

October 10, 2008

Consolidated Financial Results for the First 2 Quarters of Fiscal 2008

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.**
 Submission of Quarterly Business Report: **November 12, 2008**
 Start of cash dividend payments: **November 28, 2008**

1. Fiscal 2008-First 2 quarters (April 1–September 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 2 quarters	¥15,329	—	¥3,767	—	¥3,827	—	¥2,295	—
Fiscal 2007–First 2 quarters	14,105	+5.1%	3,386	+14.5%	3,421	+13.1%	2,053	+15.1%

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2008–First 2 quarters	¥152.72	—
Fiscal 2007–First 2 quarters	136.56	—

(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 2 quarters	¥61,562	¥50,828	82.5%	¥3,380.28
Fiscal 2007–year-end	61,514	49,631	80.7	3,300.59

Note: Equity capital at term-end

Fiscal 2008–1st 2 quarters: ¥50,813 million

Fiscal 2007: ¥49,617 million

2. Cash dividends

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

Note: Revision of cash dividend forecast for quarter in review
None

3. 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
Full year	¥31,150	7.4%	¥8,100	12.0%	¥8,140	11.7%	¥4,660	14.9%	¥310.00

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 2 quarters: 16,341,155
 - Fiscal 2007: 16,341,155
 2. Number of treasury shares outstanding
 - Fiscal 2008–1st 2 quarters: 1,308,771
 - Fiscal 2007: 1,308,337
 3. Average number of shares over period (consolidated total for quarter)
 - Fiscal 2008–1st 2 quarters: 15,032,639
 - Fiscal 2007–1st 2 quarters: 15,033,558

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 was plagued by turmoil in financial markets sparked by the subprime loan crisis in the United States. Meanwhile, soaring prices of crude oil and raw materials led to a declining trend in corporate earnings, heightening fears of economic slowdown.

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 ¥15,329 million, up 8.7% year-on-year. Operating income rose 11.3%, to ¥3,767 million, and ordinary income was up 11.9%, to ¥3,827 million. Net income for the period totaled ¥2,295 million, up 11.8% from the previous corresponding period.

Comparisons with the previous corresponding period are provided for reference purposes.

2. Financial Position

At September 30, 2008, total assets amounted to ¥61,562 million, up ¥47 million from March 31, 2008. During the period, current assets rose ¥522 million, to ¥26,485 million. This was due mainly to a ¥111 million increase in cash and bank deposits associated with operating activities, as well as a ¥551 million rise in notes and accounts receivable. Fixed assets declined ¥474 million, to ¥35,076 million. Within this figure, tangibles fell ¥617 million, to ¥28,929 million, as depreciation costs exceeded purchases of property, plant, and equipment. Intangibles rose ¥283 million, to ¥746 million, and investments and other assets declined ¥140 million, to ¥5,400 million.

At term-end, total liabilities amounted to ¥10,733 million, down ¥1,149 million. Current liabilities declined ¥636 million, to ¥7,006 million. Main factors included a ¥211 million decline in notes and accounts payable and a ¥141 million decrease in accrued income taxes. Long-term liabilities declined ¥513 million, to ¥3,727 million. Major factors included ¥500 million in repayments of long-term debt.

Net assets at term-end totaled ¥50,828 million, up ¥1,197 million. Items boosting net assets included net income (¥2,295 million), while items holding down net assets included cash dividends paid (¥646 million). As a result, the equity ratio rose from 80.7% to 82.5%.

(Statements of Cash Flows)

Cash and cash equivalents at the end of the quarter stood at ¥10,936 million, up ¥97 million from the end of fiscal 2007.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥2,442 million, down ¥948 million from the previous corresponding period. Factors in this result included ¥3,833 million in income before income taxes and minority interests and ¥1,236 million in depreciation. These contrasted with ¥1,690 million in income taxes paid and a ¥585 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥1,163 million, up ¥166 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 ¥1,148 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

