

**April 11, 2012**

# Consolidated Financial Results for Fiscal 2011

Name: **Hogy Medical Co., Ltd.**  
 Listing: **First Section, Tokyo Stock Exchange**  
 Stock code number: **3593**  
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 URL: **http://www.hogy.co.jp**  
 Representative: **Jun-ichi Hoki, President and CEO**  
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 Annual Meeting of Shareholders: **June 22, 2012**  
 Date of issue of Financial Report: **June 22, 2012**  
 Preparation of supplementary materials for financial results: **Yes**  
 Information meet for financial results to be held: **Yes**  
 Start of cash dividend payments: **May 31, 2012**

## 1. Financial results for fiscal 2011 (April 1, 2011–March 31, 2012)

### (1) Results of operations

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

	Net sales		Operating income		Ordinary income		Net income	
		(% change from previous year)		(% change)		(% change)		(% change)
Fiscal 2011	¥31,873	+1.8%	¥7,750	-9.9%	¥7,825	-8.6%	¥4,624	+3.9%
Fiscal 2010	31,311	-0.1%	8,601	+7.9%	8,561	+6.7%	4,453	-9.5%

Note: Comprehensive income

Fiscal 2011: ¥4,713 million (up 26.1%)

Fiscal 2010: ¥3,737 million (down 28.8%)

	Net income per share	Net income per share (fully diluted)	ROE	Ordinary income/ Total assets	Operating income/ Net sales
	(Yen)	(Yen)	(%)	(%)	(%)
Fiscal 2011	¥294.01	—	7.4%	11.0%	24.3%
Fiscal 2010	283.10	—	7.5%	12.4%	27.5%

Note: Gain/loss on investments based on equity method

Fiscal 2011: ¥—million

Fiscal 2010: ¥—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 2011	¥72,522	¥64,013	88.3%	¥4,069.17
Fiscal 2010	69,834	60,698	86.9%	3,857.83

Note: Equity capital at year-end

Fiscal 2011: ¥64,007 million

Fiscal 2010: ¥60,684 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 2011	¥6,278	¥-2,810	¥-2,310	¥19,239
Fiscal 2010	¥7,250	¥-3,888	¥-2,545	¥18,139

## 2. Cash dividends

(Date of record)	Cash dividends per share (Yen)					Total dividends paid (full year) (Millions of yen)	Payout ratio (consolidated)	Dividends paid/ Net assets (consolidated) (%)
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year			
Fiscal 2010	¥25.00	¥25.00	¥25.00	¥25.00	¥100.00	¥1,573	35.3%	2.6%
Fiscal 2011	20.00	20.00	23.00	23.00	86.00	1,352	29.3%	2.1%
Fiscal 2012 (est.)	24.00	24.00	24.00	24.00	96.00		29.9%	

## 3. Forecast for fiscal 2012 (April 1, 2012–March 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
First 2 quarters	¥16,260	+2.7%	¥4,245	+6.1%	¥4,275	+7.4%	¥2,674	+12.8%	¥169.99
Full year	32,870	+3.1	8,000	+3.2	8,060	+3.0	5,043	+9.0	320.60

## 4. Other

(1) Important changes in scope of consolidation during period: No

(2) Changes in accounting policies; changes in accounting estimates; restatements

(1) Changes in accounting policies due to amendment of accounting standards: No

(2) Other changes in accounting policies: No

(3) Changes in accounting estimates: No.

(4) Restatements: No

(3) Shares outstanding (common stock) at year-end

1. Number of shares outstanding (including treasury stock)

Fiscal 2011: 16,341,155

Fiscal 2010: 16,341,155

2. Number of treasury shares outstanding

Fiscal 2011: 611,220

Fiscal 2010: 610,955

3. Average number of shares over period

Fiscal 2011: 15,730,070

Fiscal 2010: 15,730,617

## (Reference) Summary of Non-Consolidated Financial Results

### 1. Financial results for fiscal 2011 (April 1, 2011–March 31, 2012)

#### (1) Results of operations

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

	Net sales		Operating income		Ordinary income		Net income	
		(% change)		(% change)		(% change)		(% change)
Fiscal 2011	¥31,757	+1.7%	¥7,303	−9.5%	¥7,459	−8.1%	¥4,393	+5.9%
Fiscal 2010	31,228	+0.6%	8,073	+9.4%	8,115	+8.4%	4,148	−7.3%

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)
Fiscal 2011	¥279.33	—
Fiscal 2010	263.75	—

#### (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 2011	¥70,234	¥61,768	87.9%	¥3,926.79
Fiscal 2010	67,677	58,495	86.4%	3,718.65

Note: Equity capital at year-end

Fiscal 2011: ¥61,768 million

Fiscal 2010: ¥58,495 million

### 2. Forecast for fiscal 2012 (April 1, 2012–March 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
First 2 quarters	¥16,192	+2.6%	¥3,844	+1.5%	¥3,893	+3.1%	¥2,410	+7.5%	¥153.21
Full year	32,700	+3.0	7,420	+1.6	7,580	+1.6	4,698	+6.9	298.67

#### Implementation status of quarterly review procedures

This financial results report is subject to review procedures under Japan's Financial Instruments and Exchange Law. At the time of this report's release, however, such review procedures under the Financial Instruments and Exchange Law had not been completed.

