

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2021
(Six Months Ended September 30, 2020)

[Japanese GAAP]

Company name: IWAKI CO.,LTD. Listing: Tokyo Stock Exchange, First Section
 Stock code: 6237 URL: <https://www.iwakipumps.co.jp/>
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 Scheduled date of filing of Quarterly Report: November 13, 2020
 Scheduled date of payment of dividend: December 1, 2020
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (Iwaki plans to provide a video presentation of financial results on November 27, 2020 on our website instead of the conventional financial results meeting.)

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

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2020**(April 1, 2020 – September 30, 2020)**

(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	%
Six months ended Sep. 30, 2020	13,159	(6.6)	711	(31.7)	935	(24.8)	1,068	4.3
Six months ended Sep. 30, 2019	14,086	(4.2)	1,041	(13.9)	1,243	(18.9)	1,024	(4.1)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2020: 1,002 (up 40.5%)
 Six months ended Sep. 30, 2019: 713 (down 27.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2020	48.50	-
Six months ended Sep. 30, 2019	46.22	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of Sep. 30, 2020	31,557	21,184	67.0
As of Mar. 31, 2020	30,126	20,523	68.0

Reference: Owner's equity (million yen) As of Sep. 30, 2020: 21,130 As of Mar. 31, 2020: 20,492

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	-	13.00	-	17.50	30.50
Fiscal year ending Mar. 31, 2021	-	8.00	-	-	-
Fiscal year ending Mar. 31, 2021 (forecasts)	-	-	-	13.00	21.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	28,280	(1.2)	1,332	(37.0)	1,739	(32.6)	1,537	(27.6)	69.79

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 Sep. 30, 2020:	22,490,910 shares	As of Mar. 31, 2020:	22,490,910 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2020:	451,856 shares	As of Mar. 31, 2020:	465,389 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2020:	22,031,327 shares	Six months ended Sep. 30, 2019:	22,167,878 shares
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* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms .

* 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 Iwaki regarding future performance. Actual results may differ materially from the forecasts.

How to view supplementary information at the quarterly financial results meeting

To prevent the spread of the COVID-19 pandemic, Iwaki plans to provide a video presentation of quarterly financial results on November 27, 2020 (Friday) on our website instead of the conventional financial results meeting for institutional investors and analysts. The video will be available on demand. Materials to be distributed at this event will be available on the website in advance.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the fiscal year ending March 31, 2021, although the business climate in Japan remained challenging because of COVID-19, there are currently signs of an economic recovery. However, companies are likely to remain cautious about capital expenditures for the time being because of falling earnings and the increasingly uncertain outlook.

In Japan, Iwaki took many actions based on the core policy of “winning by improving customer satisfaction.” Overseas, there were activities encompassing 21 affiliated companies in 15 countries to increase sales.

To maintain a reliable supply of products for customers, the Iwaki Group continued to manufacture products while taking various steps to prevent COVID-19 infections. In addition, group companies started using a new warehouse for distribution operations, which is operated by an external party, in the current fiscal year in order to further improve customer satisfaction by making deliveries faster and improving productivity.

Sales activities have been limited by restrictions in Japan and other countries on the ability to visit customers. Selling pumps often requires thorough discussions with customers about selecting the proper models, installation procedures and many other items. Orders that require these activities were therefore affected by the restriction on customer visits. Furthermore, results of operations at overseas consolidated subsidiaries fully reflect the effects of the COVID-19 pandemic because this fiscal year’s first half includes the first six months of calendar 2020 at these subsidiaries.

As a result, continuing from the first quarter, sales were higher than one year earlier in the semiconductor/liquid crystal market, but lower in all other markets.

Sales in Japan decreased 8.5% from one year earlier to 7,858 million yen as a result of sluggish sales in the medical equipment and new energy markets. COVID-19 had a big impact on sales in other countries. All markets were sluggish in Europe and the United States. Sales were down 19.4% to 1,146 million yen in Europe and down 16.7% to 1,708 million yen in the United States. In Asia, sales increased 2.9% to 1,033 million yen as the semiconductor/liquid crystal market remained strong in South Korea. Sales in China were up 66.8% to 972 million yen because demand in the medical equipment market increased sharply.

