FY 2007 First Half Financial Results (Consolidated)

Amended: December 19, 2006

November 21, 2006

Listed Company Name: **Nippon Sheet Glass Co., Ltd.** Stock Exchange Listing: Tokyo, Osaka
Code Number **5202** Head Office Location: Tokyo
(URL http://www.nsg.co.jp)

Representative: President, Representative Director Name: Katsuji Fujimoto
Inquiries to: Corporate Communications Dept., General Manager Name: Kazumitsu Fujii TEL: 03-5443-9505

Date of the meeting of the Board of Directors for FY2007 1st Half results: November 21, 2006
Adoption of US-GAAP: Not adopted

1. Results for 1st Half of FY 2007 ending September 30, 2006 (From April 1, 2006 to September 30, 2006)

(Note) Fractional amounts rounded down to nearest million yen

(1) Business results (consolidated)

	Sales		Operating income		Income before extra-ordinary items	
	million JPY	%	million JPY	%	million JPY	%
1st Half - FY 2007	275,259	114.8	8,589	121.9	7,250	21.2
1st Half - FY 2006	127,207	(1.9)	3,870	(27.2)	5,982	2.7
Full year - FY 2006	265,888		8,429		10,425	

	Net income		Net income per share	Diluted earnings per share
	million JPY	%	JPY	JPY
1st Half - FY 2007	20,259	421.5	42.41	29.27
1st Half - FY 2006	3,885	(0.8)	8.77	8.00
Full year - FY 2006	7,764		17.52	15.71

(Notes) ① Income (loss) attributable to investments in affiliates
1st half - FY 2007 (974) million JPY 1st half - FY 2006 3,813 million JPY
Full year - FY 2006 4,018 million JPY
② Volume of issued shares (average during the term)
1st half - FY 2007 477,747,660 shares 1st half - FY 2006 443,119,999 shares
Full year - FY 2006 443,075,856 shares
③ Changes in accounting policies: Yes
④ The percent indications under Sales, Operating income, Income before extra-ordinary items, etc. show percentage of changes from the previous first half year.

(2) Changes in financial position (consolidated)

	Total assets	Net assets	Equity ratio	Net asset per share
	million JPY	million JPY	%	JPY
1st Half - FY 2007	1,364,947	327,394	23.0	556.42
1st Half - FY 2006	448,848	218,372	48.7	492.86
Full year - FY 2006	595,963	238,284	40.0	537.89

(Note) Volume of issued shares (as of term-end)
1st half - FY 2007 564,420,681 shares 1st half - FY 2006 443,071,442 shares
Full year - FY 2006 442,995,620 shares

(3) Consolidated statement of cash flow

	Net cash generated from operating activities	Net cash used in investing activities	Net cash generated from (used in) financing activities	Cash & cash equivalents at term-end
	million JPY	million JPY	million JPY	million JPY
1st Half - FY 2007	15,618	(230,355)	182,858	157,953
1st Half - FY 2006	7,219	(6,609)	1,312	66,089
Full year - FY 2006	15,455	(12,149)	111,225	179,158

(4) No. of consolidated subsidiaries and non-consolidated subsidiaries /affiliates accounted for under equity method
Consolidated subsidiaries: 241 Non-consolidated subsidiaries accounted for under equity-method: None
Affiliates accounted for under equity-method: 30

(5) Changes of consolidated subsidiaries and non-consolidated subsidiaries / affiliates accounted for under equity meth
Consolidation (Newly consolidated) 188 (Excluded) None
Accounted for under equity method (Newly accounted for) 25 (Excluded) 42

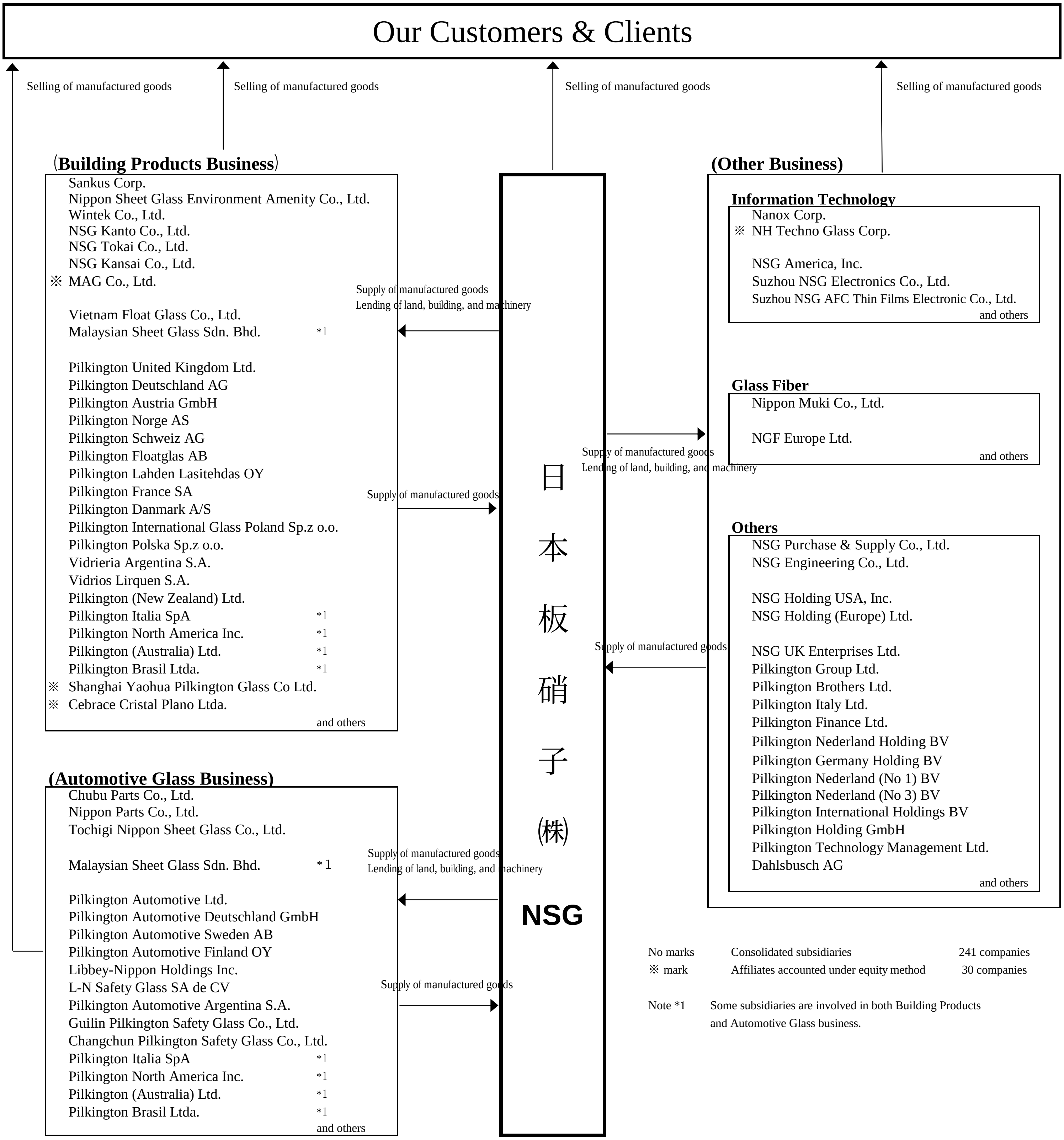
2. Consolidated forecast for FY 2007 ending March 31, 2007 (From April 1, 2006 to March 31, 2007)

