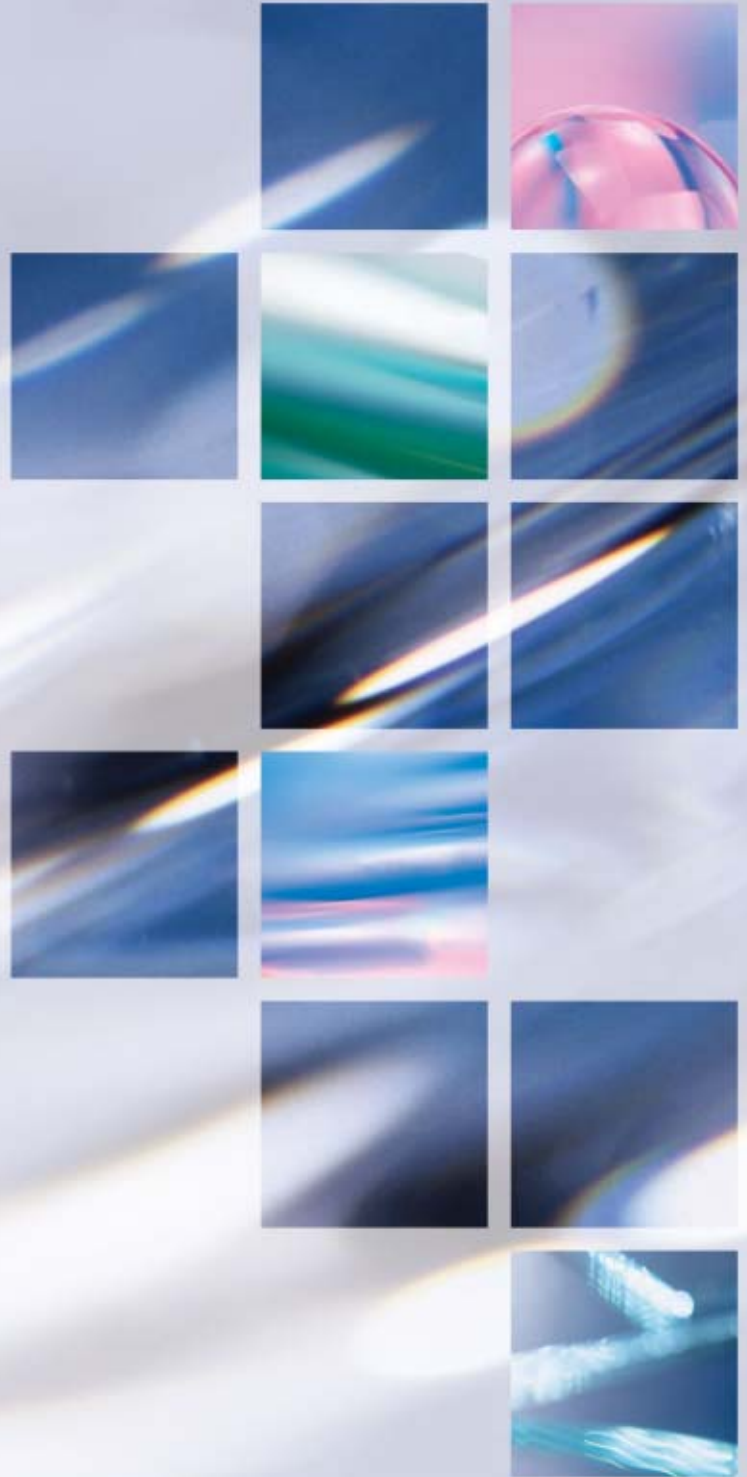


Annual Report 2007

YEAR ENDED MARCH 31, 2007



 **CENTRAL GLASS CO., LTD.**

Profile

Originally founded as Ube Soda Industry Co., Ltd. in 1936 in Ube City, Yamaguchi Prefecture, the Company commenced operation as a manufacturer of soda ash and caustic soda, which are fundamental alkaline materials used in various industries.

In 1958, the Company set up Central Glass Co., Ltd. as a wholly owned subsidiary for the purpose of entering into the field of sheet glass manufacturing. The Company then absorbed the subsidiary in 1963, and the combined entity was renamed Central Glass Co., Ltd., the present name of the Company.

Since then, the Company has diversified its operations into two primary business fields, glass and chemicals. Glass operations comprise architectural and housing glass, automotive glass and fine glass for IT industries, while our chemicals business includes basic chemicals, fertilizers, fine chemicals for pharmaceutical, agrochemical and the IT sector, and glass fiber. Currently, the Central Glass Group consists of 71 companies including overseas subsidiaries and affiliates which are principally located in the United States, Great Britain and Taiwan.

Through the development and supply of products in the glass and chemicals businesses, using technologies and expertise we have built up over the years, the Central Glass Group will continue to contribute to a richer environment and a more prosperous society.

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Financial Highlights

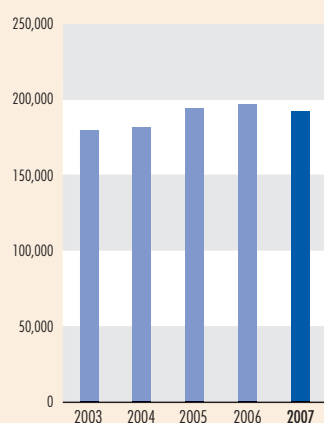
Years ended March 31

	Millions of yen					Thousands of U.S.dollars(Note)
	2007	2006	2005	2004	2003	2007
Net Sales	¥192,299	¥196,652	¥194,208	¥181,874	¥179,549	\$1,628,962
Operating Income	15,380	17,707	19,310	19,369	15,749	130,284
Net Income	11,001	10,631	11,615	11,614	8,801	93,189
Total Assets	251,369	247,039	231,564	218,096	217,519	2,129,343
Total Shareholders' Equity	129,989	124,256	109,165	97,727	83,184	1,101,135
Shareholders' Equity Ratio (%)	51.7	50.3	47.1	44.8	38.2	
	Yen					U.S. dollars (Note)
Amounts per Share:						
Net Income	¥ 51.53	¥ 49.36	¥ 53.92	¥ 53.85	¥ 40.77	\$0.44
Shareholders' Equity	612.52	579.36	508.85	455.32	387.47	5.19
Cash Dividends	12.00	10.00*	9.00	7.00	6.00	0.10

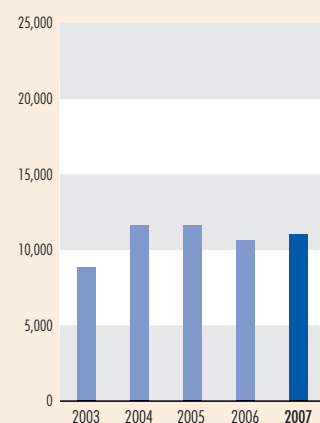
Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of ¥118.05=US \$1.00, the approximate exchange rate on March 31, 2007.

*Ordinary dividend per share of ¥9.0 plus ¥1.0 to commemorate the 70th anniversary of our founding.

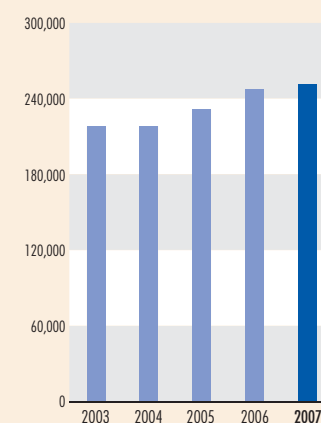
Net Sales (Millions of yen)



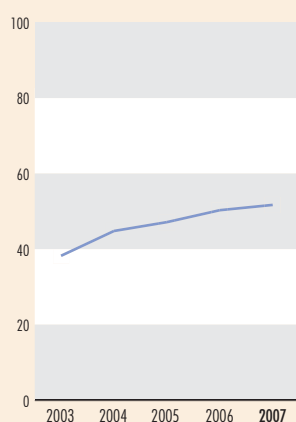
Net Income (Millions of yen)



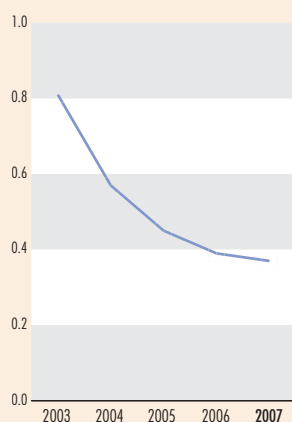
Total Assets (Millions of yen)



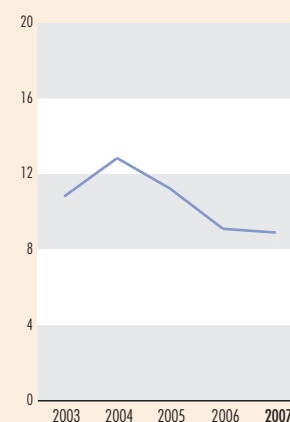
Shareholders' Equity Ratio (%)



Debt Equity Ratio (Times)



Return On Equity (%)



President's Message



Based on its commitment to quality, the Central Glass Group aims to fulfill its role in the development of society by providing stable supplies of thoroughly reliable products.

Our basic policy is to increase our enterprise value through earnings growth and by strengthening our financial position. To achieve these ends, we are working to ensure the continued stability of our glass and chemicals operations as our core businesses, and enhancing our manufacturing capabilities in the high-performance and high-value-added products in fine chemicals, fine glass, and related fields.

Under this policy, we will continue to reform our corporate structure through Companywide initiatives to raise management efficiency, such as strengthening our production and marketing systems and lowering the cost of sales. We will also strengthen our research and development capabilities and focus management resources on business fields with growth potential. Through these measures, we aim to build a stronger Central Glass Group.

Based on our Responsible Care policy, we pursue initiatives in the areas of health, safety, and environment throughout the lifecycle of our products, from R&D to final disposal, to meet our commitments to society.

Our policy with regard to the distribution of profits is to pay a stable dividend, while taking into account the Company's business performance from a long-term perspective, in order to strengthen our position.

Under this policy, we are ensuring retention of sufficient funds to finance the research and development activities and capital investment required for future expansion. Our medium-term goal is to increase total return ratio (combination of cost of dividend payouts and share buybacks, as a percentage of net income on a consolidated basis) to 30%.

Japan's economy is forecasted to stay on a recovery track. However, uncertainty persists due to soaring oil prices and fears of deceleration in the US economy. We feel the operating environment surrounding the Central Glass Group still does not warrant complacency.

The Central Glass Group will continue working to raise overall management efficiency by strengthening its sales networks and reducing production costs. We aim to further strengthen the Group's overall capability by deepening structural reform in our core businesses, strengthening research and development and technological development, and focusing management resources on growth areas.

Medium-Term Management Strategies and Issues

In our three-year medium-term management plan, which ends March 31, 2008, we had set ourselves the goal of maintaining return on equity (ROE) at 10%, with targets of ¥200 billion for sales, and ¥20 billion for operating income, in this final year of the plan. However, we are now unlikely to meet these performance targets, on a consolidated basis, due mainly to soaring raw materials prices and delays in bringing new businesses on-stream.

We will continue to improve performance through the following measures.

- (1) Set up a self-sustaining growth model through aggressive investment in growth businesses, thereby raising enterprise value.
- (2) Maintain and strengthen the Company's capabilities as an organization by building up technical skills and fostering the development of a wide range of skills among our employees.

In our glass business, we and Group companies are pursuing various initiatives to improve profitability. Particular focuses are finding ways to absorb higher raw material and fuel costs, by optimizing operation of glass furnaces and adopting more aggressive marketing strategies, and to strengthen global business development.

In our traditional chemicals businesses, we have three strategies to ensure stable profitability in core businesses: business restructuring, strengthening our marketing capabilities, and cost-cutting.

In our growing business fields such as fine chemicals and fine glass, we are aggressively and efficiently utilizing our management resources and speeding up the development of new products, to expand our business scale and strengthen our earnings capabilities.

We aim to maintain the equity ratio at 50%, and maintain financial stability while setting aside ample funds for further proactive investment.

Performance for the Year Ended March 2007

During the period under review, the Japanese economy showed recovery momentum, as concerns about soaring crude oil prices and anemic growth in personal spending from the second half of the fiscal year were outweighed by improved corporate earnings and increases in capital expenditure.

