Notes to the Consolidated Financial Statements and Notes to the Financial Statements with respect to the 152nd financial period under Japanese Companies Act

For the period of 1 April 2017 to 31 March 2018 (English translation)

Nippon Sheet Glass Company, Limited

We provide shareholders with the Notes to Consolidated Financial Statements and the Notes to Financial Statements with respect to the 152nd financial period, by posting both on the Company's website at www.nsg.com, since 30 May 2018, in accordance with the relevant law and ordinance and article 14 of the Articles of Incorporation.

Notes to the consolidated financial statements (English translation)

Summary of significant accounting policies

1. Preparation of Consolidated Financial Statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) with some omissions of disclosure items pursuant to the latter part of the first paragraph, Article 120 of the Ordinance for Companies Accounting.

2. Scope of consolidation

Number of consolidated subsidiaries and name of major consolidated subsidiaries

Number of consolidated subsidiaries is 190. Major consolidated subsidiaries are;
NSG Building Products Co. Limited, Thanxs Corporation Co. Limited, Nippon Sheet Glass WIN-TEC Co., Limited, Pilkington United Kingdom Limited, Pilkington Automotive Limited, Pilkington Technology Management Limited, NGF Europe Limited, Pilkington Deutschland AG, Pilkington Automotive Deutschland GmbH, Pilkington Austria GmbH, Pilkington Norge AS, Pilkington Automotive Finland OY, Pilkington IGP Sp. zo.o., Pilkington Automotive Poland Sp. zo.o., Pilkington Polska Sp. zo.o., Pilkington Italia SpA, Pilkington North America Inc., L-N Safety Glass SA de CV, Vidrieria Argentina S.A., Vidrios Lirquen S.A., Pilkington Automotive Argentina S.A., Pilkington Brasil Limitada, Guilin Pilkington Safety Glass Co. Limited, Suzhou NSG Electronics Co. Limited, NSG Hong Kong Co. Limited, Malaysian Sheet Glass Sdn. Bhd., Vietnam Float Glass Co. Limited, NSG Vietnam Glass Industries Limited, NSG Holding (Europe) Limited, NSG UK Enterprises Limited, Pilkington Group Limited

3. Application of equity method

Number of joint ventures and associates accounted for by the equity method and name of major joint ventures and associates

Number of Joint ventures and associates accounted for by the equity method is 22 (Cebrace Cristal Plano Limitada and other 21 affiliated companies).

4. Accounting policies and practices

(1) Financial instruments

The Group classifies its financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss, financial assets and liabilities held at amortized cost, and financial assets held at fair value through other comprehensive income.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. The evaluation considers the characteristics of the cash flows generated by the investments and the Group’s business model rationale for holding the investments.

(a) Financial assets / liabilities at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets/liabilities in this category are classified as current assets/liabilities if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. With exception of derivatives not qualifying for hedge accounting, at the balance sheet date the Group does not have any assets or liabilities in this category.

(b) Financial assets and liabilities at amortized cost

Assets within this category are included in the Group's balance sheet as receivables. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date and these are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Liabilities in this category are included in the balance sheet either as financial liabilities – borrowings, or as trade and other payables. Financial liabilities - borrowings predominantly arise from the Group’s lending facilities arranged with its banks, classified either as current liabilities for maturities within 12months, or non-current for maturities later than 12 months. Liabilities in this category have fixed or determinable payments to debt holders and are not quoted in an active market. Trade and other payables arise when the Group receives goods and services form its suppliers and is similarly split into current and non-current liabilities dependent on the time period expected before settlement.

Financial assets and liabilities at amortized cost are carried at amortized cost using the effective interest method, unless the asset or liability arises through the normal course of business with payments terms that indicate that the group is neither granting a financing arrangement to its suppliers or receiving one from its customers. Where no financing arrangement exists than the asset, classified as a receivable or payable, is held at amortized cost.

The Group applies the expected credit loss method to receivables balances and also considers individual provisions for specific balances where appropriate. This involves considering likely credit losses for a portfolio of receivables using a range of forward looking scenarios. A provision for impairment of trade receivables is established with respect to an individual receivable when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The expected credit loss method applied to a portfolio of receivables can result in a provision being created even when on an individual basis, the Group expects each receivable to be converted to cash with no loss arising. The movement in receivables provisions is recognized in the income statement.

