

**NSG**  
**GROUP**

**NSG Group**

**Implementation of  
International Financial Reporting Standards  
from 1 April 2011**

Nippon Sheet Glass Co., Ltd.

---

# Agenda

- Introduction
  - Presentation Objectives
  - Implementation Timetable
- Opening balance sheet at 31 March 2010
- Income statement forecast FY2011
- Strategic Management Plan

---

## Presentation Objectives

In this presentation we will

- Set out the implementation timetable and what users of NSG Group accounts can expect to see in the Group's reporting through FY2012 (the financial year ending 31 March 2012)
- Explain the major adjustments to the Group's accounts arising from the transition to IFRS, covering both the balance sheet and income statement
- Re-confirm the Group's Strategic Management Plan financial targets in an IFRS environment

## Implementation timetable

- First quarter to 30 June 2011 – IFRS with IFRS prior year comparatives
  - To include reconciliation of net assets from J GAAP to IFRS at 31 March 2010, 30 June 2010, 31 March 2011
  - To include reconciliation of net income and key cash flow figures for the year to 31 March 2011
  - To include reconciliation of net income for the quarter to 30 June 2010
- Second and third quarters to September and December 2011 – IFRS with IFRS prior year comparatives
  - To include reconciliation of net assets from J GAAP to IFRS at 30 September and 31 December 2010 respectively
  - To include reconciliation of net income for the quarters to 30 September and 31 December 2010 respectively

## Implementation timetable (cont.)

- Full year to 31 March 2012
  - To include reconciliation of net assets from J GAAP to IFRS at 31 March 2010 and 31 March 2011
  - To include reconciliation of net income and key cash flow figures for the year to 31 March 2011
  - To include un-audited summary of J GAAP major financial statements for the year to 31 March 2012
  
- Full year to 31 March 2013 and thereafter – IFRS only

---

# Agenda

- Introduction
  - Presentation Objectives
  - Implementation Timetable
- **Opening balance sheet at 31 March 2010**
- Income statement forecast FY2011
- Strategic Management Plan

## Opening Balance Sheet

### Net assets at 31 March 2010:

(JPY million)

	J GAAP	Adjustments	IFRS
<b>Total assets</b>	<b>933,721</b>	<b>11,699</b>	<b>945,419</b>
<b>Total liabilities</b>	<b>(693,790)</b>	<b>(51,724)</b>	<b>(745,514)</b>
<b>Total net assets</b>	<b>239,931</b>	<b>(40,026)</b>	<b>199,905</b>
<i>Represented by:</i>			
Common stock	96,147	-	96,147
Capital surplus	135,290	(27,724)	107,566
Retained earnings	71,696	(12,441)	59,255
Retained earnings IFRS conversion	-	(68,049)	(68,049)
Treasury stocks	(589)	-	(589)
Valuation & translation adjustments	(72,239)	68,049	(4,190)
Stock options	684	-	684
Minority interests	8,942	138	9,080
<b>Total net assets</b>	<b>239,931</b>	<b>(40,026)</b>	<b>199,905</b>



## Opening Balance Sheet

### Assets at 31 March 2010:

(JPY million)

	J GAAP	Adjustments	IFRS
Non-Current assets:			
Goodwill	122,653	90	122,743
Intangible assets	113,381	4,921	118,302
Property, plant & equipment	283,140	2,658	285,798
Equity method investments	41,918	2,733	44,651
Available for sale investments	17,306	(6,789)	10,517
Deferred taxation	47,836	7,333	55,169
Trade and other receivables	8,791	-	8,791
Derivative financial instruments	1,249	-	1,249
<b>Total non-current assets</b>	<b>636,274</b>	<b>10,946</b>	<b>647,220</b>

## Opening Balance Sheet

### Assets at 31 March 2010:

(JPY million)

	J GAAP	Adjustments	IFRS
<b>Current assets:</b>			
Inventories	97,715	218	97,933
Construction work-in-progress	1,076	-	1,076
Trade and other receivables	116,486	779	117,265
Deferred taxation	560	(560)	-
Derivative financial instruments	1,813	153	1,966
Cash and cash equivalents	79,796	-	79,796
Assets held for sale	-	163	163
<b>Total current assets</b>	<b>297,446</b>	<b>753</b>	<b>298,199</b>
<b>Total non-current assets</b>	<b>636,274</b>	<b>10,946</b>	<b>647,220</b>
<b>Total assets</b>	<b>933,721</b>	<b>11,699</b>	<b>945,419</b>

