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.

Contents

FY 2022 1st Half Overview

Highlights

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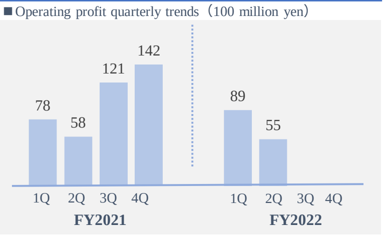
▶ Both sales and profits increased from the previous year, achieving record high net sales and all profit items.

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%)

■Operating profit quarterly trends（100 million yen）



The interim financial results for 1H of this fiscal year showed an increase in both net sales and profit YoY, with record-high net sales and profit for Q2.

Consolidated Operating Results (Analysis of Net Sales)

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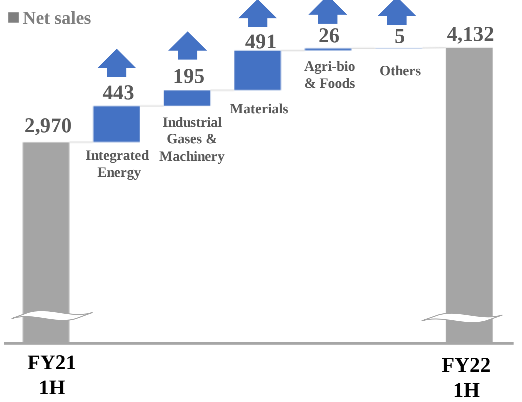
(100 million yen)

	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%)

Increase factors

- High LPG import prices
- Adjusting sales prices to increased production costs and increasing market prices of raw materials

*Record high sales for 1st half of a fiscal year



Sales of LPG for consumer and industrial use grew amid high LPG import prices, while unit sales prices rose in the industrial gases and raw materials fields against a backdrop of soaring prices for electricity and natural resources.

Sales increased in all segments, increasing by JPY116.2 billion, or 39.1% YoY, to JPY413.2 billion, due in part to the effect of three new consolidated subsidiaries.

Gross profit increased by JPY11 billion, or 12.7% YoY, to JPY98.1 billion due to increased sales of mainstay products and the addition of new consolidated subsidiaries despite the negative impact of LPG import price fluctuation of minus JPY1.6 billion YoY.

Consolidated Operating Results (Analysis of Operating Profit)

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(100 million yen)

	FY22 1H Results (A)	FY21 1H Results (B)	YoY (A)-(B) ((A)/(B))
Net sales	4,132	2,970	+1,162 (39.1%)
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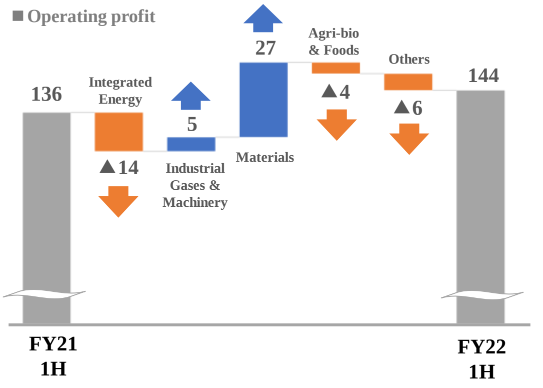
Profit attributable to owners of parent	123	102	+20 (19.5%)

Increase factors

- Operating income increased due to steady sales of mainstay products, despite the negative impact of LPG import price fluctuation compared to the previous year
- SG&A expenses increased due to an increase in transportation expenses in line with sales growth and the impact of new consolidated subsidiaries

*Record-high in all profit items for 1st half of a fiscal year



Operating profit increased by 6% YoY to JPY14.4 billion due to a JPY10.2 billion increase in SG&A expenses, which was caused by an increase in logistics costs associated with increased sales and the effect of new consolidations.

Non-operating profit improved by JPY1.1 billion YoY due to increased equity in earnings of affiliates and other factors, and ordinary profit increased by JPY1.9 billion, or 11.6% YoY, to JPY18.4 billion.

Profit attributable to owners of parent increased by JPY2 billion YoY to JPY12.3 billion.

Consolidated Operating Results (Segment analysis)

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(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%

