Iwatani

FY 2020 Financial Results

(Fiscal Year Ended March 31, 2021)

May 21, 2021

Iwatani Corporation

Contents

FY 2020 Overview

Analysis of Net Sales

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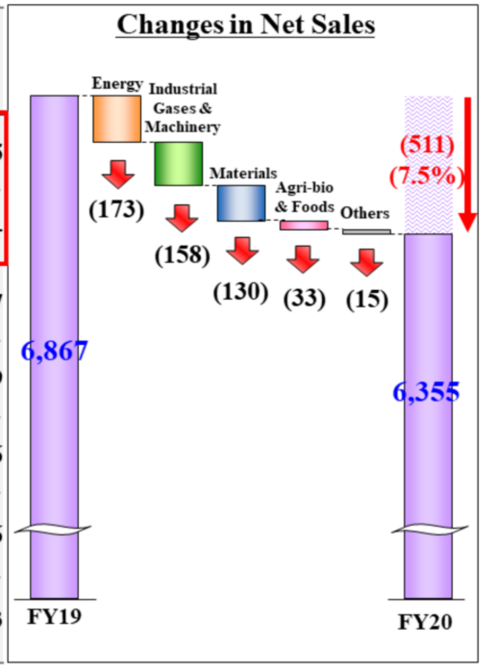
(Unit: 100 million Yen)

	FY20 Results (A)	FY19 Results (B)	Year-on-Year (A)-(B)	FY20 Forecast
Net sales	6,355	6,867	(511)	6,775
Gross profit	1,768	1,762	+6	-
Operating profit	299	287	+12	247
Non-operating profit	44	35	+8	29
Ordinary profit	344	322	+21	276
Ordinary profit except for impact of LPG import price fluctuation	326	325	+0	276
Profit attributable to owners of parent	232	209	+22	173



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Net sales decreased by JPY51.1 billion from the previous fiscal year to JPY635.5 billion, mainly due to a decrease in sales of mainstay products for the industrial sector caused by the impact of the COVID-19, as well as low LPG import prices.

Of the JPY51.1 billion, JPY17.3 billion was negative in the Energy business, JPY10 billion of which was due to a decrease in overseas barter transactions, which are conducted for the purpose of efficient and stable LPG procurement and have no impact on profits.

Gross profit increased by JPY600 million YoY to JPY176.8 billion due to improved market factors for LPG compared to the previous year and increased sales of consumer products.

Analysis of Operating Profit

Iwatani

(Unit: 100 million Yen)

	FY20 Results (A)	FY19 Results (B)	Year-on-Year (A)-(B)	FY20 Forecast
Net sales	6,355	6,867	(511)	6,775
Gross profit	1,768	1,762	+6	-
Operating profit	299	287	+12	247
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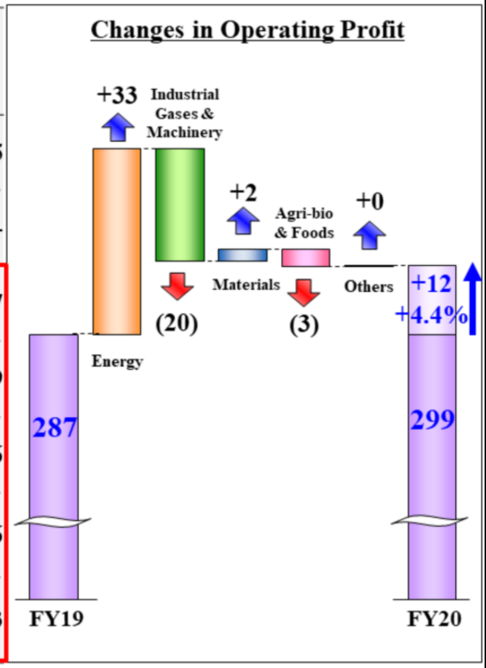


Operating profit increased by JPY1.2 billion from the previous fiscal year to JPY29.9 billion due to a JPY600 million decrease in SG&A expenses as a result of a decrease in travel and transportation expenses due to the COVID-19 crisis.

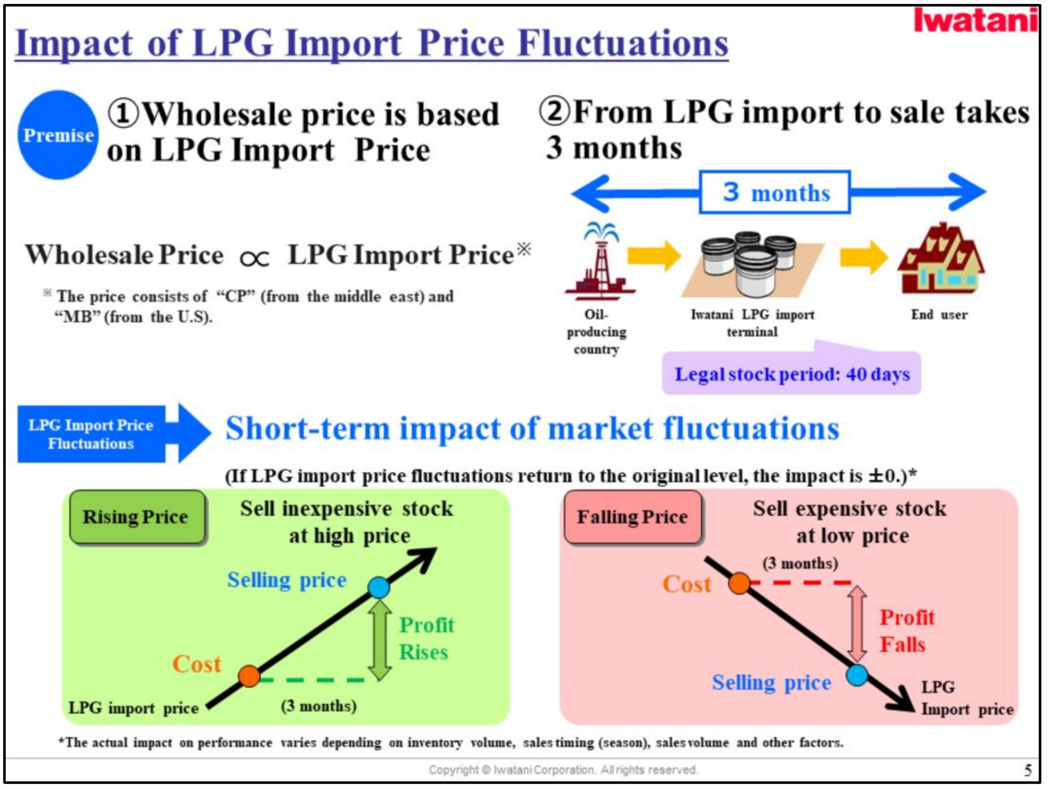
Profit increased in the Energy business and the Materials business due to improved market factors and increased sales of consumer products but decreased in the Industrial Gases & Machinery businesses and the Agri-Bio & Foods business due to the negative impact of the COVID-19.

Non-operating profit improved due to an increase in subsidies for the operation of hydrogen-refueling stations and subsidies for hydrogen-related projects.

