

HOGY



April 16, 2007

Financial Report Fiscal 2006

(April 1, 2006 – March 31, 2007)

Jun-ichi Hoki, President and COO

Yukio Ishii, General Manager, 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.

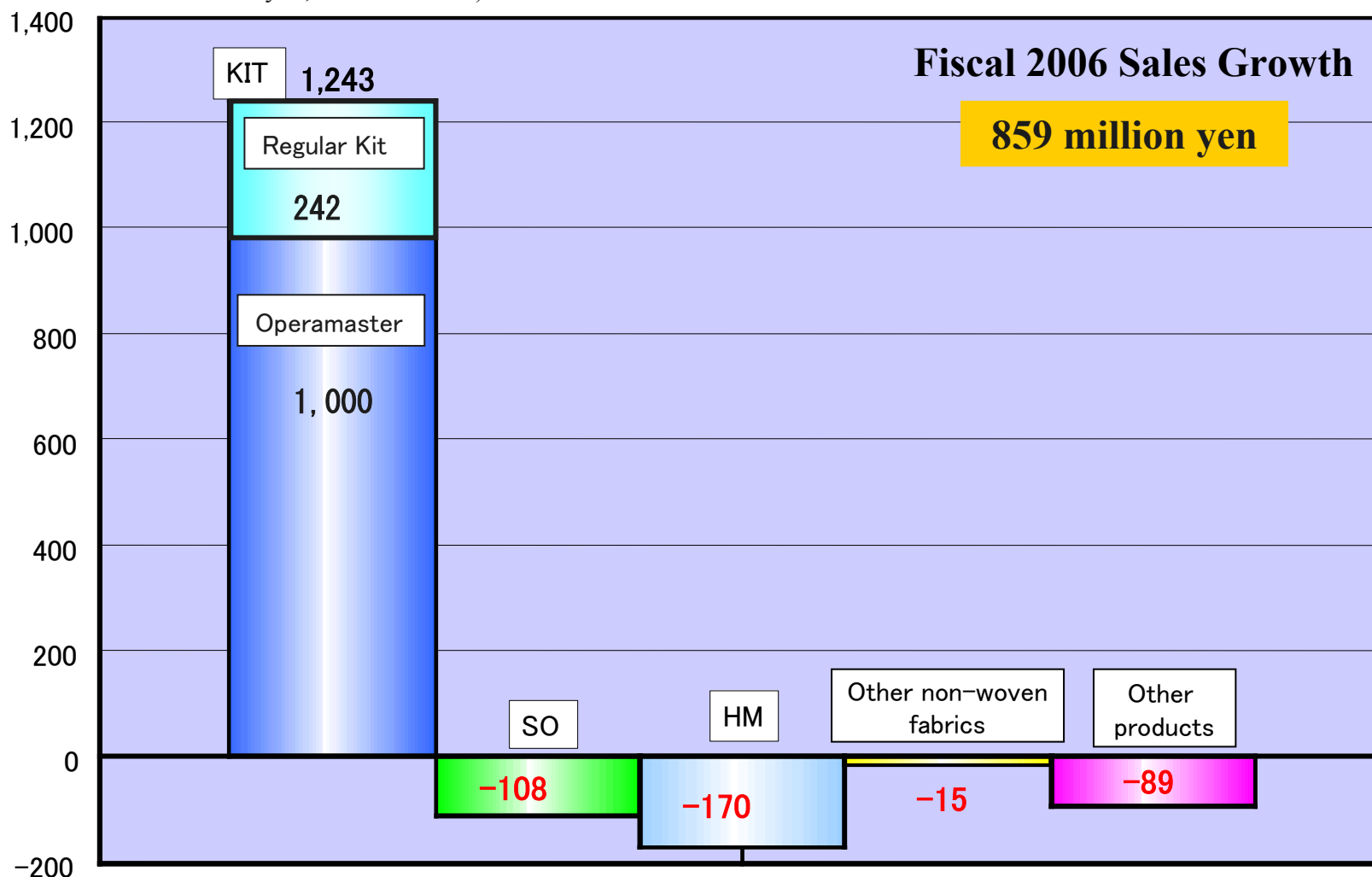
Performance Overview

Fiscal 2006 Income Statements

(Unit: million yen, rounded down)	Fiscal 2005 Results		Fiscal 2007 Revised Plan		Fiscal 2006 Results		Year-on-Year Comparison		Revised Plan Comparison	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	%	Amount	%
Net sales	26,434		27,000		27,293		859	103.3%	293	101.1%
Operating income	6,200	23.5%	6,110	22.6%	6,058	22.2%	-142	97.7%	-51	99.2%
Ordinary income	6,438	24.4%	6,210	23.0%	6,139	22.5%	-298	95.4%	-70	98.9%
Net income	3,909	14.8%	3,690	13.7%	3,621	13.3%	-287	92.6%	-68	98.2%
EPS	246.83 yen		243.14 yen		234.69 yen					

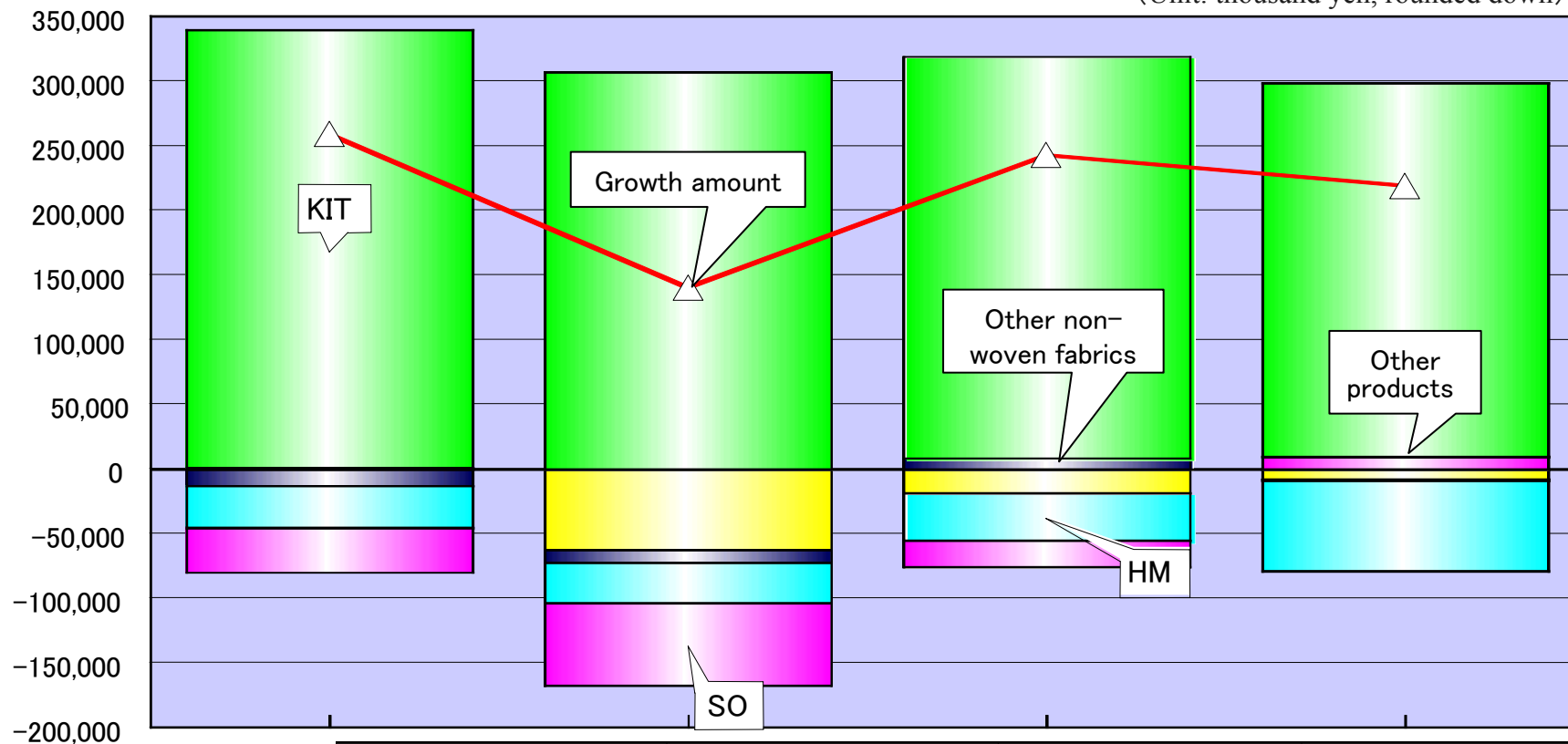
Fiscal 2006 Sales Growth by Major Products

