HOGY MEDICAL Co., Ltd.
7-7, Akasaka 2-chome, Minato-ku,
Tokyo 107-8615, Japan

October 12, 2005

Interim Consolidated Financial Results for Fiscal 2005

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, Chairman and CEO**
Contact: **Kazutaka Itoh, Executive Officer and Head of Administration Dept.**
Meeting of Board of Directors for Consolidated Financial Results: **October 12, 2005**
U.S. accounting standards: **Not applied**

1. Interim financial results for fiscal 2005 (April 1–September 30, 2005)

(1) Results of operations

(Millions of yen, except per share data, rounded down)

	Net sales		Operating income		Ordinary income	
		(% change)		(% change)		(% change)
Fiscal 2005—interim	¥13,023	+5.5%	¥3,157	+12.0%	¥3,286	+10.1%
Fiscal 2004—interim	12,343	–1.3	2,818	–7.2	2,984	+2.8
Fiscal 2004—full year	24,961		5,730		5,897	

	Net income		Net income per share (Yen)	Net income per share (fully diluted) (Yen)
		(% change)		
Fiscal 2005—interim	¥2,020	+5.2%	¥129.84	¥119.06
Fiscal 2004—interim	1,920	+11.2	123.36	113.12
Fiscal 2004—full year	3,494		220.21	201.96

Notes: 1. Gain/loss on investments based on equity method
Fiscal 2005—interim: ¥—million
Fiscal 2004—interim: ¥—million
Fiscal 2004—full year: ¥—million
2. Weighted-average number of shares outstanding (consolidated)
Fiscal 2005—interim: 15,563,272
Fiscal 2004—interim: 15,564,742
Fiscal 2004—full year: 15,564,400
3. Changes in accounting method: Not applicable
4. Percentage figures shown in the net sales, operating income, ordinary income, and net income columns indicate year-on-year changes for those items.

(2) Financial position

(Millions of yen, except per share data, rounded down)

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share (Yen)
Fiscal 2005—interim	¥63,121	¥45,633	72.3%	¥2,932.16
Fiscal 2004—interim	61,068	42,625	69.8	2,738.61
Fiscal 2004—full year	60,841	43,935	72.2	2,818.63

Note: Number of shares outstanding at term-end (consolidated)
Fiscal 2005—interim: 15,563,026
Fiscal 2004—interim: 15,564,484
Fiscal 2004—full year: 15,563,643

(3) Cash flows

(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 term-end
Fiscal 2005—interim	¥2,620	¥–2,055	¥–376	¥16,039
Fiscal 2004—interim	2,324	–105	–191	16,741
Fiscal 2004—full year	5,775	–4,312	–382	15,745

(4) Included in scope of consolidation or applicable under equity method

Consolidated subsidiaries: 1
Non-consolidated subsidiaries: 0
Affiliates: 0

(5) Changes in scope of consolidation or equity method

Consolidated subsidiaries
Newly included: 0
Newly exempted: 0
Affiliates (based on equity method)
Newly included: 0
Newly exempted: 0

2. Forecast for fiscal 2005 (April 1, 2005–March 31, 2006)

(Millions of yen, rounded down)

	Net sales	Ordinary income	Net income
Fiscal 2005	¥27,015	¥6,171	¥3,773

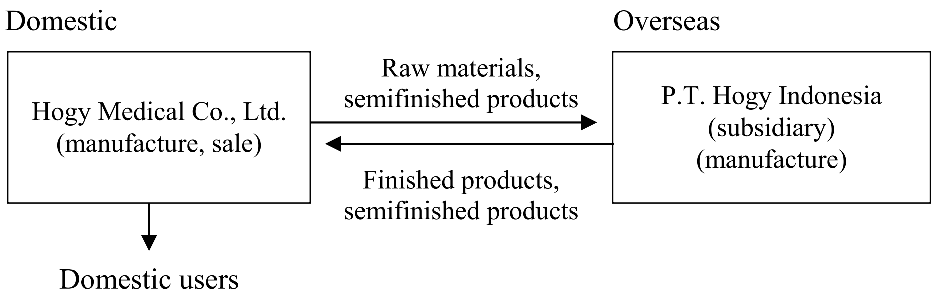
Note: Forecast net income per share (full year): ¥238.19

*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. For more information related to the above figures, please refer to page 6 of this report.