## Opening Balance Sheet

### Liabilities at 31 March 2010:

(JPY million)

	J GAAP	Adjustments	IFRS
Current liabilities:			
Financial liabilities	79,400	1,048	80,448
Derivative financial instruments	6,353	25	6,378
Trade and other payables	114,568	1,376	115,945
Deferred taxation	5,562	(5,562)	-
Taxation liabilities	6,023	-	6,023
Provisions	20,156	2,988	23,144
Deferred income	3,071	-	3,071
<b>Total current liabilities</b>	<b>235,134</b>	<b>(125)</b>	<b>235,008</b>

## Opening Balance Sheet

### Liabilities at 31 March 2010:

(JPY million)

	J GAAP	Adjustments	IFRS
Non-current liabilities:			
Financial liabilities	319,849	29,621	349,470
Derivative financial instruments	4,276	-	4,276
Trade and other payables	5	-	5
Deferred taxation	45,919	7,752	53,671
Retirement benefit obligations	59,319	21,867	81,185
Provisions	23,120	(7,391)	15,730
Deferred income	6,168	-	6,168
<b>Total non-current liabilities</b>	<b>458,656</b>	<b>51,849</b>	<b>510,505</b>
<b>Total current liabilities</b>	<b>235,134</b>	<b>(125)</b>	<b>235,008</b>
<b>Total liabilities</b>	<b>693,790</b>	<b>51,724</b>	<b>745,514</b>

# Opening Balance Sheet

## Non-current assets

### Goodwill

(JPY million)

**J GAAP balance**

**122,653**

Write off negative goodwill balances

90

**IFRS balance**

**122,743**

- IFRS 3 (para. 34) requires the immediate recognition of negative goodwill in the income statement.
- J GAAP balance of positive goodwill used as deemed cost for IFRS in accordance with IFRS1 (para's. D5 – D7)

# Opening Balance Sheet

## Non-current assets

### Intangible assets

(JPY million)

### J GAAP balance

**113,381**

Qualifying development expenditure

5,046

Japan telephone subscription rights

(125)

### IFRS balance

**118,302**

- IAS 38 (para. 57) requires the recognition of an intangible asset arising from development expenditure that meets certain criteria
- Except for minor write-off of telephone subscription rights, J GAAP balance of other intangible assets used as IFRS deemed cost in accordance with IFRS1 (paras. D5 – D7)

# Opening Balance Sheet

## Non-current assets

### Property, plant & equipment

(JPY million)

**J GAAP balance**

**283,140**

Float tank assets

1,902

Investment properties

756

**IFRS balance**

**285,798**

- Capital costs of float tank repairs in Japan, historically charged to float tank repair provisions rather than capitalized as property, plant & equipment, now retrospectively capitalized, allowing for subsequent depreciation (IAS16 para 15)
- Investment properties, formerly held at cost now held at fair value (IAS 40 para 32A)

# Opening Balance Sheet

## Non-current assets

### Equity method investments (associates and joint ventures)

	(JPY million)
<b>J GAAP balance</b>	<b>41,918</b>
Transfer from available-for-sale investments to associates	2,733
<b>IFRS balance</b>	<b>44,651</b>

- IFRS recognition criteria of significant influence (IAS28 paras 6 & 7), mandating the use of the equity method of accounting (IAS28 para 11) , has been applied to certain investments, previously held at cost in J GAAP



# Opening Balance Sheet

## Non-current assets

### Available for sale investments

(JPY million)

**J GAAP balance**

**17,306**

Transfer to equity method investments

(8,499)

Transfer to assets held for sale

(296)

Recognition of fair value

2,006

**IFRS balance**

**10,517**

- IFRS recognition criteria of significant influence (IAS28 para 6), mandating the use of the equity method of accounting (IAS28 para 11) , has been applied to certain investments, previously held at cost in J GAAP
- Investment qualifying as an asset held for sale transferred to that balance sheet category (IFRS 5 para 6)
- Remaining available for sale assets held at fair value (IAS39 para 48)

