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

April 12, 2006

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: **Jun-ichi Hoki, President and COO**
Contact: **Kazuo Takahashi, Executive Officer, Administration Div.**
Meeting of Board of Directors for Consolidated Financial Results: **April 12, 2006**
U.S. accounting standards: **Not applied**

1. Financial results for fiscal 2005 (April 1, 2005–March 31, 2006)

(1) Results of operations

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

	Net sales	(% change from previous year)	Operating income	(% change)	Ordinary income	(% change)
Fiscal 2005	¥26,434	+5.9%	¥6,200	+8.2%	¥6,438	+9.2%
Fiscal 2004	24,961	+0.5	5,730	–1.9	5,897	+5.2

	Net income	(% change)	Net income per share (Yen)	Net income per share (fully diluted) (Yen)	ROE (%)	Ordinary income/ Total assets (%)	Ordinary income/ Net sales (%)
Fiscal 2005	¥3,909	+11.9%	¥246.83	¥227.41	8.6%	11.0%	24.4%
Fiscal 2004	3,494	+8.4	220.21	201.96	8.2	9.9	23.6

Notes: 1. Gain/loss on investments based on equity method
Fiscal 2005: ¥—million
Fiscal 2004: ¥—million
2. Weighted-average number of shares outstanding (consolidated)
Fiscal 2005: 15,567,955
Fiscal 2004: 15,564,400
3. Changes in accounting method: Not applicable
4. Percentage data shown in the net sales, operating income, ordinary income, and net income columns indicate year-on-year changes for those items.

(2) Financial position (year-end)

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

	Total assets	Shareholders' equity	Equity ratio	Equity per share (Yen)
Fiscal 2005	¥55,939	¥47,383	84.7%	¥3,037.60
Fiscal 2004	60,841	43,935	72.2	2,818.63

Note: Number of shares outstanding at year-end (consolidated)
Fiscal 2005: 15,576,799
Fiscal 2004: 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 end of year
Fiscal 2005	¥5,738	¥–4,998	¥–10,670	¥ 6,055
Fiscal 2004	5,775	–4,312	–382	15,745

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

Consolidated subsidiaries: 1
Nonconsolidated 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 2006 (April 1, 2006–March 31, 2007)

(Millions of yen, rounded down)

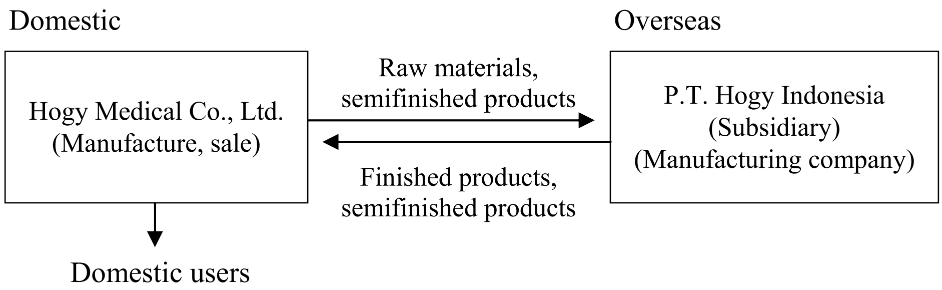
	Net sales	Ordinary income	Net income
Interim	¥14,046	¥3,447	¥2,045
Full year	28,400	7,018	4,201

Note: Forecast net income per share (full year): ¥269.71
*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 pages 5 of this report.

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. 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 P.T. Hogy Indonesia. 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, Performance, and Financial Position

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. Our plan is to pay dividends with a view to achieving a consolidated dividend payout ratio of 30% in the future. We are also actively considering the issue of quarterly dividend payments, which will be permitted following the enactment of the Corporation Law.

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 ¥500 and 10%, respectively.

(e) Medium- and Long-Term Strategies and Issues

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 over the medium and long terms. 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 required to streamline operations and enhance management efficiency in the future.

The revised Pharmaceutical Affairs Law, enacted in April 2005, highlights the growing importance of safety and legal compliance among companies in the medical equipment industry. In this in mind, Hogy Medical will renew its focus on the stable supply of safe products. In addition, we will continue pursuing cost-reduction activities and further upgrade internal monitoring systems in order to ensure transparency of operations.

(f) Items Related to Parent Company

No relevant items.

