

HOGY



January 20, 2007

Financial Report

The Nine Months Ended December 31, 2006

(April 1 – December 31, 2006)

Jun-ichi Hoki, President and COO

Kazuo Takahashi, Executive Officer, Administration Div.

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.

Overview and Next strategies

Fiscal 2006 Income Statements (3Q)

(Unit: million yen, rounded down)	Third Quarter Ended(3Q) Dec. 2005 Results		Third Quarter Ended(3Q) Dec. 2006 Results		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	7,170		7,412		242	103.4%
Operating income	1,771	24.7%	1,922	25.9%	150	108.5%
Ordinary income	1,892	26.4%	1,928	26.0%	35	101.9%
Net income	1,153	16.1%	1,172	15.82%	19	101.7%
EPS	74.09yen		75.42yen			

Fiscal 2006 Income Statements (9 months ended Dec. 31)

(Unit: million yen, rounded down)	Third Quarter Ended Dec. 2005 Results		Third Quarter Ended Dec. 2006 Results		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	20,194		20,835		640	103.2%
Operating income	4,929	24.4%	4,880	23.4%	△49	99.0%
Ordinary income	5,178	25.6%	4,954	23.8%	△223	95.7%
Net income	3,173	15.7%	2,956	14.2%	△217	93.2%
EPS	203.91yen		190.18yen			

Fiscal 2006 Full Year Statements of Income

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(Unit: million yen, rounded down)	Fiscal 2005 Results		Fiscal 2006 Forecast		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	26,434		27,000		565	102.1%
Operating income	6,200	23.5%	6,110	22.6%	△90	98.5%
Ordinary income	6,438	24.4%	6,210	23.0%	△228	96.5%
Net income	3,909	14.8%	3,690	13.7%	△219	94.4%
EPS	246.83yen		243.14yen			

Next strategies

Differentiation strategy

Operamaster Strategies

- Dedicated schedule management
- Academic societies, a seminar

Surrem Strategies

- Promotion of high level function, low priced product
- Launch of new products
 - * gown, drape, "kurumu", mask, etc

Overview and Analysis **(Consolidated)**

Fiscal 2006 Income Statements (9 months ended Dec. 31)