# Opening Balance Sheet

## Non-current assets

### Deferred taxation

(JPY million)

### J GAAP balance

**47,836**

Retirement Benefits

6,843

Development costs

(269)

Transfer from current assets

560

Additional holiday pay provisions

198

Other adjustments

1

### IFRS balance

**55,169**

- All adjustments relate to deferred taxation applied to adjustments made to various other assets and liabilities, and explained on other slides, except for classification adjustment below
- All deferred taxation in IFRS classified as non-current (IAS 1 para 56)

# Opening Balance Sheet

## Current assets

### Inventories

(JPY million)

**J GAAP balance**

**97,715**

Various immaterial adjustments

218

**IFRS balance**

**97,933**

# Opening Balance Sheet

## Current assets

Trade and other receivables

(JPY million)

**J GAAP balance**

**116,486**

Factoring of promissory notes

1,048

Other adjustments

(269)

**IFRS balance**

**117,265**

- Recognition of continued involvement in Japanese promissory notes, sold to financial institutions, recognized as a grossed-up asset and liability (IAS39 paras 30 & 31)

# Opening Balance Sheet

## Current assets

### Deferred taxation

(JPY million)

### J GAAP balance

560

Transfer to non-current assets

(560)

### IFRS balance

-

- All deferred taxation in IFRS classified as non-current (IAS 1 para 56)

# Opening Balance Sheet

## Current assets

### Derivative financial instruments

(JPY million)

**J GAAP balance**

**1,813**

Interest rate swaps

153

**IFRS balance**

**1,966**

- Recognition of fair value of certain interest rate swaps, previously accounted for using the simplified method of accounting in J GAAP (IAS39 para 95)

# Opening Balance Sheet

## Current assets

### Assets held for sale

(JPY million)

**J GAAP balance**

-

Transfer from available-for-sale

163

**IFRS balance**

163

- Investment qualifying as an asset held for sale recognised in separate balance sheet caption (IFRS 5 para 6)

# Opening Balance Sheet

## Current liabilities

### Financial liabilities

(JPY million)

### J GAAP balance

**79,400**

Factoring of promissory notes

1,048

### IFRS balance

**80,448**

- Recognition of continued involvement in Japan promissory notes, sold to financial institutions, recognized as a grossed-up asset and liability (IAS39 paras 30 & 31)



# Opening Balance Sheet

## Current liabilities

### Derivative financial instruments

(JPY million)

### J GAAP balance

6,353

Interest rate swaps

25

### IFRS balance

6,378

- Recognition of fair value of certain interest rate swaps, previously accounted for using the simplified method of accounting in J GAAP (IAS39 para 95)

# Opening Balance Sheet

## Current liabilities

### Trade and other payables

(JPY million)

### J GAAP balance

**114,568**

Preferred share interest accrual

1,383

Other sundry adjustments

(6)

### IFRS balance

**115,945**

- Preferred shares treated as a liability in IFRS (IAS32 para 11) and dividends treated as interest accrual (IAS32 para 35)

# Opening Balance Sheet

## Current liabilities

**Deferred taxation**

(JPY million)

**J GAAP balance**

**5,562**

Transfer to non-current liabilities

(5,562)

**IFRS balance**

**-**

- All deferred taxation in IFRS classified as non-current (IAS 1 para 56)

# Opening Balance Sheet

## Current liabilities

### Provisions

(JPY million)

**J GAAP balance**

**20,156**

Holiday pay provisions

2,988

**IFRS balance**

**23,144**

- Provision established to record present obligation relating to accrued holiday entitlement in Japan (IAS37 para14)

# Opening Balance Sheet

## Non-current liabilities

### Financial liabilities

(JPY million)

### J GAAP balance

**319,849**

Preferred shares

30,000

Reversal of discount on convertible bonds

(379)

### IFRS balance

**349,470**

- Preferred shares treated as a financial liability in IFRS (IAS32 para 11)
- Notional discount on convertible bonds, representing equity component of conversion feature, deducted retrospectively from value of bonds payable, and then subsequently reversed with a charge to interest costs to the bonds' maturity date (IAS32 para's 28,29,35)

