

Consolidated Semiannual Financial Summary (for the fiscal year ending March 31, 2007)

Listed company name: **Nitto Denko Corporation**

Code Number: 6988

Stock exchange listings: Tokyo, Osaka, First Section

Head office: Osaka, Japan

(URL <http://www.nitto.com/>)

Company representative: President, Masamichi Takemoto

Contact person: General Manager, Investor Relations Group, Accounting and Finance Dept.

Name Hideki Komai TEL(06) 6452-2101

Date of the board of directors' meeting for the semiannual financial statements: October 27, 2006

Adoption of the GAAP in the U.S. : No

(All monetary values noted herein are rounded down to the nearest million yen.)

1. Consolidated semiannual business results (From April 1, 2006 to September 30, 2006)

(1) Operational results

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
September, 2006	332,507	(11.5)	36,018	(14.4)	35.124	(17.8)
September, 2005	298,143	(15.0)	42,056	(11.6)	42.707	(10.0)
March, 2006	626,316		89,224		90,196	

	Net income (semiannual)		Earnings per share – Basic		Earnings per share - Diluted	
	Millions of yen	%	yen		yen	
September, 2006	21,180	(19.0)	128.	07	127.	88
September, 2005	26,143	(20.4)	158.	73	158.	53
March, 2006	55,306		332.	30	331.	72

Notes: Equity in earnings of affiliates and non-consolidated subsidiaries:

(September, 2006) 12 million yen (September, 2005) 9 million yen

(March, 2006) 14 million yen

Average number of shares outstanding (consolidated):

(September, 2006) 165,379,492 shares (September, 2005) 164,706,516 shares,

(March, 2006) 164,837,482 shares

Changes in accounting policies: No

Numbers in percentage in parentheses under the column of sales, operating income, ordinary income, and net income (semiannual) indicate changes in percentage from the corresponding period of the previous fiscal year.

(2) Financial condition

	Total assets	Net asset	Shareholders' equity to total assets	Net asset per share	
	Millions of yen	Millions of yen	%	yen	
September, 2006	579,069	349,592	60.1	2,090.	04
September, 2005	494,617	288,956	58.4	1,753.	24
March, 2006	556,934	321,464	57.7	1,943	73

Note: Number of shares outstanding at the term end (consolidated): (September, 2006) 166,416,672 shares (September, 2005) 164,812,483 shares, (March, 2006) 165,112,446 shares

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of term
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September, 2006	21,527	32,085	4,737	71,712
September, 2005	35,304	24,823	1,088	68,564
March, 2006	84,525	55,365	1,010	86,684

(4) Scope of consolidation and equity method

Consolidated subsidiaries: 109 Non-consolidated subsidiaries applicable of equity method: 6
Affiliates applicable of equity method: 1

(5) Changes in the scope of consolidation and the equity method

Consolidation (Inclusion): 3 (Exclusion): 1
Equity method (Inclusion): - (Exclusion): -

2. Projections for the year ending March 31, 2007 (From April 1, 2006 to March 31, 2007)

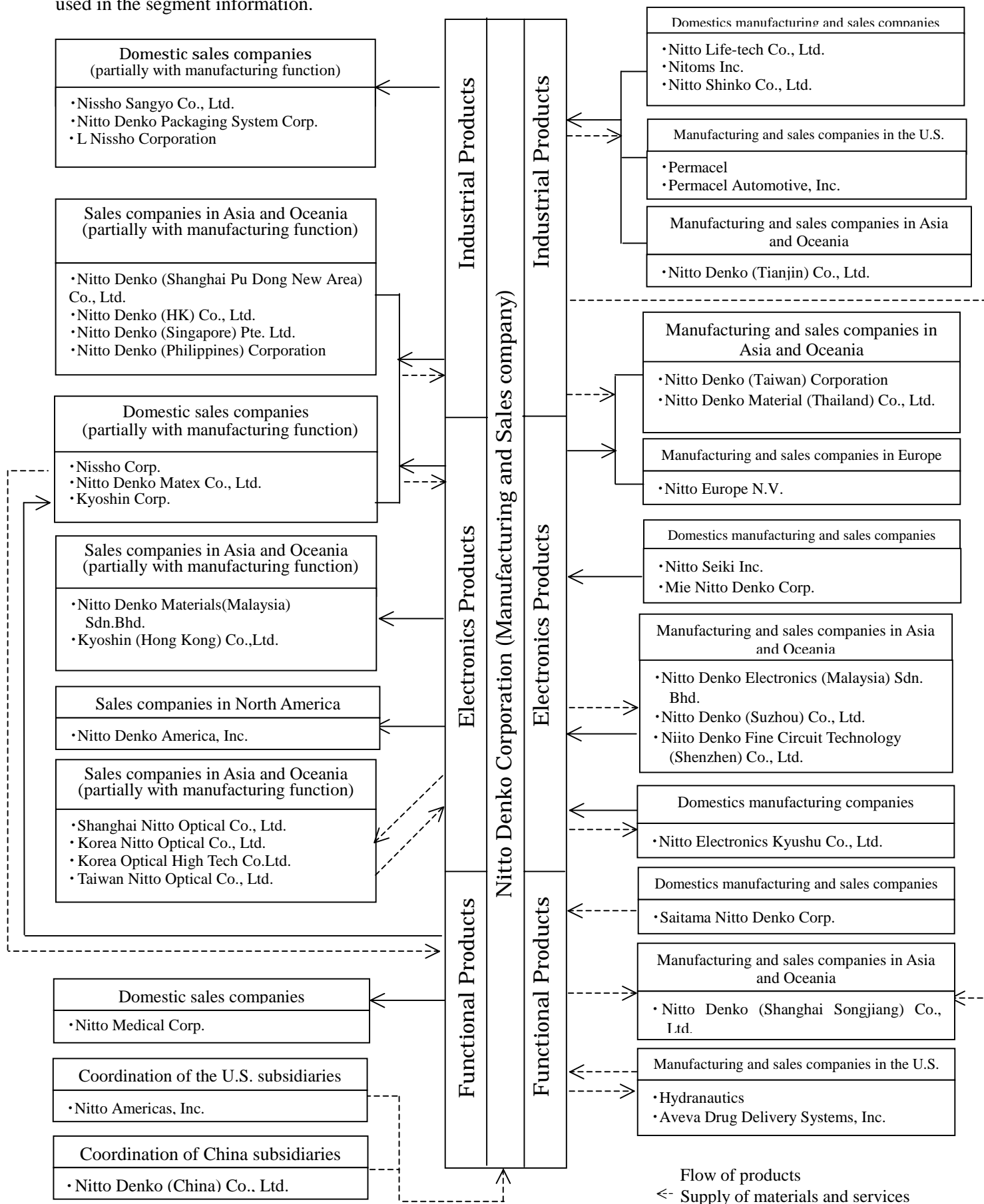
	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Full-year	690,000	75,000	72,000	45,000

(Reference) Projected net income per share for the full year: 271.15 yen

* The projection shown above is prepared based on information available as of the issuing date of this report, and therefore the actual results may differ from these forecasted figures due to various unknown factors.

Nitto Denko Group Operations

As of September 30, 2006 Nitto Denko Group is comprised of this Corporation and its 115 subsidiaries as well as its 1 affiliated companies, where their business lines, positioning of each affiliated companies and their relationship to each business segment are indicated in the chart below. The information provided here reflects the classification used in the segment information.



Management Policy

1. Corporation's Basic Management Policy

The Nitto Denko Group has a corporate vision, "Creating New Values", shared by all its group companies. By continuously offering new values to our customers throughout the world, we intend to attain sound growth and to build a corporation of real value for all its stakeholders, including society, shareholders and employees.