(Unit: million yen, rounded down)



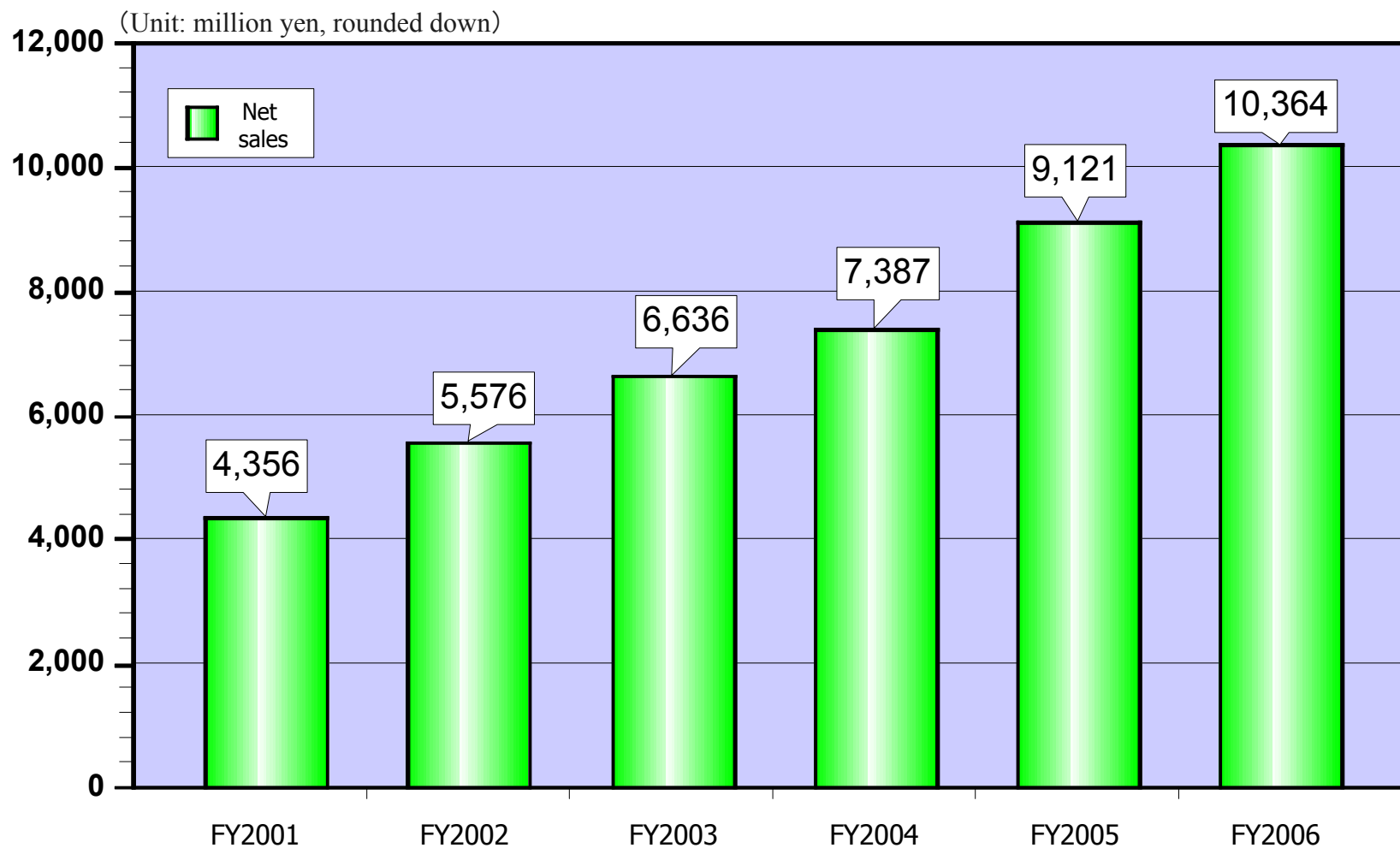
Fiscal 2006 Sales Growth by Quarter

(Unit: thousand yen, rounded down)

