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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

November 9, 2023

Company name: IWATANI CORPORATION
 Stock exchange listing: Tokyo
 Code number: 8088
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 Scheduled date of filing quarterly securities report: November 10, 2023
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2023	394,211	(4.6)	14,591	1.9	18,187	(0.7)	12,062	(4.3)
September 30, 2022	413,218	39.1	14,321	4.7	18,307	10.6	12,606	22.4

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 23,471 million [26.4%]
 Six months ended September 30, 2022: ¥ 18,570 million [41.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	209.69	-
September 30, 2022	219.16	-

(Note) In the fiscal year ended March 31, 2023, we finalized provisional accounting treatment for a business combination. The finalization has been reflected in the figures for the six months ended September 30, 2022.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2023	670,143	329,999	47.7
March 31, 2023	656,003	312,230	46.0

(Reference) Equity: As of September 30, 2023: ¥ 319,343 million
 As of March 31, 2023: ¥ 301,976 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	-	-	95.00	95.00
Fiscal year ending March 31, 2024	-				
Fiscal year ending March 31, 2024 (Forecast)		-	-	95.00	95.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending March 31, 2024 :

Commemorative dividend - yen

Special dividend - yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	907,000	0.1	45,000	12.4	50,300	7.0	33,500	4.6	582.36

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2023: 58,561,649 shares

March 31, 2023: 58,561,649 shares

2) Number of treasury shares at the end of the period:

September 30, 2023: 1,031,042 shares

March 31, 2023: 1,037,177 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 57,527,481 shares

Six months ended September 30, 2022: 57,520,793 shares

*1. This document is unaudited by certified public accountants or audit firms.

*2. Earnings forecasts in this release are based on currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts.

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Qualitative Information of the Quarterly Consolidated Results

(1) Operating Results

During the cumulative second quarter of the current fiscal year, the Japanese economy showed a gradual recovery as consumer spending picked up and corporate profits and capital investment improved due to the normalization of socioeconomic activities from the COVID-19 pandemic, although there were downside risks to overseas economies due to global monetary tightening and concerns about the outlook for the Chinese economy.

Under these circumstances, Iwatani announced its five-year medium-term management plan “PLAN27,” which would begin in the fiscal year ending March 31, 2024, and has been working to expand its business to achieve its basic policies of “Solutions to social issues” and “Sustained growth.”

With the aim of realizing a hydrogen energy-based society, we have decided to operate Japan’s first liquefied hydrogen marine career for passenger service at the EXPO 2025 Osaka, Kansai, Japan in anticipation of expanding applications in the mobility field. In addition, we opened a hydrogen-refueling station at the Ashigara Service Area (SA) of the Tomei Expressway (downstream), the first of its kind at a service/parking area in the expressway in the country, and promoted efforts to expand demand. In addition, we have decided to conduct research and development of a large-scale liquefied hydrogen storage tank jointly with TOYO KANETSU K.K. and have been selected for a grant from the New Energy and Industrial Technology Development Organization (NEDO).

In the Integrated Energy Business, we have been trying to develop a disaster-resistant core center to further stabilize the LPG supply and promoting efforts to streamline deliveries by introducing communication equipment that can remotely open and close gas taps and read meters, automatic filling facilities, etc., while utilizing government subsidies.

In the Industrial Gases & Machinery Business, we have received a subsidy for helium gas stockpiling facilities from the Ministry of Economy, Trade and Industry under the government’s policy of strengthening the semiconductor manufacturing system in Japan, and we are trying to further strengthen the stable supply system in the Japanese market.

With regard to delivery vehicles that are indispensable for the stable supply of LPG and industrial gas, we have started the industry’s first cylinder delivery by fuel cell trucks at our bases in Tokyo and Fukushima Prefectures, thus promoting efforts to decarbonize the supply chain.

In the Materials Business, we have developed our own copper and stainless steel welding technology using copper-iron alloy filler material to reduce the use and cost of copper, the price of which is soaring. With this technology, we can now change some of the copper used, for example, in refrigerant piping in the air conditioning industry to stainless steel, which has high price stability, and we will build a mass production system for market supply in collaboration with filler material manufacturers.

