NSG GROUP

ANNUAL REPORT 2011

FISCAL YEAR ENDED 31 MARCH 2011

'MAKING A DIFFERENCE TO OUR WORLD THROUGH GLASS TECHNOLOGY'

THE NSG GROUP IS ONE OF THE WORLD'S LARGEST MANUFACTURERS OF GLASS AND GLAZING PRODUCTS FOR THE BUILDING, AUTOMOTIVE AND SPECIALTY GLASS MARKETS.

With around 29,300 permanent employees, we have principal operations in 29 countries and sales in over 130. Geographically, approximately 40 percent of our sales are in Europe, just under a third are in Japan and the rest are primarily in North and South America, South East Asia and China.

We operate three worldwide business lines. Building Products supplies glass for architectural and technical applications, as well as for the growing Solar Energy sector. Automotive serves the original equipment, replacement and specialized transport glazing markets. Specialty Glass products include very thin glass for displays, lenses and light guides for printers, and glass fiber, used in battery separators and engine timing belts.

FINANCIAL HIGHLIGHTS

Net sales Millions of yen **577,212** 2010: 588,394	**Operating income/(loss)** Millions of yen **14,352** 2010: (17,183)
Net Income/(loss) Millions of yen **1,661** 2010: (41,313)	**Total net assets** Millions of yen **226,874** 2010: 239,931
Cash dividends Yen **6.00** 2010: 6.00	**Number of employees** Permanent **29,340** 2010: 28,338

OPERATIONAL HIGHLIGHTS

- Full-year results consistent with previous forecast.
- Building Products results reflect higher volumes and realization of cost savings.
- Strong demand across Automotive markets with improved revenue and profits.
- Specialty Glass benefited from robust consumer electronics markets.
- Strong performance from joint ventures and associates.
- Limited FY11 financial impact from Japan earthquake and tsunami, more significant in FY12.
- Improving underlying profitability forecast through FY12, in line with Strategic Management Plan.

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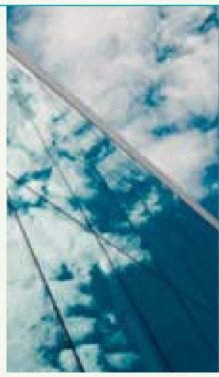


Financial statements

OUR PERFORMANCE

WE OPERATE THREE GLOBAL BUSINESS LINES: BUILDING PRODUCTS, SUPPLYING GLASS FOR ARCHITECTURAL, SOLAR ENERGY AND TECHNICAL APPLICATIONS; AUTOMOTIVE, PRODUCING GLASS AND GLAZING SYSTEMS FOR VEHICLES, AND SPECIALTY GLASS IN NICHE SECTORS.

Building Products
A leader in architectural glazing, Solar Energy and other technical products

Fiscal year in review

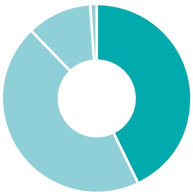
- Improved profitability, aided by higher volumes and cost savings from previous restructuring actions.
- Japan assets largely unaffected by March 2011 earthquake and tsunami.
- Photovoltaic market doubled in calendar year 2010, with further growth expected despite ongoing reduction of feed-in tariffs.
- Significant increase of output for Solar Energy applications from existing lines. UK and Vietnam start-ups for Solar Energy production.
- Responding to growth in South America with further investments in capacity and capability. Chile line back in operation after 2010 earthquake damage.

Financial highlights by business

Millions of yen

	2010	**2011**
Sales	249,503	**244,792**
Operating income	1,285	**16,515**
Net trading assets	169,137	**157,530**
Capital expenditure	8,562	**13,629**

Group sales and operating income



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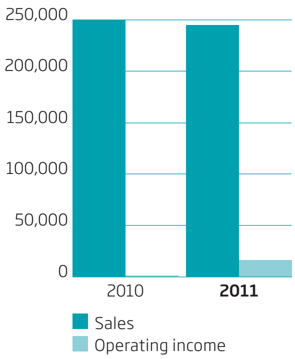
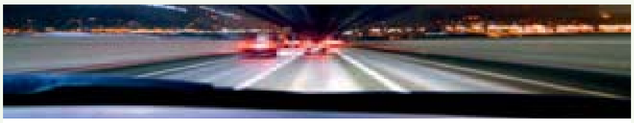




Automotive
Supplying every major vehicle manufacturer in the world

Fiscal year in review

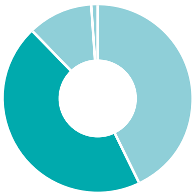
- Results significantly ahead of previous year, reflecting strong demand across main markets.
- Europe OE revenues and profits (in local currency) increased strongly, with robust volumes. Automotive Aftermarket results similar to FY10 levels.
- Japan revenues slightly above the previous year. Profits benefited from further cost savings and efficiency improvements.
- North America OE revenues significantly above previous year, with increased volumes. Aftermarket profitability improved further.
- Rest of the world demand strong across all regions, with revenues and profits increasing strongly over previous year.

Financial highlights by business

Millions of yen

	2010	**2011**
Sales	265,137	**264,042**
Operating income	13,020	**18,672**
Net trading assets	176,115	**162,759**
Capital expenditure	12,319	**16,143**

Group sales and operating income



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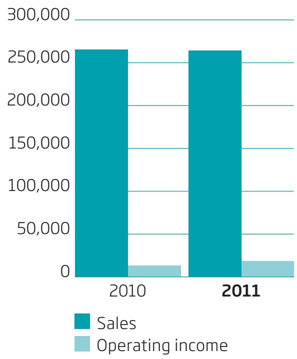
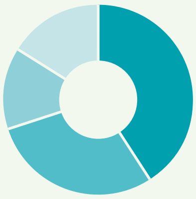


Consolidated net sales

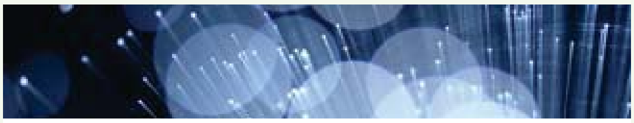
By business

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

By region



Europe	41%
Japan	29%
North America	14%
Rest of World	16%



Specialty Glass
World leader in thin display glass and optical devices for office machinery

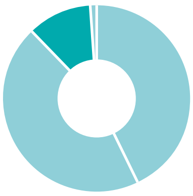
Fiscal year in review

- Most Specialty Glass businesses experienced strong market conditions, increasing profits.
- Consumer electronics markets continue to drive demand for touch panel technology for mobile devices.
- Printer/Scanner market improving despite strong Japanese yen.
- Glass cord sales supported by robust vehicle production in Europe.

Financial highlights by business

Millions of yen	2010	2011
Sales	66,112	**62,955**
Operating income	3,668	**7,523**
Net trading assets	49,282	**48,991**
Capital expenditure	2,304	**1,849**

Group sales and operating income



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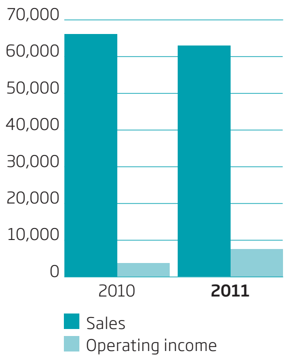
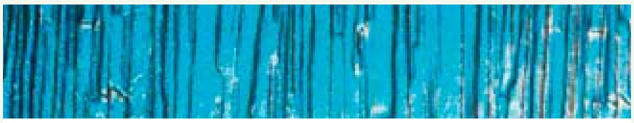




Other

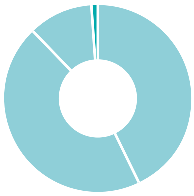
Fiscal year in review

- 'Other' segment covers corporate costs, consolidation adjustments and certain small businesses not included in business line segments.
- Also now includes amortization of goodwill and other intangible assets related to the acquisition of Pilkington plc.
- Operating losses incurred in Other were below the previous year.
- This was due to a reduction in general corporate expenses and the translational effect of a strong Japanese yen.

Financial highlights by business

Millions of yen	2010	2011
Sales	7,642	**5,423**
Operating loss	(35,156)	**(28,358)**
Net trading assets	16,179	**24,496**
Capital expenditure	509	**322**

Group sales and operating loss



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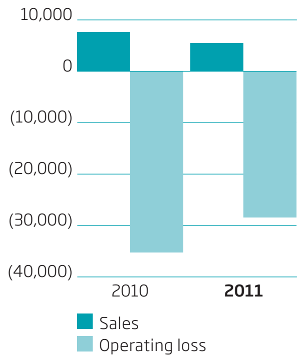


CHAIRMAN'S STATEMENT

WE AIM TO BE THE GLOBAL LEADER IN INNOVATIVE HIGH-PERFORMANCE GLASS AND GLAZING SOLUTIONS, CONTRIBUTING TO ENERGY CONSERVATION AND GENERATION, WORKING SAFELY AND ETHICALLY.

"The NSG Group extends its deepest condolences for those who lost their lives in the Tohoku Pacific Offshore Earthquake and conveys its sincere sympathies to those who were affected in the disaster areas. The direct impact on the Group in the year under review was limited and details are covered in this Report."

Katsuji Fujimoto
Chairman of NSG Group

Business results

The Group's results for FY2011 reflect relative stability in our major markets. Building Products' results benefited from higher volumes and the realization of costs savings. Strong demand across our Automotive markets improved revenue and profits ahead of last year. Specialty Glass was helped by robust consumer electronics markets. The profitability of our major joint ventures and associates increased from the previous financial year.

Cumulative Group revenues were ¥577,212 million; 6 percent above the previous year at constant exchange rates. Group operating income was ¥14,352 million (operating loss of ¥17,183 million in FY2010).

Building products markets were better than last year, but volumes in developed markets are still significantly below pre-recession levels. Automotive markets demonstrated underlying improvements through the year, but with some softening of demand following the withdrawal of the few remaining government incentive schemes. Specialty Glass market conditions were relatively strong.

Cumulative Group revenues were ¥577,212 million; 2 percent below the previous year, but 6 percent above the previous year, at constant exchange rates. Group operating income was ¥14,352 million (compared with an operating loss of ¥17,183 million in FY2010).

In Europe, building products market conditions were better than the previous year, with market prices gradually improving through the year. In automotive markets, cumulative light vehicle sales to European customers were slightly below the previous year's levels. Vehicle sales in Western Europe showed some strengthening during the fourth quarter.

The slight reduction in annual sales to European customers was more than offset by buoyant export markets, generating an increase in demand for the Group's products. The European automotive glass replacement (AGR) market continued to prove resilient against a background of generally low levels of economic activity. Demand for glass cord was strong, consistent with conditions experienced in the Automotive business line.

In Japan, conditions in construction markets were challenging for much of the year, although they improved gradually during the third and fourth quarters. New housing starts remain at low levels, but improved further during the final quarter. Headline prices, although stable, continue to be below the previous year's. Automotive market demand continued to fall in the fourth quarter following the withdrawal of some government incentives, with demand then further affected by the March earthquake.

Robust markets, particularly in areas such as consumer electronics, resulted in strong demand for the majority of our Specialty Glass products through the fourth quarter. However, demand was impacted following the earthquake.

The North American economy continued to experience low levels of economic activity. In the building products market, both residential and commercial construction activity remain historically low. Sales of new cars continued to be above the previous year's levels. The AGR market continued to improve gradually.

In the rest of the world, the emerging markets in which we operate continued to perform relatively well.

Dividend policy

The Group's policy is to secure dividend payments based on stable business results. The Group intends to distribute a year-end dividend of ¥3 per common share. The full-year dividend payment will be ¥6 per common share, including the interim dividend of ¥3 per common share.

The Board and senior management

In April 2011, we announced the appointment of Mark Lyons, Head of Building Products Worldwide since 2007, as Chief Financial Officer (CFO). He replaced Mike Powell, who decided to take up a senior appointment outside the Group. Mark Lyons has considerable experience in both finance and general management at a senior level within the glass industry, and is already well known in the financial community.

Clemens Miller succeeded Mark Lyons as Head of Building Products Worldwide. A German citizen, he joined Pilkington in 1992 and was appointed Managing Director Building Products Europe in 2007. Most recently, he was Vice President of Commercial and Solar Energy Products. Following the shareholder meeting held on 29 June 2011, Clemens Miller was appointed to the Board of NSG Group.

Concurrently, Mike Powell and Isao Uchigasaki retired from the Board. We thank both members for their valuable contribution to the work of the Board during their tenure.

Corporate governance

The adoption of the 'Company with Committees' model has brought the NSG Group into line with a number of leading Japanese corporations and with best practice. It has introduced additional safeguards for shareholders, increased transparency and enhanced corporate governance, with the role of the external directors strengthened. There are three Board committees (Nomination, Audit and Compensation) and four external directors.

The adoption of the 'Company with Committees' model has brought the NSG Group into line with a number of leading Japanese corporations and with best practice.

The Nomination Committee decides the details of the agenda items to be submitted to the General Meeting of Shareholders concerning the appointment and removal of directors. Chaired by me, the Committee consists of seven directors, including four external directors.

The Audit Committee, chaired by the Group Vice Chairman, Tomoaki Abe, comprises six directors, including four external directors. It conducts audits of the execution of duties by directors and executive directors and ensures that adequate risk management processes are followed. It also decides the details of agenda items to be submitted to the General Meeting of Shareholders concerning the appointment and removal of independent auditors.

CHAIRMAN'S STATEMENT CONTINUED

The Compensation Committee makes decisions on compensation of individual directors, including executive directors. The Committee is chaired by an external director, George Olcott, and comprises five directors, including three external directors.

