HOGY MEDICAL Co., Ltd.
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January 20, 2009

Consolidated Financial Results for the First 3 Quarters of Fiscal 2008

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 CEO**
Contact: **Yukio Ishii, General Manager, Administration Div.**
Submission of Quarterly Business Report: **February 13, 2009**
Start of cash dividend payments: **February 27, 2009**

1. Fiscal 2008-First 3 quarters (April 1–December 31, 2008)

(1) Results of operations

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

	Net sales	(% change from previous year)	Operating income	(% change)	Ordinary income	(% change)	Net income	(% change)
Fiscal 2008–First 3 quarters	¥23,583	—	¥5,740	—	¥5,789	—	¥2,803	—
Fiscal 2007–First 3 quarters	22,078	+6.0%	5,549	+13.7%	5,581	+12.6%	3,352	+13.4%

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)
Fiscal 2008–First 3 quarters	¥186.46	—
Fiscal 2007–First 3 quarters	223.02	—

(2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2008–First 3 quarters	¥60,689	¥51,108	84.2%	¥3,399.05
Fiscal 2007–year-end	61,514	49,631	80.7	3,300.59

Note: Equity capital at term-end
Fiscal 2008–1st 3 quarters: ¥51,093 million
Fiscal 2007: ¥49,617 million

2. Cash dividends

	Cash dividend per share (yen)				
Date of record	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2007	¥20.00	¥20.00	¥20.00	¥20.00	¥80.00
Fiscal 2008	23.00	23.00	23.00	—	92.00
Fiscal 2008 (est.)	—	—	—	23.00	

Note: Revision of cash dividend forecast for period in review
None

3. Forecast for fiscal 2008 (April 1, 2008–March 31, 2009)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Full year	¥31,050	+7.0%	¥7,470	+3.3%	¥7,490	+2.8%	¥3,790	–6.5%	¥252.13

Note: Revision of consolidated forecasts for period in review
Yes

4. Other

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

(2) Simplified accounting method or special accounting method for preparing quarterly financial reports adopted: Yes

(3) Changes in accounting principles, procedures, disclosure methods, etc., pertaining to preparation of quarterly consolidated financial statements (changes to major basic items for preparing quarterly financial reports)
1. Changes associated with changes in accounting standards: Yes
2. Other changes: No

(4) Shares outstanding (common stock) at term-end
1. Number of shares outstanding (including treasury stock)
Fiscal 2008–1st 3 quarters: 16,341,155
Fiscal 2007: 16,341,155
2. Number of treasury shares outstanding
Fiscal 2008–1st 3 quarters: 1,309,427
Fiscal 2007: 1,308,337
3. Average number of shares over period (consolidated total for quarter)
Fiscal 2008–1st 3 quarters: 15,032,473
Fiscal 2007–1st 3 quarters: 15,033,428

Appropriate use of business forecasts; other special items

1. The above estimates are based on information available to the Company on the date of this report's announcement. Due to unforeseen circumstances, however, actual results may differ from such estimates. The Hogy Group has revised its initial full-year performance forecasts, announced on April 11, 2008. For more information, please refer to page 4 of this document.
2. Effective the fiscal year ending March 2009, the Company applies "Accounting Standard for Quarterly Financial Reporting" (ASBJ Standard No. 12) and "Guidance of Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). In addition, the Company prepares quarterly financial statements according to "Rules for Quarterly Financial Reporting."

Performance and Financial Position

1. Performance

In the period under review, the Japanese economy was plagued by turmoil in financial markets and fluctuating share prices and foreign exchange rates sparked by the subprime loan crisis in the United States. Meanwhile, soaring prices of crude oil and raw materials led to a declining trend in corporate earnings, heightening fears of economic slowdown.

Conditions in the medical equipment industry remain difficult due to the effects of reforms to the healthcare system in recent years aimed at restraining medical expenses. A revision to the medical treatment remuneration system in April 2008 had a positive effect on core businesses but a negative effect overall. This has placed 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.

Amid these conditions, the Hogy Medical Group offered a range of products that contribute to the safety of patients and medical treatment personnel, as well as to the streamlining and energy-saving efforts of medical institutions. As the result, consolidated net sales for the three-quarter period under review reached ¥23,583 million, up 6.8% year-on-year. Our surgical-use medical kit products performed particularly well up 12.8% year-on-year, driven by Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management. In surgical-use non-wovens, we maintained sales at previous-year levels thanks to our “Surrem strategy,” based on the concept of low price, high function, and high quality.

In the cost of sales category, the cost of sales ratio declined due to the effects of unrealized consolidated earnings and rising costs of raw materials. In addition, taking advantage of a revision to the Corporate Tax Law in fiscal 2008, we reassessed the useful life of machinery and equipment, and changed the number of useful-life years accordingly. This change led to a ¥294 million increase in depreciation.

During the period, the Group sought to ensure efficient expenses allocations in the selling, general, and administrative expenses category, achieving its targets in this area. As a result, operating income rose 3.4%, to ¥5,740 million.

