

July 12, 2005

# Consolidated Financial Results for the First Quarter of Fiscal 2005

Name: **Hogy Medical Co., Ltd.**  
 Listing: **First Section, Tokyo Stock Exchange**  
 Stock code number: **3593**  
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 Representative: **Masao Hoki, Chairman and CEO**  
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## 1. Items relevant to preparation of quarterly financial statements

(1) Simplified accounting method adopted: Yes

- Depreciation of fixed assets

(1) Tangibles: Reported as quarterly proportions of estimated annual amounts.

(2) Intangibles: Reported as quarterly proportions of estimated annual amounts.

- Income tax reporting standard: Calculated based on estimated annual rate according to legal effective tax rates.

(2) Changes in accounting methods since end of most recent consolidated fiscal year: None

(3) Changes in scope of consolidation and application of equity method: None

## 2. Fiscal 2005—First quarter (April 1–June 30, 2005)

### (1) Results of operations

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share	Net income per share (fully diluted)
	(% change)		(% change)		(% change)		(% change)		(Yen)	(Yen)
Fiscal 2005—										
First quarter	¥ 6,429	5.9%	¥1,535	14.2%	¥1,595	8.5%	¥ 982	−4.6%	¥63.15	¥57.87
Fiscal 2004—										
First quarter	6,072	−2.1	1,344	−11.9	1,470	−4.3	1,029	11.8	66.15	60.62
Fiscal 2004—										
Full year	24,961	0.5	5,730	−1.9	5,897	5.2	3,494	8.4	220.21	201.96

Note: Percentage data in the above tables indicate increase/decrease over the corresponding period of the previous year.

## Consolidated Performance Progress

In the first quarter of fiscal 2005, the Japanese economy showed signs of moderate recovery, driven by improved corporate earnings, higher capital investments in the private sector, and other factors. However, the outlook remains uncertain amid prolonged increases in oil prices and protracted deflation.

Conditions in the medical industry remain difficult as the central government restructured the medical industry—a process that included the reorganization in 2004 of national university and government hospitals into Independent Administrative Agencies—with the aim of suppressing medical costs. In the future, companies associated with the medical industry will face more and more pressure to enhance operating efficiency. In addition, the revised Pharmaceutical Affairs Law, designed to strengthen regulations governing safety of medical equipment, was enacted in April 2005, highlighting the growing importance of safety and legal compliance among companies in the medical equipment industry.

For the quarter, the Hogy Medical Group posted an increase in sales of surgical-use kit products in excess of its initial forecast. Sales of the Sontara line of surgical-use nonwoven fabric products generally reflected our forecast, benefiting from the launch of new items at the end of fiscal 2004. For the period, consolidated net sales totaled ¥6,429 million, up 5.9% from the previous corresponding period.

On the earnings side, we kept cost of sales and selling, general, and administrative expenses within our forecasts. In the nonoperating category, we posted a foreign exchange gain on our holdings of foreign-currency-denominated assets.

As a result, operating income for the quarter rose 14.2%, to ¥1,535 million, and ordinary income increased 8.5%, to ¥1,595 million. Net income slipped 4.6%, to ¥982 million.

## (2) Financial position (June 30, 2005)

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

	Total assets	Shareholders' equity	Equity ratio (%)	Equity per share (Yen)
Fiscal 2005—First quarter	¥61,271	¥44,540	72.7%	¥2,861.92
Fiscal 2004—First quarter	59,541	41,689	70.0	2,678.46
Fiscal 2004—Full year	60,841	43,935	72.2	2,818.63

## 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 term
Fiscal 2005—First quarter	¥ 836	¥-1,333	¥-375	¥14,929
Fiscal 2004—First quarter	897	166	-190	15,552
Fiscal 2004—Full year	5,775	-4,312	-382	15,745

## Financial Position

At June 30, 2005, total assets stood at ¥61,271 million, up ¥430 million from March 31, 2005. Despite a ¥488 million increase in notes and accounts receivable associated with operating activities, total current assets declined ¥362 million. This was due to an ¥815 million decline in cash and bank deposits, stemming from the payment of income taxes and the purchase of Operamaster production equipment.

Fixed assets grew ¥792 million. Tangible fixed assets rose ¥874 million as a ¥1,257 million increase in construction in progress—related to the purchase of Operamaster production equipment—outweighed depreciation expenses. Investments and other assets were down ¥73 million, due mainly to the sale of investment securities.

