

# Summary of FY05 Results and FY06 Forecast

June 1, 2005

Nippon Sheet Glass Co., Ltd.

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1. Summary of Financial Results
2. New Mid-Term Plan - CCP300 and Fiscal 2006 Year End Forecast

# Summary of Financial Results (Fiscal Year to March 2005)

# Consolidated Statements of Operations



(¥ billion)	Mar '04	Mar '05	Change	
Net sales	269.1	265.0	98.5%	*1
Operating income	10.0	12.0	120.3%	*2
(%)	3.7%	4.5%	-	
Non-operating income/loss	-2.3	1.2	-	*3
Income before extra-ordinary items	7.7	13.3	172.3%	
(%)	2.9%	5.0%	-	
Extra-ordinary income/loss	1.9	-1.8	-97.2%	*4
Income before income taxes and minority interests	9.6	11.4	119.0%	
Net income	3.2	7.6	237.1%	
(%)	1.2%	2.9%	-	
Ernings (net income) per share (¥)	7.2	17.1	-	
ROE	1.6%	3.7%	-	

1. Sales decreased due to sale of the glass disk business (¥10 billion) and the shares in Isolite Insulating Products Co., Ltd. (¥7.5 billion) and Tianjin NSG Float Glass Co., Ltd. (¥3 billion) but like-for-like sales increased more than 7%.
2. Operating income increased as a result of restructuring in unprofitable businesses and increasing sales of growth products such as SLA and LCD glass.
3. Increase in equity in earnings of affiliates (¥3.2 billion)  
Decrease in interest expenses (¥0.9billion)
4. Extra-ordinary loss decreased ¥6 billion and in relation to it sale of investment securities decreased. As a result, loss of ¥1.8 billion was booked.

# Consolidated Balance Sheets



(¥ billion)	Mar '04	Mar '05	Change	
Current assets	165.8	167.7	101.2%	
Cash & deposits	56.0	64.2	114.6%	
Fixed assets	276.4	259.2	93.8%	*1
Total assets	442.2	426.9	96.6%	
Liabilities	235.7	218.9	92.9%	
Interest-bearing debt	134.1	121.3	90.5%	*2
Minority interests	5.9	2.7	46.7%	
Shareholders' equity	200.6	205.3	102.3%	
Common stock	41.1	41.1	99.9%	
Retained earnings	141.0	146.0	103.6%	
Others	18.5	18.3	98.6%	
Liabilities & shareholders' equity	442.2	426.9	96.6%	
ROA	2.5%	3.6%	-	*3

- **Stronger financial position achieved by the reduction in assets and interest-bearing debt.**
- Mainly due to the exclusion of Isolite Insulating Products Co., Ltd. from consolidated balance sheet (¥6 billion). Capital expenditure increased.
  - Issuance of convertible bonds (¥23 billion); Redemption of bonds (¥19.8 billion)  
Reduction in bank borrowings (¥8.2 billion)
    - ✓ Borrowings shrank mainly due to exclusion of Isolite from consolidated closing (¥7 billion)
    - ✓ D/E ratio is reduced from 0.67 to 0.59
  - ROA = (income before extra-ordinary items + interests paid) / total assets

# Consolidated Statements of Cash Flows



(¥ billion)	Mar '04	Mar '05	Change	
Operating cash flow	17.6	16.8	95.4%	*1
Investing cash flow	9.6	-0.3	-2.6%	*2
Free cash flows	27.2	16.5	60.7%	
Financing cash flow	-16.6	-7.8	47.0%	*3
Cash and cash equivalents at beginning of the year	45.8	55.4	120.9%	
Cash and cash equivalents at end of the year	55.4	63.5	114.7%	

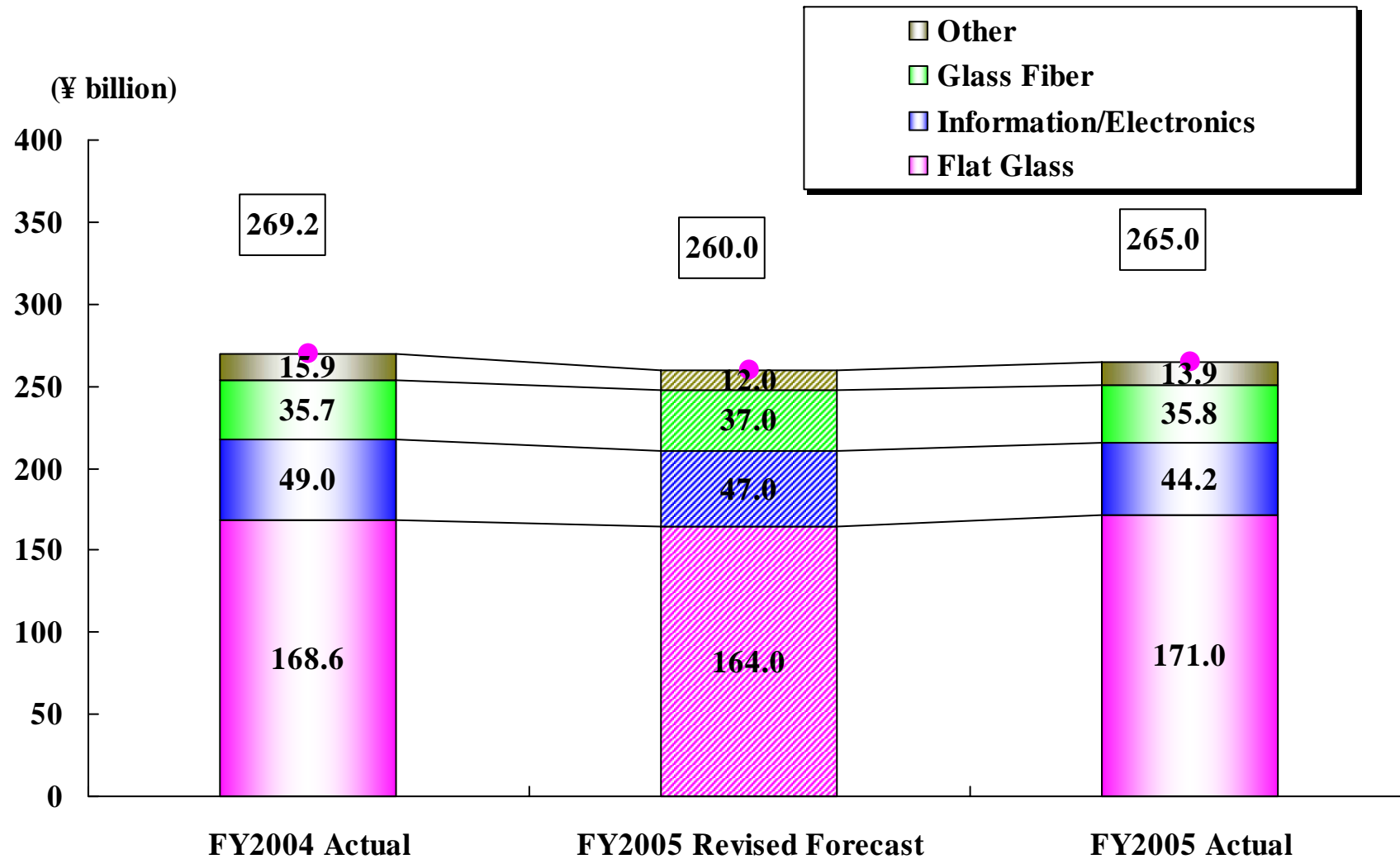
(¥)	Mar '04	Mar '05	Change	
Dividend per share	3.0	6.0	-	*4

## [Major issues]

1. Income before income taxes and minority interests (¥11.4 billion)  
Depreciation and amortization (¥12.6 billion)
2. Purchase of property, plant and equipment (-¥12.5 billion)  
Proceeds from sale of investment securities (¥7 billion) and fixed assets (¥6.8 billion)
3. Issuance of convertible bonds (¥23 billion)  
Redemption of bonds (¥19.8 billion)  
Reduction in interest-bearing debt (¥8.2 billion)
4. Resumption of interim dividend payment after three years

