

# **FY 2008 Financial Results** **(Fiscal Year Ended March 31, 2009)**



**May 26, 2009**

**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 Overview**

■ **FY 2009 Forecasts**

# FY 2008 Overview

# Fiscal Year Overview (April 2008 ~ March 2009)

(Unit: Million Yen)

	FY08 Assumptions	FY08 Results (B)	FY07 Results (A)	Comparison (B)-(A)	Comparison (B)/(A) (%)
Net Sales	759,000	681,376	748,967	(67,590)	(9.0)
Gross Profit	—	132,304	138,829	(6,525)	(4.7)
Operating Income	18,200	9,729	18,393	(8,663)	(47.1)
Ordinary Income	16,500	8,245	17,152	(8,907)	(51.9)
Net Income	7,800	2,568	5,244	(2,675)	(51.0)

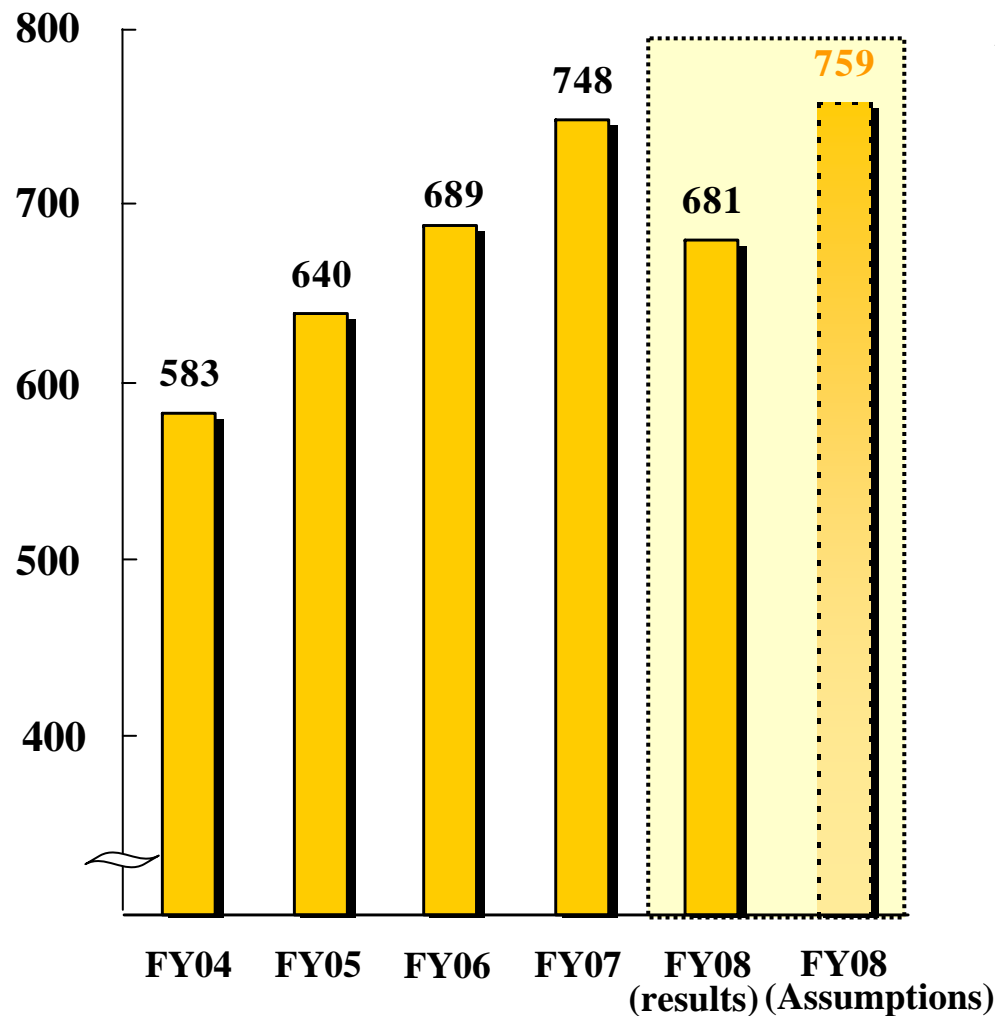
	FY08 Results (B)	FY07 Results (A)	Comparison (B)-(A)
Capital Expenditures*	12,983	14,268	(1,285)
Bases, gas supplying facilities	7,303	9,010	(1,707)
Other facilities	5,679	5,257	+422
Depreciation Expense*	11,996	11,502	+494
R&D Expenses	775	734	+40

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

# Financial Performance (FY04 ~ FY08)

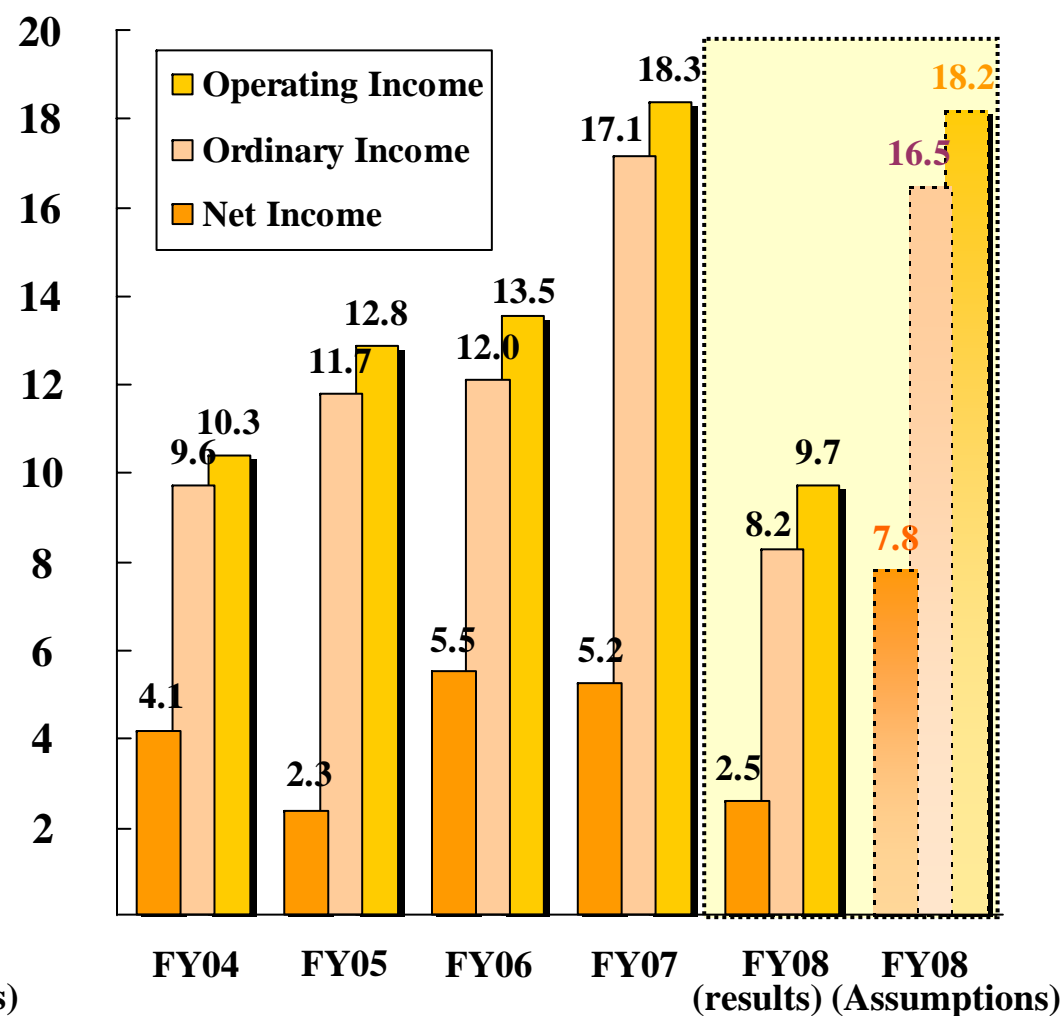
## Net Sales

(¥billion)



