FY 2012 Annual Consolidated Financial Results <IFRS>

10 May 2012

(English translation of the Japanese original)

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

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Annual general shareholders' meeting: 28 June 2012
Submission of annual financial statements to MOF: 29 June 2012
Payment of dividends starts from: 7 June 2012
Annual result presentation papers: Yes
Annual result presentation meeting: Yes (For institutional investors)

1. Consolidated business results for FY 2012 Quarter 4 (From 1 April 2011 to 31 March 2012)

(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	%
FY 2012	552,223	(4.3)	4,386	(80.8)	(4,822)	-	(1,749)	-	(2,815)	-	(48,938)	-
FY 2011	577,069	-	22,867	-	15,306	-	15,815	-	12,430	-	(7,947)	-

	Earnings per share – basic	Earnings per share - diluted	Profit ratio to equity attributable to owners of the parent	Profit before tax ratio to total assets	Operating profit ratio to revenue
	¥	¥	%	%	%
FY 2012	(3.12)	(3.12)	(1.5)	(0.6)	0.8
FY 2011	15.65	15.17	6.1	1.7	4.0

Share of post-tax profit of joint ventures and associates accounted for using the equity method FY2012 ¥5,115 million (FY 2011 ¥8,713 million)

(2) Changes in financial position

	Total assets	Total equity	Total shareholders' equity	Total shareholders' equity ratio	Total shareholders' equity per share
	¥ millions	¥ millions	¥ millions	%	¥
FY 2012	848,752	170,535	161,313	19.0	178.77
FY 2011	889,420	226,577	216,232	24.3	239.69

(3) Consolidated statement of cash flow

	Net cash generated from (used in) operating activities	Net cash generated from (used in) investing activities	Net cash generated from (used in) financing activities	Cash and cash equivalents as of term-end
	¥ million	¥ million	¥ million	¥ million
FY2012	(9,914)	(26,327)	15,862	24,797
FY2011	25,715	(25,106)	(7,245)	46,491

2. Dividends

	Dividends per share					Dividends (annual)	Payout ratio	Dividends over net assets
	Q1	Q2	Q3	Q4	Total			
FY2011 (actual)	-	¥ 3.00	-	¥ 3.00	¥ 6.00	¥ 5,413m	38.3%	2.2%
FY2012 (actual)	-	¥ 3.00	-	¥ 1.50	¥ 4.50	¥ 4,060m	-	2.0%
FY2013 (forecast)	-	¥ 0.00	-	¥ 0.00	¥ 0.00	-	-	-

Note: For further details, please refer to the dividend policy section on page 8.

3. Forecast for FY 2013 (From 1 April 2012 to 31 March 2013)

	Revenue		Operating loss		Loss before taxation		Loss for the period		Loss attributable to owners of the parent		Earnings per share - basic	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥	%
Half Year	275,000	(4.7)	(3,000)	-	(8,000)	-	(6,000)	-	(6,000)	-	(6.65)	
Full year	560,000	1.4	(4,000)	-	(14,000)	-	(10,000)	-	(11,000)	-	(12.19)	

Note: For further details, please refer to the prospects section on page 7.

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 -- No

(c) Number 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 March 2012 and 903,550,999 shares as of 31 March 2011
- (ii) Number of shares held as treasury stock at the end of the period: 1,200,613 shares as at 31 March 2012 and 1,404,087 shares as at 31 March 2011
- (iii) Average number of shares in issue during the period, after deducting shares held as treasury stock: 902,229,975 shares for the period ending 31 March 2012 and 794,128,579 shares for the period ending 31 March 2011

Status of audit procedures taken by external auditors for the annual results

The consolidated financial results included in this document are out of scope for independent audit by the external auditors based on the Financial Instrument and Exchange Law of Japan (MOF). The audit procedures are still ongoing as of the date of announcement of this 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 7 for qualitative information such as assumptions used for the projections.

[Attachments]

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1. Business Performance and Financial Standing

(1) Business performance

1) Background to Results

During the fourth quarter of the year, conditions in the Group's main markets continued to be challenging, reflecting low levels of consumer confidence. Volumes in the Group's building products markets were generally weak. Solar energy volumes continued to fall from previous quarters across each of the Group's main geographic markets. In automotive markets, volumes were also weak, as consumers postponed spending decisions against a difficult economic outlook. Specialty glass markets performed better, although also suffered from the general economic environment.

In Europe, conditions in building products markets were similar to the previous quarter. Most European building products markets were relatively weak during the year in line with the challenging economic environment. Automotive light vehicle build was below the previous year. Volumes in the third and fourth quarters were relatively weak, due primarily to falling sales in domestic markets, as a result of a negative economic outlook persuading vehicle drivers to postpone spending decisions. Light vehicle production continued to benefit from robust exports of premium vehicles by leading European manufacturers. Activity in the European automotive glass replacement (AGR) market fell from the previous year as high oil prices and the general economic environment generated a reduction in the number of miles driven. Volumes in the third and fourth quarters were impacted further by relatively mild weather conditions, with a resulting reduction in glass breakages. Volumes of glass cord fell in line with conditions in automotive markets.

In Japan, building products market volumes in the fourth quarter benefited from the transition to the new Eco-point program. Overall volumes though are still at a low level and new housing starts remain subdued. In Automotive markets, cumulative light vehicle build levels were slightly higher than the previous year, despite the impact of the March 2011 earthquake, as the recovery in production levels continued strongly into the fourth quarter. Vehicle production levels were affected by the floods in Thailand to only a limited extent. In the Group's specialty glass markets, underlying demand continued to be relatively strong in areas such as consumer electronics.

The North American economy continued to experience low levels of economic activity, although activity in the fourth quarter indicated a gradual recovery. Both residential housing starts and levels of commercial construction activity remain at historically low levels. The Group's North American Building Products assets mainly service value added product markets, which generally weakened during the fourth quarter. In Automotive, sales of new vehicles were above the previous year's levels, and the fourth quarter saw a further improvement in market volumes. The Group has a relatively high exposure to Japanese vehicle manufacturers, which were adversely affected by a slow recovery from the March 2011 Japan earthquake and the Thailand floods. As in Europe, volumes in the AGR market fell, as higher oil prices caused a reduction in the number of miles driven, and mild winter weather conditions contributed to a reduction in glass breakages.

In the rest of the world, the Group's building products markets in South America continued to grow, although the rate of growth slowed towards the end of the year. In Automotive markets, light vehicle build volumes for the full year were similar to the previous year and markets were stable during the fourth quarter. Market conditions in South East Asia were difficult, with weak volumes and a pricing environment impacted by significant over-capacity in China.

2) Review by Business Segment

The Group's business lines cover three core product sectors: Building Products, Automotive, and Specialty Glass.

Building Products, representing 43 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 supplies glass for the Solar Energy sector.

Automotive, with 46 percent of Group sales, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

Specialty Glass, representing 11 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 line. All figures are presented using IFRS. Figures for Q4 FY2011 have been restated from JGAAP, as presented last year, to IFRS.

JPY millions	Revenue		Operating profit before exceptional items	
	FY12	**FY11**	**FY12**	**FY11**
Building Products	239,440	248,648	9,135	13,828
Automotive	251,229	264,031	5,123	11,937
Specialty Glass	60,167	62,925	6,942	7,697
Other Operations	1,387	1,465	(13,484)	(10,595)
Total	552,223	577,069	7,716	22,867

Building Products Business

In the Building Products (BP) business, profitability fell from the previous year. Market conditions were generally stable during the fourth quarter at relatively low levels of activity in most regions. Cumulative dispatches of solar energy products were similar to the previous year, although the trend was negative during the third and fourth quarters. Volumes of other products fell. Increased input costs, particularly for energy and energy related materials were partly offset by higher price levels in some regions.

The cumulative profit for the previous year includes a gain of approximately ¥ 3,300 million, being the income statement effect of settling the Group's insurance claim arising from the February 2010 earthquake in Chile.

In Europe, representing 43 percent of the Group's BP sales, cumulative revenues were slightly below the previous year. Profits improved however, as cost savings and higher selling prices offset increased input costs. Sales prices declined during the quarter, as weakening demand contributed to increasing levels of over-capacity.

Revenues in Japan, representing 34 percent of BP sales, were also slightly below the previous year. Downstream revenues and volumes increased from the previous year. Upstream revenues and volumes declined due to reduced dispatches of solar energy products. Profits improved due to the higher downstream volumes.

In North America, representing 9 percent of BP sales, local currency cumulative revenues and profits were similar to the previous year. Dispatches of Solar energy products were higher than the previous year although demand from residential and commercial markets fell.

In the rest of the world, cumulative revenues increased, whilst underlying profits, excluding the effect of the previous year gain on settlement of an insurance claim in Chile, fell. Revenues and profits in South East Asia and China fell, with over-capacity in China contributing to a weak pricing environment. Results in South America were robust, with some volume growth experienced.

The Building Products business achieved sales of ¥ 239,440 million and an operating profit before exceptional items of ¥ 9,135 million.

Automotive Business

In the Automotive business, revenues and profits fell from the previous year due to the impact of the March 2011 Japan earthquake, strong increases in input costs of materials, and the high level of demand volatility during the year. The financial impact of the earthquake was less than previously expected, as many of the Group's customers were able to recover production levels more quickly than had been anticipated. The cumulative profit shortfall of ¥ 3,200 million, arising directly from the Japan earthquake, is approximately ¥ 2,000 million less than the Group had expected. The difference compared to expectations arises primarily in Japan.

Europe represents 47 percent of the Group's Automotive sales. In the European Original Equipment (OE) sector, revenues were slightly below the previous year, as improving demand generated from vehicle exports was offset by weak domestic demand. Profits declined due to increasing input costs, start-up costs on new facilities, and demand volatility, arising from the effects of the Japan earthquake on the availability of components to European car manufacturers. Demand stabilized following the effects of the earthquake, but then fell during the third and fourth quarters with declining levels of consumer confidence. Results in the Automotive Glass Replacement (AGR) business were relatively robust despite lower demand.

