

[Summary]

May 13, 2019

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for FY2018 (From April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results

Note: Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2018	178,799	2.6	15,044	3.6	15,867	9.4	11,191	22.3
FY2017	174,249	4.8	14,517	6.9	14,501	3.2	9,154	0.1

Note: Comprehensive income: FY2018: 9,714 million yen (-2.2%) FY2017: 9,937 million yen (7.8%)

	Net income per share- Basic	Net income per share- Diluted	Return on equity	Ordinary income to total assets	Operating income margin
	yen	yen	%	%	%
FY2018	131.43	—	9.9	9.7	8.4
FY2017	106.92	—	8.6	9.3	8.3

Reference: Investment income for equity method: FY2018: — million yen FY2017: — million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2018	169,717	116,087	68.4	1,363.24
FY2017	157,910	109,355	69.3	1,284.17

Reference: Equity capital: FY2018: 116,087 million yen FY2017: 109,355 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, end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2018	9,819	-3,258	-3,074	34,697
FY2017	10,843	-3,346	-4,628	31,285

2. Dividends

	Dividends per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2017	—	17.00	—	18.00	35.00	2,988	32.7	2.8
FY2018	—	17.00	—	18.00	35.00	2,980	26.6	2.6
FY2019 (Forecast)	—	17.00	—	18.00	35.00		27.1	

3. Consolidated Forecast for FY2019 (From April 1, 2019 to March 31, 2020)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Net income per share- Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	84,500	6.9	4,500	5.6	4,500	-14.6	3,000	-23.4	35.23
Full year	186,000	4.0	16,000	6.4	16,000	0.8	11,000	-1.7	129.17

(Reference) Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for FY2018 (From April 1, 2018 to March 31, 2019)

(1) Non-Consolidated Operating Results

Note: Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2018	149,744	2.2	12,720	4.4	14,355	9.0	10,632	-38.9
FY2017	146,525	39.1	12,178	38.4	13,175	7.1	17,404	87.7

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2018	124.86	—
FY2017	203.28	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2018	157,398	109,082	69.3	1,280.98
FY2017	146,620	101,755	69.4	1,194.92

Reference: Equity capital: FY2018: 109,082 million yen FY2017: 101,755 million yen

<The reason for the difference between non-consolidated results for FY2017 and FY2018>

Overall sales, operating income and ordinary income increased as sales increased both in Japan and internationally. Net income decreased, reflecting the gain on extinguishment of tie-in shares recorded as an extraordinary income in accordance with the merger of 11 domestic sales subsidiaries in the previous fiscal year.

* This summary of financial result is not subject to audit procedures.

* In domestic sales of the Nihon Kohden group, sales to public medical institutions (which include national hospitals, national universities, public agencies, and municipal hospitals) account for a relatively high percentage of total sales. Therefore, the bulk of orders tend to be concentrated in September and March due to these hospitals' budget executions. In particular, sales and income are highly concentrated in the fourth quarter of the fiscal year.

* Earnings forecasts and other forward-looking statements in this release are based on information currently available and certain assumptions that the Company believes are reasonable. Therefore, they do not constitute a guarantee that they will be realized. Actual results may differ from such estimates due to unforeseen circumstances.

4. Review of Operations

During the term under review (April 1, 2018 to March 31, 2019), in Japan, differentiation of medical institution functions and enhancement of medical coordination were promoted in order to establish integrated community care systems according to the medical treatment fee revision that occurred in April 2018 and the regional health visions drawn up by each prefecture. Medical equipment companies were strongly required to provide solutions which contribute to improving the quality and efficiency of medical care and enhancing regional medical care coordination. Internationally, overall demand for medical equipment remained steady although there was concern regarding the U.S. protectionist trade policies and weakness of emerging-market currencies.

Under these circumstances, Nihon Kohden implemented its three-year mid-term business plan, TRANSFORM 2020, with the aim of achieving the transformation to a highly profitable structure through creating high customer value and improving productivity within the organization. In line with this plan, the Company implemented key strategies such as strengthening business expansion by region and achieving further growth in core businesses. The Company has continued to introduce new products since April 2018: A new mid-end bedside monitor for the acute care hospital market is the first patient monitor which enables viewing the echo image from an ultrasound probe through a USB connection. Nihon Kohden's first integrated hematology analyzer and clinical chemistry analyzer, and a compact notebook PC based EEG were also launched and a medical device remote monitoring system was started. An AED for home use and Japanese/English bilingual AEDs with color-display were launched for the PAD (Public Access Defibrillation) market.