	Sales	Income before extra-ordinary items	Net income
	million JPY	million JPY	million JPY
Full year - FY 2007	680,000	25,000	30,000

(Notes) Estimated net income per share (full year) JPY 53.15
Above estimated net income per share is based on the volume of issued shares on September 30, 2006.
The figure may change due to the conversion of zero-coupon unsecured convertible bonds with stock acquisition rights to shares.
The forecast presented above is based on information which is generally available and conditions which we believe are sustainable at present. Therefore, actual figures may vary due to unpredictable circumstances.

[Attachments]

1. Business structure of the Group



2. Management policy

(1) Our management policy and long-term mission and strategy

The fundamental principles of the Company's basic management policy are ensuring open and fair business dealings, adhering to corporate ethical standards, and contributing to the resolution of global environmental issues, all aimed at establishing a company with a spirit of innovation and a global presence and improving Group company value for all stakeholders.

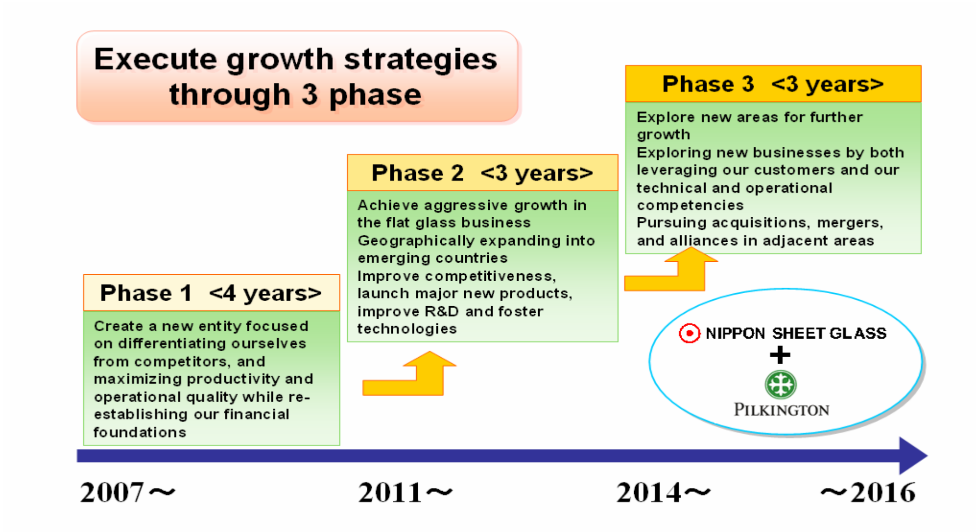
The Company completed procedures for acquiring the UK company Pilkington in June 2006, and assimilation of Pilkington as a wholly-owned subsidiary has brought about major changes not only in the Company's business structure but also in the Company's operating environment and issues to be addressed.

Given a managerial environment characterized by growing global competition, rapidly changing business circumstances, and expanding social responsibilities for companies, the new Nippon Sheet Glass Group will seek to make the concept "People are the most important asset of our company." a value shared worldwide and to become the world's number one flat glass company, with very strong positions in terms of size and financial performance.

The Company would also like to expand its business scope even further over the long term, extending its reach beyond architectural and automotive flat glass and sharpening its edge in the information and electronics and glass fiber sectors and in the Company's market and technological assets.

To achieve this business objective, the Company will be implementing a ten-year strategy from FY2008 to FY2017 in three stages.

The Company has recently drafted a four-year medium-term plan starting from April 2007 as the first stage. This plan is designed to consolidate the Group's strength and expand its performance by continuing efforts to restore financial soundness, placing emphasis on improving productivity and quality, and endeavoring to distinguish itself from its competitors.



(2) Policy of Earnings Appropriation and Reduction of Minimum Stock Dealing Unit

With regard to the earnings appropriation, we will maintain the stable dividend payment with the priority of reducing the borrowing level, which increased at the acquisition.

We will carefully consider the possible reduction of minimum stock dealing unit, which we understand is one of sensible options to enhance liquidity of the stock, based on the "cost – benefit" viewpoint as well as our financial performance and the conditions of the market.

(3) Information about the ultimate holding company.

No particular matter to be reported.

3. Business performance and financial condition

I. Business performance

(1) Review of overall performance at this interim period

	Sales	Operating income	Income before extra-ordinary items	Net income
	million JPY	million JPY	million JPY	million JPY
1st Half - FY 2007	273,259	8,589	7,250	20,259
1st Half - FY 2006	127,207	3,870	5,982	3,885
Change	114.8% up	121.9% up	21.2% up	421.5% up

The Japanese economy at this interim period is enjoying an underlying expansion tempered by concerns about such factors as the future impact of sharp rises in the prices of crude oil and other materials. In markets relevant to the Company, the domestic construction starts index was firm for both housing and non-housing construction, and domestic automobile production was also up year-on-year. At the same time, a surge in the price of heavy oil, a key fuel for flat glass manufacture, had a major impact on the Company's manufacturing costs.

In the information and electronics sector, worldwide shipments of PCs, cellular telephones and other IT equipment sustained high growth overall.

In Europe, especially in Germany and other Central European countries, there was a steady undertone of recovery through the economy as a whole.

The North American economy has generally maintained its strength, despite a decline in housing investment.

The Company will be including the performance of the UK company Pilkington, made a consolidated subsidiary in June 2006, in the Company's consolidated income statements from the second quarter of the current term.

Consequently, sales, operating profits, and ordinary profits all saw substantial year-on-year increases, as described above.

With JPY 45,510 million in extraordinary profits from the sale of investment securities in the course of procuring funds for the acquisition of Pilkington (JPY 43,078 million) and from repair reserve (JPY 1,064 million) and with JPY13,049 million in extraordinary losses from some of the costs accompanying this acquisition (JPY 11,672 million), net income for this interim period rose substantially to JPY 20,259 million.

