



The Heart of Industry

IWAKI

Results of Operations for the
Fiscal Year Ended March 31, 2017 (FY3/17)

May 26, 2017

IWAKI CO.,LTD.

Stock code: 6237

Trade name: Iwaki Pump



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Summary of FY3/17 Financial Results

(Millions of yen)

	FY3/16	FY3/17		FY3/17 Forecast*
		Amount	YoY change	
Net sales	24,830	25,146	+1.3%	24,871
Gross profit	8,413	8,175	-2.8%	8,224
(Gross margin)	(33.9%)	(32.5%)	(-1.4pt)	(33.1%)
Operating profit	1,533	1,465	-4.4%	1,594
(Operating margin)	(6.1%)	(5.8%)	(-0.3pt)	(6.4%)
Ordinary profit	1,991	2,136	+7.3%	2,067
Profit attributable to owners of parent	1,527	1,690	+10.7%	1,527
Net income per share (Yen)	223.99	225.93	+0.9%	204.04
Exchange rate (average)	USD/JPY (Yen)	121.11	108.81	98.00
	EUR/JPY (Yen)	134.31	120.30	108.00

* Announced on November 9, 2016

1

Sales increased

- ✓ Double-digit growth in sales in the medical equipment market; higher demand for pumps used in dialysis equipment was one reason
- ✓ Capital expenditures in the semiconductor/liquid crystal and surface treatment equipment markets contributed to higher sales and there was a double-digit growth in Asia

2

Operating profit decreased

- ✓ A change in the product mix negatively affected earnings
- ✓ A change in the geographic mix (growth in 4Q overseas sales) negatively affected earnings
- ✓ Product warranty expenses increased because of higher sales of new products in the semiconductor/liquid crystal market

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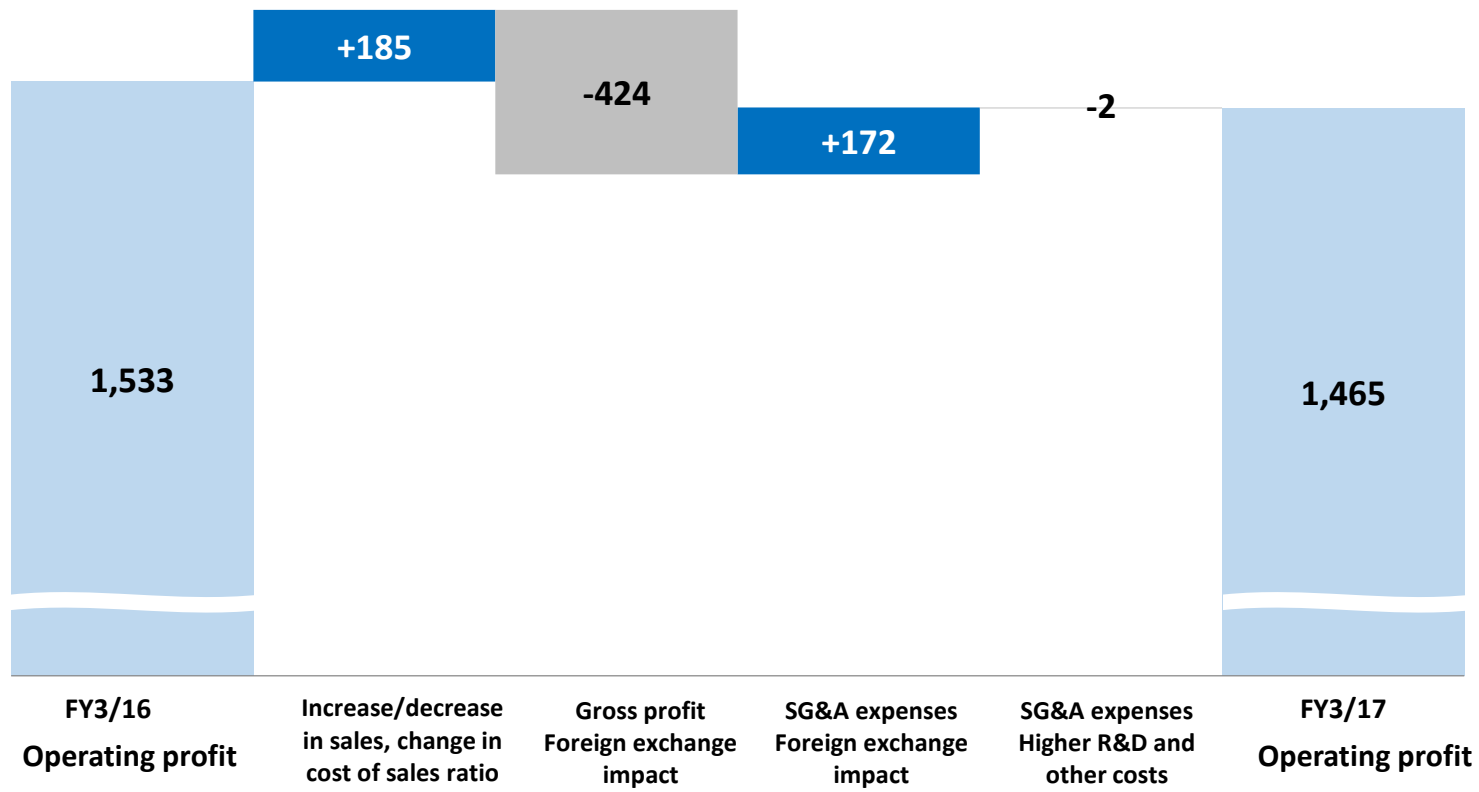
Higher ordinary profit resulting from growth in equity-method income

- Performance benefited from strength in the semiconductor/liquid crystal and surface treatment markets in east Asia