As a result, overall sales during the term under review increased 2.6% over FY2017 to ¥178,799 million, operating income increased 3.6% to ¥15,044 million, and ordinary income increased 9.4% to ¥15,867 million. The Company posted extraordinary losses such as provision for loss on litigation in accordance with the progress of the arbitration in labor issue of Nihon Kohden America, the Company's U.S. subsidiary. Income attributable to owners of parent increased 22.3% to ¥11,191 million compared to the previous fiscal year, in which income taxes increased due to the tax reform in the U.S.

[Sales by region]

Japan: In order to respond to market changes such as the government's healthcare reforms, the Company put more sales resources into the Tokyo metropolitan area in April 2018, following the absorption of 11 domestic sales subsidiaries in April 2017. Sales increased as the Company enhanced sales activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. Consumables and services also contributed to the sales increase. Sales of AEDs in the PAD market increased favorably and sales in the public hospital market also increased as the Company received orders related to replacement of diagnostic information systems and clinical information systems. Sales in the university and private hospital market remained flat, while sales in the clinic market decreased as sales of locally purchased products decreased in accordance with the Company's initiative to expand in-house products sales. As a result, domestic sales increased 1.6% over FY2017 to ¥130,223 million.

International: In the Americas, sales in the U.S. increased favorably as the Company expanded its patient monitoring business and reorganized the sales structure of EEGs. Sales in Latin America decreased due to weak sales in Chile and Colombia, offsetting strong sales in Brazil and Mexico. Sales in Europe decreased as sales in Russia and Turkey decreased, although sales in France and U.K. increased. In Asia, sales increased, especially in China and Thailand. Sales recovery in India and large orders in Qatar also contributed to the sales increase. Sales in Other markets decreased due to weak performance in Africa such as Ethiopia. As a result, international sales increased 5.4% over FY2017 to ¥48,575 million.

[Sales by product category]

Physiological Measuring Equipment: In Japan, sales of polygraphs for cath lab and diagnostic information systems increased favorably. Sales of EEGs and ECGs decreased. Internationally, sales of EEGs increased favorably, while sales of ECGs decreased. Overall, sales increased 3.7% over the previous fiscal year to ¥40,773 million.

Patient Monitors: In Japan, sales of clinical information systems increased favorably. Consumables such as sensors also contributed to increased sales. Outside Japan, sales in the Americas and Asia showed strong growth. Sales in Europe remained flat and sales in Other decreased. Overall, sales increased 4.6% over the previous fiscal year to ¥61,978 million.

Treatment Equipment: In Japan, sales remained flat. Sales of AEDs and ventilators increased favorably, while sales of locally purchased products decreased. Internationally, sales of AEDs increased, while sales of defibrillators decreased in reaction to the strong performance in the previous fiscal year. Overall, sales increased 0.8% over the previous fiscal year to ¥33,149 million.

Other Medical Equipment: In Japan, the launch of an integrated hematology analyzer and clinical chemistry analyzer for the clinic market contributed to the sales increase. Sales of installation services and maintenance services for medical devices also increased favorably. Internationally, sales of locally purchased products decreased, while sales of hematology analyzers increased in Latin America and Asia. Overall, sales increased 0.2% over the previous fiscal year to ¥42,898 million.

5. Consolidated Sales Results by Product Category

(Millions of yen)

	FY2018	
	Amount	Growth rate (%)
Physiological Measuring Equipment	40,773	+3.7
Patient Monitors	61,978	+4.6
Treatment Equipment	33,149	+0.8
Other Medical Equipment	42,898	+0.2
Total	178,799	+2.6
Products	99,572	+0.8
Consumables and Services	79,226	+4.9
(Reference) Sales by Region		
Domestic Sales	130,223	+1.6
Overseas Sales	48,575	+5.4
Americas	23,508	+6.9
Europe	8,167	-3.5
Asia	15,096	+10.7
Other	1,802	-10.3

6. Consolidated Forecast for FY2019

In Japan, reorganization of medical institution functions and enhancement of medical coordination will be promoted in accordance with the 2025 future vision of medical / long-term care services which each prefecture drew up. The business environment of Japan's medical equipment market will continue to be challenging, requiring quick and flexible response to this changing market. Internationally, demand for medical equipment will remain steady although there is uncertainty regarding policy trends in the U.S. as well as political instability in some emerging countries.

