



The Heart of Industry

IWAKI CO.,LTD.

Results of Operations for the  
First Half of the Fiscal Year Ending March 31, 2021 (FY3/21)

November 12, 2020

Stock code: 6237  
Trade name: Iwaki Pump

<b>I. Summary of 1H FY3/21 Financial Results</b>	<b>••••P 3</b>
<b>II. Outlook for FY3/21</b>	<b>••••P 13</b>
<b>III. Medium-term Management Plan</b> <b>Business Development and Growth</b>	<b>••••P 21</b>
<b>IV. Appendix</b>	<b>••••P 27</b>

## **I. Summary of 1H FY3/21 Financial Results**

		1H FY3/20	1H FY3/21		
		Amount (Millions of yen)	Amount (Millions of yen)	Differences	YoY change
Net sales		14,086	13,159	-926	-6.6%
Gross profit (Gross margin)		4,846 (34.4%)	4,470 (34.0%)	-375	-7.7% (-0.4pt)
Operating profit (Operating margin)		1,041 (7.4%)	711 (5.4%)	-329	-31.7% (-2.0pt)
Ordinary profit		1,243	935	-308	-24.8%
Profit attributable to owners of parent		1,024	1,068	44	+4.3%
Net income per share (Yen)		46.22	48.50	2.28	+4.9%
Exchange rate (average)	USD/JPY (Yen)	110.06	108.25		
	EUR/JPY (Yen)	124.32	119.34		

1

### **Sales were down 6.6% (-¥926 million)**

- ✓ Semiconductor/liquid crystal market sales up 14.7% even though 2Q overseas sales were lower than in the 1Q
- ✓ In the medical equipment market, strong growth of clinical testing equipment sales in China continued in the 2Q but first half sales decreased 8.6% because of a downturn in demand in Japan
- ✓ New energy market sales fell 44.4% due to lower sales in Japan and overseas in the 1Q and 2Q
- ✓ In other markets, sales were down 17.2% because COVID-19 restricted the ability to visit customers

2

### **Operating profit was 31.7 % lower (-¥329 million) than one year earlier**

- ✓ SG&A expenses decreased 1.2%. Higher expenses for external warehouse use, M&A expenses for Iwaki Nordic A/S (1Q) and other items. Transportation and other expenses for sales and other activities decreased because of COVID-19 restrictions.
- ✓ Operating profit decreased as the impact of lower sales outweighed the decline in SG&A expenses

3

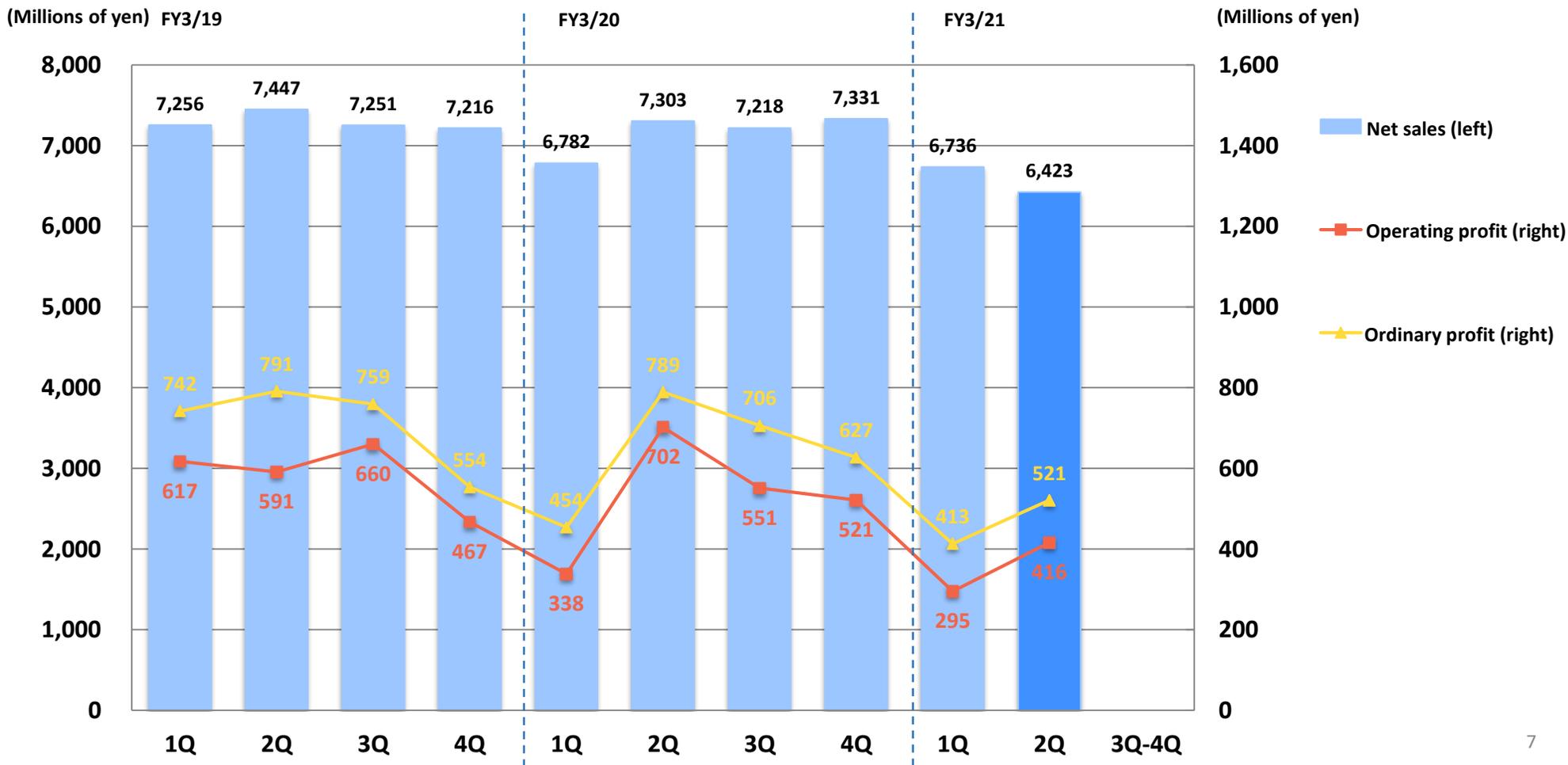
### **Profit attributable to owners of parent up 4.3% (+¥44 million)**

- ✓ Higher equity-method profit mainly involving Hong Kong and South Korea
- ✓ 1Q extraordinary income for a gain due to the step acquisition of Iwaki Nordic

