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Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]

February 04, 2022

Company name: IWATANI CORPORATION

Stock exchange listing: Tokyo

Code number: 8088

URL: <http://www.iwatani.co.jp/>

Representative: Hiroshi Majima

President

Contact: Tetsuo Matsuo

General Manager Accounting Dept.

Phone: 06-7637-3325

Scheduled date of filing quarterly securities report: February 10, 2022

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 Nine Months Ended December 31, 2021 (April 01, 2021 to December 31, 2021)

(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 | % |
| Nine months ended December 31, 2021 | 479,424 | 22.0 | 25,853 | 76.7 | 30,715 | 66.3 | 19,600 | 61.5 |
| December 31, 2020 | 392,909 | - | 14,628 | - | 18,468 | - | 12,139 | - |

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥ 21,394 million [1.5%]
 Nine months ended December 31, 2020: ¥ 21,084 million [-%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended December 31, 2021 | 340.78 | - |
| December 31, 2020 | 231.17 | - |

(Note) Due to the adoption of the Accounting Standard for Revenue Recognition from the beginning of the fiscal year ending March 2022, new accounting policy is retroactively applied in accordance with the basic treatment. The change rate from the nine months ended December 31, 2019 to the corresponding period of previous year is not listed due to the retroactive revision with the change of the accounting policy.

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|-------------------------|--------------|-------------|------------------------|
| | Million yen | Million yen | % |
| As of December 31, 2021 | 551,693 | 270,470 | 47.2 |
| March 31, 2021 | 512,015 | 253,586 | 47.7 |

(Reference) Equity: As of December 31, 2021: ¥ 260,485 million
 As of March 31, 2021: ¥ 244,160 million

(Note) Due to the adoption of the Accounting Standard for Revenue Recognition from the beginning of the fiscal year ending March 2022, new accounting policy is retroactively applied in accordance with the basic treatment.

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, 2021 | - | - | - | 75.00 | 75.00 |
| Fiscal year ending March 31, 2022 | - | - | - | | |
| Fiscal year ending March 31, 2022 (Forecast) | | | | 75.00 | 75.00 |

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

(Note) Breakdown of the 3rd quarter dividend for the fiscal year ending March 31, 2022 :

| | |
|------------------------|-------|
| Commemorative dividend | - yen |
| Special dividend | - yen |

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% 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 | 684,000 | 21.6 | 38,000 | 27.8 | 43,000 | 25.9 | 27,000 | 17.2 | 469.42 |

(Note) Revision to the financial results forecast announced most recently: Yes

(Note) Due to the adoption of the Accounting Standard for Revenue Recognition from the beginning of the fiscal year ending March 2022, new accounting policy is retroactively applied in accordance with the basic treatment. The change rate from the previous year is based on the results that are retroactively applied the standard to.

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2021

(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: Yes

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):

December 31, 2021: 58,561,649 shares

March 31, 2021: 58,561,649 shares

2) Total number of treasury shares at the end of the period:

December 31, 2021: 1,042,159 shares

March 31, 2021: 1,048,943 shares

3) Average number of shares during the period:

Nine months ended December 31, 2021: 57,516,476 shares

Nine months ended December 31, 2020: 52,514,291 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.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31,2021 | As of December 31,2021 |
|---|---------------------|------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 38,782 | 30,254 |
| Notes and accounts receivable - trade | 113,374 | 129,351 |
| Electronically recorded monetary claims - operating | 15,680 | 21,869 |
| Merchandise and finished goods | 30,565 | 41,308 |
| Work in process | 3,239 | 5,038 |
| Raw materials and supplies | 4,784 | 5,489 |
| Other | 15,828 | 22,152 |
| Allowance for doubtful accounts | (145) | (177) |
| Total current assets | 222,110 | 255,288 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 66,869 | 66,455 |
| Other, net | 111,154 | 115,329 |
| Total property, plant and equipment | 178,023 | 181,784 |
| Intangible assets | | |
| Goodwill | 13,791 | 12,538 |
| Other | 3,704 | 3,845 |
| Total intangible assets | 17,495 | 16,384 |
| Investments and other assets | | |
| Investment securities | 78,913 | 82,028 |
| Other | 16,064 | 16,768 |
| Allowance for doubtful accounts | (591) | (560) |
| Total investments and other assets | 94,385 | 98,236 |
| Total non-current assets | 289,905 | 296,405 |
| Total assets | 512,015 | 551,693 |

