

**January 16, 2014**

## Consolidated Financial Results

### for the First 3 Quarters of Fiscal 2013 [Japanese Standards]

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: **Susumu Ohashi, Director, Administration Div.**  
 Submission of Quarterly Business Report: **February 12, 2014**  
 Start of cash dividend payments: **February 28, 2014**  
 Preparation of supplementary materials for quarterly financial results: **Yes**  
 Information meeting for quarterly financial results to be held: **Yes**

#### 1. Fiscal 2013-First 3 quarters (April 1–December 31, 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 3 quarters	¥26,408	+4.8%	¥6,890	+5.9%	¥7,214	+8.8%	¥4,582	+10.9%
Fiscal 2012–First 3 quarters	25,203	+4.7%	6,505	+5.6%	6,629	+7.5%	4,132	+13.9%

Note: Comprehensive income

Fiscal 2013—1st 3 quarters: ¥6,114 million (+32.0%)

Fiscal 2012—1st 3 quarters: ¥4,633 million (+41.7%)

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2013–First 3 quarters	¥291.32	—
Fiscal 2012–First 3 quarters	262.71	—

##### (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 3 quarters	¥82,888	¥74,456	89.8%	¥4,733.28
Fiscal 2012–Year-end	78,279	69,602	88.9%	4,424.56

Note: Equity capital at term-end

Fiscal 2013–1st 3 quarters: ¥74,450 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	27.00	27.00	—	—
Fiscal 2013 (est.)	—	—	—	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, 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	¥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 3 quarters: 16,341,155

Fiscal 2012: 16,341,155

2. Number of treasury shares outstanding

Fiscal 2013–1st 3 quarters: 611,966

Fiscal 2012: 611,583

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

Fiscal 2013–1st 3 quarters: 15,729,351

Fiscal 2012–1st 3 quarters: 15,729,778

**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.

**Contents**

1. Performance and Financial Position .....	4
(1) Performance .....	4
(2) Financial Position .....	4
(3) Full-Year Forecasts for Fiscal 2013 .....	5
2. Notes on Summary Information (Notes) .....	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) Notes on Consolidated Financial Statements .....	12
(Note Related to Ongoing Concern Assumption) .....	12
(Note in Event of Significant Change in Shareholders’ Equity) .....	12
(Segment Information) .....	12

## 1. Performance and Financial Position

### (1) Performance

In the period under review, the domestic medical equipment industry showed signs of an upward trend as Japan headed toward economic recovery. However, rising social security costs and other factors underscored the seriousness of the nation's finances, highlighting the need to support efficient expenditures among medical institutions. Against this backdrop, companies in the industry faced pressure to deliver products and services matched more closely to the needs of customers.

In response, the Hogy Medical Group focused on reinforcing sales of Operamaster—which incorporates products, logistics, and information management—while expanding sales of kit products and developing and selling new products. To facilitate sales, we participated in academic society meetings, seminars, and other forums in order to foster a broader understanding of Operamaster among relevant people in medical institutions. As a result, the Group signed Operamaster contracts with 24 medical institutions during the period. After accounting for four cancellations, this brought total contracts in force to 197 at term-end. Seeking to further promote our Operamaster strategy, we are working to expand and upgrade its functions while reinforcing sales of our surgery management system, which contributes to enhanced efficiency of surgery room procedures and improved administration of medical institutions. The number of such institutions looking to introduce our surgery management system increased as a consequence.

Consolidated net sales for the period amounted to ¥26,408 million, up 4.8% from the previous corresponding period. Within this total, sales of surgical-use kits rose 9.5%, to ¥13,640 million, boosted by higher overall sales of kits centering on Operamaster.

With respect to cost of sales, the weakness of the yen proved detrimental for overseas transactions. However, the cost of sales ratio improved, boosted by increased production volume and an enhanced production system. Selling, general, and administrative expenses were up year-on-year, due mainly to costs associated with new products and depreciation costs for our surgery management system.

Consequently, operating income rose 5.9%, to ¥6,890 million, and ordinary income climbed 8.8%, to ¥7,214 million. Net income for the period grew 10.9%, to ¥4,582 million.

