Note: This document is a translation for the convenience of non-Japanese speakers. In the event of any discrepancy between this translation and the original Japanese document, the latter shall prevail.

To Shareholders

Matters Disclosed on the Internet Concerning Notice of Convening the 153rd Ordinary General Meeting of Shareholders

Nippon Sheet Glass Company, Limited

We provide shareholders with Notes to the Consolidated Financial Statements and Notes to the Financial Statements with respect to the 153rd financial period, by posting both on the Company's website at www.nsg.com, since 29 May 2019, in accordance with the relevant law and ordinance and article 14 of the Articles of Incorporation.

Notes to the consolidated financial statements (English translation)

Summary of significant accounting policies

1. Preparation of Consolidated Financial Statements

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

2. Scope of consolidation

Number of consolidated subsidiaries and name of major consolidated subsidiaries

Number of consolidated subsidiaries is 192. Major consolidated subsidiaries are;
NSG Building Products Co. Limited, Thanxs Corporation Co. Limited, Nippon Sheet Glass WIN-TEC Co., Limited, Pilkington United Kingdom Limited, Pilkington Automotive Limited, Pilkington Technology Management Limited, NGF Europe Limited, Pilkington Deutschland AG, Pilkington Automotive Deutschland GmbH, Pilkington Austria GmbH, Pilkington Norge AS, Pilkington Automotive Finland OY, Pilkington IGP Sp. zo.o., Pilkington Automotive Poland Sp. zo.o., Pilkington Polska Sp. zo.o., Pilkington Italia SpA, Pilkington North America Inc., L-N Safety Glass SA de CV, Vidrieria Argentina S.A., Vidrios Lirquen S.A., Pilkington Automotive Argentina S.A., Pilkington Brasil Limitada, Guilin Pilkington Safety Glass Co. Limited, Suzhou NSG Electronics Co. Limited, NSG Hong Kong Co. Limited, Malaysian Sheet Glass Sdn. Bhd., Vietnam Float Glass Co. Limited, NSG Vietnam Glass Industries Limited, NSG Holding (Europe) Limited, NSG UK Enterprises Limited, Pilkington Group Limited

3. Application of equity method

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

Number of Joint ventures and associates accounted for by the equity method is 21 (Cebrace Cristal Plano Limitada and other 20 affiliated companies).

4. Accounting policies and practices

(1) Financial instruments

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

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

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

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

(b) Financial assets and liabilities at amortized cost

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

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

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

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

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

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

Financial assets held at fair value through other comprehensive income are non-derivative financial investments where the Group is unable to exert significant influence over the investee. This category of investment could include equity investments which are not held for trading and irrevocably elected to be measured at fair value through other comprehensive income, or investments that are expected to generate fixed or determinable payments by collecting contracted cash flows and selling financial assets.

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

Derivatives

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

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

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

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

(c) Net investment hedge

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

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

(d) Derivatives that do not qualify for hedge accounting

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

(2) Inventories

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

(3) Property, plant and equipment and intangible assets

Property, plant and equipment

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

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

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

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

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

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

Intangible assets

(a) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investments in each region of operation by each primary reporting segment (see Impairment of Assets).

(b) Trademarks and licenses

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

(c) Computer software

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

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

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

(d) Research and development

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

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

(e) Intangible assets created on acquisition

The intangible assets identified on acquisition of the Pilkington Group in June 2006 as part of the fair valuing of the net assets acquired include customer relationships, know-how, license agreements, the Pilkington brand name and other brands, in-process research and development and developed technology. These have been capitalized and are amortized over the estimated life of each category of intangible asset and are amortized on a straight-line basis over the period of their expected benefit to the Group as follows:

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

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

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

Impairment of assets

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

(4) Provisions

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

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

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

(5) Retirement benefit assets and obligations

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

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

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

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

(6) Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

The results and financial position of all Group entities with a functional currency different from the Group's presentation currency, except for subsidiary companies in Argentina which have a functional currency considered to be hyperinflationary, 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.

The results and transactions of subsidiaries in Argentina are translated into the Group's presentational currency using closing year-end rates of exchange as a result of the use of hyperinflationary accounting.

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

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

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

(7) Accounting for consumption tax

All accounts are presented net of consumption tax.

5. Change in accounting policies

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” from the Group’s financial period commencing 1 April 2018. The Group has adopted IFRS15 retrospectively, with a restatement of prior periods.

