

May 31, 2006

Annual Highlights of Fiscal Year ending 31 March, 2006

1. Summary of Fiscal Year 2006

(in millions of yen)

	Net sales	Operating income	Income before extra-ordinary items	Net income
Fiscal 2006	265,888	8,429	10,425	7,764
Fiscal 2005	264,975	12,025	13,270	7,588

Economy outlook

During this fiscal year, Japan's domestic economy consistently showed a positive growth trend with several critical factors remaining as concerns that adversely affected cost positions and profitability, such as price soaring of oil and other raw materials, increasing competition in some IT-related product sectors.

The market conditions of NSG's consolidated group has picked up with growth of the nation in such areas as housing new starts both in residential and commercial segments, and domestic car production volume. Price increase in crude oil and other key raw materials significantly affected NSG's manufacturing cost throughout this year. In the Information and Electronics business segments, there were mixed signals; Global total production volume of PC and mobile phone increased to the extent that they exceeded last year, which was offset downward by price competition and/or inventory adjustment in supply chains.

Summary of Financial Results

Under these circumstances, despite every possible effort we made to protect our profitability level along the budget, the price impact in crude oil and other key materials was too significant to be absorbed by our own cost reduction activities. As a result our operating income decreased by 29.9% compared to the last year. Income before extra-ordinary items and taxation also decreased in spite of improved non-operating incomes. We booked JPY 5,534 million of extra-ordinary losses on disposal of obsolete inventories and fixed asset, which was more than offset by a JPY 6,644 million of extra-ordinary incomes mainly due to sales of marketable securities

In consequence, net sales slightly increased to 265 billion and 888 million yen (up 0.3%), operating income declined to 8,429 million yen (down 29.9%), income before extra-ordinary incomes decreased to 10,425 million yen (down 21.4%) and net income increased to 7,764 million yen (up 2.3%).

Dividend

We assume we will keep a total of 6 yen of dividend for this year. (3 at interim and 3 at final)

2. Review of Operations

(in millions of yen)

	Net sales		Operating income	
	FY2006	FY2005	FY2006	FY2005
Flat & Safety Glass& Building Materials	180,069	171,029	5,001	7,099
Information & Electronics	42,375	44,191	1,423	1,143
Glass Fiber	31,911	35,838	3,901	4,548
Others	11,533	13,915	-1,893	-766
(Internal)			(3)	(0)
Total	265,888	264,975	8,429	12,025

(1) Flat and Safety Glass and Building Materials Division

Despite a robust increase in sales, a 5.3% up from last year, operating income decreased to 5,001 million yen (down 29.6%) due to increased cost impact affected by crude oil and other key raw materials.

Sales in architectural glass and building products sector improved backed up by solid growth in the value-added glass market in Japan such as double glazing and crime prevention laminated glass in

addition to healthy overseas operations such as Malaysia where the second float line contributed to sales increase for this year.

Sales in automotive glass sector also improved mainly due to incremental business volume awarded in new models that started production in this year.

(2) Information / Electronics Materials and Devices Division

Despite sales that declined to 42,375 million yen (down 4.1%), operating income this year showed a significant improvement that increased to 1,423 million yen (up 24.5%) .

Sales in our optical-electronics devices products were either flat or slightly declined compared to last year affected by increasing competition in light-source products segment, while there was still robust demand in our SELFOC lenses used in multi-function printers. Recovery in photonic telecommunication market became somewhat visible but was not strong enough to contribute for this year.

Sales in our display glass sector fell short to last year largely due to a temporary slump in passive matrix LCD market volume that continued throughout the first half of this year, although recovery has become visible just recently.

(3) Glass Fiber Division

Sales in our glass fiber businesses amounted to 31,911 million yen (down 11.0%) with operating income of 3,901 million yen (down 14.2%). This was due to a combination of increasing competition in battery separator market and a temporary downturn in air filter market affected by semiconductor industry, while glass cord for engine timing belt still enjoyed stable demand globally.

