

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2020
(Six Months Ended September 30, 2019)

[Japanese GAAP]

Company name: IWAKI CO.,LTD. Listing: Tokyo Stock Exchange, First Section
 Stock code: 6237 URL: <https://www.iwakipumps.jp/>
 Representative: Shigeru Fujinaka, President
 Contact: Makoto Inoue, Director,
 Senior General Manager of Business Management Head Office Tel: (81)3-3254-2931
 Scheduled date of filing of Quarterly Report: November 14, 2019
 Scheduled date of payment of dividend: December 2, 2019
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: 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, 2019**(April 1, 2019 – September 30, 2019)**

(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, 2019	14,086	(4.2)	1,041	(13.9)	1,243	(18.9)	1,024	(4.1)
Six months ended Sep. 30, 2018	14,704	9.4	1,209	19.1	1,533	13.2	1,068	5.1

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2019: 713 (down 27.1%)
 Six months ended Sep. 30, 2018: 978 (down 8.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	46.22	-
Six months ended Sep. 30, 2018	47.55	-

Note: Iwaki conducted a 3-for-1 common stock split on July 1, 2018. Net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of Sep. 30, 2019	29,537	19,991	67.0
As of Mar. 31, 2019	30,463	20,148	65.5

Reference: Owner's equity (million yen) As of Sep. 30, 2019: 19,803 As of Mar. 31, 2019: 19,952

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	12.00	-	16.90	28.90
Fiscal year ending Mar. 31, 2020	-	13.00	-	-	-
Fiscal year ending Mar. 31, 2020 (forecasts)	-	-	-	17.50	30.50

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	29,067	(0.4)	2,116	(9.5)	2,551	(10.4)	1,977	(8.6)	89.49

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

- | | |
|---|------|
| 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, 2019:	22,490,910 shares	As of Mar. 31, 2019:	22,490,910 shares
----------------------	-------------------	----------------------	-------------------

2) Number of treasury shares at the end of the period

As of Sep. 30, 2019:	465,389 shares	As of Mar. 31, 2019:	510 shares
----------------------	----------------	----------------------	------------

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019:	22,167,878 shares	Six months ended Sep. 30, 2018:	22,465,647 shares
---------------------------------	-------------------	---------------------------------	-------------------

Note: Iwaki conducted a 3-for-1 common stock split on July 1, 2018. The number of shares outstanding at the end of the period, the number of treasury shares at the end of the period, and the average number of shares outstanding during the period were calculated as if this stock split had taken place at the beginning of the previous fiscal year.

* 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

Iwaki plans to hold a quarterly financial results meeting for institutional investors and analysts on November 29, 2019. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	
For the Six-month Period	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Six-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	8
Segment Information	8

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, 2020, the Japanese economy continued to recover at a moderate pace as improvements in jobs and personal income continued. However, the outlook for Japan's economy is becoming increasingly uncertain. This is because of concerns about the effects of trade tensions on the global economy and uncertainties about overseas economies, including prospects for the Chinese economy.

In Japan, Iwaki took many actions for building stronger relationships with customers and developing products that meet customers' demands. All activities are based on the core policy of "winning by improving customer satisfaction." Overseas, Iwaki had activities encompassing 21 affiliated companies in 15 countries to increase sales.

Due to these activities, sales were higher than one year earlier mainly in the medical equipment, water treatment and chemicals markets. However, continuing from the first quarter, the semiconductor/liquid crystal market remained weak because there was a slowdown in semiconductor-related capital investment. Although there was some improvement from the first quarter, the surface treatment equipment market remained bearish.

Sales in Japan decreased 5.6% from one year earlier to 8,586 million yen as a result of sluggish sales in the semiconductor/liquid crystal markets and weak sales in the surface treatment equipment market. In Europe, sales were down 0.3% to 1,423 million yen. The new energy market showed significant growth, while there was a slowdown in other markets in this region. In the United States, sales increased 13.7% to 2,050 million yen as a result of strong sales in the water treatment market and higher sales in the chemicals markets. In Asia, sales decreased 25.3% to 1,004 million yen because of a lower sales in the semiconductor/liquid crystal market. Sales in China were up 2.9% to 583 million yen because of strong sales in the medical equipment market.

