increase profits and corporate value through transactions, and achieve sustainable development of our cooperative relationships.	Yes
TRUSCO NAKAYAMA Corporation	21,082 47	21,082 50	We have acquired and continue to hold shares for the purpose of maintaining and strengthening relationships in business transactions. Our aim is to increase profits and corporate value through transactions, utilizing our sales channels and logistics network, and to achieve sustainable development of our cooperative relationship.	Yes

(Note) Quantitative holding effects are difficult to describe. Methods to verify the rationality of holdings are as described in (ii)-1) above.

(iii) Investment shares held for the purpose of pure investment

There are no relevant matters.

Section 5 [Status of Accounting]

1 Method to prepare consolidated financial statements and non-consolidated financial statements

(1) Consolidated financial statements of the Company are prepared in accordance with the "Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28 of 1976, hereinafter referred to as the "Regulation on Consolidated Financial Statements").

(2) Non-consolidated financial statements of the Company are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Ordinance No. 59 of 1963, hereinafter referred to as the "Regulation on Non-Consolidated Financial Statements").

The Company is categorized as a special non-consolidated financial statement submitting company and prepares its non-consolidated financial statements in accordance with Article 127 of the Regulations for Financial Statements.

2 Audit certification

The consolidated financial statements for the consolidated fiscal year (from April 1, 2022 to March 31, 2023) and non-consolidated financial statements for fiscal year (from April 1, 2022 to March 31, 2023) have been audited by Seinan Audit Corporation in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3 Special efforts to ensure the appropriateness of consolidated financial statements

The Company is a member of the Financial Accounting Standards Foundation to ensure the appropriateness of consolidated financial statements, etc., and is committed to properly understanding the accounting standards and appropriately responding to changes in accounting standards.

1. [Consolidated financial statements, etc.]

(1) [Consolidated financial statements]

(i) [Consolidated balance sheet]

(Amount: thousand yen)

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

(Amount: thousand yen)

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

(ii) [Consolidated statement of income and comprehensive income]

[Consolidated statement of income]

(Amount: thousand yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	*1 42,337,011	*1 48,515,155
Cost of sales	*2 24,109,236	*2 27,178,106
Gross profit	18,227,774	21,337,049
Selling, general and administrative expenses		
Sales commission	346,834	489,250
Packing and transportation costs	918,251	1,019,919
Remuneration, salaries and allowances for directors (and other officers)	5,116,694	5,444,283
Provision for bonuses	448,463	543,001
Provision for bonuses for directors (and other officers)	80,299	83,570
Provision for share awards for directors (and other officers)	53,746	53,221
Retirement benefit expenses	229,251	192,053
Welfare expenses	1,124,247	1,281,884
Rent expenses	502,100	556,112
Provision for product warranties	201,271	175,707
Provision of allowance for doubtful accounts	4,957	139,478
Commission expenses	1,358,888	1,549,547
Other	3,062,556	3,970,823
Total selling, general and administrative expenses	*3 13,447,564	*3 15,498,854
Operating profit	4,780,210	5,838,194
Non-operating income		
Interest income	60,856	78,125
Dividend income	65,404	61,059
Foreign exchange gains	231,773	464,900
Share of profit of entities accounted for using equity method	359,389	523,632
Other	174,625	185,665
Total non-operating income	892,049	1,313,382
Non-operating expenses		
Interest expenses	57,856	58,715
Commission for commitment line	10,514	9,275
Other	31,600	40,051
Total non-operating expenses	99,970	108,042
Ordinary profit	5,572,289	7,043,534

(Amount: thousand yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Extraordinary income		
Gain on sale of non-current assets	*4 3,180	*4 9,212
Gain on sale of investment securities	11,950	—
Gain on liquidation of subsidiaries	—	*5 56,510
Total extraordinary income	15,131	65,722
Extraordinary losses		
Loss on valuation of investments in capital	34,427	—
Loss on sale of non-current assets	*6 406	*6 1,427
Loss on retirement of non-current assets	*7 10,887	*7 16,356
Total extraordinary losses	45,721	17,783
Profit before income taxes	5,541,699	7,091,474
Income taxes - current	1,639,721	1,890,071
Income taxes - deferred	(246,729)	(68,349)
Total income taxes	1,392,992	1,821,722
Profit	4,148,706	5,269,751
Profit attributable to non-controlling interests	607,310	887,916
Profit attributable to owners of parent	3,541,395	4,381,835

[Consolidated statement of comprehensive income]

(Amount: thousand yen)

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

(iii) [Consolidated statement of changes in equity]

Fiscal year ended March 31, 2022

(Amount: thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,354,353	1,017,080	28,758,216	(685,266)	32,444,383
Cumulative effects of changes in accounting policies			(22,583)		(22,583)
Restated balance	3,354,353	1,017,080	28,735,633	(685,266)	32,421,800
Changes during period					
Dividends of surplus			(1,031,454)		(1,031,454)
Profit attributable to owners of parent			3,541,395		3,541,395
Purchase of treasury shares				(340,669)	(340,669)
Disposal of treasury shares by stocks payment trust					—
Change in ownership interest of parent due to transactions with non-controlling interests		(8,216)			(8,216)
Net changes in items other than shareholders' equity					
Total changes during period	—	(8,216)	2,509,941	(340,669)	2,161,055
Balance at end of period	3,354,353	1,008,864	31,245,575	(1,025,936)	34,582,856

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	414,112	(513,712)	(102,234)	(201,835)	3,891,353	36,133,902
Cumulative effects of changes in accounting policies						(22,583)
Restated balance	414,112	(513,712)	(102,234)	(201,835)	3,891,353	36,111,319
Changes during period						
Dividends of surplus						(1,031,454)
Profit attributable to owners of parent						3,541,395
Purchase of treasury shares						(340,669)
Disposal of treasury shares by stocks payment trust						—
Change in ownership interest of parent due to transactions with non-controlling interests						(8,216)
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	(35,977)	1,193,203	84,949	1,242,174	695,455	4,098,685
Balance at end of period	378,134	679,490	(17,285)	1,040,339	4,586,809	40,210,005

Fiscal year ended March 31, 2023

(Amount: thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,354,353	1,008,864	31,245,575	(1,025,936)	34,582,856
Cumulative effects of changes in accounting policies					—
Restated balance	3,354,353	1,008,864	31,245,575	(1,025,936)	34,582,856
Changes during period					
Dividends of surplus			(1,344,478)		(1,344,478)
Profit attributable to owners of parent			4,381,835		4,381,835
Purchase of treasury shares				(159,398)	(159,398)
Disposal of treasury shares by stocks payment trust				5,791	5,791
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	3,037,356	(153,607)	2,883,749
Balance at end of period	3,354,353	1,008,864	34,282,931	(1,179,543)	37,466,606

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	378,134	679,490	(17,285)	1,040,339	4,586,809	40,210,005
Cumulative effects of changes in accounting policies						—
Restated balance	378,134	679,490	(17,285)	1,040,339	4,586,809	40,210,005
Changes during period						
Dividends of surplus						(1,344,478)
Profit attributable to owners of parent						4,381,835
Purchase of treasury shares						(159,398)
Disposal of treasury shares by stocks payment trust						5,791
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes in items other than shareholders' equity	149,019	1,355,451	14,122	1,518,593	643,104	2,161,698
Total changes during period	149,019	1,355,451	14,122	1,518,593	643,104	5,045,447
Balance at end of period	527,154	2,034,941	(3,162)	2,558,933	5,229,913	45,255,453

(iv) [Consolidated statement of cash flows]

(Amount: thousand yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	5,541,699	7,091,474
Depreciation	1,510,082	1,789,487
Amortization of goodwill	254,676	286,438
Increase (decrease) in allowance for doubtful accounts	(4,363)	101,248
Increase (decrease) in provision for bonuses	24,859	100,784
Increase (decrease) in provision for product warranties	30,909	(71,299)
Increase (decrease) in retirement benefit liability	167,982	27,256
Decrease (increase) in retirement benefit asset	(30,154)	(25,984)
Contribution to retirement benefit trust	—	(1,000,000)
Increase (decrease) in provision for bonuses for directors (and other officers)	(1,045)	3,271
Increase (decrease) in provision for share awards for directors (and other officers)	53,746	44,830
Interest and dividend income	(126,260)	(139,185)
Interest expenses	57,856	58,715
Share of loss (profit) of entities accounted for using equity method	(197,181)	(306,428)
Loss (gain) on sale and retirement of non-current assets	8,113	8,571
Loss (gain) on liquidation of subsidiaries	—	(56,510)
Subsidies for employment adjustment	(11,679)	(1,927)
Loss (gain) on sale of investment securities	(11,950)	—
Loss on valuation of investments in capital	34,427	—
Decrease (increase) in trade receivables	(931,656)	(645,704)
Decrease (increase) in inventories	(2,118,889)	(338,745)
Increase (decrease) in trade payables	519,575	(407,122)
Other	376,958	(368,278)
Subtotal	5,147,703	6,150,890
Interest and dividends received	126,634	140,459
Interest paid	(57,856)	(58,715)
Subsidy income received	46,636	19,787
Income taxes paid	(1,373,175)	(1,923,251)
Net cash provided by (used in) operating activities	3,889,943	4,329,170
Cash flows from investing activities		
Payments into time deposits	(1,580,741)	(3,723,921)
Proceeds from withdrawal of time deposits	1,515,568	2,687,937
Purchase of property, plant and equipment	(867,034)	(1,847,382)
Proceeds from sale of property, plant and equipment	15,956	23,571
Purchase of intangible assets	(568,024)	(325,605)
Purchase of investment securities	(202)	(300,000)
Proceeds from sale of investment securities	284,212	—
Proceeds from redemption of investment securities	299,992	200,000
Loan advances	—	(12,931)
Proceeds from collection of loans receivable	11,098	11,028
Payments for acquisition of businesses	(150,975)	—
Other	(38,658)	(36,334)
Net cash provided by (used in) investing activities	(1,078,808)	(3,323,636)

(Amount: thousand yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(52,940)	(9,630)
Repayments of lease liabilities	(256,464)	(288,249)
Proceeds from long-term borrowings	54,309	—
Repayments of long-term borrowings	(39,372)	(35,258)
Purchase of treasury shares	(340,669)	(159,398)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	1	—
Dividends paid	(1,031,461)	(1,344,197)
Dividends paid to non-controlling interests	(436,693)	(520,897)
Net cash provided by (used in) financing activities	(2,103,291)	(2,357,633)
Effect of exchange rate change on cash and cash equivalents	565,759	516,247
Net increase (decrease) in cash and cash equivalents	1,273,602	(835,851)
Cash and cash equivalents at beginning of period	11,643,240	12,916,842
Cash and cash equivalents at end of period	* 12,916,842	* 12,080,990

[Notes]

(Matters concerning the premise of a going concern)

There are no relevant matters.

(Basic, important matters for preparing consolidated financial statements)

1 Matters concerning the scope of consolidation

(a) Number of consolidated subsidiaries: 32

The names of consolidated subsidiaries are omitted, as they are listed in "4. Status of affiliated companies" in “Section 1.”

The consolidated subsidiary, ANEST IWATA (DONGGUAN) Corporation, has been excluded from the scope of consolidation in the current consolidated fiscal year because of the liquidation of the company.

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

2 Matters concerning the application of the equity method

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

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

The names of affiliated companies accounted for by the equity method are omitted, as they are listed in "4. Status of affiliated companies" in “Section 1.”

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

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

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

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

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

4 Matters concerning the accounting policy

(a) Valuation criteria and valuation methods for important assets

(i) Securities

Bonds held to maturity

Amortized cost method (straight-line method)

Other securities

Securities other than shares, etc. without a market price

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

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

Shares, etc. without a market price

Cost method mainly based on the moving average method

(ii) Derivatives

Market value method

(iii) Inventories

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

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

(b) Depreciation method for important depreciable assets

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

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

Buildings and structures: 15 to 50 years

Machinery, equipment and vehicles: 4 to 17 years

(ii) Intangible assets (excluding leased assets)

Mainly the straight-line method is employed.

(iii) Leased assets

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

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

(c) Recording criteria for important allowances

(i) Allowance for doubtful accounts

To prepare for losses due to bad debts, estimated uncollectible amounts are recorded by considering a loan loss ratio for general accounts receivable and collectability for specific credits such as doubtful accounts receivable individually.

(ii) Provision for bonuses

To prepare for the payment of bonuses to employees, the estimated payments at the end of the current consolidated fiscal year are recorded.

(iii) Provision for bonuses for Directors (and other officers)

To prepare for the payment of Directors' bonuses, the estimated payments at the end of the current consolidated fiscal year are recorded.

(iv) Provision for share awards for Directors (and other officers)

To prepare for the granting of Company shares to our Directors and Corporate Officers in accordance with the rules for granting shares, the estimated share-based remuneration obligations at the end of the current consolidated fiscal year are recorded.

(v) Provision for product warranties

To prepare for the payment of the costs for after-sales services of products sold, estimated costs according to past experience rates, etc. based on sales are recorded.

(d) Method of accounting related to retirement benefits

To prepare for the retirement benefits for employees, the retirement benefit obligations at the end of the current consolidated fiscal year, with pension fund amounts deducted from them, are recorded as the retirement benefit liability. If the pension fund amounts exceed the retirement benefit obligations, the obligations are recorded as the retirement benefit asset.

(i) Period attribution method for estimated retirement benefits

In calculating retirement benefit obligations, the method for attributing the estimated retirement benefits to the period up to the end of the current consolidated fiscal year is based on the benefit formula standard.