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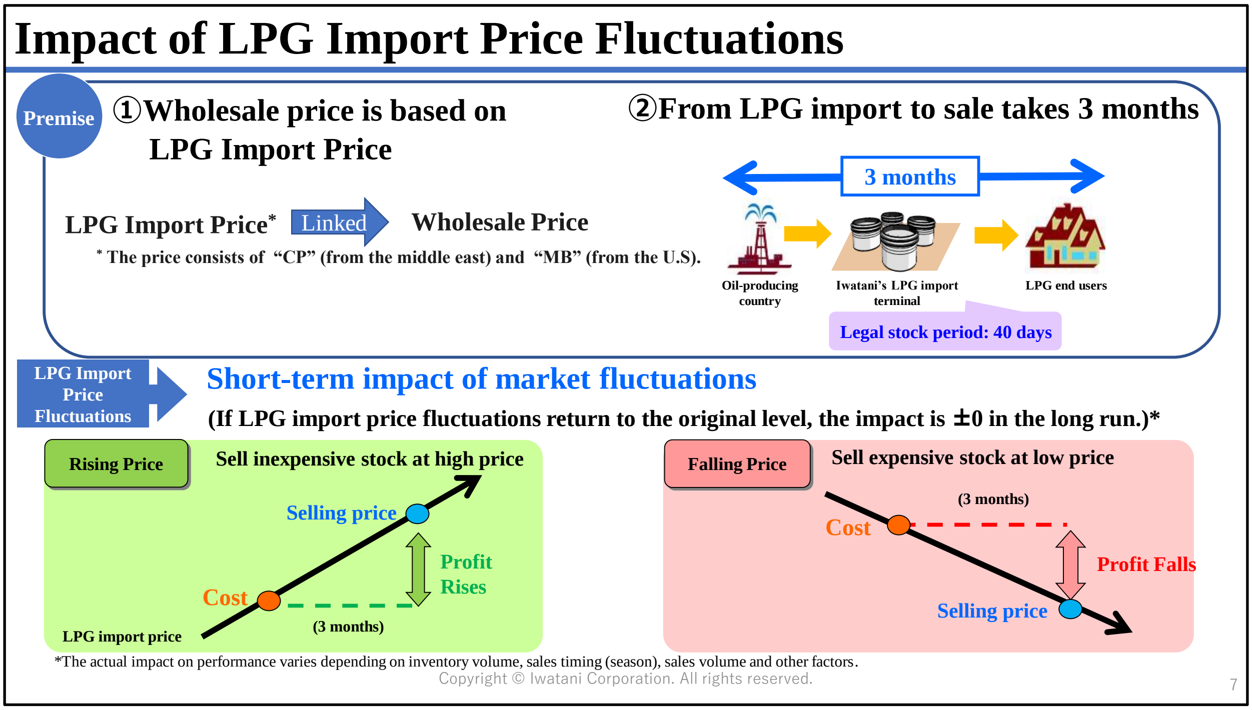
By segment, sales increased in all segments, and operating profit increased in the Industrial Gases and Machinery Business and the Materials Business, while operating profit decreased in the Integrated Energy Business and the Agri-bio and Foods Business.



Before I explain the factors behind the increase or decrease in operating profit for each segment, I will first briefly explain the impact of LPG import price fluctuations on our business performance.

We import LPG from the Middle East and the US, and in order to level out fluctuations in import prices, we have a pricing system that links sales prices with import prices for many wholesalers.

On the other hand, we use the first-in, first-out method for inventory valuation. However, since it takes time from the import of LPG to the sale of LPG, we have to sell inventory, including those with legal stock period of 40 days that are approximately three months old when we sell it. As a result, when the price of LPG imports rises, we will sell lower price inventory at a higher price. When it falls, we will sell higher price inventory at a lower price. These effects are referred to as the impact of LPG import price fluctuation.

Operating Profit Analysis of Integrated Energy

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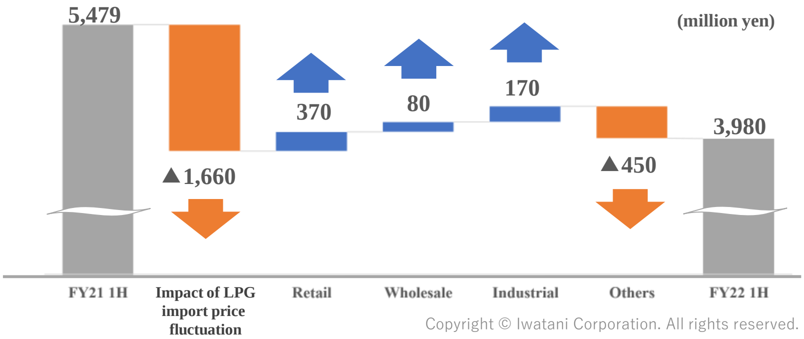
Results

(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

In the Integrated Energy Business, demand for LPG for commercial use recovered, and demand for industrial use also increased. Accordingly, the increase in import prices has also been passed on to selling prices. LPG import price fluctuation for the current period had a negative impact of JPY1.6 billion YoY. Operating profit declined by 27.4% to JPY3.9 billion due to a reactionary drop from the large equipment projects in the previous fiscal year.

With respect to the number of LPG direct sales customers, Enelife Corporation, whose shares were acquired in June of this year, has been included in the consolidated results, reaching 1.1 million households as of the end of September, and we achieved the target number of households under PLAN 23.

