

## Financial Flash Report for the Fiscal Year Ended March 31, 2014

Company name: EIKEN CHEMICAL CO., LTD. Listing: TSE, First Section  
 Securities code: 4549 URL: <http://www.eiken.co.jp/en/>  
 Representative: Tetsuya Teramoto, President & CEO  
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 Scheduled date of Ordinary General Meeting of Shareholders: June 20, 2014  
 Scheduled date of dividend payment: June 3, 2014  
 Scheduled date of filing of Annual Securities Report: June 23, 2014

(Millions of yen rounded down)

### 1. Consolidated Performance for the Fiscal Year Ended March 31, 2014(April 1, 2013 to March 31, 2014)

#### (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 2014	30,027	4.8	3,008	18.1	3,095	10.0	1,984	(19.1)
Fiscal year ended March 2013	28,645	3.4	2,548	7.8	2,812	10.6	2,453	68.0

(Note) Comprehensive income: As of March 31, 2014: 1,910million yen. (31.5%) As of March 31, 2013: 2,786million yen. 82.8%

	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 2014	109.13	107.84	8.3	8.7	10.0
Fiscal year ended March 2013	134.98	133.56	10.9	8.2	8.9

(Reference) Investment profit or loss on equity method: March 2014: -million yen. March 2013: -million yen.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2014	36,395	24,278	66.2	1,323.98
As of March 31, 2013	35,138	23,679	67.0	1,294.26

(Reference) Shareholders' equity: As of March 31, 2014: 24,086million yen. As of March 31, 2013: 23,526 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 2014	3,410	(779)	(1,268)	10,940
Fiscal year ended March 2013	2,228	3,418	(1,242)	9,568

## 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 2013	—	15.00	—	20.00	35.00	636	25.9	2.8
Fiscal year ended March 2014	—	15.00	—	20.00	35.00	636	32.1	2.7
Fiscal year ending March 2015 (Forecast)	—	17.00	—	18.00	35.00		34.1	

## 3. Forecasts of Consolidated Performance for the Fiscal Year Ending March 31, 2015

#### (April 1, 2014 to March 31, 2015) (% 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	15,970	6.0	1,570	(4.2)	1,600	(5.4)	1,010	(6.9)	55.52
Full year	31,320	4.3	2,900	(3.6)	2,930	(5.3)	1,870	(5.8)	102.79

#### 4. Others

(1) Changes in important subsidiaries during the period (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 revisions to accounting standards, etc.: Yes

(2) Other changes in accounting policies : No

(3) Changes in accounting estimates: No

(4) Restatements: No

(3) Number of outstanding shares (common stocks)

1) Number of shares outstanding at term-end (including treasury stocks)

As of March 31, 2014: 21,770,719 shares

As of March 31, 2013: 21,770,719 shares

2) Number of treasury stock at term-end

As of March 31, 2014: 3,578,069 shares

As of March 31, 2013: 3,592,829 shares

3) Average number of shares outstanding during the period

As of March 31, 2014: 18,189,633 shares

As of March 31, 2013: 18,175,310 shares

### 【Reference】Non-consolidated Financial Summaries

#### 1. Non-Consolidated Performance for the Year Ended March 31, 2014

(April 1, 2013 to March 31, 2014)

(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 2014	30,026	4.9	3,011	16.9	3,069	11.1	1,959	(18.4)
Fiscal year ended March 2013	28,626	3.3	2,575	9.2	2,761	10.1	2,401	68.9

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 2014	107.73	106.46
Fiscal year ended March 2013	132.15	130.76

(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, 2014	36,373	25,179	68.7	1,373.55
As of March 31, 2013	35,430	23,960	67.2	1,309.75

(Reference)

Shareholders' equity: As of March 31, 2014: 24,988 million yen  
As of March 31, 2013: 23,808 million yen

#### 3. Forecasts of Non-Consolidated Performance for the Fiscal Year Ending March 31, 2015

(April 1, 2014 to March 31, 2015)

(% 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	15,910	5.5	1,600	(1.7)	1,610	(3.5)	1,030	(3.0)	56.62
Full year	31,120	3.6	2,900	(3.7)	2,910	(5.2)	1,850	(5.6)	101.69

\* Indication regarding the implementation status of the audit procedures

This financial flash report is not the subject of the audit procedures based on the Financial Instruments and Exchange Act, and at the point in time when this financial flash report was disclosed, the audit procedures for financial statements based on the Financial Instruments and Exchange Act had not been completed.

