HOGY

January 20, 2009

Financial Report
First 3 Quarters of Fiscal 2008

（April 1 – December 31, 2008）

Jun-ichi Hoki, President and CEO

Kazuo Takahashi, Executive Officer, Management Planning Dept.

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.

Postponement of Financial Results Announcement

Postponement of Announcement of Financial Results for the First 3 Quarters of Fiscal 2008

● Reasons for postponement

Due to dramatic changes in the external business environment, Hogy has decided to take a more cautious appraisal of the full-year forecasts of its subsidiary.

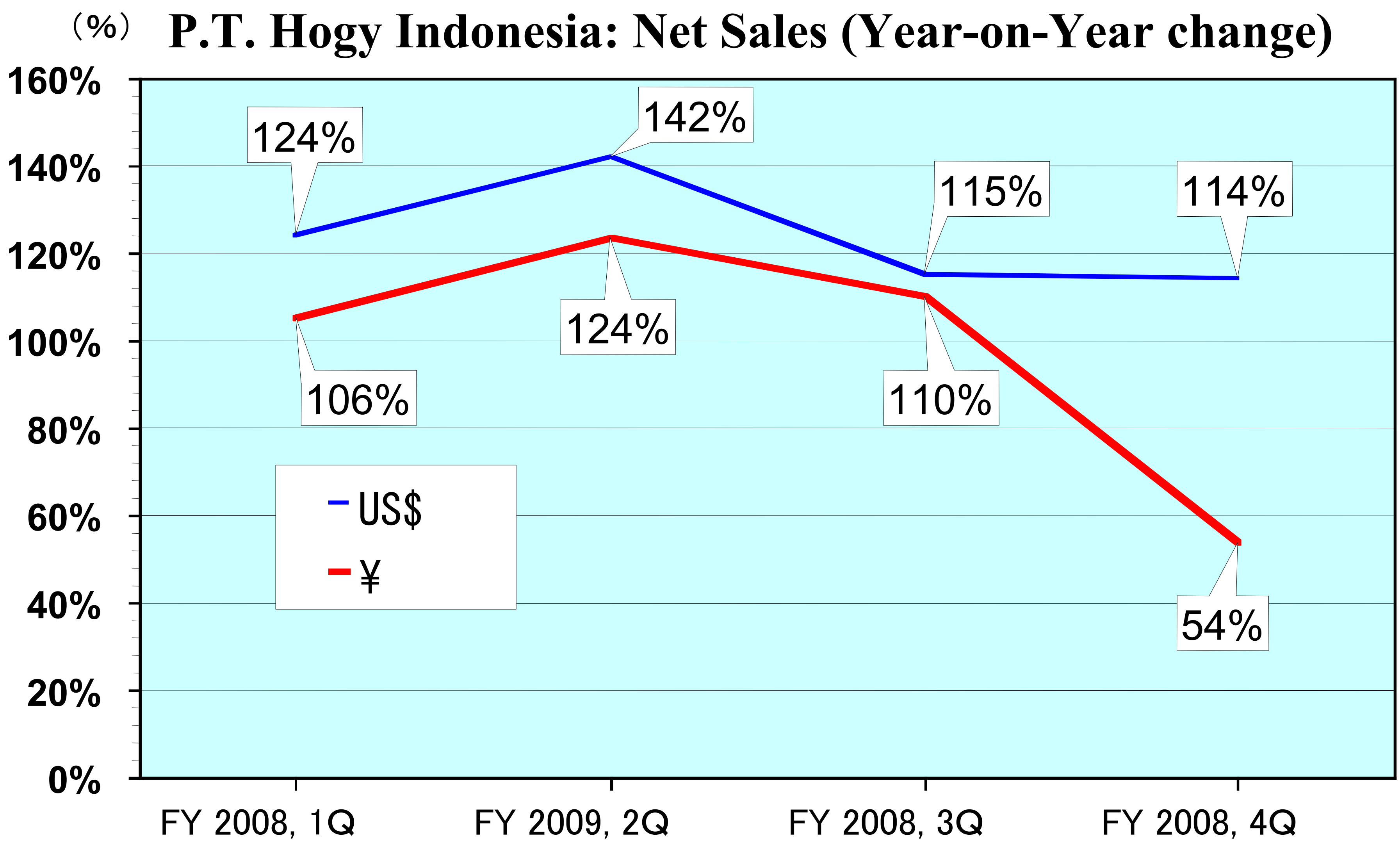
- ▪Fluctuating raw materials prices
- ▪Increasing costs of transportation, etc.
- ▪Effects of U.S. dollar/rupiah exchanges rates

✱Exchanged rate movements

Fiscal 2008

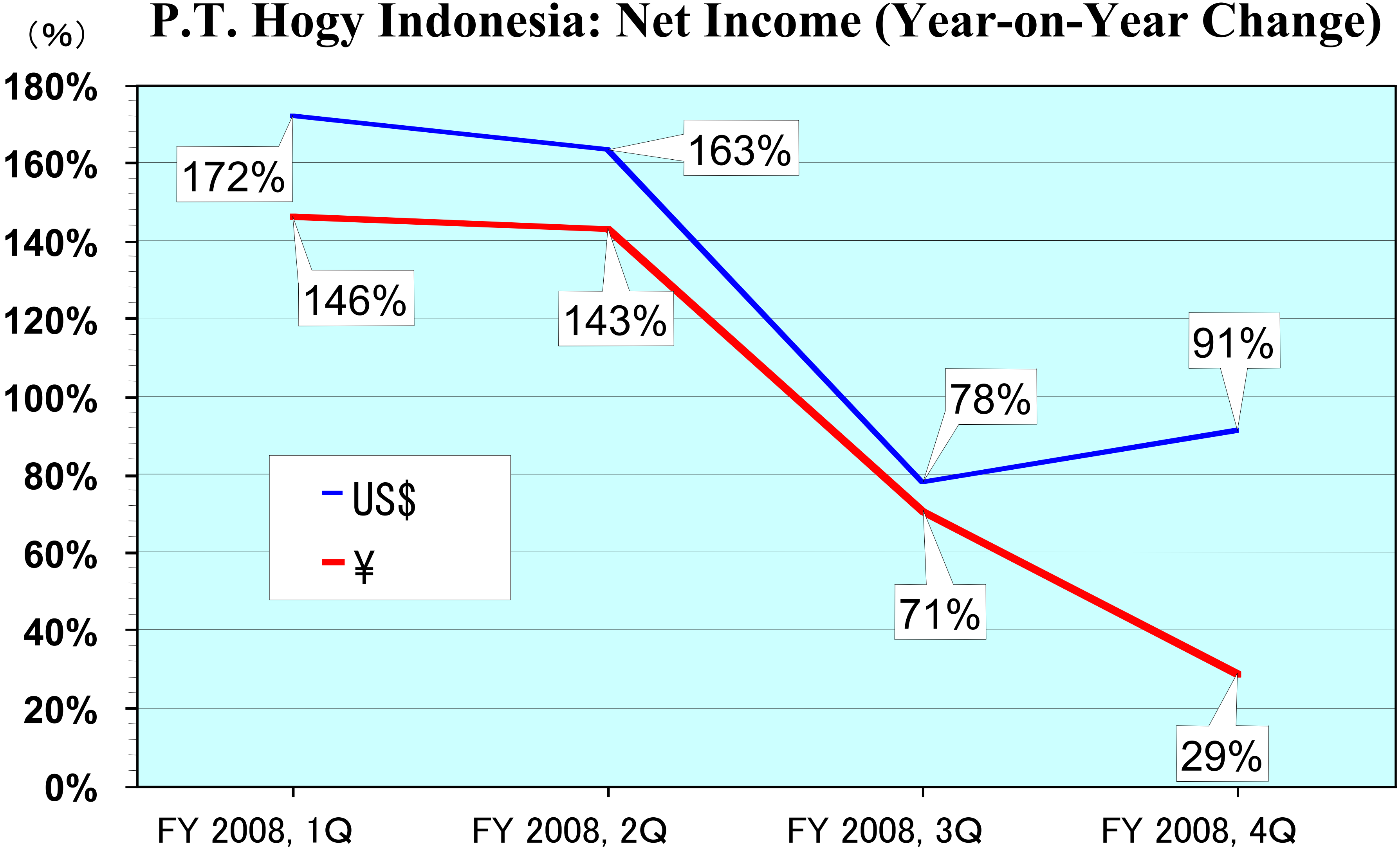
1Q(¥100.2)→2Q(¥106.42)→3Q(¥103.63)→4Q(¥91.01)

Postponement of Announcement of Financial Results for the First 3 Quarters of Fiscal 2008