The forecast net income per share figure was calculated using the same adjustments as those used for fiscal 2004.

1. Organizational Structure of the Hogy Medical Group

The Hogy Medical Group consists of Hogy Medical (the “Company”) and its consolidated subsidiary, P.T. Hogy Indonesia (the “Subsidiary”). Main Group businesses are the manufacture and sale of various items for medical use, namely consumables, medical equipment, medical recording paper, and non-woven fabric products. The Company entrusts part of its non-woven fabric products and consumables manufacturing operations to the subsidiary. Practically all of the products made by that subsidiary are supplied to the Company. Therefore, this subsidiary can be regarded at the Company’s manufacturing base. The Group’s structure and interrelationships are shown below.



2. Management Policies

(a) Basic Policy

Hogy Medical is committed to “fostering medical progress and promoting the health and happiness of people through its business activities, thus contributing to social prosperity.” Through its campaign to combat the spread of in-hospital infections, the Company places top priority on assuring the safety of patients and medical facility personnel. We also offer a line of products that enable medical institutions to enhance their streamlining and energy-saving efforts.

(b) Basic Profit Appropriation Policy

Our basic policy with respect to profit appropriation emphasizes a strategy of paying cash dividends, and since our foundation we have adhered to our corporate motto of “ensuring harmonious coexistence with customers, shareholders, employees, and corporations.” To this end, we continue to actively and consistently reward our shareholders for their patronage.

In addition, we have introduced a stock option plan, with the intention of raising will and morale by providing benefits to directors and employees. These measures are designed to improve our business performance.

(c) Policy on Reduction of Minimum Share Unit

With respect to reducing the minimum trading unit of our shares, we recognize the importance of ensuring liquidity of our shares and providing an environment that facilitates investment. We are studying all relevant factors, including stock price, number of shareholders, and financial conditions, with a view to reducing the minimum share unit. However, specific policies and timing are yet to be determined.

(d) Key Performance Indicators

Two financial indicators prioritized by management are earnings per share (EPS) and return on equity (ROE). Our objective is to raise EPS and ROE to at least ¥300 and 10%, respectively.

