

**January 17, 2008**

# Consolidated Financial Results for the Nine Months Ended December 31, 2007

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: **Jun-ichi Hoki, President and CEO**  
 Contact: **Yukio Ishii, General Manager, Administration Div.**  
 Start of cash dividend payments: **February 29, 2008**

## 1. Fiscal 2007-Nine months ended December 31, 2007 (April 1–December 31, 2007)

### (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)
9 months ended December 2007	¥22,078	+6.0%	¥5,549	+13.7%	¥5,581	+12.6%	¥3,352	+13.4%
9 months ended December 2006	20,835	+3.2	4,880	-1.0	4,954	-4.3	2,956	-6.8
Year ended March 2007	27,293	—	6,058	—	6,139	—	3,621	—

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
9 months ended December 2007	¥223.02	—
9 months ended December 2006	190.18	—
Year ended March 2007	234.69	—

### (2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
9 months ended December 2007	¥60,535	¥49,792	82.2%	¥3,311.31
9 months ended December 2006	59,412	48,437	81.5	3,190.81
Year ended March 2007	59,231	48,031	81.1	3,194.04

### (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 term
9 months ended December 2007	¥4,918	¥-1,159	¥-1,829	¥9,760
9 months ended December 2006	2,734	-1,904	2,166	9,055
Year ended March 2007	5,355	-4,642	1,035	7,825

### 2. Cash dividends

Date of record	Cash dividend per share (yen)				
	First quarter	Interim	Third quarter	Year-end	Full year
Fiscal 2006	¥20.00	¥20.00	¥20.00	¥20.00	¥80.00
Fiscal 2007	20.00	20.00	20.00	—	80.00
Fiscal 2007 (est.)	—	—	—	20.00	

### 3. [Reference] Forecast for fiscal 2007 (April 1, 2007–March 31, 2008)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Full year	¥28,670	5.0%	¥7,000	15.5%	¥6,990	13.8%	¥4,140	14.3%	¥276.13

### 4. Other

- (1) Important changes in scope of consolidation during period: No
- (2) Simplified accounting method adopted: Yes
- (3) Changes in accounting methods since end of most recent consolidated fiscal year: Yes

Note: For more information, see “4. Other” of “Performance and Financial Position” on page 4.

\* The Company has not revised its forecasts for the fiscal year ending March 2008 (forecasts announced on April 11, 2007). 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 page 4 of this document.

## Performance and Financial Position

### 1. Performance

In the period under review, the Japanese economy showed a recovery trend, driven by higher capital investments stemming from favorable corporate performances, as well as improved employment conditions. However, the business environment remained uncertain due to the subprime loan problem in the United States, soaring prices of crude oil and raw materials, and other factors.

Conditions in the medical equipment industry remain difficult due to the effects of reforms to the healthcare system in recent years aimed at restraining medical expenses. Medical treatment remuneration was revised downward in April 2006, placing more and more pressure on companies associated with the medical equipment industry to enhance efficiency and streamline operations. 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 industry.

For the nine-month period, the Hogy Medical Group reported consolidated net sales of ¥22,078 million, up 6.0% from the previous corresponding period. Operating income increased 13.7%, to ¥5,549 million, and ordinary income rose 12.6%, to ¥5,581 million. Net income for the period grew 13.4%, to ¥3,352 million. P.T. Nitto Matex Indonesia, which became a sub-subsidiary on July 1, 2007, was newly included in the scope of consolidation during the period under review. The inclusion effectively boosted consolidated net sales by ¥142 million.

### 2. Financial Position

At December 31, 2007, total assets amounted to ¥60,535 million, up ¥1,304 million from March 31, 2007. During the period, current assets increased ¥3,002 million, to ¥26,063 million. This was due mainly to a ¥1,945 million increase in cash and bank deposits related to operating activities, as well as a ¥944 million increase in notes and accounts receivable. Fixed assets declined ¥1,698 million, to ¥34,471 million. Within this figure, tangibles fell ¥1,006 million, to ¥29,454 million, as depreciation costs exceeded purchases of property, plant, and equipment. Intangibles were down ¥66 million, to ¥466 million, and investments and other assets decreased ¥625 million, to ¥4,551 million.

