

Business Report

From 1 April 2010
To 31 March 2011

1. Matters Relating to the Current State of the Company's Corporate Group

(1) Overview and Results of Business Activities

The Group's major markets were relatively stable during the year, with gradual improvements in certain markets being experienced as the year progressed. Building products markets were better than last year, but developed market volumes are still significantly below pre-recession levels. Automotive markets demonstrated underlying improvements through the year although some softening of demand was experienced following the withdrawal of the few remaining government incentive schemes. Specialty Glass market conditions were relatively strong.

The NSG Group extends its most sincere condolences to the families and colleagues of people who lost their lives following the 11 March earthquake off North East Japan. The Group has confirmed that no NSG employees are missing following the earthquake and intends to provide support to those employees who have missing friends and relatives. Certain of the Group's properties suffered some minor damage and there was also some loss of inventories although, in total, the physical damage sustained was relatively light. The most significant ongoing impact will be felt by the Group's Automotive business, as customers restrict the volume of vehicles manufactured in response to difficulties sourcing component parts. The Group's Building Products business in Japan experienced some temporary disruption to production following the earthquake but has since been manufacturing glass at full capacity, and intends fully to support the rebuilding of the affected areas. Certain of the Group's Specialty Glass facilities in Japan also experienced disruption to production, but have again recommenced production successfully.

In Europe, building products market conditions were better than the previous year, with market prices gradually improving through the year. In automotive markets, cumulative light vehicle sales to European customers were slightly below previous years levels, which had been supported by incentive programs. Western European vehicle sales demonstrated some strengthening during the fourth quarter. The slight reduction in annual sales to European customers was more than offset by buoyant export markets, generating an increase in demand for the Group's products. The European automotive glass replacement (AGR) market continued to prove resilient to the low level of general economic activity. Demand for glass cord was strong, consistent with conditions experienced in the automotive business line.

In Japan, conditions in construction markets were challenging for much of the year, although market conditions gradually improved during the third and fourth quarters of the year. New housing starts remain at low levels, but improved further during the quarter, aided by fiscal incentives. Headline prices were stable but continue to be below those of the previous year. Automotive market demand continued to fall in the quarter following the cessation, earlier in the year, of government incentives for purchasing environmentally-friendly vehicles. Demand was then further affected by the March earthquake as discussed above. Robust markets, particularly in areas such as consumer electronics, resulted in strong demand for the majority of the Groups' Specialty Glass products through the quarter, although, as with the Automotive business line, demand was impacted following the earthquake.

The North American economy continued to experience low levels of economic activity. In the building products market, both residential housing starts and levels of commercial construction activity remain at historically low levels. Sales of new cars continued to be above the previous year's levels. The AGR market continued to improve gradually.

In the rest of the world, the emerging markets in which the Group operates continued to perform relatively well compared to more developed markets.

Consolidated Sales	¥ 577,212m (down 1.9%)
Consolidated Operating Income	¥ 14,352m
Consolidated Ordinary Income	¥ 7,730m
Consolidated Net Income	¥ 1,661m

Business performance by segment for the fiscal year under review was as follows.

Building Products (BP) Business

In the Building Products (BP) business, the cumulative result represents an improvement on the previous year. Profitability improved due mainly to cost savings realized from previous restructuring actions, higher volumes, and improved prices.

In Europe, representing 44 percent of the Group's BP sales, revenues in local currency were above the previous year. Volumes improved but were partially offset by the impact of previous year disposals and reduced engineering revenue. Profits also improved, due to the increased volumes and cost savings. Prices increased in the final quarter, mitigating rising headline energy costs, and for the year as a whole, average price levels were higher than the previous year. The Group restarted the second line at the Greengate site in the UK during the quarter, after this had previously been mothballed. This line will primarily produce the Group's NSG TEC solar energy products.

Revenues in Japan, representing 34 percent of BP sales, were higher than in the previous year as markets continued to improve gradually from a low base. Profitability improved, as reduced prices were more than offset by increases in volumes and the continued realization of cost savings. The business suffered some disruption following the 11 March earthquake, but has since operated at maximum capacity.

In North America, representing 9 percent of BP sales, revenues in local currency were higher than the prior year. Domestic market conditions remain challenging. The reduction in domestic volumes was offset by increasing exports and sales of value-added products. Profits increased as a result of better asset utilization, cost savings, and an improving product mix.

In the rest of the world, revenues and profits improved strongly from the previous year, due mainly to increased market prices, and the consolidation of the Group's rolled glass facility in China from the start of the current financial year. On 19 January 2011, the Group announced the re-commissioning of its VGI float glass facility in Vietnam to manufacture the Group's NSG TEC solar energy products. On 17 March 2011, the Group announced that the Vidrios Lirquén float tank in Chile had resumed production after being repaired following the earthquake that struck the region in February 2010. The Solar Energy business continues to grow in both revenue and volume, in line with our expectations.

The Building Products business achieved sales of ¥ 244,792 million and an operating profit of ¥ 16,515 million.

Automotive Business

In the Automotive business, the cumulative result was significantly ahead of the previous year, due principally to strong demand across all of the Group's main automotive markets.

Europe represents 47 percent of the Group's Automotive sales. In the European Original Equipment (OE) sector, local currency revenues increased strongly from last year's levels, due to robust volumes, with a consequent improvement in profits. Results in the fourth quarter were mixed, with improved volumes in the stronger Northern European markets offset by weakness in Southern regions. Local currency results in the Automotive Glass Replacement (AGR) business were similar to the levels of the previous year.

In Japan, representing 17 percent of the Group's Automotive sales, revenues were slightly above the previous year. Improved demand in the first two quarters was offset by reductions in volumes following the subsequent cessation of government incentives for purchasing environmentally-friendly vehicles, and then the earthquake of 11 March. Profits benefited from further cost savings and efficiency improvements. Results in the AGR business continued to improve.

In North America, representing 21 percent of the Group's Automotive sales, OE revenues were significantly above the previous year, again due to increased volumes. Profits also benefited from the continued realization of cost savings and efficiency gains. Fourth quarter results were positive, with increased demand from all major customers. AGR profitability was further improved from the previous year.

In the rest of the world, cumulative revenues and profits increased strongly from the previous year, with strong demand across each region.

The Automotive business recorded sales of ¥ 264,042 million and an operating profit of ¥ 18,672 million.