(e) Medium to Long-Term Strategies and Objectives

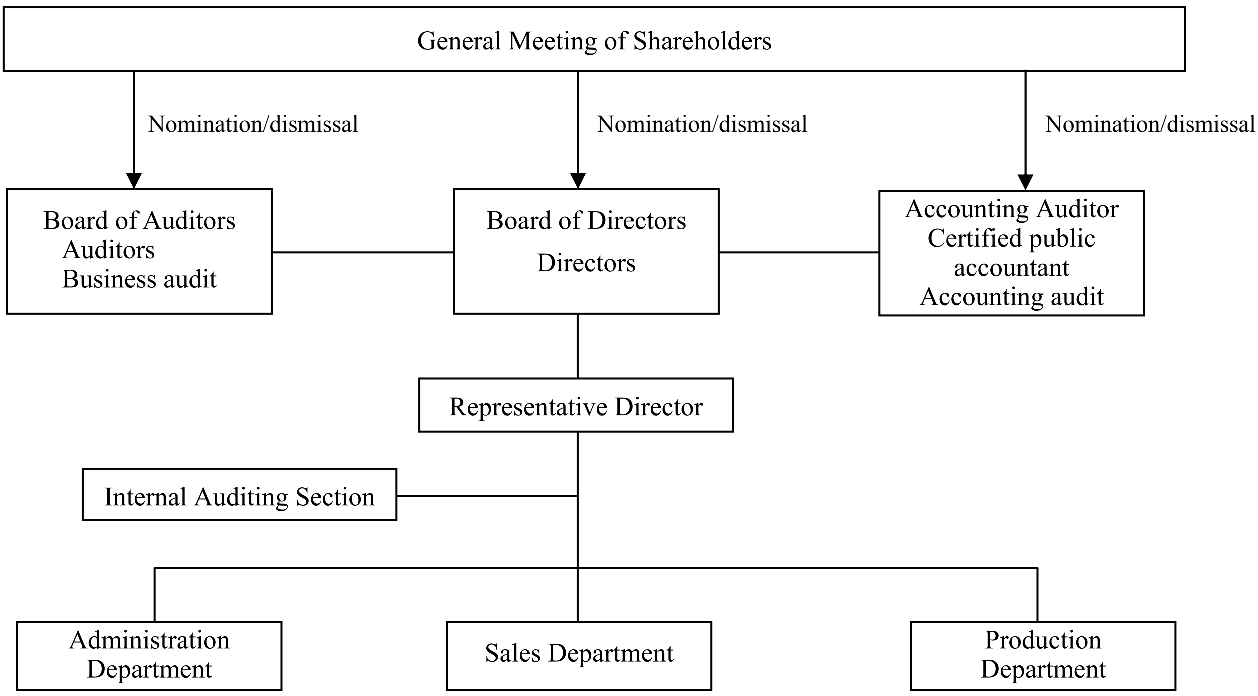
We accord high emphasis to product life cycles, acknowledging that even the most superior products cannot sustain long-term growth. With this in mind, we have implemented a strategy of “getting next-generation growth products on stream while sales of mainstay items are expanding.” We believe this strategy will enable us to achieve revenue and profit growth. To this end, we are concentrating our management resources on new product development.

To achieve these objectives, we are pursuing a marketing strategy aimed at making Operamaster—a product, distribution, and information system centered around full-kit offerings—into a main pillar of our business. Full-kit products, the core component of Operamaster, incorporate all of the sterilized medical supplies used in operating rooms. Operamaster is based on the concept of creating sets of products tailored to specific doctors and diseases. In addition to enhancing operating efficiency and saving labor costs, full-kit products help make surgical procedures safer. At the same time, they contribute to the improvement of hospital management because they eliminate need for product-specific inventory management. We are also improving distribution efficiency. We have established a system whereby our Tsukuba facility manufactures full-kit systems in a minimum of four days. As surgery schedules are determined, hospitals can now place orders directly to Hogy from dedicated information terminals, for delivery on the day before surgery. This system is expected to alleviate hospitals’ inventory burdens. In addition to an online ordering system, we are improving our information capabilities by unifying our surgery schedule, personnel, and cost management systems. This is expected to facilitate operating room scheduling and improve productivity. We will more effectively control receipt and transfer of materials, in order to eliminate inventory-related waste and facilitate cost-based accounting. In summary, a key priority for Hogy Medical is to ensure the proliferation of Operamaster as a solution-based service for medical institutions, who will be forced to confront many issues in the future.

(f) Corporate Governance

We place great importance on our shareholders and have set up a system that allows us to implement sound corporate governance.

Our management organization and corporate governance system are outlined below.



The Board of Directors consists of four members—a small number that allows us to make swift management decisions. The Board meets on the sixth business day of every month as a general rule. All important issues and business progress are discussed, and responsive measures are reviewed. We have also introduced an executive director system. By clearly defining the separate functions of the Board (strategic decision-making and business supervision) and those of the executive directors (managing the Company's business), we have created a system that allows the Company to respond quickly to changing business conditions. As a general rule, a management meeting attended by executive directors is held on the business day following the Board meeting. Each department presents its latest report, and concrete measures are formulated through a process of deliberation.

The Company adopts a corporate auditor system. We have three corporate auditors, including two from outside the Company, who attend every Board meeting and management meeting. For some time, they have also actively participated in various internal committees and meetings. The system allows the auditors to fully monitor directors in the execution of their duties. There are no personal, capital, business, or other beneficial interests between the Company and its outside corporate auditors. However, one outside auditor, Shigeru Yasuda, is also a director of IRI, Inc., which has some advertising- and printing-related transactions with the Company. Such transactions are subject to the same conditions that the Company applies to other service providers. We also have an internal auditing section to conduct internal audits as necessary.

