

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2023
(Six Months Ended September 30, 2022)

[Japanese GAAP]

Company name: IWAKI CO.,LTD. Listing: Tokyo Stock Exchange
 Stock code: 6237 URL: <https://www.iwakipumps.co.jp/>
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 Scheduled date of filing of Quarterly Report: November 14, 2022
 Scheduled date of payment of dividend: December 1, 2022
 Preparation of supplementary materials for quarterly financial results: Yes
 Preparation of supplementary materials for financial results: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2022

(April 1, 2022 – September 30, 2022)

(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, 2022	17,810	14.3	1,185	12.0	2,205	44.6	2,987	150.7
Six months ended Sep. 30, 2021	15,580	18.4	1,058	48.7	1,525	63.1	1,191	11.5

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2022: 3,890 (up 166.9%)

Six months ended Sep. 30, 2021: 1,457 (up 45.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2022	136.19	-
Six months ended Sep. 30, 2021	54.36	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of Sep. 30, 2022	43,526	28,761	65.8
As of Mar. 31, 2022	37,963	25,251	66.3

Reference: Owner's equity (million yen) As of Sep. 30, 2022: 28,643 As of Mar. 31, 2022: 25,177

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	-	12.00	-	21.50	33.50
Fiscal year ending Mar. 31, 2023	-	27.00	-	-	-
Fiscal year ending Mar. 31, 2023 (forecasts)	-	-	-	33.00	60.00

Note: Revisions to the most recently announced dividend forecasts: Yes

Regarding revisions to the dividend forecast, please see the press release dated today (November 14, 2022) concerning the revisions to the earnings forecast and dividend forecast (Japanese version only).

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	37,331	15.1	2,343	9.5	4,025	34.5	4,383	82.9	199.66

Note: Revisions to the most recently announced consolidated earnings forecasts: Yes

Regarding revisions to the earnings forecast, please see the press release dated today (November 14, 2022) concerning the revisions to the earnings forecast and dividend forecast (Japanese version only).

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): Yes

Newly added: 2 (IWAKI Pumps Co., Ltd., IWAKI Pumps (Guangdong) Co., Ltd.)

Note: Please refer to page 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Consolidated Subsidiaries during the Period” for details.

(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: | Yes |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting-based estimates: | None |
| 4) Restatements: | None |

Note: Please refer to page 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” for details.

(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, 2022:	22,490,910 shares	As of Mar. 31, 2022:	22,490,910 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2022:	519,363 shares	As of Mar. 31, 2022:	585,863 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2022:	21,938,026 shares	Six months ended Sep. 30, 2021:	21,921,251 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 Iwaki’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 materials for the quarterly financial results meeting

Iwaki plans to hold a quarterly financial results meeting for institutional investors and analysts on Monday, November 28, 2022. Materials to be distributed at this event will be available on the Company’s website in advance.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The Japanese economy recovered slowly, and capital expenditures increased during the first half of the current fiscal year. The outlook for the economy remains uncertain because of numerous events that may affect the earnings of companies, such as worldwide monetary tightening that may cause a global economic downturn, inflation, restrictions on the supply of many items and other issues.

Iwaki has been taking many actions in Japan to improve its corporate value 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. The Iwaki Group continued to accelerate the implementation of various measures for achieving numerical targets of the Iwaki Group 10-year vision of net sales of 40 billion yen and an operating margin of 10% in the fiscal year ending on March 31, 2025 based on the policy of “supplying the world’s best products as All Iwaki.”

In the water treatment category, sales increased 25.3% from one year earlier to 4,154 million yen because of strong sales in the United States. The semiconductor/liquid crystal market remained strong, increasing 16.4% to 3,552 million yen in sales. Sales in the medical equipment market were also strong, increasing 14.0% to 2,641 million yen. These three sectors were responsible for most of the growth of first half sales and earnings.

Sales in Japan increased 6.4% from one year earlier to 9,263 million yen as sales remained strong in the semiconductor/liquid crystal market. Overseas, sales in the United States rose 49.5% to 2,787 million yen because of higher sales in the water treatment market. In Europe, sales increased 18.1% to 2,162 million yen as sales were strong particularly in the chemicals and new energy markets. In Asia, sales rose mainly in the surface treatment equipment market in Taiwan. As a result, sales were up 0.5% to 1,552 million yen. Sales in China increased 31.9% to 1,272 million yen because of strong demand in the semiconductor/liquid crystal and medical equipment markets.

In product categories, strong sales of mainline magnetic pumps, metering pumps, and pneumatic-drive pumps in the semiconductor/liquid crystal category were the primary source of growth.

As a result, consolidated net sales increased 14.3% to 17,810 million yen.

