

July 10, 2013

Consolidated Financial Results for the First Quarter of Fiscal 2013 [Japanese Standards]

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 Listing: **First Section, Tokyo Stock Exchange**
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 Submission of Quarterly Business Report: **August 7, 2013**
 Start of cash dividend payments: **August 30, 2013**
 Preparation of supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results to be held: Yes

1. Fiscal 2013—First quarter (April 1—June 30, 2013)

(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 2013—First quarter	¥8,371	+4.1%	¥2,099	+4.0%	¥2,194	+8.7%	¥1,375	+8.8%
Fiscal 2012—First quarter	8,040	+2.6%	2,018	-7.8%	2,018	-8.0%	1,264	-4.3%

Note: Comprehensive income

Fiscal 2013—1st quarter: ¥1,865 million (+25.9%)

Fiscal 2012—1st quarter: ¥1,482 million (+7.2%)

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2013—First quarter	¥87.47	—
Fiscal 2012—First quarter	80.36	—

(2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2013—First quarter	¥79,004	¥71,058	89.9%	¥4,517.14
Fiscal 2012—Year-end	78,279	69,602	88.9%	4,424.56

Note: Equity capital at term-end

Fiscal 2013—1st quarter: ¥71,052 million

Fiscal 2012: ¥69,596 million

2. Cash dividends

Date of record	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2012	¥24.00	¥24.00	¥26.00	¥26.00	¥100.00
Fiscal 2013	27.00				
Fiscal 2013 (est.)		27.00	27.00	27.00	108.00

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

3. Forecast for fiscal 2013 (April 1, 2013–March 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
First 2 quarters	¥17,130	+5.0%	¥4,440	+9.9%	¥4,530	+11.9%	¥2,840	+12.7%	¥180.55
Full year	34,760	+5.0%	8,970	10.6%	9,160	+9.7%	5,730	+9.2%	364.29

Note: Revision of consolidated forecasts for quarter in review: None

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. Notes 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: 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 2013–1st quarter: 16,341,155

Fiscal 2012: 16,341,155

2. Number of treasury shares outstanding

Fiscal 2013–1st quarter: 611,713

Fiscal 2012: 611,583

3. Average number of shares over period (consolidated total for quarter)

Fiscal 2013–1st quarter: 15,729,526

Fiscal 2012–1st quarter: 15,729,900

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 2013” on page 5.

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1. Performance and Financial Position

(1) Performance

In the period under review, the domestic medical equipment industry confronted a difficult financial situation regarding the nation's finances, 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 stepped-up tours of our showrooms and factories. As a result, the Group signed Operamaster contracts with 12 medical institutions during the period. After accounting for two cancellations, this brought total contracts in force to 187 at term-end. We are making good progress at getting the Operamaster system up and running at medical institutions contracted in the previous fiscal year, providing a driving force for sales growth. Seeking to further promote our Operamaster strategy, we are working to expand and upgrade its functions and while reinforcing sales of our surgery management system, which contributes to “visualization” of the operating room. These initiatives are expected to generate good sales results in the current fiscal year.

As a result, consolidated net sales for the period amounted to ¥8,371 million, up 4.1% from the previous corresponding period. Within this total, sales of surgical-use kits, centering on Operamaster, rose 9.3%, to ¥4,270 million. Sales of surgical-use non-wovens declined 2.4%, to ¥2,571 million.

With respect to cost of sales, the weakness of the yen proved detrimental for overseas transactions. However, 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, partly due to depreciation costs for the Operamaster surgery management system, rolled out in the previous fiscal year.

Consequently, operating income increased 4.0%, to ¥2,099 million, and ordinary income rose 8.7%, to ¥2,194 million. Net income for the period climbed 8.8%, to ¥1,375 million.

(2) Financial Position

At June 30, 2013, total assets amounted to ¥79,004 million, up ¥725 million from March 31, 2013. During the period, current assets rose ¥912 million, to ¥41,949 million. This was due mainly to a ¥462 million increase in cash and bank deposits and a ¥310 million rise in notes and accounts receivable. Fixed assets were down ¥186 million, to ¥37,055 million. Within this figure, tangibles decreased ¥206 million, to ¥28,223 million. Intangibles amounted to ¥1,538 million and investments and other assets totaled ¥7,239 million—both mostly largely unchanged.

At term-end, total liabilities amounted to ¥7,946 million, down ¥730 million. Current liabilities declined ¥740 million, to ¥6,570 million. Long-term liabilities were mostly unchanged, at ¥1,376 million.

Net assets at term-end totaled ¥71,058 million, up ¥1,455 million. The main factor boosting net assets was ¥1,375 million in net income, while the major factor holding down net assets was ¥408 million in distributions from retained earnings. As a result, the equity ratio rose from 88.9% to 89.9%.

(Cash Flows)

Cash and cash equivalents at the end of the period stood at ¥22,566 million, up ¥460 million from the end of fiscal 2012.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥1,137 million, up ¥55 million from the previous corresponding period. Factors in this result included ¥2,195 million in income before income taxes and minority interests and ¥687 million in depreciation. These contrasted with ¥1,262 million in income taxes paid and a ¥270 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥364 million, down ¥487 million from the previous corresponding period. The main outflow was ¥299 million in purchase of tangible fixed assets.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥409 million, up ¥47 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 ¥7,500 million. Net cash used in investing activities is expected to total around ¥6,500 million, due to extension of the Tsukuba Plant (new facility). Net cash used in financing activities is expected to be around ¥1,700 million, due mainly to payment of cash dividends.

(3) Full-Year Forecasts for Fiscal 2013

The outlook for the Japanese economy is expected to remain uncertain, due to several factors. These include sharp foreign exchange rate fluctuations, soaring crude oil prices, and surging raw materials prices stemming from hikes in electricity rates.

