

Business Report

for the 93rd Term 2008.4.1 → 2009.3.31



Hitachi Medical Corporation
Stock ticket number: 6910

Diagnostic ultrasound system
HI VISION Preirus

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1. Matters pertaining to the current state of the Hitachi Medical Group

(1) The progression of business and results of the Hitachi Medical Group

During the consolidated accounting period under review, the Japanese economy, in the wake of the subprime mortgage crisis and the ensuing sudden credit crunch, fall in stock prices, and sharp appreciation of the yen, rapidly deteriorated as the effects of the financial crisis on real economy took a serious turn.

The medical equipment market, despite being thought as relatively immune to the fluctuations of the economy, has continued to face a harsh business environment, stemming from the decline in demand in medical equipment caused by the global recession and government measures to reduce medical expenses in both the U.S. and Japan.

In this environment, the Hitachi Medical Group, despite being impacted by the effects of the appreciating yen from the third quarter onward, managed to steadily acquire new orders by launching distinctive new products on the market.

As a result of these efforts, net sales increased by JPY 4,701 million (4.3%) year-on-year to JPY 115,088 million due to sales increases in Japan, Europe, and China. Operating income increased by JPY 457 million (13.8%) to JPY 3,766 million; ordinary income increased by JPY 153 million (6.4%) to JPY 2,566 million; and net income increased by JPY 2,235 million to JPY 1,145 million, marking the Group's return to profitability.

■ Medical Systems Segment

[MRI Systems]

Domestic sales increased thanks to strong performances by the permanent magnet MRI models, AIRIS Elite and high-field closed MRI Systems, including ECHELON Vega. Overseas sales also increased due to strong sales of the new high-field open MRI System, OASIS, in the U.S. and the permanent magnet MRI systems in Europe. Overall, sales in this segment increased from the levels of the previous fiscal year.

[X-ray CT Systems]

Although domestic sales were on the same levels as the previous fiscal year, overseas sales fell below the previous year's level due to the discontinuation of the low-priced, single-slice CT systems. As a result, overall results showed a year-on-year decline.

[X-ray Systems]

Domestic sales, despite strong performances by the new fluoroscopic systems, CUREVISTA and EXAVISTA, declined from previous year levels mainly as a result of poor sales of POPULUS, the general-purpose X-ray system. Overseas sales increased substantially thanks to strong sales of Sirius Ubiquitas, a CR-mounted mobile X-ray system, in the U.S. and Europe. Overall, sales in this segment increased from the level of the previous fiscal year.

[Diagnostic Ultrasound Systems]

Sales in China rose, while sales in Japan and Europe declined. As a result, overall results showed a year-on-year decline.

[Others]

In Japan, sales of third-party products, including radiation therapy systems and maintenance services, recorded substantial increases from the previous fiscal year.

As a result of the above, sales from this segment increased by 4.7% year-on-year to JPY 104,485 million, while operating income increased 1.1% to JPY 3,499 million.

■ Medical Information Systems

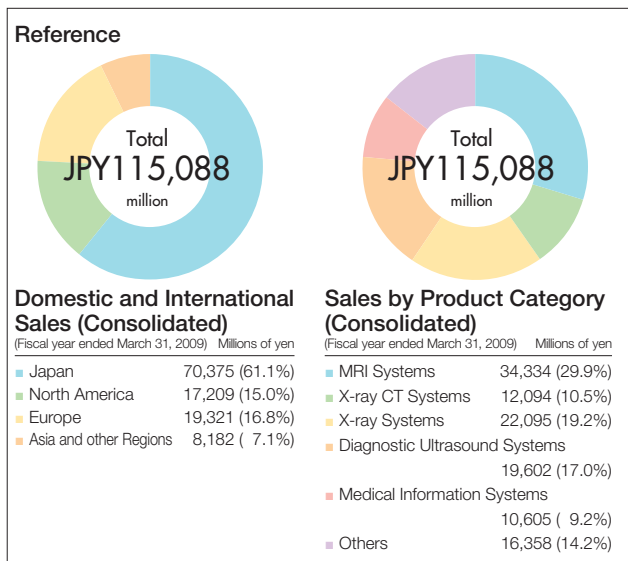
Sales for the Company's hospital information systems and medical image management systems were below the levels of the previous fiscal year.

Hitachi Medical Computer Systems, Inc., the Company's consolidated subsidiary based in Japan, reported year-on-year sales increases in prescription systems and medical coding software in line with the reform of the medical fee system.

As a result of the above, sales from this segment increased by 0.4% year-on-year to JPY 10,603 million, while operating income increased to JPY108 million due mainly to the increase in sales by Hitachi Medical Computer Systems, Inc.

■ Sales by Segment

Segment	Amount (Millions of yen)	Composition (%)	Year-on-year change (%)
Medical Systems	104,485	90.8	104.7
Medical Information Systems	10,603	9.2	100.4
Total	115,088	100.0	104.3



(2) Issues to be worked on by the Hitachi Medical Group

As for the Japanese economy during the period under review, harsh conditions are expected to prevail as the recession continues, and further uncertainty is expected.