In view of circumstances, interim dividends will be set at the same level as the preceding interim dividend, i.e., JPY 3 per share.

(2) Interim period review by business line

With the integration of Pilkington as a consolidated subsidiary, the Company's business segments will be changed as follows.

(in million JPY)

	Net sales		Operating income	
	First Half FY 07	First Half FY 06	First Half FY 07	First Half FY 06
Building Products	131,604		6,011	
Automotive Products	96,872		2,018	
Others	44,782		552	
Eliminations			7	
Flat Glass (Former)	-	85,663	-	2,534
IT (Former)	-	18,813	-	307
Glass Fiber (Former)	-	15,891	-	1,827
Others (Former)	-	6,839	-	(818)
Eliminations				19
Total	273,259	127,207	8,589	3,870

① Building products business

The Company's traditional building materials business (architectural glass, sashes, etc.) will be combined with Pilkington's architectural glass business in this segment from the second quarter.

Solid increases in shipments of insulating glass, security glass and other high-performance glass in Japan boosted sales beyond those of the same period in the previous fiscal year, but higher costs for heavy oil and other raw materials and fuels had a significant impact that caused operating profits to drop year-on-year.

① Business products (continued)

In Europe, profits were strong due to a higher capacity utilisation driven by a firm increase in demand and stable sales prices in the region.

In North America, sales overcame a decline in housing construction with the support of demand for commercial building glass, Pilkington’s core business, and profits remained solid.

In other regions, South America enjoyed expanded demand, and business was steady overall in Australia and Southeast Asia as well.

As a result, the architectural glass business as a whole achieved sales of JPY 131.60 billion and operating profits of JPY 6,011 million.

② Automotive glass business

The Company’s traditional automotive glass business will be combined with Pilkington’s automotive glass business in this segment from the second quarter.

In Japan, sales were up year-on-year fueled by a boom in glass sales for new cars.

In Europe, regional automobile production on par with that of the previous year generated firm sales figures due to an increase in sales of glass supplied by Pilkington.

In North America, OE business was slow due the reduced production by US automobile manufacturers but sales of replacement automotive glass were robust.

Other regions, particularly South America, enjoyed brisk sales.

As a result, the automotive glass business as a whole had sales of JPY 96.87 billion and operating profits of JPY 2,018 million.

③ Other businesses

The Company’s traditional businesses in the information and electronics, glass fiber and other sectors will be combined with Pilkington’s other businesses in this segment from the second quarter.

In the information and electronics sector, steady shipments of optical lenses for multifunction printers and a recovery in the display product market lifted sales year-on-year.

In the glass fiber sector, recovering demand for air filter-related equipment was among factors generating a year-on-year rise in sales.

All in all, including costs related to the acquisition of Pilkington, other businesses had sales of JPY 44.78 billion and operating income of JPY 552 million.

(3) Prospects for the full year and issues to be addressed

The global economy in general is expected to continue strong, although crude oil price trends and the economic slow-down in North America do give cause for concern. Future exchange rate fluctuations could also impact the Company's performance.

The Company is aware that its largest and most pressing issue will continue to be making maximum use of the advantages accruing from the integration of Pilkington as a wholly-owned subsidiary. The Group will work as one in generating greater synergistic benefits in future and pursuing measures to ensure seamless business management between the Company and Pilkington.

Prospects by segment

① Building products business

In Europe, the key region for this business, supply and demand are expected to remain tight, with sales moving along satisfactorily. Steady business is also anticipated in Japan, the US, South America and elsewhere.

Given these prospects, the Company is expanding into newly developing countries, where demand for glass is rapidly rising, even as it responds for the growing need for high-performance glass in developed countries.

② Automotive glass business

Shipments of glass to automobile manufacturers in Europe and Japan and of replacement automotive glass are expected to remain steady. Accordingly, the Company will aim to continue expanding sales of new and high value-added products, cutting costs, and increasing its presence in the globalizing automobile market.

(3) Prospects for the full year and issues to be addressed (continued)

③ Other businesses

With a favorable market environment expected, the Company will work in the information and electronics sector to augment sales of greater value-added glass substrate for small- and medium-sized liquid crystal displays and to actively develop its business in the growing multifunction printer market, at the same time pursuing its “number one, only one” strategy for special products in the glass fiber sector, accelerating new product development, and expanding its operations globally.

With business on the whole indicating solid performance, no revision for prospects FY06 showed on July 6th will be carried today. This is because some amendment on accounting procedure for goodwill and intangible fixed assets could be added by the end of March 2007. When there are some changes, revised outlook is to be released. Appearing below is the performance outlook showed on July 6th.

(in billion JPY)

	Consolidated	NSG Standalone
Net sales	680	183
Operating income	35	—
Income before extra-ordinary items	25	0
Net income	30	20

Notice:

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 market (such as Japan, Europe, North and South America, Asia, etc.)., product supply/demand shifts, currency exchange fluctuations and the price change in main fuels and raw materials.

II. Financial condition

Reflecting Pilkington in our balance sheet from the first half FY 07, combined assets expanded by JPY 768,983 million from the end of FY06 and by JPY 63,013 million from the first quarter FY 07 to JPY 1,364,947 million. The increase from the end of first quarter FY 07 mainly comes from the increase of intangible fixed assets by adding goodwill and brand value, which is the result from revaluation of acquired Pilkington’s balance sheet at fair value.
Interest-bearing liabilities at the end of first half FY 07 is JPY 636,011 million, a JPY 399,087 million of increase from the end of FY 06 and a JPY 32,628 million decrease from the previous quarter. As for No.1 unsecured convertible bond type bonds with stock acquisition rights, JPY 61 billion bonds out of JPY 110 billion were converted into stocks and they are booked as common stock and additional paid-in capital.

Regarding cash flows, cash flows from operating activities resulted in an increase in cash by JPY 15,618 million. Cash flows from investing activities resulted in a decrease in cash by JPY 230,355 million mainly due to expense for acquisition of Pilkington JPY 376,740 million, purchase of fixed assets JPY 17,167 million and gain on sales of investment in securities JPY 51,364 million. Free cash flows is a decrease in cash by JPY 214,737 million.
Cash flows from financing activities resulted in an increase in cash by JPY 182,858 million, mainly due to added long-term borrowings for acquisition of JPY 184,173 million.
After consideration of the effect of exchange rate changes, cash and cash equivalents at the end of September 2006 resulted in JPY 157,953 million, with a decrease of JPY 21,205 million from the end of FY 06 and an increase of JPY 4,921 million compared to the first quarter of FY 07.

