Annual Report 2005

For the year ended March 31, 2005

Nippon Electric Glass Co., Ltd.

C O N T E N T S

Glass is a unique material. It can be given a desired set of qualities by adjusting the composition of the starting materials, and then formed and processed into countless shapes. Over the half century since its inception, NEG has been striving to develop and refine technology for imparting specific properties to glass and for shaping and processing this unique material while vigorously responding to the needs of customers.

High-tech Glass is NEG's term for glass whose properties and shape are optimized for the intended application. It is advanced glass required by the global customers and the ongoing progress of technology. Used in display devices, information technology, medical and laboratory equipment, architecture and in the home, high-tech glass is playing an essential role in all walks of our life and industry.

NEG will continue to focus on contributing to the development of society through the creation of high-tech glass, in harmony with the environment.

Consolidated Financial Highlights

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

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

	2001	2002	2003	2004	**2005**		Percent change **2005/2004**
Net sales	¥344,677	¥300,395	¥328,803	¥297,307	**¥310,198**	**$2,899,047**	**4.3%**
Net income	25,398	3,378	14,603	8,568	**11,954**	**111,720**	**39.5**
Total assets	563,377	559,957	499,569	514,691	**495,568**	**4,631,477**	**-3.7**
Shareholders' equity	200,918	218,184	212,942	208,248	**217,588**	**2,033,533**	**4.5**
Per share of common stock (yen and dollars)							
Net income	¥ 79.49	¥ 10.57	¥ 45.23	¥ 26.37	**¥ 36.97**	**$ 0.35**	**40.2**
Diluted net income	72.95	-	-	-	**-**	**-**	**-**
Shareholders' equity	628.77	682.85	666.63	652.02	**681.50**	**6.37**	**4.5**
Equity ratio (%)	35.7	39.0	42.6	40.5	**43.9**		
Return on equity (%)	13.5	1.6	6.8	4.1	**5.6**		

Note: 1. The computations of net income per share and shareholders' equity per share are based on the average number of shares outstanding during each year and the number of shares outstanding at the end of each year, respectively.

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

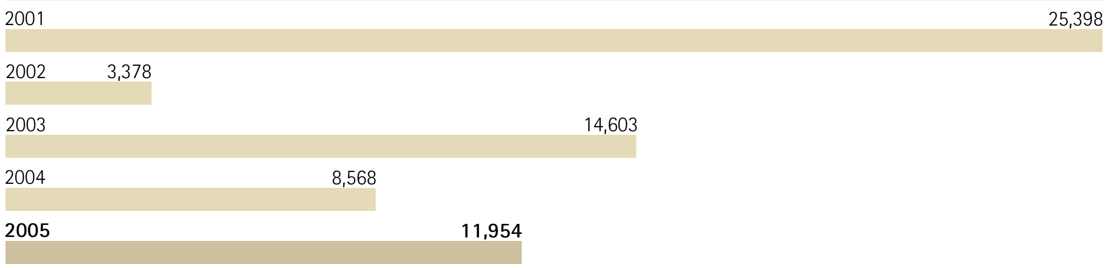
3. Due to the redemption of convertible bonds on March 29, 2002, the computation of diluted net income per share was not calculated in 2002, 2003, 2004 and 2005.

4. U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2005 of ¥107 to US$1.

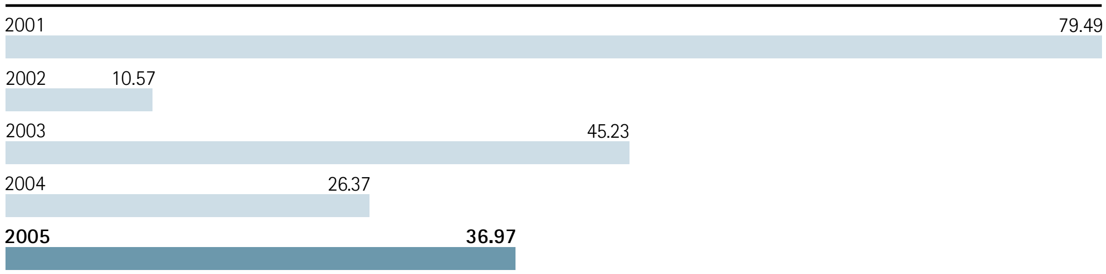
5. At March 31, 2005, Nippon Electric Glass Co., Ltd. had 25 consolidated subsidiaries.

Net Sales (Billions of yen)

Net Income (Millions of yen)



Net Income Per Share (Yen)



Message from the Management

In fiscal 2005, which ended on March 31, 2005, within the field of display devices, closely related to the NEG Group's core business area, the market for flat panel displays (FPD) including liquid crystal display (LCD) panels and plasma display panels (PDP) continued to register growth. A global downtrend persisted, however, in the market for cathode ray tubes (CRTs), formerly the mainstay of the display devices, as the operating environment surrounding the Group underwent significant changes.

In responding to these conditions, we have changed our business structure by scaling down and restructuring the production system for CRT glass and expanding production capacity for FPD glass. In conjunction with these measures, we have worked to improve productivity and profitability across all of our business segments while continuing to develop high value-added products such as thin film applications, which will serve as the basis of our next-generation lineup. Through these initiatives, we have made determined headway in improving business performance and establishing an operating base for the future.

Outline of Results

Consolidated net sales in fiscal 2005 increased 4.3% over the previous year to ¥310,198 million ($2,899 million). While sales of CRT glass declined, non-CRT glass (glass for FPDs and for optical and electronic devices) exhibited growth, led by FPD-related products, resulting in increased overall sales in the Information and Communications sector. Sales in the Other Products sector were also solid.

With respect to profits, operating income increased 51.1% year-over-year to ¥51,109 million ($478 million)—a new record high. Although there were factors that put downward pressure on income, such as rising fuel and raw material prices and the impact of falling CRT glass prices during the previous fiscal year, operating income was buoyed by several factors. These included increased sales, higher profitability owing to changes in the sales mix, the effects of improved productivity and cost-cutting measures, and reduced operating loss at U.S. subsidiary Techneglas, Inc.

Net income amounted to ¥11,954 million ($112 million). The increase was held to a 39.5% gain over the previous fiscal year, despite the rise in operating income, as a result of a loss incurred due to business restructuring charges of ¥38,748 million ($362 million) in connection with the discontinuation of production activities at Techneglas, Inc. Net income per share was ¥36.97 (35 cents).

Shift from CRTs to FPDs

In response to the changes mentioned above in the market makeup of the display device sector, we have aggressively moved to convert the business structure of the NEG Group accordingly.

- Amid rapid contraction of the CRT market in North America, Techneglas, Inc. discontinued production of CRT glass in August 2004.
- Japanese domestic demand for CRT glass had disappeared by the end of 2004. In order to redirect management resources, including operating space and manpower that had been allotted to CRT glass production in Japan, we phased out CRT glass manufacturing facilities at the Shiga-Takatsuki plant and the Notogawa plant while establishing manufacturing facilities for LCD and PDP glass at vacant sites, thereby augmenting production capacity for these types of glass.

- We are working to enhance processing capacity of LCD substrate glass in Korea and Taiwan in order to improve the supply of such glass for these markets, which are continuing to expand.
- We shifted a portion of CRT glass production capacity that had been reduced in Japan to Nippon Electric Glass (Fujian) Co., Ltd. in China. Full-scale operations were launched at the company in May of last year.

As a result of the above initiatives, we project that in fiscal 2006 the percentage of total sales accounted for by CRT glass will decline from 42% in fiscal 2005 and the percentage accounted for by non-CRT glass will increase substantially from 37.2% in fiscal 2005. The ratios to total sales of CRT and non-CRT glass, therefore, are expected to reverse.

Changes in Senior Management

Following a meeting of the Board of Directors that was held after the General Meeting of Shareholders on June 29, 2005, Tetsuji Mori was installed as Chairman of the Board. He had previously held the position of Vice Chairman. The previous Chairman of the Board, Nobutsune Kogo, was appointed Corporate Advisor.

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

Future Prospects and Issues

Amidst intense borderless corporate rivalry, competition among types of display devices, and ongoing progress in digitalization, the environment in which the NEG Group operates is undergoing significant changes, and the pace of change is accelerating. Centering on the following measures, we are determined to ensure the survival and growth of our business activities in the future. We intend to foster a sturdy management structure and foundation while promptly and appropriately adapting to ongoing change.

Further Strengthening of Management Structure and Financial Position

We are committed to establishing a robust management structure and sound financial position capable of withstanding changes in the operating environment by pursuing even greater efficiency in the overall management and by promoting management that emphasizes cash flow.

As a concrete measure for strengthening its financial position, we have worked since fiscal 2000 to reduce the level of interest-bearing debt of the NEG Group. The year under review was the final year of the second three-year project for reducing interest-bearing debt. Over the course of the project, we were able to cut such debt by ¥61.3 billion, surpassing our target of ¥60.0 billion. As a result, the balance of consolidated interest-bearing debt at the end of the fiscal year under review had declined to ¥155,324 million ($1,452 million), and the shareholders' equity ratio had climbed to 43.9%. We plan to reduce interest-bearing debt by a further ¥60.0 billion through a third three-year project that will begin in fiscal 2006.

Promotion of Global Business Activities

Accompanying economic globalization, a shift is taking place toward a single global market and demand is increasingly originating from overseas. For our part, we will work first to improve technological capacity and bolster the competitiveness of our products in domestic business sites. In addition, we plan to promote global business activities targeting the worldwide market by pushing forward with the development of production and supply centers in line with local demand conditions overseas.

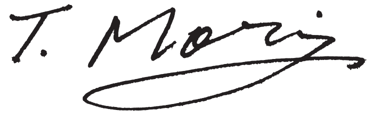
Building a Balanced Business Structure and Fostering Future Operations

The NEG Group has made progress in converting its business structure in response to changes taking place in the market makeup of the display device sector. Going forward, we will position the non-CRT glass segment as our core business area and devote ourselves to establishing and strengthening technological capabilities while augmenting production and supply capacity for such glass. Further, for CRT glass, we will seek to ensure profitability by shifting to a production system that focuses on the Asian region. Our Other Products sector, involved with glass fibers, heat-resistant glass, building materials, and other glass products, has consistently generated stable business results. We intend to build a balanced business structure by strengthening this segment even further while positioning it as our foundational business area.