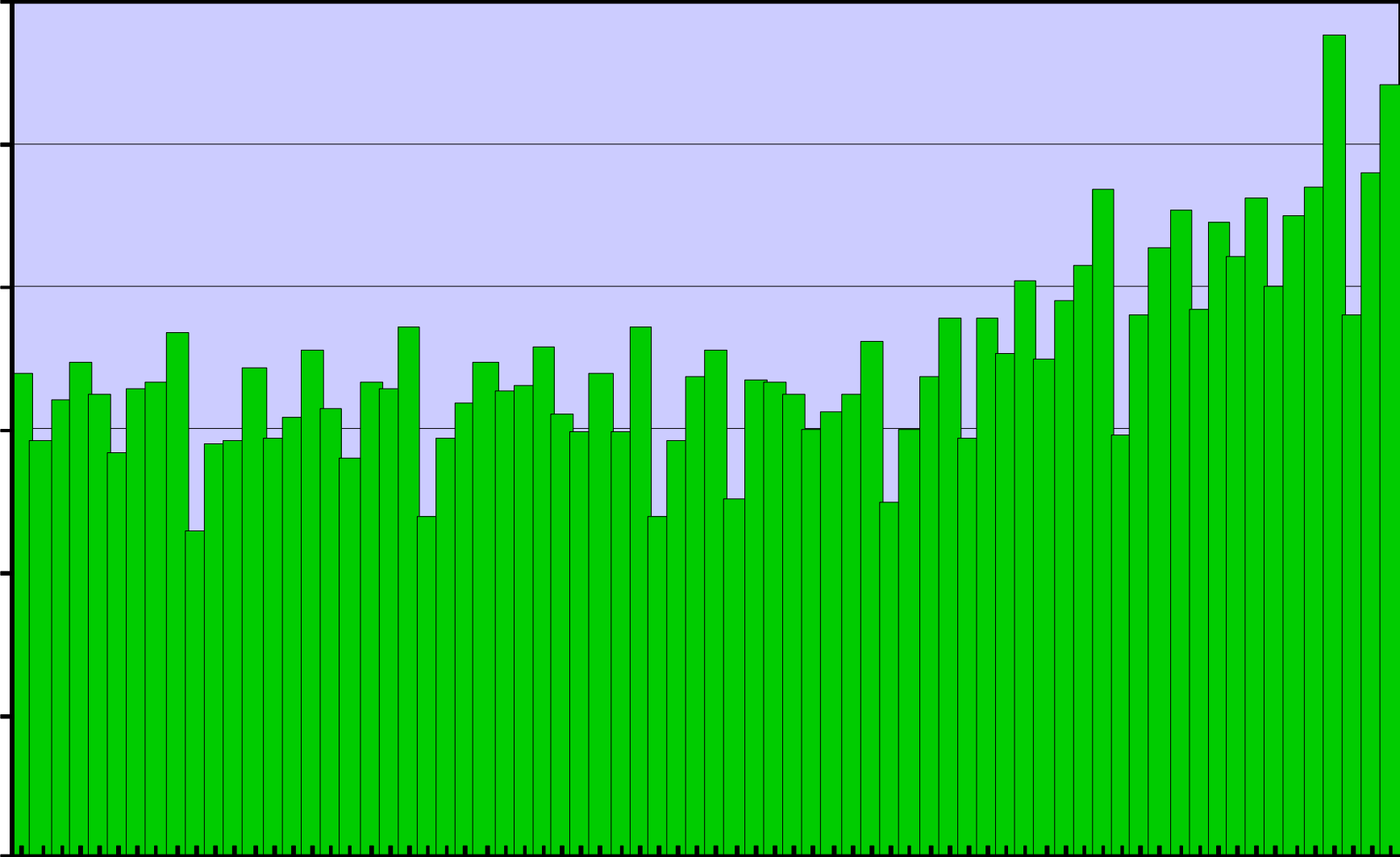


	1Q	2Q	3Q	4Q
KIT	338,746	306,634	309,400	288,854
SO	-33,845	-63,537	-20,465	9,049
HM	-32,635	-31,059	-37,060	-69,915
Other non-woven fabrics	-13,595	-9,415	8,766	-1,483
Other products	220	-62,877	-18,319	-8,063
Total	258,890	139,744	242,320	218,441
Growth amount	258,890	139,744	242,320	218,441