Operating Profit Analysis of Industrial Gases & Machinery

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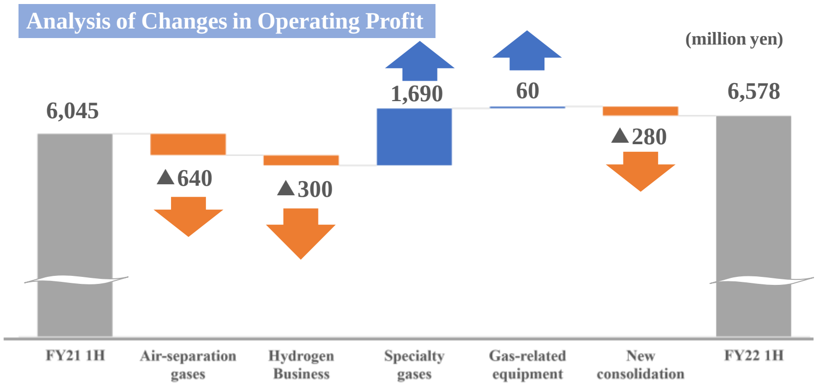
Results

(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

(million yen)



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.

In the Industrial Gases and Machinery Business, sales volumes of air-separation gases decreased mainly to the automotive industry due to the lockdown in China and other factors, and production costs increased due to higher electricity prices.

In the Hydrogen Business, sales of hydrogen gas were strong, but expenses increased as the number of operated hydrogen-refueling stations increased. With regard to specialty gases, sales of semiconductor gases grew, and efforts were made to ensure a stable supply of helium amid rising market prices due to the global supply-demand crunch.

As a result, operating profit increased by 8.8% to JPY6.5 billion.

Operating Profit Analysis of Materials

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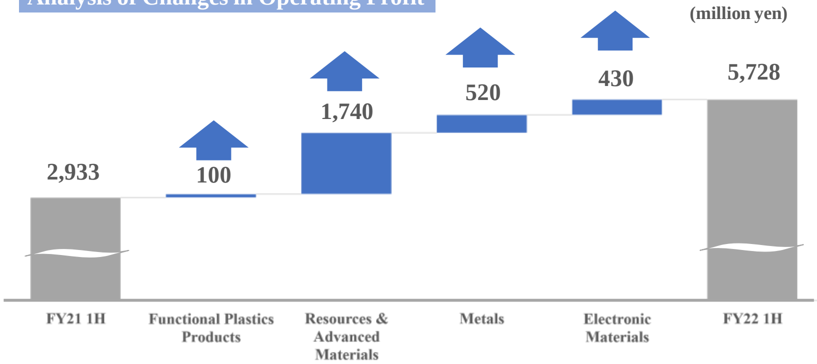
Results

(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

In the Materials Business, sales of environmental products such as battery-related materials for next-generation automobiles and eco-friendly PET resin steadily expanded amid growing customer interest in a carbon-free society.

For mineral sands, both sales and profit increased as a result of efforts to ensure a stable supply amid soaring market prices due to supply chain disruptions.

In addition, sales of stainless steel to new customers grew, resulting in a 95.3% increase in operating profit to JPY5.7 billion.

Operating Profit Analysis of Agri-bio & Foods

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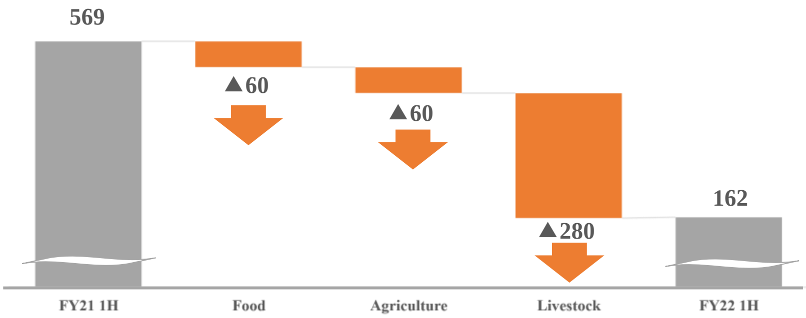
Results

(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

In the Agri-bio and Foods Business, sales of frozen foods for commercial use and for general consumers increased, but procurement costs and logistics costs increased. In addition, sales of agricultural equipment remained sluggish, and profitability in the livestock sector declined due to soaring feed prices.

As a result, operating profit was JPY0.1 billion, down 71.5%.

Balance Sheets (Consolidated Basis)

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- 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	

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Total assets at the end of September were JPY638 billion, up JPY79.5 billion from the end of the previous fiscal year. Equity capital increased by JPY12.8 billion to JPY282.9 billion, mainly due to an increase in retained earnings, resulting in the capital ratio of 44.3%.

Interest-bearing debt, on the other hand, increased by JPY53.2 billion from the end of the previous fiscal year to JPY164.4 billion due to an increase in working capital and the impact of M&A. The ratio of interest-bearing debt to total assets was 25.8%.

