Annual Report 2007

For the year ended March 31, 2007

Nippon Electric Glass Co., Ltd.

Nippon Electric Glass—Creating the Future with High-Tech Glass

Glass is a unique material, that provides a multitude of positive societal benefits. It can be customized to result in these positive benefits by modifying its composition and altering the various forming and finishing processes used to manufacture the intended end product. Since its establishment, NEG has wholly dedicated itself to this distinctive material seeking at all times to develop new glass compositions and advanced technologies for melting, forming, and processing.

High-tech glass forms the basis for NEG's products, produced with advanced technology that optimally meets the needs of customers with respect to characteristics, shape, grade, and precision. High-tech glass has been widely used in display devices, IT equipment, automobiles, buildings, and household appliances. The range of next-generation applications for these materials continues to expand.

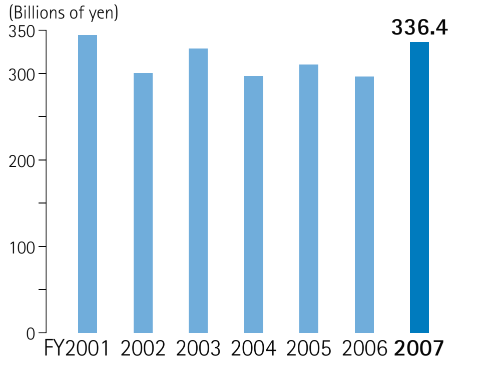
Through the creation of high-tech glass, NEG intends to continue contributing to societal development while working to ensure harmony with the environment.

CONTENTS

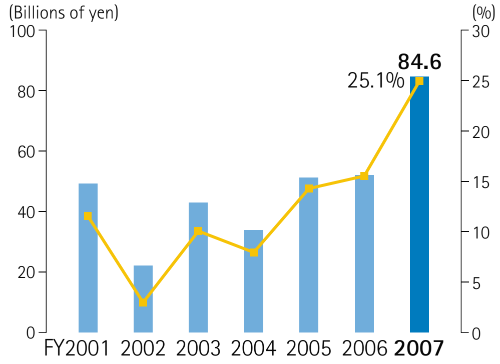
A Caution Concerning Forward-Looking Statements

Statements in this annual report with respect to NEG's plans, strategies and benefits, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties.

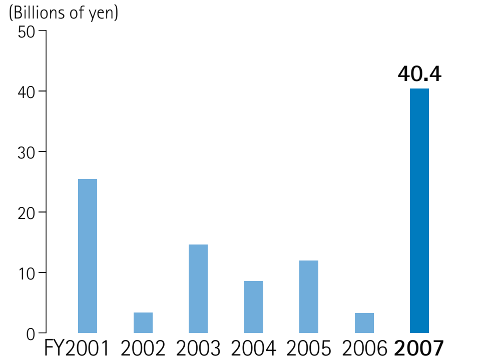
Net Sales



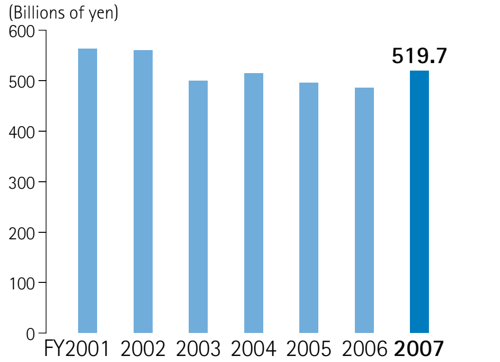
Operating Income & Operating Income Ratio



Net Income



Total Assets



Consolidated Financial Summary

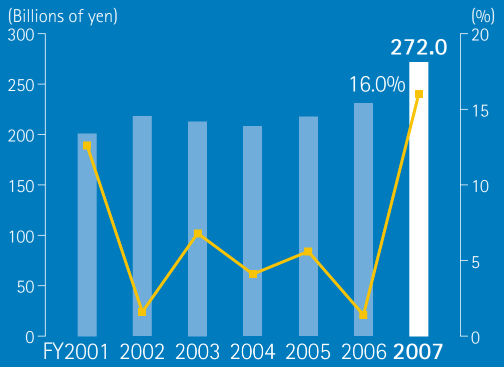
Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2001, 2002, 2003, 2004, 2005, 2006, and 2007

(Millions of yen and thousands of U.S. dollars, except per share figures)

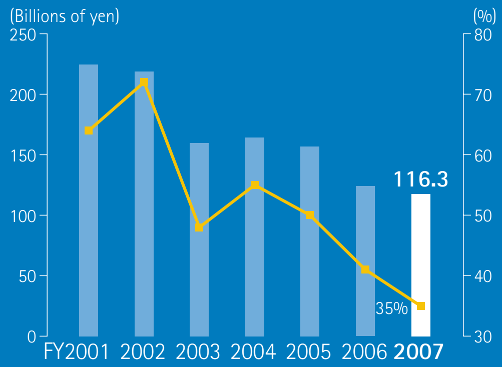
	2001	2002	2003	2004	2005	2006	2007	
For the year ended March 31								
Net sales	¥344,677	¥300,395	¥328,803	¥297,307	¥310,198	¥296,440	**¥ 336,411**	**$2,850,941**
Operating income	49,204	22,132	42,985	33,819	51,109	51,952	**84,585**	**716,822**
Net income	25,398	3,378	14,603	8,568	11,954	3,231	**40,358**	**342,017**
Depreciation and amortization	35,932	37,079	34,967	31,177	30,345	30,106	**38,042**	**322,390**
Capital expenditures	50,241	34,919	15,236	47,315	47,997	79,300	**100,414**	**850,966**
Per share of common stock (yen and dollars)								
Net income	¥ 79.49	¥ 10.57	¥ 45.23	¥ 26.37	¥ 36.97	¥ 9.71	**¥ 126.55**	**$ 1.07**
Diluted net income	72.95	-	-	-	-	-	**-**	**-**
Cash dividends	5.50	5.50	6.00	6.00	6.50	9.00	**11.00**	**0.09**
Shareholders' equity	628.77	682.85	666.63	652.02	681.50	723.87	**852.83**	**7.23**
At year-end								
Total assets	¥563,377	¥559,957	¥499,569	¥514,691	¥495,568	¥486,016	**¥ 519,707**	**$4,404,297**
Current assets	244,743	229,395	213,667	237,274	233,799	216,168	**208,719**	**1,768,805**
Net property, plant and equipment	271,241	279,711	242,126	243,816	228,218	233,206	**274,683**	**2,327,822**
Current liabilities	210,609	200,459	165,926	173,199	165,367	177,748	**198,308**	**1,680,576**
Long-term debt	100,466	84,891	69,007	84,176	59,066	48,757	**23,981**	**203,229**
Shareholders' equity	200,918	218,184	212,942	208,248	217,588	231,005	**271,951**	**2,304,670**
Cash flows								
Net cash provided by operating activities	¥ 72,640	¥ 36,456	¥ 79,241	¥ 53,397	¥ 71,844	¥ 71,312	**¥ 107,784**	**$ 913,424**
Net cash used in investing activities	(32,820)	(33,024)	(18,368)	(32,478)	(52,918)	(56,516)	**(95,960)**	**(813,220)**
Net cash provided by (used in) financing activities	(39,707)	(16,434)	(57,433)	5,615	(9,603)	(29,760)	**(9,432)**	**(79,932)**
Cash and cash equivalents at end of year	71,585	58,886	62,339	89,291	97,902	86,321	**85,392**	**723,661**
Number of shares outstanding (thousands)								
Average	159,769	159,768	159,702	159,597	319,101	318,993	**318,912**	
Year-end	159,771	159,760	159,614	159,577	319,048	318,938	**318,880**	
Equity ratio (%)	35.7	39.0	42.6	40.5	43.9	47.5	**52.3**	
Return on equity (%)	13.5	1.6	6.8	4.1	5.6	1.4	**16.0**	

Note: 1. The computations of net income per share and shareholders' equity per share are based on the average number of shares outstanding during each year and the number of shares outstanding at the end of each year, respectively.
2. Per share of common stock amounts are retroactively adjusted for subsequent stock split. The company had a 2-for-1 stock split of its common stock on March 10, 2005.
3. Due to the redemption of convertible bonds on March 29, 2002, the computation of diluted net income per share was not calculated in 2002, 2003, 2004, 2005, 2006 and 2007.
4. Shareholders' equity = Total net assets - Minority interests (as recorded on the Consolidated Balance Sheets)
5. U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2007 of ¥118 to US$1.
6. Number of shares outstanding is net of treasury stock.
7. At March 31, 2007, Nippon Electric Glass Co., Ltd. had 22 consolidated subsidiaries.

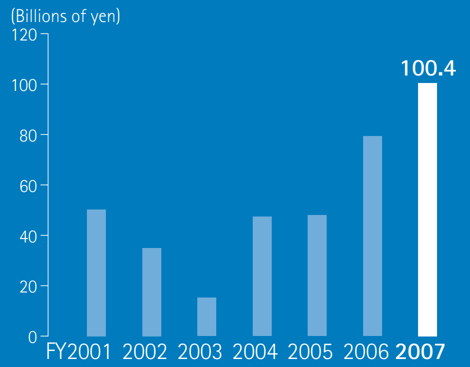
Shareholders' Equity & ROE



Interest-Bearing Debt & Interest-Bearing Debt to Sales Ratio



Capital Expenditures



Message from the Management

Successful Transformation of Business Structure

As recently as four years ago, cathode ray tube (CRT) glass alone accounted for nearly 70% of our consolidated sales. Within the few years that followed, we saw a series of dramatic changes in the market: one was a decline in demand for CRTs, and another was the rapid rise in demand for flat panel displays (FPD). In response to these new market conditions, we have been transforming our business structure.

As a result, in fiscal year 2007, ended March 31, 2007, the product mix of CRT glass was reduced to about 10% while FPD related glass has increased to about 65% in the Group's sales composition. This indicates highly successful progress in the transformation of our business structure. Driven by the growth in the sale of FPD glass, net sales increased 13.5% over the previous fiscal year to ¥336.4 billion. Operating and net income were the highest ever in our history. We are deeply grateful towards our shareholders, customers, and stakeholders, as these results would not have been possible without their understanding and support.

With respect to dividends, the dividend for fiscal year 2007 will be increased by 22% over the previous year — a total of ¥11 per share, combined with the ¥5-per-share interim dividend.

Business Expansion Aimed at Continuous Growth

Glass for Display Devices: Strengthening of Core Business

The market for FPD glass, our core business product, is expanding, and the vibrant demand from manufacturing companies in the panel industry is expected to continue. We are planning to strengthen our competitiveness through improvement of existing facilities, as well as addition of new facilities in fiscal 2008.

In the area of FPD glass, it is becoming popular to produce larger substrate sizes in order to increase production efficiency of large-size panels. This can be seen in our growing sales of glass for 7.5th generation LCD substrates (1,950 x 2,250 mm). To address such movement, rather than designing facilities exclusively intended for the production of larger-size substrate glass, we have designed highly versatile facilities that can produce both 8th generation substrates (2,200 x 2,500mm) as well as 5th (1,000 x 1,200mm) generation substrates to meet market needs. The flexible ability to respond to sudden changes in demand for substrate glass size is one of the Group's strengths. With respect to plasma display panels (PDPs), we will also be ready to deal with demands for large-size substrate glass, such as the need to obtain eight or more 42-inch panels from a single sheet of substrate glass.

Meanwhile, although the restructuring of CRT glass operations enabled a large deficit reduction in fiscal 2007, the business environment still remains difficult. As such, we will continue to review our production structure to suit this shrinking market.

Building a Well-Balanced Business Structure

We will be focusing our attention on the expansion of areas outside the FPD field with the aim of building a well-balanced business structure that is not overly dependent on FPD glass, as follows.

