HOGY MEDICAL Co., Ltd.
7-7, Akasaka 2-chome, Minato-ku,
Tokyo 107-8615, Japan

April 11, 2007

Consolidated Financial Results for Fiscal 2006

Name: **Hogy Medical Co., Ltd.**
Listing: **First Section, Tokyo Stock Exchange**
Stock code number: **3593**
Phone: **+81-3-6229-1300**
URL: **http://www.hogy.co.jp**
Representative: **Jun-ichi Hoki, President and COO**
Contact: **Yukio Ishii, General Manager, Administration Div.**
Annual Meeting of Shareholders: **June 26, 2007**
Date of issue of Financial Report: **June 26, 2007**
Start of cash dividend payments: **May 31, 2007**

1. Financial results for fiscal 2006 (April 1, 2006–March 31, 2007)

(1) Results of operations

(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)

	Net sales	(% change from previous year)	Operating income	(% change)	Ordinary income	(% change)	Net income	(% change)
Fiscal 2006	¥27,293	+3.3%	¥6,058	–2.3%	¥6,139	–4.6%	¥3,621	–7.4%
Fiscal 2005	26,434	+5.9	6,200	+8.2	6,438	+9.2	3,909	+11.9

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)	ROE (%)	Ordinary income/ Total assets (%)	Operating income/ Net sales (%)
Fiscal 2006	¥234.69	—	7.6%	10.7%	22.2%
Fiscal 2005	246.83	227.41	8.6	11.0	23.5

Note: Gain/loss on investments based on equity method
Fiscal 2006: ¥—million
Fiscal 2005: ¥—million

(2) Financial position (year-end)

(Millions of yen, except per share data, rounded down)

	Total assets	Net assets	Equity ratio	Nett assets per share (Yen)
Fiscal 2006	¥59,231	¥48,031	81.1%	¥3,194.04
Fiscal 2005	55,939	47,383	84.7	3,037.60

Note: Equity capital at year-end
Fiscal 2006: ¥48,018 million

(3) Cash flows

(Millions of yen, rounded down)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal 2006	¥5,355	¥–4,642	¥ 1,035	¥7,825
Fiscal 2005	5,738	–4,998	–10,670	6,055

2. Cash dividends

(Cut-off date)	Cash dividends per share (Yen) 1st quarter	Interim	3rd quarter	Year-end	Full year	Total dividends paid (full year) (Millions of yen)	Payout ratio (consolidated)	Dividends paid/ Net assets (consolidated) (%)
Fiscal 2005	—	24.00	—	24.00	48.00	747	19.4%	1.6%
Fiscal 2006	20.00	20.00	20.00	20.00	80.00	1,228	34.1	2.6
Fiscal 2007 (est.)	20.00	20.00	20.00	20.00	80.00		29.0	

3. Forecast for fiscal 2007 (April 1, 2007–March 31, 2008)

(Millions of yen, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Interim	14,070	4.8%	3,390	14.6%	3,387	11.9%	2,020	13.2%	135.51
Full year	28,670	5.0	7,000	15.5	6,990	13.8	4,140	14.3	276.11

4. Other

(1) Important changes in scope of consolidation during period: No
Newly included: 0
Newly exempted: 0

(2) Changes in accounting principles, procedures, disclosure methods, etc., pertaining to preparation of consolidated financial statements
1. Changes associated with changes in accounting standards: Yes
2. Other changes: No

(3) Shares outstanding (common stock) at year-end
1. Number of shares outstanding (including treasury stock)
Fiscal 2006: 16,341,155
Fiscal 2005: 16,341,155
2. Number of treasury shares outstanding
Fiscal 2006: 1,307,466
Fiscal 2005: 764,356

(Reference) Summary of Non-Consolidated Financial Results

1. Financial results for fiscal 2006 (April 1, 2006–March 31, 2007)

(1) Results of operations

(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)

	Net sales	(% change)	Operating income	(% change)	Ordinary income	(% change)	Net income	(% change)
Fiscal 2006	¥27,210	+3.1%	¥5,636	–1.6%	¥5,785	–4.2%	¥3,405	–6.9%
Fiscal 2005	26,388	+5.8	5,728	+8.0	6,037	+8.9	3,657	+11.8

