Notes to Consolidated Financial Statements and Notes to Financial Statements with respect to the 147th financial period under Japanese Companies Act

For the period of 1 April 2012 to 31 March 2013
(English translation)

Nippon Sheet Glass Company, Limited

We are providing shareholders with the Notes to Consolidated Financial Statements and the Notes to Financial Statements with respect to the 147th financial period, by posting both on the Company website at www.nsg.com, since 5 June 2013, in accordance with the relevant law and ordinance and article 14 of the Articles of Incorporation.

Notes to the consolidated financial statements (English translation)

Summary of significant accounting policies

1. Preparation of Consolidated Financial Statements

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

2. Scope of consolidation

Consolidated subsidiaries

Count: 216 subsidiaries

Subsidiaries under this category:

NSG Building Products Co. Ltd.	Thanxs Corporation	NSG Win-Tec Co. Ltd.	Nanox Corporation
Pilkington United Kingdom Ltd.	Pilkington Automotive Ltd.	Pilkington Technology Management Ltd.	Pilkington Deutschland AG
Pilkington Automotive Deutschland GmbH	Pilkington Austria GmbH	Pilkington Norge AS	Pilkington Floatglas AB
Pilkington Automotive Sweden AB	Pilkington Automotive Finland OY	Pilkington Lahden Lasitehdas OY	Pilkington Danmark A/S
Pilkington International Glass Poland Sp.Zo.o.	Pilkington Polska Sp.Zo.o.	Pilkington Italia SpA	Pilkington North America Inc.
L-N Safety Glass SA de CV	Vidrieria Argentina S.A.	Vidrios Lirquen S.A.	Pilkington Automotive Argentina S.A.
Pilkington Brasil Ltda.	Guilin Pilkington Safety Glass Co. Ltd.	Changchun Pilkington Safety Glass Co. Ltd.	Pilkington Solar (Taicang) Ltd.
Suzhou NSG Electronics Co. Ltd.	NSG Hong Kong Co. Ltd.	Malaysian Sheet Glass Sdn. Bhd.	Vietnam Float Glass Co. Ltd.
NSG Vietnam Glass Industries Ltd.	NSG UK Enterprises Ltd.	NSG Holding (Europe) Ltd.	Pilkington Group Ltd. (and others)

Changes in consolidated subsidiaries in this fiscal year:

Newly consolidated to the group due to acquisition of additional shareholding

Flovetro SpA			

Removed from the count due to liquidation

D&G System Asia Sdn. Bhd.	Nanox Ltd.	Pilkington Graz GmbH	Bogardus Wilson Ltd.
Pilkington Glass Slovakia spol s.r.o.			

Removed from the count due to merger to other subsidiaries

Pilkington Holdings AB	Pilkington Finance (No.1) AB	Uniglass Sp.Zo.o.	Flovetro SpA

3. Application of equity method

Joint ventures and associates accounted under equity method

Count: 28 affiliates

Joint ventures and associates under this category:

Cebrace Cristal Plano Ltda.	(and other 27 affiliated companies)		

Changes in joint ventures and associates accounted under equity method in this fiscal year

Added to the count due to the fact that significant influence over the company is expected to continue

Tohoku Anzen Co. Ltd.			

Added to the count due to acquisition of equity holding in the companies

Stis Group of Companies	SP Glass LLC		

Removed from the count due to acquisition of additional shareholding, resulting in the company that has now been included in scope of consolidation

Flovetro SpA			

Removed from the count due to disposal of the company to outside of the group

FMC Wyoming Corporation			

4. Accounting policies and practices

(1) Financial 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.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

Derivatives

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).

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

(a) 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.

(b) Cash flow hedge

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

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

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

(c) Net investment hedge

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

(d) Derivatives that do not qualify for hedge accounting

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

Impairments of financial investments

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

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.

(2) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is 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). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

(3) Property, plant and equipment

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 accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial 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
Long leasehold buildings	3 to 50 years
Improvements to short 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.

