

April 10, 2020

Consolidated Financial Results for Fiscal 2019

[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 19, 2020**
Date of issue of Financial Report: **June 19, 2020**
Preparation of supplementary materials for financial results: **Yes**
Information meeting for financial results to be held: **Yes**
Start of cash dividend payments: **May 29, 2020**

1. Financial results for fiscal 2019 (April 1, 2019–March 31, 2020)

(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 from previous year)		(% change)		(% change)		(% change)
Fiscal 2019	¥37,232	+1.6%	¥5,307	+21.1%	¥5,791	+28.6%	¥5,529	−8.5%
Fiscal 2018	36,658	−0.7%	4,382	−16.9%	4,503	−16.3%	6,043	+14.8%

Note: Comprehensive income

Fiscal 2019: ¥4,339 million (up 3.4%)

Fiscal 2018: ¥4,196 million (down 33.3%)

	Profit per share	Profit per share (fully diluted)	ROE	Ordinary income/ Total assets	Operating income/ Net sales
	(Yen)	(Yen)	(%)	(%)	(%)
Fiscal 2019	¥183.07	—	6.0%	5.5%	14.3%
Fiscal 2018	198.31	—	6.5%	4.3%	12.0%

Reference: Gain/loss on investments based on equity method

Fiscal 2019: ¥—million

Fiscal 2018: ¥—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 2019	¥106,664	¥93,921	88.0%	¥3,104.33
Fiscal 2018	103,327	91,404	88.5%	3,027.43

Reference: Equity capital at year-end

Fiscal 2019: ¥93,817 million

Fiscal 2018: ¥91,397 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 2019	¥10,295	¥-9,194	¥-1,989	¥22,658
Fiscal 2018	7,446	1,627	-6,958	22,903

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 2018	¥16.00	¥16.00	¥16.00	¥16.00	¥64.00	¥1,949	32.3%	2.1%
Fiscal 2019	16.50	16.50	16.50	16.50	66.00	1,999	36.1%	2.2%
Fiscal 2020 (est.)	17.00	17.00	17.00	17.00	68.00		38.8%	

3. Forecast for fiscal 2020 (April 1, 2020–March 31, 2021)

(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	¥19,130	+4.1%	¥3,100	+19.4%	¥3,230	+18.6%	¥2,530	-22.5%	¥ 83.72
Full year	38,700	+3.9%	6,400	+20.6%	6,830	+17.9%	5,300	-4.2%	175.37

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 2019: 32,682,310
- Fiscal 2018: 32,682,310
2. Number of treasury shares outstanding
- Fiscal 2019: 2,460,787
- Fiscal 2018: 2,492,372
3. Average number of shares over period
- Fiscal 2019: 30,204,965
- Fiscal 2018: 30,472,084

(Reference) Summary of Non-Consolidated Financial Results

1. Financial results for fiscal 2019 (April 1, 2019–March 31, 2020)

(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 2019	¥36,879	+1.6%	¥4,808	+39.7%	¥5,436	+47.4%	¥5,255	−4.0%
Fiscal 2018	36,298	−0.8%	3,443	−20.6%	3,688	−20.1%	5,472	+15.6%

	Profit per share (Yen)	Profit per share (fully diluted) (Yen)
Fiscal 2019	¥174.00	—
Fiscal 2018	179.60	—

(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 2019	¥100,686	¥86,890	86.3%	¥2,875.13
Fiscal 2018	97,843	84,522	86.4%	2,799.69

Reference: Equity capital at year-end

Fiscal 2019: ¥86,890 million

Fiscal 2018: ¥84,522 million

2. Forecast for fiscal 2020 (April 1, 2020–March 31, 2020)

(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	¥18,930	+3.9%	¥2,890	+25.6%	¥2,970	+23.6%	¥2,330	-22.8%	¥ 77.10
Full year	38,260	+3.7%	5,940	+23.5%	6,440	+18.4%	5,020	-4.5%	166.11

*** This financial report is not subject to audits by certified public accountants or auditing companies.**

***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 6.

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1. Performance and Financial Position

(1) Performance

In the fiscal year under review, the Japanese economy was characterized by a growing sense of economic slowdown, especially in the manufacturing sector. Moreover, the spread of the new coronavirus had an increasing impact on the economy, causing the future outlook to remain uncertain.

