

April 10, 2015

Consolidated Financial Results for Fiscal 2014

[Japanese Standards]

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 CEO**
 Contact: **Susumu Ohashi, Director, Administration Div.**
 Annual Meeting of Shareholders: **June 19, 2015**
 Date of issue of Financial Report: **June 19, 2015**
 Preparation of supplementary materials for financial results: **Yes**
 Information meet for financial results to be held: **Yes**
 Start of cash dividend payments: **May 29, 2015**

1. Financial results for fiscal 2014 (April 1, 2014–March 31, 2015)

(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 2014 | ¥35,233 | +1.3% | ¥8,505 | -2.8% | ¥8,768 | -3.2% | ¥5,659 | +0.5% |
| Fiscal 2013 | 34,793 | +5.1% | 8,747 | +7.8% | 9,055 | +8.4% | 5,632 | +7.3% |

Note: Comprehensive income

Fiscal 2014: ¥9,670 million (up 28.9%)

Fiscal 2013: ¥7,504 million (up 5.5%)

| | Net income per share | Net income per share (fully diluted) | ROE | Ordinary income/Total assets | Operating income/Net sales |
|-------------|----------------------|--------------------------------------|------|------------------------------|----------------------------|
| | (Yen) | (Yen) | (%) | (%) | (%) |
| Fiscal 2014 | ¥359.81 | — | 7.1% | 9.1% | 24.1% |
| Fiscal 2013 | 358.10 | — | 7.8% | 10.7% | 25.1% |

Note: Gain/loss on investments based on equity method

Fiscal 2014: ¥—million

Fiscal 2013: ¥—million

(2) Financial position (year-end)

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

| | Total assets | Net assets | Equity ratio | Net assets per share (Yen) |
|-------------|--------------|------------|--------------|----------------------------|
| Fiscal 2014 | ¥102,944 | ¥83,301 | 80.9% | ¥5,295.72 |
| Fiscal 2013 | 90,411 | 75,379 | 83.4% | 4,791.96 |

Note: Equity capital at year-end

Fiscal 2014: ¥83,295 million

Fiscal 2013: ¥75,373 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 2014 | ¥7,935 | ¥-11,973 | ¥-1,747 | ¥22,661 |
| Fiscal 2013 | 9,349 | -1,798 | -1,684 | 28,227 |

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 2013 | ¥27.00 | ¥27.00 | ¥27.00 | ¥27.00 | ¥108.00 | ¥1,698 | 30.2% | 2.3% |
| Fiscal 2014 | 28.00 | 28.00 | 28.00 | 28.00 | 112.00 | 1,761 | 31.1% | 2.2% |
| Fiscal 2015 (est.) | 29.00 | 29.00 | 29.00 | 29.00 | 116.00 | | 33.2% | |

3. Forecast for fiscal 2015 (April 1, 2015–March 31, 2016)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to shareholders of parent company | | Net income per share |
|------------------|-----------|----------|------------------|----------|-----------------|----------|---|----------|----------------------|
| | | % change | | % change | | % change | | % change | |
| First 2 quarters | ¥18,170 | +5.4% | ¥4,340 | +6.5% | ¥4,410 | +4.3% | ¥2,910 | +4.2% | ¥185.01 |
| Full year | 37,100 | +5.3% | 8,290 | -2.5% | 8,420 | -4.0% | 5,500 | -2.8% | 349.68 |

4. Notes

- (1) Important changes in scope of consolidation during period (changes to specified subsidiaries accompanying changes in scope of consolidation): 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 2014: 16,341,155
 - Fiscal 2013: 16,341,155
 2. Number of treasury shares outstanding
 - Fiscal 2014: 612,348
 - Fiscal 2013: 612,011
 3. Average number of shares over period
 - Fiscal 2014: 15,729,011
 - Fiscal 2013: 15,729,305

(Reference) Summary of Non-Consolidated Financial Results

1. Financial results for fiscal 2014 (April 1, 2014–March 31, 2015)

(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 2014 | ¥34,985 | +1.1% | ¥7,651 | −4.0% | ¥8,030 | −4.1% | ¥5,142 | −0.3% |
| Fiscal 2013 | ¥34,605 | +5.1% | ¥7,966 | +5.0% | ¥8,371 | +5.6% | ¥5,160 | +3.8% |

| | Net income per share (Yen) | Net income per share (fully diluted) (Yen) |
|-------------|-------------------------------|--|
| Fiscal 2014 | ¥326.95 | — |
| Fiscal 2013 | 328.05 | — |

(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 2014 | ¥96,959 | ¥77,882 | 80.3% | ¥4,951.57 |
| Fiscal 2013 | 85,736 | ¥71,162 | 83.0% | ¥4,524.22 |

Note: Equity capital at year-end

Fiscal 2014: ¥77,882 million

Fiscal 2013: ¥71,162 million

2. Forecast for fiscal 2015 (April 1, 2015–March 31, 2016)

(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 | ¥18,010 | +5.1% | ¥3,889 | +3.1% | ¥3,959 | +0.4% | ¥2,574 | −0.4% | ¥163.65 |
| Full year | 36,780 | +5.1% | 7,533 | −1.5% | 7,743 | −3.6% | 5,016 | −2.5% | 318.91 |

Implementation status of 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. Accordingly, the Company cannot make promises to achieve such forecasts. 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 moderate recovery backed by economic and financial measures taken by the national government and Bank of Japan. However, the economic outlook remained unclear due to several factors. These included depressed consumption and rising prices of imported goods and materials due to foreign exchange factors.

With respect to medical administration, reforms of the medical treatment system are being promoted with the aim of strengthening functional differentiation of medical institutions. This is part of efforts to realize the future vision for the medical and nursing care industry in line with wholesale reforms of social securities and taxation.

