

April 27, 2010

## Financial Flash Report for the Fiscal Year Ended March 31, 2010

Company name: EIKEN CHEMICAL CO., LTD. Listing: TSE, First Section  
 Securities code: 4549 URL: <http://www.eiken.co.jp/en/>  
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 Scheduled date of Ordinary General Meeting of Shareholders: June 22, 2010  
 Scheduled date of dividend payment: June 8, 2010  
 Scheduled date of filing of Annual Securities Report: June 23, 2010

(Millions of yen rounded down)

### 1. Consolidated Performance for the Fiscal Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)

#### (1) Consolidated Operating Results

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 2010	26,841	2.8	1,902	4.0	2,011	(1.0)	1,214	6.8
Fiscal year ended March 2009	26,113	3.5	1,828	(10.8)	2,030	8.2	1,137	(31.9)

	Net income per share	Diluted net income per share	ROE	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2010	66.87	66.50	6.5	7.0	7.1
Fiscal year ended March 2009	57.44	57.24	6.0	7.2	7.0

(Reference) Investment profit or loss on equity method: March 2010: — million yen. March 2009: — million yen.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2010	29,314	19,275	65.5	1,057.09
As of March 31, 2009	27,895	18,407	65.8	1,010.84

(Reference) Shareholders' equity: As of March 31, 2010: 19,195 million yen. As of March 31, 2009: 18,349 million yen.

#### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 2010	2,709	(660)	(431)	7,037
Fiscal year ended March 2009	1,887	(1,176)	(1,959)	5,418

## 2. Dividends

	Dividends per share					Total dividends (annual)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 2009	—	15.00	—	10.00	25.00	483	43.5	2.5
Fiscal year ended March 2010	—	12.00	—	13.00	25.00	453	37.4	2.4
Fiscal year ending March 2011 (Forecast)	—	12.00	—	13.00	25.00		36.3	

## 3. Forecasts of Consolidated Performance for the Fiscal Year Ending March 31, 2011

### (April 1, 2010 to March 31, 2011)

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	13,980	0.6	1,310	4.6	1,330	(1.7)	800	5.5	44.06
Full year	27,080	0.9	2,040	7.2	2,050	1.9	1,250	2.9	68.84

#### 4. Others

- (1) Changes in material subsidiaries during the period (changes in scope of consolidation): None
- (2) Changes in accounting principles, processes, presentation methods, etc., related to the preparation of consolidated financial statements (recorded in changes to important items that form the basis for preparation of quarterly consolidated financial statements)
- (1) Changes due to revisions to accounting standards, etc.: Yes
- (2) Changes other than 1): None
- (3) Number of outstanding shares (common stocks)
- 1) Number of shares outstanding at term-end (including treasury stocks)
- As of March 31, 2010: 21,770,719 shares
- As of March 31, 2009: 21,770,719 shares
- 2) Number of treasury stock at term-end
- As of March 31, 2010: 3,611,683 shares
- As of March 31, 2009: 3,617,656 shares

#### **【Reference】Non-consolidated Financial Summaries**

##### **1. Non-Consolidated Performance for the Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)**

##### (1) Non-Consolidated Operating Results

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 2010	26,837	2.8	1,985	3.6	2,068	(2.1)	1,274	4.6
Fiscal year ended March 2009	26,113	3.5	1,917	(6.8)	2,111	0.6	1,217	(37.4)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 2010	70.20	69.80
Fiscal year ended March 2009	61.52	61.31

##### (2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2010	29,736	19,685	65.9	1,079.70
As of March 31, 2009	28,236	18,765	66.3	1,030.59

(Reference)

Shareholders' equity: As of March 31, 2010: 19,606 million yen  
As of March 31, 2009: 18,708 million yen

##### \* Explanations for the appropriate use of earnings forecast, and remarks

1. The above earnings forecast is based on the information that was available as of the release date of this document. The actual business performance may differ from the forecast due to various factors. Please refer to page 3 "1. Operating Results, (1) Analysis of operating results" for further information concerning these projections.

## 1. Operating results

### (1) Analysis of operating results

The recession in Japan during the current consolidated fiscal year showed a sign of hitting its bottom due to the expansion of corporations' exports in line with high growth of newly developing countries such as China in the latter half of the year. Furthermore, with assistance from public policy in Japan, corporations' production level and profits have been gradually increasing, while the declining trend in the capital investment and employment has been halted. Having said so, the operation rate of manufacturing business still remains low. There was also no sign of recovery for the employment/ income environment. Thus, the severe management environment has continued this year.

In the clinical diagnostic reagents market, the revision of the medical fee by the government in 2010 had enhanced the fee at 0.19% as a whole. However, the basic political trend of containing the medical fee remains. Furthermore, the industry's market environment is getting more severe with intensifying cost competition and increasing number of sales competitors. This situation is demanding us to streamline the management even more than before.

