



The Heart of Industry

**IWAKI**

Results of Operations for the  
Fiscal Year Ended March 31, 2020 (FY3/20)

May 14, 2020

**IWAKI CO.,LTD.**

**Stock code: 6237**

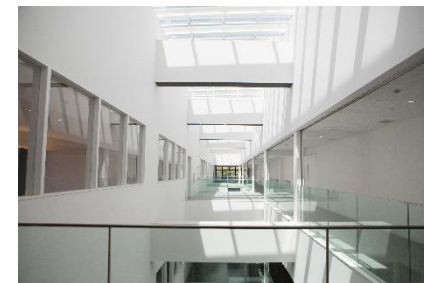
**Trade name: Iwaki Pump**

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# Summary of FY3/20 Financial Results

		FY3/19	FY3/20	
		Amount	Amount	YoY change
Net sales		29,171	28,636	-1.8%
Gross profit		10,374	9,806	-5.5%
(Gross margin)		(35.6%)	(34.2%)	(-1.3pt)
Operating profit		2,337	2,114	-9.6%
(Operating margin)		(8.0%)	(7.4%)	(-0.6pt)
Ordinary profit		2,847	2,578	-9.5%
Profit attributable to owners of parent		2,163	2,122	-1.9%
Net income per share (Yen)		96.25	96.06	-0.2%
Exchange rate (average)	USD/JPY (Yen)	110.45	109.03	
	EUR/JPY (Yen)	130.35	122.03	

**1**

**Sales were down 1.8% (-¥535 million) affected by a decline in sales in the semiconductor/liquid crystal market during the first half of FY3/20**

- ✓ Sales in the water treatment market were strong, especially in the U.S., but total sales decreased because of a sales downturn in the semiconductor/liquid crystal market during the first half of the fiscal year. Sales in this market started recovering in the second half
- ✓ In the medical equipment market, sales decreased 2.0% (-¥102 million) as customers in Japan reduced their inventories. Sales were strong in China
- ✓ U.S. sales increased 7.5% (+¥287 million)
- ✓ The COVID-19 pandemic had an insignificant effect on FY3/20 sales

**2**

**Operating profit was 9.6% lower (-¥223 million) than one year earlier**

- ✓ Earnings benefited from cost cutting but total earnings decreased because of lower sales and a higher cost of sales ratio.

**3**

**A small decrease in profit attributable to owners of parent**

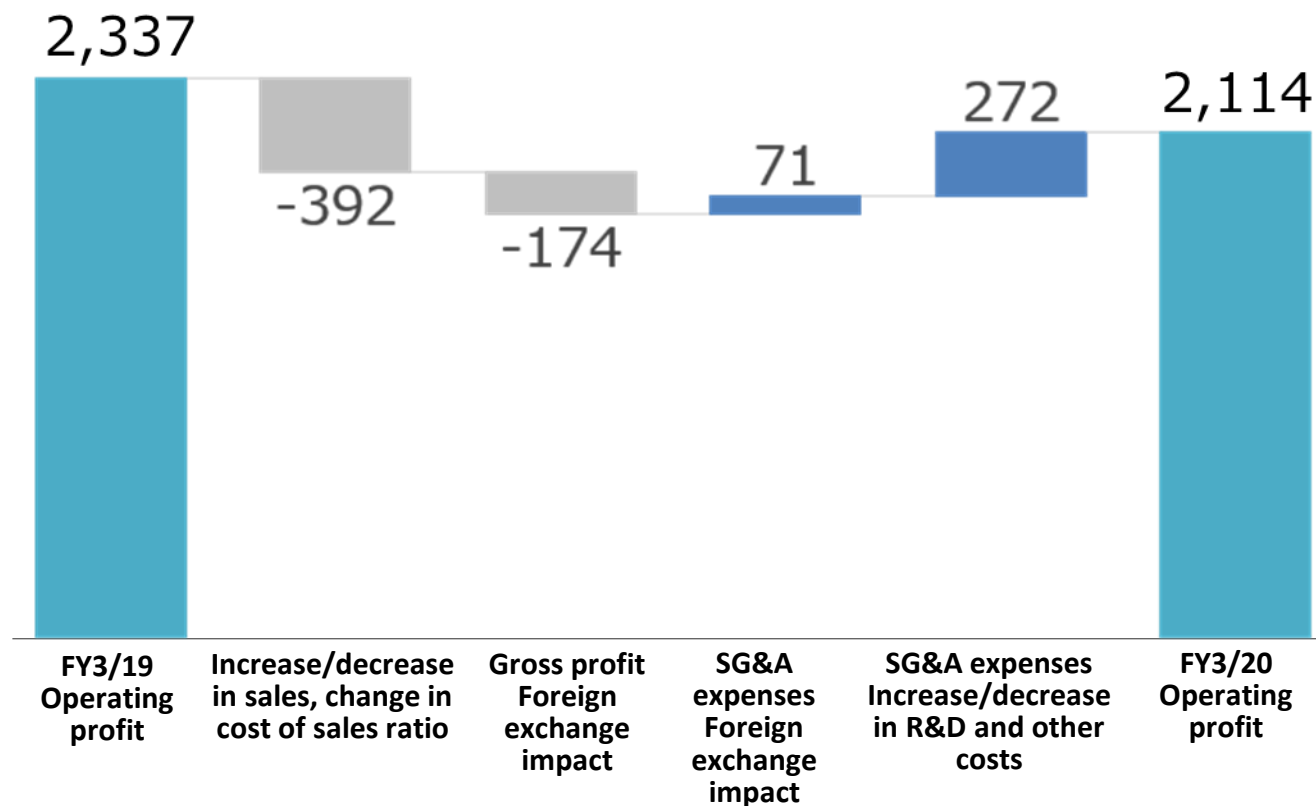
- ✓ Profit from equity method investments decreased (-¥82 million) because of lower performance of affiliates, mostly in Asia that mostly target the semiconductor/liquid crystal market
  - ✓ Gain on sales of investment securities of about ¥150 million
- Profit attributable to owners of parent was down 1.9%. There was a reduction of approximately ¥100 million in corporate tax due to tax credits related to experimental research expenses