In November 2010, we announced our intention to be one of the first major companies based in Japan to voluntarily adopt International Financial Reporting Standards (IFRS) for our consolidated financial statements, with effect from 1 April 2011. The Group's results for the year to 31 March 2012 will be reported in IFRS.

Evolution of company organization

The process of integration, which began in 2006, is now complete, with all of the former Pilkington and NSG businesses operating in three business lines: Building Products, Automotive and Specialty Glass.

Each business line is managed on a global basis by a main Board director, with Mike Fallon heading Automotive Worldwide, Clemens Miller leading Building Products Worldwide, and Keiji Yoshikawa managing Specialty Glass Worldwide. The Chief Financial Officer is Mark Lyons. Global functions provide specialist services across all business lines.

The Group's integrated organization offers expanded scope for the development of manufacturing excellence, through benchmarking, best practice and standard operating procedures. It is also helping to address issues such as increasingly global competition, a rapidly changing business environment and growing social responsibilities.

Vision, Mission, and Values and Principles

After the acquisition of Pilkington plc in 2006, our Values and Principles essentially combined those of the former entities, whose approaches were very similar.

Our revised Mission statement defines our aim to be a world leader in supplying high quality value-added products that help address climate change issues. It also reiterates our commitment to operating in a safe and ethical way.

Since then, we have developed further as a company, with successful integration and the formation of three global business lines. We have committed ourselves to sustainability and begun to embed the principles of sustainable development into all our activities. In November 2010, we published the Strategic Management Plan (SMP), defining the Group's immediate future.

To reflect these developments, over the past year we reviewed and revised our Mission, Values and Principles and defined a Vision for the Group. This summarizes our commitment to make a positive contribution to sustainability, through our expertise in glass technology, manufacturing and product development.

Our revised Mission statement defines our aim to be a world leader in supplying high quality value-added products that help address climate change issues. It also reiterates our commitment to operating in a safe and ethical way.

Employees

The Group has around 29,300 permanent employees, operating in 29 countries and speaking over 25 languages. Our management philosophy values people as 'the most important asset of our company'.

Our policy is to put the best person in each job, regardless of nationality or region. We have identified specific challenges in attracting and retaining talent, particularly in emerging markets, and we are already putting in place measures to address these.

We have been greatly impressed by the professionalism and dedication of all our people over a particularly challenging year. The Board takes this opportunity to thank everyone for their contribution.

The past year has been a particularly challenging one for our employees at all levels. The normal business environment has been tough, with many of our markets still experiencing post-recessionary conditions and unprecedented volatility, particularly in Automotive.

In addition, many of our people have had to cope with natural disasters, of which the Japan earthquake and tsunami is the most recent example.

At Vidrios Lirquén in Concepción, local staff and engineers from around the Group have succeeded in bringing the float line damaged in the February 2010 Chile earthquake back on line in record time.

In May 2010, our plant at Sandomierz in Poland was surrounded by floodwater when the river Vistula burst its banks. Through the efforts of our workforce, and with the help of the local authorities, the plant remained operational.

Vietnam
Our VGI float line in southern Vietnam began production in 2011 of coated glass for use in photovoltaic applications.

Mexico
We are expanding and upgrading our Automotive glazing operations in Mexico. The expansion will increase our capacity there by around 30 percent.

The March 2011 Tohoku Pacific Offshore Earthquake was a major tragedy in the country in which our Group is based, and in which 25 percent of our sales by destination are generated. We admired the professional and efficient way in which our people in Japan, some of whom had lost family members, homes and possessions, coped with the emergency, against a backdrop of national mourning and major infrastructure disruptions. The Group donated ¥100 million to the relief effort and many of our employees made personal contributions.

We have been greatly impressed by the professionalism and dedication of all our people over the year and the Board takes this opportunity to thank everyone for their contribution.

Sustainability

We are fully committed to sustainability. Our strategy and policies underline the unique contribution our products can make in addressing climate change and the challenges we face in improving our own energy usage and resource management.

Over the past year, we have further strengthened our sustainability governance. We appointed a Director of Sustainability and established clear Sustainability targets to be achieved by FY2015.

Safety, quality and ethical behavior underpin all our actions. Our aim is to supply high-quality glass products that make an important contribution to improving living standards, to people's safety and well-being and to energy conservation and generation.

Over the past year, we have further strengthened our sustainability governance, with the appointment of Nick Shore as our first Director of Sustainability. He chairs the Group Sustainability Committee, which reports to the Executive Committee and the Board.

Our objective over the coming year is to continue the process of aligning all our activities more closely to the principles of sustainability and embedding these principles into all our activities.

We have established clear sustainability targets to be achieved by FY2015, and will report on progress in our next Sustainability Report and on our website.

Management principles

The fundamental principles of the Company's basic management policy are ensuring open and fair business dealings, adhering to corporate ethical standards, and contributing to the resolution of global environmental issues; all aimed at establishing a company with a spirit of innovation and a global presence, maximizing value for all stakeholders.

In August 2010, we announced our intention to issue new ordinary shares in order to support the Group's future growth strategy. Final net proceeds were ¥40,237 million. The proceeds are being used partly for capital expenditure supporting the Strategic Management Plan (SMP) and partly for the repayment of preference shares and other indebtedness.

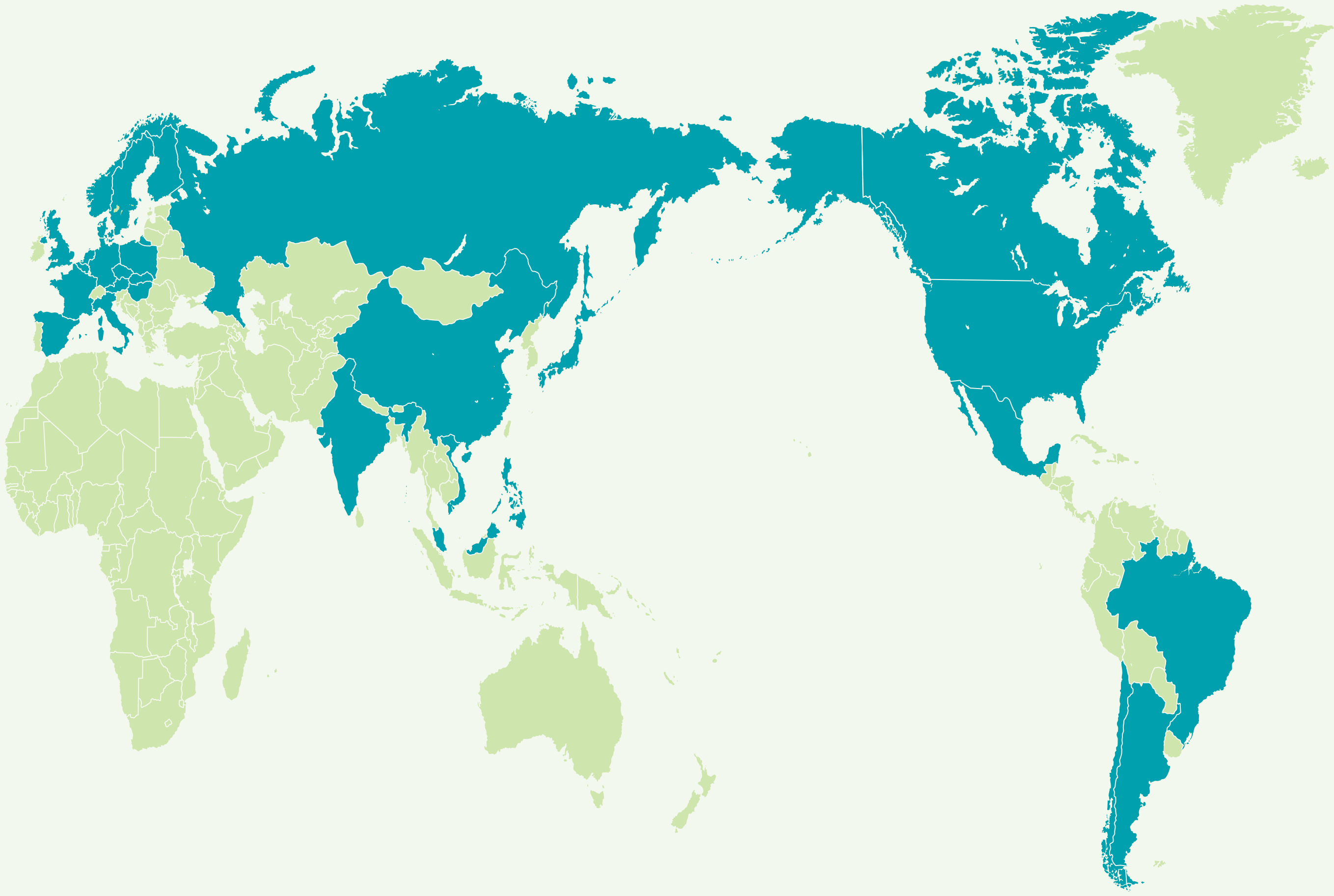
Announced in November 2010, the Plan covers the financial years to 31 March 2014 and aims to take the Group to the next level of its development. Our objective is to build on the good progress already made in moving from integration and consolidation into geographical expansion and growth in value-added products. More details on the Strategic Management Plan are shown in the 'Our Strategy' section of this Report.

The NSG Group kindly requests the steadfast understanding and input of all our shareholders.

Katsuji Fujimoto
Chairman of NSG Group

OUR GLOBAL OPERATIONS

OUR OPERATIONS SUPPORT A WORLDWIDE CUSTOMER BASE. WE HAVE PRINCIPAL OPERATIONS IN 29 COUNTRIES, EMPLOYING AROUND 29,300 PEOPLE AND MARKETING OUR PRODUCTS IN OVER 130 COUNTRIES.



Building Products

Principal operations in 21 countries. Overall, the Group manages, or has a stake in, 49 float lines around the world.

Global spread

Major presence in Europe, Japan and North America. Also in China, South America and South East Asia.

Automotive

Principal fabrication facilities at 31 sites in 16 countries. Major presence in Europe, Japan, North America, South America and China.

Global spread

Leading share of the global Original Equipment (OE) and Specialized Transport markets. Largest player globally in Automotive aftermarket glazing distribution and wholesale.

Specialty Glass

Major fabrication facilities in Japan, China, the Philippines, Europe and Canada.

Global spread

World leader in thin display glass and optical devices for office machinery and glass fiber battery separators.

Europe
12,200 employees

- 13 float lines
- Automotive OE plants in seven countries
- BP downstream in 10 countries
- Extensive AGR network
- Specialty Glass operations in UK

Finland	3 Automotive plants
Germany	3 Automotive plants
	4 float lines
Italy	4 Automotive plants
	3 float lines
Poland	1 Automotive plant
	1 float line
Russia	1 float line
Spain	1 Automotive plant
Sweden	1 Automotive plant
	1 float line
United Kingdom	1 Automotive plant
	3 float lines
	1 Specialty Glass plant

Japan
5,000 employees

- Four float lines
- BP downstream network
- Automotive OE plants and AGR network
- Specialty Glass operations

Japan	3 Automotive plants
	4 float lines
	6 Specialty Glass plants

South and South East Asia
2,800 employees

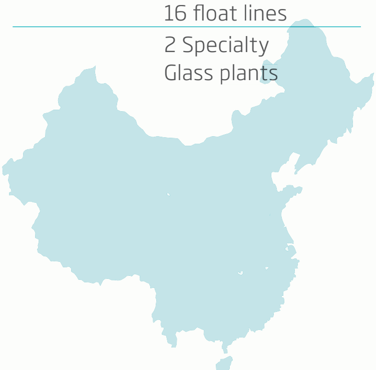
- Two float lines and Automotive operations in Malaysia
- Automotive plant in India commissioned 2009
- Two float lines in Vietnam
- Specialty Glass operations in the Philippines

India	1 Automotive plant
Malaysia	1 Automotive plant
	2 float lines
Philippines	2 Specialty Glass plants
Vietnam	2 float lines

China
2,800 employees

- 16 float lines
- Three Automotive plants
- Specialty Glass operations
- Rolled glass for photovoltaics

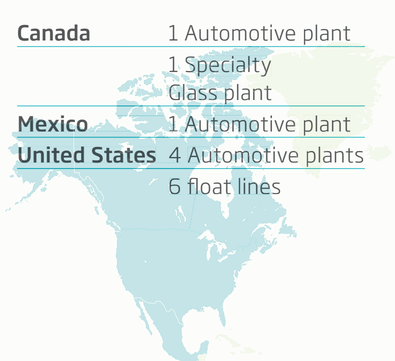
China	3 Automotive plants
	16 float lines
	2 Specialty Glass plants



North America
3,900 employees

- Six float lines
- Automotive OE in US, Canada and Mexico
- Extensive AGR network in US
- Specialty Glass operations in Canada

Canada	1 Automotive plant
	1 Specialty Glass plant
Mexico	1 Automotive plant
United States	4 Automotive plants
	6 float lines



South America
2,600 employees

- Six float lines
- BP downstream operations
- Automotive OE in Brazil and Argentina
- AGR network

Argentina	1 Automotive plant
	1 float line
Brazil	2 Automotive plants
	4 float lines
Chile	1 float line

PRESIDENT AND CEO'S REVIEW

OUR STRATEGIC MANAGEMENT PLAN, COVERING FY2012 TO FY2014, DEFINES OUR STRATEGY TO ACHIEVE PROFITABLE GROWTH AND TO REALIZE OUR VISION OF 'MAKING A DIFFERENCE TO OUR WORLD THROUGH GLASS TECHNOLOGY'.

"Our major strategic review conducted in the first half of the year identified key opportunities in emerging markets and value-added 'environmental' products. In November 2010 we announced details of our new Strategic Management Plan covering FY2012 to FY2014. We are already implementing some key investments designed to drive our future profitable growth."