Specialty Glass Business

Revenues in Specialty Glass were below the previous year, as robust market conditions were more than offset by previous year disposals. Profits, however, were above the prior year, with most of the Groups' Specialty Glass businesses continuing to experience robust demand, particularly in sectors such as touch panel technology for mobile devices. Demand continued at satisfactory levels through the fourth quarter. Demand for the Group's Selfoc Lens Array (SLA) equipment used in multi-function printers started to recover from the middle of the previous financial year and this has continued through the current year. Sales of glass cord for engine timing belts were supported by robust vehicle production in Europe. Production at some of the Group's facilities was disrupted following the 11 March earthquake, but

has since resumed with relatively little impact on the FY2011 results.

The Specialty Glass business recorded sales of ¥ 62,955 million and an operating profit of ¥ 7,523 million.

Other

This segment covers corporate costs, consolidation adjustments, certain small businesses not included in the segments covered above, and the amortization of goodwill and other intangible assets related to the acquisition of Pilkington plc. Operating losses incurred in Other were below the previous year, due to a reduction in general corporate expenses and the translational effect of a strong Japanese Yen.

Consequently, this segment recorded sales of ¥ 5,423 million and an operating loss of ¥ 28,358 million.

(2) Capital Expenditure

The capital expenditure of the Group totaled ¥ 31,943 million during the fiscal year under review, broken down by segment as follows:

Building Products	¥ 13,629 m
Automotive	¥ 16,143 m
Specialty Glass	¥ 1,849 m
Other	¥ 322 m

(3) Financial situation

Net financial indebtedness decreased by ¥ 5,480 million from 31 March 2010 to ¥ 309,166 million at the period end. During the year the Group issued 234,000,000 new Common shares with net proceeds of ¥ 40,237 million. The Group also redeemed its Type A preferred shares during the year. On 1 October 2010, the Group acquired for cancellation 980,000 Type A preferred shares with an aggregate acquisition price of ¥ 10,081 million. On 18 February 2011, the Group acquired for cancellation 2,020,000 Type A preferred shares with an aggregate acquisition price of ¥ 20,542 million. Currency movements generated a reduction in net debt of approximately ¥ 6,500 million over the period. Gross debt was ¥ 370,072 million at the period end.

During the year, the Group refinanced external debt of approximately ¥ 33,000 million such that all remaining borrowings maturing in FY2012 have now been refinanced, and the Group has access to sufficient levels of surplus headroom for its forecasted needs during FY2012. As at 31 March 2011, the Group had unused committed financial facilities of ¥ 37,000 million maturing in September 2013, and ¥ 40,000 million maturing in November 2013.

Note:

The Group has adopted “Net Debt” (interest-bearing debt minus cash and cash equivalents) as a Key Performance Indicator for its financial performance.

(4) Issues to be addressed

The first half-year forecast reflects stable building products markets with continued difficulties in automotive markets, as the Group’s automotive customers reduce their production levels in response to difficulties in sourcing component parts, and certain specialty glass markets. During the second half of the year the Group expects automotive light vehicle build rates to gradually return to normal levels. In addition, the second half of the year will see the Group’s investments in value added production capacity increase their contribution to the Group’s results.

Increasing purchase prices, particularly with respect to energy costs, are likely to impact the Group’s results in FY2012. The Group actively hedges the increases in such costs through the use of derivatives, but these techniques cannot protect the Group from increased input costs indefinitely. The Group intends to mitigate the impact of increasing input costs with further improvements in efficiencies, and, where possible, increasing sales prices.

The long-term prospects for the Group’s businesses remain positive. The Group has identified geographical expansion into high-growth emerging markets and opportunities offered by the increasing demand for ‘environmental’ glass products utilizing its technology, as the two main drivers to support its future growth.

On 24 August 2010, the Group announced its intention to issue new Common shares in order to support its future growth strategy. Final net proceeds after fees etc. were ¥ 40,237 million. The proceeds were used partly for the repayment of preference shares and other indebtedness, and will partly be applied to capital expenditures supporting the twin growth themes of emerging markets and “environmental” products.

On 4 November 2010, the Group issued details of its strategic management plan, covering the financial years FY2012 to FY2014. The Group believes that the share issuance during the second quarter of FY2011 provides a firm financial foundation to support this Plan.

The Group has already commenced the various investments that support its strategic management plan:

- On 29 November 2010, the Group announced plans, together with Saint-Gobain, to build a new joint venture float glass plant in Bahia state, in North east Brazil.
- On 8 December 2010, the Group announced plans to expand and upgrade its Automotive glazing operations in Mexicali, Mexico.
- On 19 January 2011, the Group announced the re-commissioning of its VGI float line at My Xuan in Southern Vietnam. This line will primarily produce coated glass for photovoltaic applications.
- On 22 February 2011, the Group announced the commissioning of a new automotive laminating line in Caçapava, Brazil, representing a 50 percent increase in the Group's Brazilian automotive laminating capacity.
- On 10 March 2011, the Group announced that it was commencing the construction of a major new automotive facility at Chmielow, Poland.
- On 13 April 2011, the Group announced the construction of an off-line coating facility in St Helens, UK, to produce a range of high performance low-emissivity products for building products applications.

The above investments are expected to produce a significant, and increasing, contribution to the Group's profitability during the period covered by the strategic management plan.

The issues to be addressed by business segment are summarized as follows:

Building Products (BP) Business

The Group's building products business will continue to focus on matching capacity to demand but despite the challenging market conditions will address a variety of growth areas for value added products. The drive to produce clean renewable energy will continue to fuel growth for the Group's Solar Energy products business. Value added products, such as low-e glass designed to save energy in buildings, will become an increasingly important part of the Group's building products portfolio in emerging markets, particularly in China and South America.

The Building Products business produces a range of added value products that can greatly contribute to energy conservation in both residential and commercial buildings, together with products for the photovoltaic market that can be used in the process of producing renewable solar energy. The production process for these products is, however, energy intensive and the Group faces potential increases in its purchase price of energy during the coming year. The Group intends to mitigate such cost increases wherever possible, as set out above.

Automotive Business

The Group expects to grow its Automotive business in emerging markets such as South America. Technological advances in areas such as solar energy control and weight reduction will play an important part in the future of Automotive glazing, and the Group expects to be a key player in these areas. The Group also expects to grow its AGR business both through organic growth and, where appropriate, strategic acquisitions.

