

FY2008 3rd Quarter Consolidated Financial Results

13 February 2008



(An English translation of Japanese original)

Listed Company Name: **Nippon Sheet Glass Co., Ltd.**
Code Number **5202**

Stock Exchange Listing: Tokyo, Osaka
(URL <http://www.nsggroup.net>)

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1. Consolidated business results for FY 2008 3rd Quarter (From 1 April 2007 to 31 December 2007)

(1) Consolidated business results

	Sales		Operating income		Income before extra-ordinary items		Net Income	
	million JPY	%	million JPY	%	million JPY	%	million JPY	%
FY 2008 Q3	648,654	33.5	40,821	79.2	28,978	47.8	60,801	115.8
FY 2007 Q3	485,941	154.3	22,778	226.3	19,601	121.3	28,169	386.9
FY 2007 Full year	681,547	-	23,822	-	8,001	-	12,095	-

	Net income per share		Diluted earnings per share	
	JPY		JPY	
FY 2008 Q3	90.97		85.47	
FY 2007 Q3	54.25		50.14	
FY 2007 Full year	21.85		20.28	

(2) Changes in financial position

	Gross assets	Net assets	Equity ratio	Net assets per share
	million JPY	million JPY	%	JPY
FY 2008 Q3	1,417,534	415,291	28.4	601.68
FY 2007 Q3	1,398,460	420,443	29.0	606.13
FY 2007 Full year	1,408,983	350,625	23.9	504.55

(3) Consolidated statement of cash flow

	Net cash generated from operating activities	Net cash generated from (used in) investing activities	Net cash generated from (used in) financial activities	Cash & cash equivalents as of term-end
	million JPY	million JPY	million JPY	million JPY
FY 2008 Q3	36,124	45,329	(78,415)	123,201
FY 2007 Q3	44,929	(251,042)	144,962	132,474
FY 2007 Full year	75,379	(297,644)	190,068	159,762

2. Dividends

	Dividends per share		
	Half-year	Annual	Total
FY 2007 (Actual)	JPY 3.0	JPY 3.0	JPY 6.0
FY 2008 (Actual)	JPY 3.0		JPY6.0
FY 2008 (forecast)		JPY 3.0	

3. Consolidated performance outlook for FY 2008 – unchanged from half year

	Sales		Operating income		Income before extra-ordinary items		Net income		Net income per share
	million JPY	%	million JPY	%	million JPY	%	million JPY	%	JPY
Full year results	850,000	24.7	45,000	88.9	27,000	237.4	53,000	338.2	79.30

4. Others

- (i) Changes in status of principal subsidiaries : None
- (ii) Adoption of simplified accounting methods : None
- (iii) Changes in accounting policies : Yes Note: Please refer to page 5 for more detailed information.

Explanation for the appropriate usage of performance projections and other special items

1. The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable. Hence the actual results may differ.
The major factors that may affect the results are the economic environment in major markets (such as Japan, Europe, North and South America, Asia, etc.), product supply/demand shifts, fluctuations in currency exchange and interest rate as well as price changes in primary fuels and raw materials.
2. The Group has adopted “Net Debt” (interest bearing debt minus cash and cash equivalents) as a Key Performance Indicator for its financial performance. The chart below shows the movement of “Net Debt” following the acquisition of Pilkington in June 2006.

	Net Debt
	JPY million
FY 2007 1st Quarter (30 June, 2006)	514,097
FY 2007 3rd Quarter (31 December, 2006)	431,844
FY 2007 Full year (31 March, 2007)	400,203
FY 2008 3rd Quarter (31 December, 2007)	339,830

I. Business Performance and Financial Standing

1. Background to Results

In Japan, the outlook has remained uncertain, due to increases in energy prices and the global credit crunch. Building Products sales have continued to be adversely affected by building permit delays. Vehicle build in Japan remains flat.

Western European economies continue to slow, with signs that Building Products pricing throughout Europe is beginning to come under pressure. Production of new cars in Europe has been flat, but the European Automotive aftermarket (AGR) market remains strong. Demand for glass cord and flake in Europe continues to be reasonably stable.