Craig Naylor
President and CEO

Performance

Our results for FY2011 reflect increasing stability in most of our markets. They also confirm that the Group is benefiting from our commitment to rigorous cost reduction and improvements in operational efficiency. These have helped us withstand the effects of continuing volatile trading conditions in many of our markets around the world.

Building products markets were better than FY2010, but volumes in our developed markets are still significantly below pre-recession levels. Automotive markets demonstrated underlying improvements through the year. However, some softening of demand was evident following the withdrawal of the few remaining government incentive schemes. Specialty glass market conditions were relatively strong.

Our results for FY2011 reflect increasing stability in most of our markets. They also confirm that we are benefiting from our commitment to rigorous cost reduction and improvements in operational efficiency.

The Group's share of profits from joint ventures and associates was higher than in the previous year, due mainly to improving year-on-year profits at Cebrace, the Group's joint venture in Brazil, and an improved performance in our joint ventures and associates in China and Russia.

We made further progress in embedding the principles of sustainability within the Group, with the appointment of a Director of Sustainability and defined Sustainability targets. Our revised Vision, Mission, and Values and Principles reflect these.

Strategy

In November 2010, we announced details of our new Strategic Management Plan (SMP), covering FY2012 to FY2014. It summarizes the key elements of our strategy to achieve profitable growth and to realize our vision of 'Making a difference to our world through glass technology'.

The objective of the Plan is to take the Group to the next level in its development, by maximizing profitable growth while reducing our net debt/earnings (EBITDA) ratio, ensuring the highest standards of ethics, safety, environmental responsibility, sustainability in all our activities, and being innovative in everything we do.

The SMP announcement followed a major strategic review conducted throughout the Group since my appointment. It identified and confirmed some important growth opportunities, particularly in emerging markets and value-added products addressing climate change. Funding from the September 2010 Share Offering is allowing us to seize important investment opportunities, leverage our competitive position, and strengthen our balance sheet.

United Kingdom
Due to come on stream in 2012, our new offline vacuum sputter coater in St Helens will manufacture high-performance energy-saving glazing products.

Brazil
Our new line at Caçapava will increase our capacity in Brazil by around 50 percent, permitting the production of some 3.7 million windshields a year.

In Building Products, our growth priorities are expansion in South America, Solar Energy and low-emissivity (low-e) energy-efficient glass. In Automotive, we are expanding in South America, Eastern Europe, and Mexico. Specialty Glass priorities are ultra-thin glass for displays, lens arrays for office machinery, and battery separator technology.

The Strategic Management Plan formally came into operation on 1 April 2011, but we have already announced a number of key investments supporting the Plan.

The SMP did not formally come into operation until 1 April 2011, but we have already announced a number of key investments supporting the Plan.

Building Products

In Building Products (representing 43 percent of Group sales), we aim to retain our position as the technological leader, with safety and customer quality paramount. We are shifting our portfolio towards value-added products. Glazing for architectural applications remains central, but we are increasing the share of glass for Solar Energy and other technical applications.

In South America, we will continue to invest in new float lines to maintain our leading position in a high-growth market, while also maintaining market leadership in the supply of coated, laminated and mirrored products. We will continue to develop new markets and supply capability for environmentally-friendly, value-added coated glass.

In the global Solar Thin Film market, demand for Photovoltaic solar cells doubled in calendar year 2010 and is expected to grow by around 25 percent per annum, despite some investment slowdown. Our experience and expertize in float and online coating has given us first-mover advantage in this segment. We intend to retain this leadership, while expanding our capacity.

In March 2011, we re-started the UK5 float line, following its conversion for the production of Solar Energy products. In May 2011, we announced a second line in Vietnam dedicated to the production of coated glass for use in thin-film type photovoltaic applications. This will bring the total of Group lines able to manufacture Solar Energy products to seven (one in Japan, two in North America, two in Europe and two in Vietnam).

In China, energy-saving regulations are driving increased demand for low-e glass. We have been operating float lines in China with local partners since 1986 and we intend to continue to work with them using our advanced coating technology to seize this opportunity.

At the same time, in several other emerging markets we will invest our technology and engineering resource in joint ventures with influential local partners to create a broad-based, flat glass business with strong routes to market.

In the Fire Protection segment, we will continue to invest in capacity in line with growing demand to maintain our leading global position.

Buildings account for almost 50 percent of the energy consumed in developed countries. Governments are putting increased focus on legislation and policies to improve their energy efficiency. In April 2011, we announced investment in an offline vacuum sputter coating facility at the Cowley Hill site in the UK. This will make a range of high performance energy-saving glazing products, complementing our well-established and widely used online low-e product.

Automotive

Automotive (46 percent of Group sales) is an integrated global organization, serving OE, AGR and specialized transport markets throughout the world. The business has clear growth priorities under the SMP, led by expansion into emerging markets.

During the year, we launched Pilkington Sundym™ Select. This allows vehicle glazing to be switched from dark-tinted to transparent at the touch of a button.

During the year, we announced investments designed to increase our capacity and capability in key growth markets. In Brazil, a new laminating line at Caçapava was commissioned in February 2011, and work is well advanced on additional toughening capacity on the same site. Both lines are being equipped with advanced technology currently used elsewhere in our global network.

PRESIDENT AND CEO'S REVIEW CONTINUED

In Mexicali, Mexico, we are building a second plant to meet an increasing demand for our value-added product range in the region. In Poland, we are expanding and upgrading our operations, through the construction of a new automotive glazing plant at Chmielów, 30 kilometers south of our existing facilities at Sandomierz.

In parallel, we intend to continue the expansion of our AGR business, particularly in fast-growing markets. An operational priority is for us to improve our competitive position in Automotive in North America, China and Japan, in order to grow faster than the market.

During the year, we launched Pilkington Sundym™ Select. This product allows glazing to be switched from dark-tinted to transparent at the touch of a button. The technology is featured in the Magic Sky Control panoramic rooflight in the new Mercedes-Benz SLK, which was highlighted at the 2011 Geneva Motor Show.

Automotive glazing complexity and product requirements continue to evolve. Consumer buying habits and overall market forces require efficiency improvements to be closely linked to product requirements.

Streamlining vehicle exterior surfaces leads to improved aerodynamics and fuel economy. This requires larger windshields, backlights and rooflights at shallower angles, and improvements to flush-glazed apertures.

In our mature markets, vehicle manufacturers and consumers seek sustainable transport solutions, to improve fuel efficiency and environmental footprint. In emerging markets, consumers will be expecting the latest technology features, and where vehicle infrastructures and architecture are not well established, there is opportunity for 'technology jumps' to re-define conventional requirements. Our Automotive business is at the very forefront of development of glazing products designed to contribute to, or complement, the pace of evolution.

Specialty Glass

Our Specialty Glass business (11 percent of Group sales) focuses on niche markets in which we occupy leading positions, in terms of both market share and technological superiority. We are the world-leading supplier of Ultra Fine Flat (UFF®) glass for small LCD applications. One of our new float lines in Vietnam will be specially designed to produce UFF® glass for the production of touch panel substrate for use in mobile devices and other applications.

We are expanding sales of glass fiber separators for smaller and more powerful batteries for use in the next generation of lower-emission vehicles. Our proprietary SELFOC® Lens Array (SLA®) technology is playing a part in the development of a new generation of Light Emitting Diode (LED) print heads for office machinery.

Our advanced glass fiber cord products extend the life of automotive timing belts, helping to maintain performance for longer, thus contributing to reductions in vehicle fuel consumption and maintenance costs.

Technology and Engineering

Our Vision highlights our commitment to technological innovation in glass. We invest in sustaining this technology to create value for our shareholders. In support of the SMP, the Group's R&D effort will be increasingly focused on energy saving and generation.

Our manufacturing base includes ownership or interests in 49 float lines worldwide, 31 Automotive manufacturing facilities in 16 countries and 12 Specialty Glass production sites.

As well as developing new products, significant R&D effort is focused on improving our glass manufacturing processes, improving energy efficiency, reducing environmental emissions, and enhancing product quality.

The Group owns or controls around 4,000 patents and patent applications, predominantly in the fields of float glass production and processing, automotive glazing and specialty glass, with access under license to patents held by third parties. The Group invested ¥10,692 million in R&D in FY2011.

Our manufacturing base includes management of, or interests in, 49 float lines worldwide, 31 Automotive manufacturing facilities in 16 countries and 12 Specialty Glass production sites. A number of our float lines were suspended or mothballed in the global economic crisis, but are now coming back on stream, some having been converted for Solar Energy product manufacture.

The Vidrios Lirquén float tank in the Concepción region of Chile has resumed commercial production – just over 12 months after being put out of action by the earthquake which struck that country in February 2010. The rebuild project was led and executed by NSG Group Engineering and employees from the plant.

Quality is a key feature in building successful relationships with our industry customers and end customers. In the Building Products business, the Group has ISO 9000:2000 quality management certification in all major manufacturing sites worldwide.

Where applicable, the management systems have been extended to include Solar Energy products. In this sector, formal glass product qualifications with major customers are additionally required to ensure end products meet electronic industry IEC 61646 and IEC 61215 standards.

Pilkington Sundym™ Select
Switchable from dark-tinted to transparent at the touch of a button, the product features in the rooflight of the new Mercedes-Benz SLK.

Poland
Phase 1 of our new automotive plant at Chmielów, due to open in 2011, will increase our windshield capacity in Poland by 1.7 million pieces a year.

The Automotive business's corporate ISO/TS 16949:2009 certification scheme continued to be expanded in 2010 and now includes the three main Automotive sites at Maizuru, Kyoto and Sagamihara, in Japan.

Japan earthquake and tsunami

I reiterate the Chairman's expressions of sympathy and support for all those affected by the March 2011 events.

Operationally, none of our three furnaces at Chiba sustained any significant damage. Production was suspended immediately following the earthquake, but resumed shortly afterwards.

Elsewhere, none of our facilities and equipment sustained any significant damage. Our Building Products team is playing its part in supporting the reconstruction effort.

As we have reported, the financial impact of the earthquake on our results in FY2011 was limited.

We expect the impact in FY2012 to be more material, particularly in our Automotive business line in Japan, as many of our customers have restricted their vehicle production in response to shortages of component parts.

The financial impact of the March earthquake on our results in FY2011 was limited. We expect the impact in FY2012 to be more material, particularly in our Automotive business line in Japan.

Looking ahead

The first year of our Strategic Management Plan marks an important milestone in the development of the NSG Group. Having achieved successful integration, restructuring and the strengthening of our finances, we can now begin to focus on profitable growth.

We will do this within the framework of our revised Values and Principles, with increasing emphasis on sustainability and working to strengthen the safety culture of the Company.

Important strategic shifts for us include moving our focus towards value-added and sustainability-focused products and from 'developed' to 'developing' markets. While maintaining our commitment to cost effectiveness in everything we do, we are now able to turn our sights from pure cost reduction to growth with productivity.

Having achieved successful integration, restructuring and the strengthening of our finances, we can now begin to focus on profitable growth.

I believe the Strategic Management Plan positions the NSG Group for profitable growth in FY2012 and beyond. We will be responding to the increasing importance of sustainability, and energy conservation and generation. We aim progressively to add value to our products, develop new ones and look for opportunities beyond Flat Glass.

We have set attainable targets we must meet if we are to move forward. We regard the Strategic Management Plan as a dynamic document, on which we will update our shareholders annually.

Craig Naylor
President and CEO

OUR STRATEGY

OUR STRATEGIC MANAGEMENT PLAN INCLUDES CLEAR ECONOMIC TARGETS TO BE ATTAINED BY THE END OF FY2014. WE INTEND TO UPDATE OUR STAKEHOLDERS ON AN ANNUAL BASIS ON PROGRESS TOWARDS ITS ATTAINMENT.

We have made good progress in moving from integration and consolidation to geographical expansion and value-added growth. Our Strategic Management Plan is intended to drive the next stage of our development.

Strategic Management Plan evolution

During 2010, we conducted a major strategic review, intended to sharpen the Group's operational focus and ensure that we take full advantage of the synergies offered by an international Group headquartered in Japan.

Announced in November 2010, the Strategic Management Plan (SMP), covers FY2012 to FY2014. It sets out the main points of the Group's strategy to achieve profitable growth and realize the vision of the Company – 'Making a difference to our world through glass technology'.

Early investment opportunities were identified in a number of key projects with 12 to 24-month development timescales. We secured funding for these through the Share Offering launched in August 2010.

Funding from the share issuance is allowing the Group to seize important investment opportunities in the technologies that will build a sustainable future, leverage our competitive position and strengthen our balance sheet.

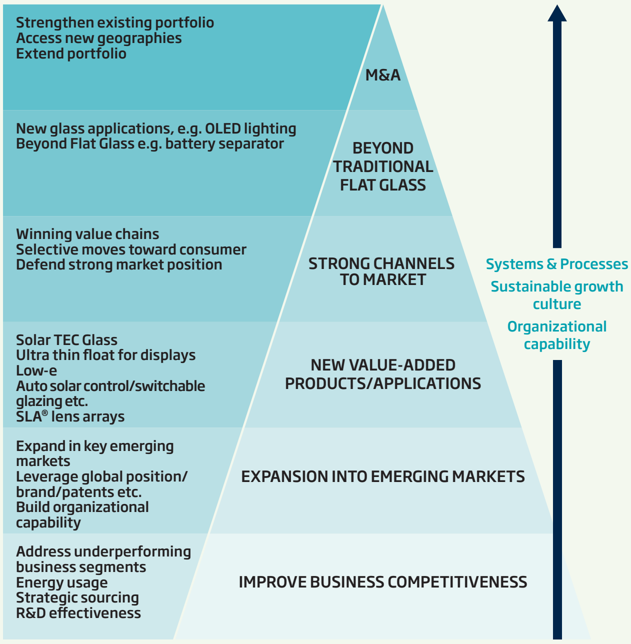
Strategic Management Plan objectives

The aim is to create a thriving, innovative global enterprise, taking the Group to the next level in its development, by:

- Maximizing profitable growth while reducing our net debt/ earnings (EBITDA) ratio.
- Ensuring highest standards of ethics, safety, environmental responsibility and sustainability in all our activities.
- Being innovative in everything we do.

