

**April 11, 2018**

# Consolidated Financial Results for Fiscal 2017

**[Japanese Standards]**

Name: **Hogy Medical Co., Ltd.**  
Listing: **First Section, Tokyo Stock Exchange**  
Stock code number: **3593**  
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URL: **http://www.hogy.co.jp**  
Representative: **Jun-ichi Hoki, President and CEO**  
Contact: **Susumu Ohashi, Director, Administration Div.**  
Annual Meeting of Shareholders: **June 22, 2018**  
Date of issue of Financial Report: **June 22, 2018**  
Preparation of supplementary materials for financial results: **Yes**  
Information meet for financial results to be held: **Yes**  
Start of cash dividend payments: **May 31, 2018**

## 1. Financial results for fiscal 2017 (April 1, 2017–March 31, 2018)

### (1) Results of operations

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		(% change from previous year)		(% change)		(% change)		(% change)
Fiscal 2017	¥36,918	+0.2%	¥5,273	-29.2%	¥5,380	-27.3%	¥5,262	-9.1%
Fiscal 2016	36,859	+0.8%	7,443	-15.3%	7,403	-17.0%	5,786	-2.1%

Note: Comprehensive income

Fiscal 2017: ¥6,287 million (up 42.7%)

Fiscal 2016: ¥4,406 million (down 28.0%)

	Profit per share	Profit per share (fully diluted)	ROE	Ordinary income/ Total assets	Operating income/ Net sales
	(Yen)	(Yen)	(%)	(%)	(%)
Fiscal 2017	¥168.04	—	5.7%	5.1%	14.3%
Fiscal 2016	184.53	—	6.5%	7.3%	20.2%

Reference: Gain/loss on investments based on equity method

Fiscal 2017: ¥—million

Fiscal 2016: ¥—million

Note: On April 1, 2018, the Company conducted a 2-for-1 split of common stock. Accordingly, figures under “Profit per share” are calculated on the assumption that the stock split occurred at the beginning of the previous fiscal year (fiscal 2016).

## (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 2017	¥106,449	¥94,063	88.4%	¥3,002.44
Fiscal 2016	103,196	89,629	86.8%	2,863.12

Reference: Equity capital at year-end

Fiscal 2017: ¥94,057 million

Fiscal 2016: ¥89,622 million

Note: On April 1, 2018, the Company conducted a 2-for-1 split of common stock. Accordingly, figures under “Net assets per share” are calculated on the assumption that the stock split occurred at the beginning of the previous fiscal year (fiscal 2016).

## (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 2017	¥ 8,367	¥-1,807	¥-1,945	¥20,840
Fiscal 2016	10,066	-3,868	-1,877	16,244

## 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 2016	¥30.00	¥30.00	¥30.00	¥30.00	¥120.00	¥1,887	32.5%	2.1%
Fiscal 2017	31.00	31.00	31.00	31.00	124.00	1,950	36.9%	2.1%
Fiscal 2018 (est.)	16.00	16.00	16.00	16.00	64.00		36.8%	

Note: On April 1, 2018, the Company conducted a 2-for-1 split of common stock. Accordingly, figures for cash dividends in fiscal 2017 are calculated based on the number of shares before the stock split, but figures for fiscal 2018 (forecast) are based on the number of shares after the stock split.

## 3. Forecast for fiscal 2018 (April 1, 2018–March 31, 2019)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
First 2 quarters	¥19,130	+3.8%	¥2,860	+1.1%	¥2,950	+2.6%	¥2,080	-42.0%	¥ 66.40
Full year	38,770	+5.0%	5,920	+12.3%	6,050	+12.4%	5,450	+3.6%	173.97

## 4. Notes

- (1) Important changes in scope of consolidation during period (changes to specified subsidiaries accompanying changes in scope of consolidation): No
- (2) Changes in accounting policies; changes in accounting estimates; restatements
- (1) Changes in accounting policies due to amendment of accounting standards: No
- (2) Other changes in accounting policies: No
- (3) Changes in accounting estimates: No
- (4) Restatements: No
- (3) Shares outstanding (common stock) at year-end
1. Number of shares outstanding (including treasury stock)
- Fiscal 2017: 32,682,310
- Fiscal 2016: 32,682,310
2. Number of treasury shares outstanding
- Fiscal 2017: 1,355,398
- Fiscal 2016: 1,379,892
3. Average number of shares over period
- Fiscal 2017: 31,314,063
- Fiscal 2016: 31,355,618

Note: On April 1, 2018, the Company conducted a 2-for-1 split of common stock. Accordingly, figures under “Shares outstanding (common stock) at fiscal year-end” are calculated on the assumption that the stock split occurred at the beginning of the previous fiscal year (fiscal 2016).

