

April 12, 2017

# Consolidated Financial Results for Fiscal 2016

[Japanese Standards]

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**  
Contact: **Susumu Ohashi, Director, Administration Div.**  
Annual Meeting of Shareholders: **June 23, 2017**  
Date of issue of Financial Report: **June 23, 2017**  
Preparation of supplementary materials for financial results: **Yes**  
Information meet for financial results to be held: **Yes**  
Start of cash dividend payments: **May 31, 2017**

## 1. Financial results for fiscal 2017 (April 1, 2017–March 31, 2017)

### (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		Profit attributable to owners of parent	
	(Yen)	(% change from previous year)	(Yen)	(% change)	(Yen)	(% change)	(Yen)	(% change)
Fiscal 2016	¥36,859	+0.8%	¥7,443	-15.3%	¥7,403	-17.0%	¥5,786	-2.1%
Fiscal 2015	36,568	+3.8%	8,784	+3.3%	8,924	+1.8%	5,910	+4.4%

Note: Comprehensive income

Fiscal 2016: ¥4,406 million (down 28.0%)

Fiscal 2015: ¥6,119 million (down 36.7%)

	Profit per share	Profit per share (fully diluted)	ROE	Ordinary income/ Total assets	Operating income/ Net sales
	(Yen)	(Yen)	(%)	(%)	(%)
Fiscal 2016	¥369.06	—	6.5%	7.3%	20.2%
Fiscal 2015	375.81	—	6.9%	8.8%	24.0%

Note: Gain/loss on investments based on equity method

Fiscal 2016: ¥—million

Fiscal 2015: ¥—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 2016	¥103,196	¥89,629	86.8%
Fiscal 2015	99,963	¥87,610	87.6%	¥5,569.77

Note: Equity capital at year-end

Fiscal 2016: ¥89,622 million

Fiscal 2015: ¥87,603 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 2016	¥10,066	¥-3,868	¥-1,877	¥16,244
Fiscal 2015	6,809	-15,669	-1,811	11,993

## 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 2015	¥29.00	¥29.00	¥29.00	¥29.00	¥116.00	¥1,824	30.9%	2.1%
Fiscal 2016	30.00	30.00	30.00	30.00	120.00	1,887	32.5%	2.1%
Fiscal 2017 (est.)	31.00	31.00	31.00	31.00	124.00		37.6%	

## 3. Forecast for fiscal 2017 (April 1, 2017–March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
First 2 quarters	¥18,960	+3.5%	¥2,440	-40.3%	¥2,530	-36.9%	¥3,180	+18.4%	¥203.18
Full year	38,540	+4.6%	5,300	-28.8%	5,410	-26.9%	5,160	-10.8%	329.69

## 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: Yes
- (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 2016: 16,341,155

Fiscal 2015: 16,341,155

- 2. Number of treasury shares outstanding

Fiscal 2016: 689,946

Fiscal 2015: 612,767

- 3. Average number of shares over period

Fiscal 2016: 15,677,809

Fiscal 2015: 15,728,557

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

### 1. Financial results for fiscal 2016 (April 1, 2016–March 31, 2017)

#### (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		Profit attributable to owners of parent	
		(% change)		(% change)		(% change)		(% change)
Fiscal 2016	¥36,557	+0.7%	¥6,447	-16.6%	¥6,730	-15.8%	¥5,419	+3.2%
Fiscal 2015	36,320	+3.8%	7,729	+1.0%	7,997	-0.4%	5,249	+2.1%

  

	Profit per share (Yen)	Profit per share (fully diluted) (Yen)
Fiscal 2016	¥345.69	—
Fiscal 2015	333.74	—

#### (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 2016	¥98,192	¥83,539	85.1%	¥5,337.57
Fiscal 2015	93,375	81,507	87.3%	5,182.19

Note: Equity capital at year-end

Fiscal 2016: ¥83,539 million

Fiscal 2015: ¥81,507 million

### 2. Forecast for fiscal 2017 (April 1, 2017–March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
First 2 quarters	¥18,790	+3.3%	¥2,070	-42.7%	¥2,140	-41.6%	¥2,900	+15.5%	¥185.29
Full year	38,190	+4.5%	4,340	-32.7%	4,630	-31.2%	4,640	-14.4%	296.46

**\* Financial results in this document have not been audited.**

**\*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 a moderate recovery tone, reflecting improvements in corporate earnings and the employment situation. However, the economic outlook remained uncertain in the wake of political risks in Europe, government policy trends in the United States, and other reasons for concern.

