

# Annual Report 2008

NIHON YAMAMURA GLASS

## Profile

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<b>Paid-in Capital</b>	¥14,075 million
<b>Listings</b>	Tokyo Stock Exchange (First Section) and Osaka Securities Exchange (First Section)
<b>No. of Employees</b>	1,121
<b>Lines of Business</b>	Production and sale of glass containers and, plastic containers, plastic closures, Manufacture and sale of related equipment
<b>Settlement Date</b>	31st March

## Shareholders' Information

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<b>Head Office Address</b>	2-21, Hamamatsubara-cho Nishinomiya, Hyogo 662-8586 Japan
<b>Established</b>	5th April, 1914
<b>Shares Issued</b>	111,452,494
<b>No. of Shareholders</b>	12,490

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## Financial Highlights

### 1. Summary of consolidated results

For the year ended 31st March

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Net sales .....	¥73,804	¥75,321	\$751,782
Operating income .....	3,268	2,968	29,624
Income before income taxes .....	3,158	2,281	22,767
Net income .....	1,845	1,589	15,860

At 31st March

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Total assets .....	¥91,058	¥102,207	\$1,020,133
Property, plant and equipment .....	40,001	36,611	365,416
Total Net Assets .....	54,665	55,398	552,930
	Yen		U.S. Dollars
Net income per share .....	¥16.59	¥14.30	\$0.143

### 2. Summary of non-consolidated results

(Unaudited)

For the year ended 31st March

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Net sales .....	¥60,255	¥61,103	\$609,871
Operating income .....	2,346	2,175	21,709
Income before income taxes .....	2,605	1,879	18,754
Net income .....	1,611	1,444	14,413

At 31st March

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Total assets .....	¥82,377	¥93,994	\$938,158
Property, plant and equipment .....	36,967	33,752	336,880
Total Net Assets .....	49,202	49,569	494,750
	Yen		U.S. Dollars
Net income per share .....	¥14.49	¥13.00	\$0.130

Note: U.S. dollar amounts have been translated from Japanese yen at the rate of ¥100.19 to \$1.00.

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# Message from the President, CEO & COO

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The Yamamura Group, with Nihon Yamamura Glass at its core, has manufactured and sold glass containers since 1914. In addition to this core business, our scope of operations has expanded into plastic containers, logistics, new glass development, and engineering. As we approach our 100th anniversary, the Yamamura Group continues to enhance its presence both domestically and internationally.

## Overview of Fiscal 2007 Results

### ~Two Consecutive Year of Increased Revenues

For the fiscal year ending March 31, 2008, all business fields except for glass containers showed increased revenues, with consolidated net sales reaching ¥75,321 million (a 2.1% increase over fiscal 2007). Consolidated operating income fell to ¥2,968 million (a 9.2% decrease over fiscal 2007) due to the unfortunate double punch of the 2007 Japanese tax change in the depreciation calculation method for fixed assets and rising oil costs. As a result, final current net income stood at ¥1,589 million (a 13.9% decrease over fiscal 2007).

#### <Glass Container Business>

We have continued to expand sales and provide technological support in overseas markets despite the continued contraction of the glass container market. Even with these efforts, we encountered a decrease in shipping volumes and suffered a drop in the average sales price due to product mix, which resulted in decreased income. We also worked to improve efficiency and cut costs, but a change in the depreciation calculation method for fixed assets and rising oil prices had a large effect, causing the drop of operating income.

#### <Plastic Container Business>

A decline in demand for heat-resistant PET bottles continued as in-house production became more prevalent. However, partly due to increased demand for bottled beverages during an extremely hot summer, we were able to overcome the previous fiscal year's weak performance.

Our plastic caps business has been buoyed by a high level of customer satisfaction with our TEN caps and shipments have increased steadily, resulting in increased revenues. Efficiency improvements and cost reductions offset the effect of rising oil prices, and we realized an increase in operating income.

#### <Logistics Business>

Revenues continued to increase due to proactive sales work and new customer development. Unfortunately, operating income fell due to the initial investments required for new customers, fuel costs and an increase in personnel expenses.

#### <New Glass Business>

Shipments of powdered glass for condensers and other new products increased, although shipments of powdered glass for plasma display panels edged slightly downward.

In terms of operating income, factors such as improved efficiencies and bringing the new plant in Amagasaki (completed in fiscal 2007) into full production contributed to increased revenues and increased profits.

#### <Other Business Operations>

Revenues increased significantly in our engineering business operations as we began sales of glass bottle production machinery to San Miguel Yamamura Asia Corporation.



### **Future Business Development**

#### **~Mid-Term Plan from the Fiscal Year Ending March 2008 to the Fiscal Year Ending March 2010**

In celebration of our upcoming 100th anniversary in 2014, the Yamamura Group continues to implement innovative changes according its long-term "New Yamamura" vision. During the second stage of this vision, named "Evolution," we are transforming our business structure to further heighten corporate value according to the following core principles.

#### Core Principles of the Evolution Stage

1. Strengthen the competitiveness of domestic operations in Japan

Further strengthen our earning capacity to maintain a stable business foundation.

2. Enhance current businesses and establish new businesses

Leverage our existing technologies and realize business synergies to expand operations.

3. Amplify international business operations

Further develop our relationships with overseas business partners to expand operations.

The first step in this stage has been capital participation in two subsidiaries of San Miguel Corporation, with whom we have had business collaborations for many years. This strategic packaging partnership will allow the Yamamura Group to maximize our international opportunities in the burgeoning Asian market.

The equity method is used to account for capital participation in the two San Miguel Corporation affiliates, and this will affect consolidated results for fiscal 2008. Additionally, the current difficult business environment is expected to continue both domestically and internationally. Given these factors, in fiscal 2008 we expect net sales of ¥76,200 million (a 1.2% increase over fiscal 2007), operating income of ¥2,850 million (a 4.0% decrease over fiscal 2007) and a current net income of ¥1,300 million (an 18.2% decrease over fiscal 2007).

In April 2008, Yamamura Group established a wholly owned subsidiary in Shanghai, China. This business will focus on the supply and sales of various materials and machine parts to Japanese food and beverage manufacturers that have entered the market in China.

The Yamamura Group asks for your continued support as we strive to provide the best possible corporate value for investors.

