



The Heart of Industry

IWAKI

Results of Operations for the
Fiscal Year Ended March 31, 2019 (FY3/19)

May 27, 2019

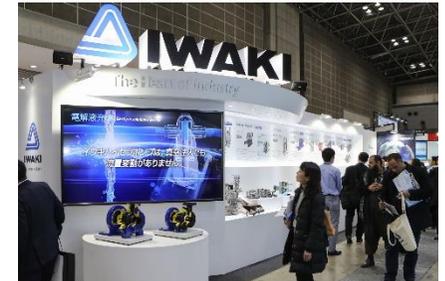
IWAKI CO.,LTD.

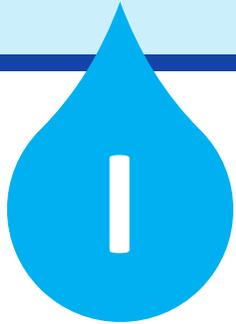
Stock code: 6237

Trade name: Iwaki Pump

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Summary of FY3/19 Financial Results

(Millions of yen)

	FY3/18	FY3/19		FY3/19 Forecast
		Amount	YoY change	
Net sales	28,067	29,171	+3.9%	29,084
Gross profit	9,409	10,374	+10.3%	10,235
(Gross margin)	(33.5%)	(35.6%)	(+2.0pt)	(35.2%)
Operating profit	2,106	2,337	+11.0%	2,257
(Operating margin)	(7.5%)	(8.0%)	(+0.5pt)	(7.8%)
Ordinary profit	2,733	2,847	+4.2%	2,797
Profit attributable to owners of parent	2,059	2,163	+5.1%	2,018
Net income per share (Yen)	*91.72	96.25	+4.9%	89.80
Exchange rate (average)	USD/JPY (Yen)	112.17	110.45	111.00
	EUR/JPY (Yen)	126.70	130.35	128.00

*Adjusted to reflect the 3-for-1 common stock split on July 1, 2018.

Announced on February 13, 2019

1 Sales increased year on year

- ✓ Sales in America were over 10% higher than one year earlier because of strength in the water treatment market and the increasing demand in the chemicals market
- ✓ Sales in China were over 20% higher than one year earlier mainly due to growing demand in the medical equipment market
- ✓ Sales in Asia were more than 10% lower than one year earlier because of a sharp slowdown of capital expenditures in the semiconductor/liquid crystal market that started in the middle of the fiscal year

2 Operating profit was over 10% higher than one year earlier

- ✓ Earnings benefited from the growth in sales
- ✓ Consistent sales growth of magnetic drive pumps, which are core products with high profit margins, and rotary displacement pumps for the medical equipment market

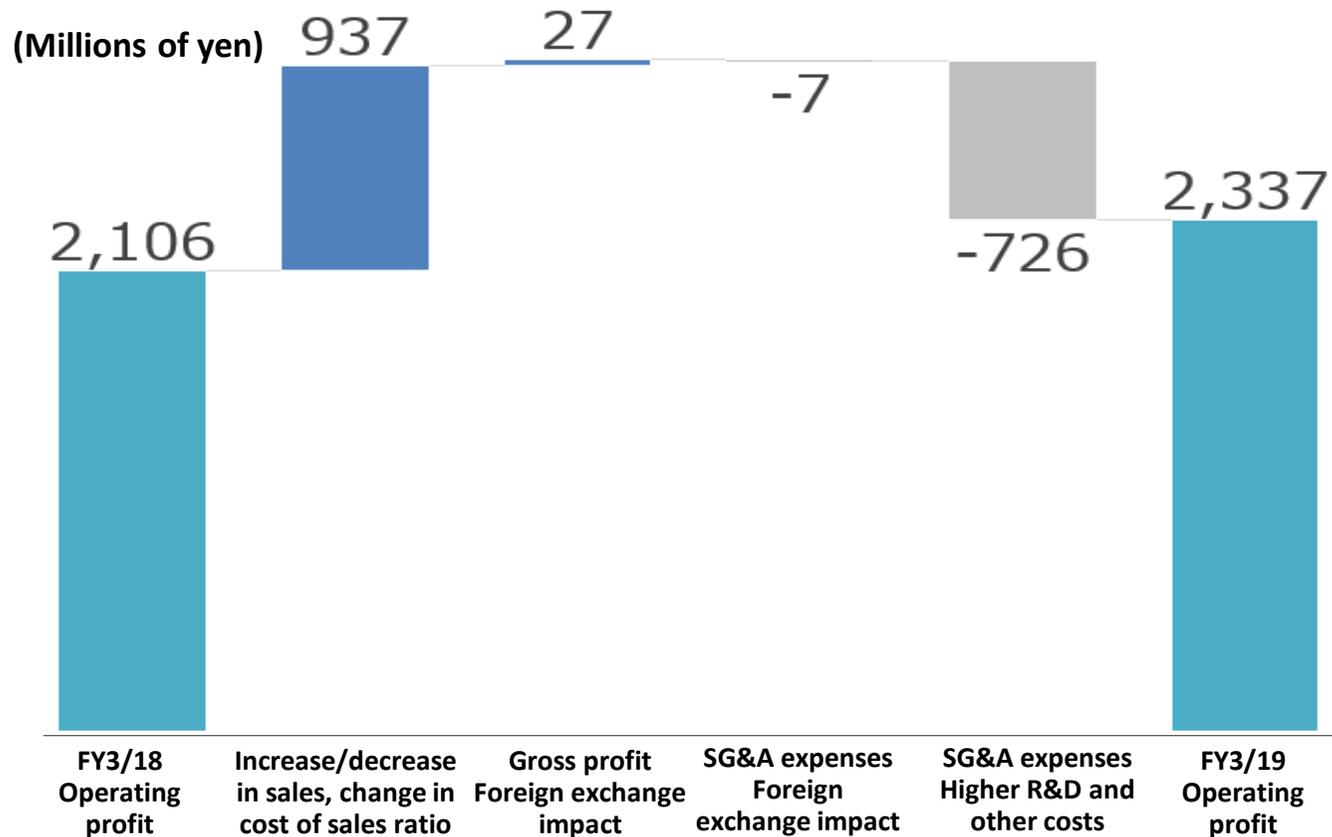
3 Ordinary profit and profit attributable to owners of parent were higher than one year earlier

- ✓ Despite one-time contributions to earnings in FY3/18 and one-time expenses in FY3/19 (foreign exchange losses, business site relocation expenses), ordinary profit and bottom-line profit increased

