

Financial Information 2011

Iwatani Corporation

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Management's Discussion and Analysis

1. Financial Position

Total assets as of March 31, 2011 amounted to ¥373,940 million, a ¥7,829 million increase on the previous fiscal year-end. Total assets consisted of ¥176,128 million in current assets, an ¥8,988 million year-on-year increase, and ¥197,811 million in fixed assets, a ¥1,159 million decrease.

In current assets, notes and accounts receivable-trade rose by ¥4,716 million from the previous fiscal year-end to ¥109,617 million, reflecting an increase in net sales compared to the previous fiscal year. Other current assets also grew by ¥2,384 million to ¥11,787 million, mainly due to an increase in advances paid for equipment installation. In fixed assets, property, plant and equipment recorded a ¥4,337 million year-on-year increase to ¥125,016 million, while intangible assets decreased by ¥730 million to ¥14,243 million. These fluctuations were attributable to subsidiaries newly consolidated in the fiscal year under review. Investments and other assets, on the other hand, dropped by ¥4,765 million compared to the previous fiscal year-end to ¥58,551 million, mainly due to devaluation of investments in securities.

Current liabilities as of March 31, 2011 stood at ¥188,381 million, up by ¥3,642 million on the previous fiscal year-end, reflecting increased interest-bearing debt. Long-term liabilities also increased by ¥937 million year on year to ¥114,309 million. In equity, accumulated other comprehensive income was pushed down by ¥1,708 million, mainly by the deteriorated stock prices and the rise in the yen. However this decrease was offset by factors such as a ¥4,119 million increase in retained earnings, and total equity resulted in a ¥2,396 million year-on-year increase to ¥63,326 million. With ¥7,922 million minority interests, total net assets as of March 31, 2011 amounted to ¥71,249 million.

As a result of the above, ROA (the ratio of ordinary income to total assets) was 4.2%. The ratio of interest-bearing debt to total assets declined by 1.0 percentage point compared to the previous fiscal year-end to 44.4%, reflecting a ¥7,110 million increase in interest-bearing debt to ¥166,108 million, and a ¥7,829 million increase in total assets to ¥373,940 million.

2. Enhancing Corporate Governance

As regards the monitoring system for management decision making, business execution and internal control, the Company has

established an organizational structure aimed at ensuring proper corporate governance.

The Board of Directors, which has 17 members, is the body responsible for business decision making and supervision. We have augmented the functions of the Board to ensure that decisions are made quickly and appropriately after full and active deliberation, and that the Board can properly carry out its supervisory functions.

The Company also has a Board of Corporate Auditors consisting of four corporate auditors, two of whom are external auditors. The full-time corporate auditors attend all meetings of the Board of Directors and the Management Committee. External auditors also attend the Management Committee meetings. These practices allow them to sufficiently monitor the actions of directors. A legal expert, as well as an expert in finance who has years of experience in the financial business, participate as external auditors to ensure that the supervisory system functions based on diverse points of view.

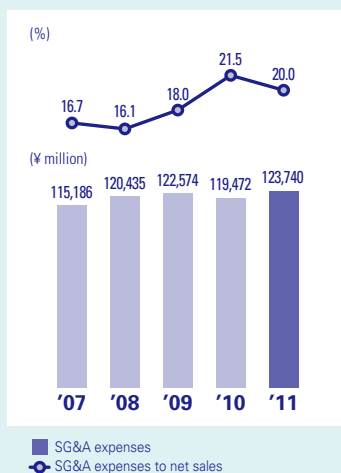
The Management Committee, which meets twice a month, is composed of the President, Executive Vice Presidents, Senior Executive Directors and Executive Directors. In addition to discussing matters that need to be addressed by the Board of Directors, and major matters arising in the course of normal business operations, the committee works to share information and facilitate communication.

An executive officer system has been introduced to enable speedier decision making, promote the delegation of authority, and reinvigorate the Board of Directors. Executive officers are delegated authority by the representative directors in accordance with management policies determined by the Board of Directors, and carry out the Company's business in line with directions and orders given by the representative directors. The introduction of this system promotes management efficiency by strengthening the Board of Directors' ability to make strategic decisions and augmenting its supervisory function.

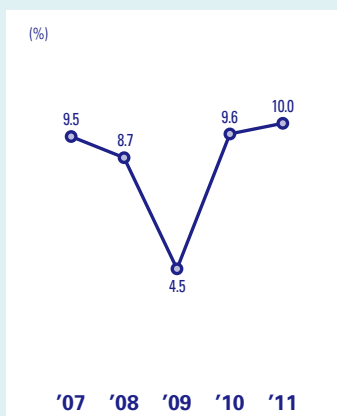
We have also established the Risk Management Committee to integrate management of risks facing the entire Iwatani Group.

With regards to the internal audit, we have established the Audit Department, which operates directly under the President. Working in close cooperation with the corporate auditors, this body performs regular internal audits, and monitors business activities to ensure that they are conducted appropriately and efficiently.

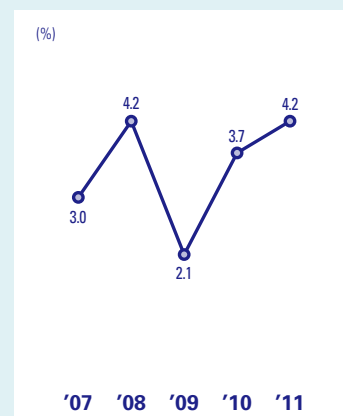
SG&A Expenses



ROE (Net Income to Net Assets)



ROA (Ordinary Income to Total Assets)



The Company has selected KPMG AZSA LLC as the independent auditor. We submit necessary data to the independent auditor in a timely manner and have in place a system for conducting appropriate audits. We also receive advice from legal advisors as necessary.

3. Cash Flows

Cash and cash equivalents as of March 31, 2011 amounted to ¥19,678 million, ¥657 million more than those as of the previous fiscal year-end.

(1) Cash flows from operating activities

Net cash provided by operating activities declined by ¥13,311 million to ¥14,475 million compared to the previous fiscal year.

The major cash in-flow items were ¥12,850 million income before income taxes and minority interests, ¥14,934 million depreciation, and ¥1,950 million amortization of goodwill. The major cash out-flow items, on the other hand, included ¥2,569 million increase in notes and accounts receivable-trade, ¥5,469 million decrease in notes and accounts payable-trade, and ¥5,706 million income taxes paid.

(2) Cash flows from investing activities

Net cash used in investing activities rose by ¥3,657 million to ¥16,465 million compared to the previous fiscal year.

The main factor was ¥13,600 million payments for purchase of property, plant and equipment, ¥1,670 million payments for purchase of intangible fixed assets, and ¥1,806 million payments for purchase of investments in securities.

(3) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥1,482 million, reversing prior fiscal year's negative balance by ¥18,001 million increase in net cash.

The major cash-increasing factor was ¥13,053 million net increase in borrowings, while the cash-decreasing factors included ¥9,070 million redemption of bonds and ¥2,127 million cash dividends paid.

4. Risk Management

The following risk factors are deemed to have the potential to

materially influence investor decisions. Statements related to the future are judgments made by the Iwatani Group as of June 27, 2011.

(1) Seasonal factors and weather fluctuations

Since consumption of LPG, the Group's mainstay product, is affected by air and water temperatures, LPG sales volumes tend to decrease in warm seasons and increase in cool seasons. For this reason, the Group's earnings structure is weighted toward income in the second half of the fiscal year. Additionally, unseasonable weather patterns may affect the Group's LPG sales volumes.

(2) Impact of LPG contract price

The contract price is the selling price set by the Saudi Arabian Oil Company (Saudi Aramco), and is announced monthly and subject to change. Saudi Arabia is the world's largest producer and exporter of LPG and the country wields substantial influence on the international market price. Accordingly, rapid fluctuations in the contract price can affect the price at which the Group purchases LPG.

(3) Impact of currency rate fluctuations

The Group uses forward exchange contracts in order to avoid risks from exchange rate fluctuations in currency markets, which the Group is exposed to in its trade transactions. However, if exchange rates fluctuate rapidly, it is difficult to completely eliminate the risks, meaning that such conditions could impact on the Group's financial performance.

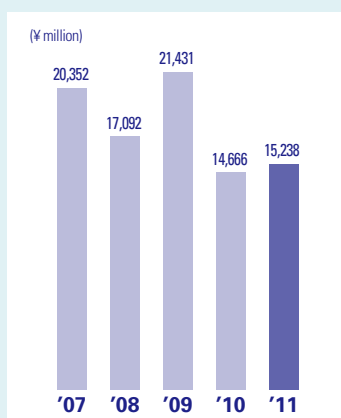
(4) Impact of interest rate fluctuations

The Group has financing needs for its strategic investments, including capital expenditures for increasing the number of LPG customer households through M&A, as well as for expanding the industrial gas business. This means that interest rate fluctuations could impact on the Group's financial performance. However, since most of the Group's interest-bearing debt has been procured at a fixed rate, such fluctuations have limited impact.

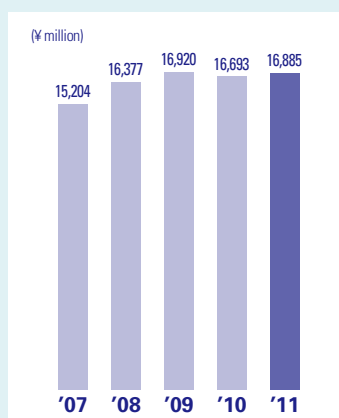
(5) Impact of credit risk

The Group has made it a practice to grant credit to business partners in various ways, meaning that the Group is exposed to credit risk in the event of non-performance by the partners. In order

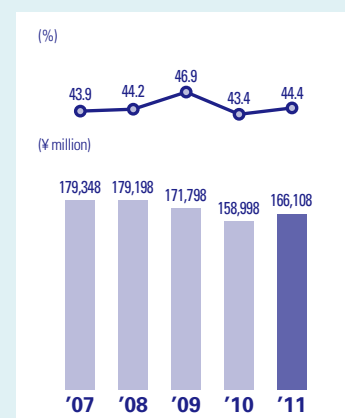
Capital Expenditure



Depreciation



Interest-bearing Debt



■ Interest-bearing debt
 ○ Ratio of interest-bearing debt to total assets

to avoid such credit risk, the Group takes appropriate safeguard measures depending on the partners' credit standing, such as setting credit limits and obtaining the necessary collateral and guarantees. However, in the event that we are unable to recover credit because of deterioration in credit standing, bankruptcies or other conditions affecting our business partners, the financial performance of the Group could possibly be affected.

