<Revised at June 20th>

# Summary of Financial Results to March 2007

**May 31, 2007**
**Nippon Sheet Glass Co., Ltd**

# Agenda

- Review of FY07(Year to Mar.2007)
- FY07 Financial Results
- New structure of NSG Group
- Business Update
- Strategy Update
- Outlook of FY08(Year to Mar.2008)

## Review of FY07 (year to March 2007)

1. Dramatic increase in scale of NSG Group operations with acquisition of Pilkington.

2. Announcement of three-phased long-term vision and Medium-term plan for coming four years.

3. Integration progressing – new global organisation in place from 1 April

4. Result forecast was revised due to various one-off extraordinary items as well as EU provisions.

5. Good result in Flat Glass sustained by strong demand in Europe and further operational improvements throughout.

# Financial Results

# Assumptions for FY07 result

1. Pilkington has been consolidated from Q-2 in the income statement and from the end of Q-1 in the balance sheet. From FY08, it contributes to the group for the full year. ( Refer to the Appendix.)
2. Resulting change in segmentation by business and region. ( Refer to the Appendix.)
3. Through a fair value exercise after the acquisition, in tangible assets and goodwill has been recorded. The amortization charge has been calculated upon this base as well as the additional goodwill, which has been recognized due to the provision for the receipt of Statements of Objection from EU Commission based on the present value as at the acquisition closing in June 2006. ( The detail follows. )
4. Because of the ongoing discussions for the possible sale of the group's Australian operations, the business has been classified as "held for sale" with net profit for the year reflected in one line in extra-ordinary items.
5. Change in the currency exchange rate for income statement

(Previous) Interim, Q-3 result : The close rate at the last day of each period
（Interim JPY221.25/GBP, Q-3 JPY233.7/GBP）
(New) This full year result and for future period: The average rate for the period
（The average rate for Jun.06 – Mar. 07 JPY225.7/GBP）
Budget rate for FY07: JPY210/GBP. Budget rate for FY08: JPY215/GBP

# Consolidated Statement of Income

| (JPY bil ) | FY06 | FY07 | Change from FY06 | FY07 Plan |
|---|---|---|---|---|
| Sales | 265.9 | 681.5 | 256.3% | 680.0 |
| Ope.Income before amort | 8.4 | 43.3 | 514.0% | 43.2 |
| (Ratio on Sales) | 3.2% | 6.4% | – | 6.4% |
| Amortization | – | 19.5 | – | 8.2 |
| Operating Income | 8.4 | 23.8 | 282.6% | 35.0 |
| (Ratio on Sales) | 3.2% | 3.5% | – | 5.1% |
| Non-operating items | 2.0 | -15.8 | -792.6% | -10.0 |
| Income before extraordinary | 10.4 | 8.0 | 76.7% | 25.0 |
| (Ratio on Sales) | 3.9% | 1.2% | – | 3.7% |
| Extra-ordinary items | 1.1 | 30.1 | 2707.7% | 36.5 |
| Pretax Income | 11.5 | 38.1 | 329.9% | 61.5 |
| Net Income | 7.8 | 12.1 | 155.8% | 30.0 |
| (Ratio on Sales) | 2.9% | 1.8% | – | 4.4% |
| EBITDA | 21.4 | 85.1 | 397.7% | – |
| EPS(JPY) | 17.5 | 18.1 | 103.5% | – |

**1. Sales and Operating Income before amortization**

Pilkington's performance has been consolidated in PL as equity method in Q-1 and full consolidation for Q-2 thru 4.
After adjustment of Australian operation, the actual was at the same level to the plan.

**2. Goodwill amortization - 9.1 bil**
**Intangible assets amortization -10.3 bil**
**Tax effect +3.1 bil**

**3. EBITDA**
**Significant increase from the previous year, as expected, just like the operating income before amortization.**

Exchange rate
FY07(Plan) : JPY 210.0 / GBP
FY07(Actual): JPY 225.7 / GBP
FY08(Plan): JPY 215.0 / GBP

# Non-operating, Extra-ordinary, Taxation

**1. Non-operating income/loss - JPY15.8bil( 5.8 negative vs.plan)**

(1) Finance charge - 16.6 bil

(2) Income from equity method investment +2.4 bil（NH Techno had some production troubles in H1）

(3) Other income -1.8 bil（EU unwind discount -3.0 bil)

**2. Extra-ordinary income/loss +JPY 30.1 bil ( 6.5 negative vs. plan)**

(1) Gain from sale of securities +44.8 bil

(2) Expense for the acquisition -10.5 bil

(3) Write-off of fixed assets -7.3 bil ( Software, etc. )

# Consolidated Balance Sheets

| (JPY bil) | FY06 Mar.2006 | FY07 Mar. 2007 |
|---|---|---|
| Current assets | 288.7 | 465.8 |
| ( Cash & Cash equivalent) | (180.7) | (160.9) |
| Fixed assets | 307.2 | 943.1 |
| Total assets | 596.0 | 1,409.0 |
| Liabilities | 354.4 | 1,058.4 |
| (Interest-bearing debt) | (236.9) | (561.1) |
| Shareholders equity | 238.3 | 350.6 |
| Liability & Shareholders equity | 596.0 | 1,409.0 |
| Issued and outstanding shares(mil) | 443.0 | 668.4 |
| Shareholders' equity to total assets | 40.0% | 23.9% |
| BPS(JPY) | 537.9 | 504.6 |
| Dividend per share | 6.0 | 6.0 |
| ROE | 3.3% | 4.2% |
| ROA | 2.0% | 2.2% |

ROA=(Income before extraordinary plus Interest paid)／Total assets

1. Pilkington's balance sheet was consolidated from the end of first quarter of FY 07.
2. CB : balance is JPY 23 billion. MSCB was fully converted.
3. Balance of Goodwill : JPY 204.9 billion. (Including the incremental 78.1 billion by EU provision )

Balance of intangible fixed assets : JPY 177.0 billion (converted by the FX rate 231.9 at the end of Mar. 2007 )

# Financial position and cash generation

- Financial position ( Comparison between the end of FY07 against the end of June 2006 just after the acquisition. )

- Net D/E ratio:  1.19  ( vs. 1.93 at June 06 )
- Gross D/E ratio:1.66( vs. 2.51 at June06 **)**

- Net Borrowings –  JPY400 bil ( vs. JPY510 bil at June 06 )

- Gross Borrowings- JPY561 bil ( vs. JPY664 bil at June 06 )

- Cash generation:

- EBITDA:  JPY85.1 bil for FY07  ( vs. JPY21.4 bil for FY06 )

**Improvement in financial position and cash generation**

# Net Sales and Operating Income

**Sales**

(JPY bil)

| (JPY bil) | | Japan | Europe | N.A. | Other | Total |
|---|---|---|---|---|---|---|
| BP | | 109.9 | 152.2 | 25.3 | 32.9 | 320.4 |
| AUTO | | 59.9 | 127.3 | 61.2 | 19.8 | 268.2 |
| Other | IT | – | – | – | – | 45.3 |
| | GF | – | – | – | – | 33.3 |
| | Other | – | – | – | – | 14.3 |
| | | 56.2 | 14.7 | 1.1 | 21.0 | 92.9 |
| Total | | 226.1 | 294.2 | 87.6 | 73.7 | 681.5 |

**Operating Income**

(JPY bil)

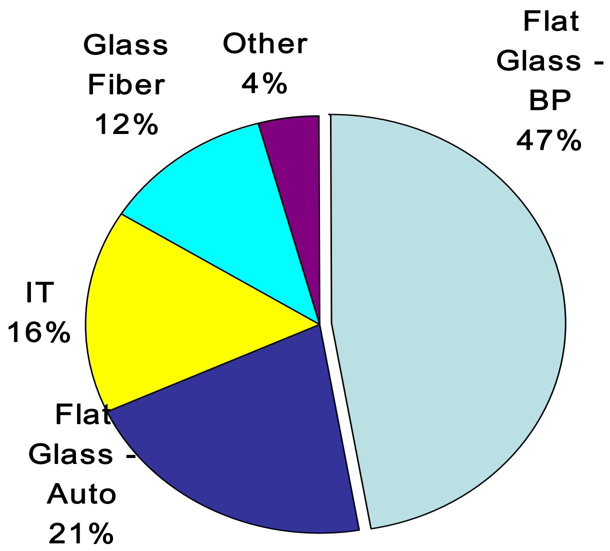
| (JPY bil) | | Japan | Europe | N.A. | Other | Total | Ratio on Sales |
|---|---|---|---|---|---|---|---|
| BP | | 0.9 | 22.5 | 0.9 | 5.3 | 16.5 | 5.1% |
| AUTO | | | | | | 13.0 | 4.9% |
| Other | IT | – | – | – | – | 2.5 | 5.5% |
| | GF | – | – | – | – | 3.6 | 10.9% |
| | Other | – | – | – | – | −11.8 | −82.8% |
| | | −0.5 | −6.8 | 0.0 | 1.6 | −5.7 | −6.1% |
| Total | | 0.4 | 15.7 | 0.9 | 6.9 | 23.8 | 3.5% |
| Ratio on Sales | | 0.2% | 5.3% | 1.0% | 9.3% | 3.5% | |

Note: Amortization of goodwill and intangible assets has been charged on each segment by business and region.