#### Appropriate use of business forecasts; other special items

Performance forecasts and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report's release. Due to various circumstances, however, actual results may differ significantly from such statements. For cautionary notes on assumptions underlying the Company's forecasts and the usage of such forecasts, please refer "(1) Performance" on page 5.

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## 1. Performance and Financial Position

### (1) Performance

In the fiscal year under review, the Japanese economy showed a recovery trend, albeit moderate, despite the major impact of the Great East Japan Earthquake. However, the outlook remained unclear due to several factors, including the European financial crisis, sharp foreign exchange fluctuations, and soaring crude oil prices.

Despite a slight increase in overall medical treatment remuneration, conditions in the medical equipment industry remained challenging as the nation confronted financial difficulties and companies associated with the industry faced growing pressure to enhance efficiency and streamline operations.

In this environment, the Hogy Medical Group sustained damage to its production facilities from the Great East Japan Earthquake, which affected its business results in the first quarter of the fiscal year. However, we gradually stepped up our sales activities, spurred by promotional tours of our Surgery Management System showroom, which extends the functions of the Operamaster system components. Accordingly, we were able to conclude contracts on a par with previous years.

As a result, consolidated net sales for the year amounted to ¥31,873 million, up 1.8% from the previous year. Within this total, sales of surgical-use kit products rose 5.9%, to ¥15,232 million, owing mainly to the popularity of Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management. Although the Group signed 20 new Operamaster contracts with medical institutions, there were seven cancellations, bringing total contracts in force to 144 at term-end. Sales of surgical-use non-wovens were down 2.0%, to ¥10,638 million, reflecting the Group's strategic pricing policy aimed at expanding market share.

The cost of sales ratio increased year-on-year, due to a rise in depreciation associated with the new Tsukuba Sterilization Center, which commenced operations in stages from May 2011. This was despite improvements in productivity thanks to a higher production volume.

Selling, general, and administrative expenses were up year-on-year, due to a number of factors. These included expenses arising from our response to production delays, as well as expenses related to the subsequent rejuvenation of our sales activities. In addition, we incurred expenses related to future corporate growth as we focused on developing the Operamaster surgery management system and conducting experimental research.

Consequently, consolidated operating declined 9.9%, to ¥7,750 million, and ordinary income slipped 8.6%, to ¥7,825 million. Net income was down 3.9%, to ¥4,624 million.

### (Outlook)

The outlook for the year ending March 2013 remains unclear due to sharp foreign exchange fluctuations and surging crude oil prices, as well as expectations of peak materials prices stemming from hikes in electricity prices.

As described earlier, the medical equipment industry expects business conditions to remain challenging, as companies face growing pressure to enhance efficiency and streamline operations.

Under a policy of "tireless challenge aimed at dramatic progress," the Hogy Medical Group has positioned the year ahead as a new start for its next 50 years of operation. To this end, we will continue assertively promoting our Operamaster strategy and our Surrem strategy. In addition, we will launch a new product, called IC Tracer, in which an IC tag is attached to gauze to permit tracing, and thus prevent gauze used in surgical procedures from ending up inside the patient's body. In addition, we will step up promotion of our Operamaster strategy, as stated earlier. This will entail extending the functions of the Operamaster system and reinforcing sales of our Surgery Management System, which helps customers "visualize" what happens in the surgery room.

Our full-year consolidated forecasts for the fiscal year ending March 2013 are shown below.

**(Consolidated performance forecasts)**

Our consolidated forecasts for the fiscal year to March 2013 are as follows:

Net sales	¥32,870 million	(up 3.1%)
Operating income	¥ 8,000 million	(up 3.2%)
Ordinary income	¥ 8,060 million	(up 3.0%)
Net income	¥ 5,043 million	(up 9.0%)

**(2) Financial Position**

**1) Assets, Liabilities, and Net Assets**

At March 31, 2012, total assets amounted to ¥72,522 million, up ¥2,688 million from a year earlier. During the year, current assets increased ¥2,952 million, to ¥36,465 million. This was mainly due to a ¥1,265 million rise in notes and accounts receivable and a ¥1,104 million increase in cash and bank deposits. Fixed assets were down ¥264 million, to ¥36,056 million. Within this figure, tangibles declined ¥1,933 million, to ¥29,585 million. Among machinery and vehicles (net), which totaled ¥6,353 million, there was a ¥3,556 million increase in manufacturing equipment associated with expansion of the Tsukuba Sterilization Center. Intangibles rose ¥402 million, to ¥1,291 million, and investments and other assets jumped ¥1,266 million, to ¥5,179 million.

At fiscal year-end, total liabilities amounted to ¥8,508 million, down ¥627 million. Current liabilities declined ¥716 million, to ¥7,606 million, and long-term liabilities totaled ¥902 million.

Net assets at the end of the year totaled ¥64,013 million, up ¥3,315 million from a year earlier. The main factor boosting net assets was ¥4,624 million in net income, while the major factor holding down net assets was ¥1,384 million in cash dividends paid. As a result, the equity ratio rose from 86.9% to 88.3%.