Net Sales for Kit Products



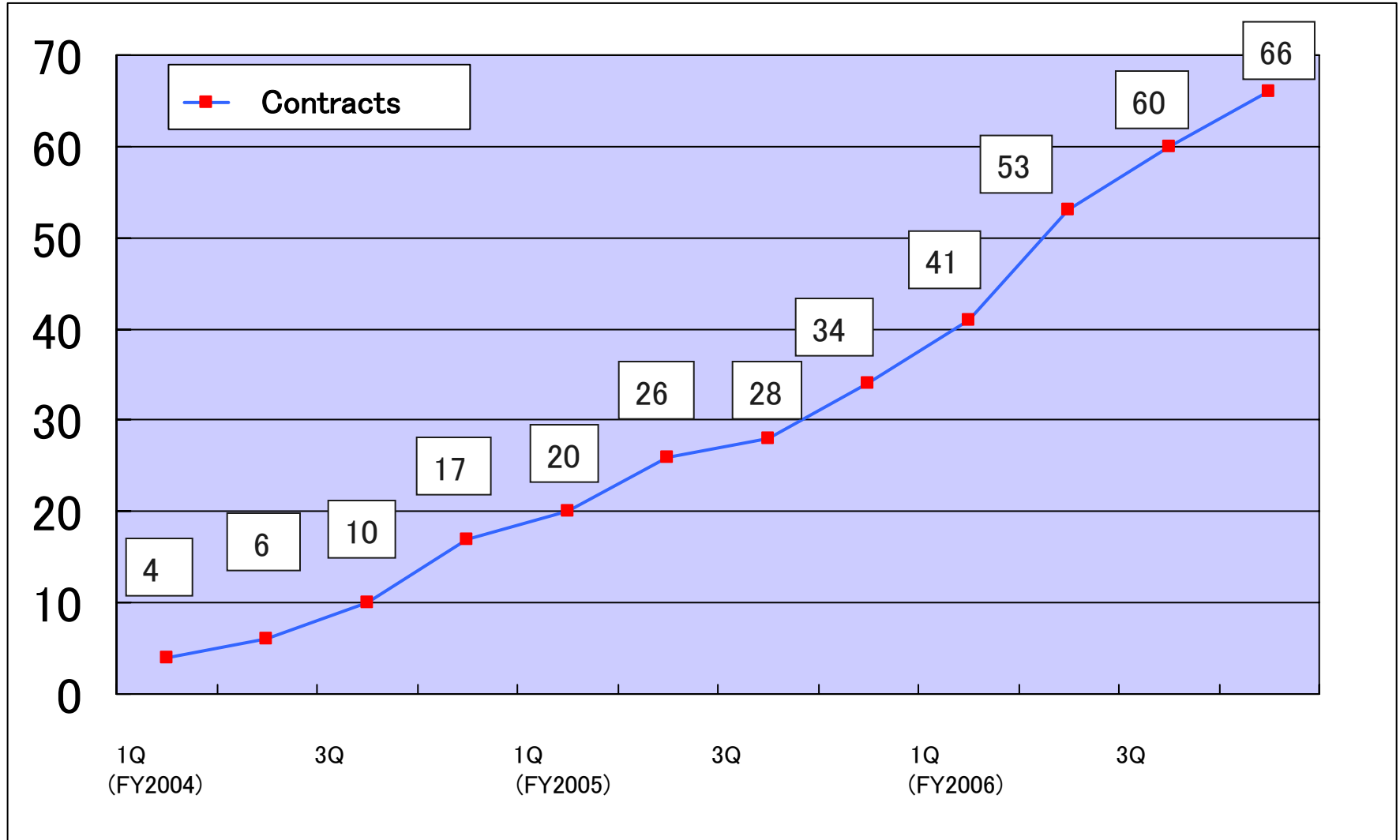
Net Sales for Gowns by Month



Progress of Operamaster Marketing

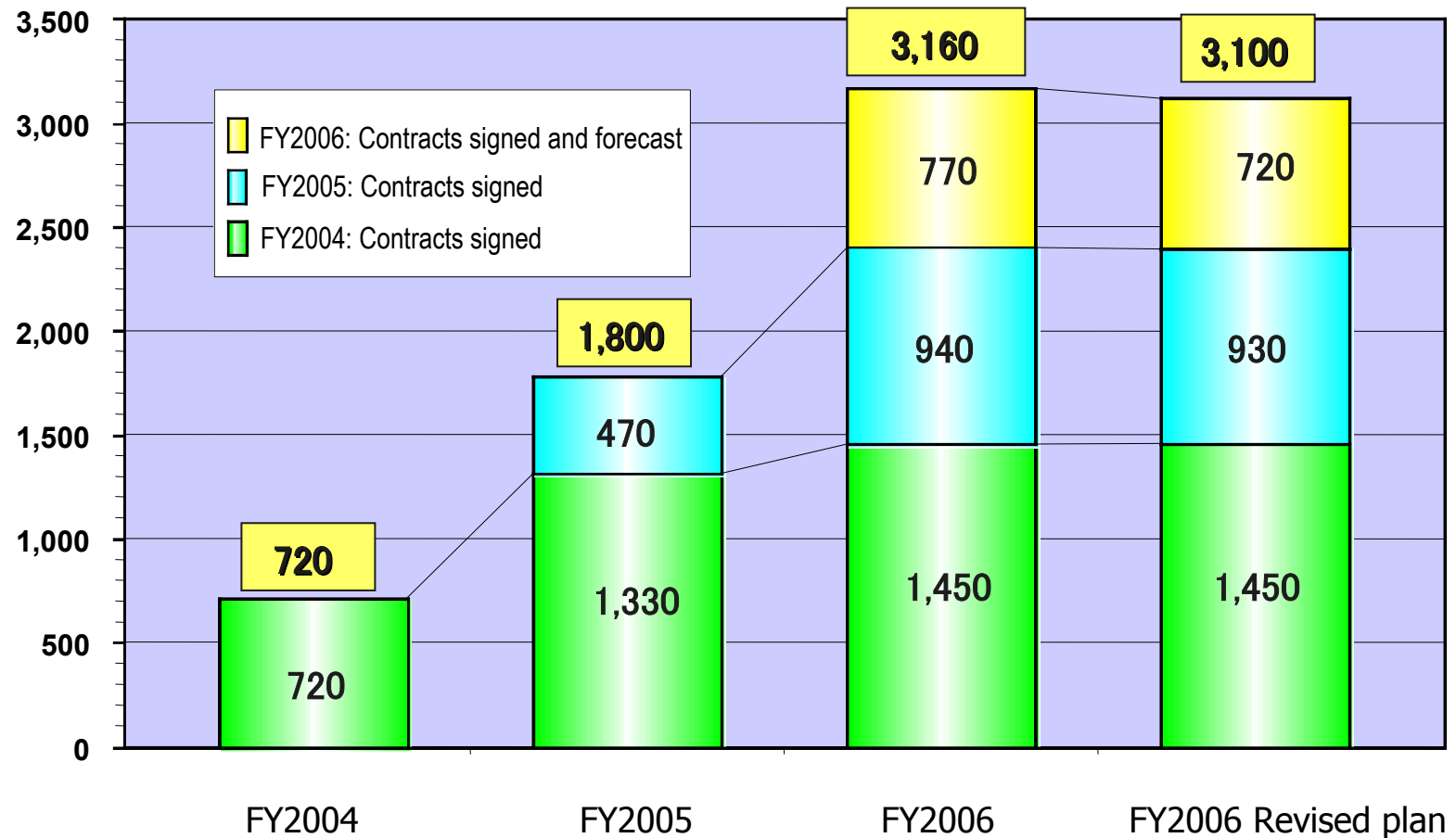
Fiscal 2005	<ul style="list-style-type: none">■ Contracts: 34■ Sales: ¥1,800 million (19.7% of kit sales, ¥9,121 million)
Fiscal 2006 Revised Plan	<ul style="list-style-type: none">■ Contracts: 69 (According to initial plan)■ Sales: ¥3,100 million (30.0% of kit sales, ¥10,322 million)
Fiscal 2006	<ul style="list-style-type: none">■ Contracts: 66 (new: 32)✓ Sales: ¥3,164 million (30.5% of kit sales, ¥10,364 million)

Contracts for Operamaster



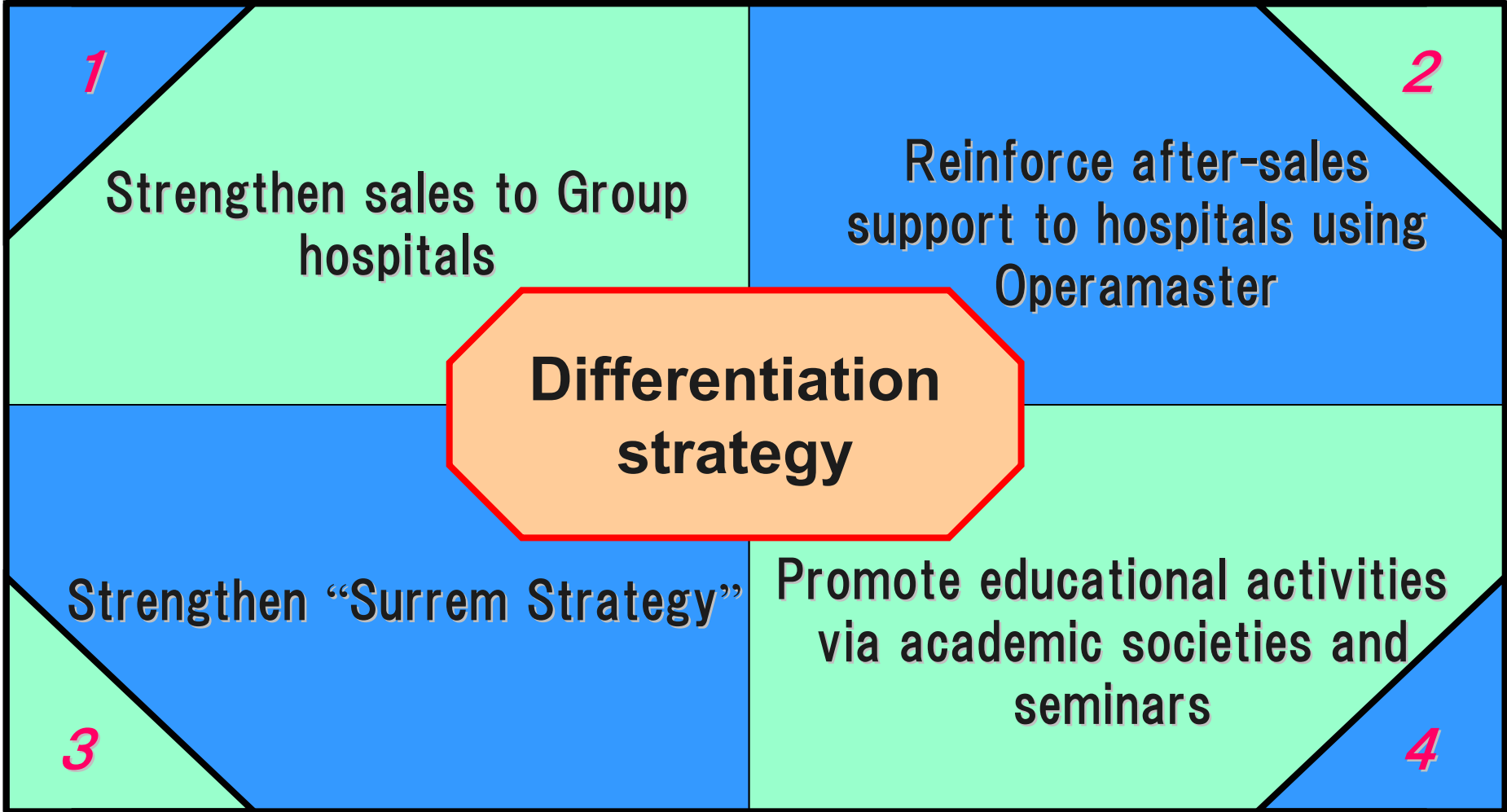
Sales of Operamaster

(Unit: million yen, rounded down)