## Operating Income • Ordinary Income • Net Income

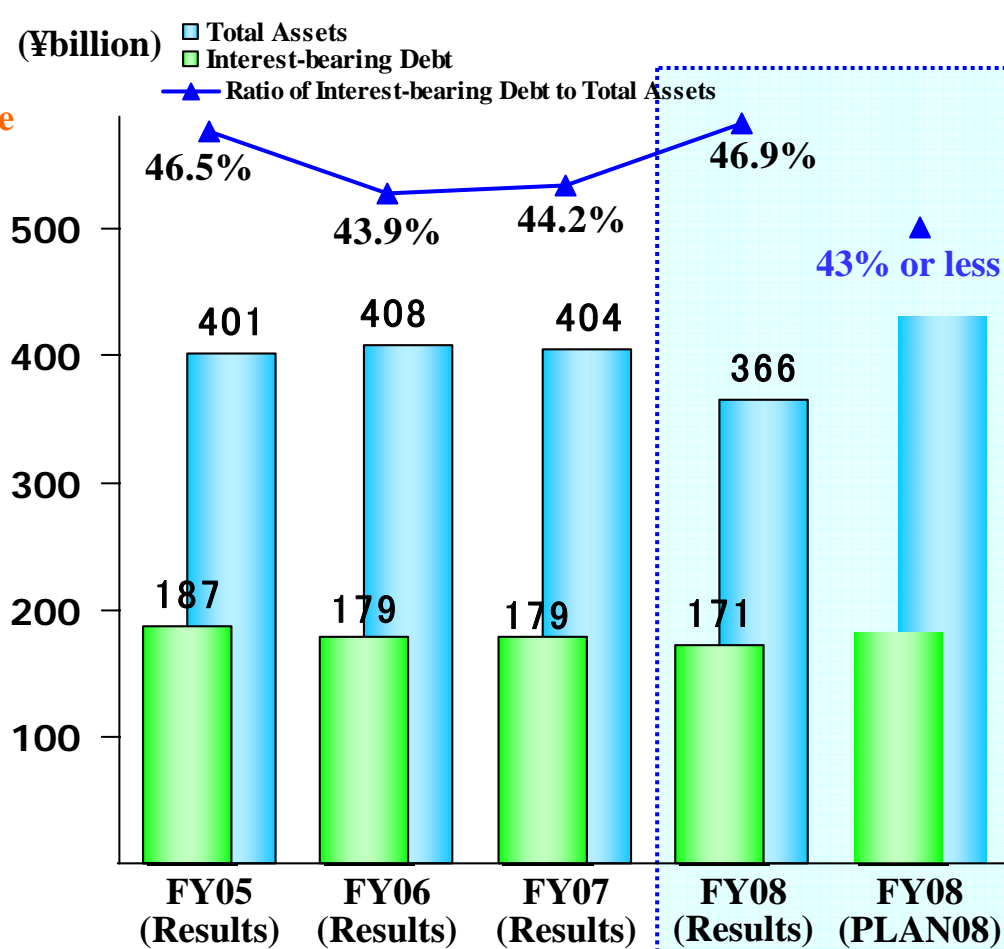
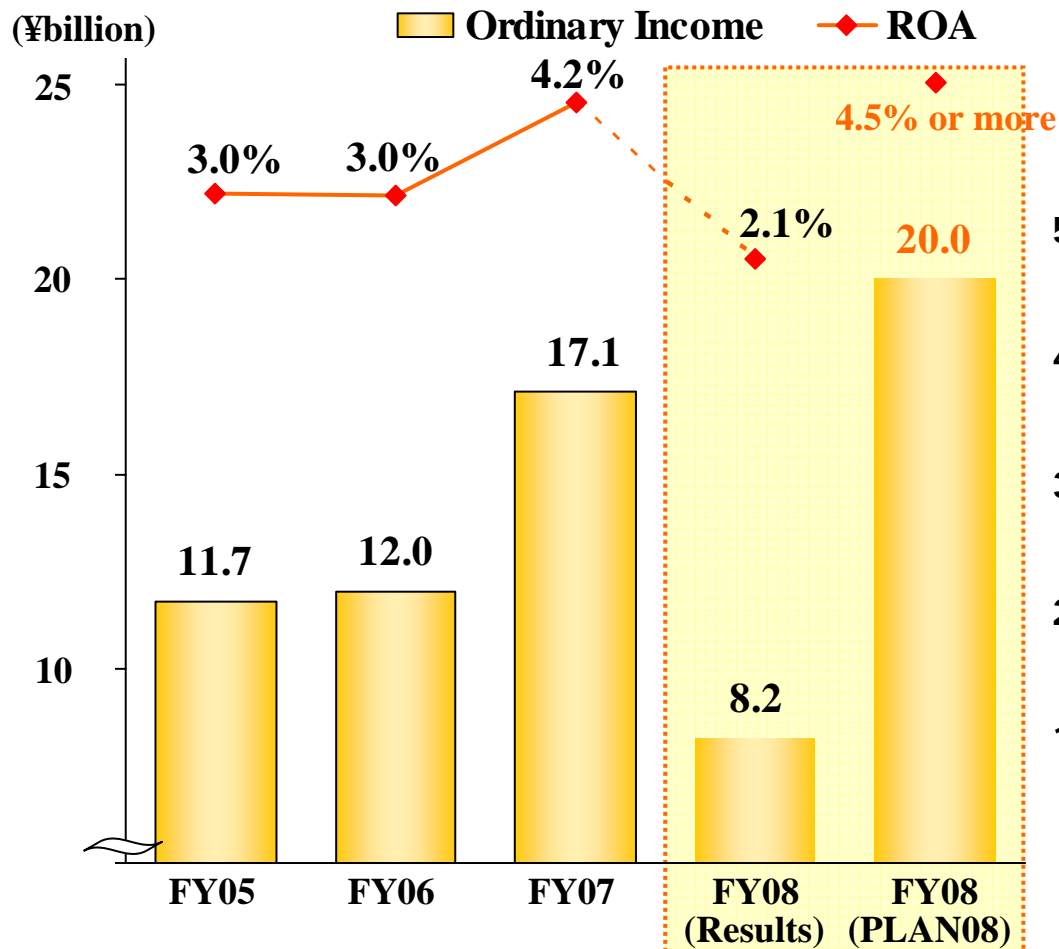
(¥billion)



# 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



## Segment Information

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(Unit: Million Yen)

Net Sales	FY07 Results (A)	FY08 Assumptions	FY08 Results (B)	Comparison	
				(B)-(A)	(B)/(A) (%)
Energy & General Household Products	432,601	439,000	386,088	(46,512)	(10.8)
Industrial Gases & Machinery	149,311	157,000	140,784	(8,526)	(5.7)
Materials & Electronics	153,642	149,000	140,866	(12,776)	(8.3)
Others	13,411	14,000	13,636	+225	+1.7

Operating Income	FY07 Results (A)	FY08 Assumptions	FY08 Results (B)	Comparison	
				(B)-(A)	(B)/(A) (%)
Energy & General Household Products	10,102	9,300	3,926	(6,176)	(61.1)
Industrial Gases & Machinery	8,814	9,300	7,285	(1,528)	(17.3)
Materials & Electronics	4,326	4,600	3,355	(971)	(22.4)
Others	963	1,000	1,143	+179	+18.7

\*Figures of FY07 is reorganized, according to segment reformation in FY08, which transfers a part of Industrial Gases & Machinery segment to Materials & Electronics segment.