Intangible assets

(a) Goodwill

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units, 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.

(b) 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).

(c) Computer software

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

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

Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding 10 years).

(d) Research and development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products or processes which will be used internally within the Group) are recognized as intangible assets when it is probable that the project will be commercially successful and technologically feasible or will give rise to internally improved processes, and costs can be measured reliably. Other development expenditure is recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. 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).

(e) Intangible assets created on acquisition

The intangible assets identified on acquisition of the Pilkington Group as part of the fair valuing of the net assets acquired include customer relationships, know-how, license agreements, the Pilkington brand name and other brands, 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).

(4) Provisions

Retirement benefit 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.

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.

Other provisions

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

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

(5) Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at 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.

(c) Group companies

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

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

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

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

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

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

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.

(6) 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.

(7) Accounting for consumption tax

All accounts are presented net of consumption tax.

Notes – Consolidated balance sheet

1. Collaterals

(1) Assets treated as collaterals

Machinery	JPY	1,720	Million
Land and buildings	JPY	1,182	Million
Intangible assets	JPY	2,026	Million
Total	JPY	4,928	Million

(2) Liabilities related to collaterals

Lease obligations - Current	JPY	969	Million
Lease obligations – Non current	JPY	1,751	Million
Total	JPY	2,720	Million

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

Provision for doubtful accounts against:

Trade and other receivables	JPY	4,903	Million

3. Accumulated depreciation of tangible fixed assets, presented as a deduction of asset account on B/S — JPY 371,677 Million

4. Contingent liabilities

(1) Guarantees,etc

Guarantees	JPY	60	Million

(2) 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. 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.

Notes – Consolidated income statement

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

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

	(JPY million)
Exceptional Items (gains):	
Reduction of pension liabilities (Note 1)	5,568
Gain on disposal of an associate (Note 2)	5,346
Gain on disposal of available for sale assets (Note 3)	1,614
Gain on EU fine recalculation (Note 4)	1,470
Gain on disposal of a subsidiary or business (Note 5)	794
Gain on joint venture dilution (Note 6)	326
Gain on acquisition of a subsidiary (Note 7)	187
Others	519
Sub total – Exceptional items (gains)	15,824
Exceptional Items (losses):	
Restructuring costs, including employee termination payments (Note 8)	(22,676)
Impairments of non-current assets (Note 9)	(9,052)
Loss on disposal or scrapping of non-current assets (Note 10)	(1,671)
Settlement of litigation matters (Note 11)	(1,332)
Others	(297)
Sub total – Exceptional items (losses)	(35,028)
Exceptional items (gains and losses) - net	(19,204)

(Note 1) The reduction in UK pension liabilities arises in the UK, where employees have accepted a change to their terms and conditions, whereby pensionable salaries in the Group's main UK defined benefit pension scheme will be capped at their level on 30 April 2013. Future salary increases for employees who are members of this scheme will become pensionable in the Group's UK defined contribution pension scheme. An accounting gain arises on this amendment, as actuarial assumptions used in calculating the Group's defined benefit pension obligations, include an assumption of future pensionable salary increases. This change enables the group to reduce further its future pension liability risk.

(Note 2) The gain on disposal of an associate relates to the sale of the Group's shareholding in FMC Wyoming Corporation as announced on 28 March 2013.

(Note 3) The gain on disposal of available for sale assets, arises on the disposal of various available for sale assets in Japan.

(Note 4) The gain on EU fine recalculation arises from a partial refund of the fine paid following the European Commission's decision announced on 12 November 2008, resulting from an alleged breach of European competition laws by the Group. This refund relates to errors made by the European Commission in calculating the size of the fine to be imposed on the Group, and is not connected to the Group's appeal against this fine which is still proceeding.

(Note 5) The gain on disposal of a subsidiary or business arises from the Group's disposal of its Fire Protection glass business in North America.

