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

April 12, 2005

Consolidated Financial Results for Fiscal 2004

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: **Masao Hoki, President and CEO**
Contact: **Kazutaka Itoh, Executive Officer and Head of Administration Dept.**
Meeting of Board of Directors for Consolidated Financial Results: **April 12, 2005**
U.S. accounting standards: **Not applied**

1. Financial results for fiscal 2004 (April 1, 2004–March 31, 2005)

(1) Results of operations

(Millions of yen, except per-share figures, rounded down)

	Net sales	(% change from previous year)	Operating income	(% change)	Ordinary income	(% change)
Fiscal 2004	¥24,961	+0.5%	¥5,730	–1.9%	¥5,897	+5.2%
Fiscal 2003	24,844	+4.0	5,842	–6.8	5,604	–8.8

	Net income	(% change)	Net income per share (Yen)	Net income per share (fully diluted) (Yen)	ROE (%)	Ordinary income/ Total assets (%)	Ordinary income/ Net sales (%)
Fiscal 2004	¥3,494	+8.4%	¥220.21	¥201.96	8.2%	9.9%	23.6%
Fiscal 2003	3,225	–8.0	202.05	185.37	8.0	9.7	22.6

Notes: 1. Gain/loss on investments based on equity method
Fiscal 2004: ¥—million
Fiscal 2003: ¥—million
2. Average number of shares outstanding (consolidated)
Fiscal 2004: 15,564,400
Fiscal 2003: 15,630,611
3. Changes in accounting method: Not applicable
4. Percentage figures shown in the net sales, operating income, ordinary income, and net income columns indicate year-on-year changes for those items.

(2) Financial position (year-end)

(Millions of yen, except per-share figures, rounded down)

	Total assets	Shareholders' equity	Equity ratio	Equity per share (Yen)
Fiscal 2004	¥60,841	¥43,935	72.2%	¥2,818.63
Fiscal 2003	58,508	41,047	70.2	2,632.81

Note: Number of shares outstanding at year-end (consolidated)
Fiscal 2004: 15,563,643
Fiscal 2003: 15,565,292

(3) Cash flows

(Millions of yen, rounded down)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal 2004	¥5,775	–¥4,312	–¥ 382	¥15,745
Fiscal 2003	5,280	–2,857	–1,279	14,570

(4) Included in scope of consolidation or applicable under equity method

Consolidated subsidiaries: 1
Nonconsolidated subsidiaries: 0
Affiliates: 0

(5) Changes in scope of consolidation or equity method

Consolidated subsidiaries
Newly included: 0
Newly exempted: 0
Affiliates (based on equity method)
Newly included: 0
Newly exempted: 0

2. Forecast for fiscal 2005 (April 1, 2005–March 31, 2006)

(Millions of yen, rounded down)

	Net sales	Ordinary income	Net income
Interim	¥12,792	¥2,839	¥1,736
Full year	27,015	6,171	3,773

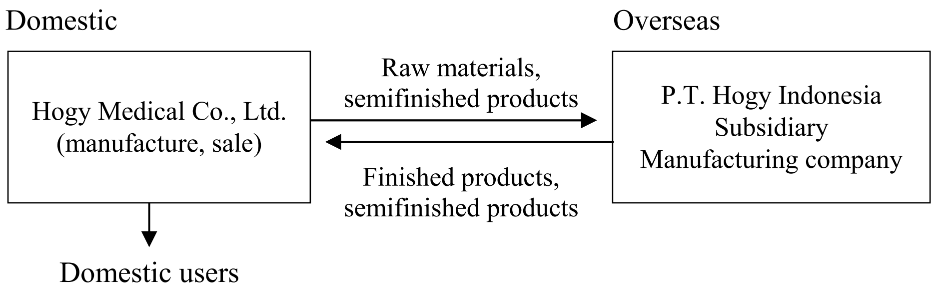
Note: Forecast net income per share (full year): ¥238.18

*The above estimates are based on information available to the Company on the date of the 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 pages 7 of this report. The forecast net income per share figure was calculated using the same adjustments as those used for fiscal 2004.

1. Hogy Medical Group

The Hogy Medical Group consists of Hogy Medical (the "Company") and its consolidated subsidiary, P.T. Hogy Indonesia. Main Group businesses are the manufacture and sale of various items for medical use, namely consumables, implements, machinery and equipment, medical recording paper, and nonwoven fabric materials. The Company entrusts part of its nonwoven fabric materials and consumables manufacturing operations to P.T. Hogy Indonesia. Practically all of the products made by that subsidiary are supplied to the Company. Therefore, this subsidiary can be regarded at the Company's manufacturing base.