Nitto Denko Group is dedicated to sound and transparent management based on the fundamental principles of being "open, fair and best": to share information openly, to judge fairly and to do our best based on those judgments.

As our basic strategy, we have developed the "Global Niche Top" strategy. Our Global Niche Top strategy is to organize ourselves to provide the greatest satisfaction for our customers and to gain top market shares on a global scale in one united body of the Group by making the most of our unique differentiated technologies in the niche areas of changing and growing markets. In pursuing this strategy, we find it necessary to prepare and build up our "differentiated technologies" well in advance so that we can meet customer demands timely and aptly.

To this end, we endeavor to fortify the foundations of our technological expertise with the motto of "Technology-oriented Company". We will create new business areas around the existing ones through marketing activities that we carry forward, collectively called the "San-Shin (Three New) Activities" in which we aim to explore new uses to develop new products and to create new demands. By carrying forward these activities on a global scale, we keep growing and will endeavor to attain further development and prosperity, exploring those areas that are growing or changing even while the economy is suffering under severe conditions from the macro economical point of view. We are committed to fulfilling the expectations of our shareholders by continuously increasing Global Niche Top products as a result of our efforts. "Global Niche Top", used as the proper name to represent our business strategy, has received a trademark in Japan.

2. Basic Policy of Corporate Profits Appropriation

The Corporation's dividend policy, in principle, is to ensure a stable and fair return for the shareholders. At the same time, it is essential for the Corporation to make an active prior investment in R&D and production in order to stay ahead of rapid technological innovation and to meet timely customer demands. Accordingly, the dividends to the shareholders will be determined, in consideration of the Corporation's overall financial condition, profit level and payout ratio.

3. Our philosophy and policy on the reduction of the number of stock for a unit

On 1st August 2000, we have revised the number of stock for a unit in order to promote circulation of our stock and to expand the scope for investors; we have changed the number of stock for a unit from 1000 to 100 shares. As a result, we think that our objective to enlarge our investors has been achieved to some extent with an increased number of shareholders.

We recognize that the liquidity of our stocks are maintained at present and we will prudently cope with a further reduction in the number of stock for a unit in the future, based on its effect and expense, fully taking stock-price levels and demand from the market into consideration.

4. Mid-term and Long-term Business Strategies and Management Indices

Our mid-term objective is to become a "Global Excellent Company", and we have developed our three-year mid-term business plan into "One-NITTO Dream Plan Step 2" aiming to "achieve 12% ROA and 17% operating income ratio, the level comparable with that of the world's top companies", "corporate culture respected by society", "a company where employees work vibrantly with pride", and we have also started new projects. When we laid down the plan, we established action plans that looked from the viewpoint that what we should do to attain our business goal in future is essential, rather than incremental improvements of current business. In the plan, we will maintain and promote our basic strategy, "Global Niche Top Strategy". For sustainable development of the corporation, we will stick to the enhancement of "quality": the enhancement of management and business infrastructure, performing our social responsibility, the improvement of corporate brand value, the development of human resources and we will continue to invest in these items for developments in the future.

5. Challenges the Corporation Faces

We have positioned fiscal 2007, the second year of the mid-term business plan, to be a year when "the Group will work as one to complete preparations for becoming a Global Excellent Company", and we will address both the growth of the business and the growth of quality. However, business results during this period were unsatisfactory due to extremely rapid changes of environment that exceeded our responses. In order to realize better business results, in this severe change of environment surrounding the Group, with increased efficiency and productivity, we have to switch our mind-set radically from: "We will need n times of human resources and facilities when the workload multiplies by n times". In order to realize a motto for the Group in fiscal 2007, "Break the "n-fold" barrier, boost "Quality"", each of us will continue their efforts to improve all functions of the group: technology, production and marketing. To cope with such a drastic scale of expansion of the Group, and growth on a global scale, are our current most pressing needs. In order to achieve these, we have reorganized business organization of the Group. With the synergy effect of key elements: technology, production and marketing, and by serving our customers more closely, we will promote the "speeding up decision making", "further globalization of patch products business", and the "continuous creation of Global Niche Top products". We will organize existing project activities for the "Global Niche Top doubling plan", to promote new businesses creation. Furthermore, we will work on distribution reform including the reorganization of, and integration, of sales functions among our company, three sales companies, and consolidated subsidiaries, to enhance our marketing capability by coping with the globalization of the market and our customers.

We will also flexibly cope with capital investment and personal recruitment, responding to changes of environment in a timely manner.

(1) Approaches for Growth of Business

As to Electronic products for LCD-related products, our key products, we will continue our investment that breaks free of the "n-Fold" mentality to increase production capacity and we will focus on productivity reform. We will enhance research and development functions, and promote thorough productivity reform at the new process plant building, enhance production capacity of Onomichi and Kameyama plants, as well as plants in Korea, Taiwan and China, to establish a system to respond to customers needs in a timely manner.

As to industrial products, which represent business realized by our basic technologies, we will accelerate our global strategy for the automotive related products business, so as to make it the growing point of the Group. For the Chinese market, we have a newly established production and processing facility in the Huanan area. Based on the recent business system reorganization, we will promote cooperation among group companies in North America, Europe and Asia, and strengthen our marketing force and production capacity.

With regard to functional products, we will focus on further expansion of transdermal therapeutic patches. With regard to polymer separation membrane, in order to pursue intimately customer-focused marketing, we will transfer the management facilities to North America and aim for further expansion of the business through fully utilizing tripolar world production systems. We will position these as mid-term key growth drivers of our business, and promote growth business activities by mainly focusing on overseas markets.

(2) Approaches for the Growth of Quality

We recognize that "Growth of Quality" in terms of corporate activity represents the fulfillment of a comprehensive responsibility for economical, environmental and social aspects and to realize a situation where all stakeholders "feel assured of the reliable performance and quality of Nitto Denko Group products" and "can trust Nitto Denko Group employees".

With regard to the internal control requirements, we regard the preparation for these as a good opportunity to reorganize business processes, and we will implement a system by way of a special project. We have enhanced the existing department responsible for auditing, so that it will also be responsible for auditing and internal control of the group on a global basis.

With regard to compliance, to cope with the rapid expansion of the size of the Group, we have established "The Nitto Denko Group Business Activity Guidelines" and distributed a booklet for all employees of the Group across the world. We will promulgate these to each of us among the Group.

With regard to the environment, safety and quality, we will execute our existing "basic environmental policy", "voluntary plan", "environmental accounting (consolidated accounting)", and continue and enrich activities for safety measures, quality management, and spread and promulgate the know-how of Nitto Denko among the Group.

With regard to employees' education, we provide courses under the title of Nitto University to enhance strategic discovery and the development of talented people, at our training facility for Group employees, "Juninkan". We will continue the project to bring forward leaders of the next generation.

With regard to a project to enhance corporate brand value, we will sponsor the Osaka International Ladies Marathon in fiscal 2007, and we will concentrate on the enhancement of "pride and vibrancy" of employees of the Group across the globe in fiscal 2007.

With these approaches, we are committed to endeavor for further growth by executing our efforts to further promulgate the motto of the Group, "Open, Fair and Best".

6. Item related to holding company

No items.

Business Results and Financial Condition

1. Summary of the Fiscal First Half

Summary of Overall Business

The world economy in the first-half fiscal year continued to recover, despite concerns such as the increase of long-term interest rates and continued high oil prices, due to the improvement of corporate profits backed by economic expansion in the U.S. and Asia regions. The Japanese economy remained strong due to increased plant and equipment investment backed by expansion of demand and gradual recovery of consumer spending.

Under such an economic climate, the Group (the company, consolidated affiliates and equity method affiliates), concentrated their resources to growing areas: flat panel displays (FPD) for industry and cellular phones, with electronic processing products for the semiconductor and electronic components industries whose markets were strong.

