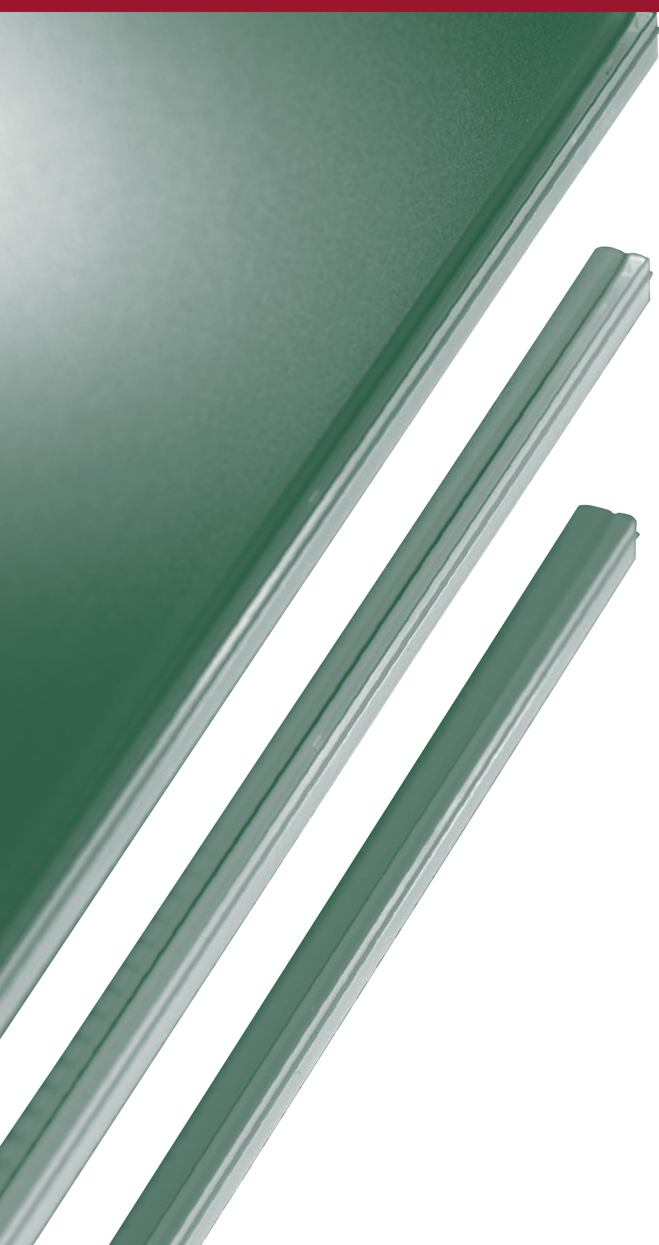
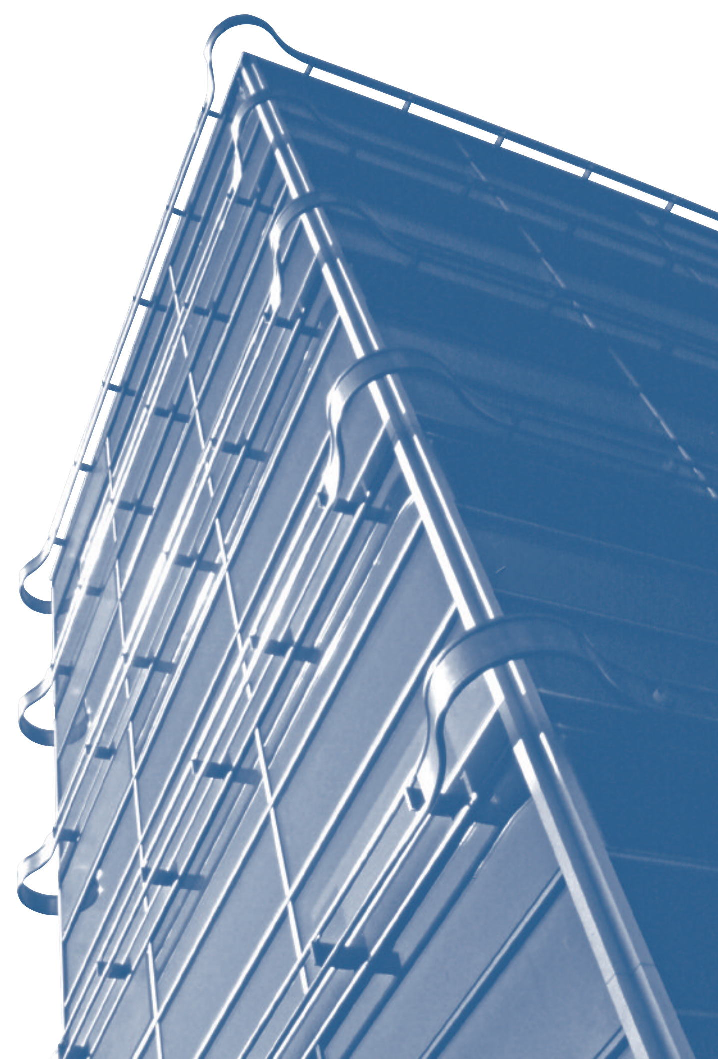
NSG GROUP

Annual Report 2007

Fiscal year ended March 31, 2007

Realizing Progress to Become the World's Leading Flat Glass Manufacturer





Profile

Nippon Sheet Glass Co., Ltd.* is engaged in two major business sectors: Flat Glass, encompassing Building Products and Automotive Products; and Specialty Glass, which covers Information Technology, Glass Fiber and some other smaller businesses.

In June 2006, the NSG Group completed the acquisition of the UK-based global glass manufacturer, Pilkington plc. The acquisition is reflected in consolidated net sales (including Pilkington revenues) for the fiscal year ended March 31, 2007 of ¥681.5 billion.

As a result of the acquisition, the NSG Group has expanded its business operations and accelerated its globalization. The Group now has major manufacturing operations in 27 countries and sales in 130, employing around 34,000 people worldwide.

From April 2007, all of the Building Products and Automotive Products businesses of NSG and Pilkington have been combined into a single integrated Flat Glass business under single management. The goal is to be Number One in Flat Glass — to be the best in the world at making and selling glass for buildings and for automotive use, and doing it safely.

In line with its stated intention to become the world's leading flat glass manufacturer, the NSG Group intends to leverage the advantages of this business integration, aiming for steady growth in global markets.

* Following the acquisition of Pilkington, the Company has reviewed its branding strategy and has decided to adopt the brand 'NSG Group' to reflect the new structure and international scope of the enlarged business. In this report, the terms "NSG," "the Company," "the NSG Group" and "the Group" are used interchangeably.

Contents

Forward-Looking Statement
This annual report contains information about forward-looking statements related to such matters as the Company's plans, strategies, and business results. These forward-looking statements represent judgments made by the Company based on information available at present and are inherently subject to a variety of risks and uncertainties. The Company's actual activities and business results could differ significantly due to factors including, but not limited to, changes in the economic environment, business environment, demand, and exchange rates.

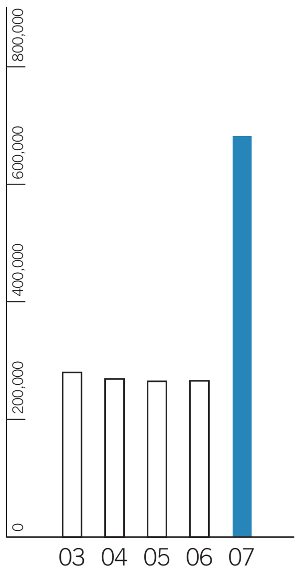
Financial Highlights

Nippon Sheet Glass Company, Limited and Consolidated Subsidiaries
As of March 31, 2007 and 2006 and for the years then ended

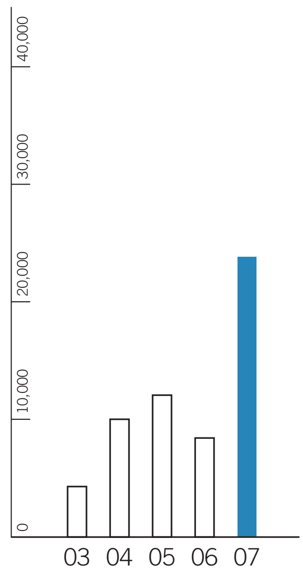
	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Net sales	**¥ 681,548**	¥265,888	**$ 5,775,831**
Operating income	**23,823**	8,430	**201,890**
Income before income taxes and minority interests	**38,058**	11,535	**322,525**
Net income	**12,096**	7,764	**102,508**
Amounts per share (Yen and U.S. dollars):			
Net income			
Basic	**¥ 21.85**	¥ 17.52	**$ 0.19**
Diluted	**20.28**	15.71	**0.17**
Cash dividends	**6.00**	6.00	**0.05**
Total assets	**¥1,408,984**	¥595,963	**$11,940,542**
Shareholders' equity	**337,268**	238,284	**2,858,203**
Number of employees	**35,811**	12,736	**—**

Notes: 1. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥118 = U.S.$1.00, the exchange rate prevailing on March 31, 2007. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.
2. Since the year end, 1,786 employees left the Group following the sale of the Australasia business.

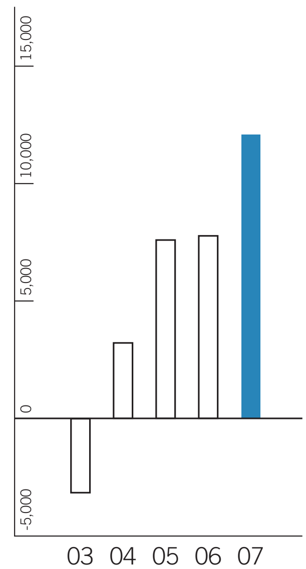
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Net Income
(Millions of yen)



To Our Shareholders

Left: Yozo Izuhara
Chairman

Right: Katsuji Fujimoto
President & CEO

Business Results

The Japanese economy continued to show upward momentum through the fiscal year under review, although factors such as rising raw material prices, including crude oil costs, have cast a shadow of concern over future economic conditions. In Japan, the domestic building construction index was steady, both for residential and non-residential properties, while domestic automobile production volume exceeded the corresponding period of the previous fiscal year. The Group's manufacturing costs were negatively impacted by the rising price of heavy oil, a principal fuel for flat glass manufacture.

Meanwhile, the overall European economy continued to show a steady recovery, particularly in Central European countries such as Germany. The North American economy, however, experienced a slowdown in growth, mainly due to a decline in housing investment. In South America and China, the economies remained strong, on the back of high rates of growth.

In the Information Technology sector, shipment of information devices such as personal computers and mobile phones maintained a high growth rate in the global market. The Glass Fiber sector experienced brisk sales to Europe due to the favorable conditions in related markets.

Following the business integration with Pilkington in June 2006, the NSG Group included Pilkington's revenue in its consolidated statements of income

The NSG Group has experienced major changes since June 2006, but the company has still managed to maintain steady progress amid a major corporate transformation. Having acquired 100 percent of the issued shares of Pilkington plc and incorporated Pilkington as a wholly owned subsidiary, work is well advanced to create a truly global concern, with the aim of becoming the world's leading flat glass manufacturer.

The integration of large organizations embodying different languages and cultural backgrounds is no easy feat to complete in a short time, and we expected a number of challenges in the process. However, it is evident that in fiscal 2007, we made a good start in terms of both management and business operations. This was largely attributable to our long-standing business alliance with Pilkington, and also to the goodwill, cooperation and professionalism shown by our people during a challenging but successful year.

Combining the strengths of both companies, the NSG Group will strive to enhance the benefits of this business integration, fully exercising the synergistic effects.

from the second quarter of the fiscal year under review. Consequently, both consolidated net sales and operating income increased significantly year on year.

Net sales for the fiscal year under review increased by 156.3 percent, to ¥681,548 million. As anticipated, the consolidation of Pilkington's revenues from the second quarter of fiscal 2007 means that the Group's consolidated net sales will amount to over ¥800 billion on a full-year basis.

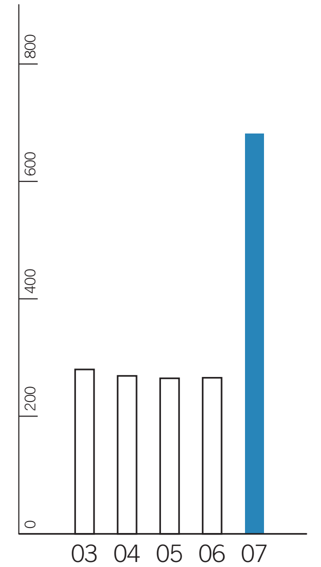
Net sales for the fiscal year ended March 31, 2007 increased by 156.3 percent year on year to ¥681,548 million, with net income growing by 55.8 percent to ¥12,096 million.

Consolidated operating income surged 182.6 percent year on year to ¥23,823 million. Despite the impact of high crude oil prices, both gross profit margin and operating margin ratios exceeded the figures for the previous fiscal year.

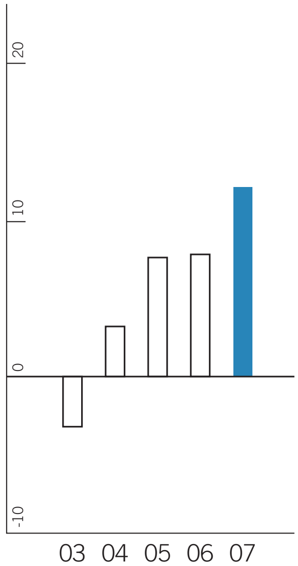
On March 13 and April 20, 2007, Pilkington received statements of objection from the European Commission alleging antitrust law violations in its architectural glass and automotive glass businesses. To take account of this, the NSG Group recorded provisions for future risks regarding this case of approximately £320 million as an adjustment to Pilkington's opening balance sheet on acquisition. As a result, goodwill arising on the acquisition increased by a corresponding amount, and annual goodwill amortization increased by around ¥4,000 million (approximately ¥3,000 million for the fiscal year ended March 31, 2007).

In other income (expenses), connected with the acquisition of Pilkington plc, the Company recorded a ¥44,828 million gain on sales of investments in securities, and ¥10,480 million in expenses. Accordingly, net income for fiscal 2007 surged 55.8 percent to ¥12,096 million and net income per share jumped significantly from ¥17.52 per share to ¥21.85 per share.

Net Sales
(Billions of yen)



Net Income
(Billions of yen)



Following offers for the purchase of Pilkington's wholly owned flat glass business in Australia and New Zealand, these businesses were recorded as discontinued operations for fiscal 2007. After carefully examining such offers, the Group announced on June 29, 2007 that agreement had been reached with CSR Limited to sell the business at a price of AUD 690 million plus some adjustment.

Dividend Policy

It is NSG Group policy first to secure stable dividend payments based on stable business results. When recording large profits in businesses with volatile performance, the Company will implement the payment of a bonus dividend after assuring the sufficiency of reserves for investment for business expansion and retained earnings to deal with potential risks.

Accordingly, NSG decided 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.

Forward-Looking Management

NSG's core management policies are based on the concepts of "open and fair dealings," "thorough compliance with corporate ethics," and "contribution to global environmental issues." While striving to become "a company with a spirit of innovation and a global presence," we will aim to enhance the Group's corporate value for all of our stakeholders.

The acquisition of Pilkington has significantly changed NSG's business structure, as well as its business environment and the issues that it needs to address. Against the backdrop of intensifying global competition, rapid changes in business operations and increasing demands for corporate social responsibility, the new NSG Group will promote the philosophy that "People are the most important asset of our company" around the world, aiming to become the world's leading flat glass manufacturer both in business scale and in financial performance.

NSG will strive to expand its fields of operations beyond the Building Products, Automotive, and Information Technology and Glass Fiber businesses. The Group aims to expand its business fields further over the long term by enhancing its advantages in assets, technology and expertise.

In order to achieve this goal, NSG is implementing plans for a three-phase strategy covering the 10-year period from fiscal 2008 to fiscal 2017.

In the previous fiscal year, NSG established a four-year medium-term business plan, starting from April 2007, as Phase 1. In the plan, the Group aims to recover financial strength and expand business through improved productivity and quality, as well as through products that are well differentiated from those of competitors.

Recognizing that maximizing the effects of integration with Pilkington plc is the most significant issue facing the Group, NSG launched a new global management structure in April 2007. Under this reorganization, the flat glass operations of both companies have been combined in an integrated business with a global headquarters. In this way, NSG will be able to maximize the integration synergies and implement smooth business operations.

In general, the global economy is expected to remain robust. However, concerns remain about crude oil price trends and a decelerating economy in North America. Furthermore, foreign exchange fluctuations may affect NSG's performance.

In order to realize the maximum benefits of business integration, the NSG Group has merged its flat glass business with that of Pilkington to form a single global business.

The global market for flat glass in 2006 was approximately 41 million tonnes, and over the past 10 years, float demand has exceeded GDP growth by around one percentage point on average. The NSG Group now operates or has interests in around 47 float lines worldwide, accounting for some 20 percent of the world's high-quality flat glass market on a production capacity basis.

In 2006, NSG made a strategic move in the development of new markets through its investment in joint ventures in China and other parts of Asia.

Basic Policy of Corporate Governance

NSG regards the enhancement of corporate governance as a top-priority management issue. In order to ensure fair and transparent management, as well as to improve shareholder value, the Company actively promotes the streamlining of management and the acceleration of business; the clarification of directors' management responsibilities and the reinforcement of management culture through separation of the supervision and job execution functions; and the establishment of a management structure that responds flexibly to changing business environments. Under the new global management structure, in order to enhance further the Group's shareholder value, the key priority for management is to realize as speedily as possible the full synergistic effects of business consolidation.

NSG kindly requests the steadfast understanding and input of all of its shareholders.

