HOGY MEDICAL Co., Ltd.
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Tokyo 107-8615, Japan

**April 13, 2009**

# Consolidated Financial Results for Fiscal 2008

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: **Yukio Ishii, General Manager, Administration Div.**
Annual Meeting of Shareholders: **June 24, 2009**
Date of issue of Financial Report: **June 24, 2009**
Start of cash dividend payments: **May 29, 2009**

## 1. Financial results for fiscal 2008 (April 1, 2008–March 31, 2009)

### (1) Results of operations

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

| | Net sales | (% change from previous year) | Operating income | (% change) | Ordinary income | (% change) | Net income | (% change) |
|---|---|---|---|---|---|---|---|---|
| Fiscal 2008 | ¥31,009 | +6.9% | ¥7,501 | +3.7% | ¥7,627 | +4.7% | ¥3,584 | –11.6% |
| Fiscal 2007 | 29,010 | +6.3 | 7,232 | +19.4 | 7,285 | +18.7 | 4,054 | +12.0 |

| | Net income per share (Yen) | Net income per share (fully diluted) (Yen) | ROE (%) | Ordinary income/ Total assets (%) | Operating income/ Net sales (%) |
|---|---|---|---|---|---|
| Fiscal 2008 | ¥238.47 | — | 7.1% | 12.4% | 24.2% |
| Fiscal 2007 | 269.73 | — | 8.3 | 12.1 | 24.9 |

Note: Gain/loss on investments based on equity method
Fiscal 2008: ¥—million
Fiscal 2007: ¥—million

### (2) Financial position (year-end)

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

| | Total assets | Net assets | Equity ratio | Nett assets per share (Yen) |
|---|---|---|---|---|
| Fiscal 2008 | ¥61,941 | ¥51,505 | 83.1% | ¥3,425.71 |
| Fiscal 2007 | 61,514 | 49,631 | 80.7 | 3,300.59 |

Note: Equity capital at year-end
Fiscal 2008: ¥51,493 million
Fiscal 2007: ¥49,617 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 2008 | ¥6,023 | ¥–2,270 | ¥–2,344 | ¥12,182 |
| Fiscal 2007 | 8,407 | –3,201 | –2,205 | 10,838 |

## 2. Cash dividends

| | Cash dividends per share (Yen) | | | | | Total dividends paid (full year) (Millions of yen) | Payout ratio (consolidated) | Dividends paid/ Net assets (consolidated) (%) |
|---|---|---|---|---|---|---|---|---|
| (Cut-off date) | 1st quarter | 2nd quarter | 3rd quarter | Year-end | Full year | | | |
| Fiscal 2007 | ¥20.00 | ¥20.00 | ¥20.00 | ¥20.00 | ¥80.00 | ¥1,202 | 29.7% | 2.5% |
| Fiscal 2008 | 23.00 | 23.00 | 23.00 | 23.00 | 92.00 | 1,382 | 38.6 | 2.7 |
| Fiscal 2009 (est.) | 23.00 | 23.00 | 23.00 | 23.00 | 92.00 | | 26.5 | |

## 3. Forecast for fiscal 2009 (April 1, 2009–March 31, 2010)

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

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| First 2 quarters | ¥16,060 | 4.8% | ¥4,130 | 9.6% | ¥4,180 | 9.2% | ¥2,510 | 9.3% | ¥166.98 |
| Full year | 32,600 | 5.1 | 8,590 | 14.5 | 8,710 | 14.2 | 5,210 | 45.3 | 346.60 |

## 4. Other

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

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

(3) Shares outstanding (common stock) at year-end
1. Number of shares outstanding (including treasury stock)
Fiscal 2008: 16,341,155
Fiscal 2007: 16,341,155
2. Number of treasury shares outstanding
Fiscal 2008: 1,309,568
Fiscal 2007: 1,308,337