II. Financial condition (continued)

The cash flow index is as follows:

	Sep-04	Mar-05	Sep-05	Mar-06	Sep-06
Shareholders’ equity to total assets (%)	46.9	48.1	48.7	40.0	23.0
Shareholders’ equity to total assets based on actual values (%)	37.3	47.2	50.4	48.8	22.9
Debt redemption years (years)	-	7.2	-	15.3	-
Interest coverage ratio (times)	6.9	8.3	8.3	9.0	4.1

4. Half year consolidated financial statements

(1) Half year consolidated balance sheet

(in million JPY)

	FY 2007 1st Half as of 06/9/30	FY 2006 Year-End as of 06/3/31	Change	FY 2006 1st Half as of 05/9/30
Current assets	**454,208**	**288,732**	**165,476**	**169,535**
Cash and deposits	159,975	180,670	(20,695)	67,352
Notes and account receivables - trade	157,752	59,072	98,680	57,579
Inventories	120,294	37,749	82,544	36,546
Deferred tax assets	3,355	1,863	1,492	1,710
Other cuurent assets	14,201	10,145	4,056	7,456
Provision for bad debts	(1,370)	(768)	(601)	(1,110)
Fixed assets	**910,738**	**307,231**	**603,507**	**279,312**
Tangible assets	409,683	119,396	290,286	114,684
Buildings and structures	87,971	38,378	49,593	39,492
Machinery and vehicles	214,624	44,566	170,057	40,636
Tools and fixtures	16,185	4,456	11,729	3,548
Land	60,074	23,030	37,044	24,020
Construction in progress	30,827	8,965	21,861	6,985
Intangible assets	336,453	6,989	329,464	7,544
Goodwill	109,278	—	109,278	—
Other intangible assets	227,175	6,989	220,185	7,544
Investments and other assets	164,601	180,845	(16,243)	157,083
Investments in securities	143,017	174,006	(30,989)	149,993
Long-term loans receivables	1,170	939	231	1,039
Long-term prepaid expenses	1,492	1,168	324	1,132
Deferred tax assets	751	834	(82)	999
Other assets	19,007	4,270	14,737	4,402
Provision for bad debts	(838)	(374)	(464)	(483)
Total : Assets	**1,364,947**	**595,963**	**768,983**	**448,848**
Current liabilities	**325,529**	**111,002**	**214,526**	**101,255**
Notes and accounts payable - trade	85,293	37,357	47,935	34,931
Short-term bank borrowings	117,942	46,703	71,239	42,402
Commercial paper	4,000	—	4,000	—
Notes and accounts payable - construction	9,115	5,399	3,715	4,043
Accrued income tax	33,913	3,418	30,494	3,216
Accrued consumption tax	557	257	300	475
Accrued expenses	47,124	7,528	39,596	5,182
Customers' deposits	4,113	4,037	76	4,027
Provision for bonuses to employees	3,881	2,484	1,396	2,706
Provision for bonuses to directors	45	67	(22)	—
Accrued tax liabilities	1,928	1,206	721	1,258
Other current liabilities	17,614	2,541	15,073	3,009
Fixed liabilities	**712,022**	**243,361**	**468,661**	**126,309**
Bonds	92,000	153,000	(61,000)	43,000
Long-term bank borrowings	422,068	37,220	384,848	39,529
Provision for retirement benefits to employees	90,200	12,022	78,177	13,762
Provision for retirement benefits to directors	1,144	1,187	(43)	812
Provision for rebuilding furnaces	8,930	9,684	(753)	9,004
Consolidation goodwill	—	707	(707)	469
Deferred tax liabilities	59,077	28,075	31,002	18,439
Other fixed liabilities	38,601	1,464	37,137	1,291
Minority interests in consolidated subsidiaries	—	3,315	—	2,911
Shareholders' equity	**—**	**238,284**	—	**218,372**
Common stock	—	41,060	—	41,060
Capital surplus	—	50,374	—	50,373
Retained earnings	—	95,791	—	94,196
Unrealized holding gains on securites	—	50,338	—	36,724
Translation adjustments	—	1,054	—	(3,688)
Treasury stock - at cost	—	(335)	—	(295)
Total: Liabilities, minority interests and shareholders equity	**—**	**595,963**	—	**448,848**
Net Assets	**327,394**	—	—	—
I. Shareholders' Equity	**258,339**	—	—	—
Common stock	71,602	—	—	—
Capital surplus	80,834	—	—	—
Retained earnings	106,286	—	—	—
Treasury stocks - at cost	(383)	—	—	—
II. Valuation & translation adjustments	**55,713**	—	—	—
Unrealized holding gain on securities	23,450	—	—	—
Net unrealized holding loss on derivative instruments	(4,825)	—	—	—
Foreign currency translation adjustments	37,087	—	—	—
III. Stock Options	**6**	—	—	—
IV. Minority interests in consolidated subsidiaries	**13,335**	—	—	—
Total: Liabilities and net assets	**1,364,947**	—	—	—

(2) Half year consolidated income statement

(in million JPY)

	FY 2007 1st Half	FY 2006 1st Half	Change	FY 2006 Full year
Net sales	273,259	127,207	146,052	265,888
Cost of sales	191,813	92,790	99,022	196,948
Selling, general and administrative expenses	72,856	30,546	42,310	60,510
Operating income	8,589	3,870	4,719	8,429
Non-operating income	7,215	5,517	1,697	8,212
Interest and dividend income	1,746	1,074	671	2,270
Equity in earnings of affiliates	—	3,813	(3,813)	4,018
Other income	5,469	630	4,838	1,923
Non-operating expense	8,554	3,405	5,149	6,217
Interest expense	3,772	758	3,013	1,607
Equity in losses of affiliates	974	—	974	—
Other expense	3,807	2,646	1,161	4,609
Income before extra-ordinary items	7,250	5,982	1,267	10,425
Extra-ordinary income	45,510	2,655	42,855	6,644
Gain on sales of property, plant and equipment	960	44	916	1,096
Gain on sales of investments in securities	43,078	2,610	40,468	5,548
Gain due to adjustment of repair reserve	1,064	—	1,064	—
Gain on sale of operations - subsidiary	406	—	406	—
Extra-ordinary losses	13,049	3,052	9,996	5,534
Loss on disposal of property, plant and equipment	519	728	(208)	1,322
Loss on impairment of fixed assets	659	360	298	702
Loss on revaluation of investment securities	198	59	139	121
Expenses for acquisition of Pilkington	11,672	—	11,672	1,243
Loss on disposal of inventories	—	1,184	(1,184)	1,358
Loss on provision for asbestos related charges	—	720	(720)	785
Income before income taxes and minority interests	39,711	5,584	34,126	11,535
Income tax:Current	22,467	2,511	19,956	4,015
Income tax:Deferred	(2,565)	(901)	(1,663)	(580)
Minority interests (loss) in net income of consolidated subsidiaries	(451)	90	(541)	335
Net income	20,259	3,885	16,374	7,764

