

**October 13, 2009**

# Consolidated Financial Results for the First 2 Quarters of Fiscal 2009

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: **Kazuo Takahashi, Director, Administration Div.**  
 Submission of Quarterly Business Report: **November 11, 2009**  
 Start of cash dividend payments: **November 30, 2009**

## 1. Fiscal 2009-First 2 quarters (April 1–September 30, 2009)

### (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 2009–First 2 quarters	¥15,846	+3.4%	¥4,019	+6.7%	¥3,959	+3.4%	¥2,376	+3.5%
Fiscal 2008–First 2 quarters	15,329	—	3,767	—	3,827	—	2,295	—

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)
Fiscal 2009–First 2 quarters	¥153.91	—
Fiscal 2008–First 2 quarters	152.72	—

### (2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2009–First 2 quarters	¥67,192	¥56,924	84.7%	¥3,617.61
Fiscal 2008–year-end	61,941	51,505	83.1	3,425.71

Note: Equity capital at term-end

Fiscal 2009–1st 2 quarters: ¥56,909 million  
 Fiscal 2008: ¥51,493 million

## 2. Cash dividends

Date of record	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2008	¥23.00	¥23.00	¥23.00	¥23.00	¥92.00
Fiscal 2009	23.00	23.00	—	—	—
Fiscal 2009 (est.)	—	—	23.00	23.00	92.00

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

## 3. Forecast for fiscal 2009 (April 1, 2009–March 31, 2010)

(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	¥32,600	5.1%	¥8,590	14.5%	¥8,710	14.2%	¥5,210	45.3%	¥331.19

Note: Revision of consolidated forecasts for quarter in review  
None

## 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: No
  2. Other changes: No
- (4) Shares outstanding (common stock) at term-end
  1. Number of shares outstanding (including treasury stock)
    - Fiscal 2009–1st 2 quarters: 16,341,155
    - Fiscal 2008: 16,341,155
  2. Number of treasury shares outstanding
    - Fiscal 2009–1st 2 quarters: 609,810
    - Fiscal 2008: 1,309,568
  3. Average number of shares over period (consolidated total for quarter)
    - Fiscal 2009–1st 2 quarters: 15,440,720
    - Fiscal 2008–1st 2 quarters: 15,032,639

### Appropriate use of business forecasts; other special items

The Company has not revised its forecasts for the fiscal year ending March 2010 (forecasts announced on April 13, 2009). 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. For more information related to the above figures, please refer to page 4 of this document.

## Performance and Financial Position

### 1. Performance

In the period under review, the Japanese economy showed some signs of bottoming out from a period of deterioration. However, the outlook remained unclear due to ongoing worldwide recession stemming from the global financial and economic crises, as well as the rapid appreciation of the yen.

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.

Amid these conditions, the Hogy Medical Group offered a range of products that contribute to safety of patients and medical practitioners and help medical institutions streamline and save labor in their operations. As a result, consolidated net sales for the period amounted to ¥15,846 million, up 3.4% year-on-year. Sales of surgical-use kit products increased, driven mainly by the Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management. For surgical-use non-wovens, we achieved a year-on-year sales increase under our “Surrem strategy,” based on the concept of low price, high function, and high quality. Other non-wovens also generated solid sales as the emergence of new influenza strains boosted orders, mainly of masks.

With respect to cost of sales, the cost of sales ratio improved year-on-year, owing to enhanced productivity stemming from an increase in production volume.

During the term, we focused on efficient expense allocations in the selling, general, and administrative expenses category, basically achieving our targets in this area.

Other income/expenses included a foreign exchange loss of ¥110 million.

Consequently, consolidated operating income rose 6.7%, to ¥4,019 million, and ordinary income increased 3.4%, to ¥3,959 million. Net income climbed 3.5%, to ¥2,376 million.

### 2. Financial Position

At September 30, 2009, total assets amounted to ¥67,192 million, up ¥5,250 million from March 31, 2009. During the period, current assets increased ¥4,066 million, to ¥32,181 million. This was due mainly to disposal of treasury stock, a ¥3,712 million rise in cash and bank deposits associated with operating activities, and a ¥599 million increase in notes and accounts receivable. Fixed assets rose ¥1,183 million, to ¥35,010 million. Within this figure, tangibles were up ¥829 million, to ¥29,902 million, due largely to purchases of new electron-beam sterilization equipment. Intangibles rose ¥5 million, to ¥507 million, and investments and other assets increased ¥349 million, to ¥4,599 million.