Against this backdrop, the Central Glass Group made every effort to build up its business, but sales declined by ¥4,352 million year-on-year to ¥192,299 million (US\$1,628,962 thousand), due among other things to our withdrawal from the brine electrolysis business.

We took a range of streamlining and rationalization measures across the Group, but operating income fell ¥2,327 million year-on-year to ¥15,380 million (US\$130,284 thousand) due chiefly to soaring costs for crude oil and other raw materials. However, net income came in at ¥11,001 million (US\$93,189 thousand), up ¥370 million year-on-year, due to improvement in the extraordinary gain/loss account.

Business Performance by Segment Glass Business

Sales of architectural glass rose year-on-year, due to rising demand for big-city condominiums, and the spread of highly functional window glass such as "eco-glass" (insulating glass with heat-insulation and heat-shielding properties) and anti-burglary glass.

However, sales of processed glass for automotive manufacturers declined year-on-year. Performance was flat overall in the Japanese market, but overseas subsidiaries saw shipments flag.

Sales of fine glass for electronics applications also fell year-on-year. Shipments for PDP-related parts were robust on stronger demand for these panels, but shipments to manufacturers of liquid crystal displays (LCDs) were down.

Sales overall in the glass business declined ¥1,990 million

President's Message

year-on-year to ¥114,632 million (US\$971,046 thousand), and operating income also slipped ¥931 million to ¥1,803 million (US\$15,273 thousand), due chiefly to rising raw materials and fuel prices.

Chemicals

Sales of basic chemicals declined year-on-year, due to our withdrawal from production and marketing of caustic soda and chlorine derivatives, and sluggishness in shipments of calcium chloride, used in antifreeze agents, due to the warm winter in Japan.

Sales of fine chemicals rose year-on-year, on strong shipments of specialty-gas products for the semiconductor and LCD industries, as well as increased sales of medical-use products.

Sales of fertilizers were down year-on-year.

Glass fiber saw sales grow year-on-year, on steady demand from automotive and electronics components industries.

As a result, sales in the chemicals business fell ¥2,363 million year-on-year to ¥77,667 million (US\$657,916 thousand) and operating income declined ¥1,396 million to ¥13,576 million (US\$115,002 thousand), as the impact of soaring raw materials and fuel prices was exacerbated by increased research and development costs.

Capital Investment

Capital investment by the Group including the Company's consolidated subsidiaries for the term ended March 2007, totaled ¥14,017 million (US\$118,738 thousand).

In the glass business, outlays totaled ¥7,430 million (US\$62,940 thousand), with investments made to upgrade sheet-glass product manufacturing facilities, while in the chemicals business, the total was ¥6,587 million (US\$55,798 thousand), spent mainly on construction of fine-chemical manufacturing facilities.

All our funding requirements were basically met internally.

On the other hand, we withdrew from brine electrolysis operations in the chemicals business, and posted expenses for the disposal of facilities.

Expenditures for the acquisition of capital investments include investments in intangible assets and long-term prepaid expenses.

Distribution of Profit

For the term ended March 2007, the dividend totals ¥12 (US\$0.102) per share, with ¥6 as an interim payment and ¥6 as a term-end payment.

In October 2006, we purchased 2,118,000 Company shares for inclusion in treasury stock, based on a resolution by the Board of Directors.

Changes in Affiliates

During the term under review, we included one of our equity-method affiliates (logistics for architectural glass in Japan) within the scope of consolidation due to an increase in our equity stake. We also integrated two subsidiaries in the same business to strengthen their marketing capability and streamline their operations.

Business Risks

The following factors may have a significant influence on the decisions of investors in the Group. Judgments regarding risks faced by businesses of the Company are stated as of March 31, 2007, and do not necessarily cover all of the risks to which the Group is actually exposed.

Market Fluctuation:

Fluctuation in product market following trends in the construction, construction materials, automotive, LCD and semiconductor industries.

Fluctuations in Raw Materials and Fuel Prices:

The Group's products use raw materials and heavy oil, which are subject to market fluctuation.

Bad Credits:

Delay in recovering accounts receivable from customers due to a deterioration in their business conditions.

Exchange Rate Fluctuation:

Some of our products, including fine chemical products, are exported, and we also import heavy oil and certain other raw materials.

Major Litigation:

The Company is currently involved in a patent violation dispute involving its inhalation anesthesia "Sevoflurane."

Other:

Economic and demand trends in home and overseas markets, quality problems, intellectual property-related issues, environmental regulations, dependency on specific markets, product liability, overseas business risks, disasters and accidents, interruption of production, interest-rate movements, and impairment of fixed assets.

Corporate Governance

The management of Central Glass is working to enhance the Company's enterprise value and increase earnings by ensuring transparent and fair management and by redesigning its organizational structure to create an efficient and streamlined system capable of quickly adapting to changes in the business environment.

We adopted an executive officer system after the regular general meeting of shareholders held in June 2004, under a basic corporate governance structure resting on the Board of Directors and a Board of Corporate Auditors pursuant to the stipulations of the Corporation Law of Japan. This measure was taken

to enable supervision of decision-making in important business matters and day-to-day business operation, and to separate the administrative and executive functions, thereby reducing the size of the Board of Directors and making our management more efficient and fast-reacting.

At a meeting of the Board of Directors on May 15, 2006, a basic policy was also approved for creation of an internal control system pursuant to the stipulations of the Corporation Law. We are now putting in place such a system and it will cover the entire Company. A system covering financial reporting under the Financial Products Exchange Law is scheduled for launch in April 2008.

We have also established the Central Glass Group code of conduct, to demonstrate to all our stakeholders our commitment to ethical corporate behavior, and we are now expanding its scope to include all our subsidiaries and affiliates. Another compliance and risk-management measure is creation of an internal whistle-blower procedure enabling early detection and correction of inappropriate behavior.

With regard to compliance and risk in particularly important areas, we have set up individual committees (including an Antimonopoly-Law Observance Committee, Environment Safety Promotion Committee, Safety and Health Committee, Product Safety Committee, and Security Trade Control Committee) that cut across the organization. These committees conduct deliberations and studies, and offer guidance and training in all of the various issues involved, with risk-management activities tailored to the needs of each business.

We have also established a system for appointing executives as "rapid-response" officers when new sources of risk emerge or such likelihood arises.

Executive officers and committee members report to the Board of Directors, who may also request a report and order measures to be taken if needed. The Board also fully discloses to stakeholders all appropriate information at suitable times.

Under our articles of incorporation, the Company has at most

President's Message

12 directors, and the Board of Directors currently has 8 members.

As a rule, the Board of Directors meets once a month, or when required. It deliberates and decides on legal and important management matters in line with Company regulations covering the Board of Directors, and oversees the conduct of duties by the Board of Directors and President and other executive officers.

The Board of Executive Officers currently has 12 members, including the President and executive officers. In line with the regulations governing its activities, it meets once a week as a rule to deliberate and decide on important matters affecting the conduct of operations and to discuss the agenda of items to be put forward to the Board of Directors.

Resolutions of the Board of Directors in the appointment or dismissal of directors must be approved with a quorum of at least one-third of shareholders with voting rights. Under the articles of incorporation, a simple majority is necessary to approve a resolution for the appointment of a director, but a resolution for a director's dismissal requires a majority of two-thirds, to ensure long-term stability of management.

The term of any director is set at one year at most in the articles of incorporation, to clarify responsibility and to position the Company to respond rapidly to changes in the business environment.

In the interests of greater flexibility in capital and dividend policy, the articles of incorporation grant the Board of Directors the authority, except when otherwise stipulated by the law, to pass resolutions with regard to distribution of a portion of retained earnings and other matters under Article 459, Clause 1 of the Corporation Law. However, we do not intend to reject a resolution of the meeting of shareholders.

With regard to requirements for special resolutions at general shareholders' meetings, as laid down in Article 309, Clause 2, of the Corporation Law, the articles of incorporation require a quorum of at least one-third of shareholders with eligible voting rights and a majority of two-thirds of attending

shareholders with voting rights. This relaxation of quorum requirements for special resolutions is to ensure the smooth conduct of affairs by the general meeting of shareholders.

The Board of Corporate Auditors comprises 5 statutory auditors, of whom 3 are outside Corporate Auditors. The Board of Corporate Auditors meets as a rule once a month, or whenever necessary, and it deliberates and decides on important auditing matters. Corporate Auditors also share information and frequently exchange opinions with each other. Once every three months, as a rule, further exchanges of opinions on important auditing matters take place with representative directors.

Corporate Auditors attend important meetings such as the Board of Directors, and audit the conduct of duties by the directors and executive officers as well as performance of duties at each particular business and affiliate of the Group.

The Company has concluded a contract (specifying minimum liability thresholds under Article 425, Clause 1 of the Corporation Law) under Article 427, Clause 1 of the Law with its 3 outside corporate auditors.

The Company has an Audit Department for the purpose of internal auditing. Currently the 5 employees conduct audits of the full range of activities of the Company and its affiliates, and report their findings to the President & CEO and the corporate auditors. One member of the Audit Department also serves as staffer at the office of the Board of Corporate Auditors, which assists the Board of Corporate Auditors in its work.

No significant conflicts of interest exist between the outside corporate auditors and the Company in terms of human, capital or business relations.



Shuichi Sarasawa
President & CEO

At a Glance

Net Sales
¥ 192,299 million

Glass

Sales
¥ 114,632 million
Operating Income
¥ 1,803 million

59.6%



Architectural Glass

Float Glass, Figured Glass, Wired Glass (Polished, Figured), Heat Absorbing Glass, Heat Reflective Glass, Insulating Glass Units, Laminated Glass, Tempered Glass, Burglar-Proof Glass, Decorative Glass, Mirrors, Electromagnetic Wave Shielding Glass

Automotive Glass

Safety Glass (Laminated Glass, Tempered Glass), Water Repellent Glass, UV-Cut Glass, Heat Insulating Glass, Antenna Glass, Anti-Fogging Glass, Module Glass

Fine Glass

For LCD; Thin Sheet Glass, Polished Glass, Chromium Coated Glass (Low Reflection BM Blanks)
For PDP; High-Strain-Point-Glass, Substrates for Cover Filters
Others; Optical Mirrors, Chemical Tempered Glass

Chemicals

Sales
¥ 77,667 million
Operating Income
¥ 13,576 million

40.4%



Basic Chemicals

Soda Ash, Calcium Chloride, Caustic Soda, Polyaluminum Chloride, Gypsums, Fluorochemicals

Fine Chemicals

Bulk Pharmaceuticals/Agrochemicals, Fluorinated Organic/Inorganic Chemicals, Fluorinated Organic/Inorganic Reagents, High Purity Gases, Microbial Materials

Fertilizers

NP-Compound Fertilizer, NK-Compound Fertilizer, Coated Fertilizer, Ammonium Phosphate, Liquid Phosphoric Acid

Glass Fiber

Glass Fiber, Glass Wool

Review of Operations



Of the sheet glass makers currently operating in Japan, the Company was the third to enter this field, in 1958. Using our strength and experience in architectural glass products, we have advanced into automotive glass and fine glass.

The Company has three major glass plants in Japan - at Matsusaka in Mie Prefecture, at Sakai in Osaka Prefecture, and at Ube in Yamaguchi Prefecture.

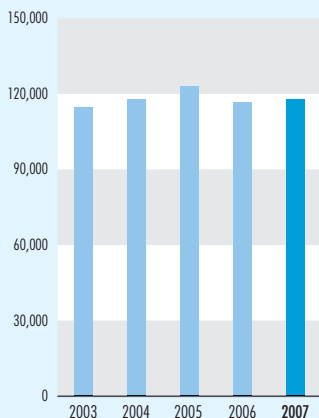
The Matsusaka Plant has two operating float glass production lines, one duplex line for parallel wired polished glass and cross wired polished glass used in architectural applications, and one roll-out line for figured glass. In March 2007, we restarted one float glass production line that had long been shut down. The Matsusaka Plant mainly produces processed glass for automakers, sheet and processed glass for architectural use, and processed (high strain-point) glass for use in plasma display panels. Mirrors and decorative glass are produced at our subsidiary Mie Glass Industry Co., Ltd.