In the medical equipment industry, business conditions remained difficult, as the aforementioned reforms encouraged polarization of medical institutions and streamlining of hospital operations, while companies in the industry faced pressure to accurately grasp and respond swiftly to changing market needs.

Under these circumstances, the Hogy Medical Group focused on strengthening sales of Operamaster—which incorporates products, logistics, and information management—while getting surgical kit sales up and running at contracted hospitals and developing and selling new products.

Amid increasing awareness among medical institutions about the need for administrative improvements, as well as growing recognition of Operamaster due to seminars and other activities, the Group signed Operamaster contracts with 42 medical institutions during the year, mainly those yet to adopt surgical kit products. After accounting for eight cancellations, this brought total contracts in force to 242 at year-end.

Sales of our products were generally impacted by the consumption tax hike, as well as by requests from medical institutions to reduce costs and competition with other companies. However, we posted year-on-year growth in sales of surgical kits, driven by Operamaster. We also promoted sales of our Surgery Management System—which contributes to enhanced efficiency of surgery room procedures and improved hospital administration—to medical institutions, and adoption of the system is proceeding well.

As a result, consolidated net sales for the year amounted to ¥35,233 million, up 1.3% from the previous year. Within this total, sales of surgical kits rose 4.7%, to ¥18,877 million, and sales of surgical-use non-wovens declined 3.3%, to ¥10,011 million.

With respect to cost of sales, the cost of sales ratio increased year on year due to foreign exchange factors. However, we managed to keep selling, general, and administrative (SG&A) expenses to within projected levels thanks to efforts to manage expenditures efficiently. Consequently, operating income declined 2.8%, to ¥8,505 million. Ordinary income slipped 3.2%, to ¥8,768 million, impacted by foreign exchange and other factors. After accounting for a extraordinary losses, including a bad debt loss, as well as a reduction in income tax, net income for the period edged up 0.5%, to ¥5,659 million.

(Outlook)

Amid sweeping changes in the healthcare sector stemming from reforms to the medical treatment system, medical institutions are expected to step up efforts to improve their operations, including by promoting functional differentiation and consolidation.

Due to foreign exchange factors and rising depreciation costs associated with its new surgical kit manufacturing plant, the Hogy Medical Group expects cost of sales to increase. Against this background, we will respond to changing business conditions and customer needs by emphasizing sales of high-value-added products and development and sales of new products, in order to enhance our performance.

To address the medical environment, which is expected to change in the future, and strengthen support systems for our sales departments, we have introduced a new product system revolving around the five key fields of “minimally invasive treatment,” “medical safety,” “hospital management systems,” “Operamaster,” and “home nursing care and preventive medicine.” Each of our product teams will work to raise their specialization levels while assisting our sales departments through education, sales strategy formulation, and sales management support. At the same time, we will reduce the time between product launch and final sale in order to boost our business performance.

Our full-year consolidated forecasts for the fiscal year to March 2016 are shown below.

(Consolidated performance forecasts)

| | | |
|------------------|-----------------|-------------|
| Net sales | ¥37,100 million | (up 5.3%) |
| Operating income | ¥ 8,290 million | (down 2.5%) |
| Ordinary income | ¥ 8,420 million | (down 4.0%) |
| Net income | ¥ 5,500 million | (down 2.8%) |

(2) Financial Position

1) Assets, Liabilities, and Net Assets

At March 31, 2015, total assets amounted to ¥102,944 million, up ¥12,533 million from a year earlier. For the year, current assets decreased ¥4,568 million, to ¥42,863 million. Factors included a ¥5,562 million decline in cash and bank deposits and a ¥740 million increase in notes and accounts receivable. Fixed assets amounted to ¥60,081 million. Within fixed assets, tangibles rose ¥11,895 million, to ¥44,845 million. This was due mainly to an increase in construction in progress associated with construction of a new surgical kit manufacturing plant and related machinery and equipment. Intangibles rose ¥717 million, to ¥2,532 million, and investments and other assets climbed ¥4,488 million, to ¥12,703 million, after accounting for purchases and market valuations of investment securities.

At fiscal year-end, total liabilities amounted to ¥19,642 million, up ¥4,610 million from a year earlier. Current liabilities increased ¥3,389 million, to ¥16,620 million. This was due mainly to a ¥5,934 million jump in equipment-related payables resulting from construction of the new surgical kit plant, while there was a ¥2,410 million decline in accrued payables associated with commencement of construction of that plant. Long-term liabilities rose ¥1,220 million, to ¥3,021 million, due partly to posting of a deferred tax liability. Net assets at the end of the year totaled ¥83,301 million, up ¥7,922 million from a year earlier. The main factors boosting net assets were ¥5,659 million in net income and a ¥2,932 million increase in net unrealized gain or loss on securities, while the major factor holding down net assets was ¥1,745 million in cash dividends paid. As a result, the equity ratio fell from 83.4% to 80.9%.

2) Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥22,661 million, down ¥5,566 million from a year earlier.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥7,935 million, down ¥1,414 million from the previous year. Major items included ¥8,678 million in income before income taxes and minority interests and ¥2,708 million in depreciation, as well as a ¥655 million increase in notes and accounts receivable, a ¥561 million decrease in inventories, and ¥3,606 million in income taxes paid.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥11,973 million, up ¥10,174 million from the previous year. Main outflows included ¥10,525 million in purchase of tangible fixed assets related to construction of the new surgical kit manufacturing plant and related machinery and equipment, as well as ¥1,266 million in purchase of intangible fixed assets.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,747 million, up ¥63 million from the previous year. This was due largely to cash dividends paid.

For the next fiscal year, we expect net cash provided by operating activities to be around ¥8,900 million. With respect to cash flows from investing activities, we estimate around ¥16,000 million in outlays related to construction of the new surgical kit plant and related machinery and equipment. We forecast net cash used in financing activities to be around ¥1,820 million, mainly influenced by payment of cash dividends.

