

# Iwatani

## Corporate Report 2018





Chairman and CEO

*Akiji Makino*

President

*Mitsuhiro Tanimoto*

The corporate philosophy of Iwatani Corporation is “Become a person needed by society, as those needed by society can prosper.” In accordance with this philosophy, we deliver a wide variety of gases and energy to households and society.

Operating the energy business, which mainly supplies LPG to support people’s lives, and the industrial gases & machinery business to support industries as core businesses, we strive to achieve continuous growth and increase corporate value.

Our corporate slogan is “Creation of a more comfortable space on the Earth is what Iwatani wishes and strives for.” We are working to encourage the use of hydrogen as an ultimately clean source of energy in an

effort to reduce the environmental impact. We construct hydrogen refueling stations with a view to accelerating the introduction of fuel cell vehicles that do not emit carbon dioxide when running and participate in the Fukushima Plan for a New Energy Society, according to which the world’s highest-class volume of CO<sub>2</sub>-free hydrogen is produced using electricity generated from renewable energy with a view to realizing a hydrogen energy society.

The circumstances surrounding gases and energy are changing dramatically. The deregulation of electricity and gas retailing is one example of this. We will continue to provide new value and aim to achieve continuous growth as a general energy firm.

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Corporate Philosophy

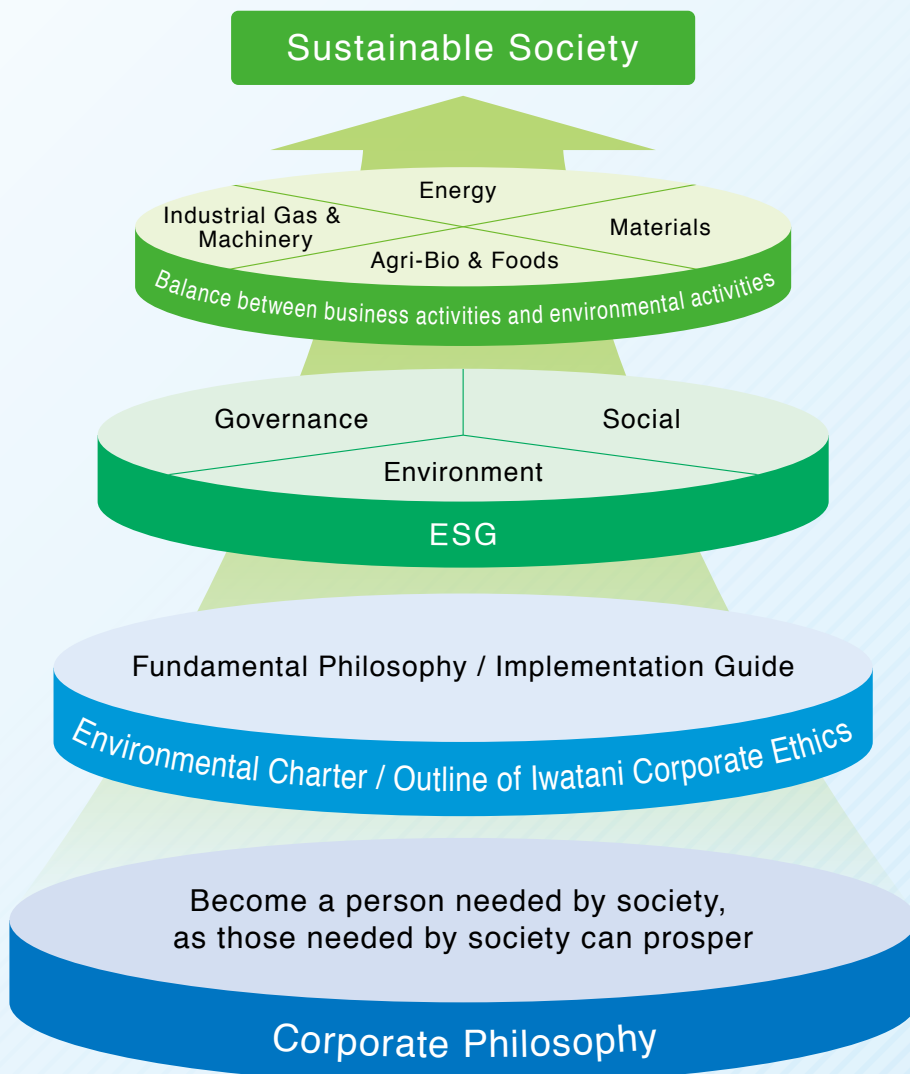
# Become a person needed by society, as those needed by society can prosper

Our corporate philosophy, “Become a person needed by society, as those needed by society can prosper,” represents the business philosophy of Naoji Iwatani, the founder of Iwatani Corporation. Inspired by Darwin’s theory of evolution, it suggests the continuous pursuit of the satisfaction of society and consumers. This philosophy has been serving as the basis of all our

businesses. Our LPG business is a good example. Our LPG has accelerated the fuel revolution in general households while easing the kitchen workloads of homemakers. It is now widely used as clean energy that people can rely on in daily life, in business, in outdoor activities and in case of emergency.

Corporate Slogan

## Creation of a more comfortable space on the Earth is what Iwatani wishes and strives for



Outline of Iwatani Corporate Ethics

1. We will create new value sought by customers to contribute to society.
2. We will comply with relevant laws and regulations and respect their spirit. We will fulfill social responsibility through fair and free competition.
3. We will actively disclose corporate information and have dialogs with society to gain empathy from and mutual understanding with society at large.
4. We will respect diverse values and create an environment where abilities can be fully demonstrated in a bid to provide leeway and affluence.
5. We will conduct corporate activities aimed at coexisting with the environment in accordance with the idea embodied in the phrase “Creation of a more comfortable space on the Earth is what Iwatani wishes and strives for.”
6. We will engage in corporate management from an international perspective.



# Medium-Term Management Plan: PLAN20

(2018-2020)

## Key Themes

### Evolution and Creation

Further evolution of the energy business and creation of customer value

## Basic Policies

Implement strategies for growth and Expand our business foundation

## Basic Strategies

- 1

Evolution of the energy business

  - Energy distribution reform
  - Promotion of a hydrogen society
  - Expansion of the renewable energy business
  
- 2

Creation of new businesses both in Japan and overseas

  - Inroads made overseas through synergies between the industrial gases & machinery and materials businesses
  - Development of new products and services in growth areas
  - Expansion of the cartridge gas business overseas
  
- 3

Promotion of ESG initiatives

  - Reduction of environmental impact
  - Promotion of businesses that reliably and safely support industrial and regional infrastructure
  - Tightening of governance (ensuring compliance)

## Management Targets

### Management Indicators

### Key Business Indicators

Ordinary Income	ROE	Net D/E Ratio		LPG direct sales customers	Portable gas cooking stove and cassette gas canister sales volumes (global)	Air separation gas sales volume	Liquid hydrogen sales volume
¥29.4 billion	12.2%	0.73	FY2017 Results	900,000 households	3,333,000 stoves & 103 million canisters	1.5 billion m <sup>3</sup>	59 million m <sup>3</sup>
¥33.0 billion	10.0% or higher	0.7	PLAN20 Targets	1,000,000 households	4,400,000 stoves & 137 million canisters	1.7 billion m <sup>3</sup>	90 million m <sup>3</sup>

## Energy

### ① Expansion of direct sales customer base through M&A

(Number of LPG direct sales customers)

900,000 households for FY2017 → 1,000,000 households for FY2020

### ② Sales expansion of gas machinery, consumer products and services, etc.

(Sales) ¥74 billion for FY2017 → ¥90 billion for FY2020

### ③ Expansion of the cartridge gas business through new product development and new demand creation

(Sales volumes in Japan)

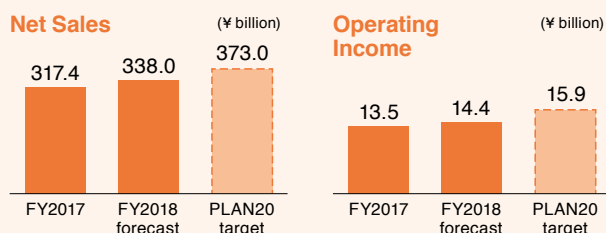
1,998,000 cooking stoves & 65 million canisters for FY2017 →

2,500,000 cooking stoves & 86 million canisters for FY2020

(Sales volumes overseas)

1,335,000 cooking stoves & 38 million canisters for FY2017 →

1,900,000 cooking stoves & 51 million canisters for FY2020



## Industrial Gases & Machinery

### ① Expansion of the hydrogen business

Implementation of efforts to spread hydrogen energy in society (Liquid hydrogen sales volume)

59 million m<sup>3</sup> for FY2017 → 90 million m<sup>3</sup> for FY2020

### ② Sales promotion of air separation gas and expansion of the machinery business

(Air separation gas sales volume)

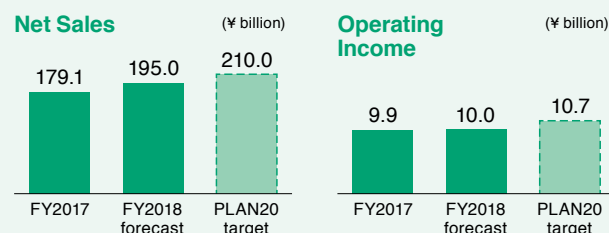
1.5 billion m<sup>3</sup> for FY2017 → 1.7 billion m<sup>3</sup> for FY2020

### ③ Enhancement in earning power of the helium business

Strengthening of direct sales inside and outside Japan (to boost the helium direct sales volume to 1.2 times the FY2017 level) / Increase in stable supply capacity through investment in containers / Improvement in customer services and cost reductions through utilization of container management systems

### ④ Expansion of overseas operations

Expansion of business scale through positive investment in growing industries / Entry into European and American markets



## Materials

### ① Enlargement of new businesses

#### ○ Biomass (PKS)

(Sales volume) 110,000 tons for FY2017 → 500,000 tons for FY2020

(Sales) ¥1.2 billion for FY2017 → ¥6.4 billion for FY2020

#### ○ Eco-friendly PET resins

(aluminum catalyst PET resins and bio-based ones)

(Sales) ¥1.1 billion for FY2017 → ¥10.0 billion for FY2020

#### ○ EV-related and other battery materials

(Sales) ¥6.5 billion for FY2017 → ¥14.0 billion for FY2020

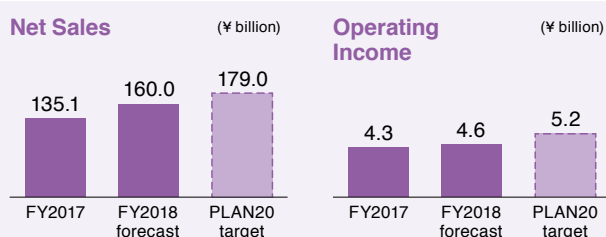
#### ○ Nano-nickel

Capital and business alliance with Microwave Chemical Co., Ltd.

### ② Enlargement of overseas operations

Expansion of metal processing business in Southeast Asia

(Sales) ¥5.0 billion for FY2020



## Agri-Bio & Foods

### ① Sales promotion of frozen food in Japan and overseas

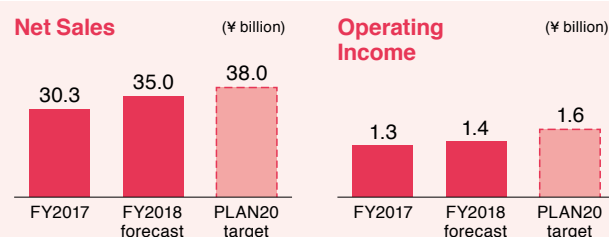
(Sales volume) 38,000 tons for FY2017 → 55,000 tons for FY2020

Use of proprietary freezing technologies / Product development in collaboration with partners

### ② Increase in market share of pig breeding business

(Market share in Japan) 12% for FY2017 → 20% for FY2020

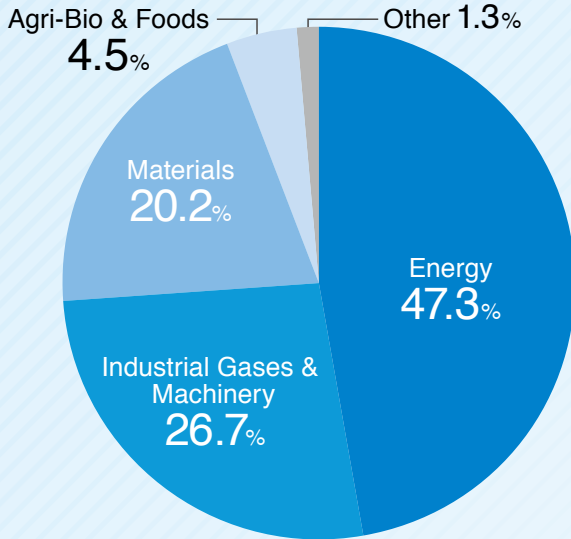
Sales promotion to large customers / Enrichment of production management support services for customers' farms



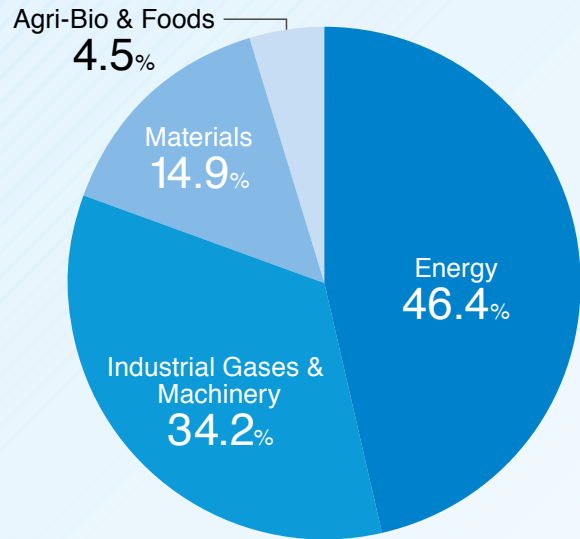
# Company Overview

## Financial Results for FY2017

Consolidated Net Sales: **¥670.7 billion**  
(for the fiscal year ended March 2018)



Consolidated Operating Income: **¥27.1 billion**  
(for the fiscal year ended March 2018)  
\* Adjustments are not included.



