

July 12, 2004

First Quarter Consolidated Financial Results for Fiscal 2004

Name: **Hogy Medical Co., Ltd.**
 Listing: **First Section, Tokyo Stock Exchange**
 Stock code number: **3593**
 Phone: **+81-3-6229-1300**
 URL: **<http://www.hogy.co.jp/>**
 Representative: **Masao Hoki, President and CEO**
 Contact: **Kazutaka Itoh, Executive Officer and Head of Administration Dept.**

1. Items relevant to preparation of quarterly financial statements

(1) Simplified accounting method adopted: Yes

- Depreciation of fixed assets

(1) Tangibles: Reported as quarterly proportions of estimated annual amounts.

(2) Intangibles: Reported as quarterly proportions of estimated annual amounts.

- Income tax reporting standard: Calculated based on estimated annual rate according to legal effective tax rates.

(2) Changes in accounting methods since end of most recent consolidated fiscal year: None

(3) Changes in scope of consolidation and application of equity method: None

2. Fiscal 2004—First quarter (April 1–June 30, 2004)

(1) Results of operations (consolidated)

(Millions of yen, except per-share figures, rounded down to nearest million)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	Net income per share
		(% change)		(% change)		(% change)		(% change)	(Yen)	(fully diluted) (Yen)
Fiscal 2004—										
First quarter	¥ 6,072	-2.1%	¥1,344	-11.9%	¥1,470	-4.3%	¥1,029	11.8%	¥ 66.15	¥ 60.62
Fiscal 2003—										
First quarter	6,204	6.2	1,526	-6.2	1,536	6.5	920	7.2	58.41	53.58
Fiscal 2003—										
Full year	24,844		5,842		5,604		3,225		202.05	185.37

Note: Percentage figures in the above tables indicate increase/decrease over the corresponding period of the previous year.

Consolidated Performance Progress Report

In the first quarter of fiscal 2004, the Japanese economy continued to recover, driven by strong performances in some manufacturing sectors, which benefited from strong economic conditions in China and the United States. However, measures taken by both of those nations to control growth will lead to a period of economic adjustment. Ongoing increases in raw materials prices are another other cause for concern. Therefore, we believe that uncertainties will continue to prevail.

Conditions in the medical industry remained difficult, as institutions felt the effects an increase in the proportion of total medical fees borne by insured people in the previous fiscal year, as well as other factors placing downward pressure on medical costs. As conditions become more and more tenuous for hospitals, we expect a continuation of difficulties surrounding the entire medical industry.

The Hogy Medical Group experienced challenging market conditions, similar to those faced by the industry in general. Reflecting this situation, revenues in the first quarter of fiscal 2004 (April 1 to June 30, 2004) slipped below our forecasts. Owing to a foreign exchange gain, however, we reported an ordinary income figure that generally reflected our projection. For the period, consolidated net sales totaled ¥6,072 million, down 2.1% from the previous corresponding period. Operating income fell 11.9%, to ¥1,344 million, and ordinary income slipped 4.3%, to ¥1,470 million. Net income for the quarter rose 11.8%, to ¥1,029 million.

(2) Financial position (consolidated) (June 30, 2004)

(Millions of yen, except per-share figures, rounded down to nearest million)

	Total assets	Shareholders' equity	Equity ratio (%)	Equity per share (Yen)
Fiscal 2004—First quarter	¥59,541	¥41,689	70.0%	¥2,678.46
Fiscal 2003— First quarter	57,077	39,951	70.0	2,534.08
Fiscal 2003—Full year	58,508	41,047	70.2	2,632.81

(3) Cash flows (consolidated)

(Millions of yen, rounded down to nearest million)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
Fiscal 2004— First quarter	¥ 897	¥ 166	-¥ 190	¥15,552
Fiscal 2003— First quarter	514	-2,070	-189	11,975
Fiscal 2003—Full year	5,280	-2,857	-1,279	14,570

Financial Position

Between April 1 and June 30, 2004, shareholders' equity increased ¥641 million, and total assets grew ¥1,033 million. The equity ratio remained largely unchanged, at 70.0%.

Factors boosting assets included a ¥1,296 million rise in cash and bank deposits and a ¥367 million increase in notes and accounts receivable. By contrast, securities declined ¥308 million due to redemption of a medium-term government bond fund.

