HOGY MEDICAL Co., Ltd.
7-7, Akasaka 2-chome, Minato-ku,
Tokyo 107-8615, Japan

January 16, 2012

Consolidated Financial Results for the First 3 Quarters of Fiscal 2011 [Japanese Standards]

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 8, 2012**
Start of cash dividend payments: **February 29, 2012**
Preparation of supplementary materials for quarterly financial results: **Yes**
Information meeting for quarterly financial results to be held: **Yes**

1. Fiscal 2011-First 3 quarters (April 1–December 31, 2011)

(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 2011–First 3 quarters	¥24,078	+0.8%	¥6,160	–8.3%	¥6,169	–7.1%	¥3,627	–7.9%
Fiscal 2010–First 3 quarters	23,891	–0.1%	6,718	+7.6%	6,640	+6.1%	3,940	+2.7%

Note: Comprehensive income
Fiscal 2011—1st 3 quarters: ¥3,269 million (–4.6%)
Fiscal 2010—1st 3 quarters: ¥3,426 million (—%)

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2011–First 3 quarters	¥230.61	—
Fiscal 2010–First 3 quarters	250.47	—

(2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2011–First 3 quarters	¥70,222	¥62,931	89.6%	¥4,000.36
Fiscal 2010–Year-end	69,834	60,698	86.9%	3,857.83

Note: Equity capital at term-end
Fiscal 2011–1st 3 quarters: ¥69,925 million
Fiscal 2010: ¥60,684 million

2. Cash dividends

	Cash dividend per share (yen)				
Date of record	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2010	¥25.00	¥25.00	¥25.00	¥25.00	¥100.00
Fiscal 2011	20.00	20.00	23.00	—	—
Fiscal 2011 (est.)	—	—	—	23.00	86.00

Note: Revision of cash dividend forecast for quarter in review: Yes

3. Forecast for fiscal 2011 (April 1, 2011–March 31, 2012)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Full year	¥31,460	+0.5%	¥7,380	–14.2%	¥7,400	–13.6%	¥4,350	–2.3%	¥276.54

Note: Revision of consolidated forecasts for quarter in review: Yes

4. Others

(1) Important changes in scope of consolidation during period (presence/absence of changes to specified subsidiaries accompanying changes in scope of consolidation): No

(2) Application of special accounting method: Yes

Note: For more details, please refer to “2. Note on Summary Information (Other)” on page 6 of this report.

(3) Changes in accounting policies; changes in accounting estimates; restatements
- (1) Changes in accounting policies due to amendment of accounting standards: No
- (2) Other changes in accounting policies: No
- (3) Changes in accounting estimates: No
- (4) Restatements: No

(4) Shares outstanding (common stock) at term-end
1. Number of shares outstanding (including treasury stock)
   - Fiscal 2011–1st 3 quarters: 16,341,155
   - Fiscal 2010: 16,341,155
2. Number of treasury shares outstanding
   - Fiscal 2011–1st 3 quarters: 611,134
   - Fiscal 2010: 610,955
3. Average number of shares over period (consolidated total for quarter)
   - Fiscal 2011–1st 3 quarters: 15,730,101
   - Fiscal 2010–1st 3 quarters: 15,730,727

Implementation status of quarterly review procedures
This quarterly financial results report is not subject to quarterly review procedures under Japan's Financial Instruments and Exchange Law. At the time of this report's release, such quarterly review procedures under the Financial Instruments and Exchange Law had not been completed.

Appropriate use of business forecasts; other special items
Performance forecasts and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report's release. Due to various circumstances, however, actual results may differ significantly from such statements. For cautionary notes on assumptions underlying the Company's forecasts and the usage of such forecasts, please refers to "(3) Full-Year Forecasts for Fiscal 2011" on page 5.

