



The Heart of Industry

## Results of Operations for the First Half of the Fiscal Year Ending March 31, 2024 (FY3/24)

November 14, 2023

**IWAKI CO.,LTD.**

Stock code: 6237  
Trade name: Iwaki Pump



Iwaki linear pumps “LR” series  
Quiet, pulsation-free, and continuous flow.  
A vertical pump positioning is used based on ergonomics for a compact profile that is easy to carry.

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# **I. Summary of 1H FY3/24 Financial Results**

# Financial Summary



Sales were firm in all market categories. A big increase in sales and earnings mainly because of the contributions of two newly consolidated subsidiaries: Iwaki Hong Kong Group and Iwaki Shanghai. Profit attributable to owners of parent decreased because of the large extraordinary income one year earlier.

	1H FY3/23		1H FY3/24	
	Amount (Millions of yen)	Amount (Millions of yen)	Differences	YoY change
Net sales	17,810	<b>22,436</b>	4,625	+26.0%
Gross profit (Gross margin)	5,972 (33.5%)	<b>8,925</b> <b>(39.8%)</b>	2,952	+49.4%
Operating profit (Operating margin)	1,185 (6.7%)	<b>2,805</b> <b>(12.5%)</b>	1,619	+136.6%
Ordinary profit	2,205	<b>3,270</b>	1,064	+48.3%
Profit attributable to owners of parent	2,987	<b>2,188</b>	-798	-26.7%
Net income per share (Yen)	136.19	<b>99.46</b>	-36.73	-27.0%
Exchange rate (average)	USD/JPY (Yen)	123.15	134.99	
	EUR/JPY (Yen)	134.39	145.92	
	HKD/JPY (Yen)	-	17.22	
	CNY/JPY (Yen)	-	19.45	

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## **Sales: Double-digit growth in all market categories, a big contribution from newly consolidated subsidiaries, and a benefit from the yen's weakness**

- The newly consolidated subsidiaries (Iwaki Hong Kong Group and Iwaki Shanghai) added sales of ¥3,396 million (before consolidation adjustments) in 1H FY3/24.
- Iwaki Hong Kong Group primarily thrives in the medical equipment market, whereas Iwaki Shanghai's strength lies in the semiconductor/liquid crystal markets.
- Sales decreased in Asia, mainly Taiwan, because of downturns in the surface treatment and semiconductor/liquid crystal markets.
- Foreign exchange increased sales by ¥802 million vs. 1H FY3/23.

2

## **Operating profit: A big increase in earnings due to positive impacts from newly consolidated subsidiaries and sales growth from other sources**

- The newly consolidated subsidiaries added ¥1,161 million to operating profit (before consolidation adjustments) in 1H FY3/24.
- Earnings were also higher at subsidiaries other than the newly consolidated subsidiaries.
- Foreign exchange increased operating profit by ¥285 million vs. 1H FY3/23.

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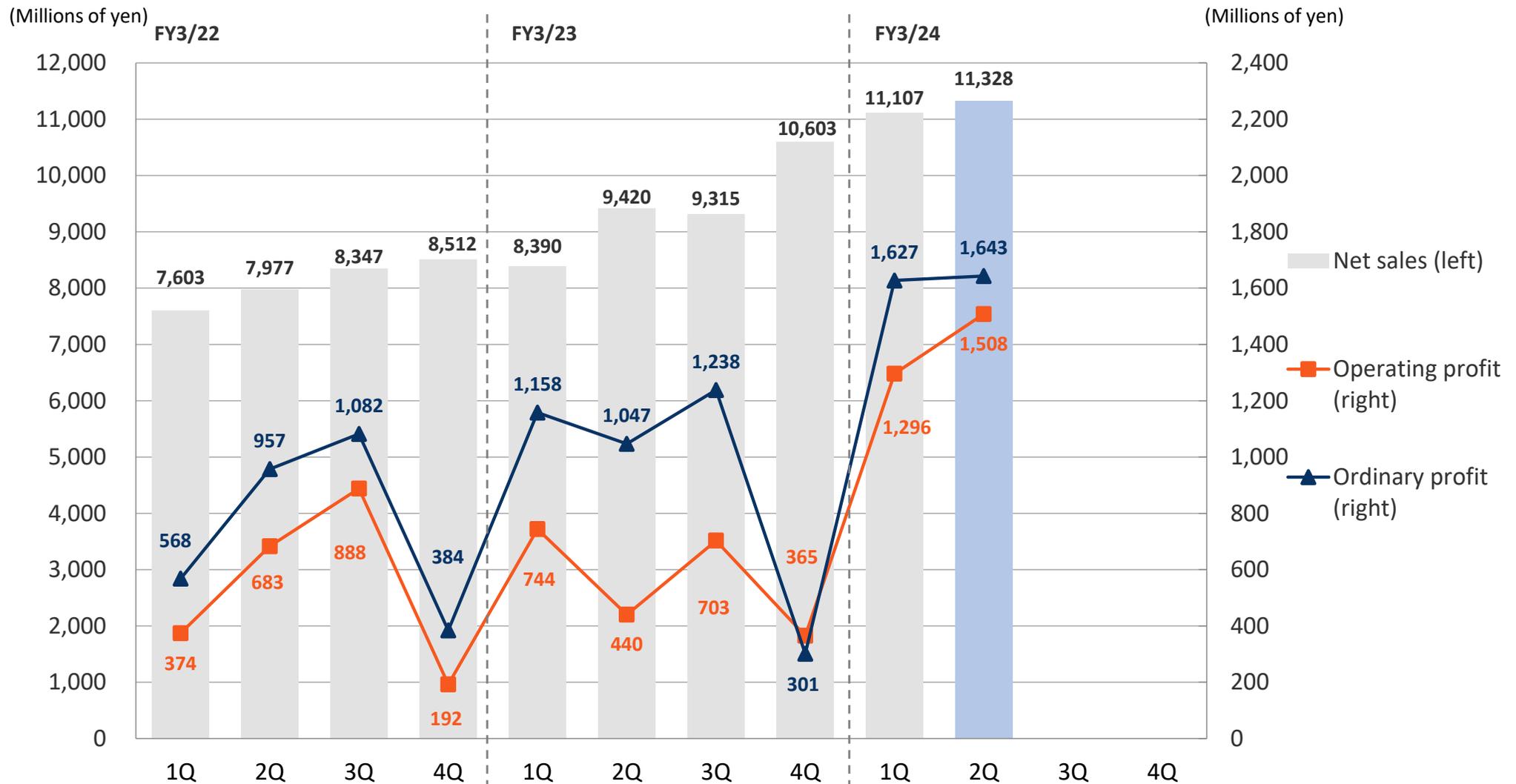
## **Profit attributable to owners of parent: Decreased mainly due to large extraordinary income one year earlier**

- A decrease in equity in earnings due to lower earnings of Iwaki Taiwan and the conversions of the Iwaki Hong Kong Group and Iwaki Shanghai into consolidated subsidiaries.
- Down from one year earlier when earnings included extraordinary income of ¥1,297 million for a gain on step acquisitions.

# Net Sales and Operating Profit (Quarterly)



Higher sales and earnings at all levels due in large part to the newly consolidated subsidiaries



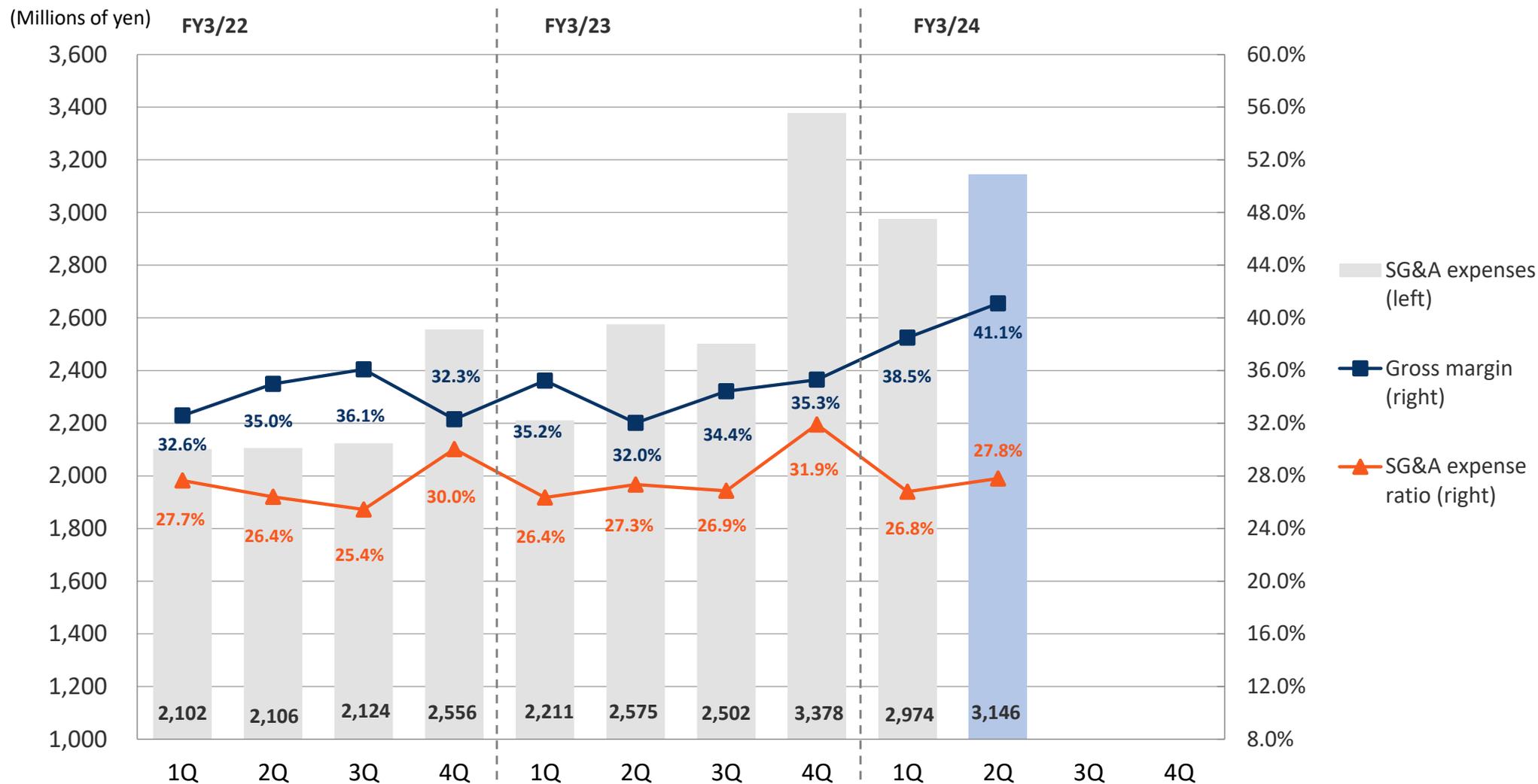
\* Figures for FY3/23 4Q and FY3/24 1Q reflect amortization expenses following the finalization of the purchase price allocation for the new consolidated subsidiaries.