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)
Fiscal 2006	¥220.68	—
Fiscal 2005	230.64	212.58

(2) Financial position

(Millions of yen, except per share data, rounded down)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share (Yen)
Fiscal 2006	¥57,076	¥46,002	80.6%	¥3,059.99
Fiscal 2005	53,894	45,606	84.6	2,923.58

Note: Equity capital at year-end
Fiscal 2006: ¥46,002 million

2. Forecast for fiscal 2007 (April 1, 2007–March 31, 2008)

(Millions of yen, except per share data, rounded down)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Interim	14,050	4.9%	3,160	13.5%	3,155	10.8%	1,860	12.2%	124.57
Full year	28,600	5.1	6,570	16.6	6,630	14.6	3,910	14.8	260.97

*The above estimates are based on information available to the Company on the date of the report's announcement. Due to unforeseen circumstances, however, actual results may differ from such estimates. For more information related to the above figures, please refer to page 4 of "Consolidated Financial Results for Fiscal 2006."

Performance and Financial Position

1. Performance

(1) Operating Results

In the fiscal period under review, the Japanese economy showed a recovery trend, driven by higher capital investments stemming from recovery in corporate performances, as well as improved employment conditions. However, the business environment remained uncertain due to a slowdown in the U.S. economy, concerns about hikes in interest rates, and other factors.

Conditions in the medical equipment industry remain difficult due to the effects of reforms to the healthcare system aimed at restraining medical expenses. Medical treatment remuneration was revised downward in April 2006, placing more and more pressure on companies associated with the medical equipment industry to enhance efficiency and streamline operations. In addition, the revised Pharmaceutical Affairs Law was enacted in April 2005, highlighting the growing importance of safety and legal compliance among companies in the industry.

For the period, the Hogy Medical Group reported ¥10,364 million in sales of surgical-use kit products, up 13.6% from the previous fiscal year. Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management, performed generally according to plan, with sales of ¥3,164 million. The number of Operamaster contracts reached 66 by March 31, 2007 (up from 34 a year earlier). In surgical-use non-wovens, in the middle of the year we introduced new gowns and drapes, which were well received by medical institutions. These actions are consistent with our “Surrem strategy,” based on the concept of low price, high function, and high quality.

As a result, consolidated net sales amounted to ¥27,293 million, up 3.3% year-on-year, representing our 46th consecutive annual increase in revenue.

On the earnings side, we continued striving to enhance production efficiency and otherwise reduce costs. We also sought to ensure efficient expense allocations in the selling, general, and administrative expenses category. In the non-operating category, we generated income associated with the cancellation at maturity of insurance policies for Group directors, as well as a foreign exchange gain on assets denominated in foreign currencies. By contrast, we incurred costs in the form of interest on borrowings from financial institutions and commissions associated with the acquisition of treasury stock. Among extraordinary items, we made provision for allowance for doubtful accounts to cover part of our receivables.

Consequently, consolidated operating income for the year was down 2.3%, to ¥6,058 million, and ordinary income declined 4.6%, to ¥6,139 million. Net income fell 7.4%, to ¥3,621 million.

In the next fiscal year, the Japanese economy is expected to continue recovering, although some observers have a cautious view about the outlook, due to economic slowdown in the United States and concerns about rising interest rates.

Conditions in the medical equipment industry will remain severe, as stated earlier, and companies involved in the industry will face greater pressure than ever to enhance the efficiency of their operations. To prevail, we at the Hogy Medical Group will assertively promote our Operamaster and Surrem strategies, in order to distinguish ourselves from the competition.

Our consolidated forecasts for the fiscal year to March 2008 are as follows:

Net sales	¥28,670 million	(up 5.0%)
Operating income	¥ 7,000 million	(up 15.5%)
Ordinary income	¥ 6,990 million	(up 13.8%)
Net income	¥ 4,140 million	(up 14.3%)

(2) Financial Position

Total assets at fiscal year-end stood at ¥59,231 million, up ¥3,292 million from a year earlier. Current assets rose ¥2,425 million, to ¥23,061 million. This was due mainly to a ¥1,787 million increase in cash and bank deposits related to operating activities, as well as a ¥1,179 million increase in notes and accounts receivable.

