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

April 19, 2011

Consolidated Financial Results for Fiscal 2010

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: **Kazuo Takahashi, Director, Administration Div.**
Annual Meeting of Shareholders: **June 23, 2011**
Date of issue of Financial Report: **June 23, 2011**
Preparation of supplementary materials for financial results: **Yes**
Information meet for financial results to be held: **Yes**
Start of cash dividend payments: **May 31, 2011**

1. Financial results for fiscal 2010 (April 1, 2010–March 31, 2011)

(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 2010	¥31,311	–0.1%	¥8,601	+7.9%	¥8,561	+6.7%	¥4,453	–9.5%
Fiscal 2009	31,339	+1.1%	7,974	+6.3%	8,020	+5.2%	4,921	+37.3%

Note: Comprehensive income
Fiscal 2010: ¥3,737 million (down 28.8%)
Fiscal 2009: ¥5,251 million (—%)

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)	ROE (%)	Ordinary income/ Total assets (%)	Operating income/ Net sales (%)
Fiscal 2010	¥283.10	—	7.5%	12.4%	27.5%
Fiscal 2009	315.74	—	8.9%	12.3%	25.4%

Note: Gain/loss on investments based on equity method
Fiscal 2010: ¥—million
Fiscal 2009: ¥—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 2010	¥69,834	¥60,698	86.9%	¥3,857.83
Fiscal 2009	68,259	58,506	85.7%	3,718.27

Note: Equity capital at year-end
Fiscal 2010: ¥60,684 million
Fiscal 2009: ¥58,492 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 2010	¥7,250	¥–3,888	¥–2,545	¥18,139
Fiscal 2009	8,173	–3,713	750	17,405

2. Cash dividends

	Cash dividends per share (Yen)					Total dividends paid (full year) (Millions of yen)	Payout ratio (consolidated)	Dividends paid/ Net assets (consolidated) (%)
(Date of record)	1st quarter	2nd quarter	3rd quarter	Year-end	Full year			
Fiscal 2009	¥23.00	¥23.00	¥23.00	¥23.00	¥ 92.00	¥1,447	29.1%	2.6%
Fiscal 2010	25.00	25.00	25.00	25.00	100.00	1,573	35.3	2.6
Fiscal 2011 (est.)	20.00	20.00	20.00	20.00	80.00		30.0	

Note: Commemorative dividends in each quarter of fiscal 2010: ¥2.00 (year total: ¥8.00)

3. Forecast for fiscal 2011 (April 1, 2011–March 31, 2012)

(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	¥15,390	–1.7%	¥3,500	–18.5%	¥3,548	–15.7%	¥2,141	–15.0%	¥136.11
Full year	30,700	–2.0	6,900	–19.8	6,970	–18.6	4,200	–5.7	267.00

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 2010: 16,341,155
   Fiscal 2009: 16,341,155
2. Number of treasury shares outstanding
   Fiscal 2010: 610,955
   Fiscal 2009: 610,158
3. Average number of shares over period
   Fiscal 2010: 15,730,617
   Fiscal 2009: 15,585,531

HOGY

(Reference) Summary of Non-Consolidated Financial Results

1. Financial results for fiscal 2010 (April 1, 2010–March 31, 2011)

(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 2010	¥31,228	+0.6%	¥8,073	+9.4%	¥8,115	+8.4%	¥4,148	–7.3%
Fiscal 2009	31,046	+2.2	7,379	+4.5	7,488	+3.4	4,477	+34.7

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)
Fiscal 2010	¥263.75	—
Fiscal 2009	287.30	—

(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 2010	¥67,677	¥58,495	86.4%	¥3,718.65
Fiscal 2009	66,009	56,229	85.2	3,574.46

Note: Equity capital at year-end
Fiscal 2010: ¥58,495 million
Fiscal 2009: ¥56,229 million

2. Forecast for fiscal 2011 (April 1, 2011–March 31, 2012)

(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	¥15,340	–1.7%	¥3,174	–21.0%	¥3,241	–17.9%	¥1,919	–17.6%	¥121.99
Full year	30,550	–2.2	6,250	–22.6	6,420	–20.9	3,800	–8.4	241.57

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

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

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1. Performance and Financial Position

(1) Performance

In the fiscal year under review, the Japanese economy began to show some signs of improvement. This was despite indications of uncertainty stemming from the unstable global situation and the yen's appreciation. However, the Great East Japan Earthquake, which occurred at the end of the fiscal year, had an immeasurable impact on the domestic economy. For this reason, it is difficult to predict the future economic outlook.

Despite an increase in overall medical treatment remuneration—the first in 10 years since 2000—conditions in the medical equipment industry remained challenging as companies associated with the industry faced growing pressure to enhance efficiency and streamline operations.