# Gross Margin and SG&A Expense Ratio (Quarterly)



The gross margin improved due to new consolidated subsidiaries with high profit margins. The new subsidiaries increased SG&A expenses, goodwill amortization and the amortization of intangible assets.

The SG&A expense ratio was mostly unchanged despite higher travel/commuting expenses and other expenses.



\* Figures for FY3/23 4Q and FY3/24 1Q reflect amortization expenses following the finalization of the purchase price allocation for the new consolidated subsidiaries.

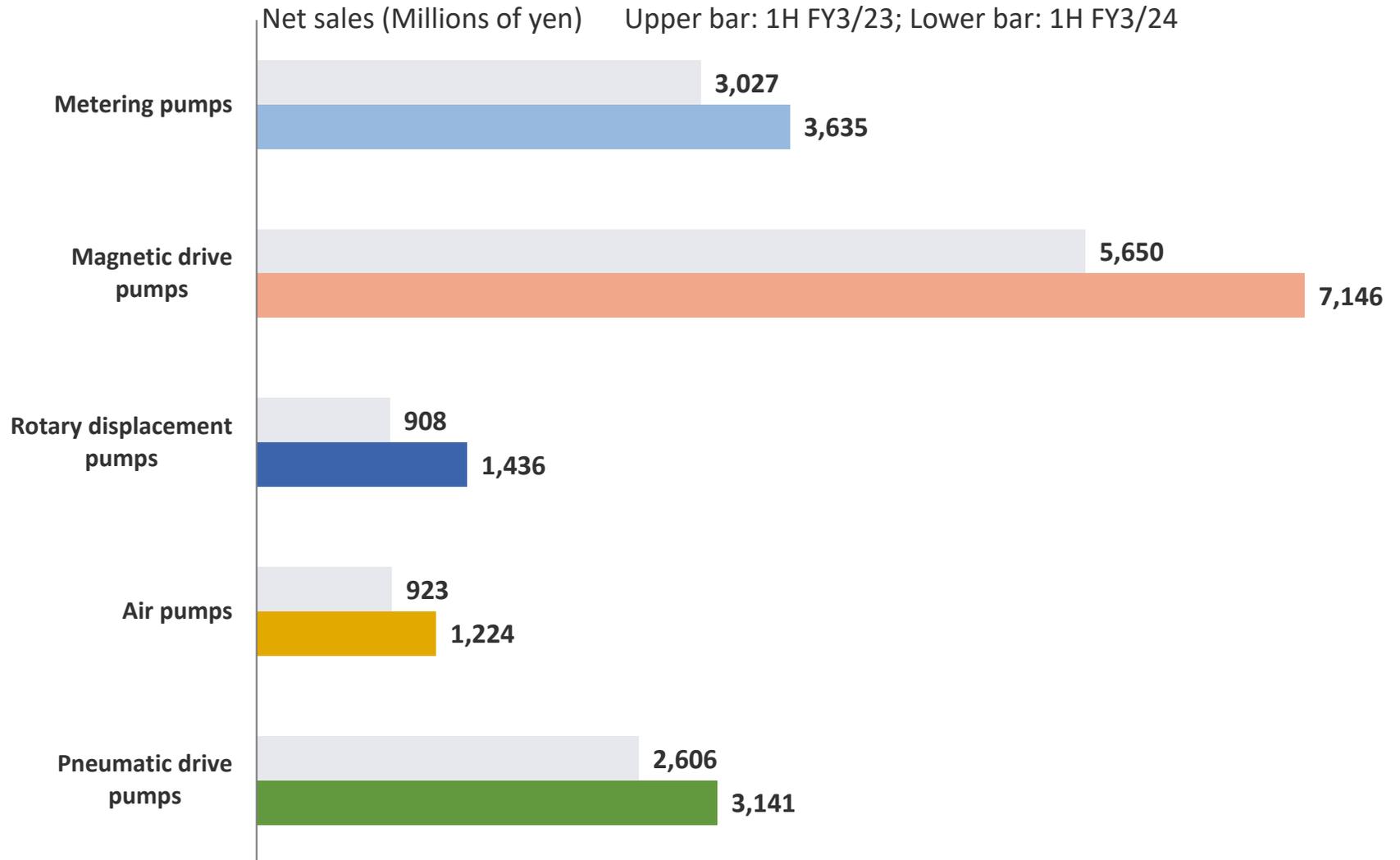
# Market Overview for Product Categories

Sold in many markets	Major pump applications	Magnetic drive pumps 	Metering pumps 	Pneumatic drive pumps 	Rotary displacement pumps 	Air pumps 	Systems products 
<b>Semiconductor/liquid crystal</b>	Semiconductor production equipment, etc.	●	○	●			○
<b>Medical equipment</b>	Dialysis equipment and clinical trial equipment, etc.	○	○		●	●	○
<b>Surface treatment equipment</b>	Printed circuit board manufacturing equipment, electronic component manufacturing, etc.	●	○				○
<b>Chemicals</b>	Liquid chemical manufacturing, etc.	●	○		○		○
<b>Water treatment</b>	Water purification plant, wastewater treatment, cooling towers, etc.	○	●		○	○	○
<b>New energy</b>	Renewable energy, rechargeable battery production, etc.	○	○		●		○
<b>Others (Food, paper, others)</b>	Food cleansing, cooling applications, etc.	○	○		●	○	○

\* A filled circle means major pumps in each market.

# Profitability of Products

Profitability

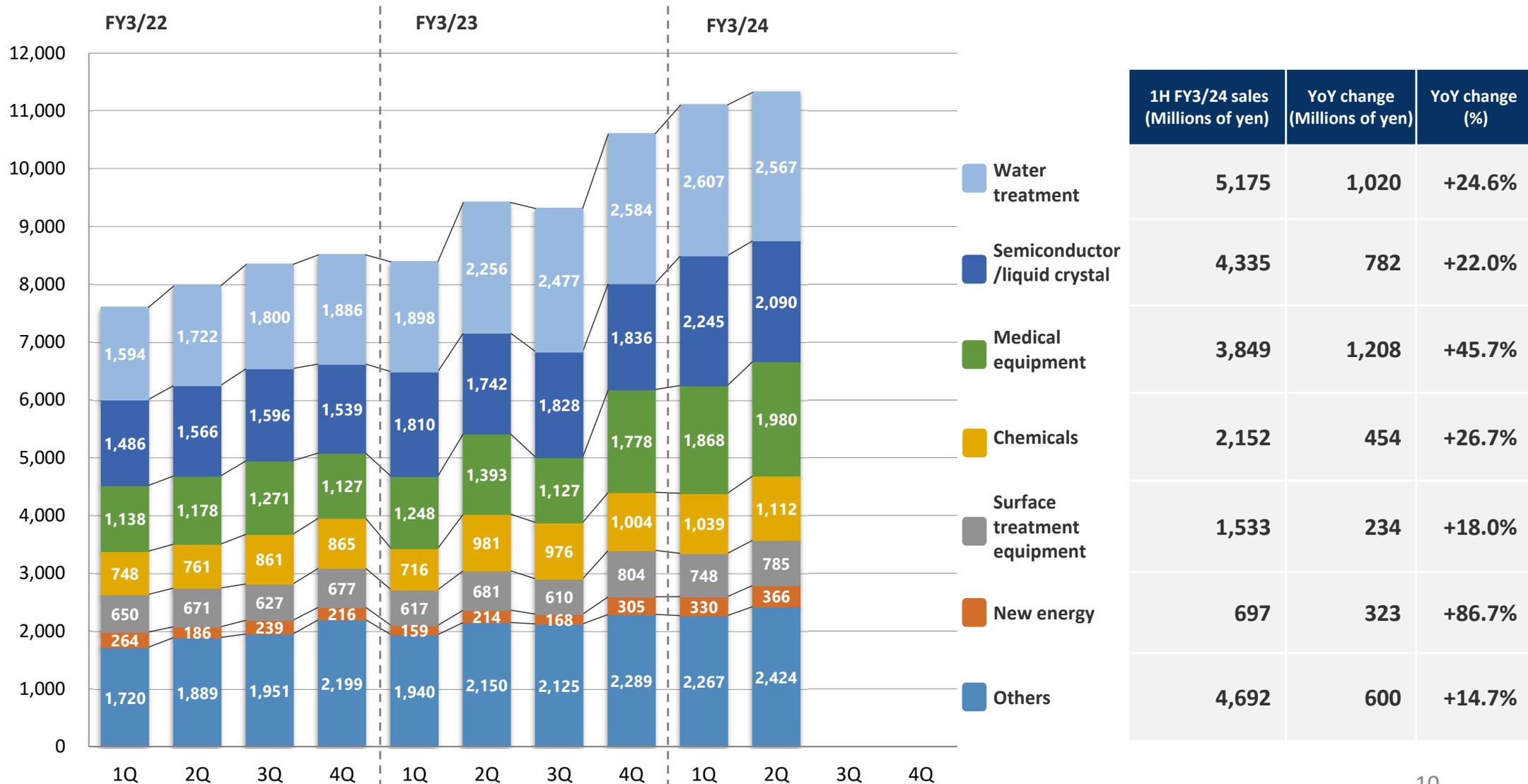


\*Excluding systems products, purchased products and other

# Market Category Sales



Double-digit growth in all market categories with especially strong growth in the Japan and U.S. water treatment markets. A big increase in medical equipment sales backed by strong growth in Japan and the newly consolidated Iwaki Hong Kong Group.