## Four Businesses with a Focus on Gas & Energy

### Core Businesses



#### Energy

- LPG ● City gas safety services and equipment sales
- Gas canisters



#### Industrial Gases & Machinery

- Industrial gases (including hydrogen) ● Industrial machinery



#### Materials

- Functional plastic products ● Resources and advanced materials
- Metals ● Electronic materials

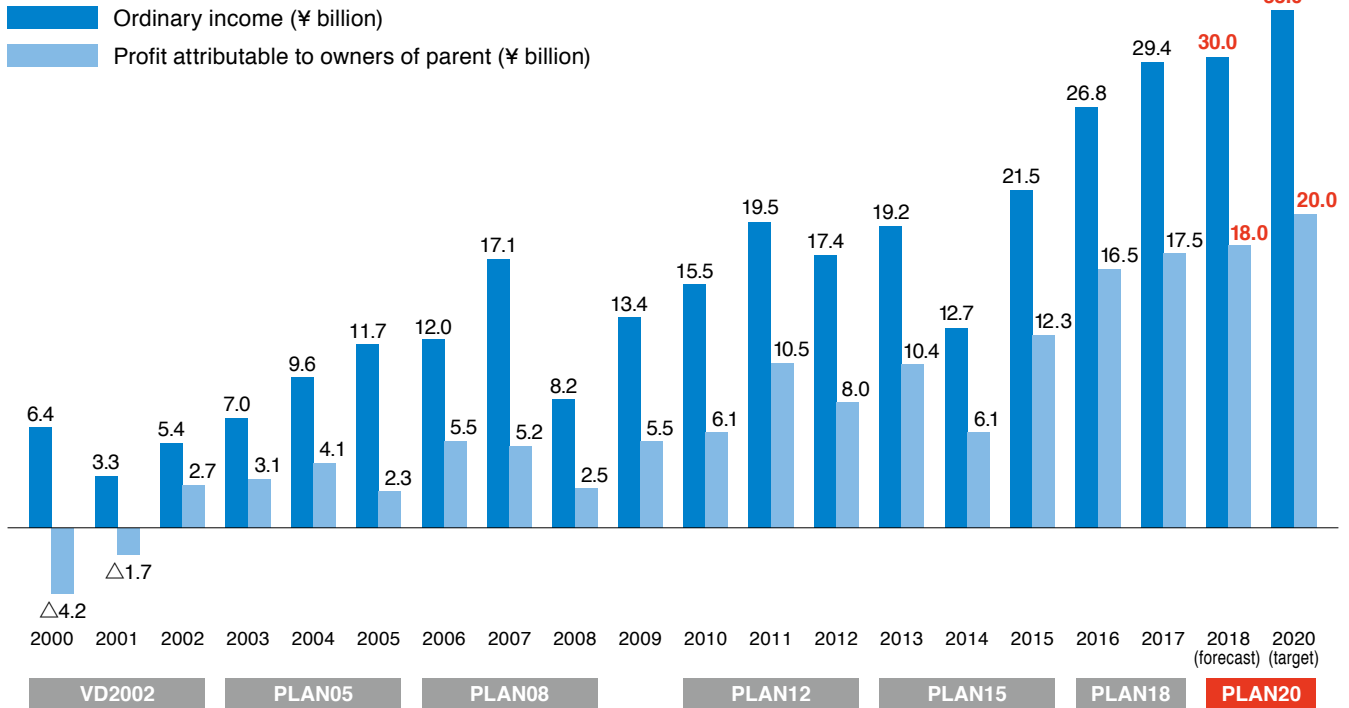


#### Agri-Bio & Foods

- Foods ● Agriculture and livestock ● Environmental sanitation

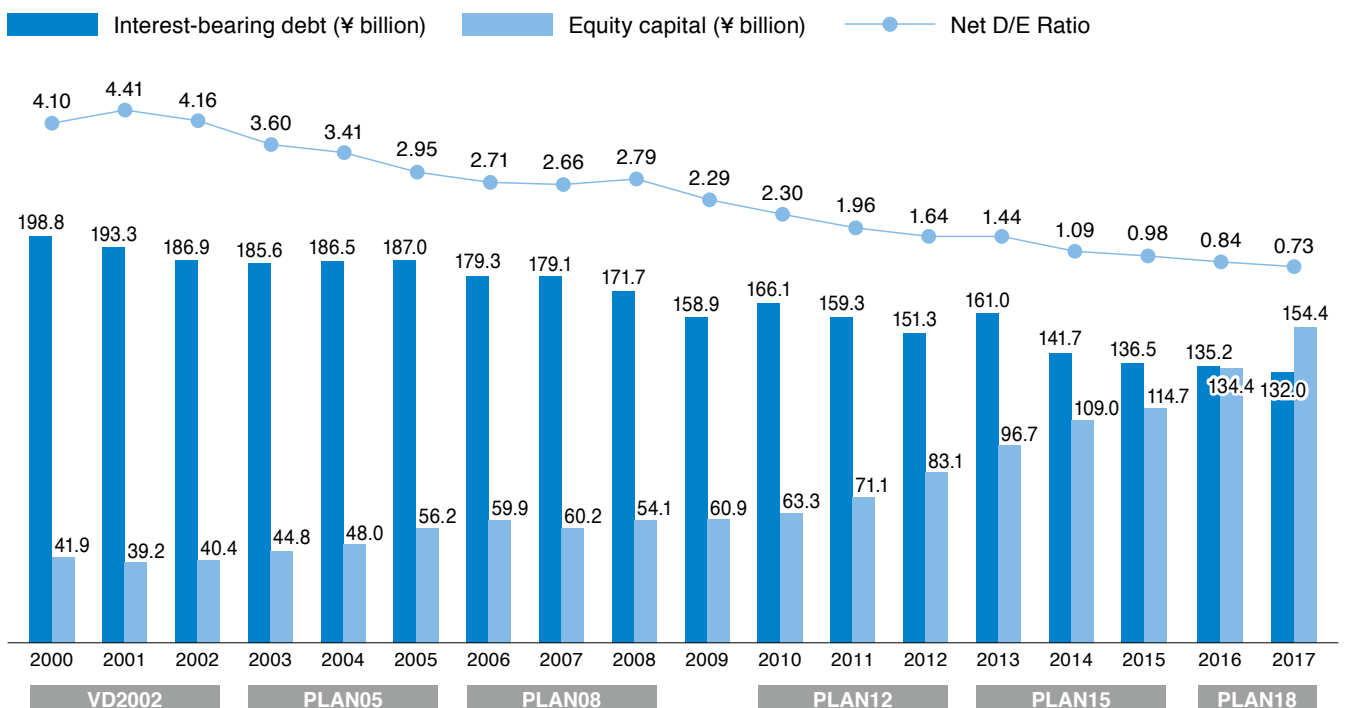
## Earning Power

Income is achieving steady growth.



## Financial Standing

Financial standing improved, with net D/E ratio of 0.73.







# Energy

The Energy segment offers LPG for consumer use under the brand name of Marui Gas to households nationwide and sells LPG and LNG for industrial use in factories. It provides customers with portable gas cooking stoves, cassette gas canisters, Fuji no Yusui natural water and other daily living products, gas-related equipment and city gas safety services to support living infrastructure.

## Nationwide Brand of Marui Gas

Iwatani is Japan's only LPG operator holding an integrated LPG supply system covering all processes from import to retail to serve the entire country. With approximately 400 business sites nationwide, we make use of sales, distribution and safety structures to supply high-quality services with excellent attention to detail throughout Japan.

**Maruigas**  
Nationwide Users  
Approx. **3.1 million** households

	<b>Import</b>	<b>Production</b>	<b>Distribution</b>	
<p>Middle East</p> <p>United States</p>				<p>Approx. 400 sites across Japan</p> <p>Sales Network</p> <p>Distribution Network</p> <p>Safety Network</p>

## Japan's Largest\*1 Customer Base

Iwatani's LPG, provided under the brand name of Marui Gas, serves approximately 3.1 million households across Japan to hold the largest market share in the country's wholesale market. In addition, Iwatani is also the top market shareholder in the retail market, selling directly to 900,000 households among the said figure. We will continue to strengthen the retail business by means of mergers and acquisitions of LPG retailers.

### Iwatani LPG Sales Results

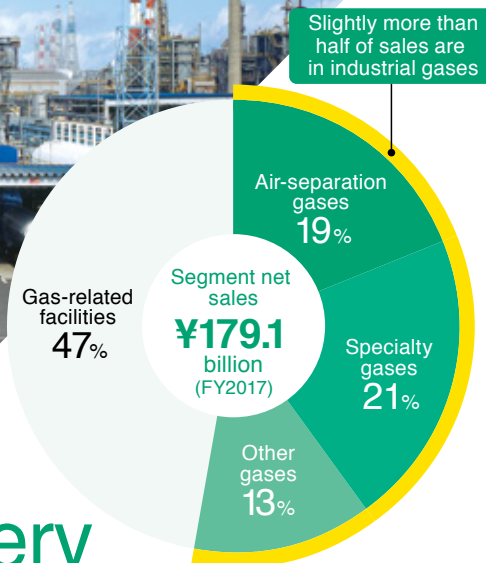
	Retail	Wholesale
Industry ranking	<b>1st</b> / 18,516 companies	<b>1st</b> / 1,100 companies
Market share	<b>3.7%</b>	<b>12.6%</b>
Households using Marui Gas	<b>900,000</b>	Approx. <b>3.1 million</b>

\*1: Source: Iwatani Corporation (based on sales market shares in Japan's LPG retail and wholesale markets as of the end of March 2018)

As of March 31, 2018







# Industrial Gases & Machinery

The Industrial Gases & Machinery segment consists of the Industrial Gases business, which offers air separation gases (oxygen, nitrogen and argon), hydrogen, helium, carbon dioxide, semiconductor material gases and medical gases, and the Machinery business, which offers different gas production and supply systems, factory automation systems, welding systems, semiconductor manufacturing systems, environmental equipment and others. On the basis of our long-cultivated technological capabilities and a broad array of products and services in this segment, we make proposals matching customers' needs to support the entire industry.



## Japan's Largest\*1 Helium Business

Helium is one of the rare resources produced from natural helium gas fields. It is vital to secure supply sources. Iwatani procures helium from two countries, namely the United States and Qatar, and holds a global market share of 8%. With the use of our strength in procurement and our distribution network, we are boosting sales in the Japanese market, where we have a 50% market share, as well as in China and Southeast Asia.



Helium containers arrive at Kobe Port

\*1: Source: Iwatani Corporation (based on sales market shares in Japan's helium market as of the end of March 2018)

## Actions Toward a Stable Supply of Helium

The helium sales volume in Japan and overseas has tripled in the past five years. In line with the sales expansion, Iwatani is constructing a structure for constant supply. The construction of new Helium Centers, one in Inashiki-gun, Ibaraki Prefecture in Japan and the other in China's Shaanxi Province city of Xian, is scheduled to finish by the end of FY2019.



A Helium Center is a site for supplying helium

## Japan's Largest\*2 Hydrogen Business

Iwatani first encountered hydrogen in 1941. Its hydrogen business has since accumulated experience and expertise over a long period of time, and we hold a 100% market share for liquid hydrogen. We have seen the liquid hydrogen sales volume increase steadily, especially in recent years. Our market share in the Japanese market has nearly doubled to 70% in the past ten years.

### Inauguration of Liquid Hydrogen Plants

2006: Hydro Edge Co. Ltd.

