



FY 2018 1st Half Financial Results

(Six Months Ended September 30, 2018)

November 19, 2018

Iwatani Corporation

- **FY 2018 1st Half Overview**
- **FY 2018 Forecasts**
- **Building new platform**
- **The liberalization of the city gas market**
- **Hydrogen business**

FY 2018 1st Half

Overview

Analysis of Net Sales

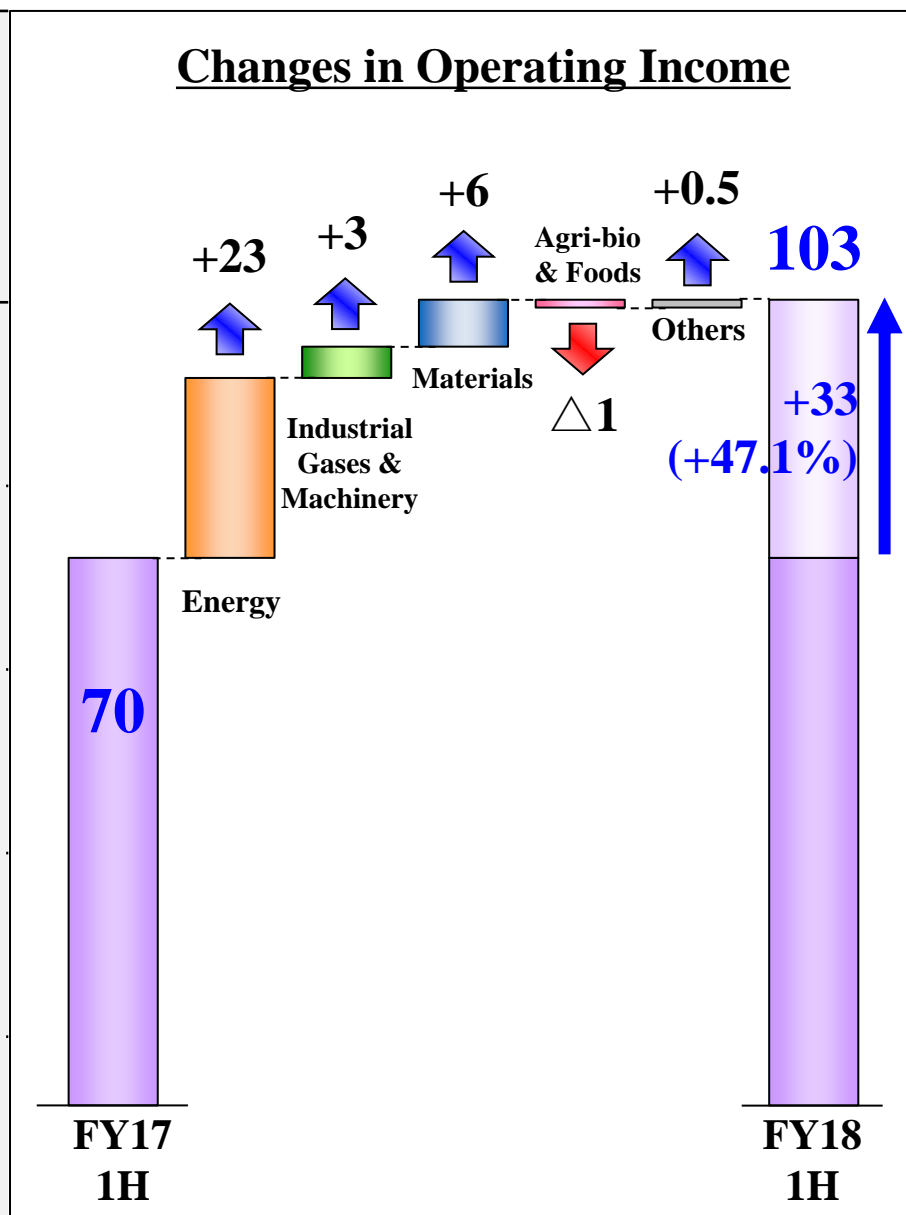
(Unit: 100 million Yen)

	(A) FY18 1H Results	(B) FY17 1H Results	(C) Year-on- Year (A)-(B)	(D) FY18 1H Forecast	<h2><u>Changes in Net Sales</u></h2>	
Net Sales	3,340	2,981	+358	3,350	<div> <div>2,981</div> <div>FY17 1H</div> </div> <div> <div>3,340</div> <div>FY18 1H</div> </div>	<div> <div>+184</div> <div>Energy</div> </div> <div> <div>+30</div> <div>Industrial Gases & Machinery</div> </div> <div> <div>+159</div> <div>Materials</div> </div> <div> <div>-17</div> <div>Agri-bio & Foods</div> </div> <div> <div>+1</div> <div>Others</div> </div> <div> <div>+358</div> <div>(+12.0%)</div> </div>
Gross Profit	805	756	+49	-		
Operating Income	103	70	+33	85		
Ordinary Income	117	81	+36	95		
Profit(loss) attributable to owners of parent	74	45	+28	55		

Analysis of Operating Income

(Unit: 100 million Yen)

	(A) FY18 1H Results	(B) FY17 1H Results	(C) Year-on- Year (A)-(B)	(D) FY18 1H Forecast
Net Sales	3,340	2,981	+358	3,350
Gross Profit	805	756	+49	-
Operating Income	103	70	+33	85
Ordinary Income	117	81	+36	95
Profit(loss) attributable to owners of parent	74	45	+28	55



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

Wholesale Price \propto LPG Import Price※

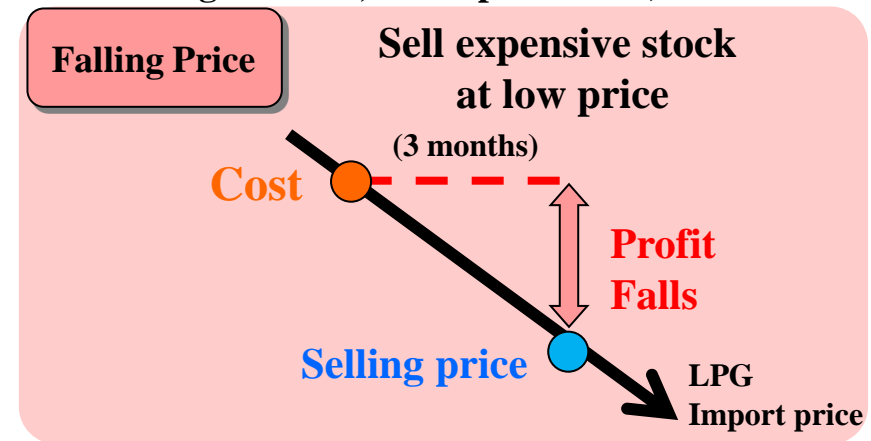
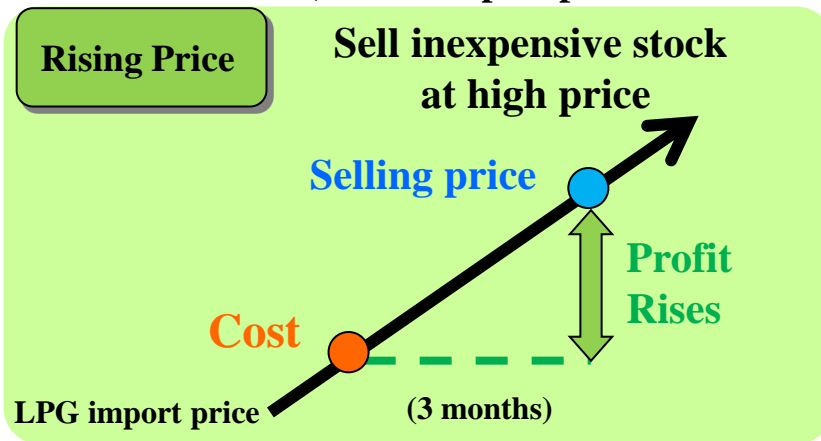
※ The price consists of “CP” (from the middle east) and “MB” (from the U.S).



