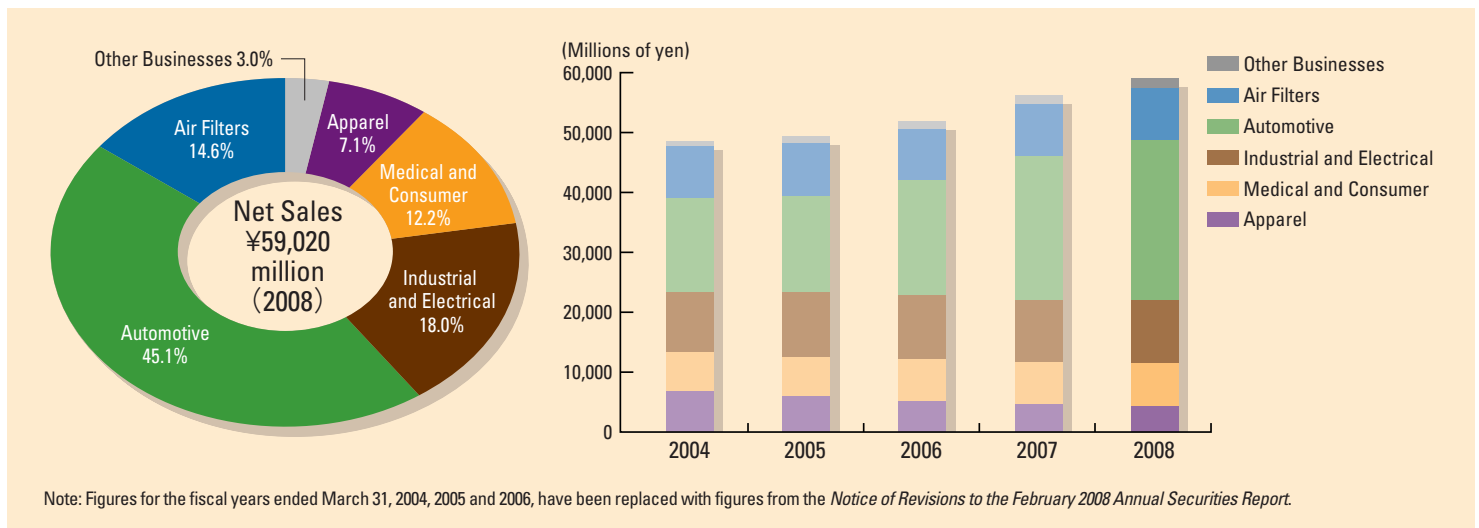
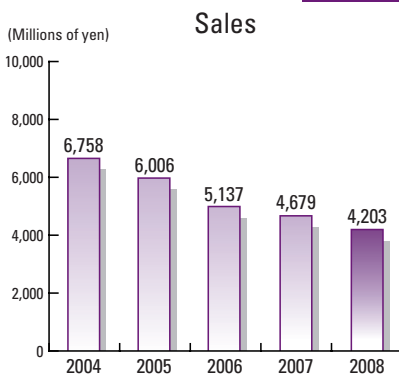


Review of Operations

Sales Breakdown by Business Segment



Apparel Materials



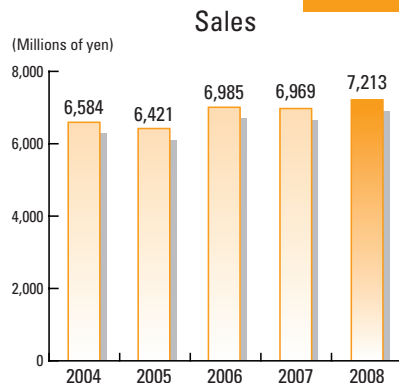
Sales of apparel materials decreased 10.2% from the previous year, to ¥4,203 million. Sales of nonwoven interlinings declined, despite higher sales of new products, largely due to the transfer of production to offshore bases with a subsequent rise in local procurement of secondary materials. Performance by woven interlinings was similarly affected by offshore procurement and a shift of the Group's production bases overseas. Wadding material sales also fell because of cutbacks in the production of winter apparel used in the Company's products. Our overseas equity-method affiliate experienced reduced profits as a result of intensified competition and rising raw material prices, but operations expanded steadily for wadding materials and nonwoven and woven interlinings in terms of sales and volumes.