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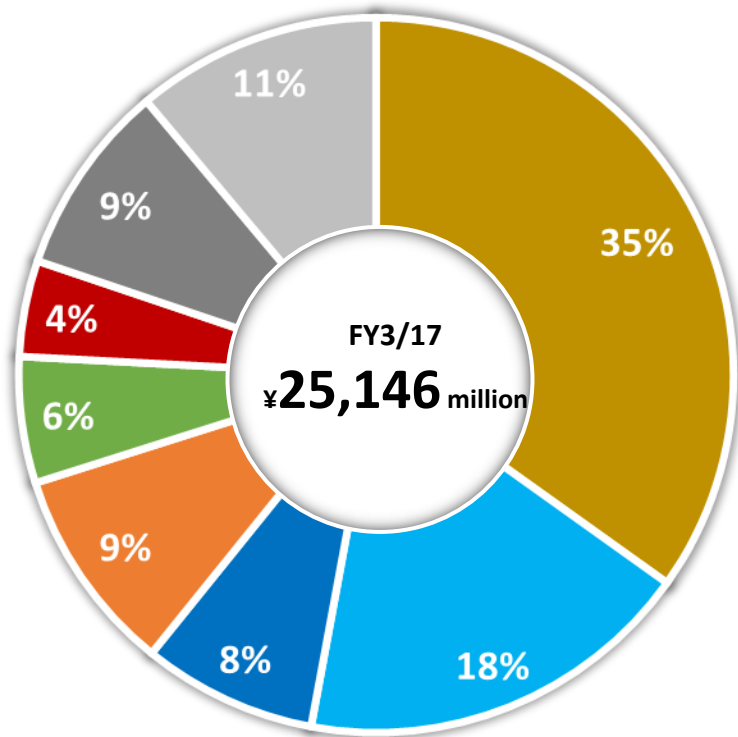
Factors Affecting Profitability









(Millions of yen)



Higher sales of magnetic drive pumps, and a double-digit growth in pneumatic drive pumps sales

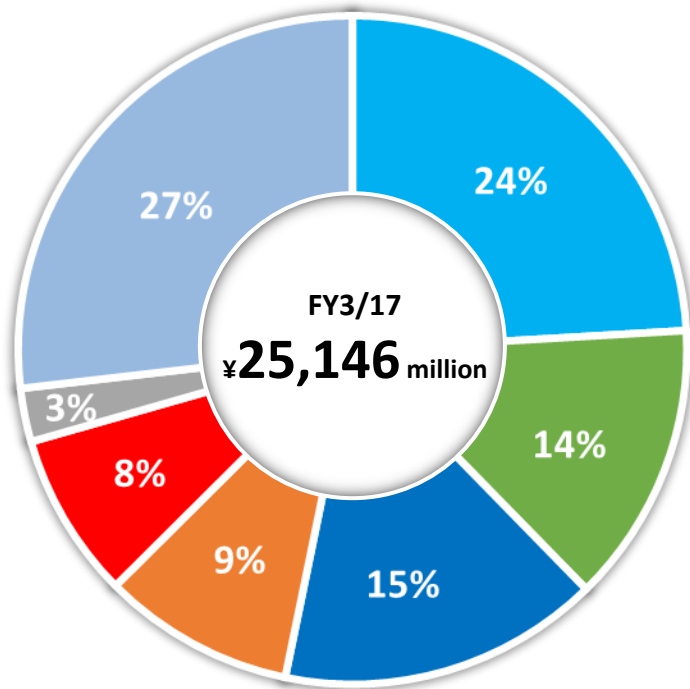
Consolidated sales










	Sales (Millions of yen)	YoY change
 Magnetic drive pumps	8,769	+3.6%
 Metering pumps	4,537	-0.4%
 Pneumatic drive pumps	1,984	+12.2%
 Rotary displacement pumps	2,342	-6.5%
 Air pumps	1,436	-2.1%
 System products	1,092	-7.8%
 Purchased products	2,192	-0.8%
 Others	2,791	+4.2%

Higher sales in the semiconductor/liquid crystal and medical equipment markets
and a sharp drop in new energy sales

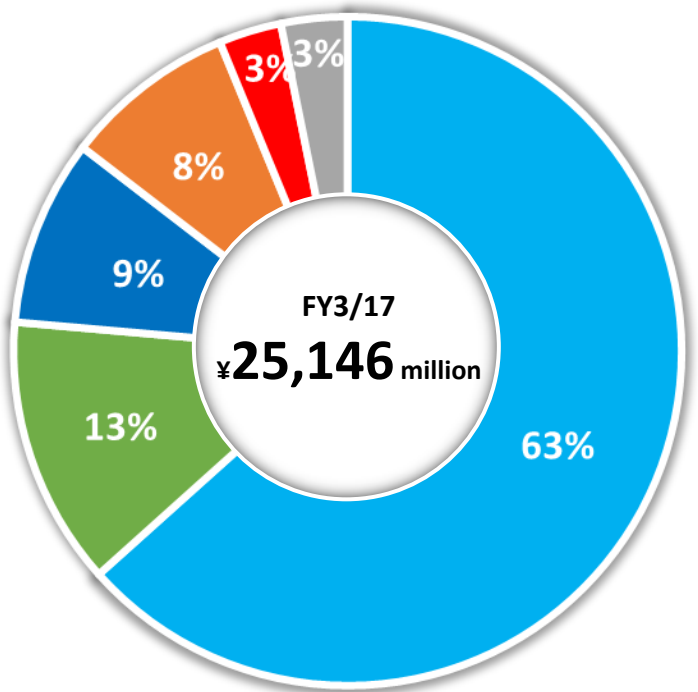
Consolidated sales



	Sales (Millions of yen)	YoY change
 Water treatment	6,053	+0.3%
 Semiconductor/liquid crystal	3,423	+4.6%
 Medical equipment	3,908	+11.5%
 Chemicals	2,341	-9.2%
 Surface treatment equipment	2,020	+0.4%
 New energy	650	-32.6%
 Others	6,748	+4.4%

Overseas sales were down in all regions except Asia

Consolidated sales



Overseas sales ratio **36.6%**

	Sales (Millions of yen)	YoY change
Japan	15,935	+1.7%
Overseas total	9,210	+0.6%
America	3,273	-2.2%
Europe	2,271	-4.5%
Asia	2,095	+17.2%
China	764	-1.7%
Others	806	-7.5%

