

**January 17, 2011**

## Consolidated Financial Results

### for the First 3 Quarters of Fiscal 2010 [Japanese Standards]

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: **Kazuo Takahashi, Director, Administration Div.**  
 Submission of Quarterly Business Report: **February 9, 2011**  
 Start of cash dividend payments: **February 28, 2011**  
 Preparation of supplementary materials for quarterly financial results: **Yes**  
 Information meeting for quarterly financial results to be held: **Yes**

#### 1. Fiscal 2010-First 3 quarters (April 1–December 31, 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 3 quarters	¥23,891	–0.1%	¥6,718	+7.6%	¥6,640	+6.1%	¥3,940	+2.7%
Fiscal 2009–First 3 quarters	23,906	+1.4%	6,241	+8.7%	6,258	+8.1%	3,836	+36.9%

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2010–First 3 quarters	¥250.47	—
Fiscal 2009–First 3 quarters	246.88	—

##### (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 3 quarters	¥68,450	¥60,781	88.8%	¥3,863.06
Fiscal 2009–year-end	68,259	58,506	85.7%	3,718.27

Note: Equity capital at term-end

Fiscal 2010–1st 3 quarters: ¥60,767 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	25.00	—	—
Fiscal 2010 (est.)	—	—	—	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%	¥320.40

Note: Revision of consolidated forecasts for quarter in review: None

## 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 3 quarters: 16,341,155

Fiscal 2009: 16,341,155

#### 2. Number of treasury shares outstanding

Fiscal 2010–1st 3 quarters: 610,828

Fiscal 2009: 610,158

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

Fiscal 2010–1st 3 quarters: 15,730,727

Fiscal 2009–1st 3 quarters: 15,537,908

**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 three quarters under review, the direction of the Japanese economy remained unclear due to global economic instability and the yen's appreciation. This was despite signs of improvement in some areas, such as corporate results. Accordingly, the outlook continued to be unpredictable.

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 ¥23,891 million, down 0.1% from the previous corresponding period. In the third quarter (October–December 2010), net sales rose 2.2% year-on-year, to ¥8,238 million.

In the three-quarter period under review, sales of surgical-use kit products increased 4.9%, to ¥10,935 million. Within this amount, sales of Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management, rose 11.0%, to ¥6,100 million. Although the Group signed 16 new Operamaster contracts with medical institutions, there were nine cancellations. In the third quarter (October–December 2010), five new contracts were signed.

For surgical-use non-wovens, year-on-year sales remained mostly unchanged, edging up 0.5%, to ¥8,383 million. During the period, we reinforced our “Surrem strategy,” based on the concept of low price, high function, and high quality. This led to an increase in sales volume and a recovery in sales of some products that had been declining. 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. In the period under review, we sold part of the business of our consolidated subsidiary. Accordingly, the respective factors causing the decline in other sales of that subsidiary ceased to have an effect on revenue by the end of the first two quarters.

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 7.6%, to ¥6,718 million.

The main non-operating item was a foreign exchange loss of ¥178 million, resulting in a 6.1% increase in ordinary income, to ¥6,640 million. Net income climbed 2.7%, to ¥3,940 million.

### (2) Financial Position

At December 31, 2010, total assets amounted to ¥68,450 million, up ¥191 million from March 31, 2010. During the period, current assets declined ¥880 million, to ¥32,482 million. Major components included a ¥1,238 million increase in notes and accounts receivable, a ¥1,191 million decline in cash and bank deposits, and a ¥753 million decrease in inventories. Fixed assets rose ¥1,071 million, to ¥35,967 million. Within this figure, tangibles were up ¥951 million, to ¥31,073 million, due mainly to ¥1,815 million in investments in equipment related to the New Sterilization Center in Tsukuba. Intangibles rose ¥192 million, to ¥789 million, and investments and other assets declined ¥72 million, to ¥4,104 million.

