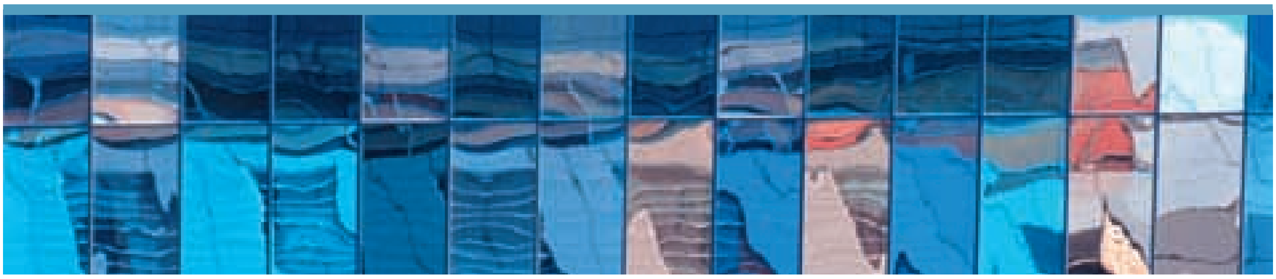
NSG
GROUP



‘First in Glass’

Annual Report 2008

Fiscal year ended March 31, 2008

The NSG Group is one of the world's largest manufacturers of glass and glazing products for the building, automotive and specialty glass markets.

Employing 32,500 people, we have manufacturing operations in 29 countries and sales in over 130. Geographically, approximately half our sales are in Europe, a quarter are in Japan, and the rest are primarily in North and South America, South East Asia and China.

Our operations center on three worldwide business lines: Building Products, supplying original equipment and refurbishment glass for the world's buildings; Automotive, producing glass and glazing systems for the original equipment and replacement glazing markets and Specialty Glass, operating in the information technology and glass fiber sectors.

Forward-looking statements

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

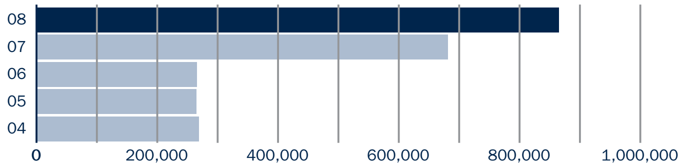
Image courtesy of W&W Glass, Nanuet, NY, USA

Financial highlights

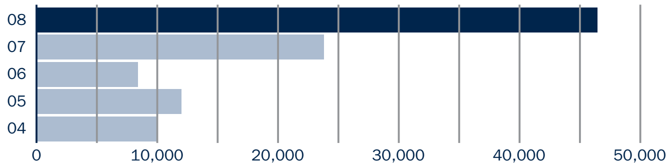
	Millions of yen		Thousands of euro
	2008	2007	2008
Net sales	865,588	681,548	5,473,555
Income before income taxes and minority interests	62,258	38,058	393,691
Net income	50,417	12,096	318,813
Amounts per share (yen and euro)			
Net income:			
Basic	75.44	21.85	0.48
Diluted	70.90	20.28	0.45
Cash dividends	6.00	6.00	0.04
Total assets	1,319,290	1,408,984	8,342,546
Total net assets	371,998	350,625	2,352,338
Number of employees	32,587	35,811	–

Note:
The translation of Japanese yen into euro values is included solely for the convenience of readers outside Japan and has been made at ¥158.14 = €1.00, the exchange rate prevailing on March 31, 2008. This translation should not be construed as a representation that yen can be converted into euro at the above or any other rate.

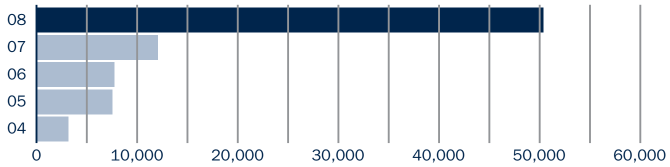
NET SALES Millions of yen



OPERATING INCOME Millions of yen



NET INCOME Millions of yen



OPERATIONAL HIGHLIGHTS

- Good results in FY08, with strong sales and profits: Europe improving.
- Sustained progress on strategic objectives, with debt reduced further.
- Organizational integration and changes continue.
- Preparations for Phase 2 of our 3-phase strategy under way, with targeted investments in emerging markets.
- Continuing strong global cost push cannot be compensated for in a 12-month period and is expected to reduce margins in the short term.
- Strong underlying business performance and continuing global Flat Glass industry growth provide confidence for FY10 and FY11.

The mission of the NSG Group is to be the global leader in the manufacture and supply of glass products through the best use of our people and technology and the pursuit of innovation.

To our shareholders

The Group's financial results show sustained improvement in sales and profits. Performance has been particularly strong in Europe, where we have our largest operations. Further progress has been made in integrating the global business.

Recent organizational changes include new senior management appointments and a simplification of our operations into a three-business line structure.

The new 'Company with Committees' board structure introduces additional safeguards for shareholders, increases transparency and improves corporate governance.

Yozo Izuhara Chairman of the Board (left), **Katsuji Fujimoto** Chairman NSG Group (right)

Business results

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

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

Consolidated net sales for the fiscal year under review increased by 27 percent, to ¥865,588 million.

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

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

Following the acquisition of Pilkington plc in June 2006, the results of the Pilkington Group have been fully consolidated. The financial results for the year to March 31, 2008 include 12 months of Pilkington trading, whereas results for the year to March 31, 2007 included only nine months of Pilkington trading. This factor, along with underlying improvements in operational performance, contributed to substantial increases in sales, operating income and ordinary income in the financial year under review.

Consolidated net sales for the fiscal year under review increased by 27 percent, to ¥865,588 million. Consolidated operating income rose 95 percent year-on-year to ¥46,462 million.

Dividend policy

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

The Board and senior management

Following the announcements in September 2007 of the integration of all of the Group's businesses and in February 2008 of the decision to move to a 'Company with Committees' board structure, the Company announced in April 2008 changes in the senior management of the Company and in the structure and membership of the NSG Group Board.

These included the appointment of the Chairman of the Board and the Chairman of the NSG Group. The Chairman of the Board has assumed particular responsibility for corporate governance. The Chairman of the NSG Group will ensure that the Company is run in accordance with the Group's long-term objectives and strategy and guiding values and principles. He will also provide support to the Executive in communicating with the financial community, shareholders, governments and other external organizations of importance to the Group. Tomoaki Abe has been appointed Deputy Chairman.

Following the shareholders' annual meeting on June 27, 2008, Stuart Chambers was appointed President and CEO of the NSG Group, with responsibility for the profitable operation of all businesses within the Group. Stuart Chambers chairs an Executive Committee, which oversees the day-to-day management of the Group's businesses. The appointment of Stuart Chambers as President and CEO of the NSG Group continues the process of evolution of the Group into an international corporation and also develops further the process of integration and simplification of the Group's management structure.

Corporate governance

A new NSG Group board structure has been established. The former 'Corporate Auditors' model has been replaced by three board committees (Audit, Nomination and Compensation) and four external directors.

Two new external directors have joined the NSG Group Board. Isao Uchigasaki is a former President of Hitachi Chemicals Co. Ltd. and is currently a director of Hitachi Ltd. Dr. George Olcott worked for a leading investment bank in Japan and is now Senior Fellow at the Judge Business School at the University of Cambridge. They have joined the two existing external directors, Noritaka Kurauchi (Adviser, Sumitomo Electric Industries Limited) and Kozo Okumura (Senior Adviser, DIC Corporation).

Consolidated operating income rose 95 percent year-on-year, to ¥46,462 million.

The adoption of the 'Company with Committees' model brings the NSG Group into line with a growing number of leading Japanese corporations and with best practice. It introduces additional safeguards for shareholders, increases transparency and improves corporate governance.

Under the new system, the role of the external directors is strengthened and we are delighted to welcome Isao Uchigasaki and Dr. George Olcott to the Board. They bring extensive skills and experience from industry and banking and we have no doubt that they will make an important contribution to the work of the Board.

Evolution of company organization

A major objective of Phase 1 of the Group's 3-phase strategy is the creation of an international, integrated, global company. The first step was the establishment in April 2007 of a single integrated global Flat Glass business.

Having achieved a good integration of the operations, we have now been able to simplify the organization.

This brought together all of the former Pilkington and NSG operations in Building Products and Automotive. At the same time global functions, such as Human Resources, Finance, Information Systems and Procurement, were established to provide support. In October 2007, Specialty Glass was brought into the global structure.

The Company also took the important and significant step of rebranding, adopting the name 'NSG Group' for the top level identity of the Group. For marketing purposes, the Company decided to retain the 'Pilkington' brand for Building Products and Automotive. The brand is a valuable asset and we intend to exploit it globally.

Having achieved a good integration of the Group's operations, we have now been able to simplify the organization. We have adopted a clear three-business line structure: Building Products, Automotive and Specialty Glass.

Each of the business lines is managed on a global basis by a main board director. Pat Zito leads Automotive Worldwide, Mark Lyons leads Building Products Worldwide and Keiji Yoshikawa leads Specialty Glass Worldwide.

Code of Conduct

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

In order to ensure that all employees understand what is expected of them, we have over the past year revised and reissued the NSG Group's 'Code of Conduct'. The content of the Code takes into account the Group's values and principles, particularly the emphasis on safety, taking personal ownership for actions and communicating with openness and involvement. The Code defines the conduct expected of both the Group and its employees across all areas of our business. It applies to relationships with colleagues, customers, suppliers, business partners, the community and all others with whom we have contact in daily business life.

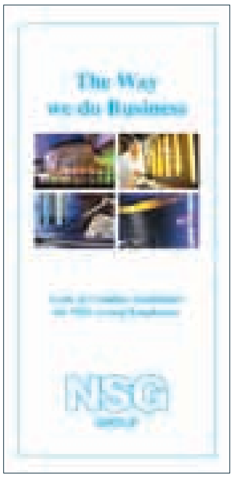
The wide range of issues addressed in the Code reflects the many diverse activities that are involved in operating a successful global business. The overriding basis of the Code is that the Group will carry out these activities in a safe, professional, legal and ethical manner and in a way that demonstrates the Company's corporate social responsibility.

Wherever possible, the Code defines a fair and common sense approach to doing business, while some elements are dictated by strict legal requirements. A summary document, 'The Way we do Business', covers the main points of the Code in a succinct pamphlet. Personal copies have been distributed to all Group employees in their own language. Both the full Code and the summary document can be downloaded from the Group website.

We have adopted a clear three-business line structure: Building Products, Automotive and Specialty Glass.

One particular issue relating to business conduct that has been addressed over the past year is that of competition compliance. The European Commission levied a fine of €140 million on the Building Products business, following the investigation into the European Building Products glass sector. As this had been provided for in last year's accounts, there was no additional charge to the income statement this year. This fine was paid during March 2008. A European Commission decision concerning a potential fine to be levied on the European Automotive business is still outstanding.

Responding to the issue, the Company has further reviewed control mechanisms and increased efforts to minimize the risk of competition law non-compliance. The Group's Competition Law Compliance Policy has been reviewed and revised, based upon a zero tolerance policy for unauthorized contact with competitors. New procedures, effective from May 2007, require a formal assessment of the level of compliance risk for each manager, as part of the annual appraisal process. A new post of Competition Compliance Officer for the NSG Group has been created.



A summary of the Group's Code of Conduct – 'The Way we do Business', has been distributed to all Group employees in their own language.

Employees

The NSG Group employs around 32,500 people, working in our principal manufacturing operations in 29 countries. The integration of a large organization embodying different languages and cultural backgrounds is no easy feat to complete in a short time, and we expected a number of challenges in the process. However, it is evident that in fiscal year 2008 we were able to sustain progress in terms of both management and business operations. This was largely attributable to the goodwill, cooperation, and professionalism shown by our people during a challenging but successful year. Combining the strengths of all employees, the NSG Group will strive to enhance the benefits of this business integration, fully exercising the synergistic effects.

The NSG Group is affiliated with the Sumitomo Group of companies and its management philosophy, ‘people are the most important asset of our company’, is deeply rooted in the 400-year-old Sumitomo Spirit. A major objective in managing our people is to ensure that safety at work is paramount. Although a great deal of progress has been made in this area, we are not complacent. All of the businesses have the objective of improving safety as a priority and safety statistics are closely monitored by the Board at every meeting.

The training and development of our people as individuals and as professionals is a priority. Education and training programs are provided for employees so as to raise global professional standards. Our employees are encouraged to look at the whole picture and to perform their duties on their own initiative in accordance with Company policies, rather than merely going through the motions of fulfilling their responsibilities at work.

ものづくり

Monozukuri

A guiding principle of the NSG Group, *monozukuri* denotes ‘a passion for manufacturing excellence, through benchmarking, best practice and standard operating procedures’.

Employee communication has been improved over the past year, with training for managers and supervisors in communication skills. The Group employee magazine, ‘MADO’, is distributed to all employees in their own language six times a year.

In February 2008, the Company announced an enhanced early retirement plan (EERP) in Japan. The implementation of the Company’s Medium-Term Plan requires that we improve our operational performance and competitiveness across the whole Group. The EERP was offered because we need to reduce our cost base and simplify the organization in order to be more efficient in Japan. Approximately 220 employees are expected to retire under the Plan. The resulting approximate annual overhead reduction is estimated at ¥3 billion.

Management principles

Throughout its history, the NSG Group has focused on glass materials in its pursuit of innovation, driven by the Group’s spirit of *monozukuri*. The management philosophy of the Group aims to achieve a good balance between focusing energy on achieving short-term targets, and consistently seeking long-term business strategies.

The acquisition of Pilkington brought into the Group the company that invented the Float Glass process, now the worldwide standard for the manufacture of high-quality glass. It also increased the number of float plants in which the Group has an interest or directly operates to 51. This offers increased scope for the development of manufacturing excellence, through benchmarking, best practice and standard operating procedures.

The Group’s new organization will facilitate adaptation to the acquisition, which has dramatically altered the Company’s business focus and geographical spread. It will also help to address issues such as increasingly intense global competition, a rapidly changing business environment and growing social responsibilities.

The Group’s Medium-Term Plan, launched in April 2007, will drive strategy for the near future. The immediate objective is to create a new entity, differentiating the NSG Group from its competitors, maximizing productivity and operational quality and re-establishing the Group’s financial foundations. The overall aim is to realize the ambition embodied in the slogan adopted by the Group, which is to be ‘First in Glass.’

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

Yozo Izuhara
Chairman of the Board

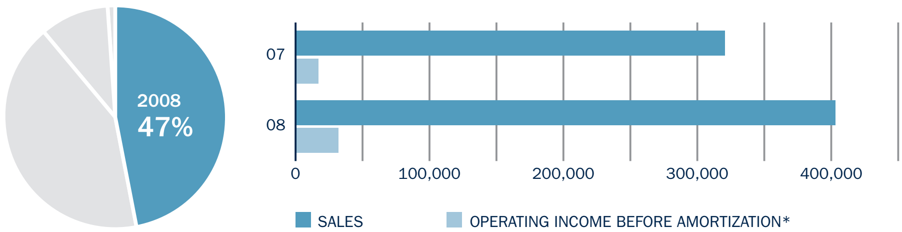
Katsuji Fujimoto
Chairman NSG Group

Business overview

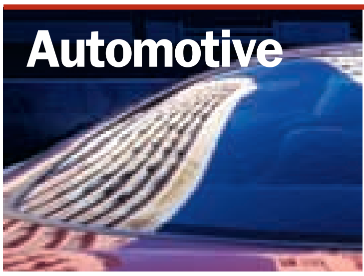
The Group operates three worldwide business lines. Building Products supplies glass for interior and exterior glazing in buildings. Automotive serves the original equipment, replacement and specialized transport glazing markets. Specialty Glass supplies products in the information technology and glass fiber sectors.

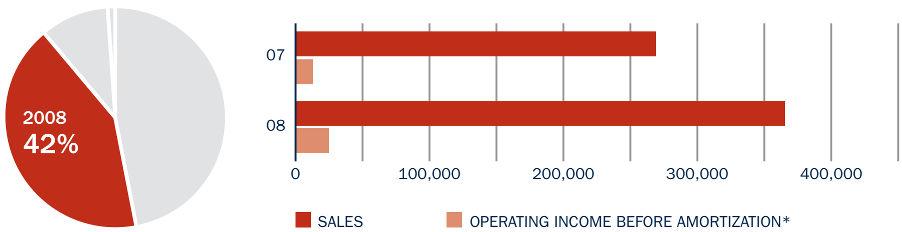
GROUP SALES AND OPERATING INCOME Millions of yen

Building Products

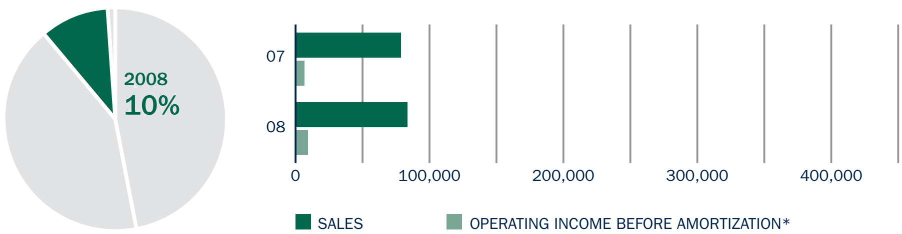


Automotive

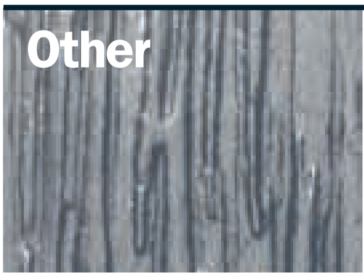


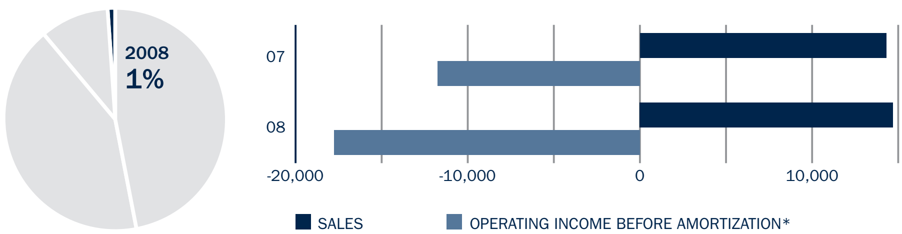


Specialty Glass



Other





*Amortization arising on goodwill and intangible assets generated as a result of the acquisition of Pilkington plc.

