

July 12, 2006

Consolidated Financial Results for the First Quarter of Fiscal 2006

Name: **Hogy Medical Co., Ltd.**
 Listing: **First Section, Tokyo Stock Exchange**
 Stock code number: **3593**
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1. Items relevant to preparation of quarterly financial statements

(1) Simplified accounting method adopted: Yes

- 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 2006—First quarter (April 1–June 30, 2006)

(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 (Yen)	Net income per share (fully diluted) (Yen)
	(% change)		(% change)		(% change)		(% change)			
Fiscal 2006—										
First quarter	¥ 6,688	4.0%	¥1,521	-0.9%	¥1,532	-3.9%	¥ 932	-5.1%	¥59.79	¥59.73
Fiscal 2005—										
First quarter	6,429	5.9	1,535	14.2	1,595	8.5	982	-4.6	63.15	57.87
Fiscal 2005—										
Full year	26,434		6,200		6,438		3,909		246.83	227.41

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

Performance Progress (consolidated)

In the first quarter of fiscal 2006, the Japanese economy continued to show a recovery trend, driven by higher capital investments in the wake of improved corporate earnings. Overseas, there were several reasons for concern, including economic slowdown in the United States and soaring oil prices. It is unclear how these factors will affect the domestic economy.

Conditions in the medical equipment industry remain challenging due to the effects of reforms in recent years, undertaken with the aim of suppressing medical costs. A revision to the medical treatment remuneration system in April 2006 saw a 3.16% cut in remuneration—the largest reduction ever. Consequently, companies associated with the medical equipment industry are facing more and more pressure to enhance operating efficiency. In addition, the revised Pharmaceutical Affairs Law 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 consolidated net sales of ¥6,688 million, up 4.0% from the previous corresponding period. Operating income edged down 0.9%, to ¥1,521 million, and ordinary income slipped 3.9%, to ¥1,532 million. Net income declined 5.1%, to ¥932 million.

(2) Financial position (consolidated) (June 30, 2006)

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

	Total assets	Shareholders' equity	Equity ratio (%)	Equity per share (Yen)
Fiscal 2006—First quarter	55,266	¥48,621	88.0%	¥3,116.85
Fiscal 2005—First quarter	61,271	44,540	72.7	2,861.92
Fiscal 2005—Full year	55,939	47,383	84.7	3,037.60

Note: Based on the previous accounting standard, the equity ratio for the period under review would have been 86.8%.

Cash flows (consolidated)

(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 2006—First quarter	¥ 614	¥-1,029	¥-263	¥5,372
Fiscal 2005—First quarter	836	-1,333	-375	14,929
Fiscal 2005—Full year	5,738	-4,998	-10,670	6,055

Financial Position (consolidated)

At June 30, 2006, total assets stood at ¥55,266 million, down ¥673 million from March 31, 2006. Total current assets declined ¥343 million, to ¥20,292 million. Major factors included a ¥680 million decrease in cash and bank deposits, due to payments of income taxes and purchases of equipment and facilities for a new distribution center, as well as a ¥545 million increase in notes and accounts receivable associated with operating activities. Fixed assets were down ¥329 million, to ¥34,973 million. Tangible fixed assets grew ¥157 million, to ¥32,274 million, as purchases of equipment and facilities for a new distribution center outweighed depreciation expenses. Intangible fixed assets grew ¥40 million, to ¥360 million, while investments and other assets declined ¥527 million, to ¥2,339 million.

Total liabilities at the end of the term amounted to ¥6,644 million, down ¥1,899 million. Current liabilities declined ¥860 million, to ¥5,644 million, due mainly to a ¥687 million decrease in accrued income taxes. Long-term liabilities fell ¥1,039 million, to ¥999 million.

As of June 30, 2006, Hogy Medical had total net assets of ¥48,621 million. Factors boosting net assets included quarterly net income of ¥932 million and a deferred hedging gain or loss of ¥638 million stemming from a change in accounting method. Factors holding down net assets included cash dividends paid of ¥373 million, which appropriated from earnings. As a result, the equity ratio at term-end was 88.0%, up from 84.7% at March 31, 2006.

Cash Flows (consolidated)

At the end of the period under review, cash and cash equivalents stood at ¥5,372 million, down ¥682 million from the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥614 million, down ¥222 million from the previous corresponding period. Major components included ¥1,532 million in income before income taxes and minority interests and ¥657 million in depreciation, as well as a ¥380 million increase in current liabilities associated with employee bonuses. By contrast, factors negatively affecting operating cash flows included ¥1,287 million in income taxes paid and a ¥547 million increase in notes and accounts receivable.

Net cash used in investing activities totaled ¥1,029 million, compared with ¥1,333 million in the previous corresponding period. This was mainly due to ¥940 million in purchases of property, plant and equipment for a new distribution center.