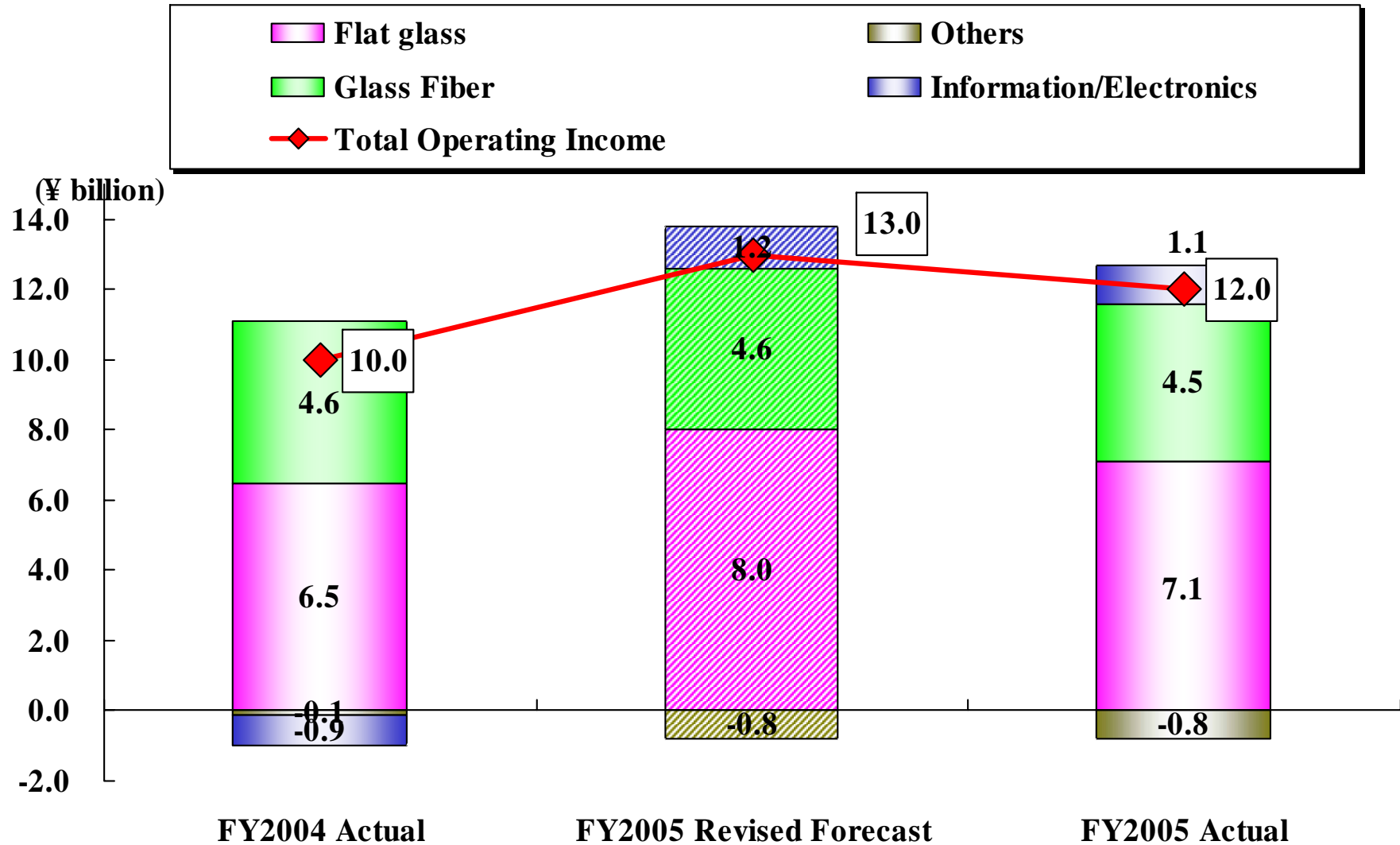
# Results by Business

# Net Sales by Business

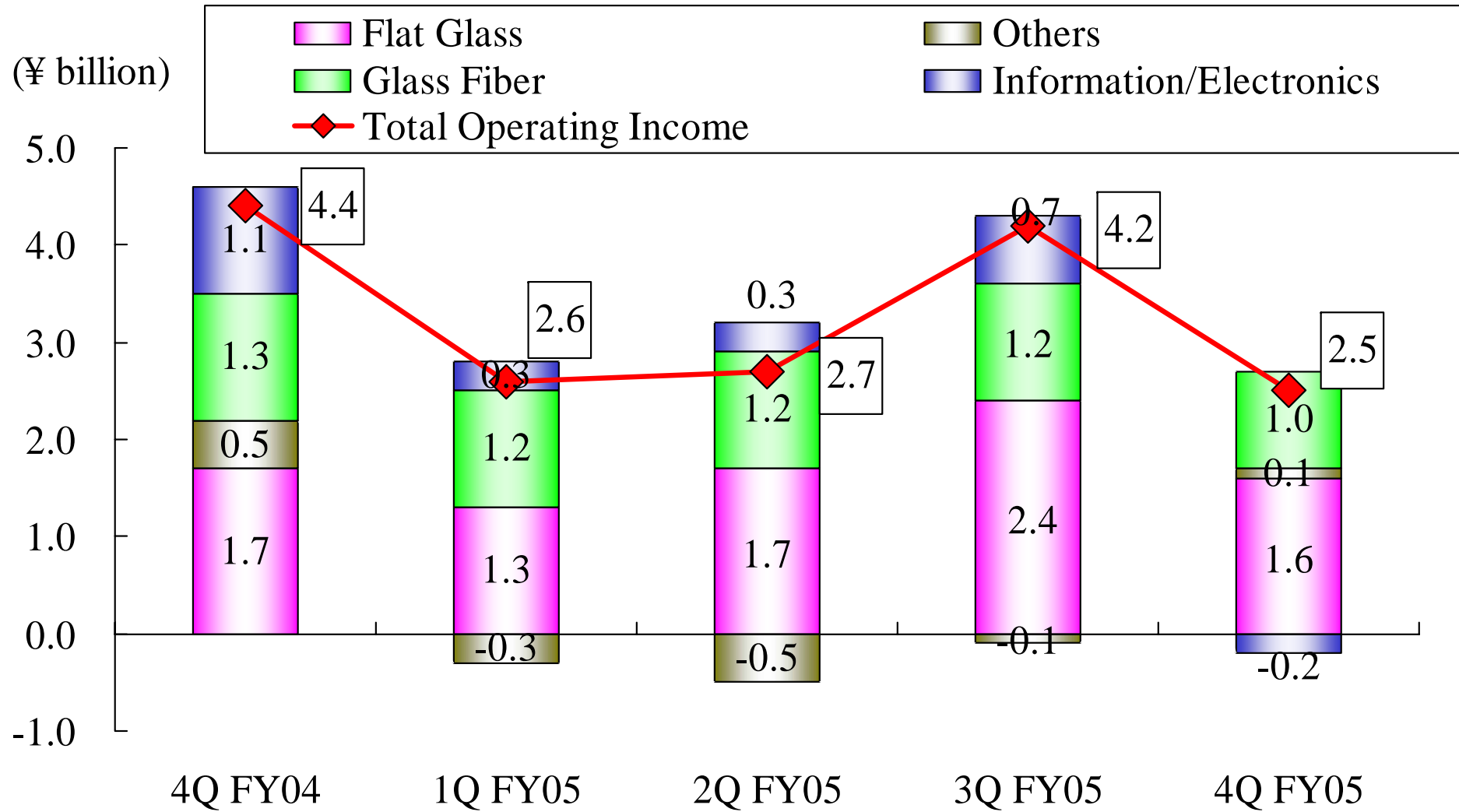




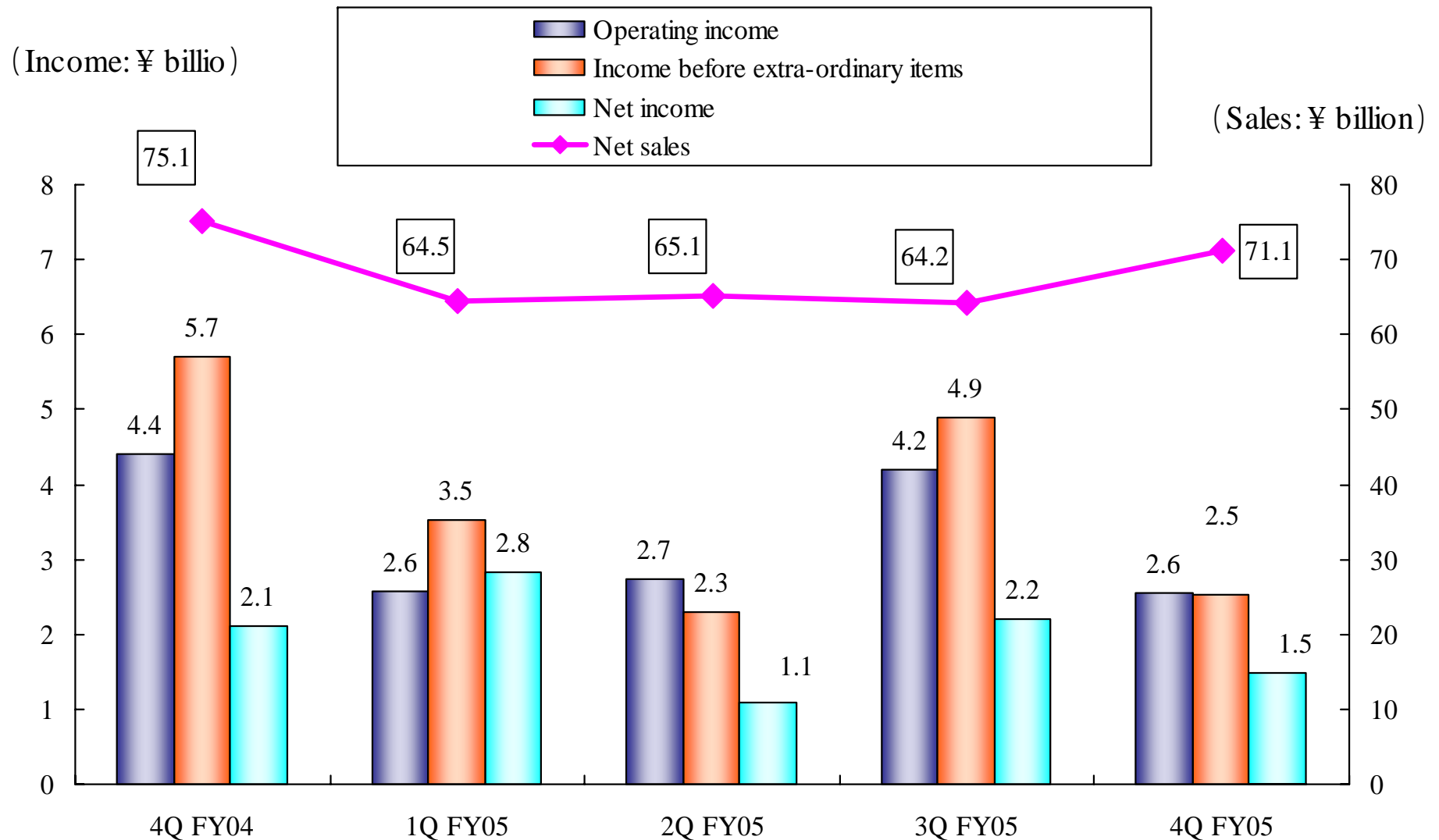
# Operating Income by Business



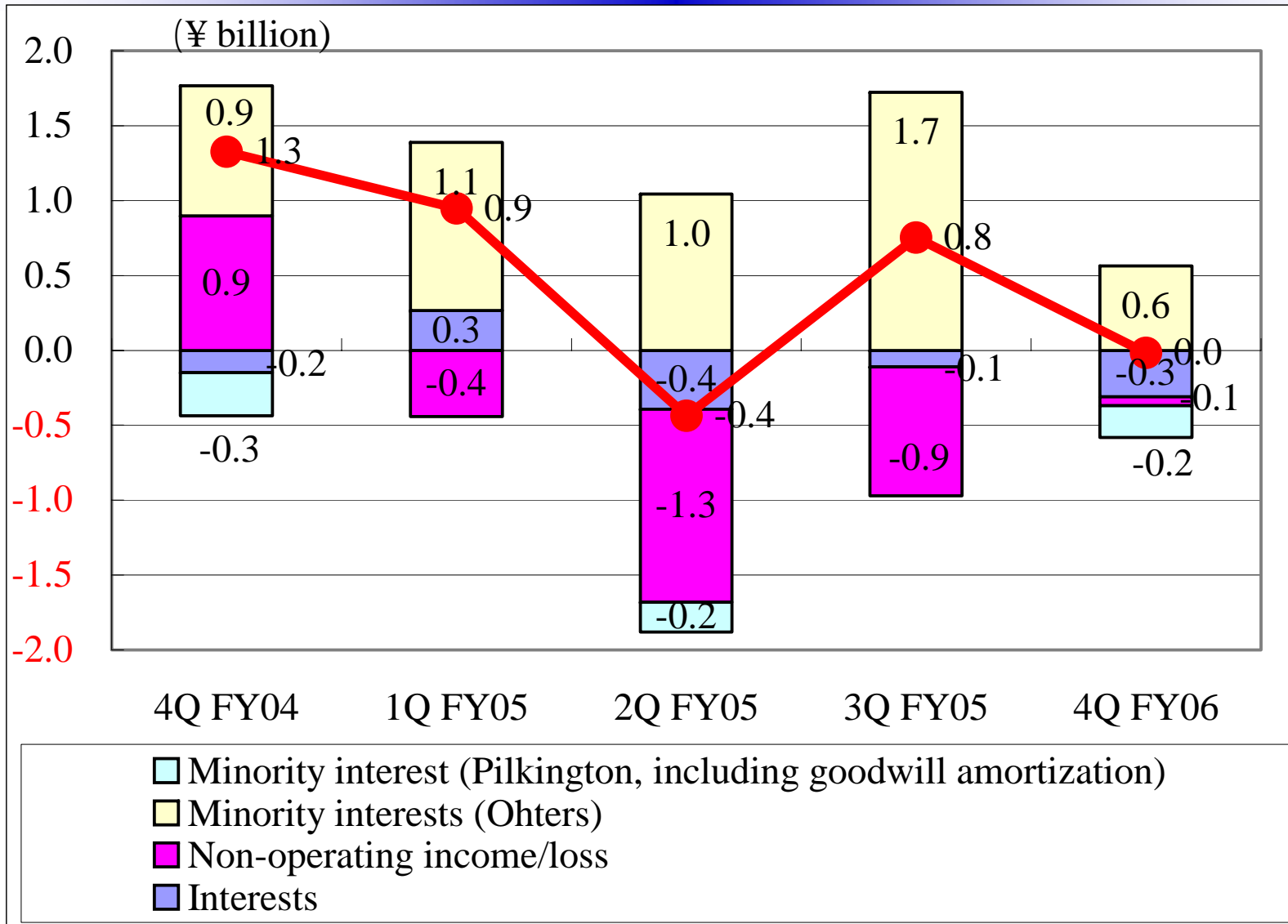
# Operating Income Quarterly Development by Business



# FY2005 Financial Results Quarterly Development



# FY2005 Non-operating Income/Loss Quarterly Development



# Flat Glass Business



**Architectural glass  
(glass and materials  
for architectural use)**



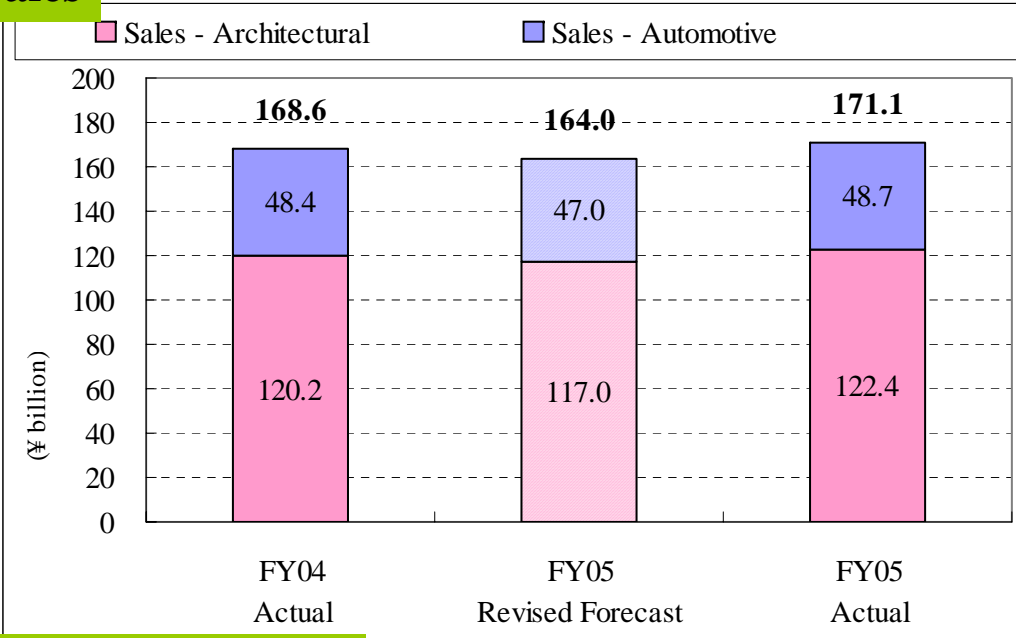
**Automotive glass  
(transportation vehicle  
glass)**



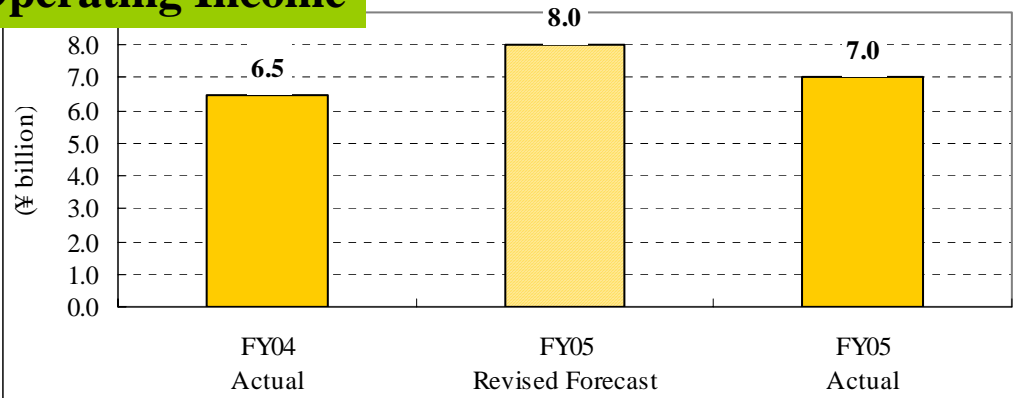
# Flat Glass - Sales and Operating Income **NSG**

NIPPON SHEET GLASS Co., Ltd

## Sales



## Operating Income



## Architectural

### <Sales>

- Domestic sales increased due to solid demand from building market and growth in added-value products.
- Overseas sales reduced due to sale of shares in Tianjin NSG Float Glass, which was substantially compensated by strong sales in other regions.

### <Income>

- Income dropped due to material cost hikes, regardless of achievement of sales increase and cost reduction as planned and sales price raise.

## Automotive

- Income decreased due to material cost increase.

# Information/Electronics Business



## Information / Telecommunications Devices

SLA, SLED, chemically enhanced glass,  
components for office equipment such as  
printers, scanners and copiers, SELFOC micro  
lenses, telecommunication devices



## Display Glass

LCD substrates, PDP substrates

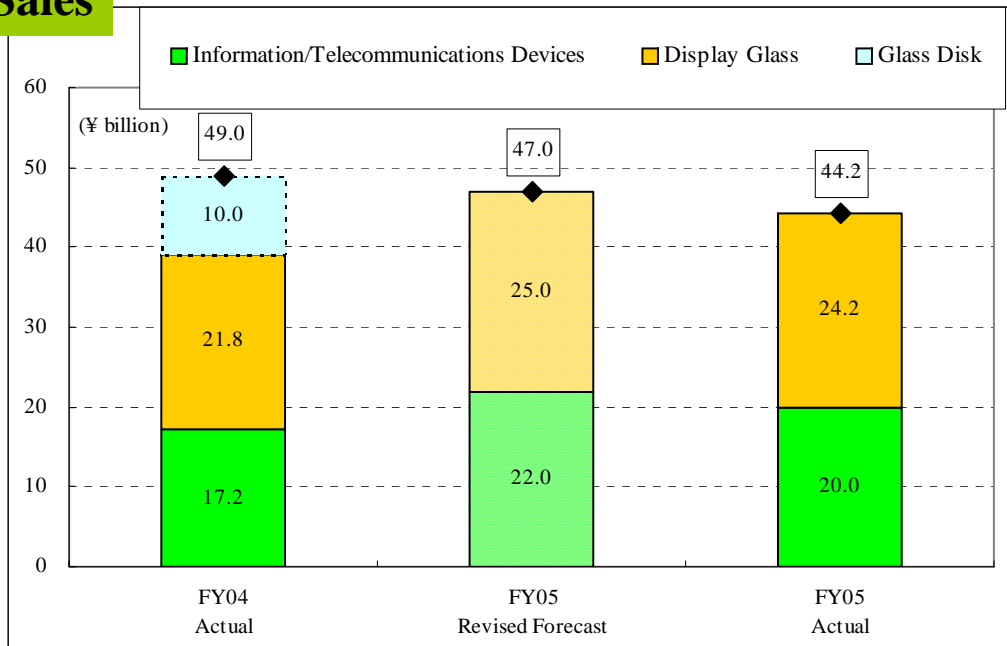


# Information/Electronics

## – Sales and Operating Income



### Sales

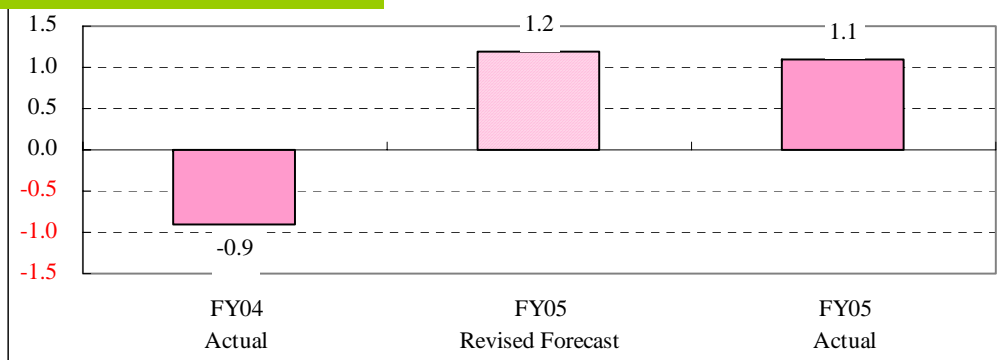


Due to sale of glass disk business (¥10 billion) and shares in Nippon Pelnox (¥2 billion) total sales decreased but like-for-like sales increased ¥5.2 billion (13%).

