

Second Quarter of FY2023

Financial Results Presentation Materials

December 2, 2022



Index

- 1 | **Company Overview and Business Domain**
- 2 | **Progress of Medium-term Management Plan and Future Strategies**
- 3 | **Overview of Second Quarter Results for FY2023**
- 4 | **Earnings Forecast for FY2023**

1 | Company Overview and Business Domain

Management philosophy

Contribute to society through our business. Seek higher corporate value through engineering that meets social needs and manufacturing with a sincere attitude.



Steel Structure
Business



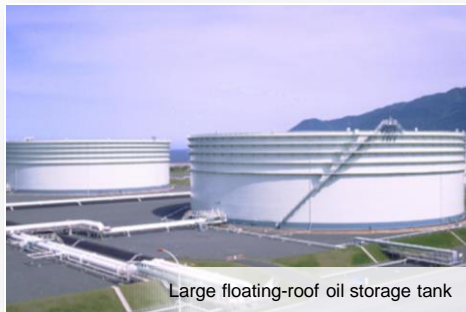
Real Estate
Business

And now, to a company that contributes to GX
through engineering!

Steel Structure Business

As a specialist tank manufacturer, Ishii Iron Works Co., Ltd. provides integrated engineering services from design to fabrication, installation, and commissioning, focusing on products for petroleum refineries, city gas companies, petrochemical companies, and electric power companies.

— Petroleum refineries



— Petrochemical companies



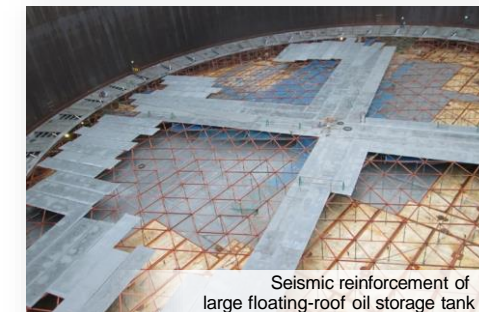
— City gas companies



— Other storage tanks



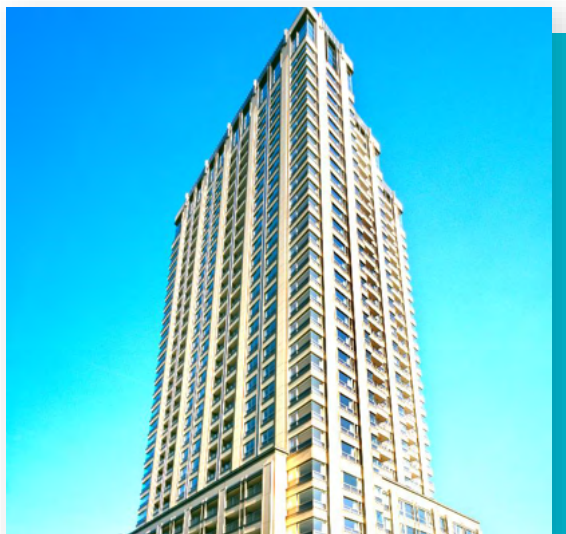
— Seismic reinforcement and maintenance



Real Estate Business

Ishii Iron Works Co., Ltd. develops and manages real estate that meets society's changing requirements, and provides high value-added buildings such as condominiums, logistics facilities, and commercial facilities that take advantage of company-owned land locations. In recent years, the Company has also entered the solar power generation business.

– Condominiums



Suncity Ginza East

– Logistics facilities



DS・L・HQ HANEDA

– Solar power generation



Higashi-Kojiya Fourth Power Plant

120 years of value creation

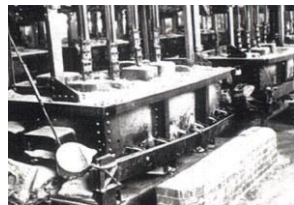
From “Technological contributions for our country” to “Technological contributions for the world”

From our founding period to the end of WW2

In 1900, Takichi ISHII founded an iron works shop in Tsukishima, Tokyo. The shop developed technologies related to the energy industry, including gas and oil, and provided a variety of equipment



Founder Takichi ISHII



Manufactured the first alumina electrolyzer in Japan

From the oil crises to our 100th anniversary

Over many years of research and development, the Company was able to provide new equipment and construction methods, such as PS (pre-stressed) concrete tanks. Started real estate leasing business



Low-temperature tank made of PS concrete. Received many authorized certifications, including the Technological Progress Certification from the JPI (Japan Petroleum Institute) in 1978



Completed construction of one of the Japan's largest city gas holders in 1995

1900–1945

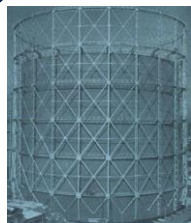
1945–1973

1973–2000

2000–Present

From the end of WW2 to the oil crises

Firmly established a position as a tank and plant manufacturer along with the development of the domestic energy industry. Having actively expanded overseas, the Company has become known as “ISHII—the tank fabricator.” Entered into new businesses such as leisure industry



Largest wet seal gas holder in East Asia (at that time)

Our 100th anniversary to today

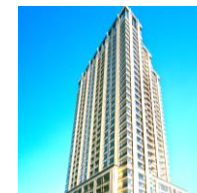
Promoted the development of new facilities for a recycling-oriented society and real estate for an aging society



Low-temperature tank terminal completed in Singapore in 2015



Completed construction of Japan's first five tsunami-resilient structured tanks in Kesennuma, Miyagi in 2020



Completed construction of Suncity Ginza East, an urban high-rise residential building in 2006

The Ishii DNA

From EPC operations, which include planning, engineering, procurement, and construction, to commissioning and maintenance operations, we provide safe, reliable and highly efficient tanks and plants that meet our customers' requirement while complying with required regulations and standards within limited cost and time constraints.