As a result, net sales increased by 11.5% compared with the same period in the previous year, to 332,507 million yen (the same comparison applies to the following percentages). In terms of profit, due to the sharp drop in product prices, and the increase in fixed costs and depreciation costs, which exceeded the operating ratio effect of sales increase, operating income decreased by 14.4% to 36,018 million yen, ordinary income decreased by 17.8% to 35,124 million yen, but net income increased by 19.0% to 21,180 million yen.

Summary of Results by Business Segments

[Industrial Products]

Sales of bonding and joining products remained robust for cellular phones and related products as well as for small-sized LCD displays and hard disk drive (HDD) related products, mainly for East Asia. Among sales of surface protection products, surface protection film for FPD industry, especially for LCD polarizing films, and paint protection film for the automobile industry remained strong. Sales of sealing products for cellular phones increased favorably. Sales of surface protection products for housing remained robust, however, product as a whole remained sluggish due to streamlining of other unprofitable products. As a result, net sales increased by 13.5% to 134,376 million yen, and operating income increased by 32.2% to 13,203 million yen.

[Electronic Products]

For sales of LCD-related products, the market expanded with a reduction of prices for larger LCD panels. Although we have produced several new products for larger LCD-TV panels that are growing significantly, simultaneously aiming to increase sales, such sales remained sluggish due to a significant reduction in price and the influence of adjustment of production in Taiwan market. Sales of semiconductor-related products remained robust due to the favorable market of the semiconductor industry. Especially, leading edge resin for package sealing and environmentally friendly resin remained robust. Printed circuit products remained strong as a whole. FPC enjoyed thriving hard disk drives (HDD) and cellular phone markets, and for the thin metal core boards for magneto-resistive heads (MRH), greater economies of scale due to enhanced production capacity also contributed. Among electronic process products, due to the influence of a thriving semiconductor and electronic parts industry remained strong as a whole. Tapes for capacitors and batteries remained strong and protection sheets for the semiconductor production process and adhesive sheets for laminating machines and packages remained robust. As a result, net sales increased by 10.3% to 172,158 million yen, but operating income decreased by 35.2% to 18,345 million yen.

[Functional Products]

Among healthcare products, medical transdermal therapeutic patches for the bronchodilator (for asthma) remained sluggish due to price reductions for the product by National Health Insurance price revisions and the influence of inventory adjustment. Sales of cosmetic-related products remained sluggish as a whole due to market saturation. Sales of high-polymer separation membrane, and demand for membrane replacement remained strong, and large-scale projects also remained strong as a whole with the contributions of orders in Singapore and France. In terms of areas, the Middle East, that enjoyed lively infrastructure investment, and China that enjoys a growing demand for drinking water and industrial water remained strong. Among engineering plastics products, sales of inner pressure control filters for automobiles, consumer electronics and computer equipment, and fluoroplastic

porous membrane products for air filters, and process products for the electronics industries remained strong, and business as a whole remained robust. As a result, net sales increased by 9.9% to 25,971 million yen, and operating profit increased by 18.4% to 4,469 million yen.

(Reference) Operating Segment Information

*FY2007 is the fiscal year ending March 31, 2007.

(Unit: Millions of yen Ratio: %)

		1H, FY2006		FY2006		1H, *FY2007		FY2007(Forcasts)	
		Net sales	Y-o-Y	Net sales	Y-o-Y	Net sales	Y-o-Y	Net sales	Y-o-Y
Industeial Products	Tape materials	61,963	104.1	130,453	108.5	68,785	111.0	140,000	107.3
	Custom processing materials	29,061	132.7	65,167	150.0	36,837	126.8	73,265	112.4
	Purchased goods	27,399	118.5	55,763	127.8	28,753	104.9	55,235	99.1
	Total	118,423	113.3	251,384	121.2	134,376	113.5	268,500	106.8
	Operating income	9,986	113.1	22,938	138.7	13,203	132.2	26,500	115.5
Electronic Products	Optical related products	112,710	126.1	236,377	132.3	122,397	108.6	267,150	113.0
	Semiconductor related products	9,985	91.5	20,305	102.9	10,696	107.1	21,200	104.4
	Printed circuits	19,111	112.3	39,626	111.9	22,932	120.0	48,500	122.4
	Electronic processing materials	14,286	96.3	31,090	112.0	16,132	112.9	32,450	104.4
	Total	156,093	118.1	327,398	125.2	172,158	110.3	369,300	112.8
	Operating income	28,293	109.3	58,713	124.5	18,345	64.8	40,400	68.8
Functional Products	Medical related products	9,099	108.8	17,733	103.0	8,880	97.6	17,800	100.4
	Membrene products	6,827	105.9	13,955	104.4	8,370	122.6	16,650	119.3
	Engineering plastics	7,699	100.2	15,844	103.0	8,720	113.3	17,750	112.0
	Total	23,626	105.0	47,533	103.4	25,971	109.9	52,200	109.8
	Operating income	3,776	127.0	7,573	119.7	4,469	118.4	8,100	107.0
Total	Total of net sales	298,143	115.0	626,316	121.6	332,507	111.5	690,000	110.2
	Total of operating income	42,056	111.6	89,224	127.4	36,018	85.6	75,000	84.1

Semiannual Dividends

The Corporation will pay 35 yen per share for the semiannual dividends, 5 yen up from the amount paid out for the first half of the previous fiscal year.

2. Projection for the Full Fiscal Year

As to the future economic outlook of the third and the following quarters, we expect that economic growth will slow down gradually due to adjustment of the housing market in the U.S. in addition to high-price of oil and the steep rise of raw material costs that will squeeze profit during the term. Under such an economic environment, the Group will continue to focus on the thriving FPD industry. As to the climate in the market, we expect that it may slow down in the fourth quarter due to the possible influence of a further drop in product prices of large-screen liquid crystal panels and the increase of materials costs and inventory adjustment after the year-end sales battle.

Under such an economic environment, the Group we will endeavor to establish our production technology at our "new process wing" at the Onomichi plant, in order to increase production efficiency of new products for LCD televisions. We will focus on LCD-related products, industrial products and circuit products for medium and small-sized FPD panel-related products, as well as large-sized LCD panels, and we will also continue to expand FPC for hard disk drives (HDD) and electronic processing products for the semiconductor industry, and strengthen the business of healthcare-related products and polymer separation membranes in North America.

Furthermore, in order to build a marketing organization that can cope with the global market, we will materialize distribution reform for which we have been working for some time, and we will prepare for the next step to reorganize and integrate sales companies of the Group.

For projection of the Group for the full fiscal year (fiscal year 2007), we forecast net sales of 690,000 million yen (up 10.2%), an operating income of 75,000 million yen (down 15.9%), with ordinary income of 72,000 million yen (down 20.2%), and a net income of 45,000 million yen (down 18.6%).

3. Financial Condition

Our financial condition at the end of the fiscal first half of 2007 was as follows.

Cash and cash equivalents (further referred to below as "cash") decreased to 71,712 million yen, 14,971 million yen down from the end of the previous consolidated fiscal year. Status of each cash flow and major cash flow-related factors are outlined below.

(Cash Flows from Operating Activities)

Net cash provided by operating activities totaled 21,527 million yen. This was mainly attributable to an increase in net profit before taxes by 34,393 million yen, depreciation by 17,913 million yen, and to a decrease in accounts receivable by 8,479 million yen and an outlay of corporate taxes by 23,403 million yen and other payments.

(Cash Flows from Investing Activities)

Net cash decreased as a result of investing activities totaled 32,085 million yen. This was mainly attributable to a decrease in an outlay of 32,844 million yen for acquisition of fixed assets.

