

April 10, 2014

Consolidated Financial Results for Fiscal 2013

[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: **Susumu Ohashi, Director, Administration Div.**
 Annual Meeting of Shareholders: **June 20, 2014**
 Date of issue of Financial Report: **June 20, 2014**
 Preparation of supplementary materials for financial results: **Yes**
 Information meet for financial results to be held: **Yes**
 Start of cash dividend payments: **May 30, 2014**

1. Financial results for fiscal 2013 (April 1, 2013–March 31, 2014)

(1) Results of operations

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

	Net sales		Operating income		Ordinary income		Net income	
		(% change from previous year)		(% change)		(% change)		(% change)
Fiscal 2013	¥34,793	+5.1%	¥8,747	+7.8%	¥9,055	+8.4%	¥5,632	+7.3%
Fiscal 2012	33,094	+3.8%	8,113	+4.7%	8,353	+6.7%	5,247	+13.5%

Note: Comprehensive income

Fiscal 2013: ¥7,504 million (up 5.5%)

Fiscal 2012: ¥7,116 million (up 51.0%)

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)	ROE (%)	Ordinary income/Total assets (%)	Operating income/Net sales (%)
Fiscal 2013	¥358.10	—	7.8%	10.7%	25.1%
Fiscal 2012	333.61	—	7.9%	11.1%	24.5%

Note: Gain/loss on investments based on equity method

Fiscal 2013: ¥—million

Fiscal 2012: ¥—million

(2) Financial position (year-end)

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2013	¥90,411	¥75,379	83.4%	¥4,791.96
Fiscal 2012	¥78,279	69,602	88.9%	4,424.56

Note: Equity capital at year-end

Fiscal 2013: ¥75,373 million

Fiscal 2012: ¥69,596 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 2013	¥9,349	¥-1,798	¥-1,684	¥28,227
Fiscal 2012	6,495	-2,175	-1,527	22,105

2. Cash dividends

(Date of record)	Cash dividends per share (Yen)					Total dividends paid (full year) (Millions of yen)	Payout ratio (consolidated)	Dividends paid/ Net assets (consolidated) (%)
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year			
Fiscal 2012	¥24.00	¥24.00	¥26.00	¥26.00	¥100.00	¥1,572	30.0%	2.3%
Fiscal 2013	27.00	27.00	27.00	27.00	108.00	1,698	30.2%	2.3%
Fiscal 2014 (est.)	28.00	28.00	28.00	28.00	112.00		28.6%	

3. Forecast for fiscal 2014 (April 1, 2014–March 31, 2015)

(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	¥18,160	+6.5%	¥4,560	+5.6%	¥4,600	+3.0%	¥3,010	+7.4%	¥191.36
Full year	36,950	+6.2%	9,290	+6.2%	9,410	+3.9%	6,150	+9.2%	390.99

4. Notes

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

(2) Changes in accounting policies; changes in accounting estimates; restatements

(1) Changes in accounting policies due to amendment of accounting standards: Yes

(2) Other changes in accounting policies: No

(3) Changes in accounting estimates: No

(4) Restatements: No

(3) Shares outstanding (common stock) at year-end

1. Number of shares outstanding (including treasury stock)

Fiscal 2013: 16,341,155

Fiscal 2012: 16,341,155

2. Number of treasury shares outstanding

Fiscal 2013: 612,011

Fiscal 2012: 611,583

3. Average number of shares over period

Fiscal 2013: 15,729,305

Fiscal 2012: 15,729,741

(Reference) Summary of Non-Consolidated Financial Results

1. Financial results for fiscal 2013 (April 1, 2013–March 31, 2014)

(1) Results of operations

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

	Net sales		Operating income		Ordinary income		Net income	
		(% change)		(% change)		(% change)		(% change)
Fiscal 2013	¥34,605	+5.1%	¥7,966	+5.0%	¥8,371	+5.6%	¥5,160	+3.8%
Fiscal 2012	32,936	+3.7%	7,590	+3.9%	7,929	+6.3%	4,971	+13.1%