Since its establishment in 1900, the Company has been supplying tank and plant facilities essential to customers in key industries such as petroleum, chemicals, steel, electric power, and gas throughout the world. Over the course of more than a century of history, we have inherited our DNA of a manufacturing company with technological know-how.

Focusing on the three points of (1) improving problem-solving skills, (2) improving communication skills, and (3) improving intuition backed by experience and qualifications, we develop global human resources.

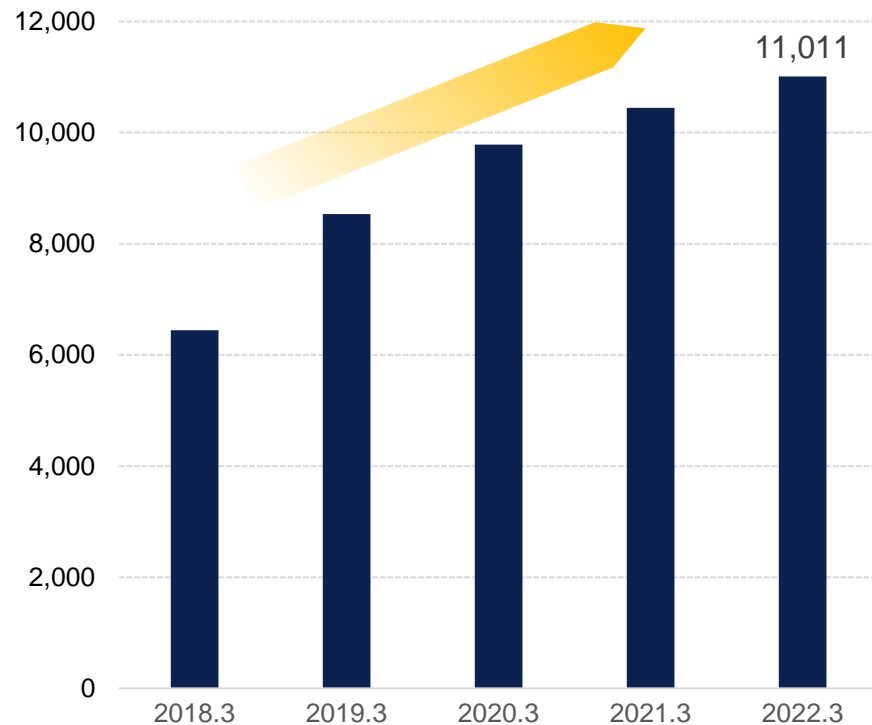
Corporate profile

Corporate name	ISHII IRON WORKS CO., LTD.
Headquarters	26-11, 3-Chome, Tsukishima, Chuo-ku, Tokyo
Date of establishment	Founded: March 1900 / Incorporated: November 1919
Representative	Hiroji ISHII, President
Paid-in capital	1,892 million yen (as of March 31, 2022)
Business description	Steel Structure Business, Real Estate Business
Number of employees	138 (consolidated basis, as of March 31, 2022)
Group companies	Subsidiaries: 2, affiliates: 1
Fiscal year end	March 31
Qualifications	<ul style="list-style-type: none"> • ISO9001 Certification • Specific construction business license No.122476(Specific-1) issued by the Governor of Tokyo • First-Class Registered Architect's Office Registration No. 7001 issued by the Governor of Tokyo • Seismic structural calculation programs certified business site for high-pressure gas facilities, etc. (Class A and Class B)
Stock listings	Tokyo Stock Exchange Standard Market (Securities Code: 6362 / Loan-Transaction Stock)

Earnings results

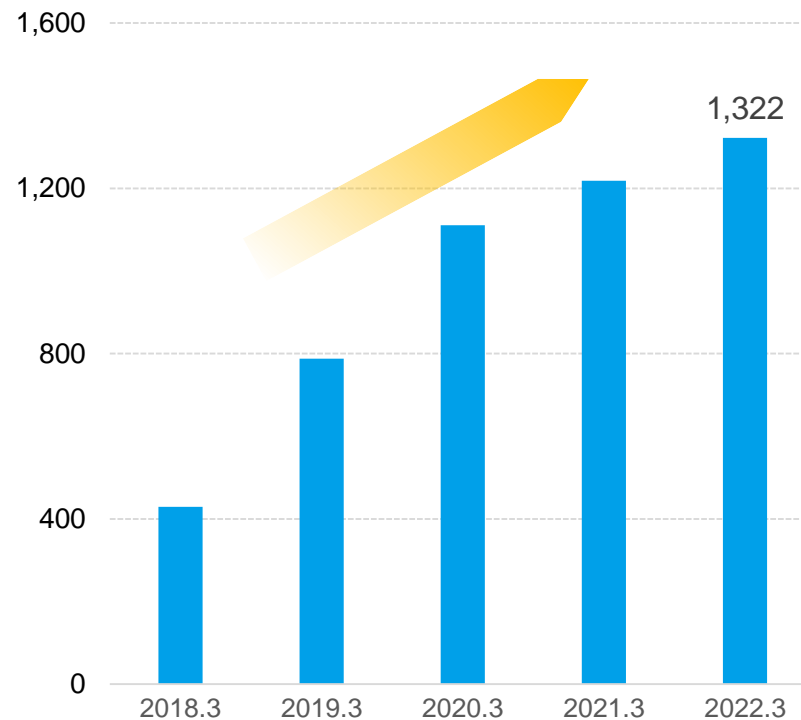
(millions of yen)

Net sales



(millions of yen)

