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NIHON KOHDEN

[Summary]

May 13, 2021

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for FY2020 (From April 1, 2020 to March 31, 2021)

(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	%
FY2020	**199,727**	**8.0**	**27,094**	**74.8**	**28,374**	**91.1**	**18,243**	**85.1**
FY2019	185,007	3.5	15,503	3.1	14,846	-6.4	9,854	-12.0

Note: Comprehensive income: FY2020: 20,143 million yen (114.2%) FY2019: 9,405 million yen (-3.2%)

	Net income per share- Basic	Net income per share- Diluted	Return on equity	Ordinary income to total assets	Operating income margin
	yen	yen	%	%	%
FY2020	**214.21**	**—**	**14.0**	**15.7**	**13.6**
FY2019	115.72	—	8.3	8.8	8.4

Reference: Investment income for equity method: FY2020: －million yen FY2019: －million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2020	**193,030**	**138,986**	**72.0**	**1,631.88**
FY2019	167,786	121,774	72.6	1,430.02

Reference: Equity capital: FY2020: 138,986 million yen FY2019: 121,774 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
FY2020	**13,945**	**-2,946**	**-3,007**	**44,356**
FY2019	9,217	-4,607	-3,054	35,913

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	%	%
FY2019	—	17.00	—	18.00	35.00	2,980	30.2	2.5
FY2020	—	17.00	—	38.00	55.00	4,684	25.7	3.6
FY2021 (Forecast)	—	19.00	—	20.00	39.00		30.2	

Note: Breakdown of year-end dividends for FY2020: Ordinary dividends: 18.00 yen Special dividends: 20.00 yen

3. Consolidated Forecast for FY2021 (From April 1, 2021 to March 31, 2022)

	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	88,500	1.4	6,500	-25.8	6,500	-20.9	4,500	-22.8	52.84
Full year	185,500	-7.1	16,000	-40.9	16,000	-43.6	11,000	-39.7	129.15

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: — companies (—)

Excluded: — companies (—)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)	FY2020	88,730,980 shares
	FY2019	88,730,980 shares
(ii) Number of treasury shares at the end of the period	FY2020	3,561,589 shares
	FY2019	3,575,164 shares
(iii) Average number of shares outstanding during the period	FY2020	85,165,330 shares
	FY2019	85,155,934 shares

(Reference) Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for FY2020 (From April 1, 2020 to March 31, 2021)

(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	%
FY2020	**164,235**	**6.4**	**22,337**	**59.7**	**24,059**	**65.9**	**11,444**	**11.5**
FY2019	154,352	3.1	13,986	10.0	14,505	1.0	10,265	-3.5

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2020	**134.38**	**—**
FY2019	120.55	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2020	**173,288**	**125,280**	**72.3**	**1,470.96**
FY2019	155,556	116,581	74.9	1,369.04

Reference: Equity capital: FY2020: 125,280 million yen FY2019: 116,581 million yen

* 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, 2020 to March 31, 2021), the COVID-19 pandemic adversely affected national healthcare systems in every country and the global economic outlook remained uncertain. In Japan, the government implemented measures to support the healthcare system in the midst of the COVID-19 crisis by enacting a FY2020 supplementary budget and special measures in relation to medical treatment fees. There were concerns that medical institutions were facing financial challenges because COVID-19 caused people to avoid visiting hospitals and clinics, leading to a reduction in the number of surgical procedures and inpatient admissions. Medical equipment companies were strongly required to provide solutions which contribute to infection control measures as well as improving quality and efficiency of medical care. Internationally, medical equipment to treat COVID-19 patients was installed by medical facilities in regions where the spread of infection has continued.