山村幸治

KOJI YAMAMURA,  
PRESIDENT, CEO & COO

## Three-Year Summary

### For the year ended 31st March

	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Net sales .....	¥70,229	¥73,804	¥75,321	\$751,782
Cost of sales .....	56,119	59,120	60,939	608,235
Gross profit .....	14,110	14,684	14,382	143,547
Selling, general and administrative expenses .....	10,873	11,416	11,414	113,923
Operating income .....	3,237	3,268	2,968	29,624
Income before income taxes .....	3,099	3,158	2,281	22,767
Income taxes .....	1,173	1,312	690	6,887
Net income .....	1,924	1,845	1,589	15,860

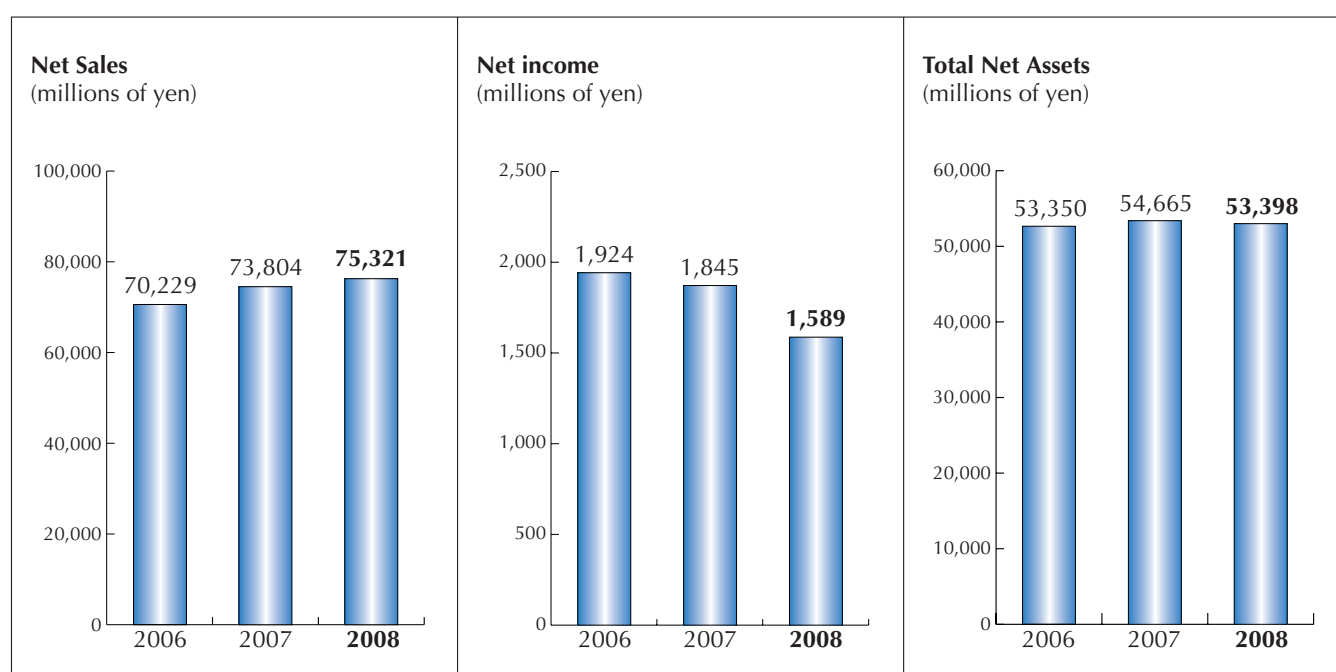
### At 31st March

	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Total assets .....	¥90,379	¥91,058	¥102,207	\$1,020,133
Property, plant and equipment .....	38,957	40,001	36,611	365,416
Total Net Assets .....	53,350	54,665	55,398	552,930

### Amounts per share

	Yen			U.S. Dollars
Net income .....	¥16.32	¥16.59	¥14.30	\$0.143
Cash dividends applicable to the year	6.50	6.50	6.00	0.060

Note: U.S. dollar amounts have been translated from Japanese yen at the rate of ¥100.19 to \$1.00.



## Consolidated Balance Sheets

Nihon Yamamura Glass Co., Ltd. and Consolidated Subsidiaries  
March 31, 2007 and 2008

	Millions of Yen		Thousands of
	2007	2008	U.S. Dollars (Note 1)
			2008
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents .....	¥7,922	¥9,266	\$92,484
Receivables:			
Trade notes and accounts			
Unconsolidated subsidiaries and affiliated companies .....	60	7	70
Other .....	19,788	20,168	201,298
Other .....	464	927	9,252
Allowance for doubtful receivables .....	(15)	(20)	(199)
	20,297	21,082	210,421
Inventories (Note 3) .....	8,647	8,437	84,210
Deferred tax assets (Note 12) .....	521	473	4,721
Other current assets .....	310	154	1,538
Total current assets .....	37,697	39,412	393,374
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliated companies .....	4,793	18,087	180,527
Other (Note 9) .....	4,778	4,007	39,994
Long-term loans receivable .....	12	16	160
Deferred tax assets (Note 12) .....	2,501	2,769	27,638
Other investments and non-current receivables .....	1,030	1,091	10,889
Allowance for doubtful receivables .....	(142)	(128)	(1,278)
	12,972	25,842	257,930
Property, plant and equipment (Note 5):			
Land .....	12,033	11,241	112,197
Buildings and structures .....	30,901	30,225	301,677
Machinery and equipment .....	82,858	81,749	815,939
Construction in progress .....	532	366	3,653
	126,324	123,581	1,233,466
Less : accumulated depreciation .....	(86,323)	(86,970)	(868,050)
	40,001	36,611	365,416
Intangible assets			
	388	342	3,413
	¥91,058	¥102,207	\$1,020,133

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of
	2007	2008	U.S. Dollars (Note 1)
			2008
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Bank loans (Note 5) .....	¥2,380	<b>¥2,380</b>	<b>\$23,755</b>
Long-term debt due within one year (Note 5) .....	3,622	<b>2,000</b>	<b>19,962</b>
Notes and accounts payable:			
Trade:			
Unconsolidated subsidiaries and affiliated companies .....	43	<b>63</b>	<b>629</b>
Other .....	9,919	<b>8,343</b>	<b>83,272</b>
Construction and other .....	1,762	<b>3,053</b>	<b>30,472</b>
	11,724	<b>11,459</b>	<b>114,373</b>
Accrued for employees' bonuses .....	747	<b>700</b>	<b>6,986</b>
Accrued for directors' bonuses .....	67	<b>57</b>	<b>569</b>
Accrued income taxes .....	675	<b>225</b>	<b>2,246</b>
Other current liabilities .....	1,398	<b>1,623</b>	<b>16,199</b>
Total current liabilities .....	20,613	<b>18,444</b>	<b>184,090</b>
Non-current liabilities:			
Long-term debt due after one year (Note 5) .....	7,880	<b>21,130</b>	<b>210,899</b>
Retirement and severance benefits:			
Employees (Note 11) .....	4,281	<b>3,881</b>	<b>38,736</b>
Allowance for special repairs .....	3,056	<b>3,022</b>	<b>30,163</b>
Other non-current liabilities (Note 12) .....	563	<b>332</b>	<b>3,314</b>
Total non-current liabilities .....	15,780	<b>28,365</b>	<b>283,112</b>
Contingent liabilities (Note 4)			
Net Assets (Note 6):			
Common stock .....	14,075	<b>14,075</b>	<b>140,483</b>
Authorized-300,000,000 shares in 2007 and 2008			
Issued-111,452,494 shares in 2007 and 2008			
Capital surplus .....	17,301	<b>17,301</b>	<b>172,682</b>
Retained earnings .....	22,565	<b>23,432</b>	<b>233,876</b>
Less treasury stock, at cost			
(302,539 shares in 2007 and 343,276 shares in 2008) .....	(75)	<b>(87)</b>	<b>(868)</b>
Unrealized gains on securities, net of taxes .....	1,264	<b>771</b>	<b>7,695</b>
Deferred profits on hedges, net of taxes .....	2	<b>-</b>	<b>-</b>
Foreign currency translation adjustments .....	(509)	<b>(134)</b>	<b>(1,337)</b>
Minority interests .....	42	<b>40</b>	<b>399</b>
Total Net Assets .....	54,665	<b>55,398</b>	<b>552,930</b>
	¥91,058	<b>¥102,207</b>	<b>\$1,020,132</b>

