

FY 2007 3rd Quarter Financial Results (Consolidated)



February 5, 2007

Listed Company Name: **Nippon Sheet Glass Co., Ltd.**

Stock Exchange Listing: Tokyo, Osaka

Code Number **5202**

Head Office Location: Tokyo

(URL <http://www.nsg.co.jp>)

Representative: President, Representative Director

Name: Katsuji Fujimoto

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Name: Kazumitsu Fujii

General Manager

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1. Notes regarding preparation of 3rd Quarter Financial Results

- (1) Adoption of simplified accounting procedures and methods: NONE
- (2) Changes in basis for preparation: YES (please refer to the attachments)
- (3) Changes in scope of consolidation: YES
- Consolidated subsidiaries Total: 243 subsidiaries (Newly consolidated: 190 Excluded: None)
- Affiliates under equity method Total: 30 affiliates (Newly accounted for: 25 Excluded: 42)

2. Results for FY 2007 3rd Quarter ending December 31, 2006 (From April 1, 2006 to December 31, 2006)

(Note) Fractional amounts rounded down to nearest million yen

(1) Business results (consolidated)

	Sales		Operating income		Income before extra-ordinary items	
	million JPY	%	million JPY	%	million JPY	%
3Q - FY 2007	485,941	154.3	22,778	226.3	19,601	121.3
3Q - FY 2006	191,073	(1.4)	6,980	(26.3)	8,855	(17.5)
Full year - FY 2006	265,888	0.3	8,429	(29.9)	10,425	(21.4)

	Net income		Net income per share	Diluted earnings per share
	million JPY	%	JPY	JPY
3Q - FY 2007	28,169	386.9	54.25	50.14
3Q - FY 2006	5,785	(5.3)	13.06	11.91
Full year - FY 2006	7,764	2.3	17.52	15.71

(Notes) Profit (loss) attributable to investments in affiliates

3Q - FY 2007 JPY 1,687 million

3Q - FY 2006 JPY 4,311 million

Full year - FY 2006 4,018 million JPY

(Note) Figures for 3Q-FY2006 does not include share of profit after tax of Pilkington plc for the period of October 1, 2005 to December 31, 2005.

Volume of issued shares (average during the term)

3Q - FY 2007 519,198,609 shares

3Q - FY 2006

443,119,998 shares

Full year - FY 2006 443,075,856 shares

The percent indications under sales, operating income, income before extra-ordinary items, etc. show percentage of changes from the previous fiscal year.

(2) Changes in financial position (consolidated)

	Total assets	Net assets	Equity ratio	Net asset per share
	million JPY	million JPY	%	JPY
3Q - FY 2007	1,398,460	420,443	29.0	606.13
3Q - FY 2006	470,716	231,445	49.2	522.37
Full year - FY 2006	595,963	238,284	40.0	537.89

(Notes) Minority interests are not included in "Net assets" for FY 2006 3Q and Full year.

This is due to changes in accounting principles regarding the presentation of net assets.

Volume of issued shares (as of term-end)

3Q - FY 2007 668,457,185 shares

3Q - FY 2006

443,071,442 shares

Full year - FY 2006 442,995,620 shares

(3) Consolidated statement of cash flow

	Net cash generated from operating activities	Net cash used in investing activities	Net cash generated from (used in) financing activities	Cash & cash equivalents at term-end
	million JPY	million JPY	million JPY	million JPY
3Q - FY 2007	44,929	(251,042)	144,962	132,474
3Q - FY 2006	10,511	(12,414)	(1,360)	61,692
Full year - FY 2006	15,455	(12,149)	111,225	179,158

Business Performance and Financial Standing

1. Review of overall performance for the nine months to 31 December 2006

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

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

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

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

The Company has included the performance of Pilkington, acquired in June 2006, in the Company's consolidated income statements from the second quarter of the current term.

Consequently, sales, operating income, and ordinary income all saw substantial year on year increases.

With approximately ¥43.078 billion in extraordinary income from the sale of investment securities in the course of procuring funds for the acquisition of Pilkington and ¥11.672 billion in extraordinary losses from some of the costs accompanying this acquisition, net income for the interim period rose substantially to ¥28.169 billion.

2. Review by business segment

(1) Building Products business

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

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

In Europe, market demand remains strong in most segments, leading to firm pricing and good profitability. Profitability is further enhanced by a growing contribution from sales of value-added products. Profitability of downstream operations has improved in most European markets.

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

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

As a result, the building products business as a whole achieved sales of ¥233.547 billion and operating income of ¥14.336 billion.