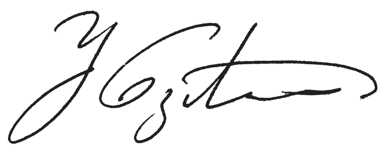
In addition, through bolstering our technical capacities with respect to combining non-glass materials such as thin films and metals with glass, we intend to put even greater effort into developing high value-added products and fostering business related to functional modules.

Through the initiatives outlined above, we will work to further improve our business performance. It goes without saying that we also intend to fulfill our social responsibilities as a corporation, focusing not only on regulatory compliance and environmental issues but other areas as well, such as the provision of employment opportunities for physically disabled persons.

In closing, on behalf of the Board of Directors, we would like to express our sincere gratitude to our shareholders, customers, employees, and associates. We thank you for your continuing support for our future development.



Tetsuji Mori *Chairman of the Board*



Yuzo Izutsu *President*

Review of Operations

Glass Business

Sales in the glass business segment increased 4.5% over the preceding fiscal year to ¥308,917 million ($2,887 million), representing 99.6% of consolidated net sales overall.

Information and Communications

This sector comprises glass products used in information- and communication-related fields, including glass for a variety of display devices and optical and electronic devices. Sales in the year under review from this sector totaled ¥245,554 million ($2,295 million)—a year-over-year rise of 3.8%, accounting for 79.2% of consolidated net sales.

CRT Glass

Sales of glass for CRTs amounted to ¥130,350 million ($1,218 million)—a decrease of 15.0% compared with the preceding fiscal year. Although demand recovered from the drastic downturn that occurred in the first half of the previous fiscal year, substantial drops in prices during last fiscal year and a decline in the value of sales due to appreciation of the yen had a major impact on figures for this area.

In the CRT glass business, we have made progress in downsizing and restructuring our production system in order to respond to changes in the global market and to growth in FPD markets. As for U.S. subsidiary Techneglas, Inc., the company discontinued production of CRT glass in August 2004 and initiated proceedings under Chapter 11 of the U.S. bankruptcy code. These measures were taken as a result of projections that it would be difficult to sustain business operations, given the shrinking North American market for CRT glass. Further, in order to redirect management resources—operating space, utilities, manpower, and the like—to FPD-related activities amid a swiftly shrinking domestic CRT glass market that would disappear by the end of 2004, we shut down one melting furnace at the Shiga-Takatsuki plant and one at the Notogawa plant. Later in April 2005 we discontinued the operations of another furnace at the Notogawa plant. As a result of these measures, we downsized and restructured our domestic production system for CRT glass, with a single glass manufacturing facility each for panel (screen side) glass and funnel (rear portion) glass remaining.

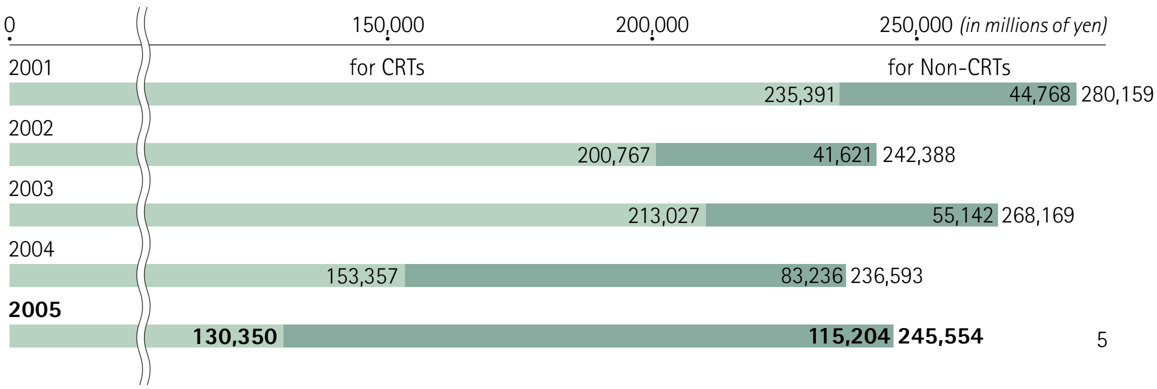
Main products

CRT Glass
CRT glass for TVs, displays, and projection TVs

Non-CRT Glass
Glass for LCDs:
substrates,
tubes for back-light lamps
Glass for PDPs:
substrates,
glass paste
Glass for optical devices:
parts for optical communications (capillaries, ferrules, micro ball lenses, lens units, collimator components),
glass materials for aspheric lenses
Glass for electronic devices:
cover glass for image sensors,
glass for laser diodes,
powdered glass,
tubes for diodes

Shiga-Takatsuki Plant
The operational changeover from CRT glass to FPD glass is proceeding rapidly.

Information and Communications



Non-CRT Glass (Glass for FPDs and Glass for Optical and Electronic Devices)

Sales of glass for non-CRT applications grew 38.4% year-over-year to ¥115,204 million ($1,077 million). With expansion in FPD-related markets, sales increased dramatically for LCD and PDP glass, thanks to production facilities that went online in the previous fiscal year and new facilities that were added during the year under review. Apart from this, sales of glass for optical and electronic devices stagnated under the impact of inventory corrections in digital equipment sectors including digital cameras, DVDs and PDP-TVs in the second half of the year.

In order to respond to growth in the market for LCD substrate glass, we added a new melting furnace in the space vacated by the removal of CRT glass production facilities at the Shiga-Takatsuki plant. From August to December 2004 we successively initiated forming line operations. In addition, in order to bolster our supply system for the South Korean and Taiwanese markets, we augmented Nippon Electric Glass (Korea) Co., Ltd.'s substrate glass processing capacity and launched operations in July 2004 of a new processing plant at Nippon Electric Glass Taiwan Co., Ltd. Further, we established Paju Electric Glass Co., Ltd. in South Korea in January of this year, which is scheduled to start LCD substrate glass processing in 2006. In March, this company became a joint venture between NEG and LG Philips LCD Co., Ltd. (NEG has a 60% share of the venture, while LG Philips LCD owns a 40% share.)

With respect to PDP substrate glass, we are currently enhancing thin film coating capacity at our Wakasa-Kaminaka plant and processing capacity at Shiga-Takatsuki plant in order to respond to rising demand and a shift to large multiple-panel substrates.

Other Products

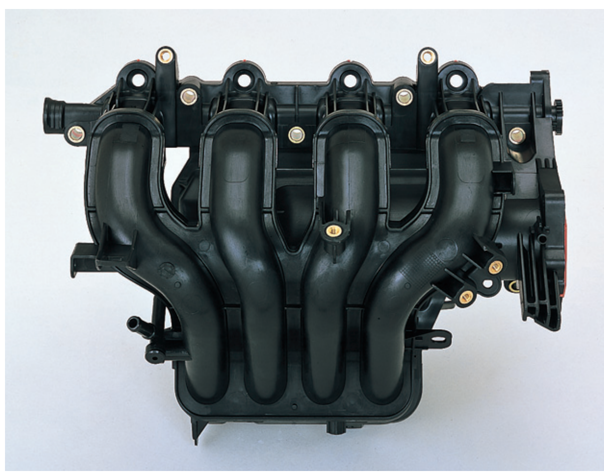
This sector comprises glass fibers, building materials, heat-resistant glass, glass tubes for lighting and medical uses, and other glass products. In the fiscal year under review, sales in Other Products totaled ¥63,363 million ($592 million)—a gain of 7.5% over the preceding fiscal year. This figure constituted 20.4% of consolidated net sales.

Glass Fibers

Sales of glass fibers increased 1.3% year-over-year to ¥23,579 million ($220 million). Shipments increased for chopped strands for reinforcing engineering plastics, the final applications of which are in automobiles and digital device parts. However, exports of alkali-resistant glass fibers for reinforcing cement products declined.

NEG has developed plans for the glass fiber business in China. We will invest approximately ¥4,000 million to build a new plant with an annual capacity of some 30,000 tons on the premises of Nippon Electric Glass (Fujian) Co., Ltd., with the launch of operations planned for the middle of

E-fiber for engineering plastics: chopped strands
Glass fiber is chopped into tiny pieces, which are molded into automotive parts by injection molding after being processed into a compound mixed with plastic.



Intake-manifold made of engineering plastics

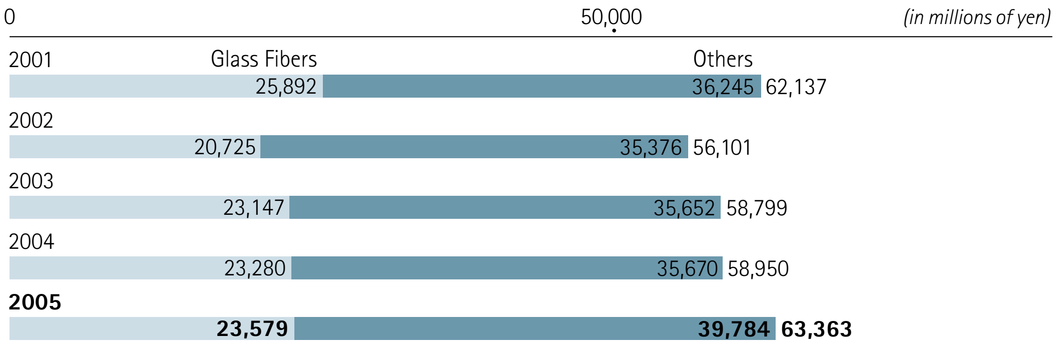
Main products

Glass Fibers
E-fiber for engineering plastics, printed circuit boards and FRP
ARG (alkali-resistant glass) fiber for GRC and asbestos replacements

Building materials and Others
Building materials:
Glass blocks,
glass-ceramics building materials "Neoparies" and "Neoclad",
"Firelite" for fire doors,
"LX" radiation-shielding glass
Heat-resistant glass:
super heat-resistant glass-ceramic "Neoceram",
heat-resistant glass "Neorex"
Glass tubing:
fluorescent-lamp bulbs,
glass for ampules, vials, and laboratory use
Other:
glass for thermos flasks,
evacuated-type solar collectors,
glassmaking machinery

2006. The plant is scheduled to produce chopped strands for reinforcing engineering plastics used in automobile parts. With automobile production growing in China, engineering plastics manufacturers from Japan, the U.S., and Europe plan to successively initiate local production from 2005 to 2006. Our business plan in this area represents a response to expansion of this kind in the Chinese domestic market.