First, demand for glass fibers has been rising for use as a reinforcing material in high-function plastics for auto parts. Following last year's capital investment, our Malaysian subsidiary will expand their production facilities in fiscal 2008.

Second, as regards glass for electronic devices, for example, demand is rising for image sensors in digital cameras and cell phones. In terms of the future, the market for glass used in vehicle-mounted sensors is quite promising.

Third, regarding heat-resistant glass, the sale of crystallized glass has been increasing steadily for use in the top plates of electric and gas cookers. Taking advantage of the excellent characteristics of crystallized glass, we have expanded the scope of its applications and expect continuing growth.

Non-Glass Products: Fostering Business for the Coming Years

Much growth is expected in the field of non-glass products. The annual sales of non-glass products have soared to several tens of billions of yen. We intend to further extend the scope of our operations in this field to serve as the primary driving force for further business expansion.

Solid technological strengths are essential for the creation and cultivation of future business opportunites. As outlined later, we will continue to work on improving our strengths in the area of research and development.

Steady Progress toward a Solid Financial Structure

The third 3-year reduction plan for interest-bearing debts (with a target reduction of ¥60 billion, to be completed in fiscal 2008) is under way. However, high-level capital expenditures mainly in the FPD glass business will continue. We will make sure that necessary investments are timed well and fully mirrors changes in demand while continuing on with our efforts to further reduce interest-bearing debts.

In reference to the shareholders' equity ratio, there has been a rise to 52.3% and the rate of return on equity (ROE) was 16%. We will continue to pursue further efficiency in all aspects of management.

With Corporate Social Responsibility in Mind

We strongly believe that managing business operations based on thorough enforcement of corporate ethics and sound social awareness is indispensable to the enhancement of true corporate value. Of a number of efforts being made, programs aimed at the reduction of environmental load are given top priority. Since the production of glass involves the consumption of large amounts of energy, we need to ensure that our operations remain compatible with and respectful of the environment.

Employing people with disabilities is another priority at the Company. We have been promoting the hiring of such people so that there will be more diverse occupational opportunities for them. In addition, we concluded a comprehensive agreement with the University of Shiga Prefecture in February 2007 to pursue collaboration between industry and academy. Located in the same prefecture, we look forward to contributing to the local community through this agreement.

With regard to the returning of profits to our shareholders, our basic policy has focused on the stable provision of returns and is not largely affected by business performance. We have increased the dividend total by about 80% over the past three years. A high level of capital demand is expected to continue; however, we will always try to meet our shareholders' expectations by continuing the sure return of profits.

In closing, we would like to take this opportunity to express our heartfelt gratitude to our shareholders, customers, employees, and other stakeholders on behalf of all members of the board of directors. We cordially request your continued understanding and support for the Group's sound growth.

Tetsuji Mori, Chairman of the Board (Left), and Yuzo Izutsu, President

Tetsuji Mori, Chairman of the Board

Yuzo Izutsu, President

Review of Operations

Glass Business

Sales in the glass business segment were ¥334,944 million ($2,839 million), a year-on-year increase of 13.6%.

Information and Communications

Sales in the Information and Communications sector amounted to ¥271,732 million ($2,303 million), a year-on-year increase of 16.9%.

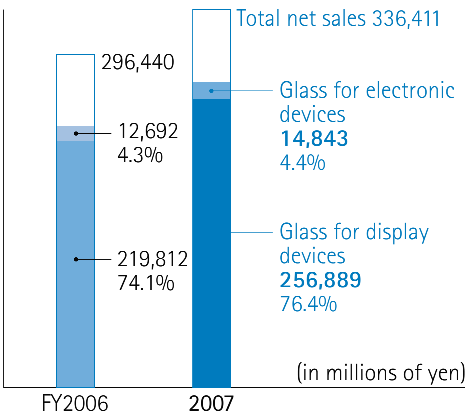
Glass for Display Devices

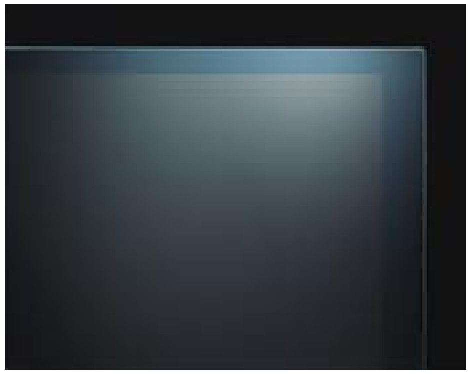
Sales of LCD glass were slow in the fourth quarter due to a combination of factors such as seasonal decreases in demand and periodic maintenance of production facilities. However, overall sales were boosted significantly by an expansion of the market for flat screen televisions. Sales of glass for PDPs also increased substantially, triggered by enhanced production of plasma displays by panel manufacturing companies.

Meanwhile, in order to address growing demand, the Company expanded production facilities for LCD substrate glass at Notogawa Factory. The expanded facilities started operation in March and December of last year, respectively. In addition, the Company expanded transparent electrode thin film facilities for PDPs at Wakasa-Kaminaka Factory, which started operation in June last year. Substrate glass production facilities for PDPs were also enlarged at Shiga-Takatsuki Factory, starting operation in August last year.

In the CRT glass business, shipment volume decreased significantly due to downsizing of this business, and overall market conditions continued to be severe. Therefore, the Company wrote off impaired glass production facilities of subsidiaries in Malaysia and Fujian, China. Moreover, the

Information and Communications





Substrate glass for PDPs

Substrate glass for LCDs

Cover glass for image sensors

Company halted operation of one panel glass production furnace at a Malaysian subsidiary this year.

Glass for Electronic Devices

Sales of glass parts for optical communications recovered as the penetration of optical networks grew. Sales of glass for image sensors used in digital cameras and cell phones remained strong.

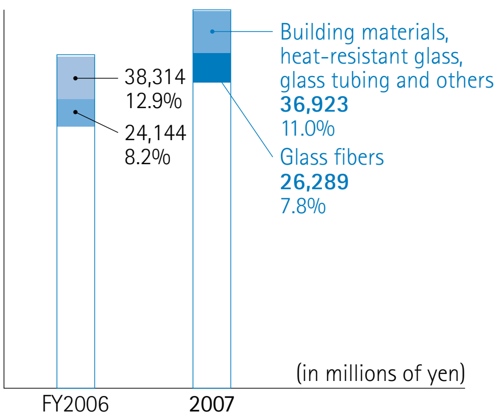
Other Products

Sales in the Other Products sector amounted to ¥63,212 million ($536 million), a year-on-year increase of 1.2%.

Glass Fibers

Glass fibers continued to sell well, supported by expanded demand for this material in high-function plastics for auto parts. In response to increased demand, the Company enhanced glass fiber production facilities at its Malaysian subsidiary. The facilities began operation in June last year, contributing to amplified sales in the second half of the year.

Other Products



Chopped strands for function plastics

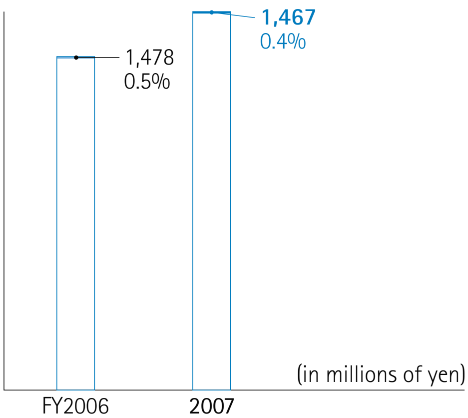
Building Materials, Heat-Resistant Glass, Glass Tubing, and Others

Supported by robust demand, sales of heat-resistant glass increased, but figures were weaker for glass tubing and other glass products. As a result, sales in this area fell short of those in the previous fiscal year.

Other Business

This segment consists of service and retail activities conducted by NEG subsidiaries. Sales slightly decreased 0.8 % to ¥1,467 million ($12 million) from the previous year.

Other Business



Main products

Information and Communications

- Glass for Display Devices
  - Glass for FPDs
    - Glass for LCDs:
      - substrate glass
      - glass tubing for back-light lamps
    - Glass for PDPs:
      - substrates glass
      - glass paste
  - Glass for CRTs
- Glass for Electronic Devices
  - Glass for optical devices:
    - glass parts for optical communications
    - glass materials for aspheric lenses
  - Glass for electronic devices:
    - powdered glass
    - sheet glass
    - glass tubes

Other Products

- Glass Fibers
  - chopped strands for function plastics
  - yarns for printed circuit boards
  - roving glass for reinforced plastics
  - alkali-resistant glass fiber
- Building Materials, Heat-Resistant Glass, Glass Tubinng, and Others
  - Building materials:
    - glass blocks
    - glass-ceramics building materials "Neoparies" and "NeoClad"
    - fire rated glass "Firelite"
    - radiation-shielding glass
    - glass for interiors / exteriors
  - Heat-resistant glass:
    - super heat-resistant glass-ceramic "Neoceram"
    - heat-resistant glass "Neorex"
  - Fluorescent-lamp bulbs
  - Glass for ampules, vials, and laboratory use
  - Glass for thermos flasks
  - Glassmaking machinery

Note: Because of a decrease in sales of CRT glass, the Company has changed the group business category to divide the Information and Communications sector into "Glass for Display Devices" and "Glass for Electronic Devices", effective this fiscal year.
To make comparison easier, the new categories have been applied to the previous fiscal year.

Corporate Social Responsibility

NEG contributes to the welfare and prosperity of society by means of creating high-technology glass and remaining in harmony with the environment.

With a clearly-defined corporate philosophy, NEG has been engaging in corporate management based on integrity and social awareness.

As a member of society, we will continue to follow through on corporate social responsibilities and pursue the improvement of corporate value. By doing so, we will strive to meet the expectations of all stakeholders, including shareholders, business partners, employees, and the communities in which we operate.

Corporate Governance

NEG is involved in ongoing efforts to enhance corporate governance. These efforts seek to ensure managerial transparency and strengthen supervisory functions regarding business operations.

■ Directors, Board of Directors and Corporate Officers

At NEG, we are targeting the realization of rapid and decisive decision-making, securing managerial transparency, and strengthening execution of business affairs. We take measures to ensure the optimal number of directors and to clarify the way they supervise and make decisions. We have introduced a system of corporate officers to execute business operations. To clarify management responsibility and to create a flexible management system capable of responding to changes in the business environment, we have reduced director tenure to one year.

■ Board of Auditors

Currently, the board of auditors consists of four auditors, two of whom are external auditors. Auditors carry out audits following auditing policies, plans, and assignment of duties established by the board of auditors. Each auditor audits the way in which directors conduct business through participation on the board of directors' meetings and assessment of the state of business affairs and corporate assets. The external auditors perform audits from independent perspectives with in an objective and expert view.

Compliance System

In order to continuously ensure corporate ethics and legal compliance by NEG and the NEG Group, a compliance committee has been established as a special organization. This compliance committee is responsible for the following issues:

- Drafting revisions to "Corporate Philosophy" "The Group Code of Conduct" "Principles of Activities", and implementing various measures to promote them.
- Gathering and analyzing information on compliance and providing compliance training
- Operating an internal reporting system

The internal auditing department continuously performs audits.