Under these circumstances, Nihon Kohden is implementing its three-year mid-term business plan, TRANSFORM 2020 that sets FY2019 as its final year, in order to achieve sustainable growth of the Nihon Kohden Group and enhance the corporate value of the Company by creating high customer value and improving productivity within the organization. In order to create high customer value, the Company will launch a series of new value-added products: spot check monitors for the U.S. market, bedside monitors for emerging markets, and the Company's first ventilators and anesthesia machine. There will be two types of ventilators: an NPPV (Noninvasive positive pressure ventilation) ventilator which is currently being developed at the Company's Advanced Technology Center and a ventilator under development at Nihon Kohden OrangeMed in the U.S. The former will be launched in Japan and internationally, and the latter will be launched internationally. The Company will proceed with the process for regulatory approval as medical devices in each country, and establish a sales and service network for ventilators, aiming at creating a new ventilator business in a short time. Nihon Kohden will also take measures to improve productivity within the organization. The Company will improve productivity at its Tomioka Production Center and reorganize its logistics system aiming at the timely supply of products and the reduction of logistics costs. The Eastern Japan Logistics Center in Sakado city, Saitama prefecture will be established by integrating current two logistics centers in Tomioka city, Gunma prefecture and Tsurugashima city, Saitama prefecture. The construction will be completed in June and the transfer will be started in August and completed in 2019.

In Japan, new products will be launched which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. The Company will strengthen its marketing and service capabilities creating customer value which contribute to improving medical safety, patient outcomes, and operating efficiency. The consumption tax rise, planned to occur in October, will bring demand forward, and generate corresponding reactions. As the increase is smaller than the previous one and a revision of medical treatment fees is planned to accompany the consumption tax increase, the impact will be limited, but the uncertain situation should be monitored carefully. Internationally, the Company will strengthen its business structure in the U.S. and emerging markets to expand overseas sales. In the U.S., the Company will strengthen its local R&D capability to respond to large-scale monitoring network systems in order to increase the market share of its patient monitors. A ventilator under development at Nihon Kohden OrangeMed will be exported to Europe and emerging markets and clinical evaluation will start in the U.S. in FY2019. In emerging markets, Shanghai Kohden will expand its product line-up for export to emerging markets and start to manufacture defibrillators and AEDs for the Chinese market. As the installation of hematology analyzers has increased in the Middle East and African markets, the Company will establish a hematology analyzer reagent factory in Dubai for stable supply of its genuine reagents.

The Company forecasts its overall sales, operating income, ordinary income and income attributable to owners of parent for FY2019 to be ¥186,000 million, ¥16,000 million, ¥16,000 million and ¥11,000 million, respectively.

The Company's forecast for FY2019 is based on an exchange rate of 108 yen to the U.S. dollar and 125 yen to the euro.

(Consolidated Forecast for FY2019 by Product Category)

(Millions of yen)

	FY2019 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	41,700	+2.3
Patient Monitors	66,150	+6.7
Treatment Equipment	34,250	+3.3
Other Medical Equipment	43,900	+2.3
Total	186,000	+4.0
Products	103,000	+3.4
Consumables and Services	83,000	+4.8
(Reference) Sales by Region		
Domestic Sales	133,000	+2.1
Overseas Sales	53,000	+9.1

7. Basic policy on distribution of profits and dividends

Nihon Kohden recognizes that returning profits to shareholders is one of management's most important tasks. The basic policy on distribution of profits and dividends is to maintain stable and continuous dividend payments while retaining necessary reserves for future business expansion. Retained earnings are used in R&D investments, capital investments, M&A and development of human resources. The Company regards cash dividends as the base of the shareholder return and sets a target consolidated dividend payout ratio of 30% or more. Share buyback is considered in a flexible manner, taking into account comprehensively its future business deployment, investment plan, retained earnings, and stock price level.