(4) Others

Sales in others sector was 11,533 million yen (down 17.1%) with operating losses being 1,893 million yen (0%). This was mainly due to increased expenditure in on-going information system upgrade project.

3. Prospects for Fiscal Year 2007

As is consistent with our previous announcement, acquisition process of Pilkington has been proceeding smoothly with no delay in schedule, and we expect it is around mid-June this year when a series of necessary legal steps will be complete for Pilkington to become a 100% subsidiary of NSG's group. This means that Pilkington is still a listed company as of today who is subject to compliance with rules and regulations in London Stock Exchange (LSE), therefore, it is NSG's decision that at this time we hold to disclose our FY2007 forecasting information until later date. We will make another announcement in appropriate timing to follow this up.

Financial Statements**Consolidated Balance Sheet**

For the year ended March 31, 2006

(in millions of yen)

	March 31 2006	March 31 2005	Change
(Assets)			
Total current assets	288,732	167,724	121,007
Cash and deposits	180,670	64,163	116,506
Notes and account receivable:trade	59,072	59,785	(713)
Inventories	37,749	34,582	3,166
Deferred income taxes	1,863	1,689	173
Other current assets	10,145	8,275	1,869
Allowance for doubtful accounts	(768)	(772)	3
Total fixed assets	307,231	259,185	48,046
Tangible fixed assets	119,396	114,084	5,312
Buildings and structures	38,378	39,439	(1,061)
Machinery and equipment	44,566	37,381	7,184
Tools and fixtures	4,456	3,980	475
Land	23,030	23,437	(407)
Construction in progress	8,965	9,844	(878)
Intangible fixed assets	6,989	3,890	3,098
Intangible fixed assets	6,989	3,890	3,098
Investments and other assets	180,845	141,210	39,635
Investments in securities	174,006	134,403	39,602
Long-term loans receivable	939	933	6
Long-term prepaid expense	1,168	1,142	26
Deferred income taxes	834	793	41
Other assets	4,270	4,519	(249)
Allowance for doubtful accounts	(374)	(582)	208
Total assets	595,963	426,909	169,053
(Liabilities)			
Current liabilities	111,002	108,007	2,995
Notes and account payable:trade	37,357	38,922	(1,565)
Short-term bank borrowings	46,703	37,178	9,524
Current portion of bonds	-	9,600	(9,600)
Notes and accounts payable:construction	5,399	4,133	1,266
Accrued income taxes	3,418	2,121	1,297
Accrued consumption taxes	257	417	(159)
Accrued expenses	7,528	5,720	1,807
Customers' deposits	4,037	4,097	(59)
Accrued bonus to employees	2,484	2,473	10
Accrued bonus to directors	67	61	6
Deferred income taxes	1,206	1,717	(510)
Other current liabilities	2,541	1,563	978
Long-term liabilities	243,361	110,859	132,501
Corporate bonds	153,000	43,000	110,000
Long-term bank borrowings	37,220	31,533	5,686
Accrued retirement benefits to employees	12,022	13,090	(1,067)
Accrued retirement benefits to directors	1,187	1,072	115
Reserve for rebuilding furnaces	9,684	8,723	960
Consolidation goodwill	707	199	507
Deferred income taxes	28,075	12,030	16,044
Other long-term liabilities	1,464	1,209	254
(Minority interests)	3,315	2,741	573
Minority interests	3,315	2,741	573
(Shareholders' equity)	238,284	205,300	32,983
Common stock	41,060	41,060	-
Additional paid-in capital	50,374	50,373	0
Retained earnings	95,791	95,355	435
Unrealized holding gain on securities	50,338	26,787	23,551
Translation adjustment	1,054	(8,019)	9,074
Treasury stock, at cost	(335)	(257)	(78)
Total liabilities, minority interests and shareholders' equity	595,963	426,909	169,053

Consolidated Statements of Operations

(in millions of yen)