	1H FY3/24 sales (Millions of yen)	YoY change (Millions of yen)	YoY change (%)
Water treatment	5,175	1,020	+24.6%
Semiconductor /liquid crystal	4,335	782	+22.0%
Medical equipment	3,849	1,208	+45.7%
Chemicals	2,152	454	+26.7%
Surface treatment equipment	1,533	234	+18.0%
New energy	697	323	+86.7%
Others	4,692	600	+14.7%

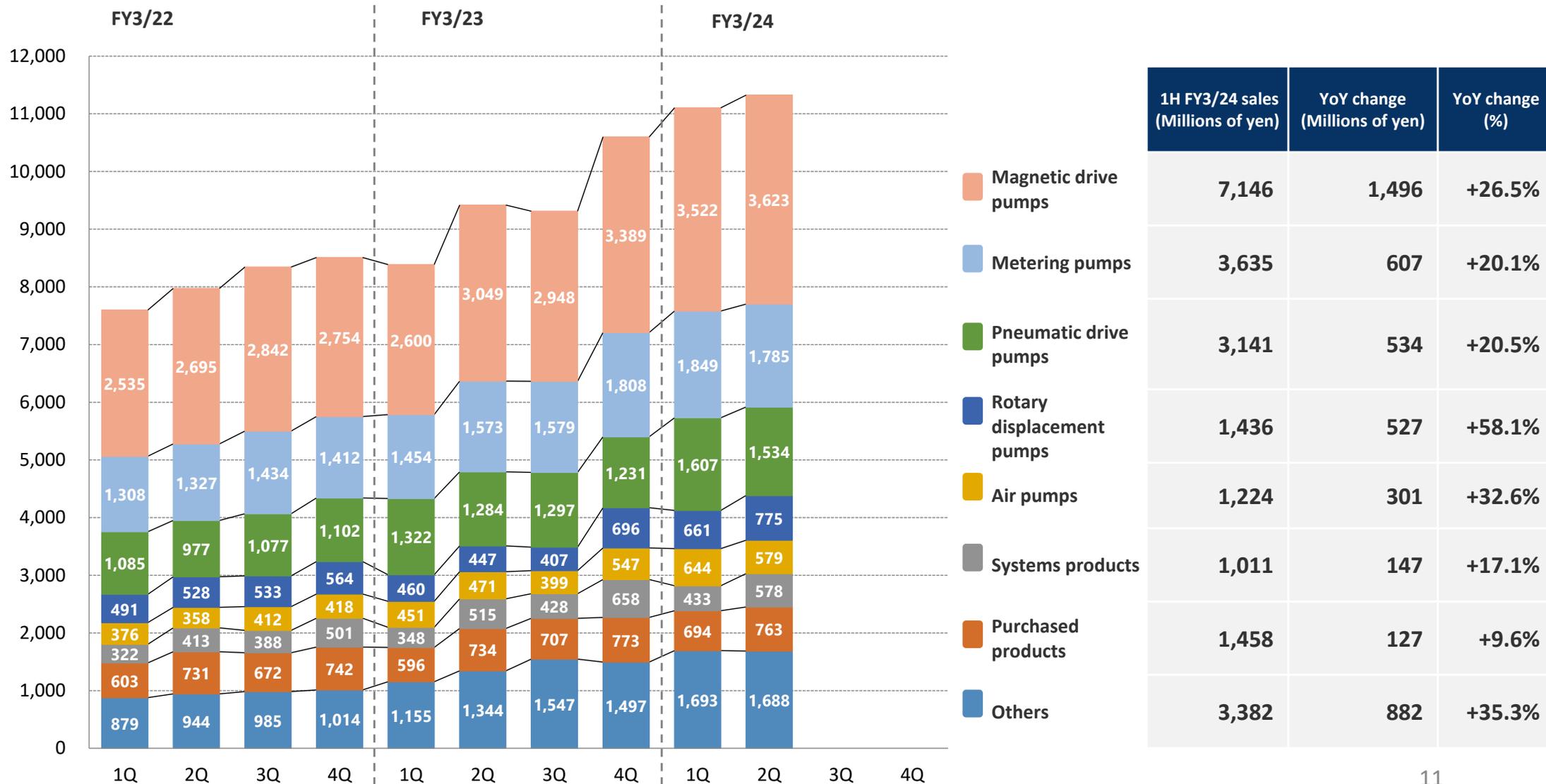
# Product Category Sales



Double-digit growth excluding purchased products.

Higher sales of rotary displacement pumps due to strong medical equipment market.

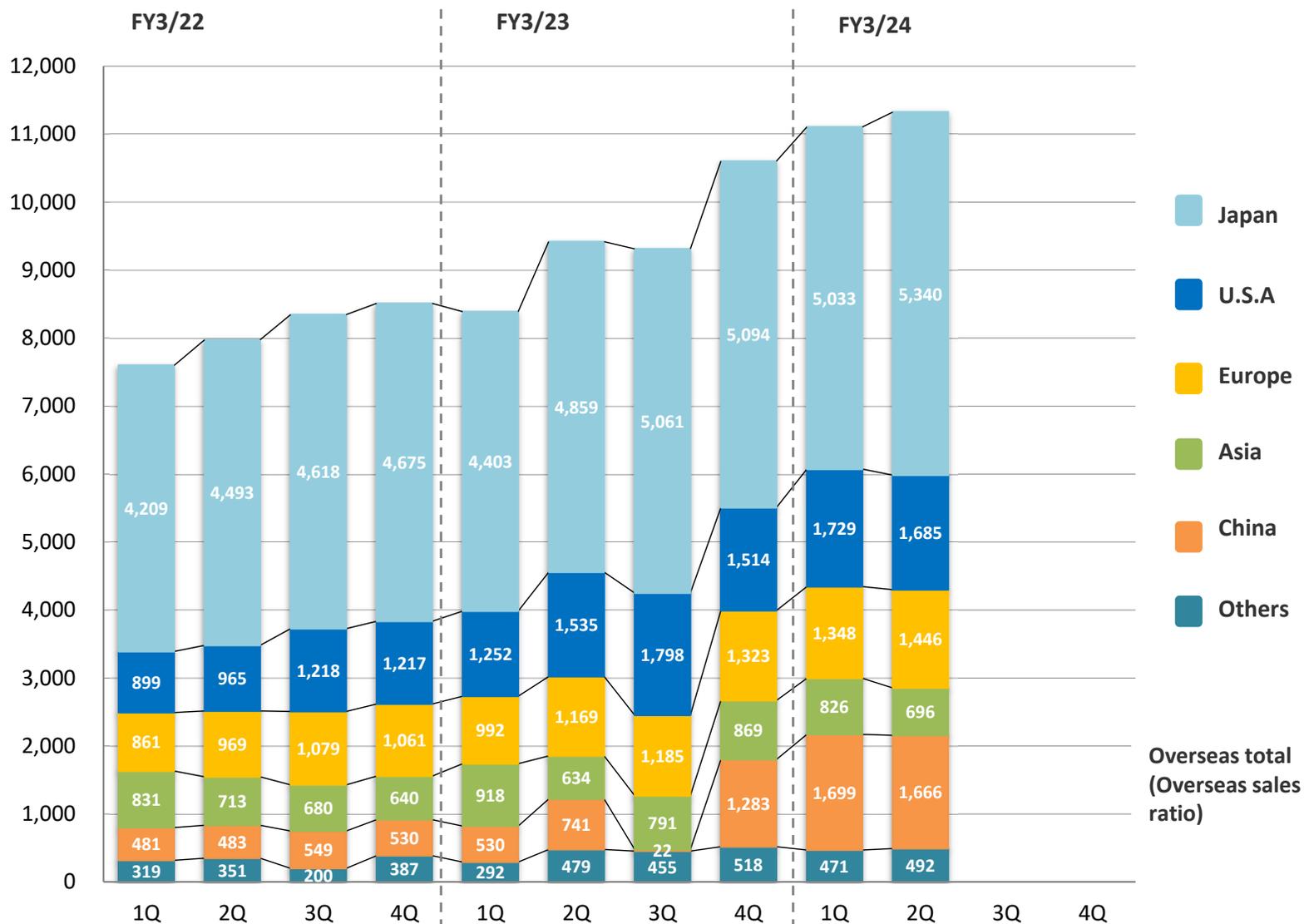
Strong sales growth of magnetic drive pumps and metering pumps, Iwaki's core products.



