

Overview of Business Results
for the 2nd Quarter of Fiscal Year Ending March 31, 2017 (2Q FY2016)
[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 11, 2016
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 2017
(For the period from April 1, 2016 to September 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
2Q FY2016	263,857	(12.5)	5,983	(5.8)	6,582	(3.7)	3,829	7.0
2Q FY2015	301,704	(9.1)	6,351	141.0	6,834	107.2	3,580	82.5

(Notes) Comprehensive income: 2Q FY2016 1,230 million yen ((51.8)%) 2Q FY2015 2,553 million yen ((35.7)%)

	Net income per share	Net income per share after dilution
	yen	yen
2Q FY2016	15.56	13.32
2Q FY2015	14.55	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
2Q FY2016	393,259	123,784	29.0
FY2015	404,479	124,583	28.4

(Reference) Equity capital: 2Q FY2016 113,947 million yen FY2015 114,781 million yen

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-end	Annual
	yen	yen	yen	yen	yen
FY2015	—	—	—	8.00	8.00
FY2016	—	—	—	8.00	8.00
FY2016 (Forecast)	—	—	—	8.00	8.00

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

3. Consolidated Results Forecast for FY2016(April 1, 2016 – March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY2016	600,000	(2.6)	21,000	2.5	22,000	1.9	13,000	5.1	52.82

(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**

- (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 FY2016	251,365,028	FY2015	251,365,028
②	2Q FY2016	5,292,116	FY2015	5,282,495
③	2Q FY2016	246,077,704	2Q FY2015	246,088,087

*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)

	FY2015 (As of Mar 31, 2016)	2Q FY2016 (As of Sep 30, 2016)
Assets		
Current assets		
Cash and deposits	23,309	19,556
Notes and accounts receivable-trade	103,624	88,495
Merchandise and finished goods	26,886	29,017
Work - in - process	2,715	3,669
Raw materials and supplies	4,059	3,542
Other	15,985	12,750
Allowance for doubtful accounts	(701)	(366)
Total current assets	175,878	156,664
Fixed assets		
Property, plant and equipment		
Land	57,161	58,951
Other, net	87,842	93,032
Total property, plant and equipment	145,003	151,983
Intangible assets		
Goodwill	14,087	13,672
Other	2,788	2,580
Total intangible assets	16,876	16,253
Investments and other assets		
Investments in securities	53,524	55,639
Other	14,010	13,541
Allowance for doubtful accounts	(813)	(822)
Total investments and other assets	66,721	68,357
Total fixed assets	228,601	236,594
Total assets	404,479	393,259

(Unit: million yen)

	FY2015 (As of Mar 31, 2016)	2Q FY2016 (As of Sep 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	76,464	54,601
Electronically recorded obligations - operating	14,487	18,462
Short-term borrowings	23,430	41,215
Income taxes payable	3,567	2,475
Accrued bonuses	4,491	4,764
Other	50,047	38,281
Total current liabilities	172,489	159,802
Long-term liabilities		
Bonds	38,136	38,121
Long-term borrowings	47,598	50,261
Allowance for retirement benefits for directors and statutory auditors	1,291	1,288
Net defined benefit liability	5,811	5,552
Other	14,568	14,448
Total long-term liabilities	107,406	109,672
Total liabilities	279,895	269,475
Net assets		
Shareholders' equity		
Common stock	20,096	20,096
Capital surplus	18,137	18,141
Retained earnings	66,174	68,132
Treasury stock, at cost	(1,463)	(1,469)
Total shareholders' equity	102,945	104,901
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	9,939	10,339
Deferred gains (losses) on hedges	(221)	(351)
Foreign currency translation adjustments	1,966	(1,104)
Remeasurements of defined benefit plans	152	162
Total accumulated other comprehensive income	11,836	9,045
Non-controlling interests	9,802	9,837
Total net assets	124,583	123,784
Total liabilities and net assets	404,479	393,259

5. Quarterly Consolidated Statements of Income

(Unit: million yen)