\* 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 2 "1. Operating Results, (1) Analysis of operating results" for further information concerning these projections.

## 1. Operating results

### (1) Analysis of operating results

The economy of Japan during the fiscal year (consolidated) under review continued to make a mild recovery due to a favorable export environment resulting from the government's economical policy and the easy monetary policy, as well as recovery in corporate earnings and consumer spending. Conversely, economic prospects remain uncertain for reasons including higher raw material prices due to the effect of depreciation of yen, concerns for negative impact of the consumption tax increase, and concerns for a downfall of the global economy due to slowdown in emerging countries.

In the clinical diagnostics industry, each company requires to seek further business efficiency and rationalization and to develop overseas operations in a proactive manner as the government continues to hold down medical cost.

Under this business environment, in line with our new management framework, "EIKEN ROAD MAP 2009", the EIKEN group (the "Group") has been striving to increase the market share of our major products in Japan and to develop and launch new products as well as to drive forward the globalization of the Group as a whole, which includes accelerating the overseas market development of fecal occult blood diagnostic reagents, and developing a global market for genetic screening (LAMP method) products and licenses and to strengthen our production and sales structures in China.

As a result of our above efforts, net sales for the fiscal year (consolidated) under review went up to 30,027 million yen (increase of 4.8% year-on-year basis), reaching the target management index of 30,000 million yen in net sales.

Here is the breakdown of net sales by classes and types of products.

The sales of microbiological reagents were 4,745 million yen (increase of 2.6% year-on-year basis) due to increased sales of the "Dry Plate 'Eiken,'" reagents for drug sensitivity testing, and the sales of the "Immuno Catch Noro", a reagent for quick testing. The sales of reagents for general test were 2,132 million yen (increase of 5.4% year-on-year basis) in accordance with increased sales of the "UROPAPER  $\alpha$  III 'Eiken'" ,a dedicated test strip for fully automated urine analyzer. With regard to immunological and serological reagent, sales were 16,428 million yen (increase of 5.0% year-on-year basis) due to increased sales of the "E Plate 'Eiken' helicobacter pylori antibody II , " which measures helicobacter pylori antibody in the blood, and the sales of the "LZ Test 'Eiken' Pepsinogen" which is used for a test to examine the condition of the stomach (ABC classification) in a combination with helicobacter pylori examination. The increased sales were due to domestic fecal occult blood diagnostic reagents and the expansion of insurance coverage from last February to include eradication therapy for gastritis caused by helicobacter pylori infection. The sales of clinical chemistry reagent did not grow due to reasons such as price competition and were 686 million yen (decrease of 1.3% year-on-year basis).

Also due to reasons such as price competition, the sales of equipment, and food and environment related culture media category remained almost the same at 2,350 million yen (decrease of 0.1% year-on-year basis). In the other category (medical devices, genetic related products, etc.), the sales of medical devices increased. Furthermore, there were increased sales and patent fee income for "Loopamp MTBC Detecting Kit" based on genetic screening (LAMP method) and other products. As a result, the sales of this category were 3,684 million yen (increase of 11.8% year-on-year basis).

Regarding the sales to overseas, in spite of successful new adoption of fecal occult blood test in Europe, sales of fecal occult blood diagnostic reagent and equipment to North America were sluggish, resulting in sales to overseas of 2,017 million yen (increase of 3.5% year-on-year basis).

Regarding profit, our efforts to reduce the manufacturing cost ratio of our in-house products, to increase patent fee income, and to make more efficient use of expenses resulted in operating income of 3,008 million yen (increase of 18.1% year-on-year basis) and ordinary income of 3,095 million yen (increase of 10.0% year-on-year basis). As such, we achieved our target management index of at least a 10% operating profit on net sales. Net income during the fiscal year under review was 1,984 million yen. However, 991 million yen in profit on the sale of land for construction of headquarters was recorded as extraordinary income in the previous fiscal year (consolidated), so net income decreased by 19.1% for a year-on-year basis.