### Information/Telecommunications Devices

- Slow recovery of optical telecommunications market
- Strong sales of printer parts for multifunction printers.

### Operating Income



### Display, Others

- Significant increase in sales, especially UFF, over last year.
- Slow down in the second half
- Recovery expected from the first quarter of fiscal 2006.



# Glass Fiber Business

**NSG**  
NIPPON SHEET GLASS Co., Ltd

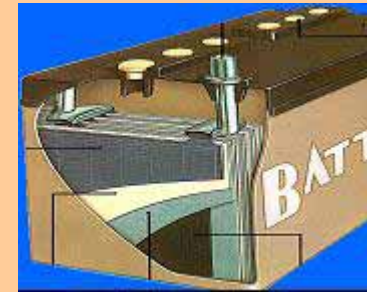
## Glass Cord

For automotive timing belts



## Battery Separator

For lead-acid batteries for automobiles, uninterrupted power supply equipment



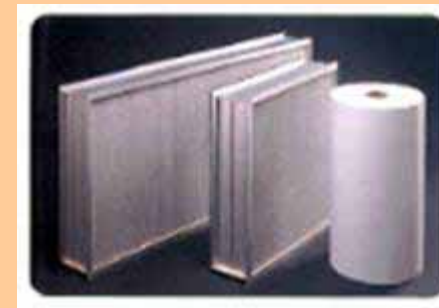
## Glass Flake

Plastic reinforcement and anticorrosion filler  
Highly glittering metallic pigment



## Air Filter

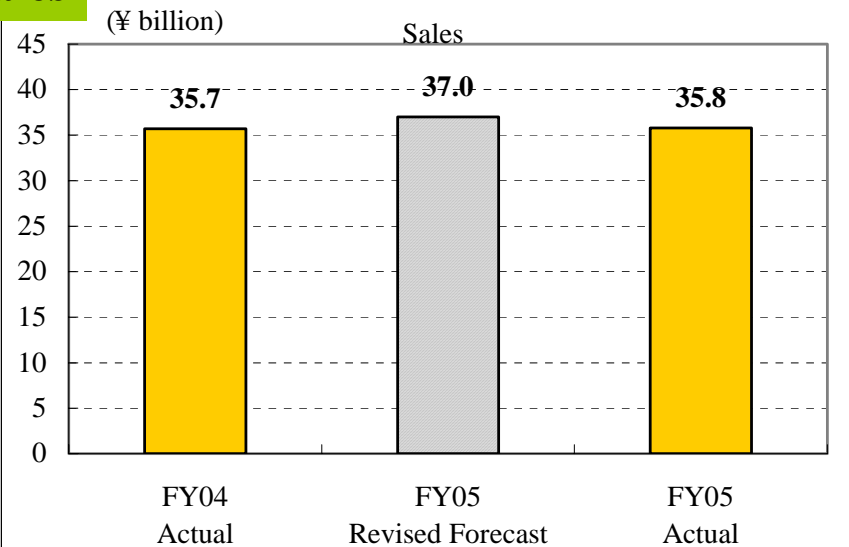
For clean-rooms



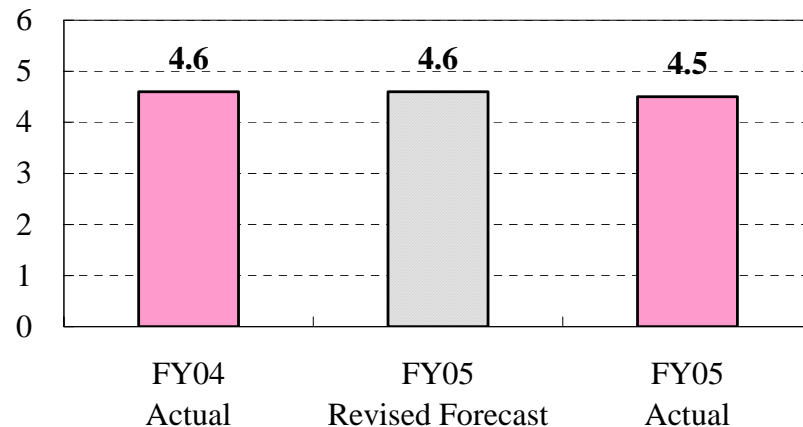
# Glass Fiber – Sales and Operating Income



## Sales



## Operating Income



### Glass Cord

- Strong sales, especially in Europe

### Glass Flake and Metashine

- Solid demand for anti-corrosion glass flake used in overseas plants
- Temporary slowdown in sales of Metashine

### Air Filter

- Strong demand from semi-conductors and LCD plants.
- Slowdown in the second half

### Battery Separator

- Sales price deterioration due to heightened competition in the second half

# Mid-Term Plan - CCP300 and Fiscal 2006 Year End Forecast

**CCP300**   
(FY2006-FY2008)

# Outline of CCP300



## *New Vision*

- To survive as winner -

Goals in  
FY2011

### Position of CCP300 in New Vision

- A milestone toward the attainment of the targets of “New Vision”
- Growth and expansion after the phase of restructuring**

**Sales: ¥500 billion**  
**Pre-tax Profit: ¥50 bill**  
**ROA & ROE >10%**

**FY2009 - FY2011**

**FY2006 - FY2008**  
**“CCP300”**

**FY2002- FY2005**  
**ACT 21**

**First Stage**  
**FY2002 - FY2003**

**Second Stage**  
**FY2004 - FY2005**

### Direction

- Reinforcement of existing businesses
- Development of new technologies, new products and new businesses
- ➔ Completely reverting to the growth strategy established in New Vision

# Review of ACT21 (Fiscal 2002 – 2005)

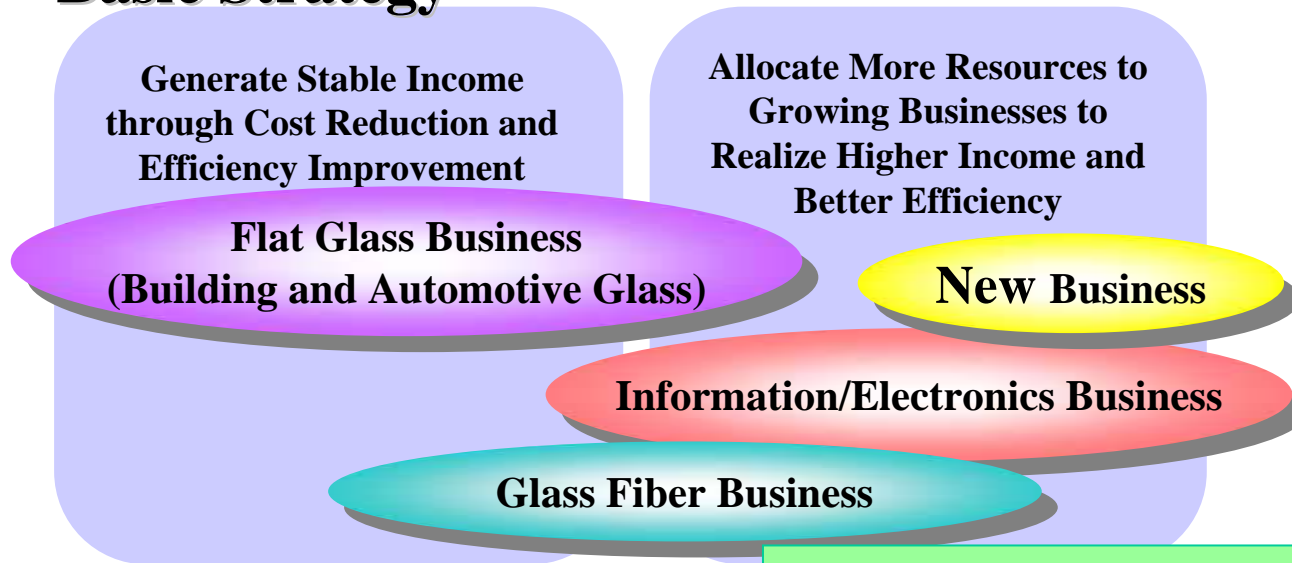


- The original assumptions of the business environment, on which ACT21 had been established, turned out to be drastically changed due to the burst of IT bubble.
  - ➔ Failing to collect sufficient market information, we could not respond to the new situation quickly enough.
- To recover from loss making, we
  - restructured inefficient businesses and reduced assets;
  - withdrew from unprofitable businesses based on the policy of “selection and concentration”; and
  - laid the groundwork for future growth.
  - ➔ As a result, at the end of ACT21 period, income improved to the level of fiscal 1991, recovering from incurring loss before extra-ordinary items.
- Now we have the foundation for the future, which includes
  - improved balance sheet;
  - efficient allocation of resources including human resources;
  - ground for starting new businesses; and
  - clear definition of management responsibilities, i.e. separation of execution and supervision, to strengthen corporate governance.

# CCP300



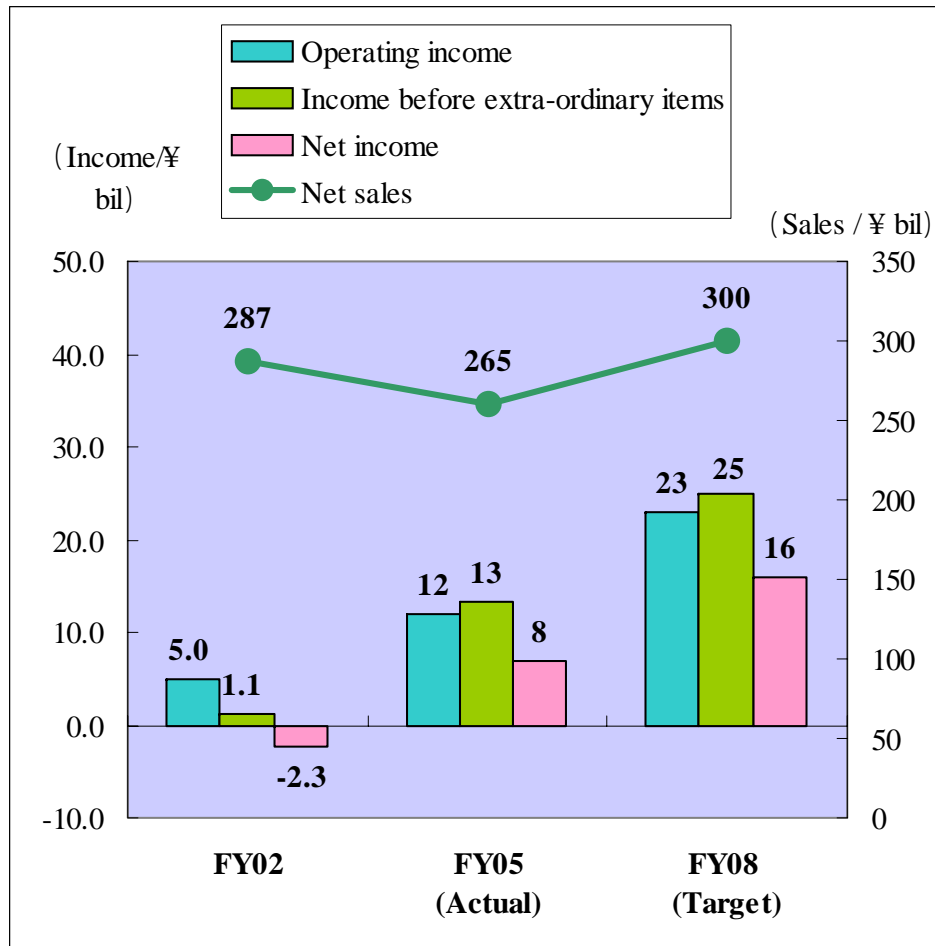
## Basic Strategy



## New Priorities

ACT21	CCP300
Groundwork for Growth	Expansion and Growth
Creation of New Businesses	Expansion of New Businesses
	Reinforcement of Overseas Businesses
Exit from Unprofitable businesses	
	Improvement of Profitability by Reinforcing Frontline Operations
Selection & Concentration	

# CCP300 - Performance Targets



(¥ billion)	FY05	FY08
<b>Sales</b>	<b>265.0</b>	<b>300.0</b>
Flat Glass	171.0	182.0
Information/Electronics	44.2	72.0
Glass Fiber	35.8	40.0
Others	13.9	6.0
<b>Operating income</b>	<b>12.0</b>	<b>23.0</b>
Flat Glass	7.1	12.0
Information/Electronics	1.1	7.0
Glass Fiber	4.5	5.0
Others	-0.8	-1.0
<b>Income before extra-ordinary item</b>	<b>13.3</b>	<b>25.0</b>
<b>Net income</b>	<b>7.6</b>	<b>16.0</b>

**Target ROA and ROE: 6-7%**

# Business Policy of CCP300 and Fiscal 2006



## CCP300

### **Strength in manufacturing; with focus on frontline operations**

1. Excellence in craftsmanship and quality
  2. Insatiable challenge toward technical superiority
- 
- ✓ In the short term, intensive allocation of management resources to manufacturing operations
  - ✓ In the long term, emphasis on training engineers to make them more competitive, establishing core technologies and succession of manufacturing skills

## Fiscal 2006

### **Groundwork as the first year of CCP300**

1. Intensive allocation of management resources to manufacturing operations
    - Allocate more engineers to manufacturing lines (increase 30%)
  2. Competitive engineers and succession of manufacturing skills
    - Training of engineers at “Technology Gym”
    - Upgrading on-the-job training of manufacturing skills
- ➔ Quick improvement of quality and efficiency