Statement of Cash Flows

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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) in cash and cash equivalents ※2	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

Cash flows from operating activities resulted in a net outflow of JPY0.5 billion due to an increase in trade receivables and inventories, while cash flows from investing activities resulted in a net outflow of JPY35 billion due to the acquisition of shares of Enelife Corporation and Tokico System Solutions, Ltd. As a result, free cash flows amounted to minus JPY35.5 billion.

As for cash flows from financial activities, the Company received JPY36.6 billion due to borrowings. As a result, cash and cash equivalents increased by JPY3.5 billion.

FY 2022 Forecasts

Forecasts for the year ending March 31, 2023

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(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%

*Announced on Nov.9th 2022

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**

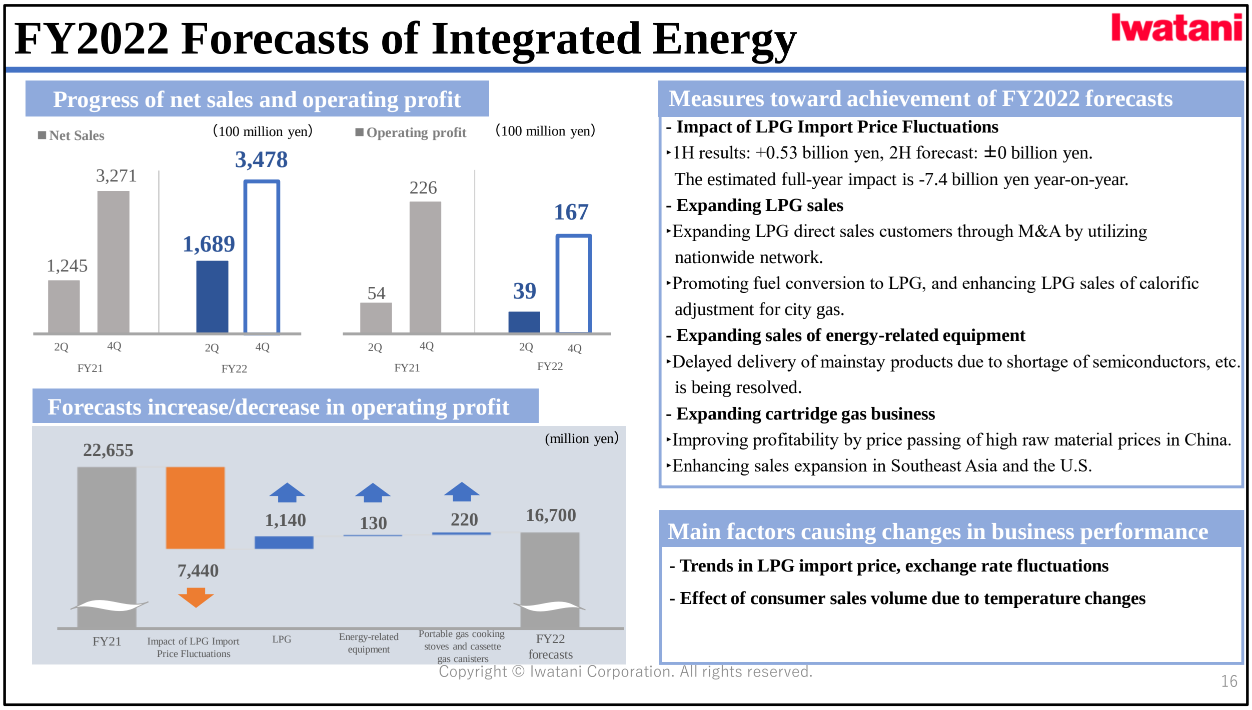
LPG import price
750 $/ton → **630 $/ton**

Dividend forecast

FY22 85 yen per share

The consolidated forecasts for the fiscal year ending March 2023 were revised upward on November 9, 2022.

Net sales are projected at JPY840 billion, operating profit at JPY40 billion, ordinary profit at JPY46.5 billion, and profit attributable to owners of parent at JPY30 billion.