Ordinary profit increased by JPY2.1 billion from the previous fiscal year to JPY34.4 billion.

Profit attributable to owners of parent increased by JPY2.2 billion from the previous fiscal year to JPY23.2 billion.

As a result, we achieved record profits in all profit categories for the second consecutive year.



I would like to explain the situation by segment. First, I will briefly explain the impact of fluctuations in LPG import prices on our business performance.

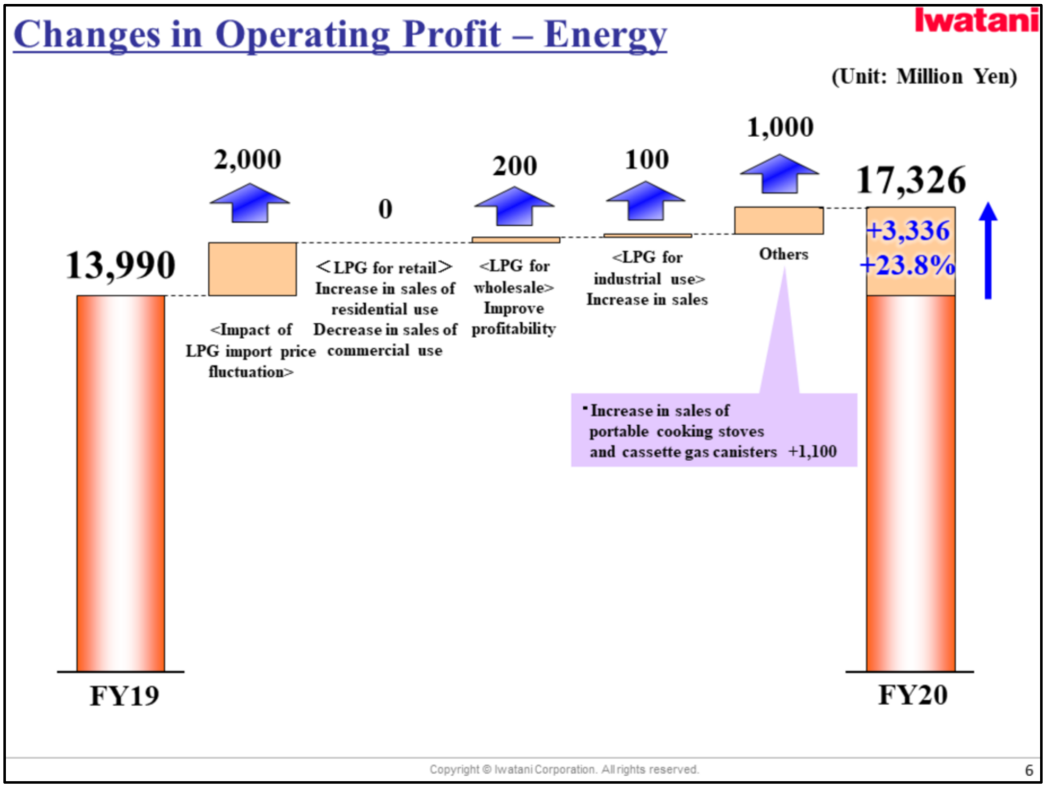
We import LPG from the Middle East and the US. The import price from the Middle East is called the contract price, or CP for short, and the import price from the US is called the Mont Belvieu price, or MB for short, and these prices fluctuate monthly.

In order to equalize the fluctuation of import prices, we have a pricing system with many wholesalers where the selling prices are linked to CP and MB.

On the other hand, we use the first-in, first-out, or FIFO, method for inventory valuation. However, since it takes time from the import of LPG to the sale of LPG, we have to sell inventory that is approximately 3 months old when we sell it.

As a result, when the price of LPG imports rises, we will sell low-cost inventory at a higher price; when it falls, we will sell high-cost inventory at a lower price. These effects are referred to as market factors.

The transition of CP is described on page 26 of the Overview of Business Results.



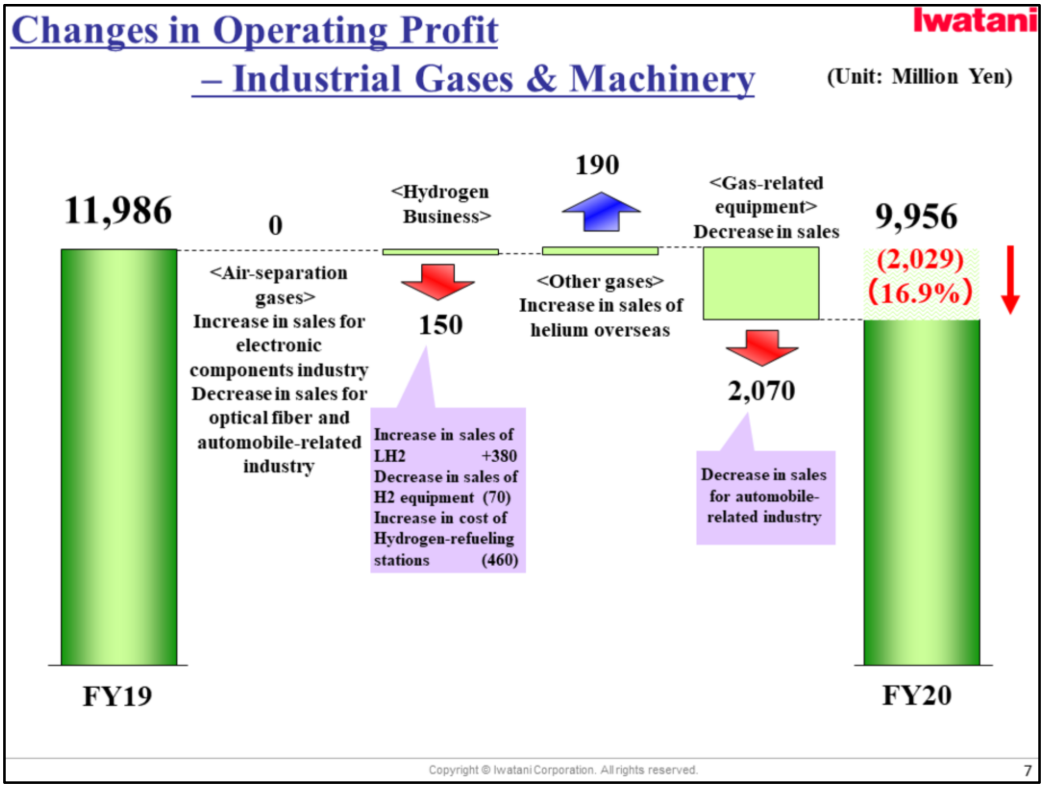
First of all, in the Energy business, as I mentioned earlier, market factors for LPG improved, resulting in an increase in profit of JPY2 billion over the previous year.

In the Retail sector, sales of LPG for residential use increased due to a rise in the stay-at-home rate but sales volume of LPG for commercial use decreased due to a decline in the utilization rate of customers, resulting in flat overall sales.

In the Wholesale sector, profits increased due to improved profitability and sales of LPG for industrial-use increased due to the promotion of fuel conversion.