# Flat Glass Business



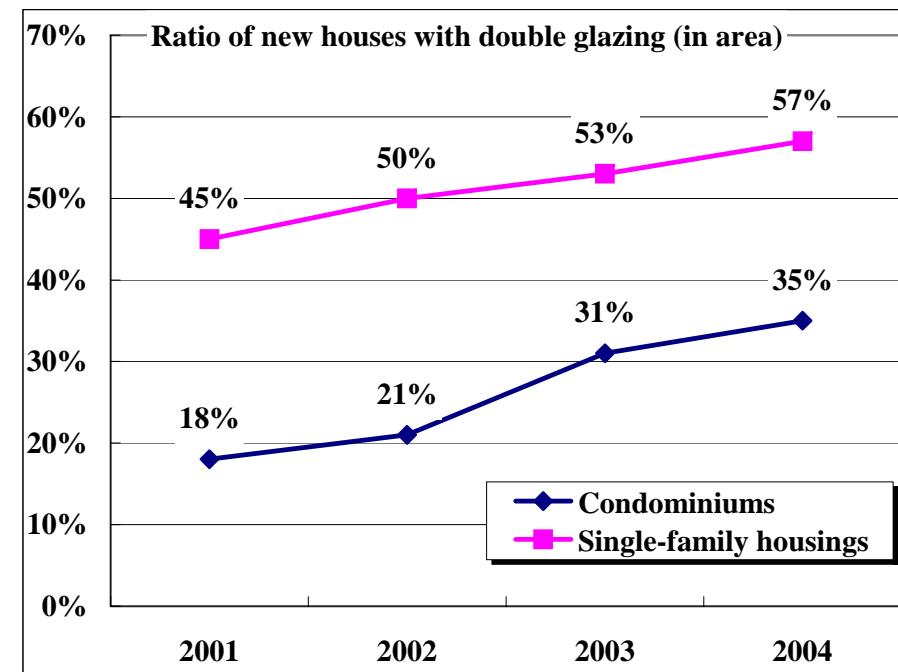
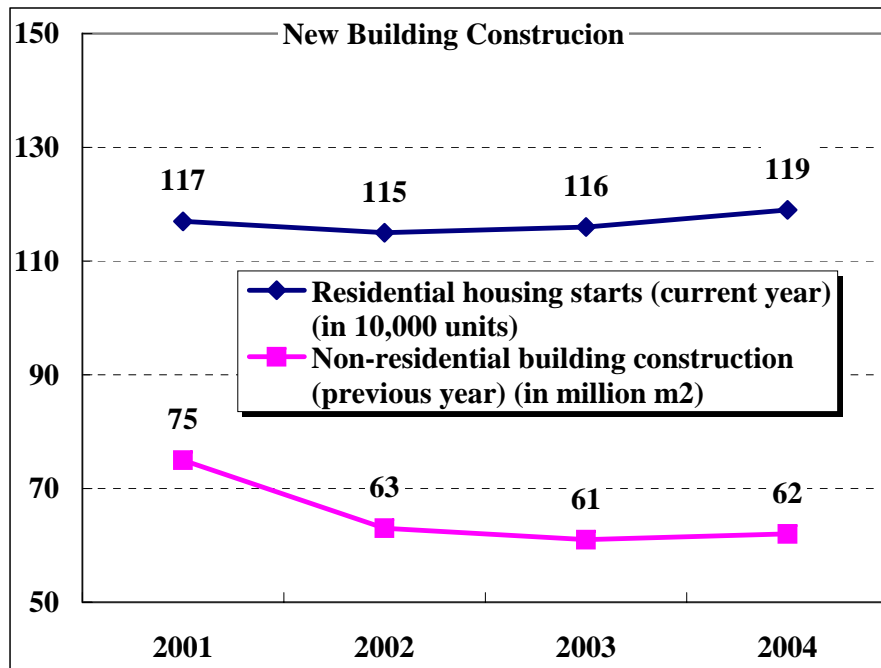
**Architectural glass  
(glass and materials  
for architectural use)**



**Automotive glass  
(transportation vehicle  
glass)**



# Flat Glass - Architectural Glass

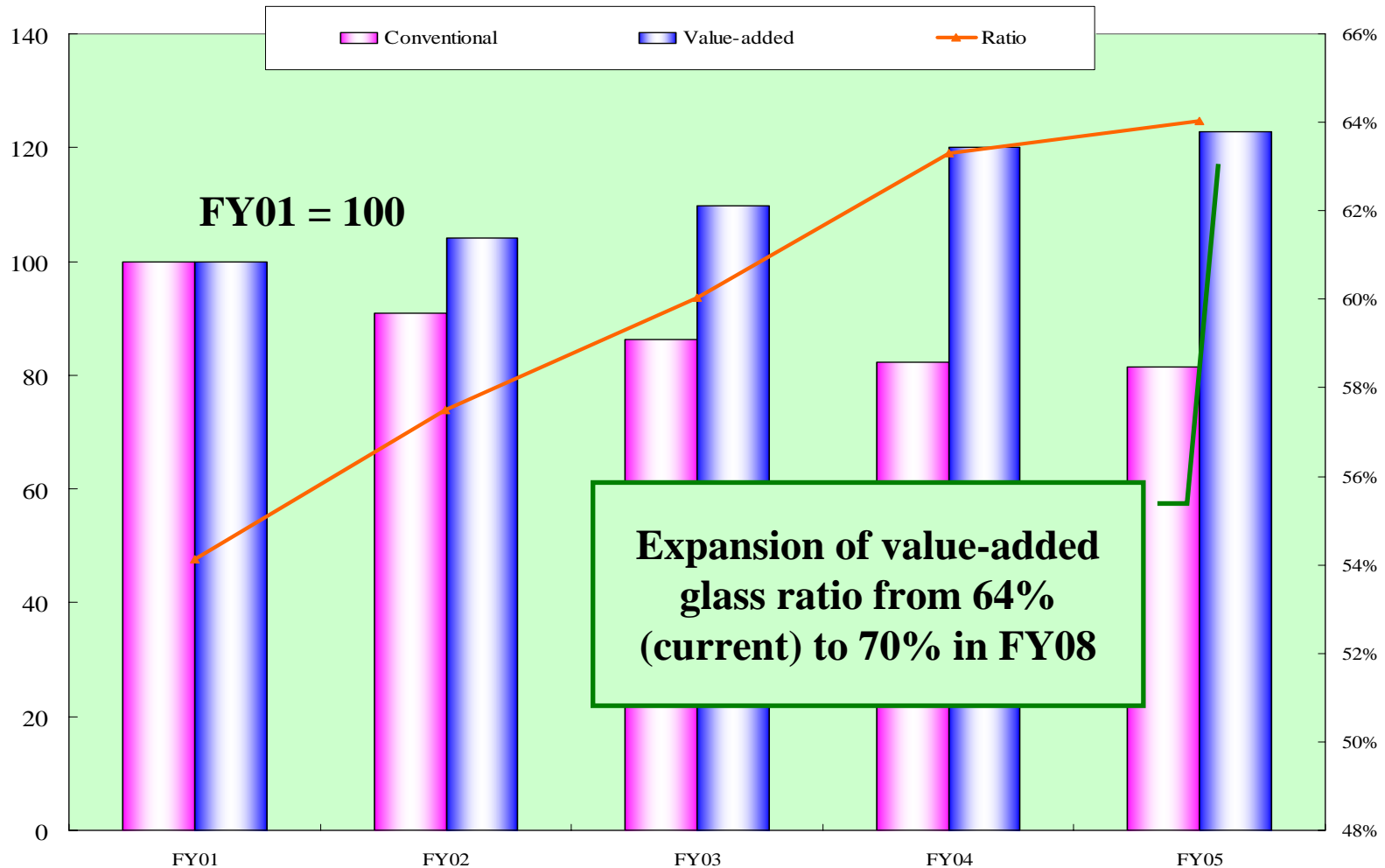


- Residential housing starts stayed high in 2004, partly because of planned tax incentive abolishment in fiscal 2006.
- Non-residential building construction remained flat.
- The adoption of double glazing for new buildings continued to increase steadily.
- The number of existing buildings with double glazing is still low in Japan.

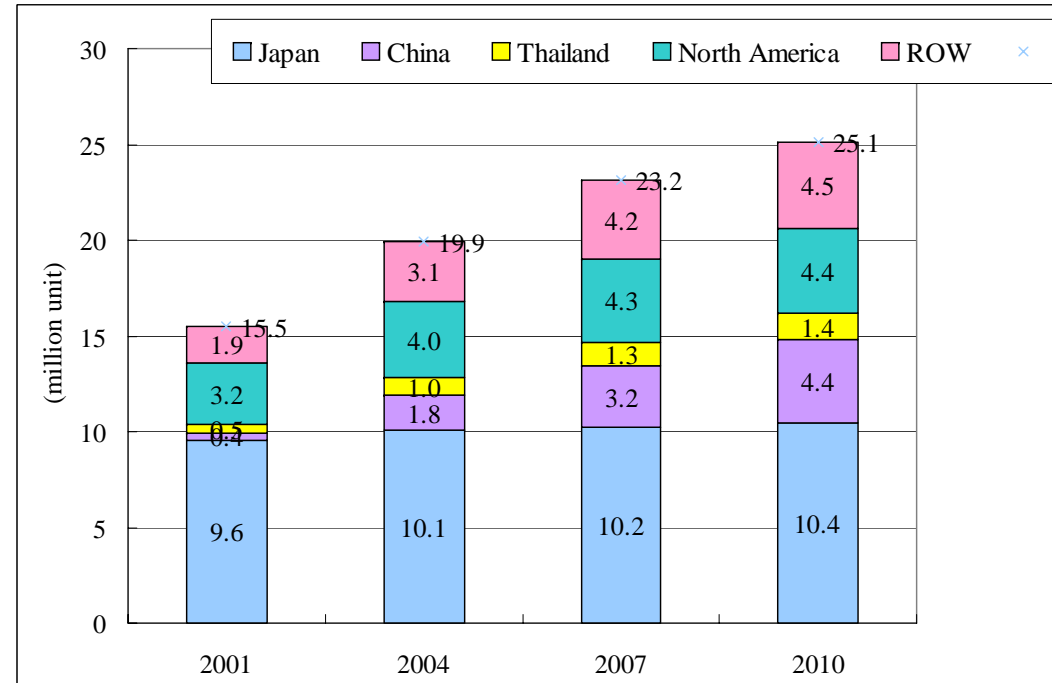
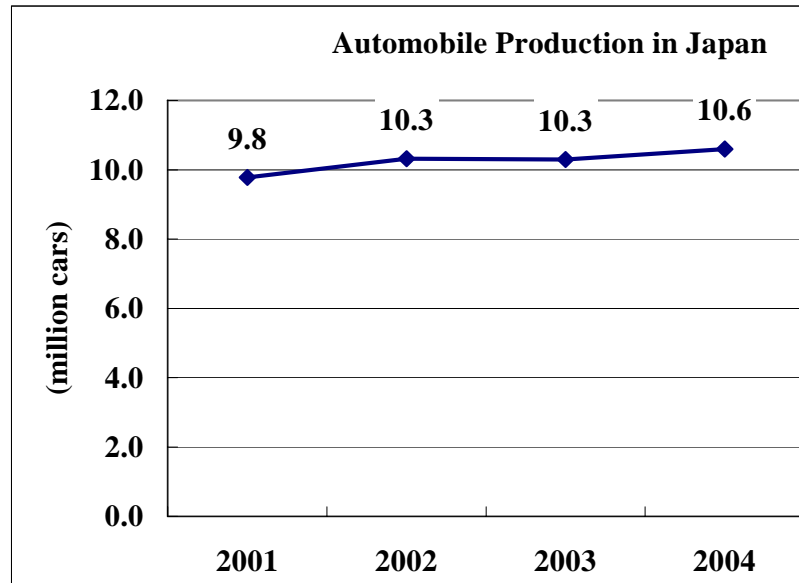
# Flat Glass - Architectural Glass



## Architectural glass sales value in Japan by product type



# Flat Glass - Automotive Glass



- Domestic car production increased slightly due to strong demand in Japan and export markets.
- Japanese nameplate (JNP) vehicle production increased because of the advancement of transplants.

# Flat Glass - Business Policy



## CCP300

### <Architectural Glass>

- Japan
  - Market leader of value-added glass products
  - Market expansion of value-added glass such as heat-insulation and crime prevention and growth in house renovation market
  - Development of multi-functional glass
  - Increase of glass for solar cells
- Asia
  - Maximization of income through group synergy
  - Maintaining the leading position in Vietnam and Malaysia
    - Re-start of a furnace in Malaysia in 2005
    - Start-up of a new furnace in Vietnam in 2007

### <Automotive Glass>

- Expansion of value-added products and cost reduction through “production system innovation”
- Improvement in productivity by replacing old facilities and equipment
- Maximization of synergy with Pilkington
- Penetration into Chinese market
  - (Numerical target is not included.)

## Fiscal 2006

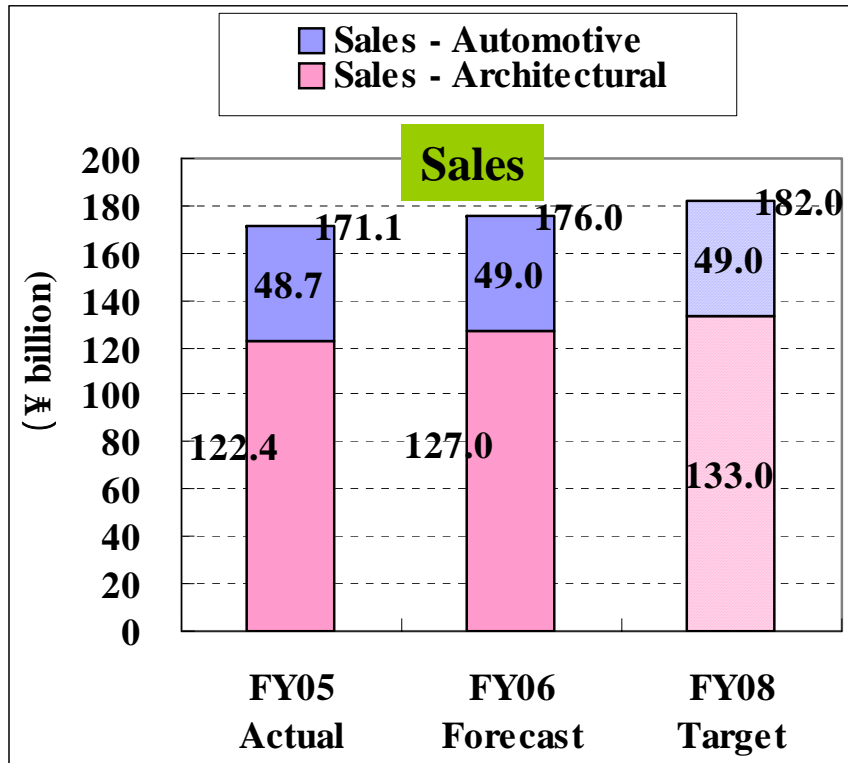
### <Architectural Glass>

- Japan
  - Expansion of value-added glass products with introduction of new products (Double the production capacity of crime prevention glass, continued strong demand for solar cell glass)
  - Focused marketing of priority products (For Prefabricated houses, convenience stores markets)
  - Reinforce marketing organization for house renovation markets
- Asia
  - Re-start of a furnace as planned in Malaysia
  - Preparation of construction of a new furnace in Vietnam

### <Automotive Glass>

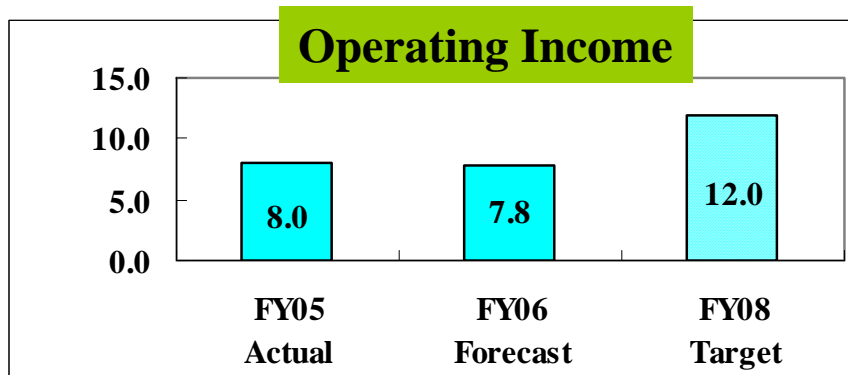
- Rationalization of production facilities after the close-down of the Aichi plant
- Improvement in productivity by replacing old facilities and equipment
- Production increase of new products such as IR-cut glass

