

# **FY2023 1<sup>st</sup> Half Financial Results**

## **(Results for the Six Months Ended September 30, 2023)**

(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.

**November 17, 2023**

**Iwatani Corporation**

**[Securities code 8088]**

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# **FY2023 1<sup>st</sup> Half Overview**

- ▶ Decrease in net sales. Despite the negative impact of LPG import price fluctuation, strong sales of products for industrial use contributed to increase in operating profit which marked record high.

## Summary of Financial Results for the 1<sup>st</sup> Half of FY2023

- Decrease in net sales due to lower LPG import prices, decrease in sales volumes of LPG and decline in sales of rechargeable battery materials.
- Increase in operating profit due to strong sales of products for industrial use, despite the negative impact of LPG import price fluctuation compared to the previous year.
- Full-year financial forecasts: no change

Net sales

**394.2** billion yen YoY (19.0) billion yen (4.6%)

Operating profit

**14.5** billion yen YoY +0.2 billion yen +1.9%

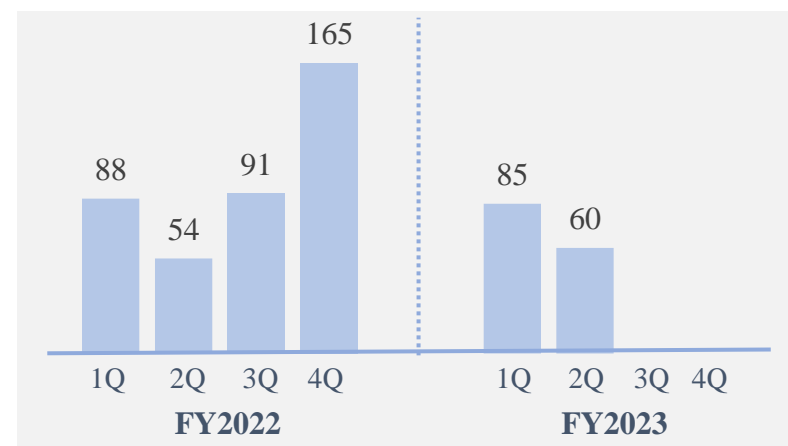
Ordinary profit

**18.1** billion yen YoY (0.1) billion yen (0.7%)

Profit attributable to owners of parent

**12.0** billion yen YoY (0.5) billion yen (4.3%)

■ Operating profit quarterly trends (100 million yen)



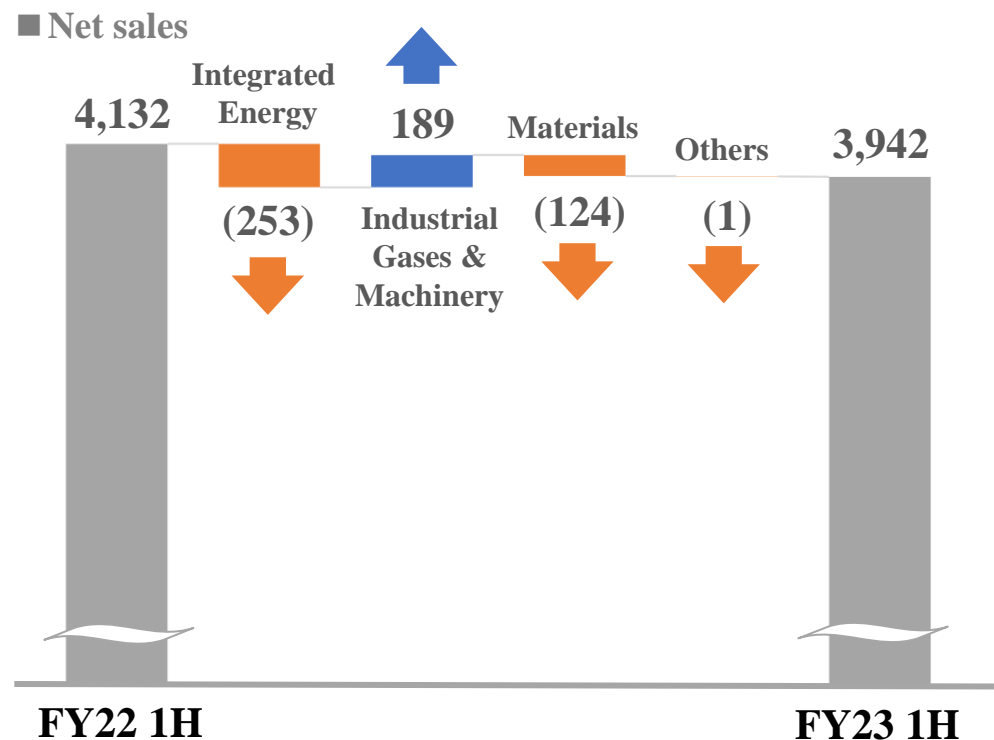
\*The figures for the 1Q, 2Q, 3Q of FY2022 reflect the finalization of the provisional accounting treatment for a business combination.

# Consolidated Operating Results (Analysis of Net Sales)

	FY23 1H Results (A)	FY22 1H Results (B) *	YoY (A)-(B) (A)/(B)	FY23 Forecasts	Progress
Net sales	3,942	4,132	(190) (4.6%)	9,070	43.5%
Gross profit	1,009	981	+27 +2.8%	-	-
Operating profit	145	143	+2 +1.9%	450	32.4%
Operating profit excluding impact of LPG import price fluctuation	197	137	+59 +43.1%	450	43.8%
Non-operating income/expenses	35	39	(3) (9.8%)	-	-
Ordinary profit	181	183	(1) (0.7%)	503	36.2%
Profit attributable to owners of parent	120	126	(5) (4.3%)	335	36.0%

\* The figures for the 1<sup>st</sup> half of FY2022 reflect the finalization of the provisional accounting treatment for a business combination.