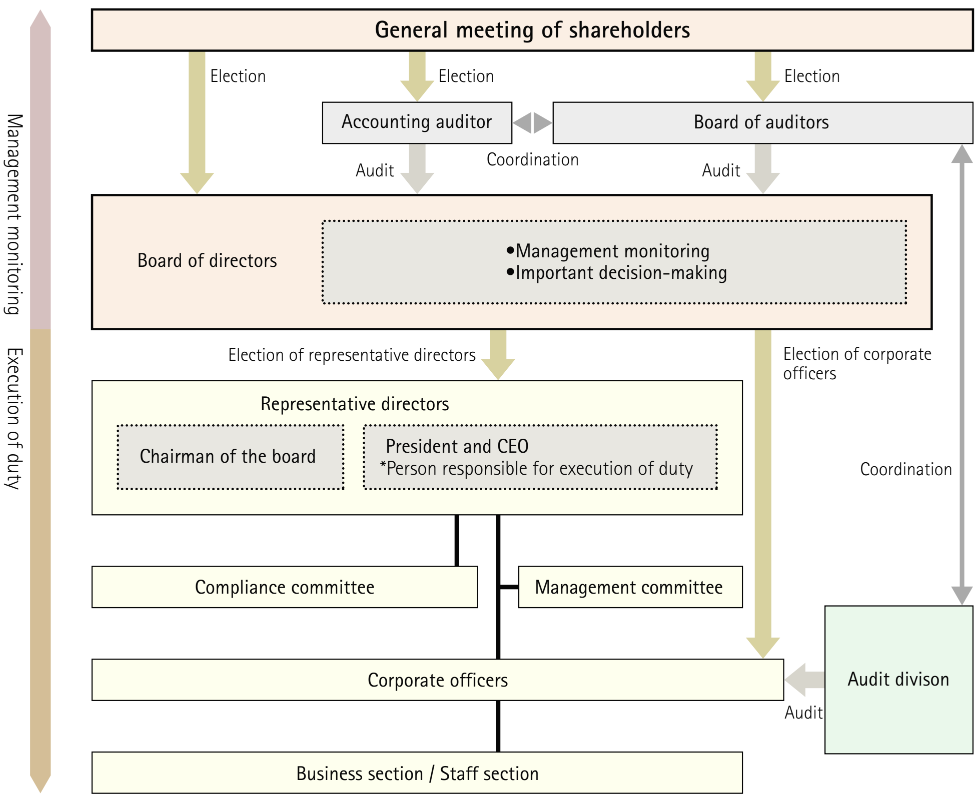
Risk Management System

In terms of risks related to business operations deemed important by NEG (including compliance, finance, environment, disasters, control of trade, information management, quality, and health and safety), departments in charge or specialized committees establish regulations and guidelines, provide training, prepare manuals, and take other necessary measures as needed. In response to new risks that emerge, the president determines the proper personnel to be in charge and implements countermeasures in a prompt manner.

Anti-takeover Measures

NEG believes that as a public company whose shares are traded on the market, the final decision regarding the nature of entities that control the Company should be made by our shareholders. We believe shareholders should be given necessary information as well as time to reach their decision. Since

Diagram of Corporate Governance System



some large-scale purchase of corporate stock can prove detrimental to the common interests of shareholders, NEG introduced a policy for such large-scale purchases following the approval obtained at the annual meeting of shareholders held in June 2006. This policy addresses the following issues: characteristics of the business and improvement of corporate value; purpose of large-scale purchase rule; policies in response to large-scale purchases; establishment of special committees; effectiveness and suitability of this policy; and effects of the policy on shareholders and investors. This policy specifies that the priority is in the interests of all shareholders and that it will eliminate arbitrary action on the part of the board of directors. It also states that it will establish a special committee to make objective decisions regarding the implementation of this policy to the benefit of all shareholders and that it will respect the recommendations of the committee, which is made up of highly-objective external experts to as great an extent as possible. Based on this policy, NEG shall continue to enhance and protect the interests of all shareholders. In principle, this policy shall remain in effect through the conclusion of the 2009 annual meeting of shareholders.

Reducing Environmental Impacts

NEG regards preservation of the environment as an important theme within its corporate social responsibilities and strives to reduce environmental impact of its business activities.

Since the Kyoto Protocol, an international

Inside of Oxygen-Fired Furnaces

treaty to prevent global warming, went into effect in 2005, measures are being implemented to reduce the emission of greenhouse gases (carbon dioxide etc.). In 1993, NEG introduced an oxygen-firing system in its glass furnaces, the first of its kind in Japan, to limit NOx and CO_2 emissions and improve energy efficiency. We're also increasing the proportion of electric melting, transitioning energy resources from oil to LPG and natural gas energy resources, and taking ongoing action to reduce emissions of carbon dioxide produced through the manufacturing of glass. In October 2006, NEG and Funai Consulting Co. concluded CO_2 emissions trading, the first to take place between domestic companies under the Ministry of the Environment's Japan's Voluntary Emissions Trading Scheme.

In addition, NEG has implemented its own Environmental Business Plan as part of its concrete initiatives to target environmental conservation. In this Plan the methods used in business operations are applied to environmental conservation activities and the themes currently addressed include waste materials, water, and exhaust gas.

Regional Contributions

NEG was established in Shiga Prefecture, a region of great natural beauty and home to Japan's largest lake, and it has developed a number of factories within this prefecture. In addition to economic benefits and jobs created through business activities, we have constantly been involved in steady efforts to contribute to the region, including lakeside and roadside volunteer cleanup, planting of seasonal plants and flowers around the factories, offering the use of on-site parks and grounds to regional residents, and continued association with the community.

In February 2007, we entered into an agreement to pursue collaboration between industry and academy with the University of Shiga Prefecture. Plans call for mutual cooperation for joint research and human resources development including endowment of new courses at the University. Through this agreement, we seek to contribute to the promotion of learning.

Signing ceremony with the University of Shiga Prefecture

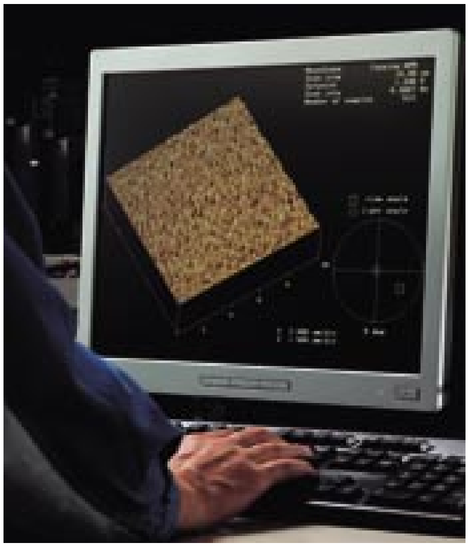
Promoting the Hiring of People with Disabilities

NEG has been addressing the promotion of the hiring of people with disabilities and for this purpose, promptly established an affiliate company in 1980. We're currently taking measures to develop jobs that are appropriate and striving to increase the number of such persons hired. The current percentage of people with disabilities at NEG (including the affiliate) significantly exceeds the percentage required in law in Japan.

Looking ahead, we at NEG will continue to pursue activities that contribute to the region and to society and strive to meet our social responsibilities.

Looking Ahead with Technological Development

The technology to develop new products and manufacture high-quality products efficiently is the foundation of our company. In order to promptly meet consumer needs and provide products that are excllent in quality and functionality, NEG, over the years, has been securing diverse technological know-how and skills for material designing, melting, forming, and processing. Extensive technological expertise has been a major driving force behind the growth of our business operations.


Measuring and evaluating a glass surface

Developing Glass Using Materials with Less Environmental Impact

NEG has continuously been committed to developing glass that uses materials with less environmental impact.

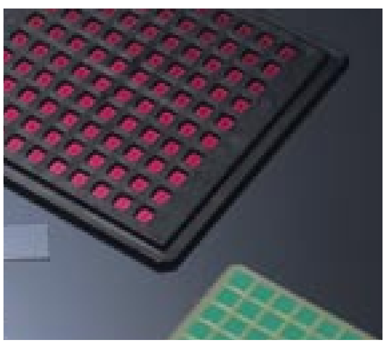
Last year, the European Union implemented the directive for Restriction of the Use of Certain Hazardous Substances (RoHS) to restrict the use in Electrical and Electronic Equipment of certain environmentally harmful substances such as lead, cadmium, hexavalent chromium, and mercury. Among them, lead has been widely used in glass for optical and electric/electronic devices because it gives glass a higher refractive index and electrical resistance, permits it to soften at low temperatures, and enables it to block out radiation. We have been working vigorously to develop glass products that can deliver equivalent performance without the use of lead. Lead-free glass for radiation-shielding used in mammography x-ray devices and lead-free glass tubing used to seal silicon diodes are just a few examples of our results. We are also working on developing substrate glass for FPDs in which substances that may have an influence on the environment have been reduced.

Creating Glass Products That Encourage the Growth of the Next Generation

NEG continues to create new products by further developing and applying glass technology acquired over the years. An example is "super thin sheet glass", which has a thickness of only 100μm and can be rolled up. With the application of overflow forming technology used in the production of LCD substrate glass, the extremely flat and precise plane of this glass was achieved without any polishing work.

"Super-sized glass ceramic plates" with sides exceeding 2m, for use in a PDP firing setter were developed by applying crystallized glass technology.

When glass is coupled with a different material — thin film, a metal, or an organic substance, for example — it is able to give birth to products with new functions. NEG refers to such products as "non-glass." For instance, the formation of a thin film on a glass surface furnishes a transparent electrode on PDP substrate glass, while that on a glass for optical devices provides an extremely thin optical film that controls transmittance of ultraviolet and infrared rays. Another example is the zero-expansion glass ceramic plate, which has high safety and heat resistance characteristics and is used in fire-rated facilities. This product is made by laminating a special plastic film between two plates and then providing a heat-reflecting coat on its surface. The company is planning to actively expand its R&D endeavors in this field.


IR cut filters

Glass Analysis Technology That Leads the World

NEG is striving to strengthen its R&D structure. To target development of new products and technology essential to the next generation, Advanced Materials & Technology Division was set up last year. Meanwhile, in Technical Division, "Chemical Analysis Section" was also set up and it was certified with the internationally recognized ISO/IEC 17025 certification. This enables NEG to undertake accurate analysis of minimal amounts of substances that are contained in glass, in compliance with RoHS regulations.

The results of analysis conducted by certified entities are accepted globally, and there are only three facilities certified for analysis of glass, including NEG's facilities. Worldwide, this proves valuable in ensuring the quality of NEG products.

Through proactive R&D efforts mentioned above, NEG will continue its devotion to the development of enviromentally friendly technology and will also strive to develop competitive products which meet consumer needs.


ISO/IEC 17025 certification

Financial Review

Business Climate

During fiscal year 2007, the Japanese economy maintained its mild upswing supported by an increase in capital expenditure in the private sector and steady exports, despite unfavorable factors such as the continued high prices of oil and raw materials and lackluster consumer spending. As for the global economy, although there was concern about the slowdown in the U.S. economy attributed to an adjustment in the housing market, the world economy as a whole continued to be favorable.

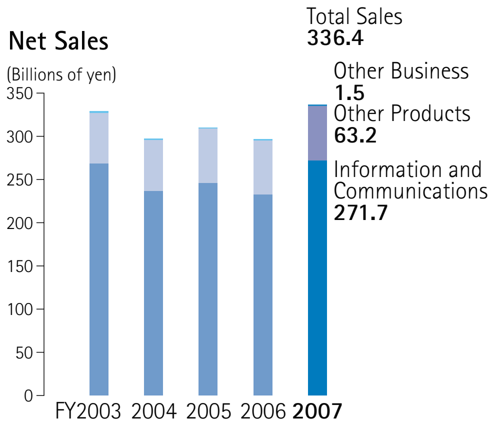
In the field of display glass, which is the core business of the NEG Group, demand for FPD glass increased as the market for flat screen televisions continued to expand. On the other hand, the market for CRT glass remained weak.