The North American economy continues to slow, with a further decline in the domestic housing market now beginning to affect the commercial building market. New car production is weakening, and there are indications that AGR is also being adversely impacted by the economic slow-down.

Most of the emerging economies in which the Group operates continue to perform well.

In the information technology and electronics sector, worldwide shipments of PCs, cellular phones and other IT equipment continue to grow. The glass fiber sector is also experiencing robust demand in relevant markets, including Europe.

The performance of Pilkington, which became a consolidated subsidiary in June 2006, has been included in the Company's consolidated income statement from the second quarter of the previous fiscal year. Consequently, sales, operating profits, and ordinary profits all saw substantial year-on-year increases in the nine month period to this quarter.

2. Review by Business Segment

Flat Glass Business

The Flat Glass business encompasses the Group's Building Products (BP) business (glass and glazing systems for exterior and interior architectural use) and Automotive business (glass and glazing systems for vehicles in the Original Equipment and Aftermarket sectors). Overall, these businesses accounted for around 90 per cent per cent of total Group sales in the period under review.

Building Products (BP) Business

In Europe, demand was strong in the first half of the year but slowed during the third quarter. Performance of downstream operations in Europe continues to improve across most markets. During the quarter, the European Commission announced a decision to levy a civil fine of Euro 140 million (approximately JPY 22.5 billion) on the Group following an investigation into a number of glass manufacturers in the European Building products glass sector. As announced in the Group's press release of 28 November 2007, this fine had previously been provided and as such there is no further charge to the income statement. On 31st January 2008, the Group announced that it had decided not to appeal against this fine.

Sales in Japan were slightly below the previous year. Market conditions remain difficult, with a continuing decline in housing starts following regulatory changes. Profits are above the previous year, largely due to negative one-off items (a production adjustment) in the comparative period results.

North America continued to experience a declining housing market resulting in a decrease in sales and profitability.

In South America, results continue at good levels, with market conditions remaining robust and in South East Asia profits demonstrated a marked year-on-year improvement.

As a result, the Building Products business overall achieved sales of JPY 305.5 billion and operating income of JPY 27.8 billion.

Automotive Glass Business

In the European Original Equipment (OE) sector, sales and profits continued to be robust, and Automotive Glass Replacement (AGR) revenues and profits in the European market were also ahead of the previous year.

In Japan, the sales from OE business remains flat, with the vehicle build at a similar level to the previous year.

In North America, AGR profits demonstrated a year-on-year improvement, but OE profits were slightly below the previous period due to sluggish market conditions. In Rest Of the World, profits were higher than last year.

As a result, the Automotive glass business recorded sales of JPY 271.9 billion and operating income of JPY 17.5 billion.

Specialty Glass Business

The Specialty Glass Business encompasses the Group's Information Technology business (information and telecommunication devices and glass for LCDs) and Glass Fiber businesses.

Information Technology

In the Information Technology business, demand for the Group's main products, including optical lenses for multi-function printers and glass substrate for small and medium sized LCD panels, remained steady. Consequently, sales and profits in this business were slightly higher than in the equivalent period last year.

Glass Fiber

In the Glass Fiber business, total sales were higher year-on-year, principally reflecting continuing robust demand for glass cord in Europe.

As a result, the Specialty Glass business recorded overall sales of JPY 61.5 billion and an operating profit of JPY 6.9 billion.

Other Operations

This segment mainly covers corporate costs and engineering income, but also includes small businesses not included in Building Products, Automotive and Specialty Glass. This segment experienced a reduction in earnings, reflecting an increase in general corporate expenses, due to the consolidation of Pilkington central costs for the period.

Consequently, this segment recorded sales of JPY 9.7 billion and an operating loss of JPY 11.3 billion.