# Regional Sales

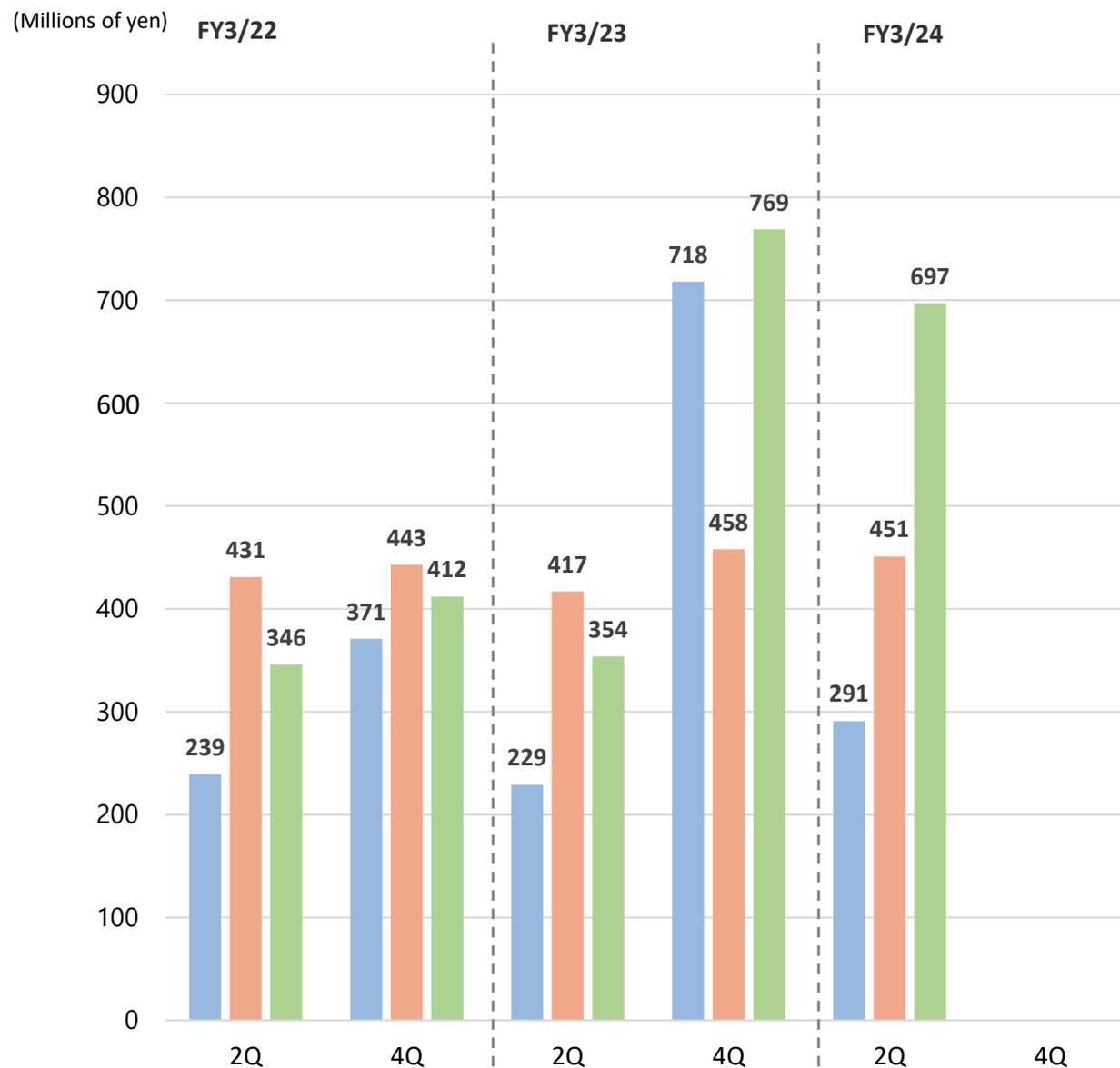


Sales to Taiwan, which represent the majority of sales in the surface treatment equipment and semiconductor/liquid crystal markets, were sluggish. As a result, sales to Asia were weak. On the other hand, sales to China saw a significant increase, primarily due to the consolidation of new subsidiaries.



	1H FY3/24 sales (Millions of yen)	YoY change (Millions of yen)	YoY change (%)
Japan	10,373	1,110	+12.0%
U.S.A	3,415	627	+22.5%
Europe	2,794	632	+29.2%
Asia	1,523	-29	-1.9%
China	3,365	2,092	+164.5%
Others	964	192	+24.9%
<b>Overseas total (Overseas sales ratio)</b>	<b>12,062 (53.8%)</b>	<b>3,515</b>	<b>+41.1%</b>

# Capital Expenditures, R&D Expenses and Depreciation (Semi-annual)



	1H FY3/24 sales (Millions of yen)	YoY change
Capital expenditures	<b>291</b>	<b>+61</b>
R&D expenses	<b>451</b>	<b>+34</b>
Depreciation	<b>697</b>	<b>+342</b>

\* Figures for FY3/23 4Q reflect amortization expenses following the finalization of the purchase price allocation for the new consolidated subsidiaries.



## **II. Outlook for FY3/24**

## FY3/24 Forecast

- Forecast 2H sales slightly below the 1H as orders received outside Japan are slowing down, although the volume of business in China remains strong.
- Forecast lower than initially expected 2H earnings at all levels because of the outlook for expenses budgeted but not used in the 1H.
- No change in the FY3/24 forecast for sales and earnings at all levels because of the considerable uncertainty about the outlook, particularly regarding new orders.

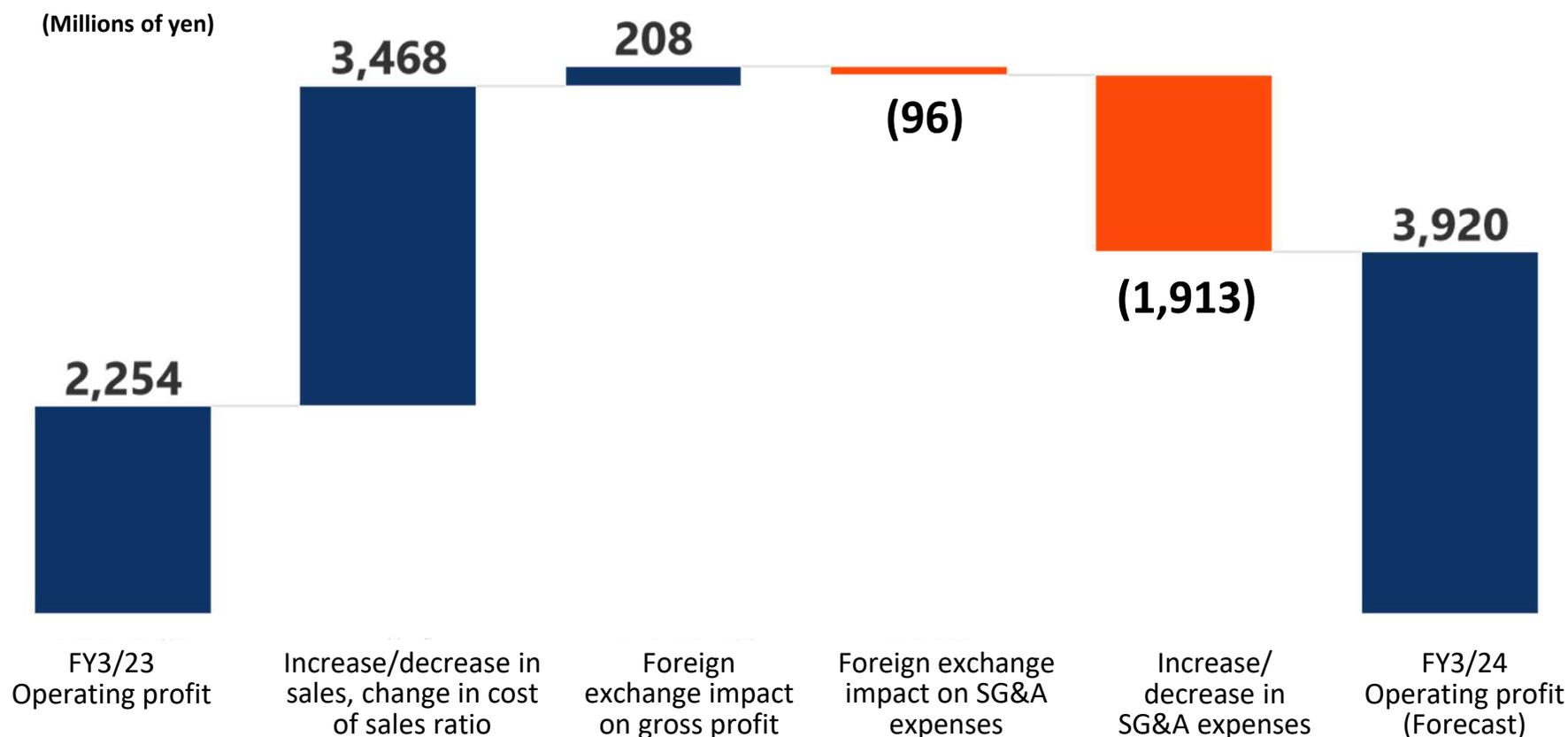
	FY3/23	FY3/24 (Forecast)		
	Amount (Millions of yen)	Amount (Millions of yen)	Differences	YoY change
Net sales	37,730	<b>44,181</b>	6,450	+17.1%
Gross profit (Gross margin)	12,923 (34.3%)	<b>16,600</b> <b>(37.6%)</b>	3,676	+28.4%
Operating profit (Operating margin)	2,254 (6.0%)	<b>3,920</b> <b>(8.9%)</b>	1,665	+73.9%
Ordinary profit	3,745	<b>4,302</b>	556	+14.9%
Profit attributable to owners of parent	4,257	<b>3,115</b>	-1,142	-26.8%
Net income per share (Yen)	193.94	<b>141.79</b>	-52.15	-26.9%
Return on equity (ROE)	15.8%	<b>10.5%</b>	-	(-5.3pt)
Return on invested capital (ROIC)	6.9%	<b>9.4%</b>	-	(+2.5pt)
Exchange rate (average)	USD/JPY (Yen)	131.64	136.00	
	EUR/JPY (Yen)	138.15	143.00	
	HKD/JPY (Yen)	18.08	17.40	
	CNY/JPY (Yen)	19.86	19.70	

\* Figures for FY3/23 4Q reflect amortization expenses following the finalization of the purchase price allocation for the new consolidated subsidiaries.

