

Iwatani

FY2022 1st Half Financial Results **(Results for the Six Months Ended September 30, 2022)**

November 16, 2022

Iwatani Corporation

[Securities code 8088]

(Forward-Looking Statements)

This material contains forward-looking statements based on expectations and are not guarantees or assurances of future performance. Accordingly, please be fully aware that results may differ materially from those expectations.

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※Iwatani’s Integrated Report

FY 2022 1st Half Overview

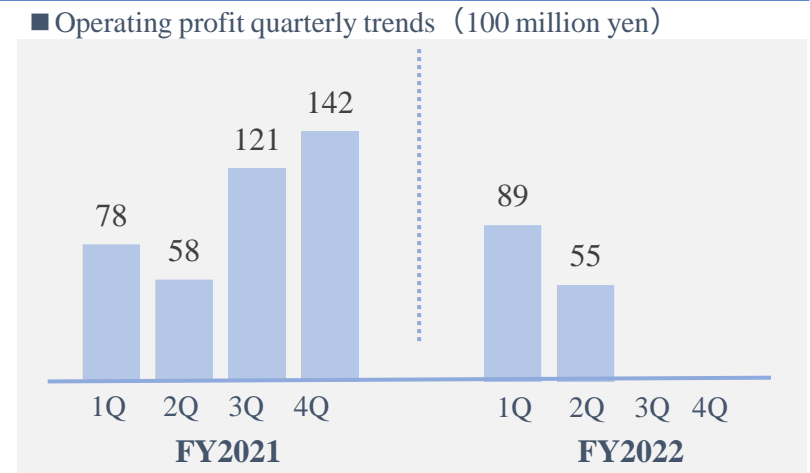
Highlights

- ▶ **Both sales and profits increased from the previous year, achieving record high net sales and all profit items.**

Summary of Financial Results for the 1st Half of FY 2022

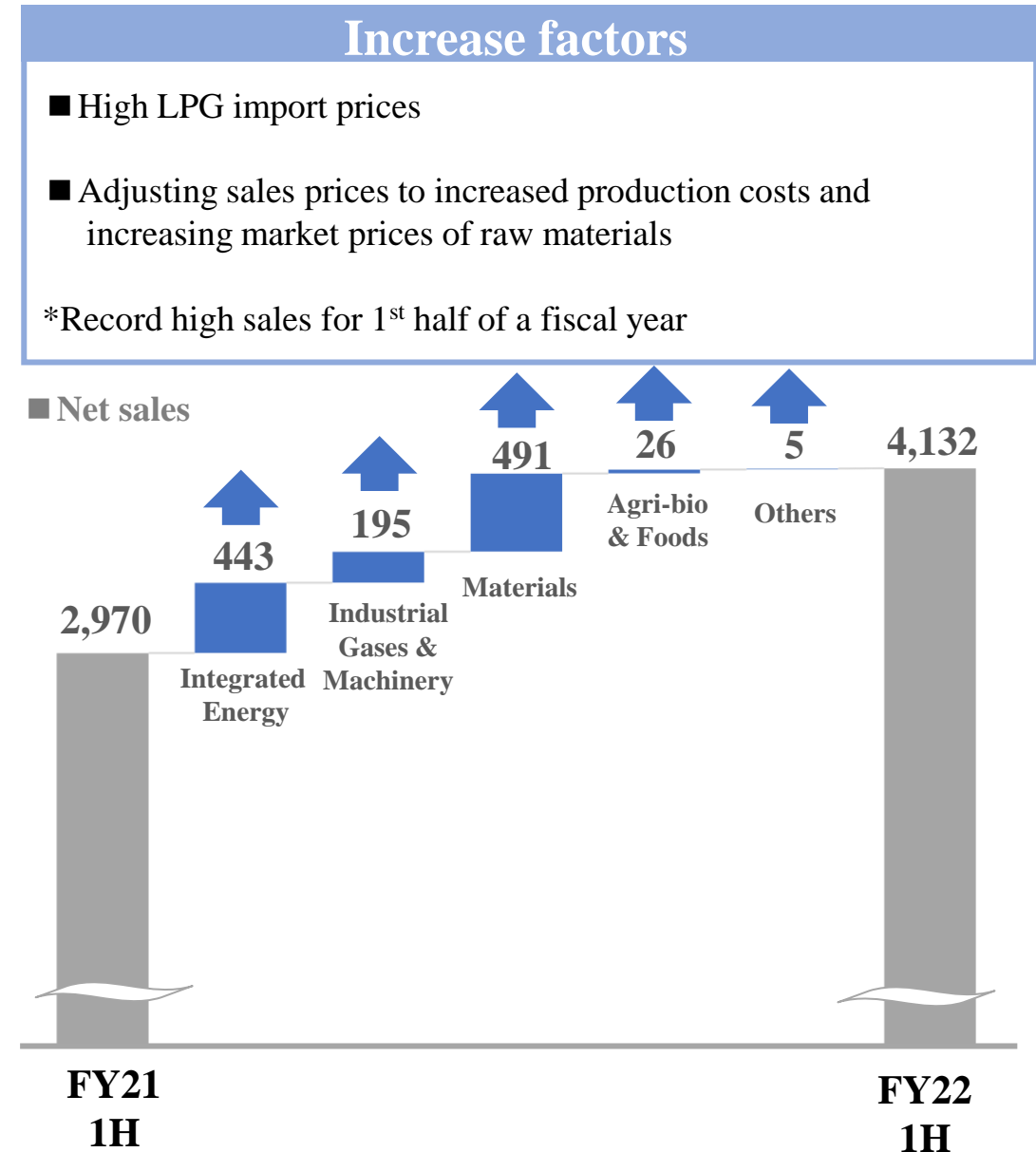
- Net sales increased in all segments due to high LPG import prices and steady progress in adjusting sales prices to various market increases.
- Profit increased due to strong sales of mainstay products, despite the negative impact of LPG import price fluctuation compared to the previous year.
- Acquired shares of Tokico System Solutions, Ltd. and Tokyo Gas Energy Co., Ltd., and issued 20 billion yen in bonds payable for the funding.
- Upward revision of full-year financial forecasts. (Announced on 11/9)

Net sales	413.2 billion yen	YoY +116.2 billion yen (+39.1%)
Operating profit	14.4 billion yen	YoY +0.8 billion yen (+6.0%)
Ordinary profit	18.4 billion yen	YoY +1.9 billion yen (+11.6%)
Profit attributable to owners of parent	12.3 billion yen	YoY +2.0 billion yen (+19.5%)



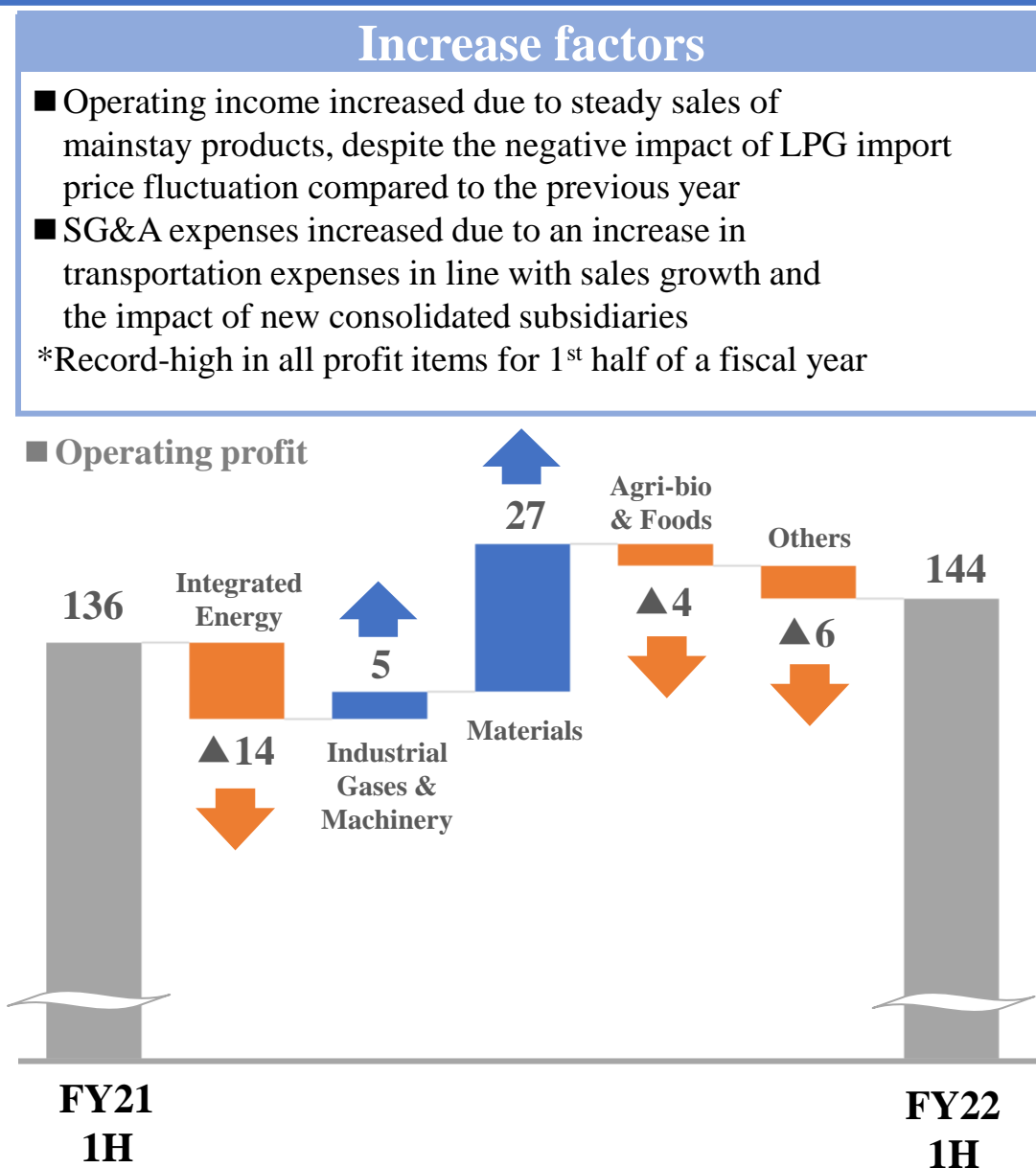
Consolidated Operating Results (Analysis of Net Sales)