October 2007

Yozo Izuhara
Chairman

Katsuji Fujimoto
President and Chief Executive Officer

Phase1 of the Long-Term Vision

As announced in November 2006, NSG's new medium-term business plan falls into Phase 1 (fiscal 2008–fiscal 2011) of NSG's long-term vision (fiscal 2008–fiscal 2017). A major assumption underlying this business plan was the business integration with Pilkington. This integration is now underway and in fiscal 2007 both sales and profits increased significantly over the previous fiscal year.

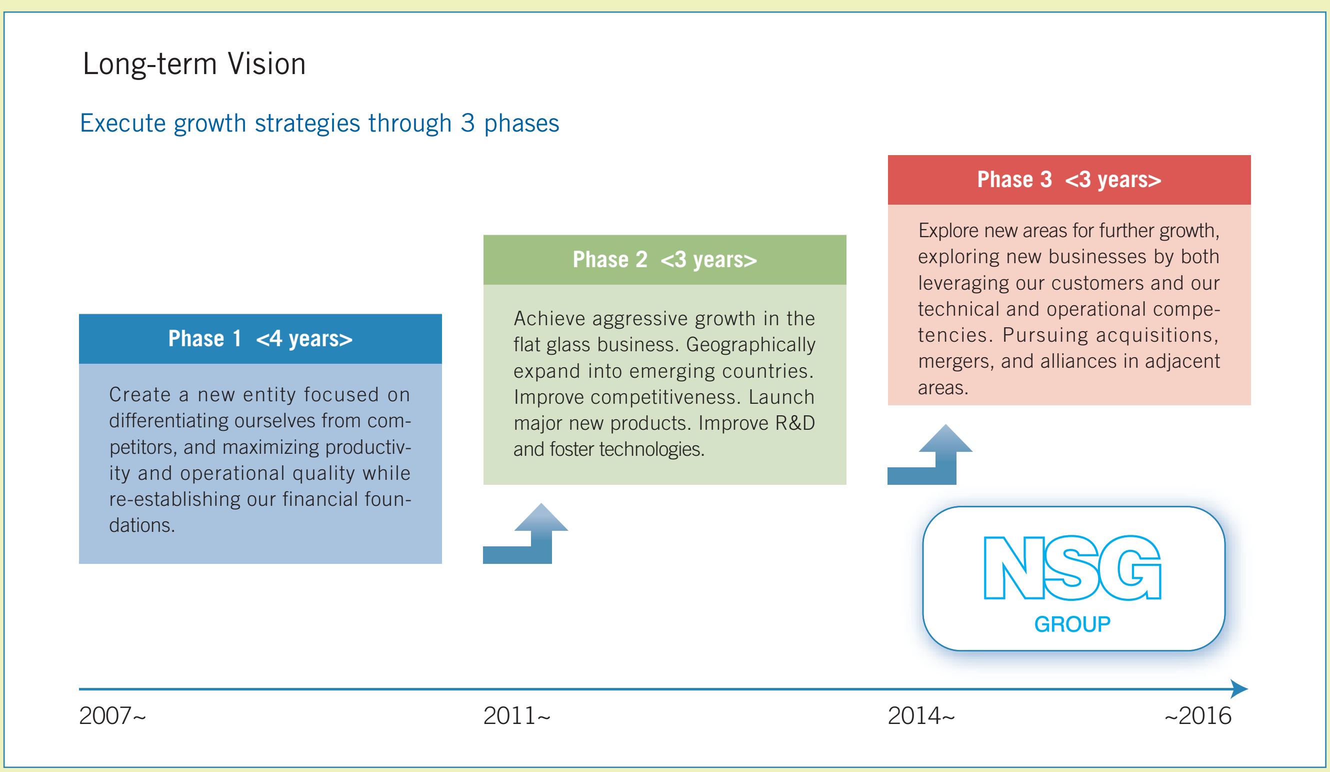
Following the acquisition of Pilkington, NSG established two objectives in the new medium-term business plan:

1. To recover the Group's financial strength
2. To maximize productivity and quality to establish a strong new company through differentiated products

As significant fund procurement and investment was required for the acquisition, the Company aims to increase productivity by taking advantage of business integration, while maintaining its financial strength, mainly for the purpose of the early repayment of debt. Simultaneously, the Company aims to strengthen its business offerings through high-quality, differentiated products.

NSG established four policies to achieve these goals, which are to:

1. Bolster its superiority and strength in quality, cost and customer services
2. Achieve target figures
3. Effect selection and concentration of investment for growth after Phase1
4. Achieve net debt ratio target



Synergy and Sales Targets

2

Synergies expected from the business integration with Pilkington have been identified in four areas

(1) Market and customers
- Cross-selling
- Establishment of a global network

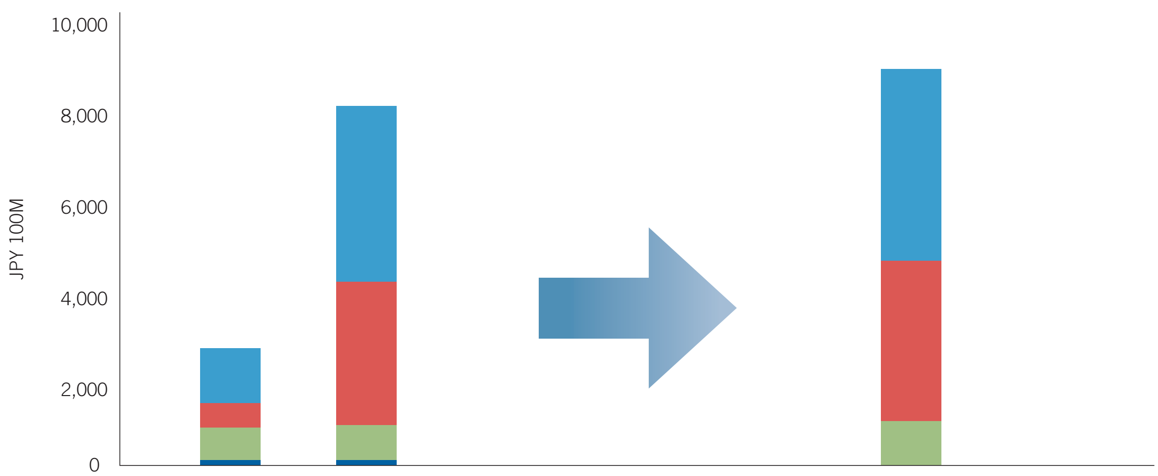
(2) Geographic development
- Production bases and distribution/sales channels
- Mutual utilization of global network

(3) Technology
- Manufacturing technology/new product development
- Standardization and long-term initiatives

(4) Advantage of scale
- Integrated purchasing and improved operating rate
- Sharing and separation of RD&E

The anticipated bottom line improvement from these synergies will be approximately ¥10 billion per year in fiscal 2011 and ¥19 billion per year in fiscal 2014, and the Group is on track to achieve these targets

Net Sales (FY11 Target)



	FY06A	FY07PF	FY11
BP	1244	4,000	4,350
Auto	557	3,260	3,650
IT+FG	742	790	1,000
Other	115	120	0
Total	2,658	8,170	9,000

FY07PF is the number disclosed on July 6, 2006.

Maintaining Financial Strength

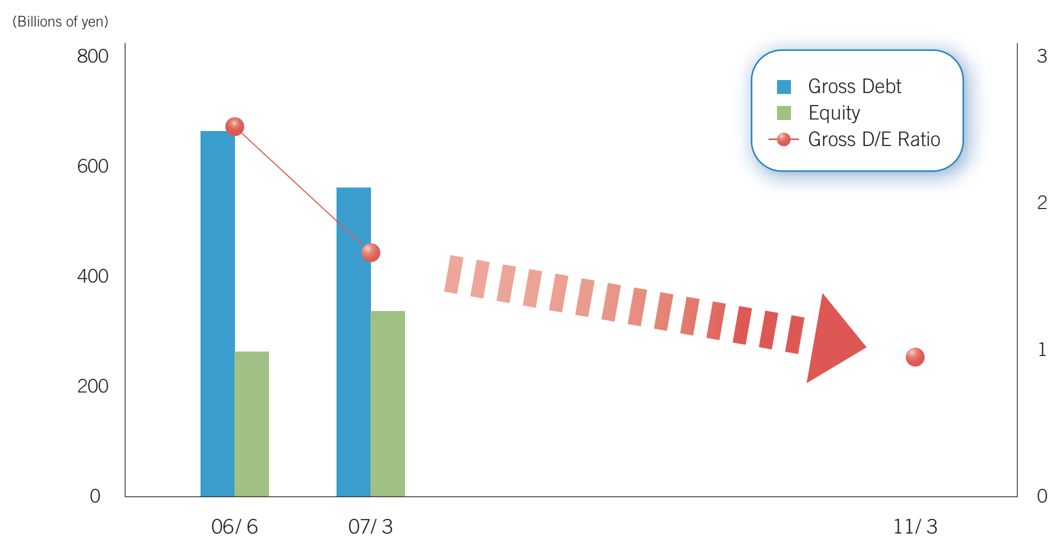
3

During the period covered by this medium-term business plan, NSG expects average annual capital investment and depreciation to be approximately ¥50 billion. The Company plans progressively to pay down debt during Phase 1 to improve debt-equity ratio. To that end, the target is to recover a gross Debt/Equity ratio of 1.0 by fiscal 2011.

NSG's financial plan has been recognized by the leading rating agencies for its steady improvement, and the Company's ratings after the completion of the acquisition process remained at investment-grade as follows:

- R&I (as of June 16, 2006): BBB
- Moody's (as of June 16, 2006): Baa3

Gross Debt, Equity and Gross Debt/Equity Ratio



EPS, EBITDA and ROE

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NSG's earnings per share (EPS) in the fiscal year before the acquisition of Pilkington were ¥17.5. The estimated EPS for fiscal 2011 is over ¥46 per share, based on the achievement of the medium-term business plan targets. EPS after cash adjustments including goodwill is projected to be approximately ¥70 per share.

In addition, return on equity (ROE) is expected to improve from 3.3 percent in fiscal 2005 to over 6 percent in fiscal 2011.

Earnings before interest, taxes, depreciation and amortization (EBITDA) are anticipated to achieve ¥125 billion in fiscal 2011.

Major Financial Indices

		Mar. 2007		Mar. 2011
Net Income	(Billions of yen)	12.1	× 2.6~	31.0
Shares Outstanding	(Millions)	668		668
EPS (Based on 668 million shares at March 2007)	(Yen)	18.1	× 2.6~	46.4
Amortization (Goodwill & Intangible Assets)	(Billions of yen)	16.4		15.0
Adjusted Cash base EPS	(Yen)	42.7	× 1.6~	68.9
EBITDA	(Billions of yen)	85.0	× 1.5~	125.0
ROE		3.6%		6%~

(Figures for March 2007 are based on actual performance. Figures for March 2011 are based on the medium-term business plan. Impact of EC provision is not considered.)

Medium-Term Business Plan and Strategies

In Building Products, NSG aims to build on its geographically expanded business foundation gained through business integration, to enhance its position in existing markets and to develop its business in new markets.

Glass used in buildings accounts for 90 percent of the world's flat glass market by tonnage. Demand growth for glass is driven by economic growth, legislation, and the growing need for energy conservation. Alongside the boom in large building construction in mature markets, a number of developing countries have experienced rapid growth in construction demand on the back of modernization efforts.

Given these market conditions, the NSG Group is well placed to take full advantage of the business integration with Pilkington. The acquisition expands considerably the Group's geographical spread and its float manufacturing base. NSG now operates, or has interests in, some 47 float lines worldwide.

The core European market remains strong and sales continue to be robust. Other markets, including South America, are also expected to experience brisk sales conditions. In Japan and the United States, however, NSG needs to take a variety of internal measures to counter challenging market conditions.

In pursuit of continuous growth, the Group plans both to expand its existing markets and to develop new markets. Consequently, NSG will increase its presence in emerging markets such as China, Southeast Asia, and South America, which are experiencing rapid growth in glass demand. At the same time, the Group aims to use its technological advantages to meet the increasing demand for high-value-added glass in mature markets. The NSG Group aims to increase Building Products sales at 2 percent per annum to achieve net sales of ¥435 billion in fiscal 2012.

Building

In the Building Products business, net sales rose 157.6 percent to ¥320,358 million, while operating income increased approximately 3.1 times from the previous fiscal year to ¥16,480 million.

Stuart Chambers
Executive Vice President
and Chief Operating Officer

The Year in Review

The Building Products (BP) business has encompassed NSG's construction materials, such as architectural glass and window sashes, and Pilkington's architectural glass businesses from the second quarter of fiscal 2007. Net sales rose 157.6 percent to ¥320,358 million, while operating income increased approximately 3.1 times from the previous fiscal year to ¥16,480 million.

Overall, strong sales in the European market helped to compensate for the harsh business environment in Japan and North America during the fiscal year under review.

Sales in Europe, accounting for approximately 50 percent of the Group's BP sales, were brisk, reflecting an active business environment. In addition, demand increase in almost the entire region and high market growth brought favorable results, mainly in Germany, Italy, Poland and Northern Europe

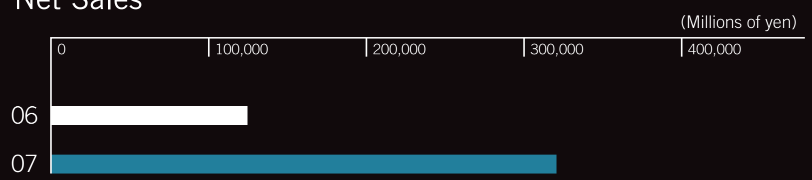
In Japan, which comprises 30 percent of sales in the Building Products business, results were stagnant, due to intensified competition for double-glazed glass, despite increased shipments of high-value-added glass, including security glass. In addition, the Japanese BP business was significantly impacted by the rising costs of raw materials and fuels, including heavy oil, as well as by production adjustments for figured glass.

In North America, accounting for 10 percent of BP sales, domestic demand was weak, mainly in glass for residential use, although an increase in demand for high-value products helped partially to fill this gap.

In other regions, sales remained strong, particularly in South America (with 10 percent of the Group's sales in Building Products), on the back of an increase in intra-regional sales.

Products

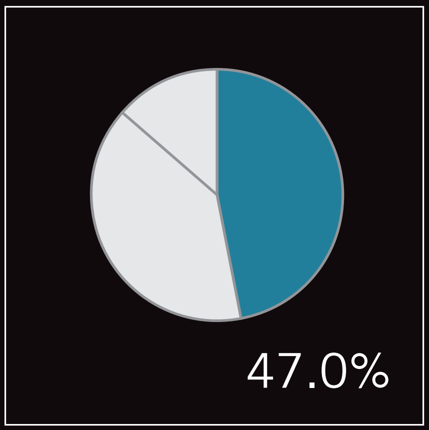
Net Sales



(Millions of yen)

	2006	2007
Net Sales	¥124,384	¥320,358
Operating Income	4,009	16,480
Total Assets	120,999	496,591
Capital Expenditures	7,047	18,891

Share of Group Net Sales (2007)



Medium-Term Business Plan and Strategies

One of only three glass groups in the world with global automotive glazing capability and presence, NSG supplies all of the world's major automotive and specialized transport vehicle manufacturers. Combined geographical presence now makes NSG the largest global operator in automotive replacement glass distribution and wholesale.

The automotive glass market continues to grow, in line with increases in worldwide vehicle production and in the quantity of glass used per vehicle. As well as innovation in glass shaping, added functionality and modularization are adding value to the Group's products.

The expanded NSG Group, including Pilkington, is now one of the world's largest suppliers of automotive glazing products. The Group has a substantial manufacturing base dedicated to automotive products across Europe, Japan, North America, South America and China. NSG is well placed to meet the demands of the world's carmakers for innovative and competitive vehicle glazing systems, with 33 manufacturing locations in 15 different countries and research & development centers in Europe, Japan and North America. The Group aims to maintain competitiveness in quality and costs in all markets.

NSG's Automotive business operates as an integrated global organisation, serving the original equipment (OE) and automotive glass replacement (AGR) markets throughout the world. Vehicle manufacturers' requirements demand increasingly flexible manufacturing and customization of vehicle platforms to meet customer orders, while at the same time reducing development and manufacturing lead times. These trends also place additional pressure on component suppliers to provide rapid development and flexible manufacturing capability. As a technological leader in the industry, NSG is well positioned to take advantage of all these trends with its global R&D and manufacturing capabilities.

Global sales of glass for new vehicles and automotive glass for the replacement market are expected to grow steadily. In addition, the NSG Group's presence in the global market is expected to grow on the back of the increasing overseas production ratio of Japanese automobile manufacturers.

NSG will continue to expand its range of new high-value-added products, and continue to improve efficiencies and productivity to enhance competitiveness and thereby expand its share in the increasingly globalized automotive market. To that end, the Company aims to achieve ¥365 billion of net sales in the Automotive business in fiscal 2011.

Over the year, net sales in the Automotive business grew 3.8 times from the previous fiscal year to ¥268,230 million, while operating income improved 12.1 times to ¥13,040 million.

Pat Zito
Head of Automotive Business

The Year in Review

The Automotive business encompasses NSG's Automotive business for the full year and Pilkington's Automotive business from the second quarter of fiscal 2006. Over the year, net sales in the Automotive business grew 3.8 times from the previous fiscal year to ¥268,230 million, while operating income improved 12.1 times to ¥13,040 million.

Approximately 50 percent of sales were in Europe, 20 percent in Japan, 20 percent in North America and 10 percent in other regions.

OE volumes have remained relatively flat overall, with continued growth in most regions being offset by lower sales in North America due to the weaker market demand. North American AGR sales have remained flat, but AGR sales in Europe have improved strongly.

In Europe, the market for light vehicles increased by 1.2 percent, but once again, due to success with new models, Pilkington sales volumes continue to move ahead of the market trend. European AGR sales have increased strongly due to continuing improvements in the Group's competitive position.

In Japan, domestic automobile production grew approximately 4.5 percent year on year. Accordingly, revenues from this segment remained favorable.