# (Reference) Summary of Non-Consolidated Financial Results

## 1. Financial results for fiscal 2008 (April 1, 2008–March 31, 2009)

### (1) Results of operations

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

| | Net sales | (% change) | Operating income | (% change) | Ordinary income | (% change) | Net income | (% change) |
|---|---|---|---|---|---|---|---|---|
| Fiscal 2008 | ¥30,374 | +5.9% | ¥7,061 | +5.0% | ¥7,241 | +6.1% | ¥3,325 | –11.3% |
| Fiscal 2007 | 28,687 | +5.4 | 6,725 | +19.3 | 6,826 | +18.0 | 3,749 | +10.1 |

| | Net income per share (Yen) | Net income per share (fully diluted) (Yen) |
|---|---|---|
| Fiscal 2008 | ¥221.20 | — |
| Fiscal 2007 | 249.44 | — |

### (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 2008 | ¥59,798 | ¥49,787 | 83.3% | ¥3,312.18 |
| Fiscal 2007 | 58,770 | 47,436 | 80.7 | 3,155.52 |

Note: Equity capital at year-end
Fiscal 2008: ¥49,787 million
Fiscal 2007: ¥47,436 million

## 2. Forecast for fiscal 2009 (April 1, 2009–March 31, 2010)

(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 | ¥15,780 | 5.6% | ¥3,700 | 5.4% | ¥3,750 | 5.5% | ¥2,210 | 5.1% | ¥147.02 |
| Full year | 32,210 | 6.0 | 7,780 | 10.2 | 7,970 | 10.1 | 4,700 | 41.3 | 312.67 |

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

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

# Performance and Financial Position

## 1. Performance

### (1) Operating Results

In the fiscal year under review, the Japanese economy was plagued by turmoil in international financial markets sparked by the subprime loan crisis in the United States, as well as by a fluctuating foreign exchange market. Meanwhile, soaring prices of crude oil and raw materials caused corporate earnings to deteriorate. Accordingly, the nation looks set to undergo severe economic retraction.

Conditions in the medical equipment industry remain difficult due to the effects of reforms to the healthcare system in recent years aimed at restraining medical expenses. A revision to the medical treatment remuneration system in April 2008 had a positive effect on core businesses but a negative effect overall. This has placed more and more pressure on companies associated with the medical equipment industry to enhance efficiency and streamline operations. In addition, the revised Pharmaceutical Affairs Law was enacted in April 2005, highlighting the growing importance of safety and legal compliance among companies in the industry.

Amid these conditions, the Hogy Medical Group offered a range of products that contribute to safety of patients and medical practitioners and help medical institutions streamline and save labor in their operations. As a result, consolidated net sales amounted to ¥31,009 million, up 6.9% year-on-year, representing the 48th consecutive annual increase in revenue since the Company's establishment. Sales of surgical-use kit products performed well, achieving a 13.3% year-on-year sales increase. This owed mainly to the popularity of Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management. For surgical-use non-wovens, we maintained sales at the previous year's level under our "Surrem strategy," based on the concept of low price, high function, and high quality.

In the cost of sales category, the Group enjoyed an increase in capacity utilization thanks to higher production output. Taking advantage of a revision to the Corporate Tax Law in fiscal 2008, however, the Group reassessed the estimated useful life of machinery and equipment. This change led to a ¥411 million increase in depreciation. In addition, product devaluations, soaring raw materials prices, and other factors caused the cost of sales ratio to worsen.

During the year, we focused on efficient expense allocations in the selling, general, and administrative expenses category, basically achieving our targets in this area. Consequently, consolidated operating income rose 3.7%, to ¥7,501 million. In the non-operating category, the main item was ¥53 million in dividend income. Accordingly, ordinary income increased 4.7%, to ¥7,627 million.

Among extraordinary items, the Group reported a ¥1,620 million loss on the valuation of investment securities. As a result, net income declined 11.6%, to ¥3,584 million.

### Outlook

Looking ahead, the economies of Japan and overseas countries are expected to remain depressed due to the global financial crisis. Conditions in the medical equipment industry will remain severe, as stated earlier, and companies involved in the industry will face greater pressure than ever to enhance the efficiency of their operations. To prevail, we at the Hogy Medical Group will assertively promote our Operamaster strategy, as well as our Surrem strategy, which includes introduction of new gowns onto the market, in order to distinguish ourselves from the competition.

