

Overview of Business Results for the 3rd Quarter of Fiscal Year Ending March 31, 2015 (3Q 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: February 13, 2015
 Quarterly earnings supplementary explanatory documents: **None**
 Quarterly earnings presentation : **None**

Note: Figures less than 1 million are rounded down

1. Consolidated Financial Results for the 3rd Quarter of Fiscal Year Ending March 2015 (For the period from April 1, 2014 to December 31, 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	%
3Q FY2014	508,181	3.9	4,789	(41.5)	5,867	(32.1)	3,525	(24.1)
3Q FY2013	489,012	4.4	8,184	(4.9)	8,638	(0.3)	4,647	40.7

(Notes) Comprehensive income: 3Q FY2014 8,843 million yen (17.3% decrease) 3Q FY2013 10,693 million yen (122.6%)

	Net income per share	Net income per share after dilution
	yen	yen
3Q FY2014	14.33	—
3Q FY2013	18.88	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
3Q FY2014	422,413	110,610	24.2
FY2013	416,219	105,058	23.2

(Reference) Equity capital: 3Q FY2014 102,039 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	692,000	(1.7)	9,500	(48.7)	10,300	(46.5)	4,300	(58.9)	17.48

(Notes) Revisions to the consolidated results forecasts announced most recently: **Yes**

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 the 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 third 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 third 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	3Q FY2014	251,365,028	FY2013	251,365,028
②	3Q FY2014	5,494,423	FY2013	5,342,931
③	3Q FY2014	245,946,518	3Q FY2013	246,076,186

***Implementation of quarterly review procedure**

Although 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 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)	3Q FY2014 (As of Dec 31, 2014)
Assets		
Current assets		
Cash and deposits	20,995	20,233
Notes and accounts receivable-trade	121,074	115,324
Merchandise and finished goods	39,204	37,773
Work-in-process	2,614	5,528
Raw materials and supplies	3,520	3,896
Other	14,863	17,639
Allowance for doubtful accounts	(778)	(730)
Total current assets	201,495	199,666
Fixed assets		
Property, plant and equipment		
Land	55,735	57,500
Other, net	76,700	77,916
Total property, plant and equipment	132,436	135,417
Intangible assets		
Goodwill	14,027	14,276
Other	2,890	2,924
Total intangible assets	16,917	17,200
Investments and other assets		
Investments in securities	49,971	55,925
Other	16,222	15,035
Allowance for doubtful accounts	(824)	(831)
Total investments and other assets	65,369	70,128
Total fixed assets	214,724	222,747
Total assets	416,219	422,413
Liabilities		
Current liabilities		
Notes and accounts payable-trade	103,401	105,351
Short-term borrowings	45,902	53,146
Income taxes payable	7,038	926
Accrued bonuses	4,484	2,165
Other	44,380	51,376
Total current liabilities	205,206	212,965
Long-term liabilities		
Bonds	8,000	8,000
Long-term borrowings	79,278	70,073
Allowance for retirement benefits for directors and statutory auditors	1,190	1,116
Net defined benefit liability	5,243	5,671
Other	12,241	13,977
Total long-term liabilities	105,954	98,837
Total liabilities	311,161	311,803
Net assets		
Shareholders' equity		
Common stock	20,096	20,096
Capital surplus	18,042	18,042
Retained earnings	52,339	52,859
Treasury stock, at cost	(1,452)	(1,505)
Total shareholders' equity	89,025	89,493
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	6,492	10,258
Deferred gains (losses) on hedges	55	432
Foreign currency translation adjustments	1,207	1,795
Remeasurements of defined benefit plans	(55)	59
Total accumulated other comprehensive income	7,700	12,545
Minority interests	8,332	8,571
Total net assets	105,058	110,610
Total liabilities and net assets	416,219	422,413