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. To this end, we actively promoted Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management. We also pursued our "Surrem strategy," based on the concept of low price, high function, and high quality.

For the year, sales of surgical-use kit products amounted to ¥14,379 million, up 4.1% from the previous fiscal year. Within this amount, Operamaster sales jumped 10.2%, to ¥8,078 million. During the year, we signed Operamaster contracts with 20 medical institutions and cancelled contracts with 11 others.

For surgical-use non-wovens, we reinforced our Surrem strategy, boosting sales volume as a result. Due to the impact of the Great East Japan Earthquake, however, overall sales remained mostly unchanged, edging down 0.3%, to ¥10,860 million. Sales of masks and other products posted a year-on-year decrease due to special demand in the previous corresponding period, which saw an outbreak of the H1N1 influenza virus. This event ceased to have an effect on revenue by the end of the first three quarters of the fiscal year. During the period, we also sold part of the business of our consolidated subsidiary, which led to a year-on-year decline in other sales of that subsidiary. This event ceased to have an effect on revenue by the end of the first two quarters.

The Great East Japan Earthquake caused some damage to the Company's sales offices in the Tohoku region and production facility buildings in Ibaraki Prefecture. Since the earthquake, we have focused our entire efforts on restoring the situation to normal. In addition to the aforementioned factors, however, our shipment and manufacturing operations were severely impacted by traffic restrictions and road congestion, which were compounded by gasoline shortages and other factors. Until the end of February 2011, we had exceeded our revised sales forecasts. Due to the earthquake, however, sales in March reached just 96.1% of the previous corresponding month. As a result, consolidated net sales for the year edged down 0.1%, to ¥31,311 million.

With respect to cost of sales, we were able to reduce costs by improving productivity through an overall increase in manufacturing volume. This was despite suspension of factory operations due to the earthquake. During the year, we focused on efficient expense allocations in the selling, general, and administrative expenses category. Consequently, consolidated operating income rose 7.9%, to ¥8,601 million.

In other income/expenses, the main item was a foreign exchange loss of ¥152 million. As a result, ordinary income increased 6.7%, to ¥8,561 million.

Among extraordinary items, the main item was a ¥1,054 million extraordinary loss caused by disposal of inventories and factory restoration costs resulting from the earthquake. As a consequence, net income for the year under review declined 9.5%, to ¥4,453 million. The following table shows a breakdown of extraordinary losses due to the earthquake.

	Damage Status	Damage Total
Miho No. 1 Plant	No major damage to facilities; production restarted 3 days after earthquake	¥3 million
Miho No. 2 Plant	Mekkin Bag and drapes: No major damage to manufacturing equipment; production restarted 3 days after earthquake Kit products: Production suspended due to collapsed ceiling on 2nd floor; production restarted at provisional manufacturing line on March 21; restoration planned in early May	¥213 million
Tsukuba Plant	Damage to materials shelves due to cargo pile collapse; automated warehouse restored and production restarted 3 days later; fully restored after 9 days; kit lines (previously produced at Miho No. 2 Plant) relocated to Tsukuba Plant and production restarted April 4	¥473 million
Tsukuba Distribution Center	Damage to product shelves due to cargo pile collapse; partial shipments restarted 7 days later; fully operational March 24	¥272 million
Tsukuba OPC	No major damage to facilities; shipments restarted 3 days after earthquake	¥1 million
Tsukuba Sterilization Center	No major damage to facilities; operations restarted 5 days after earthquake	¥34 million
Edosaki Distribution Center	No major damage to facilities; shipments restarted 3 days after earthquake	—
Others	Support and rescue equipment provided; relief money to employees; additional equipment damage	¥54 million
Total		¥1,054 million

* Major components of the damage total were devaluation of inventories (¥308 million) and restoration costs to cover equipment damage (¥695 million).

Outlook

It is impossible to measure the impact of the Great East Japan Earthquake on the domestic economy. For this reason, it is difficult to determine the future direction of the economy.

The Hogy Medical Group sustained damage to buildings and equipment at some of its sales offices and factories, and temporarily suspended production and shipments as a result. Now, we have practically returned to our regular supply capacity. However, the Miho No. 2 Plant incurred internal damage, so we relocated its production line for kit products to another plant. Kit products are now being manufactured under this temporary arrangement. Although we have restarted manufacturing at the relocated production line, we are experiencing delays due to several factors, including the size of the order backlog at the time of production suspension, inadequate supply of materials, and a temporary jump in demand caused by the earthquake. To eliminate the delays, we have added staff to our overseas subsidiary and increased its production in order to improve the situation as early as possible. We expect delays to be eliminated sometime in May. With respect to kit products at the Miho No. 2 Plant, we will incrementally restart production as soon as building restoration work has been completed. We expect to undertake restoration work early in May.