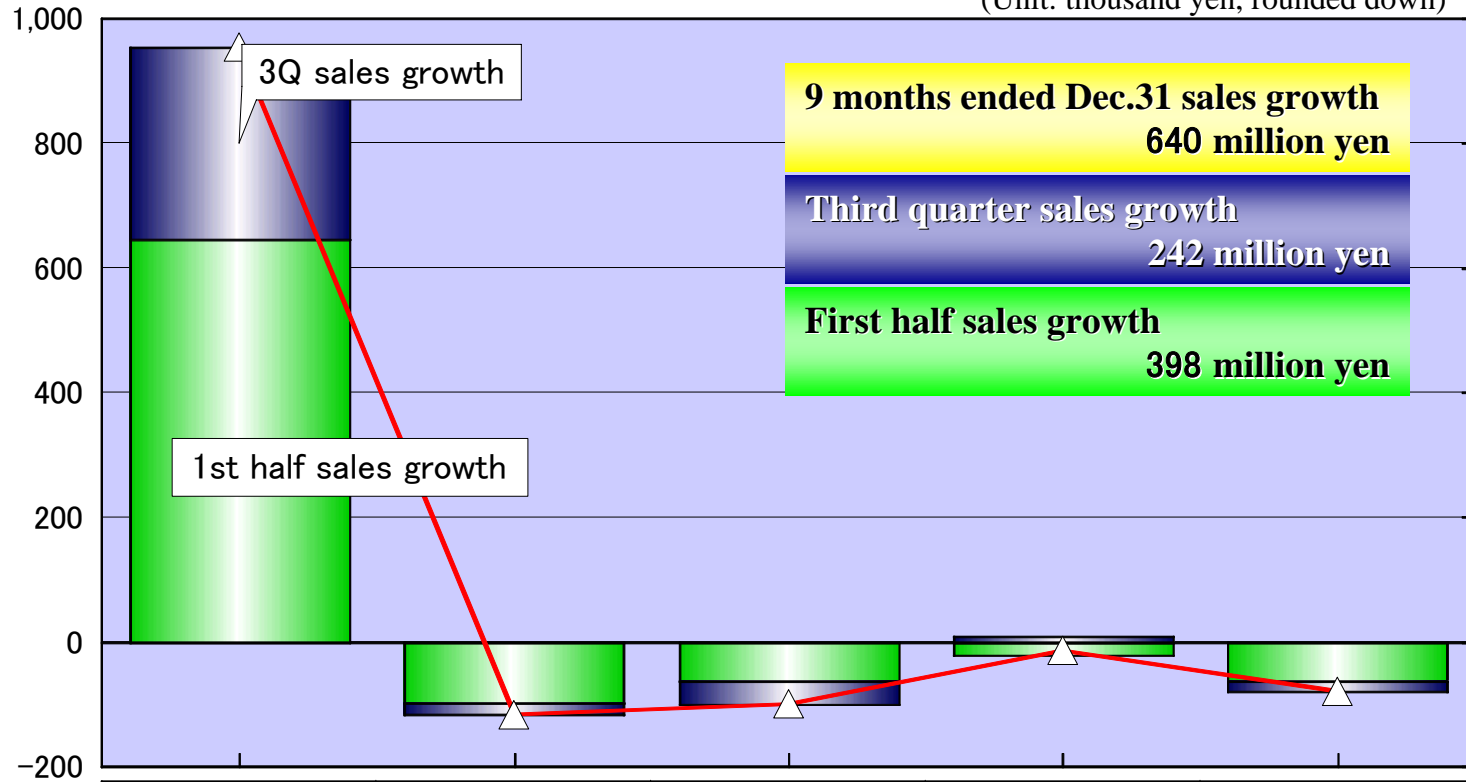
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(Unit: million yen, rounded down)	Third Quarter Ended Dec. 2005 Results		Third Quarter Ended Dec. 2006 Results		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	20,194		20,835		640	103.2%
Cost of sales	9,816	48.6%	10,237	49.1%	421	104.3%
Gross profit	10,378	51.4%	10,597	50.9%	219	102.1%
SG&A expenses	5,448	27.0%	5,717	27.5%	269	104.9%
Operating income	4,929	24.4%	4,880	23.4%	△49	99.0%
Non-operating income/loss	249		64			
Ordinary income	5,178	25.6%	4,954	23.8%	△223	95.7%
Extraordinary income/loss	8		△28			
Net income	3,173	15.7%	2,956	14.2%	△217	93.2%
EPS	203.91yen		190.18yen			

Fiscal 2005 Sales Growth by Major Products (9 months ended Dec. 31)

Sales growth (First half and 3Q)

(Unit: thousand yen, rounded down)



	KIT	SO	HM	Other non-woven fabrics	Other products
3Q sales growth	309	-20	-37	8	-18
1st half sales growth	645	-97	-63	-23	-62
Total	954	-117	-100	-14	-80
9 months ended Dec.31 sales growth	954	-117	-100	-14	-80

Fiscal 2006 Performance Analysis

(9 months ended Dec. 31)

Net Sales : Up ¥640 million (103.2%)

- **Kit products : Up ¥954 million (113.9%)**
- **Operamaster : According to revised plan**
 - **Regular kits : Pressure to reduce prices of low-value-added products**

- **Sontara products : Down ¥117 million (98.6%)**
 - **Sales : Stopped declining , Some products is higher than last years sales.(3Q accumulative sales)**
 - **Magnitude of sales decline narrowing. Some products to generate higher year-on-year sales**