The Sakai Plant has one float glass production line, used principally for making sheet glass for architectural applications. In June 2007, it was suspended for cold repairs.

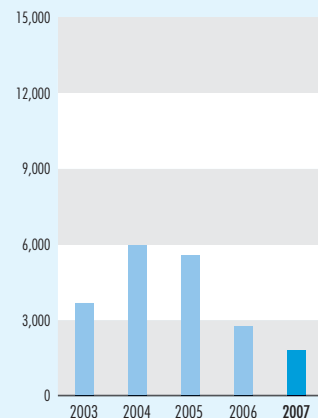
The Ube Plant has one float glass production line, chiefly used for sheet glass for architectural use and for thin sheet glass for LCD panels and high strain-point glass for plasma display panels. This plant also makes processed glass in this field.

In the glass business, we aim to strengthen and expand capital investments to speed up research and development into flat-panel display and other fine glass products we have designated as growth drivers, while retaining a firm operational footing in products for the construction and automotive industries.

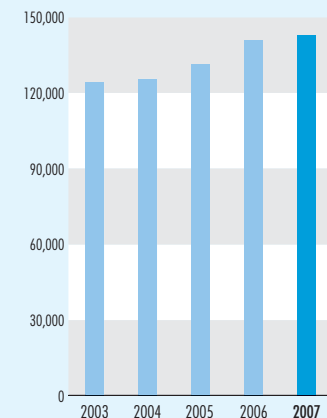
Sales (Millions of yen)



Operating Income (Millions of yen)



Total Assets (Millions of yen)



Architectural Glass

In the architectural glass category, we offer a wide variety of products ranging from basic float glass to various high-performance products including insulating glass with heat-insulation and heat-shielding properties, and anti-burglary glass, as well as glass facades using various innovative glazing methods.

The Company has established an extensive network of branches and a nationwide network of contracted sales agents, selling our products to glass retailers, construction companies, housing manufacturers, assemblers, and others.

In recent years, there has been a shift in focus in the housing construction market toward comfort, safety and environment-friendliness. Consequently, we have seen a steady rise in sales of insulating glass, laminated safety glass, and sound-control glass, as well as eco-friendly unleaded mirror glass, and other special-feature products. To better respond to this trend, we are setting up processing bases for insulating glass in each of our marketing areas, and at the same time streamlining manufacturing, logistics and marketing operations.



Overseas, our subsidiary Northwestern Industries Inc. manufactures and markets processed glass for housing and architectural applications in North America.

We will continue to introduce specialized, value-added products that meet customers' demands, and create new demand, in order to increase profitability.

Automotive Glass

The Central Glass Group supplies Japanese automakers from three manufacturing bases, the Matsusaka Plant in Japan, Carlex Glass Company in North America, and Yue Sheng Industrial Co., Ltd., our equity-method affiliate in Taiwan.

In the automotive glass market, a growing trend toward aerodynamic design and styling is resulting in increasingly complex shaping and difficulty in processing. Moreover, car manufacturers' needs with respect to glass are becoming increasingly sophisticated, with priority going to the heat resistance of the interior, sound-proofing, improvement of glass antennas in line with the development of car electronics, reducing glass weight and the modularization of glass. Through close collaboration among our sales, production,

Review of Operations



and research and development divisions, we are improving productivity and at the same time adding value by responding to users' needs for more sophisticated design, more comfort, and better safety features.

We have also formed a business alliance with Saint-Gobain Group aimed at supporting Japanese automakers in their global expansion, and have set up a joint marketing company, Central Saint-Gobain Co., Ltd. for this purpose. Central Glass has 65% and Saint-Gobain Group has 35%.

Fine Glass

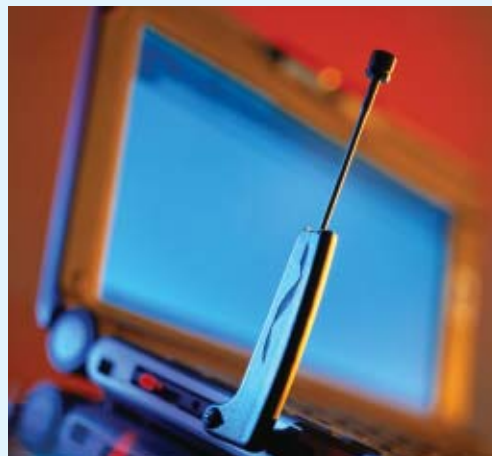
Principal products in this sector are thin sheet glass for TN/STN LCDs and touch screens, chromium-coated glass for color filters of TFT LCDs, printed glass for PDP filters and CP600V high strain-point glass for PDPs. These products are widely used in the telecommunications and electronics fields, in mobile phones, PDAs, PCs, LCD TVs and PDP TVs.

Production bases for TN-type and STN-type LCDs are migrating from Japan and South Korea to Taiwan and China. In line with this industry trend, we are strengthening

our overseas marketing, utilizing our subsidiaries Taiwan Central Glass Co., Ltd. as our production base and Central Glass Taiwan Trading Co., Ltd. as our marketing base.

In chromium-coated glass for color filters used in TFT-type LCDs, our affiliate Ulvac Coating Corporation and its subsidiary ULCOAT Taiwan Inc. deposit thin chromium films on substrates, while the Company and Central Glass Taiwan Trading Co., Ltd. sell these processed substrates to color-filter manufacturers in Japan and Taiwan.

In PDP-related products, printed glass for PDP filters is selling well amid rising demand for PDP TVs. We began commercial production and shipments of our CP600V high strain-point glass for PDP substrates at the beginning of the term for customers in Japan. Overseas, in April 2005, we set up Display Glass Alliance Inc. in South Korea to manufacture and market glass substrates for PDPs in a joint investment with the Saint-Gobain Group. The venture is aimed at securing new orders from PDP manufacturers in South Korea by upgrading our servicing capabilities.



Our chemical business began in 1936 as a manufacturer of soda ash (sodium carbonate) and caustic soda. This business was later expanded to chemical fertilizers, glass fibers and fine chemicals.

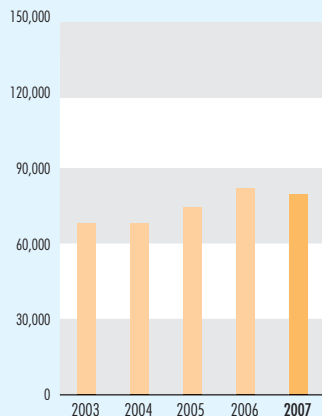
The Ube Plant is our production base for basic chemicals, mainly sodium carbonate and its co-products derived from the ammonium chloride soda process, as well as for fine chemical products. Since the shutdown of brine-electrolysis operations at the end of June 2006, the Kawasaki Plant has been evolving into a production base for established fluorination products and new fine chemical products.

Fertilizers are produced by Central Kasei Chemical Co., Ltd. which is situated adjacent to the Ube Plant. The Central Glass Fiber Co., Ltd. produces glass fiber, and Central Glass Wool Co., Ltd. produces glass wool, in the Chubu region of Japan, where many automotive manufacturers are clustered.

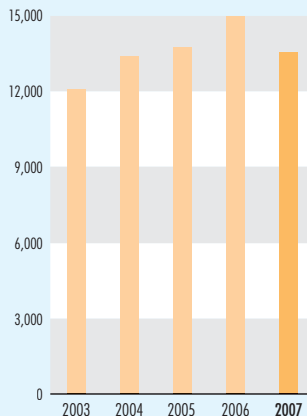
While maintaining established businesses such as basic chemicals, fertilizers, and glass fibers on a sound operational footing, the chemicals business is addressing the challenge of ongoing "commodification" of its products by process reform from raw-materials procurement through logistics and marketing, to reduce raw material costs and streamline operations. At the same time, it is positioning fine chemicals as a growth area, centered on fluorination products. We aim to further strengthen and expand the fine chemicals business by accelerating research and development and stepping up capital investment.

CHEMICALS

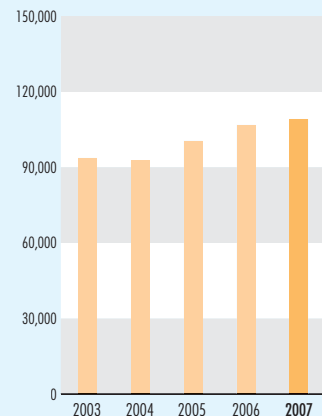
Sales (Millions of yen)



Operating Income (Millions of yen)



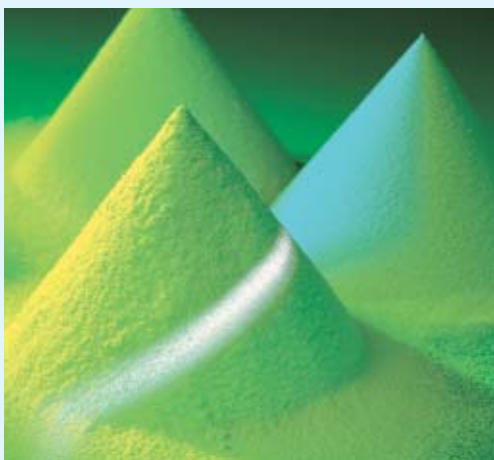
Total Assets (Millions of yen)



Basic Chemicals

In basic chemicals, we offer a diverse lineup of products, encompassing soda ash (a portion of which is utilized in-house as a raw material for sheet glass), ammonium chloride (used in our production of fertilizer), calcium chloride (mainly for use on roads to melt snow), poly-aluminum chloride (used as a coagulant for treatment of public water supplies and industrial wastewater), hydrofluoric acid (also for used as a raw material for fine chemicals), and all varieties of gypsum. All these products serve as raw materials for industrial products, and they are also widely used by the civil engineering and construction industries.

As part of a business restructuring, we ended brine-electrolysis operations at our Kawasaki Plant at the end of June 2006, and have withdrawn from the production and marketing of caustic soda and chlorine derivatives.



Fine Chemicals

In the field of fine chemicals, we target demand for high-value-added products utilizing such technologies as fluorination, chlorination, triflate reaction, asymmetric synthesis and high-level purification.

In pharmaceutical and agrochemical products, we supply bulk inhalation anesthesia "Sevoflurane" and bulk anti-ulcer agent "Lafutidine" to pharmaceutical companies. In the future, we aim to attract new orders for, and expand manufacturing of, bulk pharmaceuticals and agrochemicals and their intermediates through a global network set up jointly by Central Glass (covering the Asian region), SynQuest Laboratories, Inc. of the US and Apollo Scientific Limited of the UK, through catalogue business and joint research with pharmaceutical companies and research institutes.

In the semiconductor and flat-panel display field, our focuses are on nitrogen trifluoride (NF_3), which has seen significant growth in recent years as a cleaning gas for semiconductor and LCD production lines, chlorine trifluoride (ClF_3) and diluted fluorine which are semiconductor-system cleaning gas, tungsten hexafluoride (WF_6), employed as a semiconductor interconnect wiring material, and other specialty gases. At our Kawasaki Plant, we have also built production facilities for a new product, resist polymers for semiconductors, and have already launched commercial

production in the current term ending March 31, 2008.

In the agri-bio field, we develop and produce natural microbial agents to counter crop disease and to vitalize plants, these products are sold through our marketing subsidiary SUNGREEN Co., Ltd.

Fertilizers

In fertilizers, we produce and sell fertilizer, mainly for rice cultivation. We market our entire output of fertilizers - ammonium chloride, NPK-compound, NK-compound, coated fertilizer "Cera-coat®R" - as well as ammonium phosphate and other fertilizer materials, to ZEN-NOH, Japan's nationwide federation of agricultural cooperatives. In recent years, fertilizer demand for rice cultivation purposes has been declining. However, the trends toward labor saving and reducing the environmental burden have led to growth in sales of coated fertilizers. Our subsidiary Central Kasei Chemical manufactures fertilizers, and another subsidiary, Central Godo Fertilizer, handles the marketing side.

As the only maker in Japan of ammonium chloride-based fertilizers, we will continue to meet our responsibility for stable supplies of this product.