Postponement of Announcement of Financial Results for the First 3 Quarters of Fiscal 2008

P.T. Hogy Indonesia: Net Income (Year-on-Year Change)



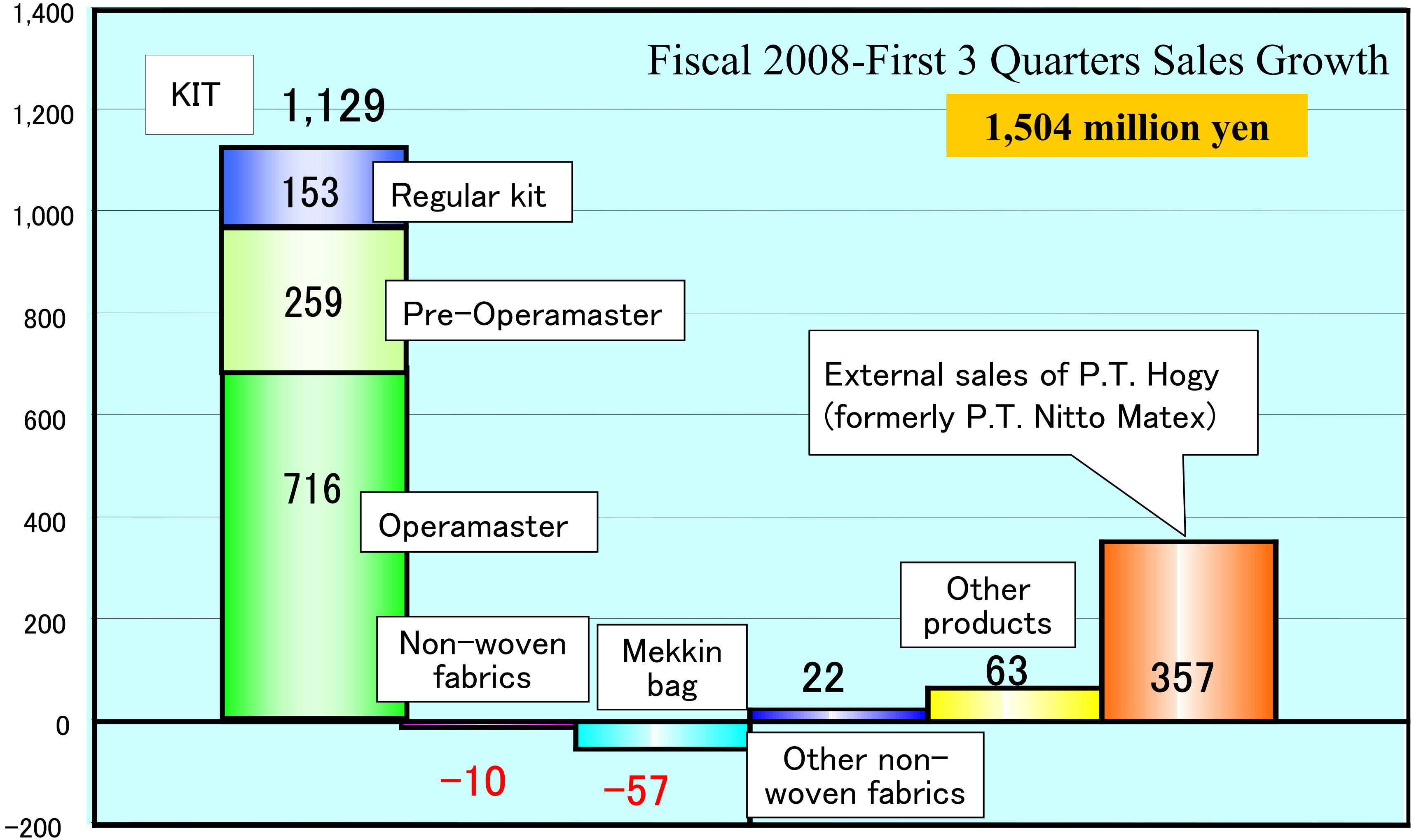
Overview

Fiscal 2008-First 3 Quarters Income Statements

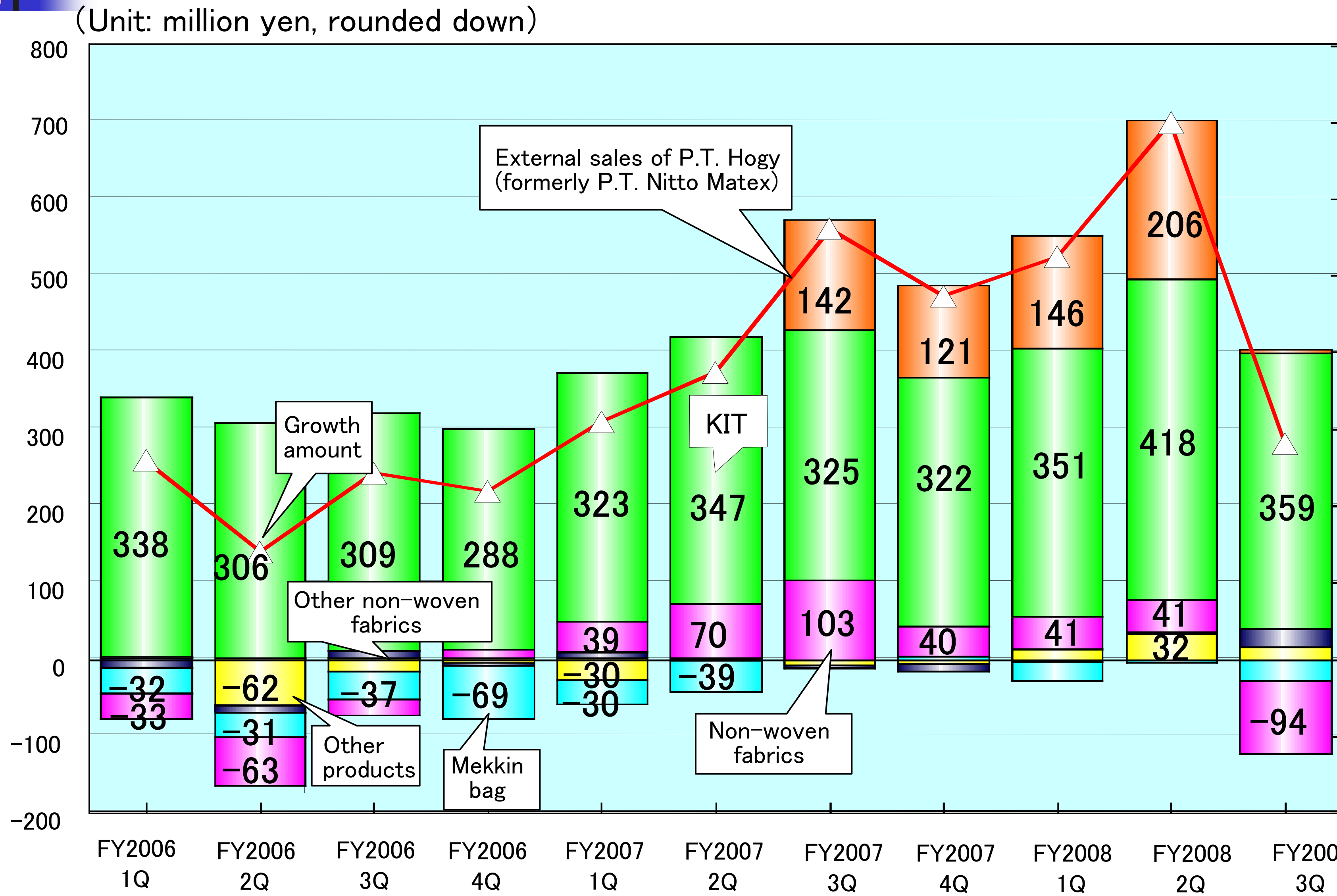
(Unit: million yen, rounded down)	Fiscal 2007 First 3 Quarters Results		Fiscal 2008 First 3 Quarters Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	22,078		23,583		1,504	106.8%
Operating income	5,549	25.1%	5,740	24.3%	190	103.4%
Ordinary income	5,581	25.3%	5,789	24.5%	208	103.7%
Net income	3,352	15.2%	2,803	11.9%	−549	83.6%
EPS	223.02 yen		186.46 yen			

Fiscal 2008-First 3 Quarters Sales Growth by Major Products

(Unit: million yen, rounded down)