	FY22 1H Results (A)	FY21 1H Results (B)	YoY (A)-(B) ((A)/(B))
Net sales	4,132	2,970	+1,162 (39.1%)
Gross profit	981	870	+110 (12.7%)
Operating profit	144	136	+8 (6.0%)
Non-operating profit	39	28	+11 (38.5%)
Ordinary profit	184	165	+19 (11.6%)
Ordinary profit except for impact of LPG import price fluctuation	179	143	+35 (25.1%)
Profit attributable to owners of parent	123	102	+20 (19.5%)



Consolidated Operating Results (Analysis of Operating Profit) **Iwatani** (100 million yen)

	FY22 1H Results (A)	FY21 1H Results (B)	YoY (A)-(B) ((A)/(B))
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Consolidated Operating Results (Segment analysis)

Iwatani
(100 million yen)

	FY22 1H Results (A)	FY21 1H Results (B)	YoY (A)-(B)	YoY (A)/(B)
Net Sales	4,132	2,970	+1,162	+39.1%
■ Integrated Energy	1,689	1,245	+443	+35.6%
■ Industrial Gases & Machinery	1,079	883	+195	+22.2%
■ Materials	1,190	699	+491	+70.2%
■ Agri-bio & Foods	143	117	+26	+22.7%
■ Others	29	24	+5	+22.7%
Operating Profit	144	136	+8	+6.0%
■ Integrated Energy	39	54	(14)	(27.4%)
■ Industrial Gases & Machinery	65	60	+5	+8.8%
■ Materials	57	29	+27	+95.3%
■ Agri-bio & Foods	1	5	(4)	(71.5%)
■ Others, Adjustments	(19)	(13)	(6)	-
Ordinary Profit	184	165	+19	+11.6%
Ordinary profit except for impact of LPG import price fluctuation	179	143	+35	+25.1%
Profit attributable to owners of parent	123	102	+20	+19.5%

Impact of LPG Import Price Fluctuations

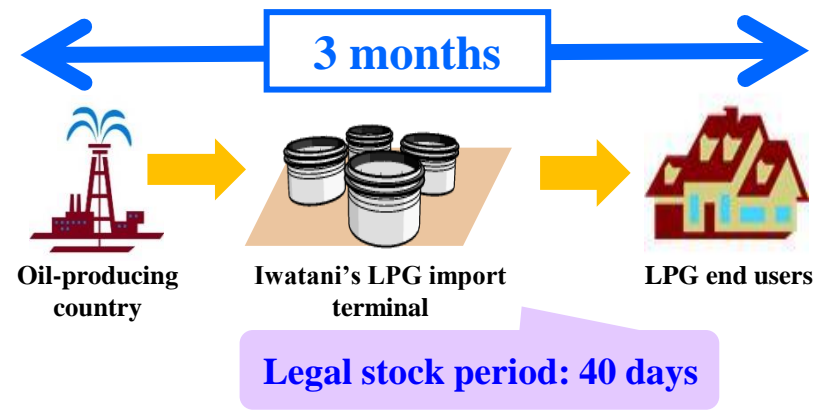
Premise

① Wholesale price is based on LPG Import Price

② From LPG import to sale takes 3 months

LPG Import Price* **Linked** Wholesale Price

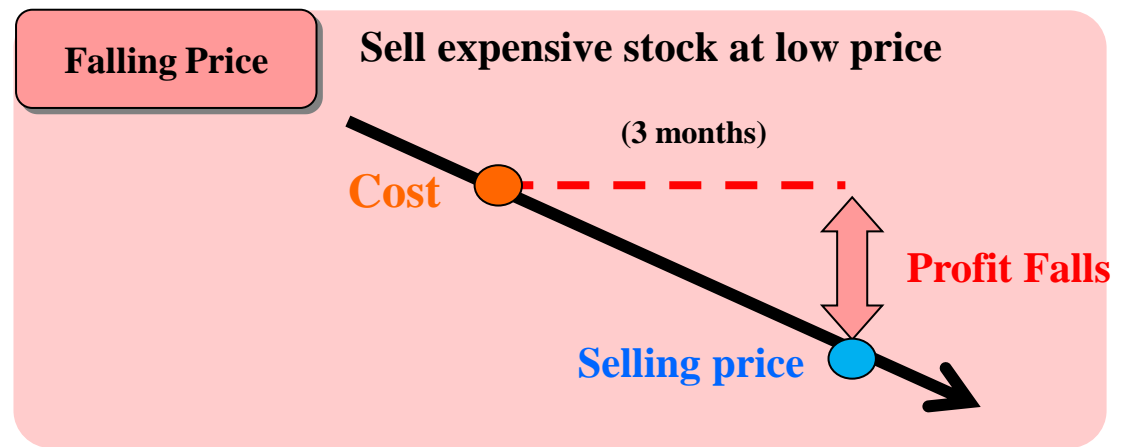
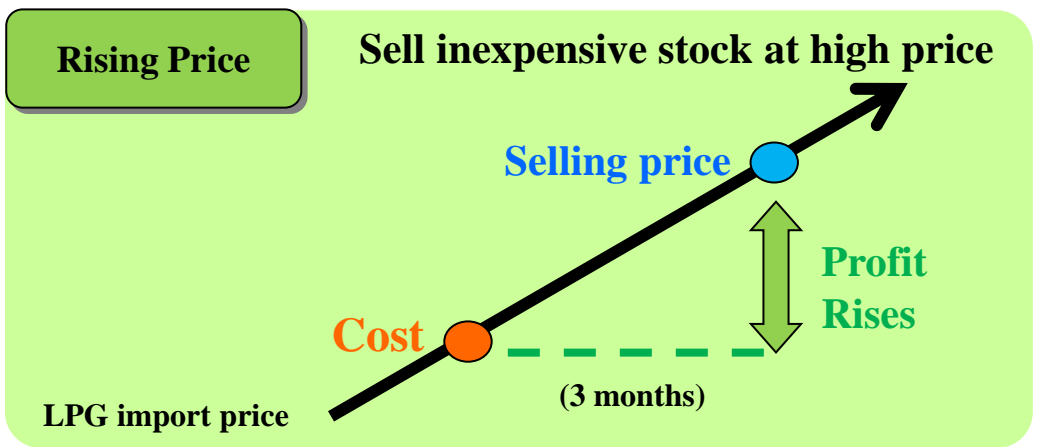
* The price consists of "CP" (from the middle east) and "MB" (from the U.S).



LPG Import Price Fluctuations

Short-term impact of market fluctuations

(If LPG import price fluctuations return to the original level, the impact is ± 0 in the long run.)*



*The actual impact on performance varies depending on inventory volume, sales timing (season), sales volume and other factors.