In Japan, representing 18 percent of the Group's Automotive sales, revenues were similar to the previous year, whilst profits increased. Demand recovered during the second quarter of the year as vehicle manufacturers returned to normal levels of production following the March 2011 earthquake, and has continued to improve since with relatively strong market conditions experienced during the fourth quarter.

In North America, representing 20 percent of the Group's Automotive sales, local currency revenues were similar to the previous year, although profits fell. Market conditions improved during the fourth quarter. Vehicle inventories held by manufacturers and dealers fell during the year, offsetting relatively strong consumer demand. In addition, the Group has a high relative exposure to Japanese manufacturers in the North American market. These vehicle manufacturers suffered disproportionately from component shortages, arising firstly from the Japan earthquake, and then secondly from the floods in Thailand. Consequently, these manufacturers had to restrict vehicle production levels during the period. Profits were also affected by increased input costs. AGR profitability was maintained, although demand was relatively weak.

In the rest of the world, revenues, expressed in US dollars, increased, with a growth in year-on-year volumes in South America. Results were impacted by high levels of demand volatility, increased input costs, and the start up of new lines in Brazil.

The Automotive business recorded sales of ¥ 251,229 million and an operating profit before exceptional items of ¥ 5,123 million.

Specialty Glass Business

Revenues and profits in Specialty Glass fell from the previous year. The Group experienced a growth in demand in sectors such as smart phones and tablet pc's, where the Group's UFF (Ultra Fine Flat) glass is used within the construction of touch panels, although there were some signs of market weakness during the fourth quarter. Volumes of components used in multi function printers, were similar to the previous year. Exporters of multi-function printers and similar products continued to suffer from the strength of the Japanese yen. Sales of glass cord for engine timing belts were slightly below the previous year in line with conditions experienced in the European automotive business.

The Specialty Glass business recorded sales of ¥ 60,167 million and an operating profit before exceptional items of ¥ 6,942 million.

Other Operations

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

Consequently, this segment recorded sales of ¥ 1,387 million and operating costs of ¥ 13,484 million.

Joint Ventures and Associates

The Group's share of joint ventures and associates profits was below the previous year. Profits at Cebrace, the Group's joint venture in Brazil fell, as did profits in the Group's joint ventures and associates in China. Profits improved however, at the Group's Building Products joint venture in Russia.

The Group's cumulative share of joint ventures and associates profits after tax was ¥ 5,115 million (Q4 FY11 ¥ 8,713 million).

3) Prospects

The forecast of revenue, operating profit, profit before taxation, profit for the period, profit attributable to owners of the parent, and earnings per share for the financial year ending 31 March 2013 is set out on page 2.

While the operating performance in the first half of the year was in line with the Group's expectations, market conditions in many of the Group's main markets, particularly in Europe, became increasingly challenging during the third quarter and fourth quarters. Global economic uncertainty has led to a decline in volumes of many of the Group's core products. Consumers, faced with a deteriorating economic outlook, have increasingly sought to postpone significant spending decisions. Excess glass manufacturing capacity in China has resulted in exports from China into South East Asia and beyond, causing an erosion of price levels in those markets. Volumes of solar energy glass, whilst still growing over the medium-term, declined during the third and fourth quarters. The strong Japanese yen continues to have a negative translational impact on the Group's published results, as well as causing a reduction in demand for exports from Japan containing the Group's glass. The Group does not expect to experience a significant improvement in market conditions during the next financial year.

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

On 18 April 2012, the Group announced the appointment of Keiji Yoshikawa as Representative Executive Officer, President and CEO of the NSG Group following the decision by Craig Naylor to tender his resignation. The Group also announced the appointment of Clemens Miller as Representative Executive Officer, Executive Vice President and Chief Operating Officer (COO). As COO, Clemens Miller will take direct responsibility for the day-to-day management of all of the Group's operations.

The immediate priority of the new senior management team is to accelerate the program of actions announced on 2 February 2012 to improve profitability and enhance operational efficiencies. These measures, which will include capacity rationalization and headcount reduction, are intended to protect the business in the short term and also to re-establish profit growth from FY2013 onwards. As announced on 2 February, the Group expects the cash cost of these measures to be ¥ 25,000 million with an expected annual cash benefit of ¥ 20,000 million.

On 4 November 2010, the Group issued details of its Strategic Management Plan, covering the financial years FY2012 to FY2014. The long-term strategy set out in this plan is still valid, although in the short-term the Group will concentrate on recovering profitability of its existing operations.

(2) Financial condition

Total assets at the end of March 2012 were ¥ 848,752 million, representing a decrease of ¥ 40,668 million from the end of March 2011. The Group has adopted "Net Debt" (interest–bearing debt and derivative assets and liabilities minus cash and cash equivalents) as a Key Performance Indicator for its financial performance. The table below shows the movement of "Net Debt" following the acquisition of Pilkington in June 2006.

		Net Debt
		JPY million
FY2007 Quarter 1	30 June 2006	514,097
FY2007 Full year	31 March 2007	400,203
FY2008 Full year	31 March 2008	328,479
FY2009 Full year	31 March 2009	331,343
FY2010 Full year	31 March 2010	357,562
FY2011 Full year	31 March 2011	313,131
FY2012 Full year	31 March 2012	351,155

Following the adoption of IFRS, the Group has amended its definition of net debt to include its previously issued Type A preferred shares, derivative financial assets and liabilities, and also non-controlling interests in certain of the Groups subsidiaries in Germany, entitled to fixed dividend payments. The figures in the above table from 31 March 2010 have been amended consistent with this revised definition. Figures prior to this date have not been amended. The most significant difference relates to the treatment of Type A preferred shares of ¥ 30,000 million, which were issued in the year to 31 March 2010 and then redeemed in the year to 31 March 2011. The total impact of this change in definition was to increase net debt at 31 March 2010 by ¥ 42,916 million, and to increase net debt at 31 March 2011 by ¥ 3,965 million.

Net financial indebtedness increased by ¥ 38,024 million from 31 March 2011 to ¥ 351,155 million at the period end. Increases in indebtedness were caused primarily by the low level of profitability in the period and increases in working capital. Cash outflows from operating activities were ¥ 9,914 million. Cash outflows from investing activities were ¥ 26,327 million, including capital expenditure on property, plant, and equipment of ¥ 27,896 million. As a result, total cash outflows before financing were ¥ 36,241 million. Currency movements generated a reduction in net debt of approximately ¥ 6,030 million over the period. Gross debt was ¥ 398,212 million at the period end.

As at 31 March 2012 the Group had un-drawn committed forward start facilities of ¥30,000 million, maturing in FY2019, which were arranged to refinance loans maturing in FY 2013. In addition, at 31 March 2012 the Group had access to committed un-drawn revolving credit facilities of ¥70,000 million, ¥40,000 of which mature in FY2015 and the remainder mature in FY 2016 and FY 2017.

(3) Dividend policy

The Group's dividend policy is to secure dividend payments based on sustainable business results. As a consequence of the deterioration in performance during the year to 31 March 12, the directors have recommended a reduction in the final dividend to ¥ 1.50 per share. Including an interim dividend of ¥3.00 per share paid earlier in the year, the full year dividend payable in respect of the year to 31 March 2012, is therefore ¥ 4.50 per share. The Group expects to record a loss in the year to 31 March 2013, and consequently the Group anticipates that a dividend will not be paid with respect to this financial year. The Group recognizes the importance of dividends to its shareholders and anticipates resuming dividend payments when the financial performance of the Group allows.

2. Management Policy and Long-Term Mission and Strategy

The fundamental principles of the Company's basic management policy are ensuring open and fair business dealings, adhering to corporate ethical standards, and contributing to the resolution of global environmental issues; all aimed at establishing a company with a spirit of innovation and a global presence, and maximizing Group company value for all stakeholders.

The Group's vision statement is "Making a difference to our world through glass technology".

The mission of the NSG Group is "to be the global leader in innovative high-performance glass and glazing solutions, contributing to the conservation and generation of energy, working safely and ethically".

Both the Group Vision and the Group Mission underpin the Group's strategy.

During the second half of the financial year ended 31 March 2012, the Group's major markets have increasingly suffered from difficult economic conditions, particularly in the Group's major European markets. The Group's focus is therefore firstly to restore underlying profitability before significant levels of profitable growth are subsequently perused.

3. Consolidated Financial Statements

(1). (a) Consolidated income statement

			¥ millions
	Note	**FY12 For the period 1 April 2011 to 31 March 2012**	FY11 For the period 1 April 2010 to 31 March 2011
Revenue	(6)-(g)	**552,223**	577,069
Cost of sales		**(420,033)**	(423,508)
Gross profit		**132,190**	153,561
Other income		**7,932**	15,934
Distribution costs		**(49,457)**	(52,634)
Administrative expenses		**(66,156)**	(70,741)
Other expenses		**(16,793)**	(23,253)
Operating profit before exceptional items	(6)-(g)	**7,716**	22,867
Exceptional items	(6)-(h)	**(3,330)**	-
Operating profit	(6)-(g)	**4,386**	22,867
Finance income	(6)-(i)	**2,423**	2,249
Finance expenses	(6)-(i)	**(16,746)**	(18,523)
Share of post-tax profit of joint ventures and associates accounted for using the equity method		**5,115**	8,713
Profit before taxation		**(4,822)**	15,306
Taxation	(6)-(j)	**3,073**	509
Profit for the period		**(1,749)**	15,815
Profit attributable to non-controlling interests		**1,066**	3,385
Profit attributable to owners of the parent		**(2,815)**	12,430
		(1,749)	15,815
Earnings per share attributable to owners of the parent	(6)-(k)		
Basic		**(3.12)**	15.65
Diluted		**(3.12)**	15.17