Fixed assets rose ¥866 million, to ¥36,170 million. Within this figure, tangibles fell ¥1,655 million, to ¥30,460 million, as depreciation costs exceeded purchases of property, plant, and equipment. Intangibles grew ¥213 million, to ¥533 million, and investments and other assets rose ¥2,309 million, to ¥5,176 million, due mainly to purchases of investment securities.

At fiscal year-end, total liabilities amounted to ¥11,200 million, up ¥2,655 million. Current liabilities were down ¥370 million, to ¥6,135 million. Major factors included a ¥547 million decline in equipment-related notes payable owing to the settlement of bills, a ¥450 million decrease in notes and accounts payable, a ¥353 fall in deferred hedging income, and a ¥1,000 million increase in current portion of long-term borrowings due to borrowings from financial institutions. Long-term liabilities rose ¥3,026 million, to ¥5,065 million. Major factors included a ¥3,925 million increase in long-term borrowings and a ¥1,050 million fall in deferred hedging income.

Net assets at the end of the year totaled ¥48,031 million. Items boosting net assets included net income (¥3,621 million) and deferred hedging income associated with a change in accounting treatment (¥926 million). Items holding down net assets included cash dividends paid (¥1,301 million). As a result, the equity ratio declined to 81.1%, from 84.7% at the end of the previous fiscal year.

(Statements of Cash Flows)

Cash and cash equivalents at the end of the year under review stood at ¥7,825 million, up ¥1,770 million from a year earlier.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥5,355 million, down ¥383 million from the previous year. Factors in this result included ¥6,102 million in income before income taxes and minority interests and ¥2,914 million in depreciation, which contrasted with a ¥1,175 million decrease in notes and accounts receivable and ¥2,573 million in income taxes paid.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥4,642 million, a ¥356 million improvement from the previous corresponding period. This was primarily due to purchases of investment securities and tangible assets for the new distribution center.

(Cash Flows from Financing Activities)

Net cash provided by financing activities was ¥1,035 million, compared with ¥10,670 million net cash used in such activities in the previous year. Major outlays included cash dividends paid. This contrasted from the previous fiscal year, which saw ¥9,997 million in redemption of convertible bonds.

In the year ahead, we expect net cash provided by operating activities to be around ¥6,500 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥2,000 million, due to regular purchases of equipment. We expect cash flows from financing activities to be around ¥2,500 million, mainly influenced by cash dividends paid and payments of interest and principal on borrowings.

Cash Flow Indicators

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Equity ratio (%)	70.2	72.2	84.7	81.1
Equity ratio based on market price (%)	132.4	139.9	183.5	152.0
Debt repayment term (years)	—	—	—	0.9
Interest coverage ratio	—	—	—	338.1

Notes:
Equity ratio: Equity capital/Total assets
Equity ratio based on market price: Total stock value based on market price/Total assets
Debt repayment term: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest paid

1. Each index is calculated based on consolidated financial figures.
2. Market value of total stock is calculated by multiplying the stock price (closing price at the end of the year) by the number of shares outstanding at the end of the year.
3. Operating cash flow is calculated using net cash provided by operating activities (listed in the Consolidated Statements of Cash Flows). Interest-bearing debt refers to all debt that incurs interest (listed in the Consolidated Balance Sheets). For interest paid, the amount shown in the Consolidated Statements of Cash Flows is used.

(3) Basic Profit Appropriation Policy and Cash Dividends

Our basic policy with respect to profit appropriation emphasizes a strategy of paying cash dividends, and since our foundation we have adhered to our corporate motto of “ensuring harmonious coexistence with customers, shareholders, employees, and corporations.” To this end, we continue to actively and consistently reward our shareholders for their patronage, and from the year under review we have set a consolidated dividend payout ratio of 30%. To ensure that the fruits of our performance are swiftly returned to shareholders, we commenced payment of quarterly cash dividends in the year under review.

For the year, we plan to pay total dividends of ¥80.00 per share. We have already paid ¥20.00 dividends in each of the first three quarters of the year, and the year-end dividend (also ¥20.00) is scheduled for payment in May 2007. In the next fiscal year, we plan to pay ¥20.00 quarterly dividends, for total annual dividends of ¥80.00 per share.

(4) Business Risks

The business performance, share price, and financial position of the Hogy Medical group can be potentially affected by various risks, such as those described below. (The description below contains forward-looking statements, deemed valid by the Group as of the end of the period under review.)