# Factors Affecting Profitability

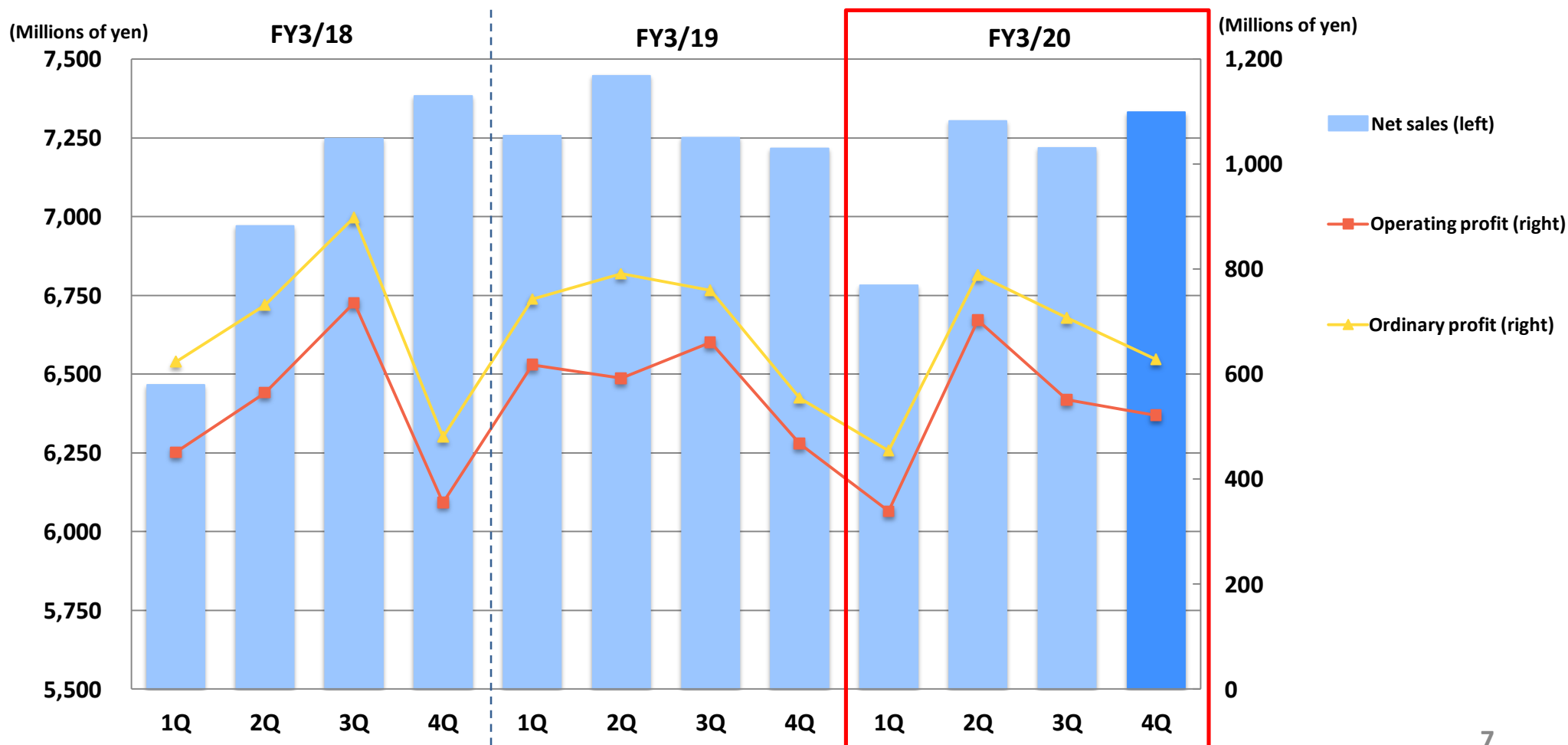
(Thousands of yen)

Effect of ¥1 exchange rate change	USD	EUR
Net sales	50,219	19,802
Operating profit	15,198	10,472