# FY3/24 Forecast – Factors Affecting Profitability



Effect of ¥1 exchange rate change	USD	EUR	HKD	CNY
Net sales	68 million yen	34 million yen	191 million yen	149 million yen
Operating profit	21 million yen	15 million yen	67 million yen	51 million yen



\* Figures for FY3/23 4Q reflect amortization expenses following the finalization of the purchase price allocation for the new consolidated subsidiaries.

## 2H FY3/24 Market Environment Assumptions



Semiconductor/liquid crystal is a priority market targeted for growth beginning in FY3/24.

Priority markets targeted for growth

	Japan	Overseas
<b>Water treatment market</b>	<ul style="list-style-type: none"> <li>• Strong demand in the water/sewer treatment, waste material processing and industrial effluent treatment markets</li> <li>• Disinfection and hydroponics markets are growing for food safety, disaster resilience and other purposes</li> <li>• Higher growth of the disinfection and cooling tower markets due to the return of foreign tourists to Japan</li> </ul>	<ul style="list-style-type: none"> <li>• Large volume of water and sewer system expenditures for resilience to natural disasters</li> <li>• <b>Uncertainty about the outlook for the water treatment market</b></li> </ul>
<b>Medical equipment market</b>	<ul style="list-style-type: none"> <li>• A recovery has started in all categories of this market</li> <li>• Increasing signs of a recovery from the 2022 downturn in demand for clinical trial equipment (immunology analyzers and biochemical analyzers) <b>but all equipment manufacturers are having difficulty purchasing parts and materials</b></li> <li>• Market for endoscope sterilization equipment is recovering just as the clinical trial equipment market is, but <b>all equipment manufacturers are having difficulty purchasing parts and materials</b></li> <li>• Recovery in maintenance/replacement demand in the dialysis equipment sector</li> </ul>	<ul style="list-style-type: none"> <li>• <b>All categories of this market are weakening</b></li> <li>• The market for clinical trial equipment (immunology analyzers and biochemical analyzers) is beginning to recover as logistics problems slowly end, <b>but the medical equipment market is expected to be sluggish as Chinese manufacturers of this equipment reduce output.</b></li> </ul>
<b>New energy market</b>	<ul style="list-style-type: none"> <li>• Big investments planned by manufacturers of fuel cells and materials, battery recycling equipment and other new energy sector products</li> <li>• Large volume of household fuel cells produced due to stable demand</li> </ul>	<ul style="list-style-type: none"> <li>• Large volume of inquiries involving rechargeable battery investments in Asia as well as Europe and North America</li> </ul>
<b>Semiconductor/liquid crystal market</b>	<ul style="list-style-type: none"> <li>• <b>Uncertainty in demand for pumps used by semiconductor/liquid crystal production equipment manufacturers</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Uncertain outlook as foundries and memory chip makers push back capital expenditures</b></li> </ul>
<b>Chemicals market</b>	<ul style="list-style-type: none"> <li>• Firm demand related to development of value-added products</li> <li>• Continuation of the separation and reorganization of the petrochemicals business</li> <li>• Rising demand resulting from resin recycling due to environmental restrictions and decarbonization</li> </ul>	<ul style="list-style-type: none"> <li>• Substantial investments in Europe and North America by manufacturers of rechargeable battery materials</li> <li>• Large volume of investments in the U.S. and Asia for producing chemicals used for manufacturing semiconductors</li> </ul>
<b>Surface treatment equipment market</b>	<ul style="list-style-type: none"> <li>• Growing 5G and digital technology investments are raising demand for electronic components</li> <li>• Strong mainly due to measures to reinforce the semiconductor supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Unclear outlook for this market due to effects of the business climate for semiconductors</b></li> </ul>

\*Red indicates negative outlooks

# FY3/24 Market Category Sales Forecast



Forecast higher sales mainly in the U.S. water treatment market, and the Chinese semiconductor/liquid crystal market and medical equipment market

	FY3/23 Results (Millions of yen)	FY3/24 Forecast (Millions of yen)	Differences	YoY change	Reference: 1H FY3/24 Results (Millions of yen)
Water treatment	9,217	10,543	1,326	+14.4%	5,175
Semiconductor/ liquid crystal	7,217	8,535	1,317	+18.3%	4,335
Medical equipment	5,547	6,933	1,386	+25.0%	3,849
Chemicals	3,678	4,455	776	+21.1%	2,152
Surface treatment equipment	2,714	3,268	554	+20.4%	1,533
New energy	847	1,128	280	+33.1%	697
Others	8,506	9,315	809	+9.5%	4,692
<b>Total</b>	<b>37,730</b>	<b>44,181</b>	<b>6,450</b>	<b>+17.1%</b>	<b>22,436</b>

# FY3/24 Product Category Sales Forecast

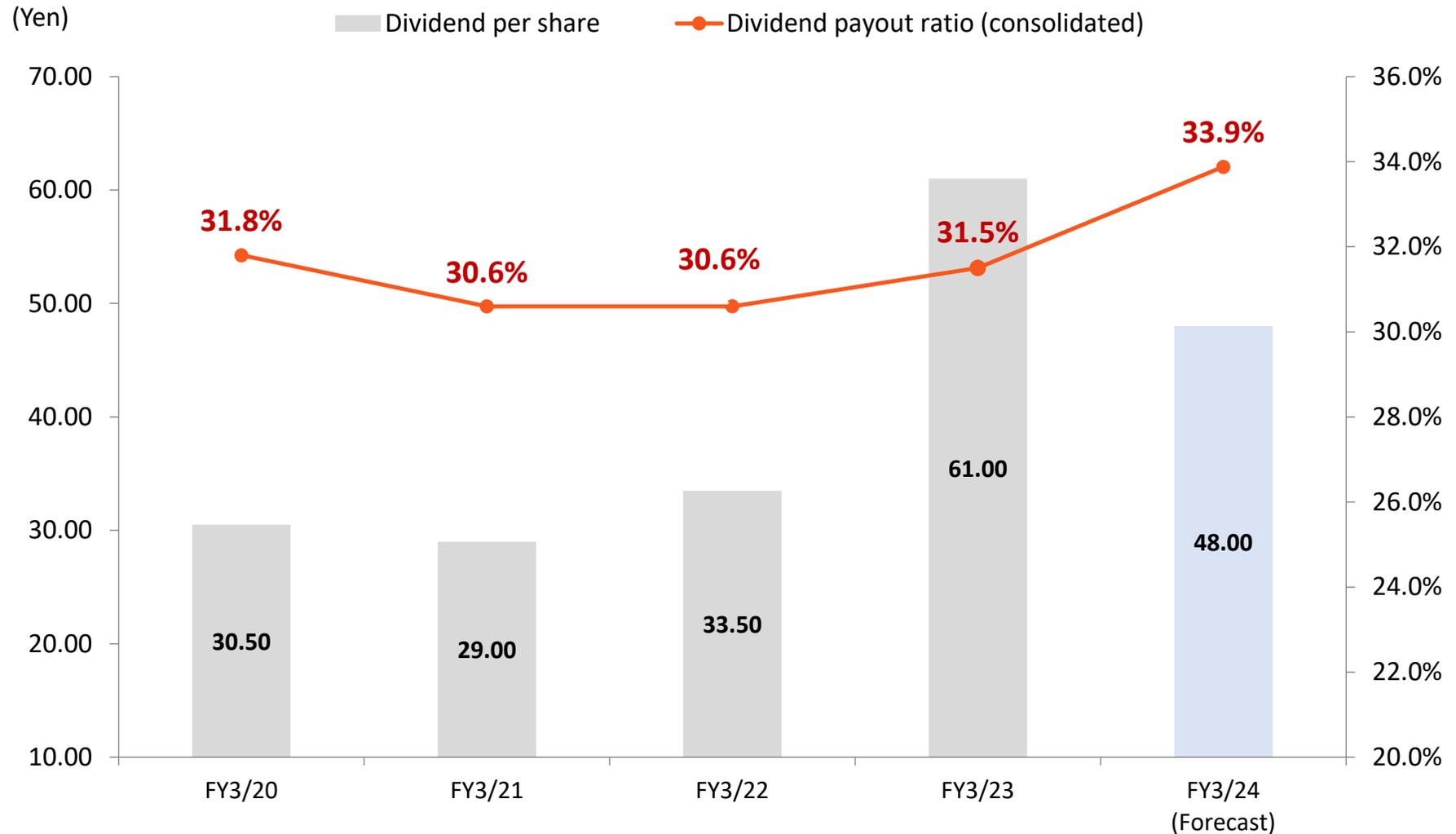


Forecast higher sales of magnetic drive pumps, metering pumps and pneumatic drive pumps associated with market category forecasts.

