HOGY MEDICAL Co., Ltd.
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Tokyo 107-8615, Japan

January 17, 2013

Consolidated Financial Results for the First 3 Quarters of Fiscal 2012 [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 6, 2013**
Start of cash dividend payments: **February 28, 2013**
Preparation of supplementary materials for quarterly financial results: **Yes**
Information meeting for quarterly financial results to be held: **Yes**

1. Fiscal 2012-First 3 quarters (April 1–December 31, 2012)

(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 2012–First 3 quarters	¥25,203	+4.7%	¥6,505	+5.6%	¥6,629	+7.5%	¥4,132	+13.9%
Fiscal 2011–First 3 quarters	24,078	+0.8%	6,160	–8.3%	6,169	–7.1%	3,627	–7.9%

Note: Comprehensive income
Fiscal 2012—1st 3 quarters: ¥4,633 million (+41.7%)
Fiscal 2011—1st 3 quarters: ¥3,269 million (–4.6%)

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)
Fiscal 2012–First 3 quarters	¥262.71	—
Fiscal 2011–First 3 quarters	230.61	—

(2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2012–First 3 quarters	¥74,207	¥67,529	91.0%	¥4,292.77
Fiscal 2011–Year-end	72,522	64,013	88.3%	4,069.17

Note: Equity capital at term-end
Fiscal 2012–1st 3 quarters: ¥67,523 million
Fiscal 2011: ¥64,007 million

2. Cash dividends

	Cash dividend per share (yen)				
Date of record	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2011	¥20.00	¥20.00	¥23.00	¥23.00	¥ 86.00
Fiscal 2012	24.00	24.00	26.00	—	—
Fiscal 2012 (est.)	—	—	—	26.00	100.00

Note: Revision of cash dividend forecast since mast recent announcement: Yes

3. Forecast for fiscal 2012 (April 1, 2012–March 31, 2013)

(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	¥32,870	+3.1%	¥8,000	+3.2%	¥8,060	+3.0%	¥5,043	+9.0%	¥320.60

Note: Revision of consolidated forecasts since mast recent announcement: No

4. Notes

(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 (Notes)” 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: Yes
(2) Other changes in accounting policies: No
(3) Changes in accounting estimates: Yes.
(4) Restatements: No

(4) Shares outstanding (common stock) at term-end
1. Number of shares outstanding (including treasury stock)
Fiscal 2012–1st 3 quarters: 16,341,155
Fiscal 2011: 16,341,155
2. Number of treasury shares outstanding
Fiscal 2012–1st 3 quarters: 611,473
Fiscal 2011: 611,220
3. Average number of shares over period (consolidated total for quarter)
Fiscal 2012–1st 3 quarters: 15,729,778
Fiscal 2011–1st 3 quarters: 15,730,101

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. Accordingly, the Company cannot make promises to achieve such forecasts. 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 2012" on page 5.

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1. Performance and Financial Position

(1) Performance

In the period under review, the domestic medical equipment industry benefited from a moderate upward revision to the medical treatment remuneration system. However, the nation confronted a difficult financial situation, while companies associated with the industry faced more and more pressure to enhance efficiency and streamline operations.

Under these circumstances, the Hogy Medical Group focused on reinforcing sales of Operamaster—which incorporates products, logistics, and information management—while selling and developing new products. To facilitate sales, we participated in academic society meetings, seminars, and other forums to foster a broader understanding of Operamaster among relevant people in medical institutions. Other initiatives also produced good results. These included deploying our accumulated internal know-how and strengthening sales activities through the launch of new products and stepped-up tours of our showrooms and factories. As a result, the Group signed Operamaster contracts with 28 medical institutions during the period, a record-high number. After accounting for two cancellations, this brought total contracts in force to 170 at term-end. Getting the Operamaster system up and running at contracted medical institutions requires considerable effort, and we will adopt a Groupwide approach to address this challenge in the future.

During the period, we launched a new product, called IC Tracer, in which an IC tag is attached to gauze to permit machine-based tracing, with the aim of enhancing the efficiency of counting the number of gauzes used in surgical procedures. Accordingly, this product can make a contribution to medical safety and efficiency. Since the launch, many of our customers have trialed IC Tracer. The feedback has been positive, and some customers have begun adopting it.

As a result, consolidated net sales for the period amounted to ¥25,203 million, up 4.7% from the previous corresponding period. Within this total, sales of surgical-use kits rose 8.9%, to ¥12,460 million. At present, our customers with Operamaster contracts account for more than 60% of surgical-use kit sales, and thus serve as a driving force for Group revenue. Sales of surgical-use non-wovens edged down 0.2%, to ¥8,111 million, reflecting our strategic pricing policy aimed at market share expansion.

