

July 11, 2012

Consolidated Financial Results

for the First Quarter of Fiscal 2012 [Japanese Standards]

Name: **Hogy Medical Co., Ltd.**
 Listing: **First Section, Tokyo Stock Exchange**
 Stock code number: **3593**
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 Submission of Quarterly Business Report: **August 8, 2012**
 Start of cash dividend payments: **August 31, 2012**
 Preparation of supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results to be held: Yes

1. Fiscal 2012—First quarter (April 1—June 30, 2012)

(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 2012—First quarter | ¥8,040 | +2.6% | ¥2,018 | -7.8% | ¥2,018 | -8.0% | ¥1,264 | -4.3% |
| Fiscal 2011—First quarter | 7,838 | +1.7% | 2,188 | +1.1% | 2,193 | +3.4% | 1,320 | +4.8% |

Note: Comprehensive income

Fiscal 2012—1st quarter: ¥1,482 million (+7.2%)

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

| | Net income per share | Net income per share (fully diluted) |
|---------------------------|----------------------|---|
| | (Yen) | (Yen) |
| Fiscal 2012—First quarter | ¥80.36 | — |
| Fiscal 2011—First quarter | 83.94 | — |

(2) Financial position

| | Total assets | Net assets | Equity ratio | Net assets per share (Yen) |
|---------------------------|--------------|------------|--------------|-------------------------------|
| Fiscal 2012—First quarter | ¥72,667 | ¥65,133 | 89.6% | ¥4,140.39 |
| Fiscal 2011—Year-end | 72,522 | 64,013 | 88.3% | 4,069.17 |

Note: Equity capital at term-end

Fiscal 2012—1st quarter: ¥65,127 million

Fiscal 2011: ¥64,007 million

2. Cash dividends

| Date of record | Cash dividend per share (yen) | | | | |
|--------------------|-------------------------------|----------------|---------------|----------|-----------|
| | First quarter | Second quarter | Third quarter | Year-end | Full year |
| Fiscal 2011 | ¥20.00 | ¥20.00 | ¥23.00 | ¥23.00 | ¥86.00 |
| Fiscal 2012 | 24.00 | | | | |
| Fiscal 2012 (est.) | | 24.00 | 24.00 | 24.00 | 96.00 |

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

3. Forecast for fiscal 2012 (April 1, 2012–March 31, 2013)

(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 | ¥16,260 | +2.7% | ¥4,245 | +6.1% | ¥4,275 | +7.4% | ¥2,674 | +12.8% | ¥170.00 |
| Full year | 32,870 | +3.1% | 8,000 | +3.2% | 8,060 | +3.0% | 5,043 | +9.0% | 320.60 |

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

4. Notes

(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 (Notes)” 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 2012–1st quarter: 16,341,155

Fiscal 2011: 16,341,155

2. Number of treasury shares outstanding

Fiscal 2012–1st quarter: 611,393

Fiscal 2011: 611,220

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

Fiscal 2012–1st quarter: 15,729,900

Fiscal 2011–1st quarter: 15,730,180

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. Accordingly, the Company cannot make promises to achieve such forecasts. 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 2012” on page 5.

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1. Performance and Financial Position

(1) Performance

In the period under review, the domestic medical equipment industry benefited from a moderate upward revision to the medical treatment remuneration system. However, the nation confronted a difficult financial situation, while companies associated with the industry faced more and more pressure to enhance efficiency and streamline operations.

Under these circumstances, the Hogy Medical Group focused on reinforcing sales of Operamaster—which incorporates products, logistics, and information management—while selling and developing new products. To facilitate sales, we participated in academic society meetings, seminars, and other forums to foster a broader understanding of Operamaster among relevant people in medical institutions. Other initiatives also produced good results. These included deploying our accumulated internal know-how and strengthening sales activities through the launch of new products and stepped-up tours of our showrooms and factories. As a result, the Group signed Operamaster contracts with 14 medical institutions during the period, a record-high number. After accounting for one cancellation, this brought total contracts in force to 157 at term-end. Getting the Operamaster system up and running at contracted medical institutions requires considerable effort, and we will adopt a Groupwide approach to address this challenge in the future.

During the period, we launched a new product, called IC Tracer, in which an IC tag is attached to gauze to permit tracing, and thus prevent gauze used in surgical procedures from ending up inside the patient's body. Accordingly, this product can make a contribution to medical safety and efficiency. At present, many of our customers are trialing IC Tracer, and we are receiving their evaluations.

As a result, consolidated net sales for the period amounted to ¥8,040 million, up 2.6% from the previous corresponding period. Within this total, sales of surgical-use kits rose 5.7%, to ¥3,909 million, owing mainly to the popularity of Operamaster. Sales of surgical-use non-wovens were down 3.4%, to ¥2,636 million, by a strategic price policy for market share expansion.