(1). (b) Consolidated statement of comprehensive income

	Note	**FY12 For the period 1 April 2011 to 31 March 2012**	FY11 For the period 1 April 2010 to 31 March 2011
			¥ millions
Profit for the period		**(1,749)**	15,815
Other comprehensive income:			
Foreign currency translation adjustments		**(18,707)**	(21,869)
Post-retirement benefits, net of taxation	**(6)-(p)**	**(24,454)**	(3,968)
Revaluation of available-for-sale investments		**313**	(87)
Cash flow hedges:			
- fair value gains, net of taxation		**(1,432)**	3,595
Share of other comprehensive income of joint ventures and associates accounted for using equity method		**(2,909)**	(1,433)
Other comprehensive income for the period, net of taxation		**(47,189)**	(23,762)
Total comprehensive income for the period		**(48,938)**	(7,947)
Attributable to non-controlling interests		**633**	2,527
Attributable to owners of the parent		**(49,571)**	(10,474)
		(48,938)	(7,947)

(2) Consolidated balance sheet

¥ millions

	FY12 as of 31 March 2012	FY11 as of 31 March 2011	FY10 as of 1 April 2010
ASSETS			
Non-current assets			
Goodwill	**105,018**	114,432	122,743
Intangible assets	**87,475**	102,026	118,302
Property, plant and equipment	**260,597**	272,177	283,667
Investment property	**675**	911	2,131
Investments accounted for using the equity method	**50,359**	49,420	44,651
Trade and other receivables	**6,676**	11,518	8,791
Financial assets:			
- Available-for-sale investments	**9,156**	9,167	10,517
- Derivative financial instruments	**1,356**	2,111	1,249
Deferred tax assets	**61,248**	50,155	55,169
Tax receivables	**1,130**	772	-
	583,690	612,689	647,220
Current assets			
Inventories	**106,112**	100,345	97,933
Construction work-in-progress	**576**	632	1,076
Trade and other receivables	**109,493**	107,985	117,265
Financial assets:			
- Available-for-sale investments	**3**	231	-
- Derivative financial instruments	**2,354**	3,034	1,966
Cash and cash equivalents	**43,346**	60,906	79,796
Tax receivables	**2,090**	2,704	-
	263,974	275,837	298,036
Assets held for sale	**1,088**	894	163
	265,062	276,731	298,199
Total Assets	**848,752**	889,420	945,419
LIABILITIES AND EQUITY			
Current liabilities			
Financial liabilities:			
- Borrowings	**110,375**	56,375	80,448
- Derivative financial instruments	**2,363**	2,205	6,378
Trade and other payables	**109,269**	119,896	115,945
Taxation liabilities	**3,477**	2,975	6,023
Provisions	**14,896**	20,692	23,144
Deferred income	**2,493**	2,615	3,071
	242,873	204,758	235,009

(2) Condensed quarterly consolidated balance sheet continued

¥ millions

	FY12 as of 31 March 2012	FY11 as of 31 March 2011	FY10 as of 1 April 2010
Non-current liabilities			
Financial liabilities:			
- Borrowings	**283,565**	318,678	349,470
- Derivative financial instruments	**1,909**	1,925	4,276
Trade and other payables	**1,151**	914	5
Deferred tax liabilities	**37,849**	44,918	53,671
Taxation liabilities	**1,600**	2,674	-
Retirement benefit obligations	**87,306**	70,899	81,186
Provisions	**15,733**	12,893	15,729
Deferred income	**6,231**	5,184	6,168
	435,344	458,085	510,505
Total liabilities	**678,217**	662,843	745,514
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	**116,449**	116,449	96,147
Capital surplus	**127,511**	127,510	107,566
Retained earnings	**30,793**	63,475	59,413
Retained earnings (Translation adjustment at the IFRS transition date)	**(68,048)**	(68,048)	(68,048)
Other reserves	**(45,392)**	(23,154)	(4,241)
Total shareholders' equity	**161,313**	216,232	190,837
Non-controlling interests	**9,222**	10,345	9,068
Total equity	**170,535**	226,577	199,905
Total liabilities and equity	**848,752**	889,420	945,419

(3) Consolidated statement of changes in equity

¥ million

	Share Capital	Capital surplus	Retained earnings	Retained earnings (Translation adjustment at the IFRS transition date)	Other reserves	**Total shareholders equity**	Non-controlling interests	**Total equity**
At 1 April 2011	116,449	127,510	63,475	(68,048)	(23,154)	**216,232**	10,345	**226,577**
Profit / (loss) for the year	-	-	(2,815)	-	-	**(2,815)**	1,066	**(1,749)**
Other comprehensive income	-	-	(24,454)	-	(22,302)	**(46,756)**	(433)	**(47,189)**
Total Comprehensive Income	-	-	(27,269)	-	(22,302)	**(49,571)**	633	**(48,938)**
Transactions with owners								
Stock options	-	-	-	-	67	**67**	-	**67**
Dividends paid	-	-	(5,413)	-	-	**(5,413)**	(1,811)	**(7,224)**
Issuance & purchase of treasury stock	-	1	-	-	(3)	**(2)**	-	**(2)**
Incorporation of new subsidiaries	-	-	-	-	-	**-**	55	**55**
At 31 March 2012	**116,449**	**127,511**	**30,793**	**(68,048)**	**(45,392)**	**161,313**	**9,222**	**170,535**

¥ million

	Share Capital	Capital surplus	Retained earnings	Retained earnings (Translation adjustment at the IFRS transition date)	Other reserves	**Total shareholders equity**	Non-controlling interests	**Total equity**
At 1 April 2010	96,147	107,566	59,413	(68,048)	(4,241)	**190,837**	9,068	**199,905**
Profit / (loss) for the year	-	-	12,430	-	-	**12,430**	3,385	**15,815**
Other comprehensive income	-	-	(3,967)	-	(18,937)	**(22,904)**	(858)	**(23,762)**
Total Comprehensive Income	-	-	8,463	-	(18,937)	**(10,474)**	2,527	**(7,947)**
Transactions with owners								
Dividends paid	-	-	(4,711)	-	-	**(4,711)**	(1,290)	**(6,001)**
Stock options					42	**42**		**42**
Issue of ordinary shares	20,302	20,302		-		**40,604**	-	**40,604**
Share issuance costs	-	(370)	-	-	-	**(370)**	-	**(370)**
Reserves of new subsidiaries	-	-	421	-	-	**421**	-	**421**
Issuance & purchase of treasury stock	-	12	-	-	(18)	**(6)**	-	**(6)**
Transfer between reserves	-	-	(111)	-	-	**(111)**	40	**(71)**
At 31 March 2011	**116,449**	**127,510**	**63,475**	**(68,048)**	**(23,154)**	**216,232**	**10,345**	**226,577**

(4) Consolidated statement of cash flows

¥ millions

	Note	**FY12 for the period 1 April 2011 to 31 March 2012**	FY11 for the period 1 April 2010 to 31 March 2011
Cash flows from operating activities			
Cash generated from operations	(6)-(n)	**8,436**	49,479
Interest paid		**(14,527)**	(16,858)
Interest received		**1,712**	1,949
Tax paid		**(5,535)**	(8,855)
Net cash outflows from operating activities		**(9,914)**	25,715
Cash flows from investing activities			
Dividends received from joint ventures and associates		**3,618**	4,251
Purchase of joint ventures and associates		**(3,735)**	(1,093)
Proceeds on disposal of joint ventures and associates		**-**	236
Purchase of subsidiaries (net of cash disposed)		**-**	(463)
Proceeds on disposal of subsidiaries (net of cash disposed)		**-**	94
Purchases of property, plant and equipment		**(27,896)**	(29,874)
Proceeds on disposal of property, plant and equipment		**2,890**	1,708
Purchases of intangible assets		**(1,635)**	(1,529)
Proceeds on disposal of intangible assets		**-**	22
Purchase of available-for-sale investments		**(12)**	(10)
Proceeds from available-for-sale investments		**279**	30
Loans with joint ventures, associates & third parties		**(576)**	1,621
Others		**740**	(99)
Net cash outflows from investing activities		**(26,327)**	(25,106)
Cash flows from financing activities			
Dividends paid to shareholders		**(5,411)**	(4,710)
Dividends paid to non-controlling interests		**(1,811)**	(1,290)
Issue of share capital		**-**	40,237
Repayment of borrowings		**(47,742)**	(106,982)
Proceeds from borrowings		**70,775**	65,523
Others		**51**	(23)
Net cash in/(out)flows from financing activities		**15,862**	(7,245)
Decrease in cash and cash equivalents (net of bank overdrafts)		**(20,379)**	(6,636)
Cash and cash equivalents (net of bank overdrafts) at beginning of period	(6)-(o)	**46,491**	55,995
Effect of foreign exchange rate changes		**(1,315)**	(2,868)
Cash and cash equivalents (net of bank overdrafts) at end of period	(6)-(o)	**24,797**	46,491

(5) Notes regarding going concern

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

(6) Notes to the Consolidated Financial Statements

(a) Reporting entity

Nippon Sheet Glass Company, Limited and its consolidated subsidiaries (the Group) is a world leader in the supply of flat glass for building products and automotive applications. In addition, the Group has a number of discreet specialty glass businesses, operating in high technology areas. The parent company of the Group, Nippon Sheet Glass Company, Limited is domiciled in Japan and has shares publicly traded in Tokyo and Osaka.

(b) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provision of article 93 of "Regulations Concerning Terminology, Forms, and Method for Preparing Financial Statements" (Ministry of Finance Ordinance No. 28, issued in 1976), as the Company meets the requirement of the provision of article 1-2-1-1 I to Ni (3) of the regulations and satisfies the status of a qualified company for filing the financial statements in IFRS "Tokutei-kaisha" of the provision.

The Group has adopted IFRS for the first time this financial year (commencing on 1 April 2011 and ending on 31 March 2012), and so the annual consolidated financial statements for the year are the first ones prepared in conformity with IFRS. The date of transition of the Group to IFRS is 1 April 2010. An explanation of how the first time adoption of, and the transition to, IFRS has affected the Group's financial position, business results and cash flows is provided in Note 8.

The consolidated financial statements have been prepared on a historical cost basis, except for investment property, derivative financial instruments and available-for-sale investments that have been measured at fair value.