### Vision of the next fiscal year ending March 31, 2014

The Japanese economy in the next fiscal year is expected to continue high growth due to the actualization of results for emergency economic policy (mainly in the area of public works projects) and recovery in exports due to improvement of overseas economies and depreciation of the yen. In the clinical diagnostics industry, fees for performing laboratory tests were adjusted as part of the revision of health care fees for FY2014. Approximately 250 items were reduced, resulting in a decrease of 1.4%. We forecast that the business environment will remain tough due to the national government's policies for controlling health care costs. As such, we expect that each corporation will make efforts to further streamline and increase the efficiency of management, and will actively expand overseas. Within this business environment, based on policies defined in our new management framework, "EIKEN ROAD MAP 2009," the Group will strive to increase the market share of our major products in Japan as well as to drive forward the globalization of the Group as a whole, which includes accelerating the overseas market development of fecal occult blood diagnostic reagents, and developing a global market for genetic screening (LAMP method) products and licenses and to strengthen our production and sales structures in China.

We forecast net sales of 31,320 million yen (increase of 4.3% year-on-year basis) for the next fiscal year. We forecast operating income of 290 million yen (decrease of 3.6% year-on-year basis) due to a significant increase in experimental research costs, ordinary income of 2,930 million yen (decrease of 5.3% year-on-year basis), and net income for the fiscal year of 1,870 million yen (decrease of 5.8% year-on-year basis).

Furthermore, we forecast net sales to overseas of 2,950 million yen (increase of 46.2% year-on-year basis).

## (2) Analysis regarding financial situation

### ① Capital, liabilities, and net assets

The financial position at the end of the fiscal year (consolidated) under review was as follows.

When compared to the end of the previous consolidated fiscal year, total assets increased by 1,256 million yen, liabilities decreased by 657 million yen and net assets increased by 598 million yen.

Our equity ratio increased to 66.2% compared to 67.0% at the end of the previous consolidated fiscal year.

Major increases and decreases in the category of assets were a 1,464 million yen increase in cash and deposits, and a 230 million yen decrease in inventory assets due to decrease of goods and products. In the category of liabilities, notes and accounts payable (including electronically recorded credits) increased by 307 million yen due to an increase in the purchase of stock. Long-term loans payable decreased by 472 million yen as the result of repayment. In the category of net assets, retained earnings increased by 1,345 million yen due to recording of net income for the fiscal year under review, despite payment of dividends.

As the result of application of revised retirement benefits accounting standards, following adjustment for taxes for the difference in calculation of unrecognized actuarial losses (gains), we posted -725 million yen to net assets as the total of cumulative adjustments for retirement benefits. Furthermore, for the difference in calculation of unrecognized actuarial losses (gains) and the difference in the amount of prepaid pension cost, we posted 942 million yen to fixed liabilities as liabilities associated with retirement benefits.

### ② Cash flows

Cash and cash equivalents on a consolidated base for the fiscal year (consolidated) under review (hereinafter referred to as “net cash”) increased by 1,371 million yen compared to the end of the previous fiscal year (consolidated), reaching 10,940 million yen at the end of the fiscal year (consolidated) under review.

The following is a summary of cash flows and related causes for the fiscal year (consolidated) under review.

(Cash flows from operating activities)

Net cash provided by operating activities increased by 3,410 million yen (compared to the net cash increase of 2,228 million yen a year earlier). This was mainly due to 235 million yen increase caused by a decrease in inventories, a 307 million yen increase caused by an increase in accounts payable, and a 3,059 million yen in pretax profit for the fiscal year under review.

Depreciation and amortization totaled 1,114 million yen.

(Cash flows from investing activities)

Net cash used in investing activities decreased by 779 million yen (compared to the net cash increase of 3,418 million yen a year earlier). This was mainly due to 492 million yen in expenditures for the acquisition of tangible fixed assets as part of investment in facilities such as production facilities.