Next Strategies

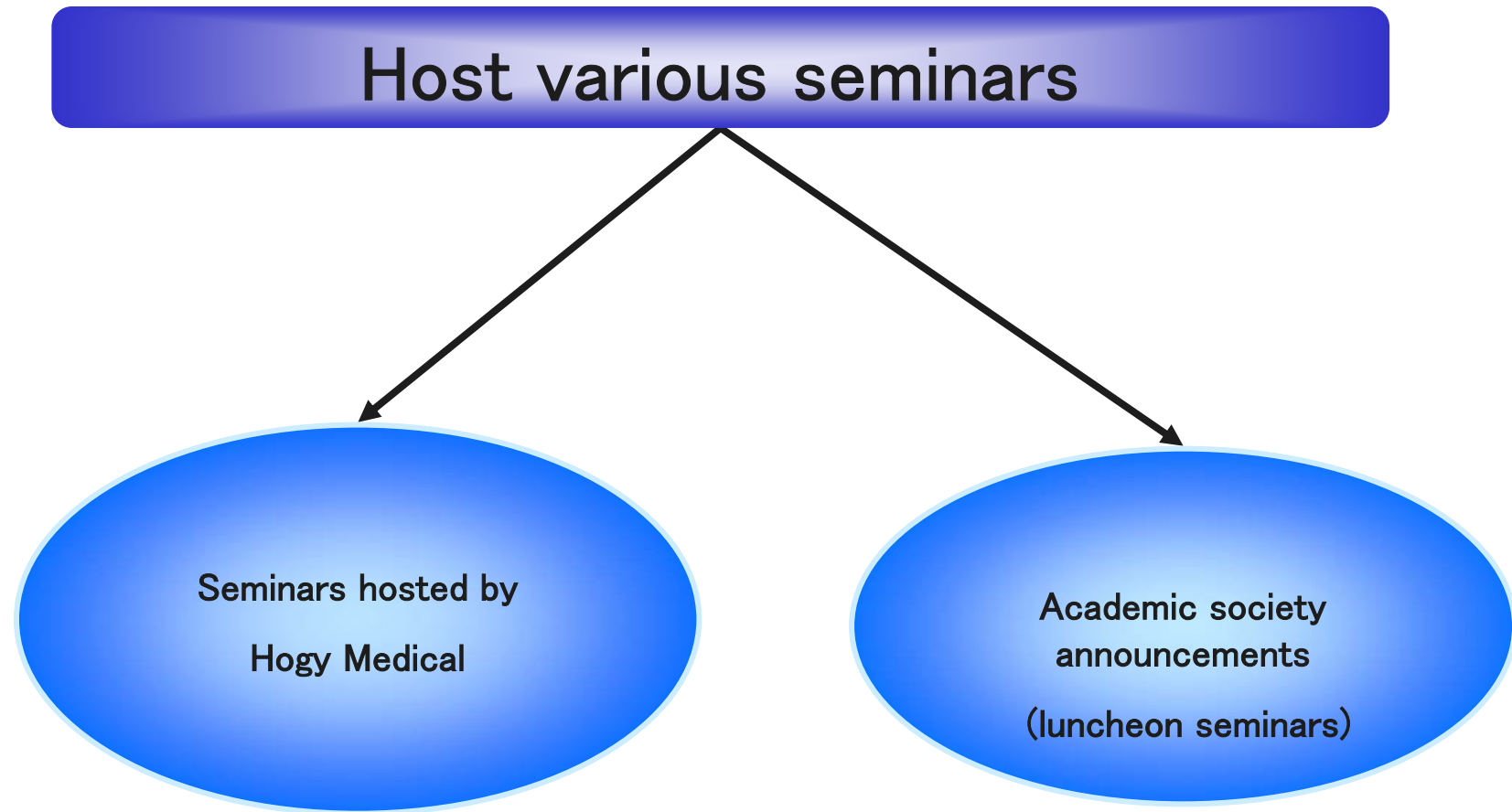
Sales Strategy



Surrem Strategy



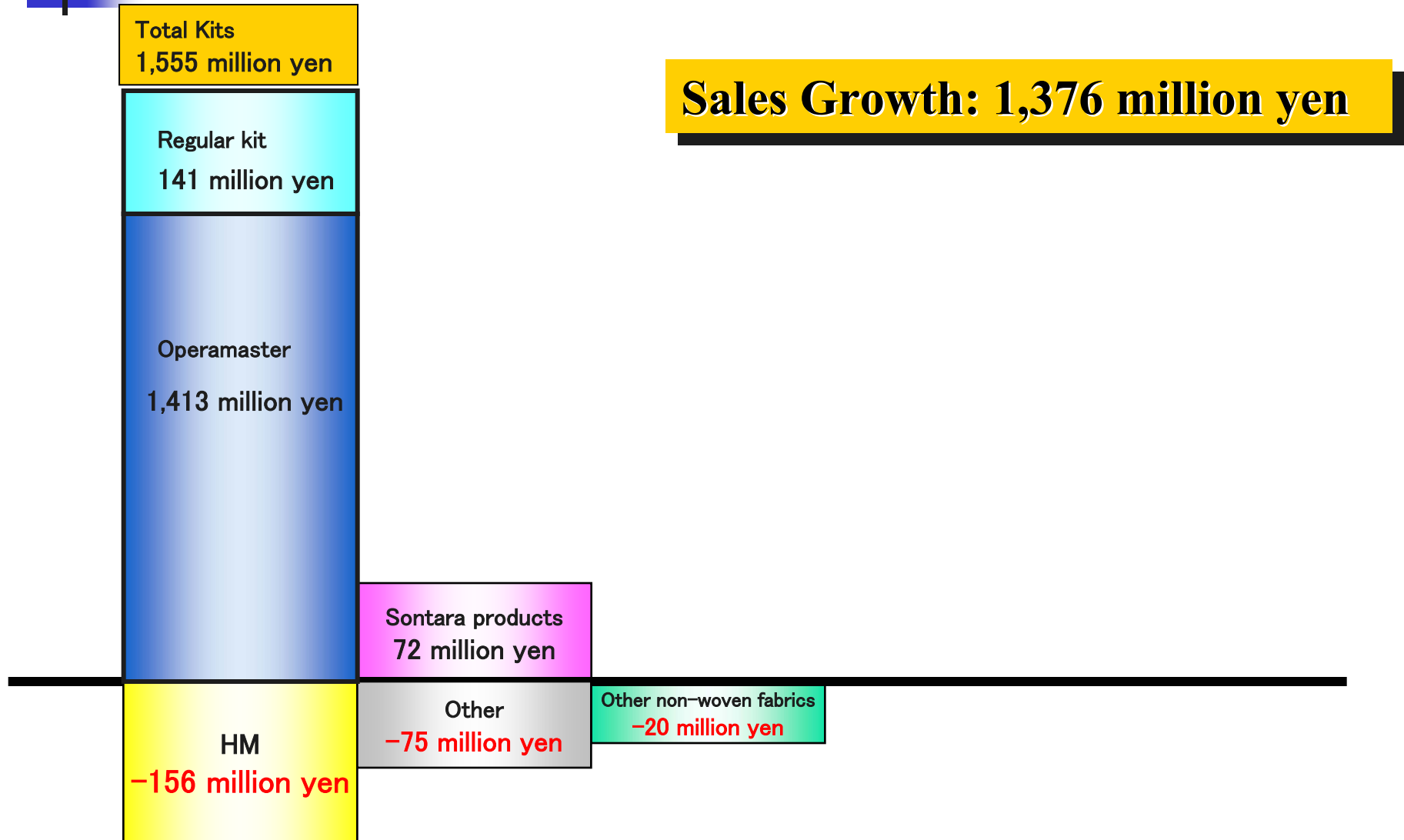
Fiscal 2007 Seminar Schedule



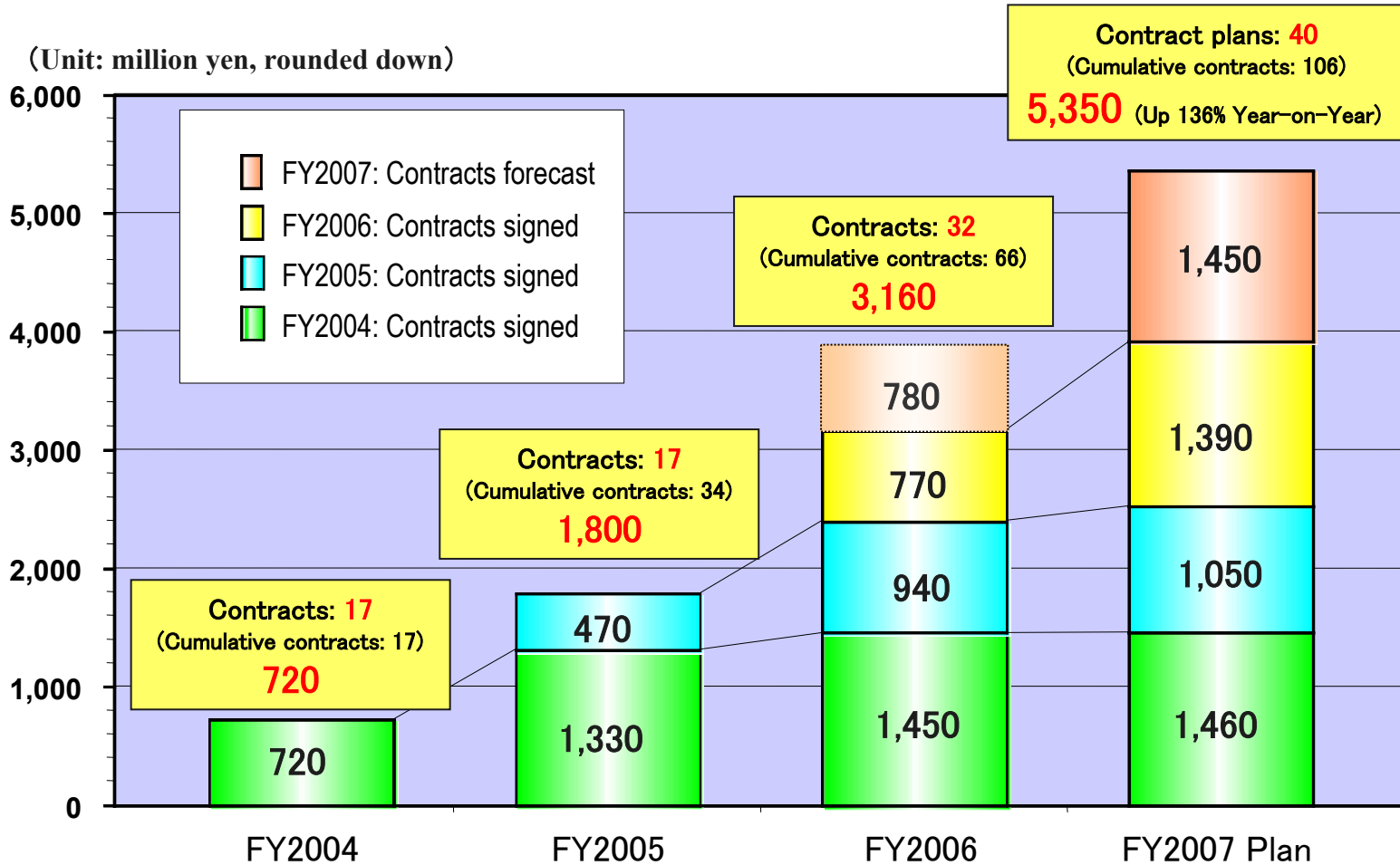
Fiscal 2007 Projected Statement of Income

Unit: million yen, rounded down)	Fiscal 2006 Results		Fiscal 2007 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	27,293		28,670		1,376	105.0%
Operating income	6,058	22.2%	7,000	24.4%	941	115.5%
Ordinary income	6,139	22.5%	6,990	24.4%	850	113.8%
Net income	3,621	13.3%	4,140	14.4%	518	114.3%
EPS	234.69 yen		276.11 yen			

Fiscal 2007 Projected Net Sales Growth by Major Products



Net Sales Plan for Operamaster



Overview and Analysis

Fiscal 2006 Income Statements

(Unit: million yen, rounded down)	Fiscal 2005 Results		Fiscal 2006 Revised Plan		Fiscal 2006 Results		Year-on-Year Comparison		Plan Comparison	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	%	Amount	%
Net sales	26,434		27,000		27,293		859	103.3%	293	101.1%
Cost of sales	12,860	48.6%	13,340	49.4%	13,490	49.4%	630	104.9%	150	101.1%
Gross profit	13,574	51.4%	13,660	50.6%	13,803	50.6%	229	101.7%	143	101.1%
SG & A expenses	7,373	27.9%	7,550	28.0%	7,745	28.4%	371	105.0%	195	102.6%
Operating income	6,200	23.5%	6,110	22.6%	6,058	22.2%	-142	97.7%	-51	99.2%
Non-operating income/loss	237		100		81					
Ordinary income	6,438	24.4%	6,210	23.0%	6,139	22.5%	-298	95.4%	-70	98.9%
Extraordinary income/loss	8		-40		-37					
Net Income	3,909	14.8%	3,690	13.7%	3,621	13.3%	-287	92.6%	-68	98.2%