(6) Increased competition due to deregulation

With deregulation of the Gas Utility Industry Law and the Electricity Utilities Industry Law, competition has increased among LPG providers and other energy providers. This trend could potentially have an impact on market prices for LPG and other products.

(7) Impact of country risk

War, terrorism and other conditions in regions where the Group conducts business transactions may affect the Group's financial performance.

(8) Risk from price fluctuations in marketable securities

In addition to holding shares in the Group companies, the Group holds marketable securities, primarily in business partners and financial institutions, for the purpose of creating closer business relationships. Accordingly, future fluctuations in the stock markets may impact on the Group's financial performance.

(9) Disasters

The Group handles LPG, industrial gases and other products in compliance with the High-Pressure Gas Safety Law. The Group therefore conducts regular inspections as mandated by the Law, as well as voluntary inspections and checks. However, the stable

supply of these products may conceivably be interrupted if the Group's supply sites or the customers' facilities were to be damaged due to a large earthquake or other natural disasters.

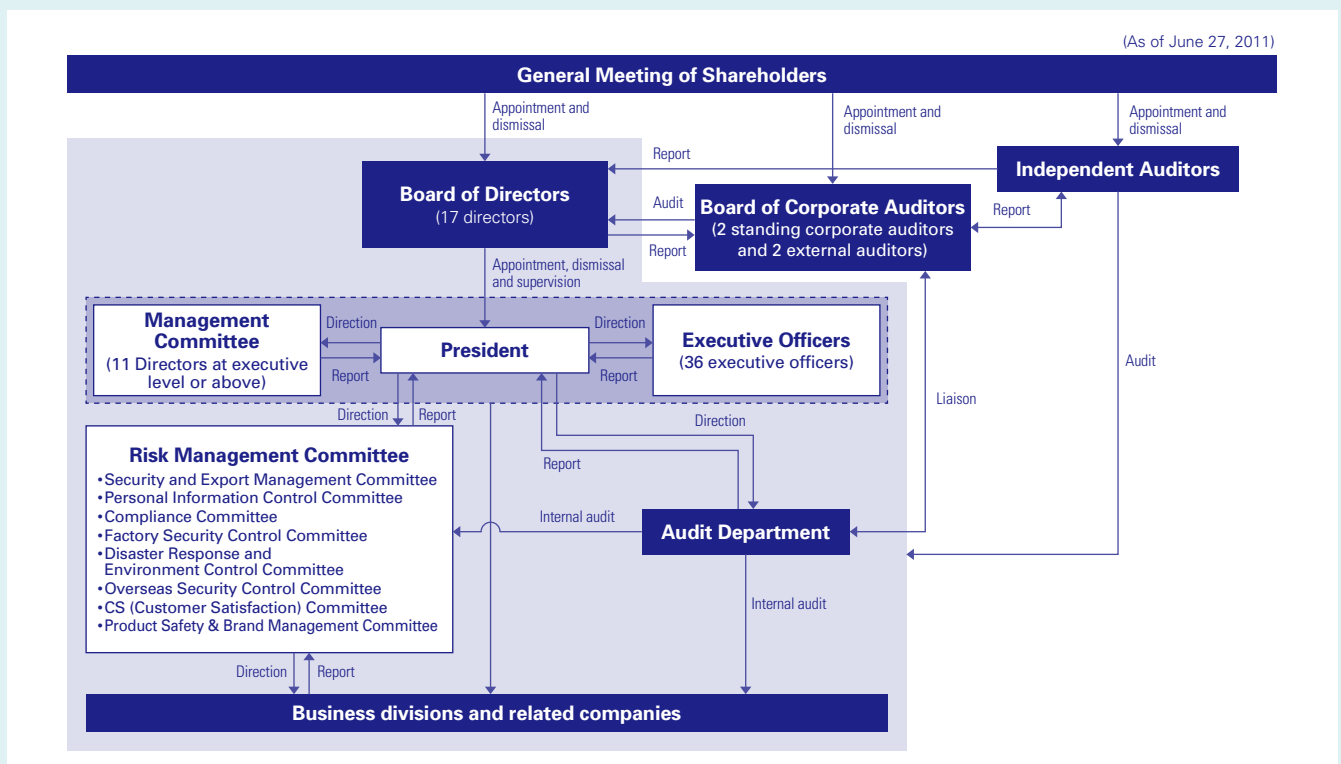
(10) Handling of personal information

In running the LPG business and other business operations, the Group handles a considerable amount of personal information. As business operators handling personal information covered by the Law on the Protection of Personal Information, we do our utmost to comply with the Law by always working to ensure that such information is managed properly. However, if any of the personal information the Group handles were to be leaked outside of the Group despite our efforts to prevent such events, the Group's reputation in society could be tarnished and/or customers could claim for damages. Such events could negatively affect the financial performance of the Group.

(11) Risk relating to legal compliance

The Group, which develops its businesses at home and abroad under various laws, regulations and social norms, has established the Compliance Committee and been striving to reinforce the corporate structure for legal compliance. In addition, the Group has also established the Outline of Iwatani Corporate Ethics in April 1998, and widely notified it to all members of the Group as the norm which they should comply with. However, if infringement of laws and regulations occurred despite our efforts for thorough legal compliance as described above, the financial performance of the Group could be adversely affected through such consequences as administrative dispositions made by the authorities, lawsuits raised by stakeholders, and tarnished social credibility of the Group.

Corporate Governance Structure



Consolidated Balance Sheets

Iwatani Corporation and its Consolidated Subsidiaries
As of March 31, 2010 and 2011

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2010	2011	2011
Current assets:			
Cash and cash equivalents (Notes 2(5) and 13)	¥ 19,021	¥ 19,678	\$ 236,656
Time deposits (Note 13)	222	278	3,343
Notes and accounts receivable (Note 13)			
Trade	104,901	109,617	1,318,304
Other	2,692	2,359	28,370
Allowance for doubtful accounts (Note 2(7))	(733)	(1,076)	(12,940)
Inventories (Notes 2(8) and 6)	31,469	32,326	388,767
Deferred tax assets (Note 8)	2,855	3,515	42,273
Other	6,710	9,427	113,373
Total current assets	167,139	176,128	2,118,196
Property, plant and equipment (Note 2(9))			
Land	52,665	54,157	651,316
Buildings and structures	91,658	95,501	1,148,538
Machinery, vehicles, equipment and tools	126,272	132,789	1,596,981
Lease assets	2,239	3,038	36,536
Construction in progress	2,828	2,516	30,258
	275,662	288,001	3,463,631
Accumulated depreciation	(154,982)	(162,985)	(1,960,132)
Net property, plant and equipment	120,679	125,016	1,503,499
Intangible assets (Note 2(10)):			
Goodwill (Note 2(14))	11,615	11,373	136,776
Other	3,358	2,870	34,515
Total intangible assets	14,974	14,243	171,292
Investments and other assets:			
Investments in securities (Notes 2(6), 5 and 13)	21,880	21,035	252,976
Investments in nonconsolidated subsidiaries and affiliates (Notes 2(3) and 13)	16,828	15,144	182,128
Deferred tax assets (Note 8)	2,037	2,064	24,822
Other	24,130	21,103	253,794
Allowance for doubtful accounts (Note 2(7))	(1,561)	(797)	(9,585)
Total investments and other assets	63,316	58,551	704,161
Total assets	¥ 366,110	¥ 373,940	\$ 4,497,173

See the accompanying Notes to the Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
LIABILITIES AND NET ASSETS	2010	2011	2011
Current liabilities:			
Short-term borrowings (Notes 7 and 13)	¥ 32,238	¥ 40,802	\$ 490,703
Current portion of long-term debt (Notes 7 and 13)	26,659	23,458	282,116
Notes and accounts payable–trade (Note 13)	97,835	94,197	1,132,856
Income taxes payable	3,764	4,963	59,687
Accrued bonuses (Note 2(12))	4,325	4,405	52,976
Other	19,916	20,555	247,203
Total current liabilities	184,738	188,381	2,265,556
Long-term liabilities:			
Long-term debt (Notes 7 and 13)	98,015	99,354	1,194,876
Deferred tax liabilities (Note 8)	2,513	2,127	25,580
Allowance for employees' severance and retirement benefits (Notes 2(13) and 9)	4,031	4,188	50,366
Allowance for retirement benefits to directors and statutory auditors (Note 2(13))	1,184	1,148	13,806
Negative goodwill (Note 2(14))	310	511	6,145
Other	7,316	6,978	83,920
Total long-term liabilities	113,372	114,309	1,374,732
Total liabilities	298,111	302,690	3,640,288
Contingent liabilities (Note 10)			
Net assets (Note 16)			
Shareholders' equity:			
Common stock			
Authorized–600,000,000 shares in 2011 and 2010	20,096	20,096	241,683
Issued–251,365,028 shares in 2011 and 2010			
Capital surplus	17,907	17,897	215,237
Retained earnings	24,148	28,267	339,951
Treasury stock, at cost			
5,724 thousand shares in 2011	(1,520)	(1,524)	(18,328)
5,718 thousand shares in 2010			
Total shareholders' equity	60,631	64,737	778,556
Accumulated other comprehensive income:			
Net unrealized gains (losses) on securities	2,835	2,074	24,942
Deferred gains (losses) on hedges	40	4	48
Foreign currency translation adjustments	(2,577)	(3,490)	(41,972)
Total accumulated other comprehensive income	298	(1,410)	(16,957)
Minority interests			
	7,069	7,922	95,273
Total net assets	67,999	71,249	856,873
Total liabilities and net assets	¥ 366,110	¥ 373,940	\$ 4,497,173