Our consolidated forecasts for the fiscal year to March 2010 are as follows:

| | | |
|---|---|---|
| Net sales | ¥32,600 million | (up 5.1%) |
| Operating income | ¥ 8,590 million | (up 14.5%) |
| Ordinary income | ¥ 8,710 million | (up 14.2%) |
| Net income | ¥ 5,210 million | (up 45.3%) |

## (2) Financial Position

As of March 31, 2009, total assets stood at ¥61,941 million, up ¥427 million from a year earlier. Current assets rose ¥2,152 million, to ¥28,115 million. This was due mainly to a ¥1,362 million increase in cash and bank deposits related to operating activities, as well as a ¥608 million rise in notes and accounts receivable.

Fixed assets declined ¥1,725 million, to ¥33,826 million. Within this figure, tangibles fell ¥473 million, to ¥29,073 million, as depreciation costs exceeded purchases of property, plant, and equipment. Intangibles increased ¥39 million, to ¥502 million, and investments and other assets fell ¥1,290 million, to ¥4,250 million.

At fiscal year-end, total liabilities amounted to ¥10,436 million, down ¥1,447 million. Current liabilities declined ¥415 million, to ¥7,227 million. Major factors included an ¥832 million decrease in accrued income tax and a ¥345 million increase in equipment-related payables. Long-term liabilities decreased ¥1,032 million, to ¥3,208 million. Major factors included a ¥1,000 million fall in long-term debt due to repayment of principal.

Net assets at the end of the year totaled ¥51,505 million, up ¥1,874 million from a year earlier. Items boosting net assets included net income (¥3,584 million), while items holding down net assets included cash dividends paid (¥1,337 million). As a result, the equity ratio edged rose from 80.7% to 83.1%.

### Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥12,182 million, up ¥1,343 million from a year earlier.

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

Net cash provided by operating activities amounted to ¥6,023 million, down ¥2,384 million from the previous year. Major items included ¥5,996 million in income before income taxes and minority interests and ¥2,936 million in depreciation, which contrasted with a ¥3,115 million decrease in income taxes paid, a ¥709 million increase in notes and accounts receivable, and a ¥341 million increase in inventories.

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

Net cash used in investing activities totaled ¥2,270 million, down ¥931 million from the previous year. Main factors included purchase of land in Ushiku City, Ibaraki Prefecture, to build a new factory, as well as investments by our subsidiary in Indonesia and purchase of new electron-beam sterilization equipment.

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

Net cash used in financing activities was ¥2,344 million, up ¥138 million from the previous years. Major outlays included repayments of long-term debt and cash dividends paid.

For the next fiscal year, we expect net cash provided by operating activities to be around ¥9,500 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥6,000 million, due to the purchase of new electron-beam sterilization equipment and the purchase of land for a new factory in Ushiku (Ibaraki Prefecture). We expect net cash used in financing activities to be around ¥2,500 million, mainly influenced by cash dividends paid and repayments of borrowings.

### Cash Flow Indicators

| | Fiscal 2005 | Fiscal 2006 | Fiscal 2007 | Fiscal 2008 |
|---|---|---|---|---|
| Equity ratio (%) | 84.7 | 81.1 | 80.7 | 83.1 |
| Equity ratio based on market price (%) | 183.5 | 152.0 | 136.3 | 141.9 |
| Debt coverage (years) | — | 0.9 | 0.5 | 0.5 |
| Interest coverage ratio (times) | — | 338.1 | 127.3 | 117.0 |

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

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

## (3) Basic Profit Appropriation Policy and Cash Dividends

The Company's basic policy with respect to profit appropriation emphasizes a strategy of paying cash dividends, and since our foundation we have adhered to our corporate motto of "ensuring harmonious coexistence with customers, shareholders, employees, and corporations." To this end, we continue to actively and consistently reward our shareholders for their patronage, and we have set a consolidated dividend payout ratio of 30%. To ensure that the fruits of our performance are swiftly returned to shareholders, we commenced payment of quarterly cash dividends in the fiscal year ended March 2007.

For the year under review, we plan to pay total dividends of ¥92.00 per share, consisting of four quarterly ¥23.00 dividends. (We have already paid dividends for the first three quarters, and the year-end dividend is scheduled for payment on May 29, 2009.) In the next fiscal year, we plan to pay ¥23.00 quarterly dividends, for total annual dividends of ¥92.00 per share.

In addition, we have introduced a stock option plan, with the intention of raising will and morale by providing benefits to directors and employees. These measures are designed to improve our business performance.

