# FY 2008 Annual Consolidated Financial Results

23 May 2008

(English translation of the Japanese original)

Listed Company Name: Nippon Sheet Glass Co., Ltd.
Stock Exchange Listing: Tokyo, Osaka
Code Number 5202
(URL http://www.nsggroup.net)

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Date of annual general shareholders meeting: 27 June 2008
Submission of annual financial statements to MOF: 30 June 2008
Payment of dividends starts from: 30 June 208

## 1. Consolidated business results for FY 2008 (From 1 April 2007 to 31 March 2008)

(1) Consolidated business results

| | Sales | | Operating income | | Ordinary Income | | Net Income | |
|---|---|---|---|---|---|---|---|---|
| | million JPY | % | million JPY | % | million JPY | % | million JPY | % |
| FY 2008 | 865,587 | 27.0 | 46,462 | 95.0 | 30,437 | 280.4 | 50,416 | 316.8 |
| FY 2007 | 681,547 | 156.3 | 23,822 | 182.6 | 8,001 | (23.3) | 12,095 | 55.8 |

| | Net income per share - basic | Net income per share - diluted | Return on equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|---|---|---|---|---|---|
| FY 2008 | JPY 75.44 | JPY 70.90 | 14.5% | 2.2% | 5.4% |
| FY 2007 | JPY 21.85 | JPY 20.28 | 4.2% | 0.8% | 3.5% |

Note: Income attributable to investments in affiliates
FY 2008 JPY 10,257 million FY 2007 JPY 2,416 million

(2) Changes in financial position

| | Gross assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | million JPY | million JPY | % | JPY |
| FY 2008 | 1,319,290 | 371,998 | 27.2 | 536.37 |
| FY 2007 | 1,408,983 | 350,625 | 23.9 | 504.55 |

Note: Total Equity
FY 2008 JPY 358,434 million FY 2007 JPY 337,241 million

(3) Consolidated statement of cash flow

| | Net cash generated from operating activities | Net cash generated from (used in) investing activities | Net cash generated from (used in) financial activities | Cash & cash equivalents as of term-end |
|---|---|---|---|---|
| | million JPY | million JPY | million JPY | million JPY |
| FY 2008 | 49,394 | 29,471 | (83,616) | 103,293 |
| FY 2007 | 75,379 | (297,644) | 190,068 | 159,762 |

## 2. Dividends

| | Dividends per share | | | Dividends paid (annual) | Payout ratio | Dividends over net assets |
|---|---|---|---|---|---|---|
| | Half-year | Annual | Total | | | |
| FY 2009 (forecast) | JPY 3.0 | JPY 3.0 | JPY 6.0 | | 20.0% | |
| FY 2008 (actual) | JPY 3.0 | JPY 3.0 | JPY 6.0 | JPY 4,009 m | 7.9% | 1.1% |
| FY 2007 (actual) | JPY 3.0 | JPY 3.0 | JPY 6.0 | JPY 3,698 m | 27.5% | 1.2% |

## 3. Forecast for FY 2009 (From 1 April 2008 to 31 March 2009)

| | Sales | | Operating income | | Ordinary Income | | Net Income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | million JPY | % | million JPY | % | million JPY | % | million JPY | % | JPY |
| Full year | 880,000 | 1.7 | 31,000 | (33.3) | 18,000 | (40.9) | 20,000 | (60.3) | 29.93 |
| First half | 440,000 | 1.4 | 15,500 | (42.7) | 9,000 | (48.0) | 14,500 | (71.8) | 17.96 |

## 4. Others

(i) Changes in status of principal subsidiaries: None

(ii) Adoption of simplified accounting policies, procedures, and presentation
a. Changes implemented due to newly adopted or amended regulations: Yes
b. Other changes: No

(iii) Number of issued ordinary shares
a. Number of ordinary shares, inclusive of treasury shares 669,550,999 (31 March 2007: 669,550,999)
b. Number of treasury shares 1,290,932 (31 March 2007: 1,147,732)

Unconsolidated financial results of the parent company (From 1 April 2007 to 31 March 2008)

(1) Stand-alone business results    Note: Fractional amounts rounded down to nearest million yen
Percentages indicate year-on-year change

| | Sales | | Operating income | | Ordinary Income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | million JPY | % | million JPY | % | million JPY | % | million JPY | % |
| FY 2008 | 169,514 | (4.6) | (1,314) | - | (4,596) | - | (10,910) | - |
| FY 2007 | 177,672 | 3.2 | (1,521) | - | (2,513) | - | 17,516 | 1,352.4 |

| | Net income per share | Diluted earnings per share |
|---|---|---|
| FY 2008 | JPY (16.33) | JPY (15.34) |
| FY 2007 | JPY 31.64 | JPY 29.38 |

| | Gross assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | million JPY | million JPY | % | JPY |
| FY 2008 | 511,573 | 274,717 | 53.7 | 410.71 |
| FY 2007 | 553,583 | 305,899 | 55.3 | 457.62 |

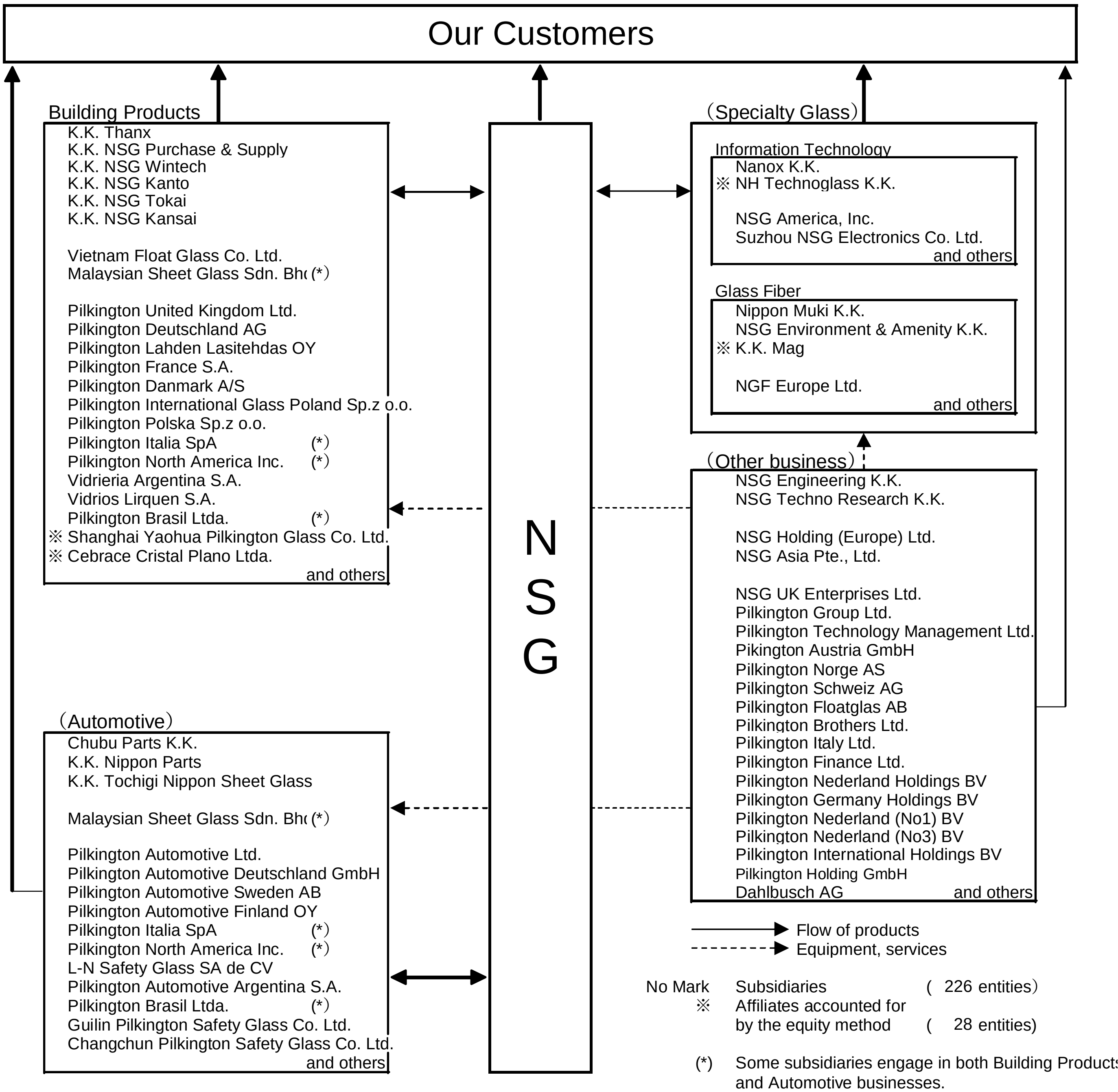
| Note: shareholders equity | |
|---|---|
| | million JPY |
| FY 2008 | 274,463 |
| FY 2007 | 305,872 |

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

1. The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable. Hence the actual results may differ.
   The major factors that may affect the results are the economic environment in major markets (such as Japan, Europe, North and South America, and Asia), product supply/demand shifts, fluctuations in currency exchange and interest rates as well as price changes in primary fuels and raw materials.

2. The Group has adopted "Net Debt" (interest bearing debt minus cash and cash equivalents) as a Key Performance Indicator. The chart below shows the movement of Net Debt following the acquisition of Pilkington plc in June 2006.

| | | **Net Debt** |
|---|---|---|
| | | JPY million |
| FY 2007 1st Quarter | 30 June 2006 | 514,097 |
| FY 2007 Full year | 31 March 2007 | 400,203 |
| FY 2008 Full year | 31 March 2008 | 328,479 |


Our Customers
Building Products
K.K. Thanx
K.K. NSG Purchase & Supply
K.K. NSG Wintech
K.K. NSG Kanto
K.K. NSG Tokai
K.K. NSG Kansai
Vietnam Float Glass Co. Ltd.
Malaysian Sheet Glass Sdn. Bhd (*)
Pilkington United Kingdom Ltd.
Pilkington Deutschland AG
Pilkington Lahden Lasitehdas OY
Pilkington France S.A.
Pilkington Danmark A/S
Pilkington International Glass Poland Sp.z o.o.
Pilkington Polska Sp.z o.o.
Pilkington Italia SpA (*)
Pilkington North America Inc. (*)
Vidrieria Argentina S.A.
Vidrios Lirquen S.A.
Pilkington Brasil Ltda. (*)
※ Shanghai Yaohua Pilkington Glass Co. Ltd.
※ Cebrace Cristal Plano Ltda.
and others
(Automotive)
Chubu Parts K.K.
K.K. Nippon Parts
K.K. Tochigi Nippon Sheet Glass
Malaysian Sheet Glass Sdn. Bhd (*)
Pilkington Automotive Ltd.
Pilkington Automotive Deutschland GmbH
Pilkington Automotive Sweden AB
Pilkington Automotive Finland OY
Pilkington Italia SpA (*)
Pilkington North America Inc. (*)
L-N Safety Glass SA de CV
Pilkington Automotive Argentina S.A.
Pilkington Brasil Ltda. (*)
Guilin Pilkington Safety Glass Co. Ltd.
Changchun Pilkington Safety Glass Co. Ltd.
and others
NSG
(Specialty Glass)
Information Technology
Nanox K.K.
※ NH Technoglass K.K.
NSG America, Inc.
Suzhou NSG Electronics Co. Ltd.
and others
Glass Fiber
Nippon Muki K.K.
NSG Environment & Amenity K.K.
※ K.K. Mag
NGF Europe Ltd.
and others
(Other business)
NSG Engineering K.K.
NSG Techno Research K.K.
NSG Holding (Europe) Ltd.
NSG Asia Pte., Ltd.
NSG UK Enterprises Ltd.
Pilkington Group Ltd.
Pilkington Technology Management Ltd.
Pikington Austria GmbH
Pilkington Norge AS
Pilkington Schweiz AG
Pilkington Floatglas AB
Pilkington Brothers Ltd.
Pilkington Italy Ltd.
Pilkington Finance Ltd.
Pilkington Nederland Holdings BV
Pilkington Germany Holdings BV
Pilkington Nederland (No1) BV
Pilkington Nederland (No3) BV
Pilkington International Holdings BV
Pilkington Holding GmbH
Dahlbusch AG
and others
Flow of products
Equipment, services
No Mark Subsidiaries ( 226 entities)
※ Affiliates accounted for by the equity method ( 28 entities)
(*) Some subsidiaries engage in both Building Products and Automotive businesses.