Decrease factors	
■	lower LPG import prices and decrease in sales volume due to higher temperature
■	decrease in sales of rechargeable battery materials caused by inventory adjustments at sales destinations
■	strong sales of products for industrial use



# Consolidated Operating Results (Analysis of Operating Profit)

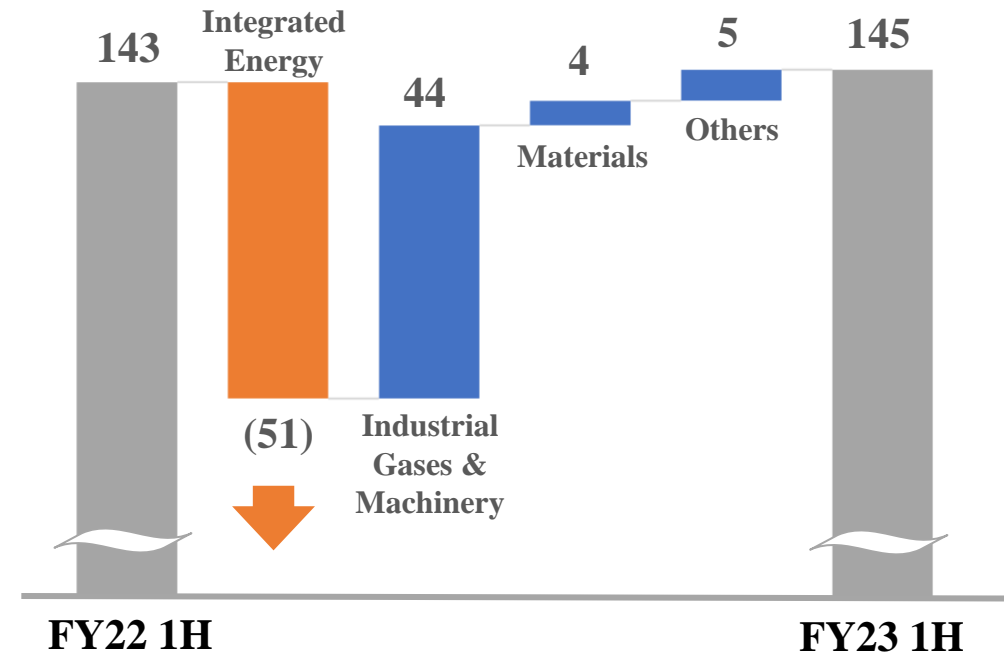
**Iwatani**  
(100 million yen)

	FY23 1H Results (A)	FY22 1H Results (B) *	YoY (A)-(B) (A)/(B)	FY23 Forecasts	Progress
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## Increase factors

- strong sales of products for industrial use contributed to increase in operating profit despite the negative impact of LPG import price fluctuation
- decrease in non-operating income/expenses due to decline in share of profit of entities accounted for using equity method and increase in interest expense, which led to decrease in ordinary profit and profit attributable to owners of parent

## Operating profit



\* The figures for the 1<sup>st</sup> half of FY2022 reflect the finalization of the provisional accounting treatment for a business combination.

# Consolidated Operating Results (Segment Analysis)

**Iwatani**  
(100 million yen)

	FY23 1H Results (A)	FY22 1H Results (B)*	YoY (A)-(B)	YoY (A)/(B)	FY23 Forecasts	Progress
Net sales	3,942	4,132	(190)	(4.6%)	9,070	43.5%
■ Integrated Energy	1,433	1,686	(253)	(15.0%)	3,980	36.0%
■ Industrial Gases & Machinery	1,268	1,079	+189	+17.6%	2,592	48.9%
■ Materials	1,085	1,210	(124)	(10.3%)	2,202	49.3%
■ Others	155	156	(1)	(1.1%)	296	52.4%
Operating profit	145	143	+2	+1.9%	450	32.4%
■ Integrated Energy	(11)	39	(51)	-	180	-
■ Industrial Gases & Machinery	108	64	+44	+69.5%	175	62.0%
■ Materials	62	57	+4	+8.1%	123	50.9%
■ Others, Adjustments	(13)	(17)	+4	-	(28)	-
Operating profit excluding impact of LPG import price fluctuation	197	137	+59	+43.1%	450	43.8%
Ordinary profit	181	183	(1)	(0.7%)	503	36.2%
Profit attributable to owners of parent	120	126	(5)	(4.3%)	335	36.0%

\* The figures for the 1<sup>st</sup> half of FY2022 reflect the finalization of the provisional accounting treatment for a business combination.

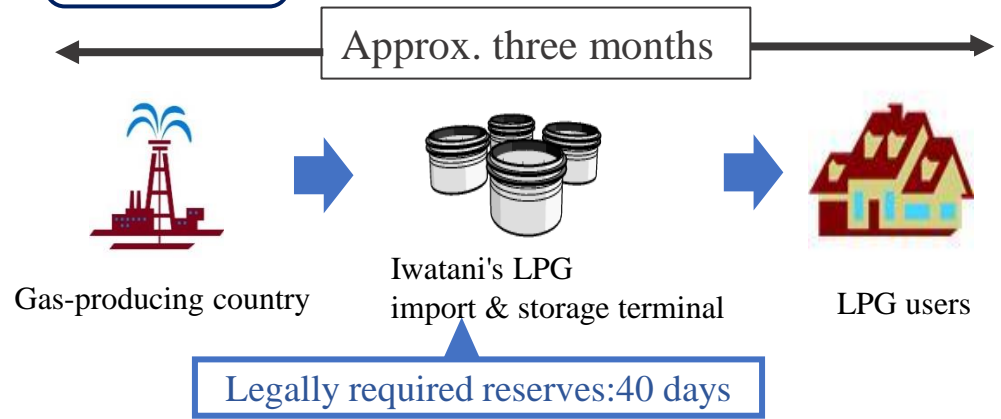
# Impact of LPG Import Price Fluctuations