## (4) Business Risks

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

### Legal regulations

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

**Disruption of supply of main materials and raw materials**

Major fluctuations in the prices of crude oil, raw materials, or foreign exchange rates could have an impact on the Group's business performance.

Also, if products handled by the Hogy Medical Group are subject to a recall due to defectiveness or other reason, the Group's business performance could be affected as a result. Moreover, if a supplier of materials contained in the Group's kit products initiates a non-conformance report or product recall, the Group will need to recall kit products containing such materials, which could potentially affect its business performance.

**Inability to manufacture at overseas manufacturing base**

Hogy Medical has a manufacturing subsidiary and a manufacturing sub-subsidiary in Indonesia. The Company entrusts part of its manufacturing of medical-use non-woven fabric products and consumables to the subsidiary and sub-subsidiary (via the subsidiary). 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.

**Inability to manufacture and supply at domestic manufacturing bases**

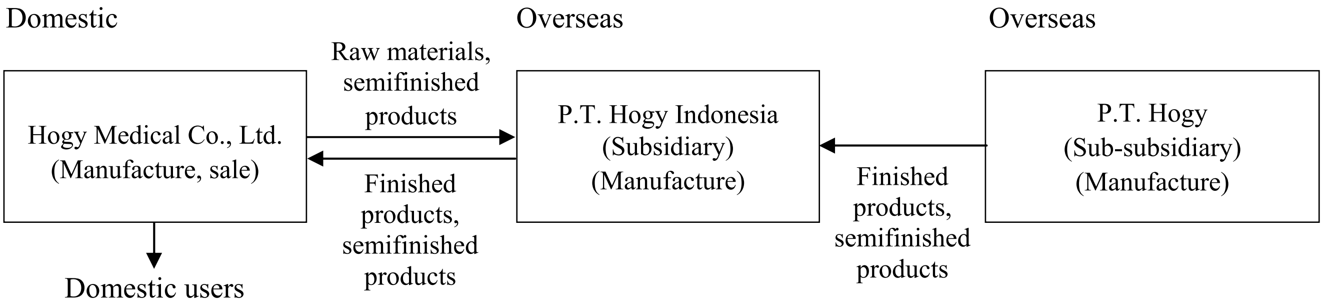
The Hogy Medical Group's manufacturing and distribution bases are concentrated in Miho and Ushiku in Ibaraki Prefecture. In the event of temporary cessation of manufacturing or product supply due to an earthquake, fire, flood, or other natural disaster in this region, the Group's business performance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

## 2. The Hogy Medical Group

The Hogy Medical Group consists of Hogy Medical (the "Company"), its subsidiary, P.T. Hogy Indonesia (the "subsidiary"), and its sub-subsidiary, P.T. Hogy (the "sub-subsidiary," which became a sub-subsidiary on July 1, 2007; name changed from P.T. Nitto Matex Indonesia on February 25, 2008). Main Group businesses are the manufacture and sale of various items for medical use, namely consumables, medical equipment, medical recording paper, and non-woven fabric products.

The Company entrusts part of its non-woven fabric products and consumables manufacturing operations to the subsidiary. Practically all of the products made by that subsidiary are supplied to the Company. Therefore, this subsidiary can be regarded as an important manufacturing base for the Company. In addition, the sub-subsidiary mainly manufactures medical-use consumables and supplies the major portion of production to the subsidiary.

The Group's structure and interrelationships are shown below.



## 3. Management Policies

### (1) Basic Policy

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

### (2) Key Performance Indicators

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

### (3) Medium- and Long-Term Strategies

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

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

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

## (4) Issues to Address

On October 11, 2007, the Group announced its medium-term business plan, the key objectives of which are to create safe products that benefit society, coexist harmoniously with customers, raise employee satisfaction levels, achieve steady growth, and improve earnings. Specific goals cited in the plan are listed below. We will take assertive actions to achieve these goals and thus increase our corporate value.