## (Reference) Summary of Non-Consolidated Financial Results

### 1. Financial results for fiscal 2017 (April 1, 2017–March 31, 2018)

#### (1) Results of operations

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		(% change)		(% change)		(% change)		(% change)
Fiscal 2017	¥36,585	+0.1%	¥4,338	−32.7%	¥4,618	−31.4%	¥4,736	−12.6%
Fiscal 2016	36,557	+0.7%	6,447	−16.6%	6,730	−15.8%	5,419	+3.2%

  

	Profit per share (Yen)	Profit per share (fully diluted) (Yen)
Fiscal 2017	¥151.24	—
Fiscal 2016	172.84	—

Note: On April 1, 2018, the Company conducted a 2-for-1 split of common stock. Accordingly, figures under “Profit per share” are calculated on the assumption that the stock split occurred at the beginning of the previous fiscal year (fiscal 2016).

## (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 2017	¥101,129	¥87,721	86.7%	¥2,800.19
Fiscal 2016	98,192	83,539	85.1%	¥2,668.79

Reference: Equity capital at year-end

Fiscal 2017: ¥87,721 million

Fiscal 2016: ¥83,539 million

Note: On April 1, 2018, the Company conducted a 2-for-1 split of common stock. Accordingly, figures under “Net assets per share” are calculated on the assumption that the stock split occurred at the beginning of the previous fiscal year (fiscal 2016).

## 2. Forecast for fiscal 2018 (April 1, 2018–March 31, 2019)

	(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)									
	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share	
First 2 quarters	¥18,930	+3.5%	¥2,370	+0.1%	¥2,430	+0.9%	¥1,690	–47.6%	¥ 53.95	
Full year	38,350	+4.8%	4,980	+14.8%	5,280	+14.3%	4,920	+3.9%	157.05	

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

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

Performance forecasts and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report’s release. Accordingly, the Company cannot make promises to achieve such forecasts. Due to various circumstances, however, actual results may differ significantly from such statements. For cautionary notes on assumptions underlying the Company’s forecasts and the usage of such forecasts, please refer “(1) Performance” on page 6.

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## 1. Performance and Financial Position

### (1) Performance

In the fiscal year under review, the Japanese economy showed a moderate recovery tone, reflecting signs of improvements in the employment situation, worker incomes, and corporate earnings.

In the healthcare sector, against a background of continuously increasing medical costs, major reforms of the healthcare system are under way to address Japan's low-birthrate, aging society and labor shortages caused by the declining population. Meanwhile, the nation's medical institutions, under pressure from medical remuneration costs and other factors, continue to face ever-increasing challenges that threaten their survival.

Under these difficult conditions, the medical equipment industry is being asked to provide products and services that better help medical institutions improve their operational management and efficiency.

In response, the Hogy Medical Group focused on sales of Operamaster, which helps medical institutions improve their operations, and on proposals and sales of Premium Kits, which contribute to increased efficiency at advanced acute-phase clinics and general acute-phase clinics and help address labor shortages and the increasing number of surgical procedures. We also sought to develop and sell new products.

With respect to Operamaster, during the year we signed 22 new Operamaster contracts with DPC-assessed hospitals (those recognized under Japan's diagnosis procedure combination, or DPC, system). Due to lack of consensus and other factors, we reassessed contracts with medical institutions not yet on board, resulting in increased cancellations (29 in total). There were 282 Operamaster contracts in force at term-end.

During the period, sales growth for surgical kits slowed due to delays in getting sales up and running at newly contracted Operamaster hospitals, as well as insufficient new sales activities and competition with other companies. As for Premium Kits, launched in the previous fiscal year, we are currently upgrading in-house education and conducting clinical evaluations to encourage institutions to use Premium Kits in actual cases. While the number of clinical evaluations is increasing, it will take time until this has a major impact on our business performance. As for new products, we sold our new EMARO Endoscope Holder to just five institutions. However, we sold our Surgery Management System to one institution.

As a result, consolidated net sales for the year amounted to ¥36,918 million, up 0.2% from the previous year. Sales of surgical kits rose 1.7%, to ¥21,493 million. Within this amount, Operamaster-related sales climbed 5.6%, to ¥14,667 million, and sales of surgical-use non-wovens declined 2.3%, to ¥9,186 million.