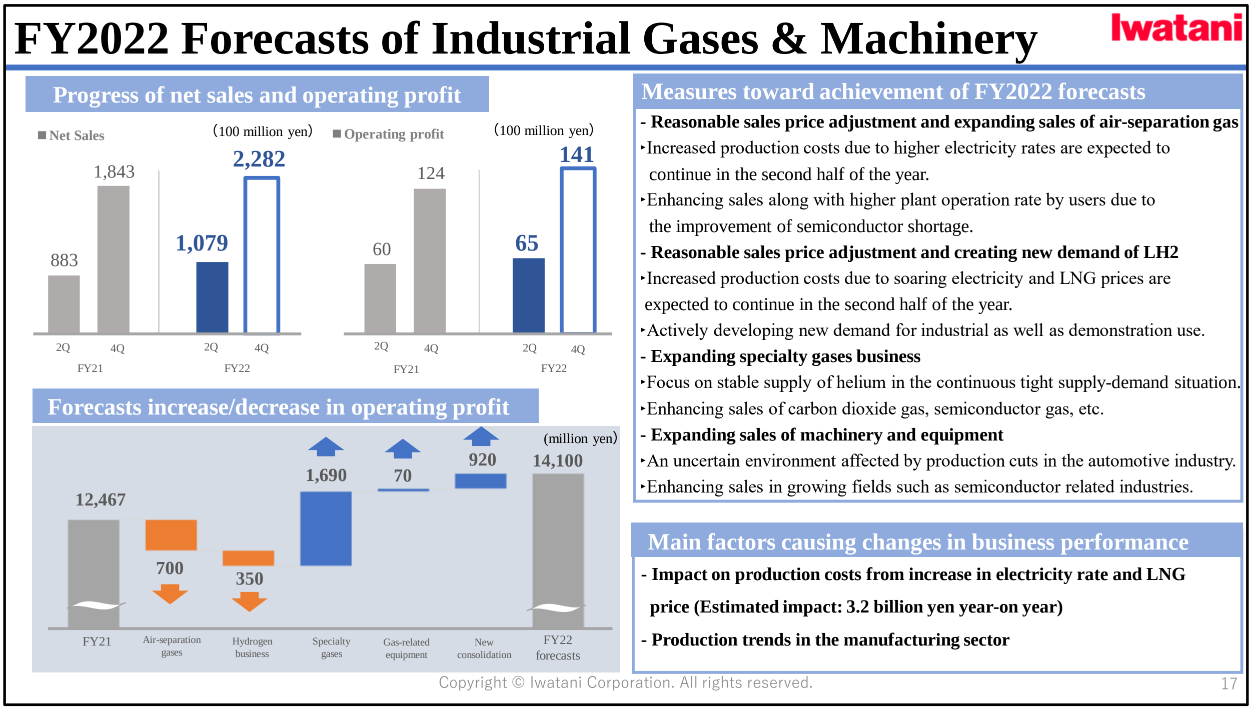


In the Integrated Energy Business, net sales are expected to be JPY347.8 billion, up 6.3%. Operating profit is projected at JPY16.7 billion, down 26.3%.

The impact of LPG import price fluctuation was an increase of JPY536 million in 1H of the fiscal year as an actual result and is not expected to occur for 2H of the fiscal year. Last year, there was an impact of LPG import price fluctuation of plus JPY7.9 billion for the full year. Excluding this factor, operating profit would have been JPY16.1 billion, up 10.1%.

In the Energy Business, we will continue to work on M&A projects to expand the number of LPG direct sales customers and expand sales of gas-related equipment and LPG emergency generators.

In the Cartridge Gas Business, we will expand sales of outdoor products and heating products. In addition to China, we will accelerate our overseas expansion in Southeast Asia and the United States.



In the Industrial Gases and Machinery Business, which posted sales of JPY228.2 billion, up 23.8%. Operating profit is projected to increase by 13.1% to JPY14.1 billion. In 2H of the fiscal year, we expect production costs to increase due to rising electricity and LNG prices, and we will continue our efforts to pass on appropriate prices for air-separation gases and hydrogen.

As for specialty gases, the supply-demand balance for helium is expected to be tight, but we will continue to focus on stable supply by taking advantage of our supply sources, mainly in Qatar and the United States. At the same time, we will work to expand sales of carbon dioxide gas and semiconductor gas.

In machinery and equipment, amid concerns about the impact of production cutbacks in the automotive industry, we will strengthen sales, particularly in growth areas such as semiconductor-related fields.

FY2022 Forecasts of Materials

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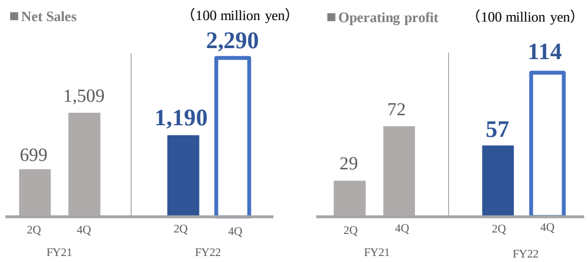
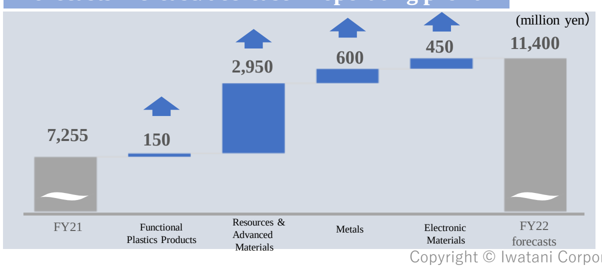
Progress of net sales and operating profit



Forecasts increase/decrease in 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.