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)
Fiscal 2013	¥328.05	—
Fiscal 2012	316.05	—

(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 2013	¥85,736	¥71,162	83.0%	¥4,524.22
Fiscal 2012	75,057	66,747	88.9%	4,243.42

Note: Equity capital at year-end

Fiscal 2013: ¥71,162 million

Fiscal 2012: ¥66,747 million

2. Forecast for fiscal 2014 (April 1, 2014–March 31, 2015)

(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	¥18,030	+6.2%	¥4,250	+6.9%	¥4,300	+3.9%	¥2,800	+9.1%	¥178.01
Full year	36,690	+6.0	8,540	+7.2	8,750	+4.5	5,680	+10.1	361.11

Implementation status of 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, the Japanese economy showed signs of entering a positive cycle on a path to overall recovery. However, the domestic medical equipment industry confronted a difficult situation regarding the nation's finances caused by increasing social security costs and other factors, highlighting the crucial importance for companies in the industry to deliver products and services matched more closely to the needs of customers.

In response, the Hogy Medical Group focused on reinforcing sales of Operamaster—which incorporates products, logistics, and information management—while expanding sales of kit products and developing and selling new products. To facilitate sales, we participated in academic society meetings, seminars, and other forums in order to foster a broader understanding of Operamaster among relevant people in medical institutions. As a result, the Group signed Operamaster contracts with 40 medical institutions during the period. After accounting for nine cancellations, this brought total contracts in force to 208 at term-end. Seeking to further promote our Operamaster strategy, we are working to expand and upgrade its functions while reinforcing sales of our surgery management system, which contributes to enhanced efficiency of surgery room procedures and improved administration of medical institutions. As a consequence, we were able to sell and introduce the system to a number of such institutions.

As a result, consolidated net sales for the year amounted to ¥34,793 million, up 5.1% from the previous year. Within this total, sales of surgical-use kits rose 9.5%, to ¥18,024 million, boosted by higher overall sales of kits centering on Operamaster. Sales of surgical-use non-wovens declined 1.4%, to ¥10,354 million.

With respect to cost of sales, the weakness of the yen affected costs of imported goods and materials. However, the cost of sales ratio improved, boosted by increased production volume and an enhanced production system. Selling, general, and administrative expenses were up year-on-year, due mainly to costs associated with new products and depreciation costs for our surgery management system.

Consequently, operating income rose 7.8%, to ¥8,747 million. Ordinary income climbed 8.4%, to ¥9,055 million, reflecting dividend income, subsidy income, and other factors. Despite posting ¥312 million in extraordinary income owing to a gain a partial sale of shares, we reported extraordinary losses of ¥482 million due mainly to a transition of our employees' retirement benefits system. Accordingly, net income for the period grew 7.3%, to ¥5,632 million.

(Outlook)

Looking ahead, we expect the Japanese economy to continue recovering moderately despite several causes for concern. These include fluctuating demand in the wake of the consumption tax hike and rising prices of imported goods and materials due to the weak yen. Meanwhile, the medical treatment sector will be affected by ongoing government measures to lower treatment costs and reform the healthcare system, while medical institutions will continue striving to improve their operations.

Under policies of “focus on customers” and “respect for basic principles,” the Hogy Medical Group will expand sales of high-value-added products by promoting Operamaster and its surgery management system. At the same time, we will broaden and upgrade the functions of the surgery management system, which helps medical institutions improve their business operations. In addition, we will strive to make kit products that customers find easier to use in order to differentiate ourselves from other companies. We will also promote our kit-product renewal strategy to enable improvements in safety and quality. This will entail construction of a new kit-product factory and automation of production processes. We will disclose production equipment costs for the new factory as soon as they are confirmed. 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 2015 are as shown below.