Specialty Glass Business

A variety of exciting opportunities are expected to continue to generate growth within the Group's Specialty Glass business, particularly in areas such as glass cord for engine timing belts, office equipment lens arrays, LCD touch-screen panels, and battery separators.

(5) Assets and Business Results (Consolidated)

(Millions of yen, except per-share figures)

	142nd period (FY 2008)	143rd period (FY 2009)	144th period (FY 2010)	145th period (FY 2011)
Sales	865,587	739,365	588,394	577,212
Operating Income	46,462	1,908	(17,183)	14,352
Ordinary Income	30,437	(12,259)	(28,552)	7,730
Net Income	50,416	(28,392)	(41,313)	1,661
Earnings Per Share (Yen)	75.44	(42.49)	(65.61)	0.13
Net Assets	371,998	257,223	239,931	226,874
Net Assets Per Share (Yen)	536.37	369.15	297.73	239.40
Total Assets	1,319,290	1,025,221	933,721	868,588

Note:

Earnings per share is calculated based on the profit attributable to ordinary shareholders divided by the average number of shares outstanding during the period. Net assets per share is calculated based on the closing net assets attributable to ordinary shareholders divided by the number of shares outstanding at the end of the period. Average treasury and preferred stocks held during the period are excluded from both of the calculations.

(6) Overview of Major Subsidiaries

Subsidiary undertakings	Country of operation and incorporation	Capital stock	% Ownership	Product or activity
Japan				
NSG Building Products Co Limited	Japan	JPY million 350	100	Glass processing
Thanx Corporation Co Limited	Japan	JPY million 300	92.5	Glass trading
Wintec Co Limited	Japan	JPY million 48	99.3 (0.2)	Glass trading
Nanox Co Limited	Japan	JPY million 490	100	Glass processing for LCD
Europe				
Pilkington United Kingdom Limited	UK	GBP thousand 179,978	100 (100)	Glass manufacturing and processing
Pilkington Automotive Limited	UK	GBP thousand 206,595	100 (100)	Safety glass
Pilkington Technology Management Limited	UK	GBP thousand 441,320	100 (100)	Technology management
Pilkington Deutschland AG	Germany	EUR thousand 69,290	96.3 (96.3)	Glass manufacturing and processing
Pilkington Automotive Deutschland GmbH	Germany	EUR thousand 18,996	100 (100)	Safety glass
Pilkington Austria GmbH	Austria	EUR thousand 8,721	100 (100)	Glass processing
Pilkington Norge AS	Norway	NKR thousand 95,000	100 (100)	Glass processing
Pilkington Floatglas AB	Sweden	SKR thousand 222,000	100 (100)	Glass manufacturing and processing
Pilkington Automotive Sweden AB	Sweden	SKR thousand 2,000	100 (100)	Safety glass
Pilkington Automotive Finland OY	Finland	EUR thousand 19,414	100 (100)	Safety glass
Pilkington Lahden Lasitehdas OY	Finland	EUR thousand 20,426	100 (100)	Glass manufacturing
Pilkington Danmark A/S	Denmark	DKR thousand 30,000	100 (100)	Glass processing
Pilkington International Glass Poland Sp. Z o.o.	Poland	Zloty thousand 506,500	100 (100)	Glass processing
Pilkington Polska Sp. Z o.o.	Poland	Zloty thousand 147,340	100 (100)	Glass manufacturing
Pilkington Italia SpA	Italy	EUR thousand 112,996	100 (100)	Glass manufacturing and safety glass
NSG UK Enterprises Limited	UK	GBP thousand 1,801,478	100 (100)	Holding company
NSG Holding (Europe) Limited	UK	GBP thousand 1,431,010	100	Holding company
Pilkington Group Limited	UK	GBP thousand 676,477	100 (100)	Holding company

Note:

Any above figure of % Ownership in parentheses stands for the percentage owned indirectly through the Company's subsidiary/subsidiaries.

(6) Overview of Major Subsidiaries (continued)

Subsidiary undertakings	Country of operation and incorporation	Capital stock		% Ownership	Product or activity
North America					
Pilkington North America Inc.	USA	USD	1	100 (100)	Glass manufacturing and safety glass
L-N Safety Glass SA de CV	Mexico	Mex.Peso thousand	225,481	100 (100)	Safety glass
Rest of the world					
Vidrieria Argentina S.A.	Argentina	Arg.Peso thousand	178,000	51.0 (51.0)	Glass manufacturing
Vidrios Lirquén S.A.	Chile	Chi.Peso thousand	25,239,572	51.6 (51.6)	Glass manufacturing
Pilkington Automotive Argentina S.A.	Argentina	Arg.Peso thousand	66,358	100 (100)	Safety glass
Pilkington Brasil Limitada	Brazil	Real thousand	86,532	100 (100)	Glass processing and safety glass
Guilin Pilkington Safety Glass Co Limited	China	RMB thousand	100,000	100 (100)	Safety glass
Changchun Pilkington Safety Glass Co Limited	China	RMB thousand	129,216	72.5 (72.5)	Safety glass
Pilkington Solar (Taicang), Limited	China	RMB thousand	305,151	100 (100)	Solar glass manufacturing
Suzhou NSG Electronics Co Limited	China	RMB thousand	371,689	100	Glass processing for LCD/optical devices
NSG Hong Kong Co Limited	China	HKD thousand	800	100 (100)	Glass trading
Malaysian Sheet Glass Sdn. Bhd.	Malaysia	MYR thousand	81,151	100	Glass manufacturing and safety glass
Vietnam Float Glass Co Limited	Vietnam	VND billion	512	55.0	Glass manufacturing
Vietnam Glass Industries Limited	Vietnam	VND billion	1,378	100 (100)	Solar glass manufacturing

Note:

Any above figure of % Ownership in parentheses stands for the percentage owned indirectly through the Company's subsidiary/subsidiaries.

(7) Major Businesses of the Group

Segment	Contents
Building Products	Building Products encompasses the Group's activities in manufacturing float glass and other processed products for use in new buildings, for refurbishment and for the solar energy sector. It has manufacturing and processing operations in 21 countries. The Business has a major presence in Europe, Japan, North America, South America, South East Asia and China, with downstream processing in Europe and Japan. The NSG Group has ownership or interests in 49 float plants worldwide, some of which are dedicated to Building Products.
Automotive	Automotive supplies Original Equipment (OE) and Automotive Glass Replacement (AGR) aftermarket glazing to the Light Vehicle and Specialized Transport sectors. It has principal fabrication facilities in 31 sites in 16 countries, and is one of the world's largest suppliers of automotive glazing products.
Specialty Glass	This business segment engages in the manufacturing, processing and sale of micro optics, fine glass, industrial glass, LCD, specialized glass fiber products, products and environmental protection equipment.
Other	This segment covers corporate costs and engineering income, but also includes small businesses not included in the segments covered above.

