

Research Frontiers Incorporated

NASDAQ: REFR

SPD-Smart™ Technology Update

Summer 2004

From Investor Relations

RFI Welcomes Four New Licensees in March and April:

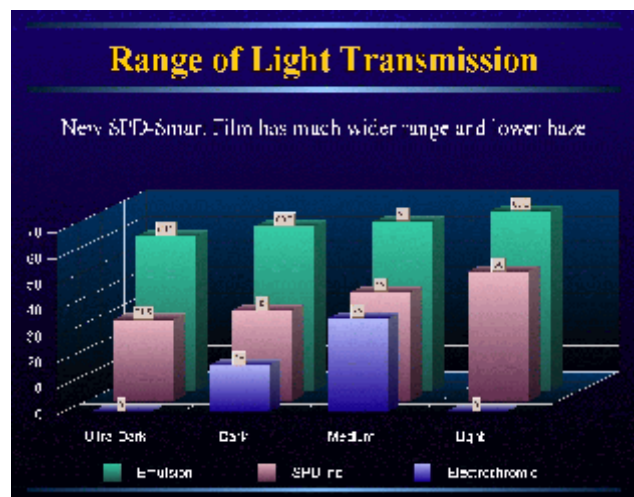
1) **Pilkington** (London Stock Exchange: PILK) was granted a world-wide non-exclusive license by RFI to provide lamination and other services to RFI licensees for use in a variety of SPD-Smart glass products. Pilkington had annual revenues of ^2.8bn (US \$5.3 billion), manufacturing operations in 24 countries on five continents and sales in 130 countries, employing approximately 25,000 people worldwide; 2) **SmartGlass Ireland Ltd.** of Dublin, Ireland acquired a non-exclusive license from RFI to manufacture and sell SPD-Smart architectural window products in the Republic of Ireland. Please visit their website at www.Glass.ie for more information about their current activities; 3) **Prelco Inc.** acquired a non-exclusive license from RFI to manufacture and sell SPD-Smart products in Canada, Mexico, and the U.S. for architectural residential and commercial windows, skylights, and interior partitions as well as bus and train products including windows and sunroofs. Prelco, headquartered in River-du-Lop, Quebec, Canada, is a leading manufacturer of specialty glass, with four production facilities, 450 employees, engineers, and technicians in R&D with over 50 years experience; 4) **E.I. Du Pont de Nemours** (NYSE:DD) was granted a non-exclusive license to manufacture and sell SPD-Smart architectural and automotive window products worldwide. In addition, RFI has granted DuPont a non-exclusive license to manufacture and sell SPD-Smart emulsion and light-control film made from such emulsions. The company had 78,000 employees world-wide and operates in more than 70 countries.

SPD Industry Conference: Research Frontiers hosted the first SPD Licensee Conference in Fort Lauderdale, Florida from April 15-17, 2004. More than 50 representatives from 22 companies from around the world gathered to hear presentations by our licensees, Air Products and Chemicals, Dainippon Ink and Chemicals, Hitachi Chemical Company, about their new emulsion-based next generation SPD film. There were also presentations by LTI Smart Glass about smart glass

lamination, and by Robert Saxe, Joseph Harary, Michael LaPointe, Greg Sottile, and Dr. Albert Malvino from RFI. In addition to technology and product updates, marketing, communication, and collaboration strategies were also discussed.

New Generation of SPD-Smart Emulsions and Films Unveiled at RFI Licensee Conference:

During the conference, the new next-generation of SPD-Smart emulsions and films were introduced. SPD films made from emulsions produced by Air Products and Chemicals, Dainippon Ink and Chemicals, and Hitachi Chemical Company have extremely clear optical properties, and wide ranges of light transmission that permit the film to go from nearly as clear as an ordinary window to approximately seven times darker than the dark window tints commonly found on glass office buildings. Switching speed for SPD films is a fast 1-3 seconds. These materials are also durable, having successfully been subjected to up to several thousand hours of high-intensity exposure under accelerated weathering conditions. The new second-generation emulsion-based SPD films all have very low haze levels (approximately one-third to one-fifth the haze levels of switchable windows currently on the market today).



To compare, the films originally produced by SPD Inc. (middle row of the chart above) had four different ranges of light transmission: Ultra Dark (0.5% to 32%), Dark (1% to 36%), Medium (3% to 45%), Light (10% to 60%). The new emulsion-based next-generation films (top row of the chart) introduced by Hitachi, Dainippon and Air Products have much wider ranges of light transmission: Ultra Dark (0.5% to 60%), Dark (0.8% to 64%), Medium (3% to 68%), Light (5.8% to 75%) and have excellent optical properties.

