

July 10, 2009

Consolidated Financial Results for the First Quarter of Fiscal 2009

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, 2009**
 Start of cash dividend payments: **August 31, 2008**

1. Fiscal 2009-First quarter (April 1–June 30, 2009)

(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 2009–First quarter	¥7,817	+3.9%	¥1,984	+13.1%	¥1,981	+11.5%	¥1,183	+10.8%
Fiscal 2008–First quarter	7,522	—	1,754	—	1,778	—	1,068	—

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2009–First quarter	¥78.13	—
Fiscal 2008–First quarter	71.05	—

(2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2009–First quarter	¥66,445	¥56,067	84.4%	¥3,563.15
Fiscal 2008–year-end	61,941	51,505	83.1	3,425.71

Note: Equity capital at term-end

Fiscal 2009–1st quarter: ¥56,053 million

Fiscal 2008: ¥51,493 million

2. Cash dividends

Date of record	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2008	¥23.00	¥23.00	¥23.00	¥23.00	¥92.00
Fiscal 2009	23.00				
Fiscal 2009 (est.)		23.00	23.00	23.00	92.00

Note: Revision of cash dividend forecast for quarter in review

None

3. Forecast for fiscal 2009 (April 1, 2009–March 31, 2010)

(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	¥16,060	4.8%	¥4,130	9.6%	¥4,180	9.2%	¥2,510	9.3%	¥159.55
Full year	32,600	5.1%	8,590	14.5%	8,710	14.2%	5,210	45.3%	331.18

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: No
 2. Other changes: No
- (4) Shares outstanding (common stock) at term-end
 1. Number of shares outstanding (including treasury stock)
 - Fiscal 2009–1st quarter: 16,341,155
 - Fiscal 2008: 16,341,155
 2. Number of treasury shares outstanding
 - Fiscal 2009–1st quarter: 609,725
 - Fiscal 2008: 1,309,568
 3. Average number of shares over period (consolidated total for quarter)
 - Fiscal 2009–1st quarter: 15,146,877
 - Fiscal 2008–1st quarter: 15,032,788

Appropriate use of business forecasts; other special items

The Company has not revised its forecasts for the fiscal year ending March 2010 (forecasts announced on April 13, 2009). 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.

Performance and Financial Position

1. Performance

In the period under review, conditions in the Japanese economy remained extremely difficult due to ongoing worldwide recession stemming from the global financial and economic crises.

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 offered a range of products that contribute to safety of patients and medical practitioners and help medical institutions streamline and save labor in their operations. As a result, consolidated net sales for the quarter amounted to ¥7,817 million, up 3.9% year-on-year. Sales of surgical-use kit products performed well, owing mainly to the popularity of Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management. For surgical-use non-wovens, we achieved a year-on-year sales increase under our “Surrem strategy,” based on the concept of low price, high function, and high quality. Other non-wovens also generated solid sales as the emergence of new influenza strains boosted orders, mainly of masks.

Cost of sales generally reflected our projections.

During the term, we focused on efficient expense allocations in the selling, general, and administrative expenses category, basically achieving our targets in this area.

Consequently, consolidated operating income rose 13.1%, to ¥1,984 million, and ordinary income increased 11.5%, to ¥1,981 million. Net income climbed 10.8%, to ¥1,183 million.

2. Financial Position

At June 30, 2009, total assets amounted to ¥66,445 million, up ¥4,503 million from March 31, 2009. During the period, current assets increased ¥3,077 million, to ¥31,193 million. This was due mainly to disposal of treasury stock and a ¥2,780 million rise in cash and bank deposits, as well as a ¥301 million increase in notes and accounts receivable. Fixed assets rose ¥1,425 million, to ¥35,252 million. Within this figure, tangibles were up ¥1,159 million, to ¥30,233 million, due largely to purchases of new electron-beam sterilization equipment. Intangibles rose ¥19 million, to ¥522 million, and investments and other assets increased ¥245 million, to ¥4,496 million.

At term-end, total liabilities amounted to ¥10,378 million, down ¥57 million. Current liabilities rose ¥355 million, to ¥7,583 million. Main factors included a ¥696 million increase in accrued expenses related to bonuses and a ¥313 million decrease in the reserve for employees' bonuses. Long-term liabilities declined ¥413 million, to ¥2,794 million. Major factors included ¥425 million in repayments of long-term debt.

Net assets at term-end totaled ¥56,067 million, up ¥4,561 million. Items boosting net assets included disposal of treasury stock (¥3,183 million) and net income (¥1,183 million), while items holding down net assets included cash dividends paid (¥345 million). As a result, the equity ratio rose from 83.1% to 84.4%.

(Statements of Cash Flows)

Cash and cash equivalents at the end of the quarter stood at ¥14,947 million, up ¥2,765 million from the end of fiscal 2008.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥1,786 million, up ¥1,342 million from the previous corresponding period. Factors in this result included ¥1,980 million in income before income taxes and minority interests and ¥621 million in depreciation, as well as a ¥382 million increase in current liabilities related to employees' bonuses. These contrasted with ¥945 million in income taxes paid and a ¥256 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥1,509 million, up ¥1,251 million from the previous corresponding period. Major factors included purchases of new electron-beam sterilization equipment.

(Cash Flows from Financing Activities)

Net cash provided by financing activities was ¥2,411 million, compared with ¥725 million net cash used in such activities in the previous corresponding period. This was due primarily to a ¥3,183 million in proceeds from disposal of treasury stock. Contrasting 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 ¥9,500 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥6,000 million, due to the purchase of new electron-beam sterilization equipment and the purchase of land for a new factory in Ushiku (Ibaraki Prefecture). Net cash provided by financing activities is expected to be around ¥700 million. In the first quarter under review, we raised ¥3,183 million through the disposal of treasury stock. By contrast, we expect an outflow of around ¥2,500 million due to cash dividends paid and repayments of borrowings.