Progress of Operamaster

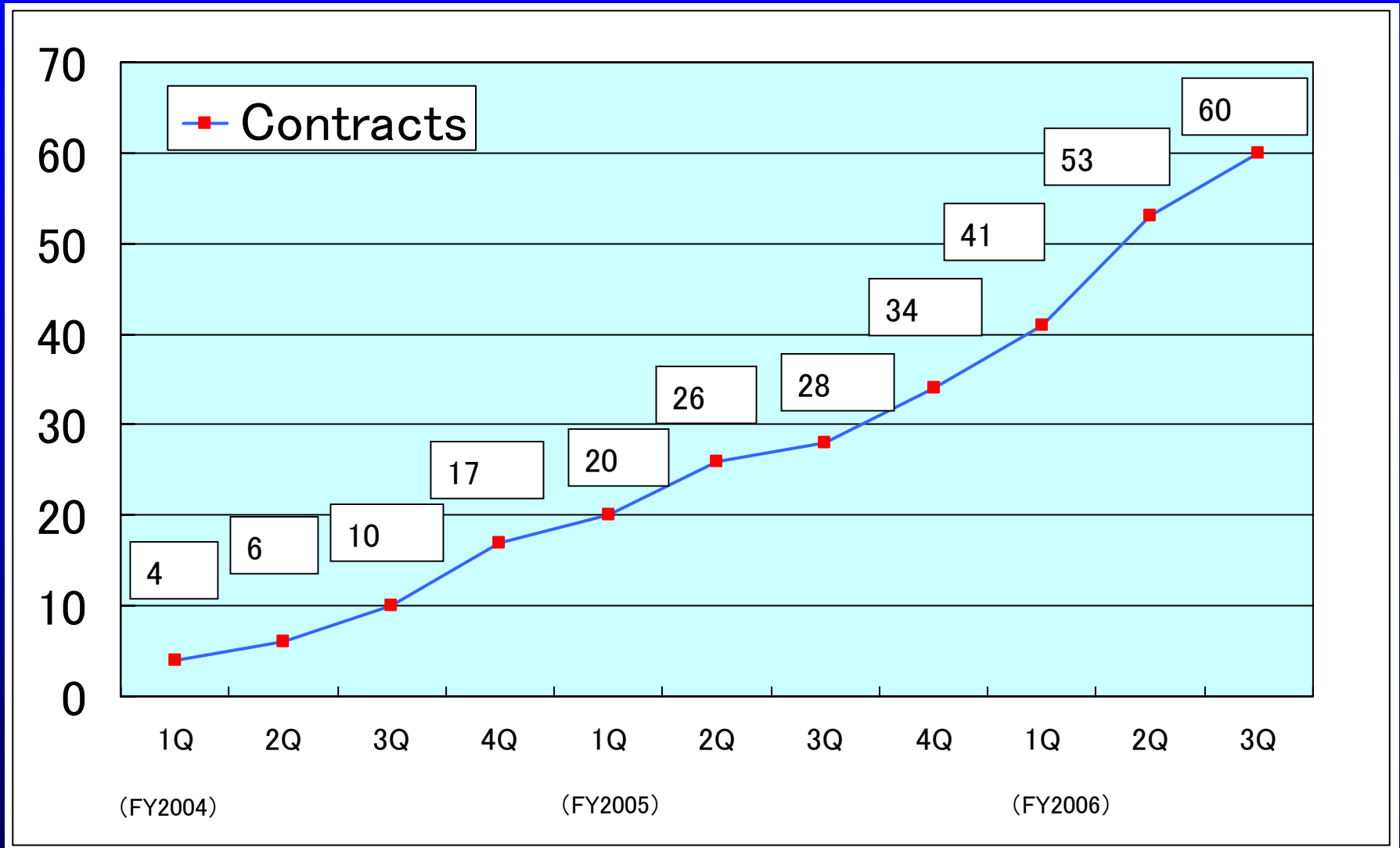
- **Number of Operamaster contracts in force at December 31, 2005**
: 60(cumulative)
Sales of Operamaster : ¥2,259 million (Up 151% year-on-year)

- **Sales of kit products (9 months to December 31, 2006) :**
¥7,816 million (up 113.9% year-on-year)

- **Fiscal 2006 Operamaster revised plan**
 - **Contracts : 69 (cumulative)**
 - **Sales : ¥3,100 million**