Under these circumstances, Nihon Kohden announced a long-term vision, BEACON 2030, for the next ten years to 2030, in September 2020. The Company aims to create a better future for people and healthcare by solving global medical issues. In FY2020, Nihon Kohden conducted its business activities in accordance with the basic policies of: (1) Ensuring the health and safety of its employees as the top priority. (2) Fulfilling its responsibilities as a medical device maker. The Company addressed challenges such as improving profitability of existing businesses and consolidating corporate fundamentals to grow as a global company. The Company also ramped up production of patient monitors and ventilators to meet demand, which was boosted by the growing number of COVID-19 patients. In addition, the Company introduced its unique technology called esCCO*[1] in Japan. The Company also launched the world's first automated hematology and ESR*[2] analyzer internationally, telemetry systems in Japan, and an ECG developed and manufactured at Shanghai Kohden.

As a result, overall sales during the term under review increased 8.0% over FY2019 to ¥199,727 million. Operating income increased 74.8% to ¥27,094 million due to the increase in sales and higher gross profit margin thanks to a favorable product mix. Ordinary income increased 91.1% to ¥28,374 million, reflecting foreign exchange gains compared to losses in the previous fiscal year. Income attributable to owners of parent increased 85.1% to ¥18,243 million. The Company reviewed the future plans of Defibtech, LLC, which it acquired in 2012, and posted extraordinary losses such as amortization of goodwill and impairment losses because demand for AEDs in overseas markets decreased in the midst of the COVID-19 crisis.

*1 esCCO: estimated Continuous Cardiac Output. A technology which can calculate estimated continuous cardiac output non-invasively based on an electrocardiogram and the pulse waves obtained from pulse oximetry.

*2 ESR: Erythrocyte Sedimentation Rate.

[Sales by region]

Japan: Nihon Kohden 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. The Company also focused on selling in-house products as well as strengthening its marketing and service capabilities, creating customer value which contributed to improving medical safety, patient outcomes, and operating efficiency. As a result of these initiatives, sales increased. The Government's supplementary budget has supported demand in healthcare systems for accepting COVID-19 patients towards the end of the fiscal year due to the third wave of COVID-19 from November 2020, while medical institutions reduced the number of testing and surgical procedures and postponed or froze the purchase budget for certain products. Sales in the public hospital and private hospital markets increased favorably. Sales of AEDs in the PAD market also showed strong growth. In the university hospital market, there was a reactionary decline compared to FY2019 when sales were strong due to large orders related to construction of new hospitals. Sales in the clinic market also decreased. As a result, domestic sales increased 2.2% over FY2019 to ¥137,274 million.

International: Sales in all regions achieved double-digit growth because demand for patient monitors, ventilators, and defibrillators increased due to the spread of COVID-19. In the Americas, sales in both the U.S. and Latin America showed double-digit growth. Especially, sales in Mexico and Colombia achieved 200% growth. In Europe, sales both in Western Europe and Eastern Europe showed strong growth, supported by 200% growth in Italy and Poland. Sales in Asia & Other regions also increased favorably, thanks to large orders in Israel and Indonesia. Sales in China increased steadily as the impact of COVID-19 had ended. As a result, international sales increased 23.3% over FY2019 to ¥62,452 million.

[Sales by product category]

Physiological Measuring Equipment: In Japan, sales of diagnostic information systems, ECGs, and polygraphs for cath lab decreased, as medical institutions reduced the number of testing and surgical procedures and postponed or froze their purchase budgets. Sales of EEGs remained flat, as sales of an EMG electrode increased favorably due to growing importance of neuromuscular monitoring. Internationally, sales of EEGs decreased in all regions, while sales of ECGs increased favorably in all regions. Overall, sales decreased 11.1% over the previous fiscal year to ¥37,586 million.

Patient Monitors: In Japan, sales achieved double-digit growth, as demand for bedside monitors, transmitters, and telemetry systems surged towards the end of the fiscal year. Sales of consumables such as sensors also increased favorably. Internationally, sales achieved double-digit growth in all regions. Sales in Europe and Latin America especially showed strong growth. Overall, sales increased 21.3% over the previous fiscal year to ¥78,818 million.