With respect to future demand trends, we forecast a dramatic decline in surgical operations in earthquake-affected areas. In the Kanto region, moreover, some medical institutions have been impacted by the earthquake, and we expect rolling power outages scheduled for the summer to have a temporary restricting effect on surgical operations. We are therefore concerned about a decline in demand in the summer months.

Meanwhile, we are considering restricting our sales activities in eastern Japan in light of medical institutions' ongoing efforts to address the earthquake. On the other hand, our operations in western Japan are returning to normal. We will step up sales activities there once production delays have been eliminated. We have also considered other effects of the earthquake and changing associated circumstances to the best of our ability at this stage.

With respect to costs, we are currently expanding the New Tsukuba Sterilization Center, located within the Tsukuba Plant site, with full-scale operation set to begin in May. This will lead to an increase in depreciation expenses related to manufacturing, which will be a primary factor driving up costs. Due to numerous aftershocks, moreover, we are concerned that operations may need to be temporarily suspended or impeded in the interests of employee safety. We are also mindful of surging raw materials prices and rising infrastructure costs. Going forward, we will consider changing the operating hours of the sterilization center, which consumes large volumes of electricity, in response to usage restrictions and the need to reduce consumption.

In consideration of these circumstances, the Hogy Medical Group will place top priority on swiftly building a stable product manufacturing and supply system. At the same time, we will assertively promote our Operamaster strategy, as well as our Surrem strategy, while actively developing new products—based on the concept of "products that contribute to the medical front lines"—in order to distinguish ourselves from the competition.

Our full-year consolidated forecasts are shown below.

The Group is still in the process of assessing the impact of the Great East Japan Earthquake on its operations, and believes that the situation will gradually change. Our performance forecasts are based on factors that we can envisage at the present time. We are considering disclosure of provisional forecasts as the situation unfolds.

(Consolidated performance forecasts)

Our consolidated forecasts for the fiscal year to March 2012 are as follows:

Net sales	¥30,700 million	(down 2.0%)
Operating income	¥ 6,900 million	(down 19.8%)
Ordinary income	¥ 6,970 million	(down 18.6%)
Net income	¥ 4,200 million	(down 5.7%)

(2) Financial Position

1) Assets, Liabilities, and Net Assets

At March 31, 2011, total assets amounted to ¥69,834 million, up ¥1,574 million from a year earlier. During the period, current assets increased ¥150 million, to ¥33,513 million. This was due mainly to a ¥739 million rise in cash and bank deposits associated with operating activities, which contrasted with a ¥700 million decline in inventories. Fixed assets rose ¥1,424 million, to ¥36,320 million. Within this figure, tangibles were up ¥1,396 million, to ¥31,518 million, due mainly to a purchases of equipment for the New Tsukuba Sterilization Center, which accounted for ¥2,732 million of the increase. Intangibles rose ¥291 million, to ¥888 million, and investments and other assets declined ¥262 million, to ¥3,913 million.

At fiscal year-end, total liabilities amounted to ¥9,135 million, down ¥616 million. Current liabilities increased ¥315 million, to ¥8,322 million. Main factors included a 691 million increase in reserve for disaster loss and a ¥414 million decrease in accrued income tax. Long-term liabilities fell ¥932 million, to ¥813 million. Interest-bearing debt declined ¥1,000 million, to ¥925 million.

Net assets at the end of the year totaled ¥60,698 million, up ¥2,191 million from a year earlier. The main factor boosting net assets was ¥4,453 million in net income, while the major factor holding down net assets was ¥1,541 million in cash dividends paid. As a result, the equity ratio rose from 85.7% to 86.9%.

2) Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥18,139 million, up ¥733 million from a year earlier.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥7,250 million, down ¥922 million from the previous year. Major items included ¥7,475 million in income before income taxes and minority interests, ¥2,277 million in depreciation, a ¥270 million decrease in inventories, and a ¥1,019 million disaster loss. These contrasted with ¥3,576 million in income taxes paid and a ¥27 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥3,888 million, up ¥175 million from the previous year. Main included purchases of tangible fixed assets related to the New Sterilization Center in Tsukuba.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥2,545 million, compared with ¥750 million in net cash provided by such activities in the previous fiscal year. Major outlays included repayments of long-term debt and cash dividends paid.

For the next fiscal year, we expect net cash provided by operating activities to be around ¥5,100 million. Net cash used in investing activities is expected to total around ¥2,000 million, due to replacement of existing equipment. We expect net cash used in financing activities to be around ¥2,200 million, mainly influenced by cash dividends paid and repayments of borrowings.