(Million yen)

| | As of March 31,2021 | As of December 31,2021 |
|--|---------------------|------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 65,541 | 68,107 |
| Electronically recorded obligations - operating | 27,992 | 31,102 |
| Short-term borrowings | 24,208 | 38,275 |
| Income taxes payable | 8,168 | 4,386 |
| Provision for bonuses | 5,268 | 2,671 |
| Provision for product compensation | 482 | 290 |
| Other | 39,319 | 43,580 |
| Total current liabilities | 170,981 | 188,414 |
| Non-current liabilities | | |
| Bonds payable | - | 10,000 |
| Long-term borrowings | 59,447 | 55,454 |
| Provision for retirement benefits for directors (and other officers) | 1,373 | 1,469 |
| Retirement benefit liability | 5,470 | 5,511 |
| Other | 21,155 | 20,373 |
| Total non-current liabilities | 87,447 | 92,809 |
| Total liabilities | 258,429 | 281,223 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 35,096 | 35,096 |
| Capital surplus | 31,766 | 31,811 |
| Retained earnings | 151,025 | 166,308 |
| Treasury shares | (1,514) | (1,515) |
| Total shareholders' equity | 216,373 | 231,700 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 25,501 | 24,558 |
| Deferred gains or losses on hedges | 2,373 | 2,196 |
| Foreign currency translation adjustment | (683) | 1,427 |
| Remeasurements of defined benefit plans | 595 | 603 |
| Total accumulated other comprehensive income | 27,786 | 28,785 |
| Non-controlling interests | 9,426 | 9,984 |
| Total net assets | 253,586 | 270,470 |
| Total liabilities and net assets | 512,015 | 551,693 |

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the nine months)

(Million yen)

| | For the nine months ended December 31,2020 | For the nine months ended December 31,2021 |
|--|---|---|
| Net sales | 392,909 | 479,424 |
| Cost of sales | 270,400 | 341,696 |
| Gross profit | 122,509 | 137,727 |
| Selling, general and administrative expenses | | |
| Transportation costs | 18,447 | 20,135 |
| Provision of allowance for doubtful accounts | (2) | 9 |
| Salaries, allowances and bonuses | 30,867 | 31,894 |
| Provision for bonuses | 2,358 | 2,404 |
| Retirement benefit expenses | 1,386 | 1,276 |
| Provision for retirement benefits for directors (and other officers) | 160 | 143 |
| Other | 54,664 | 56,011 |
| Total selling, general and administrative expenses | 107,881 | 111,874 |
| Operating profit | 14,628 | 25,853 |
| Non-operating income | | |
| Interest income | 242 | 290 |
| Dividend income | 1,012 | 1,087 |
| Foreign exchange gains | 101 | 290 |
| Share of profit of entities accounted for using equity method | 515 | 476 |
| Subsidy income | 817 | 1,218 |
| Other | 2,270 | 2,445 |
| Total non-operating income | 4,959 | 5,808 |
| Non-operating expenses | | |
| Interest expenses | 690 | 604 |
| Other | 428 | 341 |
| Total non-operating expenses | 1,119 | 945 |
| Ordinary profit | 18,468 | 30,715 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 166 | 136 |
| Gain on sale of investment securities | 293 | 611 |
| Subsidy income | 105 | 41 |
| Total extraordinary income | 564 | 789 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 6 | 493 |
| Loss on retirement of non-current assets | 180 | 162 |
| Impairment losses | 35 | 3 |
| Loss on valuation of investment securities | 7 | - |
| Loss on tax purpose reduction entry of non-current assets | 104 | 41 |
| Loss on sale of golf club membership | - | 24 |
| Total extraordinary losses | 334 | 724 |
| Profit before income taxes | 18,698 | 30,780 |
| Income taxes | 6,107 | 10,506 |
| Profit | 12,590 | 20,274 |
| Profit attributable to non-controlling interests | 450 | 673 |
| Profit attributable to owners of parent | 12,139 | 19,600 |

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

(Million yen)

| | For the nine months ended December 31,2020 | For the nine months ended December 31,2021 |
|--|---|---|
| Profit | 12,590 | 20,274 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 10,514 | (883) |
| Deferred gains or losses on hedges | (471) | (179) |
| Foreign currency translation adjustment | (1,716) | 2,143 |
| Remeasurements of defined benefit plans, net of tax | 66 | (41) |
| Share of other comprehensive income of entities accounted for using equity method | 100 | 81 |
| Total other comprehensive income | 8,493 | 1,120 |
| Comprehensive income | 21,084 | 21,394 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 20,621 | 20,599 |
| Comprehensive income attributable to non-controlling interests | 463 | 795 |

Due to the adoption of the Accounting Standard for Revenue Recognition from the beginning of the fiscal year ending March 2022, comparisons with the previous year are based on the results for the fiscal year ending March 31 2021 that are retroactively applied the standard to.