We regard the Plan as a 'dynamic' document, on which we will be updating our stakeholders on an annual basis.

Strategic Management Plan elements



Strategic Management Plan financial targets

Our Strategic Management Plan includes clear economic targets to be attained by the end of FY2014.

- Attain 5 percent compound annual growth rate in sales.
- Double operating profit (before amortization) as a minimum.
- Increase EBITDA by 50 percent, as a minimum.
- Achieve low double-digit percentage return on equity.

Business line strategic priorities

Building Products

- South America – float expansion.
- Solar Energy – expansion to support photovoltaics.
- China – low-e expansion.
- Fire Protection – investment in capacity in line with growing demand, to maintain our leading global position.
- Expansion of other value-added growth products.
- Build on our technology base to expand technical applications.

Automotive

- South America – toughening expansion.
- Mexico – laminating growth.
- Eastern Europe – laminating and toughening expansion.
- Expansion of our AGR business, particularly in fast-growing markets.
- Improve competitive position in North America, China and Japan, in order to grow faster than the market.

Specialty Glass

- Investments to expand manufacturing capability in key growing market segments, including:
- UFF® for touch screens and cover-glass.
- SLA® for LED print head (LPH).
- AGM battery separators.
- Glass cord.
- Metashine®.

The Strategic Management Plan formally came into operation on 1 April 2011. Since its launch in November 2010, we have already made a number of announcements on key investments underpinning the Plan.

- November 2010 – Announcement of new float line in North East Brazil.
- December 2010 – Automotive expansion in Mexico.
- January 2011 – Reopening of Vietnam VGI float line dedicated to Solar Energy market.
- February 2011 – Automotive expansion in South America.
- March 2011 – Expansion of Automotive glazing capacity and capability in Poland.
- April 2011 – Offline coating capacity expansion in UK.
- May 2011 – Announcement of two new float lines in Vietnam to produce Solar Energy and touch screen products.

CHIEF FINANCIAL OFFICER'S REVIEW

THE FULL-YEAR RESULTS REFLECT INCREASED VOLUMES ACROSS EACH OF THE GROUP'S BUSINESS LINES, TOGETHER WITH THE CONTINUED REALIZATION OF COST SAVINGS AND EFFICIENCY IMPROVEMENTS.

"The gradually improving market conditions during the year enabled the Group to return to profitability. Operating profits improved, with each business line recording a significant increase in profitability from the previous year.

Although a relatively small amount, it is also pleasing to see that, after deducting non-operating items, extraordinary items and taxation, the Group generated a positive level of net income."

Mark Lyons
Chief Financial Officer

Results for the year

The gradually improving market conditions during the year enabled the Group to return to profitability. Operating profits improved, with each business line recording a significant increase in profitability from the previous year.

Although a relatively small amount, it is also pleasing to see that, after deducting non-operating items, extraordinary items and taxation, the Group generated a positive level of net income.

Net sales

Sales decreased by 2 percent from ¥588,394 million to ¥577,212 million. The reduction was due to the translational impact of the further strengthening of the Japanese yen. At constant exchange rates, revenues increased by 6 percent.

Operating income

Operating income improved from a loss of ¥17,183 million to a profit of ¥14,352 million. Operating income before amortization arising on the acquisition of Pilkington plc increased from ¥861 million to ¥30,182 million. Amortization arising on the acquisition of Pilkington plc includes amortization of goodwill and other intangible assets generated on the date of the acquisition in June 2006. It does not include the routine amortization or depreciation of other tangible or intangible assets.

Operating income – results by business segment

Following the introduction of a new segmental reporting standard in Japan, the Group no longer allocates consolidation adjustments and certain other costs incurred within other operations to the Group's three main business lines. The most

	Millions of yen	
	2011	2010
Revenue	**577,212**	588,394
Operating income before amortization	**30,182**	861
Amortization arising on acquisition of Pilkington plc	**15,830**	18,044
Operating income/(loss)	**14,352**	(17,183)
Non-operating income:		
Interest and dividend income	**2,560**	2,709
Equity in earnings of affiliates	**8,107**	2,396
Other non-operating income	**655**	1,336
Non-operating expense:		
Interest expense	**13,292**	14,252
Other non-operating expense	**4,652**	3,558
Ordinary income/(loss)	**7,730**	(28,552)
Extraordinary income	**3,969**	9,313
Extraordinary loss	**8,339**	23,175
Net income/(loss) before taxation and minority interest	**3,360**	(42,414)
Taxation	**1,682**	2,476
Minority interest in net income of subsidiaries	**(3,381)**	(1,375)
Net income/(loss)	**1,661**	(41,313)
Net income/(loss) per share – basic (yen)	**0.13**	(65.61)

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 Operations and Eliminations.

As a result of this change, the FY2010 operating result for the Building Products business line improved by ¥10,899 million, the operating result for the Automotive business line increased by ¥12,799 million, and the operating result for the Specialty Glass business line increased by ¥25 million. The operating loss in Other Operations and Eliminations increased by ¥23,723 million.

Operating income – Building Products

In most of the Group's major building products markets, conditions gradually improved through the year. Volumes in developed markets are, however, still significantly below the levels experienced prior to the global downturn.

In the Building Products business line, Europe represents 44 percent of sales, Japan 34 percent, and North America 9 percent. The rest arises in other areas of the world including South America, South East Asia and China.

In Europe, profits were above the previous year with higher volumes and a gradual improvement in pricing through the year. The improving volumes were partially offset by the impact of previous year disposals and reduced engineering revenue. Prices increased in the final quarter, mitigating rising headline energy costs, and for the year as a whole, average price levels were higher than the previous year.

In Japan, market conditions were challenging, but gradually improved during the third and fourth quarters. Profitability improved, as reduced prices were more than offset by increases in volumes and the continued realization of cost savings. The business suffered some disruption following the 11 March earthquake, but has since operated at maximum capacity.

In North America, both residential housing starts and levels of commercial construction activity remain at historically low levels. The Group's results improved as the reduction in domestic volumes was offset by increasing exports and sales of value-added products.

In the rest of the world, profits improved strongly from the previous year, due mainly to increased market prices, and the consolidation of the Group's rolled glass facility in China from the start of the current financial year. The Solar Energy business continues to grow in both revenue and volume, in line with our expectations.

As a result, the Building Products business line achieved sales of ¥244,792 million (¥249,503 million FY2010), and an operating income of ¥16,515 million (¥1,285 million FY2010).

Operating income – Automotive

Automotive markets recovered strongly from the previous year with significant growth in Original Equipment (OE) volumes and further improvements in the Group's Automotive Glass Replacement (AGR) markets.

In the Automotive business line, Europe represents 47 percent of sales, Japan 17 percent and North America 21 percent. The rest arises in other areas of the world, principally, South America, South East Asia and China. In Europe, OE profits increased due to improving volumes. A slight reduction in annual vehicle sales to European customers was more than offset by buoyant export markets, generating an increase in demand for the Group's products. The European automotive glass replacement market continued to prove resilient to the low level of general economic activity.

In Japan, profits benefited from cost savings and efficiency improvements. Improved demand in the first two quarters was offset by reductions in volumes following the subsequent cessation of government incentives for purchasing environmentally-friendly vehicles, and then the earthquake of 11 March. Results in the Japan AGR business continued to improve. OE profits were significantly above the previous year, again due to increased volumes. Profits also benefited from the continued realization of cost savings and efficiency gains. AGR profitability was further improved from the previous year. In the rest of the world, profits increased strongly from the previous year, with strong demand across each region.

The Automotive business line achieved revenues of ¥264,042 million (¥265,137 million FY2010), and an operating income of ¥18,672 million (¥13,020 million FY2010).

Operating income – Specialty Glass

Profits in the Group's Specialty Glass business improved from the previous year with increased demand, particularly in sectors such as touch panel technology for mobile devices. Demand for the Group's 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 through the current year. Sales of glass cord for engine timing belts were supported by robust vehicle production in Europe. Production at some of the Group's facilities was disrupted following the 11 March earthquake, but has since resumed, with relatively little impact on the FY2011 results.

As a result, the Specialty Glass business line achieved sales of ¥62,955 million (¥66,112 million FY2010) and an operating income of ¥7,523 million (¥3,668 million FY2010).

Equity in earnings of affiliates

The share of profits from the Group's joint ventures and associates increased from ¥2,396 million to ¥8,107 million. Profits at Cebrace, the Group's joint venture company in Brazil, improved strongly. Results in the Group's Building Products joint ventures and associates in China and Russia also improved with robust market conditions.

Interest expenses and other non-operating items

Net interest expenses decreased slightly, with reduced average levels of indebtedness and a low global interest rate environment. Other non-operating expenses also decreased.

Extraordinary items

Extraordinary income reduced due to the non-recurrence of gains on the sale of investment securities in the previous year. Extraordinary income in FY2011 comprised mainly gains from the disposal of fixed assets of ¥1,128 million and gains arising on the reversal of impairments made in previous years of ¥1,020 million.

Extraordinary losses also decreased, due mainly to a reduction in impairments of fixed assets. The most significant item within extraordinary losses was restructuring expenditure of ¥3,444 million.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Taxation
The taxation credit of ¥1,682 million represents a taxation rate of 35 percent of income before taxation, after exclusion of the Group's share of joint ventures and associates net income. The tax credit consists of a current taxation charge of ¥5,130 million and a deferred taxation credit of ¥6,812 million.

Minority interests
Profits attributable to minority interests increased from ¥1,375 million to ¥3,381 million. This was principally due to the high level of recorded profits at Vidrios Lirquén following the settlement of the Group's insurance claim arising from an earthquake that struck the region in February 2010.

Net income per share
The basic net income per share increased from a net loss per share of ¥65.61 to a net income per share of ¥0.13.

Dividends
A final dividend of ¥3 per share is being paid which, when added to the half-year dividend of ¥3 per share, gives a total dividend for the year of ¥6 per share, unchanged from the previous financial year.

Cash flows

	Millions of yen	
	2011	2010
Operating cash flows before financial items	**47,099**	29,552
Interest received less interest paid	**(7,041)**	(13,726)
Income taxes paid	**(8,855)**	(18,594)
Net cash provided by/(used in) operating activities	**31,203**	(2,768)
Capital expenditure (net of disposals)	**(28,526)**	(13,838)
Acquisitions less divestments	**684**	7,951
Net cash outflow before dividends and financing	**3,361**	(8,655)

Operating cash flows before financial items increased from ¥29,552 million to ¥47,099 million, in line with the increased level of Group profitability. Interest paid decreased, due partly to the timing of interest payments made during the previous year, and partly to the reduced underlying level of interest charges. Taxation payments also fell with a delayed effect following the reduction in the Group's profits during the global downturn. As a result, net cash provided by operating activities improved from an outflow of ¥2,768 million to an inflow of ¥31,203 million.

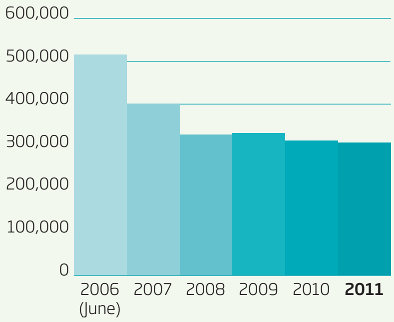
Capital expenditure, net of disposals, increased from ¥13,838 million to ¥28,526 million, reflecting the timing of float tank repairs and the commencement of several major capital projects in line with the Group's Strategic Management Plan.

Funding and liquidity

Net debt
Net financial indebtedness decreased by ¥5,480 million from 31 March 2010 to ¥309,166 million at the period end. During the year, the Group issued 234,000,000 new ordinary shares with net proceeds of ¥40,237 million. The Group also redeemed and acquired for cancellation all 3,000,000 Type A preferred shares with an aggregate acquisition price of ¥30,623 million.

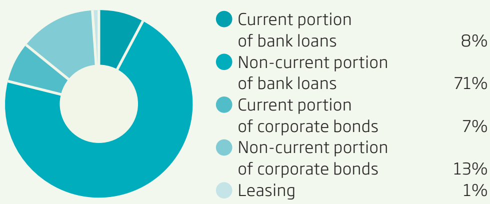
Currency movements generated a reduction in net debt of approximately ¥6,500 million over the period. Gross debt was ¥370,072 million at the period end. The chart below shows how net debt has decreased following the acquisition of Pilkington plc in June 2006.

Net debt
Millions of yen



Sources of finance
The Group is financed by a combination of cash flows from operations, bank loans and corporate bonds. The chart below analyzes the Group's sources of debt at 31 March 2011.

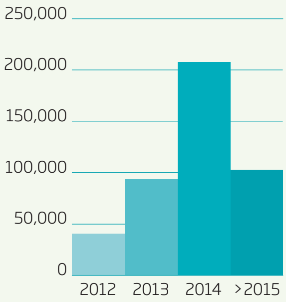
Debt sources



The Group refinances borrowings well before their due date and ensures that any uncommitted or short-term borrowings are supported by undrawn committed facilities. The Group aims to obtain its funding from a variety of sources and access markets globally as and when they are available to it.