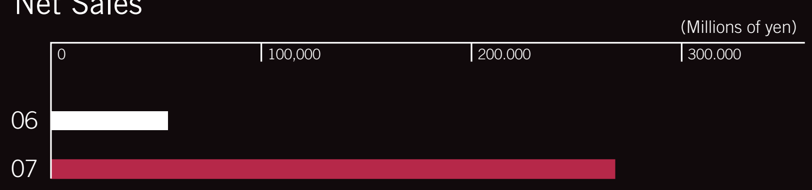
In North America, overall light vehicle production was down around 6 percent from last year, resulting in lower sales. Sales in the AGR market have been flat in the market, affected by climatic conditions and continued price pressure as the industry restructures.

In South America, light vehicle demand rose by around 8 percent. Increased sales volumes and continuing efficiency gains improved results for the year.

In China, the market continues to expand rapidly and the Group's emphasis on further improving the cost and operational efficiency of the businesses has improved profitability.

Automotive

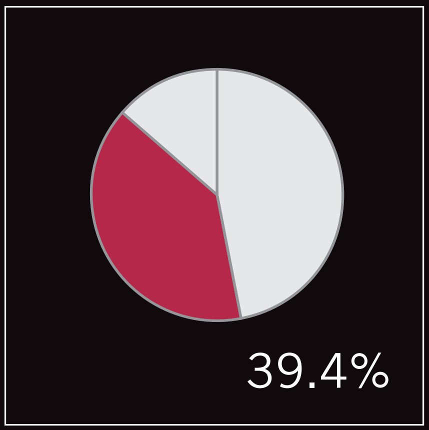
Net Sales



(Millions of yen)

	2006	2007
Net Sales	¥55,685	¥268,230
Operating Income	992	13,040
Total Assets	48,006	513,354
Capital Expenditures	3,132	20,878

Share of Group Net Sales (2007)



Medium-Term Business Plan and Strategies

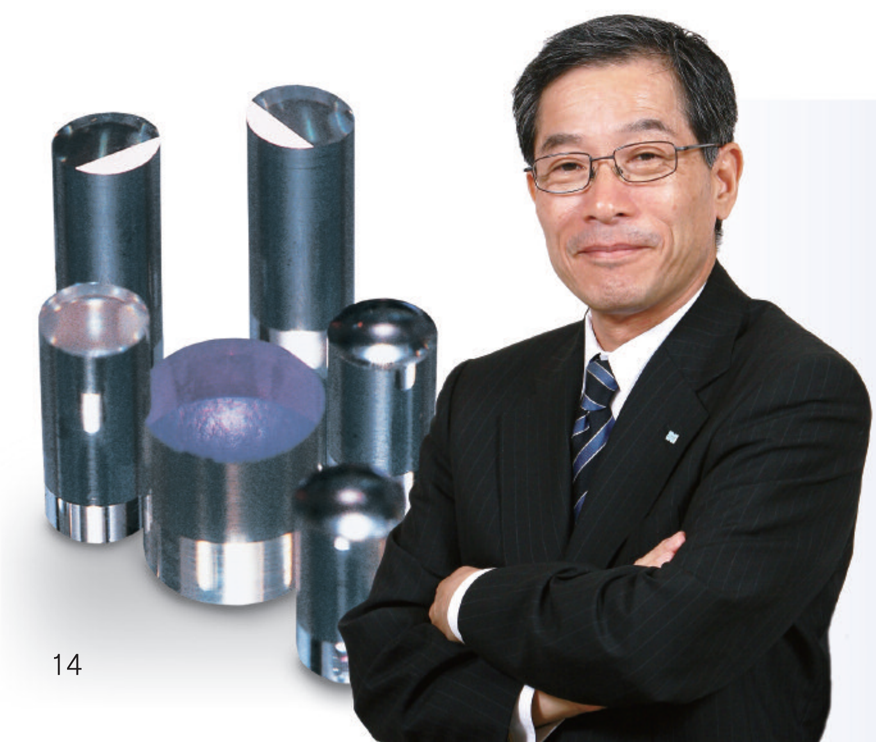
Making aggressive capital investments in a product category in which NSG excels, the Group aims to expand sales and significantly improve its profit ratio.

Amid expectations of continuing strong market conditions in the Information Technology area, NSG aims to expand sales of higher-value-added glass substrates for small- and medium-sized LCDs, while aggressively developing lenses for inkjet multi-function printers, which show continuous growth potential. In this segment, the Group will execute a cash-focused strategy through the utilization of existing businesses' assets. In the information devices area, the aim is to concentrate on increasing the shipping volume of lenses for inkjet multi-function printers, in which the Group enjoys a high market share.

At the same time, NSG will continue its efforts to develop next-generation products, maintaining its leading position in markets for lenses and light sources for home and business printers. In the information and telecommunication devices area, the Group will increase shipments of lens components rather than single lens units. For displays, NSG will work to improve the added value aspects of ultrafine flat glass, while expanding its business in new areas, including peripheral processing of items such as thin-film transistor (TFT) assemblies in the TFT-related market.

In the glass fiber area, NSG will actively promote its strategy of being "number one and only one" in specialized products, and accelerate new product development and further growth in its global business development. NSG enjoys an 85 percent share of the glass cord and a 100 percent share of the Microglas Metashine® markets worldwide. For battery separators, the Company holds a 35 percent share in the global market and a 90 percent share in the Japanese market. For filters, NSG has a strong 25 percent share in the Japanese market. The Company will maintain a strong earnings structure in each market to realize steady growth, while reinforcing business and product development in the global market.

Through these measures, NSG anticipates ¥60 billion in sales in the Information/Technology area and ¥40 billion in sales in the glass fiber area in fiscal 2011.



Net sales in the Specialty Glass for fiscal year ended March 31, 2007 increased 5.9% year on year to ¥78,674 million through concerted efforts to boost revenues by expanding sales of growth products.

Takashi Murakami
Head of Specialty Glass Business

The Year in Review

Specialty Glass Business The Specialty Glass business encompasses NSG's Information Technology and Glass Fiber businesses.

Sales in the Information/Technology business rose due to robust shipments of optical lenses for multi-function printers and display-related products. Sales in the Glass Fiber Business remained strong, owing to favorable sales of glass cords in Europe.

As a result, net sales in the Specialty Glass business grew 5.9 percent year on year to ¥78,674 million, while an operating income improved 14 percent from the previous year to ¥6,072 million.

"Others" segment Results of the Specialty Glass Business are included in "Other" segment in the presentation of the audited financial statement.

"Other" segment also includes small businesses which are not included in "Building Products," "Automotive" and "Specialty Glass."

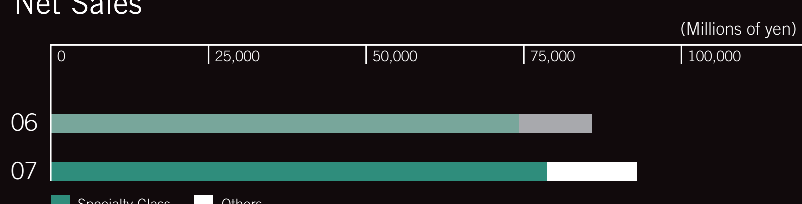
It also covers corporate costs. This segment, significantly deteriorated on the earnings front due to an increase in general corporate expenses, though there was an increase in sales of engineering-related products, due to Pilkington's inclusion in NSG's scope of consolidation.

As a result, the Others segment recorded sales of ¥14,286 million and an operating loss of ¥11,675 million.

Overall, this accounting segment, which is the aggregate of the "Specialty Glass" and "Others," recorded sales of ¥92,960 million and an operating loss of ¥5,604 million.

Specialty Glass

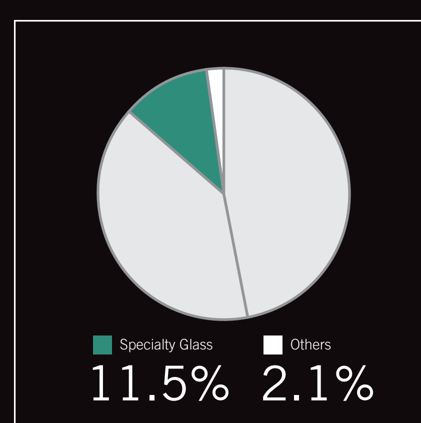
Net Sales



(Millions of yen)

	2006		2007	
	Specialty Glass	Others	Specialty Glass	Others
Net Sales	¥ 74,286	¥ 11,533	¥ 78,674	¥ 14,286
Operating Income (Loss)	5,325	(1,893)	6,072	(11,676)
Total Assets	111,006	329,407	100,059	681,982
Capital Expenditures	5,176	5,841	3,024	9,755

Share of Group Net Sales (2007)



The Group's R&D program supports the objectives of improving manufacturing performance and developing innovative products and processes in all the businesses.

In order to create production sites that excel not only in traditional *monozukuri* (passion for manufacturing excellence), but also in new technologies, the NSG Group has established a basic policy of nurturing new, state-of-the-art technologies that will meet the challenges of today's marketplace. To achieve this, NSG has been promoting R&D activities not only at its research centers, but also in its New Products and Business Development Department, its Flat Glass Division and the R&D departments of each business line.

Consolidated R&D expenses for the fiscal year ended March 31, 2007 were ¥13,660 million, representing 2.0 percent of net sales.

(1) Building Products

The Building Products business and its related subsidiary companies engage in the development of new functional glass relating to glass building materials. In the glass building materials segment, the Company launched the eco-friendly, lead-free High-Mirror E with the aim of responding to environmental needs and becoming an environmentally advanced company. NSG will continue its efforts to develop products that reduce environmental burden. The Group leveraged its unique on-line CVD method and released OptiView™ antireflection glass for commercial buildings and Gold Eclipse Advantage™ heat-reflecting glass, gaining a favorable market response. R&D expenses in this segment totaled ¥5,411 million.

(2) Automotive

The Automotive business and its related subsidiary companies are involved in the development of automobile-related glass and glazing systems.

The automotive products segment is addressing the twin challenges of maintaining a steady supply of high-quality, innovative products and improving manufacturing capabilities. To this end, the Group has, for example, developed and installed automatic inspection machines at its major production lines around the world to screen all products, with the aim of attaining stable production and delivery worldwide. R&D expenses in this segment totaled ¥3,519 million.

(3) Other R&D Activities

The Information Technology business and its related subsidiary companies carry out the development of technology for use in information devices, displays and optical communication products. NSG will continue to engage in cutting-edge R&D activities to develop products that meet users' growing demands. With these efforts, the Company will aim to create the future of information.

Exercising the synergies between the Glass Fiber Company and its consolidated subsidiary, Nippon Muki Co., Ltd., NSG continues with the proactive development of specialty glass fibers for products such as air filters. The Glass Fiber business has developed unique porous ceramics, which are considered to hold great promise for applications in support substrates of catalysts or absorbing agents. For this reason, the Company is actively developing applications for these new ceramics.

In other R&D activities, NSG established a structure that will help it to engage in successive product development activities, while seeking opportunities for new businesses, primarily in the environmental and biotechnology sectors. In addition, the Company continues to make capital investment from a global perspective in pursuit of new materials for optical communication products.

R&D expenses in this segment totaled ¥4,729 million.

Recognizing the increasing importance of Corporate Social Responsibility (CSR), The NSG Group aims to reinforce its CSR approach as a global company.

The NSG Group has diligently implemented strict corporate social responsibility policies since its foundation, and in August 2005, the Company established a Corporate Social Responsibility Committee to accelerate the promotion of its CSR activities.

NSG defines CSR as "an activity that establishes a relationship of trust with all stakeholders in order for the Group to operate as a socially reliable company." With this in mind, NSG continues to be open and fair to all of its stakeholders, cultivating public trust, based on its core businesses.

Since the business integration with Pilkington plc, the NSG Group's stance towards CSR has not changed significantly, since the principles followed by Pilkington were not dissimilar to those adopted by NSG. As a public company, NSG continues to carry out its responsibilities both through its business operations and through other activities, always recognizing the importance of its relationship with stakeholders, with society and with the global environment. In this way, NSG is enhancing its corporate value, and in that sense, the changes that have occurred in the NSG Group include increased responsibility and expanded scope of responsibility.

With production sites in 27 countries and sales bases in 130 countries worldwide, NSG has become a truly global company. With these achievements, NSG has successfully promoted personnel and technological exchanges and has deepened the relationship of trust.

As a member of the Sumitomo Group, a consortium of independent Japanese companies with well-established records and histories reaching back more than 400 years, NSG's management philosophy is based on the "Sumitomo Spirit" of "placing prime importance on trust," and "not pursuing easy gains," and "contributing to society through business." Assuming a basic policy of "People are the most important asset of our company," while adopting Pilkington's existing philosophy, "to achieve business success through professional, fair, ethical, legal and sustainable business practices," NSG established a new management policy in the previous fiscal year that is more suited to the operations of a global company. They are summarized in the "Values and Principles" document, which is distributed to all employees.

The aim is to ensure that all of the Group employees around the world are aware of and understand the policy: "not to engage in any conduct that is against the law, conventional wisdom or social ethics in order to make profits" and "to contribute to society through the Company's core *monozukuri* businesses to make profits." In order to pursue the further enhancement of corporate values, with the business integration as a turning point, NSG will steadily realize the new synergies, while establishing a corporate governance structure in order to conduct efficient business operations on a global scale. For that purpose, NSG has formulated a Values and Principles management philosophy and action guidelines for all of the NSG Group's business activities, as well as standardized CSR guidelines.

NSG's proprietary *monozukuri* (passion for manufacturing excellence) is based on its devotion to quality and the satisfaction of customers, shareholders, and clients, as well as employees, and its contributions to environmental preservation and society. By recruiting employees to its organization around the world who have a common "philosophy," NSG's posture towards business will become stronger. The Group will always bear in mind the fact that the larger the organization grows, the greater its social responsibilities will become. Using the energies derived from the business integration as a springboard, the Company will continue its steadfast efforts to improve CSR activities.

NSG GROUP VALUES & PRINCIPLES

OUR SLOGAN
First in Glass

OUR MISSION
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.

OUR VALUES
People are the most important asset of our company.
We value:

- Trust and mutual respect
- Integrity and professionalism
- Teamwork and mutual support
- Open communication
- Initiative and creativity
- Passion and resilience
- Individual and social responsibility

OUR STAKEHOLDERS
We aim to be judged as best in class by:

- Our Customers
  –to be their preferred supplier for glass products and related services
- Our Employees
  –to be their preferred place to work
- Our Shareholders
  –to be their preferred long term investment

OUR PRINCIPLES
Success will be achieved by:

- Ensuring that all our decisions and actions add value to the company
- An obsession with safety, in the belief that all accidents are preventable.
- The development of the potential and motivation of all employees to enable the use of the right people in the right place.
- The achievement of defined quality standards to satisfy internal and external customers.
- The development and use of market-leading technologies for products and processes.
- *Monozukuri*: having a passion for manufacturing excellence through benchmarking, best practice and standard operating procedures.
- *Genchi Genbutsu*: Making decisions after going to the source to understand the conditions on the shop floor and in other workplaces
- Making decisions based on data, facts and analysis
- Seeking to continuously improve in all our activities, through the application of the PDCA (Plan-Do-Check-Act) methodology.
- Efficiency in everything we do, exploiting synergies and achieving cost leadership throughout
- A commitment to high standards of social responsibility in the communities and environments in which we operate.

Quality
NSG believes that a company must take primary responsibility for product quality. One of the Company's fundamental policies is to remain strong in *monozukuri,* particularly in terms of quality. The entire company is engaged in a quality enhancement program in an effort to take the lead in quality. NSG is moving forward to build a structure based on the principle that quality must be built into facilities and processes, which are at the foundation of the Company's activities. The Company is also offering technical education workshops for engineers needed to move forward with this effort, wherein plant staff and engineers tenaciously tackle issues together.

NSG has recently earned several important honors from its customers. At Toyota Motor Corporation's 2006 Toyota Global Suppliers Convention, NSG received the fiscal 2005

"Excellent" Award for Quality Performance, and at the Estima/Previa Line-Off Reception, it won an award in the Technology Division. Three more of the Group's Automotive plants have achieved Ford's Q1 Quality Standard, with Ylöjärvi, San Salvo and Sandomierz all earning the distinction over the past year. All three are supplying glass for the new Ford Galaxy, S-Max and Mondeo models. Sagunto and the Cologne assembly satellite already have the Q1 standard. The Company also won three awards from Honda Motor Co., Ltd., at its 2006 New Year's Reception for Top Management, including the Quality Award, the Cost Award, and the Special Award of Outstanding Quality. NSG is honored to have been recognized in this way and will continue working to enhance the quality of its products.

Customers, Shareholders and Suppliers

The NSG Group has a product and service improvement process that listens to and adopts customers' suggestions. Incorporating this into its unique "production innovation program," which includes quality control, the Group engages in product manufacturing while placing the highest priority on the enhancement of customer satisfaction.

NSG also strives to build a better relationship with shareholders and investors over the long term through proactive communications and timely information disclosure. To that end, the Company gives investors opportunities for direct communication, including at various briefing sessions, while providing its News Alert Service to distribute press releases and IR news both in Japanese and English.

Given the fact that suppliers are valued business partners, the Company continues frequent information exchange and holds joint training sessions, in pursuit of establishing the kind of relationship of trust that is necessary for the future growth of both suppliers and the Company.

Employees

All of the NSG Group's management executives and employees give priority to and engage in the following as basic policies:

1. Laws and regulations concerning health and safety to enhance health and safety in the workplace are complied with.
2. All staff, including management executives, share responsibility in their respective roles and follow the cycle of plan-do-check-act (PDCA) constantly to improve the business.
3. Risk assessments improvements are implemented to eliminate unsafe conditions and behavior at the workplace.
4. Education and training programs necessary for the promotion of health and safety activities are conducted with maximum participation.
5. Major efforts are made to secure the health and safety of all employees.