(Consolidated performance forecasts)

Net sales	¥36,950 million	(up 6.2%)
Operating income	¥ 9,290 million	(up 6.2%)
Ordinary income	¥ 9,410 million	(up 3.9%)
Net income	¥ 6,150 million	(up 9.2%)

(2) Financial Position

1) Assets, Liabilities, and Net Assets

At March 31, 2014, total assets amounted to ¥90,411 million, up ¥12,131 million from a year earlier. For the year, current assets increased ¥6,394 million, to ¥47,431 million. This was due mainly to a ¥6,124 million rise in cash and bank deposits and a ¥771 million increase in inventories. Fixed assets were up ¥5,737 million, to ¥42,979 million. Among fixed assets, tangibles climbed ¥4,519 million, to ¥32,949 million. This was due mainly to a ¥5,762 million jump in construction in progress, stemming from commencement of construction of a new plant to make kit products. Intangibles rose ¥209 million, to ¥1,814 million, and investments and other assets climbed ¥1,008 million, to ¥8,215 million, after accounting for sales, purchases, and market valuations of investment securities.

At fiscal year-end, total liabilities amounted to ¥15,031 million, up ¥6,354 million from a year earlier. Current liabilities increased ¥5,919 million, to ¥13,230 million. This was due mainly to a ¥5,122 million jump in payables following the commencement of construction of the new kit-product plant. Long-term liabilities totaled ¥1,801 million.

Net assets at the end of the year totaled ¥75,379 million, up ¥5,777 million from a year earlier. The main factor boosting net assets was ¥5,632 million in net income, while the major factor holding down net assets was ¥1,683 million in cash dividends paid. As a result, the equity ratio fell from 88.9% to 83.4%.

2) Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥28,227 million, up ¥6,121 million from a year earlier.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥9,349 million, up ¥2,854 million from the previous year. Major items included ¥8,885 million in income before income taxes and minority interests and ¥2,865 million in depreciation, as well as a ¥381 million decrease in notes and accounts receivable, a ¥400 million increase in inventories, and ¥2,769 million in income taxed paid.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥1,798 million, down ¥376 million from the previous year. The main inflow was ¥790 million in sales of investment securities, and the main outflows were ¥1,625 million in purchase of tangible fixed assets and ¥389 million in purchase of investment securities. Unlike in the previous corresponding period, the Group sold investment securities in the period under review.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,684 million, up ¥156 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 ¥8,900 million. With respect to cash flows from investing activities, we estimate around ¥6,200 million in outlays related to the new kit-product plant and some outlays for machinery for that plant. We forecast net cash used in financing activities to be around ¥1,750 million, mainly influenced by payment of cash dividends.

(Cash Flow Indicators)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Equity ratio (%)	86.9	88.3	88.9	83.4
Equity ratio based on market price (%)	83.3	83.3	107.1	95.4
Debt coverage (years)	0.1	—	—	—
Interest coverage ratio (times)	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 dividends of ¥27.00 for each quarter, bringing total annual dividends to ¥108.00 per share. (We have already paid dividends for the first three quarters, and the year-end dividend is scheduled for payment on May 30, 2014.) In the fiscal year ending March 2015, we plan to pay dividends of ¥28.00 per quarter, for total annual dividends of ¥112.00 per share—the largest in our history.