	2Q FY2015 (Apr 1, 2015 - Sep 30, 2015)	2Q FY2016 (Apr 1, 2016 - Sep 30, 2016)
Net sales	301,704	263,857
Cost of sales	230,106	191,236
Gross profit	71,597	72,620
Selling, general and administrative expenses		
Transportation cost	10,638	10,513
Provision for allowance for doubtful accounts	2	5
Salaries, wages and bonuses	15,608	15,971
Provision for allowance for employees' bonuses	4,037	4,258
Retirement benefits expenses	961	834
Provision for allowance for retirement benefits to directors and statutory auditors	80	136
Other	33,916	34,917
Total selling, general and administrative expenses	65,246	66,637
Operating income	6,351	5,983
Non-operating income		
Interest income	133	127
Dividends income	380	377
Foreign exchange gains	247	—
Equity in earnings of nonconsolidated subsidiaries and affiliates	175	184
Other	1,026	1,111
Total non-operating income	1,962	1,800
Non-operating expenses		
Interest expenses	856	616
Foreign exchange losses	—	39
Other	622	545
Total non-operating expenses	1,479	1,201
Ordinary income	6,834	6,582
Extraordinary income		
Gain on sales of fixed assets	102	74
Gain on sales of investments in securities	23	58
Subsidy income	601	845
Total extraordinary income	727	977
Extraordinary losses		
Loss on sales of fixed assets	39	39
Loss on disposal of fixed assets	199	60
Loss on sales of investments in securities	1	—
Loss on valuation of investments in securities	—	18
Loss on sales of investments in capital of subsidiaries and associates	—	37
Loss on valuation of investments in capital	51	—
Impairment loss of fixed assets	298	—
Retirement benefits for directors and statutory auditors	30	5
Loss on reduction of non-current assets	593	833
Total extraordinary losses	1,212	994
Income before income taxes and minority interests	6,349	6,565
Income taxes	2,404	2,341
Net income	3,945	4,223
Profit attributable to non-controlling interests	364	393
Profit attributable to owners of parent	3,580	3,829

6. Quarterly Consolidated Statements of Comprehensive Income

(Unit: million yen)

	2Q FY2015 (Apr 1, 2015 - Sep 30, 2015)	2Q FY2016 (Apr 1, 2016 - Sep 30, 2016)
Net income	3,945	4,223
Other comprehensive income		
Unrealized gains (losses) on securities	(1,777)	422
Deferred gains (losses) on hedges	(105)	(132)
Foreign currency translation adjustments	307	(3,099)
Remeasurements of defined benefit plans, net of tax	397	12
Share of other comprehensive income of associates accounted for using equity method	(213)	(197)
Total other comprehensive income	(1,391)	(2,992)
Comprehensive income	2,553	1,230
Comprehensive income attributable to:		
Owners of the parent	2,212	1,039
Non-controlling interests	340	191

7.Consolidated Statements of Cash Flows

(Unit: million yen)

	2Q FY2015 (Apr 1, 2015 - Sep 30, 2015)	2Q FY2016 (Apr 1, 2016 - Sep 30, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	6,349	6,565
Depreciation and amortization	7,416	8,022
Impairment loss of fixed assets	298	—
Amortization of goodwill	1,539	1,483
Subsidy income	(601)	(845)
Loss on reduction of non-current assets	593	833
Increase (decrease) in allowance for doubtful accounts	(28)	(283)
Increase (decrease) in allowance for employees' bonuses	132	263
Increase (decrease) in net defined benefit liabilities	55	(258)
Decrease (increase) in net defined benefit assets	(271)	452
Increase (decrease) in allowance for retirement benefits to directors and statutory auditors	(65)	(99)
Interest and dividends income	(514)	(504)
Interest expenses	856	616
Foreign exchange (gains) losses	92	9
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(175)	(184)
Loss (gain) on sales and disposal of fixed assets	135	25
Loss (gain) on sales of investments in securities	(21)	(58)
Loss on valuation of investments in securities	—	18
Loss (gain) on sales of investments in capital of subsidiaries and associates	—	37
Loss on valuation of investments in capital	51	—
Decrease(increase) in notes and accounts receivable-trade	15,241	15,135
Decrease(increase) in inventories	(260)	(3,483)
Increase (decrease) in notes and accounts payable-trade	(14,824)	(15,392)
Other, net	(868)	(513)
Subtotal	15,132	11,840
Interest and dividends received	535	355
Dividends received from equity method subsidiaries and affiliates	180	168
Interest paid	(808)	(580)
Income taxes paid	(3,283)	(3,866)
Net cash provided by (used in) operating activities	11,755	7,917