**Assumption ①** Wholesale price is linked to LPG import price.

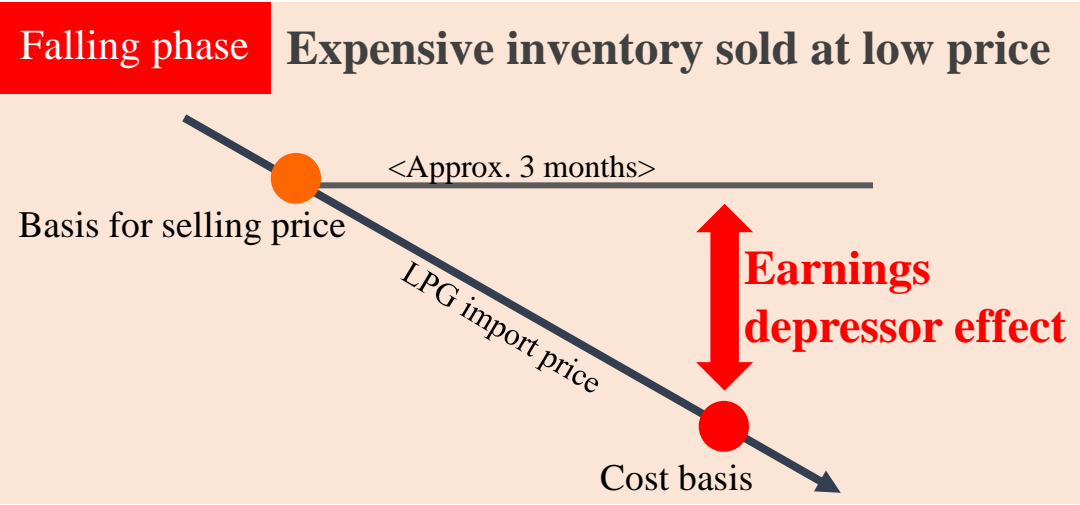
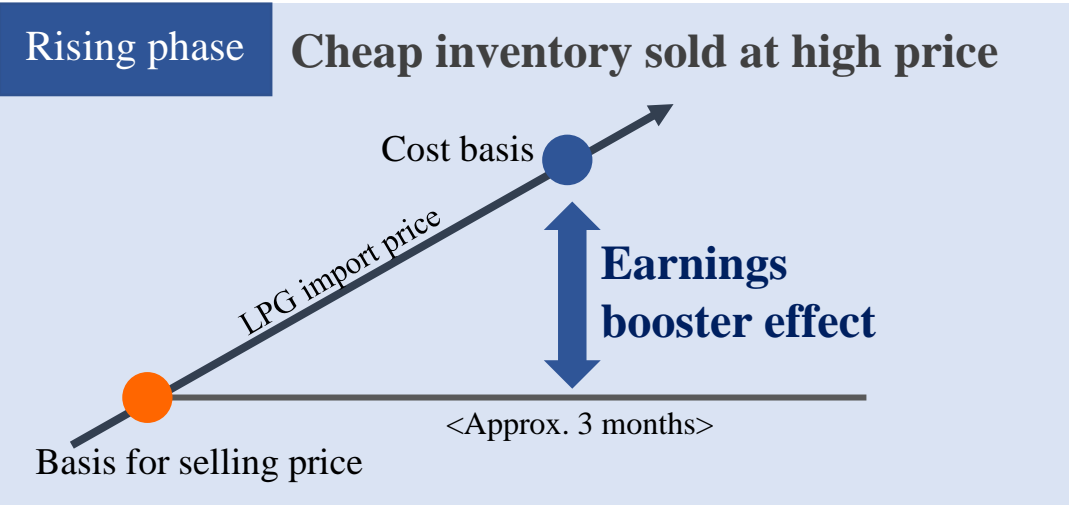
**Assumption ②** Term from import to sale is approx. three months.



-LPG from Middle East(CP)  
-LPG from the US(MB)



**LPG import price fluctuation** → **Produces short-term impact on performance(due to market fluctuations)**  
(If LPG import prices return to original levels, impact will be zero.)





# Operating Profit Analysis of Integrated Energy

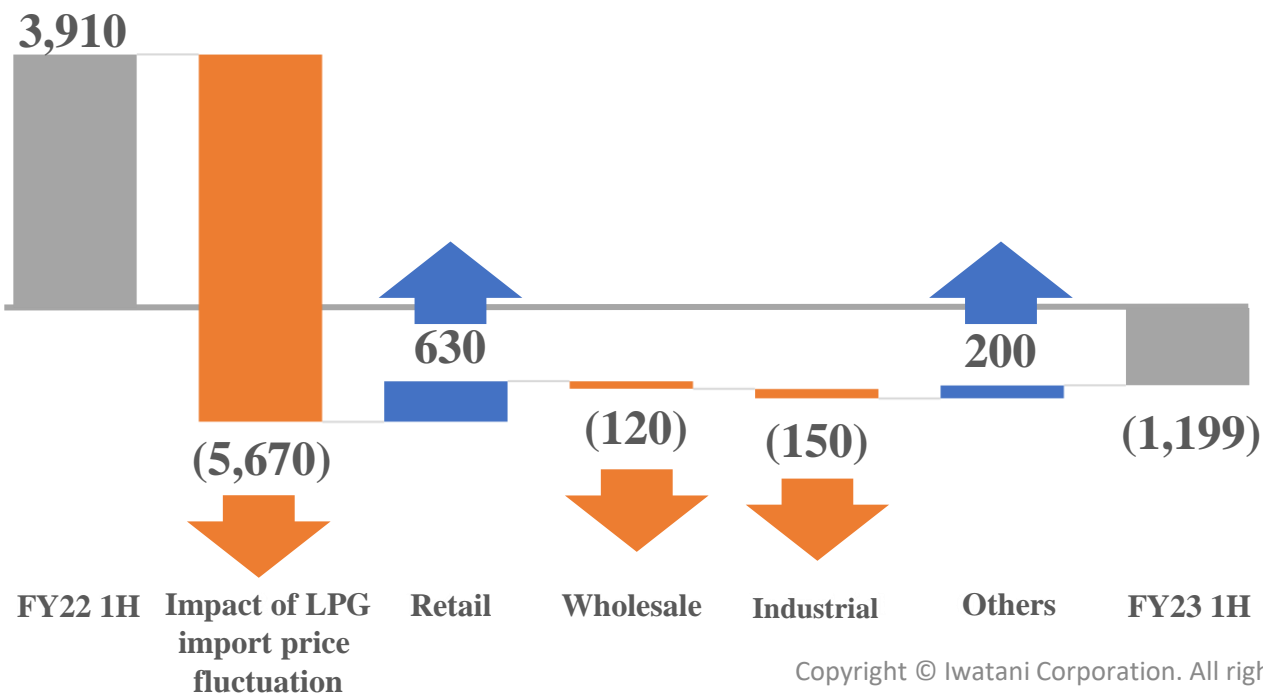
## Results

(100 million yen)

	FY23 1H Results (A)	FY22 1H Results (B)	YoY (A)-(B)	YoY (A)/(B)	FY23 Forecasts	Progress
Net Sales	1,433	1,686	(253)	(15.0%)	3,980	36.0%
Operating Profit	(11)	39	(51)	-	180	-
Operating profit excluding impact of LPG import price fluctuation	39	33	+5	+16.7%	180	21.9%

## Analysis of Changes in Operating Profit

(million yen)



## Main factors

### ■ Impact of LPG import price fluctuation (5,670)

(100 million yen)	1Q	2Q	1H	3Q	4Q	Full year
FY23	(17.3)	(34.0)	(51.3)	-	-	-
FY22	+20.4	(15.0)	+5.3	(29.3)	(7.3)	(31.3)
Changes	(37.7)	(19.0)	(56.7)	-	-	-