In the healthcare sector, efforts are under way to reorganize and integrate Japan's hospitals under the government's "Community-Based Integrated Care" concept. At the same time, work-style reforms on the medical frontlines are being implemented as part of revisions of the medical treatment fee system. Against this background, the new coronavirus epidemic emerged, and institutions are making every possible effort to address the infections, which have been increasing day by day.

In response, the Hogy Medical Group actively promoted its Premium Kit products, which offer value in terms of work-style reforms and medical treatment safety. Here, we are targeting acute-phase hospitals, which are facing pressure to concentrate surgical procedures and enhance efficiency in accordance with the basic policy of the "Community-Based Integrated Care" concept set forth by the government. Since the fourth quarter of the fiscal year, the basic focus of all Group employees has been to prevent the spread of the new coronavirus infections, with top priority on ensuring the reliable supply of products to medical institutions.

In addition to high levels of safety and cost-effectiveness, we have been promoting Premium Kit as a solution that helps reduce surgery preparation and work, and sales have increased as a result. Overall sales of surgical kits have also grown despite various challenges, including lack of new sales to medical institutions earmarked for sale of our products, as well as competition with other companies. Meanwhile, sales of some other products increased temporarily due to the spread of the new coronavirus infection.

As a result, consolidated net sales for the period amounted to ¥37,232 million, up 1.6% from the previous year. Sales of surgical kits rose 3.0%, to ¥22,485 million, among which sales of Premium Kit products jumped 33.7%, to ¥10,302 million.

The cost of sales ratio improved year on year thanks mainly to a decrease in depreciation costs, while selling, general, and administrative (SG&A) expenses decreased thanks to efficient allocation of expenditures. Consequently, operating income rose 21.1%, to ¥5,307 million, and ordinary income grew 28.6%, to ¥5,791 million, boosted by subsidy income related to a new surgical kit factory. Profit attributable to owners of parent declined 8.5%, to ¥5,529 million. This was due to a year-on-year decrease in extraordinary income on the partial sale of equities (amounting to ¥1,942 million in the period under review and ¥3,998 million in the previous fiscal year).

Effective the first quarter of fiscal 2019, Hogy Medical Asia Pacific Pte. Ltd., which was a non-consolidated subsidiary in the previous fiscal year, was included in the scope of consolidation.

(Outlook)

It is difficult to determine the future outlook for the healthcare sector, as it is impossible to measure the economic impact of the spread of new infections.

Despite the effects of the new coronavirus pandemic, the Hogy Medical Group will continue contributing to hospital management reforms through sales of Premium Kit products, which support customers' efforts related to workstyle reforms and medical safety.

Meanwhile, we will proceed steadily with Stage 2 construction of the new surgical kit plant to help increase production volume and improve production efficiency for Premium Kit products, demand for which is expected to grow in the future. We will also step up cost reductions and other efforts to improve operating efficiency.

In our overseas business, Hogy Medical Asia Pacific Pte. Ltd. (subsidiary in Singapore) and P.T. Hogy Medical Sales Indonesia (sub-subsidiary in Indonesia) will actively expand sales activities targeting major hospitals in Southeast Asia, including Singapore, Malaysia, Vietnam, Thailand, and Indonesia. We will also

continue improving productivity and promoting in-house production at P.T. Hogy Indonesia, a key manufacturing subsidiary.

With respect to our new remanufactured single-use device (R-SUD) business, we will strive to facilitate inspection, testing, and remanufacturing processes and speed up the application and approval processes. We had made three such applications at the end of the fiscal period under review.

Our consolidated forecasts for the fiscal year to March 2021 are shown below. These are based on the assumption that the new coronavirus pandemic will settle down after a certain period of time, but may change depending on circumstances. We will disclose any changes promptly if the need arises.