(ii) Method for recording actuarial differences and past service costs method for cost

Past service costs are recorded as costs with the straight-line method based on a certain number of years (10 years) within the average remaining years of service of employees when they are incurred.

For actuarial differences, the amounts prorated with the straight-line method based on a certain number of years (5 years) within the average remaining years of service of employees when they occur in each consolidated fiscal year are recorded as costs in and after the following consolidated fiscal year.

(iii) Adoption of the simplified method at small enterprises, etc.

At some consolidated subsidiaries, for the calculation of the retirement benefit liability and the retirement benefit expenses, a simplified method is applied in which the term-end necessary payment for voluntary retirement pertaining to retirement benefits is used as the retirement benefit obligations.

(e) Recording criteria for important revenue and cost

The main performance obligations and the ordinary time at which the revenue is recognized are as described below.

(i) Revenue recognition related to the sale of goods or products

Revenue related to goods or products is mainly derived from a sale resulting from wholesale or manufacture, etc., and we assume performance obligations to deliver goods or products under the sales contract concluded with the customer. For said performance obligations, we recognize the revenue at the time when control over the goods or products is transferred to the customer.

To domestic sales, however, the alternative treatment specified in Article 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" is applied, so that if the period from shipment until control over the goods and products is transferred to the customer is a normal period, the revenue can be recognized at the time of shipment.

Revenue related to the sale of goods and products is recognized by deducting an estimated amount of sales incentives and other amounts according to the transaction volume, transaction value, and collection status in the sale of goods and products from the considerations stipulated in the contract. Estimated amount is calculated based on the Terms of the Contract and the actual sales. These sales transactions are generally due and payable within a short period of time and do not include significant financial elements in the contracts.

(ii) Revenue recognition related to construction contracts, etc.

Revenue related to construction contracts, etc. is mainly derived from contract work including the design, assembly, and installation of facilities, and we assume performance obligations to construct facilities, etc. under the construction contract concluded with the customer. For any performance obligations to be fulfilled for a certain

period of time under construction contacts, etc., we estimate the progress related to the fulfillment of the performance obligations and recognize the revenue based on said progress for a certain period of time.

For a construction contract for which the period from the transaction start date in the contract until the performance obligations are expected to be fully fulfilled is very short, we apply an alternative treatment, so that we will recognize the revenue at the time when the performance obligations are fully fulfilled, rather than recognizing the revenue for a certain period of time. Such transactions are generally due and payable within one year and do not include significant financial elements in the contracts.

(f) Basis for the translation of important foreign currency dominated assets and liabilities into Japanese currency

Monetary foreign currency dominated debts and credits are translated into Japanese currency at the spot exchange rate on the consolidated accounting date, and translation differences are recorded as gains or losses. The assets and liabilities of overseas subsidiaries, etc. are translated into Japanese currency at the spot exchange rate on the accounting dates of the overseas subsidiaries, etc., the revenue and cost are translated into Japanese currency at the average rate in the period, and translation differences are included in foreign currency translation adjustment and non-controlling interests in net assets.

(g) Amortization method and amortization period of goodwill

We make judgment on an item-by-item basis and perform amortization with the straight-line method over 3 to 10 years.

(h) Range of the fund in the consolidated statement of cash flows

Consists of cash on hand, deposits that can be drawn at any time, and short-term investments that are easily convertible and that will mature within three months from the acquisition date so that they have only insignificant risks about value fluctuations.

(i) Other important matters for the preparation of consolidated financial statements

There are no relevant matters.

(Significant accounting estimates)

(Impairment of property, plant and equipment and intangible assets including goodwill)

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

(Thousand yen)

	As of March 31, 2022	As of March 31, 2023
Property, plant and equipment	11,448,530	12,461,179
Intangible assets	3,306,695	3,204,990

(2) Information on significant accounting estimates related to identified items

A determination is made as to whether to recognize impairment losses in cases where impairment of property, plant and equipment and intangible assets, including goodwill, recorded by the Group are indicated. The recoverable amount is mainly calculated based on a combination of future cash flow projections and discount rates. In making such calculations, the Group's management forms judgments and assumptions based on market conditions. If the assumed conditions change and the initially expected revenue is not obtained, significant impact on the amount recognized in the consolidated financial statements in the subsequent fiscal year and thereafter may occur.

(Unapplied accounting standards, etc.)

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, Oct. 28, 2022)
- "Accounting Standards for Presentation of Comprehensive Income" (ASBJ Statement No. 25, Oct. 28, 2022)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, Oct. 28, 2022)

(1) Overview

Classification of income tax to be recorded when other comprehensive income is taxed and the handling of tax effects on the sale of subsidiary shares and other securities when group corporate taxation is applied.

(2) Scheduled date of application

Application of the new standards is planned for the beginning of the fiscal year ending March 31, 2025.

(3) Effect of application of the accounting standards, etc.

The effect on the consolidated financial statements resulting from the application of the "Accounting Standards for Current Income Taxes" has not yet been determined.

(Changes in presentation method)

(Related to consolidated statement of income)

"Subsidies for employment adjustment", which were set down independently under "Non-operating income," in the previous consolidated fiscal year have been included in "Other" in the current consolidated fiscal year because their amounts now have less significance. To reflect this change in presentation method, we revised the consolidated financial statements for the previous consolidated fiscal year.

As a result, 11,679 thousand yen as "Subsidies for employment adjustment" and 162,946 thousand yen as "Other" presented under "Non-operating income" are revised to 174,625 thousand yen as "Other."

(Additional information)

(Performance-based stock compensation plan for Directors and Corporate Officers)

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

(1) Overview of this plan

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

(2) Company shares that remain in the trust

Company shares that remain in the trust are recorded as treasury shares in Net assets at the book value (excluding the incidental costs) in the trust. At the end of the previous consolidated fiscal year, the book value of the treasury shares is 179,733 thousand yen, and the number of shares is 180 thousand. At the end of the current consolidated fiscal year, the book value of the treasury shares is 173,942 thousand yen, and the number of shares is 174 thousand.

(Establishment of retirement benefit trust)

In the current consolidated fiscal year, the Company established a retirement benefit trust and contributed 1,000,000 thousand yen to prepare for future retirement benefits. As a result, cash and deposits and retirement benefit liability decreased by the same amount.

(Related to consolidated balance sheet)

*1 Pledged assets and secured debts

Assets offered as collateral and secured debts are as below.

	As of March 31, 2022	As of March 31, 2023
Cash and deposits	347,835 thousand yen	387,172 thousand yen
Land and buildings	1,417,230 thousand yen	1,369,706 thousand yen
Total	1,765,065 thousand yen	1,756,878 thousand yen
Notes and accounts payable-trade	848,820 thousand yen	893,470 thousand yen
Short-term borrowings	577,920 thousand yen	608,320 thousand yen
Short-term borrowings	229,350 thousand yen	216,500 thousand yen
Total	1,656,090 thousand yen	1,718,290 thousand yen

*2 Receivables from contracts with customers

The amount of notes and accounts receivable-trade derived from contracts with customers is shown in "Notes (Related to revenue recognition) 3. (1) Contract liability balance, etc."

*3 Shares of affiliated companies in investment securities

As of March 31, 2022	As of March 31, 2023
2,151,032 thousand yen	2,772,636 thousand yen

*4 Contract liabilities

The amount of contract liabilities accounted for as Other is as described in "Notes (Related to revenue recognition) 3. (1) Contract liability balance, etc."

*5 Overdraft agreement and commitment line agreement

The Company and certain of its consolidated subsidiaries have entered into overdraft agreement and commitment line agreement with their correspondent banks in order to raise working capital efficiently. The balance of unexecuted loans based on these agreements as of the end of the current consolidated accounting period is as follows.

	As of March 31, 2022	As of March 31, 2023
Overdraft limit and commitment line agreement amount	15,446,234 thousand yen	15,540,488 thousand yen
Balance of executed loans	377,609 thousand yen	375,117 thousand yen
Balance of unexecuted loans	15,068,625 thousand yen	15,165,370 thousand yen

6 Trade notes receivable transferred by endorsement

As of March 31, 2022	As of March 31, 2023
1,184,883 thousand yen	1,168,763 thousand yen

(Related to consolidated statement of income)

*1 Revenue from contracts with customers

Regarding net sales, revenue from contracts with customers and revenues from other sources are not separately classified and presented. The amount of revenue from contracts with customers are described in "Notes (Segment information, etc.)".

*2 Write-downs of inventories based on decreased profitability of inventories included in cost of sales

Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
4,116 thousand yen	(37,066) thousand yen

*3 Research and development expenses included in general and administrative expenses

Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
499,693 thousand yen	810,078 thousand yen

*4 Gain on sale of non-current assets

Fiscal year ended March 31, 2022

Mainly due to the sales of machinery and equipment, as well as vehicles, etc.

Fiscal year ended March 31, 2023

Mainly due to the sales of machinery and equipment, as well as vehicles, etc.

*5 Gain on liquidation of subsidiaries

Due to the liquidation of the consolidated subsidiary ANEST IWATA (DONGGUAN) Corporation.

*6 Loss on sale of non-current assets

Fiscal year ended March 31, 2022

Mainly due to the sales of machinery and equipment, as well as vehicles, etc.

Fiscal year ended March 31, 2023

Mainly due to the sales of tools, furniture and fixtures, etc.

*7 Loss on retirement of non-current assets

Fiscal year ended March 31, 2022

Mainly due to the retirement of machinery and equipment, etc.

Fiscal year ended March 31, 2023

Mainly due to the retirement of buildings, etc.

(Related to consolidated statement of comprehensive income)

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Valuation difference on available-for-sale securities		
Amount incurred in current period	(39,815) thousand yen	214,416 thousand yen
Recycling	(11,950) thousand yen	—
Before tax effect adjustment	(51,766) thousand yen	214,416 thousand yen
Amount of tax effect	15,789 thousand yen	(65,397) thousand yen
Valuation difference on available-for-sale securities	(35,977) thousand yen	149,019 thousand yen
Foreign currency translation adjustment		
Amount incurred in current period	1,511,028 thousand yen	1,372,873 thousand yen
Recycling	—	(56,510) thousand yen
Foreign currency translation adjustment	1,511,028 thousand yen	1,316,363 thousand yen
Remeasurements of defined benefit plans, net of tax		
Amount incurred in current period	23,329 thousand yen	5,697 thousand yen
Recycling	98,899 thousand yen	14,622 thousand yen
Before tax effect adjustment	122,228 thousand yen	20,320 thousand yen
Amount of tax effect	(37,279) thousand yen	(6,197) thousand yen
Remeasurements of defined benefit plans, net of tax	84,949 thousand yen	14,122 thousand yen
Share of other comprehensive income of entities accounted for using equity method		
Amount incurred in current period	191,976 thousand yen	315,173 thousand yen
Share of other comprehensive income of entities accounted for using equity method	191,976 thousand yen	315,173 thousand yen
Total other comprehensive income	1,751,977 thousand yen	1,794,679 thousand yen

(Related to consolidated statement of changes in equity)

Fiscal year ended March 31, 2022

1 Matters concerning issued shares

Class of shares	Beginning of the fiscal year ended March 31, 2022	Increase	Decrease	End of the fiscal year ended March 31, 2022
Common shares (shares)	41,745,505	—	—	41,745,505

2 Matters concerning treasury shares

Class of shares	Beginning of the fiscal year ended March 31, 2022	Increase	Decrease	End of the fiscal year ended March 31, 2022
Common shares (shares)	667,323	421,769	—	1,089,092

(Notes) 1. The breakdown of the increase in treasury shares is as below.

Increase due to the purchase of treasury shares based on the resolution of the Board of Directors 421,700 shares

Increase due to the purchase of fractional shares 69 shares

2. Treasury shares at the beginning and end of the current consolidated fiscal year include 180,000 shares of the Company's shares held by the "Board Benefit Trust (BBT)" respectively.

3 Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
June 25, 2021 Ordinary general shareholders' meeting	Common shares	495,098	12.0	March 31,2021	June 28, 2021
November 10, 2021 Board of Directors meeting	Common shares	536,355	13.0	September 30, 2021	December 6, 2021

(Notes) 1. The total amount of dividends determined by the resolution of the ordinary general shareholders' meeting held on June 25, 2021 includes dividends of 2,160 thousand yen for the Company's shares held by the "Board Benefit Trust (BBT)."

2. The total amount of dividends determined by the resolution of the Bord of Directors meeting held on November 10, 2021 includes dividends of 2,340 thousand yen for the Company's shares held by the "Board Benefit Trust (BBT)."

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

Resolution	Class of shares	Dividend resource	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
June 24, 2022 Ordinary general shareholders' meeting	Common shares	Retained earnings	694,219	17.0	March 31, 2022	June 27, 2022

(Note) The total amount of dividends includes the dividend of 3,060 thousand yen for the Company shares owned by the "Board Benefit Trust (BBT)."

Fiscal year ended March 31, 2023

1 Matters concerning issued shares

Class of shares	Beginning of the fiscal year ended March 31, 2023	Increase	Decrease	End of the fiscal year ended March 31, 2023
Common shares (shares)	41,745,505	—	—	41,745,505

2 Matters concerning treasury shares

Class of shares	Beginning of the fiscal year ended March 31, 2023	Increase	Decrease	End of the fiscal year ended March 31, 2023
Common shares (shares)	1,089,092	195,280	5,800	1,278,572

(Notes) 1. The breakdown of the increase in treasury shares is as below.