Fiscal 2008-First 3 Quarters Sales Growth by Quarter



Fiscal 2008-First 3 Quarters Performance Summary

- Sharp appreciation of the yen
- Extraordinary loss (loss on valuation of investment securities)
- Reassessment of estimated useful-life years of machinery and equipment (following revision to Corporate Taxation Law)
- Materials costs up due to surging oil prices
- Change in standard and method for valuing inventories

Fiscal 2008-First 3 Quarters Performance Summary

- Changing situations among Operamaster-contracted hospitals
- Increase in revenues of "Pre-Operamaster" hospitals
- Slow progress of Operamaster contracts
- Operamaster contract cancellations: 3
  - ✓ Change of business policy by client
  - ✓ Failure to reach internal consensus

＊Pre-Operamaster hospitals: Hospitals preparing to introduce Operamaster

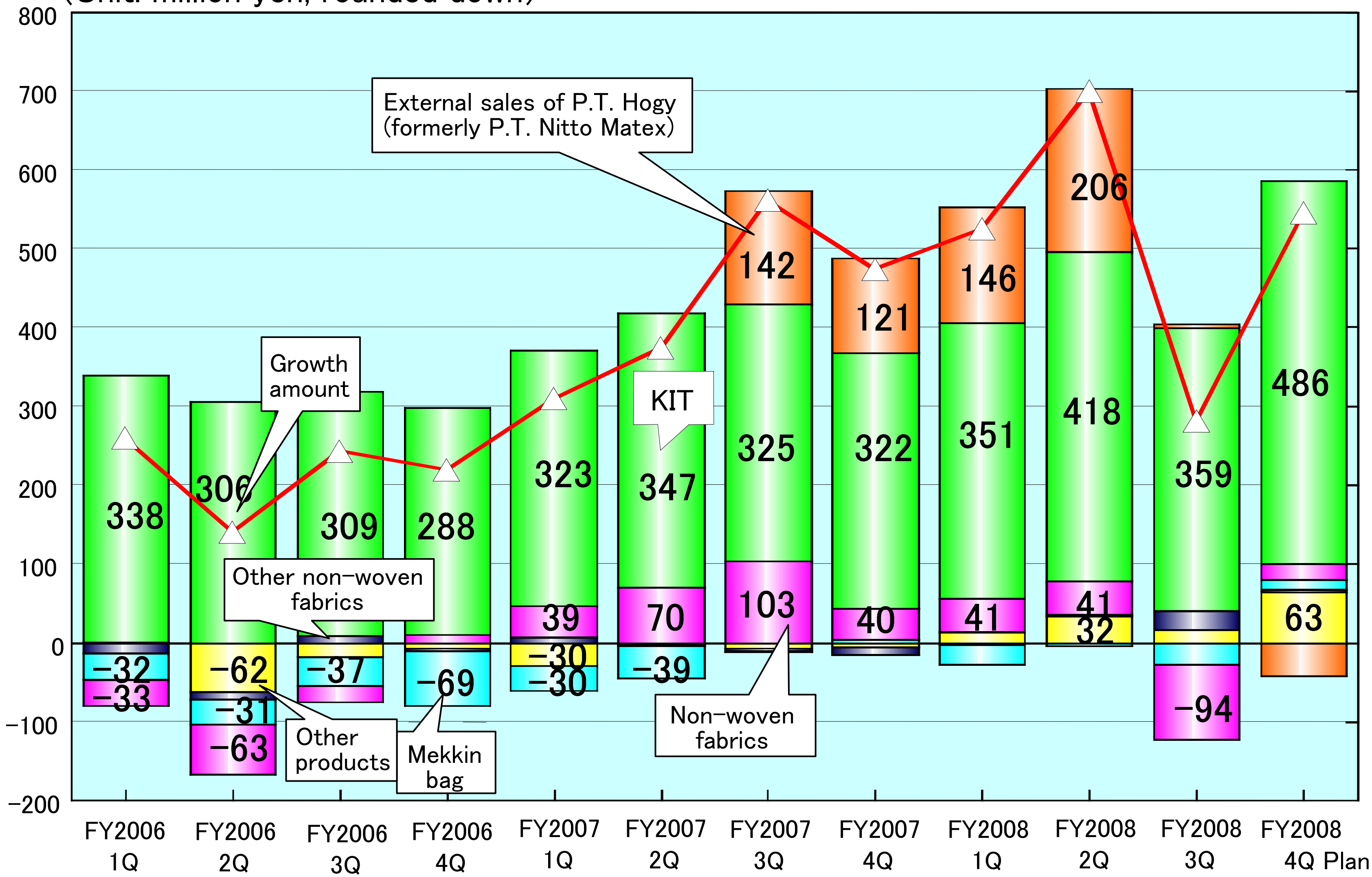
Full Year Plan

Fiscal 2008 Income Statement (Revised Plan)

(Unit: million yen, rounded down)	Fiscal 2007 Results		Fiscal 2008 Initial Plans		Fiscal 2008 Revised Plans		Year-on-Year Comparison		Initial Plan Comparison	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	%	Amount	%
Net sales	29,010		31,150		31,050		2,039	107.0%	−100	99.7%
Operating income	7,232	24.9%	8,100	26.0%	7,470	24.1%	237	103.3%	−630	92.2%
Ordinary income	7,285	25.1%	8,140	26.1%	7,490	24.1%	204	102.8%	−650	92.0%
Net income	4,054	14.0%	4,660	15.0%	3,790	12.2%	−264	93.5%	−870	81.3%
EPS	269.73 yen		310.01 yen		252.13 yen					

Main Reasons for Revision of Net Sales Forecast

(Unit: million yen, rounded down)



Main Reasons for Revision of Net Sales Forecast

- Operamaster

  Number of contracts

  Cumulative total: 135 (45 new contracts)

  →Cumulative total: 108 (21 new contracts; 3 cancelled contracts)＋Pre-Operamaster

  Sales

  Initial plan： ¥7.24 billion

  Revised plan: ¥7.0 billion (including Pre-Operamaster)

External Environment and Strategies for Remainder of Fiscal 1 year

●Reforms at public hospitals

Each public hospital has been instructed to prepare "Reform Plans" aimed at enhancing operating efficiency by March 31, 2009 (notification from Chief of Local Government Finance Bureau, Ministry of Internal Affairs and Communications)

Main components of Reform Plans

(1) Enhance operating efficiency

Set numerical targets to raise operating efficiency

(2) Reorganize and become more networked

Separate foundation hospitals from regular treatment hospitals; rebuild networks

(3) Revamp business models

Convert to independent regionally administered corporations, introduce Specified Manager Systems, transfer to private ownership, convert to clinics, etc.