(Consolidated performance forecasts)		
Net sales	¥38,700 million	(up 3.9%)
Operating income	¥ 6,400 million	(up 20.6%)
Ordinary income	¥ 6,830 million	(up 17.9%)
Profit attributable to owners of parent	¥ 5,300 million	(down 4.2%)

(2) Financial Position

1) Assets, Liabilities, and Net Assets

At March 31, 2020, total assets amounted to ¥106,664 million, up ¥3,336 million from March 31, 2019. During the period, total current assets edged down ¥879 million, to ¥43,229 million. This reflected a number of factors, including a ¥652 million decrease in notes and accounts receivable and a ¥226 million decrease in materials and supplies.

Within fixed assets, tangibles increased ¥5,906 million, to ¥51,851 million, reflecting an ¥8,073 million rise in construction in progress—due to capital investments for Stage 2 construction of the new surgical kit plant—as well as a ¥270 million increase in buildings and structures and a ¥2,401 million decrease in machinery and equipment (latter stemming mainly from depreciation). Intangibles declined ¥300 million, to ¥2,300 million, due mainly to depreciation.

Investments and other assets declined ¥1,390 million, to ¥9,283 million, mainly reflecting a ¥1,334 million decrease in investment securities stemming from market valuation. As a result, total fixed assets ended the year at ¥63,434 million.

At fiscal year-end, total liabilities amounted to ¥12,742 million, up ¥820 million. Current liabilities rose ¥1,173 million, to ¥10,360 million, mainly reflecting a ¥1,624 million increase in accrued payables related to capital investments for Stage 2 construction of the new surgical kit plant. Long-term liabilities declined ¥352 million, to ¥2,381 million. This stemmed mainly from a ¥370 million decrease in deferred tax liabilities related to market valuation of equity holdings.

Net assets at year-end totaled ¥93,921 million, up ¥2,516 million. Main factors were ¥5,529 million in profit attributable to owners of parent, ¥1,983 million in distributions from retained earnings, and a ¥1,070 million decrease in net unrealized gain or loss on securities stemming from market valuation of equity holdings. As a result, the equity ratio decreased from 88.5% to 88.0%.

2) Cash Flows

Cash and cash equivalents at the end of the period stood at ¥22,658 million, down ¥245 million from a year earlier. This reflected cash flow factors described below, as well as an increase in cash and cash equivalents stemming from a new inclusion in consolidation.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥10,295 million, up ¥2,849 million from the previous year. Factors in this result included ¥7,725 million in income before income taxes, ¥5,283 million in depreciation, ¥1,942 million in proceeds from sale of investment securities, a ¥535 million increase in accrued consumption tax, a ¥641 million decrease in notes and accounts receivable, and ¥2,590 million in income taxes paid.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥9,194 million, compared with ¥1,627 million provided by investing activities in the previous fiscal year. Main factors included ¥9,767 million in purchase of tangible fixed assets—due to capital investments for Stage 2 construction of the new surgical kit plant—as well as ¥1,163 million in purchase of investment securities and ¥2,356 million in proceeds from partial sale of investment securities.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,989 million, down ¥4,969 million from the previous year. Main factors included ¥1,984 million in dividends paid, ¥110 million in repayment of long-term debt associated with our trust-type employee stock ownership incentive plan (E-Ship®), and ¥106 million in proceeds from disposal of treasury stock.

For the next fiscal year, we expect net cash provided by operating activities to be around ¥9,000 million; net cash used in investing activities of around ¥4,600 million; and net cash used in financing activities of around ¥2,000 million, mainly influenced by payment of cash dividends.

(Cash Flow Indicators)

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Equity ratio (%)	86.8	88.6	88.5	88.0
Equity ratio based on market price (%)	111.0	131.9	123.5	103.1
Debt coverage (years)	—	—	—	0.0
Interest coverage ratio (times)	—	—	—	10,224.5

