

[Summary]

May 11, 2017

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for FY2016 (From April 1, 2016 to March 31, 2017)

(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	%
FY2016	166,285	0.5	13,585	-17.4	14,053	-12.8	9,149	-13.0
FY2015	165,522	2.9	16,438	3.3	16,116	-6.5	10,516	-5.6

Note: Comprehensive income: FY2016: 9,215 million yen (15.4%) FY2015: 7,987 million yen (-44.0%)

	Net income per share- Basic	Net income per share- Diluted	Return on equity	Ordinary income to total assets	Operating income margin
	yen	yen	%	%	%
FY2016	106.81	—	9.1	9.5	8.2
FY2015	120.12	—	10.7	11.1	9.9

Reference: Investment income for equity method: FY2016: — million yen FY2015: — million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2016	152,806	103,887	68.0	1,212.82
FY2015	144,270	97,671	67.7	1,140.25

Reference: Equity capital: FY2016: 103,887 million yen FY2015: 97,671 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
FY2016	11,356	-6,344	-3,517	28,560
FY2015	10,765	-7,802	-9,488	27,283

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	%	%
FY2015	—	17.00	—	18.00	35.00	3,032	29.1	3.1
FY2016	—	17.00	—	18.00	35.00	2,998	32.8	3.0
FY2017 (Forecast)	—	17.00	—	18.00	35.00		29.4	

3. Consolidated Forecast for FY2017 (From April 1, 2017 to March 31, 2018)

	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	78,000	4.7	3,900	1.7	3,900	45.0	2,500	48.5	29.19
Full year	175,000	5.2	15,000	10.4	15,000	6.7	10,200	11.5	119.08

(Reference) Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for FY2016 (From April 1, 2016 to March 31, 2017)

(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	%
FY2016	105,371	2.0	8,800	-11.3	12,297	-17.1	9,273	-21.1
FY2015	103,344	3.7	9,921	1.1	14,841	15.0	11,751	31.0

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2016	108.26	—
FY2015	134.22	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2016	129,068	88,343	68.4	1,031.36
FY2015	119,942	82,502	68.8	963.16

Reference: Equity capital: FY2016: 88,343 million yen FY2015: 82,502 million yen

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

*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, 2016 to March 31, 2017), the Japanese government worked on healthcare system reform under its 2025 future vision of medical/long-term care services. In April 2016, medical treatment fees were revised in order to promote integrated community care systems, differentiate medical institution functions, and strengthen collaboration. Each prefecture drew up a regional health vision for the enhancement of medical treatment systems by 2025. The medical equipment industry was required to meet the changing needs of medical institutions. Internationally, overall demand for medical equipment has remained steady. In developed countries, the efficiency of medical care for medical cost restriction has been enhanced and cutting-edge medical technologies have been introduced. In emerging countries, the healthcare infrastructure has developed in parallel with economic growth although there was sluggish demand due to weak currencies and lower oil prices in some regions.

Under these circumstances, the Company implemented key strategies such as strengthening technological development capabilities, strengthening business expansion by region, and achieving further growth in core businesses under its four-year mid-term business plan, Strong Growth 2017, of which the final year is FY2016. The Company has continued to introduce new products since April 2016: an electrocardiograph with network connectivity, a fully-automatic hematology analyzer, and an EEG headset which enables a quick measurement of EEG in the Emergency Room. Nihon Kohden also strengthened its business structure. The Company reorganized its domestic sales operations and built an Advanced Technology Center in front of Tokorozawa station in Saitama prefecture.

As a result, overall sales during the term under review increased 0.5% over FY2015 to ¥166,285 million. Gross margin ratio was lower than FY2015 due to the appreciation of the yen as well as an unfavorable product mix. SG&A expenses increased, mainly due to the enhancement of human resources and R&D investments. Operating income decreased 17.4% to ¥13,585 million, Ordinary income decreased 12.8% to ¥14,053 million and income attributable to owners of parent decreased 13.0% to ¥9,149 million.

[Sales by region]

Japan: Sales increased as the Company reorganized its sales operations in April 2016 to 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 private hospital market increased favorably due to demand in response to revision of medical treatment fees. Sales in the clinic market also showed strong growth. Sales in the university and public hospital market decreased due to some postponements and restraints of their capital investments, reflecting a difficult management environment. As a result, domestic sales increased 2.3% over FY2015 to ¥124,764 million.