	Mar. 31, 2016		Mar. 31, 2017		YoY change
	Amount	Share	Amount	Share	Amount
Current assets	19,688	77.4%	19,832	75.5%	+0.7
Cash and deposits	5,727	22.5%	6,191	23.6%	+8.1
Notes and accounts receivable-trade	8,411	33.1%	8,423	32.1%	+0.1
Other	5,550	21.8%	5,217	19.9%	-6.0
Non-current assets	5,749	22.6%	6,421	24.5%	+11.7
Property, plant and equipment	2,957	11.6%	3,724	14.2%	+25.9
Intangible assets	233	0.9%	223	0.9%	-4.2
Investments and other assets	2,558	10.1%	2,473	9.4%	-3.3
Total assets	25,438	100.0%	26,253	100.0%	+3.2
Current liabilities	7,119	28.0%	7,031	26.8%	-1.2
Notes and accounts payable-trade	3,886	15.3%	4,345	16.6%	+11.8
Short-term interest-bearing debt	919	3.6%	651	2.5%	-29.1
Other	2,314	9.1%	2,034	7.7%	-12.1
Non-current liabilities	2,242	8.8%	2,315	8.8%	+3.2
Long-term interest-bearing debt	436	1.7%	406	1.5%	-6.8
Other	1,806	7.1%	1,909	7.3%	+5.7
Total liabilities	9,362	36.8%	9,347	35.6%	-0.2
Total net assets	16,075	63.2%	16,906	64.4%	+5.2
Total liabilities and net assets	25,438	100.0%	26,253	100.0%	+3.2

(Millions of yen)

- Redemption of securities and investment securities

- Redemption of securities

- Increase in construction in progress due to the construction of new Technical Center

- Redemption of investment securities

- Increase in the amount of purchases

- Decrease in foreign-currency borrowings

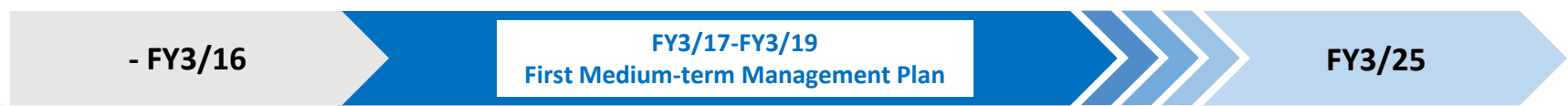
(Millions of yen)

	FY3/16 Amount	FY3/17		Major components
		Amount	YoY change	
Cash flows from operating activities	1,413	2,001	+587	• Increase in notes and accounts payable-trade
Cash flows from investing activities	997	-150	-1,147	• Purchase of property, plant and equipment
Cash flows from financing activities	-935	-1,151	-215	• Short-term loans payable and cash dividends paid
Net increase (decrease) in cash and cash equivalents	1,393	685	-708	
Cash and cash equivalents at beginning of period	4,032	5,426	+1,393	
Cash and cash equivalents at end of period	5,426	6,111	+685	

Capital expenditures	384	369	-15	
R&D expenses	513	532	+19	
Depreciation	472	498	+26	

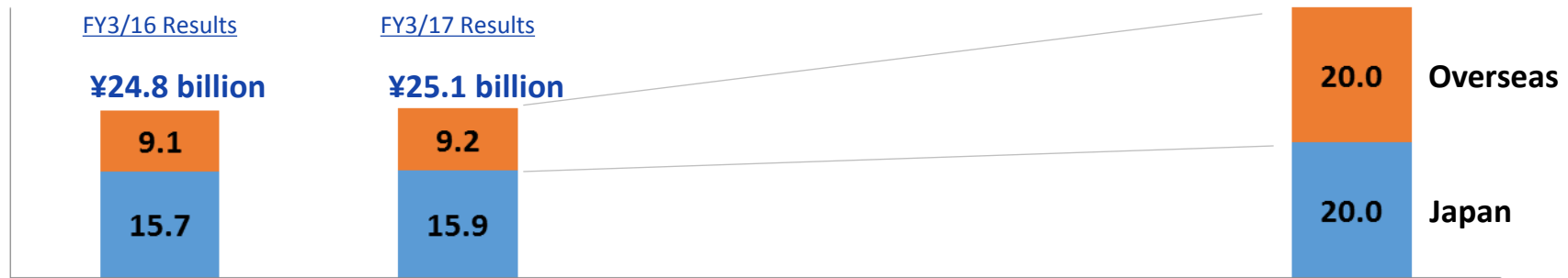


Our Strategies



Numerical targets

Consolidated sales



Strategic goal

To supply the world's best products as All Iwaki
 – We will work together to supply the world's best **products, quality, value, and services** –

Steps for achieving the 10-year vision

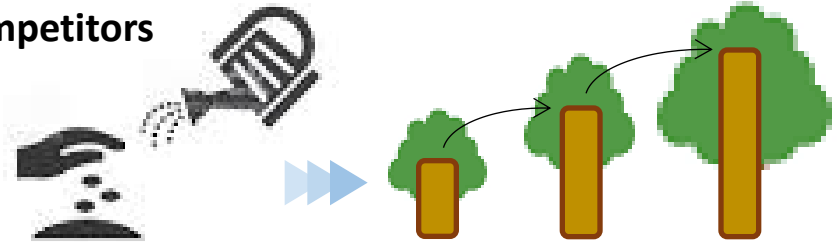


Rebuilding the profit structure

- 1. Concentrate resources on markets targeted for reinforcement (medical equipment, new energy, water treatment)
→ Develop products more efficiently**
- 2. Improve ability to serve customers; operate a solutions business**
- 3. Build a business model for new activities**
- 4. Establish and execute sales strategies matching the characteristics of strategic overseas regions; become more price competitive and improve ability to serve customers**

Japan

- Target demand for the replacement of products of competitors
- Establish and strengthen the solutions business
- Meet customers' demands involving products, parts, delivery, etc.



Key market sectors (and new businesses) in each overseas region

- **America:** Water treatment, medical equipment (Aquatic business)
- **Europe:** Water treatment, medical equipment, chemicals/chemical manufacturing equipment, cooling equipment (Aquatic business)
- **ASEAN:** Water treatment, surface treatment equipment, chemicals, medical equipment (Aquatic business)
- **China:** Medical equipment, new energy, water treatment

Investments

- Make more investments in production facilities in Europe, use more outsourced manufacturing companies in China, strengthen logistics
- Consider alliances and M&A for the expansion of business operations



Acquired in Dec. 2016: Growth strategy centered on residual chlorine meters

Global operations

- Growth of water/sewer systems in Asia  More demand for residual chlorine meters
- TechnoECHO is using IWAKI's overseas network for sales activities and other support



Enter and create new markets to benefit from synergies

- Compact residual chlorine meter  Enter the public welfare market (nursing care bathtubs)
 Create demand involving medical equipment (equipment with meters)
- Combine IWAKI's pump quality and sales network with the distinctive technologies in TechnoECHO's residual chlorine meters

Grow in current markets

- Hotel construction boom for Tokyo Olympics  More demand for residual chlorine meters at hot bathing facilities
- Implement a sales strategy that uses IWAKI's network in Japan for sales activities and other support