At term-end, total liabilities amounted to ¥10,742 million, down ¥457 million. Current liabilities grew ¥644 million, to ¥6,779 million. The main factor was a ¥716 million increase in notes and accounts payable. Long-term liabilities declined ¥1,101 million, to ¥3,963 million. Major factors included ¥925 million in repayments of long-term debt.

Net assets at term-end totaled ¥49,792 million, up ¥1,761 million. Items boosting net assets included net income (¥3,352 million), while items holding down net assets included cash dividends paid (¥902 million). As a result, the equity ratio rose from 81.1% to 82.2%.

#### **(Statements of Cash Flows)**

Cash and cash equivalents at the end of the quarter stood at ¥9,760 million, up ¥1,934 million from the end of fiscal 2006.

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

Net cash provided by operating activities amounted to ¥4,918 million, up ¥2,183 million from the previous corresponding period. Factors in this result included ¥5,596 million in income before income taxes and minority interests and ¥2,029 million in depreciation. These contrasted with an ¥878 million increase in notes and accounts receivable and ¥2,415 million in income taxes paid.

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

Net cash used in investing activities totaled ¥1,159 million, down ¥744 million from the previous corresponding period. Major factors included purchases of property, plant, and equipment.

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

Net cash used in financing activities was ¥1,829 million. Main factors included repayments of long-term debt and cash dividends paid.

For the entire fiscal year, we expect net cash provided by operating activities to be around ¥6,500 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥2,000 million, due to regular maintenance and purchases of equipment. We expect cash flows from financing activities to be around ¥2,500 million, mainly influenced by cash dividends paid and payments of interest and principal on borrowings.

### **3. Full-Year Forecasts for Fiscal 2007**

Looking ahead, the Japanese economy is expected to remain firm, although some observers have a cautious view about the outlook, due to economic slowdown in the United States and other factors. Conditions in the medical equipment industry will remain severe, as stated earlier, and companies involved in the industry will face greater pressure than ever to enhance the efficiency of their operations. To prevail, we at the Hogy Medical Group will continue assertively promoting our Operamaster and Surrem strategies, in order to distinguish ourselves from the competition.

Our consolidated forecasts for the fiscal year to March 2008 are as follows:

Net sales	¥28,670 million	(up 5.0%)
Operating income	¥ 7,000 million	(up 15.5%)
Ordinary income	¥ 6,990 million	(up 13.8%)
Net income	¥ 4,140 million	(up 14.3%)

### **4. Other**

(1) Major changes in subsidiaries during period

Not applicable

(2) Simplified accounting method adopted

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

Following an amendment to the Corporate Taxation Law, the Group has changed its method for calculating depreciation of tangible fixed assets. The effect of this change on earnings was minimal.

## 5. Consolidated Financial Statements

### (1) Balance Sheets (Summary)

(Millions of yen, rounded down)