(1) Consolidated Statements of Income

| | (Unit: 100 million yen) | | | | | Overview |
|---|---------------------------|---------------------------|--------|-------|----------------------|--|
| | 3Q FY2020 Apr-Dec 2020 | 3Q FY2021 Apr-Dec 2021 | Change | Rate | FY2021 (Forecast) | |
| Net sales | 3,929 | 4,794 | 865 | 22.0% | 6,840 | Increase in Net sales of all segments due to the increase of mainstay products sales in improved demand for an industrial sector, in addition to high LPG import prices. |
| Gross profit | 1,225 | 1,377 | 152 | 12.4% | — | |
| Operating profit | 146 | 258 | 112 | 76.7% | 380 | Moreover, achieved record-high in profits due to the positive impact of LPG import price fluctuation. |
| Ordinary profit | 184 | 307 | 122 | 66.3% | 430 | |
| Profit attributable to owners of parent | 121 | 196 | 74 | 61.5% | 270 | |

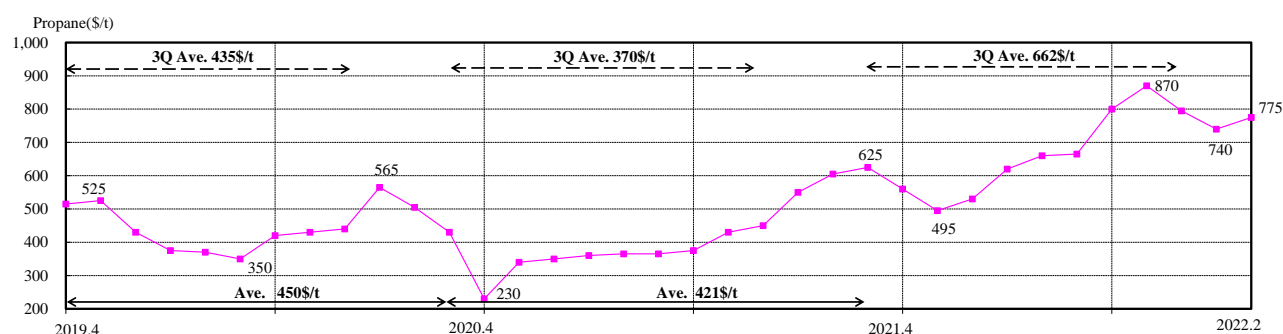
* Figures for fiscal year ending March 31, 2022(forecast) were announced on Feb 4, 2022.

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

| | (Unit: 100 million yen) | | | | | Overview |
|---|---------------------------|---------------------------|--------|-------|--|----------|
| | 3Q FY2020 Apr-Dec 2020 | 3Q FY2021 Apr-Dec 2021 | Change | Rate | | |
| Ordinary profit | 184 | 307 | 122 | 66.3% | Increase in profit by ¥7.1billion due to the impact of LPG import price fluctuation. | |
| Impact of LPG import price fluctuation | (15) | 71 | 86 | — | | |
| Ordinary profit except for impact of LPG import price fluctuation | 199 | 236 | 36 | 18.0% | Ordinary profit except for the impact of LPG import price fluctuation was ¥23.6 billion that achieved record-high level. | |

* Please see a slide of "Impact of LPG Import Price Fluctuations" in Financial Results Briefing Materials. (<http://www.iwatani.co.jp/eng/investor/data/presentation.html>)

(3) LPG Import Price (CP)



(4) Segment Information

| | | (Unit: 100 million yen) | | | | | Overview |
|------------------------------|--|---------------------------|---------------------------|--------|--------|--|----------|
| | | 3Q FY2020 Apr-Dec 2020 | 3Q FY2021 Apr-Dec 2021 | Change | Rate | | |
| Energy | Net sales (Sales to outside customers) | 1,702 | 2,164 | 462 | 27.1% | Increase in Net sales due to the increase of LPG sales and high LPG import prices. Increase in Operating profit due to the positive impact of LPG import price fluctuation, and increase in overseas sales of portable gas cooking stoves and cassette gas canisters. | |
| | Operating profit | 62 | 136 | 73 | 116.7% | | |
| Industrial Gases & Machinery | Net sales (Sales to outside customers) | 1,214 | 1,349 | 135 | 11.1% | Increase in sales of air separation gas and machinery. Increase in sales of hydrogen while increase in expenses due to the expansion of hydrogen refueling stations. Increase in sales of dry ice for the vaccination of COVID-19. | |
| | Operating profit | 60 | 89 | 28 | 46.2% | | |
| Materials | Net sales (Sales to outside customers) | 831 | 1,074 | 243 | 29.3% | Increase in Net sales of eco-friendly products such as Eco-friendly PET resins, biomass fuels and battery-related materials. Increase in Net sales of mineral sands. Increase in sales of metal processed products for air conditioners. | |
| | Operating profit | 31 | 46 | 15 | 50.9% | | |
| Agri-Bio & Foods | Net sales (Sales to outside customers) | 145 | 171 | 25 | 17.6% | Increase in sales of frozen foods for commercial use and households use, as well as increase in sales of agricultural equipments while increase in expenses for the materials. Increase in sales of livestock equipments. | |
| | Operating profit | 5 | 5 | 0 | 5.4% | | |
| Others, Adjustments | Net sales (Sales to outside customers) | 35 | 34 | △ 1 | △ 3.4% | | |
| | Operating profit | (13) | (18) | △ 5 | — | | |

