

February 14, 2024

Summary of Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending March 31, 2024
(Nine Months Ended December 31, 2023)

[Japanese GAAP]

Company name: IWAKI CO.,LTD. Listing: Tokyo Stock Exchange
Stock code: 6237 URL: <https://www.iwakipumps.co.jp/>
Representative: Shigeru Fujinaka, President
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Scheduled date of filing of Quarterly Report: February 14, 2024
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter Ended December 31, 2023**(April 1, 2023 – December 31, 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	%
Nine months ended Dec. 31, 2023	33,683	24.2	4,525	139.5	5,124	48.8	3,618	(10.1)
Nine months ended Dec. 31, 2022	27,126	13.4	1,889	(2.9)	3,444	32.1	4,024	96.1

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2023: 5,045 (down 2.5%)

Nine months ended Dec. 31, 2022: 5,173 (up 120.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2023	164.23	-
Nine months ended Dec. 31, 2022	183.35	-

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of Dec. 31, 2023	50,367	32,789	64.7
As of Mar. 31, 2023	45,251	28,869	63.4

Reference: Owner's equity (million yen) As of Dec. 31, 2023: 32,568 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)				35.00	56.00

Note: Revisions to the most recently announced dividend forecasts: Yes

Regarding revisions to the dividend forecast, please see the press release dated today (February 14, 2024) concerning the revisions to the earnings forecast and dividend forecast (Japanese version only).

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	43,855	(0.7)	5,063	29.2	5,811	35.1	3,904	25.3	177.14

Note: Revisions to the most recently announced consolidated earnings forecasts: Yes

Regarding revisions to the earnings forecast, please see the press release dated today (February 14, 2024) concerning the revisions to the earnings forecast and dividend forecast (Japanese version only).

*** 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: | Yes |
| 3) Changes in accounting-based estimates: | None |
| 4) Restatements: | None |

Note: Please refer to page 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” for details.

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Dec. 31, 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 Dec. 31, 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

Nine months ended Dec. 31, 2023:	22,031,872 shares	Nine months ended Dec. 31, 2022:	21,949,193 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

The supplementary information materials for quarterly financial results are disclosed on the Company’s website today (February 14, 2024).

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first nine months of the current fiscal year, there was a slow recovery of the Japanese economy backed by upturns in consumer spending, capital expenditures, production and other activities. The economy is expected to continue to recover at a moderate pace. 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, concerns about the outlook for the Chinese economy 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.”

As a result of these activities, results of operations in all market categories were strong. In particular, sales in the medical equipment category were strong to customers in China, Japan and the United States, resulting in category sales growth of 64.0% from one year earlier to 6,183 million yen. This was a major source of growth of consolidated sales. In other priority growth markets, sales in the water treatment category increased 14.8% to 7,616 million yen, sales in the semiconductor/liquid crystal category increased 17.9% to 6,342 million yen, and sales in the new energy category increased 64.1% to 889 million yen.

Sales in Japan increased 8.6% to 15,558 million yen because of higher sales primarily in the medical equipment category. Overseas, sales in the United States rose 14.4% to 5,246 million yen as a result of the strong performance of the water treatment and medical equipment categories. In Europe, sales increased 25.1% to 4,188 million yen mainly because of higher sales in the chemicals category. In Taiwan, sales decreased 14.5% to 2,003 million yen mainly because of sluggish sales in the semiconductor/liquid crystal and surface treatment equipment categories. This decline also reflects shifts in some shipments to customers in the South Korea semiconductor/liquid crystal category. Sales in China increased 304.9% to 5,244 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.

Sales in the core magnetic drive pump and metering pump categories remained strong and sales of rotary displacement pumps, used mainly in medical equipment, were up 75.2% to 2,304 million yen.

As a result, consolidated net sales increased 24.2% to 33,683 million yen.

Operating profit increased 139.5% from one year earlier to 4,525 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 48.8% to 5,124 million yen. This smaller increase was 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, a decrease in foreign exchange gains and one-time non-operating income in the previous fiscal year because a U.S. subsidiary received a tax refund. Profit attributable to owners of parent decreased 10.1% to 3,618 million yen because earnings in the first nine months 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 third quarter of the current fiscal year were 37,357 million yen, up 5,170 million yen from the end of the previous fiscal year. This was mainly due to increases of 872 million yen in cash and deposits, 947 million yen in notes and accounts receivable-trade, and contract assets, 576 million yen in merchandise and finished goods and 2,661 million yen in work in process. Non-current assets were 13,009 million yen at the end of the third quarter, down 54 million yen from the end of the previous fiscal year. This was mainly because of a decrease of 41 million yen in investment securities.