The Group's structure and interrelationships are shown below.



2. Management Policies, Performance, and Financial Position

Management Policies

(a) Basic Policy

Hogy Medical is committed to "fostering medical progress and promoting the health and happiness of people through its business activities, thus contributing to social prosperity." Through its campaign to combat the spread of in-hospital infections, the Company places top priority on assuring the safety of patients and medical facility personnel. We also offer a line of products that enable medical institutions to enhance their streamlining and energy-saving efforts.

(b) Basic Profit Appropriation Policy

Our basic policy with respect to profit appropriation emphasizes a strategy of paying cash dividends, and since our foundation, we have adhered to our corporate motto of "ensuring harmonious coexistence with customers, shareholders, employees, and corporations." To this end, we continue to actively and consistently reward our shareholders for their patronage.

In addition, we have introduced a stock option plan, with the intention of raising will and morale by providing benefits to directors and employees. These measures are designed to improve our business performance.

(c) Policy on Reduction of Minimum Share Unit

With respect to reducing the minimum trading unit of our shares, we recognize the importance of ensuring liquidity of our shares and providing an environment that facilitates investment. We are studying all relevant factors, including stock price, number of shareholders, and financial conditions, with a view to reducing the minimum share unit. However, specific policies and timing are yet to be determined.

(d) Key Performance Indicators

Two financial indicators prioritized by management are earnings per share (EPS) and return on equity (ROE). Our objective is to raise EPS and ROE to at least ¥300 and 10%, respectively.

(e) Medium- and Long-Term Strategies and Issues

We accord high emphasis to product life cycles, acknowledging that even the most superior products cannot sustain long-term growth. With this in mind, we have implemented a strategy of "getting next-generation growth products on stream while sales of mainstay items are expanding." We believe this strategy will enable us to achieve revenue and profit growth. To this end, we are concentrating our management resources on new product development, and one of our management objectives is to raise the share of new products to more than 30% of net sales.

To achieve these objectives, we are pursuing a marketing strategy aimed at making Operamaster—a product, distribution, and information system centered around full-kit offerings—into a main pillar of our business. Full-kit products, the core component of Operamaster, incorporate all of the sterilized medical supplies used in operating rooms. Operamaster is based on the concept of creating sets of products tailored to specific doctors and hospitals. In addition to enhancing operating efficiency and saving labor costs, full-kit products help make surgical procedures safer. At the same time, they contribute to the improvement of hospital management because they eliminate need for product-specific inventory management. We are also improving distribution efficiency. We have established a system whereby our new Tsukuba facility manufactures full-kit systems in a minimum of four days. As surgery schedules are determined, hospitals can now place orders directly to Hogy from dedicated information terminals, for delivery on the day before surgery. This system is expected to alleviate hospitals' inventory burdens. In addition to an online ordering system, we are improving our information capabilities by unifying our surgery schedule, personnel, and cost management systems. This is expected to facilitate operating room scheduling and improve productivity. We will more effectively control receipt and transfer of materials, in order to eliminate inventory-related waste and facilitate cost-based accounting. In summary, a key priority for Hogy Medical is to ensure the proliferation of Operamaster as a solution-based service for medical institutions, who will be forced to confront many issues in the future.

(f) Corporate Governance

(Basic Policy)

We place great importance on our shareholders and are building a system that allows us to implement sound corporate governance

(Current Status)

(i) Current Status of Management Controls Related to Decision-Making, Enforcement, and Supervision; and Other Corporate Governance Frameworks

1) Description of Corporate Entities, Internal Control Systems, and Risk Management Framework

The Board of Directors consists of five members—a small number that allows us to make swift management decisions. The Board meets on the sixth business day of every month as a general rule. All important issues and business progress are discussed, and responsive measures are reviewed. We have also introduced an executive director system. By clearly defining the separate functions of the Board (strategic decision-making and business supervision) and those of the executive directors (managing the Company's business), we have created a system that allows the Company to respond quickly to changing business conditions. As a general rule, a management meeting attended by executive directors is held on the business day following the Board meeting. Each department presents its latest report, and concrete measures are formulated through a process of deliberation.

The Company adopts a corporate auditor system. We have three corporate auditors, including two from outside the Company.