The financial statements are presented in Japanese yen and are rounded to the nearest million yen (¥m) except where otherwise indicated.

(c) New standards, amendments and interpretations issued but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's annual accounting period beginning on or after 1 April 2013. The Group has elected not to adopt early the standards as described below, and has not yet quantified the effect of these standards on its accounts:

IAS 19, 'Employee benefits' was amended in June 2011, and this amendment will be effective from the Group's financial year commencing 1 April 2013. The impact on accounting for the Group's retirement benefit obligations will be to replace interest cost, and expected return on plan assets, with a net interest charge that is calculated by applying the relevant territory specific discount rates to the net defined benefit liabilities in that territory.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities and will be effective from the Group's financial year commencing 1 April 2015. This new standard will replace certain elements of IAS 39.

IFRS 10, 'Consolidated financial statements' identifies the concept of control as the determining factor in whether a subsidiary company should be consolidated within the Group's financial statements. The standard provides additional guidance to assist in the determination of control and is effective from the Group's financial year commencing 1 April 2013.

IFRS 11, 'Joint arrangements' replaces IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly controlled entities- non monetary contributions by venturers', and is effective from the Group's financial year commencing 1 April 2013. This standard deals with how a joint arrangement, of which two or more parties have joint control, should be classified.

(c) New standards, amendments and interpretations issued but not yet effective continued

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. It is effective from the Group's financial year commencing 1 April 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRS. It is effective from the Group's financial year commencing 1 April 2013.

(d) Principal accounting policies

The Group applies the principal accounting policies to the financial information consistently throughout all the periods, including the consolidated balance sheet on date of transition to IFRS, presented in the consolidated financial statements.

Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are consolidated until the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest, based upon the appropriate share of the acquiree's net asset value, and the acquisition-date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. All Group companies use a common set of accounting policies.

(ii) Non-controlling interests

Changes in the Group's ownership interests in subsidiaries, arising from transactions between the Group and non-controlling interests, that do not result in a change in the Group's control over a subsidiary, are treated as equity transactions and therefore do not result in goodwill, or in gains and losses in the income statement.

(iii) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity, which is then subject to joint control. In the Group, all such jointly controlled activities are undertaken through jointly controlled entities. The Group accounts for its interest in these jointly controlled entities by the equity method of accounting, as described in relation to associates below.

(iv) Associates

Associates are all entities over which the Group has the ability to exercise significant influence but does not control, generally accompanying a shareholding of between 20 and 49 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Intangible Assets – (i) Goodwill).

(d) Principal accounting policies continued

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associates are accounted for on the basis of audited accounts, or where these are not available, on the basis of unaudited management accounts prepared up to the Group's accounting date. Where it is not practicable to obtain such accounts, audited accounts or unaudited management accounts prepared to an accounting date not more than three months prior to the Group's accounting date are used. Where appropriate, the financial statements of associates are adjusted to conform to the Group's accounting policies.

Segment reporting

The chief operating decision-making body in the Group is the Board of Directors. The Group reports the results of its operating segments externally in a manner consistent with its internal reporting to the Board of Directors. The Board of Directors is responsible for allocating resources to, and assessing the performance of, the Groups operating segments.

Foreign currency translation

(i) 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 presentation currency.

(ii) 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 year-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 available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) 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 removed from equity and recognized in the income statement as part of the gain or loss on sale.

(d) Principal accounting policies continued

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, intangible assets 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.

Property, plant and equipment

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

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 year in which they are incurred.

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 buildings	over the life of the lease
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. In the event of impairment, an asset's carrying amount is written down immediately to its recoverable amount (see Impairment of Assets).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement.

Investment property

Investment property principally comprises land, office buildings and small industrial units, and those parts of other properties not occupied by the Group, which are held for long-term rental yields. Investment properties are initially recognized at cost and are thereafter carried at fair value, representing open-market value determined annually by discounted cash flows or by the use of external valuers. Changes in fair value are recorded in the income statement as part of other income.

Intangible assets

(i) 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, based on the allocation of expected benefits from the business combination, 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).

(d) Principal accounting policies continued

(ii) Trademarks and licenses

Trademarks and licenses are shown at historical cost. Trademarks and licenses have a definite 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 20 years).

(iii) Computer software

Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (five or 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 on a straight-line basis over their estimated useful lives (not exceeding ten years).

(iv) 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. Capitalized development costs are amortized from the date of the new product being available for production or from the potential first date of use of the process, on a straight-line basis over the period of the expected benefit, not exceeding five years (products) and 20 years (processes).

(v) 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.

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).

(d) Principal accounting policies continued

A number of significant assumptions and estimates are involved in forecasting future cash flows, including market growth rates, revenue volumes and market prices. Forecasts of future cash flows are based on best estimates of future revenues and operating expenses using historical trends, market conditions and industry trends. These assumptions are subject to review by management and the board of directors. The future forecasts are adjusted by an appropriate discount rate derived from the cost of capital plus a risk premium at the date of the evaluation. The discount rate based on the pre-tax weighted average cost of capital used in calculating the recoverable value, is set at a rate appropriate to each territory, consistent with the rates used to assess the potential impairment of goodwill.

Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets 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 or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. The Group does not currently hold any investments in this category.

(ii) Loans and receivables

Loans and 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 (see Trade Receivables).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group does not currently hold any investments in this category.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are initially recognized at fair value plus transaction costs and thereafter at fair value.

Purchases and sales of investments are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the year in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in the fair value reserve within equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), 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, and option pricing models refined to reflect the issuer's specific circumstances.

(d) Principal accounting policies continued

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. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost would be considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the income statement.

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.

Inventories carried in the balance sheet are reviewed on a regular basis and, in the case of any inventories which are slow moving, or where the Group considers that it is unlikely to recover the cost of such inventory through subsequent sale, appropriate provisions are made to impair the inventory to its estimated net realizable value.

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.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established 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 movement in the provision is recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Borrowings

Borrowings consist of bonds payable, loan payables, lease obligations and non-controlling interests entitled to receive a fixed share dividend. Borrowings are recognized initially at fair value. Borrowing transaction costs are expensed in the income statement over the period to the maturity of the related financial liability. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Non-equity preference shares are classified as liabilities and are measured in the balance sheet at their most recent redemption price. The dividends on these preference shares are recognized in the income statement as interest expense.

(d) Principal accounting policies continued

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Leases

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 at cost and are depreciated over the shorter of the lease term or their useful economic life. Obligations under finance leases, net of finance charges in respect of future periods, are included as appropriate under borrowings due within or after one year. Finance charges are allocated to accounting periods over the lease term to reflect a constant rate of interest on the remaining balance of the obligations.

Where leases are identified as operating leases (is a lease other than a finance lease), any payments made thereunder (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Taxation

Current income taxes for the current period are measured based on the amount expected to be paid to, or recovered from, local taxation authorities.

Deferred income tax is provided in full, using the liability method and without discounting, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation liabilities are not recognized on timing differences arising from the initial recognition of goodwill.

Employee benefits

(i) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, 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.

Current service costs, representing the additional liability accrued as a result of employee's services undertaken during the year, are charged to operating costs within the income statement.

Finance costs and income, representing the unwinding of the discount applied to pension liabilities, and the expected returns on pension assets, are recorded within finance costs in the income statement.

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.

Past service costs are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

(d) Principal accounting policies continued

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Other post-employment retirement obligations

Group companies in the USA and the UK provide post-retirement healthcare benefits to certain employees and retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the statement of comprehensive income in accordance with IAS 19. These obligations are valued annually by independent qualified actuaries.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(iv) Profit-sharing, bonus and management incentive plans

The Group recognizes a liability and an expense for bonus schemes, which take into consideration the attainment of profit and cash flow targets. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of a past event when it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions mainly include lease termination penalties and employee termination payments. 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 year 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..

Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added or similar sales-based taxes, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

(i) Sales of goods

Sales of goods are recognized when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. Where a product is sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

(ii) Sales of services

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(d) Principal accounting policies continued

(iii) Engineering revenue

Engineering revenue is recognized on engineering construction contracts for the building, construction and supply of float glass lines for third-party customers. Profits are recognized on such long-term contracts where revenue and contract costs can be reliably estimated and are based on the estimated stage of completion of the contract. Where the outcome of the contract cannot be estimated reliably, revenue is only recognized to the extent that it is probable that the contract costs incurred will be recoverable. In circumstances where it is probable that the total contract costs will exceed the contract total revenue, the expected loss is recognized as an expense immediately in the income statement.

(iv) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount (i.e. the estimated future cash flow discounted at the original effective interest rate of the instrument), and continues unwinding the discount as interest income. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

(v) Royalty income

Royalty income is recognized on an accruals basis in accordance with the substance of the relevant agreements.

(vi) Dividend income

Dividend income is recognized when the right to receive payment is established.

Exceptional Items

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.

Deferred income

(i) Government grants

The Group recognizes government grants at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to property, plant and equipment, the fair value is credited to deferred income and released to the income statement over the expected useful life of the relevant asset by equal annual installments.

(ii) Other deferred income

The Group recognizes other deferred income including customers' contributions to automotive tooling costs at their fair value. The income is recognized in the income statement over the periods necessary to match the write-off of the asset to which the deferred income relates over equal annual installments.

Emission rights

The difference between the emission rights granted and CO2 emitted is recorded as an asset or liability at fair value at each balance sheet date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the income statement in the year in which they are incurred.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured 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).

(d) Principal accounting policies continued

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.

(i) Fair value hedge

Changes in the fair value of derivatives, designated and qualifying as fair value hedges, are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability, attributable to the hedged risk.

(ii) 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.

(iii) 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.

(iv) 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.

Fair value estimation

The fair value of financial instruments traded in active markets (such as derivatives and available-for-sale investments) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. The appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

(d) Principal accounting policies continued

Treasury shares

Treasury shares represent the Group's interests in its own equity instruments, and are included within shareholders' funds. Treasury shares are measured at their cost.