(8) Main Offices and Plants of the Group

The Company	Head Office	5-27, Mita 3-Chome, Minato-ku, Tokyo, Japan
	Branch Offices	Minato-ku, Tokyo; Chuo-ku, Tokyo ; Chuo-ku, Osaka-shi; Toyota-shi, Aichi; Minami-ku, Hiroshima-shi
	Plants	Ichihara-shi, Chiba; Sagami-hara-shi, Kanagawa; Yokkaichi-shi, Mie; Tsu-shi, Mie; Tarui-cho, Fuwa-gun, Gifu; Minami-ku, Kyoto-shi; Maizuru-shi, Kyoto
Major Subsidiaries	Japan	Nanox Corp. (Fukushima-shi, Fukushima), Thanx Corp. (Setagaya-ku, Tokyo), NSG Building Products Co., Ltd (Ichihara-shi, Chiba), NSG Wintec Co., Ltd. (Suminoe-ku, Osaka-shi)
	Europe	Pilkington United Kingdom Limited (UK) Pilkington Automotive Limited (UK) Pilkington Technology Management Limited (UK) Pilkington Deutschland AG (Germany) Pilkington Automotive Deutschland GmbH (Germany) Pilkington Austria GmbH (Austria) Pilkington Norge AS (Norway) Pilkington Floatglas AB (Sweden) Pilkington Automotive Sweden AB (Sweden) Pilkington Automotive Finland OY (Finland) Pilkington Lahden Lasitehdas OY (Finland) Pilkington Danmark A/S (Denmark) Pilkington International Glass Poland Sp. Z o.o. (Poland) Pilkington Polska Sp. Z o.o. (Poland) Pilkington Italia SpA (Italy) NSG UK Enterprises Limited (UK) NSG Holding (Europe) Limited (UK) Pilkington Group Limited (UK)
	North America	Pilkington North America Inc. (USA) L-N Safety Glass SA de CV (Mexico)
	Rest of the World	Vidrieria Argentina S.A. (Argentina) Vidrios Lirquén S.A. (Chili) Pilkington Automotive Argentina S.A. (Argentina) Pilkington Brasil Limitada (Brazil) Guilin Pilkington Safety Glass Co Limited (China) Changchun Pilkington Safety Glass Co Limited (China) Pilkington Solar (Taicang), Limited (China) Suzhou NSG Electronics Co Limited (China) NSG Hong Kong Co Limited (China) Malaysian Sheet Glass Sdn. Bhd. (Malaysia) Vietnam Float Glass Co Limited (Vietnam) Vietnam Glass Industries Limited (Vietnam)

(9) Permanent Employees

Segments	Number of employees
Building Products	10,156
Automotive	14,439
Specialty Glass	3,951
Others	794
Total	29,340 (up by 1,002 year on year)

(10) Main Loan Creditors to the Group

Creditor	Amount (Millions of yen)
Development Bank of Japan	27,558
Japan Bank for International Cooperation	9,019
Sumitomo Trust and Banking Corporation	9,000
European Investment Bank	8,205
Shoko Chukin Bank	4,328
Sumitomo Life Insurance Company	3,000
Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000

Note:

In addition to above, NSG Group has syndicated loans of the total amount of ¥ 186,994 million, of which ¥ 82,270 million is underwritten by Sumitomo Mitsui Banking Corporation.

2. Matters Related to the Company's Shares

(1) Authorized number of shares to be issued:

A) In total:	1,775,000,000 shares
B) By class	
Common shares:	1,775,000,000 shares
Type A preferred shares:	3,000,000 shares

Note:

Authorized number of Type A preferred shares will be cancelled on condition that the partial amendments to the Articles of Incorporation is approved by the 145th Ordinary General Meeting of Shareholders, which eliminates all of the provisions relating to the Type A preferred shares therein including the said authorized number of shares to be issued.

(2) Total number of shares issued:

Common shares:	903,550,999 shares
(Of which treasury shares:	1,404,087 shares)
Type A preferred shares:	—

(3) Number of shareholders

Common shares:	64,386
Type A preferred shares:	—

(4) Top 10 shareholders

Shareholders	Number of Shares (thousand)	Class of Shares	Percentage of Shares
Japan Trustee Services Bank, Ltd. (Trust Account)	82,199	Common	9.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	55,779	Common	6.18
Japan Trustee Services Bank, Ltd. (Trust Account 9)	36,433	Common	4.04
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	15,772	Common	1.75
The Chase Manhattan Bank, N. A. London Secs Lending Omnibus Account	15,583	Common	1.73
Japan Trustee Services Bank, Ltd. (Trust Account 4)	15,015	Common	1.66
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	14,466	Common	1.60
State Street Bank and Trust Company 505225	13,648	Common	1.51
JPMBLSA Offshore Lending JASDEC Account	11,345	Common	1.26
Barclays Bank Plc Sub-account Barclays Capital Securities Limited SBL/PB	10,101	Common	1.12

Note:

Where the percentage of shares is calculated, treasury shares are excluded from the total number of issued shares.

3. Policy on return of our profits to shareholders

The Group policy is to secure stable dividend payments to our shareholders based on stable business results. The Group decided to distribute a year end dividend of ¥ 3 per share to Common shareholders. The full year dividend payment to our Common shareholders will be ¥ 6 per share including the interim dividend of ¥ 3 per share.