### ■ Retail +630

-improvement in profitability of LPG

### ■ Wholesale (120)

-decrease in sales due to cancellation of barter trading

### ■ Industrial (150)

-decrease in LPG sales for calorific adjustment for city gas

### ■ Others +200

-strong sales of gas-related safety equipment

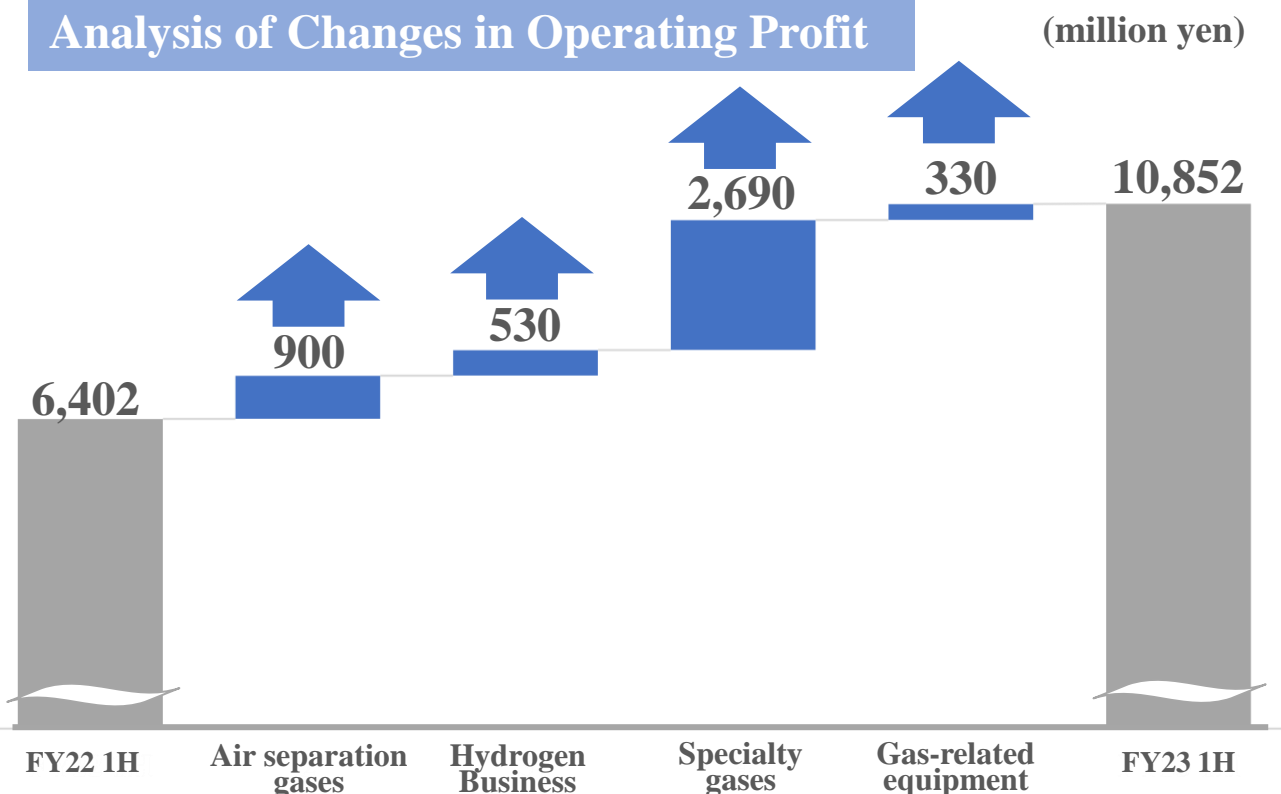
# Operating Profit Analysis of Industrial Gases & Machinery

## Results

(100 million yen)

	FY23 1H Results (A)	FY22 1H Results (B)	YoY (A)-(B)	YoY (A)/(B)	FY23 Forecasts	Progress
Net Sales	1,268	1,079	+189	+17.6%	2,592	48.9%
Operating Profit	108	64	+44	+69.5%	175	62.0%

## Analysis of Changes in Operating Profit



## Main factors

- **Air separation gases +900**

  - decrease in sales volume mainly for the electronic component industry
  - took an action toward growing production cost
- **Hydrogen Business +530**

  - decrease in sales volume mainly for the semiconductor industry
  - took an action toward growing production cost
- **Specialty gases +2,690**

  - strong sales of carbon dioxide for the beverage and chemical industries
  - stable procurement and supply of helium
- **Gas-related equipment +330**

  - improve in sales of power semiconductors-related equipment
  - increase in sales of gas-related equipment

# Operating Profit Analysis of Materials

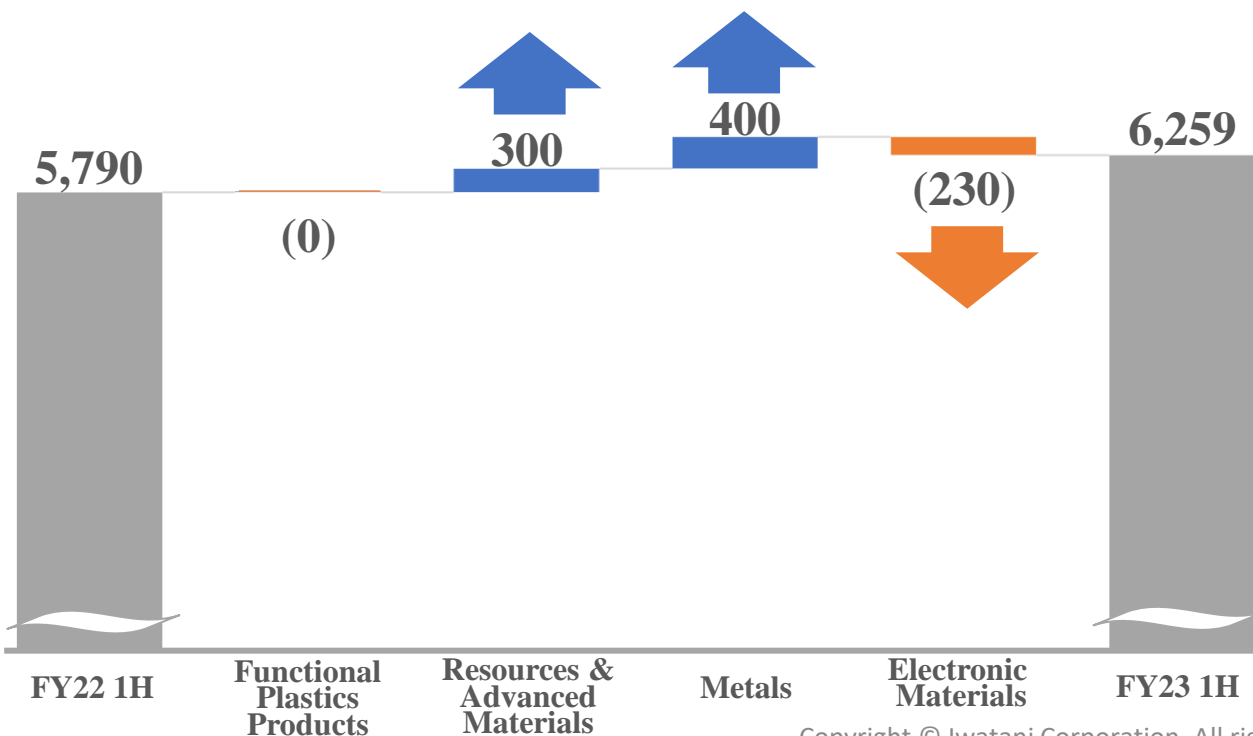
## Results

(100 million yen)