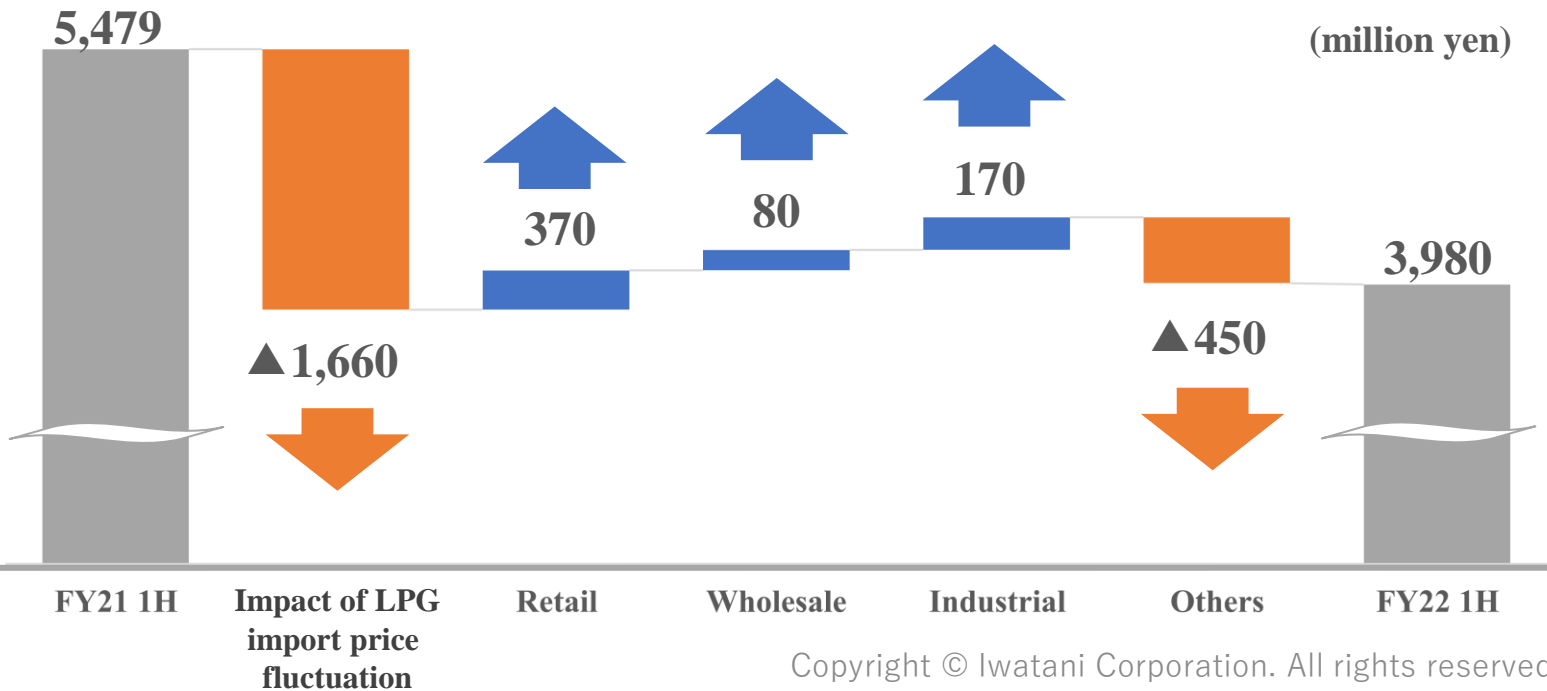
Operating Profit Analysis of Integrated Energy

Results

(100 million yen)

	FY22 1H Results (A)	FY21 1H Results (B)	YoY (A)-(B)	YoY (A)/(B)
Net Sales	1,689	1,245	+443	+35.6%
Operating Profit	39	54	(14)	(27.4%)
Operating profit except for impact of LPG import price fluctuation	34	32	+1	+5.2%

Analysis of Changes in Operating Profit



Main factors

■ Impact of LPG import price fluctuation ▲1,660

(100 million yen)	1Q	2Q	1H	3Q	4Q	Full year
FY22	+20.4	▲15.0	+5.3	-	-	-
FY21	+11.0	+11.0	+22.0	+49.1	+8.5	+79.7
Changes	+9.3	▲26.0	▲16.6	-	-	-

■ Retail +370

- Recovery in demand for commercial use
- Shifting of import price increases to sales prices

■ Wholesale +80

- Sales increased due to recovery in demand

■ Industrial +170

- Increase in LPG sales for calorific adjustment for city gas

■ Others ▲450

- Increase in sales of portable gas cooking stoves and cassette gas canisters
- Reactionary decline in large equipment projects

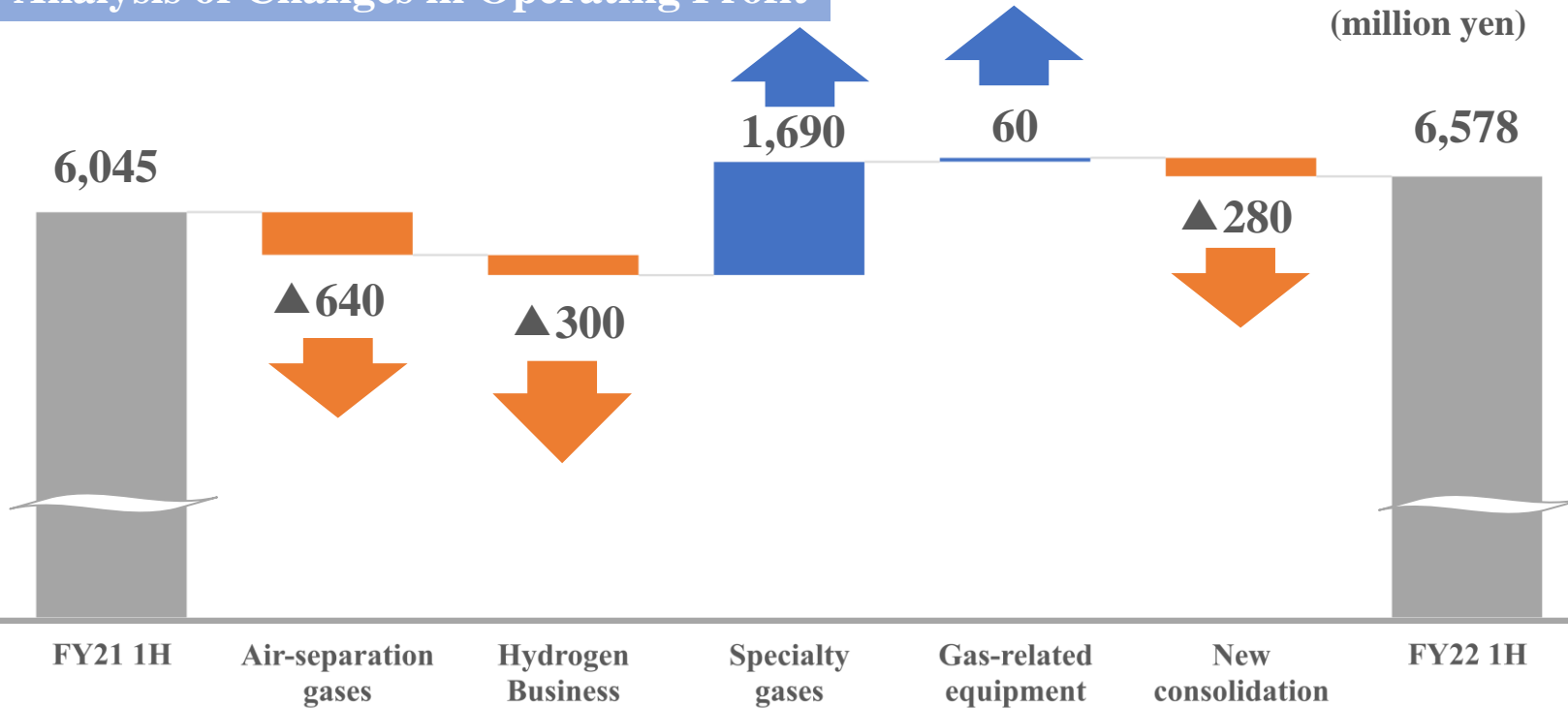
Number of direct sales customers for 1H FY22
-> 1.1 million households

Operating Profit Analysis of Industrial Gases & Machinery Iwatani

Results

	(100 million yen)			
	FY22 1H Results (A)	FY21 1H Results (B)	YoY (A)-(B)	YoY (A)/(B)
Net Sales	1,079	883	+195	+22.2%
Operating Profit	65	60	+5	+8.8%

Analysis of Changes in Operating Profit



Main factors

- Air-separation gases ▲640**
 -Decrease in sales mainly to the automobile industry
 -Increase in production costs due to higher electricity rates
 - Hydrogen Business ▲300**
 -Increase in sales volume of liquid hydrogen
 -Increase in production costs due to higher electricity rates
 -Increase in operating costs as increase of HRS*
 - Specialty gases +1,690**
 -Stable procurement and supply of helium
 -Increase in sales volume of semiconductor gas under soaring market conditions
 - Gas-related equipment +60**
 -Sales of semiconductor-related equipment remained steady.
 - New consolidation ▲280**
 -Temporary expenses of new consolidation
- Impact on production costs from increases in electricity rate and LNG market prices**
 -> +1,400 million yen (YoY)

*HRS stands for Hydrogen Refueling Station.