4. Matters Related to the Company's Stock Acquisition Rights, etc

(1) Stock acquisition rights (stock options) owned by Directors, Executive Directors as of the end of fiscal year

Category	Name	Issue Price	Exercise Price	Exercise Period	No. of Stock Acquisition Rights	Type and Number of Shares to be Issued with the Exercise of Stock Acquisition Rights	No. of Holders
The Company's Directors (Excluding External Directors)	Stock acquisition rights (No. 1)	Free	¥ 418 per share	From 1 July 2006 to 28 June, 2014	103	103,000 Common shares (1,000 Common shares per right)	3
	Stock acquisition rights (No. 2)	Free	¥ 466 per share	From 1 July 2007 to 28 June 2015	111	111,000 Common shares (1,000 Common shares per right)	3
	Stock acquisition rights (No. 3)	Free	¥ 578 per share	From 1 July 2008 to 28 June 2016	72	72,000 Common shares (1,000 Common shares per right)	3
	Stock acquisition rights issued in Sep. 2007 (Stock-compensation type)	¥ 666.31 per share	¥ 1 per share	From 29 Sep. 2007 to 28 Sep. 2037	55	55,000 Common shares (1,000 Common shares per right)	3
	Stock acquisition rights issued in Sep. 2008 (Stock-compensation type)	¥ 497.51 per share	¥ 1 per share	From 28 Sep 2008 to 27 Sep 2038	111	111,000 Common shares (1,000 Common shares per right)	3
	Stock acquisition rights issued in Sep. 2009 (Stock-compensation type)	¥ 255.12 per share	¥ 1 per share	From 1 Oct 2009 to 30 Sep 2039	220	220,000 Common shares (1,000 Common shares per right)	3
	Stock acquisition rights issued in Sep. 2010 (Stock-compensation type)	¥ 139.42 per share	¥ 1 per share	From 1 Oct 2010 to 30 Sep 2040	188	188,000 Common shares (1,000 Common shares per right)	3
Total	—	—	—	—	860	860,000 Common shares	3

(2) Stock acquisition rights (stock options) issued to Executive Officers during the fiscal year

Category	Name	Issue Price	Exercise Price	Exercise Period	No. of Stock Acquisition Rights	Type and Number of Shares to be Issued with the Exercise of Stock Acquisition Rights	No. of Holders
Executive Officers	Stock acquisition rights issued in Sep. 2010 (Stock-compensation type)	¥ 139.42 per share	¥ 1 per share	From 1 Oct 2010 to 30 Sep 2040	206	206,000 Common shares (1,000 Common shares per right)	9

(3) Other important matters related to stock acquisition rights, etc.

Category	Yen-denominated Convertible Bond-type Bond with Warrant Due 2011 (Issued on 13 May 2004)
Date of Board Resolution of Issuance	26 April 2004
No. of Stock Acquisition Rights	4,600
Type and Number of Shares to be Issued with the Exercise of Stock Acquisition Rights	42,435,424 Common shares
Issue Price of Stock Acquisition Rights	Free
Exercise Price	¥ 542
Outstanding Amount of Bond with Stock Acquisition Rights	¥ 23 billion

5. Matters Related to Directors and Executive Directors of the Company

(1) Name etc. of Directors and Executive Directors

A) Directors

Name	Non-executive position		Material concurrent office
Katsuji Fujimoto	Director, Chairman of NSG Group	Chairman of the Nomination Committee, and a member of Audit Committee	—
Tomoaki Abe	Director, Vice Chairman	Chairman of the Audit Committee, a member of the Nomination Committee, and Compensation Committee	—
Craig Naylor	Director	A member of Nomination Committee and Compensation Committee	—
Mike Powell	Director	—	—
Mark Lyons	Director	—	—
Mike Fallon	Director	—	—
Keiji Yoshikawa	Director	—	—
Isao Uchigasaki	Director	A member of the Nomination Committee	—
George Olcott	Director	Chairman of the Compensation Committee, and a member of the Nomination Committee and Audit Committee	<ul style="list-style-type: none"> ➤ Senior Fellow, Judge Business School, University of Cambridge ➤ Director, NKSJ Holdings, Inc.
Sumitaka Fujita	Director	A member of the Nomination Committee, Audit Committee, and Compensation Committee	<ul style="list-style-type: none"> ➤ Director, The Furukawa Electronic, Co., Ltd. ➤ Director, NKSJ Holdings, Inc.
Seiichi Asaka	Director	A member of the Nomination Committee and Compensation Committee	<ul style="list-style-type: none"> ➤ Director, Chairman of NSK Ltd. ➤ Director, NKSJ Holdings, Inc.
Hiroshi Komiya	Director	A member of the Nomination Committee and Audit Committee	<ul style="list-style-type: none"> ➤ President & Representative Director, General Imaging Co., Ltd.

Notes:

1. Messrs. Isao Uchigasaki, George Olcott, Sumitaka Fujita, Seiichi Asaka, and Hiroshi Komiya are External Directors as stipulated in Article 2 Clause 15 of the Companies Act and notified to Tokyo Stock Exchange and Osaka Securities Exchange as Independent Directors.
2. A member of Audit Committee, Mr. Sumitaka Fujita has specialized knowledge particularly on finance and accounting to a respectable degree with his career of Chief Financial Officer at ITOCHU Corporation for seven years.

B) Executive Directors

Name	Executive position		Material concurrent office
Craig Naylor	Representative Executive Director	President and CEO	—
Mike Powell	Executive Director	Group Finance Director	—
Mark Lyons	Executive Director	Head of Building Products Worldwide	—
Mike Fallon	Executive Director	Head of Automotive Worldwide	—
Keiji Yoshikawa	Executive Director	Head of Specialty Glass Worldwide	—

(2) Compensation for Directors, Executive Directors

A) Principles of Compensation for Directors, and Executive Directors

(i) Organization & Responsibilities

The Compensation Committee was established following the Shareholders' Meeting in June 2008. Its membership consists of the three External Directors of NSG Group, one of the Group's Internal Non-Executive Directors and the Representative Executive Director. The current chairman is Mr. G C Olcott, an External Director. No member of the Committee is allowed to be present when matters relating to his specific compensation are being discussed. The Committee is supported by a secretariat from the Human Resources function and may use information from specialist external advisers when necessary. During the year 2010/11, the Committee met on five occasions.

The Committee is responsible for:

- Determining the policy on individual compensation and other perquisites payable to the Directors and Executive Directors of the Company
- Determining individual compensation and other perquisites payable to the Directors and Executive Directors of the Company

The Committee also notes decisions made on the compensation of Executive Officers and Senior Managers in the Group.

(ii) Compensation Policy for Executive Directors

NSG Group is a global business, operating in 29 countries worldwide. The objectives of the compensation policy are to ensure that packages of employment terms and conditions are market competitive and designed in such a

way as to attract, retain and motivate executive directors of the highest calibre on a worldwide basis in an international business.