Operating profit





2



Progress of Medium-term Management Plan and Future Strategies

Forecast of the business environment and its impact

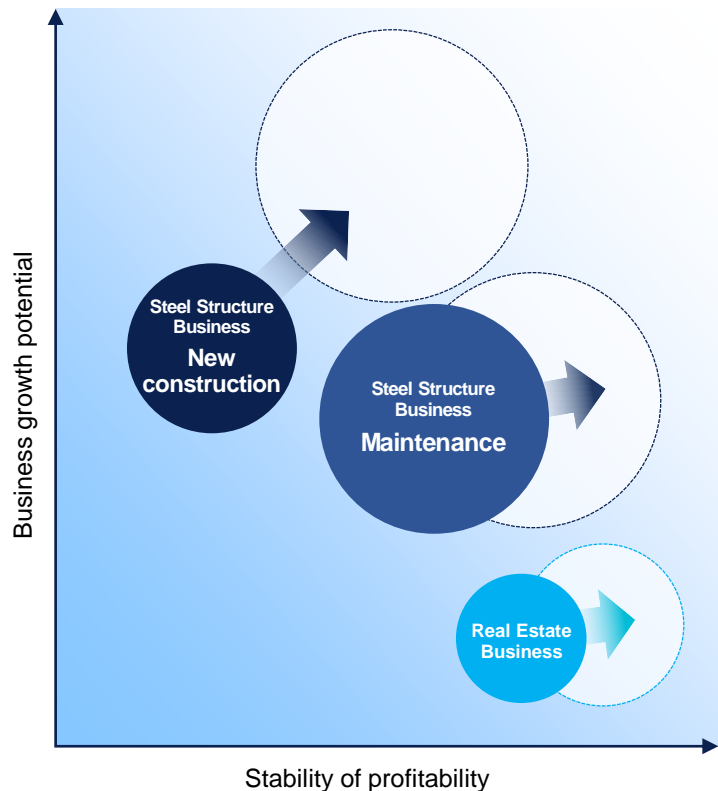
Steel Structure Business

	Content	Degree of business and financial impact	
		Short-term	Medium to long-term
 Opportunities	Expanding of new energy markets through carbon neutrality	Large	Large
	Increasing renovation of plant equipment due to plant aging	Medium	Medium
	Declining workforce and experienced engineers	Medium	Medium
	Responding to natural disasters, such as earthquakes, tsunamis, and major typhoons due to global warming, as well as development of energy infrastructure and measures to make it more resilient	Medium	Medium
	Expanding energy and petrochemical markets and environmental and safety-related investments in Southeast Asia	Large	Large
 Risks	Declining petroleum tank maintenance work due to lower demand for oil	Medium	Medium
	Decreasing number of field workers and aging workforce reduces responsiveness	Medium	Large

Real Estate Business

	Content	Degree of business and financial impact	
		Short-term	Medium to long-term
 Opportunities	Government support for carbon neutral initiatives	Small	Medium
 Risks	Declining value due to aging of buildings	Small	Medium

Approach to our business portfolio



Medium-term policy

Steel Structure Business

Make proactive investments to drive sales and profit growth

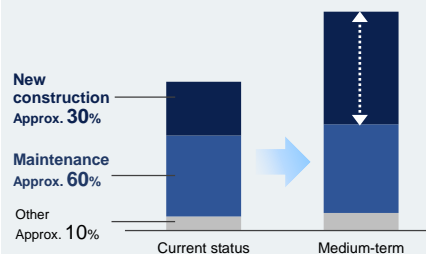
- Secure profitability base through stable receipt of orders for tank maintenance work
- Participate in the carbon neutrality market
- Deepen our presence in Southeast Asia, where energy infrastructure investment is growing

Real Estate Business

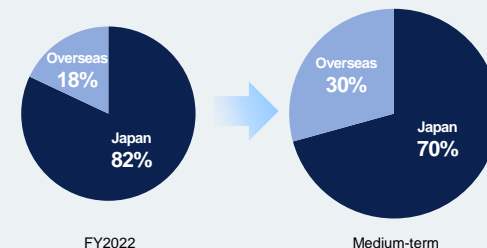
Secure stable long-term profitability by adding high value to rental properties

