

January 17, 2006

Consolidated Financial Results for the Nine Months Ended December 31, 2005

Name: **Hogy Medical Co., Ltd.**
 Listing: **First Section, Tokyo Stock Exchange**
 Stock code number: **3593**
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 URL: **<http://www.hogy.co.jp/>**
 Representative: **Jun-ichi Hoki, President and COO**
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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 2005—Nine months ended December 31, 2005

(1) Results of operations (consolidated)

(Millions of yen, except per share data, 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 2005 | ¥20,194 | 6.1% | ¥4,929 | 12.0% | ¥5,178 | 14.6% | ¥3,173 | 11.0% | ¥203.91 | ¥186.94 |
| 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 |
| Year ended March 2005 | 24,961 | | 5,730 | | 5,897 | | 3,494 | | 220.21 | 201.96 |

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

Performance Progress (consolidated)

In the nine months ended December 31, 2005, the Japanese economy continued to show mild recovery, characterized by increased capital investments stemming from improved corporate earnings, as well as enhanced employment conditions. However, the business environment remained difficult amid high prices of oil and other raw materials.

Conditions in the medical equipment industry remain challenging due to the effects of reforms in recent years, undertaken 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, given the expected negative influence of reforms to medical treatment remuneration slated for the next fiscal year. In addition, the revised Pharmaceutical Affairs Law was enacted in April 2005, highlighting the growing importance of safety and legal compliance among companies in the medical equipment industry.

For the nine-month period in review, consolidated net sales totaled ¥20,194 million, up 6.1% from the previous corresponding period. Operating income rose 12.0%, to ¥4,929 million, and ordinary income increased 14.6%, to ¥5,178 million. Net income grew 11.0%, to ¥3,173 million.

(2) Financial position (consolidated) (December 31, 2005)

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

| | Total assets | Shareholders' equity | Equity ratio (%) | Equity per share (Yen) |
|-------------------|--------------|----------------------|------------------|------------------------|
| December 31, 2005 | ¥65,309 | ¥46,546 | 71.3% | ¥2,988.25 |
| December 31, 2004 | 61,129 | 43,425 | 71.0 | 2,790.17 |
| March 31, 2005 | 60,841 | 43,935 | 72.2 | 2,818.63 |

(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 2005 | ¥2,614 | ¥-2,559 | ¥-675 | ¥15,345 |
| 9 months ended December 2004 | 2,325 | -1,559 | -381 | 15,046 |
| Year ended March 2005 | 5,775 | -4,312 | -382 | 15,745 |

Financial Position (consolidated)

At December 31, 2005, total assets stood at ¥65,309 million, up ¥4,467 million from March 31, 2005. Total current assets rose ¥1,532 million, owing mainly to a ¥5,301 million increase in cash and bank deposits, stemming from the sale of marketable securities, as well as to a ¥1,938 million increase in notes and accounts receivable associated with operating activities. However, marketable securities and inventories were down ¥5,675 million and ¥306 million, respectively. Fixed assets increased ¥2,935 million. Tangible fixed assets rose ¥2,221 million as increases in purchases of Operamaster production equipment and facilities for a new distribution center outweighed depreciation expenses. Investments and other assets were up ¥617 million.

Total liabilities at the end of the term amounted to ¥18,750 million, up ¥1,855 million. Current liabilities rose ¥1,167 million, and long-term liabilities increased ¥687 million.

Despite posting net income of ¥3,173 million, total shareholders' equity rose ¥2,611 million, to ¥46,546 million, due to ¥747 million in cash dividends paid and other factors. The equity ratio declined from 72.2% to 71.3%.

Cash Flows (consolidated)

At the end of the period under review, cash and cash equivalents stood at ¥15,345 million, down ¥399 million from the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥2,614 million, up ¥288 million from the previous corresponding period. Major components included ¥5,187 million in income before income taxes and minority interests and ¥1,706 million in depreciation. By contrast, factors negatively affecting operating cash flows included a ¥1,920 million increase in notes and accounts receivable and ¥2,388 million in income taxes paid.

Net cash used in investing activities totaled ¥2,559 million, compared with ¥1,559 million in the previous corresponding period. This was mainly due to purchases of tangible fixed assets for the new Operamaster line and facilities for a new distribution center.

Net cash used in financing activities was ¥675 million, compared with ¥381 million in the previous corresponding period, due to cash dividends paid and other factors.

[Reference] Forecast for fiscal 2005 (consolidated) (April 1, 2005–March 31, 2006)

(Millions of yen, rounded down)

| | Net sales | Ordinary income | Net income |
|-----------|-----------|-----------------|------------|
| Full year | ¥27,015 | ¥6,171 | ¥3,773 |

[Reference] Forecast net income per share (full year): ¥237.98

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 for the previous fiscal year.