By product category, sales of mainline metering pumps remained strong. Sales of magnetic drive pumps declined slightly but generally about the same as one year earlier. Air pumps for the medical equipment market remained strong. Sales of pneumatic drive pumps for the semiconductor/liquid crystal market were weak due to a slowdown in semiconductor-related capital investment.

Consequently, consolidated net sales decreased 4.2% to 14,086 million yen.

Our efforts to reduce costs failed to completely offset the impact of reduced sales. As a result, operating profit decreased 13.9% to 1,041 million yen, ordinary profit decreased 18.9% to 1,243 million yen and profit attributable to owners of parent decreased 4.1% to 1,024 million yen.

No business segment information is provided 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 21,172 million yen, down 267 million yen from the end of the previous fiscal year. This was mainly due to an increase of 427 million yen in cash and deposits, while there was a decrease of 735 million yen in notes and accounts receivable-trade. The balance of non-current assets was 8,364 million yen at the end of the second quarter of the current fiscal year, down 658 million yen from the end of the previous fiscal year. This was mainly because of a decrease of 716 million yen in investment securities.

As a result, total assets decreased 926 million yen from the end of the previous fiscal year to 29,537 million yen.

Liabilities

The balance of current liabilities at the end of the second quarter of the current fiscal year was 7,868 million yen, down 808 million yen from the end of the previous fiscal year. This was mainly due to decreases of 541 million yen in notes and accounts payable-trade, 242 million yen in provision for bonuses and 108 million yen

in provision for bonuses for directors (and other officers). The balance of non-current liabilities was 1,676 million yen at the end of the second quarter of the current fiscal year, up 39 million yen from the end of the previous fiscal year.

As a result, total liabilities decreased 769 million yen from the end of the previous fiscal year to 9,545 million yen.

Net assets

The balance of net assets at the end of the second quarter of the current fiscal year was 19,991 million yen, down 156 million yen from the end of the previous fiscal year. The main factors include the purchase of treasury shares of 475 million yen, decreases of 134 million yen in valuation difference on available-for-sale securities and 166 million yen in foreign currency translation adjustment, while there was an increase of 644 million yen in retained earnings.

Consequently, the capital adequacy ratio was 67.0% (65.5% 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 “Revisions to the Fiscal Year Forecast” dated November 8, 2019 (Japanese version only).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	5,580,286	6,008,163
Notes and accounts receivable-trade	6,873,408	6,138,233
Electronically recorded monetary claims-operating	2,738,020	2,815,297
Securities	55,846	54,450
Merchandise and finished goods	2,214,986	2,225,747
Work in process	29,785	36,274
Raw materials and supplies	3,522,791	3,535,738
Other	446,732	382,450
Allowance for doubtful accounts	(21,831)	(23,855)
Total current assets	21,440,024	21,172,501
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,304,024	7,347,066
Accumulated depreciation and impairment loss	(3,646,791)	(3,738,891)
Buildings and structures, net	3,657,232	3,608,175
Machinery, equipment and vehicles	2,676,850	2,737,105
Accumulated depreciation and impairment loss	(2,247,889)	(2,312,175)
Machinery, equipment and vehicles, net	428,960	424,930
Tools, furniture and fixtures	1,795,534	1,841,415
Accumulated depreciation and impairment loss	(1,465,444)	(1,502,064)
Tools, furniture and fixtures, net	330,089	339,351
Land	1,041,879	1,039,655
Leased assets	338,538	354,668
Accumulated depreciation	(185,666)	(207,286)
Leased assets, net	152,872	147,382
Construction in progress	11,071	11,553
Other	27,178	28,506
Accumulated depreciation	(19,444)	(20,428)
Other, net	7,733	8,077
Total property, plant and equipment	5,629,839	5,579,126
Intangible assets		
Goodwill	2,772	2,268
Trademark right	58,573	51,141
Other	132,297	198,025
Total intangible assets	193,643	251,435
Investments and other assets		
Investment securities	2,275,208	1,558,753
Deferred tax assets	634,431	685,290
Other	290,448	290,289
Total investments and other assets	3,200,088	2,534,333
Total non-current assets	9,023,571	8,364,895
Total assets	30,463,596	29,537,396

