

**Nippon Sheet Glass Co., Ltd.**

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[www.nsg.com](http://www.nsg.com)



**‘Making a difference to our world through glass technology’**

**To our shareholders**

Nippon Sheet Glass Co., Ltd.  
145th Fiscal Period Interim Report  
1 April 2010 – 30 September 2010

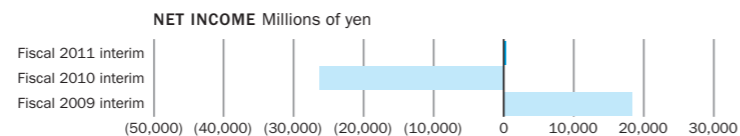
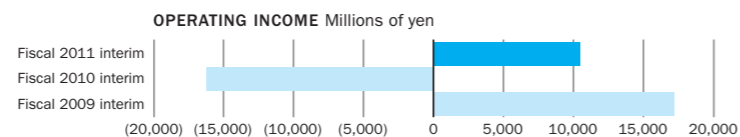
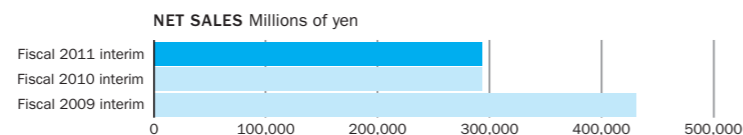


## Contents

- 01 Consolidated financial highlights
- 02 Message from the President and CEO
- 03 Interview with the President
- 06 Business summary by segment
- 07 Review of operations
- 09 Consolidated financial statements
- 11 Management
- 12 Stock information
- 13 Shareholder information
- 14 Corporate data

## Consolidated financial highlights

Millions of yen	Fiscal 2009	Fiscal 2010	Fiscal 2010 interim period	Fiscal 2011 interim period
Net sales	739,365	588,394	292,989	<b>293,689</b>
Operating income	1,908	(17,183)	(16,222)	<b>10,473</b>
Ordinary income	(12,259)	(28,552)	(24,743)	<b>6,543</b>
Net income	(28,392)	(41,313)	(26,248)	<b>15</b>
Net income per share (yen)	(42.49)	(65.61)	(41.00)	<b>(1.31)</b>



## Message from the President and CEO

On behalf of the NSG Group, I thank you for your continued support.

I am pleased to present the interim report for the period ended 30 September 2010.

The results for the first half of the financial year FY2011 reflect improving volumes, and in some cases prices, in our major markets. In addition, they reflect the benefits of the Group's restructuring programs, which have helped to reduce overheads and to improve operational efficiencies, together with important contributions by our joint ventures and associate companies.

In our Automotive business, revenues and profits were significantly ahead of last year, due principally to strong demand across our main markets. In Building Products, profitability was strengthened by cost savings from the restructuring and improved pricing in all regions except Japan and North America. Revenues and profits in Specialty Glass were above the prior year, with improved demand, particularly in sectors such as LCDs for mobile applications.

On 4 November 2010, we published our Strategic Management Plan, which sets the course for the NSG Group over the next three years. This followed a major strategic review designed to sharpen our operational focus and ensure that we add value in everything we do. The Review identified important growth opportunities, particularly in emerging markets and value-added products addressing climate change.

Our recent share issuance will allow us to seize immediate investment opportunities and to leverage our competitive position. The management team is committed to delivering the Plan results and we look forward to your continuing understanding and support of our activities.

**Craig Naylor**  
President and CEO  
Representative Executive Director  
Nippon Sheet Glass Co., Ltd.

2 December 2010



**Craig Naylor** President and CEO

## Interview with the President

### Q1 Please can you provide more detail on the Group's new Strategic Management Plan, announced in November?

Our Strategic Management Plan sets the course for the NSG Group over the next three years. It replaces the Medium-term Plan issued in November 2006, which is now coming to the end of its term. The new Plan covers FY2012 to FY2014, but we are beginning implementation immediately.

The objective is to take the NSG Group to the next level of its development, building on progress on our 'Phase 1' priorities and leveraging our technology into growth opportunities.

Since my appointment, I have been working with the senior team on a major strategic review, designed to sharpen the Group's operational focus and ensure we capture all available synergies across the Group. We identified important growth opportunities, particularly in emerging markets and value-added products addressing climate change. Early investment opportunities were identified in a number of key projects with 12 to 24-month development timescales.

