



The Heart of Industry

Results of Operations for the
First Half of the Fiscal Year Ending March 31, 2023
(FY3/23)

November 14, 2022

IWAKI CO.,LTD.

Stock code: 6237
Trade name: Iwaki Pump



New Product
MJ Series "MJ-100"
Maglev pump

The new product is a volute pump with an innovative structure that has a magnetic bearing structure and magnetic drive.

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I. Summary of 1H FY3/23 Financial Results

Sales increased, mainly in the U.S., and a big increase in earnings that includes a foreign exchange gain and step acquisition gain.

		1H FY3/22	1H FY3/23		
		Amount (Millions of yen)	Amount (Millions of yen)	Differences	YoY change
Net sales		15,580	17,810	2,230	+14.3%
Gross profit (Gross margin)		5,267 (33.8%)	5,972 (33.5%)	705	+13.4%
Operating profit (Operating margin)		1,058 (6.8%)	1,185 (6.7%)	127	+12.0%
Ordinary profit		1,525	2,205	680	+44.6%
Profit attributable to owners of parent		1,191	2,987	1,796	+150.7%
Net income per share (Yen)		54.36	136.19	81.84	+150.6%
Exchange rate (average)	USD/JPY (Yen)	107.82	123.15		
	EUR/JPY (Yen)	129.88	134.39		

1 Sales: Higher in all regions and surpassed ¥9 billion in a quarter for the first time

- ✓ 2Q sales of ¥9,420 million with record high quarterly sales in the medical equipment, surface treatment equipment, water treatment and chemicals categories.
- ✓ 1H sales growth due mainly to the water treatment, semiconductor/liquid crystal and medical equipment categories. Very strong water treatment sales growth in the U.S.
- ✓ Foreign exchange increased sales by ¥482 million vs. 1H FY3/22.
- ✓ Difficulty procuring parts is still creating production bottlenecks.

2 Operating profit: Small increase as higher cost of parts and materials raised the cost of sales and personnel expenses increased

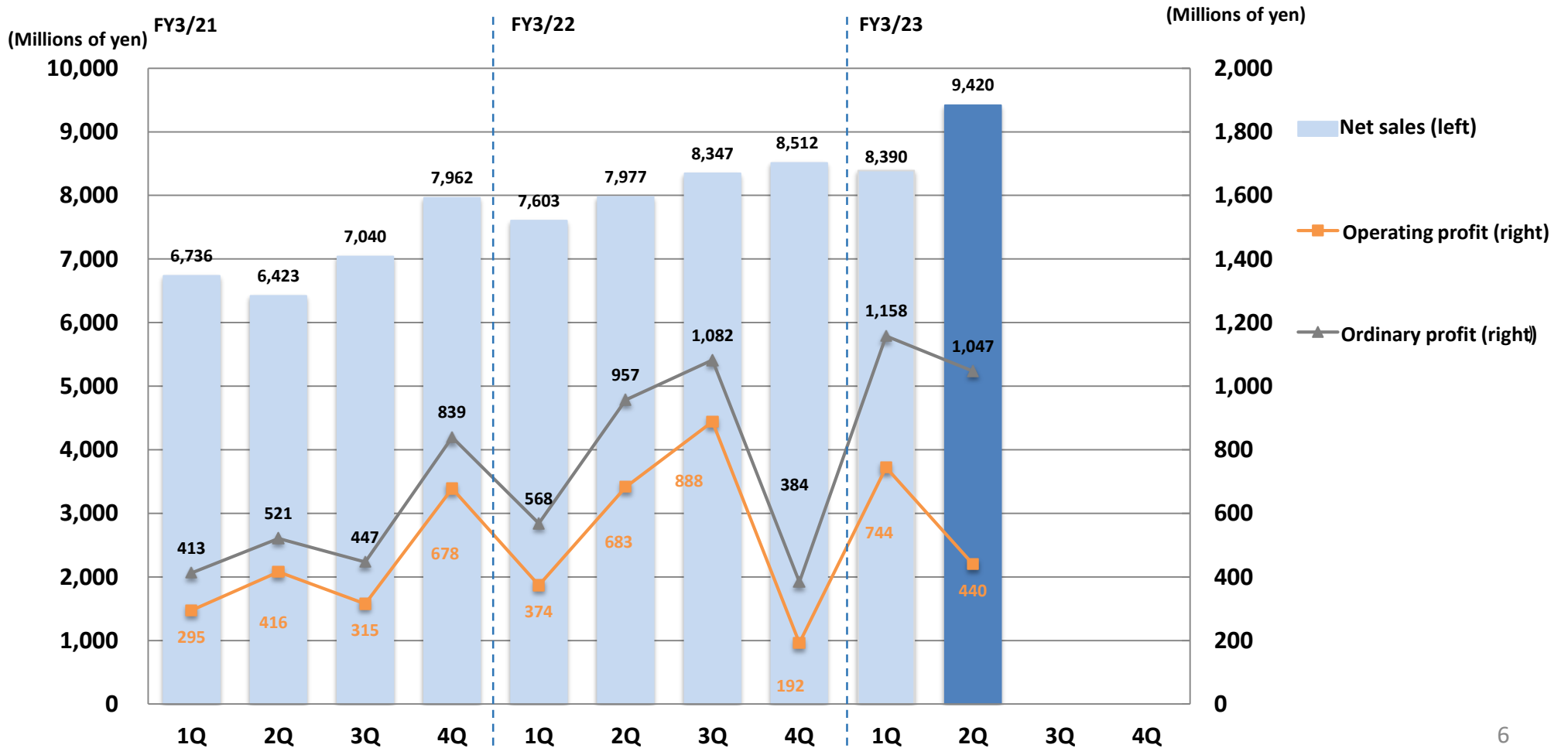
- ✓ Different fiscal periods of some consolidated subsidiaries affected earnings.
Adjustments for difference between sales to Iwaki subsidiaries and procurement by subsidiaries (cost of sales):
Adjustment of +¥204 million for procurement (cost of sales) in 2Q FY3/22
Adjustment of -¥126 million for procurement (cost of sales) in 2Q FY3/23
- ✓ Although fiscal period differences positively affected earnings, the cost of sales ratio increased due to the rising cost of parts and materials, manufacturing expenses, personnel expenses and other items.
- ✓ Increase in trade show and travel/commuting expenses as the severity of the pandemic declined and an increase in personnel expenses.
- ✓ Foreign exchange increased operating profit by ¥146 million vs. 1H FY3/22.

3 Profit attributable to owners of parent: Big increase because of the gain on step acquisitions

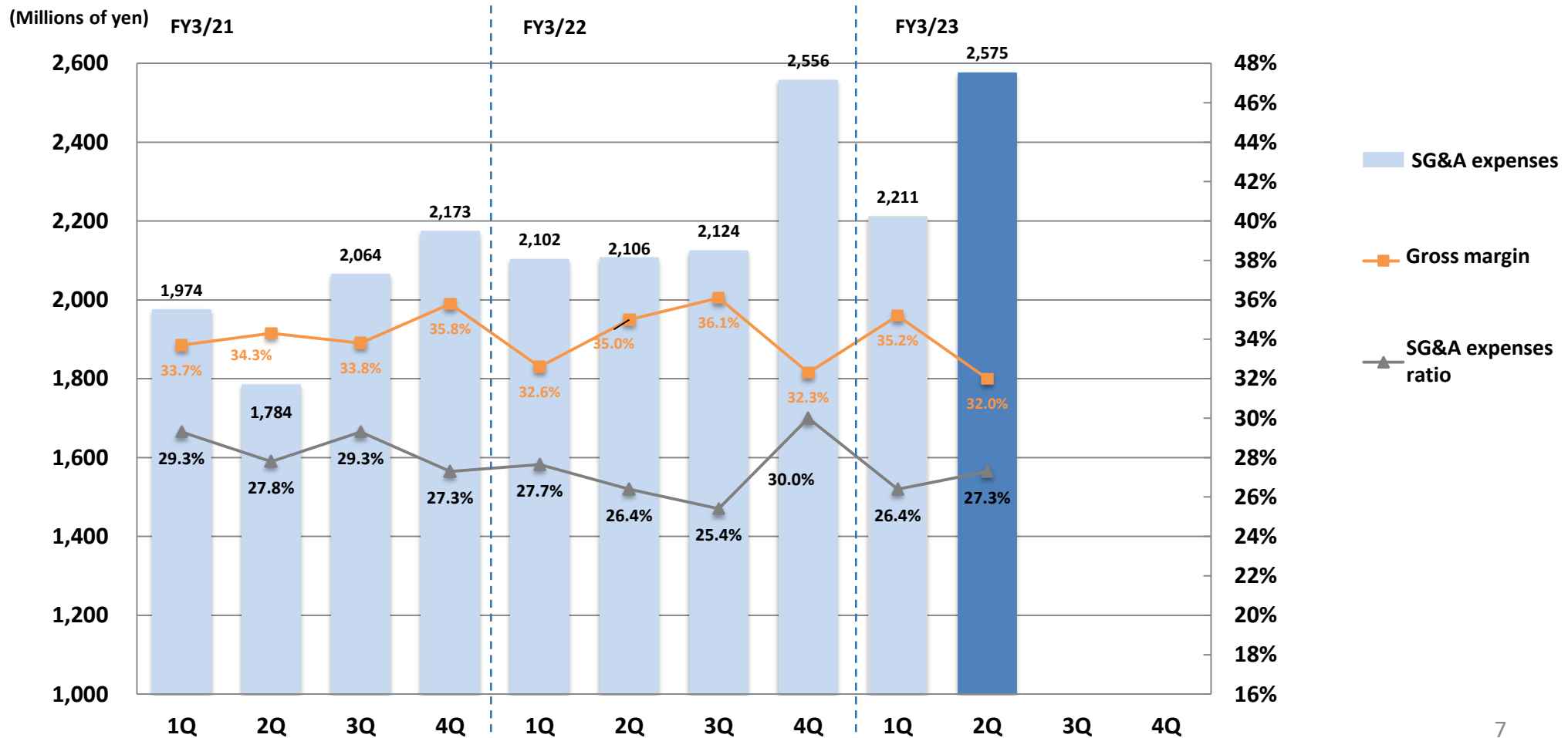
- ✓ Equity-method share of profit up ¥319 million vs. 1H FY3/22 because of higher earnings primarily at related companies in South Korea, Taiwan and Shanghai.
- ✓ Foreign exchange gain increased ¥208 million due to yen's depreciation.
- ✓ Gain on step acquisitions of ¥1,297 million resulting from the conversions of the Iwaki Hong Kong Group and Iwaki Shanghai into consolidated subsidiaries.

