

HOGY



April 15, 2008

Financial Report Fiscal 2007

(April 1, 2007 – March 31, 2008)

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Notice Regarding Forward-Looking Statements

This presentation contains statements about the Company's plans, forecasts, strategies, and beliefs related to its future performance. Such forward-looking statements were prepared based on judgments of the Company's management according to information available when this presentation was prepared. Readers are asked not to rely completely on performance forecasts contained herein, and understand that actual results may differ from such forecasts.

Financial results reported herein have not been audited.

Performance Overview

Fiscal 2007 Income Statements

(Unit: million yen, rounded down)	Fiscal 2006 Results		Fiscal 2007 Plan		Fiscal 2007 Results		Year-on-Year Comparison		Plan Comparison	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	%	Amount	%
Net sales	27,293		28,670		29,010		1,716	106.3%	340	101.2%
Operating income	6,058	22.2%	7,000	24.4%	7,232	24.9%	1,173	119.4%	232	103.3%
Ordinary income	6,139	22.5%	6,990	24.4%	7,285	25.1%	1,145	118.7%	295	104.2%
Net income	3,621	13.3%	4,140	14.4%	4,054	14.0%	437	112.1%	-80	98.1%
EPS	234.69 yen		276.13 yen		269.73 yen					

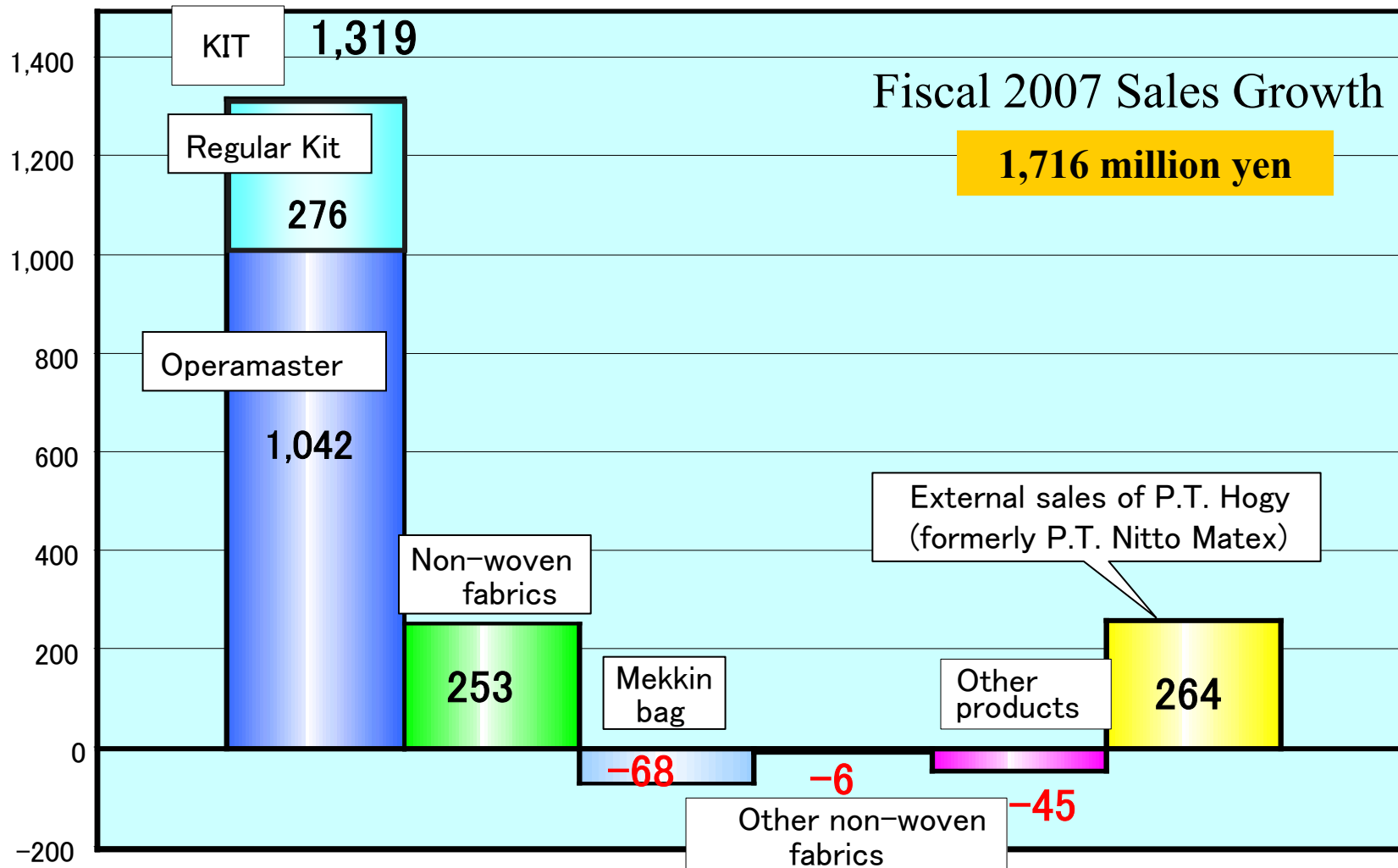


Highlights of Fiscal 2007

- ✧ 47th consecutive period of year-on-year revenue gains
- ✧ Record-high consolidated figures for ordinary income and net income
- Increase in customers making initial purchases of kit products prior to signing Operamaster contracts
- Loss on valuation of shares in Asahi Intec (extraordinary loss)
- Sub-subsidiary included in scope of consolidation

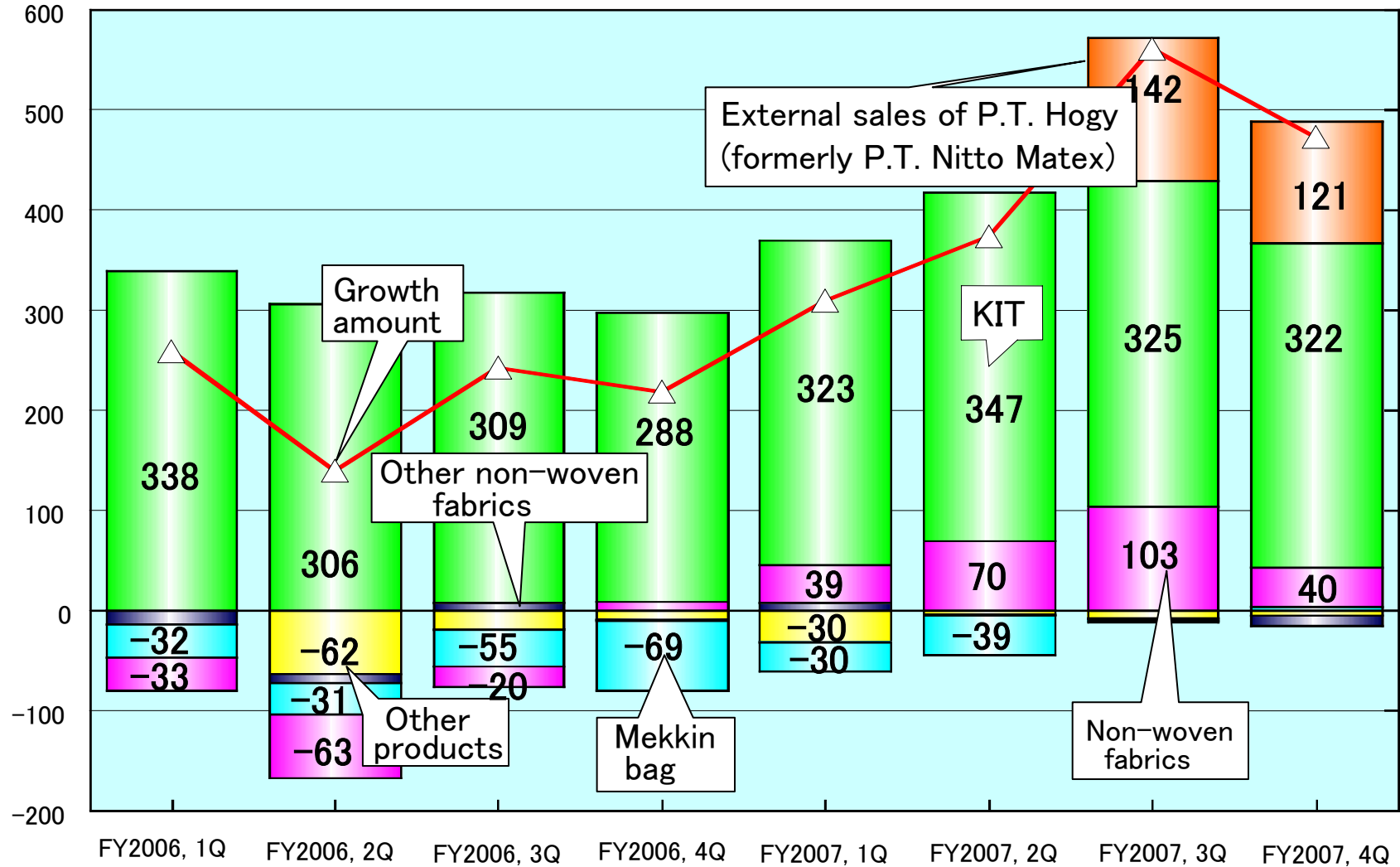
Fiscal 2007 Sales Growth by Major Products