As a result, for the second quarter of the current fiscal year, net sales were 394.211 billion yen (-19.006 billion yen year-on-year), operating profit was 14.591 billion yen (+0.269 billion yen year-on-year), ordinary profit was 18.187 billion yen (-0.120 billion yen year-on-year), and profit attributable to owners of parent was 12.062 billion yen (-0.543 billion yen year-on-year).

(2) Segment Information

Effective from the first quarter of FY2023, the business segmentation changed in accordance with changes in the organization of the Company, and comparisons and analyses for the second quarter of FY2023 are based on the new segmentation.

Integrated Energy

In the Integrated Energy Business, sales decreased due to such factors as low LPG import prices and higher temperatures. Profits decreased due to a negative impact of LPG price fluctuation (-5.674 billion yen year-on-year), despite strong sales of gas safety equipment, etc., in addition to an improvement in the profitability of the LPG retail sector.

As a result, net sales in this segment were 143.329 billion yen (-25.306 billion yen year-on-year), and operating loss was 1.199 billion yen (operating profit of 3.910 billion yen in the same period of the previous fiscal year).

Industrial Gases & Machinery

In the Industrial Gases & Machinery Business, sales volumes of air-separation gas and hydrogen gas decreased mainly for the semiconductor and electronic components industries, but profitability improved due to efforts to cope with increased production costs. As for specialty gases, we strove to maintain steady supply of helium amid the tight supply-demand balance worldwide, in addition to the strong sales of carbon dioxide for the beverage and chemical industries. Sales of machinery and equipment increased, especially those of power semiconductor equipment and gas supply facilities.

As a result, net sales in this segment were 126.841 billion yen (+18.939 billion yen year-on-year) and operating profit was 10.852 billion yen (+4.450 billion yen year-on-year).

Materials

In the Materials Business, sales volumes of rechargeable battery materials for next-generation automobiles decreased due in part to inventory adjustments at sales destinations, resulting in decreased sales. Meanwhile, the mineral sands business overseas expanded in addition to increased sales of biomass fuels and PET resin for beverage bottles. Sales of stainless steel and processed metal products mainly for air conditioners were also strong.

As a result, net sales in this segment were 108.537 billion yen (-12.464 billion yen year-on-year), and operating profit was 6.259 billion yen (+0.468 billion yen year-on-year).

Others, Adjustments

Net sales were 15.503 billion yen (-0.176 billion yen year-on-year), and operating profit was 1.335 billion yen (+0.524 billion yen year-on-year).

(3) Financial Position

Total Assets

Total assets at the end of the second quarter of the current fiscal year increased by 14.139 billion yen from the end of the previous fiscal year to 670.143 billion yen. This was mainly due to increases of 21.958 billion yen in investments and other assets such as investment securities, 6.478 billion yen in property, plant and equipment, 2.502 billion yen in merchandise and finished goods, and 1.820 billion yen in electronically recorded monetary claims - operating, respectively, despite a decrease of 18.857 billion yen in notes and accounts receivable - trade, and contract assets.

Total Liabilities

Total liabilities at the end of the second quarter of the current fiscal year decreased by 3.629 billion yen from the end of the previous fiscal year to 340.143 billion yen. This was mainly due to decreases of 11.565 billion yen in notes and accounts payable - trade, 6.604 billion yen in electronically recorded obligations - operating, 3.596 billion yen in income taxes payable, and 2.250 billion yen in contract liabilities, respectively, despite an increase of 20.354 billion yen in short-term borrowings.

Interest-bearing debt, including lease liabilities, etc., at the end of the second quarter increased 21.584 billion yen to 161.038 billion yen from the end of the previous fiscal year.

Total Net Assets

Total net assets at the end of the second quarter of the current fiscal year increased by 17.769 billion yen from the end of the previous fiscal year to 329.999 billion yen. This was mainly due to increases of 6.592 billion yen in retained earnings, 6.345 billion yen in valuation difference on available-for-sale securities, and 2.998 billion yen in foreign currency translation adjustment, respectively.