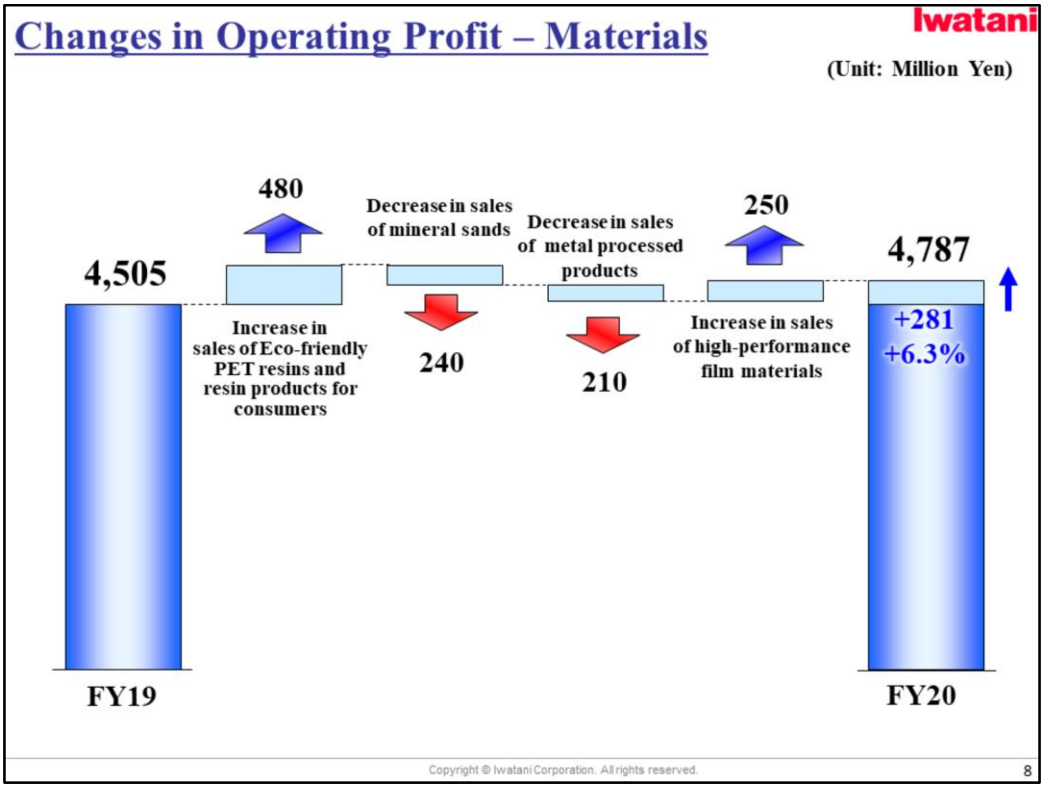
In addition to LPG, sales of portable gas cooking stoves and cassette gas canisters increased due to stay-at-home demand, et cetera. As a result, operating profit in this business segment increased by 23.8% to JPY17.3 billion.

As of the end of March, the number of LPG direct sales customers was 1.01 million.



The Industrial Gases & Machinery business.

Sales of air separation gas remained flat overall due to increased sales for the electronic components industry, although sales to the optical fiber and automobile-related industries decreased.
In the Hydrogen business, sales of liquefied hydrogen increased but operating expenses for hydrogen-refueling stations increased, resulting in a decrease in profits.
In Specialty Gases and Others, sales of carbon dioxide gas decreased. But, overseas sales of helium, mainly for the semiconductor industry, increased, resulting in higher profits.
In Machinery, sales decreased due to customers' restraint and postponement of capital investment, mainly in the automobile-related industries.
As a result, operating profit in this business segment decreased by 16.9% to JPY9.9 billion.

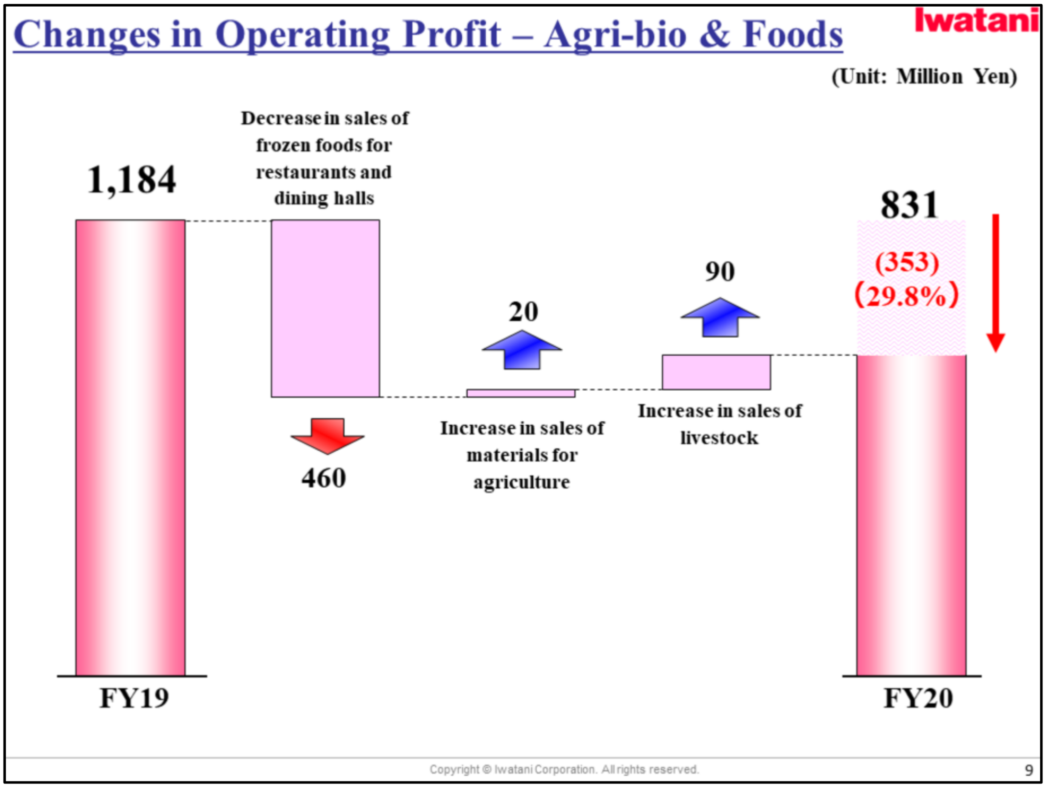


Next, for the Materials business, in addition to an increase in sales of Eco-friendly PET resins for beverage applications, sales of resin products for consumer use also increased.

Sales of mineral sands decreased due to the sluggishness of the automobile-related industry and the steel industry in Japan and overseas.

In addition, sales of processed metal products for air conditioners decreased, but sales of functional films increased.

As a result, operating profit in this business field increased by 6.3% to JPY4.7 billion.



In the Agri-Bio & Foods business, sales of frozen foods for restaurants and dining halls declined, but sales of agricultural materials and breeding pigs increased.