3 Net Sales and Operating Profit (Quarterly)







Quarterly sales surpassed ¥9 billion for the first time. Operating profit was relatively low due to rising cost of parts and materials, personnel and other items. Ordinary profit remained high due to equity-method income and foreign exchange gains.



Higher cost of parts and materials, logistics, personnel and other items raised the cost of sales ratio. Big YoY increase in SG&A expenses because of increases in trade show, personnel and other expense items.

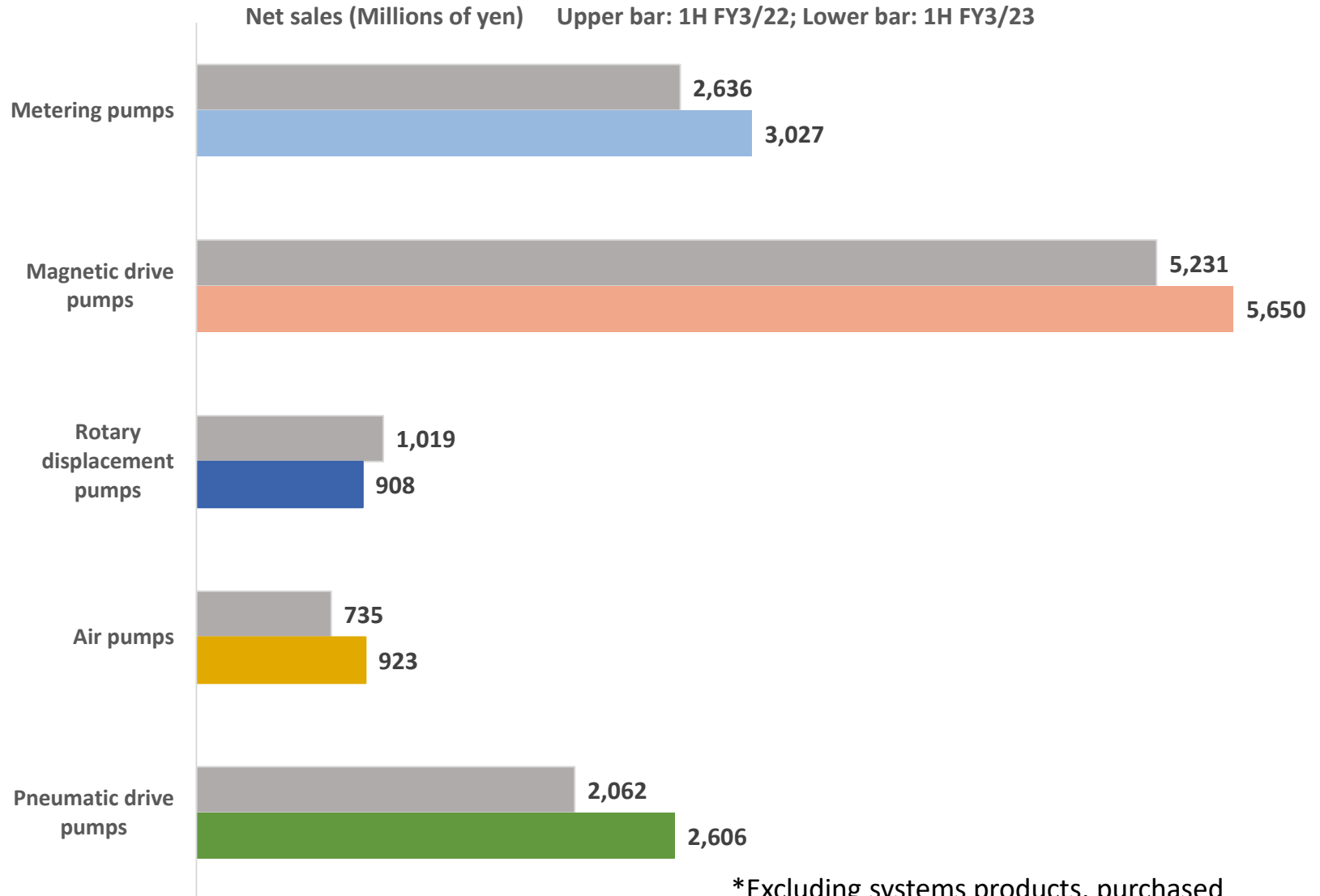


5 Market Overview for Product Categories

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

* A filled circle means major pumps in each market.