In the medical equipment industry, against a background of continuously increasing healthcare costs, medical authorities are promoting reforms of the medical system. This reflects an effort to realize the future vision for medical and nursing care in 2025 through integrated reforms of social security and taxation pursued by the national government. The reforms include measures aimed at strengthening regional medical cooperation and differentiating and reinforcing medical functions. Meanwhile, there are calls for tough management measures to be undertaken to ensure the survival of advanced acute-phase clinics and general acute-phase clinics. These factors underscore the need to address the challenging business conditions faced by the medical equipment industry, with medical institutions under ongoing pressure to increase business efficiency and further streamline their operations.

Under these circumstances, the Hogy Medical Group sought to expand sales of Operamaster, which helps medical institutions improve their operations, as well as to promote clinical trials and increased sales of Premium Kits, designed to provide maximum benefits to customers. We also focused on developing and selling new products.

With respect to Operamaster, during the year we signed 30 new Operamaster contracts, mainly with DPC-assessed hospitals (those recognized under Japan's diagnosis procedure combination, or DPC, system). Our strategy focuses on forming contracts with large medical institutions, and the average number of surgeries performed at newly contracted medical institutions remained at previous-year levels, indicating that Operamaster is making steady progress in penetrating the market. After accounting for 13 cancellations, there were 289 total Operamaster contracts in force at year-end.

During the year, sales of surgical kits to Operamaster-contracted hospitals increased, but our performance was affected by fragmented sales activities and delays in new sales efforts. This was due to an emphasis on selling Premium Kits and new products, as well as traditional sales activities for new products. With respect to new products, during the year we sold EMARO Endoscope Holder to three institutions.

As a result, consolidated net sales for the year amounted to ¥36,859 million, up 0.8% from the previous year. Sales of surgical kits rose 4.3%, to ¥21,124 million. Within this amount, Operamaster-related sales climbed 6.3%, to ¥14,561 million, and sales of surgical-use non-wovens declined 3.3%, to ¥9,406 million.

Cost of sales increased year on year due to higher depreciation expenses on the new surgical kit plant and foreign exchange factors. Selling, general, and administrative (SG&A) expenses increased due to a rise in expenditures necessary to bolster sales. Consequently, operating income declined 15.3%, to ¥7,443 million. Ordinary income was down 17.0%, to ¥7,403 million, impacted largely by foreign value-added taxes. Profit attributable to owners of parent decreased 2.1%, to ¥5,786 million, benefiting from the partial sale of shares, which generated extraordinary income of ¥1,024 million.

## (Outlook)

Amid a progressively aging, low-birthrate society, as well as labor shortages caused by the declining population, we expect reforms of the medical care system to gather pace. Meanwhile, acute-phase clinics are being encouraged to centralize surgical operations, increase minimally invasive procedures, and step up regional medical cooperation, reflecting efforts to realize the future vision for medical and nursing care in 2025. At the same time, we expect medical institutions to continue working to enhance the efficiency of surgery room management and improve their business operations.

In the year ahead, the Hogy Medical Group will continue focusing on expanding sales of Operamaster and Premium Kits while developing and selling new products. To prevent fragmentation of our sales activities, we will implement a sales strategy that clarifies the roles of sales divisions and product teams. We will also enter new fields in which we can contribute significantly to reductions in medical expenses.

Regarding the new surgical kit plant, although depreciation expenses have increased with the completion of construction, we believe the new factory—a Premium Kit manufacturing facility that will further benefit labor-saving efforts at the medical frontlines—will differentiate Hogy Medical from other companies and thus contribute greatly to the Group’s revenue and earnings in the future. The factory is scheduled to start operating in May 2017, after internal machinery and equipment have been tested. At P.T. Hogy Indonesia, a key manufacturing subsidiary, meanwhile, we will improve productivity by promoting further labor-saving and automation measures.

Our consolidated forecasts for the fiscal year to March 2018 are shown below.

