



FY 2016 3rd Quarter Consolidated Financial Results <IFRS> 29 January 2016

(English translation of the Japanese original)

Listed Company Name: Nippon Sheet Glass Co., Ltd. Stock Exchange Listing: Tokyo
Code Number: 5202 (URL: <http://www.nsg.com>)

Representative: Representative Executive Officer, President and CEO Name: Shigeki Mori
Inquiries to: Corporate Officer, General Manager Name: Kazumitsu Fujii
Corporate Communications Dept. Tel: +81 3 5443 9477

Submission of quarterly report to MOF: 2 February 2016 Payment of dividends start from: N/A
Quarterly result presentation papers: Yes
Quarterly result presentation meeting: Yes (Teleconference for institutional investors)

1. Consolidated business results for FY 2016 Quarter 3 (From 1 April to 31 December 2015)

(1) Consolidated business results

	Revenue		Operating profit		Profit/(loss) before taxation		Profit/(loss) for the period		Profit/(loss) attributable to owners of the parent		Total comprehensive income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Q3 FY 2016	479,571	2.8	10,585	1.4	(7,280)	-	(12,274)	-	(14,077)	-	(14,837)	-
Q3 FY 2015	466,605	3.4	10,439	24.4	7,300	-	5,357	-	4,654	-	34,885	(2.5)

	Earnings per share - basic		Earnings per share - diluted	
Q3 FY 2016	¥	(15.59)	¥	(15.59)
Q3 FY 2015	¥	5.15	¥	5.13

Note:

Operating profit in the above table is defined from FY 2016 as being operating profit stated before exceptional items. The Group believes that this definition of profitability can be forecast with a greater degree of accuracy than operating profit after exceptional items.

(2) Changes in financial position

	Total assets	Total equity	Total shareholders' equity	Total shareholders' equity ratio
	¥ millions	¥ millions	¥ millions	%
FY 2016 Quarter 3	910,336	170,348	161,023	17.7
FY 2015 Full year	920,106	186,008	175,746	19.1

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Q4	Annual
FY 2015 (Actual)	-	¥ 0.00	-	¥ 0.00	¥ 0.00
FY 2016 (Actual)	-	¥ 0.00	-	-	¥ 0.00
FY 2016 (Forecast)	-	-	-	¥ 0.00	¥ 0.00

Note: There have been no changes to the forecast dividends this quarter.

3. Forecast for FY 2016 (From 1 April 2015 to 31 March 2016)

	Revenue		Operating profit		Profit before taxation		Loss for the period		Loss attributable to owners of the parent		Earnings per share - basic
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Full year	650,000	3.7	19,000	12.8	1,000	(79.2)	(5,500)	-	(7,500)	-	(8.30)

Note: There have been changes to the forecast results this quarter.
For further details, please refer to the prospects section on page 6.

4. Other items

- (a) Changes in status of principal subsidiaries --- No
- (b) Changes implemented to the accounting policies, practice and presentations related to the preparation of quarterly consolidated financial statements
 - (i) Changes due to revisions in accounting standards under IFRS --- No
 - (ii) Changes due to other reasons --- No
 - (iii) Changes in accounting estimates --- Yes
 Note: For further details, please refer to the changes in accounting principles, practices and presentations section on page 7.
- (c) Numbers of shares outstanding (common stock)
 - (i) Number of shares issued at the end of the period, including shares held as treasury stock: 903,550,999 shares as of 31 December 2015 and 903,550,999 shares as of 31 March 2015
 - (ii) Number of shares held as treasury stock at the end of the period: 256,738 shares as at 31 December 2015 and 415,309 shares as at 31 March 2015
 - (iii) Average number of shares in issue during the period, after deducting shares held as treasury stock: 903,237,625 shares for the period ending 31 December 2015 and 902,874,355 shares for the period ending 31 December 2014

Status of quarterly review procedures taken by external auditors for the quarterly results

These quarterly consolidated financial results are out of scope for independent review by the external auditors based on the Financial Instrument and Exchange Law of Japan (MOF). The review procedures are still ongoing as of the date of announcement of the quarterly consolidated financial results.