Under these circumstances, the EIKEN group has been striving to expand the sales of our major products in Japan and develop new products in line with our new management framework, "EIKEN ROAD MAP 2009". In an effort to expand our sales mainly in the U.S.A. and Europe, we also strengthened our sales framework for global market by integrating the domestic and overseas' sales management systems and the marketing functions.

As a result, the net sales of the current consolidated fiscal year were increased 2.8% year over year to 26,841 million yen and we have achieved the continuous increase in sales for 10 terms.

The following are the sales for each type of products; 1) The rapid diagnostic reagents have contributed to the sales, but the cost competition for the microbiological culture media has intensified and the sales of diagnostic reagent for antibiotic susceptibility tests has declined. As a result, the sales of microbiological reagents were decreased 0.5% to 4,449 million yen. 2) The sales of the urinalysis test trip "Uropaper" and "Uropaper  $\alpha$ " have steadily increased. As a result, the sales of dry chemistry reagents were increased 2.1% to 1,873 million yen. 3) The sales of the fecal occult blood diagnostic reagent, which is our major product, as well as the reagents designed for the medical devices, which is made by Tosoh Corporation (AIA related reagents, HLC-723 reagents), have steadily increased. As a result, the sales of immunological and serological reagents were increased 5.1% to 14,452 million yen. 4) The sales of clinical chemistry reagents were decreased 7.5% to 864 million yen, as a result of decline in the use of reagents due to advancement of analyzers. 5) The sales of industry products in the culture media for equipment, food and environment category were decreased 4.7% to 2,552 million yen as a result of intensified cost competition. 6) The sales of others (medical devices/molecular genetics- related) were increased 8.8% to 2,648 million yen as a result of increase in the sales of medical devices and molecular genetics- related products.

The overseas sales were increased 6.1% to 1,632 million yen as a result of the increase in the sales of the fecal occult blood diagnostic reagents and devices in the U.S.A. and Europe.

In order to reduce the cost, we strived to lower the manufacturing cost by transferring the production site to our consolidated subsidiary, EIKEN SHANGHAI Co., Ltd, in China. We also strived to reduce cost loss and waste substances, minimize inventory, and maintain the price. However, the sales cost ratio presented an increase of 2.0 points as compared with the last fiscal year. This is mainly due to the decline in the market price caused by sales price competition as well as the continuous trend of increasing the sales of products that have relatively high cost rate such as purchased products. We also made an effort to minimize expenses, such as of optimizing the corporation after integration of the head office and reducing commission costs by transferring the logistics operation to internal business. As a result, the selling, general and administrative expenses have declined 3.3% as compared with the last fiscal year.

As a result, the operating income was increased 4.0% to 1,902 million yen, the ordinary income was decreased 1.0% to 2,011 million yen, and the net income was increased 6.8% to 1,214 million yen.

### Vision of the next fiscal year ending March 31, 2011

The corporate performance in Japan in the next fiscal year will show a recovery trend based on the increasing productivity of exporting business and government's measures to stimulate the economy. However, the recovery will only be gradual due to sluggish individual consumption under the severe employment and income situation. Thus, it is anticipated that the business environment remains unfavorable

in general.

In the clinical diagnostic reagents market, even though the medical fee as a whole became positive after 10 years of interval as a result of the fee revision by the government, the industry's market environment is anticipated to be tougher due to the intensifying price competition and increasing number of sales competitors.

Under this business environment, the EIKEN Group will strive to expand the sales share of our major products in the domestic market as well as to strengthen the system for globalization, including promotion of EIKEN SHANGHAI Co., Ltd., in China and strive to expand sales in the overseas market. These actions will be based on the new management framework, "EIKEN WAY", as well as the "EIKEN ROAD MAP 2009", which is the corporation's basic principle to realize the global corporation "EIKEN" within 10 years. We will also adapt speedy management and enhance productivity to secure proper profit.

Based on the above, we anticipate the next business results as follows; The net sales will be 27,080 million yen (an increase of 0.9% year over year), the operating income 2,040 million yen (an increase of 7.2% year over year), the ordinary income 2,050 million yen (an increase of 1.9% year over year), and net income 1,250 million yen (an increase of 10.9% year over year).

The overseas sales are expected to be 1,810 million yen (an increase of 10.9% year over year).

## (2) Analysis regarding financial situation

The consolidated cash and cash equivalents (hereafter referred to as "funds") at the end of the current consolidated fiscal year was 7,037 million yen, an increase of 1,618 million yen from the last consolidated fiscal year. Each cash flow and its factor during the current consolidated fiscal year are as follows;  
(Cash flows from operating activities)

The net income before income taxes and other adjustments was 1,932 million yen, and the reduction in the inventories has resulted in the increase in the funds by 748 million yen. As a result, even though the funds declined by 471 million yen due to an increase of the trade receivables, the funds from the operating activities concluded with an increase of 2,709 million yen (it was an increase of 1,887 million yen in the last consolidated fiscal year).

The depreciation cost was 922 million yen.