Glass Fiber

We produce glass wool, which is widely used as a material for heat and sound-insulation in automobiles and railway cars, and also produce glass fiber, which is used for fiber-reinforced plastics (FRP) for household equipment and various other appliances. Our glass fiber is also used in fiber-reinforced rubber (FRR), which is used in synchronous belts for automobile and general industrial components. By supplying distinctive products to customers such as autoparts makers and electronics/electric parts manufacturers, the Central Glass Group has enhanced the efficiency of its glass fiber business.

Research and Development



The basic research policy of the Central Glass Group is to develop original products that meet the needs of the market, which are diversifying in response to social change. While expanding and strengthening our operations in existing business fields, we are focusing our efforts on the development of products with the potential to become the cores of new businesses in the future.

We operate two research centers, the Glass Research Center and the Chemical Research Center. While collaborating closely with each business involved in their research, they work to increase efficiency by adjusting research themes when necessary, rigorously selecting research priorities and achieving the optimal deployment of research staff.

R&D expenses for the term ending March 2007 came to ¥6,630 million (US\$56,163 thousand) on a consolidated basis. Principal outlays and achievements are listed below.

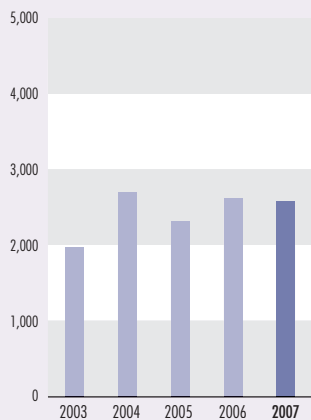
In the Glass Research Center, we have developed highly functional glass products for use primarily in the architectural, automotive and electronics (display) industries, with "safe," "worry-free," "comfort" and "environment-friendly" as our keywords. Products are based on the key technologies of glass composition development, bending process development, film-coating and compounding.

In glass for architectural use, we have worked to create more pleasant living spaces by developing products such as IR-cut glass, anti-burglary glass, self-cleaning glass, anti-fogging glass, acoustic glass, radio and electro-magnetic wave-shielding glass. We also worked to create more pleasant living spaces by developing new ways of structuring glass.

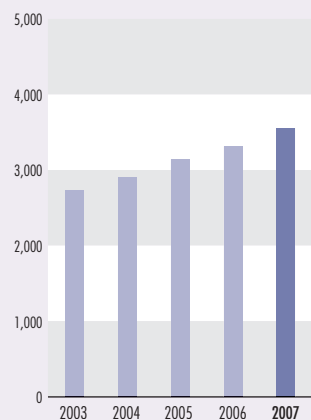
In automotive glass, we are helping to make driving a safer, more pleasant experience by developing glass products that shield against UV rays, exclude or reduce heat, repel water, as well as antenna glass and other functional glass types.

In display and other electronics products, we are

Glass (Millions of yen)



Chemicals (Millions of yen)



developing and improving CP600V high strain-point glass for PDP and other flat-panel substrates, and glass frit with a lower melting point for peripheral materials. We aim to supply the products needed by an increasingly sophisticated IT-savvy market.

R&D expenses in the glass business totaled ¥2,424 million (US\$20,534 thousand).

In the Chemical Research Center, we develop technologies for production, refinement, analysis, and application in the fields of basic commodities, new fine chemicals, and optical devices, as a basis for new product innovation.

As a new product in among core commodities, we are aggressively enhancing technologies and developing new grades for our next-generation non-ozone-depleting blowing agent for rigid urethane foam, which we currently manufacture and market in Japan. In cooperation with Japan's semi-governmental New Energy and Industrial Technology Development Organization (NEDO), we have successfully developed a non-flammable cover gas for magnesium alloy castings. This development is considered to be a contribution in the fight against global warming.

In the fertilizer field, we are working on development of an upgraded version of our coated fertilizer "Cera-coat®R" that features further improved controllability of timing of the fertilizer effect, and new brands, while also stepping up our sales activities.

In fine chemicals, we have focused on products in growth areas. In organic custom chemicals we are developing production technologies for organic fluorine compounds, and we are expanding operations in active pharmaceutical ingredients and intermediates for pharmaceutical companies by enhancing production technologies for asymmetric synthesis and low temperature reactions. In semiconductor operations, we are upgrading manufacturing and analysis technologies to assure our products with high purity. And developing gas compounds

for a wide range of semiconductor-manufacturing processes and polymer resins for photoresists. In energy products, we are developing new electrolytes giving better performance and longer battery lifetimes. These new electrolytes are under evaluation at our customers in high-performance, high-volume lithium secondary batteries and capacitors.

In the agri-bio business, after launching *Biokeeper*® (a microbe to prevent soft rot disease) and, in a joint development with the Nagano Prefectural Government, *Vegekeeper* (a microbe to prevent bacterial rot disease for lettuce and black rot for cabbage). We have also developed *Momihope*, a microbe that defends rice seeds against bacterial disease. We will continue to develop new agrochemicals to expand our product lineup going forward.

In optical devices, we are developing devices for leading-edge high value-added markets in areas such as bio-sensing, measurement and optical communications, making full use of our expertise in fluoride glass fiber and resins.

R&D expenses in the chemicals business totaled ¥4,206 million (US\$35,629 thousand).

Environmental Initiatives

Central Glass is determined to fulfill its responsibilities as a corporate citizen, and has been a member of the Japan Responsible Care Council since 1995. We consider it essential to our growth to maintain a strong awareness of environmental, security, and health issues (Responsible Care) in our corporate activities.

Our basic Responsible Care philosophy is as follows:

“Based on our deep understanding that we are a corporate member of society, and on the principle of sustainable development that protects and is in harmony with social communities and the global environment, we will pursue our corporate activities with due consideration for environmental, safety and health issues throughout the full life-cycle of our products from development to disposal.”

Under this philosophy, we will conduct our business in an environment-friendly way.

We acquired ISO14001 international environmental certification for the Sakai plant in 1999, and for the Ube and Matsusaka Plants in 2000, and we have applied for certification of the Kawasaki Plant. Against this backdrop, we are engaged in a wide range of activities to counter global warming, including promotion of energy conservation, reduction of waste, development of recycling technology, and reduction of emissions of harmful chemical substances.

But our initiatives go beyond our plants. We are also ensuring that our products are as environment-friendly as possible.

We have developed a range of eco-friendly products such as energy-saving insulating glass, mirrors that do not employ lead or other harmful metals, and environment-friendly coated fertilizers and microbial materials.

Under the motto of “everything for people and the global environment,” Central Glass will contribute to a richer society by pursuing corporate activities that are in harmony with the global environment.

The Central Glass International Architectural Design Competition

Since 1966, the Company has sponsored the Central Glass International Architectural Design Competition. It has been open to overseas applicants since the 10th competition.

The board of judges comprises various senior figures from the construction industries in Japan to judge a large number of entries by students of architectural design, and working designers from design offices and design divisions of general contractors.

In the 41st competition, the theme "Conversion of Existing Architecture for Living in the City," a total of 423 applications were made, 252 by applicants in Japan and

171 by overseas competitors.

First prize went to: Chris Tucker (Lecturer, School of Architecture and the Built Environment, The University of Newcastle, Australia)

Main judge:

Toyo Ito (Toyo Ito & Associates, Architects)

Panel of judges:

Masaru Okamoto (Kume Sekkei Co., Ltd.)

Riken Yamamoto (Riken Yamamoto & Field Shop)

Kiyoshi Sakurai (Nikken Sekkei Co., Ltd.)

Taro Ashihara (Taro Ashihara Architects)

Kengo Kuma (Kengo Kuma & Associates)

Yutaka Suzurikawa (Director & Executive Managing Officer, Central Glass Co., Ltd.)



"Conversion of Existing Architecture for Living in the City" by Mr. Chris Tucker

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Financial Review (on a consolidated basis)

Analysis of Financial Position

Assets, Liabilities, and Net Assets

Total assets at the end of the term under review increased by ¥4,330 million year-on-year to ¥251,369 million (US\$2,129,343 thousand). Current assets increased by ¥5,014 million, due mainly to increases in trade receivables and in inventory assets, while non-current assets declined by ¥684 million due mainly to a reduction in investment securities.

Liabilities declined by ¥1,486 million compared with the previous term-end due mainly to a reduction in provisions to the reserve for retirement benefits and the reserve for business restructuring costs.

Net assets totaled ¥130,595 million (US\$1,106,268 thousand) at the end of the term, and the equity ratio (net assets after deduction of minority interests, as a percentage of total assets) increased 1.4 percentage points to 51.7%.

Analysis of Operations

Sales during the term under review declined by ¥4,352 million year-on-year to ¥192,299 million (US\$1,628,962 thousand). Operating income declined by ¥2,327 million to ¥15,380 million (US\$130,284 thousand). Please see page 3 for an overview of sales and operating income (overview of business performance during the term).

Proceeds from sale of property, plant and equipment sales and investment securities were booked as extraordinary gains.

Business restructuring expenses, valuation losses on securities and impairment losses on property, plant and equipment were booked as extraordinary losses.

As a result of the foregoing, income before income taxes totaled ¥17,970 million (US\$152,224 thousand) and net income came in at ¥11,001 million (US\$93,189 thousand).

Cash Flows

Net cash provided by operating activities totaled ¥18,714 million (US\$158,526 thousand), chiefly attributable to the posting of income before income taxes as well as depreciation expenses.

Net cash used in investing activities totaled ¥15,095 million (US\$127,869 thousand), due mainly to purchases of property, plant and equipment.

Net cash used in financing activities totaled ¥3,868 million (US\$32,766 thousand) due mainly to payment of dividends and acquisition of the Company's own shares.

As a result of the foregoing, cash and cash equivalents at the end of the term declined ¥213 million to ¥10,908 million (US\$92,402 thousand).

Consolidated Balance Sheets

Central Glass Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Assets			
Current assets:			
Cash and time deposits (Note 13)	¥ 11,044	¥ 11,244	\$ 93,554
Notes and accounts receivable – trade (Note 3)	52,063	50,101	441,025
Allowance for doubtful accounts	(728)	(609)	(6,167)
Inventories	32,249	29,321	273,181
Deferred tax assets (Note 7)	1,180	1,631	9,996
Prepaid expenses and other current assets	3,573	2,679	30,266
Total current assets	99,381	94,367	841,855
Property, plant and equipment, at cost (Notes 11 and 19):			
Land (Note 5)	24,331	24,237	206,108
Buildings and structures (Note 5)	83,907	83,847	710,775
Machinery and equipment	218,179	216,797	1,848,191
Construction in progress	2,199	3,915	18,628
	328,616	328,796	2,783,702
Less: accumulated depreciation	(234,002)	(234,616)	(1,982,228)
Property, plant and equipment, net	94,614	94,180	801,474
Investments and other assets:			
Goodwill.....	1,105	1,122	9,360
Investment securities (Notes 5 and 15)	50,075	51,210	424,185
Long-term loans receivable	65	89	551
Deferred tax assets (Note 7)	1,217	1,211	10,309
Other assets	5,425	5,405	45,955
Allowance for doubtful accounts	(513)	(545)	(4,346)
Total investments and other assets	57,374	58,492	486,014
Total assets (Note 19)	¥251,369	¥247,039	\$2,129,343

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Liabilities and net assets			
Current liabilities:			
Short-term debt (Note 4)	¥ 19,400	¥ 17,921	\$ 164,337
Long-term debt due within one year (Note 5)	1,145	1,401	9,699
Notes and accounts payable – trade (Note 3)	23,051	22,818	195,265
Income taxes payable (Note 7)	3,494	3,536	29,598
Accrued expenses and other current liabilities	20,980	19,950	177,721
Total current liabilities	68,070	65,626	576,620
Long-term liabilities:			
Long-term debt (Note 5)	27,503	28,639	232,978
Deferred tax liabilities (Note 7)	3,463	3,719	29,335
Accrued retirement benefits			
Employees (Note 8).....	11,005	12,330	93,223
Directors and statutory auditors	397	502	3,363
Reserve for rebuilding furnaces	8,061	7,699	68,285
Reserve for restructuring charge	1,402	2,622	11,876
Reserve for environmental safeguard	182	327	1,542
Other long-term liabilities	691	796	5,853
Total long-term liabilities	52,704	56,634	446,455
Total liabilities	120,774	122,260	1,023,075
Contingent liabilities (Note 14)			
Net assets (Notes 2(p) and 16)			
Common stock:			
Authorized – 867,944,000 shares at March 31, 2007 and 2006			
Issued – 214,879,975 shares at March 31, 2007 and 2006	18,168	18,168	153,901
Capital surplus	8,119	8,119	68,776
Retained earnings	90,535	82,049	766,921
Treasury stock, at cost			
2,659,236 shares at March 31, 2007 and			
490,535 shares at March 31, 2006	(1,665)	(251)	(14,104)
Net unrealized holding gains on available-for-sale securities (Note 15) ...	15,166	17,237	128,471
Net unrealized holding gains on hedging derivatives (Note 18)	508	—	4,303
Foreign currency translation adjustments (Note 2 (b)).....	(842)	(1,066)	(7,133)
Minority interests (Note 2(b))	606	523	5,133
Total net assets	130,595	124,779	1,106,268
Total liabilities and net assets	¥251,369	¥247,039	\$2,129,343