Regarding our risk management system, management of legal risk related to our products is handled by the Product Control Department, and management of other risks, pertaining to handling of personal information—a major issue in recent years—is the responsibility of the Administration Department. To properly address risk, we are setting up appropriate rules and provisions and working with the relevant departments, while obtaining advice from our consulting lawyers as necessary.

With respect to our subsidiary, it has pursued policies tailored to its region from the beginning. It has four directors (including a part-time director from the parent company), consisting of one Japanese person and two Indonesians. Financial data and other required materials are fully reported to the parent company to ensure that audits can be carried out at short notice.

2) Internal Audits, Corporate Auditor Audits, and Accounting Audits

For internal audits, we set up the Internal Auditing Office, staffed by one person. The Office assists with audits conducted by corporate auditors, and also performs audits at the special directive of the president.

Audits by corporate auditors are spearheaded by full-time auditors, who attend all Board of Directors meetings and management meetings. They also actively participate in various in-house committees and meetings, enabling them to properly monitor directors in their execution of business.

The Company entrusts Shin Nihon & Co. as its certified public accounting firm. Audits are conducted throughout the period instead of just at the end of the year. We submit computerized data and provide an environment that allows accurate audits to be conducted without any hindrance.

The Internal Auditing Office, corporate auditors, and accounting auditors are increasing their interaction with each other, exchanging information at short notice as necessary and also holding regular meetings to discuss annual schedules, performance reports, and other matters.

Certified public accountants performing business	Certified public accounting firm
Shuichi Ujihara (appointee; business executive)	Shin Nihon & Co.
Munehito Kusaka (appointee; business executive)	Shin Nihon & Co.
Yasuharu Nakajima (appointee; business executive)	Shin Nihon & Co.

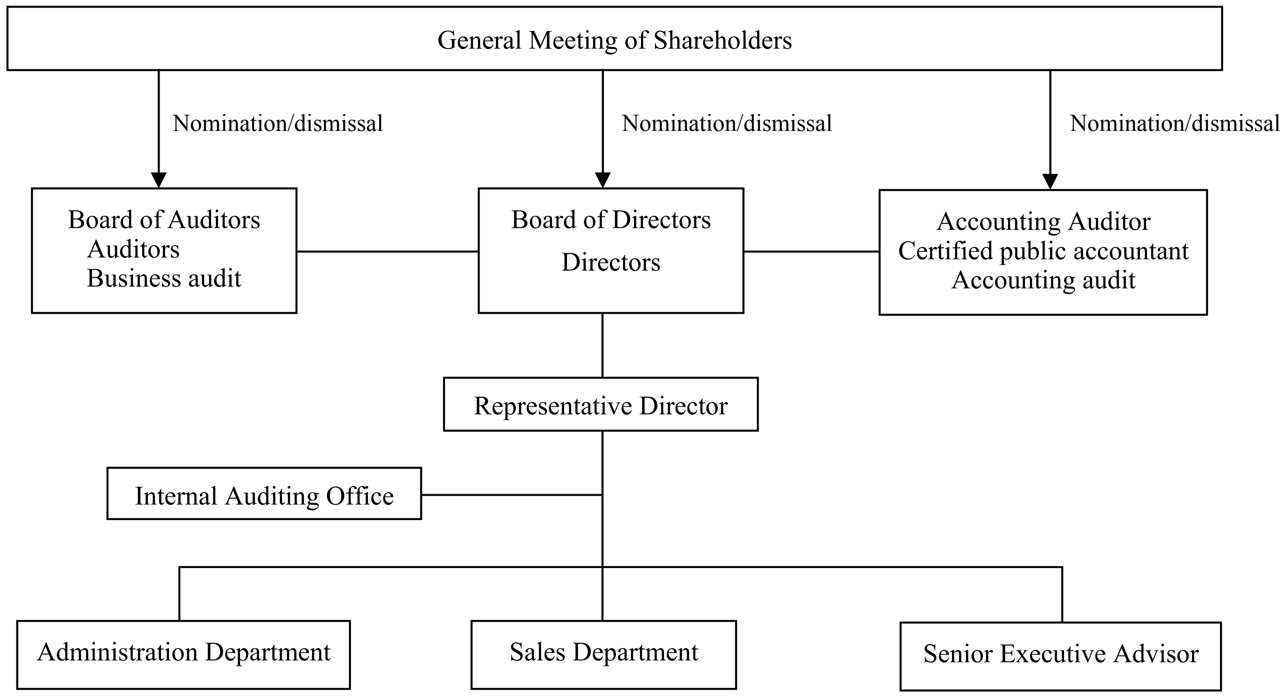
(ii) Personal, Capital, and Business Relationships between the Company and Outside Directors and Corporate Auditors, and Other Beneficial Interests