Other Products



Building Materials, Heat-Resistant Glass, Glass Tubing and Other Glass Products

Sales increased for Neoceram, a super heat-resistant glass ceramic used in the top plates of induction heaters and gas cooking appliances. Sales of building materials were also firm. As a result, sales in this category amounted to ¥39,784 million ($372 million)—a year-over-year increase of 11.5%.

Other Business

This segment consists of service and retail activities conducted by NEG subsidiaries. Sales for the year under review declined 27.4% from the previous year to ¥1,281 million ($12 million).

Financial Review

Business Climate

In fiscal 2005, the Japanese economy was marked by a recovery trend thanks to buoyant exports, expansion in digital equipment markets, and other factors. The strength of this recovery, however, began to slow around the middle of the year, due in part to inventory corrections in markets for various forms of digital equipment, and the economic outlook grew increasingly cloudy. In the area of display devices, closely related to the core sector of the NEG Group, the market for FPDs continued to grow, but the global CRT market remained in a state of contraction. Demand fell not only in Japan and North America, but throughout Asia as well, as the business climate surrounding the NEG Group underwent considerable change.

Sales

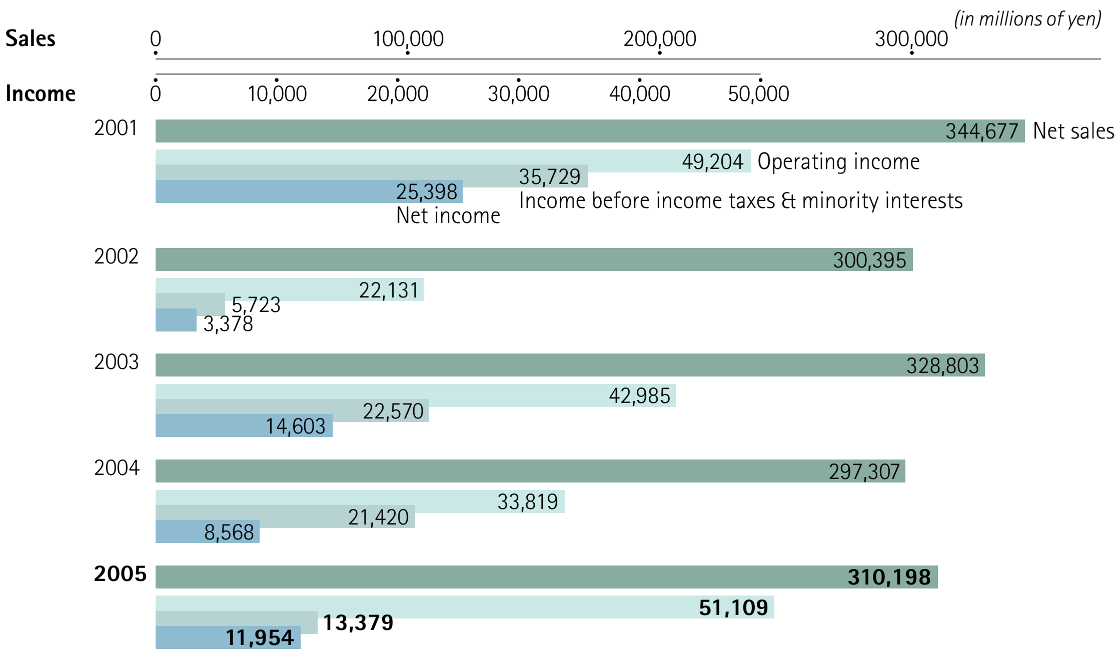
Consolidated sales in fiscal 2005 increased 4.3% over the preceding year to ¥310,198 million ($2,899 million). Sales of CRT glass declined, but sales of non-CRT glass increased. Non-CRT glass, especially sales in FPD-related products, continues to exhibit growth. Sales of the Other Products sector were solid.

Sales by Business *(Millions of yen and U.S. dollars)*

	2001	2002	2003	2004	2005		Percent change 2005/2004	Percent of net sales 2005
Glass Business:								
Information and Communications								
Glass for CRTs	¥235,391	¥200,767	¥213,027	¥153,357	**¥130,350**	**$1,218**	**–15.0%**	**42.0%**
Glass for Non-CRTs	44,768	41,621	55,142	83,236	**115,204**	**1,077**	**38.4**	**37.2**
	280,159	242,388	268,169	236,593	**245,554**	**2,295**	**3.8**	**79.2**
Other Products								
Glass Fibers	25,892	20,725	23,147	23,280	**23,579**	**220**	**1.3**	**7.6**
Building Materials, Heat-resistant Glass, Glass Tubing, Other	36,245	35,376	35,652	35,670	**39,784**	**372**	**11.5**	**12.8**
	62,137	56,101	58,799	58,950	**63,363**	**592**	**7.5**	**20.4**
	342,296	298,489	326,968	295,543	**308,917**	**2,887**	**4.5**	**99.6**
Other Business:	2,381	1,906	1,835	1,764	**1,281**	**12**	**–27.4**	**0.4**
Total	¥344,677	¥300,395	¥328,803	¥297,307	**¥310,198**	**$2,899**	**4.3%**	**100.0%**

Income

Operating income increased 51.1% year-over-year to ¥51,109 million ($478 million). Higher prices



for fuel and raw materials together with a drop in the price of CRT glass in the previous fiscal year exerted downward pressure on income. However, contributions were made by an increase in sales, changes in the composition of products sold, the effects of efforts to improve productivity and cut costs in business divisions, and a smaller operating loss at U.S. subsidiary Techneglas, Inc.

Business restructuring charges of ¥38,748 million ($362 million) were incurred in conjunction with the shutdown of production activities at Techneglas, Inc. As a result, income before income taxes and minority interests fell 37.5% compared with the previous year, to ¥13,379 million ($125 million). Additionally, other losses were stated in connection with Techneglas, which resulted in lower taxable income for NEG and thus significantly lower income taxes.

The aforementioned factors were responsible for a 39.5% year-over-year increase in net income, which totaled ¥11,954 million ($112 million). Net income per share was ¥36.97 (35 cents).

Geographic Segment Information

Japan: Total sales amounted to ¥230,044 million ($2,150 million)—an increase of 2.9% compared with the previous fiscal year. Although sales of CRT glass declined, sales of FPD glass and heat-resistant glass increased. Owing to this change in the composition of products sold as well as to efforts to improve productivity and cut costs, operating income increased 15.8% year-over-year to total ¥42,175 million ($394 million).

North America: Total sales declined 34.1% to ¥28,636 million ($268 million) due to diminished demand for CRT glass in the region and the discontinuation of production activities at Techneglas, Inc. Due to the decrease in the operating loss of Techneglas, the overall operating loss for the segment shrank 56.8% from the previous year to ¥4,904 million ($46 million).

Asia: A portion of the production capacity for CRT glass in Japan was shifted to Nippon Electric Glass (Fujian) Co., Ltd., which initiated full-scale operations. This, along with increased sales of LCD glass by Nippon Electric (Korea) Co., Ltd. and Taiwan Electric Glass Co., Ltd., led to a 70.6% year-over-year rise in sales to ¥120,094 million ($1,122 million). Operating income also experienced gains, climbing 78.9% from the previous year to ¥12,646 million ($118 million).

Europe: Due to a substantial drop in the price of CRT glass during the previous fiscal year, total sales declined 3.7% from the previous year to ¥18,711 million ($175 million), and operating income decreased 19.2% year-over-year to ¥695 million ($6 million).

Dividends

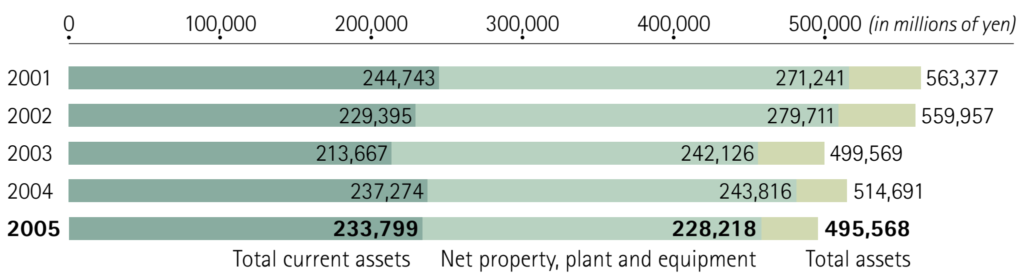
The cash dividend per share for the 2005 fiscal year was ¥9.5 (8.9 cents). This consisted of an interim dividend of ¥6 (5.6 cents) paid in December 2004 and a dividend of ¥3.5 (3.3 cents) paid at the end of the term. NEG conducted a two-for-one stock split of its common stock on March 10, 2005, so the per-share dividend calculated based on the number of shares before the split was ¥13 (12.1 cents). This means that in real terms the dividend paid in fiscal 2005 was ¥1 (0.9 cent) greater than that of the previous fiscal year.