Profitability

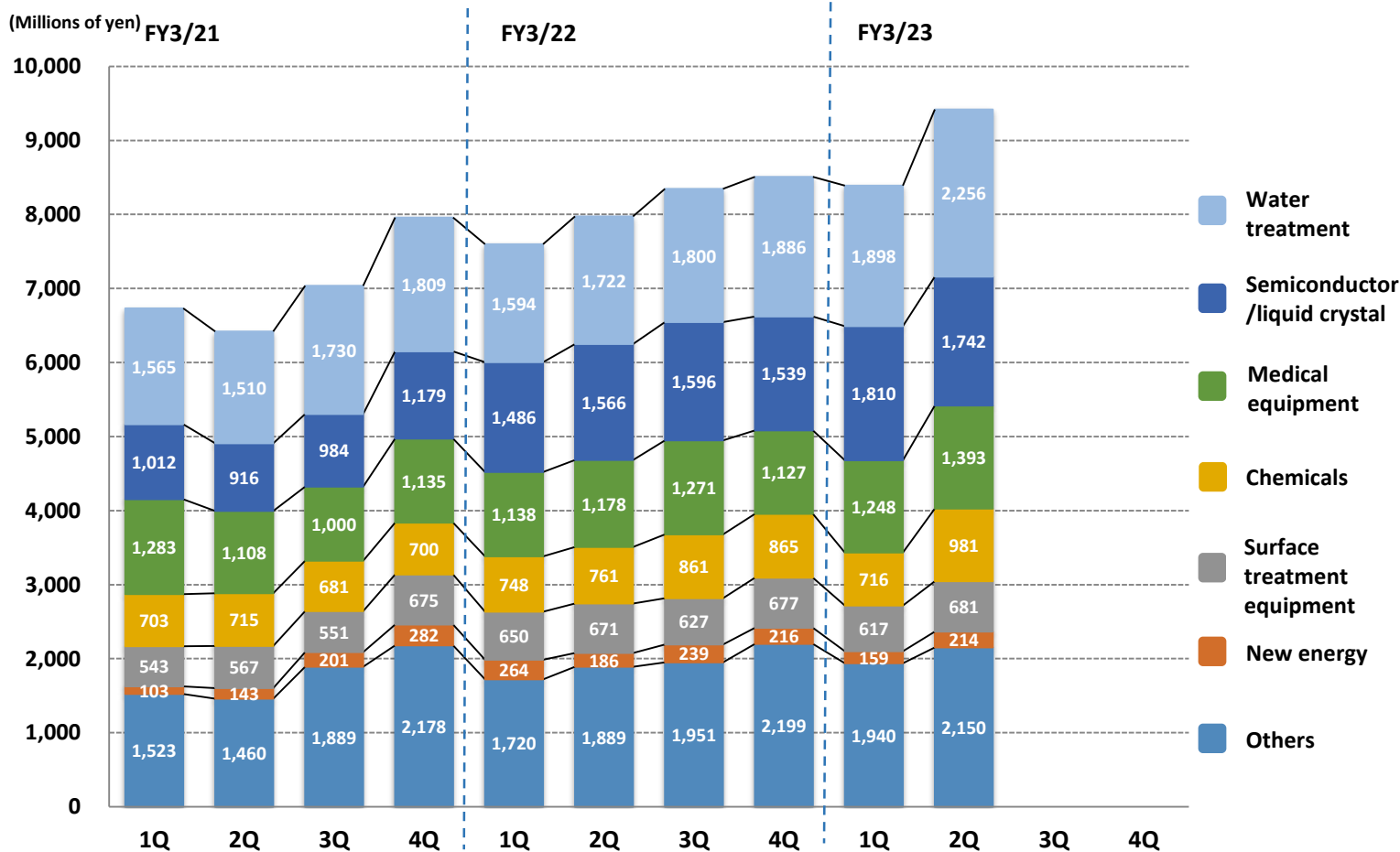


*Excluding systems products, purchased products and other

Big water treatment increase including ¥748 million YoY U.S. growth.

Higher sales overall, including a ¥259 million foreign exchange contribution to the U.S. water treatment sales growth due to the yen's depreciation.

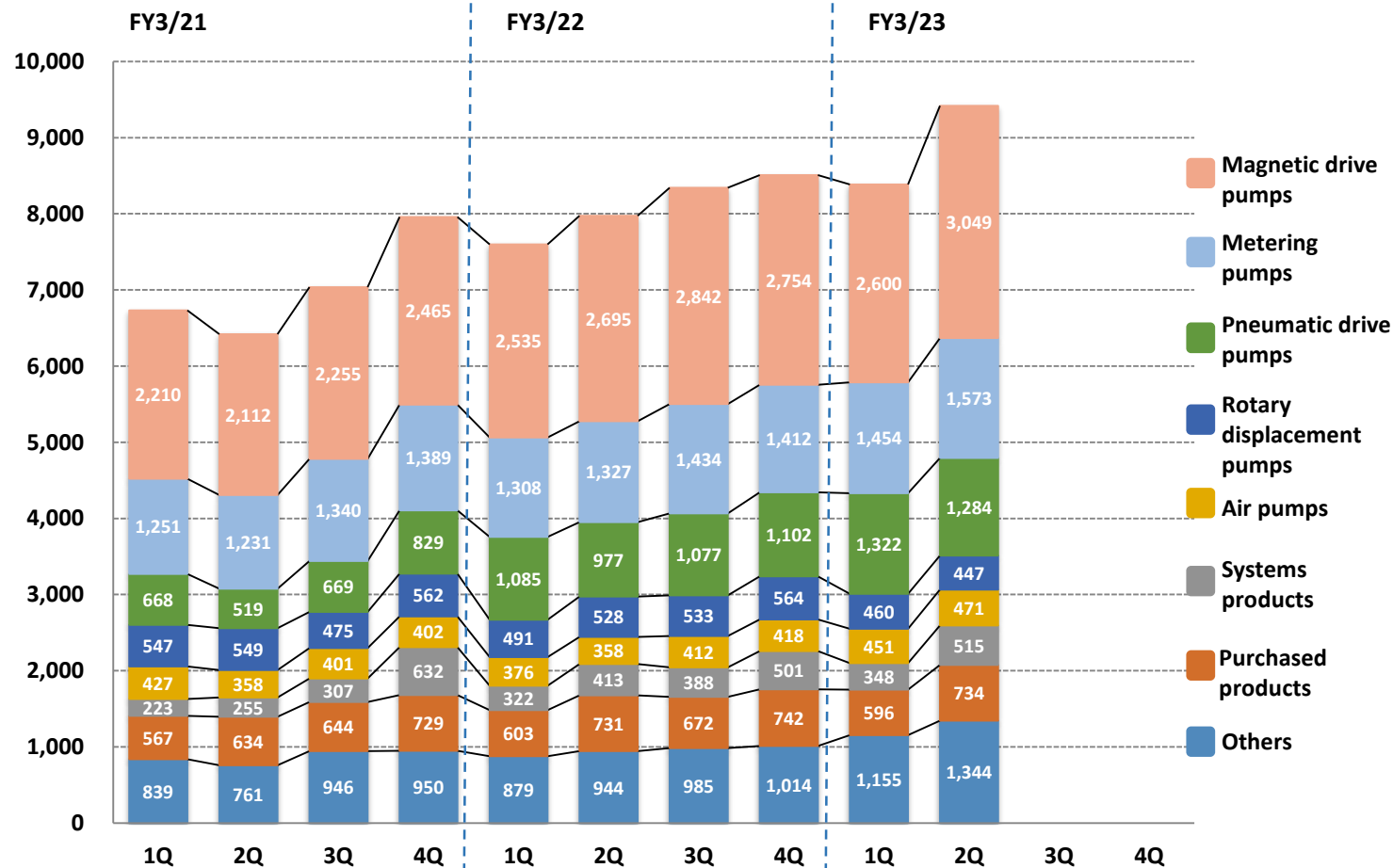
Semiconductor/liquid crystal sales remained high.



1H FY3/23 sales (Millions of yen)	YoY change (Millions of yen)	YoY change (%)
4,154	838	+25.3%
3,552	499	+16.4%
2,641	324	+14.0%
1,697	187	+12.4%
1,298	-22	-1.7%
373	-78	-17.3%
4,091	481	+13.3%

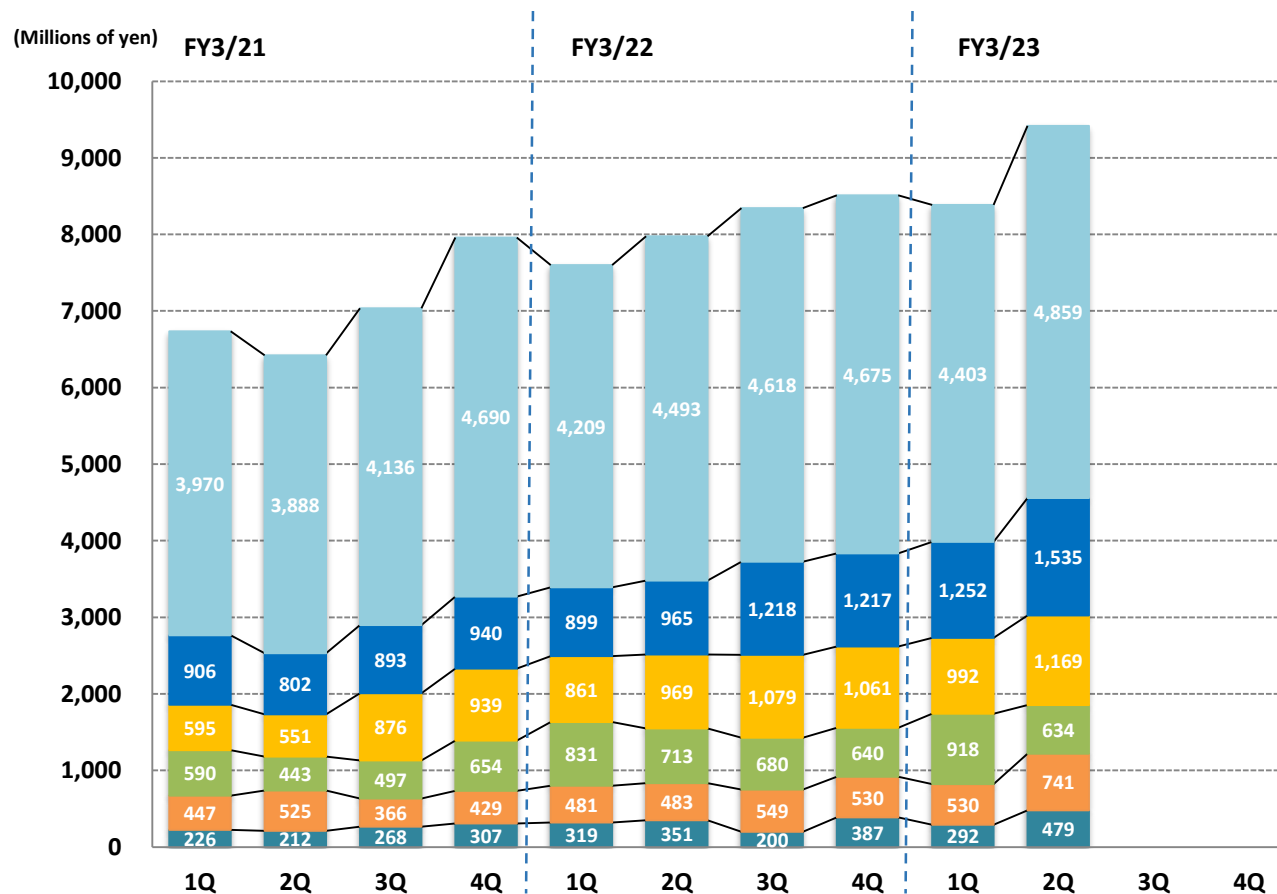
Record high 2Q sales of magnetic drive pumps and metering pumps, the two core product categories. Sales of pneumatic drive pumps in the semiconductor/liquid crystal category remained high.

