HOGY MEDICAL Co., Ltd.
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January 15, 2010

Consolidated Financial Results for the First 3 Quarters of Fiscal 2009

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: **Kazuo Takahashi, Director, Administration Div.**
Submission of Quarterly Business Report: **February 12, 2010**
Start of cash dividend payments: **February 26, 2010**

1. Fiscal 2009-First 3 quarters (April 1–December 31, 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 3 quarters	¥23,906	+1.4%	¥6,241	+8.7%	¥6,258	+8.1%	¥3,836	+36.9%
Fiscal 2008–First 3 quarters	23,583	—	5,740	—	5,789	—	2,803	—

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2009–First 3 quarters	¥246.88	—
Fiscal 2008–First 3 quarters	186.46	—

(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 3 quarters	¥66,647	¥57,681	86.5%	¥3,665.82
Fiscal 2008–year-end	61,941	51,505	83.1	3,425.71

Note: Equity capital at term-end
Fiscal 2009–1st 3 quarters: ¥57,667 million
Fiscal 2008: ¥51,493 million

2. Cash dividends

	Cash dividend per share (yen)				
Date of record	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	23.00	—	92.00
Fiscal 2009 (est.)	—	—	—	23.00	

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	¥31,200	0.6%	¥7,950	6.0%	¥7,960	4.4%	¥4,800	33.9%	¥305.13

Note: Revision of consolidated forecasts for quarter 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
(For more information, please refer to page 5 of this document.)

(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 3 quarters: 16,341,155
Fiscal 2008: 16,341,155
2. Number of treasury shares outstanding
Fiscal 2009–1st 3 quarters: 610,032
Fiscal 2008: 1,309,568
3. Average number of shares over period (consolidated total for quarter)
Fiscal 2009–1st 3 quarters: 15,537,908
Fiscal 2008–1st 3 quarters: 15,032,473

Appropriate use of business forecasts; other special items

The Company has 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, conditions remained very challenging due to ongoing worldwide recession stemming from the global financial and economic crises, as well as the impact of sharp foreign exchange fluctuations on corporate earnings. Meanwhile, deflationary pressures continued to mount, with no indications of improvement in employment conditions and worker incomes.

Conditions in the medical equipment industry remain difficult despite a 0.19% increase in the medical treatment remuneration—the first rise in 10 years since 2000. Companies associated with the medical equipment industry have faced increasing pressure to enhance efficiency and streamline operations.

Amid these conditions, the Hogy Medical Group saw a weakening of domestic sales in the third quarter (September–December 2009), especially the month of December. This was despite posting steady sales in the first two quarters. Revenue outside of Japan declined following the partial sale in July 2009 of a consolidated subsidiary's business. However, sales of surgical-use kit products increased, driven mainly by Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management. In the third quarter, we signed eight new Operamaster contracts and canceled one. With contracted medical institutions performing numerous surgical procedures, we expect sales to increase in the future.

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 ¥74 million.

The Group also reported a substantial year-on-year improvement in extraordinary items. This was due to a ¥1,123 million valuation loss on securities in the previous corresponding period.

Consolidated net sales for the period amounted to ¥23,906 million, up 1.4% from the previous corresponding period. Operating income increased 8.7%, to ¥6,241 million, and ordinary income climbed 8.1%, to ¥6,258 million. Net income jumped 36.9%, to ¥3,836 million.

2. Financial Position

At December 31, 2009, total assets amounted to ¥66,647 million, up ¥4,706 million from March 31, 2009. During the period, current assets increased ¥3,670 million, to ¥31,786 million. This was due mainly to disposal of treasury stock, a ¥2,727 million rise in cash and bank deposits associated with operating activities, and a ¥1,158 million increase in notes and accounts receivable. Fixed assets rose ¥1,035 million, to ¥34,861 million. Within this figure, tangibles were up ¥1,032 million, to ¥30,106 million, due largely to purchases of new electron-beam sterilization equipment. Intangibles rose ¥100 million, to ¥603 million, and investments and other assets declined ¥98 million, to ¥4,152 million.

At term-end, total liabilities amounted to ¥8,966 million, down ¥1,469 million. Current liabilities declined ¥77 million, to ¥7,150 million. Main factors included a ¥255 million decrease in notes and accounts payable, an increase in accrued income taxes, and a decline in reserve for bonuses. Long-term liabilities fell ¥1,392 million, to ¥1,816 million. Major factors included ¥925 million in repayments of long-term debt.

Net assets at term-end totaled ¥57,681 million, up ¥6,175 million. Items boosting net assets included disposal of treasury stock (¥3,183 million) and net income (¥3,836 million), while items holding down net assets included cash dividends paid (¥1,069 million). As a result, the equity ratio rose from 83.1% to 86.5%.

(Statements of Cash Flows)
Cash and cash equivalents at the end of the period stood at ¥14,869 million, up ¥2,687 million from the end of fiscal 2008.

(Cash Flows from Operating Activities)
Net cash provided by operating activities amounted to ¥4,549 million, up ¥1,660 million from the previous corresponding period. Factors in this result included ¥6,337 million in income before income taxes and minority interests and ¥1,891 million in depreciation. These contrasted with ¥2,201 million in income taxes paid and a ¥1,163 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)
Net cash used in investing activities totaled ¥3,044 million, up ¥1,532 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 ¥1,187 million, compared with ¥1,921 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 ¥6,000 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥3,500 million, due to the purchase of new electron-beam sterilization. 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

In light of its recent results, the Group has revised its full-year performance forecasts for the fiscal year ending March 31, 2010, as shown below. (The initial forecasts were announced on April 13, 2009.)