- Step up promotion of Operamaster strategy
- Further reinforce Surrem strategy
- Develop new products
- Ensure stable supply of safe products
- Enhance production efficiency and otherwise target ongoing cost reductions
- Diversify sourcing of materials and lower sourcing costs
- Reinforce internal control system and compliance
- Nurture human resources and educate employees

## (5) Items Related to Parent Company

No relevant items

# 4. Consolidated Financial Statements

## (1) Balance Sheets

(Millions of yen, rounded down)

| | Fiscal 2007 (At March 31, 2008) | Fiscal 2008 (At March 31, 2009) |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and bank deposits | ¥11,138 | ¥12,501 |
| Notes and accounts receivable | 8,487 | 9,096 |
| Inventories | 5,674 | 5,755 |
| Deferred income taxes | 316 | 310 |
| Currency swaps | 39 | 61 |
| Forward foreign exchange contracts | 47 | 64 |
| Others | 264 | 327 |
| Allowance for doubtful accounts | –4 | –1 |
| Total current assets | 25,962 | 28,115 |
| Fixed assets | | |
| Tangibles | | |
| Buildings and structures | 13,213 | 12,360 |
| Machinery and vehicles | 7,231 | 5,532 |
| Land | 7,671 | 7,684 |
| Construction in progress | 1,025 | 3,128 |
| Others | 404 | 366 |
| Total tangibles | 29,547 | 29,073 |
| Intangibles | 463 | 502 |
| Investments and other assets | | |
| Investment securities | 3,038 | 2,096 |
| Guaranty deposit | 543 | 552 |
| Deferred income taxes | 498 | 106 |
| Prepaid pension costs | 422 | 494 |
| Currency swaps | 184 | 139 |
| Forward foreign exchange contracts | 169 | 111 |
| Others | 772 | 792 |
| Allowance for doubtful accounts | –88 | –42 |
| Total investments and other assets | 5,540 | 4,250 |
| Total fixed assets | 35,551 | 33,826 |
| Total assets | ¥61,514 | ¥61,941 |

(Millions of yen, rounded down)

| | Fiscal 2007 (At March 31, 2008) | Fiscal 2008 (At March 31, 2009) |
|---|---|---|
| **LIABILITIES** | | |
| Current liabilities | | |
| Notes and accounts payable | ¥ 3,711 | ¥ 3,694 |
| Bonds redeemable within one year | 1,000 | 1,000 |
| Accrued income tax | 1,674 | 841 |
| Reserve for employees' bonuses | 404 | 478 |
| Reserve for directors' bonuses | 90 | 90 |
| Equipment-related notes payable | 102 | 448 |
| Other current liabilities | 660 | 674 |
| Total current liabilities | 7,642 | 7,227 |
| Long-term liabilities | | |
| Long-term borrowings | 2,925 | 1,925 |
| Deferred income taxes | 97 | 53 |
| Reserve for employees' retirement benefits | 384 | 417 |
| Negative goodwill | 125 | 97 |
| Long-term payables | 397 | 394 |
| Other long-term liabilities | 310 | 320 |
| Total long-term liabilities | 4,240 | 3,208 |
| Total liabilities | 11,883 | 10,436 |
| **NET ASSETS** | | |
| Shareholders' equity | | |
| Common stock | 7,123 | 7,123 |
| Capital surplus | 8,336 | 8,336 |
| Earned surplus | 41,479 | 43,725 |
| Treasury stock | –7,104 | –7,110 |
| Total shareholders' equity | 49,834 | 52,074 |
| Valuation/translation gains or losses | | |
| Net unrealized gains or losses on securities | –425 | –16 |
| Deferred hedging gains or losses | 265 | 227 |
| Translation adjustments | –57 | –790 |
| Total valuation/translation gains or losses | –217 | –580 |
| Minority interests | 14 | 11 |
| Total net assets | 49,631 | 51,505 |
| Total liabilities and net assets | ¥61,514 | ¥61,941 |