As a result, total assets increased 5,115 million yen from the end of the previous fiscal year to 50,367 million yen.

Liabilities

Current liabilities at the end of the third quarter were 15,051 million yen, up 1,334 million yen from the end of the previous fiscal year. This was mainly due to increases of 971 million yen in electronically recorded obligations-operating and 540 million yen in income taxes payable. Non-current liabilities were 2,526 million yen at the end of the third quarter, down 138 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 155 million yen in long-term borrowings.

As a result, total liabilities increased 1,196 million yen from the end of the previous fiscal year to 17,578 million yen.

Net assets

Net assets at the end of the third quarter were 32,789 million yen, up 3,919 million yen from the end of the previous fiscal year. There were increases of 2,407 million yen in retained earnings and 1,382 million yen in foreign currency translation adjustment.

Consequently, the capital adequacy ratio was 64.7% (63.4% at the end of the previous fiscal year).

The provisional accounting treatment for a business combination has been finalized in the second quarter of the current fiscal year. Comparisons with the end of the previous fiscal year and analysis use figures that have been revised to reflect the changes due to the finalization of the provisional accounting treatment.

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

The forecast for the fiscal year ending on March 31, 2024 has been revised to reflect the results of operations in the first nine months. For more information, please see the press release dated today (February 14, 2024) concerning the revisions to the earnings forecast and dividend forecast (Japanese version only).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Third quarter of FY3/24 (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	8,927,985	9,800,150
Notes and accounts receivable-trade, and contract assets	7,010,044	7,957,157
Electronically recorded monetary claims-operating	4,497,381	4,963,334
Securities	-	150,858
Merchandise and finished goods	5,650,511	6,226,686
Work in process	141,397	2,802,664
Raw materials and supplies	5,228,772	4,475,083
Other	798,971	1,062,837
Allowance for doubtful accounts	(67,781)	(81,153)
Total current assets	32,187,283	37,357,620
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,144,787	8,344,716
Accumulated depreciation and impairment	(4,202,592)	(4,446,657)
Buildings and structures, net	3,942,195	3,898,058
Machinery, equipment and vehicles	3,496,770	3,722,868
Accumulated depreciation and impairment	(2,997,027)	(3,156,887)
Machinery, equipment and vehicles, net	499,743	565,981
Tools, furniture and fixtures	2,276,945	2,448,434
Accumulated depreciation and impairment	(1,902,462)	(2,017,814)
Tools, furniture and fixtures, net	374,483	430,620
Land	1,049,205	1,057,523
Leased assets	346,955	334,749
Accumulated depreciation	(199,803)	(185,019)
Leased assets, net	147,151	149,730
Construction in progress	42,148	94,830
Other	760,975	782,436
Accumulated depreciation	(379,543)	(437,724)
Other, net	381,432	344,711
Total property, plant and equipment	6,436,360	6,541,455
Intangible assets		
Goodwill	2,345,822	2,390,880
Trademark right	19,672	12,677
Other	1,084,045	800,353
Total intangible assets	3,449,539	3,203,911
Investments and other assets		
Investment securities	1,397,352	1,356,229
Deferred tax assets	615,044	643,573
Retirement benefit asset	789,245	801,610
Other	376,774	463,184
Total investments and other assets	3,178,417	3,264,598
Total non-current assets	13,064,318	13,009,965
Total assets	45,251,601	50,367,585

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Third quarter of FY3/24 (As of Dec. 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,687,101	3,925,060
Electronically recorded obligations-operating	4,307,453	5,278,822
Short-term borrowings	1,170,500	994,038
Current portion of long-term borrowings	155,000	155,000
Lease liabilities	116,468	115,543
Income taxes payable	331,446	872,441
Contract liabilities	652,603	580,711
Provision for bonuses	1,203,618	852,972
Provision for bonuses for directors (and other officers)	325,307	98,272
Provision for product warranties	100,995	95,645
Other	1,666,901	2,083,335
Total current liabilities	13,717,396	15,051,843
Non-current liabilities		
Long-term borrowings	1,167,500	1,012,500
Lease liabilities	118,987	122,652
Deferred tax liabilities	56,559	13,208
Retirement benefit liability	82,552	94,613
Asset retirement obligations	222,551	223,361
Other	1,016,606	1,060,035
Total non-current liabilities	2,664,758	2,526,372
Total liabilities	16,382,155	17,578,215
Net assets		
Shareholders' equity		
Share capital	1,044,691	1,044,691
Capital surplus	674,127	713,604
Retained earnings	25,531,082	27,938,662
Treasury shares	(519,765)	(411,088)
Total shareholders' equity	26,730,134	29,285,870
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	530	1,450
Foreign currency translation adjustment	1,157,911	2,540,642
Remeasurements of defined benefit plans	817,833	740,719
Total accumulated other comprehensive income	1,976,275	3,282,812
Non-controlling interests	163,036	220,687
Total net assets	28,869,446	32,789,370
Total liabilities and net assets	45,251,601	50,367,585