(Millions of yen)

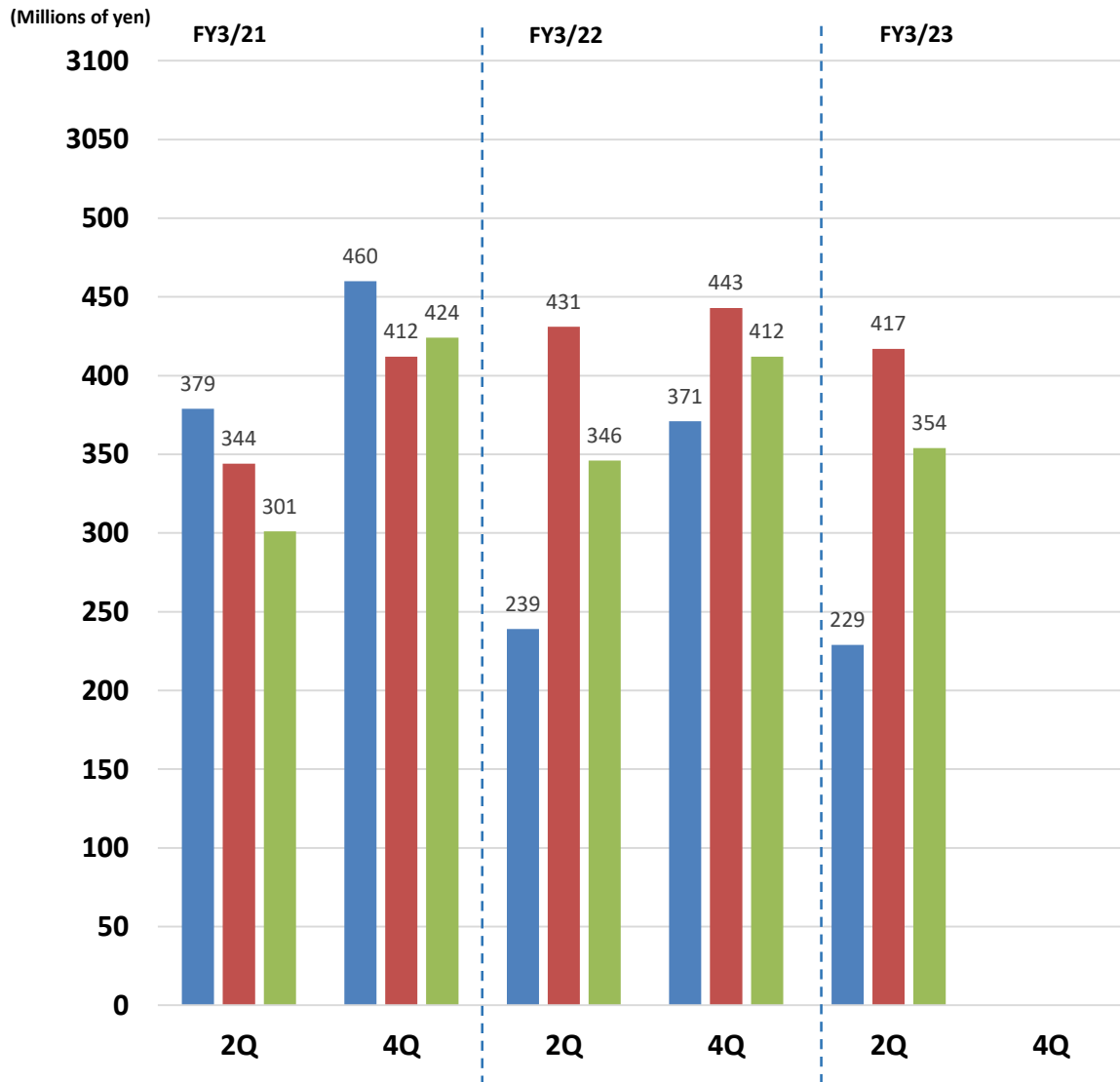


1H FY3/23 sales (Millions of yen)	YoY change (Millions of yen)	YoY change (%)
5,650	419	+8.0%
3,027	391	+14.9%
2,606	544	+26.4%
908	-111	-10.9%
923	187	+25.5%
864	128	+17.5%
1,330	-4	-0.3%
2,499	675	+37.0%

Strong semiconductor/liquid crystal category growth in Japan and strong growth of sales in the U.S. water treatment category and Chinese semiconductor/liquid crystal and medical equipment categories. Record high 2Q sales in all regions except Asia.



	1H FY3/23 sales (Millions of yen)	YoY change (Millions of yen)	YoY change (%)
Japan	9,263	560	+6.4%
America	2,787	923	+49.5%
Europe	2,162	330	+18.1%
Asia	1,552	7	+0.5%
China	1,272	307	+31.9%
Others	772	101	+15.1%
Overseas total (Overseas sales ratio)	8,547 (48.0%)	1,670	+24.3%



	1H FY3/23 sales (Millions of yen)	YoY change
■ Capital expenditures	229	-10
■ R&D expenses	417	-14
■ Depreciation	354	+8

II. Outlook for FY3/23

Forecast a big increase in bottom-line earnings despite higher expenses because of strong sales growth, extraordinary income and other reasons.

	FY3/22	FY3/23 (Revised forecast)			Reference: FY3/23 (Initial forecast)
	Amount (Millions of yen)	Amount (Millions of yen)	Differences	YoY change	Amount (Millions of yen)
Net sales	32,439	37,331	4,891	+15.1%	34,830
Gross profit (Gross margin)	11,029 (34.0%)	12,888 (34.5%)	1,858	+16.9% (+0.5pt)	12,034 (34.6%)
Operating profit (Operating margin)	2,139 (6.6%)	2,343 (6.3%)	203	+9.5% (-0.3pt)	2,748 (7.9%)
Ordinary profit	2,992	4,025	1,032	+34.5%	3,411
Profit attributable to owners of parent	2,396	4,383	1,986	+82.9%	2,547
Net income per share (Yen)	109.37	199.66	90.28	+82.5%	116.31
Return on equity (ROE)	10.1%	16.0%	-	(+6.0pt)	9.8%
Exchange rate (average)	USD/JPY (Yen)	109.90	(2H estimates) 139.00		(Estimates) 114.00
	EUR/JPY (Yen)	129.91	(2H estimates) 141.00		(Estimates) 130.00

1 Sales: Big increase of ¥4,891 million due to large volume of orders, the weaker yen, conversion of Hong Kong and Shanghai companies to consolidated subsidiaries, and other reasons

- ✓ Expect demand in the water treatment and semiconductor/liquid crystal categories to remain high in FY3/23.
- ✓ Demand is recovering in the medical equipment market, but concerns about procurement/logistics problems at finished product manufacturers.
- ✓ Expect a contribution to sales from the conversion of the Iwaki Hong Kong Group and Iwaki Shanghai to consolidated subsidiaries.
- ✓ Foreign exchange movements are expected to add ¥2,112 million to sales compared with FY3/22.