Financial Position and Liquidity

Assets, Liabilities, and Shareholders' Equity

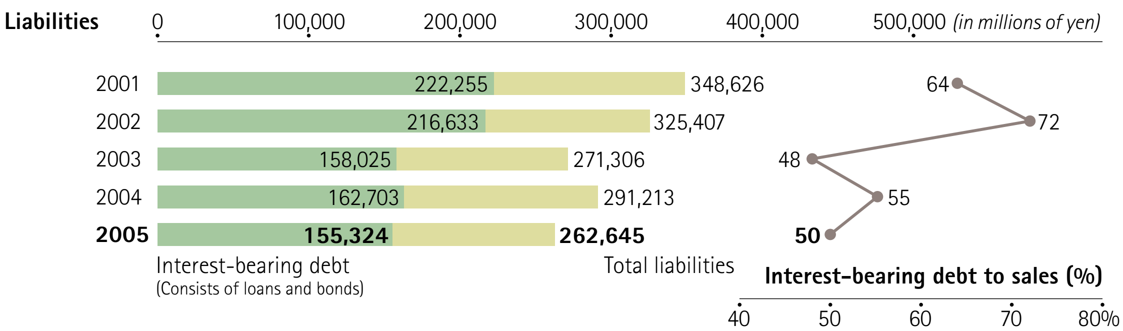
Total assets at the end of the fiscal year amounted to ¥495,568 million ($4,631 million)—a decrease of ¥19,123 million ($179 million) from the previous fiscal year-end. This was primarily due to declines in net property, plant and equipment values. Although capital expenditures exceeded depreciation due to augmentation of production capacity for FPD-related products,

Assets

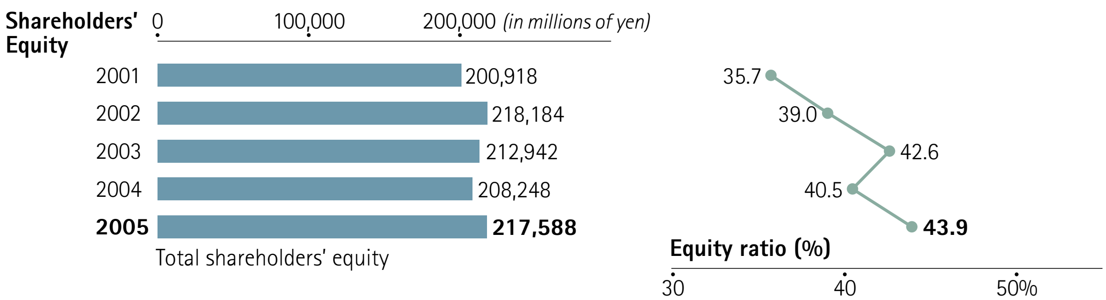


impairment in value of production facilities at Techneglas, Inc. and disposal of a number of CRT glass manufacturing facilities involved in the restructuring of domestic production capacity for CRT glass.

Total liabilities amounted to ¥262,645 million ($2,455 million)—a decrease of ¥28,568 million ($267 million) from the end of the previous fiscal year. NEG is working to reduce its interest-bearing debt as part of its medium- to long-term plan to secure a strong financial position. In the year under review, interest-bearing debt declined by ¥7,379 million ($69 million). During NEG's second three-year interest-bearing debt reduction project, which lasted from fiscal 2003 to fiscal 2005, we reduced interest-bearing debt by ¥61.3 billion, exceeding the planned target of ¥60.0 billion. Interest-bearing debt at the end of the year under review stood at ¥155,324 million ($1,452 million), as the ratio of interest-bearing debts to net sales declined to 50.1%. In addition, there were decreases in accrued expenses and accrued income taxes.

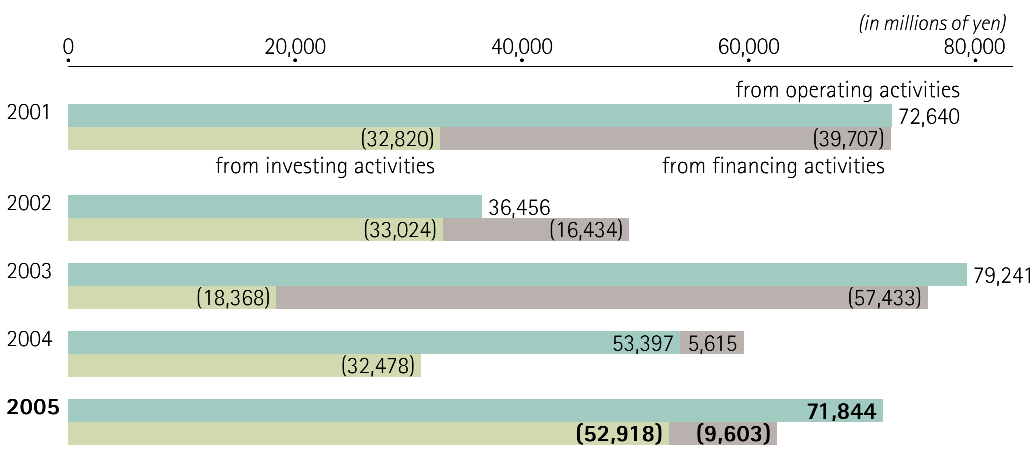


Total shareholders' equity increased by ¥9,340 million ($87 million) to ¥217,588 million ($2,034 million). The principal factor underlying the increase was an increase in retained earnings resulting from recording of net income. Consequently, the equity ratio rose to 43.9%.



Cash Flows

Net cash provided by operating activities was ¥71,844 million ($671 million). This was chiefly due to income before income taxes and minority interests, depreciation and amortization, and non-fund items in the business restructuring charges, as well as decreases in notes and accounts receivable and inventories. Compared with the previous fiscal year, income before income taxes and minority interests decreased, but the amount of non-fund items increased while notes and



accounts receivable decreased. Thus, net cash provided by operating activities increased by ¥18,447 million ($172 million).

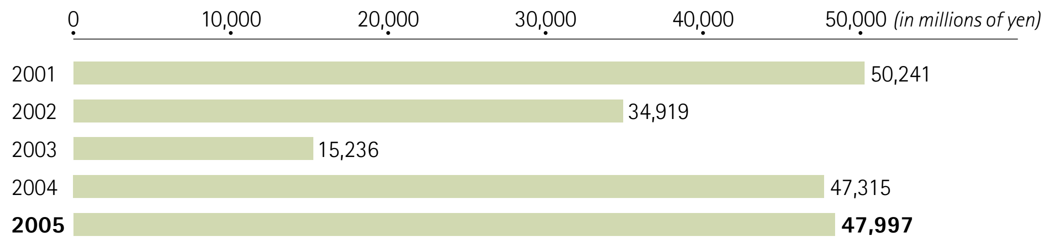
Net cash used in investing activities increased ¥20,440 million ($191 million) over the previous fiscal year to ¥52,918 million ($495 million). This was primarily due to property, plant, and equipment purchases centering on expansion of production capacity for FPD glass.

Net cash used in financing activities totaled ¥9,603 million ($90 million). This was largely due to repayment of long-term loans. In the previous fiscal year, ¥5,615 million ($52 million) was obtained through financing activities that included issuing straight bonds to cover capital investment and other costs, but the year under review was the final year of NEG's second three-year interest-bearing debt reduction project, which was carried out by repaying borrowings.

As a result of the above, cash and cash equivalents at the end of the year amounted to ¥97,902 million ($915 million)—a net increase of ¥8,611 million ($80 million).

Capital Expenditures

NEG's capital expenditures include the periodic refurbishment of glassmaking furnaces. In the fiscal year under review, capital expenditures were ¥47,997 million ($449 million)—nearly the same amount as that of the previous year. In the information and communication sector, ¥44,160 million ($413 million) was invested in enhancing production capacity for FPD glass, expanding processing facilities for LCD substrate glass in South Korea and Taiwan, and constructing production facilities at Nippon Electric Glass (Fujian) Co., Ltd., to which was transferred a portion of the domestic production capacity for CRT glass. In the Other Products sectors, ¥3,782 million ($35 million) was invested, chiefly for expanding production capacity for Neoceram, super heat-resistant glassceramics.



Capital expenditures

Consolidated Balance Sheets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
March 31, 2004 and 2005

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	**2005**	**2005**
Current assets:			
Cash and time deposits (Notes 7 and 9)	¥ 89,392	**¥ 97,957**	**$ 915,486**
Notes and accounts receivable, trade	82,752	**76,164**	**711,813**
Allowance for doubtful receivables	(726)	**(1,466)**	**(13,701)**
Inventories (Note 8)	52,653	**46,291**	**432,626**
Deferred income taxes (Note 11)	8,313	**6,898**	**64,467**
Other current assets	4,890	**7,955**	**74,346**
Total current assets	237,274	**233,799**	**2,185,037**
Property, plant and equipment (Note 9) :			
Land	16,873	**16,308**	**152,411**
Buildings and structures	103,528	**88,012**	**822,542**
Machinery and equipment	460,862	**423,856**	**3,961,271**
Construction in progress	13,610	**18,484**	**172,748**
	594,873	**546,660**	**5,108,972**
Accumulated depreciation	(351,057)	**(318,442)**	**(2,976,093)**
Net property, plant and equipment	243,816	**228,218**	**2,132,879**
Investments and other assets:			
Investment securities (Note 5)	13,653	**13,197**	**123,336**
Investment in affiliates	3,473	**3,473**	**32,458**
Goodwill	653	**99**	**925**
Deferred income taxes (Note 11)	9,054	**10,159**	**94,944**
Other assets (Note 9)	6,768	**6,623**	**61,898**
Total investments and other assets	33,601	**33,551**	**313,561**
Total assets	¥514,691	**¥495,568**	**$4,631,477**

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	**2005**	**2005**
Current liabilities:			
Short-term borrowings, including current portion of long-term debt (Notes 9 and 10)	¥ 79,396	**¥ 96,258**	**$ 899,607**
Notes and accounts payable (Note 9):			
Trade	39,802	**42,048**	**392,972**
Construction and other	21,671	**14,290**	**133,551**
Accrued expenses	18,120	**10,432**	**97,495**
Accrued income taxes	12,316	**1,295**	**12,103**
Other current liabilities	1,894	**1,044**	**9,758**
Total current liabilities	173,199	**165,367**	**1,545,486**
Long-term debt (Note 10)	84,176	**59,066**	**552,019**
Severance and retirement benefits (Note 12)	9,184	**9,926**	**92,766**
Directors' retirement benefits	486	**431**	**4,028**
Reserve for special repairs	16,644	**14,494**	**135,458**
Deferred income taxes (Note 11)	5,769	**4,115**	**38,458**
Other non-current liabilities	1,755	**9,246**	**86,411**
Total liabilities	291,213	**262,645**	**2,454,626**
Minority interests	15,230	**15,335**	**143,318**
Contingent liabilities (Note 14)			
Shareholders' equity (Note 13):			
Common stock			
Authorized - 800,000,000 shares in 2005 and 400,000,000 shares in 2004			
Issued - 319,544,156 shares in 2005 and 159,772,078 shares in 2004	18,386	**18,386**	**171,832**
Capital surplus	20,117	**20,120**	**188,037**
Retained earnings	172,691	**181,889**	**1,699,897**
Net unrealized holding gains on securities	4,316	**4,078**	**38,112**
Foreign currency translation adjustments	(6,999)	**(6,483)**	**(60,588)**
Less: cost of treasury stock:	208,511	**217,990**	**2,037,290**
495,687 shares in 2005, 195,031 shares in 2004,	(263)	**(402)**	**(3,757)**
Total shareholders' equity	208,248	**217,588**	**2,033,533**
Total liabilities and shareholders' equity	¥514,691	**¥495,568**	**$4,631,477**