Joint Ventures and Associated companies

The group's share of the results of its joint venture and associated companies is included within non-operating income in the income statement. Cebrace, the Group's joint venture company in Brazil, performed strongly during the period with significantly improved profits. In Russia, the Group's joint venture company, Pilkington Glass Russia LLC, also improved profitability. NH Techno Glass Co.,Ltd., the Group's joint venture company in the LCD substrate business, achieved an improved operational performance, generating a significant increase in its profit from the same period of last year, when it suffered production problems.

II. Financial condition

Total assets at the end of December 2007 were JPY 1,417.5 billion, representing an increase of JPY 8.5 billion from the end of March 2007.

Net financial indebtedness decreased by JPY 60.4 billion from 31 March 2007 to JPY 339.8 billion at the period end, due to the proceeds from the sale of the Australasian business and the Group's continued efforts to reduce debt following the acquisition of Pilkington. Currency movements over the period of nine months of this fiscal year have generated a reduction in net debt by JPY 4.6 billion. Gross debt was JPY 499.4 billion at the period end.

In terms of cash movement in for the nine month period, cash from operations recorded an inflow of JPY 36.1 billion, which was mainly due to the stable operating activities. Cash from investment activities showed an inflow of JPY 45.3 billion, due mainly to the proceeds from the sale of the Australasian business.

III. Prospects

The Group does not revisit the forecast routinely, except at the half year results announcement. Consequently, no revision to the full year forecast has been made. When we have changes under the TSE disclosure requirements about forecast for business operations based on the latest condition, we will announce them.

IV. Others (Changes in accounting policies)

Due to the amendment of Japanese taxation regulations, the method of treating depreciation of assets acquired on or after 1 April 2007 has been changed accordingly. The impact on the income statement is minimal.

V. Consolidated financial statements**1. Balance sheet**

(in million JPY)

	FY 2007 Q3 as of 31 Dec 2006	FY 2008 Q3 as of 31 Dec 2007	Change	FY 2007 Year-End as of 31 Mar 2007
Current assets	429,846	451,383	21,537	465,836
Cash and deposits	133,992	159,617	25,625	160,914
Notes and account receivables - trade	152,622	139,919	(12,703)	148,584
Inventories	127,591	126,292	(1,299)	113,259
Other current assets	15,639	25,555	9,915	43,078
Fixed assets	968,613	966,151	(2,461)	943,146
Tangible assets	419,020	397,027	(21,993)	396,586
Intangible assets	344,987	386,709	41,721	399,498
Investments and other assets	204,605	182,415	(22,189)	147,062
Total : Assets	1,398,460	1,417,534	19,074	1,408,983
Current liabilities	400,655	406,072	5,417	437,589
Notes and account payables - trade	132,669	82,683	(49,985)	98,291
Bonds scheduled for redemption	-	10,000	10,000	-
Short-term bank borrowings	190,944	98,811	(92,133)	107,316
Other current liabilities	77,042	214,578	137,536	231,981
Fixed liabilities	577,361	596,171	18,810	620,768
Bonds	43,000	33,000	(10,000)	43,000
Long-term bank borrowings	331,892	357,635	25,742	410,800
Other fixed liabilities	202,468	205,536	3,067	166,967
Total : Liabilities	978,016	1,002,243	24,227	1,058,358
Net Assets	420,443	415,291	(5,152)	350,625
I. Shareholders' Equity	313,521	369,530	56,009	306,900
Common stock	96,147	96,147	0	96,147
Capital surplus	105,289	105,291	2	105,289
Retained earnings	112,502	168,626	56,124	105,914
Treasury stocks - at cost	(418)	(534)	(116)	(450)
II. Valuation & translation adjustments	91,650	32,557	(59,093)	30,340
Unrealized holding gain on securities	24,743	12,863	(11,879)	25,881
Net unrealized holding gain (loss) on derivative instruments	(5,396)	741	6,138	(3,048)
Foreign currency translation adjustments	72,303	18,953	(53,350)	7,507
III. Stock Options	16	243	227	26
IV. Minority interests in consolidated subsidiaries	15,255	12,961	(2,293)	13,357
Total: Liabilities and net assets	1,398,460	1,417,534	19,074	1,408,983