LPG Import Price Fluctuations

Short-term impact of market fluctuations

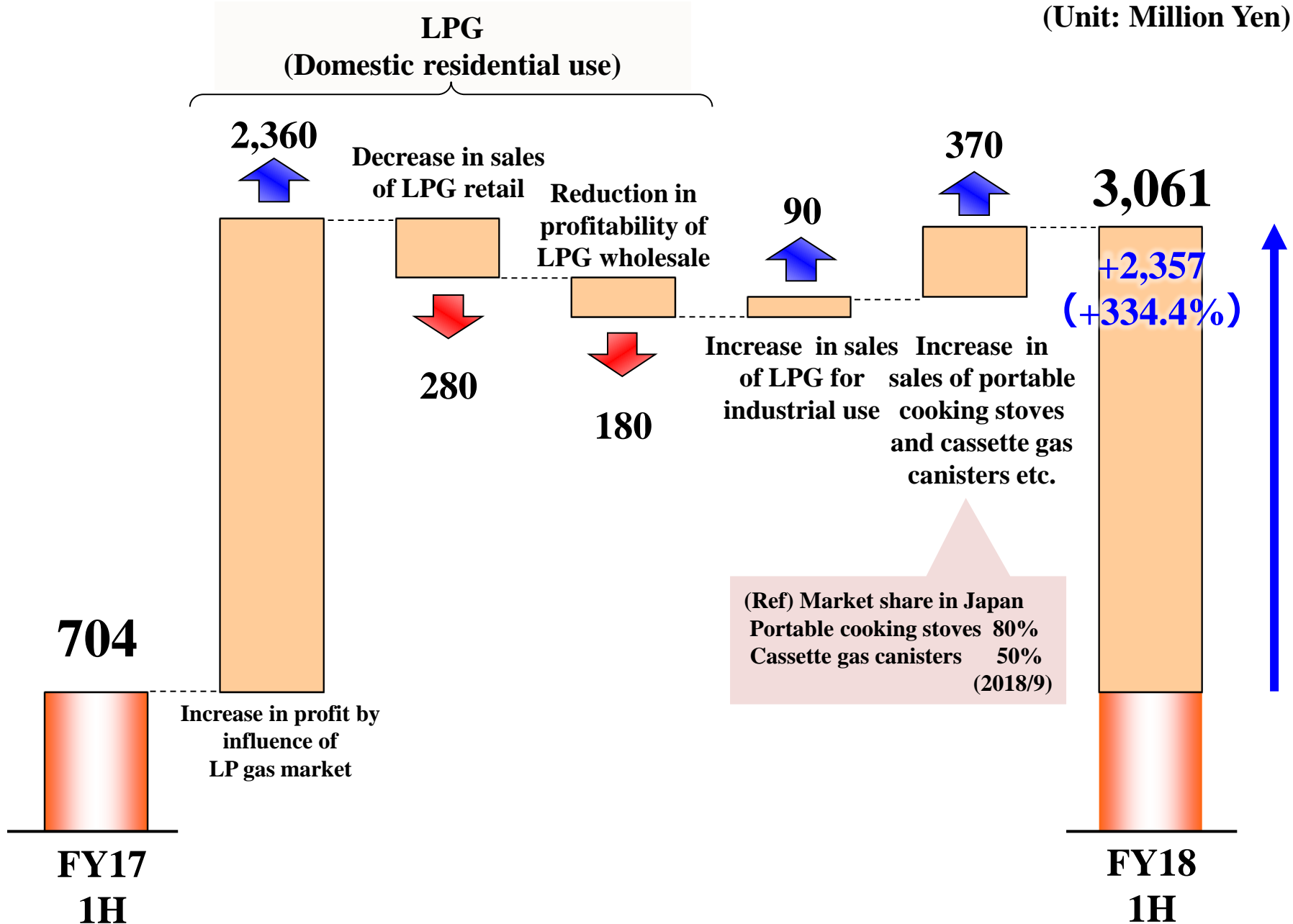
(If LPG import price fluctuations return to the original level, the impact is ± 0 .)※



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

Changes in Operating Income – Energy

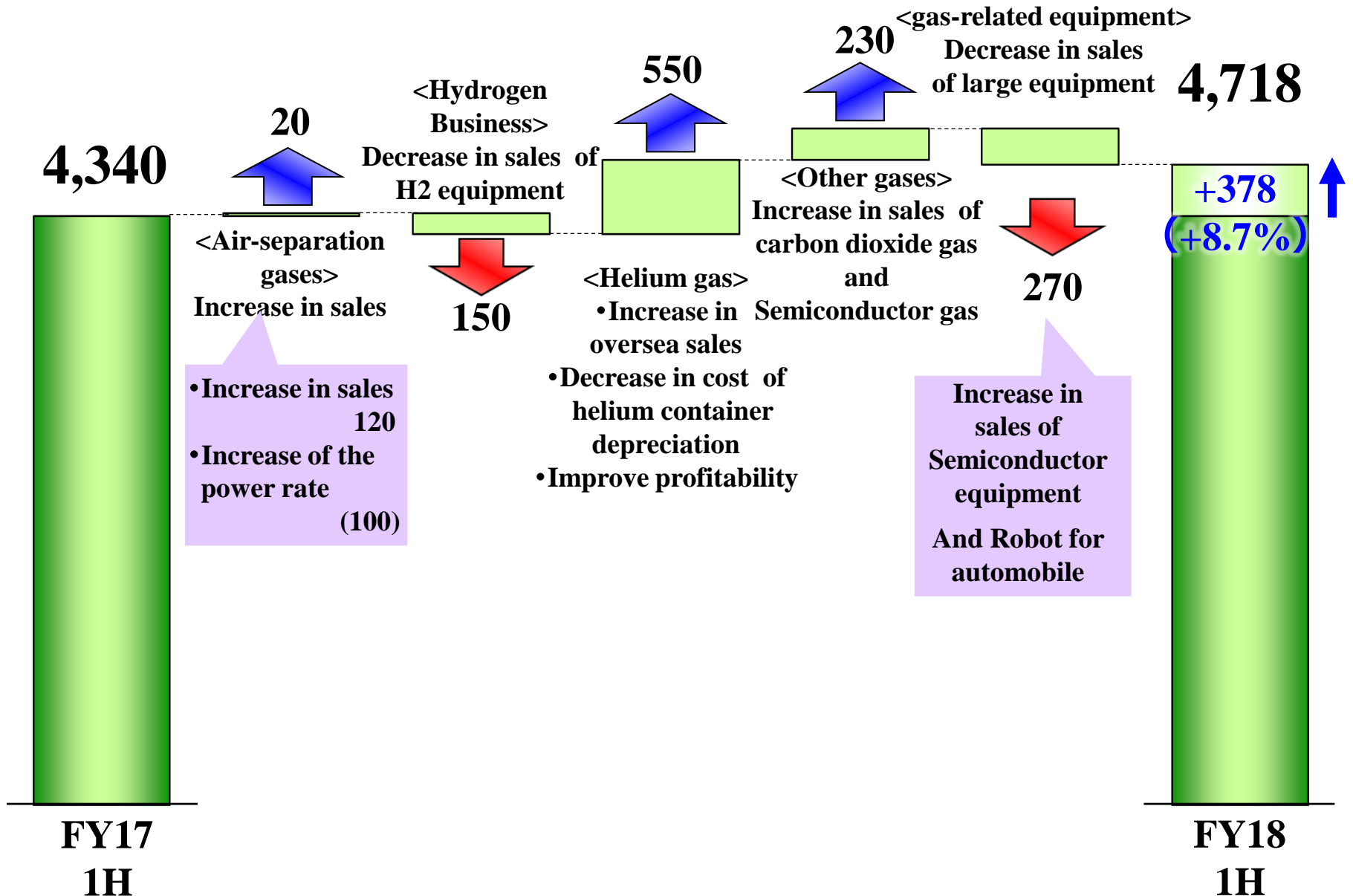
(Unit: Million Yen)