# I. Business Performance and Financial Standing

## a) Background to Results

Western European economies continued to slow, with a consequent deterioration in market conditions, although Eastern European economies recorded a steady expansion. Prices and volumes came under increasing pressure during the second half of the financial year. Production of new cars in Europe has been flat, but the European Automotive Glass Replacement (AGR) market remains strong.

In Japan, the outlook remains uncertain, due to increases in energy prices and the global credit crunch. Building Products sales have continued to be adversely affected by building permit delays, and new housing starts reduced year-on-year. Vehicle build in Japan remains robust, with reductions in domestic demand being offset by increasing exports.

The North American economy continues to slow, with a further decline in the domestic housing market, and a weak commercial building market. New car production is slowing in an extremely competitive market. In addition, there are indications that the AGR market is also being adversely impacted by the economic slow-down.

Most of the emerging economies in which the Group operates continue to perform well, particularly South America.

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

Following the acquisition of Pilkington plc in June 2006, the results of the Pilkington Group have been fully consolidated. The financial results for the year to 31 March 2008 include 12 months of Pilkington trading, whereas the financial results of the year to 31 March 2007 included 9 months of Pilkington trading. This factor, combined with other improvements, means that sales, operating income, and ordinary income have increased substantially in the current financial year.

## b) Review by Business Segment

The Groups' business lines cover three core product sectors; Building Products, Automotive, and Specialty Glass.

The Building Products segment includes the manufacture and sale of flat glass and various interior, and exterior glazing products within the building products market.

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

The Specialty Glass segment consists of two sub-segments; Information Technology and Glass Fiber. The Information Technology sub-segment consists primarily of the manufacture and sale of micro-optics and very thin glass, and the Glass Fiber sub-segment includes the manufacture and sale of glass fiber products, such as air filters, battery separators and components for engine timing belts.

The table below shows a summary of the results by business line.

| JPY millions | **Sales** | | **Operating income** | |
|---|---|---|---|---|
| | **FY 2008** | **FY 2007** | **FY 2008** | **FY 2007** |
| **Building Products*** | 402,468 | 320,357 | 31,338 | 16,479 |
| **Automotive*** | 364,818 | 268,229 | 23,939 | 13,039 |
| **Specialty Glass** | 83,589 | 78,674 | 9,029 | 6,072 |
| **Other Operations*** | 14,712 | 14,287 | (17,844) | (11,768) |
| **Total** | 865,587 | 681,547 | 46,462 | 23,822 |

* Part of the increase is due to the additional period of consolidation of Pilkington figures (see background to results above)

During the year, the European Commission levied a fine of Euro 140 million on the Building Products business. The fine followed the investigation into the European Building Products glass sector. As this had been provided for in the previous year's accounts, there was no additional charge to the income statement in FY08. This fine was paid in March 2008. A European Commission decision concerning a potential fine to be levied on the European Automotive business is still outstanding.

During the year, the Group's Australasian Building Products and Automotive businesses were sold to CSR Limited. Further details are set out on page 30.

On 28 February 2008 the Company announced an enhanced early retirement plan (EERP) in Japan. On 7 May 2008 the Company announced that approximately 220 employees would retire under the plan. This is expected to result in an approximate annual cost saving of ¥3 billion, following a one-off cost of ¥12.5 billion.

**c) Building Products (BP) Business**

The Building Products business has performed strongly, despite particularly challenging market conditions in Japan and North America.

In the Building products business line, Europe represents 56 per cent of sales, Japan 26 per cent, and North America 8 per cent. The rest arises in other areas of the world.

In Europe, profit performance was strong across all regions and products, with prices higher than the previous year, offsetting increased input costs. Trading conditions in the second half of the year were not as strong as the first half, due to rising input costs and softening demand.

In Japan, market conditions remain challenging, with changes in regulation negatively affecting housing starts. This resulted in increasingly tough competition amongst downstream manufacturers, with reduced volumes and increasing levels of over-capacity.

In North America, the business operated in difficult conditions, with weak residential glass demand, although the reduced domestic demand was partly offset by a greater proportion of value-added product sales. In South America, the business continues to benefit from the growing demand in local markets, while in South East Asia, the Group's business continued to show an improvement over the previous year.

As a result, the Building Products business line achieved sales of ¥402.468 billion (¥320.357 billion FY07), and an operating income of ¥31.338 billion (¥16.479 billion FY07).

**d) Automotive Glass Business**

The Automotive business also performed strongly, with most businesses experiencing continued year-on-year growth.

Sales in the Automotive Glass Replacement (AGR) business have also shown a strong year-on-year increase, being 5 per cent up on the previous year on a full-year pro forma basis. At constant exchange rates, there is a year-on-year improvement in all AGR regions. During the year the business acquired an AGR company operating in Hungary and Romania.

In the Automotive business line, Europe represents 53 per cent of sales, Japan 15 per cent, and North America 22 per cent. The rest arise in other areas of the world.

In Europe, the market for light vehicles has fallen by approximately 0.5 per cent. Nevertheless, due to the success of new models it supplies, the Group's sales volume in the region continues to outperform the market trend, with very strong growth over the previous year. European AGR sales have also increased strongly, due to continuing improvements in competitiveness and major contract renewals.

In Japan, vehicle build was up by 2.5 per cent, reflecting a 5.5 per cent reduction in year-on-year domestic sales, offset by increased export volumes. Sales reduced slightly, due to a slow ramp-up of recently introduced new models. However, profitability improved, due to efficiency gains and cost reductions

In North America, where overall light vehicle build is around 4 per cent down on last year, sales to OE manufacturers have nevertheless shown year-on-year growth, although this is offset by exchange movements. Sales in the AGR market are also stronger than in the previous year at constant exchange rates.

In South America, light vehicle demand has risen by around 29 per cent year-on-year, and the Group experienced an increase in sales of the same magnitude. In China, the market continues to expand rapidly and the emphasis on further improvements in cost and operational efficiency of the business has improved both turnover and profitability.

As a result, the Automotive business line achieved sales of ¥364.818 billion (¥268.229 billion FY07), and an operating income of ¥23.939 billion (¥13.039 billion FY07).

**e) Specialty Glass Business**

In the IT market, sales of glass substrate, used within passive LCD and touch panel display applications were strong throughout the period. Sales of lens products for multi-function printers were also strong, especially in the first half of the year.

In the Glass Fiber business within Europe, the Group experienced robust demand for its glass cord products throughout the financial year. In Japan, sales of battery separator products were consistent with the previous year, although demand for air filter products was sluggish, due to market conditions in the semi-conductor industry.

As a result, the Specialty Glass business line achieved sales of ¥83.589 billion (¥78.674 billion FY07), and an operating income of ¥9.029 billion (¥6.072 billion FY07).

**f) Other Operations**

This segment covers corporate costs and engineering income, but also includes small businesses not included in Building Products, Automotive and Specialty Glass. This segment saw an increase in general corporate expenses, due to the consolidation of Pilkington's central costs for 12 months rather than 9 months in the previous year.

Consequently, this segment recorded sales of ¥14.712 billion (¥14.287 billion FY07), and an operating expense of ¥17.844 billion (¥11.768 billion FY07).

**g) Joint Ventures and Associated Companies**

The Group's share of the post-tax results of its joint venture and associated companies is included within non-operating income in the income statement, and increased by ¥7.840 billion to ¥10.257 billion. This reflects the consolidation of Pilkington for the full 12-month period, and also an improvement in the results of the Group's largest affiliated companies.

Cebrace, the Group's joint venture company in Brazil, performed strongly during the period, with significantly improved profits. In Russia, the Group's joint venture company, Pilkington Glass Russia LLC, also improved its trading profitability.

During the year, the Group increased its shareholdings in China Glass Holdings Ltd and JV investments Ltd, both of which are holding companies, owning glass manufacturing assets in China. As a result, both investments are now classed as associated companies within the Group's financial statements and accounted for using the equity method.

NH Techno Glass Co. Ltd., the Group's joint venture company in the LCD substrate business, achieved an improved operational performance, generating a significant increase in its profit from the same period of last year, when it suffered production problems. On 9 May 2008, the Group announced that it had reached an agreement to sell its shareholding in NH techno Glass Co. Ltd to the Carlyle Group for an indicative consideration of ¥40.6 billion. See page 32 for further details.

## II. Financial condition

Total assets at the end of March 2008 were ¥1,319.290 billion, representing a decrease of ¥89.693 billion from March 2007.

Net financial indebtedness decreased by ¥71.724 billion from 31 March 2007 to ¥328.479 billion at the period end, due to the proceeds from the sale of the Australasian business and the Group's continued efforts to reduce debt following the acquisition of Pilkington. Currency movements generated a reduction in net debt of ¥6.200 billion over the period. Gross debt was ¥456.408 billion at the period end.

In the cash flow statement, cash from operations recorded an inflow of ¥49.394 billion, although this included a cash payment of ¥24.300 billion to settle the fine levied following the Building Products EU competition investigation. Cash from investment activities showed an inflow of ¥29.471 billion, which included the proceeds from the sale of the Australasian business.

**Cash flow indices**

| | **FY 2008** | **FY 2007** | **FY 2006** | **FY 2005** |
|---|---|---|---|---|
| Equity ratio | 27.2% | 23.9% | 40.0% | 48.1% |
| Equity ratio based on market value | 22.3% | 29.3% | 48.8% | 47.2% |
| Interest-bearing debts over net cash provided by operating activities | 9.2 | 7.4 | 15.3 | 7.2 |
| Interest coverage ratio | 1.8 | 3.9 | 9.0 | 8.3 |

Notes:
Formulas for the computation of indices
Equity ratio: (Net assets – Minority interest – Stock options) / Total assets
Equity ratio based on market value: Total market capitalization / Total assets
Interest coverage ratio: Operating cash flows / Interest payment

1. All of the indices presented above are calculated based on consolidated financial figures.
2. Total market capitalization is calculated based on the number of outstanding shares after the deduction of treasury stocks.
3. Operating cash flows represent net cash provided by operating activities in the cash-flow statement.
4. Interest bearing debts represent all debts on the consolidated balance sheet for which interest is paid.