# Flat Glass



	(FY05)	(FY06)	
Sales			
Arch	122.4	127.0	(+4.6, +3.8%)
Auto	48.7	49.0	(+0.3, +0.6%)
Total	171.1	176.0	(+4.9, +2.9%)

Operating income			
	7.0	7.8	(+0.8, +11.4%)
(%)	(4.1%)	(4.4%)	(+0.3%)



# Information/Electronics Business



## Information / Telecommunications Devices

SLA, SLED, chemically enhanced glass,  
components for office equipment such as  
printers, scanners and copiers, SELFOC micro  
lenses, telecommunication devices

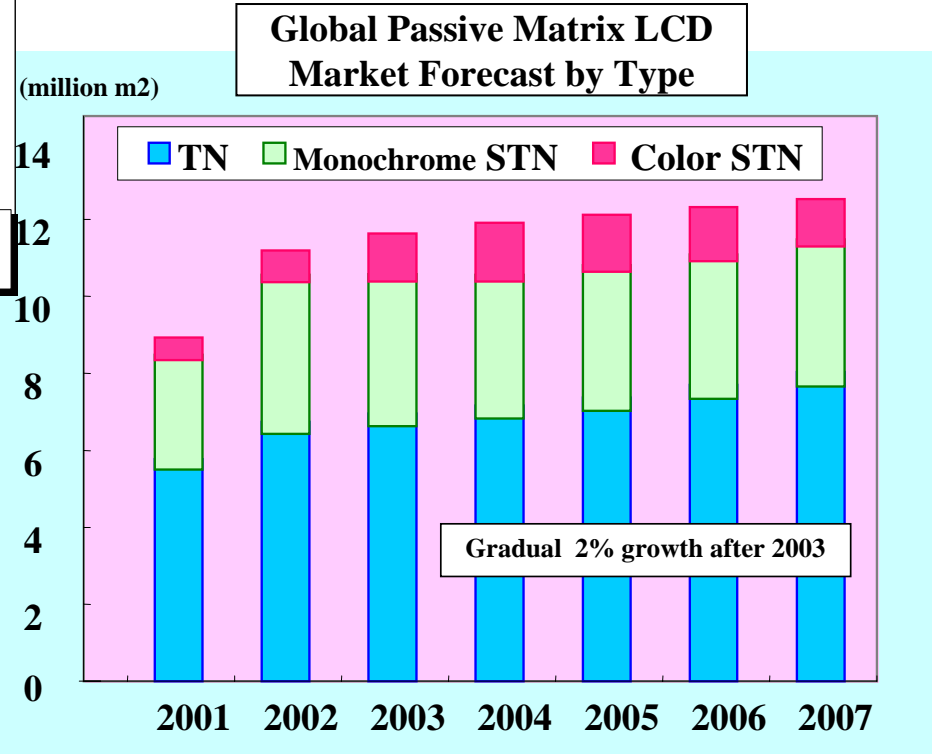
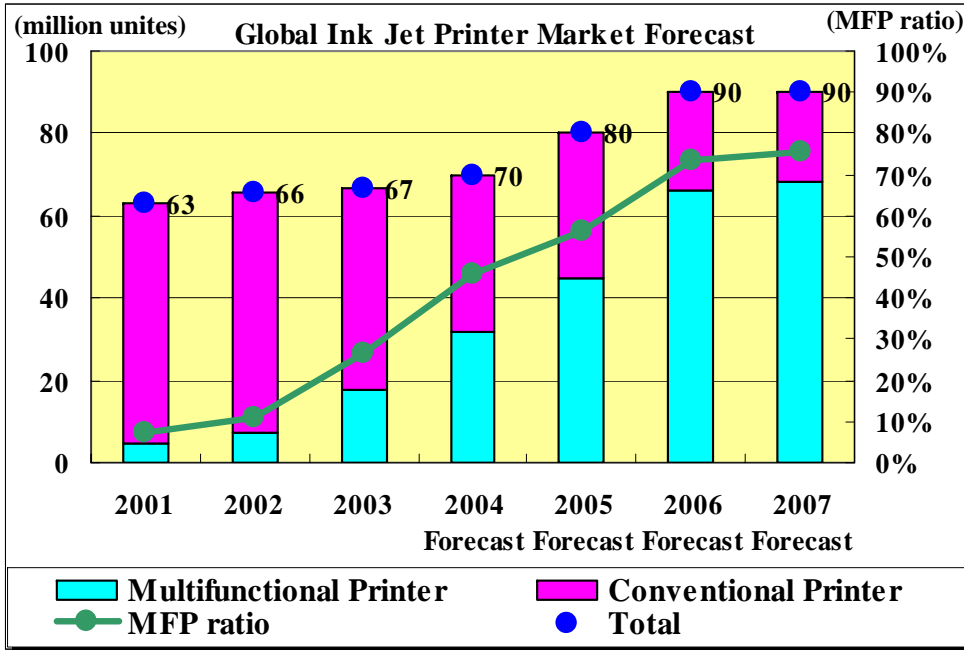


## Display Glass

LCD substrates, PDP substrates



# Information/Electronics

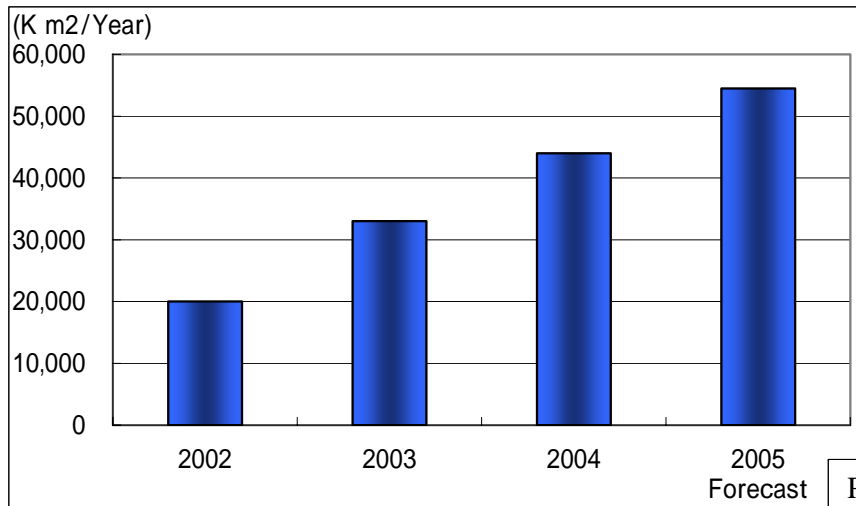




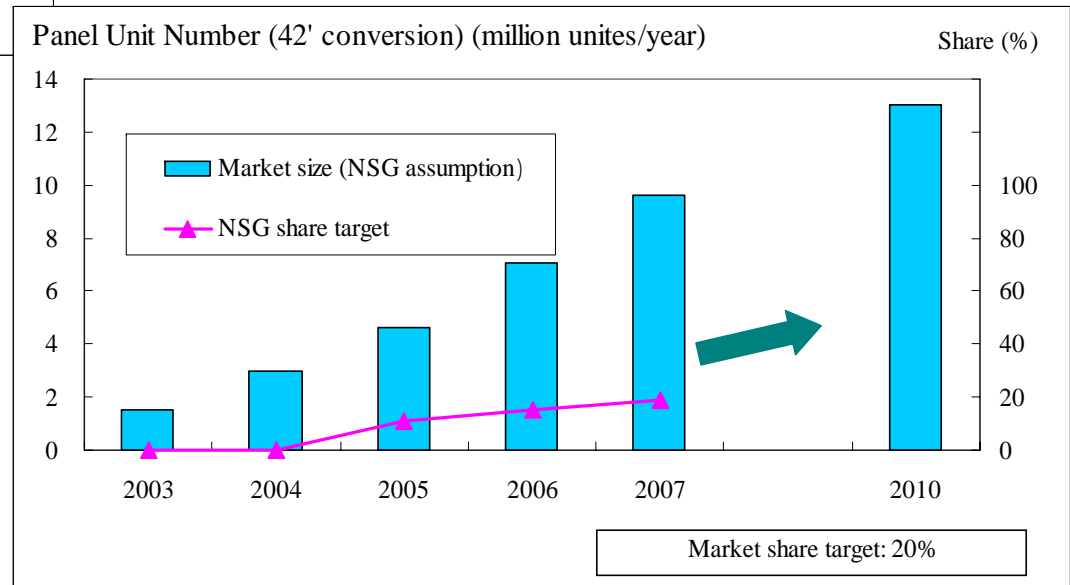
# Information/Electronics



## TFT LCD glass substrate market forecast



## PDP market forecast



# Information/Electronics - Business Policy

NIPPON SHEET GLASS Co., Ltd

## CCP300

### <Information/Telecommunications Devices>

- Information Devices
  - Establishment of leading position in lenses and light source for home and office equipment such as printers, copiers and scanners
- Telecommunications Devices
  - Becoming key player in component markets, making the best use of SELFOC's advantages  
(As short-term goal, turning business into black)

### <Display Glass>

- Penetration into PDP substrate glass market
- Expansion of TFT substrate glass production
- Expansion of active display related businesses of active matrix displays
- Increase in sales volume and market share of UFF

## Fiscal 2006

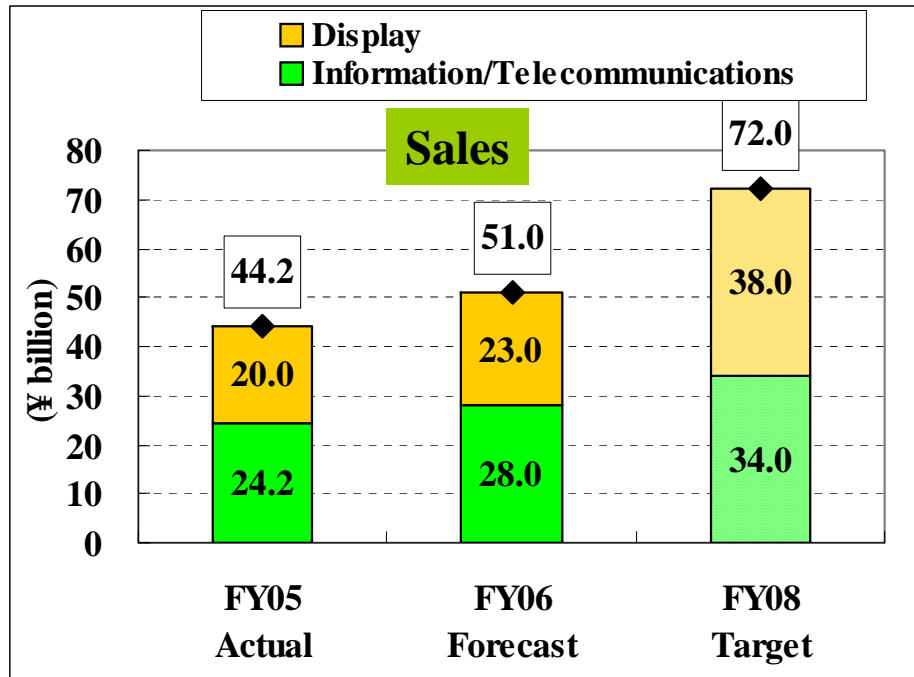
### <Information/Telecommunications Devices>

- Information Devices
  - Increase monthly production of SLA for MFPs to 4 million pcs, 30% increase
  - Severer competition against SELGUIDE
  - Sales volume increase of SLED
- Telecommunications Devices
  - Increase export of components to North America in the latter half
  - Reduce loss and start making profit

### <Display Glass>

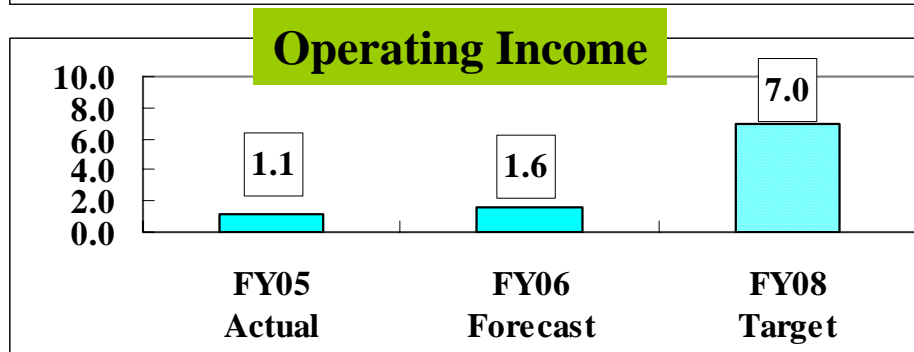
- Penetration into PDP substrate glass market  
Increase shipment in the second half  
(High depreciation cost in the first year)
- Expected recovery of passive display market during the first half
- Increase in market share of UFF
- Expand TFT panel assembly operation of Nanox Corp.