2009: Chiba Plant of Iwatani Industrial Gases Corporation

2013: Yamaguchi Liquid Hydrogen Corporation

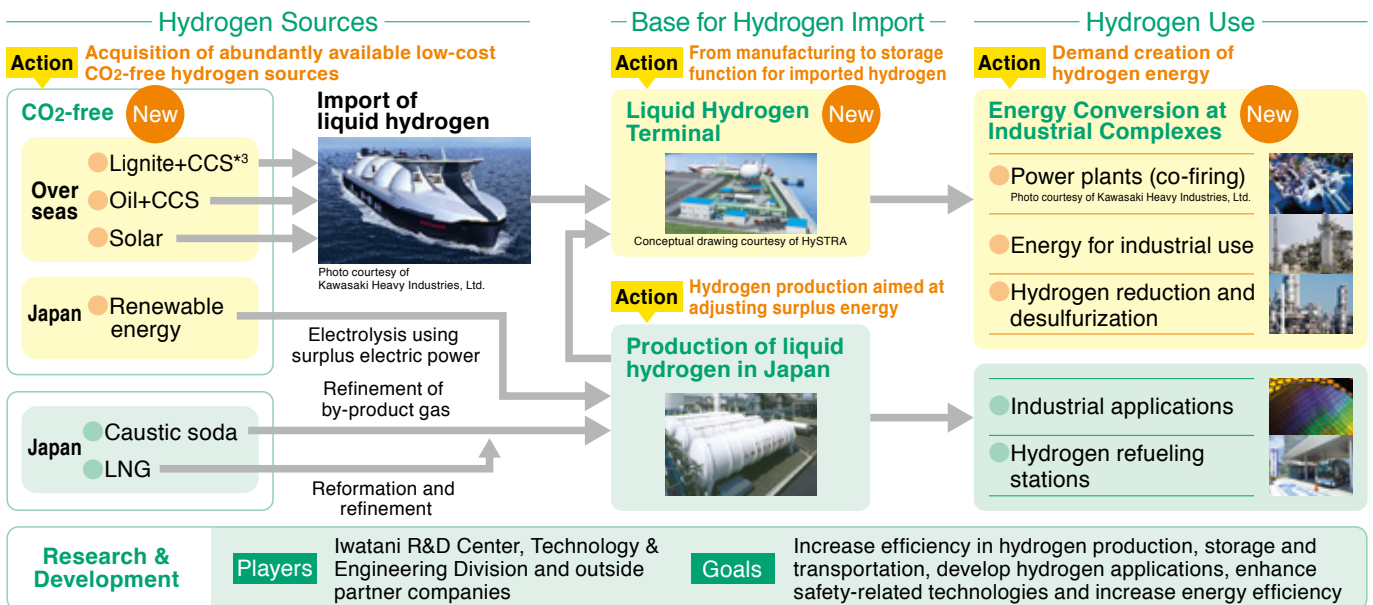


\*2: Source: Iwatani Corporation (based on sales market shares in Japan's compressed hydrogen and liquid hydrogen markets as of the end of March 2018)

### Trends in Hydrogen Sales Volumes in Japan and Iwatani's Market Share



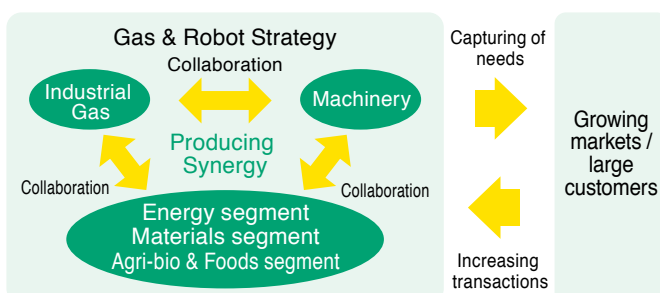
## Future Vision of Hydrogen Business



\*3: CCS stands for CO<sub>2</sub> capture and storage. It refers to the collection and storage of CO<sub>2</sub> emitted from hydrogen production from lignite and oil.

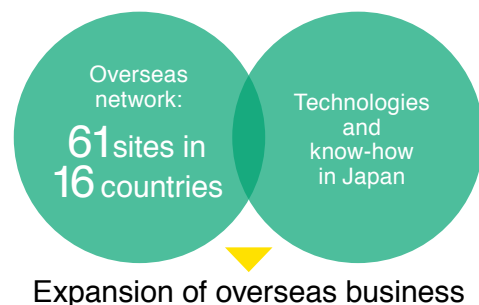
## Synergy between Gases and Machinery

Iwatani's business is not limited to industrial gases. It has an extensive lineup of machinery and equipment, including welding robots and semiconductor production systems. We offer optimal proposals that combine industrial gases with machinery and equipment to produce synergy between gases and robots. This shapes our unique business operations, which are not found in other companies.

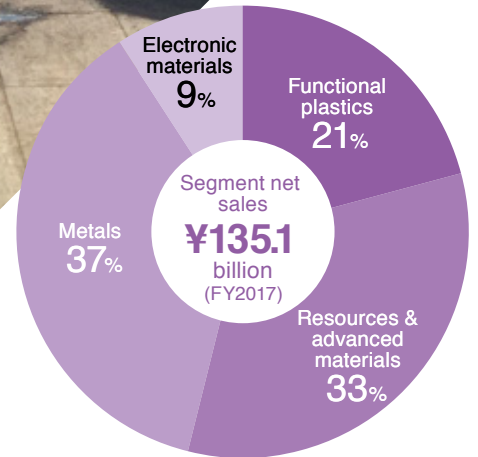


## Taking Advantage of Expertise Cultivated in Japan for Business Expansion Overseas

Iwatani aims to achieve business expansion not only in Japan but also overseas by taking advantage of the technologies and know-how that it has nurtured as well as its overseas network. We will also carry out cross-organizational collaboration among other segments with a view to producing synergy between business segments.







# Materials

The Materials segment consists of the functional plastics section, which provides resin raw materials and resin products, the resources & advanced materials section, providing mineral sand and others, the metals section, providing stainless steel and non-ferrous metals, and the electronic materials section, providing electronic materials. The segment provides raw materials and other materials that are necessary for manufacturing.

## Aspiration to be a Leader in Niche Markets

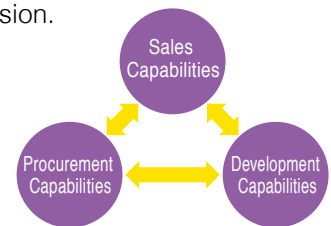
The Materials segment concentrates on areas with limited competition where Iwatani can exert its strength, and aims to be a leader in these areas. For example, we have a 30% global market share in heat-resistant coatings for motorcycle mufflers and a 30% Japanese market share in titanium and zirconium materials.



Heat-resistant coatings

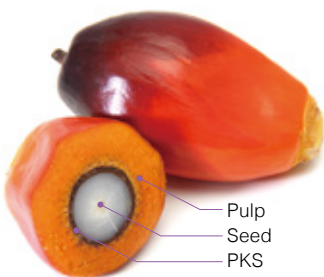
## Sales Capabilities, Procurement Capabilities and Development Capabilities

Iwatani has strong sales capabilities. Relationships of trust based on sales capabilities lead to capabilities in procurement and development. We thus create new original products in succession.



## Promising Products - Biomass Fuels, Eco-Friendly PET Resins, and Nano-Nickel

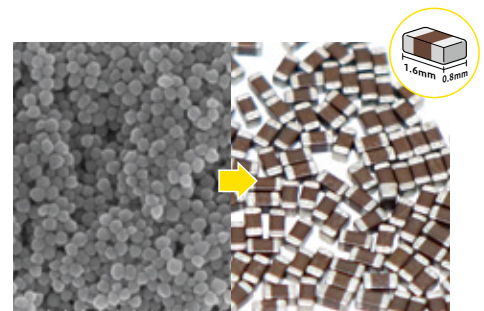
For promising domains such as the environment, electronics and automobiles, Iwatani carries out product development together with many different partners.



Palm kernel shells (PKS) serves as a biomass fuel

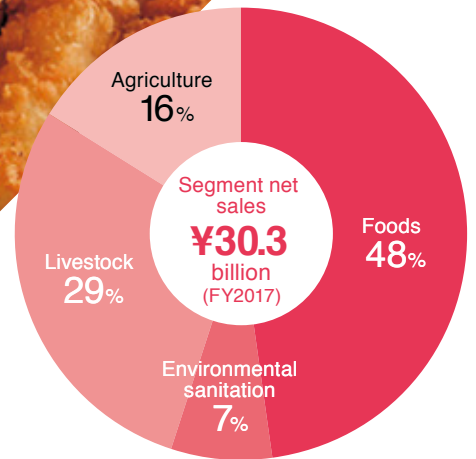


Eco-friendly PET resin



Nano-nickel serves as a material for electrodes of ceramic capacitors





# Agri-Bio & Foods

The Agri-Bio & Foods segment offers frozen food as mainstay products. This business began as part of an initiative to develop businesses and products by harnessing cold thermal energy from liquid nitrogen. Today, we sell frozen vegetables, frozen prepared food, sesame seeds processed using a freeze shattering technology, soft-shelled turtle products and dietary supplements. We also engage in the breeding stock business and the sale of plant factories, agricultural machinery and agricultural equipment.

## Frozen Food Produced with Unique Freezing Technology

Iwatani boasts its original Fresh-I method of preserving the freshness and taste of frozen vegetables. We are working on developing products in response to needs for labor saving and on sales expansion through the cultivation of new sales channels.



Frozen Food

## Breeding Stock Business Holding the Top Market Share

Iwatani engages in the breeding stock business as an exclusive agency of Pig Improvement Company (PIC), which is the world's largest breeding stock company. In partnership with large business operators, we will work to increase our market share in Japan from the current level of 12% to 20%.



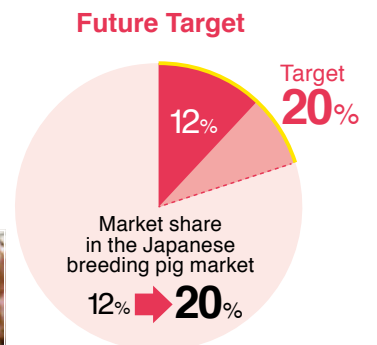
Tashiro Farm of Iwatani Camborough Co, Ltd.



Health Food Series



Large Livestock Farm



# Toward the Sustainable Development Goals (SDGs)

As climate change, the exhaustion of resources and other environmental issues worsen around the world, abnormal weather conditions are occurring in different parts of the world, causing severe damage to social activities and economies. Facing the advent of a truly aged society, Japan sees its economy affected by a decline in the working population. Provincial areas are becoming increasingly depopulated and are facing problems such as declines in their local economy and primary industry, endangered communities and growth in the number of elderly people living alone.

In a bid to resolve global warming and other environmental issues, Iwatani will accelerate the spread of hydrogen as an ultimate source of clean energy and biomass energy and the shift to eco-friendly PET resins.

We support people's daily lives and industrial infrastructure by delivering LPG and industrial gases in a safe, reassuring manner. Taking advantage of our business foundations, we will continue to offer products and services that are helpful to health and comfort in life.

With the corporate philosophy of, "Become a person needed by society, as those needed by society can prosper", the Iwatani Group endeavors to resolve environmental and social issues in Japan and around the world and to improve governance through its business with a focus on gases and energy.

## In ESG initiatives, businesses are expected to ...

### Environment

- Carry out environmental business activities
- Reduce waste and CO<sub>2</sub> emissions
- Preserve biological diversity and others

### Social

- Contribute to local communities
- Respect work-life balance and diversity
- Develop staff members and others

### Governance

- Construct, maintain and improve business execution and supervisory systems
- Construct, maintain and improve auditing systems
- Construct, maintain and improve risk management systems
- Ensure compliance

## Sustainable Development Goals (SDGs)

In September 2015, the United Nations adopted the Sustainable Development Goals (SDGs), which consist of 17 goals and 169 targets. For the cause of realizing a sustainable society with diversity and inclusion where no one is left behind, the SDGs call on all parties including developed countries, developing countries, governments, related organizations and businesses to take action.

## SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



## Target Financial Indicators

### Medium-Term Management Plan: **PLAN20** (FY2020)

Net Sales:  
¥808.0  
billion

Operating Income:  
¥31.5  
billion

### Management Targets

Ordinary Income:  
¥33.0  
billion

ROE:  
10.0%  
or higher

Net D/E Ratio:  
0.7

**E**nvironment

**S**ocial

# Iwatani

Main Business	SDGs Associated with Business
 <p><b>Energy</b></p> <ul style="list-style-type: none"> <li>○ LPG</li> <li>○ City gas safety services and equipment sales</li> <li>○ Gas canisters</li> </ul>	
 <p><b>Industrial Gases &amp; Machinery</b></p> <ul style="list-style-type: none"> <li>○ Industrial gases (and hydrogen)</li> <li>○ Industrial machinery</li> </ul>	
 <p><b>Materials</b></p> <ul style="list-style-type: none"> <li>○ Functional plastic products</li> <li>○ Resources and advanced materials</li> <li>○ Metals ○ Electronic materials</li> </ul>	
 <p><b>Agri-Bio &amp; Foods</b></p> <ul style="list-style-type: none"> <li>○ Foods</li> <li>○ Agriculture and livestock</li> <li>○ Environmental sanitation</li> </ul>	
 <p><b>Other</b></p> <ul style="list-style-type: none"> <li>○ Iwatani R&amp;D Center</li> <li>○ Social contribution activities</li> </ul>	

**G**overnance

- Business execution and supervisory system
- Auditing system
- Risk management system
- Compliance



# Environmental Actions through Business Activities

Under the slogan “Creation of a more comfortable space on the Earth is what Iwatani wishes and strives for,” Iwatani makes efforts to reduce the environmental impact by promoting the use of hydrogen.