- Increased value and redevelopment to improve profitability

Sales composition of the Steel Structure Business



Sales composition of the Steel Structure Business in Japan and overseas



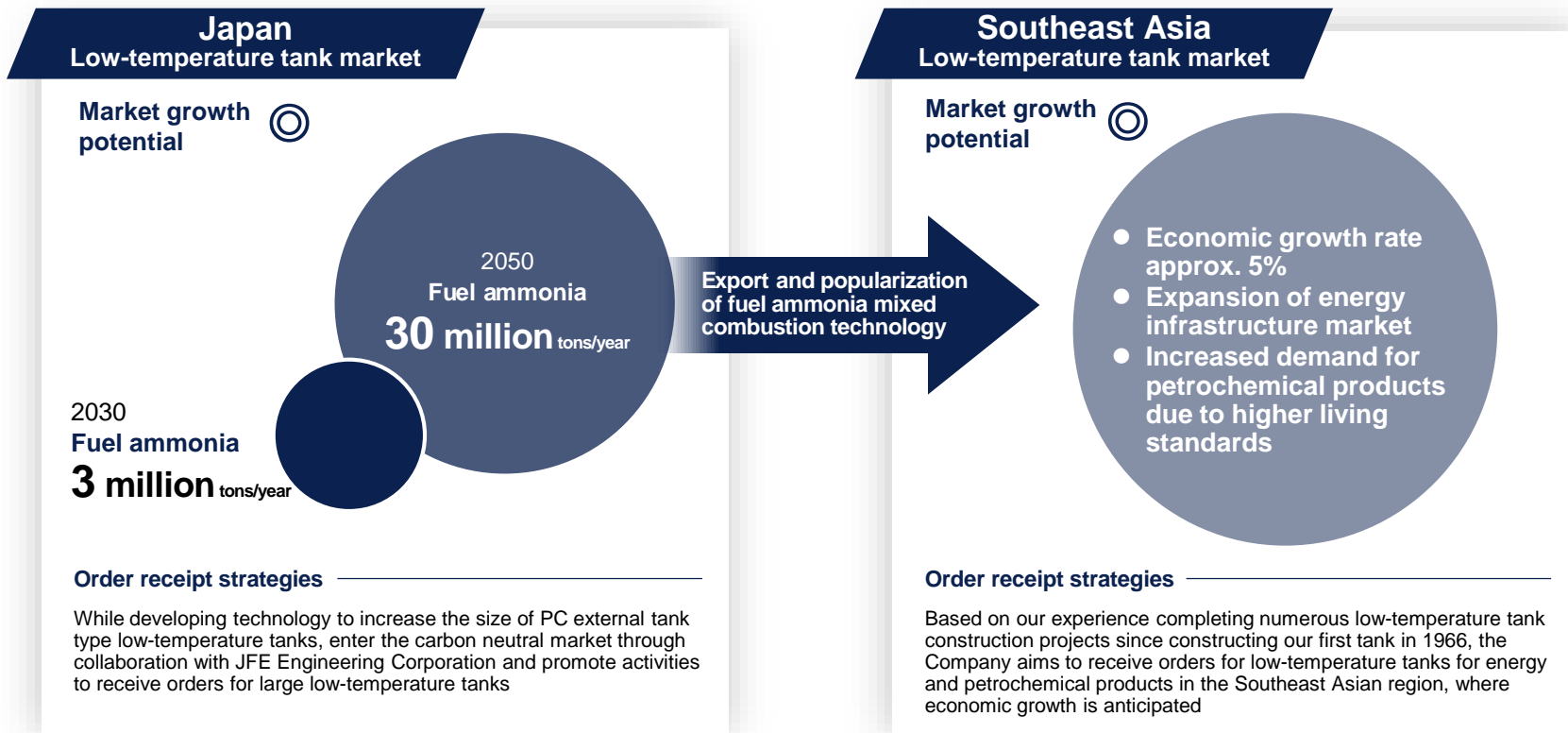
*The size of each circle represents the scale of sales

Progress of the Medium-term Management Plan's basic policy

Basic policy			Actual performance to date and future initiatives	
Steel Structure Business	Domestic	Low-temperature tank	<ul style="list-style-type: none"> Accumulate orders and profit by differentiation through enhancement of engineering capabilities 	<ul style="list-style-type: none"> Delivered Japan's largest (24,000 tons) low-temperature ammonia tank Collaborated with JFE Engineering Corporation to receive orders for large low-temperature ammonia tanks for the introduction of fuel ammonia
		Maintenance	<ul style="list-style-type: none"> Secure orders and profit by differentiation through service capabilities 	<ul style="list-style-type: none"> Expanded market share of tank maintenance work by deepening relationships with existing customers and cultivating new customers Achieved labor savings and efficiency, and secured profitability by introducing and strengthening automation and mechanization technologies that take advantage of the technologies of specialized manufacturers
	Overseas		<ul style="list-style-type: none"> Leverage service and engineering capabilities gained in Japan and strengthen collaboration with local subcontractors 	<ul style="list-style-type: none"> Delivered one of the largest (30,000 tons) low-temperature ammonia tank Increased orders through collaboration with local companies based on extensive experience in constructing low-temperature tanks
	New Business		<ul style="list-style-type: none"> Enrich our existing engineering capability to develop into the new market related with steel structure business 	<ul style="list-style-type: none"> Delivered safety equipment for nuclear fuel cycle operation Renovated existing tanks to support new energy
Real Estate Business		<ul style="list-style-type: none"> Promote the use of former material storage yards, etc. 	<ul style="list-style-type: none"> Continued to recruit tenants based on the premise of advanced use Promoted the construction of new solar power generation facilities, etc., and appropriately carried out large-scale repair work 	
Management Infrastructure		<ul style="list-style-type: none"> Establish robust management structure Develop human resources for next-generation Promote SDGs initiatives 	<ul style="list-style-type: none"> Reviewed administrative authority and budget system, reformed personnel system (personnel evaluation, etc.), strengthened IR, established the Sustainability Promotion Committee, etc. 	

Low-temperature tank market (Japan and Southeast Asia) and strategies

Aggressively working to receive orders in the expanding carbon neutral and Southeast Asian markets



New energy storage initiatives

Formed a business alliance with JFE Engineering Corporation in January 2022. Many inquiries for carbon neutrality projects, and a proven track record of receiving orders

Details of collaboration

The two companies work together on the following projects related to new energy supply plants.

- ① Fuel ammonia receiving, storage and supply plant
- ② Carbon dioxide capture and storage plant
- ③ Various types of decarbonization-related plants, including hydrogen-related plants
- ④ Review of larger storage tanks of various types

Background

In response to the efforts to introduce fuel ammonia and hydrogen as decarbonized energy sources, fuel ammonia and other resources will be procured from overseas, requiring large import receiving facilities. At the same time, social needs to fix and store carbon dioxide are accelerating. The Company, which has experience in the construction of large low-temperature tanks, and JFE Engineering Corporation, which has actual experience in the construction of large plants, will complement each other in order to aggressively enter the carbon neutral market.