The policy aims to ensure that each individual's basic salary and incentives are aligned with the performance of the Group and the interests of shareholders as well as reflecting the commitment and achievements of the individuals concerned. While some of the elements of the packages of the Executive Directors will vary depending on the market conditions in the countries in which they are directly employed, annual bonus and long-term incentive plans follow a global policy and are structured, designed and co-ordinated at Group level.

Salary and benefit packages are set at market competitive levels and annual performance-related payments are assessed against the achievement of key targets which are mainly financial.

The salaries of Executive Directors are reviewed annually. The policy is to broadly align salaries with market medians for a global business. In determining what are the appropriate market rates, account is taken of turnover, market capitalization and the complexity and breadth of internationalization. In reviewing salaries, account is also taken of the scope and responsibilities of the role, the performance of the individual, the progress the Company is making against its targets and plans and of salary increases planned for other managers.

Each Executive Director participates in an annual performance-related incentive scheme. The Committee establishes the performance criteria and sets the appropriate bonus parameters. The incentive plans are based mainly on challenging financial performance targets relating to the annual budget which is approved by the Board. No bonus is paid to the Executive Directors if a minimum entry level of performance is not achieved.

Each Executive Director may be invited to participate in a Long Term Incentive Plan (LTIP). These plans are designed to reward the achievement of the Group's longer term objectives over a three year period. An LTIP may be issued annually. Therefore at any point in time there may be up to three overlapping plans in operation. The performance criteria for these plans are in the main financial targets. Payments from these plans are in cash.

(iii) Compensation Policy for External and Non-Executive Directors

The role of Non-Executive Directors is to supervise all Group business as members of the Board of Directors. In order for them to fulfill this role adequately and effectively, and for the Group to retain individuals with the capability

and experience required, the appropriate compensation level of Non-Executive Directors is set based on comparisons with other companies using benchmark data provided by specialist external advisers.

Internal Non-Executive Directors receive a salary and are eligible for Stock Compensation-type Stock Options. They are not eligible for performance-related bonuses or awards under long-term incentive plans.

External Directors receive fees for the performance of their duties. They are not eligible for performance-related bonuses or awards under long-term incentive plans.

B) Amount of Compensation for Directors and Executive Directors

(i) Amount of Compensation for Directors and Executive Directors Paid by NSG

Category	Headcount	Compensation (Millions of yen)		
		Basic Salary	Bonus	Other Benefits
Non-Executive Directors	9	224	—	196
of which External Directors	6	64	—	2
Executive Directors	3	140	120	40

Notes:

1. In addition to the amounts shown in this table which are amounts either paid or reimbursed by NSG, additional amounts were paid to certain Executive Directors by Pilkington Group Limited (PGL), the wholly owned subsidiary of the Company, and these are shown in a separate table (ii) below. Payments to Executive Directors, as shown in this table, were payments earned by Yoshikawa, and payment or reimbursement of costs for Naylor and Powell.
2. Amounts shown relate to the periods for which the office of Director was held.
3. The data for Non-Executive Directors includes those who retired as of the end of the 144th Ordinary General Meeting of Shareholders and those who were appointed from that time. The amount shown under Other Benefits for Non-Executive Directors includes an amount of ¥ 170 million for retirement allowances to a Non-Executive Director (internal Director) and an amount of ¥ 2 million for the same to an External Director.
4. The amounts shown as Bonus payments in the table are those earned by three eligible individuals for the year from April 2010 to March 2011 (which will be paid in the year from April 2011). A payment was earned with respect to Annual Bonus for this period. No payment was earned in respect of the Long Term Incentive Plan covering the three financial years from April 2008 to March 2011.
5. Other Benefits for Non-Executive Directors include an amount of ¥ 21 million for Stock Options awarded to two Non-Executive Directors (internal Directors), which is the Stock Compensation-type Stock Option introduced as a retirement saving plan in accordance with the abolishment of director's retirement allowance scheme in 2007 under Japanese employment terms.
6. Other Benefits for Executive Directors include an amount of ¥ 5 million for Stock Options awarded to an Executive Director, which is the Stock Compensation-type Stock Option introduced as a retirement saving plan in accordance with the abolishment of director's retirement allowance scheme in 2007 under Japanese employment terms.
7. Other Benefits include pension fund contributions, healthcare provision, transport and accommodation costs.
8. Where amounts in UK sterling and US dollar have been converted to Japanese Yen these have been done at an average exchange rate for the year of GBP1: 133JPY, and USD1: 86JPY respectively.

(ii) Amount of Compensation for Executive Directors Paid by PGL

Category	Headcount	Compensation (Millions of yen)		
		Basic salary	Bonus	Other Benefits
Executive Directors	3	135	107	34

Notes:

1. The amounts shown include all compensation paid to Lyons and Fallon as Executive Directors and those amounts paid to Powell as an Executive Director not included under NSG in Table (i).
2. The amounts shown as Bonus payments in the table are those earned by three eligible individuals for the year from April 2010 to March 2011 (which will be paid in the year from April 2011). A payment was earned with respect to Annual Bonus for this period. No payment was earned in respect of the Long Term Incentive Plan covering the three financial years from April 2008 to March 2011.
3. Other Benefits include pension fund contributions, healthcare provision and transport costs.
4. Where amounts in UK sterling have been converted to Japanese Yen this has been done at an average exchange rate for the year of GBP1:133JPY.

(3) Matters related to External Directors

A) Material concurrent office of External Directors (in case that the External director has also executive positions such as an Executive Director and Executive Officer or is an External Director or Auditor of other organizations)

Name	Concurrent Position
George Olcott	➤ External Director, NKSJ Holdings, Inc.
Sumitaka Fujita	➤ External Director, The Furukawa Electronic, Co., Ltd. ➤ External Director, NKSJ Holdings, Inc.
Seiichi Asaka	➤ External Director, NKSJ Holdings, Inc.
Hiroshi Komiya	➤ President & Representative Director, General Imaging Co., Ltd.

Note:

NSG does not have any special relationship in business with NKSJ Holdings, Inc., The Furukawa Electronic, Co., Ltd., and General Imaging Co., Ltd.