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,184,397	4,642,694
Short-term borrowings	951,205	1,136,492
Lease obligations	64,978	60,457
Income taxes payable	250,186	313,777
Provision for bonuses	881,140	638,456
Provision for bonuses for directors (and other officers)	140,000	31,975
Provision for product warranties	97,261	83,220
Other	1,108,559	961,750
Total current liabilities	8,677,727	7,868,824
Non-current liabilities		
Lease obligations	106,058	105,108
Provision for retirement benefits for directors (and other officers)	51,687	51,687
Retirement benefit liability	659,105	653,111
Asset retirement obligations	184,387	185,235
Other	636,283	681,704
Total non-current liabilities	1,637,521	1,676,845
Total liabilities	10,315,249	9,545,669
Net assets		
Shareholders' equity		
Share capital	1,044,691	1,044,691
Capital surplus	664,691	666,367
Retained earnings	17,687,437	18,331,891
Treasury shares	(559)	(475,730)
Total shareholders' equity	19,396,260	19,567,219
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	232,113	97,277
Foreign currency translation adjustment	241,969	75,144
Remeasurements of defined benefit plans	81,877	63,511
Total accumulated other comprehensive income	555,960	235,934
Non-controlling interests	196,127	188,572
Total net assets	20,148,347	19,991,726
Total liabilities and net assets	30,463,596	29,537,396

(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 FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	14,704,642	14,086,741
Cost of sales	9,568,868	9,240,702
Gross profit	5,135,774	4,846,039
Selling, general and administrative expenses	3,926,016	3,804,522
Operating profit	1,209,758	1,041,516
Non-operating income		
Interest income	13,358	5,846
Dividend income	23,273	16,499
Share of profit of entities accounted for using equity method	312,769	221,404
Other	33,826	19,011
Total non-operating income	383,227	262,762
Non-operating expenses		
Interest expenses	15,516	16,067
Foreign exchange losses	6,609	28,574
Business establishment transfer expenses	30,900	-
Other	6,000	16,056
Total non-operating expenses	59,027	60,698
Ordinary profit	1,533,958	1,243,580
Extraordinary income		
Gain on sales of non-current assets	-	9,111
Gain on sales of investment securities	-	153,234
Total extraordinary income	-	162,345
Extraordinary losses		
Loss on retirement of non-current assets	1,722	301
Loss on sales of investment securities	-	8,756
Total extraordinary losses	1,722	9,058
Profit before income taxes	1,532,236	1,396,868
Income taxes	452,837	362,784
Profit	1,079,399	1,034,083
Profit attributable to non-controlling interests	11,092	9,542
Profit attributable to owners of parent	1,068,306	1,024,541

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

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Profit	1,079,399	1,034,083
Other comprehensive income		
Valuation difference on available-for-sale securities	27,843	(134,795)
Foreign currency translation adjustment	(114,673)	(109,750)
Remeasurements of defined benefit plans, net of tax	4,072	(18,365)
Share of other comprehensive income of entities accounted for using equity method	(18,083)	(57,445)
Total other comprehensive income	(100,842)	(320,356)
Comprehensive income	978,557	713,726
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	968,729	704,515
Comprehensive income attributable to non-controlling interests	9,827	9,211

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Iwaki purchased 484,500 treasury shares pursuant to resolution of the Board of Directors meeting on May 14, 2019. In addition, following the resolution of the Board of Directors meeting on July 19, 2019, Iwaki sold 24,376 shares for directors (excluding outside directors) and senior officers of the Company as restricted stock compensation.

As a result, treasury shares increased 475 million yen during the first half of the current fiscal year to 475 million yen at the end of the second quarter.

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.