FINANCIAL HIGHLIGHTS BY BUSINESS

FISCAL YEAR IN REVIEW

Millions of yen

	2007	2008
Net sales	320,358	**402,468**
Operating income	16,480	**31,339**
Total assets	496,592	**519,866**
Capital expenditures	18,892	**19,263**

- Record performance in sales and profits in Building Products Europe – the Group's largest business.
- Continuing steady growth in emerging markets, with strong performance in South America.
- Float line in Weiherhammer, Germany enlarged and upgraded. Joint venture rolled glass line in China started up. Second float line in Vietnam commissioned.
- New Solar Energy business created to capitalize on growing demand for glass in photovoltaics.

Millions of yen

	2007	2008
Net sales	268,229	**364,819**
Operating income	13,039	**23,939**
Total assets	513,354	**499,180**
Capital expenditures	20,879	**21,203**

- Further progress in FY08, despite flat or declining sales in the major markets of Europe, North America and Japan.
- Progress resulted from a combination of supplying more successful models, solid AGR growth and relentless focus on costs, efficiency and productivity across the entire business.
- Business has experienced substantial increases in energy and related costs and services as well as strong commodity inflation which have been partially offset by efficiency gains.
- Key acquisition of AGR business in Hungary and Romania. Automotive processing line under construction in southern India for commissioning in late 2008.

Millions of yen

	2007	2008
Net sales	78,674	**83,589**
Operating income	6,072	**9,029**
Total assets	100,600	**104,558**
Capital expenditures	3,025	**2,854**

- In displays, touch panel is a rapidly growing application for the next generation of mobile phones, notebook laptops and personal music players.
- SELFOC Lens Array (SLA™) and SELGUIDE™; used for multi-function printers, scanners and other compact office equipment.
- Demand for glass-reinforced cord used for engine timing belts continues to be stable, particularly in high-torque diesel engine applications.
- METASHINE® products are widely used in the cosmetics industry, with opportunities opening up in new applications, such as consumer goods.

Millions of yen

	2007	2008
Net sales	14,287	**14,712**
Operating loss	(11,692)	**(17,673)**
Total assets	298,978	**195,686**
Capital expenditures	9,659	**4,449**

- 'Other' segment covers corporate costs and engineering income.
- Also includes small businesses not included in Building Products, Automotive and Specialty Glass.
- FY08 showed increase in general corporate expenses, due to the consolidation of Pilkington central costs for 12 months, rather than nine months in the previous year.

Global operations

The NSG Group has a wide geographic reach, with principal manufacturing operations in 29 countries on four continents and sales in 130. This broad presence enables the Group to take advantage of diversified sources of raw materials and to capitalize on the advantages of the best local labor forces available.

CHINA

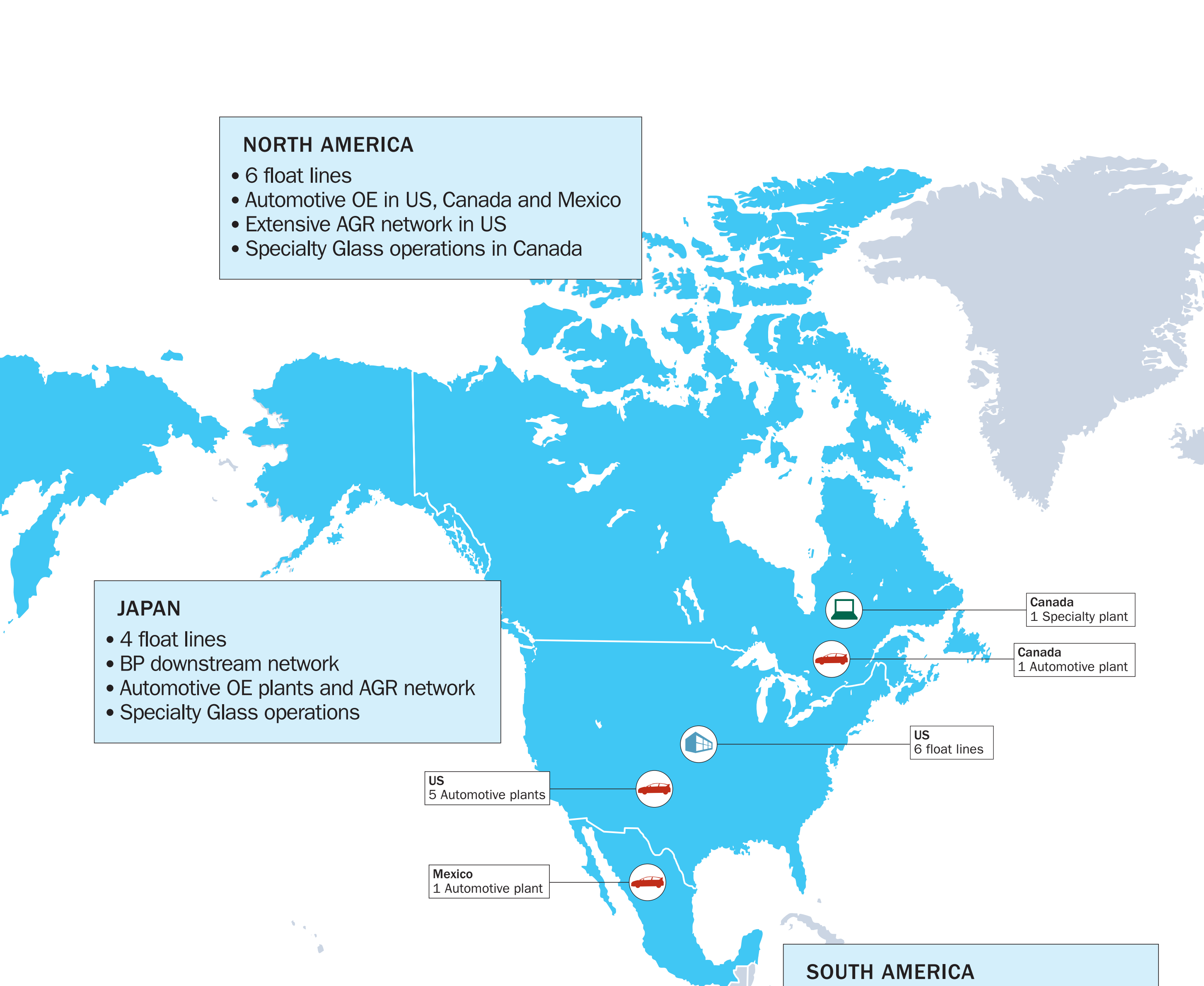
- 17 float lines
- 3 Automotive plants
- Specialty Glass operations
- Rolled glass for photovoltaics

EUROPE

- 14 float lines
- Automotive OE plants in 8 countries
- BP downstream in 11 countries
- Extensive AGR network
- Specialty Glass operations in UK

SOUTH AND SOUTH EAST ASIA

- 2 float lines and Automotive operations in Malaysia
- Automotive plant in India commissioning 2008
- 2 float lines in Vietnam
- Specialty Glass operations in the Philippines



NORTH AMERICA

- 6 float lines
- Automotive OE in US, Canada and Mexico
- Extensive AGR network in US
- Specialty Glass operations in Canada

JAPAN

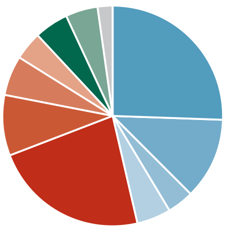
- 4 float lines
- BP downstream network
- Automotive OE plants and AGR network
- Specialty Glass operations

SOUTH AMERICA

- 6 float lines
- BP downstream operations
- Automotive OE in Brazil and Argentina
- AGR network

CONSOLIDATED NET SALES BY BUSINESS

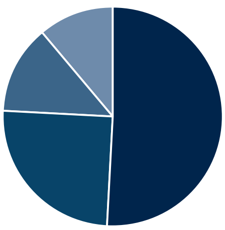
BP Europe	26%
BP Japan	12%
BP North America	4%
BP Rest of world	5%
Automotive Europe	23%
Automotive North America	9%
Automotive Japan	6%
Automotive Rest of world	4%
IT	5%
Glass Fiber	5%
Other	1%



¥865.5 billion

CONSOLIDATED NET SALES BY REGION

Europe	51%
Japan	25%
North America	13%
Rest of world	11%



¥865.5 billion

We are in Phase 1 of our 3-phase strategy. Our key objectives are to create an international, integrated, global company, reduce our debt to target levels and prepare the Group for growth.

President and CEO's review

The Group's financial performance over the past year demonstrates clear progress, and I take this opportunity to thank all of our employees for their commitment and support.

These results have been achieved against a background of considerable organizational change and global economic turbulence. It is a tribute to all our people that operational focus was maintained in a challenging but successful year.

Stuart Chambers President and CEO

Performance

The past year has been an eventful and successful one for the NSG Group. The financial results show sustained improvement in sales and profits. Performance has been particularly strong in Europe, where we have our largest operations.

We continue to take every opportunity to improve operating efficiency and to drive down our overhead costs. With safety and quality as top priorities, we aim to operate all our plants at the level of the best. Strong progress continues to be made on our main strategic objective: debt reduction, on which we are running well ahead of the target schedule.

The financial results for FY08 reflect the consolidation of Pilkington for 12 months of the financial year, as opposed to nine months in the previous year. This factor, combined with operational improvements, meant that sales (up 27 percent) and operating income (up 95 percent) both increased significantly over the previous year.

Building Products (BP) Europe, the Group's largest business, achieved record results in both sales and profits, with improving prices more than offsetting rising input costs. Automotive in Europe also achieved a solid performance in OE and AGR, with improved volumes aided by efficiency improvements, and revenue and profits ahead of last year.

In Japan, BP was constrained by low operating margins, while Automotive saw reduced sales, but good profit growth. In North America, challenging market conditions impacted results in both BP and Automotive. In the rest of the world, we saw continuing good performance in BP South America, with South East Asia stable and strong growth in Automotive, particularly in South America.

In Specialty Glass, the Information Technology business experienced strong sales of ultra-thin glass substrate, used for both passive LCD and touch panel display applications. Sales of SELFOC™ lens arrays for multi-function printers were also robust, especially in the first half of the year. The Glass Fiber business experienced sustained demand in Europe for its glass cord products used in engine timing belts.

Our target is to reduce our net debt to ¥350 billion by March 2010. Not only are we on track to achieve this, but we are well ahead of schedule, with borrowings reduced by ¥185,617 million (36 percent) since the acquisition of Pilkington in June 2006. The main contributing factors in our success have been the continuing excellent cash flows from our operating businesses and the disposal of non-core assets.

Over the past year, the shape of the Group changed, with the sale of our businesses in Australasia. The disposal resulted in a one-off extraordinary gain, but the loss of sales income from these businesses is also reflected in the figures for the year.

Strategy

We are implementing a 3-phase strategy, covering the 10-year period to FY17. Our four-year Medium-Term Plan, initiated in April 2007, represents Phase 1 and our current operational focus is firmly on achieving its objectives.

Good progress has been achieved on integration and in the realization of operational synergies. Our organization has been simplified and management strengthened in all three business lines.

However, we are not ignoring Phases 2 and 3. We are already preparing the ground in emerging markets – creating joint ventures and undertaking on-the-ground investment to ready the businesses for expansion in regions such as India and China.

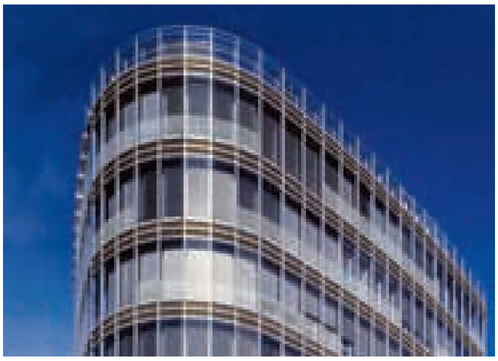
In Phase 2, we intend to achieve strong growth in the Flat Glass sector, expanding geographically, particularly into emerging markets. We aim to improve competitiveness, launch major new products and foster our key technologies.

In Phase 3, we will be exploring new areas for further growth, as well as exploring new businesses by leveraging both our customer base and our technical and operational competencies, in addition to pursuing acquisitions and alliances in adjacent areas.

To be the world leader means supplying quality products in all major markets at competitive prices. We aim to sustain our success in Europe and South America, improve profitability in North America, Japan and South East Asia, and develop a successful Building Products and Automotive business in China.

Over the year, we have made organizational improvements to capitalize on synergies in our supply chains, procurement, benchmarking, product range and R&D programs. We are combating the current surge in energy and commodity costs by more effective procurement, through hedging strategies and the implementation of energy surcharges.

We aim to sustain our success in Europe and South America, improve profitability in North America, Japan and South East Asia, and develop a successful Building Products and Automotive business in China.



Building Products

The objectives of our Building Products business (representing 47 percent of Group sales) are clear. We intend to retain our position as the technological leader in the Flat Glass industry, with continued investment designed to sustain a flow of new products and new processes. Safety and customer quality are paramount in all our activities. We are determined to ensure that the NSG Group is the lowest cost supplier to our customers, despite the challenge of increasing input costs, particularly energy and raw materials.

In every region of the world in which we operate, the need to save energy is a political priority. Buildings account for almost 50 percent of the energy consumed in developed countries. Governments are putting increased focus on legislation and policies to improve their energy efficiency.

In Europe, an EU-wide Energy Labeling system for windows is expected to be developed in the near future. In North America, initiatives such as the green building rating system (LEED) run by the US Green Building Council are helping to transform the market for added-value glazing, and this will continue.

In China, legislation is at an earlier stage, but the government has already introduced building regulations to improve the energy efficiency of new buildings. It is clear that China is serious about saving energy, and there will undoubtedly be a future tightening of standards.

In response to increasing demand for energy-efficient products, the Group has launched a new ultra-efficient Insulating Glass Unit called Pilkington energiKare™. This unit combines an outer layer of Pilkington Optiwhite™, to maximize solar heat gain, with an inner pane of Pilkington K Glass™ to reduce heat loss, with an argon filling between for optimum heat insulation. The result is 90 percent more efficient than single glazing.

The Group stands to benefit from the growing need to conserve energy. Our added-value products such as low-e glass, solar control glass and glass for photovoltaics have the principal purpose of reducing energy consumption in both buildings and in vehicles.

The NSG Group is well placed to help in global efforts to reduce energy use in buildings and vehicles. Our added-value products, such as low-e glass, solar control glass and glass for photovoltaics, help reduce energy consumption.

Automotive

Operating under the Pilkington Automotive name, the Group's Automotive business (42 percent of Group sales) is an integrated global organization, serving OE, AGR and Specialized Transport markets throughout the world.

Vehicle manufacturers, particularly in Europe, continue to increase the technical complexity of vehicle glazing requirements, while at the same time reducing lead times for new model development. These trends place additional pressure on component suppliers, underlining the need for 'right first time, every time' new model introduction.

Automotive styling trends have increased demand for advanced glass shapes, including windscreens wrapping around the sides of the vehicle (Panoramic) and extending into the roof (Cielo). Interest in large-area roof glazings is growing, as is the use of laminated sidelights, particularly in North America. As a technological and market leader in the industry, the NSG Group continues to be well positioned to take advantage of all these trends.

Progress has been made in improving operational margins in the Group's AGR business, now managed on a global basis. In Europe, the business made an important acquisition of an aftermarket company operating in Hungary and Romania. In the US, a second distribution center was opened, in Phoenix, to optimize the distribution footprint of AGR North America.

In the Specialized Transport sector, supplying glazing for buses, trucks and other specialist vehicles, a lack of consolidation on the demand side has led to a fragmentation of regional suppliers, with Pilkington Automotive being the only truly global supplier.

Specialty Glass

The Group's Specialty Glass businesses (10 percent of Group sales) operate in two major sectors, Information Technology (IT) and Glass Fiber, focussing on niche markets in which we occupy a leading position, in terms of both market share and technological superiority.

The largest segment of the IT-related business is in displays, where the Group is globally recognized as a leading supplier of ultra-thin float glass, used in small to medium flat panel displays. In this sector, touch panel is a rapidly growing application.

The second largest segment includes patented optical products, such as SELFOC Lens Array (SLA™) and SELGUIDE™; used for multi-function printers, scanners and other compact office equipment. SLA™ is an important element in the development of LED technology applied to commodity printer markets.

In the Glass Fiber business, demand for our glass-reinforced cord used for engine timing belts continues to be stable.

Technology and Engineering

The NSG Group is a company founded on technological innovation in glass, and invests in sustaining this technology to create value for our shareholders.

The Group owns or controls approximately 5,000 patents and patent applications, predominantly in the fields of float glass production and processing, automotive glazing and specialty glass, with access under licence to patents held by third parties.

As well as developing new products, significant R&D effort is directed at improving our glass manufacturing processes, improving energy efficiency, reducing environmental emissions and enhancing product quality. The Group invested ¥15,500 million in R&D in FY08.

The Group's manufacturing base now includes management or interests in 51 float lines worldwide, 34 Automotive manufacturing facilities in 18 countries and 14 Specialty Glass production sites. This scale and scope provides significant competitive advantage, particularly in benchmarking performance.

