HOGY MEDICAL Co., Ltd.
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Tokyo 107-8615, Japan

October 11, 2012

Consolidated Financial Results for the First 2 Quarters of Fiscal 2012 [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: **November 7, 2012**
Start of cash dividend payments: **November 30, 2012**
Preparation of supplementary materials for quarterly financial results: **Yes**
Information meeting for quarterly financial results to be held: **Yes**

1. Fiscal 2012-First 2 quarters (April 1–September 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 2 quarters	¥16,316	+3.0%	¥4,041	+1.0%	¥4,046	+1.7%	¥2,519	+6.3%
Fiscal 2011–First 2 quarters	15,835	+1.2%	4,000	–6.8%	3,979	–5.4%	2,369	–5.9%

Note: Comprehensive income
Fiscal 2012—1st 2 quarters: ¥2,618 million (+13.6%)
Fiscal 2011—1st 2 quarters: ¥2,305 million (+5.6%)

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2012–First 2 quarters	¥160.17	—
Fiscal 2011–First 2 quarters	150.67	—

(2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2012–First 2 quarters	¥73,437	¥65,891	89.7%	¥4,188.63
Fiscal 2011–Year-end	72,522	64,013	88.3	4,069.17

Note: Equity capital at term-end
Fiscal 2012–1st 2 quarters: ¥65,885 million
Fiscal 2011: ¥64,007 million

2. Cash dividends

	Cash dividend per share (yen)				
Date of record	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	24.00	—	—	—
Fiscal 2012 (est.)	—	—	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, except per share data, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
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: Yes
- (2) Other changes in accounting policies: No
- (3) Changes in accounting estimates: Yes.
- (4) Restatements: No

(4) Shares outstanding (common stock) at term-end
1. Number of shares outstanding (including treasury stock)
   - Fiscal 2012–1st 2 quarters: 16,341,155
   - Fiscal 2011: 16,341,155
2. Number of treasury shares outstanding
   - Fiscal 2012–1st 2 quarters: 611,423
   - Fiscal 2011: 611,220
3. Average number of shares over period (consolidated total for quarter)
   - Fiscal 2012–1st 2 quarters: 15,729,819
   - Fiscal 2011–1st 2 quarters: 15,730,135

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 23 medical institutions during the period, a record-high number. After accounting for two cancellations, this brought total contracts in force to 165 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, with the aim of enhancing the efficiency of counting the number of gauzes used in surgical procedures. 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 ¥16,316 million, up 3.0% from the previous corresponding period. Within this total, sales of surgical-use kits rose 7.5%, to ¥8,038 million. At present, our customers with Operamaster contracts account for more than 60% of surgical-use kit sales, and thus serve as a driving force for Group revenue. Sales of surgical-use non-wovens were down 1.8%, to ¥5,272 million, reflecting our strategic pricing policy aimed at 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. Cost of sales was impacted in the two-quarter period under review as the situation returned to normal. Selling, general, and administrative expenses were up year-on-year, due to expenses stemming from Groupwide efforts to develop new products, as well as depreciation costs arising from Operamaster systems commissioned in the previous fiscal year.

Consequently, operating income increased 1.0%, to ¥4,041 million, and ordinary income rose 1.7%, to ¥4,046 million. Net income for the period climbed 6.3%, to ¥2,519 million. These figures reflect good progress toward achieving our full-year performance targets.

(2) Financial Position

At September 30, 2012, total assets amounted to ¥73,437 million, up ¥915 million from March 31, 2012. During the period, current assets rose ¥1,314 million, to ¥37,780 million. This was due mainly to a ¥957 million increase in inventories and a ¥326 million rise in notes and accounts receivable. Fixed assets were down ¥399 million, to ¥35,657 million. Within this figure, tangibles decreased ¥613 million, to ¥28,972 million; intangibles rose ¥157 million, to ¥1,449 million; and investments and other assets remained largely unchanged, at ¥5,235 million.

At term-end, total liabilities amounted to ¥7,545 million, down ¥963 million. Current liabilities declined ¥685 million, to ¥6,920 million, and long-term liabilities fell ¥277 million, to ¥624 million.

Net assets at term-end totaled ¥65,891 million, up ¥1,878 million. The main factor boosting net assets was ¥2,519 million in net income, while the major factor holding down net assets was ¥739 million in distributions from retained earnings. As a result, the equity ratio rose from 88.3% to 89.7%.

(Cash Flows)
Cash and cash equivalents at the end of the period stood at ¥19,532 million, up ¥292 million from the end of fiscal 2011.

(Cash Flows from Operating Activities)
Net cash provided by operating activities amounted to ¥2,335 million, down ¥1,415 million from the previous corresponding period. Factors in this result included ¥4,048 million in income before income taxes and minority interests and ¥1,390 million in depreciation. These contrasted with ¥1,781 million in income taxes paid and a ¥317 million increase in notes and accounts receivable.

(Cash Flows from Investing Activities)
Net cash used in investing activities totaled ¥1,327 million, up ¥43 million from the previous corresponding period. Outflows were related mainly to replacement of existing equipment and development of the Operamaster surgery management system.