# Segment Net Sales

(Unit: Million Yen)

Total Net Sales

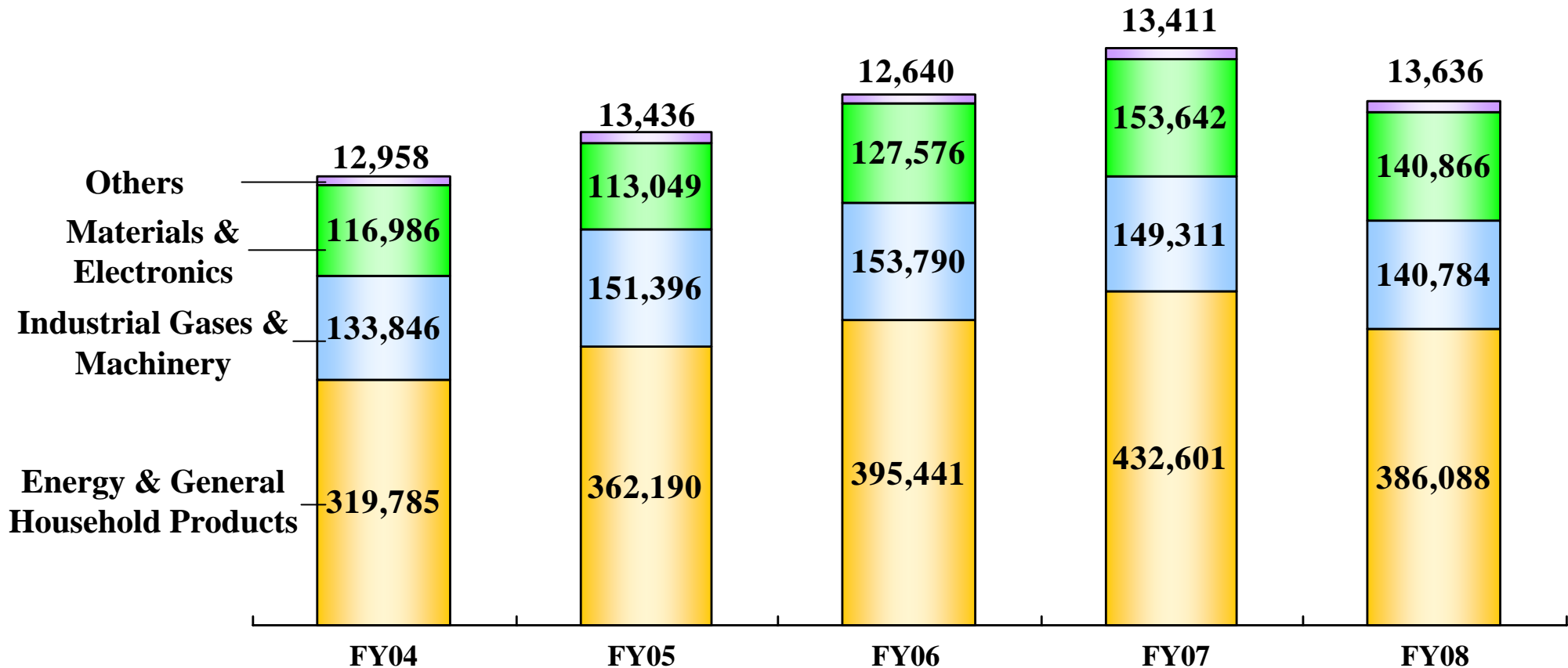
583,575

640,073

689,449

748,967

681,376

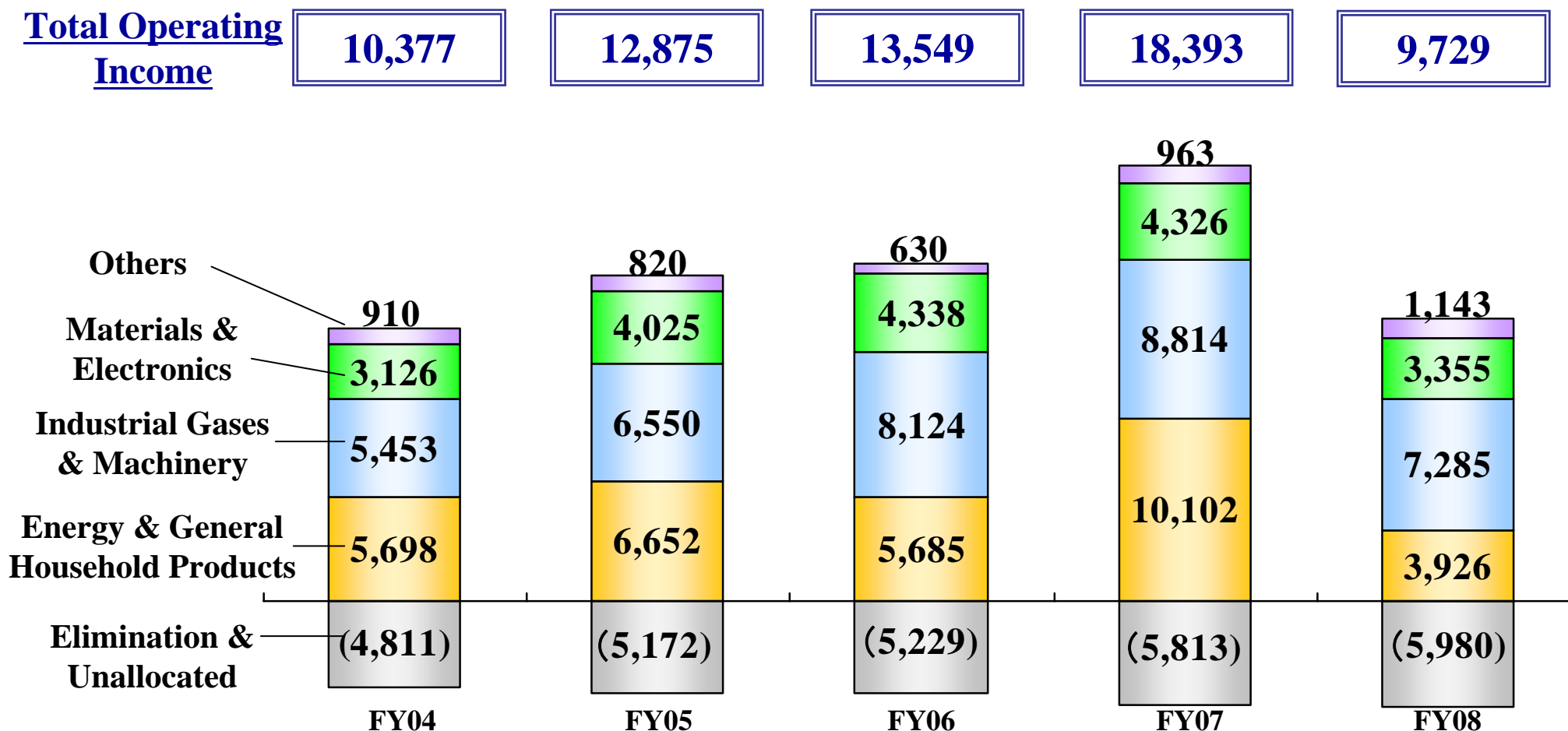


\*Figures of FY07 is reorganized, according to segment reformation in FY08, which transfers a part of Industrial Gases & Machinery segment to Materials & Electronics segment.