Consolidated Statements of Income

Central Glass Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Net sales (Note 19)	¥192,299	¥196,652	\$1,628,962
Cost of sales (Notes 9 and 19).....	137,210	139,178	1,162,304
Gross profit	55,089	57,474	446,658
Selling, general and administrative expenses (Notes 9 and 19).....	39,709	39,767	336,374
Operating income (Note 19)	15,380	17,707	130,284
Other income (expenses):			
Interest and dividend income	698	650	5,913
Interest expense	(613)	(493)	(5,193)
Gain on sales of supplies	1,495	869	12,664
Provision for rebuilding furnaces	(123)	(509)	(1,042)
Provision for restructuring charge	—	(2,622)	—
Provision for environmental safeguard	—	(327)	—
Gain on sales of investment securities (Note 15)	988	1,387	8,369
Loss on impairment of fixed assets (Note 11)	(41)	(132)	(347)
Other, net (Notes 6 and 15)	186	679	1,576
Total	2,590	(498)	21,940
Income before income taxes and minority interests	17,970	17,209	152,224
Income taxes (Note 7):			
Current	5,739	7,366	48,615
Deferred	1,241	(792)	10,513
	6,980	6,574	59,128
Minority interests	(11)	4	(93)
Net income	¥ 11,001	¥ 10,631	\$ 93,189

	Yen		U.S. dollars (Note 1)
	2007	2006	2007
Amounts per share of common stock (Note 12)			
Net income	¥51.53	¥49.36	\$0.44
Diluted net income	46.19	44.26	0.39
Cash dividends applicable to the year	12.00	10.00	0.10

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Central Glass Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen (Note 2(q))									
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on available-for-sale securities	Net unrealized holding gains on hedging derivatives	Foreign currency translation adjustments (Note 2(b))	Minority interests (Note 2(b))	Total
Balance at March 31, 2005	214,879,975	¥18,168	¥8,118	¥73,614	¥ (220)	¥11,546	¥ —	¥(2,061)	¥243	¥109,408
Cash dividends paid				(2,146)						(2,146)
Directors' bonuses.....				(50)						(50)
Net income				10,631						10,631
Increase in treasury stock.....					(31)					(31)
Surplus from sale of treasury stock			1							1
Net changes other than shareholders' capital						5,691		995	280	6,966
Balance at March 31, 2006	214,879,975	18,168	8,119	82,049	(251)	17,237	—	(1,066)	523	124,779
Cash dividends paid				(2,468)						(2,468)
Directors' bonuses				(47)						(47)
Net income				11,001						11,001
Increase in treasury stock.....					(1,414)					(1,414)
Surplus from sale of treasury stock			0							0
Net changes other than shareholders' capital						(2,071)	508	224	83	(1,256)
Balance at March 31, 2007	214,879,975	¥18,168	¥8,119	¥90,535	¥(1,665)	¥15,166	¥508	¥ (842)	¥606	¥130,595

See accompanying notes to consolidated financial statements.

	Thousands of U.S dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on available-for-sale securities	Net unrealized holding gains on hedging derivatives	Foreign currency translation adjustments (Note 2(b))	Minority interests (Note 2(b))	Total	
Balance at March 31, 2006	\$153,901	\$68,776	\$695,036	\$ (2,126)	\$146,014	\$ —	\$ (9,030)	\$4,430	\$1,057,001	
Cash dividends paid			(20,906)						(20,906)	
Directors' bonuses.....			(398)						(398)	
Net income			93,189						93,189	
Increase in treasury stock.....				(11,978)					(11,978)	
Surplus from sale of treasury stock		0							0	
Net changes other than shareholders' capital					(17,543)	4,303	1,897	703	(10,640)	
Balance at March 31, 2007	\$153,901	\$68,776	\$766,921	\$(14,104)	\$128,471	\$4,303	\$(7,133)	\$5,133	\$1,106,268	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Central Glass Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Operating activities			
Income before income taxes and minority interests	¥17,970	¥17,209	\$152,224
Depreciation	11,395	11,015	96,527
Loss on impairment of fixed assets	41	132	347
Amortization of goodwill	22	22	186
(Decrease) Increase in reserve	(2,697)	886	(22,846)
Interest and dividend income	(698)	(650)	(5,913)
Interest expense	613	493	5,193
Equity in earnings of affiliates	(71)	(269)	(602)
Loss (Gain) on evaluation and sale of investment securities and long-lived assets, net	81	(550)	686
Changes in operating assets and liabilities:			
(Increase) Decrease in notes and accounts receivable – trade	(1,397)	2,440	(11,834)
Increase in inventories	(2,814)	(4,207)	(23,837)
Decrease in notes and accounts payable – trade	(322)	(382)	(2,728)
Increase (Decrease) in consumption taxes payable	562	(195)	4,761
Directors' bonuses	(47)	(50)	(398)
Other, net	1,773	(172)	15,019
Subtotal	24,411	25,722	206,785
Interest and dividends received	698	650	5,913
Interest paid	(609)	(458)	(5,159)
Income taxes paid	(5,786)	(8,730)	(49,013)
Net cash provided by operating activities	18,714	17,184	158,526
Investing activities			
Increase in time deposits	(187)	(143)	(1,584)
Proceeds from time deposits	201	35	1,703
Purchases of property, plant and equipment	(12,836)	(17,390)	(108,734)
Proceeds from sale of property, plant and equipment	87	326	737
Increase in investment securities	(2,052)	(2,039)	(17,382)
Proceeds from sale of investment securities	1,433	2,371	12,139
Proceeds from purchase of securities issued by a subsidiary which caused a change in the scope of consolidation.....	100	97	847
Other	(1,841)	(669)	(15,595)
Net cash used in investing activities	(15,095)	(17,412)	(127,869)
Financing activities			
Increase (Decrease) in short-term debt	1,425	(3,970)	12,071
Proceeds from long-term debt	—	4,525	—
Repayment of long-term debt	(1,402)	(1,868)	(11,876)
Cash dividends paid	(2,468)	(2,146)	(20,906)
Increase in treasury stock	(1,417)	(30)	(12,004)
Other	(6)	(37)	(51)
Net cash used in financing activities	(3,868)	(3,526)	(32,766)
Effect of exchange rate changes on cash and cash equivalents	36	182	305
Net decrease in cash and cash equivalents	(213)	(3,572)	(1,804)
Cash and cash equivalents at beginning of the year	11,121	14,693	94,206
Cash and cash equivalents at end of the year (Note 13)	¥10,908	¥11,121	\$ 92,402

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Basis of Presenting Consolidated Financial Statements

Central Glass Co., Ltd. ("the Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted and applied in Japan ("Japanese GAAP"), and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been prepared from the financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan.

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

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 U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetic results of translating Japanese yen into U.S. dollars at ¥118.05=U.S. \$1.00, the approximate exchange rate on March 31, 2007. The inclusion of such U.S. dollar amounts is solely for the convenience of readers outside Japan and is not intended to imply that Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries ("the Companies") over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain subsidiaries are consolidated on the basis of fiscal periods which differ from that of the Company. However, the necessary adjustments have been made if the effect of this difference is material.

Investments in unconsolidated subsidiaries are stated at cost because their impacts on the consolidated financial statements were immaterial.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or

losses. Consolidated net income includes the Company's equity in the current net income or loss of such companies, after the elimination of unrealized intercompany profits.

All assets and liabilities of the subsidiaries are revaluated on acquisition, if applicable, and the excess of cost over the underlying net assets at the respective date of acquisition is amortized over a period of five years on a straight-line basis except for subsidiaries located in the United States of America which adopt Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets." The statement requires management to perform impairment testing of existing goodwill every fiscal year.

The consolidated financial statements include the accounts of the Company and 39 subsidiaries for the years ended March 31, 2007 and 2006.

In addition, 10 affiliates companies were accounted for by the equity method for the years ended March 31, 2007, and 11 affiliates companies were accounted for by the equity method for the years ended March 31, 2006.

(b) Foreign currency translation

Under Japanese accounting standard for foreign currency translation, monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included in the current statements of income.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates in effect at the balance sheet date of the foreign subsidiaries and affiliates, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are translated into yen at the rates of exchange in effect at the balance sheet date. The resulting foreign currency translation adjustments are included in "Translation adjustments" and "Minority interests" in net assets in the consolidated balance sheets.

(c) Cash and cash equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash or are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered to be cash equivalents.

Under the accounting standard for statements of cash flows, the definition of cash and cash equivalents in the

statements of cash flows and cash and time deposits in the balance sheets differs in certain components. Reconciliation between the cash definitions above is presented in Note 13.

(d) Investment securities

Available-for-sale securities for which fair value is available are stated at fair value. The difference between fair market value and the carrying amount is recognized as net unrealized holding gains and losses on these securities that are reported as a separate item in net assets. The cost of securities sold is mainly determined based on the moving-average method. Also, available-for-sale securities for which fair value is not available are mainly stated at cost computed by the moving-average method.

(e) Inventories

Inventories are mainly stated at cost determined by the average method.

(f) Depreciation and amortization

Depreciation of property, plant and equipment is calculated principally by the declining-balance method at rates based on the estimated useful lives of the respective assets. Buildings (excluding leasehold improvements) acquired after March 31, 1998 by the Company and the domestic consolidated subsidiaries are depreciated by the straight-line method.

Intangible assets are amortized by the straight-line method over their estimated useful lives. Software costs capitalized are amortized by the straight-line method over the estimated useful lives (5 years).

(g) Impairment accounting for fixed assets

Effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted the new accounting standards 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).

As a result of adopting the new standard and the guidance, income before income taxes and minority interests for the year ended March 31, 2006 decreased by ¥132 million compared with what would have been recorded under the previous accounting standard.

Accumulated impairment losses are deducted directly from the related fixed assets in accordance with revised regulations concerning consolidated financial statements.

(h) Leases

All finance lease contracts, other than those by which the ownership of the leased assets is to be transferred to lessees, are accounted for by a method similar to that applied to operating leases.

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on the collection of receivables. The amount of the allowance is mainly determined on the basis of past experience of bad debts and an estimate of the collectibility of individual receivables based on the financial position of the debtors.

(j) Accrued retirement benefits

Employees whose services with the Company and its domestic consolidated subsidiaries are terminated are usually entitled to lump-sum retirement benefits determined by reference to their current basic salary, length of service and the conditions under which the termination occurs. A portion of the liability for employees' retirement benefits is funded by the Company and its domestic consolidated subsidiaries in a pension fund administered by an independent trustee.

For the payment of employees' retirement benefits in the future, the Company and its domestic consolidated subsidiaries provide reserves for retirement benefits based on the estimated amount of projected benefit obligation and pension assets at the end of each consolidated accounting period. Actuarial gains and losses are amortized from the following consolidated accounting period using the straight-line method over a certain period of time (13 years) within the average remaining years of employment of employees at the time of occurrence in each consolidated accounting period. As the Company's overseas consolidated subsidiaries do not have retirement benefits plans, these subsidiaries do not provide any reserves for retirement benefits.

(k) Retirement benefits for directors and statutory auditors

Directors who are members of the Board of Directors and statutory auditors severing their connection with the Company and its domestic consolidated subsidiaries upon retirement or otherwise are entitled, in most circumstances, to lump-sum retirement benefits based on current rates of pay, length of

service and certain other criteria including contributions to the Company and its domestic consolidated subsidiaries. The payments are subject to shareholders' approval.

