

**October 13, 2010**

## Consolidated Financial Results

### for the First 2 Quarters of Fiscal 2010 [Japanese Standards]

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: **Kazuo Takahashi, Director, Administration Div.**  
 Submission of Quarterly Business Report: **November 10, 2010**  
 Start of cash dividend payments: **November 30, 2010**  
 Preparation of supplementary materials for quarterly financial results: **Yes**  
 Information meeting for quarterly financial results to be held: **Yes**

#### 1. Fiscal 2010-First 2 quarters (April 1–September 30, 2010)

##### (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 2010–First 2 quarters	¥15,653	–1.2%	¥4,294	+6.9%	¥4,208	+6.3%	¥2,517	+5.9%
Fiscal 2009–First 2 quarters	15,846	+3.4%	4,019	+6.7%	3,959	+3.4%	2,376	+3.5%

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2010–First 2 quarters	¥160.04	—
Fiscal 2009–First 2 quarters	153.91	—

##### (2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2010–First 2 quarters	¥68,726	¥59,932	87.2%	¥3,808.97
Fiscal 2009–year-end	68,259	58,506	85.7%	3,718.27

Note: Equity capital at term-end

Fiscal 2010–1st 2 quarters: ¥59,917 million

Fiscal 2009: ¥58,492 million

## 2. Cash dividends

Date of record	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2009	¥23.00	¥23.00	¥23.00	¥23.00	¥92.00
Fiscal 2010	25.00	25.00	—	—	—
Fiscal 2010 (est.)	—	—	25.00	25.00	100.00

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

Breakdown of dividends for fiscal 2010: Commemorative dividend of ¥2.00 in each quarter, for a total of ¥8.00 per share.

## 3. Forecast for fiscal 2010 (April 1, 2010–March 31, 2011)

(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	¥31,350	0.0%	¥8,510	6.7%	¥8,460	5.5%	¥5,040	2.4%	¥320.39

Note: Revision of consolidated forecasts for quarter in review: Yes

## 4. Others (For details, please refer to page 6 of this report.)

### (1) Important changes in scope of consolidation during period: No

Note: This refers to presence/absence of changes to specified subsidiaries accompanying changes in scope of consolidation in the period under review.

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

Note: This refers to presence/absence of application of simplified accounting method of special accounting method for preparing quarterly consolidated financial statements.

### (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

Note: This refers to presence/absence of changes in accounting principles, procedures, disclosure methods, etc., pertaining to preparation of quarterly consolidated financial statements (changes in major basic items for preparing quarterly financial statements)

### (4) Shares outstanding (common stock) at term-end

#### 1. Number of shares outstanding (including treasury stock)

Fiscal 2010–1st 2 quarters: 16,341,155

Fiscal 2009: 16,341,155

#### 2. Number of treasury shares outstanding

Fiscal 2010–1st 2 quarters: 610,498

Fiscal 2009: 610,158

#### 3. Average number of shares over period (consolidated total for quarter)

Fiscal 2010–1st 2 quarters: 15,730,795

Fiscal 2009–1st 2 quarters: 15,440,720

**Implementation status of quarterly review procedures**

This quarterly financial results report is subject to quarterly review procedures under Japan’s Financial Instruments and Exchange Law. At the time of this report’s release, however, such quarterly review procedures under the Financial Instruments and Exchange Law had not been completed.

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

Performance forecasts and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report’s release. Due to various circumstances, however, actual results may differ significantly from such statements. For cautionary notes on assumptions underlying the Company’s forecasts and the usage of such forecasts, please refers to “(3) Full-Year Forecasts for Fiscal 2010” on page 5.

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## 1. Performance and Financial Position

### (1) Performance

In the first two quarters under review, the Japanese economy showed signs of a partial turnaround after a period of deterioration. However, the outlook remained unclear due to concerns about economic slowdown overseas and the appreciation of the yen.

Despite an increase in overall medical treatment remuneration—the first in 10 years since 2000—conditions in the medical equipment industry remained challenging as companies associated with the industry faced growing pressure to enhance efficiency and streamline operations.

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 period amounted to ¥15,653 million, down 1.2% from the previous corresponding period. Sales of surgical-use kit products increased 4.9%, to ¥7,159 million, owing mainly to the popularity of Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management. Although the Group signed 11 new Operamaster contracts with medical institutions, there were seven cancellations.