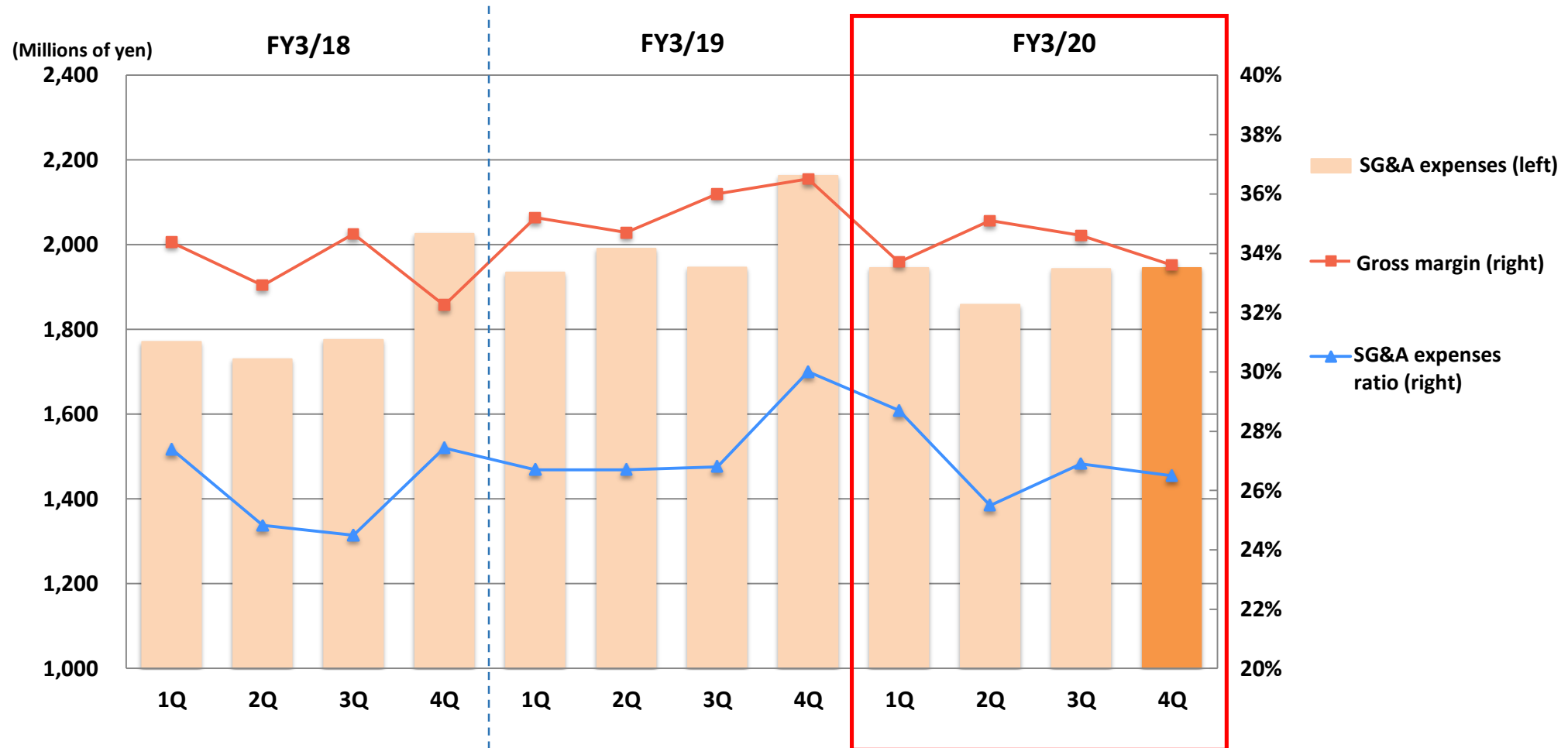
(Millions of yen)



Sales were highest in the fourth quarter during FY3/20 because of strong sales in the water treatment market and a recovery trend in the semiconductor/liquid crystal and surface treatment equipment markets



Although SG&A expenses usually increase in the fourth quarter, expenses were about the same as in the third quarter due to measures to hold down personnel expenses

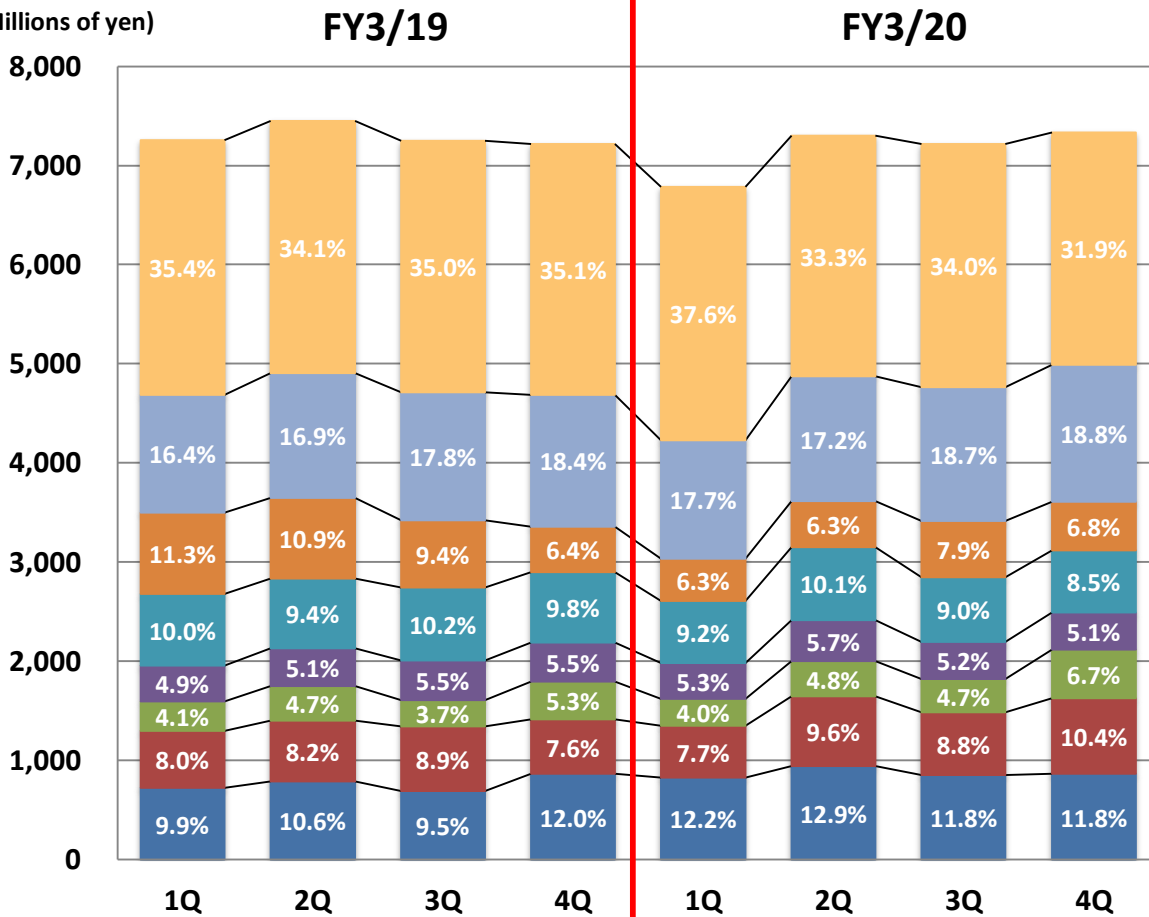




Slow sales of pneumatic drive pumps for the semiconductor/liquid crystal market due to a decline in the first half of FY3/20