The cost of sales ratio increased year on year due mainly to higher depreciation expenses on the new surgical kit plant. Selling, general, and administrative (SG&A) expenses increased due to higher prototype costs necessary for sales promotion. Consequently, operating income declined 29.2%, to ¥5,273 million, and ordinary income fell 27.3%, to ¥5,380 million. Profit attributable to owners of parent decreased 9.1%, to ¥5,262 million, benefiting from the partial sale of shares, which generated extraordinary income of ¥2,224 million.

### (Outlook)

Conditions in the healthcare sector are expected to become more severe amid a progressively aging, low-birthrate society. A revision of the nation's medical fee system in fiscal 2018 will see a 1.19% overall reduction in remuneration, highlighting the need for medical institutions to improve their operations and reduce medical costs as increasingly important social priorities.

In the year ahead, the Hogy Medical Group will seek to expand its domestic market through a reassessment of its targeted medical institutions, while increasing its sales workforce to strengthen its sales system. We will also strive to improve our business performance by advancing sales activities focused on boosting sales of Premium Kits.

In addition to selling Premium Kits, over the medium term we will endeavor to sell "reprocessed products" made from the remanufacture of single-use devices (SUDs). We will also step up proposals to help advanced acute-phase clinics and general acute-phase clinics improve their operations. Here, we will adopt supply chain

management (SCM) techniques to deliver all of the materials needed for surgery—including Premium Kits and reprocessed products—on a just-in-time basis.

Meanwhile, we will target full-scale entry into overseas markets for medical materials and other products, beginning with sales development in Southeast Asia and elsewhere.

At our new surgical kit plant, we will expand production of Premium Kits in order to enhance capacity utilization and productivity. Similarly, we will step up labor-saving and automation measures at P.T. Hogy Indonesia, a key manufacturing subsidiary.

The Hogy Medical Group is committed to providing new medical materials and services that correspond to the needs of medical institutions and social changes. To this end, we reached an agreement with Mitsubishi Corporation, which has diversified networks in Japan and overseas, to form a comprehensive alliance in the healthcare business. The agreement was announced on March 28, 2018.

Our consolidated forecasts for the fiscal year to March 2019 are shown below.

**(Consolidated performance forecasts)**

Net sales	¥38,770 million	(up 5.0%)
Operating income	¥ 5,920 million	(up 12.3%)
Ordinary income	¥ 6,050 million	(up 12.4%)
Profit attributable to owners of parent	¥ 5,450 million	(up 3.6%)

## (2) Financial Position

### 1) Assets, Liabilities, and Net Assets

At March 31, 2018, total assets amounted to ¥106,449 million, up ¥3,252 million from a year earlier. For the year, current assets increased ¥5,635 million, to ¥42,745 million. Factors included a ¥4,616 million rise in cash and bank deposits and an ¥827 million decrease in notes and accounts receivable.

Among fixed assets, tangibles decreased ¥4,095 million, to ¥47,891 million, mainly reflecting a ¥1,182 million decrease in buildings and structures stemming from depreciation and a ¥3,112 million increase in machinery and equipment stemming from depreciation. Intangibles edged down ¥136 million, to ¥2,965 million. Investments and other assets rose ¥1,848 million, to ¥12,847 million, reflecting a ¥2,043 million increase in investment securities stemming from market valuation of shareholdings. As a result, total fixed assets stood at ¥63,703 million.

At fiscal year-end, total liabilities amounted to ¥12,385 million, down ¥1,182 million from a year earlier. Current liabilities declined ¥1,780 million, to ¥8,397 million. Factors included a ¥1,752 million decrease in accrued payables associated with construction of the new surgical kit plant, as well as a ¥429 million decrease in equipment-related payables related to that plant. Long-term liabilities increased ¥598 million, to ¥3,987 million. Major factors included a ¥109 million decrease in long-term debt associated with the Company's trust-type employee stock ownership incentive plan (E-Ship®), as well as a ¥666 million increase in deferred tax liabilities associated with market valuation of shareholdings.

Net assets at the end of the year totaled ¥94,063 million, up ¥4,434 million from a year earlier. The main factors were ¥5,262 million in profit attributable to owners of parent, ¥1,934 million in appropriation of retained earnings, and a ¥1,477 million increase in net unrealized gain or loss on securities due to market valuation of shareholdings. As a result, the equity ratio rose from 86.8% to 88.4%.

### 2) Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥20,840 million, up ¥4,595 million from a year earlier.

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

Net cash provided by operating activities amounted to ¥8,367 million, down ¥1,699 million from the previous year. Factors included ¥7,583 million in income before income taxes and ¥6,235 million in depreciation, as well as a ¥2,222 million gain on sales of investment securities, an ¥850 million increase in notes and accounts receivable, a ¥383 million increase in inventories, and ¥2,459 million in income taxes paid.