(Unit: million yen, rounded down)

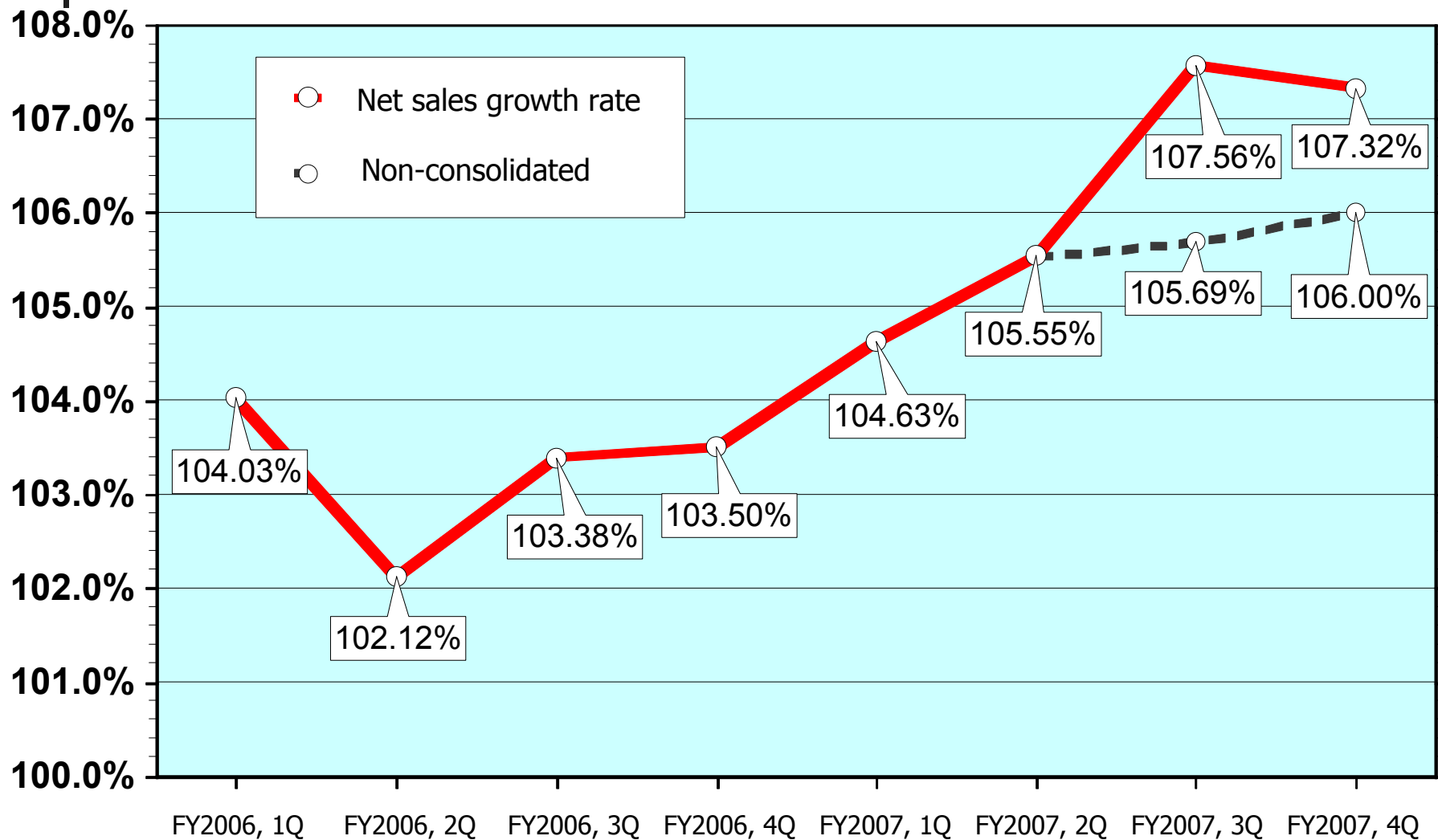


Fiscal 2007 Sales Growth by Quarter

(Unit: million yen, rounded down)