The NSG Group continues to make major efforts to realize a safe and comfortable workplace where employees can find self-fulfillment through work.

NSG received the "Excellent" Award for Quality Performance at Toyota Motor Corporation's 2006 Toyota Global Suppliers Convention, and an award in the Technology Division at the Estima/Previa Line-Off Reception.

The plant at Sandomierz, Poland is one of three of the Group's Automotive plants to have achieved Ford's Q1 Quality Standard over the past year.

Environmental Preservation & Social Contribution

All glass is made from natural resources such as silica sand. The NSG Group is striving to minimize waste by improving efficiencies in all stages of the glass-making process: resource mining, transport and production.

In the product design stage, the Company limits the use of toxic substances and has established an environmental management system to help understand the flow of materials in other stages of production. With the objective of reducing the environmental burden, NSG endeavors to prevent pollution throughout the entire product lifecycle.

Furthermore, a major proportion of the Group's products, particularly in the Flat Glass businesses, make a significant contribution to reduction of carbon-dioxide emission, both in buildings and vehicles.

In addition to its corporate mission of contributing to society through its business activities, the NSG Group always contemplates ways of carrying out its social responsibilities in order to harmonize with local communities and society as a member in good standing.

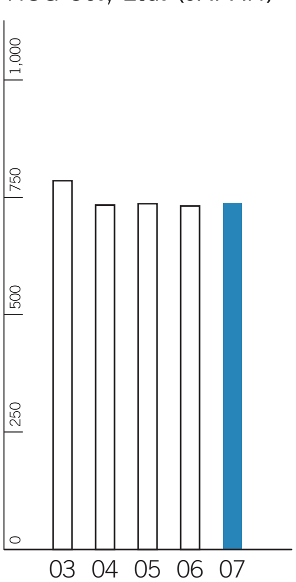
With this in mind, NSG is making Group-wide efforts in community-based and social contribution activities, including beautification and environmental preservation endeavors at each plant, to carry out its responsibility as a respected member of society. Through these approaches, the Company strives to establish a good relationship with all stakeholders and to contribute to the realization of a healthy and wealthy society.

Introduced in 1960, SPACE MODULATOR is a journal of the construction industry compiled and published by NSG to deepen mutual understanding between the construction and glass industries.

CO_2 Emissions

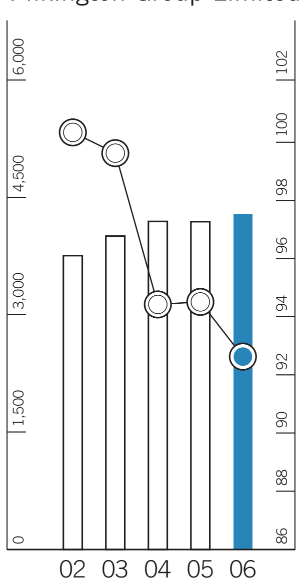
(Thousand tonnes)

NSG Co., Ltd. (JAPAN)



Note: The data of NSG JAPAN includes flat glass and specialty glass businesses.

Pilkington Group Limited



◎ Specific CO_2 / Glass tonne (02=100)

In 2007, for the 20th year, Pilkington sponsored the UK Royal College of Art vehicle design award. Best design interpretation for the use of glazing was won by Teresa Mendeza from Italy for her designed model 'Guell.'

Status of Corporate Governance Measures Implemented

In the following section, the present status of the management organization pertaining to decision-making, executive, and oversight functions is discussed, as well as the Company's other corporate governance systems and the implementation status of recent corporate governance measures.

Board of Directors and Executive Officer System

To promote the independent management of each business and promote an emphasis on cash flows in management, Nippon Sheet Glass reorganized its in-house companies in 1999. At the same time, NSG implemented an executive officer system to enhance management efficiency and speed and to clarify the responsibilities and authority of the Board of Directors and executive officers.

The management responsibilities of directors were defined more clearly in June 2002. In addition, the term of office for directors was reduced to one year, with the objective of building a management system capable of responding flexibly and appropriately to changes in the business environment. Then, in June 2004, the executive officer system was strengthened to clarify further the separation of oversight and executive functions and the responsibilities corresponding to each, and the number of directors was reduced from ten to seven.

As of March 31, 2007, the Company had nine directors (including two outside directors) and 19 executive officers (including four executive officers concurrently serving as directors). In fiscal 2007, the Board of Directors met 15 times, and the Management Conference was convened 29 times. Chaired by the president, the Management Conference has a mandate to make decisions regarding important operational issues.

There are no personal or financial ties between Nippon Sheet Glass and its outside directors that could constitute a conflict of interest.

As of June 29, 2007, the Company had 12 directors (including two outside directors) and 23 executive officers (including eight executive officers concurrently serving as directors)

Corporate Auditors, Audits by Corporate Auditors and Internal Audits

Nippon Sheet Glass employs a corporate auditor system. At March 31, 2007, the Company employed five corporate auditors (including three outside auditors). During fiscal 2007, Auditors' Meetings were held seven times.

In accordance with the established audit policies and tasks assigned by the Board of Auditors, corporate auditors attend meetings of the Board of Directors and other important bodies and audit the operations and finances of Nippon Sheet Glass and its principal subsidiaries. In the interest of efficiency in auditing, the corporate auditors receive reports from the independent auditor and the Internal Audit Department and engage in the free exchange of opinions among themselves.

There are no personal or financial ties between Nippon Sheet Glass and its corporate auditors that could constitute a conflict of interest.

As of June 29, 2007, the Company employed five corporate auditors (including three outside directors).

The Company's Internal Audit Department conducts internal audits based on its audit plan and in communication with the corporate auditors and independent auditor. Each business location is visited, and its operational status is audited.

Audit of Accounts

Name of certified public accountants (CPAs), their audit corporation and number of years served as NSG auditor

Name of CPAs and their audit corporation

Management partner	Kenji Nishihara
ShinNihon & Co.	Tamon Tsuda
	Kaname Matsumoto

Notes:

1. The number of years served as NSG auditor is omitted, as all of the CPAs serve as NSG auditors for seven years or less.
2. ShinNihon & Co. has voluntarily adopted measures to ensure that management is not engaged in the Company's accounting audit for longer than a certain fixed period.

Assistants involved in auditing
Five CPAs, six junior accountants and six others

Other Corporate Governance Systems

To increase transparency with regard to the compensation of directors, corporate auditors, and executive officers, Nippon Sheet Glass has established a Compensation Advisory Committee. This committee has a membership of seven, which includes three outside directors. In fiscal 2006, this committee met three times.

The Compliance Committee promotes increasingly thorough compliance by educating employees in the requirements of the NSG Group's compliance policies and code of conduct, and by promoting individual adherence to important statutes. NSG is stepping up its IR and public relations activities, which increase management transparency, and it is constantly engaged in activities intended to reduce the environmental impact of its operations. The Group will continue to reinforce and expand these activities in the future.

Risk Management Systems

NSG has established risk-management regulations in order to minimize and avoid risks and to ensure an effective response when they arise. The General Affairs Department is tasked with promoting risk management throughout the Company.

Compensation for Directors and Auditors

Compensation for NSG's directors and auditors is as follows:

Category: Directors (Outside directors)
Number: 9 (2)
Compensation amount: ¥243 million
(¥16 million)
Remarks: Compensation for directors is limited to up to ¥30 million per month.

(Resolved at the 133rd Annual Shareholders' Meeting held on June 29, 1999)

Category: Corporate auditors (outside auditors)
Number: 5 (3)
Compensation amount: ¥67 million
(¥22 million)
Remarks: Compensation for corporate auditors is limited to up to ¥6 million per month.

(Resolved at the 128th Annual Shareholders' Meeting held on June 29, 1994)

Notes:

1. In addition to the aforementioned expenses, reserves for directors' bonuses for the fiscal year under review are ¥49 million.
2. In addition to the aforementioned expenses, increase in allowance for directors' retirement benefits for the fiscal year under review was ¥30 million for directors (including ¥1 million for outside directors) and ¥6 million for corporate auditors (including ¥1million for outside auditors).
3. In addition to the aforementioned expenses, the Company recorded ¥13 million stock acquisition rights

as stock options for seven directors, excluding outside directors.

Compensation to Shin Nihon & Co., the accounting auditor for NSG and its consolidated subsidiaries, is as follows.

Compensation for audit certification based on audit contract
¥40 million
Compensation other than the above
¥17 million
Total
¥58 million

Note:
1. Nippon Muki Co., Ltd., Pilkington Group Limited and nine other important subsidiaries of NSG undergo audits conducted by CPAs or an accounting firm other than NSG's accounting auditors.

Contracts for Limitation of Liability

In accordance with Article 427, Paragraph 1 of the Corporation Law, NSG entered into a contract with each outside director and outside auditor to limit any liability of the outside directors and outside auditors arising from any bona fide intent specified in Article 423, Paragraph 1 of said Law and not from gross negligence; provided, however, that the limit of the liability shall be the total of the amounts stipulated in each item of Paragraph 1, Article 425 of said law.

Requirement for the Resolution of the Appointment of Directors

In its Articles of Incorporation, NSG stipulates that directors shall be appointed by a majority of the voting rights with the presence of shareholders representing at least one-third of all shareholders.

Matters in the Shareholders' Meeting Agenda that Can Be Resolved at the Board of Directors' Meetings

Repurchase of Treasury Stock

In accordance with Article 165 Paragraph 2 of the Corporation Law, NSG stipulates in its Articles of Incorporation that the Company can repurchase its treasury stock through market transactions upon resolution at the Board of Directors' meeting. This is designed to implement flexible capital policies.

Decision-Making Body for the Distribution of Retained Earnings

In accordance with Article 454 Paragraph 5 of the Corporation Law, NSG stipulates in its Articles of Incorporation that the Company can distribute an interim dividend upon resolution at the Board of Directors' meeting. This is designed to distribute flexible profit returns to shareholders by giving the Board of Directors authority to determine interim payment of retained earnings.

Requirement for Special Resolution at the Shareholders' Meeting

NSG stipulates in its Articles of Incorporation that the Company shall pass a Shareholders' Meeting special resolution, defined in Article 309 Paragraph 2 of the Corporation Law, by two-thirds of the voting rights with the presence of shareholders representing at least one-third of all shareholders. This is designed to implement smooth operations by relaxing the need for a quorum for special resolution at shareholders' meetings.

Management (As of October 1, 2007)

BOARD OF DIRECTORS

Yozo Izuhara
Chairman,
Representative Director

Tomoaki Abe
Vice Chairman,
Director

Katsuji Fujimoto
President & CEO,
Representative Director

Stuart Chambers
Executive Vice President & COO,
Representative Director

Masakuni Nitta
Executive Vice President,
Representative Director

Hiroyoshi Koshiba
Senior Executive Officer,
Director

Pat Zito
Senior Executive Officer,
Director

Mike Powell
Senior Executive Officer,
Director

Takeshi Horiguchi
Senior Executive Officer,
Director

Takashi Murakami
Senior Executive Officer,
Director

Noritaka Kurauchi
External Director
Adviser,
Sumitomo Electric Industries, Ltd.

Kozo Okumura
External Director
Senior Adviser,
Dainippon Ink and Chemicals, Inc.

CORPORATE AUDITORS

Togo Tanaka
Standing Auditor

Naotaka Todoroki
Standing Auditor

Kowashi Watanabe
Auditor
Attorney at law

Akihiko Nakamura
Auditor
Adviser,
Sumitomo Rubber Industries, Ltd.

Isao Watanabe
Auditor
Certified Public Accountant

SENIOR EXECUTIVE OFFICERS

Kazuyuki Izumi
Toshikazu Kondo
Tim Izzett
Vito Sassanelli
Stephen Pownall
Paul McKeon
Clemens Miller
Mark Lyons
Tom Rae

EXECUTIVE OFFICERS

Minoru Imanishi
Tony Shaw
Tsunefumi Nakagawa
Toshiyuki Nakazawa
Keiji Yoshikawa
Paul Ruddlesdin
Vittore de Leonibus

Five-Year Summary

Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2007	2006	2005	2004	2003	**2007**
For the year						
Net sales	**¥ 681,548**	¥265,888	¥264,975	¥269,149	¥280,100	**$ 5,775,831**
Income before income taxes and minority interests	**38,058**	11,535	11,424	9,562	1,468	**322,525**
Net income	**12,096**	7,764	7,588	3,207	(3,152)	**102,508**
Amounts per share (Yen and U.S. dollars):						
Net income						
Basic	**¥ 21.85**	¥ 17.52	¥ 17.12	¥ 7.19	¥ (7.17)	**$0.19**
Diluted	**20.28**	15.71	15.78	—	—	**0.17**
Cash dividends	**6.00**	6.00	6.00	3.00	3.00	**0.05**
At year-end						
Total assets	**¥1,408,984**	¥595,963	¥426,909	¥442,163	¥452,463	**$11,940,542**
Shareholders' equity	**337,268**	238,284	205,300	200,562	190,913	**2,858,203**
Number of employees	**35,811**	12,736	12,006	11,392	13,406	—

Note: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥118 = U.S.$1.00, the exchange rate prevailing on March 31, 2007. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

Financial Review

Scope of Consolidation

As of March 31, 2007, the NSG Group consisted of 237 consolidated companies. Compared with a year earlier, the Group added 186 subsidiaries to the consolidated group, including Pilkington Group Limited (formerly Pilkington plc) and removed two companies from the scope of consolidation, including NSG Holding USA Inc. Of these 237 companies, 38 are based in Japan and 199 are based overseas. The NSG Group also contained 30 affiliated companies accounted for by the equity method, 17 less than a year earlier.

Among the consolidated subsidiaries, 24 have balance sheet closing dates of December 31. Accordingly, the consolidated balance sheets utilize information for those 24 companies as of December 31, while NSG Hokkaido Co., Ltd. uses a balance sheet closing date of February 28, so significant transactions made during the period from January 1 and March 1 through March 31 are adjusted for as necessary.

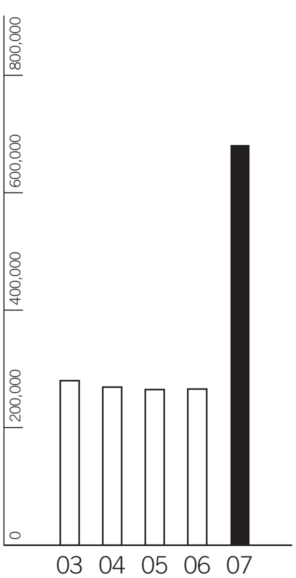
Business Performance

During the fiscal year ended March 31, 2007, the NSG Group adopted a new medium-term business plan, Phase1 (fiscal 2008–fiscal 2011), as part of the Group's long-term vision (fiscal 2008–fiscal 2017). This supersedes the previous medium-term business plan, CCP300, to take account of the acquisition in June 2006 of Pilkington plc (now Pilkington Group Ltd.).

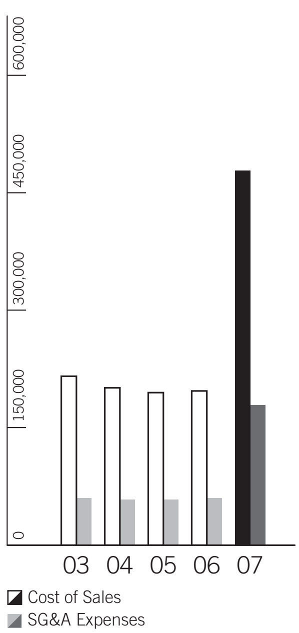
Following the acquisition of Pilkington, the NSG Group recorded its consolidated results, including Pilkington's consolidated statement of income, from the second quarter of the fiscal year under review.

A major assumption underlying the new medium-term plan is the business integration with Pilkington. This integration is now underway, and in fiscal 2007 both sales and profits increased significantly over the previous fiscal year. As a result, business performance in the fiscal year under review was as follows.

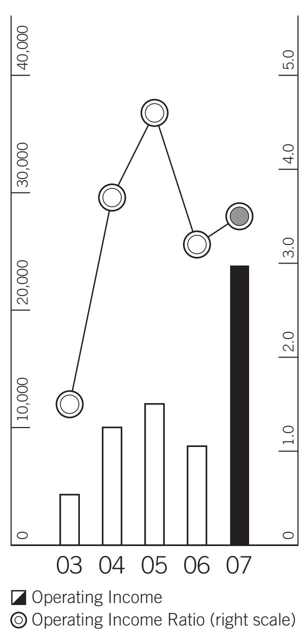
Net Sales
(Millions of yen)



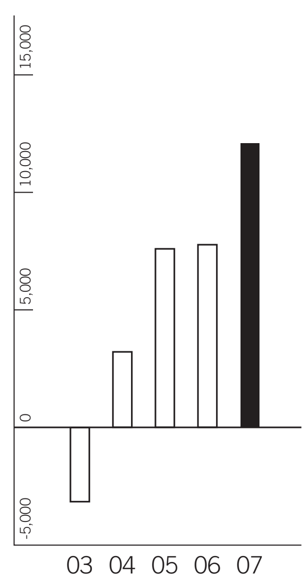
Cost of Sales and SG&A Expenses
(Millions of yen)



Operating Income and Operating Income Ratio
(Millions of yen, %)



Net Income (Loss)
(Millions of yen)



Net Sales and Operating Income

Net sales in the fiscal year ended March 31, 2007 totaled ¥681,548 million, up 156.3% from the previous fiscal year. Consolidation of Pilkington Group Ltd. contributed to this significant sales increase.

Overseas sales were ¥462,675 million, compared with ¥53,782 million in the previous fiscal year, and the overseas sales ratio increased from 20.2% to 67.9%.

Operating income jumped up by 182.6% year on year to ¥23,823 million. Pilkington received a statement of objection from the European Commission regarding their suspicions that the Company may have violated the antitrust law. NSG recorded a provision for future financial risk regarding this case and approximately ¥3,000 million in amortization of goodwill for the fiscal year under review.