EPS	246.83 yen		243.14 yen		234.69 yen					

Fiscal 2006 Performance Analysis

Net Sales	Comparison With Revised Plan	Year-on-Year Comparison
Kit products	<ul style="list-style-type: none"> ■ ¥42 million (+0.4%) ✓ Per our revised plan ✓ Operamaster kits reached sales plan 	<ul style="list-style-type: none"> ■ ¥1,245 million (+13.6%) ✓ Partially reduced share occupied by low-value-added products
Sontara products	<ul style="list-style-type: none"> ■ ¥178 million (+1.7%) ✓ Per our revised plan 	<ul style="list-style-type: none"> ■ -¥108 million (-1.0%) ✓ Arrested decline thanks to introduction of new gowns and drapes; gowns particularly popular

Fiscal 2006 Summary of Income Statements

	Fiscal 2005 Results	% of Total	Fiscal 2006 Results	% of Total	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Net sales	26,434	100%	27,293	100%	859	3.3%	■Solid sales growth of Operamaster kits
Cost of sales	12,860	48.6%	13,490	49.4%	630	4.9%	<ul style="list-style-type: none"> ■Depreciated Tsukuba Operamaster line FY2005: ¥251 million FY2006: ¥560 million (up ¥309 million) ■Improved sales breakdown by product ■Unrealized gains
Gross profit	13,574	51.4%	13,803	50.6%	229	1.7%	
SG & A expenses	7,373	27.9%	7,745	28.4%	371	5.0%	<ul style="list-style-type: none"> ■Depreciation of Tsukuba OPC: ¥390 million ■Change in accounting standards (bonuses for directors): ¥90 million ■Sample expenses: Down ¥63 million
Operating income	6,200	23.5%	6,058	22.2%	-142	-2.3%	