# Information/Electronics



	(FY05)	(FY06)	
Sales			
Inf/Tel	20.0	23.0	(+3.0, +3.8%)
Display	24.2	28.0	(+3.8, +15.7%)
Total	44.2	51.0	(+6.8, +15.4%)

	(FY05)	(FY06)	
Operating income			
	1.1	1.6	(+0.5, +45.5%)
(%)	(2.6%)	(3.1%)	(+0.6%)



# Glass Fiber Business

**NSG**  
NIPPON SHEET GLASS Co., Ltd

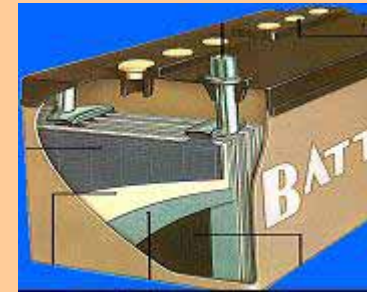
## Glass Cord

For automotive timing belts



## Battery Separator

For lead-acid batteries for automobiles, uninterrupted power supply equipment



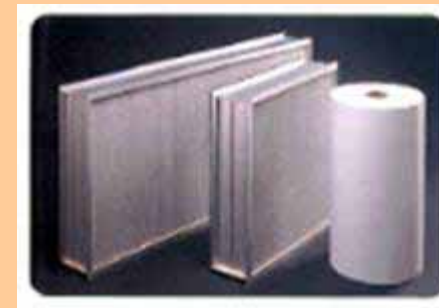
## Glass Flake

Plastic reinforcement and anticorrosion filler  
Highly glittering metallic pigment



## Air Filter

For clean-rooms



# Glass Fiber



## CCP300

### <Glass Cord>

- Expansion along with car production growth

### <Battery Separator>

- Market share increase in Asia

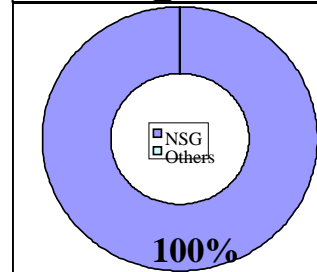
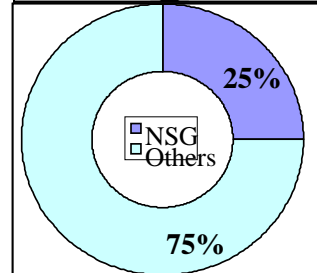
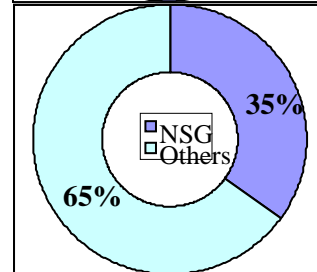
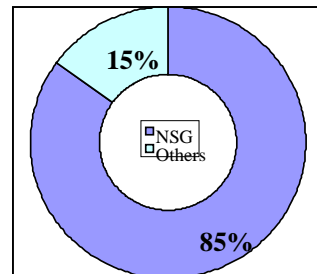
### <Air Filter>

- Expansion of medical use filters

### <Glass Flake>

- Development of new applications

## Market Share



## Fiscal 2006

### Overview

**Keeping the level of market sales and income**

### <Glass Cord>

- Responding to strong demand in Europe and China
- Starting up a new plant in Suzhou, China

### <Battery Separator>

- Cost reduction and improvement of efficiency in view of heightened global competition and price pressure

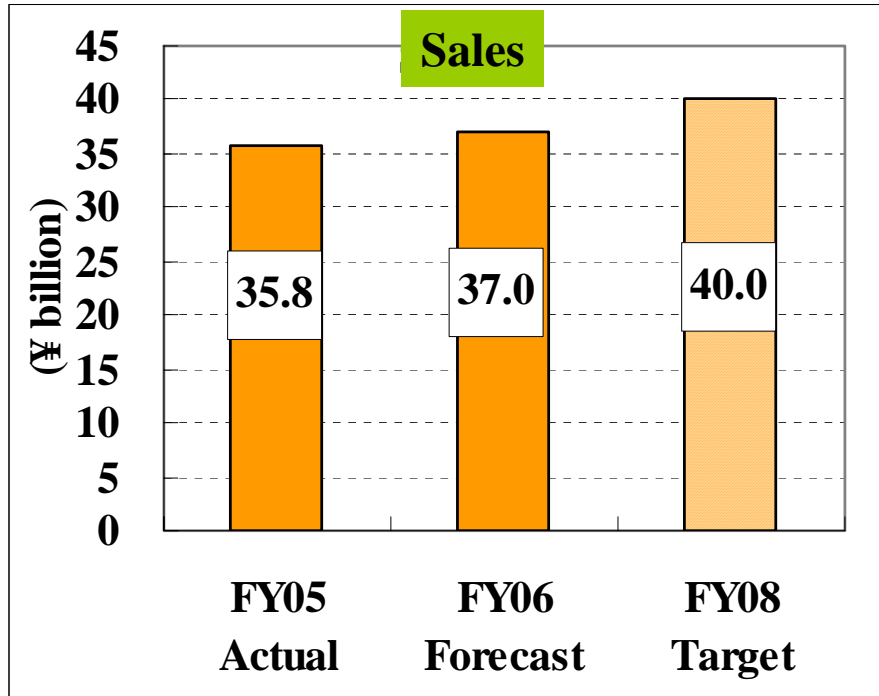
### <Air Filter>

- Development of new applications and replacement markets after a slowdown of semiconductor industry market

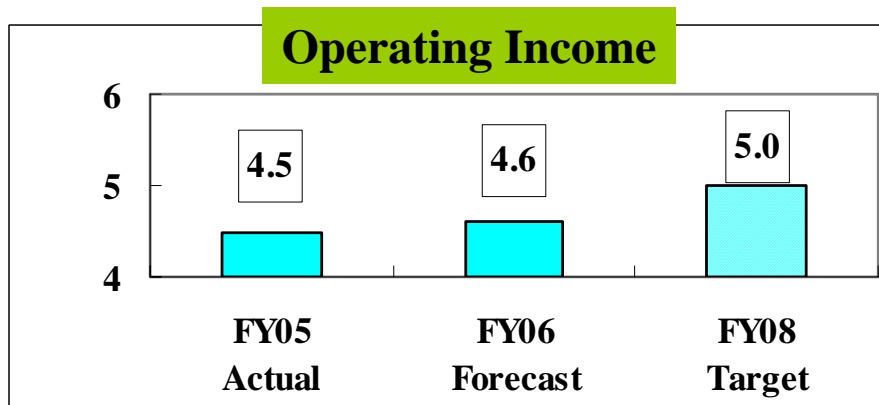
### <Glass Flake>

- Introduction of new products of Metashine

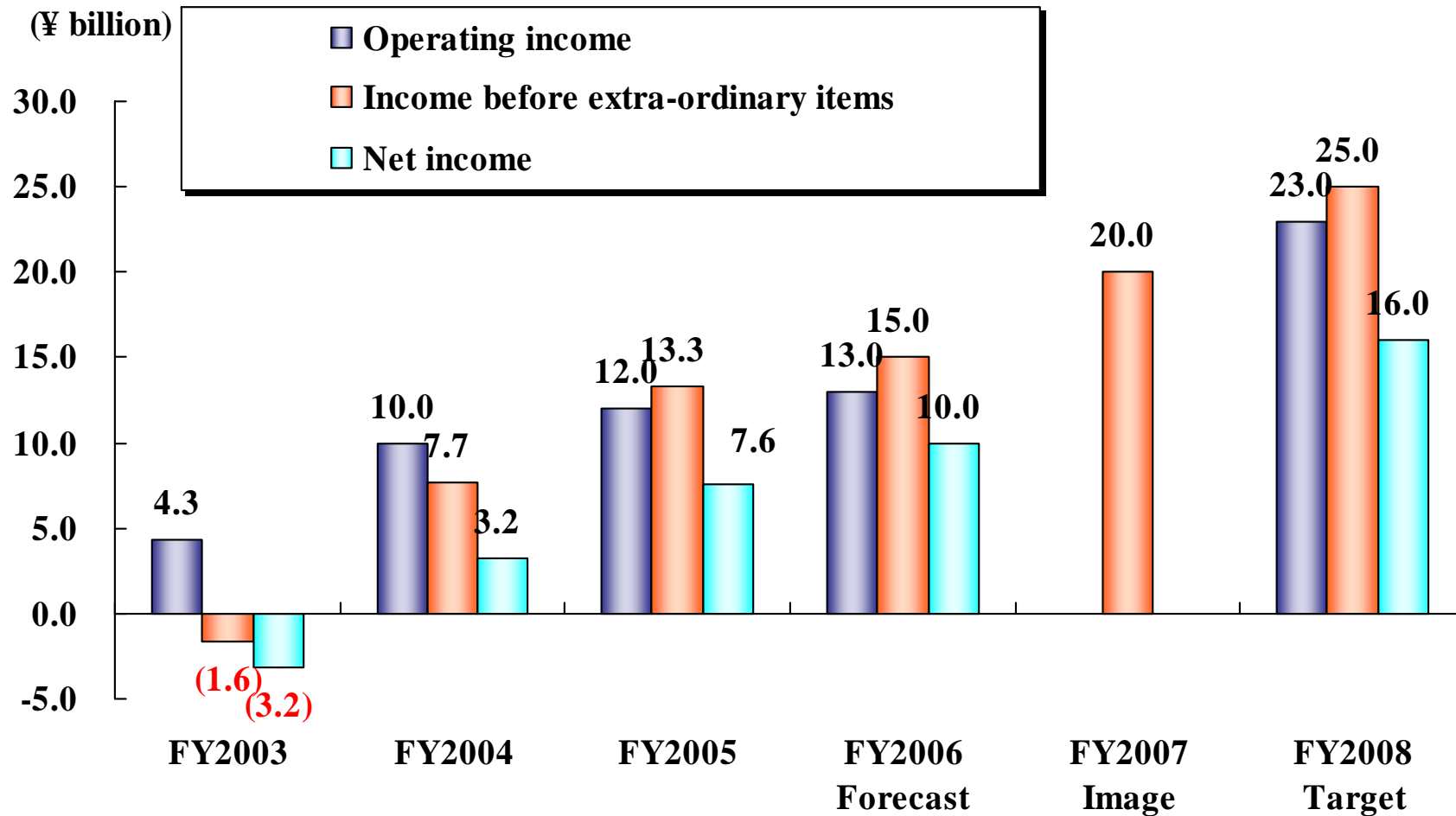
# Glass Fiber



	(FY05)	(FY06)	
Sales	35.8	37.0	(+1.2, +3.4%)
Operating income	4.5	4.6	(+0.1, +2.2%)
(%)	(12.76%)	(12.4%)	(-0.3%)

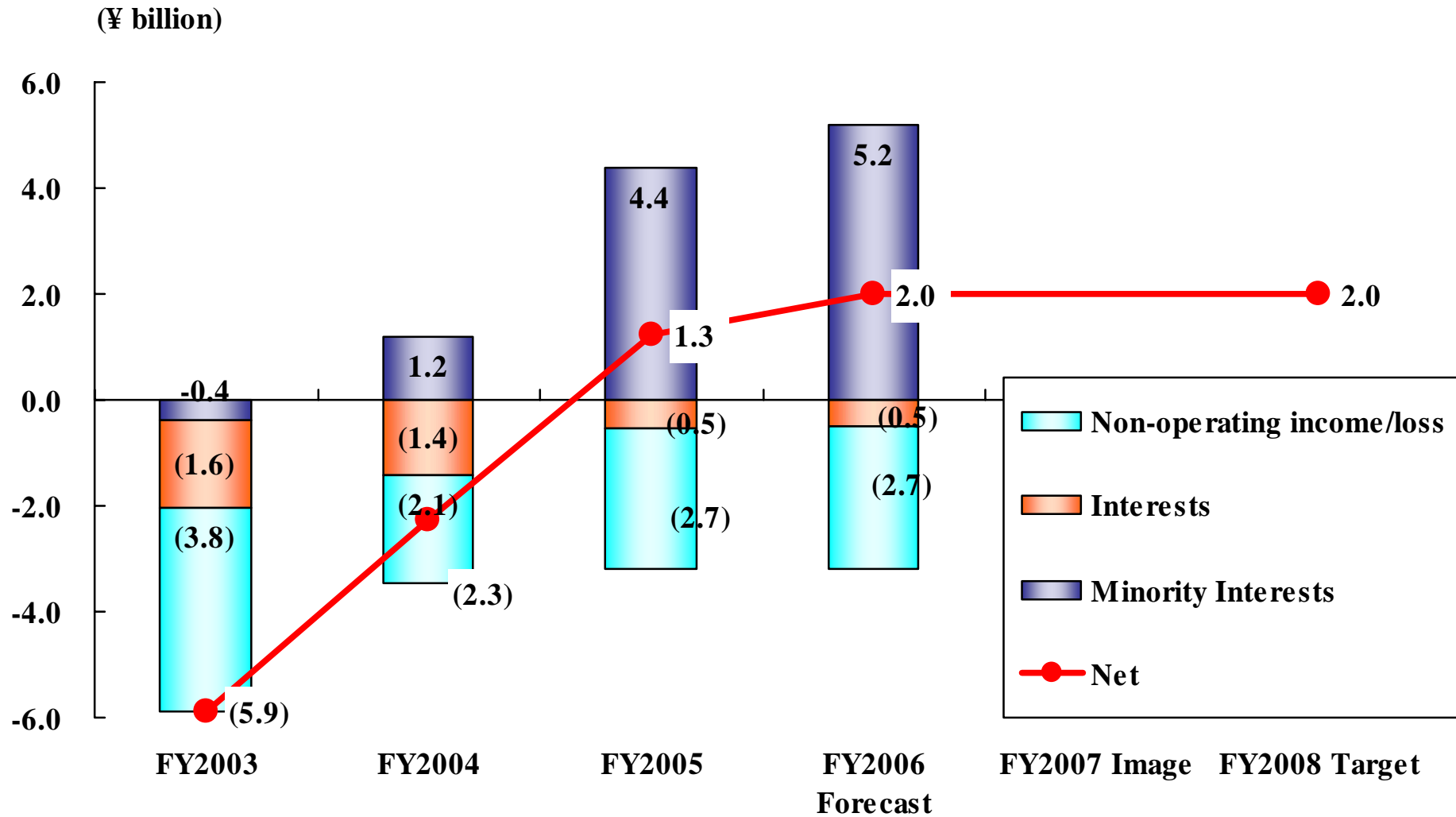


# Consolidated Income Development



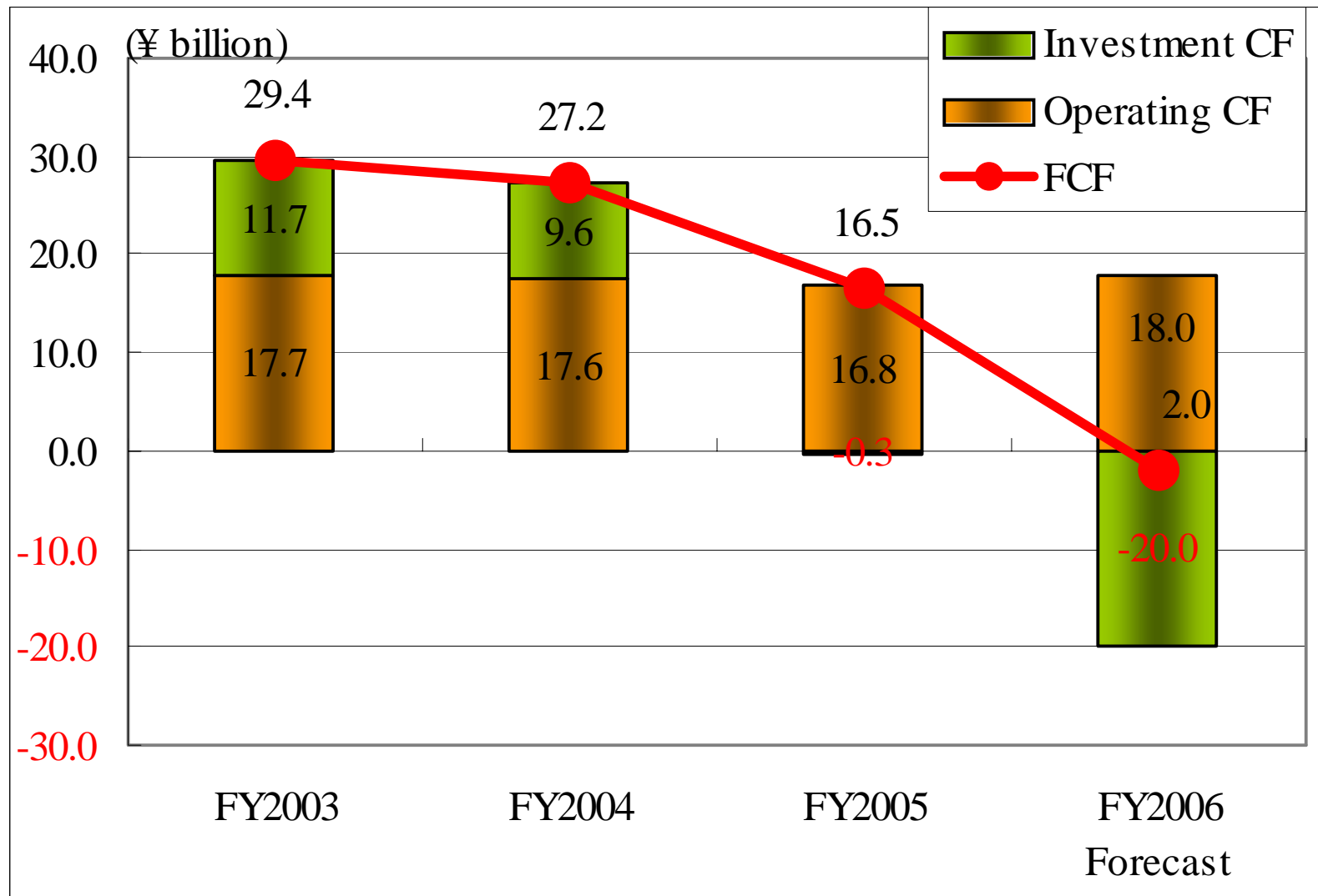
**Fiscal 2006 income forecast is in line with CCP300.**