5. Quarterly Consolidated Statements of Income

	(Unit: million yen)	
	3Q FY2013 (Apr 1, 2013 - Dec 31, 2013)	3Q FY2014 (Apr 1, 2014 - Dec 31, 2014)
Net sales	489,012	508,181
Cost of sales	386,997	407,528
Gross profit	102,014	100,653
Selling, general and administrative expenses		
Transportation cost	15,011	16,093
Provision for allowance for doubtful accounts	108	(21)
Salaries, wages and bonuses	26,181	26,679
Provision for allowance for employees' bonuses	1,955	1,993
Retirement benefits expenses	1,378	1,377
Provision for allowance for retirement benefits to directors and statutory auditors	159	178
Other	49,036	49,563
Total selling, general and administrative expenses	93,830	95,863
Operating income	8,184	4,789
Non-operating income		
Interest income	161	201
Dividends income	478	556
Foreign exchange gains	491	555
Equity in earnings of nonconsolidated subsidiaries and affiliates	490	694
Other	1,157	1,438
Total non-operating income	2,779	3,446
Non-operating expenses		
Interest expenses	1,652	1,401
Other	672	967
Total non-operating expenses	2,325	2,368
Ordinary income	8,638	5,867
Extraordinary income		
Gain on sales of fixed assets	88	156
Gain on sales of investments in securities	255	206
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	16	567
Total extraordinary income	544	1,011
Extraordinary losses		
Loss on sales of fixed assets	11	23
Loss on disposal of fixed assets	143	229
Impairment loss of fixed assets	136	33
Loss on sales of investments in securities	38	1
Loss on valuation of investments in securities	-	1
Loss on valuation of investments in capital	118	-
Loss on liquidation of subsidiaries and affiliates	5	-
Retirement benefits for directors and statutory auditors	5	19
Loss on step acquisitions	8	6
Loss on reduction of non-current assets	16	542
Total extraordinary losses	483	858
Income before income taxes and minority interests	8,699	6,020
Income taxes	3,602	2,079
Income before minority interests	5,096	3,940
Minority interests in income	448	414
Net income	4,647	3,525

6. Quarterly Consolidated Statements of Comprehensive Income

	(Unit: million yen)	
	3Q FY2013 (Apr 1, 2013 - Dec 31, 2013)	3Q FY2014 (Apr 1, 2014 - Dec 31, 2014)
Income before minority interests	5,096	3,940
Other comprehensive income		
Unrealized gains (losses) on securities	3,715	3,756
Deferred gains (losses) on hedges	113	370
Foreign currency translation adjustments	1,570	534
Remeasurements of defined benefit plans, net of tax	-	116
Share of other comprehensive income of associates accounted for using equity method	197	124
Total other comprehensive income	5,597	4,902
Comprehensive income	10,693	8,843
Comprehensive income attributable to:		
Owners of the parent	10,048	8,371
Minority interests	644	471

7. Segment Information

1. 3Q FY2013 (Apr 1, 2013-Dec 31, 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	263,638	108,350	89,280	20,004	481,273	7,739	489,012	—	489,012
(2) Intersegment	5,142	4,596	4,245	145	14,128	15,375	29,504	(29,504)	—
Total	268,780	112,946	93,525	20,149	495,402	23,114	518,517	(29,504)	489,012
Segment income (loss)	4,524	2,934	1,369	445	9,274	699	9,973	(1,789)	8,184

(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. 3Q FY2014(Apr 1, 2014-Dec 31, 2014)

(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	271,949	117,127	91,418	20,896	501,392	6,789	508,181	—	508,181
(2) Intersegment	5,077	5,279	3,843	124	14,324	17,161	31,485	(31,485)	—
Total	277,027	122,406	95,261	21,021	515,716	23,950	539,666	(31,485)	508,181
Segment income (loss)	(616)	3,852	1,458	596	5,292	631	5,923	(1,134)	4,789

(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 third 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

Additional Information

Results for 3Q FY 2014

Consolidated

(1) Statements of Income

(Unit: million yen)