(Cash flows from investing activities)

The expenditure as capital investment for production facilities was 802 million yen, while the proceeds from redemption of marketable securities was 100 million yen and the proceeds from withdrawal of long-term bank deposits was 100 million yen. As a result, the funds from investing activities concluded with a decrease by 660 million yen (it was a decrease of 1,176 million yen in the last consolidated fiscal year).

(Cash flows from financing activities)

The funds from financing activities have decreased by 431 million yen (it was a decrease of 1,959 million yen in the last consolidated fiscal year), mainly due to the payment of 399 million yen for dividends.

(Reference) Trend of indicators related to cash flow

	FY3/06	FY3/07	FY3/08	FY3/09	FY3/10
Equity capital ratio (%)	74.7	69.1	68.5	65.8	65.5
Equity capital ratio based on the market value (%)	103.2	101.0	62.6	40.2	58.1
Interest-bearing debt to cash flow ratio (year)	0.3	0.1	0.2	0.1	0.1
Interest coverage ratio (times)	684.1	1,418.1	383.1	647.8	636.4

Equity capital ratio: equity capital/total asset

Equity capital ratio based on the market value: total value of shares/total asset

Interest-bearing debt to cash flow ratio: interest-bearing ratio /cash flow

Interest coverage ratio: cash flow/interest payment

(Note 1) All are calculated using the consolidated finance-based figure.

(Note 2) The total value of shares is calculated based on the number of issued shares except for treasury share.

(Note 3) The sales cash flow is used to calculate the operating cash flow.

(Note 4) The interest-bearing deficit includes all interesting bearing deficits on the consolidated balance sheet.

### **(3) Basic principle regarding profit distribution and dividend of the current and next term**

Returning the profit to shareholders is one of the most important tasks of our company's management. Our company's basic principles are to implement a stable dividend policy by strengthening the financial component and fulfilling the internal funds that are necessary to carry out active business operation, and to distribute the surplus funds twice a year as interim dividend and year-end dividend. Specifically, based on the above principles, we aim at providing the consolidated dividend payout ratio of more than 30%. The organization to determine these dividends is specified in our company's articles of incorporation as follows: "Based on the Corporate Law Article 459, Paragraph 1, the board meeting can determine the dividends of surplus funds."

The year-end dividend per share in the current fiscal year was 13 yen. On December 1, 2009, 12 yen per share was paid as the interim dividend. Thus, the annual dividend is 25 yen per share.

The regular dividend per share for the next term is planned to be 12 yen for the interim dividend and 13 yen for the year-end dividend.

As for the internally reserved funds, we will effectively use them, based on the mid- and long-term vision, for research and development investment, capital investment, and investment for improving business efficiency in order to strengthen the company's business foundation.

### **(4) Risk of our business**

The followings are the major risks that might affect the EIKEN Group's financial situation and operating results. We are aware of these risks and strive to avoid them. If we do encounter these risks, we will promptly and adequately respond to them.

Please note that there are various risks that might give an adverse impact on our financial situation and operating results at present and in the future. The following risks are determined as of the end of the current consolidated fiscal year, and do not encompass all the risks of the Group.

#### **1) Lowering medical fee policy**

The Japanese government has been undertaking a drastic reform of medical systems and lowering the pharmaceutical prices and testing fees once in two years as part of the medical fee controlling policy.

If this lowering medical fee policy is carried out continuously, there is a possibility that it might give an adverse impact on the Group's financial situation and operating results.

#### **2) Development and sales competition among corporations**

The Group has been working on research and development efficiently as well as developing new products and improving existing products. The development race in conjunction with technology advancement in the clinical diagnostics industry is intensifying, and there is continuous development and sales competition against the other companies' products. As a result, the competition might have an adverse impact on the Group's financial situation and operating results.

#### **3) Quality issue**

The Group is manufacturing our products under the strict quality control within the framework of the regulations related to the Pharmaceutical Affairs Act and quality management system. However, there is no guarantee that all products will not have any quality issues. If a serious quality issue occurs, we may take a measure of recalling the product. That might result in the decline in sales and increase in the cost, and eventually might have an adverse impact on the Group's financial situation and operating results.

#### **4) Critical law suit**

If the Group is sued against issues related to product liability, labor, intellectual property, trading, or others in Japan and overseas, it might give an adverse impact on the Group's financial situation and operating results.

## **5) IT systems and personal information**

The Group is using various IT systems. Our business may be disturbed if we encounter a system failure due to disasters etc. Furthermore, we maintain various types of personal information for our business. Leaking the information due to unforeseen circumstances may cause law suit and loss of social credibility; thus it might give an adverse impact on the Group's financial situation and operating results.

## **6) Halting operation of factory**

If a disaster such as fire, earthquake or serious facility accident occurs, some technical issues arise, or the supply of the raw materials stops, the factory may stop its operation or its operation may be limited; thus it might have an adverse impact on the Group's financial situation and operating results.

## **7) Overseas business expansion**

The Group is expanding our sales activity in the North America, Europe, and Asia. Furthermore, we also established an overseas subsidiary in China mainly to manufacture and sell reagents in September, 2004. This kind of global businesses may involve risks of unexpected changes of laws and regulations, political instability or economic factors, drastic change of exchange rate, or social confusion arising from war/terrorism/turmoil/epidemic and other factors. When such an incidence occurs, we may receive an adverse impact on the Group's financial situation and operating results.