The Group seeks to deal with relationship banks who are able to support its businesses worldwide with the services it requires and at the same time provide, where necessary, appropriate levels of credit. The following chart shows the maturity of the Group's committed facilities as at 31 March 2011.

Committed facility maturities
Millions of yen



During the year, the Group refinanced external debt of approximately ¥33,000 million such that all remaining borrowings maturing in FY2012 have now been refinanced, and the Group has access to sufficient levels of surplus headroom for its forecasted needs during FY2012. As at 31 March 2011, the Group had unused committed financial facilities of ¥37,000 million maturing in September 2013, and ¥40,000 million maturing in November 2013. Following the year end date, the Group extended the final maturity date of ¥50,000 million from September 2013 to April 2015.

The Group has obtained long-term investment grade credit ratings from three rating agencies. The current ratings are Baa3 from Moody's, BBB from R&I and BBB+ from JCR. The Group aims to maintain these ratings and further reductions in net debt should underpin this objective. There were no changes to the Group's credit ratings during the year.

Shareholders' equity (net assets)
Shareholders' equity and minority interests decreased by 5 percent, from ¥239,931 million to ¥226,874 million. This was mainly due to the translational effect on net assets of the strength of the Japanese yen.

Treasury management
The Group's treasury function is responsible for the provision of liquidity management and for the management of interest, commodity and foreign exchange risks, operating within policies and authority limits set by the Board of Directors. The Board approves a set of financial counterparties noted for their strong credit standing. Treasury operations are reviewed annually by the Group Internal Audit Function, to ensure compliance with the Group's policies.

Risk management – foreign exchange and interest rates
The Group borrows in a variety of currencies, principally, but not limited to, Japanese yen, euro, US dollars and sterling, at both fixed and floating rates of interest, using derivatives where appropriate to generate the desired effective currency and interest rate exposure. The financial instruments used for this purpose are principally interest rate swaps and forward foreign exchange contracts. Material foreign exchange transactions are hedged when reasonably certain, usually through the use of foreign exchange forward contracts. Assets are hedged where appropriate by matching the currency of borrowings to the net assets.

The Group does not engage in speculative trading of financial instruments or derivatives. However, risks arise in these transactions if the expected cash flow does not arise or if the highly rated financial counterparty does not perform its obligations under the contract. The policies require immediate cancellation of any derivative that is found to be no longer required.

Exposure to interest rate fluctuations on borrowings is managed by borrowing on either a fixed or floating basis and entering into interest rate swaps or forward rate agreements. The policy objective is to have a target proportion, currently 30 percent to 70 percent of forecast net borrowings, hedged at all times for a period of greater than one year. Foreign exchange contracts and interest rate swaps are transacted in such a way as to ensure hedge accounting on some transactions.

Risk management – commodities
The Group consumes significant amounts of energy and is exposed to energy price risk arising from this consumption, principally of oil and gas. The Group's risk management policy for energy is to hedge between 20 percent and 100 percent of anticipated purchases for the subsequent 12 months and between 10 percent and 80 percent for the next four years.

The financial instruments used for this purpose are energy swaps and are trades with highly rated financial counterparties. Risks arise in these transactions if the expected cash flow does not arise or if the highly rated financial counterparty does not perform its obligations under the contract. The policies require immediate cancellation of any derivative that is found to be no longer required.

Commodity hedging is transacted in order to ensure effectiveness of the hedge, therefore the Group usually benefits from deferral hedge accounting on all transactions.

Fair values of financial instruments
Financial instruments are shown on the balance sheet at the fair value on the balance sheet date. Fair values of derivatives are calculated with reference to forward exchange rates, interest rates or commodity prices in the financial markets on the balance sheet date. Expected future cash flows on these contracts are discounted to the balance sheet date. Where an instrument is tradable in the financial markets we use this market price as the fair value. Fair values are expected to change throughout the life of the instrument, such that this valuation is only relevant at the balance sheet date and may not equate to an actual price at which the instrument can be sold.

Cash and deposits
The Group invests cash balances and short-term money market balances with a selected group of credit-worthy financial institutions. Cash and deposits are short term and are used for the day-to-day operation of the business, interest accrues on cash balances at market interest rates, therefore the fair value of our cash and deposits equates to the balance sheet value.

Corporate governance and risk management
The Group has an established system of internal controls. These controls have been thoroughly documented and tested during the year, as part of the Group's ongoing J-SOX compliance program.

Mark Lyons
Chief Financial Officer

OUR MARKETPLACE

GLASS IS A GROWTH INDUSTRY. GLASS DEMAND GROWTH OUTSTRIPS ECONOMIC GROWTH GLOBALLY. TODAY'S ARCHITECTS AND VEHICLE DESIGNERS ARE USING LARGER SURFACE AREAS IN THEIR DESIGNS, INCREASINGLY WITH ADDED FUNCTIONALITY AND COMPLEXITY.

- Flat Glass is a €23 billion global industry at primary manufacturing level.
- Global glass demand growth outstrips GDP growth.
- 75 percent of the world's demand for glass is in Europe, China and North America.
- The NSG Group is one of four companies producing around 60 percent of the world's high-quality glass.
- The Pilkington float process is at the heart of the global flat glass industry.
- The NSG Group is one of only three glass groups supplying 70 percent of the world's automotive OE glazing.
- Volume growth as architects and car designers use increasingly larger glass areas.
- Value growth in Building Products driven by legislation and enhanced functionality.
- Automotive value growth driven by model differentiation, increased complexity and functionality.
- Value growth in Specialty Glass fuelled by demand for ultra-thin glass for touch screens and new battery technologies.

Routes to market

The global market for flat glass in calendar year 2010 was approximately 55 million tonnes. At the level of primary manufacture, this represents a value of around €23 billion.

Most of the world's float glass goes into buildings, with just under 10 percent used in Automotive.

In Building Products, basic glass can undergo two or more stages of processing before being installed as original or replacement windows and glazing systems, or used as a component in Solar Energy, and other technical applications.

Within Automotive, glass is used in Original Equipment (OE) for new cars, specialized transport applications, including buses, trucks, trains and ships, and also in the manufacture of replacement parts for the aftermarket.

Global glass usage

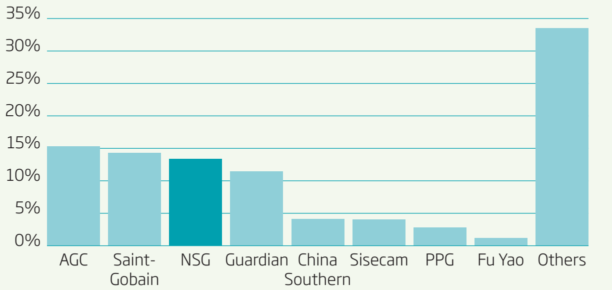
Buildings	83%
New buildings	40%
Refurbishment	40%
Interior	20%

Automotive	7%
Original Equipment	80%
Replacement market	20%

Special Applications	10%
Solar Energy	10%
Other	90%

World high-quality float glass capacities 2010

The NSG Group has 13 percent of global high-quality capacity



Float glass production
The NSG Group has ownership of, or interests in, 49 float lines worldwide.

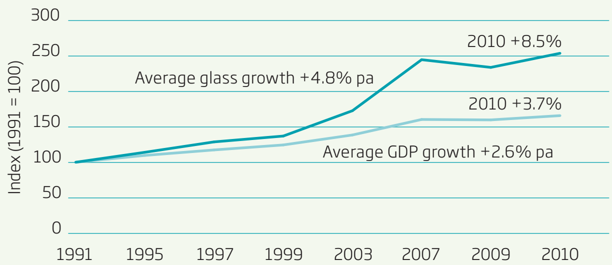
Volume growth in glass

Over the past 20 years, glass demand has grown more quickly than GDP. In spite of the current recession, over the long term, glass demand is still growing at more than 4 percent per annum.

Demand growth for glass is driven not only by economic growth, but also by legislation and regulations.

Demand for value-added products is growing at a faster rate than demand for basic glass, enriching the product mix and boosting the sales line. Value-added products, particularly coated, are delivering greater functionality in all application areas.

Global float demand and GDP growth



Market and competitive environment

Europe, China and North America together account for 75 percent of demand for glass. Europe is the most mature glass market and has the highest proportion of value-added products.

Four companies: NSG Group, AGC, Saint-Gobain and Guardian, produce around 60 percent of the world's high-quality float glass.

There are only three glass groups with global automotive glazing capability and presence. NSG Group (Pilkington Automotive), AGC and Saint-Gobain, together with their respective associates and strategic partners, supply 70 percent of the world's OE glazing requirements.

Value growth

Buildings & Solar Energy	**Energy-saving (solar and thermal control)**	Energy-saving legislation and building regulations; reduction of energy gain and loss in buildings, decreasing the need for cooling and heating buildings.
	Safety/security	Increasing legislative requirement for safety glass in certain applications. Requirement for transparency combined with security features.
	Fire protection	Requirement for good light transmission and compliance with regulations on fire protection.
	Noise control	Increasing noise levels caused by traffic, aircraft, etc., progressively backed by legislation.
	Self-cleaning	Reduction in use of detergents, safety at heights, extension of product range and features to increase functionality in commercial and domestic applications.
	Technical applications	Increased use of glass with special properties such as conductivity, neutrality and high transmission, for displays, transparent heating or cooling devices.
	Solar Energy	Demand for renewable energy, stimulated by government support and feed-in tariffs.
Automotive	**Complexity**	Designers see glazing as a crucial element in designs to differentiate vehicles.
	Curvature	Styling demands increase the complexity and depth of curves in vehicle glazing.
	Surface tolerance	Increasing depth and complexity of curvature makes surface tolerances critical, e.g. for efficient windshield wiper operation.
	Security	Crime and vandalism increase the need for security, provided by laminated side glazings.
	Solar control	Larger glass areas require tinted and coated glazing to reduce solar gain and air-conditioning load.
	Glazing systems	Reduced time to market and lean manufacturing require modularized glazing including trim and other fittings in one unit.
	Integrated systems	Complex antenna arrays and electronics integrated into glazing.
Specialty Glass	**Thinner touch screen interface**	Move to touch screen mobile devices requires thinner and lighter top-quality ultra-thin float glass.
	High-quality energy-efficient office machinery	Demand for high-performance light guides and next-generation LED printers and copiers require high optical performance with low-energy usage.
	High-performance batteries	Glass fiber battery separators help to assure improved capacity, stability and safety margins in the next generation of batteries.
	Efficient engine timing belts	NSG Group glass cord is increasingly replacing chain in engine timing belts, enabling lifetime fitting of belts that resist stretching.
	Reduction of traffic noise without light loss	Glass acoustic environmental screening attenuates noise without affecting light transmission, particularly useful in urban freeway settings.

Solar control
Solar control glass dramatically reduces the effect of the sun's heat, reducing air-conditioning load.

Thermal insulation
Low-emissivity (low-e) glass prevents heat escaping by reflecting it back into the building.

Fire protection
Providing passive protection from the effects of fire, while permitting maximum use of natural light.

Noise control
Specialist acoustic laminated glass reduces the inside noise of a building to acceptable levels, without sacrificing daylight.

Safety and security
Toughened or laminated safety or security glass offers protection from accidental injury, deliberate attack and damage from criminal activity.

BUILDING PRODUCTS

IN FY2011, BUILDING PRODUCTS SALES WERE ¥244,792 MILLION (¥249,503 MILLION IN FY2010). OPERATING PROFIT WAS ¥16,515 MILLION (¥1,285 MILLION IN FY2010).

"Buildings account for almost 50 percent of the energy consumed in developed countries. Increased focus is being placed on legislation and policies to improve their energy efficiency.

Our products play a vital role in improving energy efficiency and reducing CO_2 emissions. They also offer other advanced functionality, protecting against fire, insulating against noise, offering safety and security, privacy, decoration and even self-cleaning properties.

Glass has an important role to play in the development of the growing Solar Energy sector. We supply products for all three of the leading technologies, converting power from the sun into clean renewable energy."

Clemens Miller
Head of Building Products Worldwide

Global review

Summary

The cumulative result represents an improvement on the previous year. Profitability improved due mainly to cost savings realized from previous restructuring actions, higher volumes and improved prices.

Europe
Revenues in local currency were above 2010, with improved profitability due to the increased volumes and cost savings. Prices held up relatively well in the final quarter, offsetting increasing energy costs. The UK5 UK float line was restarted in March 2011 and will produce Solar Energy products.

Japan
Revenues were higher than in 2010, with gradual market improvements from a low base. Profitability improved, with volume increases and cost savings more than offsetting reduced prices. The business suffered some earthquake disruption, but has since operated at maximum capacity.

North America
Local currency revenues were higher than 2010. Reductions in domestic volumes were offset by increased exports and sales of value-added products. Profits improved with better asset utilization, cost savings, and an improving product mix.

Rest of the World
Revenues and profits improved strongly from the previous year, due mainly to higher market prices, and the consolidation of the Group's rolled glass facility in China from the start of the current financial year. In January 2011, the VGI Vietnam float glass facility was re-commissioned, to manufacture Solar Energy products. In March 2011 production resumed at the Group's joint venture float glass line in Chile, following the earthquake that struck the region in February 2010.

Outlook

In FY2012, volumes are expected to increase, with additional capacity becoming available to satisfy improved demand. Customer demand is expected to increase in both high-growth emerging markets and developed markets. Increased sales of Solar Energy glass will form a significant part of the higher anticipated volumes. Purchase prices for energy and energy-dependent raw materials are likely to increase, but the Group will aim to respond through higher sales prices.