The Company entrusts Shin Nihon & Co. as its certified public accounting firm. Audits are conducted throughout the period instead of just at the end of the year. We submit computerized data and provide an environment that allows accurate audits to be conducted without any hindrance.

Nagashima, Ohno & Tsunematsu Law Office and Tachiiri Law Office provide the Company with legal services. We request their advice as necessary.

We are confident that sound corporate governance is ensured by the systems described above.

With respect to our subsidiary, from the beginning that company has pursued policies tailored to its region. It has four directors (including a part-time director from the parent company), consisting of one Japanese person and two Indonesians. Financial data and other required materials are fully reported to the parent company to ensure that audits can be carried out at short notice.

(g) Items Related to Parent Company

No relevant items.

3. Business Performance and Financial Position

(a) Business Performance

1-1 Overview

In the interim period under review, the Japanese economy showed a moderate recovery trend, driven by improved corporate earnings, higher capital investments in the private sector, and other factors. However, the outlook remains uncertain amid prolonged increases in oil prices and other unstable factors.

Conditions in the medical equipment industry remain difficult as the central government restructures the medical industry—a process that included the reorganization in 2004 of national university and government hospitals into Independent Administrative Agencies—with the aim of suppressing medical costs. In the future, companies associated with the medical equipment industry will face more and more pressure to enhance operating efficiency. In addition, the revised Pharmaceutical Affairs Law, designed to strengthen regulations governing safety of medical equipment, was enacted in April 2005, highlighting the growing importance of safety and legal compliance among companies in the medical equipment industry.

For the period, the Hogy Medical Group posted an increase in sales of surgical-use kit products in excess of its initial forecast. Sales of the Sontara line of surgical-use non-woven fabric products generally reflected our forecast, benefiting from the launch of new items at the end of fiscal 2004. For the interim period, consolidated net sales totaled ¥13,023 million, up 5.5% from the previous corresponding period.

On the earnings side, we kept cost of sales and selling, general, and administrative expenses within our forecasts. In the non-operating category, we posted a foreign exchange gain on our holdings of foreign-currency-denominated assets. With respect to extraordinary items, we generated proceeds on the sale of investment securities.

As a result, consolidated operating income for the period rose 12.0%, to ¥3,157 million, and ordinary income increased 10.1%, to ¥3,286 million. Net income climbed 5.2%, to ¥2,020 million.

1-2 Outlook

In the remainder of the current fiscal year, the Japanese economy is expected to continue recovering, although the trend of rising oil prices may be prolonged, and the Chinese economy may slow down. Such circumstances could cause corporate earnings to deteriorate and personal consumption and capital investments to decline.

Conditions for companies in the medical equipment industry will become even more severe, due to factors mentioned previously, as well as a revision in the next fiscal year to the system for medical treatment remuneration, which is expected to be lowered. This will also place growing pressure on companies affiliated with the medical equipment industry to step up efforts to streamline their operations. To prevail, we at the Hogy Medical Group will continue promoting our Operamaster strategy, in order to distinguish ourselves from the competition.

Our consolidated forecasts for the fiscal year to March 2006 are as follows:
Net sales: ¥27,015 million (up 8.2%)
Ordinary income: ¥6,171 million (up 4.7%)
Net income: ¥3,773 million (up 8.0%)

(b) Financial Position

1. Cash and cash equivalents at the end of the interim period under review amounted to ¥16,039 million, up ¥293 million from the previous fiscal year-end (but ¥702 million lower than the previous corresponding interim term-end)

(Cash Flows from Operating Activities)
Net cash provided by operating activities amounted to ¥2,620 million, up ¥296 million from the previous corresponding period. Factors in this result included ¥3,310 million in income before income taxes and minority interests and ¥995 million in depreciation, which outweighed ¥1,201 million in income taxes paid and a ¥640 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)
Net cash used in investing activities totaled ¥2,055 million, compared with ¥105 million in the previous corresponding period. Despite posting ¥167 million in proceeds from sale of investment securities, the Group made purchases of tangible fixed assets for the new Operamaster line and a new distribution center.