Explanation for the appropriate usage of performance projections and other special items

The projections contained in this document are based on information currently available to the Group and certain assumptions considered reasonable. Hence, the actual results may differ. The major factors that may affect the results are the economic environment in major markets (such as Japan, Europe, North and South America, Asia, etc.), product supply/demand shifts, fluctuations in currency exchange and interest rates, as well as price changes in primary fuels and raw materials. Please refer to the section entitled "Prospects" on page 6 for qualitative information such as assumptions used for the projections.

[Attachments]

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1. Narratives about financial results

(1) Business Performance and Financial Standing

(a) Background to Results

Third quarter market conditions continued to be mixed. European architectural markets continued to improve, and activity in automotive markets benefitted from a further recovery in vehicle sales. In Japan, architectural markets improved slightly from the previous year, whilst automotive markets were negatively affected by revised eco-car tax exemption rules. North American markets showed further growth, particularly in architectural. Automotive markets in South America continued to suffer from a difficult economic environment. Overall, technical glass markets were mixed, with challenging conditions in display glass markets only partly offset by improvements in other areas.

Second quarter cumulative operating profits were similar to the previous year. The Group recorded a trading profit (before exceptional items and amortization relating to the acquisition of Pilkington) of ¥ 16,585 million (FY15 ¥ 16,787 million). The loss attributable to owners of the parent was ¥ 14,077 million (FY15 restated profit of ¥ 4,654 million).

(b) Review by Business Segment

The Group's business lines cover three core product sectors: Architectural, Automotive, and Technical Glass.

Architectural, representing 42 percent of cumulative Group sales includes the manufacture and sale of flat glass and various interior and exterior glazing products within the commercial and residential markets. It also includes glass for the Solar Energy sector.

Automotive, with 50 percent of Group sales, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

Technical Glass, representing 8 percent of Group sales, comprises a number of discrete businesses, including the manufacture and sale of very thin glass for small displays, lenses and light guides for printers, as well as glass fiber products, such as battery separators and glass components for engine timing belts.

The table below shows a summary of cumulative results by business segment.

¥ millions	Revenue		Operating profit	
	Q3 FY 2016	Q3 FY 2015	Q3 FY 2016	Q3 FY 2015
Architectural	201,431	189,821	16,734	10,109
Automotive	239,727	231,965	4,966	5,003
Technical Glass	37,788	43,946	277	4,119
Other Operations	625	873	(11,392)	(8,792)
Total	479,571	466,605	10,585	10,439

Architectural Business

Operating results in the Architectural business were better than the previous year due mainly to reduced input prices and further improvements in market conditions in North America. Revenues increased, due largely to improvements in North American markets.

In Europe, representing 35 percent of the Group's Architectural sales, demand continued to improve during the

third quarter, supporting firm prices through the winter period. Cumulative local currency revenues were slightly above the previous year. Profitability was negatively affected by a cold repair, offsetting the positive impact of lower input costs.

Japan represents 27 percent of Architectural sales. Revenues and profitability improved, as cumulative volumes were slightly higher and average selling prices were also above the previous year.

In North America, representing 15 percent of Architectural sales, architectural glass markets continued to register year on year growth. The Group's revenues and profits improved from the previous year. Volumes increased, with domestic demand being particularly strong. Domestic price levels were also above the previous year.

In the rest of the world, markets were generally at similar levels to the previous year. Solar glass dispatches were robust in South East Asia, although profits in South America were affected by a cold repair in Argentina.

The Architectural business recorded revenues of ¥ 201,431 million and an operating profit of ¥ 16,734 million.

Automotive Business

In the Automotive business, revenues were slightly better than the previous year, due partly to improved volumes in Japan.

Europe represents 44 percent of the Group's Automotive sales. Light-vehicle sales were ahead of the previous year, with further growth in Western Europe indicating a sustainable market recovery. The Group also benefitted from robust volumes in its Automotive Glass Replacement (AGR) business. Total local currency revenues and profits were both slightly improved from the previous year.

In Japan, representing 18 percent of the Group's Automotive sales, OE revenues and profits were both ahead of the previous year, despite light-vehicle sales falling after the implementation of revised eco-car tax exemption rules. AGR performance was similar to the previous year.

In North America, representing 28 percent of the Group's Automotive sales, cumulative local currency revenues were slightly below the previous year. OE market volumes strengthened further. The Group's AGR revenues fell however.

In the rest of the world, weak market conditions persist in South America, with a significant decrease in light-vehicle sales in Brazil.

The Automotive business recorded sales of ¥ 239,727 million and an operating profit of ¥ 4,966 million.