Performance and Financial Position

(a) Performance

In the fiscal year under review, the Japanese economy showed a moderate recovery trend, driven by higher capital investments stemming from recovery in corporate performances, as well as improved employment conditions. However, the business environment remained challenging due to the prolonged nature of increasing prices of crude oil and other raw materials.

Conditions in the medical equipment industry remain difficult due to recent actions by the central government to restructure the medical industry. Medical treatment remuneration will be revised downward in April 2006, placing more and more pressure on companies associated with the medical equipment industry to enhance operating efficiency. 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 industry.

For the year, the Hogy Medical Group posted a considerable 23.5% year-on-year increase in sales of surgical-use kit products. Sales of the Sontara line of surgical-use non-woven fabric products exceeded our forecast owing to the warm acceptance of new products introduced at the end of the previous fiscal year.

As a result, consolidated net sales amounted to ¥26,434 million, up 5.9% from the previous fiscal year. It was the 45th consecutive year of increased revenue since our foundation.

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 8.2%, to ¥6,200 million, and ordinary income increased 9.2%, to ¥6,438 million. Net income climbed 11.9%, to ¥3,909 million.

In the next fiscal year, the Japanese economy is expected to continue recovering, although the outlook requires a cautious view, due to ever-soaring oil prices and concerns about rising interest rates.

Conditions in the medical equipment industry will remain severe, and companies involved in the industry will face greater pressure than ever to enhance the efficiency of 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 2007 are as follows:

Net sales	¥28,400 million	(up 7.4%)
Operating income	¥7,006 million	(up 13.0%)
Ordinary income	¥7,018 million	(up 9.0%)
Net income	¥4,201 million	(up 7.5%)

(b) Financial Position

Total assets at fiscal year-end stood at ¥55,939 million, down ¥4,902 million from a year earlier. Current assets declined ¥8,815 million. This was mainly due to a ¥3,986 million reduction in cash and bank deposits and a ¥5,675 million decrease in marketable securities—in order to finance the redemption of convertible bonds (¥9,997 million balance at maturity) that matured at the end of the year under review. By contrast, notes and accounts receivable associated with operating activities grew ¥398 million.

Fixed assets increased ¥3,913 million. Tangibles were up ¥3,164 million, as purchases of Operamaster line equipment and facilities for the new distribution center outweighed depreciation. Intangibles rose ¥113 million, and investments and other assets climbed ¥635 million.

At fiscal year-end, total liabilities amounted to ¥8,544 million, down ¥8,351 million. Current liabilities fell ¥9,019 million, due to the redemption of convertible bonds that matured at the end of the period. Long-term liabilities were up ¥668 million.

Total shareholders' equity at year-end stood at ¥47,383 million, up ¥3,447 million from a year earlier. Main components of shareholders' equity included net income of ¥3,909 million and cash dividends paid of ¥747 million. As a result, the equity ratio improved 12.5 points, from 72.2% to 84.7%.

(Statements of Cash Flows)
Cash and cash equivalents at the end of the year under review amounted to ¥6,055 million, down ¥9,690 million from a year earlier.

(Cash Flows from Operating Activities)
Net cash provided by operating activities amounted to ¥5,738 million, down ¥37 million from the previous year. Factors in this result included ¥6,446 million in income before income taxes and minority interests and ¥2,316 million in depreciation, which contrasted with a ¥371 million increase in notes and accounts receivable and ¥2,396 million in income taxes paid.

(Cash Flows from Investing Activities)
Net cash used in investing activities totaled ¥4,998 million, from ¥4,312 million in the previous fiscal year. This was primarily due to purchases of Operamaster line equipment and facilities for the new distribution center.

(Cash Flows from Financing Activities)
Net cash used in financing activities was ¥10,670 million, from ¥382 million. This stemmed mainly from the redemption of convertible bonds (¥9,997 million balance at maturity) and ¥747 million in cash dividends paid.

In the year ahead, we expect net cash provided by operating activities to be around ¥7,000 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥2,300 million, due to purchases of equipment for the new distribution center. We expect cash flows from financing activities to be mainly influenced by cash dividends paid.