Our Engineering teams have seen increased activity in float repair and upgrade programs. The float plant at Weiherhammer in southern Germany underwent a cold repair, during which the capacity of the furnace was enlarged and its on-line coating capability enhanced. A second float plant in Vietnam, and a joint venture low-iron rolled line at Taicang, China, were largely completed in FY08 and came on stream in May 2008.

Automotive investments are being implemented in South America, India and China, for laminated and toughened products and medium and high volume production capability.

Investments are also being made to increase the capacity and capability of our existing assets, to improve our flexibility to be able to manufacture lower volume high complexity parts and to implement product and process innovations developed by the Group.

In the Specialty Glass business, we have made a number of key investments to increase production volume at existing plants in China, the Philippines, Canada and Japan to accommodate growing demand for SLA™, METASHINE® and glass-reinforced cord.

Quality is a key feature in building successful relationships with our industry customers and end consumers. BP Europe, Japan, North America and South America have obtained a corporate certification to the ISO9001:2000 quality management system. In Automotive, work is under way to harmonize on a corporate certification to the ISO/TS16949:2002 standard.

The strong underlying performance of our businesses and continuing global industry growth, particularly in Flat Glass, provide confidence that the NSG Group is well positioned to succeed as an industry leader.

Looking ahead

In FY09, we expect conditions in most of our markets to be challenging. The biggest issue we face is that our input costs will be adversely affected by rising energy and commodity prices. This significant cost-push cannot be compensated for in a 12-month period, and is expected to reduce margins in the short term.

In the face of these challenging external economic conditions, our focus is on addressing factors that are within our control. We are making every effort to reduce our costs further, to increase efficiency, to save energy and to boost our productivity. We will also be exploiting the growing demand for glass for photovoltaics, which we expect to provide significant profit growth going forward.

The NSG Group is the second largest producer of glass for buildings and vehicles in the world and we occupy the number one position in some of the sectors in which Specialty Glass operates.

The Flat Glass industry is growing, with excellent prospects as architects and vehicle designers continue to specify increasingly complex products. The solar energy sector is one of a number of significant growth opportunities we are preparing to exploit.

In the longer term, therefore, the strong underlying performance of the business and continuing global glass industry growth, provide confidence that the NSG Group is well positioned to succeed as an industry leader. Despite the challenging trading conditions we anticipate in FY09, we remain firmly on track to meet our Medium-Term Plan targets in FY11.

Stuart Chambers
President and CEO

Our strategy

We are following a 3-phase strategy. Our current operational focus is firmly on achieving the objectives of Phase 1: integrating the business and strengthening competitiveness, improving our financial strength and preparing for future growth.

In parallel, we are already planning for Phases 2 and 3 in emerging markets – creating joint ventures and undertaking investment to ready the businesses for expansion in regions such as India and China.

2007

Phase 1

4 years

Objective

Create a new entity, differentiating ourselves from competitors, maximizing productivity and operational quality, while re-establishing our financial foundations.

Priorities

- Create one integrated global business designed for maximum effectiveness and exploit synergies.
- Reduce net debt down to target levels.
- Prepare for Phase 2.

Phase 2

3 years

Objective

Achieve strong growth in the Flat Glass sector, expanding into emerging markets, with improved competitiveness and innovation.

Priorities

- Pursue strong growth in Building Products and Automotive.
- Expand in new emerging markets and some in which we already operate.
- Improve operational competitiveness in all business lines.
- Leverage our strong market positions in Specialty Glass.
- Improve R&D and foster technologies. Launch major new products.

Phase 3

3 years

Objective

Explore new areas for future growth.

Priorities

- Explore new businesses by leveraging our customer base.
- Use our technical and operational competencies to enter new areas.
- Pursue acquisitions and alliances in adjacent areas.

2014

Our achievements so far

- Integration of the businesses is well advanced, with good progress on the realization of operational synergies. Our organization has been simplified and changes to the composition of the Board and in corporate governance have been announced.
- Our net debt has been reduced by ¥186 billion (36 percent) since the acquisition of Pilkington in June 2006. The main contributing factors in our success have been the continuing excellent cash flows from our operating businesses and the disposal of non-core assets.
- We are already preparing the ground in emerging markets – creating joint ventures and undertaking on-the-ground investment to ready the businesses for expansion in regions such as Eastern Europe, South America, India and China.

NEXT STEPS

- Continue to reduce net debt to ¥350 billion by March 2010. Not only are we on track to achieve this, but we are well ahead of schedule, with net debt currently at ¥328 billion.
- Prepare to exploit sectors having strong growth potential as we move into Phase 2, including glass for Photovoltaics to underpin profit growth.
- Make further efficiency improvements and cost reductions throughout the business to counter cost push and sustain cash generation.
- Rationalize our supply chains to run the business effectively at ever-lower levels of stock.
- Improve debtor and creditor levels to reduce working capital wherever possible.
- Ensure we remain on track to achieve Medium-Term Plan targets in FY11.

RISKS

- Cost push in energy and commodities, countered where possible by more effective purchasing, hedging strategy and introduction of energy surcharges. However, continuing strong global cost push depressing margins in FY09, which cannot be compensated for in the short term.
- Reduced profitability in FY09 countered by strong underlying business performance and continuing global Flat Glass industry growth provide confidence for FY10 and FY11.
- Increased competition from low labor-cost emerging markets, countered by our investment in these regions.

NEXT STEPS

- Key factor influencing the timing of our transition from Phase 1 to Phase 2 will be our progress in debt reduction.
- We aim to continue to deliver strong cash flow performance to pay down debt and prepare for investment in growth.
- Eastern Europe, South America, India and China have been identified as key geographies for growth. Key sectors for potential growth are in Solar Energy, energy-saving glass, Automotive Glass Replacement and Specialized Transport.

RISKS

- Concentration on debt reduction could constrain the investment in ongoing businesses; nevertheless, we are following a focused capital allocation process.
- Demand growth in mature markets slows in both building and automotive sectors, emphasizing the need to grow in emerging markets.

NEXT STEPS

- Move into markets in which we are not already established, either alone or in joint ventures.
- Look for further opportunities to leverage our technology base, pursuing alliances in areas in which we are not a technology leader.
- Develop existing joint ventures, where appropriate moving towards full ownership.

RISKS

- Risks of operating in new territories minimized through working with joint ventures and local partners where appropriate and by spreading our investments over several markets.
- Risk of being overtaken in technology and product range minimized by constant improvements in processes and product range through combined Engineering and R&D investments.

In FY08, Building Products sales were ¥402,468 million (¥320,358 million in FY07) and operating income was ¥31,339 million (¥16,480 million in FY07).

PILKINGTON
NSG Group Flat Glass Business

Building Products

The Group's Building Products operations are organized regionally, in Europe, Japan, North and South America, China and South East Asia. Activities include: Float manufacturing, clear, tinted, extra clear, on-line coated; Rolled glass manufacturing; Semi-finished products (off-line coated, laminated, silvered); Processing: toughening, insulating glass units, merchanting, fire protection and frameless glazing systems.

SOLAR CONTROL
In warm weather, solar control products dramatically reduce the effect of the sun's heat, reducing air-conditioning load.

THERMAL INSULATION
During cold weather, low-emissivity (low-e) products reflect heat back into buildings.

FIRE PROTECTION
Specially developed glasses to protect lives and valuables from fire.

NOISE CONTROL
Specialist glasses with enhanced acoustic insulating properties to meet the increasing demands for noise control.

SAFETY
Glass that is used to reduce a risk of accident by impact, fracture or shattering.

SELF-CLEANING GLASS

Developed for use in external windows, Pilkington Activ™, the world's first self-cleaning glass, virtually eliminates the chore of window cleaning. Its unique dual action uses the forces of nature to help keep the glass free from organic dirt, giving consumers not only the practical benefit of less cleaning, but also clearer, better-looking windows.

A microscopically thin, transparent coating uses a photocatalytic process to break down dirt using ultraviolet rays from natural daylight. The glass is also hydrophilic, which means that water spreads evenly over the surface instead of forming droplets, so rainwater or water from a hose simply rinses the dirt away.

The benefits of self-cleaning can now be combined with solar control, thermal insulation, safety, security, noise control, decoration, structural systems and fire protection.

Regular glass (left), Pilkington Activ™ self-cleaning glass (right)

Global review

Summary

The Building Products business performed strongly in FY08, despite particularly challenging market conditions in Japan and North America.

During the year, the Group's Australasian Building Products business was sold to CSR Limited.

Europe

In Europe (representing 56 percent of the Group's BP sales), profit performance was strong across all regions and products, with prices higher than last year, offsetting increased input costs. Trading conditions in the second half of the year were not as strong as the first half, due to rising input costs and softening demand.

Japan

In Japan (representing 26 percent of BP sales), market conditions remain challenging, with changes in regulation negatively affecting housing starts. This resulted in increasingly tough competition amongst downstream manufacturers with reduced volumes and increasing levels of over-capacity.

North America

In North America (representing 8 percent of BP sales), the business operated in difficult conditions, with a weak residential glass demand, although the reduced domestic demand was partly offset by a greater proportion of value-added product sales.

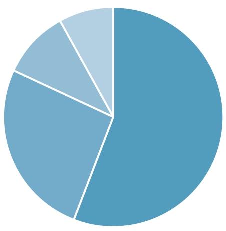
Rest of the World

In South America, the business continues to benefit from the growing demand in local markets, while in South East Asia, the Group's businesses continued to show an improvement over the previous year.

Outlook

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

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



BUILDING PRODUCTS
sales by region 2008

Europe	56%
Japan	26%
Rest of World	10%
North America	8%

SECURITY
Glass that is able to withstand deliberate attacks of various kinds.

SELF-CLEANING
Pilkington Activ™ self-cleaning glass uses the forces of nature to maintain its clear appearance without leaving unsightly streaks.

DECORATION
Glass that is used when privacy and decoration are the main requirements.

GLASS SYSTEMS
Pilkington Planar™ structural glazing system.

SPECIAL APPLICATIONS
A range of specialist glasses such as low-iron float, very thin float, curved glass and UMU™ switchable glass.

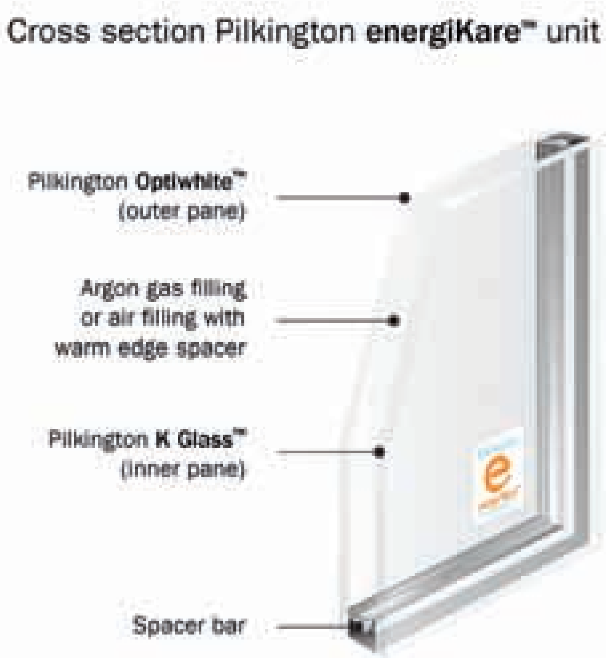
ADVANCED ENERGY-EFFICIENT GLAZING

Responding to increasing demand for energy-efficient products, the Group has launched a new ultra-efficient Insulating Glass Unit. Pilkington energiKare™ is different from standard double-glazing as it works in two ways. It reduces the amount of heat lost through windows and it also allows more heat (energy) from the sun in through the window.

Pilkington energiKare™ is made up of two special types of glass: Pilkington K Glass™, which stops heat escaping and Pilkington Optiwhite™, a special 'extra clear' glass which allows more solar heat in through the windows.

The use of argon gas filling or air filling with a warm edge spacer further improves the thermal performance, and the building interior benefits by feeling warmer without the need to turn up the heating.

The result is more than twice as efficient as standard double-glazing and 90 percent more efficient than single glazing.



In FY08, Automotive sales were ¥364,819 million (¥268,229 million in FY07) and operating income was ¥23,939 million (¥13,039 million in FY07).

PILKINGTON
NSG Group Flat Glass Business

Automotive

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

THERMAL COMFORT

ATMOSPHERIC COMFORT

INTEGRATED SYSTEMS

SAFETY

VISUAL COMFORT

ATMOSPHERIC COMFORT

ACOUSTIC COMFORT

SECURITY

ORIGINAL EQUIPMENT (OE)

Most of our OE production is focused on the volume light vehicle industry, serving all of the world's major vehicle manufacturers, including Toyota, GM, Ford, VW, Renault/Nissan, Chrysler, Mercedes, Fiat, Honda, PSA, BMW, Mitsubishi, Subaru and Suzuki, together with their respective subsidiary brands.

Of all such vehicles built in the world last year, more than one in three contained glazing manufactured by Pilkington Automotive businesses.

We operate Automotive fabrication facilities throughout Europe, Japan, North America, South America, China and Malaysia; 34 locations in total, in 18 different countries.

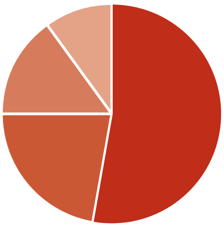
Global review

Summary

Original Equipment (OE) sales were 6 percent higher than in the previous year on a full-year pro forma basis. Excluding the impact of currency exchange effects, all regions experienced continued year-on-year growth.

Sales in the Automotive Glass Replacement (AGR) business also showed a strong year-on-year increase, being 5 percent up on the previous year on a full-year pro forma basis. At constant exchange rates, there was a year-on-year improvement in all AGR regions.

During the year, the Automotive business disposed of its Australasian OE operations and acquired an AGR company operating in Hungary and Romania.



AUTOMOTIVE
sales by region 2008

Europe	53%
North America	22%
Japan	15%
Rest of World	10%

Europe

The market for light vehicles fell by approximately 0.5 percent. Nevertheless, due to the success of the new models we supply, our sales volume in the region continues to outperform the market trend, with very strong growth over the previous year.

European AGR sales also increased strongly due to continuing improvements in competitiveness and major contract renewals.

Japan

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

North America

Overall light vehicle build was around 4 percent down on last year. Sales to OE manufacturers nevertheless showed year-on-year growth, although this was offset by exchange movements. Sales in the AGR market were also stronger than in the previous year at constant exchange rates.

Rest of the World

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

Outlook

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

Our Automotive products include solar control glass for passenger comfort, glass heating systems to control condensation and icing, security glazing, and glazing systems, including encapsulations, extrusions, and components such as rain sensors, hinges and clips, added after basic manufacturing.

We provide a full range of glazing solutions on a global basis to our customers, drawing heavily on our advanced technology, continuous improvement and standardization activities.

AFTERMARKET (AGR)

We have well developed aftermarket distribution and wholesale networks throughout Europe and North America, with estimated market shares around 20 percent. We are also well established in serving the aftermarkets in Japan, South America and South East Asia.

In addition to glass, our product offering includes accessories needed for fitting, such as trims, urethane and tools and also extensive technical support.

Our products can reach end-users in the aftermarket by one of two main routes: through our own distribution chains, supplying independent retail fitters, or through vehicle manufacturers' dealer networks.

SPECIALIZED TRANSPORT

We provide high-quality glazing solutions and value-added products to the original equipment manufacturers of specialized transport and utility vehicles. These include

- buses and coaches;
- trucks;
- trams and metro systems;
- locomotives;
- train carriages;
- special cars and vans;
- recreational vehicles;
- tractors and combine harvesters;
- construction vehicles; and
- ships and pleasure craft (Pilkington Marine).

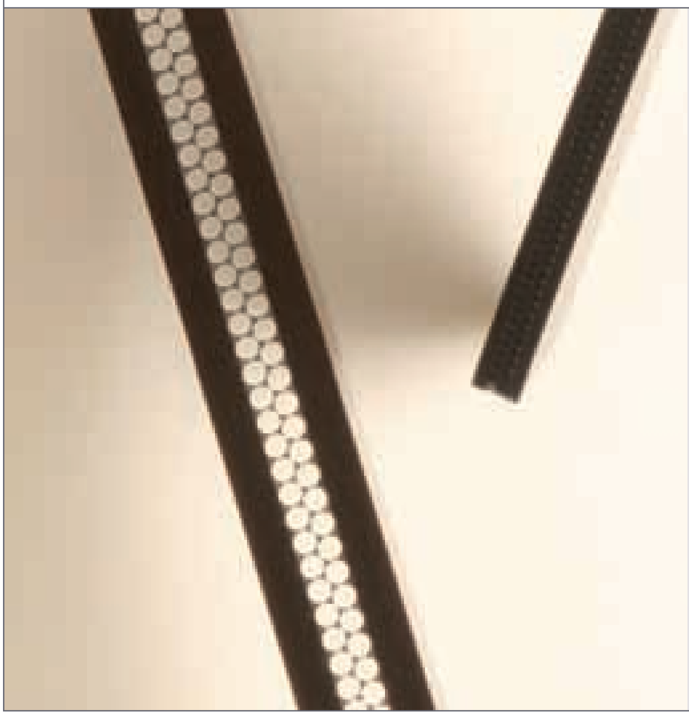
Our customers are recognized as world-leading manufacturers, with many operating on a global basis.

In FY08, Specialty Glass sales were ¥83,589 million (¥78,674 million in FY07) and operating income was ¥9,029 million (¥6,072 million in FY07).

Specialty Glass

The Group's Specialty Glass businesses operate in two major sectors: information technology and glass fiber, focusing on niche markets in which the Group occupies leading positions in both market share and technological superiority.

The NSG Group is a pioneer in the field of micro-optics, researching, developing and manufacturing a variety of optoelectronic products. Glass fiber has become a high-profile, high-tech material in a variety of fields: it is light and strong, fire retardant, non-conductive and resistant to chemicals.