B) Major activities of External Directors during fiscal year

Name	Major Activities
Isao Uchigasaki	Attended all the 14 Board of Directors meetings, all the three Nomination Committee meetings, held during the fiscal year under review, and all the five Audit Committee meetings, all the two Compensation Committee meetings, held during his tenure within the fiscal year under review as a member of both Committees, which ended on 29 June 2010, and made statements as necessary from a specialized viewpoint of an experienced business manager.
George Olcott	Attended 12 of the 14 Board of Directors meetings, all the three Nomination Committee meetings, 12 of the 13 Audit Committee meetings, and all the five Compensation Committee meetings held during the fiscal year under review, and made statements as necessary mainly from a specialized viewpoint of an academic expert and an experienced business manager.
Sumitaka Fujita	Attended 13 of the 14 Board of Directors meetings, two of the three Nomination Committee meetings, 12 of the 13 Audit Committee meetings, and four of the five Compensation Committee meetings held during the fiscal year under review, and made statements as necessary mainly from a specialized viewpoint of an experienced business manager.
Seiichi Asaka	Attended all the 10 Board of Directors meetings, all and only the one Nomination Committee meeting, and all the three Compensation Committee meetings held after his assumption of the office of Director on 29 June 2010, and made statements as necessary mainly from a specialized viewpoint of an experienced business manager.
Hiroshi Komiya	Attended nine of the 10 Board of Directors meetings, all and only the one Nomination Committee meeting, and all the eight Audit Committee meetings held after his assumption of the office of Director on 29 June 2010, and made statements as necessary mainly from a specialized viewpoint of an experienced business manager.

C) Outline of an agreement on liability limitation

An agreement is concluded between the Company and each of the External Directors, to the effect that the liability of each of the External Directors in performing their duties in good faith and without gross negligence be limited to the amount as stipulated by law.

6. Independent Auditor

(1) Name of Independent Auditor

Ernst & Young ShinNihon LLC

(2) Fees, etc, to accounting auditor with respect to fiscal year

Fees, etc., to Independent Auditor for Fiscal Year under Review	¥ 172 million
Monetary and/or other property benefits payable by the Company and its subsidiaries to Independent Auditor	¥ 221 million

Notes:

1. The audit contract between the Company and the Independent Auditor does not differentiate fees related to auditing as Independent Auditor pursuant to the Companies Act and fees related to auditing pursuant to the Financial Instruments and Exchange Act. It is not practically possible to differentiate them, either. As such, the Fees, etc., to Independent Auditor for Fiscal Year in the above table are the combined sum for these services.
2. Ernst & Young are the Group companies' principal auditors.
3. The Company paid the fees for the Independent Auditor in consideration for its rendering of consultation or other services on financial matters in addition to those for such services performed by it as prescribed in Article 2.1 of the Certified Public Accountants Act.

(3) Policies on dismissal or non-reappointment of independent auditor

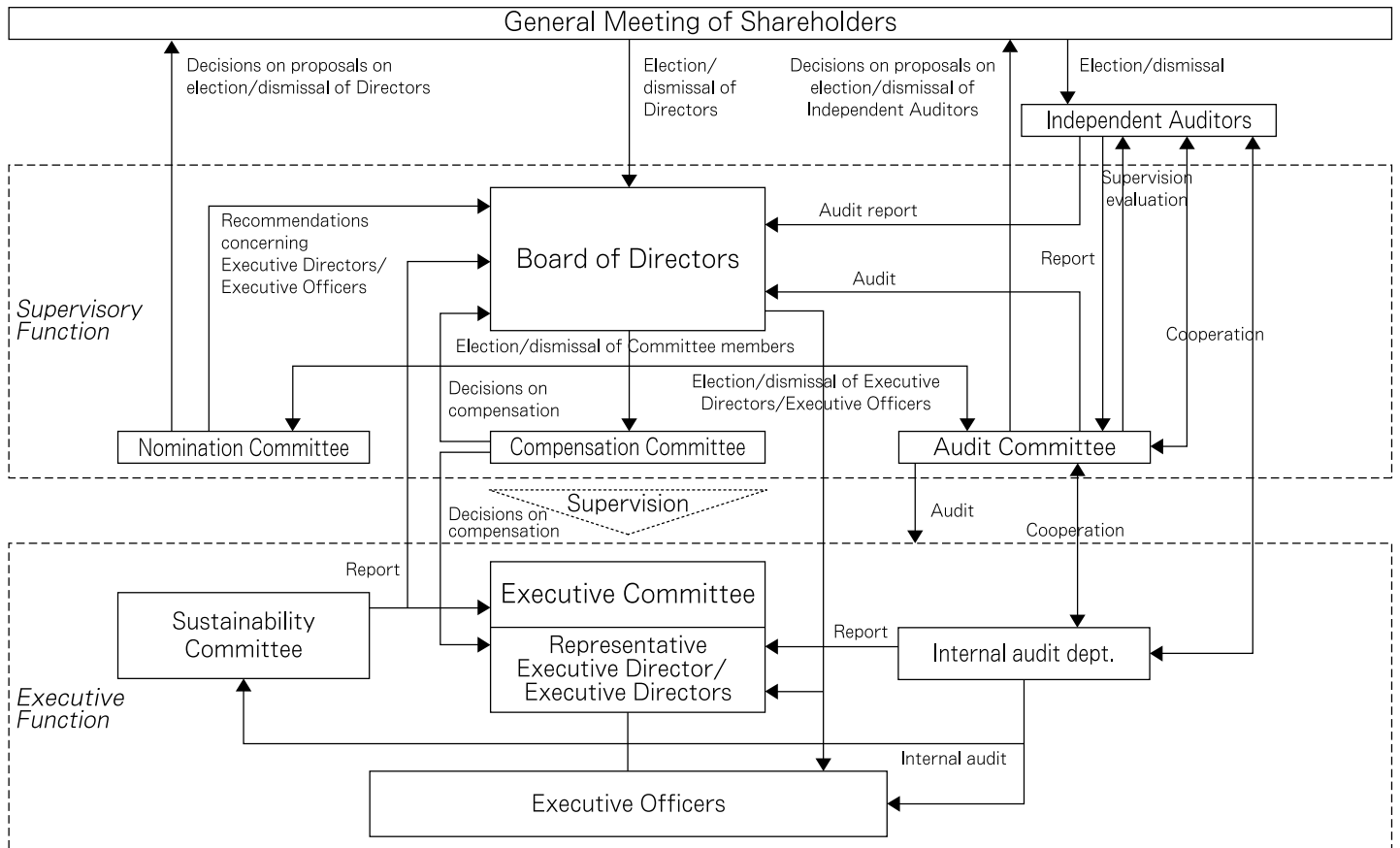
In addition to the dismissal of the independent auditor by the Audit Committee pursuant to stipulations in Article 340.1 of the Companies Act, the Audit Committee shall, in principle, propose an agenda for dismissal or non-reappointment of the accounting auditor to the General Meeting of Shareholders when the Audit Committee judges that the independent auditor is unable to perform its duties properly, due to violation of law by the independent auditor or other matters impairing eligibility or independence as the auditor.