Concerns about a slowdown in the Japanese economy have grown stronger due to the depressed global economy stemming from the subprime loan crisis in the United States, as well as surging prices of crude oil and raw materials. 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). The effect of this change on profits and losses was minimal.
 - 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 2 quarters (September 30, 2008)	Fiscal 2007 (March 31, 2008)
ASSETS		
Current assets		
Cash and bank deposits	¥11,249	¥11,138
Notes and accounts receivable	9,039	8,487
Inventories	5,443	5,674
Other current assets	752	662
Total current assets	26,485	25,962
Fixed assets		
Property, plant and equipment	28,929	29,547
Intangible fixed assets	746	463
Investments and other assets	5,400	5,540
Total fixed assets	35,076	35,551
Total assets	61,562	61,514
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,500	3,711
Long-term debt due within 1 year	1,000	1,000
Other current liabilities	2,506	2,931
Total current liabilities	7,006	7,642
Long-term liabilities		
Long-term debt	2,425	2,925
Other long-term liabilities	1,302	1,315
Total long-term liabilities	3,727	4,240
Total liabilities	10,733	11,883
NET ASSETS		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	43,013	41,479
Treasury stock	-7,106	-7,104
Total shareholders' equity	51,366	49,834
Valuation/translation adjustments		
Net unrealized gain or loss on securities	-650	-425
Deferred hedging gain or loss	361	265
Translation adjustments	-264	-57
Total valuation/translation adjustments	-553	-217
Minority interests		
Total net assets	50,828	49,631
Total liabilities and net assets	61,562	61,514

(2) Statements of Income (Summary)

	(Millions of yen, rounded down)
	Fiscal 2008—First 2 quarters (April 1—September 30, 2008)
Net sales	¥15,329
Cost of sales	7,495
Gross profit	7,833
Selling, general and administrative expenses	4,065
Operating income	3,767
Other income	99
Other expenses	39
Ordinary income	3,827
Extraordinary income	10
Extraordinary expenses	4
Income before income taxes and minority interests	3,833
Income taxes	1,537
Minority interests	0
Net income	2,295

(4) Statements of Cash Flows (Summary)

(Millions of yen, rounded down)

Fiscal 2008—First 2 quarters
(April 1—September 30, 2008)

Operating activities	
Income before income taxes and minority interests	¥3,833
Depreciation	1,236
Changes in assets and liabilities:	
Notes and accounts receivable	−585
Inventories	143
Notes and accounts payable	−175
Others	−338
Subtotal	4,114
Income taxes paid	−1,690
Others	18
Net cash provided by operating activities	2,442
Investing activities	
Purchases of property, plant and equipment	−1,119
Others	−44
Net cash used in investing activities	−1,163
Financing activities	
Repayments of long-term debt	−500
Proceeds from sale of treasury stock	0
Purchases of treasury stock	−2
Cash dividends paid	−645
Net cash used in financing activities	−1,148
Effect of exchange rate changes on cash and cash equivalents	−32
Net change in cash and cash equivalents	97
Cash and cash equivalents at beginning of term	10,838
Cash and cash equivalents at end of term	10,936

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

Fiscal 2007–First 2 Quarters

(Millions of yen, rounded down)

	Fiscal 2007–First 2 quarters (April 1–September 30, 2007)
Net sales	¥14,105
Cost of sales	6,809
Gross profit	7,295
Selling, general and administrative expenses	3,909
Operating income	3,386
Other income	71
Other expenses	36
Ordinary income	3,421
Extraordinary income	22
Extraordinary expenses	7
Income before income taxes and minority interests	3,436
Income taxes	1,383
Minority interests	0
Net income	2,053

(2) Statements of Cash Flows

Fiscal 2007—First 2 Quarters

(Millions of yen, rounded down)

Fiscal 2007—First 2 quarters
(April 1–September 30, 2007)

Operating activities	
Income before income taxes and minority interests	¥3,436
Depreciation	1,351
Changes in assets and liabilities:	
Notes and accounts receivable	–470
Inventories	–57
Notes and accounts payable	360
Others	–6
Subtotal	4,614
Income taxes paid	–1,215
Others	–8
Net cash provided by operating activities	3,390
Investing activities	
Purchases of property, plant and equipment	–734
Others	–263
Net cash used in investing activities	–997
Financing activities	
Repayments of long-term debt	–500
Purchase of treasury stock	–1
Cash dividends paid	–600
Net cash used in financing activities	–1,101
Effect of exchange rate changes on cash and cash equivalents	29
Net change in cash and cash equivalents	1,320
Cash and cash equivalents at beginning of term	7,825
Cash and cash equivalents at end of term	9,146