3 Factors Affecting Profitability

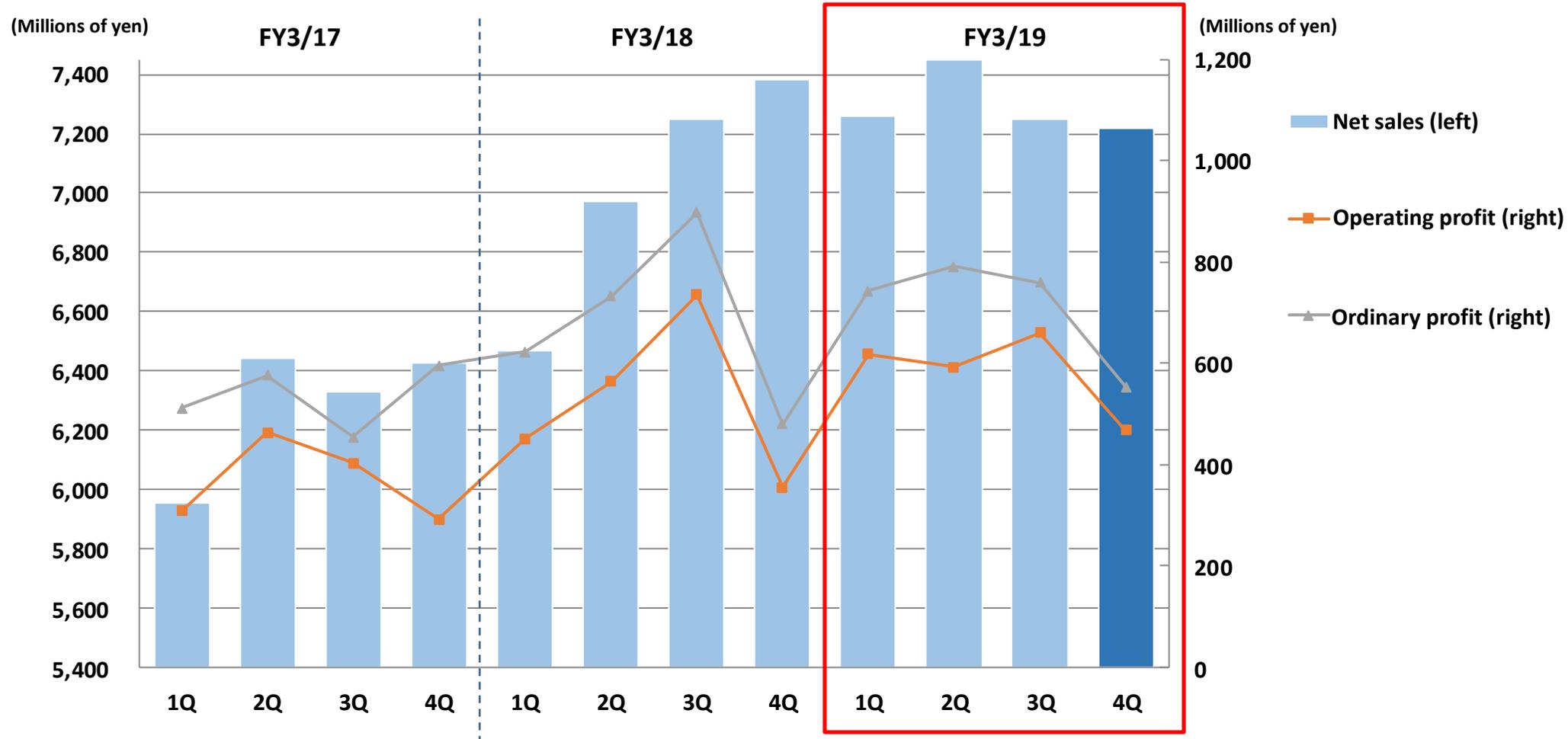
(Thousands of yen)

Effect of ¥1 exchange rate change	USD	EUR
Net sales	45,727	18,505
Operating profit	13,343	10,118

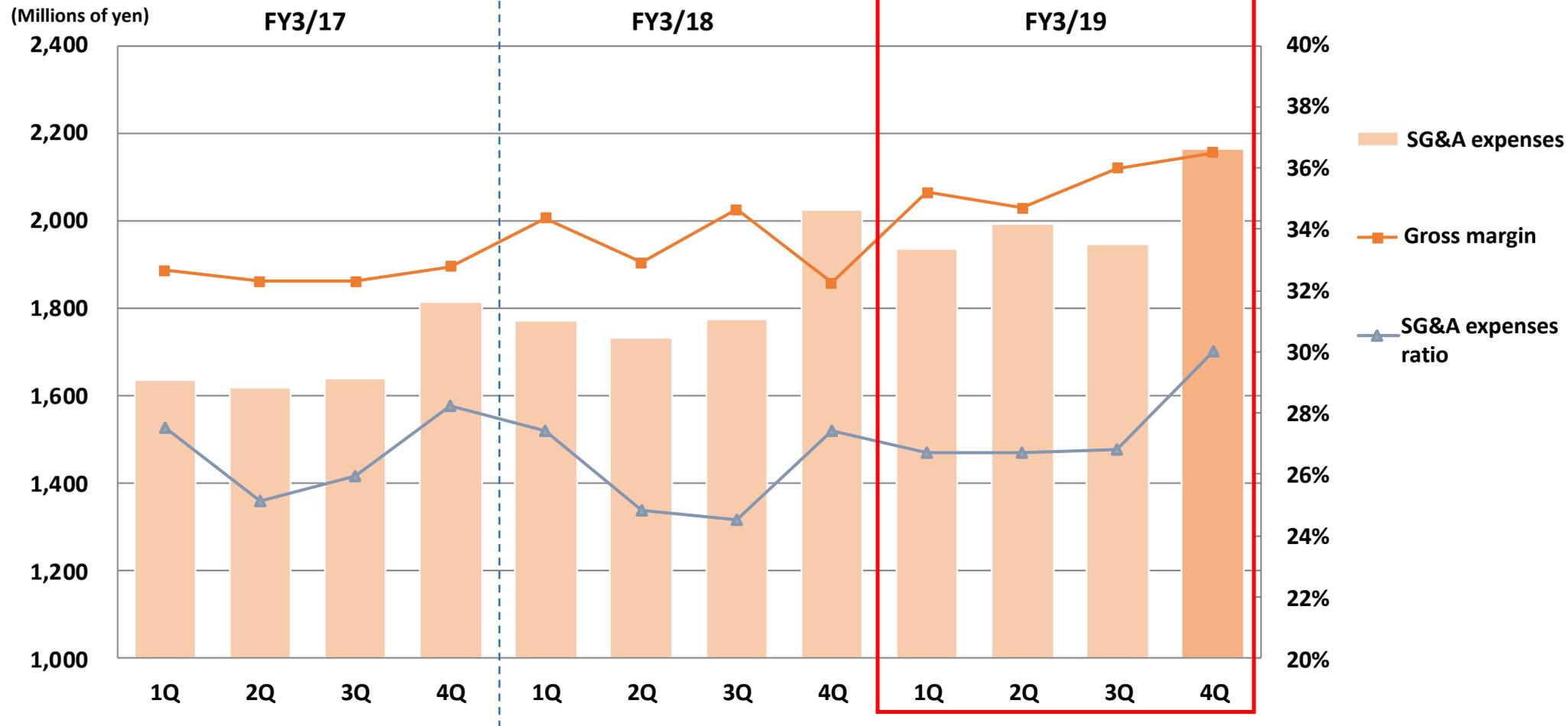


Net Sales and Operating Profit (Quarterly)