Contents

1. Performance and Financial Position ……… 4
    (1) Performance ……… 4
    (2) Financial Position ……… 4
    (3) Full-Year Forecasts for Fiscal 2011 ……… 5
2. Notes on Summary Information (Other) ……… 6
    (1) Important Changes in Subsidiaries ……… 6
    (2) Application of Special Accounting Method ……… 6
    (3) Changes in Accounting Policies; Changes in Accounting Estimates; Restatements ……… 6
3. Major Items Related to Ongoing Concern Assumption ……… 6
4. Consolidated Financial Statements ……… 7
    (1) Balance Sheets ……… 7
    (2) Statements of Income and Statements of Comprehensive Income
        Statements of Income ……… 9
        Statements of Comprehensive Income ……… 10
    (3) Statements of Cash Flows ……… 11
    (4) Note Related to Ongoing Concern Assumption ……… 12
    (5) Segment Information ……… 12
    (6) Note in Event of Significant Change in Shareholders' Equity ……… 12

1. Performance and Financial Position

(1) Performance

In the three-quarter period under review, the Japanese economy showed signs of a partial recovery from the effects of the Great East Japan Earthquake. However, the economic outlook remains unclear due to various factors, including global economic stagnation stemming from financial instability in the Europe, and the yen's sharp appreciation.

During the period, the domestic medical equipment industry benefited from an increase, albeit slight, in medical treatment remuneration. Nevertheless, the industry continues to face challenges due to a difficult domestic financial situation, as well as the fact that companies in the industry are facing more and more pressure to enhance efficiency and streamline operations.

Under these circumstances, the Hogy Medical Group undertook a Group-wide effort to restore production facilities damaged by the Great East Japan Earthquake and eliminate associated production delays. Our sales system focused on responding to the disaster in the first quarter, and was able to gradually return to normal from the second quarter. Seeking to promote Operamaster contracts and differentiate Hogy Medical from other companies, it also stepped up related activities, including guided tours of the head office showroom and the Tsukuba Plant. In R&D, we continued developing products emphasizing "medical safety" and "low invasiveness," based on the concept of "products that contribute to the medical front lines."

As a result, consolidated net sales for the period amounted to ¥24,078 million, up 0.8% from the previous corresponding period. Within this total, sales of surgical-use kit products rose 4.6%, to ¥11,443 million, owing mainly to the popularity of Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management. Although the Group signed 13 new Operamaster contracts with medical institutions, there were five cancellations, bringing total contracts in force to 139 at term-end. Sales of surgical-use non-wovens were down 3.0%, to ¥8,130 million, reflecting declines in unit prices of some products.

Cost of sales increased year-on-year, due to a rise in depreciation associated with the new Tsukuba Sterilization Center, which commenced operations in stages from May 2011. This was despite improvements in productivity thanks to a higher production volume.

Selling, general, and administrative expenses were up year-on-year, due to a number of factors. These included expenses arising from our response to production delays, as well as expenses related to the subsequent rejuvenation of our sales activities. In addition, we incurred expenses related to future corporate growth as we focused on developing the Operamaster surgery management system and conducting experimental research.

Consequently, consolidated operating declined 8.3%, to ¥6,160 million, and ordinary income slipped 7.1%, to ¥6,169 million. Net income was down 7.9%, to ¥3,627 million.

Reflecting improved business results compared with our initial forecasts, we have decided to increase both the term-end (third quarter) and fiscal year-end cash dividends by ¥3.00 compared with our initial projection. This will bring annual cash dividends to ¥86.00 per share.

(2) Financial Position

At December 31, 2011, total assets amounted to ¥70,222 million, up ¥387 million from March 31, 2011. During the period, current assets increased ¥1,744 million, to ¥35,257 million. Major factors were a ¥1,285 million rise in notes and accounts receivable and a ¥453 million increase in cash and bank deposits. Fixed assets were down ¥1,356 million, to ¥34,964 million. Within this figure, tangibles decreased ¥1,466 million, to ¥30,052 million. Machinery and vehicles (net) rose ¥2,452 million, to ¥6,671 million, due mainly to a ¥3,613 million increase in investments for expansion of manufacturing facilities at the Tsukuba Sterilization Center. Intangibles rose ¥184 million, to ¥1,073 million, and investments and other assets edged down ¥74 million, to ¥3,839 million.