At term-end, total liabilities amounted to ¥10,267 million, down ¥168 million. Current liabilities rose ¥320 million, to ¥7,548 million. Main factors included a decrease in accrued equipment-related expenses, a ¥724 million increase in accrued income taxes, and a decline in equipment-related notes payable. Long-term liabilities declined ¥489 million, to ¥2,719 million. Major factors included ¥500 million in repayments of long-term debt.

Net assets at term-end totaled ¥56,924 million, up ¥5,418 million. Items boosting net assets included disposal of treasury stock (¥3,183 million) and net income (¥2,376 million), while items holding down net assets included cash dividends paid (¥707 million). As a result, the equity ratio rose from 83.1% to 84.7%.

#### (Statements of Cash Flows)

Cash and cash equivalents at the end of the period stood at ¥15,857 million, up ¥3,675 million from the end of fiscal 2008.

***(Cash Flows from Operating Activities)***

Net cash provided by operating activities amounted to ¥3,881 million, up ¥1,439 million from the previous corresponding period. Factors in this result included ¥3,959 million in income before income taxes and minority interests and ¥1,252 million in depreciation. These contrasted with ¥1,025 million in income taxes paid and a ¥568 million increase in notes and accounts receivable.

***(Cash Flows from Investing Activities)***

Net cash used in investing activities totaled ¥2,240 million, up ¥1,076 million from the previous corresponding period. Major factors included purchases of tangible fixed assets related to new electron-beam sterilization equipment.

***(Cash Flows from Financing Activities)***

Net cash provided by financing activities was ¥1,974 million, compared with ¥1,148 million net cash used in such activities in the previous corresponding period. This was due primarily to a ¥3,183 million in proceeds from disposal of treasury stock. Contrasting 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 ¥9,500 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥6,000 million, due to the purchase of new electron-beam sterilization equipment and the purchase of land for a new factory in Ushiku (Ibaraki Prefecture). Net cash provided by financing activities is expected to be around ¥700 million. In the first quarter under review, we raised ¥3,183 million through the disposal of treasury stock. By contrast, we expect an outflow of around ¥2,500 million due to payments of cash dividends and repayments of borrowings.

### **3. Full-Year Forecasts for Fiscal 2009**

The Japanese economy is expected to remain challenging due to the impact of global recession sparked by the worldwide financial and economic crises. 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 the efficiency of their operations. To prevail, we at the Hogy Medical Group will step up promotion of Operamaster strategy with introduction of a surgery management system on the market during the year, as well as our Surrem strategy, which includes introduction of new gowns onto the market, in order to distinguish ourselves from the competition.

Our consolidated forecasts for the fiscal year ending March 2010 are as shown below. (From the third quarter of the previous fiscal year, the Group's performance was significantly affected by an increase in depreciation and a loss on valuation of securities.)

Net sales	¥32,600 million	(up 5.1%)
Operating income	¥ 8,590 million	(up 14.5%)
Ordinary income	¥ 8,710 million	(up 14.2%)
Net income	¥ 5,210 million	(up 45.3%)

#### 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
  - (a) Valuation of inventories  
The value of inventories is calculated based on physical inventories at the end of the previous fiscal year. The Company has reduced the book price of certain inventory assets that were clearly deemed to be declining in profitability, after estimating the net selling value of such assets.
  - (b) Accounting for income tax  
Income tax for the quarter is calculated according to the estimated full-year tax rate, which is based on the legal effective rate.
  
- (3) Changes in accounting methods since end of most recent consolidated fiscal year  
Not applicable