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Operations

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2009, 2010 and 2011

	Millions of Yen			Thousands of
	2009	2010	2011	U.S. Dollars (Note 4)
			2011	2011
Net sales	¥ 681,376	¥ 555,477	¥ 618,844	\$ 7,442,501
Cost of sales	549,072	422,272	480,236	5,775,538
Gross profit	132,304	133,204	138,608	1,666,963
Selling, general and administrative expenses (Notes 2(16) and 17)	122,574	119,472	123,740	1,488,153
Operating income	9,729	13,732	14,868	178,809
Other income (expenses):				
Interest and dividends income	1,055	775	774	9,308
Interest expenses	(3,455)	(2,868)	(2,676)	(32,182)
Equity in earnings of nonconsolidated subsidiaries and affiliates	320	377	486	5,844
Impairment loss of fixed assets	(26)	(966)	(452)	(5,435)
Other, net (Note 18)	(334)	1,853	(150)	(1,803)
	(2,440)	(828)	(2,017)	(24,257)
Income before income taxes and minority interests	7,289	12,903	12,850	154,539
Income taxes (Note 2(11)):				
Current	3,984	4,796	6,898	82,958
Deferred	131	2,075	(736)	(8,851)
	4,116	6,872	6,161	74,095
Income before minority interests	3,172	6,031	6,688	80,432
Minority interests	603	491	494	5,941
Net income	¥ 2,568	¥ 5,539	¥ 6,193	\$ 74,479

	Yen			U.S. Dollars (Note 4)
	2009	2010	2011	2011
Per share (Note 15):				
Basic: Net income	¥ 10.25	¥ 22.22	¥ 25.21	\$ 0.30
Diluted: Net income	9.16	20.36	23.39	0.28
Cash dividends applicable to the period	5.00	8.00	6.00	0.07

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2010	2011	2011
Income before minority interests	¥ 6,031	¥ 6,688	\$ 80,432
Other comprehensive income:			
Net unrealized gains (losses) on securities	2,826	(758)	(9,116)
Deferred gains (losses) on hedges	(54)	(35)	(420)
Foreign currency translation adjustments	945	(1,419)	(17,065)
Share of other comprehensive income of associates accounted for using equity method	98	413	4,966
Total other comprehensive income	3,816	(1,799)	(21,635)
Comprehensive income	¥ 9,847	¥ 4,888	\$ 58,785
Comprehensive income attributable to:			
Owners of the parent	9,300	4,484	53,926
Minority interests	¥ 546	¥ 404	\$ 4,858

A consolidated statements of comprehensive income for the year ended March 31, 2009 has not been prepared and therefore is not included.
See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2009, 2010 and 2011

	Millions of Yen										
	Number of shares of common stock (Thousands)	Shareholders' equity				Accumulated other comprehensive income					Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Minority interests		
Balance at March 31, 2008	251,365	¥20,096	¥17,909	¥18,684	¥ (211)	¥3,714	¥15	¥ 13	¥4,873	¥65,096	
Net income for the year	—	—	—	2,568	—	—	—	—	—	2,568	
Cash dividends	—	—	—	(1,254)	—	—	—	—	—	(1,254)	
Other	—	—	—	(148)	—	—	—	—	—	(148)	
Net changes in items other than shareholders' equity	—	—	—	—	—	(3,683)	79	(3,601)	2,130	(5,074)	
Purchase of treasury stock	—	—	—	—	(26)	—	—	—	—	(26)	
Disposal of treasury stock	—	—	(2)	—	15	—	—	—	—	12	
Balance at March 31, 2009	251,365	¥20,096	¥17,907	¥19,850	¥ (222)	¥ 31	¥95	¥(3,588)	¥7,004	¥61,173	
Net income for the year	—	—	—	5,539	—	—	—	—	—	5,539	
Cash dividends	—	—	—	(1,254)	—	—	—	—	—	(1,254)	
Other	—	—	—	12	—	—	—	—	—	12	
Net changes in items other than shareholders' equity	—	—	—	—	—	2,804	(54)	1,010	65	3,826	
Purchase of treasury stock	—	—	—	—	(1,299)	—	—	—	—	(1,299)	
Disposal of treasury stock	—	—	0	—	2	—	—	—	—	2	
Balance at March 31, 2010	251,365	¥20,096	¥17,907	¥24,148	¥(1,520)	¥2,835	¥40	¥(2,577)	¥7,069	¥67,999	
Net income for the year	—	—	—	6,193	—	—	—	—	—	6,193	
Cash dividends	—	—	—	(1,967)	—	—	—	—	—	(1,967)	
Other	—	—	—	(105)	—	—	—	—	—	(105)	
Net changes in items other than shareholders' equity	—	—	—	—	—	(760)	(35)	(912)	852	(856)	
Purchase of treasury stock	—	—	—	—	(22)	—	—	—	—	(22)	
Disposal of treasury stock	—	—	(9)	—	18	—	—	—	—	8	
Balance at March 31, 2011	251,365	¥20,096	¥17,897	¥28,267	¥(1,524)	¥2,074	¥ 4	¥(3,490)	¥7,922	¥71,249	

	Thousands of U.S. dollars (Note 4)										
	Number of shares of common stock (Thousands)	Shareholders' equity				Accumulated other comprehensive income					Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Minority interests		
Balance at March 31, 2010	251,365	\$241,683	\$215,357	\$290,414	\$(18,280)	\$34,095	\$481	\$(30,992)	\$85,015	\$817,787	
Net income for the year	—	—	—	74,479	—	—	—	—	—	74,479	
Cash dividends	—	—	—	(23,656)	—	—	—	—	—	(23,656)	
Other	—	—	—	(1,262)	—	—	—	—	—	(1,262)	
Net changes in items other than shareholders' equity	—	—	—	—	—	(9,140)	(420)	(10,968)	10,246	(10,294)	
Purchase of treasury stock	—	—	—	—	(264)	—	—	—	—	(264)	
Disposal of treasury stock	—	—	(108)	—	216	—	—	—	—	96	
Balance at March 31, 2011	251,365	\$241,683	\$215,237	\$339,951	\$(18,328)	\$24,942	\$ 48	\$(41,972)	\$95,273	\$856,873	

See the accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Iwatani Corporation and its Consolidated Subsidiaries
Years ended March 31, 2009, 2010 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 4)	
	2009	2010	2011	2011
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 7,289	¥ 12,903	¥ 12,850	\$ 154,539
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	16,907	16,671	16,885	203,066
Impairment loss	26	966	452	5,435
Increase (decrease) in allowance for doubtful accounts	(538)	(355)	(430)	(5,171)
Increase (decrease) in allowance for employees' retirement benefits	154	261	(40)	(481)
Increase (decrease) in allowance for employees' bonuses	89	(32)	(61)	(733)
Increase (decrease) in allowance for retirement benefits to directors and statutory auditors	103	209	(40)	(481)
Interest and dividends income	(1,055)	(775)	(774)	(9,308)
Interest expenses	3,455	2,868	2,676	32,182
Foreign exchange (gains) losses	246	(217)	(413)	(4,966)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(320)	(377)	(486)	(5,844)
(Gain) loss on sale and disposal of fixed assets	584	(650)	314	3,776
Loss on revaluation of investments in securities	303	91	255	3,066
(Gain) loss on sale of investments in securities	(350)	20	4	48
Loss on liquidation of subsidiaries and affiliates	19	12	0	0
Loss on adjustment for changes in accounting standard for asset retirement obligations	—	—	267	3,211
Changes in assets and liabilities,				
(Increase) decrease in notes and accounts receivable—trade	34,743	(4,299)	(2,569)	(30,895)
(Increase) decrease in inventories	9,245	2,902	(180)	(2,164)
Increase (decrease) in notes and accounts payable—trade	(31,548)	1,773	(5,469)	(65,772)
Other, net	2,998	321	(1,032)	(12,411)
Subtotal	¥ 42,354	¥ 32,293	¥ 22,207	\$ 267,071
Interest and dividends received	1,068	968	506	6,085
Dividends received from equity method subsidiaries and affiliates	215	381	194	2,333
Interest paid	(3,456)	(2,854)	(2,726)	(32,784)
Income taxes paid	(6,973)	(3,002)	(5,706)	(68,622)
Net cash provided by (used in) operating activities	¥ 33,209	¥ 27,787	¥ 14,475	\$ 174,082
Cash flows from investing activities:				
Payments for purchase of investments in securities	(3,991)	(1,905)	(1,806)	(21,719)
Proceeds from sale of investments in securities	259	1,433	101	1,214
Payments for purchase of fixed assets	(17,307)	(14,918)	(15,270)	(183,644)
Proceeds from sale of fixed assets	790	2,910	1,201	14,443
Investments in loans receivable	(8,194)	(7,093)	(3,399)	(40,877)
Collection of loans receivable	8,426	7,507	3,134	37,690
Payments for implementation of asset retirement obligations	—	—	(194)	(2,333)
Other, net	(491)	(741)	(231)	(2,778)
Net cash provided by (used in) investing activities	¥ (20,508)	¥ (12,808)	¥ (16,465)	\$ (198,015)
Cash flows from financing activities:				
Net increase (decrease) in short-term borrowings	(8,485)	(8,780)	7,623	91,677
Proceeds from long-term debt	28,628	22,254	27,585	331,749
Repayment of long-term debt	(29,299)	(26,939)	(31,225)	(375,526)
Cash dividends paid	(1,250)	(1,252)	(1,962)	(23,595)
Other, net	(346)	(1,800)	(538)	(6,470)
Net cash provided by (used in) financing activities	¥ (10,754)	¥ (16,518)	¥ 1,482	\$ 17,823
Effect of exchange rate changes on cash and cash equivalents	(666)	70	(193)	(2,321)
Net increase (decrease) in cash and cash equivalents	1,280	(1,468)	(700)	(8,418)
Cash and cash equivalents at beginning of year	18,422	20,376	19,021	228,755
Increase (decrease) of cash and cash equivalents due to change in scope of consolidation	673	113	1,358	16,331
Cash and cash equivalents at end of period	¥ 20,376	¥ 19,021	¥ 19,678	\$ 236,656

See the accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Iwatani Corporation and its Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Iwatani Corporation (“the Company”) and its consolidated subsidiaries (together, “the Companies”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company’s overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective country of domicile, with necessary adjustments to be in accordance with Japanese GAAP.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

As permitted, amounts of less than one million yen are omitted in the presentation for 2009, 2010 and 2011. As a result, the totals shown in the accompanying consolidated financial statements, both in yen and in U.S. dollars, do not necessarily agree with the sum of the individual amounts.