Main factors causing changes in business performance

- Price fluctuations in resource markets

- Exchange rate fluctuations

In the Materials Business, net sales are expected to be JPY229 billion, up 51.7%. Operating profit is expected to be JPY11.4 billion, up 57.1%.

In the resource business, in addition to global supply risks, there are concerns about the prolonged situation in Russia and Ukraine and the slowdown of the global economy, including China. We will focus on stable supply while paying close attention to customer trends.

We will also work to expand sales of environmental products such as eco-friendly PET resin, biomass fuels, and battery-related materials for next-generation automobiles.

FY2022 Forecasts of Agri-bio & Foods

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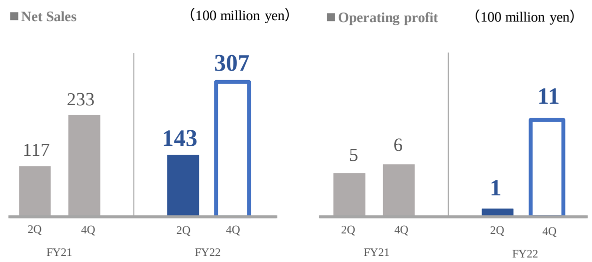
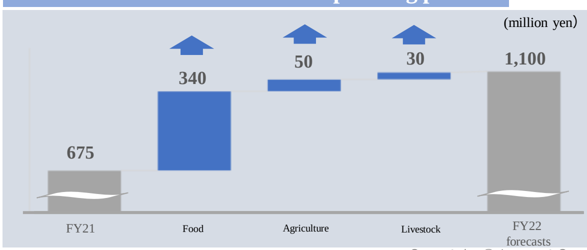
Progress of net sales and operating profit



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

As for the Agri-bio and Foods Business, sales are expected to be JPY30.7 billion, an increase of 31.3%. Operating profit is expected to be JPY1.1 billion, up 62.8%.

In the food business, we will continue to expand sales of products for commercial use in line with the recovery in demand for food services, as well as products for general consumers. In addition, we will continue to pass on higher costs, such as raw materials and logistics costs, to our customers while obtaining their understanding.

In the agriculture and livestock sectors, we will work to ensure that cost increases in feed prices and electricity rates are passed on to our customers.

Returns to Shareholders

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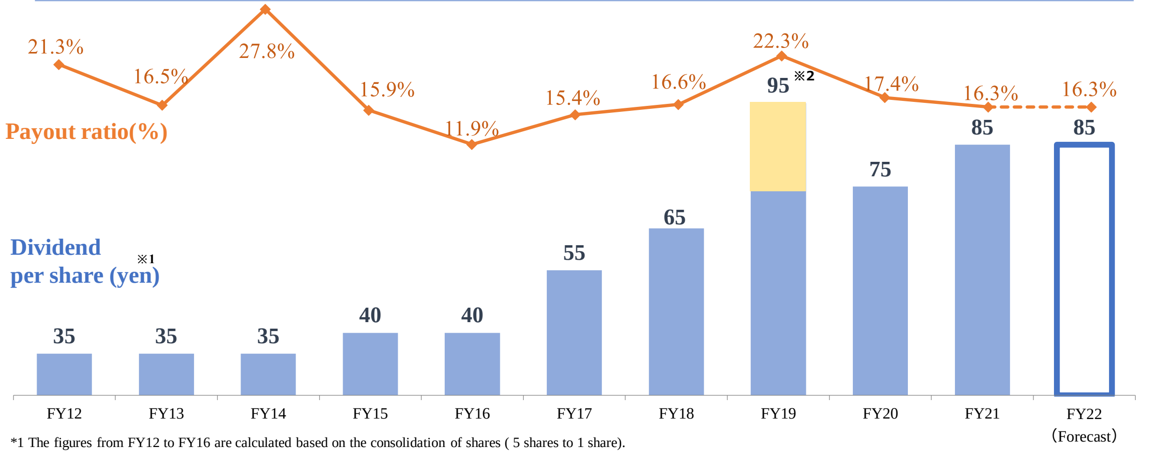
A dividend of 85 yen per share is planned for the fiscal year ending March 31, 2023.

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

As announced at the beginning of the fiscal year, we plan to pay a dividend of JPY85 per share for the fiscal year ending March 2023, the same as the previous year, based on our basic policy of providing continuous and stable dividends.

We will continue to consider and implement appropriate profit distribution, taking into account our business performance and business environment.