First Quarter Results: The Company continues to have no debt. RFI's net loss for the first quarter of 2004 was \$1,328,814 (\$.10 per share) as compared to \$1,312,927 (\$.11 per share) for the first quarter of 2003. This included a write-off of Research Frontiers' remaining \$209,704 (6.9% ownership) investment in SPD Inc. As of March 31, 2004 the Company had in excess of \$5.1 million in cash, cash equivalents, and investment securities. Working capital was approximately \$5 million and shareholders' equity was in excess of \$5.1 million. Research Frontiers' quarterly reports are available in the "About RFI" section of our website.

Annual Meeting of Stockholders: Research Frontiers' shareholders gathered on June 10, 2004 at the Fox Hollow Inn in Woodbury, New York for the Company's Annual Meeting. Innovative Glass Corporation displayed and demonstrated two of its E^{GLASS}™ products, an SPD-Smart™ skylight, and an SPD window in an Andersen window frame. InspecTech provided a beautiful large aircraft cabin window. Dr. Albert Malvino, a Director of the Company, demonstrated his newly designed electronic controllers. Samples of the new next-generation films made by licensees Dainippon and Hitachi were also on display.

During the meeting Victor Keen and Dr. Albert Malvino were re-elected to the Board of Directors for terms ending in 2007 and KPMG was ratified as Research Frontiers' auditors for the 2004 fiscal year.

Several of RFI's licensees, representing key segments of our Company's infrastructure, were in attendance. Representing the emulsion and film segment was Howard Kane from Air Products and Chemicals. Among the end-product licensees were John Martino, President of

Laminated Technologies, and his colleague, Jeff Besse, who is the President of their LTI SmartGlass division; Steve Abadi, President of Innovative Glass Corporation; Seth Turner and Scott Edgell from SPD Technologies; and from Cricursa, headquartered in Spain, Fernando Figuerola, one of Cricursa's founders, and Ferran Figuerola, who is in charge of Cricursa's sales and marketing.

During the meeting presentations were given by Robert L. Saxe, Chairman of RFI, Joseph M. Harary, President of the Company, and Victor Keen, a Director and Chairman of the Board's Compensation Committee.

Excerpts from Robert L Saxe's Presentation: "From the foundation of the Company in 1965, Research Frontiers' primary and unchanging goal has been to develop, commercialize, and sell throughout the world variable light controlling windows and related products. Research Frontiers has always recognized that the markets for such products would be vast, and that our eventual success would make the world a better and more beautiful place. In 1965, when Research Frontiers was founded, that goal was a distant dream.

Advanced SPD devices currently being manufactured by our licensees are derived from the "light valve," which was invented in 1934 by Dr. Edwin Land, the founder of Polaroid Corporation. What we did not know in 1965, and only learned in recent years, was that Polaroid Corporation and Dr. Land had spent several decades fruitlessly attempting to improve his light valve, and ultimately gave up.

The progress that Research Frontiers has made in the 38 years since the Company's founding has been a grueling odyssey of relentless, focused effort by the entire staff of Research Frontiers to overcome numerous scientific and business challenges and obstacles. These initial problems made it especially difficult to develop commercial products that our licensees and their customers could be enthusiastic about.

Notwithstanding the problems we faced in the past, I am personally convinced that Research Frontiers has overcome nearly all of those difficult challenges and obstacles. We have successfully built up a powerful infrastructure of licensees capable of not only producing

SPD-Smart windows for commercial and residential architectural applications, aircrafts, ships, automobiles, busses and many other products, but also the SPD films that comprise the electrically activatable material in those products, and the emulsion from which the film is made.

Our second generation SPD-Smart films have tremendously increased ranges of light transmission compared to the first generation of films, and also have virtually no haze in the clear state compared to earlier SPD films. Based on what our licensees have reported, I believe that these second generation SPD films should be available for commercial purchase soon and are expected to be in mass production later this year if sales of end products by our licensees are sufficiently high.

Research Frontiers patent portfolio is strong. Our Company owns more than 400 patents and patent applications in a large number of countries, especially in the larger developed countries. We continue to build on this strong patent portfolio with new inventions.

As of March 31, 2004, our Company had cash and cash equivalents totaling more than \$5.1 million dollars, slightly more than at year-end 2003. Although our cash and cash equivalents are adequate for the short term, one of our challenges for the period ahead will be to maintain or, if possible, increase our cash position.