The Company and its domestic consolidated subsidiaries accrued 100% of obligations for retirement benefits for directors and statutory auditors based on the internal rules under the assumption that all directors and statutory auditors terminate their services at the fiscal year-end.

The abolition of the retirement benefits for directors and statutory auditors for the future periods was resolved at the general meeting of shareholders on June 29, 2006. However, the aggregate amount of the retirement benefits as of June 29, 2006 continues to be recorded as a reserve because the necessary payments will be determined based on the resolution of shareholders' meeting upon their retiring.

(l) Reserve for rebuilding furnaces

The Companies provide reserves for expenditures for the substantial rebuilding of glass melting furnaces, taking into account the estimated cost of the next rebuilding and the projected operating period.

(m) Reserve for restructuring charge

The Companies provide reserves for possible costs or losses associated with restructuring its organization. The amounts are reasonably estimated by the Company's management.

(n) Reserve for environmental safeguard

The Companies provide reserves for possible costs or losses for removal and disposal of asbestos and polychlorinated-biphenyl (PCB) used for buildings and equipments. The amounts are reasonably estimated by the Company's management.

(o) Hedge accounting

The Companies enter into interest rate swap contracts, forward foreign exchange contracts and commodity swap contracts to hedge the risk of changes in interest rates over borrowings, the foreign exchange risk of accounts receivables and the risk of changes in price of fuel oil, respectively.

• Hedge accounting method

Hedge accounts are stated in accordance with the deferred hedge accounting method.

Under the hedge accounting, the net amount to be paid under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract was executed as the transactions meet the criteria for this

treatment.

• Measures and objects

Measures: Interest rate swap, forward foreign exchange and commodity swap

Objects : Borrowings, accounts receivables in foreign currency and purchases of fuel oil

(p) Accounting Standard for Presentation of Net Assets in the Balance Sheet

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

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

Under the New Accounting Standards, the following items are presented differently compared to the previous presentation. The net assets section includes unrealized gains (losses) on hedging derivatives, net of taxes. Under the previous presentation rules, companies were required to present unrealized gains (losses) on hedging derivatives in the assets or liabilities section without considering the related income tax effects. Minority interests are required to be included in the net assets section under the New Accounting Standards. Under the previous presentation rules, companies were required to present minority interests between the non-current liabilities and shareholders' equity sections.

The consolidated balance sheet as of March 31, 2006 has been restated to conform to the 2007 presentation. As a result, minority interests amounting to ¥523 million are included in the net assets section of the consolidated balance sheet as of March 31, 2006. Also, there were no effects on total assets or total liabilities from applying the New Accounting Standards to the consolidated balance sheet as of March 31, 2006.

The adoption of the New Accounting Standards had no impacts on the consolidated statements of income for the year

ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007 and 2006, the shareholders' equity amounting to ¥129,481 million (\$1,096,832 thousand) and ¥124,256 million would have been presented, respectively.

(q) Accounting Standard for Statement of Changes in Net Assets

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

Accordingly, the Company prepared the statements of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. Also, the Company voluntarily prepared the consolidated statement of changes in net assets for 2006 in accordance with the Additional New Accounting Standards. Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP.

(r) Reclassifications and restatement

Certain prior year amounts have been reclassified to conform to the current year presentation.

Also, as described above, the consolidated balance sheet for 2006 has been adapted to conform to new presentation rules of 2007. Also, in lieu of the consolidated statement of shareholders' equity for the year ended March 31, 2006, which was prepared on a voluntary basis for inclusion in the 2006 consolidated financial statements, the Company prepared the consolidated statement of changes in net assets for 2006 as well as for 2007.

These reclassifications had no impact on previously reported results of operations or retained earnings.

3. Effect of bank holiday on March 31, 2007

As financial institutions in Japan were closed on March 31, 2007, notes maturing on March 31, 2007 were settled on the following business day, April 2, 2007. The amounts settled on were as follows:

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Notes receivable, trade	¥2,030	\$ 17,196
Notes payable, trade.....	1,380	11,690
Notes payable, other	73	618

4. Short-Term Debt and Commitment-Line

Short-term debt substantially represents short-term debt from banks at average interest rates of 2.22 percent and 1.35 percent per annum as of March 31, 2007 and 2006, respectively.

In order to expedite the procurement of operating funds, the Company maintains commitment-line agreements with five banks. Based on these agreements, the Company's total commitment-lines of credit unexecuted as of March 31, 2007 and 2006, are ¥10,000 million (\$84,710 thousand) and ¥10,000 million, respectively.

5. Long-Term Debt

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

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
1.04% yen – unsecured straight bonds due 2007	¥ 400	¥ 400	\$ 3,388
0.00% yen – unsecured convertible bonds due 2010.....	20,000	20,000	169,420
Loans from banks, due through 2012 at an average rate of 2.527% in 2007	8,248	9,640	69,869
Total long-term debt	28,648	30,040	242,677
less amount due within one year	1,145	1,401	9,699
	¥27,503	¥28,639	\$232,978

0% yen – unsecured convertible bonds in the original principal amount of ¥20,000 million were issued on November 8, 2004. The bonds are convertible into the common stock of the Company at a conversion price of ¥810 (\$6.861) per share from December 1, 2004 to March 30, 2010. At March 31, 2007, 24,691,358 additional shares of common stock would have been issued upon full conversion at the current conversion price. At the option of the Company, when the stock price is 130% or more of the conversion price, the bonds total that remains after December 3, 2007, may be advancing repaid.

The assets pledged as collateral for short-term debt and long-term debt as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
Investment securities	¥8,991	¥12,006	\$76,163
	¥8,991	¥12,006	\$76,163

The related debt for which the above assets were pledged as collateral as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
Long-term debt including the			
current portion thereof.....	¥3,239	¥3,439	\$27,438
	¥3,239	¥3,439	\$27,438

Besides, there are fixed assets of which the seller retains the ownership right in the sales reservation contract (land ¥155 million (\$1,313 thousand), building and structures ¥52 million (\$440 thousand), and the related debt ¥104 million (\$881 thousand)).

The seller set up the contract with various buyers, and the ownership right will be reserved in the seller until all buyers repay their debts.

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 and 2006 are summarized as follows:

Years ending March 31,	Millions of yen		Thousands of
	2007	2006	U.S. dollars
2007.....	¥ —	¥ 1,401	\$ —
2008.....	1,145	1,143	9,699
2009.....	784	782	6,642
2010.....	23,757	23,756	201,245
2011.....	2,690	2,689	22,787
2012 and thereafter	272	269	2,304
	¥28,648	¥30,040	\$242,677

6. Other Income (Expenses)

The components of “other, net” in other income (expenses) for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of
	2007	2006	U.S. dollars
Rental income	¥450	¥ 398	\$3,812
Equity in earnings of affiliates.....	71	269	602
Exchange gain	170	1,024	1,440
Loss on disposal of property, plant			
and equipment.....	(564)	(1,137)	(4,778)
Gain on sale of property, plant			
and equipment.....	73	115	618
Loss on sale of property, plant			
and equipment.....	—	(24)	—
Loss on sale of investment securities.....	—	(18)	—
Loss on valuation of investment securities ...	(170)	(73)	(1,440)
Loss on valuation of golf club memberships ...	—	(8)	—
Other, net	156	133	1,322
	¥186	¥ 679	\$1,576

7. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation taxes, inhabitant taxes and enterprise taxes. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. The aggregate statutory income tax rate was 39.5% for the years ended March 31, 2007 and 2006.

Disclosure of a reconciliation between the statutory rate and the effective tax rate as a percentage of income before income taxes and minority interests for the years ended March 31, 2007 and 2006 have been omitted since the differences were not material.

The major components of deferred tax assets and liabilities as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Enterprise taxes payable	¥ 283	¥ 287	\$ 2,397
Allowances for employees' bonuses	569	692	4,820
Accrued employees' retirement benefits	4,272	4,837	36,188
Reserve for rebuilding furnaces	2,469	2,459	20,915
Net operating loss carryforward	4,048	3,907	34,291
Other	3,391	3,701	28,725
Gross deferred tax assets	15,032	15,883	127,336
Valuation allowance	(4,673)	(4,477)	(39,585)
Total deferred tax assets	10,359	11,406	87,751
Deferred tax liabilities:			
Reserve for deferred gain on property	(473)	(492)	(4,007)
Net unrealized holding gains on available-for-sale securities	(9,867)	(11,235)	(83,583)
Other	(1,085)	(556)	(9,191)
Total deferred tax liabilities	(11,425)	(12,283)	(96,781)
Net deferred tax liabilities	¥ (1,066)	¥ (877)	\$ (9,030)

8. Employees' Retirement Benefits

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

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	¥(29,786)	¥(31,244)	\$ (252,317)
Fair value of pension plan assets	18,721	18,029	158,586
Unfunded retirement benefit obligation	(11,065)	(13,215)	(93,731)
Unrecognized actuarial loss	192	885	1,626
Prepaid pension cost	(132)	—	(1,118)
Accrued retirement benefits	¥(11,005)	¥(12,330)	\$ (93,223)

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

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service costs	¥1,207	¥1,215	\$10,225
Interest costs	432	438	3,659
Expected return on pension plan assets	(170)	(142)	(1,440)
Amortization of actuarial loss	161	334	1,364
Total	¥1,630	¥1,845	\$13,808

The assumptions used in accounting for the above plans for the years ended March 31, 2007 and 2006 are as follows:

	2007	2006
Discount rate	1.5%	1.5%
Expected rate of return on pension plan assets	1.0%	1.0%
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Amortization of unrecognized actuarial differences (amortization starts from the year following the year in which they arise)	13 years	13 years

9. Research and Development Expenses

Research and development expenses for the years ended March 31, 2007 and 2006 were ¥6,630 million (\$56,163 thousand) and ¥6,125 million, respectively.

10. Leases

(1) Finance leases

The following are finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees:

(a) Lessee's accounting

Lease rental expenses on finance lease contracts without ownership-transfer for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Lease rental expenses	¥206	¥193	\$1,745

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, which include the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Acquisition costs	¥1,107	¥1,296	\$9,377
Accumulated depreciation	(711)	(696)	(6,023)
Net book value	396	600	3,354
Depreciation	206	193	1,745

Depreciation is computed on the straight-line method over the lease term of the leased assets with no residual value. The amount of outstanding future lease payments as of March 31, 2007 and 2006, which include the portion of interest thereon, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Future lease payments			
Within one year	¥182	¥205	\$1,542
Over one year	247	456	2,092
Total	¥429	¥661	\$3,634

(b) Lessor's accounting

The amount of outstanding future lease receivables as of March 31, 2007 and 2006 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Future lease receivables			
Within one year	¥12	¥17	\$102
Over one year	22	45	186
Total	¥34	¥62	\$288

Note: Above is the amount of the lessor's outstanding future lease receivables related to sub-lease contracts. The amount of the lessee's outstanding future lease receivables includes about the same amount of the lessor's outstanding future lease payments related to sub-lease contracts to the third party, with whom the same sub-lease contracts are maintained.

(2) Operating leases

(a) Lessee's accounting

The amount of outstanding future lease payments as of March 31, 2007 and 2006 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Future lease payments			
Within one year	¥ 28	¥ 28	\$ 237
Over one year	114	141	966
Total	¥142	¥169	\$1,203

(b) Lessor's accounting

The amount of outstanding future lease receivables as of March 31, 2007 and 2006 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Future lease receivables			
Within one year	¥ 403	¥ 403	\$ 3,414
Over one year	7,088	7,491	60,042
Total	¥7,491	¥7,894	\$63,456

11. Impairment of Fixed Assets

During the fiscal year ended March 31, 2007 and 2006, the Company and its consolidated domestic subsidiaries recognized loss on impairment on the following group of assets, respectively.

Use	Type of assets	Millions of yen		Thousands of U.S. dollars
		2007	2006	2007
Idle properties	Land and other	¥41	¥132	\$ 347

The Company and its consolidated domestic subsidiaries classified their fixed assets into groups by the type of respective operations based on the business segment. Their idle properties are individually considered.

