

## [Summary]

May 10, 2018

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (Japan GAAP)

## NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Highlights for FY2017 (From April 1, 2017 to March 31, 2018)

#### (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	%
<b>FY2017</b>	<b>174,249</b>	<b>4.8</b>	<b>14,517</b>	<b>6.9</b>	<b>14,501</b>	<b>3.2</b>	<b>9,154</b>	<b>0.1</b>
FY2016	166,285	0.5	13,585	-17.4	14,053	-12.8	9,149	-13.0

Note: Comprehensive income: FY2017: 9,937 million yen (7.8%) FY2016: 9,215 million yen (15.4%)

	Net income per share- Basic	Net income per share- Diluted	Return on equity	Ordinary income to total assets	Operating income margin
	yen	yen	%	%	%
<b>FY2017</b>	<b>106.92</b>	—	<b>8.6</b>	<b>9.3</b>	<b>8.3</b>
FY2016	106.81	—	9.1	9.5	8.2

Reference: Investment income for equity method: FY2017: — million yen FY2016: — million yen

#### (2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>FY2017</b>	<b>157,941</b>	<b>109,355</b>	<b>69.2</b>	<b>1,284.17</b>
FY2016	152,806	103,887	68.0	1,212.82

Reference: Equity capital: FY2017: 109,355 million yen FY2016: 103,887 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
<b>FY2017</b>	<b>10,843</b>	<b>-3,346</b>	<b>-4,628</b>	<b>31,285</b>
FY2016	11,356	-6,344	-3,517	28,560

### 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	%	%
FY2016	—	17.00	—	18.00	35.00	2,998	32.8	3.0
FY2017	—	17.00	—	18.00	35.00	2,988	32.7	2.8
FY2018 (Forecast)	—	17.00	—	18.00	35.00		28.9	

### 3. Consolidated Forecast for FY2018 (From April 1, 2018 to March 31, 2019)

	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	80,000	4.4	3,100	-0.9	3,100	-16.7	2,100	-17.4	24.66
Full year	180,000	3.3	15,000	3.3	15,000	3.4	10,300	12.5	120.95

## (Reference) Non-Consolidated Financial Highlights

### 1. Non-Consolidated Financial Highlights for FY2017 (From April 1, 2017 to March 31, 2018)

#### (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	%
<b>FY2017</b>	<b>146,525</b>	<b>39.1</b>	<b>12,178</b>	<b>38.4</b>	<b>13,175</b>	<b>7.1</b>	<b>17,404</b>	<b>87.7</b>
FY2016	105,371	2.0	8,800	-11.3	12,297	-17.1	9,273	-21.1

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
<b>FY2017</b>	<b>203.28</b>	—
FY2016	108.26	—

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

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>FY2017</b>	<b>146,620</b>	<b>101,755</b>	<b>69.4</b>	<b>1,194.92</b>
FY2016	129,068	88,343	68.4	1,031.36

Reference: Equity capital: FY2017: 101,755 million yen FY2016: 88,343 million yen

#### <The reason for the difference between non-consolidated results for FY2016 and FY2017>

Overall sales, operating income, ordinary income and net income increased, as the Company absorbed and merged 11 domestic sales subsidiaries in April 1, 2017 as well as both domestic and overseas sales increased. Net income increased favorably, reflecting the gain on extinguishment of tie-in shares recorded an extraordinary income in accordance with the above merger.

\* 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, 2017 to March 31, 2018), the Japanese government worked on healthcare system reform under its 2025 future vision of medical/long-term care services. Each prefecture held meetings to discuss differentiation of medical institution functions and collaboration among medical institutions. The medical equipment companies were required to provide solutions that contribute to improving the quality and efficiency of medical care and supporting the establishment of integrated community care systems. Internationally, overall demand for medical equipment has remained steady, although there was uncertainty regarding policy trends in the U.S. and Europe.