Progress to date

Since the collaboration, joint sales and technological exchanges have been conducted, and inquiries have been received for projects related to carbon neutrality

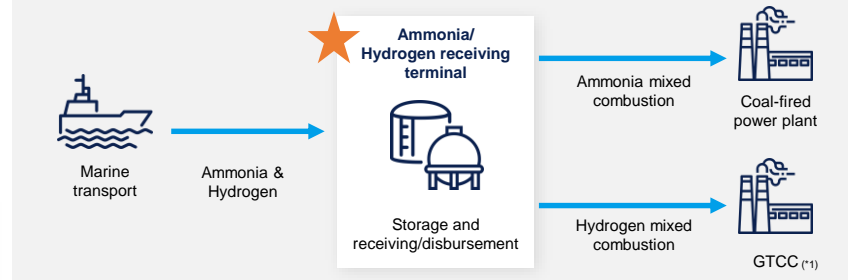
As a specific result, we obtained orders for a carbon dioxide gas liquefaction and storage plant related to carbon neutrality

Diagram of collaboration

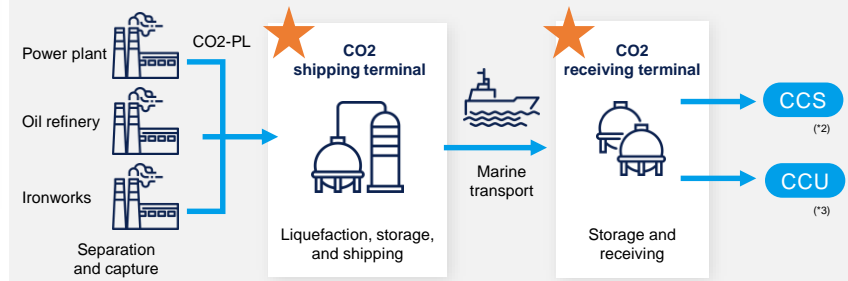
Division of roles for both companies

JFE Engineering Corporation: Plant facilities (PJT supervision)
Ishii Iron Works: Tank facilities

Fuel ammonia receiving, storage and supply plant



Carbon dioxide capture and storage plant



*1 GTCC: Gas turbine combined cycle power plant

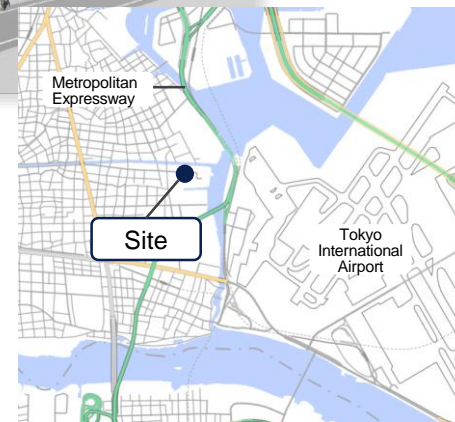
*2 CCS: Carbon dioxide capture and storage. Refers to a series of technologies for capturing and storing carbon dioxide (CO2) in the ground

*3 CCU: Carbon dioxide capture and utilization. Effective use of captured and stored carbon dioxide (CO2)

Haneda district redevelopment plan

Overview of the redevelopment plan

Item	Content
Location	Higashi-Kojiya, Ota-ku, Tokyo (Close to Tokyo International Airport and the Metropolitan Expressway)
Lot area	Approx. 2,100 m ²
Present condition	Rental parking lot (flat)
Use	Warehouse, distribution center, etc.
Remarks	To be constructed to design specifications in accordance with the requests of the tenant company. Currently seeking tenant companies



Map: from the Geospatial Information Authority of Japan website

Increase in value as a result of conversion of rights to assets held

Conversion of rights between Company-owned land and part of a newly constructed building property in connection with the effective implementation of the Tsukishima 3-chome South District Type 1 Urban Redevelopment Project



Current holdings

Type of asset : Land
 Site area : Approx. 430m²/6,500m²
 Usage : Rental parking lots, etc.
 Book value : Approx. 90 million yen

Assets acquired after conversion of rights

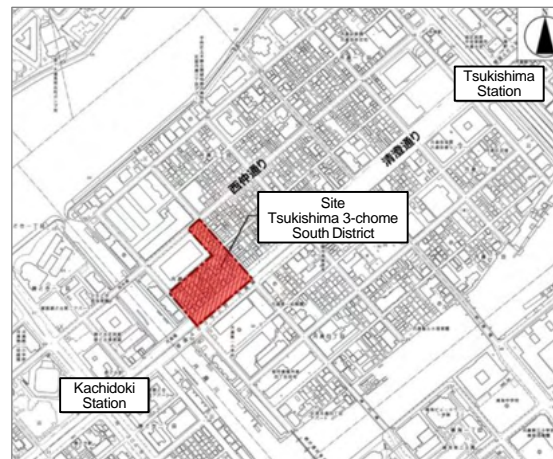
Type of asset : Land and buildings (part of a newly constructed building property in a redevelopment project)
 Floor space : Approx. 1,000m²/77,200m²
 Usage : Residences and a nursery school
 Appraised value after conversion of rights : Approx. 654 million yen

Schedule for conversion of rights

- November 17, 2022 Conversion of rights plan approved (approved by the Governor of Tokyo)
- December 2, 2022 Conversion of rights period

Impact on earnings

In the consolidated and non-consolidated financial statements for FY2023, a gain on conversion of non-current asset rights of 564 million yen and a loss on tax purpose reduction entry of non-current assets of 564 million yen will be recorded as extraordinary income and extraordinary losses, respectively