Fixed assets were down ¥337 million as the Company did not make major purchases of property, plant, and equipment. Investment securities fell ¥207 million due to sales of shares.

Among current liabilities, the reserve for employees' bonuses and other accrued expenses increased ¥511 million, accrued payables for plant and equipment and others rose ¥314 million, and accrued income tax was down ¥268 million due to payment of the defined portion.

Cash Flows

In the quarter under review, net cash provided by operating activities amounted to ¥897 million. Major components included ¥1,673 million in income before income taxes and minority interests, ¥591 million in depreciation, a ¥370 million increase in notes and accounts receivable, and ¥902 million in income taxes paid.

Net cash provided by investing activities totaled ¥166 million. This stemmed mainly from ¥246 million in proceeds from sales of investment securities.

Net cash used in financing activities was ¥190 million, due mainly to ¥186 million in cash dividends paid.

[Reference] Forecast for fiscal 2004 (consolidated) (April 1, 2004–March 31, 2005)

(Millions of yen, rounded down to nearest million)

	Net sales	Ordinary income	Net income
Interim	¥13,096	¥2,980	¥1,753
Full year	26,600	6,059	3,597

Note: Forecast net income per share (full year): ¥226.82

*The above estimates are based on information available to the Company on the date of the report's announcement. Due to unforeseen circumstances, however, actual results may differ from such estimates. The forecast net income per share figure was calculated using the same adjustments as those used for the previous fiscal year.

Outlook

The Company has made no revisions to its performance forecasts, announced on April 12, 2004.

(1) Consolidated Balance Sheets (Summary)

(Millions of yen, rounded down to nearest million)

	Fiscal 2004— First quarter (June 30, 2004)		Fiscal 2003— First quarter (June 30, 2003)		Change		Fiscal 2003 (March 31, 2004)	
		(% of total)		(% of total)		(% change)		(% of total)
ASSETS								
Current assets								
Cash and bank deposits	¥10,111		¥ 6,080				¥ 8,815	
Notes and accounts receivable	7,396		7,450				7,029	
Securities	5,676		6,095				5,984	
Inventories	5,895		5,405				5,722	
Other current assets	580		678				602	
Total current assets	29,660	49.8%	25,709	45.0%	¥3,950	15.4%	28,154	48.1%
Fixed assets								
Property, plant and equipment	27,333	45.9	28,660	50.2	-1,326	-4.6	27,671	47.3
Intangible fixed assets	278	0.5	96	0.2	182	189.0	216	0.4
Investments and other assets	2,269	3.8	2,610	4.6	-341	-13.1	2,466	4.2
Total fixed assets	29,881	50.2	31,367	55.0	-1,486	-4.7	30,354	51.9
Total assets	59,541	100.0	57,077	100.0	2,464	4.3	58,508	100.0
LIABILITIES								
Current liabilities								
Notes and accounts payable	3,196		3,094				3,000	
Other current liabilities	3,286		2,357				3,047	
Total current liabilities	6,482	10.9	5,451	9.6	1,031	18.9	6,048	10.3
Long-term liabilities								
Convertible bonds	10,000		10,000				10,000	
Other long-term liabilities	1,359		1,664				1,402	
Total long-term liabilities	11,359	19.1	11,664	20.4	-305	-2.6	11,402	19.5
Total liabilities	17,841	30.0	17,116	30.0	725	4.2	17,451	29.8
MINORITY INTERESTS								
Minority interests	10	0.0	9	0.0	0	9.0	10	0.0
SHAREHOLDERS' EQUITY								
Common stock	7,123	12.0	7,123	12.5	—	—	7,123	12.2
Capital surplus	8,336	14.0	8,336	14.6	—	—	8,336	14.2
Retained earnings	31,001	52.0	28,108	49.3	2,898	10.3	30,225	51.7
Net unrealized gain or loss								
on securities	17	0.0	11	0.0	5	42.9	116	0.2
Translation adjustments	-203	-0.3	50	0.1	-253	-506.6	-172	-0.3
Treasury stock	-4,585	-7.7	-3,678	-6.5	-906	24.7	-4,581	-7.8
Total shareholders' equity	41,689	70.0	39,951	70.0	1,738	4.4	41,047	70.2
Total liabilities, minority interests and shareholders' equity	59,541	100.0	57,077	100.0	2,464	4.3	58,508	100.0