Uppermost on the mind of management as well as shareholders is the question, "Will any of the Company's licensees receive a large order for SPD products? And if so, when?" By "large order" I mean an order for thousands of units, with the likelihood that other large orders for similar products would be received in the future. Unless and until one or more large orders are received by our licensees, it is unlikely that the royalties that will be paid to our Company will be large enough to make Research Frontiers profitable. On the other hand, if one or more such large orders are received by one or more of our licensees, I believe that this will be a clear signal that industry sees real merit in our SPD-Smart products, and, thereafter, RFI will have a chance to become a substantial company, with many successful licensees.

Entrepreneurs like myself are generally optimists who believe that their company's efforts will be successful. At Research Frontiers, we have surmounted many problems

in the process of creating our present organization. With our licensees' excellent new film products, and with our outstanding infrastructure of many problems in the process of creating our present organization. With our licensees' excellent new film products, and with our outstanding infrastructure of licensees, as well as our own substantial in-house talent and expertise, I am now more confident than ever that Research Frontiers is heading toward a glorious success that will make our shareholders proud to have supported our efforts and to have been part of this great endeavor."

Report by Victor Keen: RFI Director Victor Keen, the Chairman of RFI's Compensation Committee, opened his remarks by recounting the many years he has been associated with Research Frontiers before the Company went public in 1986, and stated that he is proud to be involved in Research Frontiers for these many years. The Compensation Committee makes compensation recommendations to the Board based on a number of factors, including the price of the stock, the success rate of signing new licensees, and end-product sales. This year the Committee's recommendation for 2004 is a 2% increase for most non-top management employees. For senior management, the Committee believes that current compensation is fair and did not recommend an increase at this time. The Committee also recommended that no options be granted at this time. These recommendations were unanimously adopted by the Board of Directors.

Excerpts from Joseph M. Harary's Presentation: Joe Harary's presentation began with demonstrations of two other types of smart window technology: liquid crystal and electrochromic. Demonstrating a liquid crystal window, Mr. Harary pointed out that LC window technology has been marketed for 15 years, and is a privacy window but does not block light. Next, the audience's attention was directed to the front of the room where on display, side-by-side, were an SPD-Smart skylight courtesy of RFI licensee Innovative Glass Corp. with lamination being done by LTI Smart Glass, and an electrochromic skylight for comparison. Steve Abadi from Innovative Glass demonstrated the two competing technologies. The electrochromic skylight was activated by Mr. Abadi while Mr. Harary continued his presentation. Approximately eight minutes later, the EC skylight had finally finished dimming. The SPD-Smart skylight, on the other hand, was instantly and continuously changing

between the on and off states with tunable transmission ranges in between during Mr. Harary's presentation. Joe Harary pointed out that the SPD sky-light used very dark, first generation film which had a light transmission range of 0.5 to 35%. The EC range was not as dark in comparison.

Mr. Harary continued his presentation stating that this past year had been one of great accomplishments along with disappointment. Although SPD Inc., in Incheon, Korea decided to cease their manufacturing of SPD film, Hankuk Glass Industries, SPD Inc.'s parent company, remains a licensee of Research Frontiers. SPD Inc. made its decision based on their knowledge of the next generation of films being prepared by Dainippon, Hitachi, and Air Products which had better light ranges of light transmission and excellent optical properties, and the cost factors that would be associated with their retooling to switch from their solution-based system to the better emulsion system. SPD Inc. had done a very good job of bringing SPD-Smart technology to the marketplace and their latest films remain appropriate for and continue to be installed in several applications.

From 1999-2004 Research Frontiers licensees have grown from 8 to 33. Among our end-product licensees, we have

the three largest glass manufacturers in the world, Asahi Glass, Pilkington, and Saint-Gobain. Dainippon Ink and Chemicals, Hitachi Chemical, and Air Products and Chemicals are large chemical companies manufacturing particles and emulsions to be used in manufacturing SPD-Smart film, and DuPont was recently licensed. During the past year, Research Frontiers has been demonstrating SPD film and products to architects and customers. On average, RFI licensees displayed SPD products at various industry trade shows every two weeks and meetings with architects and customers are taking place daily.