For surgical-use non-wovens, year-on-year sales remained mostly unchanged, edging down 0.2%, to ¥5,507 million. During the period, we reinforced our “Surrem strategy,” based on the concept of low price, high function, and high quality. This led to a recovery in sales of some products that had been declining. However, sales of masks and other products posted a year-on-year decrease due to special demand in the previous corresponding period, which saw an outbreak of the H1N1 influenza virus. Other sales fell ¥199 million, due to the partial sale of a business of our consolidated subsidiary. Most of the factors causing the aforementioned sales decline ceased to have an effect on revenue in the two-quarter period under review.

In September 2010, we announce the launch of a new product, Gauze Count System, designed to reduce surgery-related gauze counting procedures and improve safety. The system is earning high praise from customers.

The cost of sales ratio improved thanks to enhanced productivity stemming from an increase in manufacturing volume. We also focused on efficient expense allocations in the selling, general, and administrative expenses category. Consequently, consolidated operating income rose 6.9%, to ¥4,294 million.

The main non-operating item was a foreign exchange loss of ¥142 million, resulting in a 6.3% increase in ordinary income, to ¥4,208 million. Net income climbed 5.9%, to ¥2,517 million.

### (2) Financial Position

At September 30, 2010, total assets amounted to ¥68,726 million, up ¥467 million from March 31, 2010. During the period, current assets declined ¥226 million, to ¥33,136 million. Major components included a ¥488 million increase in notes and accounts receivable, a ¥448 million decline in inventories, and a ¥154 million decrease in cash and bank deposits. Fixed assets rose ¥693 million, to ¥35,589 million. Within this figure, tangibles were up ¥585 million, to ¥30,707 million, due mainly to ¥1,282 million in investments in equipment related to the New Sterilization Center in Tsukuba. Intangibles rose ¥186 million, to ¥783 million, and investments and other assets declined ¥77 million, to ¥4,099 million.

At term-end, total liabilities amounted to ¥8,793 million, down ¥959 million. Current liabilities declined ¥461 million, to ¥7,545 million. Main factors included a ¥368 million decrease in accrued income taxes, a ¥237 million decline in accrued expenses, a ¥263 million increase in equipment-related notes and accounts payable, and a ¥261 million decline in notes and accounts payable. Long-term liabilities fell ¥497 million, to ¥1,248 million. Major factors included ¥500 million in repayments of long-term debt. Interest-bearing debt declined ¥500 million, to ¥1,425 million.

Net assets at term-end totaled ¥59,932 million, up ¥1,426 million. Major factors included ¥2,517 million in net income and ¥755 million in appropriation of retained earnings. As a result, the equity ratio rose from 85.7% to 87.2%.

### (Statements of Cash Flows)

Cash and cash equivalents at the end of the period stood at ¥17,246 million, down ¥158 million from the end of fiscal 2009.

#### (Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥3,151 million, down ¥730 million from the previous corresponding period. Factors in this result included ¥1,992 million in income taxes paid and a ¥508 million increase in notes and accounts receivable. These contrasted with ¥4,173 million in income before income taxes and minority interests and ¥1,120 million in depreciation.

#### (Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥2,028 million, down ¥212 million from the previous corresponding period. Major factors included purchases of tangible fixed assets related to the New Sterilization Center in Tsukuba.

#### (Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,255 million, compared with ¥1,974 million net cash provided by such activities in the previous corresponding period. This was due primarily to 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 ¥7,000 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥4,000 million, due mainly to the purchases related to the New Sterilization Center in Tsukuba, replacement of existing equipment, and construction of new systems. Net cash used in financing activities is expected to be around ¥2,500 million, due to payments of cash dividends and repayments of borrowings.

### (3) Full-Year Forecasts for Fiscal 2010

In light of its recent performance, Hogy has revised its full-year forecasts as follows. (Previous forecasts were announced on April 12, 2010).