(Cash Flows from Financing Operations)

Net cash decreased as a result of financial operation totaled 4,737 million yen. This was mainly attributable to 4,953 million yen for dividends paid.

The following table shows the changes in the Group's cash flow indices:

	September, 2004	March, 2005	September, 2005	March, 2006	September, 2006
Shareholder' equity ratio (%)	58.3	58.9	58.4	57.7	60.1
Shareholders' equity ratio on a market value basis (%)	199.2	208.7	212.9	296.2	201.2
Debt redemption period (year)	0.3	0.3	0.3	0.3	0.6
Interest coverage ratio	190.0	169.0	122.9	92.1	39.7

Note:

1. Respective indices are obtained by calculating the financial results on a consolidated basis with the following formulae.

Shareholders' equity ratio: $\text{shareholders' equity} \div \text{total assets}$

Shareholders' equity ratio on a market value basis: $\text{total market value of shares} \div \text{total assets}$

Debt redemption period: $\text{liabilities with interest} \div (\text{cash flow from operating activities})$

Interest coverage ratio: $\text{cash flow from operating activities} \div \text{interest payment}$

2. Total market value of shares is obtained by multiplying the closing price of a share at the end of the year by the number of shares issued at the end of the first half, after deduction of treasury stock.
3. Liabilities with interest represent all the liabilities included in the consolidated balance sheet for which interest is paid.
4. Cash flow from operating activities and interest payment used here are those included in the consolidated cash flow statement.

4. Operational Risks

(1) Currency fluctuation

The group manufactures and markets our products across the world. Therefore, our business is subject to fluctuations of exchange rates. The group continues its efforts to limit the influence of such fluctuations of exchange rates among major currencies to the minimum, including the U.S. dollar, Asian currencies and the yen as well as a steep surge in crude oil prices. However abrupt currency fluctuations and a prolonged surge in crude oil pricing could negatively affect the performance of the group.

(2) Optical business(LCD related products)

As for the optical business of the group, we achieved number one in market share in the world, and this is the core business of the group. We continue to strive to maintain and to increase our large market share and to improve profitability by large-scale and efficient investment in production facilities to meet the anticipated growth in demand for large-size LCD TVs. Imbalance between supply and demand of panel manufacturers, our customers, a sharp drop of prices, intensified price competition due to competitors entering, and under-capacity of materials suppliers could negatively affect performance of the group.

(3) Overseas operation

The group operates businesses in Europe, North America and Asian countries, actively pursuing global business operations by performing marketing activities and reducing production costs in each area. In Asia, especially, there are inherent unavoidable risks such as unanticipated change to laws and ordinances, taxes and regulations, social disorder such as transportation delay and power outages due to incomplete social infrastructures, political disturbance and war and terrorism, and in case such risks occur, it could negatively affect performance of the group.

(4) Business Operations in the North America

The group still suffers an operating loss in spite of our aggressive efforts, including consolidation of production facilities at local subsidiaries in North America. Permacel Automotive, Inc., will expand its product line as the base for operations in North America for our global automotive business, and expand sales to the "Big Three" as well as Japanese manufacturers. Hydranautics Inc. will concentrate on the area that matches with the Global Niche Top strategy for water treatment separation membrane modules. Aviva Drug Delivery Systems, Inc. is working hard for earlier development of new products for transdermal therapeutic patches. We aim to increase our profits with these measures, however further deterioration of environments surrounding our business could negatively affect performance of the group.

(5) New product development

There are severe requirements for technological innovation and cost competition in the area where the group operates its business. The corporation continues to pursue new technologies and new products development, with research and development investment necessary for production process innovation as well as plant and equipment investment based on our "Global Niche Top" strategy. However, it is not easy to accurately forecast changes in an industry where market change and technological innovation is so drastic, so when an unexpected situation develops, it could affect future business management.

(6) Intellectual property

The group owns much intellectual property that it maintains and manages. However there is a possibility that a third party might claim these rights to be invalid and we cannot enjoy complete protection and may be imitated in some areas. When protection of intellectual property is severely damaged, it could negatively affect performance of the group.

(7) Products liability

The base of the business of the group is trading producer goods. We manufacture products according to international quality management systems and we do our best in quality management to manufacture goods trusted by our customers. As the main business of the group is producer goods, there will be few possibilities for us to compensate the end users or recall products, however, in case it happens that we have to compensate the end users for our products or recall our products, and compensation that exceeds coverage of products liability insurance incurs, it damages the reputation of the corporation and our products, and it could negatively affect performance of the group.

(8) Environment issues

The group regards environmental preservation measures to be one of our key business policies, and have been acting from a viewpoint of social responsibility to reduce waste and to prevent global warming and air pollution. The group has not caused any serious environmental problems. The group publishes the fact that we use plenty of toluene in PRTR (The Pollutant Release and Transfer Register) and in the report on the environment and society. The group independently established a reduction plan and observes the plan. However, new environmental regulations may incur a large on-cost.

(9) Regulations

Products of the group include products such as transdermal therapeutic patches (for asthma and angina pectoris) approved as drugs and surgical tapes (Yuki series) for medical use. These regulations apply to the group business activity. In case these regulations are strengthened or changed significantly, activity of the group may be limited or incurs additional cost in compliance with regulations, and it could negatively affect performance of the group.

(10) Accidents and disasters

To prevent accidents due to fires or explosions, or damage due to disasters, the group performs facility inspections, other safety activities, enhances other safety devices and fire-extinguishing equipment, and install facilities to practice safety measures. Especially, against earthquake, at each plant, we have improved facilities including seismic retrofitting and automatic shut-off, and conduct disaster drills to protect plants against direct damage or secondary disaster and we are in the process to develop a "plan to sustain business". However, accidents and disasters may happen in spite of these activities, from fiscal 2007, so we have contracted earthquake insurance for all plants, but its coverage of compensation is limited and it may influence performance of the group.

(11) Retirement benefit liability

Employee accrued benefit costs and liabilities of the corporation and its group is calculated based on prerequisites such as the discount rates that are set for mathematic calculation and expected earnings of pension assets. When the actual result is different from the prerequisites or when the prerequisites have been changed, the influence will be accumulated and will be systematically recognized in future, and it may generally influence on recognized costs and calculated liabilities in future. While in case market interest rates go down or investment yield of pension assets deteriorates in future, an increase of retirement benefit liability and a shortage of funds might occur to influence the business result of our group.

CONSOLIDATED SEMIANNUAL BALANCE SHEETS

Description	As of September 30, 2005		As of September 30, 2006		As of March 31, 2006	
	Amount	Composition	Amount	Composition	Amount	Composition
(Assets)	Millions of yen	%	Millions of yen	%	Millions of yen	%
Current Assets	(268,291)	54.2	(305,135)	52.7	(307,707)	55.3
Cash on hand and in banks	69,411		72,053		87,658	
Trade notes and accounts receivable	133,426		151,828		142,697	
Inventories	50,490		63,465		59,528	
Deferred tax assets	7,860		8,625		9,310	
Other current assets	8,684		10,800		10,040	
Allowance for doubtful receivables	1,582		1,637		1,526	
Fixed Assets	(226,326)	45.8	(273,933)	47.3	(249,226)	44.7
Tangible Fixed Assets	187,233	37.9	232,572	40.2	209,906	37.1
Buildings and structures	137,155		167,426		149,376	
Machinery and material-handling equipment	231,142		262,487		242,039	
Tools, fixtures and parts	27,308		32,097		30,565	
Land	19,915		19,758		19,749	
Construction in progress	19,932		23,043		22,428	
Accumulated depreciation	248,221		272,240		257,253	
Intangible Fixed Assets	7,177	1.4	6,764	1.1	7,326	1.3
Goodwill	68		--		70	
Goodwill and consolidation adjustment account	--		65		--	
Other intangible fixed assets	7,108		6,698		7,255	
Investments and Other Assets	31,916	6.5	34,596	6.0	34,993	6.3
Investments in securities	13,776		16,082		17,539	
Investments in non-consolidated subsidiaries and affiliates	1,851		1,718		1,775	
Deferred tax assets	1,061		1,438		617	
Prepaid pension cost	10,747		10,762		10,521	
Others	4,984		4,945		5,058	
Allowance for doubtful receivables	506		351		518	
Total Assets	494,617	100.0	579,069	100.0	556,934	100.0

