

Overview of Business Results
for the 2nd Quarter of Fiscal Year Ending March 31, 2014 (2Q FY2013)
[Japanese Standard Form](Consolidated)

Name of the company: Iwatani Corporation
 Code: 8088
 Name of Representative: Masao Nomura, President
 Date of filing financial report: November 13, 2013
 Quarterly earnings supplementary explanatory documents: **Yes**
 Quarterly earnings presentation : **Yes**

Share traded: TSE and NSE first sections

URL <http://www.iwatani.co.jp/eng/>

Note: Figures less than 1 million are rounded down

1. Consolidated Financial Results for the 2nd Quarter of Fiscal Year Ending March 2014
 (For the period from April 1, 2013 to September 30, 2013)

(1) Consolidated Operating Results (Figures in % refer to changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
2Q FY2013	308,496	1.5	3,032	(3.0)	3,483	13.1	1,774	480.6
2Q FY2012	304,036	(0.5)	3,126	(45.3)	3,081	(46.6)	305	(91.8)

(Notes) Comprehensive income: 2Q FY2013 6,521 million yen (-%) 2Q FY2012 (640) million yen (-%)

	Net income per share	Net income per share after dilution
2Q FY2013	7.20 yen	— yen
2Q FY2012	1.25 yen	— yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
2Q FY2013	381,417 million yen	95,320 million yen	22.9 %
FY2012	386,302 million yen	90,903 million yen	21.5 %

(Reference) Equity capital: 2Q FY2013 87,356 million yen FY2012 83,121 million yen

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-end	Annual
FY2012	— yen	— yen	— yen	7.00 yen	7.00 yen
FY2013	—	—	—	—	—
FY2013 (Forecast)	—	—	—	7.00	7.00

(Notes) Revisions to the dividend forecast announced most recently: **None**

3. Consolidated Results Forecast for FY2013(April 1, 2013 – March 31, 2014)

(Figures in % represent forecasted changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY2013	675,000	2.7	18,500	10.7	18,000	3.4	8,600	7.1	34.94

(Notes) Revisions to the consolidated results forecasts announced most recently: **None**

This document is an English translation of a statement written initially in Japanese. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

***Notes**

- (1) Changes in important subsidiaries during the period
(Changes in specific subsidiaries resulting in changes in scope of consolidation): **None**

New : —(Company name: —)
Excluded : —(Company name: —)

- (2) Application of accounting treatment peculiarly adopted to prepare quarterly consolidated financial statements: **None**

- (3) Changes in accounting policies, changes in accounting estimates, and restatements
① Changes in accounting policies caused by revision of accounting standards: **None**
② Changes in accounting policies other than ①: **None**
③ Changes in accounting estimates: **None**
④ Restatements: **None**

- (4) Number of outstanding shares (common stock)
① Number of outstanding shares (common stock) at end of period (Treasury stocks are included)
② Number of treasury stock at end of period
③ Average number of shares outstanding

①	2Q FY2013	251,365,028	FY2012	251,365,028
②	2Q FY2013	5,308,155	FY2012	5,255,904
③	2Q FY2013	246,082,112	2Q FY2012	243,425,772

***Implementation of quarterly review procedure**

This Overview of Business Results is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. The review procedure for the quarterly financial statements has not been completed at the time of release of this report.

***Explanations and other matters of special note in regard to appropriate use of business results forecasts**

The aforementioned forecasts were prepared based on information obtainable as of the date of release of this document, and which do not intend for the Company to guarantee its materialization. Going forward, due to a variety of factors, actual results may differ from estimated values.