	December 31, 2006		December 31, 2007		Change		March 31, 2007	
		(% of total)		(% of total)		(% change)		(% of total)
<b>ASSETS</b>								
Current assets								
Cash and bank deposits	¥ 9,344		¥10,059		¥ 715		¥ 8,113	
Notes and accounts receivable	9,444		9,868		424		8,924	
Inventories	5,565		5,396		-168		5,327	
Other current assets	765		739		-26		695	
Total current assets	25,119	42.3%	26,063	43.1%	944	3.8%	23,061	38.9%
Fixed assets								
Property, plant and equipment	31,126	52.4	29,454	48.6	-1,672		30,460	51.4
Intangible fixed assets	511	0.8	466	0.8	-44		533	0.9
Investments and other assets	2,654	4.5	4,551	7.5	1,896		5,176	8.8
Total fixed assets	34,292	57.7	34,471	56.9	179	0.5	36,170	61.1
Total assets	59,412	100.0	60,535	100.0	1,123	1.9	59,231	100.0
<b>LIABILITIES</b>								
Current liabilities								
Notes and accounts payable	3,273		3,715		442		2,999	
Long-term debt due within 1 year	1,000		1,000		—		1,000	
Other current liabilities	1,530		2,063		532		2,135	
Total current liabilities	5,804	9.8	6,779	11.2	975	16.8	6,135	10.4
Long-term liabilities								
Long-term debt	4,000		3,000		-1,000		3,925	
Other long-term liabilities	1,170		963		-207		1,140	
Total long-term liabilities	5,170	8.7	3,963	6.5	-1,207	-23.3	5,065	8.5
Total liabilities	10,974	18.5	10,742	17.7	-231	-2.1	11,200	18.9
<b>NET ASSETS</b>								
Shareholders' equity								
Common stock	7,123	12.0	7,123	11.8	—		7,123	12.0
Capital surplus	8,336	14.0	8,336	13.8	—		8,336	14.1
Earned surplus	38,265	64.4	41,077	67.8	2,812		38,626	65.2
Treasury stock	-6,347	-10.7	-7,103	-11.7	-755		-7,099	-12.0
Total shareholders' equity	47,376	79.7	49,433	81.7	2,056	4.3	46,986	79.3
Valuation/translation adjustments								
Net unrealized gain or loss on securities	1	0.0	-411	-0.7	-412		22	0.0
Deferred hedging gain or loss	990	1.7	775	1.3	-215		926	1.6
Translation adjustments	55	0.1	-18	-0.0	-73		82	0.2
Total valuation/translation adjustments	1,047	1.8	345	0.6	-702	-67.0	1,031	1.8
Minority interests	13	0.0	13	0.0	0	5.3	13	0.0
Total net assets	48,437	81.5	49,792	82.3	1,355	2.8	48,031	81.1
Total liabilities and net assets	59,412	100.0	60,535	100.0	1,123	1.9	59,231	100.0

## (2) Statements of Income (Summary)

(Millions of yen, rounded down)

	9 months ended December 2006		9 months ended December 2007		Change		Year ended March 2007	
		(% of net sales)		(% of net sales)		(% change)		(% of net sales)
Net sales	¥20,835	100.0%	¥22,078	100.0%	¥1,243	6.0%	¥27,293	100.0%
Cost of sales	10,237	49.1	10,661	48.3	424	4.1	13,490	49.4
Gross profit	10,597	50.9	11,417	51.7	819	7.7	13,803	50.6
Selling, general and administrative expenses	5,717	27.5	5,867	26.6	150	2.6	7,745	28.4
Operating income	4,880	23.4	5,549	25.1	669	13.7	6,058	22.2
Other income	87	0.4	85	0.4	-1	-2.1	116	0.4
Other expenses	12	0.0	53	0.2	40	319.3	34	0.1
Ordinary income	4,954	23.8	5,581	25.3	626	12.6	6,139	22.5
Extraordinary income	4	0.0	22	0.1	17	411.5	0	0.0
Extraordinary expenses	33	0.2	7	0.0	-26	-78.6	37	0.1
Income before income taxes and minority interests	4,925	23.6	5,596	25.4	670	13.6	6,102	22.4
Income taxes	1,967	9.4	2,243	10.2	275	14.0	2,479	9.1
Minority interests	1	0.0	0	0.0	-0	-41.9	1	0.0
Net income	2,956	14.2	3,352	15.2	395	13.4	3,621	13.3

**(3) Statements of Changes in Shareholders' Equity**  
(April 1–December 31, 2006)

(Millions of yen, rounded down)

	Shareholders' equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	¥7,123	¥8,336	¥36,374	¥-4,512	¥47,321
Changes during term					
Distribution of retained earnings			-997		-997
Earning appropriated for directors' bonuses			-67		-67
Net income			2,956		2,956
Purchase of treasury stock				-1,948	-1,948
Disposal of treasury stock			-1	112	111
Changes during term not related to shareholders' equity (net)					
Total changes during term	—	—	1,891	-1,835	55
Balance at December 31, 2006	7,123	8,336	38,265	-6,347	47,376

	Valuation/translation gains or losses					
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Translation adjustments	Total valuation/translation gains or losses	Minority interests	Total net assets
Balance at March 31, 2006	¥2	—	¥59	¥61	¥12	¥47,395
Changes during term						
Distribution of retained earnings						-997
Earning appropriated for directors' bonuses						-67
Net income						2,956
Purchase of treasury stock						-1,948
Disposal of treasury stock						111
Changes during term not related to shareholders' equity (net)	-0	990	-4	985	1	987
Total changes during term	-0	990	-4	985	1	1,042
Balance at December 31, 2006	1	990	55	1,047	13	48,437