Cash Flow Indicators

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Equity ratio (%)	80.7	83.1	85.7	86.9
Equity ratio based on market price (%)	136.3	141.9	103.2	83.3
Debt coverage (years)	0.5	0.5	0.2	0.1
Interest coverage ratio (times)	127.3	117.0	224.4	335.0

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. 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 ¥100.00 per share, consisting of four quarterly ¥25.00 dividends, including ¥2.00 commemorative dividends in each quarter. (We have already paid dividends for the first three quarters, and the year-end dividend is scheduled for payment on May 31, 2011.) In the next fiscal year, we plan to pay ¥20.00 quarterly dividends, for total annual dividends of ¥80.00 per share. If our performance improves, we will consider raising cash dividend payments.

(4) Business Risks

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

1) Legal regulations

The Hogy Medical Group handles a variety of items, including kit products, 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.

2) Disruption of supply of main materials and raw materials

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

3) Product defects

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

4) Inability to manufacture at overseas manufacturing base

Hogy Medical has a manufacturing subsidiary in Indonesia. In the event of temporary cessation of manufacturing or product supply due to unanticipated changes to laws or regulations, or the occurrence of an uncontrollable accident caused by political unrest, terrorism, violence, war, natural disaster, or outbreaks of new strains of influenza in Indonesia, the Group's business performance could be affected.

5) Inability to manufacture and supply at domestic manufacturing bases

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

6) Information management

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

7) Impairment accounting

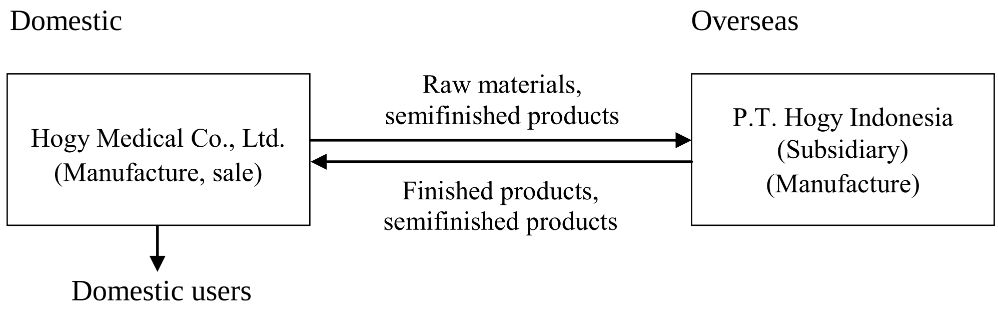
When the real values of assets owned by the Group decline, such assets are necessarily subject to impairment accounting. In such events, the Group's business performance could be potentially affected.

2. The Hogy Medical Group

The Hogy Medical Group consists of Hogy Medical (the “Company”) and its subsidiary, P.T. Hogy Indonesia (the “subsidiary”). 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.

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 need to boost revenue and income by increasing the number of surgical procedures they perform. 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 and raise our market share.

For companies in the medical equipment industry, the importance of safety and legal compliance continues to increase. With this in mind, Hogy Medical will renew its focus on the stable supply of safe products. In addition, we will pursue ongoing cost-reduction activities and further upgrade internal monitoring and compliance systems in order to ensure transparency of operations.

(4) Issues to Address

The Group’s key objectives are to create safe products that benefit society, ensure stable production, coexist harmoniously with customers, raise employee satisfaction levels, achieve steady growth, and improve earnings. After the Great East Japan Earthquake, the Group’s production and shipping operations were temporarily suspended. Although our manufacturing facilities are concentrated in Ibaraki Prefecture, the extent of the damage differed according to facility. At some facilities, for example, we were able to swiftly get operations back on track, while at others the damage was major and required some time to restore. We will move quickly to analyze problems and study and implement measures to address them. At the same time, we will reinforce our existing facilities with the aim of building a system to enable recommencement of production and supplies within several days even if an unforeseen event happens in the future.

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

(5) Items Related to Parent Company

No relevant items

4. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2009 (At March 31, 2010)	Fiscal 2010 (At March 31, 2011)
ASSETS		
Current assets		
Cash and bank deposits	¥17,766	¥18,505
Notes and accounts receivable	9,124	9,091
Goods and merchandise	3,075	2,570
Products in progress	308	288
Materials and supplies	2,259	2,083
Deferred income taxes	386	621
Others	446	356
Allowance for doubtful accounts	–2	–4
Total current assets	33,363	33,513
Fixed assets		
Tangibles		
Buildings and structures	24,788	26,335
Accumulated depreciation	–12,414	–13,032
Buildings and structures (net)	12,374	13,302
Machinery and vehicles	19,903	20,251
Accumulated depreciation	–15,007	–16,031
Machinery and vehicles (net)	4,896	4,219
Land	9,410	9,375
Construction in progress	3,137	4,283
Others	2,489	2,541
Accumulated depreciation	–2,187	–2,203
Others (net)	302	337
Total tangibles	30,121	31,518
Intangibles		
Software	276	231
Software in progress	306	642
Telephone subscription rights	13	13
Others	0	0
Total intangibles	597	888
Investments and other assets		
Investment securities	2,698	2,257
Guaranty deposit	547	512
Deferred income taxes	67	205
Prepaid pension costs	148	167
Others	767	791
Allowance for doubtful accounts	–51	–20
Total investments and other assets	4,176	3,913
Total fixed assets	34,895	36,320
Total assets	¥68,259	¥69,834