Cash Flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the second quarter of the current fiscal year decreased by 6.360 billion yen from the end of the previous fiscal year to 26.895 billion yen.

(Operating Activities)

Net cash provided by operating activities in the first half of the current fiscal year increased in revenue by 10.317 billion yen from the same period of the previous year to 9.809 billion yen. This was mainly due to an increase in cash resulting from profit before income taxes of 19.236 billion yen, a decrease in trade receivables and contract assets of 18.107 billion yen, and depreciation of 12.269 billion yen and a decrease in cash resulting from a decrease in trade payables of 19.080 billion yen, income taxes paid of 9.707 billion yen, an increase in inventories of 4.584 billion yen, and a decrease in contract liabilities of 2.262 billion yen.

(Investing Activities)

Net cash used in investing activities in the first half of the current fiscal year decreased in expenditure by 5.190 billion yen from the same period of the previous year to 29.822 billion yen. This was mainly due to a decrease in cash resulting from purchase of property, plant and equipment of 17.780 billion yen, purchase of intangible assets of 2.614 billion yen, and purchase of investment securities of 1.228 billion yen.

(Financing Activities)

Net cash provided by financing activities in the first half of the current fiscal year decreased in revenue by 24.012 billion yen from the same period of the previous year to 12.593 billion yen. This was mainly due to an increase in cash resulting from a net increase in borrowings of 19.597 billion yen and a decrease in cash resulting from dividends paid of 5.456 billion yen.

(4) Consolidated Financial Results Forecasts

Although economic trends, fluctuations in LPG import prices, and other factors may affect our business performance, we have not changed our consolidated earnings forecast announced on May 15, 2023, for the first half of the current fiscal year.

Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	33,730	27,233
Notes and accounts receivable - trade, and contract assets	150,389	131,532
Electronically recorded monetary claims - operating	23,903	25,723
Merchandise and finished goods	55,751	58,254
Work in process	6,106	7,423
Raw materials and supplies	7,753	9,348
Other	25,732	29,031
Allowance for doubtful accounts	(177)	(183)
Total current assets	303,189	288,362
Non-current assets		
Property, plant and equipment		
Land	73,910	74,296
Other, net	133,532	139,624
Total property, plant and equipment	207,442	213,921
Intangible assets		
Goodwill	23,958	23,227
Other	12,909	14,169
Total intangible assets	36,868	37,397
Investments and other assets		
Investment securities	85,689	95,705
Other	23,325	35,276
Allowance for doubtful accounts	(512)	(520)
Total investments and other assets	108,502	130,461
Total non-current assets	352,814	381,780
Total assets	656,003	670,143

(Million yen)

As of March 31, 2023 As of September 30, 2023

Liabilities		
Current liabilities		
Notes and accounts payable - trade	73,071	61,505
Electronically recorded obligations - operating	40,801	34,197
Short-term borrowings	25,747	46,101
Income taxes payable	8,362	4,766
Contract liabilities	10,500	8,249
Provision for bonuses	6,434	6,781
Other	47,551	44,069
Total current liabilities	212,469	205,671
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	68,457	68,372
Provision for retirement benefits for directors (and other officers)	1,280	1,299
Retirement benefit liability	6,892	5,890
Other	24,673	28,908
Total non-current liabilities	131,303	134,472
Total liabilities	343,773	340,143
Net assets		
Shareholders' equity		
Share capital	35,096	35,096
Capital surplus	31,904	31,950
Retained earnings	203,801	210,394
Treasury shares	(1,530)	(1,530)
Total shareholders' equity	269,271	275,910
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,148	30,493
Deferred gains or losses on hedges	2,730	4,142
Foreign currency translation adjustment	5,764	8,762
Remeasurements of defined benefit plans	61	34
Total accumulated other comprehensive income	32,704	43,432
Non-controlling interests	10,254	10,656
Total net assets	312,230	329,999
Total liabilities and net assets	656,003	670,143