(3) Half year consolidated statement of retained earnings (FY 2006)

(in million JPY)

	FY 2006 1st Half	FY 2006 Full year
(Capital surplus)		
Beginning balance	50,373	50,373
Increase during the period	0	0
Disposal of treasury stock	0	0
Ending balance	**50,373**	**50,374**
(Retained earnings)		
Beginning balance	95,355	95,355
Increase during the period	3,885	7,764
Net income	3,885	7,764
Decrease during the period	5,044	7,329
Dividends paid	1,329	2,658
Decrease due to change of accounting standards in foreign affiliate accounted under equity method	3,714	4,670
Ending balance	**94,196**	**95,791**

(4) Half year consolidated statement of net assets (1st Half - FY 2007)

(in million JPY)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' Equity
Beginning balance (as of April 1, 2006)	41,060	50,374	95,791	(335)	186,891
Movement during the accounting period					
Issuance of common stock	30,541	30,458			61,000
Dividends paid from retained earnings *Note			(1,328)		(1,328)
Net income of the accounting period			20,259		20,259
Decrease due to change in scope of consolidation			(8,436)		(8,436)
Acquisition of treasury stock				(49)	(49)
Disposal of treasury stock		1		1	2
Movement in items not categorized under shareholders' equity (net)					
Total: Movement during the accounting period	30,541	30,459	10,494	(47)	71,448
Ending balance (as of September 30, 2006)	71,602	80,834	106,286	(383)	258,339

	Unrealized holding gains on securities	Net unrealized holding loss on derivative instruments	Foreign currency translation adjustments	Total: Valuation & translation adjustments	Stock Options	Minority interests in subsidiaries, etc.	Total: Net Assets
Beginning balance (as of April 1, 2006)	50,338	—	1,054	51,393	—	3,315	241,599
Movement during the accounting period							
Issuance of common stock							61,000
Dividends							(1,328)
Net income of the accounting period							20,259
Decrease due to change in scope of consolidation							(8,436)
Acquisition of treasury stock							(49)
Disposal of treasury stock							2
Movement in items not categorized under shareholders' equity (net)	(26,888)	(4,825)	36,033	4,320	6	10,019	14,346
Total: Movement during the accounting period	(26,888)	(4,825)	36,033	4,320	6	10,019	85,794
Ending balance (as of September 30, 2006)	23,450	(4,825)	37,087	55,713	6	13,335	327,394

Note: This was the distribution of profits based on the general shareholders' meeting held in June 2006.

(5) Half year consolidated statement of cash flow

(JPY million)

	FY 2007 1st Half	FY 2006 1st Half	FY 2006 Full year
Cash flows from operating activities:			
Income before income taxes and minority interests	39,711	5,584	11,535
Depreciation and amortization	19,801	6,041	12,961
Loss on impairment of fixed assets	659	360	702
(Decrease) increase in accrued retirement benefits	(1,399)	619	(2,093)
Gain on sales of investments in securities	(43,078)	(2,610)	(5,548)
Interest and dividend income	(1,746)	(1,074)	(2,270)
Interest expense	3,772	758	1,607
Decrease (increase) in notes and accounts receivable	3,863	3,602	3,529
Decrease (increase) in inventories	(1,740)	(1,544)	(2,081)
(Decrease) increase in notes and accounts payable	(9,217)	(5,212)	(3,680)
Other, net	8,109	(76)	98
Sub Total	18,734	6,449	14,760
Interest and dividend income received	3,077	3,331	5,541
Interest paid	(3,771)	(873)	(1,720)
Income taxes paid	(2,421)	(1,688)	(3,126)
Net cash provided by operating activities	15,618	7,219	15,455
Cash flows from investing activities:			
Purchase of property, plant and equipment	(17,167)	(9,897)	(18,590)
Proceeds from sales of property, plant and equipment	5,218	364	2,295
Purchase of investments in securities	(265,873)	(331)	(3,027)
Proceeds from sales of investments in securities	51,364	3,820	7,565
Other, net	(3,897)	(564)	(392)
Net cash provided by (used in) investing activities	(230,355)	(6,609)	(12,149)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(3,270)	5,654	5,420
Issuance of long-term indebtedness	188,077	9,244	13,529
Repayment of long-term indebtedness	(3,904)	(2,550)	(5,317)
Issuance of bonds	—	—	110,000
Redemption of bonds	—	(9,600)	(9,600)
Cash dividends paid	(1,328)	(1,329)	(2,658)
Dividends paid to minority shareholders	(680)	—	—
Other, net	3,964	(107)	(148)
Net cash provided by (used in) financing activities	182,858	1,312	111,225
Effect of foreign exchange rate on cash and cash equivalents	10,673	568	1,029
Net decrease (increase) in cash and cash equivalents	(21,205)	2,490	115,560
Cash and cash equivalents at beginning of the year	179,158	63,512	63,512
Effect of change in scope of consolidation	—	85	85
Cash and cash equivalents at the end of the year	157,953	66,089	179,158

Basis of preparation

1. Consolidated subsidiaries, and affiliates accounted for under equity-method

1) Number of consolidated subsidiaries

241 subsidiaries (Domestic 38, Overseas 203)

2) Number of non-consolidated subsidiaries

35 subsidiaries (None are accounted for under equity-method)

3) Number of affiliates

53 affiliates (30 affiliates are accounted for under equity-method)

4) Changes in scope of consolidation and application of equity-method accounting

Consolidation	In scope	188 subsidiaries (Pilkington Group Ltd. and other 187 subsidiaries)
	Out of scope	None
Equity-method	In scope	25 affiliates (Shanghai Yaohua Pilkington Glass Co. Ltd. and other 24 affiliates)
	Out of scope	42 affiliates (Pilkington Group Ltd. and other 41 affiliates)

2. Difference of accounting period among consolidated subsidiaries

Vietnam Float Glass Co. Ltd. and 27 other consolidated subsidiaries' closing date for the half year accounts were on June 30th.

For Group's financial statements, the individual financial statements as of June 30th of the forementioned have been consolidated, with necessary adjustments made for those significant transactions which occured between June 30th and September 30th.