7. Status of corporate governance

(1) Policy and structure

The Group adopts a Company with Committees structure, under which we intend and seek to introduce additional safeguards for shareholders, increase the transparency of management, and enhance corporate governance by separating the functions of execution and oversight, with the role of the external directors strengthened.

(2) Management system



A) Board of Directors decides or approves matters delegated to it by resolution of the General Meeting of Shareholders as well as especially important matters on the execution of the Company's business, in addition to the matters provided by laws and ordinances or by the Articles of Incorporation, and supervises the duties of Directors and Executive Directors.

B) Nomination Committee decides the details of the agenda items on appointment and removal of directors to be submitted to the General Meeting of Shareholders, and give recommendation or advice on candidates for Executive Directors and Executive Officers to the Board of Directors.

C) Audit Committee conducts audits of the execution of duties by directors and executive directors, prepares audit reports, and decides the details of agenda items on the appointment and removal of independent auditors, as well as their non-reappointment.

D) Compensation Committee makes decisions about individual compensation of executive/non-executive directors as well as the principle on these.

E) Executive Committee has the responsibility of effectively fulfilling the goals and policies of the NSG Group established by the Board of Directors.

F) Sustainability Committee reviews strategy and coordinates all Sustainability activities in the NSG Group and ensures effective communication of these matters with our stakeholders.

(3) Systems to Ensure Execution of Duties by Executive Directors are Compliant with Laws and Articles of Incorporation and to Secure Appropriateness of Operations, etc.

A) Matters regarding Directors and/or Employees who support the execution of duties by the Audit Committee

The Company has established an Audit Committee Office to assist the Audit Committee and a requisite number of staff is assigned to it.

B) Matters pertaining to the independence of the above Directors and/or Employees

Matters pertaining to the staff of the Audit Committee Office are required to be notified to and agreed by the Audit Committee in advance.

C) System for reporting by Executive Directors and employees to the Audit Committee and other systems concerning reporting to the Audit Committee

Executive Directors and other directors, officers and employees are required to report the following to the Audit Committee.

- a) When an individual discovers any fact that has the potential to cause substantial damage to the NSG Group.
- b) When any director, officer or employee performs any act in violation of any law, ordinance or the Articles of Incorporation, or is considered to have possibly performed those acts.
- c) Matters requested to be reported by the Audit Committee and other matters considered helpful for audit.

D) Other system to ensure effective audit by the Audit Committee

- a) Members appointed by Audit Committee have the right to attend Executive Committee meetings or other important meetings
- b) The Audit Committee interviews, as required, the directors, officers and employees to obtain information required for audits and receives periodic reports regarding the risk status of the Group from the relevant functions responsible for management of their respective risks.
- c) The Audit Committee may inspect material internal documents such as information materials for the Executive Committee meetings and requisition proposals.
- d) The Audit Committee receives explanations from the Executive Director in charge concerning the settlement of accounts at the end of fiscal year as well as quarterly settlement of accounts prior to approval by the Board of Directors.

e) The Audit Committee meets regularly with the Internal Audit Function and Independent Auditor to gather information as required.

E) System for ensuring that the performance of duties by Executive Directors and employees complies with laws and regulations, and the Articles of Incorporation

The Group ensures strict compliance with laws and regulations, and the Articles of Incorporation and upholds corporate ethics in accordance with the “Values and Principles” and actively fulfills corporate social responsibilities.

The Group communicates and promotes the “NSG Group Code of Conduct” (regarding business ethics and compliance with laws/ regulations/ internal rules) established under the “Values and Principles” and internal rules (the Group's policies, procedures and guidelines) to the directors, officers and employees of the Group through its internal communication network and implements education and training programs.

Functions responsible for laws, regulations and internal rules are required to monitor the status of compliance in coordination with the Internal Audit Function and report it to the Audit Committee.

A Reporting of Concerns Procedure has been established to provide a framework through which the directors, officers and employees of the Group may report or seek counsel on matters related to compliance.

F) System for retaining and managing information pertaining to Executive Directors’ performance of duties

Executive Directors retain and/or manage documents and any other information regarding their duties, pursuant to the applicable laws and internal rules.

G) Rules and system pertaining to Risk Management

Accurate financial reporting as well as proper and prompt information disclosure is ensured.

To cope with the risks that accompany corporate activities, the risks faced by the Group are comprehensively identified and managed. Further, the responsible functions have established appropriate internal regulations to manage the respective risks in such areas as compliance, environment, safety, disaster management, product quality, information security, fund management, materials procurement, research and development and credit control. The Group arranges risk diversification and insurance as needed.

To manage major incidents, the Group prepares rules and takes actions accordingly.

H) System for ensuring the efficient performance of Executive Directors’ duties

The Group manages consistent policies by specifying the Executive Directors annual objectives based on the long-term plan.

The duties and authority of Executive Directors, officers and employees, through resolutions by the Board of Directors, are clearly established and operated in accordance with internal rules on the division of duties and delegation of authority. Management decisions are made in accordance with the Terms of Reference of the Executive Committee and other rules on internal meetings, as well as the applicable criteria for submitting proposals for deliberation. Furthermore, utilizing information technology, the Company is developing systems to enhance further the efficiency of operations.

I) System for ensuring proper operation of corporate activities by the Group comprising the Company and its subsidiaries

The “NSG Group Values and Principles,” “NSG Group Code of Conduct” and internal rules are communicated

throughout the Group. Each Business Line and Group Function has defined rules and authority within its responsible area and provides guidance to ensure that internal control systems are properly implemented.

Transactions among the Group Companies must be conducted properly, in compliance with all applicable laws and regulations, accounting principles, and other social norms.

The Internal Audit Function evaluates and examines the effectiveness of the Group's internal controls, and makes proposals for improvement and efficiency of the Group's business operation.

The above reports are prepared by:

1. Rounding off any fraction of one million yen to the nearest one million yen except for the figures with respect to the business results before (including) FY2008 in which any fraction of one million yen is rounded down to one million yen. ; and
2. Rounding down any fraction of 1,000 shares to the nearest 1,000 shares.

End