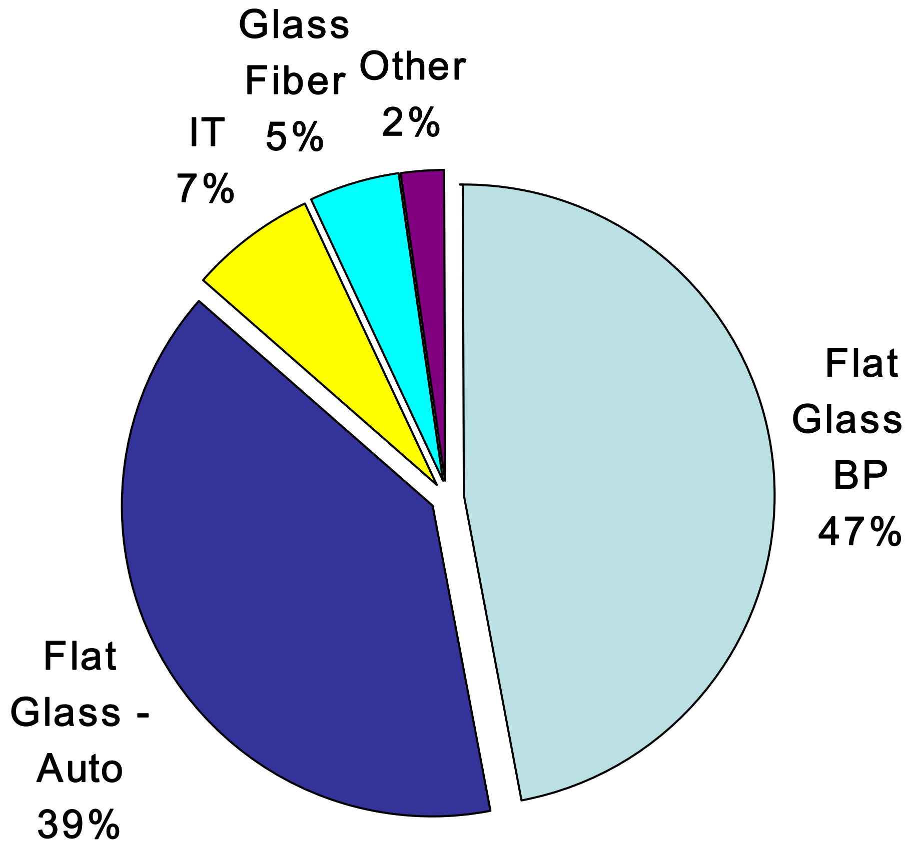
# New Structure of NSG Group

# Impact of acquisition - sales by sector

FY05/06 Sales
( JPY 265.9 bil )




FY06/07 Sales ( JPY 681.5 bil )

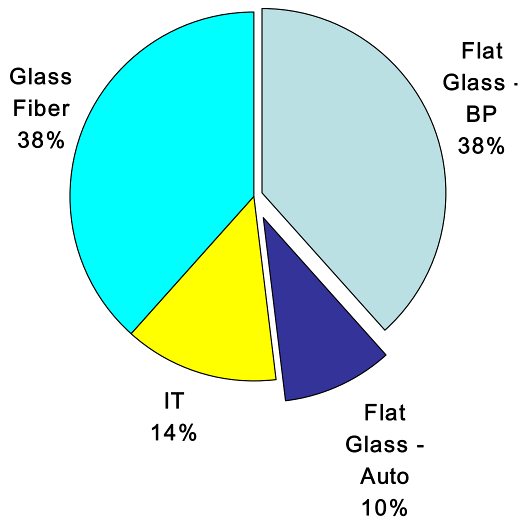



**Further focus on Flat Glass**

# Impact of acquisition - operating income by sector

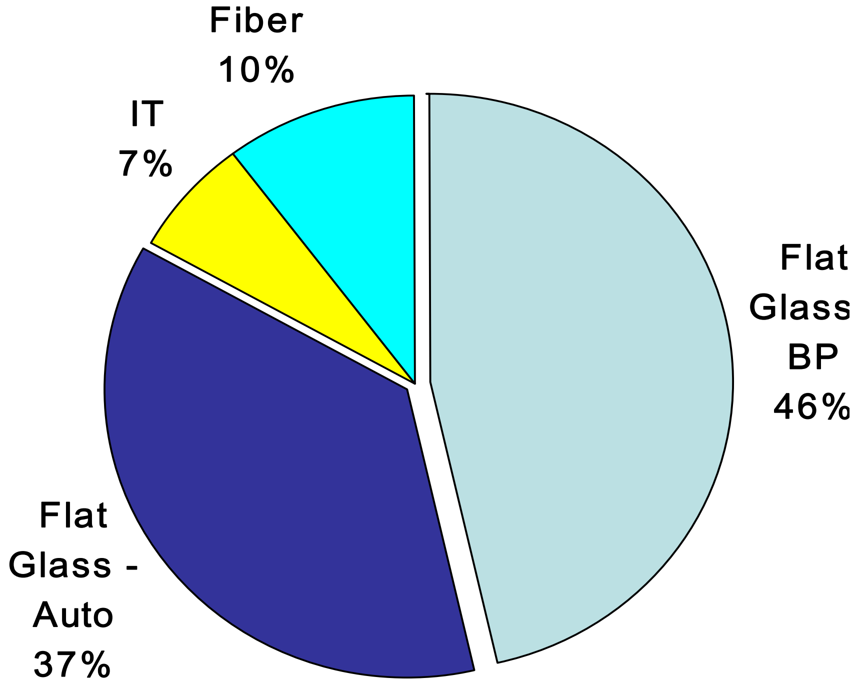
FY05/06 Operating Income

( JPY 8.4 bil )




FY06/07 Operating Income

( JPY 23.8 bil )

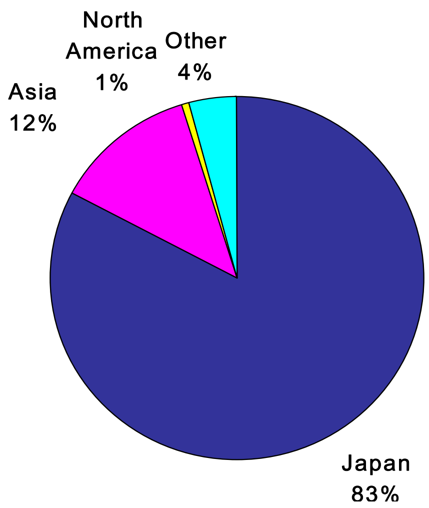



**Strong profit base from enlarged Flat Glass**

# Impact of acquisition - sales by geography

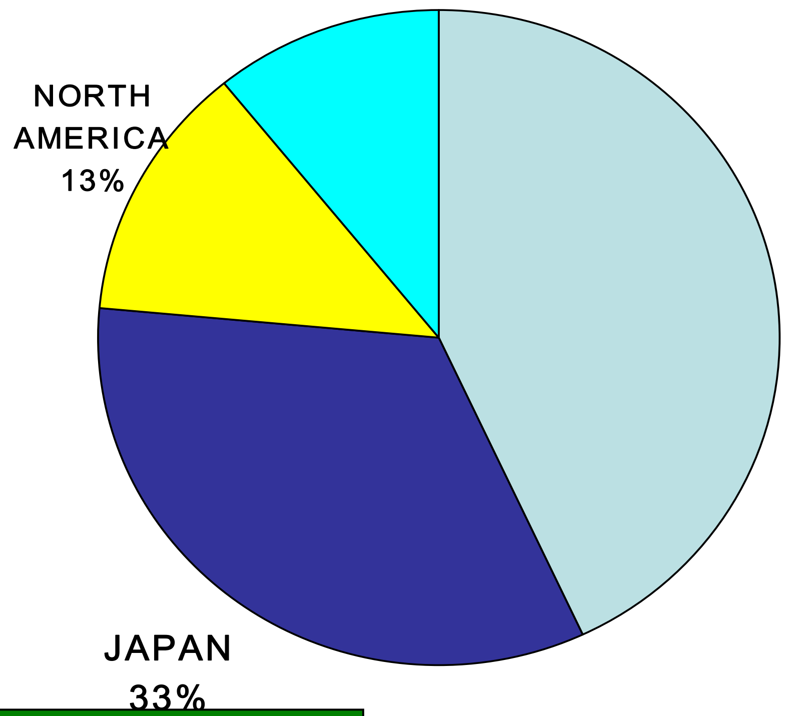
FY05/06 Sales

( JPY 265.9 bil )