In terms of the market for medical equipment, continuance of the unfavorable environment is expected, as prospects remain slim for any major growth in Japan, as well as in the U.S. and Europe.

Furthermore, the effects of the financial crisis are being felt as customers hold off on or postpone purchases. It is the time that we must actively deal with this situation through financings.

Faced with these circumstances, we have been implementing measures outlined below to improve our earning capacity under the new executive establishment headed by Kiyoshi Hamamatsu, who took over as President and Chief Executive Officer last year. We will nevertheless need to make further efforts in implementing these measures to complete our performance restructuring.

[Performance Restructuring Vision]

- 1) Aim to expand sales by developing distinctive products that target customers in the volume zone.

- 2) Pursue further enhancement of our business structure through improvement of product quality and increased productivity, while at the same time ensure profits by cutting back on fixed expenses.
- 3) Aim to accelerate development of next generation products by reinforcing the activities of the Medical Systems Development Center.
- 4) Promote reforms on the business structure by building a new business model compatible with the worldwide market.

Specifically, we will implement the following operations.

[Sales Growth and Product Development]

We are undertaking efforts on sales growth of the following new products and product development.

[MRI Systems]

We will promote sales expansion further mainly through the commencement of sales in Japan and in Europe of OASIS, a new high-field open MRI System; restructure the line-up of the permanent magnet MRI systems and step up production in China.

[X-ray CT Systems]

We will step up sales of the ECLOS, multi-slice (16, 8 and 4 slices) CT systems. We will launch 64-slice CT systems that differentiate us from our competitors.

[X-ray Systems]

In addition to the conventional flat-panel display mounted models, we will focus on expanding sales of the CUREVISTA and EXAVISTA, fluoroscopic X-ray systems with wide workspaces, and the Sirius Ubiquitas, a CR mounted mobile X-ray system.

[Diagnostic Ultrasound Systems]

Working around the key function of Elastography, which produces color images of tissue hardening, we will promote full-scale sales of our new product, HI VISION Preirus and the products following this model in the series.

[Medical Information Systems]

By promoting further collaborations with Hitachi Medical Computer Systems, Inc. and the Hitachi Group, we intend to expand our solution proposing business including our medical image management systems, electronic medical charts for clinics and comprehensive medical checkup systems for small- to medium-scale hospitals. We will also increase sales of simulations of lifestyle-related diseases that are compatible with specific medical checkups and specific health guidance together with our next generation medical checkup systems.

[Reinforcement of Our Overseas Sales Structure]

We will further bolster our sales structure and expand sales by primarily utilizing Hitachi Medical Systems (Beijing) Corporation in the Chinese market, and by utilizing the trading companies and our sales agents in Russia, Eastern Europe and Africa.

We also intend to open a Middle East Liaison Office for the early establishment of an appropriate sales structure in the Middle East.

[Reinforcement of Our Product Development Capabilities]

In order to drastically improve our product development capabilities, we will continue to implement measures to further stimulate and enhance the development structure established last year.

- 1) At the “Medical Systems Development Center” established within the Company with the cooperation of Hitachi, Ltd. (Research & Development Group and others), we have been reinforcing the development structures for next-generation high field MRI systems, next-generation diagnostic ultrasound systems and next-generation X-ray CT systems.
- 2) With the cooperation of Hitachi, Ltd. (Hitachi works and others), we have been reinforcing the development and production structure of superconducting electromagnets.

[Reinforcement of Our Business Constitution]

In order to further reinforce our business constitution, we will continue to make efforts in implementing measures such as “reduction of production lead time,” “reduction of inventories,” “improvement in product quality,” “improvement in service quality,” “increasing maintenance income,” and “promotion of environment measures.”

As a result of the above efforts, we are projecting net sales of JPY 116,000 million (0.8% increase over the preceding fiscal year).

In terms of profits, taking into account the decline in retail prices due to the effects of foreign exchange rate and the initial investments in R&D, we are projecting operating income of JPY 3,000 million (20.4% decrease over the preceding fiscal year), ordinary income of JPY 2,800 million (9.1% increase over the preceding fiscal year) and net income of JPY 1,800 million (57.2% increase over the preceding fiscal year).

Hitachi Medical intends to continue to be true to our “Basics and Ethics” and put our concerted efforts into a compliance-oriented management.

Reference

Forecast of results for the fiscal year ending March 31, 2010 (consolidated)

● Net Sale:	JPY 116,000 million
● Operating Income:	JPY 3,000 million
● Ordinary Income:	JPY 2,800 million
● Net Income:	JPY 1,800 million

(3) Capital Investments by the Hitachi Medical Group

The amount of capital investments during the consolidated accounting period was JPY 1,462 million, which consisted mainly of investments in the expansion of production facilities and in display systems.