(2) Automotive glass business

The Company's traditional Automotive glass business has been combined with Pilkington's Automotive glass business in this segment from the second quarter.

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

In Europe, regional automobile production on a par with that of the previous year generated firm sales figures, due to an increase in glass sales for new-model vehicles.

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

In other regions, South America enjoyed brisk sales, but Australia sales were down year on year.

As a result, the Automotive glass business as a whole had sales of ¥185.966 billion and operating income of ¥8.148 billion.

(3) Other businesses

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

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

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

All in all, including costs related to the acquisition of Pilkington and other central costs, other businesses had sales of ¥66.426 billion and operating income of ¥280 million.

Financial condition

Reflecting Pilkington in our balance sheet from the first half FY07, combined assets expanded by ¥802.496 billion from the end of FY 06 and by ¥96.526 billion from the first quarter FY07 to ¥1,398.460 billion at the end of December 2006. The increase from the end of first quarter FY07 mainly comes from the increase of intangible fixed assets by adding goodwill and brand value, which is the result of the revaluation of Pilkington's balance sheet at fair value.

Interest-bearing liabilities at the end of third quarter of FY07 are ¥565.836 billion, a ¥328.913 billion of increase from the end of FY06, but represent a ¥70.174 billion decrease from the first half of FY07, since ¥110 billion of No.1 unsecured convertible bond type bonds with stock acquisition rights were fully converted into stocks by the end of December 2006 and booked as common stock and additional paid-in-capital.

Cash and cash equivalents at the end of December 2006 were ¥133.992 billion with a decrease of ¥46.677 billion from the end of FY06 and a decrease of ¥20.549 billion compared to the first quarter of FY07.

Prospects

With business on the whole indicating solid performance, no revision of the Company's FY07 prospects statement issued on July 6th 2006 is considered necessary. The outlook showed on July 6th 2006 is as below.

(in billion JPY)

	Net sales	Income before extra-ordinary items	Net income
Consolidated	680	25	30

Notice:

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

Consolidated balance sheet (as of December 31, 2006)

	(in million JPY)			
	FY 2007 3rd Quarter as of 06/12/31	FY 2006 Year-End as of 06/3/31	Change	FY 2006 3rd Quarter as of 05/12/31
Current assets	429,846	288,732	144,114	171,448
Cash and deposits	133,992	180,670	(46,677)	62,991
Notes and account receivables - trade	152,622	59,072	93,550	59,884
Inventories	127,591	37,749	89,842	39,508
Other current assets	15,639	11,239	4,399	9,064
Fixed assets	968,913	307,231	661,381	299,267
Tangible assets	419,020	119,396	299,623	118,889
Intangible assets	344,987	6,989	337,998	7,285
Investments and other assets	204,605	180,845	23,759	173,092
Total : Assets	1,398,460	595,963	802,496	470,716
Current liabilities	400,655	111,002	289,652	100,711
Notes and accounts payable - trade	132,669	37,357	95,312	36,084
Short-term bank borrowings	190,944	46,703	144,241	40,269
Other current liabilities	77,042	26,942	50,099	24,357
Fixed liabilities	577,361	243,361	334,000	135,449
Bonds	43,000	153,000	(110,000)	43,000
Long-term bank borrowings	331,892	37,220	294,672	40,621
Other fixed liabilities	202,468	53,140	149,327	51,828
Total : Liabilities	978,016	354,363	623,652	236,160
I. Shareholders' Equity	313,521	-	-	-
Common stock	96,147	-	-	-
Capital surplus	105,289	-	-	-
Retained earnings	112,502	-	-	-
Treasury stocks - at cost	(418)	-	-	-
II. Valuation & translation adjustments	91,650	-	-	-
Unrealized holding gain on securities	24,743	-	-	-
Net unrealized holding loss on derivative instruments	(5,396)	-	-	-
Foreign currency translation adjustments	72,303	-	-	-
III. Stock Options	16	-	-	-
IV. Minority interests in consolidated subsidiaries	15,255	-	-	-
Total : Net assets	420,443	-	-	-
Total : Liabilities and net assets	1,398,460	-	-	-
Minority interests in consolidated subsidiaries	-	3,315	-	3,109
Common stock	-	41,060	-	41,060
Capital surplus	-	50,374	-	50,373
Retained earnings	-	95,791	-	94,767
Unrealized holding gains on securities	-	50,338	-	46,832
Translation adjustments	-	1,054	-	(1,294)
Treasury stock - at cost	-	(335)	-	(295)
Total: Shareholders' equity	-	238,284	-	231,445
Total: Liabilities, minority interests and shareholders equity	-	595,963	-	470,716

