

Summary of Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending March 31, 2018
(Nine Months Ended December 31, 2017)

[Japanese GAAP]

Company name: IWAKI CO.,LTD.	Listing: Tokyo Stock Exchange, Second Section
Stock code: 6237	URL: http://www.iwakipumps.jp/
Representative: Shigeru Fujinaka, President	
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Scheduled date of filing of Quarterly Report:	February 14, 2018
Scheduled date of payment of dividend:	-
Preparation of supplementary materials for quarterly financial results:	None
Holding of quarterly financial results meeting:	None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter Ended December 31, 2017**(April 1, 2017 – December 31, 2017)**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2017	20,684	10.5	1,751	49.2	2,253	46.3	1,742	44.3
Nine months ended Dec. 31, 2016	18,720	1.5	1,173	(5.4)	1,540	(6.0)	1,207	(2.2)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2017: 1,908 (up 279.2 %)
 Nine months ended Dec. 31, 2016: 503 (down 49.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2017	232.87	-
Nine months ended Dec. 31, 2016	161.38	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of Dec. 31, 2017	28,351	18,269	63.7
As of Mar. 31, 2017	26,253	16,906	63.7

Reference: Owner's equity (million yen) As of Dec. 31, 2017: 18,067 As of Mar. 31, 2017: 16,718

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	30.00	-	38.00	68.00
Fiscal year ending Mar. 31, 2018	-	34.00	-		
Fiscal year ending Mar. 31, 2018 (forecasts)				36.00	70.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	26,838	6.7	1,786	22.0	2,290	7.2	1,735	2.6	231.90

Note: Revisions to the most recently announced consolidated earnings forecasts: None

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to page 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” for details.

(3) Changes in accounting policies and accounting-based estimates, and restatements

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|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | None |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting-based estimates: | None |
| 4) Restatements: | None |

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Dec. 31, 2017:	7,484,370 shares	As of Mar. 31, 2017:	7,484,370 shares
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2) Number of treasury shares at the end of the period

As of Dec. 31, 2017:	110 shares	As of Mar. 31, 2017:	18 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2017:	7,484,329 shares	Nine months ended Dec. 31, 2016:	7,484,359 shares
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* The current financial report is not subject to quarterly review procedures.

* Cautionary statement with respect to forward-looking statements

Note concerning forward-looking statements

Forecasts of future performance in these materials are based on assumption judged to be valid and information available to the Company's management at the time the materials were prepared, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first nine months of the fiscal year ending March 31, 2018, the Japanese economy continued to recover slowly as corporate earnings recovered and the environment for jobs and personal income improved. However, there is still a risk of an economic downturn in Japan due to slowing economic growth in China and rising geopolitical risk involving North Korea and other regions. Overseas, labor markets and personal income are improving, especially in the United States. In addition, capital expenditures are rebounding along with a recovery in corporate earnings. As a result, the global economy is recovering at a moderate pace.

In Japan, there were workplace sales activities to build stronger relationships with customers. There were also measures aimed at better meeting the needs of customers, such as by delivering products faster, based on the core policy of “competing and winning.” Overseas, the sales network in Eastern Europe was strengthened and activities in the United States were focused mainly on the aquatic business. Overall, Iwaki worked with its 21 affiliated companies in 15 countries to increase sales.

Due to these activities, sales in all six major markets of Iwaki were higher than one year earlier. Significant sources of growth are the increasing use of electrical parts in automobiles, the rising demand for semiconductors due to the growth of the Internet of things, and the increasing volume of production equipment for organic electroluminescence displays. The semiconductor/liquid crystal market and surface treatment equipment market were strong in Japan, South Korea and Taiwan. Performance was also good in the water treatment market, in part because of synergies with TechnoECHO Co., Ltd., which was acquired at the end of 2016. Sales in the chemical market increased due to higher sales of all types of chemicals used for semiconductor/liquid crystal applications and of materials used to make lithium-ion rechargeable batteries. Performance was strong in the new energy market because of capital expenditures for wind power generation and other equipment in Europe and capital expenditures in China involving rechargeable batteries used in electric automobiles. In the medical equipment market, biochemical analysis equipment in China was a major source of sales growth.