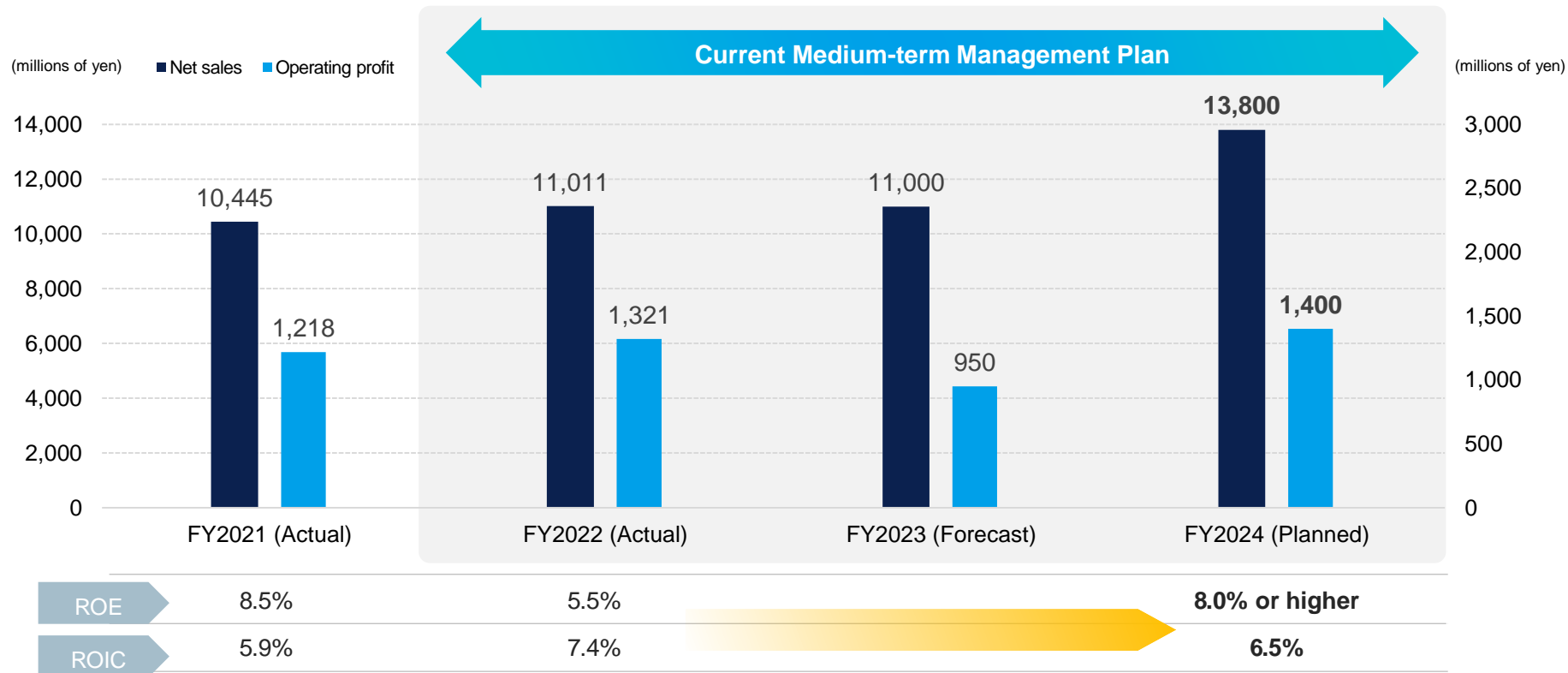
Location of subject assets



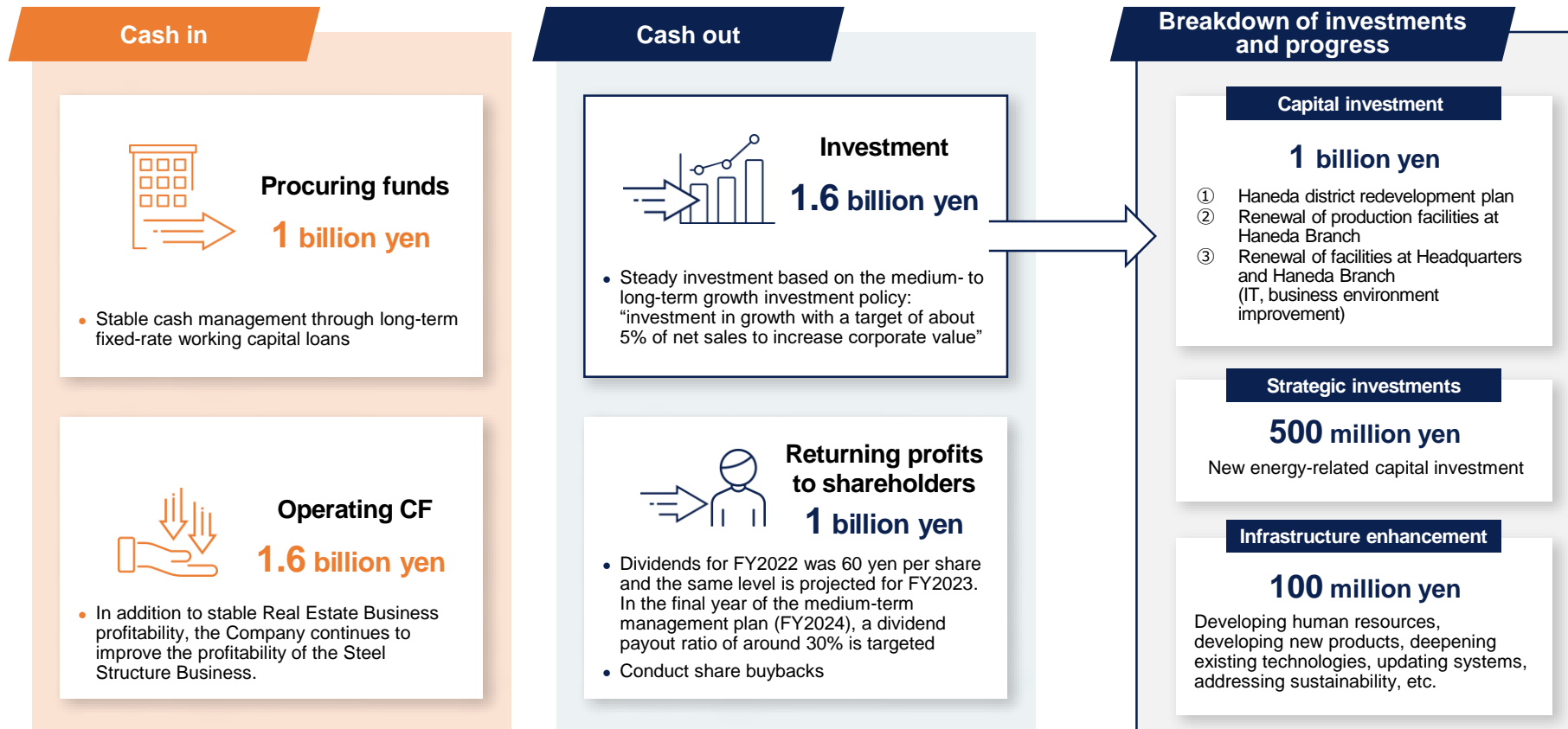
Tsukishima 3-chome South District CG of expected completion of the Type 1 Urban Redevelopment Project (to be completed in FY2027)