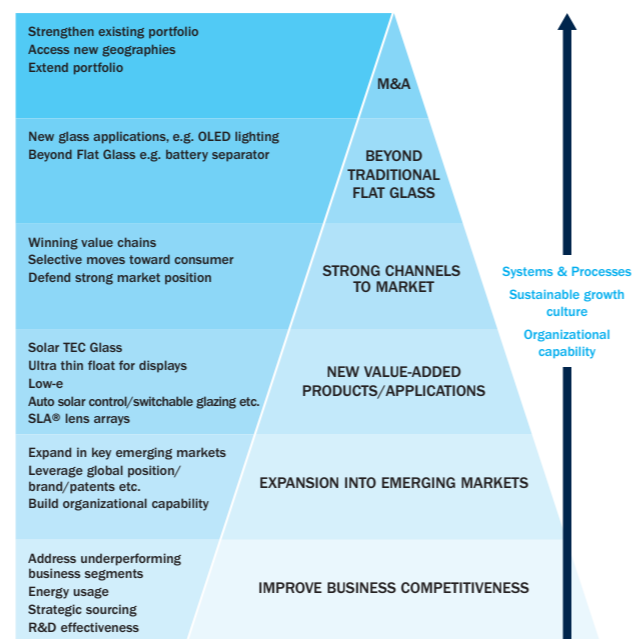
We took quick action to secure funding for these through the recent Share Offering. Funding from the share issuance will allow us to seize these important investment opportunities, leverage our competitive position and strengthen our balance sheet.

In Building Products, our growth priorities are expansion in Solar Energy, low-e glass and South America. In Automotive, we will expand in South America, Eastern Europe and Mexico. The priorities for Specialty Glass are ultra-thin glass for displays, lens arrays for office machinery and battery separator technology. I have no doubt that more new growth opportunities will come from our R&D technology pipeline.

My aim is to create a thriving, innovative global enterprise. The Group is particularly well placed to leverage its global footprint, reduced cost base, technology and brands to meet growing demand for environmental and other value-added products. We regard the Strategic Management Plan as a 'dynamic document' and we will update our shareholders annually on progress.

### Strategic Management Plan

#### KEY ELEMENTS



### Q2 You have announced the adoption by the Group of International Financial Reporting Standards (IFRS). What is the thinking behind this decision?

We have announced the intention of the NSG Group to voluntarily adopt International Financial Reporting Standards (IFRS) for our consolidated financial statements with effect from 1 April 2011. This means that our consolidated financial results for the financial year FY2012 and thereafter will be presented in IFRS.

IFRS is becoming the global standard for the preparation of public company financial statements. Some 120 countries and reporting jurisdictions require or permit IFRS for domestic listed companies. Around 90 countries have fully conformed with IFRS and others are expected to transition to IFRS by 2011. Japan has introduced a roadmap for adoption on which a decision will be taken in 2012 (with a proposed adoption date of 2015 or 2016). In the meantime the authorities in Japan have permitted certain qualifying domestic companies to apply IFRS from fiscal years ending on or after 31 March 2010.

Behind our decision to be an early adopter is our determination to build a truly international company headquartered in Japan. We believe that the use of IFRS in the preparation of our consolidated financial statements is consistent with our international spread of operations and shareholder base. The move builds on progress we have made in the appointment of an international board and the adoption of the 'Company with Committees' corporate governance structure.

On a practical level, the acquisition of Pilkington plc in 2006 has meant that around two thirds of the Group already reports in IFRS. Having the whole Group use IFRS will remove the need to convert some figures from IFRS to JGAAP for consolidated reporting purposes. Enabling the whole Group to use the same accounting language will have clear benefits for the Group's internal decision-making processes.

#### CONSOLIDATED NET SALES BY BUSINESS

BP Europe	19%
BP Japan	14%
BP North America	4%
BP Rest of World	6%
Automotive Europe	21%
Automotive North America	10%
Automotive Japan	8%
Automotive Rest of World	7%
Specialty Glass	11%



¥293.7 billion

#### CONSOLIDATED NET SALES BY REGION

Europe	41%
Japan	28%
North America	14%
Rest of World	17%



¥293.7 billion

Cumulative Quarter 2 results to 30 September 2010

### Interview with the President continued

#### Q3 Can you please describe recent progress by the NSG Group in embracing the principles of Sustainability?

We continue to make good progress on Sustainability and our new Group Vision statement, 'Making a difference to our world through Glass Technology', reflects the role our products can have in conserving and generating energy. Over the past year, we have further strengthened our Sustainability governance, with the appointment of Nick Shore as our first Director of Sustainability. Nick chairs the Group Sustainability Committee, which reports into the Board.