At term-end, total liabilities amounted to ¥7,290 million, down ¥1,845 million. Current liabilities declined ¥2,032 million, to ¥6,289 million. Main factors included a ¥925 million decrease in debt owing to debt repayments, as well as a ¥506 million decrease in accrued income tax, a ¥283 million decrease in reserve for loss on disaster, and a ¥273 million decrease in reserve for bonuses. Moreover, our interest-bearing debt fell to zero. Long-term liabilities rose ¥187 million, to ¥1,000 million.

Net assets at term-end totaled ¥62,931 million, up ¥2,233 million. Major factors included ¥3,627 million in net income and ¥1,022 million in cash dividends paid. As a result, the equity ratio rose from 86.9% to 89.6%.

(Statement of Cash Flows)

Cash and cash equivalents at the end of the period stood at ¥18,591 million, up ¥452 million from the end of fiscal 2010.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥3,984 million, down ¥9 million from the previous corresponding period. Factors in this result included ¥6,166 million in income before income taxes and minority interests and ¥2,235 million in depreciation. These contrasted with ¥2,691 million in income taxes paid and a ¥1,309 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥1,524 million, down ¥1,521 million from the previous corresponding period. Major factors included purchases of tangible fixed assets related to expansion of the new Tsukuba Sterilization Center.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,947 million, down ¥128 million from the previous corresponding period. This was due primarily to 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 ¥5,100 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥2,000 million, due to replacement of existing equipment. Net cash used in financing activities is expected to be around ¥2,200 million, due mainly to payments of cash dividends and repayments of borrowings.

(3) Full-Year Forecasts for Fiscal 2011

With respect to the full-year outlook, we have revised our consolidated performance forecasts, as stated in "Notice Related to Revisions of Performance and Cash Dividend Forecasts" (released on January 16, 2012). These revisions reflect the fact that electric power cuts and other factors caused by the Great East Japan Earthquake had a weaker impact on our operations than originally envisaged. Nevertheless, the market environment remains in a state of unpredictability, and for this reason the Hogy Medical Group will work to further reinforce its business foundation.

For more details about our consolidated performance forecasts, please refer to "Notice Related to Revisions of Performance and Cash Dividend Forecasts" (released on January 16, 2012).

2. Notes on Summary Information (Other)

(1) Important Changes in Subsidiaries

Not applicable.

(2) Application of Special Accounting Method

(a) 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 Policies; Changes in Accounting Estimates; Restatements

Not applicable.

3. Major Items Related to Ongoing Concern Assumption

Not applicable.

4. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2010 (March 31, 2011)	Fiscal 2011– First 3 quarters (December 31, 2011)
ASSETS		
Current assets		
Cash and bank deposits	¥18,505	¥18,958
Notes and accounts receivable	9,091	10,377
Goods and merchandise	2,570	2,886
Products in progress	288	247
Materials and supplies	2,083	2,057
Other	977	736
Allowance for doubtful accounts	–4	–6
Total current assets	33,513	35,257
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	13,302	12,720
Machinery and vehicles (net)	4,219	6,671
Land	9,375	9,357
Construction in progress	4,283	980
Other (net)	337	321
Total property, plant and equipment	31,518	30,052
Intangible fixed assets	888	1,073
Investments and other assets	3,913	3,839
Total fixed assets	36,320	34,964
Total assets	69,834	70,222
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,338	3,633
Long-term debt due within 1 year	925	—
Accrued income tax	1,576	1,070
Reserves	1,188	608
Other current liabilities	1,294	976
Total current liabilities	8,322	6,289
Long-term liabilities		
Reserves	44	116
Other long-term liabilities	768	884
Total long-term liabilities	813	1,000
Total liabilities	9,135	7,290

(Millions of yen, rounded down)

	Fiscal 2010 (March 31, 2011)	Fiscal 2011– First 3 quarters (December 31, 2011)
NET ASSETS		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	49,510	52,115
Treasury stock	–3,316	–3,317
Total shareholders' equity	61,653	64,257
Valuation and translation adjustments		
Net unrealized gain or loss on securities	78	35
Deferred hedging gain or loss	9	–134
Translation adjustments	–1,055	–1,232
Total valuation and translation adjustments	–968	–1,331
Minority interests	13	5
Total net assets	60,698	62,931
Total liabilities and net assets	69,834	70,222