8. Management Policy

(1) Basic policies for corporate management

Nihon Kohden's management philosophy is "we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees." as a medical electronics manufacturer. To realize its management philosophy, the Company aims at achieving sustained growth and establishing reliance as a company that is highly evaluated by the customers, shareholders, clients and society in all aspects including products, service, technology, financial strength, quality of employees, and other points.

In order to realize this basic policy and increase corporate value over the mid-to long-term, the Company recognizes that enhancing corporate governance, by establishing a management structure aiming at improving the soundness, transparency and efficiency of management, is an important management issue.

The Company has adopted a Company with Audit & Supervisory Committee for strengthening supervisory functions, improving management transparency and soundness, and speeding up decision-making. At the same time, the Company has established a Nomination and Remuneration Committee, comprised of a majority of independent outside directors. The Company currently has four independent outside directors which comprise one-third of the board of directors.

(2) Target management indices

Nihon Kohden aims to increase ROE to enhance corporate and shareholder value. The Company sets its target consolidated ROE at 12.0% in its three-year mid-term business plan, TRANSFORM 2020.

In order to achieve the target, the Company will focus on increasing sales and profits by implementing its TRANSFORM 2020 plan. The Company will also improve efficiency of assets by measures such as reduction of inventories as well as enhance shareholder return.

(3) Challenges to be addressed and mid-to long-term management strategy

In 2010, Nihon Kohden established a long-term vision, The CHANGE 2020 -The Global Leader of Medical Solutions-, for the next ten years to 2020. The envisioned corporate status for 2020 is to (1) lead the world in the development of revolutionary breakthrough technology, (2) achieve the highest level of quality in the world, and (3) attain the top share in applicable global markets.

<TRANSFORM 2020 covering the fiscal years 2017 to 2019>

Nihon Kohden aims to transform its operations to achieve a highly profitable structure. In order to improve its profitability, the Company will further enhance its core Human Machine Interface* technologies and continue to create and provide three customer values: Innovation, Quality, and Clinical value, that help to resolve the issues in medical practice.

*Humane Machine Interface is the user interface that connects human and machine. For Nihon Kohden, HMI indicates sensor technology, signal processing technology, and data analysis technology.

I. Basic policies

i) Create high customer value

- Nihon Kohden will focus on developing and selling in-house products with high customer value by leveraging its core technologies.
- The Company will increase the competitive advantage of consumables such as sensors and enhance services that contribute to medical safety and efficiency in order to expand sales of consumables and services.
- Nihon Kohden will establish a global sales and services network that draws on high levels of expertise to improve customer satisfaction.

ii) Improve productivity within the organization

- Nihon Kohden will implement production reforms at its mother factory, Tomioka Production Center and establish a global supply chain appropriate for the Group in order to improve productivity and ensure the timely supply of products to countries around the world.
- The Company will improve development efficiency by utilizing the R&D and testing environment at its Advanced Technology Center as well as strengthening the support from process management, quality management, and production technology.
- The Company will reform its operating procedures and utilize information technology to improve the productivity of each employee.

II. Six key strategies

i) Strengthen business expansion by region

Nihon Kohden will reinforce its business expansion in Japan, developed countries, and emerging markets to achieve sustainable growth in Japan and strong growth internationally.

ii) Achieve further growth in core businesses

Nihon Kohden will aim to achieve further growth in its core businesses by continuous innovation and rapid response to changes in the market environment.

iii) Develop new businesses

Nihon Kohden will develop new businesses to meet new market needs in accordance with changes in the market environment and the progress of technological innovation, with the aim of creating future core businesses.

iv) Strengthen technological development capabilities

Nihon Kohden will further reinforce its technological development capability which is the basis for developing revolutionary breakthrough technologies, achieving the highest level of quality, and delivering high clinical value.

v) Pursue the highest level of quality in the world

Nihon Kohden will ensure the top quality in every activity of every division across the entire Nihon Kohden Group to ensure the satisfaction of customers around the world.

vi) Consolidate corporate fundamentals

To grow as a global company, Nihon Kohden will establish a global business management structure and promote CSR activities in three priority areas: Healthcare, Environment, and Corporate Activities.

III. Human resource development and corporate culture reform

To realize its management philosophy, Nihon Kohden will introduce a new personnel system and human resource development programs to foster human resources who act autonomously and will cultivate an open and energetic corporate culture.