Growth Strategy

Progress of Medium-Term Management Plan "PLAN23"

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Steady progress toward achieving management goals of PLAN23

Theme

Establishing a hydrogen energy-based society
Assuming challenges beyond the boundaries of business frameworks

Basic Policies

Enhancing strategic investment to establish a carbon-free society; promotion of digitization

Basic Strategies

- **Enhancing initiatives toward a carbon-free society**
- **Evolving into a comprehensive energy lifestyle service provider**
- **Expanding international businesses**

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**

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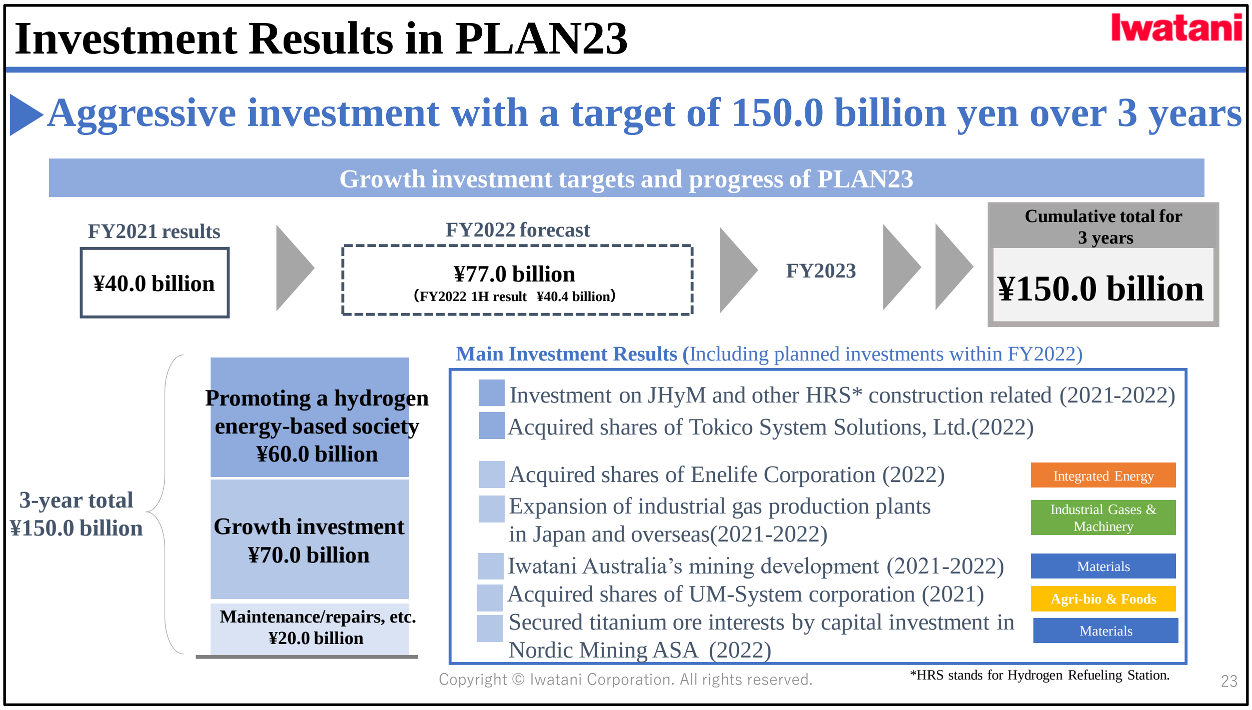
We are proceeding with initiatives in line with the basic policy of medium-term management plan PLAN23, which is to strengthen strategic investments toward a carbon-free society.

We have achieved our numerical management targets of JPY40 billion in ordinary profit and ROE of 9% or more for the current fiscal year, one year ahead of schedule, with ordinary profit forecast at JPY46.5 billion, and ROE is also expected to exceed 10%.



For PLAN23, we plan to invest a cumulative total of JPY150 billion over the three-year period.

FY2021 results were JPY40 billion, and compared to the plan for this fiscal year of JPY77 billion, we have already achieved JPY40.4 billion in 1H. We are actively investing for growth.

Major Investments Results -1

Iwatani

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

TOKICO
Actuating change

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

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As for investment projects in FY2022, we acquired 100% of the shares of Tokico System Solutions, Ltd. in April. It has manufacturer and engineering functions centered on technologies for measuring and controlling fluids, and we will expand our business in cooperation with the energy business and the hydrogen business.

In June, we acquired the shares of an LPG-related company in the Tokyo Gas Group and changed its name to Enelife Corporation. The addition of Enelife Corporation, which operates intensively in the Kanto and Tokyo metropolitan areas, to the Group will help streamline the Group's operations and enhance profitability.

In terms of investment financing, we issued JPY20 billion in corporate bonds following the green bonds issued in the previous fiscal year.

Major Investments Results -2

Iwatani

▶ Major Growth Investments in FY2022

■ **Overseas investment projects are also strategically developed.**

Investing capital in Nordic Mining ASA

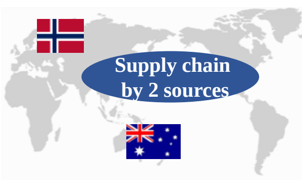
✓ **Securing interests in high-purity titanium ore, which is a rare resource**

- 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.