## Consolidated Statements of Income

Nihon Yamamura Glass Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
Net sales .....	¥73,804	¥75,321	\$751,782
Cost of sales .....	59,120	60,939	608,235
Gross profit .....	14,684	14,382	143,547
Selling, general and administrative expenses .....	11,416	11,414	113,923
Operating income .....	3,268	2,968	29,624
Other income (expenses):			
Interest and dividend income .....	65	101	1,008
Interest expense .....	(222)	(268)	(2,675)
Loss on disposal of property, plant and equipment and intangible assets .....	(455)	(307)	(3,064)
Reversal of allowance for special repairs .....	-	9	90
Equity in earnings of affiliates .....	184	118	1,177
Depreciation and taxes on idle equipment .....	(242)	(239)	(2,385)
Product warranty expense .....	75	67	669
Reversal of allowance for doubtful receivables .....	2	17	169
Gain on sale of property, plant and equipment .....	4	49	489
Gain on sale of investment securities .....	49	13	130
Gain on insurance adjustment .....	97	-	-
Loss on asset impairment .....	-	(412)	(4,112)
Other, net .....	333	165	1,647
Income before income taxes .....	3,158	2,281	22,767
Income taxes (Note 12)			
Current .....	877	655	6,538
Deferred .....	435	35	349
	1,312	690	6,887
Minority interests .....	(1)	(2)	(20)
Net income .....	¥1,845	¥1,589	\$15,860

Amounts per share	Yen		U.S. Dollars (Note 1)
	2007	2008	2008
Net income per share.....	¥16.59	¥14.30	\$0.143
Cash dividends applicable to the year.....	6.50	6.00	0.060

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Changes in Net Assets

Nihon Yamamura Glass Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2007 and 2008

	Millions of Yen									
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities, net of taxes	Deferred profits on hedges, net of taxes	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2006 .....	¥125,368	¥14,075	¥17,301	¥24,812	¥(3,367)	¥1,386	¥-	¥(899)	¥42	¥53,350
Net income .....	-	-	-	1,845	-	-	-	-	-	1,845
Cash dividends paid (¥6.5 per share).....	-	-	-	(723)	-	-	-	-	-	(723)
Bonuses to directors .....	-	-	-	(64)	-	-	-	-	-	(64)
Acquisition of treasury stock .....	-	-	-	-	(14)	-	-	-	-	(14)
Sales of treasury stock .....	-	-	-	-	1	-	-	-	-	1
Retirement of treasury stock .....	(13,916)	-	-	(3,305)	3,305	-	-	-	-	-
Net changes during the year .....	-	-	-	-	-	(122)	2	390	-	270
Balance at March 31, 2007 .....	¥111,452	¥14,075	¥17,301	¥22,565	¥(75)	¥1,264	¥2	¥(509)	¥42	¥54,665
Net income .....	-	-	-	1,589	-	-	-	-	-	1,589
Cash dividends (¥6.5 per share) .....	-	-	-	(722)	-	-	-	-	-	(722)
Acquisition of treasury stock .....	-	-	-	-	(13)	-	-	-	-	(13)
Sales of treasury stock .....	-	-	-	-	1	-	-	-	-	1
Net changes during the year .....	-	-	-	-	-	(493)	(2)	375	(2)	(122)
Balance at March 31, 2008 .....	¥111,452	¥14,075	¥17,301	¥23,432	¥(87)	¥771	¥-	¥(134)	¥40	¥55,398

	Thousands of U.S. Dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities, net of taxes	Deferred profits on hedges, net of taxes	Foreign currency translation adjustments	Minority interests	Total	
Balance at March 31, 2007 .....	\$140,483	\$172,682	\$225,222	\$(748)	\$12,616	\$20	\$(5,080)	\$419	\$545,614	
Net income .....	-	-	15,860	-	-	-	-	-	15,860	
Cash dividends (\$0.065 per share) .....	-	-	(7,206)	-	-	-	-	-	(7,206)	
Acquisition of treasury stock .....	-	-	-	(130)	-	-	-	-	(130)	
Sales of treasury stock .....	-	-	-	10	-	-	-	-	10	
Net changes during the year .....	-	-	-	-	(4,921)	(20)	3,743	(20)	(1,218)	
Balance at March 31, 2008 .....	\$140,483	\$172,682	\$233,876	\$(868)	\$7,695	\$-	\$(1,337)	\$399	\$552,930	

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

Nihon Yamamura Glass Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes .....	¥3,158	¥2,281	\$22,767
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization .....	4,589	5,414	54,037
Impairment loss on fixed asset (Note 14) .....	–	–	4,112
Equity in earnings of affiliates .....	(184)	(118)	(1,178)
Increase (decrease) in allowance for doubtful receivables .....	16	(8)	(80)
Decrease in allowance for special repairs .....	(211)	(34)	(339)
Decrease in provision for employees' retirement and severance benefits ....	(456)	(400)	(3,992)
Decrease in provision for directors' retirement and severance benefits .....	(191)	–	–
Decrease in accrued for employees' bonuses .....	(23)	(47)	(469)
Increase (decrease) in accrued for directors' bonuses .....	67	(10)	(100)
Loss on revaluation of investment securities .....	–	5	50
Loss on disposal of property, plant and equipment .....	422	305	3,044
Gain on sale of property, plant and equipment .....	(4)	(49)	(489)
Loss on disposal of intangible assets .....	2	2	20
Gain on sale of investment securities .....	(49)	(13)	(130)
Loss on sales of stocks of subsidiaries and affiliates .....	–	12	120
Loss on extinguishment of tie-in shares .....	–	30	300
Interest and dividend income .....	(65)	(101)	(1,008)
Interest expense .....	222	268	2,675
Increase in trade notes and accounts receivable .....	(1,508)	(273)	(2,725)
Decrease (increase) in trade notes and accounts payable .....	(483)	96	958
Decrease in inventories .....	455	211	2,106
Other .....	(295)	564	5,629
Total adjustments .....	5,462	8,547	85,308
Interest and dividends received .....	139	161	1,607
Interest paid .....	(224)	(235)	(2,345)
Income and enterprise taxes paid .....	(219)	(1,173)	(11,708)
Net cash provided by operating activities .....	5,158	7,300	72,862
<b>Cash Flows from Investing Activities:</b>			
Purchase of property, plant and equipment .....	(5,097)	(3,392)	(33,856)
Proceeds from sale of property, plant and equipment .....	570	397	3,962
Purchase of intangible assets .....	(130)	(89)	(888)
Purchase of investment securities .....	(670)	(89)	(888)
Proceeds from sale of investment securities .....	70	16	160
Purchase of securities of an affiliated company .....	–	(13,552)	(135,263)
Increase in other assets .....	(229)	(135)	(1,347)
Proceeds from other assets .....	191	86	858
Other .....	13	–	–
Net cash used in investing activities .....	(5,282)	(16,758)	(167,262)
<b>Cash Flows from Financing Activities:</b>			
Increase in short-term bank loans .....	1,410	–	–
Proceeds from long-term debt .....	600	15,157	151,282
Repayments of long-term debt .....	(2,199)	(3,622)	(36,151)
Increase in treasury stock .....	(14)	(12)	(120)
Cash dividends paid .....	(724)	(724)	(7,226)
Net cash used in financing activities .....	(927)	10,799	107,785
Net Increase (decrease) in Cash and Cash Equivalents .....	(1,051)	1,341	13,385
Cash and Cash Equivalents at Beginning of Year .....	8,973	7,922	79,069
Cash and Cash Equivalents resulting from merger .....	–	3	30
Cash and Cash Equivalents at End of Year (Note 7) .....	¥7,922	¥9,266	\$92,484

