

July 11, 2007

Consolidated Financial Results for the First Quarter of Fiscal 2007

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 CEO**
 Contact: **Yukio Ishii, General Manager, Administration Div.**
 Start of cash dividend payments: **August 31, 2007**

1. Fiscal 2007-First quarter (April 1–June 30, 2007)

(1) Results of operations

(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
		(% change from previous year)		(% change)		(% change)		(% change)
Fiscal 2007–First quarter	¥ 6,998	+4.6%	¥1,726	+13.4%	¥1,755	+14.5%	¥1,067	+14.5%
Fiscal 2006–First quarter	6,688	+4.0	1,521	–0.9	1,532	–3.9	932	–5.1
Fiscal 2006–Full year	27,293	—	6,058	—	6,139	—	3,621	—

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2007–First quarter	¥ 71.01	—
Fiscal 2006–First quarter	59.79	59.73
Fiscal 2006–Full year	234.69	—

(2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2007–First quarter	¥59,746	¥48,763	81.6%	¥3,242.77
Fiscal 2006–First quarter	55,266	48,621	88.0	3,116.85
Fiscal 2006–Full year	59,231	48,031	81.1	3,194.04

(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 term
Fiscal 2007–First quarter	¥1,736	¥–198	¥–725	¥8,655
Fiscal 2006–First quarter	614	–1,029	–263	5,372
Fiscal 2006–Full year	5,355	–4,642	1,035	7,825

2. Cash dividends

Cash dividend per share (yen)

Date of record	End of first quarter
First quarter of fiscal 2006	20.00
First quarter of fiscal 2007	20.00

3. [Reference] Forecast for fiscal 2007 (April 1, 2007–March 31, 2008)

(Millions of yen, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Interim	14,070	4.8%	3,390	14.6%	3,387	11.9%	2,020	13.2%	135.51
Full year	28,670	5.0	7,000	15.5	6,990	13.8	4,140	14.3	276.12

4. Other

(1) Important changes in scope of consolidation during period: No

Newly included: 0

Newly exempted: 0

(2) Simplified accounting method adopted: Yes

(3) Changes in accounting methods since end of most recent consolidated fiscal year: No

Note: For more information, see “4. Other” of “Performance and Financial Position” on page 4.

* The Company has not revised its forecasts for the fiscal year ending March 2008 (forecasts announced on April 11, 2007). 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 4 of “3. Full-Year Forecasts for Fiscal 2007.”

Performance and Financial Position

1. Performance

In the first quarter of fiscal 2007, the Japanese economy was generally favorable, benefiting from continued increases in capital investments on the back of improvements in corporate performances. However, the business environment remained uncertain due to a slowdown in the U.S. economy, concerns about hikes in interest rates, and other factors.

Conditions in the medical equipment industry remain difficult due to the effects of reforms to the healthcare system aimed at restraining medical expenses— placing more and more pressure on companies associated with the medical equipment industry to enhance efficiency and streamline operations. 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 quarter, the Hogy Medical Group reported consolidated net sales of ¥6,998 million, up 4.6% from the first quarter of fiscal 2006. Operating income increased 13.4%, to ¥1,726 million, and ordinary income rose 14.5%, to ¥1,755 million. Net income for the quarter grew 14.5%, to ¥1,067 million.

2. Financial Position

At June 30, 2007, total assets amounted to ¥59,746 million, up ¥514 million from March 31, 2007. During the quarter, current assets increased ¥1,135 million, to ¥24,196 million. This was due mainly to an ¥834 million increase in cash and bank deposits related to operating activities, as well as a ¥281 million increase in notes and accounts receivable. Fixed assets declined ¥620 million, to ¥35,549 million. Within this figure, tangibles fell ¥492 million, to ¥29,968 million, as depreciation costs exceeded purchases of property, plant, and equipment. Intangibles were down ¥21 million, to ¥511 million, and investments and other assets decreased ¥105 million, to ¥5,070 million.