Technical Glass Business

Revenues and profits in the Technical Glass business were below the previous year due to a challenging competitive environment in Display business, exacerbated by production issues at the Group's facilities.

Demand for components used in multi-function printers which had been robust in earlier quarters, softened during the third quarter. Volumes of glass cord used in engine timing belts were similar to the previous year.

The Technical Glass business recorded revenues of ¥ 37,788 million and an operating profit of ¥ 277 million.

Other Operations and Eliminations

This segment covers corporate costs, consolidation adjustments, certain small businesses not included in the segments covered above and the amortization of other intangible assets related to the acquisition of Pilkington plc. Operating costs and consolidation adjustments incurred in Other Operations and Eliminations were above the previous year due to non-recurring consolidation adjustments.

Consequently, this segment recorded revenues of ¥ 625 million and operating costs of ¥ 11,392 million.

Joint Ventures and Associates

The Group's share of joint ventures and associates losses was worse than the previous year. Local currency profits increased at Cebrace, the Group's joint venture in Brazil. Results also improved at the Group's joint venture in Russia. These two improvements were offset, however, by deteriorating results at the Group's affiliates in China.

The Group's share of joint ventures and associates loss after tax was ¥ 957 million (Q3 FY15 ¥ 460 million).

(2) Financial Condition

Total assets at the end of December 2015 were ¥ 910,336 million, representing a decrease of ¥ 9,770 million from the end of March 2015. Total equity was ¥ 170,348 million, representing a decrease of ¥ 15,660 million due to the loss for the period and the translational impact of Japanese yen strengthening against South American currencies. These two factors were partly offset by a reduction in net retirement benefit obligations following an update to actuarial assumptions used to evaluate this liability during the first quarter.

Net financial indebtedness increased by ¥ 25,134 million from 31 March 2015 to ¥ 399,226 million at the period end. The increase in indebtedness arose mainly from seasonal increases in working capital during the first quarter of the year, which are expected to be reversed during the remainder of the year. Currency movements generated an increase in net debt of approximately ¥ 1,420 million over the period. Gross debt was ¥ 476,998 million at the period end. As of 31 December 2015, the Group had un-drawn, committed facilities of ¥ 25,982 million.

Cash inflows from operating activities were ¥ 1,197 million. Cash outflows from investing activities were ¥ 23,410 million, including capital expenditure on property, plant, and equipment of ¥ 23,042 million. As a result, total cash outflows before financing were ¥ 22,213 million.

(3) Prospects

The forecast of revenue and operating profit is set out on page 1. The forecast of operating profit has not been amended from that issued on 29 October 2015. Due to improved visibility of exceptional items (one off gains and losses), the Group has now updated its forecast of profit before taxation, loss for the period, and loss attributable to shareholders. The profit before taxation is amended to reflect the reduced operating profit forecast as previously advised. In addition, the Group has reduced its expectation of its share of profits of joint ventures and associates due to the difficult market conditions currently faced by the Group's affiliates in China. The loss for the period and loss attributable to shareholders are further effected by an anticipated increase in taxation charges, reflecting increased taxation charges in those regions where the Group's forecast profits are in excess of previous estimates.

The Group expects the gradual improvement experienced in its major markets experienced during the first three quarters to continue for the remainder of the financial year. Within Technical Glass, the Display Glass business is likely to continue to experience difficult market conditions.

Our strategic vision is to transform the NSG Group into a VA Glass Company. This is the core concept of our strategy and the basis for our longer-term growth plans. On 15 May 2014, the Group announced its medium-term plan (MTP), covering the financial years to 31 March 2018.

The overall objectives of the MTP are to achieve financial sustainability and to further develop the NSG Group's position as a VA Glass Company. The Group has established two very clear financial targets to be achieved by 31 March 2018, Net financial debt / EBITDA of 3X and Operating return on sales of greater than 8%. Under MTP, the Group aims at achieving Return on equity (ROE) of greater than 10% in FY2018.

2. Other information

(1) Changes in status of principle subsidiaries

There was no change.

(2) Changes in accounting principles, practices and presentations

Operating profit presented in the condensed quarterly consolidated income statement is defined from FY2016 as being operating profit stated before exceptional items. The Group believes that this definition of profitability can be forecast with a greater degree of accuracy than operating profit after exceptional items.