Steady sales of metering pumps and strong sales of systems products (IWAKI America's aquatic business)

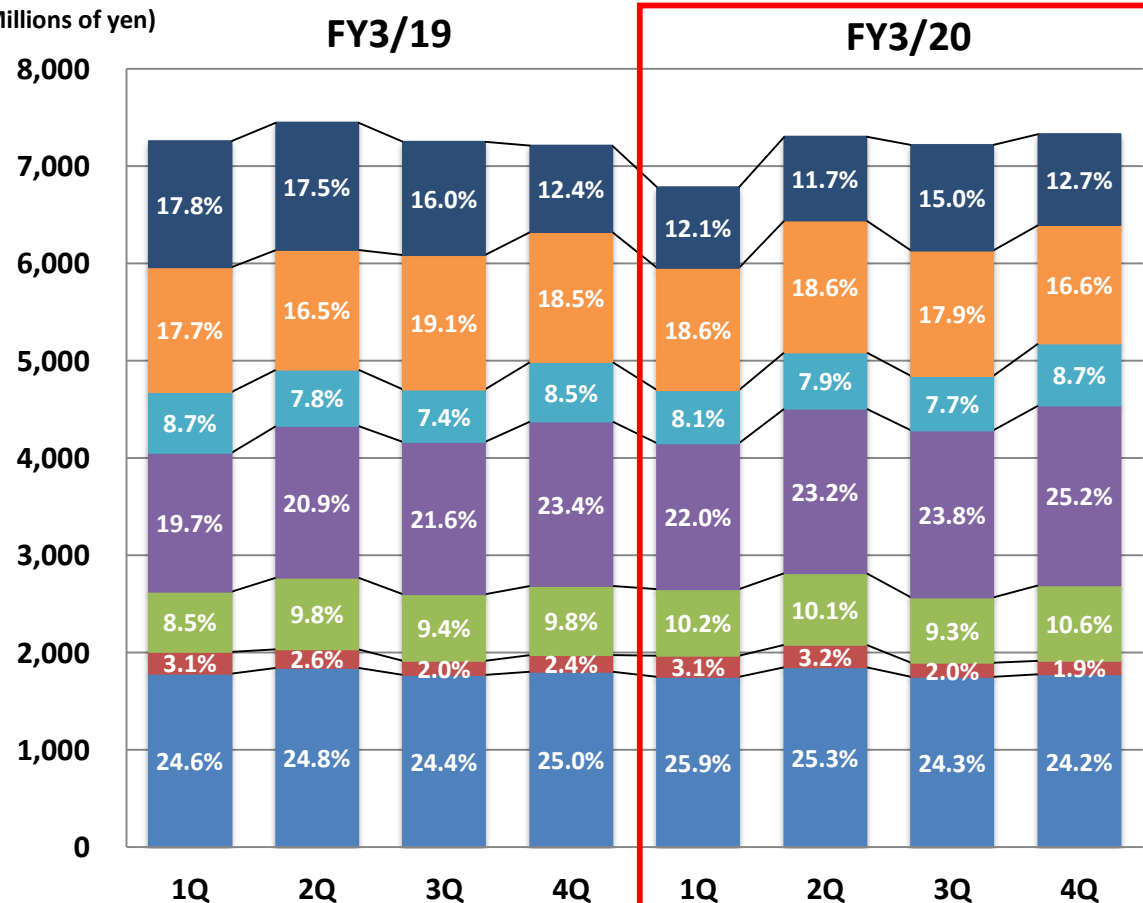
(Millions of yen)



	FY3/20 sales (Millions of yen)	YoY change
Magnetic drive pumps	<b>9,779</b>	<b>-3.9%</b>
Metering pumps	<b>5,184</b>	<b>+2.3%</b>
Pneumatic drive pumps	<b>1,953</b>	<b>-29.6%</b>
Rotary displacement pumps	<b>2,632</b>	<b>-8.2%</b>
Air pumps	<b>1,527</b>	<b>-0.0%</b>
Systems products	<b>1,454</b>	<b>+11.3%</b>
Purchased products	<b>2,621</b>	<b>+10.0%</b>
Others	<b>3,482</b>	<b>+13.6%</b>