Share based payments

The Group operates a number of equity settled, share-based payment plans, under which the entity receives services from Directors, Executive Officers and Officers (Riji) as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of options is calculated using the Black Sholes model. In accordance with IFRS 2 'Share based Payments', the resulting cost is recognized in the income statement over the vesting period of the options, being the period in which the services are received. The value of the charge is adjusted to reflect expected and actual levels of vesting options, except where the failure to vest is as a result of not meeting a market condition. All plans are classified as equity settled.

Discontinued operations and assets held for sale

Discontinued operations include components of the Group that have been disposed of (through sale or abandonment) or are classified as held for sale and represent a major line of the Group's business or geographical area of operations or represent a part of a single co-ordinated plan to dispose of such a business line or geographical area. Additionally, a subsidiary acquired exclusively with a view to resale is a discontinued operation.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to be completed within one year.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a minority interest in its former subsidiary after the sale.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized after classification as held for sale.

(e) Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will not usually be equal to the resulting actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill and intangible assets

The Group tests, on an annual basis, whether goodwill or intangible assets have suffered any impairment, in accordance with the accounting policy stated above.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions worldwide. During the normal course of business, there are a significant number of transactions where the final tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on an estimate of both the value of any additional taxes that may be due and the likelihood that the final tax audit outcome may result in such additional liabilities. In arriving at the total liability to be provided, significant judgment is required. Where the final tax outcome of these matters is different from the amounts provided, any difference is recorded in the year in which that final outcome is known.

(e) Critical accounting estimates and assumptions continued

(iii) Post-retirement benefits

The Group has a variety of post-retirement benefit schemes in various countries in which it operates. Where such schemes are in the nature of a defined benefit arrangement, the directors approve a variety of assumptions used in the calculation of the scheme assets and liabilities. These assumptions are subject to a degree of uncertainty and the directors take advice from professional actuaries before approving such assumptions.

(iv) Provisions

If appropriate, the directors seek professional advice regarding the valuation of provisions.

(f) Financial risk management

Financial risk factors

The Group's multinational operations and debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, energy prices, liquidity and interest rates. 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, interest rate risk, energy price risk, credit risk, use of derivative and non-derivative financial instruments, and investing excess liquidity.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the pound sterling, the euro and the US dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, companies in the Group use forward contracts, transacted with Group Treasury. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts.

Each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate.

External foreign exchange contracts are designated at Group level as hedges of foreign exchange risks on specific assets, liabilities or future transactions on a gross basis.

The Group's risk management policy is to hedge forecast transactions creating the foreign currency exposure provided that such forecast transactions are reasonably certain.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

(ii) Credit risk

The Group has no significant concentrations of credit risk other than in relation to the receivables due from automotive original equipment manufacturers. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(iii) Energy price risks

The Group consumes significant amounts of energy and is exposed to energy price risk arising from this consumption, principally of oil and gas. The Group's risk management policy is to hedge between 10 per cent and 100 per cent of anticipated purchases for the subsequent 12 months and between 10 per cent and 80 per cent for the next four years.

(f) Financial risk management continued

(iv) Liquidity risk

Prudent liquidity risk management policies maintain sufficient cash and cash equivalents and availability of funding through committed credit facilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping a substantial portion of committed credit lines undrawn.

(v) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately 30 to 70 per cent of net borrowings in fixed rate instruments.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

(g) Segmental information

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

Building Products, 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.

Specialty 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, and other non-core activities.

(g) Segmental information continued

The segmental results for the financial year to 31 March 2012 were as follows:

¥ millions

FY12 For the period 1 April 2011 to 31 March 2012	**Building Products**	**Automotive**	**Specialty Glass**	**Other Operations**	**Total**
Revenue					
External revenue	**239,440**	**251,229**	**60,167**	**1,387**	**552,223**
Inter-segmental revenue	**13,710**	**385**	**217**	**5,384**	**19,696**
Total revenue	**253,150**	**251,614**	**60,384**	**6,771**	**571,919**
Segmental result before amortization arising from the acquisition of Pilkington plc	**9,135**	**5,123**	**6,942**	**(6,296)**	**14,904**
Amortization arising from the acquisition of Pilkington plc	**-**	**-**	**-**	**(7,188)**	**(7,188)**
Operating profit before exceptional items	**9,135**	**5,123**	**6,942**	**(13,484)**	**7,716**
Exceptional items					**(3,330)**
Operating profit after exceptional items					**4,386**
Finance costs - net					**(14,323)**
Share of post tax profit from joint ventures and associates					**5,115**
Loss before taxation					**(4,822)**
Taxation					**3,073**
Profit for the period from continuing operations					**(1,749)**

The segmental results for the financial year to 31 March 2011 were as follows:

¥ millions

FY11 For the period 1 April 2010 to 31 March 2011	**Building Products**	**Automotive**	**Specialty Glass**	**Other Operations**	**Total**
Revenue					
External revenue	248,648	264,031	62,925	1,465	577,069
Inter-segmental revenue	14,521	924	161	5,215	20,821
Total revenue	263,169	264,955	63,086	6,680	597,890
Segmental result before amortization arising from the acquisition of Pilkington plc	13,828	11,937	7,697	(2,962)	30,500
Amortization arising from the acquisition of Pilkington plc	-	-	-	(7,633)	(7,633)
Operating profit	13,828	11,937	7,697	(10,595)	22,867
Finance costs – net					(16,274)
Share of post tax profit from joint ventures and associates					8,713
Profit before taxation					15,306
Taxation					509
Profit for the period from continuing operations					15,815

(g) Segmental information continued

The segmental assets at 31 March 2012 and capital expenditure for the year ended 31 March 2012 were as follows:

¥ millions

	Building Products	Automotive	Specialty Glass	Other Operations	Total
Net trading assets	**160,915**	**165,908**	**47,364**	**(617)**	**373,570**
Capital expenditure (including intangibles)	**14,137**	**18,818**	**1,532**	**194**	**34,681**

The segmental assets at 31 March 2011 and capital expenditure for the year ended 31 March 2011 were as follows:

¥ millions

	Building Products	Automotive	Specialty Glass	Other Operations	Total
Net trading assets	161,243	165,345	48,986	758	376,332
Capital expenditure (including intangibles)	14,146	17,456	1,849	309	33,760

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.

(h) Exceptional items

	FY12 for the period 1 April 2011 to 31 March 2012	FY11 for the period 1 April 2010 to 31 March 2011
	¥ millions	¥ millions
Exceptional Items (gains):		
Gain on reduction of UK pension liabilities	**4,309**	-
Gain on dilution of shares in associate	**1,393**	
Other	**132**	-
	5,834	-
Exceptional Items (losses):		
Impairments of property, plant & equipment	**(2,325)**	-
Impairment of investment in associates	**(1,941)**	
Restructuring costs, including employee termination payments	**(2,804)**	-
Settlement of litigation matters	**(2,094)**	-
	(9,164)	-
	(3,330)	-

The gain on reduction of UK pension liabilities relates to a change in the scheme rules of Group's main UK pension scheme, whereby future inflationary increases in pensions in payment will be based on a measure of inflation that is anticipated to result in a reduced level of future inflation based increases in pensions payable.

The gain on dilution of shares in an associate arises following a placing of shares by China Glass Holdings Ltd in which the Group did not participate.

(h) Exceptional items continued

Impairments of property, plant & equipment are generated from the write down of unprofitable or redundant assets to their realizable value.

The Group has impaired its investment in China Glass Holdings Ltd in order to equate the carrying value with the market value of the company at the balance sheet date.

Redundancy and restructuring costs have been incurred where the Group has communicated detailed restructuring plans to effected employees.

The settlement of litigation matters relates to claims made by certain of the Group's Automotive customers in Europe following the European Commissions earlier decision to fine the Group for alleged breaches of competition law.

(i) Finance income and expenses

	FY12 for the period 1 April 2011 to 31 March 2012	FY11 for the period 1 April 2010 to 31 March 2011
	¥ millions	¥ millions
Finance income		
Interest income	**1,873**	1,887
Foreign exchange transaction gains	**140**	107
Fair value gains on financial instruments		
- interest rate swaps	**410**	255
	2,423	2,249
Finance expenses		
Interest expense:		
- bank and other borrowings	**(14,594)**	(13,784)
Dividend on non-equity preference shares due to minority shareholders	**(225)**	(233)
Foreign exchange transaction losses	**(56)**	(735)
Other interest and similar charges	**(54)**	(1,884)
Fair value losses on interest rate swaps	**(163)**	-
	(15,092)	(16,636)
Unwinding discounts on provisions	**(263)**	(265)
Retirement benefit obligations - finance costs less finance income	**(1,391)**	(1,622)
	(16,746)	(18,523)

(j) Taxation

	FY12 for the period 1 April 2011 to 31 March 2012	FY11 for the period 1 April 2010 to 31 March 2011
	¥ millions	¥ millions
Current tax		
Charge for the year	**(4,427)**	(5,767)
Adjustment in respect of prior periods	**(884)**	637
	(5,311)	(5,130)
Deferred tax		
Credit for the year	**5,708**	3,743
Adjustment in respect of prior periods	**1,378**	417
Adjustment in respect of rate changes	**1,298**	1,479
	8,384	5,639
Taxation credit for the period	**3,073**	509

The tax rate on losses before taxation, excluding the Group's share of net profits of joint ventures and associates, is 31 per cent in the financial year to 31 March 2012 (31 March 2011 – a tax credit on profits of 8 per cent). The tax credit for the year is calculated as the sum of the total current and deferred tax charge or credit arising in each territory in which the Group operates and applying the prevailing statutory tax rate and tax law in that territory.

(k) 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.