Description	As of September 30, 2005		As of September 30, 2006		As of March 31, 2006	
	Amount	Composition	Amount	Composition	Amount	Composition
(Liabilities)	Millions of yen	%	Millions of yen	%	Millions of yen	%
<u>Current Liabilities</u>	(163,381)	33.1	(200,742)	34.7	(191,463)	34.4
Trade notes and accounts payable	81,902		95,784		92,636	
Short-term loans payable	15,781		21,912		18,021	
Bonds (Current portion)	300		--		--	
Accrued expenses	14,655		17,476		18,428	
Income taxes	17,837		13,447		23,999	
Other current liabilities	32,904		52,121		38,377	
<u>Long-term Liabilities</u>	(30,293)	6.1	(28,733)	4.9	(31,263)	5.6
Long-term loans payable	6,490		2,415		5,673	
Provision for retirement benefits	15,420		15,989		15,870	
Provision for retirement allowances for directors and corporate auditors	733		779		864	
Deferred tax liabilities	707		1,317		1,589	
Other long-term liabilities	6,941		8,231		7,265	
Total Liabilities	193,675	39.2	229,476	39.6	222,727	40.0
(Minority Interests)						
Minority interests	11,986	2.4	--	--	12,742	2.3
(Shareholders' Equity)						
Common stock	26,783		--		26,783	
Capital surplus	50,704		--		51,166	
Retained Earnings	250,459		--		274,678	
Net unrealized holding gains or losses on securities	4,538		--		6,712	
Foreign Currency Translation Adjustments	8,176		--		3,702	
Cost of treasury stock	35,354		--		34,173	
Total Shareholders' Equity	288,956	58.4	--	--	321,464	57.7
Total Liabilities, Minority Interest and Shareholders' Equity	494,617	100.0	--	--	556,934	100.0

Description	As of September 30, 2005		As of September 30, 2006		As of March 31, 2006	
	Amount	Composition	Amount	Composition	Amount	Composition
	Millions of yen	%	Millions of yen	%	Millions of yen	%
(Net Assets)						
<u>Shareholders' capital</u>	(--)	--	(344,081)	59.4	(--)	--
Common stock	--		26,783		--	
Capital surplus	--		55,964		--	
Retained earnings	--		290,355		--	
Cost of treasury stock	--		29,022		--	
<u>Unrealized gains / losses</u>	(--)	--	(3,736)	0.7	(--)	--
Net unrealized holding gains or losses on securities	--		6,132		--	
Deferred currency hedging	--		441		--	
Foreign Currency Translation Adjustments	--		1,955		--	
<u>Share warrant</u>	(--)	--	(49)	0.0	(--)	--
<u>Minority interests</u>	(--)	--	(1,725)	0.3	(--)	--
Total Shareholders' Equity	--	--	349,592	60.4	--	--
Total Liabilities, and Shareholders' Equity	--	--	579,069	100.0	--	--

CONSOLIDATED SEMIANNUAL STATEMENTS OF INCOME

Description	(From April 1, 2005 to September 30, 2005)		(From April 1, 2006 to September 30, 2006)		(From April 1, 2005 to March 31, 2006)	
	Amount	Composition	Amount	Composition	Amount	Composition
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net sales	298,143	100.0	332,507	100.0	626,316	100.0
Cost of sales	204,996	68.8	240,494	72.3	430,781	68.8
Gross profits	93,147	31.2	92,013	27.7	195,535	31.2
Selling, general and administrative expenses	51,090	17.1	55,994	16.9	106,310	17.0
Operating Income	42,056	14.1	36,018	10.8	89,224	14.2
Other Income	(1,977)	0.7	(1,772)	0.6	(4,514)	0.7
Interest and dividend income	196		360		457	
Equity in earnings of non-consolidated subsidiaries and affiliates	--		--		14	
Miscellaneous income	1,781		1,411		4,042	
Other Expenses	(1,326)	0.5	(2,665)	0.8	(3,542)	0.5
Interest expenses	306		730		927	
Equity in losses of non-consolidated subsidiaries and affiliates	9		12		--	
Miscellaneous expenses	1,009		1,922		2,614	
Ordinary Income	42,707	14.3	35,124	10.6	90,196	14.4
Extraordinary Gains	(674)	0.2	(46)	0.0	(1,070)	0.2
Gains on sales of fixed assets	357		40		753	
Other extraordinary gains	316		6		317	
Extraordinary Losses	(681)	0.2	(777)	0.3	(1,653)	0.3
Losses on sales and disposal of fixed assets	430		482		837	
Impairment losses	115		--		115	
Annuity purchase cost for a oversea pension plan	--		--		472	
Other extraordinary losses	135		295		227	
Income before provision for income taxes	42,701	14.3	34,393	10.3	89,614	14.3
Corporate income, local and business taxes	17,156	5.7	12,494	3.7	35,988	5.8
Adjustments to income taxes	1,226	0.4	465	0.1	2,893	0.5
Minority interest in net income of consolidated subsidiaries	627	0.2	253	0.1	1,212	0.2
Net Income	26,143	8.8	21,180	6.4	55,306	8.8

CONSOLIDATED SEMIANNUAL STATEMENTS OF SHAREHOLDERS' EQUITY

Description	(From April 1, 2005 to September 30, 2005)	(From April 1, 2005 to March 31, 2006)
	Millions of yen	Millions of yen
(Capital Surplus)		
I Beginning balance of capital surplus	50,482	50,482
II Increase in capital surplus	(222)	(684)
Gains on disposal of treasury stock	222	684
III Ending balance of capital surplus (Semiannual/Annual)	50,704	51,166
(Earned Surplus)		
I Beginning balance of earned surplus	228,927	228,927
II Increase in earned surplus	(26,143)	(55,306)
Net income (Semiannual/Annual)	26,143	55,306
III Decrease in earned surplus	(4,610)	(9,554)
Cash dividends paid	4,114	9,059
Directors' bonuses	495	495
IV Ending balance of earned surplus (Semiannual/Annual)	250,459	274,678

CONSOLIDATED SEMIANNUAL STATEMENTS OF NET ASSETS

From April 1, 2006 to September 30, 2006

(Unit : Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury stock	Total Shareholders' Equity
Balance March 31, 2006	26,783	51,166	274,678	△34,173	318,455
Net increase/decrease during the term under the review					
Cash dividends			△4,953		△4,953
Directors' bonuses			△549		△549
Net income			21,180		21,180
Repurchases of treasury stocks				△9	△9
Disposal of treasury stocks		4,798		5,160	9,959
Net increase/decrease during the term					
Total increase/decrease during the term under review	--	4,798	15,676	5,150	25,626
Balance September 30, 2006	26,783	55,964	290,355	△29,022	344,081

	Unrealized gains/losses				Share Warrant	Minority Interests	Total Net Assets
	Net unrealized holding gains or losses on securities	Deferred currency hedging	Foreign currency translation adjustments	Total			
Balance March 31, 2006	6,712	—	△3,702	3,009	—	12,742	334,206
Net increase/decrease during the term under the review							
Cash dividends							△4,953
Directors' bonuses							△549
Net income							21,180
Repurchases of treasury stocks							△9
Disposal of treasury stocks							9,959
Net increase/decrease during the term	△579	△441	1,747	727	49	△11,016	△10,240
Total increase/decrease during the term under review	△579	△441	1,747	727	49	△11,016	15,385
Balance September 30, 2006	6,132	△441	△1,955	3,736	49	1,725	349,592