(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

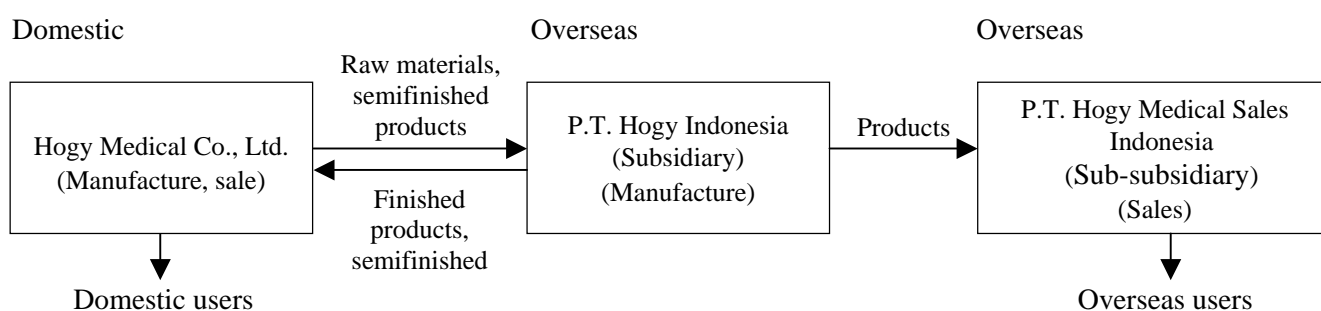
When the real values of assets owned by the Group decline, such assets are necessarily subject to impairment accounting. In such events, the Group's business performance could be potentially affected.

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,” “low invasiveness,” “hospital management,” “at-home care and nursing care,” and “prevention,” 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, our surgery management system, which extends the functions of the Operamaster system components, allows detailed and swift analysis of surgery room data. Moreover, we plan to offer additional options to complement the surgery management system, namely a “surgery procedure system” to promote enhanced efficiency and education of surgery room staff and an “ME equipment management system” to support better management of in-hospital ME equipment by enabling a real-time grasp of the operational status of such equipment.

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 new kit-product factory, currently under construction, we are pursuing 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
- Build manufacturing facilities capable of ensuring stable supply of safe products and boosting productivity and product superiority
- Enhance efficiency through automation of new kit-product factory

(3) Development themes for mainstay products

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

(4) Strengthen internal systems

- 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. 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 ensures safe production
- Develop new products
- Further reinforce Operamaster strategy and surgery management system
- Implement capital expenditure plan aimed at meeting performance targets and ensuring stable supplies
- Raise productivity of overseas manufacturing bases
- 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

4. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2012 (At March 31, 2013)	Fiscal 2013 (At March 31, 2014)
ASSETS		
Current assets		
Cash and bank deposits	¥22,471	¥28,595
Notes and accounts receivable	10,470	10,191
Goods and merchandise	3,703	3,845
Products in progress	341	429
Materials and supplies	2,944	3,485
Deferred income taxes	190	192
Other	921	699
Allowance for doubtful accounts	-5	-9
Total current assets	41,037	47,431
Fixed assets		
Tangibles		
Buildings and structures	26,599	27,240
Accumulated depreciation	-14,632	-15,628
Buildings and structures (net)	11,966	11,612
Machinery and vehicles	24,947	25,513
Accumulated depreciation	-19,179	-20,704
Machinery and vehicles (net)	5,768	4,808
Land	9,410	9,484
Construction in progress	789	6,551
Others	2,954	3,165
Accumulated depreciation	-2,458	-2,672
Others (net)	495	492
Total tangibles	28,430	32,949
Intangibles		
Software	1,469	1,209
Software in progress	121	534
Telephone subscription rights	13	13
Others	0	56
Total intangibles	1,605	1,814
Investments and other assets		
Investment securities	4,409	5,658
Guaranty deposit	488	485
Deferred income taxes	22	62
Long-term deposits	1,000	1,000
Prepaid pension cost	339	—
Others	969	1,024
Allowance for doubtful accounts	-22	-15
Total investments and other assets	7,206	8,215
Total fixed assets	37,242	42,979
Total assets	¥78,279	¥90,411

(Millions of yen, rounded down)