Looking at results by segment, sales in the Building Products segment amounted to ¥320,358 million, over 2.5 times those of the previous fiscal year, while operating income increased by ¥12,471 million to ¥16,480 million. In this segment, Pilkington's building product business results from the second quarter of the fiscal year under review were totaled with those of NSG's building product business.

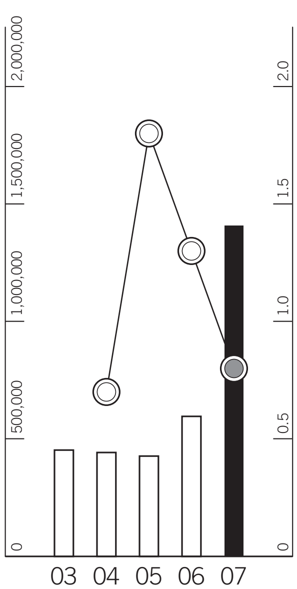
In the Automotive Segment, sales amounted to ¥268,230 million, compared with ¥55,685 million in the previous fiscal year. Operating income was ¥13,040 million. In this segment, Pilkington's automotive business results from the second quarter of the fiscal year under review were totaled with those of NSG's automotive business.

In the Other segment, sales were ¥92,960 million, up 8.3% year on year. The Group, however, posted an operating loss of ¥5,604 million in this segment. Also in the Other segment, the results of Pilkington's other businesses from the second quarter of the fiscal year under review were totaled with those of NSG's former information/electronics materials and devices businesses.

By geographic segment, Europe was separated from the former "other" area in accordance with the 100% acquisition of Pilkington's stake. Sales in Japan edged up 2.7% to ¥226,062 million, and operating income dropped 89.7% to ¥409 million. Sales in Europe climbed from ¥11,228 million to ¥294,194 million,

Total Assets and Return on Total Assets

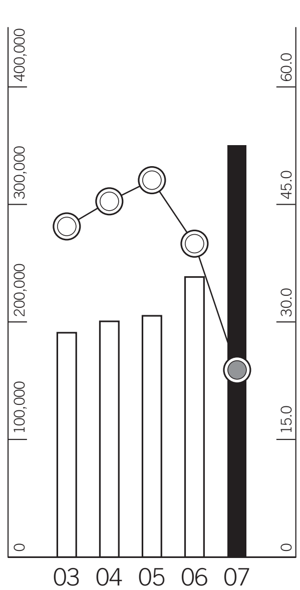
(Millions of yen, %)



Total Assets
Return on Total Assets (right scale)

Shareholders' Equity and Equity Ratio

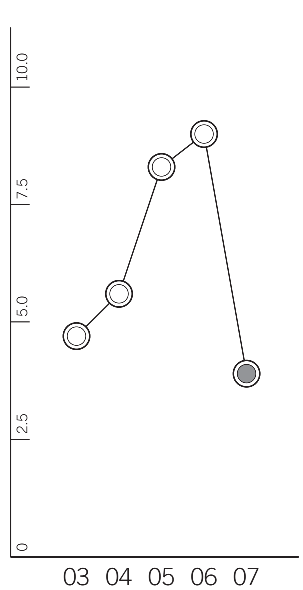
(Millions of yen, %)



Shareholders' Equity
Equity Ratio (right scale)

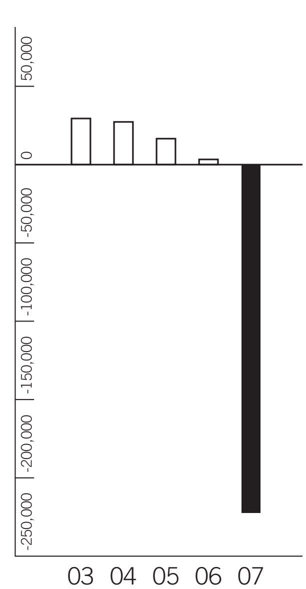
Interest Coverage

(Times)



Free Cash Flows

(Millions of yen)



while operating income increased from ¥1,206 million to ¥15,675 million. In North America, sales jumped from ¥1,766 million to ¥87,560 million, and operating income was up approximately four times over the previous fiscal year to ¥881 million. In other areas, sales rose 125.0% to ¥73,732 million, while operating income increased 126.1% to ¥6,851 million.

Net Income

In the fiscal year under review, the NSG Group recorded ¥23,060 million in interest expense, ¥7,143 million in loss on disposal of property, plant and equipment, and ¥10,480 million in transaction costs of acquisition as other expenses. On the other hand, the Group posted largely increased operating income and a gain on sales of investments in securities of ¥44,828 million as other income. As a result, income before income taxes and minority interests was ¥38,058 million, up from ¥11,535 million in the previous fiscal year.

The effective tax rate of the fiscal year under review was 60.5%, compared with the previous fiscal year's 29.8%. Thus, income taxes rose from ¥3,435 million in the year before to ¥23,004 million.

Net income rose 55.8% year on year to ¥12,096 million.

Net income per share increased from ¥17.52 a year earlier to ¥21.85.

Financial Position

The NSG Group adheres to a basic financial policy of maintaining a stable balance sheet and a flexible system for procuring funds that will contribute to future business growth and strengthen the business platform. Under these principles, the Group has implemented numerous business selection and focus initiatives and trimmed its balance sheet. The Group consolidated Pilkington Group Limited on the balance sheet at the end of the first quarter of the fiscal year under review. As a result, the Group's financial standing as of March 31, 2007 was as follows.

Assets

Total assets were ¥1,408,984 million, up ¥813,021 million from a year earlier. Due mainly to the increase in machinery, equipment and vehicles to ¥419,003 million, property, plant and equipment, net amounted to ¥396,586 million, an increase of ¥277,190 million from a year earlier. In addition, the Group posted ¥204,883 million in goodwill.

Liabilities

The sum of current and long-term liabilities totaled ¥1,058,359 million, up ¥703,995 million from a year earlier. Main factors behind the increase were ¥78,118 million in provision for future financial risk arising from alleged violation of the Competition Law of the European Union and the significant increase in long-term debt.

Interest-bearing debt increased by ¥324,194 million year on year to ¥561,117 million at the end the fiscal year under review. The amount, however, was ¥107,521 million smaller than the amount at the end of the first quarter of the fiscal year.

Net assets

Convertible bonds of ¥110,000 million issued for the purpose of acquisition funds were all converted, and common stock increased ¥55,087 million to ¥96,147 million.

Total net assets, which were total shareholders' equity up to the previous fiscal year-end, were ¥350,625 million as of March 31, 2007, up ¥112,341 million from a year earlier.

The shareholders' equity ratio as of March 31, 2007 was, however, 23.9%, a decrease of 16.1 points compared with a year earlier, because of a significant increases in total liabilities, minority interests and net assets. Net assets per share decreased from ¥537.89 a year earlier to ¥504.55 as of March 31, 2007.

Cash Flows

Net cash provided by operating activities totaled ¥75,379 million, compared with ¥15,455 million in the previous fiscal year. Main positive factors were ¥38,058 million in income before income taxes and minority interests and ¥51,350 million in depreciation and amortization of tangible and intangible assets other than goodwill.

Net cash used in investing activities amounted to ¥297,644 million. Major cash outflows consisted of ¥314,563 million in acquisition of subsidiaries' stock resulting in a change in the scope of consolidation and ¥43,742 million for purchases of property, plant and equipment.

Free cash flow, which represents the net total of cash flows from operating activities and investing activities, amounted to outflows of ¥222,265 million.

Net cash provided by financing activities totaled ¥190,068 million. The major factor underlying cash inflows was ¥293,672 million in proceeds from long-term loans.

Accounting for the effect of changes in exchange rates, cash and cash equivalents as of March 31, 2007 totaled ¥159,762 million, a decrease of ¥19,397 million compared with a year earlier.

The debt redemption period decreased from 15.3 years to 7.4 years, while the interest coverage ratio went from 9.0 times to 3.9 times.

Debt redemption period: Interest-bearing debt/operating cash flow
Interest coverage ratio: Operating cash flow/interest paid

Risk Information

Items that may potentially have a significant impact on investor decisions are as follows. The forward-looking statements contained herein are based upon assessments by the NSG Group as of March 31, 2007. The following is not intended to be a comprehensive assessment of all business risks facing the Group.

1. Economic conditions

Approximately 30% of the NSG Group's sales are in Japan and 40% in Europe. Conditions in the Japanese and global economies, as well as the economic environment affecting the business of our customers, tend to influence demand for NSG Group products, and the Group's business results may be significantly affected thereby. In addition, prices of heavy oil, which is the core fuel used in the production of flat glass, are escalating worldwide, and such spiraling heavy oil prices may affect the Group's manufacturing costs and have an adverse impact on the Group's performance.

2. Reliance on specific industries

The Building Products and Automotive businesses contribute approximately 80% of the Company's net sales, primarily based upon business with customers in the construction, housing and automotive industries. Conditions affecting the construction and automotive sectors in turn affect a number of corporations related to the construction and automotive components industries, including the NSG Group.

The NSG Group strives to build a stable profit structure in the Building Products and Automotive businesses by thorough cost reductions in addition to development and expanded sales of high-value-added products. However, Group business performance and financial condition may be affected by economic cycles in the construction and automotive sectors.

3. Competition

The NSG Group competes with other glass product manufacturers in Japan and overseas. Moreover, the Group is also in competition with manufacturers, including those in the construction, automotive and other industries, that manufacture other materials such as plastics and metals.

The NSG Group seeks to maintain a superior competitive position by introducing proprietary technologies and products to markets. The Group's business performance and financial condition may be adversely affected, however, as a result of competitive circumstances.

4. New product development and technological innovations

In addition to focusing efforts on the development of proprietary technologies and products in existing business fields, the NSG Group is also advancing with initiatives to develop new products in new business fields. Long time periods may be required for the new product development process, potentially leading to mounting expenses. Moreover, substantial investment of capital and resources may be necessary before new products contribute to sales. Investment for the development of new products may not generate sufficient earnings in the event that competing companies release new products to the market more rapidly than NSG. In addition, in the event that the Group is unable to predict or respond in a timely manner to changes in technologies, or does not succeed in developing new products suited to customer needs, business performance and financial condition may be adversely impacted.

5. Future investment capital

The NSG Group may, in the future, need to procure additional capital for any or several of the following business activities: releasing new products; implementing business or research and development plans; increasing manufacturing capacity; acquiring complementary businesses, technologies or services; or repaying liabilities. In the event that the Group is unable to secure such capital in a timely manner and under favorable conditions, or cannot procure capital at all, NSG may not be able to invest for the expansion, development or strengthening of products and services, and may not be able to grasp business opportunities or to respond sufficiently to competitive pressures.

6. Overseas manufacturing

The NSG Group has manufacturing operations in several nations, including Japan, Europe and all through the world. Several risks are inherent in conducting business in each nation, including political and economic conditions, as well as circumstances related to laws and regulations. These risks may impact the Group's business results and financial condition.

7. Interruptions of production

NSG conducts periodic inspection and maintenance of all equipment to prevent breakdown and minimize the impact that would be incurred by the interruption of production operations. However, there is no guarantee that the Company can completely prevent or alleviate the impact of earthquakes, power outages, or other disasters or disruptions upon production equipment.

Moreover, NSG manufactures certain products that cannot be manufactured with equipment other than that of the Group. Accordingly, the occurrence of severe earthquakes or other disturbances that lead to the temporary or long-term interruption of production operations may in turn cause sharp decreases in the production capacity of specific products. The Group's business performance and financial condition may be affected accordingly.

8. Foreign exchange and interest rates

The NSG Group produces and sells goods to customers in Japan, Europe and all through the world and faces numerous risks related to the fluctuation of foreign exchange and interest rates in the markets where it is active. While NSG takes active measures to hedge against such risks, fluctuations in currency exchange and interest rates may affect the Group's business activities, earnings performance and financial condition.

9. Insufficient pension reserves

In the event of decreases in the market value or return on investment of the Group's pension assets, or in the event of changes in actuarial assumptions for insurance that form the basis for postulations used to calculate projected benefit obligations, the Group's business performance and financial condition may be significantly affected.

Consolidated Balance Sheets

Nippon Sheet Glass Company, Limited and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1 (a))
ASSETS	**2007**	2006	**2007**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 159,762**	¥ 179,159	**$ 1,353,915**
Short-term investments	**1,152**	1,512	**9,763**
Trade notes and accounts receivable (Note 3)	**159,292**	65,061	**1,349,932**
Allowance for doubtful accounts	**(4,389)**	(769)	**(37,195)**
Inventories:			
Finished goods	**67,179**	21,367	**569,314**
Work in process and raw materials	**46,081**	16,382	**390,517**
Deferred income taxes (Note 7)	**3,096**	1,863	**26,237**
Other current assets	**33,664**	4,157	**285,288**
Total current assets	**465,837**	288,732	**3,947,771**
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 5 and 8)	**57,214**	23,030	**484,864**
Buildings and structures (Notes 5 and 8)	**155,986**	107,577	**1,321,915**
Machinery, equipment and vehicles (Notes 5 and 8)	**419,003**	194,218	**3,550,873**
Construction in progress (Note 5)	**7,377**	8,965	**62,517**
	639,580	333,790	**5,420,169**
Accumulated depreciation	**(242,994)**	(214,394)	**(2,059,271)**
Property, plant and equipment, net	**396,586**	119,396	**3,360,898**
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 4, 8 and 19 (a))	**96,744**	112,022	**819,864**
Investments in unconsolidated subsidiaries and affiliates	**30,112**	61,985	**255,186**
Deferred income taxes (Note 7)	**1,150**	834	**9,746**
Goodwill (Note 17)	**204,883**	–	**1,736,297**
Other assets	**213,672**	12,994	**1,810,780**
Total investments and other assets	**546,561**	187,835	**4,631,873**
TOTAL ASSETS	**¥1,408,984**	¥ 595,963	**$11,940,542**

See accompanying notes to consolidated financial statements.

LIABILITIES, MINORITY INTERESTS AND NET ASSETS	Millions of yen 2007	 2006	Thousands of U.S. dollars (Note 1 (a)) 2007
CURRENT LIABILITIES:			
Short-term bank borrowings (Note 8)	**¥ 92,516**	¥ 38,477	**$ 784,034**
Current portion of long-term debt (Note 8)	**14,800**	8,226	**125,424**
Notes and accounts payable:			
Trade (Note 3)	**98,291**	37,357	**832,975**
Construction	**17,580**	5,400	**148,983**
Accrued expenses	**43,584**	10,013	**369,356**
Accrued income taxes (Note 7)	**41,510**	3,419	**351,780**
Deferred income taxes (Note 7)	**3,063**	1,206	**25,958**
Provision for future financial risk arising from alleged violation of Competition Law of the European Union	**78,118**	–	**662,017**
Other current liabilities	**48,128**	6,904	**407,863**
Total current liabilities	**437,590**	111,002	**3,708,390**
Long-term liabilities:			
Long-term debt (Note 8)	**453,801**	190,220	**3,845,771**
Accrued retirement benefits (Note 6)	**87,598**	13,210	**742,356**
Allowance for rebuilding furnaces	**9,237**	9,684	**78,280**
Deferred income taxes (Note 7)	**49,870**	28,075	**422,627**
Other long-term liabilities	**20,263**	2,173	**171,720**
Total long-term liabilities	**620,769**	243,362	**5,260,754**
Minority interests	**–**	3,315	**–**
Contingent liabilities (Note 10)			
Net assets:			
Shareholders' equity (Note 9):			
Common stock:			
Authorized — 1,775,000,000 shares			
Issued — 669,550,999 shares in 2007 and 443,946,452 shares in 2006	**96,147**	41,060	**814,805**
Capital surplus	**105,289**	50,373	**892,280**
Retained earnings (Note 19(c))	**105,914**	95,791	**897,576**
Treasury stock, at cost: 1,147,732 shares in 2007 and 950,832 shares in 2006	**(450)**	(334)	**(3,814)**
Total shareholders' equity	**306,900**	186,890	**2,600,847**
Valuation and translation adjustments:			
Net unrealized holding gain on securities (Notes 4 and 7)	**25,881**	50,338	**219,331**
Net unrealized deferred loss on hedges (Note 12)	**(3,048)**	–	**(25,831)**
Translation adjustments	**7,508**	1,056	**63,627**
Total valuation and translation adjustments	**30,341**	51,394	**257,127**
Stock options (Note 9(b))	**27**	–	**229**
Minority interests	**13,357**	–	**113,195**
Total net assets	**350,625**	238,284	**2,971,398**
TOTAL LIABILITIES, MINORITY INTERESTS AND NET ASSETS	**¥1,408,984**	¥595,963	**$11,940,542**