CONSOLIDATED SEMIANNUAL STATEMENTS OF CASH FLOWS

Description	Year	Previous First Half (From April 1, 2005 to September 30, 2005)	Current First Half (From April 1, 2006 to September 30, 2006)	Previous Fiscal-Full (From April 1, 2005 to March 31, 2006)
		Millions of yen	Millions of yen	Millions of yen
I Cash Flows from Operating Activities				
Income before provision for income taxes before adjustments to reconcile income to net cash provided by operating activities		42,701	34,393	89,614
Depreciation and amortization		14,210	17,913	31,470
Impairment losses		115	--	115
Increase/decrease in provision for retirement benefits		5	121	1,264
Increase/decrease in provision for retirement allowances for directors and corporate auditors		4	84	135
Interest and dividend income		196	360	457
Interest expenses		306	730	927
Equity in earnings of non-consolidated subsidiaries and affiliates		9	12	14
Increase (decrease) in trade notes and accounts receivable		12,628	8,479	18,767
Increase (decrease) in inventories		21	3,536	7,480
Increase (decrease) in other accounts receivable		974	489	129
Increase (decrease) in trade notes and accounts payable		7,391	3,062	17,836
Directors' bonuses paid		529	582	529
Others, net		506	1,666	150
Sub-total		51,881	45,104	114,397
Interest and dividends received		209	368	503
Interest paid		287	542	917
Income taxes paid and refunded		16,498	23,403	29,457
Net cash provided by operating activities		35,304	21,527	84,525
II Cash Flows from Investing Activities				
Increase (decrease) in time deposits		1,312	627	1,262
Acquisition of fixed assets		27,415	32,844	58,157
Proceeds from sales of fixed assets		569	175	1,398
Purchase of investments in securities		42	37	126
Proceeds from sales of investments in securities		647	8	753
Purchase of securities of subsidiaries		--	6	473
Proceeds from sales of subsidiary securities		13	--	13
Payments of loans		7	35	135
Collections of loans		100	26	100
Net cash used in investing activities		24,823	32,085	55,365
III Cash Flows from Financing Activities				
Increase (decrease) in short-term debt		6,448	712	8,695
Redemption of bond (current portion)		--	--	300
Proceeds from long-term debt		32	--	123
Repayment of long-term debt		2,045	733	2,880
Proceeds from sales of treasury stock		1,079	567	2,721
Dividends paid		4,114	4,953	9,059
Dividends paid to minority interest		311	330	311
Net cash used in financing activities		1,088	4,737	1,010
IV Effect of Exchange-rate changes on cash and cash equivalents		936	323	2,476
V Net Increase in Cash and Cash Equivalents		12,506	14,971	30,625
VI Cash and Cash Equivalents, Beginning of Year		48,278	86,684	48,278
VII Cash and Cash Equivalents of Newly Consolidated Companies		7,780	--	7,780
VIII Cash and Cash Equivalents, End of First Half of Fiscal Year		68,564	71,712	86,684

Basis of Preparation for the Consolidated Financial Statements

1. Scope of Consolidation

1) Consolidated subsidiaries: 109

Major companies: Nissho Corp., Kyoshin Co., Ltd., Nitto Denko Matex Co., Ltd., Korea Nitto Optical Co., Ltd., and Taiwan Nitto Optical Co., Ltd.

Nitto Denko (Foshan) Co., Ltd. and other 2 companies were newly established.

Nitto Machinery Co., Ltd. was excluded.

2) Non-consolidated subsidiaries: 6

Major company: Korea Nitto Denko Co. Ltd.

2. Application of equity method

1) Non-consolidated subsidiaries applicable of equity method: 6

Major company : Korea Nitto Denko Co. Ltd.

2) Affiliates applicable of equity method: 1

3. First Half of Fiscal Year End of Consolidated Companies

87 of the consolidated subsidiaries use the same first half of fiscal year end.

22 of the consolidated subsidiaries use the different first half of fiscal year end.

Necessary adjustments have been made for inter-company transactions between these twenty-two subsidiaries and the Corporation, which have taken place during the intervening period from the end of last consolidated fiscal year-end to the current consolidated first half of fiscal year end.

4. Accounting Principles and Practices

1) Revaluation standards and method of significant assets

Securities

Other securities

Market value is available: Stated at market value on the date of the current consolidated first half of fiscal year end (Valuation adjustments are reported in Equity section, and the sales cost is calculated by a moving average method).

Market value is not available: Stated at moving-average cost

Derivatives Fair value method

Inventories Mainly the lower of cost or market, where cost is determined by the average method.

2) Depreciation method of significant depreciable assets

Tangible fixed assets Mainly declining balance method

Intangible fixed assets Straight-line method

(Straight-line method is applied for the software used in-house for the proprietary purposes during its usable life (five years).)

3) Provision of significant allowances

Allowance for doubtful receivables

Allowance of doubtful receivables is provided at an amount sufficient to cover possible losses on the collection of receivables. For certain probable doubtful accounts the uncollectible amounts are estimated based on a review of the collectivity of individual receivables.

Provision for retirement benefits

The corporation provided allowance for employees' severance and pension benefits at the end of this semiannual period based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of this fiscal year.

Prior service cost of pension plans are amortized over the fixed years less than the estimated average remaining service lives of the employees, which is 12 years for the current year.

The actuarial net losses are amortized over the fixed years less than the estimated average remaining

service lives of the employees, which is 12 years for the current year, from the next fiscal year.

③ Provision for retirement allowances for directors and corporate auditors

Domestic consolidated companies provide for retirement allowances for directors and corporate auditors at the full amount which would be required to be paid if all directors and corporate auditors retired at the balance sheet date based on each Company's internal regulations.

4) Translation of foreign currency assets and liabilities into Japanese yen

Foreign currency assets and liabilities of the Corporation are translated into Japanese yen at the spot exchange rate prevailing at the date of the first half end of the fiscal year, while exchange gain or loss adjustments were posted as gains or losses. The assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date, and their revenues and expenses are translated into Japanese yen at the average exchange rate during the reporting semiannual period, the differences arising from such translations are posted as "Minority interests" and "Foreign currency translation adjustments" at the section of the Shareholder's equity.

5) Lease transactions

Finance leases, except for those leases where the ownership of the leased assets is considered to be transferred to the lessee are allowed to be accounted for in the same manner as ordinary rental transactions.

6) Hedging accounting

Hedge accounting

Deferred hedge accounting is adopted for the foreign currency forward contracts on anticipated transactions.

Hedging instruments and hedged items

Hedging instruments and hedged items subject to the hedging accounting during the current semiannual fiscal year are as follows:

- 1) Hedging instruments: Foreign currency forward contracts
- 2) Hedged items: Accounts receivable denominated in foreign currencies for product exports
Debt in foreign currencies for imports of facilities and others

Hedging policy

Foreign currency forward contracts are executed to hedge the risk in fluctuations in the amount of receivables due to fluctuations in foreign currency exchange rates.

7) Other basic information for preparation of the semiannual consolidated financial statements

The tax-excluded method is adopted for accounting treatment of consumption and other taxes.

5. Scope of funds in the Consolidated Statements of Cash Flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows are comprised of cash in hand, demand deposits and time deposits maturing within three months from the date of acquisition, and highly liquid short-term investments having an original maturity of three months or less with minor risk of fluctuations in value.