**2) Cash Flows**

Cash and cash equivalents at the end of the fiscal year stood at ¥19,239 million, up ¥1,100 million from a year earlier.

***(Cash Flows from Operating Activities)***

Net cash provided by operating activities amounted to ¥6,278 million, down ¥971 million from the previous year. Major items included ¥7,822 million in income before income taxes and minority interests and ¥3,064 million in depreciation. These contrasted with ¥2,734 million in income taxes paid and a ¥1,284 million increase in notes and accounts receivable.

***(Cash Flows from Investing Activities)***

Net cash used in investing activities totaled ¥2,810 million, down ¥1,077 million from the previous year. Main included purchases of tangible fixed assets related to the Tsukuba Sterilization Center.

***(Cash Flows from Financing Activities)***

Net cash used in financing activities was ¥2,310 million, down ¥235 million from the previous year. Major outlays included repayments of long-term debt and cash dividends paid.

For the next fiscal year, we expect net cash provided by operating activities to be around ¥5,700 million. Net cash used in investing activities is expected to total around ¥2,000 million, due to replacement of existing equipment. We also expect to incur some outlays related to expansion of the Tsukuba Plant (new factory). We forecast net cash used in financing activities to be around ¥1,500 million, mainly influenced by payment of cash dividends.

## Cash Flow Indicators

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Equity ratio (%)	83.1	85.7	86.9	88.3
Equity ratio based on market price (%)	141.9	103.2	83.3	83.3
Debt coverage (years)	0.5	0.2	0.1	—
Interest coverage ratio (times)	117.0	224.4	335.0	888.4

Notes:

Equity ratio: Equity capital/Total assets

Equity ratio based on market price: Total stock value based on market price/Total assets

Debt coverage: 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

The Company's 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. To ensure that the fruits of our performance are swiftly returned to shareholders, we commenced payment of quarterly cash dividends in the fiscal year ended March 2007.

In the year under review, we paid first and second quarter dividends of ¥20.00 each. We also plan to pay dividends of ¥23.00 for each of the third and fourth quarters, up ¥3.00 from our projection at the beginning of the year, because we generated more income than our initial forecast. This will bring total annual dividends to ¥86.00 per share. (We have already paid dividends for the first three quarters, and the year-end dividend is scheduled for payment on May 31, 2012.) In the fiscal year ending March 2013, we plan to pay dividends of ¥24.00 per quarter, for total annual dividends of ¥96.00 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.)

#### 1) Legal regulations

The Hogy Medical Group handles a variety of items, including kit products and medical-use non-woven fabric products. 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.

#### 2) Disruption of supply of main materials and raw materials

Major fluctuations in the prices of crude oil, raw materials, or foreign exchange rates could have an impact on the Group's business performance. Moreover, if a manufacturer of materials contained in our surgical-use kit products is unable to ensure proper supplies, the Group will be unable to manufacture kit products that contain such materials, and its business performance could be affected as a result.

**3) Product defects**

If products handled by the Hogy Medical Group are found to be defective, this may lead to a medical accident or a product recall, and the Group's business performance could be affected as a result.

**4) Inability to manufacture at overseas manufacturing base**

Hogy Medical has a 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, natural disaster, or outbreaks of new strains of influenza in Indonesia, the Group's business performance could be affected.

**5) 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 or distribution facilities in other parts of Japan.

**6) Information management**

In the course of providing products and services that help medical institutions enhance operating efficiency and save labor costs, the Hogy Medical Group handles information from medical institutions, including personal information. The Group pays utmost care when handling information. In the case of information leakage, however, the Group could face social trust and compensation claim issues, and its business performance could be affected as a result.

**7) Foreign exchange fluctuations**

Hogy Medical has a subsidiary in Indonesia and procures some of its materials from overseas sources. Accordingly, the Group's business performance could be potentially affected by fluctuations in foreign exchange rates.

**8) Impairment accounting**

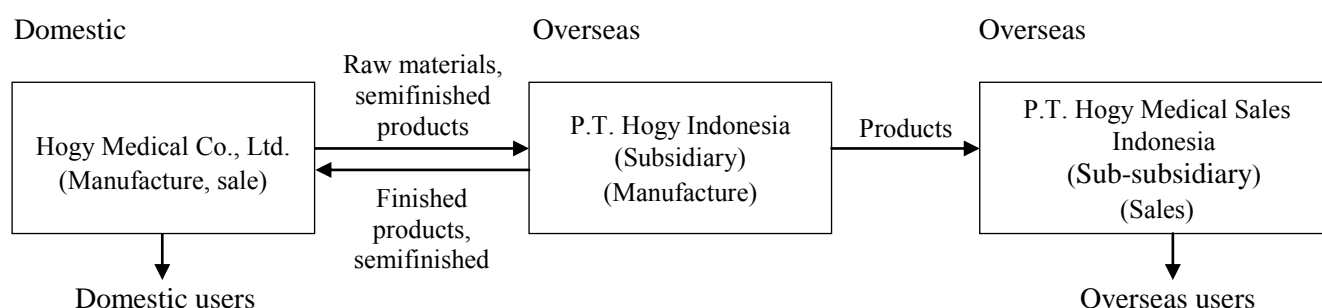
When the real values of assets owned by the Group decline, such assets are necessarily subject to impairment accounting. In such events, the Group's business performance could be potentially affected.