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	413,218	394,211
Cost of sales	315,027	293,256
Gross profit	98,191	100,955
Selling, general and administrative expenses		
Transportation costs	14,570	14,366
Provision of allowance for doubtful accounts	17	31
Salaries, allowances and bonuses	19,976	20,858
Provision for bonuses	5,406	5,603
Retirement benefit expenses	1,053	896
Provision for retirement benefits for directors (and other officers)	74	81
Other	42,770	44,524
Total selling, general and administrative expenses	83,869	86,363
Operating profit	14,321	14,591
Non-operating income		
Interest income	208	246
Dividend income	712	846
Foreign exchange gains	426	328
Share of profit of entities accounted for using equity method	735	455
Subsidy income	956	1,062
Other	1,848	1,920
Total non-operating income	4,887	4,860
Non-operating expenses		
Interest expenses	508	825
Other	393	438
Total non-operating expenses	901	1,264
Ordinary profit	18,307	18,187
Extraordinary income		
Gain on sale of non-current assets	89	1,064
Gain on receipt of donated non-current assets	-	49
Gain on sale of investment securities	144	387
Gain on bargain purchase	465	-
Subsidy income	9	23
Gain on revision of retirement benefit plan	-	128
Total extraordinary income	709	1,652
Extraordinary losses		
Loss on sale of non-current assets	11	335
Loss on retirement of non-current assets	244	175
Impairment losses	-	24
Loss on sale of investment securities	-	0
Loss on valuation of investment securities	-	1
Loss on tax purpose reduction entry of non-current assets	9	65
Total extraordinary losses	265	603
Profit before income taxes	18,751	19,236
Income taxes	5,585	6,668
Profit	13,165	12,568
Profit attributable to non-controlling interests	559	505
Profit attributable to owners of parent	12,606	12,062

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	13,165	12,568
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,394)	6,286
Deferred gains or losses on hedges	1,170	1,410
Foreign currency translation adjustment	5,616	2,974
Remeasurements of defined benefit plans, net of tax	(183)	(21)
Share of other comprehensive income of entities accounted for using equity method	195	251
Total other comprehensive income	5,404	10,902
Comprehensive income	18,570	23,471
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,775	22,791
Comprehensive income attributable to non-controlling interests	794	679

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2022	For the six months ended September 30,2023
Cash flows from operating activities		
Profit before income taxes	18,751	19,236
Depreciation	11,599	12,269
Impairment losses	-	24
Loss on tax purpose reduction entry of non-current assets	9	65
Amortization of goodwill	1,659	1,760
Gain on receipt of donated non-current assets	-	(49)
Gain on bargain purchase	(465)	-
Increase (decrease) in allowance for doubtful accounts	(2)	10
Increase (decrease) in provision for bonuses	294	344
Increase (decrease) in retirement benefit liability	4	(1,011)
Decrease (increase) in retirement benefit asset	(109)	(274)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(319)	19
Interest and dividend income	(921)	(1,093)
Interest expenses	508	825
Foreign exchange losses (gains)	(6)	(67)
Share of loss (profit) of entities accounted for using equity method	(735)	(455)
Loss (gain) on sale and retirement of non-current assets	166	(553)
Loss (gain) on sale of investment securities	(144)	(387)
Loss (gain) on valuation of investment securities	-	1
Decrease (increase) in trade receivables and contract assets	5,948	18,107
Decrease (increase) in inventories	(24,534)	(4,584)
Increase (decrease) in trade payables	(1,886)	(19,080)
Decrease (increase) in advance payments to suppliers	(514)	292
Increase (decrease) in contract liabilities	1,955	(2,262)
Other, net	(2,845)	(4,211)
Subtotal	8,410	18,929
Interest and dividends received	979	1,137
Dividends received from entities accounted for using equity method	197	236
Interest paid	(473)	(786)
Income taxes refund (paid)	(9,623)	(9,707)
Net cash provided by (used in) operating activities	(508)	9,809

