

May 31, 2004

Nippon Sheet Glass Co., Ltd.

## Annual Highlights of Fiscal Year to March 2004

### 1. FY 2004 overall review

Despite the exacerbating effects of the war in Iraq and the SARS epidemic in Asia at the beginning of the year and an appreciation of the Japanese yen against the US dollar in the latter half, the Japanese economy began to see a brighter prospect for its recovery in view of revitalization in certain industries such as digital consumer electronics and the resultant upturn in share prices. Moreover, material price improvements seemed to finally put an end to the long lasting deflation in Japan.

In our business markets, the domestic demand for architectural glass was marginally reduced from the previous year, since non-residential building construction declined after the booming construction of high-rise buildings mainly in the Tokyo metropolitan area, although residential housing starts increased on a year-on-year basis. In the automotive market, the total number of the automobiles produced in Japan was unchanged from the previous year but a slightly less number of passenger cars were manufactured. In information technology and telecommunications markets, the shipment of PCs and the production of mobile phones rose globally, while the optical communications investment in North America stayed sluggish.

Under these circumstances, based on our mid-term plan "Act 21", we made cross company efforts to improve profitability. Though sales declined 3.9% to 269.1 billion yen, operating income, income before extra-ordinary items, and net income increased to 10.0 billion yen (up 133.0%), 7.8 billion yen, and 3.2 billion yen respectively.

Extraordinary losses of 13.2 billion yen included the losses on the sale of the glass disk business and the shares in Tianjin NSG Float Glass Co., Ltd. Extraordinary income of 15.1 billion yen comprised income from sale of investment securities.

No interim dividend was paid during the fiscal year. We are planning to pay a final dividend of 3 yen per share.

### 2. Review of Operations

#### (1) Flat and Safety Glass and Building Materials Division

In this division, total sales amounted to 168.6 billion yen (down 4.4%) with operating income of 6.5 billion yen (up 1.0%).

In the architectural glass and materials business, glass sales increased reflecting the growth of various functional glass such as double glazing glass and crime prevention glass, despite the general downturn of domestic market. The combined sales of building glass and materials, however, dropped, as our withdrawal from the window unit trading business resulted in lower building materials sales. Profitability improved over the previous year with restructuring efforts and cost reduction measures.

Overseas sales and income declined affected by a slowdown in Asian markets, especially in Malaysia and Vietnam.

In the automotive glass and materials business, the lower sales volume resulted in slightly lower sales but income went up due to various cost reduction measures.

(2) Information/Electronics Materials and Devices Division

In this division, total sales amounted to 49.0 billion yen (down 1.6%) with operating losses of 0.9 billion yen.

In the optical communications and optoelectronics business, sales increased, as strong sales of optoelectronics parts for office appliances such as all-in-one printers more than compensated a continuing slump of optical communications lenses.

In the display glass business, year-on-year sales declined, as a significant slowdown caused by customers' inventory adjustment in China in the first half of 2003 could not be offset by a recovery of demand in the latter half.

We sold the glass disk business during the year.

As a whole, profitability of this division substantially improved owing to the increased sales of optoelectronics parts for office appliances and the cost reduction achieved through restructuring in the optical communications lens business and the sale of glass disk business.

(3) Glass Fiber Division

In this division, total sales amounted to 35.7 billion yen (down 1.4%) with operating income of 4.6 billion yen (up 37.1%).

Sales of glass fiber products including glass cord, glass flake, battery separators and air filters stayed strong. The sale of continuous glass fiber business in the latter half of the previous year contributed to the enhancement of profitability despite the consequential reduction of sales.

(4) Others

In this division total sales amounted to 15.9 billion yen (down 10.2%) with operating losses of 0.2 billion yen. The topic in this division was the sale of the shares in a subsidiary in information system services.

### 3. Prospects for FY 2005

We expect an upward trend for the global economy, though it may not be strong enough. Nevertheless, in the markets we are operating our businesses, the picture is bleaker. The recovery of optical communications market is expected to be slow. Building and automotive glass markets such as non-residential building construction are forecasted to be flat at best.

We will continue to focus on improving profitability and expanding sales of competitive products.

(1) Flat and Safety Glass and Building Materials Division

In this division, in cooperation with our group companies, we will further our efforts in cost reduction and the development and sales expansion of high added-value products.

In the architectural glass business, we will promote the sales of various types of functional glass including double glazing glass and laminate glass with energy saving or crime prevention functions, and Cleartect®, self cleaning glass utilizing a photocatalytic effect.