	Fiscal 2012 (At March 31, 2013)	Fiscal 2013 (At March 31, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥ 4,391	¥ 4,598
Accrued income tax	1,324	1,914
Reserve for employees' bonuses	370	389
Reserve for directors' bonuses	90	100
Equipment-related notes payable	231	303
Payables	384	5,507
Other current liabilities	518	416
Total current liabilities	7,311	13,230
Long-term liabilities		
Deferred income taxes	768	1,176
Reserve for employees' retirement benefits	186	—
Liability related to employees' retirement benefits	—	210
Long-term payables	45	45
Other long-term liabilities	365	369
Total long-term liabilities	1,365	1,801
Total liabilities	8,676	15,031
NET ASSETS		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	56,472	60,422
Treasury stock	-3,318	-3,321
Total shareholders' equity	68,613	72,560
Valuation and translation adjustments		
Net unrealized gain or loss on securities	1,422	2,297
Deferred hedging gain or loss	463	529
Translation adjustments	-902	27
Cumulative adjustment related to employees' retirement benefits	—	-41
Total valuation and translation adjustments	983	2,813
Minority interests	5	6
Total net assets	69,602	75,379
Total liabilities and net assets	¥78,279	¥90,411

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

(Millions of yen, rounded down)

	Fiscal 2012 (April 1, 2012– March 31, 2013)	Fiscal 2013 (April 1, 2013– March 31, 2014)
Net sales	¥33,094	¥34,793
Cost of sales	16,380	17,046
Gross profit	16,713	17,747
Selling, general, and administrative expenses	8,599	8,999
Operating income	8,113	8,747
Other income		
Interest income	5	5
Dividend income	45	60
Foreign exchange gain	116	111
Subsidy income	—	56
Others	73	83
Total other income	240	316
Other expenses		
Loss on investment partnership	—	2
Others	0	5
Total other expenses	0	8
Ordinary income	8,353	9,055
Extraordinary income		
Gain on sales of fixed assets	3	1
Gain on sale of investment securities	—	310
Total extraordinary income	3	312
Extraordinary expenses		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	3	25
Loss on termination of employees' retirement benefits system	—	456
Total extraordinary expenses	3	482
Income before income taxes and minority interests	8,353	8,885
Income taxes	2,944	3,346
Income tax adjustment	162	-94
Total income taxes	3,106	3,252
Income before minority interests	5,247	5,632
Minority interests	0	0
Net income	5,247	5,632

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2012 (April 1, 2012– March 31, 2013)	Fiscal 2013 (April 1, 2013– March 31, 2014)
Income before minority interests	¥5,247	¥5,632
Other comprehensive income		
Net unrealized gain or loss on securities	1,096	874
Deferred hedging gain or loss	438	65
Translation adjustments	333	930
Total other comprehensive income	1,868	1,871
Comprehensive income	7,116	7,504
(Breakdown)		
Comprehensive income attributable owners of parent company	7,115	7,503
Comprehensive income attributable to minority interests	0	0

(3) Statements of Changes in Shareholders' Equity

Fiscal 2012 (April 1, 2012–March 31, 2013)

(Millions of yen, rounded down)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Earned surplus	Treasury stock	
Balance at beginning of the term	¥7,123	¥8,336	¥52,750	¥-3,317	¥64,892
Changes during term in review					
Distribution of earned surplus			-1,525		-1,525
Net income			5,247		5,247
Purchase of treasury stock				-1	-1
Changes during term not related to shareholders' equity (net)					
Total changes during term	—	—	3,721	-1	3,720
Balance at end of term	¥7,123	¥8,336	¥56,472	¥-3,318	¥68,613

	Valuation and translation adjustments					Total net assets
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Translation adjustments	Total valuation and translation adjustments	Minority interests	
Balance at beginning of the term	¥ 326	¥ 25	¥-1,236	¥ -884	¥5	¥64,013
Changes during term in review						
Distribution of earned surplus						-1,525
Net income						5,247
Purchase of treasury stock						-1
Changes during term not related to shareholders' equity (net)						
Total changes during term	1,096	438	333	1,868	0	1,868
Balance at end of term	¥1,422	¥463	¥-902	¥983	¥5	¥69,602

