

January 17, 2007

Consolidated Financial Results for the Nine Months Ended December 31, 2006

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

- 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 2006—Nine months ended December 31, 2006

(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 2006	¥20,835	3.2%	¥4,880	-1.0%	¥4,954	-4.3%	¥2,956	-6.8%	¥190.18	—
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
Year ended March 2006	26,434		6,200		6,438		3,909		246.83	227.41

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, 2006, the Japanese economy continued to show modest recovery, buoyed by increased capital investments stemming from improved corporate earnings, as well as enhanced employment conditions. However, the outlook for the business environment remains unclear, with various causes for concern, including a slowdown in the U.S. economy and prolonged high prices of 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. A revision to the medical treatment remuneration system in April 2006 saw the largest reduction in remuneration ever. Consequently, companies associated with the medical equipment industry are facing more and more pressure 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 medical equipment industry.

For the nine-month period in review, consolidated net sales totaled ¥20,835 million, up 3.2% from the previous corresponding period. Operating income slipped 1.0%, to ¥4,880 million, and ordinary income declined 4.3%, to ¥4,954 million. Net income was down 6.8%, to ¥2,956 million.

(2) Financial position (consolidated) (December 31, 2006)

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

	Total assets	Net assets	Shareholders' equity ratio (%)	Net assets per share (Yen)
December 31, 2006	¥59,412	¥48,437	81.5%	¥3,190.81
December 31, 2005	65,309	46,546	71.3	2,988.25
March 31, 2006	55,939	47,383	84.7	3,037.60

(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 2006	¥2,734	¥-1,904	¥2,166	¥9,055
9 months ended December 2005	2,614	-2,559	-675	15,345
Year ended March 2006	5,738	-4,998	-10,670	6,055

Financial Position (consolidated)

At December 31, 2006, total assets stood at ¥59,412 million, up ¥3,473 million from March 31, 2006. Total current assets rose ¥4,484 million, to ¥25,119 million. Major factors included a ¥3,018 million increase in cash and bank deposits, stemming from loans from financial institutions, as well as a ¥1,699 million increase in notes and accounts receivable associated with operating activities. Fixed assets declined ¥1,011 million, to ¥34,292 million. Within this figure, tangible fixed assets were down ¥989 million, to ¥31,126 million; intangible fixed assets rose ¥191 million, to ¥511 million; and investments and other assets decreased ¥212 million, to ¥2,654 million.

Total liabilities at the end of the period amounted to ¥10,974 million, up ¥2,430 million. Current liabilities fell ¥701 million, to ¥5,804 million, due mainly to a ¥525 million decline in accrued income taxes and a ¥461 million fall in notes and accounts payable (construction). Long-term liabilities jumped ¥3,131 million, to ¥5,170 million. Major changes among long-term liabilities included a ¥4,000 million increase in long-term loans from financial institutions and a ¥1,050 million decline in deferred hedging income.

Net assets at the end of the period amounted to ¥48,437 million. Major factors boosting net assets included ¥2,956 million in net income and a ¥990 million increase in deferred hedging income related to a change in

accounting treatment. Major factors holding down net assets included ¥997 million in cash dividends paid. As a result, the equity ratio declined from 84.7% to 81.5%.

Cash Flows (consolidated)

At the end of the period under review, cash and cash equivalents stood at ¥9,055 million, up ¥3,000 million from the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥2,734 million, up ¥120 million from the previous corresponding period. Major components included ¥4,925 million in income before income taxes and minority interests and ¥2,150 million in depreciation. By contrast, factors negatively affecting cash flows included a ¥1,700 million increase in notes and accounts receivable and ¥2,529 million in income taxes paid.

Net cash used in investing activities totaled ¥1,904 million, down ¥654 million from the previous corresponding period. This was mainly due to purchases of tangible fixed assets for the new distribution center.

Net cash provided by financing activities was ¥2,166 million, compared with ¥675 million used in such activities in the previous corresponding period. Factors boosting cash flows included ¥5,000 million in loans from financial institutions. Factors holding down cash flows included ¥1,948 million in purchases of treasury stock and ¥996 million in cash dividends paid.