Consolidated Statements of Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2004	**2005**	**2005**
Net sales	¥328,803	¥297,307	**¥310,198**	**$2,899,047**
Cost of sales	245,285	225,403	**222,260**	**2,077,197**
Gross profit	83,518	71,904	**87,938**	**821,850**
Selling, general and administrative expenses	40,533	38,085	**36,829**	**344,196**
Operating income	42,985	33,819	**51,109**	**477,654**
Other income (expenses):				
Interest and dividend income	683	463	**1,146**	**10,710**
Interest expense	(4,651)	(2,625)	**(2,082)**	**(19,458)**
Restructuring charges (Note 4)	(3,921)	-	**–**	**–**
Loss from special retirement benefits	-	(1,479)	**–**	**–**
Loss from devaluation of inventories	(1,056)	(747)	**(313)**	**(2,925)**
Loss on disposal of property, plant and equipment including removal expenses	(5,325)	(4,726)	**(5,077)**	**(47,449)**
Gain on sales of investment securities	463	5,156	**1,910**	**17,850**
Loss from valuation of investment securities	(3,054)	(55)	**–**	**–**
Loss on disposal of inventories	(536)	(70)	**(467)**	**(4,364)**
Goodwill impairment charges (Note 4)	-	(9,214)	**–**	**–**
Loss on impairment of property, plant and equipment (Note 4)	(460)	-	**(725)**	**(6,776)**
Reversal of reserve for special repairs	2,458	2,765	**4,388**	**41,009**
Business restructuring charges (Note 4)	-	-	**(38,748)**	**(362,131)**
Foreign exchange gains (losses), net	(3,043)	(2,325)	**641**	**5,991**
Other, net	(1,973)	458	**1,597**	**14,926**
	(20,415)	(12,399)	**(37,730)**	**(352,617)**
Income before income taxes and minority interests	22,570	21,420	**13,379**	**125,037**
Provision for income taxes (Note 11)				
Current	6,541	17,105	**1,762**	**16,467**
Deferred	615	(4,992)	**(1,172)**	**(10,953)**
	7,156	12,113	**590**	**5,514**
Minority interests	811	739	**835**	**7,803**
Net income	¥ 14,603	¥ 8,568	**¥ 11,954**	**$ 111,720**
	Yen			U.S. dollars (Note 1)
Amount per share of common stock:				
Net income (Note 2)	¥ 45.23	¥ 26.37	**¥ 36.97**	**$ 0.35**
Diluted net income (Note 2)	-	-	**–**	**–**
Cash dividends applicable to the year (Note 13)	6.00	6.00	**6.50**	**0.06**

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

Consolidated Statements of Shareholders' Equity

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2003, 2004 and 2005

	Thousands of shares	Millions of yen					
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency transaction adjustments	Treasury stock
Balance at March 31, 2002	159,772	¥ 18,386	¥ 20,116	¥ 158,368	¥ 9,721	¥ 11,606	¥ (13)
Net income	-	-	-	14,603	-	-	-
Decrease due to accounting standards in foreign countries	-	-	-	(2,181)	-	-	-
Net change during the year	-	-	-	-	(6,302)	(9,330)	-
Treasury stock	-	-	-	-	-	-	(184)
Cash dividends paid	-	-	-	(1,756)	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(92)	-	-	-
Balance at March 31, 2003	159,772	18,386	20,116	168,942	3,419	2,276	(197)
Net income	-	-	-	8,568	-	-	-
Decrease due to accounting standards in foreign countries, net	-	-	-	(2,695)	-	-	-
Gain on treasury stock	-	-	1	-	-	-	-
Net change during the year	-	-	-	-	897	(9,275)	-
Treasury stock	-	-	-	-	-	-	(66)
Cash dividends paid	-	-	-	(1,995)	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(129)	-	-	-
Balance at March 31, 2004	159,772	18,386	20,117	172,691	4,316	(6,999)	(263)
Net income	**–**	**–**	**–**	**11,954**	**–**	**–**	**–**
Decrease due to accounting standards in foreign countries	**–**	**–**	**–**	**(710)**	**–**	**–**	**–**
Gain on treasury stock	**–**	**–**	**3**	**–**	**–**	**–**	**–**
Net change during the year	**–**	**–**	**–**	**–**	**(238)**	**516**	**–**
Treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**(139)**
Cash dividends paid	**–**	**–**	**–**	**(1,915)**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**–**	**(131)**	**–**	**–**	**–**
Stock split (Note 13)	**159,772**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at March 31, 2005	**319,544**	**¥ 18,386**	**¥ 20,120**	**¥ 181,889**	**¥ 4,078**	**¥ (6,483)**	**¥ (402)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency transaction adjustments	Treasury stock
Balance at March 31, 2004	$ 171,832	$ 188,009	$ 1,613,934	$ 40,336	$ (65,411)	$ (2,458)
Net income	**–**	**–**	**111,720**	**–**	**–**	**–**
Decrease due to accounting standards in foreign countries	**–**	**–**	**(6,636)**	**–**	**–**	**–**
Gain on treasury stock	**–**	**28**	**–**	**–**	**–**	**–**
Net change during the year	**–**	**–**	**–**	**(2,224)**	**4,823**	**–**
Treasury stock	**–**	**–**	**–**	**–**	**–**	**(1,299)**
Cash dividends paid	**–**	**–**	**(17,897)**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**(1,224)**	**–**	**–**	**–**
Balance at March 31, 2005	**$171,832**	**$188,037**	**$1,699,897**	**$38,112**	**$(60,588)**	**$(3,757)**

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

Consolidated Statements of Cash Flows

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2004	**2005**	**2005**
Cash flows from operating activities:				
Income before income taxes and minority interests	¥22,570	¥21,420	**¥13,379**	**$125,037**
Depreciation and amortization	34,967	31,177	**30,345**	**283,598**
Business restructuring charges	-	-	**25,956**	**242,579**
Loss on disposal of property, plant and equipment	7,116	3,672	**5,785**	**54,065**
Gain on sales of property, plant and equipment	-	-	**(686)**	**(6,411)**
Loss from valuation of investment securities	3,054	55	**-**	**-**
Loss on impairment of fixed assets	460	-	**725**	**6,776**
Goodwill impairment charges	-	9,214	**-**	**-**
Gain on sales of investment securities	(463)	(5,156)	**(1,910)**	**(17,850)**
Provision for reserve for special repairs	(456)	(413)	**(2,153)**	**(20,121)**
Interest and dividend income	(683)	(463)	**(1,146)**	**(10,710)**
Interest expense	4,651	2,625	**2,082**	**19,458**
Decrease (increase) in notes and accounts receivable	(4,535)	(5,857)	**6,136**	**57,346**
Decrease in inventories	15,230	4,378	**6,509**	**60,832**
Increase in notes and accounts payable	5,034	7,975	**1,617**	**15,112**
Other	1,062	(2,383)	**517**	**4,831**
Sub-total	88,007	66,244	**87,156**	**814,542**
Interest and dividends received	702	661	**1,128**	**10,542**
Interest paid	(5,144)	(2,653)	**(2,143)**	**(20,028)**
Payment for income taxes	(4,324)	(10,855)	**(14,297)**	**(133,617)**
Net cash provided by operating activities	79,241	53,397	**71,844**	**671,439**
Cash flows from investing activities:				
Decrease (increase) in time deposits, net	621	(51)	**(1,400)**	**(13,084)**
Purchases of marketable and investment securities	(3,552)	(4)	**(4)**	**(37)**
Proceeds from sale of marketable and investment securities	1,485	6,506	**1,970**	**18,411**
Purchases of property, plant and equipment	(18,101)	(39,214)	**(57,783)**	**(540,028)**
Proceeds from sales of property, plant and equipment	1,208	164	**4,360**	**40,748**
(Increase) in loans receivable, net	(143)	(422)	**(55)**	**(514)**
Other	114	543	**(6)**	**(56)**
Net cash used in investing activities	(18,368)	(32,478)	**(52,918)**	**(494,560)**
Cash flows from financing activities:				
Increase (decrease) in short-term debt, net	(5,806)	(3,751)	**(296)**	**(2,766)**
Proceeds from long-term loans	14,893	7,653	**6,834**	**63,869**
Repayment of long-term loans	(33,927)	(17,207)	**(13,752)**	**(128,523)**
Proceeds from issue of unsecured bonds	-	20,000	**-**	**-**
Redemption of unsecured bonds	(30,000)	-	**-**	**-**
Proceeds from common stock issued to minority shareholders	-	1,301	**-**	**-**
Cash dividends paid	(1,756)	(1,995)	**(1,915)**	**(17,897)**
Other	(837)	(386)	**(474)**	**(4,431)**
Net cash provided by (used in) financing activities	(57,433)	5,615	**(9,603)**	**(89,748)**
Effect of exchange rate changes on cash and cash equivalents	13	418	**(712)**	**(6,654)**
Net increase in cash and cash equivalents	3,453	26,952	**8,611**	**80,477**
Cash and cash equivalents at beginning of year	58,886	62,339	**89,291**	**834,495**
Cash and cash equivalents at end of year (Note 7)	¥62,339	¥89,291	**¥97,902**	**$914,972**

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

1. Basis of presenting consolidated financial statements

Nippon Electric Glass Co., Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and accounting principles generally accepted in Japan ("Japanese GAAP"). The accounts of consolidated foreign subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.