At term-end, total liabilities amounted to ¥10,982 million, down ¥217 million. Current liabilities grew ¥291 million, to ¥6,426 million. Major factors included a ¥394 million increase in notes and accounts payable, a ¥582 million rise in bonus-related payments, a ¥506 million decrease in accrued income taxes associated with payment of the defined portion, and a ¥238 million fall in the reserve for bonuses. Long-term liabilities declined ¥508 million, to ¥4,556 million. Major factors included ¥425 million in repayments of long-term debt.

Net assets at term-end totaled ¥48,763 million, up ¥732 million. Items boosting net assets included net income (¥1,067 million), while items holding down net assets included cash dividends paid (¥300 million). As a result, the equity ratio rose from 81.1% to 81.6%.

(Statements of Cash Flows)

Cash and cash equivalents at the end of the quarter stood at ¥8,655 million, up ¥830 million from the end of fiscal 2006.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥1,736 million, up ¥1,122 million from the first quarter of the previous fiscal year. Factors in this result included ¥1,770 million in income before income taxes and minority interests and ¥672 million in depreciation, as well as a ¥417 million increase in notes and accounts payable and a ¥389 million increase in current liabilities related to employees' bonuses. These contrasted with ¥1,197 million in income taxes paid and a ¥284 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥198 million, an ¥831 million improvement from the previous corresponding period. Major factors included purchases of tangible fixed assets.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥725 million, compared with ¥263 million in the previous corresponding period. Main factors included repayments of long-term debt and cash dividends paid.

3. Full-Year Forecasts for Fiscal 2007

The Hogy Medical Group has not revised its full-year forecasts, which were announced on April 11, 2007. For the remainder of fiscal 2007, the Japanese economy is expected to continue recovering, although some observers have a cautious view about the outlook, due to economic slowdown in the United States and concerns about rising interest rates.

Conditions in the medical equipment industry will remain severe, as stated earlier, and companies involved in the industry will face greater pressure than ever to enhance efficiency and streamline their operations. To prevail, we at the Hogy Medical Group will assertively promote our Operamaster and Surrem strategies, in order to distinguish ourselves from the competition.

Our consolidated forecasts for the fiscal year to March 2008 are as follows:

Net sales	¥28,670 million	(up 5.0%)
Operating income	¥ 7,000 million	(up 15.5%)
Ordinary income	¥ 6,990 million	(up 13.8%)
Net income	¥ 4,140 million	(up 14.3%)

4. Other

(1) Major changes in subsidiaries during period

Not applicable

(2) Simplified accounting method adopted

Income tax reporting standard: Calculated based on estimated annual rate according to legal effective tax rates.

(3) Changes in accounting methods since end of most recent consolidated fiscal year

Not applicable

5. Consolidated Financial Statements

(1) Balance Sheets (Summary)

(Millions of yen, rounded down)