Under these circumstances, Nihon Kohden started its three-year mid-term business plan, TRANSFORM 2020, with the aim of transforming its operations to achieve a highly profitable structure by creating high customer value and improving productivity within the organization. Under this plan, the Company implemented key strategies such as strengthening business expansion by region, and achieving further growth in its core businesses. The Company has continued to introduce new products since April 2017: a clinical assistant service and a medical and long-term care network system for the clinic market. Both are Nihon Kohden's first IT solutions to use cloud servers and charge users a monthly fee. A Holter ECG monitor with Bluetooth technology which enables viewing ECG waves on mobile terminals and a mid-end bedside monitor for the acute care hospital market were also launched. Nihon Kohden also strengthened its business structure by absorbing its domestic sales subsidiaries and acquiring a video laryngoscope business.

As a result, overall sales during the term under review increased 4.8% over FY2016 to ¥174,249 million, operating income increased 6.9% to ¥14,517 million, and ordinary income increased 3.2% to ¥14,501 million. Income attributable to owners of parent increased 0.1% to ¥9,154 million because the Company posted extraordinary losses such as loss associated with the transfer to a defined contribution pension plan and surcharges. There was also impact from the increase of income taxes due to the tax reform in the U.S.

[Sales by region]

**Japan:** Sales increased as the Company concentrated on enhancing 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 sales increase. Sales in the university hospital market increased favorably as the Company received orders related to replacement of diagnostic information systems and clinical information systems. Sales of AEDs increased favorably in the PAD (Public Access Defibrillation) market and sales in the private hospital market showed stable growth. Sales in the public hospital market remained flat, while sales in the clinic market decreased. As a result, domestic sales increased 2.7% over FY2016 to ¥128,144 million.

**International:** Sales in the Americas, Europe and Asia increased favorably, supported by strong sales of Patient Monitors, defibrillators and AEDs. In the Americas, sales showed strong growth both in the U.S. and Latin America. Sales in Europe increased, supported by strong sales in Russia and sales recovery in Germany and Turkey. In Asia, sales in China increased favorably. Sales in the Middle East recovered as a result of developing distribution channels. Sales in Other decreased compared with the previous fiscal year when a large order in Egypt was recorded. As a result, international sales increased 11.0% over FY2016 to ¥46,105 million.

[Sales by product category]

**Physiological Measuring Equipment:** In Japan, sales of polygraphs for cath lab and diagnostic information systems increased favorably. Sales of ECGs increased on the sales effects of new products, Holter ECG monitors. Sales of EEGs remained flat. Internationally, sales of ECGs increased favorably, while sales of EEGs decreased. Overall, sales increased 4.4% over the previous fiscal year to ¥39,323 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, Asia and Europe increased, especially led by strong sales in the U.S. Sales in Other decreased due to a reaction to a large scale order in the previous fiscal year. Overall, sales increased 5.5% over the previous fiscal year to ¥59,229 million.

**Treatment Equipment:** In Japan, sales of AEDs increased due to recovery of replacement demand and the increased sales of consumables. Sales of defibrillators and ventilators also increased favorably. Internationally, sales of defibrillators showed strong growth in all areas. Sales of AEDs increased favorably in the Americas and Europe. Overall, sales increased 10.6% over the previous fiscal year to ¥32,892 million.

**Other Medical Equipment:** In Japan, sales of hematology instruments decreased. Internationally, sales of hematology analyzers increased in Latin America and Europe. Overall, sales increased 0.1% over the previous fiscal year to ¥42,804 million.