I personally attach great importance to the development of a sustainable company in all senses of the word. Our new Strategic Management Plan places a great deal of emphasis on Sustainability, with increasingly tough targets for the organization, particularly in our own energy saving and waste management. We also aim to capitalize on growing demand for our products that help save and generate energy.

Our aim is to make a positive environmental contribution to the key value chains in which we operate. Our objectives are further to embed Sustainability throughout the organization in all our policies. Commercially, we aim to ensure that we contribute to and benefit from current environmental trends.

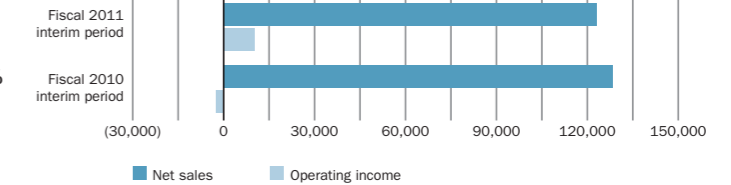
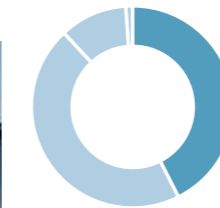
Glass has a unique role to play in helping to reduce greenhouse gas emissions and mitigating the effects of climate change. The 'energy balance' between manufacture of high-performance glazing products and their use means that the energy used and CO<sub>2</sub> emitted in manufacture are quickly paid back through the lifetime of the products.

The Board have recently approved clear Sustainability targets for the Company, to be achieved by 2015, in the following areas: Economic, Health & Safety, Energy, Product development, Recycling and Waste, Supply Chain and People. Full details of the targets and our progress toward them will be covered in our annual Sustainability Report and in the Sustainability section of the Group's corporate website. Our 2010 Sustainability Report will be published in early 2011.

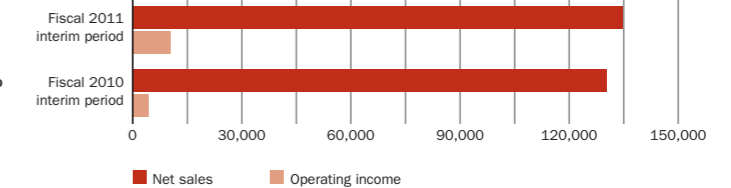
### Business summary by segment

NET SALES AND OPERATING INCOME Millions of yen

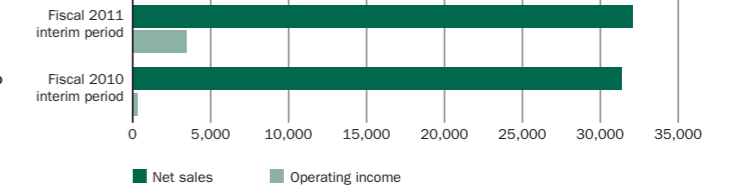
#### Building Products



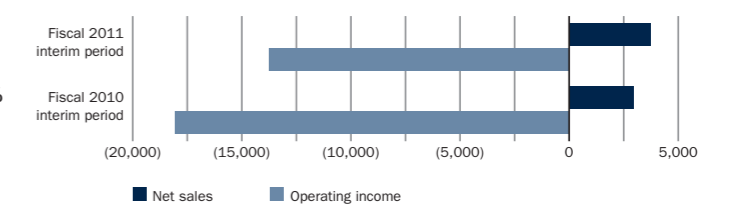
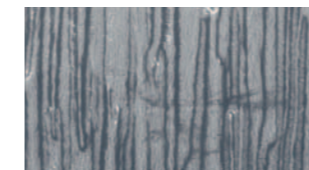
#### Automotive



#### Specialty Glass



#### Other



Note: Following the introduction of a new segmental reporting standard in Japan on 1 April 2010, the Group no longer allocates consolidation adjustments and certain other costs incurred within Other to the Group's three main business lines. The most significant change relates to the amortization of goodwill and other intangible assets arising on the acquisition of Pilkington plc, previously allocated to business lines but now included within Other above. The prior year interim figures have been restated above under the new requirement for comparison purposes.