(2) Consolidated Statements of Income (Summary)

(Millions of yen, rounded down to nearest million)

	Fiscal 2004— First quarter (April 1–June 30, 2004)		Fiscal 2003— First quarter (April 1–June 30, 2003)		Change		Fiscal 2003 (April 1, 2003– March 31, 2004)	
		(% of net sales)		(% of net sales)		(% change)		(% of net sales)
Net sales	¥6,072	100.0%	¥6,204	100.0%	–¥132	–2.1%	¥24,844	100.0%
Cost of sales	3,014	49.7	2,962	47.7	52	1.8	12,160	49.0
Gross profit	3,057	50.3	3,242	52.3	–184	–5.7	12,683	51.0
Selling, general and administrative expenses	1,712	28.2	1,715	27.7	–2	–0.1	6,840	27.5
Operating income	1,344	22.1	1,526	24.6	–182	–11.9	5,842	23.5
Other income	127	2.1	11	0.2	115	974.7	55	0.2
Other expenses	1	0.0	2	0.0	–0	–24.7	293	1.1
Ordinary income	1,470	24.2	1,536	24.8	–66	–4.3	5,604	22.6
Extraordinary income	205	3.4	—	—	205	—	3	0.0
Extraordinary expenses	2	0.0	—	—	2	—	129	0.5
Income before income taxes and minority interests	1,673	27.6	1,536	24.8	137	8.9	5,477	22.1
Income taxes	643	10.6	615	10.0	28	4.6	2,251	9.1
Minority interests	0	0.0	0	0.0	0	7.1	1	0.0
Net income	1,029	17.0	920	14.8	108	11.8	3,225	13.0

(3) Consolidated Statements of Retained Earnings

(Millions of yen, rounded down to nearest million)

	Fiscal 2004—First quarter (April 1–June 30, 2004)		Fiscal 2003—First quarter (April 1–June 30, 2003)		Fiscal 2003 (April 1, 2003– March 31, 2004)	
CAPITAL SURPLUS						
Balance at beginning of term	8,336		8,336		8,336	
Balance at end of term	<u>8,336</u>		<u>8,336</u>		<u>8,336</u>	
RETAINED EARNINGS						
Balance at beginning of term	30,225		27,443		27,443	
Increase in retained earnings						
Net income	<u>1,029</u>	1,029	<u>920</u>	920	<u>3,225</u>	3,225
Decrease in retained earnings						
Cash dividends paid	186		189		375	
Bonuses to directors	67		67		67	
Loss on disposal of treasury stock	<u>—</u>	253	<u>—</u>	256	0	443
Balance at end of term	31,001		28,108		30,225	

(4) Consolidated Statements of Cash Flows (Summary)

(Millions of yen, rounded down to nearest million)

	Fiscal 2004— First quarter (April 1–June 30, 2004)	Fiscal 2003— First quarter (April 1–June 30, 2003)	Fiscal 2003 (April 1, 2003– March 31, 2004)
Operating activities			
Income before income taxes and minority interests	¥ 1,673	¥ 1,536	¥ 5,477
Depreciation	591	561	2,500
Increase in notes and accounts receivable	–370	–693	–296
(Increase) decrease in inventories	–183	143	–259
Increase (decrease) in notes and accounts payable	200	2	–50
Other	–115	335	631
Subtotal	1,796	1,885	8,004
Income taxes paid	–902	–1,374	–2,735
Other	3	3	12
Net cash provided by operating activities	897	514	5,280
Investing activities			
Proceeds from sales of investment securities	246	—	—
Purchases of property, plant and equipment	–31	–2,039	–2,656
Other	–49	–31	–201
Net cash provided by (used in) investing activities	166	–2,070	–2,857
Financing activities			
Purchases of treasury stock	–3	–0	–904
Cash dividends paid	–186	–189	–376
Other	—	—	0
Net cash used in financing activities	–190	–189	–1,279
Effect of exchange rate changes on cash and cash equivalents	108	3	–289
Net change in cash and cash equivalents	981	–1,742	852
Cash and cash equivalents at beginning of term	14,570	13,717	13,717
Cash and cash equivalents at end of term	15,552	11,975	14,570