	FY23 1H Results (A)	FY22 1H Results (B)	YoY (A)-(B)	YoY (A)/(B)	FY23 Forecasts	Progress
Net Sales	1,085	1,210	(124)	(10.3%)	2,202	49.3%
Operating Profit	62	57	+4	+8.1%	123	50.9%

## Analysis of Changes in Operating Profit

(million yen)



## Main factors

### ■ Functional Plastics Products (0)

- increase in sales of PET resin for beverage bottles
- weak sales of resin materials

### ■ Resources & Advanced Materials +300

- expansion of mineral sand business in overseas
- increase in sales of biomass fuel

### ■ Metals +400

- strong sales of stainless steel
- increase in sales of processed metal products mainly for air conditioners

### ■ Electronic Materials (230)

- increase in sales of battery-related materials for next-generation vehicles due in part to inventory adjustments at sales destinations

# Balance Sheets (Consolidated)

- Increase in total assets due to the increase in property, plant and equipment by making a capital investment, and investment securities despite the decrease in trade receivables.
- Interest-bearing debt increased due to the funding of capital investment in Japan and overseas.

(100 million yen)

	Sept. 30, 2023 (A)	Mar. 31, 2023 (B)	Change (A)-(B)	Major factors for changes
<b>Current assets</b>	<b>2,883</b>	<b>3,031</b>	<b>(148)</b>	decrease in trade receivables
Property, plant and equipment	2,139	2,074	+64	
Intangible assets	373	368	+5	
Investments and other assets	1,304	1,085	+219	increase in investment securities due to stock market incline
<b>Fixed assets</b>	<b>3,817</b>	<b>3,528</b>	<b>+289</b>	
<b>Total assets</b>	<b>6,701</b>	<b>6,560</b>	<b>+141</b>	
<b>Current liabilities</b>	<b>2,056</b>	<b>2,124</b>	<b>(67)</b>	
<b>Non-Current liabilities</b>	<b>1,344</b>	<b>1,313</b>	<b>+31</b>	
<b>Total liabilities</b>	<b>3,401</b>	<b>3,437</b>	<b>(36)</b>	interest-bearing debt, (gross)161.0 billion yen (+21.5 billion yen) ratio of interest-bearing debt to total assets 24.0%
<b>Equity</b>	<b>3,193</b>	<b>3,019</b>	<b>+173</b>	equity ratio 47.7%
<b>Non-controlling interests</b>	<b>106</b>	<b>102</b>	<b>+4</b>	
<b>Net Assets</b>	<b>3,299</b>	<b>3,122</b>	<b>+177</b>	
<b>Total liabilities and net assets</b>	<b>6,701</b>	<b>6,560</b>	<b>+141</b>	

# Statement of Cash Flows

Operating cash flow provided 9.8 billion yen. Investing cash flow was an outflow of 29.8 billion yen due to aggressive investments. As a result, free cash flow was an outflow of 20 billion yen. (100 million yen)

	FY23 1H(A)	FY22 1H(B)	YoY (A)-(B)
<b>Cash flows from operating activities</b>	<b>98</b>	<b>(5)</b>	<b>+103</b>
<b>Cash flows from investing activities</b>	<b>(298)</b>	<b>(350)</b>	<b>+51</b>
<b>Free cash flows</b>	<b>(200)</b>	<b>(355)</b>	<b>+155</b>
<b>Cash flows from financing activities</b>	<b>125</b>	<b>366</b>	<b>(240)</b>
<b>Effect of exchange rate changes, etc.</b> <sup>*1</sup>	<b>10</b>	<b>24</b>	<b>(13)</b>
<b>Net increase (decrease) in cash and cash equivalents</b> <sup>*2</sup>	<b>(63)</b>	<b>35</b>	<b>(98)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>332</b>	<b>295</b>	<b>+36</b>
<b>Cash and cash equivalents at end of period</b>	<b>268</b>	<b>330</b>	<b>(62)</b>

\*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.

# FY2023 Forecasts

# Forecasts for the year ending March 31, 2024

**NO change from original forecasts**

(100 million yen)

	FY23 Forecasts (A)	FY22 Results (B)	Change (A)-(B)	Rate (A)/(B)
<b>Net sales</b>	<b>9,070</b>	<b>9,062</b>	<b>+7</b>	<b>+0.1%</b>
■ Integrated Energy	3,980	3,932	+47	+1.2%
■ Industrial Gases & Machinery	2,592	2,404	+187	+7.8%
■ Materials	2,202	2,424	(222)	(9.2%)
■ Others	296	302	(6)	(2.0%)
<b>Operating profit</b>	<b>450</b>	<b>400</b>	<b>+49</b>	<b>+12.4%</b>
■ Integrated Energy	180	143	+36	+25.9%
■ Industrial Gases & Machinery	175	165	+9	+5.7%
■ Materials	123	126	(3)	(2.4%)
■ Others, Adjustments	(28)	(34)	+6	—
<b>Operating profit excluding impact of LPG import price fluctuation</b>	<b>450</b>	<b>431</b>	<b>+18</b>	<b>+4.2%</b>
<b>Ordinary profit</b>	<b>503</b>	<b>470</b>	<b>+32</b>	<b>+7.0%</b>
<b>Profit attributable to owners of parent</b>	<b>335</b>	<b>320</b>	<b>+14</b>	<b>+4.6%</b>