(Million yen)

	For the six months ended September 30,2022	For the six months ended September 30,2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,866)	(17,780)
Proceeds from sale of property, plant and equipment	715	2,098
Purchase of intangible assets	(926)	(2,614)
Proceeds from sale of intangible assets	0	-
Purchase of investment securities	(948)	(1,228)
Proceeds from sale and redemption of investment securities	241	625
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(19,215)	-
Proceeds from sale of investments in capital	5	-
Loan advances	(1,858)	(1,314)
Proceeds from collection of loans receivable	1,176	1,035
Other, net	(337)	(10,644)
Net cash provided by (used in) investing activities	(35,013)	(29,822)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	13,983	19,690
Proceeds from long-term borrowings	20,304	4,500
Repayments of long-term borrowings	(11,671)	(4,592)
Proceeds from issuance of bonds	20,000	-
Net decrease (increase) in treasury shares	(5)	(9)
Repayments of lease liabilities	(641)	(536)
Dividends paid	(4,880)	(5,456)
Dividends paid to non-controlling interests	(484)	(1,002)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(1)
Net cash provided by (used in) financing activities	36,605	12,593
Effect of exchange rate change on cash and cash equivalents	1,841	970
Net increase (decrease) in cash and cash equivalents	2,926	(6,449)
Cash and cash equivalents at beginning of period	29,574	33,256
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	596	87
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	1
Cash and cash equivalents at end of period	33,096	26,895

(4) Explanatory Notes to Quarterly Consolidated Financial Statements

(Notes on the Assumption of a Going Concern)

None

(Notes in the Event of Significant Changes in Shareholders' Equity)

None

(Segment Information)

I. Second Quarter of FY2022 (April 1, 2022 - September 30, 2022)

a) Information related to sales, operating income (loss) by reportable segment

(million yen)

	Reportable Segments				Others *1	Total	Adjustments *2	Quarterly Consolidated Statements of Income *3
	Integrated Energy	Industrial Gases & Machinery	Materials	Subtotal				
Net sales								
Outside customers	168,635	107,901	121,001	397,538	15,679	413,218	-	413,218
Intersegment	2,159	2,987	1,104	6,251	11,523	17,774	(17,774)	-
Total	170,795	110,888	122,106	403,789	27,203	430,993	(17,774)	413,218
Segment income	3,910	6,402	5,790	16,104	810	16,914	(2,592)	14,321

(Note) *1. "Others" is an operating segment not included in reportable segments. "Others" represents businesses in foods, livestock industry, finance, insurance, transportation, safety, information processing, etc.

*2. Adjustments for segment income or loss include companywide expenses not allocated to each segment and the elimination of intersegment transactions.

*3. Segment income is adjusted with operating income of the quarterly consolidated statements of income.

*4. In FY2022, we finalized provisional accounting treatment for a business combination. The finalization has been reflected in the figures for the second quarter of FY2022.

b) Information on impairment loss on fixed assets and goodwill by reportable segment

None

II. Second Quarter of FY2023 (April 1, 2023 - September 30, 2023)

a) Information related to sales, operating income (loss) by reportable segment

(million yen)

	Reportable Segments				Others *1	Total	Adjustments *2	Quarterly Consolidated Statements of Income *3
	Integrated Energy	Industrial Gases & Machinery	Materials	Subtotal				
Net sales								
Outside customers	143,329	126,841	108,537	378,708	15,503	394,211	-	394,211
Intersegment	2,120	3,037	892	6,051	12,341	18,392	(18,392)	-
Total	145,450	129,878	109,430	384,759	27,844	412,604	(18,392)	394,211
Segment income	(1,199)	10,852	6,259	15,913	1,335	17,248	(2,656)	14,591

(Note) *1. "Others" is an operating segment not included in reportable segments. "Others" represents businesses in foods, livestock industry, finance, insurance, transportation, safety, information processing, etc.

*2. Adjustments for segment income or loss include companywide expenses not allocated to each segment and the elimination of intersegment transactions.