#### Revised Forecasts for Fiscal 2010 (April 1, 2010–March 31, 2011)

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

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Previous forecasts (A)	32,200	8,550	8,610	5,140	326.75
New forecasts (B)	31,350	8,510	8,460	5,040	320.39
Change (B – A)	–850	–40	–150	–100	—
Change (%)	–2.6%	–0.5%	–1.7%	–1.9%	—
FY2009 result	31,339	7,974	8,020	4,921	315.74

The outlook for the Japanese economy remains difficult to predict. In the medical equipment industry, we expect the polarization trend among medical institutions to gain further momentum. Meanwhile, companies in the industry will continue facing pressure to enhance efficiency and streamline operations. In consideration of intensifying competition with other companies and challenging market conditions, the Hogy Medical Group has revised its full-year outlook, centering on net sales.

Going forward, we will step up efforts to raise corporate value. At the same time, we will assertively promote our “Operamaster strategy”, as well as our “Surrem strategy”, while actively developing new products in order to distinguish ourselves from the competition.

## **2. Other Information**

### **(1) Important Changes in Subsidiaries**

Not applicable.

### **(2) Application of Simplified Accounting Method or Special Accounting Method**

#### ***(a) Valuation of inventories***

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 Principles, Procedures, and Disclosure Methods**

Effective the period under review, the Company has applied “Accounting Standard Related to Asset Disposal Obligations” (Accounting Standard No. 18, March 31, 2008) and “Application Guidance for Accounting Standard Related to Asset Disposal Obligations” (Guidance No. 21, March 31, 2008). This change led to ¥1 million year-on-year decreases in operating income and ordinary income and a ¥34 million decline in income before income taxes and minority interests.

### **(4) Major Items Related to Ongoing Concern Assumption**

Not applicable.

### 3. Consolidated Financial Statements

#### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2010—First 2 quarters (September 30, 2010)	Fiscal 2009 (March 31, 2010)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥17,612	¥17,766
Notes and accounts receivable	9,613	9,124
Goods and merchandise	2,796	3,075
Products in progress	290	308
Materials and supplies	2,107	2,259
Other	721	832
Allowance for doubtful accounts	-4	-2
<b>Total current assets</b>	<b>33,136</b>	<b>33,363</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	12,002	12,374
Machinery and vehicles (net)	4,656	4,896
Land	9,402	9,410
Construction in progress	4,352	3,137
Other (net)	292	302
<b>Total property, plant and equipment</b>	<b>30,707</b>	<b>30,121</b>
Intangible fixed assets	783	597
Investments and other assets	4,099	4,176
<b>Total fixed assets</b>	<b>35,589</b>	<b>34,895</b>
<b>Total assets</b>	<b>68,726</b>	<b>68,259</b>
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	3,190	3,452
Long-term debt due within 1 year	1,000	1,000
Accrued income tax	1,623	1,991
Reserves	576	545
Other current liabilities	1,154	1,017
<b>Total current liabilities</b>	<b>7,545</b>	<b>8,006</b>
Long-term liabilities		
Long-term debt	425	925
Reserves	40	34
Other long-term liabilities	782	786
<b>Total long-term liabilities</b>	<b>1,248</b>	<b>1,746</b>
<b>Total liabilities</b>	<b>8,793</b>	<b>9,752</b>

(Millions of yen, rounded down)

	Fiscal 2010—First 2 quarters (September 30, 2010)	Fiscal 2009 (March 31, 2010)
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	7,123	7,123
Capital surplus	8,336	8,336
Retained earnings	48,361	46,598
Treasury stock	-3,314	-3,313
Total shareholders' equity	60,505	58,744
Valuation/translation adjustments		
Net unrealized gain or loss on securities	161	345
Deferred hedging gain or loss	-41	80
Translation adjustments	-707	-678
Total valuation/translation adjustments	-587	-252
Minority interests	14	14
Total net assets	59,932	58,506
Total liabilities and net assets	68,726	68,259