## Estimated exchange rate

**Exchange rate 125.0 JPY/\$**  
**LPG import price 700\$/t**

**FY2022 result**  
**Exchange rate 133.7 JPY/\$**  
**LPG import price 725\$/t**

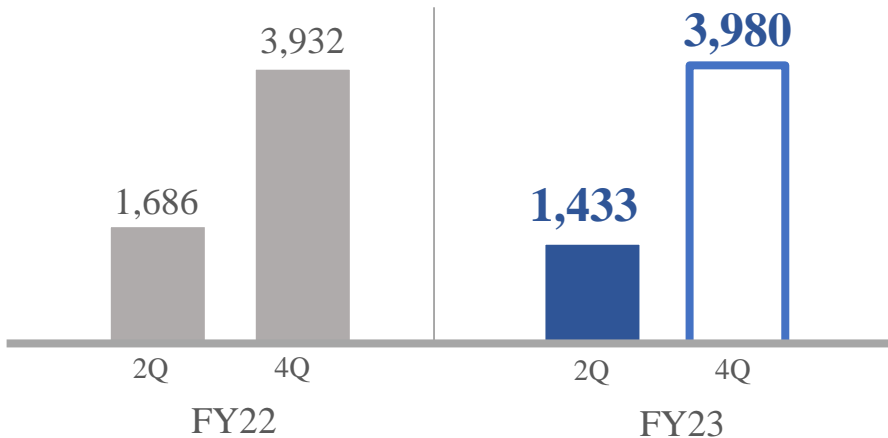
## Dividend forecast

**FY23 95 yen per share**

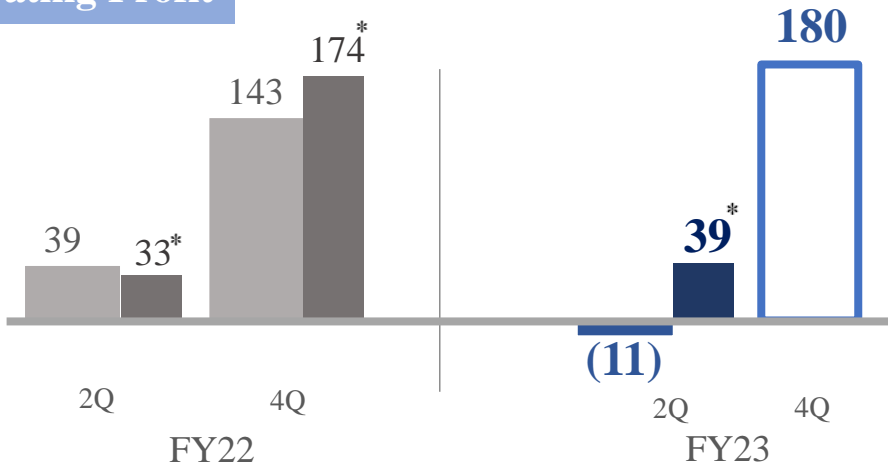
# FY2023 Forecasts of Integrated Energy

## Net Sales

(100 million yen)  
NO change from original forecasts



## Operating Profit



\*excluding impact of LPG import price fluctuation

## Measures toward achievement of FY2023 forecasts

- **Expanding LPG sales**
  - increase in sale volumes by expanding LPG direct sales customers through M&A
  - promoting fuel conversion to support customers' low-carbon and decarbonization, and expanding sales of carbon offset LPG
- **Expanding sales of energy-related equipment**
  - expand sales of carbon neutral products(ENE-FARM, solar panel, rechargeable battery)
  - expand sales of LPG emergency generators and GHP for BCP measures
  - expand sales of gas safety equipment to broaden the coverage area of centralized supervisory system
- **Expanding cartridge gas business**
  - cover the demand of cooking and heating use in Japan
  - strengthen the sales mainly in Southeast Asia by leveraging new manufacturing plant in Thailand besides China

## Main factors causing changes in business performance

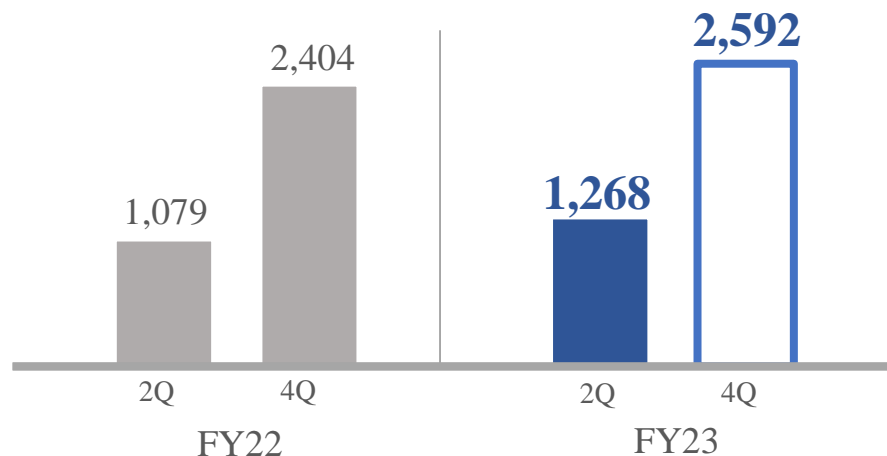
- Trends in LPG import price, exchange rate fluctuations
- Effect of LPG sales volume due to higher temperature



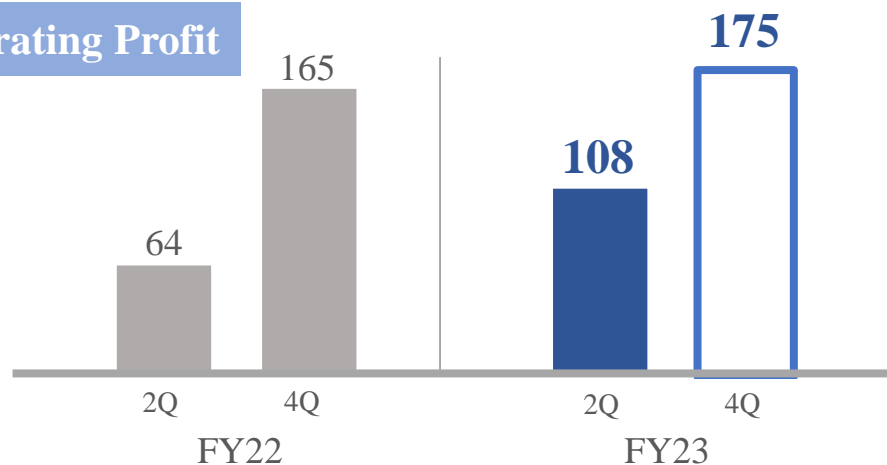
## Net Sales

(100 million yen)

NO change from original forecasts



## Operating Profit



## Measures toward achievement of FY2023 forecasts

- **Reasonable sales price adjustment and expanding sales of air separation gas**
  - reasonable price adjustment following the fluctuation of electricity price
  - enhancing sales by covering the demand of recovering automobile field
- **Creating new LH2 demand**
  - enhancing sales by covering the demand of LH2 and equipment investment related to decarbonatization
- **Expanding specialty gases business**
  - focus on stable supply of helium in the continuous tight supply-demand situation
  - strengthen sales of carbon dioxide gas
- **Expanding sales of machinery and equipment**
  - enhancing sales in growing fields such as decarbonization and automobile