## **8) Intellectual property right**

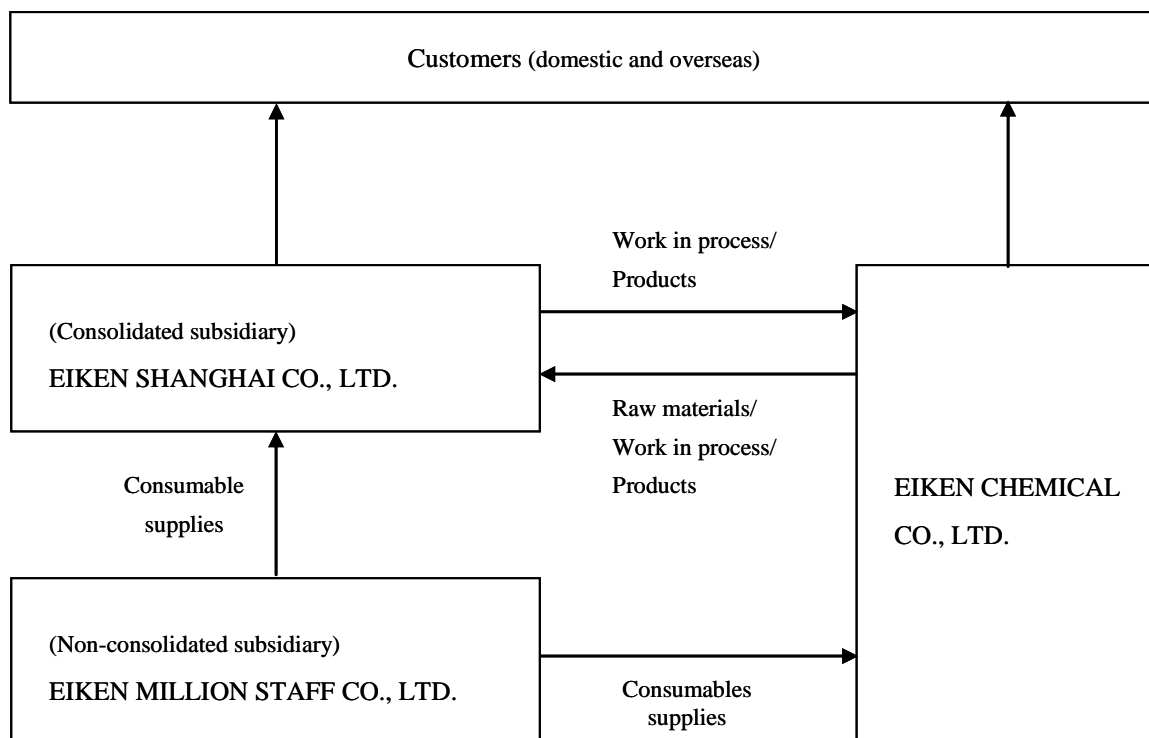
The product of the Group is protected by patent rights and utility model rights for a certain period of time. We strictly manage our intellectual property right including patent rights and utility model rights and always monitor our products to protect their rights from a third party or not to violate third party's intellectual rights by our products. However, if our intellectual property rights are violated by a third party, or if our products violate a third party's intellectual property rights, we may receive an adverse impact on the Group's financial situation and operating results.

## 2. Situation of the EIKEN Group

The EIKEN Group is composed of us (EIKEN CHEMICAL CO., LTD.), a consolidated subsidiary (EIKEN SHANGHAI CO., LTD.), and a non-consolidated subsidiary (EIKEN MILLION STAFF CO., LTD). Our main business is to manufacture and sell reagents.

The main business of EIKEN SHANGHAI CO., LTD in China is the manufacturing of our diagnostic reagents. From the current consolidated fiscal year, they also began sales of clinical diagnostics. The main business of EIKEN MILLION STAFF CO., LTD is insurance service as well as purchase and sales of OA equipment. The business structure is shown as follows;

[Business structure]



### **3. Management principle**

#### **(1) Basic principle of company management**

The EIKEN Group's management philosophy is "We protect the health of the public through health care services". Under this philosophy, we set up the following management vision; "The EIKEN group is dedicated to leveraging expertise as a medical testing pioneer in order to increase corporate value by protecting the health of the public with products and services that customers can trust." By implementing the management vision, we will strive to increase corporate value, contribute to the prosperity of our client companies, and fulfill our duties to our shareholders.

#### **(2) Target management indicators**

Even under the severe market environment, we will implement the management focusing on the profitability and aim at achieving the operating margin of more than 10% at an early stage. The operating margin of the current consolidated fiscal year was 7.1%.