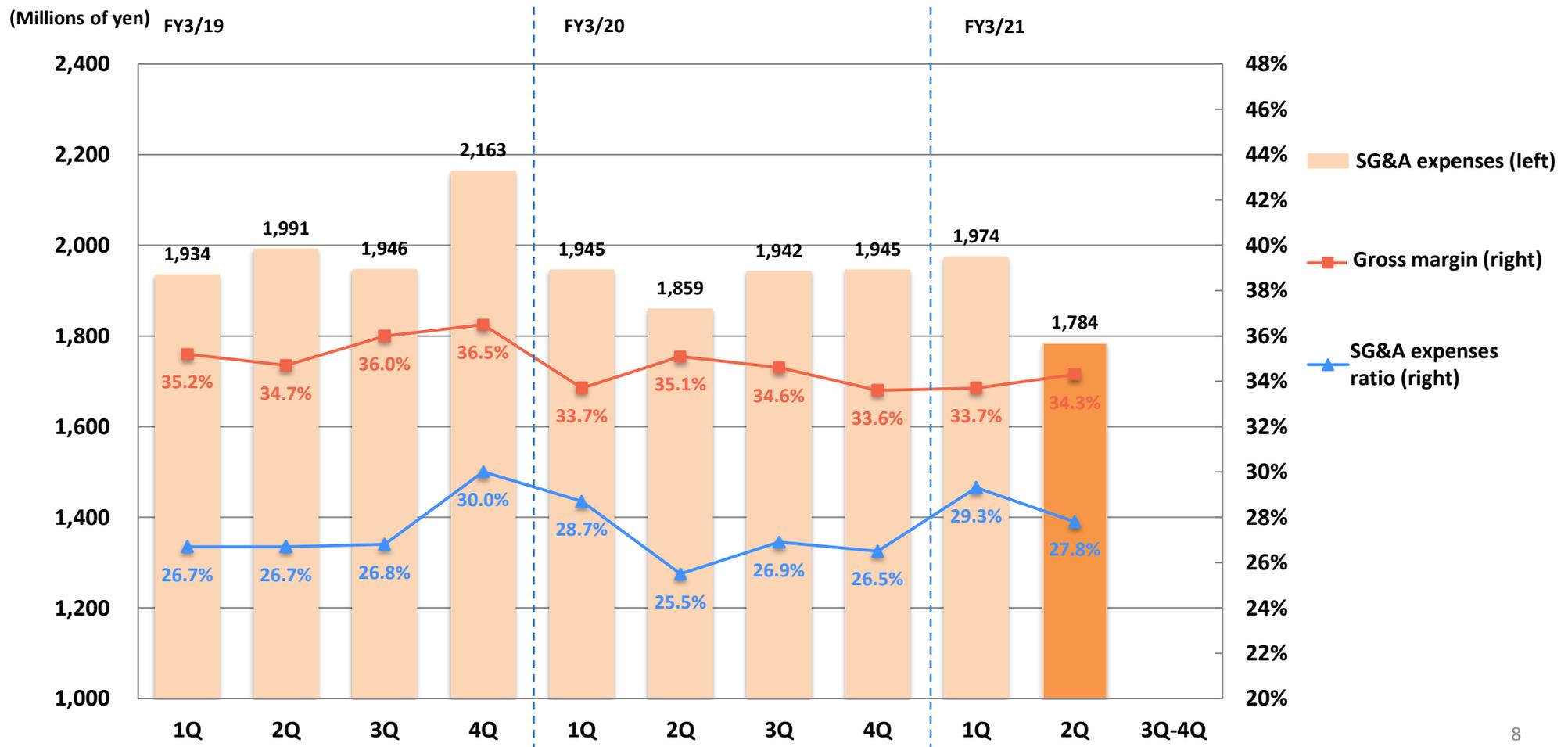
	Sales activities (including maintenance services)	Manufacturing and procurement activities	Topics
Japan	No effect on sales activities but <b>there are still restrictions on visiting customers</b>	No effect on manufacturing activities and no significant problems involving procurement activities	Temporary upturn in demand involving some sanitizing products
Overseas	No effect on sales activities but <b>there are still restrictions on visiting customers</b>	No effect on manufacturing activities and no significant problems involving procurement activities	Expect a decline in the temporary increase in demand for clinical testing equipment in China because COVID-19 infections appear to be under control. Excluding the effects of COVID-19, demand for this equipment is continuing to grow rapidly in China.

# 4 Net Sales and Operating Profit (Quarterly)

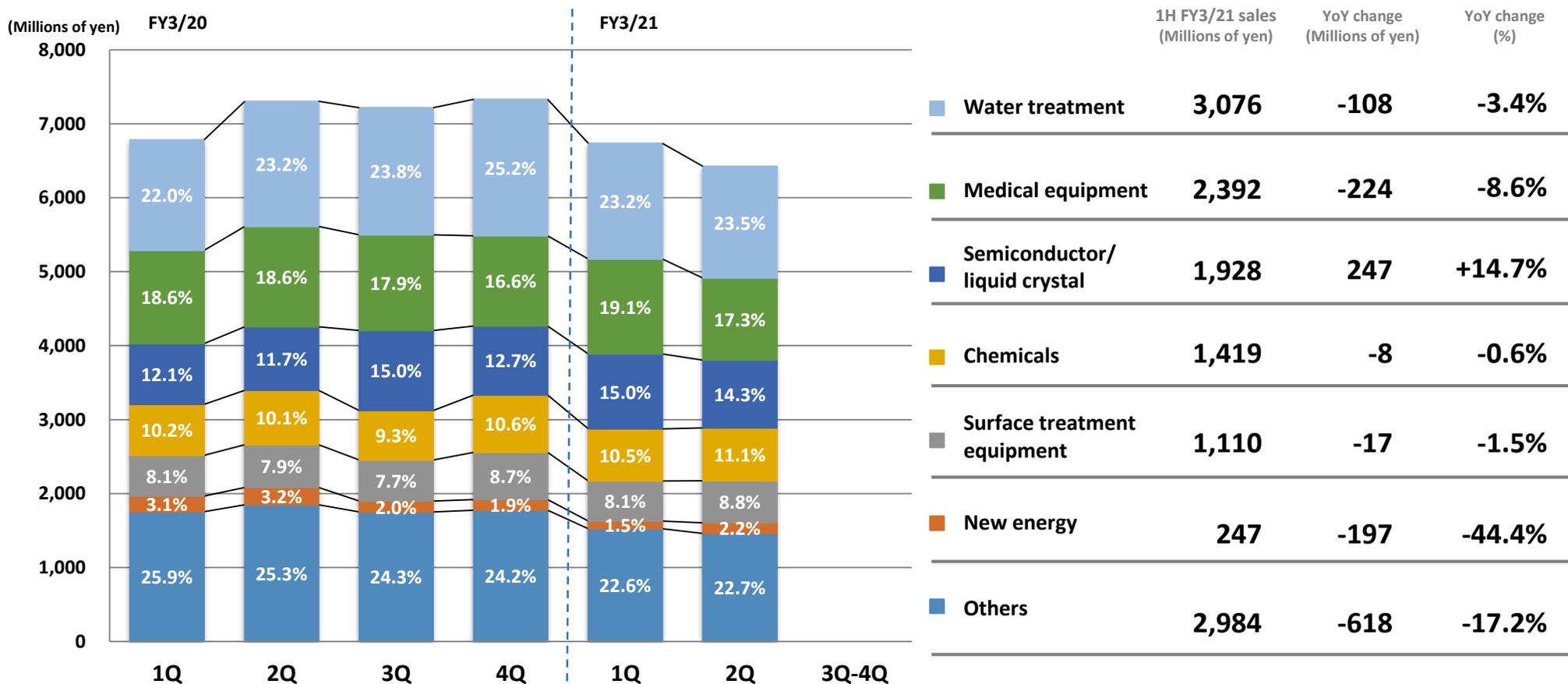
Medical equipment market demand was weak in Japan and the volume of sales requiring face-to-face meetings was down due to COVID-19 restrictions on visiting customers. The first half includes the April-June period when COVID-19 had the biggest impact on overseas subsidiaries. Sales were down but SG&A expenses also decreased, resulting in 2Q operating profit that was higher than in the 1Q.