Hospital reorganizations will accelerate

External Environment and Strategies for Remainder of Fiscal 1 year

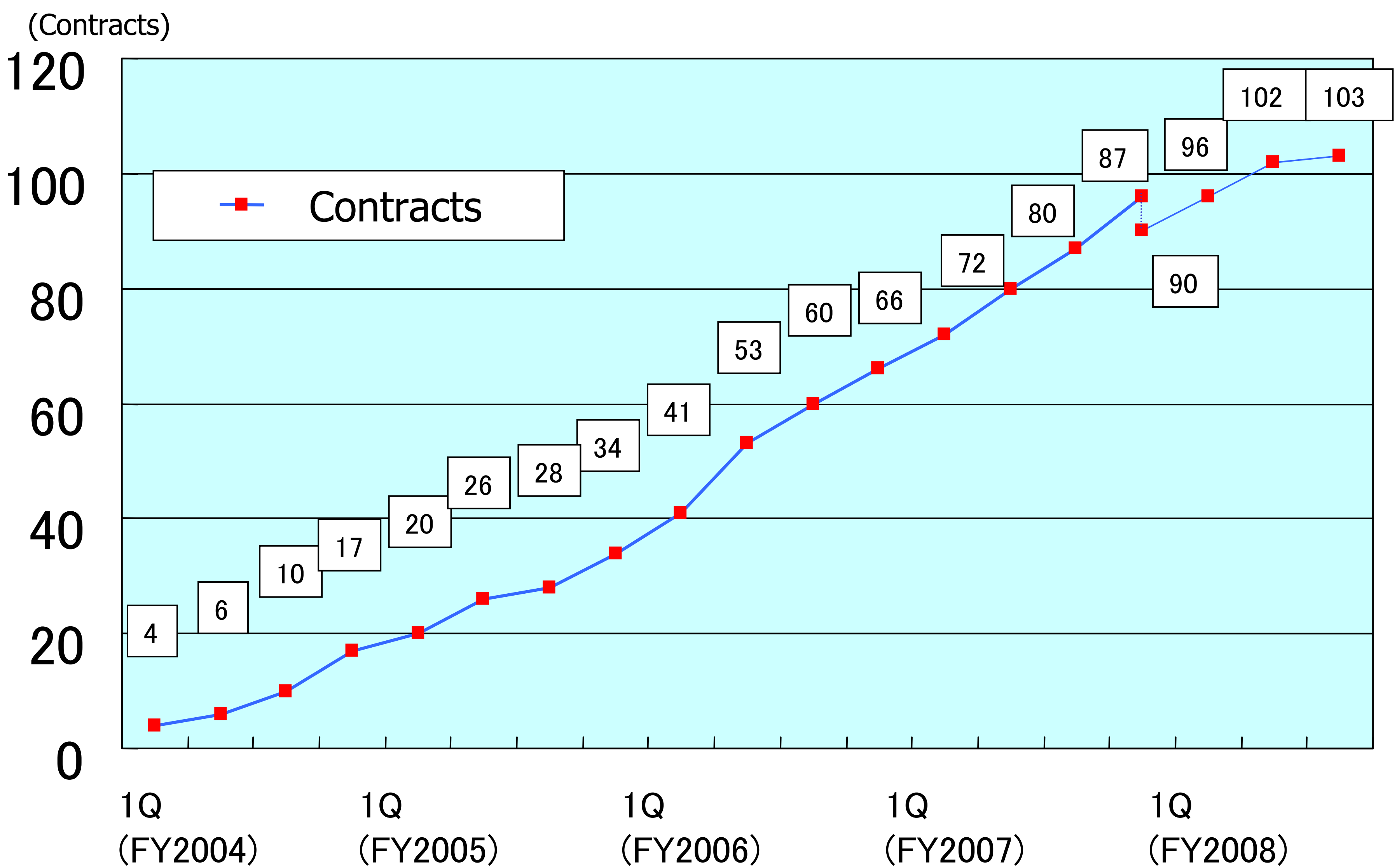
- Drastic improvement on the production side
- Operamaster and Kit products
  - Preparing for new rollout of Operamaster
  - Improved services for Operamaster clients
  - Seminars aimed at Operamaster hospitals
  - Raise proliferation rated at Pre-Operamaster hospitals
- Non-woven fabrics
  - Surem strategy rolled out, centering on Tigalyer line

External Environment and Strategies for Remainder of Fiscal 1 year

- ●Realignment of raw materials costs due to falling crude oil prices
- ●Develop competitive products
- ●Adopt rigorous cost controls
- ●Nurture human resources; train employees