4. Quarterly Consolidated Balance Sheets

	(Unit: million yen)	
	FY2012 (As of Mar 31, 2013)	2Q FY2013 (As of Sep 30, 2013)
Assets		
Current assets		
Cash and deposits	14,382	20,171
Notes and accounts receivable-trade	108,087	94,714
Merchandise and finished goods	34,834	33,665
Work-in-process	2,885	4,055
Raw materials and supplies	3,276	3,647
Other	15,936	13,857
Allowance for doubtful accounts	(624)	(551)
Total current assets	<u>178,779</u>	<u>169,560</u>
Fixed assets		
Property, plant and equipment		
Land	54,917	55,572
Other, net	72,270	77,149
Total property, plant and equipment	<u>127,188</u>	<u>132,722</u>
Intangible assets		
Goodwill	15,042	14,266
Other	2,663	2,762
Total intangible assets	<u>17,705</u>	<u>17,028</u>
Investments and other assets		
Investments in securities	42,534	47,329
Other	20,955	15,583
Allowance for doubtful accounts	(860)	(807)
Total investments and other assets	<u>62,629</u>	<u>62,105</u>
Total fixed assets	<u>207,523</u>	<u>211,857</u>
Total assets	<u>386,302</u>	<u>381,417</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	98,500	83,685
Short-term borrowings	36,305	50,259
Income taxes payable	4,880	3,993
Accrued bonuses	4,283	4,434
Other	54,968	47,707
Total current liabilities	<u>198,938</u>	<u>190,079</u>
Long-term liabilities		
Bonds	-	3,000
Long-term borrowings	78,324	75,210
Allowance for employees' severance and retirement benefits	4,457	4,563
Allowance for retirement benefits for directors and statutory auditors	1,114	1,075
Negative goodwill	280	223
Other	12,284	11,944
Total long-term liabilities	<u>96,461</u>	<u>96,017</u>
Total liabilities	<u>295,399</u>	<u>286,097</u>
Net assets		
Shareholders' equity		
Common stock	20,096	20,096
Capital surplus	18,042	18,042
Retained earnings	43,637	43,646
Treasury stock, at cost	(1,409)	(1,416)
Total shareholders' equity	<u>80,367</u>	<u>80,368</u>
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	4,251	6,781
Deferred gains (losses) on hedges	148	34
Foreign currency translation adjustments	(1,646)	171
Total accumulated other comprehensive income	<u>2,754</u>	<u>6,988</u>
Minority interests	7,781	7,963
Total net assets	<u>90,903</u>	<u>95,320</u>
Total liabilities and net assets	<u>386,302</u>	<u>381,417</u>

5. Quarterly Consolidated Statements of Income

	(Unit: million yen)	
	2Q FY2012 (Apr 1, 2012 - Sep 30, 2012)	2Q FY2013 (Apr 1, 2013 - Sep 30, 2013)
Net sales	304,036	308,496
Cost of sales	239,991	243,767
Gross profit	64,045	64,729
Selling, general and administrative expenses		
Transportation cost	9,555	9,676
Provision for allowance for doubtful accounts	(52)	(18)
Salaries, wages and bonuses	14,623	14,873
Provision for allowance for employees' bonuses	3,805	3,926
Retirement benefits expenses	1,282	747
Provision for allowance for retirement benefits to directors and statutory auditors	103	110
Other	31,599	32,381
Total selling, general and administrative expenses	60,918	61,696
Operating income	3,126	3,032
Non-operating income		
Interest income	120	102
Dividends income	298	291
Foreign exchange gains	322	312
Amortization of negative goodwill	57	57
Equity in earnings of nonconsolidated subsidiaries and affiliates	53	418
Other	1,001	774
Total non-operating income	1,854	1,956
Non-operating expenses		
Interest expenses	1,227	1,109
Other	672	395
Total non-operating expenses	1,900	1,505
Ordinary income	3,081	3,483
Extraordinary income		
Gain on sales of fixed assets	196	60
Gain on sales of investment in securities	6	253
Gain on sales of investments in capital	11	12
Gain on negative goodwill	2	172
Total extraordinary income	216	499
Extraordinary losses		
Loss on sales of fixed assets	4	5
Loss on disposal of fixed assets	88	71
Impairment loss of fixed assets	-	126
Loss on sales of investment in securities	0	34
Loss on valuation of investment in securities	1,142	8
Loss on valuation of investments in capital	-	129
Loss on liquidation of subsidiaries and affiliates	46	-
Retirement benefits for directors and statutory auditors	26	5
Loss on step acquisitions	-	8
Total extraordinary losses	1,308	389
Income before income taxes and minority interests	1,989	3,593
Income taxes	1,370	1,496
Income before minority interests	618	2,096
Minority interests in income	312	322
Net income	305	1,774