2Q sales were down from one year earlier but the gross profit margin was almost the same because of a change in the composition of sales



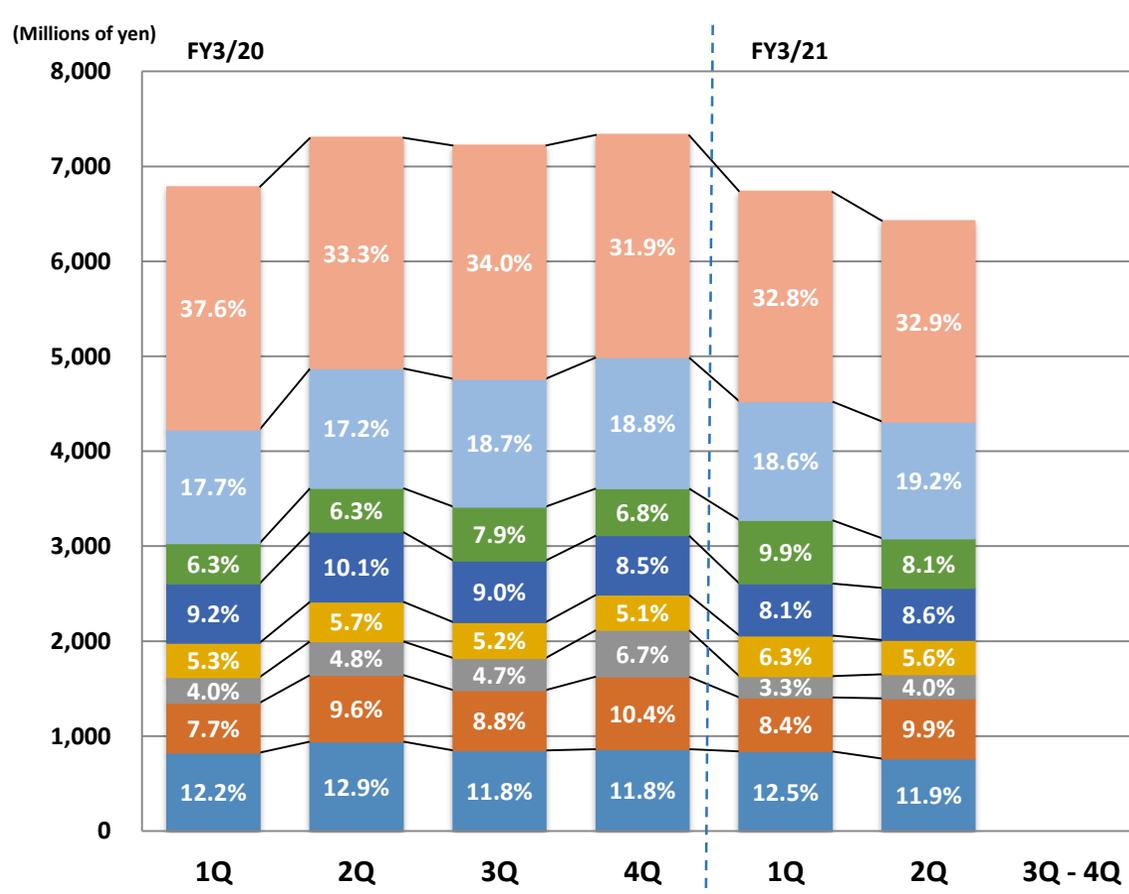
A big increase in demand in the China medical equipment market but weak demand in this market in Japan. First half sales were down in all markets except semiconductor/liquid crystal.



Magnetic drive pump sales decreased because customer visitation restrictions reduced the volume of transactions requiring face-to-face meetings.

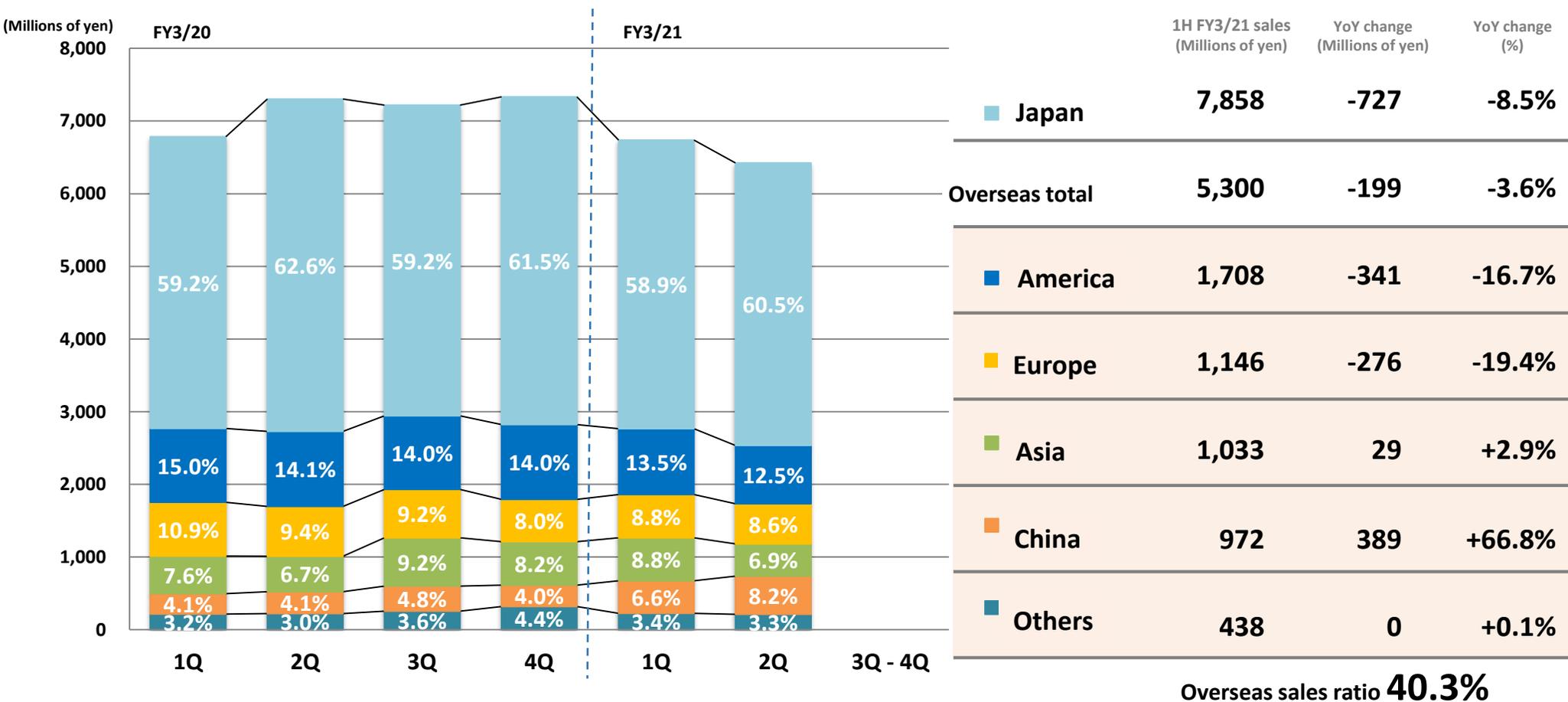
Weak demand in the medical equipment market in Japan reduced sales of rotary displacement pumps.