(Millions of yen, rounded down)

	Fiscal 2009 (At March 31, 2010)	Fiscal 2010 (At March 31, 2011)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥ 3,452	¥ 3,338
Long-term borrowings due within one year	1,000	925
Accrued income tax	1,991	1,576
Reserve for employees’ bonuses	455	407
Reserve for directors’ bonuses	90	90
Reserve for disaster loss	—	691
Equipment-related notes payable	182	380
Other current liabilities	834	914
Total current liabilities	8,006	8,322
Long-term liabilities		
Long-term borrowings	925	—
Deferred income taxes	29	8
Reserve for employees’ retirement benefits	34	44
Long-term payables	394	394
Other long-term liabilities	362	366
Total long-term liabilities	1,746	813
Total liabilities	9,752	9,135
NET ASSETS		
Shareholders’ equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Earned surplus	46,598	49,510
Treasury stock	–3,313	–3,316
Total shareholders’ equity	58,744	61,653
Valuation and translation adjustments		
Net unrealized gains or losses on securities	345	78
Deferred hedging gains or losses	80	9
Translation adjustments	–678	–1,055
Total valuation and translation adjustments	–252	–968
Minority interests	14	13
Total net assets	58,506	60,698
Total liabilities and net assets	¥68,259	¥69,834

(2) Statements of Income and Statements of Comprehensive Income

(Statements of Income)

(Millions of yen, rounded down)

	Fiscal 2009 (April 1, 2009– March 31, 2010)	Fiscal 2010 (April 1, 2010– March 31, 2011)
Net sales	¥31,339	¥31,311
Cost of sales	15,143	14,829
Gross profit	16,195	16,482
Selling, general, and administrative expenses	8,220	7,880
Operating income	7,974	8,601
Other income		
Interest income	7	3
Dividend income	44	51
Amortization of negative goodwill	13	—
Lease revenue	5	1
Gain on repayment of insurance policies at maturity	31	27
Others	54	49
Total other income	157	134
Other expenses		
Interest expenses	35	20
Foreign exchange loss	62	152
Lease costs	3	1
Others	10	0
Total other expenses	111	174
Ordinary income	8,020	8,561
Extraordinary income		
Gain on transfer from allowance for doubtful accounts	—	15
Gain on sale of fixed assets	5	0
Gain on sale of investment securities	—	101
Lump amortization of negative goodwill	83	—
Insurance marginal profit	8	—
Total extraordinary income	97	117
Extraordinary expenses		
Loss on sale of fixed assets	3	0
Loss on disposal of fixed assets	10	15
Effect of application of accounting standards for asset retirement obligations	—	32
Valuation loss on golf membership	—	10
50-year commemoration business expense	—	90
Loss due to disaster	—	1,054
Total extraordinary expenses	13	1,203
Income before income taxes and minority interests	8,103	7,475
Income taxes	3,247	3,192
Income tax adjustment	–67	–171
Total income taxes	3,180	3,020
Income before minority interests	—	4,454
Minority interests	2	1
Net income	4,921	4,453

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2009 (April 1, 2009– March 31, 2010)	Fiscal 2010 (April 1, 2010– March 31, 2011)
Income before minority interests	—	¥4,454
Other comprehensive income		
Net unrealized gains or losses on securities	—	–267
Deferred hedging gains or losses	—	–71
Translation adjustments	—	–379
Total other comprehensive income	—	–717
Comprehensive income	—	3,737
(Breakdown)		
Comprehensive income attributable owners of parent company	—	3,737
Comprehensive income attributable to minority interests	—	–0

(3) Statements of Changes in Shareholders' Equity

(Millions of yen, rounded down)