# Opening Balance Sheet

## Non-current liabilities

### Deferred taxation

(JPY million)

### J GAAP balance

**45,919**

Transfer from current liabilities

5,562

Capitalized development costs

1,163

Increased fair value of investments

792

Unremitted profits of subsidiaries\*

(904)

Swap agreements

62

Investment properties

307

Float tank assets

770

### IFRS balance

**53,671**

- \*DT removed on unremitted profits of subsidiaries where the Group does not intend to distribute profits in the foreseeable future (IAS12 para 40)

# Opening Balance Sheet

## Non-current liabilities

### Retirement benefit obligations (RBO)

(JPY million)

**J GAAP balance**

**59,319**

Previously unrecognized liability

25,035

Transfer of non-material RBO to provisions

(3,169)

**IFRS balance**

**81,185**

- Retirement benefit obligations recognized in full as a liability (IAS19 para 54)
- Liability relating to immaterial schemes included fully within provisions for practical purposes.

# Opening Balance Sheet

## Non-current liabilities

### Provisions

(JPY million)

**J GAAP balance**

**23,120**

Remove tank repair provisions

(10,559)

Transfer of non-material RBO to provisions

3,169

**IFRS balance**

**15,730**

- Remove tank repair provisions due to lack of obligating event (IAS37 para 14)
- Liability relating to immaterial schemes included fully within provisions for practical purposes.



# Opening Balance Sheet Reserves

JPY million

	J GAAP	Preferred Shares	Convertible Bonds	Exchange	Other Adjustments	IFRS
Common stock	96,147					96,147
Capital surplus	135,290	(30,000)	2,276	-	-	107,566
Retained earnings	71,696	-	(1,897)	-	(10,544)	59,255
Retained earnings IFRS conversion	-	-	-	(68,049)	-	(68,049)
Treasury stocks	(589)	-	-	-	-	(589)
Valuation & translation adjustments	(72,239)	-	-	68,049	-	(4,190)
Stock options	684	-	-	-	-	684
Minority interests	8,942	-	-	-	138	9,080
<b>Total net assets</b>	<b>239,931</b>	<b>(30,000)</b>	<b>379</b>	<b>-</b>	<b>(10,406)</b>	<b>199,905</b>

- Preferred shares treated as a financial liability in IFRS (IAS32 para 11)
- Notional discount on convertible bonds, representing equity component of conversion feature, deducted retrospectively from value of bonds payable, and then subsequently reversed with a charge to interest costs to the bonds' maturity date (IAS32 paras 28,29,35)
- Cumulative exchange reserves set to nil (IFRS1 para D13)

# Agenda

- Introduction
  - Presentation Objectives
  - Implementation Timetable
- Opening balance sheet at 31 March 2010
- **Income statement forecast FY2011**
- Strategic Management Plan

## FY2011 Forecast Income Statement

JPY million	J GAAP	Adjustments	IFRS
<b>External revenue</b>	<b>600,000</b>	<b>40</b>	<b>600,040</b>
Operating income before amortization*	33,000	2,600	35,600
Amortization*	(18,000)	8,420	(9,580)
<b>Operating income</b>	<b>15,000</b>	<b>11,020</b>	<b>26,020</b>
Non-operating items	(5,000)	(2,590)	(7,590)
<b>Ordinary income</b>	<b>10,000</b>	<b>8,430</b>	<b>18,430</b>
Extraordinary items	(3,000)	3,000	-
Taxation	(2,000)	(2,030)	(4,030)
Minority interests	(4,000)	-	(4,000)
<b>Net income</b>	<b>1,000</b>	<b>9,400</b>	<b>10,400</b>

# Income Statement Forecast

## Operating Income Before Amortization\*

	(JPY million)
<b>J GAAP Forecast</b>	<b>33,000</b>
Retirement benefit obligations	5,860
Float tank assets	(370)
Capitalized development costs	90
Goodwill amortization (non-Pilkington plc acq'n)	220
Reallocations	(3,140)
Other adjustments	(60)
<b>IFRS Forecast</b>	<b>35,600</b>