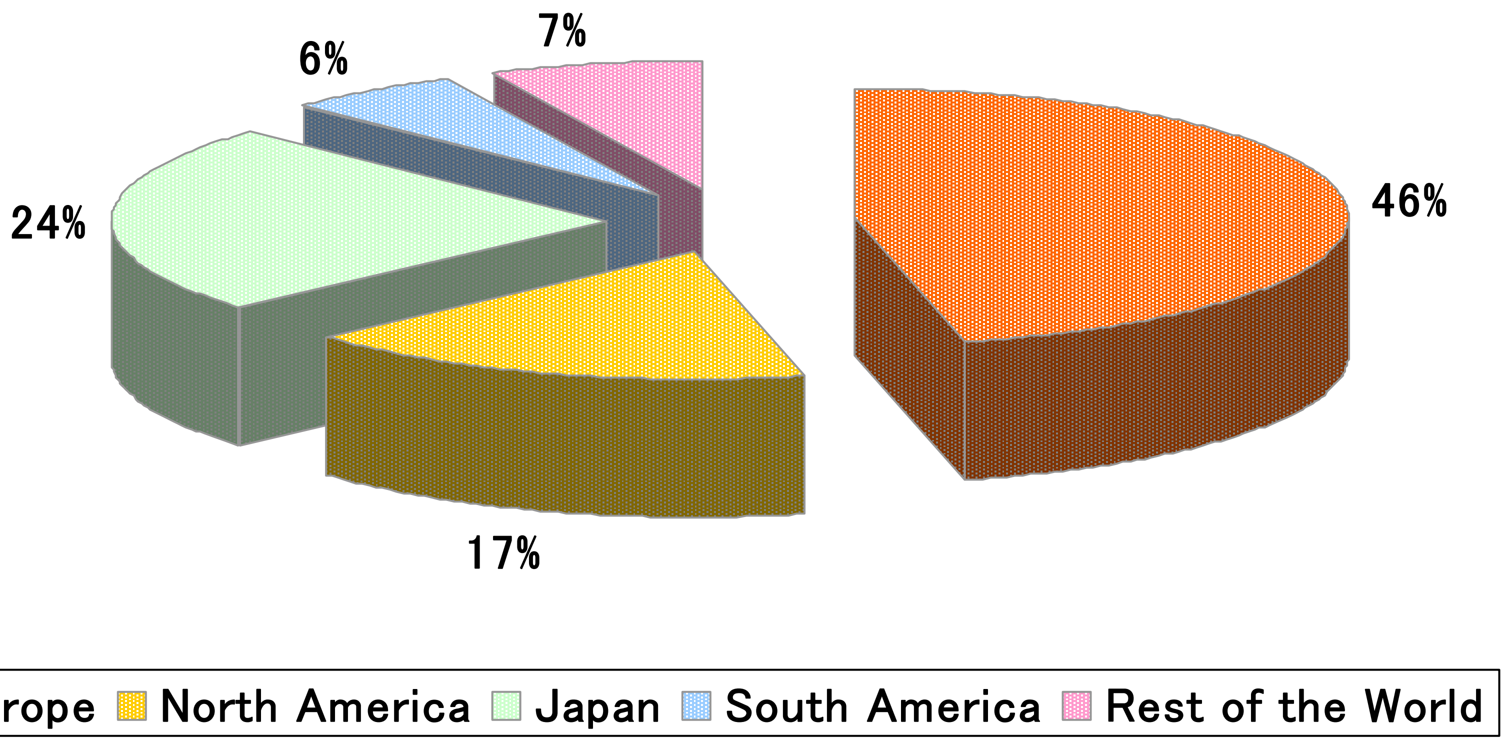

FY06/07 Sales

( JPY 681.5 bil )




**Much better geographic balance**

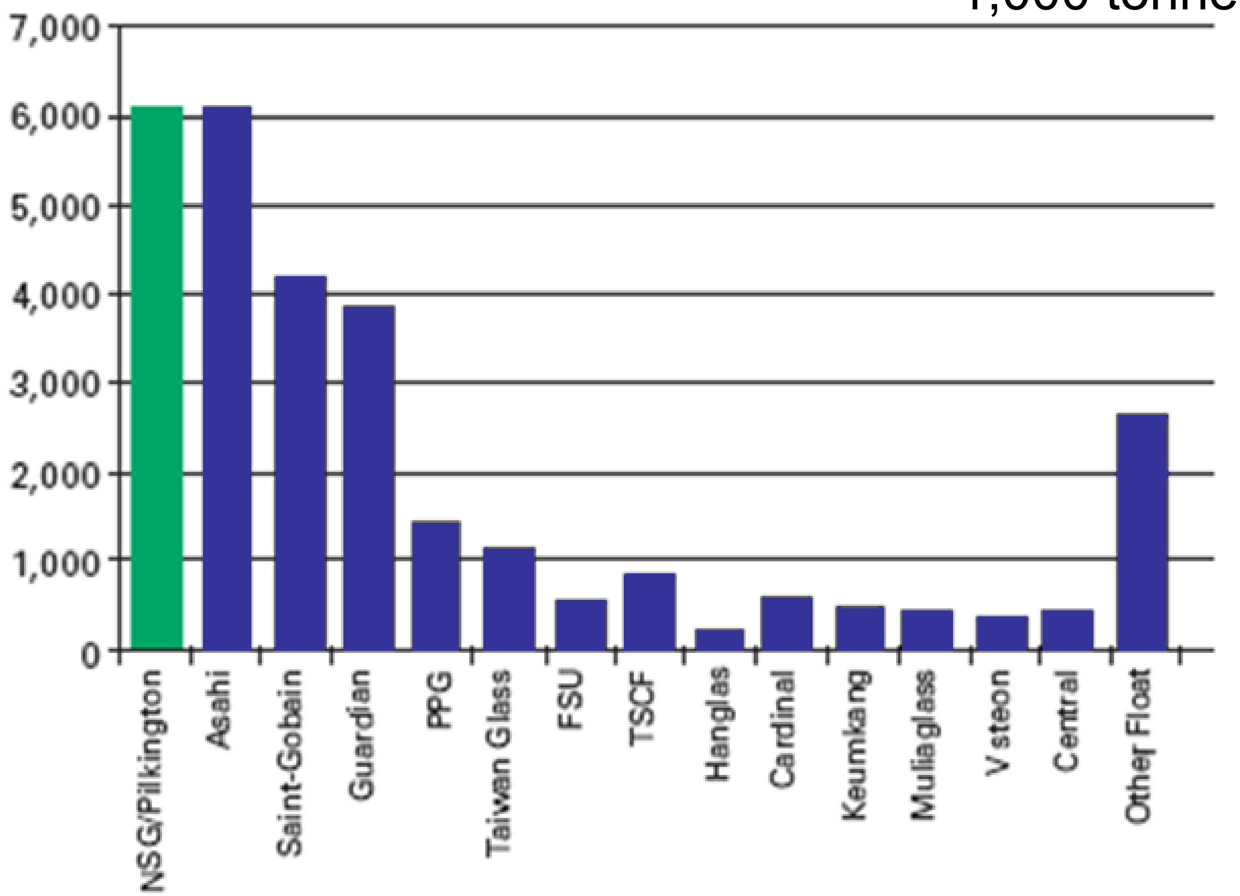
# Geographical split in Flat Glass




**Europe is the largest region in Flat Glass business**

# World High Quality Float Capacities 2007

1,000 tonnes p.a.




**Major increase in scale**

# Business Update

# Organisation of Flat Glass Business

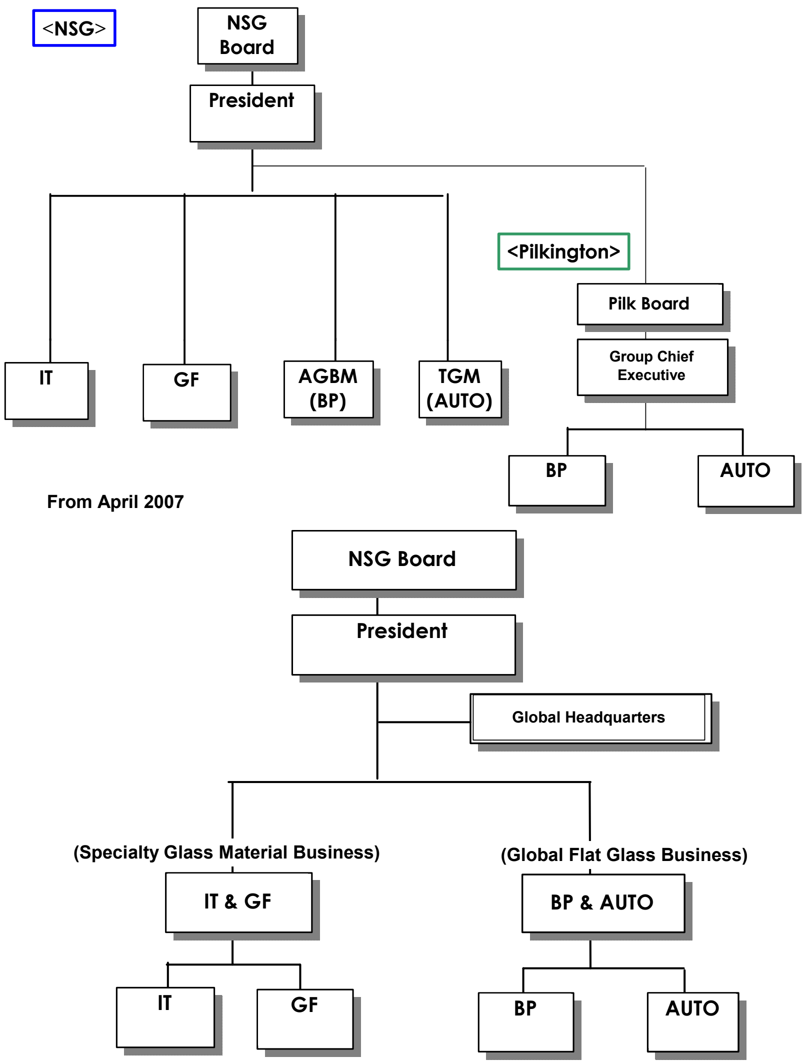
- From 1 April 2007, integrated global Flat Glass business formed, encompassing all NSG/Pilkington Building Products and Automotive businesses worldwide.
- Building Products – regional structure, covering
  - Europe
  - Japan
  - North America
  - South America
  - Australasia
  - South East Asia
- Automotive – global structure, reflecting the organisation and needs of Automotive customers, covering
  - Original equipment (OE)
  - Aftermarket (AGR
  - Specialised Transport (Bus, Truck, Marine etc)