	Fiscal 2009 (April 1, 2009– March 31, 2010)	Fiscal 2010 (April 1, 2010– March 31, 2011)
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	43,725	46,598
Changes during term in review		
Distribution of earned surplus	–1,431	–1,541
Net income	4,921	4,453
Disposal of treasury stock	–617	–0
Total changes during term	2,872	2,911
Balance at end of term in review	46,598	49,510
Treasury stock		
Balance at end of previous term	–7,110	–3,313
Changes during term in review		
Purchase of treasury stock	–2	–3
Disposal of treasury stock	3,800	0
Total changes during term	3,797	–3
Balance at end of term in review	–3,313	–3,316
Total shareholders' equity		
Balance at end of previous term	52,074	58,744
Changes during term in review		
Distribution of earned surplus	–1,431	–1,541
Net income	4,921	4,453
Purchase of treasury stock	–2	–3
Disposal of treasury stock	3,183	0
Total changes during term	6,670	2,908
Balance at end of term in review	58,744	61,653

(Millions of yen, rounded down)		
	Fiscal 2009 (April 1, 2009– March 31, 2010)	Fiscal 2010 (April 1, 2010– March 31, 2011)
Valuation and translation adjustments		
Net unrealized gains or losses on securities		
Balance at end of previous term	¥ –16	¥ 345
Changes during term in review		
Changes during term not related to shareholders' equity (net)	362	–267
Total changes during term	362	–267
Balance at end of term in review	345	78
Deferred hedging gains or losses		
Balance at end of previous term	227	80
Changes during term in review		
Changes during term not related to shareholders' equity (net)	–146	–71
Total changes during term	–146	–71
Balance at end of term in review	80	9
Translation adjustments		
Balance at end of previous term	–790	–678
Changes during term in review		
Changes during term not related to shareholders' equity (net)	112	–377
Total changes during term	112	–377
Balance at end of term in review	–678	–1,055
Total valuation and translation adjustments		
Balance at end of previous term	–580	–252
Changes during term in review		
Changes during term not related to shareholders' equity (net)	327	–716
Total changes during term	327	–716
Balance at end of term in review	–252	–968
Minority interests		
Balance at end of previous term	11	14
Changes during term in review		
Changes during term not related to shareholders' equity (net)	2	–0
Total changes during term	2	–0
Balance at end of term in review	14	13
Total net assets		
Balance at end of previous term	51,505	58,506
Changes during term in review		
Distribution of earned surplus	–1,431	–1,541
Net income	4,921	4,453
Purchase of treasury stock	–2	–3
Sales of treasury stock	3,183	0
Changes during term not related to shareholders' equity (net)	330	–716
Total changes during term	7,000	2,191
Balance at end of term in review	58,506	60,698

(4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2009 (April 1, 2009– March 31, 2010)	Fiscal 2010 (April 1, 2010– March 31, 2011)
Operating activities		
Income before income taxes and minority interests	¥8,103	¥7,475
Depreciation	2,557	2,277
Amortization of negative goodwill	–97	—
Valuation loss on golf membership	—	10
Effect of application of accounting standards for asset retirement obligations	—	32
Retirement benefits, net of payments	–36	–4
Increase (decrease) in allowance for doubtful accounts	9	–12
Interest and dividend income	–51	–55
Interest expenses	35	20
Loss on valuation of investment securities	—	–101
Exchange gain	74	157
Loss due to disaster	—	1,019
Loss on sale of tangible fixed assets	–1	0
Loss on disposal of tangible fixed assets	10	15
Changes in assets and liabilities:		
Notes and accounts receivable	–22	–27
Inventories	121	270
Notes and accounts payable	–248	–85
Accrued consumption tax payables and others	–39	–61
Other current assets	–25	–22
Other current liabilities	–2	–34
Other investments and others	–19	–89
Other long-term liabilities	40	3
Other	14	7
Subtotal	10,422	10,793
Interest and dividends received	53	55
Interest paid	–36	–21
Incomes taxes paid	–2,266	–3,576
Net cash provided by operating activities	8,173	7,250

HOGY

(Millions of yen, rounded down)

	Fiscal 2009 (April 1, 2009– March 31, 2010)	Fiscal 2010 (April 1, 2010– March 31, 2011)
Investing activities		
Increase in time deposits	–44	–58
Proceeds from withdrawals from time deposits	3	54
Purchase of investment securities	—	–75
Proceeds from sale of investment securities	—	175
Purchase of tangible fixed assets	–3,491	–3,501
Proceeds from sale of tangible fixed assets	25	2
Purchase of intangible fixed assets	–189	–489
Expenditures by loans receivable	–8	–10
Collection of loans receivable	8	19
Increase (decrease) in other investments	–17	–4
Net cash used in investing activities	–3,713	–3,888
Financing activities		
Repayments of long-term debt	–1,000	–1,000
Sales of treasury stock	3,183	0
Purchase of treasury stock	–2	–3
Cash dividends paid	–1,430	–1,541
Others	0	—
Net cash used in financing activities	750	–2,545
Effect of exchange rate changes on cash and cash equivalents	12	–83
Net change in cash and cash equivalents	5,223	733
Cash and cash equivalents at beginning of year	12,182	17,405
Cash and cash equivalents at end of year	17,405	18,139