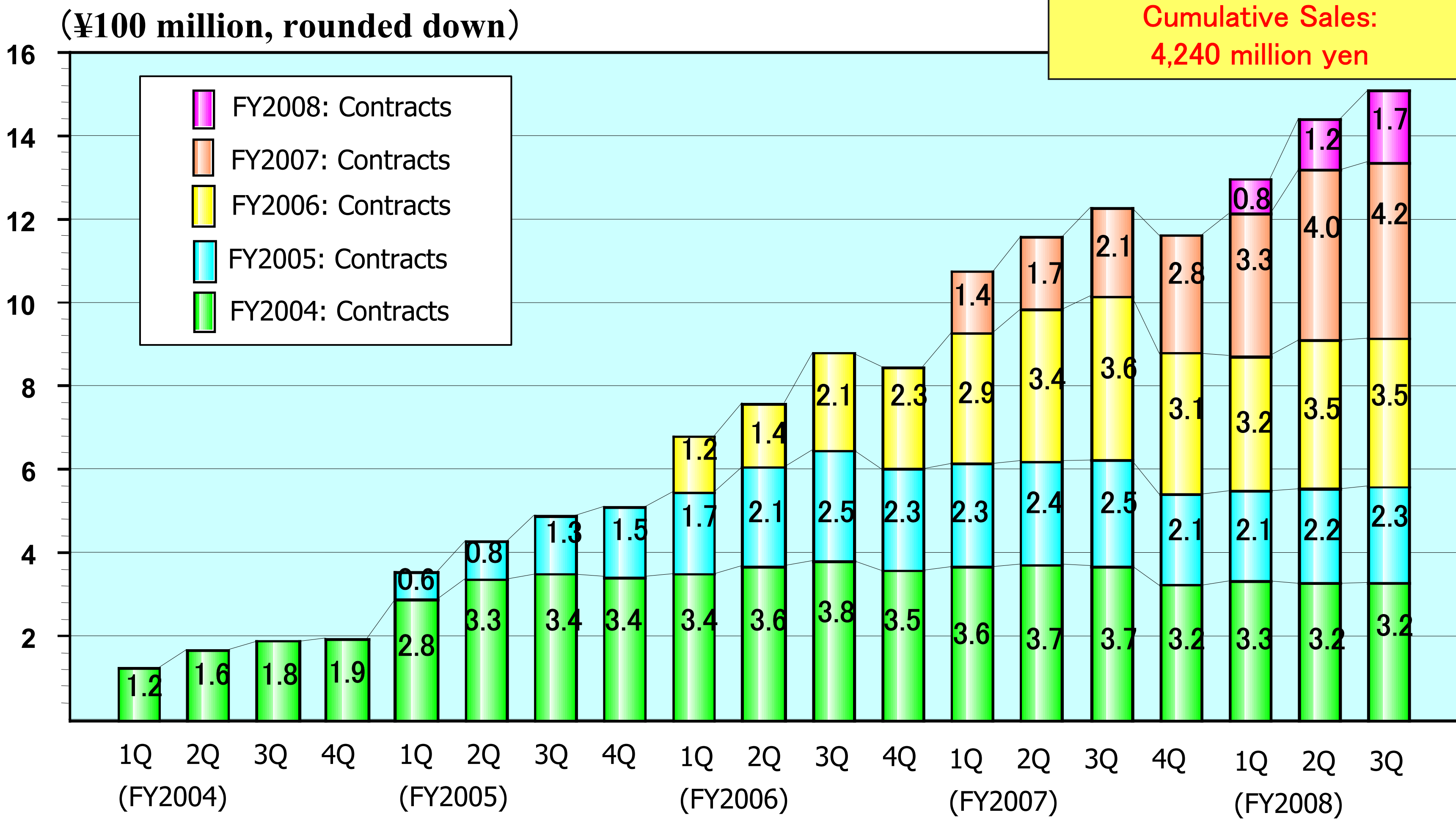
Overview

Contracts for Operamaster

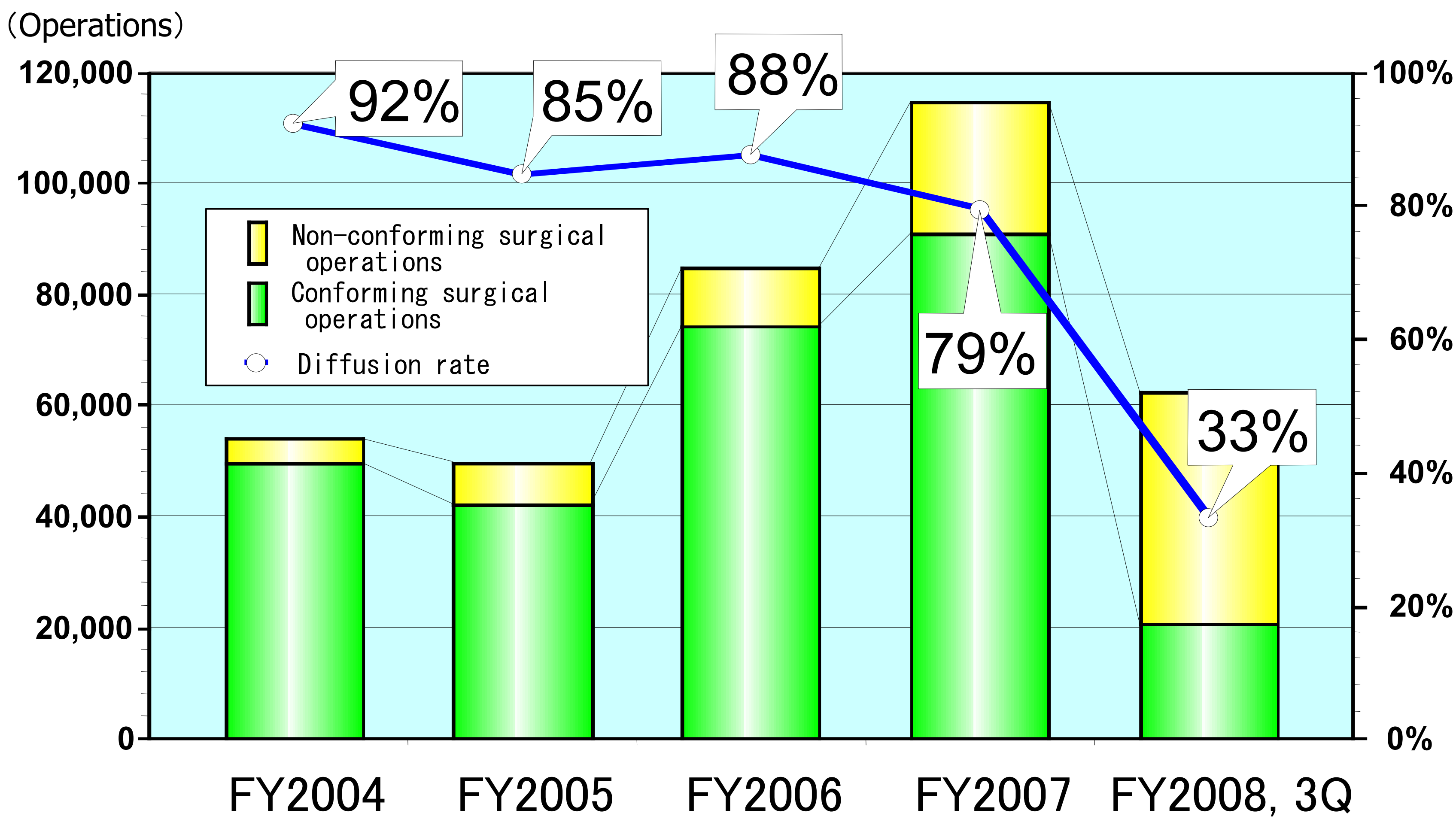


Sales of Operamaster

Contracts:16
(Cumulative contracts:103)
Cumulative Sales:
4,240 million yen



Contracts for Operamaster and Number of Operations



＊As of December 31, 2008

Fiscal 2008-First 3 Quarters Income Statements

(Unit: million yen, rounded down)	Fiscal 2007 First 3 Quarters Results		Fiscal 2008 First 3 Quarters Results		Year-on-Year Comparison	
	Amount	% of Total	Amount	% of Total	Amount	%
Net sales	22,078		23,583		1,504	106.8%
Cost of sales	10,661	48.3%	11,740	49.8%	1078	110.1%
Gross profit	11,417	51.7%	11,843	50.2%	426	103.7%
SG & A expenses	5,867	26.6%	6,103	25.9%	235	104.0%
Operating income	5,549	25.1%	5,740	24.3%	190	103.4%
Non-operating income/loss	32		49		17	
Ordinary income	5,581	25.3%	5,789	24.5%	208	103.7%
Extraordinary income/loss	15		−1,115		−1,130	
Net income	3,352	15.2%	2,803	11.9%	−549	83.6%
EPS	223.02 yen		186.46 yen			

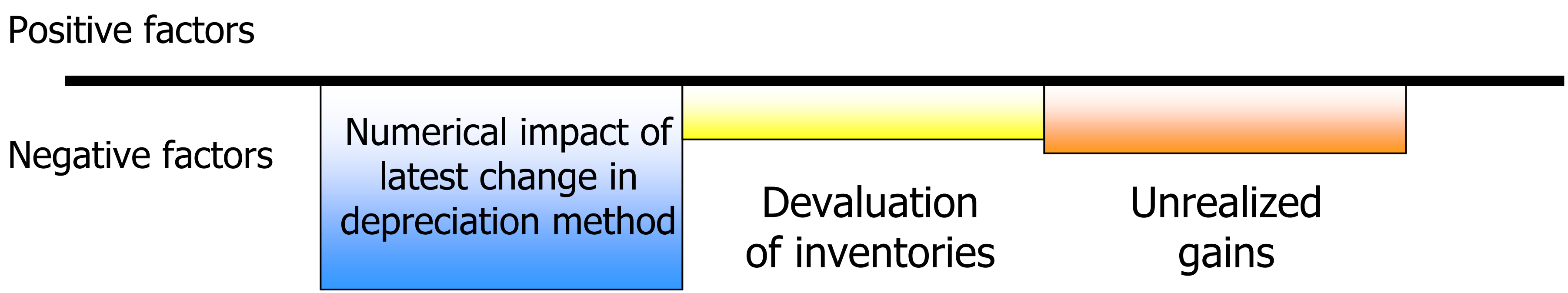
Fiscal 2008-First 3 Quarters Cost Analysis

Cost of sales ratio: Up 1.5 points year-on-year comparison

In addition to declining productivity, the cost of sales ratio has worsened for reasons given below.

Fiscal 2007 (3Q): 48.3% → Fiscal 2008 (3Q): 49.8%

Non-consolidated: 49.5%→50.2%（excluding effects of devaluation and change to method of depreciating inventories: 48.2%）



＊Change in depreciation method

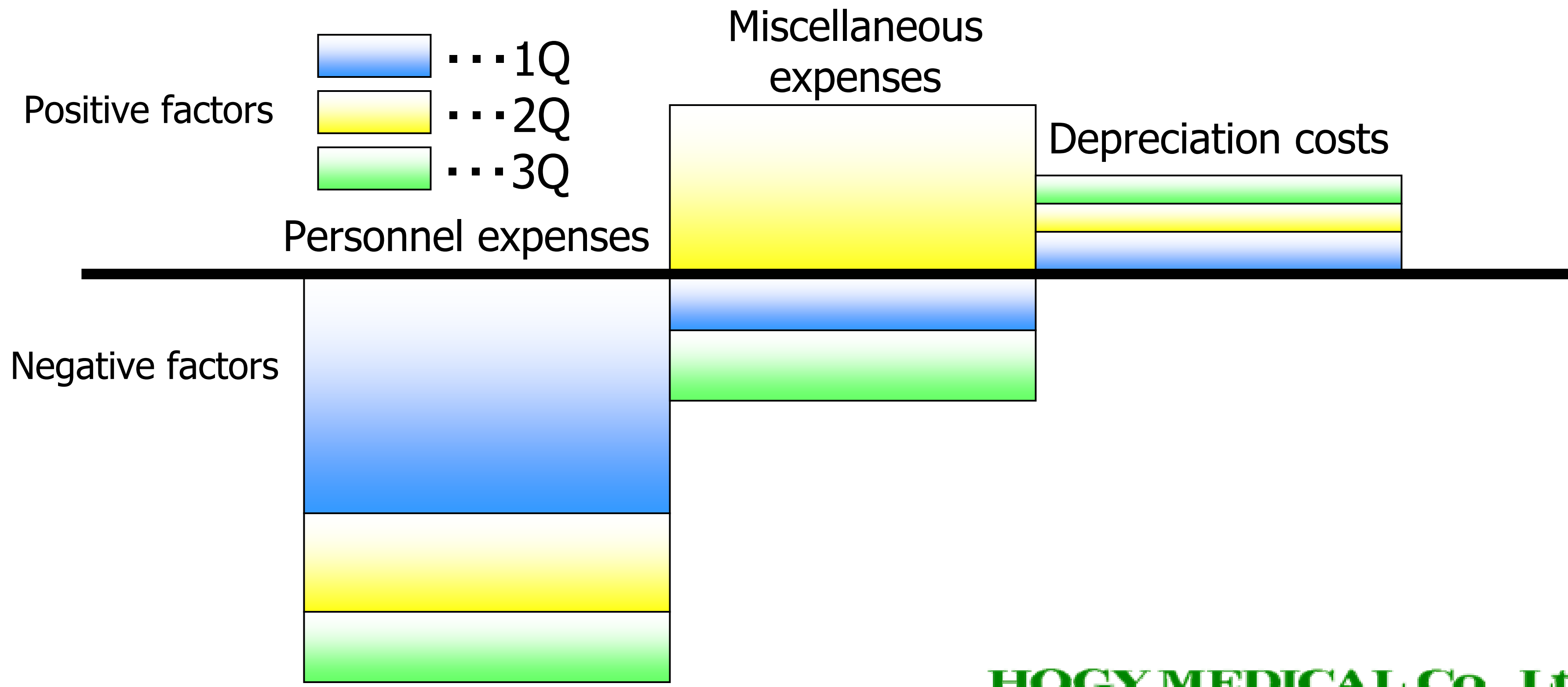
Under a revision to the taxation system in fiscal 2008, the Company modified its depreciation system. This led to a ¥294 million increase in depreciation in the three-quarter period under review.