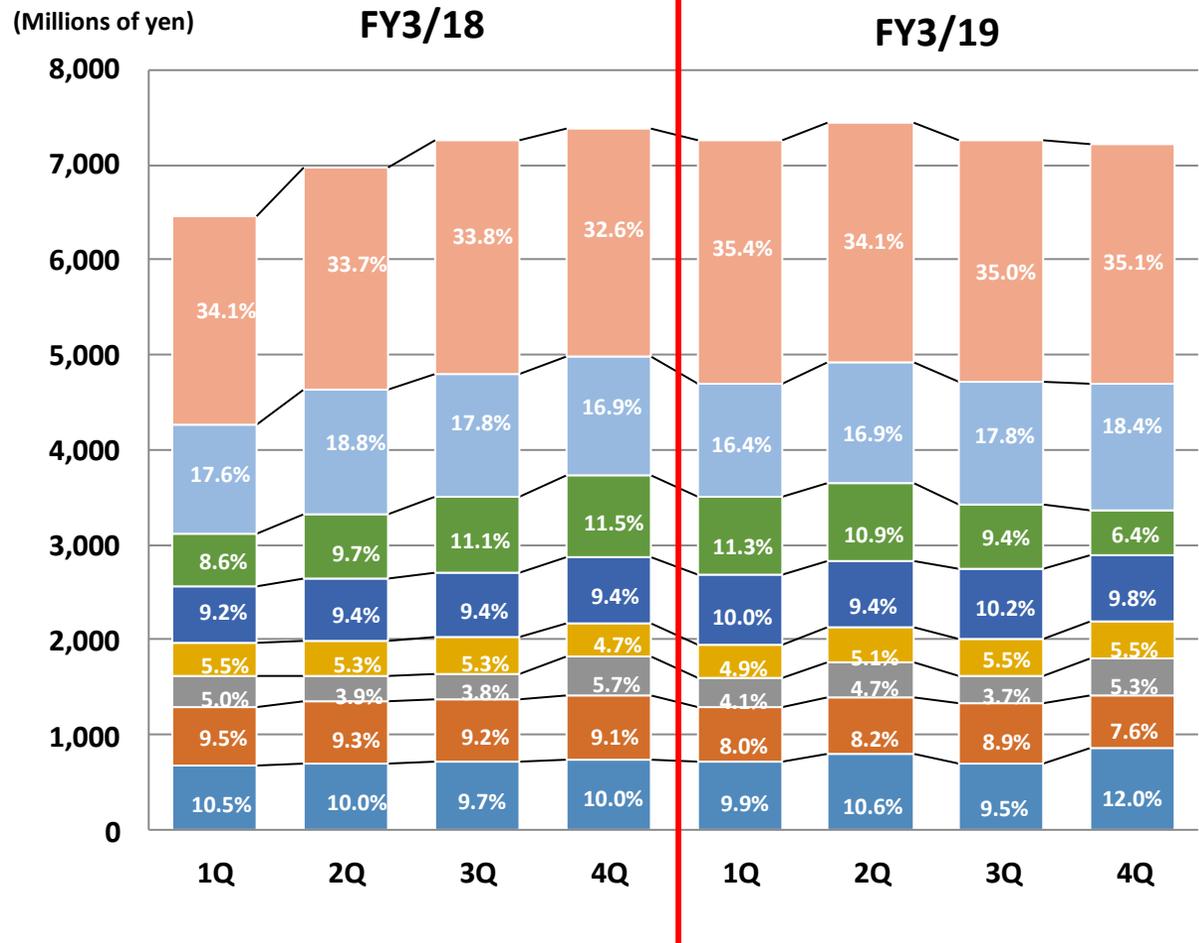
Higher sales and profits at all levels despite a sharp slowdown in the semiconductor/liquid crystal market in the second half, backed mainly by strength in the medical equipment and chemicals markets.



Higher gross margin as the benefit of sales growth offset the 4Q personnel expense increase.



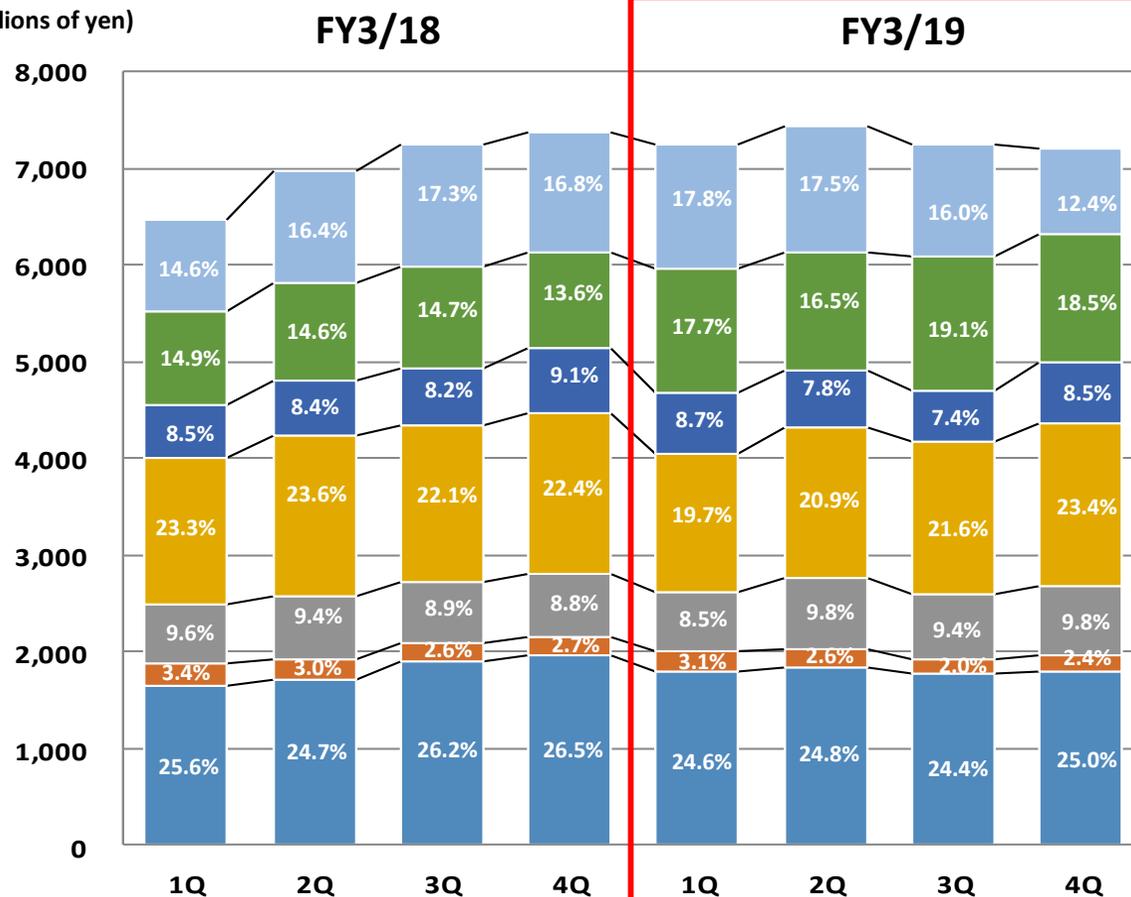
Sales of magnetic drive pumps and rotary displacement pumps steadily increased, and sales of metering pumps were also strong.