# Non-operating Income/Loss Development

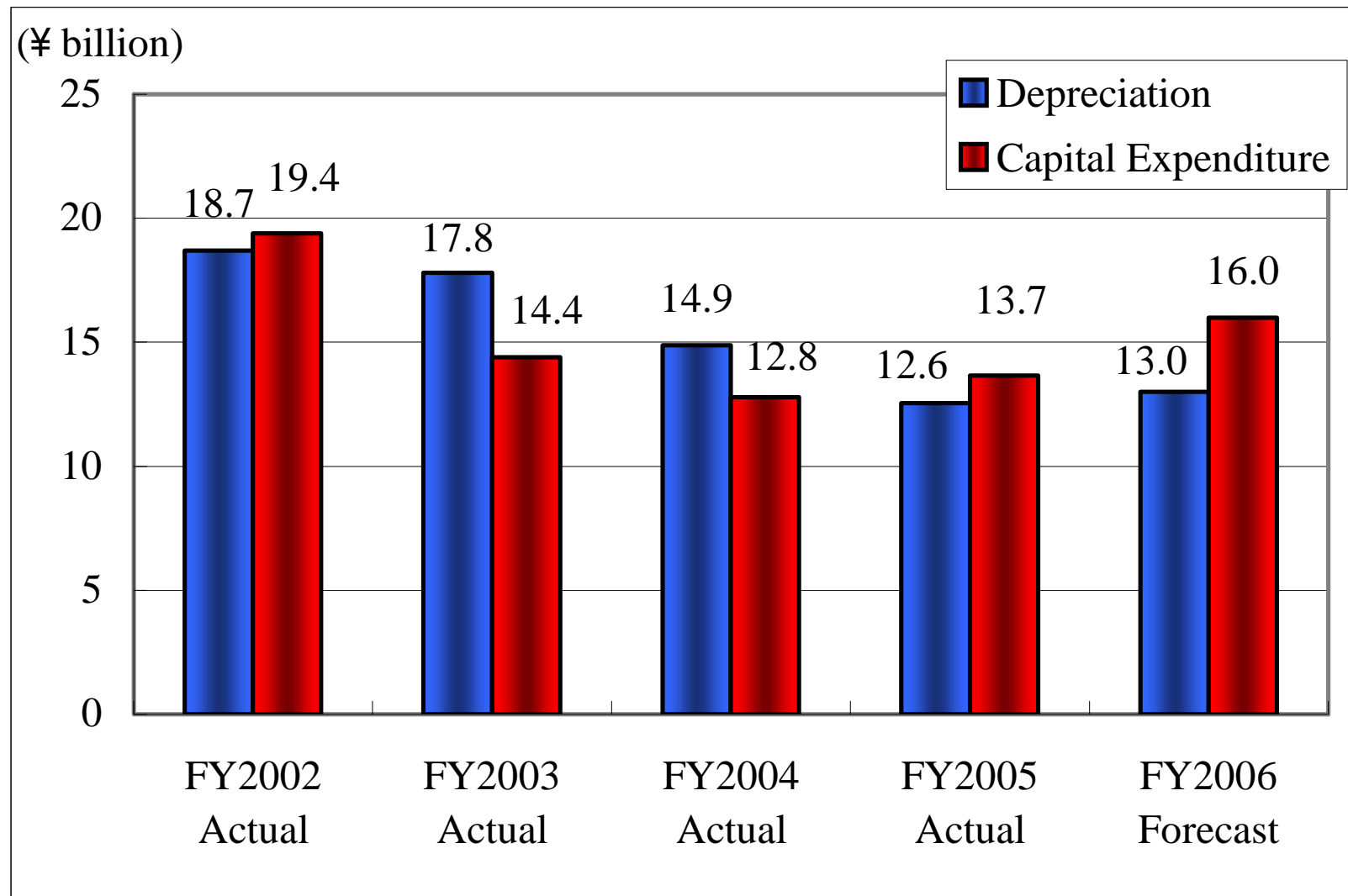




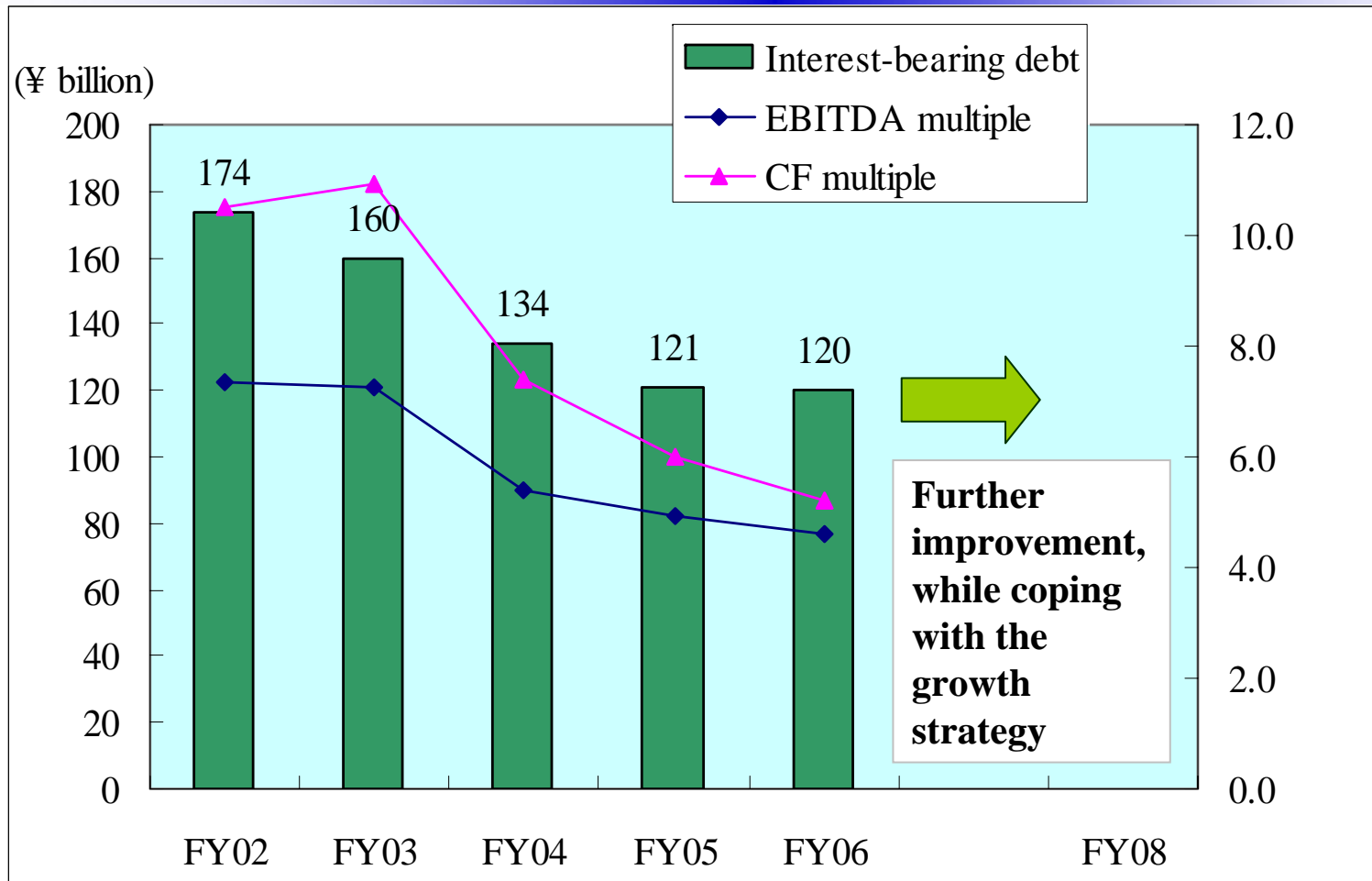
# Cash Flow Development



# Depreciation and Capital Expenditure Development



# Interest-bearing Debt Development



- EBITDA: Operating income + Depreciation & Amortization
- CF: Net income + Depreciation & Amortization

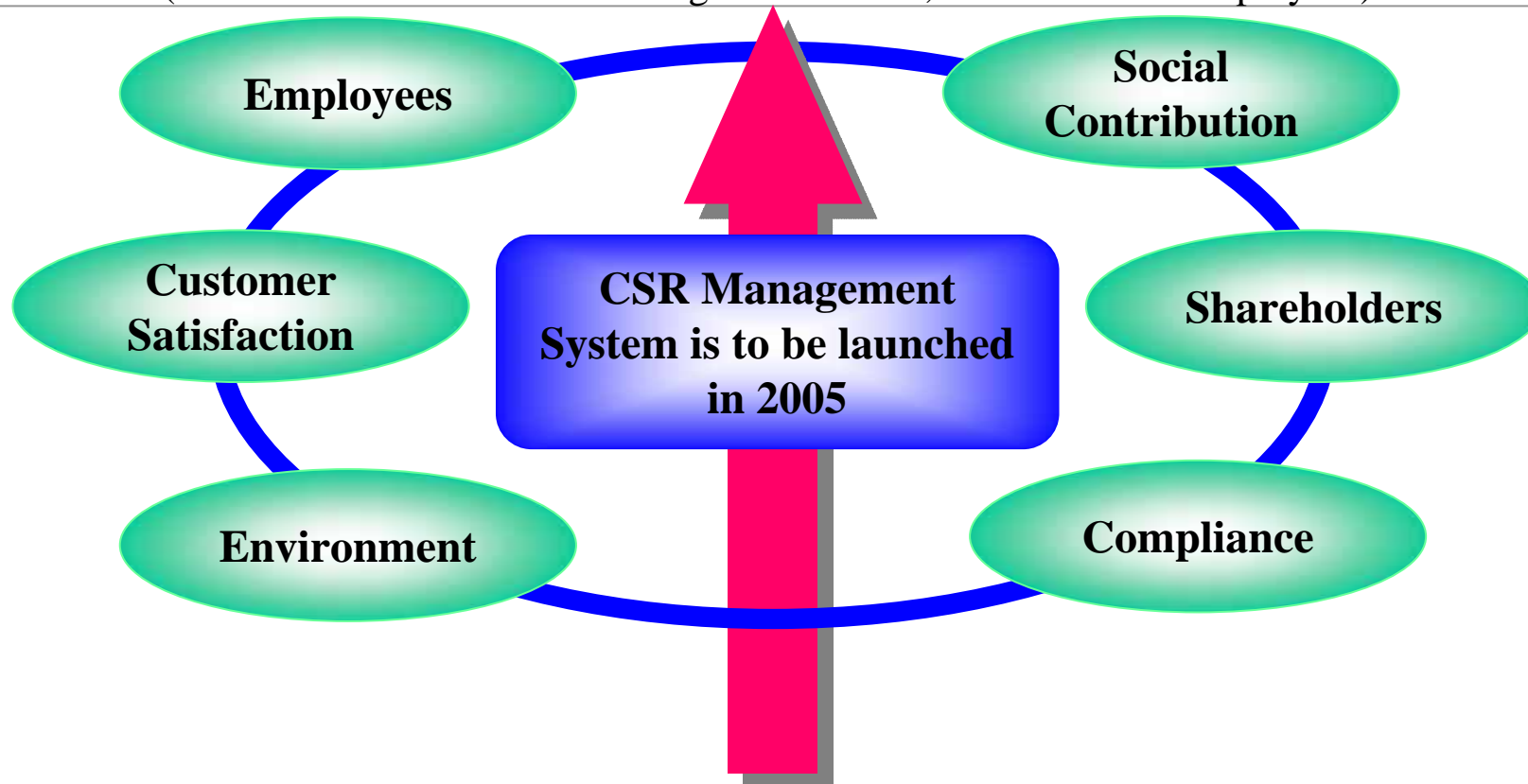
# CSR Activities

**NSG**

NIPPON SHEET GLASS Co., Ltd.

- ***New Vision***

Improvement of corporate value as a group  
(for all the stakeholders including shareholders, customers and employees)



- ***Management Principle:***

- Focus on social responsibilities of the company and serve the community and the nation

# Improvement of shareholders' value

NIPPON SHEET GLASS Co., Ltd

- ROE improvement
  - Improve ROE of 3.8% in fiscal 2005 to 4.7% in fiscal 2006  
(increase to 6-7% by fiscal 2008)
- Dividend policy
  - Secure stable dividend payment based on stable income from matured businesses
  - In addition, consider paying special dividend, if there is material increase in income from growing businesses and sufficient earnings can be retained for future expansion investment and unforeseen risks

# [Reference] Assumptions



		FY2004	FY2005	FY2006
		Actual	Actual	Forecast
Rate of exchange	(¥/US\$)	114	110	107
Crude oil price (CIF Dubai)	(US\$/B)	29	38	37
Depreciation & amortization	(¥ billion)	14.9	12.6	13.0
Capital investment	(¥ billion)	12.8	13.7	16.0
R&D expenditure	(¥ billion)	7.7	7.9	8.0
Free cash flow	(¥ billion)	26.6	16.5	-2.0
Interest-bearing debt	(¥ billion)	134.1	121.3	120.0
Number of employees		12,612	13,385	-

Estimated effect of oil price change:

Increase of US\$1/bbl would reduce income by ¥100 million.