SPD-Smart products are being selected for a growing number of high-visibility projects, which benefits the entire SPD infrastructure. SPD-Smart windows are on display at Disney's House of Innoventions in Epcot. Recently, ABC TV's "Extreme Makeover: Home Edition" program chose SPD-Smart windows to be installed in an apartment makeover in New York City. RFI and our licensees had

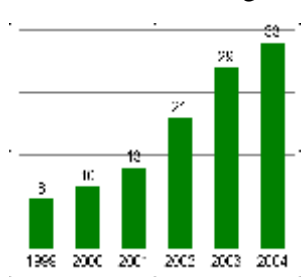
one week to have the windows completed and one day to do the installation. LTI Smart Glass fabricated the custom windows and shipped them to New York City. Innovative Glass successfully completed the installations (including having each window operated by a small remote control) in a few hours.

SPD-Smart products are also being sold and installed as a result of our licensees' efforts in targeting upscale markets. Examples include a media room and the chairman's office and adjacent conference room in an investment bank in Texas. This latter project also utilizes a new electronics controller which operates an entire bank of walls simultaneously. Dr. Malvino, a Director of RFI and noted electronics textbook author, designed this new controller and is working with our licensees on a number of other innovative projects.

Citing other installations, Joe Harary noted that Bob Hudson of SPD SmartGlass Limited / Vision (Environmental Innovation) Ltd, one of RFI's licensees in the U.K., was unable to attend the annual meeting because he has sold and was installing another high profile installation of SPD-Smart windows in a manor house that once belonged to Captain Bligh (of Mutiny on the Bounty fame). SPD windows are going into two areas in the house, a cinema room where there is a need to control light and glare, and in the master bedroom to block UV in order to protect valuable antiques and also to control solar heat gain.

In the automotive market, DaimlerChrysler's Setra S415 Evo tour bus with six large SPD roof panels has become one of Daimler's best sellers. In response to a shareholder's question, Joe Harary stated that DaimlerChrysler had shifted its SPD-Smart business to another RFI licensee well before SPD Inc. announced that it was ending SPD film production. SPD panoramic roofs are expected to continue in the Setra tour busses, and success here could lend support to SPD technology working its way into high volume production vehicles.

This year's Detroit Auto show, which travels to several major cities including Chicago and New York, included DaimlerChrysler's Jeep Rescue concept vehicle equipped with a large SPD-Smart glass sunroof. General Motor's concept car, the Juno, also equipped with SPD-Smart glass, is currently on display at Disney's Epcot Center.



Mr. Harary noted that several other SPD automotive projects are currently in the works. The marine market is another upscale market for SPD-Smart products. Appropriately, our Licensee Conference this year was held at a venue in Florida which is located next to a marina. Alberto Bertolini, President of Isoclima, licensed by RFI to manufacture SPD emulsion, film, and end-products, commented that much of the glass used in the yachts anchored in the marina was manufactured by Isoclima. Mr. Harary also noted that a 65 foot Powercat has recently been outfitted with SPD windows by SPD Systems, and a much larger yacht order was recently received.

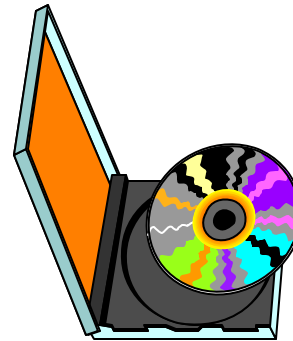
Growth of SPD-Smart windows in the aerospace market continues to expand. InspecTech Aero Service continues to install SPD-Smart window shades in many of the major corporate jet and helicopter models including the Bell 420 flagship and the Sikorsky S-92 which were shown at the Dubai Air Show and the Heli Expo in Las Vegas. A list of additional SPD-Smart Glass installations can be found at our website: www.SmartGlass.com which is in the process of being updated.

As Bob Saxe mentioned during his presentation, the key for RFI's success is large orders for SPD products and sustainable sales. To this end, RFI's marketing department is focused and working with our licensees to educate the architectural, aerospace, marine, and automotive markets about the benefits of SPD-Smart products for the purpose of developing SPD-Smart product sales.

SPD-Smart film does face some competition, but in comparison SPD film out-performs both liquid crystal and electrochromic materials. SPD-Smart films now achieve the widest ranges of light transmission with excellent optical properties.

Technology inspires change and SPD-Smart technology will continue to evolve in response to the needs of our licensees and their customers in order to enable architects and designers to specify SPD-Smart products, and to fulfill market demand quickly and efficiently.

Special Announcement



RFI Corporate DVD Is On Its Way To You

If you are on our mailing list, you should receive during the last week of July a complementary copy of Research Frontiers' new video on DVD which includes footage from the April 2004 Licensee Conference. It will also give you insight into the history of our Company, SPD-Smart products, and commercial market opportunities.

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