In the automotive glass business, we will advance the sales of a wider range of high performance products aimed to enhance the passengers' comfort in automobiles.

(2) Information/Electronics Materials and Devices Division

In this division, we will focus on improving our research and development activities, paying closer attentions to potential products and markets.

In the promising display business, the commercialization of new plasma display glass and the development of glass substrates for small and medium sized liquid crystal displays are our major targets.

In the optoelectronics business, we will actively develop the expanding all-in-one printer market.

In the optical communications business, with a more efficient structure attained through various restructuring efforts, we will prepare us for the future recovery of the market as well as vigorously pursue the introduction of new functional, high value-added products to market.

(3) Glass Fiber Division

Under our "Number One, Only One" strategy, we will seek further growth by expediting new product development and globalization of existing products in the areas of specialty products such as glass flake coated with metallic oxides and air filters for clean rooms.

(4) Overall

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 and environment related markets through various measures including the participation in the "Nano Glass Technology Project".

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.

Our plan for fiscal 2004 from April 2004 to March 2005 is as follows:

		(Billions of yen)
Consolidated	Sales	265
	Operating Income	14
	Income before extra-ordinary items	12
	Net Income	7

We aim to double the dividend payment to 6 yen per share.

#### 4. Financial Statements

##### Consolidated Balance Sheets

For the years ended March 31, 2004 and 2003

(Millions of yen)

ASSETS	2004	2003	Variance
Total current assets	165,785	159,970	5,814
Cash and deposits	55,968	46,675	9,293
Notes and accounts receivable: Trade	61,927	64,421	(2,494)
Inventories	36,184	38,201	(2,017)
Deferred income taxes	1,490	2,574	(1,084)
Other current assets	10,811	10,444	367
Allowance for doubtful accounts	(596)	(2,348)	1,751
Total fixed assets	276,378	292,493	(16,114)
Tangible fixed assets	126,271	151,876	(25,604)
Buildings and structures	45,445	55,258	(9,812)
Machinery and equipment	39,847	57,638	(17,791)
Tools & fixtures	4,094	4,637	(542)
Land	29,033	30,075	(1,042)
Construction in progress	7,850	4,266	3,584
Intangible fixed assets	3,999	5,537	(1,538)
Investments and other assets	146,107	135,079	11,027
Investments in securities	138,641	125,906	12,735
Long-term loans receivable and other assets	2,869	3,266	(397)
Long-term prepaid expense	1,990	2,298	(308)
Deferred income taxes	1,013	1,411	(398)
Other assets	4,196	4,856	(660)
Allowance for doubtful accounts	(2602)	(2,660)	57
Total assets	442,163	452,463	(10,299)

LIABILITIES AND SHAREHOLDERS' EQUITY	2004	2003	Variance
Current liabilities	136,219	141,693	(5,474)
Notes and accounts payable: Trade	41,939	39,469	2,470
Short-term bank borrowings	53,301	69,770	(16,469)
Current portion of bonds	19,791	9,900	9,891
Notes and accounts payable: Construction	3,409	5,276	(1,867)
Accrued income taxes	2,678	1,461	1,216
Accrued consumption taxes	605	815	(209)
Accrued expenses	5,094	5,724	(630)
Customers' deposits	4,403	4,449	(45)
Accrued bonus	2,314	2,690	(375)
Deferred income taxes	1,441	501	939
Other current liabilities	1,241	1,633	(392)
Long-term liabilities	99,483	110,206	(10,723)
Unsecured bonds	29,800	19,600	10,200
Convertible bonds	-	19,791	(19,791)
Long-term bank borrowings	31,211	40,936	(9,724)
Accrued retirement benefits to employees	13,181	14,060	(879)
Accrued retirement benefits to directors	989	986	3
Reserve for rebuilding furnaces	8,502	7,588	914
Consolidation goodwill	137	798	(660)
Deferred income taxes	14,246	3,986	10,259
Other long-term liabilities	1,413	2,458	(1,044)
Minority interests in consolidated subsidiaries	5,898	9,649	(3,751)
Shareholders' equity	200,562	190,913	9,648
Common stock:	41,060	41,060	-
Additional paid-in capital	50,371	50,371	0
Retained earnings	90,558	88,047	2,511
Unrealized holding gain on securities	28,751	13,396	15,355
Translation adjustments	(10,010)	(1,822)	(8,187)
Treasury stock, at cost	(170)	(139)	(30)
	442,163	452,463	(10,299)