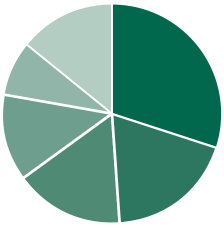


SELFOC® LENS ARRAY

The Group's SELFOC® lens array (SLA®), is one of the key products manufactured in the Information Technology sector of the Specialty Glass business.

The product consists of multiple SELFOC® lenses arranged in an array in an optical system producing erect 1:1 images. SLA® allows optical systems to be designed compactly and manufactured at low cost. The product has facilitated the introduction of innovative new copiers, and is now being used in a wide variety of applications, such as fax machines, LED printers, digital copiers, scanners and multifunctional machines.

The lens array operates in combination with our proprietary optical semiconductors, in optical information-processing units in which maximum speed, high resolution and optimal color rendition are required.



SPECIALTY GLASS
sales by product 2008

Thin LCD Glass	30%
Copiers/printer lenses	19%
Glass cord	16%
Air filters	13%
Battery separators	8%
Other	14%

Global review

Summary

The Specialty Glass business operates in five main niche markets, each affected by variables and market pressures peculiar to that sector.

The largest segment of the IT-related business is in displays, where the Group is globally recognized as a leading supplier of soda-lime ultra-thin float glass used for various applications in small to medium flat panel displays. In this sector, touch panel is a rapidly growing application, being fitted to the next generation of mobile phones, notebook laptops and personal music players.

The second largest segment is our patented optical products, such as SELFOC Lens Array (SLA™) and SELGUIDE™; used in multi-function printers, scanners and other compact office equipment. The Group's SLA™ is a key element in the development of LED technology applied to commodity printer markets.

In the Glass Fiber business, demand for our glass-reinforced cord used for engine timing belts continues to be stable, particularly in high-torque diesel engine applications. The Group's METASHINE® products are widely used in the cosmetics industry to add sheen to a range of products. Opportunities are opening up for new applications of the product, in areas such as consumer goods.

Information Technology

In the IT business, sales of glass substrate, used in passive Liquid Crystal Diode (LCD) and touch panel display applications were strong throughout the period.

Sales of lens products for multi-function printers were also strong, especially in the first half of the year.

Glass Fiber

Within Europe, the Group experienced robust demand for its glass cord products throughout the financial year.

In Japan, sales of battery separator products were consistent with the previous year, although demand for air filter products was sluggish, due to market conditions in the semi-conductor industry.

Outlook

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

Competition in the Group's IT markets will continue to be intense and as a result, a slight decrease in revenue from the IT business is expected.

To mitigate these challenging market conditions, the Group intends to focus on the launch of new products and the introduction of existing products into new sectors.

MICROGLAS® GLASS CORD

MICROGLAS® glass cord is a reinforcement material with excellent adhesion to rubber. The enhanced adhesion is achieved by applying special surface treatment to continuous glass fiber.

Because of its superior properties, including tensile strength, flexural fatigue resistance, dimensional stability, and heat resistance, MICROGLAS® glass cord is used as a reinforcing component in a variety of applications.

These include power transmission belts and timing belts for vehicle engines. The superior strength of the material makes it particularly appropriate for high torque engines such as those powered by diesel.

The Group is a global leader in this field, with a manufacturing and sales base in the UK and Canada as well as in Japan.

Sales, operating income and ordinary income increased substantially. Our debt reduction program is well ahead of schedule, with a further reduction of ¥72 billion achieved in the year.

Finance Director's review

Mike Powell Group Finance Director

Results for the year

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

	Millions of yen	
	2008	2007
Net sales	**865,588**	681,548
Operating income before amortization	**70,402**	43,253
Amortization arising on acquisition of Pilkington plc	**23,940**	19,430
Operating income	**46,462**	23,823
Non-operating income:		
Interest and dividend income	**9,646**	6,446
Equity in earnings of affiliates	**10,257**	2,417
Other non-operating income	**1,785**	6,612
Non-operating expense:		
Interest expense	**25,497**	23,060
Other non-operating expense	**12,216**	8,237
Ordinary income	**30,437**	8,001
Extraordinary income	**51,268**	51,555
Extraordinary loss	**19,447**	21,498
Net income before taxation and minority interest	**62,258**	38,058
Taxation	**9,584**	23,004
Minority interest in net income of subsidiaries	**2,257**	2,958
Net income	**50,417**	12,096
Net income per share – basic (yen)	**75.44**	21.85
Net income per share – diluted (yen)	**70.90**	20.28

Net sales

Sales increased by 27 percent from ¥681,548 million to ¥865,588 million. As noted above, the results for the current financial year are not directly comparable to the previous financial year, due to the acquisition of Pilkington plc in June 2006. Pro forma sales increased by 7 percent as most of the Group's major markets experienced robust trading conditions.

Operating income

Operating income increased by 95 percent from ¥23,823 million to ¥46,462 million. Operating income before amortization arising on the acquisition of Pilkington plc increased 63 percent from ¥43,253 million to ¥70,402 million. Amortization arising on the acquisition of Pilkington plc includes amortization of goodwill and other intangible assets generated on the date of the acquisition. It does not include the routine amortization or depreciation of other tangible or intangible assets.

Operating income – Building Products

The Building Products business has performed strongly, despite particularly challenging market conditions in Japan and North America. In the Building Products business line, Europe represents 56 percent of sales, Japan 26 percent, and North America 8 percent. The rest arises in other areas of the world. In Europe, profit performance was strong across all regions and products, with prices higher than the previous year, offsetting increased input costs. Trading conditions in the second half of the year were not as strong as the first half, due to rising input costs and softening demand. In Japan, market conditions remain challenging, with changes in regulation negatively affecting housing starts. This resulted in increasingly tough competition amongst downstream manufacturers, with reduced volumes and increasing levels of over-capacity. In North America, the business operated in difficult conditions, with weak residential glass demand, although the reduced domestic demand was partly offset by a greater proportion of value-added product sales. In South America, the business continues to benefit from the growing demand in local markets, while in South East Asia, the Group's business continued to show an improvement over the previous year.

As a result, the Building Products business line achieved sales of ¥402,468 million (¥320,358 million FY07), and an operating income of ¥31,339 million (¥16,480 million FY07).

Operating income – Automotive

The Automotive Original Equipment (OE) business also performed strongly, with most businesses experiencing continued year-on-year growth. Sales in the Automotive Glass Replacement (AGR) business have also shown a strong year-on-year increase, being 5 percent up on the previous year on a full-year pro forma basis. At constant exchange rates, there is a year-on-year improvement in all AGR regions. During the year, the business acquired an AGR company operating in Hungary and Romania.

In the Automotive business line, Europe represents 53 percent of sales, Japan 15 percent, and North America 22 percent. The rest arise in other areas of the world. In Europe, the market for light vehicles has fallen by approximately 0.5 percent. Nevertheless, due to the success of new models it supplies, the Group's sales volume in the region continued to outperform the market trend, with very strong growth over the previous year. European AGR sales have also increased strongly, due to continuing improvements in competitiveness and major contract renewals. In Japan, vehicle build was up by 2.5 percent, reflecting a 5.5 percent reduction in year-on-year domestic sales, offset by increased export volumes. Sales reduced slightly, due to a slow ramp-up of recently introduced new models. However, profitability improved, due to efficiency gains and cost reductions. In North America, where overall light vehicle build is around 4 percent down on last year, sales to OE manufacturers have nevertheless shown year-on-year growth, although this is offset by exchange movements. Sales in the AGR market were also stronger than in the previous year at constant exchange rates. In South America, light vehicle demand has risen by around 29 percent year-on-year, and the Group experienced an increase in sales of the same magnitude. In China, the market continues to expand rapidly and the emphasis on further improvements in cost and operational efficiency of the business has improved both turnover and profitability.

As a result, the Automotive business line achieved sales of ¥364,819 million (¥268,229 million FY07), and an operating income of ¥23,939 million (¥13,039 million FY07).

Operating income – Specialty Glass

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

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

As a result, the Specialty Glass business line achieved sales of ¥83,589 million (¥78,674 million FY07), and an operating income of ¥9,029 million (¥6,072 million FY07).

Equity in earnings of affiliates

The Group's share of profits from its joint ventures and associates increased by 325 percent from ¥2,417 million to ¥10,257 million. This was primarily due to strong performances from Cebrace in Brazil and NH Techno in Japan.

Interest expenses and other non-operating items

Interest expenses increased, due to the timing of the acquisition of Pilkington plc as noted above. This was mitigated by the year-on-year reduction in financial indebtedness. Other non-operating expenses increased, due to the unwinding of discount applied to the provision for potential fines relating to the statement of objections from the European Commission.

Extraordinary items

Extraordinary income was at a similar level to the previous year. Gains from the disposal of discontinued operations were ¥30,831 million, reflecting the sale of the Group's Australasian business during the year. In the year to March 31, 2007, extraordinary income consisted principally of profits on the disposal of balance sheet investments.

Included within extraordinary expenses is ¥12,519 million representing the creation of a provision relating to the Enhanced Early Retirement Program in Japan. This scheme enables certain managers within Japan to retire early from the Group, and is expected to achieve annualized cost savings of approximately ¥3 billion. In the year to March 31, 2007, extraordinary expenses consisted principally of costs relating to the acquisition of Pilkington plc.

Taxation

The taxation charge of ¥9,584 million represents a taxation rate of 15 percent of net income before taxation. This rate is lower than the Group would normally expect, due to the low level of taxation charged on the disposal of the Australasian business, and also a general reduction in corporate taxation rates in many of the territories within which the Group operates, which has led to a reduction in the tax rate applied to the Group's deferred tax liabilities.

Finance Director's review continued

Minority interests
Profits attributable to minority interests decreased by 24 percent, from ¥2,958 million to ¥2,257 million.

Net income per share
Basic net income per share increased from ¥21.85 to ¥75.44 and diluted net income per share increased from ¥20.28 to ¥70.90.

Dividends
A final dividend of ¥3 per share is being paid, which when added to the half-year dividend of ¥3 per share, gives a total dividend for the year of ¥6 per share, unchanged from the previous financial year.

Cash flow

Millions of yen

	2008	2007
Operating cash flows before financial items	**97,541**	92,661
Interest received less interest paid	**(14,173)**	(9,352)
Income taxes paid	**(33,974)**	(7,930)
Net cash provided by operating activities	**49,394**	75,379
Capital expenditure (net of disposals)	**(42,671)**	(36,533)
Acquisitions less divestments	**72,141**	(261,111)
Net cash inflow/(outflow) before dividends and financing	**78,864**	(222,265)

The Group has delivered another year of satisfactory cash generation. Operating cash flows before financial items increased by 5 percent from ¥92,661 million to ¥97,541 million. Underlying cash generation improved in line with increased profitability, but this was offset by the payment of ¥24,300 million with respect to the fine levied on the Group's Building Products business by the European Commission.

Interest paid increased due to the inclusion of 12 months of interest on indebtedness taken out to finance the acquisition of Pilkington plc in June 2006. Taxation payments increased largely due to timing issues. As a result, net cash provided by operating activities decreased by 34 percent from ¥75,379 million to ¥49,394 million.

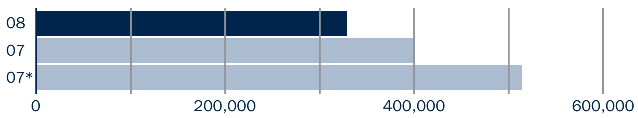
Capital expenditure, net of disposals, increased by 17 percent from ¥36,533 million to ¥42,671 million, again mainly due to the inclusion of the Pilkington businesses for the full 12-month period. Acquisitions less divestments were positive, reflecting the disposal of the Group's Australasian businesses and other balance sheet investments. The acquisition cash outflow in the previous year is due to the acquisition of Pilkington plc.

Funding and liquidity

Net debt
Net debt decreased by ¥71.724 billion from March 31, 2007 to ¥328.479 billion at the period end, due to the proceeds from the sale of the Australasian business and the Group's continued efforts to reduce debt following the acquisition of Pilkington. Currency movements generated a reduction in net debt of ¥6,200 million over the period. Gross debt was ¥456.408 billion at the period end.

The chart below shows how net debt has decreased following the acquisition of Pilkington plc in June 2006.

NET DEBT Millions of yen
Full year to March 31 (*1st quarter to June 30, 2006)



Sources of finance

The Group is financed by a combination of cash flows from operations, bank loans, and corporate bonds. The chart on the following page shows the weighting of each source at March 31, 2008.

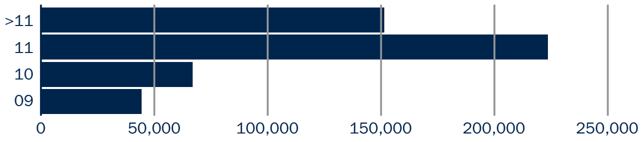
The Group's policy is to ensure continuity of finance at a reasonable cost, based on commercial funding from a range of maturities and sources. The chart on the following page shows the maturity of the Group's committed facilities.

At March 31, 2008 the Group had unused committed facilities of ¥105 billion. Committed facilities due to mature in the year to March 31, 2009 represent 9 percent of the total.

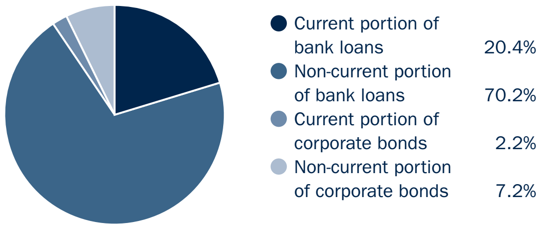
The Group has obtained long-term investment grade credit ratings from three rating agencies. The current ratings are Baa3 from Moody's, BBB from R&I, and BBB+ from JCR. The Group aims to maintain these ratings and further reductions in net debt should underpin this objective.

Shareholders' equity (net assets)
Shareholders' equity and minority interests increased by 6 percent from ¥350,625 million to ¥371,998 million. This was due to the profits generated during the period offset partly by adverse currency movements caused by the strength of the Japanese yen during the period.

COMMITTED FACILITY MATURITIES Millions of yen



DEBT SOURCES



Treasury management

The Group has a global treasury function appropriate for the global nature of our business. The treasury function is responsible for the provision of the Group's liquidity management and for the management of the Group's interest, commodity, and foreign exchange risks, operating within policies and authority limits set by the Board of Directors. The Board approves a strong set of financial counterparties noted for their strong credit standing. Treasury operations are reviewed annually by the Group Internal Audit Function, to ensure compliance with the Group's policies.

The Group has major manufacturing operations in 29 countries, and sales in over 130 countries. Assets are hedged where appropriate by matching the currency of borrowings to the net assets. The Group borrows in a variety of currencies, principally, but not limited to, Japanese yen, euro, US dollars, and sterling, at both fixed and floating rates of interest using derivatives where appropriate to generate the desired affective currency and interest rate exposure.

The derivatives used for this purpose are principally interest rate swaps and forward foreign exchange contracts. Material foreign exchange transactions are hedged when reasonably certain, usually through the use of foreign exchange forward contracts. The Group does not engage in speculative trading of financial instruments or derivatives.

Exposure to interest rate fluctuations on borrowings is managed by borrowing on either a fixed or floating basis and entering into interest rate swaps or forward rate agreements. The policy objective is to have a target proportion, currently 30 to 70 percent of forecast net borrowings hedged at all times.

Corporate governance and risk management

The Group has an established system of internal controls. Currently these controls are being reviewed, upgraded, and tested in preparation for the implementation of J-SOX internal control requirements.

On May 28, 2008, the Group announced that it had decided to convert itself into a 'Company with Committees' to further strengthen corporate governance as a large global company.

Contingencies

In 1989 Pilkington Holding GmbH (then known as Pilkington Deutschland GmbH) entered into a profit and loss pooling agreement with Dahlbusch AG and made a mandatory offer to acquire the minority interests in Dahlbusch AG accordingly. Certain minority shareholders have legally challenged the offer made as insufficient and court proceedings have been pending since 1989.

The Court of first instance made its decision in December 2006 and issued its ruling in respect of this claim in February 2007. The Court found that the price should be €629 per preference share (instead of €578 as per the original offer) and €330 per ordinary share (instead of €292 as per the original offer). In addition, Pilkington Holding GmbH was required to pay interest at a rate of 2 percent above the respective reference rates since March 1989, the time of the original offer. Pilkington Holding GmbH will be entitled to deduct the paid guaranteed dividend from the interest charge. The minority shareholders and Pilkington Holding GmbH have both lodged an appeal against this decision. There is no indication yet as to when the appeal court will issue its decision.

During October 2007, the Netherlands Competition authorities visited two separate Pilkington downstream sites investigating possible infringements of Netherlands Competition law. It is too early to draw conclusions as to the eventual outcome of these visits, which may or may not result in a formal statement of objections.

Mike Powell
Group Finance Director

The NSG Group seeks to achieve business success through professional, fair, ethical, legal and sustainable business practices.

Our responsibilities

The health and safety of employees, visitors and those living or working in the communities affected by NSG Group operations, the protection of the environment and the development of effective relationships with stakeholders in the business remain top priorities.

NSG GROUP ANNUAL CSR REPORT

In 2007, the NSG Group decided to widen the scope of its annual Environmental Social Activity Report to cover all aspects of Corporate Social Responsibility (CSR). This followed the acquisition of Pilkington, which transformed the NSG Group from a company with its primary focus in Japan and South East Asia to a global international organization.

The 2007 CSR Report contains special features on the Company's approach to climate change issues and the contribution the Group's energy-saving products are making to help reduce energy loss in both buildings and vehicles. The report contains detailed statistics on the Company's progress on environmental targets and material balance of operations.

The report also covers the Group's approach to working with key stakeholders; customers, shareholders and investors, employees, suppliers, and the local communities in which the Group operates.

Copies of the NSG Group CSR Report are available on request from the Group's website at www.nsggroup.net/contact/

A socially responsible glassmaker

Architects and car designers are using increasingly more glass in buildings and vehicles. Glass manufacturing is an energy-intensive process, but energy usage in manufacture is offset by the significant contribution the Group's advanced glass products make to energy conservation and the sustainability of the business.