During FY2015, the Group changed its accounting policy towards the recognition of retirement benefit scheme assets and liabilities in light of ongoing debate by the IFRS foundation in respect of IFRIC 14 and IAS 19. Due to the change in accounting policy, in accordance with IAS 8, the Group has restated its comparative information in the primary condensed quarterly consolidated financial statements for the third quarter of previous year. For further details, see note 6-(j).

The Group has revised its actuarial assumptions used to assess net retirement benefit obligations following a significant change in applicable discount rates during the first quarter. For further details, see note 6-(i).

There were no other material changes to the Group's accounting principles, practices and presentations arising as a result of amended IFRS accounting standards and interpretations during the quarter.

3. Consolidated financial statements

(1) (a) Condensed quarterly consolidated income statement

¥ millions

	Note	Quarter 3 For the period 1 April 2015 to 31 December 2015	Quarter 3 For the period 1 April 2014 to 31 December 2014 (restated)
Revenue	(6)-(a)	479,571	466,605
Cost of sales		(364,787)	(352,521)
Gross profit		114,784	114,084
Other income		2,237	1,930
Distribution costs		(43,612)	(44,193)
Administrative expenses		(53,008)	(50,061)
Other expenses		(9,816)	(11,321)
Operating profit	(6)-(a)	10,585	10,439
Exceptional items	(6)-(b)	(3,171)	10,702
Operating profit after exceptional items	(6)-(a)	7,414	21,141
Finance income	(6)-(c)	1,248	1,613
Finance expenses	(6)-(c)	(14,985)	(14,994)
Share of post-tax loss of joint ventures and associates accounted for using the equity method		(957)	(460)
Profit/(loss) before taxation		(7,280)	7,300
Taxation	(6)-(d)	(4,994)	(1,943)
Profit/(loss) for the period		(12,274)	5,357
Profit attributable to non-controlling interests		1,803	703
Profit/(loss) attributable to owners of the parent		(14,077)	4,654
Earnings per share attributable to owners of the parent	(6)-(e)		5,357
Basic		(15.59)	5.15
Diluted		(15.59)	5.13

(1) (b) Condensed quarterly consolidated statement of comprehensive income

¥ millions

	Note	Quarter 3 For the period 1 April 2015 to 31 December 2015	Quarter 3 For the period 1 April 2014 to 31 December 2014 (restated)
Profit/(loss) for the period		(12,274)	5,357
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Re-measurement of retirement benefit obligations (net of taxation)	6-(i)	7,265	-
Sub-total		7,265	-
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		(13,939)	31,316
Revaluation of available-for-sale investments		5,016	261
Cash flow hedges:			
- fair value losses, net of taxation		(905)	(2,049)
Sub-total		(9,828)	29,528
Total other comprehensive income for the period, net of taxation		(2,563)	29,528
Total comprehensive income for the period		(14,837)	34,885
Attributable to non-controlling interests		(47)	1,423
Attributable to owners of the parent		(14,790)	33,462
		(14,837)	34,885

(2) Condensed quarterly consolidated balance sheet

¥ millions

	Quarter 3 as at 31 December 2015	FY 2015 as at 31 March 2015
ASSETS		
Non-current assets		
Goodwill	128,733	130,734
Intangible assets	68,954	75,680
Property, plant and equipment	282,948	293,529
Investment property	883	867
Investments accounted for using the equity method	29,354	30,528
Retirement benefit asset	16,015	9,754
Trade and other receivables	15,275	17,855
Financial assets:		
- Available-for-sale investments	35,662	31,870
- Derivative financial instruments	1	75
Deferred tax assets	61,124	62,072
	638,949	652,964
Current assets		
Inventories	115,043	113,662
Construction work-in-progress	1,044	825
Trade and other receivables	76,414	80,568
Financial assets:		
- Available-for-sale investments	380	3
- Derivative financial instruments	3,313	882
Cash and cash equivalents	74,458	67,695
	270,652	263,635
Assets held for sale	735	3,507
	271,387	267,142
Total assets	910,336	920,106