6. Quarterly Consolidated Statements of Comprehensive Income

	(Unit: million yen)	
	2Q FY2012 (Apr 1, 2012 - Sep 30, 2012)	2Q FY2013 (Apr 1, 2013 - Sep 30, 2013)
Income before minority interests	618	2,096
Other comprehensive income		
Unrealized gains (losses) on securities	(1,559)	2,585
Deferred gains (losses) on hedges	(11)	(113)
Foreign currency translation adjustments	298	1,766
Share of other comprehensive income of associates accounted for using equity method	13	185
Total other comprehensive income	(1,258)	4,424
Comprehensive income	(640)	6,521
Comprehensive income attributable to:		
Owners of the parent	(993)	6,007
Minority interests	353	513

7. Consolidated Statements of Cash Flows

(Unit: million yen)

	2Q FY2012 (Apr 1, 2012 - Sep 30, 2012)	2Q FY2013 (Apr 1, 2013 - Sep 30, 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	1,989	3,593
Depreciation and amortization	7,065	7,337
Impairment loss of fixed assets	-	126
Amortization of goodwill	1,382	1,309
Amortization of negative goodwill	(57)	(57)
Gain on negative goodwill	(2)	(172)
Increase (decrease) in allowance for doubtful accounts	(83)	(50)
Increase (decrease) in allowance for employees' bonuses	(8)	135
Increase (decrease) in allowance for employees' severance and retirement benefits	77	94
Decrease (increase) in prepaid pension costs	(121)	3,348
Increase (decrease) in allowance for retirement benefits to directors and statutory auditors	(165)	(38)
Interest and dividends income	(419)	(394)
Interest expenses	1,227	1,109
Foreign exchange (gains) losses	(18)	128
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(53)	(418)
Loss (gain) on sale and disposal of fixed assets	(102)	16
Loss (gain) on sale of investments in securities	(6)	(218)
Loss on valuation of investments in securities	1,142	8
Loss on liquidation of subsidiaries and affiliates	46	-
Loss (gain) on sales of investments in capital	(11)	(12)
Loss on valuation of investments in capital	-	129
Loss (gain) on step acquisitions	-	8
Decrease (increase) in notes and accounts receivable-trade	24,159	16,037
Decrease (increase) in inventories	2,527	212
Increase (decrease) in notes and accounts payable-trade	(21,906)	(16,972)
Other, net	423	(800)
Subtotal	17,083	14,457
Interest and dividends received	575	400
Dividends received from equity method subsidiaries and affiliates	129	133
Interest paid	(1,214)	(1,102)
Income taxes paid	(5,400)	(4,834)
Net cash provided by (used in) operating activities	11,172	9,054
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(7,107)	(10,291)
Proceeds from sales of property, plant and equipment	446	236
Payments for purchase of intangible assets	(927)	(953)
Proceeds from sales of intangible assets	0	0
Payments for purchase of investments in securities	(1,545)	(588)
Proceeds from sales and redemption of investments in securities	46	1,515
Investments in loans receivable	(3,964)	(1,808)
Collection of loans receivable	2,058	1,824
Other, net	(273)	(135)
Net cash provided by (used in) investing activities	(11,267)	(10,200)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	14,015	13,048
Proceeds from long-term debt	1,996	4,954
Repayment of long-term debt	(13,697)	(10,064)
Proceeds from issuance of bonds	-	3,000
Redemptions of bonds	-	(3,000)
Net decrease (increase) in treasury stock	(3)	(6)
Repayment of lease liabilities	(468)	(460)
Cash dividends paid	(1,701)	(1,719)
Cash dividends paid to minority shareholders	(162)	(155)
Liquidation dividends paid to minority shareholders	(98)	-
Net cash provided by (used in) financing activities	(119)	5,596
Effect of exchange rate changes on cash and cash equivalents	83	562
Net increase (decrease) in cash and cash equivalents	(129)	5,012
Cash and cash equivalents at beginning of year	18,966	14,026
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	-	608
Increase in cash and cash equivalents resulting from merger with nonconsolidated subsidiaries	-	65
Cash and cash equivalents at end of period	18,836	19,713

8. Segment Information

1. 2Q FY2012 (Apr 1, 2012-Sep 30, 2012)

(1) Information related to sales and income (loss) by reportable segment (Unit: million yen)