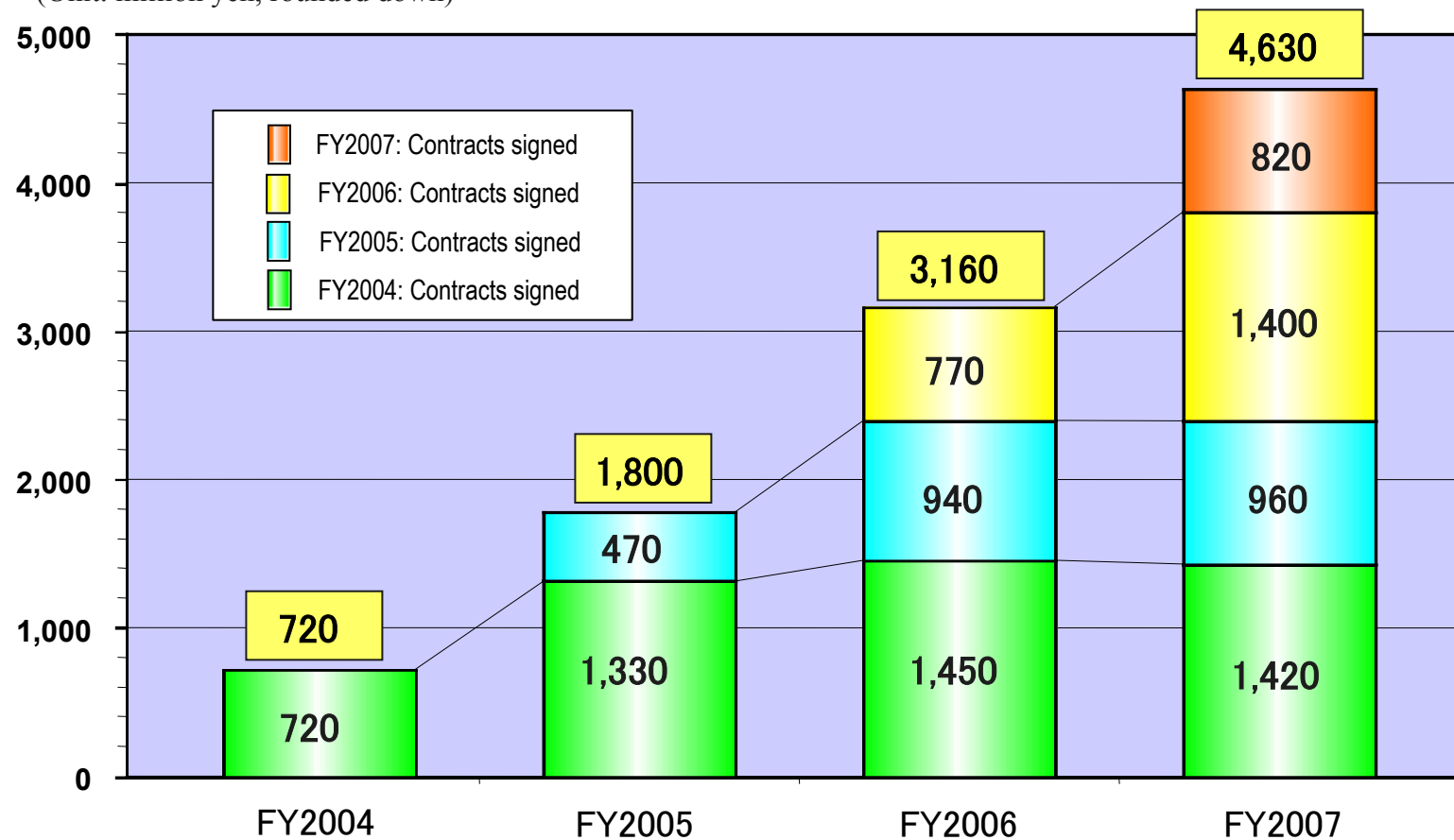


Fiscal 2007 Net Sales Growth Rate

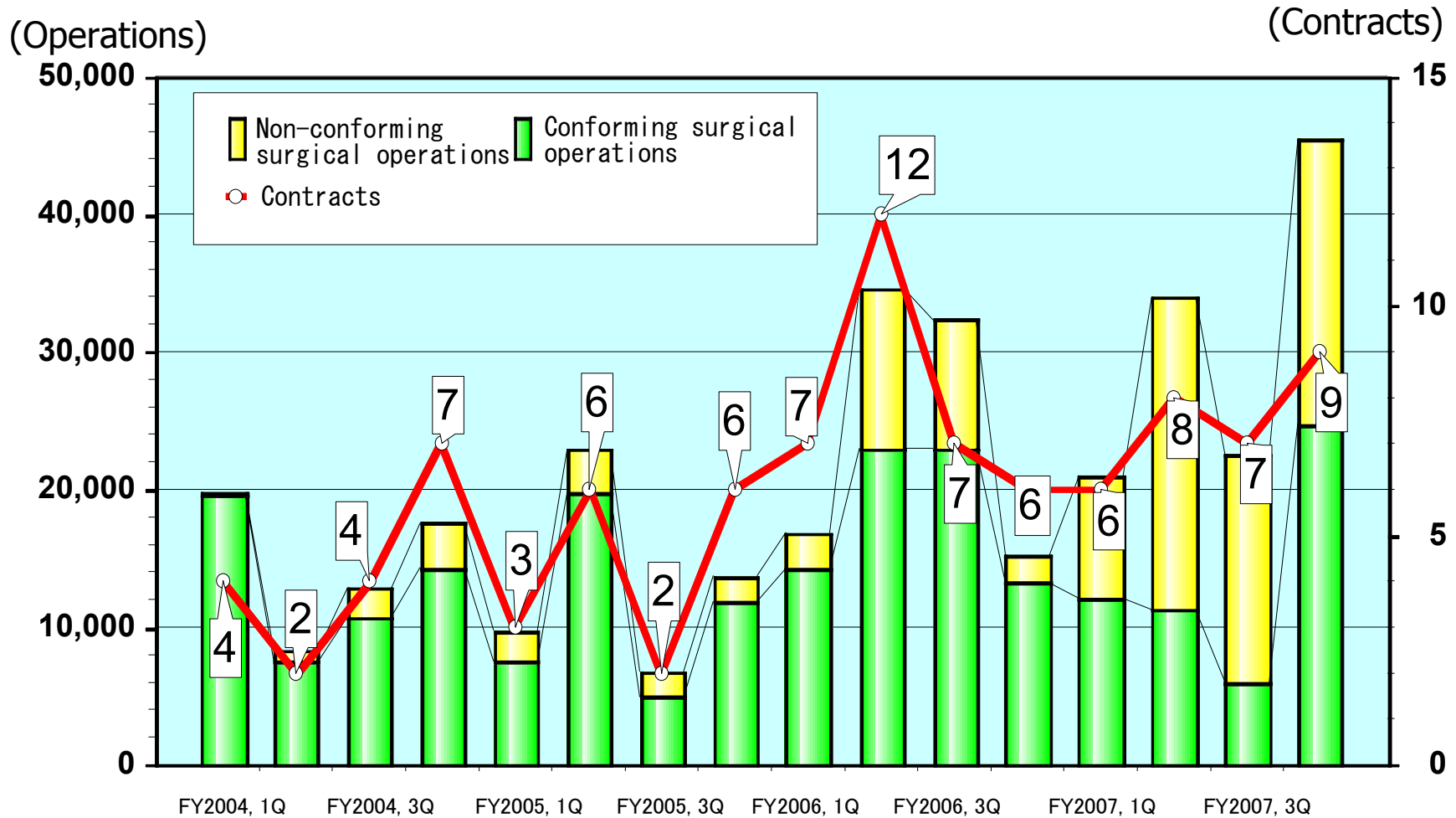


Sales of Operamaster

(Unit: million yen, rounded down)



Contracts for Operamaster and Number of Operations





Reassessment of Operamaster Contracts

- 6 Operamaster contracts terminated
 - ✓ Change of hospital management policy (shift from acute to chronic stage)
 - ✓ Non-renewal due to decision to streamline and consolidate operations
 - ✓ **Failure to reach internal consensus**
 - ✓ **Insufficient benefits of introducing Operamaster**
- Impact and response
 - ✓ Minimal impact on revenue (most customers shifted to kit products)
 - ✓ Will approach in the future to make another Operamaster proposal

Issues to Address

✓ Impact of reforms to medical treatment remuneration system

- ✓ 0.82% negative impact on overall revenue (0.38% positive impact on parent company revenue)

✓ Impact of regulations on surgical attendance

- ✓ Enacted in order to “counter improper solicitation behavior”
- ✓ Operamaster is a business consignment contract



Operating Environment and Issues to Address ¹⁴

• Impact of soaring crude oil prices

- ✓ Prices of raw materials generally increasing, but impact minimal

• Foreign exchange impact

- ✓ Important to address yen's rise

• Partial devaluation of inventory assets

- ✓ Around ¥250 million in 1st quarter (estimate)

Fiscal 2008 Projected Statement of Income

(Unit: million yen, rounded down)	Fiscal 2007 Results		Fiscal 2008 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	29,010		31,150		2,139	107.4%
Operation income	7,232	24.9%	8,100	26.0%	867	112.0%
Ordinary income	7,285	25.1%	8,140	26.1%	854	111.7%
Net income	4,054	14.0%	4,660	15.0%	605	114.9%
EPS	269.73 yen		309.99 yen			