(Note 6) The gain on joint venture dilution arises on a refinancing of the Group's joint venture in Russia, where new investors have injected equity into the joint venture at a subscription price in excess of the accounting net asset value per share prior to the subscription.

(Note 7) The gain on subsidiary acquisition arises on the acquisition of the shares of Flovetro SpA, see note, business combinations.

(Note 8) Restructuring costs arise in a variety of locations around the world. The majority of the costs included in this category are closure costs relating to the Group's previously announced restructuring program, and the Group has announced the permanent or temporary closure of several facilities during the year. In addition, this category also includes the cost of maintaining idle facilities during the year.

(Note 9) The impairments arising during the period relate principally to the Group's architectural float lines in Venice, Italy and Halmstad, Sweden.

(Note 10) The loss on disposal or scrapping of non-current assets relates mainly to the scrapping of an unused software system.

(Note 11) The settlement of litigation matters relates to claims made by certain of the Group's Automotive customers in Europe following the European Commission's earlier decision to fine the Group for alleged breaches of competition law.

Notes – Consolidated statement of changes in equity

1. Types and volume of issued shares as of 31 March 2013

Ordinary shares	903,550,999	Shares

2. Dividends

(1) Dividends paid

Duly approved in the Board of Directors Meeting held on 10 May 2012

Type of shares	Ordinary shares	
Total amount of dividends	JPY 1,354	Million
Dividend per share	JPY 1.5	
Dividends paid to shareholders as of:	31 March 2012	
Start of payment	7 June 2012	

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

There is no dividend.

3. Stock subscription rights

Type & volume of shares	Ordinary shares	4,643,000 shares

Notes of financial instruments

1. Status of financial instruments

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

The Group borrows in a variety of currencies at both fixed and floating rates of interest using derivatives where appropriate to generate the desired effective currency and interest rate exposure. The financial instruments used for this purpose are principally interest rate swaps and forward foreign exchange contracts. The Group's treasury function is responsible for the provision of the Group's liquidity management and for the management of the Group's interest, commodity and foreign exchange risks, operating within policies and authority limits set by the Board of Directors.

2. Fair values of financial instruments

Carrying value on consolidated balance sheet, fair value and variance as of 31 March, 2013 are presented in the table below.

(in JPY millions)

	Carrying value on consolidated B/S	Fair value	Variance
(1) Trade and other receivables	115,450	115,450	-
(2) Investments accounted for using the equity method	45,063	46,969	1,906
(3) Available-for-sale investments	7,394	7,394	-
(4) Derivative financial instruments	3,530	3,530	-
(5) Cash and cash equivalents	83,472	83,472	-
Financial assets – total	254,909	256,815	1,906
(6) Borrowings (*1)	444,378	439,901	(4,477)
(7) Derivative financial instruments	3,471	3,471	-
(8) Trade and other payables	114,829	114,829	-
Financial liabilities – total	562,678	558,201	(4,477)

(*1) The amount of borrowings includes portion of borrowings maturing within one year.

(Note) Fair valuation methods

Financial asset items:

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

(2) Investments accounted for using the equity method
Fair values of quoted investments included in this category 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 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.

(3) Available-for-sale investments
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 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.

(4) Derivative financial instruments
Fair values of derivative financial instruments are measured by reference to prices or indices indicated by financial institutions.

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

Financial liability items:

(6) Borrowings
Fair values of bank borrowings are calculated by discounting aggregated future cash payments for interests and principals related to each borrowing contract to present values. Interest rates, assumed as applicable to new bank borrowings with similar values and terms at the yearend, are used as discount rates

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

(7) Derivative financial instruments
Fair values of derivative financial instruments are measured by reference to prices or indices indicated by financial institutions.

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

Business Combinations

On 2 April 2012, the Group acquired the remaining 50 percent interest in Flovetro SpA that it did not already own. Previously this had been accounted for as a joint venture with the Group owning 50 percent of the issued share capital. Flovetro SpA is a float glass manufacturing entity supplying flat glass to the Group's Automotive business in Europe.