(2) Condensed quarterly consolidated balance sheet continued

¥ millions

	Quarter 3 as at 31 December 2015	FY 2015 as at 31 March 2015
LIABILITIES AND EQUITY		
Current liabilities		
Financial liabilities:		
- Borrowings	139,215	112,119
- Derivative financial instruments	4,562	3,090
Trade and other payables	120,288	135,876
Provisions	11,024	12,509
Deferred income	3,035	3,345
	278,124	266,939
Non-current liabilities		
Financial liabilities:		
- Borrowings	329,399	325,008
- Derivative financial instruments	3,822	2,527
Trade and other payables	621	1,391
Deferred tax liabilities	18,873	20,700
Retirement benefit obligations	81,985	89,924
Provisions	17,028	17,826
Deferred income	10,136	9,783
	461,864	467,159
Total liabilities	739,988	734,098
Equity		
Capital and reserves attributable to the Company's equity shareholders		
Called up share capital	116,449	116,449
Capital surplus	127,511	127,511
Retained earnings	(31,915)	(25,082)
Retained earnings (Translation adjustment at the IFRS transition date)	(68,048)	(68,048)
Other reserves	17,026	24,916
Total shareholders' equity	161,023	175,746
Non-controlling interests	9,325	10,262
Total equity	170,348	186,008
Total liabilities and equity	910,336	920,106

(3) Condensed quarterly consolidated statement of changes in equity

¥ millions

Quarter 3 FY 2016	Called up share capital	Capital surplus	Retained earnings	Retained earnings (Translation on adjustment at the IFRS translation date)	Other reserves	Total share holders' equity	Non-controlling interests	Total equity
At 1 April 2015	116,449	127,511	(25,082)	(68,048)	24,916	175,746	10,262	186,008
Total Comprehensive Income	-	-	(6,812)	-	(7,978)	(14,790)	(47)	(14,837)
Dividends paid	-	-	-	-	-	-	(890)	(890)
Stock options	-	-	-	-	92	92	-	92
Issuance & purchase of treasury stock	-	(21)	-	-	(4)	(25)	-	(25)
Transfer from retained earnings to capital surplus	-	21	(21)	-	-	-	-	-
At 31 December 2015	116,449	127,511	(31,915)	(68,048)	17,026	161,023	9,325	170,348

¥ millions

Quarter 3 FY 2015 (restated)	Called up share capital	Capital surplus	Retained earnings	Retained earnings (Translation on adjustment at the IFRS translation date)	Other reserves	Total share holders' equity	Non-controlling interests	Total equity
At 1 April 2014	116,449	127,511	(11,773)	(68,048)	19,835	183,974	9,512	193,486
Total Comprehensive Income	-	-	4,654	-	28,808	33,462	1,423	34,885
Dividends paid	-	-	-	-	-	-	(971)	(971)
Stock options	-	-	-	-	78	78	-	78
Issuance & purchase of treasury stock	-	2	-	-	(2)	-	-	-
At 31 December 2014	116,449	127,513	(7,119)	(68,048)	48,719	217,514	9,964	227,478

(4) Condensed quarterly consolidated statement of cash flow

¥ millions

	Note	Quarter 3 For the period 1 April 2015 to 31 December 2015	Quarter 3 For the period 1 April 2014 to 31 December 2014
Cash flows from operating activities			
Cash generated from operations	(6)-(g)	14,753	11,367
Interest paid		(11,574)	(12,046)
Interest received		878	1,585
Tax paid		(2,860)	(3,339)
Net cash inflows/(outflows) from operating activities		1,197	(2,433)
Cash flows from investing activities			
Dividends received from joint ventures and associates		18	159
Purchase of joint ventures and associates		-	(185)
Purchase of subsidiaries and businesses		-	(494)
Proceeds on disposal of subsidiaries and businesses (net of cash disposed)		-	145
Purchases of property, plant and equipment		(23,042)	(21,767)
Proceeds on disposal of property, plant and equipment		359	5,530
Purchases of intangible assets		(1,121)	(908)
Proceeds on disposal of intangible assets		-	21
Purchase of available-for-sale investments		(7)	(6)
Proceeds from available-for-sale investments		110	160
Loans advanced to joint ventures, associates and third parties		(392)	(842)
Loans repaid from joint ventures, associates and third parties		373	646
Others		292	642
Net cash outflows from investing activities		(23,410)	(16,899)
Cash flows from financing activities			
Dividends paid to shareholders		-	(11)
Dividends paid to non-controlling interests		(883)	(971)
Repayment of borrowings		(66,552)	(60,535)
Proceeds from borrowings		96,526	69,573
Other		(2)	(3)
Net cash inflows from financing activities		29,089	8,053
Increase/(decrease) in cash and cash equivalents (net of bank overdrafts)		6,876	(11,279)
Cash and cash equivalents (net of bank overdrafts) at beginning of period	(6)-(h)	62,340	52,293
Effect of foreign exchange rate changes		(1,376)	3,370
Cash and cash equivalents (net of bank overdrafts) at end of period	(6)-(h)	67,840	44,384

(5) Notes regarding going concern

There were no issues or events arising during the period, which negatively affect the ability of the Group to continue as a going concern.