2. Summary of Major Accounting Policies

(1) Scope of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 105 of its subsidiaries for the year ended March 31, 2011.

Certain subsidiaries have fiscal years ending on December 31. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the fiscal year-ends of those subsidiaries and the fiscal year-ends of the Company.

(2) Elimination and combination

For the purposes of preparing the consolidated financial statements of the Companies, all significant intercompany transactions, account balances and unrealized profits among the Companies have been entirely eliminated.

In elimination, any differences between the cost of investments in subsidiaries and the amount of underlying equity in net assets of the subsidiaries are treated as an asset or a liability, as the case may be, and amortized using the straight-line method within 10 years.

(3) Equity method of accounting for investments in nonconsolidated subsidiaries and affiliates

Besides the 64 nonconsolidated subsidiaries, the Company had 105 affiliates (meaning companies that are 20% to 50% owned) at March 31, 2011. The equity method is applied to the investments in 58 subsidiaries and 56 affiliates.

Since the investments in the remaining nonconsolidated subsidiaries and remaining affiliates do not have a material effect on consolidated net income and retained earnings, the investments in such nonconsolidated subsidiaries and affiliates are carried at cost and are not accounted for by the equity method.

(4) Translation of foreign currencies

Foreign currency transactions are translated at the applicable rates of exchange prevailing at the transaction dates. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rate of exchange prevailing at that date.

Exchange differences are charged or credited to income. Assets and liabilities of foreign consolidated subsidiaries and affiliates accounted for by the equity method are translated into yen at applicable year-end rates of exchange, and all revenue and expense accounts are translated at average rates of exchange prevailing during the year. The resulting translation adjustments are accumulated and included in “Foreign currency translation adjustments” classified as part of net assets.

(5) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally, with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of change in value because of change in interest rates.

(6) Securities

Securities are classified into four categories; trading securities, held-to-maturity debt securities, equity securities of nonconsolidated subsidiaries and affiliates and other securities. At March 31, 2010 and 2011, the Companies did not have trading securities.

Held-to-maturity debt securities are stated at amortized cost.

Equity securities of nonconsolidated subsidiaries and affiliates are accounted for, with minor exceptions due to materiality, using the equity method of accounting.

Other securities whose fair market values are readily determinable are carried at fair value with net unrealized gains and losses included as a component of net assets, net of related taxes.

Other securities for which it is not practicable to estimate fair value are stated at cost. In cases where any significant decline in the net assets value is assessed to be other than temporary, the cost of other securities is written-down by the impaired amount and charged to income.

Realized gains and losses are determined on the average cost method or the moving-average cost method and are reflected in the statement of operations.

(7) Allowance for doubtful accounts

An allowance for doubtful accounts is provided in amounts considered to be appropriate based on past experience of bad debts and in amounts considered to be uncollectible based on an evaluation of the collectibility of receivables with default possibility.

(8) Inventories

Inventories are mainly stated at the lower of the first-in, first-out cost or net realizable value.

(9) Property, plant and equipment and depreciation

Fixed assets, including significant renewals and additions, are carried at cost. When these are retired or otherwise disposed of, the cost and related depreciation are cleared from the respective accounts, and the net difference less any amount realized on disposal is reflected in earnings.

Principal estimated useful lives are as follows:

Buildings and structures	3 to 50 years
Machinery, vehicles, equipment and tools	2 to 20 years

Depreciation is calculated by the declining balance method, except that the straight-line method is applied to the Sakai LPG Plant, certain fixed assets for lease, certain gas generators and buildings purchased since April 1, 1998, over the useful life of the asset.

Lease assets are depreciated using the straight-line method over the lease term as the useful life, with zero residual value. However, finance lease transactions that do not transfer ownership and commenced prior to April 1, 2008 or have total lease payments of not more than ¥3 million (\$36 thousand) under a single lease contract are accounted for as operating leases.

Maintenance and repairs, including minor renewals and improvements are charged to income as incurred.

(10) Intangible assets

Computer software for internal use is amortized by the straight-line method over the estimated useful lives (5 years).

Other intangible assets are amortized by the straight-line method over the estimated useful lives of the respective assets.

(11) Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income taxes are measured by applying currently enacted tax laws. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change is enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(12) Accrued bonuses

The accrued bonuses is calculated and provided for based on the estimated amounts of future payments attributable to the services that have been rendered by employees as of the date of the balance sheet.

(13) Retirement benefits

(i) Employees' severance and retirement benefits

The Company and some domestic consolidated subsidiaries have contributory funded defined benefit pension plans and lump-sum benefit plan.

An allowance for employees' severance and retirement benefits is provided based on the amount of projected benefit obligation and the fair value of the plan assets at the fiscal year-end.

On terminating employment, employees of the Companies are entitled, under most circumstances, to lump-sum indemnities or pension payments based on current rates of pay and length of service.

(ii) Retirement benefits for directors and statutory auditors

To provide for the payment of lump-sum retirement benefits to directors and statutory auditors, certain consolidated subsidiaries provide an allowance for retirement benefits to directors and statutory auditors at an amount that would be required by their internal regulations if all directors and statutory auditors retired on the balance sheet date.

(14) Goodwill and negative goodwill

Goodwill recognized by the Companies, including foreign subsidiaries, is amortized on a straight-line basis over a period not to exceed ten years.

(15) Derivative financial instruments

Derivative financial instruments are utilized by the Companies principally to reduce interest rate and foreign exchange rate risks. The Companies have established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Companies do not hold or issue derivative financial instruments for trading purposes.

The Companies are exposed to certain market risks arising from its forward exchange contracts and swap agreements. The Companies are also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest. However, the Companies do not anticipate non-performance by any of these counterparties, all of whom are financial institutions with high credit ratings.

Derivative financial instruments are measured at fair value. Hedging transactions which meet the criteria of hedge accounting are accounted for using deferral hedge accounting, which requires the unrealized gain or loss to be deferred as a liability or asset until the loss or gain on the related hedged item is recognized.

In addition, certain forward exchange contracts and certain interest rate swap transactions are accounted for using the allocation method and the special method, respectively. The allocation method requires recognized foreign currency receivables or payables covered by forward exchange contracts to be translated at contract rates. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to the underlying borrowings and bonds.

(16) Expenses for Research and Development

Expenses for Research and Development are charged to income when incurred.

(17) Reclassifications

Certain reclassifications of the financial statements for the years ended March 31, 2009 and 2010 have been made to conform to the presentation for the year ended March 31, 2011.

3. Accounting Changes

Asset retirement obligations

Effective from the fiscal year ended March 31, 2011, the Companies adopted the "Accounting Standards for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ) Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

The effects of the application of the new accounting standards on income were immaterial.

Business combinations and related matters

Effective from the fiscal year ended March 31, 2011, the Companies adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), the "Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No. 23, December 26, 2008), the "Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, December 26, 2008), the "Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16, December 26, 2008), and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

Construction Contracts

Until the previous fiscal year, the Companies had applied the completed contract method to recognize revenues from construction contracts. Effective from the year ended March 31, 2010, the Companies adopted the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan (ASBJ) Statement No. 15, issued by the ASBJ on December 27, 2007) and the "Implementation Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, issued by the ASBJ on December 27, 2007). Accordingly, the percentage-of-completion method is applied to construction contracts commenced on and after April 1, 2009 for which the outcome as of the balance sheet date can be reliably estimated. In applying the percentage-of-completion method, the percentage of completion of construction as of the balance sheet date is estimated as the percentage of the cost incurred to the estimated total cost. Other construction contracts are accounted for by the completed contract method. The effects of the application of the new accounting standards on income were immaterial.

Additional information

Statements of comprehensive income

Effective from the fiscal year ended March 31, 2011, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standard Board of Japan (ASBJ) Statement No. 25, issued on June 30, 2010) and the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 20, 2010).

As a result of the adoption of the standard, the Company prepared the consolidated statement of comprehensive income for the fiscal year ended March 31, 2011.

4. U.S. Dollar Amounts

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2011, which was ¥83.15 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

5. Investments in Securities

Investments in held-to-maturity securities with fair market value as of March 31, 2010 and 2011 consisted of the following:

	2010		
	Cost	Market value	Unrealized gains (losses)
Securities with fair market value exceeding book value			
Bonds	¥ 9	¥ 9	¥ 0
Total	¥ 9	¥ 9	¥ 0

	2011		
	Cost	Market value	Unrealized gains (losses)
Securities with fair market value exceeding book value			
Bonds	¥ 509	¥ 510	¥ 1
Total	¥ 509	¥ 510	¥ 1

	2011		
	Cost	Market value	Unrealized gains (losses)
Securities with fair market value exceeding book value			
Bonds	\$ 6,121	\$ 6,133	\$ 12
Total	\$ 6,121	\$ 6,133	\$ 12

Tables show ¥ in millions and US\$ in thousands.