Fiscal 2013 (April 1, 2013–March 31, 2014)

(Millions of yen, rounded down)

	Shareholders' equity						
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity		
Balance at beginning of the term	¥7,123	¥8,336	¥56,472	¥-3,318	¥68,613		
Changes during term in review							
Distribution of earned surplus			-1,683		-1,683		
Net income			5,632		5,632		
Purchase of treasury stock				-2	-2		
Changes during term not related to shareholders' equity (net)							
Total changes during term	—	—	3,949	-2	3,947		
Balance at end of term	¥7,123	¥8,336	¥60,422	¥-3,321	¥72,560		
Valuation and translation adjustments							
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Translation adjustments	Cumulative adjustment related to employees' retirement benefits	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at beginning of the term	¥1,422	¥463	¥-902	—	¥983	¥5	¥69,602
Changes during term in review							
Distribution of earned surplus							-1,683
Net income							5,632
Purchase of treasury stock							-2
Changes during term not related to shareholders' equity (net)							
	874	65	930	-41	1,829	0	1,830
Total changes during term	874	65	930	-41	1,829	0	5,777
Balance at end of term	¥2,297	¥529	¥ 27	¥-41	¥2,813	¥6	¥75,379

(4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2012 (April 1, 2012– March 31, 2013)	Fiscal 2013 (April 1, 2013– March 31, 2014)
Operating activities		
Income before income taxes and minority interests	¥8,353	¥8,885
Depreciation	2,971	2,865
Retirement benefits, net of payments	-77	—
Increase (decrease) in liability related to employees' retirement benefits	—	289
Increase (decrease) in allowance for doubtful accounts	6	-2
Interest and dividend income	-50	-65
Loss (gain) on investment partnership	—	2
Foreign exchange gain	-110	-119
Loss on sales of tangible fixed assets	-3	-0
Loss on disposal of tangible fixed assets	3	25
Loss (gain) on sales of investment securities	—	-310
Changes in assets and liabilities:		
Notes and accounts receivable	-59	381
Inventories	-1,360	-400
Notes and accounts payable	646	67
Accrued consumption tax payables and other	233	-128
Consumption taxes and others receivable	75	—
Other current assets	70	205
Other current liabilities	-568	301
Other investments and others	71	60
Other long-term liabilities	-344	3
Other	-4	-5
Subtotal	9,853	12,052
Interest and dividends received	50	65
Incomes taxes paid	-3,408	-2,769
Net cash provided by operating activities	6,495	9,349

(Millions of yen, rounded down)

	Fiscal 2012 (April 1, 2012– March 31, 2013)	Fiscal 2013 (April 1, 2013– March 31, 2014)
Investing activities		
Increase in time deposits	¥ —	¥ –6
Proceeds from withdrawals from time deposits	5	3
Purchase of investment securities	–100	–389
Proceeds from sales of investment securities	—	790
Purchase of tangible fixed assets	–1,372	–1,625
Proceeds from sales of tangible fixed assets	6	3
Purchase of intangible fixed assets	–695	–588
Expenditures by loans receivable	–9	–0
Collection of loans receivable	12	10
Increase (decrease) in other investments	–21	3
Net cash used in investing activities	–2,175	–1,798
Financing activities		
Purchase of treasury stock	–1	–2
Cash dividends paid	–1,526	–1,681
Others	0	—
Net cash used in financing activities	–1,527	–1,684
Effect of exchange rate changes on cash and cash equivalents	73	254
Net change in cash and cash equivalents	2,865	6,121
Cash and cash equivalents at beginning of year	19,239	22,105
Cash and cash equivalents at end of year	22,105	28,227