Procurement of parts

- Currently seeking more partner plants for the procurement of parts in China
- Cut the cost of manufacturing while maintaining the same high level of quality as in parts made in Japan



Outsourced manufacturing

- Companies for outsourced manufacturing have been selected and more will be added. Operations are to begin in about the fall of 2017.
- Use outsourcing to increase production where products are sold



Faster deliveries by simplifying distribution channels

Global operations

- An aquatic business project has started
 - ➡ The project team includes people from Japan and the US
- Marketing activities target opportunities worldwide



Division of roles and cooperation

- Design, production, sales and service operations that match the characteristics and requirements of individual countries
- Sharing of parts and materials that can be used



Growth in Japan

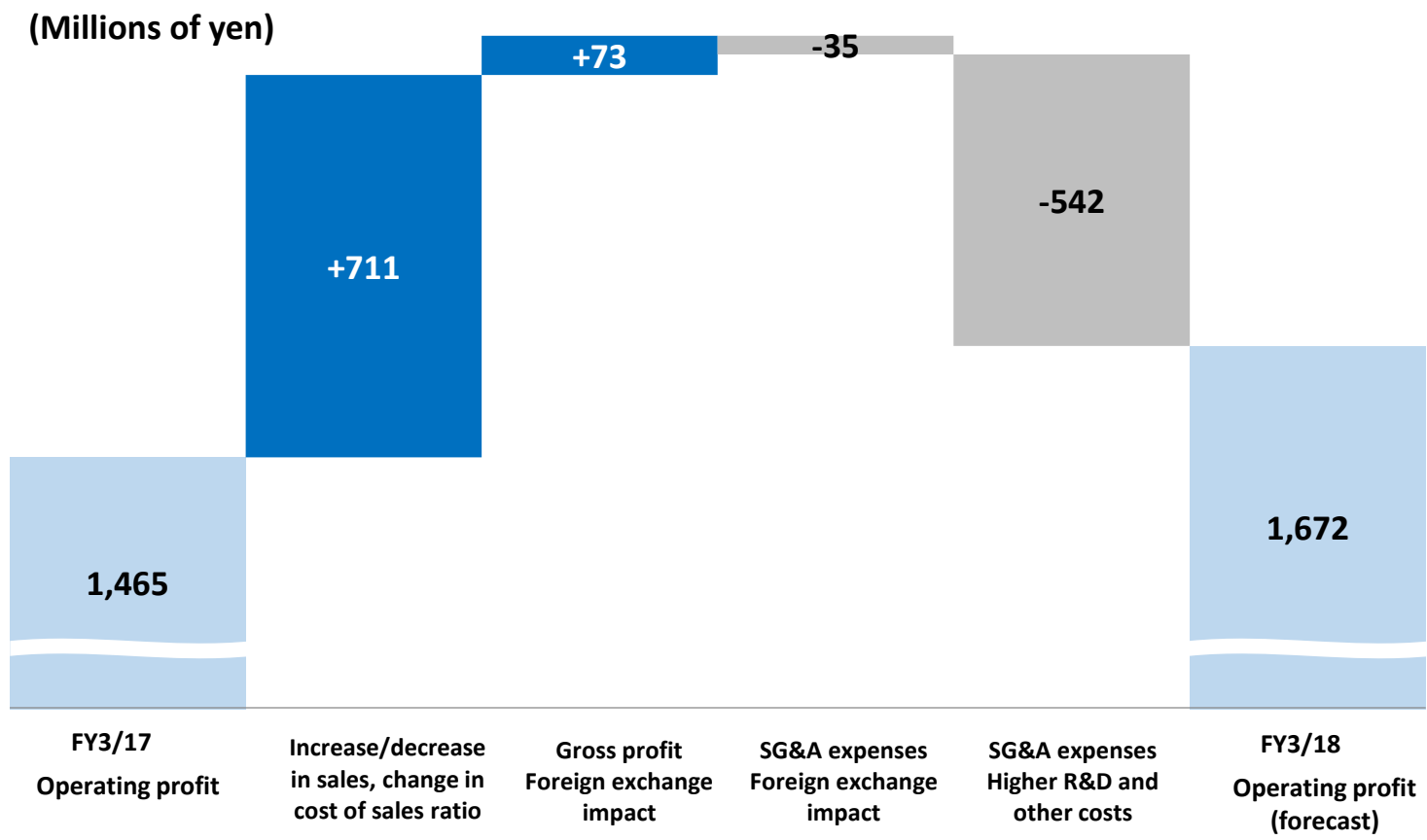
- Provide products and services in the medical and pharmaceuticals sectors
- US technology feedback ➡➡➡ Differentiate products from those of Japanese and foreign competitors



Outlook for FY3/18

(Millions of yen)

	FY3/17	FY3/18 (Forecast)		Medium-term Management Plan Initial plan
			YoY change	
Net sales	25,146	26,517	+5.5%	26,724
Operating profit	1,465	1,672	+14.1	2,113
(Operating margin)	(5.8%)	(6.3%)	(+0.5pt)	(7.9%)
Ordinary profit	2,136	1,969	-7.8%	2,552
Profit attributable to owners of parent	1,690	1,450	-14.2%	1,779
Net income per share (Yen)	225.93	193.82	-14.2%	237.83
Exchange rate (average)	USD/JPY (Yen)	108.81	113.00 (estimates)	98.00
	EUR/JPY (Yen)	120.30	120.00 (estimates)	108.00