(2) Statements of Income and Statements of Comprehensive Income

(Statements of Income)

(Millions of yen, rounded down)

	Fiscal 2010– First 3 quarters (April 1– December 31, 2010)	Fiscal 2011– First 3 quarters (April 1– December 31, 2011)
Net sales	¥23,891	¥24,078
Cost of sales	11,265	11,738
Gross profit	12,625	12,339
Selling, general and administrative expenses	5,906	6,179
Operating income	6,718	6,160
Other income		
Interest income	2	2
Dividend income	51	55
Subsidy income	27	—
Other	37	38
Total other income	118	95
Other expenses		
Interest expense	16	5
Foreign exchange loss	178	81
Other	1	0
Total other expenses	197	87
Ordinary income	6,640	6,169
Extraordinary income		
Transfer to allowance for doubtful accounts	11	—
Gain on sales of fixed assets	0	0
Total extraordinary income	11	0
Extraordinary expenses		
Loss on sales of fixed assets	0	—
Loss on disposal of fixed assets	3	3
Effect of application of accounting standards for asset retirement obligations	32	—
Valuation loss on golf membership	9	—
50-year commemoration business expense	66	—
Total extraordinary expenses	112	3
Income before income taxes	6,539	6,166
Income taxes	2,598	2,538
Income before minority interests	3,941	3,628
Minority interests	1	0
Net income	3,940	3,627

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2010– First 3 quarters (April 1– December 31, 2010)	Fiscal 2011– First 3 quarters (April 1– December 31, 2011)
Income before minority interests	¥3,941	¥3,628
Other comprehensive income		
Net unrealized gains or losses on securities	–166	–42
Deferred hedging gains or losses	–117	–143
Translation adjustments	–231	–172
Total other comprehensive income	–514	–358
Comprehensive income	3,426	3,269
(Breakdown)		
Comprehensive income attributable to owners of parent company	3,426	3,264
Comprehensive income attributable to minority interests	0	4

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2010– First 3 quarters (April 1– December 31, 2010)	Fiscal 2011– First 3 quarters (April 1– December 31, 2011)
Operating activities		
Income before income taxes and minority interests	¥6,539	¥6,166
Depreciation	1,689	2,235
Valuation loss on golf membership	9	—
Effect of application of accounting standards for asset retirement obligations	32	—
Increase (decrease) in allowance for doubtful accounts	–19	–2
Interest and dividend income	–54	–57
Interest expenses	16	5
Foreign exchange gain	190	82
Gain on sale of tangible fixed assets	0	–0
Changes in assets and liabilities:		
Notes and accounts receivable	–1,285	–1,309
Inventories	659	–306
Notes and accounts payable	–106	308
Other	–177	–496
Subtotal	7,495	6,625
Interest and dividends received	54	57
Interest paid	–20	–7
Incomes taxes paid	–3,535	–2,691
Net cash provided by operating activities	3,993	3,984
Investing activities		
Purchase of tangible fixed assets	–2,609	–1,185
Proceeds from sale of tangible fixed assets	2	0
Purchase of investment securities	–75	—
Purchase of shares in affiliates	—	–12
Expenditures by loans receivable	–4	–14
Collection of loans receivable	17	7
Other	–377	–320
Net cash used in investing activities	–3,046	–1,524
Financing activities		
Repayments of long-term debt	–925	–925
Sales of treasury stock	0	—
Purchase of treasury stock	–2	–0
Cash dividends paid	–1,148	–1,021
Other	—	0
Net cash used in financing activities	–2,075	–1,947
Effect of exchange rate changes on cash and cash equivalents	–68	–59
Net change in cash and cash equivalents	–1,196	452
Cash and cash equivalents at beginning of term	17,405	18,139
Cash and cash equivalents at end of term	16,209	18,591

(4) Note Related to Ongoing Concern Assumption

Not applicable.

(5) Segment Information

The Company and its consolidated subsidiaries are engaged in the manufacture and sales of medical-use consumables and in peripheral activities, which together are regarded as a single business. Accordingly, there are no classified segments for disclosure purposes.

(6) Note in Event of Significant Change in Shareholders' Equity

Not applicable.