Treatment Equipment: In Japan, sales of ventilators manufactured by both the Company and Hamilton showed strong growth, as demand for ventilators grew towards the end of the fiscal year. Sales of AEDs increased favorably thanks to orders received for replacement. Sales of defibrillators also increased. Internationally, sales of ventilators and defibrillators showed strong growth in all regions. Especially, the ventilator business has grown to a certain scale, driven by sales of the Company's two types of in-house ventilators launched in FY2019. Overall, sales increased 30.8% over the previous fiscal year to ¥45,126 million.

Other Medical Equipment: In Japan, sales of locally purchased products decreased significantly, as the Company focused on selling in-house products. Internationally, sales of hematology analyzers and reagents decreased in all regions due to weak demand and a decline in the amount of testing. Overall, sales decreased 11.7% over the previous fiscal year to ¥38,196 million.

5. Consolidated Sales Results by Product Category

(Millions of yen)

	FY2020	
	Amount	Growth rate (%)
Physiological Measuring Equipment	37,586	-11.1
Patient Monitors	78,818	+21.3
Treatment Equipment	45,126	+30.8
Other Medical Equipment	38,196	-11.7
Total	199,727	+8.0
Products	113,836	+12.9
Consumables and Services	85,890	+2.1
(Reference) Sales by Region		
Domestic Sales	137,274	+2.2
Overseas Sales	62,452	+23.3
Americas	30,288	+22.5
Europe	13,139	+45.3
Asia & Other	19,024	+12.7

* Effective FY2020, Asia and Other are reclassified into Asia & Other.

6. Consolidated Forecast for FY2021

The social and economic activities are expected to recover due to benefits of economic measures taken by each country and the progress in COVID-19 vaccination. However, the global economic outlook remains uncertain due to concern about the spread of more infectious coronavirus variants.

Under these circumstances, Nihon Kohden will implement its three-year business plan, BEACON 2030 Phase I. The Company formulated basic policies as follows: i) Embracing sustainability across business and corporate activities, ii) Ensuring strict compliance and strengthening group governance, iii) Improving the profitability of existing businesses and upfront investing strategically, and iv) Establishing global SCM and strengthening core functions of operations.

The Company forecasts its overall sales, operating income, ordinary income, and income attributable to owners of parent for FY2021 to be ¥185,500 million, ¥16,000 million, ¥16,000 million and ¥11,000 million, respectively.

In Japan, Nihon Kohden will concentrate on enhancing sales activities which match each market; the acute care hospital market, the small and mid-sized hospital market, and the clinic market. The Company will also focus on expanding the consumables and services business as well as strengthening its marketing and service capabilities creating customer value which contribute to improving medical safety, patient outcomes, and operating efficiency. The Government's FY2021 budget for supporting healthcare systems in preparation for the spread of the COVID-19 is expected to be a positive factor. The Company also expects that other positive factors, such as sales and service activities will improve compared to FY2020, and that the number of testing and procedures by medical institutions will recover. On the other hand, because the Government's FY2020 supplementary budget has supported demand in healthcare systems for accepting COVID-19 patients towards the end of the previous fiscal year, a reactionary decline in special demand for patient monitors and ventilators is expected to be a negative factor. Overall, domestic sales are expected to decrease by 6.8% to ¥128,000 million.

Internationally, the Company will focus on increasing sales in the U.S. and China by strengthening its business structure. In the U.S, the Company aims at expanding market share of patient monitors and resuscitation products by strengthening its local R&D capability. In Patient Monitor Business, the Company will start the pilot project of NK Data Platform developed at Nihon Kohden Digital Health Solutions* and launch new mid-range bedside monitors. In Treatment Equipment Business, demand for AEDs is expected to recover and next-generation automated chest compression machine developed at Defibtech, LLC will be launched. In China, the Company will expand its market share by strengthening its local R&D and production capability to meet local customer needs. The Company will also start the local production of a 5-part diff hematology analyzer in FY2021. In Europe and Latin America, the Company expects a reactionary decline of special demand in FY2020 related to COVID-19. Overall, international sales are expected to decrease by 7.9% to ¥57,500 million.