## Main factors causing changes in business performance

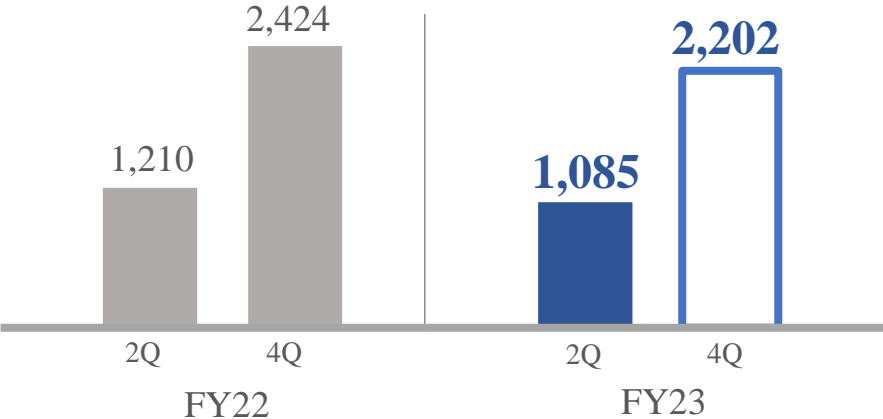
- **Impact on production costs caused by increase in electricity and LNG price**
- **Production trends in the manufacturing sector**

# FY2023 Forecasts of Materials

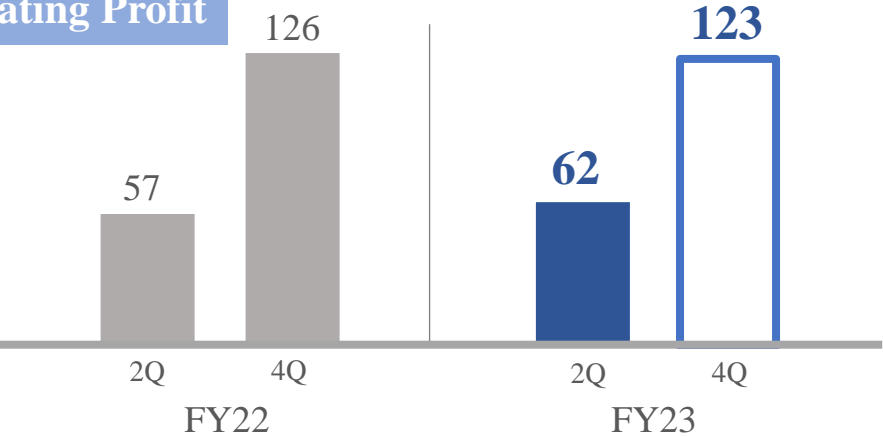
## Net Sales

(100 million yen)

NO change from original forecasts



## Operating Profit



## Measures toward achievement of FY2023 forecasts

- **Enhancing mineral resources business**
  - secure stable procurement amid declining market prices
  - promoting efforts to acquire new mining sites
- **Enhancing environmental businesses**
  - expanding sales of environmental products (eco-friendly PET resins, biomass fuels, battery-related materials)
  - promoting new initiatives such as recycling business
- **Expanding metal business**
  - expanding sales of stainless steel to new customers
  - expanding overseas metal processing business
- **Expanding sales of advanced material**

## Main factors causing changes in business performance

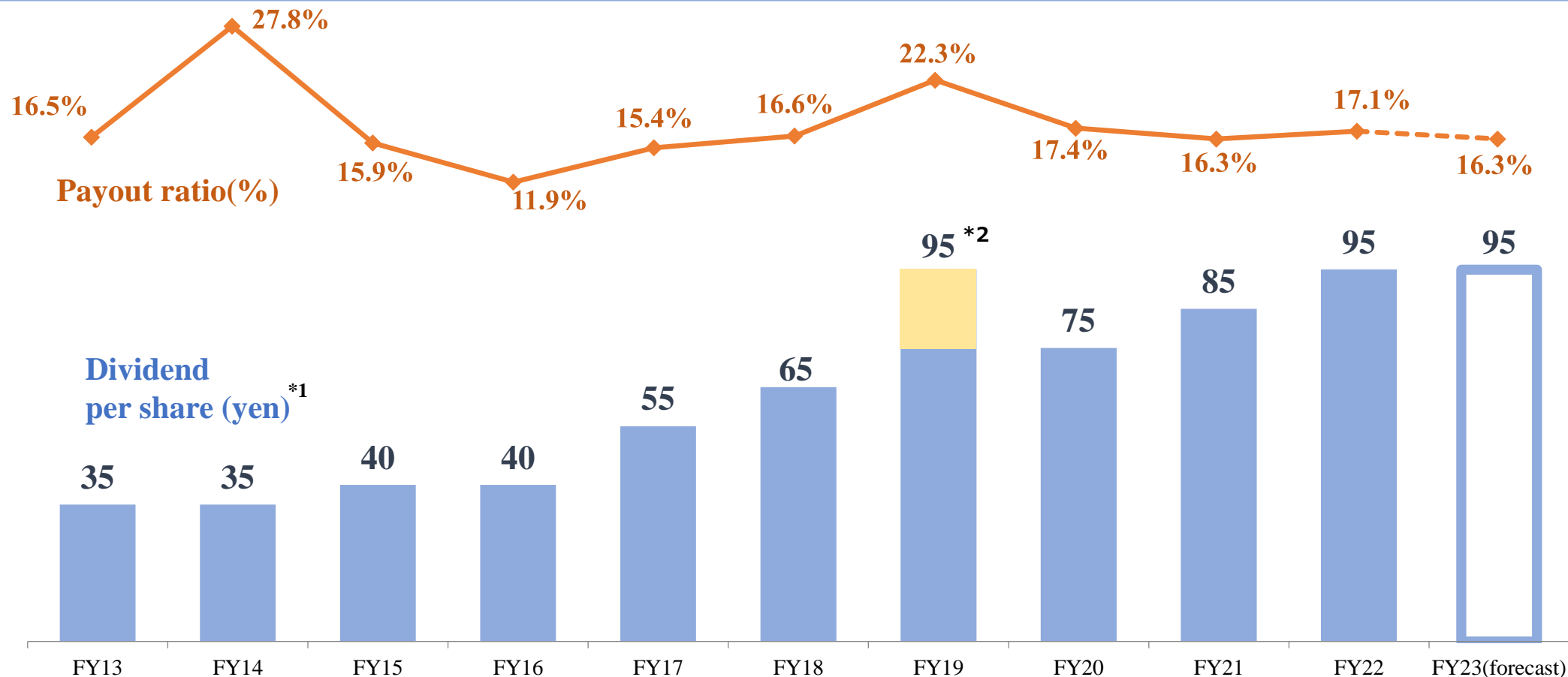
- **Price fluctuations in resource markets**
- **Exchange rate fluctuations**

# Returns to Shareholders

▶ A dividend of 95 yen per share is planned for the fiscal year ending March 31, 2024.