## Japan H<sub>2</sub> Mobility, LLC (JHyM)

Japan H<sub>2</sub> Mobility, LLC (JHyM) was established in 2018 for the purpose of installing hydrogen refueling stations for fuel cell vehicles (FCVs) on a full-scale basis. A total of 11 companies, including Japanese automobile, energy and finance-related firms as well as Iwatani, participated in this venture. JHyM strives to strategically construct and efficiently operate hydrogen refueling stations on the basis of collaboration with a view toward increasing the use of FCVs. As an operator responsible for infrastructure, Iwatani is addressing the construction and operation of hydrogen refueling stations as well as the standardization of equipment and systems in a bid to help increase and enhance hydrogen refueling stations.



Press conference announcing the launch of the new company

## Hydrogen Council

Iwatani is a member of the Hydrogen Council. It is composed of 53 leading countries in the energy, transport and manufacturing sectors around the world.\*1 This organization formulates measures for encouraging the use of hydrogen and effective implementation plans in collaboration with policymakers, business circles, companies using hydrogen, international organizations, civic associations and other entities in many different countries with the objective of globally promoting the use of hydrogen, and thereby aims to fulfill common goals. Iwatani engages in activities of the Hydrogen Council to share the global vision of hydrogen and continues to focus its efforts on actions for expanding the utilization of hydrogen energy in Japan with a view to realizing the vision as soon as possible.

\*1: As of the end of September 2018



CEO Meeting in San Francisco in September 2018

## The Fukushima Plan for a New Energy Society

The Japanese National Government and the Fukushima Prefectural Government carry out the Fukushima Plan for a New Energy Society aimed at promoting Fukushima as a leading region for a new energy future in an effort to expand the introduction of renewable energy and to build a model for creating a hydrogen society. Jointly with Toshiba Energy Systems & Solutions Corporation and Tohoku Electric Power Co., Inc., Iwatani has been commissioned to implement a renewable energy-based hydrogen project\*\*2 pushed under the plan. It is a demonstration project for storing hydrogen converted from electric power generated from sunlight and for using it for coordination on the local power grid. This trial will be continued with the hydrogen energy system equipped with a 10,000-kilowatt-class hydrogen production unit constructed at Namie-machi in Fukushima Prefecture.

\*\*2: This project is commissioned by the Agency for Natural Resources and Energy (NEDO).



Conceptual Drawing of the Hydrogen Production Unit (Image Courtesy of Toshiba Energy Systems & Solutions Corporation)



## CO<sub>2</sub>-free Hydrogen Energy Supply-chain Technology Research Association (HySTRA)

In 2016, Kawasaki Heavy Industries, Ltd., Shell Japan Ltd., Electric Power Development Co., Ltd. and Iwatani established the CO<sub>2</sub>-free Hydrogen Energy Supply-chain Technology Research Association (HySTRA) to embark on a demonstration project for a technology of locally gasifying unused resources of brown coal, or poor-quality coal, underground in Australia to produce hydrogen and liquefying it for mass transport. It is aimed at constructing and commercializing a cross-border supply chain of CO<sub>2</sub>-free hydrogen, which emits no carbon dioxide, not only when it is used but also when it is produced or transported. In this project, Iwatani is in charge of constructing a liquid hydrogen loading terminal and evaluating its operation.



Conceptual Drawing of Liquid Hydrogen Loading Terminal (Image Courtesy of HySTRA)

## Kitakyushu Hydrogen Town

Iwatani participates in the Kitakyushu Hydrogen Town Demonstration and PR Project operated by the Kitakyushu City Government to press ahead with actions toward the practical application of pure hydrogen fuel cells. Kitakyushu Hydrogen Town supplies energy generated from by-product hydrogen emitted from neighboring factories via pure hydrogen fuel cell systems installed in residential buildings and facilities in the town. Among various types of fuel cells, the reforming type where hydrogen is generated from LPG and city gas is currently the mainstream. Iwatani is testing the durability and other properties of pure hydrogen-type fuel cells. They are characterized by the fact that they use hydrogen supplied in the town and that they are highly efficient and compact in size, requiring no reforming process.



Kitakyushu Hydrogen Town (Image Courtesy of the Kitakyushu City Government)

## Iwatani Hydrogen Energy Forum

The early realization of a hydrogen energy society is impossible without understanding, cooperation and partnership with businesses and organizations in many different domains related to hydrogen, as well as individuals. On the basis of this concept, Iwatani has been organizing the Iwatani Hydrogen Energy Forum in Tokyo and in Osaka every year since 2006 for the purpose of giving impetus to the propagation of hydrogen energy and providing opportunities for building networks. Held on the topic Broadening Applications of Hydrogen and Front Line, the 2018 forum included a special lecture by an expert in a related field as well as an active question-and-answer session with participants.



The 12th Iwatani Hydrogen Energy Forum

## Fuel Shift to Liquefied Natural Gas (LNG)

Chiefly in the industrial sector, there are mounting needs for a fuel shift from coal and oil to LPG and natural gas. These gases are energy sources with superior environmental characteristics, given that their CO<sub>2</sub> emissions are relatively low among fossil energy sources and that their exhaust after combustion is relatively clean. Since they have plentiful reserves, they have excellent supply stability. At the Iwatani Group, transport, storage, supply and safety measures are all conducted independently within the Group. For areas without pipelines, these gases are supplied stably using LNG tank trucks and satellite facilities.



An LNG Satellite Facility (operated by Koga Energy Co., Ltd.)

## Biomass Fuel as a Renewable Energy Source

Biomass power generation is the production of electric power involving the combustion of plant-derived organic resources, called biomass. Biomass is carbon neutral. This means that it does not increase carbon dioxide in total. Biomass does emit carbon dioxide when it is burnt, while plants absorb CO<sub>2</sub> in photosynthesis when they grow. It therefore attracts expectations as a renewable energy source. Iwatani imports palm kernel shells (PKS), which are suited as a fuel for biomass power generation, from Indonesia and Malaysia. Iwatani R&D Center has developed an analysis technology concerning 10 different items. This technology is employed for the purpose of sound quality management in biomass sales and supply to the Japanese market.



Palm kernel shells (PKS) serve as a biomass fuel

## PET Resins Friendly to the Global Environment

Biomass PET is produced using monoethylene glycol (MEG) derived from non-edible sugar cane (bio-MEG), which replaces oil-derived MEG constituting 30% of the raw materials for conventional PET resins. It opens the way for cutting the consumption of fossil resources and CO<sub>2</sub> emissions from combustion for disposal. Iwatani procures the bio-MEG from India and has the PET resins manufactured at a resin manufacturer in Thailand to supply them to the market. Iwatani also produces and supplies aluminum catalyst PET resins by adopting aluminum that is free of heavy metals as a catalyst that is essential to the PET resin manufacturing process. It attracts attention as PET resin with distinction in terms of recyclability and reduced environmental impact.



Bottles made of biomass PET

## CFC-Free Dust Blower

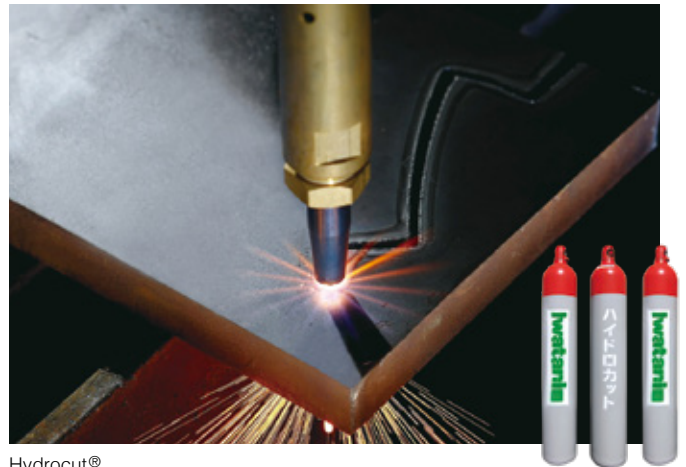
NKK Co., Ltd. is an Iwatani Group company that has developed and supplies CFC-free dust blowers, which contain no chlorofluorocarbons (CFCs). CFCs are known to deplete the ozone layer. Dust blowers are used to remove dust from computer keyboards and other peripherals. HFC-134a, a CFC alternative that is commonly used at the moment, has a very high global warming potential of 1430, although it does not directly deplete the ozone layer. Meanwhile, the CFC-free dust blowers have achieved a global warming potential of only 1 or less. They won a Minister of the Environment Prize for Activities against Global Warming in 2007 for their environmentally-friendly attributes.



CFC-Free Dust Blower

## Hydrocut® Environmentally-Friendly Mixed Fusing Gas

Developed and manufactured by Iwatani, the Hydrocut® is an environmentally-friendly mixed fusing gas produced by mixing hydrogen gas, which emits no CO<sub>2</sub> when burnt, with hydrocarbon gas to exhibit enhanced performance. It may be used in the same manner as conventional acetylene, and its CO<sub>2</sub> emissions are around 70% lower than those of acetylene. With superior safety and workability, it controls backfire, soot and radiant heat. It helps improve the working environments in steelmaking, shipbuilding, construction, automobiles and many other business sectors. Iwatani has established a structure for stable supply from two manufacturing plants in Himeji and Chiba to customers all over the country.

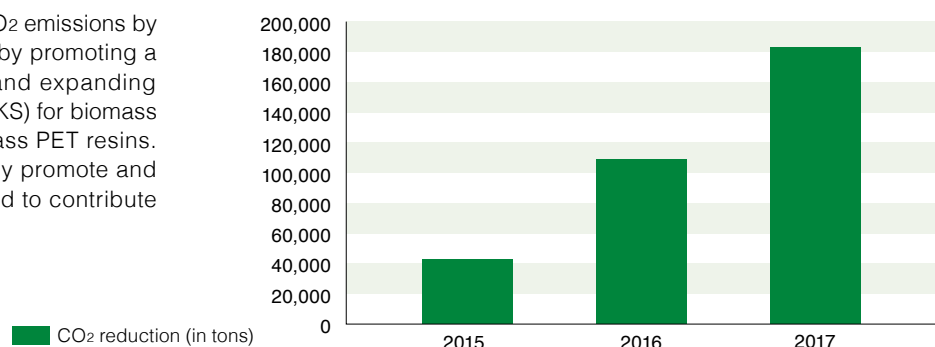


Hydrocut®

## Controlling Global Warming and Cutting CO<sub>2</sub> Emissions

Iwatani contributes to the reduction of CO<sub>2</sub> emissions through business activities.

For FY2017, we helped cut CO<sub>2</sub> emissions by approximately 180,000 tons by promoting a fuel shift to LPG and LNG and expanding sales of palm kernel shells (PKS) for biomass power generation and biomass PET resins. We will continue to vigorously promote and develop clean energy in a bid to contribute to global warming control.



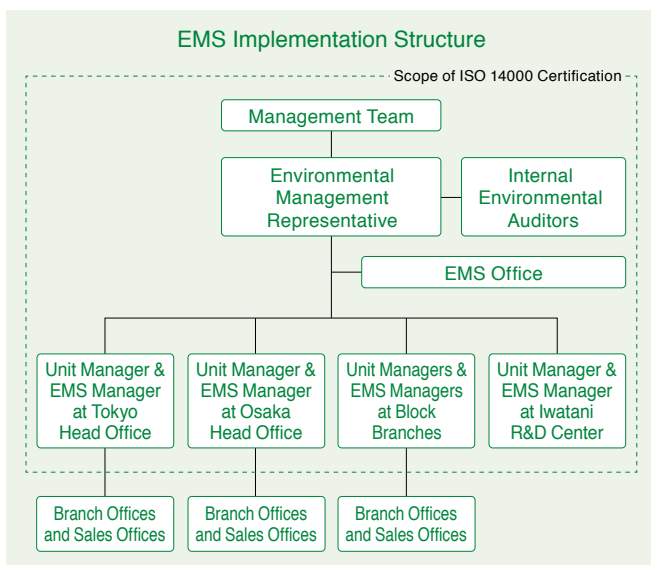


# Environmental Management System

The Iwatani Group engages in environmental activities. To attain better results, we are working to improve organizations and structures and to raise staff awareness. As a result, we made steady achievements in FY2017.