#### **(3) Mid- to long term management strategy**

Year 2018 is our company's 80<sup>th</sup> anniversary, and the "EIKEN ROAD MAP 2009" sets this year as a goal. Its grand vision is "to realize the global corporation "EIKEN" as a medical testing pioneer to protect the health of the public by 2018". Specifically, we set the "clinical diagnostics business" and "food and environment testing business" as our main business domains and aim at achieving steady growth and increase in profitability in these domains. Furthermore we are aiming at creating new businesses for future growth in these domains.

Our basic strategy is as follows;

- a) Increase the share of our own products in the domestic market
- b) Promote globalization
- c) Sophisticate the core technologies
- d) Improve productivity
- e) Establish market supremacy
- f) Create new businesses/new market
- g) Implement strategic collaboration
- h) Improve corporate brand

#### **(4) Priority issues of the company**

The following are our priority issues during the next year, which is the second year of the "EIKEN ROAD MAP 2009". We will develop a plan of action based on these issues and work towards becoming the global corporation "EIKEN".

- a) Promote globalization
- b) Provision of high-value added products/services
- c) Improve productivity
- d) Develop human resources through "capacity development vision"
- e) Implementation of the total risk management system
- f) Implementation of the environment management system

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	FY 2009 (As of March 31, 2009)	FY 2010 (As of March 31, 2010)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and bank deposits	5,418	7,037
Notes and account receivable	7,683	8,154
Lease investment assets	33	72
Marketable securities	156	—
Merchandise and finished goods	3,110	2,745
Work in process	1,197	940
Raw materials and supplies	737	610
Deferred taxed assets	411	491
Other current assets	159	499
Allowance for doubtful accounts	(15)	(0)
Total current assets	18,892	20,549
<b>Fixed assets</b>		
Tangible fixed assets		
Buildings and structures	12,409	12,783
Accumulated depreciation	(8,785)	(9,148)
Buildings and structures, net	3,623	3,635
Machinery, equipment and vehicles	5,107	5,204
Accumulated depreciation	(4,279)	(4,441)
Machinery, equipment and vehicles, net	828	762
Tools, furniture and fixtures	2,812	2,882
Accumulated depreciation	(2,462)	(2,584)
Tools, furniture and fixtures, net	350	298
Land	1,140	1,140
Lease assets	82	187
Accumulated depreciation	(12)	(46)
Lease assets, net	69	140
Construction in progress	39	—
Total tangible fixed assets	6,050	5,976
Intangible fixed assets	465	430
Investments and other assets		
Investment securities	257	354
Prepaid pension cost	1,043	890
Other	1,193	1,179
Allowance for doubtful accounts	(7)	(6)
Allowance for investment loss	—	(58)
Total Investments and other assets	2,487	2,358
Total fixed assets	9,003	8,765
<b>Total assets</b>	<b>27,895</b>	<b>29,314</b>

(Millions of yen)

	FY 2009 (As of March 31, 2009)	FY 2010 (As of March 31, 2010)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable	5,127	5,261
Lease obligations	53	123
Accrued income taxes	512	811
Reserve for bonuses	668	662
Allowance for returned goods	5	5
Other current liabilities	1,672	1,899
Total current liabilities	8,038	8,763
<b>Fixed liabilities</b>		
Lease obligations	179	329
Deferred tax liabilities	579	287
Long-term accounts payable	399	353
Other fixed liabilities	291	306
Total fixed liabilities	1,450	1,276
Total liabilities	9,488	10,039
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	6,897	6,897
Capital surplus	7,892	7,892
Retained earnings	7,035	7,849
Treasury stock	(3,437)	(3,431)
Total shareholders' equity	18,388	19,207
<b>Valuation and translation adjustments</b>		
Unrealized holding gain on other securities	10	28
Foreign currency translation adjustment	(48)	(40)
Total valuation and translation adjustments	(38)	(11)
Stock acquisition rights	57	79
Total net assets	18,407	19,275
<b>Total liabilities and net assets</b>	<b>27,895</b>	<b>29,314</b>

**(2) Consolidated Statements of Income**

(Millions of yen)

	FY 2009 (Fiscal year ended March 31, 2009)	FY 2010 (Fiscal year ended March 31, 2010)
Net sales	26,113	26,841
Cost of sales	15,014	15,976
Gross profit	11,099	10,865
Reversal of allowance for returned goods	5	5
Provision for allowance for returned goods	5	5
Adjusted gross profit	11,099	10,864
Selling, general and administrative expenses	9,270	8,962
Operating income	1,828	1,902
Non-operating income		
Interest income	9	3
Dividend income	3	5
Technical support fee	—	20
House rent income	—	17
Subsidy income	205	17
Other	47	59
Total non-operating income	266	124
Non-operating expenses		
Interest expenses	2	4
Commitment fee	3	3
Loss on valuation of derivatives	43	—
Loss on cancellation of insurance	—	4
Foreign exchange adjustments	9	—
Other	4	3
Total non-operating expenses	64	16
Ordinary income	2,030	2,011
Extraordinary income		
Reversal of allowance for doubtful accounts	0	15
Gain on bad debts recovered	9	—
Liquidation dividends	5	—
Total extraordinary income	16	15
Extraordinary loss		
Loss on sales and retirement of fixed assets	20	18
Impairment loss	1	—
Loss on valuation of investment securities	4	—
Reversal of allowance for investment loss	—	58
Head office transfer cost	89	—
Payments of customs duties for prior periods	14	—
Other	11	16
Total extraordinary loss	143	93
Income before income taxes other adjustments	1,903	1,932
Income taxes-current	856	1,102
Income taxes-deferred	(89)	(383)
Total income taxes	766	718
Net income	1,137	1,214

