

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2024
(Six Months Ended September 30, 2023)

[Japanese GAAP]

Company name: IWAKI CO.,LTD. Listing: Tokyo Stock Exchange
 Stock code: 6237 URL: <https://www.iwakipumps.co.jp/>
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 Scheduled date of filing of Quarterly Report: November 14, 2023
 Scheduled date of payment of dividend: December 1, 2023
 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, 2023**(April 1, 2023 – September 30, 2023)**

(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, 2023	22,436	26.0	2,805	136.6	3,270	48.3	2,188	(26.7)
Six months ended Sep. 30, 2022	17,810	14.3	1,185	12.0	2,205	44.6	2,987	150.7

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2023: 3,274 (down 15.8%)

Six months ended Sep. 30, 2022: 3,890 (up 166.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2023	99.46	-
Six months ended Sep. 30, 2022	136.19	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of Sep. 30, 2023	49,241	31,525	63.6
As of Mar. 31, 2023	45,251	28,869	63.4

Reference: Owner's equity (million yen) As of Sep. 30, 2023: 31,307 As of Mar. 31, 2023: 28,706

Note: The provisional accounting treatment for a business combination has been finalized in the second quarter of the fiscal year ending March 31, 2024. All figures for the fiscal year ended March 31, 2023 reflect the finalized figures.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	-	27.00	-	34.00	61.00
Fiscal year ending Mar. 31, 2024	-	21.00			
Fiscal year ending Mar. 31, 2024 (forecasts)			-	27.00	48.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	44,181	17.1	3,920	60.5	4,302	9.4	3,115	(29.2)	141.79

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

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|---|------|
| 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, 2023:	22,490,910 shares	As of Mar. 31, 2023:	22,490,910 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2023:	410,761 shares	As of Mar. 31, 2023:	519,393 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2023:	22,007,733 shares	Six months ended Sep. 30, 2022:	21,938,026 shares
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* 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 Iwaki’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 materials for the quarterly financial results meeting

Iwaki plans to hold a quarterly financial results meeting for institutional investors and analysts on Monday, November 27, 2023. Materials to be distributed at this event will be available on the Company’s website in advance.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the current fiscal year, capital expenditures showed signs of rebound in Japan, earnings at companies were strong and there are expectations for the economy to remain healthy. However, the outlook for the Japanese economy remains uncertain because of the risk of a downturn caused by a global economic decline due to worldwide monetary tightening, the possibility of slowing economic growth in China and other reasons.

Iwaki has been taking many actions in Japan to improve its corporate value based on the core policy of “winning by creating solutions.” Overseas, there were activities encompassing 21 affiliated companies in 15 countries to increase sales. The Iwaki Group continued to speed up various measures for achieving the Iwaki Group 10-year vision of net sales of 40 billion yen and an operating margin of 10% in the fiscal year ending on March 31, 2025 based on the policy of “supplying the world’s best products as All Iwaki.”

Due to these activities and the contributions to sales and earnings of subsidiaries in China newly consolidated in the fourth quarter of the previous fiscal year, results of operations in all market categories were strong. In the medical equipment category, sales significantly increased 45.7% to 3,849 million yen with growth backed mainly by sales to customers in China. Sales in the water treatment category increased 24.6% to 5,175 million yen and sales in the semiconductor/liquid crystal category increased 22.0% to 4,335 million yen. These three categories accounted for most of the growth of first half sales and earnings.

Sales were strong in all regions except Asia. Sales in Japan increased 12.0% to 10,373 million yen because of higher sales primarily in the medical equipment category. Sales in the United States rose 22.5% to 3,415 million yen as a result of the continued strong performance of the water treatment category. In Europe, sales increased 29.2% to 2,794 million yen mainly because of higher sales in the chemicals category. In Taiwan, sales decreased 1.9% to 1,523 million yen mainly because sales continue to be sluggish in the semiconductor/liquid crystal and surface treatment equipment categories. Sales in China increased 164.5% to 3,365 million yen due to the contribution of subsidiaries in China and big increases in sales primarily in the semiconductor/liquid crystal and medical equipment categories.

All product categories performed well. There was double-digit growth in the core magnetic pump and metering pump categories. Furthermore, sales of rotary displacement pumps, used mainly in medical equipment, were up 58.1% to 1,436 million yen.

As a result, consolidated net sales increased 26.0% to 22,436 million yen.