### (Consolidated performance forecasts)

Net sales	¥38,540 million	(up 4.6%)
Operating income	¥ 5,300 million	(down 28.8%)
Ordinary income	¥ 5,410 million	(down 26.9%)
Profit attributable to owners of parent	¥ 5,160 million	(down 10.8%)

## (2) Financial Position

### 1) Assets, Liabilities, and Net Assets

At March 31, 2017, total assets amounted to ¥103,196 million, up ¥3,233 million from a year earlier. For the year, current assets increased ¥3,454 million, to ¥37,109 million. Factors included a ¥4,277 million rise in cash and bank deposits, a ¥330 million decrease in notes and accounts receivable, and a ¥1,192 million decline in accrued consumption tax (included in “Other”).

Among fixed assets, tangibles increased ¥2,244 million, to ¥51,986 million, reflecting a ¥1,227 million decrease in buildings and structures stemming from depreciation; a ¥10,963 million increase in machinery and equipment associated with construction of the new surgical kit plant and related machinery and equipment; and a ¥7,819 million decrease in construction in progress. Intangibles edged down ¥139 million, to ¥3,101 million. Investments and other assets declined ¥2,325 million, to ¥10,998 million, reflecting a ¥1,656 million decrease in investment securities stemming from the partial sale and market valuation of shareholdings, as well as a ¥1,000 million decline in long-term debt due to withdrawals from time deposits. As a result, total fixed assets stood at ¥66,086 million.

At fiscal year-end, total liabilities amounted to ¥13,567 million, up ¥1,214 million from a year earlier. Current liabilities rose ¥1,034 million, to ¥10,177 million. Factors included a ¥1,205 million rise in accrued

payables associated with construction of the new surgical kit plant, as well as a ¥416 million decrease in equipment-related payables related to that plant. Long-term liabilities edged up ¥180 million, to ¥3,389 million. Major factors included the introduction of a trust-type employee stock ownership incentive plan (E-Ship®), which incurred long-term debt of ¥508 million, as well as a ¥409 million decrease in deferred tax liabilities associated with market valuation of shareholdings.

Net assets at the end of the year totaled ¥89,629 million, up ¥2,019 million from a year earlier. The main factors were ¥5,786 million in profit attributable to owners of parent, ¥1,871 million in appropriation of retained earnings, a ¥515 million increase in treasury stock due to the introduction of a trust-type employee stock ownership incentive plan (E-Ship®), and a ¥1,168 million decrease in net unrealized gain or loss on securities due to partial sale and market valuation of shareholdings. As a result, the equity ratio declined from 87.6% to 86.8%.

## 2) Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥16,244 million, up ¥4,251 million from a year earlier.

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

Net cash provided by operating activities amounted to ¥10,066 million, up ¥3,257 million from the previous year. Factors included ¥8,422 million in income before income taxes and ¥4,409 million in depreciation, as well as a ¥1,024 million gain on sales of investment securities, a ¥938 million increase in inventories, a ¥1,192 million decrease in accrued consumption tax payables, and ¥2,755 million in income taxes paid. The primary reason for the year-on-year increase in cash inflows was the decrease in accrued consumption tax payables in the year under review compared with the previous year, when purchases related to the new surgical kit plant led to an increase in such payables.

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

Net cash used in investing activities totaled ¥3,868 million, down ¥11,801 million from the previous year. Main outflows included ¥5,308 million in purchase of tangible fixed assets associated with construction of the new surgical kit manufacturing plant and related machinery and equipment. Main inflows were ¥1,062 million in proceeds from the partial sale of investment securities and ¥1,006 million in proceeds from withdrawals from time deposits.

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

Net cash used in financing activities was ¥1,877 million, up ¥66 million from the previous year. The main inflow was ¥574 million in proceeds from long-term debt associated with the introduction of a trust-type employee stock ownership incentive plan (E-Ship®). Main outflows were ¥574 million in purchase of treasury stock and ¥1,873 million in cash dividends paid.

For the next fiscal year, we forecast net cash provided by operating activities to be around ¥11,200 million; net cash used in investing activities of around ¥5,000 million, mainly related to construction of the new surgical kit plant and related machinery and equipment; and net cash used in financing activities of around ¥1,930 million, mainly influenced by payment of cash dividends.