Investments in other securities with fair market value as of March 31, 2010 and 2011 consisted of the following:

	2010		
	Cost	Market value	Unrealized gains (losses)
Securities with fair market value exceeding book value			
Securities	¥ 8,735	¥ 14,647	¥ 5,912
Securities with fair market value not exceeding book value			
Securities	7,036	5,700	(1,335)
Total	¥ 15,771	¥ 20,348	¥ 4,576

	2011		
	Cost	Market value	Unrealized gains (losses)
Securities with fair market value exceeding book value			
Securities	¥ 7,830	¥ 12,463	¥ 4,632
Securities with fair market value not exceeding book value			
Securities	7,817	6,552	(1,264)
Total	¥ 15,647	¥ 19,015	¥ 3,368

	2011		
	Cost	Market value	Unrealized gains (losses)
Securities with fair market value exceeding book value			
Securities	\$ 94,167	\$ 149,885	\$ 55,706
Securities with fair market value not exceeding book value			
Securities	94,010	78,797	(15,201)
Total	\$ 188,177	\$ 228,683	\$ 40,505

Total sale of other securities as of March 31, 2010 and 2011 consisted of the following:

	2010	2011	2011
Amount sold	¥ 34	¥ 69	\$ 829
Total gain on sale	10	19	228
Total loss on sale	¥ 5	¥ 27	\$ 324

Book value of major securities not measured at fair market value as of March 31, 2010 and 2011 consisted of the following:

	2010	2011	2011
Other securities	¥ 1,522	¥ 1,509	\$ 18,147

6. Inventories

Inventories as of March 31, 2010 and 2011 were as follows:

	2010	2011	2011
Merchandise and finished goods	¥ 26,755	¥ 27,016	\$ 324,906
Work-in-process	1,618	1,992	23,956
Raw materials and supplies	3,095	3,318	39,903
Total	¥ 31,469	¥ 32,326	\$ 388,767

7. Short-term Borrowings and Long-term Debt

The weighted average interest rate of short-term bank borrowings outstanding as of March 31, 2010 and 2011 were 1.2% and 1.1%, respectively.

Short-term borrowings at March 31, 2010 and 2011 consisted of the following:

	2010	2011	2011
Secured	¥ 1,284	¥ 1,178	\$ 14,167
Unsecured	30,953	39,623	476,524
Total	¥ 32,238	¥ 40,802	\$ 490,703

Long-term debt at March 31, 2010 and 2011 consisted of the following:

	2010	2011	2011
Loans principally from banks, maturing serially through 2029 with interest ranging from 0.8% to 11.6% (principally 1.3%)			
Secured	¥ 8,654	¥ 7,967	\$ 95,814
Unsecured	95,307	103,013	1,238,881
Unsecured bonds			
1.765% bonds, due September 2010	5,000	—	—
Floating rate bonds, due March 2014 *1	5,000	5,000	60,132
Zero coupon convertible bonds, due December 2011 *2	7,712	3,832	46,085
1.390% bonds, due September 2013	3,000	3,000	36,079
	¥ 124,675	¥ 122,813	\$ 1,477,005
Portion due within one year	(26,659)	(23,458)	(282,116)
Total	¥ 98,015	¥ 99,354	\$ 1,194,876

*1 Floating rate is the six-month Japanese yen TIBOR plus 0.85%, but this rate has been swapped for a fixed interest rate of 3.04% from March 2006 to maturity.

*2 The current conversion price of the zero coupon convertible bonds issued by the Company is ¥344 (\$4.14) per share. As of March 31, 2011, the convertible bonds were convertible into approximately 11 million shares of common stock. Convertible bonds are treated solely as liabilities and the value inherent in their conversion feature is not recognized as equity in accordance with accounting principles and practices generally accepted in Japan. The total amount of the convertible bonds has been included in "long-term debt."

As of March 31, 2010 and 2011, the following assets were pledged as security for short-term borrowings and long-term debt:

	2010	2011	2011
Net book value			
Land	¥ 6,985	¥ 7,237	\$ 87,035
Buildings and structures	4,225	4,053	48,743
Machinery, vehicles, equipment and tools	2,095	1,938	23,307
Total	¥ 13,306	¥ 13,229	\$ 159,098

The aggregate annual maturities of long-term debt as of March 31, 2011 were as follows:

Year ended March 31,		
2013	¥ 24,893	\$ 299,374
2014	31,019	373,048
2015	17,490	210,342
2016	21,003	252,591
Thereafter	4,948	59,506
Total	¥ 99,354	\$ 1,194,876

Tables show ¥ in millions and US\$ in thousands.

In March 2011, the Company entered into a commitment line contract for efficient management of financial liabilities with three domestic banks. The maximum aggregate credit facility available to the Company is ¥15,000 million (\$180,396 thousand). The credit facility has not been used as of March 31, 2011.

8. Deferred Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on earnings which, in the aggregate, resulted in a normal rate of approximately 40.6% for the year ended March 31, 2010 and 2011. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

Deferred taxes consisted of the following:

	2010	2011	2011
Deferred tax assets			
Tax loss carry forwards	¥ 687	¥ 654	\$ 7,865
Allowance for doubtful accounts	376	280	3,367
Accrued bonuses	1,712	1,804	21,695
Allowance for employees' severance and retirement benefits	1,238	1,438	17,294
Accrued enterprise taxes	329	419	5,039
Intercompany profits and write-down (Inventories, investment in securities and fixed assets)	932	1,455	17,498
Loss on valuation of securities	398	494	5,941
Loss on valuation of real estate for sale	5	0	0
Loss on cancellation of real estate trust	572	572	6,879
Impairment loss	743	960	11,545
Others	1,560	2,046	24,606
Valuation allowance	(1,348)	(1,826)	(21,960)
Gross deferred tax assets	¥ 7,206	¥ 8,300	\$ 99,819
Deferred tax liabilities			
Gain on contributing marketable securities to an employee retirement trust	(1,665)	(1,665)	(20,024)
Reserve for advanced depreciation of noncurrent assets	(290)	(304)	(3,656)
Net unrealized gains on securities	(1,687)	(1,352)	(16,259)
Unrealized gains on assets and liabilities of consolidated subsidiaries	(1,091)	(1,208)	(14,527)
Unrealized gains on hedging	(25)	(5)	(60)
Others	(67)	(312)	(3,752)
Gross deferred tax liabilities	(4,827)	(4,848)	(58,304)
Net deferred tax assets	¥ 2,379	¥ 3,452	\$ 41,515

Reconciliations of the differences between the normal tax rate and the effective tax rate were as follows:

	2010	2011
Normal tax rate	40.6%	40.6%
Nondeductible expenses for tax purposes	4.9%	6.3%
Dividends income	(2.7)%	(1.4)%
Change in valuation allowance	6.8%	3.7%
Taxation on per capital basis	1.6%	1.6%
Equity in earnings of nonconsolidated subsidiaries and affiliates	(1.2)%	(1.5)%
Other	3.3%	(1.3)%
Effective tax rate	53.3%	48.0%

9. Allowance for Employees' Severance and Retirement Benefits and Pension Plan

Changes in the benefit obligations and the fair value of the plan assets for the years ended March 31, 2010 and 2011 were as follows:

	2010	2011	2011
Projected benefit obligation	¥ (18,629)	¥ (18,437)	\$ (221,731)
Fair value of plan assets	18,894	17,944	215,802
Funded status	265	(493)	(5,929)
Unrecognized net transition obligation at date of adoption	3,651	2,738	32,928
Unrecognized actuarial gain (loss)	(870)	1,057	12,711
Unrecognized prior service cost	1,267	1,149	13,818
Net amount recognized	4,313	4,452	53,541
Prepaid pension cost	(8,344)	(8,640)	(103,908)
Allowance for employees' severance and retirement benefits	¥ (4,031)	¥ (4,188)	\$ (50,366)

The components of severance and retirement benefit expenses for the years ended March 31, 2010 and 2011 were as follows:

	2010	2011	2011
Service cost	¥ 1,174	¥ 1,180	\$ 14,191
Interest cost	291	284	3,415
Expected return on plan assets	(99)	(116)	(1,395)
Amortization of transition obligation	929	929	11,172
Amortization of prior service cost	124	124	1,491
Amortization of actuarial gain (loss)	(43)	(72)	(865)
Other	256	173	2,080
Severance and retirement benefit expenses	¥ 2,633	¥ 2,502	\$ 30,090

Tables show ¥ in millions and US\$ in thousands.

The assumptions used in the accounting for the plans at March 31, 2010 and 2011 were as follows:

Method of attributing benefits to the period of service:
straight-line method

	2010	2011
Discount rate	2.0%	2.0%
Expected return on plan assets	2.0-2.2%	2.0-2.2%
Amortization period for prior service cost	12-14 years	12-14 years
Amortization period for actuarial gain or loss	12-14 years	12-14 years
Amortization period for net transition obligation at date of adoption	14 years	14 years

10. Contingent Liabilities

Contingent liabilities at March 31, 2010 and 2011 were as follows:

	2010	2011	2011
Notes receivable discounted	¥ 11	¥ —	\$ —
Notes receivable endorsed	18	51	613
Guarantees of loans made by: Nonconsolidated subsidiaries and affiliates	1,835	1,032	12,411
Other	34	31	372

11. Leases

As Lessee

At March 31, 2010 and 2011, lease payments for finance lease transactions that do not transfer ownership that commenced prior to April 1, 2008 were as follows:

	2010	2011	2011
Lease payments	¥ 1,888	¥ 1,713	\$ 20,601

The amounts of outstanding future minimum lease payments due at March 31, 2010 and 2011, including the portion of interest thereon, were as follows:

	2010	2011	2011
Future minimum lease payments			
Due within one year	¥ 1,713	¥ 1,216	\$ 14,624
Due over one year	3,396	2,179	26,205
Total	¥ 5,109	¥ 3,396	\$ 40,841

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation of the leased assets at March 31, 2010 and 2011 including the portion of interest thereon, were as follows:

	2010	2011	2011
Acquisition cost	¥ 17,291	¥ 16,706	\$ 200,914
Storage tanks and cylinders	265	243	2,922
Machinery and vehicles	13,514	13,149	158,135
Equipment and tools	2,387	2,189	26,325
Others	1,123	1,123	13,505
Accumulated depreciation	12,181	13,309	160,060
Storage tanks and cylinders	209	209	2,513
Machinery and vehicles	9,166	10,081	121,238
Equipment and tools	1,930	1,900	22,850
Others	875	1,117	13,433
Net book value	5,109	3,396	40,841
Storage tanks and cylinders	55	33	396
Machinery and vehicles	4,348	3,068	36,897
Equipment and tools	456	288	3,463
Others	247	6	72
Depreciation	1,888	1,713	20,601

Depreciation is computed by the straight-line method over the lease term with the assumption of no residual value.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2010 and 2011 were as follows:

	2010	2011	2011
Future minimum lease payments			
Due within one year	¥ 219	¥ 1,894	\$ 22,778
Due over one year	955	11,927	143,439
Total	¥ 1,175	¥ 13,822	\$ 166,229

As Lessor

Lease investment assets at March 31, 2010 and 2011 were as follows:

	2010	2011	2011
Amount of lease payments	¥ 2,360	¥ 1,913	\$ 23,006
Estimated residual value of leased properties	0	—	—
Amount equivalent to interest receivable	(246)	(124)	(1,491)
Lease investment assets	¥ 2,114	¥ 1,788	\$ 21,503

The collection schedule for amount of lease payments out of lease investment assets after March 31, 2011 was as follows:

	2011	2011
2012	¥ 706	\$ 8,490
2013	513	6,169
2014	349	4,197
2015	221	2,657
2016	94	1,130
Thereafter	27	324
Total	¥ 1,913	\$ 23,006

Tables show ¥ in millions and US\$ in thousands.

Future minimum lease receipts from non-cancelable operating lease transactions as of March 31, 2010 and 2011 were as follows:

	2010	2011	2011
Due within one year	¥ 50	¥ 46	\$ 553
Due over one year	136	142	1,707
Total	¥ 187	¥ 189	\$ 2,273

12. Impairment of Fixed Assets

Impairment losses recognized for the years ended March 31, 2010 and 2011 were as follows:

	2010	2011	2011
Land	¥ 909	¥ 329	\$ 3,956
Buildings and structures	48	123	1,479
Machinery and vehicles	8	—	—
Total	¥ 966	¥ 452	\$ 5,435

13. Financial Instruments

Additional information

Effective from the year ended March 31, 2010, the Companies adopted the revised Accounting standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 10, 2008).

1. Status of financial instruments

(1) Policies for financial instruments

The Group primarily obtains funds through bank borrowing and the issuance of corporate bonds based on funding requirements of its capital expenditures plan. After adequate liquidity for its business activities has been ensured, the Companies invests temporary excess funds in deposits with low risk. Additionally, the Companies obtains short-term funds through bank borrowing etc. The Companies utilizes derivative transactions only for hedging purposes and not for speculative or dealing purposes as follows.

(2) Description and risks of financial instruments

Notes and accounts receivable are exposed to customer credit risk. Additionally, some notes and accounts receivable are denominated in foreign currencies in conjunction with global business and are exposed to exchange rate fluctuation risk. If necessary, the Companies utilizes foreign exchange forward contracts to reduce its risk in foreign currency according to its policies for hedging.

Investment securities are composed primarily of stocks in companies with which the Companies have business alliances and are exposed to market price fluctuation risk.

Notes and accounts payable such as payables-trade are generally payable within six months. Some notes and accounts payable are denominated in foreign currencies, if necessary, the Companies utilizes foreign exchange forward contracts to reduce its risk in foreign currency according to its policies for hedging.

Borrowings and bonds are mainly for preparing for capital expenditures. The longest redemption date is ten years after fiscal year closing date. Because they have a variable interest rate, they are exposed to interest rate fluctuation risk. Therefore, the Companies utilize derivative transactions (interest rate swap contracts) for hedging purposes.

Derivative transactions consist of the use of foreign exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to notes and accounts receivable and notes and accounts payable and interest rate swap contracts for the purpose of hedging interest rate fluctuation risk related to borrowings and bonds. Hedging instruments and hedged items, hedging policy, assessment of hedge effectiveness about hedge accounting are stated under Note 2(15), "Summary of major accounting policies Derivative financial instruments".

(3) Risk management of financial instruments

(i) Management of credit risk

(the default risk for customers and counterparties)

In accordance with the internal policies of the Companies for managing credit risk arising from receivables and long-term loan receivables, each related sales management section monitors the credit worthiness of their main customers and counterparties on a regular basis and monitors due dates and outstanding balances by individual customer.

In addition, the Companies are making efforts to quickly identify and mitigate risks of bad debts from customers who are having financial difficulties. Held-to-maturity debt securities are debt securities (Japanese Government Bond) which have a high credit rating. Therefore, its credit risk is insignificant. The Companies believe that the credit risk of derivatives is insignificant as it enters into derivatives only with financial institutions which have a high credit rating.

(ii) Management of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

The Companies utilize mainly foreign exchange forward contracts within requirements of its business activities in respect to a part of trade receivables and trade liabilities denominated in foreign currencies to mitigate exchange rate fluctuation risk, monitored for each currency respectively, and interest rate swap contracts in respect to a part of borrowings and bonds to mitigate interest rate fluctuation risk.

The Company monitors the market price and financial condition of the issuer in respect to its securities and continuously evaluates its investment in each company, taking into account its relationship with the counterparty.

In investment securities, the Companies reviews the fair market value of these securities and the financial condition of the issuing companies on a quarterly basis.

Investment securities, except held-to-maturity debt securities are periodically reviewed in view of the fair market value of these securities and business relationship.

The Accounting section enters into and manages derivative transactions within requirements of its business activities based on

Tables show ¥ in millions and US\$ in thousands.

regulations established by the internal policies of the Companies.

Based on policies approved by the Board of Directors, the issuance of bonds or borrowing of large amounts are decided by only the Board of Directors. Therefore, foreign exchange forward contracts or interest rate swap contracts in respect to aforementioned transactions are also decided by the Board of Directors at the same time.

(iii) Management of liquidity risk (the risk that the Companies may not be able to meet its obligations on scheduled due dates) in financing activities

The Companies prepare cash flow projections and monitor funding requirements in the accounting department based on the report from each section and maintain fund liquidity.

(4) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on market price, but in cases in which market price is not available, the fair value is reasonably estimated. As variable factors are incorporated in the estimation of values, values may vary depending on the assumptions used. The contract amount related to derivative transactions under "Note 2. Fair value of financial instruments," does not express the market risk related to the derivative transactions themselves.

2. Fair values of financial instruments

For financial instruments, amounts recorded on the consolidated balance sheet and fair values as of March 31, 2010 and 2011, and the difference between the two are set forth in the table below. It should be noted that financial instruments for which it was considered extremely difficult to assess the fair values are not included in the table.

	2010		
	Amounts on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 19,243	¥ 19,243	¥ —
(2) Notes and accounts receivable–trade	104,901	104,901	—
(3) Investments in securities			
Held-to-maturity debt securities	9	9	0
Other securities	20,348	20,348	—
Assets total	144,503	144,503	0
(1) Notes and accounts payable–trade	97,835	97,835	—
(2) Short-term borrowings	32,238	32,238	—
(3) Bonds	20,712	20,748	36
(4) Long-term borrowings	103,962	104,631	668
Liabilities total	254,748	255,453	704
Derivative transactions*1			
Transactions that do not adopt hedge accounting	9	9	—
Transactions that adopt hedge accounting	71	(371)	(443)
Total derivative transactions	¥ 81	¥ (361)	¥ (443)

	2011		
	Amounts on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 19,957	¥ 19,957	¥ —
(2) Notes and accounts receivable–trade	109,617	109,617	—
(3) Investments in securities			
Held-to-maturity debt securities	509	510	1
Other securities	19,015	19,015	—
Assets total	149,100	149,101	1
(1) Notes and accounts payable–trade	94,197	94,197	—
(2) Short-term borrowings	40,802	40,802	—
(3) Bonds	11,832	11,886	54
(4) Long-term borrowings	110,980	111,576	595
Liabilities total	257,812	258,462	650
Derivative transactions*1			
Transactions that do not adopt hedge accounting	(22)	(22)	—
Transactions that adopt hedge accounting	98	6	(91)
Total derivative transactions	¥ 75	¥ (16)	¥ (91)

	2011		
	Amounts on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	\$ 240,012	\$ 240,012	\$ —
(2) Notes and accounts receivable–trade	1,318,304	1,318,304	—
(3) Investments in securities			
Held-to-maturity debt securities	6,121	6,133	12
Other securities	228,683	228,683	—
Assets total	1,793,144	1,793,156	12
(1) Notes and accounts payable–trade	1,132,856	1,132,856	—
(2) Short-term borrowings	490,703	490,703	—
(3) Bonds	142,297	142,946	649
(4) Long-term borrowings	1,334,696	1,341,864	7,155
Liabilities total	3,100,565	3,108,382	7,817
Derivative transactions*1			
Transactions that do not adopt hedge accounting	(264)	(264)	—
Transactions that adopt hedge accounting	1,178	72	(1,094)
Total derivative transactions	\$ 901	\$ (192)	\$ (1,094)

*1 The amounts for derivative transactions shown above are the net of assets and liabilities. When the net amount results in liabilities, it is shown in parentheses.

(Note 1) Calculation method related to fair value of financial instruments and matters related to securities and derivative transactions

Assets

(1) Cash and deposits, and

(2) Notes and accounts receivable–trade

The book value is used as the fair value for these items, as their fair values approximate their book values due to the short maturity of these instruments.

Tables show ¥ in millions and US\$ in thousands.

(3) Investments in securities

The fair values of equity securities are based on the market prices on the securities exchanges. The fair values of bonds are based on the market prices on the securities exchanges or on quotes obtained from financial institutions.