**2. The Hogy Medical Group**

The Hogy Medical Group consists of Hogy Medical Co., Ltd. (the "Company"), P.T. Hogy Indonesia (the "Subsidiary"), and P.T. Hogy Medical Sales Indonesia (the "Sub-subsidiary"). The Group's main businesses are the manufacture and sale of medical-use consumables and medical equipment. The Company entrusts part of its non-woven fabric products and consumables manufacturing operations to the Subsidiary. Practically all of the products made by the Subsidiary are supplied to the Company. Therefore, the Subsidiary can be regarded as an important manufacturing base for the Company. In addition, the Sub-subsidiary sells medical-use consumables, medical equipment, medical-use non-woven fabric products, and other items in overseas markets, centering on Indonesia.



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. Going forward, we will develop products that contribute to renewed growth for the Group. Specifically, we will strive to develop offerings that emphasize “medical safety” and “low invasiveness” based on the concept of “products that contribute to the medical front lines.”

The Group will continue pursuing a marketing strategy focused on Operamaster—a product, distribution, and information system centered around full-kit offerings. 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 hospital operations because they eliminate need for product-specific inventory management.

On the logistics side, we have established a system whereby hospitals can 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 also more simplify receipt and transfer of materials in order to minimize inventory-control burdens and facilitate cost-based accounting.

To date, the Group has advanced the Operamaster system and concept tailored to the needs of medical front lines. Specifically, we launched our Surgery Management System, which extends the functions of the Operamaster system components and allows more detailed analysis of surgery room data. Going forward, we

will undertake repeated development of Operamaster with the aim of expanding it into a solution-based service that meets the needs of medical institutions.

For companies in the medical equipment industry, the importance of safety and legal compliance continues to increase. With 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 and further upgrade internal monitoring and compliance systems in order to ensure transparency of operations.

#### **(4) Issues to Address**

The Group's key objectives are to create safe products that benefit society, ensure stable production, coexist harmoniously with customers, raise employee satisfaction levels, achieve steady growth, and improve earnings. After the Great East Japan Earthquake, the Group's production and shipping operations were temporarily suspended. At some facilities, the damage was major and required some time to restore. We will move quickly to analyze problems and study and implement measures to address them. At the same time, we will reinforce our existing facilities with the aim of building a system to enable recommencement of production and supplies within several days even if an unforeseen event happens in the future. We have identified the items listed below as important issues to address. By implementing each of these specific measures, we will move actively and assertively to improve corporate value.

- Ensure stable supply of safe products
- Build a production system that is prepared for emergencies
- Develop new products
- Further reinforce Operamaster and Surrem strategies
- Implement capital expenditure plan aimed at meeting performance targets and ensuring stable supplies
- Enhance Group-wide productivity
- Reinforce internal control system and compliance
- Respond appropriately to external conditions
- Nurture human resources and educate employees

#### **(5) Other Important Company Management Items**

No relevant items

## 4. Consolidated Financial Statements

### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2010 (At March 31, 2011)	Fiscal 2011 (At March 31, 2012)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥18,505	¥19,610
Notes and accounts receivable	9,091	10,357
Goods and merchandise	2,570	3,070
Products in progress	288	303
Materials and supplies	2,083	2,137
Deferred income taxes	621	384
Other	356	608
Allowance for doubtful accounts	-4	-6
<b>Total current assets</b>	<b>33,513</b>	<b>36,465</b>
Fixed assets		
Tangibles		
Buildings and structures	26,335	26,326
Accumulated depreciation	-13,032	-13,773
<b>Buildings and structures (net)</b>	<b>13,302</b>	<b>12,552</b>
Machinery and vehicles	20,251	24,146
Accumulated depreciation	-16,031	-17,793
<b>Machinery and vehicles (net)</b>	<b>4,219</b>	<b>6,353</b>
Land	9,375	9,361
Construction in progress	4,283	982
Others	2,541	2,660
Accumulated depreciation	-2,203	-2,325
<b>Others (net)</b>	<b>337</b>	<b>335</b>
<b>Total tangibles</b>	<b>31,518</b>	<b>29,585</b>
Intangibles		
Software	231	1,050
Software in progress	642	226
Telephone subscription rights	13	13
Others	0	0
<b>Total intangibles</b>	<b>888</b>	<b>1,291</b>
Investments and other assets		
Investment securities	2,257	2,627
Guaranty deposit	512	490
Deferred income taxes	205	62
Long-term deposits	—	1,000
Prepaid pension cost	167	229
Others	791	783
Allowance for doubtful accounts	-20	-14
<b>Total investments and other assets</b>	<b>3,913</b>	<b>5,179</b>
<b>Total fixed assets</b>	<b>36,320</b>	<b>36,056</b>
<b>Total assets</b>	<b>¥69,834</b>	<b>¥72,522</b>

(Millions of yen, rounded down)