## III. Prospects

### 1. Building Products (BP) Business

The trends evident in the second half of FY08 are expected to continue through FY09. In Europe, demand has weakened with the general economic slowdown, and significant recovery is not anticipated during FY09. In Japan, market conditions remain weak, although some profit improvement is anticipated as the benefits of restructuring are realized. In North America, the outlook for the domestic residential glass market remains difficult, but the business will continue to concentrate on value-added products.

In all markets, input costs of energy and other raw materials are expected to rise significantly. Combined with the challenging economic outlook it will be difficult to maintain current levels of profitability.

### 2. Automotive Glass Business

Continuing increases in oil prices and the global economic outlook are depressing automotive demand. OE sales in Europe, Japan and N. America are expected to be relatively flat. Sales in AGR and in South America are expected to increase. Despite the anticipated difficult economic conditions, the business will continue to develop new and high value-added products, drive efficiency improvements and reduce costs.

### 3. Specialty Glass Business

Competition in the Group's IT markets will continue to be intense, and as a result a slight decrease in revenue from the IT business is expected. To mitigate these challenging market conditions, the business will focus on the launch of new products.

In glass fiber markets, despite tough competition, we expect slight growth in revenues, with an expansion of the business into new markets and applications.

## IV. Dividend Policy

The Group's policy is to secure stable dividend payments based on stable business results. The Group intends to distribute a year end dividend of ¥3 per share. The full-year dividend payment will be ¥6 per share including the interim dividend of ¥3 per share.

## V. 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 maximizing Group company value for all stakeholders.

The mission of the NSG Group is to be the global leader in the manufacture and supply of glass products through the best use of our people and technology, and by the pursuit of innovation. The Company is organized around three business lines; Building Products, Automotive and Specialty Glass.

We are following a clear three-phase strategy to achieve our Medium Term Plan, details of which we first published in 2006. We are currently in Phase 1, which extends from 2007 to 2010, during which our aim is to create a new entity focused on differentiating ourselves from competitors, maximizing productivity and operational quality while re-establishing our financial foundations. In Phase 2 we intend to achieve aggressive growth in the flat glass business, expanding geographically, particularly into emerging markets. We aim to improve competitiveness, launch major new products, improve R&D and foster our key technologies. In Phase 3, we will be exploring new areas for further growth, as well as exploring new businesses by leveraging both our customer base and our technical and operational competencies, pursuing acquisitions, mergers, and alliances in adjacent areas.

## VI. Consolidated financial statements

### Balance sheet

| | FY 2008 | FY 2007 | Difference |
|---|---|---|---|
| | in JPY million | in JPY million | in JPY million |
| **ASSETS** | | | |
| **I. Current assets** | | | |
| 1. Cash and deposits | 127,928 | 160,914 | (32,985) |
| 2. Notes and account receivables – trade | 145,560 | 148,584 | (3,024) |
| 3. Inventories | 119,488 | 113,259 | 6,228 |
| 4. Deferred tax assets (current) | 7,375 | 3,095 | 4,279 |
| 5. Other current assets | 26,412 | 44,371 | (17,958) |
| 6. Allowance for doubtful accounts | (4,830) | (4,388) | (441) |
| Total: Current assets | 421,935 | 465,836 | (43,901) |
| | | | |
| **II. Fixed assets** | | | |
| 1. Tangible assets | | | |
| (1) Buildings & structures | 80,700 | 83,844 | (3,143) |
| (2) Machinery & vehicles | 217,410 | 222,165 | (4,754) |
| (3) Tools & dies | 19,910 | 25,985 | (6,075) |
| (4) Land | 54,041 | 57,213 | (3,171) |
| (5) Construction in progress | 3,410 | 7,376 | (3,966) |
| Total: Tangible fixed assets | 375,474 | 396,586 | (21,111) |
| | | | |
| 2. Intangible assets | | | |
| (1) Goodwill | 181,167 | 204,883 | (23,715) |
| (2) Other intangible assets | 171,506 | 194,614 | (23,107) |
| Total: Intangible fixed assets | 352,674 | 399,498 | (46,823) |
| | | | |
| 3. Investments & other assets | | | |
| (1) Investments | 99,867 | 126,855 | (26,988) |
| (2) Loan receivable (non-current) | 9,083 | 11,093 | (2,009) |
| (3) Prepaid expenses (non-current) | 2,193 | 1,298 | 894 |
| (4) Deferred tax assets (non-current) | 51,431 | 1,150 | 50,281 |
| (5) Other non-current assets | 7,616 | 7,591 | 24 |
| (6) Allowance for doubtful accounts | (987) | (927) | (59) |
| Total: Investments & other assets | 169,205 | 147,062 | 22,143 |
| Total: Fixed assets | 897,354 | 943,146 | (45,792) |
| **Total : Assets** | **1,319,290** | **1,408,983** | **(89,693)** |

Explanatory notes to the balance sheet are set out on page 22.

**Balance sheet (continued)**

| | FY 2008 | FY 2007 | Difference |
|---|---|---|---|
| | in JPY million | in JPY million | in JPY million |
| **LIABILITIES** | | | |
| **I. Current liabilities** | | | |
| 1. Notes and accounts payable - trade | 98,955 | 98,291 | 663 |
| 2. Short-term bank borrowings | 92,956 | 107,316 | (14,360) |
| 3. Bonds maturing within one year | 10,000 | - | 10,000 |
| 4. Accounts payable (construction and other) | 22,788 | 17,580 | 5,208 |
| 5. Accrued income tax | 16,732 | 41,510 | (24,777) |
| 6. Accrued Japanese consumption tax | 672 | 347 | 324 |
| 7. Accrued expenses | 36,893 | 41,037 | (4,144) |
| 8. Deposits from customers | 3,793 | 4,128 | (335) |
| 9. Provision for employees' bonuses | 2,530 | 2,481 | 49 |
| 10. Provision for directors' bonuses | 135 | 64 | 71 |
| 11. Provision for losses incurring from enhanced early retirement program | 12,519 | - | 12,519 |
| 12. Provision arising from alleged violation of competition law of the European Union | 49,992 | 78,118 | (28,125) |
| 13. Provision for warranties and claims | 7,322 | - | 7,322 |
| 14. Deferred tax liabilities (current) | 2 | 3,062 | (3,060) |
| 15. Other current liabilities | 34,480 | 43,650 | (9,169) |
| Total: Current liabilities | 389,775 | 437,589 | (47,814) |
| **II. Non-current liabilities** | | | |
| 1. Bonds | 33,000 | 43,000 | (10,000) |
| 2. Long-term bank borrowings | 320,452 | 410,800 | (90,348) |
| 3. Accrued retirement benefits for employees | 75,026 | 86,034 | (11,007) |
| 4. Accrued retirement benefits for directors | 436 | 1,563 | (1,127) |
| 5. Provision for rebuilding furnaces | 9,763 | 9,237 | 526 |
| 6. Environmental provision | 7,247 | - | 7,247 |
| 7. Deferred tax liabilities (non-current) | 90,413 | 49,869 | 40,543 |
| 8. Other non-current liabilities | 21,176 | 20,261 | 914 |
| Total: Non-current liabilities | 557,516 | 620,768 | (63,252) |
| **Total : Liabilities** | **947,291** | **1,058,358** | **(111,066)** |
| **NET ASSETS** | | | |
| **I. Shareholders' Equity** | | | |
| 1. Common stock | 96,147 | 96,147 | - |
| 2. Capital surplus | 105,292 | 105,289 | 2 |
| 3. Retained earnings | 152,097 | 105,914 | 46,183 |
| 4. Treasury stocks - at cost | (541) | (450) | (91) |
| Total: Shareholders' equity | 352,995 | 306,900 | 46,094 |
| **II. Valuation & translation adjustments** | | | |
| 1. Unrealized holding gain on securities | 9,194 | 25,881 | (16,687) |
| 2. Net unrealized loss on derivative instruments | (127) | (3,048) | 2,920 |
| 3. Foreign currency translation adjustments | (3,626) | 7,507 | (11,134) |
| Total: Valuation & translation adjustments | 5,439 | 30,340 | (24,901) |
| **III. Stock Options** | 253 | 26 | 227 |
| **IV. Minority interests in consolidated subsidiaries** | 13,310 | 13,357 | (47) |
| **Total: Net assets** | **371,998** | **350,625** | **21,373** |
| **Total: Liabilities & Net Assets** | **1,319,290** | **1,408,983** | **(89,693)** |

**Income statement**

| | FY 2008 | | FY 2007 | | Difference | |
|---|---|---|---|---|---|---|
| | JPY million | | JPY million | | JPY million | |
| **I. Net sales** | | 865,587 | | 681,547 | | 184,040 |
| **II. Cost of sales** | | 594,379 | | 478,700 | | 115,678 |
| Gross Income | | 271,208 | | 202,846 | | 68,361 |
| **III. Selling, general and administrative expenses** | | 224,746 | | 179,024 | | 45,722 |
| Operating income | | 46,462 | | 23,822 | | 22,639 |
| **IV. Non-operating income** | | | | | | |
| 1. Interest and dividend income | 9,645 | | 6,446 | | 3,199 | |
| 2. Equity in earnings of affiliates | 10,257 | | 2,416 | | 7,840 | |
| 3. Other non-operating income | 1,785 | 21,688 | 6,613 | 15,476 | (4,827) | 6,212 |
| **V. Non-operating expense** | | | | | | |
| 1. Interest expense | 25,497 | | 23,060 | | 2,437 | |
| 2. Other non-operating expense | 12,216 | 37,713 | 8,237 | 31,297 | 3,978 | 6,415 |
| Ordinary income | | 30,437 | | 8,001 | | 22,436 |

Explanatory notes to the income statement are set out on page 23.