Because of a lower sales forecast than FY2020 and lower gross profit margin due to an unfavorable product mix, both operating income, ordinary income, and income attributable to owners of parent are expected to decrease over the previous fiscal year.

The Company's forecast for FY2021 is based on an exchange rate of 105 yen to the U.S. dollar and 125 yen to the euro.

The earnings forecasts described above includes the impact of COVID-19 based on the information available to the Company at this moment. If the impacts from COVID-19 last longer or escalate faster than expected, delays in or suspension of manufacturing are anticipated due to the difficulty in procuring parts and components as well as restrictions on sales and service activities. The Company will immediately announce forecast revisions if necessary.

* Rebranded from NKUS Lab on April 1, 2021.

(Consolidated Forecast for FY2021 by Product Category)

(Millions of yen)

	FY2021 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	40,700	+8.3
Patient Monitors	70,900	-10.0
Treatment Equipment	36,100	-20.0
Other Medical Equipment	37,800	-1.0
Total	185,500	-7.1
Products	98,300	-13.6
Consumables and Services	87,200	+1.5
(Reference) Sales by Region		
Domestic Sales	128,000	-6.8
Overseas Sales	57,500	-7.9
Americas	29,000	-4.3
Europe	9,500	-27.7
Asia & Other	19,000	-0.1

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. The priority for distribution of profits is i) investment necessary for future business expansion used in R&D investments, capital investments, M&A or alliances, and development of human resources, ii) dividends, and iii) share buybacks. The Company sets a target consolidated dividend payout ratio of 30% or more. Share buyback is considered in a flexible manner, taking into account comprehensively the Company's future business deployment, investment plan, retained earnings, and stock price level.

As the business performance in FY2020 was favorable, the Company decided to pay a special dividend of 20 yen per share in addition to the ordinary year-end dividend of 18 yen per share. As a result, the full-year dividend for FY2020 will be 55 yen per share, including the interim dividend of 17 yen per share. As described in the press release regarding the acquisition of own shares announced today, the Company will acquire its own shares up to 1.5 billion yen between May 14, 2021 and June 30, 2021.

In consideration of business performance, the full-year dividend for FY2021 will be 39 yen per share, which consists of interim dividend of 19 yen and year-end dividend of 20 yen.

8. Management Policy

(1) Basic policies for corporate management

Nihon Kohden's management philosophy as a medical electronics manufacturer is that we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees. 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, and the quality of its employees.

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 aimed at improving the soundness, transparency, and efficiency of management, is an important management issue. The Board of Directors consists of twelve directors (including four outside directors) and independent outside directors comprise one-third of the Board. Considering the issues of gender and international diversity, one female outside director was elected at the Ordinary General Meeting of Shareholders held on June 25, 2020. Two female operating officers were also appointed in April 2021.

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, which is composed of four independent outside directors and the committee chair is also an independent outside director. The Company introduced a restricted stock remuneration plan which was approved at the Ordinary General Meeting of Shareholders held on June 25, 2020. The purpose of the introduction of the plan is to provide incentives for directors to continuously improve the Company's corporate value, as well as to facilitate their sense of sharing value with shareholders.

(2) Target management indices

Nihon Kohden aims to increase ROE to enhance corporate and shareholder value. The Company sets its target consolidated ROE at 10% in its three-year business plan, BEACON 2030 Phase I.