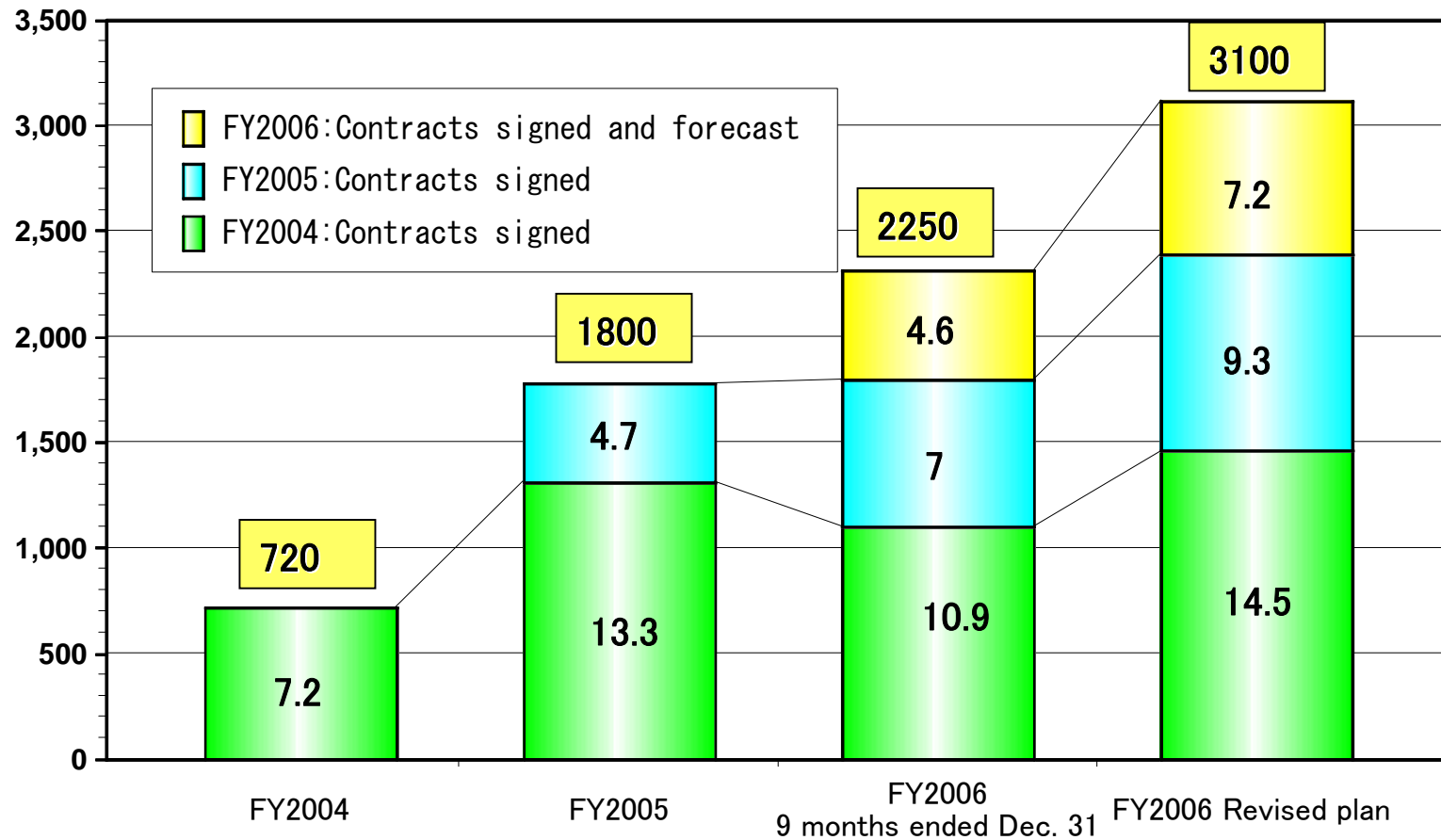
- **Fiscal 2006 Kit products sales revised plan**
 - **¥10,322 million (of which Operamaster to account for 30%)**