The Company has two outside corporate auditors and no outside directors. There are no personal, capital, business, or other beneficial interests between the Company and its outside corporate auditors. However, one outside auditor, Shigeru Yasuda, is also a director of IRI, Inc., which has some advertising- and printing-related transactions with the Company. Such transactions are subject to the same conditions that the Company applies to other service providers.

(iii) Corporate Governance Initiatives in the Past Year

In the past year, the Product Control Department took action in response to the amended Pharmaceutical Law, enacted in April 2005, and to assure product safety. During the year, the Administration Department took charge of formulating and implementing the Company’s privacy policy.

As of March 31, 2005, the Company's management organization and corporate governance system are outlined below.



(g) Items Related to Parent Company
No relevant items.

Performance and Financial Position

(a) Performance

In the fiscal year under review, the Japanese economy continued to recover, driven by exports to the healthy U.S. and Chinese economies and strong performances by the IT and digital sectors. However, conditions in the medical industry were harsh, with the ongoing trend toward suppression of medical costs, as well as the reorganization of national government hospitals into Independent Administrative Agencies, a process that began in April 2004.

The Hogy Medical Group faced similar difficulties to the industry itself. Although net sales increased year-on-year, sales of mainstay products, centering on surgical-use kit products, failed to reach our projected target. Thanks mainly to a decline in depreciation expenses, operating expenses were below our projection, remaining mostly unchanged from the previous fiscal year. On the nonoperating side, we recorded an exchange gain on foreign currency-denominated assets owing to favorable exchange rate movements. We also posted extraordinary income in the form of a gain on sales of investment securities, following the sale of our holdings of bank stocks. However, we also posted an extraordinary loss in the form of a loss on disposal of fixed assets, specifically, aging machinery.

As a result, consolidated net sales amounted to ¥24,961 million, up 0.5% from the previous fiscal year. Operating income edged down 1.9%, to ¥5,730 million, but ordinary income increased 5.2%, to ¥5,897 million. Net income rose 8.4%, to ¥3,494 million.

In the current fiscal year, the Japanese economy is expected to continue recovering, although the outlook requires a cautious view, due to the rising costs of materials stemming from soaring oil prices.

We expect difficulties to continue for the medical industry and companies struggle to address the recently implemented Pharmaceutical Law and competition intensifies.

To prevail, we at the Hogy Medical Group will focus our efforts on responding appropriately to the Pharmaceutical Law and reinforcing our Operamaster strategy, in order to distinguish ourselves from the competition.

For the fiscal year to March 2006, we forecast consolidated net sales of ¥27,015 million, up 8.2%; operating income of ¥6,195 million, up 8.1%; ordinary income of ¥6,171 million, up 4.7%; and net income of ¥3,773 million, up 8.0%.

(b) Financial Position

Cash and cash equivalents at the end of the year under review amounted to ¥15,745 million, up ¥1,174 million from a year earlier.

(Cash Flows from Operating Activities)
Net cash provided by operating activities amounted to ¥5,775 million. Positive factors in this result included ¥5,813 million in income before income taxes and minority interests and ¥2,236 million in depreciation. Negative factors included a ¥322 million increase in notes and accounts receivable and ¥1,962 million in income taxes paid.

(Cash Flows from Investing Activities)
Net cash used in investing activities totaled ¥4,312 million. This was primarily due to ¥4,530 million in purchases of tangible fixed assets, including production machinery for Operamaster. We also reported ¥246 million in proceeds from sale of investment securities.

(Cash Flows from Financing Activities)
Net cash used in financing activities was ¥382 million. This stemmed mainly from ¥374 million in dividends paid.

In the year ahead, we expect net cash provided by operating activities to exceed ¥6,000 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥5,000 million, including ¥4,000 million in allocations for Operamaster production machinery. We expect cash flows from financing activities to be affected by redemption of convertible bonds at fiscal year-end.

The following table shows trends in key cash flow indicators for the Group.