5. Non-Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2012 (At March 31, 2013)	Fiscal 2013 (At March 31, 2014)
ASSETS		
Current assets		
Cash and bank deposits	¥21,274	¥26,916
Notes receivable	6,236	5,493
Accounts receivable	4,230	4,606
Goods and merchandise	3,558	3,554
Products in progress	137	175
Materials and supplies	1,707	1,992
Advances paid	24	29
Prepaid expenses	148	148
Deferred income taxes	136	141
Currency swaps	320	434
Currency options	148	2
Other	225	10
Allowance for doubtful accounts	-5	-9
Total current assets	38,143	43,496
Fixed assets		
Tangibles		
Buildings	23,355	23,510
Accumulated depreciation	-12,437	-12,996
Buildings (net)	10,918	10,513
Structures	1,091	1,091
Accumulated depreciation	-913	-936
Structures (net)	178	155
Machinery and equipment	22,944	22,966
Accumulated depreciation	-18,086	-19,212
Machinery and equipment (net)	4,857	3,754
Vehicles and transport equipment	185	189
Accumulated depreciation	-124	-130
Vehicles and transport equipment (net)	61	58
Tools, instruments, and fixtures	2,796	2,944
Accumulated depreciation	-2,326	-2,497
Tools, instruments, and fixtures (net)	469	446
Land	9,069	9,069
Construction in progress	789	6,551
Total tangibles	26,343	30,550
Intangibles		
Software	1,469	1,209
Software in progress	121	534
Telephone subscription rights	13	13
Other	0	56
Total intangibles	1,605	1,814

(Millions of yen, rounded down)

	Fiscal 2012 (At March 31, 2013)	Fiscal 2013 (At March 31, 2014)
Investments and other assets		
Investment securities	¥ 4,409	¥5,658
Shares of affiliated companies	749	749
Capital subscriptions	1	1
Long-term loans	11	8
Long-term loans to employees	26	18
Long-term loans to affiliated companies	1,127	1,049
Bankruptcy rehabilitation claims	14	0
Long-term prepaid expenses	2	2
Long-term deposits	1,000	1,000
Prepaid pension costs	339	—
Guaranty deposit	488	485
Insurance reserve fund	446	438
Golf club memberships	99	99
Currency swaps	265	371
Currency options	—	3
Other	6	3
Allowance for doubtful accounts	-22	-15
Total investments and other assets	8,965	9,875
Total fixed assets	36,914	42,240
Total assets	¥75,057	85,736
LIABILITIES		
Current liabilities		
Notes payable	¥ 2,352	¥2,520
Accounts payable	1,881	1,910
Accrued payables	384	5,507
Accrued expenses	176	191
Accrued income tax	1,281	1,878
Accrued consumption tax	233	104
Advances received	0	0
Deposits received	27	27
Reserve for employees' bonuses	370	389
Reserve for directors' bonuses	90	100
Equipment-related notes payable	231	303
Total current liabilities	7,031	12,934
Long-term liabilities		
Deferred income taxes	768	1,176
Reserve for employees' retirement benefits	100	49
Long-term payables	45	45
Other long-term liabilities	365	369
Total long-term liabilities	1,279	1,640
Total liabilities	8,310	14,574

(Millions of yen, rounded down)

	Fiscal 2012 (At March 31, 2013)	Fiscal 2013 (At March 31, 2014)
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	32,856	36,333
Total earned surplus	52,720	56,197
Treasury stock	-3,318	-3,321
Total shareholders' equity	64,861	68,335
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	1,422	2,297
Deferred hedging gain or loss	463	529
Total valuation/translation gains or losses	1,886	2,826
Total net assets	66,747	71,162
Total liabilities and net assets	¥75,057	85,736