## 5. Consolidated Sales Results by Product Category

(Millions of yen)

	FY2017	
	Amount	Growth rate (%)
Physiological Measuring Equipment	39,323	+4.4
Patient Monitors	59,229	+5.5
Treatment Equipment	32,892	+10.6
Other Medical Equipment	42,804	+0.1
<b>Total</b>	<b>174,249</b>	<b>+4.8</b>
Products	98,744	+3.8
Consumables and Services	75,505	+6.1
(Reference) Sales by Region		
Domestic Sales	128,144	+2.7
Overseas Sales	46,105	+11.0
Americas	22,000	+16.1
Europe	8,462	+21.1
Asia	13,634	+7.9
Other	2,008	-31.6

## 6. Consolidated Forecast for FY2018

In Japan, medical treatment fees were revised in April 2018 to establish integrated community care systems and differentiate medical institution functions by reviewing hospitalization fees and enhancing the role of family doctors. Because of the need to restructure the medical care systems by 2025, each prefecture has already started to discuss issues such as role sharing between hospitals and the number of hospital beds converted to long-term care. The business environment of Japan's medical equipment market will continue to be challenging. 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 such as the Middle East.

Under these circumstances, Nihon Kohden is implementing its three-year mid-term business plan, TRANSFORM 2020 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: a bedside monitor for the acute care hospital market, a bedside monitor for emerging markets, and the Company's first ventilator and anesthesia machine. The Company consolidated its R&D divisions at its Advanced Technology Center to facilitate collaboration within each research area, which enables us to combine our own core technologies and develop new products. Nihon Kohden will also take measures to improve productivity within the organization. The Company will improve productivity at its Tomioka Production Center and simplify administrative work between the headquarters and domestic sales branches.

In Japan, the Company absorbed its domestic sales subsidiaries in April 2017 and put more sales resources into the metropolitan area, where there is growing demand for medical care, starting from April 2018. The Company will enhance business activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market, and aim to expand sales of consumables and services. Internationally, the Company will expand its sales network and continue to introduce products that are tailored to the demands of local markets. In its Patient Monitoring business in the U.S., the Company will strengthen its local R&D capability and enhance network systems to support large-scale monitoring in order to increase sales and market share. Nihon Kohden has established the International Sales Operations department to strengthen business activities in emerging markets.

The Company forecasts its overall sales, operating income, ordinary income and income attributable to owners of parent for FY2018 to be ¥180,000 million, ¥15,000 million, ¥15,000 million and ¥10,300 million, respectively.

The Company's forecast for FY2018 is based on an exchange rate of 105 yen to the U.S. dollar and 130 yen to the euro.

### (Consolidated Forecast for FY2018 by Product Category)

(Millions of yen)

	FY2018 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	40,200	+2.2
Patient Monitors	62,500	+5.5
Treatment Equipment	33,600	+2.2
Other Medical Equipment	43,700	+2.1
<b>Total</b>	<b>180,000</b>	<b>+3.3</b>
Products	101,900	+3.2
Consumables and Services	78,100	+3.4
(Reference) Sales by Region		
Domestic Sales	130,700	+2.0
Overseas Sales	49,300	+6.9

## 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 established a Nomination and Remuneration Committee, comprised of a majority of independent outside directors. The Company currently has four independent outside directors and one-third of the board of directors will be independent outside directors as of June 27, 2018.

### (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-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.

#### <The final stage of the long-term vision, 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.

#### 1. Basic policies

##### 1) 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.

##### 2) 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.

## 2. Six key strategies

### 1) 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.

### 2) 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.

### 3) 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.

### 4) 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.

### 5) 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.

### 6) 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.

## 3. 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.

## 4. TRANSFORM 2020 targets for FY2019 ending March 2020 (consolidated)

¥100 million	Target in FY2019
Sales	1,900
Domestic Sales	1,350
Overseas Sales	550
Operating Income	200
ROE	12.0%

### <The progress of TRANSFORM 2020>

In FY2017, which was the first year of this plan, Nihon Kohden absorbed its domestic sales subsidiaries in April 2017 in order to respond to changes in the market environment such as the establishment of integrated community care systems and differentiation of medical institution functions. The Company enhanced business activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. The Company introduced new products and services for the clinic market, which provides home healthcare. As the Company could attract replacement demand for IT systems in the university market, the Company achieved its domestic sales target. Internationally, the Company strengthened its development and sales organization in the U.S. Our patient monitoring systems were introduced in the U.S. top university hospitals and Nihon Kohden's presence was enhanced in the U.S. market. Sales in Latin America grew strongly and sales in Europe and the Middle East recovered. Because sales in Southeast Asia were weak, the Company missed its overseas sales target. Operating income increased due to sales increases, but less than its target. Our top priority issue is improving profitability, especially gross margin ratio.