Where trade receivables are sold to a financial institution through a securitization program and where the Group does not retain the significant risks and rewards of these receivables, or where the Group retains an element of risk and reward but no longer controls the asset, the Group derecognizes the trade receivables.

(c) Financial assets at fair value through other comprehensive income

Financial assets held at fair value through other comprehensive income are non-derivative financial investments where the Group is unable to exert significant influence over the investee. This category of investment could include equity investments or investments that are expected to generate fixed or determinable payments.

Financial assets at fair value through other comprehensive income are initially and subsequently recognized at fair value. Unrealized gains and losses arising from changes in the fair value of such assets are recognized within the statement of comprehensive income and result in a movement within the fair value reserve within equity. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. When assets that represent fixed interest investments held in this category are impaired, then the Group treats this as a realized loss recognized in the income statement, with historical amounts recycled from reserves through the statement of comprehensive income.

Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged and the effectiveness of the hedging arrangement. The Group designates certain derivatives as hedges of the changes in fair value of recognized assets or liabilities or a firm commitment (fair value hedges), hedges of exposure to variability in cash flows associated with an asset or liability or arising from highly probable forecast transactions (cash flow hedges), and hedges of net investments in foreign operations (net investment hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. For time-period related hedges, the cost of hedging is reflected in the income statement on a straight-line basis over the period of the hedge, with the accounting treatments described below relating to movements in the principal value of the hedge.

(a) Fair value hedge

Changes in the fair value of derivatives, designated and qualifying as fair value hedges, are recorded in either the statement of comprehensive income, if hedging a financial instrument at fair value through comprehensive income, or the income statement if hedging other items. Consequently, the movement in the fair value of the hedging contract is treated in a manner consistent with the movement in the fair value of the item being hedged.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives, designated and qualifying as cash flow hedges, is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity, the gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments, not qualifying for hedge accounting, are recognized immediately in the income statement.

(2) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is mainly determined using the first-in, first-out (FIFO) method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

(3) Property, plant and equipment and intangible assets

Land and buildings comprise mainly the Group's manufacturing facilities. Land is shown at historical cost (and depreciated and impaired if held on a finance lease). All property (excluding land) and plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost comprises all expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Assets held under finance leases (in which a significant proportion of the risks and rewards of ownership are retained by the Group) are included in property, plant and equipment or intangible assets at cost and are depreciated/amortized over the shorter of the lease term or their useful economic life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Freehold buildings	3 to 50 years
Leasehold lands and buildings procured by finance leases	lease term or useful economic life
Float glass tanks	10 to 15 years
Glass making plant	25 years
Glass processing plant	15 years
Other plant and equipment	5 to 20 years
Vehicles	5 years

The assets' residual values and useful lives are reviewed to take account of technological changes, intensity of use over their lives and market requirements, and adjusted if appropriate, at each balance sheet date.

Intangible assets

(a) Goodwill

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group’s investments in each region of operation by each primary reporting segment (see Impairment of Assets).

(b) Trademarks and licenses

Trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (over a maximum of twenty years).

(c) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (five to ten years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, which are seen to generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding ten years).

(d) Research and development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products or processes which will be used internally within the Group) are recognized as intangible assets when it is probable that the project will be commercially successful and technologically feasible or will give rise to internally improved processes, and costs can be measured reliably.

Other development expenditure is recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs with a finite useful life that have been capitalized, are amortized from the date when the product or use of the process becomes available for commercial production on a straight-line basis over the period of its expected benefit, not exceeding five years (products) and twenty years (processes).

(e) Intangible assets created on acquisition

The intangible assets identified on acquisition of the Pilkington Group as part of the fair valuing of the net assets acquired include customer relationships, know-how, license agreements, the Pilkington brand name and other brands, in-process research and development and developed technology. These have been capitalized and are amortized over the estimated life of each category of intangible asset and are amortized on a straight-line basis over the period of their expected benefit to the Group as follows:

Customer relationships	Up to 20 years
Know-how **	10 years
License agreements**	11 years
Pilkington brand name *	Nil
Other brands **	10 years
Research and development	Up to 20 years
Developed technology	Up to 15 years

* The Pilkington brand name has been assigned an indefinite useful life and is therefore not subject to routine amortization, but is instead tested annually for impairment.