## Review of operations

### Building Products



Building Products (BP) cumulative results for the first half-year represented an improvement from the previous year. Profitability improved with cost savings from previous restructuring and improved pricing in all regions except Japan and North America. The underlying result in the second quarter improved against the first, with the headline result then benefiting further from an insurance settlement.

In Europe, revenues in local currency were flat compared to the previous year, with improving volumes and prices offset by the impact of previous year disposals and reduced engineering revenue. Price increases implemented at the start of the financial year generally held resulting in prices significantly higher than in the previous year but still at low levels. Profits improved with cost savings and the improved market pricing.

Revenues in Japan were higher than in the previous year, as markets marginally improved during the second quarter. Profitability improved, reflecting continuing cost savings and reduced input costs.

In North America, revenues in local currency were slightly higher than the prior year. Market conditions remain extremely challenging. Profits increased as a result of improved volumes and cost savings.

In the rest of the world, revenues and profits improved strongly from the previous year due mainly to increased market prices. Headline operating profit for the second quarter included the settlement of an insurance claim in Chile.

The Building Products business achieved sales of ¥123,130 million and an operating income of ¥10,294 million.

### Automotive



In the Automotive business, cumulative revenues and profits were significantly ahead of the previous year, due principally to strong demand across each of the Group's main automotive markets.

In Europe, the Original Equipment (OE) sector saw local currency revenue increase strongly from last year's levels due to robust demand, with a consequent improvement in profits. Results in the Automotive Glass Replacement (AGR) business were similar to the levels of the previous year.

In Japan, revenues were significantly ahead of last year, due to improved levels of demand. Profits also benefited from further cost savings and efficiency improvements.

In North America, OE revenues were significantly above the previous year, again due to increased volumes. Profits also benefited from the continued realization of additional cost savings. AGR profitability was slightly improved from the previous year.

In the rest of the world, cumulative revenues and profits increased strongly from the previous year.

The Automotive business recorded sales of ¥134,751 million and an operating income of ¥10,476 million.

### Specialty Glass



Revenues and profits in Specialty Glass were above the prior year. Most of the Group's specialty glass businesses continued to experience improved demand, particularly in sectors such as LCDs for smart phones and Personal Digital Assistants (PDAs). Demand for Selfoc Lens Array (SLA) equipment used in multi-function printers started to recover from the middle of the previous financial year and this has continued during the first two quarters of this year. Sales of glass cord for engine timing belts were supported by robust vehicle production in Europe.

The Specialty Glass business recorded sales of ¥32,049 million and an operating income of ¥3,447 million.

### Other



This segment covers corporate costs, consolidation adjustments, certain small businesses not included in the segments already covered, and also the amortization of goodwill and other intangible assets related to the acquisition of Pilkington plc. Operating losses incurred in Other were below the previous year, due to a reduction in general corporate expenses and the translational effect of a strong Japanese yen. In addition, during the second quarter, this segment benefited from the settlement of an environmental insurance claim in North America, with resulting income of ¥1,500 million.

Consequently, this segment recorded sales of ¥3,759 million and an operating loss of ¥13,744 million.

## Consolidated financial statements

### Consolidated balance sheets 30 September 2010 and 31 March 2010

	Millions of yen	
	30 September 2010	31 March 2010
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	61,124	79,796
Trade notes and accounts receivable	96,966	97,680
Merchandise and finished goods	52,831	56,107
Work in process	10,197	10,375
Raw materials	31,731	32,309
Other current assets	16,180	25,325
Allowance for doubtful accounts	(3,837)	(4,146)
<b>Total current assets</b>	<b>265,192</b>	<b>297,446</b>
<b>Fixed assets</b>		
Land	37,988	39,774
Buildings and structures	60,368	62,938
Machinery, equipment and vehicles	160,202	174,585
Leased assets	3,778	4,359
Construction in progress	1,146	1,486
<b>Total property, plant and equipment, net</b>	<b>263,482</b>	<b>283,140</b>
<b>Intangible assets</b>		
Goodwill	107,675	122,653
Other intangible assets	98,694	113,381
<b>Total intangible assets</b>	<b>206,369</b>	<b>236,034</b>
<b>Investments and other assets</b>		
Joint ventures, associates and other investments	54,909	59,224
Other assets	56,841	57,876
<b>Total investments and other assets</b>	<b>111,750</b>	<b>117,100</b>
<b>Total non-current assets</b>	<b>581,601</b>	<b>636,275</b>
<b>Total assets</b>	<b>846,793</b>	<b>933,721</b>