Operating profit increased 12.0% from one year earlier to 1,185 million yen. Earnings benefited from sales growth but there were higher advertising and marketing expenses due to participation in overseas trade shows and higher personnel expenses, including an addition to the provision for bonuses. In non-operating income, there was an increase in the share of profit of entities accounted for using the equity method and foreign exchange gains due to the yen’s depreciation. As a result, ordinary profit was up 44.6% to 2,205 million yen. Due to extraordinary income of 1,297 million yen for a gain on step acquisitions, profit attributable to owners of parent increased 150.7% to 2,987 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

Current assets at the end of the second quarter of the current fiscal year were 30,371 million yen, up 3,000 million yen from the end of the previous fiscal year. This was mainly due to increases of 374 million yen in cash and deposits, 511 million yen in notes and accounts receivable-trade, and contract assets, 1,121 million yen in merchandise and finished goods and 734 million yen in raw materials and supplies. Non-current assets were 13,155 million yen at the end of the second quarter, up 2,562 million yen from the end of the previous fiscal year. This was mainly because of an increase of 2,493 million yen in goodwill.

As a result, total assets increased 5,563 million yen from the end of the previous fiscal year to 43,526 million yen.

Liabilities

Current liabilities at the end of the second quarter were 12,017 million yen, up 982 million yen from the end of the previous fiscal year. This was mainly due to increases of 616 million yen in contract liabilities and 203

million yen in provision for bonuses. Non-current liabilities were 2,748 million yen at the end of the second quarter, up 1,070 million yen from the end of the previous fiscal year. This was mainly due to increases of 682 million yen in long-term borrowings and 327 million yen in other non-current liabilities due to the application of ASC Topic 842 “Leases.”

As a result, total liabilities increased 2,053 million yen from the end of the previous fiscal year to 14,765 million yen.

Net assets

Net assets at the end of the second quarter were 28,761 million yen, up 3,509 million yen from the end of the previous fiscal year. There were increases of 2,512 million yen in retained earnings and 942 million yen in foreign currency translation adjustment.

Consequently, the capital adequacy ratio was 65.8% (66.3% at the end of the previous fiscal year).

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

The forecast for the fiscal year ending on March 31, 2023 has been revised to reflect the results of operations in the first half. For more information, please see the press release dated today (November 14, 2022) concerning the revisions to the earnings forecast and dividend forecast (Japanese version only).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	8,781,886	9,156,708
Notes and accounts receivable-trade, and contract assets	6,575,664	7,087,641
Electronically recorded monetary claims-operating	3,896,433	3,787,676
Securities	-	253,027
Merchandise and finished goods	3,274,488	4,395,717
Work in process	119,888	185,424
Raw materials and supplies	4,285,302	5,019,424
Other	489,283	551,404
Allowance for doubtful accounts	(52,156)	(65,562)
Total current assets	27,370,790	30,371,464
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,866,212	7,994,692
Accumulated depreciation and impairment	(4,184,745)	(4,325,470)
Buildings and structures, net	3,681,467	3,669,222
Machinery, equipment and vehicles	3,246,918	3,424,610
Accumulated depreciation and impairment	(2,775,483)	(2,956,808)
Machinery, equipment and vehicles, net	471,435	467,801
Tools, furniture and fixtures	2,071,207	2,258,492
Accumulated depreciation and impairment	(1,770,695)	(1,896,004)
Tools, furniture and fixtures, net	300,511	362,488
Land	1,043,711	1,049,814
Leased assets	350,172	322,592
Accumulated depreciation	(176,849)	(173,506)
Leased assets, net	173,323	149,085
Construction in progress	16,369	24,665
Other	44,400	742,779
Accumulated depreciation	(34,044)	(268,958)
Other, net	10,356	473,820
Total property, plant and equipment	5,697,174	6,196,898
Intangible assets		
Goodwill	706,796	3,200,340
Trademark right	26,788	26,049
Other	529,048	587,127
Total intangible assets	1,262,634	3,813,517
Investments and other assets		
Investment securities	2,110,109	1,373,502
Deferred tax assets	323,464	465,206
Retirement benefit asset	887,160	935,147
Other	312,168	370,991
Total investments and other assets	3,632,902	3,144,847
Total non-current assets	10,592,711	13,155,262
Total assets	37,963,502	43,526,727

	(Thousands of yen)	
	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,492,928	2,313,336
Electronically recorded obligations-operating	3,884,760	3,926,078
Short-term borrowings	1,244,747	1,144,536
Current portion of long-term borrowings	75,000	155,187
Lease liabilities	74,399	69,401
Income taxes payable	587,120	615,063
Contract liabilities	44,987	661,017
Provision for bonuses	1,022,448	1,226,103
Provision for bonuses for directors (and other officers)	131,504	47,500
Provision for product warranties	90,778	95,830
Other	1,385,959	1,763,469
Total current liabilities	11,034,634	12,017,524
Non-current liabilities		
Long-term borrowings	562,500	1,245,000
Lease liabilities	124,271	103,261
Retirement benefit liability	-	81,266
Asset retirement obligations	223,382	223,933
Other	767,173	1,094,599
Total non-current liabilities	1,677,327	2,748,061
Total liabilities	12,711,961	14,765,585
Net assets		
Shareholders' equity		
Share capital	1,044,691	1,044,691
Capital surplus	674,127	674,127
Retained earnings	22,341,167	24,854,117
Treasury shares	(586,764)	(519,722)
Total shareholders' equity	23,473,221	26,053,212
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,460	(95)
Foreign currency translation adjustment	669,870	1,612,170
Remeasurements of defined benefit plans	1,033,434	978,385
Total accumulated other comprehensive income	1,704,765	2,590,460
Non-controlling interests	73,554	117,468
Total net assets	25,251,541	28,761,141
Total liabilities and net assets	37,963,502	43,526,727