Fiscal 2008-First 3 Quarters SG&A Expenses Analysis

SG&A Expenses: Up ¥235 million year-on-year comparison

Fiscal 2007 (3Q cumulative): ¥5,867 million

Fiscal 2008 (3Q cumulative): ¥6,103 million



Fiscal 2008-First 3 Quarters Summary of Income Statements

	Fiscal 2007 3Q Results	% of Total	Fiscal 2008 3Q Results	% of Total	Increase/ Decrease (millions of yen)	%	Main reasons for changes
Net sales	22,078		23,583		1,504	6.8%	■ Kit products (12.8% up; includes Operamaster: 20.3% up, regular kit products: 7.8% up); Non-woven fabrics (0.1% down); Mekkin bag (2.4% down)
Cost of sales	10,661	48.3%	11,740	49.8%	1078	10.5%	■ Depreciation: ¥248 million: Unrealized gains (internal profit): ¥83million; Valuation of inventories: ¥74 million
Gross profit	1,1417	51.7%	11,843	50.2%	426	3.7%	
SG&A expenses	5,867	26.6%	6,103	25.9%	235	4.0%	■ Employees' bonuses: ¥130 million; Employees' salaries: ¥73 million: Legal welfare expenses: ¥34 million; Transportation costs: ¥42 million; ■ Travel expenses: ¥46 million; Depreciation: -¥50 million; Prototype costs: -¥43 million; Miscellaneous expenses: -¥46 million
Operating income	5,549	25.1%	5,740	24.3%	190	3.4%	

Fiscal 2008-First 3 Quarters Summary of Income Statements

	Fiscal 2007 3Q Results	% of Total	Fiscal 2008 3Q Results	% of Total	Increase/ Decrease (millions of yen)	%	Main reasons for changes
・Interest income	15		5		−9		
・Dividend income	20		53		32		■ Mizuho: ¥15 million; Mediceo: ¥15 million; Asahi Intec: ¥9 million; Gunze: ¥7 million; MANI: ¥2 million
・Exchange gain	12		–		−12		
・Miscellaneous income	36		105		69		■ Ushiku City Corporate Incentive Grant: ¥36 million; Gain on cancellation of insurance contract: ¥14 million
Non-operating income	85		164		79		
・Interest expenses	49		39		−10		■ Incurred due to borrowings
・Exchange loss	–		72		72		■ Loss on market valuation of (U.S. dollar) loan to P.T. Hogy Indonesia: ¥81 million
・Miscellaneous loss	3		3		0		
Non-operating expenses	53		115		62		
Ordinary income	5,581	25.3%	5,789	24.5%	208	3.7%	

Fiscal 2008-First 3 Quarters Summary of Income Statements

	Fiscal 2007 3Q Results	% of Total	Fiscal 2008 3Q Results	% of Total	Increase/ Decrease (millions of yen)	%	Main reasons for changes
・Gain on disposal of fixed assets	0		1		0		
・Others	21		9		−12		
Extraordinary income	22		10		−11		
・Loss on disposal of fixed assets	7		2		−4		
・Others	−		1,123		1,123		■ Loss on valuation of shareholdings (Mediceo Paltac Holdings, Gunze, Toyota Industries, Sun A. Kaken) due to market price declines
Extraordinary expenses	7		1,125		1,118		
Income before income taxes and minority interests	5,596	25.3%	4,674	19.8%	−922	−16.5%	
・Income taxes	2,243	10.2%	1,870	7.9%	−372		
・Minority interests	0		1		0		
Net income	3,352	15.2%	2,803	11.9%	−549	−16.4%	

Fiscal 2008-First 3 Quarters Summary of Balance Sheets

	Fiscal 2007 (At March 31, 2008)	Fiscal 2008 3Q	Increase/ Decrease (millions of yen)	%	Main reasons for changes
Assets					
Current assets	25,962	27,248	1,285	5.0%	
Cash and bank deposits	11,138	10,587	-550	-4.9%	
Notes and accounts receivable	8,487	10,167	**1,679**	19.8%	■ Notes receivable at December 31, 2008: ¥819 million
Inventories	5,674	5,773	99	1.7%	
Other current assets	662	720	57	8.8%	
Fixed assets	35,551	33,441	-2,110	-5.9%	
Tangibles	29,547	28,282	-1,264	-4.3%	
Buildings and structures	13,213	12,604	**-609**	-4.6%	■ Due to depreciation
Machinery and vehicles	7,231	5,960	**-1,271**	-17.6%	■ Due to depreciation
Construction in progress	1,025	2,089	**1,064**	103.8%	■ Land in Ushiku City: ¥452 million; New EB sterilizer: ¥400 million
Other assets	8,075	7,627	-447	-5.5%	■ “Land” changed to “Leasehold” (due to standardization of accounting treatment for overseas subsidiaries)
Intangibles	463	742	279	60.3%	■ “Land” changed to “Leasehold” (due to standardization of accounting treatment for overseas subsidiaries)

Fiscal 2008-First 3 Quarters Summary of Balance Sheets

	Fiscal 2007 (At March 31, 2008)	Fiscal 2008 3Q	Increase/ Decrease (millions of yen)	%	Main reasons for changes
Investments and other assets	5,540	4,415	−1,125	−20.3%	
Investment securities	3,038	2,218	−819	−27.0%	■ Increase in loss on market valuation of shares: −¥706 million → −¥1,526 million
Insurance reserve	483	424	−59	−12.2%	
Other assets	2,019	1772	−246	−12.2%	
Total assets	61,514	60,689	−824	−1.3%	

Fiscal 2008-First 3 Quarters Summary of Balance Sheets

	Fiscal 2007 (At March 31, 2008)	Fiscal 2008 3Q	Increase/ Decrease (millions of yen)	%	Main reasons for changes
Liabilities					
Current liabilities	7,642	6,290	−1,352	−17.7%	
Notes and accounts payable	3,711	3,874	163	4.4%	
Long-term debt due within 1 year	1,000	1,000	−	0.0%	
Accrued income tax	1,674	459	−1,214	−72.6%	
Other current liabilities	1,256	955	−301	−24.0%	
Long-term liabilities	4,240	3,290	−949	22.4%	
Long-term debt	2,925	2,000	−925	31.6%	■ Repaid loans
Deferred income taxes	97	69	−27	28.9%	
Reserve for employees' retirement benefits	384	409	25	6.5%	
Long-term payables	397	394	−2	−0.8%	
Negative goodwill	125	104	−20	−16.8%	
Other long-term liabilities	310	312	1	0.6%	
Total liabilities	11,883	9,581	−2,301	−19.4%	

Fiscal 2008-First 3 Quarters Summary of Balance Sheets

	Fiscal 2007 (At March 31, 2008)	Fiscal 2008 3Q	Increase/ Decrease (millions of yen)	%	Main reasons for changes
Net Asset					
Shareholders' equity	49,834	51,524	1,690	3.4%	
Common stock and capital surplus	15,459	15,459	–	0.0%	
Earned surplus	41,479	43,175	1,696	4.1%	
Treasury stock	−7,104	−7,110	−5	0.1%	
Valuation/translation adjustments	−217	−431	−213	98.6%	
Net unrealized gains or losses on securities	−425	−242	182	−43.1%	■ Share valuation loss
Deferred hedging gains or losses	265	−20	−285	−107.5%	■ Decline in gain on foreign exchange contract valuation (FY2008, 3Q)
Translation adjustments	−57	−168	−111	194.7%	
Minority interest	14	14	0	0.0%	
Total net assets	49,631	51,108	1,477	3.0%	
Total liabilities and net assets	61,514	60,689	−824	−1.3%	

Fiscal 2008-First 3 Quarters Summary of Cash Flows

	Fiscal 2007 (At March 31, 2008)	Fiscal 2008 3Q	Increase/ Decrease (millions of yen)	Main reasons for changes
Ⅰ Net cash provided by operating activities	4,918	2,888	-2,029	
Income before income taxes and minority interest	5,596	**4,674**	-922	
Depreciation	2,029	**2,227**	198	
Loss on valuation of investment securities	-	**1,123**	1,123	■ Loss on valuation of shareholdings (Mediceo Paltac Holdings, Gunze, Toyota Industries, Sun A. Kaken) due to market price declines
Notes and accounts receivable	-878	-1,725	-847	■ Because fiscal 2007 year-end fell on a public holiday, settlement of money received and accounts receivable was delayed until fiscal 2008, causing cash flows to increase in fiscal 2008.
Inventories	3	-217	-221	
Notes and accounts payable	609	221	-397	
Income taxes paid	-2,415	**-3,086**	-670	■ Increase in tax expenses (FY2007)
Others	-27	-318	-290	
Ⅱ Net cash used in investing activities	-1,159	-1,511	-352	
Purchase of tangible fixed assets	-750	**-1,437**	-686	■ Land in Ushiku City: ¥452 million; New EB Sterilizer: ¥400 million; Toyota Industries: ¥63 million (Fiscal 2008, 3Q)
Purchase of intangible fixed assets	-103	-115	-11	
Others	-305	40	346	

