

Overview of Business Results for the 2nd Quarter of Fiscal Year Ending March 31, 2015 (2Q FY2014) [Japanese Standard Form](Consolidated)

Name of the company: Iwatani Corporation Share traded: TSE and NSE first sections
Code: 8088 URL <http://www.iwatani.co.jp/eng/>
Name of Representative: Masao Nomura, President
Date of filing financial report: November 13, 2014
Quarterly earnings supplementary explanatory documents: **Yes**
Quarterly earnings presentation : **Yes**

Note: Figures less than 1 million are rounded down

1. Consolidated Financial Results for the 2nd Quarter of Fiscal Year Ending March 2015 (For the period from April 1, 2014 to September 30, 2014)

(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 FY2014	331,815	7.6	2,635	(13.1)	3,298	(5.3)	1,962	10.6
2Q FY2013	308,496	1.5	3,032	(3.0)	3,483	13.1	1,774	480.6

(Notes) Comprehensive income: 2Q FY2014 3,970 million yen (39.1% decrease) 2Q FY2013 6,521 million yen (-%)

	Net income per share	Net income per share after dilution
	yen	yen
2Q FY2014	7.97	—
2Q FY2013	7.20	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
2Q FY2014	398,798	105,771	24.4
FY2013	416,219	105,058	23.2

(Reference) Equity capital: 2Q FY2014 97,439 million yen FY2013 96,725 million yen

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-end	Annual
	yen	yen	yen	yen	yen
FY2013	—	—	—	7.00	7.00
FY2014	—	—	—	—	—
FY2014 (Forecast)	—	—	—	7.00	7.00

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

3. Consolidated Results Forecast for FY2014(April 1, 2014 – March 31, 2015)

(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
FY2014	724,800	3.0	19,500	5.3	19,500	1.3	10,500	0.3	42.67

(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: **Yes**

② Changes in accounting policies other than ①: **None**

③ Changes in accounting estimates: **None**

④ Restatements: **None**

(Note) Adoption of the Accounting Standard for Retirement Benefits

Effective the first quarter of fiscal year ending March 31, 2015, the Company has applied provisions described in the main clause of Section 35 of the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan Statement No.26, issued on May 17, 2012) and the main clause of Section 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, issued on May 17, 2012) and has changed the calculation methods for retirement benefit obligations and service costs. The method of attributing expected retirement benefits to periods has been revised from the straight-line method to the benefit formula method, and the method of determining the discount rate has been revised from a method based on an approximation of the employees’ average remaining service period to a method of using a single weighted average discount rate reflecting the estimated payment period and the amount for each estimated payment period of the retirement benefit.

In accordance with transitional accounting treatments as stated in Section 37 of the Accounting Standard, the impact of the changes in calculation methods for retirement benefit obligations and service costs has been recognized as an adjustment to retained earnings at the beginning of the second quarter of fiscal year ending March 31, 2015.

As a result, net defined benefit asset (included investments and other assets “other”) decreased by ¥1,553 million, net defined benefit liability increased by ¥434 million, and retained earnings decreased by ¥1,280 million as of April 1, 2014. The impact on operating income, ordinary income and income before income taxes and minority interests for the second quarter of fiscal year ending March 31, 2015 was immaterial.

(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 FY2014	251,365,028	FY2013	251,365,028
②	2Q FY2014	5,388,049	FY2013	5,342,931
③	2Q FY2014	245,999,966	2Q FY2013	246,082,112