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

Net cash used in investing activities totaled ¥1,807 million, down ¥2,061 million from the previous year. Factors included ¥3,675 million in purchase of tangible fixed assets and ¥2,298 million in proceeds from the partial sale of investment securities.

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

Net cash used in financing activities was ¥1,945 million, up ¥68 million from the previous year. Factors included ¥1,935 million in cash dividends paid, ¥109 million in repayments of long-term debt associated with the Company's trust-type employee stock ownership incentive plan (E-Ship®), and ¥103 million in proceeds from disposal of treasury stock.

For the next fiscal year, we forecast net cash provided by operating activities to be around ¥11,200 million; net cash used in investing activities of around ¥2,050 million, mainly related to purchases of tangible fixed assets; and net cash used in financing activities of around ¥2,000 million, mainly influenced by payment of cash dividends.

**(Cash Flow Indicators)**

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Equity ratio (%)	80.9	87.6	86.8	88.4
Equity ratio based on market price (%)	93.7	98.7	111.0	131.9
Debt coverage (years)	—	—	—	—
Interest coverage ratio (times)	—	—	—	—

Notes:

Equity ratio: Equity capital/Total assets

Equity ratio based on market price: Total stock value based on market price/Total assets

Debt coverage: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest paid

1. Each index is calculated based on consolidated financial figures.
2. Market value of total stock is calculated by multiplying the stock price (closing price at the end of the year) by the number of shares outstanding at the end of the year.
3. Operating cash flow is calculated using net cash provided by operating activities (listed in the Consolidated Statements of Cash Flows).
4. Interest-bearing debt refers to all debt that incurs interest (listed in the Consolidated Balance Sheets). However, it does not include long-term debt stated under guidance of “Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, March 26, 2015). For interest paid, the amount shown in the Consolidated Statements of Cash Flows is used.

## 2. Basic Approach to Selection of Accounting Standards

To allow reliable year-on-year and company-to-company comparisons, the Hogy Medical Group's policy for the time being is to prepare its consolidated financial statements according to Japanese accounting standards.

With respect to application of IFRS, our policy is to respond appropriately based on consideration of various domestic and overseas circumstances.



### 3. Consolidated Financial Statements

#### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2016 (At March 31, 2017)	Fiscal 2017 (At March 31, 2018)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 16,658	¥ 21,274
Notes and accounts receivable	11,289	12,116
Goods and merchandise	4,062	4,317
Products in progress	484	489
Materials and supplies	3,847	3,897
Deferred income taxes	281	295
Other	485	354
Allowance for doubtful accounts	-0	-0
<b>Total current assets</b>	<b>37,109</b>	<b>42,745</b>
Fixed assets		
Tangibles		
Buildings and structures	43,684	43,820
Accumulated depreciation	-19,229	-20,546
<b>Buildings and structures (net)</b>	<b>24,455</b>	<b>23,273</b>
Machinery and vehicles	41,233	41,867
Accumulated depreciation	-25,028	-28,774
<b>Machinery and vehicles (net)</b>	<b>16,205</b>	<b>13,092</b>
Land	9,631	9,618
Construction in progress	681	897
Other	4,351	4,716
Accumulated depreciation	-3,339	-3,707
<b>Other (net)</b>	<b>1,012</b>	<b>1,008</b>
<b>Total tangibles</b>	<b>51,986</b>	<b>47,891</b>
Intangibles		
Software	986	1,756
Software in progress	1,982	1,077
Telephone subscription rights	13	13
Other	118	117
<b>Total intangibles</b>	<b>3,101</b>	<b>2,965</b>
Investments and other assets		
Investment securities	9,504	11,547
Guaranty deposit	429	352
Deferred income taxes	121	139
Other	950	857
Allowance for doubtful accounts	-7	-49
<b>Total investments and other assets</b>	<b>10,998</b>	<b>12,847</b>
<b>Total fixed assets</b>	<b>66,086</b>	<b>63,703</b>
<b>Total assets</b>	<b>¥103,196</b>	<b>106,449</b>

(Millions of yen, rounded down)