(Cash Flow Indicators)

| | Fiscal 2011 | Fiscal 2012 | Fiscal 2013 | Fiscal 2014 |
|--|-------------|-------------|-------------|-------------|
| Equity ratio (%) | 88.3 | 88.9 | 83.4 | 80.9 |
| Equity ratio based on market price (%) | 83.3 | 107.1 | 95.4 | 93.7 |
| Debt coverage (years) | — | — | — | — |
| Interest coverage ratio (times) | 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 proactive and consistent return of profits to shareholders. To this end, we always adhere to our corporate motto of "ensuring harmonious coexistence with customers, shareholders, employees, and corporations," in place since our foundation. To ensure that the fruits of our performance are swiftly returned to shareholders, we pay cash dividends on a quarterly basis. In the year under review, we paid dividends of ¥28.00 for each quarter, bringing total annual dividends to ¥112.00 per share. (We have already paid dividends for the first three quarters, and the year-end dividend is scheduled for payment on May 29, 2015.) In the fiscal year ending March 2016, we plan to pay dividends of ¥29.00 per quarter, for total annual dividends of ¥116.00 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 surgical kits and medical-use non-woven fabric products. Most of these items are governed by regulations contained in the Pharmaceuticals, Medical Devices and Other Therapeutic Products Act of Japan. In addition, the manufacture and sale of such items is subject to approval by the Minister for Health, Labour 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) Changing environment for medical institutions

The major portion of goods and merchandise handled by the Hogy Medical Group is sold to medical institutions. Accordingly, revisions to medical treatment remuneration and advances in surgical technologies may lead to changes in the purchasing policies of medical institutions and the products they use, and the Group's business performance could be affected as a result.

3) Disruption of supply of main materials and raw materials

If a manufacturer of materials contained in our surgical kit products is unable to ensure proper supplies, the Group will be unable to manufacture surgical kits that contain such materials, and its business performance could be affected as a result.

4) 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.

5) 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.

6) 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 major damage caused by 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.

7) 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.

8) Foreign exchange fluctuations

Hogy Medical has a subsidiary in Indonesia and procures its materials outside of Japan. Accordingly, the Group's business performance could be potentially affected by fluctuations in prices of crude oil and raw materials, as well as foreign exchange rates.

9) Impairment accounting

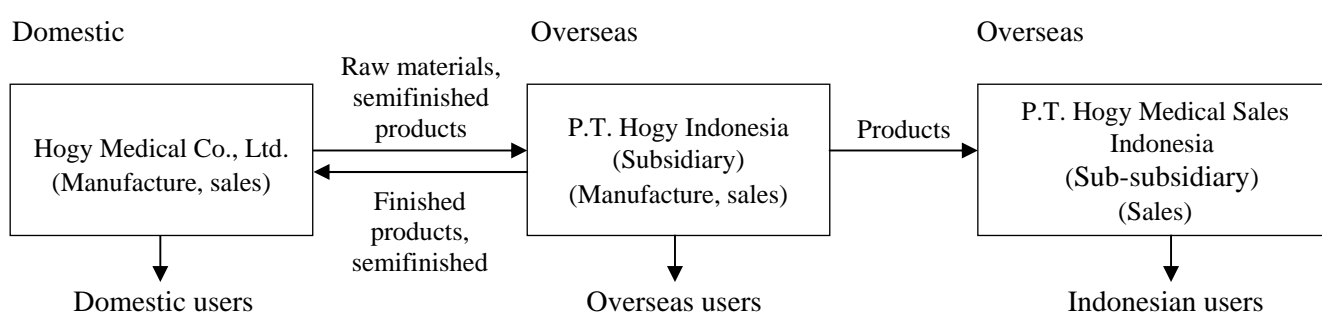
When the real values of assets owned by the Group decline, such assets are necessarily subject to impairment accounting. In such events, the Group's business performance could be potentially affected.

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.

[Business System diagram]

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.” 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 labor-saving efforts.

(2) Key Performance Indicators

Two financial indicators prioritized by management are earnings per share (EPS) and return on equity (ROE).

(3) Medium- and Long-Term Strategies

The Group will continue pursuing a marketing strategy focused on Operamaster—a comprehensive service based on the three pillars of “products, logistics, and information management” aimed at supporting improved profits, safety assurance, and enhanced administrative efficiency. Within this service, our full-kit offerings, tailored to specific physicians and surgical procedures, contribute to enhanced efficiency, labor savings, and improved surgical safety at the front lines. At the same time, they greatly contribute to the improvement of hospital operations because they reduce the burden of inventory management.

On the logistics side, we have a system whereby surgical kits are delivered the day before surgery, which helps alleviate hospitals’ inventory burdens. With respect to information, we provide a service that unifies the surgery schedule, personnel, and cost management systems of the surgery room, which is expected to facilitate operating room scheduling and improve surgery room productivity.

To highlight the benefits of adopting Operamaster, we describe specific case studies at various academic society forums, which provide a powerful backup for our Operamaster sales activities. We also hold seminars to deepen the understanding among hospital-related personnel about Operamaster, and we will strengthen and upgrade those seminars in the future.

The Operamaster system and concept have advanced according to needs at the front lines of medical treatment. We also have our Surgery Management System, a new service that extends the functions of the Operamaster system components to allow detailed and swift analysis of surgery room data. We plan to offer additional options to complement the Surgery Management System, namely an “operation procedure book system” to promote enhanced efficiency and education of surgery room staff and an “ME equipment management system” to support better management of in-hospital ME equipment by enabling a real-time grasp of the operational status of such equipment. Going forward, we will further enhance our high-value-added products for customers.

We are always aware of the need to increase the direct-to-indirect ratio, with indirect operations kept to the minimum. In manufacturing, we have sought to maximize automation so that our equipment and systems can be operated by a low number of people. At our new surgical kit manufacturing plant, an important strategic element of our Medium-Term Business Plan, we will emphasize the concept of enhancing productivity and safety through reliable supply, user-friendly product specifications, and automation. By realizing this concept, we will pursue our ideal vision of surgical kit offerings. By deploying automation to achieve better manufacturing efficiency, meanwhile, we will target long-term corporate growth.