(6) Notes to the condensed quarterly consolidated financial statements**(a) Segmental information**

The Group is organized on a worldwide basis into the following principal business segments.

Architectural, includes the manufacture and sale of flat glass and various interior and exterior glazing products within the commercial and residential markets. It also includes glass for the Solar Energy sector.

Automotive, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

Technical Glass, comprises a number of discrete businesses, including the manufacture and sale of very thin glass for small displays, lenses and light guides for printers, as well as glass fiber products, such as battery separators and glass components for engine timing belts.

Other operations include head office and other central costs, consolidation adjustments and other non-core activities.

The segmental results for the third quarter to 31 December 2015 were as follows:

	¥ millions				
Quarter 3 FY 2016 For the period 1 April to 31 December 2015	Architectural	Automotive	Technical Glass	Other Operations	Total
Revenue					
External revenue	201,431	239,727	37,788	625	479,571
Inter-segmental revenue	16,605	1,735	36	4,151	22,527
Total revenue	218,036	241,462	37,824	4,776	502,098
Trading profit	16,734	4,966	277	(5,392)	16,585
Amortization arising from the acquisition of Pilkington plc	-	-	-	(6,000)	(6,000)
Operating profit	16,734	4,966	277	(11,392)	10,585
Exceptional items					(3,171)
Operating profit after exceptional items					7,414
Finance costs – net					(13,737)
Share of post-tax loss from joint ventures and associates					(957)
Loss before taxation					(7,280)
Taxation					(4,994)
Loss for the period from continuing operations					(12,274)

(a) Segmental information continued

The segmental results for the third quarter to 31 December 2014 were as follows:

	¥ millions				
Quarter 3 FY 2015 For the period 1 April to 31 December 2014 (restated)	Architectural	Automotive	Technical Glass	Other Operations	Total
Revenue					
External revenue	189,821	231,965	43,946	873	466,605
Inter-segmental revenue	16,382	1,830	26	3,869	22,107
Total revenue	206,203	233,795	43,972	4,742	488,712
Trading profit	10,109	5,003	4,119	(2,444)	16,787
Amortization arising from the acquisition of Pilkington plc	-	-	-	(6,348)	(6,348)
Operating profit	10,109	5,003	4,119	(8,792)	10,439
Exceptional items					10,702
Operating profit after exceptional items					21,141
Finance costs – net					(13,381)
Share of post-tax loss from joint ventures and associates					(460)
Profit before taxation					7,300
Taxation					(1,943)
Profit for the period from continuing operations					5,357

The segmental assets at 31 December 2015 and capital expenditure for the third quarter ended 31 December 2015 were as follows:

	¥ millions				
	Architectural	Automotive	Technical Glass	Other Operations	Total
Net trading assets	160,975	168,584	53,275	664	383,498
Capital expenditure (including intangibles)	8,989	9,152	710	221	19,072

The segmental assets at 31 December 2014 and capital expenditure for the third quarter ended 31 December 2014 were as follows:

	¥ millions				
	Architectural	Automotive	Technical Glass	Other Operations	Total
Net trading assets	159,191	170,283	52,938	1,373	383,785
Capital expenditure (including intangibles)	7,598	8,442	3,455	610	20,105

Net trading assets consist of property, plant and equipment, investment property, intangible assets excluding those arising from a business combination, inventories, construction work-in-progress, trade and other receivables and trade and other payables.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

(b) Exceptional items

¥ millions

	Quarter 3 For the period 1 April 2015 to 31 December 2015	Quarter 3 For the period 1 April 2014 to 31 December 2014
Exceptional items (gains):		
Gain on dilution of investment in associate	96	-
Gain on reclassification of investments	-	13,349
Gain on disposal of non-current assets	237	4,506
Reversal of impairment of non-current assets	6	9
Others	-	354
	339	18,218
Exceptional items (losses):		
Restructuring costs, including employee termination payments	(1,820)	(6,492)
Impairments of non-current assets	(25)	(560)
Settlement of litigation matters	(1,656)	(464)
Others	(9)	-
	(3,510)	(7,516)
	(3,171)	10,702

The gain on dilution of shares in an associate arose following a placing of shares by Holding Concorde SA in which the Group did not participate.

