

July 12, 2011

Consolidated Financial Results

for the First Quarter of Fiscal 2011 [Japanese Standards]

Name: **Hogy Medical Co., Ltd.**
 Listing: **First Section, Tokyo Stock Exchange**
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 Submission of Quarterly Business Report: **August 10, 2011**
 Start of cash dividend payments: **August 31, 2011**
 Preparation of supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results to be held: Yes

1. Fiscal 2011—First quarter (April 1—June 30, 2011)

(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 2011—First quarter	¥7,838	+1.7%	¥2,188	+1.1%	¥2,193	+3.4%	¥1,320	+4.8%
Fiscal 2010—First quarter	7,705	-1.4%	2,164	+9.1%	2,120	+7.0%	1,260	+6.5%

Note: Comprehensive income

Fiscal 2011—1st quarter: ¥1,382 million (+14.3%)

Fiscal 2010—1st quarter: ¥1,209 million (—%)

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2011—First quarter	¥83.94	—
Fiscal 2010—First quarter	80.12	—

(2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2011—First quarter	¥70,131	¥61,678	87.9%	¥3,920.50
Fiscal 2010—year-end	69,834	60,698	86.9	3,857.83

Note: Equity capital at term-end

Fiscal 2011—1st quarter: ¥61,670 million

Fiscal 2010: ¥60,684 million

2. Cash dividends

Date of record	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2010	¥25.00	¥25.00	¥25.00	¥25.00	¥100.00
Fiscal 2011	20.00				
Fiscal 2011 (est.)		20.00	20.00	20.00	80.00

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

3. Forecast for fiscal 2011 (April 1, 2011–March 31, 2012)

(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	¥15,390	-1.7%	¥3,500	-18.5%	¥3,548	-15.7%	¥2,141	-15.0%	¥136.11
Full year	30,700	-2.0%	6,900	-19.8%	6,970	-18.6%	4,200	-5.7%	267.00

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

4. Others

(1) Important changes in scope of consolidation during period (presence/absence of changes to specified subsidiaries accompanying changes in scope of consolidation): No

(2) Application of special accounting method: Yes

Note: For more details, please refer to “2. Note on Summary Information (Other)” on page 6 of this report.

(3) Changes in accounting policies; changes in accounting estimates; restatements

(1) Changes in accounting policies due to amendment of accounting standards: No

(2) Other changes in accounting policies: No

(3) Changes in accounting estimates: No.

(4) Restatements: No

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

1. Number of shares outstanding (including treasury stock)

Fiscal 2011–1st quarter: 16,341,155

Fiscal 2010: 16,341,155

2. Number of treasury shares outstanding

Fiscal 2011–1st quarter: 611,015

Fiscal 2010: 610,955

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

Fiscal 2011–1st quarter: 15,730,180

Fiscal 2010–1st quarter: 15,730,890

Implementation status of quarterly review procedures

This quarterly financial results report is not subject to quarterly review procedures under Japan’s Financial Instruments and Exchange Law. At the time of this report’s release, 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 2011” on page 5.

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1. Performance and Financial Position

(1) Performance

In the period under review, the Japanese economy was affected by stagnation of business activity stemming from the Great East Japan Earthquake, which struck on March 11, 2011, as well concerns about instability due to electric power shortages in the summer months and other factors. Accordingly, the economic outlook remains unclear.

Conditions in the medical equipment industry continued to be difficult, with companies associated with the industry facing more and more pressure to enhance efficiency and streamline operations. This was despite an upward revision to the medical treatment remuneration system in the previous year.

Under these circumstances, the Hogy Medical Group suffered some damage to production facilities and hindrance to product manufacturing and shipments as a result of the Great East Japan Earthquake. Moreover, a shortage of materials supplies and a temporary spike in demand stemming from the earthquake caused production delays, which placed a burden on our customers. In response, the Group extended its business hours and increase staff, placing top priority on ensuring stable product supplies. Following a Group-wide effort to restore the situation, all production facilities were back in full operation by early May, and all delays in product supplies were eliminated by early June. Our sales and marketing activities initially centered on addressing production delays, but returned to normal once the situation improved.

As a result, consolidated net sales for the quarter amounted to ¥7,838 million, up 1.7% from the previous corresponding period. Within this total, sales of surgical-use kit products rose 5.2%, to ¥3,698 million, owing mainly to the popularity of Operamaster, a solution-based service for medical institutions incorporating products, logistics, and information management. The performance of Operamaster was affected by the aforementioned production delays. Although the Group signed three new Operamaster contracts with medical institutions, there were four cancellations, bring total contracts in force to 130 at term-end. Sales of surgical-use non-wovens edged down 0.3%, to ¥2,729 million. This was despite a temporary spike in demand after the earthquake, which was followed by volatile changes in demand.