In response, the Hogy Medical Group, under its corporate policy of “tireless challenge aimed at dramatic progress,” will expand sales of its surgery management system and upgrade its functions for benefit of medical institutions, in order to significantly advance its Operamaster strategy. 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 2014 are shown below.

(Consolidated forecasts)

Net sales	¥34,760 million	(up 5.0%)
Operating income	¥ 8,970 million	(up 10.6%)
Ordinary income	¥ 9,160 million	(up 9.7%)
Net income	¥ 5,730 million	(up 9.2%)

2. Notes on Summary Information (Notes)

(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 2012 (March 31, 2013)	Fiscal 2013—First quarter (June 30, 2013)
ASSETS		
Current assets		
Cash and bank deposits	¥22,471	¥22,933
Notes and accounts receivable	10,470	10,781
Goods and merchandise	3,703	3,754
Products in progress	341	347
Materials and supplies	2,944	3,021
Other	1,111	1,120
Allowance for doubtful accounts	-5	-9
Total current assets	41,037	41,949
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	11,966	11,870
Machinery and vehicles (net)	5,768	5,501
Land	9,410	9,439
Construction in progress	789	930
Other (net)	495	480
Total property, plant and equipment	28,430	28,223
Intangible fixed assets	1,605	1,538
Investments and other assets	7,206	7,293
Total fixed assets	37,242	37,055
Total assets	78,279	79,004
LIABILITIES		
Current liabilities		
Notes and accounts payable	4,391	3,958
Accrued income tax	1,324	865
Reserves	460	165
Other current liabilities	1,134	1,581
Total current liabilities	7,311	6,570
Long-term liabilities		
Reserves	186	168
Other long-term liabilities	1,179	1,207
Total long-term liabilities	1,365	1,376
Total liabilities	8,676	7,946

(Millions of yen, rounded down)

	Fiscal 2012 (March 31, 2013)	Fiscal 2013–First quarter (June 30, 2013)
NET ASSETS		
Shareholders' equity		
Common stock	¥ 7,123	¥ 7,123
Capital surplus	8,336	8,336
Retained earnings	56,472	57,439
Treasury stock	-3,318	-3,319
Total shareholders' equity	68,613	69,579
Valuation and translation adjustments		
Net unrealized gain or loss on securities	1,422	1,360
Deferred hedging gains or losses	463	650
Translation adjustments	-902	-538
Total valuation and translation adjustments	983	1,472
Minority interests	5	6
Total net assets	69,602	71,058
Total liabilities and net assets	78,279	79,004

**(2) Statements of Income and Statements of Comprehensive Income
(Statements of Income)**

(Millions of yen, rounded down)

	Fiscal 2012—First quarter (April 1–June 30, 2012)	Fiscal 2013—First quarter (April 1–June 30, 2013)
Net sales	¥8,040	¥8,371
Cost of sales	3,940	4,122
Gross profit	4,100	4,249
Selling, general and administrative expenses	2,082	2,149
Operating income	2,018	2,099
Other income		
Interest income	0	0
Dividend income	21	23
Foreign exchange gain	—	48
Other	9	23
Total other income	32	95
Other expenses		
Foreign exchange loss	31	—
Other	0	0
Total other expenses	31	0
Ordinary income	2,018	2,194
Extraordinary income		
Gain on sales of fixed assets	3	0
Total extraordinary income	3	0
Extraordinary expenses		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	0	0
Total extraordinary expenses	0	0
Income before income taxes	2,022	2,195
Income taxes	758	819
Income before minority interests	1,264	1,375
Minority interests	0	0
Net income	1,264	1,375

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2012–First quarter (April 1–June 30, 2012)	Fiscal 2013–First quarter (April 1–June 30, 2013)
Income before minority interests	¥1,264	¥1,375
Other comprehensive income		
Net unrealized gains or losses on securities	6	–62
Deferred hedging gains or losses	–64	186
Translation adjustments	276	364
Total other comprehensive income	217	489
Comprehensive income	1,482	1,865
(Breakdown)		
Comprehensive income attributable owners of parent company	1,481	1,865
Comprehensive income attributable to minority interests	0	0

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2012—First quarter (April 1—June 30, 2012)	Fiscal 2013—First quarter (April 1—June 30, 2013)
Operating activities		
Income before income taxes and minority interests	¥2,022	¥2,195
Depreciation	693	687
Increase (decrease) in allowance for doubtful accounts	-1	4
Interest and dividend income	-22	-24
Foreign exchange losses (gains)	29	-51
Gain on sale of tangible fixed assets	-3	-0
Changes in assets and liabilities:		
Notes and accounts receivable	-26	-270
Inventories	-317	19
Notes and accounts payable	119	-488
Other	321	302
Subtotal	2,813	2,375
Interest and dividends received	22	24
Incomes taxes paid	-1,754	-1,262
Net cash provided by operating activities	1,081	1,137
Investing activities		
Purchase of tangible fixed assets	-679	-299
Proceeds from sale of tangible fixed assets	2	1
Expenditures by loans receivable	-6	-0
Collection of loans receivable	1	1
Other	-169	-67
Net cash used in investing activities	-852	-364
Financing activities		
Purchase of treasury stock	-0	-0
Cash dividends paid	-361	-408
Net cash used in financing activities	-362	-409
Effect of exchange rate changes on cash and cash equivalents	60	96
Net change in cash and cash equivalents	-72	460
Cash and cash equivalents at beginning of term	19,239	22,105
Cash and cash equivalents at end of term	19,167	22,566

(4) Notes on Consolidated Financial Statements

(Note Related to Ongoing Concern Assumption)

Not applicable.

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

Not applicable.

(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.