The gain on reclassification of investments in the previous year related to the Group's interests in Shanghai Yaohua Pilkington Glass Group Co., Ltd (SYP). The Group owns a shareholding in SYP of 15.18 percent. Previously the Group carried this investment in its balance sheet as an affiliated company using the equity method of accounting. Following a decrease in the level of the Group's management involvement with SYP, the Group is no longer able to exert a significant influence over SYP. IAS 28 "Investments in Associates and Joint Ventures" contains a rebuttable presumption that a shareholding of less than 20 percent does not enable an investor to exert significant influence over an investee. Previously the Group has been able to rebut this presumption due to the level of its management involvement with SYP. As a consequence of this change, the Group is no longer able to rebut this presumption in IAS 28. The Group is therefore required to record its investment in SYP at fair value, and reclassify it as an available-for-sale asset on the Group's balance sheet. The gain in the table above includes a credit, of ¥ 926 million, arising on the recycling to the income statement of items relating to SYP previously posted to reserves using the Statement of Comprehensive Income.

The gain on disposal of non-current assets relates to the disposal of assets in China.

The gain on disposal of non-current assets in the previous year arose on the sale and lease-back of land at Itami City, Hyogo prefecture, Japan, as announced on 26 September 2014.

Restructuring costs arise in a variety of locations around the world and principally includes the cost of compensating redundant employees for the termination of their contracts of employment.

The impairment of non-current assets in the previous year related to property, plant and equipment in Japan.

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. Following an increase in provisions in this respect during the third quarter, the Group no longer believes that it has any further material contingent liabilities for such claims.

(c) Finance income and expenses

¥ millions

	Quarter 3 For the period 1 April 2015 to 31 December 2015	Quarter 3 For the period 1 April 2014 to 31 December 2014 (restated)
Finance income		
Interest income	1,014	1,543
Foreign exchange transaction gains	234	70
	<u>1,248</u>	<u>1,613</u>
Finance expenses		
Interest expense:		
- bank and other borrowings	(13,235)	(13,139)
Dividend on non-equity preference shares due to minority shareholders	(202)	(212)
Foreign exchange transaction losses	(204)	(17)
	<u>(13,641)</u>	<u>(13,368)</u>
Unwinding discounts on provisions	(184)	(152)
Retirement benefit obligations		
- net finance charge	(1,160)	(1,474)
	<u>(14,985)</u>	<u>(14,994)</u>

(d) Taxation

The tax charge on losses before taxation, excluding the Group's share of net results of joint ventures and associates, is a rate of 79.0 percent in the third quarter to 31 December 2015 (31 December 2014 (restated): tax charge on profit at a rate of 25.0 percent). The tax charge for the quarter is based on the estimated effective rate for the year to 31 March 2016.

(e) Earnings per share**(i) Basic**

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

	Quarter ended 31 December 2015	Quarter ended 31 December 2014 (restated)
	¥ millions	¥ millions
Profit/(loss) attributable to owners of the parent	(14,077)	4,654
	Thousands	Thousands
Weighted average number to ordinary shares in issue	903,238	902,874
	¥	¥
Basic earnings per share	(15.59)	5.15

(ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, following the exercise of share options. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Quarter ended 31 December 2015	Quarter ended 31 December 2014 (restated)
	¥ millions	¥ millions
Earnings		
Profit/(loss) attributable to owners of the parent	(14,077)	4,654
Profit/(loss) used to determine diluted earnings per share	(14,077)	4,654
	Thousands	Thousands
Weighted average number to ordinary shares in issue	903,238	902,874
Adjustment for:		
- Share options	-	3,481
Weighted average number of ordinary shares for diluted earnings per share	903,238	906,355
	¥	¥
Diluted earnings per share	(15.59)	5.13

Diluted earnings per share do not include stock options due to anti-dilutive effect caused by the losses during the quarters ended 31 December 2015.