The Group continues to strive to improve overall energy consumption and CO_2 emissions in all our operations and through our product range. As a responsible manufacturer, the NSG Group is increasingly applying its technological skills to find solutions to the issue of climate change.

Health and safety

The health, safety and wellbeing of all employees, contractors, visitors, neighbors and customers remain at the forefront of our business activity. The Group's safety policy is based on the premise that all accidents are preventable. The Group has well developed safety education and training programs and safety statistics are carefully monitored (see box below).

Environment

The Group takes its environmental responsibilities extremely seriously. Our operations are required to meet all legislative standards as a minimum, and where local requirements are not considered sufficient to address an issue, the Group's corporate standards do. Many of our products make important contributions to people's wellbeing, their quality of life and to the conservation of energy worldwide. Significant effort continues to be directed towards improving environmental performance and ensuring that quality products are manufactured that have a positive impact on the environment. At site level, waste minimization and recycling remain key elements in the Group's environmental improvement program, also helping in the drive to reduce costs.

We strive to improve overall energy consumption and CO_2 emissions in all our operations and through our product range. As a responsible manufacturer, the NSG Group is applying its technological skills to find solutions to the issue of climate change.

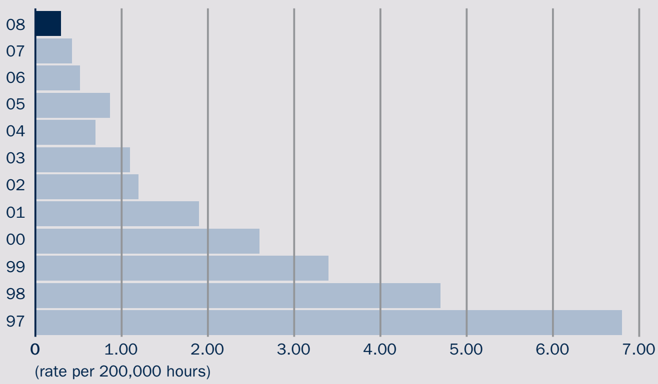
Community

We aim to ensure that our worldwide operations play a responsible and responsive role in the local communities in which they operate. Local business units have a responsibility for engaging in consultation and dialogue with their local communities as a means of making sure that the NSG Group coexists harmoniously with its community partners to the benefit of all parties involved.

Quality

Quality is a key feature in building successful relationships with our industry customers and end consumers. All of our major automotive manufacturing plants are certified to an appropriate external international quality standard and work is under way to harmonize on a corporate certification to the ISO/TS16949:2002 standard. In Building Products, the businesses in Europe, Japan, North America and South America have obtained a corporate certification to the ISO9001:2000 quality management system.

LOST TIME INJURY RATE (LTIR)



OUR SAFETY RECORD

We measure safety performance using two key performance indicators. The Lost Time Injury Rate (LTIR) records work-related accidents or illnesses preventing individuals involved being able to report for work on the following day or shift. These are expressed as a rate per 200,000 hours (approximately the time worked by 100 people in one year). The LTIR was 0.30 in 2008; an improvement of 12 percent.

As the LTIR has improved, it has become less useful as an indicator of performance and the Significant Injury Rate (SIR) is now our primary indicator. This records injuries requiring medical treatment or the reallocation of duties to allow an individual to continue working. The SIR was 1.29 in 2008; an improvement of 19 percent.

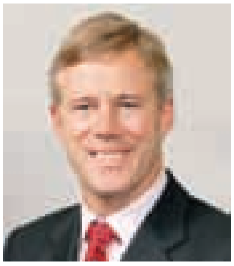
There were 132 lost time injuries and 437 injuries classified as significant in the year, for the total 32,500 Group employees. Tragically there were two fatal accidents on our sites in the financial year. An employee was run over by a forklift truck in the Rossford USA plant and a permanent contract driver was killed loading glass at the Kansai facility in Japan.

Board of Directors

Yozo Izuhara*
Director
Chairman of the Board

Katsuji Fujimoto
Director
Chairman of NSG Group

Tomoaki Abe**
Director
Vice-Chairman



Stuart Chambers
Representative
Executive Director
President and CEO

Mike Powell
Executive Director
Group Finance Director

Pat Zito
Executive Director
Head of Automotive
Worldwide

Mark Lyons
Executive Director
Head of Building
Products Worldwide

Keiji Yoshikawa
Executive Director
Head of Specialty Glass
Worldwide

Noritaka Kurauchi***
External Director

Kozo Okumura
External Director

Isao Uchigasaki
External Director

George Olcott
External Director

* Chairman Nomination Committee
** Chairman Audit Committee
*** Chairman Compensation Committee

Five-year summary

Year ended March 31	2008	2007	2006	2005	2004 (Millions of yen)	2008 (Thousands of euro)
Net sales	**865,588**	681,548	265,888	264,975	269,149	**5,473,555**
Income before income taxes and minority interests	**62,258**	38,058	11,535	11,424	9,562	**393,691**
Net income	**50,417**	12,096	7,764	7,588	3,207	**318,813**
Amounts per share (yen and euro)						
Net income:						
Basic	**75.44**	21.85	17.52	17.12	7.19	**0.48**
Diluted	**70.90**	20.28	15.71	15.78	–	**0.45**
Cash dividends	**6.00**	6.00	6.00	6.00	3.00	**0.04**
Total assets	**1,319,290**	1,408,984	595,963	426,909	442,163	**8,342,546**
Shareholders' equity	**358,688**	337,268	238,284	205,300	200,562	**2,268,170**
Number of employees	**32,587**	35,811	12,736	12,006	11,392	–

Note:
The translation of yen amounts into euro amounts is included solely for the convenience of readers outside Japan and has been made at ¥158.14 = €1.00, the exchange rate prevailing on March 31, 2008. This translation should not be construed as a representation that yen can be converted into euro at the above or any other rate.

Consolidated balance sheets

Nippon Sheet Glass Company Limited and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of yen		Thousands of euro (Note 1a)
	2008	2007	2008
Assets			
Current assets			
Cash and cash equivalents (Note 15a)	**126,613**	159,762	**800,638**
Short-term investments	**1,316**	1,152	**8,321**
Trade notes and accounts receivable (Note 3)	**155,119**	159,292	**980,899**
Allowance for doubtful accounts	**(4,830)**	(4,389)	**(30,544)**
Inventories:			
Finished goods	**69,732**	67,179	**440,948**
Work in process and raw materials	**49,757**	46,081	**314,638**
Deferred income taxes (Note 7)	**7,376**	3,096	**46,640**
Other current assets	**16,852**	33,664	**106,575**
Total current assets	**421,935**	465,837	**2,668,115**
Property, plant and equipment at cost			
Land (Notes 5 and 8)	**54,042**	57,214	**341,733**
Buildings and structures (Notes 5 and 8)	**157,261**	155,986	**994,440**
Machinery, equipment and vehicles (Notes 5 and 8)	**431,714**	419,003	**2,729,949**
Construction in progress	**3,411**	7,377	**21,568**
	646,428	639,580	**4,087,690**
Accumulated depreciation	**(270,953)**	(242,994)	**(1,713,373)**
Property, plant and equipment, net	**375,475**	396,586	**2,374,317**
Investments and other assets			
Investments in securities (Notes 4, 8 and 20c)	**28,014**	96,744	**177,144**
Investments in unconsolidated subsidiaries and affiliates (Notes 20a and b)	**71,854**	30,112	**454,370**
Goodwill (Note 18)	**181,168**	204,883	**1,145,616**
Deferred income taxes (Note 7)	**51,432**	1,150	**325,228**
Other assets	**189,412**	213,672	**1,197,756**
Total investments and other assets	**521,880**	546,561	**3,300,114**
Total assets	**1,319,290**	1,408,984	**8,342,546**

See accompanying notes to consolidated financial statements.

Consolidated balance sheets continued

	Millions of yen		Thousands of euro (Note 1a)
	2008	2007	2008
Liabilities and net assets			
Current liabilities			
Short-term bank borrowings (Notes 8 and 15a)	83,585	92,516	528,551
Current portion of long-term debt (Note 8)	19,371	14,800	122,495
Notes and accounts payable:			
Trade (Note 3)	98,952	98,291	625,721
Construction and other	22,792	17,580	144,127
Accrued expenses	39,560	43,584	250,158
Accrued income taxes (Note 7)	16,733	41,510	105,811
Provision for loss arising from enhanced early retirement program	12,519	–	79,166
Provision for future financial risk arising from alleged violation of Competition Law of the European Union	49,992	78,118	316,128
Provision for warranties and claims	7,322	7,754	46,303
Environmental provisions	–	7,777	–
Deferred income taxes (Note 7)	2	3,063	14
Other current liabilities	38,947	32,597	246,271
Total current liabilities	389,775	437,590	2,464,745
Long-term liabilities			
Long-term debt (Notes 8 and 20d)	353,452	453,801	2,235,058
Accrued retirement benefits (Note 6)	75,463	87,598	477,189
Allowance for rebuilding furnaces	9,764	9,237	61,742
Environmental provisions	7,248	–	45,830
Deferred income taxes (Note 7)	90,413	49,870	571,728
Other long-term liabilities	21,177	20,263	133,916
Total long-term liabilities	557,517	620,769	3,525,463
Net assets			
Shareholders' equity (Note 9):			
Common stock:			
Authorized – 1,775,000,000 shares issued – 669,550,999 shares in 2008 and 2007	96,147	96,147	607,989
Capital surplus	105,292	105,289	665,817
Retained earnings (Note 20e)	152,097	105,914	961,790
Treasury stock, at cost: 1,290,932 shares in 2008 and 1,147,732 shares in 2007	(541)	(450)	(3,427)
Total shareholders' equity	352,995	306,900	2,232,169
Valuation and translation adjustments:			
Net unrealized holding gain on securities (Note 4)	9,194	25,881	58,139
Net unrealized deferred loss on hedges (Note 12)	(128)	(3,048)	(808)
Translation adjustments	(3,627)	7,508	(22,934)
Total valuation and translation adjustments	5,439	30,341	34,397
Stock options (Note 9b)	254	27	1,604
Minority interests	13,310	13,357	84,168
Total net assets	371,998	350,625	2,352,338
Total liabilities and net assets	1,319,290	1,408,984	8,342,546

See accompanying notes to consolidated financial statements.

Consolidated statements of income

Nippon Sheet Glass Company Limited and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of euro (Note 1a)
	2008	2007	**2008**
Net sales (Note 17)	**865,588**	681,548	**5,473,555**
Cost of sales (Note 13)	**594,379**	478,701	**3,758,563**
Gross profit	**271,209**	202,847	**1,714,992**
Selling, general and administrative expenses (Note 13)	**224,747**	179,024	**1,421,187**
Operating income (Note 17)	**46,462**	23,823	**293,805**
Other income/(expenses):			
Interest and dividend income	**9,646**	6,446	**60,994**
Interest expense	**(25,497)**	(23,060)	**(161,231)**
Equity in earnings of affiliates	**10,257**	2,417	**64,862**
Gain on sales of fixed assets	**2,679**	3,697	**16,942**
Loss on disposal of fixed assets	**(1,312)**	(7,143)	**(8,294)**
Gain on sales of investments in securities (Note 4)	**13,414**	44,828	**84,827**
Gain on sale of discontinued operations (Note 19)	**30,831**	–	**194,960**
Gain on insurance proceeds received	**1,761**	–	**11,139**
Loss on disposal of inventories	**(1,102)**	(1,921)	**(6,967)**
Loss on revaluation of inventories	**(843)**	–	**(5,332)**
Loss on impairment of fixed assets (Note 5)	**(1,700)**	(683)	**(10,749)**
Loss on revaluation of investments in securities	**(474)**	(293)	**(2,998)**
Loss on revaluation of investments in subsidiaries and affiliates	**(1,207)**	(136)	**(7,631)**
Transaction costs of acquisition	**–**	(10,480)	**–**
Reversal of allowance for rebuilding furnaces	**–**	1,064	**–**
Income from discontinued operations (Note 19)	**498**	1,513	**3,149**
Special support cost for early retirees	**(615)**	–	**(3,889)**
Provision for loss arising from enhanced early retirement program	**(12,519)**	–	**(79,166)**
Gain/(loss) on sales of investments in unconsolidated subsidiaries, net	**12**	(1,095)	**77**
Loss on termination of businesses	**(289)**	(1,374)	**(1,827)**
Gain on prior year adjustments (Note 14)	**2,072**	–	**13,104**
Other, net	**(9,816)**	455	**(62,084)**
	15,796	14,235	**99,886**
Income before income taxes and minority interests	**62,258**	38,058	**393,691**
Income taxes (Note 7):			
Current	**13,801**	28,068	**87,270**
Prior year tax adjustments	**1,195**	–	**7,558**
Deferred	**(5,412)**	(5,064)	**(34,220)**
	9,584	23,004	**60,608**
Income before minority interests	**52,674**	15,054	**333,083**
Minority interests	**(2,257)**	(2,958)	**(14,270)**
Net income	**50,417**	12,096	**318,813**

See accompanying notes to consolidated financial statements.

Consolidated statements of changes in net assets

Nippon Sheet Glass Company Limited and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities
Reclassified balance at March 31, 2006	41,060	50,373	95,791	(334)	186,890	50,338
Conversion of convertible bonds	55,087	54,913	–	–	110,000	–
Net income for the year	–	–	12,096	–	12,096	–
Cash dividends	–	–	(3,022)	–	(3,022)	–
Increase in retained earnings resulting from initial consolidation of subsidiaries	–	–	30	–	30	–
Increase in retained earnings resulting from merger of consolidated subsidiaries	–	–	36	–	36	–
Increase in retained earnings resulting from adoption of a new accounting standard on unification of accounting policies applied to overseas subsidiaries for consolidated financial statements	–	–	983	–	983	–
Gain on sales of treasury stock	–	3	–	4	7	–
Increase in treasury stock	–	–	–	(120)	(120)	–
Net changes during the year	–	–	–	–	–	(24,457)
Balance at March 31, 2007	96,147	105,289	105,914	(450)	306,900	25,881
Net income for the year	**–**	**–**	**50,417**	**–**	**50,417**	**–**
Cash dividends	**–**	**–**	**(4,010)**	**–**	**(4,010)**	**–**
Gain on sales of treasury stock	**–**	**3**	**–**	**8**	**11**	**–**
Increase in treasury stock	**–**	**–**	**–**	**(99)**	**(99)**	**–**
Decrease in retained earnings arising on initial inclusion of a subsidiary in consolidation	**–**	**–**	**(224)**	**–**	**(224)**	**–**
Net changes during the year	**–**	**–**	**–**	**–**	**–**	**(16,687)**
Balance at March 31, 2008	**96,147**	**105,292**	**152,097**	**(541)**	**352,995**	**9,194**

Millions of yen

	Net unrealized deferred loss on hedges	Translation adjustments	Total valuation and translation adjustments	Stock options	Minority interests	Total net assets
Reclassified balance at March 31, 2006	–	1,056	51,394	–	3,315	241,599
Conversion of convertible bonds	–	–	–	–	–	110,000
Net income for the year	–	–	–	–	–	12,096
Cash dividends	–	–	–	–	–	(3,022)
Increase in retained earnings resulting from initial consolidation of subsidiaries	–	–	–	–	–	30
Increase in retained earnings resulting from merger of consolidated subsidiaries	–	–	–	–	–	36
Increase in retained earnings resulting from adoption of a new accounting standard on unification of accounting policies applied to overseas subsidiaries for consolidated financial statements	–	–	–	–	–	983
Gain on sales of treasury stock	–	–	–	–	–	7
Increase in treasury stock	–	–	–	–	–	(120)
Net changes during the year	(3,048)	6,452	(21,053)	27	10,042	(10,984)
Balance at March 31, 2007	(3,048)	7,508	30,341	27	13,357	350,625
Net income for the year	**–**	**–**	**–**	**–**	**–**	**50,417**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**(4,010)**
Gain on sales of treasury stock	**–**	**–**	**–**	**–**	**–**	**11**
Increase in treasury stock	**–**	**–**	**–**	**–**	**–**	**(99)**
Decrease in retained earnings arising on initial inclusion of a subsidiary in consolidation	**–**	**–**	**–**	**–**	**–**	**(224)**
Net changes during the year	**2,920**	**(11,135)**	**(24,902)**	**227**	**(47)**	**(24,722)**
Balance at March 31, 2008	**(128)**	**(3,627)**	**5,439**	**254**	**13,310**	**371,998**

See accompanying notes to consolidated financial statements.