**(Cash Flow Indicators)**

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Equity ratio (%)	83.4	80.9	87.6	86.8
Equity ratio based on market price (%)	95.4	93.7	98.7	111.0
Debt coverage (years)	—	—	—	—
Interest coverage ratio (times)	—	—	—	—

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).
4. Interest-bearing debt refers to all debt that incurs interest (listed in the Consolidated Balance Sheets). However, it does not include long-term debt stated under guidance of “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015). For interest paid, the amount shown in the Consolidated Statements of Cash Flows is used.

## 2. 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.



### 3. Consolidated Financial Statements

#### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2015 (At March 31, 2016)	Fiscal 2016 (At March 31, 2017)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥12,380	¥ 16,658
Notes and accounts receivable	11,620	11,289
Goods and merchandise	3,561	4,062
Products in progress	469	484
Materials and supplies	3,502	3,847
Deferred income taxes	300	281
Other	1,825	485
Allowance for doubtful accounts	-5	-0
<b>Total current assets</b>	<b>33,655</b>	<b>37,109</b>
Fixed assets		
Tangibles		
Buildings and structures	43,473	43,684
Accumulated depreciation	-17,790	-19,229
<b>Buildings and structures (net)</b>	<b>25,682</b>	<b>24,455</b>
Machinery and vehicles	28,515	41,233
Accumulated depreciation	-23,273	-25,028
<b>Machinery and vehicles (net)</b>	<b>5,241</b>	<b>16,205</b>
Land	9,647	9,631
Construction in progress	8,501	681
Others	3,708	4,351
Accumulated depreciation	-3,039	-3,339
<b>Others (net)</b>	<b>669</b>	<b>1,012</b>
<b>Total tangibles</b>	<b>49,742</b>	<b>51,986</b>
Intangibles		
Software	1,254	986
Software in progress	1,851	1,982
Telephone subscription rights	13	13
Others	121	118
<b>Total intangibles</b>	<b>3,241</b>	<b>3,101</b>
Investments and other assets		
Investment securities	11,160	9,504
Guaranty deposit	431	429
Deferred income taxes	108	121
Long-term deposits	1,000	—
Others	630	950
Allowance for doubtful accounts	-7	-7
<b>Total investments and other assets</b>	<b>13,323</b>	<b>10,998</b>
<b>Total fixed assets</b>	<b>66,307</b>	<b>66,086</b>
<b>Total assets</b>	<b>¥99,963</b>	<b>¥103,196</b>

(Millions of yen, rounded down)

	Fiscal 2015 (At March 31, 2016)	Fiscal 2016 (At March 31, 2017)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥ 4,980	¥ 5,093
Accrued income tax	1,265	1,209
Reserve for employees' bonuses	374	391
Reserve for directors' bonuses	100	100
Equipment-related notes payable	1,291	875
Payables	736	1,942
Other current liabilities	394	566
<b>Total current liabilities</b>	<b>9,143</b>	<b>10,177</b>
Long-term liabilities		
Long-term borrowings	—	508
Deferred income taxes	2,467	2,058
Liability related to employees' retirement benefits	252	303
Long-term payables	61	60
Other long-term liabilities	427	457
<b>Total long-term liabilities</b>	<b>3,209</b>	<b>3,389</b>
<b>Total liabilities</b>	<b>12,352</b>	<b>13,567</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	68,438	72,352
Treasury stock	-3,325	-3,841
<b>Total shareholders' equity</b>	<b>80,571</b>	<b>83,970</b>
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	6,267	5,098
Deferred hedging gain or loss	72	240
Translation adjustment	780	419
Cumulative adjustment related to employees' retirement benefits	-87	-106
<b>Total valuation/translation gains or losses</b>	<b>7,031</b>	<b>5,652</b>
Non-controlling interests	6	6
<b>Total net assets</b>	<b>87,610</b>	<b>89,629</b>
<b>Total liabilities and net assets</b>	<b>¥99,963</b>	<b>¥103,196</b>

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

(Millions of yen, rounded down)