Information Related to Performance Forecasts (consolidated)

The Hogy Medical Group has not revised its performance forecasts, which were announced on October 12, 2005.

(Consolidated forecasts for fiscal 2005)

Net sales: ¥27,015 million (up 8.2%)

Ordinary income: ¥6,171 million (up 4.7%)

Net income: ¥3,773 million (up 8.0%)

(1) Consolidated Balance Sheets (Summary)

(Millions of yen, rounded down)

| | December 31, 2005 | | December 31, 2004 | | Change | | March 31, 2005 | |
|--|-------------------|-------|-------------------|-------|------------|-------|----------------|-------|
| | (% of total) | | (% of total) | | (% change) | | (% of total) | |
| ASSETS | | | | | | | | |
| Current assets | | | | | | | | |
| Cash and bank deposits | ¥15,613 | | ¥ 9,641 | | | | ¥10,312 | |
| Notes and accounts receivable | 9,284 | | 8,939 | | | | 7,346 | |
| Securities | — | | 5,645 | | | | 5,675 | |
| Inventories | 5,225 | | 5,720 | | | | 5,531 | |
| Other current assets | 860 | | 681 | | | | 585 | |
| Total current assets | 30,983 | 47.4% | 30,628 | 50.1% | ¥ 355 | 1.2% | 29,451 | 48.4% |
| Fixed assets | | | | | | | | |
| Property, plant and equipment | 31,173 | 47.7 | 27,902 | 45.6 | 3,270 | 11.7 | 28,951 | 47.6 |
| Intangible fixed assets | 303 | 0.5 | 174 | 0.3 | 128 | 73.4 | 206 | 0.3 |
| Investments and other assets | 2,848 | 4.4 | 2,422 | 4.0 | 425 | 17.6 | 2,231 | 3.7 |
| Total fixed assets | 34,325 | 52.6 | 30,500 | 49.9 | 3,824 | 12.5 | 31,390 | 51.6 |
| Total assets | 65,309 | 100.0 | 61,129 | 100.0 | 4,179 | 6.8 | 60,841 | 100.0 |
| LIABILITIES | | | | | | | | |
| Current liabilities | | | | | | | | |
| Notes and accounts payable | 3,426 | | 3,235 | | | | 2,913 | |
| Convertible bonds due within 1 year | 9,997 | | — | | | | 10,000 | |
| Other current liabilities | 3,269 | | 2,872 | | | | 2,611 | |
| Total current liabilities | 16,692 | 25.6 | 6,107 | 10.0 | 10,585 | 173.3 | 15,524 | 25.5 |
| Long-term liabilities | | | | | | | | |
| Convertible bonds | — | | 10,000 | | | | — | |
| Other long-term liabilities | 2,058 | | 1,584 | | | | 1,370 | |
| Total long-term liabilities | 2,058 | 3.1 | 11,584 | 19.0 | -9,526 | -82.2 | 1,370 | 2.3 |
| Total liabilities | 18,750 | 28.7 | 17,692 | 29.0 | 1,058 | 6.0 | 16,895 | 27.8 |
| MINORITY INTERESTS | | | | | | | | |
| Minority interests | 12 | 0.0 | 11 | 0.0 | 0 | 7.1 | 11 | 0.0 |
| SHAREHOLDERS' EQUITY | | | | | | | | |
| Common stock | 7,123 | 10.9 | 7,123 | 11.7 | — | — | 7,123 | 11.7 |
| Capital surplus | 8,336 | 12.8 | 8,336 | 13.6 | — | — | 8,336 | 13.7 |
| Retained earnings | 35,638 | 54.6 | 32,644 | 53.4 | 2,994 | 9.2 | 33,279 | 54.7 |
| Net unrealized gain or loss on securities | 3 | 0.0 | 12 | 0.0 | -8 | -70.4 | 14 | 0.0 |
| Translation adjustments | -41 | -0.1 | -100 | -0.2 | 59 | -59.3 | -228 | -0.4 |
| Treasury stock | -4,514 | -6.9 | -4,589 | -7.5 | 74 | -1.6 | -4,590 | -7.5 |
| Total shareholders' equity | 46,546 | 71.3 | 43,425 | 71.0 | 3,120 | 7.2 | 43,935 | 72.2 |
| Total liabilities, minority interests and shareholders' equity | 65,309 | 100.0 | 61,129 | 100.0 | 4,179 | 6.8 | 60,841 | 100.0 |

(2) Consolidated Statements of Income (Summary)