	Fiscal 2006— First quarter (June 30, 2006)		Fiscal 2007— First quarter (June 30, 2007)		Change		Fiscal 2006 (March 31, 2007)	
		(% of total)		(% of total)		(% change)		(% of total)
ASSETS								
Current assets								
Cash and bank deposits	¥ 5,644		¥ 8,948		¥3,303		¥ 8,113	
Notes and accounts receivable	8,290		9,205		914		8,924	
Inventories	5,663		5,297		-365		5,327	
Other current assets	693		745		52		695	
Total current assets	20,292	36.7%	24,196	40.5%	¥3,904	19.2%	23,061	38.9%
Fixed assets								
Property, plant and equipment	32,274	58.4	29,968	50.2	-2,306		30,460	51.4
Intangible fixed assets	360	0.7	511	0.8	150		533	0.9
Investments and other assets	2,339	4.2	5,070	8.5	2,731		5,176	8.8
Total fixed assets	34,973	63.3	35,549	59.5	575	1.6	36,170	61.1
Total assets	55,266	100.0	59,746	100.0	4,480	8.1	59,231	100.0
LIABILITIES								
Current liabilities								
Notes and accounts payable	3,330		3,393		63		2,999	
Long-term debt due within 1 year	—		1,000		1,000		1,000	
Other current liabilities	2,314		2,032		-281		2,135	
Total current liabilities	5,644	10.2	6,426	10.8	781	13.8	6,135	10.4
Long-term liabilities								
Long-term debt	—		3,500		3,500		3,925	
Other long-term liabilities	999		1,056		56		1,140	
Total long-term liabilities	999	1.8	4,556	7.6	3,556	355.9	5,065	8.5
Total liabilities	6,644	12.0	10,982	18.4	4,338	65.3	11,200	18.9
NET ASSETS								
Shareholders' equity								
Common stock	7,123	12.9	7,123	11.9			7,123	12.0
Capital surplus	8,336	15.1	8,336	14.0			8,336	14.1
Retained earnings	36,864	66.7	39,393	65.9			38,626	65.2
Treasury stock	-4,400	-8.0	-7,100	-11.9			-7,099	-12.0
Total shareholders' equity	47,923	86.7	47,752	79.9	-170	-0.4	46,986	79.3
Valuation/translation adjustments								
Net unrealized gain or loss on securities	1	0.0	-200	-0.3			22	0.0
Deferred hedging gain or loss	638	1.2	1,140	1.9			926	1.6
Translation adjustments	46	0.1	57	0.1			82	0.2
Total valuation/translation adjustments	686	1.3	997	1.7	311	45.4	1,031	1.8
Minority interests	12	0.0	13	0.0	0	6.8	13	0.0
Total net assets	48,621	88.0	48,763	81.6	141	0.3	48,031	81.1
Total liabilities and net assets	55,266	100.0	59,746	100.0	4,480	8.1	59,231	100.0

(2) Statements of Income (Summary)

(Millions of yen, rounded down)

	Fiscal 2006— First quarter (April 1–June 30, 2006)		Fiscal 2007— First quarter (April 1–June 30, 2007)		Change		Fiscal 2006 (April 1, 2006– March 31, 2007)	
		(% of net sales)		(% of net sales)		(% change)		(% of net sales)
Net sales	¥6,688	100.0%	¥6,998	100.0%	¥309	4.6%	¥27,293	100.0%
Cost of sales	3,330	49.8	3,361	48.0	30	0.9	13,490	49.4
Gross profit	3,357	50.2	3,636	52.0	278	8.3	13,803	50.6
Selling, general and administrative expenses	1,835	27.4	1,910	27.3	74	4.1	7,745	28.4
Operating income	1,521	22.8	1,726	24.7	204	13.4	6,058	22.2
Other income	14	0.2	47	0.7	33	230.4	116	0.4
Other expenses	3	0.1	18	0.3	14	414.9	34	0.1
Ordinary income	1,532	22.9	1,755	25.1	222	14.5	6,139	22.5
Extraordinary income	—	—	21	0.3	21	—	0	0.0
Extraordinary expenses	0	0.0	6	0.1	5	1,500.7	37	0.1
Income before income taxes and minority interests	1,532	22.9	1,770	25.3	237	15.5	6,102	22.4
Income taxes	599	9.0	702	10.0	102	17.2	2,479	9.1
Minority interests	0	0.0	0	0.0	–0	–38.2	1	0.0
Net income	932	13.9	1,067	15.3	135	14.5	3,621	13.3

(3) Statements of Changes in Shareholders' Equity

Fiscal 2006—First quarter (April 1–June 30, 2006)

(Millions of yen, rounded down)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at March 31, 2006	¥7,123	¥8,336	¥36,374	¥-4,512	¥47,321
Changes during term					
Distribution of retained earnings			-373		-373
Bonuses to directors			-67		-67
Net income			932		932
Purchase of treasury stock				-1	-1
Disposal of treasury stock			-1	112	111
Changes during term not related to shareholders' equity (net)					
Total changes during period	—	—	490	111	601
Balance at June 30, 2006	7,123	8,336	36,864	-4,400	47,923