	Fiscal 2010 (At March 31, 2011)	Fiscal 2011 (At March 31, 2012)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥ 3,338	¥3,715
Long-term debt due within one year	925	—
Accrued income tax	1,576	1,801
Reserve for employees' bonuses	407	494
Reserve for directors' bonuses	90	90
Reserve for loss on disaster	691	—
Equipment-related notes payable	380	479
Other current liabilities	914	1,024
<b>Total current liabilities</b>	<b>8,322</b>	<b>7,606</b>
Long-term liabilities		
Deferred income taxes	8	—
Reserve for employees' retirement benefits	44	147
Long-term payables	394	384
Other long-term liabilities	366	370
<b>Total long-term liabilities</b>	<b>813</b>	<b>902</b>
<b>Total liabilities</b>	<b>9,135</b>	<b>8,508</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	49,510	52,750
Treasury stock	-3,316	-3,317
<b>Total shareholders' equity</b>	<b>61,653</b>	<b>64,892</b>
Valuation and translation adjustments		
Net unrealized gain or loss on securities	78	326
Deferred hedging gain or loss	9	25
Translation adjustments	-1,055	-1,236
<b>Total valuation and translation adjustments</b>	<b>-968</b>	<b>-884</b>
Minority interests	13	5
<b>Total net assets</b>	<b>60,698</b>	<b>64,013</b>
<b>Total liabilities and net assets</b>	<b>¥69,834</b>	<b>¥72,522</b>

**(2) Statements of Income and Statements of Comprehensive Income**  
**(Statements of Income)**

(Millions of yen, rounded down)

	Fiscal 2010 (April 1, 2010– March 31, 2011)	Fiscal 2011 (April 1, 2011– March 31, 2012)
<b>Net sales</b>	¥31,311	¥31,873
<b>Cost of sales</b>	14,829	15,711
<b>Gross profit</b>	16,482	16,162
<b>Selling, general, and administrative expenses</b>	7,880	8,412
<b>Operating income</b>	8,601	7,750
<b>Other income</b>		
Interest income	3	3
Dividend income	51	55
Lease revenue	1	—
Gain on repayment of insurance policies at maturity	27	—
Others	49	51
Total other income	134	109
<b>Other expenses</b>		
Interest expense	20	5
Foreign exchange loss	152	27
Lease costs	1	—
Others	0	0
Total other expenses	174	33
<b>Ordinary income</b>	8,561	7,825
<b>Extraordinary income</b>		
Gain on transfer from allowance for doubtful accounts	15	—
Gain on sales of fixed assets	0	0
Gain on sales of investment securities	101	—
Total extraordinary income	117	0
<b>Extraordinary expenses</b>		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	15	3
Effect of application of accounting standards for asset retirement obligations	32	—
Valuation loss on golf membership	10	—
50-year commemoration business expense	90	—
Loss on disaster	1,054	—
Total extraordinary expenses	1,203	3
<b>Income before income taxes and minority interests</b>	7,475	7,822
<b>Income taxes</b>	3,192	2,956
<b>Income tax adjustment</b>	–171	240
<b>Total income taxes</b>	3,020	3,197
<b>Income before minority interests</b>	4,454	4,625
<b>Minority interests</b>	1	0
<b>Net income</b>	4,453	4,624

**(Statements of Comprehensive Income)**

(Millions of yen, rounded down)

	Fiscal 2010 (April 1, 2010– March 31, 2011)	Fiscal 2011 (April 1, 2011– March 31, 2012)
<b>Income before minority interests</b>	¥4,454	¥4,625
<b>Other comprehensive income</b>		
Net unrealized gain or loss on securities	-267	248
Deferred hedging gain or loss	-71	16
Translation adjustments	-379	-176
Total other comprehensive income	-717	88
<b>Comprehensive income</b>	3,737	4,713
(Breakdown)		
Comprehensive income attributable owners of parent company	3,737	4,708
Comprehensive income attributable to minority interests	-0	4

### (3) Statements of Changes in Shareholders' Equity

(Millions of yen, rounded down)

	Fiscal 2010 (April 1, 2010– March 31, 2011)	Fiscal 2011 (April 1, 2011– March 31, 2012)
<b>Shareholders' equity</b>		
Common stock		
Balance at beginning of the term	¥7,123	¥7,123
Changes during term in review		
Total changes during term	—	—
Balance at end of term in review	7,123	7,123
Capital surplus		
Balance at beginning of the term	8,336	8,336
Changes during term in review		
Total changes during term	—	—
Balance at end of term in review	8,336	8,336
Earned surplus		
Balance at beginning of the term	46,598	49,510
Changes during term in review		
Distribution of earned surplus	-1,541	-1,384
Net income	4,453	4,624
Disposal of treasury stock	-0	—
Total changes during term	2,911	3,240
Balance at end of term in review	49,510	52,750
Treasury stock		
Balance at beginning of the term	-3,313	-3,316
Changes during term in review		
Purchase of treasury stock	-3	-0
Disposal of treasury stock	0	—
Total changes during term	-3	-0
Balance at end of term in review	-3,316	-3,317
Total shareholders' equity		
Balance at beginning of the term	58,744	61,653
Changes during term in review		
Distribution of earned surplus	-1,541	-1,384
Net income	4,453	4,624
Purchase of treasury stock	-3	-0
Disposal of treasury stock	0	—
Total changes during term	2,908	3,239
Balance at end of term in review	61,653	64,892