# Segment Operating Income

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(Unit: Million Yen)



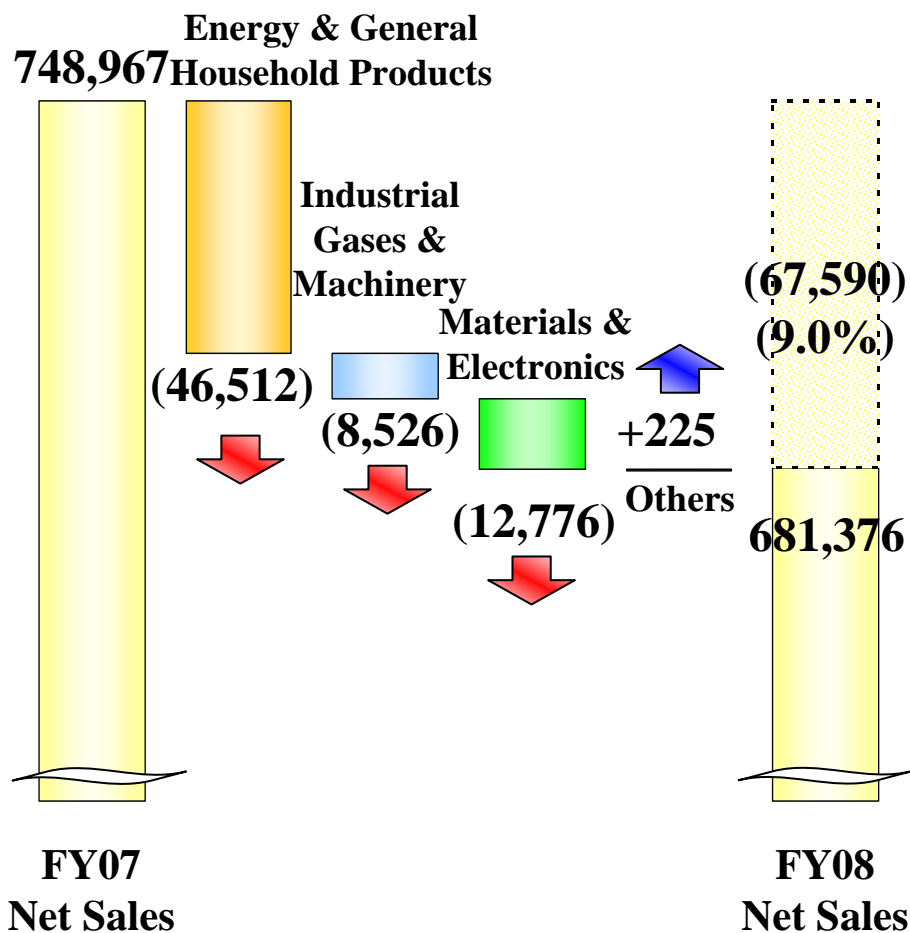
\*Figures of FY07 is reorganized, according to segment reformation in FY08, which transfers a part of Industrial Gases & Machinery segment to Materials & Electronics segment.

# Comparison (Net Sales / Operating Income)

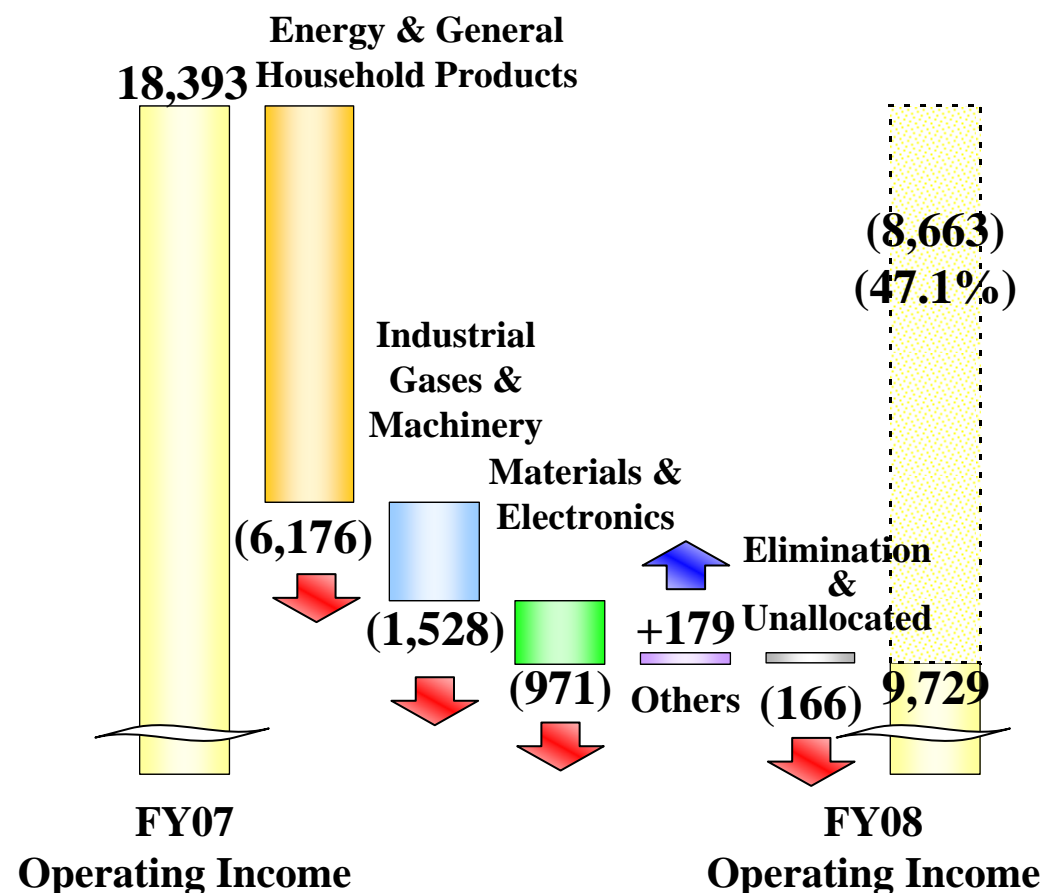
(Unit: Million Yen)

## FY07 ~ FY08 Comparison

### Changes in Net Sales



### Changes in Operating Income



## Major Factors affecting Net Sales (FY07 ~ FY08)

### 【 Energy & General Household Products 】

- ➡ Decrease in sales of LPG 【-】
- ➡ Decrease in sales of oil-related products 【-】

### 【 Industrial Gases & Machinery 】

- ➡ Decrease in sales of air-separation gases 【-】
- ➡ Decrease in sales of specialty gases 【-】
- ➡ Decrease in sales of welding material, gas-related equipment etc. 【-】

### 【 Materials & Electronics 】

- ➡ Decrease in sales of stainless steel etc. 【-】
- ➡ Decrease in sales of semiconductor-related device 【-】
- ➡ Slowdown of processing operation in China 【-】
- ➡ Effect of new consolidation 【+】

