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

April 10, 2013

Consolidated Financial Results for Fiscal 2012

[Japanese Standards]

Name: **Hogy Medical Co., Ltd.**
Listing: **First Section, Tokyo Stock Exchange**
Stock code number: **3593**
Phone: **+81-3-6229-1300**
URL: **http://www.hogy.co.jp**
Representative: **Jun-ichi Hoki, President and CEO**
Contact: **Kazuo Takahashi, Director, Administration Div.**
Annual Meeting of Shareholders: **June 21, 2013**
Date of issue of Financial Report: **June 21, 2013**
Preparation of supplementary materials for financial results: **Yes**
Information meet for financial results to be held: **Yes**
Start of cash dividend payments: **May 31, 2013**

1. Financial results for fiscal 2012 (April 1, 2012–March 31, 2013)

(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 2012	¥33,094	+3.8%	¥8,113	+4.7%	¥8,353	+6.7%	¥5,247	+13.5%
Fiscal 2011	31,873	+1.8%	7,750	–9.9%	7,825	–8.6%	4,624	+3.9%

Note: Comprehensive income
Fiscal 2012: ¥7,116 million (up 51.0%)
Fiscal 2011: ¥4,713 million (up 26.1%)

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)	ROE (%)	Ordinary income/ Total assets (%)	Operating income/ Net sales (%)
Fiscal 2012	¥333.61	—	7.9%	11.1%	24.5%
Fiscal 2011	294.01	—	7.4%	11.0%	24.3%

Note: Gain/loss on investments based on equity method
Fiscal 2012: ¥—million
Fiscal 2011: ¥—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 2012	¥78,279	¥69,602	88.9%	¥4,424.56
Fiscal 2011	72,522	64,013	88.3%	4,069.17

Note: Equity capital at year-end
Fiscal 2012: ¥69,596 million
Fiscal 2011: ¥64,007 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 2012	¥6,495	¥–2,175	¥–1,527	¥22,105
Fiscal 2011	6,278	–2,810	–2,310	19,239

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 2011	¥20.00	¥20.00	¥23.00	¥23.00	¥ 86.00	¥1,352	29.3%	2.1%
Fiscal 2012	24.00	24.00	26.00	26.00	100.00	1,572	30.0%	2.3%
Fiscal 2013 (est.)	27.00	27.00	27.00	27.00	108.00		29.6%	

3. Forecast for fiscal 2013 (April 1, 2013–March 31, 2014)

(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	¥17,130	+5.0%	¥4,440	+9.9%	¥4,530	+11.9%	¥2,840	+12.7%	¥180.55
Full year	34,760	+5.0	8,970	+10.6	9,160	+9.7	5,730	+9.2	364.28

4. Notes

(1) Important changes in scope of consolidation during period (changes to specified subsidiaries accompanying changes in scope of consolidation): No

(2) Changes in accounting policies; changes in accounting estimates; restatements
- (1) Changes in accounting policies due to amendment of accounting standards: Yes
- (2) Other changes in accounting policies: No
- (3) Changes in accounting estimates: Yes.
- (4) Restatements: No

(3) Shares outstanding (common stock) at year-end
1. Number of shares outstanding (including treasury stock)
   - Fiscal 2012: 16,341,155
   - Fiscal 2011: 16,341,155
2. Number of treasury shares outstanding
   - Fiscal 2012: 611,583
   - Fiscal 2011: 611,220
3. Average number of shares over period
   - Fiscal 2012: 15,729,741
   - Fiscal 2011: 15,730,070

(Reference) Summary of Non-Consolidated Financial Results

1. Financial results for fiscal 2012 (April 1, 2012–March 31, 2013)

(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 2012	¥32,936	+3.7%	¥7,590	+3.9%	¥7,929	+6.3%	¥4,971	+13.1%
Fiscal 2011	31,757	+1.7%	7,303	–9.5%	7,459	–8.1%	4,393	+5.9%

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)
Fiscal 2012	¥316.05	—
Fiscal 2011	279.33	—

(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 2012	¥75,057	¥66,747	88.9%	¥4,243.42
Fiscal 2011	70,234	61,768	87.9%	3,926.79

Note: Equity capital at year-end
Fiscal 2012: ¥66,747 million
Fiscal 2011: ¥61,768 million

2. Forecast for fiscal 2013 (April 1, 2013–March 31, 2014)

(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	¥17,040	+4.9%	¥4,180	+8.6%	¥4,270	+10.3%	¥2,648	+10.3%	¥168.35
Full year	34.570	+5.0	8,450	+11.3	8,690	+9.6	5,386	+8.3	342.41

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. Accordingly, the Company cannot make promises to achieve such forecasts. Due to various circumstances, however, actual results may differ significantly from such statements. For cautionary notes on assumptions underlying the Company's forecasts and the usage of such forecasts, please refer "(1) Performance" on page 5.