Increase due to the purchase of treasury shares based on the resolution of the Board of Directors 195,200 shares

Increase due to the purchase of fractional shares 80 shares

The breakdown of the decrease in treasury shares is as below.

Decrease due to issuance through Board Benefit Trust (BBT) 5,800 shares

2. Treasury shares at the beginning and end of the current consolidated fiscal year include 180,000 shares and 174,200 of the Company's shares held by the "Board Benefit Trust (BBT)" respectively.

3 Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
June 24, 2022 Ordinary general shareholders' meeting	Common shares	694,219	17.0	March 31, 2022	June 27, 2022
November 9, 2022 Board of Directors meeting	Common shares	650,259	16.0	September 30, 2022	December 6, 2022

(Notes) 1. The total amount of dividends determined by the resolution of the ordinary general shareholders' meeting held on June 24, 2022 includes dividends of 3,060 thousand yen for the Company's shares held by the "Board Benefit Trust (BBT)."

2. The total amount of dividends determined by the resolution of the Bord of Directors meeting held on November 9, 2022 includes dividends of 2,880 thousand yen for the Company's shares held by the "Board Benefit Trust (BBT)."

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

Resolution	Class of shares	Dividend resource	Total amount of dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
June 23, 2023 Ordinary general shareholders' meeting	Common shares	Retained earnings	894,104	22.0	March 31, 2023	June 26, 2023

(Note) The total amount of dividends includes the dividend of 3,832 thousand yen for the Company shares owned by the "Board Benefit Trust (BBT)."

(Related to consolidated statement of cash flows)

* Relations between the cash and cash equivalents at end of period and the amounts contained account titles in the consolidated balance sheet

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash and deposits	14,319,597 thousand yen	14,512,347 thousand yen
Time deposit exceeding 3 months in deposit term	(1,163,279) thousand yen	(2,139,234) thousand yen
Derivative deposit	(239,475) thousand yen	(292,122) thousand yen
Cash and cash equivalents	12,916,842 thousand yen	12,080,990 thousand yen

(Related to lease transactions)

A description is omitted due to low importance.

(Related to financial instruments)

1 Matters concerning the status of financial instruments

(1) Policy for handling financial instruments

Based on the business plan, the Group effectively raise and manage funds to carry out smooth management activities.

Procurement of working capital is carried out through borrowings from financial institutions, etc. However, a portion of the funds required for capital investment may be procured through the use of finance lease transactions. While the Group has a policy not to engage in any speculative transactions, it may engage in derivative transactions strictly for the purpose of risk avoidance.

The Group's policy is to invest temporary surplus funds only in financial assets which have high degree of safety. For this investment, financial assets with a maturity period of one year or longer may be selected. Among these, long-term deposits are limited to highly rated financial institutions. In addition, for bonds held to maturity, the Group only acquire highly rated bonds with minimal credit risk.

Shares held are mainly of business partners and are subject to the risk of market price fluctuations. However, the Group periodically monitors the market values and financial conditions of the issuing companies to protect its rights.

With respect to trade receivables, the Group reduces credit risk by conducting periodic surveys and analyses of business partners and promptly analyzes causes of uncollected amounts.

(2) Description of financial instruments and associated risks

Cash and deposits include saving deposits denominated in foreign currencies for efficient settlement of overseas transactions, etc., and are subject to the risk of exchange rate fluctuations. Notes and accounts receivable-trade, which are trade receivables, are subject to the credit risk associated with business partners. In addition, because receivables denominated in foreign currencies are included, there is also the risk of exchange rate fluctuations. Investment securities are mainly bonds held to maturity and equity securities of business partners, and are subject to the risk of market price fluctuations. Long-term deposits are subject to credit risk associated with financial institutions and market risk associated with interest rate fluctuations.

Notes and accounts payable-trade, which are trade payables, include foreign currency denominated payables and are subject to the risk of exchange rate fluctuations. Borrowings are primarily for temporary working capital shortages, and lease liabilities are primarily for the efficient procurement of capital investment. Borrowings and lease liabilities are subject to market risk associated with interest rate fluctuations. In addition, trade payables and borrowings are subject to the liquidity risk whereby the Group may not be able to make payments by the due date.

(3) Risk management system for financial instruments

(i) Management of credit risk (risks related to nonperformance of contracts by business partners, etc.)

Regarding trade receivables, the Group reduces credit risk by conducting periodic surveys and analyses of business partners and promptly analyzes the causes of uncollected amounts in accordance with the sales management rules. Consolidated subsidiaries are managed in the same manner as the Company.

For bonds held to maturity, the Group acquires only highly rated bonds with minimal credit risk. Among these, long-term deposits are limited to highly rated financial institutions to reduce credit risk.

(ii) Market risk management

Regarding securities and investment securities, the Group periodically monitors market values and financial conditions of issuing companies in accordance with accounting rules to protect its rights against market risks.

(iii) Management of liquidity risks (risk of being unable to make payment by the due date) related to fund procurement

The Company reduces liquidity risk by effectively procuring and managing funds based on its funding plan and by ensuring availability of funds for operations through overdraft agreements, etc. Consolidated subsidiaries are managed in the same manner as the Company.

2 Items related to market value of financial instruments

Amounts recorded on the consolidated balance sheet, market value and their differences are as follows.

As of March 31, 2022

Classification	Amounts recorded on the consolidated balance sheet as of the consolidated balance sheet date (thousand yen)	Market value (thousand yen)	Difference (thousand yen)
(i) Securities and investment securities (Note 3)	2,200,865	2,199,169	(1,695)
Total assets	2,200,865	2,199,169	(1,695)
(i) Long-term borrowings (including current portion)	294,150	286,735	(7,414)
(ii) Lease liabilities (including current portion)	1,266,341	1,317,542	51,201
Total liabilities	1,560,491	1,604,278	43,786

(Note 1) Insignificant financial assets and financial liabilities such as loans are excluded.

(Note 2) "Cash and deposits," "Notes and accounts receivable-trade," "Notes and accounts payable-trade" and "Short-term borrowings" are omitted because they are settled in a short period of time and their market value closely approximates their book value.

(Note 3) Shares and other securities with no market value are not included in "(i) Securities and investment securities." The consolidated balance sheet appropriation amounts of the relevant financial instruments are as follows.

Classification	As of March 31, 2022 (thousand yen)
Unlisted shares, etc. (including affiliated companies)	2,329,180

As of March 31, 2023

Classification	Amounts recorded on the consolidated balance sheet as of the consolidated balance sheet date (thousand yen)	Market value (thousand yen)	Difference (thousand yen)
(i) Securities and investment securities (Note 3)	2,214,006	2,213,136	(870)
Total assets	2,214,006	2,213,136	(870)
(i) Long-term borrowings (including current portion)	275,086	259,128	(15,957)
(ii) Lease liabilities (including current portion)	1,487,847	1,542,868	55,020
Total liabilities	1,762,934	1,801,997	39,062

(Note 1) Insignificant financial assets and financial liabilities such as loans are excluded.

(Note 2) "Cash and deposits," "Notes and accounts receivable-trade," "Notes and accounts payable-trade" and "Short-term borrowings" are omitted because they are settled in a short period of time and their market value closely approximates their book value.

(Note 3) Shares and other securities with no market value are not included in "(i) Securities and investment securities." The consolidated balance sheet appropriation amounts of the relevant financial instruments are as follows.

Classification	As of March 31, 2023 (thousand yen)
Unlisted shares, etc. (including affiliated companies)	3,250,588

(1) Redemption schedule for monetary claims and securities with maturity dates after the date of consolidated balance sheet

As of March 31, 2022

Classification	Within 1 year (thousand yen)	From 1 to 5 years (thousand yen)	From 5 to 10 years (thousand yen)
Cash and deposits			
Fixed-term deposits	1,442,105	21,399	—
Notes and accounts receivable-trade	8,004,883	—	—
Securities and investment securities			
Bonds held-to maturity			
Corporate bonds	—	—	502,157
Total	9,446,988	21,399	502,157

As of March 31, 2023

Classification	Within 1 year (thousand yen)	From 1 to 5 years (thousand yen)	From 5 to 10 years (thousand yen)
Cash and deposits			
Fixed-term deposits	2,520,934	—	—
Notes and accounts receivable-trade	9,102,141	—	—
Securities and investment securities			
Bonds held-to maturity			
Corporate bonds	—	—	300,882
Total	11,623,076	—	300,882

(2) Scheduled repayment amounts of short-term borrowings, long-term borrowings, and lease liabilities after the date of consolidated balance sheet

As of March 31, 2022

Classification	Within 1 year (thousand yen)	From 1 to 2 years (thousand yen)	From 2 to 3 years (thousand yen)	From 3 to 4 years (thousand yen)	From 4 to 5 years (thousand yen)	Over 5 years (thousand yen)
Short-term borrowings	856,923	—	—	—	—	—
Long-term borrowings	10,305	—	229,350	—	2,291	52,204
Lease liabilities	254,526	233,081	181,496	129,198	53,244	414,794
Total	1,121,755	233,081	410,846	129,198	55,536	466,998

As of March 31, 2023

Classification	Within 1 year (thousand yen)	From 1 to 2 years (thousand yen)	From 2 to 3 years (thousand yen)	From 3 to 4 years (thousand yen)	From 4 to 5 years (thousand yen)	Over 5 years (thousand yen)
Short-term borrowings	908,407	—	—	—	—	—
Long-term borrowings	—	216,500	—	1,998	—	56,588
Lease liabilities	283,766	234,618	184,120	109,390	83,929	592,022
Total	1,192,174	451,118	184,120	111,389	83,929	648,610

3. Items related to the breakdown of financial instruments according to the level of the market value hierarchy

Market value of financial instruments is categorized into the following three levels based on the observability and significance of the inputs used to calculate the market value.

Level 1: Market value calculated based on quoted market prices for assets or liabilities that are created in an active market among the inputs for the calculation of observable market value and which are subject to the calculation of such market value.

Level 2: Market value calculated using inputs related to the calculation of observable market value other than Level 1 inputs

Level 3: Market value calculated using inputs related to the calculation of unobservable market value

When multiple inputs which have a significant impact on the calculation of market value are used, the market value is categorized at the lowest priority level in the calculation of market value from among the levels to which each of these inputs belongs.

(1) Financial instruments recorded on the consolidated balance sheet at market value

As of March 31, 2022

Classification	Market value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Shares	1,698,707	—	—	1,698,707
Total assets	1,698,707	—	—	1,698,707

As of March 31, 2023

Classification	Market value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Shares	1,913,124	—	—	1,913,124
Total assets	1,913,124	—	—	1,913,124

(2) Financial instruments other than those recorded on the consolidated balance sheet at market value

As of March 31, 2022

Classification	Market value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Bonds held to maturity				
Corporate bonds	—	500,462	—	500,462
Total assets	—	500,462	—	500,462
Long-term borrowings (including current portion)	—	286,735	—	286,735
Lease liabilities (including current portion)	—	1,317,542	—	1,317,542
Total liabilities	—	1,604,278	—	1,604,278

As of March 31, 2023

Classification	Market value (thousand yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Bonds held to maturity				
Corporate bonds	—	300,012	—	300,012
Total assets	—	300,012	—	300,012
Long-term borrowings (including current portion)	—	259,128	—	259,128
Lease liabilities (including current portion)	—	1,542,868	—	1,542,868
Total liabilities	—	1,801,997	—	1,801,997

(Note) Explanation of valuation techniques used in the calculation of market value and inputs related to the calculation of market value

Securities and investment securities

As a general rule, shares are stated at market value at the end of the current fiscal year, and are mainly classified as Level 1 market value based on market activity. For securities other than shares, the market value is based on the price quoted by the financial institutions with whom the Company does business, and is classified as Level 2 market value.

Long-term borrowings (including current portion)

Market value of long-term borrowings is calculated based on the current value of the total amount of principal and interest discounted at an interest rate calculated by adding the credit spread to an appropriate index such as the yield of government bonds, and is classified as Level 2 market value.

Lease liabilities (including current portion)

The market value of lease liabilities is calculated based on the current value of the total amount of principal and interest discounted at the interest rate that would be applicable if a similar new lease were to be made, and is classified as Level 2 market value.

(Related to securities)

(1) Trading securities

There are no relevant matters.

(2) Bonds held to maturity

As of March 31, 2022

Classification	Amounts recorded on the consolidated balance sheet as of the consolidated balance sheet date (thousand yen)	Market value (thousand yen)	Difference (thousand yen)
Securities with market value exceeding the consolidated balance sheet amount			
Corporate bonds	—	—	—
Subtotal	—	—	—
Securities with market value not exceeding the consolidated balance sheet amount			
Corporate bonds	502,157	500,462	(1,695)
Subtotal	502,157	500,462	(1,695)
Total	502,157	500,462	(1,695)

As of March 31, 2023

Classification	Amounts recorded on the consolidated balance sheet as of the consolidated balance sheet date (thousand yen)	Market value (thousand yen)	Difference (thousand yen)
Securities with market value exceeding the consolidated balance sheet amount			
Corporate bonds	—	—	—
Subtotal	—	—	—
Securities with market value not exceeding the consolidated balance sheet amount			
Corporate bonds	300,882	300,012	(870)
Subtotal	300,882	300,012	(870)
Total	300,882	300,012	(870)

(3) Other securities

As of March 31, 2022

Classification	Amounts recorded on the consolidated balance sheet as of the consolidated balance sheet date (thousand yen)	Acquisition cost (thousand yen)	Difference (thousand yen)
Securities whose consolidated balance sheet amount exceeds their acquisition cost			
Shares	1,524,978	905,403	619,575
Subtotal	1,524,978	905,403	619,575
Securities whose consolidated balance sheet amount does not exceed their acquisition cost			
Shares	173,728	249,226	(75,497)
Subtotal	173,728	249,226	(75,497)
Total	1,698,707	1,154,629	544,078

(Note) Unlisted stocks (amount recorded on the consolidated balance sheet: 177,428 thousand yen) are not included in "Other securities" in the above table because they do not possess a market price.