Operating profit increased 136.6% from one year earlier to 2,805 million yen. This was the result of the contribution of subsidiaries in China newly consolidated in the fourth quarter of the previous fiscal year and sales growth at other subsidiaries. Ordinary profit was up 48.3% to 3,270 million yen mainly due to a decrease in share of profit of entities accounted for using the equity method in non-operating income following the consolidation of subsidiaries in China and a decrease in foreign exchange gains. Profit attributable to owners of parent decreased 26.7% to 2,188 million yen because earnings in the second quarter of the previous fiscal year included a gain on step acquisitions, which is extraordinary income.

There is no business segment information because chemical pumps are the only business of the Iwaki Group.

(2) Explanation of Financial Position

Assets

Current assets at the end of the second quarter of the current fiscal year were 36,052 million yen, up 3,865 million yen from the end of the previous fiscal year. This was mainly due to increases of 1,489 million yen in cash and deposits, 667 million yen in notes and accounts receivable-trade, and contract assets, 887 million yen in merchandise and finished goods and 309 million yen in electronically recorded monetary claims-operating. Non-current assets were 13,188 million yen at the end of the second quarter, up 124 million yen from the end of the previous fiscal year. This was mainly because of increases of 66 million yen in investment securities and 63 million yen in goodwill.

As a result, total assets increased 3,989 million yen from the end of the previous fiscal year to 49,241 million yen.

Liabilities

Current liabilities at the end of the second quarter were 15,107 million yen, up 1,390 million yen from the end of the previous fiscal year. This was mainly due to increases of 585 million yen in income taxes payable, 461 million yen in electronically recorded obligations-operating and 305 million yen in notes and accounts payable-trade. Non-current liabilities were 2,608 million yen at the end of the second quarter, down 56 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 77 million yen in long-term borrowings.

As a result, total liabilities increased 1,333 million yen from the end of the previous fiscal year to 17,715 million yen.

Net assets

Net assets at the end of the second quarter were 31,525 million yen, up 2,656 million yen from the end of the previous fiscal year. There were increases of 1,441 million yen in retained earnings and 1,060 million yen in foreign currency translation adjustment.

Consequently, the capital adequacy ratio was 63.6% (63.4% at the end of the previous fiscal year).

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

We maintain the consolidated earnings forecasts announced on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Second quarter of FY3/24 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	8,927,985	10,417,178
Notes and accounts receivable-trade, and contract assets	7,010,044	7,678,010
Electronically recorded monetary claims-operating	4,497,381	4,806,523
Merchandise and finished goods	5,650,511	6,537,947
Work in process	141,397	206,205
Raw materials and supplies	5,228,772	5,467,586
Other	798,971	1,012,611
Allowance for doubtful accounts	(67,781)	(73,472)
Total current assets	32,187,283	36,052,590
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,144,787	8,306,414
Accumulated depreciation and impairment loss	(4,202,592)	(4,375,734)
Buildings and structures, net	3,942,195	3,930,679
Machinery, equipment and vehicles	3,496,770	3,599,534
Accumulated depreciation and impairment loss	(2,997,027)	(3,084,051)
Machinery, equipment and vehicles, net	499,743	515,483
Tools, furniture and fixtures	2,276,945	2,382,180
Accumulated depreciation and impairment loss	(1,902,462)	(1,980,847)
Tools, furniture and fixtures, net	374,483	401,333
Land	1,049,205	1,057,317
Leased assets	346,955	311,526
Accumulated depreciation	(199,803)	(167,761)
Leased assets, net	147,151	143,765
Construction in progress	42,148	81,697
Other	760,975	763,397
Accumulated depreciation	(379,543)	(401,838)
Other, net	381,432	361,559
Total property, plant and equipment	6,436,360	6,491,835
Intangible assets		
Goodwill	2,345,822	2,409,358
Trademark right	19,672	15,356
Other	1,084,045	886,729
Total intangible assets	3,449,539	3,311,444
Investments and other assets		
Investment securities	1,397,352	1,464,034
Deferred tax assets	615,044	649,205
Retirement benefit asset	789,245	798,046
Other	376,774	474,428
Total investments and other assets	3,178,417	3,385,714
Total non-current assets	13,064,318	13,188,994
Total assets	45,251,601	49,241,585