**Integrated Flat Glass business now operational**

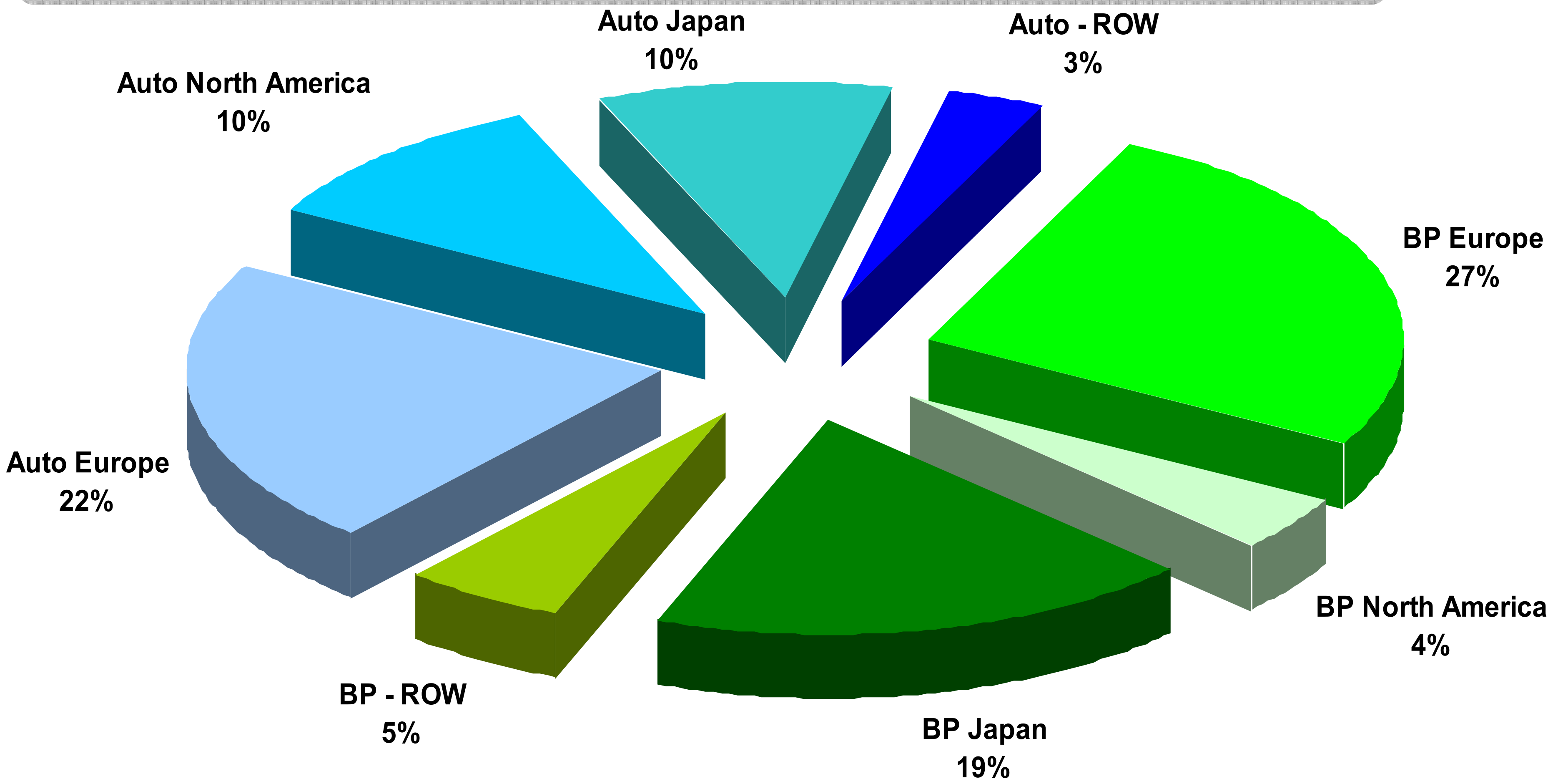
# New NSG Group Organisation

Structure up to March 2007

Structure from April 2007

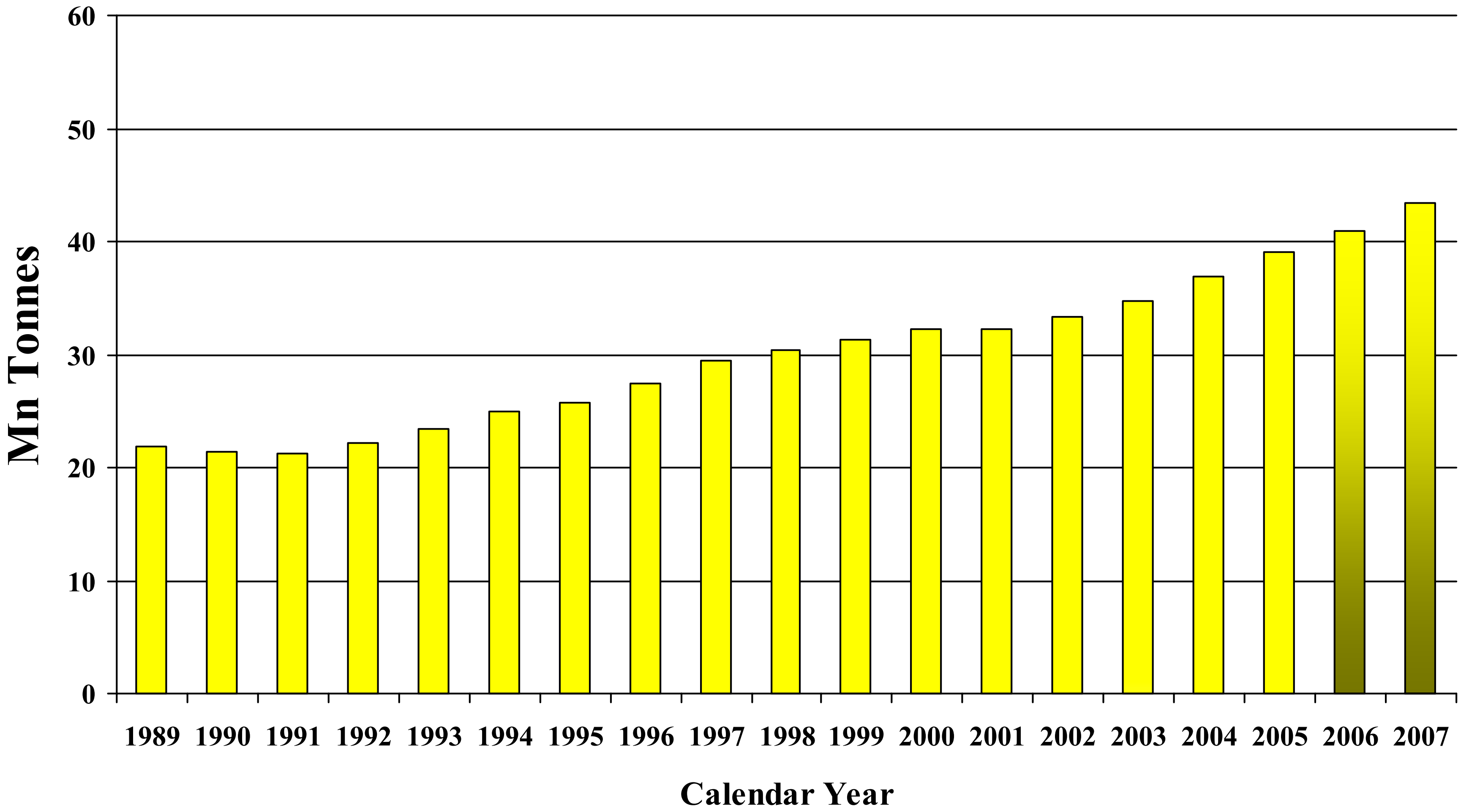


# FY 2007 - External Sales – Flat Glass Businesses




**BP Europe now largest Group business**

# Global Flat Glass Demand



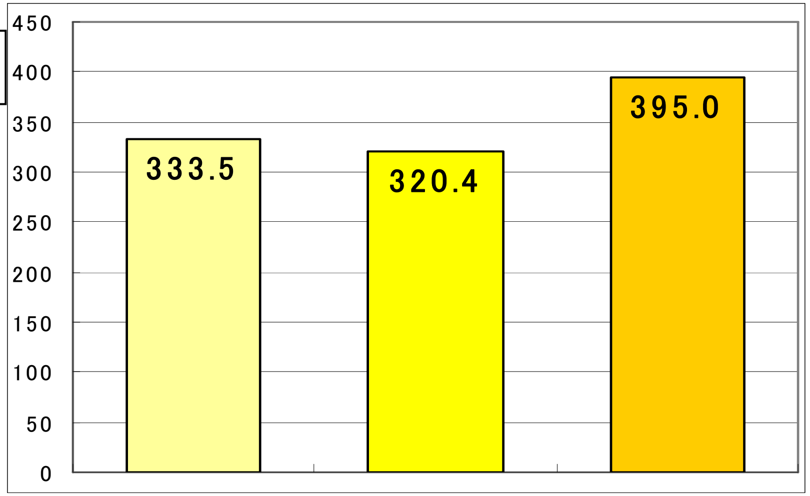

**Strong development of demand in emerging markets**

* Worldwide including China

# Building Products results and trading environment

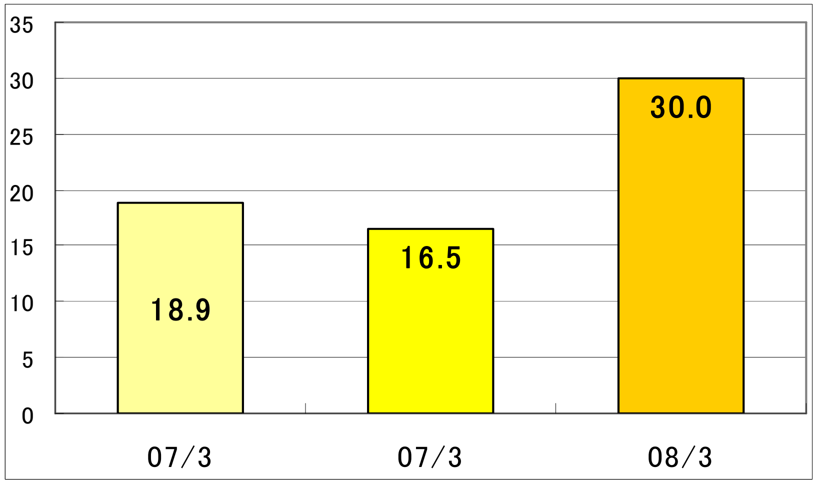
**Sales**

【JPY bil】




**Operating income**

【JPY bil】




Plan Actual Plan

**Europe**

Helped by buoyant trading conditions, performance was strong, especially in Germany, Italy and Poland.