*3. Segment income is adjusted with operating income of the quarterly consolidated statements of income.

b) Matters related to changes in reportable segments, etc.

Effective from the first quarter of FY2023, the business segmentation changed in accordance with changes in the organization of the Company. As a result, the four business segments of the Integrated Energy Business, the Industrial Gases & Machinery Business, the Materials Business and the Agri-bio & Foods Business were reorganized into three business segments of the Integrated Energy Business, the Industrial Gases & Machinery Business and the Materials Business.

The segment information for the second quarter of FY2022 is presented based on the new segmentation.

c) Information on impairment loss on fixed assets and goodwill by reportable segment

None

(Business Combination)

Significant revision of the initial allocation of acquisition costs in comparative information

The business combination with Tokico System Solutions, Ltd., which was effected on April 1, 2022, and the business combination with Tokyo Gas Energy Co., Ltd. (currently, ENELIFE CORPORATION), which was effected on June 1, 2022, were provisionally accounted for in the second quarter of FY2022, and were then finalized in FY2022. With the finalization of the provisional accounting treatment, the comparative information included in the quarterly consolidated financial statements for the second quarter of FY2023 reflects a significant revision in the initial allocation of acquisition costs.

As a result, the quarterly consolidated financial statements for the second quarter of FY2022 indicates that operating profit and ordinary profit each decreased by 175 million yen due to an increase of 175 million yen in selling, general and administrative expenses. In addition, profit before income taxes increased by 148 million yen due to a decrease in gain on sale of non-current assets of 141 million yen and the recording of gain on bargain purchase of 465 million yen, and net income and net income attributable to owners of parent each increased by 304 million yen due to a decrease in income taxes of 155 million yen.

(Significant Subsequent Events)

(Issuance of Corporate Bonds)

At the Board of Directors meeting held on November 9, 2023, the Company resolved to issue unsecured corporate bonds (sustainability bonds). The contents are as follows:

1. Iwatani Corporation 5th Series Unsecured Corporate Bond (with Special Limited Inter-bond Pari Passu Clause)
(sustainability bond)

(1) Total amount of issuance: 5.0 billion yen

(2) Issue price: The bonds shall be issued at 100 yen per value of 100 yen for each corporate bond.

(3) Interest rate: To be determined

(4) Redemption date (planned): December 2030 or later (7-year bonds) (Note)

(5) Payment date (planned): December 2023 or later (Note)

(6) Redemption method: Lump-sum redemption at maturity

(7) Use of proceeds: The proceeds will be used to invest and lend in the construction of a CO2-free hydrogen supply chain, promote a recycling society, and provide infrastructures and services that support local communities. The funds will also be used to repay borrowings incurred to raise such funds.

2. Iwatani Corporation 6th Series Unsecured Corporate Bond (with Special Limited Inter-bond Pari Passu Clause)
(sustainability bond)

- (1) Total amount of issuance: 5.0 billion yen
- (2) Issue price: The bonds shall be issued at 100 yen per value of 100 yen for each corporate bond.
- (3) Interest rate: To be determined
- (4) Redemption date (planned): December 2033 or later (10-year bonds) (Note)
- (5) Payment date (planned): December 2023 or later (Note)
- (6) Redemption method: Lump-sum redemption at maturity
- (7) Use of proceeds: The proceeds will be used to invest and lend in the construction of a CO₂-free hydrogen supply chain, promote a recycling society, and provide infrastructures and services that support local communities. The funds will also be used to repay borrowings incurred to raise such funds.

Note: The specific date will be determined at a later date.

In the consolidated fiscal year ended March 31, 2023, the Company finalized the provisional accounting treatment for a business combination. The figures for the second quarter of FY2022 reflect the finalization of the provisional accounting treatment.