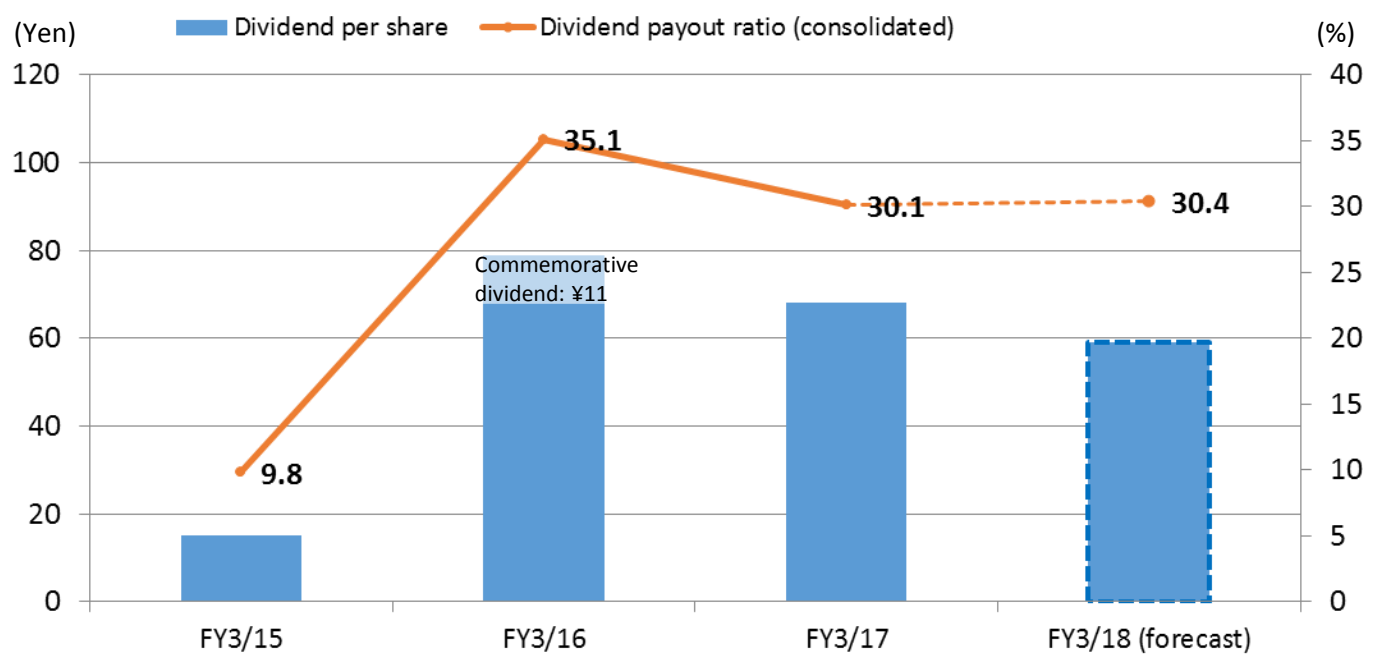


Market environment assumptions

	Japan	Overseas
Water treatment market	<ul style="list-style-type: none"> Steady growth in the functional water, water/sewer/ballast, sterilization, and liquid chemical supply sectors Demand at hot bathing and other facilities 	<ul style="list-style-type: none"> Steady growth in the sterilization and liquid chemical supply sectors Increasing investments in environment protection related water treatment equipment, mainly in Asia
Semiconductor/liquid crystal market	<ul style="list-style-type: none"> Steady demand at manufacturers of production equipment 	<ul style="list-style-type: none"> Investments in Asia will remain firm for now but the second half outlook is uncertain
Medical equipment market	<ul style="list-style-type: none"> Steady growth in dialysis equipment and clinical testing equipment 	<ul style="list-style-type: none"> Steady growth in biological and immunology analyzers used in China
New energy market	<ul style="list-style-type: none"> Slow growth will continue in the household fuel cell sector 	<ul style="list-style-type: none"> Solar cell/rechargeable battery production shifting out of Japan; increasing demand in Europe for wind power generation
Chemicals market	<ul style="list-style-type: none"> Demand related to development of value-added products and investments by pharmaceutical companies 	<ul style="list-style-type: none"> Investments in chemical production using shale gas feedstock and steady growth in chemicals for the automobile industry
Surface treatment equipment market	<ul style="list-style-type: none"> Electronic circuit board production is shifting from Japan to other countries Demand for value-added electronic components 	<ul style="list-style-type: none"> Steady growth due to increasing production of hybrid and electric automobiles

Basic policy

We plan to pay a consistent and steady dividend while retaining a sufficient amount of earnings for future business operations and for increasing our financial soundness.



Note: The FY3/15 dividend has been adjusted for the 10-for-1 stock split on January 2016.



Supplementary Information

The Iwaki Pledge

Our mission is to always be at the forefront of efforts to advance development in the global markets, industries and communities where we operate while building trust with, and contributing to the happiness of everyone we interact with.