Changes in Operating Income

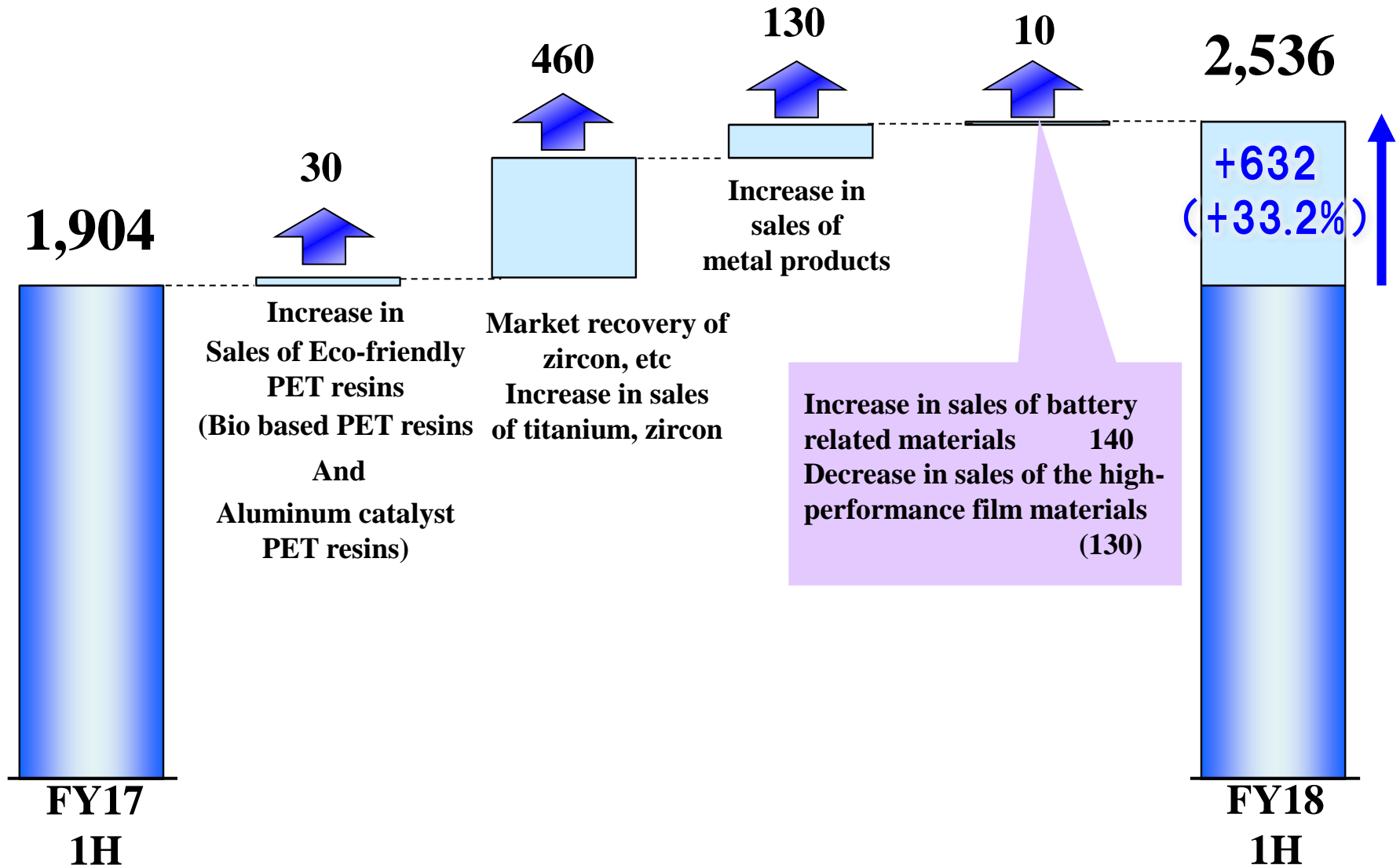
– Industrial Gases & Machinery

(Unit: Million Yen)