See accompanying Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

Nihon Yamamura Glass Co., Ltd. and Consolidated Subsidiaries

## 1. Basis of Presenting Consolidated Financial Statements

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Significant Accounting Policies

### Basis of consolidation and investments in affiliated companies

The consolidated financial statements include the accounts of the Company and three significant domestic subsidiaries. Unconsolidated subsidiaries and affiliated companies would have had no material effect on the accompanying consolidated financial statements. Intercompany transactions and accounts have been eliminated.

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control by the Company.

Investments in four affiliates over which the Company has the ability to exercise significant influence over operating

and financial policies of the investees are accounted for by the equity method. For the years ended March 31, 2007 and 2008, four affiliates have fiscal years ended on 31st December of the previous years. Affiliates are accounted for using the equity method as of each affiliate's most recent fiscal year-end.

Significant transactions occurring between affiliates' year-ends and the Company's are adjusted on consolidation.

In the elimination of investments in subsidiaries, the portion of assets and liabilities of a subsidiary attributable to the subsidiary's shares acquired by the Company are evaluated at the fair value as of the respective dates when such shares were acquired. The amounts of assets and liabilities attributable to minority shareholders of the subsidiary are determined using the financial statements of the subsidiary.

### Application of the Equity Method

All shares of Lam Soon Ball Yamamura Inc. were sold in the year ended March 31, 2008.

The Company acquired stakes in San Miguel Yamamura Packaging Corp. and San Miguel Yamamura Packaging International Ltd. in the year ended March 31, 2008.

Both will be accounted for under the equity method next year.

The Company's stakes in San Miguel Yamamura Glass (Vietnam) Ltd. was exchanged for San Miguel Yamamura Packaging International Ltd., and SMC Yamamura Fuso Molds Corp. was exchanged for San Miguel Yamamura Packaging Corp.

### Translation of foreign currencies

Revenues and expenses are translated at the rates of exchange prevailing when transactions are made. Foreign currency monetary assets and liabilities are translated into Japanese yen at the current rate at the end of the fiscal year and the resulting translation gains or losses are included in earnings currently.

All assets, liabilities, revenues and expenses of foreign affiliates are translated into Japanese yen at the current rate at the end of the fiscal year. The resulting translation adjustments are shown as "Foreign currency translation adjustments", a separate component of Net Assets.

### Cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

# Notes to Consolidated Financial Statements

Nihon Yamamura Glass Co., Ltd. and Consolidated Subsidiaries

## Securities

The Company and its consolidated domestic subsidiaries do not hold securities for trading purposes. Debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities") are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of Net Assets. Realized gains and losses on sale of such securities are computed using moving-average cost.

Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method and other securities is not readily available, such securities should be written down to net asset value with a corresponding charge in the statements of income in the event the net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

## Allowance for doubtful receivables

For receivables from insolvent customers, who are undergoing bankruptcy or other collection proceedings or are in similar financial condition, the allowance for doubtful accounts is provided based on the evaluation of each customer's financial condition and the estimation of recoverable amounts due to the existence of security interests or guarantees.

For other receivables, the allowance for doubtful receivables is provided based on the Company's actual rate of collection losses in the past.

## Inventories

Inventories are stated at cost. Cost is determined by the first-in first-out method for raw materials excluding cullet and by the average cost method for remaining inventories.

## Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is calculated, over estimated useful lives as prescribed by Japanese tax regulations, using the declining-balance method, except for buildings acquired after April 1,

1998, which are depreciated on the straight-line method.

Depreciation of assets for which the acquisition cost is between ¥100 thousand and ¥200 thousand is calculated using the straight-line method over three years.

Contribution for construction of property, plant and equipment by the government is credited to advances received when received and, when construction is completed are deducted from the acquisition cost of the related fixed assets in accordance with the Corporation Tax Law of Japan. Accumulated amounts of the deductions were ¥133 million (\$1,327 thousand) at March 31, 2008.

### (a) Changes in Significant Accounting Policies

In the Harima plant and parts of lease assets of the buildings, structures, machinery and certain equipment, the method of depreciation was changed in the declining-balance method from the straight-line method in the year ended March 31, 2008.

This change permits the early recovery of the investment and greater fitness in financial standing.

The company unified the methods of the depreciation, taking advantage of management's three-year plan starting from the new middle of this fiscal year.

As a result of this change, operating income decreased by ¥212 million, and income before income taxes decreased by ¥223 million, respectively.

In accordance with the amendment of the Corporate Tax Law in Japan, with effect from the fiscal year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the method of depreciation applied to all property, plant and equipment acquired on or after April 1, 2007 to that based on the revised law.

As a result of this change, operating income decreased by ¥149 million, and income before income taxes decreased by ¥149 million, respectively.

### (b) Additional Information

In accordance with the amendment of the Corporate Tax Law in Japan, property, plant and equipment acquired on or before March 31, 2007, are accounted for by depreciating on a straight-line method over a period of five years the difference between the amount equivalent to 5% of the acquisition value and the memorandum value and entering this amount in depreciation expenses from the consolidated accounting year in which 5% of the acquisition value is reached applying the method of depreciation provided for in the Corporation Tax Law before amendment.

As a result of the change, operating income decreased by ¥422 million, and income before income taxes decreased

# Notes to Consolidated Financial Statements

Nihon Yamamura Glass Co., Ltd. and Consolidated Subsidiaries

by ¥431 million, respectively.

## Software costs

The Company and its consolidated subsidiaries include software in intangible assets and depreciate it using the straight-line method over its estimated useful life (five years).