As a result, operating income in this business segment decreased by 29.8% to JPY800 million.

Balance Sheets (Consolidated Basis)

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(Unit: 100 million Yen)

	FY20 Results (A)	FY19 Results (B)	(A) - (B)	Major factors for changes etc.
Current assets	2,196	2,037	+158	Increase in cash and deposits and inventory
Property, plant and equipment	1,780	1,717	+62	Investment in hydrogen-refueling stations and LPG centers
Intangible assets	174	167	+7	
Investments and other assets	943	773	+170	Increase in investment securities due to stock market incline
Fixed assets	2,899	2,659	+239	
Total assets	5,095	4,697	+398	
Current liabilities	1,709	1,911	(201)	Decrease in current portion of bonds payable
Long - term liabilities	866	874	(7)	
Total liabilities	2,576	2,785	(208)	Interest-bearing debt, gross 961, Ratio of Interest-bearing debt to total assets 18.9%
Equity capital	2,424	1,822	+601	Capital ratio 47.6%
Non-controlling interests	94	88	+5	
Net assets	2,518	1,911	+606	
Total liabilities and net assets	5,095	4,697	+398	

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I will explain the main financial conditions.

Total assets at the end of March were JPY509.5 billion, up JPY39.8 billion from the end of the previous fiscal year.

Equity capital increased by JPY60.1 billion from the end of the previous fiscal year to JPY242.4 billion, mainly due to the conversion of JPY30 billion in convertible bonds into shares, and as a result the capital ratio improved by 8.8 pp to 47.6%.

Interest-bearing debt decreased by JPY30.4 billion from the end of the previous fiscal year to JPY96.1 billion, and the ratio of interest-bearing debt to total assets improved by 8 percentage points to 18.9%.

Statements of Cash Flows

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(Unit: 100 million Yen)

	FY20 Results (A)	FY19 Results (B)	(A) - (B)
Cash flows from operating activities	487	402	+85
Cash flows from investing activities	(288)	(308)	+20
Free cash flows	199	93	+105
Cash flows from financing activities	(70)	(35)	(34)
Effect of exchange rate changes, etc.※	4	(1)	+6
Net increase (decrease) in cash and cash equivalents	133	56	+77
Cash and cash equivalents at beginning of period	251	195	+56
Cash and cash equivalents at end of period	384	251	+133

* "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".

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I will explain about cash flow.

Cash flows from operating activities increased by JPY8.5 billion from the previous fiscal year to JPY48.7 billion, mainly due to an increase in profit and depreciation.

Cash flows from investing activities totaled JPY28.8 billion due to investments to strengthen the supply system for LPG and various industrial gases as well as investments related to hydrogen-refueling stations, resulting in free cash flows of JPY19.9 billion.

Cash flows from financing activities amounted to JPY7 billion, mainly due to the repayment of loans.

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FY2021 Forecasts

FY2021 Forecasts

(Unit: 100 Million Yen)

	FY21 Forecasts (A)	FY20 Results (B)	(C) (A) - (B)	(C) / (B)
Net Sales	6,261	5,626	+634	+11.3%
Energy	2,668	2,539	+128	+5.1%
Industrial Gases &Machinery	1,923	1,721	+201	+11.7%
Materials	1,342	1,118	+223	+20.0%
Agri-bio & Foods	284	203	+80	+39.8%
Others	44	43	+0	+1.3%
Operating Profit	320	299	+20	+6.7%
Energy	170	173	(3)	(1.9%)
Industrial Gases &Machinery	110	99	+10	+10.5%
Materials	53	47	+5	+10.7%
Agri-bio & Foods	12	8	+3	+44.3%
Others, Adjustments	(25)	(29)	+4	—
Ordinary Profit	365	344	+20	+6.1%
Profit attributable to owners of parent	243	232	+10	+4.7%
Assumption of financial performance	1st Half Ave. exchange rate 105 Yen/USD, Ave. CP USD 400/ton 2nd Half Ave. exchange rate 105 Yen/USD, Ave. CP USD 420/ton			

*Due to adoption of the Accounting Standard for Revenue Recognition from FY2021, Net sales of FY2020 is calculated based on the assumption that the Accounting Standard was adopted.

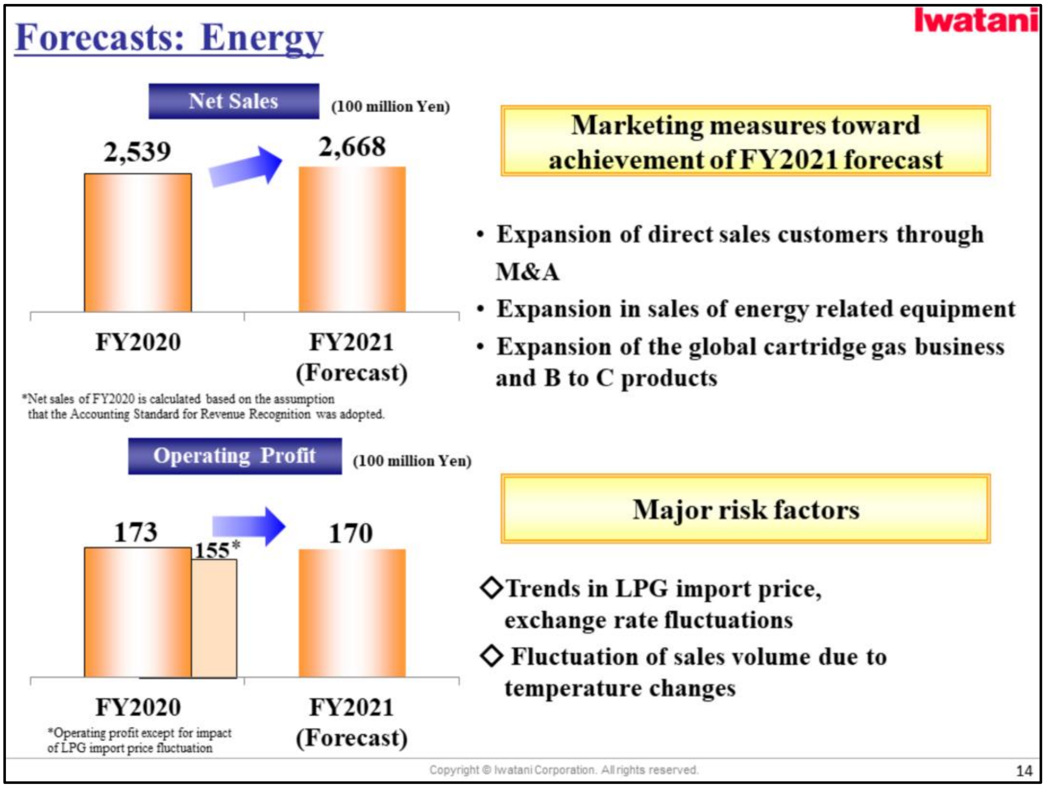
I will explain our outlook for the fiscal year ending March 2022.

For the fiscal year ending March 2022, we forecast consolidated net sales of JPY626.1 billion, up 11.3% YoY; operating profit of JPY32 billion, up 6.7% YoY; ordinary profit of JPY36.5 billion, up 6.1% YoY; and profit attributable to owners of parent of JPY24.3 billion, up 4.7% YoY.