Operating Profit Analysis of Materials

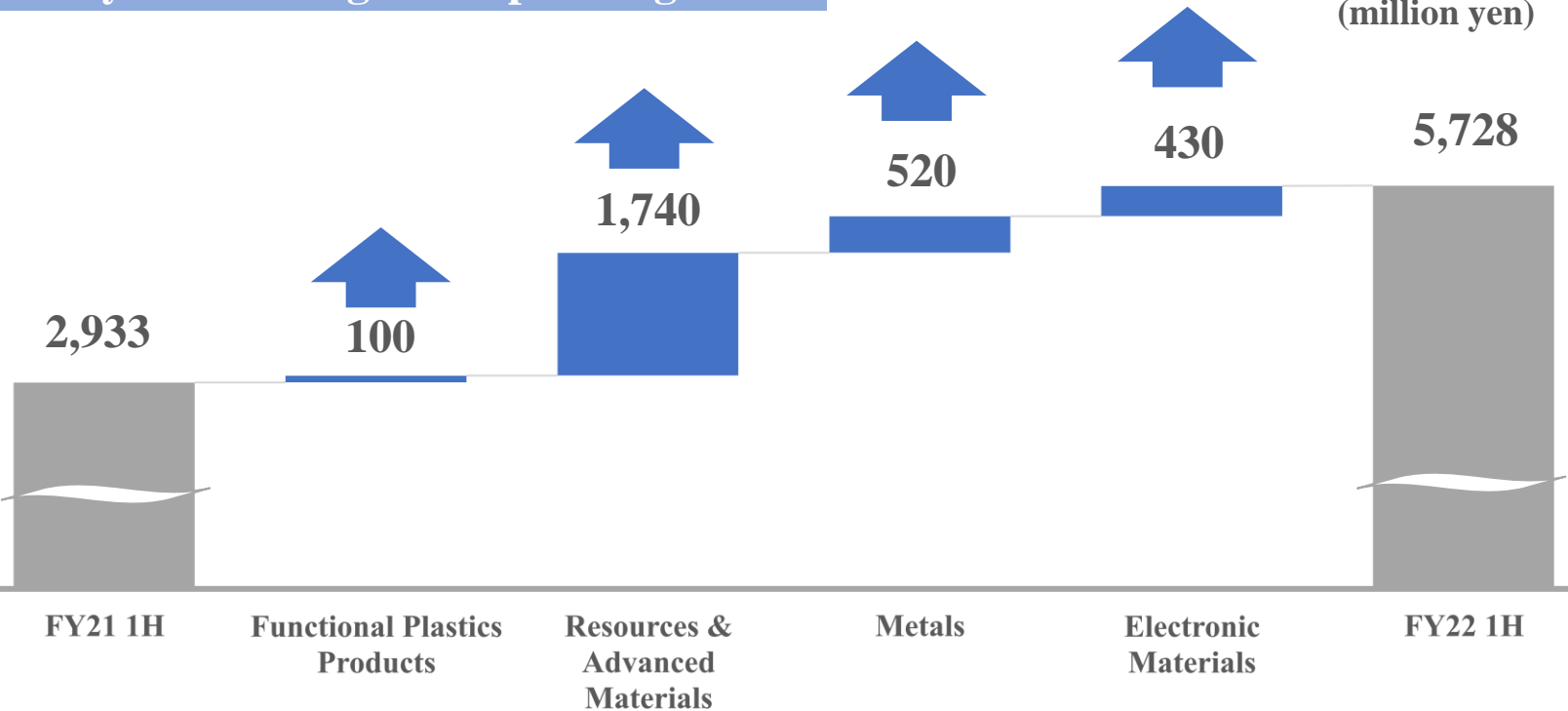
Results

(100 million yen)

	FY22 1H Results (A)	FY21 1H Results (B)	YoY (A)-(B)	YoY (A)/(B)
Net Sales	1,190	699	+491	+70.2%
Operating Profit	57	29	+27	+95.3%

Analysis of Changes in Operating Profit

(million yen)



Main factors

- Functional Plastics Products +100**
 -Increase in sales of eco-friendly PET resin
- Resources & Advanced Materials +1,740**
 -Securing a stable supply of mineral sands under soaring market conditions
- Metals +520**
 -Increase in sales of stainless steel to new customers
- Electronic Materials +430**
 -Increase in sales of battery-related materials for next-generation vehicles

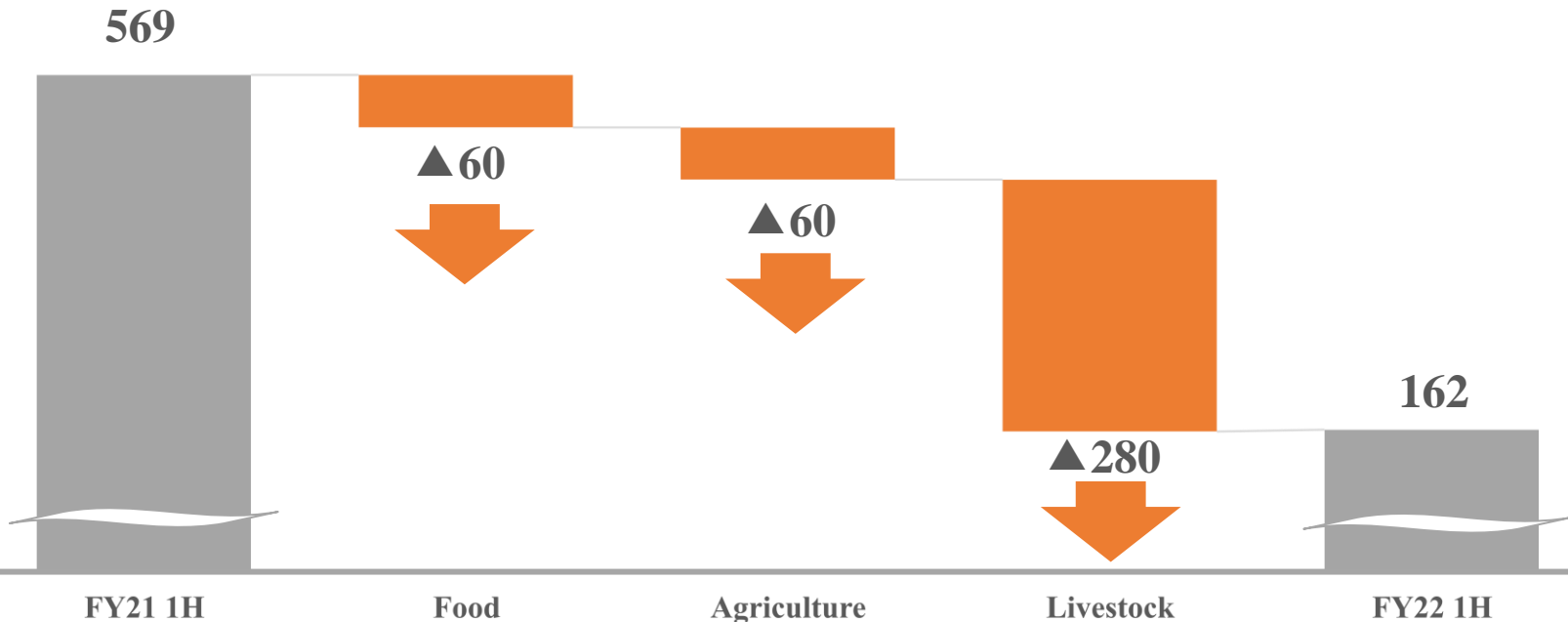
Operating Profit Analysis of Agri-bio & Foods

Results

	(100 million yen)			
	FY22 1H Results (A)	FY21 1H Results (B)	YoY (A)-(B)	YoY (A)/(B)
Net Sales	143	117	+26	+22.7%
Operating Profit	1	5	(4)	(71.5%)

Analysis of Changes in Operating Profit

(million yen)



Main factors

■ Food ▲60

- Increase in sales of frozen foods for commercial use and general consumers
- Decline in profitability due to higher procurement and logistics costs

■ Agriculture ▲60

- Decrease in agricultural equipment projects

■ Livestock ▲280

- Decrease in sales of pig breeds
- Decline in profitability due to increase in feed prices

Balance Sheets (Consolidated Basis)

- Total assets increased due to increases in inventories and trade receivables, as well as goodwill and other factors arising from acquisitions
- Interest-bearing debt increased due to the issuance of 20 billion bond payable for acquisition funds and the increase in working capital due to rising market conditions

(100 million yen)

	FY22 1H (A)	FY21 (B)	Change from previous fiscal year-end (A) - (B)	Major factors for changes
Current assets	3,043	2,594	+449	Increase in inventories and trade receivables
Property, plant and equipment	2,009	1,857	+151	Effect of new consolidation, investment in hydrogen re-fueling stations and LPG centers
Intangible assets	326	161	+164	Effect of new consolidation(goodwill)
Investments and other assets	1,000	970	+29	
Fixed assets	3,336	2,990	+346	
Total assets	6,380	5,584	+795	
Current liabilities	2,150	1,863	+287	Increase in short-term borrowings
Non-Current liabilities	1,292	918	+373	Increase in long-term borrowings
Total liabilities	3,443	2,781	+661	Interest-bearing debt, (gross) 1,644 Ratio of interest-bearing debt to total assets 25.8%
Equity capital	2,829	2,701	+128	Capital ratio 44.3%
Non-controlling interests	107	101	+5	
Net Assets	2,936	2,803	+133	
Total liabilities and net assets	6,380	5,584	+795	

Statement of Cash Flows

Operating cash flow was an outflow of 0.5 billion yen. Investing cash flow was an outflow of 35 billion yen due to aggressive investments. As a result, free cash flow was an outflow of 35.5 billion yen.

(100 million yen)

	FY22 1H (A)	FY21 1H(B)	YoY (A) - (B)
Cash flows from operating activities	(5)	24	(29)
Cash flows from investing activities	(350)	(157)	(192)
Free cash flows	(355)	(133)	(221)
Cash flows from financing activities	366	10	+355
Effect of exchange rate changes, etc. ^{※1}	24	9	+15
Net increase (decrease) ^{※2} in cash and cash equivalents	35	(113)	+149
Cash and cash equivalents at beginning of period	295	384	(88)
Cash and cash equivalents at end of period	330	270	+60

※1 "Effect of exchange rate changes, etc." are the sum of "Effect of exchange rate changes", "Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation", and "Increase in cash and cash equivalents resulting from merger with nonconsolidated subsidiaries".