As of March 31, 2023

Classification	Amounts recorded on the consolidated balance sheet as of the consolidated balance sheet date (thousand yen)	Acquisition cost (thousand yen)	Difference (thousand yen)
Securities whose consolidated balance sheet amount exceeds their acquisition cost			
Shares	1,693,248	905,403	787,845
Subtotal	1,693,248	905,403	787,845
Securities whose consolidated balance sheet amount does not exceed their acquisition cost			
Shares	219,875	249,226	(29,350)
Subtotal	219,875	249,226	(29,350)
Total	1,913,124	1,154,629	758,495

(Note) Unlisted stocks (amount recorded on consolidated balance sheet: 477,729 thousand yen) are not included in "Other securities" in the above table because they do not hold a market price.

(4) Securities for which impairment losses are recognized

There are no relevant matters.

In principle, impairment loss is recognized when the market value at the end of the fiscal year has decreased by 50% or more compared to the acquisition cost. In the event market value has decreased by 30-50%, impairment loss shall be recognized for the amount deemed necessary in consideration of the possibility of recovery, etc.

(5) Other securities sold during the consolidated fiscal year

Shares

Fiscal year ended March 31, 2022

Amount sold (thousand yen)	Total gain on sale (thousand yen)	Total loss on sale (thousand yen)
284,212	11,950	—

Fiscal year ended March 31, 2023

There are no relevant matters.

(Related to derivative transactions)

A description is omitted due to low importance.

(Related to retirement benefits)

1 Overview of adopted retirement benefit plans

The Company and its domestic consolidated subsidiaries have adopted both funded and non-funded defined contribution plans and defined contribution plans to cover the payment of retirement benefits to employees. Defined benefit pension plans (all are funded plans.) provide lump-sum payments or pensions based on a points system. The lump-sum retirement benefit plan (a non-funded plan was adopted by the Company, but was changed to a funded plan as a result of the establishment of a retirement benefit trust from the current consolidated fiscal year.) provides lump-sum payments based on a points-based system as retirement benefits.

Moreover, certain overseas consolidated subsidiaries have adopted both funded and non-funded defined benefit plans and defined contribution plans to cover payment of retirement benefits to employees.

2 Defined benefit plan

(1) Reconciliation of retirement benefit obligations for the beginning of the term balance and the end of the term balance

(Thousand yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance of retirement benefit obligations at the beginning of the term	4,672,474	4,538,012
Service costs	166,815	192,896
Interest costs	16,715	23,547
Actuarial differences incurred	(12,543)	(130,203)
Past service costs incurred	(18,077)	(495)
Amount paid for retirement benefits	(294,853)	(290,811)
Other	7,480	(17,146)
Balance of retirement benefit obligations at the end of the term	4,538,012	4,315,798

(2) Reconciliation of pension assets for the beginning of the term balance and at the end of the term balance

(Thousand yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance of pension assets at the beginning of the term	3,155,395	3,023,383
Expected investment returns	65,154	87,144
Actuarial differences incurred	(6,890)	(123,154)
Contribution from the employer	11,677	21,611
Amount of retirement benefit trusts established	—	1,000,000
Amount paid for retirement benefits	(252,159)	(203,990)
Other	50,205	5,780
Balance of pension assets at the end of term	3,023,383	3,810,774

(Note) A retirement benefit trust has been established by the Company, effective from the current consolidated fiscal year.

(3) Reconciliation between the balance of retirement benefit obligations and pension assets at the end of the fiscal year, and retirement benefit liability and retirement benefit asset recorded on the consolidated balance sheets

(Thousand yen)

	As of March 31, 2022	As of March 31, 2023
Retirement benefit obligations for funded plans	2,407,663	4,171,655
Pension assets	(3,023,383)	(3,810,774)
	(615,719)	360,880
Retirement benefit obligations for non-funded plans	2,130,348	144,142
Net liabilities and assets recorded on the consolidated balance sheet	1,514,628	505,023
Retirement benefit liability	2,231,837	1,188,604
Retirement benefit asset	(717,208)	(683,581)
Net liabilities and assets recorded on the consolidated balance sheet	1,514,628	505,023

(4) Amount of retirement benefit expenses and item breakdown

(Thousand yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Service costs	166,815	192,896
Interest costs	16,715	23,547
Expected investment returns	(65,154)	(87,144)
Amortization of actuarial differences	24,768	15,078
Amortization of past service costs	73,730	(2,303)
Retirement benefit expenses related to defined benefit plans	216,877	142,075

(5) Remeasurements of defined benefit plans, net of tax

Items recorded as remeasurements of defined benefit plans, net of tax (before tax effect deductions)

(Thousand yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Past service costs	91,807	(1,807)
Actuarial differences	30,421	22,128
Total	122,229	20,320

(6) Remeasurements of defined benefit plans

Items recorded as remeasurements of defined benefit plans (before tax effect deductions)

(Thousand yen)

	As of March 31, 2022	As of March 31, 2023
Unrecognized past service costs	(16,269)	(14,461)
Unrecognized actuarial differences	41,140	19,012
Total	24,871	4,550

(7) Items related to pension assets

(i) Major breakdown of pension assets

Ratio of total pension assets by major categories are as follows.

	As of March 31, 2022	As of March 31, 2023
Bonds	14%	9%
Shares	48%	37%
General accounts	8%	7%
Special accounts	18%	11%
Cash and deposits	—	26%
Other	13%	11%
Total	100%	100%

(Note) Total pension assets include 26% of the retirement benefit trust established for the lump-sum retirement benefit plan in the current fiscal year.

(ii) Method to determine the expected long-term rate of return on pension assets

To determine the expected long-term rate of return on pension assets, the Company considers current and projected allocation of pension assets along with current and expected future long-term rates of return from the diverse assets comprising the pension assets.

(8) Items related to the fundamentals of actuarial calculations

Fundamentals of major actuarial calculations

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Discount rate	Mainly 0.40% to 0.57%	Mainly 0.70% to 1.00%
Expected long-term rate of return on pension assets	Mainly 2.0%	Mainly 2.0%
Projected salary increase	Mainly 1.0% to 4.1%	Mainly 1.0% to 4.1%

3 Defined contribution plan

The amount the Company and its consolidated subsidiaries needed to contribute to the defined contribution plan in the previous fiscal year was 201,807 thousand yen and 209,977 thousand yen in the current fiscal year.

(Related to tax effect accounting)

1 Breakdown of principal factors in deferred tax assets and deferred tax liabilities

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Retirement benefit liability	653,628 thousand yen	658,956 thousand yen
Provision for bonuses	192,948 thousand yen	215,554 thousand yen
Unrealized gains on inventories	424,269 thousand yen	510,497 thousand yen
Other	645,088 thousand yen	545,058 thousand yen
Subtotal of deferred tax assets	1,915,933 thousand yen	1,930,066 thousand yen
Valuation allowance	(255,436) thousand yen	(171,571) thousand yen
Offset of deferred tax liabilities	(448,539) thousand yen	(567,101) thousand yen
Total deferred tax assets	1,211,958 thousand yen	1,191,393 thousand yen
Deferred tax liabilities		
Retirement benefit asset	(218,748) thousand yen	(208,492) thousand yen
Market valuation difference due to business combination	(284,429) thousand yen	(280,064) thousand yen
Valuation difference on available-for-sale securities	(165,943) thousand yen	(231,340) thousand yen
Other	(8,864) thousand yen	(52,844) thousand yen
Subtotal of deferred tax liabilities	(677,984) thousand yen	(772,741) thousand yen
Offset of deferred tax assets	448,539 thousand yen	567,101 thousand yen
Total deferred tax liabilities	(229,445) thousand yen	(205,640) thousand yen
Net amount of deferred tax assets	982,513 thousand yen	985,753 thousand yen

2 Breakdown of major factors in the difference between the normal effective statutory tax rate and the effective tax rate after the application of tax-effect accounting

	As of March 31, 2022	As of March 31, 2023
Normal effective statutory tax rate	30.5%	30.5%
(Adjustment)		
Special deduction of experimental and research expenses	(0.7)%	(0.8)%
Differences in foreign tax rates, etc.	(6.0)%	(4.7)%
Difference due to equity in earnings of affiliates	(1.1)%	(1.3)%
Amortization of goodwill	1.1%	1.0%
Other	1.3%	1.0%
Effective tax rate after application of tax-effect accounting	25.1%	25.7%

(Related to asset retirement obligations)

A description is omitted due to low of importance.

(Related to rentals and other real estate)

There are no relevant matters.

(Related to revenue recognition)

1. Information that disaggregates revenue from contracts with customers

Information that disaggregates revenue from contracts with customers is described in "Notes (Segment information, etc.)".

2. Information that forms the basis for understanding revenue from contracts with customers

Information that forms the basis for understanding revenue is described in "(Basic, important matters for preparing consolidated financial statements) – 4 Matters concerning the accounting policy – (e) Recording criteria for important revenue and cost."

3. Information related to the relationship between the satisfaction of performance obligations based on contracts with customers and cash flows generated from the contracts, as well as amounts and timing of revenue expected to be recognized in the following fiscal year or later from contracts with customers that existed as of the end of the current fiscal year

(1) Contract liability balance, etc.

(Amount: thousand yen)

	As of March 31, 2022		As of March 31, 2023	
	Beginning balance	Ending balance	Beginning balance	Ending balance
Receivables from contracts with customers				
Notes receivable - trade	215,640	209,116	209,116	502,198
Accounts receivable - trade	6,420,719	7,795,766	7,795,766	8,599,943
	6,636,359	8,004,883	8,004,883	9,102,141
Contract liabilities	391,528	1,202,498	1,202,498	712,180

Contract liabilities are advances received, which represent consideration for which the performance obligation has not been satisfied at the end of the period. Contract liabilities are included in “Other” under current liabilities on the consolidated balance sheet.

Moreover, changes in contract liabilities in the previous fiscal year and the current fiscal year were mainly due to the receipt of advances received (increase in contract liabilities) and revenue recognition (decrease in contract liabilities).

(2) Transaction price allocated to remaining performance obligations

Regarding the transaction prices allocated to any remaining performance obligations by the Company and its subsidiaries, since there are no significant performance obligations which exceed one year at the time of the contract, these have been abbreviated. In addition, there are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price.

(Segment information, etc.)

[Segment information]

1 Overview of reporting segments

(1) Overview of reporting segments

The reporting segments of our Group are those of the constituent units for which separate financial information is obtainable and for which the Board of Directors is to periodically consider to decide on the allocation of management resources and evaluate business performance.

(2) Product and service types belonging to each reporting segment

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

Thus, our Group consists of segments according to location, based on the production and sale system, and regards the five areas, "Japan", "Europe", "Americas", "China", and "Others" as reporting segments.

(3) Matters related to changes, etc. to reporting segments

From the current consolidated fiscal year, the Group has changed the previous reporting segments of "Japan," "Europe" and "Asia" to 5 reporting segments namely, "Japan," "Europe," "Americas," "China" and "Others." With the formulation of the mid-term business plan "500 & Beyond" starting from the current consolidated fiscal year, we reviewed the area management classification and changed the classification of reporting segments for the purpose of aligning with the management strategy in the plan.

As a result, the business activities of local subsidiaries that were classified as "Asia" have been changed to "China" and "Other." In addition, regarding the business activities of local subsidiaries that were classified as business segments not included in the reporting segments, the classification was changed to "Europe" for Russia, "Americas" for the United States, Mexico and Brazil, and "Others" for Australia and South Africa.

The segment information for the previous consolidated fiscal year is created by the changed classification.

2 Method of calculating the amounts of the net sales, profit, assets, and other items for each reporting segment

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

3 Information about the amounts of net sales, profit, assets, and other items for each reporting segment and information about the disaggregation of revenue

Fiscal year ended March 31, 2022

(Amount: thousand yen)

	Reporting segment					Total
	Japan	Europe	Americas	China	Others (note)	
Net sales						
Revenue from contracts with customers	16,313,829	5,705,898	4,970,691	9,299,406	6,047,185	42,337,011
Sales to external customers	16,313,829	5,705,898	4,970,691	9,299,406	6,047,185	42,337,011
Internal sales or transfers between segments	6,654,061	330,261	414,825	572,963	1,750,299	9,722,411
Total	22,967,890	6,036,160	5,385,517	9,872,369	7,797,485	52,059,422
Segment profit	3,304,185	461,037	583,853	534,399	1,092,460	5,975,936
Segment assets	27,651,258	5,360,623	3,939,499	10,716,352	5,976,026	53,643,760
Other items						
Depreciation	855,593	140,168	44,025	290,091	164,783	1,494,662
Amortization of goodwill	121,475	82,876	50,325	—	—	254,676
Increase in property, plant and equipment, and intangible assets	1,167,919	163,319	50,312	48,732	138,698	1,568,981

(Note) The “Others” category addresses the business activities of local subsidiaries in Taiwan, India, Thailand, South Korea, Vietnam, Indonesia, Australia and South Africa.