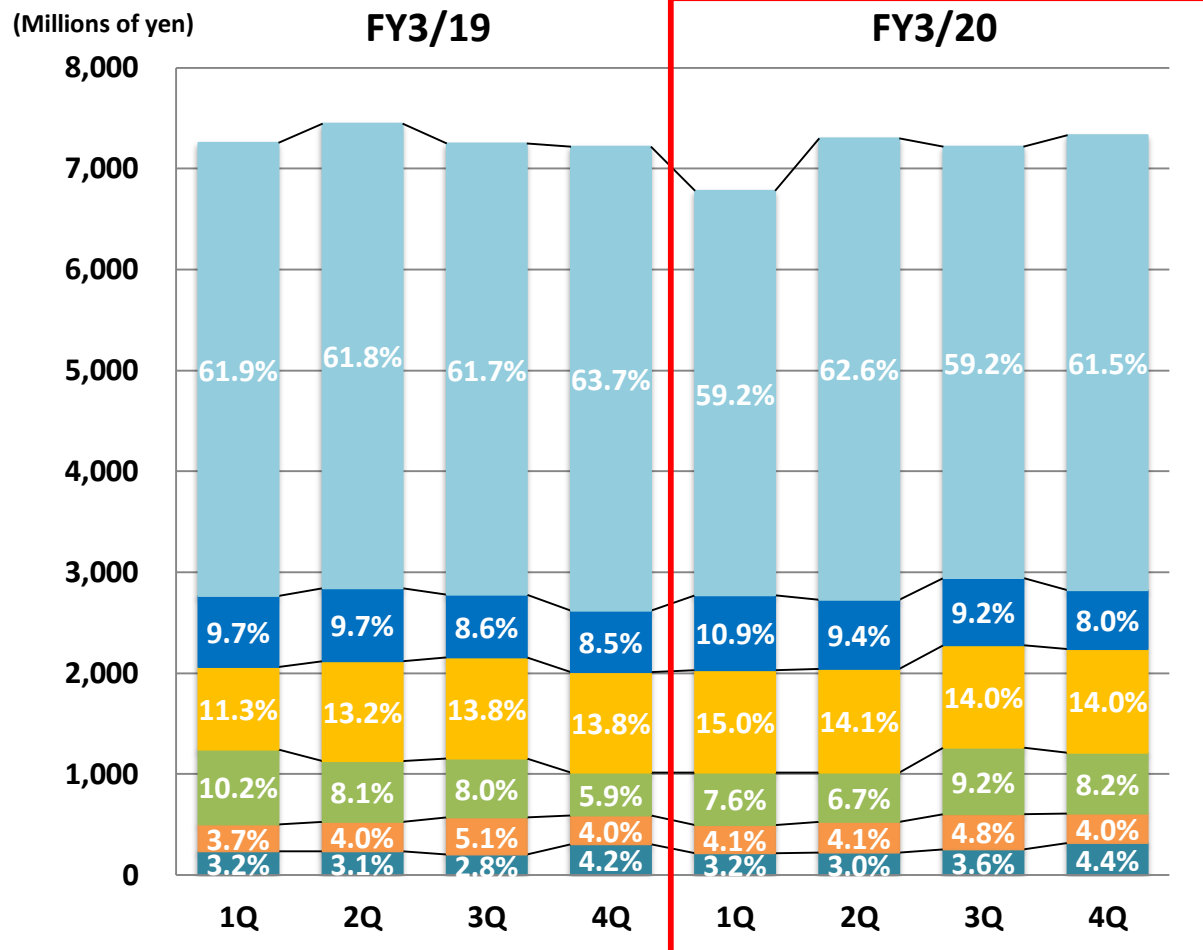
Sales in the water treatment market, which account for a large percentage of total sales, were favorable  
Semiconductor/liquid crystal sales were sluggish but the year-on-year decrease became progressively smaller: 1Q: -36.3% 1Q-2Q: -35.3% 1Q-3Q: -26.5%

(Millions of yen)



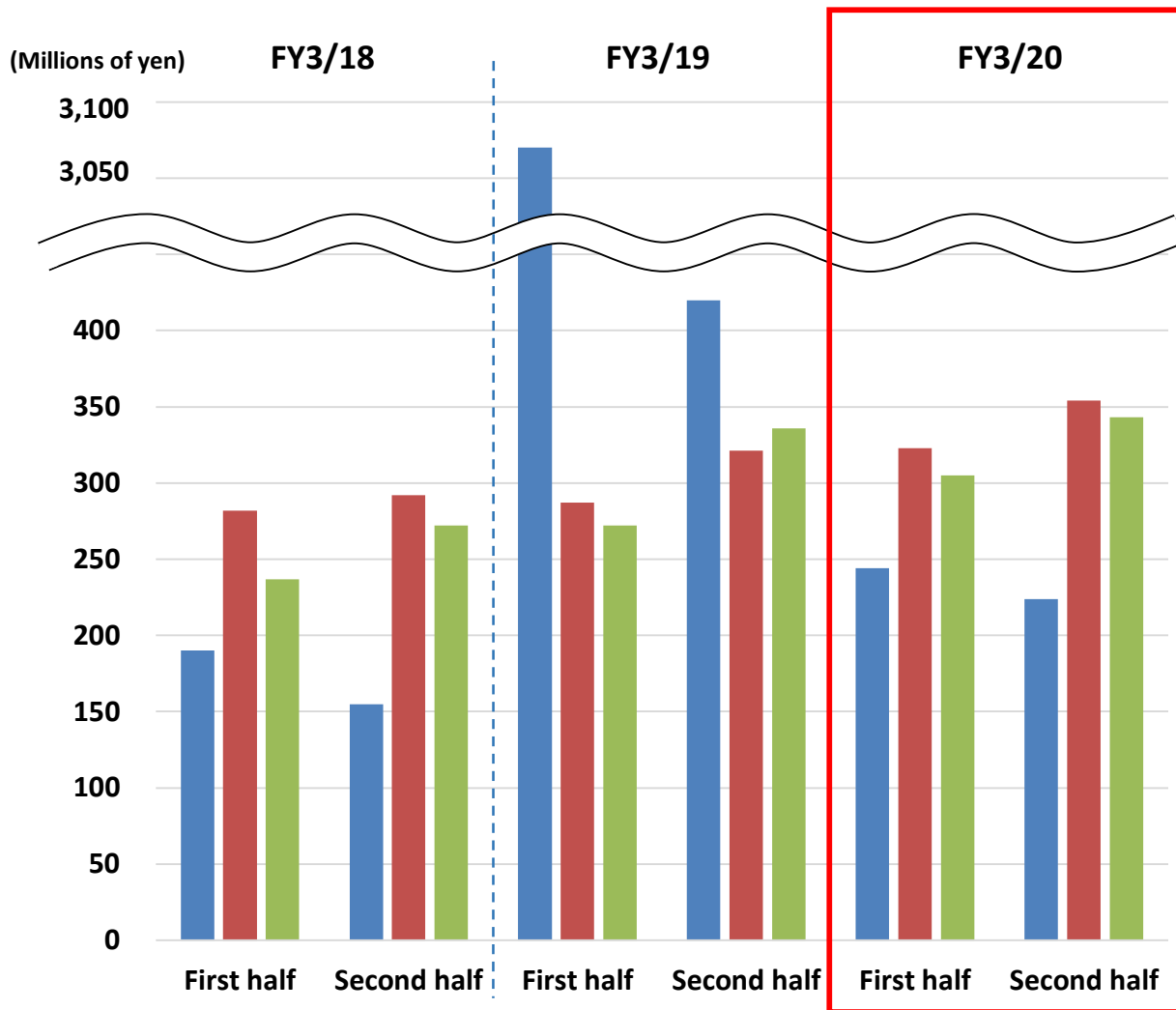
	FY3/20 sales (Millions of yen)	YoY change
Semiconductor/ liquid crystal	3,695	-20.5%
Medical equipment	5,129	-2.0%
Surface treatment equipment	2,321	-1.9%
Water treatment	6,750	+8.1%
Chemicals	2,874	+5.0%
New energy	734	+0.0%
Others	7,129	-1.1%

