

# **FY 2008 1<sup>st</sup> Half Financial Results** **(Six Months Ended September 30, 2008)**



**November 18, 2008**

**Iwatani Corporation**

**Forward-looking statements in this document are based on management expectations and are not commitments or guarantees. Consequently, users of this document are requested to fully understand that results may vary from expectations.**

- **FY 2008 1<sup>st</sup> Half Overview**
- **FY 2008 Forecasts**
- **Medium term management plan – PLAN08**

# FY 2008

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

# Six-Month Overview (April 2008 ~ September 2008)

(Unit: Million Yen)

Consolidated	FY07 1H Results (A)	FY08 1H Assumptions	FY08 1H Results (B)	Comparison	
				(B)-(A)	(B)/(A) (%)
Net Sales	341,282	343,000	360,119	+18,837	+5.5
Gross Profit	62,553	—	67,700	+5,147	+8.2
Operating Income	4,423	4,300	7,878	+3,454	+78.1
Ordinary Income	4,149	3,600	7,275	+3,125	+75.5
Net Income	241 (*)	1,200	2,665	+2,424	+1,005.3

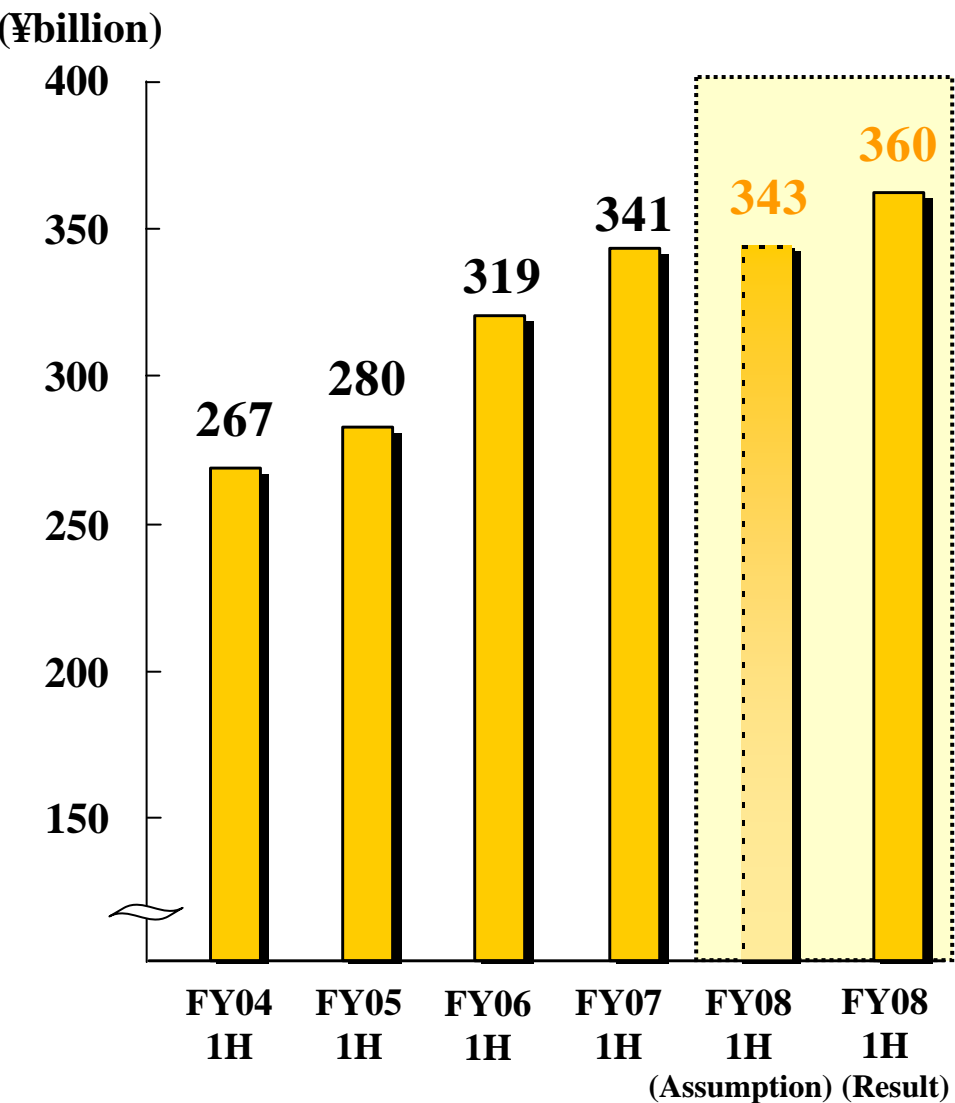
(\*) Net Income for 1<sup>st</sup> half of FY2007 resulted from an increase of ¥2,006 million in corporation tax etc., which was a reversal of deferred income tax assets in the same amount. The increase in tax owes to the amendment made to the “Practical guidelines concerning tax effect accounting in consolidated financial statements” (Report No.6 from the accounting system committee of the Japanese Institute of Certified Public Accountants as of March 29, 2007)

Consolidated	FY07 1H Results (A)	FY08 1H Results (B)	Comparison (B)-(A)
Capital Expenditures*	6,932	6,460	△472
Depreciation Expense*	5,527	6,148	+621

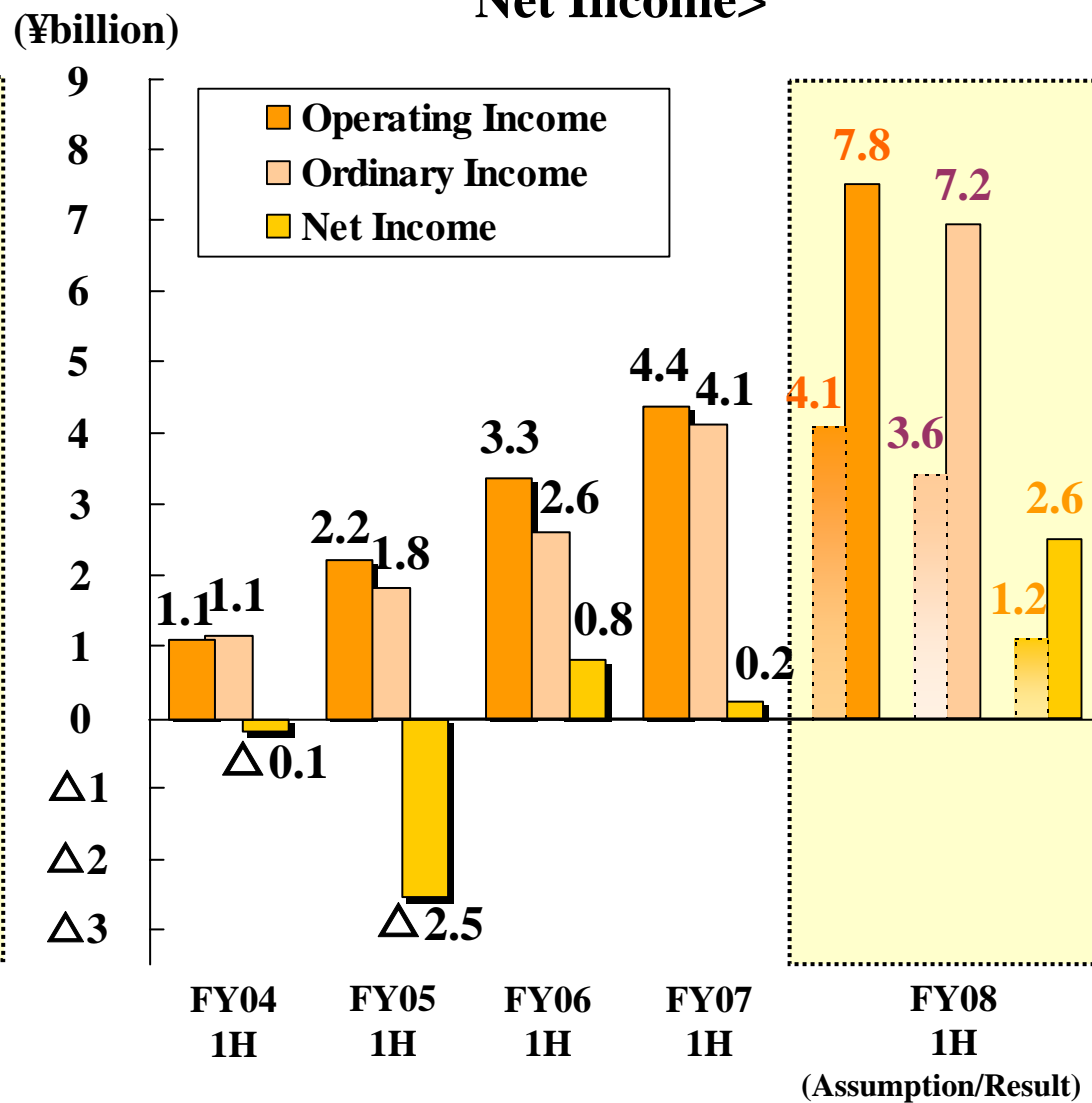
\*Figures for capital expenditures and depreciation expense cover only tangible fixed assets.