Cost of sales was pushed up by an increase in depreciation. However, the cost of sales ratio improved thanks to enhanced productivity stemming from an increase in manufacturing volume, done in order to compensate for production delays and a temporary increase in orders. Selling, general, and administrative expenses were up year-on-year, due to largely to higher sample costs and trial research expenses arising from efforts to address production delays.

Consequently, consolidated operating income rose 1.1%, to ¥2,188 million, and ordinary income increased 3.4%, to ¥2,193 million. Net income climbed 4.8%, to ¥1,320 million.

(2) Financial Position

At June 30, 2011, total assets amounted to ¥70,131 million, up ¥297 million from March 31, 2011. During the period, current assets increased ¥606 million, to ¥34,119 million. Major factors were a ¥400 million rise in notes and accounts receivable and a ¥319 million increase in inventories. Fixed assets were down ¥308 million, to ¥36,012 million. Within this figure, tangibles decreased ¥440 million, to ¥31,078 million. Machinery and vehicles (net) rose ¥3,333 million, to ¥7,552 million, due mainly to a ¥3,613 million increase in investments for expansion of manufacturing facilities at the Tsukuba Sterilization Center. Intangibles rose ¥171 million, to ¥1,059 million, and investments and other assets remained largely unchanged, at ¥3,874 million.

At term-end, total liabilities amounted to ¥8,453 million, down ¥682 million. Current liabilities declined ¥752 million, to ¥7,570 million. Main factors included a ¥674 million decrease in accrued income taxes and a ¥267 million decline in reserve for bonuses. Long-term liabilities rose ¥69 million, to ¥883 million.

Interest-bearing debt declined ¥425 million, to ¥500 million.

Net assets at term-end totaled ¥61,678 million, up ¥980 million. Major factors included ¥1,320 million in net income and ¥393 million in cash dividends paid. As a result, the equity ratio rose from 86.9% to 87.9%.

(Statement of Cash Flows)

Cash and cash equivalents at the end of the period stood at ¥18,282 million, up ¥143 million from the end of fiscal 2010.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥1,344 million, up ¥710 million from the previous corresponding period. Factors in this result included ¥2,193 million in income before income taxes and minority interests and ¥642 million in depreciation. These contrasted with ¥1,259 million in income taxes paid and a ¥392 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥408 million, down ¥529 million from the previous corresponding period. Major factors included purchases of tangible fixed assets related to expansion of the new Tsukuba Sterilization Center.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥817 million, up ¥31 million from 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 ¥5,100 million, reflecting our business performance. Net cash used in investing activities is expected to total around ¥2,000 million, due to replacement of existing equipment. Net cash used in financing activities is expected to be around ¥2,200 million, due mainly to payments of cash dividends and repayments of borrowings.

(3) Full-Year Forecasts for Fiscal 2011

The outlook for the Japanese economy remains uncertain, due mainly to languishing economic activity and electric power shortages during the summer months stemming from the Great East Japan Earthquake.

Although we have finished restoring our facilities and solved the issue of delays in production, future trends in demand remain difficult to predict. Under these circumstances, we will strive to develop products based on the concept of “products that contribute to the medical front lines.” At the same time, we will step up sales activities that were restarted in June and assertively promote our Operamaster strategy and our Surrem strategy.

Our full-year consolidated forecasts are shown below.

(Consolidated forecasts)

Net sales	¥30,700 million	(down 2.0%)
Operating income	¥ 6,900 million	(down 19.8%)
Ordinary income	¥ 6,970 million	(down 18.6%)
Net income	¥ 4,200 million	(down 5.7%)

2. Notes on Summary Information (Other)

(1) Important Changes in Subsidiaries

Not applicable.

(2) Application of Special Accounting Method

(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 Policies; Changes in Accounting Estimates; Restatements

Not applicable.

3. Major Items Related to Ongoing Concern Assumption

Not applicable.

4. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2010 (March 31, 2011)	Fiscal 2011–First quarter (June 30, 2011)
ASSETS		
Current assets		
Cash and bank deposits	¥18,505	¥18,648
Notes and accounts receivable	9,091	9,492
Goods and merchandise	2,570	3,098
Products in progress	288	330
Materials and supplies	2,083	1,833
Other	977	721
Allowance for doubtful accounts	-4	-5
Total current assets	33,513	34,119
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	13,302	13,129
Machinery and vehicles (net)	4,219	7,552
Land	9,375	9,382
Construction in progress	4,283	662
Other (net)	337	351
Total property, plant and equipment	31,518	31,078
Intangible fixed assets	888	1,059
Investments and other assets	3,913	3,874
Total fixed assets	36,320	36,012
Total assets	69,834	70,131
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,338	3,561
Long-term debt due within 1 year	925	500
Accrued income tax	1,576	902
Reserves	1,188	806
Other current liabilities	1,294	1,800
Total current liabilities	8,322	7,570
Long-term liabilities		
Reserves	44	68
Other long-term liabilities	768	814
Total long-term liabilities	813	883
Total liabilities	9,135	8,453

