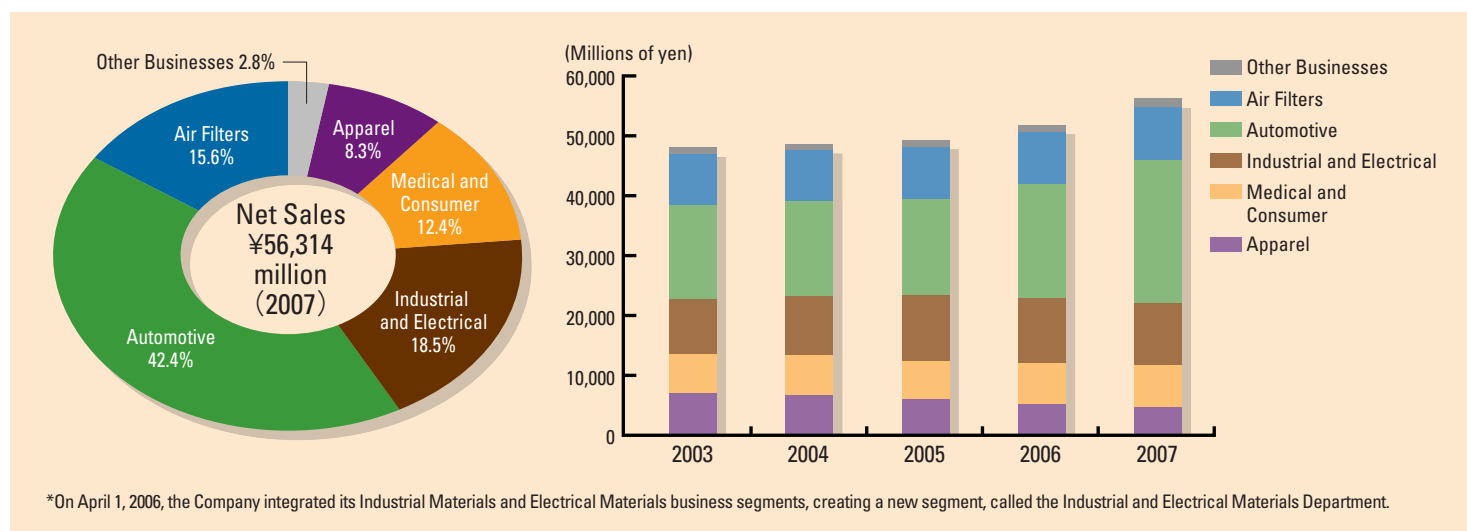
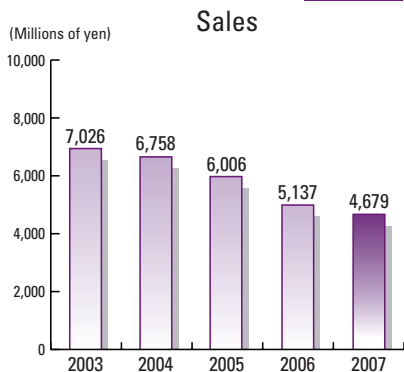


Review of Operations

Sales Breakdown by Business Segment

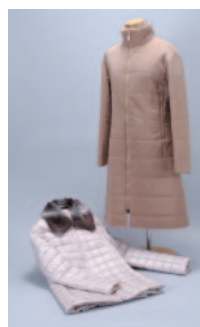


Apparel Materials



Sales of apparel materials decreased 8.9% from the previous year to ¥4,679 million.

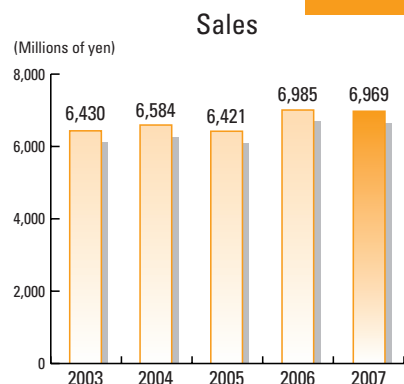
During the year, sales prices for interlinings in Japan continued to fall, although by a lesser margin than in the previous year. Our efforts to develop new products and expand sales contributed to an increase in sales of woven interlinings. However, sales of nonwoven interlinings edged down slightly. Sales of wadding materials declined significantly due to a decline in production of winter apparel stemming from a relatively warm winter. By contrast, sales at our overseas equity-method affiliate increased.



Main Products

Interlinings, bonded wadding, handicraft materials and sewing notions

Medical and Consumer Materials



Sales of medical and consumer materials edged down 0.2% to ¥6,969 million.