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1. Performance and Financial Position

(1) Performance

In the fiscal year under review, despite a slight increase in overall medical treatment remuneration, conditions in the medical equipment industry remained challenging as the nation confronted financial difficulties and companies associated with the industry faced growing pressure to enhance efficiency and streamline operations.

In this environment, the Hogy Medical Group on reinforcing sales of Operamaster—which incorporates products, logistics, and information management—while selling and developing new products. To facilitate sales, we participated in academic society meetings, seminars, and other forums to foster a broader understanding of Operamaster among relevant people in medical institutions. Other initiatives also produced good results. These included deploying our accumulated internal know-how and strengthening sales activities through the launch of new products and stepped-up tours of our showrooms and factories. As a result, we made dramatic progress in the year under review compared with previous years. The Group signed Operamaster contracts with 40 medical institutions during the period, a record-high number. After accounting for seven cancellations, this brought total contracts in force to 177 at year-end. In addition, we stepped up promotion of our Operamaster strategy. This entailed extending the functions of the Operamaster system and reinforcing sales of our surgery management system, which helps customers "visualize" what happens in the surgery room.

During the period, we launched a new product, called IC Tracer, in which an IC tag is attached to gauze to permit machine-based tracing, with the aim of enhancing the efficiency of counting the number of gauzes used in surgical procedures. Accordingly, this product can make a contribution to medical safety and efficiency. Since the launch, many of our customers have trialed IC Tracer, and unit sales have increased steadily.

As a result, consolidated net sales for the year amounted to ¥33,094 million, up 3.8% from the previous year. Sales of surgical-use kit products to Operamaster-contracted hospitals reached ¥10,094 million, representing a major revenue driver. Total sales of surgical-use kit products climbed 8.1%, to ¥16,462 million. Sales of surgical-use non-wovens declined 1.3%, to ¥10,497 million, reflecting our strategic pricing policy aimed at market share expansion.

With respect to cost of sales, we achieved an improvement in productivity thanks to an increase in sales volume, despite conducting a revaluation of certain products and materials. Accordingly, the cost of sales ratio was around the same level of the previous year. Selling, general, and administrative expenses were up year-on-year, but we are making good progress in consolidating various expenses aimed at promoting Groupwide growth. These include the cost of developing new products and depreciation costs for the Operamaster surgery management system.

Consequently, operating income increased 4.7%, to ¥8,113 million, and ordinary income rose 6.7%, to ¥8,353 million. Net income for the year climbed 13.5%, to ¥5,247 million.

(Outlook)

The outlook for the year ending March 2014 remains unclear due to sharp foreign exchange fluctuations and surging crude oil prices, as well as expectations of peak materials prices stemming from hikes in electricity prices.

As described earlier, the medical equipment industry expects business conditions to remain challenging, as companies face growing pressure to enhance efficiency and streamline operations.

Under a policy of "tireless challenge aimed at dramatic progress," the Hogy Medical Group will step up promotion of its Operamaster strategy. To this end, we will expand sales of our surgery management system while upgrading and broadening its functions for enhanced benefit to medical institutions. In the second half of the year, we will start building a new plant to help us achieve more reliable supply of safe products and raise their competitive edge. With respect to R&D, we will strive to develop offerings that bolster corporate growth based on the concept of "products that contribute to the medical front lines."

Our full-year consolidated forecasts for the fiscal year ending March 2014 are shown below.