***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)

	FY2013 (As of Mar 31, 2014)	2Q FY2014 (As of Sep 30, 2014)
Assets		
Current assets		
Cash and deposits	20,995	20,307
Notes and accounts receivable-trade	121,074	102,533
Merchandise and finished goods	39,204	37,683
Work-in-process	2,614	4,293
Raw materials and supplies	3,520	3,567
Other	14,863	14,566
Allowance for doubtful accounts	(778)	(678)
Total current assets	201,495	182,273
Fixed assets		
Property, plant and equipment		
Land	55,735	55,808
Other, net	76,700	76,527
Total property, plant and equipment	132,436	132,336
Intangible assets		
Goodwill	14,027	14,770
Other	2,890	2,880
Total intangible assets	16,917	17,650
Investments and other assets		
Investments in securities	49,971	52,369
Other	16,222	15,005
Allowance for doubtful accounts	(824)	(837)
Total investments and other assets	65,369	66,538
Total fixed assets	214,724	216,524
Total assets	416,219	398,798
Liabilities		
Current liabilities		
Notes and accounts payable-trade	103,401	88,914
Short-term borrowings	45,902	53,670
Income taxes payable	7,038	1,920
Accrued bonuses	4,484	4,500
Other	44,380	43,483
Total current liabilities	205,206	192,489
Long-term liabilities		
Bonds	8,000	8,000
Long-term borrowings	79,278	72,518
Allowance for retirement benefits for directors and statutory auditors	1,190	1,072
Net defined benefit liability	5,243	5,660
Other	12,241	13,287
Total long-term liabilities	105,954	100,537
Total liabilities	311,161	293,027
Net assets		
Shareholders' equity		
Common stock	20,096	20,096
Capital surplus	18,042	18,042
Retained earnings	52,339	51,296
Treasury stock, at cost	(1,452)	(1,472)
Total shareholders' equity	89,025	87,962
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	6,492	8,739
Deferred gains (losses) on hedges	55	242
Foreign currency translation adjustments	1,207	451
Remeasurements of defined benefit plans	(55)	42
Total accumulated other comprehensive income	7,700	9,476
Minority interests	8,332	8,331
Total net assets	105,058	105,771
Total liabilities and net assets	416,219	398,798

5. Quarterly Consolidated Statements of Income

(Unit: million yen)

	2Q FY2013 (Apr 1, 2013 - Sep 30, 2013)	2Q FY2014 (Apr 1, 2014 - Sep 30, 2014)
Net sales	308,496	331,815
Cost of sales	243,767	266,080
Gross profit	64,729	65,735
Selling, general and administrative expenses		
Transportation cost	9,676	10,305
Provision for allowance for doubtful accounts	(18)	(44)
Salaries, wages and bonuses	14,873	15,176
Provision for allowance for employee's bonuses	3,926	3,992
Retirement benefits expenses	747	950
Provision for allowance for retirement benefits to directors and statutory auditors	110	126
Other	32,381	32,591
Total selling, general and administrative expenses	61,696	63,099
Operating income	3,032	2,635
Non-operating income		
Interest income	102	133
Dividends income	291	321
Foreign exchange gains	312	418
Equity in earnings of nonconsolidated subsidiaries and affiliates	418	383
Other	831	1,026
Total non-operating income	1,956	2,284
Non-operating expenses		
Interest expenses	1,109	935
Other	395	685
Total non-operating expenses	1,505	1,620
Ordinary income	3,483	3,298
Extraordinary income		
Gain on sales of fixed assets	60	119
Gain on sales of investments in securities	253	171
Gain on sales of investments in capital	12	-
Gain on negative goodwill	172	30
Gain on liquidation of subsidiaries and associates	-	7
Gain on step acquisitions	-	44
Subsidy income	-	440
Total extraordinary income	499	813
Extraordinary losses		
Loss on sales of fixed assets	5	21
Loss on disposal of fixed assets	71	86
Impairment loss of fixed assets	126	21
Loss on sales of investments in securities	34	1
Loss on valuation of investments in securities	8	1
Loss on valuation of investments in capital	129	-
Retirement benefits for directors and statutory auditors	5	24
Loss on step acquisitions	8	-
Loss on reduction of non-current assets	-	416
Total extraordinary losses	389	574
Income before income taxes and minority interests	3,593	3,538
Income taxes	1,496	1,308
Income before minority interests	2,096	2,229
Minority interests in income	322	267
Net income	1,774	1,962