# Financial Performance (FY04 1H ~ FY08 1H)

## <Net Sales>



## <Operating Income • Ordinary Income • Net Income>



# Segment Information (consolidated)

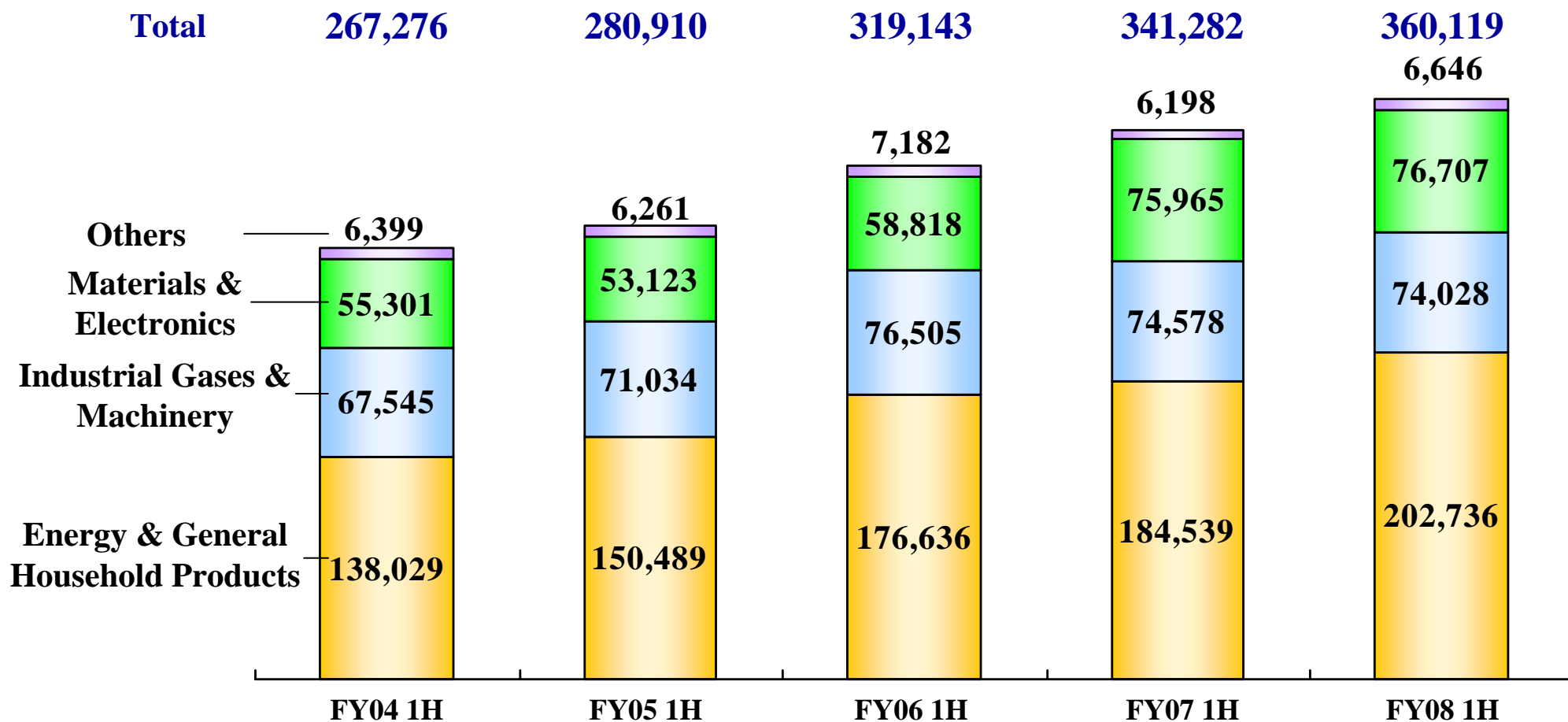
(Unit: Million Yen)

Net Sales	FY07 1H Results (A)	FY08 1H Assumptions	FY08 1H Results (B)	Comparison	
				(B)-(A)	(B)/(A) (%)
Energy & General Household Products	184,539	192,000	202,736	+18,197	+9.9
Industrial Gases & Machinery	74,578	75,000	74,028	△550	△0.7
Materials & Electronics	75,965	70,000	76,707	+741	+1.0
Others	6,198	6,000	6,646	+448	+7.2

Operating Income	FY07 1H Results (A)	FY08 1H Assumptions	FY08 1H Results (B)	Comparison	
				(B)-(A)	(B)/(A) (%)
Energy & General Household Products	970	1,200	4,071	+3,100	+319.5
Industrial Gases & Machinery	4,096	4,300	4,406	+309	+7.5
Materials & Electronics	2,088	1,500	2,345	+256	+12.3
Others	517	500	383	△134	△25.9

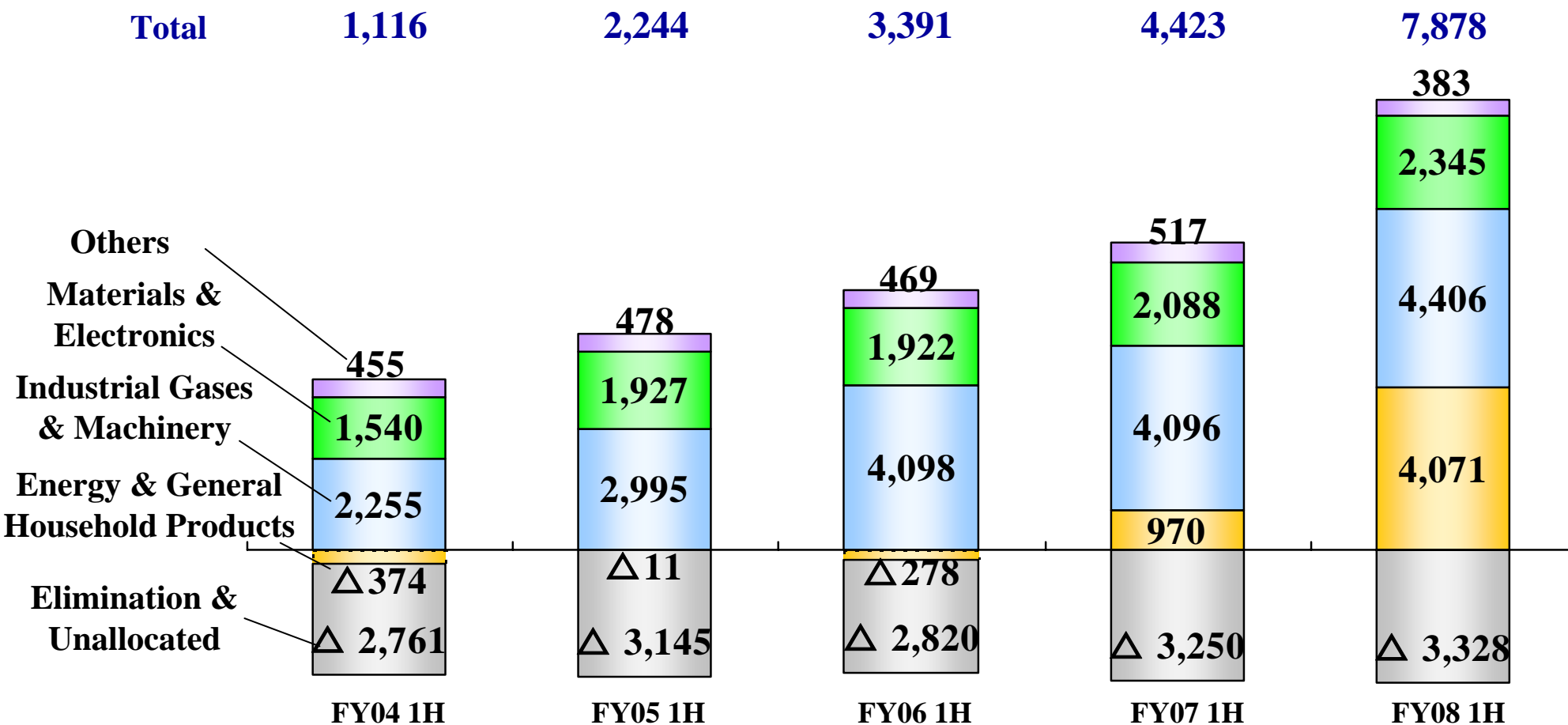
\*Figures of 1<sup>st</sup> Half FY07 is reorganized, according to segment reformation in FY08, which transfers a part of Industrial Gases & Machinery segment to Materials & Electronics segment. Refer page 6 and 7 for detail.