## (2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2009—First 2 quarters (April 1–September 30, 2009)	Fiscal 2010—First 2 quarters (April 1–September 30, 2010)
Net sales	¥15,846	¥15,653
Cost of sales	7,732	7,425
Gross profit	8,113	8,227
Selling, general and administrative expenses	4,094	3,932
Operating income	4,019	4,294
Other income		
Interest income	4	1
Dividend income	34	41
Amortization of negative goodwill	13	—
Other	27	27
Total other income	79	70
Other expenses		
Interest expense	19	12
Foreign exchange loss	110	142
Other	10	1
Total other expenses	139	156
Ordinary income	3,959	4,208
Extraordinary income		
Transfer to allowance for doubtful accounts	—	11
Gain on sales of fixed assets	4	0
Total extraordinary income	4	11
Extraordinary expenses		
Loss on sales of fixed assets	1	0
Loss on disposal of fixed assets	3	3
Effect of application of asset disposal liability accounting standards	—	32
Valuation loss on golf membership	—	10
Total extraordinary expenses	4	46
Income before income taxes	3,959	4,173
Income taxes	1,581	1,655
Income before minority interests	—	2,518
Minority interests	1	0
Net income	2,376	2,517

### (3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2009—First 2 quarters (April 1– September 30, 2009)	Fiscal 2010—First 2 quarters (April 1– September 30, 2010)
<b>Operating activities</b>		
Income before income taxes and minority interests	¥3,959	¥4,173
Depreciation	1,252	1,120
Amortization of negative goodwill	-13	—
Valuation loss on golf membership	—	10
Effect of application of asset disposal liability accounting standards	—	32
Increase (decrease) in allowance for doubtful accounts	2	-20
Interest and dividend income	-38	-43
Interest expenses	19	12
Foreign exchange gain	123	151
Gain on sale of tangible fixed assets	-3	0
Changes in assets and liabilities:		
Notes and accounts receivable	-568	-508
Inventories	242	407
Notes and accounts payable	-77	-252
Other	-9	30
Subtotal	4,888	5,113
Interest and dividends received	38	43
Interest paid	-20	-12
Incomes taxes paid	-1,025	-1,992
Net cash provided by operating activities	3,881	3,151
<b>Investing activities</b>		
Purchase of tangible fixed assets	-2,117	-1,678
Proceeds from sale of tangible fixed assets	22	1
Purchase of investment securities	—	-75
Expenditures by loans receivable	-5	-4
Collection of loans receivable	4	14
Other	-144	-286
Net cash used in investing activities	-2,240	-2,028
<b>Financing activities</b>		
Repayments of long-term debt	-500	-500
Sales of treasury stock	3,183	0
Purchase of treasury stock	-1	-1
Cash dividends paid	-707	-753
Net cash used in financing activities	1,974	-1,255
Effect of exchange rate changes on cash and cash equivalents	59	-26
Net change in cash and cash equivalents	3,675	-158
Cash and cash equivalents at beginning of term	12,182	17,405
Cash and cash equivalents at end of term	15,857	17,246

#### (4) Note Related to Ongoing Concern Assumption

Not applicable.

#### (5) Segment Information

##### [Information by business segment]

First 2 quarters of previous year (April 1–September 30, 2009)

The Company and its consolidated subsidiaries are engaged in the manufacture and sales of medical-use consumables and in peripheral activities, which together are regarded as a single business. Accordingly, there are no classified segments for disclosure purposes.

##### [Information by geographical segment]

First 2 quarters of previous year (April 1–September 30, 2009)

(Millions of yen, rounded down)

	Japan	Indonesia	Total	Eliminations or Companywide	Consolidated
Net sales					
(1) Sales to outside customers	¥15,601	¥ 244	¥15,846	—	¥15,846
(2) Inter-segment sales	—	2,053	2,053	(2,053)	—
Total	15,601	2,298	17,900	(2,053)	15,846
Operating expenses	11,865	1,982	13,847	(2,020)	11,827
Operating income	3,736	316	4,052	(33)	4,019

##### [Overseas sales]

First 2 quarters of previous year (April 1–September 30, 2009)

Overseas sales represented less than 10% of consolidated net sales, so are omitted here.

##### [Segment information]

The Company and its consolidated subsidiaries are engaged in the manufacture and sales of medical-use consumables and in peripheral activities, which together are regarded as a single business. Accordingly, there are no classified segments for disclosure purposes.

(Supplementary information)

Effective the period under review, the Company has applied “Accounting Standard on Disclosure of Segment Information” (Accounting Standard No. 17, March 27, 2009) and “Application Guidance for Accounting Standard on Disclosure of Segment Information” (Guidance No. 20, March 21, 2008).

#### (6) Note in Event of Significant Change in Shareholders’ Equity

Not applicable.