Net cash used in financing activities was ¥263 million, compared with ¥375 million in the previous corresponding period, due to ¥374 million in cash dividends paid and other factors.

3. Dividend status for first quarter of fiscal 2006 (non-consolidated)

- Cash dividends

Date of record	Cash dividend per share (yen)
	End of first quarter
First quarter of fiscal 2006	20
First quarter of fiscal 2005	—

Note: Cash dividends will be paid on August 31, 2006

Attachments: Balance Sheets (Summary), Statements of Income (Summary), Statements of Changes in Shareholders' Equity, and Statements of Cash Flows (Summary)

[Reference] Forecast for fiscal 2006 (April 1, 2006–March 31, 2007)

	(Millions of yen, rounded down)		
	Net sales	Ordinary income	Net income
Interim	¥14,046	¥3,447	¥2,045
Full year	28,400	7,018	4,201

Note: Forecast net income per share (full year): ¥269.39

*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 (consolidated)

The Hogy Medical Group has not revised its performance forecasts, which were announced on April 12, 2006.

(1) Balance Sheets (Summary)

(Millions of yen, rounded down)

	Fiscal 2006— First quarter (June 30, 2006)		Fiscal 2005— First quarter (June 30, 2005)		Change		Fiscal 2005 (March 31, 2006)	
	(% of total)		(% of total)		(% change)		(% of total)	
ASSETS								
Current assets								
Cash and bank deposits	¥ 5,644		¥ 9,496				¥ 6,325	
Notes and accounts receivable	8,290		7,834				7,744	
Securities	—		5,705				—	
Inventories	5,663		5,423				5,651	
Other current assets	693		628				913	
Total current assets	20,292	36.7%	29,089	47.5%	¥-8,797	-30.2%	20,635	36.9%
Fixed assets								
Property, plant and equipment	32,274	58.4	29,826	48.7	2,448		32,116	57.4
Intangible fixed assets	360	0.7	197	0.3	162		319	0.6
Investments and other assets	2,339	4.2	2,158	3.5	180		2,866	5.1
Total fixed assets	34,973	63.3	32,182	52.5	2,791	8.7	35,303	63.1
Total assets	55,266	100.0	61,271	100.0	-6,005	-9.8	55,939	100.0
LIABILITIES								
Current liabilities								
Notes and accounts payable	3,330		3,022				3,449	
Convertible bonds due within 1 year	—		10,000				—	
Other current liabilities	2,314		2,334				3,055	
Total current liabilities	5,644	10.2	15,356	25.1	-9,712	-63.2	6,505	11.6
Long-term liabilities								
Other long-term liabilities	999		1,363				2,038	
Total long-term liabilities	999	1.8	1,363	2.2	-363	-26.7	2,038	3.7
Total liabilities	6,644	12.0	16,719	27.3	-10,075	-60.3	8,544	15.3
NET ASSETS								
Shareholders' equity								
Common stock	7,123	12.9	—	—	—	—	—	—
Capital surplus	8,336	15.1	—	—	—	—	—	—
Retained earnings	36,864	66.7	—	—	—	—	—	—
Treasury stock	-4,400	-8.0	—	—	—	—	—	—
Total shareholders' equity	47,923	86.7	—	—	—	—	—	—
Valuation/translation adjustments								
Net unrealized gain or loss on securities	1	0.0	—	—	—	—	—	—
Deferred hedging gain or loss	638	1.2	—	—	—	—	—	—
Translation adjustments	46	0.1	—	—	—	—	—	—
Total valuation/translation adjustments	686	1.3	—	—	—	—	—	—
Minority interests	12	0.0	—	—	—	—	—	—
Total net assets	48,621	88.0	—	—	—	—	—	—
Total liabilities and net assets	55,266	100.0	—	—	—	—	—	—

(Millions of yen, rounded down)

	Fiscal 2006— First quarter (June 30, 2006)		Fiscal 2005— First quarter (June 30, 2005)		Change		Fiscal 2005 (March 31, 2006)	
		(% of total)		(% of total)		(% change)		(% of total)
MINORITY INTERESTS								
Minority interests	—	—	11	0.0	—	—	12	0.0
SHAREHOLDERS' EQUITY								
Common stock	—	—	7,123	11.6	—	—	7,123	12.7
Capital surplus	—	—	8,336	13.6	—	—	8,336	14.9
Retained earnings	—	—	33,822	55.2	—	—	36,374	65.0
Net unrealized gain or loss on securities	—	—	13	0.0	—	—	2	0.0
Translation adjustments	—	—	-161	-0.2	—	—	59	0.1
Treasury stock	—	—	-4,592	-7.5	—	—	-4,512	-8.0
Total shareholders' equity	—	—	44,540	72.7	—	—	47,383	84.7
Total liabilities, minority interests and shareholders' equity	—	—	61,271	100.0	—	—	55,939	100.0

Note: Under the previous accounting method, total shareholder's equity at the end of the first quarter of fiscal 2006 would have been ¥47,970 million, equivalent to 86.8% of the sum of total liabilities, minority interests, and shareholders' equity.