	FY3/23 Results (Millions of yen)	FY3/24 Forecast (Millions of yen)	Differences	YoY change	Reference: 1H FY3/24 Results (Millions of yen)
 Magnetic drive pumps	11,988	14,119	2,131	+17.8%	7,146
 Metering pumps	6,416	7,894	1,478	+23.0%	3,635
 Pneumatic drive pumps	5,135	6,160	1,024	+20.0%	3,141
 Rotary displacement pumps	2,012	2,467	455	+22.6%	1,436
 Air pumps	1,870	2,444	573	+30.7%	1,224
 Systems products	1,951	1,967	16	+0.8%	1,011
 Purchased products	2,811	2,885	74	+2.6%	1,458
 Others	5,544	6,241	696	+12.6%	3,382
<b>Total</b>	<b>37,730</b>	<b>44,181</b>	<b>6,450</b>	<b>+17.1%</b>	<b>22,436</b>

## Basic policy

- Dividend payout ratio: more than 30%
- Steady distribution of dividends





## **III. Medium-term Management Plan Reaping Benefits**

# Overview of the 10-Year Vision

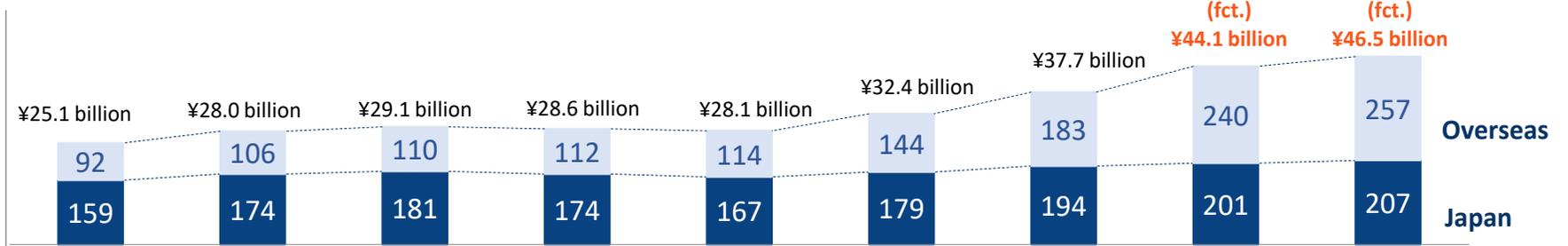


The goals for the fiscal year ending in March 2025 are sales of ¥40 billion (¥20 billion each in Japan and overseas) and an operating margin of 10%

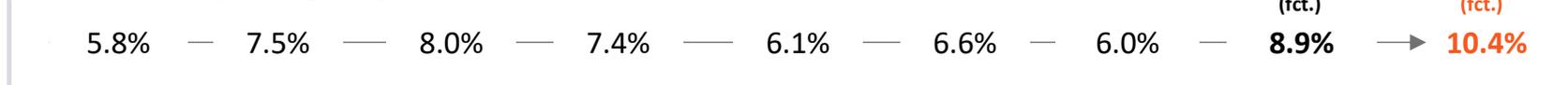
Numerical targets



## Consolidated sales



## Consolidated operating margin



Qualitative targets

**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 –

**“Change & Challenge” is our stance for accomplishing this goal**

– We will firmly establish a corporate culture of never being afraid of change and new challenges –

## FY3/24–FY3/25 Targets

	FY3/24 (plan)		FY3/25 (plan)	
	Amount (Millions of yen)	YoY Change	Amount (Millions of yen)	YoY Change
Net sales	44,181	+17.1%	46,508	+5.3%
Gross profit	16,600	+28.4%	17,985	+8.3%
Operating profit	3,920	+73.9%	4,825	+23.1%
Ordinary profit	4,302	+14.9%	5,215	+21.2%
Profit attributable to owners of parent	3,115	-26.8%	3,807	+22.2%

- Forecast sales growth of 3.0% in Japan and 7.2% outside Japan in FY3/25 based primarily on the outlook for strong sales in the water treatment and medical equipment markets
- Expenses in FY3/25 are expected to include participation in a large trade show that is held once every three years
- Forecast an 8.3% increase in operating profit in FY3/25 because of sales growth  
Expect to reach the 10-year vision operating margin target as this margin increases from 8.9% to 10.4%
- Assuming no change in share of profit of entities accounted for using equity method and no foreign exchange gain or loss
- Forecast increases of at least 20% in operating and ordinary profit and profit attributable to owners of parent primarily because of sales growth

## Maximize group synergies with the newly consolidated China Group

Converting the China Group companies to subsidiaries will have a significant positive impact on consolidated sales and earnings as well as on business operations and management. Iwaki generates synergies that will benefit all group companies and contribute to the sustained growth of the China Group companies. Furthermore, maximizing benefits of this step is expected to further improve customer satisfaction.

The China Group, which is a significant part of consolidated sales, is continuing to strengthen links with Iwaki involving sales, manufacturing and administrative operations in order to create even more synergies within the Iwaki Group.

## Realignment of markets for growth

Studies are under way for upgrading semiconductor/liquid crystal as a market for growth. Semiconductor/liquid crystal is currently designated as a market for retention. The business climate for semiconductors is changing dramatically because of increasing use of digital technologies, the rising need for the digital transformation and other trends. Semiconductor/liquid crystal needs to be upgraded to a market targeted for growth from a long-term perspective too.

In FY3/24, the semiconductor/liquid crystal market was upgraded from a retention market to a priority market for growth and there will be actions to target opportunities in the current business climate.

## Repositioning of the solutions business

The solutions business has assisted many customers in a variety of ways but is still not fully utilizing the technologies and services of Iwaki. To provide solutions at an even higher level, this business will be even more clearly positioned as a source of products and services that precisely target customers' needs and issues, as well as solutions for the efficient use of information. Increasing customer satisfaction is the goal of all these activities.

Iwaki is reexamining the lineup of water quality services with activities centered on the new Future Concept for Water Quality Project.  
(Meetings are held once every two months)

## The next long-term vision centered on the theme of sustainability

A project has started to establish the long-term vision that will follow the current one that ends in FY3/25. Solving social issues to create a sustainable society while increasing corporate value is becoming increasingly important. This is why Iwaki is working on the next vision by placing emphasis on management with a focus on sustainability.

Based on the preliminary proposal created in FY3/23, studies about specific aspects of the next long-term vision are examined by taking into account both business factors and sustainability factors. (Meetings are held twice every month)

The next long-term vision FY3/26-

### Numerical targets

To be announced in the autumn of 2024

### Qualitative targets

To be announced in the autumn of 2024

Business operations

Sustainability

## ■ Analysis of profitability and stock valuation

	FY3/21	FY3/22	FY3/23
Net sales (Millions of yen)	28,162	32,439	37,730
Operating margin	6.1%	6.6%	6.0%
ROIC	6.0%	6.6%	6.9%
WACC	5.8%	4.8%	2.9%
PBR	0.89x	0.95x	0.99x

$$\text{PBR} = \begin{matrix} \text{Short-term} \\ \text{metric} \\ \text{ROE} \end{matrix} \times \begin{matrix} \text{Medium/long-} \\ \text{term metric} \\ \text{PER} \end{matrix}$$

	FY3/21	FY3/22	FY3/23
ROE	9.7%	10.1%	15.8%
PER	9.52x	10.00x	6.70x

- The stock valuation has been **below** a price-to-book ratio (PBR) of **one** for the past three fiscal years even though the return on capital is now higher than the cost of capital.
- The ROE has been over 8% and exceeded 10% in the past two fiscal years. Despite this level of profitability, the PER is **below 15**.

Although the PBR has recently moved above one, more growth of corporate value will require maintaining a double-digit ROE, taking more actions that have a medium/long-term perspective, and increasing measures to provide information about these actions.

## Activities and Goals

### Initiatives

#### (1) Accomplish the 10-year vision and establish the next long-term vision to define challenges to target for more growth

- Achieve sales of ¥40 billion and operating margin of 10% in FY3/25.
- Establish a new vision for achieving more growth and becoming an even more valuable and vital member of society.

#### (2) Reexamine the policy for shareholder distributions

- Based on the wishes of market participants, consider ideas for shareholder distributions that are not restricted by the current policy of a dividend payout ratio of more than 30%.

#### (3) More progress with sustainability management

- Use corporate resources for activities that contribute to sustainable growth and the medium- and long-term growth of corporate value, such as employee education, decarbonization, human rights measures and others.

#### (4) Continue upgrading governance and investor relations

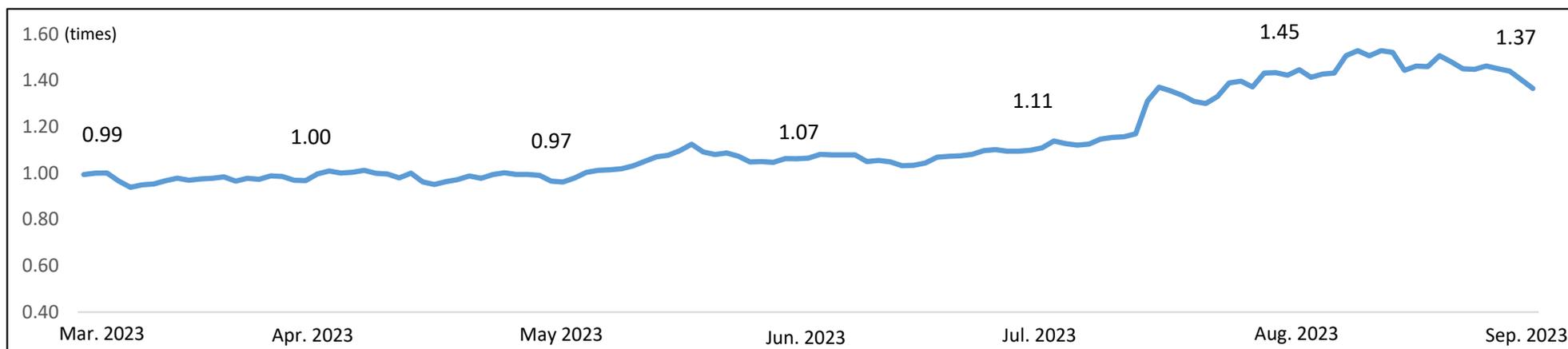
- Add a female director and executives and incorporate the objective and diverse views of stakeholders in management.
- Increase the disclosure of information and provide information at an even higher level and through more effective channels.