## (2) Statements of Income

(Millions of yen, rounded down)

| | Fiscal 2007 (April 1, 2007– March 31, 2008) | Fiscal 2008 (April 1, 2008– March 31, 2009) |
|---|---|---|
| **Net sales** | ¥29,010 | ¥31,009 |
| **Cost of sales** | 14,093 | 15,474 |
| **Gross profit** | 14,916 | 15,534 |
| **Selling, general, and administrative expenses** | 7,684 | 8,033 |
| **Operating income** | 7,232 | 7,501 |
| **Other income** | | |
| Interest income | 21 | 8 |
| Dividend income | 20 | 53 |
| Amortization of negative goodwill | 13 | 27 |
| Exchange gain | 21 | — |
| Lease revenue | 5 | 5 |
| Gain on repayment of insurance policies at maturity | — | 36 |
| Others | 37 | 52 |
| Total other income | 122 | 184 |
| **Other expenses** | | |
| Interest expenses | 64 | 50 |
| Foreign exchange loss | — | 0 |
| Lease costs | 4 | 4 |
| Others | 0 | 3 |
| Total other expenses | 68 | 58 |
| **Ordinary income** | 7,285 | 7,627 |
| **Extraordinary income** | | |
| Gain on transfer from allowance for doubtful accounts | 8 | 9 |
| Gain on sale of fixed assets | 1 | 2 |
| Gain on sale of investment securities | 0 | — |
| Total extraordinary income | 11 | 12 |
| **Extraordinary expenses** | | |
| Loss on disposal of fixed assets | 9 | 22 |
| Loss on valuation of investment securities | 462 | 1,620 |
| Total extraordinary expenses | 471 | 1,643 |
| **Income before income taxes and minority interests** | 6,825 | 5,996 |
| **Income taxes** | 2,954 | 2,288 |
| **Income tax adjustment** | –185 | 121 |
| **Total income taxes** | 2,769 | 2,409 |
| **Minority interests** | 1 | 1 |
| **Net income** | 4,054 | 3,584 |

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

(Millions of yen, rounded down)

| | Fiscal 2007 (April 1, 2007– March 31, 2008) | Fiscal 2008 (April 1, 2008– March 31, 2009) |
|---|---|---|
| **Shareholders' equity** | | |
| Common stock | | |
| Balance at end of previous term | ¥ 7,123 | ¥ 7,123 |
| Changes during term in review | | |
| Total changes during term | — | — |
| Balance at end of term in review | 7,123 | 7,123 |
| Capital surplus | | |
| Balance at end of previous term | 8,336 | 8,336 |
| Changes during term in review | | |
| Total changes during term | — | — |
| Balance at end of term in review | 8,336 | 8,336 |
| Earned surplus | | |
| Balance at end of previous term | 38,626 | 41,479 |
| Changes during term in review | | |
| Distribution of earned surplus | –1,202 | –1,337 |
| Net income | 4,054 | 3,584 |
| Disposal of treasury stock | — | –0 |
| Total changes during term | 2,852 | 2,246 |
| Balance at end of term in review | 41,479 | 43,725 |
| Treasury stock | | |
| Balance at end of previous term | –7,099 | –7,104 |
| Changes during term in review | | |
| Purchase of treasury stock | –4 | –8 |
| Disposal of treasury stock | — | 1 |
| Total changes during term | –4 | –6 |
| Balance at end of term in review | –7,104 | –7,110 |
| Total shareholders' equity | | |
| Balance at end of previous term | 46,986 | 49,834 |
| Changes during term in review | | |
| Distribution of earned surplus | –1,202 | –1,337 |
| Net income | 4,054 | 3,584 |
| Purchase of treasury stock | –4 | –8 |
| Disposal of treasury stock | — | 1 |
| Total changes during term | 2,847 | 2,240 |
| Balance at end of term in review | 49,834 | 52,074 |
| **Valuation/translation gains or losses** | | |
| Net unrealized gains or losses on securities | | |
| Balance at end of previous term | 22 | –425 |
| Changes during term in review | | |
| Changes during term not related to shareholders' equity (net) | –448 | 408 |
| Total changes during term | –448 | 408 |
| Balance at end of term in review | –425 | –16 |

(Millions of yen, rounded down)