As we will apply the accounting standard for revenue recognition from the fiscal year ending March 2022, the earnings forecast reflects the amount after the application.

Net sales for the fiscal year ended March 2021 were calculated on the assumption that the relevant accounting standard were applied, and comparisons of increases and decreases were made.

The assumed exchange rate for the forecast is JPY105 to the US dollar, and the assumed LPG import price CP is USD400 per ton for 1H and USD420 per ton for 2H.



I will now explain the outlook for each segment.

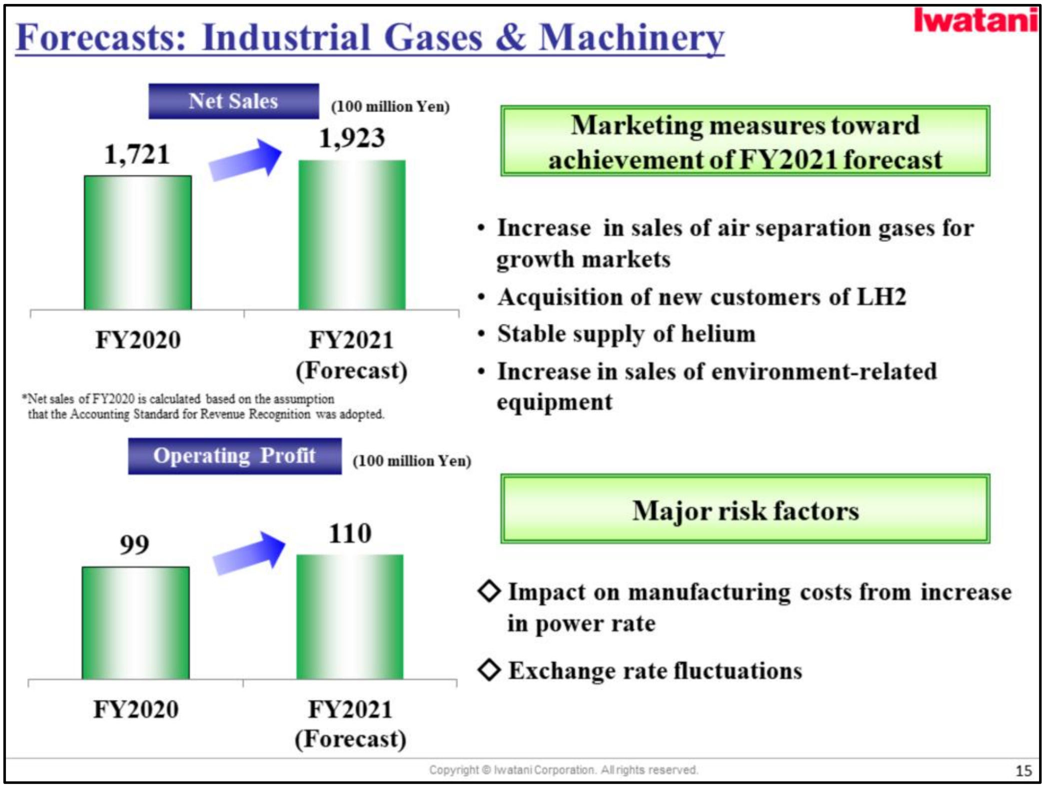
In the Energy business, we forecast net sales of JPY266.8 billion, an increase of 5.1%, and operating profit of JPY17 billion, a decrease of 1.9%.

Excluding impact of LPG import fluctuations, operating income is expected to increase by JPY1.4 billion, or up 9.4%, since market factors had a positive impact of JPY1.7 billion in the previous fiscal year but are not expected to have an impact in the current fiscal year.

Demand for LPG for residential use is expected to remain strong, and we assume that demand for LPG for commercial and industrial use will also recover. We will continue to promote M&A to expand the number of LPG direct sales customers and increase the LPG sales volume. In addition, we will streamline and improve the efficiency of delivery to reduce costs.

We will also work to expand sales of energy-related equipment, including to city gas customers, as well as to expand sales channels such as mass merchandisers and the Internet for B-to-C products.
In the Cartridge Gas business, we will work to expand sales of products for outdoor use in addition to those for residential use for which firm demand is expected to continue.

Furthermore, in addition to China, we will strengthen our overseas expansion in Southeast Asia and the United States to expand our business performance.



The Industrial Gases & Machinery business. We forecast net sales of JPY192.3 billion, an increase of 11.7%. And operating profit of JPY11 billion, an increase of 10.5%.

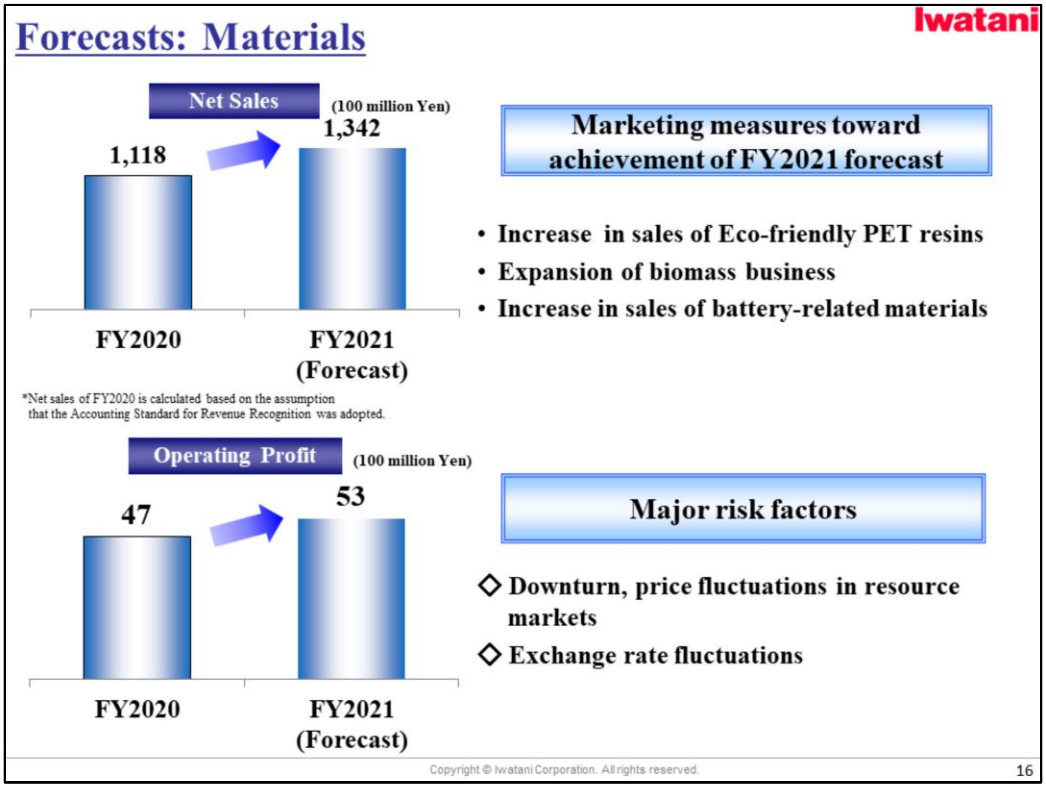
In addition to the expected recovery in demand from the automobile and semiconductor industries, we will promote sales expansion of industrial gases, mainly in growth fields such as next-generation telecommunications. As for liquefied hydrogen, we will continue our efforts to acquire new users.