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)	First nine months of FY3/24 (Apr. 1, 2023 – Dec. 31, 2023)
Net sales	27,126,489	33,683,707
Cost of sales	17,947,004	19,804,786
Gross profit	9,179,484	13,878,920
Selling, general and administrative expenses	7,290,005	9,353,628
Operating profit	1,889,479	4,525,292
Non-operating income		
Interest income	1,538	33,755
Dividend income	16,903	19,053
Share of profit of entities accounted for using equity method	951,807	498,840
Foreign exchange gains	235,614	35,298
Income from refund	325,638	-
Other	57,029	109,673
Total non-operating income	1,588,532	696,621
Non-operating expenses		
Interest expenses	23,532	60,718
Commission expenses	5,973	18,128
Loss on amortization of restricted stock remuneration	406	-
Expenses related to deferred compensation plan	-	14,832
Other	3,837	3,577
Total non-operating expenses	33,750	97,256
Ordinary profit	3,444,261	5,124,657
Extraordinary income		
Gain on sale of investment securities	5,621	3,796
Gain on step acquisitions	1,227,206	-
Other	231	910
Total extraordinary income	1,233,058	4,706
Extraordinary losses		
Loss on retirement of non-current assets	1,092	3,371
Loss on sale of non-current assets	-	55
Total extraordinary losses	1,092	3,427
Profit before income taxes	4,676,226	5,125,937
Income taxes	627,557	1,397,280
Profit	4,048,669	3,728,656
Profit attributable to non-controlling interests	24,239	110,361
Profit attributable to owners of parent	4,024,429	3,618,295

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

	(Thousands of yen)	
	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)	First nine months of FY3/24 (Apr. 1, 2023 – Dec. 31, 2023)
Profit	4,048,669	3,728,656
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,454)	557
Foreign currency translation adjustment	1,165,016	1,308,288
Remeasurements of defined benefit plans, net of tax	(82,573)	(77,114)
Share of other comprehensive income of entities accounted for using equity method	44,347	84,876
Total other comprehensive income	1,124,335	1,316,607
Comprehensive income	5,173,004	5,045,264
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	5,143,642	4,924,833
Comprehensive income attributable to non-controlling interests	29,361	120,431

(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.

Changes in Accounting Policies

Changes in valuation of inventories

In prior years, Iwaki used primarily the moving-average cost method to determine the valuations of inventories of products manufactured by Iwaki, products purchased from other companies and raw materials. Valuations on the balance sheet are written down to reflect declines in profitability. Beginning with the third quarter of the current fiscal year, the method used to determine the valuations of products purchased from other companies and raw materials was changed to primarily the monthly-average cost method with balance sheet valuations written down to reflect declines in profitability. The method used to determine the valuations of products manufactured by Iwaki was changed to primarily the first-in first-out cost method with balance sheet valuations written down to reflect declines in profitability.

Iwaki used the start of a new IT system for business operations on October 1, 2023, as an opportunity to begin using these new inventory valuation methods. The purpose is to increase the accuracy of cost management.

The retrospective application of the new valuation methods in previous fiscal years is impossible and the cumulative monetary effect of the retrospective application cannot be calculated. Consequently, calculations were made by assuming that book values of inventories at the end of the previous fiscal year are also the values at the beginning of the current fiscal year.

The effect of these changes on the quarterly consolidated financial statements for the first nine months of the current fiscal year is insignificant.

Additional Information

Reclassifications

Notes to Quarterly Consolidated Balance Sheet

In conjunction with the activation of the new IT system for business operations, inventory categories have been revised to permit managing inventories with greater accuracy. As a result, some items that were included mainly in "raw materials and supplies" in the previous fiscal year are included in "work in process" in the quarterly consolidated balance sheet for the third quarter of the current fiscal year.

In accordance with the principle-based treatment for reclassifications, no reclassifications have been made to the consolidated financial statements for the previous fiscal year to reflect these changes in the presentation of inventory items because it is impossible to determine precise information involving prior years in accordance with the revised inventory categories.

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 consolidated financial statements for the first nine months 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.