**Japan**

Despite increase in high performance glass shipments, operating income was impacted by the oil price and the production adjustment of figured glass.

**North America**

Domestic demand weakened, partially offset by export sales.

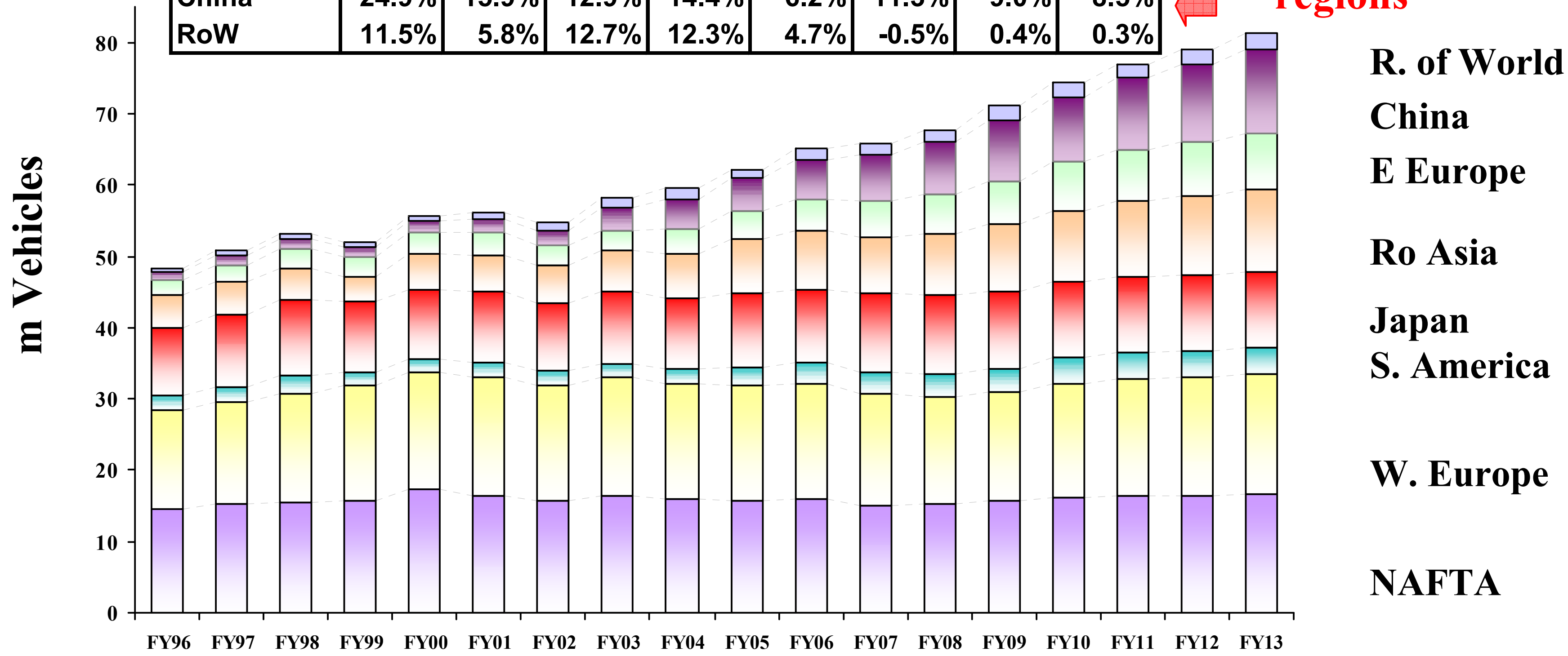
**Rest of the World**

In South America, business continues to enjoy steady growth.

# Global Light Vehicle Build: Growth of 2% ～4.5%p.a.

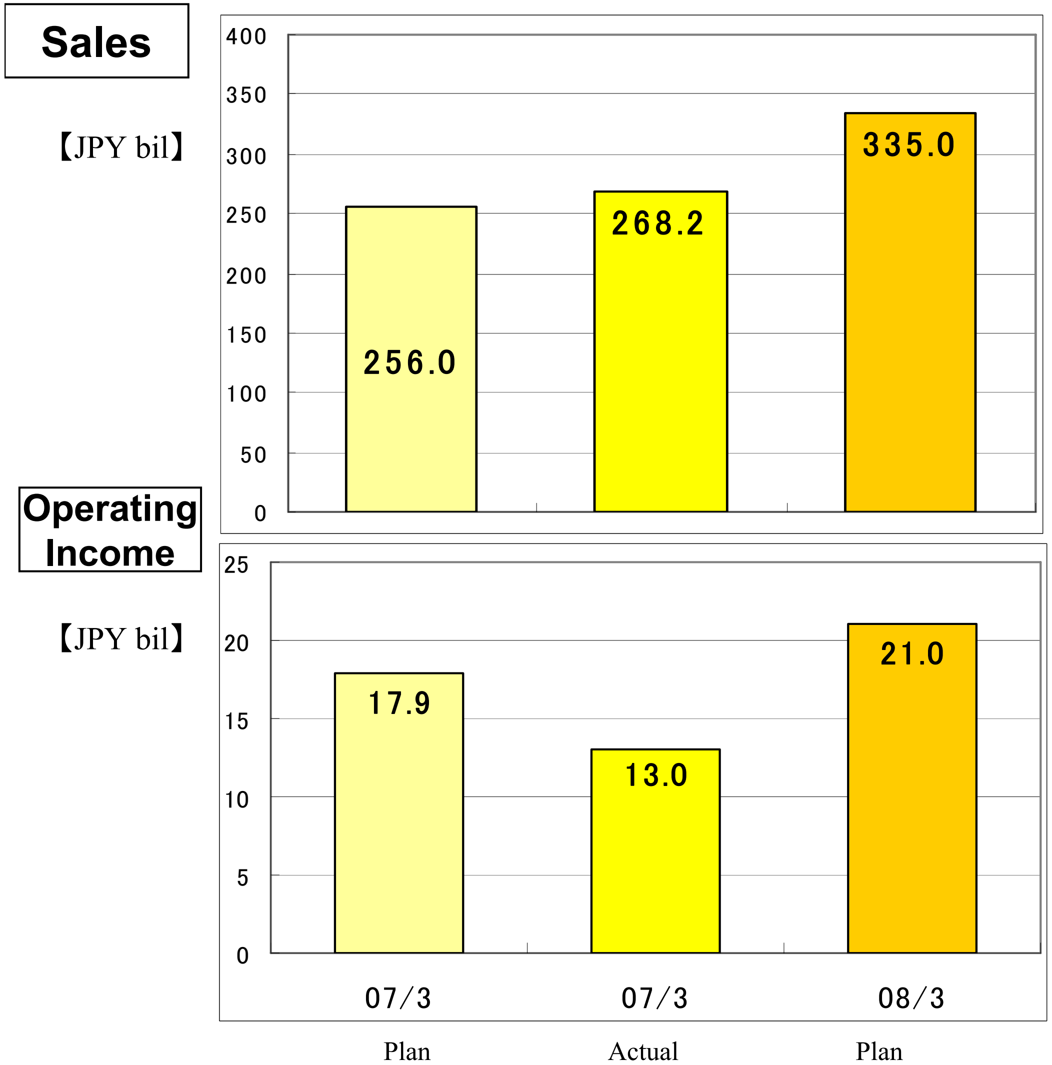
| | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 |
|---|---|---|---|---|---|---|---|---|
| NAFTA | 2.1% | -5.6% | 2.0% | 1.9% | 3.4% | 1.8% | -0.1% | 0.9% |
| W.Europe | -0.6% | -3.2% | -4.5% | 2.2% | 5.3% | 2.4% | 1.2% | 1.9% |
| S.America | 12.0% | 9.4% | 4.1% | 3.2% | 3.5% | 3.0% | 2.3% | 0.7% |
| Japan | 1.3% | 6.7% | -0.9% | -0.6% | -0.3% | -0.7% | -0.8% | 0.0% |
| Asia | 6.2% | -3.5% | 9.2% | 8.8% | 5.6% | 5.9% | 5.0% | 3.5% |
| E.Europe | 12.9% | 13.4% | 11.5% | 11.2% | 9.9% | 6.0% | 6.3% | 4.3% |
| China | 24.9% | 15.9% | 12.9% | 14.4% | 6.2% | 11.3% | 9.0% | 8.5% |
| RoW | 11.5% | 5.8% | 12.7% | 12.3% | 4.7% | -0.5% | 0.4% | 0.3% |

Main growth regions




**Vehicle build remains strong**

# Automotive Products results and trading environment




**Europe**
While regional automotive sales was on par with that of the previous year, Pilkington's sales showed firm increase. AGR business was also healthy.