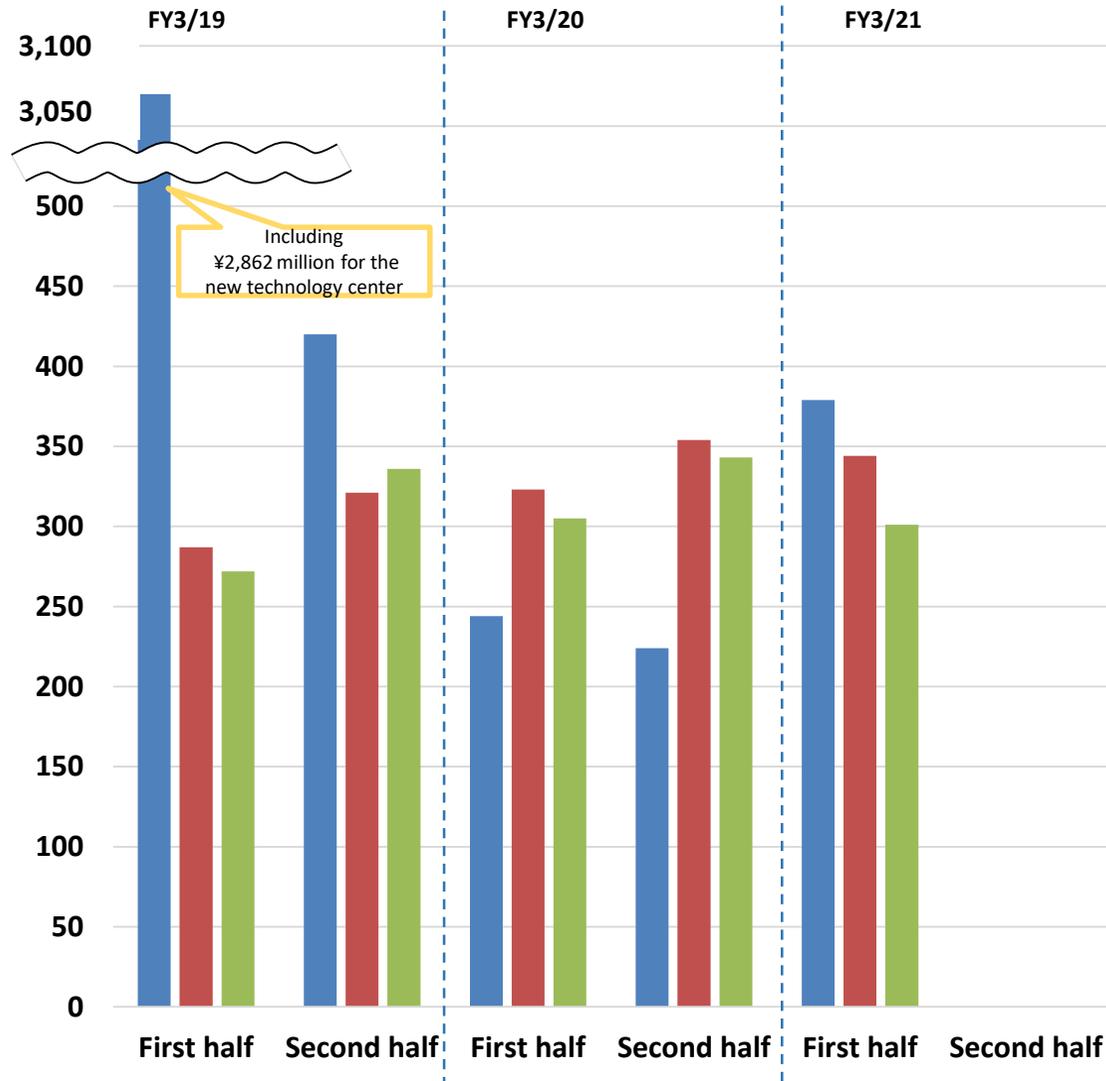
Sales of pneumatic drive pumps in the semiconductor/liquid crystal market remained strong.



	1H FY3/21 sales (Millions of yen)	YoY change (Millions of yen)	YoY change (%)
Magnetic drive pumps	4,323	-662	-13.3%
Metering pumps	2,482	27	+1.1%
Pneumatic drive pumps	1,188	299	+33.6%
Rotary displacement pumps	1,096	-262	-19.3%
Air pumps	785	8	+1.0%
Systems products	479	-147	-23.5%
Purchased products	1,201	-22	-1.8%
Others	1,601	-167	-9.4%

Weak medical equipment market demand and lower volume of sales requiring face-to-face customer meetings brought down sales in Japan. America/Europe subsidiary results were greatly impacted by COVID-19 because 1H FY3/21 includes January-June 2020 for these companies. Strong semiconductor/liquid crystal and medical equipment market sales in China, including a very big increase in demand in the medical equipment market.




 1H FY3/21 sales  
 (Millions of yen)