**(3) Statement of Changes in Consolidated Shareholders' Equity**

(Millions of yen)

	FY 2009 (Fiscal year ended March 31, 2009)	FY 2010 (Fiscal year ended March 31, 2010)
<b>Shareholders' equity</b>		
<b>Capital stock</b>		
Balance at the end of previous period	6,897	6,897
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	6,897	6,897
<b>Capital surplus</b>		
Balance at the end of previous period	8,432	7,892
Changes of items during the period		
Disposal of treasury stock	(539)	—
Total changes of items during the period	(539)	—
Balance at the end of current period	7,892	7,892
<b>Retained earnings</b>		
Balance at the end of previous period	8,549	7,035
Changes of items during the period		
Dividends from surplus	(604)	(399)
Net income	1,137	1,214
Disposal of treasury stock	(2,047)	(0)
Total changes of items during the period	(1,514)	814
Balance at the end of current period	7,035	7,849
<b>Treasury stock</b>		
Balance at the end of previous period	(4,681)	(3,437)
Changes of items during the period		
Purchase of treasury stock	(1,344)	(0)
Disposal of treasury stock	2,588	5
Total changes of items during the period	1,244	5
Balance at the end of current period	(3,437)	(3,431)
<b>Total shareholders' equity</b>		
Balance at the end of previous period	19,197	18,388
Changes of items during the period		
Dividends from surplus	(604)	(399)
Net income	1,137	1,214
Purchase of treasury stock	(1,344)	(0)
Disposal of treasury stock	1	4
Total changes of items during the period	(809)	819
Balance at the end of current period	18,388	19,207

(Millions of yen)

	FY 2009 (Fiscal year ended March 31, 2009)	FY 2010 (Fiscal year ended March 31, 2010)
<b>Valuation and translation adjustments</b>		
<b>Valuation difference on available-for-sale securities</b>		
Balance at the end of previous period	55	10
Changes of items during the period		
Net changes of item other than shareholders' equity	(45)	17
Total changes of items during the period	(45)	17
Balance at the end of current period	10	28
<b>Foreign currency translation adjustment</b>		
Balance at the end of previous period	87	(48)
Changes of items during the period		
Net changes of item other than shareholders' equity	(135)	8
Total changes of items during the period	(135)	8
Balance at the end of current period	(48)	(40)
<b>Total valuation and translation adjustments</b>		
Balance at the end of previous period	142	(38)
Changes of items during the period		
Net changes of item other than shareholders' equity	(181)	26
Total changes of items during the period	(181)	26
Balance at the end of current period	(38)	(11)
<b>Stock acquisition rights</b>		
Balance at the end of previous period	27	57
Changes of items during the period		
Net changes of item other than shareholders' equity	30	22
Total changes of items during the period	30	22
Balance at the end of current period	57	79
<b>Total net assets</b>		
Balance at the end of previous period	19,367	18,407
Changes of items during the period		
Dividends from surplus	(604)	(399)
Net income	1,137	1,214
Purchase of treasury stock	(1,344)	(0)
Disposal of treasury stock	1	4
Net changes of item other than shareholders' equity	(151)	48
Total changes of items during the period	(960)	868
Balance at the end of current period	18,407	19,275

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY 2009 (Fiscal year ended March 31, 2009)	FY 2010 (Fiscal year ended March 31, 2010)
<b>Cash flows from operating activities</b>		
Income before income taxes and other adjustments	1,903	1,932
Depreciation and amortization	906	922
Impairment loss	1	—
Increase (decrease) in allowance for doubtful accounts	(0)	(15)
Increase (decrease) allowance for returned goods	0	0
Increase (decrease) in allowance for investment loss	—	58
Increase (decrease) in reserve for bonuses	20	(6)
Stock compensation cost	31	27
Interest and dividend income	(13)	(9)
Interest expenses	2	4
Liquidation dividends	5	—
Exchange loss (gain)	(6)	(7)
Loss (gain) on valuation of derivatives	43	(9)
Loss on retirement of tangible fixed assets	20	18
Loss (gain) on valuation of investment securities	4	—
Decrease (increase) in trade receivables	(208)	(471)
Decrease (increase) in inventories	(301)	748
Decrease (increase) in other current assets	(12)	(339)
Decrease (increase) in investments and other assets	(70)	155
Increase (decrease) in trade payables	313	133
Increase (decrease) in other current liabilities	152	398
Increase (decrease) in other fixed liabilities	14	(35)
Subtotal	2,798	3,506
Interest and dividends received	14	9
Interest paid	(2)	(4)
Income taxes paid	(922)	(802)
Cash flows provided by operating activities	1,887	2,709
<b>Cash flows from investing activities</b>		
Proceeds from sale and redemption of marketable securities	—	100
Payments for purchase of tangible fixed assets	(785)	(802)
Proceeds from sales of tangible fixed assets	—	0
Payments for purchase of intangible fixed assets	(47)	(54)
Proceeds from withdrawal of long-term bank deposits	—	100
Payments for purchase of investment securities	(299)	—
Proceeds from liquidation dividend	6	—
Other payments	(50)	(25)
Other proceeds	—	21
Net cash provided by (used in) investing activities	(1,176)	(660)