## 5. Consolidated Financial Statements

### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2009–First 2 quarters (September 30, 2009)	Fiscal 2008 (March 31, 2009)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥16,213	¥12,501
Notes and accounts receivable	9,696	9,096
Goods and merchandise	3,203	3,151
Products in progress	257	351
Materials and supplies	2,117	2,252
Other	695	763
Allowance for doubtful accounts	-2	-1
<b>Total current assets</b>	<b>32,181</b>	<b>28,115</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	12,088	12,360
Machinery and vehicles (net)	5,151	5,532
Land	7,704	7,684
Construction in progress	4,604	3,128
Other (net)	354	366
<b>Total property, plant and equipment</b>	<b>29,902</b>	<b>29,073</b>
Intangible fixed assets	507	502
Investments and other assets	4,599	4,250
<b>Total fixed assets</b>	<b>35,010</b>	<b>33,826</b>
<b>Total assets</b>	<b>67,192</b>	<b>61,941</b>
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	3,790	3,694
Long-term debt due within 1 year	1,000	1,000
Accrued income tax	1,565	841
Reserves	563	568
Other current liabilities	629	1,122
<b>Total current liabilities</b>	<b>7,548</b>	<b>7,227</b>
Long-term liabilities		
Long-term debt	1,425	1,925
Reserves	413	417
Negative goodwill	83	97
Other long-term liabilities	797	768
<b>Total long-term liabilities</b>	<b>2,719</b>	<b>3,208</b>
<b>Total liabilities</b>	<b>10,267</b>	<b>10,436</b>

(Millions of yen, rounded down)

	Fiscal 2009—First 2 quarters (September 30, 2009)	Fiscal 2008 (March 31, 2009)
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	44,777	43,725
Treasury stock	-3,311	-7,110
Total shareholders' equity	56,925	52,074
Valuation/translation adjustments		
Net unrealized gain or loss on securities	411	-16
Deferred hedging gain or loss	9	227
Translation adjustments	-435	-790
Total valuation/translation adjustments	-15	-580
Minority interests	14	11
Total net assets	56,924	51,505
Total liabilities and net assets	67,192	61,941

## (2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2008—First 2 quarters (April 1–September 30, 2008)	Fiscal 2009—First 2 quarters (April 1–September 30, 2009)
Net sales	¥15,329	¥15,846
Cost of sales	7,495	7,732
Gross profit	7,833	8,113
Selling, general and administrative expenses	4,065	4,094
Operating income	3,767	4,019
Other income		
Interest income	3	4
Dividend income	42	34
Amortization of negative goodwill	13	13
Other	39	27
Total other income	99	79
Other expenses		
Interest expense	27	19
Foreign exchange loss	10	110
Other	2	10
Total other expenses	39	139
Ordinary income	3,827	3,959
Extraordinary income		
Gain on sales of fixed assets	1	4
Transfer to allowance for doubtful accounts	9	—
Total extraordinary income	10	4
Extraordinary expenses		
Loss on sales of fixed assets	0	1
Loss on disposal of fixed assets	1	3
Loss on valuation of securities	2	—
Total extraordinary expenses	4	4
Income before income taxes and minority interests	3,833	3,959
Income taxes	1,537	1,581
Minority interests	0	1
Net income	2,295	2,376

### (3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2008—First 2 quarters (April 1– September 30, 2008)	Fiscal 2009—First 2 quarters (April 1– September 30, 2009)
<b>Operating activities</b>		
Income before income taxes and minority interests	¥3,833	¥3,959
Depreciation	1,236	1,252
Amortization of negative goodwill	–13	–13
Increase (decrease) in allowance for doubtful accounts	–3	2
Interest and dividend income	–46	–38
Interest expenses	27	19
Foreign exchange gain	13	123
Gain on sale of tangible fixed assets	–1	–3
Changes in assets and liabilities:		
Notes and accounts receivable	–585	–568
Inventories	143	242
Notes and accounts payable	–175	–77
Other	–313	–9
Subtotal	4,114	4,888
Interest and dividends received	46	38
Interest paid	–27	–20
Incomes taxes paid	–1,690	–1,025
Net cash provided by operating activities	2,442	3,881
<b>Investing activities</b>		
Purchase of tangible fixed assets	–1,119	–2,117
Proceeds from sale of tangible fixed assets	2	22
Expenditures by loans receivable	–9	–5
Collection of loans receivable	4	4
Other	–42	–144
Net cash used in investing activities	–1,163	–2,240
<b>Financing activities</b>		
Repayments of long-term debt	–500	–500
Sales of treasury stock	0	3,183
Purchase of treasury stock	–2	–1
Cash dividends paid	–645	–707
Net cash used in financing activities	–1,148	1,974
Effect of exchange rate changes on cash and cash equivalents	–32	59
Net change in cash and cash equivalents	97	3,675
Cash and cash equivalents at beginning of term	10,838	12,182
Cash and cash equivalents at end of term	10,936	15,857