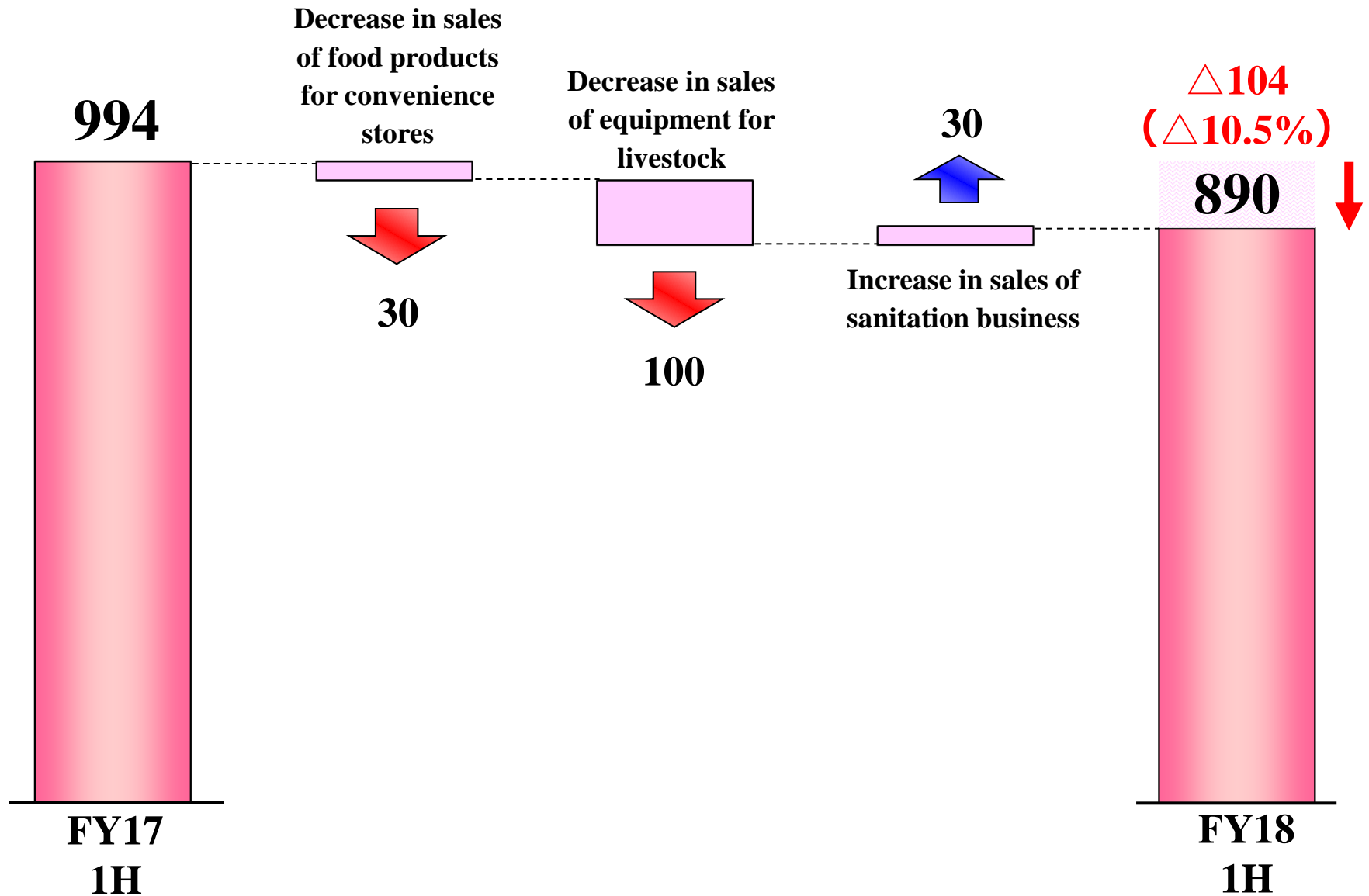
Changes in Operating Income – Materials

(Unit: Million Yen)



Changes in Operating Income – Agri-bio & Foods

(Unit: Million Yen)



Balance Sheets (Consolidated Basis)

(Unit: 100 million Yen)

	FY18 1H (A)	FY17 1H (B)	(A) - (B)	Major factors for changes
Current assets	1,897	1,762	+135	Increase in accounts receivable
Property, plant and equipment	1,621	1,584	+37	Investment in hydrogen business and helium centers etc
Intangible assets	172	172	+0	
Investments and other assets	849	833	+16	
Fixed assets	2,643	2,589	+53	
Total assets	4,540	4,352	+188	
Current liabilities	1,702	1,742	△40	Decrease in Interest-bearing debt
Long - term liabilities	1,117	1,096	+21	
Total liabilities	2,819	2,838	△19	Ratio of Interest-bearing Debt to Total Assets 30.2% , Interest-bearing debt, gross 1,372
Equity capital	1,605	1,405	+199	Capital ratio 35.3%
Non-controlling interests	116	107	+8	
Net assets	1,721	1,513	+208	
Total liabilities and net assets	4,540	4,352	+188	

Statements of Cash Flows

(Unit: 100 million Yen)

	FY18 1H (A)	FY17 1H (B)	(A) - (B)
Cash flows from operating activities	77	56	+20
Cash flows from investing activities	△102	△158	+55
Free cash flows	△24	△101	+76
Cash flows from financing activities	22	53	△31
Effect of exchange rate changes, etc.*	0	3	△2
Net increase (decrease) in cash and cash equivalents	△1	△45	+43
Cash and cash equivalents at beginning of period	177	212	△34
Cash and cash equivalents at end of period	175	166	+8

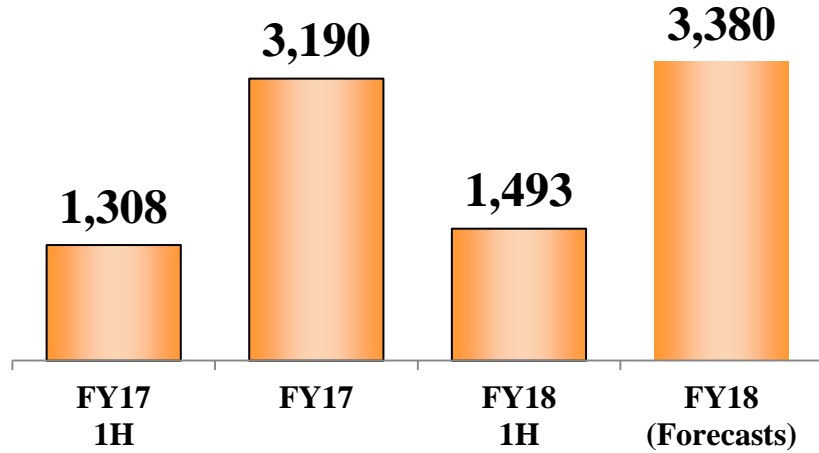
* “Effect of exchange rate changes, etc.” are the sum of “Effect of exchange rate changes”, “Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation” and “Increase in cash and cash equivalents resulting from merger with nonconsolidated subsidiaries”.

FY2018 Forecasts

Forecasts: Energy

Net Sales

(100 million Yen)

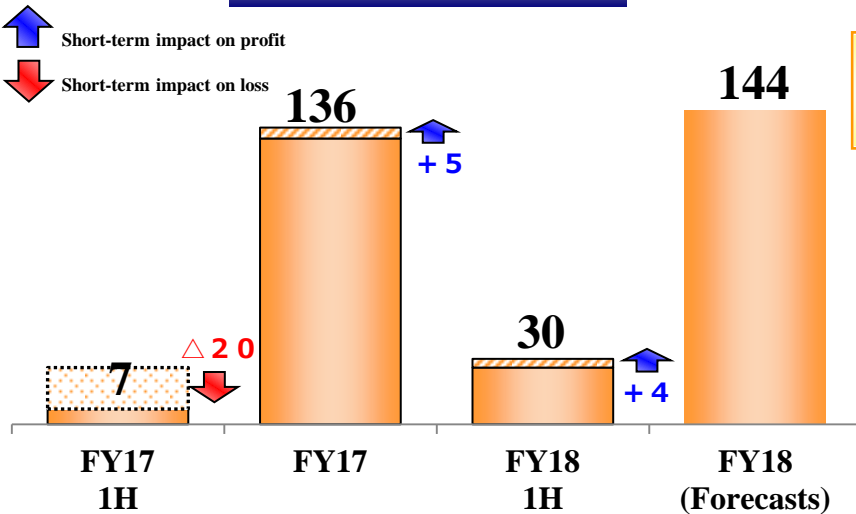


Marketing measures toward achievement of FY18 focus

- Increase in LPG sales volumes
 - Expansion in number of LPG direct sales customers
 - Expansion in sales of LPG whole seller
- Expansion in sales of cooking stoves and cassette gas canisters
- Expansion in sales of energy related equipment

Operating Income

(100 million Yen)