Consolidated statements of changes in net assets continued

Thousands of euro (Note 1a)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities
Balance at March 31, 2007	607,989	665,801	669,751	(2,851)	1,940,690	163,660
Net income for the year	–	–	318,813	–	318,813	–
Cash dividends	–	–	(25,358)	–	(25,358)	–
Gain on sales of treasury stock	–	16	–	52	68	–
Increase in treasury stock	–	–	–	(628)	(628)	–
Decrease in retained earnings arising on initial inclusion of a subsidiary in consolidation	–	–	(1,416)	–	(1,416)	–
Net changes during the year	–	–	–	–	–	(105,521)
Balance at March 31, 2008	**607,989**	**665,817**	**961,790**	**(3,427)**	**2,232,169**	**58,139**

Thousands of euro (Note 1a)

	Net unrealized deferred loss on hedges	Translation adjustments	Total valuation and translation adjustments	Stock options	Minority interests	Total net assets
Balance at March 31, 2007	(19,274)	47,476	191,862	168	84,465	2,217,185
Net income for the year	–	–	–	–	–	318,813
Cash dividends	–	–	–	–	–	(25,358)
Gain on sales of treasury stock	–	–	–	–	–	68
Increase in treasury stock	–	–	–	–	–	(628)
Decrease in retained earnings arising on initial inclusion of a subsidiary in consolidation	–	–	–	–	–	(1,416)
Net changes during the year	18,466	(70,410)	(157,465)	1,436	(297)	(156,326)
Balance at March 31, 2008	**(808)**	**(22,934)**	**34,397**	**1,604**	**84,168**	**2,352,338**

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

Nippon Sheet Glass Company Limited and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of euro (Note 1a)
	2008	2007	2008
Cash flows from operating activities			
Income before income taxes and minority interests	62,258	38,058	393,691
Adjustments for:			
Depreciation and amortization of tangible and intangible assets other than goodwill	63,616	51,350	402,274
Amortization of goodwill	10,331	8,316	65,327
Loss on impairment of fixed assets	1,700	683	10,749
(Decrease)/increase in allowance for doubtful accounts	(237)	983	(1,496)
Increase/(decrease) in accrued retirement benefits	6,053	(5,925)	38,274
Gain on sales of fixed assets	(2,679)	(3,697)	(16,942)
Loss on disposal of fixed assets	1,312	7,143	8,294
Gain on sales of investments in securities	(13,414)	(44,828)	(84,827)
(Gain)/loss on sales of investments in unconsolidated subsidiaries, net	(12)	1,095	(77)
Loss on revaluation of investments in securities	474	293	2,998
Loss on revaluation of investments in subsidiaries and affiliates	1,207	136	7,631
Gain on sale of discontinued operations	(30,831)	–	(194,960)
Equity in earnings of affiliates	(10,257)	(2,417)	(64,862)
Interest and dividend income	(9,646)	(6,446)	(60,994)
Interest expense	25,497	23,060	161,231
(Increase)/decrease in trade notes and accounts receivable	(4,023)	6,206	(25,440)
(Increase)/decrease in inventories	(9,264)	2,822	(58,580)
Increase in notes and accounts payable	9,873	4,822	62,430
Increase/(decrease) in allowance for rebuilding furnaces	527	(446)	3,330
Other, net	(4,944)	11,453	(31,245)
	97,541	92,661	616,806
Interest and dividend income received	12,927	9,925	81,744
Interest paid	(27,100)	(19,277)	(171,367)
Income taxes paid	(33,974)	(7,930)	(214,836)
Net cash provided by operating activities	49,394	75,379	312,347

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows continued

	Millions of yen		Thousands of euro (Note 1a)
	2008	2007	2008
Cash flows from investing activities			
Payments for time deposits	(1,300)	(5,185)	(8,219)
Proceeds from time deposits	1,105	5,239	6,990
Purchases of investments in securities	(49)	(4,710)	(310)
Proceeds from sales of investments in securities	15,464	54,620	97,787
Purchases of investments in affiliates	(7,231)	(2,448)	(45,726)
Proceeds from sales of discontinued operations	66,105	–	418,016
Proceeds from sales of investments in subsidiaries and affiliates	44	7,958	276
Acquisition of subsidiaries' stock resulting in change in scope of consolidation	–	(314,563)	–
Purchases of property, plant and equipment	(40,543)	(43,742)	(256,371)
Proceeds from sales of property, plant and equipment	3,829	12,785	24,210
Purchases of other assets	(6,094)	(5,613)	(38,535)
(Increase)/decrease in short-term loans receivable included in other current assets	(2,312)	2,043	(14,619)
Increase in long-term loans receivable included in other assets	(536)	(1,566)	(3,389)
Other, net	989	(2,462)	6,251
Net cash provided by/(used in) investing activities	29,471	(297,644)	186,361
Cash flows from financing activities			
Increase/(decrease) in short-term bank borrowings, net	1,385	(2,474)	8,759
Proceeds from long-term loans	25,177	293,672	159,210
Repayment of long-term loans	(104,071)	(97,052)	(658,098)
Cash dividends paid	(4,026)	(3,029)	(25,460)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(1,993)	(933)	(12,603)
Other, net	(88)	(116)	(559)
Net cash (used in)/provided by financing activities (Note 1d)	(83,616)	190,068	(528,751)
Effect of exchange rate changes on cash and cash equivalents	(13,101)	12,741	(82,847)
Net decrease in cash and cash equivalents (Note 1d)	(17,852)	(19,456)	(112,890)
Cash and cash equivalents at beginning of the year	159,762	179,159	1,010,257
Decrease due to change in scope of cash and cash equivalents (Note 1d)	(38,712)	–	(244,796)
Increase due to change in scope of consolidation	96	–	609
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	59	–
Cash and cash equivalents at end of the year (Note 15a)	103,294	159,762	653,180

See accompanying notes to consolidated financial statements.

Notes to the consolidated financial statements

Nippon Sheet Glass Company Limited and Consolidated Subsidiaries
March 31, 2008 and 2007

1. Summary of significant accounting policies

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

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

The translation of Japanese yen into euro values is included solely for the convenience of readers outside Japan and has been made at ¥158.14 = €1.00, the exchange rate prevailing on March 31, 2008. This translation should not be construed as a representation that yen can be converted into euro at the above or any other rate.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2007 to the 2008 presentation. These reclassifications had no effect on consolidated net income or net assets.

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

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

Differences between the cost and the underlying net equity in the net assets of the consolidated subsidiaries and companies accounted for by the equity method at their respective dates of acquisition are amortized by the straight-line method principally over a period of 20 years.

(c) Foreign currency translation
Assets and liabilities of overseas consolidated subsidiaries and affiliates are translated into yen at the exchange rates in effect at the respective balance sheet date. Revenue and expenses are translated at the average rates of exchange for the respective years. Differences arising from translation are reflected in ‘translation adjustments’ and ‘minority interests’ in the accompanying consolidated balance sheets.

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

With effect from April 1, 2007, the Company and its consolidated subsidiaries include bank overdrafts within cash and cash equivalents. Prior to this date, bank overdrafts were classified as short-term bank borrowings. This change has been made in order to attain consistency in cash management policy as a result of the implementation of a new global management structure. As a result of this change, net cash used in financing activities, net decrease in cash and cash equivalents and cash and cash equivalents at end of the year decreased by ¥11,577 million (€73,210 thousand), ¥15,393 million (€97,337 thousand) and ¥23,319 million (€147,458 thousand), respectively, at March 31, 2008 from the corresponding amounts which would have been recorded under the policy applied in the previous year.

(e) Allowance for doubtful accounts
The allowance for doubtful accounts is calculated based on the historical experience with bad debts plus an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.

(f) Short-term investments and investments in securities
The accounting standard for financial instruments requires that securities be classified into three categories: trading securities, held-to-maturity debt securities or other securities. Under this accounting standard, trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. The Company and its consolidated subsidiaries did not hold any trading securities or held-to-maturity debt securities at March 31, 2008 and 2007.

(g) Derivatives
Derivatives are stated at fair value.

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

Notes to the consolidated financial statements continued

1. Summary of significant accounting policies continued

(i) Property, plant and equipment
The Company and domestic subsidiaries state property, plant and equipment at cost.

Depreciation is calculated at rates based on the estimated useful lives of the respective assets by the declining-balance method, except for the depreciation of buildings (other than attachments to the buildings) acquired on or after April 1, 1998, which is calculated by the straight-line method. The estimated useful lives applied by the Company and domestic subsidiaries are principally as follows:

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

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

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

(j) Intangible assets included in other assets
Amortization of intangible assets is calculated by the straight-line method.

Certain intangible assets which were identified upon acquisition of Pilkington plc, such as relationships with customers, brands, and developed technology have a weighted average amortization period of 13.4 years.

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

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

Certain domestic consolidated subsidiaries have unfunded retirement benefit plans for their directors and corporate auditors. The funding required under these plans has been fully accrued in accordance with their respective internal rules.

With effect from the year ended March 31, 2007, the Company amended its defined benefit retirement plan by introducing a point-based benefit system. As a result, the Company expensed immediately all past service cost arising from this amendment. Consequently, operating income and income before income taxes and minority interests for the year ended March 31, 2007 decreased by ¥327 million and ¥429 million, respectively.

(l) Allowance for rebuilding furnaces
In order to prepare for periodic large-scale repairs to furnaces, the allowance for rebuilding domestic furnaces in Japan is calculated in consideration of the estimated cost of scheduled repairs and the number of hours of operation prior to the next repair date. Such an allowance is not made for furnaces outside Japan.

(m) Leases
The Company and its consolidated subsidiaries lease certain machinery, equipment and vehicles under non-cancelable lease agreements referred to as finance leases. At both the Company and the domestic consolidated subsidiaries, leases, which are defined as leases which do not transfer the ownership of the leased property to the lessee, are principally accounted for as operating leases. Outside Japan, finance leases are capitalized as liabilities and leased assets are treated as though they were legally owned.

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

(o) R&D costs and software development costs
R&D costs are charged to income as incurred.

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

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

(q) Provision for future financial risk arising from alleged violation of competition law of the European Union
Upon receipt of Statements of Objections from the European Commission for alleged violation of Competition Law, the Company has determined to record a provision for any future financial risk which may arise, the amount of which is estimated based on guidelines issued by the European Union and certain other available information.

(r) Provision for loss arising from enhanced early retirement program
This provision is calculated based on expected future payments and expenses.

(s) Provision for warranties and claims
This provision is calculated based on expected future financial risk incurring from warranties and claims of products sold.

1. Summary of significant accounting policies continued

(t) Environmental provision
This provision is calculated based on expected future financial risk relating to preservation of the environment.

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

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

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

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

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

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

(v) Goodwill and negative goodwill
Goodwill and negative goodwill are amortized over a period of 20 years by the straight-line method.

(w) Appropriation of retained earnings
Under the Corporation Law of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for the period, therefore, do not reflect such appropriations. (Refer to Note 20(c).)

(x) Discontinued operations
Consolidated subsidiaries in Australasia are accounted for as discontinued operations in accordance with International Financial Reporting Standards. Income from these discontinued operations is presented as a separate component of other income/(expenses) in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007, and assets, net of liabilities, are accounted for as current assets and included in the ‘other current assets’ account in the accompanying consolidated balance sheet at March 31, 2007.

2. Changes in method of accounting

With effect from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Corporation Tax Law. As a result of this change, operating income decreased by ¥294 million (€1,862 thousand) and income before income taxes and minority interests decreased by ¥296 million (€1,869 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

In addition, with effect from the year ended March 31, 2008, depreciation expense for tangible fixed assets acquired before April 1, 2007 is computed on the basis of the salvage value of 5 percent of acquisition cost, and the amount between the salvage value and memorandum value is depreciated from the year following the year in which the book value of an asset reaches 5 percent of its acquisition cost by the straight-line method over a period of five years. This change was made based on an amendment to the Corporation Tax Law. As a result of this change, operating income decreased by ¥787 million (€4,977 thousand) and income before income taxes and minority interests decreased by ¥797 million (€5,043 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

3. Notes receivable and payable

The balance sheet date for the year ended March 31, 2007 fell on a bank holiday. Consequently, trade notes receivable of ¥594 million (€3,756 thousand) and trade notes payable of ¥1,009 million (€6,380 thousand) with due dates of March 31, 2007 were included in the respective balances at March 31, 2007 and were settled on the next business day.

Notes to the consolidated financial statements continued

4. Investments in securities

The Company and its consolidated subsidiaries did not hold any trading securities or held-to-maturity debt securities at March 31, 2008 and 2007.

Marketable securities classified as other securities at March 31, 2008 and 2007 are summarized as follows:

	Millions of yen					
	2008			2007		
	Acquisition costs	Carrying value	Unrealized gain/(loss)	Acquisition costs	Carrying value	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition costs						
Equity securities	**5,755**	**20,487**	**14,732**	8,934	52,381	43,447
Securities whose carrying value does not exceed their acquisition costs						
Equity securities	**139**	**86**	**(53)**	399	72	(327)
Total	**5,894**	**20,573**	**14,679**	9,333	52,453	43,120

	Thousands of euro		
	2008		
	Acquisition costs	Carrying value	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition costs			
Equity securities	**36,394**	**129,554**	**93,160**
Securities whose carrying value does not exceed their acquisition costs			
Equity securities	**881**	**549**	**(332)**
Total	**37,275**	**130,103**	**92,828**

At the year end, the Company and its consolidated subsidiaries compare the market value and the carrying value of each of their marketable equity securities. Impairment losses are recorded as appropriate.

Sales of other securities for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of euro
	2008	2007	2008
Sales	**15,464**	54,620	**97,787**
Aggregate gain	**13,414**	44,828	**84,827**
Aggregate loss	**3**	–	**21**

The carrying value of investments in non-marketable securities at March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of euro
	2008	2007	2008
Unlisted equity securities (except for equity securities traded on the over-the-counter market)	**2,218**	38,629	**14,025**
Other	**5,223**	5,662	**33,016**

4. Investments in securities continued

The redemption schedule at March 31, 2008 for other securities with maturity dates is summarized as follows:

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
	Millions of yen			
Government bonds	1	1,007	1,747	2,333

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
	Thousands of euro			
Government bonds	8	6,369	11,046	14,753

5. Loss on impairment of fixed assets

The Company and its consolidated subsidiaries recognized a loss on impairment of fixed assets for the years ended March 31, 2008 and 2007 as follows:

Description	Location	Classification	2008 Millions of yen	2008 Thousands of euro
Idle production facilities	Maizuru City, Kyoto Prefecture	Machinery, equipment and vehicles	**205**	**1,294**
Factory	Maizuru City, Kyoto Prefecture	Buildings and structures	**91**	**574**
Production facilities	Sagamihara City, Kanagawa Prefecture	Machinery, equipment and vehicles	**33**	**211**
Idle properties	Tsukuba City, Ibaraki Prefecture	Buildings, structures and land	**45**	**287**
Production facilities	Tsukuba City, Ibaraki Prefecture	Machinery, equipment and vehicles	**26**	**162**
Idle properties	Niigata City, Niigata Prefecture	Buildings, structures and land	**590**	**3,735**
Idle properties	Hongu City, Fukushima Prefecture	Buildings, structures and land	**305**	**1,926**
Idle production facilities	United Kingdom	Machinery, equipment and vehicles	**357**	**2,257**
Marketing and distribution	Sweden	Software, included in other assets	**44**	**275**
Idle production facilities	China	Machinery, equipment and vehicles	**4**	**28**
Total			**1,700**	**10,749**

Description	Location	Classification	2007 Millions of yen
Idle production facilities	Maizuru City, Kyoto Prefecture	Machinery, equipment and vehicles	618
Idle production facilities	Changchun, China	Machinery, equipment and vehicles	38
Industrial properties	Edogawa-ku, Tokyo and other locations	Land	27
Total			683

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

For the year ended March 31, 2008, idle production facilities and software included in other assets used for marketing and distribution management were not anticipated to be utilized in the future and losses on impairment of such assets were recognized. The carrying value of factory and production facilities has been reduced to their respective recoverable amounts due to continuing losses from operations, which the Company also recognized in the current fiscal year. The recoverable amounts of these assets are measured at their net selling price or value in use. The net selling price of land is measured based on professional appraisals issued by real estate appraisers and the recoverable amounts of the other assets are based on reasonable estimates. Value in use is measured as the sum of the anticipated future cash flows discounted at an annual rate of 6 percent.

For the year ended March 31, 2007, corresponding to a recent decline in land prices, the carrying value of industrial properties, whose market value had decreased significantly from their carrying value, was reduced to their respective recoverable amounts. The recoverable amounts of industrial properties were measured based on the net selling prices determined principally by figures presented by government authorities. Idle production facilities were not anticipated to be utilized in the future and their recoverable amounts measured at net selling value were reduced to ¥1 per idle property as they had been originally constructed for a specific type of usage which was no longer applicable.

Notes to the consolidated financial statements continued

6. Retirement benefits

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

Overseas subsidiaries operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee administered funds, determined by periodic actuarial calculations. There are both defined benefit and defined contribution schemes. Subsidiaries in the US and the UK provide post-retirement healthcare benefits to certain employees and retirees.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2008 and 2007 for the defined benefit plans of the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of euro
	2008	2007	**2008**
Retirement benefit obligation	**(392,771)**	(462,203)	**(2,483,694)**
Plan assets at fair value	**314,195**	375,893	**1,986,818**
Unfunded retirement benefit obligation	**(78,576)**	(86,310)	**(496,876)**
Unrecognized actuarial loss	**3,549**	275	**22,445**
Accrued retirement benefits	**(75,027)**	(86,035)	**(474,431)**

The retirement benefit obligation in the table above is calculated by independent external actuaries.

Certain domestic consolidated subsidiaries, based on their internal bylaws, recorded accrued retirement benefits to directors and corporate auditors of ¥436 million (€2,758 thousand), and ¥1,563 thousand at March 31, 2008 and 2007, respectively.

Accrued retirement benefits of ¥75,463 million (€477,189 thousand) and ¥87,598 million reflected in the accompanying consolidated balance sheets at March 31, 2008 and 2007, respectively, included accrued retirement benefits for directors and corporate auditors of certain domestic consolidated subsidiaries of ¥436 million (€2,758 thousand) and ¥1,563 million, respectively.

A retirement benefit plan for executive officers of the Company was abolished by resolution of the Board of Directors at a meeting held on June 28, 2007, and a retirement benefit plan for directors and corporate auditors of the Company was abolished by resolution of the shareholders at a meeting held on June 28, 2007. Payments of the retirement benefits accumulated prior to June 28, 2007 will be made upon the retirement of eligible directors, corporate auditors and executive officers. The unpaid benefits for the directors and corporate auditors amounting to ¥321 million (€2,029 thousand), and for the executive officers amounting to ¥350 million (€2,211 thousand) have been reclassified from 'Accrued retirement benefits' to 'Other long-term liabilities'.

