

November 18, 2005

## Highlights of the First Half of Fiscal Year 2006

### 1. Review of the First Half of FY 2006

(million Yen)

	Net sales	Operating income	Income before extra-ordinary items	Net income
First Half FY 2006	127,207	3,870	5,982	3,885
First Half FY 2005	129,663	5,314	5,824	3,917

#### Economy

During the first half of this fiscal year, the domestic economy of Japan showed to be in the expansionary phase represented by improvement of business earnings and the increase of private capital investment. For the later, however, some unstable factors such as skyrocketing oil prices or intensifying international competition in IT industry have begun to affect the economy.

#### Market conditions and material prices

Among the relevant markets of our business, new housing starts and the total number of the automobiles produced in Japan exceeded those in the first half of last year.

In Information and Electronics markets, the market of information devices including PC and mobile phone keeps high growth, though some relevant markets of our business showed the depreciation of unit price and the inventory adjustment.

On the other hand, the soaring price of oil, the fuel used commonly in the glass manufacture, has significantly raised the production cost.

#### Summary of financial results

Under these circumstances, we made efforts to expand the profitability generated by expansion of growing products sales and improvement of productivity, in accordance with our mid-term plan; CCP300.

Net sales declined a little from the same term last year. Though net sales of Flat and Safety Glass and Building Material Division increased because of fairly steady demand, those of Information / Electronics Materials and Devices Division and Glass Fiber Division decreased for demand and supply adjustment.

Operating income declined from the same period last year through the soaring price of raw materials such as oil.

Income before extra-ordinary items exceeded that of first half last year a little, by achieving a financial

account balance surplus and increasing the equity method investment gain from Pilkington plc and automotive glass manufacturing operation in the U.S., and others.

As for extra-ordinary income and losses, we post extra-ordinary losses of 3,052 million yen generated from loss on disposal of property, plant and equipment, etc. At the same time, we post extra-ordinary income of 2,655 million yen generated from gain on sales of investments in securities and others.

In consequence, net sales declined to 127,207 million yen (down 1.9%), operating income declined to 3,870 million yen (down 27.2%), income before extra-ordinary items increased to 5,982 million yen (up 2.7%) and net income slightly declined to 3,885 million yen (down 0.8%).

### **Dividend**

We will pay an interim dividend of 3 yen per share.

## **2. Review of Operations**

(million Yen)

	Net sales		Operating income	
	First Half FY 2006	First Half FY 2005	First Half FY 2006	First Half FY 2005
Flat & Safety Glass & Building Materials	85,663	78,399	2,534	3,043
Information & Electronics	18,813	23,860	307	690
Glass Fiber	15,891	19,131	1,827	2,425
Other	6,839	8,271	(818)	(850)
(Internal)			19	5
<b>Total</b>	<b>127,207</b>	<b>129,663</b>	<b>3,870</b>	<b>5,314</b>

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

Though net sales increased to 85,663 million yen (up 9.3%), operating income declined to 2,534 million yen (down 16.7%) from the first half of 2004 because of the cost increase of raw materials including oil.

#### **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 value added glass such as double glazing glass and security glass.

Overseas sales exceeded those of first half year of FY2005 due to strong glass market in Asia and start-up of an additional furnace in Malaysia.

#### **Automotive Glass and Materials**

Automotive glass sales were much higher than those of the same period in FY2005, because of production increase of automobiles in Japan and the contribution of after-market sales company which had newly been consolidated in this year.

#### **(2) Information / Electronics Materials and Devices Division**

Net sales amounted to 18,813 million yen (down 21.2%) with operating income of 307 million yen (down 55.5%).

#### **Optical Telecommunication and Optoelectronics Devices**

Although the sales of optical lenses for multifunctional printers grew steadily, tough competition of the components for light source led to decreased net sales. Net sales of the optical telecommunication recovered gradually.

#### **Display Glass**

Continuing inventory adjustment in passive matrix LCD market led to the decline of net sales.

#### **(3) Glass Fiber Division**

Net sales amounted to 15,891 million yen (down 16.9%) with operating income of 1,827 million yen (down 24.7%).

The glass cord for timing belt recorded good result. On the other hand, net sales of battery separator and air filter were reduced because of the hard competition in the battery separator market and the slower growth of semiconductor production market.

#### **(4) Others**

Sales of shares of Isolite Co., Ltd, which was once our subsidiary, led to decline of net sales to 6,839 million yen (down 17.3%) and operating loss of 818 million yen.

### **3. Prospects for Fiscal 2006**

#### **Economy and Markets**

In general, Japanese economy is forecasted to stay solid. However it seems there are many distributing

factors including the soaring price of oil and world economy.

We forecast architectural and automotive glass markets will remain sound, while the markets of the Information and Electronics business will fluctuate in the short term but it continues growing in the longer term.

### **Strategy**

We will make every effort to achieve the targets established in our 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 reduction and sales expansion of the value added glass products.