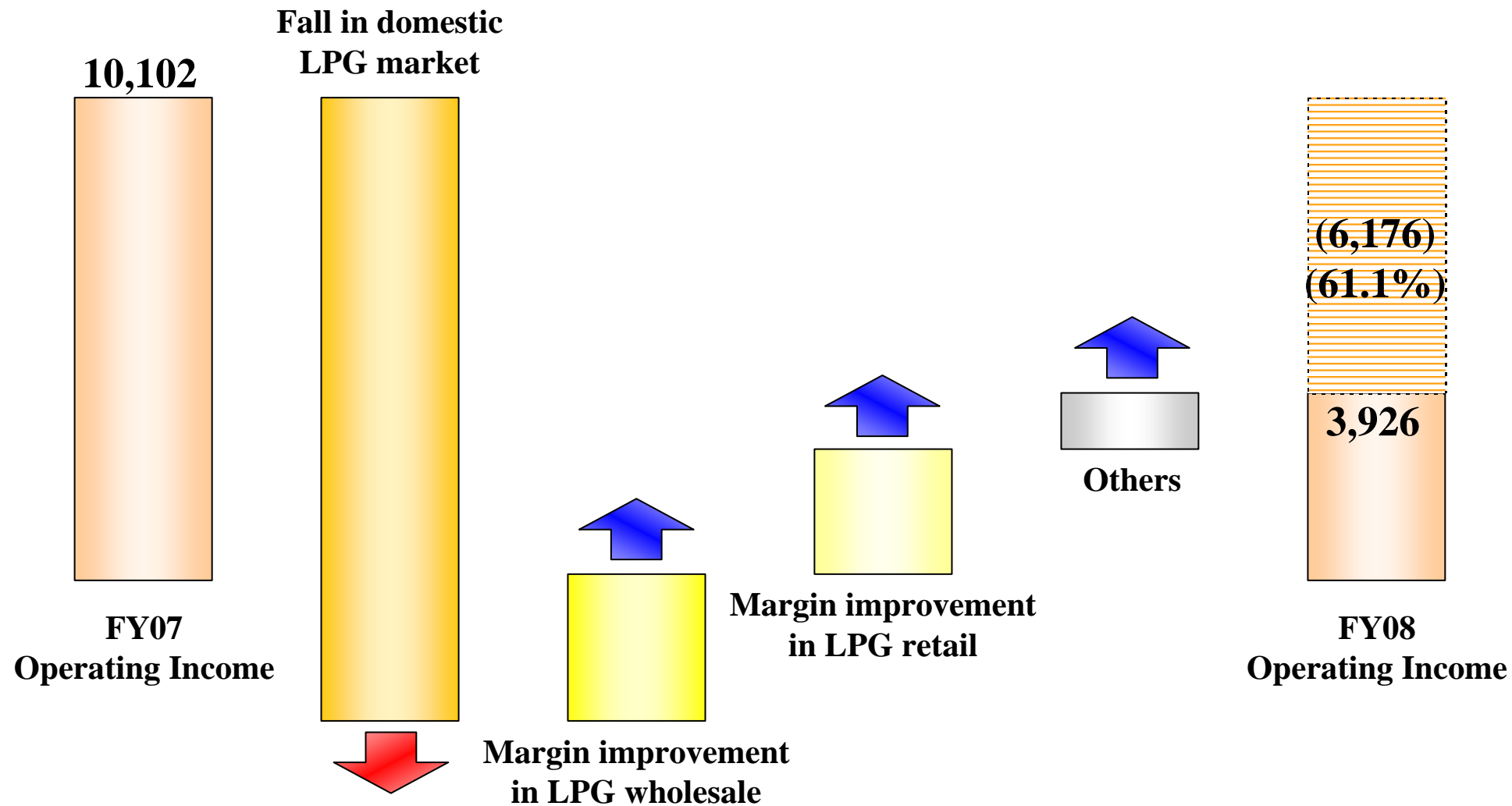
### Highlights

**Decrease in  
wholesale and retail LPG sales**

# Operating income – Energy & General Household Products

(Unit: Million Yen)

