

Annual Highlights of Fiscal Year to March 2005

1. Review of Fiscal 2005

	(¥ million)			
	<i>Net sales</i>	<i>Operating income</i>	<i>Income before extra-ordinary items</i>	<i>Net income</i>
Fiscal 2005	264,975	12,025	13,270	7,588
Fiscal 2004	269,149	10,025	7,757	3,207

Economy

During the first half of this fiscal year the domestic economy of Japan showed strong signs of recovery represented by the improved corporate earnings and increased capital expenditure in the private sector.

However, later in the year, the inexorable price hikes in material prices, especially oil prices, and cutbacks in the inventory of IT-related industries begun to adversely affect the recovery.

Market conditions and material prices

Among the relevant markets of our businesses, residential housing starts and non-residential building construction as well as the total number of the automobiles produced in Japan exceeded those in last year. In Information and Electronics markets, global PC shipment and mobile phone production also increased over last year, though some of the other sectors slowed down in the second half because of inventory adjustment.

Internally, the soaring price of oil, the most commonly used fuel in the glass manufacture, is significantly raised the cost of products.

Summary of financial results

Under these circumstances, we made across the board efforts to improve our profitability in accordance with the targets envisaged in our mid-term plan, ACT21: to generate stable income; to realize high profitability and efficiency; and to develop "number one, only one" products.

Net sales declined 1.6% from last year to ¥264,975 million due to the sale of glass disk business in fiscal 2004. Nevertheless, our efforts resulted in increased income, upheld by strong market conditions and the positive effects of previously carried out structural reforms.

The closedown of the Aichi plant and an inventory write-off of optical telecommunication lenses made us book extraordinary losses of ¥7,264 million. We posted ¥5,418 million in extraordinary income generated from the sale of

investment securities.

In consequence, operating income, income before extra-ordinary items, and net income increased to ¥12,025 million (up 20.0%), ¥13,270 million (up 71.1%), and ¥7,588 million (up 136.6%) respectively.

Dividend

We resumed paying an interim dividend of ¥3 per share, reflecting recovering income and our dividend policy, and will pay a final dividend of ¥3 per share. The total dividend doubled from ¥3 per share paid for fiscal 2004 to ¥6 per share for this year.

2. Review of Operations

(¥ million)

	<i>Net sales</i>		<i>Operating income</i>	
	2005	2004	2005	2004
Flat & Safety Glass & Building Materials	171,029	168,599	7,099	6,488
Information & Electronics	44,191	48,953	1,143	-924
Glass Fiber	35,838	35,681	4,548	4,560
Other	13,915	15,914	-766	-153
(Internal)	-	-	(0)	(-54)
Total	264,975	269,149	12,025	10,025

(1) Flat and Safety Glass and Building Materials Division

Both net sales and operating income increased to ¥171,029 million (up 1.4%) and to ¥7,099 million (up 9.4%) respectively.

Architectural Glass and Materials

Domestic sales were better than those in the previous year owing to a solid demand in the construction market, especially for added-value glass such as double-glazed glass and crime-prevention glass. Income also rose year-on-year as a result of structural reforms and cost-cutting measures which more than offset a significant increase in input costs.

Overseas sales fell due to the sale of shares in Tianjin NSG Float Glass Co., Ltd. in fiscal 2004. Stabilizing market conditions in Malaysia and Vietnam, on the other hand, contributed to lifting up income.

Automotive Glass and Materials

Automotive glass sales were slightly higher year-on-year but income decreased because of increased material costs.

(2) Information/Electronics Materials and Devices Division

Net sales fell 9.7% to ¥44,191 million but operating income jumped up to ¥1,143 million.

The sale of the glass disk business in the previous fiscal year resulted in lower net sales. However, income substantially improved owing to strong market demand and lower manufacturing costs achieved as a result of the divestment. After four years' loss-making, income finally turned positive.

Optical Telecommunications and Optoelectronics Devices

Demand for lenses for the optical telecommunications industry remained stagnant but continued strong growth of multifunctional printer market led to a rise in the sale of optical components for office equipment. As a result, net sales rose year-on-year.

Display Glass

Sales increased due to growing demand for mobile phone LCDs.

(3) Glass Fiber Division

Net sales amounted to ¥35,838 million (up 0.4%) with operating income of ¥4,548 million (down 0.3%).

Glass cord and glass flake businesses performed well. On the other hand, net sales of battery separators were reduced, reflecting highly competitive and deteriorating market conditions.

(4) Others

Net sales decreased 12.6% to ¥13,915 million and operating loss of ¥766 million was booked.

Reduced net sales are attributable to the exclusion of Isolite Insulating Products Co., Ltd. from consolidated net sales due to the sale of its shares. Net sales in other areas such as engineering services increased.