## Bond issue costs

Previous year, all costs of issuing bonds were expensed when incurred. There were no costs of issuing bonds for the years ended March 31, 2008.

## Research and development expenses

The Company charges research and development expenses to selling, general and administrative expenses and manufacturing costs as incurred. Research and development expenses amounted to ¥430 million and ¥474 million (\$4,731 thousand) for the year ended March 31, 2007 and 2008, respectively.

## Bonuses

### (a) Employees

The Company and its consolidated subsidiaries mainly follow the Japanese practice of paying bonuses to employees in June and December. Accrued employees' bonuses at the balance sheet date is calculated based upon management's estimate of annual amounts thereof.

### (b) Directors

Accrued for directors' bonuses at the balance sheet date is calculated based upon management's estimate of annual amounts thereof.

## Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax.

The Company and its consolidated subsidiaries recognize tax effects of tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

## Retirement and severance benefits

The unfunded lump-sum benefits plan provides a lump-sum payment to substantially all employees who have rendered services for more than one year. The amount of the retirement and severance benefit is, in general, based on length of service, base salary at the time of retirement and cause of retirement.

Liabilities and expenses for retirement and severance

benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries provide for employees' retirement and severance benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the balance sheet date.

Actuarial gains and losses are recognized as expenses using the straight-line method within the average of the estimated remaining service lives commencing the following year.

The Company and its consolidated subsidiary, Yamamura Glass Works Co., Ltd., revised their retirement benefit plans on April 1, 2005. Previously there were lump-sum benefits plan, the tax-qualified pension plans, but these were changed to lump-sum benefits and, defined benefit corporate pension plans (Cash balance plan), and the plan that the employees can select between defined contribution pension plans or prepaid retirement allowance plans.

## Allowance for special repairs

Glass furnaces and hot blast stoves including related machinery and equipment periodically require substantial component replacement and repair. The estimated future costs of such work are provided for and charged to income on a straight-line basis over the period to the date of the anticipated replacement and repair. The difference between such estimated cost and actual costs is charged or credited to income at the time the work takes place.

## Accounting for leases

Finance leases which do not transfer ownership and do not have bargain purchase provisions are accounted for in the same manner as operating leases under Japanese GAAP.

## Derivatives and hedging transactions

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

### (a) Hedge accounting

The Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign currency exchange contracts are used as hedges and meet certain hedging criteria, forward foreign currency exchange contracts and hedged items are accounted for in the following manner:

- (1) If a forward foreign currency exchange contract is executed to hedge an existing foreign currency receivable or payable,

## Notes to Consolidated Financial Statements

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(i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and

(ii) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign currency exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign currency exchange contract is recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(b) Hedging instruments and hedged items

Hedging instruments :

Interest rate swap contracts

Forward foreign currency exchange contracts

Hedged items:

Interest expense on long-term debt

Foreign currency transactions

(c) Hedging policy

The Company and its consolidated subsidiaries use derivative financial instruments to hedge future risks of interest rate fluctuations, exchange rate fluctuations and market price fluctuations in accordance with their internal policies and procedures.

### Reclassifications

Certain prior year amounts have been reclassified to conform to the 2008 presentation. These changes had no material effect on previously reported results of operations or net assets.

### Amounts per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Diluted net income per share of common stock for the years ended March 31, 2007 and 2008 is not shown since

there were no outstanding convertible bonds or other common stock equivalents.

## Notes to Consolidated Financial Statements

Nihon Yamamura Glass Co., Ltd. and Consolidated Subsidiaries

### 3. Inventories

Inventories at March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Finished goods .....	¥6,167	¥6,472	\$64,597
Work-in-process .....	888	253	2,525
Raw materials .....	721	858	8,564
Supplies .....	871	854	8,524
Total .....	¥8,647	¥8,437	\$84,210

### 4. Contingent Liabilities

At March 31, 2007 and 2008, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Employees' housing loan guarantees .....	¥4	¥2	\$20

## Notes to Consolidated Financial Statements

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### 5. Bank Loans and Long-Term Debt

Short-term debt at March 31, 2007 and 2008 consisted of bank loans, generally for 154 days, bearing average interest rates of 1.26 per cent and 1.42 per cent per annum, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Secured :			
Banks, insurance companies and others, 1.21 – 2.53 per cent maturing through 2013 .....	¥6,372	¥5,200	\$51,901
Unsecured :			
Banks, 1.28 – 2.28 per cent maturing through 2015 .....	4,130	16,930	168,979
1.04 per cent bonds due 2011.....	1,000	1,000	9,981
	11,502	23,130	230,861
Less : amounts due within one year .....	3,622	2,000	19,962
Total .....	¥7,880	¥21,130	\$210,899

At March 31, 2007 and 2008, assets pledged as collateral for secured long-term debt were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Property, plant and equipment – net of accumulated depreciation .....	¥21,131	¥17,433	\$173,999
Total .....	¥21,131	¥17,433	\$173,999

As is customary in Japan, security may need to be provided if requested by a lending bank, and such banks have the right to offset cash deposited with it against any debt or obligation that becomes due and, in the case of default or certain other specified events, against all debts payable to the bank. Certain of the long-term debt agreements provide, among other things, that the Company submit to the lenders (upon their request) for approval its proposed appropriation of profits (including dividends) before such appropriation can be submitted to the shareholders. The Company has never received such a request.

The annual maturities of long-term debt at March 31, 2008 were as follows :

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009 .....	¥2,000	\$19,962
2010 .....	3,330	33,237
2011 .....	3,950	39,425
2012 .....	1,600	15,970
2013 .....	3,250	32,438
There after .....	9,000	89,829
	¥23,130	\$230,861

## Notes to Consolidated Financial Statements

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### 6. Net Assets

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

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

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. 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 Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

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

At the annual shareholders' meeting held on June 26, 2008, the shareholders approved cash dividends amounting to ¥333 million (\$3,324 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations are recognized in the period in which they are approved by the shareholders.

### 7. Supplemental Disclosures of Cash Flows Information

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Cash and cash equivalents – balance sheets .....	¥7,922	¥9,266	\$92,484
Cash and cash equivalents – statements of cash flows .....	¥7,922	¥9,266	\$92,484

Depreciation and amortization in the consolidated statements of cash flows includes research and development asset depreciation and depreciation of idle equipments.

## Notes to Consolidated Financial Statements

Nihon Yamamura Glass Co., Ltd. and Consolidated Subsidiaries

### 8. Leases

At March 31, 2007 and 2008, assets leased under non-capitalized finance leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Machinery and equipment .....	¥685	¥705	\$7,037
Less : accumulated depreciation and amortization .....	(218)	(329)	(3,284)
Total .....	¥467	¥376	\$3,753

The above "as if capitalized" depreciation and amortization is calculated on the straight-line basis over the lease term. If the above leases were capitalized, interest of ¥10 million and ¥8 million (\$80 thousand) and depreciation and amortization of ¥147 million and ¥143 million (\$1,427 thousand) would have been recorded for the years ended March 31, 2007 and 2008, respectively.

