

**July 10, 2008**

# Consolidated Financial Results for the First Quarter of Fiscal 2008

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: **Yukio Ishii, General Manager, Administration Div.**  
 Submission of Quarterly Business Report: **August 12, 2008**  
 Start of cash dividend payments: **August 29, 2008**

## 1. Fiscal 2008-First quarter (April 1–June 30, 2008)

### (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 2008–First quarter	¥7,522	—	¥1,754	—	¥1,778	—	¥1,068	—
Fiscal 2007–First quarter	6,998	+4.6%	1,726	+13.4%	1,755	+14.5%	1,067	+14.5%

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2008–First quarter	¥71.05	—
Fiscal 2007–First quarter	71.01	—

### (2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2008–First quarter	¥60,843	¥50,330	82.7%	¥3,347.12
Fiscal 2007–year-end	61,514	49,631	80.7	3,300.59

Note: Equity capital at term-end

Fiscal 2008–1st quarter: ¥50,316 million

Fiscal 2007: ¥49,617 million

## 2. Cash dividends

Date of record	Cash dividend per share (yen)				
	First quarter	Interim	Third quarter	Year-end	Full year
Fiscal 2007	¥20.00	¥20.00	¥20.00	¥20.00	¥80.00
Fiscal 2008	23.00	—	—	—	92.00
Fiscal 2008 (est.)	—	23.00	23.00	23.00	

Note: Revision of cash dividend forecast for quarter in review

None

## 3. [Reference] Forecast for fiscal 2008 (April 1, 2008–March 31, 2009)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
First 2 quarters	¥15,200	—	¥3,890	—	¥3,920	—	¥2,180	—	¥145.02
Full year	31,150	7.4%	8,100	12.0%	8,140	11.7%	4,660	14.9%	309.99

Note: Revision of consolidated forecasts for quarter in review

None

## 4. Other

- (1) Important changes in scope of consolidation during period: No
- (2) Simplified accounting method or special accounting method for preparing quarterly financial reports adopted: Yes
- (3) Changes in accounting principles, procedures, disclosure methods, etc., pertaining to preparation of quarterly consolidated financial statements (changes to major basic items for preparing quarterly financial reports)
  1. Changes associated with changes in accounting standards: Yes
  2. Other changes: No
- (4) Shares outstanding (common stock) at term-end
  1. Number of shares outstanding (including treasury stock)
    - Fiscal 2008–1st quarter: 16,341,155
    - Fiscal 2007: 16,341,155
  2. Number of treasury shares outstanding
    - Fiscal 2008–1st quarter: 1,308,467
    - Fiscal 2007: 1,308,337
  3. Average number of shares over period (consolidated total for quarter)
    - Fiscal 2008–1st quarter: 15,032,788
    - Fiscal 2007–1st quarter: 15,033,654

### Appropriate use of business forecasts; other special items

1. The Company has not revised its forecasts for the fiscal year ending March 2009 (forecasts announced on April 11, 2008). The above estimates are based on information available to the Company on the date of this 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.
2. Effective the fiscal year ending March 2009, the Company applies "Accounting Standard for Quarterly Financial Reporting" (ASBJ Standard No. 12) and "Guidance of Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). In addition, the Company prepares quarterly financial statements according to "Rules for Quarterly Financial Reporting."

## Performance and Financial Position

### 1. Performance

In the period under review, the Japanese economy faced increasing uncertainty due to concern about global economic slowdown sparked by the subprime loan crisis in the United States, as well as soaring prices of crude oil and raw materials and the sudden appreciation of the yen.

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. A revision to the medical treatment remuneration system in April 2008 had a positive effect on core businesses but a negative effect overall. This has placed 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.

Amid these conditions, the Hogy Medical Group reported consolidated net sales of ¥7,522 million, up 7.5% year-on-year. Operating income rose 1.6%, to ¥1,754 million, and ordinary income was up 1.3%, to ¥1,778 million. Net income for the quarter totaled ¥1,068 million, unchanged from the previous corresponding period.