**Income statement (continued)**

| | FY 2008 | | FY 2007 | | Difference | |
|---|---|---|---|---|---|---|
| | JPY million | | JPY million | | JPY million | |
| **VI. Extraordinary income** | | | | | | |
| 1. Gain from sale of fixed assets | 2,679 | | 3,696 | | (1,017) | |
| 2. Gain from sale of investments in securities | 13,414 | | 44,828 | | (31,413) | |
| 3. Gain from sale of investments in subsidiaries and affiliates | 12 | | 46 | | (33) | |
| 4. Gain from sale of discontinued operation | 30,831 | | - | | 30,831 | |
| 5. Gain from discharge of furnace repair provision | - | | 1,064 | | (1,064) | |
| 6. Gain from sale of business | - | | 406 | | (406) | |
| 7. Income from discontinued operations | 497 | | 1,513 | | (1,015) | |
| 8. Insurance income | 1,761 | | - | | 1,761 | |
| 9. Gain incurred from prior year adjustments | 2,072 | 51,268 | - | 51,555 | 2,072 | (286) |
| **VII. Extraordinary loss** | | | | | | |
| 1. Loss from sale and disposal of fixed assets | 1,574 | | 7,296 | | (5,722) | |
| 2. Impairment of fixed assets | 1,699 | | 683 | | 1,016 | |
| 3. Revaluation of investments in securities | 474 | | 292 | | 181 | |
| 4. Loss from sale of investments in securities | 3 | | - | | 3 | |
| 5. Revaluation of investments in subsidiaries & affiliates | 1,206 | | 135 | | 1,070 | |
| 6. Liquidation of investments in subsidiaries & affiliates | 58 | | - | | 58 | |
| 7. Loss from sale of investments in subsidiaries & affiliates | - | | 1,141 | | (1,141) | |
| 8. Loss from revaluation & sale of golf playing rights | 164 | | - | | 164 | |
| 9. Special support for early retirees | 614 | | - | | 614 | |
| 10. Provision for loss deriving from enhanced early retirement program | 12,519 | | - | | 12,519 | |
| 11. Loss from revaluation of inventories | 843 | | - | | 843 | |
| 12. Expenses incurred upon acquisition of Pilkington | - | | 10,479 | | (10,479) | |
| 13. Loss incurred due to withdrawal of business | 288 | | 1,373 | | (1,084) | |
| 14. Expenses incurred upon relocation of head office | - | 19,447 | 95 | 21,498 | (95) | (2,050) |
| **Net income before taxation and minority interest** | | 62,258 | | 38,057 | | 24,200 |
| Income tax - current | 13,800 | | 28,068 | | (14,267) | |
| Previous year tax adjustments | 1,195 | | - | | 1,195 | |
| Income tax - deferred | (5,411) | 9,584 | (5,063) | 23,004 | (347) | (13,419) |
| Minority interest in net income of subsidiaries | | 2,256 | | 2,957 | | (701) |
| **Net income** | | 50,416 | | 12,095 | | 38,321 |

## Movement in net assets

FY 2008 (From 1 April 2007 to 31 March 2008)

(in JPY million)

| | Shareholders' Equity | | | | | Valuation & translation adjustments | | | | Stock options | Minority interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stocks | Capital surplus | Retained earnings | Treasury shares | Sub-total | Unrealized holding gain on securities | Net unrealized holding loss on derivatives | Foreign currency translation adjustments | Sub-total | | | |
| **Balance: as of 31 March 2007** | **96,147** | **105,289** | **105,914** | **(450)** | **306,900** | **25,881** | **(3,048)** | **7,507** | **30,340** | **26** | **13,357** | **350,625** |
| Changes during the period: | | | | | | | | | | | | |
| Dividends | | | (4,010) | | (4,010) | | | | | | | **(4,010)** |
| Net income | | | 50,416 | | 50,416 | | | | | | | **50,416** |
| Acquisition of treasury shares | | | | (99) | (99) | | | | | | | **(99)** |
| Disposal of treasury shares | | 2 | | 8 | 10 | | | | | | | **10** |
| New inclusion of a subsidiary | | | (223) | | (223) | | | | | | | **(223)** |
| Changes in unrealized holding gain, hedges, etc. | | | | | | (16,687) | 2,920 | (11,134) | (24,901) | 227 | (47) | **(24,721)** |
| Total | | 2 | 46,183 | (91) | 46,094 | (16,687) | 2,920 | (11,134) | (24,901) | 227 | (47) | **21,373** |
| **Balance: as of 31 March 2008** | **96,147** | **105,292** | **152,097** | **(541)** | **352,995** | **9,194** | **(127)** | **(3,626)** | **5,439** | **253** | **13,310** | **371,998** |

FY 2007 (From 1 April 2006 to 31 March 2007)

(in JPY million)

| | Shareholders' Equity | | | | | Valuation & translation adjustments | | | | Stock options | Minority interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stocks | Capital surplus | Retained earnings | Treasury shares | Sub-total | Unrealized holding gain on securities | Net unrealized holding loss on derivatives | Foreign currency translation adjustments | Sub-total | | | |
| **Balance: as of 31 March 2006** | **41,060** | **50,374** | **95,791** | **(335)** | **186,891** | **50,338** | **---** | **1,054** | **51,393** | **---** | **3,315** | **241,599** |
| Changes during the period: | | | | | | | | | | | | |
| Conversion of MSCB to shares | 55,086 | 54,913 | | | 110,000 | | | | | | | **110,000** |
| Dividends | | | (3,021) | | (3,021) | | | | | | | (3,021) |
| Net income | | | 12,095 | | 12,095 | | | | | | | **12,095** |
| Acquisition of treasury shares | | | | (119) | (119) | | | | | | | **(119)** |
| Disposal of treasury shares | | 1 | | 4 | 4 | | | | | | | **4** |
| New inclusion of a subsidiary | | | 29 | | 29 | | | | | | | **29** |
| Adjustments due to mergers of subsidiaries | | | 36 | | 36 | | | | | | | **36** |
| Adjustments due to implementation of PITF No.18 | | | 983 | | 983 | | | | | | | **983** |
| Changes in unrealized holding gain, hedges, etc. | | | | | | (24,457) | (3,048) | 6,453 | (21,052) | 26 | 10,041 | **(10,983)** |
| Total | 55,086 | 54,915 | 10,123 | (115) | 129,009 | (24,457) | (3,048) | 6,453 | (21,052) | 26 | 10,041 | **109,025** |
| **Balance: as of 31 March 2007** | **96,147** | **105,289** | **105,914** | **(450)** | **306,900** | **25,881** | **(3,048)** | **7,507** | **30,340** | **26** | **13,357** | **350,625** |

Explanatory notes to the movement in net assets are set out on pages 24 and 25

**Cash-flow statement**

| | | FY2008 | FY 2007 | Difference |
|---|---|---|---|---|
| | Notes | JPY million | JPY million | JPY million |
| I. Cash flows from operating activities: | | | | |
| Income before income taxes and minority interests | | 62,258 | 38,057 | 24,200 |
| Adjustments for: | | | | |
| Depreciation and amortization (excluding goodwill) | | 63,615 | 51,350 | 12,265 |
| Amortization of goodwill | | 10,330 | 8,316 | 2,014 |
| Loss on impairment of fixed assets | | 1,699 | 683 | 1,016 |
| Allowance for doubtful debts | | (236) | 983 | (1,219) |
| Provision for employees' bonuses | | 124 | (78) | 202 |
| Accrued retirement benefits | | 6,052 | (5,925) | 11,978 |
| Sale of investments in securities | | (13,414) | (44,828) | 31,413 |
| Sale of discontinuing operations | | (30,831) | - | (30,831) |
| Interest and dividend income | | (9,645) | (6,446) | (3,199) |
| Interest expense | | 25,497 | 23,060 | 2,437 |
| (Increase) decrease of note and account receivable | | (4,023) | 6,206 | (10,230) |
| (Increase) decrease of inventories | | (9,263) | 2,822 | (12,086) |
| Increase (decrease) of note and account payable | | 9,872 | 4,822 | 5,050 |
| Other, net | | (14,494) | 13,636 | (28,132) |
| Sub total | | 97,541 | 92,661 | 4,879 |
| Interest and dividend income received | | 12,927 | 9,925 | 3,001 |
| Interest paid | | (27,100) | (19,277) | (7,822) |
| Income taxes paid | | (33,974) | (7,930) | (26,043) |
| Net cash provided by operating activities | | 49,394 | 75,379 | (25,984) |
| | | | | |
| II. Cash flows from investing activities: | | | | |
| Acquisition of property, plant and equipment | | (46,636) | (49,355) | 2,719 |
| Proceeds from sale of property, plant and equipment | | 3,965 | 12,822 | (8,857) |
| Acquisition of investments in securities | | (49) | (4,710) | 4,661 |
| Proceeds from sale of investments in securities | | 15,463 | 54,620 | (39,156) |
| Acquisition of investments in subsidiaries and affiliates | 2 | (7,231) | (317,012) | 309,781 |
| Sale of investments in subsidiaries and affiliates | | 43 | 7,968 | (7,914) |
| Proceeds from sale of discontinued operations | | 66,105 | - | 66,105 |
| Other, net | | (2,190) | (1,966) | (224) |
| Net cash provided by (used in) investing activities | | 29,471 | (297,644) | 327,115 |
| | | | | |
| III. Cash flows from financing activities: | | | | |
| Increase / (Decrease) in short-term borrowings | | 1,385 | (2,474) | 3,859 |
| Proceeds from long-term loan payable | | 25,177 | 293,672 | (268,494) |
| Repayment of long-term loan payable | | (104,071) | (97,052) | (7,019) |
| Cash dividends paid | | (4,026) | (3,029) | (996) |
| Other, net | | (2,081) | (1,046) | (1,034) |
| Net cash provided by (used in) financing activities | | (83,616) | 190,068 | (273,685) |
| | | | | |
| IV. Effect of foreign exchange rate on cash and cash | | (13,101) | 12,740 | (25,841) |
| V. Net decrease in cash and cash equivalents | | (17,852) | (19,455) | 1,603 |
| VI. Opening cash and cash equivalents at 1 April | | 159,762 | 179,158 | (19,396) |
| VII. Decrease due to change in scope of cash and cash | | (38,711) | - | (38,711) |
| VIII. Increase due to change in scope of consolidation | | 96 | - | 96 |
| IX. Increase due to inclusion of new subsidiaries | | - | 59 | (59) |
| X. Closing cash and cash equivalents at 31 March | 1 | 103,293 | 159,762 | (56,468) |

Explanatory notes to the cash-flow statement are set out on page 26

## 1. Summary of significant accounting policies

### a) Scope of consolidation

| | Count | Notes |
|---|---|---|
| (1) Consolidated subsidiaries as of 31 March 2008 | 226 | 34 located in Japan, 192 located outside of Japan |
| (2) Subsidiaries not included in the consolidation | 30 | None are accounted for by the equity-method |
| (3) Joint ventures and affiliates | 45 | 28 are accounted for by the equity-method |
| (4) Changes in scope of consolidation | | |
| Newly added to the group in the period | 13 | Tianjin NSG Safety Glass Co. Ltd. and others |
| Removed from the group in the period | 24 | Pilkington Australia Finance Pty Ltd. and others |
| Affiliates newly accounted by equity-method | 3 | China Glass Holdings Ltd. and others |
| Affiliates ceased to be accounted by equity method | 5 | PGA Developments Ltd. and others |

Other than the disposal of Pilkington Australia Finance Pty Ltd., the above changes are not expected to have a material impact on the scale of the Group's operations.

### b) Balance sheet dates of consolidated subsidiaries

The balance sheet date for K.K Thanx Corporation and 20 other consolidated subsidiaries is 31December.

NSG Europe N.V./S.A. has changed its balance sheet date from 31 December to 31 March, therefore results for 15 months (1 January 2007 to 31 March 2008) have been included in the consolidation.

NSG Hokkaido K.K., which previously had a year balance sheet date of 28 February, was merged with another consolidated subsidiary within the group on 1 July 2007, and now has a new half year balance sheet date of 31 December. NSG Hokkaido K.K.'s result for the period of four months (1 March 2007 to 30 June 2007) has been included in the consolidation.

Any significant differences in inter-company accounts and transactions arising from intervening inter-company transactions during the periods from 1 January 2008 to 31 March 2008 have been adjusted, if required.

### c) Accounting policies and practices

**Securities**

Other investments

- Marketable securities
  Marketable securities are stated at fair value. Changes in unrealized holding gain or loss charged directly to net assets.
- Non-marketable securities
  Stated at cost determined by the moving-average method

**Derivatives**

Derivatives are stated at their fair market value

**Inventories**

- Parent company and subsidiaries in Japan:
  Principally stated at cost determined by the moving-average method
- Subsidiaries located outside Japan:
  Principally stated at the lower of cost and net realizable value, determined by the first-in, first-out (FIFO) method.