Legal regulations

The Hogy Medical Group handles a variety of items, including kit products, medical-use non-woven fabric products, and rubber surgical gloves. Most of these items are governed by regulations contained in the Pharmaceutical Affairs Law. In addition, the manufacture and sale of such items is subject to approval by the Ministry of Health, Labor and Welfare, as well as permission from the governors of the prefectures in which such products are made. If such approvals and permits are not granted by the relevant authority, or if previously granted approvals or permits are revoked, the Group's business performance could be affected.

Disruption of supply of main materials and raw materials

The Hogy Medical Group uses a non-woven fabric, made by U.S. company DuPont, as the principal material in its mainstay non-woven fabric products, because the material is physically and functionally suited for this purpose. The Group receives supplies of this material from DuPont Kabushiki Kaisha, DuPont's Japanese subsidiary. Hogy Medical and DuPont Japan Limited (now DuPont Kabushiki Kaisha) have a memorandum of understanding to the effect that DuPont is to be the exclusive supplier to Hogy Medical of non-woven fabrics for medical use. This agreement has served to ensure a stable supply of materials. However, in the event that circumstances hinder the supply of materials, or if time is required to find alternative materials, the Group's business performance could be affected.

Moreover, if a supplier of materials contained in the Group's kit products initiates a non-conformance report or product recall, the Group will need to recall kit products containing such materials, which could potentially affect its business performance.

Inability to manufacture and supply at domestic manufacturing bases

The Hogy Medical Group's manufacturing and distribution bases are concentrated in Miho and Ushiku in Ibaraki Prefecture. In the event of temporary cessation of manufacturing or product supply due to an earthquake, fire, flood or other natural disaster in this region, the Group's business performance could be affected, because the Group does not have manufacturing facilities in other parts of Japan.

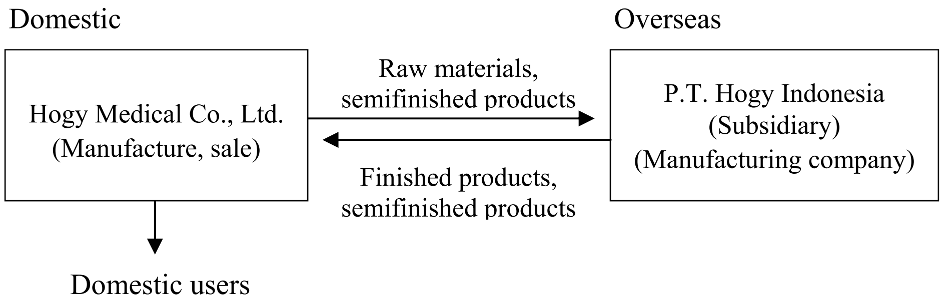
Inability to manufacture at overseas manufacturing base

The Hogy Medical Group's entrusts part of its manufacturing of medical-use non-woven fabric products and consumables to its manufacturing subsidiary in Indonesia. In the event of temporary cessation of manufacturing or product supply due to unanticipated changes to laws or regulations, or the occurrence of an uncontrollable accident caused by political unrest, terrorism, violence, war, or a natural disaster in Indonesia, the Group's business performance could be affected.

2. The Hogy Medical Group

The Hogy Medical Group consists of Hogy Medical (the “Company”) and its consolidated subsidiary, P.T. Hogy Indonesia (the “Subsidiary”). Main Group businesses are the manufacture and sale of various items for medical use, namely consumables, medical equipment, medical recording paper, and non-woven fabric products. The Company entrusts part of its non-woven fabric products and consumables manufacturing operations to the subsidiary. Practically all of the products made by that subsidiary are supplied to the Company. Therefore, this subsidiary can be regarded at the Company’s manufacturing base.

The Group’s structure and interrelationships are shown below.



3. Management Policies

(1) Basic Policy

Hogy Medical is committed to “fostering medical progress and promoting the health and happiness of people through its business activities, thus contributing to social prosperity.” Through its campaign to combat the spread of in-hospital infections, the Company places top priority on assuring the safety of patients and medical facility personnel. We also make and sell a line of products that enable medical institutions to enhance their streamlining and energy-saving efforts.