With respect to cost of sales, in the first quarter of the previous fiscal year the Group improved productivity by raising production output in order to address a temporary spike in orders following the Great East Japan Earthquake. This was a passing phenomenon, however, and situation reverted to normal in the period under review, leading to an increase in the cost of sales ratio. Selling, general, and administrative expenses were up year-on-year, due partly to depreciation costs arising from Operamaster systems commissioned in the previous fiscal year. Consequently, operating income declined 7.8%, to ¥2,018 million, and ordinary income slipped 8.0%, to ¥2,018 million. Net income for the period was down 4.3%, to ¥1,264 million.

(2) Financial Position

At June 30, 2012, total assets amounted to ¥72,667 million, up ¥145 million from March 31, 2012. During the period, current assets rose ¥289 million, to ¥36,755 million. This was due mainly to a ¥376 million increase in inventories. Fixed assets were down ¥144 million, to ¥35,911 million. Within this figure, tangibles decreased ¥191 million, to ¥29,394 million; intangibles rose ¥122 million, to ¥1,413 million; and investments and other assets remained largely unchanged, at ¥5,104 million.

At term-end, total liabilities amounted to ¥7,534 million, down ¥974 million. Current liabilities declined ¥651 million, to ¥6,954 million, and long-term liabilities fell ¥322 million, to ¥580 million.

Net assets at term-end totaled ¥65,133 million, up ¥1,119 million. The main factor boosting net assets was ¥1,264 million in net income, while the major factor holding down net assets was ¥361 million in distributions from retained earnings. As a result, the equity ratio rose from 88.3% to 89.6%.

(Cash Flows)

Cash and cash equivalents at the end of the period stood at ¥19,167 million, down ¥72 million from the end of fiscal 2011.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥1,081 million, down ¥262 million from the previous corresponding period. Factors in this result included ¥2,022 million in income before income taxes and minority interests and ¥693 million in depreciation. These contrasted with ¥1,754 million in income taxes paid and a ¥26 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥852 million, up ¥443 million from the previous corresponding period. Outflows were related mainly to development of the Operamaster surgery management system.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥362 million, down ¥455 million from the previous corresponding period. This was due largely to cash dividends paid.

For the entire year, we expect net cash provided by operating activities to be around ¥5,700 million. Net cash used in investing activities is expected to total around ¥2,000 million, due to replacement of existing equipment. We also project that some expenses will be incurred by the expansion of the new Tsukuba Sterilization Center. Net cash used in financing activities is expected to be around ¥1,500 million, due mainly to payment of cash dividends.

(3) Full-Year Forecasts for Fiscal 2012

The outlook for the Japanese economy is expected to remain uncertain, due to several factors. These include worldwide economic stagnation stemming mainly from the European debt crisis, as well as the prolonged appreciation of the yen.

In response, the Hogy Medical Group will continue promoting its Operamaster strategy, currently under implementation. To foster corporate growth, meanwhile, we will pursue product development based on the concept of “products that contribute to the medical front lines.”

Our consolidated forecasts for the fiscal year to March 2013 are shown below.

(Consolidated forecasts)

| | | |
|------------------|-----------------|-----------|
| Net sales | ¥32,870 million | (up 3.1%) |
| Operating income | ¥ 8,000 million | (up 3.2%) |
| Ordinary income | ¥ 8,060 million | (up 3.0%) |
| Net income | ¥ 5,043 million | (up 9.0%) |

2. Notes on Summary Information (Notes)

(1) Important Changes in Subsidiaries

Not applicable.

(2) Application of Special Accounting Method

(a) 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 2011 (March 31, 2012) | Fiscal 2012–First quarter (June 30, 2012) |
|--|---------------------------------|--|
| ASSETS | | |
| Current assets | | |
| Cash and bank deposits | ¥19,610 | ¥19,537 |
| Notes and accounts receivable | 10,357 | 10,410 |
| Goods and merchandise | 3,070 | 3,162 |
| Products in progress | 303 | 307 |
| Materials and supplies | 2,137 | 2,418 |
| Other | 993 | 924 |
| Allowance for doubtful accounts | -6 | -5 |
| Total current assets | 36,465 | 36,755 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures (net) | 12,552 | 12,419 |
| Machinery and vehicles (net) | 6,353 | 6,093 |
| Land | 9,361 | 9,378 |
| Construction in progress | 982 | 1,073 |
| Other (net) | 335 | 428 |
| Total property, plant and equipment | 29,585 | 29,394 |
| Intangible fixed assets | 1,291 | 1,413 |
| Investments and other assets | 5,179 | 5,104 |
| Total fixed assets | 36,056 | 35,911 |
| Total assets | 72,522 | 72,667 |
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable | 3,715 | 3,849 |
| Accrued income tax | 1,801 | 784 |
| Reserves | 584 | 271 |
| Other current liabilities | 1,504 | 2,048 |
| Total current liabilities | 7,606 | 6,954 |
| Long-term liabilities | | |
| Reserves | 147 | 143 |
| Other long-term liabilities | 754 | 436 |
| Total long-term liabilities | 902 | 580 |
| Total liabilities | 8,508 | 7,534 |