## Operating Income -FY07 ~ FY08 Comparison-

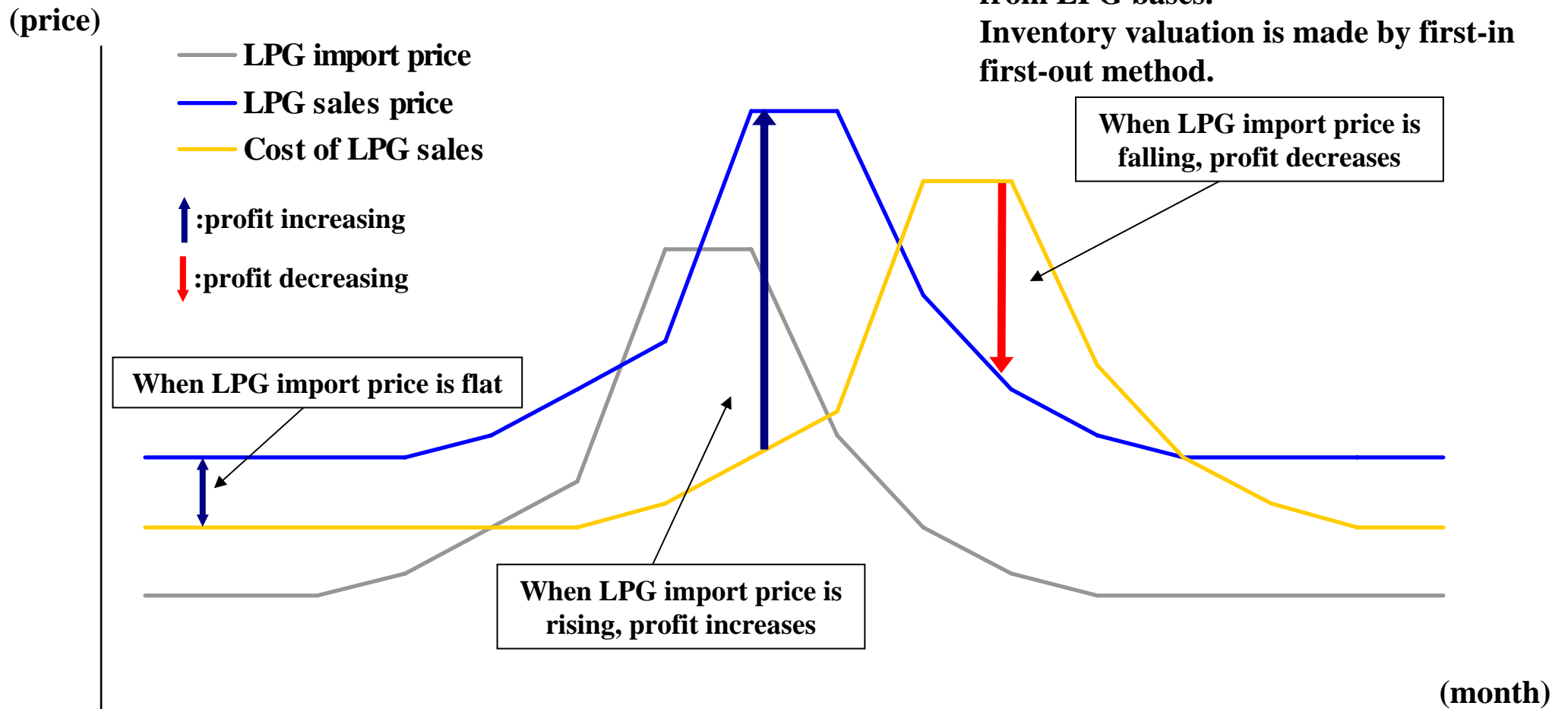


# The impact of LPG import price fluctuation (for image)

## 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.

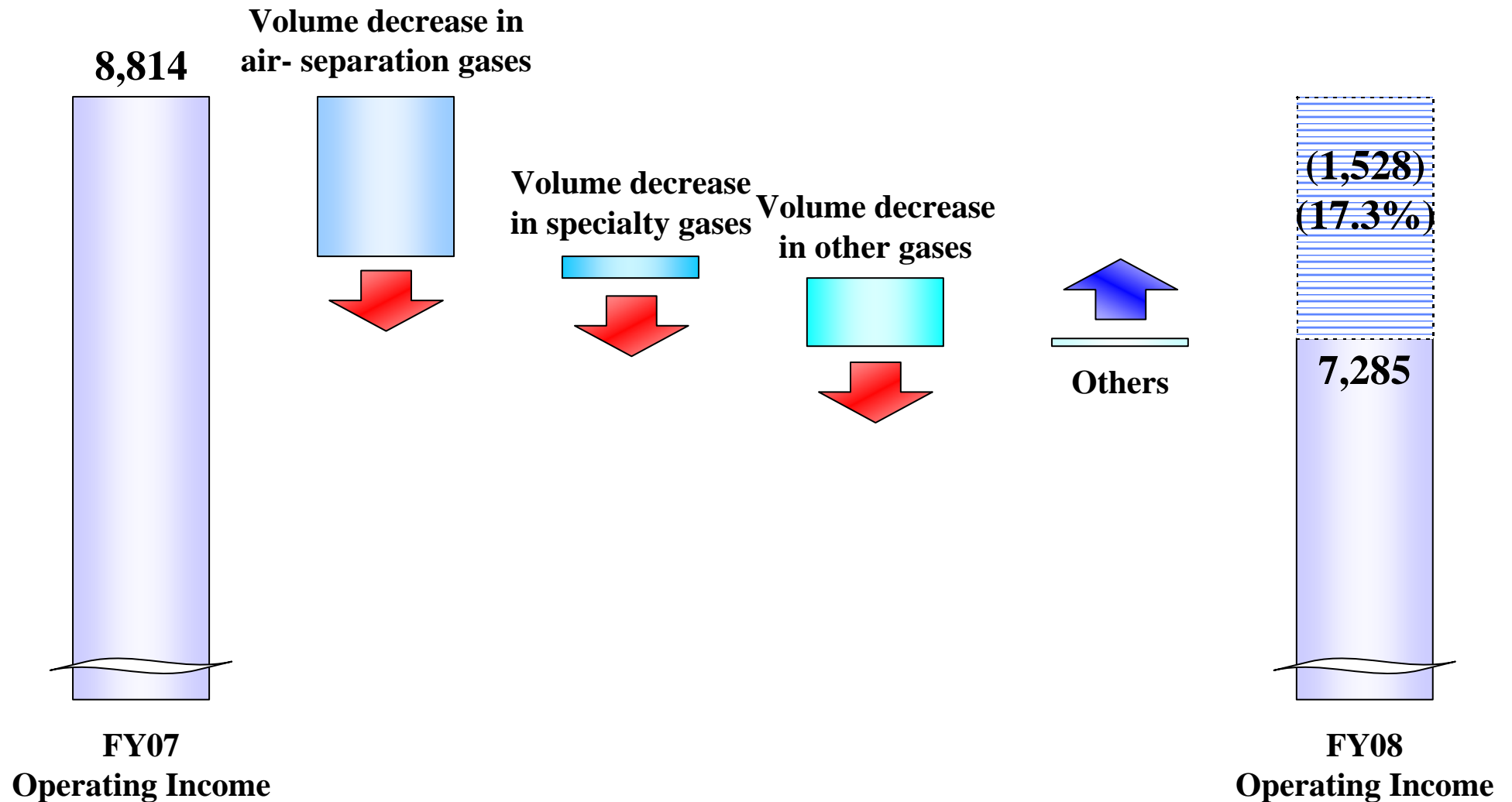


# Operating Income – Industrial Gases & Machinery

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(Unit: Million Yen)

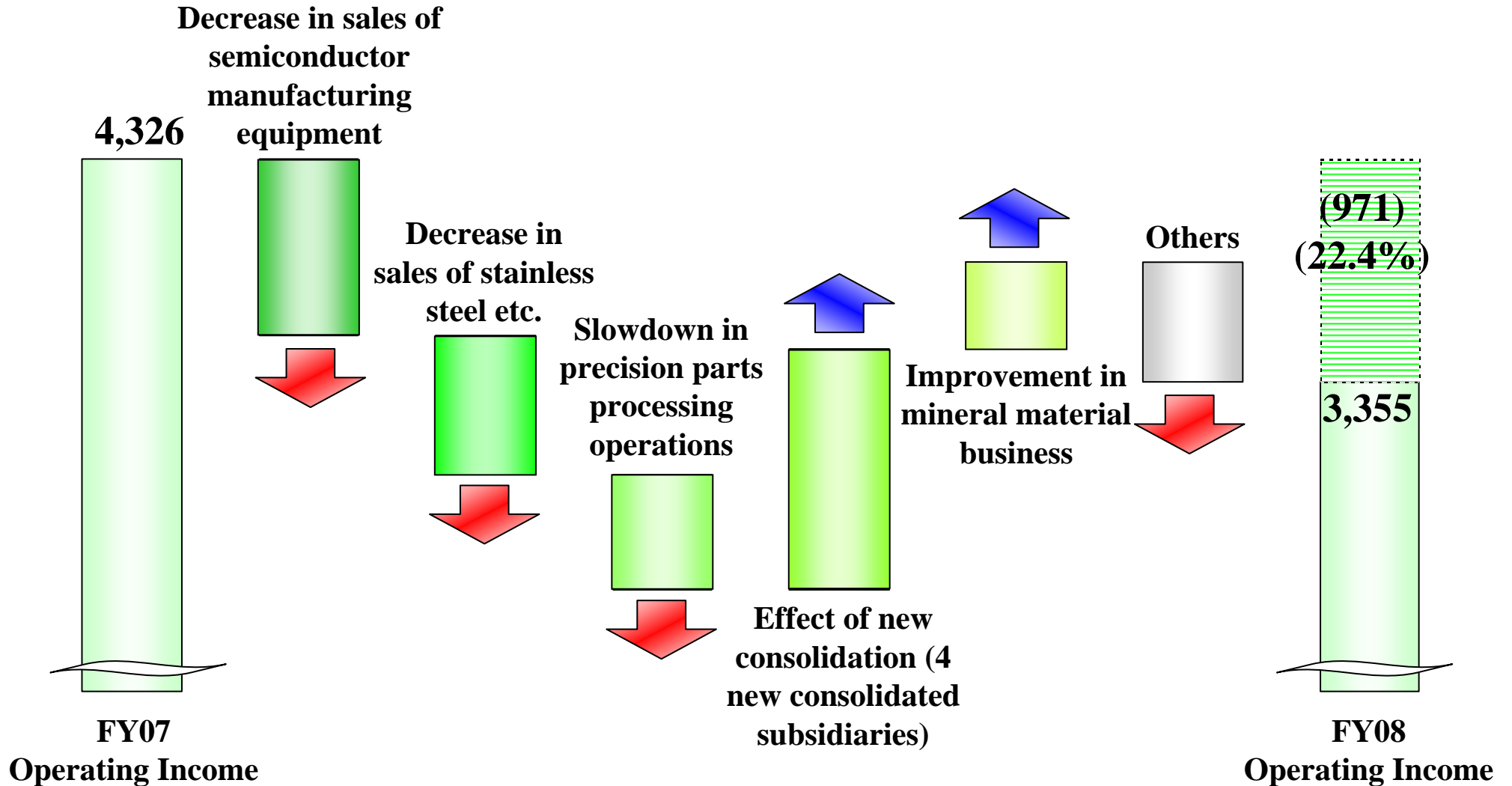
## Operating Income -FY07 ~ FY08 Comparison-



# Operating Income – Materials & Electronics

(Unit: Million Yen)

## Operating Income -FY07 ~ FY08 Comparison-



# Balance Sheets Comparison

(Unit: Million Yen)

Consolidated	FY07 (A)	FY08 (B)	(B) - (A)	Major factors for changes
<b>Current assets</b>	<b>202,751</b>	<b>169,009</b>	<b>(33,742)</b>	
Cash and cash equivalents	18,678	20,635	+1,957	
Notes and accounts receivable, trade	130,859	100,129	(30,729)	Decrease according to sales reduction
Inventories	42,005	33,930	(8,074)	Declination in unit prices of LPG inventory
Other current assets	11,209	14,313	+3,104	
<b>Fixed assets</b>	<b>202,065</b>	<b>197,299</b>	<b>(4,766)</b>	
Property, plant and equipment	120,276	122,118	+1,842	
Intangible fixed assets	15,207	16,370	+1,163	
Investments and other assets	66,581	58,809	(7,771)	Decrease in investments in securities (7,007)
<b>Total assets</b>	<b>404,817</b>	<b>366,308</b>	<b>(38,509)</b>	
<b>Current liabilities</b>	<b>225,768</b>	<b>191,162</b>	<b>(34,606)</b>	
Trade notes and accounts payable	123,811	95,737	(28,074)	Decrease according to sales reduction
Other current liabilities	101,956	95,424	(6,531)	Decrease in Bonds, Borrowings
<b>Long – term liabilities</b>	<b>113,952</b>	<b>113,972</b>	<b>+20</b>	
<b>Total liabilities</b>	<b>339,720</b>	<b>305,134</b>	<b>(34,585)</b>	
<b>Net assets</b>	<b>65,096</b>	<b>61,173</b>	<b>(3,923)</b>	

# Cash Flows Statements

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(Unit: Million Yen)