- Actuarial and gains and losses amortized into the income statement in J GAAP but recognized in other comprehensive income in IFRS (IAS19 para 93A)
- Future float glass tank cold repair costs provided in J GAAP, with subsequent capital expenditure charged to provisions, but not provided in IFRS (IAS37 para 14), with IFRS capital expenditure recognized as an asset (IAS16 para 15)
- Qualifying development expenditure recognized as an asset and amortized over its useful life in IFRS (IAS38 para 57) but charged directly to the income statement in J GAAP
- Goodwill amortized over 20 years for J GAAP purposes but given indefinite life with no resulting systematic annual amortization for IFRS purposes (IAS38 para 88)
- Reallocations refer to adjustments made with respect to the different positioning of certain items in the income statement from J GAAP to IFRS, including the allocation of J GAAP extraordinary items to IFRS operating income, the allocation of J GAAP other non-operating items to IFRS operating income, and the treatment of RBO costs in IFRS

\*Amortization arising on the acquisition of Pilkington plc only

# Income Statement Forecast Amortization\*

(JPY million)

<b>J GAAP Forecast</b>	<b>(18,000)</b>
Goodwill amortization	6,450
Pilkington brand amortization	1,970
	(9,580)
<b>IFRS balance</b>	<b>(9,580)</b>

- Goodwill and Pilkington brand amortized over 20 years for J GAAP purposes but given indefinite life with no resulting systematic annual amortization for IFRS purposes (IAS38 para 88)
- All other intangible assets identified, in accordance with IFRS 3, on acquisition of Pilkington plc amortised over their expected useful lives not exceeding 20 years.

\*Amortization arising on the acquisition of Pilkington plc only

# Income Statement Forecast

## Non-operating items



(JPY million)

### J GAAP Forecast

**(5,000)**

Preferred share dividends

(2,310)

Convertible bonds – notional discount

(290)

Reallocations

10

### IFRS Forecast

**(7,590)**

- Preferred shares treated as a financial liability in IFRS (IAS32 para 11), with dividend consequently recognized within financial costs (IAS32 para 35)
- Interest arising on notional discount on convertible bonds, representing equity component of conversion feature, deducted retrospectively from value of bonds payable, and then subsequently reversed with a charge to interest costs to the bonds' maturity date (IAS32 paras 28,29,35)

# Income Statement Forecast

## Extraordinary items

(JPY million)

### J GAAP Forecast

**(3,000)**

Impairment of capitalized development costs

(123)

Reallocate to operating income

3,123

### IFRS Forecast

-

- Capitalized development costs impaired in IFRS, not impaired in J GAAP due to having been previously expensed
- All extraordinary items treated as operating items in IFRS (IAS1 para 87)

# Income Statement Forecast Taxation

(JPY million)

## J GAAP Forecast

**(2,000)**

Deferred tax on intangibles amortization

(382)

Deferred tax on RBO

(1,493)

Other tax adjustments

(155)

## IFRS Forecast

**(4,030)**

- Deferred tax credit resulting from J GAAP intangible amortization charge now removed
- Deferred tax credit resulting from J GAAP allocation of RBO actuarial gains / losses to operating income now removed



# Agenda

- Introduction
  - Presentation Objectives
  - Implementation Timetable
- Opening balance sheet at 31 March 2010
- Income statement forecast FY2011
- **Strategic Management Plan**

# Strategic Management Plan

All Strategic Management Plan financial targets still relevant and appropriate in IFRS

	FY11 → FY14
• SALES	5% CAGR*
• OPERATING PROFIT (pre-amortization)	DOUBLE, AS A MINIMUM
• EBITA MARGIN	5% → >10%
• EBITDA	50% INCREASE, AS A MINIMUM
• NET DEBT/EBITDA	4.5x → <3x
• RETURN ON EQUITY	Nil → LOW DOUBLE DIGIT %

\*CAGR = Compound Annual Growth Rate

**No impact on Strategic Management Plan**

---

## Notice

The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable. Hence the actual results may differ. The major factors that may affect the results are the economic environment in major markets (such as Europe, Japan, the U.S. and Asia), product supply/demand shifts, and currency exchange fluctuations.

Nippon Sheet Glass Co., Ltd.

**NSG**  
**GROUP**