3. Accounting policies

1) Method and standard for evaluation of assets

① Securities

Other securities

With market value	Market value as of closing date (difference will be charged to capital, and cost will be calculated based on moving-average method)
Without market value	Historical cost based on moving-average method

② Derivatives — Stated at fair value

③ Inventories

NSG and its domestic subsidiaries	Mainly stated at historical cost while cost is determined based on moving average method.
Overseas subsidiaries	Mainly stated at lower of cost and net realizable value, while cost is determined based on FIFO method

(Additional information)

Due to acquisition of Pilkington, in case there are significant differences of accounting policies between domestic and overseas consolidated subsidiaries, both policies will be noted.
As for inventories, 24% of the entire balance is for NSG and its domestic subsidaries, while 76% is for its overseas subsidiaries.

2) Depreciation of fixed assets

① Tangible assets

NSG and its domestic subsidiaries	Mainly declining-balance method, except for those buildings (excluding structures) acquired on or after April 1, 1998.
Overseas subsidiaries	Mainly straight-line method

(Additional information)

Due to acquisition of Pilkington, in case there are significant differences of accounting policies between domestic and overseas consolidated subsidiaries, both policies will be noted.
As for tangible assets, 23% of the entire balance is for NSG and its domestic subsidaries, while 77% is for its overseas subsidiaries.

② Intangible assets — Mainly straight-line method. Length of amortization is no more than 20 years.

3) Policies for deferred assets

Costs upon issuance of corporate bonds are charged to income.

Basis for preparation (continued)

4) Policies for substantial provisions

①Provision for bad debt

The provision for bad debt is calculated based on historical experience, plus an estimate of certain uncollectable amounts determined after an analysis of specific individual receivables.

②Accruals for employees' bonuses

In order for the Company to be prepared for the payment of employees' bonuses, the portion which should be charged for this accounting period is accrued based on the forecast of the payment.

③Retirement benefits

In order for the Company to be prepared for the future payment of employees' retirement benefits, the amount which is considered to be incurred during this accounting period is charged, based on expected balance of pension assets and liabilities at this year end.
Actuarial differences will be amortized using the straight-line method based on average of employees' expected remaining length of employment, beginning from the next fiscal year.
Also, accruals for the future payment of executives' retirement bonuses are accounted based on internal policies.

④Retirement bonuses for directors

In order for the Company to be prepared for the future payment of directors' retirement bonuses, accruals are accounted based on internal policies.

⑤Reserve for rebuilding furnaces

In order to prepare for periodic large-scale repairs to furnaces, the reserve for rebuilding furnaces is calculated in consideration of the estimated cost of scheduled repairs and the number of hours of operation prior to the next repair date.

5) Policies regarding translation of assets and liabilities under foreign currency to Japanese yen

Receivables and payables under foreign currency are translated to yen at the rates of exchange in effect at the balance sheet date, and exchange difference is charged to income.
The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, while income and expense are translated at the average rates of the accounting period. Exchange differences are charged to minority interest or "foreign currency translation adjustment" under net assets.

6) Leases

With regards to finance leases which are defined as leases which do not transfer the ownership of the leased property to the lessee, are principally accounted for as operating leases in the Company and its domestic subsidiaries.

7) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged item is recognized.
Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt.
Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding contract dates.

8) Other items

Treatment of Japanese consumption tax: figures are exclusive of tax

4. Amoritzation of goodwill

Goodwill is amortized by straight-line method, based on expected length of life.
The length of amortization is within 20 years.

5. Cash equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with bank withdrawable on demand, and short-term investments, which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

Changes in basis for preparation

[Accounting standard for the treatment of overseas subsidiaries' accounting practices upon preparation of consolidated financial statements]

From this accounting period, the Company has applied earlier than the mandatory date, "the standard for the treatment of overseas subsidiaries' accounting practices upon preparation of consolidated financial statements" (Report No.18, Issued May 17, 2006).

[Accounting standard regarding mergers and separations of corporations]

From this accounting period, the Company has applied "the accounting standard regarding corporate mergers" (Issued October 31, 2003), "the accounting standard regarding separations of operations" (Corporate Financial Accounting Standard No.7, Issued December 27, 2005), and "the practical guidelines for the application of the accounting standards for corporate mergers and separations of operations" (Practical Guidelines No.10, Issued December 27, 2005).

[Accounting standard for the presentation of net assets in the balance sheet]

From this accounting period, the Company has applied " the accounting standard for the presentation of net assets in the balance sheet" (Corporate Financial Accounting Standard No.5, Issued December 9, 2005), and "the practical guidelines for the application of the accounting standards for the presentations of net assets in the balance sheet" (Practical Guidelines No.8, Issued December 9, 2005). The amount which complies with the previous presentation of the "Shareholders' equity" is JPY 318,877 million.

Presentation of net assets in the consolidated balance sheet as of September 30, 2007 is based on the amended government rulings for the preparation of mid-term consolidated financial statements.

[Accounting standard regarding stock options]

From this accounting period, the Company has applied "the accounting standard regarding stock options" (Corporate Financial Accounting Standard No.8, Issued December 27, 2005) and and "the practical guidelines for the application of the accounting standard regarding stock options" (Practical Guidelines No.11, Issued May 31, 2006).

Due to this application, operating income, income before extra-ordinary items, and net income has decreased by JPY 6 million accordingly.

Notes

[Notes for the half year consolidated balance sheet]

	FY 2007 1st Half as of 06/9/30		FY 2006 Year-End as of 06/3/31		FY 2006 1st Half as of 05/9/30	
1. Depreciation of tangible assets	224,713	million JPY	214,394	million JPY	209,094	million JPY
2. Discounted notes receivables	165	million JPY	319	million JPY	401	million JPY
3. Endorsed notes receivables	885	million JPY	829	million JPY	783	million JPY
4. Guarantees of loans	3,939	million JPY	1,836	million JPY	2,178	million JPY
5. Treasury shares	1,029,949	shares	950,832	shares	875,010	shares

Notes (continued)

[Notes for the half year consolidated statement of net assets]

1. No. and types of issued shares and treasury stocks

	Beginning balance (as of 06/04/01)	Increase	Decrease	Ending balance (as of 06/09/30)
Issued shares				
Ordinary shares *1	443,946,452	121,504,178	—	565,450,630
Treasury stocks				
Ordinary shares *2,3	950,832	84,193	5,076	1,029,949

*1 Increase of ordinary shares (121,504,178) is due to the conversion from the zero-coupon unsecured convertible bonds with stock acquisition rights.
*2 Increase of treasury stocks (84,193) is due to acquisition of stocks below minimum selling unit.
*3 Decrease of treasury stocks (5,076) is due to disposal of stocks below minimum selling unit.