Self-cleaning
Pilkington Activ™ self-cleaning glass uses the forces of nature to maintain its clear appearance without leaving unsightly streaks.

Decoration
Decorative glass provides privacy and decoration in interior or exterior building applications.

Glass systems
Structural glazing systems allow the build of stunning glass roofs and façades with minimum framing intrusion.

Special applications
Specialist glasses, such as low-iron, extremely thin, anti-reflective and switchable glass, offer solutions to specific requirements.

Solar Energy
High-transmission and conductive glasses used in the three leading solar technologies to maximize Solar Energy conversion.

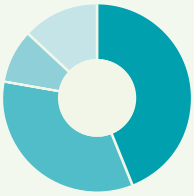
Building Products

PILKINGTON

Contribution to Group sales

43%

Sales by region FY2011



Region	%
Europe	44%
Japan	34%
North America	9%
Rest of World	13%

Top
Pilkington **Suncool™** is a range of superior solar control products with a wide range of visible light transmittance, reduced solar transmittance and excellent low-emissivity all in one superb product.

Above
Thin film photovoltaic modules produce power at low cost per watt. They are ideal for large-scale solar farms, as well as Building Integrated Photovoltaic (BIPV) applications. (Picture: Kaneka, VISOLA)

Solar control glazing – reducing the need for air-conditioning

Solar control glass can be an attractive feature of buildings while minimizing, or even eliminating, the need for an air conditioning system, reducing building running costs and saving energy.

In hot climates, solar control glass can be used to minimize solar heat gain and help control glare. In temperate regions, it can help balance solar control with high levels of natural light.

The Pilkington range of Solar Control glass offers a range of performance options to suit most building applications.

Solar Energy glass – converting the sun's energy into electricity and hot water

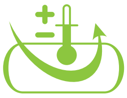
Glass is an integral and important element of solar panels. Our wide range of high quality products are used in the three leading solar technologies aimed at converting Solar Energy into electricity: thin film photovoltaics, crystalline silicon photovoltaics and concentrated solar power applications.

In addition to the generation of electricity, our glass products are also used in solar applications that generate hot water.

Our Automotive products include solar control glass for passenger comfort, glass heating systems to control condensation and icing, security glazing and glazing systems, including encapsulations, extrusions, and components such as rain sensors, hinges and clips, added after basic manufacturing.

We provide a full range of glazing solutions on a global basis to our customers, drawing heavily on our advanced technology, continuous improvement and standardization activities.

Thermal comfort



Visual comfort

Visual comfort

AUTOMOTIVE

IN FY2011, AUTOMOTIVE SALES WERE ¥264,042 MILLION (¥265,137 MILLION IN FY2010) AND OPERATING PROFIT WAS ¥18,672 MILLION (¥13,020 MILLION IN FY2010).

"One of only three glass groups in the world with global automotive glazing capability and presence, the NSG Group supplies all of the world's major automotive and specialized transport vehicle manufacturers under the Pilkington Automotive brand.

We provide a full range of glazing solutions on a global basis to our customers, drawing heavily on our advanced technology, continuous improvement and standardization activities.

Combined geographical presence now makes the NSG Group the largest global operator in automotive replacement glass distribution and wholesale."

Mike Fallon
Head of Automotive Worldwide

Global review

Summary

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

Europe

In the European Original Equipment (OE) sector, local currency revenues increased strongly from last year's levels, due to robust volumes, with a consequent improvement in profits. Results in the fourth quarter were mixed, with improved volumes in the stronger northern European markets offset by weakness in southern regions. Local currency results in the Automotive Glass Replacement (AGR) business were similar to the previous year.

Japan

Revenues were slightly above the previous year. Improved demand in the first two quarters was offset by reductions in volumes following the cessation of government incentives for purchasing environmentally-friendly vehicles, and then the earthquake of 11 March. Profits benefited from further cost savings and efficiency improvements. Results in the AGR business continued to improve.

North America

Original Equipment revenues were significantly above the previous year, due to increased volumes. Profits also benefited from the continued realization of cost savings and efficiency gains. Fourth quarter results were positive, with increased demand from all major customers. AGR profitability was further improved from the previous year.

Rest of the World

Cumulative revenues and profits increased strongly from the previous year, with strong demand across each region.

Outlook

OE sales are expected to be significantly affected by the earthquake and tsunami that hit North East Japan in March 2011. The Group's automotive customers are expected to operate at significantly lower than normal levels of production, in response to shortages of component parts.

This volume reduction will mainly affect the Group's Japanese business, but will also apply less significantly to the Group's Automotive businesses in other parts of the world. Customer demand is expected to return to normal levels during the second half of the year.

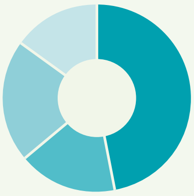
Atmospheric comfort | Integrated systems | Acoustic comfort | Safety | Security

Automotive

Contribution to Group sales

46%

Sales by region FY2011



PILKINGTON

Top left
Pilkington Sundym™ Select allows vehicle glazing to be switched from dark-tinted to transparent at the touch of a button.

Top right
Replacement windshield fitting at the Group's Aftermarket operation in Romania.

Below
Pilkington Marine, part of Specialized Transport, is a world leader in the supply of specialist glazing to cruise ships.

Original Equipment (OE)

Most of our OE production is focused on the volume light vehicle industry, serving all of the world's major vehicle manufacturers, including Toyota, GM, Ford, VW, Renault/Nissan, Chrysler, Mercedes, Fiat, Honda, PSA, BMW, Mitsubishi, Subaru and Suzuki, together with their respective subsidiary brands.

Of all such vehicles built in the world last year, around one in three contained glazing manufactured by the Pilkington Automotive businesses of the NSG Group.

Aftermarket (AGR)

We have well developed aftermarket distribution and wholesale networks throughout Europe and North America, with estimated market shares around 20 percent.

We are also well established in serving the aftermarkets in Japan, South America and South East Asia.

Specialized transport

We provide high-quality glazing solutions and value-added products to the original equipment manufacturers of specialized transport and utility vehicles.

Our customers are recognized as world-leading manufacturers, with many operating on a global basis.

SPECIALTY GLASS

IN FY2011, SPECIALTY GLASS SALES WERE ¥62,955 MILLION (¥66,112 MILLION IN FY2010). OPERATING INCOME WAS ¥7,523 MILLION (¥3,668 MILLION IN FY2010).

"Our Specialty Glass business operates in a number of discrete sectors, including the manufacture and sale of very thin glass for small displays, lenses and light guides for printers, as well as glass fiber products, such as battery separators and glass components for engine timing belts.

The NSG Group is a pioneer in the field of micro-optics, researching, developing and manufacturing a variety of optoelectronic products. Glass fiber has become a high-profile, high-tech material in a variety of fields: it is light and strong, heat-resistant, non-conductive and resistant to chemicals."

Keiji Yoshikawa
Head of Specialty Glass Worldwide

Global review

Summary

Revenues in Specialty Glass were below the previous year, as robust market conditions were more than offset by previous year disposals.

Profits, however, were above the prior year, with most of the Group's Specialty Glass businesses continuing to experience robust demand, particularly in sectors such as touch panel technology for mobile devices.

Demand continued at satisfactory levels through the fourth quarter. Demand for the Group's 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 through the current year.

Sales of glass cord for engine timing belts were supported by robust vehicle production in Europe. Production at some of the Group's facilities was disrupted following the 11 March earthquake, but has since resumed with relatively little impact on the FY2011 results.

Outlook

The Group's Specialty Glass division is expected to experience a reduction in volumes as a result of the Japan earthquake and tsunami, although the impact will be much less significant than in the Automotive business.

Profits in the Specialty Glass division are expected to improve further from FY2011 levels, with further increases in volumes and the realization of additional cost savings.

Specialty Glass

Contribution to Group sales

11%

Sales by product FY2011

Thin LCD glass	33%
Copiers/printer lenses	22%
Glass cord	16%
Battery separators	11%
Acoustic insulation	7%
Other	11%

Below
Our Ultra Fine Flat (UFF®) glass products are increasingly being used in the growing touch panel market.

Right
We are world leaders in the development of advanced glass products for use in battery separators.

Display panels in communications devices
Helping to cut power consumption and reduce need for peripherals

We are a world-leading supplier of ultra-thin glass for small LCD applications, helping to reduce power consumption in the display market. Our Ultra Fine Flat (UFF®) glass is produced in thicknesses as low as 0.3 to 1.1mm.

These products are increasingly being used in the growing touch panel market, particularly in mobile devices and computers. This technology helps reduce the need for additional peripheral equipment, such as keyboards and printers.

Battery separator technology
An important role in the next generation of electric vehicles

We are world leaders in the development of advanced glass products for use in battery separators; sheets of non-conducting porous material between positive and negative plates in storage batteries. They prevent short circuits caused by plates bending and touching and greatly increase the efficiency of batteries.

Moves to achieve a low-carbon society have focused the automotive industry on the development of more fuel-efficient cars. Such vehicles require advanced performance batteries. The aim of our research is to improve the capacity, stability, power and safety margins of the next generation of batteries. Enhanced performance characteristics can enable the use of smaller and more powerful batteries in next-generation lower-emission vehicles. We are rising to this challenge, developing and expanding sales of separators for these new batteries.

RESPONSIBLE MANAGEMENT

WE CONTINUE TO STRENGTHEN CORPORATE GOVERNANCE AND INCREASE TRANSPARENCY. WE AIM TO ACHIEVE SUCCESS THROUGH PROFESSIONAL, FAIR, ETHICAL, LEGAL, AND SUSTAINABLE PRACTICES, KEEPING OUR SHAREHOLDERS INFORMED THROUGH FOCUSED INTERNATIONAL INVESTOR RELATIONS PROGRAMS.

Our Code of Conduct sets out the corporate social responsibilities shared by the Group and its employees for behaving in a professional, fair, ethical, legal and sustainable manner in relationships with fellow employees, customers, suppliers, business partners, the community and other stakeholders in the business.

We are fully committed to sustainability. Our strategy and policies underline the unique contribution our products can make to addressing climate change and the challenges we face in improving our own energy usage and resource management.

Code of Conduct

Our Code of Conduct defines for all employees what is expected of them. It reflects our values and principles, particularly the emphasis on safety, taking personal ownership for actions and communicating with openness and involvement.

The overriding basis of the Code is that we will carry out these activities in a safe, professional, legal and ethical manner and in a way that demonstrates corporate social responsibility and promotes sustainability. Wherever possible, the Code defines a fair and common sense approach to doing business, with some elements dictated by strict legal requirements.

The Way we do Business

A summary document, 'The Way we do Business', covers the main points of the Code in a succinct pamphlet. Personal copies are distributed to all Group employees in their own language. Both the full Code and the summary document can be downloaded from the Group website.

Sustainability

We aim to achieve our sustainability objectives by balancing the needs of all our stakeholders, managing the environmental impacts of our activities, developing our people, encouraging innovation in processes and products, working in harmony with the communities in which we operate and encouraging our customers, contractors and suppliers to do the same.

Over the past year, the Board has agreed clear sustainability targets for the Group. We have committed to achieving these by 2015. A Sustainability Committee comprises senior representatives of the three business lines and key central functions.

We are working hard to communicate and to embed the principles of sustainable development into all the activities of the NSG Group. Our principal raw materials are mineral in nature and we recognize our responsibility to ensure that in obtaining those minerals, natural habitats and biodiversity are preserved or enhanced.

Corporate governance

We continue in our efforts to strengthen our corporate governance and increase transparency. In November 2010, we announced our intention to be one of the first major companies based in Japan to voluntarily adopt International Financial Reporting Standards (IFRS) for our consolidated financial statements, with effect from 1 April 2011. We will be an early adopter of IFRS in Japan. 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.

The NSG Group is governed by its Board of Directors, which is appointed by resolution at the General Meeting of Shareholders. The Board comprises the Chairman of the NSG Group, the Vice-Chairman, five executive directors and four external directors. In the fiscal year 2011, the Board of Directors met 15 times. The Board of Directors oversees the Group's economic, social and environmental performance and compliance with internal and internationally agreed standards, codes of conduct and principles.

Communicating strategy

In November 2010, we announced our Strategic Management Plan, which sets the course for the NSG Group over the next three years. Around 200 financial analysts attended a briefing session held in Tokyo in November 2010, at which Craig Naylor, President and CEO, presented and explained the Plan. We regard the Strategic Management Plan as a 'dynamic document' and will update the market annually on progress.

Communicating performance

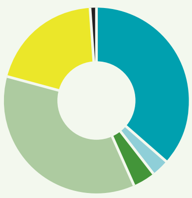
We report our results on a quarterly basis. We hold half-year and year-end financial results briefings for securities analysts and investors in Japan, with further communications in the intervening quarters. The CEO and Chief Financial Officer (CFO) personally present and discuss financial results, charting our progress against our strategy and the future outlook for the Group.

International investor relations

The acquisition of Pilkington plc in 2006 transformed NSG from a regional Japanese glass company to an international group headquartered in Tokyo. Following the acquisition, the proportion of non-resident foreign corporations and foreign individuals owning NSG Group shares has risen markedly. We have expanded our global effort to meet the requirements of shareholders and potential investors around the world.

Distribution of NSG Group shareholders

(as at 31 March 2011)



Financial institutions	37%
Securities companies	3%
Other corporate entities	4%
Foreign companies/ individuals	36%
Other individual investors	20%
Treasury stock	<1%

Management of strategic risks

We have identified, and are addressing, potential risks to our strategic development under the Strategic Management Plan.