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Second quarter of FY3/24 (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,687,101	3,992,411
Electronically recorded obligations-operating	4,307,453	4,769,196
Short-term borrowings	1,170,500	1,297,583
Current portion of long-term borrowings	155,000	155,000
Lease liabilities	116,468	124,275
Income taxes payable	331,446	916,459
Contract liabilities	652,603	731,519
Provision for bonuses	1,203,618	1,203,518
Provision for bonuses for directors (and other officers)	325,307	64,116
Provision for product warranties	100,995	103,738
Other	1,666,901	1,749,648
Total current liabilities	13,717,396	15,107,467
Non-current liabilities		
Long-term borrowings	1,167,500	1,089,999
Lease liabilities	118,987	104,744
Deferred tax liabilities	56,559	24,199
Retirement benefit liability	82,552	91,263
Asset retirement obligations	222,551	223,091
Other	1,016,606	1,074,844
Total non-current liabilities	2,664,758	2,608,143
Total liabilities	16,382,155	17,715,611
Net assets		
Shareholders' equity		
Share capital	1,044,691	1,044,691
Capital surplus	674,127	713,604
Retained earnings	25,531,082	26,972,905
Treasury shares	(519,765)	(411,088)
Total shareholders' equity	26,730,134	28,320,112
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	530	2,499
Foreign currency translation adjustment	1,157,911	2,218,734
Remeasurements of defined benefit plans	817,833	766,424
Total accumulated other comprehensive income	1,976,275	2,987,658
Non-controlling interests	163,036	218,202
Total net assets	28,869,446	31,525,973
Total liabilities and net assets	45,251,601	49,241,585

(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 FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Net sales	17,810,912	22,436,148
Cost of sales	11,838,102	13,510,713
Gross profit	5,972,809	8,925,435
Selling, general and administrative expenses	4,787,070	6,120,374
Operating profit	1,185,738	2,805,060
Non-operating income		
Interest income	661	19,114
Dividend income	16,903	19,053
Share of profit of entities accounted for using equity method	730,573	351,892
Foreign exchange gains	249,411	69,452
Other	43,195	69,648
Total non-operating income	1,040,746	529,161
Non-operating expenses		
Interest expenses	13,377	41,470
Commission expenses	4,006	3,756
Loss on amortization of restricted stock remuneration	406	-
Expenses related to deferred compensation plan	-	15,663
Other	2,893	2,851
Total non-operating expenses	20,684	63,741
Ordinary profit	2,205,801	3,270,480
Extraordinary income		
Gain on sale of investment securities	3,869	2,555
Gain on step acquisitions	1,297,060	-
Other	229	-
Total extraordinary income	1,301,158	2,555
Extraordinary losses		
Loss on retirement of non-current assets	707	1,268
Loss on sale of non-current assets	-	55
Total extraordinary losses	707	1,323
Profit before income taxes	3,506,251	3,271,712
Income taxes	505,133	1,016,329
Profit	3,001,118	2,255,382
Profit attributable to non-controlling interests	13,341	66,528
Profit attributable to owners of parent	2,987,776	2,188,854

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

(Thousands of yen)

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Profit	3,001,118	2,255,382
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,796)	1,732
Foreign currency translation adjustment	655,221	991,093
Remeasurements of defined benefit plans, net of tax	(55,049)	(51,409)
Share of other comprehensive income of entities accounted for using equity method	291,309	77,632
Total other comprehensive income	889,685	1,019,048
Comprehensive income	3,890,804	3,274,431
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,873,472	3,200,237
Comprehensive income attributable to non-controlling interests	17,332	74,194

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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.

Business Combinations

Finalization of provisional accounting treatment of business combination

In the previous fiscal year, a provisional accounting treatment was used for the acquisition of IWAKI Pumps Co., Ltd. and IWAKI Pumps (Shanghai) Co., Ltd. on September 30, 2022. This treatment was finalized in the second quarter of the current fiscal year.

Due to the finalization of the provisional accounting treatment, comparative information included in the first half consolidated financial statements reflects a significant revision of the initial acquisition cost allocation.

As a result, provisional goodwill of 2,365,446 thousand yen decreased 515,141 thousand yen to 1,850,305 thousand yen due to the finalized accounting treatment. This decrease in goodwill was due to increases of 687,421 thousand yen in other under intangible assets, 146,460 thousand yen in deferred tax liabilities and 25,818 thousand yen in non-controlling interests.

The result was decreases of 466,017 thousand yen in goodwill, 40,110 thousand yen in deferred tax assets and 140,689 thousand yen in retained earnings, and increases of 447,563 thousand yen in other under intangible assets, 56,559 thousand yen in deferred tax liabilities, 7,425 thousand yen in foreign currency translation adjustment and 18,140 thousand yen in non-controlling interests at the end of the previous fiscal year.

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.