With respect to cost of sales, we achieved an improvement in productivity thanks to an increase in sales volume. Accordingly, the cost of sales ratio was around the same level of the previous corresponding period. Selling, general, and administrative expenses were up year-on-year, but we are making good progress in consolidating various expenses aimed at promoting Groupwide growth. These include the cost of developing new products and depreciation costs for the Operamaster surgery management system currently being developed.

Consequently, operating income increased 5.6%, to ¥6,505 million, and ordinary income rose 7.5%, to ¥6,629 million. Net income for the period climbed 13.9%, to ¥4,132 million.

(2) Financial Position

At December 31, 2012, total assets amounted to ¥74,207 million, up ¥1,684 million from March 31, 2012. During the period, current assets rose ¥1,882 million, to ¥38,348 million. This was due mainly to a ¥777 million increase in inventories, a ¥741 million rise in notes and accounts receivable, and a ¥466 million increase in cash and bank deposits. Fixed assets were down ¥197 million, to ¥35,858 million. Within this figure, tangibles decreased ¥1,154 million, to ¥28,431 million, as depreciation costs outweighed acquisitions of property, plant, and equipment. Intangibles rose ¥331 million, to ¥1,622 million, and investments and other assets climbed ¥624 million, to ¥5,804 million.

At term-end, total liabilities amounted to ¥6,677 million, down ¥1,831 million. Current liabilities declined ¥1,674 million, to ¥5,932 million. Main factors were an ¥858 million decrease in accrued income tax and a ¥628 million decline in accrued payables. Long-term liabilities fell ¥157 million, to ¥745 million.

Net assets at term-end totaled ¥67,529 million, up ¥3,516 million. The main factor boosting net assets was

¥4,132 million in net income, while the major factor holding down net assets was ¥1,116 million in distributions from retained earnings. As a result, the equity ratio rose from 88.3% to 91.0%.

(Cash Flows)

Cash and cash equivalents at the end of the period stood at ¥19,709 million, up ¥469 million from the end of fiscal 2011.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥3,274 million, down ¥709 million from the previous corresponding period. Factors in this result included ¥6,630 million in income before income taxes and minority interests and ¥2,151 million in depreciation. These contrasted with ¥3,349 million in income taxes paid and a ¥741 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥1,680 million, up ¥155 million from the previous corresponding period. Outflows were related mainly to replacement of existing equipment and development of the Operamaster surgery management system.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,117 million, down ¥829 million from the previous corresponding period. This was due largely to cash dividends paid.

For the entire year, we expect net cash provided by operating activities to be around ¥5,700 million. Net cash used in investing activities is expected to total around ¥2,000 million, due to replacement of existing equipment. We also project that some expenses will be incurred by the expansion of the new Tsukuba Sterilization Center. Net cash used in financing activities is expected to be around ¥1,600 million, due mainly to payment of cash dividends.

(3) Full-Year Forecasts for Fiscal 2012

The outlook for the Japanese economy is expected to remain uncertain, due to several factors. These include worldwide economic stagnation stemming mainly from the European debt crisis, as well as sharp foreign exchange rate fluctuations.

In response, the Hogy Medical Group will continue steadily promoting its Operamaster strategy, currently under implementation. To foster corporate growth, meanwhile, we will pursue product development based on the concept of “products that contribute to the medical front lines.”

Our consolidated forecasts for the fiscal year to March 2013 are shown below.

(Consolidated forecasts)

Net sales	¥32,870 million	(up 3.1%)
Operating income	¥ 8,000 million	(up 3.2%)
Ordinary income	¥ 8,060 million	(up 3.0%)
Net income	¥ 5,043 million	(up 9.0%)

2. Notes on Summary Information (Notes)

(1) Important Changes in Subsidiaries
Not applicable.

(2) Application of Special Accounting Method
Accounting for income tax

Income tax for the period 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
(Change in accounting policy for situations when a change in accounting estimate is difficult to distinguish)

Pursuant to an amendment to the Corporation Tax Act, effective the first quarter of the fiscal year ending March 31, 2013, the Company changed the depreciation method for property, plant and equipment purchased on/after April 1, 2012. That method now conforms to the amended Act.

The aforementioned change had a minimal effect on operating income, ordinary income, and income before income taxes and minority interests in the three-quarter period under review.