※2 The difference between "Cash and cash equivalents at beginning of period" and "Cash and cash equivalents at end of period" is shown

FY 2022 Forecasts

Forecasts for the year ending March 31, 2023

Iwatani
(100 million yen)

	FY22 revised forecasts*	FY22 original forecasts	YoY (A)-(B)	YoY (A)/(B)
Net Sales	8,400	8,030	+370	+4.6%
■ Integrated Energy	3,478	3,592	(114)	(3.2%)
■ Industrial Gases & Machinery	2,282	2,282	±0	0%
■ Materials	2,290	1,806	+484	+26.8%
■ Agri-bio & Foods	307	307	±0	0%
■ Others	43	43	±0	0%
Operating Profit	400	350	+50	+14.3%
■ Integrated Energy	167	156	+11	+7.1%
■ Industrial Gases & Machinery	141	134	+7	+5.2%
■ Materials	114	82	+32	+39.0%
■ Agri-bio & Foods	11	11	±0	0%
■ Others, Adjustments	(33)	(33)	±0	-
Ordinary Profit	465	410	+55	+13.4%
Ordinary profit except for impact of LPG import price fluctuation	459	410	+49	+12.1%
Profit attributable to owners of parent	300	265	+35	+13.2%

Estimated exchange rate

Change from original forecasts: Yes

(FY22 1H results)

Exchange rate 128.8 JPY/USD

LPG import price 783\$/t

*Average of March-September 2022

(Assumption for FY22 2H)

Exchange rate

120 JPY/USD → **140 JPY/USD**

LPG import price

750 \$/ton → **630 \$/ton**

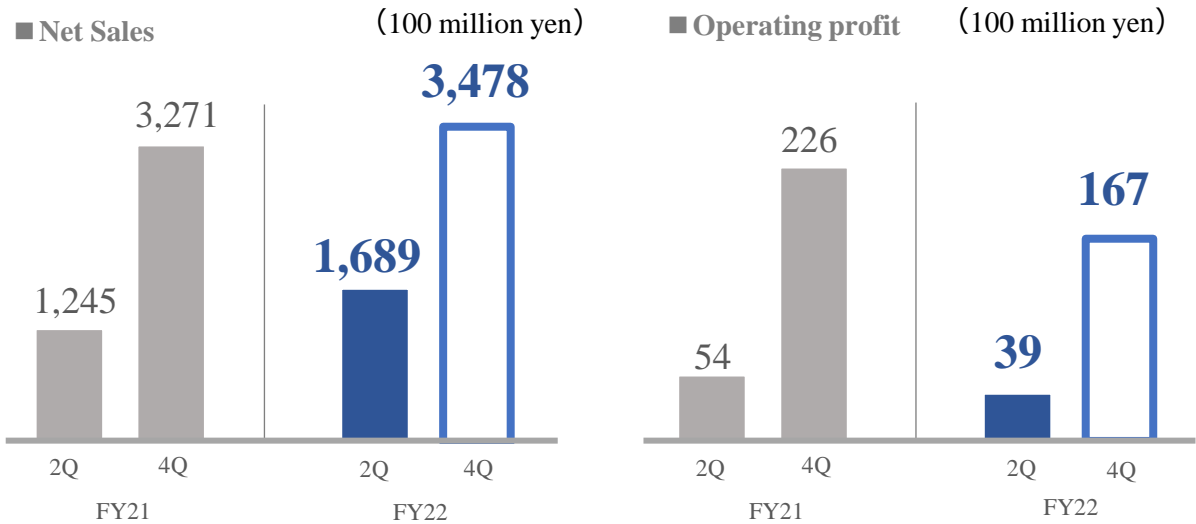
Dividend forecast

FY22 85 yen per share

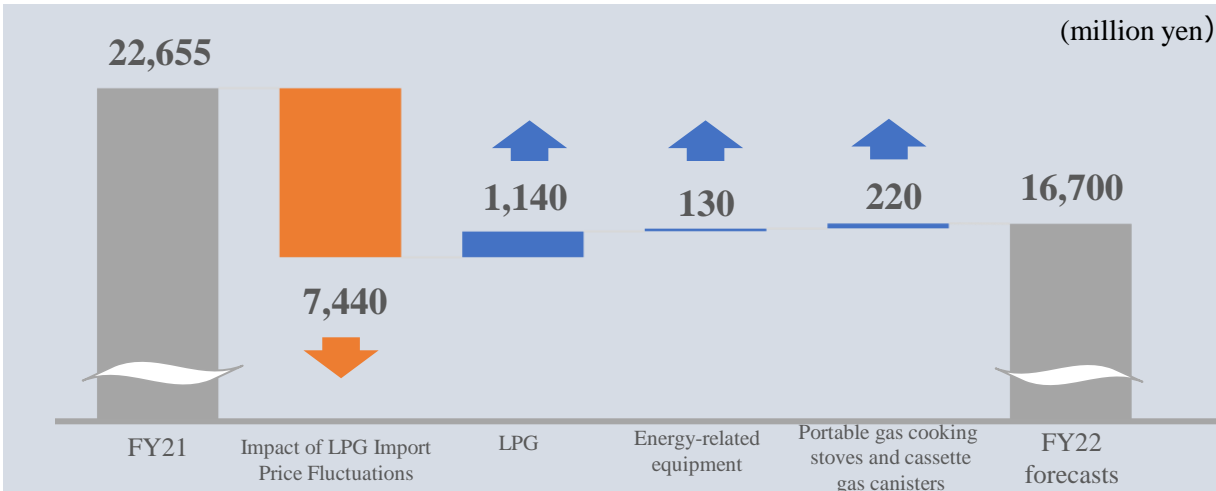
*Announced on Nov.9th 2022

FY2022 Forecasts of Integrated Energy

Progress of net sales and operating profit



Forecasts increase/decrease in operating profit



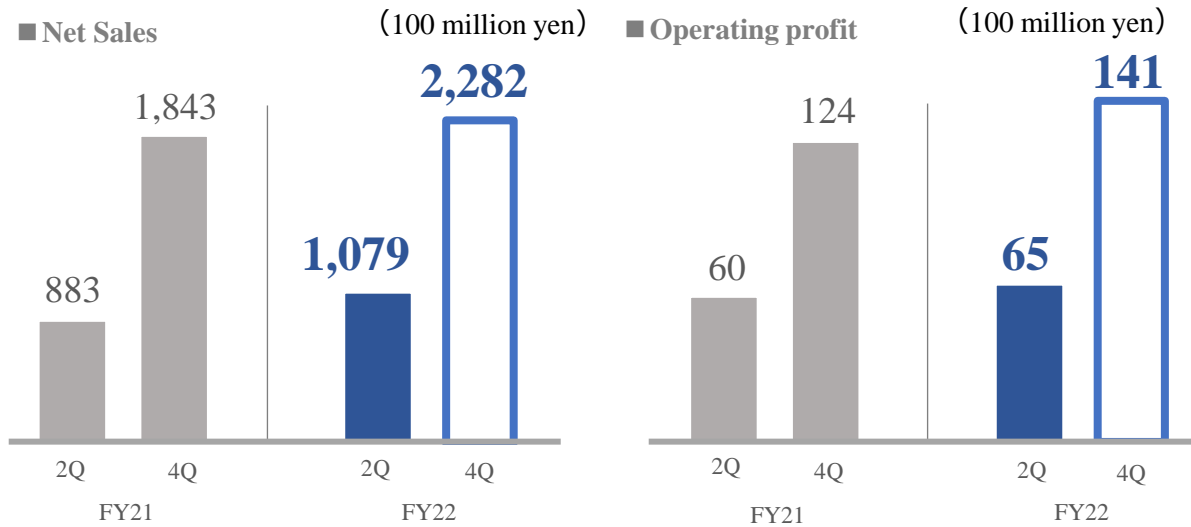
Measures toward achievement of FY2022 forecasts

- **Impact of LPG Import Price Fluctuations**
 - ▶ 1H results: +0.53 billion yen, 2H forecast: ±0 billion yen.
The estimated full-year impact is -7.4 billion yen year-on-year.
- **Expanding LPG sales**
 - ▶ Expanding LPG direct sales customers through M&A by utilizing nationwide network.
 - ▶ Promoting fuel conversion to LPG, and enhancing LPG sales of calorific adjustment for city gas.
- **Expanding sales of energy-related equipment**
 - ▶ Delayed delivery of mainstay products due to shortage of semiconductors, etc. is being resolved.
- **Expanding cartridge gas business**
 - ▶ Improving profitability by price passing of high raw material prices in China.
 - ▶ Enhancing sales expansion in Southeast Asia and the U.S.