Major risk factors

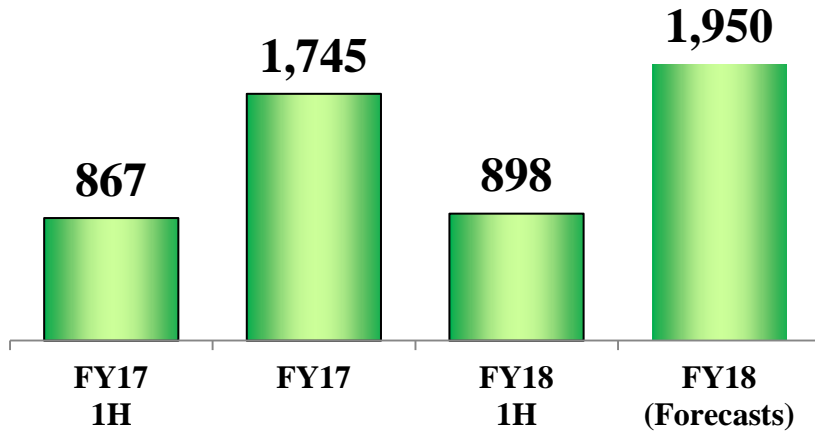
- ◇ Trends in LPG import price, exchange rate fluctuations
- ◇ Decrease in sales volume due to warmer winter

※Short-term impact ± 0

Forecasts: Industrial Gases & Machinery

Net Sales

(100 million Yen)

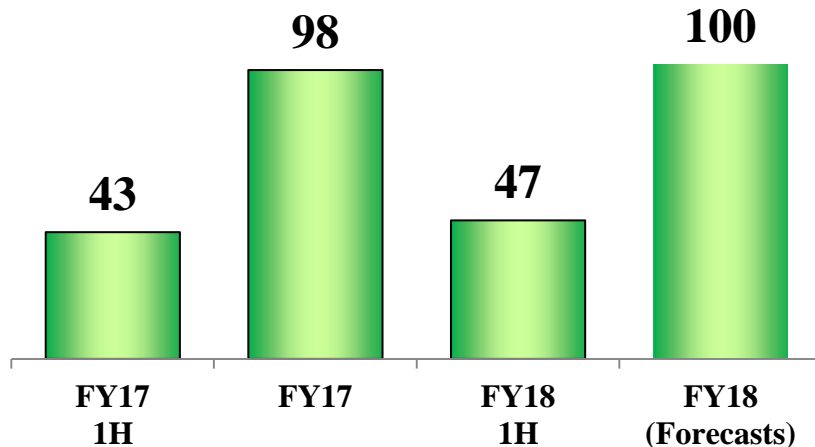


Marketing measures toward achievement of FY18 focus

- Expansion in sales of air-separation gas and LH2
- Stable Supply of helium gas
- Expansion of in sales of gas-related equipment

Operating Income

(100 million Yen)



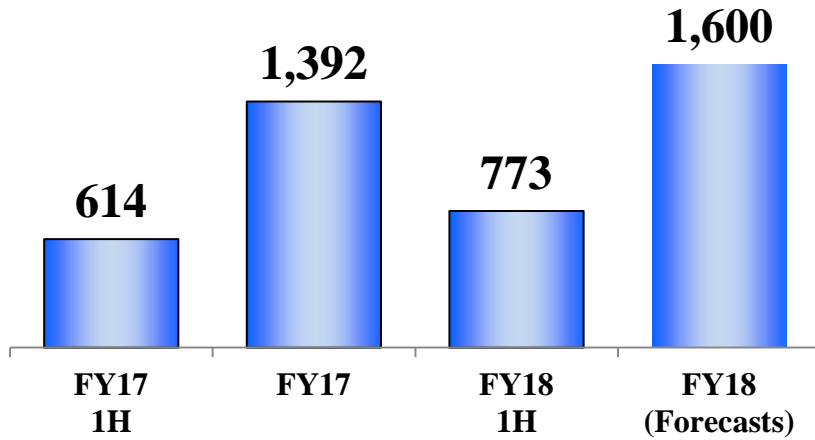
Major risk factors

- ◇ Impact on manufacturing costs from increase in electric power costs
- ◇ Economic downturns in Japan and overseas
- ◇ Exchange rate fluctuations

Forecasts: Materials

Net Sales

(100 million Yen)

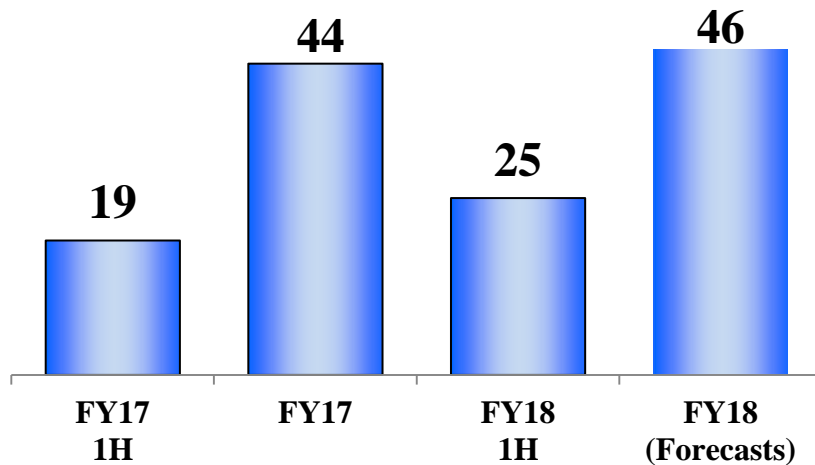


Marketing measures toward achievement of FY18 focus

- Expansion in sales of PET resin raw material
- Expansion in sales of titanium, zircon , etc
- Expansion of biomass fuel business
- Expansion in sales of EV battery materials

Operating Income

(100 million Yen)



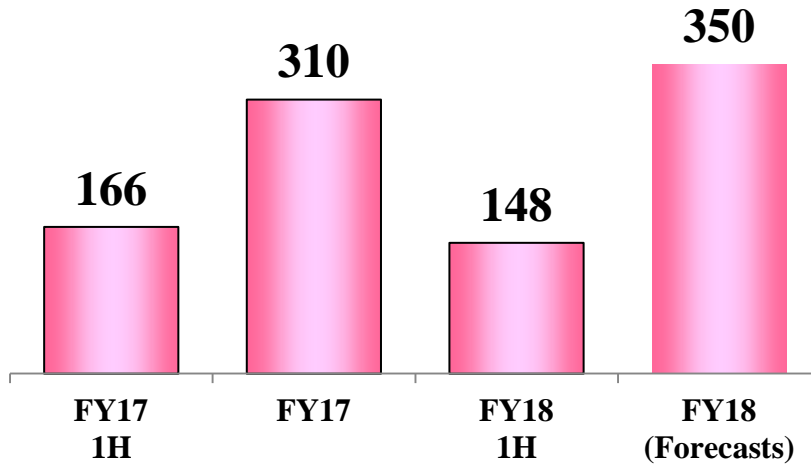
Major risk factors

- ◇ Reduction in utilization rates of customer factories
- ◇ Downturn, price fluctuations in resource markets
- ◇ Exchange rate fluctuations

Forecasts: Agri-bio & Foods

Net Sales

(100 million Yen)