**Tangible fixed assets**

- Parent company and subsidiaries in Japan:

  Depreciation is calculated at rates based on the estimated useful lives of the respective assets by the declining-balance method, except for the depreciation of buildings (other than structures attached to the buildings) acquired on or after 1 April 1998, which is calculated by the straight-line method.

  The estimated useful lives adopted are as follows:

| | |
|---|---|
| Buildings and structures | 3-50 years |
| Machinery, equipment and vehicles | 3-15 years |

- Subsidiaries located outside Japan:

  Depreciation is calculated at rates based on the estimated useful lives of the respective assets by the straight-line method. The estimated useful lives adopted are as follows:

| | |
|---|---|
| Buildings and structures | 20-50 years |
| Machinery, equipment and vehicles | 5-25 years |

- Changes in accounting policies:

  In light of a recent amendment of Japanese taxation law, the Company has changed its depreciation method for tangible fixed assets acquired after 1 April 2007, to the method defined in the amended law. Due to this change, operating income decreased by ¥294 million, and net income before extraordinary items and net income before taxation decreased by ¥295 million.

  As a result of the amendment of Japanese taxation law, tangible fixed assets acquired before and on 31 March 2007 are depreciated to the value of 5% of the acquisition cost, as defined in the law prior to the amendment. After reaching 5% of the acquisition cost, assets will be depreciated to the nominal value by the straight-line method for the period of five years, commencing a year after. Due to this application, operating income has decreased by ¥787 million, and net income before extraordinary items and net income before taxation decreased by ¥797 million.

**Intangible fixed assets**

Amortization is calculated by the straight-line method. For computer software used in the parent company and subsidiaries within Japan, the estimated useful lives are determined within a period of five years. Intangible assets recognized upon acquisition of Pilkington, such as relationships with customers, brand, and developed technology, have a weighted average depreciation period of 13.4 years.

**Provisions**

- Allowance for doubtful accounts:
  This provision is calculated based on the historical experience with bad debts, plus an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.

- Employees' bonuses
  The provision for employees' bonus is calculated based on expected amount to be paid to the employees. The amount quoted in the balance sheet as a discrete item includes bonuses payable to Japanese employees only.

- Directors' bonuses
  Directors' bonuses are calculated based on expected amount to be paid to the directors. The amount quoted in the balance sheet as a discrete item includes bonuses payable to Japanese directors only.

- Provision for losses incurring from enhanced early retirement program
  This provision is calculated based on expected future payments and expenses

- Provision for future financial risk arising from alleged violation of EU Commission competition regulations
  Upon receipt of the statements of objections from the European Commission for alleged violation of competition regulations, the company has decided to set a provision for any future financial risk which may arise. The amount is based on guidelines issued by the EU Commission and other generally available information.

- Provision for warranties and claims
  Calculated based on expected future financial risk incurring from warranties and claims of products sold.

- Retirement benefits for employees
  Provision for employee retirement benefits are provided at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost.
  The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

  Actuarial gains and losses are amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method over a period of five years, which is shorter than the average remaining years of service of the eligible employees.

  The Company ceased its previous unfunded retirement benefit plan for its executive officers after the board resolution on 28 June 2007, and the provision was dissolved. The payment of the retirement benefit will be made upon the retirement of each executive, hence the unpaid benefits amounting to ¥349 million are charged to other non-current liabilities.

- Retirement benefits for directors
  Subsidiaries located in Japan have unfunded retirement benefit plans for directors.
  The funding required under these plans has been fully accrued in accordance with respective internal regulations.

  The Company ceased its previous unfunded retirement benefit plan for its directors after the board resolution on 28 June 2007, and the provision was dissolved. The payment of the retirement benefit will be made upon the retirement of each director, and the unpaid benefits amounting to ¥320 million are charged to other non-current liabilities.

- Provision for rebuilding furnaces (Parent company)
  In order to prepare for periodic large-scale repairs to furnaces, the reserve for rebuilding furnaces is calculated taking into consideration the estimated cost of scheduled repairs and the number of hours of operation prior to the next repair date.

- Environmental provision
  Calculated based on future financial risk relating to environmental preservation

**Leases (Parent company and subsidiaries in Japan)**

The Company leases certain machinery, equipment and vehicles under non-cancelable lease agreements referred to as finance leases. 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.

**Hedge accounting**

Parent company and subsidiaries in Japan:
Gains or losses on derivatives designated as hedging instruments are deferred until the loss or gain on the underlying hedged item is recognized. Interest-rate swaps which meet certain conditions are accounted for as though 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 rates.

Subsidiaries located outside Japan:
The relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, are documented at the inception of the transaction.

Fair value hedge
Changes in the fair value of derivatives, designated and qualifying as fair value hedges, are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability, attributable to the hedged risk.

Cash flow hedge
The effective portion of changes in the fair value of derivatives, designated and qualifying as cash flow hedges, is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity.

Derivatives that do not qualify for hedge accounting
Changes in the fair value of any derivative instruments not qualifying for hedge accounting, are recognized immediately in the income statement.

**Other important policies for the preparation of the financial statements**

- Accounting for consumption tax
  All accounts are presented net of consumption tax.

- Treatment of deferred assets
  Expenses incurred upon issuance of corporate bonds are charged to the income statement.

- Difference of accounting policies between the parent company and overseas subsidiaries
  Financial statements of overseas subsidiaries are prepared based on accounting principles which are generally accepted in each respective country or region.
  The Company applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No.18, Issued: 17 May 2006), and for those items stated in this PITF, necessary adjustments are made upon consolidation.

- Income from discontinuing operations
  Pilkington's businesses in Australia and New Zealand were treated discontinued operations as defined in International Financial Reporting Standards. Net income deriving from these businesses is accounted as income from discontinuing operations in the consolidated income statement.

**Valuation of assets and liabilities of the consolidated subsidiaries**
Assets and liabilities of consolidated subsidiaries are measured at fair value upon consolidation.

**Amortization of goodwill**
Goodwill is amortized by straight-line method within the period of 20 years.

**Cash and cash equivalents**
For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks redeemable 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.

From this fiscal year, the company has started to account for bank overdrafts as cash and cash equivalents, which previously had been accounted as short-term borrowings. Due to this change, cash flows from financing activities decreased by ¥11,577 million, net increase in cash and cash equivalents decreased by ¥15,392 million, and the ending balance of cash and cash equivalents decreased by ¥23,319 million.

**Amendments to the basis of preparation**
From this fiscal year's accounts, "Provisions for warranties and claims" is presented independently, due to its anticipated future importance. In last year's accounts, this had amounted to ¥7,754 million, and had been included in other current liabilities.

From this fiscal year's accounts, "Environmental provision" is also presented independently, due to its anticipated future importance. In last year's accounts, this had amounted to ¥7,777 million, and had been included in other current liabilities.

## Notes to the consolidated financial statements

### Balance sheet items

| | FY 2008 | FY 2007 |
|---|---|---|
| | JPY million | JPY million |
| 1. Accumulated amortization of tangible fixed assets | 270,952 | 242,994 |
| 2. Note receivables which were discounted or endorsed | | |
| Discounted | 128 | 153 |
| Endorsed | 1,126 | 986 |
| 3. Collaterals | | |
| (1) Assets considered as collaterals | | |
| Investments in securities | 446,945 | 517,628 |
| Buildings | 1,303 | 1,489 |
| Machinery and equipment | 25,862 | 26,130 |
| Land | 2,647 | 3,503 |
| Total: | 476,759 | 548,752 |
| (2) Liabilities with collaterals | | |
| Notes payable | - | 108 |
| Short-term borrowings | 27,690 | 2,518 |
| Long-term borrowings | 244,687 | 363,263 |
| Total: | 272,377 | 365,890 |
| 4. Contingent guarantees and letter of awareness | | |
| Pilkington Glass LLC | - | 2,318 |
| Vietnam Glass Industries Ltd. | 4,449 | - |
| Matex KK | 946 | 996 |
| NSG Micro Optics Philippines, Inc. | 160 | - |
| Other | - | 164 |
| Total: | 5,555 | 3,479 |
| Guarantees | 5,475 | 3,319 |
| Letter of awareness | 80 | 159 |
| 5. Commitment line agreements | | |
| Line of credit | 375,146 | 421,060 |
| Credit used | 270,114 | 361,283 |
| Credit available: | 105,031 | 59,777 |
| 6. Matured note receivables and note payables which are included in the ending balance | | |
| Note receivable | - | 594 |
| Note payable | - | 1,009 |

**Income statement items**

| | FY 2008 | FY 2007 |
|---|---|---|
| | JPY million | JPY million |
| 1. Operating & general administrative expenses | | |
| Logistics | 59,296 | 46,204 |
| Labor | 62,100 | 51,593 |
| Provision for bad debt | 349 | 457 |
| Provision for employees' bonuses | 784 | 825 |
| Retirement benefit expense | 5,204 | 3,536 |
| Provision for retirement benefits of directors | 94 | 215 |
| 2. Gain from sale of fixed assets | | |
| Buildings, etc. | - | 3,696 |
| Machinery, etc. | 2,679 | - |
| 3. Gain incurred from prior year adjustments | | |
| Reallocation of goodwill related to acquisition of Pilkington | 1,055 | - |
| Revaluation of inventories | 1,016 | - |
| 4. Loss from disposal of fixed assets | | |
| Construction in progress | - | 7,142 |
| Machinery and equipments | 1,311 | - |
| 5. Loss from sale of fixed assets | | |
| Buildings, etc. | - | 154 |
| Land., etc. | 262 | - |
| 6. Research & development expenses included in Operating & general administrative expenses | 15,515 | 13,660 |

**Impairment of fixed assets**

FY 2008 (From 1 April 2007 to 31 March 2008)

The following assets have been impaired during the period.

| Location of the asset | Description | Classification | Amount impaired (JPY million) |
|---|---|---|---|
| Maizuru City, Kyoto | Idle production facilities | Machinery and equipment | 204 |
| Maizuru City, Kyoto | Factory | Building | 90 |
| Sagamihara City, Kanagawa | Idle production facilities | Machinery and equipment | 33 |
| Tsukuba City, Ibaraki | Idle properties | Buildings | 45 |
| Tsukuba City, Ibaraki | Idle production facilities | Machinery and equipment | 25 |
| Niigata City, Niigata | Idle properties | Buildings | 590 |
| Hongu City, Fukushima | Idle properties | Buildings | 304 |
| United Kingdom | Idle production facilities | Machinery and equipment | 356 |
| Sweden | Marketing and distribution | Computer software | 43 |
| China | Idle production facilities | Machinery and equipment | 4 |

The Company and its consolidated subsidiaries group their fixed assets by cash generating unit based on their business use except for idle property which is grouped individually.

FY 2007 (From 1 April 2006 to 31 March 2007)

The following assets were impaired during the period.

| Location of the asset | Description | Classification | Amount impaired (JPY million) |
|---|---|---|---|
| Maizuru City, Kyoto | Idle production facilities | Machinery, equipment and vehicles | 618 |
| Changchun, China | Idle production facilities | Machinery, equipment and vehicles | 38 |
| Edogawa, Tokyo and others | Industrial properties | Land | 27 |

<u>Items related to the statement of changes in net assets</u>

FY2008 (1 April 2007 to 31 March 2008)

1. Type and volume of issued shares and treasury shares

| | 31 March 2007 | Increase | Decrease | 31 March 2008 |
|---|---|---|---|---|
| Issued shares (ordinary) | 669,550,999 | - | - | 669,550,999 |
| Treasury shares (ordinary) *1,2 | 1,147,732 | 162,801 | 19,601 | 1,290,932 |

Note: 1. Increase of 162,801 is due to the acquisition of treasury shares.