In addition, we have decided to invest in Nordic Mining ASA, which has interests in high-purity titanium ore, which is a rare resource. As a result, we have secured an interest of 20,000 tons per year, or approximately 60% of the planned production of high-purity titanium ore to be mined from the new project in Norway.

With this, we will now be able to supply our products from two locations, along with our existing Australian operation, and will be able to further stabilize our supply. Norway also has a high percentage of renewable energy in its power supply mix, and it can be said that it is a greener titanium ore, so we will promote it as a low-carbon product to our customers.

In the Industrial Gases Business, the Company continues to invest in industrial gas production plants and in the expansion of its supply system, both in Japan and overseas. In China and Indonesia, we are expanding our air-separation gas plants, and in Singapore, we are preparing to build a new industrial gas filling station and expand its functions, including filling of specialty gases.

Initiatives to Realize a Decarbonized Society

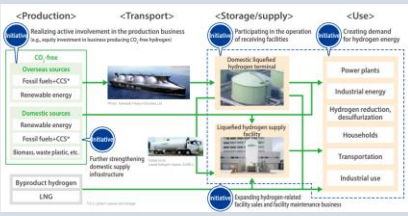
Iwatani

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)

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We have decided to invest in and dispatch personnel to the promoting entity of green innovation fund project, The Demonstration Project for the Commercialization of Liquefied Hydrogen Supply Chain. We will proceed with a detailed feasibility study for liquefied hydrogen carrier and the construction of base facilities in cooperation with Kawasaki Heavy Industries, ENEOS, and other companies participating in the project.

The number of new liquid hydrogen customers was nine this fiscal year, a record high for 1H. In addition to conventional applications, the number of customers using hydrogen for demonstration purposes for decarbonization is steadily increasing. Our past achievements include supplying hydrogen to Panasonic Corporation’s Kusatsu site, which uses pure hydrogen fuel cells and solar power generation to meet 100% of its energy consumption from renewable energy sources, and to East Japan Railway Company for the development of Japan’s first hydrogen hybrid train, HYBARI, which they aim to commercialize in 2030.

We have also begun construction of a liquefied hydrogen marine carrier with the aim of commercializing it at the Osaka-Kansai Japan Expo in 2025.

We will continue to create new demand and strengthen the foundation for the commercialization of the liquid hydrogen supply chain.

Initiatives to Realize a Decarbonized Society

Iwatani

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

In September, Tokico System Solutions completed construction of the Technology Development Center and is working on the development of advanced technologies, such as high-flow filling equipment, to supply hydrogen to fuel cell trucks and other vehicles in a short time.

We are promoting the construction of hydrogen-refueling stations in Japan and the US, and Tokico System Solutions, Iwatani Advanced Hydrogen Technology Center, and other group companies are collaborating to develop filling equipment for use in dispensers for commercial vehicles such as buses and trucks.

Amid growing interest in low-carbon and decarbonization initiatives using hydrogen, we have also begun selling cutting machines that use hydrogen instead of acetylene or LPG to cut steel plates. By using hydrogen, CO_2 emissions at the time of cutting are zero, contributing to the reduction of CO_2 emissions for our customers.

We will continue to develop various applications of hydrogen by utilizing our accumulated knowledge and technological capabilities.

Initiatives to Realize a Decarbonized Society

Iwatani

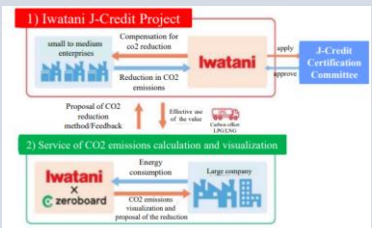
▶ Expanding decarbonization business

■ **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.

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Utilizing the government's J-Credit system, our customers have switched from heavy fuel oil to LPG and LNG, and have been working to convert the CO2 emissions reductions into value, creating our first J-Credit.

We have already received orders and inquiries from several customers for carbon offset LPG and LNG sales using these credits.

In Australia, where we are engaged in the mineral resources business, we have decided to conduct a tree-planting project to generate carbon credits. We will consider a variety of ways to utilize this resource, including expanding our decarbonization business in Australia and offsetting the Group's CO2 emissions.

We will continue to promote initiatives that lead to the sustainable growth of our business, both domestically and internationally, by solving social issues such as decarbonization.

Iwatani's Integrated Report

Iwatani

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.

We issue this report to investors and other stakeholders in Japan and overseas to promote understanding of the Group's ESG initiatives and medium- to long-term growth strategies.

The report includes information on the value creation process to create social value based on the various types of capital owned by the Group, as well as the SDGs, which are important issues for sustainable growth. I hope you take a look later.

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