International: Sales decreased due to a negative currency translation impact. As the Company strengthened its business structure in the U.S., Asia and Africa, sales increased on a comparable basis. In the Americas, sales in the U.S. increased on a comparable basis, posting solid growth in Patient Monitors, and decreased on a yen basis due to yen appreciation. Sales in Latin America decreased due to change in distribution channels with the reorganization of the Company's sales subsidiaries in Latin America*. Sales in Europe decreased, especially in Germany and Turkey. In Asia, sales increased on a comparable basis and decreased on a yen basis. Sales in India increased favorably. Sales in China increased on a comparable basis. Sales in oil producing countries in the Middle East decreased due to negative effects of lower oil prices. As a result, international sales decreased 4.6% over FY2015 to ¥41,520 million.

*The accounting term of Nihon Kohden Mexico, which was established in January and started operations in April 2016, is the end of December. Accordingly, its 9 months financial results from April 1, 2016 to December 31, 2016 were included in the consolidation.

[Sales by product category]

Physiological Measuring Equipment: In Japan, sales of EEGs, ECGs and diagnostic information systems decreased, while sales of polygraphs for cath lab increased. Internationally, sales of both EEGs and ECGs decreased in all areas. Overall, sales decreased 4.0% over the previous fiscal year to ¥37,658 million.

Patient Monitors: In Japan, sales of transmitters, telemetry central monitors and bedside monitors increased favorably, reflecting demand for differentiating and strengthening medical institution functions. Consumables such as sensors also contributed to sales increase. Outside Japan, sales in Other showed strong growth and sales in the Americas increased, while sales in Asia and Europe decreased. Overall, sales increased 2.4% over the previous fiscal year to ¥56,117 million.

Treatment Equipment: In Japan, sales of defibrillators were weak and sales of AEDs also decreased due to slow replacement demand. Sales of ventilators, pacemakers and ICDs increased. Internationally, sales of defibrillators decreased in all areas. Sales of AEDs decreased in the Americas and Europe, while sales in Asia and Other increased favorably. Overall, sales decreased 2.9% over the previous fiscal year to ¥29,728 million.

Other Medical Equipment: In Japan, sales of hematology instruments increased. Sales of locally purchased products also increased. Internationally, sales of locally purchased products increased, while sales of hematology analyzers slightly decreased. Overall, sales increased 4.7% over the previous fiscal year to ¥42,781 million.

5. Consolidated Sales Results by Product Category

(Millions of yen)		
FY2016		
	Amount	Growth rate (%)
Physiological Measuring Equipment	37,658	-4.0
Patient Monitors	56,117	+2.4
Treatment Equipment	29,728	-2.9
Other Medical Equipment	42,781	+4.7
Total	166,285	+0.5
Domestic Sales	124,764	+2.3
Overseas Sales	41,520	-4.6
(Reference) Overseas Sales		
Americas	18,953	-2.6
Europe	6,988	-13.6
Asia	12,639	-8.9
Other	2,938	+38.9

6. Consolidated Forecast for FY2017

In Japan, healthcare system reform is underway and each prefecture drew up a regional health vision for the enhancement of medical treatment systems by 2025. Discussions for differentiating medical institution functions and strengthening collaboration will start from now on. 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. and Europe as well as political instability in some emerging countries.

Under these circumstances, Nihon Kohden will start its three-year mid-term business plan, TRANSFORM 2020 in order to achieve sustain growth of the Nihon Kohden Group and enhance the corporate value of the Company. In Japan, in order to improve the operational efficiency of the Group and enhance its management structure, the Company absorbed its domestic sales subsidiaries in April 2017. 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. The Company will also introduce new products and services for the increasing number of cardiovascular disease patients with aging as well as for responding to the needs of regional healthcare systems. 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 introduce a new vital sign telemeter with wireless LAN connectivity and enhance network systems to support large-scale monitoring in order to increase sales and market share. In hematology instruments, the Company will expand its overseas business by promoting clinical chemistry analyzer business in Asia. Production of CRP and HbA1c reagents will be started in India.

Nihon Kohden will take measures to improve profitability. The Company will improve development efficiency at its Advanced Technology Center and productivity at its Tomioka Production Center. The Company will also expand sales of its own products and consumables. In order to improve its gross margin ratio, the Company will establish a global supply chain appropriate for the Group and reduce inventories.

The Company forecasts its overall sales, operating income, ordinary income and income attributable to owners of parent for FY2017 to be ¥175,000 million, ¥15,000 million, ¥15,000 million and ¥10,200 million, respectively.

The Company's forecast for FY2017 is based on an exchange rate of 110 yen to the U.S. dollar and 115 yen to the euro.

(Consolidated Forecast for FY2017 by Product Category)

(Millions of yen)		
FY2017 (Forecast)		
	Amount	Growth rate (%)
Physiological Measuring Equipment	39,800	+5.7
Patient Monitors	59,100	+5.3
Treatment Equipment	31,200	+5.0
Other Medical Equipment	44,900	+5.0
Total	175,000	+5.2
Domestic Sales	128,000	+2.6
Overseas Sales	47,000	+13.2

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.