The Hogy Medical Group accords high emphasis to product life cycles. We acknowledge that even the most superior products cannot sustain long-term growth. With this in mind, we are working to get next-generation growth products on stream while sales of mainstay items are expanding. Specifically, we are concentrating our management resources on new product development, and we will focus on developing and selling new products that contribute to the medical front lines. Paying close attention to Japan’s ageing society, falling population, and rapidly advancing medical technologies, we will strive to develop offerings that emphasize “minimally invasive treatment,” “medical safety,” “hospital management systems,” and “home nursing care and preventive medicine.”

Going forward, Hogy Medical will renew its focus on the stable supply of safe products. At the same time, we will pursue ongoing cost-reduction activities and further upgrade internal monitoring and compliance systems in order to ensure transparency of operations.

Based on the aforementioned, we will work to implement the core strategies outlined below.

(1) Target continuous profit growth

- Promote Operamaster strategy and reinforce surgical kit sales
- Get new products to market and prepare for market launches
- Step up promotion of joint development with hospitals and universities
- Undertake renewal of surgical kit offerings (enhance content and promote in-house manufacture)
- Construct plants based on long-term perspectives

(2) Create competitive products

- Further raise added value of Operamaster (which helps increase surgery room operating efficiency and improve hospital administration)
- Emphasize user-friendly product specifications
- Build manufacturing facilities that can ensure stable supply of safe products and boost productivity
- Enhance efficiency through automation of new surgical kit factory

(3) Develop mainstay products

- Develop offerings that emphasize “minimally invasive treatment,” “medical safety,” “hospital management systems,” and “home nursing care and preventive medicine,” based on the concept of “products that contribute to the medical front lines” embraced since our foundation.

(4) Strengthen internal systems

- Strengthen internal control system and compliance to earn trust of stakeholders
- Continuously foster human resources

(4) Issues to Address

Management's key objectives are to benefit society, create safe products, ensure stable production, coexist harmoniously with customers, raise employee satisfaction levels, achieve steady growth, and improve earnings. Many of the products sold by Hogy Medical are used on the medical front lines. Accordingly, the stable manufacture of safe products is not only our raison d'être but also our social responsibility. With these factors in mind, we have identified the items listed below as important issues to address. By continuously implementing these measures, we will work to improve corporate value.

(1) Ensure stable supply of safe products

- Strengthen production management system to ensure stable supply
- Pursue value-added product specifications
- Improve safety through automation of new surgical kit factory

(2) Target continuous profit growth

- Strengthen sales of Operamaster and surgical kit products
- Step up sales of new products
- Undertake renewal of surgical kit offerings (enhance content and promote in-house manufacture)
- Raise productivity through automation of new surgical kit factory

(3) Address external conditions

- Develop new products that keep abreast of medical technology advances
- Further raise added value of Operamaster (which helps increase surgery room operating efficiency and improve hospital administration)

(4) Establish internal control and compliance systems

- Reinforce in-house systems and make improvements to optimize business processes

(5) Other Important Company Management Items

No relevant items

4. Basic Approach to Selection of Accounting Standards

To allow reliable year-on-year and company-to-company comparisons, the Hogy Medical Group's policy for the time being is to prepare its consolidated financial statements according to Japanese accounting standards.

With respect to application of IFRS, our policy is to respond appropriately based on consideration of various domestic and overseas circumstances

5. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

| | Fiscal 2013 (At March 31, 2014) | Fiscal 2014 (At March 31, 2015) |
|---|------------------------------------|------------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and bank deposits | ¥28,595 | ¥ 23,033 |
| Notes and accounts receivable | 10,191 | 10,932 |
| Goods and merchandise | 3,845 | 3,571 |
| Products in progress | 429 | 434 |
| Materials and supplies | 3,485 | 3,515 |
| Deferred income taxes | 192 | 57 |
| Other | 699 | 1,323 |
| Allowance for doubtful accounts | -9 | -5 |
| Total current assets | 47,431 | 42,863 |
| Fixed assets | | |
| Tangibles | | |
| Buildings and structures | 27,240 | 27,901 |
| Accumulated depreciation | -15,628 | -16,574 |
| Buildings and structures (net) | 11,612 | 11,326 |
| Machinery and vehicles | 25,513 | 26,404 |
| Accumulated depreciation | -20,704 | -22,098 |
| Machinery and vehicles (net) | 4,808 | 4,306 |
| Land | 9,484 | 9,626 |
| Construction in progress | 6,551 | 19,068 |
| Others | 3,165 | 3,402 |
| Accumulated depreciation | -2,672 | -2,885 |
| Others (net) | 492 | 517 |
| Total tangibles | 32,949 | 44,845 |
| Intangibles | | |
| Software | 1,209 | 1,265 |
| Software in progress | 534 | 1,132 |
| Telephone subscription rights | 13 | 13 |
| Others | 56 | 121 |
| Total intangibles | 1,814 | 2,532 |
| Investments and other assets | | |
| Investment securities | 5,658 | 10,035 |
| Guaranty deposit | 485 | 464 |
| Deferred income taxes | 62 | 98 |
| Long-term deposits | 1,000 | 1,000 |
| Others | 1,024 | 1,112 |
| Allowance for doubtful accounts | -15 | -7 |
| Total investments and other assets | 8,215 | 12,703 |
| Total fixed assets | 42,979 | 60,081 |
| Total assets | ¥90,411 | ¥102,944 |