Notes concerning per share information (interim period FY11)

1. Net assets per share 228.12 yen
2. Net income per share (1.31) yen.

	Millions of yen	
	30 September 2010	31 March 2010
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	60,866	68,898
Short-term loans payable	10,998	25,619
Current portion of long-term loans payable	9,707	41,533
Current portion of bonds payable	23,000	10,000
Lease obligations	2,099	1,984
Income taxes payable	7,122	6,023
Provisions	13,890	17,107
Other current liabilities	55,199	63,971
<b>Total current liabilities</b>	<b>182,881</b>	<b>235,134</b>
<b>Non-current liabilities</b>		
Bonds payable	27,000	50,000
Long-term loans payable	256,549	262,326
Lease obligations	1,845	2,980
Provision for retirement benefits	52,453	59,319
Provision for rebuilding furnaces	10,760	10,560
Other provisions	6,117	7,401
Other non-current liabilities	61,246	66,071
<b>Total non-current liabilities</b>	<b>415,970</b>	<b>458,656</b>
<b>Total liabilities</b>	<b>598,851</b>	<b>693,790</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	116,449	96,147
Capital surplus	155,595	135,290
Retained earnings	68,745	71,696
Treasury stock, at cost	(583)	(589)
<b>Total shareholders' equity</b>	<b>340,206</b>	<b>302,544</b>
<b>Valuation and translation adjustments</b>		
Unrealized holding gain/(loss) on securities	682	836
Net unrealized holding gain/(loss) on hedges	(4,810)	(5,026)
Translation adjustments	(99,351)	(68,048)
<b>Total valuation and translation adjustments</b>	<b>(103,479)</b>	<b>(72,238)</b>
<b>Stock options</b>	<b>726</b>	<b>684</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>10,489</b>	<b>8,942</b>
<b>Total net assets</b>	<b>247,942</b>	<b>239,931</b>
<b>Total liabilities and net assets</b>	<b>846,793</b>	<b>933,721</b>

### Consolidated statements of income For the six-month periods ending 30 September

	Millions of yen	
	2010	2009
Net sales	293,689	292,989
Cost of sales	212,420	223,055
Gross income	81,269	69,934
Selling, general and administrative expenses	70,796	86,155
Operating income	10,473	(16,222)
Non-operating income	5,771	2,296
Non-operating expense	9,791	10,818
Ordinary income/(loss)	6,453	(24,743)
Extraordinary income	1,064	6,551
Extraordinary loss	1,680	8,521
Net income/(loss) before taxation and minority interest	5,837	(26,713)
Income taxes	2,721	(827)
Minority interests	3,101	363
<b>Net income/(loss)</b>	<b>15</b>	<b>(26,248)</b>

### Consolidated statements of cash flows For the six-month periods ending 30 September

	Millions of yen	
	2010	2009
Cash flows from operating activities	14,738	(5,571)
Cash flows from investing activities	(10,329)	3,483
Cash flows from financing activities	(6,468)	24,040
Effect of foreign exchange rate on cash and cash equivalents	(2,785)	(1,396)
Net (decrease)/increase in cash and cash equivalents	(4,844)	20,557
Opening cash and cash equivalents at 1 April	55,995	75,598
Increase due to change in scope of consolidation	364	-
Closing cash and cash equivalents at end of the period	51,515	96,154

## Management

(as at 30 September 2010)

NSG Group adopted a Company with Committees structure with effect from 27 June 2008.