In the architectural glass business, we will increase sales of various innovative glass products. For growing needs for energy-saving and home security, we will promote our sales of double glazing glass, laminated glass and self cleaning glass with photocatalytic technology.

In the automotive glass business, we will vigorously develop and market new products and highly value added products such as infrared cut glass. To fulfill the requirements of the global automotive industry, we will strengthen our international supply capacity.

#### **(2) Information / Electronics Materials and Devices Division**

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

In the display business, our focus will be on the marketing of PDP glass substrate and the promotion of glass for small or medium size 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 value added and quality new lenses for optical telecommunication 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**

As is written before, the second half of FY2006 is unpredictable. Hence we do not change the projections for the fiscal 2006 from April 2005 to March 2006 at this time. When we have changes under the TSE disclosure requirements about forecast for business operations based on the latest condition, we will announce them. The below is the projections showed on May 31, 2005.

(million Yen)

	Consolidated	Company
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

**Financial Statements**  
**Consolidated Balance Sheets**  
For 6 Months to September 2005

	(million Yen)			
	Sep 30	Mar 31	Change	Sep 30
	2005	2005		2004
<b>(Assets)</b>				
Total current assets	169,535	167,724	1,810	167,942
Cash and deposits	67,352	64,163	3,189	61,810
Notes and account receivable:trade	57,579	59,785	(2,205)	58,973
Inventories	36,546	34,582	1,964	38,080
Deferred income taxes	1,710	1,689	21	1,472
Other current assets	7,456	8,275	(819)	8,456
Allowance for doubtful accounts	(1,110)	(772)	(338)	(851)
Total fixed assets	279,312	259,185	20,127	262,409
Tangible fixed assets	114,684	114,084	600	120,653
Buildings and structures	39,492	39,439	53	43,029
Machinery and equipment	40,636	37,381	3,254	39,131
Tools & fixtures	3,548	3,980	(431)	4,169
Land	24,020	23,437	582	26,249
Construction in progress	6,985	9,844	(2,858)	8,073
Intangible fixed assets	7,544	3,890	3,653	4,096
Intangible fixed assets	7,544	3,890	3,653	4,096
Investments and other assets	157,083	141,210	15,873	137,660
Investments in securities	149,993	134,403	15,589	130,948
Long-term loans receivable	1,039	933	106	871
Long-term prepaid expense	1,132	1,142	(9)	1,743
Deffered income taxes	999	793	206	779
Other assets	4,402	4,519	(117)	4,053
Allowance for doubtful accounts	(483)	(582)	98	(753)
<b>Total assets</b>	<b>448,848</b>	<b>426,909</b>	<b>21,938</b>	<b>430,352</b>
<b>(Liabilities)</b>				
Current liabilities	101,255	108,007	(6,752)	113,096
Notes and accounts payable:trade	34,931	38,922	(3,991)	37,316
Short-term bank borrowings	42,402	37,178	5,224	42,976
Current portion of bonds	-	9,600	(9,600)	9,600
Notes and accounts payables:construction	4,043	4,133	(90)	3,776
Accrued income taxes	3,216	2,121	1,095	3,087
Accrued consumption taxes	475	417	57	396
Accrued expenses	5,182	5,720	(538)	5,443
Customer's deposits	4,027	4,097	(69)	4,421
Accrued bonus to employees	2,706	2,473	232	2,461
Accrued bonus to directors	-	61	(61)	-
Deffered income taxes	1,258	1,717	(458)	1,389
Other current liabilities	3,009	1,563	1,446	2,226
Long-term liabilities	126,309	110,859	15,449	112,384
Unsecured bonds	20,000	20,000	-	20,000
Convertible bonds	23,000	23,000	-	23,000
Long-term bank borrowings	39,529	31,533	7,995	33,583
Accrued retirement benefits to employees	13,762	13,090	671	12,999
Accrued retirement benefits to directors	812	1,072	(260)	781
Reserve for rebuilding furnaces	9,004	8,723	281	8,965
Consolidation goodwill	469	199	270	115
Deffered income taxes	18,439	12,030	6,409	11,522
Other long-term liabilities	1,291	1,209	81	1,415
<b>(Minority interests)</b>	<b>2,911</b>	<b>2,741</b>	<b>170</b>	<b>2,875</b>
Minority interests	2,911	2,741	170	2,875
<b>(Shareholders' equity)</b>				
Common stock	41,060	41,060	-	41,060
Additional paid-in capital	50,373	50,373	0	50,373
Retained earnings	94,196	95,355	(1,159)	92,993
Unrealized holding gain on securities	36,724	26,787	9,937	25,477
Translation adjustments	(3,688)	(8,019)	4,330	(7,707)
Treasury stock, at cost	(295)	(257)	(38)	(200)
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>448,848</b>	<b>426,909</b>	<b>21,938</b>	<b>430,352</b>

**Consolidated Statements of Operations**

(million Yen)