Consolidated income statement
(for the period of April 1, 2006 to December 31, 2006)

	(in million JPY)		
	FY 2007 3Q For 9 months	FY 2006 3Q For 9 months	FY 2006 Full year
Net sales	485,941	191,073	265,888
Cost of sales	328,509	138,443	196,948
Gross income	157,431	52,630	68,940
Selling, general and administrative expenses	134,653	45,650	60,510
Operating income	22,778	6,980	8,429
Non-operating income	10,297	7,144	8,212
Non-operating expense	13,474	5,268	6,217
Income before extra-ordinary items	19,601	8,855	10,425
Extra-ordinary income	48,719	2,673	6,644
Extra-ordinary losses	14,799	3,222	5,534
Income before income taxes and minority interests	53,521	8,306	11,535
Income tax: Current	25,577	3,248	4,015
Income tax: Deferred	(665)	(962)	(580)
Minority interests (loss) in net income of consolidated subsidiaries	441	233	335
Net income	28,169	5,785	7,764

Consolidated statement of cash-flow
(for the period of April 1, 2006 to December 31, 2006)

	(in million JPY)		
	FY 2007 3Q For 9 months	FY 2006 3Q For 9 months	FY 2006 Full year
Cash flows from operating activities:			
Income before income taxes and minority interests	53,521	8,306	11,535
Depreciation and amortization	40,018	9,225	12,961
Loss on impairment of fixed assets	653	-	702
Decrease (increase) in notes and accounts receivable	11,747	2,412	3,529
Decrease (increase) in inventories	(5,744)	(3,970)	(2,081)
(Decrease) increase in notes and accounts payable	(3,189)	(4,752)	(3,680)
Other, net	(38,058)	(2,255)	(8,205)
Sub Total	58,949	8,966	14,760
Interest and dividend income received	2,465	5,025	5,541
Interest paid	(12,174)	(1,147)	(1,720)
Income taxes paid	(4,311)	(2,332)	(3,126)
Net cash provided by operating activities	44,929	10,511	15,455
Cash flows from investing activities:			
Purchase of property, plant and equipment	(38,062)	(14,208)	(18,590)
Proceeds from sales of property, plant and equipment	10,359	857	2,295
Purchase of investments in securities	(275,884)	(2,833)	(3,027)
Proceeds from sales of investments in securities	55,716	3,897	7,565
Other, net	(3,170)	(127)	(392)
Net cash provided by (used in) investing activities	(251,042)	(12,414)	(12,149)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(33,348)	4,247	5,420
Issuance of long-term indebtedness	186,768	9,916	13,529
Repayment of long-term indebtedness	(4,598)	(3,158)	(5,317)
Issuance of bonds	-	-	110,000
Redemption of bonds	-	(9,600)	(9,600)
Cash dividends paid	(3,079)	(2,658)	(2,658)
Other, net	(780)	(107)	(148)
Net cash provided by (used in) financing activities	144,962	(1,360)	111,225
Effect of foreign exchange rate on cash and cash equivalents	14,465	(679)	1,029
Net decrease (increase) in cash and cash equivalents	(46,684)	(2,583)	115,560
Cash and cash equivalents at beginning of the year	179,158	63,512	63,512
Effect of change in scope of consolidation	-	764	85
Cash and cash equivalents at the end of the year	132,474	61,692	179,158

Segmental information

(1) Business segmentation

For the period of nine months ending on December 31, 2006

(in million JPY)

	Building Products	Automotive Glass	Others	Total	Eliminations	Consolidated
Sales and operating income						
Sales						
(1) Sales to customers	233,547	185,966	66,426	485,941		485,941
(2) Intersegmental sales	8,785	1,093	2,517	12,396	(12,396)	
Total sales	242,333	187,060	68,944	498,337	(12,396)	485,941
Operating expenses	227,996	178,911	68,664	475,571	(12,409)	463,162
Operating income	14,336	8,148	280	22,765	12	22,778

Notes:

- Method for categorization of businesses
Businesses are categorized by product lines.
- Major products included in each business category

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

[Before adoption of changes to the presentation of business segmentation]

For the previous period of nine months ending on December 31, 2005

(in million JPY)