(Consolidated performance forecasts)

Net sales	¥34,760 million	(up 5.0%)
Operating income	¥ 8,970 million	(up 10.6%)
Ordinary income	¥ 9,160 million	(up 9.7%)
Net income	¥ 5,730 million	(up 9.2%)

(2) Financial Position

1) Assets, Liabilities, and Net Assets

At March 31, 2013, total assets amounted to ¥78,279 million, up ¥5,757 million from a year earlier. During the year, current assets increased ¥4,571 million, to ¥41,037 million. This was mainly due to a ¥2,860 million rise in cash and bank deposits and a ¥1,478 million increase in inventories. Fixed assets were up ¥1,185 million, to ¥37,242 million, as depreciation and amortization outweighed acquisitions. Intangibles rose ¥314 million, to ¥1,605 million, and investments and other assets jumped ¥2,026 million, to ¥7,206 million.

At fiscal year-end, total liabilities amounted to ¥8,676 million, up ¥168 million. Current liabilities declined ¥294 million, to ¥7,311 million, and long-term liabilities totaled ¥1,365 million.

Net assets at the end of the year totaled ¥69,602 million, up ¥5,588 million from a year earlier. The main factor boosting net assets was ¥5,247 million in net income, while the major factor holding down net assets was ¥1,525 million in cash dividends paid. As a result, the equity ratio rose from 88.3% to 88.9%.

2) Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥22,105 million, up ¥2,865 million from a year earlier.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥6,495 million, up ¥216 million from the previous year. Major items included ¥8,353 million in income before income taxes and minority interests and ¥2,971 million in depreciation. These contrasted with ¥3,408 million in income taxes paid and a ¥59 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥2,175 million, down ¥635 million from the previous year. Outflows were related mainly to replacement of existing equipment and development of the Operamaster surgery management system.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,527 million, down ¥782 million from the previous year. This was due largely to cash dividends paid.

For the next fiscal year, we expect net cash provided by operating activities to be around ¥7,500 million. Net cash used in investing activities is expected to total around ¥6,500 million, due to expansion of the Tsukuba Plant (new factory). We forecast net cash used in financing activities to be around ¥1,700 million, mainly influenced by payment of cash dividends.

(Cash Flow Indicators)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Equity ratio (%)	85.7	86.9	88.3	88.9
Equity ratio based on market price (%)	103.2	83.3	83.3	107.1
Debt coverage (years)	0.2	0.1	—	—
Interest coverage ratio (times)	224.4	335.0	888.4	—

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

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

(3) Basic Profit Appropriation Policy and Cash Dividends

The Company's basic policy with respect to profit appropriation emphasizes 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 pay cash dividends on a quarterly basis.

In the year under review, we paid first and second quarter dividends of ¥24.00 each. We also plan to pay dividends of ¥26.00 for each of the third and fourth quarters, up ¥2.00 from our initial projection, reflecting recent business results. This will bring total annual dividends to ¥100.00 per share. (We have already paid dividends for the first three quarters, and the year-end dividend is scheduled for payment on May 31, 2013.) In the fiscal year ending March 2014, we plan to pay dividends of ¥27.00 per quarter, for total annual dividends of ¥108.00 per share.

(4) Business Risks

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

1) Legal regulations

The Hogy Medical Group handles a variety of items, including kit products and medical-use non-woven fabric products. 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) Foreign exchange fluctuations
Hogy Medical has a subsidiary in Indonesia and procures some of its materials from overseas sources. Accordingly, the Group's business performance could be potentially affected by fluctuations in foreign exchange rates.

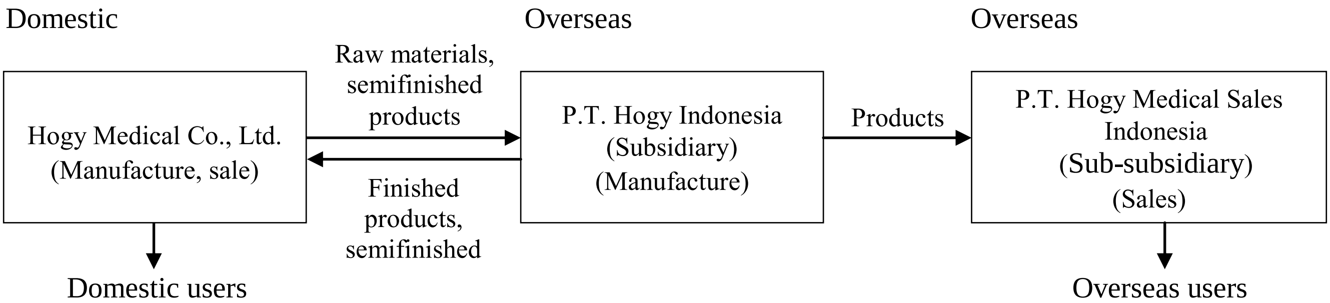
8) Impairment accounting
When the real values of assets owned by the Group decline, such assets are necessarily subject to impairment accounting. In such events, the Group's business performance could be potentially affected.