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 2018 (At March 31, 2019)	Fiscal 2019 (At March 31, 2020)
ASSETS		
Current assets		
Cash and bank deposits	¥ 23,336	¥ 23,377
Notes and accounts receivable	12,004	11,352
Goods and merchandise	3,890	3,823
Products in progress	495	366
Materials and supplies	3,904	3,678
Other	476	631
Allowance for doubtful accounts	—	-0
Total current assets	44,108	43,229
Fixed assets		
Tangibles		
Buildings and structures	44,668	46,188
Accumulated depreciation	-21,765	-23,014
Buildings and structures (net)	22,902	23,173
Machinery and vehicles	42,977	43,289
Accumulated depreciation	-31,810	-34,523
Machinery and vehicles (net)	11,167	8,765
Land	9,609	9,604
Construction in progress	922	8,995
Other	5,340	5,692
Accumulated depreciation	-3,998	-4,380
Other (net)	1,341	1,311
Total tangibles	45,944	51,851
Intangibles		
Software	1,503	1,496
Software in progress	967	676
Telephone subscription rights	13	13
Other	116	113
Total intangibles	2,600	2,300
Investments and other assets		
Investment securities	9,275	7,941
Guaranty deposit	350	356
Deferred income taxes	138	168
Other	916	823
Allowance for doubtful accounts	-7	-7
Total investments and other assets	10,673	9,283
Total fixed assets	59,218	63,434
Total assets	103,327	106,664

(Millions of yen, rounded down)

	Fiscal 2018 (At March 31, 2019)	Fiscal 2019 (At March 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥ 4,584	¥ 4,675
Accrued income tax	1,394	1,060
Reserve for employees' bonuses	386	366
Reserve for directors' bonuses	100	100
Equipment-related notes payable	1,352	572
Payables	951	2,575
Other current liabilities	417	1,009
Total current liabilities	9,187	10,360
Long-term liabilities		
Long-term borrowings	285	175
Deferred income taxes	1,603	1,232
Liability related to employees' retirement benefits	349	468
Long-term payables	36	36
Other long-term liabilities	459	468
Total long-term liabilities	2,734	2,381
Total liabilities	11,922	12,742
NET ASSETS		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	79,770	83,234
Treasury stock	-8,663	-8,557
Total shareholders' equity	86,566	90,136
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	4,693	3,623
Deferred hedging gain or loss	127	189
Translation adjustment	110	9
Cumulative adjustment related to employees' retirement benefits	-101	-141
Total valuation/translation gains or losses	4,830	3,681
Non-controlling interests	7	103
Total net assets	91,404	93,921
Total liabilities and net assets	¥103,327	¥106,664

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

(Millions of yen, rounded down)

	Fiscal 2018 (April 1, 2018– March 31, 2019)	Fiscal 2019 (April 1, 2019– March 31, 2020)
Net sales	¥36,658	¥37,232
Cost of sales	21,831	21,798
Gross profit	14,827	15,434
Selling, general, and administrative expenses	10,444	10,126
Operating income	4,382	5,307
Other income		
Interest income	45	70
Dividend income	85	70
Foreign exchange gain	25	36
Subsidy income	—	274
Other	55	53
Total other income	212	505
Other expenses		
Interest expense	—	1
Loss on investment partnership	26	18
Treasury stock acquisition cost	58	—
Other	7	3
Total other expenses	91	22
Ordinary income	4,503	5,791
Extraordinary income		
Gain on sales of fixed assets	—	1
Gain on sales of investment securities	3,998	1,942
Total extraordinary income	3,998	1,943
Extraordinary expenses		
Loss on disposal of fixed assets	2	5
Loss on valuation of golf memberships	—	4
Total extraordinary expenses	2	9
Income before income taxes	8,499	7,725
Income taxes	2,512	2,194
Income tax adjustment	-56	40
Total income taxes	2,456	2,235
Profit	6,043	5,489
Profit attributable to non-controlling interests	0	-40
Profit attributable to owners of parent	6,043	5,529

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2018 (April 1, 2018– March 31, 2019)	Fiscal 2019 (April 1, 2019– March 31, 2020)
Profit	¥6,043	¥5,489
Other comprehensive income		
Net unrealized gain or loss on securities	-1,881	-1,070
Deferred hedging gain or loss	65	61
Translation adjustment	-43	-100
Adjustment related to employees' retirement benefits	13	-39
Total other comprehensive income	-1,846	-1,149
Comprehensive income	4,196	4,339
(Breakdown)		
Comprehensive income attributable owners of parent	4,196	4,379
Comprehensive income attributable to non-controlling interests	0	-40