	Valuation/translation adjustments				Minority interests	Total net assets
	Net unrealized gain or loss on securities	Deferred hedging gain or loss	Translation adjustments	Total valuation/translation adjustments		
Balance at March 31, 2006	¥ 2	—	¥ 59	¥ 61	¥12	¥47,395
Changes during term						
Distribution of retained earnings						-373
Bonuses to directors						-67
Net income						932
Purchase of treasury stock						-1
Disposal of treasury stock						111
Changes during term not related to shareholders' equity (net)	-0	638	-13	624	0	624
Total changes during period	-0	638	-13	624	0	1,226
Balance at June 30, 2006	1	638	46	686	12	48,621

Fiscal 2007—First quarter (April 1–June 30, 2007)

(Millions of yen, rounded down)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at March 31, 2007	¥7,123	¥8,336	¥38,626	¥-7,099	¥46,986
Changes during term					
Distribution of retained earnings			-300		-300
Net income			1,067		1,067
Purchase of treasury stock				-0	-0
Disposal of treasury stock					
Changes during term not related to shareholders' equity (net)					
Total changes during period	—	—	766	-0	766
Balance at June 30, 2007	7,123	8,336	39,393	-7,100	47,752

	Valuation/translation adjustments				Minority interests	Total net assets
	Net unrealized gain or loss on securities	Deferred hedging gain or loss	Translation adjustments	Total valuation/translation adjustments		
Balance at March 31, 2007	¥22	¥926	¥82	¥1,031	¥13	¥48,031
Changes during term						
Distribution of retained earnings						-300
Net income						1,067
Purchase of treasury stock						-0
Disposal of treasury stock						
Changes during term not related to shareholders' equity (net)	-223	214	-25	-33	0	-33
Total changes during period	-223	214	-25	-33	0	732
Balance at June 30, 2007	-200	1,140	57	997	13	48,763

[Reference] (April 1, 2006–March 31, 2007)

(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 term					
Distribution of retained earnings			-1,301		-1,301
Bonuses to directors			-67		-67
Net income			3,621		3,621
Purchase of treasury stock				-2,700	-2,700
Disposal of treasury stock			-1	113	112
Changes during term not related to shareholders' equity (net)					
Total changes during term	—	—	2,252	-2,587	-334
Balance at March 31, 2007	7,123	8,336	38,626	-7,099	46,986

	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 term						
Distribution of retained earnings						-1,301
Bonuses to directors						-67
Net income						3,621
Purchase of treasury stock						-2,700
Disposal of treasury stock						112
Changes during term not related to shareholders' equity (net)	20	926	22	970	1	971
Total changes during term	20	926	22	970	1	636
Balance at March 31, 2007	22	926	82	1,031	13	48,031

(4) Statements of Cash Flows (Summary)

(Millions of yen, rounded down)

	Fiscal 2006— First quarter (April 1–June 30, 2006)	Fiscal 2007— First quarter (April 1–June 30, 2007)	Fiscal 2006 (April 1, 2006– March 31, 2007)
Operating activities			
Income before income taxes and minority interests	¥1,532	¥1,770	¥6,102
Depreciation	657	672	2,914
Changes in assets and liabilities:			
Notes and accounts receivable	–547	–284	–1,175
Inventories	–17	21	330
Notes and accounts payable	–116	417	–446
Others	391	349	202
Subtotal	1,898	2,946	7,928
Income taxes paid	–1,287	–1,197	–2,573
Others	3	–11	–0
Net cash provided by operating activities	614	1,736	5,355
Investing activities			
Purchases of investment securities	—	—	–2,551
Purchases of property, plant and equipment	–940	–155	–1,828
Others	–88	–42	–261
Net cash used in investing activities	–1,029	–198	–4,642
Financing activities			
Proceeds from long-term debt	—	—	5,000
Repayments of long-term debt	—	–425	–75
Proceeds from sales of treasury stock	111	—	112
Purchases of treasury stock	–1	–0	–2,700
Cash dividends paid	–374	–299	–1,300
Net cash used in financing activities	–263	–725	1,035
Effect of exchange rate changes on cash and cash equivalents	–3	17	21
Net change in cash and cash equivalents	–682	830	1,770
Cash and cash equivalents at beginning of term	6,055	7,825	6,055
Cash and cash equivalents at end of term	5,372	8,655	7,825