

Analysis of the Business Results

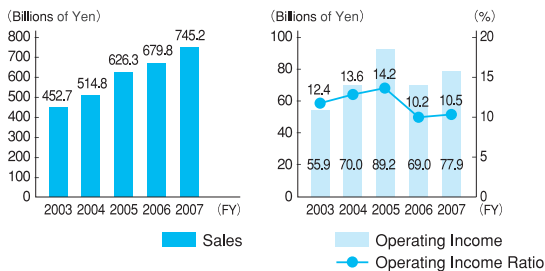
1. Summary of Overall Business

This business year, corporate earnings weakened in Japan due to the yen's sharp appreciation and price hikes of oil and raw materials, while consumer spending remained almost unchanged. Affected by the subprime mortgage problem, the US economy slowed, which made the pace of economic recovery in Europe more moderate than before. Meanwhile, in Asia, particularly China, the economy continued to expand.

Under this economic situation, the Group increased sales of LCD (liquid crystal display) related materials, circuit materials and industrial materials to the FPD (flat panel display) industry and the electronic device industry, especially for HDDs (hard disk drives) and mobile phones. Sales of high-polymer separation membranes for water related environment were also favorable. As for transdermal drug delivery patches, sales were sluggish as new products were not approved as a medicine in the US. In this business year, the Group reorganized and integrated its sales function to cope with the increasing globalization of markets.

As a result, consolidated net sales increased 9.6% from the previous year (changes in percentage hereafter are in comparison to the previous year) to 745,259 million yen. Operating income rose 12.9% to 77,954 million yen, and ordinary income grew 10.6% to 74,468 million yen. Net income went up 13.2% to 46,634 million yen.

Sales, Operating Income & Operating Income Ratio



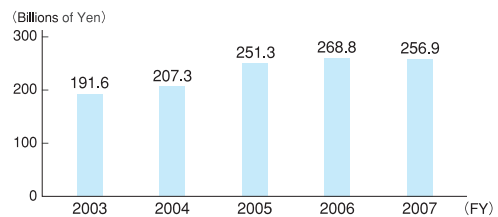
2. Summary by Business Segment

Industrial Products

Sales of bonding and joining products for use in portable electronics (such as music players and game machines), HDD-related components, home appliances and personal computers remained strong particularly in East Asia. With regard to surface protection products, sales of surface protection film for the FPD industry were favorable amid rising demand, while sales of automobile paint protection film and metal sheet protection film stayed flat. Sealing products sold well for peripheral components for appliances such as flat TVs and game gadgets and automobile components, while sales for cell phones were affected by production adjustments by customers. With regard to construction materials, sales were sluggish in Japan affected by the enforcement of the revised Building Standards Law, but sales of masking tapes for construction applications were robust in the overseas market. As for custom processing materials and purchased goods, overall sales decreased owing to a decline in handling of procurement products.

As a result, sales from the industrial products segment decreased by 4.5% to 256,910 million yen, and operating income decreased by 0.3% to 27,921 million yen.

Industrial Products



Electronic Products

With regard to the business of LCD-related materials, as the markets for LCD TVs, cell phones and touch panels expanded, the Company put its efforts and resources