(Unit: Million Yen)

Segment Net Sales

\*Referring to 1<sup>st</sup> Half FY07, Net sales of ¥6,094 million is transferred from Industrial Gases & Machinery segment to Materials & Electronics segment, in accordance with segment reformation in FY08.

(Unit: Million Yen)

Segment Operating Income

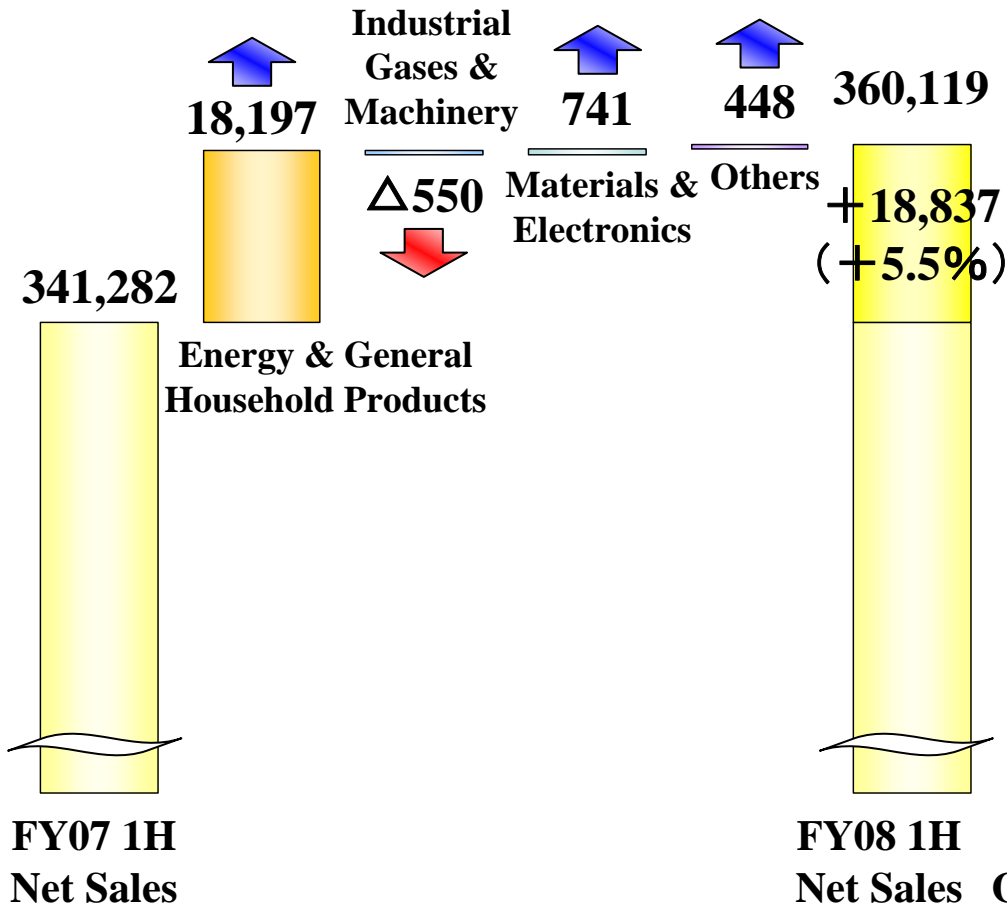
\*Referring to 1<sup>st</sup> Half FY07, Operating Income of ¥144 million is transferred from Industrial Gases & Machinery segment to Materials & Electronics segment, in accordance with segment reformation in FY08.

# Comparison (Net Sales / Operating Income)

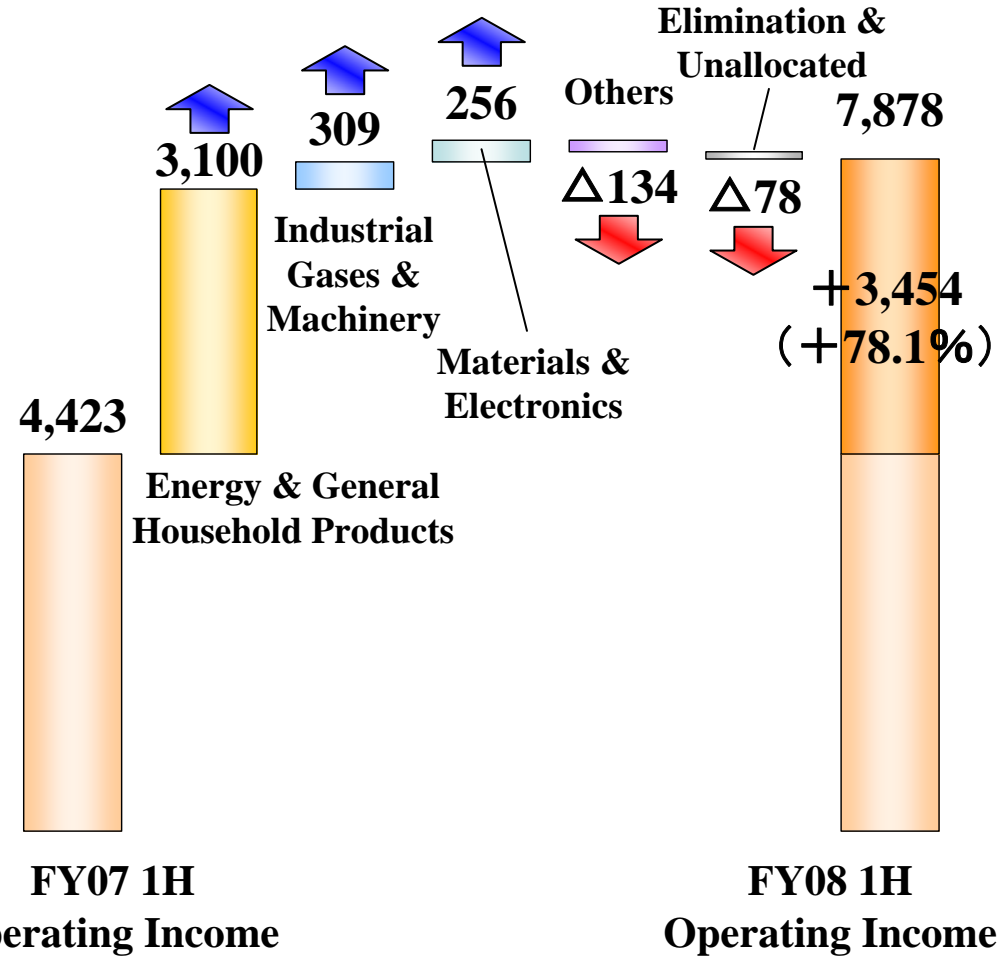
(Unit: Million Yen)

## FY07 1H – FY08 1H Comparison

### Changes in Net Sales



### Changes in Operating Income



## 【 Energy & General Household Products 】

- ➡ Higher LPG import prices 【+】
- ➡ Joining of subsidiaries 【+】
- ➡ Growth in LNG business etc. 【+】

## 【 Industrial Gases & Machinery 】

- ➡ Decrease in sales of equipments related with gas / welding 【-】
- ➡ Growth in specialty gases, due to increase of volume, improvement in sales price 【+】
- ➡ Growth in air-separation gases, due to increase in volume, improvement in sales price 【+】