HOGY

5. Non-Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2009 (At March 31, 2010)	Fiscal 2010 (At March 31, 2011)
ASSETS		
Current assets		
Cash and bank deposits	¥16,955	¥17,522
Notes receivable	4,927	5,023
Accounts receivable	4,104	4,056
Goods and merchandise	3,089	2,477
Products in progress	180	165
Materials and supplies	1,543	1,443
Advances paid	14	108
Prepaid expenses	126	135
Deferred income taxes	327	590
Currency swaps	49	—
Currency options	—	7
Forward exchange contracts	43	—
Others	13	36
Allowance for doubtful accounts	–2	–4
Total current assets	31,371	31,563
Fixed assets		
Tangibles		
Buildings	21,535	23,241
Accumulated depreciation	–10,606	–11,197
Buildings (net)	10,929	12,043
Structures	1,002	1,091
Accumulated depreciation	–811	–847
Structures (net)	190	243
Machinery and equipment	18,482	18,578
Accumulated depreciation	–14,296	–15,243
Machinery and equipment (net)	4,185	3,335
Vehicles and transport equipment	178	190
Accumulated depreciation	–123	–143
Vehicles and transport equipment (net)	54	47
Tools, instruments, and fixtures	2,358	2,414
Accumulated depreciation	–2,081	–2,098
Tools, instruments, and fixtures (net)	276	316
Land	9,064	9,069
Construction in progress	2,844	4,283
Total tangibles	27,545	29,339
Intangibles		
Software	276	231
Software in progress	306	642
Telephone subscription rights	13	13
Others	0	0
Total intangibles	597	888

(Millions of yen, rounded down)

	Fiscal 2009 (At March 31, 2010)	Fiscal 2010 (At March 31, 2011)
Investments and other assets		
Investment securities	2,698	2,257
Shares of affiliated companies	737	737
Capital subscriptions	1	1
Long-term loans	3	2
Long-term loans to employees	40	32
Long-term loans to affiliated companies	1,618	1,297
Bankruptcy rehabilitation claims	15	12
Long-term prepaid expenses	14	6
Deferred income taxes	67	205
Prepaid pension costs	148	167
Guaranty deposit	547	512
Insurance reserve fund	436	436
Golf club memberships	165	110
Currency swaps	30	6
Currency options	—	14
Forward exchange contracts	10	—
Others	10	105
Allowance for doubtful accounts	–51	–20
Total investments and other assets	6,494	5,886
Total fixed assets	34,637	36,113
Total assets	¥66,009	¥67,677
LIABILITIES		
Current liabilities		
Notes payable	¥ 2,094	¥2,081
Accounts payable	1,541	1,426
Long-term borrowings due within one year	1,000	925
Accrued payables	466	581
Accrued expenses	172	166
Accrued income tax	1,939	1,565
Accrued consumption tax	126	64
Advances received	0	0
Deposits received	26	28
Income received in advance	0	—
Reserve for employees’ bonuses	455	407
Reserve for directors’ bonuses	90	90
Reserve for disaster loss	—	691
Equipment-related notes payable	182	380
Currency options	—	10
Forward exchange contracts	—	3
Total current liabilities	8,097	8,421
Long-term liabilities		
Long-term borrowings	925	—
Long-term payables	394	394
Other long-term liabilities	362	366
Total long-term liabilities	1,682	760
Total liabilities	9,779	9,182

(Millions of yen, rounded down)

	Fiscal 2009 (At March 31, 2010)	Fiscal 2010 (At March 31, 2011)
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
Earned surplus		
Earned reserve	564	564
Other earned surplus		
Other general reserve	19,300	19,300
Earned surplus carried forward	23,793	26,400
Total earned surplus	43,658	46,265
Treasury stock	–3,313	–3,316
Total shareholders' equity	55,803	58,408
Valuation/translation gains or losses		
Net unrealized gains or losses on securities	345	78
Deferred hedging gains or losses	80	9
Total valuation/translation gains or losses	425	87
Total net assets	56,229	58,495
Total liabilities and net assets	¥66,009	¥67,677