In the non-operating category, we received ¥53 million in dividend income and posted a ¥72 million foreign exchange loss. Accordingly, ordinary increased 3.7%, to ¥5,789 million.

Among extraordinary items, we posted a ¥1,123 million loss on the valuation of investment securities. Consequently, net income totaled ¥2,803 million, down 16.4% from the previous corresponding period.

Comparisons with the previous corresponding period are provided for reference purposes.

2. Financial Position

At December 31, 2008, total assets amounted to ¥60,689 million, down ¥824 million from March 31, 2008. During the period, current assets rose ¥1,285 million, to ¥27,248 million. This was due mainly to a ¥1,679 million increase in notes and accounts receivable associated with operating activities. Fixed assets declined ¥2,110 million, to ¥33,441 million. Within this figure, tangibles fell ¥1,264 million, to ¥28,282 million, as depreciation costs exceeded purchases of property, plant, and equipment. Intangibles rose ¥279 million, to ¥742 million, and investments and other assets declined ¥1,125 million, to ¥4,415 million.

At term-end, total liabilities amounted to ¥9,581 million, down ¥2,301 million. Current liabilities declined ¥1,352 million, to ¥6,290 million. Main factors included a ¥1,214 million decrease in accrued income taxes due to payment of corporate taxes. Long-term liabilities declined ¥949 million, to ¥3,290 million. Major factors included ¥925 million in repayments of long-term debt.

Net assets at term-end totaled ¥51,108 million, up ¥1,477 million. Items boosting net assets included net income (¥2,803 million), while items holding down net assets included cash dividends paid (¥992 million). As a result, the equity ratio rose from 80.7% to 84.2%.

(Statements of Cash Flows)

Cash and cash equivalents at the end of the third quarter stood at ¥10,276 million, down ¥562 million from the end of fiscal 2007.

(Cash Flows from Operating Activities)
Net cash provided by operating activities amounted to ¥2,888 million, down ¥2,029 million from the previous corresponding period. Factors in this result included ¥4,674 million in income before income taxes and minority interests and ¥2,227 million in depreciation. These contrasted with ¥3,086 million in income taxes paid and a ¥1,725 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)
Net cash used in investing activities totaled ¥1,511 million, up ¥352 million from the previous corresponding period. Major factors included purchases of property, plant, and equipment.

(Cash Flows from Financing Activities)
Net cash used in financing activities was ¥1,921 million. Main factors included repayments of long-term debt and cash dividends paid.

For the entire fiscal year, we expect net cash provided by operating activities to be around ¥7,500 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥3,000 million, due to mainly to the purchase of land in Ushiku City, Ibaraki Prefecture, to build a new factory, as well as investments by our subsidiary in Indonesia. We expect cash flows from financing activities to be around ¥2,500 million, mainly influenced by cash dividends paid and payments of interest and principal on borrowings.

3. Full-Year Forecasts for Fiscal 2008

In consideration of recent events, Hogy Medical decided to make a slight downward revision to parent-company net sales for the year ending March 31, 2009. Accordingly, our revised forecast for consolidated net sales is ¥100 million below the previous forecast, announced on April 11, 2008. In addition, taking advantage of a revision to the Corporate Tax Law in fiscal 2008, we reassessed the useful life of machinery and equipment, and changed the number of useful-life years accordingly. This change led to a ¥410 million increase in depreciation in the cost of sales category. In the three-quarter period under review, moreover, we reported a ¥1,123 million extraordinary loss on the valuation of investment securities, but this is reflected in our full-year performance forecast. As a result, we have revised our initial full-year forecast, announced on April 11, 2008. Our revised forecasts are as follows:

In the fourth quarter of the current fiscal year, we will strive to address various issues that emerged during the three-quarter period under review.

Net sales	¥31,050 million	(up 7.0%)
Operating income	¥ 7,470 million	(up 3.3%)
Ordinary income	¥ 7,490 million	(up 2.8%)
Net income	¥ 3,790 million	(down 6.5%)

4. Other

(1) Important changes in scope of consolidation during period
Not applicable

(2) Simplified accounting method or special accounting method for preparing quarterly financial reports 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

- Effective the fiscal year ending March 2009, the Company applies “Accounting Standard for Quarterly Financial Reporting” (ASBJ Standard No. 12) and “Guidance of Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). In addition, the Company prepares quarterly financial statements according to “Rules for Quarterly Financial Reporting.”
- Valuation of inventories
  Previously, the Company valued inventories at cost, based on the total average method. Effective the period under review, however, the Company applies “Accounting Standard for Evaluating Inventories” (ASBJ Standard No. 9). Accordingly, inventories are now valued at cost, based on the total average method (cost being calculated using the book value reduction method due to a decline in profitability related to values stated in the balance sheets). The effect of this change on profits and losses was minimal.
- Application of “Accounting Treatment of Overseas Subsidiaries for Consolidated Financial Statements”
  Effective the period under review, the Company has applied “Accounting Treatment of Overseas Subsidiaries for Consolidated Financial Statements” (Practical Application Report No. 18), making revisions to the consolidated accounts as necessary. The effect of this change on profits and losses was minimal.