	(Unit: million yen)	
	2Q FY2015	2Q FY2016
	(Apr 1, 2015 - Sep 30, 2015)	(Apr 1, 2016 - Sep 30, 2016)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(10,114)	(14,095)
Proceeds from sales of property, plant and equipment	357	169
Payments for purchase of intangible assets	(1,740)	(1,703)
Proceeds from sales of intangible assets	—	42
Payments for purchase of investments in securities	(612)	(2,288)
Proceeds from sales and redemption of investments in securities	39	92
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(78)
Proceeds from sales of investments in capital	3	0
Investments in loans receivable	(313)	(684)
Collection of loans receivable	648	675
Other, net	(412)	(256)
Net cash provided by (used in) investing activities	(12,144)	(18,125)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	13,813	15,170
Proceeds from long-term debt	4,361	7,311
Repayments of long-term debt	(16,096)	(12,238)
Net (increase) decrease in treasury stock	(6)	(5)
Repayments of lease liabilities	(541)	(603)
Cash dividends paid	(1,718)	(1,963)
Dividends paid to non-controlling interests	(209)	(183)
Other, net	(14)	(45)
Net cash provided by (used in) financing activities	(411)	7,443
Effect of exchange rate changes on cash and cash equivalents	15	(1,178)
Net increase (decrease) in cash and cash equivalents	(784)	(3,944)
Cash and cash equivalents at beginning of year	21,804	22,833
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	915	165
Increase in cash and cash equivalents resulting from merger with nonconsolidated subsidiaries	11	—
Cash and cash equivalents at end of period	21,947	19,054

Additional Information

Results for 2Q FY 2016

Consolidated

(1) Consolidated Statements of Income

(Unit: billion yen)

	2Q FY2016 Apr-Sep 2016	2Q FY2015 Apr-Sep 2015	Change	Rate		FY2016 (Forecast)
					%	
Net sales	263.8	301.7	(37.8)	(12.5)	%	600.0
Gross profit	72.6	71.5	1.0	1.4	%	—
Operating income	5.9	6.3	(0.3)	(5.8)	%	21.0
Ordinary income	6.5	6.8	(0.2)	(3.7)	%	22.0
Profit attributable to owners of parent	3.8	3.5	0.2	7.0	%	13.0

(2) Segment Information

(Unit: billion yen)

		2Q FY2016 Apr-Sep 2016	2Q FY2015 Apr-Sep 2015	Change	Rate		FY2016 (Forecast)
						%	
Energy	Net sales (Sales to outside customers)	111.6	139.4	(27.8)	(20.0)	%	270.0
	Operating income	2.0	0.7	1.2	167.5	%	12.3
Industrial Gases & Machinery	Net sales (Sales to outside customers)	79.8	79.7	0.0	0.0	%	165.0
	Operating income	2.9	3.0	(0.0)	(1.0)	%	6.5
Materials	Net sales (Sales to outside customers)	55.1	63.6	(8.5)	(13.4)	%	126.0
	Operating income	1.2	1.9	(0.7)	(37.5)	%	3.4
Agri-Bio & Foods	Net sales (Sales to outside customers)	13.0	14.8	(1.7)	(11.9)	%	31.0
	Operating income	0.6	0.9	(0.3)	(30.7)	%	1.1
Others, Adjustments	Net sales (Sales to outside customers)	4.2	3.9	0.2	6.9	%	8.0
	Operating income	(0.9)	(0.3)	(0.5)	—		(2.3)

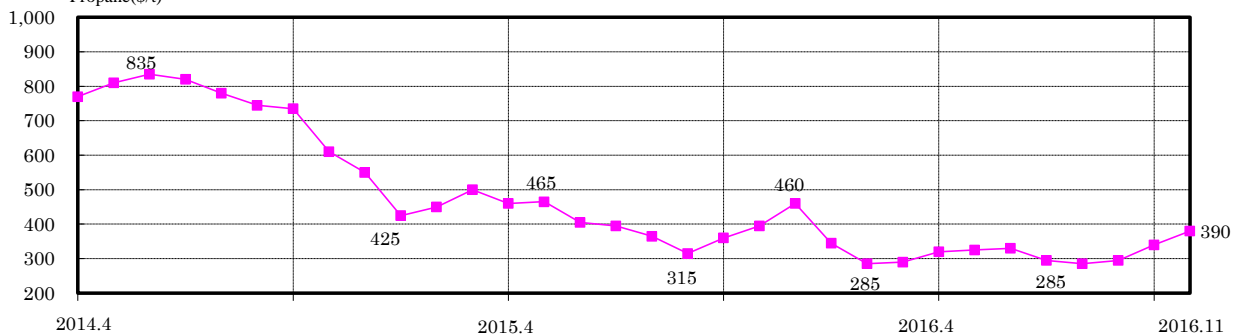
(3) LPG and Industrial Gases Net Sales - Sales Volume