**Japan**
Solid auto output in Japan continues.

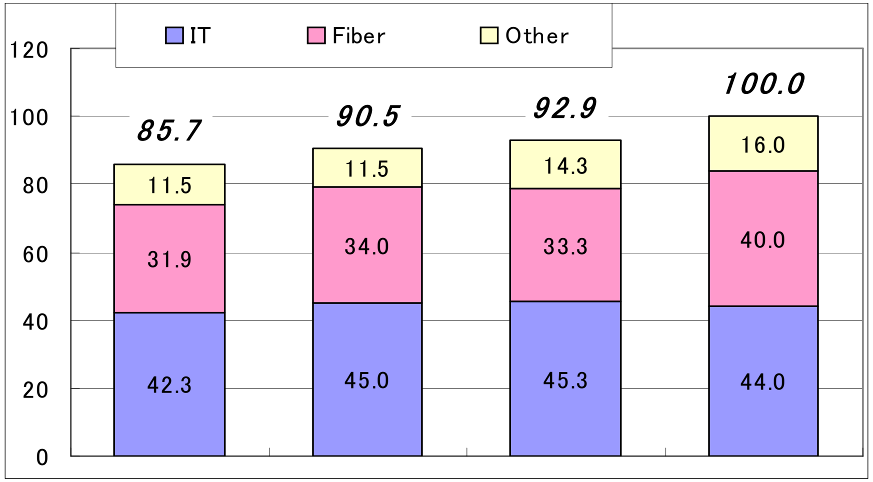
**North America**
Declining regional car sales affected OE business. AGR was impacted by competitive environment.

**Rest of World**
South America enjoyed expanded demand. China enjoys strong demand expansion.

# Others (IT and Glass Fiber)

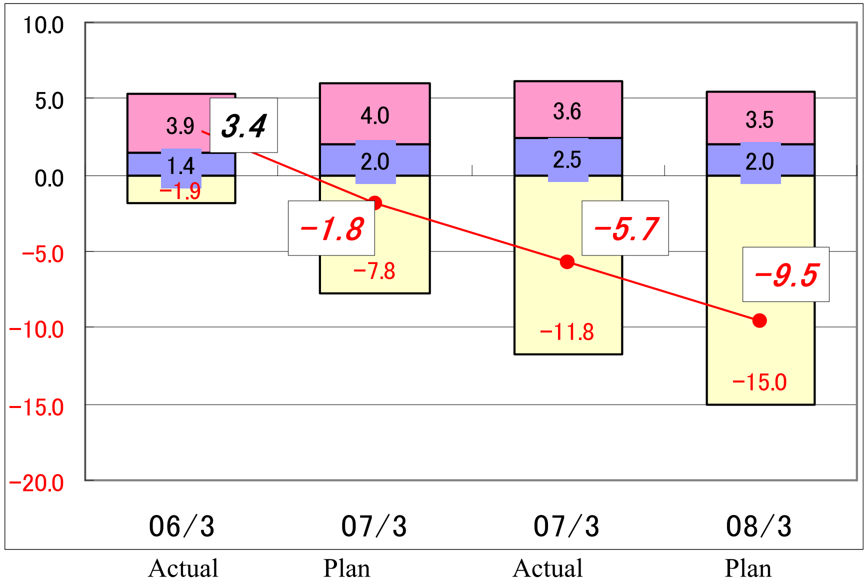
Sales

【JPY bil】




Operating Income

【JPY bil】




**IT**

Shipment of optical lenses for multifunction printers has grown steadily. Demand for display glass (STN, TN) showed firm sales. TFT glass (NH techno-glass) improved productivity and led to be profitable for the year. 7G glass production started in South Korea.

**Glass Fiber**

Glass cord for Europe drove the sales increase. METASHINE sales has been turning around. The shipment of air filter-components has been slowing down.

**Others**

This consists of central costs, including information system expenses and engineering revenue.

# Strategy Update

# Long-term Vision

**Execute growth strategies through 3 phase**

### Phase 1 <4 years>

Create a new entity focused on differentiating ourselves from competitors, and maximizing productivity and operational quality while re-establishing our financial foundations

### Phase 2 <3 years>

Achieve aggressive growth in the flat glass business

Geographically expanding into emerging countries

Improve competitiveness, launch major new products, improve R&D and foster technologies

### Phase 3 <3 years>

Explore new areas for further growth

Exploring new businesses by both leveraging our customers and our technical and operational competencies

Pursuing acquisitions, mergers, and alliances in adjacent areas

NIPPON SHEET GLASS

+

PILKINGTON

2007～ 2011～ 2014～ ～2016

# Developments in emerging markets

**North America**

- Active in Export sales.

**Eastern Europe**

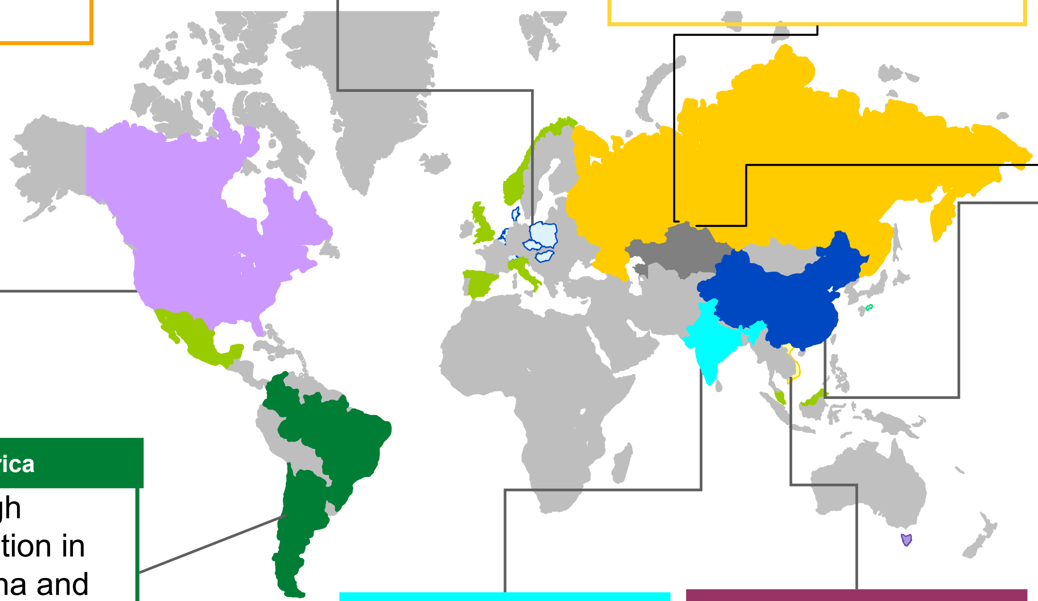
- Poland operation performs well.

**Russia**

- Russian JV float started in 2006 and performing well.

**Kazakhstan**

- Float Project is still at its preliminary stage.



**China**

- Acquired 29.9% of CGH.
- Rolled plant for solar cell use is under construction.
- Chuangshu float operates well.
- Maintaining controlling stake in four automotive plants.

**South America**

- Continuing high capacity utilization in Brazil, Argentina and Chile.

**India**

- Preparing an Auto Plant construction.

**Vietnam**

- The second float is under construction.

# Outlook

# FY08 Forecast – 1

| ( JPY bil ) | FY07 Actual | FY08 Forecast | FY11(M-T plan) |
|---|---|---|---|
| ( GBP/JPY ) | ¥225.7 | ¥215 | ¥200 |
| **Sales** | **681.5** | **830.0** | **900.0** |
| **OP before amortization** | **43.6** | **66.7** | **75.0** |
| Amortization | -19.5 | **-24.7** | **-20.0** |
| **Operating income** | **23.8** | **42.0** | **55.0** |
| **Non-operating** | -15.8 | **-18.0** | |
| **Income before extraordinary** | **8.0** | **24.0** | |
| Extra ordinary | 30.0 | **10.0** | |
| **Pretax income** | **38.1** | **34.0** | **50.0** |
| **Net income** | **12.1** | **15.0** | **31.0** |
| **Net income before amortization** | **28.5** | **35.8** | **46.0** |
| **EBITDA** | **85.1** | **116.7** | **125.0** |
| **EPS(JPY)** | **18.1** | **22.5** | **46.4** |
| **EPS before amortization (JPY)** | **42.7** | **53.6** | **68.9** |