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	Millions of yen		Thousands of euro
	2008	2007	**2008**
Service cost	**7,164**	10,136	**45,302**
Interest cost	**22,691**	16,458	**143,486**
Expected return on plan assets	**(23,422)**	(16,622)	**(148,108)**
Net actuarial loss recognized during the year	**2,130**	1,439	**13,471**
Amortization of past service cost due to a plan amendment	**–**	482	**–**
Payments into defined contribution pension plans	**6,023**	–	**38,087**
Total	**14,586**	11,893	**92,238**

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

For the years ended March 31, 2008 and 2007, the assumptions used in accounting for the above plans are as follows:

Year ended March 31, 2008	Japan	Overseas
Discount rate	principally 2.0%	between 4.1% and 6.7%
Expected rate of return on plan assets	principally 3.0%	between 6.3% and 7.3%

Year ended March 31, 2007	Japan
Discount rate	principally 2.0%
Expected rate of return on plan assets	principally 3.0%

7. Income taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in aggregate, resulted in a statutory tax rate of approximately 40.5 percent for the years ended March 31, 2008 and 2007. Overseas subsidiaries are subject to the income tax regulations of the respective countries in which they operate.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2008 and 2007 differ from the statutory tax rate for the following reasons:

	2008 %	2007 %
Statutory tax rate:	**40.5**	40.5
Permanently non-taxable income related to discontinued operations and others	**(11.2)**	–
Prior year income tax adjustments	**1.9**	–
Valuation allowance	**12.6**	9.2
Differences in tax rates applicable to overseas subsidiaries	**(8.2)**	(5.1)
Prior year adjustment to deferred income taxes	**(11.8)**	–
Differences incurred from changes of tax rates in overseas subsidiaries	**(8.5)**	–
Amortization of goodwill	**5.2**	10.3
Elimination of dividend income for consolidation purposes	**1.1**	3.5
Equity in earnings of affiliates	**(5.9)**	0.9
Other	**(0.3)**	1.2
Effective tax rates	**15.4**	60.5

The significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of euro
	2008	2007	**2008**
Deferred tax assets			
Allowance for doubtful accounts	**1,273**	964	**8,051**
Accrued expenses	**985**	1,094	**6,231**
Provision for losses arising from enhanced early retirement program	**5,070**	–	**32,062**
Accrued retirement benefits of the Company and domestic subsidiaries	**3,499**	4,254	**22,129**
Allowance for rebuilding furnaces	**2,846**	2,788	**17,994**
Accrued retirement benefits and other provisions of overseas subsidiaries	**22,408**	16,087	**141,700**
Loss on revaluation of investments in securities	**6,080**	4,335	**38,448**
Non-deductible investments and other assets	**1,680**	3,663	**10,623**
Tax loss carryforwards	**23,750**	25,815	**150,185**
Unrealized gain on fixed assets	**1,718**	2,168	**10,866**
Other	**9,468**	7,989	**59,860**
Gross deferred tax assets	**78,777**	69,157	**498,149**
Less valuation allowance	**(17,801)**	(9,826)	**(112,563)**
Total deferred tax assets	**60,976**	59,331	**385,586**
Deferred tax liabilities			
Unrealized holding gain on securities	**(5,961)**	(17,239)	**(37,692)**
Reserve for special depreciation (a reserve for tax purposes under the Corporation Tax Law of Japan)	**(2,571)**	(3,215)	**(16,256)**
Revaluation of net assets acquired upon acquisition of Pilkington plc at fair value	**(47,567)**	(58,548)	**(300,791)**
Accelerated depreciation	**(26,867)**	(24,009)	**(169,892)**
Undistributed earnings of overseas subsidiaries	**(1,522)**	(772)	**(9,626)**
Other	**(8,095)**	(4,235)	**(51,203)**
Total deferred tax liabilities	**(92,583)**	(108,018)	**(585,460)**
Net deferred tax liabilities	**(31,607)**	(48,687)	**(199,874)**

Notes to the consolidated financial statements continued

8. Short-term bank borrowings and long-term debt

Short-term bank borrowings principally represent bank loans. The weighted average interest rates on these borrowings were 3.3 percent and 3.7 percent at March 31, 2008 and 2007, respectively.

For flexible financing purposes, the Company has committed revolving or undrawn credit facilities with certain banks. The status of these at March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of euro
	2008	2007	**2008**
Lines of credit	**375,146**	421,060	**2,372,240**
Credit used	**(270,115)**	(361,283)	**(1,708,072)**
Available credit	**105,031**	59,777	**664,168**

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of euro
	2008	2007	**2008**
Secured loans from banks and other financial institutions	**244,688**	363,263	**1,547,285**
Unsecured loans from banks and other financial institutions	**85,135**	62,338	**538,357**
1.18% unsecured bonds, due September 8, 2008	**10,000**	10,000	**63,235**
1.77% unsecured bonds, due September 8, 2010	**10,000**	10,000	**63,235**
Zero-coupon unsecured convertible bonds with stock acquisition rights, due May 13, 2011	**23,000**	23,000	**145,441**
Total	**372,823**	468,601	**2,357,553**
Less current portion included in current liabilities	**19,371**	14,800	**122,495**
	353,452	453,801	**2,235,058**

Zero-coupon unsecured convertible bonds with stock acquisition rights at the gross issuance amount of ¥23,000 million (€145,441 thousand) are convertible into shares of common stock of the Company at ¥542 per share during the period from May 20, 2004 to May 6, 2011.

Assets pledged as collateral for long-term loans from banks and other financial institutions of ¥244,688 million (€1,547,285 thousand) and short-term bank borrowings of ¥27,690 million (€175,100 thousand) at March 31, 2008 were as follows:

	Millions of yen	Thousands of euro
Land	2,647	16,741
Buildings and structures	1,304	8,245
Machinery, equipment and vehicles	25,863	163,543
Investments in subsidiaries	446,945	2,826,262
Total	476,759	3,014,791

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of euro
2009	19,371	122,495
2010	71,275	450,707
2011	216,930	1,371,758
2012	26,933	170,311
2013	23,010	145,501
2014 and thereafter	15,304	96,781
	372,823	2,357,553

9. Shareholders' equity

(a) The Corporation Law of Japan (the Law), provides that an amount equal to 10 percent of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25 percent of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company amounted to ¥6,376 million (€40,322 thousand) at March 31, 2008 and 2007, respectively.

Common stock and treasury stock
Movements in issued common stock and treasury stock during the years ended March 31, 2008 and March 31, 2007 are summarized as follows:

				Number of shares
	March 31, 2007	Increase	Decrease	**March 31, 2008**
Common stock	669,550,999	–	–	**669,550,999**
Treasury stock	1,147,732	162,801	19,601	**1,290,932**

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

(b) In accordance with the former Commercial Code of Japan (the Code) and the Law, stock option plans for certain directors, certain executive officers and certain administration officers of the Company were approved at annual general meetings of the shareholders and a meeting of the Board of Directors of the Company. The 2005 stock option plan (the 2005 plan) was approved by shareholders of the Company on June 29, 2004. The 2006 stock option plan (the 2006 plan) was approved by shareholders of the Company on June 29, 2005. The 2007 stock option plan (the 2007 plan) was approved by shareholders of the Company on June 29, 2006. The 2008 stock option plan (the 2008 plan) was approved by the Board of Directors of the Company on August 30, 2007.

The stock option plans of the Company are summarized as follows:

Stock option plan	Date of grant	Number of stock options granted	Exercisable period
The 2005 plan	July 30, 2004	455	From July 1, 2006 to June 28, 2014
The 2006 plan	August 1, 2005	495	From July 1, 2007 to June 28, 2015
The 2007 plan	August 31, 2006	345	From July 1, 2008 to June 28, 2016
The 2008 plan	September 28, 2007	281	From September 29, 2007 to September 28, 2037

One stock option gives the holder the right to purchase one thousand shares of the Company's common stock.

Stock option activities during the year ended March 31, 2008 were as follows:

	2008 plan	2007 plan	2006 plan	2005 plan
Number of shares:				
Outstanding at beginning of the year	**–**	345,000	495,000	455,000
Granted	**281,000**	–	–	–
Exercised	**–**	–	–	–
Expired	**–**	–	–	–
Outstanding at end of the year	**–**	345,000	–	–
Exercisable at end of the year	**281,000**	–	495,000	455,000
Price information:				
Exercise price	**1**	578	466	418
Weighted average price of shares when exercised	**–**	–	–	–
Fair value of unit price	**666**	221	–	–

Notes to the consolidated financial statements continued

10. Contingent liabilities

(a) Trade note receivables discounted with banks and trade notes receivable endorsed
At March 31, 2008, the Company and its consolidated subsidiaries were contingently liable for trade notes receivable discounted with banks of ¥128 million (€809 thousand), trade notes receivable endorsed of ¥1,127 million (€7,126 thousand).

(b) Guarantees of loans
At March 31, 2008, the Company and its consolidated subsidiaries were contingently liable for guarantees of loans of unconsolidated subsidiaries and affiliates, and distributions amounting to ¥5,555 million (€35,129 thousand) in the aggregate. These amounts include contingent guarantees and letters of awareness amounting to ¥80 million (€506 thousand) in the aggregate.

(c) Minority interests – Germany
In 1989, Pilkington Holding GmbH (then known as Pilkington Deutschland GmbH) entered into a profit and loss pooling agreement with Dahlbusch AG and made a mandatory offer to acquire the minority interests in Dahlbusch AG accordingly. Certain minority shareholders have legally challenged the offer made as insufficient and court proceedings have been pending since 1989.

The Court of first instance made its decision in December 2006 and issued its ruling in respect of this claim in February 2007. The Court found that the price should be €629 per preference share (instead of €578 as per the original offer) and €330 per ordinary share (instead of €292 as per the original offer). In addition, Pilkington Holding GmbH was required to pay interest at a rate of 2 percent above the respective reference rates since March 1989, the time of the original offer. Pilkington Holding GmbH will be entitled to deduct the paid guaranteed dividend from the interest charge. The minority shareholders and Pilkington Holding GmbH have both lodged an appeal against this decision. There is no indication yet as to when the appeal court will issue its decision.

(d) Netherlands Competition Authority investigation
During October 2007, the Netherlands Competition authorities visited two separate Pilkington downstream sites investigating possible infringements of Netherlands Competition law. It is too early to draw conclusions as to the eventual outcome of these visits, which may or may not result in a formal statement of objections.

11. Leases

The pro forma information relating to acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2008 and 2007, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases in the Company and domestic subsidiaries, is summarized as follows:

	Millions of yen		Thousands of euro
	2008	2007	**2008**
Machinery, equipment and vehicles			
Acquisition costs	**11,104**	10,997	**70,214**
Accumulated depreciation	**(5,948)**	(6,934)	**(37,610)**
Net book value	**5,156**	4,063	**32,604**

Future minimum lease payments to be made under finance leases subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of euro
2009	1,367	8,647
2010 and thereafter	3,789	23,957
Total	5,156	32,604

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

Lease payments relating to finance leases accounted for as operating leases amounted to ¥1,275 million (€8,062 thousand) and ¥1,401 million for the years ended March 31, 2008 and 2007, respectively. Depreciation expense, which is not reflected in the accompanying consolidated statements of income, if computed by the straight-line method assuming a nil residual value, would have been ¥1,275 million (€8,062 thousand) and ¥1,401 million for the years ended March 31, 2008 and 2007, respectively.

12. Derivatives

Derivative financial instruments are utilized by the Company and its consolidated subsidiaries principally to hedge against the risk of fluctuation in interest rates, foreign currency exchange rates and market prices of commodities. A control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivatives has been established.

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

The notional amounts and the estimated fair value of the derivative instruments outstanding which did not qualify for deferral hedge accounting at March 31, 2008 and March 31, 2007 were as follows:

(a) Currency-related transactions

						Millions of yen
			2008			2007
	Notional amounts	**Fair value**	**Gain/(loss)**	Notional amounts	Fair value	Gain/(loss)
Forward foreign exchange contracts						
Sell:						
Brazil Real	**398**	**389**	**9**	4,903	5,356	(453)
Euro	**29,263**	**29,001**	**262**	1,901	1,903	(2)
US dollar	**30,895**	**30,920**	**(25)**	1,577	1,575	2
Other	**1,914**	**1,943**	**(29)**	2,565	2,570	(5)
Buy:						
Euro	**31,069**	**31,544**	**475**	8,988	8,997	9
US dollar	**32,021**	**32,095**	**74**	8,264	8,186	(78)
Other	**3,857**	**3,954**	**97**	9,070	9,083	13
Total			**863**			(514)

			Thousands of euro
			2008
	Notional amounts	**Fair value**	**Gain/(loss)**
Forward foreign exchange contracts			
Sell:			
Brazil Real	**2,521**	**2,461**	**60**
Euro	**185,046**	**183,390**	**1,656**
US dollar	**195,366**	**195,524**	**(158)**
Other	**12,105**	**12,291**	**(186)**
Buy:			
Euro	**196,470**	**199,471**	**3,001**
US dollar	**202,483**	**202,955**	**472**
Other	**24,393**	**25,008**	**615**
Total			**5,460**

The notional amounts of the forward foreign exchange contracts presented in the tables above exclude those qualifying for deferral hedge accounting.

Notes to the consolidated financial statements continued

12. Derivatives continued

(b) Interest-related transactions

	2008			2007		
Millions of yen	Notional amounts	Fair value	Loss	Notional amounts	Fair value	Loss
Interest rate swaps						
Receive/fixed and pay/floating	**16,098**	**(733)**	**(733)**	16,021	(853)	(853)
Receive/floating and pay/fixed	**36,190**	**(1,108)**	**(1,108)**	41,343	(1,277)	(1,277)
Total			**(1,841)**			(2,130)

	2008		
Thousands of euro	Notional amounts	Fair value	Loss
Interest rate swaps			
Receive/fixed and pay/floating	**101,797**	**(4,633)**	**(4,633)**
Receive/floating and pay/fixed	**228,846**	**(7,008)**	**(7,008)**
Total			**(11,641)**

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

13. Research and development costs

Costs relating to R&D activities charged to cost of sales and selling, general and administrative expenses amounted to ¥15,516 million (€98,114 thousand) and ¥13,660 million for the years ended March 31, 2008 and 2007, respectively.

14. Gain on prior-year adjustments

Gain on prior-year adjustments presented as a component of ‘Other income/(expenses)’ in the accompanying consolidated statement of income for the year ended March 31, 2008 consisted of gain on amendment of goodwill and the corresponding amortization in the amount of ¥1,056 million (€6,678 thousand) arising from the acquisition of Pilkington plc for the year ended March 31, 2007 as a result of the revision of its purchase price allocation for the year ended March 31, 2008, and gain on recording of inventory in the amount of ¥1,016 million (€6,426 thousand).

15. Supplementary cash flow information

(a) Reconciliation of cash and cash equivalents

Reconciliation of cash and cash equivalents presented in the accompanying consolidated balance sheet at March 31, 2008 and cash and cash equivalents presented in the accompanying consolidated statement of cash flows for the year then ended is as follows:

	Millions of yen 2008	Thousands of euro 2008
Cash and cash equivalents presented in the consolidated balance sheet	**126,613**	**800,638**
Overdraft included in short-term bank borrowings	**(23,319)**	**(147,458)**
Cash and cash equivalents presented in the consolidated statement of cash flows	**103,294**	**653,180**

15. Supplementary cash flow information continued

(b) Acquisition of Pilkington plc

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

	Millions of yen
Current assets	303,727
Property, plant and equipment	285,403
Goodwill	230,369
Other intangible assets	181,750
Other assets	47,181
Current liabilities	(100,891)
Non-current liabilities	(499,824)
Minority interests	(20,137)
Acquisition cost of shares of Pilkington plc	427,578
Investment-in-kind of shares of Pilkington plc	(47,703)
Effect of exchange rate fluctuation	27,025
	406,900
Cash and cash equivalents	(92,337)
Net disbursement of acquisition	314,563

(c) Non-cash financing activities

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

	Millions of yen
Increase in share capital	55,087
Increase in capital surplus	54,913
Decrease in long-term debt (convertible bonds with stock acquisition rights)	110,000

16. Amounts per share

Amounts per share at March 31, 2008 and 2007 and for the years then ended were as follows:

	Yen		Euro
	2008	2007	**2008**
Net assets	**536.37**	504.55	**3.39**
Net income:			
Basic	**75.44**	21.85	**0.48**
Diluted	**70.90**	20.28	**0.45**
Cash dividends	**6.00**	6.00	**0.04**

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

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

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

Notes to the consolidated financial statements continued

17. Segment information

(a) Business segments

With effect from the year ended March 31, 2008, in order to achieve more appropriate presentation of the business results, the Company has revised its business segments into the following four categories: Building Products, Automotive, Specialty Glass and Other. Prior to this revision, the business segments of the Company consisted of Building Products, Automotive and Other.

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

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

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

The Other segment covers corporate costs and engineering income, but also includes small businesses not included in the Building Products, Automotive and Specialty Glass segments.