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004
Equity ratio (%)	66.5	68.5	70.2	72.2
Equity ratio based on market price (%)	146.4	133.7	132.4	139.9
Debt repayment term (years)	0.3	—	—	—
Interest coverage ratio	231.5	1194.2	—	—

Notes:
Equity ratio: Equity capital/Total assets
Equity ratio based on market price: Total stock value based on market price/Total assets
Debt repayment term: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest paid

1. Each index is calculated based on consolidated financial figures.
2. Market value of total stock is calculated by multiplying the stock price (closing price at the end of the year) by the number of shares outstanding at the end of the year.
3. Operating cash flow is calculated using net cash provided by operating activities (listed in the Consolidated Statements of Cash Flows). Interest-bearing debt refers to all debt that incurs interest (listed in the Consolidated Balance Sheets). For interest paid, the amount shown in the Consolidated Statements of Cash Flows is used.

3. Consolidated Financial Statements

(1) Balance Sheets

(¥ millions, rounded down)

	Fiscal 2003 (At March 31, 2004)		Fiscal 2004 (At March 31, 2005)		Increase/ decrease
		% of total		% of total	
ASSETS					
Current assets	¥28,154	48.1%	¥29,451	48.4%	¥1,297
Cash and bank deposits	8,815		10,312		
Notes and accounts receivable	7,029		7,346		
Marketable securities	5,984		5,675		
Inventories	5,722		5,531		
Deferred income taxes	319		304		
Forward foreign exchange contracts	1		62		
Deferred loss on derivatives	131		67		
Other assets	157		157		
Allowance for doubtful accounts	–7		–7		
Fixed assets	30,354	51.9	31,390	51.6	1,035
Tangibles	27,671	47.3	28,951	47.6	1,280
Buildings and structures	14,725		13,787		
Machinery and vehicles	5,639		4,745		
Land	6,562		7,403		
Construction in progress	178		2,589		
Others	566		426		
Intangibles	216	0.4	206	0.3	–9
Others	216		206		
Investments and other assets	2,466	4.2	2,231	3.7	–235
Investment securities	579		368		
Guaranty deposit	490		489		
Deferred income taxes	206		301		
Forward foreign exchange contracts	64		29		
Deferred loss on derivatives	302		272		
Other assets	894		839		
Allowance for doubtful accounts	–71		–70		
Total assets	¥58,508	100.0%	¥60,841	100.0%	¥2,332

(¥ millions, rounded down)

	Fiscal 2003 (At March 31, 2004)	% of total	Fiscal 2004 (At March 31, 2005)	% of total	Increase/ Decrease
LIABILITIES					
Current liabilities	¥ 6,048	10.3%	¥15,524	25.5%	¥ 9,476
Notes and accounts payable	3,000		2,913		
Convertible bonds due within 1 year	—		10,000		
Accrued income tax	906		1,216		
Reserve for employees’ bonuses	391		349		
Equipment-related notes payable	44		30		
Currency swaps	72		44		
Forward foreign exchange contracts	58		23		
Deferred derivative gains	1		62		
Other current liabilities	1,572		883		
Long-term liabilities	11,402	19.5	1,370	2.3	–10,032
Convertible bonds	10,000		—		
Deferred income taxes	167		148		
Reserve for employees’ retirement benefits	229		248		
Reserve for directors’ retirement bonuses	402		420		
Currency swaps	207		146		
Forward foreign exchange contracts	95		125		
Deferred derivative gains	64		29		
Other long-term liabilities	235		250		
Total liabilities	17,451	29.8	16,895	27.8	–555
MINORITY INTERESTS					
Minority interests	10	0.0	11	0.0	0
SHAREHOLDERS’ EQUITY					
Common stock	7,123	12.2	7,123	11.7	—
Capital surplus	8,336	14.2	8,336	13.7	—
Earned surplus	30,225	51.7	33,279	54.7	3,053
Net unrealized gain or loss on securities	116	0.2	14	0.0	–102
Translation adjustments	–172	–0.3	–228	–0.4	–55
Treasury stock	–4,581	–7.8	–4,590	–7.5	–8
Total shareholders’ equity	41,047	70.2	43,935	72.2	2,887
Total liabilities, minority interests, and shareholders’ equity	¥58,508	100.0%	¥60,841	100.0%	¥2,332

(2) Statements of Income

(¥ millions, rounded down)