2. Decrease of 19,601 is due to the disposal of treasury shares.

2. Stock subscription rights

| Entity | Description | Class of stock | Number of shares | | | | 31 March 2008 |
|---|---|---|---|---|---|---|---|
| | | | 31 March 2007 | Increase | Decrease | as of 31 March 2008 | |
| Parent company | Stock subscription rights as stock options | - | - | - | - | - | JPY 253 million |

3. Dividends

(1) Payment of dividends

| Resolution | Class of stock | Total dividends | Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|
| General Shareholders' Meeting (28 June 2007) | Common stock | JPY 2,005 million | JPY 3.0 | 31 March 2007 | 29 June 2007 |
| Meeting of Board of Directors (21 November 2007) | Common stock | JPY 2,004 million | JPY 3.0 | 30 September 2007 | 7 December 2007 |

(2) Dividends whose record dates are within this fiscal year and effective dates are within the following fiscal year

| Resolution | Class of stock | Total dividends | Resource of dividends | Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|---|
| General Shareholders' Meeting (scheduled on 27 June 2008) | Common stock | JPY 2,004 million | Retained earnings | JPY 3.0 | 31 March 2008 | 30 June 2008 |

FY 2007 (From 1 April 2006 to 31 March 2007)

1. Type and volume of issued shares and treasury shares

| | 31 March 2006 | Increase | Decrease | 31 March 2007 |
|---|---|---|---|---|
| Issued shares (ordinary) *1 | 443,946,452 | 225,604,547 | - | 669,550,999 |
| Treasury shares (ordinary) *2,3 | 950,832 | 207,772 | 10,872 | 1,147,732 |

Note: 1. Increase of 225,604,547 shares is due to the conversion of MSCB.
2. Increase of 207,772 is due to the acquisition of treasury shares.
3. Decrease of 10,872 is due to the disposal of treasury shares.

2. Stock subscription rights

| Entity | Description | Class of stock | Number of shares | | | | 31 March 2007 |
|---|---|---|---|---|---|---|---|
| | | | 31 March 2006 | Increase | Decrease | 31 March 2007 | |
| Parent company | Stock subscription rights as stock options | - | - | - | - | - | JPY 26 million |

3. Dividends

(1) Payment of dividends

| Resolution | Class of stock | Total dividends | Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|
| General Shareholders' Meeting (29 June 2006) | Common stock | JPY 1,328 million | JPY 3.0 | 31 March 2006 | 30 June 2006 |
| Meeting of Board of Directors (21 November 2006) | Common stock | JPY 1,693 million | JPY 3.0 | 30 September 2006 | 8 December 2006 |

(2) Dividends whose record dates are within this fiscal year and effective dates are within the following fiscal year

| Resolution | Class of stock | Total dividends | Resource of dividends | Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|---|
| General Shareholders' Meeting (held on 28 June 2007) | Common stock | JPY 2,005 million | Retained earnings | JPY 3.0 | 31 March 2007 | 29 June 2007 |

Cash-flow items

| | FY 2008 | FY 2007 |
|---|---|---|
| | JPY million | JPY million |
| 1. Reconciliation between cash & cash equivalents in the statement of cash-flow and the amounts on the balance sheet | | |
| Cash & bank deposits | 127,928 | 160,914 |
| Deposits with maturing date over three months | (1,315) | (1,151) |
| Bank overdrafts | (23,319) | - |
| Cash & cash equivalents | 103,293 | 159,762 |
| 2. Summary of assets and liabilities of subsidiaries which were acquired during the period (Pilkington plc) | | |
| Current assets | | 303,727 |
| Property, plant and equipment | | 285,403 |
| Goodwill | | 230,369 |
| Other intangible assets | | 181,750 |
| Other assets | | 47,180 |
| Current liabilities | | (100,891) |
| Non-current liabilities | | (499,824) |
| Minority interests | | (20,137) |
| Acquisition cost of shares of Pilkington plc | | 427,578 |
| Investment in kind of shares of Pilkington plc | | (47,703) |
| Effect of exchange rate fluctuation | | 27,025 |
| Sub-total | | 406,901 |
| Cash and cash equivalents | | 92,337 |
| Net disbursement of acquisition | NIL | 314,563 |
| 3. Conversion of convertible bonds with stock acquisition rights | | |
| Increase in share capital | | 55,086 |
| Increase in capital surplus | | 54,913 |
| Decrease in long-term debt (convertible bonds with stock acquisition rights) | NIL | 110,000 |

## 2. Segmental information

### By Business Line

FY 2008 (1 April 2007 to 31 March 2008)

(in million JPY)

| | Building Products | Automotive | Specialty | Other Operations | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Sales and operating income | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to customers | 402,468 | 364,818 | 83,589 | 14,712 | 865,587 | - | 865,587 |
| (2) Inter-segmental sales | 4,112 | 4,283 | 1,102 | 2,515 | 12,013 | (12,013) | - |
| Total sales | 406,580 | 369,102 | 84,691 | 17,227 | 877,601 | (12,013) | 865,587 |
| Operating expenses | 375,242 | 345,162 | 75,661 | 34,900 | 830,967 | (11,841) | 819,125 |
| Operating income | 31,338 | 23,939 | 9,029 | (17,673) | 46,634 | (171) | 46,462 |
| Total assets | 519,865 | 499,180 | 104,557 | 555,059 | 1,678,663 | (359,372) | 1,319,290 |
| Depreciation and amortization | 30,841 | 34,853 | 4,775 | 3,714 | 74,185 | (238) | 73,946 |
| Asset impairment charges | 1,361 | 233 | 58 | 45 | 1,699 | - | 1,699 |
| Capital expenditures | 19,262 | 21,203 | 2,853 | 4,469 | 47,789 | (20) | 47,769 |

FY 2007 (1 April 2006 to 31 March 2007)

(in million JPY)

| | Building Products | Automotive | Other Operations | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Sales and operating income | | | | | | |
| Sales | | | | | | |
| (1) Sales to customers | 320,357 | 268,229 | 92,960 | 681,547 | - | 681,547 |
| (2) Inter-segmental sales | 1,496 | 1,678 | 3,243 | 6,418 | (6,418) | - |
| Total sales | 321,854 | 269,907 | 96,204 | 687,966 | (6,418) | 681,547 |
| Operating expenses | 305,374 | 256,868 | 101,808 | 664,050 | (6,325) | 657,725 |
| Operating income | 16,479 | 13,039 | (5,603) | 23,915 | (93) | 23,822 |
| Total assets | 496,591 | 513,354 | 782,041 | 1,791,987 | (383,003) | 1,408,893 |
| Depreciation and amortization | 24,224 | 25,784 | 9,997 | 60,005 | (339) | 59,666 |
| Asset impairment charges | 27 | 656 | - | 683 | - | 683 |
| Capital expenditures | 18,891 | 20,878 | 12,779 | 52,549 | (94) | 52,454 |

FY 2007 (1 April 2006 to 31 March 2007) – updated business line structure

(in million JPY)

| | Building Products | Automotive | Specialty | Other Operations | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Sales and operating income | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to customers | 320,357 | 268,229 | 78,674 | 14,286 | 681,547 | - | 681,547 |
| (2) Inter-segmental sales | 1,496 | 1,678 | 603 | 5,061 | 8,840 | (8,840) | - |
| Total sales | 321,854 | 269,907 | 79,277 | 19,348 | 690,388 | (8,840) | 681,547 |
| Operating expenses | 305,374 | 256,868 | 73,205 | 31,040 | 666,489 | (8,764) | 657,725 |
| Operating income | 16,479 | 13,039 | 6,072 | (11,692) | 23,898 | (76) | 23,822 |
| Total assets | 496,591 | 513,354 | 100,059 | 683,895 | 1,793,900 | (384,916) | 1,408,893 |
| Depreciation and amortization | 24,224 | 25,784 | 4,901 | 5,097 | 60,005 | (339) | 59,666 |
| Asset impairment charges | 27 | 656 | - | - | 683 | - | 683 |
| Capital expenditures | 18,891 | 20,878 | 13,024 | 9,754 | 52,549 | (94) | 52,454 |

**By Geography**

FY 2008 (1 April 2007 to 31 March 2008)

(in million JPY)

| | Japan | Europe | North America | Rest of World | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Sales and operating income | | | | | | | |
| Sales | | | | | | | |
| (1) Sales to customers | 214,141 | 440,241 | 115,312 | 95,892 | 865,587 | - | 865,587 |
| (2) Inter-segmental sales | 25,464 | 256,614 | 19,420 | 21,997 | 323,497 | (323,497) | - |
| Total sales | 239,606 | 696,856 | 134,732 | 117,890 | 1,189,085 | (323,497) | 865,587 |
| Operating expenses | 237,587 | 661,603 | 135,869 | 107,598 | 1,142,658 | (323,533) | 819,125 |
| Operating income | 2,019 | 35,252 | (1,137) | 10,292 | 46,426 | 36 | 46,462 |
| Total assets | 552,002 | 765,318 | 190,216 | 168,057 | 1,675,594 | (356,304) | 1,319,290 |

FY 2007 (1 April 2006 to 31 March 2007)

(in million JPY)

| | Japan | Europe | North America | Rest of World | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Sales and operating income<br>Sales | | | | | | | |
| (1) Sales to customers | 226,061 | 294,194 | 87,559 | 73,732 | 681,547 | - | 681,547 |
| (2) Inter-segmental sales | 23,793 | 172,592 | 11,681 | 19,101 | 227,168 | (227,168) | - |
| Total sales | 249,854 | 466,786 | 99,240 | 92,834 | 908,715 | (222,168) | 681,547 |
| Operating expenses | 249,445 | 451,111 | 98,359 | 85,984 | 884,900 | (227,175) | 657,725 |
| Operating income | 409 | 15,675 | 881 | 6,850 | 23,815 | 7 | 23,822 |
| Total assets | 595,717 | 762,097 | 187,369 | 172,698 | 1,717,883 | (308,899) | 1,408,983 |

**Overseas sales**

FY 2008 (1 April 2007 to 31 March 2008)

(in million JPY)

| | Europe | North America | Asia | Others | Total |
|---|---|---|---|---|---|
| Overseas sales | 431,535 | 110,411 | 48,800 | 66,162 | 656,909 |
| Consolidated sales | | | | | 865,587 |
| Percentage of overseas sales to consolidated sales | 49.9% | 12.8% | 5.6% | 7.6% | 75.9% |

FY 2007 (April 2006 to 31 March 2007)

(in million JPY)

| | Europe | North America | Asia | Others | Total |
|---|---|---|---|---|---|
| Overseas sales | 289,535 | 85,027 | 49,782 | 38,331 | 462,675 |
| Consolidated sales | | | | | 681,547 |
| Percentage of overseas sales to consolidated sales | 42.5% | 12.5% | 7.3% | 5.6% | 67.9% |

**Disposal of discontinued operations**

The Company entered into an agreement to sell the of shares of Pilkington Australia Finance Pty Limited, wholly owned by Pilkington Group Limited, on 29 June 2007, subsequent to, and in accordance with, the approval of a resolution at an extraordinary meeting of the Board of Directors held on the same date. The Company received a number of competing offers to purchase all of the Group's flat glass operations in Australia and New Zealand. Following a process of due diligence and an assessment of the competing bids, the Company determined to accept the offer submitted by CSR Limited.

a) Name of the buyer

CSR Limited

b) Date of the transaction:

29 June 2007

c) Accounting treatment

The net of consideration and the book value of the investment JPY 30,831 million has been booked as “Gain arising from the sale of discontinued operations” categorized under extraordinary income.