2. The Hogy Medical Group

The Hogy Medical Group consists of Hogy Medical Co., Ltd. (the “Company”), P.T. Hogy Indonesia (the “Subsidiary”), and P.T. Hogy Medical Sales Indonesia (the “Sub-subsidiary”). The Group’s main businesses are the manufacture and sale of medical-use consumables and medical equipment. The Company entrusts part of its non-woven fabric products and consumables manufacturing operations to the Subsidiary. Practically all of the products made by the Subsidiary are supplied to the Company. Therefore, the Subsidiary can be regarded as an important manufacturing base for the Company. In addition, the Sub-subsidiary sells medical-use consumables, medical equipment, medical-use non-woven fabric products, and other items in overseas markets, centering on Indonesia.

[Business System diagram]

The Group’s structure and interrelationships are shown below.



3. Management Policies

(1) Basic Policy

Hogy Medical is committed to “fostering medical progress and promoting the health and happiness of people through its business activities, thus contributing to social prosperity.” 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).

(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. Going forward, we will develop products that contribute to renewed growth for the Group. Specifically, we will strive to develop offerings that emphasize “medical safety” and “low invasiveness” based on the concept of “products that contribute to the medical front lines.”

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 reduce the burden of inventory management by simplifying receipt and transfer of materials.

On the logistics side, we have established a system whereby hospitals can 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.

To date, the Group has advanced the Operamaster system and concept tailored to the needs of medical front lines. Specifically, we launched our Surgery Management System, which extends the functions of the Operamaster system components and allows more detailed analysis of surgery room data. Going forward, we will undertake repeated development of Operamaster with the aim of expanding it into a solution-based service that meets the needs of medical institutions.

With respect to earnings, we are already working to increase the direct-to-indirect ratio, with indirect operations kept to the minimum. In manufacturing, we have sought to maximize automation so that our equipment and systems can be operated by a low number of people. At our kit-product plant, which we are considering expanding, we are studying a "full automation" design concept. In summary, we aim to become a company that can continue generating profits over the long term.

Going forward, 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.

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

(***1) Continuous profit growth***

- Reinforce Operamaster strategy and kit-product sales
- Get new products to market and prepare for market launches
- Step up promotion of joint development with hospitals and universities
- Emphasize in-house manufacture of kit-product materials
- Design plants based on long-term perspectives

(2) Creation of competitive products

- Further raise value-added component of Operamaster
- Shift focus to design of value-added products
- Establish manufacturing facilities capable of ensuring stable supply of safe products
- Enhance efficiency through automation of kit-product factory

(3) Development themes for mainstay products

- Develop offerings that emphasize "medical safety," "low invasiveness," "hospital management," and "at-home, nursing care, prevention," based on the concept of "products that contribute to the medical front lines"

(4) Strengthen internal systems

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

(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. Many of the products sold by Hogy Medical are used on the medical front lines. Accordingly, the stable manufacture of safe products is not only our raison d'être but also our social responsibility. We have identified the items listed below as important issues to address. By implementing each of these specific measures, we will move actively and assertively to improve corporate value.