Fiscal 2008-First 3 Quarters Summary of Cash Flows

	Fiscal 2007 (At March 31, 2008)	Fiscal 2008 3Q	Increase/ Decrease (millions of yen)	Main reasons for changes
Ⅲ Net cash used in financing activities	−1,829	−1,921	−91	
Repayments of long-term debt	−925	−925	−	■ Repayment of borrowings
Cash dividend paid	−901	−990	−89	■ FY 2008 (1Q) : ¥23.00 (up from ¥20.00)
Others	−3	−5	−2	
Ⅳ Effect of exchange rate changes on cash and cash equivalents	6	−17	−23	
Ⅴ Net change in cash and cash equivalents	1,934	−562	−2,497	
Ⅵ Cash and cash equivalents at beginning of year	7,825	10,838	3,013	
Ⅶ Cash and cash equivalents at end of year	9,760	10,276	516	

Full-Year Projections

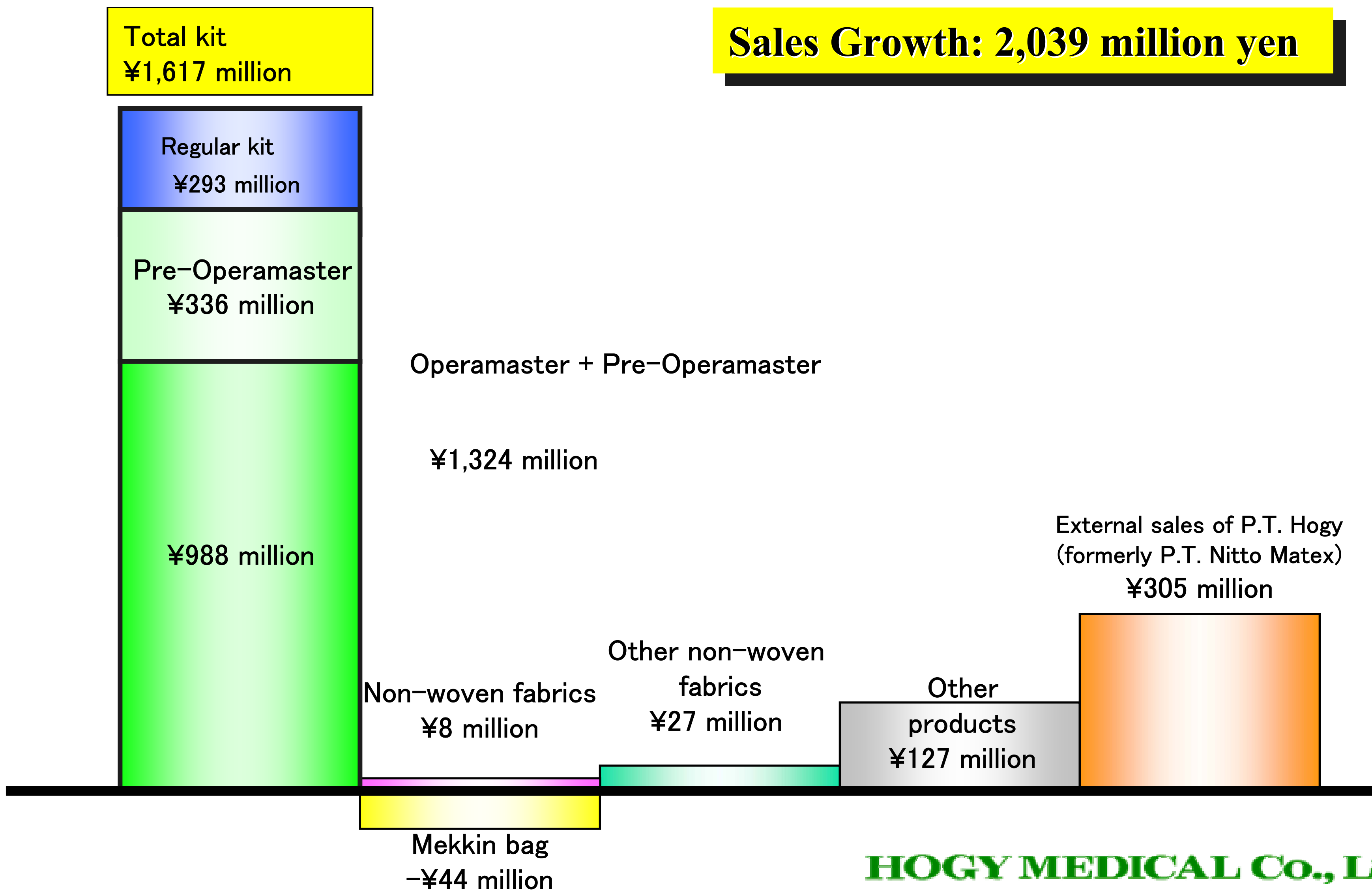
Fiscal 2008 Income Statement (Revised Plan)

(Unit: million yen, rounded down)	Fiscal 2007 Results		Fiscal 2008 Initial Plans		Fiscal 2008 Revised Plans		Year-on-Year Comparison		Initial Plan Comparison	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	%	Amount	%
Net sales	29,010		31,150		31,050		2,039	107.0%	−100	99.7%
Cost of sales	14,093	48.6%	14,850	47.7%	15,580	50.2%	1,486	110.5%	730	104.9%
Gross profit	14,916	51.4%	16,300	52.3%	15,470	49.8%	553	103.7%	−830	94.9%
SG & A expenses	7,684	26.5%	8,200	26.3%	8,000	25.8%	315	104.1%	−200	97.9%
Operating income	7,232	24.9%	8,100	26.0%	7,470	24.1%	237	103.3%	−630	92.2%
Non-operating income/loss	54		40		20		−34		−20	
Ordinary income	7,285	25.1%	8,140	26.1%	7,490	24.1%	204	102.8%	−650	92.0%
Extraordinary income/loss	−460		−300		−1,120		−660		−820	
Net income	4,054	14.0%	4,660	15.0%	3,790	12.2%	−264	93.5%	−870	81.3%
EPS	269.73 yen		310.01 yen		252.13 yen					

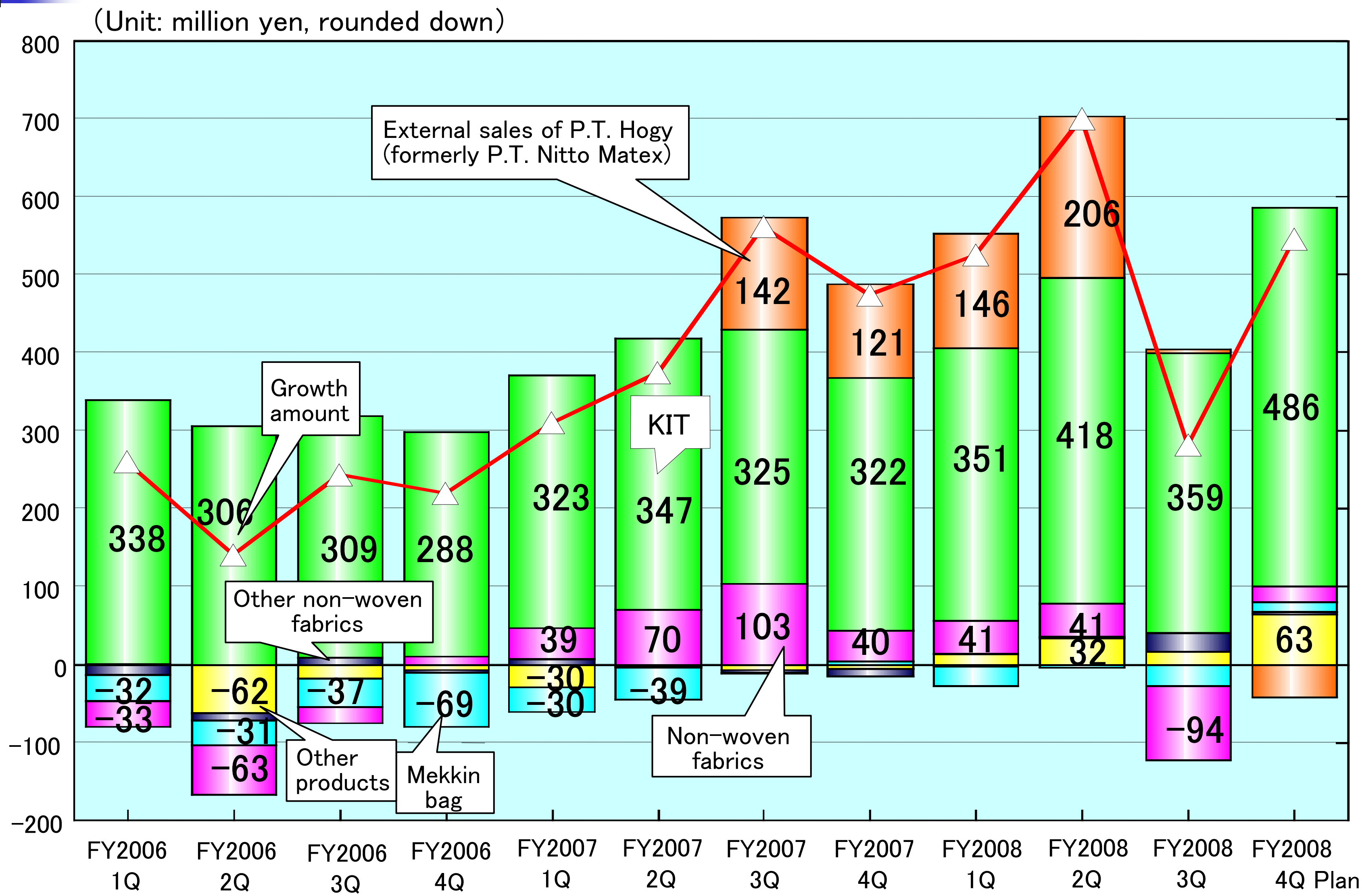
Revision of Full-Year Forecast (Net Sales)