(2) Key Performance Indicators

Two financial indicators prioritized by management are earnings per share (EPS) and return on equity (ROE). Our objective is to raise EPS and ROE to at least ¥500 and 10%, respectively.

(3) Medium- and Long-Term Strategies

We accord high emphasis to product life cycles, acknowledging that even the most superior products cannot sustain long-term growth. With this in mind, we have implemented a strategy of “getting next-generation growth products on stream while sales of mainstay items are expanding.” We believe this strategy will enable us to achieve revenue and profit growth over the medium and long terms. To this end, we are concentrating our management resources on new product development.

To achieve these objectives, we are pursuing a marketing strategy aimed at making Operamaster—a product, distribution, and information system centered around full-kit offerings—into a main pillar of our business. Full-kit products, the core component of Operamaster, incorporate the sterilized medical supplies used in operating rooms. Operamaster is based on the concept of creating sets of products tailored to specific doctors and diseases. In addition to enhancing operating efficiency and saving labor costs, full-kit products help make surgical procedures safer. At the same time, they contribute to the improvement of medical institution operations because they eliminate need for product-specific inventory management. We are also enhancing distribution efficiency. We have established a system whereby our Tsukuba facility manufactures full-kit systems in as little as four days. Therefore, hospitals can now place orders directly to Hogy from dedicated information terminals, for delivery on the day before surgery. This system is expected to alleviate hospitals' inventory burdens. In addition to an online ordering system, we are improving our information capabilities by unifying our surgery schedule, personnel, and cost management systems. This is expected to facilitate operating room scheduling and improve productivity. We will more effectively control receipt and transfer of materials, in order to eliminate inventory-related waste and facilitate cost-based accounting. In summary, a key priority for Hogy Medical is to ensure the proliferation of Operamaster as a solution-based service for medical institutions, who will be required to streamline operations and enhance management efficiency in the future. In addition, we are applying our "Surrem strategy"—based on the concept of low price, high function, and high quality—to mainly non-woven fabric products, in order to more effectively meet the needs of medical institutions.

The revised Pharmaceutical Affairs Law, enacted in April 2005, highlights the growing importance of safety and legal compliance among companies in the medical equipment industry. In this in mind, Hogy Medical will renew its focus on the stable supply of safe products. In addition, we will pursue ongoing cost-reduction activities, diversify sourcing methods for materials, and further upgrade internal monitoring systems in order to ensure transparency of operations.

(4) Issues to Address

On April 12, 2006, the Group announced its medium-term business plan, the main priorities of which are listed below. Although some items are similar to those described in the previous section ("Medium- and Long-Term Strategies"), we will assertively implement these specific strategies and actions, in order to distinguish ourselves from the competition.

- Step up promotion of Operamaster strategy
- Strengthen business in non-woven materials (Sontara) through introduction of new products
- Develop new products
- Ensure stable supply of safe products
- Enhance production efficiency and otherwise target ongoing cost reductions
- Diversify sourcing of materials and lower sourcing costs
- Reinforce internal control system
- Nurture human resources

(5) Items Related to Parent Company

No relevant items

3. Consolidated Financial Statements

1. Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2005 (At March 31, 2006)		Fiscal 2006 (At March 31, 2007)		Increase/ Decrease
		% of total		% of total	
ASSETS					
Current assets	¥20,635	36.9%	¥23,061	38.9%	¥2,425
Cash and bank deposits	6,325		8,113		
Notes and accounts receivable	7,744		8,924		
Inventories	5,651		5,327		
Deferred income taxes	302		151		
Currency swaps	92		174		
Forward foreign exchange contracts	261		199		
Other assets	262		174		
Allowance for doubtful accounts	–5		–5		
Fixed assets	35,303	63.1	36,170	61.1	866
Tangibles	32,116	57.4	30,460	51.4	–1,655
Buildings and structures	13,575		13,969		
Machinery and vehicles	7,633		8,586		
Land	7,470		7,472		
Construction in progress	2,917		4		
Others	520		427		
Intangibles	319	0.6	533	0.9	213
Others	319		533		
Investments and other assets	2,866	5.1	5,176	8.8	2,309
Investment securities	207		2,793		
Guaranty deposit	526		547		
Deferred income taxes	262		—		
Currency swaps	534		595		
Forward foreign exchange contracts	515		568		
Other assets	890		774		
Allowance for doubtful accounts	–70		–102		
Total assets	¥55,939	100.0%	59,231	100.0%	¥3,292