(4) Assets and business results of the Hitachi Medical Group

1) The Hitachi Medical Group

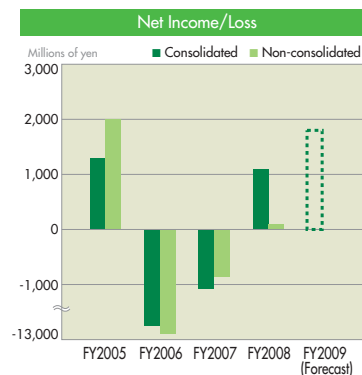
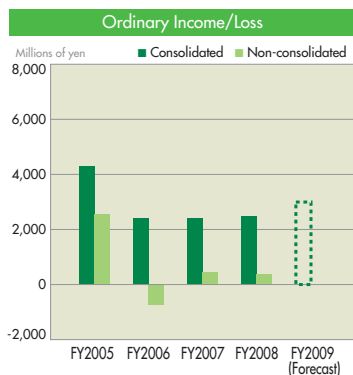
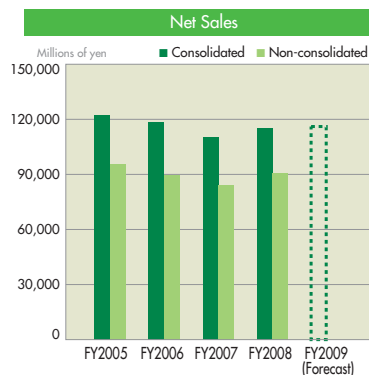
		FY2005	FY2006	FY2007	FY2008
Net sales	(Millions of yen)	122,436	118,342	110,386	115,088
Ordinary income	(Millions of yen)	4,308	2,429	2,413	2,566
Net income/loss	(Millions of yen)	1,296	△11,344	△1,089	1,145
Net income/loss per share	(yen)	32.96	△288.77	△27.77	29.20
Total assets	(Millions of yen)	131,874	114,219	111,364	107,132

2) Hitachi Medical (Non-consolidated)

		FY2005	FY2006	FY2007	FY2008
Net sales	(Millions of yen)	95,441	89,689	84,384	90,439
Ordinary income/loss	(Millions of yen)	2,550	△734	463	472
Net income/loss	(Millions of yen)	2,007	△12,301	△860	108
Net income/loss per share	(yen)	51.05	△313.15	△21.93	2.77
Total assets	(Millions of yen)	115,429	97,259	97,542	93,495

Reference

Major Results and Changes



(5) State of the parent company and major subsidiaries (As of March 31, 2009)

1) Relationship with the parent company

The Company's parent company is Hitachi, Ltd. and 61.77% of the Company's shares are held by the parent company. The Company sells medical systems to hospitals belonging to the parent company.

2) Major consolidated subsidiaries

Company Name	Paid-in Capital	Share of voting rights (%)	Principal Business
Hitachi Medical Computer Systems, Inc.	325 million yen	100	Manufacturing, sales and service of medical information systems
Hitachi Medical Systems America, Inc.	900 thousand US dollars	75	Sales and service of medical systems
Hitachi Medical Systems (Singapore) Pte, Ltd.	600 thousand Singaporean dollars	100	Sales and service of medical systems
Hitachi Medical Systems Europe Holding AG	1,673 thousand euros	100	Sales and service of medical systems
Performance Controls, Inc.	3,800 thousand US dollars	100	Manufacturing and sales of medical systems components
Hitachi Medical Systems (Suzhou) Corporation	41,385 thousand yuan	100	Manufacturing and sales of medical systems
Hitachi Medical Systems (Beijing) Corporation	54,677 thousand yuan	100	Sales and service of medical systems
Hitachi Medical (Guangzhou) Co., Ltd.	23,830 thousand yuan	60	Sales and service of medical systems

Note: Hitachi Medical Systems (Beijing) Corporation increased its paid-in capital in order to further bolster our sales structure in the Chinese market.

(6) Principal Businesses of the Hitachi Medical Group (As of March 31, 2009)

The Group is involved in the development, manufacturing, sales and installation of medical systems and medical information systems and the maintenance services thereof.

Segment	Business Description
Medical Systems	MRI systems, X-ray CT systems, X-ray systems, Diagnostic Ultrasound systems, Nuclear Medicine systems, etc.
Medical Information Systems	Medical image management systems, Hospital information systems, Comprehensive medical checkup systems, Medical administration systems

(7) Number of Employees of the Hitachi Medical Group (As of March 31, 2009)

Segment	Number of employees	Change from the end of the previous fiscal year (number of employees)
Medical Systems	3,112	-53
Medical Information Systems	448	+9
Total (Non-consolidated)	3,560 (2,259)	-44 (-70)

2. Stock Information (As of March 31, 2009)

(1) Number of shares authorized 158,000,000 shares

(2) Number of shares issued 39,540,000 shares

Capital	13,884,000,000 yen
Type of stock	Common stock
Number of shares per unit	1,000 shares

