

IWAKI (8095)

Fiscal Year (Consolidated) (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY11/2015		55,422	559	694	(143)	(4.3)	6.0	514.2
FY11/2016		55,121	977	1,071	8	0.3	6.0	506.2
FY11/2017CoE		57,000	1,500	1,650	900	27.5	6.0	-
FY11/2016	YoY	(0.5%)	74.6%	54.3%	-	-	-	-
FY11/2017CoE	YoY	3.4%	53.5%	54.0%	-	-	-	-
Q1 to Q3 (Consolidated) (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY11/2015		41,474	544	657	(78)	-	-	-
Q1 to Q3 FY11/2016		40,706	639	675	287	-	-	-
Q1 to Q3 FY11/2017		42,218	1,185	1,322	846	-	-	-
Q1 to Q3 FY11/2017	YoY	3.7%	85.5%	95.7%	194.8%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (1 December 2017)

On the Semiconductor Side

IWAKI, involved with manufacturing and selling of pharmaceutical raw materials and pharmaceuticals as the key earnings pillar, is seeing V-shaped recovery of earnings beyond assumptions of its long-term vision. The Company is seeing buoyant earnings in Pharmaceuticals & FC to manufacture and sell pharmaceutical raw materials and pharmaceuticals as well as in Chemical Products at the same time. In particular, turnaround of earnings in Chemical Products drives increasing earnings as a whole for the Company. Since around 2015, this business segment has been suffering from loss due to halved sales as a result of suspension of a major partnership agreement, but most recently starting to make money. As far as we could gather, the Company is starting to benefit from operations associated with UBM (Under Bump Metal) process, carrying high gross profit margin, adopted in the manufacture of power semiconductors, etc. On top of this, the Company has been keen on investing in Fan-Out WLP/PLP (Wafer Level Package / Panel Level Package), which is expected to materialize densification of next-generation Smartphones by means of extremely miniaturizing or thinning semiconductor packages. Meanwhile, the Company's long-term vision of "i-111" is calling for prospective sales of ¥100,000m or more and ROIC of 10% or more in FY11/2025 when it celebrates the 111th anniversary. When based on ¥55,121m in FY11/2016 results, sales are to see CAGR of 6.8% or more toward FY11/2025, while ROIC, the KPI for the Company, is to see improvement up to 10% or more from 3.2% during the same period.

In Q1 to Q3 FY11/2017, sales came in at ¥42,218m (up 3.7% YoY), operating profit ¥1,185m (up 85.5%) and operating profit margin 2.8% (up 1.2% points). Pharmaceuticals & FC saw sales of ¥16,007m (up 1.7%), operating profit of ¥1,160m (up 20.8%) and operating profit margin of 7.2% (up 1.1% points), while sales of ¥4,441m (up 13.9%), operating profit of ¥11m (versus operating loss of ¥379m during the same period in the previous year) and operating profit margin of 0.3% (up 10.0% points) in Chemical Products. That is to say, the bulk of earnings as a whole for the Company came from Pharmaceuticals & FC, while net increases of earnings were mainly driven by Chemical Products. The Company saw net increases of operating profit by ¥546m, of which the former accounted for ¥200m and the latter ¥390m. In regards to Pharmaceuticals & FC, sales of the mainstay skin liniment increased sharply and productivity improvement measures made progress. Meanwhile, Chemical Products did benefit from booking of impairment loss of ¥442m in Q4 FY11/2016, but it appears that the impacts from UBM (Under Bump Metal) process, etc. were even more significant.


FY11/2017 Company forecasts (revised on 29 July 2017) have remained unchanged, going for prospective sales of ¥57,000m (up 3.4% YoY), operating profit of ¥1,500m (up 53.5%) and operating profit margin of 2.6% (up 0.9% points). Sales have been downgraded by ¥1,000m (1.7%), when compared with initial Company forecasts, but operating profit having been upgraded by ¥140m (10.3%). Based on a simple calculation, the Q1 to Q3 results suggest progress rate of 74.1% in sales and 79.0% in operating profit and thus earnings are rather running ahead. Meanwhile, as was disclosed at the release of above- mentioned revision, the Company suffered from damages compensation of ¥404m as extraordinary loss in Q3. The Company was sued for patent infringement associated with raw materials for skin liniment, having resulted in payments of said damages compensation. More importantly, however, the Company mentions that the use of said raw materials had been suspended for some time, generating no further expenses going forward. On top of this, it is also mentioned that the measures to prevent reoccurrences have already been adopted in IWAKI SEIYAKU Co., Ltd., i.e., the Company's subsidiary that used to manufacture and sell skin liniment out of said raw materials.

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2.0 Company Profile

Manufacturing and Selling Pharmaceutical Raw Materials and Pharmaceuticals

Company Name	IWAKI & CO., LTD. Company Website IR Information Share Price	 IWAKI & CO., LTD.
Established	20 September 1941 (originally inaugurated in July 1914)	
Listing	4 January 2005: Tokyo Stock Exchange 1st Section (Ticker: 8095) 2 July 1963: Tokyo Stock Exchange 2nd Section	
Capital	¥2,604m (As of the end of August 2017)	
No. of Shares	34,357,380 shares, including 2,183,588 treasury shares (As of the end of Aug. 2017)	
Main Features	<ul style="list-style-type: none"> ● Heavily involved with generic pharmaceutical raw materials and generic pharmaceuticals ● Expertise on the manufacture of liniment for skin diseases ● Pursuing ROIC in each BU (Business Unit) 	
Businesses	<ul style="list-style-type: none"> . Pharmaceuticals & FC (Fine Chemicals) . HBC (Health & Beauty Care) . Chemical Products . Foods 	
Top Management	President & CEO: Keitaro Iwaki	
Shareholders	Keiai Inc. 10.9%, Japan Trustee (Trust Account) 6.2%, Healthcare Capital Corporation 6.1% (As of the end of May 2017)	
Headquarters	Chuo-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 955, Unconsolidated: 273 (As of the end of May 2017)	

Source: Company Data

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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