	Year ended 31st March 2012	Year ended 31st March 2011
	¥ millions	¥ millions
Profit attributable to owners of the parent	**(2,815)**	12,430
	Thousands	Thousands
Weighted average number to ordinary shares in issue	**902,230**	794,129
	¥	¥
Basic earnings per share	**(3.12)**	15.65

(i) Earnings per share continued

(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. The Company has two categories of dilutive potential ordinary shares; convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. All convertible debt was repaid during the current financial year. For the share options, a calculation is prepared 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 the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31st March 2012	Year ended 31st March 2011
	¥ millions	¥ millions
Earnings		
Profit attributable to owners of the parent	**(2,815)**	12,430
Interest expense on convertible debt (net of tax)	**-**	325
Profit used to determine diluted earnings per share	**(2,815)**	12,755

	Thousands	Thousands
Weighted average number to ordinary shares in issue	**902,230**	794,129
Adjustment for;		
- Assumed conversion of convertible debt	**-**	44,983
- Share options	**-**	1,671
Weighted average number of ordinary shares for diluted earnings per share	**902,230**	840,783

(i) Earnings per share continued

	¥	¥
Diluted earnings per share	**(3.12)**	15.17

Diluted earnings per share for the year-ended 31 March 2012 does not include stock options and convertible bonds due to the anti-dilutive effect caused by the loss during the period.

(l) Dividends paid and proposed

	Year ended 31st March 2012	Year ended 31st March 2011
	¥ millions	¥ millions
Dividends on ordinary shares declared and paid during the period:		
Final dividend for the year ended 31 March 2011 ¥ 3 per share (2010: ¥ 3 per share)	**2,705**	2,005
Interim dividend for the year ended 31 March 2012 ¥ 3 per share (2011: ¥ 3 per share)	**2,706**	2,705
Dividends on ordinary shares declared after the end of the reporting period and not recognized as a liability:		
Final dividend for the year ended 31 March 2012 ¥ 1.5 per share (2011: ¥ 3 per share)	**1,354**	**2,706**

(m) Exchange rates

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

	FY12 31 March 2012		FY11 31 March 2011	
	Average	**Closing**	Average	Closing
GBP	**126**	**131**	133	134
US dollar	**79**	**82**	85	83
Euro	**109**	**109**	113	118

(n) Cash flows generated from operations

	FY12 for the period 1 April 2011 to 31 March 2012	FY11 for the period 1 April 2010 to 31 March 2011
	¥ millions	¥ millions
Profit /(loss) for the period from continuing operations	**(1,749)**	15,815
Adjustments for:		
Taxation	**(3,073)**	(509)
Depreciation	**28,975**	31,058
Amortization	**9,752**	10,311
Impairment	**4,430**	2,174
Profit/(loss) on sale of property, plant and equipment	**(1,157)**	-
Profit on sale of subsidiaries	**-**	(694)
Deemed disposal of share of associate	**(1,393)**	-
Grants and deferred income released	**1,342**	(807)
Finance income	**(2,423)**	(2,249)
Finance expenses	**16,746**	18,523
Share of profit from joint ventures and associates	**(5,115)**	(8,713)
Other items	**(534)**	(1,888)
Operating cash flows before movement in provisions and working capital	**45,801**	63,021
Decrease in provisions and retirement benefit obligations	**(17,392)**	(14,657)
Changes in working capital:		
- inventories	**(9,320)**	(6,485)
- construction work-in-progress	**21**	398
- trade and other receivables	**512**	(152)
- trade and other payables	**(11,186)**	7,354
Net change in working capital	**(19,973)**	1,115
Cash flows generated from operations	**8,436**	49,479

(o) Cash and cash equivalents

	As of 31 March 2012	As of 31 March 2011	As of 1 April 2010
	¥ millions	¥ millions	¥ millions
Cash and cash equivalents	**43,346**	60,906	79,796
Bank overdrafts	**(18,549)**	(14,415)	(23,801)
	24,797	46,491	55,995

(p) Post-retirement benefits

Charges and (credits), relating to defined benefit type post-retirement benefit arrangements were recorded in the income statement and statement of comprehensive income as follows:

FY12 for the period 1 April 2011 to 31 March 2012

	Operating costs ¥ millions	**Finance costs ¥ millions**	**SoCI* ¥ millions**
Post-employment benefits	**3,110**	**455**	**31,399**
Post-retirement healthcare benefits	**57**	**936**	**557**
Deferred Taxation	**-**	**-**	**(7,502)**
	3,167	**1,391**	**24,454**

Operating costs above exclude exceptional gains as set out in note (h).

FY11 for the period 1 April 2010 to 31 March 2011

	Operating costs ¥ millions	Finance costs ¥ millions	SoCI* ¥ millions
Post-employment benefits	3,231	453	2,666
Post-retirement healthcare benefits	57	1,169	1,872
Deferred Taxation	-	-	(570)
	3,288	1,622	3,968

* Consolidated Statement of Comprehensive Income

A summary of the main assumptions, applying to the Group's most material retirement benefit obligations is set out below.

	As at 31 March 2012 %	As at 31 March 2011 %
UK discount rate	**4.7**	5.6
UK inflation	**3.3**	3.6
Japan discount rate	**1.7**	1.9
US discount rate (pension)	**4.2**	5.0
US discount rate (medical)	**4.2**	5.1
Eurozone discount rates (range)	**3.0-4.1**	4.5 – 5.2

(q) Contingent Liabilities

Guarantees
At 31 March 2012, the Group has guaranteed, in the ordinary course of business ¥1,910 million in respect of joint ventures. This guarantee was cancelled on 27 April 2012. In addition, the Group guaranteed ¥230 million in respect of other entities.

Claims
Following the European Commission's decision announced on 12 November 2008 to impose a fine on the Group for alleged breaches of European competition laws, certain of the Group's Automotive customers have communicated to the Group their intention to pursue the Group for damages arising from the alleged activities. The Group intends to defend itself against such claims and notes that it is still pursuing an appeal against the European Commission fine. To cover the cost of defense as well as any potential financial impact as may result from the resolution of certain cases the Group has made a provision for amounts that may be payable. The costs provided to meet these claims are included in the total value of exceptional items, see note (h). In certain other cases, the Group considers that it is too early to judge the probable future outcome of the claim and as such cannot determine that the claim will probably result in an outflow of economic benefits to the claimants.

(7) Significant subsequent events

There were no significant subsequent events.

(8) First-time adoption of International Financial Reporting Standards

Up to 31 March 2011, the Group prepared its consolidated financial statements under Japanese Generally Accepted Accounting Principles (JGAAP).

The Group has adopted IFRS for the first time this financial year commencing on 1 April 2011. The principal accounting policies applied are detailed in Note (6) - (d) "Principal accounting policies".

The Group has made various adjustments, to the previously prepared and reported financial data under JGAAP, necessary for the transition to IFRS. An explanation of how the first time adoption of and the related adjustments for the transition to IFRS has affected the Group's financial position, business results and cash flows is provided below.

(a) Exemptions to retrospective application of IFRS

IFRS1 "First time adoption of IFRS" ("IFRS1") stipulates that a company, which adopts IFRS for the first time, should apply IFRS retrospectively to prior periods. However, IFRS allows an exemption on the retrospective application of the standards to some accounting areas, and the Group has used the exemption option for the following areas.

- Business combinations – the provisions of IFRS 3 'Business Combinations' are applied prospectively from 1 April 2010. No adjustments have been made to acquisitions made prior to the date of IFRS transition.
- Cumulative translation differences relating to net investments in overseas subsidiaries, joint ventures and associates that arose prior to 1 April 2010 have been set to zero and will not be included in any subsequent calculation of profit or loss on disposal.

(b) Changes to the Group's principal accounting policies on transition from JGAAP to IFRS

The following is a summary of the most significant changes to the Group's principal accounting policies on transition to IFRS.

Research and development
Research expenditure continues to be charged in the income statement in the year as it is incurred. Development costs are charged in the income statement in the year in which they are incurred unless such costs meet the recognition criteria of IAS 38 'Intangible Assets'. Where such criteria are met, either in respect of new products or in respect of improved processes, the resulting intangible assets are capitalized and amortized over their useful economic lives, over periods not exceeding five years (products) and 20 years (processes).

Under JGAAP, all research and development expenditure was charged to the income statement as incurred.

(8) First-time adoption of International Financial Reporting Standards continued

Goodwill

Under IFRS, goodwill arising on acquisition is capitalized and subject to annual impairment review. Under JGAAP, goodwill was amortized over its estimated useful life.

At both 1 April 2010 and 31 March 2011, the Group undertook impairment reviews of the goodwill asset carried in the balance sheet. No impairment was deemed necessary at either date.

On adoption of IFRS, negative goodwill carried in the JGAAP balance sheet was removed and credited to reserves.

Employee benefits

The Group accounts for defined benefit pension schemes, leaving indemnity arrangements, post-retirement healthcare and life insurance benefits, phased retirement arrangements (in Germany only) and long service benefits under IAS 19. Obligations are measured at discounted present value and plan assets (for funded schemes, principally in the UK, USA and Japan) are recorded at fair value.

Operating and financing costs are recognized separately in the income statement. Operating costs primarily comprise current service cost, being the increase in retirement obligations caused by the rendering of services by employees during the year. Finance costs include the unwinding of discount applied to retirement benefit obligations, and the expected annual return on assets held within funded retirement benefit plans.

Actuarial gains and losses caused by changes in actuarial assumptions, together with experience gains and losses on scheme assets are recognized in other comprehensive income.

In JGAAP, current service costs and financing costs related to retirement benefit obligations were both recognized within operating costs. Actuarial gains and losses, together with experience gains and losses on scheme assets, were not recognized in the period in which they arose, but were subsequently charged to operating costs over a period not exceeding the remaining service lives of the employee members. The Group previously used 5 years for this purpose.

Joint ventures and associates

The Group's share of the profit less losses of joint ventures and associates is included in the income statement on the equity accounting basis, presented as Nippon Sheet Glass Co., Ltd's share of post-tax profit/loss of joint ventures and associates accounted for using the equity method. The carrying value of joint ventures and associates in the Group balance sheet is calculated by reference to Nippon Sheet Glass Co., Ltd's equity in the net assets of such joint ventures and associates, as shown in the most recently available accounts, adjusted where appropriate to align them with the Group's policies.