	Fiscal 2015 (April 1, 2015– March 31, 2016)	Fiscal 2016 (April 1, 2016– March 31, 2017)
<b>Net sales</b>	¥36,568	¥36,859
<b>Cost of sales</b>	18,984	20,355
<b>Gross profit</b>	17,583	16,503
<b>Selling, general, and administrative expenses</b>	8,799	9,060
<b>Operating income</b>	8,784	7,443
<b>Other income</b>		
Interest income	12	20
Dividend income	73	90
Gain on investment partnership	67	—
Subsidy income	38	—
Others	36	53
Total other income	228	165
<b>Other expenses</b>		
Foreign exchange loss	55	73
Loss on investment partnership	—	7
Foreign value-added tax and other	31	122
Others	1	1
Total other expenses	88	204
<b>Ordinary income</b>	8,924	7,403
<b>Extraordinary income</b>		
Gain on sales of fixed assets	4	—
Gain on sales of investment securities	—	1,024
Total extraordinary income	4	1,024
<b>Extraordinary expenses</b>		
Loss on sales of fixed assets	0	—
Loss on disposal of fixed assets	4	5
Loss on valuation of investment securities	180	—
Total extraordinary expenses	184	5
<b>Income before income taxes</b>	8,743	8,422
<b>Income taxes</b>	2,805	2,609
<b>Income tax adjustment</b>	27	26
<b>Total income taxes</b>	2,832	2,636
<b>Profit</b>	5,911	5,786
<b>Profit attributable to non-controlling interests</b>	0	0
<b>Profit attributable to owners of parent</b>	5,910	5,786

**(Statements of Comprehensive Income)**

(Millions of yen, rounded down)

	Fiscal 2015 (April 1, 2015– March 31, 2016)	Fiscal 2016 (April 1, 2016– March 31, 2017)
<b>Profit</b>	¥5,911	¥5,786
<b>Other comprehensive income</b>		
Net unrealized gain or loss on securities	1,037	–1,168
Deferred hedging gain or loss	–849	168
Translation adjustment	37	–360
Adjustment related to employees’ retirement benefits	–16	–18
Total other comprehensive income	208	–1,379
<b>Comprehensive income</b>	6,119	4,406
(Breakdown)		
Comprehensive income attributable owners of parent	6,119	4,406
Comprehensive income attributable to non-controlling interests	0	0

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

Fiscal 2015 (April 1, 2015–March 31, 2016)

(Millions of yen, rounded down)

	Shareholders' equity					Valuation and translation adjustments						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain or loss on securities	Deferred hedging gain or loss	Translation adjustment	Cumulative adjustment related to employees' retirement benefits	Total valuation and translation adjustments	Non-controlling interests	Total net assets
Balance at beginning of the term	¥7,123	¥8,336	¥64,335	¥-3,323	¥76,472							
Changes during term in review												
Distribution of retained earnings			-1,808		-1,808							
Profit attributable to owners of parent			5,910		5,910							
Purchase of treasury stock				-2	-2							
Disposal of treasury stock												
Changes during term not related to shareholders' equity (net)												
Total changes during term	—	—	4,102	-2	4,099							
Balance at end of term	¥7,123	¥8,336	¥68,438	¥-3,325	¥80,571							
Changes during term in review												
Distribution of retained earnings												-1,808
Profit attributable to owners of parent												5,910
Purchase of treasury stock												-2
Disposal of treasury stock												—
Changes during term not related to shareholders' equity (net)												
Total changes during term	1,037	-849	37	-16	208	1,037	-849	37	-16	208	0	208
Balance at end of term	¥6,267	¥ 72	¥780	¥-87	¥7,031	¥6,267	¥ 72	¥780	¥-87	¥7,031	¥6	¥87,610

Fiscal 2016 (April 1, 2016–March 31, 2017)

(Millions of yen, rounded down)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of the term	¥7,123	¥8,336	¥68,438	¥-3,325	¥80,571
Changes during term in review					
Distribution of retained earnings			-1,871		-1,871
Profit attributable to owners of parent			5,786		5,786
Purchase of treasury stock				-574	-574
Disposal of treasury stock				59	59
Changes during term not related to shareholders' equity (net)					
Total changes during term	—	—	3,914	-515	3,398
Balance at end of term	¥7,123	¥8,336	¥72,352	¥-3,841	¥83,970