2. Income statement

	(in million JPY)			
	FY2007 Q3	FY 2008 Q3	Change	FY 2007 Full year
Net sales	485,941	648,654	162,713	681,547
Cost of sales	328,509	441,939	113,430	478,700
Gross Income	157,431	206,715	49,283	202,846
Selling, general and administrative expenses	134,653	165,893	31,240	179,024
Operating income	22,778	40,821	18,042	23,822
Non-operating income	10,297	16,135	5,837	15,476
Non-operating expense	13,474	27,977	14,503	31,297
Income before extra-ordinary items	19,601	28,978	9,377	8,001
Extra-ordinary income	48,719	50,594	1,875	51,555
Extra-ordinary loss	14,799	2,048	(12,751)	21,498
Income before income taxes and minority interests	53,521	77,525	24,003	38,057
Income tax (Current)	25,577	8,843	(16,734)	28,068
Income tax (Deferred)	(665)	5,993	6,659	(5,063)
Minority interests in net income of consolidated subsidiaries	441	1,887	1,446	2,957
Net income	28,169	60,801	32,632	12,095

3. Statement of cash-flow

(in million JPY)

	FY2007	FY 2008	FY 2007
	Q3	Q3	Full year
Cash flows from operating activities:			
Income before income taxes and minority interests	53,521	77,525	38,057
Depreciation and amortization	40,018	48,025	51,350
Amortization of goodwill	-	7,829	8,316
Loss on impairment of fixed assets	653	189	683
Decrease (increase) in notes and accounts receivable	11,747	12,403	6,206
Decrease (increase) in inventories	(5,744)	(9,620)	2,822
(Decrease) increase in notes and accounts payable	(3,189)	(20,960)	4,822
Other, net	(38,058)	(34,040)	(19,597)
Sub Total	58,949	81,351	92,661
Interest and dividend income received	2,465	10,201	9,925
Interest paid	(12,174)	(23,573)	(19,277)
Income taxes paid	(4,311)	(31,854)	(7,930)
Net cash provided by operating activities	44,929	36,124	75,379
Cash flows from investing activities:			
Purchase of property, plant and equipment	(38,062)	(33,574)	(49,355)
Proceeds from sales of property, plant and equipment	10,359	2,519	12,822
Purchase of investments in securities	(275,884)	(7,353)	(321,723)
Proceeds from sales of investments in securities	55,716	83,897	62,578
Other, net	(3,170)	(159)	(1,966)
Net cash provided by (used in) investing activities	(251,042)	45,329	(297,644)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(33,348)	(1,921)	(2,474)
Increase (decrease) of long-term indebtedness	182,170	(70,087)	196,619
Cash dividends paid	(3,079)	(5,994)	(3,029)
Other, net	(780)	(411)	(1,046)
Net cash provided by (used in) financing activities	144,962	(78,415)	190,068
Effect of foreign exchange rate on cash and cash equivalents	14,465	(887)	12,740
Net decrease (increase) in cash and cash equivalents	(46,684)	2,151	(19,455)
Cash and cash equivalents at beginning of the year	179,158	159,762	179,158
Decrease due to change in scope of cash & cash equivalents	-	(38,711)	-
Change in scope of consolidation	-	-	59
Cash and cash equivalents at the end of the year	132,474	123,201	159,762

4. Segmental information

By Business Line

From this fiscal year, the Group has changed the business segments as follows.

The "Building products" segment includes principally the manufacture and sale of flat glass and various interior and exterior materials with additional properties for the building market.

The "Automotive" segment provides a wide range of automotive glazing for new vehicles and for replacement markets.

The "Specialty Glass" segment consists of two sub-segments: "Information Technology", "Glass fiber". The "Information technology" sub-segment consists primarily of the manufacture and sale of micro-optics and fine glass, and the "Glass fibers" sub-segment deals with the manufacture and sale of glass fiber products.

The "Other Operations" segment consists of Corporate and Engineering operations, and other small businesses which are not included in "Building products", "Automotive", or "Specialty Glass" segments.