	FY3/19 sales (Millions of yen)	YoY change
 Magnetic drive pumps	10,177	+8.2%
 Metering pumps	5,066	+1.5%
 Pneumatic drive pumps	2,775	-3.8%
 Rotary displacement pumps	2,868	+9.4%
 Air pumps	1,528	+4.8%
 System products	1,306	+1.5%
 Purchased products	2,383	-8.3%
 Others	3,064	+8.8%

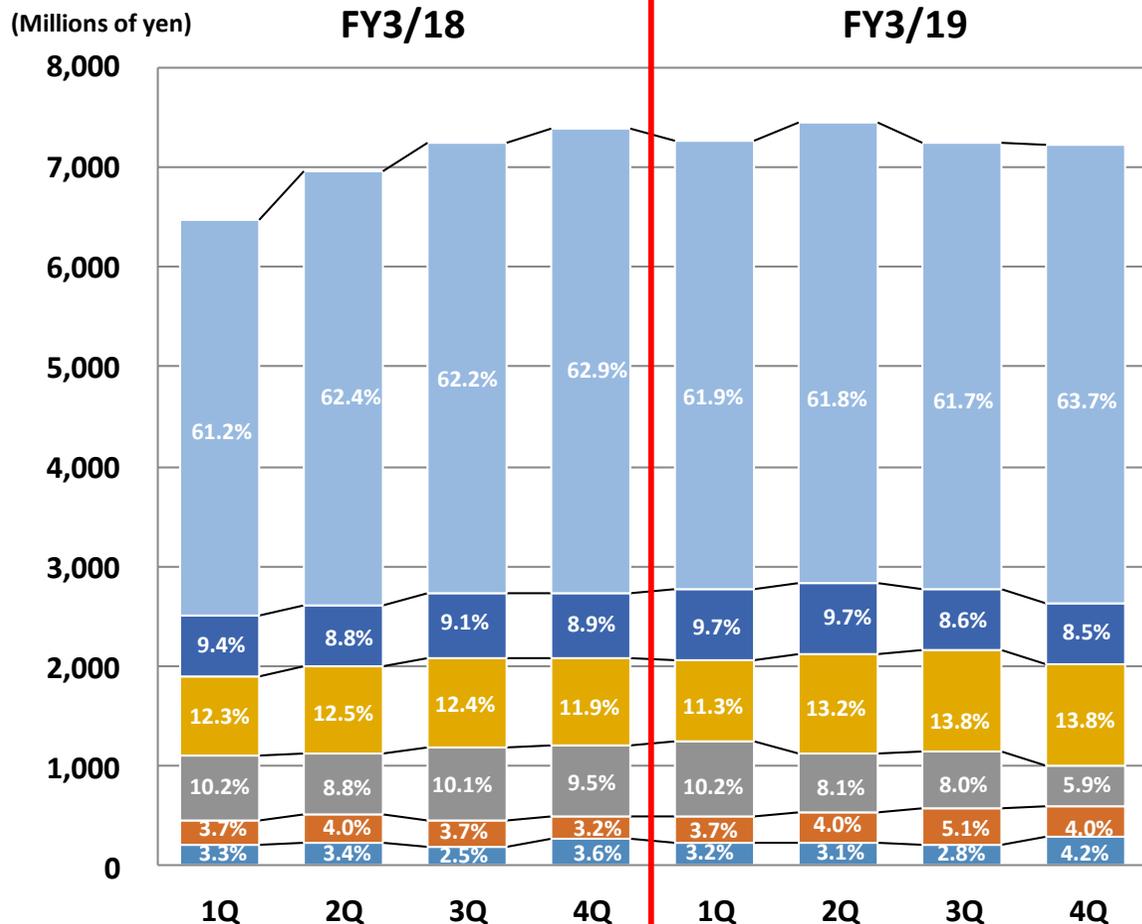
Significant sales growth in the medical equipment market and higher sales in the chemicals market.

(Millions of yen)



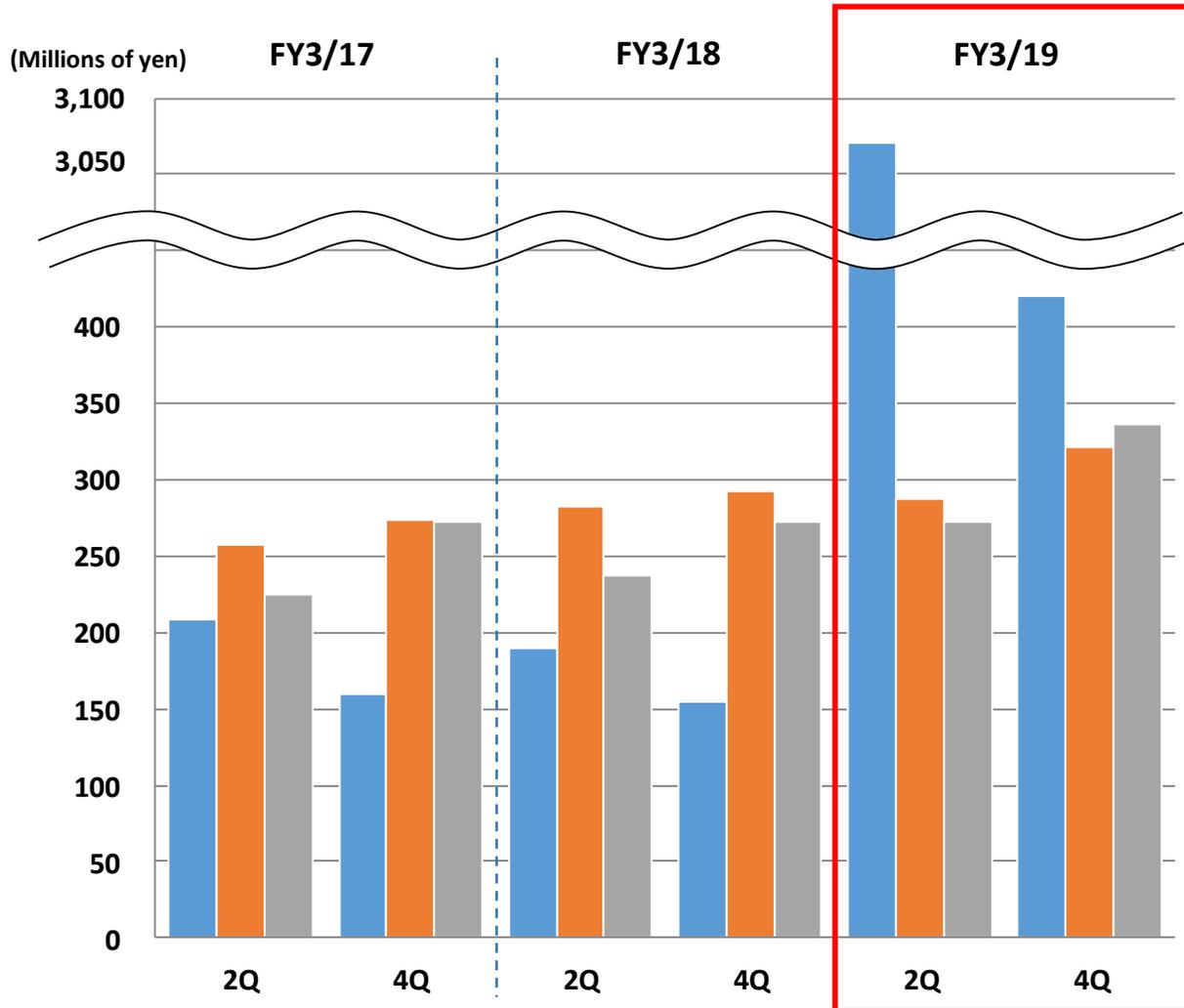
	FY3/19 sales (Millions of yen)	YoY change
Semiconductor/ liquid crystal	4,651	+1.5%
Medical equipment	5,232	+29.2%
Surface treatment equipment	2,365	-1.5%
Water treatment	6,242	-2.7%
Chemicals	2,738	+6.5%
New energy	734	-9.9%
Others	7,205	-0.4%

Sales were strong in America and steadily increased in Japan and Europe; sales remained strong in China.