To further enhance corporate governance, the Company transitioned to a Company with Audit & Supervisory Committee in accordance with a resolution at the 65th Annual General Meeting of Shareholders in June 28, 2016 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.

(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 of applicable global markets.

<Review of the second stage of the long-term vision, Strong Growth 2017 covering the fiscal years 2013 to 2016>

In Japan, Nihon Kohden reorganized its sales operations to match each market: the acute care hospital market, the small and mid-sized hospital market, and the clinic market, to achieve sustainable growth under the Japanese government's future vision to reorganize the medical and nursing care systems by 2025. Internationally, the Company focused on enhancing its business structure, especially in the U.S. and emerging markets, to achieve strong growth in overseas markets. On the technology side, Nihon Kohden focused on developing technologies and products with high clinical values such as iNIBP*1 and the EEG headset*2. The Company also undertook to create new business opportunities through the development of ventilators and anesthesia machines. Nihon Kohden enhanced its business structure by establishing the Tomioka Production Center and constructing an Advanced Technology Center. The Company strengthened its corporate governance through appointing four independent outside directors and establishing a Nomination and Remuneration Committee. However, the financial results for fiscal year ended March 31, 2017, which was the last year of Strong Growth 2017, were below its targets for consolidated sales, operating income and ROE, which were revised upward in May 2015. This was due to a negative impact from the progress of healthcare reform in Japan and the deterioration of the market environment in some emerging countries. The Company's upfront investment burden was also affected. As a result, the improvement of profitability remains as an issue to be solved.

*1 iNIBP is an original algorithm which allows quick and painless NIBP measurement during cuff inflation.

*2 The EEG headset enables a quick EEG measurement in the Emergency Room by easy attachment to the head.

¥100 million	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2016 Target	
					Original Target announced in May 2013	Revised Target announced in May 2015
Sales	1,531	1,608	1,655	1,662	1,700	1,820
Domestic Sales	1,204	1,224	1,219	1,247	1,215	1,300
Overseas Sales	327	383	435	415	485	520
Operating Income	175	159	164	135	180	200
ROE	15.0%	11.9%	10.7%	9.1%	13.0%	13.5%

<The final stage of the long-term vision, TRANSFORM 2020 covering the fiscal years 2017 to 2019>

Based on the results and issues under its previous mid-term business plan, 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)

TRANSFORM 2020 is the last stage of Nihon Kohden's long-term vision and an important turning point for realizing sustainable growth after 2020. Due to the changing market environment, the Company changed its numerical targets for the fiscal year ending March 2020. Nihon Kohden will consistently implement six key strategies in line with the basic policies set out above to achieve the TRANSFORM 2020 targets. The Company will also strive to realize the envisioned corporate status for 2020 stated in its long-term vision.

¥100 million	FY2019 Target	
	Long-term Vision The CHANGE 2020 announced in May 2010	Mid-term Business Plan TRANSFORM 2020 announced in May 2017
Sales	over 2,000	1,900
Domestic Sales	—	1,350
Overseas Sales	Overseas Sales Ratio: 35%	550
Operating Income	over 250	200
ROE	—	12.0%

9. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2016	March 31, 2017
ASSETS		
Current assets:		
Cash and deposits	16,422	18,753
Notes and accounts receivable - trade	59,338	60,993
Securities	11,000	10,000
Merchandise and finished goods	14,519	17,061
Work in process	1,399	1,288
Raw materials and supplies	3,758	4,288
Deferred tax assets	4,589	4,497
Other current assets	2,117	2,517
Allowance for doubtful accounts	-213	-165
Total current assets	112,929	119,235
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	4,078	11,792
Machinery, equipment and vehicles, net	783	744
Tools, furniture and fixtures, net	3,046	3,006
Land	3,581	3,644
Lease assets, net	44	31
Construction in progress	4,161	929
Total property, plant and equipment	15,695	20,148
Intangible assets		
Goodwill	2,392	2,187
Other intangible assets	3,799	3,410
Total intangible assets	6,192	5,597
Investments and other assets		
Investment securities	6,149	5,050
Deferred tax assets	1,594	1,242
Other investments and other assets	1,888	1,707
Allowance for doubtful accounts	-179	-174
Total investments and other assets	9,453	7,825
Total non-current assets	31,340	33,571
Total assets	144,270	152,806

(Millions of yen)