The business segment information for the years ended March 31, 2008 and 2007 is summarized as follows:

Millions of yen

Year ended March 31, 2008

	Building Products	Automotive	Specialty Glass	Other	Total	Eliminations and general corporate assets	Consolidated
Sales and operating income/(loss)							
External sales	402,468	364,819	83,589	14,712	865,588	–	865,588
Inter-segment sales	4,113	4,283	1,102	2,515	12,013	(12,013)	–
Net sales	406,581	369,102	84,691	17,227	877,601	(12,013)	865,588
Operating expenses	375,242	345,163	75,662	34,900	830,967	(11,841)	819,126
Operating income/(loss)	31,339	23,939	9,029	(17,673)	46,634	(172)	46,462
Total assets, depreciation and amortization, impairment loss and capital expenditures							
Total assets	519,866	499,180	104,558	555,059	1,678,663	(359,373)	1,319,290
Depreciation and amortization	30,841	34,854	4,776	3,715	74,186	(239)	73,947
Impairment loss	1,362	234	59	45	1,700	–	1,700
Capital expenditures	19,263	21,203	2,854	4,469	47,789	(20)	47,769

Millions of yen

Year ended March 31, 2007

	Building Products	Automotive	Specialty Glass	Other	Total	Eliminations and general corporate assets	Consolidated
Sales and operating income/(loss)							
External sales	320,358	268,229	78,674	14,287	681,548	–	681,548
Inter-segment sales	1,497	1,678	604	5,061	8,840	(8,840)	–
Net sales	321,855	269,907	79,278	19,348	690,388	(8,840)	681,548
Operating expenses	305,375	256,868	73,206	31,040	666,489	(8,764)	657,725
Operating income/(loss)	16,480	13,039	6,072	(11,692)	23,899	(76)	23,823
Total assets, depreciation and amortization, impairment loss and capital expenditures							
Total assets	496,592	513,354	100,060	683,895	1,793,901	(384,917)	1,408,984
Depreciation and amortization	24,224	25,784	4,902	5,095	60,005	(339)	59,666
Impairment loss	27	656	–	–	683	–	683
Capital expenditures	18,892	20,879	3,025	9,754	52,550	(95)	52,455

17. Segment information continued

(a) Business segments continued

Thousands of euro

	Building products	Automotive	Specialty	Other	Total	Eliminations and general corporate assets	Consolidated
	Year ended March 31, 2008						
Sales and operating income/(loss)							
External sales	2,545,011	2,306,935	528,577	93,032	5,473,555	–	5,473,555
Inter-segment sales	26,008	27,086	6,970	15,904	75,968	(75,968)	–
Net sales	2,571,019	2,334,021	535,547	108,936	5,549,523	(75,968)	5,473,555
Operating expenses	2,372,848	2,182,641	478,447	220,693	5,254,629	(74,879)	5,179,750
Operating income/(loss)	198,171	151,380	57,100	(111,757)	294,894	(1,089)	293,805
Total assets, depreciation and amortization, impairment loss and capital expenditures							
Total assets	3,287,376	3,156,571	661,172	3,509,926	10,615,045	(2,272,499)	8,342,546
Depreciation and amortization	195,025	220,398	30,201	23,487	469,111	(1,510)	467,601
Impairment loss	8,611	1,479	372	287	10,749	–	10,749
Capital expenditures	121,807	134,081	18,044	28,263	302,195	(127)	302,068

As described in Note 2, with effect from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. As a result, in the Automotive segment, operating expenses increased by ¥178 million (€1,123 thousand) and operating income decreased by the same amount for the year ended March 31, 2008, as compared to the corresponding amounts which would have been recorded under the method applied in the previous year.

Furthermore, as described in Note 2, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired before April 1, 2007. As a result, in the Building Products segment, depreciation expense increased by ¥251 million (€1,587 thousand) and operating expenses increased by ¥245 million (€1,550 thousand) for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the method applied in the previous year. In the Automotive segment, depreciation expense increased by ¥366 million (€2,311 thousand) and operating expenses increased by ¥363 million (€2,297 thousand) for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the method applied in the previous year. In the Specialty Glass segment, depreciation expense increased by ¥145 million (€918 thousand) and operating expenses increased by ¥143 million (€905 thousand) for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the method applied in the previous year. The impact on the other segment as a result of the above change for the year ended March 31, 2008 was immaterial.

(b) Geographic segments

The geographic segment information for the years ended March 31, 2008 and 2007 is summarized as follows:

Millions of yen

	Japan	Europe	North America	Other areas	Total	Eliminations and general corporate assets	Consolidated
	Year ended March 31, 2008						
Sales and operating income/(loss)							
External sales	214,142	440,241	115,312	95,893	865,588	–	865,588
Inter-segment sales	25,465	256,614	19,420	21,998	323,497	(323,497)	–
Net sales	239,607	696,855	134,732	117,891	1,189,085	(323,497)	865,588
Operating expenses	237,587	661,604	135,870	107,598	1,142,659	(323,533)	819,126
Operating income/(loss)	2,020	35,251	(1,138)	10,293	46,426	36	46,462
Total assets	552,003	765,318	190,216	168,058	1,675,595	(356,305)	1,319,290

Notes to the consolidated financial statements continued

17. Segment information continued

(b) Geographic segments continued

Millions of yen

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

Thousands of euro

Year ended March 31, 2008	Japan	Europe	North America	Other areas	Total	Eliminations and general corporate assets	Consolidated
Sales and operating income							
External sales	**1,354,127**	**2,783,872**	**729,178**	**606,378**	**5,473,555**	**–**	**5,473,555**
Inter-segment sales	**161,026**	**1,622,707**	**122,803**	**139,103**	**2,045,639**	**(2,045,639)**	**–**
Net sales	**1,515,153**	**4,406,579**	**851,981**	**745,481**	**7,519,194**	**(2,045,639)**	**5,473,555**
Operating expenses	**1,502,385**	**4,183,659**	**859,173**	**680,399**	**7,225,616**	**(2,045,866)**	**5,179,750**
Operating income/(loss)	**12,768**	**222,920**	**(7,192)**	**65,082**	**293,578**	**227**	**293,805**
Total assets	**3,490,596**	**4,839,498**	**1,202,836**	**1,062,713**	**10,595,643**	**(2,253,097)**	**8,342,546**

As described in Note 2, effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. As a result, in the Japan segment, depreciation expense increased by ¥296 million (€1,869 thousand). Operating expenses increased by ¥294 million (€1,862 thousand) and operating income decreased by the same amount for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the method applied in the previous year.

Furthermore, as described in Note 2, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired before April 1, 2007. As a result, in the Japan segment, depreciation expense increased by ¥797 million (€5,043 thousand). Operating expenses increased by ¥787 million (€4,977 thousand) and operating income decreased by the same amount for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the method applied in the previous year.

(c) Overseas sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of euro
	2008	2007	**2008**
Overseas sales			
Europe	**431,536**	289,535	**2,728,820**
North America	**110,412**	85,027	**698,189**
Asia	**48,800**	49,782	**308,589**
Other areas	**66,162**	38,331	**418,379**
Total	**656,910**	462,675	**4,153,977**
Consolidated net sales	**865,588**	681,548	**5,473,555**

	2008 %	2007 %
Overseas sales as a percentage of consolidated net sales		
Europe	**49.9**	42.5
North America	**12.8**	12.5
Asia	**5.6**	7.3
Other areas	**7.6**	5.6
Total	**75.9**	67.9

18. Acquisition of Pilkington plc

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

1. General information on the acquired company

Name and line of business

Name: Pilkington plc

Line of business: Manufacturing and sale of glass materials for buildings and automotive windshields

Objectives of the acquisition

The objectives of the acquisition of Pilkington are to obtain a larger market share of the worldwide market based on the Company's estimates and to combine economies of scale and technology owned by Pilkington to enable the Company to enhance its corporate value as a true global entity in terms of cost, quality and service.

Date of acquisition: June 16, 2006

2. Period of acquired company's statement of income reflected in the consolidated statement of income

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

3. Consideration

Cash disbursement of approximately £2 billion.

4. Goodwill arising from the acquisition

Amount: ¥230,369 million

Amortization: Over a period of 20 years by the straight-line method

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

	Millions of yen	
	Book value prior to acquisition	Fair value
Current assets	307,098	303,727
Non-current assets:		
Tangible fixed assets	278,452	285,403
Intangible fixed assets	44,653	181,750
Other assets	64,030	47,180
	387,135	514,333
Current liabilities	(104,051)	(100,891)
Long-term liabilities (a)	(391,560)	(499,823)
Minority interests (b)	(13,480)	(20,137)
Net assets	185,142	197,209
Goodwill (b), (c)		230,369
Consideration (b)		427,578

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

Notes to the consolidated financial statements continued

18. Acquisition of Pilkington plc continued

5. Amount of assets acquired and liabilities assumed

	Millions of yen
Current assets	303,727
Tangible fixed assets	285,403
Goodwill	230,369
Other intangible assets	181,750
Other assets	47,180
Subtotal of non-current assets	744,702
Current liabilities	(100,891)
Non-current liabilities	(499,823)

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

6. Pro forma information

Pro forma information on the Company's consolidated operating results and net income per share, which would have been recorded if the acquisition of Pilkington had taken place at the beginning of the year ended March 31, 2007.

Operating results

	Millions of yen
Net sales	806,666
Operating income	30,162
Income before income taxes and minority interests	38,313
Net income	10,025

	Yen
Net income per share	18.11

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

19. Sale of discontinued operations

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

Name of the buyer
CSR Limited

Date of the transaction
June 29, 2007

Accounting treatment
The net amount of the consideration less the book value of the investment of ¥30,831 million (€194,960 thousand) has been recorded as 'Gain on sale of discontinued operations' categorized under other income/(expenses).

Computation of the net gain arising from the sale:

	Millions of yen	Thousands of euro
Consideration	71,044	449,250
Net book value of the discontinued operations sold	(36,548)	(231,114)
Technical assistance agreement and other items	(3,665)	(23,176)
Net Gain arising	30,831	194,960

Note: Net income relating to the operations of the business sold in the amount of ¥498 million (€3,149 thousand) is recorded as 'income from discontinued operations' categorized under other income/expenses in consolidated statement of income for the year ended march 31, 2008.

Other
A technical assistance agreement has been signed between CSR Limited and the Group. Income deriving from this agreement is ¥2,002 million (€12,657 thousand) and is included in the consideration. This income will be deferred and amortized over a period of five years, which is the length of the contract.

20. Subsequent events

(a) Sale of investment in an affiliate accounted for by the equity method

Based on a resolution approved at a meeting of the Board of Directors held on May 9, 2008, the Company sold all of its shares of NH Techno Glass Corporation, an affiliate accounted for by the equity method.

Background

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

Information on the buyer

Legal name:	Carlyle Group
Name of representative:	Louis V. Gerstner (Co-representatives in Japan: Tamotsu Adachi, Masao Hirano)
Head office:	1001 Pennsylvania Ave., N.W. Suite 220 South, Washington D.C., U.S.A.
Principal business:	Investment (private equity fund business)

Date of the sale: June 6, 2008

Information on the affiliate sold

Name:	NH Techno Glass Corporation
Principal business:	Manufacturing and sale of glass substrates for TFT LCDs (thin film transistors for liquid crystal displays)
Transactions with the Company:	Royalty on patents and lease of fixed assets

Number of shares sold, consideration and other information

Number of shares sold:	30,000
Consideration:	¥40.6 billion (€256.7 million)
Gain on sale of investment in an affiliate:	¥25.0 billion (€158.1 million)
Number of shares owned by the Company after the sale:	None

(b) Sale of investment in an affiliate accounted for by the equity method

The Company sold all of its shares of an affiliate accounted for by the equity method, MAG Co., Ltd. on June 6, 2008.

Background

The Company had the opportunity to sell its shares in MAG Co., Ltd. to a buyer who has the potential to leverage synergies through the acquisition and the Company has come to the conclusion that this transaction contributes to the development of MAG Co., Ltd.'s business as well as contributing to enhanced value for the Company's shareholders.

Information on the buyer

Legal name:	Saint-Gobain K.K.
Name of representative:	Gilles Colas
Head office:	Chiyoda-ku, Tokyo, Japan
Principal business:	Manufacturing and processing, imports, exports and sales of abrasives, ceramic plastics and glass products

Date of the sale: June 6, 2008

Information on the affiliate sold

Name:	MAG Co., Ltd.
Principal business:	Manufacturing and sales of glass wool products
Transactions with the Company:	The Company's services provided to the affiliate

Number of shares sold, consideration, and other information

Number of shares sold:	5,564,000
Consideration:	¥1.75 billion (€11.1 million)
Gain on sale of investment in an affiliate:	¥4.60 billion (€29.1 million)
Number of shares owned by the Company after the sale:	None

Notes to the consolidated financial statements continued

20. Subsequent events continued

(c) Sales of investments in securities
In order to secure funds necessary for business operations based on the annual cash forecast, the Company sold a certain number of its shares of investments in securities which resulted in an aggregate gain of ¥7,401 million (€46,798 thousand) in June 2008.

(d) Issuance of Corporate Bonds
Based on a resolution approved at a meeting of the Company's Board of Directors held on March 27, 2008, the Company issued the 7th series of unsecured corporate bonds on May 22, 2008. The details of this issuance of bonds are summarized as follows:

1. Description:	Nippon Sheet Glass Company, 7th series of unsecured corporate bonds
2. Issue price:	100 percent of the principal
3. Issued amount:	¥20 billion
4. Interest rate:	2.24 percent per annum
5. Redemption terms:	1) Redemption price 100 percent of the principal 2) Redemption date – The principal of the bonds shall be redeemed by May 22, 2013. – If the repayment date falls on a bank holiday, repayment of the bonds shall be made on the day before the said bank holiday. – Redemption by purchase can be made after the repayment date, unless otherwise stated in the regulations of Japan Securities Depository Center, Inc., or other related regulations. 3) Place of repayment of the principal Repayment of the principal of the bonds shall be made under the jurisdiction of the Act on Transfer of Bonds etc. and the regulations of Japan Securities Depository Center, Inc.
6. Payment date:	May 22, 2008
7. Type:	Unsecured
8. Usage of Funds:	To secure funds for the redemption of previously issued bonds and repayment of borrowings.

(e) Appropriation of retained earnings
The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2008, was proposed by the Board of Directors, subject to approval at a meeting of the Company's shareholders held on June 27, 2008:

	Millions of yen	Thousands of euro
Year-end cash dividends (¥3 = €0.019 per share)	2,005	12,677

Independent auditors' report

The Board of Directors
Nippon Sheet Glass Company, Limited

We have audited the accompanying consolidated balance sheets of Nippon Sheet Glass Company, Limited and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Sheet Glass Company, Limited and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental information

(1) As described in Note 17(a), effective the year ended March 31, 2008, the Company has revised its business segments.

(2) As described in Note 20(a), the Company sold all of its shares of NH Techno Glass Corporation on June 6, 2008, which was an affiliate accounted for by the equity method prior to the sale.

(3) As described in Note 20(b), the Company sold all of its shares of MAG Co., Ltd. on June 6, 2008, which was an affiliate accounted for by the equity method prior to the sale.

(4) As described in Note 20(c), the Company sold a certain number of its shares of investments in securities in June 2008.

(5) As described in Note 20(d), based on a resolution approved at a meeting of the Company's Board of Directors held on March 27, 2008, the Company issued the 7th series of unsecured corporate bonds on May 22, 2008.

The euro amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into euro amounts and, in our opinion, such translation has been made on the basis described in Note 1(a).

Ernst & Young ShinNihon

Ernst & Young ShinNihon
Osaka, Japan

June 20, 2008

Corporate data

As of March 31, 2008

Nippon Sheet Glass Co., Ltd

Corporate data

Head Office	Sumitomo Fudosan Mita Twin Building West Wing, 5-27, Mita 3-chome, Minato-ku, Tokyo 108-6321 Japan Tel: +81-3-5443-9500
Establishment	November 22, 1918
Number of employees (Consolidated)	32,587
Common stock	Authorized: 1,775,000,000 shares Issued: 669,550,999 shares
Number of shareholders	58,209
Paid-in capital	¥96,147 million
Stock listing	Tokyo and Osaka (Code: 5202)
Independent auditors	Ernst & Young ShinNihon
Transfer agent	The Sumitomo Trust & Banking Co., Ltd. Stock Transfer Agency Division 4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233 Japan

Shareholder information

Major shareholders

	Number of shares (thousands)	Percentage of shares
Japan Trustee Services Bank, Ltd. (trust account)	41,449	6.19
The Master Trust Bank of Japan, Ltd. (trust management account)	37,865	5.66
State Street Bank and Trust Company	33,827	5.05
Japan Trustee Services Bank, Ltd. (trust account 4)	15,885	2.37
Morgan Stanley & Co. International Ltd.	14,939	2.23
CBNY-Third Avenue International Val Fd	13,146	1.96
Chuo Mitsui Asset Trust and Banking (Money Trust 1)	12,411	1.85
Toyota Motor Corporation	9,610	1.44
Sumitomo Life Insurance Company	9,148	1.37
Japan Trustee Services Bank, Ltd. (Retirement Benefit Account, Sumitomo Trust and Banking)	8,769	1.31

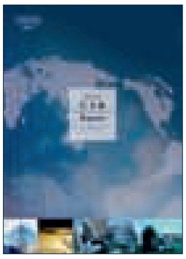
Status of shareholders

	Number of shareholders	Number of shares (thousands)	Percentage of shares
National/local governments	–	–	–
Financial institutions	97	206,470	30.84
Securities firms	82	15,605	2.33
Other corporations	783	40,170	6.00
Foreign investors	388	265,772	39.69
Individuals and others	56,859	141,534	21.14
Total	58,209	669,551	100.00

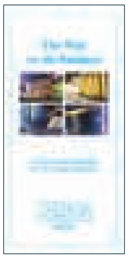
Further information

Other publications available from the NSG Group provide further information on the Company, its businesses and policies and the industries in which we operate.

Copies can be ordered from Corporate Communications through our website at www.nsggroup.net/contact



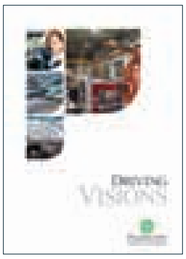
NSG Group CSR Report 2007
Group Corporate Social Responsibility Report, covering all aspects of CSR.



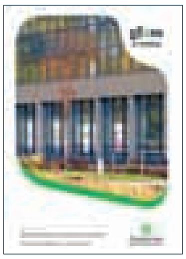
The Way we do Business
Produced for Group employees in all of the languages in which the Group operates, summarising the main points of the Group's Code of Conduct.

Pilkington and the Flat Glass Industry 2007
Detailed analysis of the world's Flat Glass industry and the NSG Group's position within it.

This is Pilkington
General introduction to the Building Products and Automotive businesses of the NSG Group.



Driving Visions
General introduction to Pilkington Automotive.



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