(3) Statements of Changes in Shareholders' Equity

Fiscal 2018 (April 1, 2018–March 31, 2019)

(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	¥75,680	¥-3,759		¥87,379	
Changes during term in review							
Distribution of retained earnings			-1,952			-1,952	
Profit attributable to owners of parent			6,043			6,043	
Purchase of treasury stock				-5,001		-5,001	
Disposal of treasury stock				97		97	
Changes in scope of consolidation							
Changes during term not related to shareholders' equity (net)							
Total changes during term	—	—	4,090	-4,903		-812	
Balance at end of term	¥7,123	¥8,336	¥79,770	¥-8,663		¥86,566	
	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	¥6,575	¥ 62	¥154	¥-114	¥6,677	¥6	¥94,063
Changes during term in review							
Distribution of retained earnings							-1,952
Profit attributable to owners of parent							6,043
Purchase of treasury stock							-5,001
Disposal of treasury stock							97
Changes in scope of consolidation							
Changes during term not related to shareholders' equity (net)	-1,881	65	-43	13	-1,846	0	-1,846
Total changes during term	-1,881	65	-43	13	-1,846	0	-2,658
Balance at end of term	¥4,693	¥127	¥110	¥-101	¥4,830	¥7	¥91,404

Fiscal 2019 (April 1, 2019–March 31, 2020)

(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	¥79,770	¥-8,663	¥86,566	¥4,693	¥127	¥110	¥-101	¥4,830	¥ 7	¥91,404
Changes during term in review												
Distribution of retained earnings			-1,983		-1,983							
Profit attributable to owners of parent			5,529		5,529							
Purchase of treasury stock				-1	-1							
Disposal of treasury stock				106	106							
Changes in scope of consolidation			-81		-81							
Changes during term not related to shareholders' equity (net)												
Total changes during term	—	—	3,463	105	3,569	-1,070	61	-100	-39	-1,149	96	2,516
Balance at end of term	¥7,123	¥8,336	¥83,234	¥-8,557	¥90,136	¥3,623	¥189	¥ 9	¥-141	¥3,681	¥103	¥93,921

(4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2018 (April 1, 2018– March 31, 2019)	Fiscal 2019 (April 1, 2019– March 31, 2020)
Operating activities		
Income before income taxes	¥8,499	¥ 7,725
Depreciation	5,631	5,283
Increase (decrease) in liability related to employees' retirement benefits	12	69
Increase (decrease) in allowance for doubtful accounts	–42	0
Interest and dividend income	–131	–141
Interest expense	—	1
Loss (gain) on investment partnership	26	18
Foreign exchange gain	–6	–53
Loss (gain) on sales of tangible fixed assets	—	–1
Loss (gain) on disposal of tangible fixed assets	2	5
Loss (gain) on sales of investment securities	–3,998	–1,942
Loss on valuation of golf memberships	—	4
Changes in assets and liabilities:		
Notes and accounts receivable	95	641
Inventories	370	399
Notes and accounts payable	–411	96
Accrued consumption tax payables and other	–930	535
Accrued consumption tax receivables and other	–21	21
Other current assets	–81	–104
Other current liabilities	165	94
Other investments and others	114	106
Other long-term liabilities	–8	9
Other	104	–21
Subtotal	9,390	12,747
Interest and dividends received	131	139
Interest paid	—	–1
Incomes taxes paid	–2,075	–2,590
Net cash provided by operating activities	7,446	10,295

(Millions of yen, rounded down)