Computation for the gain arising from the sale:

| | | JPY million |
|---|---|---|
| a | Consideration | 71,044 |
| b | Net book value of the discontinuing business sold | (36,547) |
| c | Technical assistance agreement and other items | (3,665) |
| | a – (b + c) | 30,831 |

Note : Net income relating to the operations of the business sold, which has been included in the Group’s consolidated income statement. An amount of ¥497 million is included as “Income from discontinuing operations” categorized under extraordinary income.

d) Other

A technical assistance agreement has been signed between CSR Limited and the Group. Income deriving from this agreement is ¥2,001 million and is included in the consideration. This income will be deferred and amortized over a period of five years, which is the length of the contract.

**Per Share Information**

(in JPY)

| | FY 2008 | FY 2007 |
|---|---|---|
| Net assets per share | 536.37 | 504.55 |
| Net income per share | 75.44 | 21.85 |
| Diluted earnings per share | 70.90 | 20.28 |

Basis for the computation of amounts per share

| | FY 2008 | FY 2007 |
|---|---|---|
| **Net income per share** | | |
| Net income for the period | JPY 50,416 million | JPY 12,095 million |
| Income not attributable to ordinary shareholders | - | - |
| Average volume of issued shares (No. of shares: in '000s)* | 668,318 | 553,634 |
| | | |
| **Diluted earnings per share** | | |
| Common stock | | |
| Bonds with stock options (No. of shares: in '000s) | 42,435 | 42,435 |
| Stock options (No. of shares: in '000s) | 383 | 234 |

*** Net of treasury shares**

## Post balance sheet events

### Sale of investment in affiliates accounted under equity method

The Board of Directors resolved the sale of all the Company's shares in NH Techno Glass Corporation in the board of directors meeting held on 9 May 2008.

1. Background

   The Company received a number of competing offers to purchase the shares of NH Techno Glass Corporation, and following a process of due diligence and an assessment of the competing bids, the Company decided to accept the offer of the Carlyle Group. The Company believes that the transaction offers better value to the Company's shareholders than would be realized by retaining the shares of NH Techno Glass Corporation within the Company.

2. Information of the buyer

| | |
|---|---|
| Name: | Carlyle Group |
| Representative: | Chairman Louis V. Gerstner<br>(Representative in Japan: Tamotsu Adachi, Masao Hirano) |
| Head office: | 1001 Pennsylvania Ave., N.W. Suite 220 South, Washington D.C., U.S.A. |

3. Date of the sale: Scheduled to be in early June 2008

4. Information of the affiliate sold

| | |
|---|---|
| Name: | NH Techno Glass Corporation |
| Line of business: | Manufacturing and sale of glass substrate for TFT (Thin-Film-Transistor) LCDs |
| Transactions with the Company: | Royalty on patents and lease of fixed assets |

5. Number of shares sold and sale price, etc.

| | |
|---|---|
| Number of shares sold: | 30,000 shares |
| Sale price: | JPY 40.6 billion |
| Profit before taxation arising from sale: | JPY 25.0 billion |
| Ownership of shares by the Company after the sale: | none |

**Post balance sheet events (continued)**

**Issuance of Corporate Bonds**

The Board of Directors resolved the issuance of Company's No.7 Corporate Bond in the board of directors meeting held on 27 March 2008.

1. Name of the bond: Nippon Sheet Glass Company, Limited No.7 Corporate Bond (without collaterals)

2. Par value: JPY 100 per 100 units

3. Issued amount: JPY 20 billion

4. Interest rate: 2.24% per annum

5. Repayment terms:
   1) Amount
      JPY 100 per 100 units

   2) Repayment date
      - Principal of the bonds shall be redeemed by 22 May 2015.
      - If the payment date falls on a bank holiday, repayment of the bonds shall be made on the day before the said bank holiday.
      - Redemption by purchase can be made after the payment date, unless otherwise stated in regulations of Japan Securities Depository Center, Inc., or other related regulations.

   3) Place of payment of the principal
      Repayment of the principal of the bonds shall be made under the jurisdiction of Corporate Bonds Exchange Code and regulations of Japan Securities Depository Center, Inc.

6. Payment date: 22 May 2008

7. Collaterals: None

8. Purpose of issuance: To secure funds for redemption of bonds, repayment of borrowings, and working capital.

## 5. Unconsolidated financial statements of the parent company

### (1) Balance sheet

| | FY 2008 | FY 2007 | Difference |
|---|---|---|---|
| | in JPY million | in JPY million | in JPY million |
| **ASSETS** | | | |
| **I. Current assets** | | | |
| 1. Cash and deposits | 5,070 | 16,810 | (11,740) |
| 2. Note receivables – trade | 2,977 | 3,292 | (315) |
| 3. Account receivable – trade | 35,387 | 38,040 | (2,653) |
| 4. Finished goods | 13,199 | 11,891 | 1,308 |
| 5. Raw materials | 2,458 | 2,020 | 438 |
| 6. Work in process | 3,288 | 3,645 | (356) |
| 7. Supplies | 4,151 | 2,426 | 1,724 |
| 8. Account receivable – other | 2,934 | 3,039 | (104) |
| 9. Loan receivable to subsidiaries and affiliates | 12,529 | 7,253 | 5,276 |
| 10. Deferred tax asset (current) | 4,620 | 2,333 | 2,286 |
| 11. Other | 2,144 | 1,379 | 765 |
| 12. Allowance for doubtful accounts | (1,478) | (2,095) | 616 |
| Total: Current assets | 87,285 | 90,039 | (2,754) |
| | | | |
| **II. Fixed assets** | | | |
| 1. Tangible assets | | | |
| (1) Buildings | 21,225 | 22,130 | (905) |
| (2) Structures | 1,818 | 1,831 | (13) |
| (3) Machinery & equipment | 19,048 | 21,668 | (2,619) |
| (4) Vehicles | 34 | 41 | (7) |
| (5) Tools & dies | 2,911 | 3,202 | (291) |
| (6) Land | 10,772 | 11,193 | (421) |
| (7) Construction in progress | 2,291 | 5,994 | (3,703) |
| Total: Tangible fixed assets | 58,101 | 66,064 | (7,962) |

**Balance sheet (continued)**

| | FY 2008 | FY 2007 | Difference |
|---|---|---|---|
| | in JPY million | in JPY million | in JPY million |
| 2. Intangible assets | | | |
| (1) Goodwill | 12 | 39 | (27) |
| (2) Patents | 94 | 107 | (13) |
| (3) Leasehold rights | 7 | 14 | (6) |
| (4) Right of using facilities | 485 | 623 | (138) |
| (5) Software | 9,542 | 7,062 | 2,480 |
| (6) Other intangible assets | 56 | 56 | - |
| Total: Intangible fixed assets | 10,199 | 7,905 | 2,294 |
| | | | |
| 3. Investments & other assets | | | |
| (1) Investments in securities | 21,257 | 51,294 | (30,037) |
| (2) Investments in subsidiaries and affiliates | 331,772 | 334,016 | (2,243) |
| (3) Loan receivable from outside of the group | 18 | 23 | (4) |
| (4) Loan receivable from employees | 28 | 35 | (7) |
| (5) Loan receivable from subsidiaries and affiliates | 461 | 1,652 | (1,191) |
| (6) Prepaid expenses (non-current) | 1,408 | 1,287 | 120 |
| (7) Other | 1,349 | 1,352 | (4) |
| (8) Allowance for doubtful accounts | (308) | (89) | (219) |
| Total: Investments & other assets | 355,987 | 389,574 | (33,587) |
| Total: Fixed assets | 424,288 | 463,543 | (39,255) |
| **Total : Assets** | **511,573** | **553,583** | **(42,009)** |

**Balance sheet (continued)**

| | FY 2008 | FY 2008 | Difference |
|---|---|---|---|
| | in JPY million | in JPY million | in JPY million |
| **LIABILITIES** | | | |
| **I. Current liabilities** | | | |
| 1. Notes and accounts payable - trade | 24,197 | 25,262 | (1,064) |
| 2. Short-term bank borrowings | 25,775 | 24,175 | 1,600 |
| 3. Long-term bank borrowings for repayment within one year | 8,678 | 7,057 | 1,621 |
| 4. Bonds maturing within one year | 10,000 | - | 10,000 |
| 5. Accounts payable (construction and other) | 4,884 | 6,169 | (1,284) |
| 6. Accrued income tax | 1,187 | 16,573 | (15,386) |
| 7. Accrued Japanese consumption tax | 342 | 27 | 315 |
| 8. Accrued expenses | 6,248 | 5,986 | 262 |
| 9. Deposits from customers | 10,335 | 10,187 | 147 |
| 10. Provision for employees' bonuses | 1,477 | 1,441 | 36 |
| 11. Provision for directors' bonuses | 124 | 49 | 75 |
| 12. Provision for losses incurring from enhanced early retirement program | 12,519 | - | 12,519 |
| 13. Deposits from employees | 201 | 196 | 5 |
| 14. Other current liabilities | 417 | 352 | 65 |
| Total: Current liabilities | 106,389 | 97,478 | 8,911 |
| **II. Non-current liabilities** | | | |
| 1. Bonds | 33,000 | 43,000 | (10,000) |
| 2. Long-term bank borrowings | 68,435 | 70,140 | (1,704) |
| 3. Deferred tax liabilities (non-current) | 8,430 | 13,043 | (4,613) |
| 4. Accrued retirement benefits for employees | 6,021 | 8,543 | (2,521) |
| 5. Accrued retirement benefits for directors | - | 578 | (578) |
| 6. Provision for rebuilding furnaces | 9,757 | 9,232 | 524 |
| 7. Other non-current liabilities | 4,820 | 5,666 | (846) |
| Total: Non-current liabilities | 130,466 | 150,205 | (19,739) |
| **Total : Liabilities** | **236,856** | **247,684** | **(10,827)** |

**Balance sheet (continued)**

| | FY 2008 | FY 2007 | Difference |
|---|---|---|---|
| | in JPY million | in JPY million | in JPY million |
| **NET ASSETS** | | | |
| **I. Shareholders' Equity** | | | |
| 1. Common stock | 96,147 | 96,147 | - |
| 2. Capital surplus | | | |
| Additional paid-in capital | 104,469 | 104,469 | - |
| Other | 6 | 4 | 2 |
| Total: Capital surplus | 104,476 | 104,474 | 2 |
| 3. Retained earnings | | | |
| Earned surplus | 6,376 | 6,376 | - |
| Other retained earnings | | | |
| Special reserve for deferred gain on fixed assets | - | 892 | (892) |
| Reserve for deferred gain on fixed assets | 3,776 | 3,830 | (53) |
| General reserve | 44,977 | 44,977 | - |
| Retained earnings carried forward | 10,384 | 24,359 | (13,794) |
| Total: Other retained earnings | 65,515 | 80,435 | (14,920) |
| 4. Treasury stocks - at cost | (541) | (450) | (91) |
| Total: Shareholders' equity | 265,597 | 280,606 | (15,009) |
| **II. Valuation & translation adjustments** | | | |
| 1. Unrealized holding gain on securities | 8,593 | 25,099 | (16,506) |
| 2. Net unrealized holding loss on derivative instruments | 272 | 166 | 106 |
| Total: Valuation & translation adjustments | 8,866 | 25,266 | (16,399) |
| **III. Stock Options** | 253 | 26 | 227 |
| **Total: Net assets** | **274,717** | **305,899** | **(31,181)** |
| **Total: Liabilities & Net Assets** | **511,573** | **553,583** | **(42,009)** |