3. Prospects for Fiscal 2006

Economy and Markets

In general the Japanese economy is forecasted to stay solid. However, there exist many disquieting factors including elevated material prices triggered by disturbances in the Middle East and a potential slowdown in the North American economy.

We forecast architectural and automotive glass markets will remain sound. The markets of the Information and Electronics business, on the other hand, will fluctuate in the short term but continue growing in the long term.

Strategy

We are committed to achieve the targets established in our new mid-term plan, CCP300. The priorities of each business division are as follows.

(1) Flat and Safety Glass and Building Materials Division

We will keep focused on further cost reductions and sales expansion of the added-value glass products.

In the architectural glass business, we will increase sales of various innovative glass products. For growing needs for energy-saving and safety, we will promote our quality double-glazed glass and laminated glass. Our self-cleaning glass utilizing a photocatalytic effect has a promising future for its uniqueness.

In the automotive glass business, we will vigorously develop and market new products and high added-value products such as heat shielding glass. To fulfill the requirements of the increasingly globalized automotive industry, we will strengthen our international supply capability.

(2) Information/Electronics Materials and Devices Division

We will pursue growth strategy by constantly introducing new products into markets.

In the display glass business, our focus will be on the marketing of PDP glass substrate and the promotion of glass for small- or medium-sized LCDs.

In the optoelectronics business, we will actively support the expanding multifunctional printer market through the supply of our optical components. With new efficient operations shaped by drastic structural reforms, we will develop high added-value and quality new lenses for optical telecommunications markets.

(3) Glass Fiber Division

Under our “number one, only one” strategy, we will seek further growth by expediting new product development and through the globalization of operations.

(4) RD&E

In research, development and engineering, we will exert efforts in the development of new proprietary products as well as new proprietary technologies in our current business areas.

Furthermore, we will enhance the development of new products in new business areas such as biotechnology, environment and energy through our internal and external R&D networks.

In line with our environmental policy, to conserve the global environment through environment friendly business activities, we will continue our efforts not only to recycle and save energy but also to develop products with less environmental impacts.

Projections

Our plan for fiscal 2006 from April 2005 to March 2006 is as follows:

	(¥ million)	
	<i>Consolidated</i>	<i>Company</i>
Net Sales	274,000	178,000
Operating income	13,000	5,000
Income before extra-ordinary items	15,000	4,000
Net income	10,000	2,000

4. Financial Statements

Consolidated Balance Sheets

For the years ended March 31, 2005 and 2004

(Millions of yen)

	Mar 31, 2005	Mar 31, 2004	Change
(ASSETS)			
Total current assets	167,724	165,785	1,939
Cash and deposits	64,163	55,968	8,194
Notes and accounts receivable: Trade	59,785	61,927	(2,141)
Inventories	34,582	36,184	(1,601)
Deferred income taxes	1,689	1,490	199
Other current assets	8,275	10,811	(2,536)
Allowance for doubtful accounts	(772)	(596)	(175)
Total fixed assets	259,185	276,378	(17,193)
Tangible fixed assets	114,084	126,271	(12,187)
Buildings and structures	39,439	45,445	(6,005)
Machinery and equipment	37,381	39,847	(2,465)
Tools & fixtures	3,980	4,094	(113)
Land	23,437	29,033	(5,596)
Construction in progress	9,844	7,850	1,993
Intangible fixed assets	3,890	3,999	(108)
Intangible fixed assets	3,890	3,999	(108)
Investments and other assets	141,210	146,107	(4,897)
Investments in securities	134,403	138,641	(4,237)
Long-term loans receivable and other assets	933	2,869	(1,935)
Long-term prepaid expense	1,142	1,990	(847)
Deferred income taxes	793	1,013	(220)
Other assets	4,519	4,196	323
Allowance for doubtful accounts	(582)	(2,602)	2,020
Total assets	426,909	442,163	(15,253)
(LIABILITIES)			
Current liabilities	108,007	136,219	(28,211)
Notes and accounts payable: Trade	38,922	41,939	(3,016)
Short-term bank borrowings	37,178	53,301	(16,122)
Current portion of bonds	9,600	19,791	(10,191)
Notes and accounts payable: Construction	4,133	3,409	724
Accrued income taxes	2,121	2,678	(556)
Accrued consumption taxes	417	605	(188)
Accrued expenses	5,720	5,094	626
Customers' deposits	4,097	4,403	(305)
Accrued bonus - employees	2,473	2,314	159
Accrued bonus - directors	61	-	61
Other current liabilities	1,717	1,441	276
Long-term liabilities	1,563	1,241	321
Unsecured bonds	110,859	99,483	11,376
Convertible bonds	43,000	29,800	13,200
Long-term bank borrowings	31,533	31,211	322
Accrued retirement benefits to employees	13,090	13,181	(91)
Accrued retirement benefits to directors	1,072	989	82
Reserve for rebuilding furnaces	8,723	8,502	221
Consolidation goodwill	199	137	61
Deferred income taxes	12,030	14,246	(2,216)
Other long-term liabilities	1,209	1,413	(203)
(MINORITY INTERESTS)	2,741	5,898	(3,156)
(SHAREHOLDERS' EQUITY)			
Common stock	205,300	200,562	4,738
Additional paid-in capital	41,060	41,060	-
Retained earnings	50,373	50,371	1
Unrealized holding gain on securities	95,355	90,558	4,796
Translation adjustments	26,787	28,751	(1,964)
Treasury stock, at cost	(8,019)	(10,010)	1,990
Treasury stock, at cost	(257)	(170)	(86)
Total liabilities, minority interests and shareholders' equity	426,909	442,163	(15,253)