(2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2009 (April 1, 2009– March 31, 2010)	Fiscal 2010 (April 1, 2010– March 31, 2011)
Net sales		
Product sales	¥28,537	¥29,148
Commodity sales	2,509	2,080
Total net sales	31,046	31,228
Cost of sales		
Product inventory at beginning of term	1,801	1,915
Commodity inventory at beginning of term	431	387
Manufacturing costs during term	14,237	13,848
Commodity purchases during term	1,598	1,381
Total	18,069	17,533
Transfer to other accounts	319	356
Product inventory at end of term	1,915	1,482
Commodity inventory at end of term	387	420
Total cost of sales	15,446	15,273
Gross profit	15,600	15,954
Selling, general, and administrative expenses	8,220	7,880
Operating income	7,379	8,073
Other income		
Interest income	37	35
Interest income from securities	0	0
Dividend income	107	108
Lease revenue	5	1
Gain on repayment of insurance policies at maturity	31	27
Others	53	44
Total other income	236	218
Other expenses		
Interest expenses	34	20
Foreign exchange loss	82	154
Lease costs	3	1
Others	6	—
Total other expenses	127	176
Ordinary income	7,488	8,115

(Millions of yen, rounded down)

	Fiscal 2009 (April 1, 2009– March 31, 2010)	Fiscal 2010 (April 1, 2010– March 31, 2011)
Extraordinary income		
Gain on transfer from allowance for doubtful accounts	—	15
Gain on sale of fixed assets	0	0
Gain on sale of investment securities	—	101
Insurance marginal profit	8	—
Total extraordinary income	8	117
Extraordinary expenses		
Loss on sale of fixed assets	3	0
Loss on disposal of fixed assets	10	15
Effect of application of accounting standards for asset retirement obligations	—	32
Valuation loss on golf membership	—	10
50-year commemoration business expense	—	90
Loss due to disaster	—	1,054
Total extraordinary expenses	13	1,203
Income before income taxes and minority interests	7,483	7,028
Income taxes	3,039	3,057
Income tax adjustment	–34	–177
Total income taxes	3,005	2,879
Net income	4,477	4,148

(3) Statements of Changes in Shareholders' Equity

(Millions of yen, rounded down)

	Fiscal 2009 (April 1, 2009– March 31, 2010)	Fiscal 2010 (April 1, 2010– March 31, 2011)
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		
Capital reserve		
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
Total 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		
Earned reserve		
Balance at end of previous term	564	564
Changes during term in review		
Total changes during term	—	—
Balance at end of term in review	564	564
Other earned surplus		
Other general reserve		
Balance at end of previous term	19,300	19,300
Changes during term in review		
Total changes during term	—	—
Balance at end of term in review	19,300	19,300
Earned surplus carried forward		
Balance at end of previous term	21,364	23,793
Changes during term in review		
Distribution of earned surplus	–1,431	–1,541
Net income	4,477	4,148
Disposal of treasury stock	–617	–0
Total changes during term	2,429	2,607
Balance at end of term in review	23,793	26,400
Total earned surplus		
Balance at end of previous term	41,228	43,658
Changes during term in review		
Distribution of earned surplus	–1,431	–1,541
Net income	4,477	4,148
Disposal of treasury stock	–617	–0
Total changes during term	2,429	2,607
Balance at end of term in review	43,658	46,265

(Millions of yen, rounded down)

	Fiscal 2009 (April 1, 2009– March 31, 2010)	Fiscal 2010 (April 1, 2010– March 31, 2011)
Treasury stock		
Balance at end of previous term	¥–7,110	¥–3,313
Changes during term in review		
Purchase of treasury stock	–2	–3
Disposal of treasury stock	3,800	0
Total changes during term	3,797	–3
Balance at end of term in review	–3,313	–3,316
Total shareholders' equity		
Balance at end of previous term	49,577	55,803
Changes during term in review		
Distribution of earned surplus	–1,431	–1,541
Net income	4,477	4,148
Purchase of treasury stock	–2	–3
Disposal of treasury stock	3,183	0
Total changes during term	6,226	2,604
Balance at end of term in review	55,803	58,408
Valuation/translation gains or losses		
Net unrealized gains or losses on securities		
Balance at end of previous term	–16	345
Changes during term in review		
Changes during term not related to shareholders' equity (net)	362	–267
Total changes during term	362	–267
Balance at end of term in review	345	78
Deferred hedging gains or losses		
Balance at end of previous term	227	80
Changes during term in review		
Changes during term not related to shareholders' equity (net)	–146	–71
Total changes during term	–146	–71
Balance at end of term in review	80	9
Total valuation/translation gains or losses		
Balance at end of previous term	210	425
Changes during term in review		
Changes during term not related to shareholders' equity (net)	215	–338
Total changes during term	215	–338
Balance at end of term in review	425	87
Total net assets		
Balance at end of previous term	49,787	56,229
Changes during term in review		
Distribution of earned surplus	–1,431	–1,541
Net income	4,477	4,148
Purchase of treasury stock	–2	–3
Sales of treasury stock	3,183	0
Changes during term not related to shareholders' equity (net)	215	–338
Total changes during term	6,442	2,265
Balance at end of term in review	56,229	58,495