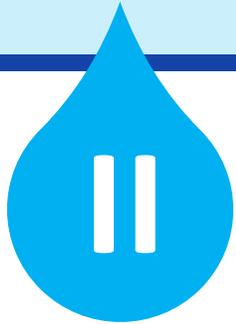
	FY3/19 sales (Millions of yen)	YoY change
Japan	18,163	+4.1%
Overseas total	11,008	+3.7%
Europe	2,657	+4.6%
America	3,806	+10.5%
Asia	2,348	-13.3%
China	1,226	+20.1%
Others	969	+7.8%

Overseas sales ratio **37.7%**



	FY3/19 sales (Millions of yen)	YoY change
Capital expenditures	*3,490	+3,144
R&D expenses	608	+33
Depreciation	609	+99

*Includes expenses of ¥2,862 million at the new technology center



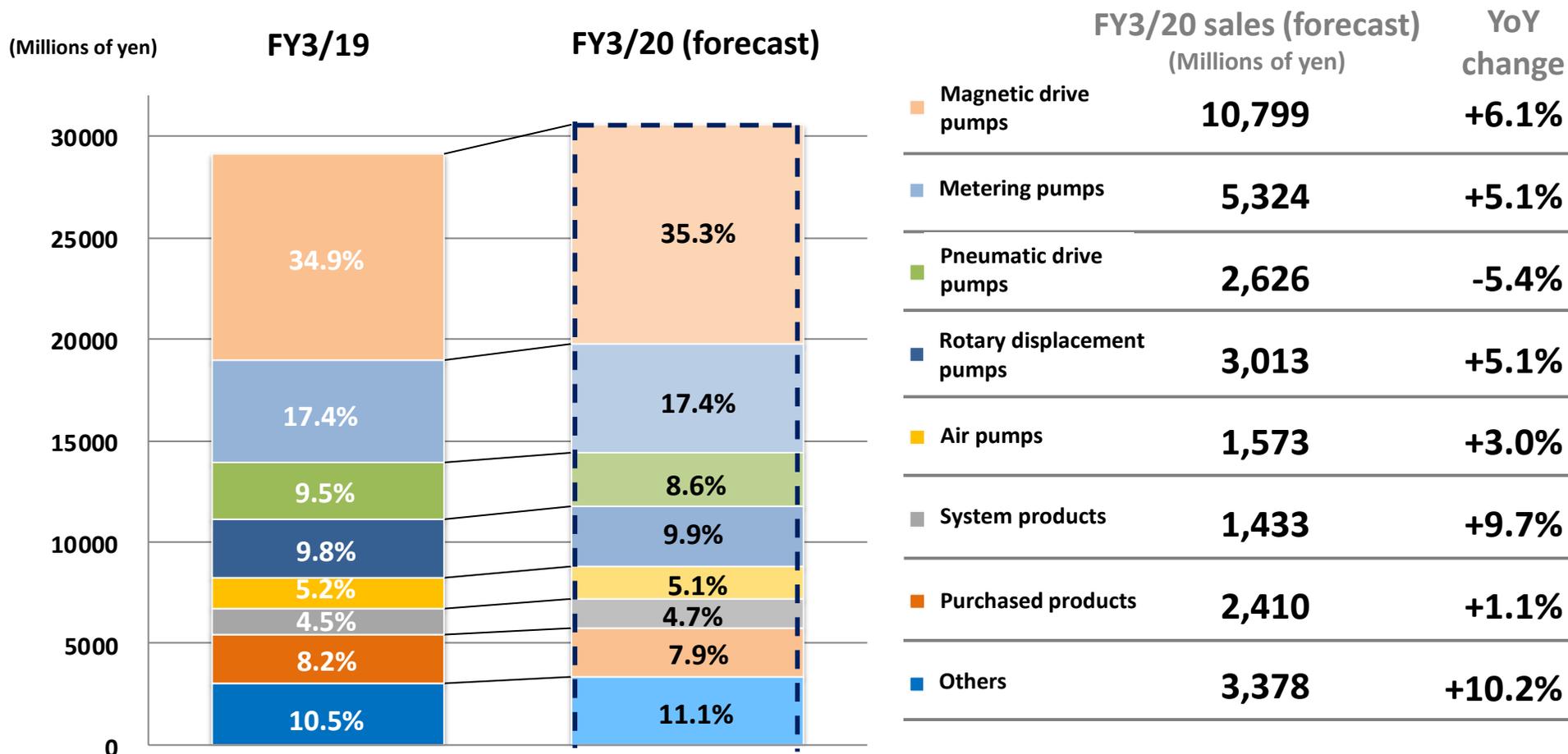
Outlook for FY3/20

Forecast strong sales in the water treatment and chemicals markets

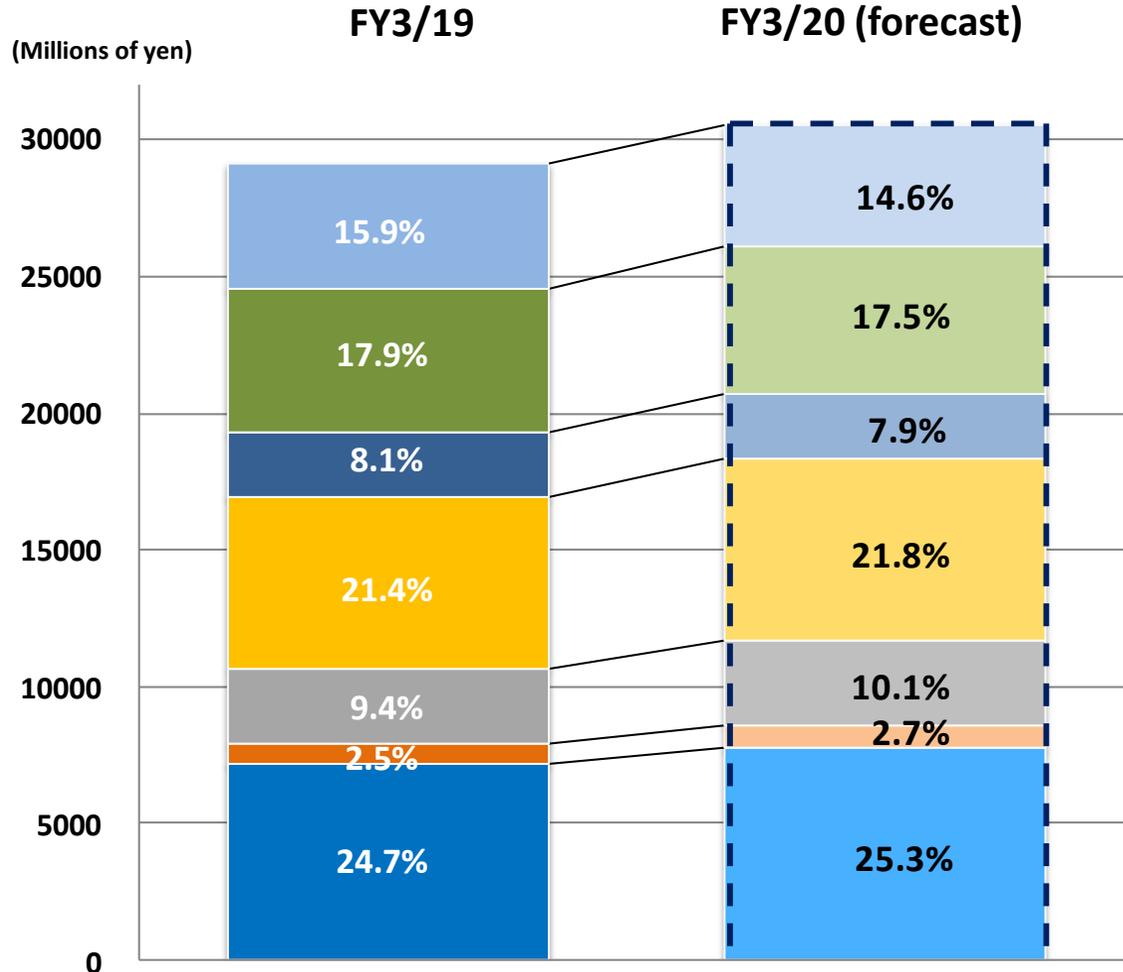
(Millions of yen)