(Millions of yen, rounded down)

| | Fiscal 2013 (At March 31, 2014) | Fiscal 2014 (At March 31, 2015) |
|---|------------------------------------|------------------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable | ¥ 4,598 | ¥ 4,472 |
| Accrued income tax | 1,914 | 1,419 |
| Reserve for employees' bonuses | 389 | 423 |
| Reserve for directors' bonuses | 100 | 100 |
| Equipment-related notes payable | 303 | 6,237 |
| Payables | 5,507 | 3,096 |
| Other current liabilities | 416 | 870 |
| Total current liabilities | 13,230 | 16,620 |
| Long-term liabilities | | |
| Deferred income taxes | 1,176 | 2,325 |
| Liability related to employees' retirement benefits | 210 | 245 |
| Long-term payables | 45 | 79 |
| Other long-term liabilities | 369 | 372 |
| Total long-term liabilities | 1,801 | 3,021 |
| Total liabilities | 15,031 | 19,642 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 7,123 | 7,123 |
| Capital surplus | 8,336 | 8,336 |
| Retained earnings | 60,422 | 64,335 |
| Treasury stock | -3,321 | -3,323 |
| Total shareholders' equity | 72,560 | 76,472 |
| Valuation and translation adjustments | | |
| Net unrealized gain or loss on securities | 2,297 | 5,229 |
| Deferred hedging gain or loss | 529 | 922 |
| Translation adjustments | 27 | 742 |
| Cumulative adjustment related to employees' retirement benefits | -41 | -70 |
| Total valuation and translation adjustments | 2,813 | 6,823 |
| Minority interests | 6 | 6 |
| Total net assets | 75,379 | 83,301 |
| Total liabilities and net assets | ¥90,411 | ¥102,944 |

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

(Millions of yen, rounded down)

| | Fiscal 2013 (April 1, 2013– March 31, 2014) | Fiscal 2014 (April 1, 2014– March 31, 2015) |
|--|---|---|
| Net sales | ¥34,793 | ¥35,233 |
| Cost of sales | 17,046 | 17,855 |
| Gross profit | 17,747 | 17,378 |
| Selling, general, and administrative expenses | 8,999 | 8,872 |
| Operating income | 8,747 | 8,505 |
| Other income | | |
| Interest income | 5 | 11 |
| Dividend income | 60 | 62 |
| Foreign exchange gain | 111 | 115 |
| Subsidy income | 56 | 46 |
| Others | 83 | 43 |
| Total other income | 316 | 279 |
| Other expenses | | |
| Loss on investment partnership | 2 | 15 |
| Others | 5 | 1 |
| Total other expenses | 8 | 16 |
| Ordinary income | 9,055 | 8,768 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 1 | 47 |
| Gain on sale of investment securities | 310 | — |
| Total extraordinary income | 312 | 47 |
| Extraordinary expenses | | |
| Loss on sales of fixed assets | 0 | 0 |
| Loss on disposal of fixed assets | 25 | 6 |
| Loss on termination of employees' retirement benefits system | 456 | — |
| Bad debt loss | — | 131 |
| Total extraordinary expenses | 482 | 137 |
| Income before income taxes and minority interests | 8,885 | 8,678 |
| Income taxes | 3,346 | 3,086 |
| Income tax adjustment | -94 | -67 |
| Total income taxes | 3,252 | 3,019 |
| Income before minority interests | 5,632 | 5,659 |
| Minority interests | 0 | 0 |
| Net income | 5,632 | 5,659 |

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

| | Fiscal 2013 (April 1, 2013– March 31, 2014) | Fiscal 2014 (April 1, 2014– March 31, 2015) |
|--|---|---|
| Income before minority interests | ¥5,632 | ¥5,659 |
| Other comprehensive income | | |
| Net unrealized gain or loss on securities | 874 | 2,932 |
| Deferred hedging gain or loss | 65 | 392 |
| Translation adjustments | 930 | 714 |
| Adjustment related to employees' retirement benefits | — | -29 |
| Total other comprehensive income | 1,871 | 4,010 |
| Comprehensive income | 7,504 | 9,670 |
| (Breakdown) | | |
| Comprehensive income attributable owners of parent company | 7,503 | 9,669 |
| Comprehensive income attributable to minority interests | 0 | 0 |

(3) Statements of Changes in Shareholders' Equity

Fiscal 2013 (April 1, 2013–March 31, 2014)

(Millions of yen, rounded down)

| | Shareholders' equity | | | | Total shareholders' equity |
|---|----------------------|-----------------|----------------|----------------|----------------------------|
| | Common stock | Capital surplus | Earned surplus | Treasury stock | |
| Balance at beginning of the term | ¥7,123 | ¥8,336 | ¥56,472 | ¥-3,318 | ¥68,613 |
| Changes during term in review | | | | | |
| Distribution of earned surplus | | | -1,683 | | -1,683 |
| Net income | | | 5,632 | | 5,632 |
| Purchase of treasury stock | | | | -2 | -2 |
| Disposal of treasury stock | | | | | — |
| Changes during term not related to shareholders' equity (net) | | | | | |
| Total changes during term | — | — | 3,949 | -2 | 3,947 |
| Balance at end of term | ¥7,123 | ¥8,336 | ¥60,422 | ¥-3,321 | ¥72,560 |

| | Valuation and translation adjustments | | | | | | |
|---|--|----------------------------------|-------------------------|---|---|--------------------|------------------|
| | Net unrealized gains or losses on securities | Deferred hedging gains or losses | Translation adjustments | Cumulative adjustment related to employees' retirement benefits | Total valuation and translation adjustments | Minority interests | Total net assets |
| Balance at beginning of the term | ¥1,422 | ¥463 | ¥-902 | — | ¥983 | ¥5 | ¥69,602 |
| Changes during term in review | | | | | | | |
| Distribution of earned surplus | | | | | | | -1,683 |
| Net income | | | | | | | 5,632 |
| Purchase of treasury stock | | | | | | | -2 |
| Disposal of treasury stock | | | | | | | — |
| Changes during term not related to shareholders' equity (net) | | | | | | | |
| | 874 | 65 | 930 | -41 | 1,829 | 0 | 1,830 |
| Total changes during term | 874 | 65 | 930 | -41 | 1,829 | 0 | 5,777 |
| Balance at end of term | ¥2,297 | ¥529 | ¥ 27 | ¥-41 | ¥2,813 | ¥6 | ¥75,379 |