In order to achieve the target, the Company will focus on improving its profitability by implementing its three-year business 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

<Review of the fiscal year 2020>

As the business environment had changed significantly due to the COVID-19 pandemic, Nihon Kohden conducted its business activities in FY2020 in accordance with the basic policies of: (1) Ensuring the health and safety of its employees as the top priority. (2) Fulfilling its responsibilities as a medical device maker. The Company addressed challenges such as improving profitability of existing businesses and consolidating corporate fundamentals to grow as a global company. The Company also ramped up production of patient monitors and ventilators at the Tomioka Production Center, Shanghai Kohden (China), and Nihon Kohden OrangeMed (U.S.) to meet demand, which was boosted by the growing number of COVID-19 patients. As a result, the Company was able to acquire new customer base. One of the greatest achievements is that the ventilator business has grown to a certain scale driven by the Company's two types of in-house ventilators launched in FY2019. In Japan, the Company strived to sell in-house products for creating customer value. The Company also focused on the following proposals: a solution that enables medical staff to view patients' conditions remotely on mobile terminals from out of ward, the cloud-based service named LAVITA that enables management of medical data for COVID-19 patients in accommodation facilities, and disposable consumables. Internationally, the Company has positioned the U.S. and China as growth markets and established the US Operations and the China Operations headquarters in April 2020. In the U.S., the Company strengthened its business operations and enhanced the collaboration among its six subsidiaries. The Company also started a program to respond to COVID-19, NK-HealthProtect. In China, the Company enhanced its local R&D and production capabilities to meet the local customer needs. Furthermore, the Company has continued to give top priority to the support of medical workers by maintaining supply of products and services, while implementing thorough measures to prevent infection in all regions. The Company also started providing online seminars and training programs. As a result of these developments, the Company posted record highs both in sales and profits in FY2020.

<Challenges to be addressed and mid-to long-term management strategy>

Nihon Kohden announced a long-term vision, BEACON 2030, for the next ten years to 2030, in September 2020. The Company aims to create a better future for people and healthcare by solving global medical issues. The Company has also set three transformations to be achieved: Transforming into a global company creating high added value, Creating a solution business providing superior customer value, and Establishing a global organization founded on Operational Excellence.

・Three-year Business Plan, BEACON 2030 Phase I, covering the fiscal years 2021 to 2023

The Company's three-year business plan, BEACON 2030 Phase I starting from FY2021 is the stage to strengthen its business foundation toward realizing its long-term vision. The Company works on improving the profitability of existing businesses and cultivating new business areas and business models.

1. Basic policy

・Embrace sustainability across business and corporate activities

・[Management] Ensure strict compliance and strengthen group governance

・[Business] Improve the profitability of existing businesses and obtain the resources to invest strategically for sowing seeds of new growth

・[Operations] Establish global SCM and strengthen core functions of operations to lay a foundation for global growth

2. Embrace sustainability

The Nihon Kohden Group defined 12 material issues to be addressed through business and corporate activities in accordance with the SDGs. In our business activities, we will address 8 issues aimed at realizing the 5 visions for the future (Accessible/Intelligent/Patient oriented/Connected/Optimized) which we designated in BEACON 2030. In corporate activities, we will address 4 issues of Human rights/Human resources, Quality, Governance, and Environment.

3. Six key strategies

(1) [Management] Ensure strict compliance and strengthen group governance

The Company will establish and promote global management policy as well as strengthening internal control over domestic sales.

(2) [Business] Improve the profitability of existing businesses

The Company aims to improve the profitability of existing businesses through creating high customer value, enhancing productivity, and timely launch of new products.

(3) [Business] Strengthen strategies in global business

The Company will focus on Japan, the U.S., and China, and establishes Global Quad-Polar Organization together with Europe & Emerging markets. The Company strengthens strategies in each region.

(4) [Business] Create new customer value by digital health solutions

The Company will establish a vital sign data platform for integration and analysis of data and develop clinical support applications for improving patient outcomes and economy of medical care.

(5) [Operations] Promote corporate digital transformation

The Company will establish a global information system and communication system in order to promote work-style reforms and improve operating efficiency.