 YoY  
 change

 Capital  
 expenditures

**379**
**+134**

R&amp;D expenses

**344**
**+21**

Depreciation

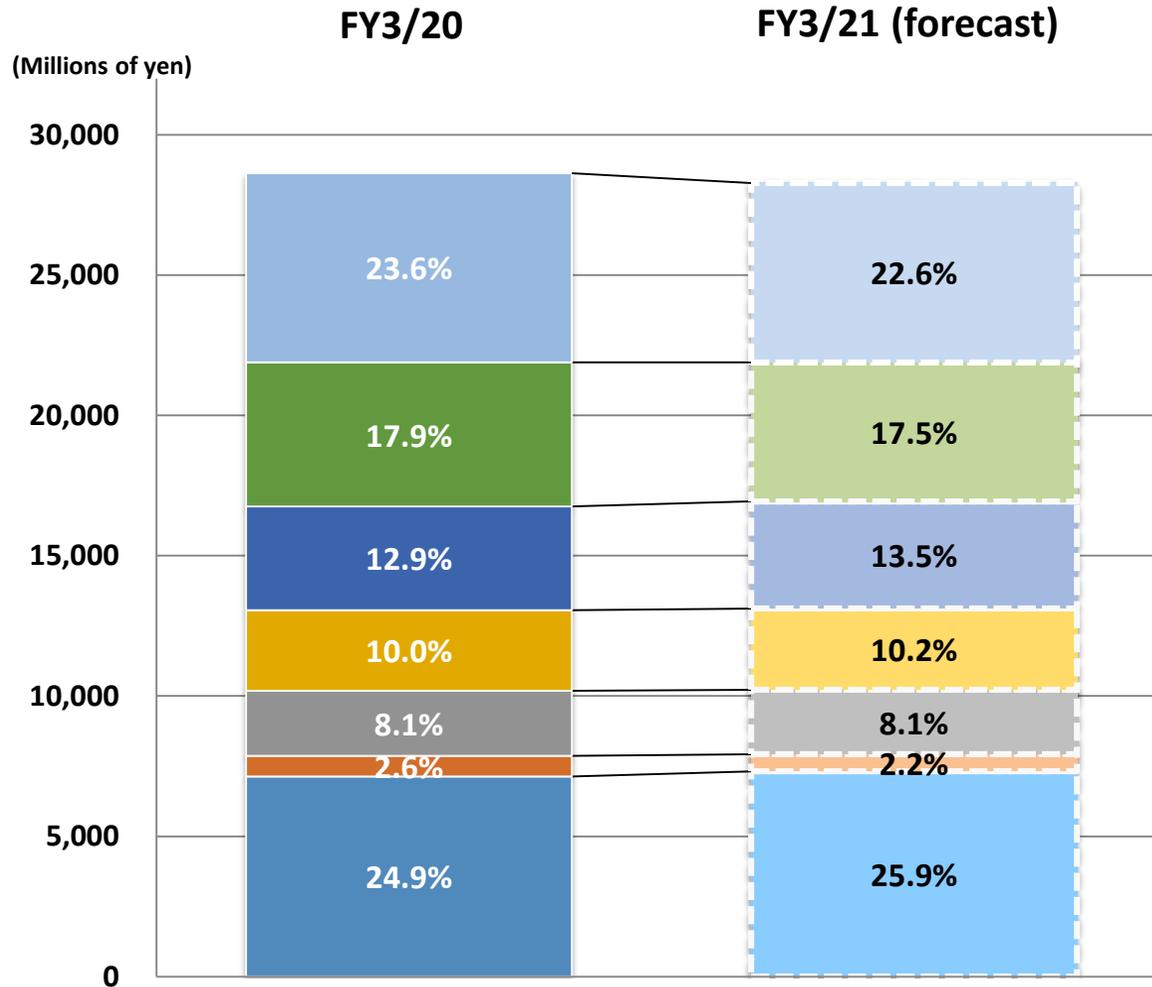
**301**
**-4**

 Including ¥141 million for  
 the new Nagoya branch  
 office

## **II. Outlook for FY3/21**

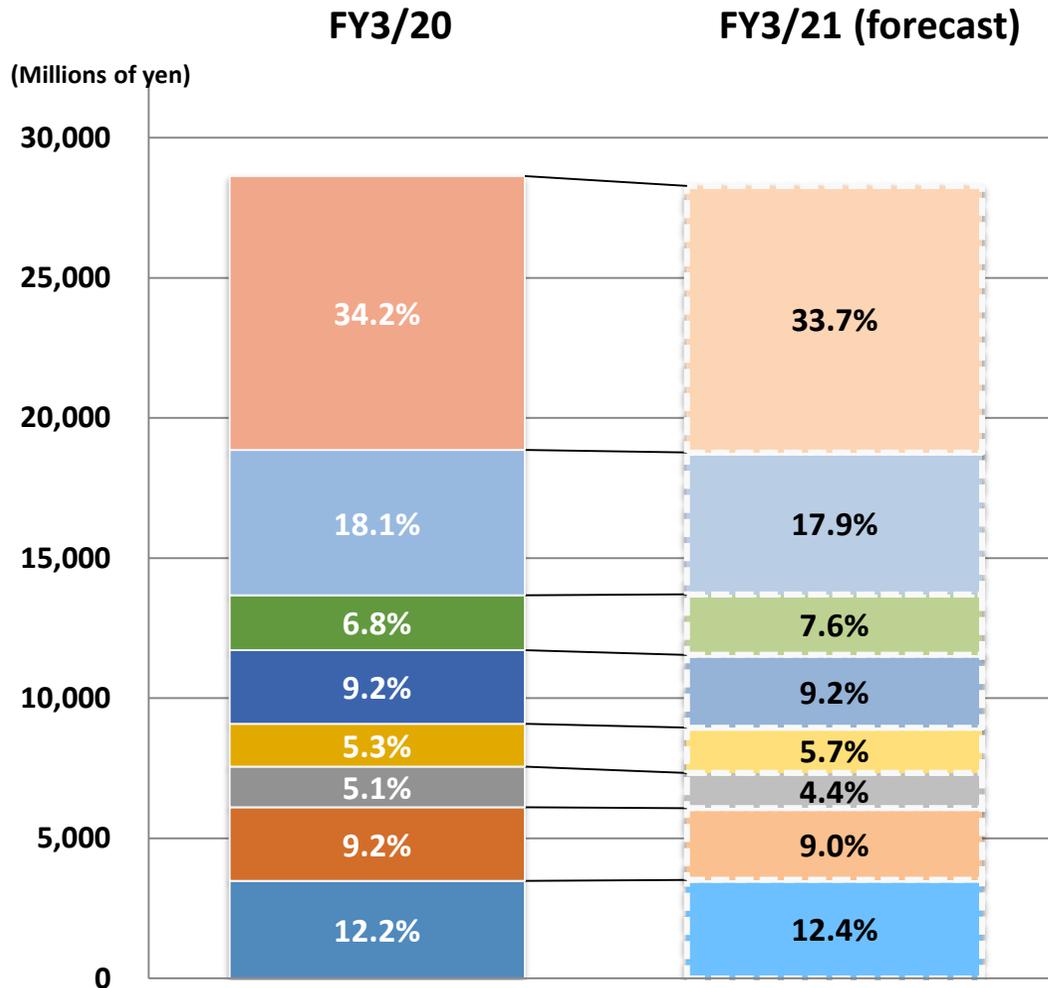
		FY3/20	FY3/21 (forecast)		
		Amount (Millions of yen)	Amount (Millions of yen)	Differences	YoY change
Net sales		28,636	28,280	-355	-1.2%
Gross profit (Gross margin)		9,806 (34.2%)	9,498 (33.6%)	-308	-3.1% (-0.7pt)
Operating profit (Operating margin)		2,114 (7.4%)	1,332 (4.7%)	-781	-37.0% (-2.7pt)
Ordinary profit		2,578	1,739	-839	-32.6%
Profit attributable to owners of parent		2,122	1,537	-585	-27.6%
Net income per share (Yen)		96.06	69.79	-26.26	-27.3%
Exchange rate (average)	USD/JPY (Yen)	109.03	109.00		
	EUR/JPY (Yen)	122.03	120.00		
Reference: 2H projected exchange rate	USD/JPY (Yen)	106.00			
	EUR/JPY (Yen)	124.00			

## 2 Market Category Sales Forecast



	FY3/21 sales (forecast) (Millions of yen)	YoY change (Millions of yen)	YoY change (%)
Water treatment	6,394	-356	-5.3%
Medical equipment	4,951	-178	-3.5%
Semiconductor/ liquid crystal	3,817	122	+3.3%
Chemicals	2,894	19	+0.7%
Surface treatment equipment	2,298	-23	-1.0%
New energy	608	-126	-17.2%
Others	7,316	186	+2.6%