	FY 2006	FY 2005	Change
Net sales	265,888	264,975	913
Cost of sales	196,948	194,843	2,104
Selling, general and administrative expenses	60,510	58,106	2,404
Operating income	8,429	12,025	(3,595)
Non-operating income	8,212	7,485	727
Interest and dividend income	2,270	1,487	782
Equity in earnings of affiliates	4,018	4,440	(422)
Other income	1,923	1,556	366
Non-operating expense	6,217	6,240	(23)
Interest expense	1,607	2,032	(425)
Other expense	4,609	4,208	401
Income before extra-ordinary items	10,425	13,270	(2,845)
Extra ordinary income	6,644	5,418	1,225
Gain on sales of property, plant and equipment	1,096	1,438	(342)
Gain on sales of investments in securities	5,548	3,634	1,914
Gain on sales in affiliates	-	346	(346)
Extra ordinary losses	5,534	7,264	(1,729)
Loss on disposal of property, plant and equipment	1,322	3,247	(1,925)
Loss on impairment of fixed assets	702	-	702
Loss on revaluation of investment securities	121	54	67
Loss on liquidation of investment in affiliates	-	24	(24)
Loss on sales of investment in affiliates	-	957	(957)
Loss on disposal of inventories	1,358	2,980	(1,621)
Expenses for acquisition of Pilkington	1,243	-	1,243
Loss on provision for asbestos related charges	785	-	785
Income before income taxes and minority interests	11,535	11,424	110
Income tax: Current	4,015	4,294	(279)
Income tax: Deferred	(580)	(873)	293
Minority interests (loss) in net income of consolidated subsidiaries	335	415	(80)
Net income	7,764	7,588	176

Consolidated Statements of Cash Flows

(in millions of yen)

	FY 2006	FY 2005
Cash flows from operating activities:		
Income before income taxes and minority interests	11,535	11,424
Depreciation and amortization	12,961	12,553
Loss on impairment of fixed assets	702	-
(Decrease) increase in accrued bonus	169	347
(Decrease) increase in allowance for doubtful accounts	(5)	368
(Decrease) increase in accrued retirement benefits	(2,093)	379
Gain on sales of investments in securities	(5,548)	(3,634)
Interest and dividend income	(2,270)	(1,487)
Interest expense	1,607	2,032
Decrease (increase) in notes and accounts receivable	3,529	(1,135)
Decrease (increase) in inventories	(2,081)	(436)
(Decrease) increase in notes and accounts payable	(3,680)	(1,793)
Other, net	(64)	680
Sub Total	14,760	19,298
Interest and dividend income received	5,541	4,485
Interest paid	(1,720)	(2,036)
Income taxes paid	(3,126)	(4,947)
Net cash provided by operating activities	15,455	16,799
Cash flows from investing activities:		
Purchase of property, plant and equipment	(18,590)	(12,496)
Proceeds from sales of property, plant and equipment	2,295	6,773
Purchase of investments in securities	(3,027)	(1,123)
Proceeds from sales of investments in securities	7,565	5,599
Proceeds from sales of investments in affiliates	-	1,442
Other, net	(392)	(451)
Net cash provided by (used in) investing activities	(12,149)	(255)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	5,420	(9,259)
Issuance of long-term indebtedness	13,529	8,279
Repayment of long-term indebtedness	(5,317)	(7,265)
Issuance of bonds	110,000	23,000
Redemption of bonds	(9,600)	(19,791)
Cash dividends paid	(2,658)	(2,659)
Other, net	(148)	(110)
Net cash provided by (used in) financing activities	111,225	(7,806)
Effect of change rate on cash and cash equivalents	1,029	(438)
Net decrease (increase) in cash and cash equivalents	115,560	8,297
Cash and cash equivalents at beginning of the year	63,512	55,356
Effect of change in scope of consolidation	85	(142)
Cash and cash equivalents at the end of the year	179,158	63,512