Book values of idle properties were reduced to recoverable amounts. As a result, the Company recognized loss on impairment in the amount of ¥41 million (\$347 thousand) and ¥132 million, which consisted of ¥24 million (\$203 thousand) and ¥113 million for land, and ¥17 million (\$144 thousand) and ¥19 million for buildings and structures, as other expenses for the years ended March 31, 2007 and 2006, respectively.

Recoverable amounts of these idle properties are net selling price. Land and other properties are mainly evaluated by the agreed inheritance tax value and zero, respectively.

12. Amounts per Share

Amounts per share of net income are based on the weighted average number of shares of common stock outstanding during each year. Amounts per share of diluted net income assume the potential dilution that could occur if all convertible bonds were converted.

13. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and time deposits	¥11,044	¥11,244	\$93,554
Time deposits with a maturity of more than three months	(136)	(123)	(1,152)
Cash and cash equivalents.....	¥10,908	¥11,121	\$92,402

14. Contingent Liabilities

Contingent liabilities for trade notes receivable discounted and endorsed, loans guaranteed, and joint indebtedness as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Notes receivable – trade discounted and endorsed	¥ 83	¥159	\$ 703
Joint indebtedness for bank loans of companies other than consolidated subsidiaries	2,323	42	19,678

In addition, the Companies had commitments at March 31, 2007 and 2006 to guarantee bank borrowings of unconsolidated subsidiaries of ¥35 million (\$296 thousand) and ¥78 million in the aggregate, respectively. These guarantees can be activated at any time by the respective banks on behalf of those companies.

On November 5, 2002, the Company brought a declaratory judgment action against Honeywell Intellectual Properties Inc. (“HWP”) in the United States that the manufacturing method of HFC-245fa (next generation rigid urethane foam blowing agents with zero ozone-depletion properties), of which the Company began commercialization in January 2004, does not infringe HWP’s patent rights.

In response, the Company was sued by HWP on November 6, 2002 for patent infringement and HWP sought an injunction suspending the commercialization of HFC-245fa. Moreover, Honeywell International Inc. (“HWI”), the exclusive licensee of the patent, had filed a lawsuit which was similar in substance to that filed by HWP on April 1, 2003. The Company dropped the judgment action against HWP on March 31, 2004, based on discussion with the agent, since the details of the suits were substantially the same.

Therefore, the trials for the judgment action brought by HWP and HWI had been proceeding.

The Company was also sued by HWP and HWI in Germany and Netherlands on October 17, 2003 and in France on October 20, 2003. Among these, the Düsseldorf Regional Court in Germany dismissed the appeal on May 3, 2005. HWP and HWI filed an appeal to Düsseldorf High Court against the judgment on June 20, 2005.

The Company, HWP and HWI brought the patent litigation in Japan to an amicable settlement on June 27, 2006 in the Tokyo Local Court, and these lawsuits were resolved.

As a result, HWP and HWI will withdraw the provisional disposition statement in Japan and all lawsuits in Europe (Germany, Netherlands and France).

The influence of the above on the Company’s operational results is negligible.

On May 30, 2005, the Company together with Abbot Laboratories incorporated in the United States (“the plaintiffs”) brought a judgment action against Baxter Healthcare Corporation (“Baxter”) incorporated in the United States. The plaintiffs requested the prohibition of import and sale of Baxter products in Japan, stating that Baxter’s product (“Sevoflurane” an inhalation gas for anesthesia) violates the plaintiffs’ patent.

On September 28, 2006, the Tokyo district court handed down a decision, which accepted the content of the suit of the plaintiffs. As a result, Baxter filed to take their case to a higher court.

The plaintiffs were unable to prove any patent violation, and on March 21, 2002, had lost the case in the first judgment decision in the higher court’s ruling and in an Illinois district court decision on September 26, 2005. The plaintiffs filed to take their case to a higher court again, but it was dismissed on November 9, 2006. As a result, the plaintiffs are examining an additional legal action.

The plaintiffs filed a patent violation case against Baxter for other patents relating to the same product.

The Company believes that its patent is violated by Baxter. However, at this time, the Company can not predict the outcome of this case.

15. Securities

Available-for-sale securities with market value as of March 31, 2007 are as follows:

	Millions of yen			Book value (Market value)
	Acquisition cost	Unrealized gain	Unrealized loss	
Equity securities.....	¥12,558	¥25,045	¥(104)	¥37,499

	Thousands of U.S. dollars			Book value (Market value)
	Acquisition cost	Unrealized gain	Unrealized loss	
Equity securities.....	\$106,379	\$212,156	\$(881)	\$317,654

Available-for-sale securities with market value as of March 31, 2006 are as follows:

	Millions of yen			Book value (Market value)
	Acquisition cost	Unrealized gain	Unrealized loss	
Equity securities.....	¥10,946	¥28,441	¥(0)	¥39,387

Available-for-sale securities with no market value as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Unlisted equity securities.....	¥3,560	¥3,732	\$30,157

For the year ended March 31, 2007 and 2006, the Companies recognized ¥170 million (\$1,440 thousand) and ¥73 million in loss on devaluation of equity securities which were included in available-for-sale securities with no market value, respectively.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006, were ¥1,433 million (\$12,139 thousand) and ¥2,375 million, respectively. Realized gains on sales of available-for-sale securities for the year ended March 31, 2007 and 2006, were ¥988 million (\$8,369 thousand) and ¥1,387 million, respectively. For the year ended March 31, 2007, the losses did not recognized from the sales of available-for-sale securities. For the year ended March 31, 2006, realized losses on sales of available-for-sale securities was ¥18 million.

16. Net Assets

Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

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

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

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

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

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

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

The Board of Directors held on May 21, 2007 approved cash dividends amounting to ¥1,273 million (\$10,784 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2007.

17. Notes to the consolidated statement of changes in net assets

(1) Type and number of shares issued and treasury stock

	Shares	
	Type of shares issued	Type of treasury stock
	Common stock	Common stock
Number of shares as of March 31, 2006.....	214,879,975	490,535
Number of shares increased for the fiscal period ended March 31, 2007.....	—	2,173,728
Number of shares decreased for the fiscal period ended March 31, 2007.....	—	(5,027)
Number of shares as of March 31, 2007.....	214,879,975	2,659,236

Notes: a) Increase in the number of shares was due to purchases of 55,728 less-than-one-unit shares and purchases of 2,118,000 shares based on approval of Board of Directors.

b) Decrease in the number of shares was due to sales of 5,027 less-than-one-unit shares.

(2) Matters related to dividends

(a) Dividends payment

Approval by general meeting of shareholders held on June 29, 2006 was as follows:

Dividends on common stock	
a.Total amount of dividends	¥1,181 million (\$10,004 thousand)
b.Dividends per share	¥5.5 (\$0.047)
c.Record date	March 31, 2006
d.Effective date	June 30, 2006

Approval by Board of Directors held on November 13, 2006 was as follows:

Dividends on common stock	
a.Total amount of dividends	¥1,287 million (\$10,902 thousand)
b.Dividends per share	¥6.0 (\$0.051)
c.Record date	September 30, 2006
d.Effective date	December 8, 2006

(b) Dividends whose record date was attributable to the fiscal period ended March 31, 2007 but to be effective after the said fiscal period.

The following dividends were approved by Board of Directors held on May 21, 2007:

Dividends on common stock	
a.Total amount of dividends	¥1,273 million (\$10,784 thousand)
b.Funds for dividends	Retained earnings
c.Dividends per share	¥6.0 (\$0.051)
d.Record date	March 31, 2007
e.Effective date	June 29, 2007

18. Derivatives

The Companies utilize derivative instruments such as interest rate swap contracts to reduce market risk of fluctuations in interest rate, foreign currency forward contracts to reduce currency risk of fluctuations in foreign currency exchange rates and commodity swap contracts to reduce risk of volatility in fuel oil price for the year ended March 31, 2007, while the Companies utilized derivative instruments such as interest rate swap contracts for the year ended March 31, 2006.

The Companies are exposed to credit risk in the event of nonperformance by counterparties to derivative financial instruments, but such risk is considered minor because of the high credit rating of the counterparties.

The Companies enter into derivative contracts as a hedge for existing assets and liabilities denominated in foreign currencies, arising from operating activities.

According to the accounting standard for financial instruments, market value and other information on derivative financial instruments at March 31, 2007 and 2006 are not subject to disclosure because the Companies adopted hedge accounting for those instruments.

19. Segment Information

The business and geographical segment information and overseas sales of the Companies for the years ended March 31, 2007 and 2006 are outlined as follows:

Business segments

	Millions of yen				
	Year ended March 31, 2007				
	Glass	Chemicals	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	¥114,632	¥ 77,667	¥192,299	¥ —	¥192,299
Intersegment sales or transfers	3,524	1,825	5,349	(5,349)	—
Total net sales	118,156	79,492	197,648	(5,349)	192,299
Operating expenses	116,353	65,916	182,269	(5,350)	176,919
Operating income	¥ 1,803	¥ 13,576	¥ 15,379	¥ 1	¥ 15,380
II. Total assets, depreciation and capital expenditures					
Total assets	¥142,843	¥109,121	¥251,964	¥ (595)	¥251,369
Depreciation	4,731	6,664	11,395	—	11,395
Capital expenditures	7,430	6,587	14,017	—	14,017

	Thousands of U.S. dollars				
	Year ended March 31, 2007				
	Glass	Chemicals	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	\$ 971,046	\$657,916	\$1,628,962	\$ —	\$1,628,962
Intersegment sales or transfers	29,852	15,459	45,311	(45,311)	—
Total net sales	1,000,898	673,375	1,674,273	(45,311)	1,628,962
Operating expenses	985,625	558,373	1,543,998	(45,320)	1,498,678
Operating income	\$ 15,273	\$115,002	\$ 130,275	\$ 9	\$ 130,284
II. Total assets, depreciation and capital expenditures					
Total assets	\$1,210,021	\$924,362	\$2,134,383	\$ (5,040)	\$2,129,343
Depreciation	40,076	56,451	96,527	—	96,527
Capital expenditures	62,940	55,798	118,738	—	118,738

	Millions of yen				
	Year ended March 31, 2006				
	Glass	Chemicals	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	¥116,622	¥ 80,030	¥196,652	¥ —	¥196,652
Intersegment sales or transfers	2,926	1,682	4,608	(4,608)	—
Total net sales	119,548	81,712	201,260	(4,608)	196,652
Operating expenses	116,814	66,740	183,554	(4,609)	178,945
Operating income	¥ 2,734	¥ 14,972	¥ 17,706	¥ 1	¥ 17,707
II. Total assets, depreciation and capital expenditures					
Total assets	¥140,892	¥106,763	¥247,655	¥ (616)	¥247,039
Depreciation	4,483	6,533	11,016	—	11,016
Capital expenditures	8,568	8,246	16,814	—	16,814

Notes: a) Basis of segmentation

(1) The business segments are divided into the Glass Division and the Chemicals Division based on the nature of the manufacturing process and the sales market.

(2) The major products in each business segment are as follows:

Glass – architectural glass, glass products for automobiles, fine glass, etc.

Chemicals – chemical products, fine chemical products, fertilizer, fiberglass products, etc.

b) No unallocated operating expenses were included in eliminations or unallocated amounts for the years ended March 31, 2007 and 2006.

c) No total assets were included in eliminations or unallocated amounts as of March 31, 2007 and 2006.

d) Amortization of, and additions to long-term prepaid expenses have been included in depreciation and capital expenditures.