	Reportable Segment					Others*1	Total	Adjustments*2	Quarterly Consolidated statements of income*3
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal				
Net sales									
(1) Outside customers	153,170	73,870	58,697	12,003	297,742	6,294	304,036	—	304,036
(2) Intersegment	3,424	3,146	3,077	115	9,763	9,590	19,353	(19,353)	—
Total	156,595	77,016	61,774	12,119	307,505	15,884	323,390	(19,353)	304,036
Segment income(loss)	(226)	2,223	1,000	505	3,503	579	4,082	(955)	3,126

(Notes)

- "Others" is an operating segment not included in reportable segments. "Others" represents financial, insurance, transportation, warehouse, information processing etc.
- Adjustments of segment income (loss) include companywide expenses not allocated to each segment and elimination of intersegment transactions.
- Segment income (loss) is adjusted with operating income of quarterly consolidated statements of income.

(2) Information on impairment losses of fixed assets or goodwill

(Major impairment losses related to fixed assets)

None

(Major changes in goodwill)

None

(Major gain on negative goodwill)

None

2. 2Q FY2013 (Apr 1, 2013-Sep 30, 2013)

(1) Information related to sales and income (loss) by reportable segment (Unit: million yen)

	Reportable Segment					Others*1	Total	Adjustments*2	Quarterly Consolidated statements of income*3
	Energy	Industrial Gases & Machinery	Materials	Agri-bio & Foods	Subtotal				
Net sales									
(1) Outside customers	159,595	70,381	58,271	14,001	302,250	6,246	308,496	—	308,496
(2) Intersegment	3,257	2,820	3,031	106	9,215	10,149	19,364	(19,364)	—
Total	162,852	73,202	61,302	14,108	311,466	16,395	327,861	(19,364)	308,496
Segment income(loss)	836	1,817	565	469	3,688	422	4,111	(1,078)	3,032

(Notes)

- "Others" is an operating segment not included in reportable segments. "Others" represents financial, insurance, transportation, warehouse, information processing etc.
- Adjustments of segment income (loss) include companywide expenses not allocated to each segment and elimination of intersegment transactions.
- Segment income (loss) is adjusted with operating income of quarterly consolidated statements of income.

(2) Change in reportable segments

From the first quarter of the year ending March 31, 2014, the reportable segments have been changed from five segments to four: Energy Business, Industrial Gases & Machinery Business, Materials Business and Agri-bio & Foods Business in accordance with the Company's organizational change. The Industrial Gases & Machinery Business consists of the previous segments, Industrial Gases & Welding Business and Electronics & Machinery Business. The segment information of the first quarter of the year ended March 31, 2013 is disclosed in line with the reportable segments after the organization change.

(3) Information on impairment losses of fixed assets or goodwill

(Major impairment losses related to fixed assets)

None

(Major changes in goodwill)

None

(Major gain on negative goodwill)

None

9. Significant Change in the Amount of Shareholders' Equity

None

Additional Information	Results for 2Q FY2013 and Forecast for FY2013
------------------------	---

Consolidated

(1) Statements of Income

(Unit: million yen)

	2Q FY2013	2Q FY2012	Change	Rate
	(Apr - Sep 2013)	(Apr - Sep 2012)		
Net sales	308,496	304,036	4,459	1.5 %
(Forecast/ Change from forecast)	(308,200)		(296)	0.1 %
Gross profit	64,729	64,045	684	1.1 %
Selling, general and administrative expenses	61,696	60,918	778	1.3 %
Operating income	3,032	3,126	(94)	(3.0) %
(Forecast/ Change from forecast)	(3,400)		(367)	(10.8) %
Interest income	102	120	(17)	
Dividend income	291	298	(7)	
Foreign exchange gains, net	312	322	(10)	
Equity in earnings of nonconsolidated subsidiaries and affiliates	418	53	365	
Interest expense	(1,109)	(1,227)	117	
Other, net	435	386	48	
Ordinary income	3,483	3,081	402	13.1 %
(Forecast/ Change from forecast)	(3,200)		(283)	8.9 %
Gain (loss) on sales and disposal of fixed assets	(16)	102	(119)	
Impairment loss of fixed assets	(126)	—	(126)	
Gain (loss) on sales and revaluation of investments in securities	93	(1,125)	1,218	
Other, net	158	(69)	228	
Income taxes	(1,496)	(1,370)	(125)	
Minority interests in income	(322)	(312)	(10)	
Net income	1,774	305	1,468	480.6 %
(Forecast/ Change from forecast)	(500)		(1,274)	254.8 %

* Forecasts are the figures released in May 13, 2013.