Our Corporate Identity

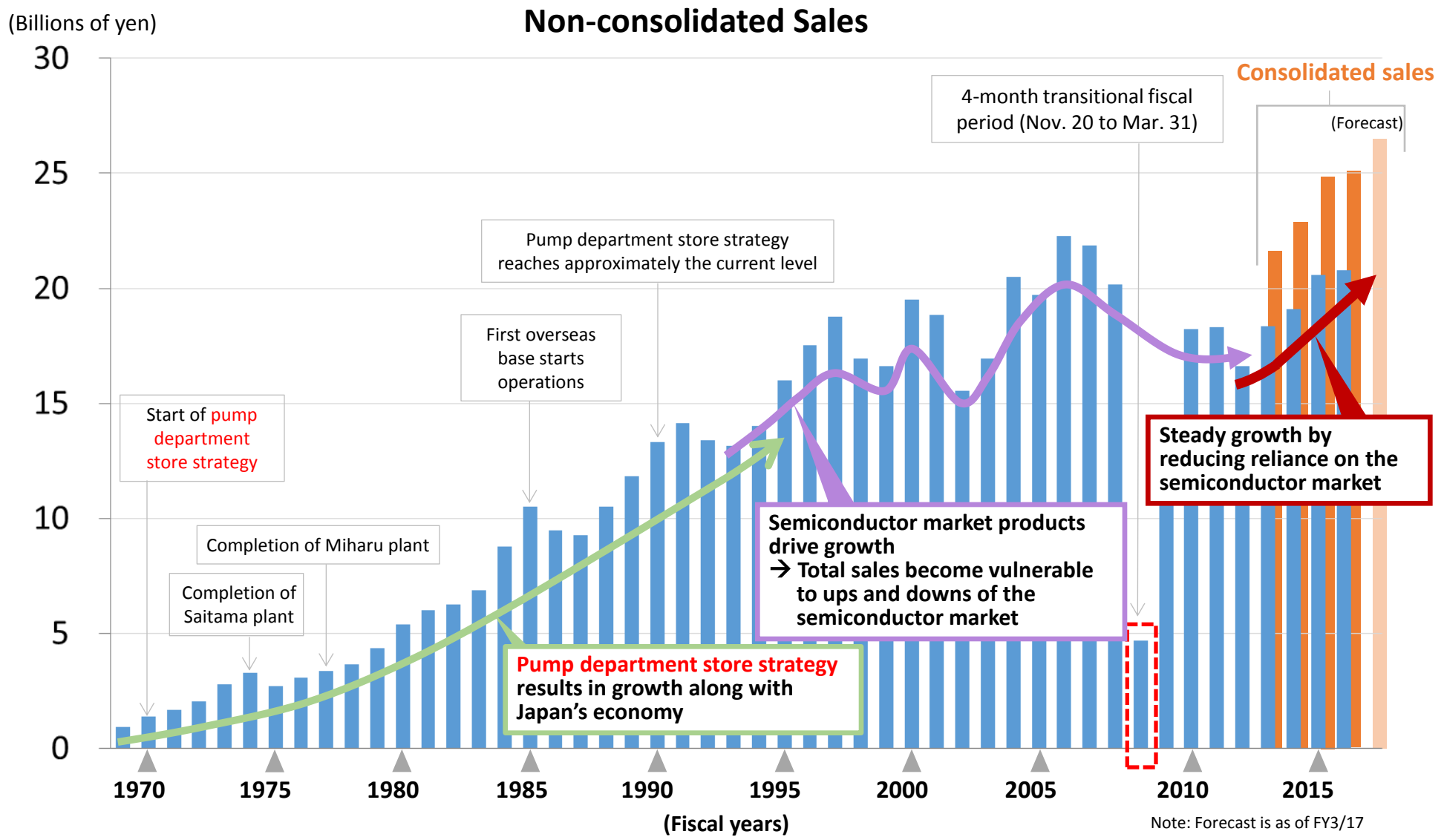


The Heart of Industry

IWAKI

Heart

- Chemical pumps... **The heart** of industry
- **A strong commitment** to contribute to industrial progress



1

A diverse lineup of products to meet our customers' requirements

2

Strong customer support backed by a global production, sales and support infrastructure

3

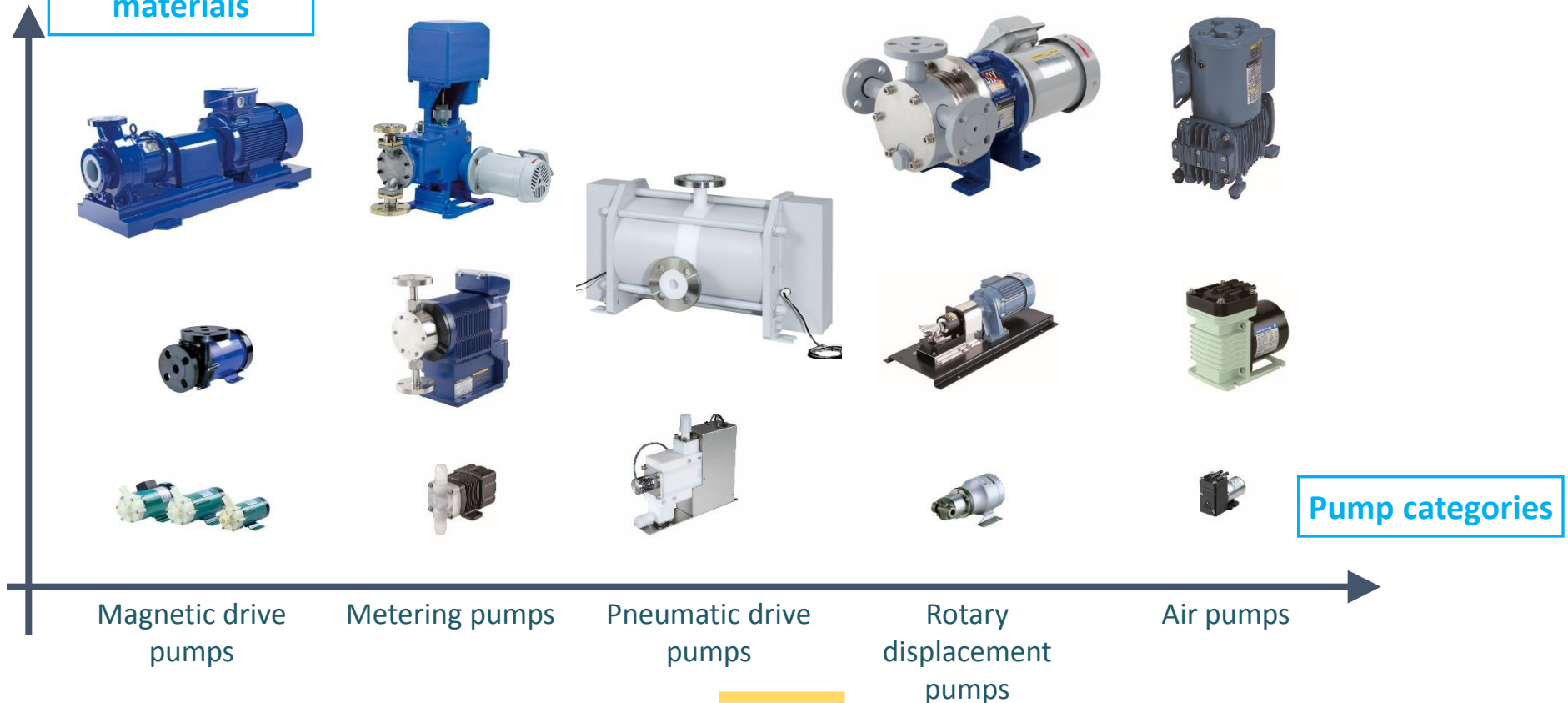
Able to create solutions using fluid control functions centered on pumps

4

The Iwaki Group encompasses upstream and downstream operations, extending from R&D to production, sales and maintenance

Pump size/
materials

More than 60 series of pump models. Offering tens of thousands of models.