The basic policy for recognizing joint ventures and associates financial results is similar in both IFRS and J GAAP. However, using the definitions of significant influence in IFRS, the Group has recognized some additional investments as associates in IFRS when compared to JGAAP.

Deferred taxation

Deferred taxation is provided in full on the liability basis on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated balance sheet.

Deferred taxation is provided on temporary differences arising on the un-remitted profits of investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Financial instruments

Financial liabilities are recognized with respect to contractual obligations to pay cash to another entity, either on settlement of the principal amount or with respect to interest charges.

The Group's preferred shares, outstanding during part of the financial year to 31 March 2011, are therefore included in the opening balance sheet at 1 April 2010 as financial liabilities.

(8) First-time adoption of International Financial Reporting Standards continued
(c) Reconciliations from JGAAP to IFRS

As required by IFRS 1 'First-time adoption of International Financial Reporting Standards', the following reconciliations and explanations are disclosed:

- Reconciliation of the profit for the year ended 31 March 2011, and the comprehensive income for the year to 31 March 2011 as between JGAAP and IFRS (see (d) below).
- An explanation of the key accounting changes resulting in adjustments to the previously reported JGAAP profits for the year ended 31st March 2011 (see (e) below).
- Reconciliation of shareholders' equity at 1st April 2010 and 31st March 2011 as between JGAAP and IFRS (see (f) below).
- Cash flow statement – explanation of the key changes between JGAAP and IFRS (see (g) below).

(d) Reconciliation of profit and comprehensive income

Reconciliation of the profit for the year ended 31 March 2011 as between JGAAP and IFRS

	As reported under JGAAP	Effect of transition to IFRS	IFRS
	¥ millions	¥ millions	¥ millions
Continuing operations			
Revenue	577,212	(143)	**577,069**
Cost of sales	(420,931)	(2,577)	**(423,508)**
Gross Profit	156,281	(2,720)	**153,561**
Other income*		15,934	**15,934**
Distribution costs*		(52,634)	**(52,634)**
Administrative expenses*		(70,741)	**(70,741)**
Other expenses*		(23,253)	**(23,253)**
Selling, general and administrative expenses	(141,929)	141,929	**-**
Operating profit	14,352	8,515	**22,867**
Finance income*		2,249	**2,249**
Finance expenses*		(18,523)	**(18,523)**
Share of post-tax profit of affiliates	8,107	606	**8,713**
Non-operating items excluding share of post-tax profit of affiliates	(14,729)	14,729	**-**
Extraordinary items	(4,370)	4,370	**-**
Profit/(loss) before taxation	3,360	11,946	**15,306**
Taxation	1,682	(1,173)	**509**
Profit/(loss) for the period	5,042	10,773	**15,815**
Profit/(loss) attributable to non-controlling interests	3,381	4	**3,385**
Profit/(loss) attributable to owners of the parent	1,661	10,769	**12,430**

*Not reported under JGAAP

(8) First-time adoption of International Financial Reporting Standards continued

Reconciliation of the comprehensive income for the year ended 31 March 2011 as between JGAAP and IFRS

	As reported under JGAAP	Effect of transition to IFRS	IFRS
	¥ millions	¥ millions	¥ millions
Profit for the year	5,042	10,773	**15,815**
Other comprehensive income, net of tax			
Valuation difference on available for sale securities	(176)	89	**(87)**
Deferred gains or losses on hedges	4,132	(537)	**3,595**
Foreign currency translation adjustments	(22,771)	902	**(21,869)**
Retirement benefit obligations		(3,968)	**(3,968)**
Share of other comprehensive income of affiliates accounted for using equity method	(1,433)	-	**(1,433)**
Total: Other comprehensive income, net of tax	(20,248)	(3,514)	**(23,762)**
Total comprehensive income	(15,206)	7,259	**(7,947)**
Total comprehensive income attributable to:			
Non-controlling interests	2,523	4	**2,527**
Owners of the parent	(17,729)	7,255	**(10,474)**

(e) Explanation of key accounting changes

An explanation of the key accounting changes, resulting in adjustments to the reported JGAAP profits is shown below:

Revenue

Revenue from the sale of goods was recognized upon shipment under JGAAP whereas under IFRS, revenue from the sale of goods is recognized when the risks and rewards of ownership have transferred to the customer. Consequently, revenue has decreased by ¥143 million in the full year.

Operating Profit

Operating profits have increased as follows:

	¥ millions Year ended 31 March 2011
Operating profit as reported under JGAAP	**14,352**
Goodwill amortization (note I)	8,429
Retirement benefit obligations (note II)	5,642
Float tank assets (note III)	(354)
Development costs capitalized less amounts impaired (note IV)	236
Other items	112
Reallocations (note V)	(5,550)
Operating profit as reported under IFRS	**22,867**

I. Goodwill and intangible assets with an indefinite useful life were routinely amortized to the income statement in J GAAP. Under IFRS, such assets are instead subjected to annual test of impairment.

II. In JGAAP, actuarial gains and losses arising on the Group's various retirement benefit schemes, have been charged to operating profit over a period of five years, commencing the year after the gain or loss first arose. The Group's IFRS treatment for such gains and losses is to recognize the asset or liability in full within the balance sheet when they arise, with a corresponding charge or credit in the Statement of Comprehensive Income.

(8) First-time adoption of International Financial Reporting Standards continued

III. The IFRS income statement reflects the depreciation of float tank assets across the Group. The JGAAP income statement reflected an accrual for future float tank asset repairs in Japan, and depreciation of historic cost asset repairs elsewhere in the Group. The impact of moving to IFRS therefore represents the difference between accruing for future repairs, and the depreciation arising on historic repair costs, in Japan.

IV. Under IFRS qualifying development expenditure is recognized as an asset and amortized over its useful life but charged directly to the income statement under JGAAP.

V. Other non-operating items excluding share of post-tax profits of affiliates, finance income and expenses and extraordinary items charged below operating profit under JGAAP are included within operating profit under IFRS. This amended treatment is included within reallocations.

Profit attributable to owners of the parent

The profit for the year attributable to owners of the parent has increased as follows:

	¥ millions Year ended 31 March 2011
Profit attributable to owners of the parent under JGAAP	**1,661**
Adjustment to operating profit, excluding reallocations (see above)	14,065
Finance costs (notes I, II and III)	(1,768)
Share of post-tax profit of affiliates (note IV)	606
Share issuance costs (note V)	366
Dividend from investments now classified as equity method (note VI)	(513)
Investment property valuation (note VII)	(317)
Impairment of capitalized development costs and other impairments (note VIII)	(285)
Losses on disposals (note IX)	(204)
Taxes (notes X, XI, and XII)	(1,173)
Others	(8)
Profit attributable to owners of the parent under IFRS	**12,430**

I. The Group's type A Preferred shares, outstanding during part of the year to 31 March 2011, are treated as a financial liability in IFRS. Consequently, the dividend is recognized within financial costs rather than as a charged to equity. As a result, financial costs have increased by ¥1,558 million in the full year.

II. Interest arising on the notional discount on convertible bonds, representing the equity component of the embedded conversion feature, is recognized within financial costs in IFRS. Consequently, financial costs have increased by ¥325 million.

III. Bond issuance costs were charged to the income statement as incurred in JGAAP. In IFRS such costs are amortized over the period to the maturity of the bond. As a result, finance costs have decreased by ¥115 million.

IV. Share of post-tax profit of affiliates has increased due to an increase of the scope of affiliates in IFRS. Some entities that under IFRS are now recognized as investments in associates, were previously classified as long-term financial assets based in JGAAP, based on their materiality. All investments, over which the Group can exercise significant influence over the financial and operating policies, are now classified as investments in associates under IFRS.

V. Share issuance costs have been posted directly to capital surplus in IFRS, whereas these costs were charged to the income statement in JGAAP.

VI. Dividends received from long-term financial assets are accounted for as dividend income in income statement. To the extent that certain investment included within long-term financial assets in JGAAP have been now classified as investments in associates in IFRS, such dividend income is no longer recognized in the income statement, and is instead replaced by the Group's share of the associates' profit as noted above.

VII. Certain investment properties, yielding a rental income have been held at historic cost in JGAAP, but have now been re-valued to their fair value in IFRS.

(8) First-time adoption of International Financial Reporting Standards continued

VIII. IFRS Impairment adjustments include the impairment of capitalized development cost and also certain other impairment adjustments. The impairment of capitalized development costs increased by ¥181 million. Other impairment adjustments increased by ¥104 million.

IX. Losses on disposals have been recognized in IFRS based on the difference between the proceeds received and the carrying amount of the asset in IFRS. To the extent that this carrying amount differed from the equivalent JGAAP value, the resulting profit on disposal is also different.

X. Taxation arising on actuarial gains or losses was amortized into the income statement in JGAAP in line with the treatment of such gains and losses. However, in IFRS, actuarial gains or losses, together with any related taxation effects, are included in other comprehensive income. Taxation credits, relating to the treatment of actuarial gains or losses, reduced by ¥1,465 million.

XI. The deferred tax credit resulting from the amortization of intangible assets has reduced in IFRS to the extent that some intangible assets have been assigned an indefinite useful life in IFRS and are therefore not subjected to routine amortization. The taxation credit relating to the amortization of intangible assets decreased by ¥355 million.

XII. Taxation adjustments, relating to other income statement items, resulted in a decreased taxation charge of ¥647 million.

Total comprehensive income attributable to owners of the parent

Total comprehensive income attributable to owners of the parent for the year to 31 March 2011 has increased as follows:

	¥ millions Year ended 31 March 2011
Total comprehensive income attributable to owners of the parent under JGAAP	**(17,729)**
Adjustment to profit attributable to owners of the parent (see above)	10,769
Retirement benefit obligations (note I)	(3,968)
Foreign currency translation adjustments (note II)	902
Deferred gains & losses on hedges (note III)	(537)
Valuation differences on available for sale securities (note IV)	89
Total comprehensive income attributable to owners of the parent under IFRS	**(10,474)**

I. In IFRS, actuarial gains and losses have been recognized, as they arise, in the balance sheet with the net gain or loss being recognized in comprehensive income. Such gains and losses include those arising on the revaluation of assets within the Group's retirement benefit schemes, and the revaluation of liabilities following changes in appropriate discount rates. In JGAAP, the Group recognized such gains or losses in the income statement over a five-year period, commencing in the year following the year in which the gains or losses initially arose.