(1) Consolidated Statements of Income

(Unit: 100 million yen)

	2Q FY2022 Apr-Sep 2022	2Q FY2023 Apr-Sep 2023	Change	Rate	FY2023 (Forecast)	Overview
Net sales	4,132	3,942	(190)	(4.6%)	9,070	Sales decreased due to low LPG import prices and higher temperatures
Gross profit	981	1,009	27	2.8%	—	
Operating profit	143	145	2	1.9%	450	Ordinary profit and profit attributable to owners of parent decreased due to a significant negative impact of LPG price fluctuation (-5.6 billion yen year-on-year), despite an improvement in each segment
Ordinary profit	183	181	(1)	(0.7%)	503	
Profit attributable to owners of parent	126	120	(5)	(4.3%)	335	

* Figures for fiscal year ending March 31, 2024(forecast) were announced on May 15, 2023.

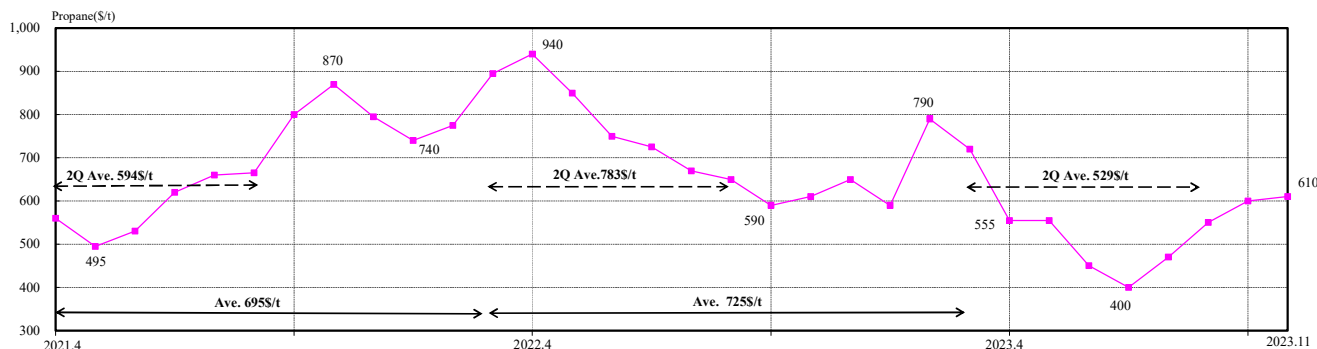
(2) Operating Profit Except for Impact of LPG Import Price Fluctuation

(Unit: 100 million yen)

	2Q FY2022 Apr-Sep 2022	2Q FY2023 Apr-Sep 2023	Change	Rate	FY2023 (Forecast)	Overview
Operating profit	143	145	2	1.9%	450	<ul style="list-style-type: none"> Impact of LPG import price fluctuation in current period was -5.1 billion yen, which decreased the profit by 5.6 billion yen year-on-year Operating profit except for impact of LPG import price fluctuation was 19.7 billion yen, which is a record high
Impact of LPG import price fluctuation	5	(51)	(56)	—	—	
Operating profit except for impact of LPG import price fluctuation	137	197	59	43.1%	450	

* For more detailed information, please see a slide of "Impact of LPG Import Prices" in Iwatani Corporation Business Overview. (https://www.iwatani.co.jp/eng/ir/pdf/about_iwatani.pdf)

(3) LPG Import Price (CP)



(4) Segment Information

(Unit: 100 million yen)

		2Q FY2022 Apr-Sep 2022	2Q FY2023 Apr-Sep 2023	Change	Rate	Overview
Integrated Energy	Net sales	1,686	1,433	(253)	(15.0%)	<ul style="list-style-type: none"> Sales decreased due to low LPG import prices and higher temperatures Negative impact of LPG import price fluctuation
	Operating profit	39	(11)	(51)	—	
Industrial Gases & Machinery	Net sales	1,079	1,268	189	17.6%	<ul style="list-style-type: none"> Sales of air-separation gas and hydrogen gas decreased while we coped with increased production cost Steady supply of helium was maintained In machinery and equipment, sales of power semiconductor equipment and gas supply facilities increased
	Operating profit	64	108	44	69.5%	
Materials	Net sales	1,210	1,085	(124)	(10.3%)	<ul style="list-style-type: none"> Sales of rechargeable battery materials for next-generation automobiles decreased Sales of biomass fuels and PET resin for beverage bottles increased Mineral sands business overseas expanded Sales of stainless steel and processed metal products mainly for air conditioner also remained strong
	Operating profit	57	62	4	8.1%	
Others, Adjustments	Net sales	156	155	(1)	(1.1%)	
	Operating profit	(17)	(13)	4	—	

*Net sales represent sales to third parties.