(Cash flows from financing activities)

Net cash used in financing activities decreased by 1,268 million yen (compared to the net cash decrease of 1,242 million yen a year earlier). This was mainly due to dividends paid of 636 million yen and expenditures of 472 million yen for the repayment of long-term loans payable.

(Reference) Trend of indicators related to cash flow

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14
Equity capital ratio (%)	65.5	62.3	64.4	67.0	66.2
Equity capital ratio based on the market value (%)	58.1	54.0	61.0	68.5	89.6
Interest-bearing debt to cash flow ratio (year)	0.1	0.8	0.9	0.5	0.2
Interest coverage ratio (times)	636.4	184.3	70.8	109.2	250.2

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) Policy regarding profit sharing & dividends for the fiscal year under review and next fiscal year**

Regarding the redistribution of profits to shareholders as one of the issues of the utmost importance for the management, EIKEN CHEMICAL shall operate on the fundament of the basic policy of implementing stable dividend payout policy that fully takes into consideration reinforcement of the financial standing, reserving sufficient retained profit necessary for active enterprise expansion, and performing distribution of dividends from surplus twice a year as interim dividend and year-end dividend. Specifically, this distribution shall be based on the aforementioned policy and we shall aim at the consolidated dividend payout ratio of 30% or more. The organization with authority to determine the details of dividends from surpluses is stated in the articles of association as follows: “Decisions on dividends from surplus, etc. can be made by the resolution of the board of directors based on the provisions of Company Law, Section (459) (1).”

In consideration of favorable business results in the fiscal year under review, we will respond to the support of our shareholders by adding a dividend of 5 yen per share to the most recent forecast for term-end dividend of 15 yen, resulting in a term-end dividend of 20 yen per share for the fiscal year under review.

Our company has already paid an interim dividend of 15 yen per share on December 2<sup>nd</sup>, 2013, resulting in an annual dividend of 35 yen per share. (Please refer to the “Announcement Regarding Dividends for Retained Earnings” which was released today, April 28<sup>th</sup>, 2014.)

Regarding the dividend per share for next fiscal year, we plan to issue an interim dividend of 17 yen and a term-end dividend of 18 yen as dividends on common stock.

The usage of the internal reserve shall be determined from a medium- and long-term viewpoint and used effectively for investments in research and development, capital investment, and improvement in operating efficiency aiming at further reinforcement of the management base.

### **(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 quickly and 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 and our subcontractor manufacturing 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.

On a different topic, the United States Food and Drug Administration (FDA) issued a warning letter to our company dated March 13<sup>th</sup>, 2013. The letter requested correction of inadequate response to US laws and regulations, as well as correction of our quality control system. Our company immediately reconstructed our quality system and began operation of the new system. We underwent re-inspection by the FDA from April 21<sup>st</sup> to 24<sup>th</sup>, 2014. There were no special observations.