### 3 Product Category Sales Forecast



	FY3/21 sales (forecast) (Millions of yen)	YoY change (Millions of yen)	YoY change (%)
<span style="color: #e67e22;">■</span> Magnetic drive pumps	<b>9,516</b>	<b>-263</b>	<b>-2.7%</b>
<span style="color: #5dade2;">■</span> Metering pumps	<b>5,059</b>	<b>-124</b>	<b>-2.4%</b>
<span style="color: #27ae60;">■</span> Pneumatic drive pumps	<b>2,159</b>	<b>205</b>	<b>+10.5%</b>
<span style="color: #2980b9;">■</span> Rotary displacement pumps	<b>2,597</b>	<b>-35</b>	<b>-1.3%</b>
<span style="color: #f1c40f;">■</span> Air pumps	<b>1,615</b>	<b>87</b>	<b>+5.7%</b>
<span style="color: #95a5a6;">■</span> Systems products	<b>1,257</b>	<b>-197</b>	<b>-13.6%</b>
<span style="color: #e67e22;">■</span> Purchased products	<b>2,555</b>	<b>-65</b>	<b>-2.5%</b>
<span style="color: #2980b9;">■</span> Others	<b>3,519</b>	<b>37</b>	<b>+1.1%</b>

**1 Forecast a small decrease of 1.2% in sales**

- ✓ Lower demand in the Japanese medical equipment market but strong demand in China. Also expect higher semiconductor/liquid crystal market sales.
- ✓ As economic activity in Japan returns to normal in the 2H, expect a slow return to growth in the volume of transactions requiring face-to-face meetings
- ✓ Expect 2H sales to be higher than in the 1H, but forecast a small FY sales decrease due to the 1H sales decline

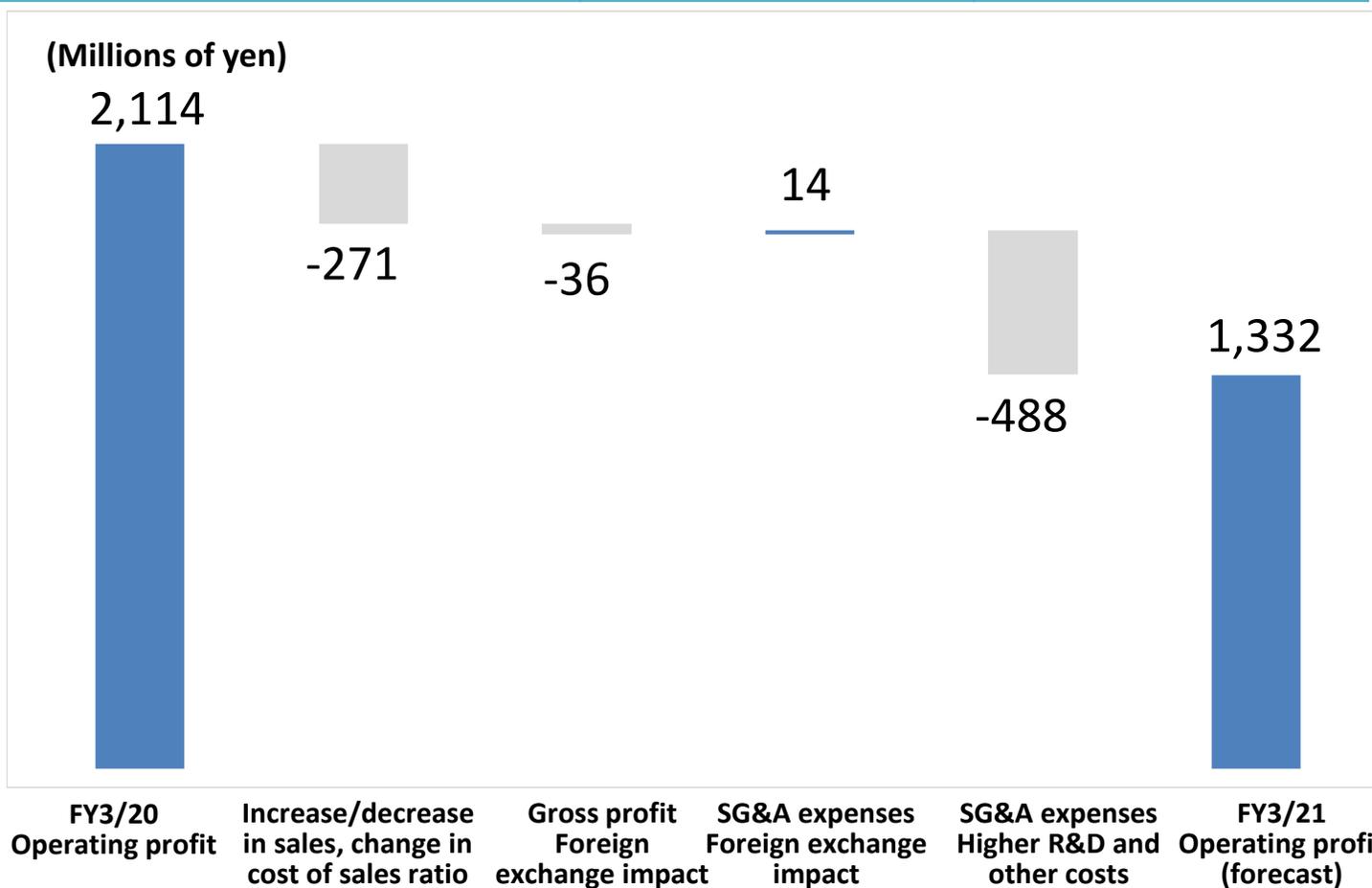
**2 Forecast a 37.0% decrease in operating profit because of lower sales and higher SG&A expenses**

- ✓ Expect lower earnings due to an increase in SG&A expenses mainly because of external warehouse use expenses, M&A expenses for Iwaki Nordic, and the amortization of Iwaki Nordic goodwill

**3 Forecast a 27.6% decrease in profit attributable to owners of parent**

- ✓ Expect a smaller decrease than for operating profit due to extraordinary income for a gain associated with the step acquisition of Iwaki Nordic

Full-year Effect of ¥1 exchange rate change	USD	EUR
Net sales	44 million yen	20 million yen
Operating profit	11 million yen	7 million yen