(Millions of yen, rounded down)

| | Fiscal 2011 (March 31, 2012) | Fiscal 2012–First quarter (June 30, 2012) |
|---|---------------------------------|--|
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | ¥ 7,123 | ¥ 7,123 |
| Capital surplus | 8,336 | 8,336 |
| Retained earnings | 52,750 | 53,653 |
| Treasury stock | -3,317 | -3,318 |
| Total shareholders' equity | 64,892 | 65,794 |
| Valuation and translation adjustments | | |
| Net unrealized gain or loss on securities | 326 | 332 |
| Deferred hedging gains or losses | 25 | -39 |
| Translation adjustments | -1,236 | -959 |
| Total valuation and translation adjustments | -884 | -667 |
| Minority interests | 5 | 5 |
| Total net assets | 64,013 | 65,133 |
| Total liabilities and net assets | 72,522 | 72,667 |

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

(Millions of yen, rounded down)

| | Fiscal 2011—First quarter (April 1—June 30, 2011) | Fiscal 2012—First quarter (April 1—June 30, 2012) |
|--|--|--|
| Net sales | ¥7,838 | ¥8,040 |
| Cost of sales | 3,643 | 3,940 |
| Gross profit | 4,194 | 4,100 |
| Selling, general and administrative expenses | 2,006 | 2,082 |
| Operating income | 2,188 | 2,018 |
| Other income | | |
| Interest income | 0 | 0 |
| Dividend income | 25 | 21 |
| Other | 11 | 9 |
| Total other income | 37 | 32 |
| Other expenses | | |
| Interest expense | 2 | — |
| Foreign exchange loss | 30 | 31 |
| Other | 0 | 0 |
| Total other expenses | 33 | 31 |
| Ordinary income | 2,193 | 2,018 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 0 | 3 |
| Total extraordinary income | 0 | 3 |
| Extraordinary expenses | | |
| Loss on sales of fixed assets | — | 0 |
| Loss on disposal of fixed assets | 0 | 0 |
| Total extraordinary expenses | 0 | 0 |
| Income before income taxes | 2,193 | 2,022 |
| Income taxes | 872 | 758 |
| Income before minority interests | 1,320 | 1,264 |
| Minority interests | 0 | 0 |
| Net income | 1,320 | 1,264 |

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

| | Fiscal 2011–First quarter (April 1–June 30, 2011) | Fiscal 2012–First quarter (April 1–June 30, 2012) |
|--|--|--|
| Income before minority interests | ¥1,320 | ¥1,264 |
| Other comprehensive income | | |
| Net unrealized gains or losses on securities | –3 | 6 |
| Deferred hedging gains or losses | –62 | –64 |
| Translation adjustments | 127 | 276 |
| Total other comprehensive income | 61 | 217 |
| Comprehensive income | 1,382 | 1,482 |
| (Breakdown) | | |
| Comprehensive income attributable owners of parent company | 1,379 | 1,481 |
| Comprehensive income attributable to minority interests | 3 | 0 |

(3) Statements of Cash Flows

(Millions of yen, rounded down)

| | Fiscal 2011—First quarter (April 1—June 30, 2011) | Fiscal 2012—First quarter (April 1—June 30, 2012) |
|--|--|--|
| Operating activities | | |
| Income before income taxes and minority interests | ¥2,193 | ¥2,022 |
| Depreciation | 642 | 693 |
| Increase (decrease) in allowance for doubtful accounts | 0 | -1 |
| Interest and dividend income | -26 | -22 |
| Interest expenses | 2 | — |
| Foreign exchange gain | 32 | 29 |
| Gain on sale of tangible fixed assets | -0 | -3 |
| Changes in assets and liabilities: | | |
| Notes and accounts receivable | -392 | -26 |
| Inventories | -299 | -317 |
| Notes and accounts payable | 218 | 119 |
| Other | 210 | 321 |
| Subtotal | 2,582 | 2,813 |
| Interest and dividends received | 26 | 22 |
| Interest paid | -4 | — |
| Incomes taxes paid | -1,259 | -1,754 |
| Net cash provided by operating activities | 1,344 | 1,081 |
| Investing activities | | |
| Purchase of tangible fixed assets | -304 | -679 |
| Proceeds from sale of tangible fixed assets | 0 | 2 |
| Purchase of shares in affiliates | -8 | — |
| Expenditures by loans receivable | — | -6 |
| Collection of loans receivable | 1 | 1 |
| Other | -97 | -169 |
| Net cash used in investing activities | -408 | -852 |
| Financing activities | | |
| Repayments of long-term debt | -425 | — |
| Purchase of treasury stock | -0 | -0 |
| Cash dividends paid | -392 | -361 |
| Net cash used in financing activities | -817 | -362 |
| Effect of exchange rate changes on cash and cash equivalents | 25 | 60 |
| Net change in cash and cash equivalents | 143 | -72 |
| Cash and cash equivalents at beginning of term | 18,139 | 19,239 |
| Cash and cash equivalents at end of term | 18,282 | 19,167 |

(4) Note Related to Ongoing Concern Assumption

Not applicable.

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

Not applicable.

(6) 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.