Net Sales

Consolidated net sales increased 13.5% from the previous year to ¥336,411 million ($2,851 million). Expanding sales of FPD glass led to sales growth in the Information and Communications sector. Sales increases in Other Products sector also exceeded those of the previous year, as sales of glass fibers and heat-resistant glass rose.

(Details of sales by sector are given in the Review of Operations.)

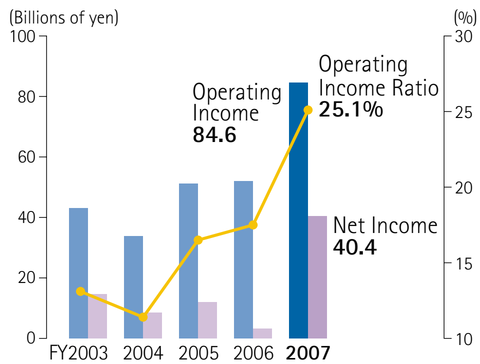
Net Sales



Income

Operating income increased 62.8% from the previous year to ¥84,585 million ($717 million). Factors placing downward pressure on income included the rising costs of raw materials and fuels, a decline in prices for FPD glass, and an increase in depreciation expenses due to a revision in the expected lifetime of some production facilities in the Information and Communications sector. However, these factors were more than offset by deficit reductions realized through restructuring in the CRT glass business, expanded sales of glass for FPD's, and efforts in all business divisions to improve productivity and lower costs. Reductions in selling expenses based on changes in product mix (reductions in shipping costs due to the shift from CRT to FPD) also contributed to increasing profitability. As a result, the

Income



Sales by Business

(Millions of yen and U.S. dollars)

	FY2006		FY2007			2007/2006
	Net sales	Percent of net sales	Net sales		Percent of net sales	Percent change
Glass Business:						
Information and Communications						
Glass for Display Devices	¥219,812	74.1 %	¥256,889	$2,177	76.4 %	16.9 %
Glass for Electronic Devices	12,692	4.3	14,843	126	4.4	16.9
	232,504	78.4	271,732	2,303	80.8	16.9
Other Products						
Glass Fibers	24,144	8.2	26,289	223	7.8	8.9
Building Materials, Heat-resistant Glass, Glass Tubing, Others	38,314	12.9	36,923	313	11.0	–3.6
	62,458	21.1	63,212	536	18.8	1.2
Glass Business Total	294,962	99.5	334,944	2,839	99.6	13.6
Other Business:	1,478	0.5	1,467	12	0.4	–0.8
Total	¥296,440	100.0 %	¥336,411	$2,851	100.0 %	13.5 %

Note: Because of a decrease in sales of CRT glass, the Company has changed the group business categories by dividing Information and Communications related business into "Glass for Display Devices" and "Glass for Electronic Devices," effective this fiscal year. To make comparisons easier, the new categories have been applied to the previous fiscal year.

operating income ratio was 25.1%, a 7.6-point increase over the previous year.

Other expenses amounted to ¥21,210 million ($180 million). This included loss on impairment of fixed assets of ¥15,088 million ($128 million) on CRT glass production facilities and non-recurring depreciation for property, plant and equipment of ¥1,784 million ($15 million), in accordance with the above-mentioned expected lifetime revisions. However, in comparison with the previous year, a reduction of ¥32,347 million ($274 million) was achieved. A series of measures implemented over the past few years to restructure the CRT glass business was nearly completed this fiscal year.

As a result, income before income taxes and minority interests was ¥63,375 million ($537 million), an increase of ¥64,980 million ($551 million) over the previous year. Net amounts of provisions for income taxes totaled ¥23,288 million ($197 million) and minority interests in loss were ¥271 million ($2 million), resulting in Net income of ¥40,358 million ($342 million), an increase of 1,149% from the previous year. Net income per share was ¥126.55 ($1.07).

Geographic Segment Information

[Japan]

With expanding sales of FPD glass, total sales in Japan were ¥273,677 million ($2,319 million), a year-on-year increase of 15.1%. Together with this, the efforts in all divisions to cut costs and improve productivity and reductions in selling expenses due to changes in product mix helped achieve an operating income of ¥78,775 million ($668 million), a year-on-year increase of 37.3%.

[Asia]

Despite the decrease in sales of CRT glass, deficits were reduced in CRT operation. In addition sales and earnings increased due to business expansion among various regional manufacturing affiliates against a backdrop of rising demand in South Korea and Taiwan for LCD substrate glass. As a result, sales and operating income reached ¥170,665 million ($1,446 million) and ¥3,104 million ($26 million), a year-on-year increase of 25.9% and 401.5% respectively.

[Other Areas]

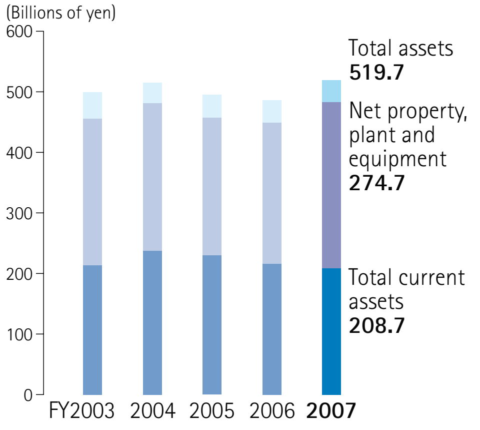
The discontinuation of CRT glass production in U.S. and Europe resulted in total sales of ¥3,551 million ($30 million), a decline of 82.1% compared with the previous year. However, through discontinuation, deficits were eliminated and operating income reached ¥20 million ($0.2 million) against an operating loss of ¥5,997 million from the previous year.

Financial Position

Total assets at the end of the fiscal year were ¥519,707 million ($4,404 million), an increase of ¥33,691 million ($286 million) compared with the end of the previous year.

Current assets decreased by ¥7,449 million ($63 million). While notes and accounts receivable, trade increased in accordance with sales increases, deferred income taxes decreased resulting from the completion of reorganization of overseas CRT glass business previously implemented.

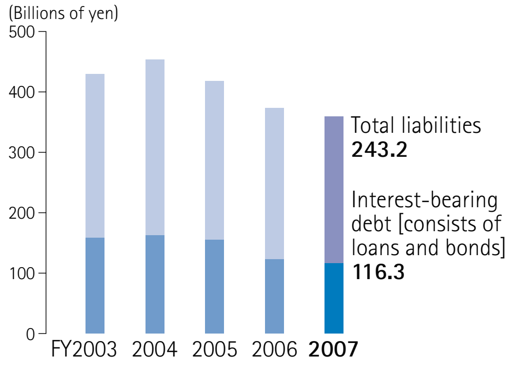
Assets



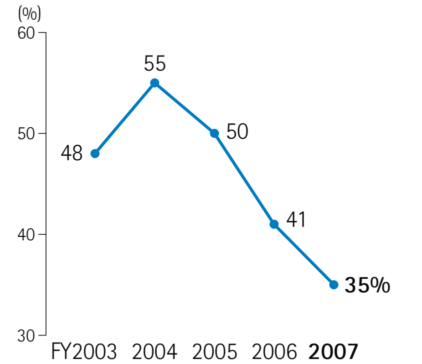
Net property, plant and equipment increased ¥41,477 million ($352 million). As in the previous year, capital expenditures, chiefly to augment production capacity for FPD glass, exceeded depreciation. This led to an increase of tangible fixed assets connected with the FPD glass business.

Total liabilities as of the end of the fiscal year were ¥243,151 million ($2,061 million), a reduction of ¥7,501 million ($64 million) compared with the end of the previous year.

Liabilities



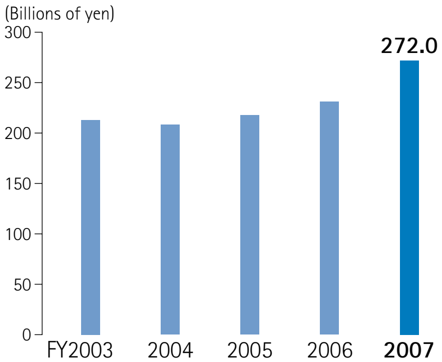
Interest-Bearing Debt to Sales



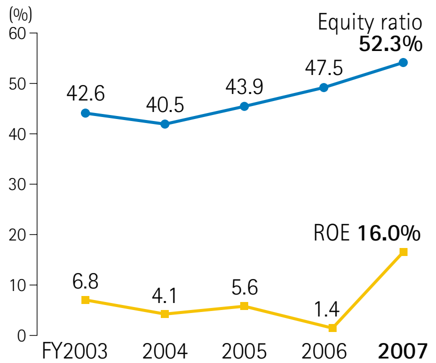
Current liabilities rose by ¥20,560 million ($174 million). Short-term borrowings, including the current portion of long-term debts, increased due to the transfer of bonds to current liabilities, which come up for redemption in December 2007. Notes and accounts payable, trade increased in accordance with production expansion.

The NEG Group has been working since fiscal year 2000 to reduce its interest-bearing debt as a medium-to-long term plan. We are currently targeting to reduce the ratio of interest-bearing debt to consolidated sales to 20%. During this fiscal year, the group sought to repay long-term debt in the midst of continuing significant capital demands associated with high-level capital expenditures. Interest-bearing debt (long-term and short-term debt payable and corporate bonds) showed a year-on-year reduction of ¥6,427 million ($54 million), with total consolidated interest-bearing debt of ¥116,296 million ($986 million) at the end of the fiscal year.

Shareholders' Equity



Equity Ratio & ROE



As a result, the ratio of interest-bearing debt to sales was 35%, representing a 6 point lower than the previous year.

Shareholders equity* as of the end of the fiscal year was ¥271,951 million ($2,305 million). Retained earnings grew, due to an increase in net income for the term.

*(total net assets - minority interests)

Equity ratio at the end of the fiscal year reached 52.3%, a 4.8-point increase over the figure of 47.5% at the end of the previous fiscal year.

Cash Flows

[Cash Flows from Operating Activities]

Net cash provided by operating activities was ¥107,784 million ($913 million), a year-on-year growth of ¥36,472 million ($309 million). This was due primarily to several factors, including an increase in income before income taxes and minority interests, increase in capital expenditures, and a rise in depreciation in accordance with revisions in the expected lifetime of parts of production facilities.

[Cash Flows from Investing Activities]

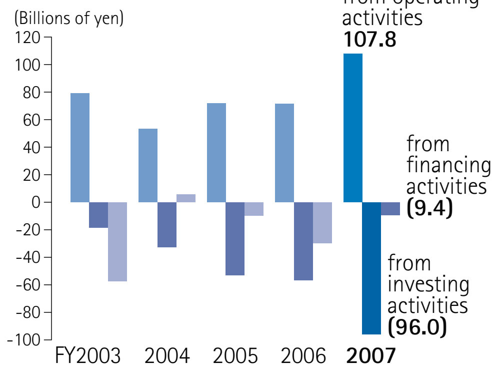
Net cash used in investing activities totaled ¥95,960 million ($813 million), a year-on-year rise of ¥39,444 million ($334 million). This was chiefly because of acquisition of property, plant and equipment to increase capacity of FPD glass and other production facilities.

[Cash Flows from Financing Activities]

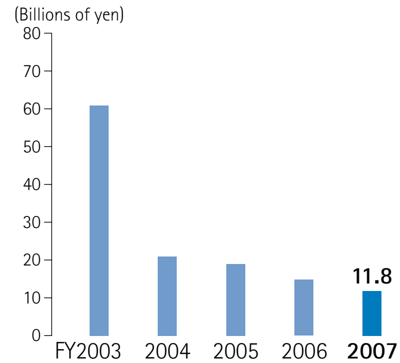
Net cash used in financing activities was ¥9,432 million ($80 million). This was primarily due to repayment of long-term debts and disbursement of dividends, and showed year-on-year reductions of ¥20,328 million ($172 million), attributable to factors such as a ¥20,000 million ($169 million) redemption of corporate bonds in the previous fiscal year.