Certain accounting principles generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements.

In the year ended March 31, 2005, the Company and its domestic consolidated subsidiaries did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in the period beginning on April 1, 2005, but the standard does not prohibit earlier adoption.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107 to US $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

(a) Consolidation policies

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

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

The excess of cost of the investments in consolidated subsidiaries over the equity in net assets at the time of acquisition is amortized on a straight-line basis over five years.

Investments in other affiliated companies are stated at cost.

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

(b) Translation of foreign currencies

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

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

(c) Cash and cash equivalents

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

(d) Marketable and investment securities

Available-for-sale securities with available fair market value are stated at fair market values. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity.

Cost of sales is calculated using moving average cost.

(e) Allowance for doubtful receivables

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

(f) Inventories

Finished goods are stated principally at the lower of cost or market value, cost being determined by the moving average method. Other inventories are stated principally at cost, which is determined on a first-in, first-out basis or by the moving average method.

(g) Property, plant and equipment

Property, plant and equipment are principally stated at cost.

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

Depreciation of property, plant and equipment of consolidated foreign subsidiaries is calculated principally by the straight-line method over the estimated useful lives of the assets.

The ranges of estimated useful lives of machinery and equipment are generally 9 to 13 years.

(h) Goodwill

In the United States, accounting for goodwill from business combinations changed from the amortization method to an impairment-only approach.

(i) Accounting for certain lease transactions

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

(j) Severance and retirement benefits

The Company and its consolidated domestic subsidiaries provide the liability for severance and retirement benefits based on the projected benefit obligation and the estimated pension assets at the balance sheet date. The excess of the projected benefit obligation over the total of the fair value of pension assets at April 1, 2001 and the liabilities for severance and retirement benefits recorded at April 1, 2001 (the "net transition obligation") was ¥2,785 million. The Company and its consolidated domestic subsidiaries recognize this net transition obligation as expenses in equal amounts over 15 years.

Actuarial differences as of each year-end are recognized as expenses using the straight-line method over 10 years (within the average of the estimated remaining service lives) starting from the following fiscal year.

(k) Directors' retirement benefits

The Company and its consolidated domestic subsidiaries record the amount of that is required by the internal corporate policy at the end of the current fiscal year. However, the directors' retirement benefits system was abolished in June 2004, and the Company ceased recording it from July 2004.

(l) Reserve for special repairs

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

(m) Income taxes

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

(n) Research and development

Costs relating to research and development activities are charged to income as incurred and amounted to ¥2,195 million, ¥2,160 million and ¥3,190 million ($29,813 thousand) in 2003, 2004 and 2005, respectively.

(o) Net income per share

The computations of net income per share are based on the average number of shares outstanding during each year. Diluted net income per share of common stock is computed based on the average outstanding number of shares, increased by the number of shares that would be outstanding assuming all dilutive convertible bonds were converted at the beginning of the year at the current conversion price. But there are no diluted stock, and the computation of diluted net income per share was not calculated.
Per share of common stock amounts are retroactively adjusted for subsequent stock split. The company had a 2-for-1 stock split of its common stock on March 10, 2005.

(p) Derivatives and hedge accounting

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

Foreign exchange forward contracts employed to hedge an existing foreign currency receivable or payable are measured at fair value and the related unrealized gains and losses are recognized in income.

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

Also, if interest rate swap contracts are used as hedges and meet certain hedging conditions, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. Hedging instruments and hedged items used by the Company and its consolidated subsidiaries are as follows:

Hedging instruments:	Hedged item:
Forward foreign exchange contracts	Principally foreign currency receivables
Currency swap contracts	Principally long-term loan and a future transaction
Interest rate swap contracts	Interest on loans payable

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

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

The counterparties are major financial institutions, therefore, the Company and its consolidated subsidiaries consider the credit risk to be minimal.
The derivative transactions are entered into by each companies in accordance with accounting policies and decisions made in the Companys' management meeting.

(q) Reclassifications
Certain prior year amounts have been reclassified to conform to the 2005 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Accounting changes

(a) Method of accounting for inventories
Commencing in the year ended March 31, 2003, Techneglas Inc., a consolidated subsidiary in the United States, changed its method of accounting for inventories from the last-in, first-out method to the first-in, first-out method.
This change was made to present the operating results more accurately in consideration of the recent fall in prices.

(b) Directors' retirement benefits
Through the year ended March 31, 2002, the Company and its consolidated domestic subsidiaries accounted for directors' and corporate auditors' retirement benefits on the cash basis. Commencing in the year ended March 31, 2003, the Company and its consolidated domestic subsidiaries changed its method of accounting for directors' and corporate auditors' retirement benefits from the cash basis to the accrual basis.

Under the new accrual method, the Company and its consolidated domestic subsidiaries record the amount that is required by the internal corporate policy at the end of the fiscal year. The Company and its consolidated domestic subsidiaries believe that this change provides a better matching of costs and revenues over the period of service. The portion of the accrual relating to the year of change, amounting to ¥45 million, is included in selling, general and administrative expenses and the portion relating to the prior periods, amounting to ¥720 million, is included in other expenses in the year ended March 31, 2003.

4. Supplementary information

(a) Restructuring charges
Techneglas Inc., a consolidated foreign subsidiary in the United States, recognized losses on business restructuring of ¥3,921 million in 2003. The losses principally consisted of reduction of products and reallocation of production facilities, etc.

(b) Goodwill impairment charges
Techneglas Inc., a consolidated foreign subsidiary in the United States, recorded losses of goodwill impairment of ¥9,214 million in 2004.

(c) Business restructuring charges
Techneglas Inc., a consolidated foreign subsidiary in the United States, recognized losses on stop of production activities of ¥38,748 million ($362,131 thousand) in 2005. The losses principally consisted of impairment loss on fixed assets, impairment losses on inventories and losses related to personnel reduction, etc.

(d) Loss on impairment of fixed asset
Some consolidated foreign subsidiaries recorded losses of impairment of property, plant and equipment principally consist of impairment losses on machinery.

(e) Retirement annuity debt
Techneglas Inc., a consolidated foreign subsidiary in the United States, applied for a reorganization procedure in the American federal bankruptcy law on September 1, 2004. Although Techneglas has performed processing accepted appropriateness on accounting about the retirement annuity debt of the company, because it is uncertain how the discount rate and other conditions which used by a pension finance calculation are set up, presence of insufficient savings and the insufficient amount of money at the time of the shortage of savings are unknown.
For this reason, there is a possibility that the amount of estrangement may arise between the pension debt in the pension financing calculation.

5. Market value information of securities

(a) At March 31, 2004, acquisition costs, book values and fair values of securities with available market values were as follows and at March 31, 2005, there is no applicable matter.

	Millions of yen		
2004:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs :			
Equity securities	¥ 6,333	¥ 13,575	¥ 7,242

	Millions of yen		
2005:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs :			
Equity securities	**¥ 6,245**	**¥ 13,095**	**¥ 6,850**
Securities with acquisition costs exceeding book values :			
Equity securities	**91**	**83**	**(8)**
	¥ 6,336	**¥ 13,178**	**¥ 6,842**

	Thousands of U.S. dollars		
2005:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs :			
Equity securities	**$58,364**	**$122,383**	**$64,019**
Securities with acquisition costs exceeding book values :			
Equity securities	**850**	**776**	**(74)**
	$59,214	**$123,159**	**$63,945**

(b) At March 31, 2004 and 2005, book values of securities with no available market values were as follows:

	Millions of yen
2004:	Book value
Available-for-sale securities:	
Equity securities issued by non-consolidated affiliates	¥ 3,473
Non-listed equity securities, other	78
	¥ 3,551

	Millions of yen	Thousands of U.S. dollars
2005:	Book value	Book value
Available-for-sale securities:		
Equity securities issued by non-consolidated affiliates	**¥ 3,473**	**$ 32,458**
Non-listed equity securities, other	**19**	**177**
	¥ 3,492	**$ 32,635**

(c) Sales of available-for-sale securities sold in the years ended March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Total sales amounts	¥ 6,430	**¥ 1,969**	**$ 18,402**
Gains on sales	5,156	**1,910**	**17,850**
Losses on sales	5	**–**	**–**

6. Derivatives

All current derivative transactions are accounted for as hedging instruments and, accordingly, are not required to be disclosed.

7. Cash and cash equivalents

Cash and cash equivalents at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Cash and time deposits in the balance sheets	¥89,392	**¥97,957**	**$915,486**
Time deposits due over three months	(101)	**(55)**	**(514)**
Cash and cash equivalents in the statements of cash flows	¥89,291	**¥97,902**	**$914,972**

8. Inventories

Inventories at March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Finished and purchased goods	¥22,020	**¥20,907**	**$195,393**
Semi-finished goods and work in process	17,207	**14,136**	**132,112**
Raw materials	13,426	**11,248**	**105,121**
	¥52,653	**¥46,291**	**$432,626**

9. Pledged assets

At March 31, 2004 and 2005, assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Cash and time deposits	¥ 351	**¥ 572**	**$ 5,346**
Property, plant and equipment, net of accumulated depreciation	1,713	**5,030**	**47,009**
Other assets (leasehold)	-	**633**	**5,916**
	¥ 2,064	**¥ 6,235**	**$ 58,271**

At March 31, 2004 and 2005, debt secured by collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Short-term borrowings	¥ -	**¥ 755**	**$ 7,056**
Trade notes payables, other	1,878	**1,902**	**17,776**
	¥ 1,878	**¥ 2,657**	**$ 24,832**

10. Short-term borrowings and long-term debt

Short-term borrowings, including the current portion of long-term debt and capital lease obligations, at March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Short-term bank loans : average rate 0.6% per annum	¥67,953	**¥67,673**	**$632,458**
Current portion of long -term loans : average rate 1.4% per annum	10,586	**8,585**	**80,233**
Current portion of unsecured bonds : 1.97%	-	**20,000**	**186,916**
Current portion of capital lease obligations	857	**–**	**–**
	¥79,396	**¥96,258**	**$899,607**

Long-term debt, including capital lease obligations, at March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Loans, principally from banks and insurance companies			
due from 2006 through 2011: average rate 1.3% per annum	¥34,750	**¥27,651**	**$258,420**
1.97% unsecured bonds, due 2006	20,000	**20,000**	**186,916**
1.27% unsecured bonds, due 2008	20,000	**20,000**	**186,916**
0.99% unsecured bonds, due 2010	20,000	**20,000**	**186,916**
Capital lease obligations	869	**–**	**–**
	95,619	**87,651**	**819,168**
Less-current portion included in short-term borrowings	(11,443)	**(28,585)**	**(267,149)**
	¥84,176	**¥59,066**	**$552,019**

The aggregate annual maturities of long-term debt at March 31, 2005 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2006	**¥28,585**	**$267,149**
2007	**9,911**	**92,626**
2008	**25,283**	**236,290**
2009	**2,522**	**23,570**
2010	**21,160**	**197,757**
2011 and thereafter	**190**	**1,776**
	¥87,651	**$819,168**

11. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 42% and 40.4% for the years ended March 31, 2004 and 2005.

