NSG GROUP

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NSG Group Announces Recognition of Exceptional and Other Costs, Revision of Forecast for Full Year FY16 and Reduction in Executive Compensation

The NSG Group announces the recognition of exceptional and other costs and a revision to its forecast for the full year FY16 (1 April 2015 to 31 March 2016), originally published on 14 May 2015, and most recently revised on 29 January 2016, as set out below.

The main factor within this revision is the recognition of one-off exceptional items such as losses on the impairment of non-current assets. Since the end of January and towards the end of the financial year the Group has formed a clearer view on the outlook for the business environment. The assumptions for the Group's architectural businesses in China and other regions, automotive business in Brazil and also display business have become more challenging, leading to a higher probability of impairments of non-current assets within these businesses. The impact of these one-off losses on the Group's cash flow is not material.

The forecast for revenue and operating profit is unchanged from that issued on 29 October 2015 and reconfirmed on 29 January 2016. Recent trading conditions have been generally consistent with the Group's previous expectations.

Today the NSG Group has also announced an exit from the rolled glass business for crystalline silicone photovoltaic applications situated in Taicang, China and the temporary suspension of production at its thin flat glass line situated in Ba Ria Vung Tau, Vietnam. These represent an exit from loss-making businesses, thus minimizing losses, aiming to swiftly eliminate obstacles to a further recovery in the Group's performance. Through these actions the Group continues to take necessary measures to align its production capacity with current levels of market demand and to improve its profitability further.

The below-mentioned items will be fixed finally prior to the Group's full-year results announcement in May 2016. The figures are current assumptions, which have not yet been audited and may change.

I. Estimated Recognition of Exceptional Costs and Taxation Charges

Reflecting the challenging conditions of relevant businesses, the following charges including impairment losses are anticipated in the fourth quarter of FY16.

1. Impairment of the assets of Pilkington Solar (Taicang) Limited, a wholly-owned subsidiary in Taicang, China, manufacturing rolled glass for crystalline silicon photovoltaic applications and other anticipated costs of closure (approximately JPY7.5 billion) (Please refer to the "Exit from Business by Consolidated Subsidiary in China and Recognition of Impairment Loss" separately announced today for details.)
2. Impairment of non-current assets in the architectural glass business in China and other regions, and the automotive business in Brazil (Approximately JPY15 billion)
3. Impairment of non-current assets, recognition of other costs and an increase in tax charges due to the writing down of deferred tax assets in the technical glass display business (Approximately JPY12 billion)

II. Revision of Consolidated Forecast for FY16 (1 April 2015 to 31 March 2016)

1. Revision of Forecast

(JPY million)

	Revenue	Operating profit	Profit (loss) before taxation	Profit (loss) for the period	Profit (loss) attributable to owners of parent	Earnings per share – basic
Previous forecast (A)	650,000	19,000	1,000	(5,500)	(7,500)	(¥8.30)
Revised forecast (B)	650,000	19,000	(39,000)	(48,000)	(50,000)	(¥55.34)
Change (B-A)	0	0	(40,000)	(42,500)	(42,500)	(¥47.04)
Change (%)	0.0	0.0	-	-	-	-
Ref: FY15	626,713	16,848	4,807	2,893	1,668	¥1.85

2. Reasons for Revision

- **Profit before Taxation, Loss for the Period and Loss Attributable to Owners of the Parent**

  JPY1 billion profit before taxation has been revised to a loss of JPY39 billion due to the reasons described in Section I above (approximately JPY34.5 billion) and other factors (approximately JPY8 billion), including a change in timing to FY17 of the liquidation of anticipated certain assets under review due to a longer time required for the preparatory process. Further, due to the increase in taxation charge described in Section I above and other factors, the loss for the period and loss attributable to shareholders have been revised to losses of JPY48 billion and JPY50 billion respectively.

III. Reduction in Executive Compensation

The Group's top management takes its responsibility for the significant loss very seriously and will voluntarily return part of executive compensation for three months.

Return of Executive Compensation

Chief Executive Officer and President:	50 percent of monthly base pay
Two Executive Vice Presidents:	30 percent of monthly base pay

IV. Expected Improvements

As separately announced today, the Group will exit from a loss-making business (rolled glass for crystalline silicon photovoltaic applications in China) and mothball certain assets of its display business (the production of display glass in Japan will not be affected). These two actions in addition to the above-mentioned impairments are anticipated to result in an approximately JPY6 billion profit improvement in total. We will also accelerate profitability improvement of core businesses (automotive glass in Europe and North America and architectural glass in Europe and Japan) and review overhead costs including head office costs thoroughly. These will be incorporated into FY17 plans as much as possible to turn around the Group's performance to profitability at the bottom line. Due to the end of amortization period of certain intangible assets, the Group's amortization expense will be halved to approximately JPY4 billion in FY17. The Group will also strengthen its research and development for future growth and reinforce its cash flow and balance sheet with further asset liquidations and other measures.

[Note: The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable. Hence the actual results may differ, due to various factors which may affect the results.]