(f) Exchange rates

The principal exchange rates used for the translation of foreign currencies were as follows:

	Quarter 3 FY 2016 31 December 2015		Year ended 31 March 2015		Quarter 3 FY 2015 31 December 2014	
	Average	Closing	Average	Closing	Average	Closing
GBP	187	179	177	178	176	187
US dollar	122	121	110	120	107	121
Euro	135	133	139	130	141	145

(g) Cash flows generated from operations

¥ millions

	Quarter 3 For the period 1 April 2015 to 31 December 2015	Quarter 3 For the period 1 April 2014 to 31 December 2014 (restated)
Profit/(loss) for the period from continuing operations	(12,274)	5,357
Adjustments for:		
Taxation	4,994	1,943
Depreciation	23,274	22,977
Amortization	7,992	8,259
Impairment	91	894
Reversal of impairments	(9)	(68)
Gain on sale of property, plant and equipment	(189)	(4,760)
Gain on sale of subsidiaries, joint ventures and associates	-	(26)
Gain on reclassification of investment	-	(13,349)
Deemed disposal of share of associate	(96)	-
Grants and deferred income	269	361
Finance income	(1,248)	(1,613)
Finance expenses	14,985	14,994
Share of loss from joint ventures and associates	957	460
Other items	90	149
Operating cash flows before movement in provisions and working capital	38,836	35,578
Decrease in provisions and retirement benefit obligations	(10,340)	(16,278)
Changes in working capital:		
- inventories	(4,363)	(7,589)
- construction work-in-progress	(212)	(278)
- trade and other receivables	2,367	7,440
- trade and other payables	(11,535)	(7,506)
Net change in working capital	(13,743)	(7,933)
Cash flows generated from operations	14,753	11,367

(h) Cash and cash equivalents

	As at 31 March 2015	¥ millions As at 31 March 2014
Cash and cash equivalents	67,695	73,864
Bank overdrafts	(5,355)	(21,571)
	62,340	52,293

	As at 31 December 2015	¥ millions As at 31 December 2014
Cash and cash equivalents	74,458	64,279
Bank overdrafts	(6,618)	(19,895)
	67,840	44,384

(i) Post-retirement benefits

Due to the level of volatility in global debt and equity markets during the first quarter, the Group performed a revaluation, on a roll-forward basis, of its material retirement benefit obligations at the end of June 2015. This revaluation involved updating period-end scheme asset values and recalculating scheme liabilities based on appropriate discount and inflation rates prevailing at the end of June 2015. Other factors, such as changes in longevity, were not considered. The effect of this revaluation, together with subsequent movements during the second and third quarters, has been a reduction in net retirement benefit obligations of ¥ 8,648 million, gross of related deferred taxation, and ¥ 7,265 million, net of related deferred taxation. A summary of the main changes in assumptions used is set out below.

	As at 31 December 2015	As at 31 March 2015
	%	%
UK discount rate	3.7	3.1
UK inflation	2.2	2.0
US discount rate	4.0	3.5
Eurozone discount rates (range)	1.0 – 2.3	1.0 – 1.3

(j) Restatement of FY 2015 comparative information

As described on page 7, the Group has restated its comparative results following a re-assessment of its accounting treatment with respect to the application of an asset ceiling on retirement benefit obligations. This accounting treatment was amended during the fourth quarter of FY 2015 and accordingly the comparative amounts included within the financial statements for the first three quarterly periods of FY 2015 are restated from those presented during the previous financial year. The table below sets out the adjustments made to Q3 FY 2015 comparative data.

	FY 2015
	¥ millions
Opening balance sheet as of 1 April 2014	
Increase in total shareholders' equity	18,988
Increase in total equity	18,988
As of 31 December 2014	
Decrease in finance expenses	817
Increase in profit before taxation	817
Increase in taxation charge	163
Increase in profit for the period	654
Increase in other comprehensive income for the period, net of taxation	1,817
Increase in total comprehensive income for the period	2,471
Increase in retirement benefit assets	5,056
Decrease in deferred taxation assets	4,100
Decrease in retirement benefit obligations	20,503
Increase in total shareholders' equity	21,459
Increase in total equity	21,459
Increase in profit per share attributable to owners of the parent (basic) - yen	0.72
Increase in profit per share attributable to owners of the parent (diluted) - yen	0.72

(7) Significant subsequent events

There were no significant subsequent events.