

January 17, 2005

Consolidated Financial Results for the Third Quarter of Fiscal Year Ending in March 2005

Name: **Hogy Medical Co., Ltd.**
 Listing: **First Section, Tokyo Stock Exchange**
 Stock code number: **3593**
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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—Nine months ended December 31, 2004

(1) Results of operations (consolidated)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share (Yen)	Net income per share (fully diluted) (Yen)
		(% change)		(% change)		(% change)		(% change)		
9 months ended										
December 2004	¥19,036	-0.2%	¥4,402	-6.9%	¥4,518	-0.1%	¥2,858	6.2%	¥183.68	¥168.40
9 months ended										
December 2003	19,068	3.4	4,730	-7.9	4,523	-9.2	2,692	-7.7	172.01	157.78
Year ended										
March 2004	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 period under review (April 1 to December 31, 2004), the Japanese economy was characterized some weakening of exports due to the yen's appreciation against the U.S. dollar. Meanwhile, the digital and IT sectors, which have helped drive the economy, began to fade. Going forward, although we expect a continuation of moderate economic recovery, all eyes will be focused on how the domestic economy will be affected by exchange rates, oil prices, and other factors.

Conditions in the medical industry deteriorated even further than before as institutions, faced with recent government measures to reduce medical expenditures, become increasingly cost-conscious. We expect the situation for companies associated with the medical industry to remain severe as they work to address amendments to the Pharmaceutical Affairs Law.

The Hogy Medical Group was also affected by difficulties facing the medical industry, which caused revenues to stagnate. For the nine months ended December 31, 2004, consolidated net sales amounted to ¥19,036 million, down 0.2% from the previous corresponding period. Operating income declined 6.9%, to ¥4,402 million, and ordinary income edged down 0.1%, to ¥4,518 million. Net income rose 6.2%, to ¥2,858 million.

(2) Financial position (consolidated) (December 31, 2004)

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

	Total assets	Shareholders' equity	Equity ratio (%)	Equity per share (Yen)
December 31, 2004	¥61,129	¥43,425	71.0%	¥2,790.17
December 31, 2003	57,855	40,550	70.1	2,605.17
March 31, 2004	58,508	41,047	70.2	2,632.81

(3) Cash flows (consolidated)

(Millions of yen, rounded down)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
9 months ended December 2004	¥2,325	-¥1,559	-¥ 381	¥15,046
9 months ended December 2003	2,054	-2,544	-1,279	11,710
Year ended March 2004	5,280	-2,857	-1,279	14,570

Financial Position

Compared with beginning of the period, total shareholders' equity increased ¥2,378 million, bringing the term-end equity ratio to 71.0%.

Major changes on the assets side included an ¥826 million increase in cash and bank deposits related to sales revenues, a ¥1,909 million rise in notes and accounts receivable, and a ¥1,962 million increase in property, plant, and equipment, reflecting capital investments associated with Opera Master. Declining items included securities (down ¥338 million), due to redemption of medium-term government bond funds; property, plant, and equipment (down ¥1,731 million) owing to depreciation; and investment securities (down ¥214 million) following sales of shares. On the liabilities side, notes and accounts payable related to equipment rose ¥1,003 million, but accrued payables related to equipment and others declined ¥974 million.

Cash Flows

In the period under review, net cash provided by operating activities amounted to ¥2,325 million. Factors boosting cash flows included ¥4,719 million in income before income taxes and minority interests and ¥1,732 million in depreciation. Other factors included a ¥1,901 million increase in notes and accounts receivable and ¥1,999 million in income taxes paid.

Net cash used in investing activities totaled ¥1,559 million. A major factor was ¥1,802 million in purchases of property, plant, and equipment related to Opera Master production equipment.

Net cash used in financing activities was ¥381 million, due mainly to ¥373 million in cash dividends paid.

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

(Millions of yen, rounded down)

	Net sales	Ordinary income	Net income
Full year	¥25,344	¥5,959	¥3,544

[Reference] Forecast net income per share (full year): ¥223.46

Note: 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. In addition, the forecast figure for net income per share was calculated using the same adjustments as those used in fiscal 2003.

Information Related to Performance Forecast

The Hogy Medical Group has not revised its performance forecast, which was announced on October 12, 2004.

(1) Consolidated Balance Sheets (Summary)

(Millions of yen, rounded down)