Sales in Japan and Asia were impacted by a decline in the semiconductor/liquid crystal market  
 Sales remained strong in America



	FY3/20 sales (Millions of yen)	YoY change
Japan	<b>17,369</b>	<b>-4.4%</b>
Overseas total	<b>11,266</b>	<b>+2.3%</b>
Europe	<b>2,670</b>	<b>+0.5%</b>
America	<b>4,093</b>	<b>+7.5%</b>
Asia	<b>2,269</b>	<b>-3.4%</b>
China	<b>1,218</b>	<b>-0.7%</b>
Others	<b>1,014</b>	<b>+4.6%</b>

Overseas sales ratio **39.3%**



	FY3/20 sales (Millions of yen)	YoY change
Capital expenditures	<b>469</b>	<b>-3,020</b>
R&D expenses	<b>677</b>	<b>+69</b>
Depreciation	<b>649</b>	<b>+40</b>

\*Capital expenditures in the first half of FY3/19 include expenses of ¥2,862 million at the new technology center



## Outlook for FY3/21

	FY3/20 Amount	FY3/21 (forecast)	
		Amount	YoY change
Net sales	28,636		
Gross profit	9,806		
(Gross margin)	(34.2%)		
Operating profit	2,114		
(Operating margin)	(7.4%)		
Ordinary profit	2,578		
Profit attributable to owners of parent	2,122		
Net income per share (Yen)	96.06		
Exchange rate (average)	USD/JPY (Yen)	109.03	
	EUR/JPY (Yen)	122.03	

**Under  
examination**

\*Iwaki will promptly announce the FY3/21 forecast as soon as it is determined

## 1

### Japan

- ✓ Teleworking, rotation shift work, flexible-time work, and measures for employee health management have been implemented
- ✓ Normal operations at production bases in Japan (Saitama and Miharu plants) and no significant problems involving procurement activities
- ✓ For sales activities, restrictions on some sales visits to customers

## 2

### Overseas

- ✓ In China, Hong Kong has been operating since Feb. 3 (end of Lunar New Year holiday) and business sites in Shanghai, Guangzhou, Shenzhen and Beijing as well as the Guangdong knock-down plant have been operating since March 2 (Teleworking was used between the end of the holiday and restart of operations)
- ✓ IWAKI America was certified by the Commonwealth of Massachusetts as a necessary business and has continued normal operation even after the stay-at-home orders was issued with implementing measures to protect employees from COVID-19
- ✓ IWAKI Europe has implemented rotation shift work. In Asia, major group companies have been operating mainly by teleworking
- ✓ Sales activities are limited by the lockdowns and other restrictions of countries worldwide

### 3

## Demand associated with the COVID-19 pandemic

- ✓ Requests to increase production of pumps to meet rising demand for clinical testing equipment (immunology analyzers and biochemical analyzers) in China
- ✓ Higher demand for pumps used on disinfectant production lines
- ✓ Higher demand for pumps used in devices associated with disinfectant
- ✓ Demand for maintenance services at factories that have suspended operations