(Millions of yen, rounded down)

	Fiscal 2010 (March 31, 2011)	Fiscal 2011–First quarter (June 30, 2011)
NET ASSETS		
Shareholders' equity		
Common stock	¥7,123	¥7,123
Capital surplus	8,336	8,336
Retained earnings	49,510	50,437
Treasury stock	-3,316	-3,316
Total shareholders' equity	61,653	62,579
Valuation and translation adjustments		
Net unrealized gain or loss on securities	78	74
Deferred hedging gain or loss	9	-53
Translation adjustments	-1,055	-931
Total valuation and translation adjustments	-968	-909
Minority interests	13	8
Total net assets	60,698	61,678
Total liabilities and net assets	69,834	70,131

**(2) Statements of Income and Statements of Comprehensive Income
(Statements of Income)**

(Millions of yen, rounded down)

	Fiscal 2010—First quarter (April 1—June 30, 2010)	Fiscal 2011—First quarter (April 1—June 30, 2011)
Net sales	¥7,705	¥7,838
Cost of sales	3,678	3,643
Gross profit	4,026	4,194
Selling, general and administrative expenses	1,862	2,006
Operating income	2,164	2,188
Other income		
Interest income	0	0
Dividend income	27	25
Other	9	11
Total other income	38	37
Other expenses		
Interest expense	6	2
Foreign exchange loss	75	30
Other	0	0
Total other expenses	82	33
Ordinary income	2,120	2,193
Extraordinary income		
Transfer to allowance for doubtful accounts	7	—
Gain on sales of fixed assets	0	0
Total extraordinary income	7	0
Extraordinary expenses		
Loss on disposal of fixed assets	2	0
Effect of application of accounting standards for asset retirement obligations	32	—
Total extraordinary expenses	35	0
Income before income taxes	2,092	2,193
Income taxes	832	872
Income before minority interests	1,260	1,320
Minority interests	0	0
Net income	1,260	1,320

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2010–First quarter (April 1–June 30, 2010)	Fiscal 2011–First quarter (April 1–June 30, 2011)
Income before minority interests	¥1,260	¥1,320
Other comprehensive income		
Net unrealized gains or losses on securities	–101	–3
Deferred hedging gains or losses	–76	–62
Translation adjustments	127	127
Total other comprehensive income	–50	61
Comprehensive income	1,209	1,382
(Breakdown)		
Comprehensive income attributable owners of parent company	1,208	1,379
Comprehensive income attributable to minority interests	0	3

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2010—First quarter (April 1—June 30, 2010)	Fiscal 2011—First quarter (April 1—June 30, 2011)
Operating activities		
Income before income taxes and minority interests	¥2,092	¥2,193
Depreciation	574	642
Effect of application of accounting standards for asset retirement obligations	32	—
Increase (decrease) in allowance for doubtful accounts	−11	0
Interest and dividend income	−28	−26
Interest expenses	6	2
Foreign exchange gain	87	32
Gain on sale of tangible fixed assets	−0	−0
Changes in assets and liabilities:		
Notes and accounts receivable	−374	−392
Inventories	230	−299
Notes and accounts payable	−213	218
Other	134	210
Subtotal	2,529	2,582
Interest and dividends received	28	26
Interest paid	−10	−4
Incomes taxes paid	−1,913	−1,259
Net cash provided by operating activities	633	1,344
Investing activities		
Purchase of tangible fixed assets	−731	−304
Proceeds from sale of tangible fixed assets	1	0
Purchase of investment securities	−75	—
Purchase of shares in affiliates	—	−8
Expenditures by loans receivable	−2	—
Collection of loans receivable	11	1
Other	−142	−97
Net cash used in investing activities	−938	−408
Financing activities		
Repayments of long-term debt	−425	−425
Purchase of treasury stock	−0	−0
Cash dividends paid	−360	−392
Net cash used in financing activities	−786	−817
Effect of exchange rate changes on cash and cash equivalents	−1	25
Net change in cash and cash equivalents	−1,092	143
Cash and cash equivalents at beginning of term	17,405	18,139
Cash and cash equivalents at end of term	16,312	18,282

(4) Note Related to Ongoing Concern Assumption

Not applicable.

(5) 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.

(6) Note in Event of Significant Change in Shareholders' Equity

Not applicable.