	FY 07	Details	FY 08	Details
Cash flows from operating activities	20,781	Increase in notes and accounts receivable, trade : (1,303) Increase in inventories : (2,414) Decrease in notes and accounts payable, trade : (4,948)	33,209	Decrease in notes and accounts receivable, trade : +34,743 Decrease in inventories : +9,245 Decrease in notes and accounts payable, trade : (31,548)
Cash flows from investment activities	(17,559)	Purchase of property, plant and equipment : (14,328) Purchase of intangible assets : (3,428) Purchase of investments in securities : (2,504) Investments in loans receivable : (7,707)	(20,508)	Purchase of property, plant and equipment : (12,822) Purchase of intangible assets : (4,484) Purchase of investments in securities : (3,991) Investments in loans receivable : (8,194)
Free cash flows	3,221		12,701	
Cash flows from financing activities	(1,461)	Increase in interest bearing debt : (101)	(10,754)	Increase in interest bearing debt : (9,156)
Cash and cash equivalents at beginning of term	16,657		18,422	
Net increase in cash and cash equivalents	1,764		1,280	
Increase of cash and cash equivalents due to change in scope of consolidation	—		673	
Cash and cash equivalents at end of term	18,422		20,376	

# FY2009 Forecasts

# FY2009 Forecasts

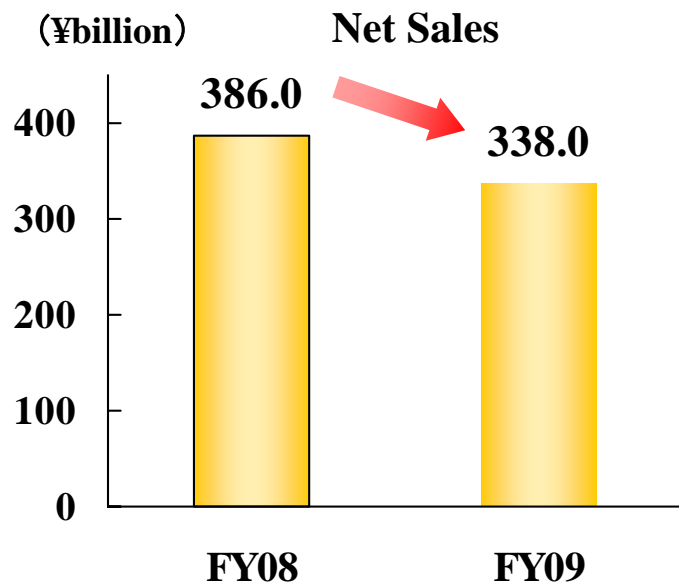
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(Unit: Million Yen)

	FY08 (A)	FY09 (Forecast) (B)	Comparison (B) - (A)	Comparison (B)/(A) (%)
<b>Net Sales</b>	<b>681,376</b>	<b>610,000</b>	<b>(71,376)</b>	<b>(10.5)</b>
Energy & General Household Products	386,088	338,000	(48,088)	(12.5)
Industrial Gases & Machinery	140,784	131,000	(9,784)	(6.9)
Materials & Electronics	140,866	129,000	(11,886)	(8.4)
Others	13,636	12,000	(1,636)	(12.0)
<b>Operating Income</b>	<b>9,729</b>	<b>13,600</b>	<b>+3,870</b>	<b>+39.8</b>
Energy & General Household Products	3,926	10,100	+6,173	+157.2
Industrial Gases & Machinery	7,285	5,200	(2,085)	(28.6)
Material & Electronics	3,355	3,400	+44	+1.3
Others	1,143	900	(243)	(21.3)
Elimination & Unallocated	(5,980)	(6,000)	(19)	+0.3
<b>Ordinary Income</b>	<b>8,245</b>	<b>12,000</b>	<b>+3,754</b>	<b>+45.5</b>
<b>Net Income</b>	<b>2,568</b>	<b>5,000</b>	<b>+2,431</b>	<b>+94.7</b>
<b>Capital Expenditures*</b>	<b>12,983</b>	<b>13,000</b>	<b>+16</b>	<b>+0.1</b>
Bases, gas supplying facilities	7,303	6,560	(743)	(10.2)
Other facilities	5,679	6,440	+760	+13.4
<b>Depreciation Expense*</b>	<b>11,996</b>	<b>12,400</b>	<b>+403</b>	<b>+3.4</b>
<b>R&amp;D Expenses (SGA expenses)</b>	<b>775</b>	<b>780</b>	<b>+4</b>	<b>+0.5</b>

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

# Forecasts – Energy and General Household Products

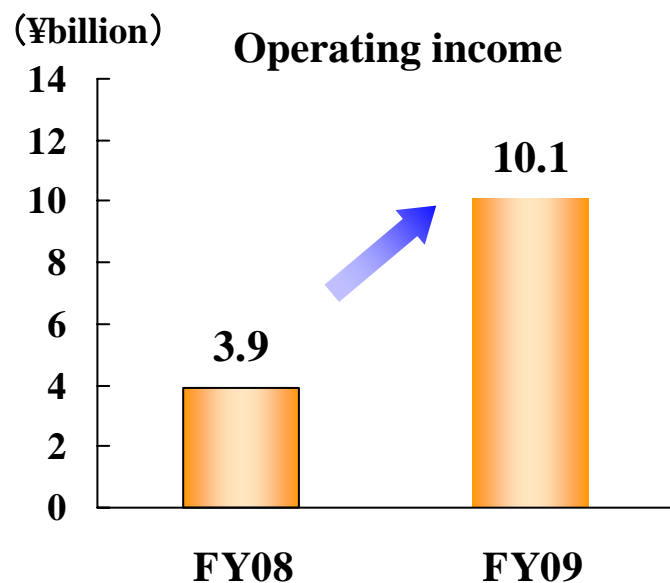


<Major factors of decrease in revenue>

- Assumption of lower LPG import price compared to FY08 average [-]
- Expansion in LPG sales [+]
- Increase in retail LPG households (0.74million → 0.8million) [+]

<Major factors of increase in operating profit>

- Effect of LPG market fall in FY08 crossed off [+]
- Cost reduction [+]
- Margin reduction in LPG retail [-]

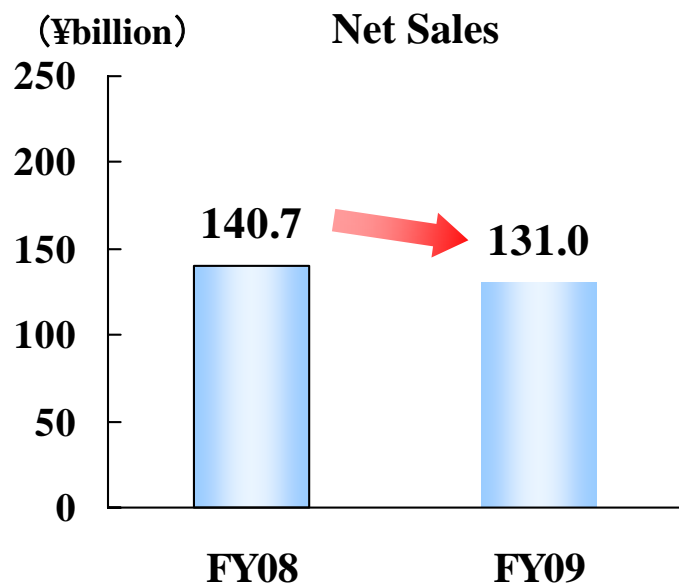


**Major risk factors affecting FY09 results**

- ◇ Wide fluctuation in LPG import prices
- ◇ Declination in LPG demand due to the warm winter

※FY09 Assumption    LPG import price: \$505/t  
 Exchange rate        : ¥95/\$

# Forecasts – Industrial Gases & Machinery

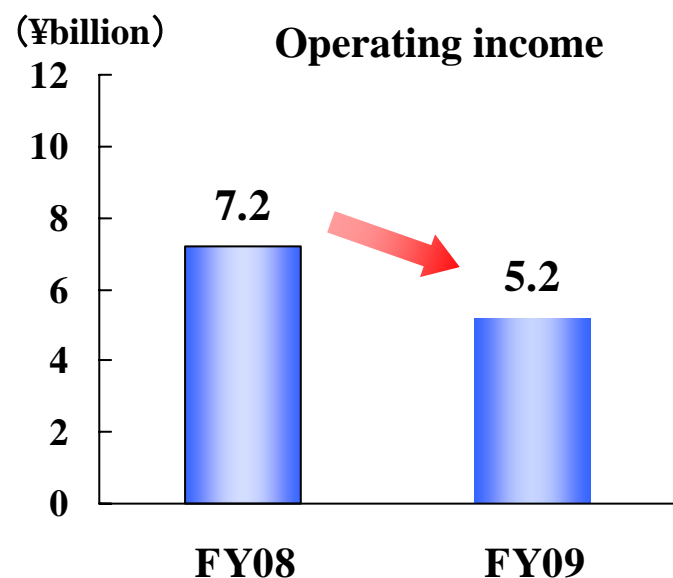


**<Major factors of decrease in revenue>**

- Decrease in sales of various industrial gases due to slowdown in operation of manufacturing industry **【-】**