(Millions of yen, rounded down)

	Fiscal 2005 (At March 31, 2006)	% of total	Fiscal 2006 (At March 31, 2007)	% of total	Increase/ Decrease
LIABILITIES					
Current liabilities	¥ 6,505	11.6%	¥ 6,135	10.4%	¥ –370
Notes and accounts payable	3,449		2,999		
Bonds redeemable within one year	—		1,000		
Accrued income tax	1,304		1,198		
Reserve for employees' bonuses	359		366		
Reserve for directors' bonuses	—		90		
Equipment-related notes payable	613		65		
Deferred hedging gains	353		—		
Other current liabilities	424		414		
Long-term liabilities	2,038	3.7	5,065	8.5	3,026
Long-term borrowings	—		3,925		
Deferred income taxes	150		358		
Reserve for employees' retirement benefits	183		79		
Reserve for directors' retirement bonuses	378		412		
Deferred hedging gains	1,050		—		
Other long-term liabilities	276		289		
Total liabilities	8,544	15.3	11,200	18.9	2,655
MINORITY INTERESTS					
Minority interests	12	0.0	—	—	—
SHAREHOLDERS' EQUITY					
Common stock	7,123	12.7	—	—	—
Capital surplus	8,336	14.9	—	—	—
Earned surplus	36,374	65.0	—	—	—
Net unrealized gain or loss on securities	2	0.0	—	—	—
Translation adjustments	59	0.1	—	—	—
Treasury stock	–4,512	–8.0	—	—	—
Total shareholders' equity	47,383	84.7	—	—	—
Total liabilities, minority interests, and shareholders' equity	55,939	100.0	—	—	—
NET ASSETS					
Shareholders' equity	—	—	46,986	79.3	—
Common stock	—	—	7,123	12.0	—
Capital surplus	—	—	8,336	14.1	—
Earned surplus	—	—	38,626	65.2	—
Treasury stock	—	—	–7,099	–12.0	—
Valuation/translation gains or losses	—	—	1,031	1.8	—
Net unrealized gains or losses on securities	—	—	22	0.0	—
Deferred hedging gains or losses	—	—	926	1.6	—
Translation adjustments	—	—	82	0.2	—
Minority interests	—	—	13	0.0	—
Total net assets	—	—	48,031	81.1	—
Total liabilities and net assets	—	—	¥59,231	100.0%	—

(2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2005 (April 1, 2005–March 31, 2006)			Fiscal 2006 (April 1, 2006–March 31, 2007)			Increase/Decrease	
			% of total			% of total		% change
Net sales		¥26,434	100.0%		¥27,293	100.0%	¥859	+3.3%
Cost of sales		12,860	48.6		13,490	49.4	630	+4.9
Gross profit		13,574	51.4		13,803	50.6	229	+1.7
Selling, general, and administrative expenses		7,373	27.9		7,745	28.4	371	+5.0
Operating income		6,200	23.5		6,058	22.2	–142	–2.3
Other income								
Interest income	30			15				
Exchange gain	174			18				
Lease revenue	11			6				
Gain on repayment of insurance policies at maturity	—			35				
Others	61	278	1.1	39	116	0.4	–162	–58.3
Other expenses								
Interest expenses	—			23				
Lease costs	6			3				
Others	34	40	0.2	7	34	0.1	–6	–15.5
Ordinary income		6,438	24.4		6,139	22.5	–298	–4.6
Extraordinary income								
Gain on sale of fixed assets	0			0				
Gain on sale of investment securities	26			—				
Gain on transfer from allowance for doubtful accounts	1	29	0.1	—	0	0.0	–29	–99.9
Extraordinary expenses								
Loss on disposal of fixed assets	20			15				
Provision for allowance for doubtful accounts	—	20	0.1	22	37	0.1	16	+81.0
Income before income taxes and minority interests		6,446	24.4		6,102	22.4	–344	–5.3
Income taxes	2,500			2,484				
Income tax adjustment	35	2,535	9.6	–5	2,479	9.1	–56	–2.2
Minority interests		1	0.0		1	0.0	0	+13.6
Net income		¥3,909	14.8		¥ 3,621	13.3	¥–287	–7.4