Fiscal 2006 Summary of Income Statements

	Fiscal 2005 Results	% of Total	Fiscal 2006 Results	% of Total	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
•Exchange gain	174		18		-156	-89.3%	■FY2005: Translation of foreign currency-denominated assets into yen (FY2005 range: ¥107.41 to ¥117.47 per U.S. dollar; FY2006: ¥117.47 to ¥118.09)
•Miscellaneous income	61		76		15	24.8%	■FY2006: Income due to the cancellation at maturity of insurance policies for Group directors
Non-operating income	278	1.1%	116	0.4%	-162	-58.3%	
•Interest expenses	-		23		23		■Incurred due to borrowings
•Miscellaneous losses	34		7		-27	-78.6%	■FY2006: Fees on purchase of treasury stock
Non-operating expenses	40	0.2%	34	0.1%	-6	-15.5%	
Ordinary income	6,438	24.4%	6,139	22.5%	-298	-4.6%	
•Gain on sale of investment securities	26		-		-27	-100.0%	■FY2005: Sold securities
Extraordinary income	29	0.1%	0	0.0%	-29	-99.9%	
•Provision for allowance for doubtful accounts	-		22		22	-	■FY2006: Provided reserve to cover some obligations
Extraordinary expenses	20	0.1%	37	0.1%	16	81.0%	

Fiscal 2006 Summary of Income Statements

	Fiscal 2005 Results	% of Total	Fiscal 2006 Results	% of Total	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Income before income taxes and minority interests	6,446	24.4%	6,102	22.4%	-344	-5.3%	
•Income taxes	2,535	9.6%	2,479	9.1%	-56	-2.2%	
•Minority interests	1	0.0%	1	0.0%	0	13.6%	
Net income	3,909	14.8%	3,621	13.3%	-287	-7.4%	

Fiscal 2006 Summary of Balance Sheets

	Fiscal 2005 (At March 31, 2006)	Fiscal 2006 (At March 31, 2007)	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Assets					
Current assets	20,635	23,061	2,425	11.8%	
Cash and bank deposits	6,325	8,113	1,788	28.3%	■ Operating activities (Proceeds from borrowings: ¥5,000 million; purchase of treasury stock: ¥2,695 million; acquisition of investment securities: ¥2,552 million)
Notes and accounts receivable	7,744	8,924	1,179	15.2%	■ Unsettled notes and accounts receivable (bank holiday on March 31): ¥915 million
Inventories	5,651	5,327	-324	-5.7%	
Other assets	914	696	-218	76.1%	
Fixed assets	35,303	36,170	866	2.5%	
Tangibles	32,116	30,460	-1,655	-5.2%	
Buildings and structures	13,575	13,969	394	2.9%	Tsukuba OPC: On-stream in June
Machinery and vehicles	7,633	8,586	954	12.5%	Tsukuba OPC: On-stream in June
Construction in progress	2,917	4	-2,913	-99.9%	Transfer to main account
Intangibles	319	533	213	66.6%	

Fiscal 2006 Summary of Balance Sheets

	Fiscal 2005 (At March 31, 2006)	Fiscal 2006 (At March 31, 2007)	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Investments and other assets	2,866	5,176	2,309	80.6%	
Investment securities	207	2,793	2,586	1248.9%	■Acquisitions: ¥2,552 million
Insurance reserve	584	485	-98	-16.8%	■Cancellation at maturity of insurance policies for Group directors
Deferred income taxes	262	-	-263	-100.0%	■Change in accounting standards (hedging income/loss)
Other assets	1,813	1,897	84	104.6%	
Total assets	55,939	59,231	3,292	5.9%	

Fiscal 2006 Summary of Balance Sheets

	Fiscal 2005 (At March 31, 2006)	Fiscal 2006 (At March 31, 2007)	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Liabilities					
Current liabilities	6,505	6,135	-370	-5.7%	
Notes and accounts payable	3,449	2,999	-450	-13.1%	■FY2006: Decline in year-end balance of payables (PT, Dupont)
Current portion of long-term borrowings	-	1,000	1,000		■Fund-raising
Equipment-related notes payable	613	65	-547	-89.3%	■Edosaki Sterilization Center bill settled
Reserve for directors' bonuses	-	90	90		■Change in accounting standards
Other current liabilities	2,443	1,980	-463	81.1%	■Change in accounting standards (hedging income/loss)
Long-term liabilities	2,038	5,065	3,026	148.4%	
Long-term borrowings	-	3,925	3,925		■Fund-raising
Deferred income taxes	150	358	208	138.5%	■Change in accounting standards (hedging income/loss)
Deferred hedging gains	1,050	-	-1,050	-100.0%	■Change in accounting standards (hedging income/loss)
Total liabilities	8,544	11,200	2,655	31.1%	

Fiscal 2006 Summary of Balance Sheets

	Fiscal 2005 (At March 31, 2006)	Fiscal 2006 (At March 31, 2007)	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Net Assets					
Shareholders' equity	47,321	46,986	-335		
Earned surplus	36,374	38,626	2,253	—	■FY2006 net income: ¥3,622 million; cash dividends paid: ¥1,301 million
Treasury stock	-4,512	-7,099	-2,588	—	■Purchase of treasury stock: ¥2,695 million ■Exercise of stock options: ¥113 million
Valuation/translation gains or losses	62	1,031	970		
Net unrealized gains or losses on securities	2	22	21	—	
Deferred hedging gains or losses		926	926	—	■Change in accounting standards (hedging income/loss)
Translation adjustments	59	82	23	—	
Minority interests	12	13	1	—	
Total net assets	47,395	48,031	636	—	
Total liabilities and net assets	55,939	59,231	3,292	—	

Fiscal 2006 Summary of Cash Flows

	Fiscal 2005 (At March 31, 2006)	Fiscal 2006 (At March 31, 2007)	Increase/ Decrease (Millions of yen)	Main reasons for changes
I Net cash provided by operating activities	5,738	5,355	-383	
Income before income taxes and minority interests	6,446	6,102	-344	
Depreciation	2,316	2,914	598	■Increase in Tsukuba plant Operamaster line, Tsukuba OPC, etc.
Notes and accounts receivable	-371	-1,175	-804	■Unsettled notes and accounts receivable (bank holiday on March 31): ¥915 million
Inventories	1	330	329	■Some products discontinued
Notes and accounts payable	483	-446	-930	■FY2005: Major purchases due to Surrem strategy
Accrued consumption tax payables and others	-300	126	427	■FY2005: Consumption tax on suspense payments for acquisition of Operamaster line
Incomes taxes paid	-2,396	-2,573	-177	
Others	-442	76	518	
II Net cash used in investing activities	-4,998	-4,642	357	
Proceeds from acquisition of investment securities	—	-2,551	-2,551	■FY2006 acquisitions: ¥2,551 million
Proceeds from sale of investment securities	167	—	-167	■FY2005: Sold securities
Purchase of tangible fixed assets	-4,956	-1,828	3,128	■FY2005: Operamaster line(¥1,470 million); Tsukuba OPC (¥1,946 million); Edosaki Sterilization Center (¥295 million) FY2006: Tsukuba OPC (¥886 million); Edosaki Sterilization Center (¥542 million)
Purchase of intangible fixed assets	-123	-340	-217	■FY2006: Tsukuba plant software (¥123 million)
Others	-86	79	165	