In accordance with IFRS 15, the Group’s revenue is recognized based on the following five-step model:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group has three primary strategic business units (SBUs) – Architectural, Automotive and Technical Glass. The revenue streams derived from the three SBUs are analyzed into sales of glass and glass-related products, sales of services, engineering contracts, royalties and licensing contracts, and sale of tooling for glass products manufacturing based on the nature and circumstances of the contracts.

The majority of the Group’s revenue is derived from sales of glass and glass-related products. In most cases, revenue is recognized as the customer obtains control over the glass and glass-related products upon delivery. This is based on the judgement that the performance obligation had been satisfied upon transfer of control.

Revenue in relation to sales of services is recognized when services have been rendered and obligations under the terms of a contract have been satisfied. This may be at a point in time or over time, depending on the conditions of the contract.

The Group’s engineering contracts represent performance obligations satisfied over time, as it creates or enhances an asset that the customer controls as the assets is created or enhanced. The Group’s revenue in relation to the engineering contracts is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined by use of the input method.

Revenue in relation to royalties and licensing contracts is recognized at a point in time or over time depending on the nature of the technology rights that the Group has granted to its customer.

Revenue from sale of tooling is recognized based on judgement of specific facts and circumstances of related contracts.

If the construction of tooling is a separate performance obligation from the sale of glass and glass-related products, the Group recognizes inventory as the tooling is constructed. Revenue is recognized based on the stand-alone selling price (SSP) of the tooling when the control of tooling passes to the customer. Any shortfall between the invoiced amount and the SSP of the tooling are accounted for as contract assets. Revenue will be adjusted based on the input or output method over the life of the contract.

If the construction of tooling is not a separate performance obligation from the sale of glass products glass-related products, and the control remains with the Group, tooling will be included in property, plant and equipment in the Group’s balance sheet. Any customer contribution in relation to tooling will be held as deferred income and released to the revenue over the life of the contract based on the output method.

The transaction price includes estimates of variable consideration, such as rebates and price discounts, which are accounted for as reductions in revenue.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.

Consequently, the Group has elected to use the practical expedient not to adjust any transaction prices for the effects of a significant financing component.
The impact on the opening equity balance within the consolidated balance sheet due to the adoption of IFRS 15 was an increase in shareholders' equity of ¥ 858 million.

From the second quarter of FY2019, the Group has applied hyperinflationary accounting adjustments when consolidating the financial results and position of its subsidiaries in Argentina as required by IAS 29 "Financial Reporting in Hyperinflationary Economies". Adjustments have been made to present the financial results and position of the Group's subsidiaries in Argentina using the measuring unit current as at the period end date. This has involved applying Argentina inflation to the underlying results and balance sheet net assets of these businesses. As required by IAS 21 "The Effects of Changes in Foreign Exchange Rate", the Group has used closing period-end exchange rates when consolidating the cash flows and comprehensive income of its subsidiaries in Argentina. The financial effect of applying this approach as at Q4 FY2019, is a decrease in revenues of ¥ 1,650 million, a decrease in operating profit of ¥ 560 million, a decrease in profit for the period of ¥ 1,620 million and a decrease in profit attributable to owners of the parent of ¥ 920 million. Shareholders' equity was increased by ¥ 1,680 million.

From FY2019, the Group has early-adopted an amendment to IAS19 'Employee benefits' regarding plan amendments, curtailments or settlements that would otherwise have been applicable to the Group's financial periods from FY2020. This requires that, in the event of a plan amendment, curtailment or settlement, at one of the Group's post-retirement benefit schemes, the Group will update the actuarial assumptions determining current service cost and finance cost as at the date of the plan amendment, curtailment or settlement. The previous accounting treatment would have been to continue to calculate current service costs and finance costs using actuarial assumptions set from the start of the financial period. The financial effect of adopting this amended approach as at Q4 FY2019 is to reduce operating costs by ¥ 22 million and to reduce finance costs by ¥ 57 million. This change in accounting treatment is applicable to UK pension schemes only, due to the past service cost recorded for these schemes during the third quarter. This past service cost is generated from the equalization of guaranteed minimum pensions recorded as an exceptional item during the third-quarter. For further details, see note Consolidated income statement.