### 2. Financial Position

At June 30, 2008, total assets amounted to ¥60,843 million, down ¥670 million from March 31, 2008. During the period, current assets declined ¥308 million, to ¥25,654 million. This was due mainly to a ¥573 million decrease in cash and bank deposits, a ¥262 million decrease in inventories, and a ¥368 million increase in notes and accounts receivable. Fixed assets declined ¥362 million, to ¥35,189 million. Within this figure, tangibles fell ¥1,028 million, to ¥28,518 million, as depreciation costs exceeded purchases of property, plant, and equipment. Intangibles rose ¥287 million, to ¥751 million, and investments and other assets increased ¥378 million, to ¥5,918 million.

At term-end, total liabilities amounted to ¥10,513 million, down ¥1,370 million. Current liabilities declined ¥925 million, to ¥6,716 million. Main factors included a ¥947 million decrease in accrued income taxes due to defined contributions, a ¥279 million decrease in the reserve for employees' bonuses, a ¥242 million decrease in notes and accounts payable, and a ¥708 million increase in accrued expenses related to bonuses. Long-term liabilities declined ¥444 million, to ¥3,796 million. Major factors included ¥425 million in repayments of long-term debt.

Net assets at term-end totaled ¥50,330 million, up ¥699 million. Items boosting net assets included net income (¥1,068 million), while items holding down net assets included cash dividends paid (¥300 million). As a result, the equity ratio rose from 80.7% to 82.7%.

#### (Statements of Cash Flows)

Cash and cash equivalents at the end of the quarter stood at ¥10,253 million, down ¥584 million from the end of fiscal 2007.

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

Net cash provided by operating activities amounted to ¥443 million, down ¥1,293 million from the previous corresponding period. Factors in this result included ¥1,781 million in income before income taxes and minority interests and ¥608 million in depreciation, as well as a ¥737 million increase in current liabilities related to employees' bonuses. These contrasted with ¥1,651 million in income taxes paid and a ¥428 million increase in notes and accounts receivable.

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

Net cash used in investing activities totaled ¥257 million, up ¥59 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 ¥725 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 ¥7,500 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥3,000 million, due to mainly to the purchase of land in Ushiku City, Ibaraki Prefecture, to build a new factory, as investments by our subsidiary in Indonesia. 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 2008**

The outlook for the Japanese economy is becoming increasingly uncertain due to concerns about global economic slowdown, surging prices of crude oil and raw materials, and the appreciation of the yen. 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 assertively promote our Operamaster and Surrem strategies, in order to distinguish ourselves from the competition.

Our consolidated forecasts for the fiscal year ending March 2009 are as follows:

Net sales	¥31,150 million	(up 7.4%)
Operating income	¥ 8,100 million	(up 12.0%)
Ordinary income	¥ 8,140 million	(up 11.7%)
Net income	¥ 4,660 million	(up 14.9%)

### **4. Other**

(1) Important changes in scope of consolidation during period

Not applicable

(2) Simplified accounting method or special accounting method for preparing quarterly financial reports adopted

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

(3) Changes in accounting methods since end of most recent consolidated fiscal year

- Effective the fiscal year ending March 2009, the Company applies “Accounting Standard for Quarterly Financial Reporting” (ASBJ Standard No. 12) and “Guidance of Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). In addition, the Company prepares quarterly financial statements according to “Rules for Quarterly Financial Reporting.”

- Valuation of inventories

Previously, the Company valued inventories at cost, based on the total average method. Effective the period under review, however, the Company applies “Accounting Standard for Evaluating Inventories” (ASBJ Standard No. 9). Accordingly, inventories are now valued at cost, based on the total average method (cost being calculated using the book value reduction method due to a decline in profitability related to values stated in the balance sheets). This change caused operating income, ordinary income, and income before income taxes each to decline ¥35 million.

- Application of “Accounting Treatment of Overseas Subsidiaries for Consolidated Financial Statements”  
Effective the period under review, the Company has applied “Accounting Treatment of Overseas Subsidiaries for Consolidated Financial Statements” (Practical Application Report No. 18), making revisions to the consolidated accounts as necessary. The effect of this change on profits and losses was minimal.