Please refer to Note 5 "Investment in Securities" for Notes for securities by holding purposes.

Liabilities

(1) Notes and accounts payable—trade, and (2) short-term borrowings

The book value is used as the fair value for these items, as their fair values approximate their book values due to the short maturity of these instruments.

(3) Bonds

The fair values of bonds that have market prices are based on the market prices. The fair values of bonds for which market prices are not available are based on present values calculated by discounting

the sum of the future principal and interest payments at rates that would be applied if similar borrowings were to be carried out at the present time.

(4) Long-term borrowings

The fair values of long-term borrowings are based on present values calculated by discounting the sum of the future principal and interest payments at rates that would be applied if similar borrowings were to be carried out at the present time.

(Note 2) Financial instruments with no fair value as of March 31, 2010 and 2011 were as follows:

	2010	2011	2011
Unlisted securities	¥ 1,522	¥ 1,509	\$ 18,147
Equity securities of nonconsolidated subsidiaries and affiliates	15,533	13,618	163,776
Investments in capital of subsidiaries and affiliates	1,295	1,525	18,340

(Note 3) The maturity profile of the anticipated future contractual cash flows in relation to the Companies' financial assets at March 31, 2010 and 2011 were as follows:

	2011							
	Due within 1 year	Due over 1 year but within 5 years	Due over 5 years but within 10 years	Due over 10 years	Due within 1 year	Due over 1 year but within 5 years	Due over 5 years but within 10 years	Due over 10 years
Cash and deposits	¥ 19,957	¥ —	—	—	\$ 240,012	\$ —	—	—
Notes and accounts receivable—trade	109,617	—	—	—	1,318,304	—	—	—
Investments in securities								
Held-to-maturity debt securities (Japanese Government Bonds)	—	10	—	—	—	120	—	—
Held-to-maturity debt securities (corporate bonds)	—	500	—	—	—	6,013	—	—
Total	¥ 129,575	¥ 510	—	—	\$1,558,328	\$ 6,133	—	—

(Note 4) The aggregate annual maturities of bonds and long-term borrowings as of March 31, 2011 were as follows:

	2011					
	Due within 1 year	Due over 1 year but within 2 years	Due over 2 years but within 3 years	Due over 3 years but within 4 years	Due over 4 years but within 5 years	Due over 5 years
Bonds	¥ 3,832	¥ —	¥ 8,000	¥ —	¥ —	¥ —
Long-term borrowings	19,625	24,893	23,019	17,490	21,003	4,948
Total	¥ 23,458	¥ 24,893	¥ 31,019	¥ 17,490	¥ 21,003	¥ 4,948

	2011					
	Due within 1 year	Due over 1 year but within 2 years	Due over 2 years but within 3 years	Due over 3 years but within 4 years	Due over 4 years but within 5 years	Due over 5 years
Bonds	\$ 46,085	\$ —	\$ 96,211	\$ —	\$ —	\$ —
Long-term borrowings	236,019	299,374	276,837	210,342	252,591	59,506
Total	\$ 282,116	\$ 299,374	\$ 373,048	\$ 210,342	\$ 252,591	\$ 59,506

Tables show ¥ in millions and US\$ in thousands.

14. Derivative Transactions

Derivative transactions that do not adopt hedge accounting

Currency related transactions

	2010			
	Contract amount	Contract amount over 1 year	Fair value	Valuation gain (loss)
Foreign exchange forward contracts				
To sell	¥ 143	—	¥ 0	¥ 0
To buy	716	—	10	10
	¥ 859	—	¥ 9	¥ 9

	2011							
	Contract amount	Contract amount over 1 year	Fair value	Valuation gain (loss)	Contract amount	Contract amount over 1 year	Fair value	Valuation gain (loss)
Foreign exchange forward contracts								
To sell	¥ 590	—	¥ (14)	¥ (14)	\$ 7,095	—	\$ (168)	\$ (168)
To buy	518	—	(8)	(8)	6,229	—	(96)	(96)
	¥ 1,108	—	¥ (22)	¥ (22)	\$ 13,325	—	\$ (264)	\$ (264)

Note: The fair values are based on quotes obtained from financial institutions.

Derivative transactions that adopt hedge accounting

(1) Currency related transactions

	2010			
	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Foreign exchange forward contracts				
To sell				
U.S. dollars	Accounts receivable	¥ 1,677	¥ —	¥ (44)
Other currencies	Accounts receivable	135	—	0
To buy				
U.S. dollars	Accounts payable	4,256	499	115
Other currencies	Accounts payable	164	—	2
		¥ 6,234	¥ 499	¥ 71

	2011							
	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value
Foreign exchange forward contracts								
To sell								
U.S. dollars	Accounts receivable	¥ 2,889	¥ —	¥ (23)	Accounts receivable	\$ 34,744	\$ —	\$ (276)
Other currencies	Accounts receivable	73	—	(2)	Accounts receivable	877	—	(24)
To buy								
U.S. dollars	Accounts payable	9,193	417	106	Accounts payable	110,559	5,015	1,274
Other currencies	Accounts payable	442	—	16	Accounts payable	5,315	—	192
		¥ 12,599	¥ 417	¥ 98		\$ 151,521	\$ 5,015	\$ 1,178

Note: The hedged foreign currency receivables and payables were recorded using the Japanese yen amount of the contracted forward rate, and no gains or losses on the foreign exchange forward contracts were recorded. Their fair values were based on quotes obtained from financial institutions.

Tables show ¥ in millions and US\$ in thousands.

(2) Interest related transactions

For the following transactions, the net amount to be paid or received under the interest rate swap contract was added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. Their fair values are based on quotes obtained from financial institutions.

		2010				2011			
	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value	Principal items hedged	Contract amount	Contract amount over 1 year	Fair value	
Interest rate swap contracts									
Pay fixed, receive variable	Long-term borrowings and bonds	¥ 12,731	¥ 12,254	¥ (443)	Long-term borrowings and bonds	¥ 16,434	¥ 15,970	¥ (91)	\$ (1,094)

Note: The net amount to be paid or received under the interest rate swap contract was added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. Their fair values are based on quotes obtained from financial institutions.

15. Earnings per Share

The basis of calculating net income per share for the years ended March 31, 2010 and 2011 was as follows:

	2010	2011	2011
Year ended March 31			
Net income	¥ 5,539	¥ 6,193	\$ 74,479
Net income attributable to common stockholders	5,539	6,193	74,479
Net income not attributable to common stockholders	—	—	—
Effect of dilutive bonds	(4)	(6)	(72)
Diluted net income	5,535	6,187	74,409
(Thousands)			
Weighted average number of shares outstanding	249,303	245,644	74,409
Effect of dilutive securities	22,495	18,809	18,809
Diluted weighted average number of shares outstanding	271,799	264,454	264,454

16. Net Assets

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus. Under the Japanese Corporate Law ("The law"), in cases in which dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve and additional paid-in capital may not be distributed as dividends. By the resolution of

shareholders' meeting, legal earnings reserve and additional paid-in capital may be transferred to other retained earnings and capital surplus, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law.

Cash dividends charged to retained earnings during the two years ended March 31, 2011 represent dividends paid out during those periods. The accompanying consolidated financial statements do not include any provision for the year-end dividend of ¥6 (\$0.072) per share, aggregating ¥1,475 million (\$17,748 thousand) which was approved at the Company's shareholders' meeting on June 24, 2011 in respect of the year ended March 31, 2011.

17. Expenses for Research and Development

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2010 and 2011 were ¥751 million and ¥ 611 million (\$7,348 thousand), respectively.

Tables show ¥ in millions and US\$ in thousands.

18. Other Revenue (Expenses)

Other, net, consisted of the following:

	2009	2010	2011	2011
Gain (loss) on sales of securities	¥ 350	¥ (20)	¥ (4)	\$ (48)
Loss on revaluation of securities	(303)	(91)	(255)	(3,066)
Gain (loss) on sales and disposal of fixed assets	(584)	650	(314)	(3,776)
Loss on liquidation of subsidiaries and affiliates	(19)	(12)	0	0
Foreign exchange gains	226	537	852	10,246
Bond expense	(31)	—	—	—
Loss on adjustments for changes in accounting standard for asset retirement obligation	—	—	(267)	(3,211)
Head office transfer cost	—	—	(158)	(1,900)
Loss on prior period overtime allowances	—	—	(514)	(6,181)
Loss on disaster	—	—	(280)	(3,367)
Surcharge	—	—	(499)	(6,001)
Other, net	27	789	1,291	15,526
Total	¥ (334)	¥ 1,853	¥ (150)	\$ (1,803)

19. Segment Information

Additional information

Beginning in this consolidated accounting year, the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17 of March 27, 2009) and “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 of March 21, 2008) are applied.

1. General information about reportable segments

The Company’s reportable segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of management resources and evaluate business results.

The Company is pursuing commercial divisions classified by merchandise and products. Each commercial division develops comprehensive business strategies for Japan and the world.

Therefore, the Company is organized with operating segments which are classified with commonality of merchandise, products and sales channels based on commercial divisions.

Main products of the five reportable segments were as follows:

- (1) Energy : LPG for household, commercial and industrial use, LPG supplying equipment and facilities, LNG, petroleum products, kitchen equipment for households, housing equipment, daily commodities, table-top cooking stoves, mineral water etc.
- (2) Industrial Gases & Welding : air-separation gases, specialty gases, gas supply facilities, welding materials, welding and cutting equipment, industrial machines and facilities, industrial robots, pumps and compressors, disaster prevention equipment, high-pressure gas equipment, etc.
- (3) Electronics & Machinery : semiconductor manufacturing equipment, micro optics, factory automation systems, medicine and food packing machines, environmental equipment etc.

(4) Material : steel, non-ferrous minerals, synthetic resins, functional film, mineral sand, rare earths, metal, construction materials etc.

(5) Agri-bio & Foods : frozen vegetables and fruits, health foods, Camborough (pig breeding business), livestock systems, agri-bio related goods, etc.