	Valuation and translation adjustments						
	Net unrealized gain or loss on securities	Deferred hedging gain or loss	Translation adjustment	Cumulative adjustment related to employees' retirement benefits	Total valuation and translation adjustments	Non-controlling interests	Total net assets
Balance at beginning of the term	¥6,267	¥ 72	¥780	¥-87	¥7,031	¥6	¥87,610
Changes during term in review							
Distribution of retained earnings							-1,871
Profit attributable to owners of parent							5,786
Purchase of treasury stock							-574
Disposal of treasury stock							59
Changes during term not related to shareholders' equity (net)	-1,168	168	-360	-18	-1,379	-0	-1,379
Total changes during term	-1,168	168	-360	-18	-1,379	-0	2,019
Balance at end of term	¥5,098	¥240	¥419	¥-106	¥5,652	¥6	¥89,629

#### (4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2015 (April 1, 2015– March 31, 2016)	Fiscal 2016 (April 1, 2016– March 31, 2017)
Operating activities		
Income before income taxes	¥8,743	¥8,422
Depreciation	3,376	4,409
Increase (decrease) in liability related to employees' retirement benefits	-11	30
Increase (decrease) in allowance for doubtful accounts	0	-5
Interest and dividend income	-85	-111
Loss (gain) on investment partnership	-67	7
Foreign exchange gain	35	44
Loss on sales of tangible fixed assets	-4	—
Loss on disposal of tangible fixed assets	4	5
Loss (gain) on sales of investment securities	—	-1,024
Loss (gain) on valuation of investment securities	180	—
Changes in assets and liabilities:		
Notes and accounts receivable	-688	301
Inventories	-45	-938
Notes and accounts payable	508	135
Accrued consumption tax payables and other	-533	185
Accrued consumption tax receivables and other	-1,192	1,192
Other current assets	-66	91
Other current liabilities	-530	177
Other investments and others	104	-7
Other long-term liabilities	-2	69
Other	-1	-267
Subtotal	9,723	12,719
Interest and dividends received	85	102
Incomes taxes paid	-2,999	-2,755
Net cash provided by operating activities	6,809	10,066

(Millions of yen, rounded down)

	Fiscal 2015 (April 1, 2015– March 31, 2016)	Fiscal 2016 (April 1, 2016– March 31, 2017)
<b>Investing activities</b>		
Increase in time deposits	¥ -26	¥ -32
Proceeds from withdrawals from time deposits	11	1,006
Purchase of investment securities	-60	-64
Proceeds from sales of investment securities	—	1,062
Purchase of tangible fixed assets	-14,690	-5,308
Proceeds from sales of tangible fixed assets	69	1
Purchase of intangible fixed assets	-1,094	-535
Proceeds from distribution from investment partnership	129	7
Expenditures by loans receivable	-0	-1
Collection of loans receivable	10	3
Increase (decrease) in other investments	-17	-6
Net cash used in investing activities	-15,669	-3,868
<b>Financing activities</b>		
Proceeds from long-term borrowings	—	574
Repayment of long-term borrowings	—	-65
Proceeds from sale of treasury stock	—	61
Purchase of treasury stock	-2	-574
Cash dividends paid	-1,809	-1,873
Net cash used in financing activities	-1,811	-1,877
Effect of exchange rate changes on cash and cash equivalents	4	-68
Net change in cash and cash equivalents	-10,667	4,251
Cash and cash equivalents at beginning of year	22,661	11,993
Cash and cash equivalents at end of year	11,993	16,244