Under the terms of the acquisition, the Group paid cash of JPY 407m to St Gobain, the Group's former joint venture partner in this company. The book value of the Group's joint venture investment at the acquisition date was JPY 407 million, and the Group processed a gain on revaluation of this investment to fair value of JPY 94 million. The total fair value of the acquisition was therefore JPY 908 million.

The fair value of assets acquired consisted of property, plant, & equipment of JPY 3,216 million, inventories of JPY 724 million, receivables of JPY 1,556 million, financial liabilities of JPY (2,640) million, trade payables of JPY (874) million, overdrawn cash balances of JPY (812) million, and other net liabilities of JPY (169) million. Total net assets acquired were therefore JPY 1,001 million.

Negative goodwill arising on this transaction therefore amounted to JPY 93 million, and was recognized as a gain during the period. Including the revaluation gain on the previous joint venture investment, the total gain recognized in the consolidated income statement as an exceptional item was JPY 187 million.

During the fourth quarter, as permitted in IFRS3, the Group revised the fair values of the assets and liabilities acquired in this business combination. The above numbers include this revision.

Amounts per share

1. Total shareholders' equity per share	JPY	160.68
2. Net loss per share	JPY	(36.36)

Notes to the Financial Statements

Summary of significant accounting policies

1. Policies and methods regarding valuation of assets
   (1) Securities
      Investments in subsidiaries and affiliates:
         Stated at cost determined by the moving-average method
      Other securities:
         Securities with fair value
            Stated at fair value by reference to market price, etc., as of the closing date, with changes in unrealized holding gain or loss charged directly to net assets and any disposal value determined by the moving average method
         Securities with no fair value
            Stated at cost determined by the moving-average method
   (2) Derivatives
      Stated at their fair market value
   (3) Inventories
      Stated at cost determined by the FIFO method (with provision for reducing the balance in case net realizable value decreases).

2. Depreciation (amortization) of fixed assets
   (1) Tangible fixed assets
      Depreciation is calculated by the straight-line method.
      For some machinery and equipments, depreciation is calculated at rates based on the estimated useful lives of the respective assets. The estimated useful lives applied are principally as follows:

Buildings and structures	3 - 50 years
Machinery, equipment and vehicles	3 - 30 years

   (2) Intangible fixed assets
      Amortization is calculated by the straight-line method. Software intended for internal use in the Company are amortized by the straight-line method over their estimated useful period of 10 years or less.
   (3) Leased assets
      Leased assets procured by finance lease transactions in which ownership are not transferred to lessees are depreciated by the straight-line method to residual value of zero.

3. Provisions
   (1) Allowance for doubtful accounts
      Allowance for doubtful accounts is calculated based on the historical experience with bad debts plus an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.
   (2) Provision for employees' bonuses
      Provision for employees' bonuses is calculated based on an accrual basis for the financial year on expected amount to be paid to the employees.
   (3) Provision for warranties
      Provision for warranties is calculated based on future financial risk incurring from warranties and claims of products sold.
   (4) Provision for retirement benefit for employees
      Accrued retirement benefit for employees is provided at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets.
      Past years' service costs related to pension schemes are generally expensed as incurred, and actuarial gain or loss is amortized, commencing the year following the year in which the gain or loss is recognized, by the straight-line method over a period of five years, which is shorter than the average

remaining years of service of the eligible employees.

(5) Environmental provision

Environmental provision is calculated based on future financial risk relating to environmental preservation.

(6) Provision for rebuilding furnaces

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

4. Other policies

(1) Hedge accounting

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

(2) Accounting of consumption tax

All accounts are presented net of consumption tax.

(3) Application of consolidated taxation

The Company applied the consolidated taxation for the financial year.

5. Changes in Accounting Policies

Valuation method of Inventories

Prior to 1 April 2012, the cost of "Product and goods", "Work-in-process" and "Raw materials and consumables" were determined on the weighted average basis (with application of LCM method), but from this fiscal year, this was changed to FIFO basis (with application of LCM method). This was implemented upon the change in Company's costing system, and is considered to give a more appropriate presentation of the results and the financial position of the Company.