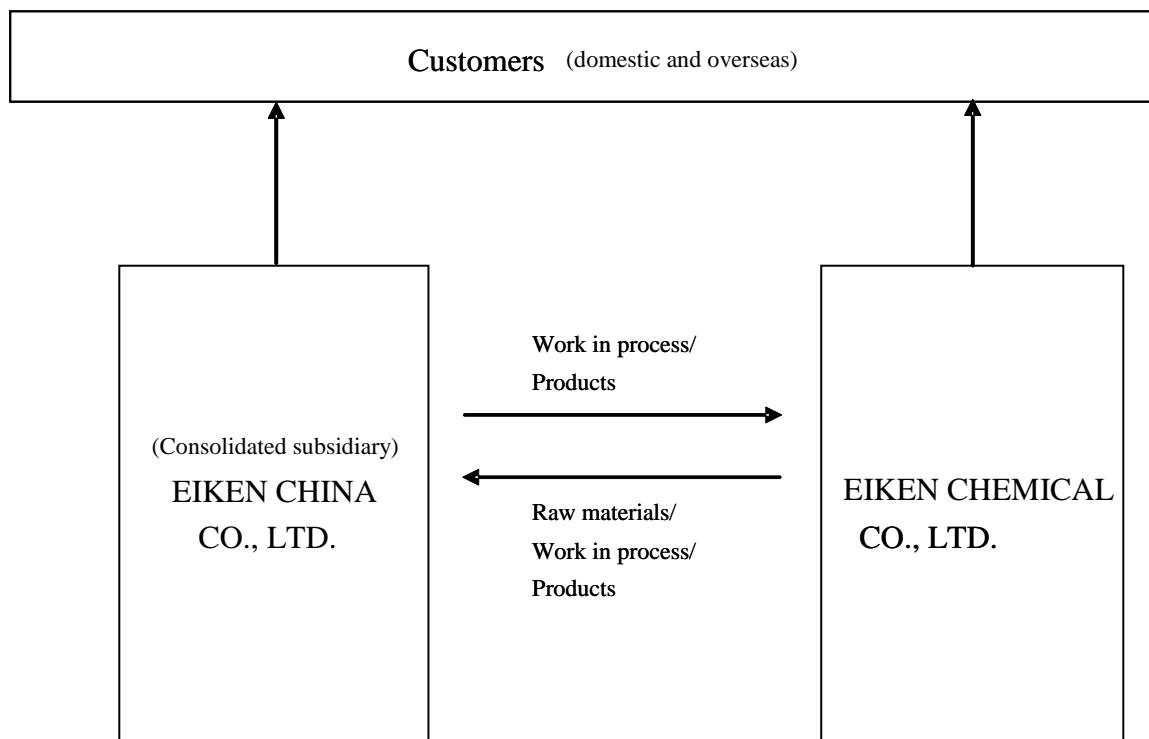
At the current time, this matter has not impacted our company's financial standing or business results.

## 2. Situation of the EIKEN Group

The EIKEN Group is composed of us (EIKEN CHEMICAL CO., LTD.) and a consolidated subsidiary (EIKEN CHINA CO., LTD.).

Our main business is to manufacture and sell reagents.

[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 this management vision in the entire group, we will strive to continually increase corporate value, contribute to the prosperity of our client companies, and fulfill our duties to our shareholders.

#### (2) Target management indicators

In the current consolidated fiscal year, our Group recorded a consolidated sales amount of ¥300 million and an operating income ratio to net sales of 10%, although we have been implementing the "EIKEN ROAD MAP 2009" new management framework in the pursuit of achieving an operating income ratio to net sales of more than 10%.

We are committed to implementing management strategies in the next term for the "EIKEN ROAD MAP 2009" new management framework, at the beginning of the last half-year, aiming to attain an overseas sales ratio of more than 10%, as well as to consistently achieve an exceeding 10% operating income ratio in net sales.

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

The "EIKEN ROAD MAP 2009" is a new management plan celebrating the 70th anniversary of our founding. The year 2018 is our company's 80th 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". Therefore, we set the "clinical diagnostics business" and "food and environment testing business" as our main business domains, and we aim at achieving steady growth and an increase in profitability in these domains. Furthermore, we are aiming at creating new businesses for future growth.

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, we will develop a plan of action based on these issues and work towards becoming the global corporation "EIKEN".

- a) Promote globalization
- b) Reinforcement of our original technologies and the development capability
- c) Improve productivity
- d) Develop human resources
- e) Management and continuous improvement of quality management system, environment management system and risk management system
- f) Thoroughness of compliance

**4. Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

(Millions of yen)

	FY 2013 (As of March 31, 2013)	FY 2014 (As of March 31, 2014)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	9,568	11,032
Notes and accounts receivable-trade	9,208	9,242
Securities	—	97
Lease investment assets	239	246
Merchandise and finished goods	3,703	3,301
Work in process	846	914
Raw materials and supplies	630	733
Deferred tax assets	501	428
Other	595	583
Current assets	25,293	26,579
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	14,009	14,241
Accumulated depreciation	(9,592)	(10,027)
Buildings and structures, net	4,416	4,213
Machinery, equipment and vehicles	4,789	4,949
Accumulated depreciation	(3,889)	(4,067)
Machinery, equipment and vehicles, net	899	882
Tools, furniture and fixtures	2,883	3,170
Accumulated depreciation	(2,657)	(2,776)
Tools, furniture and fixtures, net	226	394
Land	1,006	1,006
Leased assets	690	711
Accumulated depreciation	(325)	(423)
Leased assets, net	364	288
Construction in progress	0	1
Property, plant and equipment	6,913	6,786
Intangible assets	429	493
Investments and other assets		
Investment securities	666	360
Prepaid pension cost	276	—
Deferred tax assets	61	570
Other	1,503	1,611
Allowance for doubtful accounts	(6)	(6)
Investments and other assets	2,501	2,535
Non-current assets	9,845	9,815
<b>Total assets</b>	<b>35,138</b>	<b>36,395</b>