Fiscal year ended March 31, 2023

(Amount: thousand yen)

	Reporting segment					Total
	Japan	Europe	Americas	China	Others (note)	
Net sales						
Revenue from contracts with customers	17,473,853	7,233,124	5,863,576	10,336,171	7,608,429	48,515,155
Sales to external customers	17,473,853	7,233,124	5,863,576	10,336,171	7,608,429	48,515,155
Internal sales or transfers between segments	7,680,910	272,157	393,884	828,394	1,798,550	10,973,896
Total	25,154,764	7,505,281	6,257,460	11,164,566	9,406,979	59,489,051
Segment profit	3,519,925	504,347	640,792	815,180	1,467,509	6,947,754
Segment assets	27,753,040	5,794,920	5,167,862	11,047,809	6,698,340	56,461,972
Other items						
Depreciation	1,068,712	168,137	58,371	287,470	188,025	1,770,717
Amortization of goodwill	138,123	88,076	60,238	—	—	286,438
Increase in property, plant and equipment, and intangible assets	1,376,252	337,373	631,464	84,349	127,590	2,557,031

(Note) The “Others” category addresses the business activities of local subsidiaries in Taiwan, India, Thailand, South Korea, Vietnam, Indonesia, Australia and South Africa.

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

(Amount: thousand yen)

Net sales	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reporting segment total	52,059,422	59,489,051
Inter-segment transactions erased	(9,722,411)	(10,973,896)
Net sales in the consolidated financial statements	42,337,011	48,515,155

(Amount: thousand yen)

Profit	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reporting segment total	5,975,936	6,947,754
Company-wide expenses (Note)	(984,328)	(988,157)
Inter-segment transactions erased	(211,397)	(121,402)
Operating profit in the consolidated financial statements	4,780,210	5,838,194

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

(Amount: thousand yen)

Assets	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reporting segment total	53,643,760	56,461,972
Company-wide assets (Note)	6,206,578	8,005,211
Inter-segment transactions erased	(4,031,801)	(4,330,673)
Total assets in the consolidated financial statements	55,818,537	60,136,510

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

(Amount: thousand yen)

Other items	Reporting segment total		Adjustment		Amount reported in consolidated financial statements	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Depreciation	1,494,662	1,770,717	15,419	18,769	1,510,082	1,789,487
Amortization of goodwill	254,676	286,438	—	—	254,676	286,438
Increase in property, plant and equipment, and intangible assets	1,568,981	2,557,031	—	—	1,568,981	2,557,031

[Related information]

Fiscal year ended March 31, 2022

1 Information by product and service

(Amount: thousand yen)

	Air compressors	Vacuum equipment	Coating equipment	Coating systems	Total
Sales to external customers	22,950,944	2,064,570	14,451,944	2,869,552	42,337,011

2 Information by region

(1) Net sales

(Amount: thousand yen)

Japan	Europe	Americas	China	Others	Total
16,050,729	5,884,596	5,011,184	9,299,406	6,091,094	42,337,011

(Note 1) Net sales are based on customer location and are classified by country or region.
(Note 2) Among the Americas, the U.S. accounted for 4,507,186 thousand yen.

(2) Property, plant and equipment

(Amount: thousand yen)

Japan	Europe	Americas	China	Others	Total
6,882,851	1,007,545	281,403	1,136,552	2,140,178	11,448,530

(Note) Among Other, Taiwan accounted for 1,421,284 thousand yen.

3 Information by major customers

Since there are no sales to external customers which account for 10% or more of the net sales in the consolidated statement of income, this information is not included.

Fiscal year ended March 31, 2023

1 Information by product and service

(Amount: thousand yen)

	Air compressors	Vacuum equipment	Coating equipment	Coating systems	Total
Sales to external customers	26,983,752	2,366,195	16,512,330	2,652,877	48,515,155

2 Information by region

(1) Net sales

(Amount: thousand yen)

Japan	Europe	Americas	China	Others	Total
17,337,035	7,285,242	5,892,704	10,337,582	7,662,589	48,515,155

(Note 1) Net sales are based on customer location and are classified by country or region.
(Note 2) Among the Americas, the U.S. accounted for 5,237,276 thousand yen.

(2) Property, plant and equipment

(Amount: thousand yen)

Japan	Europe	Americas	China	Others	Total
7,107,162	1,233,648	909,643	1,031,634	2,179,089	12,461,179

(Note) Among Others, Taiwan accounted for 1,396,382 thousand yen.

3 Information by major customers

Since there are no sales to external customers which account for 10% or more of the net sales in the consolidated statement of income, this information is not included.

[Information on impairment losses on non-current assets by reporting segment]

Fiscal year ended March 31, 2022

There are no relevant matters.

Fiscal year ended March 31, 2023

There are no relevant matters.

[Information on goodwill amortization and unamortized balance by reporting segment]

Fiscal year ended March 31, 2022

(Amount: thousand yen)

	Reporting segment						Adjustment	Total
	Japan	Europe	Americas	China	Others	Subtotal		
Amortization for the current fiscal year	121,475	82,876	50,325	—	—	254,676	—	254,676
Balance at end of period	793,291	83,271	105,435	—	—	981,998	—	981,998

Fiscal year ended March 31, 2023

(Amount: thousand yen)

	Reporting segment						Adjustment	Total
	Japan	Europe	Americas	China	Others	Subtotal		
Amortization for the current fiscal year	138,123	88,076	60,238	—	—	286,438	—	286,438
Balance at end of period	696,232	—	60,820	—	—	757,052	—	757,052

[Information on gain on bargain purchase by reporting segment]

Fiscal year ended March 31, 2022

There are no relevant matters.

Fiscal year ended March 31, 2023

There are no relevant matters.

[Related party information]

Transactions with related parties

There are no relevant matters.

(Per share information)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	876.20 yen	989.09 yen
Basic earnings per share	86.32 yen	108.25 yen

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

2. The Company shares that remain in the "Board Benefit Trust (BBT)," posted as treasury shares in shareholder's equity are included in the number of treasury shares to be deducted (previous consolidated fiscal year: 180 thousand, current consolidated fiscal year: 174 thousand) from the number of shares issued at the end of each fiscal year to calculate the net assets per share and are included in the treasury shares to be deducted (previous consolidated fiscal year: 180 thousand, current consolidated fiscal year: 178 thousand) in the calculation of the average number of shares outstanding in the period to calculate the basic earnings per share.

3. The basis for calculating the basic earnings per share is as below.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit attributable to owners of parent (thousand yen)	3,541,395	4,381,835
Amount not attributable to common shareholders (thousand yen)	—	—
Profit attributable to owners of parent related to common shares (thousand yen)	3,541,395	4,381,835
Average number of common shares outstanding in the period (No. of shares)	41,028,335	40,479,053

(Important subsequent events)

There are no relevant matters.

(v) [Consolidated supplementary schedules]

[Schedule of corporate bonds]

There are no relevant matters.

[Schedule of borrowings, etc.]

Classification	Balance at beginning of period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (%)	Repayment deadline
Short-term borrowings	856,923	908,407	3.92	—
Current portion of long-term borrowings	10,305	—	—	—
Current portion of lease liabilities	254,526	283,766	3.29	—
Long-term borrowings (excluding current portion)	283,845	275,086	1.53	November 1, 2024 to December 31, 2027
Lease liabilities (excluding current portion)	1,011,814	1,204,081	3.14	June 30, 2024 to November 28, 2030
Total	2,417,415	2,671,342	—	—

(Notes) 1. "Average interest rate" is the weighted average interest rate on the outstanding balance of borrowings, etc. at the end of the fiscal year.

2. Scheduled repayments of lease liabilities (excluding current portion) due within five years from the consolidated balance sheet date are as follows.

Classification	From 1 to 2 years (thousand yen)	From 2 to 3 years (thousand yen)	From 3 to 4 years (thousand yen)	From 4 to 5 years (thousand yen)
Long-term borrowings	216,500	—	1,998	—
Lease liabilities	234,618	184,120	109,390	83,929

[Schedule of asset retirement obligations]

Since the amount of asset retirement obligations at the beginning and end of the current consolidated fiscal year is less than one-hundredth of total liabilities and net assets at the beginning and end of the current consolidated fiscal year, respectively, this information is not included.

(2) [Other]

Quarterly information, etc. for the current consolidated fiscal year

(Cumulative period)	First quarter	Second quarter	Third quarter	Fiscal year ended March 31, 2023
Net sales (thousand yen)	9,999,160	22,613,463	34,832,640	48,515,155
Profit before income taxes (thousand yen)	1,293,306	3,155,052	4,908,014	7,091,474
Profit attributable to owners of parent (thousand yen)	808,670	1,973,935	3,069,462	4,381,835
Basic earnings per share	19.96 yen	48.75 yen	75.82 yen	108.25 yen

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share	19.96 yen	28.80 yen	27.08 yen	32.43 yen

2. [Non-Consolidated Financial Statements, etc.]

(1) [Non-Consolidated Financial statements]

(i) [Non-consolidated balance sheet]

(Amount: thousand yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	7,405,856	7,267,775
Notes and accounts receivable-trade	*1 5,763,628	*1 5,862,005
Merchandise and finished goods	2,414,207	1,624,476
Work in process	193,196	735,304
Raw materials and supplies	1,041,188	1,229,584
Other	*1 1,062,997	*1 1,242,315
Total current assets	17,881,074	17,961,460
Non-current assets		
Property, plant and equipment		
Buildings	2,977,247	3,005,049
Structures	137,984	173,455
Machinery and equipment	1,036,344	1,024,039
Vehicles	8,410	6,615
Tools, furniture and fixtures	280,816	365,905
Land	1,268,453	1,268,453
Leased assets	1,063,554	1,263,753
Construction in progress	148,459	34,109
Total property, plant and equipment	6,921,271	7,141,382
Intangible assets		
Leasehold interests in land	790	790
Software	576,274	772,836
Other	149,989	21,374
Total intangible assets	727,054	795,000
Investments and other assets		
Investment securities	2,376,337	2,689,479
Shares of subsidiaries and associates	3,202,098	3,202,098
Investments in capital	19,912	19,912
Investments in capital of subsidiaries and associates	4,291,545	4,142,224
Long-term loans receivable from subsidiaries and associates	*1 806,425	*1 1,270,510
Long-term prepaid expenses	3,186	16,170
Prepaid pension costs	781,999	807,983
Deferred tax assets	757,181	695,902
Other	85,171	75,100
Allowance for doubtful accounts	(10,725)	(10,725)
Total investments and other assets	12,313,131	12,908,656
Total non-current assets	19,961,457	20,845,038
Total assets	37,842,531	38,806,499

(Amount: thousand yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable-trade	*1 1,837,066	*1 2,021,946
Lease liabilities	238,869	265,560
Accounts payable-other	*1 1,391,438	*1 1,346,905
Income taxes payable	606,336	482,899
Deposits received	24,600	25,772
Provision for bonuses	577,118	617,684
Provision for bonuses for directors (and other officers)	80,299	83,570
Provision for product warranties	233,259	151,634
Other	447,661	136,686
Total current liabilities	5,436,648	5,132,662
Non-current liabilities		
Lease liabilities	923,075	1,108,646
Provision for retirement benefits	2,136,547	1,166,441
Provision for share awards for directors (and other officers)	136,788	181,618
Other	18,588	18,588
Total non-current liabilities	3,214,999	2,475,295
Total liabilities	8,651,648	7,607,957
Net assets		
Shareholders' equity		
Share capital	3,354,353	3,354,353
Capital surplus		
Legal capital surplus	1,380,380	1,380,380
Total capital surplus	1,380,380	1,380,380
Retained earnings		
Legal retained earnings	838,588	838,588
Other retained earnings		
Reserve for specific stocks purchase	—	75,000
General reserve	9,700,000	9,700,000
Retained earnings brought forward	14,565,363	16,502,610
Total retained earnings	25,103,952	27,116,198
Treasury shares	(1,025,936)	(1,179,543)
Total shareholders' equity	28,812,749	30,671,388
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	378,134	527,154
Total valuation and translation adjustments	378,134	527,154
Total net assets	29,190,883	31,198,542
Total liabilities and net assets	37,842,531	38,806,499

(ii) Non-consolidated statement of income

(Amount: thousand yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	*1 22,806,793	*1 24,770,370
Cost of sales	*1 13,932,540	*1 15,338,249
Gross profit	8,874,252	9,432,120
Selling, general and administrative expenses	*1, *2 6,450,746	*1, *2 6,790,257
Operating profit	2,423,505	2,641,863
Non-operating income		
Interest income	*1 6,651	*1 44,581
Dividend income	*1 833,262	*1 1,237,647
Foreign exchange gains	228,597	243,825
Other	*1 211,953	*1 160,822
Total non-operating income	1,280,464	1,686,876
Non-operating expenses		
Interest expenses	19,608	22,951
Other	17,429	17,067
Total non-operating expenses	37,038	40,019
Ordinary profit	3,666,932	4,288,720
Extraordinary income		
Gain on sale of non-current assets	*3 599	—
Gain on sale of investment securities	11,950	—
Gain on liquidation of subsidiaries	—	*4 49,892
Total extraordinary income	12,550	49,892
Extraordinary losses		
Loss on retirement of non-current assets	*5 10,263	*5 13,907
Loss on valuation of investments in capital	34,427	—
Loss on sale of shares of subsidiaries	12,583	—
Total extraordinary losses	57,274	13,907
Profit before income taxes	3,622,208	4,324,706
Income taxes - current	980,010	972,100
Income taxes - deferred	(109,100)	(4,118)
Total income taxes	870,910	967,981
Profit	2,751,298	3,356,724