Consolidated Statements of Income

Nippon Sheet Glass Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1 (a))
	2007	2006	**2007**
Net sales (Note 16)	**¥681,548**	¥265,888	**$5,775,831**
Cost of sales (Note 13)	**478,701**	196,948	**4,056,788**
Gross profit	**202,847**	68,940	**1,719,043**
Selling, general and administrative expenses (Note 13)	**179,024**	60,510	**1,517,153**
Operating income (Note 16)	**23,823**	8,430	**201,890**
Other income (expenses):			
Interest and dividend income	**6,446**	2,270	**54,627**
Interest expense	**(23,060)**	(1,608)	**(195,424)**
Equity in earnings of affiliates	**2,417**	4,018	**20,483**
Gain on sales of property, plant and equipment	**3,697**	1,096	**31,331**
Loss on disposal of property, plant and equipment	**(7,143)**	(219)	**(60,534)**
Gain on sales of investments in securities (Note 4)	**44,828**	5,548	**379,898**
Loss on disposal of inventories	**–**	(1,358)	**–**
Loss on impairment of fixed assets (Note 5)	**(683)**	(703)	**(5,788)**
Transaction costs of acquisition	**(10,480)**	(1,243)	**(88,813)**
Reversal of allowance for rebuilding furnaces	**1,064**	–	**9,017**
Income from discontinued operations (Notes 18 and 19(b))	**1,513**	–	**12,822**
Loss on sales of investments in unconsolidated subsidiaries, net	**(1,095)**	–	**(9,280)**
Loss on termination of a business	**(1,374)**	–	**(11,644)**
Other, net	**(1,895)**	(4,696)	**(16,060)**
	14,235	3,105	**120,635**
Income before income taxes and minority interests	**38,058**	11,535	**322,525**
Income taxes (Note 7):			
Current	**28,068**	4,015	**237,864**
Deferred	**(5,064)**	(580)	**(42,915)**
	23,004	3,435	**194,949**
Income before minority interests	**15,054**	8,100	**127,576**
Minority interests	**(2,958)**	(336)	**(25,068)**
Net income	**¥ 12,096**	¥ 7,764	**$ 102,508**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Nippon Sheet Glass Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net unrealized deferred loss on hedges	Translation adjustments	Total valuation and translation adjustments	Stock options	Minority interests	Total net assets
Balance at March 31, 2005	¥41,060	¥ 50,373	¥ 95,356	¥(257)	¥186,532	¥ 26,787	¥ –	¥(8,019)	¥ 18,768	¥ –	¥ –	¥205,300
Net income for the year	–	–	7,764	–	7,764	–	–	–	–	–	–	7,764
Cash dividends	–	–	(2,659)	–	(2,659)	–	–	–	–	–	–	(2,659)
Decrease in retained earnings resulting from changes in accounting policies of overseas subsidiaries	–	–	(4,670)	–	(4,670)	–	–	–	–	–	–	(4,670)
Gain on sales of treasury stock	–	–	–	2	2	–	–	–	–	–	–	2
Increase in treasury stock	–	–	–	(79)	(79)	–	–	–	–	–	–	(79)
Net changes during the year	–	–	–	–	–	23,551	–	9,075	32,626	–	–	32,626
Balance at March 31, 2006	41,060	50,373	95,791	(334)	186,890	50,338	–	1,056	51,394	–	–	238,284
Reclassified balance at March 31, 2006	–	–	–	–	–	–	–	–	–	–	3,315	3,315
Conversion of convertible bonds	55,087	54,913	–	–	110,000	–	–	–	–	–	–	110,000
Net income for the year	–	–	12,096	–	12,096	–	–	–	–	–	–	12,096
Cash dividends	–	–	(3,022)	–	(3,022)	–	–	–	–	–	–	(3,022)
Increase in retained earnings resulting from initial consolidation of subsidiaries	–	–	30	–	30	–	–	–	–	–	–	30
Increase in retained earnings resulting from merger of consolidated subsidiaries	–	–	36	–	36	–	–	–	–	–	–	36
Increase in retained earnings resulting from adoption of a new accounting standard on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements	–	–	983	–	983	–	–	–	–	–	–	983
Gain on sales of treasury stock	–	3	–	4	7	–	–	–	–	–	–	7
Increase in treasury stock	–	–	–	(120)	(120)	–	–	–	–	–	–	(120)
Net changes during the year	–	–	–	–	–	(24,457)	(3,048)	6,452	(21,053)	27	10,042	(10,984)
Balance at March 31, 2007	¥96,147	¥105,289	¥105,914	¥(450)	¥306,900	¥ 25,881	¥(3,048)	¥ 7,508	¥ 30,341	¥27	¥13,357	¥350,625

	Thousands of U.S. dollars (Note 1(a))											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net unrealized deferred loss on hedges	Translation adjustments	Total valuation and translation adjustments	Stock options	Minority interests	Total net assets
Balance at March 31, 2006	$347,966	$426,890	$811,788	$(2,831)	$1,583,813	$ 426,593	$ –	$ 8,949	$ 435,542	$ –	$ –	$2,019,355
Reclassified balance at March 31, 2006	–	–	–	–	–	–	–	–	–	–	28,093	28,093
Conversion of convertible bonds	466,839	465,364	–	–	932,203	–	–	–	–	–	–	932,203
Net income for the year	–	–	102,508	–	102,508	–	–	–	–	–	–	102,508
Cash dividends	–	–	(25,610)	–	(25,610)	–	–	–	–	–	–	(25,610)
Increase in retained earnings resulting from initial consolidation of subsidiaries	–	–	254	–	254	–	–	–	–	–	–	254
Increase in retained earnings resulting from merger of consolidated subsidiaries	–	–	305	–	305	–	–	–	–	–	–	305
Increase in retained earnings resulting from adoption of a new accounting standard on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements	–	–	8,331	–	8,331	–	–	–	–	–	–	8,331
Gain on sales of treasury stock	–	26	–	34	60	–	–	–	–	–	–	60
Increase in treasury stock	–	–	–	(1,017)	(1,017)	–	–	–	–	–	–	(1,017)
Net changes during the year	–	–	–	–	–	(207,262)	(25,831)	54,678	(178,415)	229	85,102	(93,084)
Balance at March 31, 2007	$814,805	$892,280	$897,576	$(3,814)	$2,600,847	$ 219,331	$(25,831)	$63,627	$ 257,127	$229	$113,195	$2,971,398

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Sheet Glass Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1 (a))
	2007	2006	**2007**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 38,058**	¥ 11,535	**$ 322,525**
Adjustments for:			
Depreciation and amortization of tangible and intangible assets other than goodwill	**51,350**	12,961	**435,169**
Amortization of goodwill	**8,316**	–	**70,475**
Loss on impairment of fixed assets	**683**	703	**5,788**
Increase in allowance for doubtful accounts	**983**	169	**8,331**
Decrease in accrued retirement benefits	**(5,925)**	(2,093)	**(50,212)**
Gain on sales of property, plant and equipment	**(3,697)**	(1,096)	**(31,331)**
Loss on disposal of property, plant and equipment	**7,143**	219	**60,534**
Gain on sales of investments in securities	**(44,828)**	(5,548)	**(379,898)**
Loss on sales of investments in unconsolidated subsidiaries, net	**1,095**	–	**9,280**
Loss on revaluation of investments in securities	**428**	121	**3,627**
Equity in earnings of affiliates	**(2,417)**	(4,018)	**(20,483)**
Interest and dividend income	**(6,446)**	(2,270)	**(54,627)**
Interest expense	**23,060**	1,608	**195,424**
Decrease in notes and accounts receivable	**6,206**	3,529	**52,593**
Decrease (increase) in inventories	**2,822**	(2,081)	**23,915**
Increase (decrease) in notes and accounts payable	**4,822**	(3,680)	**40,864**
(Decrease) increase in allowance for rebuilding furnaces	**(446)**	960	**(3,780)**
Other, net	**11,454**	3,741	**97,068**
Subtotal	**92,661**	14,760	**785,262**
Interest and dividend income received	**9,925**	5,541	**84,110**
Interest paid	**(19,277)**	(1,720)	**(163,364)**
Income taxes paid	**(7,930)**	(3,126)	**(67,203)**
Net cash provided by operating activities	**75,379**	15,455	**638,805**
Cash flows from investing activities:			
Payments for time deposits	**(5,185)**	(1,195)	**(43,941)**
Proceeds from time deposits	**5,239**	335	**44,398**
Purchases of investments in securities	**(4,710)**	(543)	**(39,915)**
Proceeds from sales of investments in securities	**54,620**	7,565	**462,881**
Purchases of investments in affiliates	**(2,448)**	(2,483)	**(20,746)**
Proceeds from sales of investments in affiliates	**7,958**	–	**67,441**
Acquisition of subsidiaries' stock resulting in change in scope of consolidation	**(314,563)**	–	**(2,665,788)**
Purchases of property, plant and equipment	**(43,742)**	(14,043)	**(370,695)**
Proceeds from sales of property, plant and equipment	**12,785**	2,169	**108,347**
Purchases of other assets	**(5,613)**	(4,547)	**(47,568)**
Decrease in short-term loans receivable included in other current assets	**2,043**	841	**17,314**
Increase in long-term loans receivable	**(1,566)**	(265)	**(13,271)**
Other, net	**(2,462)**	17	**(20,864)**
Net cash used in investing activities	**(297,644)**	(12,149)	**(2,522,407)**
Cash flows from financing activities:			
(Decrease) increase in short-term bank borrowings	**(2,474)**	5,420	**(20,966)**
Proceeds from long-term loans	**293,672**	13,529	**2,488,746**
Repayment of long-term loans	**(97,052)**	(5,317)	**(822,475)**
Issuance of bonds	**–**	110,000	**–**
Redemption of bonds	**–**	(9,600)	**–**
Cash dividends paid	**(3,029)**	(2,659)	**(25,669)**
Cash dividends paid to minority shareholders of consolidated subsidiaries	**(933)**	–	**(7,907)**
Other, net	**(116)**	(148)	**(983)**
Net cash provided by financing activities	**190,068**	111,225	**1,610,746**
Effect of exchange rate changes on cash and cash equivalents	**12,741**	1,031	**107,974**
Net (decrease) increase in cash and cash equivalents	**(19,456)**	115,562	**(164,882)**
Cash and cash equivalents at beginning of the year	**179,159**	63,512	**1,518,297**
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	**59**	85	**500**
Cash and cash equivalents at end of the year	**¥ 159,762**	¥179,159	**$ 1,353,915**

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

The accompanying consolidated financial statements of Nippon Sheet Glass Company, Limited (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically for the convenience of readers outside Japan.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥118 = U.S.$1.00, the exchange rate prevailing on March 31, 2007. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2006 to the 2007 presentation. These reclassifications had no effect on consolidated net income or net assets.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. The assets and liabilities of the initially consolidated subsidiaries are stated at fair value as of their respective dates of acquisition.

The balance sheet dates of certain consolidated subsidiaries are December 31 and February 28. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the periods from January 1 through March 31 and March 1 through March 31 have been adjusted, if necessary.

Differences between the cost and the underlying net equity in the net assets of the consolidated subsidiaries and companies accounted for by the equity method at their respective dates of acquisition are amortized by the straight-line method principally over a period of twenty years.

(c) Foreign Currency Translation

Assets and liabilities of overseas consolidated subsidiaries and affiliates are translated into yen at the exchange rates in effect at the respective balance sheet dates, except for the components of net assets excluding minority interests which are translated at the respective historical rates. Revenue and expenses are translated at the average rates of exchange for the respective years. Differences arising from translation are reflected in "translation adjustments" and "minority interests" in the accompanying consolidated balance sheets.

(d) Cash and Cash Equivalents

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

(e) Allowance for Doubtful Accounts

The allowance for doubtful accounts 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.

(f) Short-Term Investments and Investments in Securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading securities, held-to-maturity debt securities or other securities. Under this accounting standard, trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(g) Derivatives

Derivatives are stated at fair value.

(h) Inventories

Inventories of the Company and domestic subsidiaries are principally stated at cost determined by the moving-average method, and those of certain overseas subsidiaries are stated at the lower of cost or net realizable value, determined by the first-in, first-out method.

(i) Property, Plant and Equipment

The Company and domestic subsidiaries state property, plant and equipment at cost.

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 attachments to the buildings) acquired on or after April 1, 1998, which is calculated by the straight-line method. The estimated useful lives applied by the Company and domestic subsidiaries are principally as follows:

Buildings and structures	3–50 years
Machinery, equipment and vehicles	3–15 years

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

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

(j) Retirement Benefits

Accrued retirement benefits for employees are provided principally 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 gain or loss is 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 and certain domestic consolidated subsidiaries have unfunded retirement benefit plans for their directors and corporate auditors. The funding required under these plans has been fully accrued in accordance with their respective internal rules.

Effective the year ended March 31, 2007, the Company amended its defined benefit retirement plan by introducing a point-based benefit system. As a result, the Company expensed immediately all prior service cost arising from this amendment. Consequently, operating income and income before income taxes and minority interests for the year ended March 31, 2007 decreased by ¥327 million ($2,771 thousand) and ¥429 million ($3,636 thousand), respectively.

(k) Allowance for Rebuilding Furnaces

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

(l) Leases

The Company and its consolidated subsidiaries lease certain machinery, equipment and vehicles under non-cancelable lease agreements referred to as finance leases. At both the Company and the domestic consolidated subsidiaries, 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.

(m) Bond Issuance Expenses and Share Issuance Expenses

Bond issuance expenses and share issuance expenses are charged to income as incurred.

(n) Research and Development Costs and Software Development Costs

Research and development costs are charged to income as incurred.

Expenditures relating to the development of software intended for internal use are charged to income when incurred, except if it is anticipated that this software will contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful life of 5 years.

(o) Income Taxes

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to be reversed.

(p) Provision for Future Financial Risk Arising from Alleged Violation of Competition Law of the European Union

Upon receipt of Statements of Objection from the European Commission for alleged violation of Competition Law, the Company has determined to record a provision for any future financial risk which may arise; the amount of which is estimated based on guidelines issued by the European Union and certain other available source.

(q) Hedge Accounting

The Company and domestic consolidated subsidiaries defer the recognition of gain or loss on derivatives designated as hedging instruments until the loss or gain on the underlying hedged items is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding contract rates.

Certain overseas subsidiaries account for their derivative transactions based on the terms of the respective contracts entered into at inception as follows:

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

ii. Cash flow hedges
   The effective portion of changes in the fair value of derivatives, designated and qualifying as cash flow hedges, is recognized in net assets at an amount net of the relevant tax effects. The gain or loss relating to the ineffective portion is recognized immediately and charged to income as incurred.

iii. Net investment hedges
   Hedges of net investments in foreign operations are accounted for in a manner similar to that of cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in net assets at an amount net of the relevant tax effects.

iv. Derivatives that do not qualify for hedge accounting
   Changes in the fair value of any derivative instruments not qualifying for hedge accounting are immediately charged to income as incurred.

(r) Goodwill and Negative Goodwill

Goodwill and negative goodwill are amortized over a period of twenty years by the straight-line method.

(s) Appropriation of Retained Earnings

Under the Corporation Law of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period and the accounts for the period, therefore, do not reflect such appropriations. (Refer to Note 19(c).)

2. Changes in Method of Accounting

Effective the year ended March 31, 2006, the Company and its domestic consolidated subsidiaries adopted an accounting standard for the impairment of fixed assets. The effect of the adoption of this standard was to decrease income before income taxes and minority interests by ¥703 million for the year ended March 31, 2006 from the amount which would have been recorded under the method applied in the previous year. The accumulated impairment loss on the related assets has been deducted directly from the carrying amounts of the respective assets in the consolidated balance sheets at March 31, 2007 and 2006.

Effective the year ended March 31, 2006, the Company and its consolidated subsidiaries adopted "Partial Amendment to the Accounting Standard for Retirement Benefits" (Accounting Standard No. 3, March 16, 2005) and "Application Guideline for Partial Amendment to the Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Application Guideline for Accounting Standard No. 7, March 16, 2005). The effect of the adoption of this amendment and the applicable guideline on the consolidated operating results was nil for the year ended March 31, 2006.

Effective the year ended March 31, 2007, the Company and its overseas subsidiaries have adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18 issued on May 17, 2006). As a result of the adoption of this accounting standard, operating income decreased by ¥11,668 million ($98,881 thousand) and income before income taxes and minority interests decreased by ¥11,894 million ($100,797 thousand) for the year ended March 31, 2007 from the amounts which would have been recorded under the method applied in the previous year.

Effective the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Business Combinations" (issued on October 31, 2003 by the Business Accounting Council of Japan), and "Accounting Standard for Business Divestitures" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 and ASBJ Guidance No. 10, respectively, both of which were issued on December 27, 2005). The adoption of these accounting standards had no effect on the consolidated operating results for the year ended March 31, 2007.

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard entitled "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5 issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8 issued on December 9, 2005). Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of net assets. Such items include minority interests. Total shareholders' equity under the previous method of presentation amounted to ¥340,289 million ($2,883,805 thousand) at March 31, 2007.

Effective the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Share-based Payments" (ASBJ Statement No. 8 issued on December 27, 2005) and "Guidance on Accounting Standard for Share-based Payments" (ASBJ Guidance No. 11 issued on May 31, 2006). As a result of the adoption of this accounting standard and the related guidance, operating income and income before income taxes and minority interests decreased by ¥27 million ($229 thousand) for the year ended March 31, 2007 from the amounts which would have been recorded under the method applied in the previous year.

3. Notes Receivable and Payable

The balance sheet date for the year ended March 31, 2007 fell on a bank holiday. Consequently, trade notes receivable of ¥594 million ($5,034 thousand) and trade notes payable of ¥1,009 million ($8,551 thousand) with due dates of March 31, 2007 were included in the respective balances at March 31, 2007 and were settled on the next business day.

4. Investments in Securities

The Company and its consolidated subsidiaries did not hold any trading securities or held-to-maturity debt securities at March 31, 2007 and 2006.

Marketable securities classified as other securities at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		
	2007		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**¥8,934**	**¥52,381**	**¥43,447**
Other	–	–	–
Subtotal	**8,934**	**52,381**	**43,447**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**399**	**72**	**(327)**
Total	**¥9,333**	**¥52,453**	**¥43,120**

	Millions of yen 2006		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥16,173	¥100,798	¥84,625
Other	100	100	0
Subtotal	16,273	100,898	84,625
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	416	89	(327)
Total	¥16,689	¥100,987	¥84,298

	Thousands of U.S. dollars **2007**		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	**$75,712**	**$443,907**	**$368,195**
Other	**–**	**–**	**–**
Subtotal	**75,712**	**443,907**	**368,195**
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	**3,381**	**610**	**(2,771)**
Total	**$79,093**	**$444,517**	**$365,424**

At the year end, the Company and its consolidated subsidiaries compare the market value and the carrying value of each of their marketable equity securities. Impairment losses are recorded for those whose market value represents a substantial decline of 50% or more, or for those which have declined within a range of 30% or more, but less than 50%, over a consecutive two-year period if the decline is not deemed to be recoverable.