(6) [Operations] Establish global supply chain management

The Company will realize supply chain data visualization by DX and reform its operational processes in procurement, production, and logistics.

4. Human resource development and corporate culture reform

In accordance with its Core Values (Integrity/Humbleness/Diversity/Initiative/Customer Centric/Goal Oriented/Creativity), Nihon Kohden is introducing a new personnel system and enhancing its global human resource development programs to foster a corporate culture in which employees take pride in contribution to healthcare and mission.

5. BEACON 2030 Phase I targets for FY2023 ending March 2024 (consolidated)

In FY2021, which is the first year of BEACON 2030 Phase I, Nihon Kohden will focus on minimizing the negative impact in reaction to special demand related to COVID-19. The Company consistently implements six key strategies set out above to achieve the targets and embrace sustainability across its business and corporate activities.

¥100 million	Target in FY2023
Sales	1,970
Domestic Sales	1,340
Overseas Sales	630
Operating Income	200
Operating Income Margin	10.2%
ROE	10%

・Strengthen internal control over domestic sales

Following the incident in which three former employees in Japan were arrested and prosecuted in January 2021 on suspicion of bribery involving the procurement of patient monitors at Mie University Hospital, the Investigation Committee, which includes two independent outside directors of the Company and two outside lawyers, clarified the facts of the matter and investigated the cause. Based on the investigation report received in April 2021, the Company will implement recurrence prevention measures such as strengthening its compliance organization, introducing a donation website, application of IT controls to pre-order processes, and thorough compliance education. Under the supervision of a Committee for Implementation and Management of Recurrence Prevention Measures which has been set up as a subordinate organization of the Management Council, the Company will implement these recurrence prevention measures quickly and reliably to rebuild trust with all stakeholders.

9. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2020	March 31, 2021
ASSETS		
Current assets:		
Cash and deposits	20,967	30,609
Notes and accounts receivable - trade	60,871	68,612
Securities	15,000	14,000
Merchandise and finished goods	21,939	27,965
Work in process	1,908	2,326
Raw materials and supplies	5,401	8,594
Other current assets	3,160	4,256
Allowance for doubtful accounts	-228	-225
Total current assets	129,020	156,140
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	11,461	11,342
Machinery, equipment and vehicles, net	1,121	1,443
Tools, furniture and fixtures, net	3,201	3,238
Land	3,514	3,479
Lease assets, net	49	52
Construction in progress	654	637
Total property, plant and equipment	20,003	20,193
Intangible assets		
Goodwill	1,773	431
Other intangible assets	2,376	1,898
Total intangible assets	4,149	2,329
Investments and other assets		
Investment securities	6,377	6,418
Deferred tax assets	6,044	5,758
Other investments and other assets	2,347	2,353
Allowance for doubtful accounts	-156	-165
Total investments and other assets	14,612	14,366
Total non-current assets	38,766	36,889
Total assets	167,786	193,030

(Millions of yen)

	March 31, 2020	March 31, 2021
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	23,755	24,412
Short-term loans payable	350	350
Accounts payable - other	3,402	3,721
Lease obligations	9	11
Accrued income taxes	2,339	7,915
Accrued expenses	2,851	3,876
Provision for bonuses	3,263	4,691
Provision for product warranties	364	1,116
Other current liabilities	3,982	4,511
Total current liabilities	40,319	50,608
Non-current liabilities:		
Lease obligations	42	43
Deferred tax liabilities	2	1
Net defined benefit liability	4,225	1,852
Other non-current liabilities	1,422	1,538
Total non-current liabilities	5,692	3,436
Total liabilities	46,011	54,044
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,414	10,437
Retained earnings	108,533	123,796
Treasury shares	-6,992	-6,966
Total shareholders' equity	119,500	134,812
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,972	2,158
Foreign currency translation adjustment	983	1,085
Remeasurements of defined benefit plans	-681	929
Total accumulated other comprehensive income	2,273	4,173
Total net assets	121,774	138,986
Total liabilities and net assets	167,786	193,030