Company does not hold consistent data which can be used to adapt FIFO method retrospectively. Therefore, FIFO method is applied from 1 April 2012 onwards. Relevant effect of this change is minimal.

6. Changes in presentation

Income statement

"Loss on disaster" (FY13: JPY 7 million), which was previously included in Other extraordinary losses, is included in "Other" for this fiscal year due to its immateriality.

Notes regarding Balance Sheet items

1. Accumulated depreciation of tangible assets	JPY	174,686	million
2. Contingent guarantees			
Guarantees	JPY	135,309	million
3. Notes receivables endorsed	JPY	202	million

4. Transactions with subsidiaries and affiliates

Short-term receivable from subsidiaries & affiliates	JPY	90,345	million
Long-term receivable from subsidiaries & affiliates	JPY	97,190	million
Short-term payable to subsidiaries & affiliates	JPY	18,347	million

Notes regarding Income Statement items

1. Transactions with subsidiaries & affiliates

Sales to subsidiaries & affiliates	JPY	32,591	million
Purchases from subsidiaries & affiliates	JPY	19,303	million
Non-operational transactions with subsidiaries and affiliates	JPY	5,442	million

Notes regarding Statement of Net Assets

1. Number of treasury shares as of 31 March 2013	Ordinary shares	963,765	shares

Components of deferred tax assets and liabilities

	(in JPY millions)
Deferred tax assets:	
Accrued retirement benefits	1,029
Provision for rebuilding furnaces	1,957
Allowance for doubtful accounts	433
Provision for warranties	40
Asset retirement obligation	159
Temporary differences related to fixed assets and inventories	1,924
Loss on revaluation of investments in securities	8,244
Loss on revaluation of derivatives (commodity swap, etc.)	13
Loss brought forward	7,322
Other	1,209
Gross deferred tax assets	22,330
Valuation allowance	(21,142)
Total: Deferred tax assets	1,188
Deferred tax liabilities:	
Reserve for advanced depreciation	(1,338)
Gain on revaluation of derivatives (commodity swap, etc.)	(633)
Other	(88)
Total: Deferred tax liabilities	(2,059)
Net deferred tax liabilities	(871)

Related party transactions

(in JPY millions)

Type of company	Name of company	Equity	Relationship	Content of transaction	Transaction value	Account	Balance as of 31 Mar2013
Subsidiary	NSG Building Products Co. Ltd.	100% directly owned	Sales of products of NSG Co. Ltd.	Sales of products of NSG Co. Ltd. (*1)	11,237	Accounts receivable - trade	1,768
Subsidiary	NSG Hong Kong Co. Ltd.	100% indirectly owned	Sales of products of NSG Co. Ltd.	Sales of products of NSG Co. Ltd. (*1)	11,783	Accounts receivable - trade	2,095
Subsidiary	NSG UK Enterprises Ltd.	100% indirectly owned	Loan guarantees & Shared director duties	Loan guarantees (*2)	122,086	-	-
Subsidiary	NSG Holding (Europe) Ltd.	100% directly owned	Fund assistance & Shared director duties	Loan receivable (*3) Loan receivable (*4) Interest receivable (*4) Subscription of subsidiary shares (*5)	35,315 - 2,640 10,791	Short-term loan Long-term loan Other current assets -	60,259 91,717 1,600 -

Terms of transaction and decision policy of terms

(*1) Terms of transactions, such as sale prices, are determined through negotiations with the related party.

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

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

(*4) Interest rates for the loans to NSG Holding (Europe) Ltd are determined after consideration of market rates.
Repayment term of the long-term loan is 5 years, in which the redemption can be made earlier.
No collaterals are provided for the loans.

(*5) Subscription of subsidiary shares accepted by the Company.

Amounts per share

Net assets per share	JPY	320.96
Net loss per share	JPY	(5.38)