Year-end cash and cash equivalents were ¥85,392 million ($724 million), a year-on-year reduction of ¥929 million ($8 million), which includes an impact of ¥5,774 million ($49 million) due to exclusion from consolidation.

Cash Flows



Free Cash Flows



Consolidated Financial Statements

Consolidated Balance Sheets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
March 31, 2006 and 2007

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	2007
Current assets:			
Cash and time deposits (Note 7)	¥ 86,322	¥ 85,392	$ 723,661
Notes and accounts receivable, trade	70,514	72,890	617,712
Allowance for doubtful receivables	(1,590)	(627)	(5,313)
Inventories (Note 8)	40,798	39,773	337,059
Deferred income taxes (Note 11)	14,312	8,840	74,915
Other current assets	5,812	2,451	20,771
Total current assets	216,168	208,719	1,768,805
Property, plant and equipment (Note 9):			
Land	16,294	15,363	130,195
Buildings and structures	83,581	84,898	719,475
Machinery and equipment	413,610	446,291	3,782,127
Construction in progress	18,625	21,839	185,076
	532,110	568,391	4,816,873
Accumulated depreciation	(298,904)	(293,708)	(2,489,051)
Net property, plant and equipment	233,206	274,683	2,327,822
Investments and other assets:			
Investment securities (Note 5)	18,581	21,788	184,644
Investment in affiliates (Note 5)	1,739	2,294	19,441
Deferred income taxes (Note 11)	11,545	7,818	66,254
Other assets (Note 9)	4,777	4,405	37,331
Total investments and other assets	36,642	36,305	307,670
Total assets	¥486,016	¥519,707	$4,404,297

The accompanying notes to the consolidated financial statements are an integral part of these statements.

LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	2007
Current liabilities:			
Short-term borrowings, including current portion of long-term debt (Note 10)	¥ 73,966	¥ 92,315	$ 782,331
Notes and accounts payable:			
Trade	36,119	46,779	396,432
Construction and other	37,991	31,272	265,017
Accrued expenses	11,665	10,583	89,686
Accrued income taxes	16,958	15,891	134,669
Provision for others	-	630	5,339
Other current liabilities	1,049	838	7,102
Total current liabilities	177,748	198,308	1,680,576
Long-term debt (Note 10)	48,757	23,981	203,229
Reserve for special repairs	11,286	14,870	126,017
Deferred income taxes (Note 11)	2,400	–	–
Provision for others (Note 12)	2,442	1,652	14,000
Other non-current liabilities	8,019	4,340	36,780
Total liabilities	250,652	243,151	2,060,602
Net assets (Note 13):			
Shareholders' equity:			
Common stock			
Authorized - 800,000,000 shares in 2006 and 2007			
Issued - 319,544,156 shares in 2006 and 2007	18,386	18,386	155,814
Capital surplus	20,124	20,130	170,593
Retained earnings	185,673	225,961	1,914,924
Treasury stock, at cost			
606,461 shares in 2006			
663,952 shares in 2007	(647)	(805)	(6,822)
Total shareholders' equity	223,536	263,672	2,234,509
Valuation and translation adjustments:			
Net unrealized holding gains on securities	7,098	6,970	59,068
Foreign currency translation adjustments	371	1,309	11,093
Total valuation and translation adjustments	7,469	8,279	70,161
Minority interests	4,359	4,605	39,025
Total net assets	235,364	276,556	2,343,695
Contingent liabilities (Note 14)			
Total liabilities and net assets	¥486,016	¥519,707	$4,404,297

Consolidated Statements of Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2005, 2006 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
Net sales	¥310,198	¥296,440	¥336,411	$2,850,941
Cost of sales	222,260	212,711	225,214	1,908,593
Gross profit	87,938	83,729	111,197	942,348
Selling, general and administrative expenses	36,829	31,777	26,612	225,526
Operating income	51,109	51,952	84,585	716,822
Other income (expenses):				
Interest and dividend income	1,146	2,147	1,602	13,576
Interest expense	(2,082)	(1,680)	(1,390)	(11,780)
Loss from spoilage	-	-	(1,119)	(9,483)
Loss from devaluation of inventories	(313)	(2,497)	(744)	(6,305)
Loss on disposal of property, plant and equipment, including removal expenses	(5,077)	(2,688)	(2,190)	(18,559)
Gain on sales of investment securities	1,910	250	316	2,678
Loss on disposal of inventories	(467)	(951)	(571)	(4,839)
Non-recurring depreciation for property, plant and equipment (Note 2)	-	-	(1,784)	(15,118)
Loss on impairment of fixed assets (Note 9)	(725)	(11,496)	(15,088)	(127,864)
Reversal of reserve for special repairs	4,388	5,148	146	1,237
Business restructuring charges (Note 4)	(38,748)	(35,923)	-	-
Loss on retirement benefit plan changes (Note 12)	-	(6,753)	-	-
Provision for product defect compensation	-	(830)	(990)	(8,390)
Foreign exchange gains (losses), net	641	2,177	323	2,737
Other, net	1,597	(461)	279	2,364
	(37,730)	(53,557)	(21,210)	(179,746)
Income (loss) before income taxes and minority interests	13,379	(1,605)	63,375	537,076
Provision for income taxes (Note 11):				
Prior-period	-	-	(1,443)	(12,229)
Current	1,762	18,727	17,596	149,119
Deferred	(1,172)	(14,142)	7,135	60,466
	590	4,585	23,288	197,356
Minority interests	835	(9,421)	(271)	(2,297)
Net income	¥ 11,954	¥ 3,231	¥ 40,358	$ 342,017
	Yen			U.S. dollars (Note 1)
Amount per share of common stock:				
Net income (Note 2)	¥ 36.97	¥ 9.71	¥ 126.55	$ 1.07
Diluted net income (Note 2)	-	-	-	-
Cash dividends applicable to the year (Note 13)	6.50	9.00	11.00	0.09

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2005, 2006 and 2007

	Thousands of shares	Millions of yen							
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Foreign currency transaction adjustments	Minority interests	Total net assets
Balance at March 31, 2004	159,772	¥ 18,386	¥ 20,117	¥ 172,691	¥ (263)	¥ 4,316	¥ (6,999)	¥ 15,230	¥ 223,478
Net income	-	-	-	11,954	-	-	-	-	11,954
Cash dividends paid	-	-	-	(1,915)	-	-	-	-	(1,915)
Bonuses to directors	-	-	-	(131)	-	-	-	-	(131)
Acquisition of treasury stock	-	-	-	-	(145)	-	-	-	(145)
Disposition of treasury stock	-	-	3	-	6	-	-	-	9
Decrease due to accounting standards in foreign countries, net	-	-	-	(710)	-	-	-	-	(710)
Net change during the year	-	-	-	-	-	(238)	516	105	383
Stock split (Note 13)	159,772	-	-	-	-	-	-	-	-
Balance at March 31, 2005	319,544	18,386	20,120	181,889	(402)	4,078	(6,483)	15,335	232,923
Net income	-	-	-	3,231	-	-	-	-	3,231
Cash dividends paid	-	-	-	(2,393)	-	-	-	-	(2,393)
Bonuses to directors	-	-	-	(142)	-	-	-	-	(142)
Acquisition of treasury stock	-	-	-	-	(248)	-	-	-	(248)
Disposition of treasury stock	-	-	4	-	3	-	-	-	7
Increase due to accounting standards in foreign countries	-	-	-	3,088	-	-	-	-	3,088
Net change during the year	-	-	-	-	-	3,020	6,854	(10,976)	(1,102)
Balance at March 31, 2006	319,544	18,386	20,124	185,673	(647)	7,098	371	4,359	235,364
Net income	-	-	-	40,358	-	-	-	-	40,358
Cash dividends paid	-	-	-	(3,189)	-	-	-	-	(3,189)
Bonuses to directors	-	-	-	(132)	-	-	-	-	(132)
Acquisition of treasury stock	-	-	-	-	(163)	-	-	-	(163)
Disposition of treasury stock	-	-	6	-	5	-	-	-	11
Decrease due to accounting standards in foreign countries, net	-	-	-	(0)	-	-	-	-	(0)
Changes in the scope of consolidation	-	-	-	3,251	-	-	-	-	3,251
Net change during the year	-	-	-	-	-	(128)	938	246	1,056
Balance at March 31, 2007	319,544	¥ 18,386	¥ 20,130	¥ 225,961	¥ (805)	¥ 6,970	¥ 1,309	¥ 4,605	¥ 276,556

	Thousands of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Foreign currency transaction adjustments	Minority interests	Total net assets
Balance at March 31, 2006	$155,814	$170,542	$1,573,500	$(5,483)	$60,153	$ 3,144	$36,941	$1,994,611
Net income	-	-	342,017	-	-	-	-	342,017
Cash dividends paid	-	-	(27,025)	-	-	-	-	(27,025)
Bonuses to directors	-	-	(1,119)	-	-	-	-	(1,119)
Acquisition of treasury stock	-	-	-	(1,381)	-	-	-	(1,381)
Disposition of treasury stock	-	51	-	42	-	-	-	93
Decrease due to accounting standards in foreign countries, net	-	-	(0)	-	-	-	-	(0)
Changes in the scope of consolidation	-	-	27,551	-	-	-	-	27,551
Net change during the year	-	-	-	-	(1,085)	7,949	2,084	8,948
Balance at March 31, 2007	$155,814	$170,593	$1,914,924	$(6,822)	$59,068	$11,093	$39,025	$2,343,695

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2005, 2006 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥13,379	¥ (1,605)	¥63,375	$537,076
Depreciation and amortization	30,345	30,106	38,042	322,390
Business restructuring charges	25,956	27,741	-	-
Loss on disposal of property, plant and equipment	5,785	1,850	1,086	9,203
Loss on impairment of fixed assets	725	11,496	15,088	127,864
Gain on sales of investment securities	(1,910)	(250)	(316)	(2,678)
Provision for severance and retirement benefits	-	(8,694)	55	466
Provision for reserve for special repairs	(2,153)	(3,208)	3,583	30,364
Interest and dividend income	(1,146)	(2,147)	(1,602)	(13,576)
Interest expense	2,082	1,680	1,390	11,780
Decrease (increase) in notes and accounts receivable	6,136	6,853	(1,145)	(9,703)
Decrease in inventories	6,509	4,423	1,916	16,237
Increase in notes and accounts payable	1,617	4,522	7,420	62,881
Other	(169)	144	(4,168)	(35,321)
Sub-total	87,156	72,911	124,724	1,056,983
Interest and dividends received	1,128	2,177	1,595	13,517
Interest paid	(2,143)	(1,873)	(1,310)	(11,102)
Payment for income taxes, net	(14,297)	(1,903)	(17,225)	(145,974)
Net cash provided by operating activities	71,844	71,312	107,784	913,424
Cash flows from investing activities:				
Increase in time deposits, net	(1,400)	(117)	(126)	(1,068)
Purchases of marketable and investment securities	(4)	(1,054)	(964)	(8,169)
Proceeds from sales of marketable and investment securities	1,970	985	601	5,093
Purchases of property, plant and equipment	(57,783)	(59,080)	(100,431)	(851,110)
Proceeds from sales of property, plant and equipment	4,360	5,323	4,577	38,788
Proceeds from capital reduction of affiliated company	-	-	347	2,941
Decrease (increase) in loans receivable, net	(55)	11	36	305
Assignment of subsidiaries' equity resulting in changes in the scope of consolidation (Note 4)	-	(2,584)	-	-
Other	(6)	-	-	-
Net cash used in investing activities	(52,918)	(56,516)	(95,960)	(813,220)
Cash flows from financing activities:				
Increase (decrease) in short-term debt, net	(296)	519	1,683	14,263
Proceeds from long-term loans	6,834	-	-	-
Repayment of long-term loans	(13,752)	(8,693)	(8,204)	(69,525)
Redemption of unsecured bonds	-	(20,000)	-	-
Proceeds from common stock issued to minority shareholders	-	1,620	452	3,830
Cash dividends paid	(1,915)	(2,393)	(3,188)	(27,017)
Other	(474)	(813)	(175)	(1,483)
Net cash used in financing activities	(9,603)	(29,760)	(9,432)	(79,932)
Effect of exchange rate changes on cash and cash equivalents	(712)	3,383	2,453	20,788
Net increase (decrease) in cash and cash equivalents	8,611	(11,581)	4,845	41,060
Cash and cash equivalents at beginning of year	89,291	97,902	86,321	731,534
Effect of changes in number of consolidated subsidiaries	-	-	(5,774)	(48,933)
Cash and cash equivalents at end of year (Note 7)	¥97,902	¥86,321	¥85,392	$723,661

The accompanying notes to the consolidated financial statements are an integral part of these statements.