**Fully amortized, with remaining book value of nil as from FY2018

Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(4) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement. Provisions are not recognized for future losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

All provisions, where the time value of money is material with a settlement date exceeding 12 months, are discounted and carried at their discounted value. The discount is unwound through a charge to finance costs each period until the provision is settled. Discount rates are based on rates applicable in each relevant territory where the provision is carried, consistent with risks specific to the liability.

(5) Retirement benefit assets and obligations

The Group operates various pension schemes globally. The schemes are generally funded through payments to insurance companies or trustee-administered funds, as determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Retirement benefit assets, net of applicable taxes that would be levied on the refund of a pension surplus, are recognized for schemes in surplus, when the Group has an unconditional right to a refund of that surplus.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are taken through the statement of comprehensive income to equity in accordance with IAS 19 'Employee Benefits'.

(6) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Japanese yen which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities classified as assets held at fair value through other comprehensive income, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the Group entities with a functional currency different from the Group's presentation currency (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

all resulting exchange differences are recognized in the exchange translation reserve, a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the exchange translation reserve within shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Exchange differences recognized prior to 31 March 2010 are included in a separate reserve within retained earnings called 'Retained earnings (translation adjustment at the IFRS transition date)'. Exchange differences arising on or after 1 April 2010 are recognized within a separate exchange reserve.

Goodwill, intangibles and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(7) Construction work-in-progress

Construction work-in-progress is represented by engineering construction contracts for the building, construction and delivery of float glass lines or other assets for third-party customers. Profits are recognized where revenue and contract costs can be reliably estimated and are based on the stage of completion of the contract. Where the outcome cannot be estimated reliably, revenue is only recognized to the extent that it is probable that the contract costs incurred will be recoverable. Where it is probable that the contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately in the income statement.

The stage of completion on construction contracts is assessed at regular intervals by the engineering project team and is based on an analysis of construction progress made, order fulfillment, costs incurred and technical completion at the balance sheet date.

(8) Accounting for consumption tax

All accounts are presented net of consumption tax.

Notes - Consolidated balance sheet

1. Collaterals

(1) Assets treated as collaterals

Machinery & Equipment, Tools & Fixtures	JPY	18,104	million
Buildings & Structures	JPY	897	million
Software	JPY	12	million
Total	JPY	19,013	million

(2) Liabilities related to collaterals

Current portion of long term borrowings	JPY	7,436	million
Long term borrowings	JPY	12,027	million
Total	JPY	19,463	million

2. Provision, presented as a deduction of asset account on B/S

Provision for doubtful accounts against:

Trade and other receivables	JPY	2,968	million

3. Accumulated depreciation of tangible fixed assets	JPY	473,384	million

Notes - Consolidated income statement

The Group discloses certain gains or losses in the income statement as exceptional items if this is necessary to gain a fair understanding of the Group's operating performance. Exceptional items would usually be material in value or would be of a non-recurring nature. Charges resulting from the Group's profit improvement program are included within exceptional items.

Exceptional items incurred during this financial year are detailed in the below table.

	(JPY million)
Exceptional Items (gains):	
Reversal of impairment of investments in joint ventures (Note 1)	4,065
Gain on disposal of non-current assets (Note 2)	2,139
Gain on disposal of investments in joint ventures (Note 3)	1,541
Gain on settlement of insurance proceeds (Note 4)	997
Settlement of litigation matters (Note 5)	190
Other gains	238
Sub total - Exceptional items (gains)	9,170
Exceptional Items (losses):	
Restructuring costs, including employee termination payments (Note 6)	(5,190)
Suspension of facilities (Note 7)	(4,621)
Impairments of non-current assets (Note 8)	(487)
Settlement of litigation matters (Note 5)	(137)
Sub total - Exceptional items (losses)	(10,435)
Exceptional items (gains and losses) - net	(1,265)

(Note 1) The reversal of impairment of investments in joint ventures relates to the Group's investment in SP Glass Holdings BV, a joint venture owning production facilities in Russia. The performance of this joint venture has steadily improved, leading the Group to re-assess its future prospects.

(Note 2) The gain on disposal of non-current assets relates to assets in Technical Glass in China, which were disposed following the completion of restructuring activities undertaken earlier in the year.