(Millions of yen)

	FY 2013 (As of March 31, 2013)	FY 2014 (As of March 31, 2014)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	3,766	4,014
Electronically recorded obligations-operating	2,222	2,281
Current portion of long-term loans payable	472	270
Lease obligations	397	384
Income taxes payable	844	394
Provision for bonuses	655	669
Provision for sales returns	4	5
Asset retirement obligations	2	—
Other	1,434	1,842
Current liabilities	9,799	9,861
<b>Non-current liabilities</b>		
Long-term loans payable	270	—
Lease obligations	706	628
Long-term accounts payable-other	345	338
Provision for environmental measures	5	5
Asset retirement obligations	29	32
Net defined benefit liability	—	942
Other	303	308
Non-current liabilities	1,659	2,255
Liabilities	11,459	12,117
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,897	6,897
Capital surplus	7,892	7,892
Retained earnings	11,832	13,178
Treasury shares	(3,413)	(3,399)
Shareholders' equity	23,209	24,568
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale	280	125
Foreign currency translation adjustment	37	117
Remeasurements of defined benefit plans	—	(725)
Valuation and translation adjustments	317	(482)
Subscription rights to shares	152	191
Net assets	23,679	24,278
<b>Total liabilities and net assets</b>	<b>35,138</b>	<b>36,395</b>

**(2) Consolidated Statements of Income**

(Millions of yen)

	FY 2013 (Fiscal year ended March 31, 2013)	FY 2014 (Fiscal year ended March 31, 2014)
Net sales	28,645	30,027
Cost of sales	17,063	17,650
Gross profit	11,582	12,377
Reversal of provision for sales returns	4	4
Provision for sales returns	4	5
Gross profit -net	11,582	12,376
Selling, general and administrative expenses	9,034	9,367
Operating income	2,548	3,008
Non-operating income		
Interest income	6	4
Dividend income	3	9
Rent income	139	18
Foreign exchange gains	55	23
Subsidy income	54	14
Other	42	47
Non-operating income	301	117
Non-operating expenses		
Interest expenses	20	13
Commitment fee	2	2
Depreciation	13	11
Other	0	4
Non-operating expenses	36	31
Ordinary income	2,812	3,095
Extraordinary income		
Gain on sales of non-current assets	992	0
Gain on sales of investment securities	—	38
Extraordinary income	992	38
Extraordinary losses		
Loss on sales and retirement of non-current assets	11	74
Special extra retirement payments	16	—
Loss on cancellation of rental contracts	35	—
Extraordinary losses	64	74
Income before income taxes	3,740	3,059
Income taxes-current	1,419	1,023
Income taxes-deferred	(132)	51
Income taxes	1,287	1,074
Income before minority interests	2,453	1,984
Minority interests in income	—	—
Net income	2,453	1,984

**Consolidated statements of comprehensive income**

(Millions of yen)

	FY 2013 (Fiscal year ended March 31, 2013)	FY 2014 (Fiscal year ended March 31, 2014)
Income (loss) before minority interests	2,453	1,984
Other comprehensive income		
Valuation difference on available-for-sale securities	224	(154)
Foreign currency translation adjustment	108	79
Other comprehensive income	333	(74)
Comprehensive income	2,786	1,910
Comprehensive income attributable to [abstract]		
Comprehensive income attributable to owners of parent	2,786	1,910
Comprehensive income attributable to minority interests	—	—