The significant differences between the statutory tax rate in Japan and the effective tax rate of the Company and its consolidated subsidiaries for financial statement purposes for the years ended March 31, 2004 and 2005 were as follows:

	2004	**2005**
Statutory tax rate in Japan	42.0%	**40.4%**
Valuation allowance	6.2	**131.0**
Expense not deductible for tax purpose-goodwill impairment	15.0	**–**
Expense not deductible for tax purposes mainly entertainment expenses	0.9	**3.4**
Effect of elimination of dividend income	0.4	**0.6**
Exclusion from gross revenue of dividends	(0.3)	**(5.0)**
Effect of tax exemption of consolidated foreign subsidiaries	(2.5)	**(16.8)**
Difference in tax rates for consolidated foreign subsidiaries	(5.9)	**(17.7)**
Effect of elimination of allowance for doubtful accounts	-	**(49.1)**
Effect of loss on written down of investment in consolidated foreign subsidiary	-	**(84.4)**
Decrease of deferred tax assets due to tax rate change	0.7	**–**
Other	(0.0)	**2.0**
Effective tax rate	56.5%	**4.4%**

At March 31, 2004, the Company applied the reduced aggregate statutory income tax rate of 40.4% for calculating deferred tax assets and liabilities.

As a result, deferred taxes assets decreased by ¥143 million and deferred income taxes increased by the same amount compared with what would have been reported using the rate of 40.7%.

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Deferred tax assets:			
Tax losses carried forward	¥ 5,463	**¥ 11,186**	**$104,542**
Excess reserve for special repairs	4,036	**4,057**	**37,916**
Excess severance benefits	3,321	**3,955**	**36,963**
Loss on devaluation of inventories	2,542	**3,057**	**28,570**
Impairment loss on property, plant and equipment	-	**2,458**	**22,972**
Unrealized gain on property, plant and equipment	2,849	**2,461**	**23,000**
Excess accrued bonuses	1,550	**1,596**	**14,916**
Unrealized gain on inventories	903	**1,455**	**13,598**
Alternative minimum tax	1,169	**1,137**	**10,626**
Other	7,179	**7,637**	**71,374**
Subtotal deferred tax assets	29,012	**38,999**	**364,477**
Less : Valuation allowance	(1,225)	**(17,816)**	**(166,505)**
Total net deferred tax assets	27,787	**21,183**	**197,972**
Deferred tax liabilities:			
Excess tax depreciation of consolidated foreign subsidiaries	(13,263)	**(5,333)**	**(49,841)**
Net unrealized holding gains on securities	(2,926)	**(2,764)**	**(25,832)**
Other	-	**(144)**	**(1,346)**
Total deferred tax liabilities	(16,189)	**(8,241)**	**(77,019)**
Net deferred tax assets	¥ 11,598	**¥ 12,942**	**$120,953**

12. Severance and retirement benefits

The Company provides two types of post-employment benefit plans, funded non-contributory pension plans and unfunded lump-sum payment plans. Certain consolidated subsidiaries provide funded non-contributory pension plans and unfunded lump-sum payment plans. Certain consolidated overseas subsidiaries provide defined contribution pension plans.

Liabilities for severance and retirement benefits at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Projected benefit obligation	¥37,094	**¥35,978**	**$336,243**
Pension assets	(18,657)	**(19,251)**	**(179,916)**
Unrecognized benefit obligation	18,437	**16,727**	**156,327**
Unrecognized transition obligation	(2,042)	**(1,857)**	**(17,355)**
Unrecognized actuarial differences	(7,211)	**(4,944)**	**(46,206)**
Net liabilities for severance and retirement benefits	9,184	**9,926**	**92,766**
Prepaid benefit cost	-	**–**	**–**
Liabilities for severance and retirement benefits	¥ 9,184	**¥ 9,926**	**$ 92,766**

Severance and retirement benefit expenses for the years ended March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Service costs	¥ 1,627	**¥ 1,582**	**$ 14,785**
Interest cost	708	**718**	**6,710**
Expected return on pension assets	(164)	**(187)**	**(1,747)**
Amortization of transition obligation	185	**186**	**1,738**
Amortization of actuarial differences	1,068	**931**	**8,701**
Subtotal severance and retirement benefit expenses	3,424	**3,230**	**30,187**
Defined contribution pension plan	412	**333**	**3,112**
Total severance and retirement benefit expenses	¥ 3,836	**¥ 3,563**	**$ 33,299**

Above calculations are based on the following:

	2004	**2005**
Discount rate	2.0 %	**2.0 %**
Expected return on pension assets	1.0 %	**1.0 %**
Amortization period for actuarial differences	10 years	**10 years**
Amortization period for net transition obligation	15 years	**15 years**

A consolidated foreign subsidiary in the United States has a defined benefit plan and maintains its accounts and records in accordance with accounting principles and practices generally accepted in the United States. Projected benefit obligation and severance and retirement benefit expenses for years ended March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Projected benefit obligation	¥15,384	**¥15,854**	**$148,168**
Severance and retirement benefit expenses	1,822	**2,011**	**18,794**

13. Shareholders' equity

The Commercial code of Japan requires that at least 50% of the proceeds from the issuance of common stock be credited to common stock and the remaining amount is accounted for as additional paid-in capital.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Code.

The Code requires that an amount equivalent to at least 10% of cash dividends and other cash appropriations must be set aside as a legal reserve until the total amounts of the legal reserve and additional paid-in capital equals to 25% of common stock. The total amount of legal reserve and additional paid-in capital already exceeds 25% of the common stock and additional provision is not required.

If the Company reversed the excess, they would be available for distribution by the resolution of the shareholders' meeting. Legal reserve is included in retained earnings.

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

(a) Appropriations of retained earnings

On June 29, 2005, the Company's shareholders authorized the following appropriations of retained earnings at the Annual General Meeting of shareholders:

	Millions of yen	Thousands of U.S. dollars
	2005	**2005**
Cash dividends ¥3.50 per share	**¥ 1,117**	**$ 10,439**
Bonuses to directors	**110**	**1,028**

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥957 million ($8,944 thousand, ¥3.00 per share) on December 3 , 2004.

Cash dividends applicable to the year are retroactively adjusted for subsequent stock split. The company had a 2-for-1 stock split of its common stock on March 10, 2005.

14. Contingent liabilities

Contingent liabilities at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Notes discounted	¥ 1,433	**¥ 175**	**$ 1,636**
Notes endorsed	631	**13**	**121**
Guarantee of employees' housing loans	2,480	**2,133**	**19,935**
Guarantee of affiliated company's bank loans (by letter of comfort)	773	**555**	**5,187**
	¥ 5,317	**¥ 2,876**	**$ 26,879**

15. Lease information

(a) At March 31, 2004 and 2005, the equivalent amounts of acquisition cost, accumulated depreciation and net book value of leased properties under finance leases accounted for in the same manner as operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Acquisition cost of machinery and equipment	¥ 765	**¥680**	**$6,355**
Accumulated depreciation of machinery and equipment	408	**371**	**3,467**
Net book value	¥ 357	**¥309**	**$2,888**

(b) Future minimum lease payments excluding interest under finance leases at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Current	¥ 142	**¥134**	**$1,252**
Non-current	224	**183**	**1,710**
	¥ 366	**¥317**	**$2,962**

(c) Lease payments, assumed depreciation and assumed interest for the years ended March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Lease payments	¥ 211	**¥169**	**$1,579**
Assumed depreciation	198	**159**	**1,486**
Assumed interest	11	**9**	**84**

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

(d) Future minimum lease payments under operating leases at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	**2005**	**2005**
Current	¥ 99	**¥ 44**	**$ 411**
Non-current	60	**43**	**402**
	¥ 159	**¥ 87**	**$ 813**

16. Segment information

Information by segment for the years ended March 31, 2003, 2004 and 2005 was as follows.