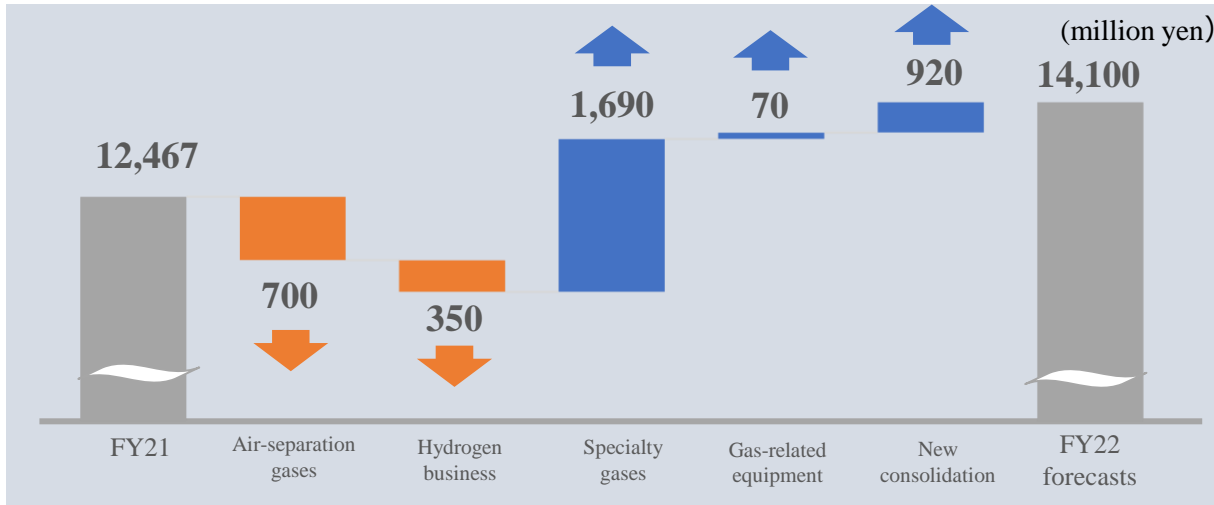
Main factors causing changes in business performance

- **Trends in LPG import price, exchange rate fluctuations**
- **Effect of consumer sales volume due to temperature changes**

Progress of net sales and operating profit



Forecasts increase/decrease in operating profit



Measures toward achievement of FY2022 forecasts

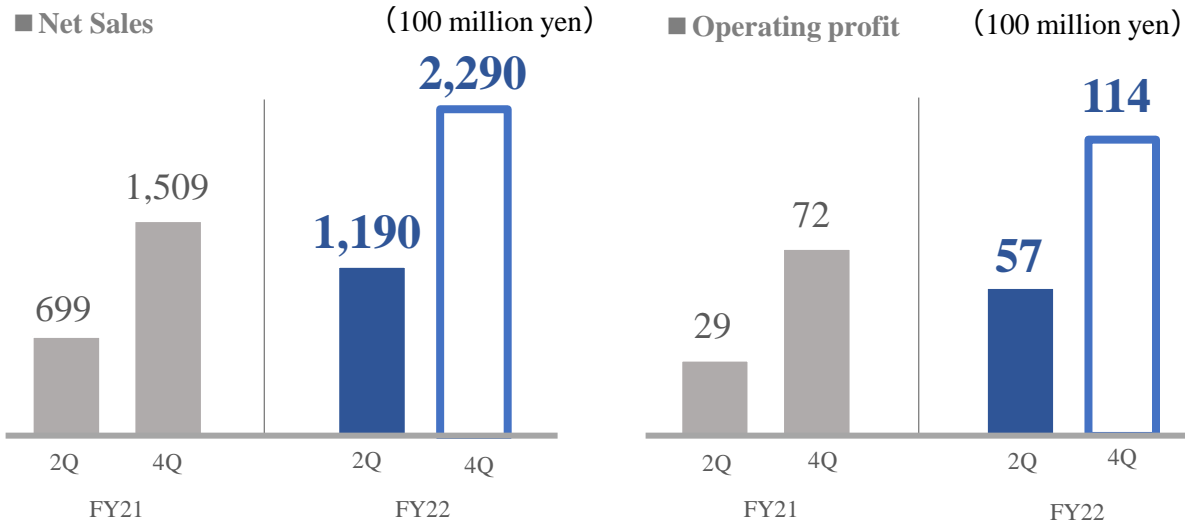
- **Reasonable sales price adjustment and expanding sales of air-separation gas**
 - ▶ Increased production costs due to higher electricity rates are expected to continue in the second half of the year.
 - ▶ Enhancing sales along with higher plant operation rate by users due to the improvement of semiconductor shortage.
- **Reasonable sales price adjustment and creating new demand of LH2**
 - ▶ Increased production costs due to soaring electricity and LNG prices are expected to continue in the second half of the year.
 - ▶ Actively developing new demand for industrial as well as demonstration use.
- **Expanding specialty gases business**
 - ▶ Focus on stable supply of helium in the continuous tight supply-demand situation.
 - ▶ Enhancing sales of carbon dioxide gas, semiconductor gas, etc.
- **Expanding sales of machinery and equipment**
 - ▶ An uncertain environment affected by production cuts in the automotive industry.
 - ▶ Enhancing sales in growing fields such as semiconductor related industries.

Main factors causing changes in business performance

- **Impact on production costs from increase in electricity rate and LNG price (Estimated impact: 3.2 billion yen year-on year)**
- **Production trends in the manufacturing sector**

FY2022 Forecasts of Materials

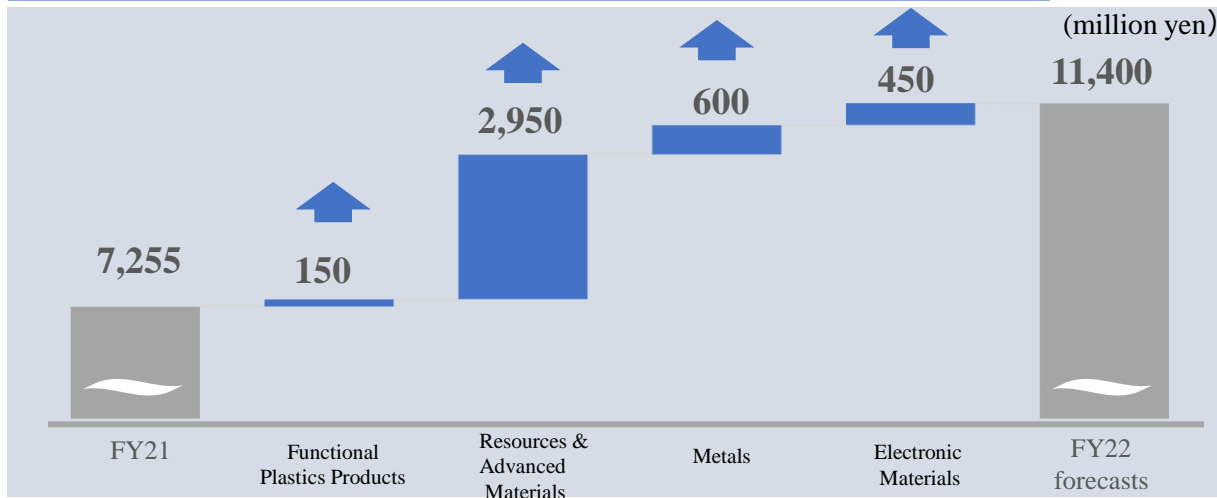
Progress of net sales and operating profit



Measures toward achievement of FY2022 forecasts

- **Expanding resources business**
 - ▶ Focus on stable procurement and supply in the second half of the year.
- **Expanding sales of environmental products (eco-friendly PET resin, biomass fuels, battery-related materials)**
 - ▶ Dealing with increasing demand for eco-friendly PET resin.
 - ▶ Stable procurement of biomass fuels.
 - ▶ Stable procurement of battery-related materials for next-generation vehicles.
- **Enhancing overseas metal processing business**
 - ▶ Expanding sales mainly to air conditioner industry in Southeast Asia and China.