	Glass & Building Materials	IT	Glass Fiber	Others	Total	Eliminations	Consolidated
Sales and operating income							
Sales							
(1) Sales to customers	127,413	30,629	23,945	9,084	191,073		191,073
(2) Intersegmental sales	540	565	34	4,323	5,463	(5,463)	
Total sales	127,954	31,194	23,979	13,408	196,537	(5,463)	191,073
Operating expenses	123,860	30,070	21,229	14,422	189,583	(5,489)	184,093
Operating income	4,094	1,123	2,750	(1,013)	6,954	25	6,980

For the previous fiscal year ending on March 31, 2006

(in million JPY)

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

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

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

(Changes in presentation of business segmentation)

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

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

[After the adoption of changes to the presentation of business segmentation]

For the previous period of nine months ending on December 31, 2005

(in million JPY)

	Building Products	Automotive Glass	Others	Total	Eliminations	Consolidated
Sales and operating income						
Sales						
(1) Sales to customers	87,844	39,569	63,660	191,073		191,073
(2) Intersegmental sales	355	662	2,758	3,776	(3,776)	
Total sales	88,199	40,231	66,418	194,850	(3,776)	191,073
Operating expenses	84,750	39,585	63,560	187,896	(3,802)	184,093
Operating income	3,448	645	2,858	6,953	26	6,980

For the previous fiscal year ending on March 31, 2006

(in million JPY)

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

(2) Geographical segmentation

For the period of nine months ending on December 31, 2006

(in million JPY)

	Japan	Europe	North America	Others	Total	Eliminations	Consolidated
Sales and operating income							
Sales							
(1) Sales to customers	162,977	192,916	61,496	68,551	485,941		485,941
(2) Intersegmental sales	17,471	8,064	509	10,029	36,076	(36,076)	
Total sales	180,449	200,981	62,006	78,581	522,017	(36,076)	485,941
Operating expenses	179,193	186,588	61,865	71,498	499,145	(35,982)	463,162
Operating income	1,256	14,392	140	7,082	22,871	(93)	22,778

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

[Before adoption of changes to the presentation of geographical segmentation]

For the previous period of nine months ending on December 31, 2005

(in million JPY)

	Japan	Asia	North America	Others	Total	Eliminations	Consolidated
Sales and operating income							
Sales							
(1) Sales to customers	157,423	23,764	1,272	8,613	191,073		191,073
(2) Intersegmental sales	15,362	5,275	951	228	21,817	(21,817)	
Total sales	172,785	29,039	2,224	8,842	212,891	(21,817)	191,073
Operating expenses	169,145	26,824	2,034	7,989	205,994	(21,900)	184,093
Operating income	3,640	2,214	189	852	6,897	82	6,980

For the previous fiscal year ending on March 31, 2006

(in million JPY)

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

- Notes:
1. Segmentation is based on geographical location
 2. Major countries or areas included in the geographical category
 - (1) Asia China, Malaysia, Philippines, etc.
 - (2) North America USA, Canada, etc.
 - (3) Others Europe, etc.

(Changes in presentation of geographical segmentation)

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

[After the changes adopted to the presentation of geographical segmentation]

For the previous period of nine months ending on December 31, 2005

(in million JPY)

	Japan	Asia	North America	Others	Total	Eliminations	Consolidated
Sales and operating income							
Sales							
(1) Sales to customers	157,423	8,613	1,272	23,764	191,073		191,073
(2) Intersegmental sales	15,362	228	951	5,275	21,817	(21,817)	
Total sales	172,785	8,842	2,224	29,039	212,891	(21,817)	191,073
Operating expenses	169,145	7,989	2,034	26,824	205,994	(21,900)	184,093
Operating income	3,640	852	189	2,214	6,897	82	6,980

For the previous fiscal year ending on March 31, 2006

(in million JPY)

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

Changes in basis for preparation

Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

From this fiscal year, the Company is applying "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No.18, Released May 17, 2006) upon preparation of consolidated financial statements.

Aforementioned task force can be applied prior to its mandatory effective date, which is the beginning of the fiscal year starting before March 31, 2008.

Due to this application, operating income, income before extra-ordinary items, and net income have decreased by JPY 6,758 million accordingly.

New Accounting Standards for Stock Options

From this fiscal year, the Company is applying "The Accounting Standard for Stock Options" (Corporate Financial Accounting Standard No.8, Released December 27, 2005) and "The Practical Guidelines for the Application of Accounting Standards for Stock Options" (Practical Guidelines No.11, Issued May 31, 2006).

Due to this application, operating income, income before extra-ordinary items, and net income have decreased by JPY 16 million accordingly.