At term-end, total liabilities amounted to ¥7,668 million, down ¥2,083 million. Current liabilities declined ¥1,154 million, to ¥6,852 million. Main factors included a ¥998 million decrease in accrued income taxes, a ¥342 decrease in reserve for employees' bonuses, and a ¥378 million increase in equipment-related notes and accounts payable. Long-term liabilities fell ¥929 million, to ¥816 million. The major factor was ¥925 million in repayments of long-term debt. Interest-bearing debt declined ¥925 million, to ¥1,000 million.

Net assets at term-end totaled ¥60,781 million, up ¥2,275 million. Major factors included ¥3,940 million in net income and ¥1,148 million in appropriation of retained earnings. As a result, the equity ratio rose from 85.7% to 88.8%.

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

Cash and cash equivalents at the end of the period stood at ¥16,209 million, down ¥1,196 million from the end of fiscal 2009.

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

Net cash provided by operating activities amounted to ¥3,993 million, down ¥555 million from the previous corresponding period. Factors in this result included ¥3,535 million in income taxes paid and a ¥1,285 million increase in notes and accounts receivable. These contrasted with ¥6,539 million in income before income taxes and minority interests and ¥1,689 million in depreciation.

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

Net cash used in investing activities totaled ¥3,046 million, up ¥1 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 ¥2,075 million, compared with ¥1,187 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**

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. As we approach the 50th anniversary of our founding, 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.

Our full-year consolidated forecasts, which reflect the aforementioned factors, are as follows.

**(Consolidated forecasts)**

Net sales	¥31,350 million	(up 0.0%)
Operating income	¥ 8,510 million	(up 6.7%)
Ordinary income	¥ 8,460 million	(up 5.5%)
Net income	¥ 5,040 million	(up 2.4%)

## 2. Other Information

### (1) Important Changes in Subsidiaries

Not applicable.

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

#### (a) Valuation of inventories

To assess the value of inventories at the end of the third quarter, the Company used a rational method based on physical inventories at the end of the second quarter, rather than conduct a physical stocktaking at the end of the third quarter.

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 first quarter of the current fiscal year, the Company has applied “Accounting Standard for Asset Retirement Obligations” (Accounting Standard No. 18, March 31, 2008) and “Application Guidance for Accounting Standard for Asset Retirement Obligations” (Guidance No. 21, March 31, 2008). This change led to ¥2 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 3 quarters (December 31, 2010)	Fiscal 2009 (March 31, 2010)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥16,575	¥17,766
Notes and accounts receivable	10,363	9,124
Goods and merchandise	2,505	3,075
Products in progress	292	308
Materials and supplies	2,091	2,259
Other	660	832
Allowance for doubtful accounts	-5	-2
<b>Total current assets</b>	<b>32,482</b>	<b>33,363</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	11,934	12,374
Machinery and vehicles (net)	4,424	4,896
Land	9,384	9,410
Construction in progress	4,960	3,137
Other (net)	369	302
<b>Total property, plant and equipment</b>	<b>31,073</b>	<b>30,121</b>
Intangible fixed assets	789	597
Investments and other assets	4,104	4,176
<b>Total fixed assets</b>	<b>35,967</b>	<b>34,895</b>
<b>Total assets</b>	<b>68,450</b>	<b>68,259</b>
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	3,324	3,452
Long-term debt due within 1 year	1,000	1,000
Accrued income tax	993	1,991
Reserves	180	545
Other current liabilities	1,353	1,017
<b>Total current liabilities</b>	<b>6,852</b>	<b>8,006</b>
Long-term liabilities		
Long-term debt	—	925
Reserves	39	34
Other long-term liabilities	777	786
<b>Total long-term liabilities</b>	<b>816</b>	<b>1,746</b>
<b>Total liabilities</b>	<b>7,668</b>	<b>9,752</b>

(Millions of yen, rounded down)

	Fiscal 2010—First 3 quarters (December 31, 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	49,390	46,598
Treasury stock	-3,316	-3,313
Total shareholders' equity	61,533	58,744
Valuation/translation adjustments		
Net unrealized gain or loss on securities	179	345
Deferred hedging gain or loss	-37	80
Translation adjustments	-908	-678
Total valuation/translation adjustments	-766	-252
Minority interests	14	14
Total net assets	60,781	58,506
Total liabilities and net assets	68,450	68,259