Forecasts increase/decrease in operating profit

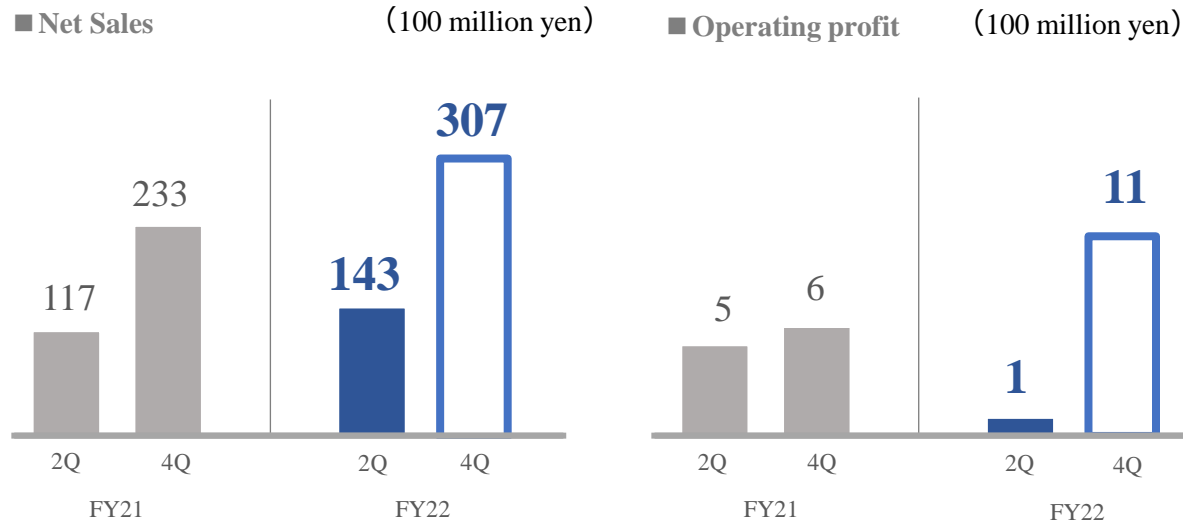


Main factors causing changes in business performance

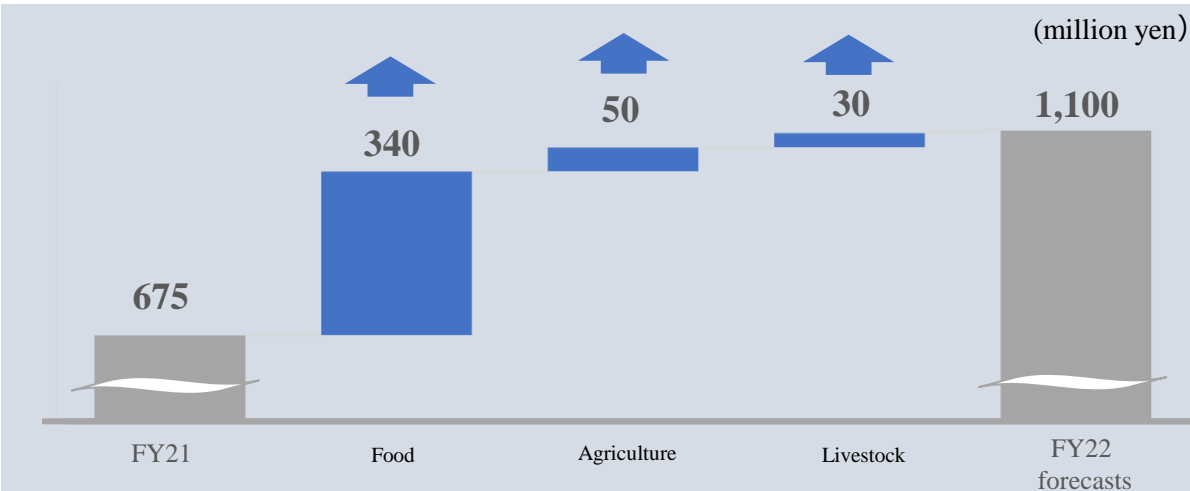
- **Price fluctuations in resource markets**
- **Exchange rate fluctuations**

FY2022 Forecasts of Agri-bio & Foods

Progress of net sales and operating profit



Forecasts increase/decrease in operating profit



Measures toward achievement of FY2022 forecasts

- **Expanding sales of frozen foods for commercial use and general consumers**
 - Enhancing sales expansion in line with recovery in dining-out demand due to the resumption of inbound travel.
 - Improving profitability by adjusting prices to reflect cost increases in raw materials, logistics and other factors.
- **Expanding sales of breeding pigs**
 - Securing profitability by expanding sales of breeding pigs.
 - Concerns about rising costs such as feed prices and electricity rates are expected to continue.
- **Expanding sales of agricultural and livestock equipment**
 - Enhancing equipment sales by accumulating projects.
 - Investment restraint by farmers is expected to continue due to increasing prices of materials and feeds.

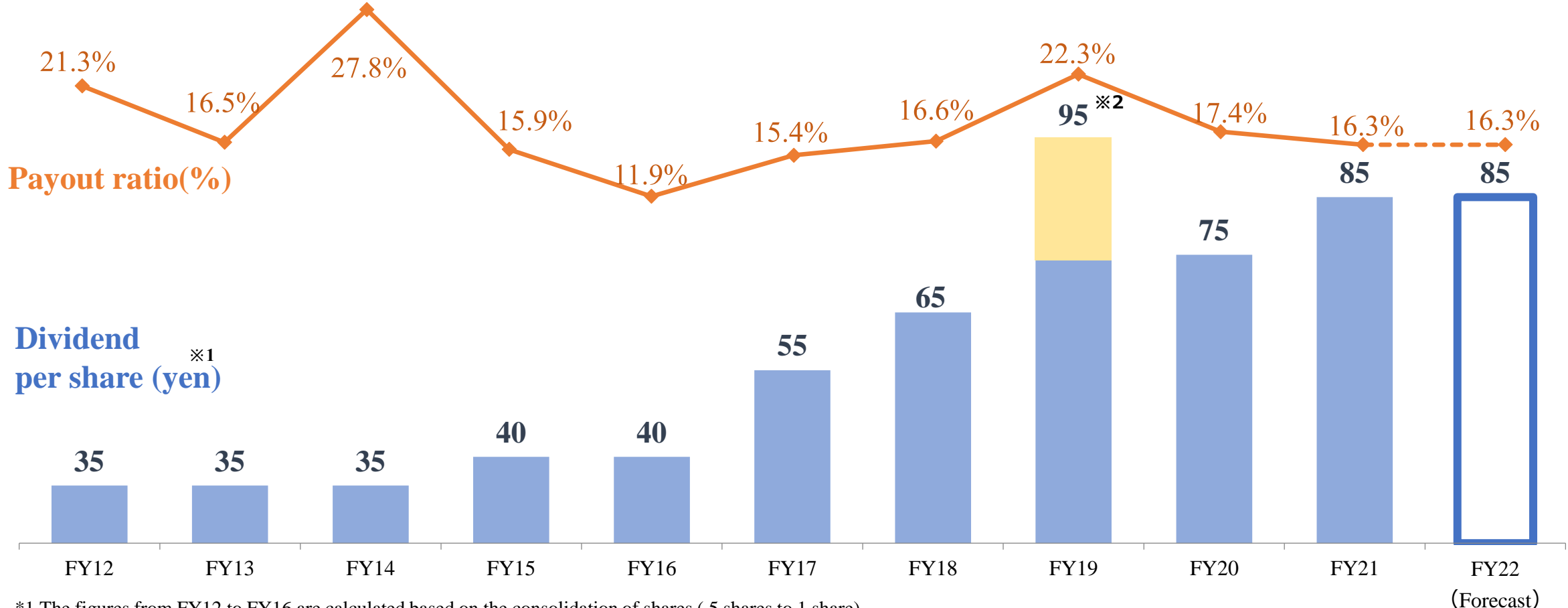
Main factors causing changes in business performance

- **Exchange rate fluctuations**
- **Fluctuations in raw material costs**
- **Unseasonable weather**

Returns to Shareholders

▶ A dividend of 85 yen per share is planned for the fiscal year ending March 31, 2023.

Dividend policy	• Paying continuous and stable dividends
	• Returning our profits appropriately in consideration for our performance and business situation



*1 The figures from FY12 to FY16 are calculated based on the consolidation of shares (5 shares to 1 share).

*2 Including commemorative dividend : 20 yen

Growth Strategy

▶ Steady progress toward achieving management goals of PLAN23

Theme	Basic Strategies
Establishing a hydrogen energy-based society Assuming challenges beyond the boundaries of business frameworks	<ul style="list-style-type: none"> - Enhancing initiatives toward a carbon-free society - Evolving into a comprehensive energy lifestyle service provider - Expanding international businesses
Basic Policies	
Enhancing strategic investment to establish a carbon-free society; promotion of digitization	

Management Indicators	FY2021 results	FY2022 forecasts	PLAN23 targets
Ordinary income [Except for impact of LPG import price fluctuation]	¥46.4 billion [¥38.4 billion]	¥46.5 billion [¥45.9 billion]	¥40.0 billion
ROE (Return on equity)	11.7%	—	9% or higher

Investment Results in PLAN23

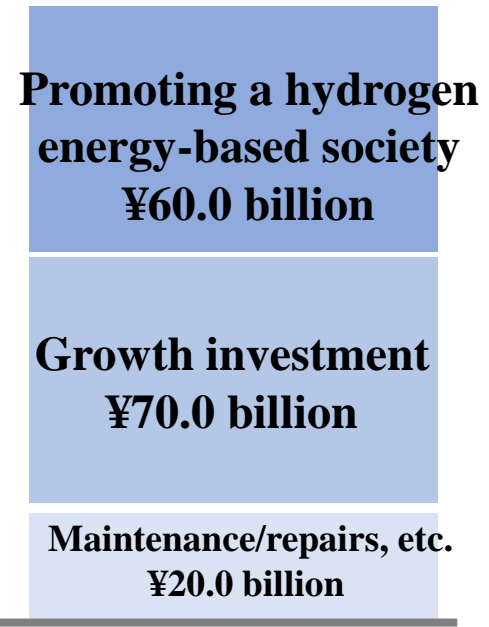
▶ Aggressive investment with a target of 150.0 billion yen over 3 years

Growth investment targets and progress of PLAN23

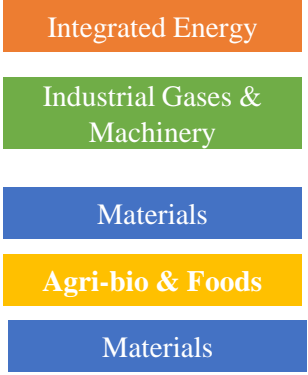


Main Investment Results (Including planned investments within FY2022)

3-year total
¥150.0 billion



- Investment on JHyM and other HRS* construction related (2021-2022)
- Acquired shares of Tokico System Solutions, Ltd.(2022)
- Acquired shares of Enelife Corporation (2022)
- Expansion of industrial gas production plants in Japan and overseas(2021-2022)
- Iwatani Australia’s mining development (2021-2022)
- Acquired shares of UM-System corporation (2021)
- Secured titanium ore interests by capital investment in Nordic Mining ASA (2022)



*HRS stands for Hydrogen Refueling Station.