	March 31, 2016	March 31, 2017
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	29,726	32,539
Short-term loans payable	1,174	628
Accounts payable - other	2,348	2,168
Lease obligations	16	16
Accrued income taxes	2,030	2,194
Accrued expenses	2,783	2,804
Provision for bonuses	2,860	2,671
Provision for product warranties	299	476
Other current liabilities	1,661	1,506
Total current liabilities	42,901	45,006
Non-current liabilities:		
Long-term accounts payable	24	23
Lease obligations	29	16
Deferred tax liabilities	68	95
Net defined benefit liability	3,164	2,532
Other non-current liabilities	410	1,245
Total non-current liabilities	3,697	3,913
Total liabilities	46,599	48,919
NET ASSETS		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,414	10,414
Retained earnings	83,833	89,984
Treasury shares	-7,472	-7,473
Total shareholders' equity	94,321	100,470
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,036	1,604
Foreign currency translation adjustments	2,559	1,959
Remeasurements of defined benefit plans	-1,245	-147
Total accumulated other comprehensive income	3,350	3,416
Total net assets	97,671	103,887
Total liabilities and net assets	144,270	152,806

(2) Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	165,522	166,285
Cost of sales	84,811	87,058
Gross profit	80,711	79,226
Selling, general and administrative expenses	64,272	65,641
Operating income	16,438	13,585
Non-operating income		
Interest income	30	37
Dividend income	107	102
Subsidy income	288	276
Gain on valuation of investment securities	—	58
Other non-operating income	322	408
Total non-operating income	748	883
Non-operating expenses		
Interest expenses	58	56
Foreign exchange losses	911	254
Loss on valuation of investment securities	23	—
Other non-operating expenses	77	104
Total non-operating expenses	1,070	415
Ordinary income	16,116	14,053
Extraordinary income		
Gain on sales of non-current assets	5	0
Gain on sales of investment securities	—	416
Total extraordinary income	5	417
Extraordinary losses		
Loss on sales of non-current assets	17	—
Loss on retirement of non-current assets	35	90
Loss on valuation of investment securities	1	257
Factory transfer cost	128	—
Office transfer cost	—	271
Total extraordinary losses	182	618
Income before income taxes and non-controlling interests	15,939	13,851
Income taxes - current	5,301	4,523
Income taxes - deferred	91	179
Total income taxes	5,393	4,702
Net income	10,545	9,149
Income attributable to non-controlling interests	28	—
Income attributable to owners of parent	10,516	9,149

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net income	10,545	9,149
Other comprehensive income		
Valuation difference on available-for-sale securities	-290	-431
Foreign currency translation adjustment	-512	-599
Remeasurements of defined benefit plans, net of tax	-1,754	1,097
Total other comprehensive income	-2,558	66
Comprehensive income	7,987	9,215
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,961	9,215
Comprehensive income attributable to non-controlling interests	25	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes and non-controlling interests	15,939	13,851
Depreciation and amortization	3,459	3,422
Amortization of goodwill	165	142
Loss (gain) on sales and retirement of property, plant and equipment	47	88
Loss (gain) on sales of intangible assets	0	0
Increase (decrease) in allowance for doubtful accounts	16	-44
Increase (decrease) in reserve for bonuses	-24	-189
Increase (decrease) in provision for product warranties	-26	109
Increase (decrease) in net defined benefit liability	-2	949
Interest and dividends income	-138	-140
Interest expenses	58	56
Foreign exchange losses (gains)	303	123
Loss (gain) on valuation of investment securities	24	198
Loss (gain) on sales of investment securities	—	-416
Decrease (increase) in notes and accounts receivable - trade	-1,114	-1,985
Decrease (increase) in inventories	-920	-3,170
Increase (decrease) in notes and accounts payable - trade	-453	2,826
Increase (decrease) in accrued consumption taxes	-699	-689
Other, net	-164	717
Subtotal	16,470	15,850
Interest and dividends income received	140	135
Interest expenses paid	-40	-57
Income taxes paid	-5,805	-4,572
Net cash flows from operating activities	10,765	11,356
Cash flows from investing activities		
Proceeds from sales of investment securities	127	759
Purchase of investment securities	-117	-64
Proceeds from sales of property, plant and equipment	20	3
Purchase of property, plant and equipment	-6,898	-6,304
Purchase of intangible assets	-547	-502
Other, net	-387	-236
Net cash flows from investing activities	-7,802	-6,344
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	147	-501
Repayments of long-term loans payable	-0	—
Proceeds from sales of treasury shares	0	—
Purchase of treasury shares	-6,438	-1
Cash dividends paid	-3,027	-2,997
Repayments of lease obligations	-17	-16
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-152	—
Other, net	0	—
Net cash flows from financing activities	-9,488	-3,517
Effect of exchange rate change on cash and cash equivalents	-304	-217
Net increase (decrease) in cash and cash equivalents	-6,829	1,277
Cash and cash equivalents at beginning of period	34,113	27,283
Cash and cash equivalents at end of period	27,283	28,560