Geographical segments

Millions of yen					
Year ended March 31, 2007					
	Japan	Other areas	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	¥172,355	¥19,944	¥192,299	¥ —	¥192,299
Intersegment sales or transfers	2,416	167	2,583	(2,583)	—
Total net sales	174,771	20,111	194,882	(2,583)	192,299
Operating expenses	159,684	19,901	179,585	(2,666)	176,919
Operating income	¥ 15,087	¥ 210	¥ 15,297	¥ 83	¥ 15,380
II. Total assets					
Total assets	¥249,452	¥17,090	¥266,542	¥(15,173)	¥251,369

Thousands of U.S. dollars					
Year ended March 31, 2007					
	Japan	Other areas	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	\$1,460,017	\$168,945	\$1,628,962	\$ —	\$1,628,962
Intersegment sales or transfers	20,466	1,415	21,881	(21,881)	—
Total net sales	1,480,483	170,360	1,650,843	(21,881)	1,628,962
Operating expenses	1,352,681	168,581	1,521,262	(22,584)	1,498,678
Operating income	\$ 127,802	\$ 1,779	\$ 129,581	\$ 703	\$ 130,284
II. Total assets					
Total assets	\$2,113,105	\$144,769	\$2,257,874	\$(128,531)	\$2,129,343

Millions of yen					
Year ended March 31, 2006					
	Japan	Other areas	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income					
Sales to external customers	¥176,418	¥20,234	¥196,652	¥ —	¥196,652
Intersegment sales or transfers	1,922	224	2,146	(2,146)	—
Total net sales	178,340	20,458	198,798	(2,146)	196,652
Operating expenses	160,971	20,107	181,078	(2,133)	178,945
Operating income	¥ 17,369	¥ 351	¥ 17,720	¥ (13)	¥ 17,707
II. Total assets					
Total assets	¥246,245	¥15,829	¥262,074	¥(15,035)	¥247,039

Notes: a) Geographical areas are divided into categories based on their geographical proximity.

b) The principal nations or regions included in other are as follows:

Other areas – The United States of America, Taiwan, etc

c) No unallocated operating expenses were included in eliminations or unallocated amounts for the years ended March 31, 2007 and 2006.

d) No total assets were included in eliminations or unallocated amounts as of March 31, 2007 and 2006.

Overseas sales

	Millions of yen				
	Year ended March 31, 2007				
	North America	Asia	Europe	Other areas	Total
Overseas sales.....	¥21,128	¥10,655	¥11,739	¥1,410	¥ 44,932
Consolidated net sales					¥192,299
Percentage of consolidated net sales	11.0%	5.5%	6.1%	0.8%	23.4%

	Thousands of U.S. dollars				
	Year ended March 31, 2007				
	North America	Asia	Europe	Other areas	Total
Overseas sales.....	\$178,975	\$90,258	\$99,441	\$11,944	\$ 380,618
Consolidated net sales					\$1,628,962
Percentage of consolidated net sales	11.0%	5.5%	6.1%	0.8%	23.4%

	Millions of yen				
	Year ended March 31, 2006				
	North America	Asia	Europe	Other areas	Total
Overseas sales.....	¥22,652	¥11,371	¥10,158	¥1,188	¥ 45,369
Consolidated net sales					¥196,652
Percentage of consolidated net sales	11.5%	5.8%	5.2%	0.6%	23.1%

Notes: a) Geographical areas are divided into categories based on their geographical proximity.

b) The principal nations or regions included in each geographical area are as follows:

(1) North America – The United States of America, Canada

(2) Asia-Taiwan, China, Korea, Singapore, etc

(3) Europe – The United Kingdom, Italy, Germany, Switzerland, the Netherlands, etc

(4) Other areas – Argentine Republic, Colombia, etc

c) Overseas sales are sales of the Company and its consolidated subsidiaries in countries other than Japan.

20. Subsequent Event

There were no applicable items under this category.

Independent Auditors' Report

To the Shareholders and the Board of Directors of Central Glass Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Central Glass Co., Ltd. ("the Company") and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, 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 the Company and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to following.

As discussed in Note 2 (g) to the consolidated financial statements, effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted the new accounting standard for impairment of fixed assets.

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

KPMG AZSA & Co.

KPMG AZSA & Co.

Tokyo, Japan
June 28, 2007

Company Name

Central Glass Co., Ltd.

Established

October 10, 1936

Head Office

Kowa-Hitotsubashi Building
7-1, Kanda-Nishikicho 3-chome
Chiyoda-ku, Tokyo 101-0054, Japan
<http://www.cgco.co.jp/>

Paid-In Capital

¥18,168 million

Number of Employees

4,660 (Consolidated) (March 31, 2007)

Business Activities

Manufacture and sale of flat glass, fabricated glass and other glass products; soda, chlorine, organic and inorganic fluorine compounds, fertilizers, high-purity gas, solvents, medical and agricultural products; fiberglass products; and synthetic resins.

Board of Directors

Director, Chairperson of the Board

Sadayoshi Nakamura

Representative Director, President & CEO

Shuichi Sarasawa

Representative Director, Senior Executive Managing Officers

Seiichi Mitsumoto Keiji Kaneko

Directors

Yoichi Kumagai Kentaro Tsutsumi
Yoichi Kageyama Tatsuya Mori

Corporate Auditors

Standing Auditors

Mitsuo Ishizuka Toshiki Hayase

External Auditors

Shigeharu Negishi Hiroshi Hosoda
Takashi Shimoda

Offices and Plants

Sales Offices

Sendai Branch Tokyo Branch Nagoya Branch
Osaka Branch Fukuoka Branch

Plants

Ube Plant

Manufacture of soda ash and other chemicals, fluorine compounds, architectural glass, fine glass for electronics

Sakai Plant

Manufacture of architectural glass

Matsusaka Plant

Manufacture of architectural glass and automobile glass

Kawasaki Plant

Manufacture of fluorine compounds

R&D Centers

Glass Research Center

Chemical Research Center

Overseas Office

Central Glass Co., Ltd. Shanghai Rep. Office

Room 607 Shanghai International Trade Center, 2201 Yan An Road (West), Shanghai 200336 China
Tel: +86-21-6219-9791 Fax: +86-21-6275-2691

Principal Domestic Subsidiaries

Central Kasei Chemical Co., Ltd.

Manufacture of compound fertilizers

Central Glass Fiber Co., Ltd.

Manufacture and processing of glass fiber for reinforcement

Mie Glass Industry Co., Ltd.

Manufacture of mirror and decorative glass

Central Saint-Gobain Co., Ltd.

Sale of automobile glass

Central Godo Fertilizer Co., Ltd.

Sale of compound fertilizers

Overseas Subsidiaries and Affiliates

•North America

Carlex Glass Company

Manufacture and sale of automobile glass

77 Excellence Way Vonore, TN 37885 U.S.A.
Tel: +1-423-884-1111 Fax: +1-423-884-1041
<http://www.carlex.com/>

Central Glass International, Inc.

Information, consulting and advisory services and sale of merchandise

13201, Rachael Blvd., Route 2054, Alachua,
FL 32615 U.S.A.
Tel: +1-386-462-0588 Fax: +1-386-462-0425

Northwestern Industries, Inc.

Manufacture and sale of architectural processing glass
2500 West Jameson Street, Seattle, WA 98199 U.S.A.
Tel: +1-206-285-3140 Fax: +1-206-285-3603
<http://www.nwglass.com/>

SynQuest Laboratories, Inc.

Manufacture and sale of fluorine chemicals
13201, Rachael Blvd., Route 2054, Alachua,
FL 32615 U.S.A.
Tel: +1-386-462-0788 Fax: +1-386-462-7097
<http://www.synquestlabs.com/>

•Europe

Central Glass Europe Limited

Sale of fine chemical compounds and market research

Whitefield Road, Bredbury, Stockport, Cheshire,
SK6 2QR U.K.
Tel: +44-161-406-0888 Fax: +44-161-406-0999

Apollo Scientific Limited

Sale of fine chemical products
Whitefield Road, Bredbury, Stockport, Cheshire,
SK6 2QR U.K.
Tel: +44-161-406-0505 Fax: +44-161-406-0506
<http://www.apolloscientific.co.uk/>

•Asia

Yue Sheng Industrial Co., Ltd.

Manufacture and sale of automobile glass, seat belts, and textile interior products for automobiles

40-5 Po-Kung Keng, Hsi-Hu Tsun Sanyi Hsiang, Miaoli
Hsien, 36705 Taiwan R.O.C.
Tel: +886-37-871-811 Fax: +886-37-874-154
<http://www.twys.com.tw/>

Taiwan Central Glass Co., Ltd.

Manufacture, processing and sale of thin glass
40-21 Po-Kung Keng, Hsi-Hu Tsun Sanyi Hsiang, Miaoli
Hsien, 36705 Taiwan R.O.C.
Tel: +886-37-878-251 Fax: +886-37-876-448

* Central Glass Taiwan Trading Co., Ltd. was merged with Taiwan
Central Glass Co., Ltd. as of October 1, 2007.

Giga Gas & Electronic Materials Company

Sale of specialty gases and electronic materials
R1002, 10F, No.18, Sec.1, Chang-an E.Rd., Taipei
10442, Taiwan R.O.C.
Tel: +886-2-2511-1830 Fax: +886-2-2511-1859
<http://www.giga-gas.com.tw/>

Beijing Sanchong Mirror Co., Ltd.

Manufacture and sale of mirror and decorative glass
East Xisanqi Dewai Haidian District, Beijing 100096 China
Tel: +86-10-8292-4900 Fax: +86-10-8291-2433

Display Glass Alliance Inc.

Process and sale of FPD (PDP) glass
Youngpoong Bldg. 15th Floor, 33 Seorin-dong, Jongno-gu, Seoul
110-752, Korea
Tel: +82-2-3706-9047 Fax: +82-2-3706-9037

Central Glass Korea Co., Ltd.

Information, consulting and advisory services and sale of merchandise
Taesuk bldg, 18F, 275-5 Yangjae-dong, Seocho-gu, Seoul 137-
943, Korea

Thai Central Chemical Public Co., Ltd.

Manufacture and sale of compound fertilizers
Metro Building, 8F, 180-184 Rajawongse Road, Bangkok
10100 Thailand
Tel: +66-2-225-0135 Fax: +66-2-226-1263
<http://www.thaicentral.co.th/>

PMK-Central Glass Co., Ltd.

Manufacture and sale of processed glass for automobiles
and buildings
41 Moo 12 Petchkasem Road, Omnoi, Krathumban,
Samutsakorn 74130 Thailand
Tel: +66-2-813-7277 Fax: +66-2-431-2119
<http://www.pmkcentral.com/>

Japan Vietnam Fertilizers Company

Manufacture and sale of compound fertilizers
182 Dien Bien Phu Street, Dist.3, Ho Chi Minh City Vietnam
Tel: +84-8-290-5069 Fax: +84-8-290-5066
<http://www.jvf.com.vn/public/>

Stock Information (As of March 31, 2007)

Number of Shares

214,879,975 (issued common shares)
867,944,000 (authorized)

Number of Shareholders

17,737

Term-end

End of March

General Meeting of Shareholders

Late June

Stock Exchange Listings

Tokyo Stock Exchange (First Section), Osaka Securities Exchange (First Section) (Code: 4044)

Principal Shareholders

Name	Shares Held (1,000)	Percentage of Issued Shares
The Master Trust Bank of Japan, Ltd. (trust account)	10,281	4.78%
Japan Trustee Services Bank, Ltd. (trust account)	8,475	3.94
Trust & Custody Services Bank, Ltd. as a trustee for Mizuho Trust Retirement Benefits Trust Account for Mizuho Corporate Bank, Ltd.	8,295	3.86
Trust & Custody Services Bank, Ltd. as a trustee for Mizuho Trust Retirement Benefits Trust Account for The Yamaguchi Bank, Ltd.	4,300	2.00
Mitsui Sumitomo Insurance Co., Ltd.	3,734	1.74
State Street Bank and Trust Company 505019	3,521	1.64
Mellon Bank N.A. as agent for its client Mellon Omnibus US Pension	3,344	1.56
Sumitomo Mitsui Banking Corporation	3,241	1.51
Japan Trustee Services Bank, Ltd. (The Chuo Mitsui Trust and Banking Co., Ltd. Pension Fund Trustee)	3,149	1.47
Nippon Life Insurance Company	3,017	1.40

Composition of Shareholders

	Shares Held (Thousands)	Percentage of Shares Held	Number of Shareholders
Japanese Individuals/Others	*37,186	17.41	11,166
Financial Institutions	78,801	36.91	93
Securities Companies	2,730	1.28	32
Other Domestic Corporations	25,499	11.94	230
Foreign Investors	69,303	32.46	283

* Including treasury stocks, 2,500 thousand.

 **CENTRAL GLASS CO., LTD.**

Kowa-Hitotsubashi Building
7-1, Kanda-Nishikicho 3-chome
Chiyoda-ku, Tokyo 101-0054, Japan



Printed in Japan on Recycled Paper