6. Quarterly Consolidated Statements of Comprehensive Income

	(Unit: million yen)	
	2Q FY2013 (Apr 1, 2013 - Sep 30, 2013)	2Q FY2014 (Apr 1, 2014 - Sep 30, 2014)
Income before minority interests	2,096	2,229
Other comprehensive income		
Unrealized gains (losses) on securities	2,585	2,248
Deferred gains (losses) on hedges	(113)	187
Foreign currency translation adjustments	1,766	(750)
Remeasurements of defined benefit plans, net of tax	-	99
Share of other comprehensive income of associates accounted for using equity method	185	(42)
Total other comprehensive income	4,424	1,741
Comprehensive income	6,521	3,970
Comprehensive income attributable to:		
Owners of the parent	6,007	3,738
Minority interests	513	232

7. Consolidated Statements of Cash Flows

(Unit: million yen)

	2Q FY2013 (Apr 1, 2013 - Sep 30, 2013)	2Q FY2014 (Apr 1, 2014 - Sep 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	3,593	3,538
Depreciation and amortization	7,337	7,241
Impairment loss of fixed assets	126	21
Amortization of goodwill	1,309	1,411
Gain on negative goodwill	(172)	(30)
Subsidy income	-	(440)
Loss on reduction of non-current assets	-	416
Increase (decrease) in allowance for doubtful accounts	(50)	(63)
Increase (decrease) in allowance for employees' bonuses	135	13
Increase (decrease) in allowance for employees' severance and retirement benefits	94	-
Increase (decrease) in net defined benefit liabilities	-	80
Decrease (increase) in prepaid pension costs	3,348	-
Decrease (increase) in net defined benefit assets	-	161
Increase (decrease) in allowance for retirement benefits to directors and statutory auditors	(38)	(118)
Interest and dividends income	(394)	(455)
Interest expenses	1,109	935
Foreign exchange (gains) losses	128	(75)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(418)	(383)
Loss (gain) on sale and disposal of fixed assets	16	(10)
Loss (gain) on sale of investments in securities	(218)	(169)
Loss on valuation of investments in securities	8	1
Loss (gain) on sales of investments in capital	(12)	-
Loss on valuation of investments in capital	129	-
Loss (gain) on step acquisitions	8	(44)
Decrease (increase) in notes and accounts receivable-trade	16,037	18,094
Decrease (increase) in inventories	212	(147)
Increase (decrease) in notes and accounts payable-trade	(16,972)	(14,205)
Other, net	(858)	1,803
Subtotal	14,457	17,574
Interest and dividends received	400	499
Dividends received from equity method subsidiaries and affiliates	133	132
Interest paid	(1,102)	(906)
Income taxes paid	(4,834)	(6,987)
Net cash provided by (used in) operating activities	9,054	10,312
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(10,291)	(6,798)
Proceeds from sales of property, plant and equipment	236	291
Payments for purchase of intangible assets	(953)	(1,399)
Proceeds from sales of intangible assets	0	4
Payments for purchase of investments in securities	(588)	(538)
Proceeds from sales and redemption of investments in securities	1,515	1,062
Proceeds from sales of investments in capital	-	2
Investments in loans receivable	(1,808)	(2,054)
Collection of loans receivable	1,824	1,574
Other, net	(135)	(340)
Net cash provided by (used in) investing activities	(10,200)	(8,195)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	13,048	7,915
Proceeds from long-term debt	4,954	5,492
Repayment of long-term debt	(10,064)	(13,517)
Proceeds from issuance of bonds	3,000	-
Redemptions of bonds	(3,000)	-
Net decrease (increase) in treasury stock	(6)	(36)
Repayment of lease liabilities	(460)	(524)
Cash dividends paid	(1,719)	(1,721)
Cash dividends paid to minority shareholders	(155)	(161)
Net cash provided by (used in) financing activities	5,596	(2,552)
Effect of exchange rate changes on cash and cash equivalents	562	(325)
Net increase (decrease) in cash and cash equivalents	5,012	(760)
Cash and cash equivalents at beginning of year	14,026	20,440
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	206
Cash and cash equivalents at end of period	19,713	19,886