		FY3/19	FY3/20 (forecast)	
			YoY change	
Net sales		29,171	30,561	+4.8%
Operating profit		2,337	2,384	+2.0%
(Operating margin)		(8.0%)	(7.8%)	(-0.2pt)
Ordinary profit		2,847	2,869	+0.8%
Profit attributable to owners of parent		2,163	2,243	+3.7%
Net income per share (Yen)		96.25	101.06	+5.0%
Exchange rate (average)	USD/JPY (Yen)	110.45	110.00	
	EUR/JPY (Yen)	130.35	126.00	

2 Product Category Sales Forecast



3 Market Category Sales Forecast



	FY3/20 sales (forecast) (Millions of yen)	YoY change
Semiconductor/ liquid crystal	4,462	-4.1%
Medical equipment	5,360	+2.4%
Surface treatment equipment	2,405	+1.7%
Water treatment	6,677	+7.0%
Chemicals	3,097	+13.1%
New energy	818	+11.4%
Others	7,738	+7.4%

1 Forecast another year of sales growth

- ✓ Forecast higher demand in Japan and China in the medical equipment market
- ✓ Forecast strong sales in the water treatment market associated with hotel construction boom in Japan, boilers in America, cooling towers and rising demand for controllers
- ✓ Forecast strong sales growth in the chemicals market mainly involving industrial plants and materials for rechargeable batteries

2 Forecast higher operating profit as sales growth offsets increase in expenses caused by the higher cost of materials

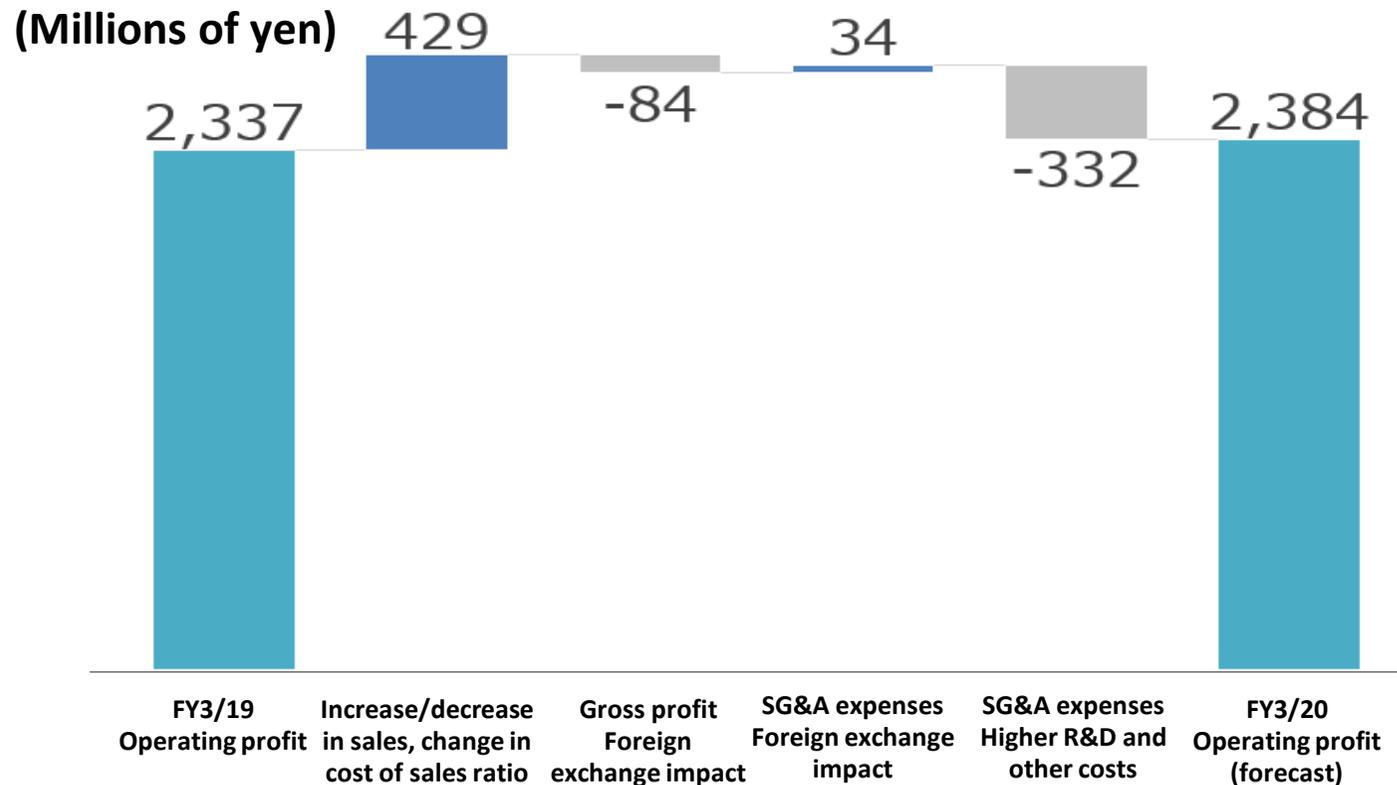
- ✓ Higher earnings as sales growth offsets increase in cost of materials
- ✓ Forecast strong growth in sales of magnetic drive pumps, which are core products with high profit margins, and rotary displacement pumps for the medical equipment market

3 Forecast higher earnings at all levels

- ✓ Higher ordinary profit as sales growth offsets an anticipated decline in earnings of affiliated companies in Asia
- ✓ Expect higher bottom-line profit, including extraordinary income of more than ¥150 million from the sale of investment securities
- ✓ Shareholder value per share up 1.3 pct. point due partly to the repurchase of stock

(Thousands of yen)

Effect of ¥1 exchange rate change	USD	EUR
Net sales	50,751	20,464
Operating profit	15,363	10,681