## 【 Materials & Electronics 】

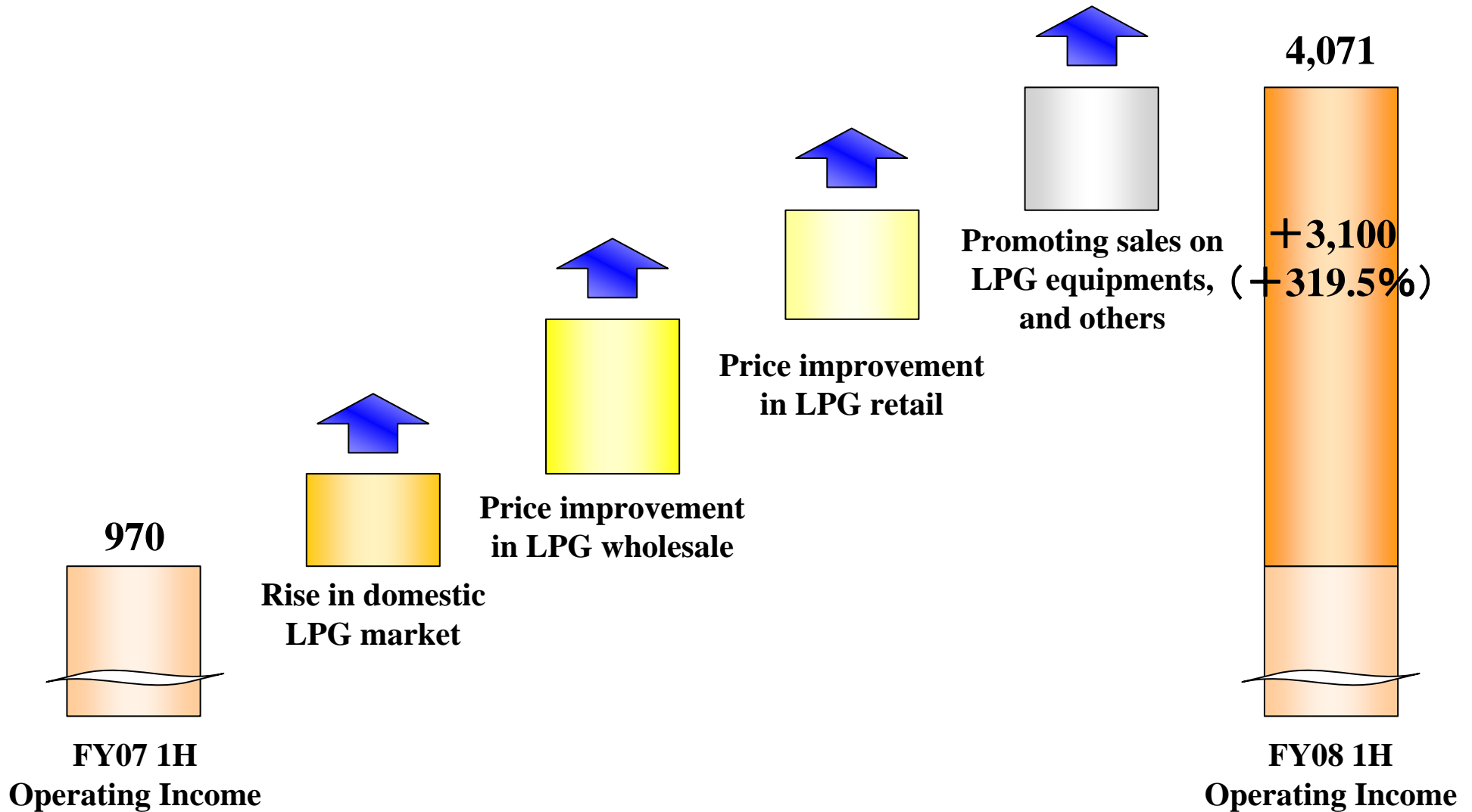
- ➡ Joining of subsidiaries 【+】
- ➡ Decrease in sales of semiconductor related equipments 【-】
- ➡ Decrease in sales of stainless steel 【-】
- ➡ Slowdown in precision parts processing operations 【-】

## Highlights

- Slowdown in capital expenditure related business
- Rise in LPG sales price due to higher LPG import price

(Unit: Million Yen)

## Operating Income -FY07 1H ~ FY08 1H Comparison-



# The impact of LPG import price fluctuation (for image)

## LPG wholesale pricing system

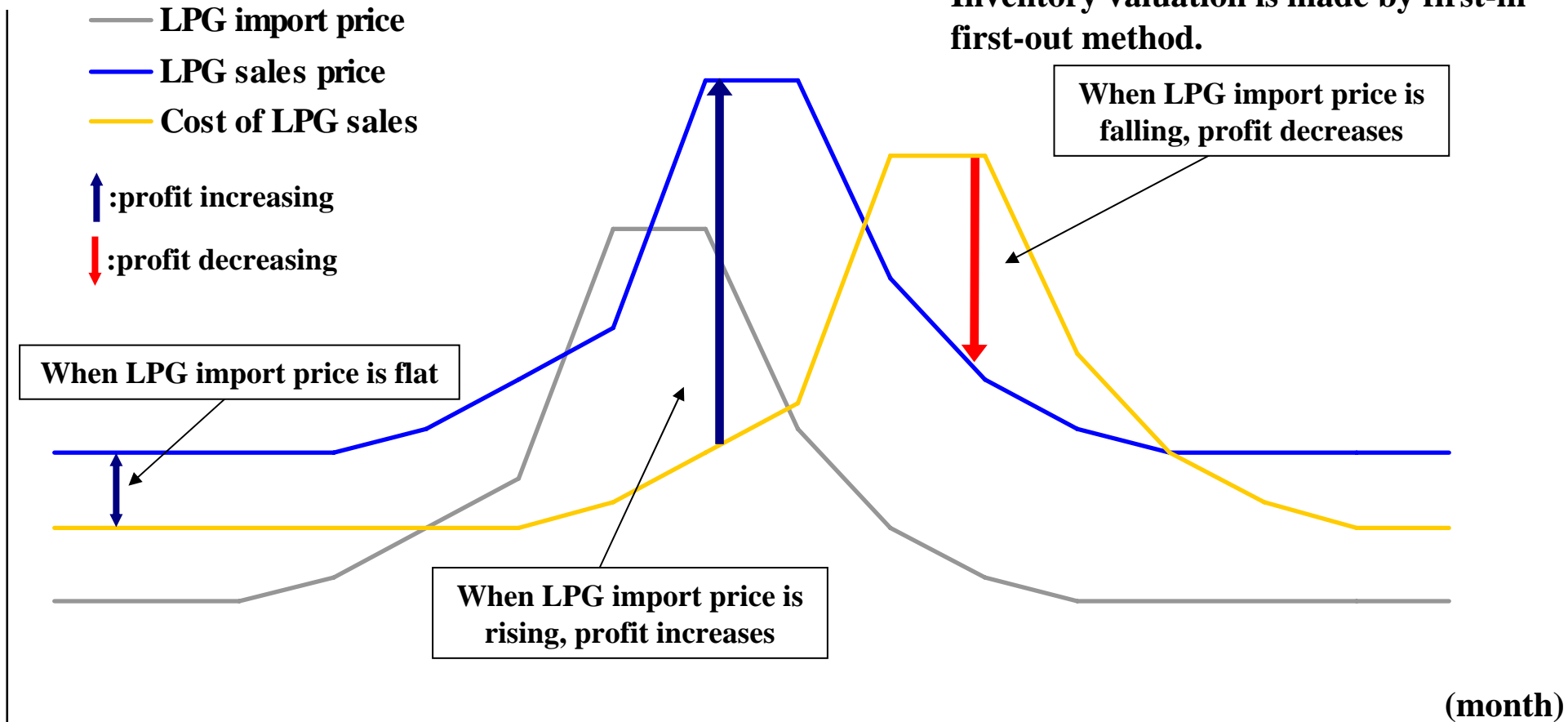
Sales price: linked to LPG import price of previous month

Cost of sales: linked to LPG import price of 2~3 months before

Owing to mandatory stockpile, time lag occurs between purchase and shipment from LPG bases.