Main Products

Interlinings, bonded wadding, handcraft materials and sewing notions

Medical and Consumer Materials



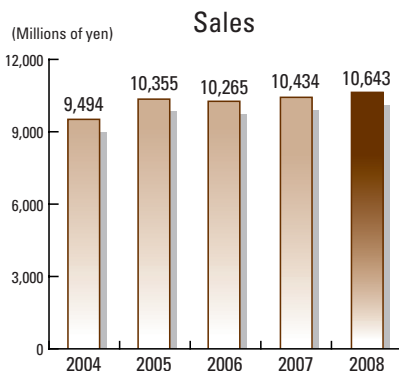
Sales of medical and consumer materials grew 3.5%, to ¥7,213 million. Sales of cold compress base materials rose, spurred by increased sales to new customers in Japan and overseas. Industrial dust mask sales maintained their previous year's levels, despite lower sales prices arising from an influx of competing products from overseas as a result of total changeovers to new products and rising safety awareness among users.



Main Products

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

Industrial and Electrical Materials



Note : Figures for the fiscal years ended March 31, 2004, 2005 and 2006, have been replaced with figures from the Notice of Revisions to the February 2008 Annual Securities Report.

Sales of industrial and electrical materials increased 2.0%, to ¥10,643 million. Sales of separators for nickel-hydrogen batteries rose significantly, aided by expanded applications as dry battery alternatives in Japan, Europe and the United States. Battery separators for hybrid vehicles also posted substantial sales growth as a result of global gasoline price hikes and rising environmental awareness. Sales of separators for nickel-cadmium batteries were down year on year, attributable to cuts in sales volumes for general tools caused by falling residential construction in North America. Sales of photocopier cleaning rolls fell on trends away from installation by manufacturers. Inventory adjustments by Japan Vilene's major corporate clients pushed down sales of liquid filters.

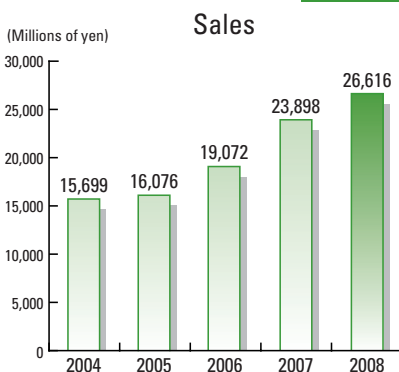
Sales gains were achieved by roll materials for steel production and buffer materials, led by demand from the automobile industry. Demand for chemical lace bounced back, with resounding increases in sales. Sales of printed circuit board substrates eased, affected by production adjustments for major users shifting the manufacturing of their products to overseas bases.



Main Products

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

Automotive Materials



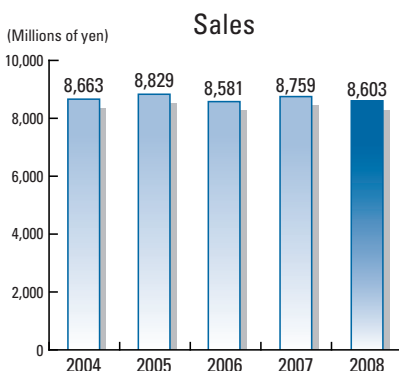
Sales of automotive materials jumped 11.4%, to ¥26,616 million. Sales of floor mats posted substantial increases in North America, attributable to new business from Japanese automobile manufacturers and robust sales of vehicles using our products. In Japan, floor mat sales held steady at the previous year's levels, despite stagnant sales of new cars in Japan. Sales of interior materials grew soundly, spurred by adoption of new high-performance products meeting the environmental requirements of car manufacturers, and increased sales of models utilizing our products. Automotive headliner materials also expanded, fueled by new products with improved designs and growth in the production of cars using our materials.



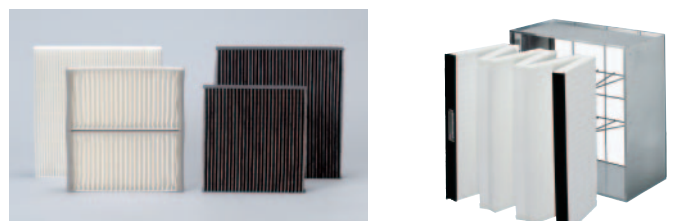
Main Products

Automobile components and automobile accessories

Air Filters



Sales of air filters slipped 1.8%, to ¥8,603 million. We promoted marketing strategies to differentiate our medium- and high-function air filters for buildings and industrial applications through environmentally friendly products. However, sales declined on the impact of reductions in major office building construction, price competition and extensions to the exchange cycle for filters. Car cabin air filter sales grew on standardization of dust filters among major users. In our built-in filter sales business, domestic sales for air purifiers and OA equipment declined.



Main Products

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

Ecoalpha