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# NSG Group Announces Actions to Improve Profitability and Revises Forecast for FY2012

## 1. Actions to improve profitability

The Board of the NSG Group (the Company) has today approved a program of actions designed to improve the profitability of the Company. The measures are intended to protect the business in the short term and also to re-establish profit growth from FY2013 onwards.

Keiji Yoshikawa (Representative Executive Officer and Executive Vice President of the Company) will assume overall responsibility for managing the action program and the realization of its targets and objectives. Details of the program are shown below.

On 2 November 2011, the NSG Group published results for the first half of the current financial year, FY2012. The Group reported that, while its operating performance in the first half of the year was in line with the Group's expectations and similar to the first half performance previously forecasted, conditions were becoming increasingly challenging in many of the Group's core markets.

Since then, the Group has experienced a reduction in many of its core markets, including its significant European building products and automotive markets. The global market for Solar Energy glass has also worsened significantly during the third quarter. While the longer-term prospects for these markets remain positive, the Group does not expect to see a recovery during the remainder of the current financial year.

The effect on the Group's sales and profitability is reflected in today's announcement of a revision of the Group's forecast for FY2012, details of which are given below. The Group has taken action to mitigate the impact of increasing input costs with further improvements in efficiencies, and, where possible, increasing sales prices.

It is clear, however, that more radical measures are now required. Consequently, the Group is now taking further action to realign its global manufacturing sites, to reduce capacity and to reduce headcount further.

The total cash investment will be ¥ 25,000 million, with an expected recurring annual cash benefit of ¥ 20,000 million. The Group is currently in the process of evaluating the related non-cash costs.

Details of the main initiatives to be implemented within the Group are as follows:

### a. Rationalization

The Group is taking action to reduce capacity and output to match the requirements of its customers. This will include the mothballing of one of the Group's float lines in the UK. This follows the announcement on 15 December 2011 of the Group's decision to delay the construction of a solar energy line in Vietnam. Further actions will be announced once due process has been followed with employees and unions affected.

**b. Headcount reduction**
As part of its cost reduction plan, the Group is targeting a reduction of 3,500 employees in its global headcount. A significant part of this reduction will come from overheads – management and staff.

**c. Review of investment plans**
The NSG Group has carefully reviewed its investment plans, with the aim of sharpening its focus consistent with the Group's growth strategy. Through such measures, the Group is planning to contain capital investment across its businesses to the level of depreciation for the next two financial years.

The long-term prospects for the Group's businesses remain positive. On 4 November 2010, the Group issued details of its Strategic Management Plan, covering the financial years FY2012 to FY2014. The long-term strategy set out in this Plan is still valid, although the Group will respond to market conditions as appropriate, by delaying investments and, where necessary, removing manufacturing capacity.

## 2. Revision of Forecast for FY 2012

The NSG Group announces a revision to its previous forecast for FY2012 (1 April 2011 to 31 March 2012) published on 2 November 2011, as set out below.

### a. Revised forecast (consolidated) Full year forecast (1 April 2011 through 31 March 2012) Forecast for FY 2012 (From 1 April 2011 to 31 March 2012)

JPY millions

| | Revenue | Operating profit | Profit before taxation | Profit for the period | Profit attributable to owners of the parent | Earnings per share - basic |
|---|---|---|---|---|---|---|
| Previous forecast (A), published on 2 November 2011 | 580,000 | 25,000 | 16,000 | 15,000 | 14,000 | 15.52 |
| Revised forecast (B) | 560,000 | 4,000 | (5,000) | (2,000) | (3,000) | (3.33) |
| Change (B-A) | (20,000) | (21,000) | (21,000) | (17,000) | (17,000) | (18.85) |
| Change (%) | (3.4) | (84.0) | (131.3) | (113.3) | (121.4) | (121.5) |
| Previous year result (FY2011) | 577,069 | 22,867 | 15,306 | 15,815 | 12,430 | 15.65 |

**b. Reasons for the revision**
The reduction in operating income arises primarily from the worsening conditions in many of the Group's core markets, particularly in Europe. Building products markets during the third quarter have been generally weak and the Group expects this to continue during the remainder of the year. Volumes of Solar Energy glass, whilst still growing over the medium-term, slowed markedly during the third quarter, and full-year expectations for this market are now significantly below previous estimates. Automotive volumes in Europe, representing almost half of the Group's total automotive business, fell during the third quarter, as consumers, faced with a deteriorating economic outlook, increasingly sought to postpone significant spending decisions.

Included within the reduced operating profit forecast are exceptional items of ¥ 3,000 million, being the first stages of the restructuring program set out above.

Taxation charges are then expected to improve as a result of the reduced profits, and, as a consequence, the forecast reduction in profit for the period is less than the forecast reduction in profit before taxation.

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