## Consolidated Statements of Operations

For the years ended March 31, 2004 and 2003

(Millions of yen)

	2004	2003	Variance
<b>Net sales</b>	269,149	280,100	(10,951)
Cost of sales	200,973	215,743	(14,769)
Selling, general and administrative expenses	58,150	60,055	(1,904)
<b>Operating income</b>	10,025	4,302	5,723
<b>Non-operating income</b>	6,472	4,191	2,281
Interest and dividend income	1,693	2,124	(431)
Equity in earnings of affiliates	1,210	—	1,210
Other income	3,569	2,066	1,502
<b>Non-operating expenses</b>	8,740	10,066	(1,326)
Interest expense	3,100	3,769	(669)
Equity in losses of affiliates	—	391	(391)
Other expenses	5,639	5,905	(265)
<b>Income (loss) before extra-ordinary items</b>	7,757	(1,572)	9,330
<b>Extra-ordinary income</b>	15,053	15,353	(299)
Gain on sales of property, plant and equipment	1,260	349	911
Gain on sales of investments in securities	10,738	15,004	(4,265)
Gain on sales of investment in affiliates	1,795	—	1,795
Gain on elimination of future benefit obligations related to the Japanese governmental welfare component of company's defined benefit pension plan	1,259	—	1,259
<b>Extra-ordinary losses</b>	13,249	12,311	937
Loss on disposal of property, plant and equipment	4,026	2,474	1,551
Loss on revaluation of investments in securities	93	1,651	(1,558)
Loss on sales of investments in affiliates	6,508	1,888	4,620
Loss on liquidation of investments in affiliates	1,954	1,727	227
Additional retirement benefits	—	302	(302)
Loss on disposal of inventories	—	4,266	(4,266)
Loss on redemption of bonds	666	—	666
<b>Income before income taxes and minority interests</b>	9,562	1,468	8,093
Income taxes :Current	3,998	3,426	571
Income taxes :Deferred	2,121	1,118	1,003
Minority interests in net income of consolidated subsidiaries	234	76	158
<b>Net income (loss)</b>	3,207	(3,152)	6,359

**Consolidated Statements of Cash Flows**  
For the years ended March 31,2004 and 2003

(Millions of yen)

	2004	2003
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests	9,562	1,468
Adjustments for:		
Depreciation and amortization	14,875	17,753
Increase in allowance for doubtful accounts	(174)	2,356
(Decrease) increase in accrued bonus	(258)	(1,224)
(Decrease) increase in accrued retirement benefits	(515)	(494)
Gain on sales of investments in securities	(10,738)	(15,004)
Interest and dividend income	(1,693)	(2,124)
Interest expense	3,100	3,769
Decrease (increase) in notes and accounts receivable	1,166	3,170
Decrease (increase) in inventories	(429)	9,076
(Decrease) increase in notes and accounts payable	2,096	(1,867)
Other, net	2,870	3,326
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Subtotal	19,861	20,207
Interest and dividend income received	4,139	4,614
Interest paid	(3,144)	(3,761)
Income taxes paid	(3,252)	(3,330)
<b>Net cash provided by operating activities</b>	<b>17,603</b>	<b>17,730</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(13,126)	(12,546)
Proceeds from sales of property, plant and equipment	3,703	2,343
Purchases of investments in securities	(5,531)	(945)
Proceeds from sales of investments in securities	18,634	18,880
Proceeds from sales of investments in affiliates	6,412	3,606
Other, net	(451)	361
<b>Net cash provided by investing activities</b>	<b>9,641</b>	<b>11,698</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	817	(5,033)
Issuance of long-term indebtedness	9,306	10,175
Repayment of long-term indebtedness	(24,610)	(17,450)
Issuance of bonds	20,000	-
Redemption of bonds	(20,566)	(2,531)
Cash dividends paid	(1,330)	(1,331)
Other, net	(240)	(357)
<b>Net cash provided by (used in) financing activities</b>	<b>(16,623)</b>	<b>(16,527)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,045)</b>	<b>(1,881)</b>
<b>Net increase in cash and cash equivalents</b>	<b>9,575</b>	<b>11,019</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>45,781</b>	<b>33,799</b>
<b>Effect of change in scope of consolidation</b>	<b>-</b>	<b>962</b>
<b>Cash and cash equivalents at end of the year</b>	<b>55,356</b>	<b>45,781</b>