Total liabilities at the end of the quarter amounted to ¥16,719 million, down ¥175 million. Despite a ¥570 million rise in employees' bonuses and other accrued expenses, current liabilities declined ¥168 million, due mainly to a ¥612 million decline in accrued income taxes associated with payment of the defined portion. Long-term liabilities edged down ¥7 million.

Despite posting net income of ¥982 million, total shareholders' equity rose ¥605 million, to ¥44,540 million, due to ¥373 million in cash dividends paid and other factors. The equity ratio edged up 0.5 point, from 72.2% to 72.7%.

## Cash Flows

At the end of the quarter under review, cash and cash equivalents stood at ¥14,929 million, down ¥816 million from the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥836 million, down ¥60 million from the previous corresponding quarter. Major components included ¥1,594 million in income before income taxes and minority interests, ¥520 million in depreciation, and a ¥378 million increase in current liabilities related to employees' bonuses. By contrast, income taxes paid totaled ¥1,150 million, and notes and accounts increased ¥481 million.

Net cash used in investing activities totaled ¥1,333 million, compared with ¥166 million provided by investing activities in the previous corresponding period. This was mainly due to purchases of Operamaster production equipment.

Net cash used in financing activities was ¥375 million, compared with ¥190 million in the previous year, due mainly to cash dividends paid.

## [Reference] 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): ¥238.19

\*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. The forecast net income per share figure was calculated using the same adjustments as those used for the previous fiscal year.

## Information Related to Performance Forecasts

The Hogy Medical Group has not revised its performance forecasts, which were announced on April 12, 2005.

## (1) Balance Sheets (Summary)

(Millions of yen, rounded down)

	Fiscal 2005— First quarter (June 30, 2005)		Fiscal 2004— First quarter (June 30, 2004)		Change		Fiscal 2004 (March 31, 2005)	
	(% of total)		(% of total)		(% change)		(% of total)	
<b>ASSETS</b>								
Current assets								
Cash and bank deposits	¥ 9,496		¥10,111				¥10,312	
Notes and accounts receivable	7,834		7,396				7,346	
Securities	5,705		5,676				5,675	
Inventories	5,423		5,895				5,531	
Other current assets	628		580				585	
Total current assets	29,089	47.5%	29,660	49.8%	¥-571	-1.9%	29,451	48.4%
Fixed assets								
Property, plant and equipment	29,826	48.7	27,333	45.9	2,492	9.1	28,951	47.6
Intangible fixed assets	197	0.3	278	0.5	-80	-28.9	206	0.3
Investments and other assets	2,158	3.5	2,269	3.8	-110	-4.9	2,231	3.7
Total fixed assets	32,182	52.5	29,881	50.2	2,301	7.7	31,390	51.6
Total assets	61,271	100.0	59,541	100.0	1,730	2.9	60,841	100.0
<b>LIABILITIES</b>								
Current liabilities								
Notes and accounts payable	3,022		3,196				2,913	
Convertible bonds due within 1 year	10,000		—				10,000	
Other current liabilities	2,334		3,286				2,611	
Total current liabilities	15,356	25.1	6,482	10.9	8,873	136.9	15,524	25.5
Long-term liabilities								
Convertible bonds	—		10,000				—	
Other long-term liabilities	1,363		1,359				1,370	
Total long-term liabilities	1,363	2.2	11,359	19.1	-9,996	-88.0	1,370	2.3
Total liabilities	16,719	27.3	17,841	30.0	-1,122	-6.3	16,895	27.8
<b>MINORITY INTERESTS</b>								
Minority interests	11	0.0	10	0.0	0	8.8	11	0.0
<b>SHAREHOLDERS' EQUITY</b>								
Common stock	7,123	11.6	7,123	12.0	—	—	7,123	11.7
Capital surplus	8,336	13.6	8,336	14.0	—	—	8,336	13.7
Retained earnings	33,822	55.2	31,001	52.0	2,820	9.1	33,279	54.7
Net unrealized gain or loss on securities	13	0.0	17	0.0	-3	-21.9	14	0.0
Translation adjustments	-161	-0.2	-203	-0.3	41	-20.5	-228	-0.4
Treasury stock	-4,592	-7.5	-4,585	-7.7	-6	0.1	-4,590	-7.5
Total shareholders' equity	44,540	72.7	41,689	70.0	2,851	6.8	43,935	72.2
Total liabilities, minority interests and shareholders' equity	61,271	100.0	59,541	100.0	1,730	2.9	60,841	100.0