## 4. Non-Consolidated Financial Statements

### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2015 (At March 31, 2016)	Fiscal 2016 (At March 31, 2017)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 9,031	¥15,672
Notes receivable	6,061	6,033
Accounts receivable	5,322	5,095
Goods and merchandise	3,345	3,769
Products in progress	209	231
Materials and supplies	2,163	2,228
Advances paid	101	9
Prepaid expenses	161	177
Deferred income taxes	222	213
Accrued consumption tax receivables and other	1,192	—
Currency swaps	68	—
Currency options	116	—
Exchange contracts	—	138
Other	12	17
Allowance for doubtful accounts	-5	-0
<b>Total current assets</b>	<b>28,003</b>	<b>33,586</b>
Fixed assets		
Tangibles		
Buildings	38,942	39,231
Accumulated depreciation	-14,535	-15,867
<b>Buildings (net)</b>	<b>24,407</b>	<b>23,364</b>
Structures	1,483	1,491
Accumulated depreciation	-998	-1,059
<b>Structures (net)</b>	<b>485</b>	<b>432</b>
Machinery and equipment	25,620	38,234
Accumulated depreciation	-21,277	-22,920
<b>Machinery and equipment (net)</b>	<b>4,343</b>	<b>15,313</b>
Vehicles and transport equipment	60	60
Accumulated depreciation	-60	-59
<b>Vehicles and transport equipment (net)</b>	<b>0</b>	<b>0</b>
Tools, instruments, and fixtures	3,413	4,061
Accumulated depreciation	-2,806	-3,094
<b>Tools, instruments, and fixtures (net)</b>	<b>607</b>	<b>967</b>
Land	9,172	9,172
Construction in progress	8,442	681
<b>Total tangibles</b>	<b>47,458</b>	<b>49,932</b>
Intangibles		
Software	1,254	986
Software in progress	1,851	1,982
Telephone subscription rights	13	13
Other	121	118
<b>Total intangibles</b>	<b>3,241</b>	<b>3,101</b>

(Millions of yen, rounded down)

	Fiscal 2015 (At March 31, 2016)	Fiscal 2016 (At March 31, 2017)
Investments and other assets		
Investment securities	¥11,160	¥ 9,504
Shares of affiliated companies	749	749
Long-term loans	1	1
Long-term loans to employees	4	1
Long-term loans to affiliated companies	743	—
Bankruptcy rehabilitation claims	0	0
Long-term prepaid expenses	34	49
Long-term deposits	1,000	—
Guaranty deposit	431	429
Insurance reserve fund	454	455
Golf club memberships	99	99
Currency swaps	—	83
Exchange contracts	—	205
Other	0	—
Allowance for doubtful accounts	-7	-7
<b>Total investments and other assets</b>	<b>14,672</b>	<b>11,572</b>
<b>Total fixed assets</b>	<b>65,372</b>	<b>64,605</b>
<b>Total assets</b>	<b>93,375</b>	<b>98,192</b>

## LIABILITIES

Current liabilities		
Notes payable	¥ 2,469	¥ 2,453
Accounts payable	2,468	2,495
Accrued payables	736	1,942
Accrued expenses	207	209
Accrued income tax	1,191	1,185
Accrued consumption tax	—	185
Advances received	0	0
Deposits received	30	29
Reserve for employees' bonuses	374	391
Reserve for directors' bonuses	100	100
Equipment-related notes payable	1,291	875
Foreign value-added tax and other	41	—
Other current liabilities	—	16
<b>Total current liabilities</b>	<b>8,912</b>	<b>9,884</b>
Long-term liabilities		
Long-term borrowings	—	508
Long-term borrowings of affiliates	—	1,683
Deferred income taxes	2,467	2,058
Long-term payables	61	60
Foreign value-added tax and other	39	—
Other long-term liabilities	387	457
<b>Total long-term liabilities</b>	<b>2,956</b>	<b>4,768</b>
<b>Total liabilities</b>	<b>11,868</b>	<b>14,653</b>

(Millions of yen, rounded down)

	Fiscal 2015 (At March 31, 2016)	Fiscal 2016 (At March 31, 2017)
<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	43,170	46,718
Total retained earnings	63,034	66,582
Treasury stock	-3,325	-3,841
Total shareholders' equity	75,168	78,200
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	6,267	5,098
Deferred hedging gain or loss	72	240
Total valuation/translation gains or losses	6,339	5,338
Total net assets	81,507	83,539
Total liabilities and net assets	93,375	98,192