Fiscal 2014 (April 1, 2014–March 31, 2015)

(Millions of yen, rounded down)

| | Shareholders' equity | | | | Total shareholders' equity |
|---|----------------------|-----------------|----------------|----------------|----------------------------|
| | Common stock | Capital surplus | Earned surplus | Treasury stock | |
| Balance at beginning of the term | ¥7,123 | ¥8,336 | ¥60,422 | ¥-3,321 | ¥72,560 |
| Changes during term in review | | | | | |
| Distribution of earned surplus | | | -1,745 | | -1,745 |
| Net income | | | 5,659 | | 5,659 |
| Purchase of treasury stock | | | | -2 | -2 |
| Disposal of treasury stock | | | -0 | 0 | 0 |
| Changes during term not related to shareholders' equity (net) | | | | | |
| Total changes during term | — | — | 3,913 | -1 | 3,911 |
| Balance at end of term | ¥7,123 | ¥8,336 | ¥64,335 | ¥-3,323 | ¥76,472 |

| | Valuation and translation adjustments | | | | | | |
|---|--|----------------------------------|-------------------------|---|---|--------------------|------------------|
| | Net unrealized gains or losses on securities | Deferred hedging gains or losses | Translation adjustments | Cumulative adjustment related to employees' retirement benefits | Total valuation and translation adjustments | Minority interests | Total net assets |
| Balance at beginning of the term | ¥2,297 | ¥529 | ¥27 | ¥-41 | ¥2,813 | ¥6 | ¥75,379 |
| Changes during term in review | | | | | | | |
| Distribution of earned surplus | | | | | | | -1,745 |
| Net income | | | | | | | 5,659 |
| Purchase of treasury stock | | | | | | | -2 |
| Disposal of treasury stock | | | | | | | 0 |
| Changes during term not related to shareholders' equity (net) | | | | | | | |
| | 2,932 | 392 | 714 | -29 | 4,010 | 0 | 4,010 |
| Total changes during term | 2,932 | 392 | 714 | -29 | 4,010 | 0 | 7,922 |
| Balance at end of term | ¥5,229 | ¥922 | ¥742 | ¥-70 | ¥6,823 | ¥6 | ¥83,301 |

(4) Statements of Cash Flows

(Millions of yen, rounded down)

| | Fiscal 2013 (April 1, 2013– March 31, 2014) | Fiscal 2014 (April 1, 2014– March 31, 2015) |
|--|---|---|
| Operating activities | | |
| Income before income taxes and minority interests | ¥8,885 | ¥8,678 |
| Depreciation | 2,865 | 2,708 |
| Increase (decrease) in liability related to employees' retirement benefits | 289 | -19 |
| Increase (decrease) in allowance for doubtful accounts | -2 | -12 |
| Interest and dividend income | -65 | -73 |
| Loss (gain) on investment partnership | 2 | 15 |
| Foreign exchange gain | -119 | -135 |
| Loss on sales of tangible fixed assets | -0 | -47 |
| Loss on disposal of tangible fixed assets | 25 | 6 |
| Loss (gain) on sales of investment securities | -310 | — |
| Changes in assets and liabilities: | | |
| Notes and accounts receivable | 381 | -655 |
| Inventories | -400 | 561 |
| Notes and accounts payable | 67 | -222 |
| Accrued consumption tax payables and other | -128 | 428 |
| Other current assets | 205 | -84 |
| Other current liabilities | 301 | 331 |
| Other investments and others | 60 | -26 |
| Other long-term liabilities | 3 | 36 |
| Other | -5 | -19 |
| Subtotal | 12,052 | 11,468 |
| Interest and dividends received | 65 | 73 |
| Incomes taxes paid | -2,769 | -3,606 |
| Net cash provided by operating activities | 9,349 | 7,935 |

(Millions of yen, rounded down)

| | Fiscal 2013 (April 1, 2013– March 31, 2014) | Fiscal 2014 (April 1, 2014– March 31, 2015) |
|--|---|---|
| Investing activities | | |
| Increase in time deposits | ¥ –6 | ¥ –10 |
| Proceeds from withdrawals from time deposits | 3 | 7 |
| Purchase of investment securities | –389 | –287 |
| Proceeds from sales of investment securities | 790 | — |
| Purchase of tangible fixed assets | –1,625 | –10,525 |
| Proceeds from sales of tangible fixed assets | 3 | 92 |
| Purchase of intangible fixed assets | –588 | –1,266 |
| Proceeds from distribution from investment partnership | — | 7 |
| Expenditures by loans receivable | –0 | –1 |
| Collection of loans receivable | 10 | 13 |
| Increase (decrease) in other investments | 3 | –2 |
| Net cash used in investing activities | –1,798 | –11,973 |
| Financing activities | | |
| Proceeds from sale of treasury stock | — | 0 |
| Purchase of treasury stock | –2 | –2 |
| Cash dividends paid | –1,681 | –1,745 |
| Net cash used in financing activities | –1,684 | –1,747 |
| Effect of exchange rate changes on cash and cash equivalents | 254 | 219 |
| Net change in cash and cash equivalents | 6,121 | –5,566 |
| Cash and cash equivalents at beginning of year | 22,105 | 28,227 |
| Cash and cash equivalents at end of year | 28,227 | 22,661 |