## (2) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2009—First 3 quarters (April 1–December 31, 2009)	Fiscal 2010—First 3 quarters (April 1–December 31, 2010)
Net sales	¥23,906	¥23,891
Cost of sales	11,519	11,265
Gross profit	12,387	12,625
Selling, general and administrative expenses	6,145	5,906
Operating income	6,241	6,718
Other income		
Interest income	5	2
Dividend income	44	51
Amortization of negative goodwill	13	—
Subsidy income	31	27
Other	35	37
Total other income	130	118
Other expenses		
Interest expense	27	16
Foreign exchange loss	74	178
Other	11	1
Total other expenses	113	197
Ordinary income	6,258	6,640
Extraordinary income		
Transfer to allowance for doubtful accounts	—	11
Gain on sales of fixed assets	4	0
Lump amortization of negative goodwill	83	—
Total extraordinary income	88	11
Extraordinary expenses		
Loss on sales of fixed assets	1	0
Loss on disposal of fixed assets	8	3
Effect of application of accounting standards for asset retirement obligations	—	32
Valuation loss on golf membership	—	9
50-year commemoration business expense	—	66
Total extraordinary expenses	9	112
Income before income taxes and minority interests	6,337	6,539
Income taxes	2,499	2,598
Income before minority interests	—	3,941
Minority interests	1	1
Net income	3,836	3,940

### (3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2009—First 3 quarters (April 1–December 31, 2009)	Fiscal 2010—First 3 quarters (April 1–December 31, 2010)
<b>Operating activities</b>		
Income before income taxes and minority interests	¥6,337	¥6,539
Depreciation	1,891	1,689
Amortization of negative goodwill	-97	—
Valuation loss on golf membership	—	9
Effect of application of accounting standards for asset retirement obligations	—	32
Increase (decrease) in allowance for doubtful accounts	11	-19
Interest and dividend income	-49	-54
Interest expenses	27	16
Foreign exchange gain	89	190
Gain on sale of tangible fixed assets	-3	0
Changes in assets and liabilities:		
Notes and accounts receivable	-1,163	-1,285
Inventories	210	659
Notes and accounts payable	-297	-106
Other	-222	-177
Subtotal	6,734	7,495
Interest and dividends received	49	54
Interest paid	-34	-20
Incomes taxes paid	-2,201	-3,535
Net cash provided by operating activities	4,549	3,993
<b>Investing activities</b>		
Purchase of tangible fixed assets	-2,872	-2,609
Proceeds from sale of tangible fixed assets	24	2
Purchase of investment securities	—	-75
Expenditures by loans receivable	-7	-4
Collection of loans receivable	7	17
Other	-195	-377
Net cash used in investing activities	-3,044	-3,046
<b>Financing activities</b>		
Repayments of long-term debt	-925	-925
Sales of treasury stock	3,183	0
Purchase of treasury stock	-2	-2
Cash dividends paid	-1,068	-1,148
Other	0	—
Net cash used in financing activities	1,187	-2,075
Effect of exchange rate changes on cash and cash equivalents	-5	-68
Net change in cash and cash equivalents	2,687	-1,196
Cash and cash equivalents at beginning of term	12,182	17,405
Cash and cash equivalents at end of term	14,869	16,209

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

Not applicable.

#### (5) Segment Information

##### [Information by business segment]

First 3 quarters of previous year (April 1–December 31, 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 3 quarters of previous year (April 1–December 31, 2009)

(Millions of yen, rounded down)

	Japan	Indonesia	Total	Eliminations or Companywide	Consolidated
Net sales					
(1) Sales to outside customers	¥23,640	¥ 265	¥23,906	—	¥23,906
(2) Inter-segment sales	—	2,964	2,964	(2,964)	—
Total	23,640	3,230	26,871	(2,964)	23,906
Operating expenses	17,826	2,756	20,582	(2,917)	17,664
Operating income	5,814	474	6,289	(47)	6,241

##### [Overseas sales]

First 3 quarters of previous year (April 1–December 31, 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.