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

(5) Other Important Company Management Items

No relevant items

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4. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2011 (At March 31, 2012)	Fiscal 2012 (At March 31, 2013)
ASSETS		
Current assets		
Cash and bank deposits	¥19,610	¥22,471
Notes and accounts receivable	10,357	10,470
Goods and merchandise	3,070	3,703
Products in progress	303	341
Materials and supplies	2,137	2,944
Deferred income taxes	384	190
Other	608	921
Allowance for doubtful accounts	–6	–5
Total current assets	36,465	41,037
Fixed assets		
Tangibles		
Buildings and structures	26,326	26,599
Accumulated depreciation	–13,773	–14,632
Buildings and structures (net)	12,552	11,966
Machinery and vehicles	24,146	24,947
Accumulated depreciation	–17,793	–19,179
Machinery and vehicles (net)	6,353	5,768
Land	9,361	9,410
Construction in progress	982	789
Others	2,660	2,954
Accumulated depreciation	–2,325	–2,458
Others (net)	335	495
Total tangibles	29,585	28,430
Intangibles		
Software	1,050	1,469
Software in progress	226	121
Telephone subscription rights	13	13
Others	0	0
Total intangibles	1,291	1,605
Investments and other assets		
Investment securities	2,627	4,409
Guaranty deposit	490	488
Deferred income taxes	62	22
Long-term deposits	1,000	1,000
Prepaid pension cost	229	339
Others	783	969
Allowance for doubtful accounts	–14	–22
Total investments and other assets	5,179	7,206
Total fixed assets	36,056	37,242
Total assets	¥72,522	¥78,279

(Millions of yen, rounded down)

	Fiscal 2011 (At March 31, 2012)	Fiscal 2012 (At March 31, 2013)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥ 3,715	¥ 4,391
Accrued income tax	1,801	1,324
Reserve for employees' bonuses	494	370
Reserve for directors' bonuses	90	90
Equipment-related notes payable	479	231
Other current liabilities	1,024	903
Total current liabilities	7,606	7,311
Long-term liabilities		
Deferred income taxes	—	768
Reserve for employees' retirement benefits	147	186
Long-term payables	384	45
Other long-term liabilities	370	365
Total long-term liabilities	902	1,365
Total liabilities	8,508	8,676
NET ASSETS		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	52,750	56,472
Treasury stock	–3,317	–3,318
Total shareholders' equity	64,892	68,613
Valuation and translation adjustments		
Net unrealized gain or loss on securities	326	1,422
Deferred hedging gain or loss	25	463
Translation adjustments	–1,236	–902
Total valuation and translation adjustments	–884	983
Minority interests	5	5
Total net assets	64,013	69,602
Total liabilities and net assets	¥72,522	¥78,279

(2) Statements of Income and Statements of Comprehensive Income

(Statements of Income)

(Millions of yen, rounded down)

	Fiscal 2011 (April 1, 2011– March 31, 2012)	Fiscal 2012 (April 1, 2012– March 31, 2013)
Net sales	¥31,873	¥33,094
Cost of sales	15,711	16,380
Gross profit	16,162	16,713
Selling, general, and administrative expenses	8,412	8,599
Operating income	7,750	8,113
Other income		
Interest income	3	5
Dividend income	55	45
Foreign exchange gain	—	116
Others	51	73
Total other income	109	240
Other expenses		
Interest expense	5	—
Foreign exchange loss	27	—
Others	0	0
Total other expenses	33	0
Ordinary income	7,825	8,353
Extraordinary income		
Gain on sales of fixed assets	0	3
Total extraordinary income	0	3
Extraordinary expenses		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	3	3
Total extraordinary expenses	3	3
Income before income taxes and minority interests	7,822	8,353
Income taxes	2,956	2,944
Income tax adjustment	240	162
Total income taxes	3,197	3,106
Income before minority interests	4,625	5,247
Minority interests	0	0
Net income	4,624	5,247

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2011 (April 1, 2011– March 31, 2012)	Fiscal 2012 (April 1, 2012– March 31, 2013)
Income before minority interests	¥4,625	¥5,247
Other comprehensive income		
Net unrealized gain or loss on securities	248	1,096
Deferred hedging gain or loss	16	438
Translation adjustments	–176	333
Total other comprehensive income	88	1,868
Comprehensive income	4,713	7,116
(Breakdown)		
Comprehensive income attributable owners of parent company	4,708	7,115
Comprehensive income attributable to minority interests	4	0

(3) Statements of Changes in Shareholders' Equity

(Millions of yen, rounded down)