In FY2018, which is the second year of this plan, Nihon Kohden is implementing initiatives to improve profitability. New value-added products will be continuously introduced. The Company aims to improve gross margin ratio by expanding its consumables and services business, reducing inventories and improving production efficiency.

### <Enhancement of global compliance system>

In April 2016, Nihon Kohden Europe, the Company's European subsidiary, and the World Bank signed a Negotiated Resolution Agreement in relation to inappropriate payments in a World Bank-financed health project in Romania. The provision of 195 million yen, which was posted in FY2017, is for an expected administrative fine concerning this matter imposed on Nihon Kohden Europe under the German Act on Regulatory Offences (OwiG).

In 2017, Nihon Kohden established an anti-corruption rule and introduced a global compliance program across the entire Nihon Kohden group. The Company implements this program in order to prevent inappropriate conduct by increasing the awareness of compliance on the part of each and every employee of the Group around the world.

## 9. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2017	March 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and deposits	18,753	16,589
Notes and accounts receivable - trade	60,993	64,151
Securities	10,000	15,000
Merchandise and finished goods	17,061	16,081
Work in process	1,288	1,461
Raw materials and supplies	4,288	5,555
Deferred tax assets	4,497	3,914
Other current assets	2,517	1,973
Allowance for doubtful accounts	-165	-126
Total current assets	119,235	124,601
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	11,792	12,123
Machinery, equipment and vehicles, net	744	837
Tools, furniture and fixtures, net	3,006	2,817
Land	3,644	3,514
Lease assets, net	31	28
Construction in progress	929	1,003
Total property, plant and equipment	20,148	20,324
Intangible assets		
Goodwill	2,187	2,112
Other intangible assets	3,410	2,967
Total intangible assets	5,597	5,079
Investments and other assets		
Investment securities	5,050	5,729
Deferred tax assets	1,242	441
Other investments and other assets	1,707	1,953
Allowance for doubtful accounts	-174	-189
Total investments and other assets	7,825	7,935
Total non-current assets	33,571	33,339
Total assets	152,806	157,941

(Millions of yen)

March 31, 2017      March 31, 2018

**LIABILITIES**
**Current liabilities:**

Notes and accounts payable - trade	32,539	29,846
Short-term loans payable	628	488
Accounts payable - other	2,168	3,178
Lease obligations	16	12
Accrued income taxes	2,194	2,067
Accrued expenses	2,804	3,682
Provision for bonuses	2,671	2,942
Provision for product warranties	476	426
Other current liabilities	1,506	1,960
<b>Total current liabilities</b>	<b>45,006</b>	<b>44,605</b>

**Non-current liabilities:**

Long-term accounts payable	23	23
Lease obligations	16	17
Deferred tax liabilities	95	32
Net defined benefit liability	2,532	2,565
Other non-current liabilities	1,245	1,342
<b>Total non-current liabilities</b>	<b>3,913</b>	<b>3,980</b>

**Total liabilities**

**48,919      48,586**

**NET ASSETS**
**Shareholders' equity:**

Capital stock	7,544	7,544
Capital surplus	10,414	10,414
Retained earnings	89,984	96,141
Treasury shares	-7,473	-8,945
<b>Total shareholders' equity</b>	<b>100,470</b>	<b>105,155</b>

**Accumulated other comprehensive income:**

Valuation difference on available-for-sale securities	1,604	2,082
Foreign currency translation adjustment	1,959	1,875
Remeasurements of defined benefit plans	-147	241
<b>Total accumulated other comprehensive income</b>	<b>3,416</b>	<b>4,199</b>