Sales of other securities for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Sales	**¥54,620**	¥7,565	**$462,881**
Aggregate gain	**44,828**	5,608	**379,898**
Aggregate loss	**–**	60	**–**

The carrying value of investments in non-marketable securities at March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Unlisted equity securities (except for equity securities traded on the over-the-counter market)	**¥38,629**	¥9,918	**$327,364**
Other	**5,662**	130	**47,983**

The redemption schedule at March 31, 2007 for other securities with maturity dates is summarized as follows:

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	¥1	¥1,090	¥1,060	¥3,374

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	$8	$9,237	$8,983	$28,593

5. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries recognized a loss on impairment of fixed assets for the years ended March 31, 2007 and 2006 as follows:

2007

Description	Location	Classification	Millions of yen	Thousands of U.S. dollars
Idle production facilities	Maizuru City, Kyoto Prefecture	Machinery, equipment and vehicles	¥618	$5,237
Idle production facilities	Changchun, China	Machinery, equipment and vehicles	38	322
Industrial properties	Edogawa-ku, Tokyo and other locations	Land	27	229
Total			¥683	$5,788

2006

Description	Location	Classification	Millions of yen
Industrial properties and other	Ryugasaki City, Ibaragi Prefecture and other	Land, buildings and structures	¥374
Properties for sale	Abiko City, Chiba Prefecture	Land, buildings and structures	169
Idle properties	Tsu City, Mie Prefecture	Construction in progress	160
Total			¥703

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.

Corresponding to a recent decline in land prices, the carrying value of these assets (or groups of assets), whose market value has decreased significantly from their carrying value, has been reduced to their respective recoverable amounts.

The recoverable amounts of the assets (or groups of assets) are measured based on the net selling prices determined principally by the figures presented by government authorities. Idle production facilities in Maizuru and Changchun, China were not anticipated to be utilized in the future and their recoverable amounts measured at net selling value were reduced to ¥1 ($0.01) per idle property as they had been originally constructed for a specific type of usage which was no longer applicable.

6. Retirement Benefits

The Company, its domestic consolidated subsidiaries and certain overseas subsidiaries have defined benefit plans, i.e., Welfare Pension Fund Plans ("WPFPs"), tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. In certain cases, additional severance payments are made when employees retire.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2007 and 2006 for the defined benefit plans of the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Retirement benefit obligation	**¥(462,203)**	¥(44,632)	**$(3,916,975)**
Plan assets at fair value	**375,893**	31,238	**3,185,534**
Unfunded retirement benefit obligation	**(86,310)**	(13,394)	**(731,441)**
Unrecognized actuarial loss	**275**	1,372	**2,331**
Accrued retirement benefits	**¥ (86,035)**	¥(12,022)	**$ (729,110)**

The Company and certain domestic consolidated subsidiaries, based on their internal bylaws, recorded accrued retirement benefits to directors and corporate auditors of ¥1,563 million ($13,246 thousand) and ¥1,188 million at March 31, 2007 and 2006, respectively.

The components of retirement benefit expenses for the years ended March 31, 2007 and 2006 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Service cost	**¥ 10,136**	¥2,494	**$ 85,898**
Interest cost	**16,458**	786	**139,474**
Expected return on plan assets	**(16,622)**	(693)	**(140,864)**
Net actuarial loss recognized during the year	**1,439**	1,930	**12,195**
Amortization of past service cost due to a plan amendment	**482**	–	**4,085**
Total	**¥ 11,893**	¥4,517	**$ 100,788**

The retirement benefit expenses of the domestic consolidated subsidiaries which are calculated by simplified methods as allowed under the applicable accounting standard have been included in "Service cost" in the above table.

The assumptions used in accounting for the above plans were a discount rate principally of 2.0% and an expected rate of return on plan assets principally of 3.0% for the years ended March 31, 2007 and 2006.

7. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% for the years ended March 31, 2007 and 2006. Overseas subsidiaries are subject to the income tax regulations of the respective countries in which they operate.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2007 and 2006 differ from the statutory tax rate for the following reasons:

	2007	2006
Statutory tax rate	**40.5%**	40.5%
Unrecognized deferred taxes on income of subsidiaries	**3.0**	0.9
Permanently non-deductible expenses	**0.4**	0.7
Permanently non-taxable income	**(1.1)**	(1.8)
Elimination of dividend income for consolidation purposes	**3.5**	17.6
Differences in tax rates applicable to domestic and overseas subsidiaries	**(5.1)**	(15.8)
Temporary differences arising from consolidation without tax effect	**0.1**	(14.8)
Temporary differences incurred resulting from acquisition	**1.8**	3.8
Amortization of goodwill	**10.3**	–
Valuation allowance	**9.2**	–
Tax credit	**(6.2)**	(1.4)
Other	**4.1**	0.1
Effective tax rates	**60.5%**	29.8%

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Deferred tax assets:			
Accrued retirement benefits	**¥ 20,341**	¥ 4,517	**$ 172,381**
Allowance for rebuilding furnaces	**2,788**	3,137	**23,627**
Tax loss carryforwards	**25,814**	919	**218,763**
Loss on revaluation of investments in securities	**4,335**	6,566	**36,737**
Accrued expenses	**1,094**	996	**9,271**
Allowance for doubtful accounts	**964**	1,203	**8,170**
Unrealized gain on fixed assets	**2,168**	2,236	**18,373**
Non-deductible investments and other assets	**3,663**	565	**31,042**
Accrued enterprise tax	**1,528**	188	**12,949**
Other	**6,462**	(2,933)	**54,763**
Gross deferred tax assets	**69,157**	17,394	**586,076**
Less valuation allowance	**(9,826)**	(4,659)	**(83,271)**
Total deferred tax assets	**59,331**	12,735	**502,805**
Deferred tax liabilities:			
Unrealized holding gain on securities	**(17,239)**	(35,471)	**(146,093)**
Reserve for special depreciation (a reserve for tax purposes under the Corporation Tax Law of Japan)	**(3,215)**	(2,478)	**(27,246)**
Revaluation of net assets acquired upon acquisition of Pilkington plc at fair value	**(58,548)**	–	**(496,169)**
Accelerated depreciation	**(24,009)**	–	**(203,466)**
Other	**(5,007)**	(1,370)	**(42,433)**
Total deferred tax liabilities	**(108,018)**	(39,319)	**(915,407)**
Net deferred tax liabilities	**¥ (48,687)**	¥(26,584)	**$(412,602)**

8. Short-Term Bank Borrowings and Long-Term Debt

Short-term bank borrowings principally represent bank loans with deeds. The weighted average interest rates on these borrowings were 3.7% and 1.0% at March 31, 2007 and 2006, respectively.

For flexible financing purposes, the Company has line-of-credit agreements with certain banks. The status of these at March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Lines of credit	**¥421,060**	¥25,000	**$3,568,305**
Credit used	**361,283**	–	**3,061,720**
Available credit	**¥ 59,777**	¥25,000	**$ 506,585**

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Secured loans from banks and other financial institutions	**¥363,263**	¥ 1,792	**$3,078,500**
Unsecured loans from banks and other financial institutions	**62,338**	43,654	**528,288**
1.18% unsecured bonds, due September 8, 2008	**10,000**	10,000	**84,746**
1.77% unsecured bonds, due September 8, 2010	**10,000**	10,000	**84,746**
Zero-coupon unsecured convertible bonds with stock acquisition rights, due May 13, 2011	**23,000**	23,000	**194,915**
Zero-coupon unsecured convertible bonds with stock acquisition rights, due March 13, 2009	**–**	110,000	**–**
Total	**468,601**	198,446	**3,971,195**
Less current portion included in current liabilities	**14,800**	8,226	**125,424**
	¥453,801	¥190,220	**$3,845,771**

Zero-coupon unsecured convertible bonds with stock acquisition rights at the gross issuance amount of ¥23,000 million ($194,915 thousand) are convertible into shares of common stock of the Company at ¥542 per share during the period from May 20, 2004 to May 6, 2011.

Assets pledged as collateral for long-term loans from banks and other financial institutions of ¥363,263 million ($3,078,500 thousand), short-term bank borrowings of ¥2,518 million ($21,339 thousand), and trade notes discounted with banks of ¥108 million ($915 thousand) at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 3,503	$ 29,686
Buildings and structures	1,489	12,619
Machinery, equipment and vehicles	26,131	221,450
Investments in securities	517,629	4,386,686
Total	¥548,752	$4,650,441

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 14,800	$ 125,424
2009	54,822	464,593
2010	82,018	695,068
2011	261,205	2,213,602
2012	23,604	200,034
2013 and thereafter	32,152	272,474
	¥468,601	$3,971,195

9. Shareholders' Equity

(a) The Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan (the "Code"), went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company amounted to ¥6,376 million ($54,034 thousand) and ¥6,376 million at March 31, 2007 and 2006, respectively.

Common stock and treasury stock

Movements in issued common stock and treasury stock during the year ended March 31, 2007 are summarized as follows:

	Number of shares			
	March 31, 2006	Increase	Decrease	March 31, 2007
Common stock	443,946,452	225,604,547	–	669,550,999
Treasury stock	950,832	207,772	10,872	1,147,732

(b) Under the Company's stock option plans, certain directors and employees were granted options to purchase shares of common stock at an exercise price.

The particulars of these stock option plans are outlined as follows:

	2007 plan	2006 plan	2005 plan
Type of shares	Common stock	Common stock	Common stock
Number of shares	345,000	495,000	455,000
Exercisable period	From July 1, 2008 to June 28, 2016	From July 1, 2007 to June 28, 2015	From July 1, 2006 to June 28, 2014

Stock option activities during the year ended March 31, 2007 were as follows:

	2007 plan	2006 plan	2005 plan
Number of shares:			
Outstanding at beginning of the year	–	495,000	455,000
Granted	345,000	–	–
Exercised	–	–	–
Expired	–	–	–
Outstanding at end of the year	345,000	495,000	–
Exercisable at end of the year	–	–	455,000
Price information:			
Exercise price	¥578	¥466	¥418
Weighted average price of shares when exercised	–	–	–
Fair value of unit price	221	–	–

10. Contingent Liabilities

(a) At March 31, 2007, the Company and its consolidated subsidiaries were contingently liable for trade notes receivable discounted with banks of ¥153 million ($1,297 thousand), trade notes receivable endorsed of ¥986 million ($8,356 thousand), and for guarantees of loans of unconsolidated subsidiaries, affiliates and distributors amounting to ¥3,479 million ($29,483 thousand). These amounts included contingent guarantees and letters of awareness amounting to ¥159 million ($1,347 thousand) in the aggregate.

(b) In 1989, Pilkington Holding GmbH (formerly, Pilkington Deutschland GmbH) made offers to acquire the outstanding minority interests in Pilkington Deutschland AG (formerly, Flachglas AG) and Dahlbusch AG. Certain minority shareholders challenged the offers in court on the grounds that they provided insufficient compensation.

In the case related to Pilkington Deutschland AG, the Bavarian Supreme Court has ruled on an appeal filed by Pilkington Holding GmbH and certain minority shareholders of that company relating to the valuation of the minority shareholdings. The court ruled that the price payable per share should be set at €344 per share. Only a small number of minority shareholders accepted the offer. In the case related to Dahlbusch AG, on March 23, 2006, the court advised a compromise settlement between Pilkington Holding GmbH and certain minority shareholders, which was subsequently rejected by those minority shareholders. In early 2007, the court ruled that the price for the shares of Dahlbusch AG should be set at approximately €33 million; however, both Pilkington Holding GmbH and certain minority shareholders appealed this decision.

11. Leases

The *pro forma* information relating to acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2007 and 2006, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases in the Company and domestic subsidiaries, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Machinery, equipment and vehicles:			
Acquisition costs	**¥10,997**	¥11,362	**$93,195**
Accumulated depreciation	**6,934**	7,418	**58,763**
Net book value	**¥ 4,063**	¥ 3,944	**$34,432**

Future minimum lease payments to be made under finance leases subsequent to March 31, 2007 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥1,275	$10,805
2009 and thereafter	2,788	23,627
Total	¥4,063	$34,432

The acquisition costs and future minimum lease payments referred to above under finance leases include the imputed interest expense portion.

Lease payments relating to finance leases accounted for as operating leases amounted to ¥1,401 million ($11,873 thousand) and ¥1,242 million for the years ended March 31, 2007 and 2006, respectively. Depreciation expense, which is not reflected in the accompanying consolidated statements of income, if computed by the straight-line method assuming a nil residual value, would have been ¥1,401 million ($11,873 thousand) and ¥1,242 million for the years ended March 31, 2007 and 2006, respectively.

12. Derivatives

Derivative financial instruments are utilized by the Company and its consolidated subsidiaries principally to hedge against the risk of fluctuation in interest rates, foreign currency exchange rates and market prices of commodities. The Company and its consolidated subsidiaries have established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivatives. The Company and its consolidated subsidiaries do not hold or issue derivatives for speculative or trading purposes.

The Company and its consolidated subsidiaries are exposed to certain market risk arising from derivatives; however, their derivatives positions are limited in amount based on the underlying hedged transactions. The Company and its consolidated subsidiaries are also exposed to certain credit risk in the event of nonperformance by the counterparties to the currency and interest-rate related derivatives; however, the Company and its consolidated subsidiaries believe that the credit risk is minimal because they do not anticipate nonperformance by any of these counterparties all of which are financial institutions with high credit ratings.

The notional amounts and the estimated fair value of the derivative instruments outstanding which did not qualify for deferral hedge accounting at March 31, 2007 were as follows:

(1) Currency-related transactions

	Millions of yen		
	2007		
	Notional amounts	Fair value	Gain (loss)
Forward foreign exchange contracts			
Sell:			
Brazil Real	¥4,903	¥4,450	¥(453)
Euro	1,901	1,899	(2)
U.S. dollar	1,577	1,579	2
Other	2,565	2,560	(5)
Buy:			
Euro	8,988	8,997	9
U.S. dollar	8,264	8,186	(78)
GBP	6,732	6,738	6
Other	2,338	2,345	7
Total			¥(514)

	Thousands of U.S. dollars		
	2007		
	Notional amounts	Fair value	Gain (loss)
Forward foreign exchange contracts			
Sell:			
Brazil Real	$41,551	$37,712	$(3,839)
Euro	16,110	16,093	(17)
U.S. dollar	13,364	13,381	17
Other	21,737	21,694	(43)
Buy:			
Euro	76,169	76,246	77
U.S. dollar	70,034	69,373	(661)
GBP	57,051	57,102	51
Other	19,813	19,872	59
Total			$(4,356)

The corresponding presentation at March 31, 2006 of the above table has been omitted since all of the currency-related transactions for the year then ended qualified for deferral hedge accounting.

(2) Interest-related transactions

	Millions of yen		
	2007		
	Notional amounts	Fair value	Loss
Interest rate swaps:			
Receive/fixed and pay/floating	¥16,021	¥ (853)	¥ (853)
Receive/floating and pay/fixed	41,343	(1,277)	(1,277)
Total			¥(2,130)

	Thousands of U.S. dollars		
	2007		
	Notional amounts	Fair value	Loss
Interest rate swaps:			
Receive/fixed and pay/floating	$135,771	$ (7,229)	$ (7,229)
Receive/floating and pay/fixed	350,364	(10,822)	(10,822)
Total			$(18,051)

The notional amounts of the interest rate swaps presented in the tables above excluded those qualifying for deferral hedge accounting.

Presentation of the corresponding information at March 31, 2006 has been omitted since all of the interest-related transactions outstanding at March 31, 2006 qualified for deferral hedge accounting.

13. Research and Development Costs

Costs relating to research and development activities charged to income as incurred amounted to ¥13,660 million ($115,763 thousand) and ¥7,623 million for the years ended March 31, 2007 and 2006, respectively.

14. Supplementary Cash Flow Information

Pilkington plc was consolidated effective June 16, 2006 as a result of the acquisition of its shares. The fair value of assets and liabilities included in consolidation as of July 1, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 303,727	$ 2,573,958
Property, plant and equipment	285,403	2,418,669
Goodwill	230,369	1,952,280
Other intangible assets	181,750	1,540,254
Other assets	47,181	399,839
Current liabilities	(100,891)	(855,008)
Non-current liabilities	(499,824)	(4,235,797)
Minority interests	(20,137)	(170,653)
Acquisition cost of shares of Pilkington plc	427,578	3,623,542
Investment in kind of shares of Pilkington plc	(47,703)	(404,262)
Effect of exchange rate fluctuation	27,025	229,025
Subtotal	406,900	3,448,305
Cash and cash equivalents	(92,337)	(782,517)
Net disbursement of acquisition	¥ 314,563	$ 2,665,788

Noncash financing activities

Conversion of convertible bonds with stock acquisition rights at the gross issuance amount of ¥110,000 million ($932,203 thousand) was completed on December 14, 2006 as follows:

	Millions of yen	Thousands of U.S. dollars
Increase in share capital	¥ 55,087	$466,839
Increase in capital surplus	54,913	465,364
Decrease in long-term debt (convertible bonds with stock acquisition rights)	¥110,000	$932,203

SUZHOU NSG AFC THIN FILMS ELECTRONICS CO., LTD. was initially consolidated effective the year ended March 31, 2006 as a result of the acquisition of its shares. The assets and liabilities included in consolidation as of December 31, 2005 were as follows:

	Millions of yen
Current assets	¥2,106
Non-current assets	2,682
Current liabilities	469
Non-current liabilities	338

15. Amounts per Share

Amounts per share at March 31, 2007 and 2006 and for the years then ended were as follows:

	Yen		U.S. dollars
	2007	2006	**2007**
Net assets	**¥504.55**	¥537.89	**$4.28**
Net income:			
Basic	**21.85**	17.52	**0.19**
Diluted	**20.28**	15.71	**0.17**
Cash dividends	**6.00**	6.00	**0.05**

Net assets per share are based on the number of shares of common stock outstanding at the year end.