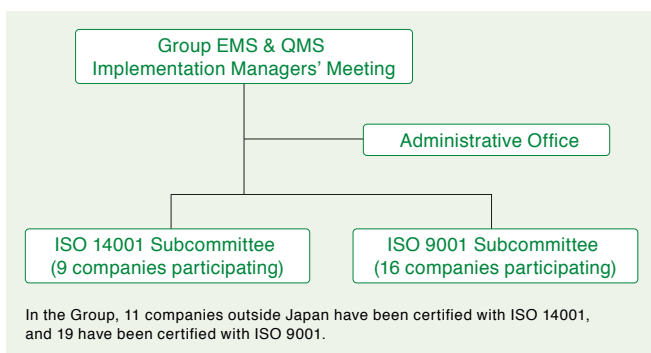
## Environmental Management System

Iwatani's environmental management system is based on ISO 14001 certification obtained by its Tokyo and Osaka Head Offices, Iwatani R&D Center and six major operational bases in Japan, covering more than 70% of all its personnel. Non-certified branch offices and sales offices are constructing their management systems under the guidance of the head offices and major operational bases. The Disaster Response and Environment Control Committee discusses important matters concerning environmental management and puts them into practice.



## Group EMS & QMS Implementation Managers' Meeting

Since FY2001, the Group EMS & QMS Implementation Managers' Meeting has been held regularly. Joined by major subsidiaries and affiliates certified with ISO standards, this meeting harmonizes orientation, exchanges information and provides guidance in a bid to strengthen the Iwatani Group's environmental management structure.



## Internal Environmental Audit and External Audit

Under the EMS, Iwatani conducts internal environmental audits of all the units twice a year. Nonconformities that are discovered are addressed immediately. For FY2017, they were conducted in September and February, with no severe nonconformities found. Iwatani also underwent a regular examination under ISO 14001 performed by the High-Pressure Gas Safety Institute of Japan in October 2017, and its EMS implementation was rated "fine".

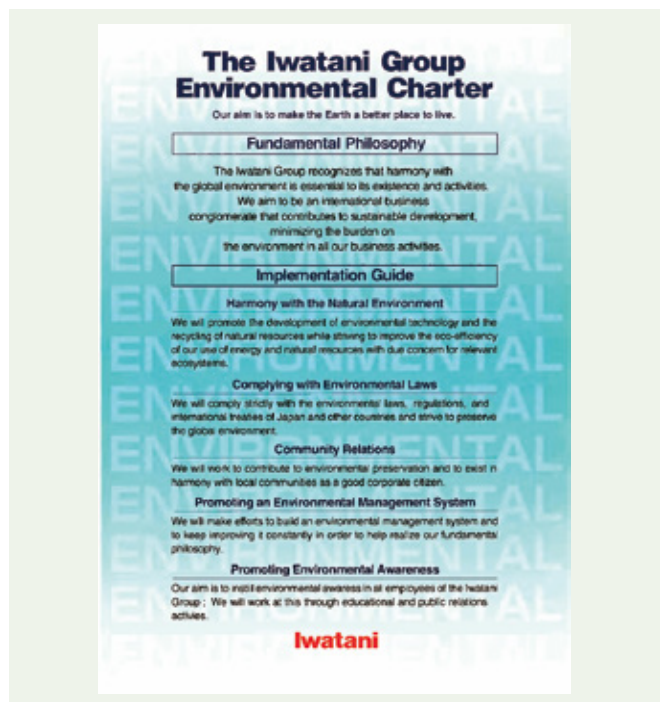
## Environmental Education

Iwatani provides education as stated below for the purpose of raising employees' environmental awareness.

Name	Timing	Content
Introductory Education	Training for new employees	Overall matters regarding environmental issues, overview of EMS, and advantages of environmental activities
Level-Specific Education	Training for managers	Requirements under environmental legislation and relationships with business
Unit Education	At the beginning of the fiscal year	Environmental goals, procedures of environmental activities, and compliance procedures
Follow-Up	As needed	Offering information on the internal LAN and testing to confirm attendees' understanding

## Environmental Charter

Iwatani formulated the Iwatani Group Environmental Charter in 1998. We have since been making group-wide efforts to practice it.





## Compliance with Environmental Legislation

Iwatani is endeavoring to ensure that environmental legislation is known to and observed by employees engaging in related duties. For FY2017, there were no cases of non-compliance.

### List of Environmental Legislation for FY2017

Main Environmental Legislation Related to Iwatani's Business	Examples of Activities Subject to Legislation	Compliance Status
High-Pressure Gas Safety Act	Sales of high-pressure gas	Good
Poisonous and Deleterious Substances Control Act	Sales of ammonia and other substances	Good
Industrial Safety and Health Act	Sales of ethylene oxide and other substances	Good
Waste Management and Public Cleansing Act	Emission of industrial waste	Good
Act on Rationalizing Energy Use	Outsourcing of cargo transport	Good
Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging	Sales of Cassette-Feu stoves	Good
Act on Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources	Discharge of food waste	Good
Air Pollution Control Act	Use of boilers	Good
Act on Rational Use and Proper Management of Fluorocarbons	Management of CFC equipment	Good

## Quality Assurance

Iwatani is a gas manufacturer as well as a trading company, and pays the utmost attention to the quality of the gas it supplies as its product. In accordance with the Green Procurement Standards required by customers, the Product Department and the Quality Assurance Department work together to meet the standards. As for implementation, Iwatani R&D Center has established a system for supporting it in terms of analysis and other aspects with respect to industrial gases, for example. The Iwatani Group's separation gas plant has obtained certification of the ISO 9001 international standards for quality management systems and has established an advanced quality management system.

Plant	ISO9001	ISO14001
Kofu Plant of Iwatani Industrial Gases Corporation	○	○
Kitsuregawa Plant of Air Chemicals Corporation	○	○
Otake Plant of Sanyo Air Chemicals Corporation	○	—
Tsuruga Branch of Hokuriku Air Chemicals Corporation	○	—
Hydro Edge Co., Ltd.	○	—

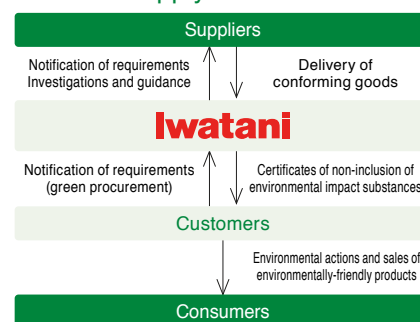
## Preservation of Biodiversity

ALALA is Iwatani's brand of environmentally friendly detergents containing cleaning ingredients derived from natural plants. These products have no environmental impact from the manufacturing process to the post-use phase. Iwatani is a member of the Association of National Trusts in Japan. We offer support for activities for conserving natural eco-systems, such as trust activities for preserving beautiful nature and animal trusts for preserving the habitats of endangered animals.

## Green Procurement

Regulations on chemical substances pursuant to the European Union directives such as RoHS, ELV and REACH apply to all goods sold in the European Union, including those exported from Japan. For this reason, manufacturers marketing their products in Europe closely study the history of the components and raw materials they use and implement strict control of purchased items to ensure that their products contain none of the chemical substances subject to the regulations (so-called "green procurement"). Iwatani carries out investigations on whether environmental impact substances are contained in the items it delivers in order to meet the Sony Green Partner Standards and other customers' requirements. We apply green procurement to goods procured from suppliers and provide customers with certificates of quality assurance or non-inclusion of environmental impact substances in a bid to help establish a green supply chain.

### Green Supply Chain



## Actions in Logistics

Iwatani was designated as a specified consigner in FY2006 pursuant to the Act on Rationalizing Energy Use\*. With regard to cargo transport commissioned to companies in the Group and outsiders, we are working to integrate logistical bases, shift to a model of transport with a lower environmental impact, encourage environmentally-friendly driving, introduce digital tachographs and take other measures for improving transport efficiency.



\*Law regarding rationalization of energy usage



The ALALA Series of Environmentally-Friendly Products

# Environmental Performance Data

Iwatani strives to identify and improve its environmental performance with a view to constantly reducing the environmental impact of its corporate activities.

## Environmental Goals and Results for FY2017 and Environmental Goals for FY2018

Under its EMS, Iwatani sets environmental goals every year. The tables below show the results for FY2017 and the environmental goals for FY2018. For FY2017, we met the goals in four items, namely increasing the use of eco-friendly products, ensuring compliance with environmental legislation in the construction of factories and facilities, reducing the environmental burdens from companywide energy consumption in accordance with regulations on individual businesses under the amended Act on Rationalizing Energy Use and reducing burnable waste emissions, while we failed to meet the goal of reducing environmental burdens through rationalized logistics in accordance with regulations on specified consigners under the amended Act on Rationalizing Energy Use.

No.	Item	Environmental Goals and Results for FY2017		Environmental Goals for FY2018
		Goal	Result	
1	Expansion of use of eco-friendly products	100 points	98.7 points	Expansion of use of eco-friendly products: 100 points
2	Promotion of environmental activities	9,000 points	11,803 points	Promotion of environmental activities: 9,000 points
3	Reduction in environmental burdens from business vehicles: Introduction of LPG vehicles	30 vehicles	27 vehicles	Reduction in environmental burdens from business vehicles and others: Introduction of 25 low-emission vehicles
4	Reduction in environmental burdens from delivery trucks and equivalents: Introduction of LPG vehicles	50 vehicles	37 vehicles	Ensuring compliance with environmental legislation in construction of factories and facilities
5	Ensuring compliance with environmental legislation in the construction of factories and facilities	Ensuring compliance with environmental legislation	No case of non-compliance with environmental legislation	
6	Reduction in environmental burdens through rationalized logistics in accordance with the regulations on specified consigners under the amended Act on Rationalizing Energy Use	Improvement in energy consumption efficiency for transport [1% improvement in average efficiency in the five-year period (2013-2017)]	Improvement in energy consumption efficiency for transport [13.1% improvement in average efficiency in the five-year period (2013-2017)]	Improvement in energy consumption efficiency for transport [1% improvement in average efficiency in the five-year period (2014-2018)]
7	Reduction in environmental burdens from companywide energy consumption in accordance with regulations on individual businesses under the amended Act on Rationalizing Energy Use	Improvement in company-wide energy consumption efficiency [1% improvement in average efficiency in the five-year period (2013-2017)]	Improvement in company-wide energy consumption efficiency [4.8% improvement in average efficiency in the five-year period (2013-2017)]	Improvement in company-wide energy consumption efficiency [1% improvement in average efficiency in the five-year period (2014-2018)]
8	Reduction in burnable waste emissions	1% reduction from the average emissions in the three-year period (2012-2014)	6.4% reduction from the average emissions in the three-year period (2012-2014)	Reduction in burnable waste emissions by 1% from the average emissions in the three-year period (2015-2017)

## Results of Environmental Management Survey

The 21st Nikkei Environmental Management Survey ranked Iwatani 10th in the category of trading companies. We will endeavor to conduct activities that are helpful to the environment in a bid to reach a higher position.

## Environmental Accounting

Item	Major Action and Effect	Amount
Business area costs		
①Pollution control cost	Septic tank maintenance	0
②Global warming control cost	Introduction of low-emission vehicles	7,977
③Resources circulation cost	Waste recycling and disposal	3,126
Upstream and downstream costs	Commission in accordance with the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging	976
	Commission in accordance with the Act on Recycling of Specified Home Appliances	0
	Supply chain management	8,000
Administration costs	EMS development and operation	41,138
	Environmental information disclosure and environmental advertising	2,500
	Environmental burden measurement	553
	Environmental education	3,000
	Environmental improvement around business sites	1,001
Research and development costs	Research and development of products concerning environmental conservation	332,351
Social activity costs	Donation to groups conducting environmental conservation activities*	100
Environmental remediation costs	Environmental restoration work	0
Total		400,722

\* Including donation to the Association of National Trusts in Japan

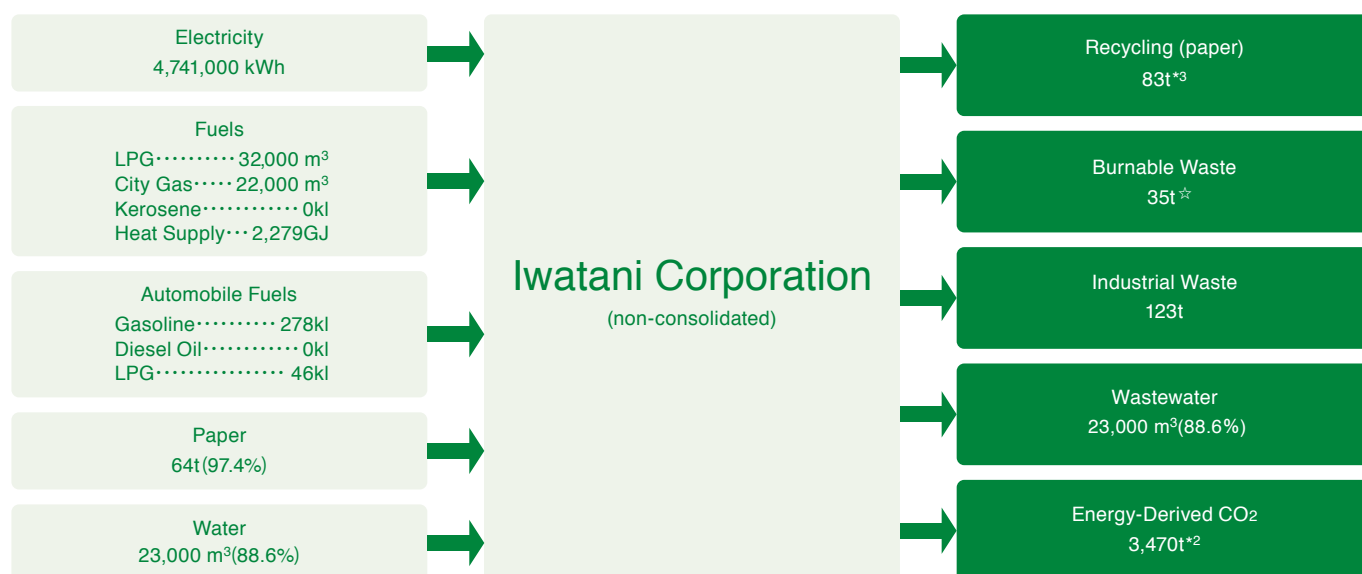
(Period: April 1, 2017 to March 31, 2018; Unit: thousand yen)

## Material Balance

The material balance reflects the overall picture of Iwatani's environmental impact. Since FY2003, we have been studying the environmental impacts of all the consolidated companies in the Iwatani Group and publishing the results. We will be working to cut our future input volume of resources and energy, waste emissions and energy-derived CO<sub>2</sub> emissions in an effort to increase environmental efficiency in our business activities.