	Fiscal 2016 (At March 31, 2017)	Fiscal 2017 (At March 31, 2018)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥ 5,093	¥ 5,009
Accrued income tax	1,209	934
Reserve for employees' bonuses	391	373
Reserve for directors' bonuses	100	100
Equipment-related notes payable	875	446
Payables	1,942	189
Other current liabilities	566	1,344
<b>Total current liabilities</b>	<b>10,177</b>	<b>8,397</b>
Long-term liabilities		
Long-term borrowings	508	399
Deferred income taxes	2,058	2,725
Liability related to employees' retirement benefits	303	358
Long-term payables	60	36
Other long-term liabilities	457	468
<b>Total long-term liabilities</b>	<b>3,389</b>	<b>3,987</b>
<b>Total liabilities</b>	<b>13,567</b>	<b>12,385</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	72,352	75,680
Treasury stock	-3,841	-3,759
<b>Total shareholders' equity</b>	<b>83,970</b>	<b>87,379</b>
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	5,098	6,575
Deferred hedging gain or loss	240	62
Translation adjustment	419	154
Cumulative adjustment related to employees' retirement benefits	-106	-114
<b>Total valuation/translation gains or losses</b>	<b>5,652</b>	<b>6,677</b>
Non-controlling interests	6	6
<b>Total net assets</b>	<b>89,629</b>	<b>94,063</b>
<b>Total liabilities and net assets</b>	<b>¥103,196</b>	<b>¥106,449</b>

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

(Millions of yen, rounded down)

	Fiscal 2016 (April 1, 2016– March 31, 2017)	Fiscal 2017 (April 1, 2017– March 31, 2018)
<b>Net sales</b>	¥36,859	¥36,918
<b>Cost of sales</b>	20,355	22,450
<b>Gross profit</b>	16,503	14,467
<b>Selling, general, and administrative expenses</b>	9,060	9,194
<b>Operating income</b>	7,443	5,273
<b>Other income</b>		
Interest income	20	30
Dividend income	90	71
Foreign exchange gain	—	4
Other	53	55
Total other income	165	161
<b>Other expenses</b>		
Foreign exchange loss	73	—
Loss on investment partnership	7	10
Provision of allowance for doubtful accounts	—	42
Foreign value-added tax and other	122	—
Other	1	2
Total other expenses	204	54
<b>Ordinary income</b>	7,403	5,380
<b>Extraordinary income</b>		
Gain on sales of fixed assets	—	2
Gain on sales of investment securities	1,024	2,222
Total extraordinary income	1,024	2,224
<b>Extraordinary expenses</b>		
Loss on disposal of fixed assets	5	1
Loss on valuation of investment securities	—	20
Total extraordinary expenses	5	21
<b>Income before income taxes</b>	8,422	7,583
<b>Income taxes</b>	2,609	2,239
<b>Income tax adjustment</b>	26	82
<b>Total income taxes</b>	2,636	2,321
<b>Profit</b>	5,786	5,262
<b>Profit attributable to non-controlling interests</b>	0	0
<b>Profit attributable to owners of parent</b>	5,786	5,262

**(Statements of Comprehensive Income)**

(Millions of yen, rounded down)

	Fiscal 2016 (April 1, 2016– March 31, 2017)	Fiscal 2017 (April 1, 2017– March 31, 2018)
<b>Profit</b>	¥5,786	¥5,262
<b>Other comprehensive income</b>		
Net unrealized gain or loss on securities	–1,168	1,477
Deferred hedging gain or loss	168	–178
Translation adjustment	–360	–264
Adjustment related to employees’ retirement benefits	–18	–8
Total other comprehensive income	–1,379	1,025
<b>Comprehensive income</b>	4,406	6,287
(Breakdown)		
Comprehensive income attributable owners of parent	4,406	6,287
Comprehensive income attributable to non-controlling interests	0	0

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

Fiscal 2016 (April 1, 2016–March 31, 2017)

(Millions of yen, rounded down)

	Shareholders' equity					Valuation and translation adjustments						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain or loss on securities	Deferred hedging gain or loss	Translation adjustment	Cumulative adjustment related to employees' retirement benefits	Total valuation and translation adjustments	Non-controlling interests	Total net assets
Balance at beginning of the term	¥7,123	¥8,336	¥68,438	¥-3,325	¥80,571							
Changes during term in review												
Distribution of retained earnings			-1,871		-1,871							
Profit attributable to owners of parent			5,786		5,786							
Purchase of treasury stock				-574	-574							
Disposal of treasury stock				59	59							
Changes during term not related to shareholders' equity (net)												
Total changes during term	—	—	3,914	-515	3,398							
Balance at end of term	¥7,123	¥8,336	¥72,352	¥-3,841	¥83,970							
Changes during term in review												
Distribution of retained earnings												-1,871
Profit attributable to owners of parent												5,786
Purchase of treasury stock												-574
Disposal of treasury stock												59
Changes during term not related to shareholders' equity (net)												
Total changes during term	-1,168	168	-360	-18	-1,379	-1,168	168	-360	-18	-1,379	-0	2,019
Balance at end of term	¥5,098	¥240	¥419	¥-106	¥5,652	¥6					¥6	¥89,629