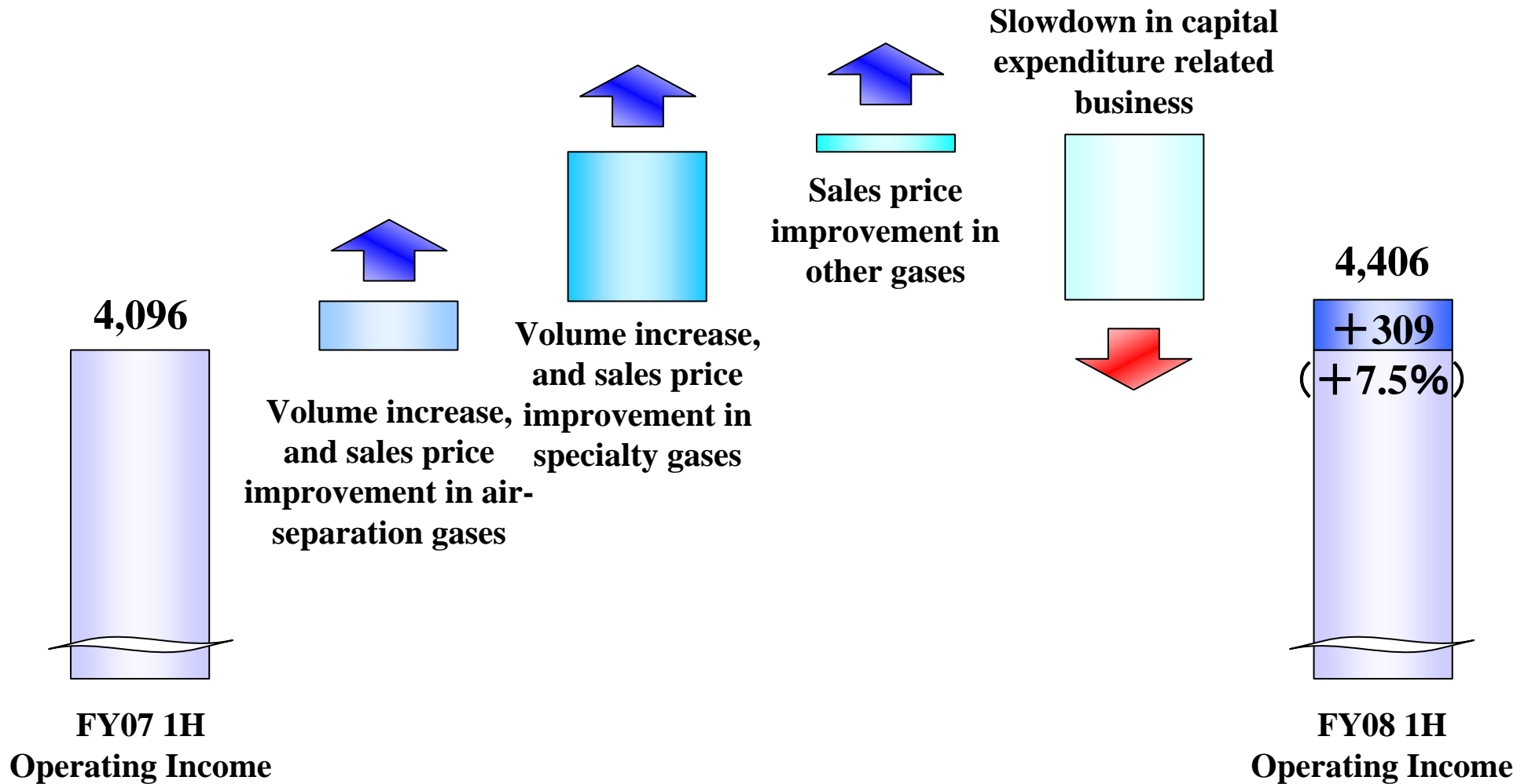
Inventory valuation is made by first-in first-out method.

(price)



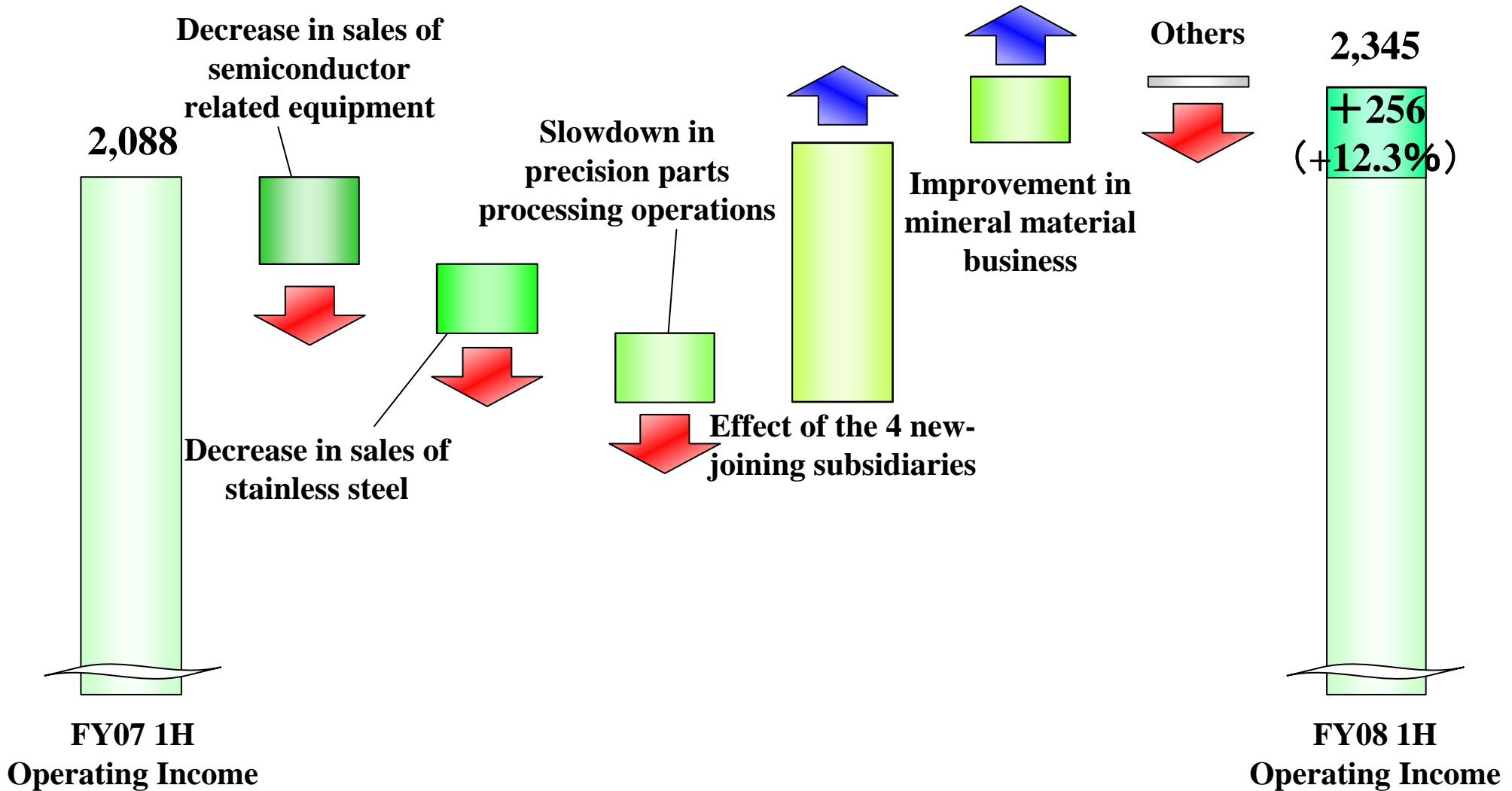
(Unit: Million Yen)

## Operating Income -FY07 1H ~ FY08 1H Comparison-



(Unit: Million Yen)