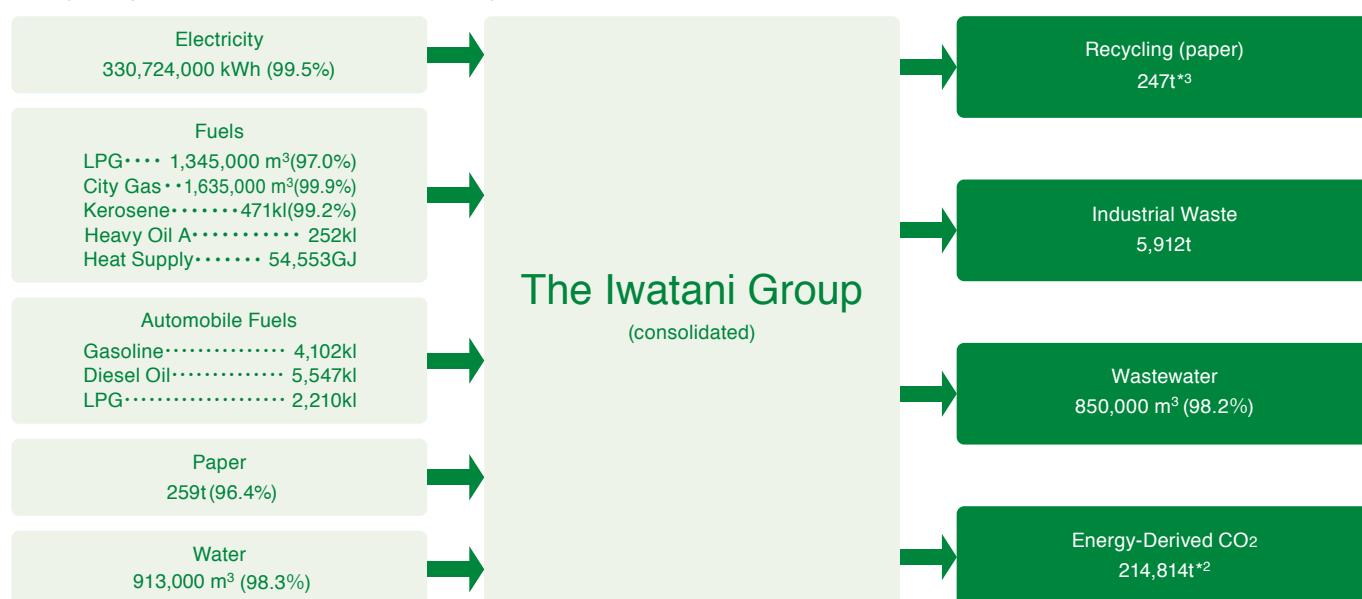
### Iwatani Corporation (non-consolidated)

Scope of Iwatani Corporation: All 78 business sites in Japan / Period: April 2017 to March 2018 / Note: A figure marked with a star symbol (☆) denotes that the sources of data are limited to the business sites certified to ISO 14001.



### The Iwatani Group (consolidated)

Scope of the Iwatani Group: All the business sites of Iwatani Corporation mentioned above, 75 consolidated companies in Japan, and two equity-method affiliates with high energy consumption / Period: FY2017 (according to the fiscal year periods defined by the individual companies) \*1



Note: A figure containing any estimated value is accompanied by the ratio of the actual measured value to the published value in parentheses "( )"

\*1: For the material balance in past years, visit our web page at <http://www.iwatani.co.jp/jpn/csr/csr04.html>.

\*2: Energy-derived CO<sub>2</sub> represents the total of electricity, fuel and other energy consumption converted into the amount of CO<sub>2</sub> emissions from the production and consumption of individual energy sources. The figure has been calculated in accordance with the Guidelines for Accounting Greenhouse Gas Emissions from Businesses (Draft) published by the Ministry of the Environment.

\*3: This figure takes into account paper resources for non-business purposes, such as newspapers, magazines and wrapping paper.

# Contribution to Society through Business Activities

Putting Gas & Energy, which is closely associated with life and corporate activities, at the heart of its business, Iwatani regards social contribution through business activities as a key task. We will address social issues and needs and endeavor to offer more valuable products and services.

## Marui Gas Supports Local Communities

With a low environmental impact and excellent portability, LPG covers around 95% of the country and is used in nearly half of the households across Japan. It is used not only for household purposes but also for business, industrial and automotive purposes to support local communities as a source of energy that is closely linked with life. Iwatani is a leading LPG supplier. We supply LPG stably under the brand name of Marui Gas to approximately 3.1 million households in Japan, from Hokkaido to Okinawa, and LPG for many different applications.



## Marui Gas Disaster Relief Corps

The Marui Gas Disaster Relief Corps is a mutual-help support organization formed with the assistance of around 1,400 Marui Gas distributors for the purpose of swiftly carrying out LPG recovery work in the wake of a disaster. At the moment, it is joined by a total of approximately 3,600 qualified gas technicians from different companies. In preparation for unexpected deployment after a disaster, it holds a simultaneous nationwide drill once a year to maintain and improve its disaster response skills.



Activities of the Marui Gas Disaster Relief Corps after the 2016 Kumamoto earthquake

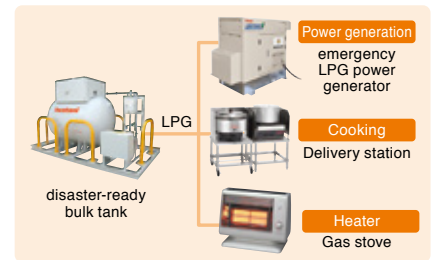
## Emergency Call Center for Kids Contributes to Local Communities

Marui Gas distributors all over Japan carry out activities called Anata-no Machi-no Sapototai (Support Team for Your Community) to help maintain safety and reassurance in communities with the use of their sales and delivery networks. This name also serves as a general term for specific activities, namely Kodomo 110-Ban no Mise (Store Acting as Emergency Call Center for Kids), Ugoku Kodomo 110-Ban (Mobile Emergency Call Center for Kids) and Hitokoe Yobikake Undo (Call-Out Campaign). We strive to serve local communities by safeguarding missing children, calling relevant public authorities, giving greetings and calling out to members of the community while conducting LPG deliveries and other day-to-day operations.



## Marui Gas Supports Local Safety after a Disaster

LPG does not require any gas pipelines. It is expected to be the last resort for supplying energy in the event of a disaster. Iwatani proposes a disaster energy system. It is composed of a disaster-ready bulk tank, an emergency LPG power generator, a meal service station and gas stoves. It is increasingly introduced in preparation for the disruption of power or the city gas supply. In 2017, Iwatani jointly developed the Delivery Station, a mobile large-sized cooking unit powered exclusively by LNG, together with Rinnai Corporation.

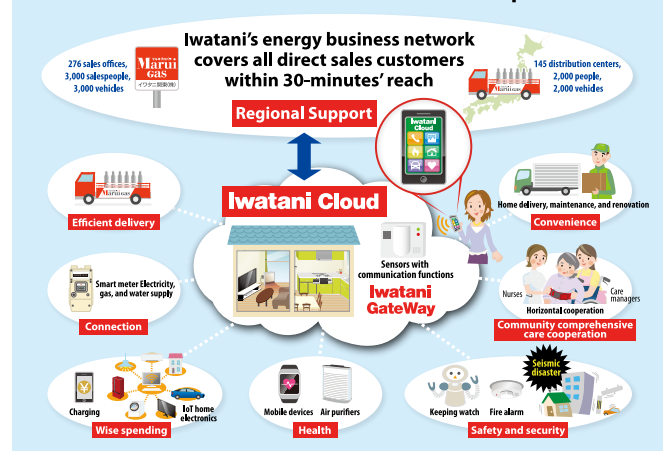


Iwatani Emergency Energy System

## Iwatani GateWay Increases Reassurance and Comfort in Life

Iwatani has developed a new technology of equipping a gas leak alarm for home use with communication functions for making it act as a relay station that connects many different hardware items to the Internet. This technology is now patent pending. In the future, the Iwatani GateWay gas leak alarm with communication features will serve as a hub that connects other infrastructure meters and IoT devices at home. In addition, we will strive to construct a platform for offering new services including elderly telecare and health management by taking advantage of our business locations scattered all over the country with a view to supporting customers' lives in many different situations.

### Utilize AI and IoT to build Iwatani's business platforms



Schematic Diagram of Iwatani's Business Platform Based on AI and IoT Technologies



## Helium Supports Cutting-Edge Technologies and Medical Care

Helium is a rare natural resource that is indispensable for cutting-edge technologies and medical care. Iwatani has secured the right to import helium directly from Qatar, one of the few helium producing countries, and has established a joint venture for filling and logistical operations with a local industrial gas company. We have a large number of containers with powerful temperature control to supply ultra-low temperature liquid helium at  $-269^{\circ}\text{C}$  to the Japanese and Asian markets. The volume of helium that we offer makes up around 8% of the total global supply, and it is almost equivalent to the helium demand in Japan.



Helium is used in magnetic resonance imaging (MRI)

## Iwatani R&D Center as a Base of New Value Creation

Iwatani R&D Center is Iwatani's research and development base that was launched in April 2013. On the basis of gas technology, it is equipped with world-leading analysis equipment and various testing environments to engage in independent research and development as well as joint research with customers and corporate partners, commissioned experiments, technological assistance and consulting to serve as an open laboratory. In the past five years since its launch, it has created new products that are useful in everyday life and new technologies that will help realize a hydrogen society.



Japan's top-class hydrogen research facilities

## Cassette Gas Canisters Useful in Case of Disaster

Iwatani is a leading brand of portable gas cooking stoves, and cassette gas canisters supply them with fuel. Our gas canister factories in Japan have leading automated manufacturing lines in this industry, outstanding manufacturing capacity and strict quality management systems to constantly supply reliable products to the market. Gas canisters attract attention as emergency supplies that are useful in the event of a disaster.



Iwatani cassette gas canisters



The Cassette-Feu Kazemaru is equipped with wind guards to ensure operation in windy environments

## Fuji no Yusui Delivers Safe Water

Iwatani delivers Fuji no Yusui natural water taken from Mt. Fuji to nearly 100,000 households all over Japan. Located at the foot of Japan's highest mountain, the Yamanashi Plant has acquired certification to the FSSC 22000 international standard for offering safe food and establishing the industry's top-class quality control. We have adopted a one-way delivery system under which Fuji no Yusui is delivered in disposable packs to ensure hygiene and reduce water consumption in the bottle washing process.



Fuji no Yusui Yamanashi Plant

# Social Contribution and Respect for Employees

Iwatani contributes to society in the form of the subsidization of cultural activities and research and development, international exchanges and technological assistance. In addition, it works actively on employee education and diversity.

## Cooperation with Activities of NHK Symphony Orchestra

In favor of the purpose of the NHK Symphony Orchestra, which is to augment Japan's musical and artistic standard through symphonic music performances and to achieve its social and cultural mission, Iwatani provides it with multi-faceted business assistance as a special assistance company and offers cooperation with its activities all over the country. The pillar of our activities is the classical music concerts held in Osaka and Tokyo, titled N-Kyo Natsu (NHK Symphony Orchestra in Summer). This year marked the 31st concert in the series in Tokyo, with which we assisted, and the 28th in Osaka, which we organized.