By product category, sales of mainline metering pumps remained steady. Sales of magnetic drive pumps, which are used in a broad range of markets, decreased mainly because of restrictions on the ability to visit customers for sales activities. Sales of pneumatic drive pumps for the semiconductor/liquid crystal market remained strong.

Consequently, consolidated net sales decreased 6.6% to 13,159 million yen.

Earnings were affected by lower sales. As a result, operating profit decreased 31.7% to 711 million yen and ordinary profit decreased 24.8% to 935 million yen. Due to extraordinary income for a gain resulting from the step acquisition of IWAKI Nordic A/S in the first quarter of the current fiscal year, profit attributable to owners of parent increased 4.3% to 1,068 million yen.

There is no business segment information 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 second quarter of the current fiscal year was 22,278 million yen, up 742 million yen from the end of the previous fiscal year. This was mainly due to increases of 902 million yen in cash and deposits and 436 million yen in merchandise and finished goods, while there was a decrease of 802 million yen in notes and accounts receivable-trade. The balance of non-current assets was 9,279 million yen at the end of the second quarter of the current fiscal year, up 688 million yen from the end of the previous fiscal year. This was mainly because of an increase of 689 million yen in goodwill.

As a result, total assets increased 1,431 million yen from the end of the previous fiscal year to 31,557 million yen.

Liabilities

The balance of current liabilities at the end of the second quarter of the current fiscal year was 7,759 million yen, up 98 million yen from the end of the previous fiscal year. This was mainly due to an increase of 170 million yen in short-term borrowings. The balance of non-current liabilities was 2,613 million yen at the end of the second quarter of the current fiscal year, up 672 million yen from the end of the previous fiscal year. This was mainly due to an increase of 675 million yen in long-term borrowings.

As a result, total liabilities increased 770 million yen from the end of the previous fiscal year to 10,373 million yen.

Net assets

The balance of net assets at the end of the second quarter of the current fiscal year was 21,184 million yen, up 660 million yen from the end of the previous fiscal year. The main factors include an increase of 683 million yen in retained earnings.

Consequently, the capital adequacy ratio was 67.0% (68.0% 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 forecasts that were disclosed in the press release concerning the consolidated earnings forecast and dividend forecast (Japanese version only) dated June 15, 2020.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	Second quarter of FY3/21 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	6,037,142	6,939,877
Notes and accounts receivable-trade	6,567,089	5,764,664
Electronically recorded monetary claims-operating	3,006,973	2,754,952
Merchandise and finished goods	2,274,529	2,711,212
Work in process	41,866	60,915
Raw materials and supplies	3,334,700	3,653,408
Other	297,927	417,349
Allowance for doubtful accounts	(24,120)	(23,519)
Total current assets	21,536,109	22,278,862
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,350,481	7,593,323
Accumulated depreciation and impairment loss	(3,814,876)	(3,953,684)
Buildings and structures, net	3,535,605	3,639,639
Machinery, equipment and vehicles	2,821,272	2,905,780
Accumulated depreciation and impairment loss	(2,409,334)	(2,485,604)
Machinery, equipment and vehicles, net	411,937	420,175
Tools, furniture and fixtures	1,882,702	1,925,217
Accumulated depreciation and impairment loss	(1,557,037)	(1,622,798)
Tools, furniture and fixtures, net	325,664	302,419
Land	1,039,680	1,038,945
Leased assets	282,368	264,960
Accumulated depreciation	(138,730)	(130,794)
Leased assets, net	143,637	134,165
Construction in progress	129,925	70,903
Other	30,117	34,051
Accumulated depreciation	(22,400)	(23,540)
Other, net	7,716	10,510
Total property, plant and equipment	5,594,168	5,616,759
Intangible assets		
Goodwill	1,764	691,599
Trademark right	46,116	39,613
Other	258,369	365,859
Total intangible assets	306,250	1,097,072
Investments and other assets		
Investment securities	1,743,860	1,617,416
Deferred tax assets	669,176	656,633
Other	277,068	291,194
Total investments and other assets	2,690,105	2,565,244
Total non-current assets	8,590,524	9,279,076
Total assets	30,126,634	31,557,938