Total lease payments under non-capitalized finance leases were ¥154 million and ¥150 million (\$1,497 thousand) for the years ended March 31, 2007 and 2008, respectively.

Obligations under finance leases at March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Due within one year .....	¥134	¥140	\$1,397
Due after one year .....	340	244	2,436
Total .....	¥474	¥384	\$3,833

Obligations under operating leases at March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Due within one year .....	¥65	¥65	\$649
Due after one year .....	162	97	968
Total .....	¥227	¥162	\$1,617

## Notes to Consolidated Financial Statements

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### 9. Securities

The following tables summarize acquisition costs and book values (fair values) of securities with available fair values as of March 31, 2007 and 2008.

Available-for-sale securities

Securities with book values (fair values) that exceed acquisition cost:

Equity securities .....		Millions of Yen		Thousands of U.S. Dollars
		2007	2008	2008
	Acquisition cost	¥2,312	¥2,378	\$23,735
	Book value	¥4,472	¥3,697	\$36,900
	Difference	¥2,160	¥1,319	\$13,165

Securities with book values (fair values) that do not exceed acquisition cost:

Equity securities .....		Millions of Yen		Thousands of U.S. Dollars
		2007	2008	2008
	Acquisition cost	¥64	¥64	\$639
	Book value	¥54	¥54	\$539
	Difference	¥(10)	¥(10)	\$(100)

The following table summarizes book values of securities not stated at fair value as of March 31, 2007 and 2008:

Available-for-sale securities:		Millions of Yen		Thousands of U.S. Dollars
		2007	2008	2008
Non-listed equity securities .....	Book value	¥252	¥257	\$2,565

Total sales of such securities in the year ended March 31, 2007 and 2008 amounted to ¥70 million and ¥16 million (\$160 thousand) and net gains amounted to ¥49 million and ¥13 million (\$130 thousand).

## Notes to Consolidated Financial Statements

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### 10. Derivative Financial Instruments and Hedging Transactions

The Company and its consolidated subsidiaries use forward foreign currency contracts, interest rate swap contracts and commodity price swap contracts as derivative financial instruments only for the purpose of mitigating future risk of fluctuations in foreign currency exchange rates with respect to foreign currency receivables and payables, interest rate increases with respect to borrowings (within the amounts of borrowings or foreign currency receivables and payables) and to manage exposures to fluctuations in the purchase cost of fuel.

Forward foreign currency contracts, interest rate swap contracts and commodity price swap contracts are subject to risk of foreign exchange rate changes, interest rate changes, and market price changes, respectively.

The derivative transactions are executed and managed by the finance departments of the Company and its consolidated subsidiaries in accordance with established policies and within the specified limits on the amounts of derivative transactions allowed. The managers of the finance department report information on derivative transactions to the boards of directors on a monthly basis.

The Company and its consolidated subsidiaries evaluate hedge effectiveness by recognizing the association of hedging instruments and hedged items.

There were no derivative transactions for which hedge accounting has not been applied as of March 31, 2007 and 2008.

## Notes to Consolidated Financial Statements

Nihon Yamamura Glass Co., Ltd. and Consolidated Subsidiaries

### 11. Retirement and Severance Benefits

The Company and certain consolidated subsidiaries provide for employees' retirement and severance benefits under four plans, lump-sum benefits and, defined benefit corporate pension plans (Cash balance plan), and the plan that the employees can select between defined contribution pension plans or prepaid retirement allowance plans. The Company sets up retirement benefits trust.

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Company's and its consolidated subsidiaries' employee retirement plans at March 31, 2007 and 2008.

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Benefit obligation .....	¥8,655	¥7,905	\$78,900
Fair value of plan assets ( including employees' retirement benefit trust ) .....	(3,474)	(3,210)	(32,039)
Funded status:			
Benefit obligation in excess of plan assets .....	5,181	4,695	46,861
Unrecognized actuarial losses .....	(900)	(814)	(8,125)
Retirement and severance benefits on the consolidated balance sheet	¥4,281	¥3,881	\$38,736

Note: Some consolidated subsidiaries have adopted simple and easy method.

Severance and pension costs of the Company and its consolidated subsidiaries included the following components for the years ended March 31, 2007 and 2008.

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Service cost .....	¥378	¥334	\$3,333
Interest cost .....	192	171	1,707
Expected return on plan assets .....	(48)	(38)	(379)
Amortization:			
Actuarial losses .....	173	176	1,757
Prior service cost .....	-	-	-
Other .....	146	127	1,267
Net periodic benefit cost .....	¥841	¥770	\$7,685

Note: Main contents of "others" were the extra retirement bonuses the Company provided temporarily and defined contribution pension plan. The retirement benefits of consolidated subsidiaries adopting simple and easy method are included in service cost.

Assumptions used in accounting for the defined benefit plans for the years ended March 31, 2007 and 2008 were as follows:

	2007	2008
Method of attributing benefit to periods of service .....	Straight-line method	<b>Straight-line method</b>
Discount rate .....	2.0%	<b>2.0%</b>
Expected rate of return on plan assets .....	2.00%	<b>2.00%</b>
Expected rate of return on employees' retirement benefit trust .....	0.45%	<b>0.45%</b>
Amortization period for prior service cost.....	-	-
Amortization period for actuarial losses.....	10 years (within average remaining service lives)	<b>10 years (within average remaining service lives)</b>

## Notes to Consolidated Financial Statements

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### 12. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rates in Japan of approximately 40.64% for the years ended March 31, 2007 and 2008.

No reconciliation for the year ended March 31, 2007 has been presented because differences between the statutory tax rate and the Company's and its consolidated subsidiaries' effective tax rate was immaterial.

The following table summarizes the significant differences between the statutory tax rate and the Company's and its consolidated subsidiaries' effective tax rate for financial statements purposes for the year ended March 31, 2008:

	<b>2008</b>
Statutory tax rate .....	<b>40.64%</b>
Expenses permanently non-deductible .....	<b>5.90</b>
Valuation allowance .....	<b>(13.39)</b>
Equity in earnings of affiliates .....	<b>(2.29)</b>
Other .....	<b>(0.62)</b>
Effective tax rate .....	<b>30.24%</b>

Significant components of the deferred tax assets and liabilities of the Company and its consolidated subsidiaries as of March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	<b>2008</b>	<b>2008</b>
Deferred tax assets:			
Retirement and severance benefits .....	¥2,560	<b>¥2,404</b>	<b>\$23,994</b>
Excess allowance for special repairs .....	580	<b>651</b>	<b>6,498</b>
Loss on unconsolidated subsidiaries and affiliates .....	516	-	-
Unrealized gain on sales of property, plant and equipment .....	342	<b>345</b>	<b>3,443</b>
Other .....	866	<b>1,120</b>	<b>11,179</b>
	4,864	<b>4,520</b>	<b>45,114</b>
Less : valuation allowance .....	(566)	<b>(261)</b>	<b>(2,605)</b>
Total deferred tax assets .....	4,298	<b>4,259</b>	<b>42,509</b>
Deferred tax liabilities:			
Deferred gains on real properties .....	675	<b>635</b>	<b>6,338</b>
Net unrealized gains on securities .....	714	<b>401</b>	<b>4,002</b>
Other .....	4	<b>8</b>	<b>80</b>
Total deferred tax liabilities .....	1,393	<b>1,044</b>	<b>10,420</b>
Net deferred tax assets .....	¥2,905	<b>¥3,215</b>	<b>\$32,089</b>