Basic net income per share is based on the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the conversion of convertible bonds and the exercise of stock acquisition rights.

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

16. Segment Information

(a) Business Segments

Subsequent to the acquisition of Pilkington plc in June 2006, the Company revised its business segments into the following three categories: "Building products," "Automotive," and "Other." Prior to this acquisition, the business segments of the Company consisted of "Flat and safety glass and building materials," "Information/electronic materials and devices," "Glass fiber products," and "Other."

The "Building products" segment includes principally the manufacture and sale of flat glass and various interior and exterior materials with additional properties for the building market.

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

The "Other" segment consists of three sub-segments: "Information technology," "Glass fibers," and other business areas which are not included in any of the above segments or sub-segments. The "Information technology" sub-segment consists primarily of the manufacture and sale of micro-optics and fine glass, and the "Glass fibers" sub-segment deals with the manufacture and sale of glass fiber products.

The Company has restated the previously reported business segment information for the year ended March 31, 2006 in order to reflect the changes discussed above.

The business segment information for the years ended March 31, 2007 and 2006 is summarized as follows:

	Millions of yen					
	Year ended March 31, 2007					
	Building products	Automotive	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income (loss)						
External sales	**¥320,358**	**¥268,230**	**¥ 92,960**	**¥ 681,548**	**¥ –**	**¥ 681,548**
Inter-segment sales	**1,496**	**1,678**	**3,244**	**6,418**	**(6,418)**	**–**
Net sales	**321,854**	**269,908**	**96,204**	**687,966**	**(6,418)**	**681,548**
Operating expenses	**305,374**	**256,868**	**101,808**	**664,050**	**(6,325)**	**657,725**
Operating income (loss)	**¥ 16,480**	**¥ 13,040**	**¥ (5,604)**	**¥ 23,916**	**¥ (93)**	**¥ 23,823**
II. Total assets, depreciation, impairment loss and capital expenditures						
Total assets	**¥496,591**	**¥513,354**	**¥782,042**	**¥1,791,987**	**¥(383,003)**	**¥1,408,984**
Depreciation	**24,224**	**25,784**	**9,997**	**60,005**	**(339)**	**59,666**
Impairment loss	**27**	**656**	**–**	**683**	**–**	**683**
Capital expenditures	**18,891**	**20,878**	**12,780**	**52,549**	**(95)**	**52,454**

	Millions of yen					
	Year ended March 31, 2006					
	Building products	Automotive	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income						
External sales	¥124,384	¥55,685	¥ 85,819	¥265,888	¥ –	¥265,888
Inter-segment sales	601	894	3,223	4,718	(4,718)	–
Net sales	124,985	56,579	89,042	270,606	(4,718)	265,888
Operating expenses	120,976	55,587	85,610	262,173	(4,715)	257,458
Operating income	¥ 4,009	¥ 992	¥ 3,432	¥ 8,433	¥ (3)	¥ 8,430
II. Total assets, depreciation, impairment loss and capital expenditures						
Total assets	¥120,999	¥48,006	¥440,413	¥609,418	¥(13,455)	¥595,963
Depreciation	3,959	2,620	6,382	12,961	–	12,961
Impairment loss	173	–	530	703	–	703
Capital expenditures	7,047	3,132	11,017	21,196	(379)	20,817

	Thousands of U.S. dollars					
	Year ended March 31, 2007					
	Building products	Automotive	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income (loss)						
External sales	**$2,714,898**	**$2,273,136**	**$ 787,797**	**$ 5,775,831**	**$ –**	**$ 5,775,831**
Inter-segment sales	**12,678**	**14,220**	**27,492**	**54,390**	**(54,390)**	**–**
Net sales	**2,727,576**	**2,287,356**	**815,289**	**5,830,221**	**(54,390)**	**5,775,831**
Operating expenses	**2,587,915**	**2,176,847**	**862,780**	**5,627,542**	**(53,601)**	**5,573,941**
Operating income (loss)	**$ 139,661**	**$ 110,509**	**$ (47,491)**	**$202,679**	**$ (789)**	**$ 201,890**
II. Total assets, depreciation, impairment loss and capital expenditures						
Total assets	**$4,208,398**	**$4,350,458**	**$6,627,475**	**$15,186,331**	**$(3,245,789)**	**$11,940,542**
Depreciation	**205,288**	**218,509**	**84,720**	**508,517**	**(2,873)**	**505,644**
Impairment loss	**229**	**5,559**	**–**	**5,788**	**–**	**5,788**
Capital expenditures	**160,093**	**176,932**	**108,305**	**445,330**	**(805)**	**444,525**

(b) Geographic segments

The Company has revised its geographic segments effective the year ended March 31, 2007. This was due to the increase in size and importance of the Company's European businesses following the acquisition of Pilkington plc in June 2006.

The Company has restated the previously reported geographic segment information for the year ended March 31, 2006 in order to reflect the changes discussed above.

The geographic segment information for the years ended March 31, 2007 and 2006 is summarized as follows:

	Millions of yen						
	Year ended March 31, 2007						
	Japan	Europe	North America	Other areas	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income							
External sales	**¥226,062**	**¥294,194**	**¥ 87,560**	**¥ 73,732**	**¥ 681,548**	**¥ –**	**¥ 681,548**
Inter-segment sales	**23,793**	**172,592**	**11,680**	**19,103**	**227,168**	**(227,168)**	**–**
Net sales	**249,855**	**466,786**	**99,240**	**92,835**	**908,716**	**(227,168)**	**681,548**
Operating expenses	**249,446**	**451,111**	**98,359**	**85,984**	**884,900**	**(227,175)**	**657,725**
Operating income	**¥ 409**	**¥ 15,675**	**¥ 881**	**¥ 6,851**	**¥ 23,816**	**¥ 7**	**¥ 23,823**
II. Total assets	**¥595,717**	**¥762,097**	**¥187,369**	**¥172,700**	**¥1,717,883**	**¥(308,899)**	**¥1,408,984**

	Millions of yen						
	Year ended March 31, 2006						
	Japan	Europe	North America	Other areas	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income							
External sales	¥220,124	¥11,228	¥ 1,766	¥32,770	¥265,888	¥ –	¥265,888
Inter-segment sales	21,399	285	999	7,793	30,476	(30,476)	–
Net sales	241,523	11,513	2,765	40,563	296,364	(30,476)	265,888
Operating expenses	237,553	10,307	2,544	37,533	287,937	(30,479)	257,458
Operating income	¥ 3,970	¥ 1,206	¥ 221	¥ 3,030	¥ 8,427	¥ 3	¥ 8,430
II. Total assets	¥556,747	¥34,103	¥74,421	¥53,220	¥718,491	¥(122,528)	¥595,963

	Thousands of U.S. dollars						
	Year ended March 31, 2007						
	Japan	Europe	North America	Other areas	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income							
External sales	**$1,915,780**	**$2,493,169**	**$ 742,034**	**$ 624,848**	**$ 5,775,831**	**$ –**	**$ 5,775,831**
Inter-segment sales	**201,635**	**1,462,645**	**98,983**	**161,890**	**1,925,153**	**(1,925,153)**	**–**
Net sales	**2,117,415**	**3,955,814**	**841,017**	**786,738**	**7,700,984**	**(1,925,153)**	**5,775,831**
Operating expenses	**2,113,949**	**3,822,975**	**833,551**	**728,678**	**7,499,153**	**(1,925,212)**	**5,573,941**
Operating income	**$ 3,466**	**$ 132,839**	**$ 7,466**	**$ 58,060**	**$ 201,831**	**$ 59**	**$ 201,890**
II. Total assets	**$5,048,449**	**$6,458,449**	**$1,587,873**	**$1,463,560**	**$14,558,331**	**$(2,617,789)**	**$11,940,542**

(c) Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Overseas sales:			
Europe	**¥289,535**	¥ 11,288	**$2,453,686**
North America	**85,027**	2,299	**720,568**
Asia	**49,782**	40,187	**421,881**
Other areas	**38,331**	8	**324,839**
Total	**¥462,675**	¥ 53,782	**$3,920,974**
Consolidated net sales	**¥681,548**	¥265,888	**$5,775,831**
Overseas sales as a percentage of consolidated net sales:			
Europe	**42.5%**	4.2%	
North America	**12.5**	0.9	
Asia	**7.3**	15.1	
Other areas	**5.6**	0.0	
Total	**67.9%**	20.2%	

Note: The Company has revised its categories of overseas sales effective the year ended March 31, 2007. This was due to the increase in size and importance of the Company's European businesses following the acquisition of Pilkington plc in June 2006. Overseas sales information for the year ended March 31, 2006 is presented under the new categories.

17. Acquisition of Pilkington plc

The Company acquired Pilkington plc ("Pilkington") which became a wholly-owned subsidiary on June 16, 2006 by way of Scheme of Arrangement pursuant to Section 425 of the UK Companies Act (1985). In accordance with "Accounting Standard for Business Combinations" (issued on October 31, 2003 by the Business Accounting Council of Japan), and "Accounting Standard for Business Divestitures" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 and ASBJ Guidance No. 10, respectively, both of which were issued on December 27, 2005), the Company has applied the purchase method to its acquisition of Pilkington.

1. General information regarding the acquired company
   (1) Name and line of business
   Name: Pilkington plc
   Line of business: Manufacturing and sale of glass materials for buildings and automotive applications
   (2) Objectives of the acquisition
   The objectives of the acquisition of Pilkington are to obtain a larger market share of the worldwide market based on the Company's estimates and to combine economies of scale and technology owned by Pilkington to enable the Company to enhance its corporate value as a true global entity in terms of cost, quality and service.
   (3) Date of acquisition: June 16, 2006

2. Period of acquired company's statement of income reflected in the consolidated statement of income
   Pilkington's statement of income for the 9 months ended March 31, 2007 (from July 1, 2006 to March 31, 2007) has been reflected in the accompanying consolidated statement of income for the year then ended.

3. Consideration:
   Cash disbursement of approximately £2 billion

4. Goodwill arising from the acquisition
   Amount: ¥230,369 million ($1,952,280 thousand)
   Amortization: Over a period of 20 years by the straight-line method

   The difference between the net assets at fair value at the date of acquisition and the acquisition cost was accounted for as goodwill and the components of this portion of goodwill were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Book value prior to acquisition	Fair value	Book value prior to acquisition	Fair value
Current assets	¥307,098	¥303,727	$2,602,525	$2,573,958
Non-current assets:				
Tangible fixed assets	278,452	285,403	2,359,763	2,418,669
Intangible fixed assets	44,653	181,750	378,415	1,540,254
Other assets	64,030	47,180	542,627	399,831
Subtotal	387,135	514,333	3,280,805	4,358,754
Current liabilities	(104,051)	(100,891)	(881,788)	(855,008)
Long-term liabilities (a)	(391,560)	(499,823)	(3,318,305)	(4,235,788)
Minority interests (b)	(13,480)	(20,137)	(114,237)	(170,652)
Net assets	¥185,142	197,209	$1,569,000	1,671,264
Goodwill (b), (c)		230,369		1,952,280
Consideration (b)		¥427,578		$3,623,544

Notes: (a) Increase in fair value of long-term liabilities was mainly due to the recording of a provision for future financial risk arising from alleged violation of the European Union Competition Law.
(b) The portion of goodwill in the above table related to the Company's investment in Pilkington accounted for by the equity method prior to the acquisition is to be eliminated during the closing adjustments of the consolidation process.
(c) The amount of goodwill is to be determined within the one-year period from the date of acquisition.

5. Amount of assets acquired and liabilities assumed

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 303,727	$ 2,573,958
Tangible fixed assets	285,403	2,418,669
Goodwill	230,369	1,952,280
Other intangible assets	181,750	1,540,254
Other assets	47,180	399,831
Subtotal of non-current assets	744,702	6,311,034
Current liabilities	(100,891)	(855,008)
Non-current liabilities	(499,823)	(4,235,788)

Note: Major components of "Other intangible assets" were customer relationships, brand, and know-how. The weighted-average period of amortization is 13.4 years.

6. *Pro forma* information of the Company's consolidated operating results and net income per share, which would have been recorded if the acquisition of Pilkington had taken place at the beginning of the fiscal year

Operating results

	Millions of yen	Thousands of U.S. dollars
Net sales	¥806,666	$6,836,153
Operating income	30,162	255,610
Income before income taxes and minority interests	38,313	324,686
Net income	10,025	84,958
	Yen	U.S. dollars
Net income per share	¥18.11	$0.15

Note: The above *pro forma* information is presented in accordance with the requirements of accounting standards related to acquisitions and mergers. These amounts have not been audited by the external auditor as allowed under the relevant accounting standards and auditing guidance.

18. Discontinued Operations

Subsidiaries in Australia are accounted for as discontinued operations in accordance with International Financial Reporting Standards. Net income of these operations is accounted for as a separate component of other income (expenses) in the consolidated statement of income for the year ended March 31, 2007, and net of assets and liabilities is accounted for as a current liability and included in the "customers' deposits and other" account in the consolidated balance sheet at March 31, 2007.

19. Subsequent Events

(a) Sales of Investments in Securities

In order to secure funds necessary for business operations based on the annual cash forecast, the Company sold a certain number of shares of investments in securities which resulted in an aggregate gain of ¥13,074 million ($110,797 thousand) in April 2007.

(b) Sale of Investment in Subsidiary Undertaking

The Company entered into a sales agreement of shares of Pilkington Australia Finance Pty Limited, wholly owned by Pilkington Group Limited, on June 29, 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, and has classified the operations as discontinued operations in the consolidated financial statements for the year ended March 31, 2007, as discussed in Note 18. Following a process of due diligence and an assessment of the competing bids, the Company determined to accept the offer submitted by CSR Limited.

1. General information about the buyer
   Legal name: CSR Limited
   Principal address: New South Wales, Australia
   Name of representative: Ian Blackburne, Chairman
   Paid-in capital: AUD 559.9 million
   Outline of business:
   CSR Limited is a leading diversified manufacturing company throughout Australia as well as in Asia and New Zealand, with major operations in building products, sugar and aluminum.
2. Date of the sales agreement: June 29, 2007
3. General information about the subsidiary
   Legal name:
   Pilkington Australia Finance Pty Limited
   Outline of business:
   Pilkington Australia Finance Pty Limited is a holding company, which holds shares in ten subsidiaries located in Australia and New Zealand. These subsidiaries operate in the building products and automotive glass businesses in the above countries.
   Transactions with the Company: None
4. Number and price of shares sold
   Number of shares sold: 21,505 shares
   Total price of shares: Approximately AUD 690 million
   Gain or loss arising from the sale: Under assessment, as of July 2, 2007
   Percentage of ownership after the sale: Nil
5. Other essential engagements and contracts:
   None

(c) Appropriation of Retained Earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2007, was approved at a meeting of the Company's shareholders held on June 28, 2007:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥3.0 = U.S. $0.03 per share)	¥2,005	$16,992

Independent Auditors' Report

The Board of Directors
Nippon Sheet Glass Company, Limited

We have audited the accompanying consolidated balance sheets of Nippon Sheet Glass Company, Limited and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Sheet Glass Company, Limited and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

(1) As described in Note 2, effective the year ended March 31, 2006, the Company and its domestic consolidated subsidiaries adopted an accounting standard for the impairment of fixed assets.

(2) As described in Note 2, effective the year ended March 31, 2007, the Company and its consolidated subsidiaries have adopted new accounting standards on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements, business combinations and business divestitures.

(3) As described in Notes 16(a) and 16(b), the Company has revised its method of business segmentation and geographic segmentation, respectively. As described in Note 16(c), the Company has also changed its categorization of overseas sales.

(4) As described in Note 19(a), the Company sold a certain investments in securities in April 2007.

(5) As described in Note 19(b), a resolution for the sale of shares of a subsidiary was approved at an extraordinary meeting of the Board of Directors of the Company held on June 29, 2007, and the Company sold all of its shares of the subsidiary on the same date.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a).

Ernst & Young Shin Nihon

Ernst & Young ShinNihon

Osaka, Japan
July 2, 2007

Corporate Data/Stock Information (As of March 31, 2007)

Corporate Data

Head Office
Sumitomo Fudosan Mita Twin Building
West Wing, 5-27, Mita 3-chome,
Minato-ku, Tokyo 108-6321 Japan
Tel: +81-3-5443-9500

Establishment
November 22, 1918

Number of Employees (Consolidated)
35,811

Common Stock
Authorized: 1,775,000,000 shares
Issued: 669,550,999 shares

Number of Shareholders
66,588

Paid-in Capital
¥96,147 million

Stock Listing
Tokyo and Osaka (Code:5202)

Independent Auditors
Ernst & Young ShinNihon

Transfer Agent
The Sumitomo Trust & Banking Co., Ltd.
Stock Transfer Agency Division
4-4, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8233 Japan

Major Shareholders

	Number of shares (thousands)	Percentage of shares
Japan Trustee Services Bank, Ltd. (trust account)	39,801	5.94
The Master Trust Bank of Japan, Ltd. (trust management account)	33,900	5.06
Pictet and Cie (Europe) S.A.	17,144	2.56
Japan Trustee Service Bank, Ltd. (trust account 4)	16,183	2.42
CBNY-Third Avenue Int'l Val Fd	13,696	2.05
Morgan Stanley & Co. International Ltd.	13,015	1.94
Goldman Sachs International	12,906	1.93
Mitsui Asset Trust and Banking Company, Limited	11,932	1.78
Toyota Motor Corporation	9,610	1.44
Sumitomo Life Insurance Company	9,148	1.37

Status of Shareholders

	Number of shareholders	Number of shares (thousands)	Percentage of shares
National/Local Governments	—	—	—
Financial Institutions	116	199,953	30.03
Securities Firms	73	24,344	3.66
Other Corporations	967	46,947	7.05
Foreign Investors	344	232,959	34.99
Individuals and Others	65,088	161,581	24.27
Total	66,588	665,784	100.00

NSG
GROUP

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