(Cash Flows from Financing Activities)
Net cash used in financing activities was ¥376 million, compared with ¥191 million in the previous corresponding period. This stemmed mainly from dividends paid.

For the remainder of the ahead, we expect net cash provided by operating activities to exceed ¥6,000 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥5,500 million, due mainly to purchases of tangible fixed assets, including ¥4,000 million in allocations for the new Operamaster line and the new distribution center. We expect cash flows from financing activities to be affected by redemption of convertible bonds worth ¥10 billion at fiscal year-end.

The following table shows trends in key cash flow indicators for the Group.

	Fiscal 2002—interim (Six months to Sept. 2002)	Fiscal 2003—interim (Six months to Sept. 2003)	Fiscal 2004—interim (Six months to Sept. 2004)	Fiscal 2005—interim (Six months to Sept. 2005)	Fiscal 2004—Full year (Year to March 2005)
Equity-assets ratio (%)	68.0	69.2	69.8	72.3	72.2
Equity-assets ratio at fair value (%)	172.1	124.9	121.0	153.3	139.9
Years of debt redemption (years)	0.1	—	—	—	—
Interest coverage ratio	1,052.9	—	—	—	—

Notes:
Equity-assets ratio: Shareholders' equity /Total assets
Equity-assets ratio at fair value: Total shareholders' equity at fair value/Total assets
Years of debt redemption: Interest-bearing debt/Cash flows from operating activities
Interest coverage ratio: Cash flows from operating activities/Interest expense

1. Each index is calculated based on consolidated financial figures.
2. Fair value of total stock is calculated by multiplying the stock price (closing price at the end of the term) by the number of shares outstanding at the end of the term.
3. Operating cash flow is calculated using net cash provided by operating activities (listed in the Interim Consolidated Statements of Cash Flows). Interest-bearing debt refers to all debt that incurs interest (listed in the Interim Consolidated Balance Sheets). For interest paid, the amount shown in the Interim Consolidated Statements of Cash Flows is used.
4. Years of debt redemption figures are based on annual operating cash flow figures. To calculate interim term debt repayment terms, we multiply the annual figures by two.

(c) Business Risks

The business performance, share price, and financial position of the Hogy Medical Group can be potentially affected by various risks, such as those described below. (The description below contains forward-looking statements, deemed valid by the Group as of the end of the interim period under review.)

1. Legal Regulations

The Hogy Medical Group handles a variety of items, including kit products, medical-use non-woven fabric products, steel implements, and rubber surgical gloves. Most of these items are governed by regulations contained in the Pharmaceutical Affairs Law. In addition, the manufacture and sale of such items is subject to approval by the Ministry of Health, Labor and Welfare, as well as the governors of the prefectures in which such products are made. If such approvals are not granted by the relevant authority, or if previously granted approvals are revoked, the Group's business performance could be affected. Moreover, if a supplier of materials contained in the Group's kit products initiates a non-conformance report or product recall, the Group will need to recall kit products containing such materials, which could potentially affect its business performance.

In addition, sterilized facilities where kit products and medical-use non-woven fabric products are handled are subject to the "Law Concerning Prevention of Radiation Hazards Due to Radioisotopes, etc."

2. Main Suppliers

The Hogy Medical Group uses a material called Sontara, made by U.S. company DuPont, as the principal material in its mainstay non-woven fabric products, because Sontara is physically and functionally suited for this purpose. The Group receives supplies of this material from Du Pont Kabushiki Kaisha, DuPont's Japanese subsidiary.

In July 1991, Hogy Medical and Du Pont Japan Limited (now Du Pont Kabushiki Kaisha) signed a memorandum of understanding to the effect that Du Pont would be the exclusive supplier to Hogy Medical of non-woven fabric materials for medical use. This agreement has served to ensure a stable supply of materials. However, in the event that circumstances hinder the supply of materials, or if time is required to find alternative materials, the Group's business performance could be affected.