Major Investments Results -1

▶ Major Growth Investment in FY2022

■ Implementing large M&As that lead to growth.

Acquiring shares of Tokico System Solutions, Ltd.

✓ Enhancing manufacturing and engineering functions

- ▶ Investment : 16.8 billion yen
- ▶ Synergies in Energy and Hydrogen Businesses

<Main business>

- Planning, design and construction of service stations
- Engineering of hazardous materials facilities
- Development, manufacturing and sales of environment friendly products
- Maintenance of instrumentation equipment
- Support for development of medication device



Various dispensers of Tokico System Solutions, Ltd.

Acquiring shares of Enelife Corporation

✓ Enhancing LPG direct sales in the Kanto and Tokyo metropolitan areas

- ▶ Investment : 5.4 billion yen
- ▶ Stable supply of LPG and streamlining of logistics

<Main business>

- LPG Wholesale
- LPG Direct Sales
- Sales of LPG for automobiles



Source: Enelife Corporation's website

Major Investments Results -2

▶ Major Growth Investments in FY2022

- Overseas investment projects are also strategically developed.

Investing capital in Nordic Mining ASA

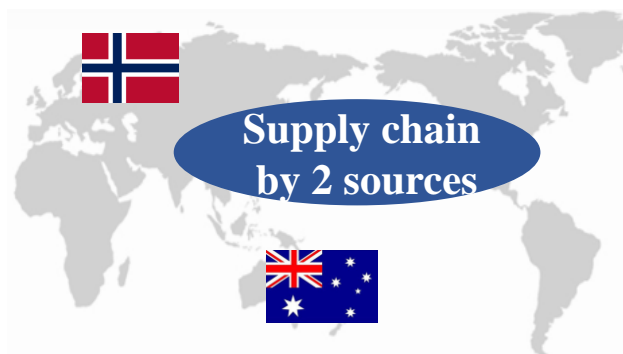
- ✓ **Securing interests in high-purity titanium ore, which is a rare resource**

- ▶ Investment: approx. 2.6 billion yen
- ▶ Enhancing supply source diversification and stable supply chain

Increasing industrial gas production plant

- ✓ **Expanding overseas business by building new manufacturing and filling plants**

- ▶ Expanding functions by adding air-separation gas plants and building additional industrial gas filling stations, etc.



The planned mining site



Air-separation gas unit of
Jiaxing Iwatani Industrial Gases Co., Ltd.



Nitrogen liquefaction equipment
Dalian Iwatani Gas Machinery Co., Ltd.

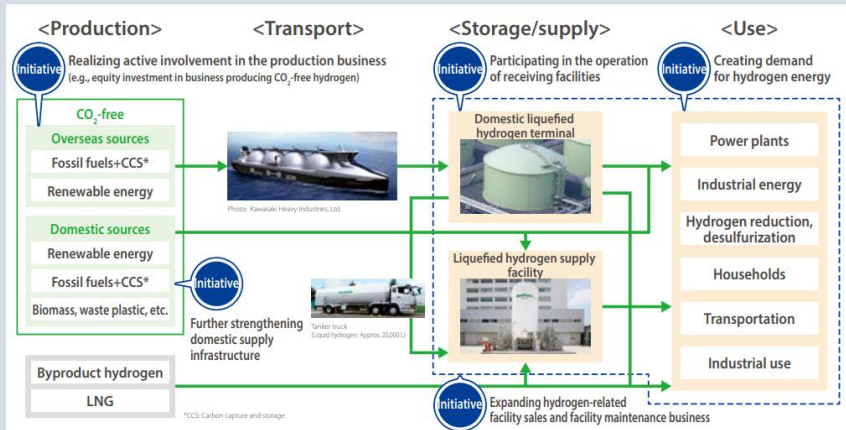
Initiatives to Realize a Decarbonized Society

▶ Toward the establishment of liquid hydrogen supply chain

- Promoting “the Demonstration Project for the Commercialization of Liquefied Hydrogen Supply Chain”
- 9 new liquid hydrogen customers for FY22 1H (Record high for 1H, including hydrogen demonstration projects)
- Hydrogen supply for demonstration purposes, such as for heavy-duty vehicles, is expanding

Investing capital in Japan Suiso Energy, Ltd.

- ▶ Investment in and dispatch of personnel to the promoting entity of Green innovation fund project “the Demonstration Project for the Commercialization of Liquefied Hydrogen Supply Chain”



Liquid hydrogen supply chain

Creating demand for hydrogen

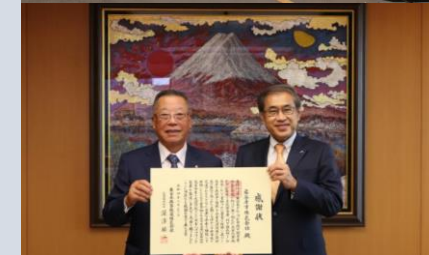
- ▶ Expanding needs for demonstration applications such as decarbonization of business activities
- ▶ Expanding demand for heavy-duty vehicles such as hydrogen hybrid trains, hydrogen fuel cell vessels, etc.



H2 KIBOU FIELD (Panasonic Corporation’s Kusatsu site)
Source: Panasonic Corporation press release on April 15, 2022



Hydrogen hybrid train “HYBARI”



Received appreciation letter for hydrogen supply



Hydrogen fuel cell vessel (completion image)

Initiatives to Realize a Decarbonized Society

▶ Developing hydrogen applications

- Developing high flow filling technology to supply hydrogen to fuel cell trucks, etc. in a short time
- Launching hydrogen cutting machines and other applications to support customer's decarbonization

Tokico System Solutions, Ltd. Technology Development Center

- ▶ Developing hydrogen filling facilities for large commercial vehicles
- ▶ Studying on development of instrumentation products required for liquid hydrogen supply chain



Technology Development Center (Operation is started from September 1, 2022) H2 dispensers

Hydrogen utilization in manufacturing processes, such as hydrogen cutting machines, etc.

- ▶ Starting the sales of "Hydrogen cutting machine" that uses hydrogen gas to cut steel plates
- ▶ Further development of applications and proposals for the companies working on decarbonization



Hydrogen cutting machine

Initiatives to Realize a Decarbonized Society

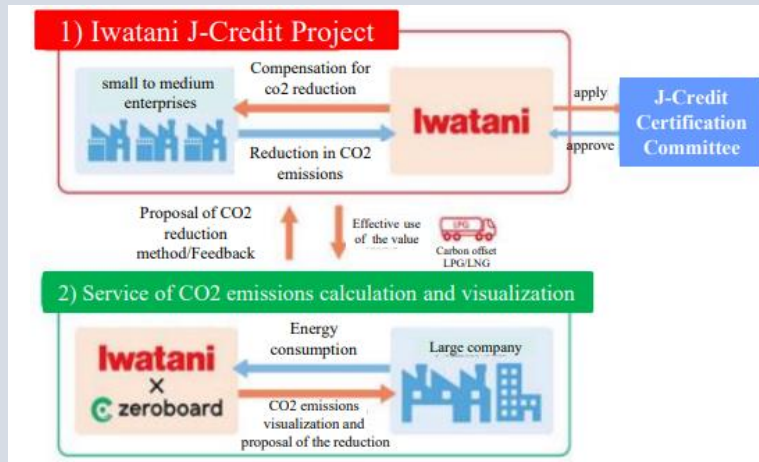
▶ Expanding decarbonization business

- Promoting initiatives centered on Gas & Energy sectors to realize a decarbonized society by 2050

Iwatani J-Credit Project

- ✓ Visualizing and reducing CO2 emissions throughout the Supply Chain

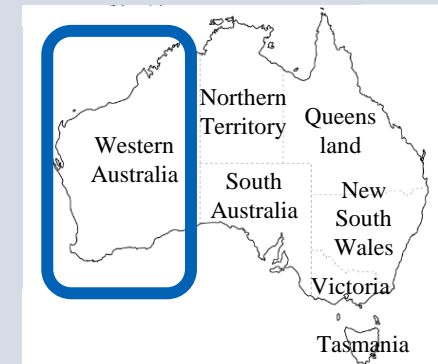
- ▶ Supplying carbon offset gas by utilizing J-Credit Scheme



Iwatani Australia Pty. Ltd. joins a forest plantation business and is expected to acquire carbon credits

- ✓ Commencing the initiatives toward carbon neutral in the mineral sand industry.

- ▶ Acquiring Australian Carbon Credits (ACCUs) to offset its own CO2 emissions and connecting to decarbonized businesses in Australia.



Iwatani's Integrated Report

▶ Issuance of our Integrated Report 2022

Iwatani Group is working to solve environmental and other social issues through its business activities, and aiming to provide new value to society and achieve sustainable growth.

Iwatani's value creation process

- ▶ Stories of creating social value based on Iwatani Group's business capital

Iwatani's principal capital leading to value creation

- ▶ 6 key capital sources for value creation

Management interview

- ▶ President's medium- to long-term vision

Initiatives for sustainable growth

- ▶ Materiality and SDGs major initiatives



*English version is going to be released at the end of November.

Iwatani

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