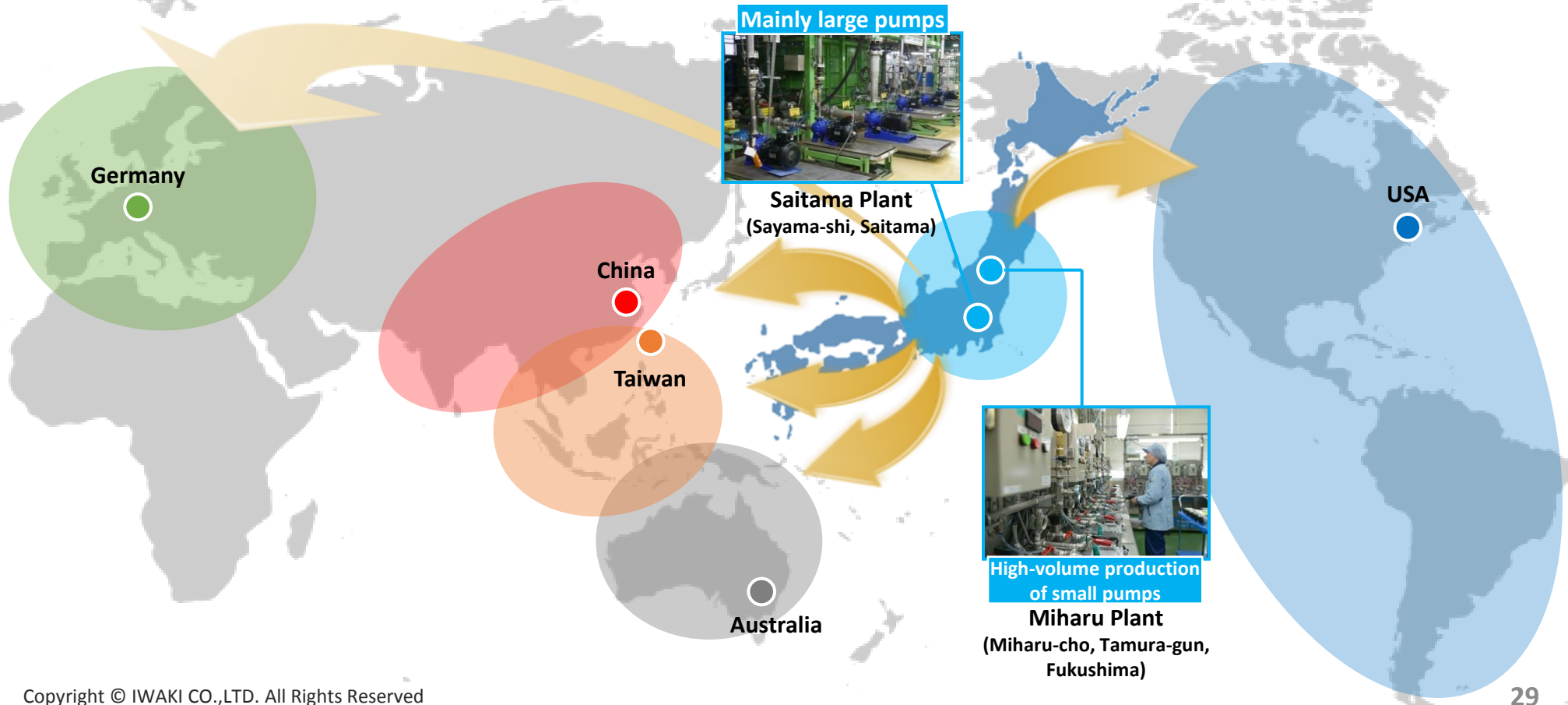


The skill to use a **large and diverse product lineup** to be a one-stop source of comprehensive solutions

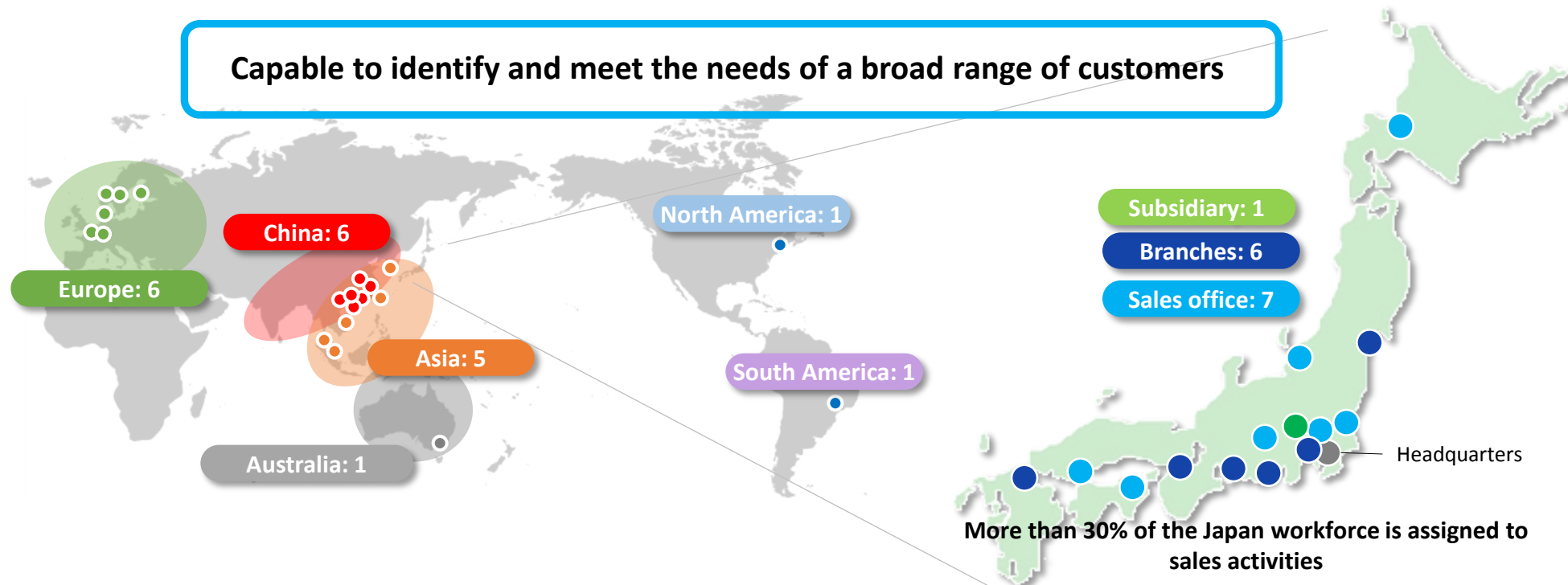
Annual capacity of around 800,000 units with the ability to make many models in small quantities

Japan: Two plants with efficient small-lot production of many models and highly reliable quality assurance systems

Overseas: Five locations manufacture pumps using main parts exported from our plants in Japan (knock-down manufacturing), resulting in efficiency for deliveries and inventories



- In Japan, IWAKI serves customers from its head office and branch and sales offices in 13 cities nationwide. The use of sales distributors in all areas of Japan also contributes to the ability to provide speedy services.
- IWAKI has a worldwide sales and service network with 20 group companies in 15 countries. Each key region will have a marketing manager with extensive knowledge of the local market. (A marketing manager has been dispatched for Europe and managers for other regions will be appointed subsequently.)