(April 1–December 31, 2007)

(Millions of yen, rounded down)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Earned surplus	Treasury stock	
Balance at March 31, 2007	¥7,123	¥8,336	¥38,626	¥-7,099	¥46,986
Changes during term					
Distribution of retained earnings			-902		-902
Net income			3,352		3,352
Purchase of treasury stock				-3	-3
Changes during term not related to shareholders' equity (net)					
Total changes during term	—	—	2,450	-3	2,447
Balance at December 31, 2007	7,123	8,336	41,077	-7,103	49,433

	Valuation/translation gains or losses					Total net assets
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Translation adjustments	Total valuation/ translation gains or losses	Minority interests	
Balance at March 31, 2007	¥22	¥926	¥82	¥1,031	¥13	¥48,031
Changes during term						
Distribution of retained earnings						-902
Net income						3,352
Purchase of treasury stock						-3
Changes during term not related to shareholders' equity (net)	-434	-151	-100	-686	0	-685
Total changes during term	-434	-151	-100	-686	0	1,761
Balance at December 31, 2007	-411	775	-18	345	13	49,792



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

(Millions of yen, rounded down)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Earned surplus	Treasury stock	
Balance at March 31, 2006	¥7,123	¥8,336	¥36,374	¥-4,512	¥47,321
Changes during term					
Distribution of retained earnings			-1,301		-1,301
Earning appropriated for directors' bonuses			-67		-67
Net income			3,621		3,621
Purchase of treasury stock				-2,700	-2,700
Disposal of treasury stock			-1	113	112
Changes during term not related to shareholders' equity (net)					
Total changes during term	—	—	2,252	-2,587	-334
Balance at March 31, 2007	7,123	8,336	38,626	-7,099	46,986

	Valuation/translation gains or losses					Total net assets
	Net unrealized gains or losses on securities	Deferred hedging gains or losses	Translation adjustments	Total valuation/translation gains or losses	Minority interests	
Balance at March 31, 2006	¥2	¥—	¥59	¥61	¥12	¥47,395
Changes during term						
Distribution of retained earnings						-1,301
Earning appropriated for directors' bonuses						-67
Net income						3,621
Purchase of treasury stock						-2,700
Disposal of treasury stock						112
Changes during term not related to shareholders' equity (net)						
Total changes during term	20	926	22	970	1	971
Balance at March 31, 2007	22	926	82	1,031	13	48,031

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

(Millions of yen, rounded down)

	9 months ended December 2006	9 months ended December 2007	Year ended March 2007
<b>Operating activities</b>			
Income before income taxes and minority interests	¥4,925	¥5,596	¥6,102
Depreciation	2,150	2,029	2,914
Changes in assets and liabilities:			
Notes and accounts receivable	-1,700	-878	-1,175
Inventories	83	3	330
Notes and accounts payable	-175	609	-446
Others	-22	-2	202
Subtotal	5,262	7,358	7,928
Income taxes paid	-2,529	-2,415	-2,573
Others	1	-25	-0
Net cash provided by operating activities	2,734	4,918	5,355
<b>Investing activities</b>			
Purchases of investment securities	—	—	-2,551
Purchases of property, plant and equipment	-1,689	-750	-1,828
Others	-215	-409	-261
Net cash used in investing activities	-1,904	-1,159	-4,642
<b>Financing activities</b>			
Proceeds from long-term debt	5,000	—	5,000
Repayments of long-term debt	—	-925	-75
Proceeds from sales of treasury stock	111	—	112
Purchases of treasury stock	-1,948	-3	-2,700
Cash dividends paid	-996	-901	-1,300
Net cash used in financing activities	2,166	-1,829	1,035
Effect of exchange rate changes on cash and cash equivalents	4	6	21
Net change in cash and cash equivalents	3,000	1,934	1,770
Cash and cash equivalents at beginning of term	6,055	7,825	6,055
Cash and cash equivalents at end of term	9,055	9,760	7,825