Progress of the Medium-term Management Plan

Although earnings forecasts for FY2023 have been revised downward, the Company expects to achieve its sales and profit targets for FY2024



Cash flows during the period of the Medium-term Management Plan



3

Overview of Second Quarter Results for FY2023

Consolidated financial results

Decreased revenues due to a decrease in large-scale construction projects in the Steel Structure Business, etc.
Operating profit decreased due to provision for loss on construction contracts for domestic construction contracts

(millions of yen)	2Q of FY2022 (Actual)	2Q of FY2023 (Actual)	YoY	
			Amount	Ratio
Net sales	5,396	4,486	(909)	(16.9%)
Operating profit	567	253	(313)	(55.3%)
Operating profit margin	10.5%	5.7%	-	(4.9P)
Ordinary profit	572	369	(202)	(35.4%)
Profit attributable to owners of parent	380	236	(144)	(38.0%)
Earnings per share (yen)	103.06	65.09	(38.00)	-

Earnings by business segment

Steel Structure Business

Decreased revenues due to a decrease in large-scale construction projects, etc. Profit decreased due to the impact of provision for loss on construction contracts.

Orders received increased from the previous fiscal year due to construction of large spherical storage tanks and demolition of large tanks, etc.

(millions of yen)	2Q of FY2022 (Actual)	2Q of FY2023 (Actual)	YoY	
			Amount	Ratio
Net sales	4,517	3,588	(928)	(20.6%)
Segment profit	6	(279)	(285)	-
Orders received	2,450	3,145	695	+28.4%

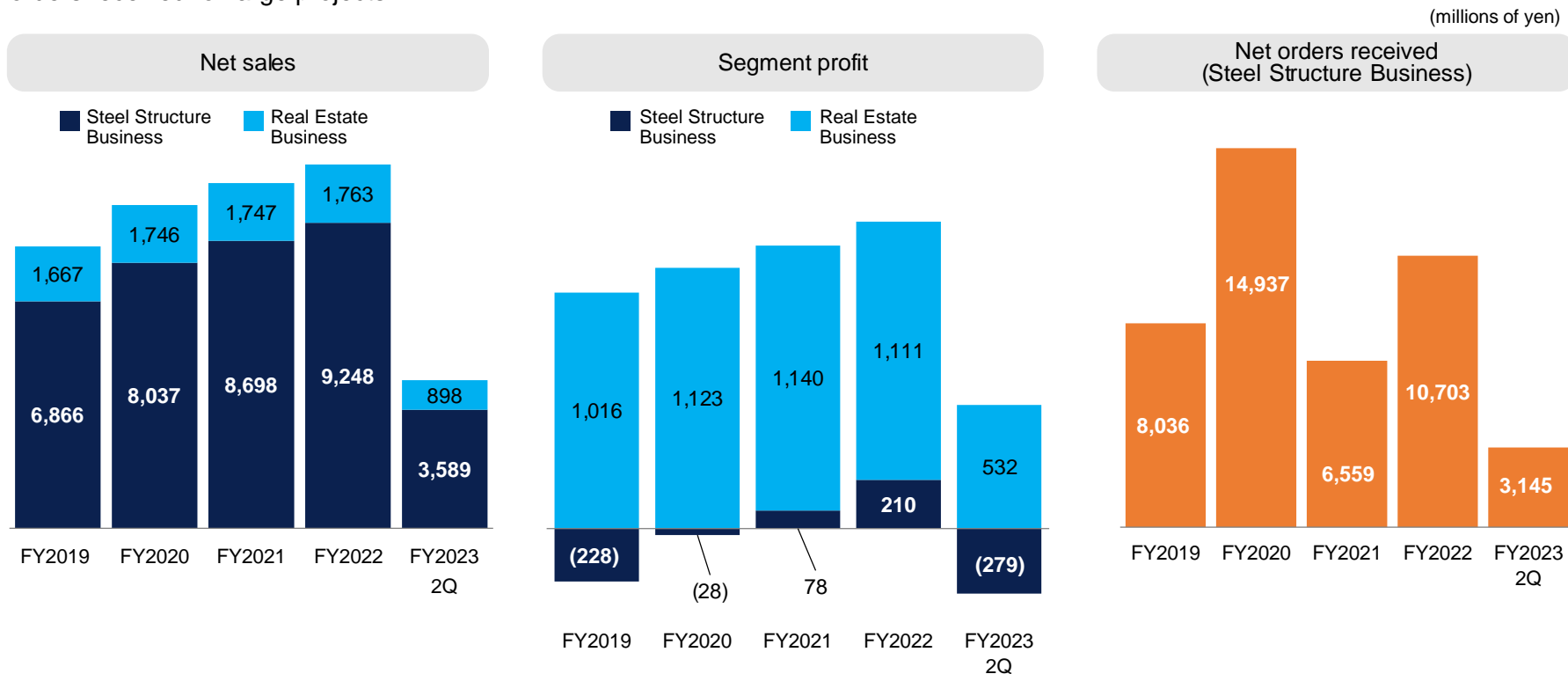
Real Estate Business

Increased revenues as a result of the effect of rent increase. Profit decreased due to higher SG&A expenses on a company-wide basis.