	Half year to Sep 2005	Half year to Sep 2004	Change	Year to Mar 2005
<b>Net sales</b>	127,207	129,663	(2,456)	264,975
Cost of sales	92,790	94,589	(1,799)	194,843
<b>Selling, general and administrative expenses</b>	<b>30,546</b>	<b>29,759</b>	<b>786</b>	<b>58,106</b>
<b>Operating income</b>	<b>3,870</b>	<b>5,314</b>	<b>(1,443)</b>	<b>12,025</b>
Non-operating income	5,517	4,026	1,490	7,485
Interest and dividend income	1,074	938	136	1,487
Equity in earnings of affiliates	3,813	2,366	1,447	4,440
Other income	630	722	(92)	1,556
Non-operating expense	3,405	3,516	(110)	6,240
Interest expense	758	1,064	(305)	2,032
Other expense	2,646	2,452	194	4,208
<b>Income before extra-ordinary items</b>	<b>5,982</b>	<b>5,824</b>	<b>157</b>	<b>13,270</b>
Extra ordinary income	2,655	1,823	831	5,418
Gain on sales of property, plant and equipment	44	512	(467)	1,438
Gain on sales investments in securities	2,610	1,310	1,299	3,634
Gain on sales in affiliates	-	-	-	346
Extra ordinary losses	3,052	1,250	1,802	7,264
Loss on disposal of property, plant and equipment	728	269	458	3,247
Loss on revaluation of asset	360	-	360	-
Loss on revaluation of investment securities	59	10	48	54
Loss on sales of investment in affiliates	-	969	(969)	957
Loss on liquidation of investments in affiliates	-	-	-	24
Loss on disposal of inventories	1,184	-	1,184	2,980
Loss on provision for asbestos related charges	720	-	720	-
Income before income taxes and minority interests	5,584	6,397	(813)	11,424
Income tax:Current	2,511	2,660	(149)	4,294
Income tax:Deferred	(901)	(402)	(498)	(873)
Minority interests in net income of consolidated subsidiaries	90	222	(132)	415
<b>Net income</b>	<b>3,885</b>	<b>3,917</b>	<b>(32)</b>	<b>7,588</b>

## Consolidated Statements of Cash Flows

(million Yen)

	Half year to Sep 2005	Half year to Sep 2004	Year to Mar 2005
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	5,584	6,397	11,424
Depreciation and amortization	6,041	6,158	12,553
Loss on revaluation of assets	360	-	-
(Decrease) increase in accrued retirement benefits	619	327	379
Gain on sales of investments in securities	(2,610)	(341)	(3,634)
Interest and dividend income	(1,074)	(938)	(1,487)
Interest expense	758	1,064	2,032
Decrease (increase) in notes and accounts receivable	3,602	232	(1,135)
Decrease (increase) inventories	(1,544)	(2,819)	(436)
(Decrease) increase in notes and accounts payable	(5,212)	(2,969)	(1,793)
Other, net	(76)	475	1,395
<b>Sub total</b>	<b>6,449</b>	<b>7,587</b>	<b>19,298</b>
Interest and dividend income received	3,331	3,104	4,485
Interest paid	(873)	(1,067)	(2,036)
Income tax paid	(1,688)	(2,230)	(4,947)
<b>Net cash provided by operating activities</b>	<b>7,219</b>	<b>7,393</b>	<b>16,799</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	(9,897)	(6,350)	(12,496)
Proceeds from sales of property, plant and equipment	364	1,043	6,773
Purchase of investments in securities	(331)	(865)	(1,123)
Proceeds from sales of investments in securities	3,820	3,861	7,041
Other, net	(564)	(440)	(451)
<b>Net cash provided by (used in) investing activities</b>	<b>(6,609)</b>	<b>(2,752)</b>	<b>(255)</b>
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings	5,654	(2,670)	(9,259)
Issuance of long-term indebtedness	9,244	5,518	8,279
Repayment of long-term indebtedness	(2,550)	(4,018)	(7,265)
Issuance of bonds	-	23,000	23,000
Redemption of bonds	(9,600)	(19,791)	(19,791)
Cash dividends paid	(1,329)	(1,330)	(2,659)
Other, net	(107)	(53)	(110)
<b>Net cash provided by (used in) financing activities</b>	<b>1,312</b>	<b>654</b>	<b>(7,806)</b>
<b>Effect of change rate on cash and cash equivalents</b>	<b>568</b>	<b>545</b>	<b>(438)</b>
<b>Net decrease (increase) in cash and cash equivalents</b>	<b>2,490</b>	<b>5,841</b>	<b>8,297</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>63,512</b>	<b>55,356</b>	<b>55,356</b>
<b>Effect of change in scope of consolidation</b>	<b>85</b>	<b>(119)</b>	<b>(142)</b>
<b>Cash and cash equivalents at the end of the quarter</b>	<b>66,089</b>	<b>61,078</b>	<b>63,512</b>