(Millions of yen, rounded down)

	Fiscal 2010 (April 1, 2010– March 31, 2011)	Fiscal 2011 (April 1, 2011– March 31, 2012)
<b>Valuation and translation adjustments</b>		
Net unrealized gains or losses on securities		
Balance at beginning of the term	¥ 345	¥ 78
Changes during term in review		
Changes during term not related to shareholders' equity (net)	-267	248
Total changes during term	-267	248
Balance at end of term in review	78	326
Deferred hedging gains or losses		
Balance at beginning of the term	80	9
Changes during term in review		
Changes during term not related to shareholders' equity (net)	-71	16
Total changes during term	-71	16
Balance at end of term in review	9	25
Translation adjustments		
Balance at beginning of the term	-678	-1,055
Changes during term in review		
Changes during term not related to shareholders' equity (net)	-377	-180
Total changes during term	-377	-180
Balance at end of term in review	-1,055	-1,236
Total valuation and translation adjustments		
Balance at beginning of the term	-252	-968
Changes during term in review		
Changes during term not related to shareholders' equity (net)	-716	83
Total changes during term	-716	83
Balance at end of term in review	-968	-884
Minority interests		
Balance at beginning of the term	14	13
Changes during term in review		
Changes during term not related to shareholders' equity (net)	-0	-8
Total changes during term	-0	-8
Balance at end of term in review	13	5
Total net assets		
Balance at beginning of the term	58,506	60,698
Changes during term in review		
Distribution of earned surplus	-1,541	-1,384
Net income	4,453	4,624
Purchase of treasury stock	-3	-0
Sales of treasury stock	0	—
Changes during term not related to shareholders' equity (net)	-716	75
Total changes during term	2,191	3,315
Balance at end of term in review	60,698	64,013



#### (4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2010 (April 1, 2010– March 31, 2011)	Fiscal 2011 (April 1, 2011– March 31, 2012)
<b>Operating activities</b>		
Income before income taxes and minority interests	¥7,475	¥7,822
Depreciation	2,277	3,064
Valuation loss on golf membership	10	—
Effect of application of accounting standards for asset retirement obligations	32	—
Retirement benefits, net of payments	–4	42
Increase (decrease) in allowance for doubtful accounts	–12	–4
Interest and dividend income	–55	–58
Interest expenses	20	5
Loss on valuation of investment securities	–101	—
Foreign exchange gain	157	31
Loss on disaster	1,019	—
Loss on sales of tangible fixed assets	0	–0
Loss on disposal of tangible fixed assets	15	3
Changes in assets and liabilities:		
Notes and accounts receivable	–27	–1,284
Inventories	270	–612
Notes and accounts payable	–85	388
Accrued consumption tax payables and other	–61	–64
Consumption taxes and others receivable	—	–75
Other current assets	–22	–179
Other current liabilities	–34	–142
Other investments and others	–89	28
Other long-term liabilities	3	–6
Other	7	1
<b>Subtotal</b>	<b>10,793</b>	<b>8,961</b>
Interest and dividends received	55	58
Interest paid	–21	–7
Incomes taxes paid	–3,576	–2,734
<b>Net cash provided by operating activities</b>	<b>7,250</b>	<b>6,278</b>

(Millions of yen, rounded down)

	Fiscal 2010 (April 1, 2010– March 31, 2011)	Fiscal 2011 (April 1, 2011– March 31, 2012)
<b>Investing activities</b>		
Increase in time deposits	¥ -58	¥1,010
Proceeds from withdrawals from time deposits	54	5
Purchase of investment securities	-75	—
Proceeds from sales of investment securities	175	—
Purchase of shares in affiliate	—	-12
Purchase of tangible fixed assets	-3,501	-1,274
Proceeds from sales of tangible fixed assets	2	1
Purchase of intangible fixed assets	-489	-523
Expenditures by loans receivable	-10	-15
Collection of loans receivable	19	12
Increase (decrease) in other investments	-4	6
Net cash used in investing activities	-3,888	-2,810
<b>Financing activities</b>		
Repayments of long-term debt	-1,000	-925
Sales of treasury stock	0	—
Purchase of treasury stock	-3	-0
Cash dividends paid	-1,541	-1,384
Others	—	0
Net cash used in financing activities	-2,545	-2,310
Effect of exchange rate changes on cash and cash equivalents	-83	-57
Net change in cash and cash equivalents	733	1,100
Cash and cash equivalents at beginning of year	17,405	18,139
Cash and cash equivalents at end of year	18,139	19,239