(3) Number of stockholders 3,248

(4) Major Stockholders

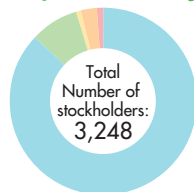
Stockholders	Equity in the Company	
	Number of shares held (shares)	Percentage of shares held (%)
Hitachi, Ltd.	24,220,400	61.77
Japan Trustee Services Bank, Ltd.	1,300,000	3.32
State Street Bank and Trust Company 505019	1,030,000	2.63
Credit Suisse Sec (Europe) Ltd PB Sec Int Non-Tr Clt	936,000	2.39
UBS AG London A/C IPB Segregated Client Account	857,000	2.19
CBNY DFA Intl Small Cap Value Portfolio	652,000	1.66
The Master Trust Bank of Japan, Ltd.	613,000	1.56
Hitachi Medical Corporation Group Employees' Stock Association	577,287	1.47
The Tachibana Securities Co., Ltd.	471,000	1.20
Yoshifumi Sakurai	241,000	0.61

Notes: 1. The Company holds 328,461 treasury shares but is excluded from the list of major stockholders above.

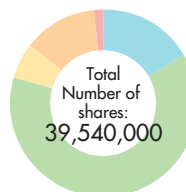
2. The percentage of shares held represents the ratio of the number of shares held to the total number of shares outstanding excluding 328,461 treasury shares.

Reference

Composition by Type of Stockholder



Individuals, others:	2,829	87.10%
Japanese companies:	272	8.38%
Financial institutions:	26	0.80%
Foreign investors:	91	2.80%
Securities companies:	30	0.92%



Individuals, others:	6,560,000	16.59%
Japanese companies:	24,855,000	62.86%
Financial institutions:	2,447,000	6.19%
Foreign investors:	5,038,000	12.74%
Securities companies:	638,000	1.62%

3. Board Members and Corporate Officers

Names of the Board of Directors and Executive Officers, their positions and responsible divisions

■ Board of Directors (As of June 25, 2009)

Position	Name	Responsibility (Committee)
Chairman External Director	Michiharu Nakamura	Chairman of the Nomination Committee and Member of the Compensation Committee
Director	Kiyoshi Hamamatsu	Member of the Nomination Committee and Chairman of the Compensation Committee
Director	Kazuyoshi Miki	—
Director	Kenichiro Kosugi	—
Director	Masahiro Tanaka	Chairman of the Audit Committee
External Director	Taiji Hasegawa	Member of the Nomination Committee, the Audit Committee and the Compensation Committee
External Director	Shozo Saito	Member of the Nomination Committee, the Audit Committee and the Compensation Committee

■ Executive Officer (As of June 25, 2009)

Position	Name	Responsibility
President and Chief Executive Officer	*Kiyoshi Hamamatsu	Overall control
Senior Vice President and Chief Executive Officer	*Kazuyoshi Miki	Environment, Quality control, Intellectual property, Development
Vice President and Executive Officer	Hideki Takahashi	International operations, Export control
Vice President and Executive Officer	*Kenichiro Kosugi	Finance
Vice President and Executive Officer	Toshiaki Teshima	Procurement, Quality control, Development, Production
Vice President and Executive Officer	Michito Kinoshita	Marketing, Domestic sales · Services business
Vice President and Executive Officer	Norifumi Katsukura	Human resources, Labor affairs, Legal affairs, Procurement, Risk measures, Compliance
Executive Officer	Etsuji Yamamoto	Management support
Executive Officer	Kunio Edo	Services business
Executive Officer	Tsuneo Maeda	Development
Executive Officer	Shuichi Sato	Domestic sales

(*Serving concurrently as a member of the Board of Directors)

4. The Company's system and policy

(1) Summary of the contents of the Board of Directors' resolution regarding the enhancement of systems, etc. to ensure the adequacy of business operations

■ Matters necessary for the execution of duties by the Audit Committee

1) Matters pertaining to directors and employees who are to assist in the duties of the Audit Committee

An administrative office for the Board of Directors has been established to assist in the duties of the various Committees including the Audit Committee and the Board of Directors; and one or more staff has been assigned to this office. In addition to the staff assigned to the administrative office for the Board of Directors, employees of the Audit Division and the General Affairs Division also assist in the administrative affairs of the Board of Directors and the various Committees. It should be noted that Directors have not been appointed explicitly to assist in the duties of the Audit Committee.

2) Matters pertaining to the independence of the Directors and employees stipulated in the previous paragraph from the Executive Officer

The Audit Committee shall receive prior explanation regarding the personnel changes involving employees belonging to the administrative office for the Board of Directors and may request changes to the Executive Officer in charge of human resources, as necessary. When disciplinary actions are to be taken against an employee belonging to the administrative office for the Board of Directors, the Executive Officer in charge of human resources must obtain prior approval from the Audit Committee.