(2) Statements of Income (Summary)

(Millions of yen, rounded down)

	Fiscal 2006— First quarter (April 1–June 30, 2006)		Fiscal 2005— First quarter (April 1–June 30, 2005)		Change		Fiscal 2005 (April 1, 2005– March 31, 2006)	
		(% of net sales)		(% of net sales)		(% change)		(% of net sales)
Net sales	¥6,688	100.0%	¥6,429	100.0%	¥258	4.0%	¥26,434	100.0%
Cost of sales	3,330	49.8	3,088	48.0	242	7.8	12,860	48.6
Gross profit	3,357	50.2	3,341	52.0	16	0.5	13,574	51.4
Selling, general and administrative expenses	1,835	27.4	1,805	28.1	30	1.7	7,373	27.9
Operating income	1,521	22.8	1,535	23.9	–13	–0.9	6,200	23.5
Other income	14	0.2	61	0.9	–46	–76.4	278	1.1
Other expenses	3	0.1	1	0.0	2	131.0	40	0.2
Ordinary income	1,532	22.9	1,595	24.8	–62	–3.9	6,438	24.4
Extraordinary income	—	—	2	0.0	–2	–100.0	29	0.1
Extraordinary expenses	0	0.0	2	0.0	–2	–87.2	20	0.1
Income before income taxes and minority interests	1,532	22.9	1,594	24.8	–62	–3.9	6,446	24.4
Income taxes	599	9.0	611	9.5	–11	–1.9	2,535	9.6
Minority interests	0	0.0	0	0.0	0	51.2	1	0.0
Net income	932	13.9	982	15.3	–50	–5.1	3,909	14.8

(3) Statements of Changes in Shareholders' Equity

Fiscal 2006—First quarter (April 1–June 30, 2006)

(Millions of yen, rounded down)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	¥7,123	¥8,336	¥36,374	¥-4,512	¥47,321
Changes during period					
Cash dividends paid	—	—	-373	—	-373
Bonuses to directors	—	—	-67	—	-67
Net income	—	—	932	—	932
Purchases of treasury stock	—	—	—	-1	-1
Disposal of treasury stock	—	—	-1	112	111
Other changes during period (net)	—	—	—	—	—
Total changes during period	—	—	490	111	601
Balance at June 30, 2006	7,123	8,336	36,864	-4,400	47,923

	Valuation/translation adjustments					Minority interests	Net assets
	Net unrealized gain or loss on securities	Deferred hedging gain or loss	Translation adjustments	Total valuation/translation adjustments			
Balance at March 31, 2006	¥ 2	—	¥ 59	¥ 61	¥12	¥47,395	
Changes during period							
Cash dividends paid	—	—	—	—	—	-373	
Bonuses to directors	—	—	—	—	—	-67	
Net income	—	—	—	—	—	932	
Purchases of treasury stock	—	—	—	—	—	-1	
Disposal of treasury stock	—	—	—	—	—	111	
Other changes during period (net)	-0	638	-13	624	0	624	
Total changes during period	-0	638	-13	624	0	1,226	
Balance at June 30, 2006	1	638	46	686	12	48,621	

(4) Statements of Cash Flows (Summary)

(Millions of yen, rounded down)

	Fiscal 2006— First quarter (April 1–June 30, 2006)	Fiscal 2005— First quarter (April 1–June 30, 2005)	Fiscal 2005 (April 1, 2005– March 31, 2006)
Operating activities			
Income before income taxes and minority interests	¥1,532	¥ 1,594	¥ 6,446
Depreciation	657	520	2,316
Changes in assets and liabilities:			
Notes and accounts receivable	–547	–481	–371
Inventories	–17	134	1
Notes and accounts payable	–116	97	483
Others	391	115	–773
Subtotal	1,898	1,979	8,103
Income taxes paid	–1,287	–1,150	–2,396
Others	3	7	31
Net cash provided by operating activities	614	836	5,738
Investing activities			
Proceeds from sales of investment securities	—	102	167
Purchases of property, plant and equipment	–940	–1,365	–4,956
Others	–88	–69	–209
Net cash used in investing activities	–1,029	–1,333	–4,998
Financing activities			
Redemption of convertible bonds	—	—	–9,997
Proceeds from sales of treasury stock	111	—	80
Purchases of treasury stock	–1	–1	–6
Cash dividends paid	–374	–373	–747
Net cash used in financing activities	–263	–375	–10,670
Effect of exchange rate changes on cash and cash equivalents	–3	56	240
Net change in cash and cash equivalents	–682	–816	–9,690
Cash and cash equivalents at beginning of term	6,055	15,745	15,745
Cash and cash equivalents at end of term	5,372	14,929	6,055