## 5. Non-Consolidated Financial Statements

### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2010 (At March 31, 2011)	Fiscal 2011 (At March 31, 2012)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥17,522	¥18,694
Notes receivable	5,023	6,026
Accounts receivable	4,056	4,241
Goods and merchandise	2,477	2,939
Products in progress	165	155
Materials and supplies	1,443	1,505
Advances paid	108	290
Prepaid expenses	135	126
Deferred income taxes	590	352
Consumption taxes and others receivable	—	75
Currency swaps	—	4
Currency options	7	4
Other	36	13
Allowance for doubtful accounts	-4	-6
<b>Total current assets</b>	<b>31,563</b>	<b>34,424</b>
Fixed assets		
Tangibles		
Buildings	23,241	23,314
Accumulated depreciation	-11,197	-11,841
<b>Buildings (net)</b>	<b>12,043</b>	<b>11,473</b>
Structures	1,091	1,090
Accumulated depreciation	-847	-885
<b>Structures (net)</b>	<b>243</b>	<b>204</b>
Machinery and equipment	18,578	22,435
Accumulated depreciation	-15,243	-16,889
<b>Machinery and equipment (net)</b>	<b>3,335</b>	<b>5,546</b>
Vehicles and transport equipment	190	195
Accumulated depreciation	-143	-161
<b>Vehicles and transport equipment (net)</b>	<b>47</b>	<b>33</b>
Tools, instruments, and fixtures	2,414	2,528
Accumulated depreciation	-2,098	-2,215
<b>Tools, instruments, and fixtures (net)</b>	<b>316</b>	<b>312</b>
Land	9,069	9,069
Construction in progress	4,283	982
<b>Total tangibles</b>	<b>29,339</b>	<b>27,622</b>
Intangibles		
Software	231	1,050
Software in progress	642	226
Telephone subscription rights	13	13
Other	0	0
<b>Total intangibles</b>	<b>888</b>	<b>1,291</b>

(Millions of yen, rounded down)

	Fiscal 2010 (At March 31, 2011)	Fiscal 2011 (At March 31, 2012)
<b>Investments and other assets</b>		
Investment securities	2,257	2,627
Shares of affiliated companies	737	749
Capital subscriptions	1	1
Long-term loans	2	13
Long-term loans to employees	32	25
Long-term loans to affiliated companies	1,297	1,133
Bankruptcy rehabilitation claims	12	6
Long-term prepaid expenses	6	4
Deferred income taxes	205	51
Long-term deposits	—	1,000
Prepaid pension costs	167	229
Guaranty deposit	512	490
Insurance reserve fund	436	426
Golf club memberships	110	110
Currency swaps	6	15
Currency options	14	15
Other	105	8
Allowance for doubtful accounts	-20	-14
<b>Total investments and other assets</b>	<b>5,886</b>	<b>6,897</b>
<b>Total fixed assets</b>	<b>36,113</b>	<b>35,810</b>
<b>Total assets</b>	<b>¥67,677</b>	<b>70,234</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes payable	¥2,081	¥2,229
Accounts payable	1,426	1,604
Long-term debt due within one year	925	—
Accrued payables	581	752
Accrued expenses	166	183
Accrued income tax	1,565	1,762
Accrued consumption tax	64	—
Advances received	0	0
Deposits received	28	26
Reserve for employees' bonuses	407	494
Reserve for directors' bonuses	90	90
Reserve for disaster loss	691	—
Equipment-related notes payable	380	479
Currency options	10	—
Forward exchange contracts	3	—
<b>Total current liabilities</b>	<b>8,421</b>	<b>7,623</b>
<b>Long-term liabilities</b>		
Reserve for employees' retirement benefits	—	87
Long-term payables	394	384
Other long-term liabilities	366	370
<b>Total long-term liabilities</b>	<b>760</b>	<b>842</b>
<b>Total liabilities</b>	<b>9,182</b>	<b>8,466</b>

(Millions of yen, rounded down)

	Fiscal 2010 (At March 31, 2011)	Fiscal 2011 (At March 31, 2012)
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus		
Capital reserve	8,336	8,336
Total capital reserve	8,336	8,336
Retained earnings		
Retained earnings	564	564
Other retained earnings		
Other general reserve	19,300	19,300
Retained earnings carried forward	26,400	29,410
Total earned surplus	46,265	49,274
Treasury stock	-3,316	-3,317
Total shareholders' equity	58,408	61,416
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	78	326
Deferred hedging gain or loss	9	25
Total valuation/translation gains or losses	87	351
Total net assets	58,495	61,768
Total liabilities and net assets	¥67,677	¥70,234

## (2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2010 (April 1, 2010– March 31, 2011)	Fiscal 2011 (April 1, 2011– March 31, 2012)
<b>Net sales</b>		
Product sales	¥29,148	¥29,683
Commodity sales	2,080	2,074
<b>Total net sales</b>	<b>31,228</b>	<b>31,757</b>
<b>Cost of sales</b>		
Product inventory at beginning of term	1,915	1,482
Commodity inventory at beginning of term	387	420
Manufacturing costs during term	13,848	15,595
Commodity purchases during term	1,381	1,400
<b>Total</b>	<b>17,533</b>	<b>18,899</b>
Transfer to other accounts	356	458
Product inventory at end of term	1,482	1,934
Commodity inventory at end of term	420	434
<b>Total cost of sales</b>	<b>15,273</b>	<b>16,072</b>
<b>Gross profit</b>	<b>15,954</b>	<b>15,685</b>
<b>Selling, general, and administrative expenses</b>	<b>7,880</b>	<b>8,382</b>
<b>Operating income</b>	<b>8,073</b>	<b>7,303</b>
<b>Other income</b>		
Interest income	35	29
Interest income from securities	0	0
Dividend income	108	111
Lease revenue	1	—
Gain on repayment of insurance policies at maturity	27	—
Others	44	43
<b>Total other income</b>	<b>218</b>	<b>185</b>
<b>Other expenses</b>		
Interest expense	20	5
Foreign exchange loss	154	23
Lease costs	1	—
<b>Total other expenses</b>	<b>176</b>	<b>29</b>
<b>Ordinary income</b>	<b>8,115</b>	<b>7,459</b>