## Operating Income -FY07 1H ~ FY08 1H Comparison-

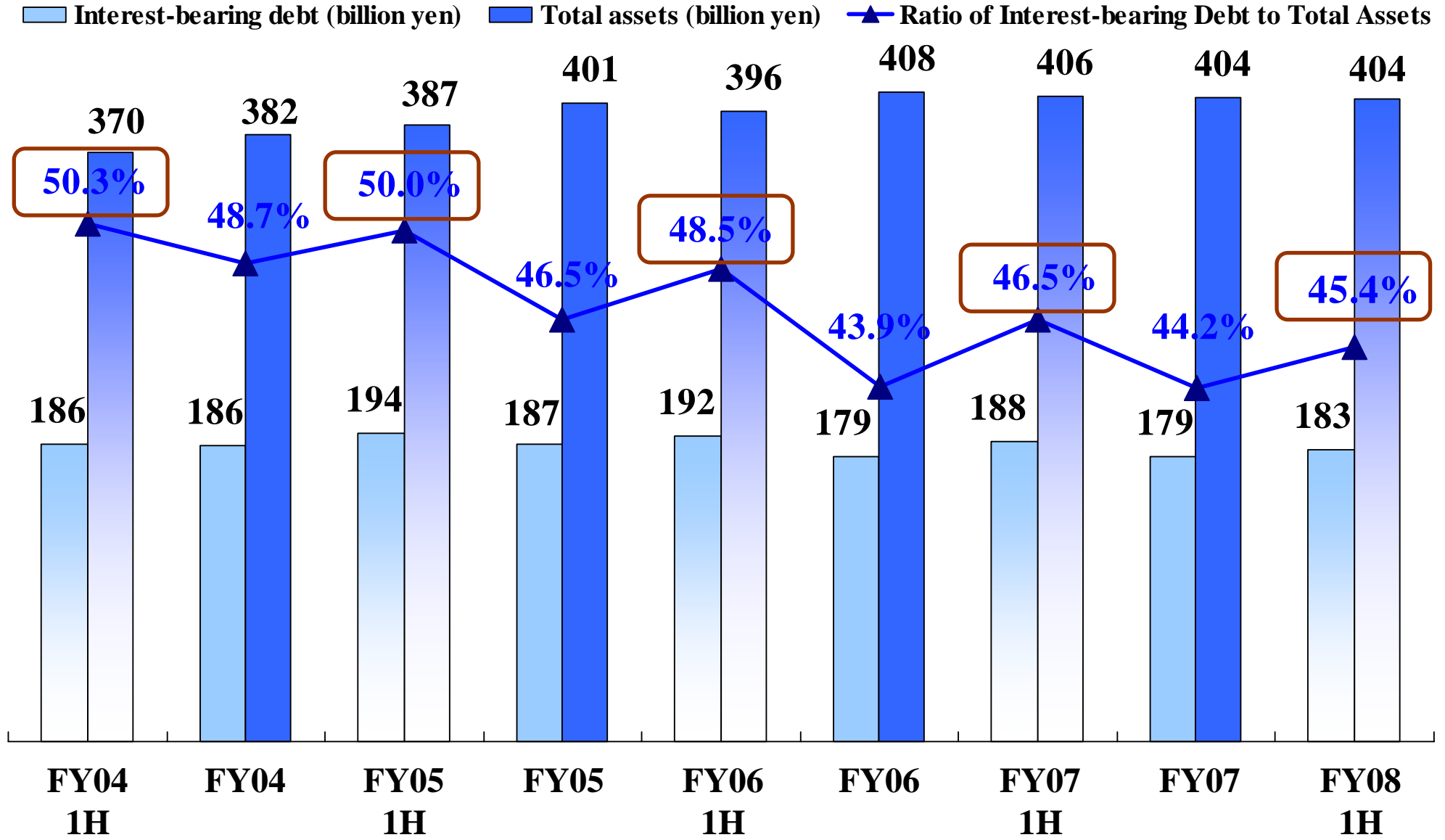


# Balance Sheets Comparison

(Unit: Million Yen)

Consolidated	FY07 1H (A)	FY08 1H (B)	Comparison (B) - (A)	Major factors for changes	FY07 (for reference)
<b>Current assets</b>	<b>197,422</b>	<b>203,263</b>	<b>+5,841</b>		<b>202,751</b>
Cash and cash equivalents	18,430	19,045	+615		18,678
Notes and accounts receivable, trade	119,288	119,306	+18		130,859
Inventories	46,270	54,316	+8,046	Increase in LPG import prices	42,005
Other current assets	13,432	10,594	Δ2,838		11,209
<b>Fixed assets</b>	<b>209,021</b>	<b>200,870</b>	<b>Δ8,150</b>		<b>202,065</b>
Tangible fixed assets	121,284	122,855	+1,570		120,276
Intangible fixed assets	14,797	16,234	+1,436		15,207
Investments and other assets	72,939	61,781	Δ11,158	Valuation loss on securities held for investment Δ12,020	66,581
<b>Current liabilities</b>	<b>223,675</b>	<b>227,923</b>	<b>+4,247</b>		<b>225,768</b>
Trade notes and accounts payable	116,868	113,287	Δ3,581		123,811
Other current liabilities	106,806	114,635	+7,829	Increase in current portion of long-term debt +6,628	101,956
<b>Long – term liabilities</b>	<b>118,569</b>	<b>108,985</b>	<b>Δ9,583</b>	Decrease in long-term debt Δ 11,912	<b>113,952</b>
<b>Net assets</b>	<b>64,198</b>	<b>67,225</b>	<b>+3,026</b>		<b>65,096</b>
<b>Total assets</b>	<b>406,443</b>	<b>404,134</b>	<b>Δ2,309</b>		<b>404,817</b>

# Interest – bearing debt



# Cash Flows Statements

(Unit: Million Yen)

Consolidated	FY07 1H (A)	FY08 1H (B)	Details	Comparison (B) – (A)	FY07 (for reference)
Cash flows from operating activities	491	6,088	Income before income taxes and minority interests : 6,319	+5,596	20,781
Cash flows from investment activities	△7,352	△8,091	Purchase of tangible fixed assets :△6,168 Purchase of intangible fixed assets :△2,299 Purchase of securities : △659 Increase in loans receivable :△4,030	△739	△17,559
Free cash flows	△6,860	△2,003		+4,857	3,221
Cash flows from financing activities	8,259	1,779	Increase in total interest bearing debt : 3,203 Cash dividends paid :△1,432	△6,479	△1,461
Cash and cash equivalents at beginning of term	16,657	18,422		+1,764	16,657
Net increase (decrease) in cash and cash equivalents	1,544	△256		△1,800	1,764
Increase of cash and cash equivalents due to change in scope of consolidation	—	661		+661	—
Cash and cash equivalents at end of term	18,201	18,827		+625	18,422

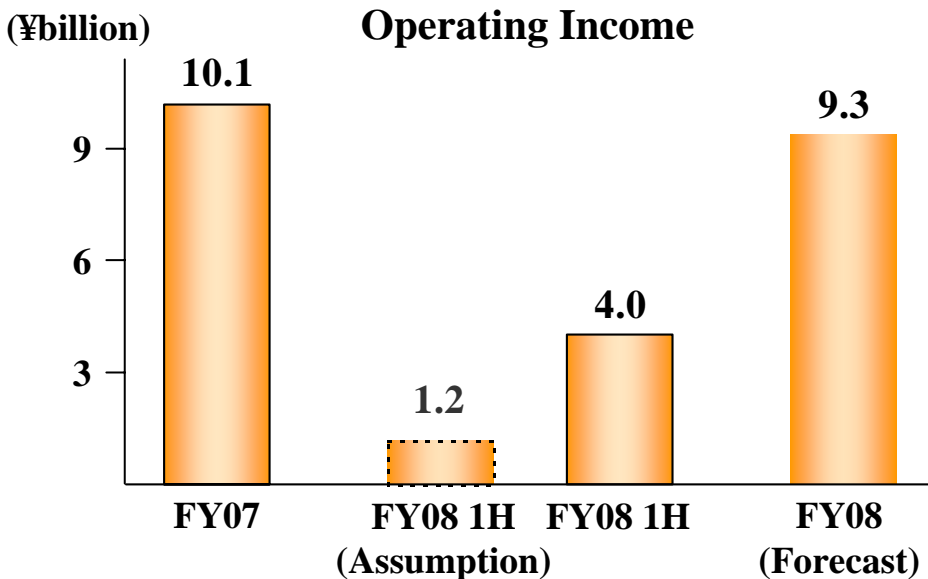
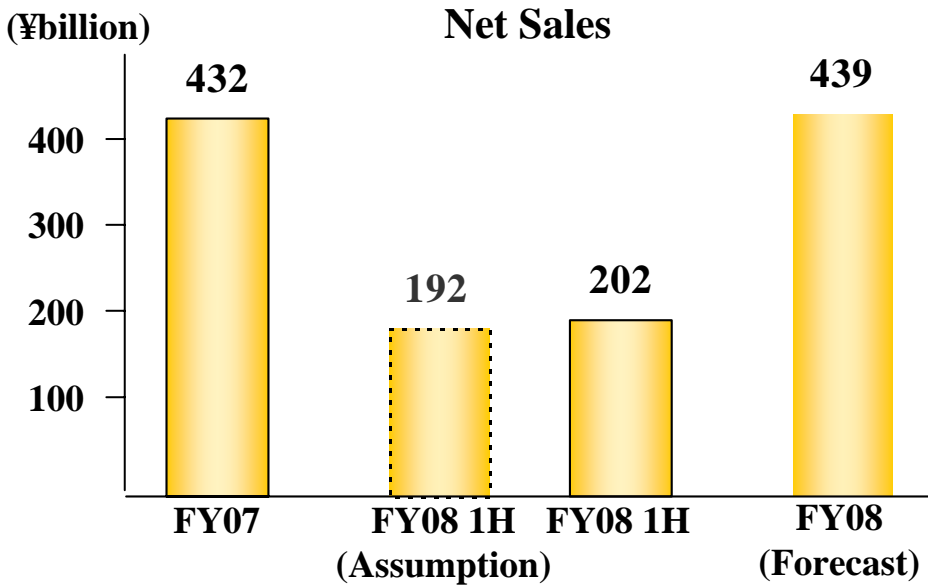
# FY2008 Forecasts