(iii) Non-consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(Amount: thousand yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Share capital	Legal capital surplus	Total capital surplus	Legal retained earnings	Reserve for specific stocks purchase	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	3,354,353	1,380,380	1,380,380	838,588	—	9,700,000	12,849,925	23,388,513
Cumulative effects of changes in accounting policies							(4,405)	(4,405)
Restated balance	3,354,353	1,380,380	1,380,380	838,588	—	9,700,000	12,845,519	23,384,108
Changes during period								
Dividends of surplus							(1,031,454)	(1,031,454)
Profit							2,751,298	2,751,298
Provision of reserve for specific stocks purchase								—
Purchase of treasury shares								
Disposal of treasury shares by stocks payment trust								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	—	1,719,844	1,719,844
Balance at end of period	3,354,353	1,380,380	1,380,380	838,588	—	9,700,000	14,565,363	25,103,952

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(685,266)	27,437,980	414,112	414,112	27,852,092
Cumulative effects of changes in accounting policies		(4,405)			(4,405)
Restated balance	(685,266)	27,433,574	414,112	414,112	27,847,687
Changes during period					
Dividends of surplus		(1,031,454)			(1,031,454)
Profit		2,751,298			2,751,298
Provision of reserve for specific stocks purchase		—			—
Purchase of treasury shares	(340,669)	(340,669)			(340,669)
Disposal of treasury shares by stocks payment trust					
Net changes in items other than shareholders' equity			(35,977)	(35,977)	(35,977)
Total changes during period	(340,669)	1,379,174	(35,977)	(35,977)	1,343,196
Balance at end of period	(1,025,936)	28,812,749	378,134	378,134	29,190,883

Fiscal year ended March 31, 2023

(Amount: thousand yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Share capital	Legal capital surplus	Total capital surplus	Legal retained earnings	Reserve for specific stocks purchase	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	3,354,353	1,380,380	1,380,380	838,588	—	9,700,000	14,565,363	25,103,952
Cumulative effects of changes in accounting policies								
Restated balance	3,354,353	1,380,380	1,380,380	838,588	—	9,700,000	14,565,363	25,103,952
Changes during period								
Dividends of surplus							(1,344,478)	(1,344,478)
Profit							3,356,724	3,356,724
Provision of reserve for specific stocks purchase					75,000		(75,000)	—
Purchase of treasury shares								
Disposal of treasury shares by stocks payment trust								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	75,000	—	1,937,246	2,012,246
Balance at end of period	3,354,353	1,380,380	1,380,380	838,588	75,000	9,700,000	16,502,610	27,116,198

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(1,025,936)	28,812,749	378,134	378,134	29,190,883
Cumulative effects of changes in accounting policies					—
Restated balance	(1,025,936)	28,812,749	378,134	378,134	29,190,883
Changes during period					
Dividends of surplus		(1,344,478)			(1,344,478)
Profit		3,356,724			3,356,724
Provision of reserve for specific stocks purchase		—			—
Purchase of treasury shares	(159,398)	(159,398)			(159,398)
Disposal of treasury shares by stocks payment trust	5,791	5,791			5,791
Net changes in items other than shareholders' equity			149,019	149,019	149,019
Total changes during period	(153,607)	1,858,639	149,019	149,019	2,007,658
Balance at end of period	(1,179,543)	30,671,388	527,154	527,154	31,198,542

[Notes]

(Matters concerning the premise of a going concern)

There are no relevant matters.

(Significant accounting policies)

1 Valuation standards and valuation methods for securities

(1) Shares of subsidiaries and affiliated companies

(Includes investments in capital of subsidiaries and affiliated companies)

Cost method based on the moving average method

(2) Bonds held to maturity

Amortized cost method (straight-line method)

(3) Other securities

Securities other than shares, etc. without a market price: Market value method based mainly on the market price, etc. at the end of term

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

Shares, etc. without a market price: Cost method based on the moving average method

2 Valuation standards and methods for inventories

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

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

3 Depreciation method for non-current assets

(1) Property, plant and equipment (excluding leased assets)

The declining-balance method is employed. For buildings acquired on and after April 1, 1998 by our Company (excluding building accessories), building accessories and structures acquired on and after April 1, 2016, and photovoltaic facilities, the straight-line method is employed.

Main useful lives in years are as follows:

Buildings and structures: 15 to 50 years

Machinery and equipment: 7 to 17 years

(2) Intangible assets (excluding leased assets)

The straight-line method is employed.

However, software (for internal use) is depreciated using the straight-line method based on the estimated service life within the Company (five years).

(3) Leased assets

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

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

4 Recording criteria for allowances

(1) Allowance for doubtful accounts

To prepare for losses due to bad debts, estimated uncollectible amounts are recorded by considering a loan loss ratio for general accounts receivable and collectability for specific credits such as doubtful accounts receivable individually.

(2) Provision for bonuses

To prepare for the payment of bonuses to employees, the estimated payments at the end of the current fiscal year are recorded.

(3) Provision for bonuses for Directors (and other officers)

To prepare for the payment of Directors' bonuses, the estimated payments at the end of the current fiscal year are

recorded.

(4) Provision for share awards for directors (and other officers)

To prepare for the granting of Company shares to our Directors and Corporate Officers in accordance with the rules for granting shares, the estimated share-based remuneration obligations at the end of the current fiscal year are recorded.

(5) Provision for product warranties

To prepare for the payment of the costs for after-sales services of products sold, estimated costs according to past experience rates, etc. based on sales are recorded.

(6) Provision for retirement benefits

The estimated amount of retirement benefit liabilities and pension assets at the end of current fiscal year is appropriated to provide for payment of retirement benefits to employees

(i) Period attribution method for estimated retirement benefits

In calculating retirement benefit obligations, the method for attributing the estimated retirement benefits to the period up to the current period is based on the benefit formula standard.

(ii) Method for recording actuarial differences and past service costs method for cost

Past service costs are recorded as costs with the straight-line method based on a certain number of years (10 years) within the average remaining years of service of employees when they are incurred.

For actuarial differences, the amounts prorated with the straight-line method based on a certain number of years (5 years) within the average remaining years of service of employees when they occur in each fiscal year are recorded as costs in and after the following fiscal year.

5 Basis for the translation of foreign currency dominated assets and liabilities into Japanese currency

Monetary foreign currency dominated debts and credits are translated into Japanese currency at the spot exchange rate on the accounting date, and translation differences are recorded as gains or losses.

6 Recording criteria for revenue and cost

The main performance obligations and the ordinary time at which the revenue is recognized are as described below.

(1) Revenue recognition related to the sale of goods or products

Revenue related to goods or products is mainly derived from a sale resulting from wholesale or manufacture, etc., and we assume performance obligations to deliver goods or products under the sales contract concluded with the customer. For said performance obligations, we recognize the revenue at the time when control over the goods or products is transferred to the customer.

To domestic sales, however, the alternative treatment specified in Article 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" is applied, so that if the period from shipment until control over the goods and products is transferred to the customer is a normal period, the revenue can be recognized at the time of shipment.

Revenue related to the sale of goods and products is recognized by deducting an estimated amount of sales incentives and other amounts according to the transaction volume, transaction value, and collection status in the sale of goods and products from the considerations stipulated in the contract. Estimated amount is calculated based on the Terms of the Contract and the actual sales. These sales transactions are generally due and payable within a short period of time and do not include significant financial elements in the contracts.

(2) Revenue recognition related to construction contracts, etc.

Revenue related to construction contracts, etc. is mainly derived from contract work including the design, assembly, and installation of facilities, and we assume performance obligations to construct facilities, etc. under the construction contract concluded with the customer. For any performance obligations to be fulfilled for a certain period of time under construction contacts, etc., we estimate the progress related to the fulfillment of the performance obligations and recognize the revenue based on said progress for a certain period of time.

For a construction contract for which the period from the transaction start date in the contract until the performance obligations are expected to be fully fulfilled is very short, we apply an alternative treatment, so that we will recognize

the revenue at the time when the performance obligations are fully fulfilled, rather than recognizing the revenue for a certain period of time. Such transactions are generally due and payable within one year and do not include significant financial elements in the contracts.

7 Other important matters which are fundamental for preparation of non-consolidated financial statements

Accounting for retirement benefits

The method of accounting for unrecognized actuarial differences and unrecognized past service costs related to retirement benefits is different from the accounting method for these items in the consolidated financial statements.

(Significant accounting estimates)

(Assessment of investment securities)

(1) Amount recorded in the non-consolidated financial statements for the current fiscal year

(Thousand yen)

	As of March 31, 2022	As of March 31, 2023
Investment securities	2,376,337	2,689,479
Shares of affiliated companies	3,202,098	3,202,098
Investments in capital	19,912	19,912
Investments in capital of subsidiaries and associates	4,291,545	4,142,224

(2) Information on significant accounting estimates related to identified items

If the net asset value of shares without market prices declines substantially due to deteriorating financial conditions or excess profitability of related issuing companies, impairment will be recognized for the amount deemed necessary in consideration of recoverability.

Consequently, future trends in the performance of invested companies may significantly affect valuation of investment securities, etc., and may significantly affect the amount recognized in the non-consolidated financial statements for the following fiscal year.

(Additional information)

(Performance-based stock compensation plan for Directors and Corporate Officers)

In accordance with a resolution at the 73rd ordinary general shareholders' meeting, held on June 25, 2019, we have introduced a performance-based stock compensation plan, "Board Benefit Trust (BBT)" (hereinafter referred to as "this plan"), targeted at our Directors (excluding Audit and Supervisory Committee Members and Independent Directors) and Corporate Officers who do not concurrently serve as Directors (referred to collectively as "Directors and others"), for the purposes of improving mid- to long-term results of operations, increasing our corporate value, and promoting management awareness that puts shareholders first.

(1) Overview of this plan

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

(2) Company shares that remain in the trust

Company shares that remain in the trust are recorded as treasury shares in Net assets at the book value (excluding the incidental costs) in the trust. At the end of the previous fiscal year, the book value of the treasury

shares is 179,733 thousand yen, and the number of shares is 180 thousand. At the end of the current fiscal year, the book value of the treasury shares is 173,942 thousand yen, and the number of shares is 174 thousand.

(Establishment of retirement benefit trust)

In the current fiscal year, the Company established a retirement benefit trust and contributed 1,000,000 thousand yen to prepare for future retirement benefits. As a result, cash and deposits and provision for retirement benefits decreased by the same amount.

(Related to non-consolidated balance sheet)

*1 Assets and liabilities to affiliated companies

Items regarding affiliated companies included in each account, other than those presented separately, are as follows.

	As of March 31, 2022	As of March 31, 2023
Short-term monetary claims	3,220,914 thousand yen	3,995,346 thousand yen
Long-term monetary claims	806,425 thousand yen	1,270,510 thousand yen
Short-term monetary liabilities	191,420 thousand yen	347,655 thousand yen

2 Overdraft agreement and commitment line agreement

An overdraft agreement and a commitment line agreement have been concluded with the banks of the Company in order to efficiently procure working capital. The balance of unexecuted loans based on these agreements as of the end of the current fiscal year is as follows.

	As of March 31, 2022	As of March 31, 2023
Overdraft limit and commitment line agreement amount	14,200,000 thousand yen	14,200,000 thousand yen
Balance of executed loans	—	—
Balance of unexecuted loans	14,200,000 thousand yen	14,200,000 thousand yen

3 Guarantee obligation

The Company has guaranteed (to the maximum extent possible) bank loans of affiliated companies as follows.

	As of March 31, 2022	As of March 31, 2023
ANEST IWATA FEELER Corporation	122,390 thousand yen	133,530 thousand yen
ANEST IWATA RUS LLC	92,863 thousand yen	-
Total	215,253 thousand yen	133,530 thousand yen

(Related to non-consolidated statement of income)

*1 Transaction volume with affiliated companies

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Operating transaction volume		
Net sales	6,954,485 thousand yen	8,997,882 thousand yen
Purchases, etc.	2,126,581 thousand yen	2,303,103 thousand yen
Non-operating transactions	883,060 thousand yen	1,338,684 thousand yen

*2 Major selling, general and administrative expenses

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Packing and transportation costs	558,930 thousand yen	586,526 thousand yen
Advertising expenses	196,014 thousand yen	229,860 thousand yen
Provision for product warranties	182,983 thousand yen	151,634 thousand yen
Remuneration for directors (and other officers)	152,479 thousand yen	177,262 thousand yen
Employees' salaries and allowances	2,026,312 thousand yen	1,965,776 thousand yen
Provision for bonuses	346,980 thousand yen	358,610 thousand yen
Provision for bonuses for directors (and other officers)	80,299 thousand yen	83,570 thousand yen
Provision for share awards for directors (and other officers)	53,746 thousand yen	53,221 thousand yen
Retirement benefit expenses	164,514 thousand yen	112,815 thousand yen
Welfare expenses	538,810 thousand yen	532,741 thousand yen
Travel and transportation expenses	93,484 thousand yen	159,007 thousand yen
Commission expenses	907,028 thousand yen	1,062,388 thousand yen
Communication expenses	111,673 thousand yen	114,865 thousand yen
Depreciation	301,553 thousand yen	428,967 thousand yen
Rent expenses	123,756 thousand yen	122,138 thousand yen
Other	612,180 thousand yen	650,870 thousand yen
Approximate percentage of expenses related to selling expenses	44.60%	41.05%
Approximate percentage of expenses related to general and administrative expenses	55.40%	58.95%

*3 Gain on sale of non-current assets

Fiscal year ended March 31, 2022

Mainly due to the sales of vehicles, etc.