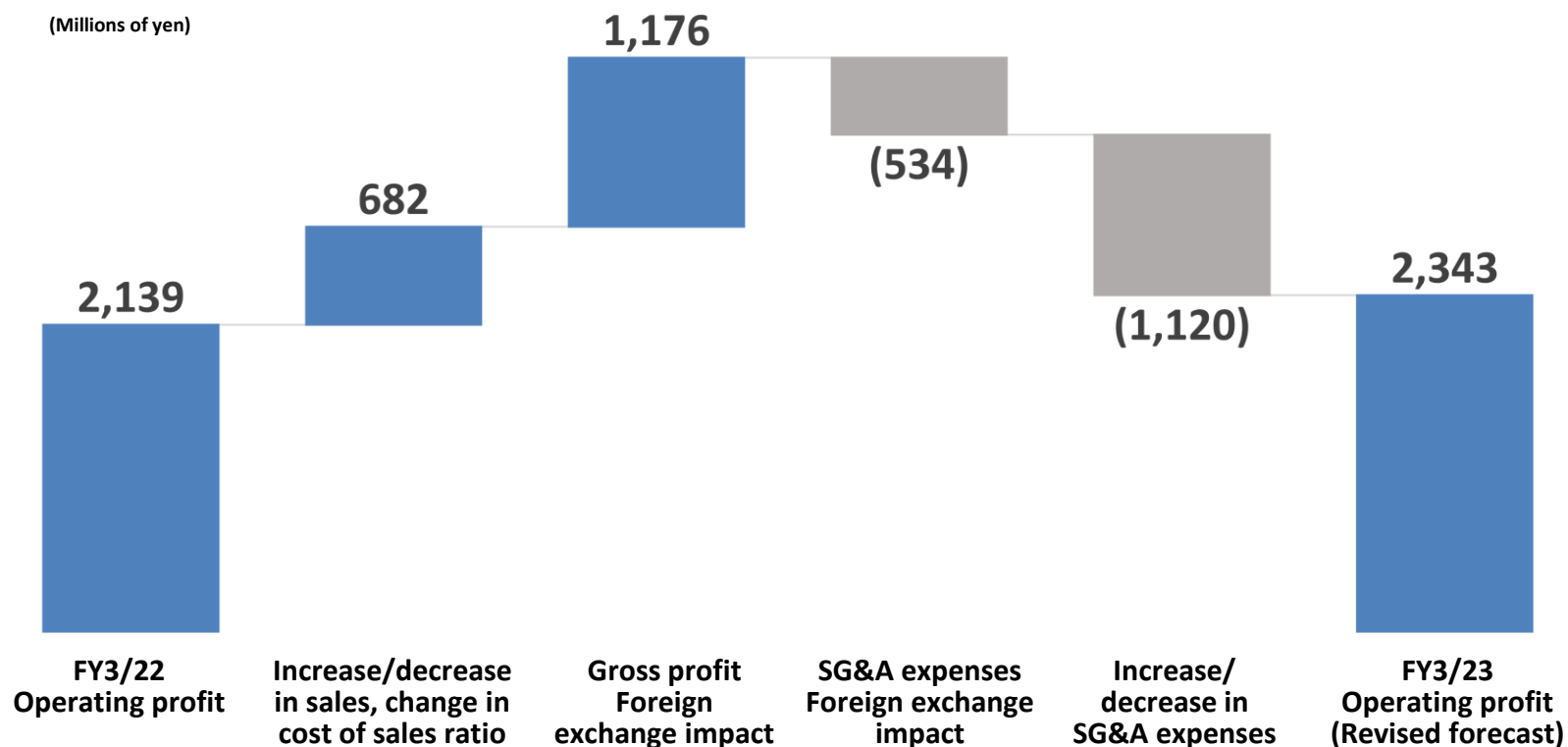
2 Operating profit: Big increase in sales, but expect operating profit up only ¥203 million due to higher personnel and other expenses

- ✓ Raising prices to pass on higher procurement expenses, but continuing price hikes of suppliers are putting downward pressure on earnings.
- ✓ Forecast an increase in the cost of sales (manufacturing expenses), mainly logistics costs, due to higher logistics outsourcing expenses and other expenses associated with realigning the manufacturing infrastructure.
- ✓ Expect SG&A expenses to be affected by trade show expenses, return of travel/commuting expenses as the pandemic declines, and an increase in personnel expenses.

3 Profit attributable to owners of parent: Increase of ¥1,986 million due to equity-method income and extraordinary income

- ✓ Forecast higher equity-method share of profit because of the strong earnings at related companies in Taiwan, South Korea and China.
- ✓ Non-operating income of ¥343 million at Iwaki America for receipt of pandemic employment retention subsidies.
- ✓ Gain on step acquisitions of ¥1,297 million (extraordinary income) resulting from the conversions of the Iwaki Hong Kong Group and Iwaki Shanghai into consolidated subsidiaries.

Effect of ¥1 exchange rate change (Full year)	USD	EUR
Net sales (Of which, 2H)	64 million yen (33 million yen)	30 million yen (15 million yen)
Operating profit (Of which, 2H)	20 million yen (7 million yen)	9 million yen (5 million yen)



Anticipate generally favorable market conditions, but there may be logistics problems and difficulty procuring parts.

Priority markets targeted for growth

	Japan	Overseas
Water treatment market	<ul style="list-style-type: none"> Increasing demand for remote control units for more efficient operations Growth of the plant factory market for food safety and disaster resilience Strong water quality management market, mainly for sterilization, due to Japan's opening to foreign visitors and support for travel within Japan 	<ul style="list-style-type: none"> Strong sales of equipment and systems using water treatment membranes Firm demand for disinfection applications
Medical equipment market	<ul style="list-style-type: none"> A recovery has started in all categories of this market Increasing signs of a recovery from the 2021 downturn in demand for clinical trial equipment (immunology analyzers and biochemical analyzers) but all equipment manufacturers are having difficulty purchasing parts and materials Market for endoscope sterilization equipment is recovering just as the clinical trial equipment market is, but all equipment manufacturers are having difficulty purchasing parts and materials Recovery in maintenance/replacement demand in the dialysis equipment sector 	<ul style="list-style-type: none"> Indications of a recovery in sales in China of clinical trial equipment (immunology analyzers and biochemical analyzers), but difficulties involving logistics and procuring parts and materials are affecting output at finished product manufacturers
New energy market	<ul style="list-style-type: none"> Big investments planned by manufacturers of fuel cells, battery recycling equipment and other new energy sector products Recovery in some demand for household fuel cell production recovered due to start of projects 	<ul style="list-style-type: none"> Firm demand in Asia as companies resume rechargeable battery investments
Semiconductor/ liquid crystal market	<ul style="list-style-type: none"> Strong demand for pumps used by semiconductor/liquid crystal production equipment manufacturers 	<ul style="list-style-type: none"> Negative effects of the postponement of some capital expenditures for foundries but the impact is negligible and the overseas market overall remains firm
Chemicals market	<ul style="list-style-type: none"> Firm demand related to development of value-added products Rising demand resulting from resin recycling due to environmental restrictions and other reasons 	<ul style="list-style-type: none"> Substantial investments in Europe and Asia by manufacturers of rechargeable battery materials Large volume of investments in the U.S. and Asia for producing chemicals used for manufacturing semiconductors
Surface treatment equipment market	<ul style="list-style-type: none"> Increasing demand for value-added electronic components for 5G, IoT and other applications Sales for automotive applications are recovering as automakers step up output to offset reduced output during the past year 	<ul style="list-style-type: none"> Worldwide increase in demand for electronic components used in automotive and ICT applications A large volume of capital expenditures involving package substrates