As for helium, let me first explain the global supply and demand situation. On the supply side, new sources in Qatar and Russia are expected to start operating during this fiscal year but it is expected to take some time before they are fully operational.

On the other hand, demand for helium is expected to increase due to growing demand for semiconductors, resulting in a tight supply and demand situation.
We will work to expand sales, mainly in Asia and China, and will strive to provide an efficient and stable supply by making effective use of the helium center which is equipped with high-efficiency helium-recovery facilities, and containers owned by our company.

As for Machinery, capital investment, which had been stagnant in the manufacturing industry in general, is on a recovery track especially in the automobile industry; inquiries from the semiconductor and electronic component industries where demand for 5G-related products is expanding and brisk and expected to continue growing.

In addition, we will strive to expand sales in environment-related fields where growth is expected, while capturing the growing demand for factory automation and labor savings.



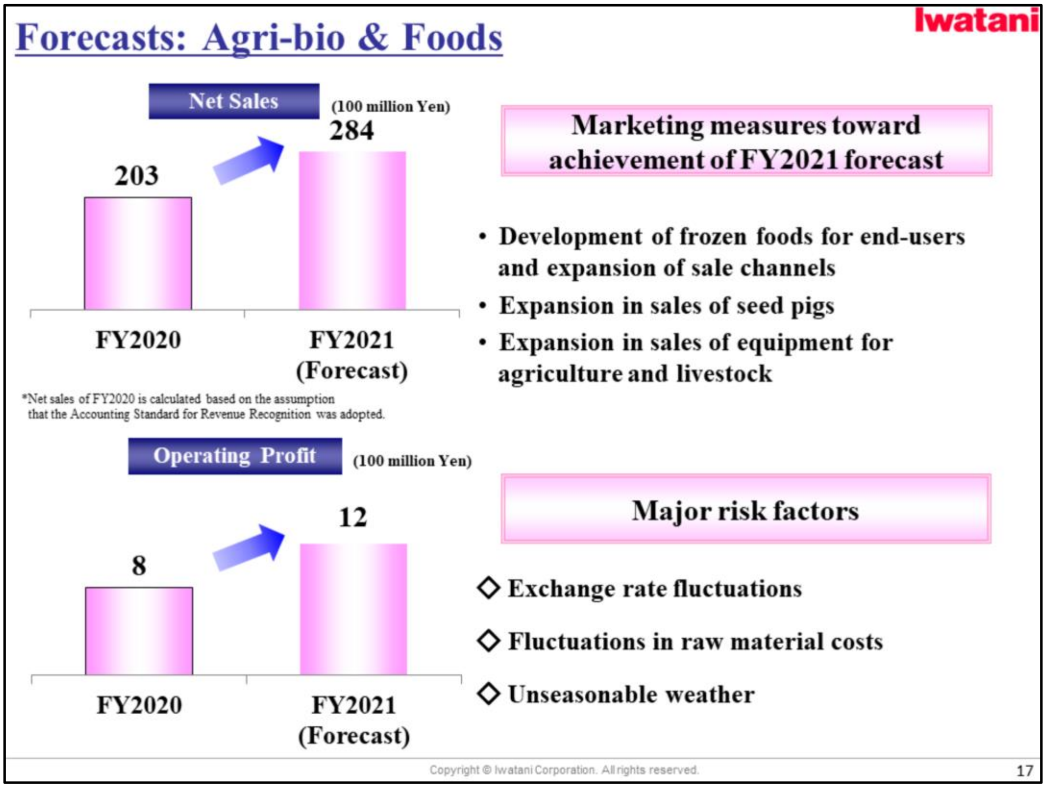
In the Materials business, we forecast net sales of JPY134.2 billion, up 20%, and operating profit of JPY5.3 billion, up 10.7%.

As for Eco-friendly PET resins, sales volume is expected to increase due to steady shipments of film applications in addition to beverage applications.

In the Biomass business, in addition to PKS, we will newly start handling wood pellets to expand the scale of our business.

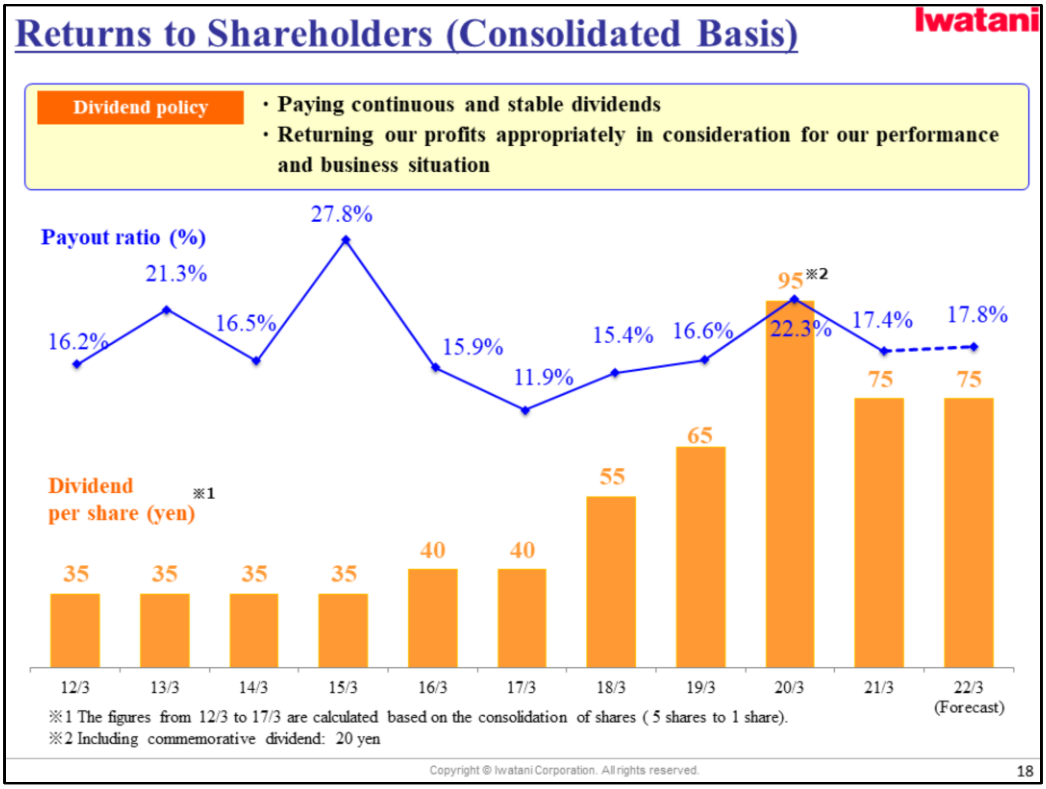
With regard to battery-related materials, we will work to expand sales with the accelerating spread of next-generation automobiles as a tailwind.