<The progress of TRANSFORM 2020>

In FY2018 which was the second year of this plan, in Japan, Nihon Kohden put more sales resources into the Tokyo metropolitan area in April 2018, following the absorption of 11 domestic sales subsidiaries in April 2017 in order to respond to market changes such as the government's healthcare reforms. The Company expanded its products and services which match each market; the acute care hospital market, the clinic market, and the PAD market. As the Company could attract replacement demand for IT systems and expand its consumables and services, domestic sales increased, but less than its target. This was due to the decrease in sales of locally purchased products in accordance with the Company's initiative to expand sales of in-house products. Internationally, in the U.S., our patient monitoring systems were introduced in the U.S. top hospitals and Nihon Kohden's presence was enhanced in the patient monitoring market. Sales of EEG were also recovered by reorganizing the sales structure. Sales in China showed strong growth and sales in the Southeast Asia recovered. Because sales in Europe and Africa were weak, the Company missed its overseas sales target. However, the Company was able to achieve its operating income target due to sales increases, gross profitability improvement, and lower SG&A expenses than expected.

In FY2019, which is the final year of this plan, Nihon Kohden will continue to execute the six key strategies. The Company forecasts increases in both sales and income, but it will miss the target of its mid-term business plan, TRANSFORM 2020. This is due to delays in the introduction of new products and to expenses involved in the establishment of the Eastern Japan Logistics Center and relocation of domestic offices. Such investments were not expected when the plan was set up.

Nihon Kohden continues to contribute to achieving a sustainable society and enhancing the corporate value of the Company through addressing the challenges of medical care through technological development.

¥100 million	Forecast in FY2019	Target in FY2019
Sales	1,860	1,900
Domestic Sales	1,330	1,350
Overseas Sales	530	550
Operating Income	160	200
ROE	—	12.0%

9. Contingent liabilities

The Company posted provision for loss on litigation in accordance with the progress of the arbitration in labor issue of Nihon Kohden America, the Company's U.S. subsidiary. The amount of loss on litigation is subject to change because the arbitration procedures are ongoing.

10. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2018	March 31, 2019
ASSETS		
Current assets:		
Cash and deposits	16,589	18,811
Notes and accounts receivable - trade	64,151	66,889
Securities	15,000	16,000
Merchandise and finished goods	16,081	20,892
Work in process	1,461	1,523
Raw materials and supplies	5,555	6,182
Other current assets	1,973	2,083
Allowance for doubtful accounts	-126	-171
Total current assets	120,687	132,211
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	12,123	11,631
Machinery, equipment and vehicles, net	837	776
Tools, furniture and fixtures, net	2,817	2,809
Land	3,514	3,514
Lease assets, net	28	27
Construction in progress	1,003	1,185
Total property, plant and equipment	20,324	19,945
Intangible assets		
Goodwill	2,112	1,938
Other intangible assets	2,967	2,624
Total intangible assets	5,079	4,563
Investments and other assets		
Investment securities	5,729	5,235
Deferred tax assets	4,324	5,664
Other investments and other assets	1,953	2,277
Allowance for doubtful accounts	-189	-180
Total investments and other assets	11,818	12,997
Total non-current assets	37,222	37,505
Total assets	157,910	169,717

(Millions of yen)

March 31, 2018 March 31, 2019

LIABILITIES
Current liabilities:

Notes and accounts payable - trade	29,846	32,645
Short-term loans payable	488	406
Accounts payable - other	3,178	2,113
Lease obligations	12	12
Accrued income taxes	2,067	3,649
Accrued expenses	3,682	3,179
Provision for bonuses	2,942	3,098
Provision for product warranties	426	379
Provision for loss on litigation	—	285
Other current liabilities	1,956	2,574
Total current liabilities	44,601	48,346

Non-current liabilities:

Long-term accounts payable	23	—
Lease obligations	17	17
Deferred tax liabilities	5	2
Net defined benefit liability	2,565	3,827
Other non-current liabilities	1,342	1,435
Total non-current liabilities	3,953	5,282

Total liabilities	48,554	53,629
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NET ASSETS
Shareholders' equity:

Capital stock	7,544	7,544
Capital surplus	10,414	10,414
Retained earnings	96,141	102,397
Treasury shares	-8,945	-6,991
Total shareholders' equity	105,155	113,365