*Red indicates negative outlooks

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

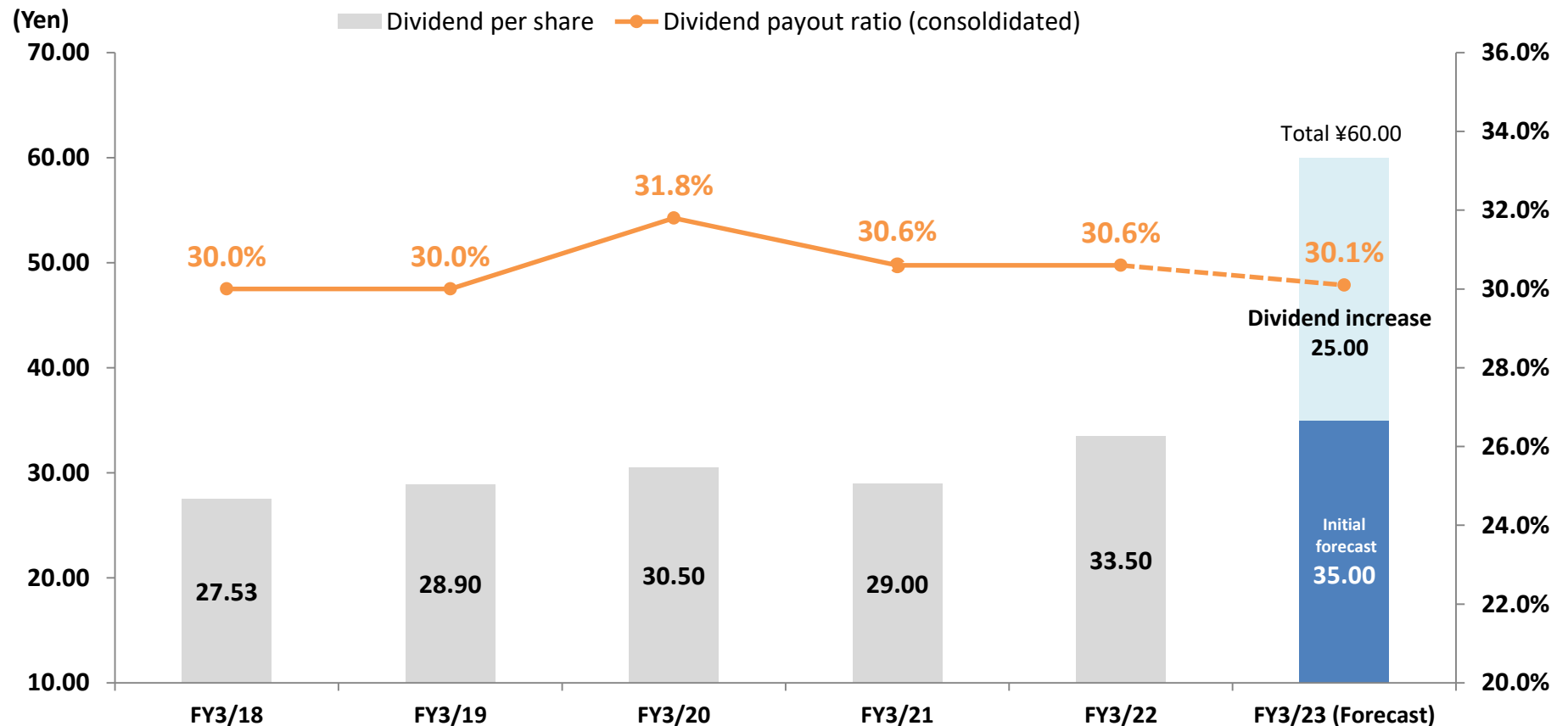
	FY3/23 Initial forecast (Millions of yen)	FY3/23 Revised forecast (Millions of yen)	Differences	YoY change	Reference: 1H FY3/23 Results (Millions of yen)
Water treatment	7,864	8,915	1,050	+13.4%	4,154
Semiconductor/ liquid crystal	6,366	7,216	850	+13.4%	3,552
Medical equipment	4,964	5,442	477	+9.6%	2,641
Chemicals	3,559	3,611	51	+1.5%	1,697
Surface treatment equipment	2,741	2,735	-6	-0.2%	1,298
New energy	1,124	920	-203	-18.1%	373
Others	8,208	8,489	280	3.4%	4,091
Total	34,830	37,331	2,500	7.2%	17,810

Forecast higher sales of metering pumps and pneumatic drive pumps associated with the revisions of market category forecasts.

	FY3/23 Initial forecast (Millions of yen)	FY3/23 Revised forecast (Millions of yen)	Differences	YoY change	Reference: 1H FY3/23 Results (Millions of yen)
Magnetic drive pumps	11,802	11,970	167	+1.4%	5,650
Metering pumps	5,892	6,313	421	+7.2%	3,027
Pneumatic drive pumps	4,486	5,064	577	+12.9%	2,606
Rotary displacement pumps	2,202	2,152	-49	-2.3%	908
Air pumps	1,651	1,908	256	+15.6%	923
Systems products	1,701	1,784	83	+4.9%	864
Purchased products	2,847	2,792	-55	-1.9%	1,330
Others	4,246	5,344	1,098	+25.9%	2,499
Total	34,830	37,331	2,500	+7.2%	17,810

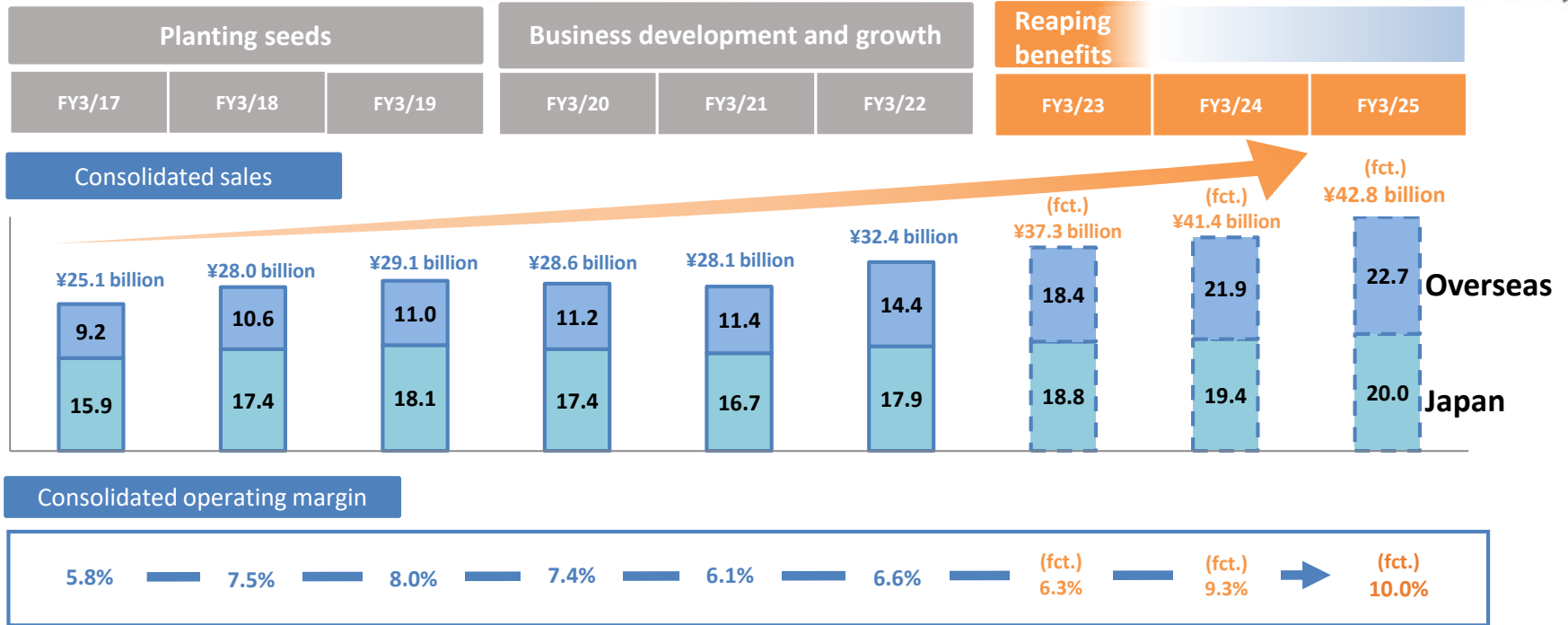
Basic policy

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



Note: Dividends for FY3/18 are adjusted (with fractions after the hundredths place dropped) to reflect the 3-for-1 common stock split on July 1, 2018.

III. Medium-term Management Plan Reaping Benefits



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 –

Reaffirming 10 goals of the 10-year vision

- 1) Use IT for faster sharing of information
- 2) Become an organization of experts
- 3) Rebuild a product lineup that can compete and win
- 4) Manufacturing that meets 100% of market demands
- 5) An organization where people can achieve their full potential
- 6) A powerful and efficient sales structure
- 7) Establish core technologies and create new technologies
- 8) Enlarge the lineup of services
- 9) Use marketing activities to quickly develop innovative products
- 10) Achieve seamless operations throughout the Iwaki Group

Key themes for continuing progress from the business development and growth phase

- 1) Rebuild the manufacturing system
- 2) Eliminate product defects and other problems
- 3) Drastic review of personnel systems
- 4) Renovate core IT systems
- 5) A commitment to CSR (sustainability activities)

The current 10-year vision goes to FY3/25

Consolidated sales
¥40.0 billion

Consolidated operating margin
10%

Established key themes for the reaping benefits phase along with key themes for the business development and growth phase with the goal of building a powerful base for accomplishing the 10-year vision numerical targets

Key goals of the reaping benefits phase

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.

Realignment of market 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.

Key goals of the reaping benefits phase

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.

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.

	FY3/23 (plan)		FY3/24 (plan)		FY3/25 (plan)	
	Amount (Millions of yen)	YoY Change	Amount (Millions of yen)	YoY Change	Amount (Millions of yen)	YoY Change
Net sales	37,331	+15.1%	41,447	+11.0%	42,808	+3.3%
Gross profit	12,888	+16.9%	15,404	+19.5%	16,016	+4.0%
Operating profit	2,343	+9.5%	3,872	+65.3%	4,291	+10.8%
Ordinary profit	4,025	+34.5%	4,507	+12.0%	4,925	+9.3%
Profit attributable to owners of parent	4,383	+82.9%	3,304	-24.6%	3,533	+6.9%

1

Starting in FY3/24, anticipate sales growth due to the first 12-month inclusion of the newly consolidated related companies (3 months included in FY3/23), the continued strength of the water treatment category, and the growth of the semiconductor/liquid crystal and medical equipment categories.