### Directors

**Director, Chairman of NSG Group** Katsuji Fujimoto

**Director, Vice Chairman** Tomoaki Abe

**Director** Craig Naylor

**Director** Mike Powell

**Director** Mark Lyons

**Director** Mike Fallon

**Director** Keiji Yoshikawa

**External Director** Isao Uchigasaki

**External Director** George Olcott

**External Director** Sumitaka Fujita

**External Director** Seiichi Asaka

**External Director** Hiroshi Komiya

### Executive Directors

**Representative Executive Director,**

**President and CEO** Craig Naylor

**Executive Director, Group Finance Director** Mike Powell

**Executive Director** Mark Lyons

**Executive Director** Mike Fallon

**Executive Director** Keiji Yoshikawa

### Executive Officers

**Senior Executive Officer** Paul McKeon

**Senior Executive Officer** Clemens Miller

**Senior Executive Officer** Toshiyuki Nakazawa

**Senior Executive Officer** Tom Rae

**Senior Executive Officer** Luis Henrique Souza

**Senior Executive Officer** Naotaka Todoroki

**Executive Officer** Kazumitsu Fujii

**Executive Officer** Kazuhiko Fujimaki

**Executive Officer** Koichi Hiyoshi

**Executive Officer** Minoru Imanishi

**Executive Officer** Koichi Maeda

**Executive Officer** Kenichi Morooka

**Executive Officer** Tsunefumi Nakagawa

**Executive Officer** Paul Ravenscroft

**Executive Officer** Paul Ruddlesdin

**Executive Officer** Tony Shaw

**Executive Officer** Iain Smith

**Executive Officer** Milena Stanisci

**Executive Officer** Phil Wilkinson

### Nomination Committee

Katsuji Fujimoto (Chairman of the Nomination Committee)

Tomoaki Abe

Isao Uchigasaki

George Olcott

Sumitaka Fujita

Seiichi Asaka

Hiroshi Komiya

Craig Naylor

### Audit Committee

Tomoaki Abe (Chairman of the Audit Committee)

Katsuji Fujimoto

George Olcott

Sumitaka Fujita

Hiroshi Komiya

### Compensation Committee

George Olcott (Chairman of the Compensation Committee)

Tomoaki Abe

Sumitaka Fujita

Seiichi Asaka

Craig Naylor

## Stock information

### Number of shares/shareholders

as at 1 October 2010

<b>Authorized shares</b>	Common shares	1,775,000,000 shares
	Type A preferred shares	3,000,000 shares
<b>Issued shares</b>	Common shares	903,550,999 shares <sup>1</sup>
	Type A preferred shares	2,020,000 shares <sup>2</sup>
<b>Shareholders</b>	Common shares <sup>3</sup>	67,154
	Type A preferred shares	2

1. Issued common shares increased by 234,000,000 from the last report due to the issuance of new shares as announced on 24 August 2010.
2. Issued Type A preferred shares decreased by 980,000 from the last report due to the partial acquisition and cancellation of Type A preferred shares by the Company as announced on 16 September 2010.
3. As at 30 September 2010.

### Major shareholders

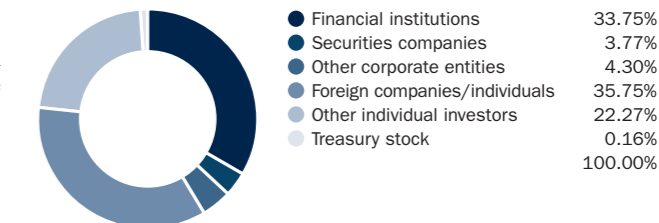
Common shares as at 30 September 2010

	Number of shares	Percentage of shares
Japan Trustee Services Bank, Ltd. (Trust Account)	79,537,000	8.80
The Master Trust Bank of Japan, Ltd. (Trust Account)	48,875,000	5.41
Japan Trustee Services Bank, Ltd. (Trust Account 9)	25,090,000	2.78
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	15,326,000	1.70
Goldman, Sachs & Co. Reg	15,212,000	1.68
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	15,080,000	1.67
Japan Trustee Services Bank, Ltd. (Trust Account 4)	14,890,000	1.65
UBS AG London A/C Ipb Segregated Client Account	14,655,050	1.62
Morgan Stanley & Co. Inc	13,439,550	1.49
Toyota Motor Corporation	9,610,650	1.06