[Change of key items that serve as the basis of the Fiscal First Half consolidated financial statement]

(Accounting standards for presentation of net assets in the balance sheets)

Effective from the interim consolidated fiscal period, "Accounting Standard for Presentation of Net Assets in the Balance Sheets" (ASBJ Statement No.5, December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net. Assets in the Balance Sheet" (ASBJ Guidance No.8, December 9, 2005) are applied.

The amount that corresponds to the previous total of stockholder's equity is 348,259 million yen.

Net assets of the interim consolidated balance sheet for the interim consolidated fiscal year is calculated and has been formulated based on revised regulations on the interim consolidated financial statement due to revision of regulations on interim consolidated financial statement regulations.

(Accounting standards for business combinations)

Effective from the interim consolidated fiscal period, "Accounting Standards for Business Combinations" (October 31, 2003) and "Accounting Standard for Business Divestitures and the related Implementation Guidance" Accounting Standard (ASBJ Statement No. 7, December 27, 2005) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10. December 27, 2005) are applied.

There is no influence caused on profit and loss due to this change.

(Accounting standard for directors' bonus)

Effective from the interim consolidated fiscal period, "Accounting Standard for Directors' Bonus" (ASBJ Statement No.4, November 29, 2005) is applied.

Operating income, ordinary income and interim net income before tax decreased by 272 million yen respectively due to this change.

(Accounting standards for stock option)

Effective from the interim consolidated fiscal period, "Accounting Standard for Share-based Payment and its Implementation Guidance" (ASBJ Statement No. 8. December 27, 2005) and "Guidance on Accounting Standard for Share-based Payment" (ASBJ Implementation Guidance No. 11. May 31, 2006) are applied.

Operating income, ordinary income and interim net income decreased by 49 million yen respectively due to this change.

[Change of representation system] Change of in method of representation

(Consolidated interim balance sheet)

Those described as "Goodwill" in the previous consolidated interim fiscal period is now described as "Goodwill and consolidation adjustment account" in this consolidated interim fiscal period.

(Significant contingent liabilities)

Not applicable.

Notes

(Consolidated balance sheets)

1. Pledged assets and secured debt

	September 30, 2005	September 30, 2006	March 31, 2006
Pledged assets	463 mil. yen	61 mil. yen	77 mil.yen
Secured debt	370 mil. yen	35 mil. yen	46 mil.yen

2. Obligation (including letters of comfort for management guidance)

	September 30, 2005	September 30, 2006	March 31, 2006
Obligations under the guarantee agreements	48 mil. yen	33 mil. yen	39 mil.yen

3. Trade notes discounted and trade notes endorsed

	September 30, 2005	September 30, 2006	March 31, 2006
Notes receivable discounted	90 mil. yen	90 mil. yen	90 mil.yen
Notes receivable endorsed	773 mil. yen	656 mil. yen	735 mil.yen

4. Matured bill on the last day of the first fiscal half

The last day of the first fiscal half falls on a day off of financial institutions; however we have prepared the report assuming that settlement has been made on the expiration date. Bills matured on the last day of which the first fiscal half falls are excluded from the term-end balance and are listed below.

Bill receivable	1,651	mil. yen
Bill payable	334	mil. yen

(Interim consolidated report of changes in equity)

1. Items on types and number of shares outstanding and number of treasury stocks

Type of stock	At the end of the previous consolidated fiscal year	The number of stock increased during the fiscal half	The number of stock decreased during the fiscal half	As of the end of the fiscal half
Outstanding stock				
Ordinary stock (thousand stock)	173,758	—	—	173,758
Treasury share				
Ordinary stock (thousand stock)	8,645	1	1,305	7,341

(Note) Breakdown of the increase of treasury stock of ordinary stock

Increase due to purchase of odd-lot stock 1,000 shares

Breakdown of the decrease of treasury shares of ordinary stock

Transfer of treasury shares due to exchange of share 1,205,000 shares

Issuance of treasury shares due to exercised tock option 99,000 shares

2. Items on share warrant

Issuing Company	Description	Object	Balance at the end of interim consolidated period (JPY in millions)
Nitto Denko Corporation	Share warrant for stock option	Ordinary stock	49

(Note) The number of stocks that will become the object of equity warrant has been omitted due to the fact that the ratio of the number of stocks increased when we assume that share warrants that have been exercised to the number of issued shares as of the end of the interim consolidated fiscal year is insignificant.

3. Items on dividend

(1) Dividends paid

Resolution	Type of stock	Total dividend (mil. yen)	Per share Dividend (yen)	Record date	Payment start date
Ordinary general meeting of shareholders on June 23, 2006	Ordinary stock	4,953	30	March 31, 2006	June 26, 2006

(2) Dividend with a payment start date after the interim consolidated fiscal year among dividends with record dates that fall in the period of the interim consolidated fiscal year

Resolution	Type of stock	Total dividend (mil. yen)	Funds to make dividend payments	Per share Dividend (yen)	Record date	Payment start date
Board of directors' meeting on October 27, 2006	Ordinary stock	5,824	Retained earnings	35	September 30, 2006	November 29, 2006

(Consolidated statements of cash flows)

Cash and cash equivalents at the end of the first half of fiscal year and their relevant items posted in the balance sheet and their amount

	September 30, 2005	September 30, 2006	March 31, 2006
Cash on hand and in banks	69,441 mil. yen	72,053 mil. yen	87,658 mil. yen
Time deposits maturing over 3 months	846 mil. yen	340 mil. yen	973 mil. yen
Cash and cash equivalents	68,564 mil. yen	71,712 mil. yen	86,684 mil. yen

(Leases)

No notes are made since we disclose them electronically in accordance with the provisions in paragraph 30-6 of Article 27 of Securities Exchange Law.

(Securities)

(Previous first half of fiscal year end)(As of September 30, 2005)

1. Debt securities intended to be held till their maturities
Not applicable.

2. Other Securities with Fair Value

(Unit: Millions of yen)

	Acquisition cost	Book value	Difference
(1) Equity securities	3,268	11,148	7,879
(2) Bonds			
Government bonds, municipal bonds	-	-	-
Corporate bonds	-	-	-
Others	267	327	60
(3) Others	--	--	--
Total	3,536	11,476	7,940

3. Securities with no Fair Values

	Carrying amount
Other securities	
Unlisted equity securities (not including over-the-counter traded equities)	2,300
Total	2,300

(Current first half of fiscal year end)(As of September 30, 2006)

1. Debt securities intended to be held till their maturities
Not applicable

2. Other Securities with Fair Value

(Unit: Millions of yen)

	Acquisition cost	Book value	Difference
(1) Equity securities	3,337	13,530	10,192
(2) Bonds			
Government bonds, municipal bonds	-	-	-
Corporate bonds	-	-	-
Others	172	240	67
(3) Others	-	-	-
Total	3,510	13,770	10,260

3. Other Securities with No Fair Value

	Carrying amount
Other securities	
Unlisted equity securities (not including over-the-counter traded equities)	2,311

(Previous fiscal year end)(As of March 31, 2006)

1. Other securities subject to marked-to-market

Securities with book values exceeding acquisition costs (Unit: Millions of yen)

	Acquisition cost	Book value	Difference
(1) Equity securities	3,292	14,953	11,660
(2) Bonds			
Government bonds, municipal bonds	-	-	-
Corporate bonds	-	-	-
Others	172	259	86
(3) Others	-	-	-
Total	3,465	15,212	11,747

Securities with book values not exceeding acquisition costs (Unit: Millions of yen)

	Acquisition cost	Book value	Difference
(1) Equity securities	12	10	2
(2) Bonds			
Government bonds, municipal bonds	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(3) Others	-	-	-
Total	12	10	2

2. Other securities sold during the current fiscal year (From April 1, 2005 to March 31, 2006)

Amount of sales	Total amount of gains on sales	Total amount of losses on sales
753	317	13

3. Securities not subject to marked-to-market (Unit: Millions of yen)

	Amount posted on balance sheet
Other securities Unlisted equity securities (not including over-the-counter traded equities)	2,316

4. Redemption amount of marketable securities subject to matured and debt securities intended to be held till their maturities

Not applicable.