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Nippon Electric Glass Co., Ltd. ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure and the inclusion of the consolidated statement of changes in net assets for 2005 and 2006) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2007, which was ¥118 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

(a) Consolidation policies

Under Japanese GAAP, companies are required to consolidate all significant investees over which they have power of control through a majority of voting rights or existence of certain conditions evidencing control.

The accompanying consolidated financial statements include the accounts of the Company and substantially all of its subsidiaries. All significant intercompany transactions and account balances are eliminated in consolidation.

Investments in other affiliated companies are stated at cost.

Financial information for foreign subsidiaries is based on their fiscal years ended December 31.

(b) Translation of foreign currencies

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

The financial statements of the Company's consolidated foreign subsidiaries are translated into Japanese yen at the current rates for assets and liabilities and historical rates for shareholders' equity accounts. Average rates for the years are used for the translation of income and expense amounts. Foreign currency translation adjustments are recorded in net assets.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, deposits placed with banks on demand and short-term highly liquid investments with a maturity of three months or less when deposited or purchased are considered to be cash and cash equivalents.

(d) Marketable and investment securities

Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.
Cost of sales is calculated using moving average cost.

(e) Allowance for doubtful receivables

Allowance for doubtful receivables is provided in an amount sufficient to cover possible losses on collection. For regular receivables, it consists of estimated uncollectable amounts based on the historical ratio of bad debt losses. For receivables from customers in financial difficulty, it consists of the estimated uncollectable amounts with respect to specific doubtful receivables.

(f) Inventories

Finished goods are stated principally at the lower of cost or market value, with cost determined by the moving average method. Other inventories are stated principally at cost, which is determined by the moving average method.

(g) Property, plant and equipment

Property, plant and equipment are principally stated at cost.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is calculated by the declining-balance method at rates based on the estimated useful lives of the assets. Buildings acquired after March 31, 1998 are depreciated using the straight-line method, excluding building fixtures. Depreciation of property, plant and equipment of consolidated foreign subsidiaries is calculated principally by the declining-balance method at rates based on the estimated useful lives of the assets. The ranges of the estimated useful lives of machinery and equipment are generally 9 to 13 years.

For the year ended March 31, 2007, the Company shortened the estimated useful life of certain machinery in the Information and Communications sector because the Company confirmed that the useful life of the assets was actually shorter than the former estimated useful life, considering the situations under which machines are used. Also, this machinery was depreciated retroactively on a temporary basis. The effect of this change was to increase depreciation expenses by ¥4,004 million ($33,932 thousand), decrease operating income by ¥1,839 million ($15,585 thousand) and decrease income before income taxes and minority interests by ¥3,623 million ($30,703 thousand). The impact on segment information as a result of this change is described in detail in the segment information section.

(h) Accounting for certain lease transactions

Finance leases that do not transfer ownership to the lessees are accounted for principally in the same manner as operating leases in accordance with Japanese GAAP.

(i) Provision for product defect compensation

The provision for product defect compensation is provided to cover estimated future compensation for a single type of product manufactured by the Company and calculated based on the number of shipments of the target product.

(j) Reserve for directors' bonuses

To provide a reserve for directors' bonuses, the Company and its consolidated domestic subsidiaries record the amount estimated to be paid to directors after the balance sheet date for their services rendered during the current period.

(k) Severance and retirement benefits

The Company and its consolidated domestic subsidiaries provide the liability for severance and retirement benefits based on the projected benefit obligation at March 31, 2007.

On March 31, 2006, the Company revised post-employment benefit plans, abolished the previous plans, funded non-contributory pension plans and unfunded lump-sum payment plans, prepaid the retirement benefits and expanded the defined contribution pension plans. The Company applied Accounting Procedures Concerning the Change in Retirement Benefit Plan (Corporate Accounting Principles Application Guideline 1). At March 31, 2006 and 2007, accrued retirement benefits for employees were provided mainly at an amount of the projected benefit obligation calculated by a simplified method because the number of employees covered by unfunded lump-sum payment plans was not significant.

(l) Directors' retirement benefits

To provide for directors' retirement benefits, the Company and its consolidated domestic subsidiaries recorded the amount that was required by the internal corporate policy at the end of the current fiscal year. However, the directors' retirement benefits system was abolished in June 2004, and the Company has ceased recording them from July 2004.

(m) Reserve for special repairs

Significant repair expenditures are expected for melting furnaces every 3 to 7 years. Such repairs are provided for in advance by charging the estimated cost against current operations over those periods.

(n) Income taxes

Tax effects of loss carryforwards and temporary differences between the financial statements basis and the tax basis of assets and liabilities are recognized as deferred tax assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income.

(o) Research and development

Costs relating to research and development activities are charged to income as incurred and amounted to ¥3,190 million, ¥2,643 million and ¥4,482 million ($37,983 thousand) in 2005, 2006 and 2007, respectively.

(p) Net income per share

The computations of net income per share are based on the average number of shares outstanding during each year. Diluted net income per share of common stock is computed based on the average number of shares outstanding, increased by the number of shares that would be outstanding assuming all dilutive convertible bonds were converted at the beginning of the year at the current conversion price. Because there was no diluted stock, the computation of diluted net income per share was not calculated.

Per share of common stock amounts are retroactively adjusted for subsequent stock split. The Company had a 2-for-1 stock split of its common stock on March 10, 2005.

(q) Derivatives and hedge accounting

The Company and its consolidated domestic subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes. If derivative financial instruments are used to hedge and meet certain hedging conditions, the Company and its consolidated domestic subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related gains or losses on the hedged items are recognized.

If currency swap contracts are executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted currency, and no gains or losses on the currency swap contract is recognized.

Hedging instruments and hedged items used by the Company and its consolidated subsidiaries are as follows:

Hedging instruments:	Hedged item:
Currency swap contracts	Principally long-term loan

The Company and its consolidated subsidiaries enter into forward foreign exchange contracts and currency swap contracts to manage risk exposure.

The Company and its consolidated subsidiaries use derivative transactions solely for the purpose of managing risks, and not for speculation.

The counterparties are major financial institutions, therefore, the Company and its consolidated subsidiaries consider the credit risk to be minimal.

The derivative transactions are entered into by each company in accordance with accounting policies and decisions made in each company's management meeting.

(r) Reclassification and restatement

Certain prior year amounts have been reclassified to conform to the current year presentation. Also, as described in Notes 3 (b) and (c), the consolidated balance sheet for 2006 has been adapted to conform to new presentation rules of 2007.

Also, in lieu of the consolidated statement of shareholders' equity for the year ended March 31, 2006, which was prepared on a voluntary basis for inclusion in the 2006 consolidated financial statements, the Company prepared the consolidated statement of changes in net assets for 2006 as well as for 2007. These reclassifications had no impact on previously reported results of operations or retained earnings.

3. Accounting changes

(a) Accounting standard for directors' bonus

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted Accounting Standards Statement No. 4, "Accounting Standard for Directors' Bonus," issued by the Accounting Standards Board of Japan on November 29, 2005.

The effect on net income of the adoption of this new accounting standard is not material.

(b) Accounting standard for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests, as applicable, and the shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently compared to the previous presentation. Minority interests are required to be included in the net assets section under the New Accounting Standards. Under the previous presentation rules, companies were required to present minority interests in the current liabilities section and between the non-current liabilities and shareholders' equity sections, respectively.

The consolidated balance sheet as of March 31, 2006 has been restated to conform to the 2007 presentation. There was no effect on total assets or total liabilities from applying the New Accounting Standards to the balance sheet as of March 31, 2006.

The adoption of the New Accounting Standards had no impact on the consolidated statements of income for the years ended March 31, 2006 and 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥271,951 million ($2,304,669 thousand) would have been presented.

(c) Accounting standard for statement of changes in net assets

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "Additional New Accounting Standards").

Accordingly, the Company prepared the statements of changes in net assets for the year ended in accordance with the Additional New Accounting Standards. Also, the Company voluntarily prepared the consolidated statement of changes in net assets for 2006 in accordance with the Additional New Accounting Standards.

Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP.

4. Supplementary information

(a) Business restructuring charges

Techneglas Inc., a consolidated foreign subsidiary in the United States, recognized losses of ¥38,748 million on the stop of production activities in 2005. The losses principally consisted of impairment loss on fixed assets, impairment loss on inventories and loss related to personnel reduction, etc.

The Company and its consolidated overseas subsidiaries recognized losses on the restructuring and the reduction of the CRT glass business in the amount of ¥35,923 million in 2006. The losses consisted of loss on dissolution of the joint venture in Europe and China, liquidating Nippon Electric Glass UK Limited, a consolidated foreign subsidiary in the U.K., and disposal of production facilities with stoppage in production in Japan.

(b) Assignment of subsidiaries' equity resulting in changes in the scope of consolidation

The assets and liabilities of Shijiazhuang Baoshi Electric Glass Co., Ltd., a joint venture in China which was no longer the Company's consolidated subsidiary as a result of assignment of investment equity, as of December 31, 2005, were as follows:

	Millions of yen
	December 31, 2005
Current assets	¥8,946
Non-current assets	8,290
Current liabilities	9,424
Non-current liabilities	661

5. Market value information of securities

(a) At March 31, 2006 and 2007, acquisition cost, book value and fair value of securities with available market values were as follows:

2006:	Millions of yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 6,533	¥ 18,442	¥ 11,909
Securities with acquisition cost exceeding book value:			
Equity securities	120	120	–
	¥ 6,653	¥ 18,562	¥ 11,909

2007:	Millions of yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 6,813	¥ 18,113	¥11,300
Securities with acquisition cost exceeding book value:			
Equity securities	500	448	(52)
	¥ 7,313	¥ 18,561	¥11,248

2007:	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	$57,737	$153,500	$95,763
Securities with acquisition cost exceeding book value:			
Equity securities	4,238	3,797	(441)
	$61,975	$157,297	$95,322

(b) At March 31, 2006 and 2007, book value of securities with no available market values were as follows:

2006:	Millions of yen
	Book value
Available-for-sale securities:	
Equity securities issued by affiliates	¥ 1,739
Non-listed equity securities, other	19
	¥ 1,758

2007:	Millions of yen	Thousands of U.S. dollars
	Book value	Book value
Available-for-sale securities:		
Equity securities issued by affiliates	¥ 2,294	$ 19,441
Non-listed equity securities, other	3,227	27,347
	¥ 5,521	$ 46,788

(c) Sales of available-for-sale securities sold in the years ended March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Total sales amounts	¥ 985	¥ 601	$5,093
Gains on sales	250	316	2,678
Losses on sales	-	19	161

6. Derivatives

The fair value of derivative contracts utilized by the Company and its consolidated subsidiaries at March 31, 2006 and 2007 were as follows:

Currency related transaction

2006:

		Millions of yen			
Classification	Type of transaction	Notional amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
	Forward foreign exchange				
Non-market	Sell	¥ 2,468	¥ -	¥ 2,489	¥ (22)
transaction	Buy	31	-	31	-
	Swap	3,787	2,705	99	99
	Option				
	Sell·Buy	-	-	-	-
		¥ 6,286	¥ 2,705	¥ 2,619	¥ 77

2007:

		Millions of yen			
Classification	Type of transaction	Notional amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
	Forward foreign exchange				
Non-market	Sell	¥ 2,001	¥ -	¥ 2,017	¥ (18)
transaction	Buy	38	-	37	-
	Swap	2,762	1,657	92	92
	Option				
	Sell·Buy	2,596	-	(82)	(82)
		¥ 7,397	¥ 1,657	¥ 2,064	¥ (8)

2007:

		Thousands of U.S. dollars			
Classification	Type of transaction	Notional amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
	Forward foreign exchange				
Non-market	Sell	$16,957	$ -	$17,093	$ (153)
transaction	Buy	322	-	314	-
	Swap	23,407	14,042	780	780
	Option				
	Sell·Buy	22,000	-	(695)	(695)
		$62,686	$14,042	$17,492	$ (68)

Note: 1. The fair value of forward foreign exchange is based on the forward exchange rate. The fair value of swaps and options is based on the prices obtained from the financial institute.
2. The option transaction is described in a lump sum because call options and put options are combined.
3. Derivative transactions utilized by the Company and its consolidated subsidiaries other than above are applied by hedge accounting and are not included in the above.