## Market environment assumptions

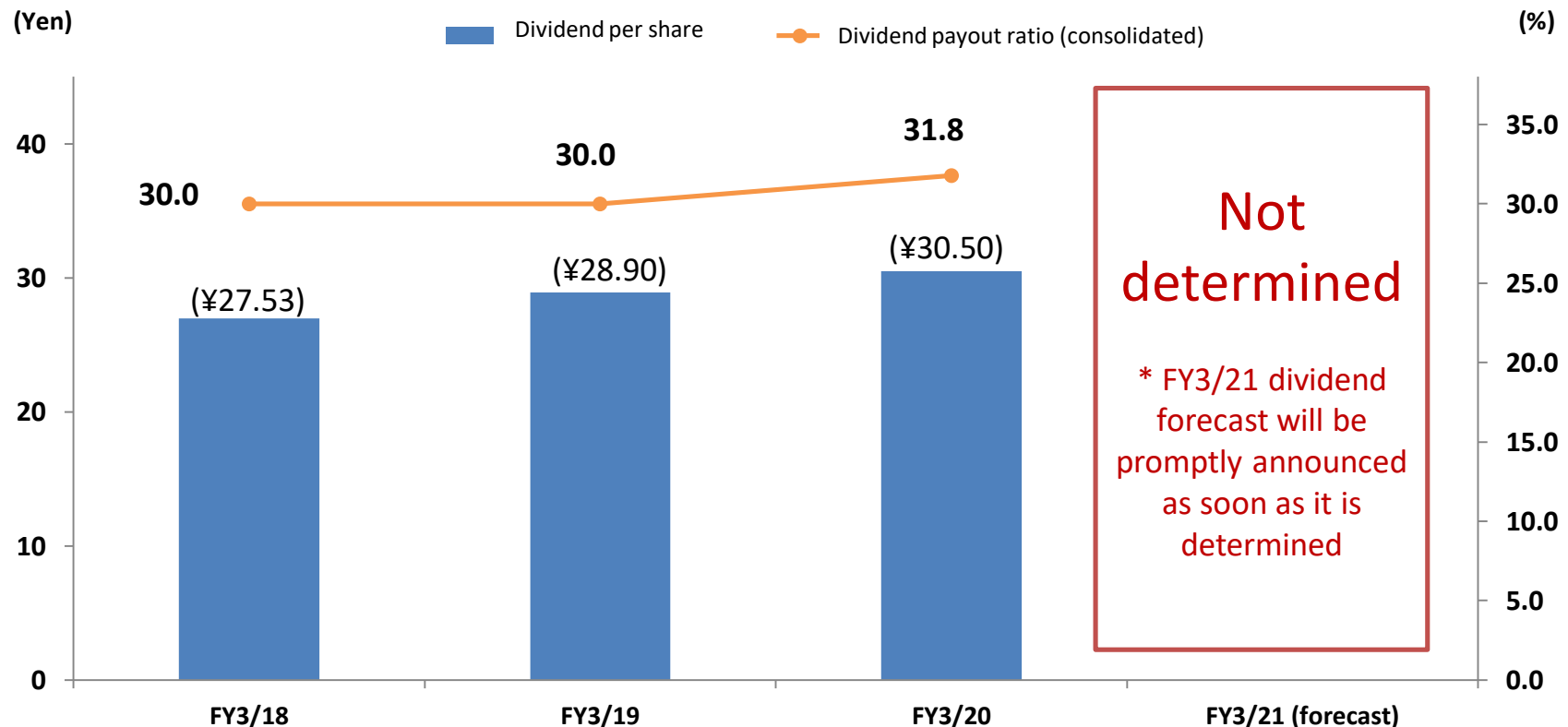
	Japan	Overseas
<b>Water treatment market</b>	<ul style="list-style-type: none"> <li>Firm demand for disinfectant related equipment due to an increased needs of disinfectant, etc.</li> <li>Increasing demand for remote controllers mainly due to telework and stay-at-home orders</li> <li><b>Sluggish demand in the water treatment plant category due to decline in investments</b></li> </ul>	<ul style="list-style-type: none"> <li>Firm sales of pumps for ballast water control equipment</li> <li>Temporary upturn in global demand involving disinfecting</li> </ul>
Semiconductor/ liquid crystal market	<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>Signs of a resumption of capital expenditures for memory devices</li> </ul>
<b>Medical equipment market</b>	<ul style="list-style-type: none"> <li><b>Expect small decline in 2Q in production of clinical testing equipment (immunology analyzers and biochemical analyzers)</b></li> <li>Firm demand for products used in endoscope sterilization equipment</li> <li><b>Slowing sales for dialysis equipment as production decreases due to market saturation</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><b>Slowing sales in the rechargeable battery (lithium-ion) market</b></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 resumption of investment in rechargeable batteries after COVID-19 infection spread has ceased</li> </ul>
Chemicals market	<ul style="list-style-type: none"> <li>Steady demand related to development of value-added products</li> <li>Increasing investments by pharmaceutical companies for developing COVID-19 drugs</li> </ul>	<ul style="list-style-type: none"> <li>Uncertainty about the procurement of raw materials, mainly in Asia, but signs of a resumption of investments in rechargeable battery materials after COVID-19 infection spread has ceased</li> </ul>
Surface treatment equipment market	<ul style="list-style-type: none"> <li>Increasing demand for value-added electronic components used in automotive components, IoT applications and other markets</li> <li><b>Soft demand in the smartphone market</b></li> </ul>	<ul style="list-style-type: none"> <li>Continuation of steady demand for electronic components used in automotive and telecommunication applications</li> <li><b>Soft demand at printed circuit board device manufacturers due to an effect of COVID-19</b></li> </ul>

\*Bold indicates priority markets targeted for growth.

\*Red indicates negative outlooks.