Fiscal 2006 Summary of Cash Flows

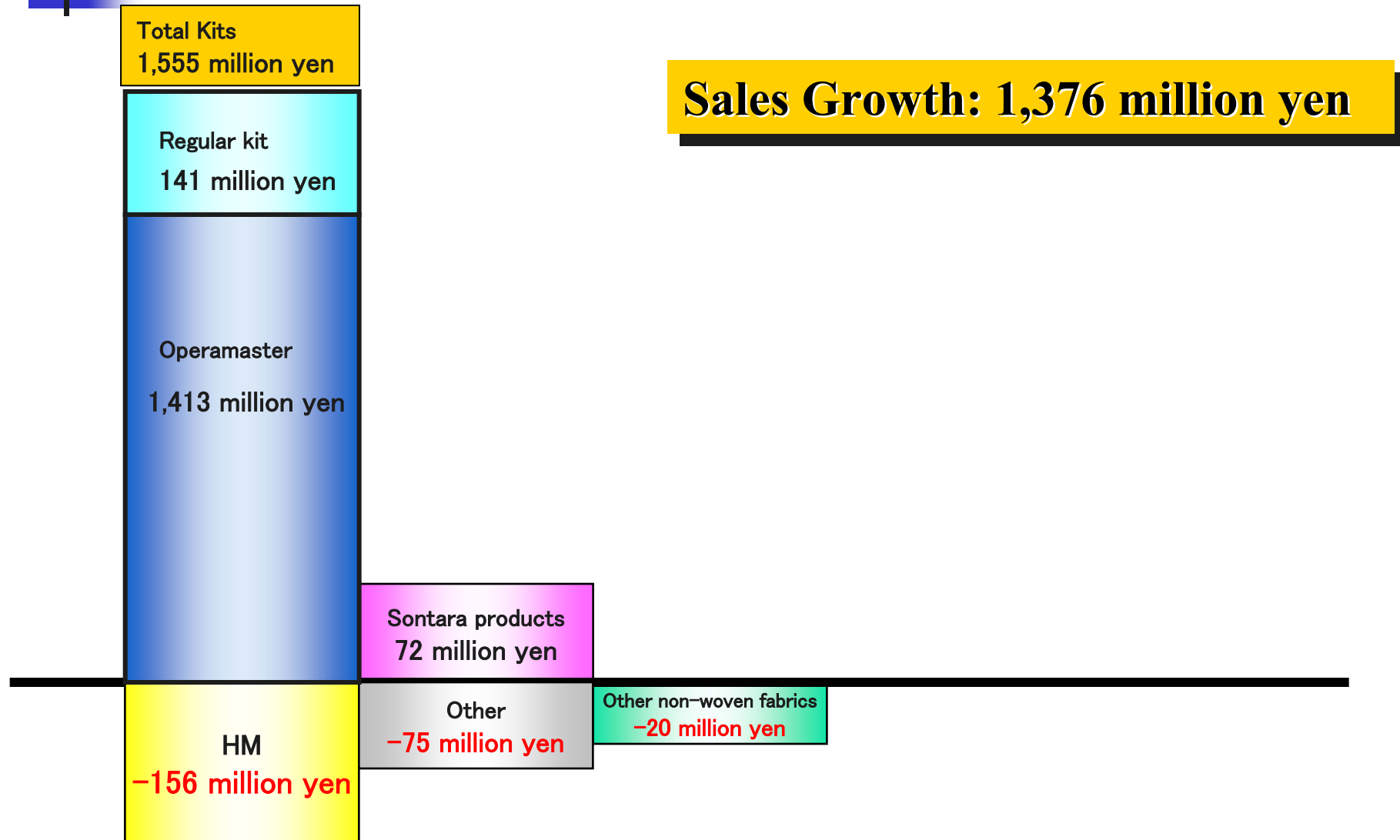
	Fiscal 2005 (At March 31, 2006)	Fiscal 2006 (At March 31, 2007)	Increase/ Decrease (Millions of yen)	Main reasons for changes
III Net cash used in financing activities	-10,670	1,035	11,707	
Proceeds from borrowings	—	5,000	5,000	■Fund-raising
Repayments of long-term debt	—	-75	-75	■Repayment of borrowings
Redemption of convertible bonds	-9,997	—	9,997	■Redemption of bonds
Sales of treasury stock	80	112	31	■Exercise of stock option rights
Purchase of treasury stock	-6	-2,700	-2,694	■Purchase of treasury stock: ¥2,695 million
Cash dividends paid	-747	-1,300	-553	■Cash dividends increased (FY2005: ¥48.00/share; FY2006: ¥80.00/shre)
IV Effect of exchange rate changes on cash and cash equivalents	240	21	-219	
V Net change in cash and cash equivalents	-9,690	1,770	11,461	
VI Cash and cash equivalents at beginning of year	15,745	6,055	-9,690	
VII Cash and cash equivalents at end of year	6,055	7,825	1,770	

Fiscal 2007 Plan

Fiscal 2007 Projected Statement of Income

(Unit: million yen, rounded down)	Fiscal 2006 Results		Fiscal 2007 Plan		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	27,293		28,670		1,376	105.0%
Cost of sales	13,490	49.4%	13,670	47.7%	179	101.3%
Gross profit	13,803	50.6%	15,000	52.3%	1,196	108.7%
SG & A expenses	7,745	28.4%	8,000	27.9%	254	103.3%
Operating income	6,058	22.2%	7,000	24.4%	941	115.5%
Non-operating income /loss	81		-10		-91	
Ordinary income	6,139	22.5%	6,990	24.4%	850	113.8%
Extraordinary income/loss	-37		-50		-12	
Net income	3,621	13.3%	4,140	24.2%	518	114.3%
EPS	234.69 yen		276.11 yen			

Fiscal 2007 Projected Net Sales Growth by Major Products



Fiscal 2007 Projected Summary of Income Statements

	Fiscal 2006 Results	% of Total	Fiscal 2007 Plan	% of Total	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Net sales	27,293	100%	28,670	100%	1,376	5.0%	■Operamaster: ¥1,413 million
Cost of sales	13,490	49.4%	13,670	47.7%	179	1.3%	■Cost of sales ration: 1.8%-point improvement <ul style="list-style-type: none"> •Decrease in depreciation cost •Enhanced production efficiency •Improved sales breakdown by product
Gross profit	13,803	50.6%	15,000	52.3%	1,196	8.7%	
SG & A expenses	7,745	28.4%	8,000	27.9%	254	3.3%	■ R & D expenses: ¥73 million ■ Advertising expenses: ¥56 million ■ Transportation: ¥11 million ■ Others
Operating income	6,058	22.2%	7,000	24.4%	941	15.5%	
Non-operating income	116	0.4%	60	0.2%	-56	-48.3%	■Foreign exchange gain not expected ■FY2006: Income from cancellation at maturity of insurance policies for Group directors: ¥35 million
Non-operating expenses	34	0.1%	70	0.2%	35	103.5%	■Interest expenses on borrowings

Fiscal 2007 Projected Summary of Income Statements

	Fiscal 2006 Results	% of Total	Fiscal 2007 Plan	% of Total	Increase/ Decrease (Millions of yen)	%	Main reasons for changes
Ordinary income	6,139	22.5%	6,990	24.4%	850	13.8%	
Extraordinary income	0	0.0%	0	0.0%	-0	0.0%	
Extraordinary expenses	37	0.1%	50	0.2%	12	33.7%	■FY2006: Provided reserve to cover some obligations
Income before income taxes and minority interests	6,102	22.4%	6,940	24.2%	837	13.7%	
Income taxes	2,479	9.1%	2,798	9.8%	319	12.9%	
Minority interests	1	0.0%	1	0.0%	0	2.8%	
Net income	3,621	13.3%	4,140	14.4%	518	14.3%	