Contracts for Operamaster

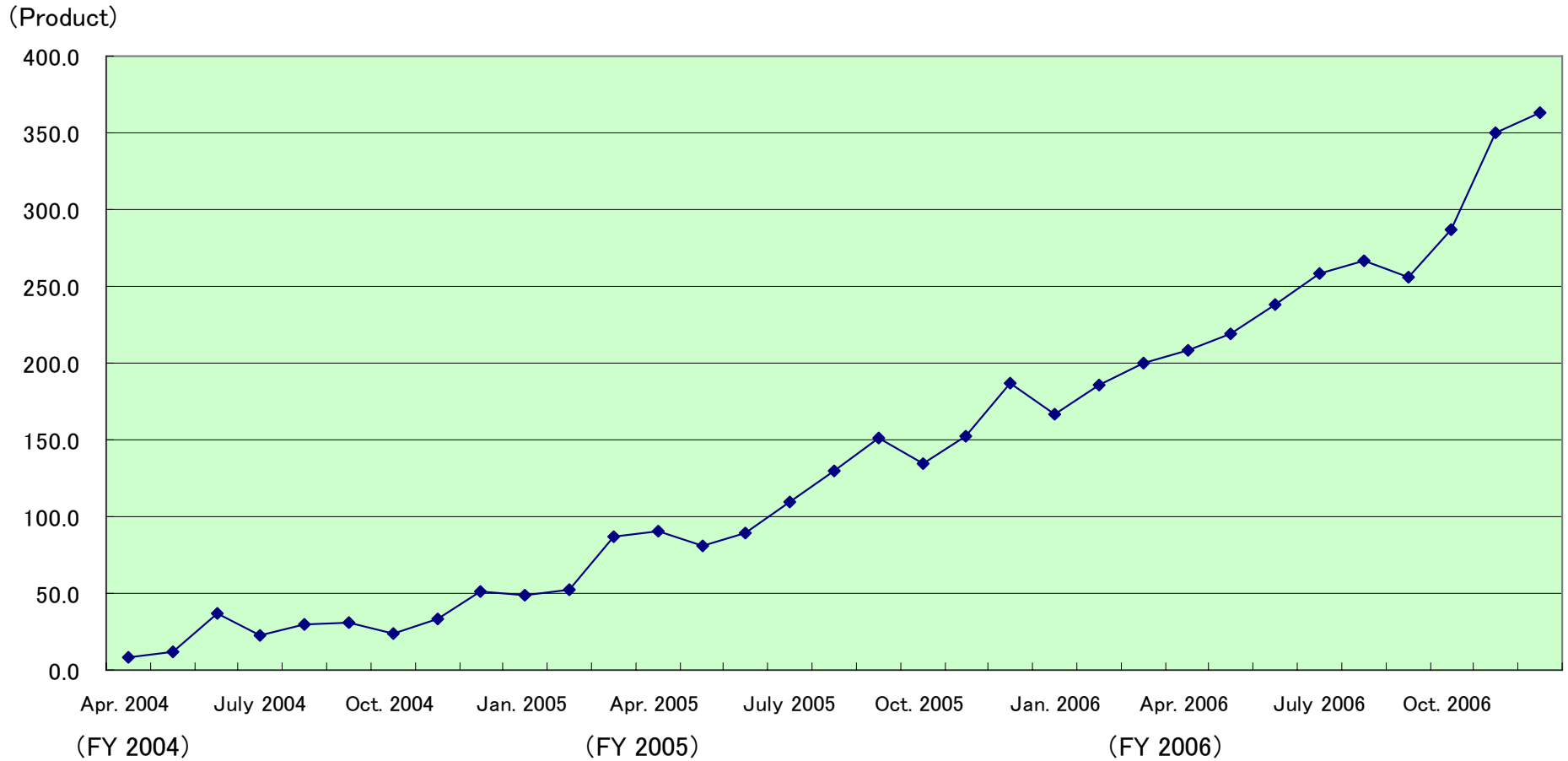


Sales of Opermaster

(Unit: million yen, rounded down)



Daily Production Volume of Operamaster



Fiscal 2006 Performance Analysis

(9 months ended Dec. 31)

- **Cost of sales** : According to revised plan
- **SG & A expenses** : According to revised plan
- **Non-operating income/loss** : Fee for purchase of treasury stock
- **Extraordinary income/loss** : According to revised plan

Fiscal 2006 Full Year Statements of Income (Revised Plan)

(Unit: million yen, rounded down)	Fiscal 2005 Results		Fiscal 2006 Forecast		Year-on-Year Comparison	
	Amount	% of total	Amount	% of total	Amount	%
Net sales	26,434		27,000		565	102.1%
Cost of sales	12,860	48.6%	13,340	49.4%	479	103.7%
Gross profit	13,574	51.4%	13,660	50.6%	85	100.6%
SG&A expenses	7,373	27.9%	7,550	28.0%	176	102.4%
Operating income	6,200	23.5%	6,110	22.6%	△90	98.5%
Non-operating income/loss	237		100		△137	
Ordinary income	6,438	24.4%	6,210	23.0%	△228	96.5%
Extraordinary income/loss	8		△40		△48	
Net income	3,909	14.8%	3,690	13.7%	△219	94.4%
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