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	Second quarter of FY3/21 (As of Sep. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,681,495	4,722,452
Short-term borrowings	768,050	938,659
Current portion of long-term borrowings	-	75,000
Lease obligations	55,903	54,201
Income taxes payable	103,628	203,536
Provision for bonuses	725,113	698,987
Provision for bonuses for directors (and other officers)	43,080	17,814
Provision for product warranties	71,156	68,858
Provision for loss on building demolition cost	11,400	11,400
Other	1,201,622	968,745
Total current liabilities	7,661,449	7,759,655
Non-current liabilities		
Long-term borrowings	-	675,000
Lease obligations	105,203	98,706
Provision for retirement benefits for directors (and other officers)	51,687	51,687
Retirement benefit liability	912,345	902,965
Asset retirement obligations	185,555	195,236
Other	686,570	690,087
Total non-current liabilities	1,941,361	2,613,683
Total liabilities	9,602,811	10,373,338
Net assets		
Shareholders' equity		
Share capital	1,044,691	1,044,691
Capital surplus	675,803	675,384
Retained earnings	19,143,574	19,826,694
Treasury shares	(475,730)	(456,247)
Total shareholders' equity	20,388,338	21,090,522
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	88,669	107,650
Foreign currency translation adjustment	150,937	64,008
Remeasurements of defined benefit plans	(135,633)	(131,572)
Total accumulated other comprehensive income	103,974	40,086
Non-controlling interests	31,510	53,991
Total net assets	20,523,823	21,184,600
Total liabilities and net assets	30,126,634	31,557,938

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

(Thousands of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Net sales	14,086,741	13,159,749
Cost of sales	9,240,702	8,688,758
Gross profit	4,846,039	4,470,991
Selling, general and administrative expenses	3,804,522	3,759,253
Operating profit	1,041,516	711,737
Non-operating income		
Interest income	5,846	1,760
Dividend income	16,499	16,194
Share of profit of entities accounted for using equity method	221,404	262,978
Other	19,011	18,272
Total non-operating income	262,762	299,206
Non-operating expenses		
Interest expenses	16,067	11,725
Foreign exchange losses	28,574	48,385
Loss on amortization of restricted stock remuneration	6,800	6,944
Other	9,256	8,608
Total non-operating expenses	60,698	75,664
Ordinary profit	1,243,580	935,279
Extraordinary income		
Gain on sales of non-current assets	9,111	-
Gain on sales of investment securities	153,234	-
Gain on step acquisitions	-	347,712
Total extraordinary income	162,345	347,712
Extraordinary losses		
Loss on retirement of non-current assets	301	205
Loss on sales of investment securities	8,756	-
Total extraordinary losses	9,058	205
Profit before income taxes	1,396,868	1,282,786
Income taxes	362,784	214,666
Profit	1,034,083	1,068,120
Profit (loss) attributable to non-controlling interests	9,542	(447)
Profit attributable to owners of parent	1,024,541	1,068,567

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

	(Thousands of yen)	
	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Profit	1,034,083	1,068,120
Other comprehensive income		
Valuation difference on available-for-sale securities	(134,795)	19,082
Foreign currency translation adjustment	(109,750)	(65,206)
Remeasurements of defined benefit plans, net of tax	(18,365)	4,060
Share of other comprehensive income of entities accounted for using equity method	(57,445)	(23,309)
Total other comprehensive income	(320,356)	(65,372)
Comprehensive income	713,726	1,002,747
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	704,515	1,004,679
Comprehensive income attributable to non-controlling interests	9,211	(1,932)

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Consolidated Subsidiaries During the Period

Not applicable.

During the first quarter of the current fiscal year, consolidated subsidiary Iwaki Europe GmbH acquired 60% of the stock of Iwaki Nordic A/S, which was an equity-method affiliate. As a result, beginning with the first quarter, Iwaki Nordic A/S and its subsidiaries Iwaki Suomi Oy, Iwaki Norge AS and Iwaki Sverige AB were added to the scope of consolidation. This transaction did not involve a change in a specified subsidiary.

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 Information

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.