8. Segment Information

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

(1) Information related to sales and operating 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	71,242	58,271	14,001	303,110	5,386	308,496	-	308,496
(2) Intersegment	3,257	2,814	3,031	106	9,208	10,131	19,340	(19,340)	-
Total	162,852	74,056	61,302	14,108	312,319	15,517	327,836	(19,340)	308,496
Segment income(loss)	836	1,840	565	469	3,711	399	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) 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 FY2014 (Apr 1, 2014-Sep 30, 2014)

(1) Information related to sales and operating 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	174,239	77,937	60,419	14,338	326,934	4,881	331,815	-	331,815
(2) Intersegment	3,263	3,129	2,595	88	9,078	11,709	20,787	(20,787)	-
Total	177,502	81,067	63,015	14,427	336,012	16,590	352,603	(20,787)	331,815
Segment income(loss)	(1,005)	2,411	1,130	420	2,957	424	3,381	(746)	2,635

(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, 2015, the calculation methods for retirement benefit obligations and service costs has been changed. With this change, the calculation methods of that of operating segments has also been changed. The impact on segment income was immaterial.
- From the first quarter of the year ending March 31, 2015, the reportable segment of a consolidated subsidiary has been changed from "Others" to "Industrial Gases & Machinery". The information of the second quarter of the year ending March 31, 2014, is disclosed in line with the reportable segments after change.

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

None

9. Significant Change in the amount of Shareholder's Equity

None

Additional Information

Results for 2Q FY2014 and Forecast for FY2014

Consolidated

(1) Statements of Income

(Unit: million yen)

	2Q FY2014	2Q FY2013	Change	Rate
	(Apr - Sep 2014)	(Apr - Sep 2013)		
Net sales	331,815	308,496	23,319	7.6 %
(Forecast/ Change from forecast)	(317,200)		(14,615)	4.6 %
Gross profit	65,735	64,729	1,005	1.6 %
Selling, general and administrative expenses	63,099	61,696	1,402	2.3 %
Operating income	2,635	3,032	(396)	(13.1) %
(Forecast/ Change from forecast)	(3,500)		(864)	(24.7) %
Interest income	133	102	30	
Dividends income	321	291	30	
Foreign exchange gains, net	418	312	106	
Equity in earnings of nonconsolidated subsidiaries and affiliates	383	418	(35)	
Interest expense	(935)	(1,109)	173	
Other, net	341	435	(93)	
Total non-operating income (loss)	663	450	212	
Ordinary income	3,298	3,483	(184)	(5.3) %
(Forecast/ Change from forecast)	(3,500)		(201)	(5.7) %
Gain (loss) on sales and disposal of fixed assets	10	(16)	27	
Impairment loss of fixed assets	(21)	(126)	104	
Gain (loss) on sales and valuation of investments in securities	175	93	82	
Gain on negative goodwill	30	172	(141)	
Other, net	43	(13)	57	
Total extraordinary income (loss)	239	109	129	
Income taxes	(1,308)	(1,496)	188	
Minority interests in income	(267)	(322)	54	
Net income	1,962	1,774	188	10.6 %
(Forecast/ Change from forecast)	(1,700)		(262)	15.4 %

* Forecasts are the figures released in May 9, 2014.