(2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2012 (April 1, 2012– March 31, 2013)	Fiscal 2013 (April 1, 2013– March 31, 2014)
Net sales		
Product sales	¥30,686	¥32,237
Commodity sales	2,250	2,367
Total net sales	32,936	34,605
Cost of sales		
Product inventory at beginning of term	1,934	2,135
Commodity inventory at beginning of term	434	813
Manufacturing costs during term	15,924	16,599
Commodity purchases during term	1,982	1,654
Total	20,276	21,203
Transfer to other accounts	517	437
Product inventory at end of term	2,135	2,167
Commodity inventory at end of term	813	878
Total cost of sales	16,809	17,719
Gross profit	16,126	16,885
Selling, general, and administrative expenses	8,535	8,918
Operating income	7,590	7,966
Other income		
Interest income	29	30
Interest income from securities	0	0
Dividend income	112	131
Foreign exchange gain	127	111
Subsidy income	—	56
Others	69	76
Total other income	339	407
Other expenses		
Loss on investment partnership	—	2
Others	—	0
Total other expenses	—	2
Ordinary income	7,929	8,371
Extraordinary income		
Gain on sales of fixed assets	3	1
Gain on sales of investment securities	—	310
Total extraordinary income	3	312
Extraordinary expenses		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	3	25
Loss on termination of employees' retirement benefits system	—	456
Total extraordinary expenses	3	482
Income before income taxes and minority interests	7,929	8,200
Income taxes	2,764	3,116
Income tax adjustment	194	-75
Total income taxes	2,958	3,040
Net income	4,971	5,160

(3) Statements of Changes in Shareholders' Equity

Fiscal 2012 (April 1, 2012–March 31, 2013)

(Millions of yen, rounded down)

	Shareholders' equity								
	Capital surplus			Earned surplus					
	Common stock	Capital reserve	Total capital surplus	Earned reserve	Other earned surplus		Total earned surplus	Treasury stock	Total shareholders' equity
					Other general reserve	Earned surplus carried forward			
Balance at beginning of the term	7,123	8,336	8,336	564	19,300	29,410	49,274	-3,317	61,416
Changes during term in review									
Distribution of earned surplus						-1,525	-1,525		-1,525
Net income						4,971	4,971		4,971
Purchase of treasury stock								-1	-1
Changes during term not related to shareholders' equity (net)									
Total changes during term	—	—	—	—	—	3,445	3,445	-1	3,444
Balance at end of term	7,123	8,336	8,336	564	19,300	32,856	52,720	-3,318	64,861

	Valuation/translation gains or losses			Total net assets
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Total valuation/translation gains or losses	
Balance at beginning of the term	326	25	351	61,768
Changes during term in review				
Distribution of earned surplus				-1,525
Net income				4,971
Purchase of treasury stock				-1
Changes during term not related to shareholders' equity (net)				
	1,096	438	1,534	1,534
Total changes during term	1,096	438	1,534	4,979
Balance at end of term	1,422	463	1,886	66,747

Fiscal 2013 (April 1, 2013–March 31, 2014)

(Millions of yen, rounded down)

	Shareholders' equity								
	Capital surplus			Earned surplus					
	Common stock	Capital reserve	Total capital surplus	Earned reserve	Other earned surplus		Total earned surplus	Treasury stock	Total shareholders' equity
					Other general reserve	Earned surplus carried forward			
Balance at beginning of the term	7,123	8,336	8,336	564	19,300	32,856	52,720	-3,318	64,861
Changes during term in review									
Distribution of earned surplus						-1,683	-1,683		-1,683
Net income						5,160	5,160		5,160
Purchase of treasury stock								-2	-2
Changes during term not related to shareholders' equity (net)									
Total changes during term	—	—	—	—	—	3,476	3,476	-2	3,474
Balance at end of term	7,123	8,336	8,336	564	19,300	36,333	56,197	-3,321	68,335

	Valuation/translation gains or losses			Total net assets
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Total valuation/translation gains or losses	
Balance at beginning of the term		1,422	463	66,747
Changes during term in review				
Distribution of earned surplus				-1,683
Net income				5,160
Purchase of treasury stock				-2
Changes during term not related to shareholders' equity (net)	874	65	940	940
Total changes during term	874	65	940	4,414
Balance at end of term	2,297	529	2,826	71,162