Market environment assumptions

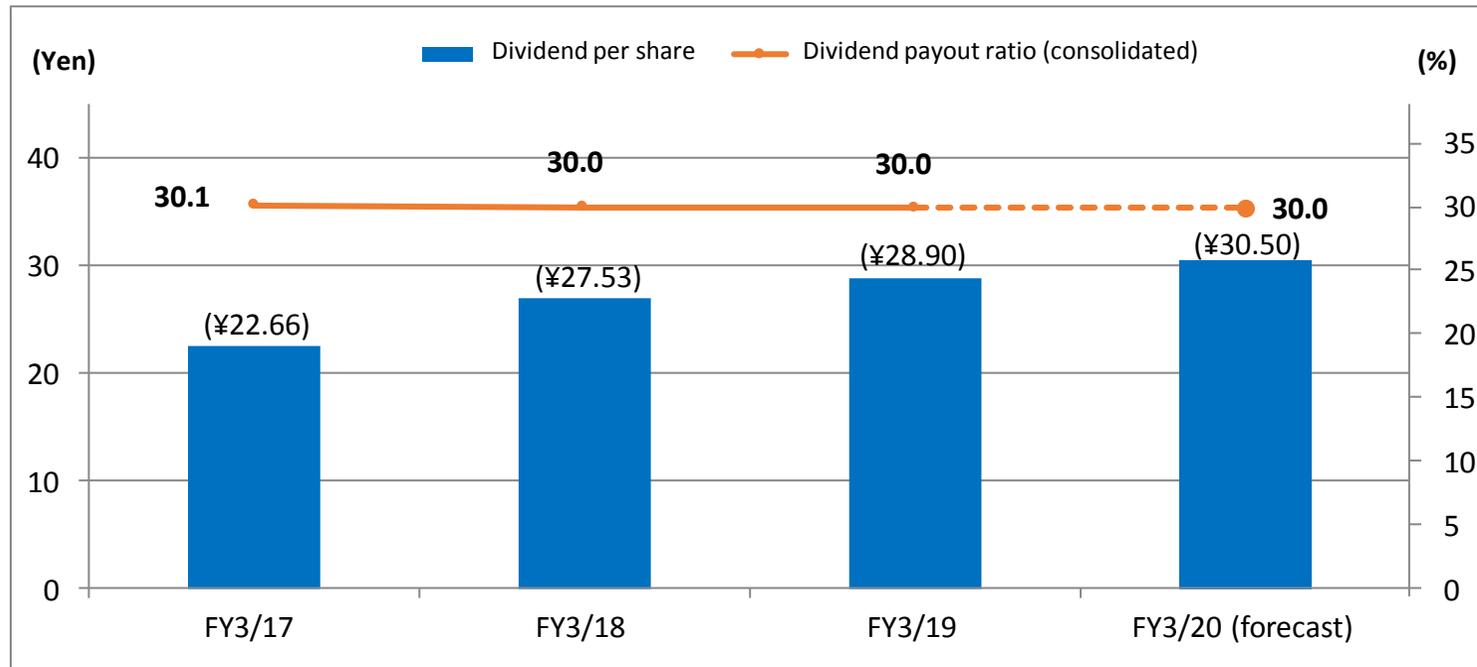
	Japan	Overseas
Water treatment market	<ul style="list-style-type: none"> • For food safety, firm demand for ionized water production and equipment for agriculture using hydroponics and soil • Solid demand for hot bathing facilities • No change in private/public-sector demand in the water treatment plant category 	<ul style="list-style-type: none"> • Solid demand in emerging countries for ballast water quality products
Semiconductor/liquid crystal market	<ul style="list-style-type: none"> • Soft demand at manufacturers of production equipment because of declining capital expenditures in Asia 	<ul style="list-style-type: none"> • Capital expenditures continue to decrease but there are signs that a recovery may start in the second half of FY3/20
Medical equipment market	<ul style="list-style-type: none"> • Steady growth in dialysis equipment, clinical testing equipment and endoscope sterilization equipment 	<ul style="list-style-type: none"> • Steady growth in biological and immunology analyzers used in China
New energy market	<ul style="list-style-type: none"> • Steady demand in the rechargeable battery market • No change in sales of household fuel cells 	<ul style="list-style-type: none"> • Strong capital investments in the rechargeable battery industry in China and South Korea
Chemicals market	<ul style="list-style-type: none"> • Continuation of steady demand related to development of value-added products and investments by pharmaceutical companies 	<ul style="list-style-type: none"> • Steady demand for materials used to make lithium-ion batteries
Surface treatment equipment market	<ul style="list-style-type: none"> • Increasing demand for value-added electronic components used in automotive components, IoT applications and other markets 	<ul style="list-style-type: none"> • Continuation of firm demand for products used in automotive and telecommunication applications

*Bold indicates priority markets targeted for growth.

*Orange indicates negative outlooks.

Basic policy

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



Note: Dividends for FY3/17 and FY3/18 are adjusted (with fractions after the hundredths place dropped) to reflect the 3-for-1 common stock split on July 1, 2018.

The dividend for FY3/19 assumes that the approval of shareholders will be received.



Medium-term Management Plan

Business Development and Growth

1 Overview of the 10-Year Vision

FY3/16

FY3/17

FY3/18

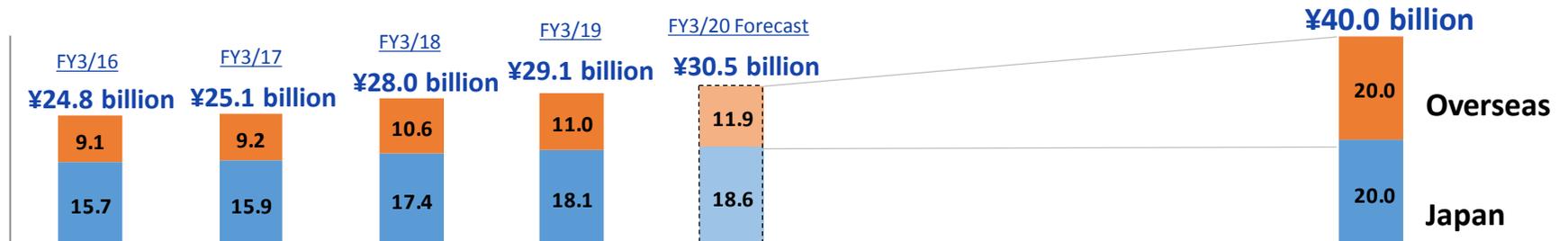
FY3/19

Medium-term Management Plan FY3/20–FY3/22
Business development and growth

FY3/25

Consolidated sales

Numerical targets



6.1%

5.8%

7.5%

8.0%

7.8%

Operating margin

10.0%

*Orange figures show forecasts.