Notes - Consolidated balance sheet

1. Collaterals

(1) Assets treated as collaterals

Machinery & Equipment, Tools & Fixtures	JPY	14,034	million
Buildings & Structures	JPY	824	million
Software	JPY	6	million
Total	JPY	14,864	million

(2) Liabilities related to collaterals

Current portion of long term borrowings	JPY	2,589	million
Long term borrowings	JPY	9,555	million
Total	JPY	12,144	million

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

Provision for doubtful accounts against:

Trade and other receivables	JPY	2,402	million

3. Accumulated depreciation of tangible fixed assets	JPY	472,533	million

Notes - Consolidated income statement

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

	(JPY million)
Exceptional Items (gains):	
Reversal of impairment of non-current assets (Note 1)	2,717
Exchange gain on business closure (Note 2)	698
Settlement of litigation matters (Note 3)	271
Sub total - Exceptional items (gains)	3,686
Exceptional Items (losses):	
Restructuring costs, including employee termination payments (Note 4)	(4,415)
Impairments of non-current assets (Note 5)	(3,544)
Retirement benefit obligations – past service cost (Note 6)	(1,385)
Suspension of facilities (Note 7)	(968)
Settlement of litigation matters (Note 3)	(194)
Others	(248)
Sub total - Exceptional items (losses)	(10,754)
Exceptional items (gains and losses) - net	(7,068)

(Note 1) The reversal of impairment of non-current assets relates mainly to a float line in Vietnam. This line was previously mothballed after being impaired during the year to 31 March 2016. The Group will convert this line from its former usage as thin-glass line into a solar-energy line.

(Note 2) The exchange gain on business closure relates to gains previously posted to reserves using the Statement of Comprehensive Income which have now been recycled to retained earnings through the income statement having been realized following the closure of a technical Glass business in China.

(Note 3) The settlement of litigation matters relates to legal claims arising as a result of transactions that were previously recorded as exceptional items.

(Note 4) Restructuring costs principally include the cost of compensating redundant employees for the termination of their contracts of employment. The most significant projects were in Architectural and Automotive Europe, and Architectural in Japan.

(Note 5) The impairment of non-current assets relates to assets in both Architectural and Automotive Europe as a consequence of restructuring projects in these businesses..

(Note 6) The past service cost on retirement benefit obligations relates to a court ruling in the U.K. regarding Guaranteed Minimum Pensions (GMP's). Following this judgement, U.K. pension schemes are required to equalize benefits in excess of the GMP as between male and female scheme members for the period between 1990 and 1997. GMP's represent an element of the Group's pension liability which was designed to substitute for pension benefits that would otherwise have been provided by the state, with the state-provided pension benefits being unequal between men and women resulting in inequality of the scheme-provided benefit. The exceptional item recognized consists of a gross charge of ¥ 2,144 million and a credit with respect to taxation on pension surplus of ¥ 759 million.

(Note 7) The suspension of facilities includes the cost of repair to a float line in Japan required as a direct result of typhoon damage during the third quarter, and also the temporary suspension of automotive facilities in Europe to equate the Group's production capacity with levels of demand.

Notes - Consolidated statement of changes in equity

1. Types and volume of issued shares as of 31 March 2019

Common shares	90,593,399	shares
Class A shares	35,000	shares

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total ammount of dividends paid （JPY millions）	Dividend per share（JPY）	Record date	Effective date
The Board of Directors meeting held on 11 May 2018	Common shares	1,809	20	31 March 2018	29 June 2018
The Board of Directors meeting held on 11 May 2018	Class A share	1,800	45,000	31 March 2018	28 June 2018
The Board of Directors meeting held on 1 November 2018	Common shares	905	10	30 September 2018	7 December 2018
The Board of Directors meeting held on 1 November 2018	Class A share	1,103	27,575.30	30 September 2018	7 December 2018
The Board of Directors meeting held on 1 November 2018	Class A share	51	10,246.60	（Note）	7 December 2018

(Note) The Daily Prorated Preferred Dividend for partial acquisition

(2) Dividends which are effective as of year-end, but which payment will come in the next fiscal year
For approval in the Board of Directors Meeting held on 10 May 2019

Resolution	Type of shares	Total ammount of dividends paid （JPY millions）	Dividend per share（JPY）	Record date	Effective date
The Board of Directors meeting held on 10 May 2019	Common shares	1,811	20	31 March 2019	6 June 2019

Resolution	Type of shares	Total ammount of dividends paid (JPY millions)	Dividend per share（JPY）	Record date	Effective date
The Board of Directors meeting held on 10 May 2019	Class A share	960	27,424.70	31 March 2019	6 June 2019

3. Stock subscription rights exercisable as of 31 March 2019

Type & volume of shares Common shares 640,400 shares

Notes of financial instruments

1. Status of financial instruments

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

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

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

2. Fair values of financial instruments

Carrying value on consolidated balance sheet, fair value and variance as of 31 March, 2019 are presented in the table below.