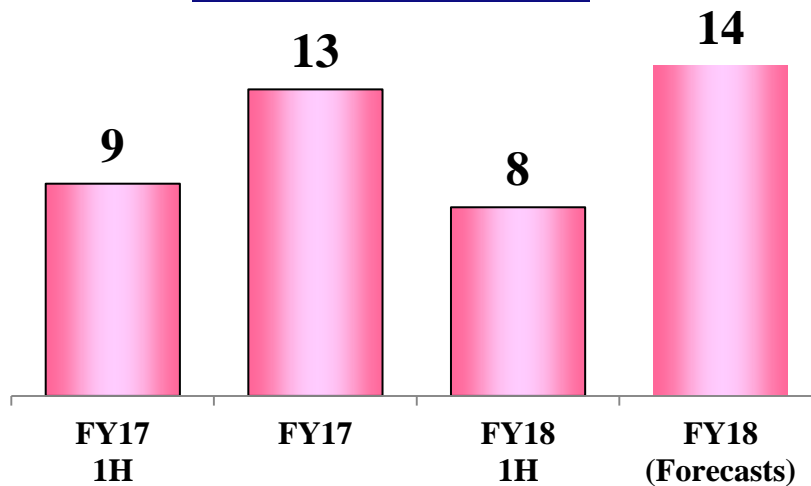


Marketing measures toward achievement of FY18 focus

- Expansion of foods business
- Expansion in sales of equipment for agriculture and livestock, and seed pigs

Operating Income

(100 million Yen)



Major risk factors

- ◇ Exchange rate fluctuations
- ◇ Fluctuations in raw material costs
- ◇ Climate change

FY2018 Forecasts

(Unit: 100 Million Yen)

	FY18 Forecasts (A)	FY17 Results (B)	Year-on-Year(C) (A) - (B)	Year-on-Year (C) / (B)
Net Sales	7,350	6,707	+642	+9.6%
Energy	3,380	3,190	+189	+5.9%
Industrial Gases & Machinery	1,950	1,745	+204	+11.7%
Materials	1,600	1,392	+207	+14.9%
Agri-bio & Foods	350	310	+39	+12.7%
Others	70	69	+0	+1.1%
Operating Income	284	271	+12	+4.4%
Energy	144	136	+7	+5.2%
Industrial Gases & Machinery	100	98	+1	+1.9%
Materials	46	44	+1	+2.8%
Agri-bio & Foods	14	13	+0	+5.1%
Others, Adjustments	(20)	(21)	+1	—
Ordinary Income	300	294	+5	+2.0%
Profit attributable to owners of parent	180	175	+4	+2.4%

Assumption of financial performance

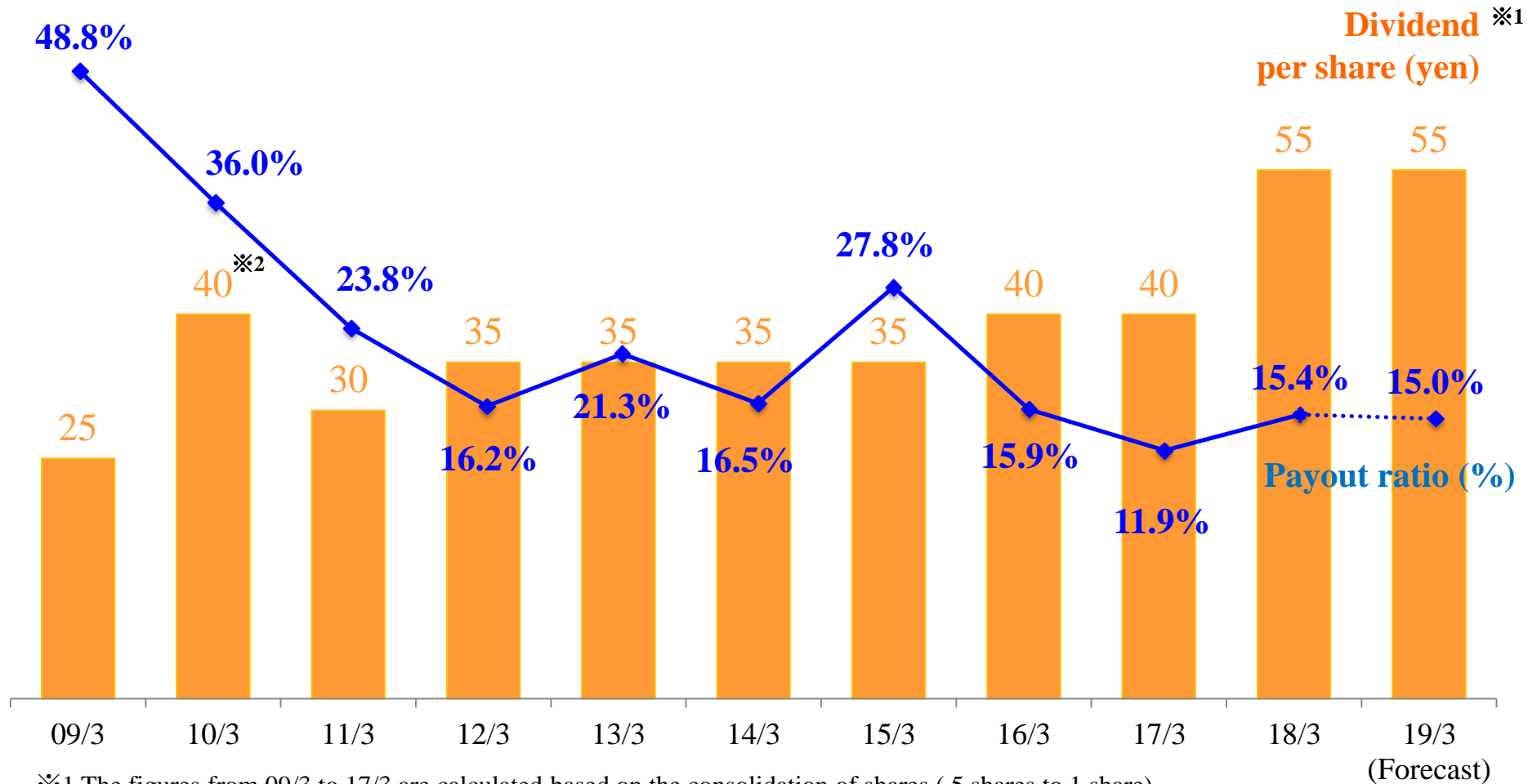
Ave. exchange rate 110 Yen/USD,

Ave. CP USD 510/ton

Returns to Shareholders (Consolidated Basis)

Dividend policy

- Paying continuous and stable dividends
- Returning our profits appropriately in consideration for our performance and business situation