## (2) Income statement

| | FY 2008 | | FY 2007 | | Difference | |
|---|---|---|---|---|---|---|
| | JPY million | | JPY million | | JPY million | |
| **I. Net sales** | | 169,514 | | 177,672 | | (8,158) |
| **II. Cost of sales** | | 132,194 | | 141,776 | | (9,581) |
| Gross Income | | 37,319 | | 35,896 | | 1,423 |
| **III. Selling, general and administrative expenses** | | 38,634 | | 37,418 | | 1,216 |
| Operating loss | | (1,314) | | (1,521) | | 207 |
| **IV. Non-operating income** | | | | | | |
| 1. Interest income | 205 | | 302 | | (97) | |
| 2. Dividend income | 2,745 | | 4,385 | | (1,640) | |
| 3. Rent income | 853 | | 840 | | 12 | |
| 4. Gain on sale of goods | 51 | | 47 | | 3 | |
| 5. Other non-operating income | 824 | 4,680 | 1,037 | 6,615 | (213) | (1,934) |
| **V. Non-operating expense** | | | | | | |
| 1. Interest expense | 1,528 | | 1,174 | | 353 | |
| 2. Interest on bonds | 295 | | 295 | | 0 | |
| 3. Labor difference | 1,360 | | 2,041 | | (681) | |
| 4. Disposal of obsolescent inventory | 652 | | 1,116 | | (464) | |
| 5. Warranties and compensations | 1,339 | | 970 | | 369 | |
| 6. Other non-operating expense | 2,786 | 7,962 | 2,008 | 7,606 | 778 | 355 |
| Ordinary income | | (4,596) | | (2,513) | | (2,083) |

**Income statement (continued)**

| | FY 2008 | | FY 2007 | | Difference | |
|---|---|---|---|---|---|---|
| | JPY million | | JPY million | | JPY million | |
| **VI. Extraordinary income** | | | | | | |
| 1. Gain from sale of fixed assets | 2,088 | | 3,683 | | (1,594) | |
| 2. Gain from sale of investments in securities | 13,341 | | 44,284 | | (30,943) | |
| 3. Gain from sale of investments in subsidiaries and affiliates | - | | 38 | | (38) | |
| 4. Gain from discharge of furnace repair provision | - | | 1,064 | | (1,064) | |
| 5. Gain incurred from prior year adjustments | 1,016 | 16,446 | - | 49,071 | 1,016 | (32,624) |
| **VII. Extraordinary loss** | | | | | | |
| 1. Loss from disposal of fixed assets | 579 | | 7,004 | | (6,425) | |
| 2. Loss from sale of fixed assets | 211 | | - | | 211 | |
| 3. Impairment of fixed assets | 308 | | 618 | | (309) | |
| 4. Loss from revaluation of investments in securities | 328 | | 30 | | 298 | |
| 5. Loss from revaluation of investments in subsidiaries & affiliates | 1,808 | | 1,371 | | 437 | |
| 6. Loss from sale of investments in subsidiaries & affiliates | - | | 1,130 | | (1,130) | |
| 7. Loss from liquidation of subsidiaries & affiliates | 58 | | - | | 58 | |
| 8. Loss from disposal of inventories | 843 | | - | | 843 | |
| 9. Loss from revaluation & sale of golf playing rights | 126 | | - | | 126 | |
| 10. Expenses incurred upon acquisition of Pilkington | - | | 2,856 | | (2,856) | |
| 11. Loss incurred due to withdrawal of business | 10 | | 1,371 | | (1,360) | |
| 12. Relocation of head office | - | | 65 | | (65) | |
| 13. Special support for early retirees | 614 | | - | | 614 | |
| 14. Provision for loss deriving from enhanced early retirement program | 12,519 | 17,410 | - | 14,448 | 12,519 | 2,962 |
| **Net income (loss) before taxation and minority interest** | | (5,560) | | 32,109 | | (37,669) |
| Income tax - current | 196 | | 15,292 | | (15,095) | |
| Previous year tax adjustments | 709 | | - | | 709 | |
| Income tax - deferred | 4,444 | 5,350 | (700) | 14,592 | 5,144 | (9,242) |
| **Net income (loss)** | | (10,910) | | 17,516 | | (28,427) |

## (3) Statement of changes in net assets

FY2008 (1 April 2007 to 31 March 2008) (in JPY million)

| | Shareholders' equity | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stocks | Capital surplus | | | Retained earnings | | | | | | Treasury shares | Sub-total |
| | | Capital surplus | Other capital surplus | Sub-total | Earned surplus | Other retained earnings | | | | Sub-total | | |
| | | | | | | Special reserve for deferred gain on fixed assets | Reserve for deferred gain on fixed assets | General reserve | Retained earnings carried forward | | | |
| **Balance: as of 31 March 2007** | **96,147** | **104,469** | **4** | **104,474** | **6,376** | **892** | **3,830** | **44,977** | **24,359** | **80,435** | **(450)** | **280,606** |
| Changes during the period: | | | | | | | | | | | | |
| Decrease in special reserve for deferred gain on fixed assets | | | | | | (892) | | | 892 | --- | | --- |
| Increase in reserve for deferred gain on fixed assets | | | | | | | 376 | | (376) | --- | | --- |
| Decrease in reserve for deferred gain on fixed assets | | | | | | | (430) | | 430 | --- | | --- |
| Dividends | | | | | | | | | (4,010) | (4,010) | | (4,010) |
| Net loss | | | | | | | | | (10,910) | (10,910) | | (10,910) |
| Acquisition of treasury shares | | | | | | | | | | | (99) | (99) |
| Disposal of treasury shares | | | 2 | 2 | | | | | | | 8 | 10 |
| Changes in unrealized holding gain, hedges, etc. | | | | | | | | | | | | |
| Total | --- | --- | 2 | 2 | --- | (892) | (53) | --- | (13,974) | (14,920) | (91) | (15,009) |
| **Balance: as of 31 March 2008** | **96,147** | **104,469** | **6** | **104,476** | **6,376** | **---** | **3,776** | **44,977** | **10,384** | **65,515** | **(541)** | **265,597** |

| | Unrealized holding gain, etc. | | | Stock option | **Total** |
|---|---|---|---|---|---|
| | Unrealized holding gain on securities | Net unrealized holding loss on derivative instruments | Sub-total | | |
| **Balance: as of 31 March 2007** | **25,099** | **166** | **25,266** | **26** | **305,899** |
| Changes during the period: | | | | | |
| Decrease in special reserve for deferred gain on fixed assets | | | | | **---** |
| Increase in reserve for deferred gain on fixed assets | | | | | **---** |
| Decrease in reserve for deferred gain on fixed assets | | | | | **---** |
| Dividends | | | | | **(4,010)** |
| Net loss | | | | | **(10,910** |
| Acquisition of treasury shares | | | | | **(99)** |
| Disposal of treasury shares | | | | | **10** |
| Changes in unrealized holding gain, hedges, etc. | (16,506) | 106 | (16,399) | 227 | **(16,172)** |
| Total | (16,506) | 106 | (16,399) | 227 | **(31,181)** |
| **Balance: as of 31 March 2008** | **8,593** | **272** | **8,866** | **253** | **274,717** |

FY2007 (1 April 2006 to 31 March 2007) (in JPY million)

| | Shareholders' equity | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stocks | Capital surplus | | | Retained earnings | | | | | | | Treasury shares | Sub-total |
| | | Capital surplus | Other capital surplus | Sub-total | Earned surplus | Other retained earnings | | | | | Sub-total | | |
| | | | | | | Reserve for special depreciation | Special reserve for deferred gain on fixed assets | Reserve for deferred gain on fixed assets | General reserve | Retained earnings carried forward | | | |
| **Balance: as of 31 March 2006** | **41,060** | **49,556** | **2** | **49,558** | **6,376** | **5** | **---** | **4,104** | **44,977** | **10,477** | **65,941** | **(335)** | **156,225** |
| Changes during the period: | | | | | | | | | | | | | |
| Conversion of MSCB to shares | 55,086 | 54,913 | | 54,913 | | | | | | | | | **110,000** |
| Decrease in reserve for special depreciation | | | | | | (5) | | | | 5 | --- | | --- |
| Increase in special reserve for deferred gain on fixed assets | | | | | | | 892 | | | (892) | --- | | --- |
| Increase in reserve for deferred gain on fixed assets | | | | | | | | 189 | | (189) | --- | | --- |
| Decrease in reserve for deferred gain on fixed assets | | | | | | | | (463) | | 463 | --- | | --- |
| Dividends | | | | | | | | | | (3,021) | (3,021) | | (3,021) |
| Net income | | | | | | | | | | 17,516 | 17,516 | | 17,516 |
| Acquisition of treasury shares | | | | | | | | | | | | (119) | (119) |
| Disposal of treasury shares | | | 1 | 1 | | | | | | | | 4 | 6 |
| Changes in unrealized holding gain, hedges, etc. | | | | | | | | | | | | | |
| Total | 55,086 | 54,913 | 1 | 54,915 | --- | (5) | 892 | (273) | --- | 13,881 | 14,494 | (115) | 124,381 |
| **Balance: as of 31 March 2007** | **96,147** | **104,469** | **4** | **104,474** | **6,376** | **---** | **892** | **3,830** | **44,977** | **24,359** | **80,435** | **(450)** | **280,606** |

| | Unrealized holding gain, etc. | | | Stock option | **Total** |
|---|---|---|---|---|---|
| | Unrealized holding gain on securities | Net unrealized holding loss on derivative instruments | Sub-total | | |
| **Balance: as of 31 March 2007** | **49,829** | **---** | **49,829** | **---** | **206,054** |
| Changes during the period: | | | | | |
| Conversion of MSCB to shares | | | | | **110,000** |
| Decrease in reserve for special depreciation | | | | | **---** |
| Decrease in special reserve for deferred gain on fixed assets | | | | | **---** |
| Increase in reserve for deferred gain on fixed assets | | | | | **---** |
| Increase in reserve for deferred gain on fixed assets | | | | | **---** |
| Dividends | | | | | **(3,021)** |
| Net income | | | | | **17,516** |
| Acquisition of treasury shares | | | | | **(119)** |
| Disposal of treasury shares | | | | | **6** |
| Changes in unrealized holding gain, hedges, etc. | (24,729) | 166 | (24,563) | 26 | **(24,536)** |
| Total | (24,729) | 166 | (24,563) | 26 | **99.844** |
| **Balance: as of 31 March 2008** | **25,099** | **166** | **25,266** | **26** | **305,899** |