## (2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2015 (April 1, 2015– March 31, 2016)	Fiscal 2016 (April 1, 2016– March 31, 2017)
<b>Net sales</b>		
Product sales	¥33,779	¥34,298
Commodity sales	2,540	2,258
Total net sales	36,320	36,557
<b>Cost of sales</b>		
Product inventory at beginning of term	2,116	2,161
Commodity inventory at beginning of term	641	771
Manufacturing costs during term	18,703	20,338
Commodity purchases during term	1,838	1,602
Total	23,300	24,874
Transfer to other accounts	509	488
Product inventory at end of term	2,161	2,401
Commodity inventory at end of term	771	861
Total cost of sales	19,859	21,122
<b>Gross profit</b>	16,461	15,434
<b>Selling, general, and administrative expenses</b>	8,731	8,987
<b>Operating income</b>	7,729	6,447
<b>Other income</b>		
Interest income	23	18
Interest income from securities	0	—
Dividend income	152	284
Gain on investment partnership	67	—
Subsidy income	38	—
Others	27	49
Total other income	308	352
<b>Other expenses</b>		
Interest expense	—	10
Foreign exchange loss	41	51
Loss on investment partnership	—	7
Total other expenses	41	69
<b>Ordinary income</b>	7,997	6,730
<b>Extraordinary income</b>		
Gain on sales of fixed assets	1	—
Gain on sales of investment securities	—	1,024
Total extraordinary income	1	1,024
<b>Extraordinary expenses</b>		
Loss on sales of fixed assets	0	—
Loss on disposal of fixed assets	4	5
Loss on valuation of investment securities	180	—
Total extraordinary expenses	184	5
<b>Income before income taxes</b>	7,814	7,748
<b>Income taxes</b>	2,505	2,301
<b>Income tax adjustment</b>	59	27
<b>Total income taxes</b>	2,565	2,329
<b>Net income</b>	5,249	5,419

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

Fiscal 2015 (April 1, 2015–March 31, 2016)

(Millions of yen, rounded down)

	Shareholders' equity								
	Capital surplus			Retained earnings					
	Common stock	Capital reserve	Total capital surplus	Earned reserve	Other earned surplus			Treasury stock	Total shareholders' equity
					Other general reserve	Retained earnings carried forward	Total retained earnings		
Balance at beginning of the term	7,123	8,336	8,336	564	19,300	39,729	59,594	-3,323	71,730
Changes during term in review									
Distribution of retained earnings						-1,808	-1,808		-1,808
Net income						5,249	5,249		5,249
Purchase of treasury stock								-2	-2
Disposal of treasury stock									—
Changes during term not related to shareholders' equity (net)									
Total changes during term	—	—	—	—	—	3,440	3,440	-2	3,437
Balance at end of term	7,123	8,336	8,336	564	19,300	43,170	63,034	-3,325	75,168

	Valuation/translation gains or losses			Total net assets
	Net unrealized gain or loss on securities	Deferred hedging gain or loss	Total valuation/translation gains or losses	
Balance at beginning of the term	5,229	922	6,151	77,882
Changes during term in review				
Distribution of retained earnings				-1,808
Net income				5,249
Purchase of treasury stock				-2
Disposal of treasury stock				—
Changes during term not related to shareholders' equity (net)				
	1,037	-849	187	187
Total changes during term	1,037	-849	187	3,625
Balance at end of term	6,267	72	6,339	81,507

Fiscal 2016 (April 1, 2016–March 31, 2017)

(Millions of yen, rounded down)

	Shareholders' equity									
	Capital surplus			Retained earnings						
	Common stock	Capital reserve	Total capital surplus	Earned reserve	Other earned surplus			Total retained earnings	Treasury stock	Total shareholders' equity
					Other general reserve	Retained earnings carried forward				
Balance at beginning of the term	7,123	8,336	8,336	564	19,300	43,170	63,034	-3,325	75,168	
Changes during term in review										
Distribution of retained earnings							-1,871	-1,871		-1,871
Net income							5,419	5,419		5,419
Purchase of treasury stock									-574	-574
Disposal of treasury stock									59	59
Changes during term not related to shareholders' equity (net)										
Total changes during term	—	—	—	—	—	—	3,547	3,547	-515	3,032
Balance at end of term	7,123	8,336	8,336	564	19,300	46,718	66,582	-3,841	78,200	

	Valuation/translation gains or losses			
	Net unrealized gain or loss on securities	Deferred hedging gain or loss	Total valuation/translation gains or losses	Total net assets
Balance at beginning of the term	6,267	72	6,339	81,507
Changes during term in review				
Distribution of retained earnings				-1,871
Net income				5,419
Purchase of treasury stock				-574
Disposal of treasury stock				59
Changes during term not related to shareholders' equity (net)				
	-1,168	168	-1,000	-1,000
Total changes during term	-1,168	168	-1,000	2,031
Balance at end of term	5,098	240	5,338	83,539