(5) Capital Expenditures

(Unit: million yen)

	2Q FY2013	2Q FY2012	FY2013 (Plan)
Capital Expenditure*	7,698	8,750	16,800
Depreciation expense*	6,430	6,039	14,034

* Figures for capital expenditure and depreciation expense cover only property, plant and equipment.

(6) Segment Information

(Unit: million yen)

	2Q FY2013	2Q FY2012	Change	Rate
	(Apr - Sep 2013)	(Apr - Sep 2012)		
Net sales (sales to outside customers)	308,496	304,036	4,459	1.5 %
Energy	159,595	153,170	6,424	4.2 %
Industrial Gases & Machinery	70,381	73,870	(3,488)	(4.7) %
Materials	58,271	58,697	(425)	(0.7) %
Agri-Bio & Foods	14,001	12,003	1,998	16.6 %
Others, Adjustments	6,246	6,294	(48)	(0.8) %
Operating income	3,032	3,126	(94)	(3.0) %
Energy	836	(226)	1,062	—
Industrial Gases & Machinery	1,817	2,223	(406)	(18.3) %
Materials	565	1,000	(434)	(43.4) %
Agri-Bio & Foods	469	505	(36)	(7.2) %
Others, Adjustments	(656)	(376)	(279)	—

*From the first quarter of the year ending March 31, 2014, the reportable segments have been changed.

The segment information of the second quarter of the year ended March 31, 2013 is disclosed in line with the reportable segments after the organization change.

(2) Changes in Subsidiaries Resulting in Changes in Scope of Consolidation

Consolidated subsidiaries
new: 8 excluded: 2 total: 105 → 111
Equity method subsidiaries and affiliates
new: 8 excluded: 5 total: 110 → 113
Impact of changes in scope of consolidation: Little

(3) Statements of Cash Flows

(Unit: million yen)

	2Q FY2013	2Q FY2012	Change
	(Apr - Sep 2013)	(Apr - Sep 2012)	
Cash flows from operating activities	9,054	11,172	(2,118)
Cash flows from investing activities	(10,200)	(11,267)	1,066
Free cash flow	(1,146)	(94)	(1,051)
Cash flows from financing activities	5,596	(119)	5,715
Effect of exchange rate changes	562	83	478
Net increase (decrease) in cash and cash equivalents	5,012	(129)	5,142
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	674	—	674

(4) Financial Position

(Unit: million yen)

	2Q FY2013 end	FY2012 end	Change
Total assets	381,417	386,302	(4,884)
Equity capital	87,356	83,121	4,234
Interest-bearing debt, gross*	162,752	151,378	11,374
Interest-bearing debt, net*	142,580	136,995	5,585
Equity capital ratio	22.9%	21.5%	1.4 pt
Ratio of interest-bearing debt to total assets	42.7%	39.2%	3.5 pt
Debt-to-equity ratio, gross	1.86	1.82	0.04 pt
Debt-to-equity ratio, net	1.63	1.64	(0.01) pt

* Interest-bearing debt include lease liabilities in the amount of ¥3,648 million.

(8) LPG Net Sales - Sales Volume

		2Q FY2013	2Q FY2012	Change	Rate
Domestic residential use	Sales volume (thousand tons)	661	686	(24)	(3.6) %
	Net sales (million yen)	79,773	76,129	3,643	4.8 %
Domestic industrial use	Sales volume (thousand tons)	139	152	(12)	(8.3) %
	Net sales (million yen)	13,838	13,345	492	3.7 %
Overseas	Sales volume (thousand tons)	282	353	(70)	(19.9) %
	Net sales (million yen)	22,274	23,542	(1,267)	(5.4) %
LPG total	Sales volume (thousand tons)	1,084	1,192	(107)	(9.1) %
	Net sales (million yen)	115,886	113,017	2,868	2.5 %
Various Industrial gases	Net sales (million yen)	39,841	38,507	1,334	3.5 %

*Barter transactions in domestic residential use LPG decreased by the volume of 14 thousand tons in comparison with 2Q FY2012.