(Derivative transactions)

No notes are made since we disclose them electronically in accordance with the provisions in paragraph 30-6 of Article 27 of Securities Exchange Law.

(Share Warrant)

No notes are made since we disclose them electronically in accordance with the provisions in paragraph 30-6 of Article 27 of Securities Exchange Law.

(Segment information)**I. Operating segment information**

From April 1, 2005 to September 30, 2005

(Unit : Millions of yen)

	Industrial products	Electronic products	Functional products	Total	Eliminations (corporate)	Consolidated total
Net sales						
(1) Net sales to outside customers	118,423	156,093	23,626	298,143	--	298,143
(2) Inter-segment sales or transfers	--	16	219	236	(236)	--
Total	118,423	156,109	23,846	298,379	(236)	298,143
Operating expenses	108,437	127,816	20,069	256,323	(236)	256,087
Operating income	9,986	28,293	3,776	42,056	--	42,056

From April 1, 2006 to September 30, 2006

(Unit : Millions of yen)

	Industrial products	Electronic products	Functional products	Total	Eliminations (corporate)	Consolidated total
Net sales						
(1) Net sales to outside customers	134,376	172,158	25,971	332,507	--	332,507
(2) Inter-segment sales or transfers	--	16	265	282	(282)	--
Total	134,376	172,175	26,237	332,790	(282)	332,507
Operating expenses	121,173	153,830	21,767	296,771	(282)	296,488
Operating income	13,203	18,345	4,469	36,018	--	36,018

(Fiscal 2006) (From April 1, 2005 to March 31, 2006)

(Unit : Millions of yen)

	Industrial products	Electronic products	Functional products	Total	Eliminations (corporate)	Consolidated total
Net sales						
(1) Net sales to outside customers	251,384	327,398	47,533	626,316	--	626,316
(2) Inter-segment sales or transfers	--	42	472	514	(514)	--
Total	251,384	327,440	48,005	626,831	(514)	626,316
Operating expenses	228,446	268,727	40,432	537,606	(514)	537,091
Operating income	22,938	58,713	7,573	89,224	--	89,224

(Notes) Methods of business segmentation

The Corporation classifies its operation principally in three business segments, industrial products, electronic products, and functional products, depending on the use of the products in the market.

Major products for each business segment

Business segment	Major products
Industrial products	Bonding and joining products, surface protection products, sealing products, packaging products and equipment
Electronic products	LCD-related products, flexible printed circuit products, electronic processing products, Semiconductor related products
Functional products	Medical-related products, polymer separation membranes, engineering plastics products

II. Segment information by geographic area

From April 1, 2005 to September 30, 2005

(Unit : Millions of yen)

	Japan	North America	Europe	Asia & Oceania	Total	Eliminations (corporate)	Consolidated total
Net sales							
(1) Net sales to outside customers	134,627	18,597	9,133	135,784	298,143	--	298,143
(2) Inter-segment sales or transfers	108,822	1,012	1,537	4,783	116,156	(116,156)	--
Total	243,450	19,609	10,671	140,568	414,300	(116,156)	298,143
Operating expenses	207,048	20,363	10,426	134,940	372,778	(116,691)	256,087
Operating income	36,402	753	245	5,627	41,521	(535)	42,056

From April 1, 2006 to September 30, 2006

(Unit : Millions of yen)

	Japan	North America	Europe	Asia & Oceania	Total	Eliminations (corporate)	Consolidated total
Net sales							
(1) Net sales to outside customers	133,731	20,282	10,765	167,727	332,507	--	332,507
(2) Inter-segment sales or transfers	131,304	1,264	2,076	8,171	142,816	(142,816)	--
Total	265,035	21,546	12,841	175,899	475,323	(142,816)	332,507
Operating expenses	236,130	22,214	12,252	170,423	441,020	(144,532)	296,488
Operating income	28,905	667	588	5,476	34,302	1,715	36,018

(Fiscal 2006) (From April 1, 2005 to March 31, 2006)

(Unit : Millions of yen)

	Japan	North America	Europe	Asia & Oceania	Total	Eliminations (corporate)	Consolidated total
Net sales							
(1) Net sales to outside customers	271,186	38,580	19,395	297,153	626,316	--	626,316
(2) Inter-segment sales or transfers	244,055	2,047	3,542	10,598	260,244	(260,244)	--
Total	515,242	40,628	22,938	307,752	886,561	(260,244)	626,316
Operating expenses	438,353	41,706	22,244	295,176	797,481	(260,389)	537,091
Operating income	76,888	1,078	693	12,575	89,079	145	89,224

(Notes) Countries or regions are segmented by geographical proximity.

Major countries or regions excluding Japan represented by categories:

North America : U.S.A.

Europe : European countries

Asia & Oceania : East and South-east Asian countries, Australia

III. Net sales to customers outside Japan

From April 1, 2005 to September 30, 2005

	North America	Europe	Asia & Oceania	Others	Total
I. Net sales to customers outside Japan	Millions of yen 15,902	Millions of yen 9,976	Millions of yen 148,734	Millions of yen 142	Millions of yen 174,756
II. Consolidated sales					Millions of yen 298,143
III. Ratio of net sales to customers outside Japan to consolidated sales	% 5.3	% 3.3	% 49.9	% 0.0	% 58.6

From April 1, 2006 to September 30, 2006

	North America	Europe	Asia & Oceania	Others	Total
I. Net sales to customers outside Japan	Millions of yen 17,752	Millions of yen 11,346	Millions of yen 177,637	Millions of yen 334	Millions of yen 207,072
II. Consolidated sales					Millions of yen 332,507
III. Ratio of net sales to customers outside Japan to consolidated sales	% 5.3	% 3.4	% 53.4	% 0.1	% 62.3

(Fiscal 2006) (From April 1, 2005 to March 31, 2006)

	North America	Europe	Asia & Oceania	Others	Total
I. Net sales to customers outside Japan	Millions of yen 33,279	Millions of yen 20,786	Millions of yen 320,679	Millions of yen 553	Millions of yen 375,298
II. Consolidated sales					Millions of yen 626,316
III. Ratio of net sales to customers outside Japan to consolidated sales	% 5.3	% 3.3	% 51.2	% 0.1	% 59.9

Notes: Countries or regions are listed in the order of geographical proximity.

Major countries or regions excluding Japan represented by categories:

North America : U.S.A.

Europe : European countries

Asia & Oceania : East and South-east Asian countries, Australia

Others : African and South American countries

Net sales to customers outside Japan represent the sales by the parent company and its consolidated subsidiaries in the countries or regions outside Japan.

(Production and sales)**(1) Production results**

Production results by business segment for the current consolidated first half of the fiscal year are as follows:
(Unit: Millions of yen)

Description of business segment	Amount	Change (%)
Industrial products	68,098	116.2
Electronic products	163,272	111.0
Functional products	24,321	106.9
Total	255,692	111.9

(Notes) ① The amounts are rounded since it is difficult to accurately estimate the total amounts of products due to the complex nature of the transactions between consolidated subsidiaries.

(2) Sales results

Sales results by business segment for the current consolidated first half of the fiscal year are as follows:
(Unit: Millions of yen)

Description of business segment	Amount	Change (%)
Industrial products	134,376	113.5
Electronic products	172,158	110.3
Functional products	25,971	110.0
Total	332,507	111.5

(Notes) ① Names of major counter-parties are not indicated herein as none has constituted 10% or more of the total sales.

Amounts in the table do not include consumption taxes.