## 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.



# Medium-term Management Plan Business Development and Growth

# 1 Overview of the 10-Year Vision

FY3/16

FY3/17

FY3/18

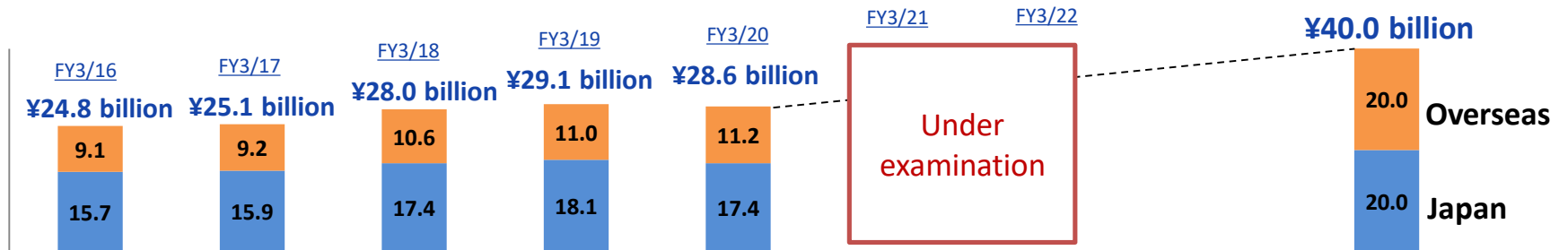
FY3/19

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%

7.4%

Under examination

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

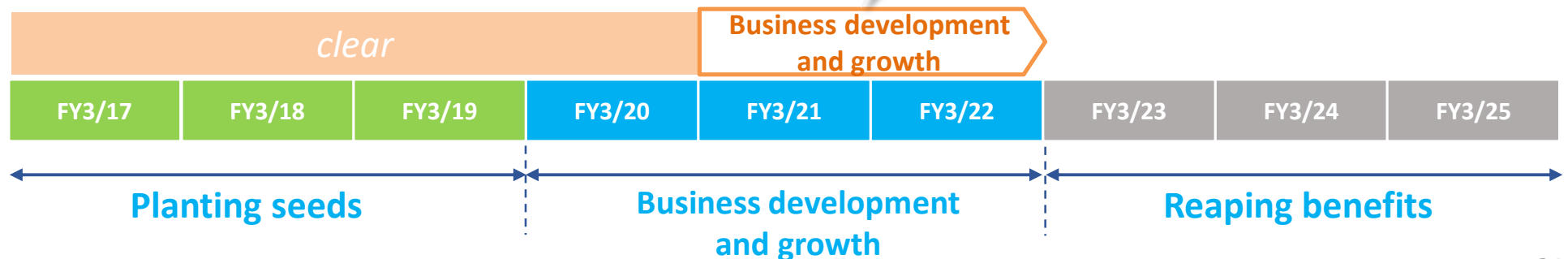
– We will firmly establish a corporate culture of never being afraid of change and new challenges –

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

### Key goals

- 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
- Promote 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

### Steps for achieving the 10-year vision



## Business Development and Growth Phase

### – Major Accomplishments of the Medium-term Management Plan

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 chemicals/chemical manufacturing equipment plant market	▲	Use the IWAKI Europe sales strategy throughout Europe Overcome competition in the water treatment market
	ASEAN Establish a business control headquarters, reduce expenses, pursue benefits by streamlining distribution inventory and distribution routes and other improvements, develop/establish a system for maintenance services	×	Create sales regions and build a sales organization Continue to build a stronger presence in the ASEAN region Further growth in the water treatment market
	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 introduce an enterprise resource planning system; develop outsourced manufacturing companies in China and expand procurement channels for parts	△	Continue IWAKI Europe capital expenditures. Continue to develop outsourced manufacturing companies and expand procurement channels for parts in China
	Establish alliances and seek M&A opportunities in sectors peripheral to the pump business	▲	Continue to examine opportunities for alliances and M&A

### Basic Policy 1

#### Concentrate resources on markets targeted for reinforcement

- Water treatment market → Synergies with Walchem controllers
- Medical equipment market → New overseas OEM customers, new products
- New energy market → Rechargeable battery production, large storage battery equipment

### Basic Policy 2

#### Expand business activities that provide solutions

- Improve customer services → More products for faster deliveries
- Solutions business → Proposals for actual fluid simulation tests
- Utilization of IoT → Study and establish new business models

## Achieving the 10-year vision

### Basic Policy 3

#### Build a business model for new activities

- Aquatic business → Continue promotion of sales activities in Europe and China, aim for growth in Japan and U.S.
- Provide engineering/maintenance support to customers
  - Sales activity support from IJ engineers
  - Train maintenance personnel suitable for each local market

### Basic Policy 4

#### Unified operation of strategic overseas regions

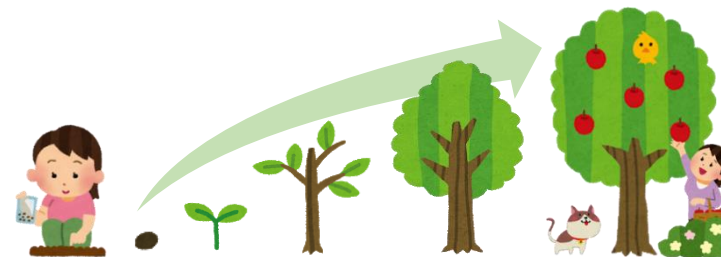
- ASEAN project → Continue progress with this project
- Recruit marketing personnel in all countries and regions
- IT infrastructure → Use the core IT system renovation process as an opportunity to optimize the entire IT infrastructure

# Business Development and Growth Phase

## – Major Initiatives of the Medium-term Management Plan

### 1. Japan

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



### 2. Overseas

Country/region	Key overseas markets for growth	Targeted applications
<b>America</b>	Medical equipment, water treatment	Medical analysis, industrial water treatment, aquatic business
<b>Europe</b>	Water treatment, chemicals/chemical manufacturing equipment, new energy, cooling equipment	Systems products, wind power generation, equipment used in ships
<b>ASEAN</b>	Medical equipment, surface treatment equipment, water treatment, chemicals	Surface treatment equipment, water quality management
<b>China</b>	Medical equipment, water treatment, new energy	Medical analysis, water treatment plants, rechargeable batteries
<b>South Korea/Taiwan</b>	Water treatment, new energy	Water quality management, surface treatment equipment, rechargeable batteries

### 3. Investments

- Make more investments in production facilities in Europe and strengthen logistics
- Consider alliances and M&A for the expansion of business operations



### 1 Merger of TechnoECHO Co., Ltd. (a wholly owned subsidiary)

- ✓ IWAKI will absorb wholly owned subsidiary TechnoECHO for the purposes of using the IWAKI Group's resources more effectively and increasing the efficiency of business operations
- ✓ IWAKI believes this merger will create significant synergies involving the residual chlorine meters made by TechnoECHO and the IWAKI Group's pump operations.
- ✓ Scheduled date of merger is April 1, 2021

### 2 Conversion of Iwaki Nordic A/S into a consolidated subsidiary

- ✓ IWAKI converts equity-method affiliate Iwaki Nordic A/S into a consolidated subsidiary (Wholly-owned subsidiary IWAKI Europe will acquire shares of this company)
- ✓ IWAKI places Scandinavia as an important region for sales activities in Europe.
- ✓ IWAKI will incorporate Iwaki Nordic A/S into the IWAKI Group's global business organization to further strengthen our competitiveness
- ✓ Scheduled date of acquisition is June 30, 2020

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