In Japan, forecast growth of almost 4% in FY3/24 and 3% in FY3/25. Overseas, forecast growth of almost 19% in FY3/24 and 4% in FY3/25.

2

Expenses for large trade shows are expected in FY3/25.

Forecast double-digit operating profit growth in FY3/24 due to sales growth and other reasons. Expect the operating margin to improve from 6.3% to 9.3% and 10.0% in FY3/25.

3

Forecast ordinary profit growth in FY3/24 due to sales growth and other reasons but lower profit attributable to owners of parent because of the large FY3/23 extraordinary income for gain on step acquisitions.

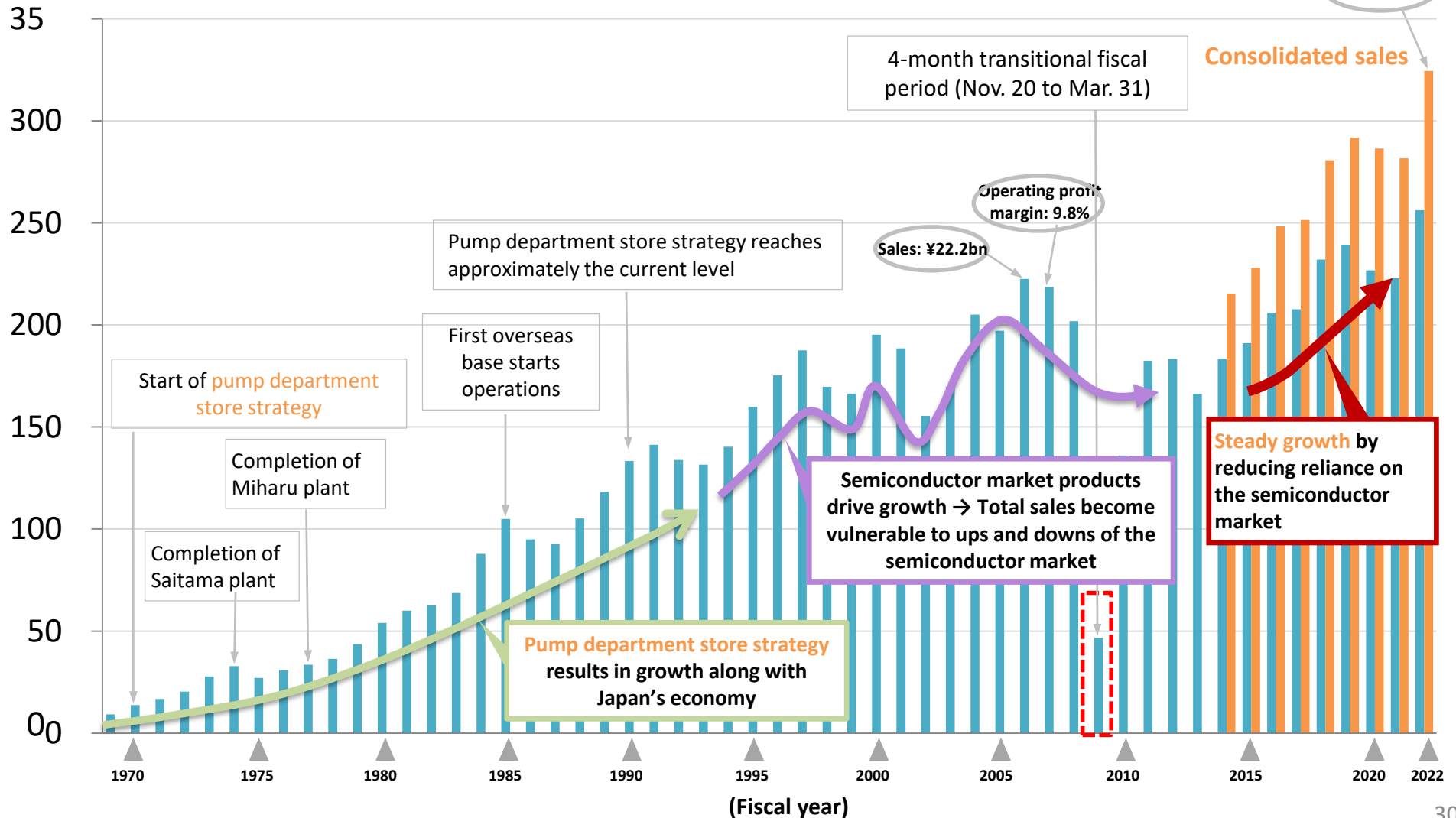
IV. Appendix



Name	<p>IWAKI CO., LTD</p> <p>A manufacturer of a broad line of chemical pumps</p>
Establishment	April 10, 1956
Representative	Shigeru Fujinaka
Head office	2-6-6, Kanda Suda-cho, Chiyoda-ku, Tokyo
Capital	1,044.69 million yen (as of the end of September 2022)
Number of Employees	Consolidated: 1,025/Non-consolidated: 795 (as of the end of September 2022)
Business	Development, manufacture, purchase, sale and other activities for chemical pumps and pump controllers and other pump peripherals
Listing:	Prime Section of the Tokyo Stock Exchange (Trade name: Iwaki Pump/Stock code: 6237)

(Billions of yen)