(Cash Flows from Financing Activities)
Net cash used in financing activities was ¥740 million, down ¥467 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
Accounting for income tax
Income tax for the period 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
(Change in accounting policy for situations when a change in accounting estimate is difficult to distinguish)
Pursuant to an amendment to the Corporation Tax Act, , effective the first quarter of the fiscal year ending March 31, 2013, the Company changed the depreciation method for property, plant and equipment purchased on/after April 1, 2012. That method now conforms to the amended Act.

The aforementioned change had a minimal effect on operating income, ordinary income, and income before income taxes and minority interests in the two-quarter period under review.

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 2 quarters (September 30, 2012)
ASSETS		
Current assets		
Cash and bank deposits	¥19,610	¥19,902
Notes and accounts receivable	10,357	10,684
Goods and merchandise	3,070	3,509
Products in progress	303	304
Materials and supplies	2,137	2,654
Other	993	729
Allowance for doubtful accounts	–6	–5
Total current assets	36,465	37,780
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	12,552	12,211
Machinery and vehicles (net)	6,353	5,684
Land	9,361	9,379
Construction in progress	982	1,268
Other (net)	335	428
Total property, plant and equipment	29,585	28,972
Intangible fixed assets	1,291	1,449
Investments and other assets	5,179	5,235
Total fixed assets	36,056	35,657
Total assets	72,522	73,437
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,715	3,859
Accrued income tax	1,801	1,549
Reserves	584	596
Other current liabilities	1,504	915
Total current liabilities	7,606	6,920
Long-term liabilities		
Reserves	147	149
Other long-term liabilities	754	475
Total long-term liabilities	902	624
Total liabilities	8,508	7,545

(Millions of yen, rounded down)

	Fiscal 2011 (March 31, 2012)	Fiscal 2012– First 2 quarters (September 30, 2012)
NET ASSETS		
Shareholders' equity		
Common stock	¥7,123	¥7,123
Capital surplus	8,336	8,336
Retained earnings	52,750	54,531
Treasury stock	–3,317	–3,318
Total shareholders' equity	64,892	66,672
Valuation and translation adjustments		
Net unrealized gain or loss on securities	326	396
Deferred hedging gain or losses	25	–90
Translation adjustments	–1,236	–1,092
Total valuation and translation adjustments	–884	–786
Minority interests	5	5
Total net assets	64,013	65,891
Total liabilities and net assets	72,522	73,437

(2) Statements of Income and Statements of Comprehensive Income

(Statements of Income)

(Millions of yen, rounded down)

	Fiscal 2011– First 2 quarters (April 1– September 30, 2011)	Fiscal 2012– First 2 quarters (April 1– September 30, 2012)
Net sales	¥15,835	16,316
Cost of sales	7,745	8,056
Gross profit	8,090	8,259
Selling, general and administrative expenses	4,089	4,218
Operating income	4,000	4,041
Other income		
Interest income	1	2
Dividend income	40	30
Other	34	29
Total other income	76	62
Other expenses		
Interest expense	4	—
Foreign exchange loss	92	56
Other	0	0
Total other expenses	97	57
Ordinary income	3,979	4,046
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	2	2
Total extraordinary expenses	2	2
Income before income taxes	3,977	4,048
Income taxes	1,607	1,529
Income before minority interests	2,370	2,519
Minority interests	0	0
Net income	2,369	2,519

(Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Fiscal 2011– First 2 quarters (April 1– September 30, 2011)	Fiscal 2012– First 2 quarters (April 1– September 30, 2012)
Income before minority interests	¥2,370	¥2,519
Other comprehensive income		
Net unrealized gains or losses on securities	61	70
Deferred hedging gains or losses	–186	–115
Translation adjustments	59	144
Total other comprehensive income	–64	98
Comprehensive income	2,305	2,618
(Breakdown)		
Comprehensive income attributable to owners of parent company	2,302	2,618
Comprehensive income attributable to minority interests	3	0

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2011– First 2 quarters (April 1– September 30, 2011)	Fiscal 2012– First 2 quarters (April 1– September 30, 2012)
Operating activities		
Income before income taxes and minority interests	¥3,977	¥4,048
Depreciation	1,439	1,390
Increase (decrease) in allowance for doubtful accounts	–2	–1
Interest and dividend income	–41	–32
Interest expenses	4	—
Foreign exchange gain	94	52
Gain on sale of tangible fixed assets	–0	–3
Changes in assets and liabilities:		
Notes and accounts receivable	–334	–317
Inventories	–357	–936
Notes and accounts payable	390	137
Other	–161	–251
Subtotal	5,008	4,085
Interest and dividends received	41	32
Interest paid	–5	—
Incomes taxes paid	–1,293	–1,781
Net cash provided by operating activities	3,751	2,335
Investing activities		
Purchase of tangible fixed assets	–1,048	–936
Proceeds from sale of tangible fixed assets	0	5
Purchase of shares in affiliates	–8	—
Expenditures by loans receivable	–0	–7
Collection of loans receivable	4	5
Other	–231	–393
Net cash used in investing activities	–1,283	–1,327
Financing activities		
Repayments of long-term debt	–500	—
Purchase of treasury stock	–0	–0
Cash dividends paid	–707	–739
Other	0	—
Net cash used in financing activities	–1,207	–740
Effect of exchange rate changes on cash and cash equivalents	–4	24
Net change in cash and cash equivalents	1,255	292
Cash and cash equivalents at beginning of term	18,139	19,239
Cash and cash equivalents at end of term	19,395	19,532

(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.