(Supplementary information)

Change in estimated useful life of tangible fixed assets
Taking advantage of a revision to the Corporate Tax Law in fiscal 2008, the Group reassessed the estimated useful life of machinery and equipment, and changed the number of estimated useful-life years for the three-quarter period under review. As a result of this change, operating income, ordinary income, and income before income taxes and minority interests each declined ¥294 million.

5. Consolidated Financial Statements

(1) Balance Sheets (Summary)

(Millions of yen, rounded down)

	Fiscal 2008–First 3 quarters (December 31, 2008)	Fiscal 2007 (March 31, 2008)
ASSETS		
Current assets		
Cash and bank deposits	¥10,587	¥11,138
Notes and accounts receivable	10,167	8,487
Inventories	5,773	5,674
Other current assets	720	662
Total current assets	27,248	25,962
Fixed assets		
Property, plant and equipment	28,282	29,547
Intangible fixed assets	742	463
Investments and other assets	4,415	5,540
Total fixed assets	33,441	35,551
Total assets	60,689	61,514
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,874	3,711
Long-term debt due within 1 year	1,000	1,000
Other current liabilities	1,415	2,931
Total current liabilities	6,290	7,642
Long-term liabilities		
Long-term debt	2,000	2,925
Other long-term liabilities	1,290	1,315
Total long-term liabilities	3,290	4,240
Total liabilities	9,581	11,883
NET ASSETS		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	43,175	41,479
Treasury stock	–7,110	–7,104
Total shareholders' equity	51,524	49,834
Valuation/translation adjustments		
Net unrealized gain or loss on securities	–242	–425
Deferred hedging gain or loss	–20	265
Translation adjustments	–168	–57
Total valuation/translation adjustments	–431	–217
Minority interests	14	14
Total net assets	51,108	49,631
Total liabilities and net assets	60,689	61,514

(2) Statements of Income (Summary)

(Millions of yen, rounded down)

	Fiscal 2008–First 3 quarters (April 1–December 31, 2008)
Net sales	¥23,583
Cost of sales	11,740
Gross profit	11,843
Selling, general and administrative expenses	6,103
Operating income	5,740
Other income	164
Other expenses	115
Ordinary income	5,789
Extraordinary income	10
Extraordinary expenses	1,125
Income before income taxes and minority interests	4,674
Income taxes	1,870
Minority interests	1
Net income	2,803

(4) Statements of Cash Flows (Summary)

(Millions of yen, rounded down)

	Fiscal 2008–First 3 quarters (April 1–December 31, 2008)
Operating activities	
Income before income taxes and minority interests	¥4,674
Depreciation	2,227
Interest and dividend income	–58
Interest expense	39
Changes in assets and liabilities:	
Notes and accounts receivable	–1,725
Inventories	–217
Notes and accounts payable	211
Others	813
Subtotal	5,963
Interest and dividend income	58
Interest expense	–47
Income taxes paid	–3,086
Net cash provided by operating activities	2,888
Investing activities	
Purchases of property, plant and equipment	–1,437
Others	–74
Net cash used in investing activities	–1,511
Financing activities	
Repayments of long-term debt	–925
Proceeds from sale of treasury stock	0
Purchases of treasury stock	–6
Cash dividends paid	–990
Net cash used in financing activities	–1,921
Effect of exchange rate changes on cash and cash equivalents	–17
Net change in cash and cash equivalents	–562
Cash and cash equivalents at beginning of term	10,838
Cash and cash equivalents at end of term	10,276

[Reference]

(1) Statements of Income

Fiscal 2007–First 3 Quarters

(Millions of yen, rounded down)

	Fiscal 2007–First 3 quarters (April 1–December 31, 2007)
Net sales	¥22,078
Cost of sales	10,661
Gross profit	11,417
Selling, general and administrative expenses	5,867
Operating income	5,549
Other income	85
Other expenses	53
Ordinary income	5,581
Extraordinary income	22
Extraordinary expenses	7
Income before income taxes and minority interests	5,596
Income taxes	2,243
Minority interests	0
Net income	3,352

(2) Statements of Cash Flows

Fiscal 2007–First 3 Quarters

(Millions of yen, rounded down)

	Fiscal 2007—First 3 quarters (April 1–December 31, 2007)
Operating activities	
Income before income taxes and minority interests	¥5,596
Depreciation	2,029
Changes in assets and liabilities:	
Notes and accounts receivable	–878
Inventories	3
Notes and accounts payable	609
Others	–2
Subtotal	7,358
Income taxes paid	–2,415
Others	–25
Net cash provided by operating activities	4,918
Investing activities	
Purchases of property, plant and equipment	–750
Others	–409
Net cash used in investing activities	–1,159
Financing activities	
Repayments of long-term debt	–925
Purchase of treasury stock	–3
Cash dividends paid	–901
Net cash used in financing activities	–1,829
Effect of exchange rate changes on cash and cash equivalents	6
Net change in cash and cash equivalents	1,934
Cash and cash equivalents at beginning of term	7,825
Cash and cash equivalents at end of term	9,760