Accumulated other comprehensive income:

Valuation difference on available-for-sale securities	2,082	1,758
Foreign currency translation adjustment	1,875	1,443
Remeasurements of defined benefit plans	241	-479
Total accumulated other comprehensive income	4,199	2,722

Total net assets	109,355	116,087
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Total liabilities and net assets	157,910	169,717
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(2) Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Net sales	174,249	178,799
Cost of sales	91,489	92,811
Gross profit	82,759	85,987
Selling, general and administrative expenses	68,241	70,943
Operating income	14,517	15,044
Non-operating income		
Interest income	47	67
Dividend income	101	103
Foreign exchange gains	—	85
Subsidy income	322	298
Gain on valuation of investment securities	69	60
Other non-operating income	306	349
Total non-operating income	848	965
Non-operating expenses		
Interest expenses	27	9
Foreign exchange losses	733	—
Other non-operating expenses	103	133
Total non-operating expenses	865	142
Ordinary income	14,501	15,867
Extraordinary income		
Gain on sales of non-current assets	3	2
Gain on sales of investment securities	39	31
Total extraordinary income	43	33
Extraordinary losses		
Loss on sales of non-current assets	2	0
Loss on retirement of non-current assets	78	95
Loss on sales of investment securities	12	—
Loss on valuation of investment securities	32	—
Retirement benefit expenses	225	—
Office transfer cost	43	—
Surcharges	195	—
Provision for loss on litigation	—	285
Total extraordinary losses	590	381
Income before income taxes	13,954	15,519
Income taxes - current	3,931	5,197
Income taxes - deferred	868	-870
Total income taxes	4,799	4,327
Net income	9,154	11,191
Income attributable to owners of parent	9,154	11,191

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Net income	9,154	11,191
Other comprehensive income		
Valuation difference on available-for-sale securities	477	-324
Foreign currency translation adjustment	-83	-431
Remeasurements of defined benefit plans, net of tax	389	-720
Total other comprehensive income	783	-1,477
Comprehensive income	9,937	9,714
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,937	9,714
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash flows from operating activities		
Income before income taxes	13,954	15,519
Depreciation and amortization	3,338	3,542
Amortization of goodwill	148	150
Loss (gain) on sales and retirement of property, plant and equipment	77	93
Loss (gain) on sales and retirement of intangible assets	—	0
Increase (decrease) in allowance for doubtful accounts	-24	37
Increase (decrease) in reserve for bonuses	275	155
Increase (decrease) in provision for product warranties	-46	-44
Increase (decrease) in provision for loss on litigation	—	285
Increase (decrease) in net defined benefit liability	594	223
Interest and dividend income	-149	-171
Interest expenses	27	9
Foreign exchange losses (gains)	345	-279
Loss (gain) on valuation of investment securities	-36	-60
Loss (gain) on sales of investment securities	-27	-31
Decrease (increase) in notes and accounts receivable - trade	-3,017	-2,114
Decrease (increase) in inventories	-496	-5,602
Increase (decrease) in notes and accounts payable - trade	-2,487	2,905
Increase (decrease) in accrued consumption taxes	1,204	-942
Other, net	1,023	-333
Subtotal	14,702	13,341
Interest and dividends income received	148	178
Interest expenses paid	-24	-12
Income taxes paid	-3,983	-3,687
Net cash flows from operating activities	10,843	9,819
Cash flows from investing activities		
Proceeds from sales of investment securities	143	164
Purchase of investment securities	-70	-44
Proceeds from sales of property, plant and equipment	161	5
Purchase of property, plant and equipment	-2,901	-2,794
Purchase of intangible assets	-414	-456
Other, net	-265	-131
Net cash flows from investing activities	-3,346	-3,258
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-142	-75
Purchase of treasury shares	-1,471	-1
Cash dividends paid	-2,996	-2,983
Repayments of lease obligations	-17	-14
Net cash flows from financing activities	-4,628	-3,074
Effect of exchange rate change on cash and cash equivalents	-144	-74
Net increase (decrease) in cash and cash equivalents	2,724	3,412
Cash and cash equivalents at beginning of period	28,560	31,285
Cash and cash equivalents at end of period	31,285	34,697