(a) Information by business segment

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

(b) Information by geographic area

2003:	Japan	America	Asia	Europe	Total	Elimination and corporate	Consolidated Total
	Millions of yen						
Net sales							
External	¥ 182,884	¥ 71,282	¥ 51,238	¥ 23,399	¥ 328,803	¥ -	¥ 328,803
Inter-segment	45,408	795	19,599	85	65,887	(65,887)	-
Total sales	228,292	72,077	70,837	23,484	394,690	(65,887)	328,803
Operating expenses	197,463	72,422	61,505	22,228	353,618	(67,800)	285,818
Operating income (loss)	¥ 30,829	¥ (345)	¥ 9,332	¥ 1,256	¥ 41,072	¥ 1,913	¥ 42,985
Identifiable assets	¥ 270,255	¥ 85,244	¥ 106,491	¥ 33,467	¥ 495,457	¥ 4,112	¥ 499,569

2004:	Japan	America	Asia	Europe	Total	Elimination and corporate	Consolidated Total
	Millions of yen						
Net sales							
External	¥ 174,456	¥ 42,690	¥ 61,905	¥ 18,256	¥ 297,307	¥ -	¥ 297,307
Inter-segment	49,155	792	8,491	1,174	59,612	(59,612)	-
Total sales	223,611	43,482	70,396	19,430	356,919	(59,612)	297,307
Operating expenses	187,188	54,829	63,326	18,570	323,913	(60,425)	263,488
Operating income (loss)	¥ 36,423	¥ (11,347)	¥ 7,070	¥ 860	¥ 33,006	¥ 813	¥ 33,819
Identifiable assets	¥ 305,838	¥ 62,357	¥ 118,201	¥ 29,818	¥ 516,214	¥ (1,523)	¥ 514,691

2005:	Japan	America	Asia	Europe	Total	Elimination and corporate	Consolidated Total
	Millions of yen						
Net sales							
External	**¥ 149,247**	**¥ 28,011**	**¥ 114,448**	**¥ 18,492**	**¥ 310,198**	**¥ –**	**¥ 310,198**
Inter-segment	**80,797**	**625**	**5,646**	**219**	**87,287**	**(87,287)**	**–**
Total sales	**230,044**	**28,636**	**120,094**	**18,711**	**397,485**	**(87,287)**	**310,198**
Operating expenses	**187,869**	**33,540**	**107,448**	**18,016**	**346,873**	**(87,784)**	**259,089**
Operating income (loss)	**¥ 42,175**	**¥ (4,904)**	**¥ 12,646**	**¥ 695**	**¥ 50,612**	**¥ 497**	**¥ 51,109**
Identifiable assets	**¥ 341,462**	**¥ 19,715**	**¥ 149,925**	**¥ 28,681**	**¥ 539,783**	**¥ (44,215)**	**¥ 495,568**

2005:	Japan	America	Asia	Europe	Total	Elimination and corporate	Consolidated Total
	Thousands of U.S. dollars						
Net sales							
External	**$1,394,832**	**$ 261,785**	**$1,069,608**	**$172,822**	**$2,899,047**	**$ –**	**$2,899,047**
Inter-segment	**755,112**	**5,841**	**52,766**	**2,047**	**815,766**	**(815,766)**	**–**
Total sales	**2,149,944**	**267,626**	**1,122,374**	**174,869**	**3,714,813**	**(815,766)**	**2,899,047**
Operating expenses	**1,755,785**	**313,458**	**1,004,187**	**168,374**	**3,241,804**	**(820,411)**	**2,421,393**
Operating income (loss)	**$ 394,159**	**$ (45,832)**	**$ 118,187**	**$ 6,495**	**$ 473,009**	**$ 4,645**	**$ 477,654**
Identifiable assets	**$3,191,234**	**$ 184,252**	**$1,401,168**	**$268,047**	**$5,044,701**	**$(413,224)**	**$4,631,477**

Note : 1. The classification of countries is based on the degree of geographical proximity.
2. The main countries belonging to the classification of those other than Japan :
(1) America U.S.A, Mexico
(2) Asia Malaysia, Indonesia, China, Korea, Taiwan
(3) Europe England
3. Corporate assets of ¥50,096 million ($468,187 thousand), ¥62,066 million and ¥46,694 million at March 31, 2005, 2004 and 2003, respectively, consist mainly of cash and time deposits and investment securities owned by the Company.

(c) Overseas sales information

2003:	America	Asia	Europe	Other areas	Total
	Millions of yen				
Overseas sales	¥ 72,266	¥ 122,699	¥ 35,748	¥ 565	¥ 231,278
Consolidated sales					328,803
Percentage of overseas sales	22.0%	37.3%	10.9%	0.1%	70.3%

2004:	America	Asia	Europe	Other areas	Total
	Millions of yen				
Overseas sales	**¥ 43,702**	**¥ 124,462**	**¥ 29,642**	**¥ 1,075**	**¥ 198,881**
Consolidated sales					**297,307**
Percentage of overseas sales	14.7%	41.9%	10.0%	0.3%	66.9%

2005:	America	Asia	Europe	Other areas	Total
	Millions of yen				
Overseas sales	**¥ 30,872**	**¥ 147,065**	**¥ 30,478**	**¥ 1,086**	**¥ 209,501**
Consolidated sales					**310,198**
Percentage of overseas sales	**10.0%**	**47.4%**	**9.8%**	**0.3%**	**67.5%**

2005:	America	Asia	Europe	Other areas	Total
	Thousands of U.S. dollars				
Overseas sales	**$288,523**	**$1,374,439**	**$284,841**	**$10,150**	**$1,957,953**
Consolidated sales					**2,899,047**

Note : 1. The classification of countries is based on the degree of geographical proximity.
2. The main countries belonging to the classification of those other than Japan :
(1) America U.S.A., Canada, Mexico, Brazil, etc.
(2) Asia Malaysia, Indonesia, China, Korea, Taiwan, etc.
(3) Europe England, Germany, Austria, etc.
(4) Other areas Australia, etc.
3. Overseas sales were comprised of the Company's and its consolidated subsidiaries' sales to countries other than Japan.

17. Subsequent events

Decision for a significant capital investment

On May 27, 2005, the Company's Board of Directors decided on a capital investment for the purpose of increasing capacity of LCD sheet glass at the Notogawa plant in Japan. Details are as follows :

1. Nature of facilities Melting furnace and forming facilities for LCD sheet glass
2. Construction period Starting July 2005, finishing March 2006
3. Amount of investment ¥27 billion ($252 million)
4. Production Productive capacity for FPD sheet glass will increase approximately 15%

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Nippon Electric Glass Co., Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2005, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Electric Glass Co., Ltd. and subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

(1) As discussed in Note 3 to the consolidated financial statements, effective from the year ended March 31, 2003, Techneglas Inc., a consolidated subsidiary in the United States changed the method of accounting for inventories.

(2) As discussed in Note 3 to the consolidated financial statements, effective from the year ended March 31, 2003, Nippon Electric Glass Co., Ltd. and its consolidated domestic subsidiaries changed the method of accounting for directors' retirement benefits.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 29,2005

Consolidated Five-year Summary

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

	2001	2002	2003	2004	**2005**	
For the year ended March 31						
Net sales	¥344,677	¥300,395	¥328,803	¥297,307	**¥310,198**	**$2,899,047**
Net income	25,398	3,378	14,603	8,568	**11,954**	**111,720**
Depreciation and amortization	35,932	37,079	34,967	31,177	**30,345**	**283,598**
Capital expenditures	50,241	34,919	15,236	47,315	**47,997**	**448,570**
Per share of common stock (yen and dollars)						
Net income						
Adjusted	¥ 79.49	¥ 10.57	¥ 45.23	¥ 26.37	**¥ 36.97**	**$ 0.35**
Unadjusted	158.97	21.14	90.47	52.73	**36.97**	**0.35**
Diluted net income						
Adjusted	72.95	-	-	-	-	-
Unadjusted	145.89	-	-	-	-	-
Cash dividends						
Adjusted	5.50	5.50	6.00	6.00	**6.50**	**0.06**
Unadjusted	11.00	11.00	12.00	12.00	**9.50**	**0.09**
Shareholders' equity						
Adjusted	628.77	682.85	666.63	652.02	**681.50**	**6.37**
Unadjusted	1,257.54	1,365.69	1,333.28	1,304.04	**681.50**	**6.37**
At year-end						
Total assets	¥563,377	¥559,957	¥499,569	¥514,691	**¥495,568**	**$4,631,477**
Current assets	244,743	229,395	213,667	237,274	**233,799**	**2,185,037**
Net property, plant and equipment	271,241	279,711	242,126	243,816	**228,218**	**2,132,879**
Current liabilities	210,609	200,459	165,926	173,199	**165,367**	**1,545,486**
Long-term debt	100,466	84,891	69,007	84,176	**59,066**	**552,019**
Shareholders' equity	200,918	218,184	212,942	208,248	**217,588**	**2,033,533**
Cash flows						
Net cash provided by operating activities	¥72,640	¥ 36,456	¥ 79,241	¥ 53,397	**¥ 71,844**	**$ 671,439**
Net cash used in investing activities	(32,820)	(33,024)	(18,368)	(32,478)	**(52,918)**	**(494,560)**
Net cash provided by (used in) financing activities	(39,707)	(16,434)	(57,433)	5,615	**(9,603)**	**(89,748)**
Cash and cash equivalents at end of year	71,585	58,886	62,339	89,291	**97,902**	**914,972**
Number of shares outstanding (in thousands)						
Average	159,769	159,768	159,702	**159,597**	**319,101**	
Year-end	159,771	159,760	159,614	**159,577**	**319,048**	

Note: 1. The computations of net income per share and shareholders' equity per share are based on the average number of shares outstanding during each year and the number of shares outstanding at the end of each year, respectively.
2. "Net income - Adjusted", "Diluted net income - Adjusted", "Cash dividends - Adjusted" and "Shareholders' equity - adjusted" are retroactively adjusted for subsequent stock split. The company had a 2-for-1 stock split of its common stock on March 10, 2005.
3. Due to the redemption of convertible bonds on March 29, 2002, the computation of diluted net income per share was not calculated in 2002, 2003, 2004 and 2005.
4. U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2005 of ¥107 to US$1.
5. Number of shares outstanding is net of treasury stock.

Directors and Corporate Auditors

Directors

Chairman of the Board
Tetsuji Mori

President
Yuzo Izutsu

Director
Akio Ikeda
Hiroshi Kato
Katsumi Inada
Masayuki Arioka
Masami Atsuji
Shigeru Yamamoto

Corporate Auditors

Toshio Hayashi
Hitoshi Yasuda

Takuro Takeuchi
Attorney at Law

Takao Ono
Vice President
General Manager
Corporate Finance & IR Division
NEC Corporation

Officers

President
Yuzo Izutsu

Executive Vice President
Akio Ikeda

Senior Vice President
Hiroshi Kato
Katsumi Inada
Masayuki Arioka
Masami Atsuji
Shigeru Yamamoto

Vice President
Masatsune Yoshida
Nobuhiro Iijima
Kenichi Takayama
Junji Fujikawa
Takashi Omori
Shuji Ito
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Takao Akune
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