Fiscal 2008 Projected Net Sales Growth by Major Products

Total Kits
1,935 million yen

Regular kit
29 million yen

Operamaster
1,905 million yen

Sales Growth: 2,139 million yen

Non-woven
fabrics
228 million yen

Other non-woven
fabrics
5 million yen

External sales of P.T.
Hogy (formerly P.T.
Nitto Matex)
5 million yen

Other products
-30 million yen

Mekkin bag
-4 million yen



Strategies for Fiscal 2008

- Operamaster strategies

**45 new contracts (bringing total to 135), generating
¥7,240 million in sales**

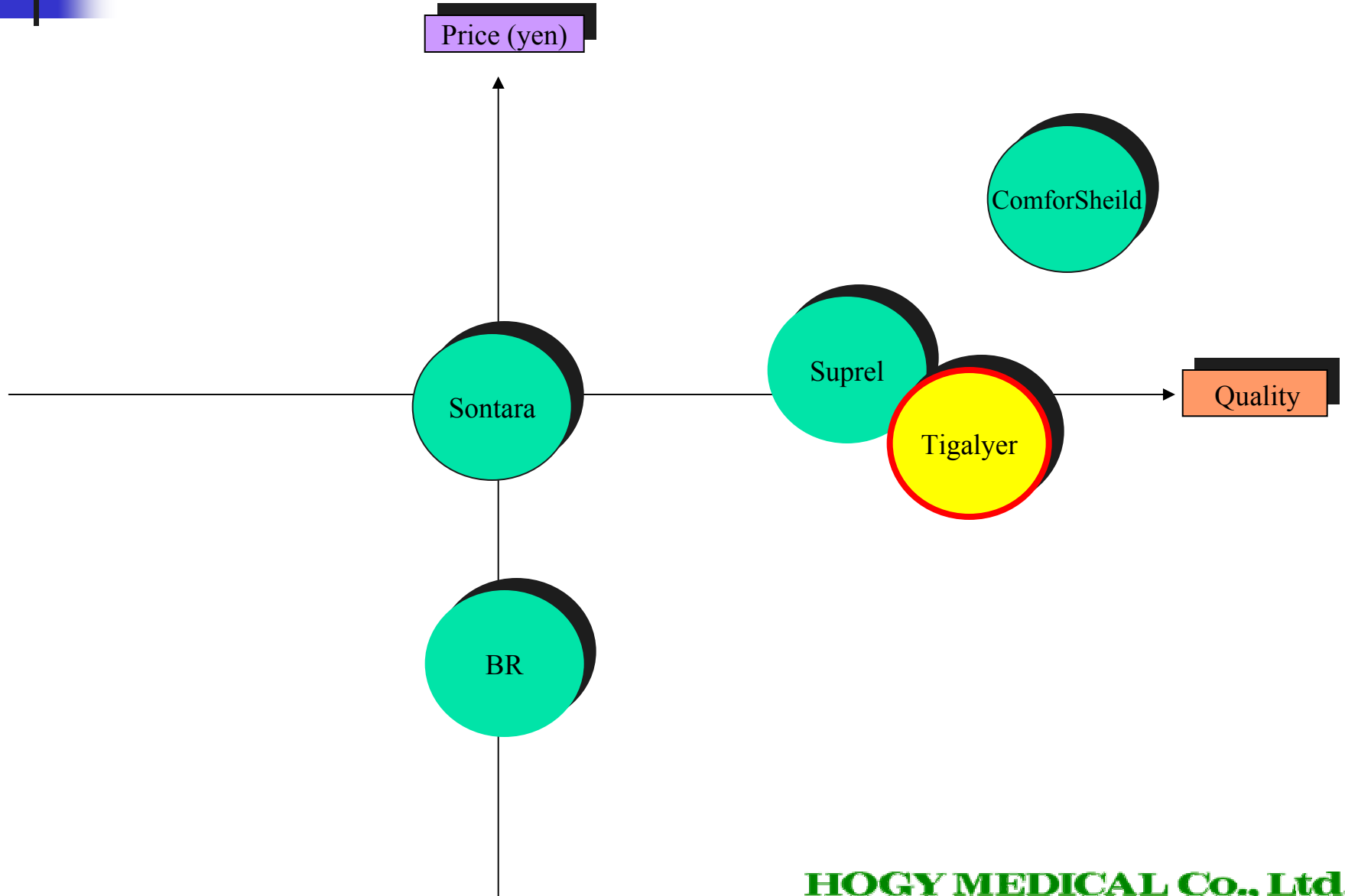
- ✓ Establish system to verify effectiveness of Operamaster

- ✓ Confirm benefits of kit product use prior to signing
Operamaster contracts

- Surrem brand strategy

- ✓ Full-scale introduction of Tigalyer brand in drape market

Positioning of Drape (Image)