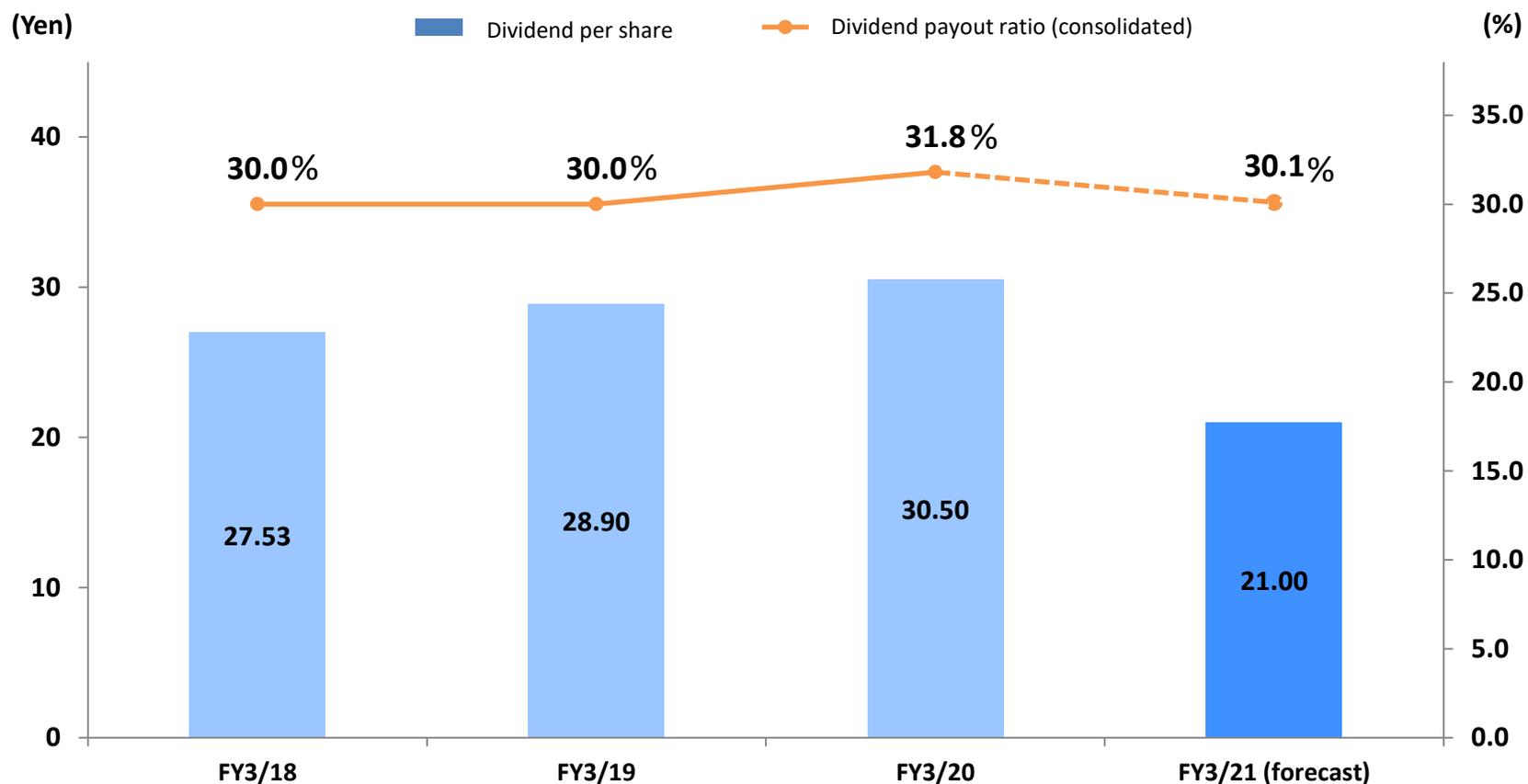
## Market environment assumptions

 Priority markets targeted  
 for growth

	Japan	Overseas
<b>Water treatment market</b>	<ul style="list-style-type: none"> <li>• Strong demand for equipment used at plant factories</li> <li>• Increasing demand for remote controllers mainly due to telework and travel restriction</li> <li>• <b>Sluggish demand in the water treatment plant category due to decline in investments</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Weak global sales of pumps for ballast water treatment equipment due to COVID-19</b></li> <li>• Firm demand involving disinfecting</li> </ul>
<b>Medical equipment market</b>	<ul style="list-style-type: none"> <li>• <b>3Q-4Q decline in production of clinical testing equipment (immunology analyzers and biochemical analyzers)</b></li> <li>• <b>Soft demand for products used in endoscope sterilization equipment</b></li> <li>• <b>Sluggish demand in dialysis equipment due to COVID-19</b></li> </ul>	<ul style="list-style-type: none"> <li>• Firm demand for clinical testing equipment in China (immunology analyzers and biochemical analyzers)</li> </ul>
<b>New energy market</b>	<ul style="list-style-type: none"> <li>• Strong demand in the rechargeable battery market</li> <li>• <b>Big drop in household fuel cell production because of COVID-19</b></li> </ul>	<ul style="list-style-type: none"> <li>• Signs of a recovery in Asia as companies resume rechargeable battery investments</li> </ul>
<b>Semiconductor/ liquid crystal market</b>	<ul style="list-style-type: none"> <li>• <b>Soft demand at manufacturers of production devices in this market</b></li> </ul>	<ul style="list-style-type: none"> <li>• Consistently high level of capital expenditures involving memory devices and foundries</li> </ul>
<b>Chemicals market</b>	<ul style="list-style-type: none"> <li>• Steady demand related to development of value-added products</li> <li>• Increasing investments for products to combat COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>• Signs of a recovery in investments for manufacturing rechargeable battery materials, mainly in Europe and Asia</li> </ul>
<b>Surface treatment equipment market</b>	<ul style="list-style-type: none"> <li>• Increasing demand for value-added electronic components for 5G, IoT and other applications</li> <li>• Demand for products used in automotive components is recovering as automobile sales climb</li> </ul>	<ul style="list-style-type: none"> <li>• Steady demand for electronic components used in automotive and telecommunication applications</li> <li>• Anticipate a recovery in demand at PCB device manufacturers as COVID-19 restrictions are reduced</li> </ul>

## Basic policy

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

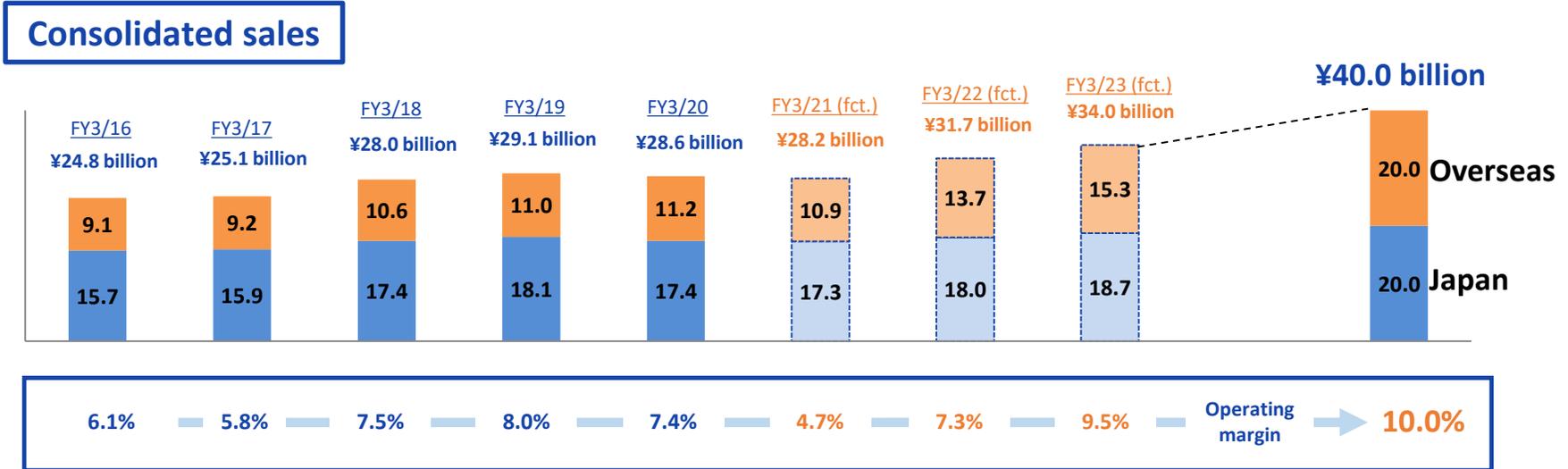


Note: Dividends for FY3/18 are adjusted (with fractions after the hundredths place dropped) to reflect the 3-for-1 common stock split on July 1, 2018.