- Global market downturn (which started in mid-2008) continuing to affect our global markets, countered by executing the restructuring program announced in early 2009 and maintaining pressure on cost base.
- Cost-push in energy and commodities, countered where possible by more effective purchasing, hedging strategy, introduction of energy surcharges and internal energy-saving programs, as well as investment in renewable energy projects.
- Increased competition from low labor-cost emerging markets, countered by our investment in those regions.
- Strategic Management Plan identifies further expansion into emerging markets as a priority. We are aware that this will present risks in terms of human resources planning. We are already addressing issues such as recruitment, retention and specialist and language training to ensure that we attract and retain the best talent.
- The availability of funding in capital markets is less predictable and more expensive, countered by an increased focus on cash flow management. Concentration on debt reduction could constrain the investment in ongoing businesses; nevertheless, we are following a focused capital allocation process.
- Demand growth in mature markets remains depressed in both building products and automotive sectors, emphasizing the need to grow in emerging markets.
- Risks of operating in new territories minimized through working with joint ventures and local partners, where appropriate, and by spreading our investments over several markets.
- Risk of being overtaken in technology and product range minimized by constant improvements in processes and product range and by pursuing alliances with partners with established leadership in complementary technologies.

Responsible management

BOARD OF DIRECTORS

Katsuji Fujimoto
Director
Chairman of NSG Group

Tomoaki Abe
Director
Vice-Chairman

Craig Naylor
Representative
Executive Director
President and CEO

Mark Lyons
Executive Director
Chief Financial Officer

Mike Fallon
Executive Director
Head of Automotive
Worldwide

Keiji Yoshikawa
Executive Director
Head of Specialty Glass
Worldwide

Clemens Miller
Executive Director
Head of Building Products
Worldwide

George Olcott
External Director

Sumitaka Fujita
External Director

Seiichi Asaka
External Director

Hiroshi Komiya
External Director

Nomination Committee
Katsuji Fujimoto (Chairman of Nomination Committee)
Tomoaki Abe
George Olcott
Sumitaka Fujita
Seiichi Asaka
Hiroshi Komiya
Craig Naylor

Audit Committee
Tomoaki Abe (Chairman of Audit Committee)
Katsuji Fujimoto
George Olcott
Sumitaka Fujita
Seiichi Asaka
Hiroshi Komiya

Compensation Committee
George Olcott (Chairman of Compensation Committee)
Tomoaki Abe
Sumitaka Fujita
Seiichi Asaka
Craig Naylor

FINANCIAL HIGHLIGHTS SUMMARY

	Millions of yen		Millions of euro (Note 1a)
	2011	2010	**2011**
Net sales	**577,212**	588,394	**4,933**
Income/(loss) before income taxes and minority interests	**3,360**	(42,414)	**29**
Net income/(loss)	**1,661**	(41,313)	**14**
Amounts per share (yen and euro cents)			
Net income/(loss):			
Basic	**0.13**	(65.61)	**0.00**
Cash dividends	**6.00**	6.00	**0.05**
Total assets	**868,588**	933,721	**7,424**
Total net assets	**226,874**	239,931	**1,939**
Number of permanent employees	**29,340**	28,338	

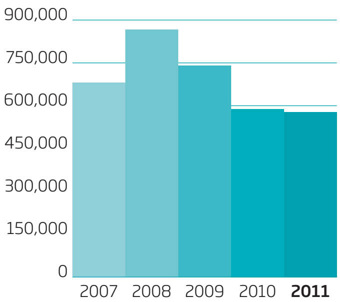
FIVE-YEAR SUMMARY

	Millions of yen					Millions of euro (Note 1a)
Year ended 31 March	**2011**	2010	2009	2008	2007	**2011**
Net sales	**577,212**	588,394	739,365	865,588	681,548	**4,933**
Operating income/(loss)	**14,352**	(17,183)	1,908	46,462	23,823	**123**
Income/(loss) before income taxes and minority interests	**3,360**	(42,414)	(13,515)	62,258	38,058	**29**
Net income/(loss)	**1,661**	(41,313)	(28,392)	50,417	12,096	**14**
Amounts per share (yen and euro)						
Net income/(loss):						
Basic	**0.13**	(65.61)	(42.49)	75.44	21.85	**0.00**
Diluted	**–**	–	–	70.90	20.28	**–**
Cash dividends	**6.00**	6.00	6.00	6.00	6.00	**0.05**
Total assets	**868,588**	933,721	1,025,221	1,319,290	1,408,984	**7,424**
Total shareholders' equity	**307,605**	302,544	319,009	352,995	306,900	**2,629**
Number of permanent employees	**29,340**	28,338	31,436	32,587	35,811	

Note: The translation of yen amounts into euro amounts is included solely for the convenience of readers outside Japan and has been made at ¥117 = €1.00, the exchange rate prevailing on 31 March 2011. This translation should not be construed as a representation that yen can be converted into euro at the above or any other rate.

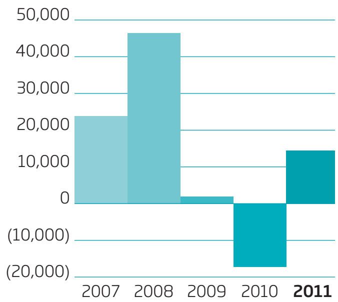
Net sales

Millions of yen



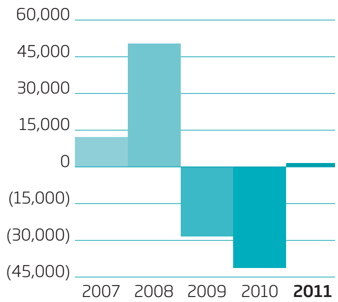
Operating income/(loss)

Millions of yen



Net income/(loss)

Millions of yen



CONSOLIDATED BALANCE SHEETS

Nippon Sheet Glass Company Limited and consolidated subsidiaries
31 March 2011 and 2010

	Millions of yen		Millions of euro (Note 1a)
	2011	2010	**2011**
Assets			
Current assets			
Cash and cash equivalents (Notes 4 and 15)	**60,906**	79,435	**520**
Short-term investments (Note 4)	**–**	361	**–**
Trade notes and accounts receivable (Note 4)	**95,640**	97,680	**817**
Allowance for doubtful accounts (Note 4)	**(4,444)**	(4,146)	**(38)**
Inventories:			
Finished goods	**55,183**	56,107	**472**
Work in progress and raw materials	**45,593**	42,684	**390**
Deferred income taxes (Note 9)	**1,022**	560	**9**
Other current assets	**20,966**	24,765	**179**
Total current assets	**274,866**	297,446	**2,349**
Property, plant and equipment, at cost (Notes 7 and 10)			
Land	**36,922**	39,774	**316**
Buildings and structures	**141,111**	141,122	**1,206**
Machinery, equipment and vehicles	**413,833**	403,019	**3,537**
Leased assets	**7,588**	8,179	**65**
Construction in progress	**1,205**	1,486	**10**
	600,659	593,580	**5,134**
Accumulated depreciation	**(329,372)**	(310,440)	**(2,815)**
Property, plant and equipment, net (Note 17)	**271,287**	283,140	**2,319**
Investments and other assets			
Investments in securities (Notes 4 and 5)	**7,239**	7,818	**62**
Investments in unconsolidated subsidiaries and affiliates (Note 4)	**55,473**	51,406	**474**
Goodwill (Note 17)	**107,690**	122,653	**921**
Deferred income taxes (Note 9)	**43,121**	47,836	**368**
Other assets	**108,912**	123,422	**931**
Total investments and other assets	**322,435**	353,135	**2,756**
Total assets	**868,588**	933,721	**7,424**

	Millions of yen		Millions of euro (Note 1a)
	2011	2010	**2011**
Liabilities and net assets			
Current liabilities			
Short-term bank borrowings (Notes 4, 10 and 15)	**14,925**	25,619	**128**
Current portion of long-term debt (Notes 4 and 10)	**40,626**	53,517	**347**
Notes and accounts payable:			
Trade (Note 4)	**73,927**	68,898	**632**
Construction and other	**18,091**	18,890	**155**
Accrued expenses	**19,502**	17,859	**167**
Accrued income taxes (Note 9)	**2,172**	6,023	**18**
Provision for Netherlands fine	**912**	625	**8**
Provision for warranties and claims	**5,097**	7,225	**43**
Provision for restructuring expenditure	**2,232**	3,485	**19**
Provision for German minority interests	**339**	353	**3**
Provision for loss on natural disaster	**133**	–	**1**
Deferred income taxes (Note 9)	**1,035**	5,562	**9**
Other current liabilities	**22,459**	27,078	**192**
Total current liabilities	**201,450**	235,134	**1,722**
Long-term liabilities			
Long-term debt (Notes 4 and 10)	**314,521**	315,306	**2,688**
Accrued retirement benefits (Note 8)	**52,065**	59,319	**445**
Allowance for rebuilding furnaces	**10,961**	10,560	**94**
Environmental provision	**6,071**	7,401	**52**
Asset retirement obligation	**664**	–	**6**
Deferred income taxes (Note 9)	**40,998**	45,919	**350**
Other long-term liabilities	**14,984**	20,151	**128**
Total long-term liabilities	**440,264**	458,656	**3,763**
Net assets			
Shareholders' equity (Notes 11 and 19):			
Capital stock:			
Common stock:			
Authorized – 1,775,000,000 shares in 2011 and 2010			
Issued – 903,550,999 shares in 2011 and 669,550,999 shares in 2010	**116,449**	96,147	**996**
Preferred stock			
Authorized – Nil shares in 2011 and 3,000,000 shares in 2010			
Issued – Nil shares in 2011 and 3,000,000 shares in 2010	**–**	–	**–**
Capital surplus	**125,587**	135,290	**1,073**
Retained earnings	**66,132**	71,696	**565**
Treasury stock, at cost: 1,404,087 shares in 2011 and 1,427,080 shares in 2010	**(563)**	(589)	**(5)**
Total shareholders' equity	**307,605**	302,544	**2,629**
Accumulated other comprehensive income/(loss):			
Net unrealized holding gain on securities (Note 5)	**660**	836	**6**
Net unrealized deferred loss on hedges (Note 6)	**(894)**	(5,026)	**(8)**
Translation adjustments	**(91,395)**	(68,049)	**(781)**
Total accumulated other comprehensive loss	**(91,629)**	(72,239)	**(783)**
Stock options (Note 11b)	**681**	684	**6**
Minority interests	**10,217**	8,942	**87**
Total net assets	**226,874**	239,931	**1,939**
Total liabilities and net assets	**868,588**	933,721	**7,424**

See the notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Nippon Sheet Glass Company Limited and consolidated subsidiaries
Years ended 31 March 2011 and 2010

	Millions of yen		Millions of euro (Note 1a)
	2011	2010	**2011**
Net sales (Note 17)	**577,212**	588,394	**4,933**
Cost of sales (Note 14)	**(420,931)**	(440,055)	**(3,597)**
Gross profit	**156,281**	148,339	**1,336**
Selling, general and administrative expenses (Note 14)	**(141,929)**	(165,522)	**(1,213)**
Operating income/(loss) (Note 17)	**14,352**	(17,183)	**123**
Other income/(expenses):			
Interest and dividend income	**2,560**	2,709	**22**
Interest expense	**(13,292)**	(14,252)	**(114)**
Equity in earnings of affiliates	**8,107**	2,396	**69**
Gain on sales of fixed assets	**1,128**	1,809	**10**
Loss on disposal of fixed assets	**(447)**	(164)	**(4)**
Gain on sales of investments in securities (Note 5)	**2**	4,137	**0**
Loss on impairment of fixed assets (Notes 7 and 17)	**(1,851)**	(10,669)	**(16)**
Loss on natural disaster	**(1,043)**	–	**(9)**
Restructuring expenditure	**(3,444)**	(4,629)	**(29)**
Gain on sales of investments in subsidiaries and affiliates	**733**	771	**6**
Other, net	**(3,445)**	(7,339)	**(29)**
	(10,992)	(25,231)	**(94)**
Income/(loss) before income taxes and minority interests	**3,360**	(42,414)	**29**
Income taxes (Note 9):			
Current	**(5,130)**	(5,538)	**(44)**
Deferred	**6,812**	8,014	**58**
	1,682	2,476	**14**
Income/(loss) before minority interests	**5,042**	(39,938)	**43**
Minority interests	**(3,381)**	(1,375)	**(29)**
Net income/(loss) (Note 16)	**1,661**	(41,313)	**14**

See the notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Nippon Sheet Glass Company Limited and consolidated subsidiaries
Years ended 31 March 2011 and 2010

	Millions of yen		Millions of euro (Note 1a)
	2011	2010	**2011**
Income/(loss) before minority interests	**5,042**	(39,938)	**43**
Other comprehensive income, net of tax:			
Net unrealized holding gain on securities (Note 5)	**(176)**	(1,497)	**(1)**
Net unrealized deferred loss on hedges (Note 6)	**4,132**	5,730	**35**
Translation adjustments	**(22,771)**	(5,985)	**(195)**
Share of other comprehensive income of affiliates accounted for using the equity method	**(1,433)**	1,533	**(12)**
Total other comprehensive income, net of tax	**(20,248)**	(219)	**(173)**
Total comprehensive income	**(15,206)**	(40,157)	**(130)**
Total comprehensive income attributable to:			
Equity shareholders of Nippon Sheet Glass Company Limited	**(17,729)**	(41,182)	**(152)**
Minority interests	**2,523**	1,025	**22**

See the notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Nippon Sheet Glass Company Limited and consolidated subsidiaries
Years ended 31 March 2011 and 2010