### (3) Consolidated statements of changes in net assets

FY 2013(Fiscal year ended March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	6,897	7,892	9,981	(3,425)	21,346
Changes of items during period					
Dividends of surplus			(599)		(599)
Net income (loss)			2,453		2,453
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(2)	11	9
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,851	11	1,863
Net assets	6,897	7,892	11,832	(3,413)	23,209

	Accumulated other comprehensive income				Subscription rights to shares	Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments		
Net assets	55	(70)	—	(15)	129	21,459
Changes of items during period						
Dividends of surplus						(599)
Net income (loss)						2,453
Purchase of treasury shares						(0)
Disposal of treasury shares						9
Net changes of items other than shareholders' equity	224	108		333	22	356
Total changes of items during period	224	108	—	333	22	2,219
Net assets	280	37	—	317	152	23,679

FY 2014(Fiscal year ended March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	6,897	7,892	11,832	(3,413)	23,209
Changes of items during period					
Dividends of surplus			(636)		△ 636
Net income (loss)			1,984		1,984
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(2)	14	11
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,345	13	1,359
Net assets	6,897	7,892	13,178	(3,399)	24,568

	Accumulated other comprehensive income				Subscription rights to shares	Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments		
Net assets	280	37	—	317	152	23,679
Changes of items during period						
Dividends of surplus						(636)
Net income (loss)						1,984
Purchase of treasury shares						(0)
Disposal of treasury shares						11
Net changes of items other than shareholders' equity	(154)	79	(725)	(799)	39	(760)
Total changes of items during period	(154)	79	(725)	(799)	39	598
Net assets	125	117	(725)	(482)	191	24,278

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

	FY 2013 (Fiscal year ended March 31, 2013)	FY 2014 (Fiscal year ended March 31, 2014)
<b>Cash flows from operating activities</b>		
Income before income taxes	3,740	3,059
Depreciation	1,040	1,114
Increase (decrease) in provision for sales returns	—	0
Increase (decrease) in provision for bonuses	(1)	14
Increase (decrease) in provision for loss on disaster	(1)	—
Increase (decrease) in net defined benefit liability	—	(183)
Share-based compensation expenses	32	50
Interest and dividend income	(10)	(14)
Interest expenses	20	13
Foreign exchange losses (gains)	(49)	(19)
Loss (gain) on valuation of securities	—	2
Loss (gain) on sales and retirement of property, plant and equipment	(964)	73
Loss (gain) on sales of investment securities	—	(38)
Decrease (increase) in notes and accounts receivable-trade	(120)	(29)
Decrease (increase) in inventories	(862)	235
Decrease (increase) in prepaid pension costs	280	276
Decrease (increase) in other current assets	(91)	16
Decrease (increase) in other investments	37	28
Increase (decrease) in notes and accounts payable-trade	482	307
Increase (decrease) in other current liabilities	63	(26)
Increase (decrease) in other non-current liabilities	(21)	(1)
Subtotal	3,574	4,879
Interest and dividend income received	10	12
Interest expenses paid	(20)	(13)
Income taxes paid	(1,337)	(1,468)
Income taxes refund	1	0
Net cash provided by (used in) operating activities	2,228	3,410
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(962)	(492)
Proceeds from sales of property, plant and equipment	4,433	0
Purchase of intangible assets	(114)	(102)
Purchase of investment securities	(20)	—
Proceeds from sales of investment securities	—	104
Payments into time deposits	—	(92)
Proceeds from withdrawal of time deposits	151	—
Other payments	(68)	(203)
Other proceeds	—	6
Net cash provided by (used in) investing activities	3,418	(779)

(Millions of yen)

	FY 2013 (Fiscal year ended March 31, 2013)	FY 2014 (Fiscal year ended March 31, 2014)
<b>Cash flows from financing activities</b>		
Repayments of long-term loans payable	(472)	(472)
Proceeds from (payments for) disposition (purchase) of	(0)	(0)
Cash dividends paid	(599)	(636)
Other, net	(171)	(159)
Net cash provided by (used in) financing activities	(1,242)	(1,268)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(0)	9
<b>Net increase (decrease) in cash and cash equivalents</b>	4,403	1,371
<b>Cash and cash equivalents</b>	5,165	9,568
<b>Cash and cash equivalents</b>	9,568	10,940