With an eye on the expansion of the market in the environmental field, we will promote sales expansion of environmental products. At the same time, we will strive to expand sales in existing businesses such as the resource business and the metal processing business.



For the Agri-Bio & Foods business, we forecast net sales of JPY28.4 billion, an increase of 39.8%, and operating profit of JPY1.2 billion, an increase of 44.3%.

We will work to expand sales of our own brand of frozen foods to general consumers for whom firm demand is expected; and also expand sales of agricultural equipment such as agricultural greenhouses and strengthen sales of livestock equipment and seed pigs to major pig farmers.



For FY2020, we plan to pay a dividend of JPY75 per share, as announced at the beginning of the fiscal year, which will result in a dividend payout ratio of 17.4%.

We plan to pay a dividend of JPY75 for FY2021.

We will continue to provide appropriate returns to our shareholders while carefully considering our business performance and the business environment.

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Results of PLAN20

Results of PLAN20

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- **All targets achieved**
- **Capital enhanced due to conversions of all convertible bonds into shares**

[Management Indicators]

	PLAN20 target		FY2020 results	Target achieved
Ordinary Profit 【Except for impact of LPG import price fluctuation】	¥33.0B	⇨	¥34.4B 【¥32.6B】	○
ROE	10.0% or higher	⇨	10.9%	○
Net D/E Ratio	0.7 times	⇨	0.23 times	○

I would like to explain the results of our medium-term management plan, PLAN20.

Under PLAN 20, we set management indicators' targets for ordinary profit of JPY33 billion, ROE of 10% or higher, and net D/E ratio of 0.7 times.

In FY2020, we achieved all of our targets, with ordinary income of JPY34.4 billion, ROE of 10.9%, and net D/E ratio of 0.23 times.

Results of PLAN20

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Energy business's targets achieved
Sales of Industrial gasses struggled due to COVID-19

[Key Business Indicators]

	FY2017 results	FY2020 results	PLAN20 target
LPG direct sales customers	900K households	1,010K households	1,000K households
Portable gas cooking stove / cassette gas canister sales volume (global)	Gas cooking stoves: 3,333K units Gas canisters: 103M units	Gas cooking stoves: 4,471K units Gas canisters: 134M units	Gas cooking stoves: 4,400K units Gas canisters: 137M units
Air separation gas sales volume	1.5B m^3	1.55B m^3	1.7B m^3
LH_2 sales volume	59M m^3	67M m^3	90M m^3

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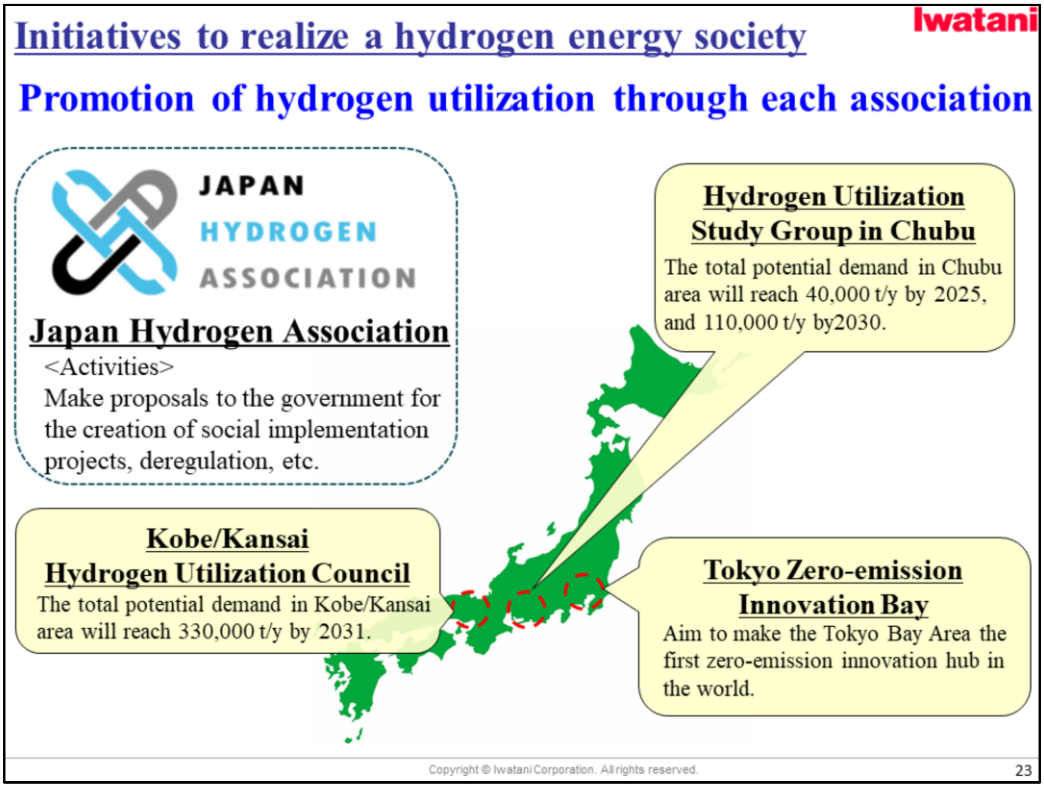
As for the key business indicators, we had set 4 key business indicators: LPG direct sales customers; portable gas cooking stove/cassette gas canister sales volume (global); air separation gas sales volume; and LH2 sales volume.

In FY2020, the number of LPG direct sales customers reached 1.01 million. Sales volume of portable gas cooking stoves reached 4.47 million units and sales volume of cassette gas canisters reached 134 million units, largely achieving our targets, and increasing our domestic market share to 82% and 63%, respectively.

On the other hand, sales of industrial gases struggled due to the impact of the COVID-19 with sales of air separation gas and liquefied hydrogen falling short of the targets at 1.55 billion cubic meters and 67 million cubic meters, respectively.

The next medium-term management plan, PLAN23, will be announced in June, and we would like to explain it to you then.