	Fiscal 2018 (April 1, 2018– March 31, 2019)	Fiscal 2019 (April 1, 2019– March 31, 2020)
Investing activities		
Increase in time deposits	¥ -6	¥ -289
Proceeds from withdrawals from time deposits	7	3
Purchase of investment securities	-538	-1,163
Proceeds from sales of investment securities	4,073	2,356
Purchase of tangible fixed assets	-1,552	-9,767
Proceeds from sales of tangible fixed assets	—	1
Purchase of intangible fixed assets	-360	-377
Proceeds from distribution from investment partnership	23	44
Expenditures by loans receivable	-0	-0
Collection of loans receivable	0	0
Increase (decrease) in other investments	-20	-2
Net cash used in investing activities	1,627	-9,194
Financing activities		
Repayment of long-term borrowings	-113	-110
Proceeds from sale of treasury stock	108	106
Purchase of treasury stock	-5,001	-1
Cash dividends paid	-1,952	-1,984
Net cash used in financing activities	-6,958	-1,989
Effect of exchange rate changes on cash and cash equivalents	-51	63
Net change in cash and cash equivalents	2,063	-825
Cash and cash equivalents at beginning of year	20,840	22,903
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	—	580
Cash and cash equivalents at end of year	22,903	22,658

4. Non-Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2018 (At March 31, 2019)	Fiscal 2019 (At March 31, 2020)
ASSETS		
Current assets		
Cash and bank deposits	¥21,240	¥20,276
Notes receivable	6,884	6,180
Accounts receivable	4,875	5,070
Goods and merchandise	3,654	3,470
Products in progress	220	142
Materials and supplies	2,559	2,361
Advances paid	97	120
Prepaid expenses	177	188
Accrued consumption tax receivables and other	21	—
Exchange contracts	88	156
Other	17	29
Allowance for doubtful accounts	—	-0
Total current assets	39,838	37,998
Fixed assets		
Tangibles		
Buildings	40,298	41,776
Accumulated depreciation	-18,258	-19,397
Buildings (net)	22,040	22,379
Structures	1,535	1,535
Accumulated depreciation	-1,160	-1,202
Structures (net)	374	332
Machinery and equipment	39,950	40,145
Accumulated depreciation	-29,495	-32,105
Machinery and equipment (net)	10,454	8,039
Vehicles and transport equipment	63	63
Accumulated depreciation	-62	-60
Vehicles and transport equipment (net)	1	2
Tools, instruments, and fixtures	5,034	5,373
Accumulated depreciation	-3,737	-4,103
Tools, instruments, and fixtures (net)	1,297	1,269
Land	9,172	9,172
Construction in progress	919	8,995
Total tangibles	44,260	50,191
Intangibles		
Software	1,503	1,496
Software in progress	967	676
Telephone subscription rights	13	13
Other	116	113
Total intangibles	2,600	2,300

(Millions of yen, rounded down)

	Fiscal 2018 (At March 31, 2019)	Fiscal 2019 (At March 31, 2020)
Investments and other assets		
Investment securities	¥ 8,782	¥ 7,941
Shares of affiliated companies	1,242	1,242
Long-term loans	1	1
Bankruptcy rehabilitation claims	0	0
Long-term prepaid expenses	70	17
Guaranty deposit	350	356
Insurance reserve fund	413	407
Golf club memberships	99	95
Currency swaps	95	25
Exchange contracts	94	113
Allowance for doubtful accounts	-7	-7
Total investments and other assets	11,143	10,195
Total fixed assets	58,004	62,687
Total assets	97,843	100,686
LIABILITIES		
Current liabilities		
Notes payable	¥ 2,373	¥ 2,480
Accounts payable	2,366	2,252
Long-term debt of affiliates due within one year	1,665	—
Accrued payables	951	2,575
Accrued expenses	202	205
Accrued income tax	1,374	1,040
Accrued consumption tax	—	535
Advances received	0	0
Deposits received	32	31
Reserve for employees' bonuses	386	366
Reserve for directors' bonuses	100	100
Equipment-related notes payable	1,352	572
Other current liabilities	63	67
Total current liabilities	10,869	10,227
Long-term liabilities		
Long-term borrowings	285	175
Long-term borrowings of affiliates	—	1,632
Deferred income taxes	1,669	1,272
Long-term payables	36	36
Other long-term liabilities	459	451
Total long-term liabilities	2,450	3,567
Total liabilities	13,320	13,795

(Millions of yen, rounded down)