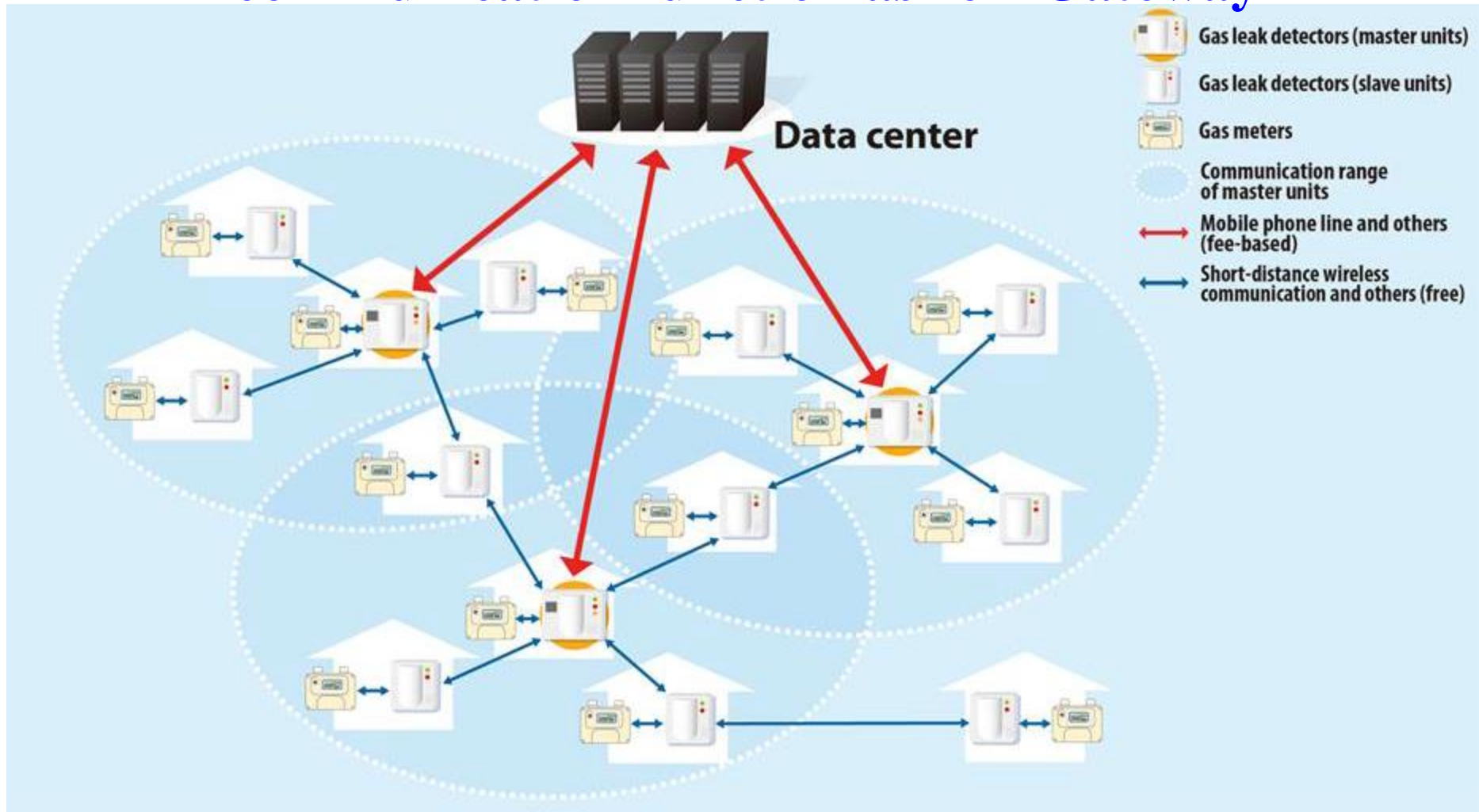
※1 The figures from 09/3 to 17/3 are calculated based on the consolidation of shares (5 shares to 1 share).

※2 Including commemorative dividend: 15 yen (Taking into account the consolidation of shares)

Building new platform

Building new platform

Utilize gas leak detector equipped with communication function as IoT Gateway



Gateway function using a gas leak detector equipped with a communication function

Building new platform

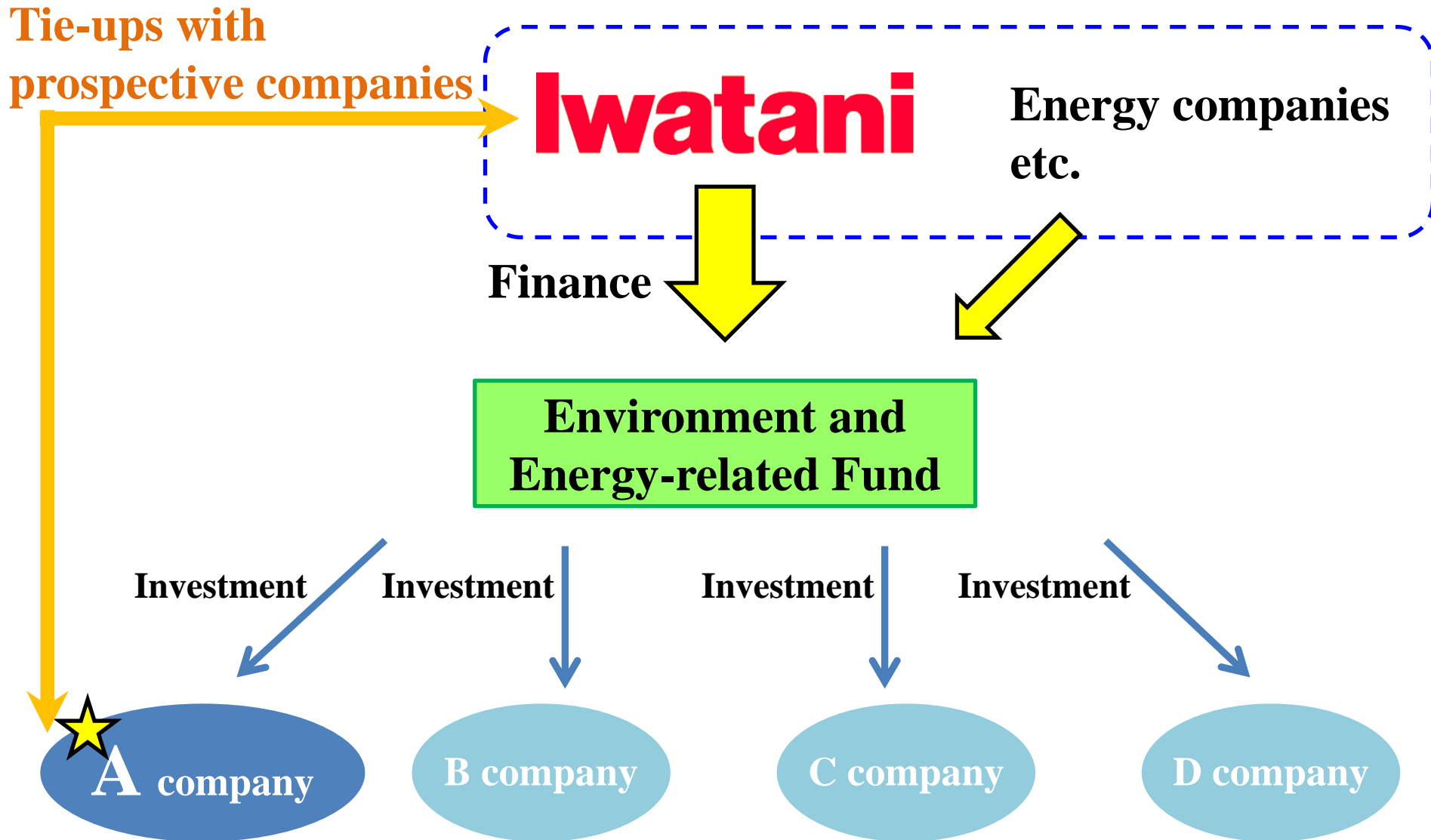
Utilize gas leak detector equipped with communication function as IoT Gateway