(Millions of yen, rounded down)

	Fiscal 2010 (April 1, 2010– March 31, 2011)	Fiscal 2011 (April 1, 2011– March 31, 2012)
<b>Extraordinary income</b>		
Gain on transfer from allowance for doubtful accounts	15	—
Gain on sales of fixed assets	0	0
Gain on sales of investment securities	101	—
<b>Total extraordinary income</b>	<b>117</b>	<b>0</b>
<b>Extraordinary expenses</b>		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	15	3
Effect of application of accounting standards for asset retirement obligations	32	—
Valuation loss on golf membership	10	—
50-year commemoration business expense	90	—
Loss on disaster	1,054	—
<b>Total extraordinary expenses</b>	<b>1,203</b>	<b>3</b>
<b>Income before income taxes and minority interests</b>	<b>7,028</b>	<b>7,455</b>
<b>Income taxes</b>	<b>3,057</b>	<b>2,800</b>
<b>Income tax adjustment</b>	<b>–177</b>	<b>261</b>
<b>Total income taxes</b>	<b>2,879</b>	<b>3,061</b>
<b>Net income</b>	<b>4,148</b>	<b>4,393</b>

### (3) Statements of Changes in Shareholders' Equity

(Millions of yen, rounded down)

	Fiscal 2010 (April 1, 2010– March 31, 2011)	Fiscal 2011 (April 1, 2011– March 31, 2012)
<b>Shareholders' equity</b>		
Common stock		
Balance at beginning of the term	¥ 7,123	¥ 7,123
Changes during term in review		
Total changes during term	—	—
Balance at end of term in review	7,123	7,123
Capital surplus		
Capital reserve		
Balance at beginning of the term	8,336	8,336
Changes during term in review		
Total changes during term	—	—
Balance at end of term in review	8,336	8,336
Total capital surplus		
Balance at beginning of the term	8,336	8,336
Changes during term in review		
Total changes during term	—	—
Balance at end of term in review	8,336	8,336
Earned surplus		
Earned reserve		
Balance at beginning of the term	564	564
Changes during term in review		
Total changes during term	—	—
Balance at end of term in review	564	564
Other earned surplus		
Other general reserve		
Balance at beginning of the term	19,300	19,300
Changes during term in review		
Total changes during term	—	—
Balance at end of term in review	19,300	19,300
Earned surplus carried forward		
Balance at beginning of the term	23,793	26,400
Changes during term in review		
Distribution of earned surplus	-1,541	-1,384
Net income	4,148	4,393
Disposal of treasury stock	-0	—
Total changes during term	2,607	3,009
Balance at end of term in review	26,400	29,410
Total earned surplus		
Balance at beginning of the term	43,658	46,265
Changes during term in review		
Distribution of earned surplus	-1,541	-1,384
Net income	4,148	4,393
Disposal of treasury stock	-0	—
Total changes during term	2,607	3,009
Balance at end of term in review	46,265	49,274



(Millions of yen, rounded down)

	Fiscal 2010 (April 1, 2010– March 31, 2011)	Fiscal 2011 (April 1, 2011– March 31, 2012)
<b>Treasury stock</b>		
Balance at beginning of the term	-3,313	-3,316
Changes during term in review		
Purchase of treasury stock	-3	-0
Disposal of treasury stock	0	—
Total changes during term	-3	-0
Balance at end of term in review	-3,316	-3,317
<b>Total shareholders' equity</b>		
Balance at beginning of the term	55,803	58,408
Changes during term in review		
Distribution of earned surplus	-1,541	-1,384
Net income	4,148	4,393
Purchase of treasury stock	-3	-0
Disposal of treasury stock	0	—
Total changes during term	2,604	3,008
Balance at end of term in review	58,408	61,416
<b>Valuation/translation gains or losses</b>		
Net unrealized gains or losses on securities		
Balance at beginning of the term	345	78
Changes during term in review		
Changes during term not related to shareholders' equity (net)	-267	248
Total changes during term	-267	248
Balance at end of term in review	78	326
Deferred hedging gains or losses		
Balance at beginning of the term	80	9
Changes during term in review		
Changes during term not related to shareholders' equity (net)	-71	16
Total changes during term	-71	16
Balance at end of term in review	9	25
<b>Total valuation/translation gains or losses</b>		
Balance at beginning of the term	425	87
Changes during term in review		
Changes during term not related to shareholders' equity (net)	-338	264
Total changes during term	-338	264
Balance at end of term in review	87	351
<b>Total net assets</b>		
Balance at beginning of the term	56,229	58,495
Changes during term in review		
Distribution of earned surplus	-1,541	-1,384
Net income	4,148	4,393
Purchase of treasury stock	-3	-0
Sales of treasury stock	0	—
Changes during term not related to shareholders' equity (net)	-338	264
Total changes during term	2,265	3,272
Balance at end of term in review	58,495	61,768