	Fiscal 2018 (At March 31, 2019)	Fiscal 2019 (At March 31, 2020)
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	53,039	56,311
Total retained earnings	72,904	76,176
Treasury stock	-8,663	-8,557
Total shareholders' equity	79,700	83,077
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	4,693	3,623
Deferred hedging gain or loss	127	189
Total valuation/translation gains or losses	4,821	3,812
Total net assets	84,522	86,890
Total liabilities and net assets	97,843	100,686

(2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2018 (April 1, 2018– March 31, 2019)	Fiscal 2019 (April 1, 2019– March 31, 2020)
Net sales		
Product sales	¥34,327	¥34,751
Commodity sales	1,970	2,128
Total net sales	36,298	36,879
Cost of sales		
Product inventory at beginning of term	2,354	2,271
Commodity inventory at beginning of term	1,039	772
Manufacturing costs during term	21,925	21,436
Commodity purchases during term	1,242	1,236
Total	26,561	25,716
Transfer to other accounts	1,020	694
Product inventory at end of term	2,271	2,171
Commodity inventory at end of term	772	636
Total cost of sales	22,497	22,214
Gross profit	13,800	14,664
Selling, general, and administrative expenses	10,357	9,855
Operating income	3,443	4,808
Other income		
Interest income	20	22
Dividend income	272	275
Foreign exchange gain	9	48
Subsidy income	—	274
Other	51	49
Total other income	354	670
Other expenses		
Interest expense	25	24
Loss on investment partnership	26	18
Treasury stock acquisition cost	58	—
Total other expenses	109	42
Ordinary income	3,688	5,436
Extraordinary income		
Gain on sales of investment securities	3,998	1,942
Total extraordinary income	3,998	1,942
Extraordinary expenses		
Loss on disposal of fixed assets	2	5
Loss on valuation of golf memberships	—	4
Total extraordinary expenses	2	9
Income before income taxes	7,684	7,369
Income taxes	2,264	2,080
Income tax adjustment	–53	33
Total income taxes	2,211	2,114
Net income	5,472	5,255

(3) Statements of Changes in Shareholders' Equity

Fiscal 2018 (April 1, 2018–March 31, 2019)

(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	¥49,519	¥69,384	¥-3,759	¥81,083
Changes during term in review									
Distribution of retained earnings						-1,952	-1,952		-1,952
Net income						5,472	5,472		5,472
Purchase of treasury stock								-5,001	-5,001
Disposal of treasury stock								97	97
Changes during term not related to shareholders' equity (net)									
Total changes during term	—	—	—	—	—	3,520	3,520	-4,903	-1,382
Balance at end of term	¥7,123	¥8,336	¥8,336	¥564	¥19,300	¥53,039	¥72,904	¥-8,663	¥79,700

	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	¥6,575	¥ 62	¥6,637	¥87,721
Changes during term in review				
Distribution of retained earnings				-1,952
Net income				5,472
Purchase of treasury stock				-5,001
Disposal of treasury stock				97
Changes during term not related to shareholders' equity (net)				
Total changes during term	-1,881	65	-1,815	-3,198
Balance at end of term	¥4,693	¥127	¥4,821	¥84,522

Fiscal 2019 (April 1, 2019–March 31, 2020)

(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	¥53,039	¥72,904	¥-8,663	¥79,700	
Changes during term in review										
Distribution of retained earnings						-1,983	-1,983		-1,983	
Net income						5,255	5,255		5,255	
Purchase of treasury stock								-1	-1	
Disposal of treasury stock								106	106	
Changes during term not related to shareholders' equity (net)										
Total changes during term	—	—	—	—	—	3,271	3,271	105	3,377	
Balance at end of term	¥7,123	¥8,336	¥8,336	¥564	¥19,300	¥56,311	¥76,176	¥-8,557	¥83,077	

	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	¥4,693	¥127	¥4,821	¥84,522
Changes during term in review				
Distribution of retained earnings				-1,983
Net income				5,255
Purchase of treasury stock				-1
Disposal of treasury stock				106
Changes during term not related to shareholders' equity (net)				
	-1,070	61	-1,008	-1,008
Total changes during term	-1,070	61	-1,008	2,368
Balance at end of term	¥3,623	¥189	¥3,812	¥86,890