(in JPY millions)

	Carrying value on consolidated B/S	Fair value	Variance
(1) Trade and other receivables	78,321	78,321	-
(2) Assets held at Fair Value through other Comprehensive Income	18,640	18,640	-
(3) Derivative financial instruments	1,401	1,401	-
(4) Cash and cash equivalents	52,406	52,406	-
Financial assets - total	150,768	150,768	-
(5) Borrowings	369,652	344,920	24,732
(6) Derivative financial instruments	1,856	1,856	-
(7) Trade and other payables	127,906	127,906	-
Financial liabilities - total	499,414	474,682	24,732

(Note) Fair valuation methods

Financial asset items:

(1) Trade and other receivables

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

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

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

(3) Derivative financial instruments

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

(4) Cash and cash equivalents

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

Financial liability items:

(5) Borrowings

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

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

(6) Derivative financial instruments

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

(7) Trade and other payables

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

Amounts per share

1. Total shareholders' equity per share	JPY	978.50
2. Basic earnigs per share	JPY	115.16

Notes of significant subsequent events

Partial acquisition and retirement of Class A Shares

On 10 May 2019 the Group announced its intention to undertake a partial acquisition and retirement of Class A shares. The Company intends to redeem 5,000 shares, leaving 30,000 Class A shares remaining in issue. Including preferred dividends and acquisition premium payable, the total acquisition cost of these shares will be ¥ 5,800 million. The acquisition date will be 6 June 2019 and as a result, other capital surplus will be reduced by ¥ 5,750 million.

The Company originally issued Class A Shares of ¥ 40,000 million on 31 March 2017 in order to expedite the enhancement of shareholders' equity and achieve a stable financial base. The NSG Group's subsequent efforts to improve its financial position and reduce interest cost have been successfully achieved, enabling a continuous improvement of the Group's earnings. Consequently in December 2018, the Company first acquired and retired 5,000 shares (issue price ¥5,000 million) as a part of the issued Class A shares (acquisition and retirement), aiming for reducing preferred dividend and redemption premium payments. The second acquisition and retirement was decided for the same purpose.

The Company intends to redeem the remaining Class A Shares in a timely and flexible manner, while maintaining financial stability, in order to ultimately redeem all of the Class A shares in future for money.

Notes to the Financial Statements

Summary of significant accounting policies

1. Policies and methods regarding valuation of assets

(1) Securities

Investments in subsidiaries and affiliates:

Stated at cost determined by the moving-average method

Other securities:

Securities with fair value

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

Securities with no fair value

Stated at cost determined by the moving-average method

(2) Derivatives

Stated at their fair market value

(3) Inventories

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

2. Depreciation (amortization) of fixed assets

(1) Tangible fixed assets

Depreciation is calculated by the straight-line method.

The estimated useful lives applied are principally as follows:

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

(2) Intangible fixed assets

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

(3) Leased assets

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

3. Provisions

(1) Allowance for doubtful accounts

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

(2) Provision for employees' bonuses

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

(3) Provision for directors' bonuses

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

(4) Provision for warranties

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

(5) Provision for restructuring expenditure

Provision for restructuring expenditure is calculated based on the amount expected to be incurred from the restructuring initiatives.

(6) Provision for payment under Position retirement program

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

(7) Provision for retirement benefits

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

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

(8) 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).

(9) Environmental provision

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

4. Other policies

(1) Hedge accounting

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

(2) Accounting of consumption tax

All accounts are presented net of consumption tax.

(3) Application of consolidated taxation

The Company applied the consolidated taxation for the financial year.