(2) Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net sales	185,007	199,727
Cost of sales	95,682	97,493
Gross profit	89,325	102,233
Selling, general and administrative expenses	73,821	75,138
Operating income	15,503	27,094
Non-operating income		
Interest income	102	86
Dividend income	110	112
Foreign exchange gains	—	472
Subsidy income	122	514
Gain on valuation of investment securities	—	3
Other non-operating income	282	234
Total non-operating income	618	1,424
Non-operating expenses		
Interest expenses	10	8
Foreign exchange losses	973	—
Loss on valuation of investment securities	64	—
Other non-operating expenses	227	136
Total non-operating expenses	1,275	145
Ordinary income	14,846	28,374
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	—	464
Gain on termination of retirement benefit plan	—	132
Total extraordinary income	0	596
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	22	69
Impairment losses	—	388
Amortization of goodwill	—	1,185
Demolition cost	135	—
Settlement package	520	—
Office transfer cost	188	161
Total extraordinary losses	866	1,805
Income before income taxes	13,980	27,166
Income taxes - current	4,531	9,470
Income taxes - deferred	-405	-547
Total income taxes	4,126	8,922
Net income	9,854	18,243
Income attributable to owners of parent	9,854	18,243

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net income	9,854	18,243
Other comprehensive income		
Valuation difference on available-for-sale securities	214	186
Foreign currency translation adjustment	-460	102
Remeasurements of defined benefit plans, net of tax	-202	1,611
Total other comprehensive income	-448	1,899
Comprehensive income	9,405	20,143
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,405	20,143
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities		
Income before income taxes	13,980	27,166
Depreciation and amortization	3,597	3,236
Amortization of goodwill	148	1,307
Impairment loss	—	388
Loss (gain) on sales and retirement of property, plant and equipment	18	70
Loss (gain) on sales and retirement of intangible assets	3	0
Increase (decrease) in allowance for doubtful accounts	50	3
Increase (decrease) in reserve for bonuses	168	1,416
Increase (decrease) in provision for product warranties	-13	744
Increase (decrease) in provision for loss on litigation	-280	—
Increase (decrease) in net defined benefit liability	105	-50
Interest and dividend income	-213	-199
Interest expenses	10	8
Foreign exchange losses (gains)	274	-342
Loss (gain) on valuation of investment securities	64	-3
Loss (gain) on sales of investment securities	—	-464
Decrease (increase) in notes and accounts receivable - trade	6,925	-7,170
Decrease (increase) in inventories	-982	-9,313
Increase (decrease) in notes and accounts payable - trade	-8,429	430
Increase (decrease) in accrued consumption taxes	1,142	-705
Other, net	-571	1,754
Subtotal	16,000	18,275
Interest and dividends income received	209	165
Interest expenses paid	-9	-2
Income taxes paid	-6,222	-4,493
Settlement package paid	-761	—
Net cash flows from operating activities	9,217	13,945
Cash flows from investing activities		
Proceeds from sales of investment securities	67	841
Purchase of investment securities	-965	-159
Proceeds from sales of property, plant and equipment	5	14
Purchase of property, plant and equipment	-3,106	-2,923
Purchase of intangible assets	-485	-461
Other, net	-123	-257
Net cash flows from investing activities	-4,607	-2,946
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-55	—
Purchase of treasury shares	-0	-1
Cash dividends paid	-2,980	-2,979
Repayments of lease obligations	-17	-26
Net cash flows from financing activities	-3,054	-3,007
Effect of exchange rate change on cash and cash equivalents	-339	451
Net increase (decrease) in cash and cash equivalents	1,215	8,442
Cash and cash equivalents at beginning of period	34,697	35,913
Cash and cash equivalents at end of period	35,913	44,356