(Unit: Million Yen)

Consolidated	FY07 (A)	FY08 1H	FY08 (Forecast) (B)	Comparison (B) - (A)	Comparison (B)/(A) (%)
<b>Net Sales</b>	<b>748,967</b>	<b>360,119</b>	<b>759,000</b>	<b>+10,032</b>	<b>+1.3</b>
Energy & General Household Products	432,601	202,736	439,000	+6,398	+1.5
Industrial Gases & Machinery	149,311	74,028	157,000	+7,688	+5.1
Materials & Electronics	153,643	76,707	149,000	△4,643	△3.0
Others	13,411	6,646	14,000	+588	+4.4
<b>Operating Income</b>	<b>18,393</b>	<b>7,878</b>	<b>18,200</b>	<b>△193</b>	<b>△1.1</b>
Energy & General Household Products	10,102	4,071	9,300	△802	△7.9
Industrial Gases & Machinery	8,813	4,406	9,300	+486	+5.5
Material & Electronics	4,327	2,345	4,600	+272	+6.3
Others	963	383	1,000	+36	+3.8
Elimination & Unallocated	△5,813	△3,328	△6,000	△186	+3.2
<b>Ordinary Income</b>	<b>17,152</b>	<b>7,275</b>	<b>16,500</b>	<b>△652</b>	<b>△3.8</b>
<b>Net Income*</b>	<b>5,244</b>	<b>2,665</b>	<b>7,800</b>	<b>+2,555</b>	<b>+48.7</b>
<b>Capital Expenditure**</b>	<b>14,268</b>	<b>6,460</b>	<b>14,900</b>	<b>+631</b>	<b>+4.4</b>
<b>Depreciation Expense**</b>	<b>11,502</b>	<b>6,148</b>	<b>12,200</b>	<b>+697</b>	<b>+6.1</b>

\*Net Income for FY2007 resulted from an increase of ¥2,006 million in corporation tax etc., which was a reversal of deferred income tax assets in the same amount. The increase in tax owes to the amendment made to the “Practical guidelines concerning tax effect accounting in consolidated financial statements” (Report No.6 from the accounting system committee of the Japanese Institute of Certified Public Accountants as of March 29, 2007)

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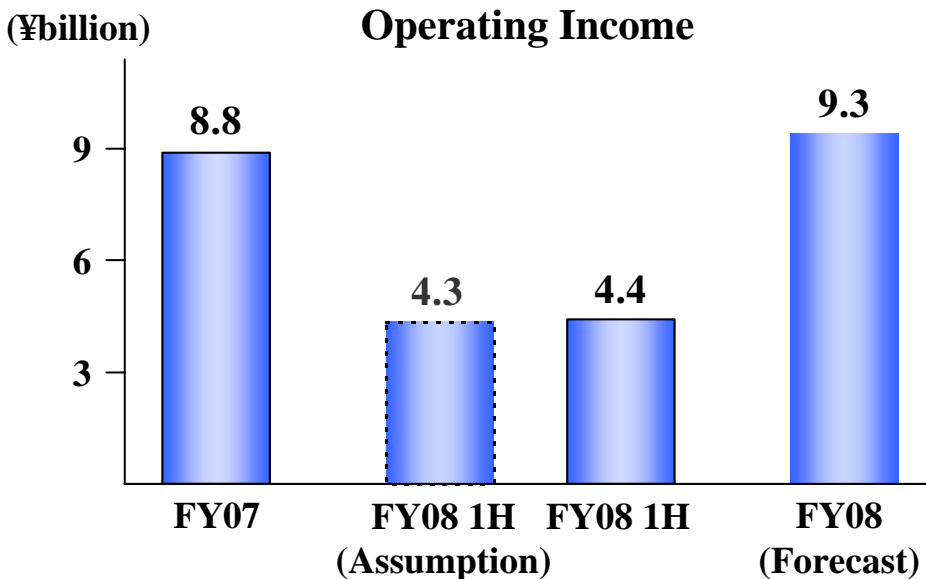
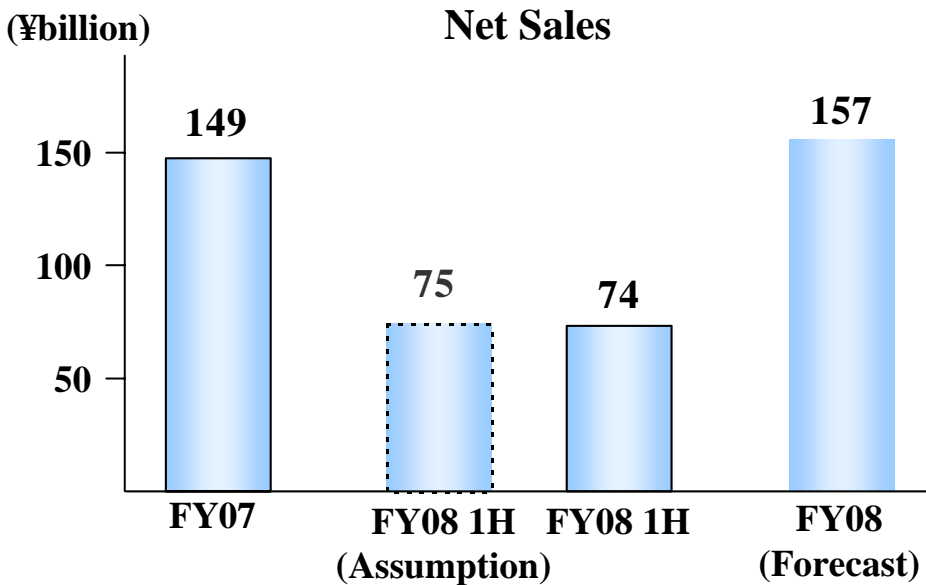
## Key schemes for achieving forecast

- Improving sales price in LPG
- Taking cost reduction initiatives in LPG distribution operations
- Strengthening profitability by increasing retail households

## Major risk factors affecting FY08 results

- ◇ Rapid fluctuation in LPG import prices
- ◇ Warm winter decreasing LPG sales volume

\* FY08 Assumption LPG import price: 800\$/t  
Exchange rate : 110¥/\$

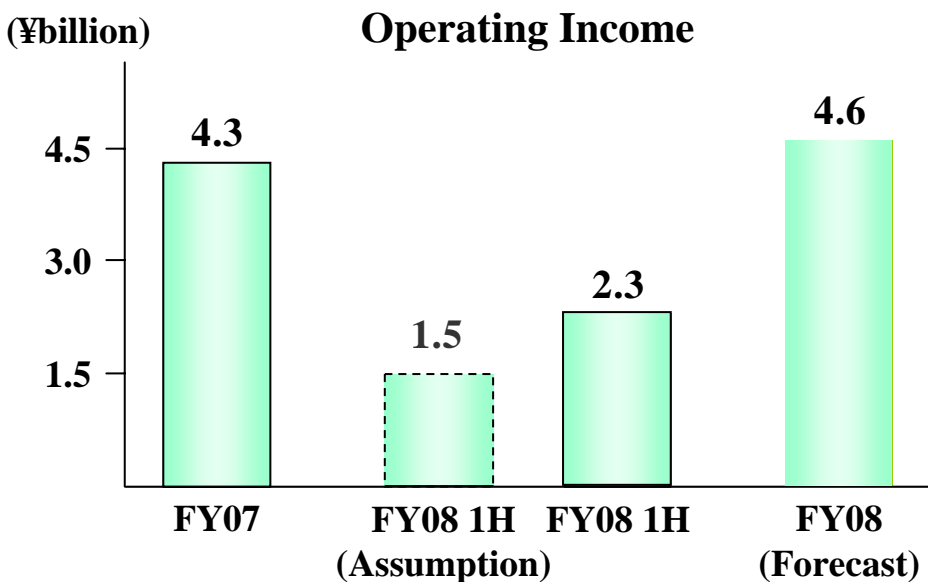
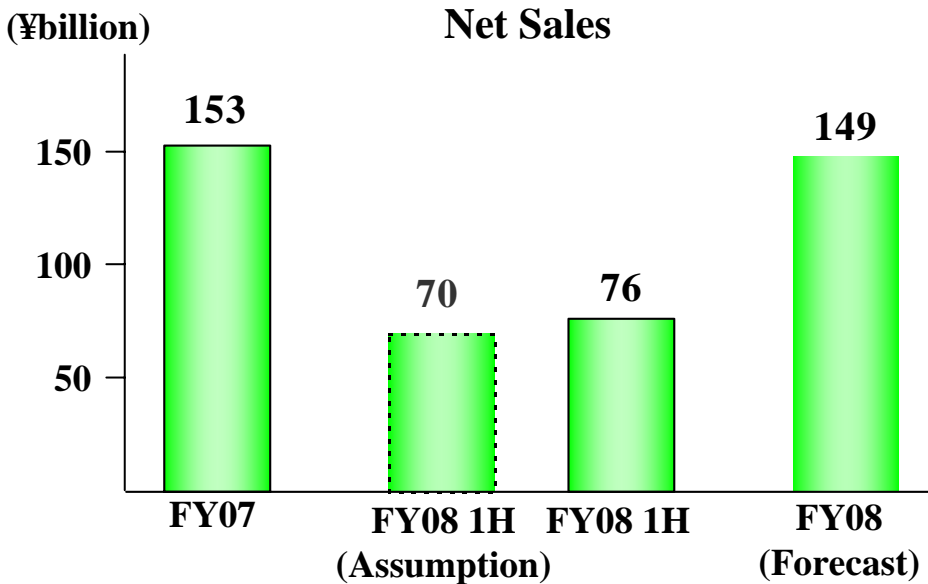