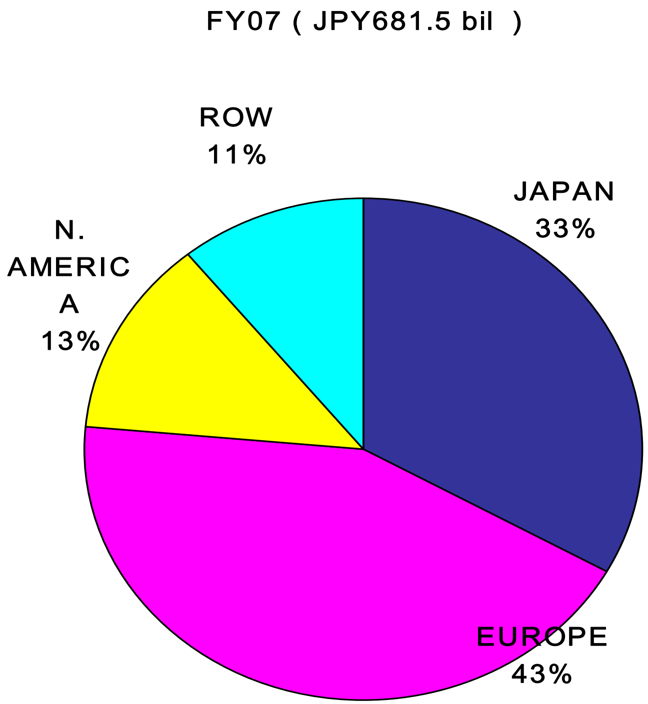
**Steady progress toward the goal in Medium-term plan.**

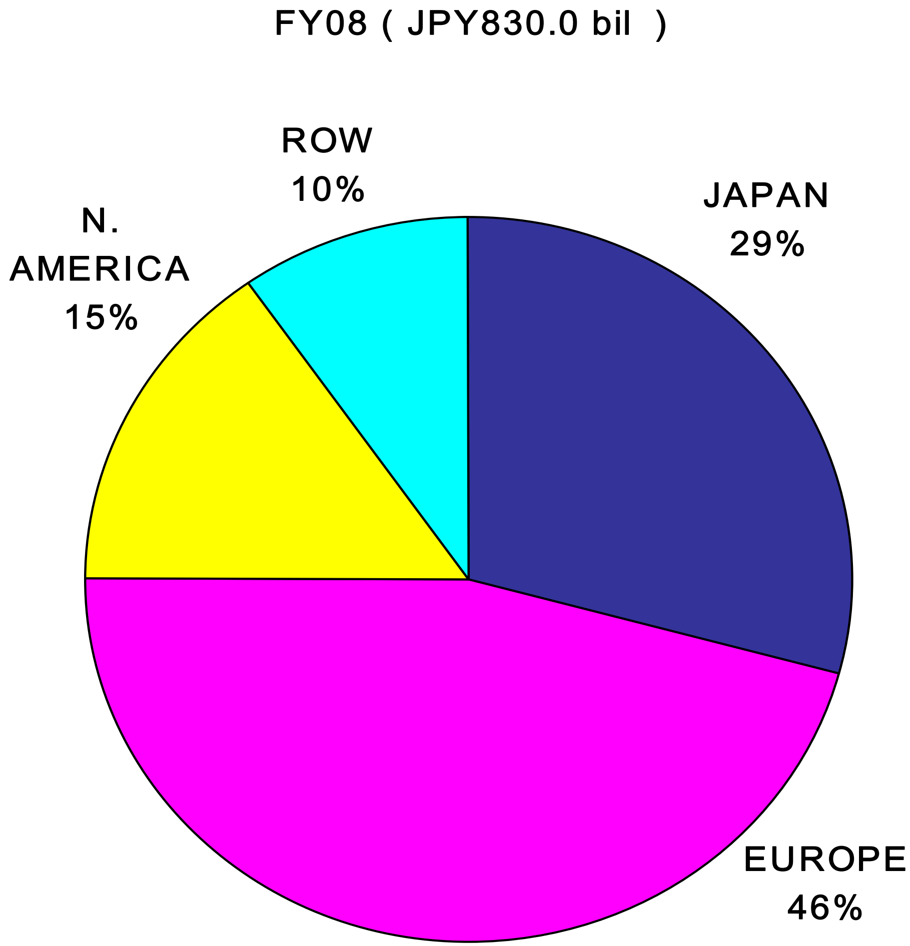
# FY08 Forecast – 2 by segment

(JPY bil)

| | | | FY07 Actual | FY08 Forecast | FY11 MT-Plan |
|---|---|---|---|---|---|
| Sales | BP | | 320.4 | 395.0 | 435.0 |
| | Auto | | 268.2 | 335.0 | 365.0 |
| | Other | IT | 45.3 | 44.0 | 60.0 |
| | | GF | 33.3 | 40.0 | 40.0 |
| | | Other | 14.3 | 16.0 | 0.0 |
| | | | 92.9 | 100.0 | 100.0 |
| | Total | | 681.5 | 830.0 | 900.0 |
| Operating Income | BP | | 16.5 | 30.0 | 53.5 |
| | Auto | | 13.0 | 21.0 | |
| | Other | IT | 2.5 | 2.5 | 10.0 |
| | | GF | 3.6 | 3.5 | |
| | | Other | −11.8 | −15.0 | −8.5 |
| | | | −5.7 | −9.0 | 1.5 |
| | Total | | 23.8 | 42.0 | 55.0 |

# FY08 Outlook – Sales by region




**Pilkington consolidation 9months →12months**

# Summary

1. Dramatic increase in scale of the Group.

2. Integration progressing – new Flat Glass organisation in place from 1 April

3. Good results in Flat Glass, sustained by strong demand in Europe and further operational improvements throughout.

4. Aiming for the achievement of the goal set out in the Medium-term plan through various actions, despite significant accounting impact of provision for EU issue.

# Appendices

# Assumptions

| | | FY06 Actual | FY07 H1 Actual | FY07 Full year Actual | FY08 Full year Plan |
|---|---|---|---|---|---|
| GBP/JPY rate（P/L ） | ( GBP/JPY) | 205.2 | 221.3 | 225.7 | 215.0 |
| (B/S) | | | | 231.9 | |
| Depreciation & Amortization | ( JPY bil ) | 13.0 | 19.8 | 37.1 | 50.0 |
| CAPEX | ( JPY bil ) | 21.2 | 18.4 | 52.5 | 50.0 |
| R&D | ( JPY bil ) | 7.6 | 5.1 | 13.7 | — |
| Free Cashflow | ( JPY bil ) | 3.3 | −218.9 | −246.3 | — |
| Interest-bearing debt | JPY bil ) | 236.9 | 636.1 | 561.1 | — |
| Number of employees | | 14,181 | 38,578 | 39,025 | — |

# Period of the Consolidation(FY07)

Pilkington

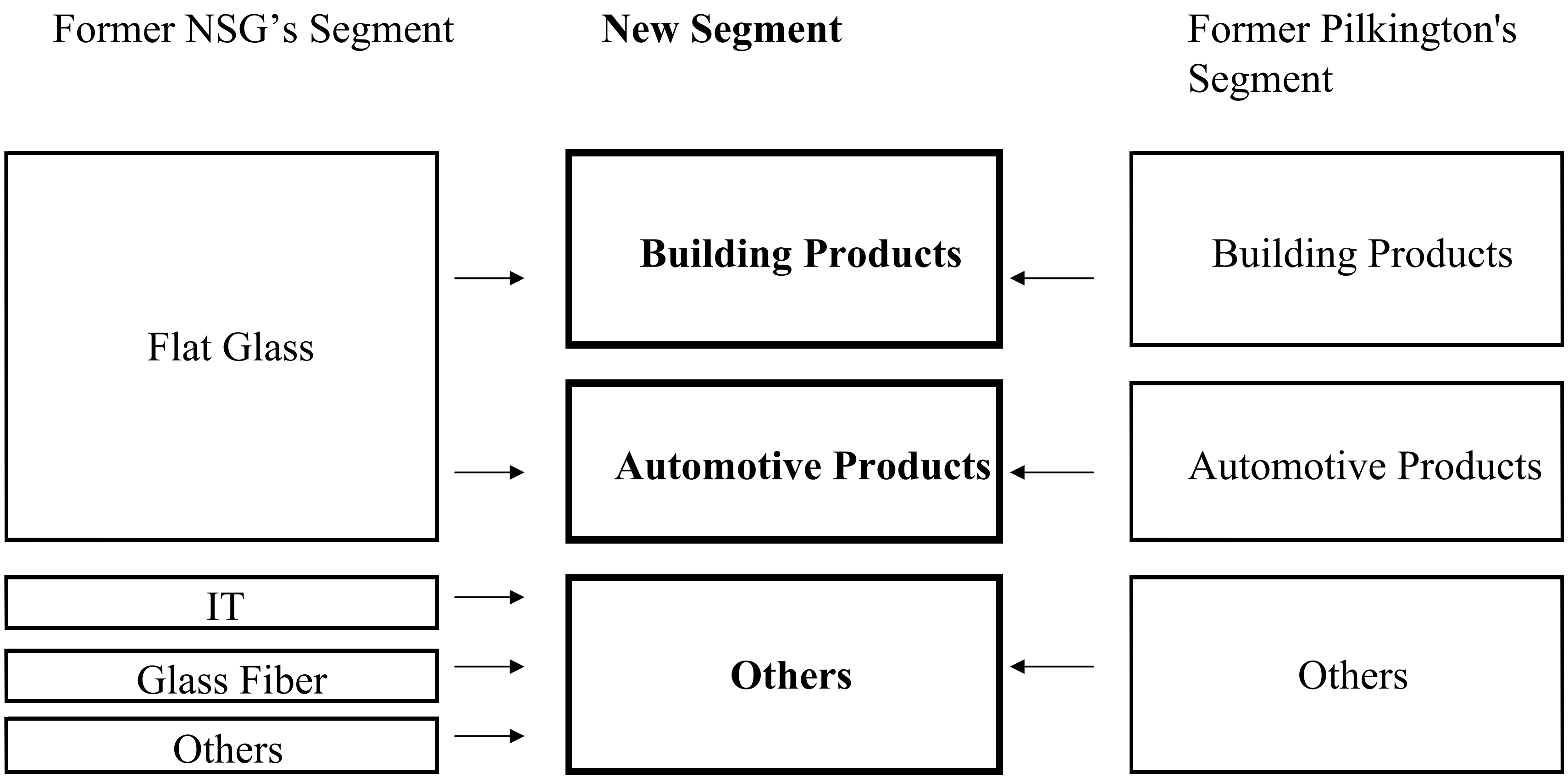
1Q : Equity Method Income

NSG

| | | | |
|---|---|---|---|
| First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| April to June 2006 | July to September 2006 | October to December 2006 | January to March 2007 |

Full year consolidation from FY08.