(Unit: million yen, rounded down)	Fiscal 2007 Results	Fiscal 2008 Initial Plans	Fiscal 2008 Revised Plans	Initial Plan Comparison		Year-on-Year Comparison	
				Amount	%	Amount	%
Kit products	11,684	13,620	13,300	−320	97.7%	1,615	113.8%
Non-woven fabrics	10,951	11,180	10,960	−220	98.0%	8	100.1%
Mekkin bag	3,084	3,080	3,040	−40	98.7%	−44	98.6%
Other non-woven fabrics	1,372	1,378	1,400	22	101.6%	27	102.0%
Other products	1,652	1,622	1,780	158	109.4%	127	107.7%
External sales of P.T. Hogy	264	270	570	300	211.1%	305	215.8%
Total	29,010	31,150	31,050	−100	99.7%	2,039	107.0%

Fiscal 2008 Sales Growth by Major Products (Revised Plan)



Revision of Full-Year Forecast (Net Sales)



Revision of Full-Year Forecast (Net Sales)

- Reason for revision of net sales forecast

Having considered market conditions, the Company decided to reflect current revenue in its most recent figures.

- Operamaster

Number of contracts

Cumulative total: 135 (45 new contracts)

→Cumulative total: 108 (21 new contracts; 3 cancelled contracts)＋Pre-Operamaster

Sales

Initial plan：¥7.24 billion

Revised plan: ¥7.0 billion (including Pre-Operamaster)

Revision of Full-Year Forecast (Cost of Sales)

- Reasons for reassessing estimated useful-life years of machinery and equipment

To alleviate depreciation burden over the medium and long terms

The Company undertook a serious reassessment of the estimated useful-life years of machinery and equipment. In the third quarter, it also modified its depreciation system, a process that required some time.

- Depreciation plan

Initial plan: ¥2,605 million (cost of sales： ¥1,764 million)

Revised plan：¥2,995 million (cost of sales： ¥2,238 million)

Revision of Full-Year Forecast (Cost of Sales)

- Loss on valuation of inventories

  Initial plan: ¥250 million (treated as extraordinary loss)

  Revised plan: ¥160 million (treated as part of cost of sales)

- Unrealized gains

  ¥35 million increase

Breakdown of Revised Forecasts
(SG&A, Non-Operating Items, Extraordinary Items)

- SG&A expenses

  Depreciation costs：−¥90 million

  Prototype costs: −¥60 million

  Communication costs: −¥38 million

- Non-operating Items

  Loss on valuation of (U.S. dollar) loan to subsidiary, due to yen's appreciation

- Extraordinary Items

  Loss on valuation of investment securities: ¥1,123 million

Change on Tax Treatment of Depreciation

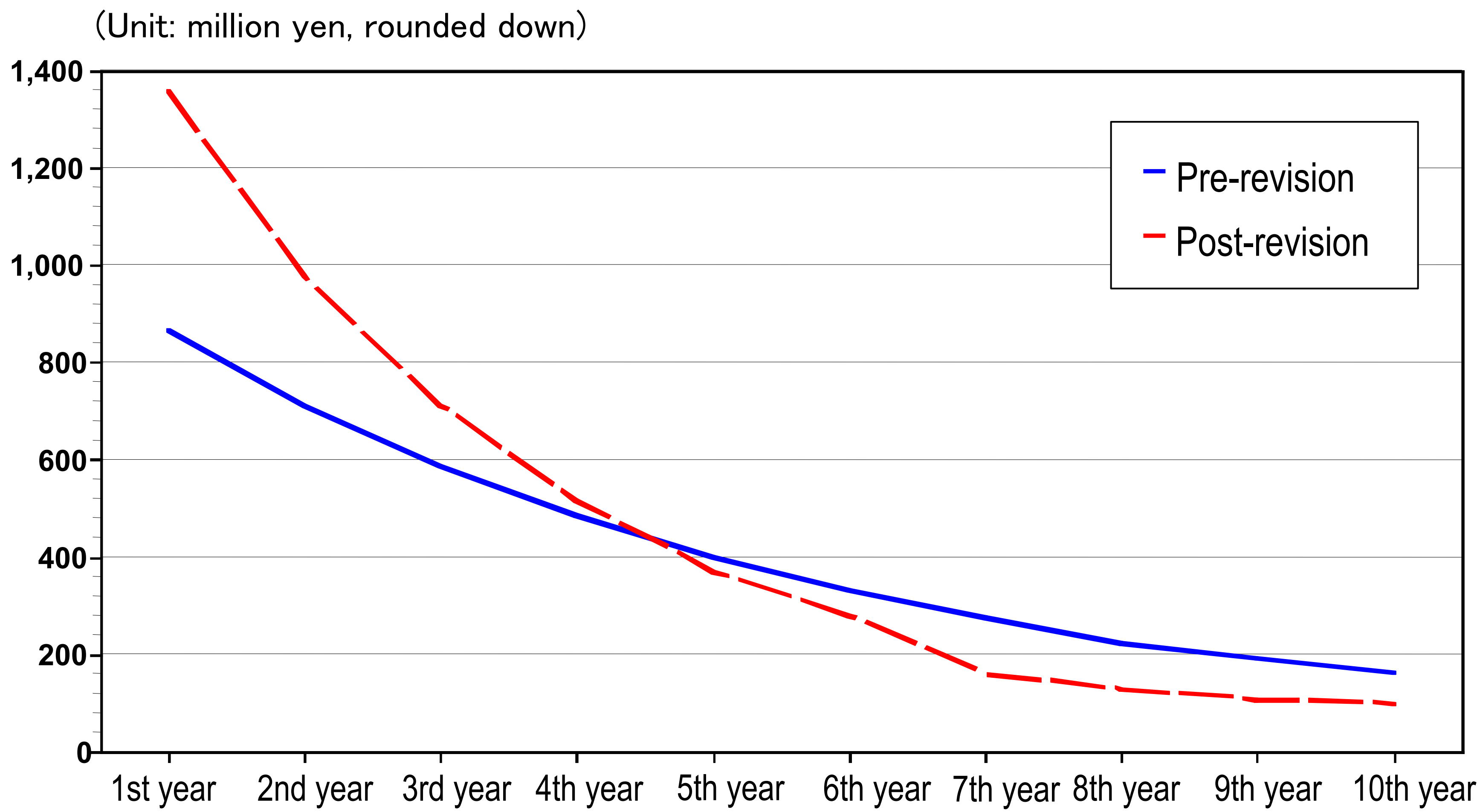
Taking advantage of a revision to the Corporate Taxation Law in fiscal 2008, the Company reassessed the estimated useful-life years of machinery and equipment

Effect on fiscal 2008 results

Depreciation: ¥390 million increase

Change on Tax Treatment of Depreciation

●Machinery and equipment affected by the revision



HOGY

FASF MEMBERSHIP

January 20, 2009

Financial Report First 3 Quarters of Fiscal 2008

（April 1 – December 31, 2008）

Jun-ichi Hoki, President and CEO

Kazuo Takahashi, Executive Officer, Management Planning Dept.

Yukio Ishii, General Manager, Administration Div.