Utilize AI and IoT Iwatani's business platforms

Building new platform

Finance environment and energy-related fund



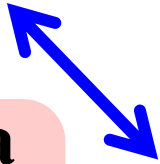
The liberalization of the city gas market

The liberalization of the city gas market

**Expand city gas business through collaborations
with Electric Power Companies**



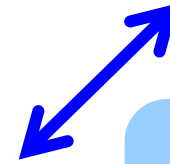
Kansai area
Safety customers
580K households



Iwatani



Chubu area
Safety customers
100K households



NEW

October, 2018 ~

**Start to sell city gas related equipment through
collaborations with Kyushu Electric Power**

Hydrogen business

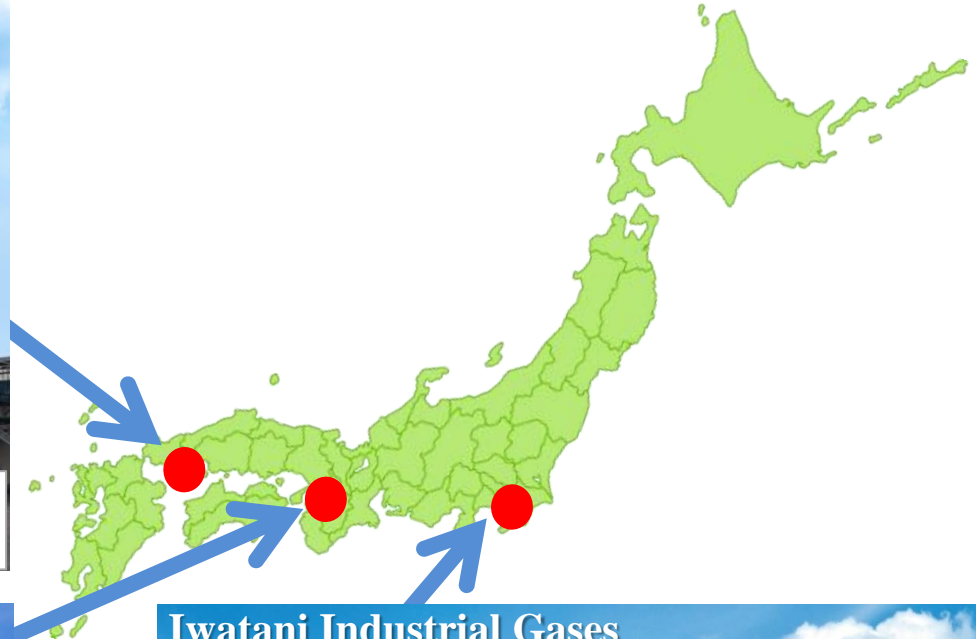
Hydrogen business

Strengthen LH2 production capacity to 120 million m3 per year

Yamaguchi Liquid Hydrogen
(Yamaguchi)



January 2018
1Line ⇒ 2 Line



Hydro Edge (Osaka)



2020
2Line ⇒ 3Line (Plan)

Iwatani Industrial Gases
Chiba Plant



1Line

Hydrogen business

Fukushima Hydrogen Energy Research Field

FHER FUKUSHIMA
HYDROGEN
ENERGY
RESEARCH
FIELD



Hydrogen energy system (provided by Toshiba ESS)

Hydrogen business

Light a cauldron with hydrogen in the National Sports Festival in Fukui (World's first)



The cauldron light with hydrogen

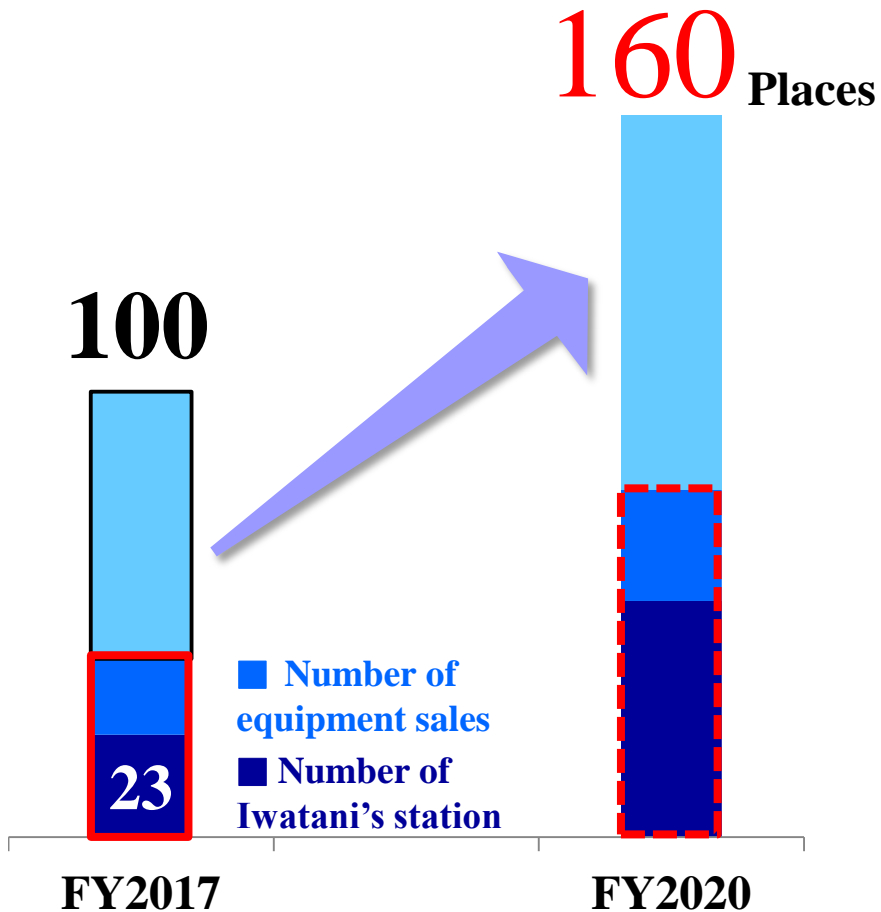
Hydrogen business

Promote hydrogen refueling station construction

<Hydrogen refueling station construction plan>

Construction plan for FY2018

Osaka・Itami、Wakayama、Aichi・Atsuta、
Niigata、Tokyo・Kasai



Osaka・Itami



Wakayama



Aichi・Atsuta



Niigata

Hydrogen business

Construct hydrogen refueling stations for FC bus



Fillable to FC bus (Hydrogen refueling station in Tokyo・Ariake)

Hydrogen business

Improve operation efficiency by self-filled hydrogen



Hydrogen refueling station in Shiba-Park



State of the Self filling

Hydrogen business

Construct the first hydrogen refueling station on the Japan Sea side



Hydrogen refueling station scheduled to be built in Niigata



Contact

Iwatani Corporation

IR, Corporate Planning & Coordination Department

TEL : +81-6-7637-3470 FAX : +81-6-7637-3333

Website : <http://www.iwatani.co.jp/eng/investor/investor01.html>

Forward-looking statements in this document are based on management expectations and are not commitments or guarantees. Consequently, users of this document are requested to fully understand that results may vary from expectations.