(3) Statements of Changes in Retained Earnings and Shareholders' Equity

Retained Earnings

(Millions of yen, rounded down)

		Fiscal 2005 (April 1, 2005–March 31, 2006)
CAPITAL SURPLUS		
Balance at beginning of year		¥ 8,336
Balance at end of year		8,336
EARNED SURPLUS		
Balance at beginning of year		33,279
Increase in earned surplus		
Net income	3,909	3,909
Decrease in earned surplus		
Cash dividends paid	747	
Bonuses to directors	67	
Loss on disposal of treasury stock	0	814
Balance at end of year		¥36,374

Statements of Changes in Shareholders' Equity

(April 1, 2006–March 31, 2007)

(Millions of yen, rounded down)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	¥7,123	¥8,336	¥36,374	¥–4,512	¥47,321
Changes during term					
Distribution of retained earnings			–1,301		–1,301
Earnings appropriated for directors' bonuses			–67		–67
Net income			3,621		3,621
Purchase of treasury stock				–2,700	–2,700
Disposal of treasury stock			–1	113	112
Changes during term not related to shareholders' equity (net)					
Total changes during term	—	—	2,252	–2,587	–334
Balance at March 31, 2007	7,123	8,336	38,626	–7,099	46,986

	Valuation/translation gains or losses				Minority interests	Total net assets
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Translation adjustments	Total valuation/translation gains or losses		
Balance at March 31, 2006	¥ 2	¥ —	¥59	¥ 61	¥12	¥47,395
Changes during term						
Distribution of retained earnings						–1,301
Earnings appropriated for directors' bonuses						–67
Net income						3,621
Purchase of treasury stock						–2,700
Disposal of treasury stock						112
Changes during term not related to shareholders' equity (net)	20	926	22	970	1	971
Total changes during term	20	926	22	970	1	636
Balance at March 31, 2007	22	926	82	1,031	13	48,031

(4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2005 (April 1, 2005–March 31, 2006)	Fiscal 2006 (April 1, 2006–March 31, 2007)
Operating activities		
Income before income taxes and minority interests	¥ 6,446	¥6,102
Depreciation	2,316	2,914
Retirement benefits, net of payments	–107	–66
Increase (decrease) in allowance for doubtful accounts	–1	31
Interest and dividend income	–31	–15
Interest expenses	—	23
Gain on sales of investment securities	–26	—
Exchange gain	–177	–19
Gain on sale of tangible fixed assets	–1	–0
Loss on disposal of tangible fixed assets	20	15
Changes in assets and liabilities:		
Notes and accounts receivable	–371	–1,175
Inventories	1	330
Notes and accounts payable	483	–446
Accrued consumption tax receivables and others	–98	98
Accrued consumption tax payables and others	–300	126
Other current assets	15	–7
Other current liabilities	15	91
Other investments and others	–38	–22
Other long-term liabilities	25	12
Bonuses paid to directors	–67	–67
Subtotal	8,103	7,928
Interest and dividends received	31	15
Interest paid	—	–15
Incomes taxes paid	–2,396	–2,573
Net cash provided by operating activities	5,738	5,355
Investing activities		
Increase in time deposits	–38	–23
Proceeds from withdrawals from time deposits	10	6
Proceeds from acquisition of investment securities	—	–2,551
Proceeds from sale of investment securities	167	—
Purchase of tangible fixed assets	–4,956	–1,828
Proceeds from sale of tangible fixed assets	4	0
Purchase of intangible fixed assets	–123	–340
Expenditures by loans receivable	–166	–118
Collection of loans receivable	93	121
Increase in other investments	10	92
Net cash used in investing activities	–4,998	–4,642
Financing activities		
Proceeds from long-term debt	—	5,000
Repayments of long-term debt	—	–75
Redemption of convertible bonds	–9,997	—
Sales of treasury stock	80	112
Purchase of treasury stock	–6	–2,700
Cash dividends paid	–747	–1,300
Net cash used in financing activities	–10,670	1,035
Effect of exchange rate changes on cash and cash equivalents	240	–15
Net change in cash and cash equivalents	–9,690	1,770
Cash and cash equivalents at beginning of year	15,745	6,055
Cash and cash equivalents at end of year	¥ 6,055	¥7,825