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

Consolidated subsidiaries	new: 0 excluded: 0 total: 108 → 108
Equity method subsidiaries and affiliates	new: 2 excluded: 3 total: 112 → 111
Impact of changes in scope of consolidation:	Little

(3) Statements of Cash Flows

(Unit: million yen)

	2Q FY2014	2Q FY2013	Change
	(Apr - Sep 2014)	(Apr - Sep 2013)	
Cash flows from operating activities	10,312	9,054	1,258
Cash flows from investing activities	(8,195)	(10,200)	2,004
Free cash flow	2,116	(1,146)	3,262
Cash flows from financing activities	(2,552)	5,596	(8,149)
Effect of exchange rate changes	(325)	562	(887)
Net increase (decrease) in cash and cash equivalents	(760)	5,012	(5,773)
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	206	674	(467)

(4) Financial Position

(Unit: million yen)

	2Q FY2014 end	FY2013 end	Change
Total assets	398,798	416,219	(17,421)
Equity capital	97,439	96,725	713
Interest-bearing debt, gross*	160,812	161,099	(287)
Interest-bearing debt, net*	140,504	140,103	400
Equity capital ratio	24.4%	23.2%	1.2pt
Ratio of interest-bearing debt to total assets	40.3%	38.7%	1.6pt
Debt-to-equity ratio, gross	1.65	1.66	(0.01)pt
Debt-to-equity ratio, net	1.44	1.44	0.00pt

* Interest-bearing debt include lease liabilities in the amount of ¥3,813 million.

(5) Capital Expenditures

(Unit: million yen)

	2Q FY2014	2Q FY2013	FY2014 (Plan)
Capital Expenditure*	7,214	7,698	21,000
Depreciation expense*	6,380	6,386	15,350

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

(6) Segment Information

(Unit: million yen)

	2Q FY2014	2Q FY2013	Change	Rate
	(Apr - Sep 2014)	(Apr - Sep 2013)		
Net sales (sales to outside customers)	331,815	308,496	23,319	7.6 %
Energy	174,239	159,595	14,644	9.2 %
Industrial Gases & Machinery	77,937	71,242	6,695	9.4 %
Materials	60,419	58,271	2,147	3.7 %
Agri-Bio & Foods	14,338	14,001	336	2.4 %
Others, Adjustments	4,881	5,386	(505)	(9.4) %
Operating income	2,635	3,032	(396)	(13.1) %
Energy	(1,005)	836	(1,841)	-
Industrial Gases & Machinery	2,411	1,840	571	31.0 %
Materials	1,130	565	565	99.9 %
Agri-Bio & Foods	420	469	(49)	(10.5) %
Others, Adjustments	(321)	(679)	357	-

*For a comparison purpose, figures of financial results for the second quarter of fiscal year ending March 31, 2014 in this section are reclassified in accordance with the new segment classification which is adopted from the first quarter of fiscal year ending March 31, 2015.

(7) Results Forecast for FY2014

(Unit: million yen)

	Forecast for FY2014
Net sales	724,800
Energy	392,000
Industrial Gases & Machinery	160,000
Materials	133,000
Agri-Bio & Foods	28,400
Others, Adjustments	11,400
Operating income	19,500
Energy	12,500
Industrial Gases & Machinery	5,400
Materials	2,700
Agri-Bio & Foods	800
Others, Adjustments	(1,900)
Ordinary income	19,500
Net income	10,500

*Forecasts are the figures released in May 9, 2014.

(8) LPG Net Sales - Sales Volume

		2Q FY2014	2Q FY2013	Change	Rate
Domestic residential use	Sales volume (thousand tons)	674	661	12	2.0 %
	Net sales (million yen)	84,722	79,773	4,949	6.2 %
Domestic industrial use	Sales volume (thousand tons)	139	139	0	(0.1) %
	Net sales (million yen)	14,535	13,838	697	5.0 %
Overseas	Sales volume (thousand tons)	394	282	111	39.4 %
	Net sales (million yen)	31,775	22,274	9,501	42.7 %
LPG total	Sales volume (thousand tons)	1,209	1,084	124	11.5 %
	Net sales (million yen)	131,033	115,886	15,147	13.1 %
Various industrial gases	Net sales (million yen)	45,179	39,841	5,338	13.4 %

*Barter transactions in domestic residential use LPG increased by the the volume of 4 thousand tons in comparison with 2Q FY2013.