### (2) Financial Position

At December 31, 2013, total assets amounted to ¥82,888 million, up ¥4,608 million from March 31, 2013. During the period, current assets rose ¥3,862 million, to ¥44,899 million. This was due mainly to a ¥2,607 million increase in cash and bank deposits and a ¥1,275 million rise in notes and accounts receivable. Fixed assets were up ¥746 million, to ¥37,988 million. Within this figure, tangibles decreased ¥690 million, to ¥27,739 million, as depreciation expenses outweighed asset purchases. Intangibles remained mostly unchanged, at ¥1,701 million, and investments and other assets rose ¥1,341 million, to ¥8,547 million, after accounting for purchases, sales, and market valuation of investment securities.

At term-end, total liabilities amounted to ¥8,431 million, down ¥245 million. Current liabilities declined ¥696 million, to ¥6,614 million. This was due mainly to a ¥310 million decrease in notes and accounts payable and a ¥256 million decline in provision for employees' bonuses. Long-term liabilities increased ¥451 million, to ¥1,816 million.

Net assets at term-end totaled ¥74,456 million, up ¥4,854 million. The main factor boosting net assets was ¥4,582 million in net income, while the major factor holding down net assets was ¥1,258 million in distributions from retained earnings. As a result, the equity ratio rose from 88.9% to 89.8%.

**(Cash Flows)**

Cash and cash equivalents at the end of the period stood at ¥24,713 million, up ¥2,608 million from the end of fiscal 2012.

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

Net cash provided by operating activities amounted to ¥4,902 million, up ¥1,628 million from the previous corresponding period. Factors in this result included ¥7,300 million in income before income taxes and minority interests, ¥2,110 million in depreciation, and a ¥1,214 million increase notes and accounts receivable due to higher net sales, as well as a ¥263 million decrease in inventories, a ¥393 million decrease in notes and accounts payable, and ¥2,691 million in income taxes paid.

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

Net cash used in investing activities totaled ¥1,178 million, down ¥501 million from the previous corresponding period. The main inflow was ¥556 million in sales of investment securities, and the main outflows were ¥990 million in purchase of tangible fixed assets and ¥300 million in purchase of investment securities. Unlike in the previous corresponding period, the Group sold investment securities in the period under review.

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

Net cash used in financing activities was ¥1,259 million, up ¥141 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 ¥6,300 million, due partly to construction of a new kit product 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 Japanese economy is expected to continue expanding despite some causes for concern, including fluctuating demand stemming from the consumption tax hike and soaring prices of imported products and materials due to the weakened yen. Meanwhile, the medical sector will continue adopting measures aimed at suppressing medical treatment costs and reforming medical systems.

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 broaden and upgrade its functions, in order to significantly advance its Operamaster strategy. We will also promote product development based on the concept of “products that contribute to the medical front lines.”

In January 2014, we will commence construction of a new kit product factory with the aim of ensuring the reliable supply of safe, high-value-added products. Compared with the initial plan, we decided to expand the size of the buildings and incorporate an earthquake-resistant structure. Together with an increase in building costs, this will bring the total cost of construction to ¥15.2 billion. With respect to production equipment, we will make investments according to production volume, and will release more details once they are confirmed. The new plant is scheduled to commence operation in 2017.

In addition, the Group will change its employees' retirement pension plan from a defined benefit system to a defined contribution system. Although this is expected to incur an extraordinary loss, the effect on the Groups consolidated results will be minimal.

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**

*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**

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 3 quarters (December 31, 2013)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥22,471	¥25,078
Notes and accounts receivable	10,470	11,745
Goods and merchandise	3,703	3,713
Products in progress	341	348
Materials and supplies	2,944	2,875
Other	1,111	1,149
Allowance for doubtful accounts	–5	–10
Total current assets	41,037	44,899
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	11,966	11,597
Machinery and vehicles (net)	5,768	4,983
Land	9,410	9,454
Construction in progress	789	1,166
Other (net)	495	537
Total property, plant and equipment	28,430	27,739
Intangible fixed assets	1,605	1,701
Investments and other assets	7,206	8,547
Total fixed assets	37,242	37,988
Total assets	78,279	82,888
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	4,391	4,080
Accrued income tax	1,324	1,348
Reserves	460	188
Other current liabilities	1,134	996
Total current liabilities	7,311	6,614
Long-term liabilities		
Reserves	186	134
Other long-term liabilities	1,179	1,681
Total long-term liabilities	1,365	1,816
Total liabilities	8,676	8,431