2. Basis of measurement about reported segment profit and loss, segment assets, segment liabilities and other material items by reportable segment

Accounting methods for reportable segments are basically the same as the accounting methods described in “Basis of presenting consolidated financial statements” Income by reportable segment is operating income. Intersegment sales and transfers are based on market values.

Tables show ¥ in millions and US\$ in thousands.

3. Information related to sales, operating income (loss), assets, liabilities and other items by reportable segment

2010										
	Reportable Segment						Others*1	Total	Adjustments**2	Consolidated statements of operations**3
	Energy	Industrial Gases & Welding	Electronics & Machinery	Materials	Agri-bio & Foods	Subtotal				
Net sales										
Outside customers	¥ 300,528	¥ 111,863	¥ 12,873	¥ 93,560	¥ 22,493	¥ 541,319	¥ 14,157	¥ 555,477	¥ —	¥ 555,477
Intersegment	5,995	4,087	1,752	4,029	230	16,096	21,104	37,200	(37,200)	—
Total	306,523	115,951	14,626	97,590	22,724	557,416	35,261	592,677	(37,200)	555,477
Operating income (loss) for segment	¥ 11,812	¥ 2,682	¥ (783)	¥ 688	¥ 961	¥ 15,363	¥ 997	¥ 16,360	¥ (2,628)	¥ 13,732
Assets for segment	¥ 145,023	¥ 82,595	¥ 7,824	¥ 48,754	¥ 8,031	¥ 292,228	¥ 43,876	¥ 336,104	¥ 30,006	¥ 366,110
Other items:										
Depreciation and amortization	¥ 5,870	¥ 3,983	¥ 154	¥ 1,079	¥ 138	¥ 11,227	¥ 3,161	¥ 14,388	¥ 312	¥ 14,700
Impairment loss	404	—	—	—	—	404	550	955	10	966
Amortization of goodwill	1,772	64	0	62	90	1,991	1	1,992	—	1,992
Increase in fixed assets and intangible assets	6,667	3,042	84	799	301	10,895	3,203	14,099	566	14,666
2011										
	Reportable Segment						Others*1	Total	Adjustments**2	Consolidated statements of operations**3
	Energy	Industrial Gases & Welding	Electronics & Machinery	Materials	Agri-bio & Foods	Subtotal				
Net sales										
Outside customers	¥ 322,009	¥ 122,352	¥ 20,432	¥ 114,686	¥ 22,301	¥ 601,781	¥ 17,063	¥ 618,844	¥ —	¥ 618,844
Intersegment	6,276	6,178	2,164	5,194	295	20,109	20,794	40,904	(40,904)	—
Total	328,285	128,531	22,596	119,881	22,597	621,891	37,857	659,749	(40,904)	618,844
Operating income (loss) for segment	¥ 8,521	¥ 4,506	¥ 187	¥ 2,326	¥ 710	¥ 16,252	¥ 1,316	¥ 17,568	¥ (2,700)	¥ 14,868
Assets for segment	¥ 146,648	¥ 87,187	¥ 7,900	¥ 55,276	¥ 8,290	¥ 305,303	¥ 48,268	¥ 353,571	¥ 20,368	¥ 373,940
Other items:										
Depreciation and amortization	¥ 5,468	¥ 3,725	¥ 111	¥ 1,579	¥ 240	¥ 11,125	¥ 3,278	¥ 14,404	¥ 527	¥ 14,934
Impairment loss	17	14	—	—	—	31	—	31	420	452
Amortization of goodwill	1,866	75	0	84	95	2,121	1	2,123	—	2,123
Increase in fixed assets and intangible assets	5,330	3,815	114	1,449	325	11,035	3,309	14,344	893	15,238
2011										
	Reportable Segment						Others*1	Total	Adjustments**2	Consolidated statements of operations**3
	Energy	Industrial Gases & Welding	Electronics & Machinery	Materials	Agri-bio & Foods	Subtotal				
Net sales										
Outside customers	\$ 3,872,627	\$ 1,471,461	\$ 245,724	\$ 1,379,266	\$ 268,202	\$ 7,237,294	\$ 205,207	\$ 7,442,501	\$ —	\$ 7,442,501
Intersegment	75,478	74,299	26,025	62,465	3,547	241,840	250,078	491,930	(491,930)	—
Total	3,948,105	1,545,772	271,749	1,441,743	271,761	7,479,146	455,285	7,934,443	(491,930)	7,442,501
Operating income (loss) for segment	\$ 102,477	\$ 54,191	\$ 2,248	\$ 27,973	\$ 8,538	\$ 195,453	\$ 15,826	\$ 211,280	\$ (32,471)	\$ 178,809
Assets for segment	\$ 1,763,656	\$ 1,048,550	\$ 95,009	\$ 664,774	\$ 99,699	\$ 3,671,713	\$ 580,493	\$ 4,252,206	\$ 244,954	\$ 4,497,173
Other items:										
Depreciation and amortization	\$ 65,760	\$ 44,798	\$ 1,334	\$ 18,989	\$ 2,886	\$ 133,794	\$ 39,422	\$ 173,229	\$ 6,337	\$ 179,603
Impairment loss	204	168	—	—	—	372	—	372	5,051	5,435
Amortization of goodwill	22,441	901	0	1,010	1,142	25,508	12	25,532	—	25,532
Increase in fixed assets and intangible assets	64,101	45,880	1,371	17,426	3,908	132,711	39,795	172,507	10,739	183,259

- Notes: 1. "Others" is an operating segment which is not included in the reportable segment. "Others" represents financial, insurance, transportation, warehouse, information processing etc.
2. Adjustments indicates as follows:
(1) Adjustments of operating income for segments includes companywide expenses not allocated to each segment and elimination of intersegment transactions.
(2) Adjustments of assets for segments is mainly assets on cash, deposits, and investments in securities of the Company along with general and administrative departments of the Company.
(3) Adjustments of depreciation and amortization is mainly depreciation and amortization for general and administrative departments of the Company.
(4) Adjustments of impairment loss is mainly impairment loss on general and administrative departments of the Company.
(5) Adjustments of increase in fixed assets and intangible assets is increase in fixed assets and intangible assets for general and administrative departments of the Company.
3. Operating income for segments is adjusted with operating income of statements of operations.

Tables show ¥ in millions and US\$ in thousands.

(Related Information)

1. Information about products and services

Since the segments products and services are the same as those for the reportable segments, information for products and services is omitted.

2. Information about geographic areas, FY2010 (April 1, 2010—March 31, 2011)

(1) Net sales

2011										
Japan	East Asia	Southeast Asia	Others	Total	Japan	East Asia	Southeast Asia	Others	Total	
¥ 565,077	¥ 29,922	¥ 12,483	¥ 11,360	¥ 618,844	\$ 6,795,874	\$ 359,855	\$ 150,126	\$ 136,620	\$ 7,442,501	

Notes: 1. Net Sales are based on client's location. The area is classified by geographical neighborhood region (countries).

2. Each geographic area, except for "Japan," includes the following countries (areas).

(1) East Asia.....China, Taiwan

(2) Southeast Asia.....Singapore, Thailand, Malaysia, Indonesia

(3) Others.....United States, Australia, Germany

(2) Tangible fixed assets

Since tangible fixed assets in Japan account for over 90% of tangible fixed assets on the consolidated balance sheets, tangible fixed assets are omitted.

3. Information about major customers

Since sales to no customer account for 10% or more of the net sales on the consolidated statements of operation, information by major customer is omitted.

(Information on amortization on goodwill and unamortized balance by reportable segment)

	2011								
	Reportable Segment						Others*1	Corporate Elimination	Total
	Energy	Industrial Gases & Welding	Electronics & Machinery	Materials	Agri-bio & Foods	Subtotal			
Goodwill									
Amortization	¥ 1,866	¥ 75	¥ 0	¥ 84	¥ 95	¥ 2,121	¥ 1	¥ —	¥ 2,123
Balance at end of year	10,592	123	—	353	302	11,371	1	—	11,373
Negative goodwill									
Amortization	¥ 51	¥ 9	¥ —	¥ 64	¥ —	¥ 124	¥ 0	¥ —	¥ 125
Balance at end of year	182	3	—	326	—	511	—	—	511

	2011								
	Reportable Segment						Others*1	Corporate Elimination	Total
	Energy	Industrial Gases & Welding	Electronics & Machinery	Materials	Agri-bio & Foods	Subtotal			
Goodwill									
Amortization	\$ 22,441	\$ 901	\$ 0	\$ 1,010	\$ 1,142	\$ 25,508	\$ 12	\$ —	\$ 25,532
Balance at end of year	127,384	1,479	—	4,245	3,631	136,752	12	—	136,776
Negative goodwill									
Amortization	\$ 613	\$ 108	\$ —	\$ 769	\$ —	\$ 1,491	\$ 0	\$ —	\$ 1,503
Balance at end of year	2,188	36	—	3,920	—	6,145	—	—	6,145

Note: "Others" is an operating segment which is not included in the reportable segment. "Others" represents insurance, transportation, warehouse.

(Information on gain on negative goodwill by reportable segment)

No significant gain on negative goodwill is omitted.

Tables show ¥ in millions and US\$ in thousands.

Independent Auditors' Report



Independent Auditors' Report

To the Board of Directors of Iwatani Corporation:

We have audited the accompanying consolidated balance sheet of Iwatani Corporation and consolidated subsidiaries as of March 31, 2011, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, and the related consolidated statements of comprehensive income for each of the two years in the period ended March 31, 2011 expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits. The consolidated balance sheet of Iwatani Corporation and consolidated subsidiaries as of March 31, 2010 and the related consolidated statements of income, changes in net assets, and cash flows for each of the two years in the period ended March 31, 2010 were audited by other auditors whose report dated June 24, 2010 expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Iwatani Corporation and subsidiaries as of March 31, 2011, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

KPMG AZSA LLC

Osaka, Japan
June 24, 2011

Iwatani Corporation

Osaka Head Office

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