4. Consolidated Interim Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2004—interim (September 30, 2004)		Fiscal 2005—interim (September 30, 2005)		Fiscal 2004 (March 31, 2005)	
		% of total		% of total		% of total
ASSETS						
Current assets						
Cash and bank deposits	¥11,281		¥15,378		¥10,312	
Notes and accounts receivable	7,544		7,999		7,346	
Marketable securities	5,699		937		5,675	
Inventories	6,193		5,317		5,531	
Deferred income taxes	357		342		304	
Other current assets	228		356		288	
Allowance for doubtful accounts	–7		–6		–7	
Total current assets	31,296	51.3%	30,325	48.0%	29,451	48.4%
Fixed assets						
Tangibles						
Buildings and structures	14,255		13,438		13,787	
Machinery and vehicles	5,417		4,404		4,745	
Land	6,564		7,456		7,403	
Construction in progress	462		4,363		2,589	
Others	495		534		426	
Total property, plant and equipment	27,195	44.5	30,197	47.9	28,951	47.6
Intangibles	175	0.3	247	0.4	206	0.3
Investments and other assets						
Investment securities	360		207		368	
Deferred income taxes	293		266		301	
Other assets	1,824		1,947		1,630	
Allowance for doubtful accounts	–77		–70		–70	
Total investments and other assets	2,401	3.9	2,351	3.7	2,231	3.7
Total fixed assets	29,772	48.7	32,795	52.0	31,390	51.6
Total assets	¥61,068	100.0%	¥63,121	100.0%	¥60,841	100.0%

(Millions of yen, rounded down)

	Fiscal 2004—interim (September 30, 2004)		Fiscal 2005—interim (September 30, 2005)		Fiscal 2004 (March 31, 2005)	
		% of total		% of total		% of total
LIABILITIES						
Current liabilities						
Notes and accounts payable	¥ 3,270		¥ 3,185		¥ 2,913	
Convertible bonds due within 1 year	—		10,000		10,000	
Accrued income tax	1,312		1,262		1,216	
Allowance for employees' bonuses	426		431		349	
Other current liabilities	1,888		959		1,045	
Total current liabilities	6,898	11.3%	15,838	25.1%	15,524	25.5%
Long-term liabilities						
Convertible bonds	10,000		—		—	
Deferred income taxes	161		149		148	
Reserve for employees' retirement benefits	251		223		248	
Reserve for directors' retirement bonuses	405		362		420	
Other long-term liabilities	716		902		553	
Total long-term liabilities	11,535	18.9	1,638	2.6	1,370	2.3
Total liabilities	18,433	30.2	17,476	27.7	16,895	27.8
MINORITY INTERESTS						
Minority interests	10	0.0	11	0.0	11	0.0
SHAREHOLDERS' EQUITY						
Common stock	7,123	11.7	7,123	11.3	7,123	11.7
Capital surplus	8,336	13.7	8,336	13.2	8,336	13.7
Retained earnings	31,892	52.2	34,859	55.2	33,279	54.7
Net unrealized gain or loss on securities	9	0.0	2	0.0	14	0.0
Translation adjustments	–149	–0.3	–94	–0.1	–228	–0.4
Treasury stock	–4,586	–7.5	–4,593	–7.3	–4,590	–7.5
Total shareholders' equity	42,625	69.8	45,633	72.3	43,935	72.2
Total liabilities, minority interests, and shareholders' equity	¥61,068	100.0%	¥63,121	100.0%	¥60,841	100.0%