**Total net assets**

**103,887      109,355**

**Total liabilities and net assets**

**152,806      157,941**

**(2) Consolidated Statements of Income**

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Net sales	166,285	174,249
Cost of sales	87,058	91,489
Gross profit	79,226	82,759
Selling, general and administrative expenses	65,641	68,241
Operating income	13,585	14,517
Non-operating income		
Interest income	37	47
Dividend income	102	101
Subsidy income	312	322
Gain on valuation of investment securities	58	69
Other non-operating income	371	306
Total non-operating income	883	848
Non-operating expenses		
Interest expenses	56	27
Foreign exchange losses	254	733
Other non-operating expenses	104	103
Total non-operating expenses	415	865
Ordinary income	14,053	14,501
Extraordinary income		
Gain on sales of non-current assets	0	3
Gain on sales of investment securities	416	39
Total extraordinary income	417	43
Extraordinary losses		
Loss on sales of non-current assets	—	2
Loss on retirement of non-current assets	90	78
Loss on sales of investment securities	—	12
Loss on valuation of investment securities	257	32
Retirement benefit expenses	—	225
Office transfer cost	271	43
Surcharges	—	195
Total extraordinary losses	618	590
Income before income taxes and non-controlling interests	13,851	13,954
Income taxes - current	4,523	3,931
Income taxes - deferred	179	868
Total income taxes	4,702	4,799
Net income	9,149	9,154
Income attributable to owners of parent	9,149	9,154

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Net income	9,149	9,154
Other comprehensive income		
Valuation difference on available-for-sale securities	-431	477
Foreign currency translation adjustment	-599	-83
Remeasurements of defined benefit plans, net of tax	1,097	389
Total other comprehensive income	66	783
Comprehensive income	9,215	9,937
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,215	9,937
Comprehensive income attributable to non-controlling interests	—	—

### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
<b>Cash flows from operating activities</b>		
Income before income taxes and non-controlling interests	13,851	13,954
Depreciation and amortization	3,422	3,338
Amortization of goodwill	142	148
Loss (gain) on sales and retirement of property, plant and equipment	88	77
Loss (gain) on sales and retirement of intangible assets	0	—
Increase (decrease) in allowance for doubtful accounts	-44	-24
Increase (decrease) in reserve for bonuses	-189	275
Increase (decrease) in provision for product warranties	109	-46
Increase (decrease) in net defined benefit liability	949	594
Interest and dividend income	-140	-149
Interest expenses	56	27
Foreign exchange losses (gains)	123	345
Loss (gain) on valuation of investment securities	198	-36
Loss (gain) on sales of investment securities	-416	-27
Decrease (increase) in notes and accounts receivable - trade	-1,985	-3,017
Decrease (increase) in inventories	-3,170	-496
Increase (decrease) in notes and accounts payable - trade	2,826	-2,487
Increase (decrease) in accrued consumption taxes	-689	1,204
Other, net	717	1,023
Subtotal	<u>15,850</u>	<u>14,702</u>
Interest and dividends income received	135	148
Interest expenses paid	-57	-24
Income taxes paid	-4,572	-3,983
Net cash flows from operating activities	<u>11,356</u>	<u>10,843</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investment securities	759	143
Purchase of investment securities	-64	-70
Proceeds from sales of property, plant and equipment	3	161
Purchase of property, plant and equipment	-6,304	-2,901
Purchase of intangible assets	-502	-414
Other, net	-236	-265
Net cash flows from investing activities	<u>-6,344</u>	<u>-3,346</u>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	-501	-142
Purchase of treasury shares	-1	-1,471
Cash dividends paid	-2,997	-2,996
Repayments of lease obligations	-16	-17
Net cash flows from financing activities	<u>-3,517</u>	<u>-4,628</u>
Effect of exchange rate change on cash and cash equivalents	-217	-144
Net increase (decrease) in cash and cash equivalents	<u>1,277</u>	<u>2,724</u>
Cash and cash equivalents at beginning of period	<u>27,283</u>	<u>28,560</u>
Cash and cash equivalents at end of period	<u>28,560</u>	<u>31,285</u>