II. Foreign currency translation adjustments have been amended to reflect the currency translation effects of other JGAAP to IFRS adjustments.

III. Deferred gains and losses on hedges reflects the treatment of certain losses within comprehensive income for IFRS purposes, when such losses had previously been including in the income statement in JGAAP.

IV. Valuation differences on available for sale securities arising in IFRS are different to those arising in JGAAP as the Group has reclassified certain investments as affiliated entities for IFRS purposes.

(8) First-time adoption of International Financial Reporting Standards continued
(f) Reconciliation of JGAAP and IFRS shareholders' equity

The tables below set out the amendments to non-current assets, current assets, current liabilities, non-current liabilities, minority interests, and shareholders' equity as a result of the above key accounting changes as at the 1 April 2010 and 31 March 2011.

¥ millions
1 April 2010

	Non-current asset	Current assets	Current liabilities	Non-current liabilities	Non-controlling interests	Shareholders' equity
As reported under JGAAP	636,275	297,446	(235,134)	(458,656)	(8,942)	230,989
Retirement benefit obligations (note I)				(25,036)		(25,036)
Financial liabilities (notes II, III, and IV)			(1,048)	(29,621)		(30,669)
Preferred share interest accrual (note V)			(1,381)			(1,381)
Treatment of float tank repairs (note VI)	1,902			10,560		12,462
Deferred taxation (note VII)	6,773			(2,190)		4,583
Development costs (note VIII)	5,046					5,046
Pilkington brand (note VIII)						-
Financial derivatives (note IX)		153	(25)			128
Holiday pay provisions (note X)			(2,988)			(2,988)
Negative goodwill (note XI)	90					90
Available-for-sale investments at fair value (note XII)	(3,893)					(3,893)
Factoring of receivables (note XIII)		1,048				1,048
Investment property (note XIV)	756					756
Other items	(126)	(51)	5		(126)	(298)
Reclassifications (note XV)	397	(397)	5,562	(5,562)		-
As reported under IFRS	**647,220**	**298,199**	**(235,009)**	**(510,505)**	**(9,068)**	**190,837**

¥ millions
31 March 2011

	Non-current asset	Current assets	Current liabilities	Non-current liabilities	Non-controlling interests	Shareholders' equity
As reported under JGAAP	593,722	274,866	(201,450)	(440,264)	(10,217)	216,657
Retirement benefit obligations (note I)				(22,302)		(22,302)
Financial liabilities (notes II, III, and IV)			(575)			(575)
Preferred share interest accrual (note V)						-
Treatment of float tank repairs (note VI)	1,791	(647)		10,961		12,105
Deferred taxation (note VII)	6,013			(2,886)		3,127
Development costs (note VIII)	4,874					4,874
Pilkington brand (note VIII)	1,995					1,995
Financial derivatives (note IX)						-
Holiday pay provisions (note X)			(2,976)			(2,976)
Goodwill and negative goodwill (note XI)	6,742					6,742
Available-for-sale investments at fair value (note XII)	(4,125)	231				(3,894)
Factoring of receivables (note XIII)		629				629
Investment property (note XIV)	10					10
Other items	123	(278)	3	120	(128)	(160)
Reclassifications (note XV)	1,544	1,930	240	(3,714)		-
As reported under IFRS	**612,689**	**276,731**	**(204,758)**	**(458,085)**	**(10,345)**	**216,232**

(8) First-time adoption of International Financial Reporting Standards continued

Explanations of the key accounting changes, which have resulted in adjustments to the JGAAP shareholders' equity are as follows:

I. Retirement benefit obligations relating to defined benefit pension schemes in Japan, the UK and the USA, post-retirement healthcare liabilities in the UK and the USA, provisions for leaving indemnities in various European countries and the phased retirement provision (Germany), have been provided in accordance with IAS 19. Where schemes are backed by assets held outside the businesses, then these have been valued and compared with the actuarially determined valuation of the obligations, resulting in a net surplus or deficit for each scheme, recognized in full in the balance sheet. Previously, under JGAAP, such surpluses and deficits were not fully recognized due to the policy of amortizing actuarial gains and losses in the balance sheet over a five-year period commencing the year following the actuarial gain or loss.

II. The Group's type A preferred shares, outstanding during part of the year to 31 March 2011, are accounted for as a financial liability under IFRS, in that they commit to Group to an obligation to pay cash to the holders of the preferred shares in the future. As a result, those preferred shares are included within non-current liabilities in the IFRS balance sheet, together with a current liability relating to unpaid dividends accrued. The value of such shares as at 1 April 2010 and 30 June 2010 was ¥30,000 million. As announced on 16 September 2010 and 3 February 2011, the Group acquired for cancellation during FY2011 all of the preferred shares that had been outstanding on 31 March 2010. As a result, this difference between the Group's JGAAP and IFRS financial liabilities on 31 March 2011 was nil.

III. The Group had outstanding at the opening balance sheet date, JPY 23,000 million of zero coupon convertible bonds due 13 May 2011. The Group has retrospectively applied IFRS accounting to these bonds. This involves determining how much of a discount would have been applied to those bonds, when issued in 2004, if they had carried no conversion feature. That discount element is then considered to be the equity component of the bonds, and is therefore classed as such within shareholders equity. The discount is unwound with a charge to interest costs over the life of the bond, and the adjustment represents the discount still to be unwound. The discount still to be unwound, reflected as an adjustment to non-current liabilities, on 1 April 2010 was ¥379 million. The discount still to be unwound, reflected as an adjustment to current liabilities on 31 March 2011 was ¥54 million.

IV. In Japan, the Group enters into a factoring arrangement with financial institutions whereby it receives cash early with respect to promissory notes received from certain customers. The Group still retains a residual interest in a portion of those promissory notes in that, in the event of non-payment from the customer, the Group is obligated to fund a certain part of the financial institutions loss. This residual interest is grossed up in the opening balance sheet by recognizing an asset and a corresponding liability, to the extent of the Group's continuing residual interest. The value of this adjustment, reflected in current liabilities was ¥1,048 million on 1 April 2010 and ¥629 million on 31 March 2011.

V. Current liabilities in IFRS include the accrued dividend due on the Group's type A preferred shares outstanding during part of the year to 31 March 2011. As this dividend was an equity transaction in JGAAP, such an accrual was not made in advance of the dividend payment.

VI. The JGAAP treatment for float tank assets in Japan has been to provide in advance for future cold repair costs, with the costs then being charged to that provision as incurred during the repair. As a result, the majority of cold repair costs have not previously been capitalized on the balance sheet as they have instead been charged to the provision. The IFRS treatment is to capitalize such costs when incurred and then to depreciate the resulting asset over the useful life. This is typically between 12 and 15 years for NSG Group float lines. Future repairs of float tank assets are not provided for in advance under IFRS, as the Group has no legal or constructive obligation to make such a repair. This IFRS treatment has been applied retrospectively in the opening balance sheet.

VII. The adjustments to deferred taxation assets arise as a result of amendments to other balance sheet items such as retirement benefit obligation and holiday pay provision etc. The adjustments to deferred taxation liabilities arise mostly as a result of amendments to other balance sheet items such as capitalized development costs and increased fair value of investments etc.

VIII. The capitalization rules under IAS 38 have resulted in qualifying development costs being capitalized and the resultant adjustment credited to shareholders' equity. Under JGAAP such costs were charged to the profit and loss account as incurred. The intangible asset value of the Pilkington Brand was amortized routinely to the income statement in JGAAP but is not amortized routinely in IFRS, due to it having an indefinite useful life.

(8) First-time adoption of International Financial Reporting Standards continued

IX. Certain relatively minor interest rate swaps were previously accounted for under JGAAP using a simplified methodology, which did not involve the recognition of their fair value on the opening balance sheet. Under IFRS those derivative contracts have been fair valued and included in assets or liabilities as appropriate on the opening balance sheet. The Group changed the treatment of the minor interest rate swap to normal derivative accounting for the year ended 31 March 2011.

X. Accrued holiday pay rights in Japan had previously not been recognized as a monetary liability in JGAAP, consistent with usual custom and accounting practice in Japan. Provisions within current liabilities have increased with respect to the potential future cash outflows arising.

XI. Negative goodwill, previously held on the balance sheet and amortized over its expected useful life in JGAAP, has been removed from non-current assets in the IFRS balance sheet in accordance with IFRS3. Positive goodwill has not been amortized routinely from 1 April 2010.

XII. Available-for-sale investments have been fair valued and the adjustment credited to reserves. Certain investments classified as available-for-sale in JGAAP have been classified as associates accounted for using the equity method in IFRS, but still included within non-current assets. Such investments have been valued at the Group's share of net assets of the associate.

XIII. Certain receivables in Japan have been sold to financial institutions under arrangements where the Group still retains a residual interest in those receivables, as noted above. Therefore, the residual interest has been added back into trade receivables in the IFRS balance sheet.

XIV. Certain investment properties, yielding a rental income have been held at historic cost in JGAAP, but have now been re-valued to their fair value in IFRS.

XV. Reclassifications relate mainly to the IFRS treatment of deferred taxation balances as non-current.

(g) Reconciliation of Cash flow

There were no material differences except for a reclassification between the consolidated cash flow statement under IFRS and the consolidated cash flow statement under JGAAP. There was a reclassification relating to the cash dividend payment to the shareholders of the preferred shares. The Group's preferred shares, which were outstanding during part of previous financial year, were accounted for as a capital surplus in JGAAP and the cash dividend payment to the shareholders was therefore included within financing activities in the cash flow statement. In IFRS, the preferred shares are accounted for as a financial liability and the cash dividend payment is therefore reclassified into operating activities. The amount of the cash payment was ¥2,318 million in the full year.