3) System for Executive Officers and employees to report to the Audit Committee and the system for other reporting to the Audit Committee

Matters that have been brought before or reported to the Management Conference, results of internal audits conducted by the Audit Division, the status of reports

under the whistleblower system to monitor compliance and in situations where an Executive Officer is discovered to be in danger of causing material damage to the Company, reports must be made without delay to the Audit Committee.

4) Systems to ensure that audits are performed effectively by the Audit Committee

The Audit Committee shall establish a standing audit committee and draw up activity plans upon adjustments with the audit plans of the Audit Division.

■ System to ensure that the execution of duties by the Executive Officers comply with the relevant laws and the Articles of Incorporation

Same as "System to ensure that execution of duties by the employee comply with relevant laws and the Articles of Incorporation," stated below.

■ The enhancement of other systems stipulated as necessary by the Order of the Ministry of Justice to ensure the adequacy of operations

1) System regarding the retention and management of information relating to the execution of duties by the Executive Officer

Internal rules (Executive Officer Regulations and Document Retention Rules) stipulate that records of decisions by Executive Officers must be made and retained and that approval documents must be retained for certain number of years. Moreover in the event that a request is made for the above record or document by a member of the Audit Committee, it must be submitted by the Executive Officer without delay.

2) Regulations and other systems relating to the management of risk of loss

In terms of risks relating to compliance, information security, the environment, disasters, quality and export control, systems have been established at each corresponding division to formulate rules and guidelines, conduct training, and create/distribute manuals.

Efforts are also being made to monitor the probability of occurrence of new risks through the reports given periodically by the Executive Officers on the execution of their duties; and in order to deal with the newly occurring risks, instructions are given to the Divisions concerned by the President and Chief Executive Officer as necessary, in addition to appointing an Executive Officer responsible for promptly dealing with such risks.

Furthermore, in the event that the risks materialize and the occurrence of material losses is predicted, the Executive Officer shall promptly report to members of the Audit Committee.

3) System to ensure that the execution of duties by the Executive Officers is conducted effectively

The effectiveness of the execution of duties by the Executive Officers is ensured by utilizing the management control system indicated below.

- The Management Conference and the management conference for each segment have been established and decisions are being made after deliberations on various aspects take place.
- Each segment, to the end of systematically and efficiently executing operations, draws up its business strategies, action plans and numerical targets in the form of the medium-term management plan (medium-term plan) and the yearly budget and manages its performance accordingly.
- Internal audits are being performed to monitor the status of operations and to implement improvements.
- In order for the Audit Committee to supervise the accounting auditors and to ensure the independence of the accounting auditors from the Executive Officers, the Audit Committee shall receive prior reports on the audit plans from the accounting auditors. Remunerations for the accounting auditors and commissioning non-auditing operations to the accounting auditors require prior approval by the Audit Committee.

- Documented processes relating to the items that are to be included in the financial statements are being steadily implemented and verified (verifications are commissioned to accounting auditors as necessary).

4) System to ensure that the execution of duties by the employees comply with relevant laws and the Articles of Incorporation

A compliance system is being maintained continuously by utilizing the management control system indicated below.

- Internal audits by the Audit Division and other related divisions are being conducted in order to confirm the status of compliance and to deter violations of the laws.
- A whistleblower system to monitor compliance has been established so that personnel may report incidents to their divisions.
- As part of the Company's compliance education, an educational program using texts including handbooks on the laws relating to the business activities of the Company is being conducted.
- In order to make the internal control systems known throughout the Company and to ensure their efficiency, the Executive Officers, as part of their duties, are establishing the rules for each Company. However the enactment and the revision/removal of rules determining the system of rules/enactment methods, and of the rules relating to the organizations of the companies and to compliance/information management, particularly significant ones will require the approval of the Board of Directors.

5) System to ensure the adequacy of operations by the Corporate Group comprising the Company, the Company's parent company and its subsidiaries

The adequacy of operations by the Corporate Group is ensured by the system indicated below.

[The system, which includes the parent company]

- We regard the corporate behavior standards of the Company and Hitachi, Ltd., the parent company, as the

foundation for the Hitachi brand and our CSR activities. We will nurture a set of values to be shared by the entire Hitachi Group, while at the same time share in the understanding of the CSR that need to be fulfilled as a corporate entity.

- We are undergoing periodic audits on operations, accounting, export control and compliance by the parent company and receiving the results thereof in the form of appropriate feedback.
- The Company and the Hitachi Medical Group have made it their policy to conduct transactions within the Hitachi Group fairly and based on market prices.