# Change in Segment Information by Business




Geographic segmentation also changes.

# Provision for receipt of EU Statements of Objection

1. **Background**

   Based on the fact that Pilkington received a Statements of Objection from the European Commission for alleged violations of competition rules, the Company has made a provision against financial risk in future in accordance with the local accounting principles. The sum of the said provision has been arrived by having regard to the currently available information, including the guidelines of the method of setting fines published by the Commission. After the due process of the administrative procedures, the decision by the Commission will be made approximately nine to twelve month from the receipt of each Statement of Objections. There has been no indication of the sum of the fines from the Commission.

2. **Impact on accounting**

   By amortizing the goodwill resulting from this provision in 20 years, in addition to the existing ones, the increase in the annual amortization charge is approximately JPY 4 billion ( JPY 3 billion for FY 2007, due to the consolidation only for three quarters. )

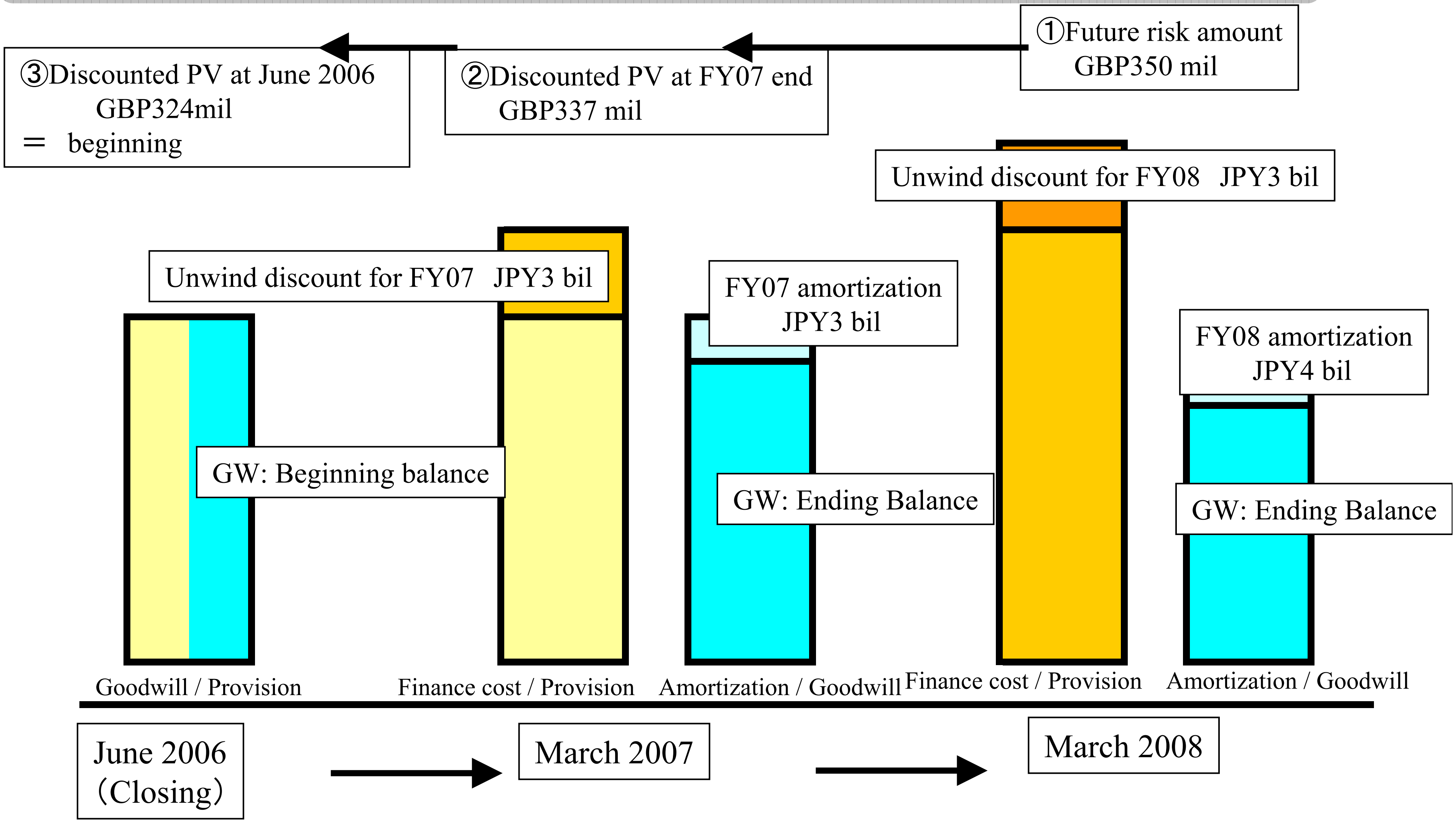
   Amount:

   a) JPY 3 billion for goodwill amortization charge as an operating cost, plus,

   b) JPY 3 billion for the unwind discount ( the period cost recognizing the gap between the present value and future sum ) as a non-operating cost. This cost is expected to also incur in FY08, but not in FY09.

   Calculation base: Straight line amortization in 20 years of the theoretically estimated fine, GBP350 million in full.

# Goodwill amortization and unwind discount for EU provision



# Change in goodwill and intangible fixed assets

| (unit: GBP mil) | Estimation at June 2006 | Estimation at Sep. 2006 (Interim result) | Mar. 2007 |
|---|---|---|---|
| (1)Goodwill (EU provision reflected) | 1,100 | 630 | 1,094 |
| (2)Intangible Fixed Assets | ---- | 994 | 831 |
| (3) Amortized assets as Operating Charge (1)+(2) | 1,100 | 1,624 | 1,925 |
| (4) Deferred tax liability (2) x 30% | ---- | △298 | △249 |
| (5)Total (3) + (4) | 1,100 | 1,326 | 1,676 |
| Average amortization over 20 years | 55 | 66.3 | 83.8 |

Above figures are the value at the starting point of the amortization at June 2006.
The amounts are indicated in GBP to show the change in calculation base without influenced by GBP/JPY fluctuation.
The actual amortization charge for each year is calculated by the GBP/JPY rate of the respective year.

# Amortization period of goodwill and intangible assets

| Goodwill | Years |
| --- | --- |
| Goodwill | 20 |

| Intangible fixed assets | Years |
| --- | --- |
| Brand | 20 |
| Know-how | 10 |
| Customer Relationship | 1～20 |
| Developed Technology | 7～15 |
| Other Brands | 10 |
| In-process R&D | 10～15 |
| License | 11 |

Due to the difference of the amortization period by asset item, annual amortization charge will be the largest in the first year and be reduced gradually. It is assumed JPY19 billion at FY11.

# Effect of the revaluation

| (Unit：JPY bil) | FY07 Plan | FY07 Actual | FY08 Outlook |
|---|---|---|---|
| Pilkington consolidation | **9 months** | **9 months** | **12 months** |
| JPY-GBP rate | JPY210 | JPY225.7 | JPY215 |
| GW Amortization | - 8.2 | - 9.1 | -11.6 |
| Intangible Assets Amortization | ― | -10.3 | -13.1 |
| Total amortization (Impact on Operating income) | -8.2 | -19.5 | -24.7 |
| Deferred income tax | ― | ＋3.1 | +3.9 |
| Total (Impact on Net income) | - 8.2 | -16.4 | -20.8 |

Note: Since the number of years for intangible assets amortization differs from 1 to 20 item by item, the amortization charge for the future years will be reduced gradually. The impact on net income for FY11 is estimated JPY19 bil.

# Reference: Effect of Revaluation (extract from interim results presentation in Nov. 06)

Unit : JPY billion

| | The original assumption (July 6th,2006 ) | | Revised at the interim result (Nov. 2006) *2 | | |
|---|---|---|---|---|---|
| | Pilkington 9months | Pro Forma (1 year) *1 | Pilkington 9months | Pro Forma (1 year) *1 | |
| GBP/JPY rate | 210 | | 221.5 | | *3 |
| Goodwill Amortization | -8.2 | -11.0 | -4.1 | -5.5 | |
| Amortization of Intangible Fixed Assets | - | - | -12.2 | -16.3 | |
| Total Amortization | -8.2 | -11.0 | -16.3 | -21.8 | |
| Deferred Income Taxes | - | - | 3.7 | 4.9 | |
| Total | -8.2 | -11.0 | -12.6 | -16.9 | |

Note

1. Pro Forma is an assumed performance with Pilkington's 12months forecast consolidated.
2. Currency exchange rate : The above data is based on the exchange rate at the end of September. The future result will be recalculated at the actual rate at each fiscal year end.
3. Since the number of years for intangible assets amortization differs from 1 to 20 years item by item, the amortization cost for the future years from FY08 and after will be reduced gradually.

## Notice

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. The major factors that may affect the results are the economic environment in major markets (such as Europe, Japan, the U.S. and Asia), product supply/demand shifts, and currency exchange fluctuations.

Nippon Sheet Glass Co., Ltd.