3. Dividend status for third quarter of fiscal 2006 (non-consolidated)

- Cash dividends

Date of record	Cash dividend per share (yen)
	End of third quarter
Third quarter of fiscal 2006	20.00
Third quarter of fiscal 2005	—

Note: Cash dividends will be paid on February 28, 2007

Attachments: Balance Sheets (Summary), Statements of Income (Summary), Statements of Changes in Shareholders' Equity, and Statements of Cash Flows (Summary)

[Reference] Forecast for fiscal 2006 (consolidated) (April 1, 2006–March 31, 2007)

	(Millions of yen, rounded down)		
	Net sales	Ordinary income	Net income
Full year	¥27,000	¥6,210	¥3,690

[Reference] Forecast net income per share (full year): ¥243.14

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.

Information Related to Performance Forecasts (consolidated)

The Hogy Medical Group has not revised its performance forecasts, which were announced on October 12, 2006.

(Consolidated forecasts for fiscal 2006)

Net sales:	¥27,000 million (up 2.1%)
Operating income:	¥ 6,110 million (down 1.5%)
Ordinary income:	¥ 6,210 million (down 3.5%)
Net income:	¥ 3,690 million (down 5.6%)

Consolidated Balance Sheets (Summary)

(Millions of yen, rounded down)

	December 31, 2006		December 31, 2005		Change		March 31, 2006	
	(% of total)		(% of total)		(% change)		(% of total)	
ASSETS								
Current assets								
Cash and bank deposits	¥ 9,344		¥15,613				¥ 6,325	
Notes and accounts receivable	9,444		9,284				7,744	
Inventories	5,565		5,225				5,651	
Other current assets	765		860				913	
Total current assets	25,119	42.3	30,983	47.4%	¥-5,864	-18.9%	20,635	36.9
Fixed assets								
Property, plant and equipment	31,126	52.4	31,173	47.7			32,116	57.4
Intangible fixed assets	511	0.8	303	0.5			319	0.6
Investments and other assets	2,654	4.5	2,848	4.4			2,866	5.1
Total fixed assets	34,292	57.7	34,325	52.6	-32	-0.1	35,303	63.1
Total assets	59,412	100.0	65,309	100.0	-5,896	-9.0	55,939	100.0
LIABILITIES								
Current liabilities								
Notes and accounts payable	3,273		3,426				3,449	
Long-term loans due within 1 year	1,000		—				—	
Convertible bonds due within 1 year	—		9,997				—	
Other current liabilities	1,530		3,269				3,055	
Total current liabilities	5,804	9.8	16,692	25.6	-10,888	-65.2	6,505	11.6
Long-term liabilities								
Long-term loans	4,000		—				—	
Other long-term liabilities	1,170		2,058				2,038	
Total long-term liabilities	5,170	8.7	2,058	3.1	3,112	151.2	2,038	3.7
Total liabilities	10,974	18.5	18,750	28.7	-7,775	-41.5	8,544	15.3

(Millions of yen, rounded down)

	December 31, 2006		December 31, 2005		Change		March 31, 2006	
	(% of total)		(% of total)		(% change)		(% of total)	
NET ASSETS								
Shareholders' equity								
Common stock	7,123	12.0	—	—	—	—	—	—
Capital surplus	8,336	14.0	—	—	—	—	—	—
Earned surplus	38,265	64.4	—	—	—	—	—	—
Treasury stock	-6,347	-10.7	—	—	—	—	—	—
Total shareholders' equity	47,376	79.7	—	—	—	—	—	—
Valuation/translation gains or losses								
Net unrealized gains or losses on securities	1	0.0	—	—	—	—	—	—
Deferred hedging gains or losses	990	1.7	—	—	—	—	—	—
Translation adjustments	55	0.1	—	—	—	—	—	—
Total valuation/translation gains or losses	1,047	1.8	—	—	—	—	—	—
Minority interests	13	0.0	—	—	—	—	—	—
Total net assets	48,437	81.5	—	—	—	—	—	—
Total liabilities and net assets	59,412	100.0	—	—	—	—	—	—

MINORITY INTERESTS

Minority interests	—	—	12	0.0	—	—	12	0.0
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SHAREHOLDERS' EQUITY

Common stock	—	—	7,123	10.9	—	—	7,123	12.7
Capital surplus	—	—	8,336	12.8	—	—	8,336	14.9
Retained earnings	—	—	35,638	54.6	—	—	36,374	65.0
Net unrealized gain or loss on securities	—	—	3	0.0	—	—	2	0.0
Translation adjustments	—	—	-41	-0.1	—	—	59	0.1
Treasury stock	—	—	-4,514	-6.9	—	—	-4,512	-8.0
Total shareholders' equity	—	—	46,546	71.3	—	—	47,383	84.7
Total liabilities, minority interests and shareholders' equity	—	—	65,309	100.0	—	—	55,939	100.0