6. Non-Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

| | Fiscal 2013 (At March 31, 2014) | Fiscal 2014 (At March 31, 2015) |
|---|------------------------------------|------------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and bank deposits | ¥26,916 | ¥20,609 |
| Notes receivable | 5,493 | 5,754 |
| Accounts receivable | 4,606 | 4,941 |
| Goods and merchandise | 3,554 | 3,204 |
| Products in progress | 175 | 181 |
| Materials and supplies | 1,992 | 1,899 |
| Advances paid | 29 | 52 |
| Prepaid expenses | 148 | 161 |
| Deferred income taxes | 141 | 6 |
| Currency swaps | 434 | 723 |
| Currency options | 2 | 192 |
| Exchange contracts | — | 25 |
| Other | 10 | 11 |
| Allowance for doubtful accounts | -9 | -5 |
| Total current assets | 43,496 | 37,756 |
| Fixed assets | | |
| Tangibles | | |
| Buildings | 23,510 | 23,785 |
| Accumulated depreciation | -12,996 | -13,515 |
| Buildings (net) | 10,513 | 10,269 |
| Structures | 1,091 | 1,090 |
| Accumulated depreciation | -936 | -953 |
| Structures (net) | 155 | 136 |
| Machinery and equipment | 22,966 | 23,461 |
| Accumulated depreciation | -19,212 | -20,212 |
| Machinery and equipment (net) | 3,754 | 3,249 |
| Vehicles and transport equipment | 189 | 185 |
| Accumulated depreciation | -130 | -133 |
| Vehicles and transport equipment (net) | 58 | 52 |
| Tools, instruments, and fixtures | 2,944 | 3,134 |
| Accumulated depreciation | -2,497 | -2,672 |
| Tools, instruments, and fixtures (net) | 446 | 461 |
| Land | 9,069 | 9,151 |
| Construction in progress | 6,551 | 19,068 |
| Total tangibles | 30,550 | 42,389 |
| Intangibles | | |
| Software | 1,209 | 1,265 |
| Software in progress | 534 | 1,132 |
| Telephone subscription rights | 13 | 13 |
| Other | 56 | 121 |
| Total intangibles | 1,814 | 2,532 |

(Millions of yen, rounded down)

| | Fiscal 2013 (At March 31, 2014) | Fiscal 2014 (At March 31, 2015) |
|--|------------------------------------|------------------------------------|
| Investments and other assets | | |
| Investment securities | ¥5,658 | ¥10,035 |
| Shares of affiliated companies | 749 | 749 |
| Capital subscriptions | 1 | — |
| Long-term loans | 8 | 1 |
| Long-term loans to employees | 18 | 13 |
| Long-term loans to affiliated companies | 1,049 | 1,010 |
| Bankruptcy rehabilitation claims | 0 | 0 |
| Long-term prepaid expenses | 2 | 57 |
| Long-term deposits | 1,000 | 1,000 |
| Guaranty deposit | 485 | 464 |
| Insurance reserve fund | 438 | 438 |
| Golf club memberships | 99 | 99 |
| Currency swaps | 371 | 155 |
| Currency options | 3 | 213 |
| Exchange contracts | — | 46 |
| Other | 3 | 1 |
| Allowance for doubtful accounts | -15 | -7 |
| Total investments and other assets | 9,875 | 14,280 |
| Total fixed assets | 42,240 | 59,202 |
| Total assets | 85,736 | 96,959 |
| LIABILITIES | | |
| Current liabilities | | |
| Notes payable | ¥2,520 | ¥2,370 |
| Accounts payable | 1,910 | 1,912 |
| Accrued payables | 5,507 | 3,096 |
| Accrued expenses | 191 | 198 |
| Accrued income tax | 1,878 | 1,397 |
| Accrued consumption tax | 104 | 533 |
| Advances received | 0 | 0 |
| Deposits received | 27 | 29 |
| Reserve for employees' bonuses | 389 | 423 |
| Reserve for directors' bonuses | 100 | 100 |
| Equipment-related notes payable | 303 | 6,237 |
| Total current liabilities | 12,934 | 16,300 |
| Long-term liabilities | | |
| Deferred income taxes | 1,176 | 2,325 |
| Reserve for employees' retirement benefits | 49 | — |
| Long-term payables | 45 | 79 |
| Other long-term liabilities | 369 | 372 |
| Total long-term liabilities | 1,640 | 2,776 |
| Total liabilities | 14,574 | 19,077 |

(Millions of yen, rounded down)

| | Fiscal 2013 (At March 31, 2014) | Fiscal 2014 (At March 31, 2015) |
|---|------------------------------------|------------------------------------|
| NET ASSETS | | |
| 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 | 36,333 | 39,729 |
| Total earned surplus | 56,197 | 59,594 |
| Treasury stock | -3,321 | -3,323 |
| Total shareholders' equity | 68,335 | 71,730 |
| Valuation/translation gains or losses | | |
| Net unrealized gain or loss on securities | 2,297 | 5,229 |
| Deferred hedging gain or loss | 529 | 922 |
| Total valuation/translation gains or losses | 2,826 | 6,151 |
| Total net assets | 71,162 | 77,882 |
| Total liabilities and net assets | 85,736 | 96,959 |