2. Dividends
(1) Dividends paid

Resolution:	General Shareholders' Meeting held on June 29, 2006
Type of shares:	Ordinary shares
Amount of dividends paid:	JPY 1,328 million
Dividend per share:	JPY 3 per share
Paid to shareholders as of:	March 31, 2006
Start of payment:	June 30, 2006

(2) Dividends for this period, in which the start of payment will come after the closing date

Resolution:	Board of Directors Meeting held on November 21, 2006
Type of shares:	Ordinary shares
Amount of dividends paid:	JPY 1,693 million
Financial resource:	Retained earnings
Dividend per share:	JPY 3 per share
Paid to shareholders as of:	September 30, 2006
Start of payment:	December 8, 2006

[Notes for the consolidated statement of cash flow]
Balances presented in the consolidated statement of cash flow and the consolidated balance sheet

	FY 2007 1st Half as of 06/9/30	FY 2006 1st Half as of 05/9/30	FY 2006 Year-End as of 06/3/31
Cash and bank deposits	159,975 million JPY	67,352 million JPY	180,670 million JPY
Time deposits over 3 months	(2,021) million JPY	(1,263) million JPY	(1,511) million JPY
Cash and cash equivalents	157,953 million JPY	66,089 million JPY	179,158 million JPY

5. Segment information

(1) Business segments

For this half year (period starting April 1, 2006 and ending September 30, 2006)

(in million JPY)

	Building Products	Automotive Glass	Others	Total	Eliminations	Consolidated
Sales and operating income Sales (1) Sales to customers	131,604	96,872	44,782	273,259	—	273,259
(2) Intersegmental sales	4,378	616	1,615	6,609	(6,609)	—
Total sales	135,982	97,488	46,397	279,869	(6,609)	273,259
Operating expenses	129,970	95,470	45,845	271,286	(6,616)	264,669
Operating income	6,011	2,018	552	8,582	7	8,589

Notes: 1. Method for categorization of businesses
Businesses are categorized by product lines.
2. Major products included in each business category

Business segment	Major products
Building Products	Float glass, polished glass, processed glass, building materials, environmental equipment, etc.
Automotive Glass	Processed glass
Others	Optical and fine glass products, industrial glass, LCD, special glass fiber products, air filter related products, engineering, and laboratory testing

<Before adoption of changes in business segments>

For the previous first half year (period starting April 1, 2005 and ending September 30, 2005)

(in million JPY)

	Glass & Building Materials	IT	Glass Fiber	Others	Total	Eliminations	Consolidated
Sales and operating income Sales (1) Sales to customers	85,663	18,813	15,891	6,839	127,207	—	127,207
(2) Intersegmental sales	328	377	22	3,058	3,786	(3,786)	—
Total sales	85,992	19,190	15,913	9,897	130,993	(3,786)	127,207
Operating expenses	83,457	18,883	14,086	10,715	127,142	(3,806)	123,336
Operating income	2,534	307	1,827	(818)	3,851	19	3,870

For the previous fiscal year (period starting April 1, 2005 and ending March 31, 2006)

(in million JPY)

	Glass & Building Materials	IT	Glass Fiber	Others	Total	Eliminations	Consolidated
Sales and operating income Sales (1) Sales to customers	180,069	42,375	31,911	11,533	265,888	—	265,888
(2) Intersegmental sales	793	443	43	5,701	6,981	(6,981)	—
Total sales	180,863	42,818	31,954	17,234	272,870	(6,981)	265,888
Operating expenses	175,862	41,394	28,053	19,127	264,437	(6,978)	257,459
Operating income	5,001	1,423	3,901	(1,893)	8,433	(3)	8,429

Notes: 1. Method for categorization of businesses
Businesses are categorized by product lines.
2. Main products included in each business category

Business segment	Major products
Glass & Building Materials	Float glass, polished glass, processed glass, building materials, environmental equipment, etc.
Information Technology	Optical and fine glass products, industrial glass, LCD
Glass Fiber	Special glass fiber products, air filter related products
Others	Engineering, and laboratory testing

(Additional information)

"Automotive Glass Business" was seperated from the previous "Glass & Building Materials Business" due to increase of importance of the business after the acquisition of Pilkington.

Also, the previous "IT Business" and "Glass Fiber Business" was included in "Others" from this term. Following will be the presentation of previous year's results using the newly adapted business segments.

<After the change of business segments>

For the previous first half year (period starting April 1, 2005 and ending September 30, 2005)

(in million JPY)

	Building Products	Automotive Glass	Others	Total	Eliminations	Consolidated
Sales and operating income Sales (1) Sales to customers	58,880	26,783	41,543	127,207	—	127,207
(2) Intersegmental sales	229	390	1,786	2,406	(2,406)	—
Total sales	59,110	27,173	43,329	129,613	(2,406)	127,207
Operating expenses	56,865	26,883	42,010	125,759	(2,423)	123,336
Operating income	2,244	290	1,319	3,853	16	3,870

For the previous fiscal year (period starting April 1, 2005 and ending March 31, 2006)

(in million JPY)

	Building Products	Automotive Glass	Others	Total	Eliminations	Consolidated
Sales and operating income Sales (1) Sales to customers	124,384	55,685	85,819	265,888	—	265,888
(2) Intersegmental sales	600	894	3,223	4,718	(4,718)	—
Total sales	124,985	56,579	89,042	270,607	(4,718)	265,888
Operating expenses	120,975	55,587	85,610	262,173	(4,714)	257,459
Operating income	4,009	991	3,432	8,434	(4)	8,429

(2) Geographical segments

For this half year (period starting April 1, 2006 and ending September 30, 2006)

(in million JPY)

	Japan	Europe	North America	Others	Total	Eliminations	Consolidated
Sales and operating income Sales (1) Sales to customers	110,180	95,629	30,455	36,993	273,259	—	273,259
(2) Intersegmental sales	11,833	8,753	3,799	8,849	33,235	(33,235)	—
Total sales	122,013	104,383	34,255	45,843	306,495	(33,235)	273,259
Operating expenses	122,001	100,227	33,462	42,114	297,805	(33,136)	264,669
Operating income	12	4,156	792	3,728	8,689	(99)	8,589

<Before adoption of changes in geographical segments>

For the previous first half year (period starting April 1, 2005 and ending September 30, 2005)

(in million JPY)

	Japan	Asia	North America	Others	Total	Eliminations	Consolidated
Sales and operating income Sales (1) Sales to customers	106,096	14,243	919	5,948	127,207	—	127,207
(2) Intersegmental sales	10,162	3,506	680	170	14,519	(14,519)	—
Total sales	116,258	17,749	1,599	6,118	141,726	(14,519)	127,207
Operating expenses	114,462	16,453	1,499	5,516	137,931	(14,594)	123,336
Operating income	1,796	1,295	100	602	3,795	75	3,870

For the previous fiscal year (period starting April 1, 2005 and ending March 31, 2006)

(in million JPY)

	Japan	Asia	North America	Others	Total	Eliminations	Consolidated
Sales and operating income Sales (1) Sales to customers	220,123	32,769	1,766	11,288	265,888	—	265,888
(2) Intersegmental sales	21,399	7,793	999	284	30,477	(30,477)	—
Total sales	241,523	40,563	2,765	11,513	296,366	(30,477)	265,888
Operating expenses	237,553	37,533	2,544	10,307	287,938	(30,479)	257,459
Operating income	3,970	3,029	221	1,205	8,427	2	8,429

Notes: 1. Segmentation is based on geographical location

2. Major countries or areas included

(1) Europe Great Britain, Germany, Italy, etc.