7. Cash and cash equivalents

Cash and cash equivalents at March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Cash and time deposits in the balance sheets	¥86,322	¥85,392	$723,661
Time deposits due over three months	(1)	–	–
Cash and cash equivalents in the statements of cash flows	¥86,321	¥85,392	$723,661

8. Inventories

Inventories at March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Finished and purchased goods	¥15,062	¥15,001	$127,127
Semi-finished goods and work in process	15,127	13,341	113,059
Raw materials	10,609	11,431	96,873
	¥40,798	¥39,773	$337,059

9. Loss on impairment of fixed assets

Long-lived assets, such as property, plant and equipment, and acquired intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison between the book value of the asset and the estimated undiscounted future cash flows expected to be generated by the asset. If the book value of the asset exceeds its estimated future cash flows, an impairment loss is recognized in the amount by which the book value of the asset exceeds the fair value of the asset.

Loss on impairment of fixed assets for the years ended March 31, 2006 and 2007 consisted of the following:

(a) Grouping

The Company and its consolidated subsidiaries essentially group its operating assets by business units and its idle assets separately, to measure the impairment of the assets.

(b) Assets subject to impairment

After review, the book values of the following assets were reduced to recoverable values and the reduced amounts were recognized as impairment losses.

2006:

Use	Reason	Location	Type
Production facilities for CRT glass	Unprofitable due to marked deterioration in market circumstances	Shiga-Takatsuki factory, Notogawa factory, Other	Machinery and equipment, Other
Important idle assets	No utilization plan	Notogawa factory, Other	Machinery and equipment, Other

2007:

Use	Reason	Location	Type
Production facilities for CRT glass	Unprofitable due to marked deterioration in market circumstances	Malaysia China	Machinery and equipment, Other

(c) Assessment of recoverable values

For the year ended March 31, 2006, the recoverable values were measured at net salable price.

No recoverable values were expected for the production facilities for CRT glass because the possibility for future use and sale was low. Recoverable values for land and buildings are measured at the appraisal values by the real estate appraiser.

For the year ended March 31, 2007, the recoverable values were mainly measured at value in use calculated by discounting future cash flows at an interest rate of 6.0%.

No recoverable values were expected for the production facilities for CRT glass because the possibility for future use and sale was low.

(d) Impairment loss on fixed assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Machinery and equipment	¥ 9,679	¥11,660	$ 98,813
Other	1,817	3,428	29,051
	¥11,496	¥15,088	$127,864

10. Short-term borrowings and long-term debt

Short-term borrowings, including the current portion of long-term debt, at March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Short-term bank loans: average rate 0.97% per annum	¥65,756	¥67,519	$572,195
Current portion of long-term loans: average rate 1.05% per annum	8,210	4,796	40,644
Current portion of unsecured bonds: 1.27%	-	20,000	169,492
	¥73,966	¥92,315	$782,331

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

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Loans, principally from banks and insurance companies due from 2008 through 2011: average rate 1.16% per annum	¥16,967	¥ 8,777	$ 74,381
1.27% unsecured bonds, due in 2008	20,000	20,000	169,492
0.99% unsecured bonds, due in 2010	20,000	20,000	169,492
	56,967	48,777	413,365
Less current portion included in short-term borrowings	(8,210)	(24,796)	(210,136)
	¥48,757	¥23,981	$203,229

The aggregate annual maturities of long-term debt at March 31, 2007 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥24,796	$210,136
2009	2,611	22,127
2010	21,180	179,492
2011	190	1,610
	¥48,777	$413,365

11. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 40.4% for the years ended March 31, 2006 and 2007.
The significant differences between the statutory tax rate in Japan and the effective tax rate of the Company and its consolidated subsidiaries for financial statement purposes for the year ended March 31, 2006, hasn't been disclosed because the Company recognized a loss before income taxes and minority interests.

The significant differences between the statutory tax rate in Japan and the effective tax rate of the Company and its consolidated subsidiaries for financial statement purposes for the year ended March 31, 2007 were as follows:

	2007
Statutory tax rate in Japan	40.4%
Difference in tax rates for consolidated foreign subsidiaries	4.5
Valuation allowance	1.8
Effect of elimination of dividend income	1.7
Expense not deductible for tax purposes, mainly entertainment expenses	0.3
Exclusion from gross revenue of dividends	(1.9)
Prior-period income tax	(2.3)
Effect of elimination of allowance for doubtful accounts	(10.4)
Other	2.6
Effective tax rate	36.7%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Deferred tax assets:			
Excess reserve for special repairs	¥ 2,771	¥ 2,981	$ 25,263
Accrued liability on retirement benefit plan changes	4,952	2,905	24,619
Loss on devaluation of inventories	2,973	2,804	23,763
Impairment loss on property, plant and equipment	3,200	2,439	20,669
Loss from valuation of investment securities	308	2,096	17,763
Unrealized gain on property, plant and equipment	2,248	1,742	14,763
Tax losses carried forward	879	1,682	14,254
Excess accrued bonuses	1,525	1,465	12,415
Alternative minimum tax	1,288	1,300	11,017
Unrealized gain on inventories	1,567	993	8,415
Business restructuring charges	4,499	453	3,839
Loss from valuation of investments in affiliated company	3,232	–	–
Other	5,656	6,462	54,762
Subtotal deferred tax assets	35,098	27,322	231,542
Less valuation allowance	(3,054)	(4,335)	(36,737)
Total net deferred tax assets	32,044	22,987	194,805
Deferred tax liabilities:			
Net unrealized holding gains on securities	(4,811)	(4,278)	(36,254)
Excess tax depreciation of consolidated foreign subsidiaries	(3,753)	(2,013)	(17,059)
Other	(178)	(44)	(373)
Total deferred tax liabilities	(8,742)	(6,335)	(53,686)
Net deferred tax assets	¥23,302	¥16,652	$141,119

12. Severance and retirement benefits

On March 31, 2006, the Company revised post-employment benefit plans, abolished the previous plans, funded non-contributory pension plans and unfunded lump-sum payment plans, prepaid the retirement benefits and expanded the defined contribution pension plans.

The amount of projected benefit obligation at March 31, 2006 and 2007 was calculated by a simplified method because the number of employees covered by the unfunded lump-sum payment plans was not significant.

Certain consolidated subsidiaries provide funded non-contributory pension plans, unfunded lump-sum payment plans and defined contribution pension plans.

Liabilities for severance and retirement benefits at March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Projected benefit obligation	¥(1,241)	¥(1,308)	$(11,084)
Pension assets	67	53	449
Unrecognized benefit obligation	(1,174)	(1,255)	(10,635)
Unrecognized transition obligation	(66)	(59)	(500)
Unrecognized actuarial differences	-	13	110
Net liabilities for severance and retirement benefits	(1,240)	(1,301)	(11,025)
Prepaid benefit cost	-	-	-
Liabilities for severance and retirement benefits	¥(1,240)	¥(1,301)	$(11,025)

The Company recorded a loss on retirement benefit plan changes in the amount of ¥6,753 million for the year ended March 31, 2006.
Other severance and retirement benefit expenses for the years ended March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Service costs	¥ 1,489	¥ 156	$ 1,321
Interest cost	697	4	34
Expected return on pension assets	(193)	(1)	(8)
Amortization of transition obligation	186	(7)	(59)
Amortization of actuarial differences	800	(3)	(25)
Subtotal severance and retirement benefit expenses	2,979	149	1,263
Defined contribution pension plan	258	1,391	11,788
Total severance and retirement benefit expenses	¥ 3,237	¥ 1,540	$ 13,051

A consolidated foreign subsidiary in the United States had a defined benefit plan with accounts and records in accordance with accounting principles generally accepted in the United States, but liquidated the plan under the protection of Chapter 11 of the United States bankruptcy law in 2006. Projected benefit obligation and severance and retirement benefit expenses for the year ended March 31, 2006 were as follows:
For the year ended March 31, 2007, there is no applicable matter.

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Projected benefit obligation	¥ -	¥ -	$ -
Severance and retirement benefit expenses	544	-	-

13. Net assets

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code").

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

On March 10, 2005 the Company effected 2-for-1 common stock split. The amount of common stock did not increase by this stock split. All historical share and per share data included in these financial statements have been adjusted to reflect this stock split.

At the annual shareholders' meeting held on June 28, 2007, the shareholders approved cash dividends amounting to ¥1,913 million ($16,212 thousand), ¥6.00 per share.

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥1,595 million ($13,517 thousand), ¥5.00 per share on December 5, 2006.

14. Contingent liabilities

Contingent liabilities at March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Notes discounted	¥ 122	¥ 86	$ 729
Guarantee of employees' housing loans	1,770	1,513	12,822
	¥1,892	¥1,599	$13,551

15. Lease information

(a) At March 31, 2006 and 2007, the equivalent amounts of acquisition cost, accumulated depreciation and net book value of leased properties under finance leases accounted for in the same manner as operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Acquisition cost of machinery and equipment	¥ 663	¥ 712	$ 6,034
Accumulated depreciation of machinery and equipment	376	431	3,653
Net book value	¥ 287	¥ 281	$ 2,381

(b) Future minimum lease payments, excluding interest, under finance leases at March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Current	¥138	¥ 131	$ 1,110
Non-current	179	184	1,559
	¥317	¥ 315	$ 2,669

(c) Lease payments, assumed depreciation and assumed interest for the years ended March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Lease payments	¥160	¥ 160	$ 1,356
Assumed depreciation	151	151	1,280
Assumed interest	8	7	59

Assumed depreciation is calculated by the straight-line method over the lease term assuming no residual value.

(d) Future minimum lease payments under operating leases at March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Current	¥ 29	¥ 187	$ 1,585
Non-current	32	1,024	8,678
	¥ 61	¥1,211	$10,263

(e) There was no impairment loss on fixed assets distributed to lease assets at March 31, 2006 and 2007.

16. Segment information

Information by segment for the years ended March 31, 2005, 2006 and 2007 was as follows:

(a) Information by business segment

The Company and its consolidated subsidiaries principally operate in the glass business in Japan and foreign countries.
Therefore, information by business segment is not required to be disclosed.