Fiscal 2017 (April 1, 2017–March 31, 2018)

(Millions of yen, rounded down)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of the term	¥7,123	¥8,336	¥72,352	¥-3,841	¥83,970
Changes during term in review					
Distribution of retained earnings			-1,934		-1,934
Profit attributable to owners of parent			5,262		5,262
Purchase of treasury stock				-3	-3
Disposal of treasury stock				84	84
Changes during term not related to shareholders' equity (net)					
Total changes during term	—	—	3,327	81	3,408
Balance at end of term	¥7,123	¥8,336	¥75,680	¥-3,759	¥87,379

	Valuation and translation adjustments						
	Net unrealized gain or loss on securities	Deferred hedging gain or loss	Translation adjustment	Cumulative adjustment related to employees' retirement benefits	Total valuation and translation adjustments	Non-controlling interests	Total net assets
Balance at beginning of the term	¥5,098	¥240	¥419	¥-106	¥5,652	¥6	¥89,629
Changes during term in review							
Distribution of retained earnings							-1,934
Profit attributable to owners of parent							5,262
Purchase of treasury stock							-3
Disposal of treasury stock							84
Changes during term not related to shareholders' equity (net)							
Total changes during term	1,477	-178	-264	-8	1,025	0	1,025
Balance at end of term	¥6,575	¥62	¥154	¥-114	¥6,677	¥6	¥94,063

#### (4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2016 (April 1, 2016– March 31, 2017)	Fiscal 2017 (April 1, 2017– March 31, 2018)
Operating activities		
Income before income taxes	¥8,422	¥7,583
Depreciation	4,409	6,235
Increase (decrease) in liability related to employees' retirement benefits	30	47
Increase (decrease) in allowance for doubtful accounts	–5	41
Interest and dividend income	–111	–101
Loss (gain) on investment partnership	7	10
Foreign exchange gain	44	–29
Loss on sales of tangible fixed assets	—	–2
Loss on disposal of tangible fixed assets	5	1
Loss (gain) on sales of investment securities	–1,024	–2,222
Loss (gain) on valuation of investment securities	—	20
Changes in assets and liabilities:		
Notes and accounts receivable	301	–850
Inventories	–938	–383
Notes and accounts payable	135	–61
Accrued consumption tax payables and other	185	745
Accrued consumption tax receivables and other	1,192	—
Other current assets	91	34
Other current liabilities	177	–216
Other investments and others	–7	–114
Other long-term liabilities	69	–13
Other	–267	0
Subtotal	12,719	10,725
Interest and dividends received	102	101
Incomes taxes paid	–2,755	–2,459
Net cash provided by operating activities	10,066	8,367

(Millions of yen, rounded down)

	Fiscal 2016 (April 1, 2016– March 31, 2017)	Fiscal 2017 (April 1, 2017– March 31, 2018)
<b>Investing activities</b>		
Increase in time deposits	¥ -32	¥ -24
Proceeds from withdrawals from time deposits	1,006	3
Purchase of investment securities	-64	-69
Proceeds from sales of investment securities	1,062	2,298
Purchase of tangible fixed assets	-5,308	-3,675
Proceeds from sales of tangible fixed assets	1	2
Purchase of intangible fixed assets	-535	-402
Proceeds from distribution from investment partnership	7	27
Expenditures by loans receivable	-1	-0
Collection of loans receivable	3	3
Increase (decrease) in other investments	-6	29
Net cash used in investing activities	-3,868	-1,807
<b>Financing activities</b>		
Proceeds from long-term borrowings	574	—
Repayment of long-term borrowings	-65	-109
Proceeds from sale of treasury stock	61	103
Purchase of treasury stock	-574	-3
Cash dividends paid	-1,873	-1,935
Net cash used in financing activities	-1,877	-1,945
Effect of exchange rate changes on cash and cash equivalents	-68	-18
Net change in cash and cash equivalents	4,251	4,595
Cash and cash equivalents at beginning of year	11,993	16,244
Cash and cash equivalents at end of year	16,244	20,840