	Fiscal 2011 (April 1, 2011– March 31, 2012)	Fiscal 2012 (April 1, 2012– March 31, 2013)
Shareholders' equity		
Common stock		
Balance at beginning of the 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 beginning of the 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 beginning of the term	49,510	52,750
Changes during term in review		
Distribution of earned surplus	–1,384	–1,525
Net income	4,624	5,247
Total changes during term	3,240	3,721
Balance at end of term in review	52,750	56,472
Treasury stock		
Balance at beginning of the term	–3,316	–3,317
Changes during term in review		
Purchase of treasury stock	–0	–1
Total changes during term	–0	–1
Balance at end of term in review	–3,317	–3,318
Total shareholders' equity		
Balance at beginning of the term	61,653	64,892
Changes during term in review		
Distribution of earned surplus	–1,384	–1,525
Net income	4,624	5,247
Purchase of treasury stock	–0	–1
Total changes during term	3,239	3,720
Balance at end of term in review	64,892	68,613

(Millions of yen, rounded down)

	Fiscal 2011 (April 1, 2011– March 31, 2012)	Fiscal 2012 (April 1, 2012– March 31, 2013)
Valuation and translation adjustments		
Net unrealized gains or losses on securities		
Balance at beginning of the term	¥ 78	¥ 326
Changes during term in review		
Changes during term not related to shareholders’ equity (net)	248	1,096
Total changes during term	248	1,096
Balance at end of term in review	326	1,422
Deferred hedging gains or losses		
Balance at beginning of the term	9	25
Changes during term in review		
Changes during term not related to shareholders’ equity (net)	16	438
Total changes during term	16	438
Balance at end of term in review	25	463
Translation adjustments		
Balance at beginning of the term	–1,055	–1,236
Changes during term in review		
Changes during term not related to shareholders’ equity (net)	–180	333
Total changes during term	–180	333
Balance at end of term in review	–1,236	–902
Total valuation and translation adjustments		
Balance at beginning of the term	–968	–884
Changes during term in review		
Changes during term not related to shareholders’ equity (net)	83	1,868
Total changes during term	83	1,868
Balance at end of term in review	–884	983
Minority interests		
Balance at beginning of the term	13	5
Changes during term in review		
Changes during term not related to shareholders’ equity (net)	–8	0
Total changes during term	–8	0
Balance at end of term in review	5	5
Total net assets		
Balance at beginning of the term	60,698	64,013
Changes during term in review		
Distribution of earned surplus	–1,384	–1,525
Net income	4,624	5,247
Purchase of treasury stock	–0	–1
Changes during term not related to shareholders’ equity (net)	75	1,868
Total changes during term	3,315	5,588
Balance at end of term in review	64,013	69,602

(4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2011 (April 1, 2011–March 31, 2012)	Fiscal 2012 (April 1, 2012–March 31, 2013)
Operating activities		
Income before income taxes and minority interests	¥7,822	¥8,353
Depreciation	3,064	2,971
Retirement benefits, net of payments	42	–77
Increase (decrease) in allowance for doubtful accounts	–4	6
Interest and dividend income	–58	–50
Interest expenses	5	—
Foreign exchange gain	31	–110
Loss on sales of tangible fixed assets	–0	–3
Loss on disposal of tangible fixed assets	3	3
Changes in assets and liabilities:		
Notes and accounts receivable	–1,284	–59
Inventories	–612	–1,360
Notes and accounts payable	388	646
Accrued consumption tax payables and other	–64	233
Consumption taxes and others receivable	–75	75
Other current assets	–179	70
Other current liabilities	–142	–568
Other investments and others	28	71
Other long-term liabilities	–6	–344
Other	1	–4
Subtotal	8,961	9,853
Interest and dividends received	58	50
Interest paid	–7	—
Incomes taxes paid	–2,734	–3,408
Net cash provided by operating activities	6,278	6,495

(Millions of yen, rounded down)

	Fiscal 2011 (April 1, 2011– March 31, 2012)	Fiscal 2012 (April 1, 2012– March 31, 2013)
Investing activities		
Increase in time deposits	¥1,010	¥ —
Proceeds from withdrawals from time deposits	5	5
Purchase of investment securities	—	–100
Purchase of shares in affiliate	–12	—
Purchase of tangible fixed assets	–1,274	–1,372
Proceeds from sales of tangible fixed assets	1	6
Purchase of intangible fixed assets	–523	–695
Expenditures by loans receivable	–15	–9
Collection of loans receivable	12	12
Increase (decrease) in other investments	6	–21
Net cash used in investing activities	–2,810	–2,175
Financing activities		
Repayments of long-term debt	–925	—
Purchase of treasury stock	–0	–1
Cash dividends paid	–1,384	–1,526
Others	0	0
Net cash used in financing activities	–2,310	–1,527
Effect of exchange rate changes on cash and cash equivalents	–57	73
Net change in cash and cash equivalents	1,100	2,865
Cash and cash equivalents at beginning of year	18,139	19,239
Cash and cash equivalents at end of year	19,239	22,105