[The system, which includes the subsidiaries]

- The Company has determined policies and management rules, which have at their core the compliance with the laws governing the business activities of the Hitachi Medical Group, including information security, the environment, quality control, export control, prevention of antisocial business, etc., and has laid down similar rules at its subsidiaries.
- In order to ensure efficiency and compliance, we have determined rules on internal audits and have developed a system that conducts periodic audits. We have also dispatched the Company's Directors and Corporate Auditors to the Hitachi Medical Group Companies.
- We have established a whistleblower system to monitor compliance, which enables employees of the Company and the Hitachi Medical Group to make reports of incidents to the responsible divisions of the Company.
- In terms of internal controls over financial statements, documented processes relating to the items that are to be included in the financial statements are being steadily implemented and verified by the Corporate Auditors, etc. of each company.
- The Company and the Hitachi Medical Group have made it their policy to conduct transactions within the Group fairly and based on market prices.

(2) Basic policy on the nature of persons who control decision-making over the financial and business policies of the Company

The Company recognizes that the listing of its stocks and the raising of capital for the Company's future growth from investors and from the stock market, while engaging in the management of the Company with a sense of urgency instilled by the awareness of being evaluated on a daily basis, is extremely important in enhancing its corporate value.

On the other hand, from the perspective of stockholder composition, the Company's parent company is Hitachi, Ltd. and on the basis of this capital relationship with Hitachi, Ltd., the Company is aggressively utilizing the R&D capabilities, the brand power and other management resources of Hitachi, Ltd. and the Hitachi Group.

The Company considers the optimization of its value as it applies to all of its stockholders as one of its major management goals and from this perspective it intends to engage in the construction of its governance structure and the formulation of its management plans.

(3) Policy on the determination of dividends

The Company considers returning profits to its stockholders as one of its top priorities.

Dividend payments will be executed based on maintaining a balance between the appropriate return of profits to our stockholders and the retention of internal reserves for R&D investments, while comprehensively taking into account the Company's performance and financial position.

During the current consolidated accounting period, the Company declared a year-end dividend of 5.0 yen per share, which is a 0.5 yen increase from the interim dividend of 4.5 yen per share. Accordingly the full year dividend amounted to 9.5 yen per share.

II. Consolidated Balance Sheets

(Millions of yen)

Item	FY2008 (As of March 31, 2009)	FY2007 (Reference) (As of March 31, 2008)
Assets		
Current Assets	81,910	84,295
Cash	7,493	6,908
Receivables	34,173	33,920
Marketable securities	—	545
Inventories	—	24,347
Merchandise and finished goods	12,136	—
Work in process	6,874	—
Raw materials and supplies	6,698	—
Deferred tax assets	3,631	3,949
Deposits	10,247	13,759
Others	1,136	1,393
Less: Allowance for doubtful accounts	△480	△528
Fixed Assets	25,221	27,068
Tangible fixed assets	15,585	16,435
Buildings and structures	5,633	6,003
Machinery, equipment and vehicles	1,523	1,586
Land	5,790	5,790
Others	2,638	3,055
Intangible fixed assets	5,229	3,925
Goodwill	36	57
Software	5,105	3,766
Others	87	101
Investment and other assets	4,407	6,707
Investment securities	2,697	4,942
Long-term prepaid expenses	218	303
Deferred tax assets	195	220
Others	1,304	1,241
Less: Allowance for doubtful accounts	△8	—
Total Assets	107,132	111,364

Item	FY2008 (As of March 31, 2009)	FY2007 (Reference) (As of March 31, 2008)
Liabilities		
Current Liabilities	32,724	34,472
Notes and accounts payable	21,528	20,689
Short-term loans payable	29	—
Accounts payable-other	810	2,067
Accrued expenses	5,137	5,696
Accrued income taxes	321	462
Reserve for guarantee for after-care of products	1,261	1,751
Others	3,635	3,804
Long-Term Liabilities	11,151	11,726
Long-term loans payable	409	40
Accrued retirement benefits	8,576	9,307
Reserve for directors' retirement allowances	322	469
Deferred tax liabilities on revaluation	1,612	1,612
Others	230	296
Total Liabilities	43,876	46,198
Net Assets		
Stockholders' Equity	67,119	66,348
Common stock	13,884	13,884
Capital surplus	21,210	21,206
Retained earnings	32,443	31,652
Treasury stock	△419	△394
Valuation and Translation Adjustments	△5,233	△2,671
Unrealized gain/loss on marketable securities	△1,514	328
Unrealized gain/loss on revaluation of land	△3,053	△3,053
Foreign currency translation adjustment	△664	53
Minority Interests	1,369	1,488
Total Net Assets	63,255	65,165
Total Liabilities and Net Assets	107,132	111,364

III. Consolidated Statements of Income

(Millions of yen)