* Effective from the first quarter of FY2023, the business segment categorization method changed in accordance with changes in the corporate organization. The segment information for the second quarter of FY2022 has been prepared based on the new categorization method, and comparisons of increases and decreases have been made.

(5) LPG and Industrial Gases Net Sales - Sales Volume

	Sales volume (thousand tons)				Net sales (100 million yen)			
	2Q FY2022 Apr-Sep 2022	2Q FY2023 Apr-Sep 2023	Change	Rate	2Q FY2022 Apr-Sep 2022	2Q FY2023 Apr-Sep 2023	Change	Rate
Domestic residential use	524	498	(26)	(5.0%)	860	693	(166)	(19.4%)
Domestic industrial use	191	143	(48)	(25.2%)	241	141	(99)	(41.2%)
LPG sub total (except for overseas)	716	641	(74)	(10.4%)	1,101	835	(265)	(24.1%)
LPG total	723	648	(74)	(10.3%)	1,109	843	(266)	(24.0%)
Various industrial gases	—	—	—	—	611	750	139	22.7%

(6) Financial Position

(Unit: 100 million yen)

	FY2022 end	2Q FY2023 end	Change
Total assets	6,560	6,701	141
Equity	3,019	3,193	173
Interest-bearing debt, gross	1,394	1,610	215
Interest-bearing debt, net	1,057	1,338	280
Equity ratio	46.0%	47.7%	1.7pt
Ratio of interest-bearing debt to total assets	21.2%	24.0%	2.8pt
Debt-to-equity ratio, gross	0.46	0.50	0.04pt
Debt-to-equity ratio, net	0.35	0.41	0.06pt

(8) Cash Flows

(Unit: 100 million yen)

	2Q FY2022 Apr-Sep 2022	2Q FY2023 Apr-Sep 2023	Change
Cash and cash equivalents at beginning of period	295	332	36
Cash flows from operating activities	(5)	98	103
Cash flows from investing activities	(350)	(298)	51
Free cash flow	(355)	(200)	155
Cash flows from financing activities	366	125	(240)
Effect of exchange rate change on cash and cash equivalents	18	9	(8)
Net increase (decrease) in cash and cash equivalents	29	(64)	(93)
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	5	0	(5)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	0	0
Cash and cash equivalents at end of period	330	268	(62)

(7) Capital Expenditure

(Unit: 100 million yen)

	2Q FY2023 Apr-Sep 2023	FY2023 (Forecast)
Integrated Energy	67	131
Industrial Gases & Machinery	78	313
Materials	25	55
Others, Adjustments	142	221
Capital expenditure	314	720
Depreciation	134	278

* Presented here are figures for property, plant and equipment, intangible assets (including goodwill), and investments securities, etc. (which include ¥16.2 billion yen invested in property, plant and equipment in the current period.)

(9) Non-consolidated
Non-consolidated Statements of Income

(Unit: 100 million yen)

	2Q FY2022 Apr-Sep 2022	2Q FY2023 Apr-Sep 2023	Change	Rate
Net sales	2,674	2,321	(352)	(13.2%)
Operating profit	57	17	(40)	(70.0%)
Ordinary profit	147	105	(42)	(28.7%)
Profit	116	89	(27)	(23.2%)

Financial Position

(Unit: 100 million yen)

	FY2022 end	2Q FY2023 end	Change
Total assets	4,403	4,532	128
Equity capital	2,082	2,190	108
Equity capital ratio	47.3%	48.3%	1.0pt