(Note 3) The gain on the disposal of investments in joint ventures and associates relates to the contracted disposal of the Group's interest in Tianjin SYP Pilkington Glass Co., Ltd. The proceeds received on disposal of this investment are an investment in Tianjin SYP Glass Co., Ltd which will be accounted for as an asset held at Fair Value through Other Comprehensive Income (FVOCI). The exceptional gain includes a partial reversal of a previous impairment and a gain on recycling to the income statement of previous foreign exchange postings made directly to the Statement of Comprehensive Income.

(Note 4) The gain on settlement of insurance proceeds relates to insurance monies received following the Tornado that struck the Group's plant at Ottawa, Illinois, U.S.A, on 28 February 2017.

(Note 5) The settlement of litigation matters relates to claims made by certain of the Group's automotive customers in Europe, following the European Commission's earlier decision to fine the Group for alleged breaches of European competition law and also relates to other matters arising elsewhere.

(Note 6) Restructuring costs principally include the cost of compensating redundant employees for the termination of their contracts of employment. The current year cost includes restructuring activities in Technical Glass in China, Automotive Europe, and a number of more minor projects elsewhere.

(Note 7) The suspension of facilities relates to the Group's decision to proceed with an expedited repair of the furnace at Ottawa, Illinois, U.S.A.

(Note 8) The impairment of non-current assets relates mainly to assets in Automotive North America and assets at the Ottawa facility.

Notes - Consolidated statement of changes in equity

1. Types and volume of issued shares as of 31 March 2018

Common shares	90,487,499	shares
Class A shares	40,000	shares

2. Dividends

(1) Dividends paid

There is no dividend.

(2) Dividends which are effective as of year-end, but which payment will come in the next fiscal year

For approval in the Board of Directors Meeting held on 11 May 2018

Type of shares	Ordinary shares
Source of dividends	Retained earnings
Total amount of dividends	JPY 1,809 Million
Dividend per share	JPY 20.00
Dividends paid to shareholders as of:	31 March 2018
Start of payment	29 June 2018

Type of shares	Class A shares
Source of dividends	Retained earnings
Total amount of dividends	JPY 1,800 Million
Dividend per share	JPY 45,000.00
Dividends paid to shareholders as of:	31 March 2018
Start of payment	28 June 2018

3. Stock subscription rights exercisable as of 31 March 2018

Type & volume of shares	Common shares	654,600	shares

Notes of financial instruments

1. Status of financial instruments

The Group is financed by a combination of cash flows from operations, bank loans and corporate bonds. The Group's policy is to ensure continuity of finance at a reasonable cost with varying maturities. The Group invests cash balances and short-term money market balances with a selected group of credit worthy deposit takers. The Group does not engage in speculative trading of financial instruments or derivatives.

The Group's multinational operations and debt financing expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, energy prices, debt market prices, interest rates, credit risks, and liquidity. The Group has in place a risk management program that seeks to limit the effects on the financial performance of the Group by using financial instruments.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, energy price risk, use of derivative and non-derivative financial instruments, credit risk, and investing excess liquidity.

2. Fair values of financial instruments

Carrying value on consolidated balance sheet, fair value and variance as of 31 March, 2018 are presented in the table below.

(in JPY millions)

	Carrying value on consolidated B/S	Fair value	Variance
(1) Trade and other receivables	90,262	90,262	-
(2) Assets held at Fair Value through other Comprehensive Income	17,390	17,390	-
(3) Derivative financial instruments	1,383	1,383	-
(4) Cash and cash equivalents	64,801	64,801	-
Financial assets - total	173,836	173,836	-
(5) Borrowings	370,655	350,997	19,658
(6) Derivative financial instruments	1,999	1,999	-
(7) Trade and other payables	134,290	134,290	-
Financial liabilities - total	506,944	487,286	19,658

(Note) Fair valuation methods

Financial asset items:

(1) Trade and other receivables

Fair values of trade and other receivables are measured at balance sheet value, as most of them are settled within a short period and so their fair values are thought to be almost equal to the balance sheet values.

(2) Assets held at Fair Value through other Comprehensive Income

The fair values of quoted investments are based on current bid prices. For unlisted securities or where the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, reference to investee's balance sheet net assets and option pricing models refined to reflect the issuer's specific circumstances.

