



14 May 2015

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Recognition of Operating Expense (Exceptional Items)

1. The background and rationale

The NSG Group (the Group) has recognized an exceptional loss on the impairment of its investment in China Glass Holdings Ltd. ("CGH").

CGH was founded in 2004, and listed on the Hong Kong stock exchange in 2005.

The Group owns a shareholding in CGH of 21.55 percent and has conducted an impairment test on this investment, consisting of a review of the recoverable value in comparison to the book value. Following this review (where the recoverable value is calculated as a discounted present value of the future expected dividend inflow from CGH), conducted using updated financial projections as at the period end, the Group has concluded that due to a shortfall of recoverable value, an impairment is therefore required. The Group has consequently processed an impairment of JPY 21 oku, resulting in a residual 31 March 2015 balance sheet investment value of JPY 76 oku.

2. Impact on FY15 result

The Group has already recorded the exceptional gain on reclassification of investments (JPY 133 oku, as announced on 6 November 2014) and the exceptional gain on disposal of non-current assets (JPY 45 oku, as announced on 26 September 2014) during this financial year. Including the above-mentioned exceptional loss on the impairment on investment in CGH, total exceptional items amount to a net gain of JPY 55 oku, which is included in operating profit, during this financial year.

Difference between the previously announced forecast and the actual result is reported in Tanshin disclosed today.

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