Estimated effect of ROE change:

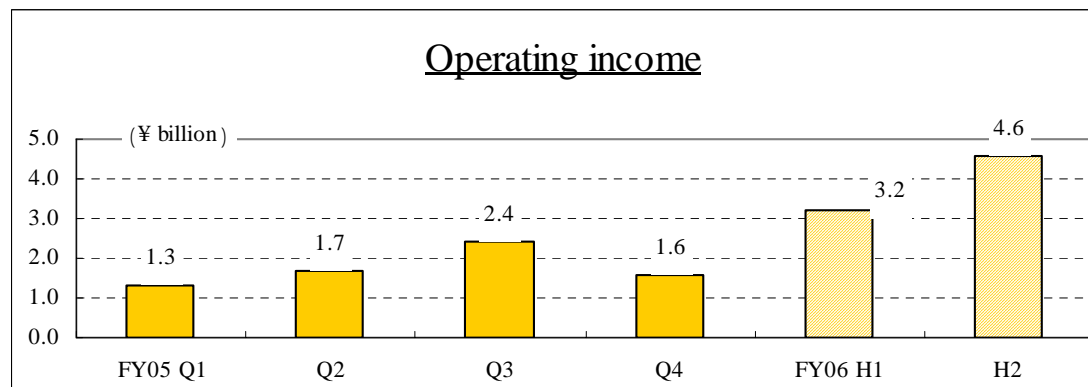
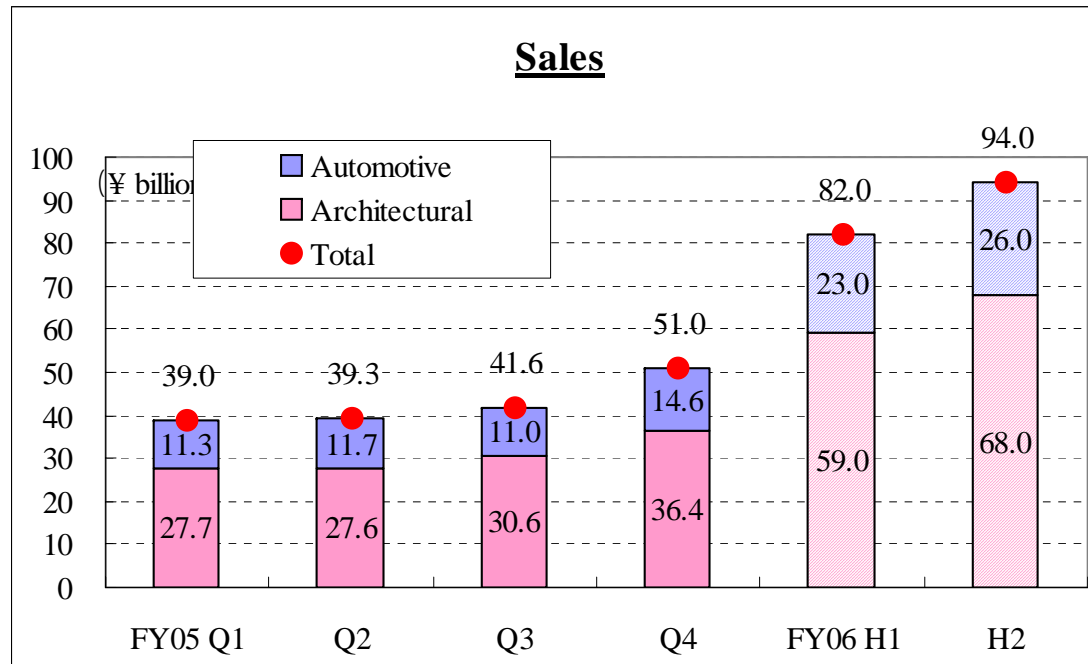
Appreciation by ¥1/US\$ would reduce income by ¥50 million.

# [Reference] Fiscal 2006 Summary



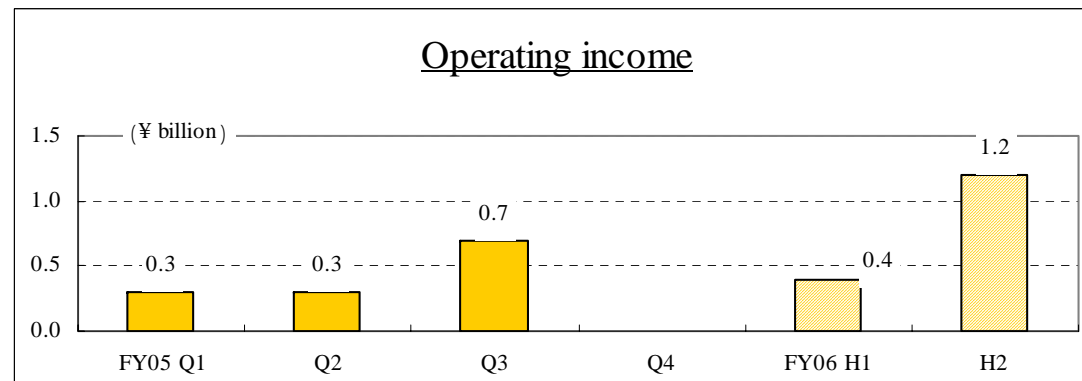
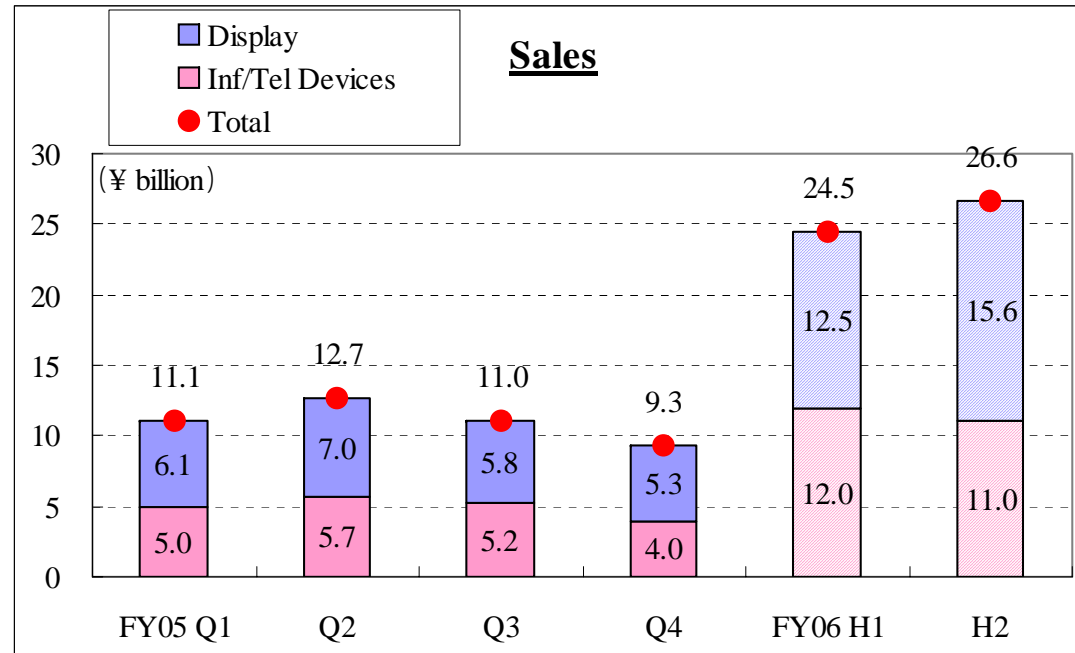
(¥ billion)	FY2003	FY2004	1st H	2nd H
Net Sales	265.0	274.0	129.0	145.0
Flat Glass	171.0	176.0	82.0	94.0
Information/Electronics	44.2	51.0	24.0	27.0
Glass Fiber	35.8	37.0	18.0	19.0
Others	13.9	10.0	5.0	5.0
Operating income	12.0	13.0	5.0	8.0
Flat Glass	7.1	7.8	3.2	4.6
Information/Electronics	1.1	1.6	0.4	1.2
Glass Fiber	4.5	4.6	2.2	2.4
Others	(0.8)	(1.0)	(0.8)	(0.2)
Income before extra-ordinary items	13.3	15.0	6.0	9.0
Net income	7.6	10.0	3.5	6.5

# [Reference] Flat Glass

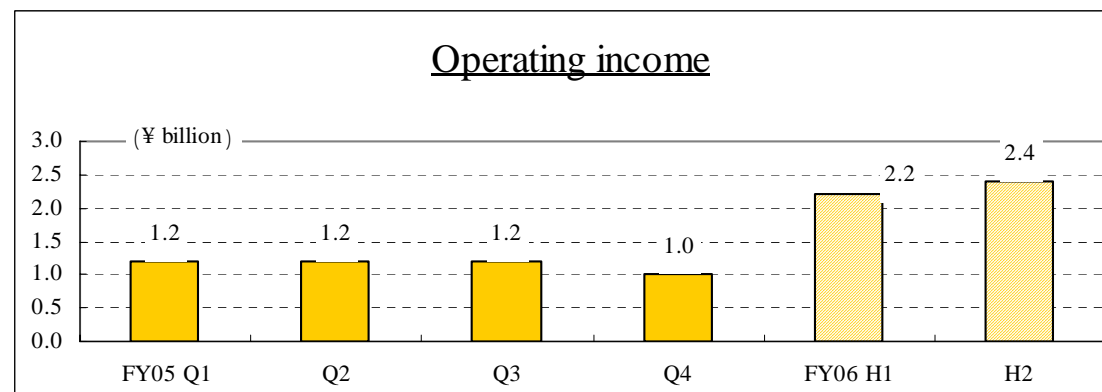
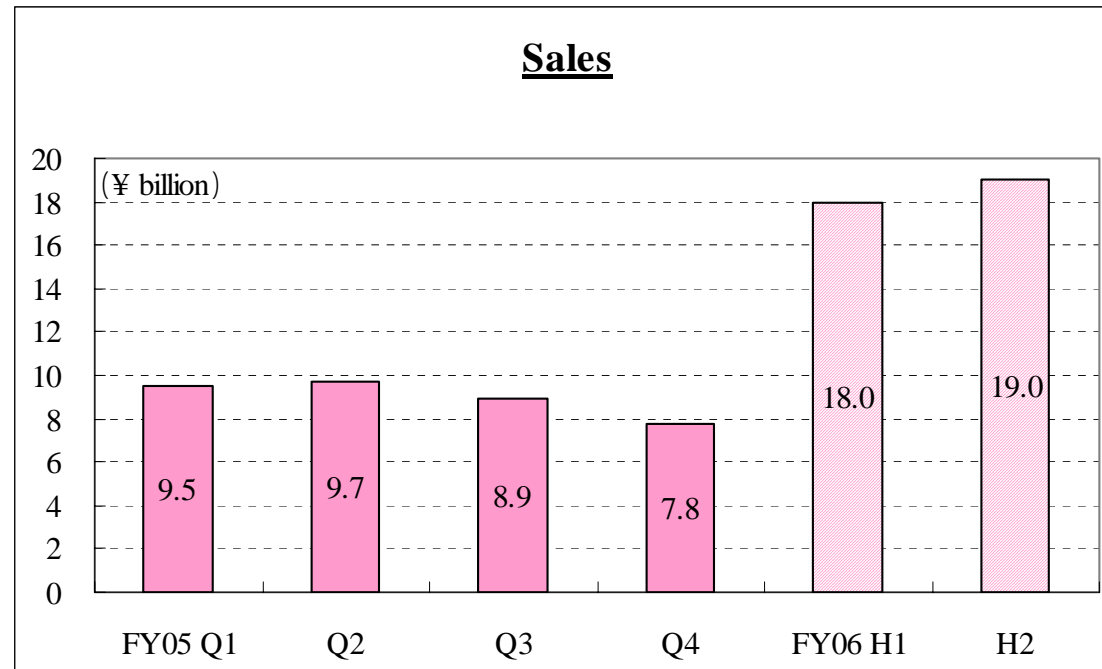




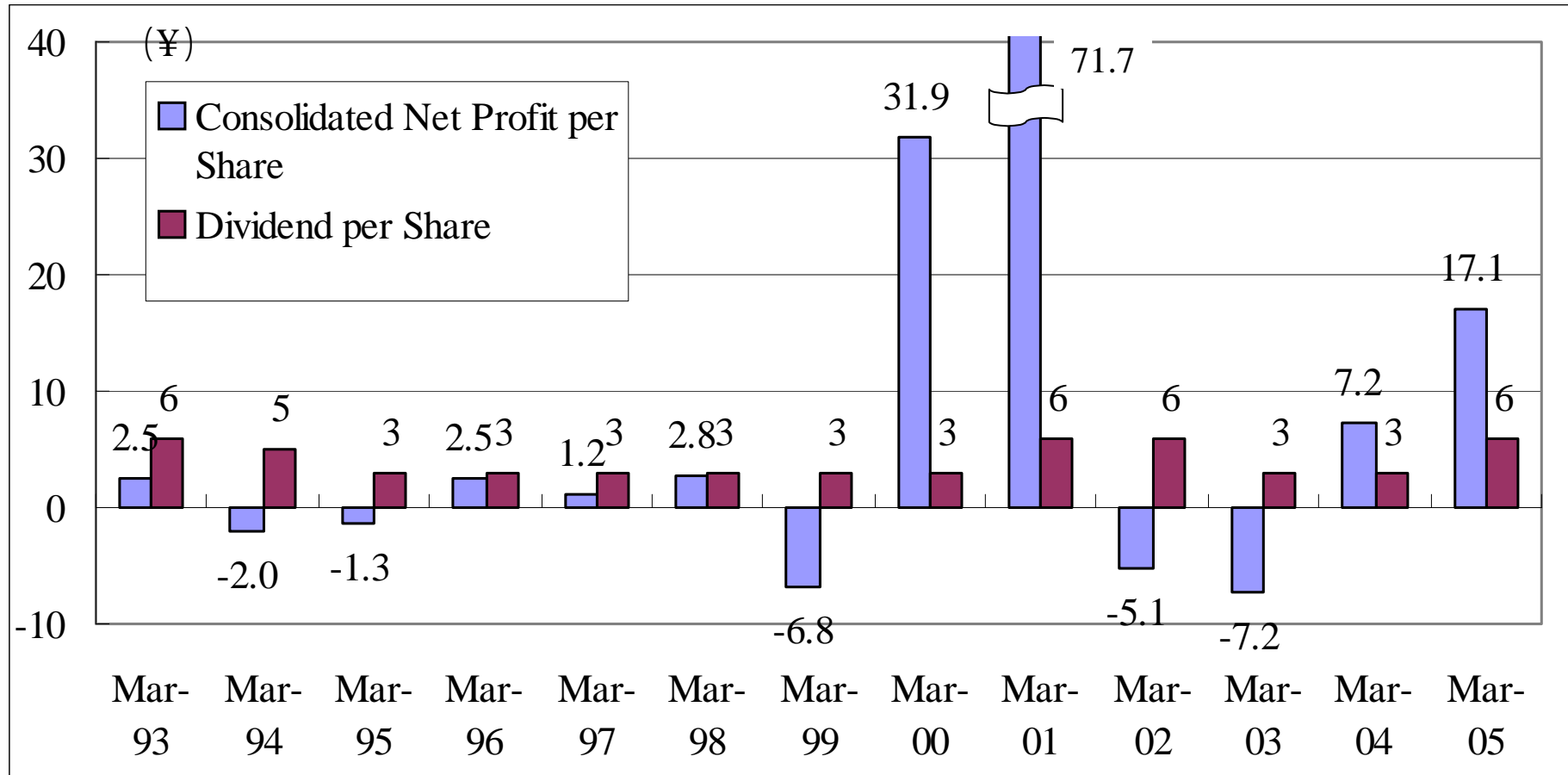
# [Reference] Information/Electronics



# [Reference] Glass Fiber



# [Reference] EPS and Dividend



# Notice



The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable, so the actual results may differ. Among the major factors that may affect the results are the economic environment in major markets (such as Japan, Europe, the US, and Asia), product supply/demand shifts, and currency exchange fluctuations.

Nippon Sheet Glass Co., Ltd.