## **III. Medium-term Management Plan Business Development and Growth**



Numerical targets



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 -

A growth strategy for increasing corporate value as a company capable of sustained growth



### Key themes and goals of the business development and growth phase

Specific initiatives for reaching the numerical targets of the 10-year vision

- 1) Rebuild the manufacturing system
- 2) Improve accuracy of production and sales plans
- 3) Eliminate product defects and other problems
- 4) Improve productivity in all aspects of operations

Management with the goal of consistently increasing corporate value

- 1) Drastic review of personnel systems
- 2) Renovate core IT systems
- 3) Fully utilize the IoT
- 4) A commitment to CSR

## Specific initiatives for reaching the numerical targets of the 10-year vision

Key goals	Major activities	Upcoming actions
<u>Rebuild the manufacturing system</u>	<ul style="list-style-type: none"> <li>• Identify issues involving global manufacturing operations</li> <li>• Use external warehouses for faster deliveries and higher productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Build a framework for follow-up activities</li> <li>• Consider increasing external warehouse use</li> </ul>
Improve accuracy of production and sales plans	<ul style="list-style-type: none"> <li>• Sales/maintenance customer data sharing and collaboration</li> <li>• Studies for process applications and more accurate plans</li> </ul>	<ul style="list-style-type: none"> <li>• More sales/maintenance collaboration</li> <li>• More studies for improving accuracy of plans</li> <li>• Overseas market surveys</li> </ul>
<u>Eliminate product defects and other problems</u>	<ul style="list-style-type: none"> <li>• Use theme-specific projects to eliminate defects</li> </ul>	<ul style="list-style-type: none"> <li>• Continue these projects</li> </ul>
Improve productivity in all aspects of operations	<ul style="list-style-type: none"> <li>• <b>Reexamine the basic policy for the ASEAN Regional Headquarters</b></li> <li>• Efficient logistics network (use external warehouses)</li> <li>• Use many types of business systems (customer management, human resources)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Quickly determine policies and goals</b></li> <li>• Consider using more external warehouses</li> <li>• More IT systems for non-core business processes</li> </ul>

\*Bold: High priority goals

\*Red: Activities requiring more speed

## Management with the goal of consistently increasing corporate value

Key goals	Major activities	Upcoming actions
Drastic review of personnel systems	<ul style="list-style-type: none"> <li>• Consider starting to use a variety of systems</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Increase the speed of personnel system reviews</b></li> </ul>
<u>Renovate core IT systems</u>	<ul style="list-style-type: none"> <li>• Completed selections of IT systems and started a project for the installation of these systems</li> </ul>	<ul style="list-style-type: none"> <li>• Implement this project with the goal of using new IT system starting in FY3/23</li> </ul>
Fully utilize the IoT	<ul style="list-style-type: none"> <li>• Use the IoT for the use of water treatment controllers for monitoring and management services</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a business model</li> <li>• Use the business model for manufacturing</li> </ul>
<u>A commitment to CSR</u>	<ul style="list-style-type: none"> <li>• Supplying products in compliance with environmental laws and regulations (RoHS Directive, REACH and others)</li> <li>• Develop environmentally responsible products (highly efficient products and others)</li> </ul>	<ul style="list-style-type: none"> <li>• Employee training programs</li> <li>• Expansion of RoHS/REACH compliance</li> <li>• Activities involving the SDGs</li> <li>• Provision of CSR information to the public</li> </ul>

\*Bold: High priority goals

\*Red: Activities requiring more speed

	FY3/21		FY3/22 (plan)		FY3/23 (plan)	
	Forecast	Change		Change		Change
Net sales	28,280	-1.2%	31,713	+12.1%	34,024	+7.3%
Gross profit	9,498	-3.1%	11,358	+19.6%	12,462	+9.7%
Operating profit	1,332	-37.0%	2,302	+72.8%	3,217	+39.7%
Ordinary profit	1,739	-32.6%	2,716	+56.2%	3,631	+33.7%
Profit attributable to owners of parent	1,537	-27.6%	1,989	+29.4%	2,624	+32.0%

1

Forecast FY3/22 sales growth due to the end of the COVID-19 crisis and first full-year contribution of Iwaki Nordic. In Japan, forecast growth of almost 4% in FY3/22 and FY3/23. Overseas, forecast growth of almost 26% in FY3/22 and almost 12% in FY3/23.

[FY3/22 and FY3/23 forecasts assume the COVID-19 crisis will end before then.]

2

SG&A expenses expected to increase due to Iwaki Nordic goodwill amortization, the inclusion of this newly consolidated subsidiary's SG&A expenses, expenses for large trade shows (only FY3/22) and other reasons. But forecast double-digit operating profit growth every year due to sales growth and other reasons. Expect the operating margin to improve from 4.7% to 7.3% and 9.5%.

3

Assume no change in profit from equity method investments. But expect higher sales and other factors to result in double-digit growth every year of ordinary profit and profit attributable to owners of parent, just as for operating profit.

## IV. Appendix

## Iwaki America Receives AWT Supplier of the Year Award



Walchem Controller W900

The Iwaki America Walchem team, which is the company's controller unit, received a 2020 Supplier of the Year award at the annual meeting of the Association of Water Technologies (AWT). The AWT is an international organization with more than 500 member companies in the water treatment industry. This award is given to companies with outstanding customer service and product quality as well as a strong commitment to meeting the business needs and solving the problems of water technology professionals.

## Major Activities

**E**

Environment

- Products that protect the environment (waste water treatment, sewage treatment, etc.)
- Products that comply with environmental laws and regulations (RoHS Directive, REACH, others)
- Development of environmentally responsible products (highly efficient products, etc.)
- Plants with ISO14001 certification (Saitama Plant, Miharu Plant)

**S**

Social

- Improve customer satisfaction
- Create jobs, such as by regularly hiring high school graduates where plants are located
- Employee training programs for earning certifications and other purposes

**G**

Governance

- A commitment to compliance (established a Risk and Compliance Committee)
- Established a Management Advisory Committee
- Compliance with national security export controls (determination and management of restricted products)



The Heart of Industry

**Developing and supplying highly advanced fluid control devices in order to remain at the forefront of progress in industries where we operate and contribute to the happiness and wellbeing of people worldwide**

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