Item	FY2008 (from April 1, 2008 to March 31, 2009)		FY2007 (Reference) (from April 1, 2007 to March 31, 2008)	
Net sales	115,088		110,386	
Cost of goods sold	75,506		70,503	
Gross Profit	39,582		39,883	
Selling, general and administrative expenses	35,815		36,573	
Operating Income	3,766		3,309	
Non-operating income				
Interest income	171		241	
Dividends income	58		60	
Others	203		210	
	433		511	
Non-operating expenses				
Interest expenses	11		41	
Loss on disposal of inventories	—		806	
Loss on disposal of fixed assets	64		117	
Foreign exchange losses	1,476		377	
Others	80		65	
	1,633		1,407	
Ordinary Income	2,566		2,413	
Extraordinary income				
Reversal of reserve for directors' retirement allowances	139		139	
	139		—	
Extraordinary losses				
Impairment loss	—		161	
Loss on valuation of investment securities	168		24	
Early extra retirement payments	—		1,471	
Others	—		81	
	168		1,738	
Income before Income Taxes	2,538		674	
Income taxes-Current	724		1,416	
Income taxes-Deferred	379		△102	
	1,104		1,314	
Minority interest in earnings of consolidated subsidiaries	288		450	
Net Income/Loss	1,145		△1,089	

IV. Consolidated Statement of Changes in Stockholders' Equity (From April 1, 2008 to March 31, 2009)

(Millions of yen)

Item	Balance and Reasons for Change	Amount
Stockholders' Equity		
Common stock	Balance at the end of previous period	13,884
	Balance at the end of current period	13,884
Capital surplus	Balance at the end of previous period	21,206
	Changes of items during the period	4
	Other	
	Balance at the end of current period	21,210
Retained earnings	Balance at the end of previous period	31,652
	Changes of items during the period	
	Dividend payments of surplus	△353
	Net income	1,145
	Disposition of treasury stocks	△1
	Balance at the end of current period	32,443
Treasury stock	Balance at the end of previous period	△394
	Changes of items during the period	
	Acquisition of treasury stocks	△29
	Disposition of treasury stocks	4
	Balance at the end of current period	△419
Total Stockholders' Equity	Balance at the end of previous period	66,348
	Changes of items during the period	
	Dividend payments of surplus	△353
	Net income	1,145
	Acquisition of treasury stocks	△29
	Disposition of treasury stocks	2
	Other	4
	Balance at the end of current period	67,119
Valuation and Translation Adjustments		
Unrealized gain/loss on marketable securities	Balance at the end of previous period	328
	Net changes of items during the period	△1,843
	Balance at the end of current period	△1,514
Unrealized gain/loss on revaluation of land	Balance at the end of previous period	△3,053
	Balance at the end of current period	△3,053
Foreign currency translation adjustment	Balance at the end of previous period	53
	Net changes of items during the period	△717
	Balance at the end of current period	△664
Total Valuation and Translation Adjustments	Balance at the end of previous period	△2,671
	Net changes of items during the period	△2,561
	Balance at the end of current period	△5,233
Minority Interests	Balance at the end of previous period	1,488
	Net changes of items during the period	△118
	Balance at the end of current period	1,369
Total Net Assets	Balance at the end of previous period	65,165
	Net changes of items during the period	
	Dividend payments of surplus	△353
	Net income	1,145
	Acquisition of treasury stocks	△29
	Disposition of treasury stocks	2
	Other	4
	Net changes in items other than stockholders' equity during the period	△2,680
	Balance at the end of current period	63,255

V. Non-consolidated Balance Sheets

(Millions of yen)

Item	FY2008 (As of March 31, 2009)	FY2007 (Reference) (As of March 31, 2008)
Assets		
Current Assets	67,123	69,226
Cash	2,950	3,576
Notes receivable-trade	3,328	4,439
Accounts receivable-trade	30,691	26,411
Marketable securities	—	545
Merchandise	—	165
Finished goods	—	7,143
Merchandise and finished goods	3,166	—
Work in process	6,622	7,464
Materials	—	1,041
Raw materials and supplies	6,404	—
Deferred tax assets	2,621	2,977
Accounts receivable-other	673	997
Short-term loans	—	—
receivable from affiliates	359	574
Deposits	10,140	13,759
Others	166	135
Less: Allowance for doubtful accounts	△2	△3
Fixed Assets	26,372	28,316
Tangible fixed assets	14,069	14,869
Buildings	5,137	5,468
Structures	131	148
Machinery	1,028	1,197
Vehicles	1	1
Equipment	1,720	2,256
Land	5,682	5,682
Construction in progress	368	115
Intangible fixed assets	4,350	3,245
Patent right	15	23
Right of trademark	7	2
Software	4,282	3,170
Right of using facilities	45	48
Investment and other assets	7,952	10,201
Investment securities	2,624	4,872
Stocks of affiliates	1,990	1,990
Investments in capital of affiliates	1,600	1,251
Long-term loans receivable from employees	4	2
Loans receivable from affiliates	600	858
Long-term prepaid expenses	211	293
Others	922	932
Less: Allowance for doubtful accounts	△1	—
Total Assets	93,495	97,542