## 5. Consolidated Financial Statements

### (1) Balance Sheets (Summary)

(Millions of yen, rounded down)

	Fiscal 2008—First quarter (June 30, 2008)	Fiscal 2007 (March 31, 2008)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥10,564	¥11,138
Notes and accounts receivable	8,855	8,487
Inventories	5,411	5,674
Other current assets	822	662
Total current assets	25,654	25,962
Fixed assets		
Property, plant and equipment	28,518	29,547
Intangible fixed assets	751	463
Investments and other assets	5,918	5,540
Total fixed assets	35,189	35,551
Total assets	60,843	61,514
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	3,469	3,711
Long-term debt due within 1 year	1,000	1,000
Other current liabilities	2,247	2,931
Total current liabilities	6,716	7,642
Long-term liabilities		
Long-term debt	2,500	2,925
Other long-term liabilities	1,296	1,315
Total long-term liabilities	3,796	4,240
Total liabilities	10,513	11,883
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	42,132	41,479
Treasury stock	-7,105	-7,104
Total shareholders' equity	50,486	49,834
Valuation/translation adjustments		
Net unrealized gain or loss on securities	-208	-425
Deferred hedging gain or loss	469	265
Translation adjustments	-431	-57
Total valuation/translation adjustments	-170	-217
Minority interests	14	14
Total net assets	50,330	49,631
Total liabilities and net assets	60,843	61,514

**(2) Statements of Income (Summary)**

(Millions of yen, rounded down)

	Fiscal 2008– First quarter (April 1–June 30, 2008)
Net sales	¥7,522
Cost of sales	3,693
Gross profit	3,829
Selling, general and administrative expenses	2,074
Operating income	1,754
Other income	48
Other expenses	25
Ordinary income	1,778
Extraordinary income	3
Extraordinary expenses	0
Income before income taxes and minority interests	1,781
Income taxes	713
Minority interests	0
Net income	1,068

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

(Millions of yen, rounded down)

	Fiscal 2008– First quarter (April 1–June 30, 2008)
<b>Operating activities</b>	
Income before income taxes and minority interests	¥ 1,781
Depreciation	608
Changes in assets and liabilities:	
Notes and accounts receivable	–428
Inventories	106
Notes and accounts payable	–177
Others	193
Subtotal	2,083
Income taxes paid	–1,651
Others	11
Net cash provided by operating activities	443
<b>Investing activities</b>	
Purchases of property, plant and equipment	–178
Others	–79
Net cash used in investing activities	–257
<b>Financing activities</b>	
Repayments of long-term debt	–425
Purchases of treasury stock	–0
Cash dividends paid	–299
Net cash used in financing activities	–725
Effect of exchange rate changes on cash and cash equivalents	–45
Net change in cash and cash equivalents	–584
Cash and cash equivalents at beginning of term	10,838
Cash and cash equivalents at end of term	10,253

**[Reference]****(1) Statements of Income (Summary)**

Fiscal 2007–First Quarter

(Millions of yen, rounded down)

	Fiscal 2007– First quarter (April 1–June 30, 2007)
Net sales	¥6,998
Cost of sales	3,361
Gross profit	3,636
Selling, general and administrative expenses	1,910
Operating income	1,726
Other income	47
Other expenses	18
Ordinary income	1,755
Extraordinary income	21
Extraordinary expenses	6
Income before income taxes and minority interests	1,770
Income taxes	702
Minority interests	0
Net income	1,067

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

Fiscal 2007—First Quarter

(Millions of yen, rounded down)

	Fiscal 2007— First quarter (April 1–June 30, 2007)
<b>Operating activities</b>	
Income before income taxes and minority interests	¥1,770
Depreciation	672
Changes in assets and liabilities:	
Notes and accounts receivable	–284
Inventories	21
Notes and accounts payable	417
Others	349
Subtotal	2,946
Income taxes paid	–1,197
Others	–11
Net cash provided by operating activities	1,736
<b>Investing activities</b>	
Purchases of property, plant and equipment	–155
Others	–42
Net cash used in investing activities	–198
<b>Financing activities</b>	
Repayments of long-term debt	–425
Purchase of treasury stock	–0
Cash dividends paid	–299
Net cash used in financing activities	–725
Effect of exchange rate changes on cash and cash equivalents	17
Net change in cash and cash equivalents	830
Cash and cash equivalents at beginning of term	7,825
Cash and cash equivalents at end of term	8,655