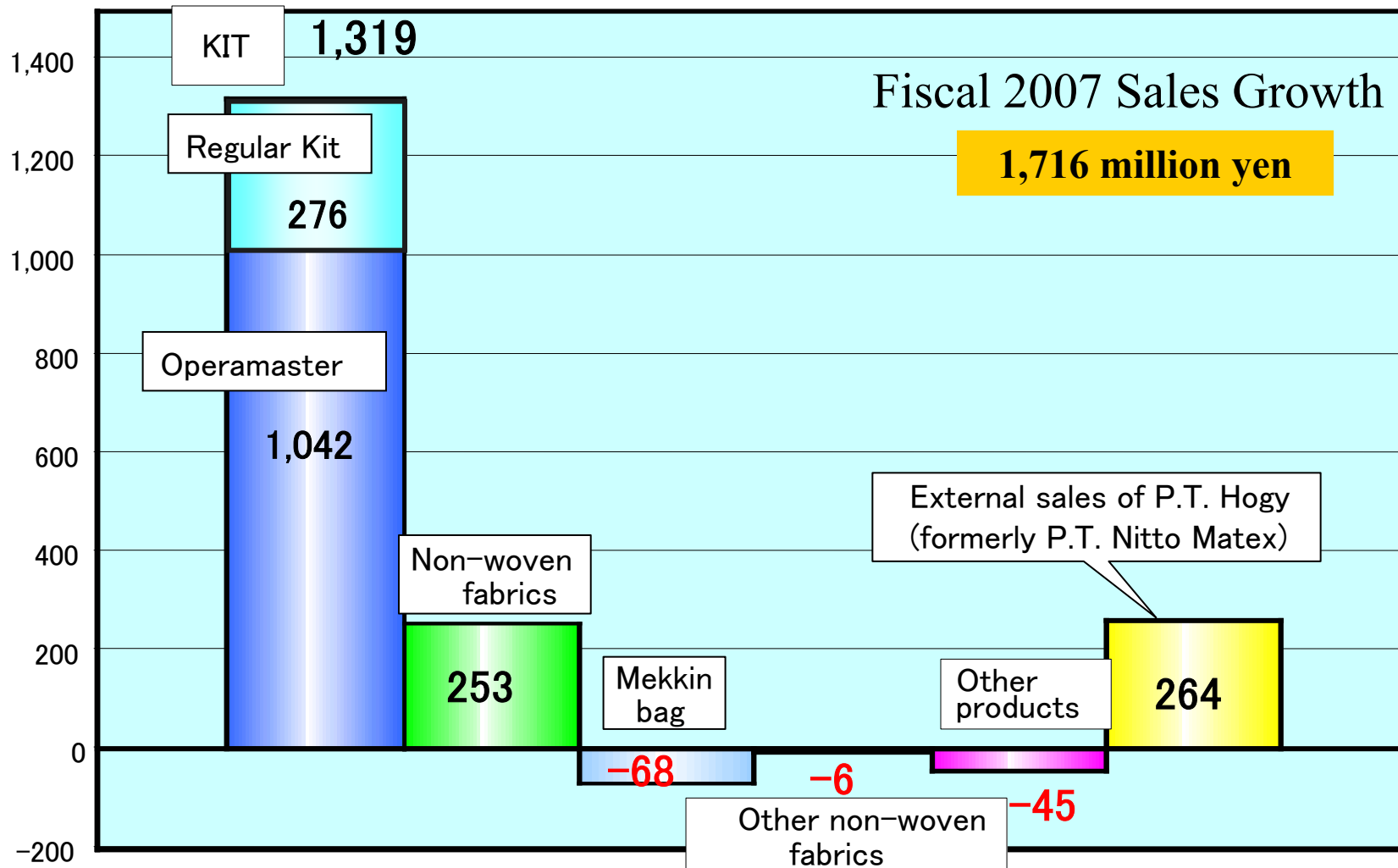
Overview and Analysis

Fiscal 2007 Income Statements

(Unit: million yen, rounded down)	Fiscal 2006 Results		Fiscal 2007 Plan		Fiscal 2007 Results		Year-on-Year Comparison		Plan Comparison	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	%	Amount	%
Net sales	27,293		28,670		29,010		1,716	106.3%	340	101.2%
Cost of sales	13,490	49.4%	13,670	47.7%	14,093	48.6%	603	104.5%	423	103.1%
Gross profit	13,803	50.6%	15,000	52.3%	14,916	51.4%	1,113	108.1%	-83	99.4%
SG & A expenses	7,745	28.4%	8,000	27.9%	7,684	26.5%	-60	99.2%	-315	96.1%
Operating income	6,058	22.2%	7,000	24.4%	7,232	24.9%	1,173	119.4%	232	103.3%
Non-operating income/loss	81		-10		53		-28		63	
Ordinary income	6,139	22.5%	6,990	24.4%	7,285	25.1%	1,145	118.7%	295	104.2%
Extraordinary income/loss	-37		-50		-460		-422		-410	
Net income	3,621	13.3%	4,140	14.4%	4,054	14.0%	432	112.0%	-85	97.9%
EPS	234.69 yen		276.13 yen		269.73 yen					

Fiscal 2007 Sales Growth by Major Products

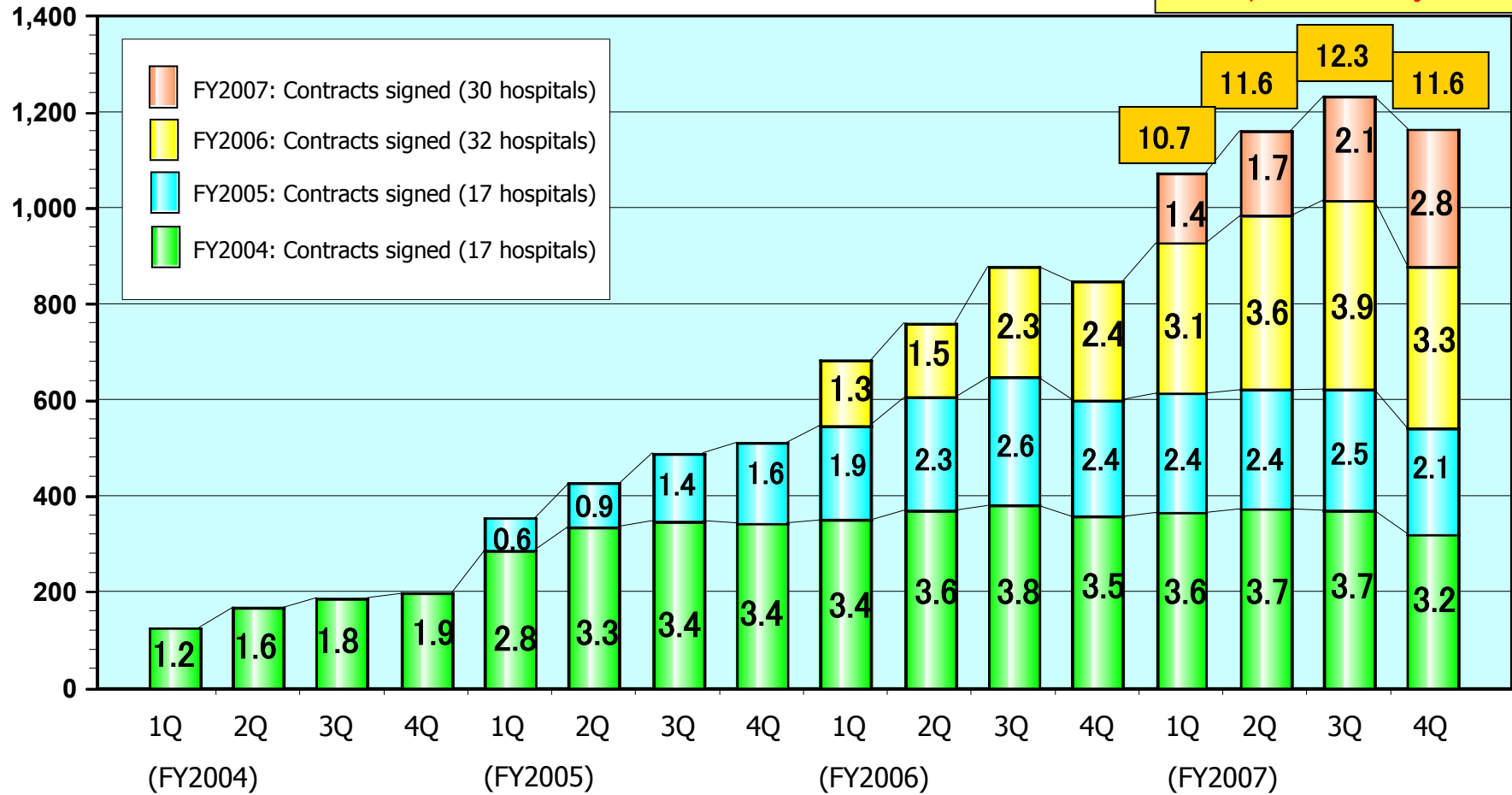
(Unit: million yen, rounded down)



Sales of Operamster

Contracts: **30**
 (Cumulative contracts: 96)
 Cumulative Sales:
4,630 million yen

(Unit: million yen, rounded down)



Highlights of Fiscal 2007

Net Sales

Year-on-year comparison: Up ¥1,716 million (+6.3%); compared with plan: Up ¥340 million (+1.2%)

- **Kit products: Up ¥1,319 million year-on-year (+12.7%); compared with plan: Down ¥235 million (-2.0%)**
 - Increase in customers making initial purchases of kit products prior to signing Operamaster contracts
 - Regular kit products: ▪ Apply Surrem concept also to ophthalmology and radiology fields; benefits will gradually appear
 - Partially reduced share occupied by low-value-added products

- **Non-woven fabric products: Up ¥253 million year-on-year (+2.4%); compared with plan: Up ¥180 million (+1.7%)**
 - Use Surrem strategy to boost sales, centering on gown products (up 13.9% in FY2007)

Highlights of Fiscal 2007

Year-on-year comparisons

- **Cost of sales:** 0.8 point improvement in cost of sales ratio
 - ✓ Depreciation costs down
 - ✓ Unrealized income down
 - ✓ Production efficiency up
- **SG & A expenses:** Down ¥60 million
 - ✓ Prototype costs: Down ¥55 million
 - ✓ Trial research cost: Down ¥17 million
 - ✓ Depreciation costs: Down ¥14 million
 - * Disposed of ¥200 million in assets in FY2006
- **Extraordinary items:** Down ¥422 million
 - ✓ Loss on valuation of shares in Asahi Intec (¥462 million)