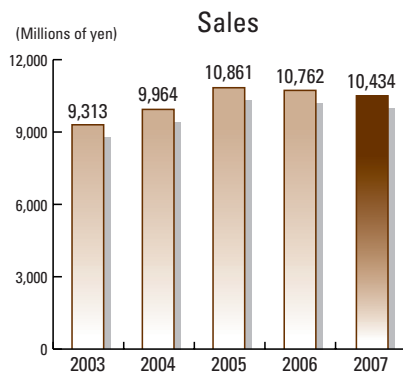
While the market for cold compress base materials is expanding, sales in this segment declined due to aggressive marketing campaigns by makers of competing products, and declining pharmaceutical prices. Sales of dust masks for industrial use increased, thanks to a recovery in the domestic economy and the beneficial effect of sales promotion activities for the launch of a new product. Owing to concentrated efforts to increase sales volumes amid strong consumer demand for price reductions, we were able to maintain sales of dust mops for commercial use at the previous year's level.



Main Products

Pharmaceutical materials, cosmetic base materials, hospital supplies, masks, consumer goods and food product packing materials

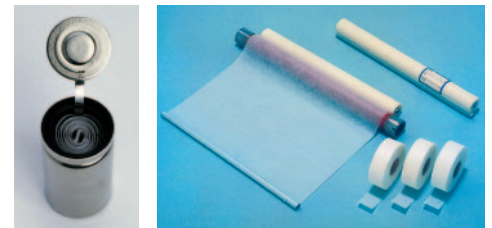
Industrial and Electrical Materials



*On April 1, 2006, the Company integrated its Industrial Materials and Electrical Materials business segments, creating a new segment, called the Industrial and Electrical Materials Department.

Sales of industrial and electrical materials declined 3.0% to ¥10,434 million.

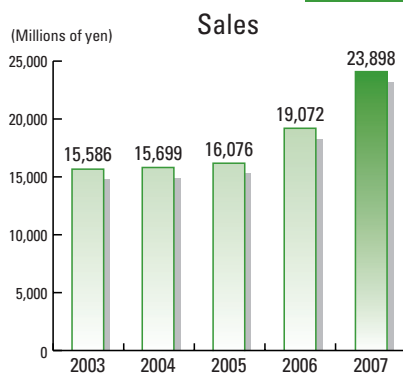
Sales of separators used in small nickel-cadmium and nickel-hydrogen secondary batteries declined due to adverse market conditions and the impact of rising nickel prices. Our efforts to increase sales of separators used in hybrid vehicles led to a substantial increase in sales over the previous year. We benefited from higher sales of hybrid vehicles in the North American market, attributable to the launch of new models, soaring gasoline prices, and heightened awareness concerning protection of the environment. Sales of photocopier cleaning rolls dropped as a result of inventory cutbacks by a major customer. However, sales of liquid filters rose, thanks to firm sales of cartridge filters used in semiconductor devices and solid demand from the beverage sector. Sales of bases used in separation membranes in the wastewater treatment sector also rose. Sales of printed circuit board substrates remained mostly unchanged amid solid demand for substrates used in flat-screen televisions.



Main Products

Industrial, information, and audio equipment supplies, industrial processing materials, shoe and bag backing materials, electrical insulation materials and battery materials

Automotive Materials



Sales of automotive materials jumped 25.3% to ¥23,898 million.

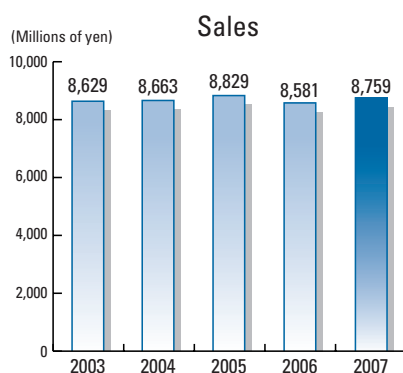
We achieved substantial increases in sales of floor mats despite a slight fall in domestic sales stemming from a drop in new car sales. The overall increase was attributable to increased production and development of products with added functions for Japanese automakers, which are our major customers in North America and performed strongly during the year. Sales of interior materials and headliner materials rose thanks to an increase in vehicles produced for export and the introduction of new products. We recorded strong growth in sales of engine intake air filters and other automobile filters owing to growth in sales of new offerings.



Main Products

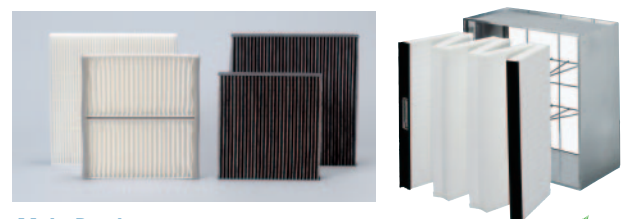
Automobile components and automobile accessories

Air Filters



Sales of air filters rose 2.1% to ¥8,759 million.

Despite ongoing sales campaigns to promote our new, environmentally friendly products, sales of medium- and high-function air filters declined. This was due mainly to intense price competition and lengthening replacement cycles. Sales of cabin air filters for automotive use remained steady, thanks to higher sales of deodorizing filters amid continuing price reductions. Strong sales of built-in air filters for air conditioners and office equipment contributed to an increase in sales of built-in air filters, despite struggling domestic sales for filters used in air purifiers.



Main Products

Air filters and equipment, dust collectors, clean room equipment and systems and car cabin air filters

Ecoalpha