## 4. Non-Consolidated Financial Statements

### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2016 (At March 31, 2017)	Fiscal 2017 (At March 31, 2018)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥15,672	¥19,789
Notes receivable	6,033	7,006
Accounts receivable	5,095	4,862
Goods and merchandise	3,769	4,013
Products in progress	231	194
Materials and supplies	2,228	2,483
Advances paid	9	7
Prepaid expenses	177	198
Deferred income taxes	213	227
Exchange contracts	138	67
Other	17	16
Allowance for doubtful accounts	-0	-0
<b>Total current assets</b>	<b>33,586</b>	<b>38,866</b>
Fixed assets		
Tangibles		
Buildings	39,231	39,399
Accumulated depreciation	-15,867	-17,107
<b>Buildings (net)</b>	<b>23,364</b>	<b>22,292</b>
Structures	1,491	1,535
Accumulated depreciation	-1,059	-1,112
<b>Structures (net)</b>	<b>432</b>	<b>422</b>
Machinery and equipment	38,234	38,822
Accumulated depreciation	-22,920	-26,562
<b>Machinery and equipment (net)</b>	<b>15,313</b>	<b>12,259</b>
Vehicles and transport equipment	60	63
Accumulated depreciation	-59	-61
<b>Vehicles and transport equipment (net)</b>	<b>0</b>	<b>2</b>
Tools, instruments, and fixtures	4,061	4,413
Accumulated depreciation	-3,094	-3,449
<b>Tools, instruments, and fixtures (net)</b>	<b>967</b>	<b>963</b>
Land	9,172	9,172
Construction in progress	681	895
<b>Total tangibles</b>	<b>49,932</b>	<b>46,007</b>
Intangibles		
Software	986	1,756
Software in progress	1,982	1,077
Telephone subscription rights	13	13
Other	118	117
<b>Total intangibles</b>	<b>3,101</b>	<b>2,965</b>

(Millions of yen, rounded down)

	Fiscal 2016 (At March 31, 2017)	Fiscal 2017 (At March 31, 2018)
Investments and other assets		
Investment securities	¥ 9,504	¥ 11,547
Shares of affiliated companies	749	749
Long-term loans	1	1
Long-term loans to employees	1	0
Bankruptcy rehabilitation claims	0	42
Long-term prepaid expenses	49	112
Guaranty deposit	429	352
Insurance reserve fund	455	412
Golf club memberships	99	99
Currency swaps	83	—
Exchange contracts	205	21
Allowance for doubtful accounts	-7	-49
Total investments and other assets	11,572	13,290
Total fixed assets	64,605	62,262
Total assets	98,192	101,129

## LIABILITIES

### Current liabilities

Notes payable	¥ 2,453	¥ 2,530
Accounts payable	2,495	2,424
Accrued payables	1,942	189
Accrued expenses	209	204
Accrued income tax	1,185	913
Accrued consumption tax	185	930
Advances received	0	0
Deposits received	29	30
Reserve for employees' bonuses	391	373
Reserve for directors' bonuses	100	100
Equipment-related notes payable	875	446
Other current liabilities	16	41
Total current liabilities	9,884	8,184

### Long-term liabilities

Long-term borrowings	508	399
Long-term borrowings of affiliates	1,683	1,594
Deferred income taxes	2,058	2,725
Long-term payables	60	36
Currency swaps	—	0
Other long-term liabilities	457	468
Total long-term liabilities	4,768	5,223
Total liabilities	14,653	13,408

(Millions of yen, rounded down)

	Fiscal 2016 (At March 31, 2017)	Fiscal 2017 (At March 31, 2018)
<b>NET ASSETS</b>		
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	46,718	49,519
Total retained earnings	66,582	69,384
Treasury stock	-3,841	-3,759
Total shareholders' equity	78,200	81,083
Valuation/translation gains or losses		
Net unrealized gain or loss on securities	5,098	6,575
Deferred hedging gain or loss	240	62
Total valuation/translation gains or losses	5,338	6,637
Total net assets	83,539	87,721
Total liabilities and net assets	98,192	101,129