Highlights of Fiscal 2007

Comparison with plans

- **Cost of sales** : Cost of sales ratio 0.9 point higher than forecast
 - ✓ Shift of low-value-added products to more suitable factories did not proceed according to plan
- **SG & A expenses**: Down ¥315 million
 - ✓ Prototype costs down (¥99 million)
 - ✓ Did not use up trial research budget (¥89 million)
- **Non-operating income/loss**: ¥61 million higher than forecast
 - ✓ Foreign exchange marginal gain: ¥21 million (not forecast)
 - ✓ Amortization of negative goodwill: ¥13 million
- **Extraordinary items**: Down ¥410 million
 - ✓ Loss on valuation of shares in Asahi Intec: ¥462 million

Contribution of P.T. Hogy (Formerly P.T. Nitto Matex)

- Became sub-subsidiary on July 1, 2007; included in scope of consolidation from 3rd quarter

- Consolidated net sales (other): ¥264 million

- Consolidated operating income: ¥57 million

- Consolidated ordinary income: ¥66 million

- Consolidated net income: ¥44 million

- * (Negative) goodwill: ¥139 million (amortized over 5 years)

- * Name changed from P.T. Nitto Matex Indonesia on February 25, 2008



Capital Investments

- Total capital investments: ¥1,649 million
- Purchase of land: ¥973 million
- Purchase of land for P.T. Hogy Indonesia factory: US\$1.53 million

(FY2006: ¥1,471 million)

- New distribution center (partial payment): ¥803 million

Fiscal 2007 Summary of Income Statements

	Fiscal 2006 Results	% of Total	Fiscal 2007 Results	% of Total	Increase/Decrease (Millions of yen)	%	Main reasons for changes
Net sales	27,293	100%	29,010	100.0%	1,716	6.3%	■Kit products (12.7% up); includes Operamaster (¥4,631 million, up 29.1%), SO (up 2.4%), Mekkin bag (down 1.9%), and P.T. Hogy (formerly P.T. Nitto Matex) contributed ¥264 million
Cost of sales	13,490	49.4%	14,093	48.6%	603	4.5%	■Depreciation: -¥171 million; Unrealized gains (internal profit): -¥26 million
Gross profit	13,803	50.6%	14,961	51.4%	1,113	8.1%	
SG & A expenses	7,745	28.4%	7,684	26.5%	-60	-0.8%	■Prototype costs: -¥55 million; Trial research costs: -¥17 million; Depreciation: -¥14 million
Operating income	6,058	22.2%	7,232	24.9%	1,173	19.4%	

Fiscal 2007 Summary of Income Statements

	Fiscal 2006 Results	% of Total	Fiscal 2007 Results	% of Total	Increase/Decrease (Millions of yen)	%	Main reasons for changes
▪ Interest income	15		21		6		
▪ Dividend income	0		20		20		
▪ Exchange gain	18		21		3		
▪ Amortization of negative goodwill	–		13		13		■ Inclusion of P.T. Hogy (formerly P.T. Nitto Matex) in consolidation
▪ Miscellaneous income	81		43		–37		■ Income due to the cancellation at maturity of insurance policies for Group directors: ¥35 million (FY2006)
Non-operating income	116	0.4%	122	0.4%	6		
▪ Interest expenses	23		64		41		■ Incurred due to borrowings
▪ Miscellaneous losses	11		4		–6		
Non-operating expenses	34	0.1%	68	0.2%	34		
Ordinary income	6,139	22.5%	7,285	25.1%	1,145	18.7%	

Fiscal 2007 Summary of Income Statements

	Fiscal 2006 Results	% of Total	Fiscal 2007 Results	% of Total	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
•Transfer from allowance for doubtful accounts	–		8		8		
•Others	0		2		2		
Extraordinary income	0	0.0%	11	0.0%	11		
•Provision for allowance for doubtful accounts	22		–		–22		■Provided reserve to cover some obligations (FY2006)
•Loss on valuation of investment securities	–		462		462		■Loss on valuation of shares in Asahi Intec (FY2007)
•Others	15		9		–6		
Extraordinary expenses	37	0.1%	471	1.6%	434		
Income before income taxes and minority interests	6,102	22.4%	6,825	23.5%	722	11.8%	
•Income taxes	2,479	9.1%	2,769	9.5%	290		
•Minority interests	1	0.0%	1	0.0%	–0		
Net income	3,621	13.3%	4,054	14.0%	432	12.0%	

Fiscal 2007 Summary of Balance Sheets

	Fiscal 2006 (At March 31, 2007)	Fiscal 2007 (At March 31, 2008)	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Assets					
Current assets	23,061	25,962	2,901	12.6%	
Cash and bank deposits	8,113	11,138	3,024	37.3%	■Operating activities
Notes and accounts receivable	8,924	8,487	-436	-4.9%	■Last day of fiscal year was a public holiday (FY2006)
Inventories	5,327	5,674	346	6.5%	
Other current assets	695	662	32	-4.7%	
Fixed assets	36,170	35,551	-618	-1.7%	
Tangibles	30,460	29,547	-913	-3.0%	
Buildings and structures	13,969	13,213	-756	-5.4%	■Tsukuba OPC went on stream, decline due to depreciation (FY2006; 1st half)
Machinery and vehicles	8,586	7,231	-1,355	-15.8%	■Tsukuba OPC went on stream, decline due to depreciation (FY2006; 1st half)
Construction in progress	4	1,025	1,021		■Land in Ushiku City: ¥973 million
Other assets	7,900	8,075	175	2.2%	
Intangibles	533	463	-69	-13.1%	

Fiscal 2007 Summary of Balance Sheets

	Fiscal 2006 (At March 31, 2007)	Fiscal 2007 (At March 31, 2008)	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Investments and other assets	5,176	5,540	364	7.1%	■Undertook share cross-holding with MANI. INC.
Investment securities	2,793	3,038	244	8.8%	
Insurance reserve	485	483	-1	-0.3%	
Other assets	1,897	2,019	121	6.4%	
Total assets	59,231	61,514	2,383	3.9%	

Fiscal 2007 Summary of Balance Sheets

	Fiscal 2006 (At March 31, 2007)	Fiscal 2007 (At March 31, 2008)	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Liabilities					
Current liabilities	6,135	7,642	1,507	24.6%	
Notes and accounts payable	2,999	3,711	712	23.8%	
Long-term debt due within 1 year	1,000	1,000	–	–	■Raise funds through borrowing (FY2006; 2nd half)
Accrued income tax	1,198	1,674	475	39.7%	■Due to increase in income before income taxes
Other current liabilities	937	1,256	319	34.0%	■Increase in accrued income tax: ¥179 million
Long-term liabilities	5,065	4,240	–824	–16.3%	
Long-term debt	3,925	2,925	–1,000	–25.0%	■Repaid loans
Deferred income taxes	358	97	–260	–72.7%	■Decline in tax effect due to gain on foreign exchange contract valuation and market valuation gain/loss on investments in securities
Reserve for employees' retirement benefits	79	384	304	383.6%	
Reserve for directors' retirement benefits	412	–	–412	–	■Due to abolition of retirement bonus system for directors
Long-term payables	–	394	397	–	Due to abolition of retirement bonus system for directors
Negative goodwill	–	125	125	–	■Due to inclusion of P.T. Hogy (formerly P.T. Nitto Matex) in consolidation (¥139 million, amortized over 5 year)
Other long-term liabilities	289	310	21	7.3%	
Total liabilities	11,200	11,883	683	6.1%	