FY 2007 Q3 (For the period of 1 April 2006 to 31 December 2006)

(in million JPY)

	Building Products	Automotive	Other	Total	Eliminations	Consolidated
Sales and operating income						
Sales						
(1) Sales to customers	233,547	185,966	66,426	485,941	-	485,941
(2) Inter-segmental sales	8,785	1,093	2,517	12,396	(12,396)	-
Total sales	242,333	187,060	68,944	498,337	(12,396)	485,941
Operating expenses	227,996	178,911	68,664	475,571	(12,409)	463,162
Operating income	14,336	8,148	280	22,765	12	22,778

FY 2008 Q3 (For the period of 1 April 2007 to 31 December 2007)

(in million JPY)

	Building Products	Automotive	Specialty Glass	Other Operations	Total	Eliminations	Consolidated
Sales and operating income							
Sales							
(1) Sales to customers	305,479	271,927	61,546	9,701	648,654	-	648,654
(2) Inter-segmental sales	2,954	2,978	845	1,938	8,717	(8,717)	-
Total sales	308,433	274,906	62,392	11,640	657,372	(8,717)	648,654
Operating expenses	280,592	257,384	55,480	22,920	616,378	(8,545)	607,833
Operating income	27,840	17,522	6,911	(11,280)	40,993	(172)	40,821

FY 2007 Full Year (For the period of 1 April 2006 to 31 March 2007)

(in million JPY)

	Building Products	Automotive	Other	Total	Eliminations	Consolidated
Sales and operating income						
Sales						
(1) Sales to customers	320,357	268,229	92,960	681,547	-	681,547
(2) Inter-segmental sales	1,496	1,678	3,243	6,418	(6,418)	-
Total sales	321,854	269,907	96,204	687,966	(6,418)	681,547
Operating expenses	305,374	256,868	101,808	664,050	(6,325)	657,725
Operating income	16,479	13,039	(5,603)	23,915	(93)	23,822

By Geography

FY 2007 Q3 (For the period of 1 April 2006 to 31 December 2006)

(in million JPY)

	Japan	Europe	North America	Rest of World	Total	Eliminations	Consolidated
Sales and operating income							
Sales							
(1) Sales to customers	162,977	192,916	61,496	68,551	485,941	-	485,941
(2) Inter-segmental sales	17,471	8,064	509	10,029	36,076	(36,076)	-
Total sales	180,449	200,981	62,006	78,581	522,017	(36,076)	485,941
Operating expenses	179,193	186,588	61,865	71,498	499,145	(35,982)	463,162
Operating income	1,256	14,392	140	7,082	22,871	(93)	22,778

FY 2008 Q3 (For the period of 1 April 2007 to 31 December 2007)

(in million JPY)

	Japan	Europe	North America	Rest of World	Total	Eliminations	Consolidated
Sales and operating income							
Sales							
(1) Sales to customers	156,288	332,182	88,494	71,689	648,654	-	648,654
(2) Inter-segmental sales	19,667	191,402	14,522	17,088	242,680	(242,680)	-
Total sales	175,956	523,584	103,016	88,778	891,335	(242,680)	648,654
Operating expenses	172,834	494,035	103,242	80,507	850,619	(242,785)	607,833
Operating income	3,121	29,549	(226)	8,271	40,716	105	40,821

FY 2007 Full Year (For the period of 1 April 2006 to 31 March 2007)

(in million JPY)

	Japan	Europe	North America	Rest of World	Total	Eliminations	Consolidated
Sales and operating income							
Sales							
(1) Sales to customers	226,061	294,194	87,559	73,732	681,547	-	681,547
(2) Inter-segmental sales	23,793	172,592	11,681	19,101	227,168	(227,168)	-
Total sales	249,854	466,786	99,240	92,834	908,715	(227,168)	681,547
Operating expenses	249,445	451,111	98,359	85,984	884,900	(227,175)	657,725
Operating income	409	15,675	881	6,850	23,815	7	23,822