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

| | Sales volume (thousand tons) | | | | Net sales (100 million yen) | | | |
|-------------------------------------|------------------------------|---------------------------|--------|-------|-----------------------------|---------------------------|--------|-------|
| | 3Q FY2020 Apr-Dec 2020 | 3Q FY2021 Apr-Dec 2021 | Change | Rate | 3Q FY2020 Apr-Dec 2020 | 3Q FY2021 Apr-Dec 2021 | Change | Rate |
| Domestic residential use | 711 | 719 | 8 | 1.1% | 752 | 999 | 246 | 32.7% |
| Domestic industrial use | 226 | 271 | 45 | 19.9% | 139 | 269 | 129 | 92.6% |
| LPG sub total (except for overseas) | 937 | 990 | 53 | 5.7% | 892 | 1,268 | 376 | 42.1% |
| LPG total | 951 | 1,004 | 52 | 5.6% | 901 | 1,281 | 379 | 42.1% |
| Various Industrial gases | — | — | — | — | 712 | 789 | 76 | 10.7% |

(6) Financial Position

(Unit: 100 million yen)

| | FY2020 end | 3Q FY2021 end | Change |
|--|---------------|------------------|---------|
| Total assets | 5,120 | 5,516 | 396 |
| Equity capital | 2,441 | 2,604 | 163 |
| Interest-bearing debt, gross | 961 | 1,169 | 208 |
| Interest-bearing debt, net | 573 | 867 | 293 |
| Equity capital ratio | 47.7% | 47.2% | (0.5pt) |
| Ratio of interest-bearing debt to total assets | 18.8% | 21.2% | 2.4pt |
| Debt-to-equity ratio, gross | 0.39 | 0.44 | 0.05pt |
| Debt-to-equity ratio, net | 0.23 | 0.33 | 0.10pt |

* Interest-bearing debt includes lease liabilities in the amount of ¥2.3 billion.

(7) Capital Expenditure

(Unit: 100 million yen)

| | 3Q FY2021 Apr-Dec 2021 | FY2021 (Forecast) |
|------------------------------|---------------------------|----------------------|
| Energy | 83 | 90 |
| Industrial Gases & Machinery | 106 | 218 |
| Materials | 18 | 63 |
| Agri-Bio & Foods | 36 | 39 |
| Others, Adjustments | 17 | 30 |
| Capital expenditure | 261 | 440 |
| Depreciation expense | 149 | 205 |

* Figures for capital expenditure totalize fixed assets, intangible assets (goodwill excluded), and investment securities.

(8) Key Business Indicators for PLAN23

| | | 3Q FY2020 Apr-Dec 2020 | 3Q FY2021 Apr-Dec 2021 | PLAN23 |
|---------------------------------|--|---------------------------|---------------------------|--------|
| Energy | LPG direct sales customers (10 thousand households) | 101 | 102 | 110 |
| | Portable gas cooking stove sales volume (thousand units) | 3,221 | 3,248 | 6,500 |
| | Cassette gas canister sales volume (million units) | 96 | 110 | 180 |
| Industrial Gases & Machinery | Air separation gas sales volume (100 million m ³) | 11.2 | 12.5 | 17.0 |
| | LH2 sales volume (million m ³) | 45 | 53 | 90 |

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

(Unit: 100 million yen)

| | 3Q FY2020 Apr-Dec 2020 | 3Q FY2021 Apr-Dec 2021 | Change | Rate |
|------------------|---------------------------|---------------------------|--------|--------|
| Net sales | 2,506 | 3,200 | 694 | 27.7% |
| Operating profit | 43 | 155 | 112 | 257.3% |
| Ordinary profit | 109 | 254 | 144 | 131.4% |
| Net Profit | 87 | 194 | 107 | 122.9% |

Financial Position

(Unit: 100 million yen)

| | FY2020 end | 3Q FY2021 end | Change |
|----------------------|---------------|------------------|--------|
| Total assets | 3,637 | 3,823 | 185 |
| Equity capital | 1,733 | 1,875 | 142 |
| Equity capital ratio | 47.7% | 49.1% | 1.4pt |