## (2) Statements of Income (Summary)

(Millions of yen, rounded down)

	Fiscal 2005— First quarter (April 1–June 30, 2005)		Fiscal 2004— First quarter (April 1–June 30, 2004)		Change		Fiscal 2004 (April 1, 2004– March 31, 2005)	
		(% of net sales)		(% of net sales)		(% change)		(% of net sales)
Net sales	¥6,429	100.0%	¥6,072	100.0%	¥357	5.9%	¥24,961	100.0%
Cost of sales	3,088	48.0	3,014	49.7	73	2.5	12,225	49.0
Gross profit	3,341	52.0	3,057	50.3	283	9.3	12,735	51.0
Selling, general and administrative expenses	1,805	28.1	1,712	28.2	92	5.4	7,005	28.1
Operating income	1,535	23.9	1,344	22.1	191	14.2	5,730	22.9
Other income	61	0.9	127	2.1	–66	–52.2	178	0.7
Other expenses	1	0.0	1	0.0	–0	–6.8	11	0.0
Ordinary income	1,595	24.8	1,470	24.2	124	8.5	5,897	23.6
Extraordinary income	2	0.0	205	3.4	–203	–98.8	205	0.8
Extraordinary expenses	2	0.0	2	0.0	0	26.2	289	1.1
Income before income taxes and minority interests	1,594	24.8	1,673	27.6	–79	–4.7	5,813	23.3
Income taxes	611	9.5	643	10.6	–32	–5.0	2,317	9.3
Minority interests	0	0.0	0	0.0	–0	–2.9	1	0.0
Net income	982	15.3	1,029	17.0	–46	–4.6	3,494	14.0

### (3) Statements of Retained Earnings

(Millions of yen, rounded down)

	Fiscal 2005—First quarter (April 1–June 30, 2005)		Fiscal 2004—First quarter (April 1–June 30, 2004)		Fiscal 2004 (April 1, 2004– March 31, 2005)	
<b>CAPITAL SURPLUS</b>						
Balance at beginning of term		8,336		8,336		8,336
Balance at end of term		8,336		8,336		8,336
<b>RETAINED EARNINGS</b>						
Balance at beginning of term		33,279		30,225		30,225
Increase in retained earnings						
Net income	982	982	1,029	1,029	3,494	3,494
Decrease in retained earnings						
Cash dividends paid	373		186		373	
Bonuses to directors	67		67		67	
Loss on disposal of treasury stock	—	440	—	253	0	440
Balance at end of term		33,822		31,001		33,279

#### (4) Statements of Cash Flows (Summary)

(Millions of yen, rounded down)

	Fiscal 2005— First quarter (April 1–June 30, 2005)	Fiscal 2004— First quarter (April 1–June 30, 2004)	Fiscal 2004 (April 1, 2004– March 31, 2005)
<b>Operating activities</b>			
Income before income taxes and minority interests	¥ 1,594	¥ 1,673	¥ 5,813
Depreciation	520	591	2,236
Increase in notes and accounts receivable	–481	–370	–322
(Increase) decrease in inventories	134	–183	140
Increase (decrease) in notes and accounts payable	97	200	–78
Others	115	–115	–66
Subtotal	1,979	1,796	7,722
Income taxes paid	–1,150	–902	–1,962
Others	7	3	16
Net cash provided by operating activities	836	897	5,775
<b>Investing activities</b>			
Proceeds from sales of investment securities	102	246	246
Purchases of property, plant and equipment	–1,365	–31	–4,530
Others	–69	–49	–28
Net cash provided by (used in) investing activities	–1,333	166	–4,312
<b>Financing activities</b>			
Purchases of treasury stock	–1	–3	–8
Cash dividends paid	–373	–186	–374
Others	—	—	0
Net cash used in financing activities	–375	–190	–382
Effect of exchange rate changes on cash and cash equivalents	56	108	94
Net change in cash and cash equivalents	–816	981	1,174
Cash and cash equivalents at beginning of term	15,745	14,570	14,570
Cash and cash equivalents at end of term	14,929	15,552	15,745