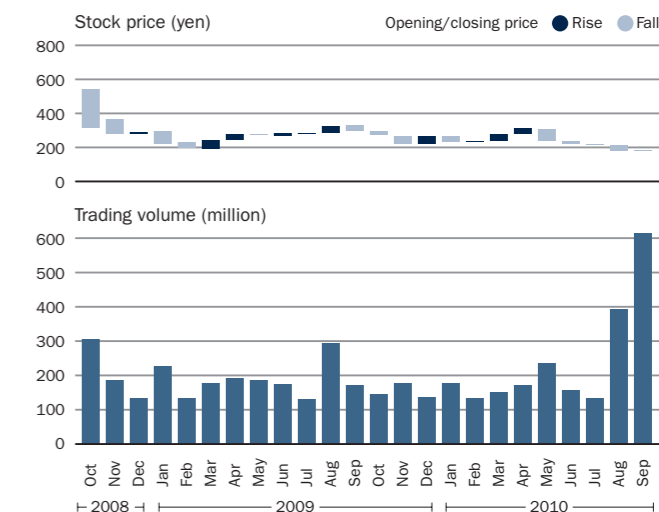
Type A preferred shares as at 1 October 2010

	Number of shares	Percentage of shares
UDS Corporate Mezzanine No. 3 Limited Partnership	1,717,000	85.00
UDS Corporate Mezzanine Limited Partnership	303,000	15.00

### DISTRIBUTION OF NSG GROUP SHAREHOLDERS (COMMON SHARES) as at the end of September 2010



### STOCK PRICES AND TRADING VOLUME



## Shareholder information

<b>Fiscal period</b>	1 April to 31 March of the following year
<b>Ordinary General Meeting of Shareholders</b>	Held annually in June
<b>Shareholders' Confirmation Standard Dates</b>	Ordinary General Meeting of Shareholders: 31 March Dividend: 30 September and 31 March
<b>Transfer Agent</b>	The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4 chome, Chuo-ku Osaka-shi
<b>Operating Office</b>	The Sumitomo Trust & Banking Co., Ltd. Stock Transfer Agency Department 3-1, Yaesu 2 chome, Chuo-ku, Tokyo 104-0028, Japan
<b>Public Notice</b>	www.nsg.com
<b>Independent Auditors</b>	Ernst & Young ShinNihon LLC

If you need to record any changes in your address, personal details or any other relevant matter, please contact the securities company administrating your shareholder account.

If you do not use a securities company, please notify our Transfer Agent as shown on the right.

### Notice to shareholders holding odd-lot shares

If you hold an odd-lot of shares (1 to 999 shares) which is less than a trading unit of shares (1,000 shares), you could:

1. sell these shares to the Company, or
2. purchase odd-lot shares from the Company to supplement your holding to the extent necessary to constitute a trading unit.

Please contact the securities company administrating your shareholder account for specific procedures.

If you do not use a securities company, please contact our Transfer Agent as shown on the right.

**Notice Concerning Dividend Payments of Listed Companies**  
Under the terms of the 2008 revision of the Act on Special Measures Concerning Taxation, the Company is required to send shareholders a 'Notice Concerning Dividend Payments' with details of the amount of dividend, tax, etc. relating to dividends paid after January 2009. The enclosed 'Calculation Sheets for Dividends', which shareholders can use when completing their tax returns, also fulfills these requirements.

### Payment of Interim Dividend

If you do not designate a specific bank account for receiving dividends, payment will be made by the enclosed '145th Interim Dividend Receipts'. In this case, your dividend payment can be collected at the head office or any branch of the Japan Post Bank and Post Office within the period of payment (from 3 December 2010 to 31 January 2011).

If you designate a specific bank account for receiving dividend payments, please check the enclosed 'Calculation Sheets for 145th Interim Dividends' and 'Concerning Banking Account to which Dividends are Transferred' documents. (If you chose the System of Proportional Distribution to the Number of Shares' as the way of receiving dividends, please contact the securities company you use.)

**Transfer Agent** The Sumitomo Trust & Banking Co., Ltd.  
**Mail address** Stock Transfer Agency Department  
1-10, Nikko-cho, Fuchu-shi,  
Tokyo 183-8701, Japan

**Telephone number** 0120-176-417 (toll free in Japan)

## Corporate data

(as at 30 September 2010)

### Nippon Sheet Glass Co., Ltd.

<b>Head Office</b>	Sumitomo Fudosan Mita Twin Building West Wing, 5-27, Mita 3-chome, Minato-ku, Tokyo 108-6321 Japan Tel: +81-3-5443-9500
<b>Established</b>	22 November 1918
<b>Number of permanent employees (Consolidated)</b>	29,214
<b>Paid-in capital</b>	¥116,449 million
<b>Stock listing</b>	Tokyo and Osaka (Code: 5202)