Net deferred tax assets are reflected in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	<b>2008</b>	<b>2008</b>
Current assets .....	¥521	<b>¥473</b>	<b>\$4,721</b>
Investments and other assets .....	2,501	<b>2,769</b>	<b>27,638</b>
Non-current liabilities .....	(117)	<b>(27)</b>	<b>(270)</b>
	¥2,905	<b>¥3,215</b>	<b>\$32,089</b>

## Notes to Consolidated Financial Statements

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### 13. Segment Information

The operations of the Company and its consolidated subsidiaries are classified into five industry segments as follows:

Glass containers : Production and sale of glass containers

Plastic containers : Production and sale of plastic containers

Logistics : Transport, warehousing, cargo handling

New glass : Glass used in electronic components

Other : IS machines, conveyance machines, sale of goods

Industry segment information for the years ended March 31, 2007 and 2008 was as follows :

Year ended March 31, 2007

	Millions of Yen						Consolidated
	Glass containers	Plastic containers	Logistics	New glass	Other	Eliminations & corporate	
Net sales :							
Outside customers .....	¥46,967	¥13,329	¥9,330	¥2,315	¥1,863	¥-	¥73,804
Inter segment .....	-	-	106	-	10	(116)	-
Total .....	46,967	13,329	9,436	2,315	1,873	(116)	73,804
Cost and expenses .....	45,532	12,658	8,881	1,801	1,780	(116)	70,536
Operating income .....	¥1,435	¥671	¥555	¥514	¥93	¥-	¥3,268
Identifiable assets .....	¥57,556	¥16,399	¥944	¥5,052	¥1,828	¥9,279	¥91,058
Depreciation and amortization .....	3,113	1,096	8	214	18	-	4,449
Capital expenditures .....	3,404	762	-	1,672	187	-	6,025

Year ended March 31, 2008

	Millions of Yen						Consolidated
	Glass containers	Plastic containers	Logistics	New glass	Other	Eliminations & corporate	
Net sales :							
Outside customers .....	¥45,583	¥14,154	¥9,918	¥3,093	¥2,573	¥-	¥75,321
Inter segment .....	-	-	113	-	23	(136)	-
Total .....	45,583	14,154	10,031	3,093	2,596	(136)	75,321
Cost and expenses .....	44,665	13,434	9,553	2,241	2,596	(136)	72,353
Operating income .....	¥918	¥720	¥478	¥852	¥0	¥-	¥2,968
Identifiable assets .....	¥56,344	¥14,807	¥944	¥5,124	¥1,687	¥23,298	¥102,207
Depreciation and amortization .....	3,964	968	9	388	28	-	5,357
Loss on asset impairment .....	-	-	-	-	-	412	412
Capital expenditures .....	2,580	399	-	131	9	-	3,119

Year ended March 31, 2008

	Thousands of U.S. Dollars						Consolidated
	Glass containers	Plastic containers	Logistics	New glass	Other	Eliminations & corporate	
Net sales :							
Outside customers .....	\$454,966	\$141,272	\$98,992	\$30,871	\$25,681	\$-	\$751,782
Inter segment .....	-	-	1,128	-	230	(1,358)	-
Total .....	454,966	141,272	100,120	30,871	25,911	(1,358)	751,782
Cost and expenses .....	445,803	134,086	95,349	22,367	25,911	(1,358)	722,158
Operating income .....	\$9,163	\$7,186	\$4,771	\$8,504	\$0	\$-	\$29,624
Identifiable assets .....	\$562,372	\$147,789	\$9,452	\$51,143	\$16,838	\$232,538	\$1,020,132
Depreciation and amortization .....	39,565	9,662	90	3,873	278	-	53,468
Loss on asset impairment .....	-	-	-	-	-	4,112	4,112
Capital expenditures .....	25,751	3,982	-	1,308	90	-	31,131

Corporate assets shown in the eliminations and corporate column of ¥9,279 million and ¥23,298 million (\$232,538 thousand) for the years ended March 31, 2007 and 2008, respectively, mainly comprise investment securities of the Company and its consolidated subsidiaries.

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Nihon Yamamura Glass Co., Ltd. and Consolidated Subsidiaries

As noted in "Changes in Significant Accounting Policies", in the Harima plant and parts of lease assets of the buildings, structures, machinery and certain equipment, the method of depreciation was changed in the declining-balance method from the straight-line method. As a result of this change, operating income of "Glass containers" was down ¥212 million (\$2,116 thousand) in the year ended March 31, 2008. The impacts of this change on the other segments are immaterial.

Property, plant and equipment acquired on or after April 1, 2007 have been depreciated in accordance with the method stipulated in the amended Corporation Tax Law. As a result of this change, operating income of "Glass containers", "Plastic containers" and "New glass" was down ¥121 million (\$1,208 thousand), ¥21 million (\$210 thousand) and ¥5 million (\$50 thousand), respectively in the year ended March 31, 2008. The impacts of this change on the other segments are immaterial.

As noted in "Additional Information", property, plant and equipment acquired on or before March 31, 2007 have been depreciated in accordance with the method stipulated in the amended Corporation Tax Law. As a result of this change, operating income of "Glass containers", "Plastic containers", "Logistics" and "New glass" was down ¥370 million (\$3,693 thousand), ¥45 million (\$449 thousand), ¥1 million (\$10 thousand) and ¥4 million (\$40 thousand), respectively in the year ended March 31, 2008. The impacts of this change on the other segments are immaterial.

Geographic segment information is not shown due to the Company having no overseas consolidated subsidiaries. Information on overseas sales is not disclosed due to their immateriality in relation to consolidated net sales.

### 14. Loss on Impairment of fixed assets

The Company and its consolidated subsidiaries booked an impairment loss on the following asset groups in the year ended March 31, 2008.

Location	Use	Asset Type	Loss on impairment of assets	
			Millions of Yen	Thousands of U.S. Dollars
Utsunomiya City, Tochigi	Leased assets	Land	\$412	\$4,112

The Company and its consolidated subsidiaries classifies its business property to be held and used for business operations into asset groups on the basis of business segments. In addition, leased assets and idle assets are grouped individually. As the lease assets in Utsunomiya City, Tochigi decreased in profitability, a loss on impairment of assets has been recognized by writing-down their carrying amount to a recoverable amount. The recoverable amount of asset groups is measured by net realizable value. Net realizable value is based on reasonable estimates, real estate appraised value by a third-party.