	3Q FY2014 (Apr-Dec 2014)	3Q FY2013 (Apr-Dec 2013)	Change	
				Rate
Net sales	508,181	489,012	19,168	3.9 %
Gross profit	100,653	102,014	(1,361)	(1.3) %
Selling, general and administrative expenses	95,863	93,830	2,033	2.2 %
Operating income	4,789	8,184	(3,394)	(41.5) %
Interest income	201	161	39	
Dividends income	556	478	78	
Foreign exchange gains, net	555	491	64	
Equity in earnings of nonconsolidated subsidiaries and affiliates	694	490	203	
Interest expense	(1,401)	(1,652)	250	
Other, net	471	484	(13)	
Total non-operating income (loss)	1,077	454	623	
Ordinary income	5,867	8,638	(2,771)	(32.1) %
Loss (gain) on sales and disposal of fixed assets	(97)	(66)	(31)	
Impairment loss of fixed assets	(33)	(136)	102	
Gain on negative goodwill	30	172	(141)	
Gain (loss) on sales and valuation of investments in securities	210	110	100	
Other, net	43	(19)	62	
Total extraordinary income (loss)	153	60	92	
Income taxes	(2,079)	(3,602)	1,523	
Minority interests in income	(414)	(448)	33	
Net income	3,525	4,647	(1,122)	(24.1) %

(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: 3 excluded: 4 total: 112 → 111

Impact of changes in scope of consolidation: Little

(3) Financial Position

(Unit: million yen)

	3Q FY2014end	FY2013 end	Change
Total assets	422,413	416,219	6,193
Equity capital	102,039	96,725	5,313
Interest-bearing debt, gross*	159,830	161,099	(1,269)
Interest-bearing debt, net*	139,596	140,103	(507)
Equity capital ratio	24.2%	23.2%	0.9pt
Ratio of interest-bearing debt to total assets	37.8%	38.7%	(0.9)pt
Debt-to-equity ratio, gross	1.56	1.66	(0.10)pt
Debt-to-equity ratio, net	1.36	1.44	(0.08)pt

* Interest-bearing debt include lease liabilities in the amount of ¥3,664million.

(4) Segment Information

(Unit: million yen)

	3Q FY2014 (Apr-Dec 2014)	3Q FY2013 (Apr-Dec 2013)	Change	
				Rate
Net sales (Sales to outside customers)	508,181	489,012	19,168	3.9 %
Energy	271,949	263,638	8,311	3.2 %
Industrial Gases & Machinery	117,127	108,350	8,776	8.1 %
Materials	91,418	89,280	2,138	2.4 %
Agri-Bio & Foods	20,896	20,004	892	4.5 %
Others, Adjustments	6,789	7,739	(949)	(12.3) %
Operating income	4,789	8,184	(3,394)	(41.5) %
Energy	(616)	4,524	(5,140)	—
Industrial Gases & Machinery	3,852	2,934	918	31.3 %
Materials	1,458	1,369	88	6.5 %
Agri-Bio & Foods	596	445	151	34.1 %
Others, Adjustments	(502)	(1,090)	587	—

*For a comparison purpose, figures of financial results for the third 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.

(5) LPG and Industrial Gas Net Sales · Sales Volume

		3Q FY2014	3Q FY2013	Change	
					Rate
Domestic residential use	Sales volume (thousand tons)	1,066	1,048	18	1.8 %
	Net sales (million yen)	129,924	127,853	2,071	1.6 %
Domestic industrial use	Sales volume (thousand tons)	214	215	(1)	(0.8) %
	Net sales (million yen)	21,649	22,095	(445)	(2.0) %
Overseas	Sales volume (thousand tons)	598	426	171	40.3 %
	Net sales (million yen)	46,105	36,362	9,743	26.8 %
LPG total	Sales volume (thousand tons)	1,879	1,690	188	11.2 %
	Net sales (million yen)	197,680	186,310	11,369	6.1 %
Various Industrial gases	Net sales (million yen)	67,920	60,115	7,804	13.0 %

*Barter transactions in domestic residential use LPG increased by the the volume of 13 thousand tons in comparison with 3Q FY2013.