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

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Equity ratio (%)	68.5	70.2	72.2	84.7
Equity ratio based on market price (%)	133.7	132.4	139.9	183.5
Debt repayment term (years)	—	—	—	—
Interest coverage ratio	1194.2	—	—	—

Notes:
Equity ratio: Equity capital/Total assets
Equity ratio based on market price: Total stock value based on market price/Total assets
Debt repayment term: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest paid

1. Each index is calculated based on consolidated financial figures.
2. Market value of total stock is calculated by multiplying the stock price (closing price at the end of the year) by the number of shares outstanding at the end of the year.
3. Operating cash flow is calculated using net cash provided by operating activities (listed in the Consolidated Statements of Cash Flows). Interest-bearing debt refers to all debt that incurs interest (listed in the Consolidated Balance Sheets). For interest paid, the amount shown in the Consolidated Statements of Cash Flows is used.

(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 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 in Japan) signed a memorandum of understanding to the effect that Hogy Medical would receive an exclusive supply 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.

3. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2004 (At March 31, 2005)	% of total	Fiscal 2005 (At March 31, 2006)	% of total	Increase/ Decrease
ASSETS					
Current assets	¥29,451	48.4%	¥20,635	36.9%	¥–8,815
Cash and bank deposits	10,312		6,325		
Notes and accounts receivable	7,346		7,744		
Marketable securities	5,675		—		
Inventories	5,531		5,651		
Deferred income taxes	304		302		
Currency swaps	—		92		
Forward foreign exchange contracts	62		261		
Deferred loss on derivatives	67		—		
Other assets	157		262		
Allowance for doubtful accounts	–7		–5		
Fixed assets	31,390	51.6	35,303	63.1	3,913
Tangibles	28,951	47.6	32,116	57.4	3,164
Buildings and structures	13,787		13,575		
Machinery and vehicles	4,745		7,633		
Land	7,403		7,470		
Construction in progress	2,589		2,917		
Others	426		520		
Intangibles	206	0.3	319	0.6	113
Others	206		319		
Investments and other assets	2,231	3.7	2,866	5.1	635
Investment securities	368		207		
Guaranty deposit	489		526		
Deferred income taxes	301		262		
Currency swaps	—		534		
Forward foreign exchange contracts	29		515		
Deferred loss on derivatives	272		—		
Other assets	839		890		
Allowance for doubtful accounts	–70		–70		
Total assets	¥60,841	100.0%	¥55,939	100.0%	¥–4,902

(Millions of yen, rounded down)

	Fiscal 2004 (At March 31, 2005)		Fiscal 2005 (At March 31, 2006)		Increase/ Decrease
		% of total		% of total	
LIABILITIES					
Current liabilities	¥15,524	25.5%	¥ 6,505	11.6%	¥–9,019
Notes and accounts payable	2,913		3,449		
Convertible bonds due within 1 year	10,000		—		
Accrued income tax	1,216		1,304		
Reserve for employees' bonuses	349		359		
Equipment-related notes payable	30		613		
Currency swaps	44		—		
Forward foreign exchange contracts	23		—		
Deferred derivative gains	62		353		
Other current liabilities	883		424		
Long-term liabilities	1,370	2.3	2,038	3.7	668
Deferred income taxes	148		150		
Reserve for employees' retirement benefits	248		183		
Reserve for directors' retirement bonuses	420		378		
Currency swaps	146		—		
Forward foreign exchange contracts	125		—		
Deferred derivative gains	29		1,050		
Other long-term liabilities	250		276		
Total liabilities	16,895	27.8	8,544	15.3	–8,351
MINORITY INTERESTS					
Minority interests	11	0.0	12	0.0	0
SHAREHOLDERS' EQUITY					
Common stock	7,123	11.7	7,123	12.7	—
Capital surplus	8,336	13.7	8,336	14.9	—
Earned surplus	33,279	54.7	36,374	65.0	3,094
Net unrealized gain or loss on securities	14	0.0	2	0.0	–12
Translation adjustments	–228	–0.4	59	0.1	288
Treasury stock	–4,590	–7.5	–4,512	–8.0	77
Total shareholders' equity	43,935	72.2	47,383	84.7	3,447
Total liabilities, minority interests, and shareholders' equity	¥60,841	100.0%	¥55,939	100.0%	¥–4,902