3. Full-Year Forecasts for Fiscal 2009

The Japanese economy is expected to remain challenging due to the impact of global recession sparked by the worldwide financial and economic crises. 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 step up promotion of Operamaster strategy with introduction of a surgery management system on the market during the year, as well as our Surrem strategy, which includes introduction of new gowns onto the market, in order to distinguish ourselves from the competition.

Our consolidated forecasts for the fiscal year ending March 2010 are as follows:

Net sales	¥32,600 million	(up 5.1%)
Operating income	¥ 8,590 million	(up 14.5%)
Ordinary income	¥ 8,710 million	(up 14.2%)
Net income	¥ 5,210 million	(up 45.3%)

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
 - (a) Valuation of inventories
The value of inventories is calculated based on physical inventories at the end of the previous fiscal year. The Company has reduced the book price of certain inventory assets that were clearly deemed to be declining in profitability, after estimating the net selling value of such assets.
 - (b) Accounting for income tax
Income tax for the quarter is calculated according to the estimated full-year tax rate, which is based on the legal effective rate.
- (3) Changes in accounting methods since end of most recent consolidated fiscal year
Not applicable

5. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2009–First quarter (June 30, 2009)	Fiscal 2008 (March 31, 2009)
ASSETS		
Current assets		
Cash and bank deposits	¥15,281	¥12,501
Notes and accounts receivable	9,398	9,096
Goods and merchandise	3,130	3,151
Products in progress	311	351
Materials and supplies	2,211	2,252
Other	862	763
Allowance for doubtful accounts	–2	–1
Total current assets	31,193	28,115
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	12,300	12,360
Machinery and vehicles (net)	5,317	5,532
Land	7,712	7,684
Construction in progress	4,526	3,128
Other (net)	375	366
Total property, plant and equipment	30,233	29,073
Intangible fixed assets	522	502
Investments and other assets	4,496	4,250
Total fixed assets	35,252	33,826
Total assets	66,445	61,941
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,584	3,694
Long-term debt due within 1 year	1,000	1,000
Accrued income tax	833	841
Reserves	187	568
Other current liabilities	1,977	1,122
Total current liabilities	7,583	7,227
Long-term liabilities		
Long-term debt	1,500	1,925
Reserves	420	417
Negative goodwill	90	97
Other long-term liabilities	783	768
Total long-term liabilities	2,794	3,208
Total liabilities	10,378	10,436

(Millions of yen, rounded down)

	Fiscal 2009—First quarter (June 30, 2009)	Fiscal 2008 (March 31, 2009)
NET ASSETS		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	43,946	43,725
Treasury stock	-3,311	-7,110
Total shareholders' equity	56,094	52,074
Valuation/translation adjustments		
Net unrealized gain or loss on securities	241	-16
Deferred hedging gain or loss	158	227
Translation adjustments	-441	-790
Total valuation/translation adjustments	-41	-580
Minority interests	13	11
Total net assets	56,067	51,505
Total liabilities and net assets	66,445	61,941

(2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2008—First quarter (April 1–June 30, 2008)	Fiscal 2009—First quarter (April 1–June 30, 2009)
Net sales	¥7,522	¥7,817
Cost of sales	3,693	3,817
Gross profit	3,829	3,999
Selling, general and administrative expenses	2,074	2,015
Operating income	1,754	1,984
Other income		
Interest income	1	3
Dividend income	32	30
Amortization of negative goodwill	6	6
Other	6	7
Total other income	48	48
Other expenses		
Interest expense	13	10
Foreign exchange loss	10	33
Other	1	6
Total other expenses	25	50
Ordinary income	1,778	1,981
Extraordinary income		
Gain on sales of fixed assets	1	0
Other	2	—
Total extraordinary income	3	0
Extraordinary expenses		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	0	0
Total extraordinary expenses	0	1
Income before income taxes and minority interests	1,781	1,980
Income taxes	713	796
Minority interests	0	0
Net income	1,068	1,183

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2008—First quarter (April 1–June 30, 2008)	Fiscal 2009—First quarter (April 1–June 30, 2009)
Operating activities		
Income before income taxes and minority interests	¥1,781	¥1,980
Depreciation	608	621
Amortization of negative goodwill	-6	-6
Increase (decrease) in allowance for doubtful accounts	-2	0
Interest and dividend income	-34	-33
Interest expenses	13	10
Foreign exchange gain	9	36
Gain on sale of tangible fixed assets	-1	-0
Changes in assets and liabilities:		
Notes and accounts receivable	-428	-256
Inventories	106	193
Notes and accounts payable	-177	-160
Other	214	331
Subtotal	2,083	2,715
Interest and dividends received	34	33
Interest paid	-23	-17
Incomes taxes paid	-1,651	-945
Net cash provided by operating activities	443	1,786
Investing activities		
Purchase of tangible fixed assets	-178	-1,441
Proceeds from sale of tangible fixed assets	2	1
Expenditures by loans receivable	-8	-1
Collection of loans receivable	1	1
Other	-74	-69
Net cash used in investing activities	-257	-1,509
Financing activities		
Repayments of long-term debt	-425	-425
Sales of treasury stock	—	3,183
Purchase of treasury stock	-0	-0
Cash dividends paid	-299	-345
Net cash used in financing activities	-725	2,411
Effect of exchange rate changes on cash and cash equivalents	-45	76
Net change in cash and cash equivalents	-584	2,765
Cash and cash equivalents at beginning of term	10,838	12,182
Cash and cash equivalents at end of term	10,253	14,947