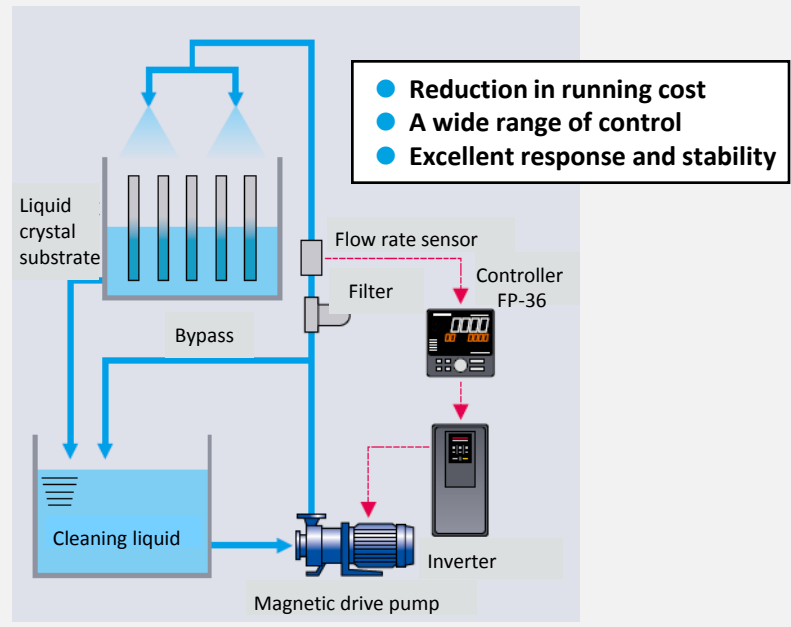


The ability to combine chemical pumps and other products for the creation of fluid control solutions

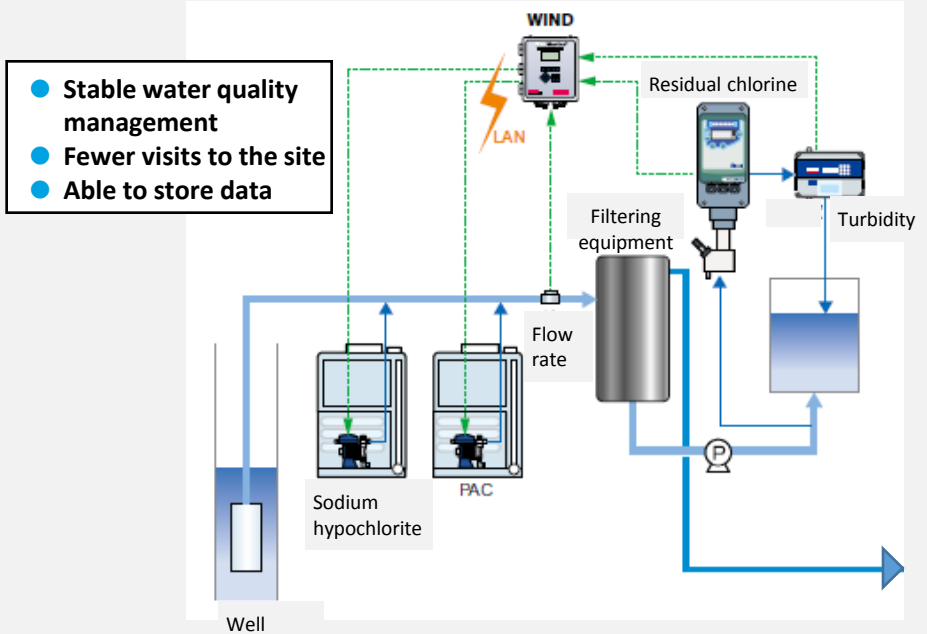
Developed a pump controller by using the know-how of a chemical pump manufacturer

Uses rotation speed feedback from a specialized controller to maintain constant flow rate and pressure in rotary pumps.

Manages water quality by using signals from a sensor to control pump operation; remote monitoring is possible via the Internet.



Example of use in a liquid crystal production process



Example of use in a well water disinfecting process

Fluid control equipment - 1

Blending system

Applications: Blending different types of liquids in food production, paper production and chemical processes



This system constantly mixes various fluids inside pipes

- Easy adjustment of mixing ratio
- Saves space by eliminating mixing tanks
- On-demand production

Fluid control equipment - 2

Pulsation-free equipment for injecting sodium hypochlorite

Applications: Stable injection of sodium hypochlorite used for disinfecting water at water purification plant



This system consistently injects sodium hypochlorite, a material that is difficult to transfer from one place to another

- Rotating volume structure ensures stable input with no fluctuations
- Long life of parts due to the use of highly durable materials
- Easy maintenance because of the simple structure

Medical equipment testing device

Laboheart NCVC

for testing the durability of auxiliary artificial hearts

Applications: Evaluation of performance and confirmation of durability for auxiliary artificial heart pumps, artificial valves and other items



This unit produces the beating of a heart for testing the performance and durability of auxiliary artificial heart units and other equipment.

- Adjustable major artery pressure pattern
- Designed for easy maintenance
- Almost no limitations on testing program settings

Biological testing device

LABREED

water tank system for small fish

Applications: Genetic research and toxicity tests using small fish



This unit maintains the ideal environment for hatching and raising small fish and facilitates the reliable supervision of all processes.

- Designed for outstanding durability and easy maintenance
- Used by research institutions and universities
- Uses materials with a minimal risk of producing environmental hormones



Magnetic drive pumps

Leakage-free structure for the prevention of leaks



Metering pumps

Pumps for injecting precise and consistent amounts of all types of liquid chemicals



Pneumatic drive pumps

Capable of handling liquid chemicals for semiconductor production processes and many other applications



Rotary displacement pumps

Pumps for moving viscous liquids and slurry (solids)



Air pumps

Pumps for suction, movement and other requirements for air, gas and other materials



System products

Products developed by using an enormous volume of fluid control expertise acquired over many years

Semiconductor/liquid crystal market

Medical equipment market

Surface treatment equipment market

Chemicals market

Water treatment market

New energy market

Others (Food, paper, others)



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For more information:

E-mail: ir@iwakipumps.jp

Telephone: +81-3-3254-2931