	(Thousands of yen)	
	FY 2009 (Fiscal year ended March 31, 2009)	FY 2010 (Fiscal year ended March 31, 2010)
<b>Cash flows from financing activities</b>		
Proceeds from (payments for ) disposition (purchase) of treasury stock	(1,344)	(0)
Dividends paid	(604)	(399)
Other	(10)	(31)
Net cash provided by (used in) financing activities	(1,959)	(431)
Effect of exchange rate changes on cash and cash equivalents	(8)	0
<b>Increase (decrease) in cash and cash equivalents</b>	(1,256)	1,618
<b>Cash and cash equivalents at the beginning of the period</b>	6,674	5,418
<b>Cash and cash equivalents at the end of the period</b>	5,418	7,037

**(Notes to Statements of Income)**

(Millions of yen)

FY 2009 (Fiscal year ended March 31, 2009)	FY 2010 (Fiscal year ended March 31, 2010)																						
<p>*1. Inventories at the end of the fiscal year are shown after reductions in book values to reflect declines in profitability and the next inventory valuation losses are included in the cost of sales.</p> <p style="text-align: right;">104</p>	<p>*1. Inventories at the end of the fiscal year are shown after reductions in book values to reflect declines in profitability and the next inventory valuation losses are included in the cost of sales.</p> <p style="text-align: right;">89</p>																						
<p>*2. Major items of selling, general and administrative expenses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Advertising expenses</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Salaries</td> <td style="text-align: right;">1,836</td> </tr> <tr> <td style="padding-left: 40px;">Provision for bonuses</td> <td style="text-align: right;">358</td> </tr> <tr> <td style="padding-left: 40px;">Retirement benefit expenses</td> <td style="text-align: right;">136</td> </tr> <tr> <td style="padding-left: 40px;">Research and development expenses</td> <td style="text-align: right;">2,032</td> </tr> <tr> <td style="padding-left: 40px;">Provision of allowance for doubtful accounts</td> <td style="text-align: right;">0</td> </tr> </table>	Advertising expenses		Salaries	1,836	Provision for bonuses	358	Retirement benefit expenses	136	Research and development expenses	2,032	Provision of allowance for doubtful accounts	0	<p>*2. Major items of selling, general and administrative expenses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Advertising expenses</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Salaries</td> <td style="text-align: right;">1,913</td> </tr> <tr> <td style="padding-left: 40px;">Provision for bonuses</td> <td style="text-align: right;">360</td> </tr> <tr> <td style="padding-left: 40px;">Retirement benefit expenses</td> <td style="text-align: right;">195</td> </tr> <tr> <td style="padding-left: 40px;">Research and development expenses</td> <td style="text-align: right;">1,924</td> </tr> </table>	Advertising expenses		Salaries	1,913	Provision for bonuses	360	Retirement benefit expenses	195	Research and development expenses	1,924
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Loss on disposal of fixed assets																							
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Machinery, equipment and vehicles	10																						
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<p>*5. Impairment loss</p> <p>During the current consolidated fiscal year, our company posted impairment losses for the following assets.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="width: 15%;">Location</th> <th style="width: 15%;">Usage</th> <th style="width: 40%;">Item</th> <th style="width: 30%;">Amount (million yen)</th> </tr> </thead> <tbody> <tr> <td>Head office</td> <td>Patent-related</td> <td>Long-term advance payments</td> <td style="text-align: center;">1</td> </tr> </tbody> </table> <p>The recoverable amount, which is used to calculate the impairment loss during the current consolidated fiscal year, is the use value. The use value is calculated by taking off 2.2% of the future cash flow.</p> <p>For the patent related assets, because the estimated profit is unlikely to be achieved, we reduced the booked value of the long-term deposit to the recoverable amount and posted the decreased amount as impairment loss in the extraordinary loss.</p>	Location	Usage	Item	Amount (million yen)	Head office	Patent-related	Long-term advance payments	1	<p>—————</p>														
Location	Usage	Item	Amount (million yen)																				
Head office	Patent-related	Long-term advance payments	1																				

**(Note to statement of changes in consolidated shareholders' equity)**

FY2009 (Apr. 1, 2008 – Mar. 31, 2009)

1. Type and number of outstanding shares and treasury stock

(Shares)

	Number of shares as of Mar. 31, 2008	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of Mar. 31, 2009
Outstanding shares				
Common shares <sup>*1</sup>	23,770,719	—	2,000,000	21,770,719
Total	23,770,719	—	2,000,000	21,770,719
Treasury stock <sup>*2</sup>				
Common shares <sup>*2</sup>	3,619,647	2,000,157	2,002,148	3,617,656
Total	3,619,647	2,000,157	2,002,148	3,617,656

(Note) 1. The total number of issued common shares has decreased by 2,000,000. This is due to the retirement of own shares based on the decision by the board meeting.