Item	FY2008 (As of March 31, 2009)	FY2007 (Reference) (As of March 31, 2008)
Liabilities		
Current Liabilities	25,973	27,058
Notes payable-trade	—	410
Accounts payable-trade	20,479	19,245
Accounts payable-other	408	1,600
Accrued expenses	3,211	3,289
Accrued income taxes	124	111
Advance received	488	624
Deposits received	472	492
Reserve for guarantee for after-care of products	502	1,166
Notes payable-facilities	—	6
Others	285	111
Long-Term Liabilities	10,099	10,948
Long-term loans payable	262	40
Deferred tax liabilities	—	236
Deferred tax liabilities on revaluation	1,612	1,612
Accrued retirement benefits	7,940	8,643
Reserve for directors' retirement allowances	284	414
Total Liabilities	36,073	38,006
Net Assets		
Stockholders' Equity	61,990	62,261
Common stock	13,884	13,884
Capital surplus	21,206	21,206
Capital reserve	21,206	21,206
Retained earnings	27,319	27,565
Earned surplus reserve	798	798
Other retained earnings	26,521	26,767
General reserve	38,968	38,968
Retained earnings carried forward	△12,447	△12,201
Treasury stock	△419	△394
Valuation and Translation Adjustments	△4,568	△2,724
Unrealized gain/loss on marketable securities	△1,514	328
Unrealized gain/loss on revaluation of land	△3,053	△3,053
Total Net Assets	57,421	59,536
Total Liabilities and Net Assets	93,495	97,542

VI. Non-consolidated Statements of Income

(Millions of yen)

Item	FY2008 (from April 1, 2008 to March 31, 2009)		FY2007 (Reference) (from April 1, 2007 to March 31, 2008)	
Net sales	90,439		84,384	
Cost of goods sold	70,854		65,698	
Gross Profit	19,584		18,685	
Selling, general and administrative expenses	19,187		19,369	
Operating Income/Loss	396		△684	
Non-operating income				
Interest income	113		145	
Interest on securities	2		9	
Dividends income	1,267		1,963	
Others	85	1,467	128	2,247
Non-operating expenses				
Interest expenses	9		9	
Loss on disposal of inventories	—		542	
Loss on disposal of fixed assets	24		67	
Foreign exchange losses	1,313		443	
Others	45	1,392	36	1,099
Ordinary Income	472		463	
Extraordinary income				
Reversal of reserve for directors' retirement allowances	139	139	—	—
Extraordinary losses				
Impairment loss	—		161	
Loss on valuation of investment securities	168		24	
Early extra retirement payments	—		1,471	
Others	—		81	1,738
Income/Loss before Income Taxes	443		△1,274	
Income taxes-Current	△21		24	
Income taxes-Deferred	356	335	△438	△414
Net Income/Loss	108		△860	

VII. Non-consolidated Statement of Changes in Stockholder's Equity (From April 1, 2008 to March 31, 2009)

(Millions of yen)

Item	Balance and Reasons for Change	Amount
Stockholders' Equity		
Common stock	Balance at the end of previous period	13,884
	Balance at the end of current period	13,884
Capital surplus		
Capital reserve	Balance at the end of previous period	21,206
	Balance at the end of current period	21,206
Retained earnings		
Earned surplus reserve	Balance at the end of previous period	798
	Balance at the end of current period	798
Other retained earnings		
General reserve	Balance at the end of previous period	38,968
	Balance at the end of current period	38,968
Retained earnings carried forward	Balance at the end of previous period	△12,201
	Changes of items during the period	Dividend payments of surplus △353
		Net income 108
		Disposition of treasury stocks △1
	Balance at the end of previous period	△12,447
Total retained earnings	Balance at the end of previous period	27,565
	Changes of items during the period	Dividend payments of surplus △353
		Net income 108
		Disposition of treasury stocks △1
	Balance at the end of current period	27,319
Treasury stock	Balance at the end of previous period	△394
	Changes of items during the period	Acquisition of treasury stock △29
		Disposition of treasury stocks 4
	Balance at the end of current period	△419
Total Stockholders' Equity	Balance at the end of previous period	62,261
	Changes of items during the period	Dividend payments of surplus △353
		Net income 108
		Acquisition of treasury stocks △29
		Disposition of treasury stocks 2
	Balance at the end of current period	61,990
Valuation and Translation Adjustments		
Unrealized gain/loss on marketable securities	Balance at the end of previous period	328
	Net changes of items during the period	△1,843
	Balance at the end of current period	△1,514
Unrealized gain/loss on revaluation of land	Balance at the end of previous period	△3,053
	Balance at the end of current period	△3,053
Total Valuation and Translation Adjustments	Balance at the end of previous period	△2,724
	Net changes of items during the period	△1,843
	Balance at the end of current period	△4,568
Total Net Assets	Balance at the end of previous period	59,536
	Net changes of items during the period	Dividend payments of surplus △353
		Net income 108
		Acquisition of treasury stocks △29
		Disposition of treasury stocks 2
		Net changes in items other than stockholders' equity during the period △1,843
	Balance at the end of current period	57,421