	Fiscal 2003 (April 1, 2003–March 31, 2004)			Fiscal 2004 (April 1, 2004–March 31, 2005)			Increase/decrease	
			% of total			% of total		% change
Net sales		¥24,844	100.0%		¥24,961	100.0%	¥117	+0.5%
Cost of sales		12,160	49.0		12,225	49.0	64	+0.5
Gross profit		12,683	51.0		12,735	51.0	52	+0.4
Selling, general, and administrative expenses		6,840	27.5		7,005	28.1	164	+2.4
Operating income		5,842	23.5		5,730	22.9	–112	–1.9
Other income								
Interest income	12			14				
Exchange gain	—			107				
Lease revenue	12			12				
Others	31	55	0.2	44	178	0.7	122	+222.1
Other expenses								
Exchange loss	277			—				
Lease costs	7			6				
Others	8	293	1.1	4	11	0.0	–282	–96.2
Ordinary income		5,604	22.6		5,897	23.6	293	+5.2
Extraordinary income								
Gain on sale of fixed assets	—			0				
Gain on sale of investment securities	—			205				
Gain on transfer from allowance for doubtful accounts	3	3	0.0	0	205	0.8	202	+6227.0
Extraordinary expenses								
Loss on disposal of fixed assets	87			289				
Transfer to allowance for doubtful accounts	41	129	0.5	—	289	1.1	159	+122.8
Income before income taxes and minority interests		5,477	22.1		5,813	23.3	335	+6.1
Income taxes	2,287			2,346				
Income tax adjustment	–35	2,251	9.1	–28	2,317	9.3	66	+2.9
Minority interests		1	0.0		1	0.0	0	+11.4
Net income		¥ 3,225	13.0		¥ 3,494	14.0	¥269	+8.4

(3) Retained Earnings

(¥ millions, rounded down)

	Fiscal 2003 (April 1, 2003–March 31, 2004)		Fiscal 2004 (April 1, 2004–March 31, 2005)	
CAPITAL SURPLUS				
Balance at beginning of year		¥ 8,336		¥ 8,336
Balance at end of year		8,336		8,336
EARNED SURPLUS				
Balance at beginning of year		27,443		30,225
Increase in earned surplus				
Net income	3,225	3,225	3,494	
Decrease in earned surplus				
Cash dividends paid	375		373	
Bonuses to directors	67		67	
Loss on disposal of treasury stock	0	443	0	440
Balance at end of year		¥30,225		¥33,279

(4) Statements of Cash Flows

(¥ millions, rounded down)

	Fiscal 2003 (April 1, 2003– March 31, 2004)	Fiscal 2004 (April 1, 2004– March 31, 2005)
Operating activities		
Income before income taxes and minority interests	¥5,477	¥5,813
Depreciation	2,500	2,236
Retirement benefits, net of payments	40	36
Increase (decrease) in allowance for doubtful accounts	31	–1
Interest and dividend income	–12	–16
Gain on sales of investment securities	—	–205
Exchange gain	—	–116
Exchange loss	277	—
Gain on sale of tangible fixed assets	–0	–0
Loss on disposal of tangible fixed assets	87	289
Changes in assets and liabilities		
Notes and accounts receivable	–296	–322
Inventories	–259	140
Notes and accounts payable	–50	–78
Accrued consumption tax and others	217	82
Other current assets	21	13
Other current liabilities	13	–100
Other investments and others	–9	4
Other long-term liabilities	30	15
Bonuses paid to directors	–67	–67
Subtotal	8,004	7,722
Interest and dividends received	12	16
Incomes taxes paid	–2,735	–1,962
Net cash provided by operating activities	5,280	5,775
Investing activities		
Increase in time deposits	–29	–13
Proceeds from sale of marketable securities	—	246
Purchase of tangible fixed assets	–2,656	–4,530
Proceeds from sale of tangible fixed assets	0	5
Purchase of intangible fixed assets	–110	–45
Expenditures by loans receivable	–0	–5
Collection of loans receivable	3	4
Increase in other investments	–63	25
Net cash used in investing activities	–2,857	–4,312
Financing activities		
Sales of treasury stock	0	0
Purchase of treasury stock	–904	–8
Cash dividends paid	–376	–374
Net cash used in financing activities	–1,279	–382
Effect of exchange rate changes on cash and cash equivalents	–289	94
Net change in cash and cash equivalents	852	1,174
Cash and cash equivalents at beginning of year	13,717	14,570
Cash and cash equivalents at end of year	¥14,570	¥15,745