(2) Consolidated Statements of Income (Summary)

(Millions of yen, rounded down)

	9 months ended December 2006		9 months ended December 2005		Change		Year ended March 2006	
		(% of net sales)		(% of net sales)		(% change)		(% of net sales)
Net sales	¥20,835	100.0%	¥20,194	100.0%	¥640	3.2%	¥26,434	100.0%
Cost of sales	10,237	49.1	9,816	48.6	421	4.3	12,860	48.6
Gross profit	10,597	50.9	10,378	51.4	219	2.1	13,574	51.4
Selling, general and administrative expenses	5,717	27.5	5,448	27.0	269	4.9	7,373	27.9
Operating income	4,880	23.4	4,929	24.4	-49	-1.0	6,200	23.5
Other income	87	0.4	256	1.2	-168	-65.9	278	1.1
Other expenses	12	0.0	6	0.0	5	84.3	40	0.2
Ordinary income	4,954	23.8	5,178	25.6	-223	-4.3	6,438	24.4
Extraordinary income	4	0.0	28	0.1	-23	-84.6	29	0.1
Extraordinary expenses	33	0.2	19	0.0	14	72.8	20	0.1
Income before income taxes and minority interests	4,925	23.6	5,187	25.7	-261	-5.0	6,446	24.4
Income taxes	1,967	9.4	2,012	10.0	-44	-2.2	2,535	9.6
Minority interests	1	0.0	0	0.0	0	35.3	1	0.0
Net income	2,956	14.2	3,173	15.7	-217	-6.8	3,909	14.8

(3) Statements of Changes in Shareholders' Equity

(April 1–December 31, 2006)

(Millions of yen, rounded down)

	Shareholders' equity					Total shareholders' equity
	Common stock	Capital surplus	Earned surplus	Treasury stock		
Balance at March 31, 2006	¥7,123	¥8,336	¥36,374	¥-4,512		¥47,321
Changes during period						
Distribution of retained earnings			-997			-997
Earnings appropriated for directors' bonuses			-67			-67
Net income			2,956			2,956
Purchase of treasury stock				-1,948		-1,948
Disposal of treasury stock			-1	112		111
Changes during period not related to shareholders' equity (net)						
Total changes during period	—	—	1,891	-1,835		55
Balance at December 31, 2006	7,123	8,336	38,265	-6,347		47,376

	Valuation/translation gains or losses				Minority interests	Total net assets
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Translation adjustments	Total valuation/translation gains or losses		
Balance at March 31, 2006	¥2	¥—	¥59	¥ 61	¥12	¥47,395
Changes during period						
Distribution of retained earnings						-997
Earnings appropriated for directors' bonuses						-67
Net income						2,956
Purchase of treasury stock						-1,948
Disposal of treasury stock						111
Changes during period not related to shareholders' equity (net)	-0	990	-4	985	1	987
Total changes during period	-0	990	-4	985	1	1,042
Balance at December 31, 2006	1	990	55	1,047	13	48,437

(4) Consolidated Statements of Cash Flows (Summary)

(Millions of yen, rounded down)

	9 months ended December 2006	9 months ended December 2005	Year ended March 2006
Operating activities			
Income before income taxes and minority interests	¥4,925	¥5,187	¥6,446
Depreciation	2,150	1,706	2,316
Changes in assets and liabilities:			
Notes and accounts receivable	-1,700	-1,920	-371
Inventories	83	356	1
Notes and accounts payable	-175	478	483
Other	-22	-832	-773
Subtotal	5,262	4,976	8,103
Income taxes paid	-2,529	-2,388	-2,396
Other	1	26	31
Net cash provided by operating activities	2,734	2,614	5,738
Investing activities			
Proceeds from sales of investment securities	—	167	167
Purchases of tangible fixed assets	-1,689	-2,628	-4,956
Other	-215	-98	-209
Net cash used in investing activities	-1,904	-2,559	-4,998
Financing activities			
Proceeds from long-term loans	5,000	—	—
Redemption of convertible bonds	—	—	-9,997
Proceeds from sales of treasury stock	111	77	80
Purchases of treasury stock	-1,948	-5	-6
Cash dividends paid	-996	-747	-747
Net cash used in financing activities	2,166	-675	-10,670
Effect of exchange rate changes on cash and cash equivalents	4	220	240
Net change in cash and cash equivalents	3,000	-399	-9,690
Cash and cash equivalents at beginning of term	6,055	15,745	15,745
Cash and cash equivalents at end of term	9,055	15,345	6,055