## Dividend policy

- Increase dividends steadily in line with growth profit while securing investment capital
- Progressive dividend targeting a payout ratio of 20% or higher in FY2027



\*1 The figures from FY13 to FY16 are calculated based on the consolidation of shares (5 shares to 1 share).

\*2 Including commemorative dividend : 20 yen

# **Progress of Medium-Term Management Plan “PLAN27”**

# Overview(FY2023-FY2027)

**Theme**

**Establishing a hydrogen energy-based society**

**Basic Policy**

**Business expansion to achieve “solutions to social issues” and “sustained growth”**

## ▶ Management Targets

Operating profit	¥65.0 billion
ROE	10% or higher
ROIC	6% or higher

## ▶ Capital Policies

5-year cumulative investment	¥470.0 billion
Returns to shareholders	<p>Payout ratio* of 20% or higher Progressive dividend</p> <p>*Based on net income (excluding impact of LPG import price fluctuation) FY2027 target</p>

## ▶ Priority Measures

1. Hydrogen Strategies
2. Carbon-free Strategies
3. Domestic Energy & Service Strategies
4. Overseas Strategies
5. Non-financial Strategies

## Hydrogen Strategies

### Manufacture

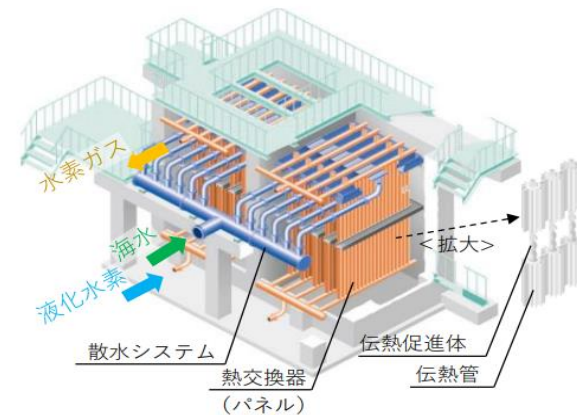
- ▶ began the Front End Engineering Design for the Creation of a Large-Scale Green Liquefied Hydrogen Supply Chain



Artist's depiction of of hydrogen manufacturing plant in Australia

### Transport

- ▶ joint development projects underway include those on LH2 pressurizing pumps with Mitsubishi Heavy Industries, Ltd., open rack LH2 vaporizer with Sumitomo Precision Products Co., Ltd., and large scale LH2 storage tanks with Toyo Kanetsu K.K. which government subsidy will be provided



open rack LH2 vaporizer

# Progress of Priority Measures

## Hydrogen Strategies

### Use

- ▶ now constructing Japan's first liquefied hydrogen marine carrier
- ▶ opened Japan's first hydrogen-refueling station at the rest area on highway



liquefied hydrogen marine carrier which will be operated at the Expo 2025 Osaka, Kansai, Japan



Iwatani Hydrogen Refueling Station in Ashigara SA

## Carbon-free strategies

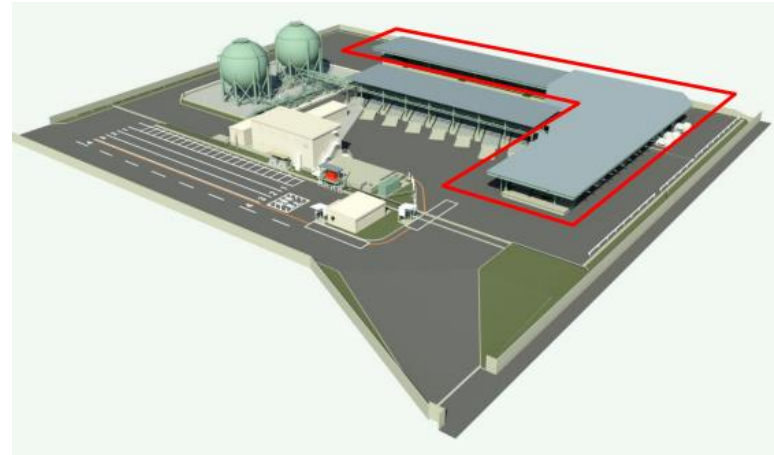
- ▶ installing high-efficiency gas water heaters to household and convert resulting CO2 emissions reductions to credits
- ▶ common resin, generated from renewable resources, has been adopted by resin processing manufacturer in Japan



biomass common resin cutlery

## Domestic Energy & Service Strategies

- ▶ building LPG cylinder filling station inside Negishi Liquefied Gas Terminal



Artist's depiction of LPG cylinder filling station

LPG direct customers(end of Sept. 2023)

**1.11 million**

(+10k compared with end of Mar. 2023)



## Overseas Strategies

- ▶ expansion of air separation plant in China
- ▶ built helium center at inland area of China



air separation plant at Jiaxing city



helium center at Xiaogan city

- ▶ opened portable cooking stove plant in Thailand



portable cooking stove plant in Thailand

## Non-financial Strategies

- ▶ disclosure of TCFD scenario analysis

Scenarios	4°C scenario	2°C scenario
Potential societal outcomes	<p>In this scenario, society is characterized by economic and social growth accompanied by the continuing extensive development of fossil fuel sources and the continuance of resource- and energy-intensive lifestyles. Average temperatures rise by approximately 4°C by the end of the century, generating the high likelihood that climate change will affect business activities and results.</p> <p>In this scenario, significant physical impacts will be generated.</p>	<p>In this scenario, bold policies and technological innovations will be pursued to move toward carbon neutrality and to achieve the ambitious medium- and long-term targets currently advocated by each country. Average temperature increases through the end of this century are kept to less than 2°C. The social changes associated with the transition to a decarbonized society are very likely to affect business activities and results.</p> <p>In this scenario, certain physical impacts will be generated, alongside the significant impact of enhanced regulations and other factors accompanying the transition to a decarbonized society.</p>

scenario analysis disclosed at our website

- ▶ opened internal university of technology and safety



Opening ceremony of Iwatani Technology and Safety University

# Iwatani

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