(Note) 2. The treasury stocks (common shares) has increased by 2,000,157. Its breakdown is a) acquisition of 2,000,000 own shares based on the decision by the board meeting, and b) purchase of 157 odd shares. The own shares has decreased by 2,002,148. Its breakdown is a) the retirement of 2,000,000 own shares, b) 2,000 shares by execution of stock option right, and c) 148 shares through demand for adding to holdings against odd shares.

2. Items related to acquisition rights for new shares and treasury stock

Items	Stock acquisition rights (itemized)	Type of shares under stock acquisition rights	Number of shares under stock acquisition rights (Shares)				Balance as of Mar. 31, 2009 (million yen)
			As of Mar.31, 2008	Increase	Decrease	As of Mar. 31, 2009	
Reporting company (parent company)	Stock acquisition rights by way of stock options	—	—	—	—	—	57
Total		—	—	—	—	—	57

3. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors meeting on April 25, 2008	Common shares	302	15	Mar. 31, 2008	Jun. 6, 2008
Board of directors meeting on Oct. 27, 2008	Common shares	302	15	Sep. 30, 2008	Dec. 2, 2008

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (Millions of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on Apr. 27, 2009	Common shares	181	Retained earnings	10	Mar. 31, 2009	Jun. 9, 2009

FY2010 (Apr. 1, 2009 – Mar. 31, 2010)

1. Type and number of outstanding shares and treasury stock

(Shares)

	Number of shares as of Mar. 31, 2009	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of Mar. 31, 2010
Outstanding shares				
Common shares *1	21,770,719	—	—	21,770,719
Total	21,770,719	—	—	21,770,719
Treasury stock				
Common shares *2	3,617,656	27	6,000	3,611,683
Total	3,617,656	27	6,000	3,611,683

(Note) 1. The treasury stock (common shares) has increased by 27. This is due to purchase of 27 odd shares. The treasury stock has decreased by 6,000. This is due to execution of stock option right by 6,000 shares.

2. Items related to acquisition rights for new shares and treasury stock

Items	Stock acquisition rights (itemized)	Type of shares under stock acquisition rights	Number of shares under stock acquisition rights (Shares)				Balance as of Mar. 31, 2010 (million yen)
			As of Mar.31, 2009	Increase	Decrease	As of Mar. 31, 2010	
Reporting company (parent company)	Stock acquisition rights by way of stock options	—	—	—	—	—	79
Total		—	—	—	—	—	79

3. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors meeting on April 27, 2009	Common shares	181	10	Mar. 31, 2009	Jun. 9, 2009
Board of directors meeting on Oct. 27, 2009	Common shares	217	12	Sep. 30, 2009	Dec. 1 2009

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (Millions of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on Apr. 27, 2010	Common shares	236	Retained earnings	13	Mar. 31, 2010	Jun. 8, 2010

(Notes to Consolidated Statements of Cash Flows)

(Millions of yen)

FY 2009 (Fiscal year ended March 31, 2009)	FY 2010 (Fiscal year ended March 31, 2010)
Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the current fiscal year is made as follows  (as of March 31, 2009)	Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the current fiscal year is made as follows  (as of March 31, 2010)
Cash and deposits 5,418	Cash and deposits 7,037
Cash and cash equivalents 5,418	Cash and cash equivalents 7,037

**(Related Party Transactions)**

Not applicable.

**(Per Share Information)**

(Yen)

FY 2009 (Fiscal year ended March 31, 2009)		FY 2010 (Fiscal year ended March 31, 2010)	
Net assets per share	1,010.84	Net assets per share	1,057.09
Net income per share	57.44	Net income per share	66.87
Diluted net income per share	57.24	Diluted net income per share	66.50

Note: The following is a reconciliation of net income per share and diluted net income per share

Item	FY 2009 (Fiscal year ended March 31, 2009)	FY 2010 (Fiscal year ended March 31, 2010)
Net income per share		
Net income (million yen)	1,137	1,214
Amount not returned to common shareholders (million yen)	—	—
Net income associated with common shares (million yen)	1,137	1,214
Average number of shares outstanding (thousand shares)	19,797	18,157
Diluted net income per share		
Adjusted net income (million yen)	—	—
Increase in number of shares of common stock (thousand shares)	68	103
[Stock acquisition rights]	(68)	(103)
Summary of potential stock not included in the calculation of "Diluted net income per share" since there was no dilutive effect.	—	—

**(Subsequent Events)**

Not applicable.