5. Non-Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2011 (At March 31, 2012)	Fiscal 2012 (At March 31, 2013)
ASSETS		
Current assets		
Cash and bank deposits	¥18,694	¥21,274
Notes receivable	6,026	6,236
Accounts receivable	4,241	4,230
Goods and merchandise	2,939	3,558
Products in progress	155	137
Materials and supplies	1,505	1,707
Advances paid	290	24
Prepaid expenses	126	148
Deferred income taxes	352	136
Consumption taxes and others receivable	75	—
Currency swaps	4	320
Currency options	4	148
Other	13	225
Allowance for doubtful accounts	–6	–5
Total current assets	34,424	38,143
Fixed assets		
Tangibles		
Buildings	23,314	23,355
Accumulated depreciation	–11,841	–12,437
Buildings (net)	11,473	10,918
Structures	1,090	1,091
Accumulated depreciation	–885	–913
Structures (net)	204	178
Machinery and equipment	22,435	22,944
Accumulated depreciation	–16,889	–18,086
Machinery and equipment (net)	5,546	4,857
Vehicles and transport equipment	195	185
Accumulated depreciation	–161	–124
Vehicles and transport equipment (net)	33	61
Tools, instruments, and fixtures	2,528	2,796
Accumulated depreciation	–2,215	–2,326
Tools, instruments, and fixtures (net)	312	469
Land	9,069	9,069
Construction in progress	982	789
Total tangibles	27,622	26,343
Intangibles		
Software	1,050	1,469
Software in progress	226	121
Telephone subscription rights	13	13
Other	0	0
Total intangibles	1,291	1,605

(Millions of yen, rounded down)

	Fiscal 2011 (At March 31, 2012)	Fiscal 2012 (At March 31, 2013)
Investments and other assets		
Investment securities	¥ 2,627	¥ 4,409
Shares of affiliated companies	749	749
Capital subscriptions	1	1
Long-term loans	13	11
Long-term loans to employees	25	26
Long-term loans to affiliated companies	1,133	1,127
Bankruptcy rehabilitation claims	6	14
Long-term prepaid expenses	4	2
Deferred income taxes	51	—
Long-term deposits	1,000	1,000
Prepaid pension costs	229	339
Guaranty deposit	490	488
Insurance reserve fund	426	446
Golf club memberships	110	99
Currency swaps	15	265
Currency options	15	—
Other	8	6
Allowance for doubtful accounts	–14	–22
Total investments and other assets	6,897	8,965
Total fixed assets	35,810	36,914
Total assets	¥70,234	¥75,057
LIABILITIES		
Current liabilities		
Notes payable	¥ 2,229	¥ 2,352
Accounts payable	1,604	1,881
Accrued payables	752	384
Accrued expenses	183	176
Accrued income tax	1,762	1,281
Accrued consumption tax	—	233
Advances received	0	0
Deposits received	26	27
Reserve for employees’ bonuses	494	370
Reserve for directors’ bonuses	90	90
Equipment-related notes payable	479	231
Total current liabilities	7,623	7,031
Long-term liabilities		
Deferred income taxes	—	768
Reserve for employees’ retirement benefits	87	100
Long-term payables	384	45
Other long-term liabilities	370	365
Total long-term liabilities	842	1,279
Total liabilities	8,466	8,310

(Millions of yen, rounded down)

	Fiscal 2011 (At March 31, 2012)	Fiscal 2012 (At March 31, 2013)
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	29,410	32,856
Total earned surplus	49,274	52,720
Treasury stock	–3,317	–3,318
Total shareholders’ equity	61,416	64,861
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	326	1,422
Deferred hedging gain or loss	25	463
Total valuation/translation gains or losses	351	1,886
Total net assets	61,768	66,747
Total liabilities and net assets	¥70,234	¥75,057