The NHK Symphony Orchestra that Iwatani assists as a special assistance company

## Support for Improvement and Spread of Welding Techniques in Asia

Iwatani has been conducting support activities aimed at improving welding techniques. We have been organized the "Dalian City - Iwatani Japan-China Welding Technology Seminar and Contest" for ten years since 1997, the Iwatani Welding Seminars in Hanoi, Jakarta and other locations since 2007, and the Iwatani-API/IWS Welding Contest jointly with the Indonesian Welding Society (IWS) in a suburb of Jakarta from 2016 to 2018. We will continue to hold these events to help improve welding skills in Asian countries.



Iwatani-API/IWS Welding Contest in Indonesia 2018

## A Comfortable Planet - All Japan Elementary School Essay Contest

Since 2010, Iwatani has been organizing the All Japan Elementary School Essay Contest that is open to all elementary schoolchildren in Japan, which invites essays on the topic A Comfortable Planet based on our corporate slogan: Creation of a more comfortable space on the earth is what Iwatani wishes and strives for. 5,551 essays were received from 675 schools in 2018. The organization of the contest helps boost children's interest in energy and the environment.



## Social Contribution through Sports Promotion

Iwatani formed an athletics club (or a women's Ekiden race team) in April 2017. We asked Mr. Hisakazu Hirose, who is well known for having trained many long-distance runners including Mizuki Noguchi, the gold medalist in the women's marathon at the Olympics in Athens, to assume the post of head coach. With a basic policy of developing Japan's leading athletes and contributing to local communities and society through sports activities, the club aims to be able to compete for victory in the All-Japan Women's Corporate Ekiden Championships in several years.



Iwatani Corporation Athletics Club

## Special Support for Birdman Rally

A birdman rally is a competition in which contestants compete on flight distance with human-powered aircraft. Iwatani began offering special support in terms of operation to the Japan International Birdman Rally in 2010 as a project to commemorate Iwatani's 80th anniversary, given that its concept was consistent with our business of aiming to realize a clean energy society.



Japan International Birdman Rally 2018

## Cleanup Activities

Iwatani has been carrying out cleanup activities around its business sites all over Japan as part of its contribution to local communities and volunteer activities for the purpose of serving local communities that provide us with daily support and building amicable and harmonious ties among staff members.



Staff conduct cleanup activities around the business site



## Technology Promotion Activities

### ▶ The Iwatani Naoji Foundation

The Iwatani Naoji Foundation engages in the subsidization and encouragement of research and development, support for the facilitation of international exchanges and human development with the aim of further developing the whole of science and technology and thereby helping improve people's lives and international mutual understanding.

### ▶ Iwatani Subsidies for Science and Technology Research / Iwatani Naoji Commemorative Award / Iwatani Scholarship for International Students

The Iwatani Naoji Foundation grants subsidies at a maximum of two million yen per project to around 30 outstanding research projects per year concerning energy and the environment. For FY2017, it decided to grant a total of 59.57 million yen to 30 such projects. Until FY2017, it had provided 782 beneficiaries with a cumulative total of 1,574.66 million yen. The Iwatani Naoji Commemorative Award is designed to honor research and development activities on energy and the environment with distinguished achievements. In FY2017, the award was won by Sharp Corporation. The Iwatani Scholarship for International Students is a program that offers financial support for self-financed graduate students from East Asia and Southeast Asia majoring in natural sciences. It decided to award 15 students an amount of 1.8 million yen for one year each. The program has provided 409 students with a cumulative total of 718 million yen.



Beneficiaries of the 44th (FY2017) Iwatani Subsidies for Science and Technology Research

## Respect for Employees

### ▶ Personnel System

Iwatani has designed its personnel system to appoint the most suitable personnel to positions, irrespective of their qualifications and age, on the basis of a point-adding scoring system. By doing so, it maximizes the motivation and spirit of both employees and organizations to make bold attempts in accordance with the principle of respecting staff's humanity and helping them to fully display their capacity. We appreciate and promote those who work diligently toward meeting challenging goals.



Long-Term Study at the University of California, Berkeley

### ▶ Welfare Programs

Iwatani has established the welfare programs specified below to ensure that employees can work in good mental and physical health and without anxiety.



Iwatani has many different recreational societies that help employees to spend their time off work in a fulfilling manner and that provide them with opportunities for communication

Program of retirement benefits and pensions; program of condolence money and scholarships for bereaved children, subsidies for return trips of employees living apart from family; program of long-term absence for injury and sickness and absence for injury and sickness on duty; program of leave for refreshment, leave for commemorative events, leave for spouse's childbirth, other leave (for marriage, mourning, pregnancy, general care and nursing care); program of shortened working hours (for pregnancy, child care and nursing care); allowances for supporting an early return to work; subsidies for the use of child care services; program for asset-building savings; shareholding program; program of home construction loans; program of providing accommodation leased by the company; program of subsidies for admission fees for children of relocated employees to kindergartens and schools; consolation payments for disasters, injuries and sicknesses; crisis management services for personnel stationed overseas; and support for activities of different societies.

### ▶ Diversity

Iwatani understands that in achieving corporate growth, it is indispensable to appropriately assign staff members with various personalities to the appropriate positions to help them display their personal skills to the maximum, and it engages positively in diversity management. Among other things, we are pushing ahead with women's participation and career advancement by encouraging work-life balance and providing support for career maintenance, joint training with staff based outside Japan, acceptance of interns from overseas and other actions for globalization in a bid to promote internal diversity.

### ▶ Education Program

Iwatani believes that staff skill development is vital for corporate development and provides many different types of support for personal capacity development. Under the slogan of shifting from heteronomy to autonomy, we run a range of training programs, including level-specific, participative, screening-type, and purpose-specific ones as well as training involving exchange with staff from other companies in different business sectors. We also offer an overseas study dispatch program and a variety of distance learning programs. We regard the first year after joining the company as an important period. We provide multifaceted education to new employees, including cohabitation with other colleagues in dormitories.



The Biwako Conference Center is used for meeting, training and recreation purposes

### ▶ Actions for Childbirth, ChildCare and Nursing Care

Iwatani is constructing an environment that enables its employees to have both a career and a family. With respect to child care, we are upgrading our support system consisting of a program of childcare leave that is longer than that required by the statutes, allowances for supporting an early return to work, and subsidies for the use of childcare services. We are recognized by the Ministry of Health, Labour and Welfare as a company that actively supports a balance between work and childcare. With regard to nursing care, our employees are entitled to nursing care leave that is twice the period required by legislation. We therefore make intensive efforts to help staff achieve a balance between a career and private life.



Iwatani has acquired the certification mark known as Kurumin pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children

### ▶ Labor-Management Relations

Iwatani is aware that no business can develop without mutual trust between labor and management and that improving employees' lives is inseparable from corporate growth, and endeavors to build favorable labor-management relations. As consultation bodies between labor and management, we have the Labor-Management Conference and the Labor-Management Liaison Meeting. They discuss any issues that have arisen between labor and management and the construction of a worker-friendly environment in the workplaces.



Poster Commemorating 29th Anniversary of Labor-Management Joint Declaration



# Corporate Governance

To ensure sound management and fulfill our corporate responsibilities to society, we maintain our corporate governance structure and raise employee awareness on governance.

## Business Execution and Supervisory System

### Board of Directors

The Board of Directors is Iwatani's decision-making and supervisory body. It consists of 17 directors, including two outside directors. They make rapid, appropriate decisions and perform supervisory functions on the basis of sufficient and active deliberations. In particular, outside directors heighten the functionality of the Board by increasing the transparency of decision-making and the effectiveness of supervisory functions from a standpoint that is independent from the management team and on the basis of their extensive experience and knowledge of corporate governance.

### Management Committee

Iwatani holds two Management Committee meetings per month. Comprised of executive directors and other directors in higher positions, this committee discusses the matters to be brought to the Board of Directors and important matters concerning business execution, and conducts information sharing and communication.

### Executive Officers

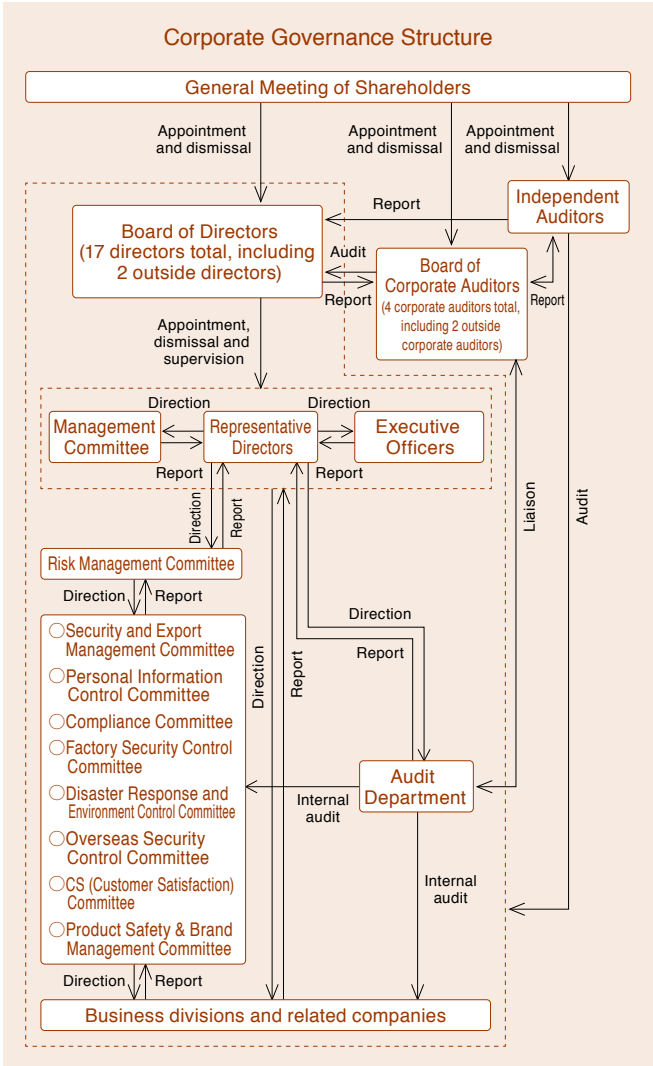
With the aim of revitalizing the Board of Directors, Iwatani has introduced the posts of executive officers to accelerate decision-making and delegate authority. Executive officers are delegated by the representative director to exclusively conduct business execution in accordance with the management policy determined by the Board of Directors and in compliance with the directions and commands of the representative director. We therefore step up the Board of Directors' functions to make decisions on corporate strategies and to perform supervision and implement more efficient corporate management.

## Audit Structure

Iwatani is a company with a board of company auditors. Our Board of Corporate Auditors consists of four corporate auditors, including two outside corporate auditors. Full-time corporate auditors attend all Board of Directors and Management Committee meetings while outside corporate auditors attend the Board of Directors meetings. Our audit system is designed to fully monitor directors' execution of their duties. In the event of electing corporate auditors, we focus on expertise in finance, accounting and legal affairs and on knowledge and experience regarding our businesses. In particular, we ensure that outside corporate auditors fulfill the independence requirements for outside directors/auditors set by the financial instruments exchange. We have thus established an audit structure based on multiple perspectives. For internal audits, the Audit Department has been set up under the direct control of the president. It carries out necessary internal audits on a regular basis in close ties and collaboration with the corporate auditors to examine if corporate business activities are conducted properly and efficiently.

### Basic Policy

1. We will create an environment that allows shareholders to exercise their rights properly and will endeavor to ensure quality among shareholders.
2. We will respect the rights and positions of employees, customers, business partners, creditors, local communities and other stakeholders and endeavor to collaborate with them properly.
3. We will make appropriate disclosure in accordance with legislation. For the purpose of ensuring transparency, we will endeavor to offer information other than the information to be disclosed pursuant to the legislation.
4. We will make impartial, transparent and swift decisions in an effort to ensure that the Board of Directors will properly fulfill its functions and duties.
5. We will endeavor to hold constructive dialogs with shareholders in a bid for continuous growth and increase in corporate value.



The Corporate Governance Report is available at:  
<http://www.iwatani.co.jp/jpn/ir/pdf/governance.pdf>  
 The list of officers is available at:  
<http://www.iwatani.co.jp/jpn/company/company03-02.html>

## Risk Management System

The Iwatani Group has established a Risk Management Committee for the purpose of conducting the integrated management of all the risks in the group. Under this committee, we have set up specialized committees addressing the main presumable risks such as compliance risks and factory safety risks to take comprehensive action against outstanding and latent corporate risks. The Risk Management Committee holds

regular meetings presided over by the chair of this committee to report its deliberations to the management team and to implement risk management throughout the group, including compliance with related legislation. Specialized committees also hold meetings on a regular basis to examine how the risks they deal with are addressed and controlled. Their respective chairs report the findings to the Risk Management Committee.