(Millions of yen, rounded down)

	Fiscal 2012 (March 31, 2013)	Fiscal 2013– First 3 quarters (December 31, 2013)
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	¥7,123	¥7,123
Capital surplus	8,336	8,336
Retained earnings	56,472	59,796
Treasury stock	–3,318	–3,321
Total shareholders' equity	68,613	71,934
Valuation and translation adjustments		
Net unrealized gain or loss on securities	1,422	2,154
Deferred hedging gains or losses	463	774
Translation adjustments	–902	–413
Total valuation and translation adjustments	983	2,515
Minority interests	5	6
Total net assets	69,602	74,456
Total liabilities and net assets	78,279	82,888



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

### (Statements of Income)

(Millions of yen, rounded down)

	Fiscal 2012– First 3 quarters (April 1– December 31, 2012)	Fiscal 2013– First 3 quarters (April 1– December 31, 2013)
Net sales	¥25,203	¥26,408
Cost of sales	12,317	12,855
Gross profit	12,885	13,553
Selling, general and administrative expenses	6,379	6,662
Operating income	6,505	6,890
Other income		
Interest income	3	3
Dividend income	45	60
Foreign exchange gain	38	134
Other	37	128
Total other income	124	327
Other expenses		
Loss on investment partnership	—	1
Other	0	2
Total other expenses	0	3
Ordinary income	6,629	7,214
Extraordinary income		
Gain on sales of fixed assets	3	1
Gain on sale of investment securities	—	96
Total extraordinary income	3	97
Extraordinary expenses		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	2	10
Total extraordinary expenses	2	10
Income before income taxes	6,630	7,300
Income taxes	2,498	2,718
Income before minority interests	4,132	4,582
Minority interests	0	0
Net income	4,132	4,582

**(Statements of Comprehensive Income)**

(Millions of yen, rounded down)

	Fiscal 2012– First 3 quarters (April 1– December 31, 2012)	Fiscal 2013– First 3 quarters (April 1– December 31, 2013)
<b>Income before minority interests</b>	¥4,132	¥4,582
<b>Other comprehensive income</b>		
Net unrealized gain or loss on securities	324	731
Deferred hedging gains or losses	236	311
Translation adjustments	–58	489
<b>Total other comprehensive income</b>	<b>501</b>	<b>1,532</b>
<b>Comprehensive income</b>	<b>4,633</b>	<b>6,114</b>
(Breakdown)		
Comprehensive income attributable to owners of parent company	4,633	6,114
Comprehensive income attributable to minority interests	0	0

### (3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2012– First 3 quarters (April 1– December 31, 2012)	Fiscal 2013– First 3 quarters (April 1– December 31, 2013)
<b>Operating activities</b>		
Income before income taxes and minority interests	¥6,630	¥7,300
Depreciation	2,151	2,110
Increase (decrease) in allowance for doubtful accounts	6	–9
Interest and dividend income	–48	–63
Loss (gain) on investment partnership	—	1
Foreign exchange loss (gain)	–51	–133
Gain on sale of tangible fixed assets	–3	–0
Loss (gain) on sales of investment securities	—	–96
Changes in assets and liabilities:		
Notes and accounts receivable	–741	–1,214
Inventories	–779	263
Notes and accounts payable	33	–393
Other	–623	–234
Subtotal	6,575	7,530
Interest and dividends received	48	63
Incomes taxes paid	–3,349	–2,691
Net cash provided by operating activities	3,274	4,902
<b>Investing activities</b>		
Purchase of tangible fixed assets	–1,049	–990
Proceeds from sale of tangible fixed assets	6	3
Purchase of investment securities	—	–300
Proceeds from sale of investment securities	—	556
Expenditures by loans receivable	–9	–0
Collection of loans receivable	8	9
Other	–636	–457
Net cash used in investing activities	–1,680	–1,178
<b>Financing activities</b>		
Purchase of treasury stock	–0	–2
Cash dividends paid	–1,117	–1,257
Net cash used in financing activities	–1,117	–1,259
Effect of exchange rate changes on cash and cash equivalents	–6	143
Net change in cash and cash equivalents	469	2,608
Cash and cash equivalents at beginning of term	19,239	22,105
Cash and cash equivalents at end of term	19,709	24,713

#### **(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.