(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 FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	15,580,255	17,810,912
Cost of sales	10,312,561	11,838,102
Gross profit	5,267,693	5,972,809
Selling, general and administrative expenses	4,209,125	4,787,070
Operating profit	1,058,567	1,185,738
Non-operating income		
Interest income	1,073	661
Dividend income	16,224	16,903
Share of profit of entities accounted for using equity method	411,125	730,573
Foreign exchange gains	41,153	249,411
Other	22,418	43,195
Total non-operating income	491,995	1,040,746
Non-operating expenses		
Interest expenses	12,751	13,377
Commission expenses	5,442	4,006
Loss on amortization of restricted stock remuneration	-	406
Other	6,615	2,893
Total non-operating expenses	24,810	20,684
Ordinary profit	1,525,752	2,205,801
Extraordinary income		
Gain on sale of non-current assets	95	-
Gain on sale of investment securities	134,938	3,869
Gain on step acquisitions	-	1,297,060
Other	1,037	229
Total extraordinary income	136,071	1,301,158
Extraordinary losses		
Loss on retirement of non-current assets	3,162	707
Loss on sale of non-current assets	862	-
Settlement payments	55,000	-
Total extraordinary losses	59,024	707
Profit before income taxes	1,602,799	3,506,251
Income taxes	400,666	505,133
Profit	1,202,133	3,001,118
Profit attributable to non-controlling interests	10,566	13,341
Profit attributable to owners of parent	1,191,566	2,987,776

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

(Thousands of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Profit	1,202,133	3,001,118
Other comprehensive income		
Valuation difference on available-for-sale securities	(101,313)	(1,796)
Foreign currency translation adjustment	277,166	655,221
Remeasurements of defined benefit plans, net of tax	(17,308)	(55,049)
Share of other comprehensive income of entities accounted for using equity method	96,949	291,309
Total other comprehensive income	255,494	889,685
Comprehensive income	1,457,627	3,890,804
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,445,770	3,873,472
Comprehensive income attributable to non-controlling interests	11,856	17,332

(3) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Consolidated Subsidiaries during the Period

In the second quarter of the fiscal year ending on March 31, 2023, IWAKI Pumps Co., Ltd. (IPH) and IWAKI Pumps (Shanghai) Co., Ltd. (IPS) were converted from equity-method affiliates to consolidated subsidiaries due to the purchase of additional stock of IPH and an additional ownership interest in IPS. Due to the purchase of IPH stock, GFTZ IWAKI Engineering & Trading Co., Ltd. (IPG) and IWAKI Pumps (Guangdong) Co., Ltd. (IGD), which are wholly owned subsidiaries of IPH, and IWAKI Pumps (Shenzhen) Co., Ltd., which is a wholly owned subsidiary of IPG, are also included in the scope of consolidation.

IPH and its subsidiary IGD are classified as specified subsidiaries.

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.

Changes in Accounting Policies

Application of the Guidance on Accounting Standard for Measurement of Fair Value

Iwaki started to apply the Guidance on Accounting Standard for Measurement of Fair Value (Accounting Standards Board of Japan Guidance (ASBJ) Statement No. 31, June 17, 2021) at the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Guidance on Accounting Standard for Measurement of Fair Value prospectively in accordance with the transitional measures in Paragraph 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value.

There is no effect of the application of these standards on the consolidated financial statements.

Application of Accounting Standards Certification (ASC) Topic 842 "Leases" of the U.S. Financial Accounting Standards Board

Beginning with the first quarter of the current fiscal year, some consolidated subsidiaries outside Japan that use U.S. accounting standards are using ASC Topic 842 "Leases." As a result, for all leases where these subsidiaries are the lessee, as a rule, all lease assets and liabilities are included in the balance sheet.

In accordance with the transitional measures allowed by ASC Topic 842, the cumulative monetary effects of the application of this topic were recognized on the first day of the application of this topic.

As a result, at the beginning of the first quarter, right-of-use assets, which are included in other, net of property, plant and equipment, increased 431 million yen, lease obligations included in other current liabilities increased 113 million yen, and lease obligations included in other non-current liabilities increased 344 million yen.

The effect of this change on earnings in the first half of the current fiscal year is insignificant.

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.