(millions of yen)	2Q of FY2022 (Actual)	2Q of FY2023 (Actual)	YoY	
			Amount	Ratio
Net sales	878	897	19	+2.2%
Segment profit	560	532	(28)	(5.0%)

Earnings by business segment

Net sales are trending upward in the Steel Structure Business. Real Estate Business is continuing to record stable rental income. Net orders received in the Steel Structure Business averaged 10 billion yen per year, although this varied depending on the number of orders received for large projects.



4 | Earnings Forecast for FY2023

Full year forecast for FY2023

Forecasts were revised due to the impact of a decrease in large-scale construction projects in the Steel Structure Business and the posting of a provision for loss on construction contracts.

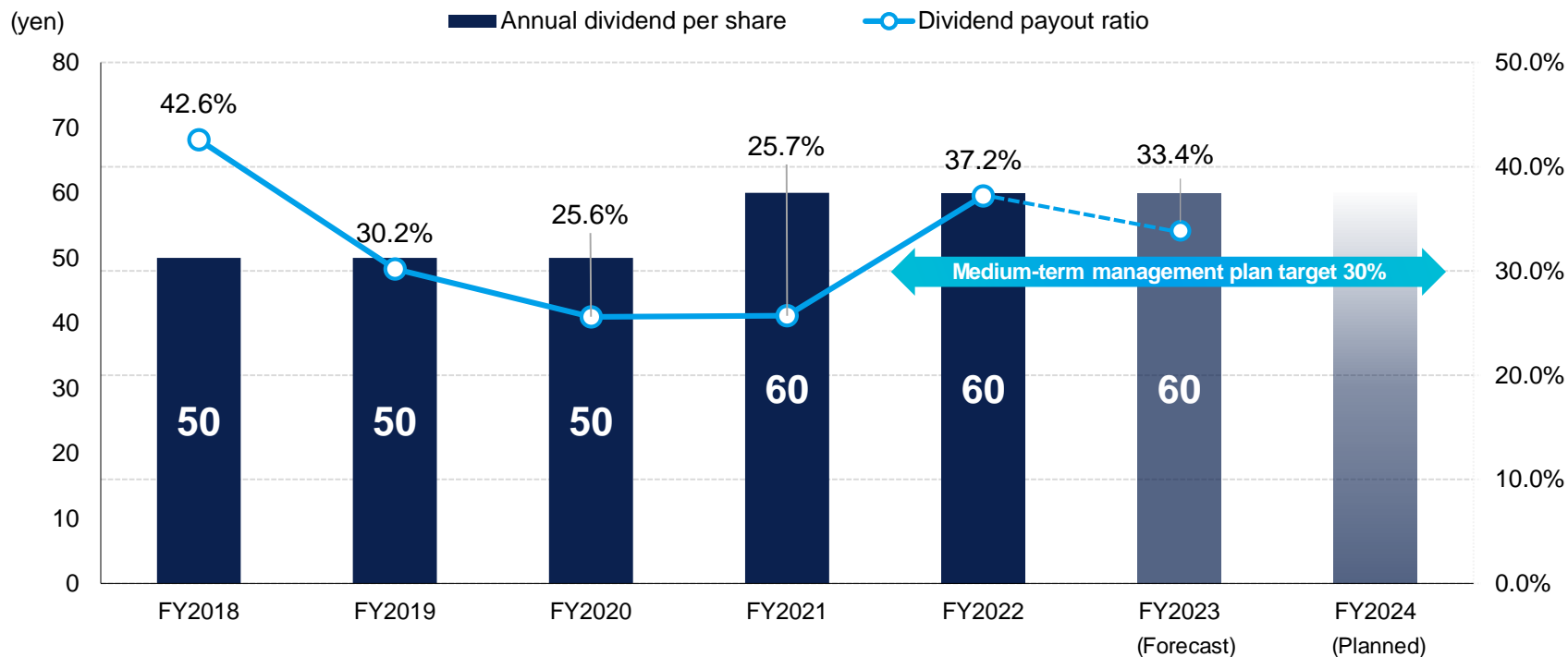
Profit is expected to exceed that of the previous fiscal year due to the elimination of accident-related losses incurred in the previous fiscal year

(millions of yen)	Full year actual for FY2022	FY2023		Compared to initial forecast	
		Initial forecast	Revised forecast *	Amount	Ratio
Net sales	11,010	12,000	11,000	(1,000)	(8.3%)
Operating profit	1,321	1,250	950	(300)	(24.0%)
Operating profit margin	12.0%	10.4%	8.6%	(1.8P)	
Ordinary profit	1,469	1,250	950	(300)	(24.0%)
Profit attributable to owners of parent	595	850	650	(200)	(23.5%)
Earnings per share (yen)	161.20	229.92	183.18	(46.74)	-

*Published on November 9

Returning profits to shareholders

Under the basic policy of “aiming to returning profits to shareholders through stable distribution, etc.,” the Company paid a dividend of 60 yen for FY2021, an increase of 10 yen YOY. In FY2023, the total return to shareholders ratio is expected to exceed 70%, including share buybacks.



*Share buybacks of 85,000 shares (acquisition cost of 243,525 thousand yen) through ToSTNet-3 on May 31, 2022.