(3) Derivative financial instruments

Fair values of derivative financial instruments are measured by reference to prices or indices indicated by financial institutions also taking into account credit risk.

(4) Cash and cash equivalents

Fair values of cash and cash equivalents are measured at balance sheet value, as they are settled within a short period and so their fair values are thought to be almost equal to the balance sheet values.

Financial liability items:

(5) Borrowings

Fair values of bank borrowings are calculated by discounting aggregated future cash payments for interests and principals related to each borrowing contract to present values. A combination of interest rates, assumed as applicable to new bank borrowings with similar values and terms at the yearend, and credit risk indicators are used as discount rates.

Fair values of bonds payable with market price are measured at the market prices and fair values of bonds payables with no market price are calculated by discounting aggregated future cash payments for interests and principals related to each bond to present values. Interest rates, after considering remaining periods to maturity and credit risks associated with the bonds, are used as discount rates.

(6) Derivative financial instruments

Fair values of derivative financial instruments are measured by reference to prices or indices indicated by financial institutions, also taking into account credit risk

(7) Trade and other payables

Fair values of trade and other payables are measured at balance sheet value, as most of them are settled within a short period and so their fair values are thought to be almost equal to the balance sheet values.

Amounts per share

1. Total shareholders' equity per share	JPY	1,033.24
2. Basic earnigs per share	JPY	47.90

Notes of significant subsequent events

On 11 May 2018, the Group announced that it intended to invest a total of ¥ 38,000 million to support the expansion of production capacity of online TCO (transparent conductive oxide) coated glass to support the growing solar market. This investment will include the restart of a dormant float glass furnace in Vietnam. The Group partially impaired the value of this furnace with an exceptional cost in FY2016. Following the decision to restart this line, the Group will re-evaluate its value, with any exceptional item arising expected to be recorded during the first quarter of FY2019.

Notes to the Financial Statements

Summary of significant accounting policies

1. Policies and methods regarding valuation of assets

(1) Securities

Investments in subsidiaries and affiliates:

Stated at cost determined by the moving-average method

Other securities:

Securities with fair value

Stated at fair value by reference to market price, etc., as of the closing date, with changes in unrealized holding gain or loss charged directly to net assets and any disposal value determined by the moving average method

Securities with no fair value

Stated at cost determined by the moving-average method

(2) Derivatives

Stated at their fair market value

(3) Inventories

Stated at cost determined by the FIFO method (with provision for reducing the balance in case net realizable value decreases).

2. Depreciation (amortization) of fixed assets

(1) Tangible fixed assets

Depreciation is calculated by the straight-line method.

The estimated useful lives applied are principally as follows:

Buildings and structures	3 - 50 years
Machinery, equipment, tools and fixtures	3 - 30 years

(2) Intangible fixed assets

Amortization is calculated by the straight-line method. Software intended for internal use in the Company are amortized by the straight-line method over their estimated useful period of 10 years or less.

(3) Leased assets

Leased assets procured by finance lease transactions in which ownership are not transferred to lessees are depreciated by the straight-line method to residual value of zero.

3. Provisions

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is calculated based on the historical experience with bad debts plus an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.

(2) Provision for employees' bonuses

Provision for employees' bonuses is calculated based on the amount expected to be paid to the employees and accrued for the financial year.

(3) Provision for directors' bonuses

Provision for directors' bonuses is calculated based on the amount expected to be paid to the directors and accrued for the financial year.

(4) Provision for warranties

Provision for warranties is calculated based on the amount expected to be expensed for warranties of products.

(5) Provision for payment under Position retirement program

Provision for payment under Position retirement program is calculated based on the amount expected to be paid to the employees and accrued for the financial year.

(6) Provision for retirement benefits

Accrued retirement benefit for employees is provided at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the end of the financial year.

Past years' service costs related to pension schemes are generally expensed as incurred, and actuarial gain or loss is amortized, commencing the year following the year in which the gain or loss is recognized, by the straight-line method over a period of five years which is shorter than the average remaining year of service for the eligible employees.

(7) Provision for rebuilding furnaces

Provision for rebuilding furnaces is calculated in consideration of the estimated cost of scheduled repairs and the number of hours of operation prior to the next repair date, in order to prepare for periodic large-scale repairs (to furnaces).