### Specialized Committees

Committee	Objectives and Descriptions
Security and Export Management Committee	Toughening control structures for compliance with the Foreign Exchange and Foreign Trade Act and for the prevention of illegal exports and other conduct
Personal Information Control Committee	Strictly protecting personal information
Compliance Committee	Ensuring rigid compliance with legislation
Factory Security Control Committee	Drawing up priority measures for the safety of high pressure gas and others
Disaster Response and Environment Control Committee	Developing response measures in the event of disasters and discussing important matters concerning environmental management
Overseas Security Control Committee	Implementing strict control of overseas risks
Customer Satisfaction (CS) Committee	Increasing customer satisfaction
Product Safety and Brand Management Committee	Conducting examinations on the safety and compliance of products offered, establishing the image of the Iwatani brand and maintaining and increasing brand value

## Compliance

Iwatani respects compliance with related legislation as well as the spirit of complying with it and fulfills its social responsibility through impartial and free competition.

For the purpose of deterring the occurrence of corporate scandals, we have formulated the Outline of Iwatani Corporate Ethics in 1998 as a norm to be observed in all aspects of business activities on the basis of sharing the management philosophy, morality and values among management team members and

employees in the group. We will make it well known and observed throughout the company and in its group companies to improve compliance awareness in the whole group.

We have been revising it as needed in view of recent changes in social circumstances surrounding businesses and trends in amendments of legislation. If legal judgments are needed, we seek advice from our legal advisors as appropriate.

### Compliance Committee

Iwatani has established a Compliance Committee under the Risk Management Committee for the purpose of enforcing and strengthening the compliance system in the Iwatani Group's business activities. It reports the compliance status through its chair to the Risk Management Committee and through the chair of the Risk Management Committee to the management team.

We have also established a whistleblowing program. It is a system aimed at dealing properly with whistleblowing reports from employees and other parties regarding any organizational or personal act in violation of legislation for the purposes of quickly discovering and correcting dishonest acts and enhancing compliance management. The Compliance Committee investigates the facts and swiftly takes corrective actions and recurrence prevention measures as needed. Whistleblowing contacts who receive reports from employees and others are provided both inside and outside the company. Response actions are taken on the basis of advice from experts as third parties. To protect the rights of whistleblowers, it is stipulated that no disadvantageous treatment is permitted against them.

### Prohibition of Bribery

The Behavioral Guidelines in the Outline of Iwatani Corporate Ethics prohibit offering and receiving any entertainment or gift in association with business that exceeds the limit according to social and international norms. They also ban any act that falls under bribery in connection with business to any public employee or any deemed public employee (employee of any local government, incorporated administrative agency, affiliated organization or equivalent) in Japan or overseas. We formulate guidelines like these and raise the behavioral awareness of every single employee in a bid to prevent bribery.

### Internal Awareness Raising Activities

The Outline of Iwatani Corporate Ethics is a set of rules that the members of the management team and employees in the Iwatani Group must follow in all aspects of business activities. By means of this outline, we share our management philosophy, morality and values and offer compliance training to raise compliance awareness. In the training, an invited lawyer gives lectures to make our employees well aware of the importance of compliance with the Antimonopoly Act and other legislation.

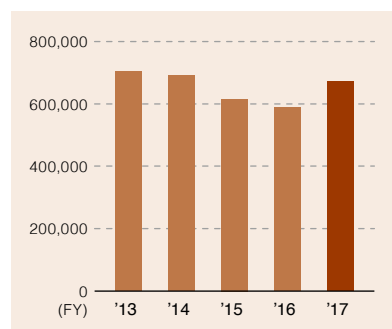
# Financial Highlights

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017
					¥ million	US\$ thousand
<b>For the year</b>						
Net sales	¥ 703,923	¥ 691,902	¥ 616,201	¥ 588,045	¥670,792	\$6,313,933
Gross profit	146,792	141,034	154,055	161,592	168,027	1,581,588
Operating income	18,518	11,174	20,496	25,038	27,193	255,961
Ordinary income	19,258	12,761	21,584	26,834	29,407	276,800
Income before income taxes and minority interests*	18,302	12,468	20,781	26,781	29,040	273,346
Profit attributable to owners of parent	10,466	6,199	12,365	16,546	17,577	165,450
Comprehensive income	16,384	16,100	8,281	22,498	23,102	217,460
R&D expenses	1,368	1,250	1,173	1,302	1,912	18,001
<b>Ratios</b>					%	%
Net income to net sales*	1.5	0.9	2.0	2.8	2.6	2.6
ROE (net income to net assets)	11.6	6.1	11.1	13.3	12.2	12.2
ROA (ordinary income to total assets)	4.8	3.1	5.3	6.4	6.6	6.6
Equity ratio	23.2	26.7	28.4	30.9	33.9	33.9
<b>Per share data</b>					¥	US\$
Profit attributable to owners of parent	42.53	25.19	50.24	67.24	357.2	0.60
Shareholders' equity	393.15	442.96	495.62	546.27	3,138.11	4.87
Cash dividend applicable to the period	7	7	8	8	55	0.07
<b>At year-end</b>					¥ million	US\$ thousand
Total assets	416,219	408,824	404,479	434,690	455,436	4,286,860
Fixed assets	214,724	227,015	228,601	250,226	260,851	2,455,305
Interest-bearing debt	161,099	141,793	136,514	135,287	132,057	1,243,008
Net assets	105,058	117,942	124,583	144,879	165,901	1,561,568

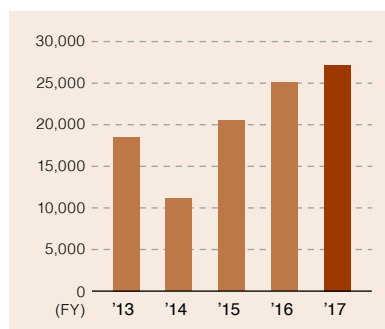
(Note) The U.S. dollar amounts have been translated at the prevailing exchange rate as of March 31, 2018, which was ¥106.24 to US\$1.00.

\* The basis for calculation of "Net income to net sales" is "Profit attributable to owners of parent."

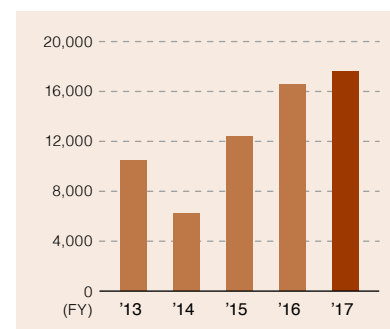
Net sales (¥ million)



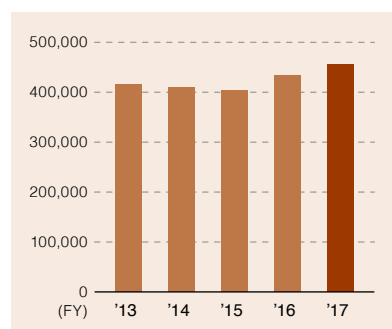
Operating income (¥ million)



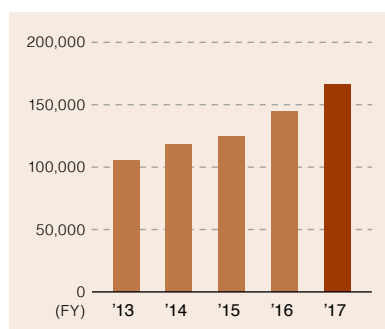
Profit attributable to owners of parent (¥ million)



Total assets (¥ million)



Shareholders' equity (¥ million)





# Company Information (As of March 31, 2018)

## Company Information

Name	<b>Iwatani Corporation</b>	Formal establishment	February 2, 1945																												
Headquarters	Osaka Head Office 6-4, Hommachi 3-chome, Chuo-ku, Osaka 541-0053, Japan Tel: 81-6-7637-3131 Tokyo Head Office 21-8, Nishi-Shimbashi 3-chome, Minato-ku, Tokyo 105-8458, Japan Tel: 81-3-5405-5711																														
Company directors and auditors	<table border="0"> <tr> <td>Chairman and CEO*<sup>1</sup> Akiji Makino</td> <td>Executive Director*<sup>1</sup> Masanori Watanabe</td> <td>Director*<sup>1</sup> Kazumasa Inada</td> <td>Corporate Auditor Yoshiaki Fukuzawa</td> </tr> <tr> <td>Vice Chairman*<sup>1</sup> Toshio Watanabe</td> <td>Executive Director*<sup>1</sup> Naoki Iwatani</td> <td>Director*<sup>1</sup> Hideki Tainaka</td> <td>Corporate Auditor*<sup>3</sup> Masahiro Horii</td> </tr> <tr> <td>President*<sup>1</sup> Mitsuhiro Tanimoto</td> <td>Executive Director*<sup>1</sup> Akira Ohta</td> <td>Director*<sup>1</sup> Itaru Ookawa</td> <td>Corporate Auditor*<sup>3</sup> Yoshinori Shinohara</td> </tr> <tr> <td>Executive Vice President*<sup>1</sup> Hisato Ueha</td> <td>Executive Director*<sup>1</sup> Satoshi Watanabe</td> <td>Director*<sup>2</sup> Mitsuaki Naitou</td> <td>(As of June 27, 2018)</td> </tr> <tr> <td>Senior Executive Director*<sup>1</sup> Takashi Funaki</td> <td>Executive Director*<sup>1</sup> Makoto Horiguchi</td> <td>Director*<sup>2</sup> Shinji Murai</td> <td>*1 Director and executive officer</td> </tr> <tr> <td>Senior Executive Director*<sup>1</sup> Hiroshi Majima</td> <td>Director*<sup>1</sup> Yutaka Yamamoto</td> <td>Corporate Auditor Toyofumi Ohama</td> <td>*2 Outside director</td> </tr> <tr> <td></td> <td></td> <td></td> <td>*3 Outside auditor</td> </tr> </table>			Chairman and CEO* <sup>1</sup> Akiji Makino	Executive Director* <sup>1</sup> Masanori Watanabe	Director* <sup>1</sup> Kazumasa Inada	Corporate Auditor Yoshiaki Fukuzawa	Vice Chairman* <sup>1</sup> Toshio Watanabe	Executive Director* <sup>1</sup> Naoki Iwatani	Director* <sup>1</sup> Hideki Tainaka	Corporate Auditor* <sup>3</sup> Masahiro Horii	President* <sup>1</sup> Mitsuhiro Tanimoto	Executive Director* <sup>1</sup> Akira Ohta	Director* <sup>1</sup> Itaru Ookawa	Corporate Auditor* <sup>3</sup> Yoshinori Shinohara	Executive Vice President* <sup>1</sup> Hisato Ueha	Executive Director* <sup>1</sup> Satoshi Watanabe	Director* <sup>2</sup> Mitsuaki Naitou	(As of June 27, 2018)	Senior Executive Director* <sup>1</sup> Takashi Funaki	Executive Director* <sup>1</sup> Makoto Horiguchi	Director* <sup>2</sup> Shinji Murai	*1 Director and executive officer	Senior Executive Director* <sup>1</sup> Hiroshi Majima	Director* <sup>1</sup> Yutaka Yamamoto	Corporate Auditor Toyofumi Ohama	*2 Outside director				*3 Outside auditor
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Paid-in capital	¥20,096 million	Number of employees	9,453 (consolidated)																												
Website	<a href="http://www.iwatani.co.jp/">http://www.iwatani.co.jp/</a>																														

## Share Information

Share listing	Tokyo, Nagoya	Shares of common stock issued and outstanding	49,252,759 (1,020,246 shares of treasury stock excluded)																																	
Agent to manage shareholders' registry	Mitsubishi UFJ Trust and Banking Corporation																																			
Distribution of shares by type	<table border="0"> <tr> <td>■ Financial institutions</td> <td>31.2%</td> </tr> <tr> <td>■ Individuals and others</td> <td>29.5%</td> </tr> <tr> <td>■ Other institutions</td> <td>26.4%</td> </tr> <tr> <td>■ Foreign institutions and others</td> <td>12.0%</td> </tr> <tr> <td>■ Securities companies</td> <td>0.9%</td> </tr> </table>	■ Financial institutions	31.2%	■ Individuals and others	29.5%	■ Other institutions	26.4%	■ Foreign institutions and others	12.0%	■ Securities companies	0.9%	<p>Shares of common stock issued and outstanding (Treasury stock excluded)</p> <p><b>49,252,759</b></p>																								
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(Notes) In addition to the above, the Company holds 1,020,246 shares of treasury stock.

On October 1, 2017, a reverse share split was executed at the ratio of five common shares to one new share.

The figures before October 2017 stated in Change in share price have been calculated on the assumption that the reverse share split mentioned above had taken place.

The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank Ltd. on April 1, 2018.

# Iwatani

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## Iwatani Corporation

Osaka Head Office 6-4, Hommachi 3-chome, Chuo-ku, Osaka 541-0053, Japan TEL:81-6-7637-3131  
Tokyo Head Office 21-8, Nishi-shimbashi 3-chome, Minato-ku, Tokyo 105-8458, Japan TEL:81-3-5405-5711



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