		2Q FY2016	2Q FY2015	Change	Rate	
						%
Domestic residential use	Sales volume (thousand tons)	607	642	(35)	(5.5)	%
	Net sales (billion yen)	54.2	67.8	(13.6)	(20.1)	%
Domestic industrial use	Sales volume (thousand tons)	128	133	(5)	(4.4)	%
	Net sales (billion yen)	7.1	9.7	(2.6)	(27.3)	%
Overseas	Sales volume (thousand tons)	339	391	(51)	(13.3)	%
	Net sales (billion yen)	11.0	18.3	(7.2)	(39.6)	%
LPG total	Sales volume (thousand tons)	1,074	1,167	(93)	(8.0)	%
	Net sales (billion yen)	72.4	96.0	(23.5)	(24.6)	%
Various Industrial gases	Net sales (billion yen)	44.7	45.3	(0.6)	(1.4)	%

*Barter transactions in domestic residential use LPG decreased by the the volume of 5 thousand tons in comparison with 2Q FY2015.

(4) LPG Import Price (CP)

Propane(\$/t)



(5)Financial Position (Unit: billion yen)

	2Q FY2016 end	FY2015 end	Change
Total assets	393.2	404.4	(11.2)
Equity capital	113.9	114.7	(0.8)
Interest-bearing debt, gross*	149.5	136.5	13.0
Interest-bearing debt, net*	130.0	113.2	16.8
Equity capital ratio	29.0%	28.4%	0.6pt
Ratio of interest-bearing debt to total assets	38.0%	33.7%	4.3pt
Debt-to-equity ratio, gross	1.31	1.18	0.13pt
Debt-to-equity ratio, net	1.14	0.98	0.16pt

* Interest-bearing debt include lease liabilities in the amount of ¥5.4 billion.

(6)Capital Expenditure (Unit: billion yen)

	2Q FY2016	FY2016 (Plan)
Energy	6.1	7.2
Industrial Gases & Machinery	4.8	10.7
Materials	0.3	3.2
Agri-bio & Foods	0.6	0.8
Others, Adjustments	7.5	5.1
Capital expenditure	19.4	27.0
Depreciation expense	7.7	15.0

* Figures for capital expenditure totalize fixed assets, intangible assets (doorwill excluded), and investments in securities.

(7) Statements of Cash Flows (Unit: billion yen)

	2Q FY2016	2Q FY2015	Change
Cash flows from operating activities	7.9	11.7	(3.8)
Cash flows from investing activities	(18.1)	(12.1)	(5.9)
Free cash flow	(10.2)	(0.3)	(9.8)
Cash flows from financing activities	7.4	(0.4)	7.8
Effect of exchange rate changes	(1.1)	0.0	(1.1)
Net increase (decrease) in cash and cash equivalents	(3.9)	(0.7)	(3.1)
Net increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	0.1	0.9	(0.7)

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

Consolidated subsidiaries new: 3 excluded: 6 total: 111 → 108
Equity method subsidiaries and affiliates new: 6 excluded: 4 total: 103 → 105
Impact of changes in scope of consolidation: Little

Non-consolidated**(9)Non-consolidated Statements of Income (Unit: billion yen)**

	2Q FY2016	2Q FY2015	Change	Rate	
	(Apr-Sep 2016)	(Apr-Sep 2015)			
Net sales	177.6	206.8	(29.1)	(14.1)	%
Operating income	0.5	0.0	0.5	—	%
Ordinary income	2.7	1.6	1.0	68.2	%
Net income	2.1	1.0	1.0	99.3	%

(10)Financial Position (Unit: billion yen)

	2Q FY2016 end	FY2015 end	Change
Total assets	280.7	279.8	0.9
Equity capital	75.7	75.4	0.3
Equity capital ratio	27.0%	26.9%	0.0pt