*4 Gain on liquidation of subsidiaries

Due to the liquidation of the consolidated subsidiary ANEST IWATA (DONGGUAN) Corporation.

*5 Loss on retirement of non-current assets

Fiscal year ended March 31, 2022

Mainly due to the retirement of machinery and equipment.

Fiscal year ended March 31, 2023

Mainly due to the retirement of buildings, etc.

(Related to securities)

The current values of shares of subsidiaries and affiliated companies are not listed as they have no market prices.

Amounts reported on the balance sheet for shares of subsidiaries and affiliated companies that do not have market price are as follows.

Classification	As of March 31, 2022 (thousand yen)	As of March 31, 2023 (thousand yen)
Shares of subsidiaries	2,963,281	2,963,281
Shares of affiliated companies	238,817	238,817
Total	3,202,098	3,202,098

(Related to tax effect accounting)

1 Breakdown of principal factors in deferred tax assets and deferred tax liabilities

	As of March 31, 2022	As of March 31, 2023
(Deferred tax assets)		
Provision for retirement benefits	651,646 thousand yen	656,779 thousand yen
Provision for bonuses	176,021 thousand yen	188,393 thousand yen
Loss on valuation of shares of subsidiaries	384,082 thousand yen	384,082 thousand yen
Other	394,110 thousand yen	387,079 thousand yen
Deferred tax assets - Subtotal	1,605,860 thousand yen	1,616,336 thousand yen
Valuation allowance	(444,226) thousand yen	(442,657) thousand yen
Deferred tax assets - Total	1,161,634 thousand yen	1,173,678 thousand yen
(Deferred tax liabilities)		
Prepaid pension costs	(238,509) thousand yen	(246,434) thousand yen
Valuation difference on available-for-sale securities	(165,943) thousand yen	(231,340) thousand yen
Deferred tax liabilities - Total	(404,453) thousand yen	(477,775) thousand yen
Net amount of deferred tax assets	757,181 thousand yen	695,902 thousand yen

2 Breakdown of major factors in the difference between the normal effective statutory tax rate and the effective tax rate after the application of tax-effect accounting

	As of March 31, 2022	As of March 31, 2023
Normal effective statutory tax rate	30.5%	30.5%
(Adjustment)		
Dividend income not permanently included in income	(6.2)%	(8.0)%
Special deduction of experimental and research expenses	(1.1)%	(1.4)%
Inhabitant tax on per capita basis	0.4%	0.3%
Valuation allowance	(1.5)%	—%
Other	1.9%	1.0%
Effective tax rate after application of tax-effect accounting	24.0%	22.4%

(Related to revenue recognition)

Information that forms the basis for understanding revenue from contracts with customers is the same as that in "Notes (Related to revenue recognition)" to the Consolidated Financial Statements. Consequently, such notes are not included.

(Important subsequent events)

There are no relevant matters.

(iv) [Supplementary schedules]

[Schedule of property, plant and equipment]

Type of assets	Balance at beginning of period (thousand yen)	Increase during the current period (thousand yen)	Decrease during the current period (thousand yen)	Amortization for the current period (thousand yen)	Balance at end of period (thousand yen)	Accumulated depreciation (thousand yen)
Property, plant and equipment						
Buildings	2,977,247	223,667	10,975	184,889	3,005,049	4,421,753
Structures	137,984	50,531	—	15,060	173,455	598,783
Machinery and equipment	1,036,344	215,289	3,316	224,276	1,024,039	3,737,312
Vehicles	8,410	3,418	382	4,830	6,615	18,562
Tools, furniture and fixtures	280,816	270,198	0	185,110	365,905	1,874,177
Land	1,268,453	—	—	—	1,268,453	—
Leased assets	1,063,554	446,482	—	246,283	1,263,753	1,519,752
Construction in progress	148,459	648,754	763,104	—	34,109	—
Total property, plant and equipment	6,921,271	1,858,341	777,780	860,450	7,141,382	12,170,342
Intangible assets						
Leased assets	—	—	—	—	—	17,946
Leasehold interests in land	790	—	—	—	790	—
Software	576,274	398,775	—	202,214	772,836	1,678,378
Other	149,989	254,549	383,079	85	21,374	1,307
Total intangible assets	727,054	653,325	383,079	202,299	795,000	1,697,632

(Note) Main factors resulting in increase for the current period are as follows.

Buildings	Shot blasting machine room	Fukushima Factory	74,602 thousand yen
Buildings	Technical Training Center	Yokohama Head Office	51,081 thousand yen
Machinery and equipment	CNC automatic lathe	Akita Factory	32,536 thousand yen
Tangible leased assets	Shot blasting machine	Fukushima Factory	155,000 thousand yen
Tangible leased assets	Reciprocating crank chamber processing system	Fukushima Factory	143,400 thousand yen
Tangible leased assets	Line equipment for socketing	Fukushima Factory	110,000 thousand yen
Software	Product site/system building	Yokohama Head Office	149,680 thousand yen
Software	Corporate website development	Yokohama Head Office	107,410 thousand yen
Software	Product information management system development	Yokohama Head Office	27,526 thousand yen

[Schedule of allowances and provisions]

Classification	Balance at beginning of period (thousand yen)	Increase during the current period (thousand yen)	Decrease during the current period (thousand yen)	Balance at end of period (thousand yen)
Allowance for doubtful accounts	10,725	—	—	10,725
Provision for bonuses	577,118	617,684	577,118	617,684
Provision for bonuses for directors (and other officers)	80,299	83,570	80,299	83,570
Provision for product warranties	233,259	151,634	233,259	151,634
Provision for share awards for directors (and other officers)	136,788	53,221	8,391	181,618

(2) [Major assets and liabilities]

Since consolidated financial statements have been prepared, a description is not included.

(3) [Others]

There are no relevant matters.

Section 6 [Summary of Share Administration of the Submitting Company]

Fiscal year	From April 1 to March 31
Ordinary general shareholders' meeting	During June
Record date	March 31
Record date of dividends of surplus	September 30, March 31
Number of shares per unit	100 shares
Purchase/additional purchase of fractional shares	
Handling office	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo Stock Transfer Agency Department of the Head Office of Mizuho Trust & Banking Co., Ltd.
Administrator of shareholder registry	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Transfer agent	-
Purchase/purchase increase fee	Amount separately stipulated as an amount equivalent to the handling charge for the outsourcing of trading of shares.
Public notice posting method	Public notices of the Company are posted electronically. If electronic public notice is not possible due to unavoidable or other reasons, notification in Nihon Keizai Shimbun is carried out. Public notices are also posted on the Company's website at the following address. https://www.anestiwata-corp.com/jp
Benefits to the shareholders	None

(Note) 1. Regarding fractional shares held by a shareholder of the Company, such shareholder may not exercise any rights other than those listed below and those stipulated in the Articles of Incorporation of this Company.

(1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act

(2) Right to file a claim under Article 166, Paragraph 1 of the Companies Act

(3) Right to receive allotment of shares for subscription or share options for subscription, depending on the number of shares held by the shareholder

(4) Right to request the sale of fractional shares

Section 7 [Reference Information of the Submitting Company]

1. [Information on parent company of the submitting company]

The Company has no parent company.

2. [Other reference information]

The following documents have been submitted between the opening date of the current fiscal year and the date of submission of the Annual Securities Report.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof

The Annual Securities Report for the 76th fiscal year (from April 1, 2021, to March 31, 2022) and documents attached thereto, and Confirmation Letter thereof were submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2022.

[Revised Report of the Annual Securities Report and Confirmation Letter thereof]

Revised Report of the Annual Securities Report submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2022 was submitted to the Director-General of the Kanto Local Finance Bureau on July 15, 2022.

(2) Internal Control Report and documents attached thereto

The Internal Control Report for the 76th fiscal year (from April 1, 2021, to March 31, 2022) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2022.

(3) Quarterly Securities Report and Confirmation Letter thereof

The Quarterly Securities Report for the first quarter of the 77th fiscal year (from April 1, 2022, to June 30, 2022) and Confirmation Letter thereof were submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2022.

The Quarterly Securities Report for the second quarter of the 77th fiscal year (from July 1, 2022, to September 30, 2022) and Confirmation Letter thereof were submitted to the Director-General of the Kanto Local Finance Bureau on November 10, 2022.

The Quarterly Securities Report for the third quarter of the 77th fiscal year (from October 1, 2022, to December 31, 2022) and Confirmation Letter thereof were submitted to the Director-General of the Kanto Local Finance Bureau on February 10, 2023.

(4) Extraordinary Report

Extraordinary Report under Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on disclosure of corporate affairs (results of voting rights exercised at the general shareholders' meeting) was submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2022.

Part 2 [Information on Guarantee Companies, etc. of the Submitting Company]

There are no relevant matters.

(English Translation)

Report by Independent Auditor and Internal Controls Audit Report

June 23, 2023

To the Board of Directors of
ANEST IWATA Corporation

SEINAN AUDIT CORPORATION.
Minato-ku, Tokyo

Engagement Partner
Certified Public Accountant: Toshio Saito

Engagement Partner
Certified Public Accountant: Miho Toriumi

<Audit of Financial Statements>

Audit Opinion

We have audited the consolidated financial statements, i.e., consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and basic, important matters for preparing consolidated financial statements, other notes and consolidated supplementary schedules of ANEST IWATA Corporation (“the Company”) for the consolidated fiscal year from April 1, 2022 to March 31, 2023, that are included in the "Status of Accounting" section, in order to conduct audit certification in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2023, and their financial performance and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in Japan.

Basis of Audit Opinion

We have conducted the audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are described in the section "Auditor’s Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries and have fulfilled our other ethical responsibilities as auditors in accordance with the rules of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Major Audit Considerations

Major audit considerations are those that the auditors, in their professional capacity during the audit of the consolidated financial statements for the current consolidated fiscal year, determine to be particularly important. Major audit considerations are those addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Applicability of Judgments on Indications of Goodwill Impairment	
Details and reasons for decisions regarding major audit considerations	How the matter was addressed in our audit
The Company is strengthening its business through M&A and the amount of goodwill on the consolidated balance sheet is 757,052 thousand yen as of March 31, 2023. Goodwill depreciates periodically, but in case of an indication of impairment, determining whether to recognize impairment losses is needed (refer to “Notes to the Consolidated Financial Statements (Significant accounting estimates)”). The Company has determined that there are no signs of goodwill impairment in the current consolidated fiscal year. We have determined the applicability of the judgment on indications of goodwill impairment to be the major audit considerations for the following reasons. • Goodwill is financially significant in the consolidated financial statements, and if indications of impairment are not properly identified, the necessary impairment losses may not be accounted for, resulting in a strong effect on the consolidated financial statements. • Determining whether goodwill should be categorized as an indication of impairment mainly depends on the achievement of the business plan and if there is any major deterioration in the business environment. However, these factors are mainly influenced by the judgment and assumptions of management. • Heightened uncertainty in global economic trends has increased the uncertainty in the assumptions by management hypotheses which are considered in the future business plan.	The Auditor has carried out the following audit procedures to review the applicability of the judgement on indications of goodwill impairment. • Effectiveness of the design and operation of internal control for the identification of indications of goodwill impairment was assessed. • In order to confirm that indications of goodwill impairment were properly identified, changes in the business environment were confirmed, a comparative analysis of the business plan used to assess goodwill in past years and actual results was carried out and, factors which lead to discrepancies, if any, were analyzed. • Meeting proceedings of the Board of Directors and other bodies that have an influential role in the Company’s management decision-making were reviewed to confirm that they contain comprehensive qualitative information that should be considered in determining indications of goodwill impairment. • Interviews were conducted with management of affiliated companies that have accounted goodwill, and field visits were conducted at overseas subsidiaries where deemed necessary. This was useful in gaining an understanding of the business environment of affiliated companies and verifying indications of declining financial conditions of affiliated companies, if any. • We reviewed account statements and analyzed the financial figures concerning financial condition and business performance of affiliated companies that have accounted goodwill. The review process of companies that determined indications of goodwill impairment, including the recording of ongoing losses, were examined. • In order to determine whether various unstable factors arising in an uncertain environment constitute an indication of impairment, we reviewed the situation of foreign subsidiaries for 1-3 months after the end of the fiscal year, as deemed necessary.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the non-consolidated financial statements, and our auditor’s reports thereon. Management is responsible for preparing and disclosing the other information. The Audit and Supervisory Committee is responsible for overseeing the execution of duties by the Directors in designing and operating the reporting process of the other information.

The other information does not fall under the scope of our opinion on the consolidated financial statements, and we express no opinion on the other information.

Our responsibility in auditing the consolidated financial statements is to read through the other information and, in the course of reading, consider whether there are any material differences between the other information and the consolidated financial statements or our knowledge obtained in the course of our audit, and to pay attention to whether there are any other signs of material errors in the other information in addition to such material differences.

If, based on the work we have performed, we determine that there are material errors in the other information, we are required to report that fact.

We did not find any particular matters which need to be reported with respect to the other information.

Responsibility of Management and Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements based on premise of a going concern and responsible for disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the performance of duties by the Directors in the development and operation of the reporting process for the finances.