## (2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2016 (April 1, 2016– March 31, 2017)	Fiscal 2017 (April 1, 2017– March 31, 2018)
<b>Net sales</b>		
Product sales	¥34,298	¥34,393
Commodity sales	2,258	2,191
Total net sales	36,557	36,585
<b>Cost of sales</b>		
Product inventory at beginning of term	2,161	2,401
Commodity inventory at beginning of term	771	861
Manufacturing costs during term	20,338	22,326
Commodity purchases during term	1,602	1,690
Total	24,874	27,280
Transfer to other accounts	488	750
Product inventory at end of term	2,401	2,354
Commodity inventory at end of term	861	1,039
Total cost of sales	21,122	23,136
<b>Gross profit</b>	15,434	13,449
<b>Selling, general, and administrative expenses</b>	8,987	9,110
<b>Operating income</b>	6,447	4,338
<b>Other income</b>		
Interest income	18	20
Dividend income	284	269
Foreign exchange gain	—	13
Other	49	53
Total other income	352	356
<b>Other expenses</b>		
Interest expense	10	24
Foreign exchange loss	51	—
Loss on investment partnership	7	10
Provision of allowance for doubtful accounts	—	42
Other	—	0
Total other expenses	69	77
<b>Ordinary income</b>	6,730	4,618
<b>Extraordinary income</b>		
Gain on sales of investment securities	1,024	2,222
Total extraordinary income	1,024	2,222
<b>Extraordinary expenses</b>		
Loss on disposal of fixed assets	5	1
Loss on valuation of investment securities	—	20
Total extraordinary expenses	5	21
<b>Income before income taxes</b>	7,748	6,818
<b>Income taxes</b>	2,301	1,984
<b>Income tax adjustment</b>	27	98
<b>Total income taxes</b>	2,329	2,082
<b>Net income</b>	5,419	4,736

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

Fiscal 2016 (April 1, 2016–March 31, 2017)

(Millions of yen, rounded down)

	Shareholders' equity								
	Capital surplus			Retained earnings					
	Common stock	Capital reserve	Total capital surplus	Earned reserve	Other earned surplus			Treasury stock	Total shareholders' equity
Other general reserve					Retained earnings carried forward	Total retained earnings			
Balance at beginning of the term	¥7,123	¥8,336	¥8,336	¥564	¥19,300	¥43,170	¥63,034	¥-3,325	¥75,168
Changes during term in review									
Distribution of retained earnings						-1,871	-1,871		-1,871
Net income						5,419	5,419		5,419
Purchase of treasury stock								-574	-574
Disposal of treasury stock								59	59
Changes during term not related to shareholders' equity (net)									
Total changes during term	—	—	—	—	—	3,547	3,547	-515	3,032
Balance at end of term	¥7,123	¥8,336	¥8,336	¥564	¥19,300	¥46,718	¥66,582	¥-3,841	¥78,200

	Valuation/translation gains or losses			
	Net unrealized gain or loss on securities	Deferred hedging gain or loss	Total valuation/translation gains or losses	Total net assets
Balance at beginning of the term	¥6,267	¥ 72	¥6,339	¥81,507
Changes during term in review				
Distribution of retained earnings				-1,871
Net income				5,419
Purchase of treasury stock				-574
Disposal of treasury stock				59
Changes during term not related to shareholders' equity (net)				
	-1,168	168	-1,000	-1,000
Total changes during term	-1,168	168	-1,000	2,031
Balance at end of term	¥5,098	¥240	¥5,338	¥83,539

Fiscal 2017 (April 1, 2017–March 31, 2018)

(Millions of yen, rounded down)

	Shareholders' equity									
	Capital surplus			Retained earnings						
	Common stock	Capital reserve	Total capital surplus	Earned reserve	Other earned surplus			Total retained earnings	Treasury stock	Total shareholders' equity
					Other general reserve	Retained earnings carried forward				
Balance at beginning of the term	¥7,123	¥8,336	¥8,336	¥564	¥19,300	¥46,718	¥66,582	¥-3,841	¥78,200	
Changes during term in review										
Distribution of retained earnings							-1,934	-1,934		-1,934
Net income							4,736	4,736		4,736
Purchase of treasury stock									-3	-3
Disposal of treasury stock									84	84
Changes during term not related to shareholders' equity (net)										
Total changes during term	—	—	—	—	—	—	2,801	2,801	81	2,882
Balance at end of term	¥7,123	¥8,336	¥8,336	¥564	¥19,300	¥49,519	¥69,384	¥-3,759	¥81,083	

	Valuation/translation gains or losses			
	Net unrealized gain or loss on securities	Deferred hedging gain or loss	Total valuation/translation gains or losses	Total net assets
Balance at beginning of the term	¥5,098	¥240	¥5,338	¥83,539
Changes during term in review				
Distribution of retained earnings				-1,934
Net income				4,736
Purchase of treasury stock				-3
Disposal of treasury stock				84
Changes during term not related to shareholders' equity (net)				
	1,477	-178	1,298	1,298
Total changes during term	1,477	-178	1,298	4,181
Balance at end of term	¥6,575	¥ 62	¥6,637	¥87,721