(2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2004 (April 1, 2004–March 31, 2005)			Fiscal 2005 (April 1, 2005–March 31, 2006)			Increase/Decrease	
			% of total			% of total		% change
Net sales		¥24,961	100.0%		¥26,434	100.0%	¥1,473	+5.9%
Cost of sales		12,225	49.0		12,860	48.6	634	+5.2
Gross profit		12,735	51.0		13,574	51.4	838	+6.6
Selling, general, and administrative expenses		7,005	28.1		7,373	27.9	368	+5.3
Operating income		5,730	22.9		6,200	23.5	470	+8.2
Other income								
Interest income	14			30				
Exchange gain	107			174				
Lease revenue	12			11				
Others	44	178	0.7	61	278	1.1	100	+56.1
Other expenses								
Lease costs	6			6				
Others	4	11	0.0	34	40	0.2	29	+265.0
Ordinary income		5,897	23.6		6,438	24.4	540	+9.2
Extraordinary income								
Gain on sale of fixed assets	0			0				
Gain on sale of investment securities	205			26				
Gain on transfer from allowance for doubtful accounts	0	205	0.8	1	29	0.1	–176	–85.9
Extraordinary expenses								
Loss on disposal of fixed assets	289	289	1.1	20	20	0.1	–268	–92.8
Income before income taxes and minority interests		5,813	23.3		6,446	24.4	632	+10.9
Income taxes	2,346			2,500				
Income tax adjustment	–28	2,317	9.3	35	2,535	9.6	217	+9.4
Minority interests		1	0.0		1	0.0	–0	–4.3
Net income		¥ 3,494	14.0		¥3,909	14.8	¥415	+11.9

(3) Retained Earnings

(Millions of yen, rounded down)

	Fiscal 2004 (April 1, 2004–March 31, 2005)		Fiscal 2005 (April 1, 2005–March 31, 2006)	
CAPITAL SURPLUS				
Balance at beginning of year		¥ 8,336		¥ 8,336
Balance at end of year		8,336		8,336
EARNED SURPLUS				
Balance at beginning of year		30,225		33,279
Increase in earned surplus				
Net income	3,494	3,494	3,909	3,909
Decrease in earned surplus				
Cash dividends paid	373		747	
Bonuses to directors	67		67	
Loss on disposal of treasury stock	0	440	0	814
Balance at end of year		¥33,279		¥36,374

(4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2004 (April 1, 2004–March 31, 2005)	Fiscal 2005 (April 1, 2005–March 31, 2006)
Operating activities		
Income before income taxes and minority interests	¥ 5,813	¥ 6,446
Depreciation	2,236	2,316
Retirement benefits, net of payments	36	–107
Increase (decrease) in allowance for doubtful accounts	–1	–1
Interest and dividend income	–16	–31
Gain on sales of investment securities	–205	–26
Exchange gain	–116	–177
Gain on sale of tangible fixed assets	–0	–1
Loss on disposal of tangible fixed assets	289	20
Changes in assets and liabilities:		
Notes and accounts receivable	–322	–371
Inventories	140	1
Notes and accounts payable	–78	483
Accrued consumption tax receivables and others	—	–98
Accrued consumption tax payables and others	82	–300
Other current assets	13	15
Other current liabilities	–100	15
Other investments and others	4	–38
Other long-term liabilities	15	25
Bonuses paid to directors	–67	–67
Subtotal	7,722	8,103
Interest and dividends received	16	31
Incomes taxes paid	–1,962	–2,396
Net cash provided by operating activities	5,775	5,738
Investing activities		
Increase in time deposits	–13	–38
Proceeds from withdrawals from time deposits	—	10
Proceeds from sale of marketable securities	246	167
Purchase of tangible fixed assets	–4,530	–4,956
Proceeds from sale of tangible fixed assets	5	4
Purchase of intangible fixed assets	–45	–123
Expenditures by loans receivable	–5	–166
Collection of loans receivable	4	93
Increase in other investments	25	10
Net cash used in investing activities	–4,312	–4,998
Financing activities		
Redemption of convertible bonds	—	–9,997
Sales of treasury stock	0	80
Purchase of treasury stock	–8	–6
Cash dividends paid	–374	–747
Net cash used in financing activities	–382	–10,670
Effect of exchange rate changes on cash and cash equivalents	94	240
Net change in cash and cash equivalents	1,174	–9,690
Cash and cash equivalents at beginning of year	14,570	15,745
Cash and cash equivalents at end of year	¥15,745	¥ 6,055