(2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2011 (April 1, 2011– March 31, 2012)	Fiscal 2012 (April 1, 2012– March 31, 2013)
Net sales		
Product sales	¥29,683	¥30,686
Commodity sales	2,074	2,250
Total net sales	31,757	32,936
Cost of sales		
Product inventory at beginning of term	1,482	1,934
Commodity inventory at beginning of term	420	434
Manufacturing costs during term	15,595	15,924
Commodity purchases during term	1,400	1,982
Total	18,899	20,276
Transfer to other accounts	458	517
Product inventory at end of term	1,934	2,135
Commodity inventory at end of term	434	813
Total cost of sales	16,072	16,809
Gross profit	15,685	16,126
Selling, general, and administrative expenses	8,382	8,535
Operating income	7,303	7,590
Other income		
Interest income	29	29
Interest income from securities	0	0
Dividend income	111	112
Foreign exchange gain	—	127
Others	43	69
Total other income	185	339
Other expenses		
Interest expense	5	—
Foreign exchange loss	23	—
Total other expenses	29	—
Ordinary income	7,459	7,929
Extraordinary income		
Gain on sales of fixed assets	0	3
Total extraordinary income	0	3
Extraordinary expenses		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	3	3
Total extraordinary expenses	3	3
Income before income taxes and minority interests	7,455	7,929
Income taxes	2,800	2,764
Income tax adjustment	261	194
Total income taxes	3,061	2,958
Net income	4,393	4,971

(3) Statements of Changes in Shareholders' Equity

(Millions of yen, rounded down)

	Fiscal 2011 (April 1, 2011– March 31, 2012)	Fiscal 2012 (April 1, 2012– March 31, 2013)
Shareholders' equity		
Common stock		
Balance at beginning of the 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 beginning of the 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 beginning of the 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 beginning of the 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 beginning of the 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 beginning of the term	26,400	29,410
Changes during term in review		
Distribution of earned surplus	–1,384	–1,525
Net income	4,393	4,971
Total changes during term	3,009	3,445
Balance at end of term in review	29,410	32,856
Total earned surplus		
Balance at beginning of the term	46,265	49,274
Changes during term in review		
Distribution of earned surplus	–1,384	–1,525
Net income	4,393	4,971
Total changes during term	3,009	3,445
Balance at end of term in review	49,274	52,720

(Millions of yen, rounded down)

	Fiscal 2011 (April 1, 2011– March 31, 2012)	Fiscal 2012 (April 1, 2012– March 31, 2013)
Treasury stock		
Balance at beginning of the term	¥–3,316	¥–3,317
Changes during term in review		
Purchase of treasury stock	–0	–1
Total changes during term	–0	–1
Balance at end of term in review	–3,317	–3,318
Total shareholders' equity		
Balance at beginning of the term	58,408	61,416
Changes during term in review		
Distribution of earned surplus	–1,384	–1,525
Net income	4,393	4,971
Purchase of treasury stock	–0	–1
Total changes during term	3,008	3,444
Balance at end of term in review	61,416	64,861
Valuation/translation gains or losses		
Net unrealized gains or losses on securities		
Balance at beginning of the term	78	326
Changes during term in review		
Changes during term not related to shareholders' equity (net)	248	1,096
Total changes during term	248	1,096
Balance at end of term in review	326	1,422
Deferred hedging gains or losses		
Balance at beginning of the term	9	25
Changes during term in review		
Changes during term not related to shareholders' equity (net)	16	438
Total changes during term	16	438
Balance at end of term in review	25	463
Total valuation/translation gains or losses		
Balance at beginning of the term	87	351
Changes during term in review		
Changes during term not related to shareholders' equity (net)	264	1,534
Total changes during term	264	1,534
Balance at end of term in review	351	1,886
Total net assets		
Balance at beginning of the term	58,495	61,768
Changes during term in review		
Distribution of earned surplus	–1,384	–1,525
Net income	4,393	4,971
Purchase of treasury stock	–0	–1
Changes during term not related to shareholders' equity (net)	264	1,534
Total changes during term	3,272	4,979
Balance at end of term in review	61,768	66,747