| | Fiscal 2007 (April 1, 2007– March 31, 2008) | Fiscal 2008 (April 1, 2008– March 31, 2009) |
|---|---|---|
| Deferred hedging gains or losses | | |
| Balance at end of previous term | ¥ 926 | ¥ 265 |
| Changes during term in review | | |
| Changes during term not related to shareholders' equity (net) | –660 | –38 |
| Total changes during term | –660 | –38 |
| Balance at end of term in review | 265 | 227 |
| Translation adjustments | | |
| Balance at end of previous term | 82 | –57 |
| Changes during term in review | | |
| Changes during term not related to shareholders' equity (net) | –139 | –733 |
| Total changes during term | –139 | –733 |
| Balance at end of term in review | –57 | –790 |
| Total valuation/translation gains or losses | | |
| Balance at end of previous term | 1,031 | –217 |
| Changes during term in review | | |
| Changes during term not related to shareholders' equity (net) | –1,248 | –363 |
| Total changes during term | –1,248 | –363 |
| Balance at end of term in review | –217 | –580 |
| Minority interests | | |
| Balance at end of previous term | 13 | 14 |
| Changes during term in review | | |
| Changes during term not related to shareholders' equity (net) | 1 | –2 |
| Total changes during term | 1 | –2 |
| Balance at end of term in review | 14 | 11 |
| Total net assets | | |
| Balance at end of previous term | 48,031 | 49,631 |
| Changes during term in review | | |
| Distribution of earned surplus | –1,202 | –1,337 |
| Net income | 4,054 | 3,584 |
| Purchase of treasury stock | –4 | –8 |
| Sales of treasury stock | — | 1 |
| Changes during term not related to shareholders' equity (net) | –1,247 | –365 |
| Total changes during term | 1,599 | 1,874 |
| Balance at end of term in review | 49,631 | 51,505 |

## (4) Statements of Cash Flows

(Millions of yen, rounded down)

| | Fiscal 2007 (April 1, 2007– March 31, 2008) | Fiscal 2008 (April 1, 2008– March 31, 2009) |
|---|---|---|
| Operating activities | | |
| Income before income taxes and minority interests | ¥ 6,825 | ¥ 5,996 |
| Depreciation | 2,728 | 2,936 |
| Amortization of negative goodwill | –13 | –27 |
| Retirement benefits, net of payments | –529 | –35 |
| Increase (decrease) in allowance for doubtful accounts | –9 | –3 |
| Interest and dividend income | –42 | –61 |
| Interest expenses | 64 | 50 |
| Gain on sales of investment securities | –0 | — |
| Loss on valuation of investment securities | 462 | 1,620 |
| Exchange gain | –36 | –4 |
| Gain on sale of tangible fixed assets | –1 | –2 |
| Loss on disposal of tangible fixed assets | 9 | 22 |
| Changes in assets and liabilities: | | |
| Notes and accounts receivable | 497 | –709 |
| Inventories | –303 | –341 |
| Notes and accounts payable | 610 | 28 |
| Accrued consumption tax payables and others | 177 | –138 |
| Other current assets | –65 | –72 |
| Other current liabilities | 73 | 73 |
| Other investments and others | –13 | –129 |
| Other long-term liabilities | 418 | 6 |
| Other | 60 | –79 |
| Subtotal | 10,911 | 9,128 |
| Interest and dividends received | 42 | 61 |
| Interest paid | –66 | –51 |
| Incomes taxes paid | –2,479 | –3,115 |
| Net cash provided by operating activities | 8,407 | 6,023 |
| Investing activities | | |
| Increase in time deposits | –10 | –33 |
| Proceeds from withdrawals from time deposits | — | 15 |
| Purchase of investment securities | –1,780 | — |
| Proceeds from sale of investment securities | 329 | — |
| Acquisition of newly consolidated subsidiary | –123 | — |
| Purchase of tangible fixed assets | –1,439 | –2,150 |
| Proceeds from sale of tangible fixed assets | 5 | 7 |
| Purchase of intangible fixed assets | –171 | –145 |
| Expenditures by loans receivable | –5 | –20 |
| Collection of loans receivable | 9 | 16 |
| Increase (decrease) in other investments | –14 | 40 |
| Net cash used in investing activities | –3,201 | –2,270 |
| Financing activities | | |
| Repayments of long-term debt | –1,000 | –1,000 |
| Sales of treasury stock | — | 1 |
| Purchase of treasury stock | –4 | –8 |
| Cash dividends paid | –1,201 | –1,337 |
| Net cash used in financing activities | –2,205 | –2,344 |
| Effect of exchange rate changes on cash and cash equivalents | 12 | –66 |
| Net change in cash and cash equivalents | 3,013 | 1,343 |
| Cash and cash equivalents at beginning of year | 7,825 | 10,838 |
| Cash and cash equivalents at end of year | 10,838 | 12,182 |