	December 31, 2004		December 31, 2003		Change		March 31, 2004	
		(% of total)		(% of total)		(% change)		(% of total)
ASSETS								
Current assets								
Cash and bank deposits	¥ 9,641		¥ 5,935				¥ 8,815	
Notes and accounts receivable	8,939		8,634				7,029	
Securities	5,645		5,995				5,984	
Inventories	5,720		5,818				5,722	
Other current assets	681		630				602	
Total current assets	30,628	50.1%	27,015	46.7%	¥3,613	13.4%	28,154	48.1%
Fixed assets								
Property, plant and equipment	27,902	45.6	28,193	48.7	-290	-1.0	27,671	47.3
Intangible fixed assets	174	0.3	160	0.3	14	9.2	216	0.4
Investments and other assets	2,422	4.0	2,486	4.3	-63	-2.6	2,466	4.2
Total fixed assets	30,500	49.9	30,840	53.3	-339	-1.1	30,354	51.9
Total assets	61,129	100.0	57,855	100.0	3,273	5.7	58,508	100.0
LIABILITIES								
Current liabilities								
Notes and accounts payable	3,235		3,445				3,000	
Other current liabilities	2,872		2,390				3,047	
Total current liabilities	6,107	10.0	5,836	10.1	270	4.6	6,048	10.3
Long-term liabilities								
Convertible bonds	10,000		10,000				10,000	
Other long-term liabilities	1,584		1,458				1,402	
Total long-term liabilities	11,584	19.0	11,458	19.8	126	1.1	11,402	19.5
Total liabilities	17,692	29.0	17,294	29.9	397	2.3	17,451	29.8
MINORITY INTERESTS								
Minority interests	11	0.0	10	0.0	1	9.8	10	0.0
SHAREHOLDERS' EQUITY								
Common stock	7,123	11.7	7,123	12.3	—	—	7,123	12.2
Capital surplus	8,336	13.6	8,336	14.4	—	—	8,336	14.2
Retained earnings	32,644	53.4	29,693	51.3	2,951	9.9	30,225	51.7
Net unrealized gain or loss								
on securities	12	0.0	76	0.1	-64	-83.9	116	0.2
Translation adjustments	-100	-0.2	-97	-0.1	-3	3.6	-172	-0.3
Treasury stock	-4,589	-7.5	-4,581	-7.9	-7	0.2	-4,581	-7.8
Total shareholders' equity	43,425	71.0	40,550	70.1	2,875	7.1	41,047	70.2
Total liabilities, minority interests and shareholders' equity	61,129	100.0	57,855	100.0	3,273	5.7	58,508	100.0

(2) Consolidated Statements of Income (Summary)

(Millions of yen, rounded down)

	9 months ended December 2004		9 months ended December 2003		Change		Year ended March 2004	
		(% of net sales)		(% of net sales)		(% change)		(% of net sales)
Net sales	¥19,036	100.0%	¥19,068	100.0%	-¥ 32	-0.2%	¥24,844	100.0%
Cost of sales	9,320	49.0	9,186	48.2	134	1.5	12,160	49.0
Gross profit	9,716	51.0	9,882	51.8	-166	-1.7	12,683	51.0
Selling, general and administrative expenses	5,314	27.9	5,151	27.0	162	3.2	6,840	27.5
Operating income	4,402	23.1	4,730	24.8	-328	-6.9	5,842	23.5
Other income	123	0.6	42	0.2	80	189.4	55	0.2
Other expenses	7	0.0	249	1.3	-241	-97.1	293	1.1
Ordinary income	4,518	23.7	4,523	23.7	-5	-0.1	5,604	22.6
Extraordinary income	205	1.1	2	0.0	202	7195.4	3	0.0
Extraordinary expenses	3	0.0	17	0.1	-13	-78.9	129	0.5
Income before income taxes and minority interests	4,719	24.8	4,509	23.6	210	4.7	5,477	22.1
Income taxes	1,859	9.8	1,815	9.5	44	2.4	2,251	9.1
Minority interests	1	0.0	0	0.0	0	22.9	1	0.0
Net income	2,858	15.0	2,692	14.1	166	6.2	3,225	13.0

(3) Consolidated Statements of Retained Earnings

(Millions of yen, rounded down)

	9 months ended December 2004		9 months ended December 2003		Year ended March 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>2,858</u>	2,858	<u>2,692</u>	2,692	<u>3,225</u>	3,225
Decrease in retained earnings						
Cash dividends paid	373		375		375	
Bonuses to directors	67		67		67	
Loss on disposal of treasury stock	0	440	0	443	0	443
Balance at end of term	32,644		29,693		30,225	

(4) Consolidated Statements of Cash Flows (Summary)

(Millions of yen, rounded down)

	9 months ended December 2004	9 months ended December 2003	Year ended March 2004
Operating activities			
Income before income taxes and minority interests	¥ 4,719	¥ 4,509	¥ 5,477
Depreciation	1,732	1,835	2,500
Increase in notes and accounts receivable	-1,901	-1,894	-296
(Increase) decrease in inventories	25	-327	-259
Increase (decrease) in notes and accounts payable	222	382	-50
Other	-483	186	631
Subtotal	4,314	4,690	8,004
Income taxes paid	-1,999	-2,645	-2,735
Other	10	9	12
Net cash provided by operating activities	2,325	2,054	5,280
Investing activities			
Proceeds from sales of investment securities	246	—	—
Purchases of property, plant and equipment	-1,802	-2,395	-2,656
Other	-3	-149	-201
Net cash used in investing activities	-1,559	-2,544	-2,857
Financing activities			
Proceeds from sales of treasury stock	0	0	0
Purchases of treasury stock	-7	-903	-904
Cash dividends paid	-373	-376	-376
Net cash used in financing activities	-381	-1,279	-1,279
Effect of exchange rate changes on cash and cash equivalents	91	-237	-289
Net change in cash and cash equivalents	476	-2,007	852
Cash and cash equivalents at beginning of term	14,570	13,717	13,717
Cash and cash equivalents at end of term	15,046	11,710	14,570