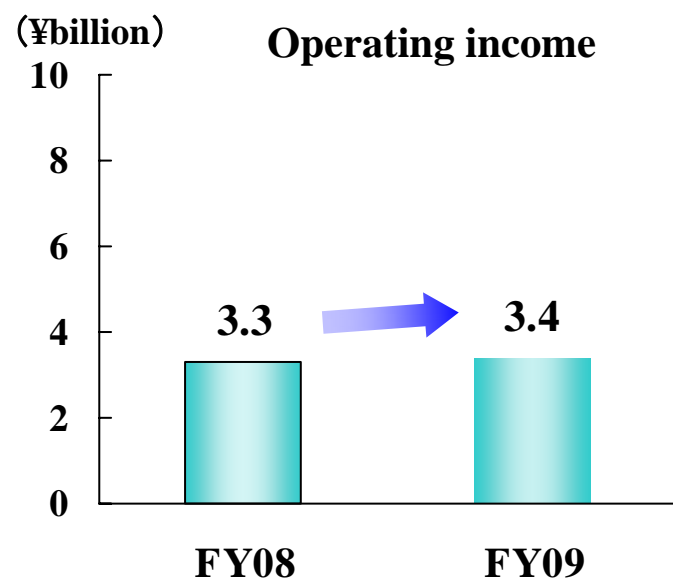
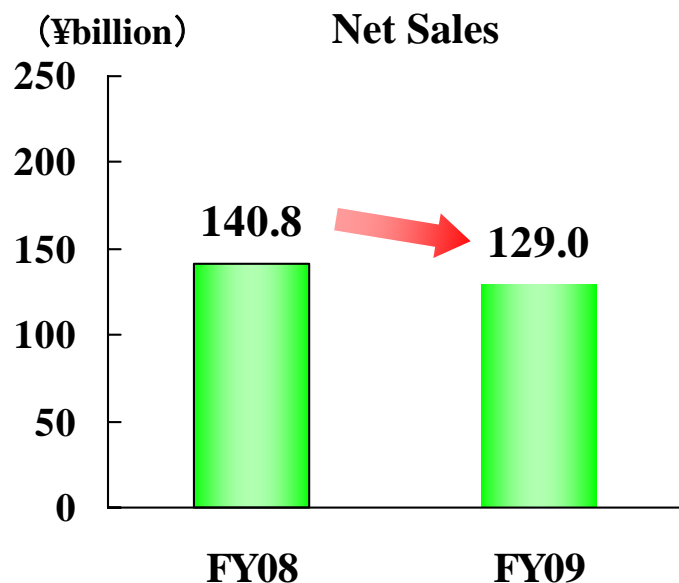
**<Major factors of decrease in operating profit>**

- Decrease in sales of various industrial gases due to slowdown in operation of manufacturing industry **【-】**
- Cost reduction **【+】**
  - by suspending operation in some separation plants
  - by reorganizing logistics system



**Major risk factors affecting FY09 results**

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



**<Major factors of decrease in revenue>**

- Fall in price and sales of stainless and plastic related products **【-】**
- Decrease in sales of zircon, ceramics and other industrial materials **【-】**

**<Major factors of increase in operating profit>**

- Improvement in mineral material business **【+】**
- Improvement in profitability of precision parts processing business in China **【+】**
- Decrease in sales of zircon, ceramics and other industrial materials **【-】**

**Major risk factors affecting FY09 results**

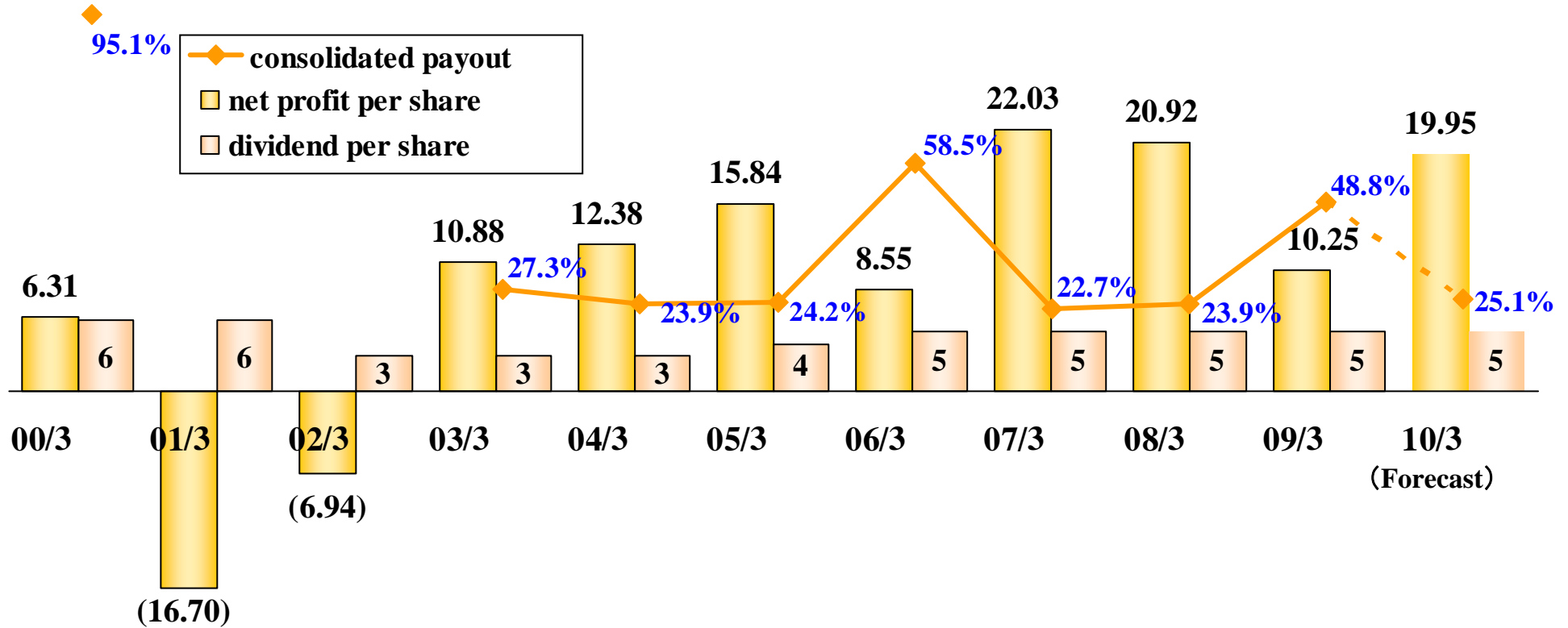
- ◇ Trends of resource prices (crude oil, nickel etc.)
- ◇ Prolonging restraints on capital expenditure in semiconductor field, with the background of delayed recovery in digital household appliance demands

# Returns to Shareholders

## Distribution of earnings for Fiscal Year 2008 and Fiscal Year 2009

Dividends for FY2008 is 5 yen per share, consolidated payout ratio to be 48.8%

Dividends for FY2009 is planned to be 5 yen per share, consolidated payout ratio to be 25.1%



## Dividends Policy

- Fundamental policy is based on maintaining stable dividends
- Earnings are distributed under deliberate consideration of financial performance and business condition

# 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.**