Maintain a double-digit ROE

Increase the PER

Higher PBR

## Reference: PBR during the Past Six Months





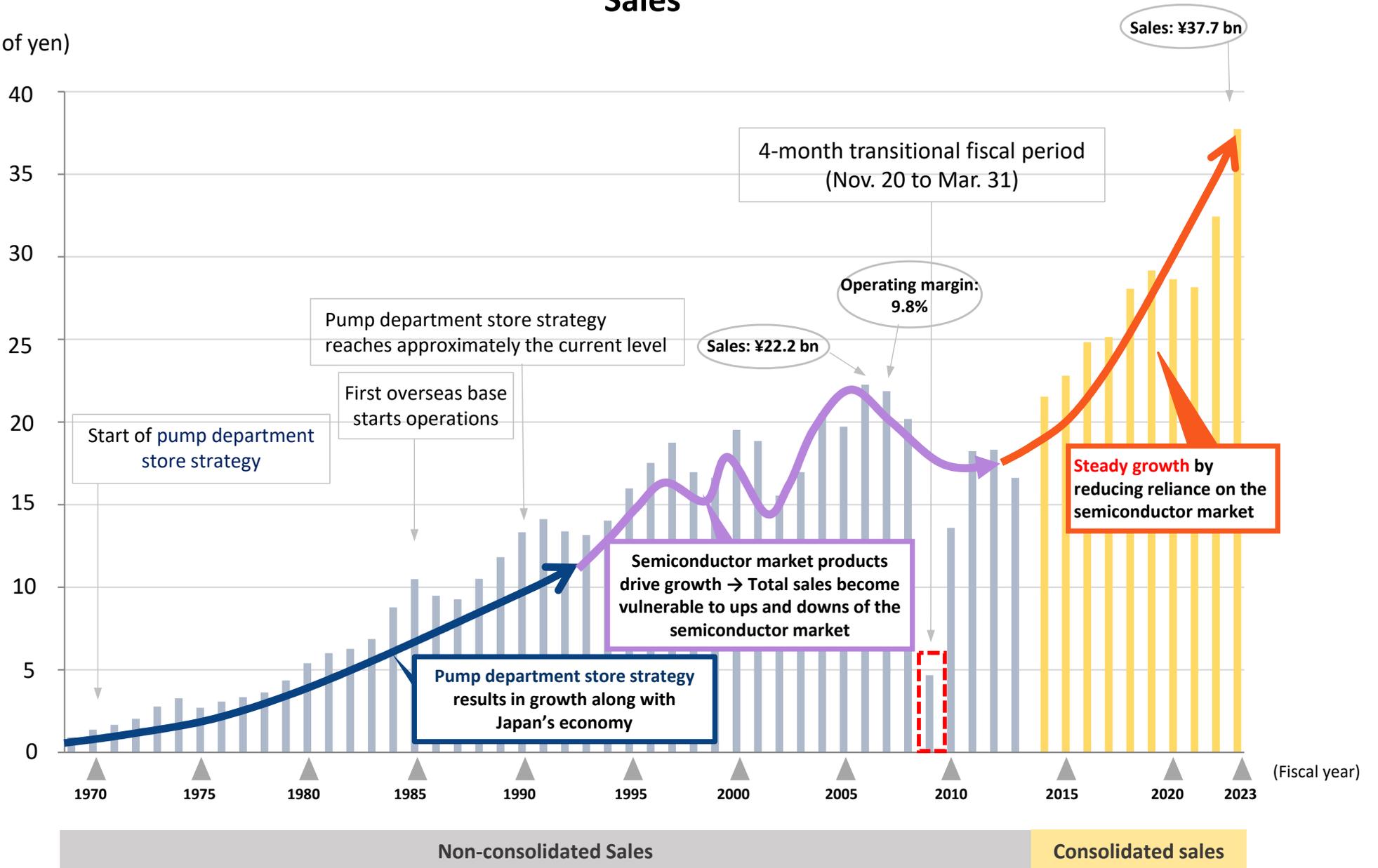
## **IV. Appendix**



<b>Name</b>	IWAKI CO., LTD <b>A manufacturer of a broad line of chemical pumps</b>
<b>Establishment</b>	April 10, 1956
<b>Representative</b>	Shigeru Fujinaka
<b>Head office</b>	2-6-6, Kanda Suda-cho, Chiyoda-ku, Tokyo
<b>Capital</b>	1,044.69 million yen
<b>Number of Employees</b>	Consolidated: 1,112/Non-consolidated: 781 (as of the end of March 2023)
<b>Business</b>	Development, manufacture, purchase, sale and other activities for chemical pumps and pump controllers and other pump peripherals
<b>Listing</b>	Prime Section of the Tokyo Stock Exchange (Trade name: Iwaki Pump/Stock code: 6237)

## Sales

(Billions of yen)



Chemical pumps are used for the transmission of chemicals and other substances



Unlike water pumps, chemical pumps are used for the transmission of many types of liquids, including sulfuric acid and other hazardous chemicals.



**Chemical pumps must meet  
very high safety standards  
(No leaks)**

**1**

**A diverse lineup of products  
to meet our customers' requirements**

**2**

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

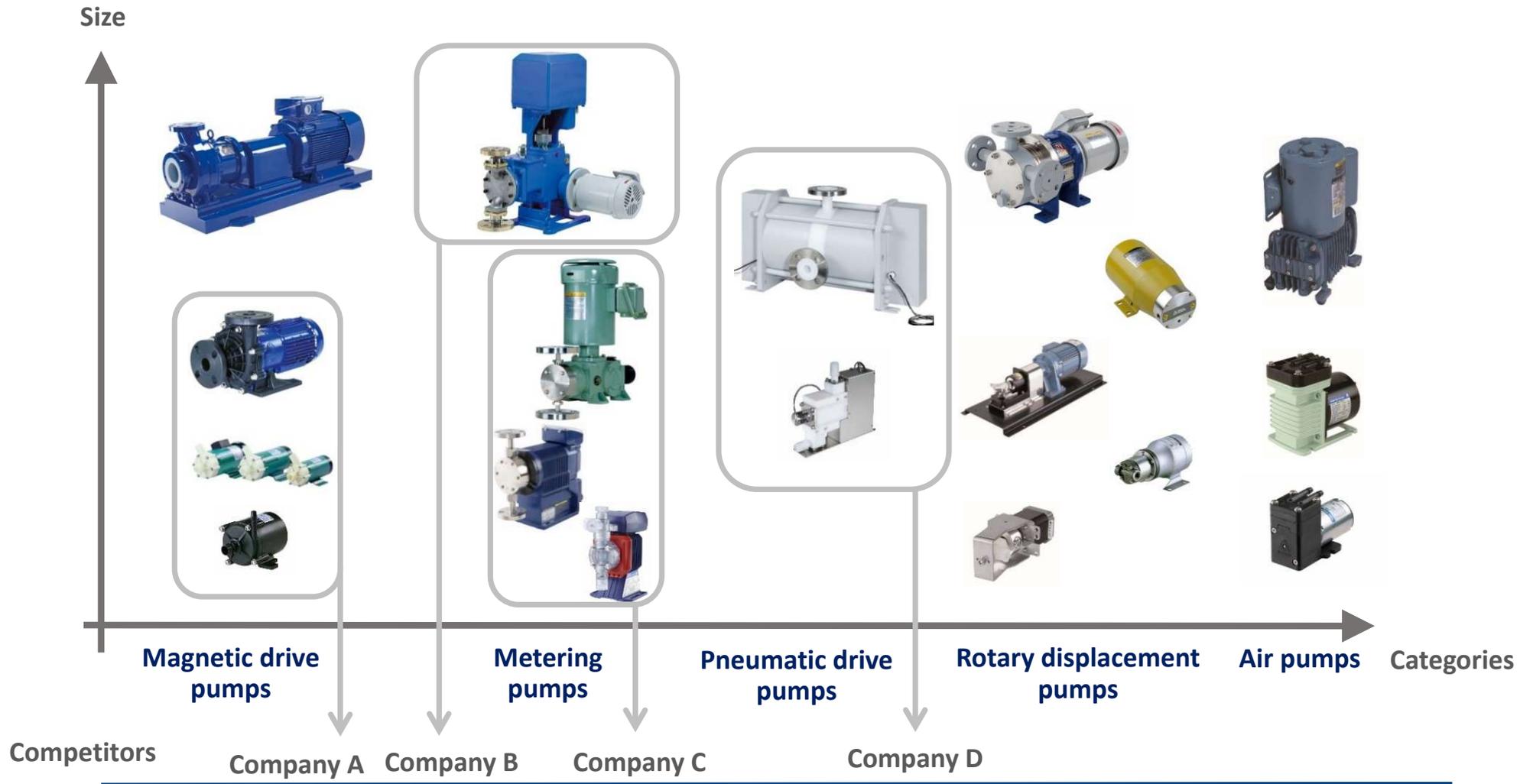
**3**

**Able to create solutions using fluid control functions  
centered on pumps**

# Strengths That Define Iwaki

## A Large and Diverse Product Lineup

More than 60 series of pump models and tens of thousands of models  
A one-stop source of comprehensive solutions for a broad array of pumps