(2) Statements of Income

(Millions of yen, rounded down)

| | Fiscal 2013 (April 1, 2013– March 31, 2014) | Fiscal 2014 (April 1, 2014– March 31, 2015) |
|--|---|---|
| Net sales | | |
| Product sales | ¥32,237 | ¥32,631 |
| Commodity sales | 2,367 | 2,353 |
| Total net sales | 34,605 | 34,985 |
| Cost of sales | | |
| Product inventory at beginning of term | 2,135 | 2,167 |
| Commodity inventory at beginning of term | 813 | 878 |
| Manufacturing costs during term | 16,599 | 17,191 |
| Commodity purchases during term | 1,654 | 1,603 |
| Total | 21,203 | 21,840 |
| Transfer to other accounts | 437 | 546 |
| Product inventory at end of term | 2,167 | 2,116 |
| Commodity inventory at end of term | 878 | 641 |
| Total cost of sales | 17,719 | 18,536 |
| Gross profit | 16,885 | 16,449 |
| Selling, general, and administrative expenses | 8,918 | 8,797 |
| Operating income | 7,966 | 7,651 |
| Other income | | |
| Interest income | 30 | 27 |
| Interest income from securities | 0 | 0 |
| Dividend income | 131 | 147 |
| Foreign exchange gain | 111 | 137 |
| Subsidy income | 56 | 46 |
| Others | 76 | 36 |
| Total other income | 407 | 395 |
| Other expenses | | |
| Loss on investment partnership | 2 | 15 |
| Others | 0 | 1 |
| Total other expenses | 2 | 16 |
| Ordinary income | 8,371 | 8,030 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 1 | 46 |
| Gain on sales of investment securities | 310 | — |
| Total extraordinary income | 312 | 46 |
| Extraordinary expenses | | |
| Loss on sales of fixed assets | 0 | 0 |
| Loss on disposal of fixed assets | 25 | 6 |
| Loss on termination of employees' retirement benefits system | 456 | — |
| Bad debt loss | — | 131 |
| Total extraordinary expenses | 482 | 137 |
| Income before income taxes and minority interests | 8,200 | 7,939 |
| Income taxes | 3,116 | 2,845 |
| Income tax adjustment | -75 | -48 |
| Total income taxes | 3,040 | 2,797 |
| Net income | 5,160 | 5,142 |

(3) Statements of Changes in Shareholders' Equity

Fiscal 2013 (April 1, 2013–March 31, 2014)

(Millions of yen, rounded down)

| | Shareholders' equity | | | | | | | | |
|---|----------------------|-----------------|-----------------------|----------------|-----------------------|--------------------------------|----------------------|----------------|----------------------------|
| | Capital surplus | | | Earned surplus | | | | | |
| | Common stock | Capital reserve | Total capital surplus | Earned reserve | Other earned surplus | | Total earned surplus | Treasury stock | Total shareholders' equity |
| | | | | | Other general reserve | Earned surplus carried forward | | | |
| Balance at beginning of the term | 7,123 | 8,336 | 8,336 | 564 | 19,300 | 32,856 | 52,720 | -3,318 | 64,861 |
| Changes during term in review | | | | | | | | | |
| Distribution of earned surplus | | | | | | -1,683 | -1,683 | | -1,683 |
| Net income | | | | | | 5,160 | 5,160 | | 5,160 |
| Purchase of treasury stock | | | | | | | | -2 | -2 |
| Disposal of treasury stock | | | | | | | | | — |
| Changes during term not related to shareholders' equity (net) | | | | | | | | | |
| Total changes during term | — | — | — | — | — | 3,476 | 3,476 | -2 | 3,474 |
| Balance at end of term | 7,123 | 8,336 | 8,336 | 564 | 19,300 | 36,333 | 56,197 | -3,321 | 68,335 |

| | Valuation/translation gains or losses | | | Total net assets |
|---|--|----------------------------------|---|------------------|
| | Net unrealized gains or losses on securities | Deferred hedging gains or losses | Total valuation/translation gains or losses | |
| Balance at beginning of the term | | 1,422 | 463 | 66,747 |
| Changes during term in review | | | | |
| Distribution of earned surplus | | | | -1,683 |
| Net income | | | | 5,160 |
| Purchase of treasury stock | | | | -2 |
| Disposal of treasury stock | | | | — |
| Changes during term not related to shareholders' equity (net) | | | | |
| | | 874 | 65 | 940 |
| Total changes during term | | 874 | 65 | 4,414 |
| Balance at end of term | | 2,297 | 529 | 71,162 |

Fiscal 2014 (April 1, 2014–March 31, 2015)

(Millions of yen, rounded down)

| | Shareholders' equity | | | | | | | | |
|---|----------------------|-----------------|-----------------------|----------------|-----------------------|--------------------------------|----------------------|----------------|----------------------------|
| | Capital surplus | | | Earned surplus | | | | | |
| | Common stock | Capital reserve | Total capital surplus | Earned reserve | Other earned surplus | | Total earned surplus | Treasury stock | Total shareholders' equity |
| | | | | | Other general reserve | Earned surplus carried forward | | | |
| Balance at beginning of the term | 7,123 | 8,336 | 8,336 | 564 | 19,300 | 36,333 | 56,197 | -3,321 | 68,335 |
| Changes during term in review | | | | | | | | | |
| Distribution of earned surplus | | | | | | -1,745 | -1,745 | | -1,745 |
| Net income | | | | | | 5,142 | 5,142 | | 5,142 |
| Purchase of treasury stock | | | | | | | | -2 | -2 |
| Disposal of treasury stock | | | | | | -0 | -0 | 0 | 0 |
| Changes during term not related to shareholders' equity (net) | | | | | | | | | |
| Total changes during term | — | — | — | — | — | 3,396 | 3,396 | -1 | 3,394 |
| Balance at end of term | 7,123 | 8,336 | 8,336 | 564 | 19,300 | 39,729 | 59,594 | -3,323 | 71,730 |

| | Valuation/translation gains or losses | | | Total net assets |
|---|--|----------------------------------|---|------------------|
| | Net unrealized gains or losses on securities | Deferred hedging gains or losses | Total valuation/translation gains or losses | |
| Balance at beginning of the term | | 2,297 | 529 | 71,162 |
| Changes during term in review | | | | |
| Distribution of earned surplus | | | | -1,745 |
| Net income | | | | 5,142 |
| Purchase of treasury stock | | | | -2 |
| Disposal of treasury stock | | | | 0 |
| Changes during term not related to shareholders' equity (net) | 2,932 | 392 | 3,325 | 3,325 |
| Total changes during term | 2,932 | 392 | 3,325 | 6,720 |
| Balance at end of term | | 5,229 | 922 | 77,882 |