### 15. Subsequent Events

At the general shareholders' meeting of the Company held on June 26, 2008, year-end dividends of ¥3.0 per share for a total of ¥333 million (\$3,324 thousand) were approved.

## Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Nihon Yamamura Glass Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2008, 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 Nihon Yamamura Glass Co., Ltd. and subsidiaries as of March 31, 2007 and 2008, 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 the following.

As discussed in Note 2 to the consolidated financial statements, effective April 1, 2007, Nihon Yamamura Glass Co., Ltd. adopted the declining-balance method of accounting for depreciation of buildings, structures and machinery used in the Harima plant and parts of lease assets which had been depreciated by the straight-line method.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into 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.

Osaka, Japan  
June 26, 2008

KPMG AZSA & Co.

## Board of Directors

<b>Koji Yamamura</b>	<i>President, CEO &amp; COO Advisor to International Department</i>
<b>Yoshinori Tanigami</b>	<i>Executive Managing Director, Advisor to Corporate Headquarters, Research &amp; Development Center, New Glass Company</i>
<b>Kazuo Yoshida</b>	<i>Executive Managing Director, Advisor to Glass Bottle Company, Plastics Company, Engineering Company, Glass Studio Yamamura</i>
<b>Tatsuya Metori</b>	<i>Director, Company President, Glass Bottle Company</i>
<b>Yuki Uetaka</b>	<i>Director, Company President, Plastics Company</i>
<b>Yoshio Inoue</b>	<i>Director,</i>

## Audit Committee

**Koichi Kimura**  
**Masao Igi**  
**Hanroku Toriyama**  
**Toshie Miyauchi**

## Corporate Directory

### Head Office

2-21, Hamamatsubara-cho, Nishinomiya, Hyogo 662-8586  
Tel:+81-798-32-2300 Fax:+81-798-36-0725

### Internal Auditing Office

2-21, Hamamatsubara-cho, Nishinomiya, Hyogo 662-8586 Tel:+81-798-32-2306

### Corporate Headquarters

**Corporate Planning Department**  
2-21, Hamamatsubara-cho, Nishinomiya, Hyogo 662-8586 Tel:+81-798-32-2300

**Administration Department**  
2-21, Hamamatsubara-cho, Nishinomiya, Hyogo 662-8586 Tel:+81-798-32-2300

### International Department

1-10, Hamamatsubara-cho, Nishinomiya, Hyogo 662-0923 Tel:+81-798-32-4766

### Glass Bottle Company

**Technical Center**  
1-10, Hamamatsubara-cho, Nishinomiya, Hyogo 662-0923 Tel:+81-798-32-2300

**Tokyo Sales Department**  
20F, Shinjuku Green Tower Building, 14-1, 6-chome,  
Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-0023 Tel:+81-3-3349-7200

**Osaka Sales Department**  
2-21, Hamamatsubara-cho, Nishinomiya, Hyogo 662-8586 Tel:+81-798-32-2900

**Nagoya Sales Office**  
9F, KIRIX Marunouchi Building, 17-19, 1-chome,  
Marunouchi, Naka-ku, Nagoya, Aichi 460-0002 Tel:+81-52-211-5405

**Kyushu Sales Office**  
3F, Green Building, 4-21, 4-chome, Hakataekimae,  
Hakata-ku, Fukuoka, Fukuoka 812-0011 Tel:+81-92-431-6836

**Tokyo Plant**  
3-45, Oyama-cho, Sagamihara, Kanagawa 229-1106 Tel:+81-42-771-5111

**Saitama Plant**  
611-10, Shimobayashi, Miizugahara, Kumagaya, Saitama 360-8558 Tel:+81-48-533-7081

**Harima Plant**  
5, Niiijima, Harima-cho, Kako-gun, Hyogo 675-0155 Tel:+81-79-435-2051

**Osaka Plant**  
52-2, 1-chome, Shibo-cho, Takatsuki, Osaka 569-0823 Tel:+81-72-677-1100

## Executive Officers and Company Presidents

<b>Motokazu Hiraiwa</b> <i>Managing Executive Officer, Executive Vice President, San Miguel Yamamura Packaging Corporation</i>	<b>Kazuo Nonoguchi</b> <i>Division Officer, Production Division, Glass Bottle Company</i>
<b>Osamu Uchiyama</b> <i>Executive Officer, Division Director, Corporate Headquarters</i>	<b>Jiro Tanaka</b> <i>Division Officer, Production Division, Plastics Company</i>
<b>Kunio Ishioka</b> <i>Executive Officer, General Manager, Research &amp; Development Center</i>	<b>Tomoyuki Taguchi</b> <i>Company President, New Glass Company</i>
<b>Hiroji Shimizu</b> <i>Executive Officer, Division Director, Sales Division, General Manager, Osaka Sales Department, Glass Bottle Company</i>	<b>Satoru Yamashita</b> <i>Company President, Engineering Company</i>

### Plastics Company

**Tokyo Sales Department**  
20F, Shinjuku Green Tower Building, 14-1, 6-chome,  
Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-0023 Tel:+81-3-3349-7250

**Osaka Sales Department**  
2-21, Hamamatsubara-cho, Nishinomiya, Hyogo 662-8586 Tel:+81-798-32-2450

**Kansai Plant**  
43-2, Niiijima, Harima-cho, Kako-gun, Hyogo 675-0155 Tel:+81-79-435-5801

**Utsunomiya Plant**  
18-1, Kiyohara Kogyodanchi, Utsunomiya, Tochigi 321-3231 Tel:+81-28-667-8631

**Kawajima Plant**  
6-8, Hachiman, Kawajima-cho, Hiki-gun, Saitama 350-0151 Tel:+81-49-297-7105

### New Glass Company

**Naruohama Plant**  
1-18, 2-chome, Naruohama, Nishinomiya, Hyogo 663-8142 Tel:+81-798-40-4456

**Amagasaki Plant**  
111, Nishimukojima, Amagasaki, Hyogo 660-0857 Tel:+81-6-6411-3421

### Engineering Company

111, Nishimukojima-cho, Amagasaki, Hyogo 660-0857 Tel:+81-6-6411-7071

### Affiliated Companies

Yamamura Warehouse Co., Ltd.  
Yamamura Glass Works Co., Ltd.  
Seisho Co., Ltd.  
Yamamura Kosan Co., Ltd.  
Nissho Seiki Co., Ltd.  
Ad Am Co., Ltd.  
Link Work Co., Ltd.  
Yamamura International (Shanghai) Co., Ltd.

### Joint Venture Companies

San Miguel Yamamura Asia Corp.  
San Miguel Yamamura Packaging Corp.  
San Miguel Yamamura Packaging International Ltd.  
Zhan Cheng (Suzhou) Plastic Co., Ltd.

(As of 1st July, 2008)

 **NIHON YAMAMURA GLASS CO.,LTD.**  
<http://www.yamamura.co.jp>