Consolidated Statements of Operations

For the years ended March 31, 2005 and 2004

(Millions of yen)

	Fiscal 2005	Fiscal 2004	Change
Net sales	264,975	269,149	(4,173)
Cost of sales	194,843	200,973	(6,129)
Selling, general and administrative expenses	58,106	58,150	(44)
Operating income	12,025	10,025	2,000
Non-operating income	7,485	6,472	1,012
Interest and dividend income	1,487	1,693	(205)
Equity in earnings of affiliates	4,440	1,210	3,230
Other income	1,556	3,569	(2,012)
Non-operating expenses	6,240	8,740	(2,499)
Interest expense	2,032	3,100	(1,068)
Other expenses	4,208	5,639	(1,431)
Income before extra-ordinary items	13,270	7,757	5,512
Extra-ordinary income	5,418	15,053	(9,635)
Gain on sales of property, plant and equipment	1,438	1,260	177
Gain on sales of investments in securities	3,634	10,738	(7,104)
Gain on sales of investment in affiliates	346	1,795	(1,449)
Gain on elimination of future benefit obligations related to Japanese governmental welfare component of company's defined benefit pension plan	-	1,259	(1,259)
Extra-ordinary losses	7,264	13,249	(5,985)
Loss on disposal of property, plant and equipment	3,247	4,026	(778)
Loss on revaluation of investment in securities	54	93	(39)
Loss on liquidation of investments in affiliates	24	1,954	(1,929)
Loss on sales of investments in affiliates	957	6,508	(5,551)
Loss on disposal of inventories	2,980	-	2,980
Loss on redemption of bonds	-	666	(666)
Income before income taxes and minority interests	11,424	9,562	1,862
Income taxes :Current	4,294	3,998	296
Income taxes :Deferred	(873)	2,121	(2,994)
Minority interests in net income of consolidated subsidiaries	415	234	180
Net income	7,588	3,207	4,380

Consolidated Statements of Cash Flows

For the years ended March 31, 2005 and 2004

(Millions of yen)

	Fiscal 2005	Fiscal 2004
Cash flows from operating activities:		
Income before income taxes and minority interests	11,424	9,562
Depreciation and amortization	12,553	14,875
(Decrease) increase in accrued bonus	347	(174)
(Decrease) increase in allowance for doubtful accounts	368	(258)
(Decrease) increase in accrued retirement benefits	379	(515)
Gain on sales of investments in securities	(3,634)	(10,738)
Interest and dividend income	(1,487)	(1,693)
Interest expense	2,032	3,100
Decrease (increase) in notes and accounts receivable	(1,135)	1,166
Decrease (increase) in inventories	(436)	(429)
(Decrease) increase in notes and accounts payable	(1,793)	2,096
Other, net	680	2,870
Subtotal	19,298	19,861
Interest and dividend income received	4,485	4,139
Interest paid	(2,036)	(3,144)
Income taxes paid	(4,947)	(3,252)
Net cash provided by operating activities	16,799	17,603
Cash flows from investing activities:		
Purchases of property, plant and equipment	(12,496)	(13,126)
Proceeds from sales of property, plant and equipment	6,773	3,703
Purchases of investments in securities	(1,123)	(5,531)
Proceeds from sales of investments in securities	5,599	18,634
Proceeds from sales of investments in affiliates	1,442	6,412
Other, net	(451)	(451)
Net cash provided by (used in) investing activities	(255)	9,641
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(9,259)	817
Issuance of long-term indebtedness	8,279	9,306
Repayment of long-term indebtedness	(7,265)	(24,610)
Issuance of bonds	23,000	20,000
Redemption of bonds	(19,791)	(20,566)
Cash dividends paid	(2,659)	(1,330)
Other, net	(110)	(240)
Net cash provided by (used in) financing activities	(7,806)	(16,623)
Effect of exchange rate changes on cash and cash equivalent	(438)	(1,045)
Net increase in cash and cash equivalents	8,297	9,575
Cash and cash equivalents at beginning of the year	55,356	45,781
Effect of change in scope of consolidation	(142) -	
Cash and cash equivalents at end of the quarter	63,512	55,356