Revised Forecasts for Fiscal 2009 (Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Previous forecast (A)	32,600	8,590	8,710	5,210	331.19
Revised forecast (B)	31,200	7,950	7,960	4,800	305.13
Change (B – A)	–1,400	–640	–750	–410	—
% change	–4.3%	–7.5%	–8.6%	–7.9%	—
FY2008 result	31,009	7,501	7,627	3,584	238.47

Despite posting steady sales in the first two quarters of the current fiscal year, the Group saw a weakening of domestic sales in the third quarter (September–December 2009), especially the month of December. Given its results in December, the Group decided to revise its full-year performance forecasts.

The Group will swiftly implement new short-term strategies to address the current difficult economic climate. Meanwhile, we expect revenue from Operamaster to continue growing thanks to good progress in signing contracts with medical institutions performing numerous surgical procedures.

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 3 quarters (December 31, 2009)	Fiscal 2008 (March 31, 2009)
ASSETS		
Current assets		
Cash and bank deposits	¥15,228	¥12,501
Notes and accounts receivable	10,255	9,096
Goods and merchandise	3,097	3,151
Products in progress	299	351
Materials and supplies	2,134	2,252
Other	774	763
Allowance for doubtful accounts	–3	–1
Total current assets	31,786	28,115
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	12,544	12,360
Machinery and vehicles (net)	5,179	5,532
Land	9,403	7,684
Construction in progress	2,653	3,128
Other (net)	325	366
Total property, plant and equipment	30,106	29,073
Intangible fixed assets	603	502
Investments and other assets	4,152	4,250
Total fixed assets	34,861	33,826
Total assets	66,647	61,941
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,438	3,694
Long-term debt due within 1 year	1,000	1,000
Accrued income tax	1,314	841
Reserves	198	568
Other current liabilities	1,198	1,122
Total current liabilities	7,150	7,227
Long-term liabilities		
Long-term debt	1,000	1,925
Reserves	27	417
Negative goodwill	—	97
Other long-term liabilities	789	768
Total long-term liabilities	1,816	3,208
Total liabilities	8,966	10,436

(Millions of yen, rounded down)

	Fiscal 2009–First 3 quarters (December 31, 2009)	Fiscal 2008 (March 31, 2009)
NET ASSETS		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	45,875	43,725
Treasury stock	–3,312	–7,110
Total shareholders' equity	58,022	52,074
Valuation/translation adjustments		
Net unrealized gain or loss on securities	333	–16
Deferred hedging gain or loss	62	227
Translation adjustments	–750	–790
Total valuation/translation adjustments	–354	–580
Minority interests	13	11
Total net assets	57,681	51,505
Total liabilities and net assets	66,647	61,941

(2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2008–First 3 quarters (April 1–December 31, 2008)	Fiscal 2009–First 3 quarters (April 1–December 31, 2009)
Net sales	¥23,583	¥23,906
Cost of sales	11,740	11,519
Gross profit	11,843	12,387
Selling, general and administrative expenses	6,103	6,145
Operating income	5,740	6,241
Other income		
Interest income	5	5
Dividend income	53	44
Amortization of negative goodwill	20	13
Subsidy income	36	31
Other	48	35
Total other income	164	130
Other expenses		
Interest expense	39	27
Foreign exchange loss	72	74
Other	3	11
Total other expenses	115	113
Ordinary income	5,789	6,258
Extraordinary income		
Transfer to allowance for doubtful accounts	9	—
Gain on sales of fixed assets	1	4
Lump amortization of negative goodwill	—	83
Total extraordinary income	10	88
Extraordinary expenses		
Loss on sales of fixed assets	0	1
Loss on disposal of fixed assets	2	8
Loss on valuation of investment securities	1,123	—
Total extraordinary expenses	1,125	9
Income before income taxes and minority interests	4,674	6,337
Income taxes	1,870	2,499
Minority interests	1	1
Net income	2,803	3,836

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2008–First 3 quarters (April 1– December 31, 2008)	Fiscal 2009–First 3 quarters (April 1– December 31, 2009)
Operating activities		
Income before income taxes and minority interests	¥4,674	¥6,337
Depreciation	2,227	1,891
Amortization of negative goodwill	–20	–97
Increase (decrease) in allowance for doubtful accounts	–3	11
Interest and dividend income	–58	–49
Interest expenses	39	27
Foreign exchange gain	71	89
Loss on valuation of investment securities	1,123	—
Gain on sale of tangible fixed assets	–1	–3
Changes in assets and liabilities:		
Notes and accounts receivable	–1,725	–1,163
Inventories	–217	210
Notes and accounts payable	211	–297
Other	–355	–222
Subtotal	5,963	6,734
Interest and dividends received	58	49
Interest paid	–47	–34
Incomes taxes paid	–3,086	–2,201
Net cash provided by operating activities	2,888	4,549
Investing activities		
Purchase of tangible fixed assets	–1,437	–2,872
Proceeds from sale of tangible fixed assets	3	24
Expenditures by loans receivable	–9	–7
Collection of loans receivable	15	7
Other	–83	–195
Net cash used in investing activities	–1,511	–3,044
Financing activities		
Repayments of long-term debt	–925	–925
Sales of treasury stock	0	3,183
Purchase of treasury stock	–6	–2
Cash dividends paid	–990	–1,068
Other	—	0
Net cash used in financing activities	–1,921	1,187
Effect of exchange rate changes on cash and cash equivalents	–17	–5
Net change in cash and cash equivalents	–562	2,687
Cash and cash equivalents at beginning of term	10,838	12,182
Cash and cash equivalents at end of term	10,276	14,869