(2) North America USA, Canada, etc.

(3) Others South America, Australia, China, Malaysia, etc.

(Additional information)

"Europe" was previously included in "Others", but was separated to a new segment, due to the increase of importance upon acquisition of Pilkington.

. Following will be the presentation of previous year's results using the newly adapted business segments.

<After the change of business segments>

For the previous first half year (period starting April 1, 2005 and ending September 30, 2005)

(in million JPY)

	Japan	Europe	North America	Others	Total	Eliminations	Consolidated
Sales and operating income Sales (1) Sales to customers	106,096	5,948	919	14,243	127,207	—	127,207
(2) Intersegmental sales	10,162	170	680	3,506	14,519	(14,519)	—
Total sales	116,258	6,118	1,599	17,749	141,726	(14,519)	127,207
Operating expenses	114,462	5,516	1,499	16,453	137,931	(14,594)	123,336
Operating income	1,796	602	100	1,295	3,795	75	3,870

For the previous fiscal year (period starting April 1, 2005 and ending March 31, 2006)

(in million JPY)

	Japan	Europe	North America	Others	Total	Eliminations	Consolidated
Sales and operating income Sales (1) Sales to customers	220,123	11,228	1,766	32,769	265,888	—	265,888
(2) Intersegmental sales	21,399	284	999	7,793	30,477	(30,477)	—
Total sales	241,523	11,513	2,765	40,563	296,366	(30,477)	265,888
Operating expenses	237,553	10,307	2,544	37,533	287,938	(30,479)	257,459
Operating income	3,970	1,205	221	3,029	8,427	2	8,429

(3) Overseas sales

For this half year (period starting April 1, 2006 and ending September 30, 2006)

(in million JPY)

	Europe	North America	Asia	Others	Total
Overseas Sales	95,098	31,148	23,077	18,699	168,024
Consolidated Sales					273,259
Overseas Sales per Consolidated Sales	34.8	11.4	8.4	6.8	61.5

For the previous first half year (period starting April 1, 2005 and ending September 30, 2005)

(in million JPY)

	Asia	North America	Others	Total
Overseas Sales	18,564	1,140	5,967	25,672
Consolidated Sales				127,207
Overseas Sales per Consolidated Sales	14.6	0.9	4.7	20.2

For the previous fiscal year (period starting April 1, 2005 and ending March 31, 2006)

(in million JPY)

	Asia	North America	Others	Total
Overseas Sales	40,187	2,299	11,295	53,782
Consolidated Sales				265,888
Overseas Sales per Consolidated Sales	15.1	0.9	4.2	20.2

Notes: 1. Segmentation is based on geographical location
2. Major countries or areas included
(1) Europe Great Britain, Germany, Italy, etc.
(2) North America USA, Canada, etc.
(3) Asia China, Malaysia, Philippines, etc.
(4) Others South America, Australia, etc.

(Additional information)
"Europe" was previously included in "Others", but was separated to a new segment, due to the increase of importance upon acquisition of Pilkington.
Following will be the presentation of previous year's results using the newly adapted business segments.

For the previous first half year (period starting April 1, 2005 and ending September 30, 2005)

(in million JPY)

	Europe	North America	Asia	Others	Total
Overseas Sales	5,963	1,140	18,564	3	25,672
Consolidated Sales					127,207
Overseas Sales per Consolidated Sales	4.7	0.9	14.6	0.0	20.2

For the previous fiscal year (period starting April 1, 2005 and ending March 31, 2006)

(in million JPY)

	Europe	North America	Asia	Others	Total
Overseas Sales	11,287	2,299	40,187	7	53,782
Consolidated Sales					265,888
Overseas Sales per Consolidated Sales	4.2	0.9	15.1	0.0	20.2

(Leases)

Finance lease agreements wherein the ownership of the leasehold will not be transferred to the lessee

(1) Acquisition value, accumulated depreciation, and net book value of the leasehold items

(in million JPY)

	FY2007 1st Half	FY2006 1st Half	FY2006 Whole
Acquisition value	10,357	9,636	11,362
Accumulated depreciation	6,623	6,582	7,418
Net book value	3,733	3,053	3,943

Note: Acquisition value stated above is inclusive of imputed interest expense portion.

(2) Future minimum lease payments to be made

(in million JPY)

	FY2007 1st Half	FY2006 1st Half	FY2006 Whole
Within 1 year	1,206	1,101	1,244
More than 1 year	2,526	1,951	2,698
Total	3,733	3,053	3,943

Note: Future minimum lease payments under finance leases include the imputed interest expense portion.

(3) Lease payments and depreciation of leasehold assets

(in million JPY)

	FY2007 1st Half	FY2006 1st Half	FY2006 Whole
Lease payments	685	628	1,242
Depreciation	685	628	1,242

(4) Depreciation

Based on straight-line method with residual value at zero.
Length of life is the same with the lease period.

(Securities)

1. Other securities with marketable value

	1st Half - FY 2007 as of 2006/9/30			Whole - FY 2006 as of 2006/3/31			1st Half - FY 2006 as of 2005/9/30		
	①	②	②−①	①	②	②−①	①	②	②−①
Equity	10,262	49,555	39,292	16,589	100,887	84,298	17,272	78,767	61,495
Bonds	4,622	4,622	0	—	—	—	—	—	—
Others	—	—	—	100	100	0	100	100	0
Total	14,884	54,177	39,292	16,689	100,987	84,298	17,372	78,867	61,495

①Acquisition cost (historical) ②Net book value

2. Other securities without marketable value

(in million JPY)

	1st Half FY 2007	Whole FY 2006	1st Half FY 2006
(1) Held-to-maturity investments	—	—	—
(2) Other securities			
Not listed	1,470	9,918	9,680
Others	102	130	125