Sales in Japan increased 8.2% from one year earlier to 12,811 million yen. Sales were driven by firm demand in the semiconductor/liquid crystal and surface treatment equipment markets. In addition, the water treatment market and chemicals market remained steady. In Europe, sales were up 8.8% to 1,880 million yen. This was caused by strength in the new energy market and a steady performance in the water treatment and chemicals markets. In the United States, sales increased 7.0% to 2,565 million yen as sales in Iwaki’s six major markets, chiefly water treatment, were higher than one year earlier. In Asia, high levels of activity in the semiconductor/liquid crystal and surface treatment equipment markets resulted in sales growth of 28.3% to 2,004 million yen. Sales in China were up 33.1% to 785 million yen because of higher sales in the new energy and medical equipment markets.

By product, sales of pneumatic drive pumps for the semiconductor/liquid crystal market continued to grow. Sales of metering pumps for the water treatment market and rotary displacement pumps for the medical equipment market were also higher. Mainline magnetic drive pumps sales were strong.

Consequently, consolidated sales increased 10.5% to 20,684 million yen.

Earnings benefited from the growth in sales. Operating profit increased 49.2% to 1,751 million yen, ordinary profit increased 46.3% to 2,253 million yen and profit attributable to owners of parent increased 44.3% to 1,742 million yen.

No business segment information is provided because chemical pumps are the only business of the Iwaki Group.

(2) Explanation of Financial Position

Assets

The balance of current assets at the end of the third quarter of the current fiscal year was 20,927 million yen, up 1,095 million yen from the end of the previous fiscal year. This was mainly due to increases of 741 million yen in notes and accounts receivable-trade, 538 million yen in electronically recorded monetary claims-operating and 520 million yen in raw materials and supplies, while there was a decrease of 863 million yen in cash and deposits. The balance of non-current assets was 7,423 million yen at the end of the third quarter, up 1,001 million yen from the end of the previous fiscal year. This was mainly because of increases of 874 million yen in construction in progress and 213 million yen in investment securities.

As a result, total assets increased 2,097 million yen from the end of the previous fiscal year to 28,351 million yen.

Liabilities

The balance of current liabilities at the end of the third quarter of the current fiscal year was 7,752 million yen, up 721 million yen from the end of the previous fiscal year. This was mainly due to an increase of 678 million yen in notes and accounts payable-trade. The balance of non-current liabilities was 2,329 million yen at the end of the third quarter, up 13 million yen from the end of the previous fiscal year. This was mainly due to a 2 million yen increase in net defined benefit liability and a 1 million yen increase in asset retirement obligations.

As a result, total liabilities increased 734 million yen from the end of the previous fiscal year to 10,081 million yen.

Net assets

The balance of net assets was 18,269 million yen at the end of the third quarter of the current fiscal year, up 1,363 million yen from the end of the previous fiscal year. The main factors include a 1,203 million yen increase in retained earnings.

Consequently, the capital adequacy ratio was 63.7% (63.7% at the end of the previous fiscal year).

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

We maintain the full-year consolidated earnings forecast that was disclosed in the “Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2018” dated November 10, 2017 (Japanese version only).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	Third quarter of FY3/18 (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	6,191,508	5,327,976
Notes and accounts receivable-trade	6,434,549	7,175,613
Electronically recorded monetary claims-operating	1,988,682	2,527,652
Securities	112,738	-
Merchandise and finished goods	1,901,218	1,944,753
Work in process	30,155	104,971
Raw materials and supplies	2,437,457	2,958,434
Deferred tax assets	502,614	529,095
Other	253,912	382,816
Allowance for doubtful accounts	(20,816)	(23,348)
Total current assets	19,832,021	20,927,964
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,636,978	4,668,942
Accumulated depreciation and impairment loss	(3,514,143)	(3,588,042)
Buildings and structures, net	1,122,834	1,080,899
Machinery, equipment and vehicles	2,231,416	2,320,052
Accumulated depreciation and impairment loss	(1,985,609)	(2,105,067)
Machinery, equipment and vehicles, net	245,807	214,985
Tools, furniture and fixtures	1,601,918	1,664,795
Accumulated depreciation and impairment loss	(1,375,807)	(1,415,275)
Tools, furniture and fixtures, net	226,111	249,519
Land	1,036,769	1,041,841
Leased assets	485,543	403,207
Accumulated depreciation	(317,020)	(246,421)
Leased assets, net	168,523	156,785
Construction in progress	918,646	1,793,436
Other	17,494	21,834
Accumulated depreciation	(11,924)	(14,963)
Other, net	5,569	6,871
Total property, plant and equipment	3,724,263	4,544,339
Intangible assets		
Goodwill	19,718	4,033
Trademark right	86,219	74,612
Other	117,682	119,963
Total intangible assets	223,619	198,609
Investments and other assets		
Investment securities	2,064,168	2,277,395
Deferred tax assets	142,215	128,920
Other	267,571	274,272
Total investments and other assets	2,473,955	2,680,588
Total non-current assets	6,421,838	7,423,537
Total assets	26,253,859	28,351,502