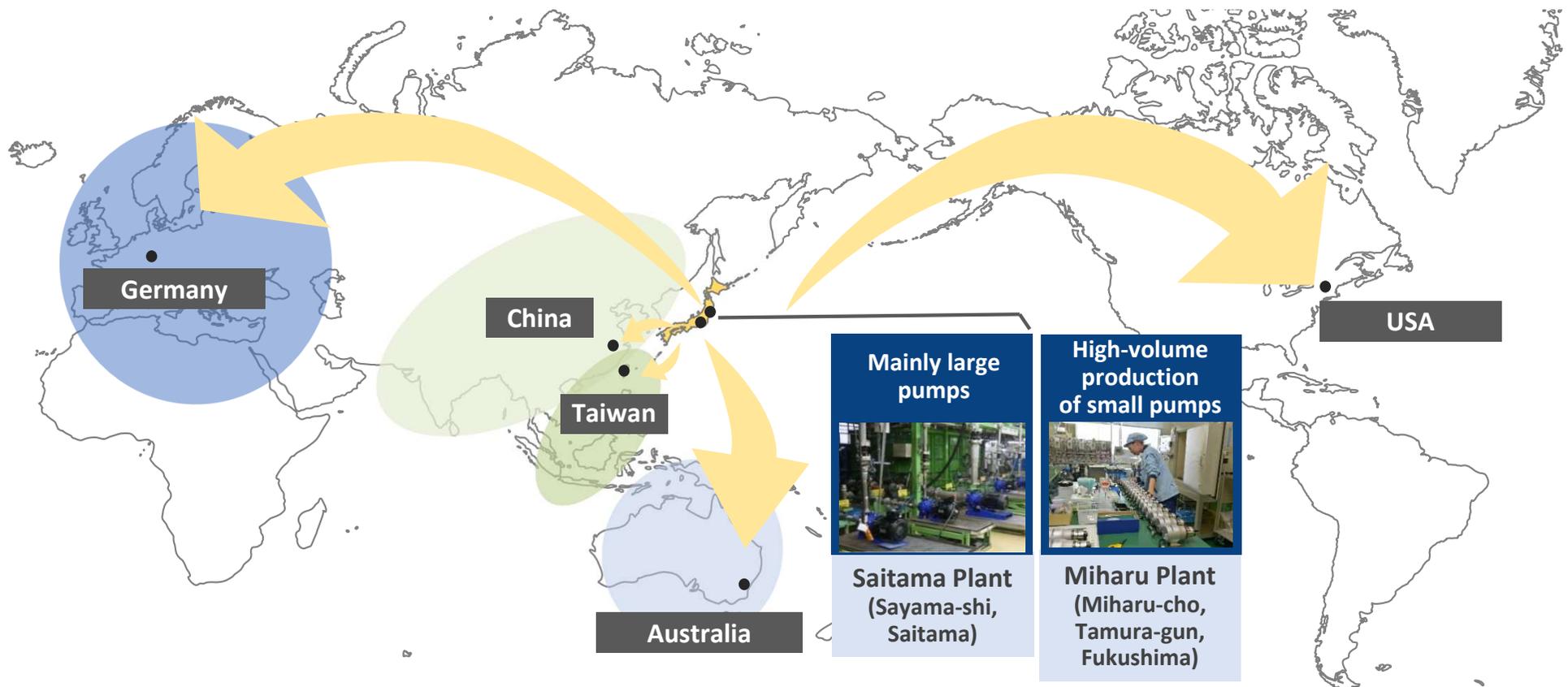


# Strengths That Define Iwaki Global Manufacturing Network

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

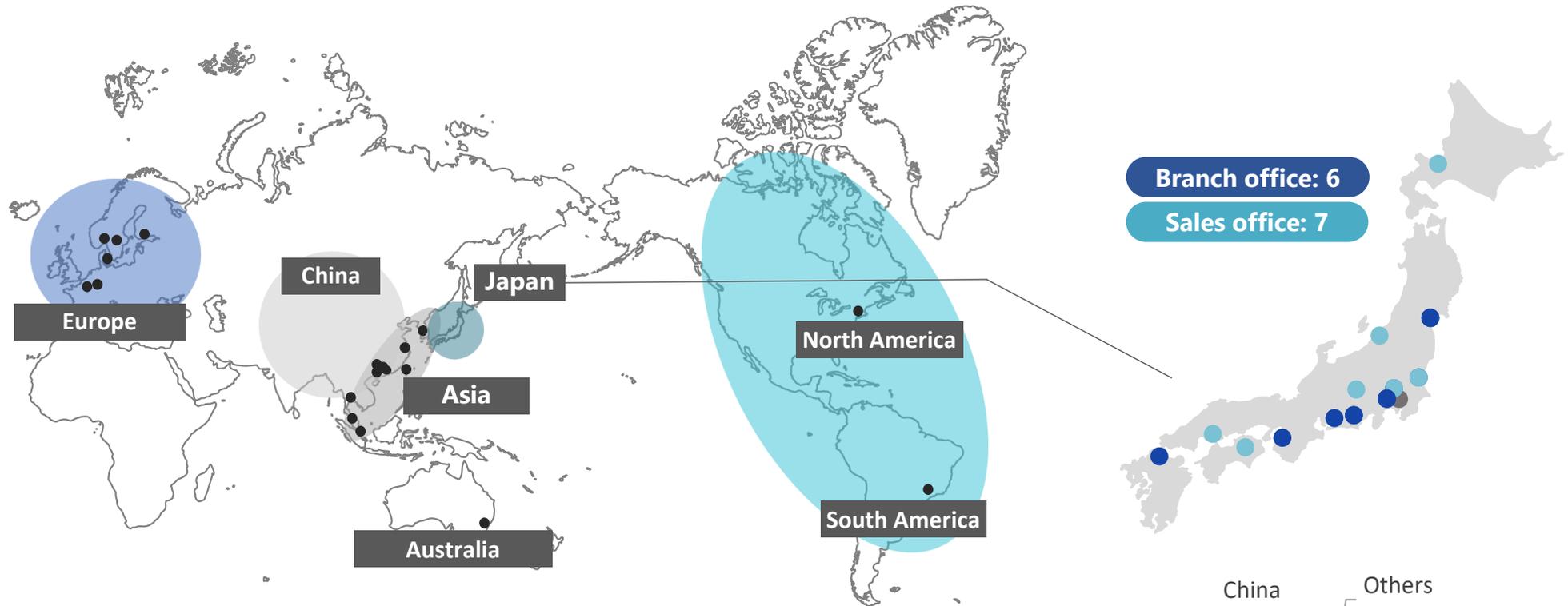
**Japan:** Small-lot production of many models and highly reliable quality assurance systems

**Overseas:** Five locations manufacture pumps using main parts (knock-down manufacturing), resulting in efficiency for deliveries and inventories



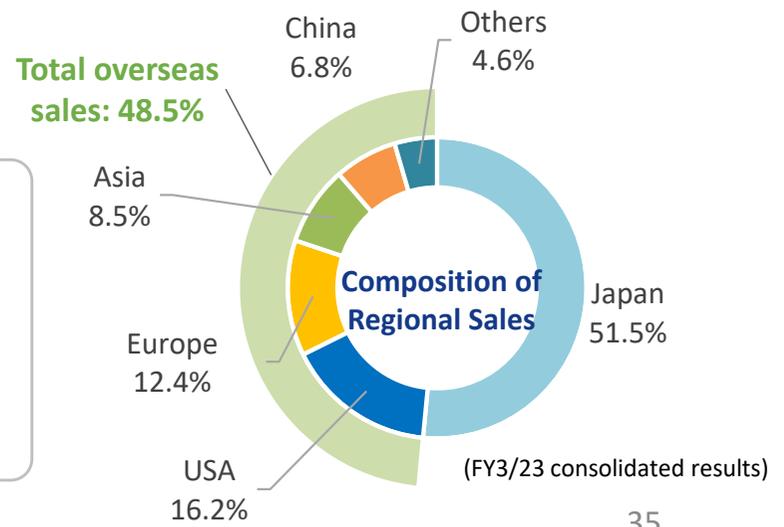
# Strengths That Define Iwaki

## A Global Sales and Support Infrastructure

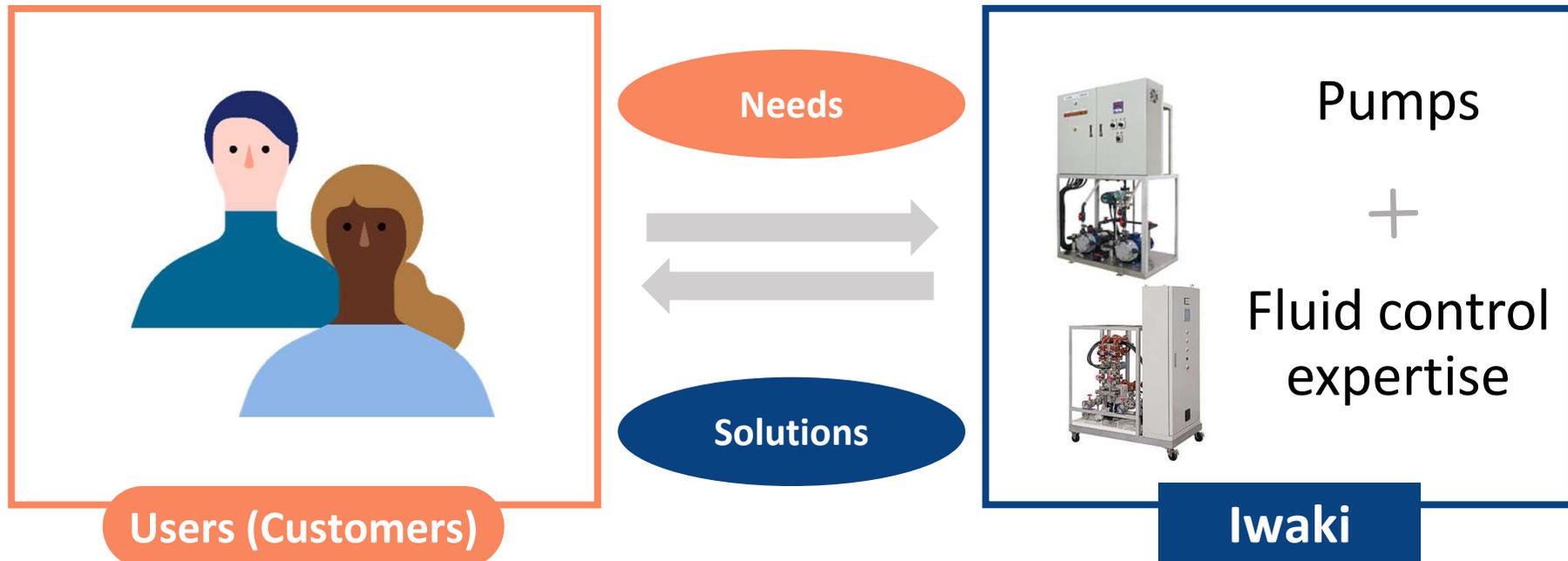


Branch office: 6  
Sales office: 7

- Branch offices and sales offices in 13 major cities Japan in addition to the head office
- A worldwide sales and service network with 21 group companies in 15 countries



Iwaki uses pumps and fluid control expertise to create **solutions** that match the **needs** of every customer





## The Heart of Industry

We will continue to support industries at the forefront to contribute to the development of society and the happiness of people

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