(8) Environmental provision

Environmental provision is calculated based on the amount expected to be expensed for environmental preservation in the future.

4. Other policies

(1) Hedge accounting

Deferral hedge method is applied (Gains or losses on derivatives designated as hedging instruments are deferred until the corresponding loss or gain on the underlying hedged item is recognized. Where a derivative instrument does not qualify or no longer qualifies for hedge accounting the gain or loss on the derivative is charged immediately to profit and loss account).

(2) Accounting of consumption tax

All accounts are presented net of consumption tax.

(3) Application of consolidated taxation

The Company applied the consolidated taxation for the financial year.

Notes regarding balance sheet items

1. Collaterals

(1) Assets treated as collaterals

Buildings	JPY	850	million
Structures	JPY	47	million
Machinery & Equipment	JPY	11,608	million
Tools & Fixtures	JPY	627	million
Software	JPY	12	million
Total	JPY	13,144	million

(2) Liabilities related to collaterals

Current portion of long-term borrowings	JPY	7,548	million
Long-term borrowings	JPY	12,343	million
Total	JPY	19,891	million

Assets treated as collaterals and liabilities related to the collaterals in the above are related to finance lease contracts arising from sale and lease-back transactions. The sale and lease-back transactions are accounted for as borrowings secured by collateral assets, and the liabilities are recognized in long-term bank borrowings and current portion of long-term borrowings.

2. Accumulated depreciation of tangible fixed assets	JPY	180,419	million

3. Contingent guarantees

Guarantees	JPY	80,011	million

4. Notes receivables endorsed	JPY	131	million

5. Receivables from and payables to subsidiaries and affiliates

Short-term receivable from subsidiaries & affiliates	JPY	67,365	million
Short-term payable to subsidiaries & affiliates	JPY	15,106	million

Notes regarding income statement items

1. Transactions with subsidiaries & affiliates

Sales to subsidiaries & affiliates	JPY	30,203	million
Purchases from subsidiaries & affiliates	JPY	12,783	million
Non-operational transactions with subsidiaries and affiliates	JPY	14,170	million

Notes regarding statement of change in net assets

1. Number of treasury stock as of 31 March 2017	Common shares	14,465	shares

Components of deferred tax assets and liabilities

	(in JPY millions)
Deferred tax assets:	
Provision for retirement benefits	633
Provision for rebuilding furnaces	1,407
Allowance for doubtful accounts	203
Provision for warranties	21
Asset retirement obligations	642
Temporary differences related to fixed assets	334
Temporary differences related to inventories	1,174
Loss on revaluation of investments in securities	6,744
Loss on revaluation of derivatives (commodity swap, etc.)	134
Loss brought forward	12,195
Other	1,729
Gross deferred tax assets	25,216
Valuation allowance	(24,282)
Total: Deferred tax assets	934
Deferred tax liabilities:	
Reserve for advanced depreciation	(647)
Gain on revaluation of derivatives (commodity swap, etc.)	(54)
Other	(446)
Total: Deferred tax liabilities	(1,147)
Net deferred tax assets/liabilities	(213)

Related party transactions

(in JPY millions)

Type of company	Name of company	Equity	Relationship	Content of transaction	Transaction value	Account	Balance as of 31 Mar2016
Subsidiary	NSG UK Enterprises Ltd.	100% indirectly owned	Fund assistance & Loan guarantee & Shared director duties	Interest receivable (*1)	508	Other current assets	121
				Loan receivable (net) (*1)	(6,314)	Short-term loan	21,686
				Loan guarantee (*2)	69,607	-	-
Subsidiary	NSG Holding (Europe) Ltd.	100% directly owned	Fund assistance & Shared director duties	Interest receivable (*3)	748	Other current assets	2
				Loan receivable (net) (*3)	(269)	Short-term loan	34,110

Terms of transaction and decision policy of terms

(*1) Interest rates for the loans to NSG UK Enterprises Ltd. are determined after consideration of market rates.

No collaterals are provided for the loans.

(*2) Loan guarantees are provided for subsidiary's borrowings from external financial institutions.

(*3) Interest rates for the loans to NSG Holding (Europe) Ltd. are determined after consideration of market rates. No collaterals are provided for the loans.

Amounts per share

Net assets per share	JPY	3,153.51
Net profit per share	JPY	45.57