(2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2004—interim (April 1–September 30, 2004)		Fiscal 2005—interim (April 1–September 30, 2005)		Fiscal 2004 (April 1, 2004–March 31, 2005)	
		% of total		% of total		% of total
Net sales	¥12,343	100.0%	¥13,023	100.0%	¥24,961	100.0%
Cost of sales	6,042	49.0	6,267	48.1	12,225	49.0
Gross profit	6,300	51.0	6,756	51.9	12,735	51.0
Selling, general, and administrative expenses	3,482	28.2	3,599	27.7	7,005	28.1
Operating income	2,818	22.8	3,157	24.2	5,730	22.9
Other income	172	1.4	134	1.0	178	0.7
Other expenses	5	0.0	5	0.0	11	0.0
Ordinary income	2,984	24.2	3,286	25.2	5,897	23.6
Extraordinary income	205	1.6	28	0.2	205	0.8
Extraordinary expenses	2	0.0	3	0.0	289	1.1
Income before income taxes and minority interests	3,187	25.8	3,310	25.4	5,813	23.3
Income taxes	1,329	10.8	1,289	9.9	2,346	9.4
Income tax adjustment	–62	–0.5	–0	–0.0	–28	–0.1
Minority interests	0	0.0	0	0.0	1	0.0
Net income	¥ 1,920	15.5%	¥ 2,020	15.5%	¥ 3,494	14.0%

(3) Retained Earnings

(Millions of yen, rounded down)

	Fiscal 2004—interim (April 1–September 30, 2004)		Fiscal 2005—interim (April 1–September 30, 2005)		Fiscal 2004 (April 1, 2004–March 31, 2005)	
CAPITAL SURPLUS						
Balance at beginning of term		¥ 8,336		¥ 8,336		¥ 8,336
Balance at end of term		8,336		8,336		8,336
RETAINED EARNINGS						
Balance at beginning of term		30,225		33,279		30,225
Add:						
Net income	1,920	1,920	2,020	2,020	3,494	3,494
Deduct:						
Cash dividends paid	186		373		373	
Bonuses to directors	67		67		67	
Loss on disposal of treasury stock	0	253	0	440	0	440
Balance at end of term		¥31,892		¥34,859		¥33,279

(4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2004—interim (April 1– September 30, 2004)	Fiscal 2005—interim (April 1– September 30, 2005)	Fiscal 2004 (April 1, 2004– March 31, 2005)
Operating activities			
Income before income taxes and minority interests	¥ 3,187	¥ 3,310	¥ 5,813
Depreciation	1,132	995	2,236
Retirement benefits, net of payments	24	–89	36
Increase (decrease) in allowance for doubtful accounts	5	–1	–1
Interest and dividend income	–6	–17	–16
Gain on sales of investment securities	–205	–26	–205
Foreign exchange gain	–149	–75	–116
Gain on sales of fixed assets	–0	–1	–0
Loss on disposal of fixed assets	2	3	289
Changes in assets and liabilities:			
Notes and accounts receivable	–511	–640	–322
Inventories	–461	264	140
Notes and accounts payable	265	247	–78
Accrued consumption tax and others	–58	–182	82
Other current assets	42	5	13
Other current liabilities	40	48	–100
Other investments	–9	–9	4
Other liabilities	9	39	15
Bonuses paid to directors	–67	–67	–67
Subtotal	3,240	3,804	7,722
Interest and dividends received	6	17	16
Incomes taxes paid	–922	–1,201	–1,962
Net cash provided by operating activities	2,324	2,620	5,775
Investing activities			
Increase in time deposits	–10	–35	–13
Proceeds from sales of investment securities	246	167	246
Capital expenditures	–354	–2,142	–4,530
Proceeds from sales of property, plant and equipment	5	4	5
Purchases of intangible assets	–21	–54	–45
Payment for loans receivable	–2	–18	–5
Collection of loans receivable	1	3	4
Decrease in other investments	29	20	25
Net cash used in investing activities	–105	–2,055	–4,312
Financing activities			
Proceeds from sales of treasury stock	0	0	0
Purchases of treasury stock	–4	–3	–8
Cash dividends paid	–187	–373	–374
Net cash used in financing activities	–191	–376	–382
Effect of exchange rate changes on cash and cash equivalents	143	104	94
Net change in cash and cash equivalents	2,170	293	1,174
Cash and cash equivalents at beginning of term	14,570	15,745	14,570
Cash and cash equivalents at end of term	¥16,741	¥16,039	¥15,745