Non-consolidated Sales



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

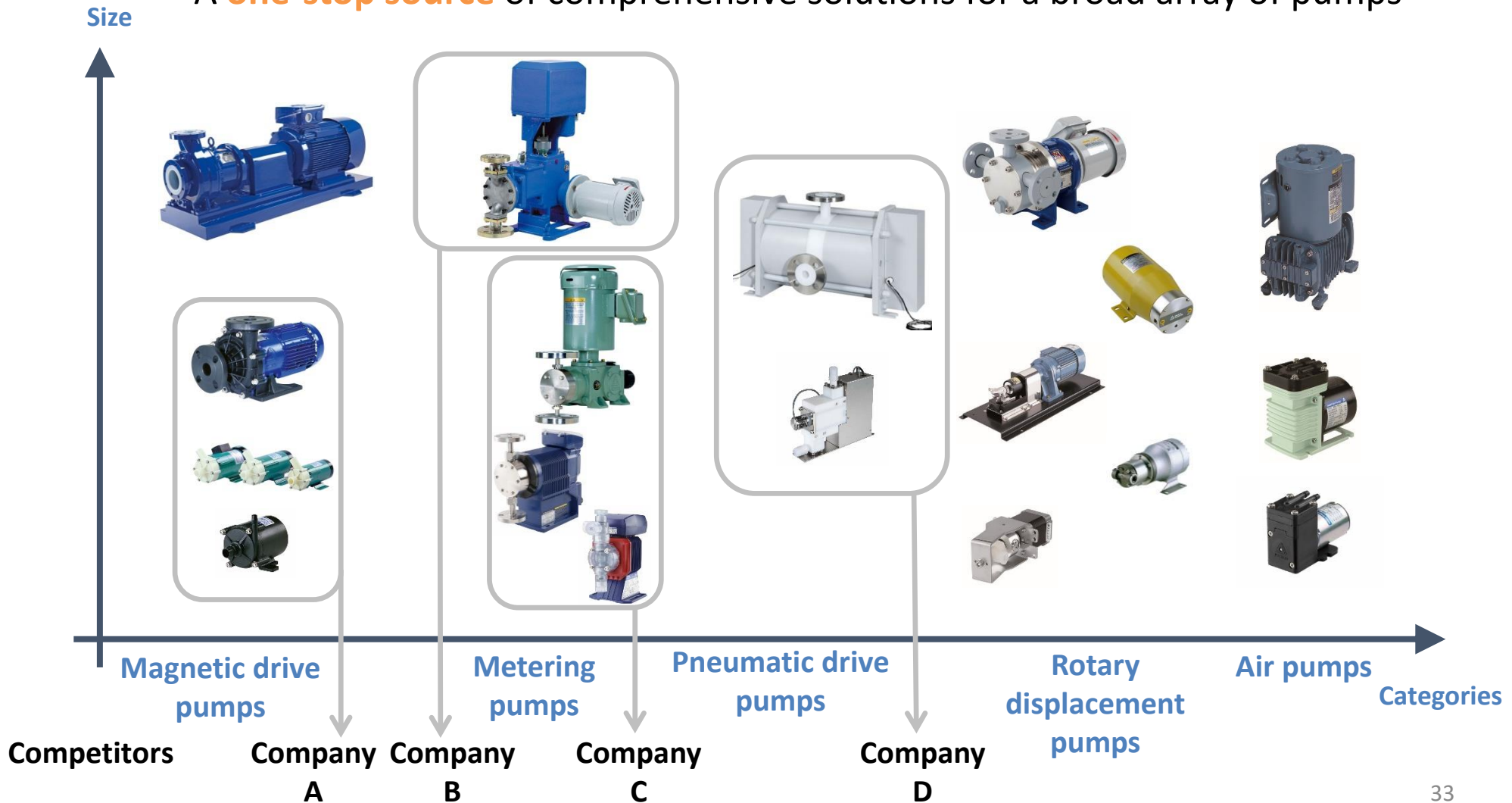
2

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

3

Able to create solutions using fluid control functions centered on pumps

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

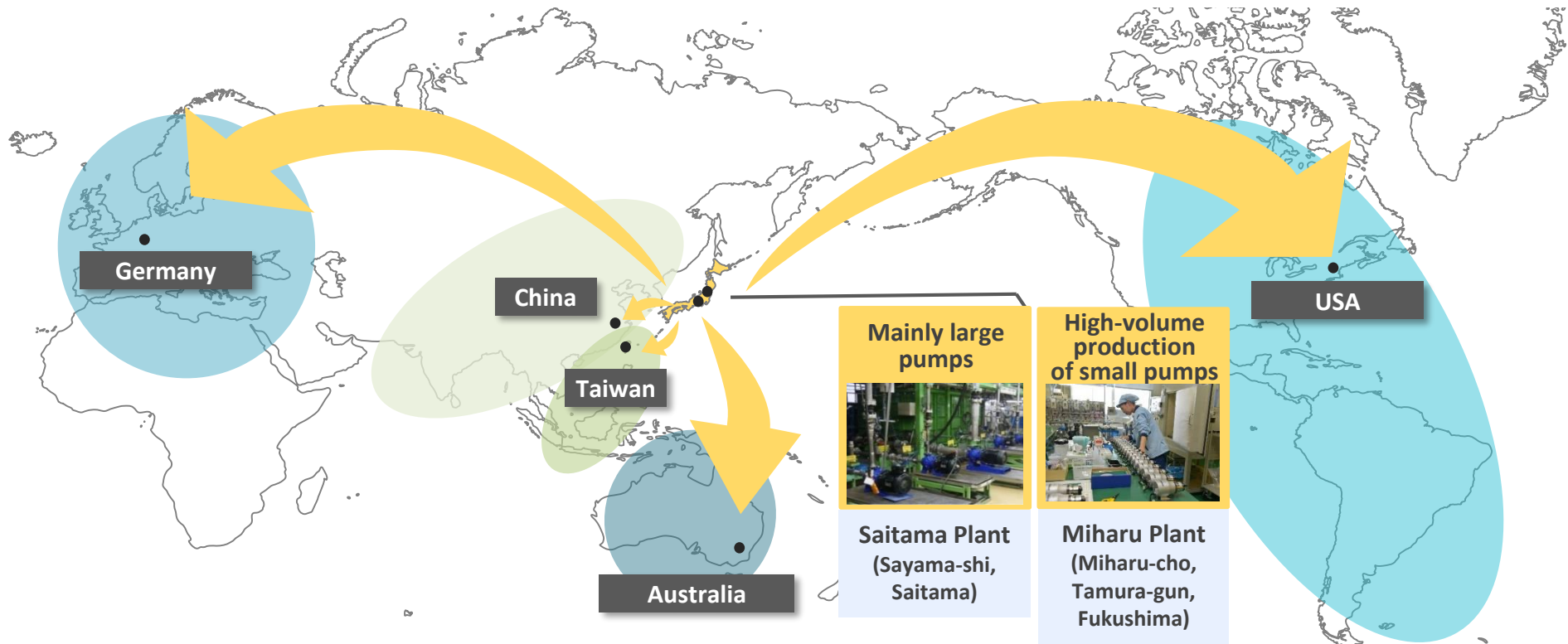


6 Strengths That Define Iwaki Global Manufacturing Network

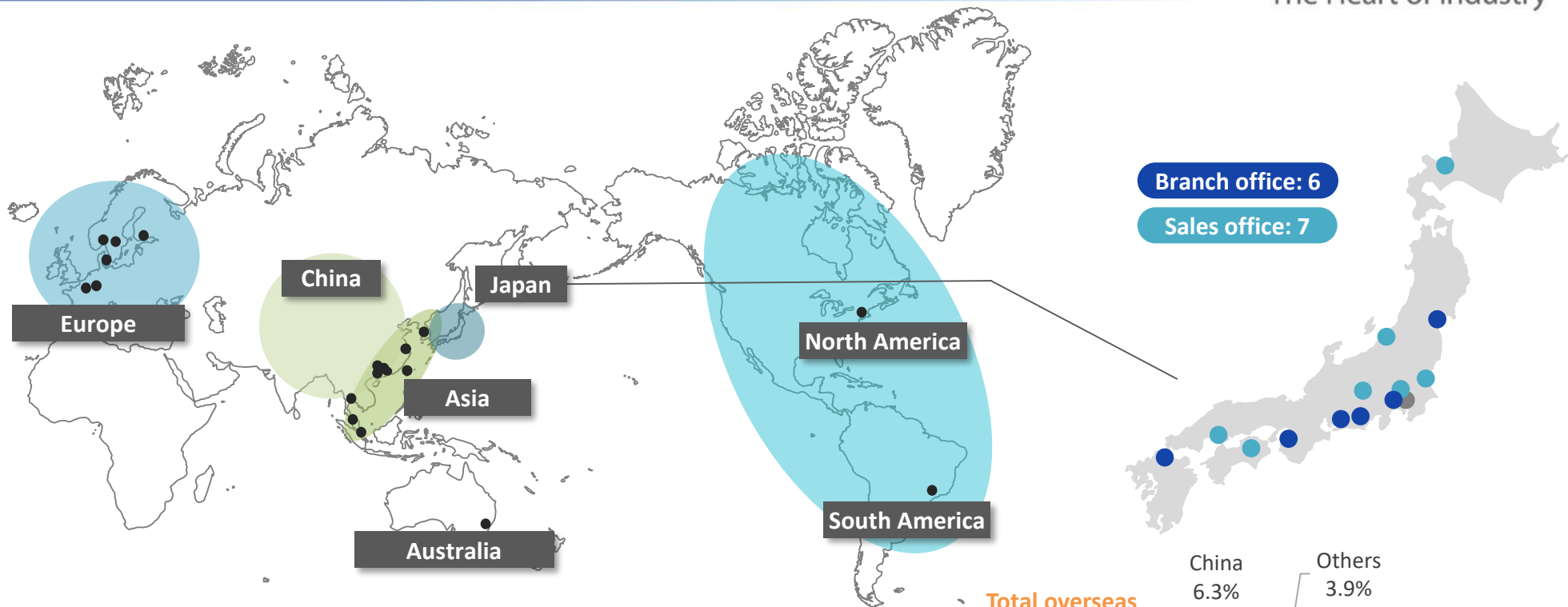
Annual capacity of around 800,000 units with the ability to make many models in small quantities

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

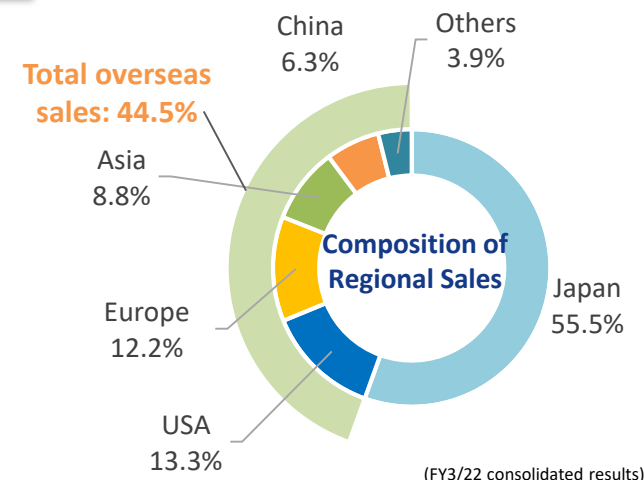
Overseas: Five locations manufacture pumps using main parts (knock-down manufacturing), resulting in efficiency for deliveries and inventories



Strengths That Define Iwaki A Global Sales and Support Infrastructure



Branch 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 pump and fluid control expertise to create **solutions** that match the **needs** of every customer

Iwaki



Pumps



Fluid control expertise



Problems requiring solutions

Needs



Users (Customers)



Ideas for problems and other needs

Solutions



The Heart of Industry

Dedicated to remaining at the forefront of progress in order to contribute to a broad range of progress and to the happiness and wellbeing of people worldwide

For more information:
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E-mail: ir@iwakipumps.jp

Operating hours: 9:00 to 17:30

(Except Saturdays, Sundays, public holidays, and other business holidays)

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