(b) Information by geographic area

	Millions of yen					
2005:	Japan	Asia	Other areas	Total	Elimination and corporate	Consolidated total
Net sales						
External	¥149,247	¥114,448	¥46,503	¥310,198	¥ -	¥310,198
Inter-segment	80,797	5,646	844	87,287	(87,287)	-
Total sales	230,044	120,094	47,347	397,485	(87,287)	310,198
Operating expenses	187,869	107,448	51,556	346,873	(87,784)	259,089
Operating income (loss)	¥ 42,175	¥ 12,646	¥ (4,209)	¥ 50,612	¥ 497	¥ 51,109
Identifiable assets	¥341,462	¥149,925	¥48,396	¥539,783	¥(44,215)	¥495,568

2006:	Millions of yen Japan	Asia	Other areas	Total	Elimination and corporate	Consolidated total
Net sales						
External	¥ 150,622	¥ 126,779	¥ 19,039	¥ 296,440	¥ -	¥ 296,440
Inter-segment	87,097	8,829	834	96,760	(96,760)	-
Total sales	237,719	135,608	19,873	393,200	(96,760)	296,440
Operating expenses	180,338	134,989	25,870	341,197	(96,709)	244,488
Operating income (loss)	¥ 57,381	¥ 619	¥ (5,997)	¥ 52,003	¥ (51)	¥ 51,952
Identifiable assets	¥ 365,074	¥ 141,723	¥ 17,145	¥ 523,942	¥ (37,926)	¥ 486,016

2007:	Millions of yen Japan	Asia	Other areas	Total	Elimination and corporate	Consolidated total
Net sales						
External	¥ 174,279	¥ 158,769	¥ 3,363	¥ 336,411	¥ -	¥ 336,411
Inter-segment	99,398	11,896	188	111,482	(111,482)	-
Total sales	273,677	170,665	3,551	447,893	(111,482)	336,411
Operating expenses	194,902	167,561	3,531	365,994	(114,168)	251,826
Operating income	¥ 78,775	¥ 3,104	¥ 20	¥ 81,899	¥ 2,686	¥ 84,585
Identifiable assets	¥ 384,385	¥ 137,279	¥ 2,970	¥ 524,634	¥ (4,927)	¥ 519,707

2007:	Thousands of U.S. dollars Japan	Asia	Other areas	Total	Elimination and corporate	Consolidated total
Net sales						
External	$1,476,941	$1,345,500	$28,500	$2,850,941	$ -	$2,850,941
Inter-segment	842,356	100,814	1,593	944,763	(944,763)	-
Total sales	2,319,297	1,446,314	30,093	3,795,704	(944,763)	2,850,941
Operating expenses	1,651,712	1,420,008	29,924	3,101,644	(967,525)	2,134,119
Operating income	$ 667,585	$ 26,306	$ 169	$ 694,060	$ 22,762	$ 716,822
Identifiable assets	$3,257,500	$1,163,381	$25,170	$4,446,051	$(41,754)	$4,404,297

Note: 1. The classification of countries is based on the degree of geographical proximity.
2. The main countries belonging to the classification of those other than Japan:
(1) Asia Malaysia, Indonesia, China, Korea, Taiwan
(2) Other areas U.S.A., Mexico, U.K.
3. Corporate assets of ¥50,096 million, ¥61,890 million and ¥53,635 million ($454,534 thousand) at March 31, 2005, 2006 and 2007, respectively, consist mainly of cash and time deposits and investment securities owned by the Company.
4. Change in location classification
In 2006 and 2007, "America" and "Europe" that had been indicated as one segment in 2005 were included in "Other areas" because the percentage of total sales and identifiable assets, respectively, was less than 10% in all geographic areas. The amounts in 2005 have been reclassified to conform to the 2006 and 2007 presentation.
5. Additional information
As discussed in Note 2(g), for the year ended March 31, 2007, the Company shortened the estimated useful life of certain machinery in the Information and Communications sector.
As a result of this change, on the segment of Japan, depreciation expenses were ¥4,004 million ($33,932 thousand) more, assets ¥3,623 million ($30,703 thousand) less, and operating income ¥1,839 million ($15,585 thousand) less than the amounts that would have been recorded under the previous method.

(c) Overseas sales information

2005:	Millions of yen Asia	Other areas	Total
Overseas sales	¥ 147,065	¥ 62,436	¥ 209,501
Consolidated sales			310,198
Percentage of overseas sales	47.4%	20.1%	67.5%

2006:	Millions of yen Asia	Other areas	Total
Overseas sales	¥ 152,019	¥ 34,144	¥ 186,163
Consolidated sales			296,440
Percentage of overseas sales	51.3%	11.5%	62.8%

2007:	Millions of yen Asia	Other areas	Total
Overseas sales	**¥ 187,211**	**¥ 20,902**	**¥ 208,113**
Consolidated sales			**336,411**
Percentage of overseas sales	**55.7%**	**6.2%**	**61.9%**

2007:	Thousands of U.S. dollars Asia	Other areas	Total
Overseas sales	**$1,586,534**	**$177,136**	**$1,763,670**
Consolidated sales			**2,850,941**

Note: 1. The classification of countries is based on the degree of geographical proximity.
2. The main countries belonging to the classification of those other than Japan:
(1) Asia Malaysia, Indonesia, China, Korea, Taiwan, etc.
(2) Other areas U.S.A., Mexico, U.K., etc.
3. Overseas sales were comprised of the Company's and its consolidated subsidiaries' sales to countries other than Japan.
4. Change in location classification
In 2006 and 2007, "America" and "Europe" that had been indicated as one segment in 2005 were included in "Other areas" because the percentage of overseas sales, respectively, was less than 10% in total consolidated sales. The amounts in 2005 have been reclassified to conform to the 2006 and 2007 presentation.

17. Related party transactions

Related party transactions for the year ended March 31, 2006 were as follows:
For the year ended March 31, 2007, there was no applicable matter.

Group Companies	2006
Type	Affiliate of the Company
Name of the Related party	Saint-Gobain TM K.K.
Address	Chiyoda-ku, Tokyo
Common stock	¥573 million
Type of business	Production and distribution of refractories
Equity ownership percentage	Directly owned 40.0%
Relation	
Additional posts held by the directors	4
Operating relation	Purchase of refractories
Nature of transaction	Received from dividends
Transaction amount	¥1,311 million
Account	Dividend income
Balance at year end	-

18. Subsequent events

(a) Stock split

The Board of Directors Meeting held on March 5, 2007 resolved that the Company perform a 1.5-for-1 split of its common stock effective April 1, 2007.

(1) Increase in number of shares due to stock split
Common stock 159,772,078 shares

(2) Method of stock split
All shareholders and beneficial owners of record as of the close of trading on March 31, 2007 received 1.5 shares for each registered share.

Per share information for this stock split if it had been conducted at the beginning of the fiscal years ended March 31, 2006 and 2007 is as follows:

	Yen		U.S. dollars
	2006	**2007**	**2007**
Net assets per share	¥482.58	**¥568.55**	**$4.82**
Net income per share	6.47	**84.37**	**0.72**

(b) Decision for a significant capital investment

On April 26, 2007, the Company's Board of Directors decided on a capital investment for the purpose of increasing capacity of FPD substrate glass at the Takatsuki plant in Japan. Details are as follows:

1. Nature of facilities	Melting furnace and forming facilities for FPD substrate glass
2. Operating schedule	December 2007
3. Amount of investment	¥35 billion ($297 million)
4. Effect	Productive capacity for FPD substrate glass will increase approximately 10%

Independent Auditors' Report

To the Board of Directors of
Nippon Electric Glass Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Nippon Electric Glass Co., Ltd. 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 each of the three years in the period ended March 31, 2007, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Electric Glass Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in Note 18 to the consolidated financial statements, the Board of Directors of Nippon Electric Glass Co., Ltd. made a resolution to perform a split of its common stocks effective April 1, 2007.

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 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 28, 2007

Directors and Corporate Auditors

Directors

Chairman of the Board
Tetsuji Mori

President
Yuzo Izutsu

Director
Hiroshi Kato
Katsumi Inada
Masayuki Arioka
Masami Atsuji
Shigeru Yamamoto
Koichi Inamasu
Shuji Ito

Corporate Auditors

Hitoshi Yasuda
Nobuhiro Miyamoto

Takuro Takeuchi
Attorney at Law

Fujio Okada
Associate Senior Vice President
NEC Corporation

Corporate Officers

President
Yuzo Izutsu

Executive Vice President
Hiroshi Kato
Katsumi Inada

Senior Vice President
Masayuki Arioka
Masami Atsuji
Shigeru Yamamoto
Koichi Inamasu
Shuji Ito

Vice President
Junji Fujikawa
Takashi Omori
Masahiro Miyake
Tamotsu Kitagawa
Takao Akune
Nobutaka Daiku
Kenji Ishitani
Masanori Yokota
Yoshihisa Kinoshita
Sumio Oshita
Motoharu Matsumoto

Corporate Data

Head Office
7-1, Seiran 2-chome, Otsu,
Shiga 520-8639, Japan
Phone: (81) 77-537-1700
Fax: (81) 77-534-4967

Osaka Office & Sales Headquarters
1-14, Miyahara 4-chome, Yodogawa-ku,
Osaka 532-0003, Japan
Phone: (81) 6-6399-2711
Fax: (81) 6-6399-2731

Tokyo Office & Sales Headquarters
4-28, Mita 1-chome, Minato-ku,
Tokyo 108-0073, Japan
Phone: (81) 3-3456-3511
Fax: (81) 3-3456-3553

Factories in Japan
Otsu, Fujisawa, Shiga-Takatsuki,
Notogawa, Wakasa-Kaminaka

Transfer Agent for Common Stock
The Sumitomo Trust and Banking
Company, Limited
5-33, Kitahama 4-chome, Chuo-ku,
Osaka 541-0041, Japan

Stock Exchange Listings
The common stock is listed on the
Tokyo and Osaka
Stock Exchanges in Japan

Major Overseas Subsidiaries

Nippon Electric Glass (Malaysia) Sdn. Bhd.
Lot 1-7, Lion Industrial Park,
Persiaran Jubli Perak,
P.O. Box 7216, 40706 Shah Alam,
Selangor, Malaysia
Phone: (60) 3-5543-0000
Fax: (60) 3-5191-0881

P. T. Nippon Electric Glass Indonesia
Jl. Jababeka IV Blok V10-33, V44-63,
Kawasan Industri Jababeka,
Cikarang Utara, Bekasi 17834,
Jawa Barat, Indonesia
Phone: (62) 21-893-6007
Fax: (62) 21-893-6009

Nippon Electric Glass (Fujian) Co., Ltd.
No.29 Mawei Technology Development Zone,
Fuzhou, Fujian, China 350015
Phone: (86) 591-8397-5511
Fax: (86) 591-8397-7080

Nippon Electric Glass (Korea) Co., Ltd.
145, Gongdan-dong, Gumi-City,
Gyong-buk, Korea 730-030
Phone: (82) 54-462-7200
Fax: (82) 54-462-7201

Nippon Electric Glass Taiwan Co., Ltd.
No. 6, Wei 6th Road,
Chungkang Export Processing Zone,
Wuchi Township, Taichung County 435,
Taiwan
Phone: (886) 4-2657-0099
Fax: (886) 4-2657-6202

Paju Electric Glass Co., Ltd.
587-1,Dangdong-ri , Munsan-eup, Paju-si,
Gyeonggi-do, Korea 413-902
Phone: (82) 31-934-1032
Fax: (82) 31-934-1060

Nippon Electric Glass Co., Ltd.

7-1, Seiran 2-chome, Otsu, Shiga 520-8639, Japan

Printed in Japan