## Key schemes for achieving forecast

- Improving sales price in industrial gases
- Expanding demand for air-separation gases and liquefied hydrogen etc.
- Expanding the market with new products and new applications

## Major risk factors affecting FY08 results

- ◇ Slowdown in factory operation through economic stagnation
- ◇ Further restraints on capital expenditure through prolonging economic stagnation



## Key schemes for achieving forecast

- Improving profit in mineral material business
- Promoting sales of synthetic resin
- Strengthening the sales structure for precision parts processing business
- Expanding business for semiconductor related components

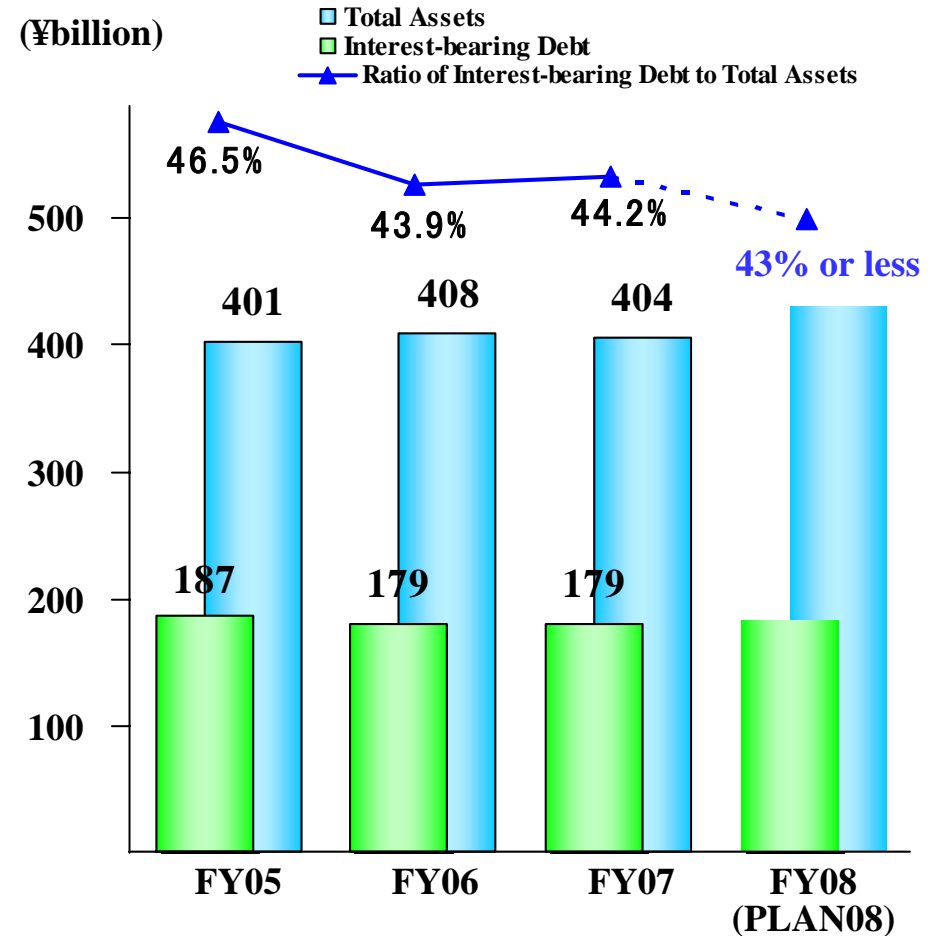
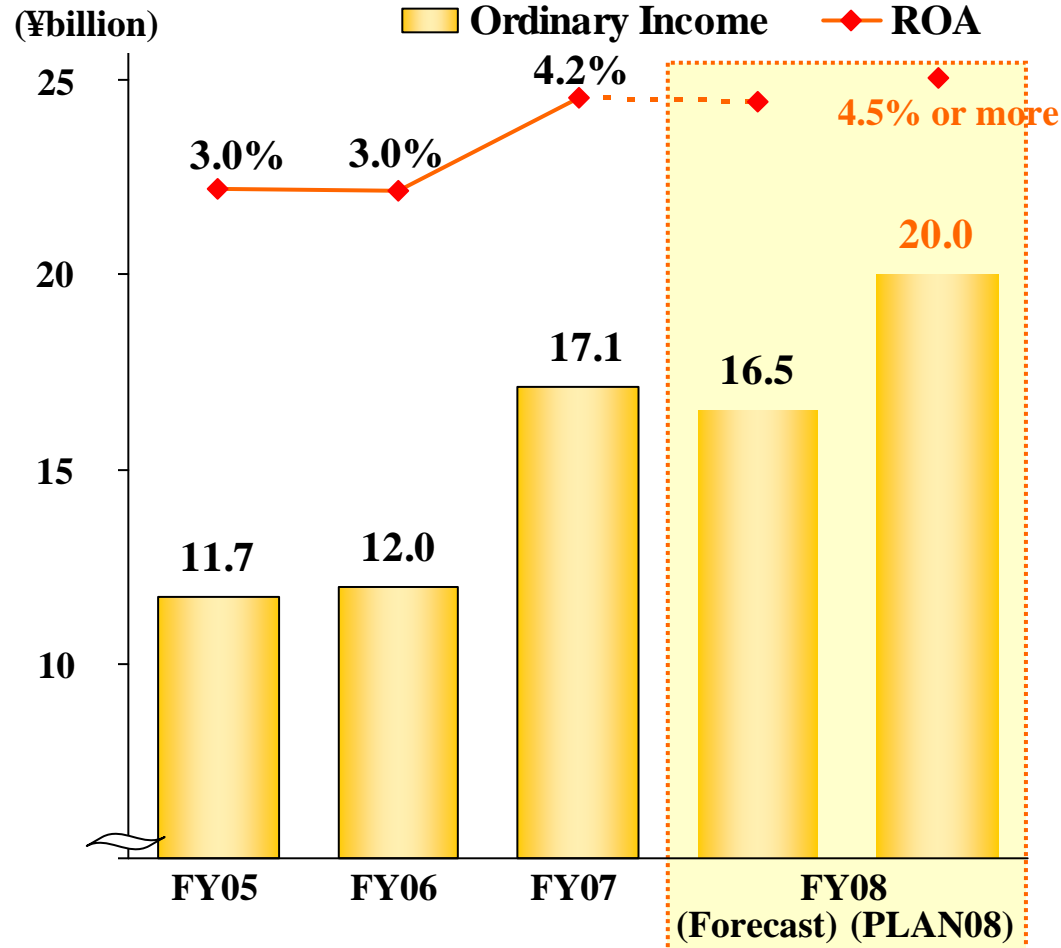
## Major risk factors affecting FY08 results

- ◇ Trends of resource prices (crude oil, nickel, etc.)
- ◇ Declination in merchandise demands through economic stagnation
- ◇ Prolonging restraint on semiconductor related capital expenditure

# Medium-term Management Plan (PLAN08)

## Management targets (FY06-08)

- ◆ Ordinary Income ➡ ¥20 billion
- ◆ Return on Assets ➡ 4.5% or more
- ◆ Ratio of Interest-bearing Debt to Total Assets ➡ 43% or less



# Iwatani

**Please note that this English translation has been prepared for general reference purpose.  
In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.**