Business topics

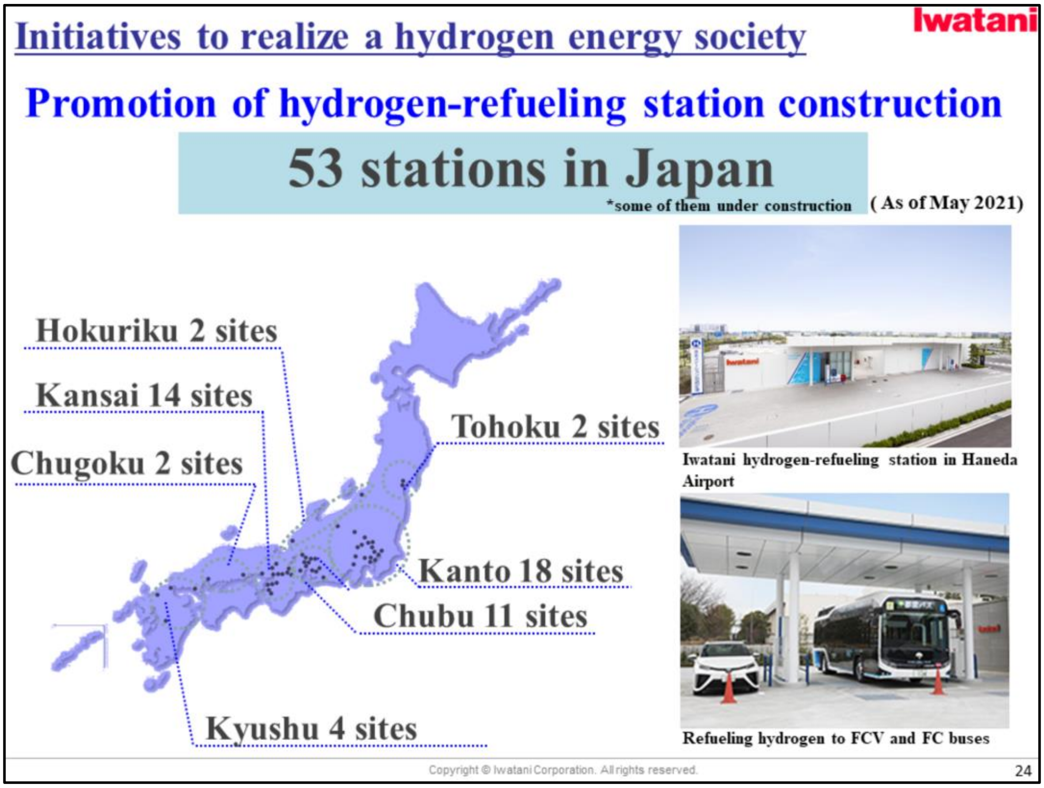


I will explain the business topics.

First, I would like to explain our efforts toward a hydrogen energy society.

In the midst of accelerating efforts to de-carbonize the world, in the Japan Hydrogen Association, in which we participate as a Co-Chair, we have made policy proposals for the realization of a hydrogen society.

In addition, through the activities of the Association in the Tokyo area, Chubu area, and Kansai area, we would like to study business models for commercialization and make proposals to the national and local governments to pave the way for large-scale hydrogen use.



As for hydrogen-refueling stations, we currently operate and maintain a total of 53 stations in Japan.

In addition to Japan, we will continue to promote the development of hydrogen-refueling stations in the United States.

Initiatives to realize a hydrogen energy society

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Initiatives for CO2-free hydrogen project

Hydrogen liquefaction and loading terminal (Australia)

Liquefied hydrogen loading terminal (Japan)

Liquefied hydrogen carrier

I would like to explain our efforts for CO2-free hydrogen.

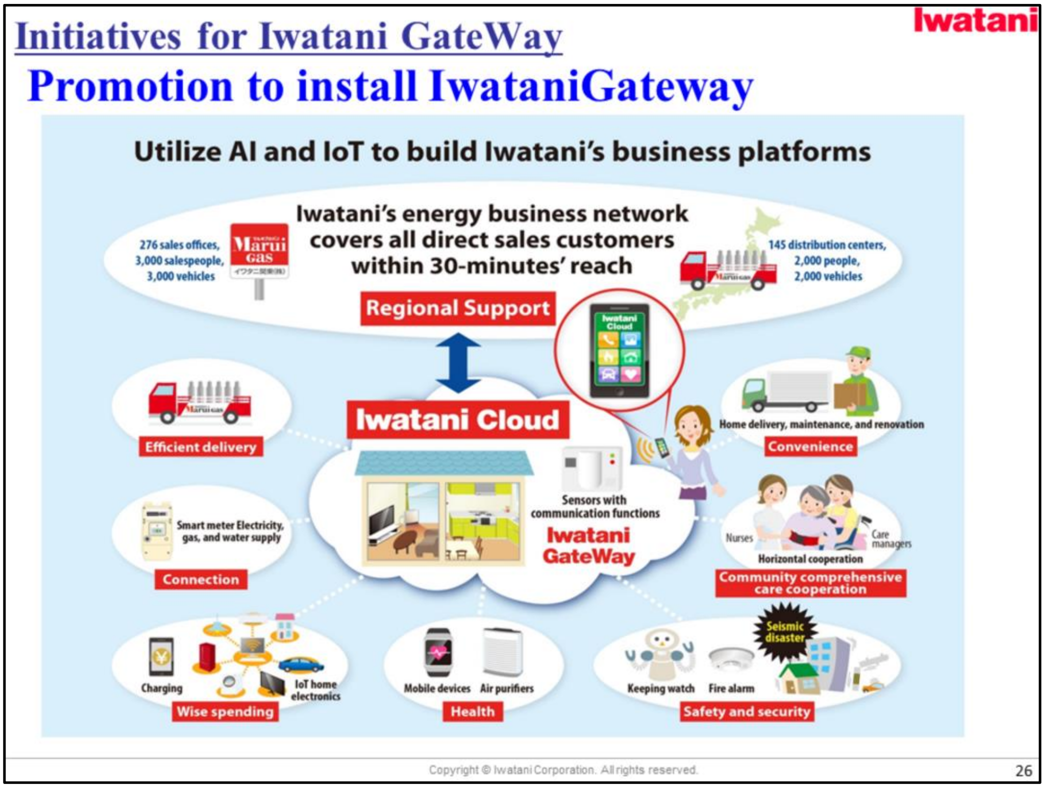
We have been conducting demonstration tests for the establishment and commercialization of a CO2-free hydrogen supply chain between Japan and Australia and have recently completed a hydrogen loading terminal and hydrogen refining facilities on the Australian side.

In 1H of FY2021, we plan to conduct a navigation test between Japan and Australia using the world's first liquefied hydrogen carrier, SUISO FRONTIER.

In addition, the green growth strategy proposes that the demand for hydrogen will reach 3 million tons by 2030, and the demand for hydrogen is expected to grow significantly.

In FY2020, we increased the liquid-hydrogen production capacity of Hydro Edge by 1.5 times and we are considering the establishment of a new liquid-hydrogen production base in the Kanto area.

With an eye on the future when the demand for hydrogen will increase, we will further strengthen our manufacturing system and work towards the realization of a hydrogen energy society.



I would like to explain the Iwatani GateWay concept.

We are building Iwatani GateWay, our own IoT platform that connects various things to the Internet by adding communication functions to gas leak alarms and other devices installed in homes.

This fiscal year, we will sequentially install new-type gateways starting in July, with the aim of creating new services that will help solve social issues. We will speed up our efforts to build an energy-life comprehensive service business by resolving various issues facing the community, such as the aging population and de-population.

As I mentioned earlier, we are forecasting an increase in both sales and profits for the current fiscal year. With de-carbonization becoming a major global trend, there are great business opportunities especially in the hydrogen business. We are determined to clarify our business strategy and make upfront investments, while also increasing our current performance.

We look forward to your continued support. This is the end of the presentation for the financial results briefing. Thank you very much for your attention.

Iwatani

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