3. Major Items Related to Ongoing Concern Assumption
Not applicable.

4. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2011 (March 31, 2012)	Fiscal 2012– First 3 quarters (December 31, 2012)
ASSETS		
Current assets		
Cash and bank deposits	¥19,610	¥20,076
Notes and accounts receivable	10,357	11,098
Goods and merchandise	3,070	3,529
Products in progress	303	275
Materials and supplies	2,137	2,483
Other	993	890
Allowance for doubtful accounts	–6	–5
Total current assets	36,465	38,348
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	12,552	12,023
Machinery and vehicles (net)	6,353	5,839
Land	9,361	9,375
Construction in progress	982	754
Other (net)	335	439
Total property, plant and equipment	29,585	28,431
Intangible fixed assets	1,291	1,622
Investments and other assets	5,179	5,804
Total fixed assets	36,056	35,858
Total assets	72,522	74,207
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,715	3,749
Accrued income tax	1,801	942
Reserves	584	159
Other current liabilities	1,504	1,080
Total current liabilities	7,606	5,932
Long-term liabilities		
Reserves	147	150
Other long-term liabilities	754	595
Total long-term liabilities	902	745
Total liabilities	8,508	6,677

(Millions of yen, rounded down)

	Fiscal 2011 (March 31, 2012)	Fiscal 2012– First 3 quarters (December 31, 2012)
NET ASSETS		
Shareholders' equity		
Common stock	¥7,123	¥7,123
Capital surplus	8,336	8,336
Retained earnings	52,750	55,766
Treasury stock	–3,317	–3,318
Total shareholders' equity	64,892	67,907
Valuation and translation adjustments		
Net unrealized gain or loss on securities	326	650
Deferred hedging gain or losses	25	261
Translation adjustments	–1,236	–1,295
Total valuation and translation adjustments	–884	–383
Minority interests	5	5
Total net assets	64,013	67,529
Total liabilities and net assets	72,522	74,207

(2) Statements of Income and Statements of Comprehensive Income

(Statements of Income)

(Millions of yen, rounded down)

	Fiscal 2011– First 3 quarters (April 1– December 31, 2011)	Fiscal 2012– First 3 quarters (April 1– December 31, 2012)
Net sales	¥24,078	¥25,203
Cost of sales	11,738	12,317
Gross profit	12,339	12,885
Selling, general and administrative expenses	6,179	6,379
Operating income	6,160	6,505
Other income		
Interest income	2	3
Dividend income	55	45
Foreign exchange gain	—	38
Other	38	37
Total other income	95	124
Other expenses		
Interest expense	5	—
Foreign exchange loss	81	—
Other	0	0
Total other expenses	87	0
Ordinary income	6,169	6,629
Extraordinary income		
Gain on sales of fixed assets	0	3
Total extraordinary income	0	3
Extraordinary expenses		
Loss on sales of fixed assets	—	0
Loss on disposal of fixed assets	3	2
Total extraordinary expenses	3	2
Income before income taxes	6,166	6,630
Income taxes	2,538	2,498
Income before minority interests	3,628	4,132
Minority interests	0	0
Net income	3,627	4,132

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2011– First 3 quarters (April 1– December 31, 2011)	Fiscal 2012– First 3 quarters (April 1– December 31, 2012)
Income before minority interests	¥3,628	¥4,132
Other comprehensive income		
Net unrealized gains or losses on securities	–42	324
Deferred hedging gains or losses	–143	236
Translation adjustments	–172	–58
Total other comprehensive income	–358	501
Comprehensive income	3,269	4,633
(Breakdown)		
Comprehensive income attributable to owners of parent company	3,264	4,633
Comprehensive income attributable to minority interests	4	0

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2011– First 3 quarters (April 1– December 31, 2011)	Fiscal 2012– First 3 quarters (April 1– December 31, 2012)
Operating activities		
Income before income taxes and minority interests	¥6,166	¥6,630
Depreciation	2,235	2,151
Increase (decrease) in allowance for doubtful accounts	–2	6
Interest and dividend income	–57	–48
Interest expenses	5	—
Foreign exchange gain	82	–51
Gain on sale of tangible fixed assets	–0	–3
Changes in assets and liabilities:		
Notes and accounts receivable	–1,309	–741
Inventories	–306	–779
Notes and accounts payable	308	33
Other	–496	–623
Subtotal	6,625	6,575
Interest and dividends received	57	48
Interest paid	–7	—
Incomes taxes paid	–2,691	–3,349
Net cash provided by operating activities	3,984	3,274
Investing activities		
Purchase of tangible fixed assets	–1,185	–1,049
Proceeds from sale of tangible fixed assets	0	6
Purchase of shares in affiliates	–12	—
Expenditures by loans receivable	–14	–9
Collection of loans receivable	7	8
Other	–320	–636
Net cash used in investing activities	–1,524	–1,680
Financing activities		
Repayments of long-term debt	–925	—
Purchase of treasury stock	–0	–0
Cash dividends paid	–1,021	–1,117
Other	0	—
Net cash used in financing activities	–1,947	–1,117
Effect of exchange rate changes on cash and cash equivalents	–59	–6
Net change in cash and cash equivalents	452	469
Cash and cash equivalents at beginning of term	18,139	19,239
Cash and cash equivalents at end of term	18,591	19,709

(4) Note Related to Ongoing Concern Assumption

Not applicable.

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

Not applicable.

(6) 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.