Auditor’s Responsibility for the Audit of the Consolidated Financial Statements

The auditor's responsibility is to obtain reasonable assurance regarding whether the consolidated financial statements as a whole contain any significant misstatements due to fraud or error, based on the audit performed, and to provide an opinion on the consolidated financial statements in the audit report from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to affect the decisions made by users of the consolidated financial statements.

The auditor shall follow auditing standards generally accepted in Japan, and deliver a judgment as an expert by maintaining professional skepticism and by taking the following actions throughout the audit.

- The auditor Identifies and assesses the risk of significant misstatements due to fraud or error. The auditor designs and implements audit procedures that address the risks of said significant misstatements. It is the auditor's decision to select and apply audit procedures. The auditor obtains sufficient and appropriate audit evidence to provide a basis for our opinion.
- The purpose of auditing consolidated financial statements is not to express opinions on the effectiveness of the internal control; but to review internal control related to the audit when conducting risk assessments in order to design audit procedures that are situationally appropriate.
- The auditor assesses the appropriateness of the accounting policies and application methods thereof adopted by management, the rationality of the accounting estimates made by management, and the validity of related notes.
- The auditor concludes whether it is appropriate for management to prepare the consolidated financial statements on the premise of an going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the premise of going concern. If a material uncertainty on the premise of an going concern is identified, the auditor is required to draw attention to it in the notes to the consolidated financial statements in the auditor's report. If the notes on the consolidated financial statements regarding material uncertainty are insufficient, the auditor is required to present a qualified opinion with an exceptive item on the consolidated financial statements. The auditor's conclusion is based on audit evidence obtained by the date of the auditor's report. However, future events or circumstances may prevent a company from continuing as an going concern.
- The auditor assesses whether presentation and notes regarding the consolidated financial statement comply with accounting principles generally accepted in Japan and whether presentation, structure, and details of the consolidated financial statements, along with the relevant notes, present appropriately the underlyingtransactions and accounting events.
- The auditor obtains sufficient and appropriate audit evidence regarding the financial information of the Company and its

consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for providing instructions, supervision, and implementation of the audit of the consolidated financial statements. The auditor is independently responsible for its audit opinion.

The auditor reports the scope and implementation time of the planned audit, key audit findings that include critical deficiencies in internal control which have been identified during the audit, and other matters required by the audit standards to the Audit and Supervisory Committee.

The auditor reports on the auditor' s compliance with the rules of professional ethics regarding independence in Japan, on matters reasonably considered to affect auditor's independence and any safeguards , if any, taken to mitigate or reduce the limiting factors to the Audit and Supervisory Committee.

Among matters discussed with Audit and Supervisory Committee, the auditor determines matters considered to be specifically important in the audit of the consolidated financial statements for the current consolidated fiscal year to be key audit matters, and includes them in the auditor's report. However, in cases where public disclosure of such matters is prohibited by laws and regulations, or although very limited, in cases where the auditor determines that such matters should not be reported by the auditor because it can be reasonably expected that the disadvantages that could arise from reporting them in the auditor's report would outweigh the public benefit from doing so, such matters are not included in the auditor's report.

<Audit of Internal Controls>

Audit Opinion

We have audited the Internal Control Report as of March 31, 2023 of ANEST IWATA Corporation for the purpose of providing audit certification in accordance with the second paragraph of Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act.

In our opinion, the Internal Control Report referred to above, which represents that internal control over financial reporting by ANEST IWATA Corporation as of March 31, 2022 is effective, presents fairly, in all material respects, the result of the assessment on internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis of Audit Opinion

We have conducted an internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are described in the section "Auditor's Responsibility in Internal Control Audit." We are independent of the Company and its consolidated subsidiaries and have fulfilled our other ethical responsibilities as auditors in accordance with the rules of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and the Audit and Supervisory Committee regarding the Internal Control Report

Management is responsible for development and operation of internal control concerning financial reporting, and properly presenting the prepared Internal Control Report in accordance with the assessment criteria for internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring and verifying the development and operation of internal control concerning financial reporting.

Internal control concerning financial reporting may not completely prevent or detect misstatements in financial reporting.

Auditor's Responsibility in Internal Control Audit

The auditor is responsible to obtain reasonable assurance whether or not the Internal Control Report contains significant misstatements based on the audit of internal control performed by the auditor, and to express opinions on the Internal Control Report in its Internal Controls Audit Report from an independent standpoint.

The auditor shall follow audit standards for internal control regarding financial reporting generally accepted in Japan, and deliver a judgment as an expert by maintaining professional skepticism and by taking the following actions throughout the

audit.

- The auditor performs audit procedures to obtain evidence regarding the assessment results of internal control regarding financial reporting in the Internal Control Report. The audit procedures for an audit of internal control are selected and performed, depending on the auditor's judgment, based on the significance of the effect on the reliability of financial reporting.
- The auditor reviews the presentation of overall Internal Control Report, including the statements by management about the assessment scope, assessment procedures, and assessment results of internal control regarding financial reporting.
- The auditor obtains adequate and appropriate audit evidence regarding the assessment results of internal control concerning financial reporting in the Internal Control Report. The auditor is responsible for providing instructions, supervision, and implementation of the audit of the Internal Control Report. The auditor is independently responsible for its audit opinion.

The auditor reports to the Audit and Supervisory Committee regarding the scope and implementation time of the planned internal control audit, the results thereof, any identified significant deficiencies in internal control which should be disclosed, and the results of their remediation, and other matters required under internal control auditing standards.

The auditor reports on the auditor' s compliance with the rules of professional ethics regarding independence in Japan, on matters reasonably considered to affect auditor's independence and any safeguards, if any, taken to mitigate or reduce the limiting factors to the Audit and Supervisory Committee.

Conflict of Interests

There is no interest that should be noted pursuant to the provisions of the Certified Public Accountant Act between the Company or its consolidated subsidiaries and our audit firm or between the Company or consolidated subsidiaries and the managing partners.

Regards

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*1 The original of the above audit report is kept separately by the Company (the company submitting the Annual Securities Report).

2 XBRL data is not included in the scope of the audit.

(English Translation)

Report by Independent Auditor

June 23, 2023

To the Board of Directors of
ANEST IWATA Corporation

SEINAN AUDIT CORPORATION.
Minato-ku, Tokyo

Engagement Partner
Certified Public Accountant: Toshio Saito

Engagement Partner
Certified Public Accountant: Miho Toriumi

Audit Opinion

We have audited the non-consolidated financial statements, i.e., non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, significant accounting policies, and basic, other notes and supplementary schedules of ANEST IWATA Corporation (“the Company”) for the fiscal year from April 1, 2022 to March 31, 2023, that are included in the "Status of Accounting" section, in order to conduct audit certification in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and the financial performance for the fiscal year then ended in conformity with accounting principles generally accepted in Japan.

Basis of Audit Opinion

We have conducted the audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are described in the section "Auditor’s Responsibility for the Audit of the Non-Consolidated Financial Statements." We are independent of the Company and have fulfilled our other ethical responsibilities as auditors in accordance with the rules of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Major Audit Considerations

Major audit considerations are those that the auditors, in their professional capacity during the audit of the non-consolidated financial statements for the current fiscal year, determine to be particularly important. Major audit considerations are those addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of Shares and Investments in Capital of Affiliated Companies	
Details and reasons for decisions regarding major audit considerations	How the matter was addressed in our audit
As of March 31, 2023, the Company recorded 3,202,098 thousand yen in shares of affiliated companies and 4,142,224 thousand yen in investments in capital of affiliated companies on its balance sheet, and all such shares and investments in capital of affiliated companies (hereinafter "shares of affiliated companies") are shares without market prices. If the net asset value of shares without market prices declines substantially due to deteriorating financial conditions or excess profitability of related companies, impairment will be recognized for the amount deemed necessary in consideration of recoverability (Refer to "Notes to Non-Consolidated Financial Statements (Significant accounting estimates)"). The Company has determined recognizing impairment losses on shares of affiliated companies in the current term is not necessary. We have determined the examination of the appropriateness of the valuation of shares of affiliated companies to be the major audit considerations for the following reasons. • Shares of affiliated companies have a high monetary importance in terms of the financial statements. Thus, the overall effect on financial statements may be far-reaching following the write-down process due to a significant decline in net asset value. • Calculation of the net asset value and the consideration of recoverability in the event of a major decline in the net asset value are based on the judgment and assumptions made by management. • Heightened uncertainty in global economic trends has increased the uncertainty in the assumptions by management hypotheses which are considered in the future business plan.	The following audit procedures were mainly carried out to review the appropriateness of the valuation of shares of affiliated companies. • Effectiveness of the design and operation of internal control regarding the valuation of shares of affiliated companies was assessed. • The calculation method of the net asset value of shares of affiliated companies was considered in order to determine whether impairment losses were properly identified. Financial data of related companies, which is the information that forms the basis for calculating the net asset value, and the rationality of future business plans, including key hypotheses in consideration of determining recoverability, were examined and a stress test on the business plans was carried out. • Net asset value of shares of affiliated companies were recalculated, and comprehensive identification of a significant decline in the net asset value of shares against their book value was confirmed. • Meeting proceedings of the Board of Directors and other bodies that have an influential role in the Company's management decision-making were reviewed to ascertain that they contain the comprehensive information to be considered. • Interviews were conducted with management, and field visits were conducted at overseas subsidiaries where deemed necessary. This was useful in gaining an understanding of the business environment of affiliated companies and verifying indications of declining financial conditions of affiliated companies, if any. • In order to determine whether various unstable factors arising in an uncertain environment constitute the determination of impairment loss recognition, we reviewed the situation of foreign subsidiaries for 1-3 months after the end of the fiscal year, as deemed necessary.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the non-consolidated financial statements, and our auditor's reports thereon. Management is responsible for preparing and disclosing the other information. The Audit and Supervisory Committee is responsible for overseeing the execution of duties by the Directors in designing and operating the reporting process of the other information.

The other information does not fall under the scope of our opinion on the non-consolidated financial statements, and we express no opinion on the other information.

Our responsibility in auditing the non-consolidated financial statements is to read through the other information and, in the course of reading, consider whether there are any material differences between the other information and the non-

consolidated financial statements or our knowledge obtained in the course of our audit, and to pay attention to whether there are any other signs of material errors in the other information in addition to such material differences.

If, based on the work we have performed, we determine that there are material errors in the other information, we are required to report that fact.

We did not find any particular matters which need to be reported with respect to the other information.

Responsibility of Management and Audit and Supervisory Committee for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements based on premise of a going concern and responsible for disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the performance of duties by the Directors in the development and operation of the reporting process for the finances.

Auditor’s Responsibility for the Audit of the Non-Consolidated Financial Statements

The auditor's responsibility is to obtain reasonable assurance regarding whether the non-consolidated financial statements as a whole contain any significant misstatements due to fraud or error, based on the audit performed, and to provide an opinion on the non-consolidated financial statements in the audit report from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to affect the decisions made by users of the non-consolidated financial statements.

The auditor shall follow auditing standards generally accepted in Japan, and deliver a judgment as an expert by maintaining professional skepticism and by taking the following actions throughout the audit.

- The auditor Identifies and assesses the risk of significant misstatements due to fraud or error. The auditor designs and implements audit procedures that address the risks of said significant misstatements. It is the auditor's decision to select and apply audit procedures. The auditor obtains sufficient and appropriate audit evidence to provide a basis for our opinion.
- The purpose of auditing non-consolidated financial statements is not to express opinions on the effectiveness of the internal control; but to review internal control related to the audit when conducting risk assessments in order to design audit procedures that are situationally appropriate.
- The auditor assesses the appropriateness of the accounting policies and application methods thereof adopted by management, the rationality of the accounting estimates made by management, and the validity of related notes.
- The auditor concludes whether it is appropriate for management to prepare the non-consolidated financial statements on the premise of an going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the premise of going concern. If a material uncertainty on the premise of an going concern is identified, the auditor is required to draw attention to it in the notes to the non-consolidated financial statements in the auditor's report. If the notes on the non-consolidated financial statements regarding material uncertainty are insufficient, the auditor is required to present a qualified opinion with an exceptive item on the non-consolidated financial statements. The auditor's conclusion is based on audit evidence obtained by the date of the auditor's report. However, future events or circumstances may prevent a company from continuing as an going concern.
- The auditor assesses whether presentation and notes regarding the non-consolidated financial statement comply with accounting principles generally accepted in Japan and whether presentation, structure, and details of the non-consolidated financial statements, along with the relevant notes, present appropriately the underlying ransactions and accounting events.

The auditor reports the scope and implementation time of the planned audit, key audit findings that include critical deficiencies in internal control which have been identified during the audit, and other matters required by the audit standards to the Audit and Supervisory Committee.

The auditor reports on the auditor’ s compliance with the rules of professional ethics regarding independence in Japan, on matters reasonably considered to affect auditor's independence and any safeguards, if any, taken to mitigate or reduce the limiting factors to the Audit and Supervisory Committee.

Among matters discussed with Audit and Supervisory Committee, the auditor determines matters considered to be specifically important in the audit of the non-consolidated financial statements for the current fiscal year to be key audit matters, and includes them in the auditor's report. However, in cases where public disclosure of such matters is prohibited by laws and regulations, or although very limited, in cases where the auditor determines that such matters should not be reported by the auditor because it can be reasonably expected that the disadvantages that could arise from reporting them in the auditor’s report would outweigh the public benefit from doing so, such matters are not included in the auditor's report.

Conflict of Interests

There is no interest that should be noted pursuant to the provisions of the Certified Public Accountant Act between the Company and our audit firm or between the Company and the managing partners.

Regards

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