Fiscal 2007 Summary of Balance Sheets

	Fiscal 2006 (At March 31, 2007)	Fiscal 2007 (At March 31, 2008)	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Net Assets					
Shareholders' equity	46,986	46,834	2,847	6.1%	
Common stock and capital surplus	15,459	15,459	–	–	
Earned surplus	38,626	41,479	2,852	7.4%	
Treasury stock	–7,099	–7,104	–4	0.1%	■Purchased treasury stock: 561,000 shares, valued at ¥2,694 million (FY2006; 2nd half)
Valuation/translation adjustments	1,031	–217	–1,248	–121.1%	
Net unrealized gains or losses on securities	22	–425	–448		■Loss on valuation of shares (end of FY2007)
Deferred hedging gains or losses	926	265	–600	–71.3%	■Decline in gain on foreign exchange contract valuation (end of FY2007)
Translation adjustments	82	–57	–139	–169.2%	
Minority interest	13	14	1	8.1%	
Total net assets	48,031	49,631	1,599	3.3%	
Total Liabilities and net assets	59,231	61,514	2,283	3.9%	

Fiscal 2007 Summary of Cash Flows

	Fiscal 2006 (At March 31, 2007)	Fiscal 2007 (At March 31, 2008)	Increase/ Decrease (Millions of yen)	Main reasons for changes
I Net cash provided by operating activities	5,355	8,407	3,052	
Income before income taxes and minority interest	6,102	6,285	183	
Depreciation	2,914	2,827	-186	
Notes and accounts receivable	-1,175	-497	1,672	■Unsettled notes and accounts receivable (bank holiday on March 31, 2007): ¥915 million
Inventories	330	-303	-633	
Notes and accounts payable	-446	610	1,056	
Income taxes paid	-2,573	-2,479	94	
Others	203	1,069	866	
II Net cash used in investing activities	-4,642	-3,201	1,441	
Purchase of investment securities	-2,551	-1,780	771	■Share cross-holding (FY2006); share cross-holding and purchase of securities for long-term holding (FY2007)
Purchase of tangible fixed assets	-1,828	-1,439	389	■Tsukuba OPC: ¥803 million (FY2006); Purchase of land in Ushiku City (¥973 million; FY2007) and purchase of industrial land for P.T. Hogy Indonesia (US\$1.53 million; FY2007)
Purchase of intangible fixed assets	-340	-171	169	
Others	77	189	112	

Fiscal 2007 Summary of Cash Flows

	Fiscal 2006 (At March 31, 2007)	Fiscal 2007 (At March 31, 2008)	Increase/ Decrease (Millions of yen)	Main reasons for changes
III Net cash used in financing activities	1,035	-2,205	-3,240	
Proceeds from long-term debt	5,000	0	-5,000	■Long-term borrowings (FY2006; 2nd half)
Repayments of long-term debt	-75	-1,000	-925	■Repayment of borrowings
Sales of treasury stock	112	0	-112	■Stock options exercised (FY2006)
Purchase of treasury stock	-2,700	-4	2,696	■Purchase of treasury stock (FY2006; 3rd quarter)
Cash dividend paid	-1,300	-1,201	99	
IV Effect of exchange rate changes on cash and cash equivalents	21	12	-9	
V Net change in cash and cash equivalents	1,770	3,013	1,243	
VI Cash and cash equivalents at beginning of year	6,055	7,825	1,770	
VII Cash and cash equivalents at end of year	7,825	10,838	3,013	

Fiscal 2008 Plan

Fiscal 2008 Projected Statement of Income

(Unit: million yen, rounded down)	Fiscal 2007 Results		Fiscal 2008 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	29,010		31,150		2,139	107.4%
Cost of sales	14,093	48.6%	14,850	47.7%	756	105.4%
Gross profit	14,916	51.4%	16,300	52.3%	1,383	109.3%
SG & A expenses	7,684	26.5%	8,200	26.3%	515	106.7%
Operating income	7,232	24.9%	8,100	26.0%	867	112.0%
Non-operating income/loss	53		40		-13	
Ordinary income	7,285	25.1%	8,140	26.1%	854	111.7%
Extraordinary income/loss	-460		-300		160	
Net income	4,054	14.0%	4,660	15.0%	605	114.9%
EPS	269.73 yen		309.99 yen			

Highlights of Fiscal 2008

● Sales

◆ Kit products: ¥13,620 million (Up ¥1,935 million, or 16.6%)

- Number of Operamaster contracts: 45 (cumulative total: 135; 6 cancellations)
- Sales of Operamaster: ¥7,240 million (Up ¥1,905 million, or 35.7%)
- Continued increase in customers initially purchasing kit products prior to signing Operamaster contracts
- Ongoing consolidation among hospitals; potential for emergence of hospitals with insufficient doctor numbers
- Adapted Surrem strategy to kit products: Benefits appeared in FY2007

◆ Non-woven fabrics: ¥11,180 million (up ¥228 million, or 2.1%)

- Continued applying Surrem strategy; achieved growth in drapes as well as gowns



Highlights of Fiscal 2008

● Cost of sales

- ✓ Benefited from increased production and improved productivity
- ✓ Decline in depreciation

● SG & A expenses

- ✓ Increase in personnel expenses (partial reassessment of remuneration/bonus system)