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	Third quarter of FY3/18 (As of Dec. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,345,679	5,023,862
Short-term loans payable	576,160	687,475
Lease obligations	75,517	67,125
Income taxes payable	300,437	287,290
Provision for bonuses	716,527	395,352
Provision for directors' bonuses	100,120	45,965
Provision for product warranties	98,485	106,096
Other	818,564	1,139,545
Total current liabilities	7,031,491	7,752,713
Non-current liabilities		
Long-term loans payable	300,000	300,000
Lease obligations	106,584	103,974
Deferred tax liabilities	72,226	69,883
Provision for directors' retirement benefits	151,043	151,043
Net defined benefit liability	885,513	887,855
Asset retirement obligations	205,500	207,023
Other	594,892	609,383
Total non-current liabilities	2,315,762	2,329,164
Total liabilities	9,347,253	10,081,877
Net assets		
Shareholders' equity		
Capital stock	1,018,250	1,018,250
Capital surplus	638,250	638,250
Retained earnings	14,637,110	15,841,101
Treasury shares	(30)	(309)
Total shareholders' equity	16,293,580	17,497,291
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	250,907	325,143
Foreign currency translation adjustment	309,458	350,188
Remeasurements of defined benefit plans	(135,090)	(105,179)
Total accumulated other comprehensive income	425,274	570,152
Non-controlling interests	187,750	202,180
Total net assets	16,906,605	18,269,624
Total liabilities and net assets	26,253,859	28,351,502

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Net sales	18,720,967	20,684,089
Cost of sales	12,652,476	13,655,932
Gross profit	6,068,491	7,028,157
Selling, general and administrative expenses	4,894,539	5,276,897
Operating profit	1,173,951	1,751,259
Non-operating income		
Interest income	22,719	20,611
Dividend income	24,955	26,870
Share of profit of entities accounted for using equity method	237,461	387,017
Foreign exchange gains	69,112	79,920
Other	44,042	34,896
Total non-operating income	398,290	549,317
Non-operating expenses		
Interest expenses	18,284	21,403
Commission fee	3,768	17,917
Other	9,576	7,744
Total non-operating expenses	31,629	47,065
Ordinary profit	1,540,613	2,253,511
Extraordinary income		
Gain on sales of non-current assets	19,510	1,543
Total extraordinary income	19,510	1,543
Extraordinary losses		
Loss on retirement of non-current assets	726	2,740
Provision for loss on liquidation of subsidiaries and associates	8,494	-
Total extraordinary losses	9,220	2,740
Profit before income taxes	1,550,903	2,252,313
Income taxes	339,240	489,178
Profit	1,211,662	1,763,134
Profit attributable to non-controlling interests	3,807	20,271
Profit attributable to owners of parent	1,207,855	1,742,862

Quarterly Consolidated Statement of Comprehensive Income**(For the Nine-month Period)**

	(Thousands of yen)	
	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Profit	1,211,662	1,763,134
Other comprehensive income		
Valuation difference on available-for-sale securities	(116,323)	74,236
Foreign currency translation adjustment	(488,585)	21,708
Remeasurements of defined benefit plans, net of tax	31,337	29,910
Share of other comprehensive income of entities accounted for using equity method	(134,781)	19,713
Total other comprehensive income	(708,351)	145,568
Comprehensive income	503,310	1,908,702
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	503,131	1,887,739
Comprehensive income attributable to non-controlling interests	179	20,963

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Calculation of tax expense

At Iwaki and certain consolidated subsidiaries, the tax expenses were calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year, and multiplying that rate by the quarterly profit before income taxes.

Segment and Other Information

Segment information

I. First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)

Omitted because chemical pumps are the only business of the Iwaki Group.

II. First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)

Omitted because chemical pumps are the only business of the Iwaki Group.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.