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

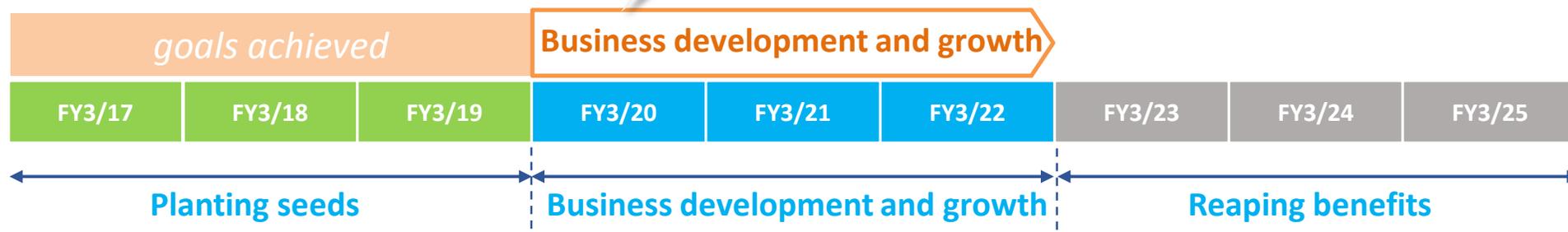
- We will firmly establish a corporate culture of never being afraid of change and new challenges -

This plan is for the period of business development and growth to build a base for achieving the 10-year vision

Rebuild and reinforce the profit structure – Continue and revise activities

- Build and reinforce a base to reach the numerical targets of the 10-year vision – Continue and revise activities
- Firmly establish all vectors for reaching the qualitative targets of the 10-year vision and foster a “Change & Challenge” corporate culture
- Manage operations with the goal of consistently increasing corporate value → Improve capital efficiency

● Steps for achieving the 10-year vision



Major goals and progress		Level	Upcoming actions	
Japan	Replace competitors' products by sharing competitive SWOT analysis with all associated departments	○	Continue and strengthen these activities	
	To firmly establish the solutions business, increase system sales and differentiate IWAKI by using cooperation with its maintenance division	○	Continue and strengthen these activities	
	Take actions to meet customer demands for faster deliveries	○	Speed up deliveries in more product categories	
Overseas Key market sectors (and new businesses)	America	Expand presence in the water treatment market (drinking water, food industry) and in the aquatic (water tank system for small fish) business, and start activities in Europe	○	Build stronger sales channels for controllers (Europe, Asia and emerging countries)
	Europe	Target opportunities in the chemical/chemical manufacturing equipment plant market	▲	Use the IWAKI Europe sales strategy throughout Europe Overcome competition in the water treatment market
	ASEAN	Start using a single model for the entire ASEAN region, establish a business control headquarters, and build/develop locations to control logistics within ASEAN	×	Create sales regions and build a sales organization Continue to build a stronger presence in the ASEAN region
	China	Target opportunities in the medical equipment market	△	Strengthen marketing activities in the new energy and water treatment markets
Investments	Make investments in production facilities at IWAKI Europe; make investments to start using an enterprise resource planning system; increase outsourced manufacturing companies in China and expand procurement channels for parts	△	Continue IWAKI Europe capital expenditures; in China, add more outsourced production companies and procurement channels	
	Establish alliances and seek M&A opportunities in sectors peripheral to the pump business	▲	Continue to examine opportunities for alliances and M&A	

Medium-term Management Plan (FY3/19–FY3/21) Planting Seeds–Business Development and Growth (Differences Between the Initial and Current Plan)

	FY3/19	FY3/20 (plan)			FY3/21 (plan)		
	Results	*Initial plan		Change	*Initial plan		Change
Net sales	29,171	31,428	30,561	+4.8%	33,016		
Gross profit	10,374	11,236	10,719	+3.3%	11,893		
Operating profit	2,337	2,936	2,384	+2.0%	3,384		
Ordinary profit	2,847	3,518	2,869	+0.8%	3,967		
Profit attributable to owners of parent	2,163	2,599	2,243	+3.7%	2,896		

To be reexamined

*Initial plan was announced on November 12, 2018

1

Forecast a 4.8% increase in sales, which is below the initial plan because of the rapid slowdown of the semiconductor/liquid crystal market that started in the middle of FY3/19. Expect more sales growth in the following years backed by rising sales in Japan, strong sales in America and steady growth in Europe.

2

Gross profit forecast is below the initial plan because of the below-plan sales growth forecast and higher cost of materials. As a result, all other earnings forecasts are also below the plan.

3

Ordinary profit forecast is below the plan due to the outlook for lower equity-method income from Asian and other affiliated companies and a decrease in interest income caused by the sale of investment securities.

Basic Policy 1

Concentrate resources on markets targeted for reinforcement

- Water treatment market → Use the strengths of TechnoECHO
- Medical equipment market → New overseas OEM suppliers, new products
- New energy market → Rechargeable battery production, large storage battery equipment

Basic Policy 4

Unified operation of strategic overseas regions

- ASEAN project → Continue progress with this project
- Europe → Capital expenditures to reinforce administration
- IT infrastructure → Start using enterprise resource planning at key locations

Achieving the 10-year vision

Basic Policy 2

Expand business activities that provide solutions

- Improve customer services → More products for faster deliveries
- Consolidate sales/maintenance customer data → Use data efficiently for sales activities
- Supply entire systems → A broader range of businesses and technologies

Basic Policy 3

Build a business model for new activities

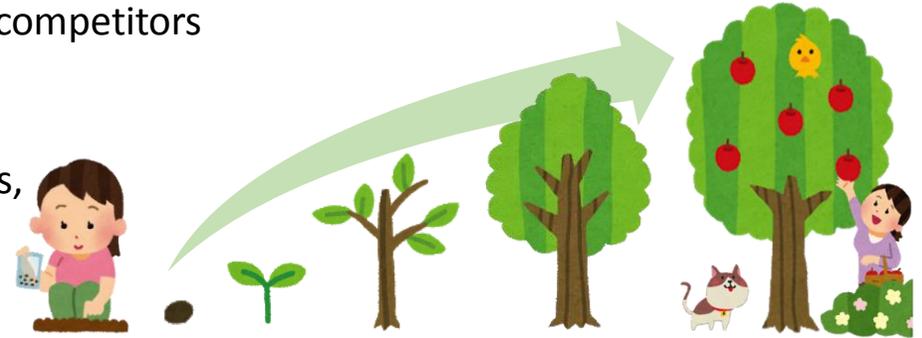
- Aquatic business → Start sales activities in Europe and aim for growth in Japan and the U.S markets.
- Growth of overseas system and maintenance operations → Create a model for Europe and study commercialization
- More procurement in China → More outsourced production companies and purchase channels for parts

Business Development and Growth Phase

– Major Initiatives of the Medium-term Management Plan

1. Japan

- Target demand for the replacement of products of competitors (**improving customer satisfaction**)
- Continue to strengthen the solutions business
- Meet customers' demands involving products, parts, delivery, etc.
- Focus on IoT products and solutions for customers



2. Overseas

Country/region	Key overseas markets for growth	New businesses and priority markets
America	Water treatment, medical equipment	Aquatic business, chemical/chemical manufacturing equipment plants
Europe	Water treatment, chemicals/chemical manufacturing equipment, cooling equipment	Aquatic business, system products
ASEAN	Water treatment, surface treatment equipment, chemicals, medical equipment	Survey to determine demand for electromagnetic pumps with residual chlorine meters
China	Medical equipment, new energy, water treatment	Rechargeable batteries, regulation compliance products
South Korea/Taiwan	Water treatment, new energy	Survey to determine demand for electromagnetic pumps with residual chlorine meters

3. Investments

- Make more investments in production facilities in Europe, use more outsourced manufacturing companies in China, strengthen logistics
- Consider alliances and M&A for the expansion of business operations



Supplementary Information



1 Stock exchange listing

✓ Listed on the First Section of the Tokyo Stock Exchange on March 15, 2019.

2 Stock repurchase

✓ Repurchased its own shares to improve capital efficiency and to enhance shareholder returns

✓ Total value of shares to be repurchased: Up to 500 million yen

Total number of shares to be repurchased: Up to 600,000 shares

Repurchase schedule: From May 17 to July 12, 2019

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