Notes regarding balance sheet items

1. Collaterals

(1) Assets treated as collaterals

Buildings	JPY	783	million
Structures	JPY	41	million
Machinery & Equipment	JPY	8,670	million
Tools & Fixtures	JPY	375	million
Software	JPY	6	million
Total	JPY	9,875	million

(2) Liabilities related to collaterals

Current portion of long-term borrowings	JPY	2,603	million
Long-term borrowings	JPY	9,740	million
Total	JPY	12,343	million

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

2. Accumulated depreciation of tangible fixed assets	JPY	182,425	million

3. Contingent guarantees

Guarantees	JPY	87,305	million

4. Notes receivables endorsed	JPY	136	million

5. Receivables from and payables to subsidiaries and affiliates

Short-term receivable from subsidiaries & affiliates	JPY	60,771	million
Short-term payable to subsidiaries & affiliates	JPY	14,443	million

Notes regarding income statement items

1. Transactions with subsidiaries & affiliates

Sales to subsidiaries & affiliates	JPY	29,977	million
Purchases from subsidiaries & affiliates	JPY	15,628	million
Non-operational transactions with subsidiaries and affiliates	JPY	14,852	million

2. Restructuring expenditure

Restructuring expenditure is mainly the cost of compensating redundant employees for the termination of their contracts of employment.

Notes regarding statement of change in net assets

1. Number of treasury stock as of 31 March 2019	Common shares	18,418	shares

Components of deferred tax assets and liabilities

	(in JPY millions)
Deferred tax assets:	
Provision for retirement benefits	644
Provision for rebuilding furnaces	1,676
Allowance for doubtful accounts	363
Provision for warranties	79
Asset retirement obligations	216
Temporary differences related to fixed assets	302
Temporary differences related to inventories	1,158
Loss on revaluation of investments in securities	7,004
Loss on revaluation of derivatives (commodity swap, etc.)	57
Loss brought forward	9,806
Other	1,674
Gross deferred tax assets	22,979
Valuation allowance of loss brought forward	(9,806)
Valuation allowance of other deductible temporary differences	(12,392)
Valuation allowance	(22,198)
Total: Deferred tax assets	781
Deferred tax liabilities:	
Reserve for advanced depreciation	(606)
Gain on revaluation of derivatives (commodity swap, etc.)	(144)
Other	(244)
Total: Deferred tax liabilities	(994)
Net deferred tax assets/liabilities	(213)

Related party transactions

(in JPY millions)

Type of company	Name of company	Equity	Relationship	Content of transaction	Transaction value	Account	Balance as of 31 Mar2019
Subsidiary	NSG UK Enterprises Ltd.	100% indirectly owned	Fund assistance & Loan guarantee & Shared director duties	Loan receivable (net) (*1)	(8,000)	Short-term loan	13,686
				Loan guarantee (*2)	77,237	-	-
Subsidiary	NSG Holding (Europe) Ltd.	100% directly owned	Fund assistance & Shared director duties	Loan receivable (net) (*3)	2,297	Short-term loan	36,407
Subsidiary	Pilkongton Technology Management Ltd..	100% indirectly owned	Consignment of research and development of the Group Shared director duties	Recharge of research and development expenditure	2,624	Other receivable	31

Terms of transaction and decision policy of terms

(*1) Interest rates for the loans to NSG UK Enterprises Ltd. are determined after consideration of market rates.
No collaterals are provided for the loans.

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

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

Amounts per share

Net assets per share	JPY 3,189.66
Net profit per share	JPY 65.98

Notes of significant subsequent events

Partial acquisition and retirement of Class A Shares

On 10 May 2019 the Company announced its intention to undertake a partial acquisition and retirement of Class A shares. The Company intends to redeem 5,000 shares, leaving 30,000 Class A shares remaining in issue. Including preferred dividends and acquisition premium payable, the total acquisition cost of these shares will be ￥5,800 million. The acquisition date will be 6 June 2019 and as a result, other capital surplus will be reduced by ￥5,750 million.

The Company originally issued Class A Shares of ￥40,000 million on 31 March 2017 in order to expedite the enhancement of shareholders' equity and achieve a stable financial base. The NSG Group's subsequent efforts to improve its financial position and reduce interest cost have been successfully achieved, enabling a continuous improvement of the Group's earnings. Consequently in December 2018, the Company first acquired and retired 5,000 shares (issue price ¥5,000 million) as a part of the issued Class A shares (acquisition and retirement), aiming for reducing preferred dividend and redemption premium payments. The second acquisition and retirement was decided for the same purpose.

The Company intends to redeem the remaining Class A Shares in a timely and flexible manner, while maintaining financial stability, in order to ultimately redeem all of the Class A shares in future for money.