(Millions of yen, rounded down)

| | 9 months ended December 2005 | | 9 months ended December 2004 | | Change | | Year ended March 2005 | |
|--|---------------------------------|------------------|---------------------------------|------------------|--------|------------|--------------------------|------------------|
| | | (% of net sales) | | (% of net sales) | | (% change) | | (% of net sales) |
| Net sales | ¥20,194 | 100.0% | ¥19,036 | 100.0% | ¥1,157 | 6.1% | ¥24,961 | 100.0% |
| Cost of sales | 9,816 | 48.6 | 9,320 | 49.0 | 495 | 5.3 | 12,225 | 49.0 |
| Gross profit | 10,378 | 51.4 | 9,716 | 51.0 | 661 | 6.8 | 12,735 | 51.0 |
| Selling, general and administrative expenses | 5,448 | 27.0 | 5,314 | 27.9 | 134 | 2.5 | 7,005 | 28.1 |
| Operating income | 4,929 | 24.4 | 4,402 | 23.1 | 527 | 12.0 | 5,730 | 22.9 |
| Other income | 256 | 1.2 | 123 | 0.6 | 132 | 107.6 | 178 | 0.7 |
| Other expenses | 6 | 0.0 | 7 | 0.0 | -0 | -4.7 | 11 | 0.0 |
| Ordinary income | 5,178 | 25.6 | 4,518 | 23.7 | 660 | 14.6 | 5,897 | 23.6 |
| Extraordinary income | 28 | 0.1 | 205 | 1.1 | -177 | -86.3 | 205 | 0.8 |
| Extraordinary expenses | 19 | 0.0 | 3 | 0.0 | 15 | 416.8 | 289 | 1.1 |
| Income before income taxes and minority interests | 5,187 | 25.7 | 4,719 | 24.8 | 467 | 9.9 | 5,813 | 23.3 |
| Income taxes | 2,012 | 10.0 | 1,859 | 9.8 | 152 | 8.2 | 2,317 | 9.3 |
| Minority interests | 0 | 0.0 | 1 | 0.0 | -0 | -14.6 | 1 | 0.0 |
| Net income | 3,173 | 15.7 | 2,858 | 15.0 | 315 | 11.0 | 3,494 | 14.0 |

(3) Consolidated Statements of Retained Earnings

(Millions of yen, rounded down)

| | 9 months ended December 2005 | | 9 months ended December 2004 | | Year ended March 2005 | |
|---------------------------------------|---------------------------------|-------|---------------------------------|-------|-----------------------|-------|
| 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 | 33,279 | | 30,225 | | 30,225 | |
| Increase in retained earnings | | | | | | |
| Net income | <u>3,173</u> | 3,173 | <u>2,858</u> | 2,858 | <u>3,494</u> | 3,494 |
| Decrease in retained earnings | | | | | | |
| Cash dividends paid | 747 | | 373 | | 373 | |
| Bonuses to directors | 67 | | 67 | | 67 | |
| Loss on disposal of treasury stock | 0 | 814 | 0 | 440 | 0 | 440 |
| Balance at end of term | 35,638 | | 32,644 | | 33,279 | |

(4) Consolidated Statements of Cash Flows (Summary)

(Millions of yen, rounded down)

| | 9 months ended December 2005 | 9 months ended December 2004 | Year ended March 2005 |
|--|---------------------------------|---------------------------------|--------------------------|
| Operating activities | | | |
| Income before income taxes and minority interests | ¥5,187 | ¥ 4,719 | ¥5,813 |
| Depreciation | 1,706 | 1,732 | 2,236 |
| Increase in notes and accounts receivable | -1,920 | -1,901 | -322 |
| Decrease in inventories | 356 | 25 | 140 |
| Increase (decrease) in notes and accounts payable | 478 | 222 | -78 |
| Other | -832 | -483 | -66 |
| Subtotal | 4,976 | 4,314 | 7,722 |
| Income taxes paid | -2,388 | -1,999 | -1,962 |
| Other | 26 | 10 | 16 |
| Net cash provided by operating activities | 2,614 | 2,325 | 5,775 |
| Investing activities | | | |
| Proceeds from sales of investment securities | 167 | 246 | 246 |
| Purchases of property, plant and equipment | -2,628 | -1,802 | -4,530 |
| Other | -98 | -3 | -28 |
| Net cash used in investing activities | -2,559 | -1,559 | -4,312 |
| Financing activities | | | |
| Proceeds from sales of treasury stock | 77 | 0 | 0 |
| Purchases of treasury stock | -5 | -7 | -8 |
| Cash dividends paid | -747 | -373 | -374 |
| Net cash used in financing activities | -675 | -381 | -382 |
| Effect of exchange rate changes on cash and cash equivalents | 220 | 91 | 94 |
| Net change in cash and cash equivalents | -399 | 476 | 1,174 |
| Cash and cash equivalents at beginning of term | 15,745 | 14,570 | 14,570 |
| Cash and cash equivalents at end of term | 15,345 | 15,046 | 15,745 |