● Extraordinary items

- ✓ Expected loss on partial valuation of inventory assets: ¥250 million

Fiscal 2008 Projected Net Sales Growth by Major Products

Total Kits
1,935 million yen

Regular kit
29 million yen

Operamaster
1,905 million yen

Sales Growth: 2,139 million yen

Non-woven fabrics
228 million yen

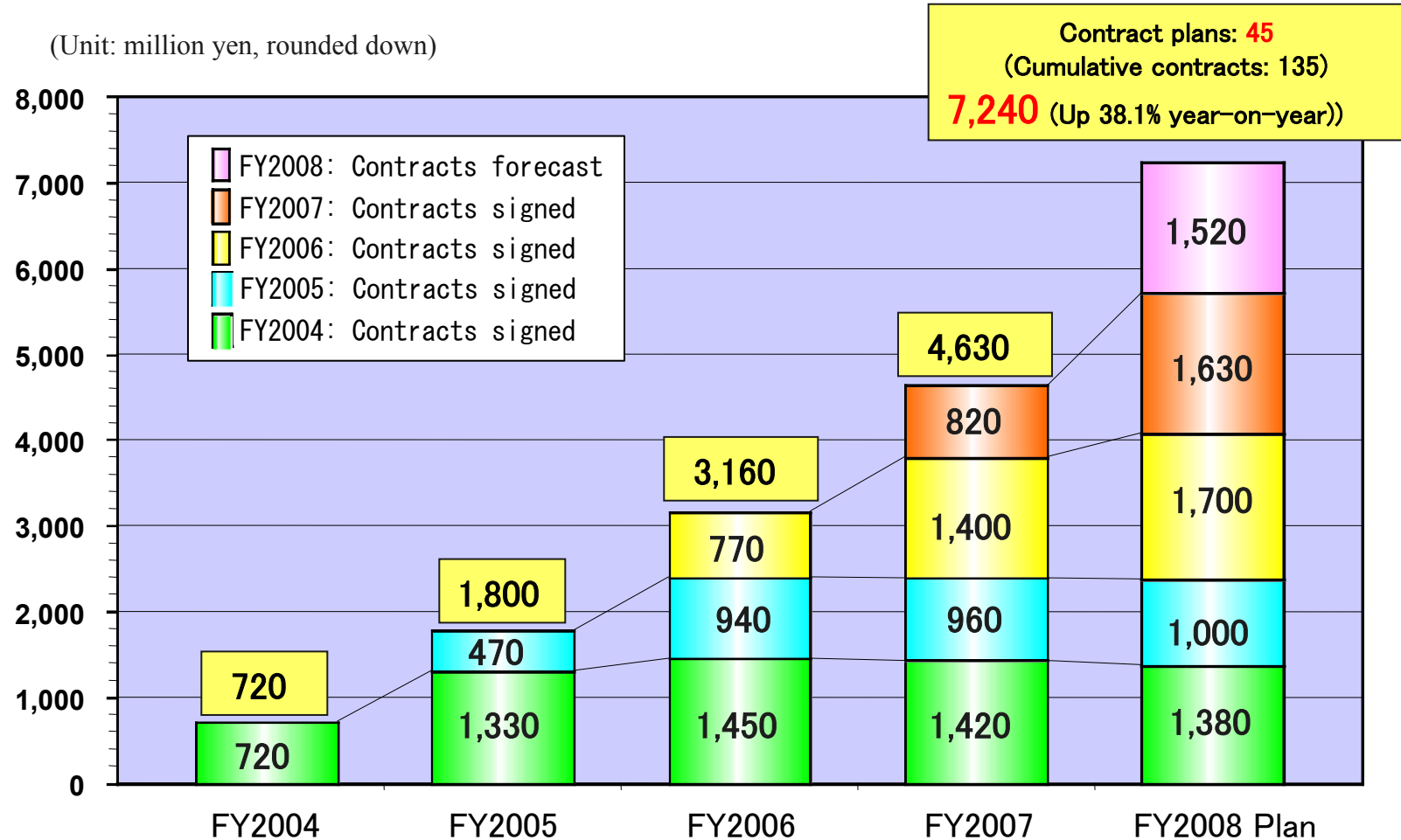
Other non-woven fabrics
5 million yen

External sales of P.T. Hogy (formerly P.T. Nitto Matex)
5 million yen

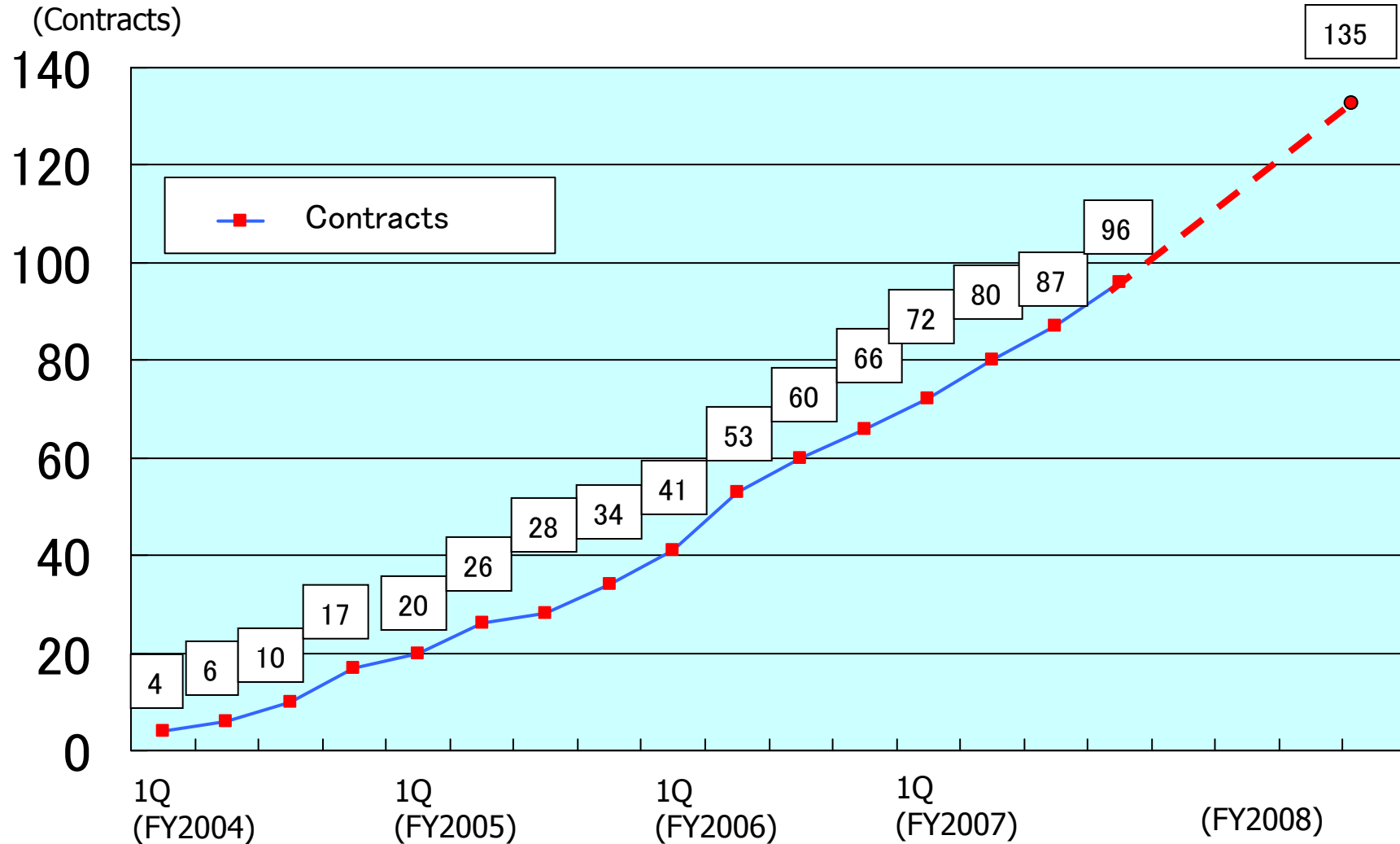
Other products
-30 million yen

Mekkin bag
-4 million yen

Net Sales Plan for Operamaster



Contracts for Operamaster



Fiscal 2008 Projected Statement of Income Comparison with Medium-Term Business Plan

(Unit: million yen of rounded down)	Fiscal 2008 Medium-Term Plan		Fiscal 2008 Plan		Comparison with Medium-Term Plan	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	31,150		31,150		0	100.0%
Cost of sales	14,950	48.0%	14,850	47.7%	-100	99.3%
Gross profit	16,200	52.0%	16,300	52.3%	100	100.6%
SG & A expenses	8,450	27.1%	8,200	26.3%	-250	97.0%
Operating income	7,750	24.9%	8,100	26.0%	350	104.5%
Non-operating income/loss	0		40		40	
Ordinary income	7,750	24.9%	8,140	26.1%	390	105.0%
Extraordinary income/loss	-50		-300		-250	
Net income	4,600	14.8%	4,660	15.0%	60	101.3%
EPS	295.28 yen		309.99 yen			

Comparison with Medium-Term Business Plan

● Sales :

- ◆ Will generally reflect medium-term plan
- ◆ Set based on results for FY2007

● Cost of sales

- ◆ Decline in depreciation

● SG & A expenses

- ◆ Decline in depreciation

● Extraordinary items

- ◆ Expected loss on partial valuation of inventory assets: ¥250 million

Comparison with Medium-Term Business Plan

- **Depreciation: Down round ¥200 million**
 - ◆ **Cost of sales: Down ¥100 million**
 - ◆ **SG & A expenses: Down ¥100 million**
- **Capital investments: Down around ¥1,000 million**
 - ◆ **Partial payment for purchase of land for new factory: ¥800 million**
 - ◆ **Partial payment for purchase of equipment for new factory: ¥1,000 million**
 - ◆ **Half-payment for capital investment in Indonesia factory: ¥800 million**
 - ◆ **Indonesia factory: On stream in FY2009 (ending March 2010)**