Millions of yen

	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities
Balance at 31 March 2009	96,147	–	105,287	118,159	(584)	319,009	2,339
Net loss for the year	–	–	–	(41,313)	–	(41,313)	–
Cash dividends	–	–	–	(5,150)	–	(5,150)	–
Issuance of preferred stock (Note 11)	–	15,000	15,000	–	–	30,000	–
Transfer to capital surplus	–	(15,000)	15,000	–	–	–	–
Sales of treasury stock	–	–	3	–	10	13	–
Purchases of treasury stock	–	–	–	–	(15)	(15)	–
Net changes during the year except for items under shareholders' equity	–	–	–	–	–	–	(1,503)
Balance at 31 March 2010	96,147	–	135,290	71,696	(589)	302,544	836
Issuance of new shares (Note 11)	**20,302**	**–**	**20,302**	**–**	**–**	**40,604**	**–**
Changes in shareholders' equity due to exercise of share options	**–**	**–**	**–**	**–**	**44**	**44**	**–**
Net income for the year	**–**	**–**	**–**	**1,661**	**–**	**1,661**	**–**
Cash dividends	**–**	**–**	**–**	**(7,029)**	**–**	**(7,029)**	**–**
Purchase of treasury stock (Note 11)	**–**	**–**	**–**	**–**	**(30,643)**	**(30,643)**	**–**
Cancellation of treasury stock (Note 11)	**–**	**–**	**(30,623)**	**–**	**30,623**	**–**	**–**
Disposal of treasury stock (Note 11)	**–**	**–**	**12**	**–**	**2**	**14**	**–**
Transfer to capital surplus	**–**	**–**	**606**	**(606)**	**–**	**–**	**–**
Increase in retained earnings arising on initial inclusion of subsidiaries in consolidation	**–**	**–**	**–**	**420**	**–**	**420**	**–**
Other	**–**	**–**	**–**	**(10)**	**–**	**(10)**	**–**
Net changes during the year except for items under shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**(176)**
Balance at 31 March 2011	**116,449**	**–**	**125,587**	**66,132**	**(563)**	**307,605**	**660**

Millions of yen

	Net unrealized deferred loss on hedges	Translation adjustments	Total accumulated other comprehensive loss	Stock options	Minority interests	Total net assets
Balance at 31 March 2009	(10,756)	(63,944)	(72,361)	493	10,082	257,223
Net loss for the year	–	–	–	–	–	(41,313)
Cash dividends	–	–	–	–	–	(5,150)
Issuance of preferred stock (Note 11)	–	–	–	–	–	30,000
Transfer to capital surplus	–	–	–	–	–	–
Sales of treasury stock	–	–	–	–	–	13
Purchases of treasury stock	–	–	–	–	–	(15)
Net changes during the year except for items under shareholders' equity	5,730	(4,105)	122	191	(1,140)	(827)
Balance at 31 March 2010	(5,026)	(68,049)	(72,239)	684	8,942	239,931
Issuance of new shares (Note 11)	**–**	**–**	**–**	**–**	**–**	**40,604**
Changes in shareholders' equity due to exercise of share options	**–**	**–**	**–**	**–**	**–**	**44**
Net income for the year	**–**	**–**	**–**	**–**	**–**	**1,661**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**(7,029)**
Purchase of treasury stock (Note 11)	**–**	**–**	**–**	**–**	**–**	**(30,643)**
Cancellation of treasury stock (Note 11)	**–**	**–**	**–**	**–**	**–**	**–**
Disposal of treasury stock (Note 11)	**–**	**–**	**–**	**–**	**–**	**14**
Transfer to capital surplus	**–**	**–**	**–**	**–**	**–**	**–**
Increase in retained earnings arising on initial inclusion of subsidiaries in consolidation	**–**	**–**	**–**	**–**	**–**	**420**
Other	**–**	**–**	**–**	**–**	**–**	**(10)**
Net changes during the year except for items under shareholders' equity	**4,132**	**(23,346)**	**(19,390)**	**(3)**	**1,275**	**(18,118)**
Balance at 31 March 2011	**(894)**	**(91,395)**	**(91,629)**	**681**	**10,217**	**226,874**

Millions of euro (Note 1a)

	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities
Balance at 31 March 2010	822	–	1,156	613	(5)	2,586	7
Issuance of new shares (Note 11)	**174**	**–**	**174**	**–**	**–**	**348**	**–**
Changes in shareholders' equity due to exercise of share options	**–**	**–**	**–**	**–**	**0**	**0**	**–**
Net income for the year	**–**	**–**	**–**	**14**	**–**	**14**	**–**
Cash dividends	**–**	**–**	**–**	**(60)**	**–**	**(60)**	**–**
Purchase of treasury stock (Note 11)	**–**	**–**	**–**	**–**	**(262)**	**(262)**	**–**
Cancellation of treasury stock (Note 11)	**–**	**–**	**(262)**	**–**	**262**	**–**	**–**
Disposal of treasury stock (Note 11)	**–**	**–**	**0**	**–**	**0**	**0**	**–**
Transfer to capital surplus	**–**	**–**	**5**	**(5)**	**–**	**–**	**–**
Increase in retained earnings arising on initial inclusion of subsidiaries in consolidation	**–**	**–**	**–**	**3**	**–**	**3**	**–**
Other	**–**	**–**	**–**	**0**	**–**	**0**	**–**
Net changes during the year except for items under shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**
Balance at 31 March 2011	**996**	**–**	**1,073**	**565**	**(5)**	**2,629**	**6**

Millions of euro (Note 1a)

	Net unrealized deferred loss on hedges	Translation adjustments	Total accumulated other comprehensive loss	Stock options	Minority interests	Total net assets
Balance at 31 March 2010	(43)	(581)	(617)	6	76	2,051
Issuance of new shares (Note 11)	**–**	**–**	**–**	**–**	**–**	**348**
Changes in shareholders' equity due to exercise of share options	**–**	**–**	**–**	**–**	**–**	**0**
Net income for the year	**–**	**–**	**–**	**–**	**–**	**14**
Cash dividends	**–**	**–**	**–**	**–**	**–**	**(60)**
Purchase of treasury stock (Note 11)	**–**	**–**	**–**	**–**	**–**	**(262)**
Cancellation of treasury stock (Note 11)	**–**	**–**	**–**	**–**	**–**	**–**
Disposal of treasury stock (Note 11)	**–**	**–**	**–**	**–**	**–**	**0**
Transfer to capital surplus	**–**	**–**	**–**	**–**	**–**	**–**
Increase in retained earnings arising on initial inclusion of subsidiaries in consolidation	**–**	**–**	**–**	**–**	**–**	**3**
Other	**–**	**–**	**–**	**–**	**–**	**0**
Net changes during the year except for items under shareholders' equity	**35**	**(200)**	**(166)**	**(0)**	**11**	**(155)**
Balance at 31 March 2011	**(8)**	**(781)**	**(783)**	**6**	**87**	**1,939**

See the notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nippon Sheet Glass Company Limited and consolidated subsidiaries
Years ended 31 March 2011 and 2010

	Millions of yen		Millions of euro (Note 1a)
	2011	2010	2011
Cash flows from operating activities			
Income/(loss) before income taxes and minority interests	**3,360**	(42,414)	**29**
Adjustments for:			
Depreciation and amortization of tangible and intangible assets other than goodwill	**41,621**	49,560	**356**
Amortization of goodwill	**6,489**	7,501	**55**
Loss on impairment of fixed assets	**1,851**	10,669	**16**
Increase in allowance for doubtful accounts	**36**	876	**0**
Decrease in accrued retirement benefits	**(3,166)**	(1,340)	**(27)**
Net gain on disposal of fixed assets	**(154)**	(872)	**(1)**
Net loss/(gain) on sales of investments in securities	**23**	(4,137)	**0**
Net (gain)/loss on sales of investments in subsidiaries and affiliates	**(511)**	1,086	**(4)**
Equity in earnings of affiliates	**(8,107)**	(2,396)	**(69)**
Interest and dividend income	**(2,560)**	(2,709)	**(22)**
Interest expense	**13,292**	15,261	**114**
Increase in trade notes and accounts receivable	**(1,974)**	(12,696)	**(17)**
(Increase)/decrease in inventories	**(6,104)**	12,845	**(52)**
Increase in notes and accounts payable	**7,444**	736	**64**
Decrease in provision for restructuring expenditure	**(1,254)**	(7,456)	**(11)**
Increase in provision for loss on natural disaster	**133**	–	**1**
Increase in allowance for rebuilding furnaces	**401**	401	**3**
Other, net	**(3,721)**	4,637	**(32)**
	47,099	29,552	**403**
Interest and dividend income received	**6,526**	5,797	**56**
Interest paid	**(13,567)**	(19,523)	**(116)**
Income taxes paid	**(8,855)**	(18,594)	**(76)**
Net cash provided by/(used in) operating activities	**31,203**	(2,768)	**267**
Cash flows from investing activities			
Payments for time deposits	**–**	(361)	**–**
Proceeds from time deposits	**361**	454	**3**
Purchases of investments in securities	**(10)**	(17)	**(0)**
Proceeds from sales of investments in securities	**30**	7,668	**0**
Purchases of investments in affiliates	**(1,555)**	(7,016)	**(13)**
Proceeds from sales of investments in subsidiaries and affiliates	**151**	14,454	**1**
Purchases of property, plant and equipment	**(29,874)**	(15,746)	**(255)**
Proceeds from sales of property, plant and equipment	**1,708**	2,920	**15**
Purchases of other assets	**(360)**	(1,012)	**(3)**
Proceeds from sales of other assets	**22**	–	**0**
Decrease/(increase) in short-term loans receivable included in other current assets	**39**	(2,055)	**0**
Increase in long-term loans receivable included in other assets	**(569)**	(10,720)	**(5)**
Proceeds from repayment of long-term loans receivable	**2,216**	5,544	**19**
Other, net	**(1)**	–	**(0)**
Net cash used in investing activities	**(27,842)**	(5,887)	**(238)**
Cash flows from financing activities			
(Decrease)/increase in short-term bank borrowings, net	**(2,410)**	441	**(21)**
Proceeds from long-term borrowings	**40,218**	144,846	**344**
Repayment of long-term borrowings	**(60,920)**	(176,030)	**(521)**
Proceeds from issuance of bonds	**23,854**	–	**204**
Redemption of bonds	**(10,000)**	–	**(86)**
Proceeds from issuance of stock	**40,237**	30,000	**344**
Purchase of treasury stock	**(30,643)**	–	**(262)**
Repayment of finance lease obligations	**(2,139)**	(3,087)	**(18)**
Cash dividends paid	**(7,029)**	(5,150)	**(60)**
Cash dividends paid to minority shareholders of consolidated subsidiaries	**(1,524)**	(862)	**(13)**
Other, net	**(1)**	(1,288)	**(0)**
Net cash used in financing activities	**(10,357)**	(11,130)	**(89)**
Effect of exchange rate changes on cash and cash equivalents	**(2,867)**	182	**(24)**
Net decrease in cash and cash equivalents	**(9,863)**	(19,603)	**(84)**
Cash and cash equivalents at beginning of the year	**55,995**	75,598	**478**
Increase due to change in scope of consolidation	**359**	–	**3**
Cash and cash equivalents at end of the year (Note 15)	**46,491**	55,995	**397**

See the notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Nippon Sheet Glass Company Limited and consolidated subsidiaries
31 March 2011 and 2010

1. Summary of significant accounting policies

(a) Basis of preparation

The accompanying consolidated financial statements of Nippon Sheet Glass Company Limited (the Company) and domestic consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan (JGAAP), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The Company applies the 'Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements' (PITF No. 18). In accordance with PITF No. 18, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with IFRS as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made, and additional information (not required under JGAAP) has been added, to the consolidated financial statements, issued domestically for the convenience of readers outside Japan.

The translation of Japanese yen into euro values is included solely for the convenience of readers outside Japan and has been made at ¥117 = €1.00, the exchange rate prevailing on 31 March 2011. This translation should not be construed as a representation that yen can be converted into euro at the above or any other rate.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended 31 March 2010 to the 2011 presentation. These reclassifications had no effect on consolidated net income or net assets.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for in the accompanying consolidated financial statements by the equity method. As of 31 March 2011, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 226 and 20 (223 and 20 in 2010), respectively.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Differences between the cost and the underlying net equity at fair value of the consolidated subsidiaries, at their respective dates of acquisition, are amortized by the straight-line method principally over a period of 20 years.

(c) Foreign currency translation

Assets and liabilities of overseas consolidated subsidiaries and affiliates are translated into yen at the exchange rates in effect at the respective balance sheet date. Revenue and expenses are translated at the average rates of exchange for the respective years. Differences arising from translation are reflected in 'Translation adjustments' and 'Minority interests' in the accompanying consolidated financial statements.

(d) Cash and cash equivalents

Cash and cash equivalents as stated in the consolidated statements of cash flows, consist of cash on hand, deposits with banks withdrawable on demand, overdrawn bank balances and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the historical experience with bad debts plus an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.

(f) Short-term investments and investments in securities

The accounting standard for financial instruments requires that securities other than equity securities issued by subsidiaries and affiliates be classified into three categories: trading securities; held-to-maturity debt securities; or other securities. Under this accounting standard, trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. The Company and its consolidated subsidiaries did not hold any trading securities or held-to-maturity debt securities at 31 March 2011 and 2010.

(g) Derivatives

Derivatives are stated at fair value.

(h) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are principally stated at the lower of cost or market value being determined by the moving average method.

Inventories held by overseas subsidiaries are stated at the lower of cost or net realizable value, determined by the first-in, first-out method.

(i) Property, plant and equipment

Depreciation is calculated at rates based on the estimated useful lives of the respective assets by the straight-line method. The estimated useful lives applied by the Company and domestic subsidiaries are principally as follows:

Buildings and structures	3-50 years
Machinery, equipment and vehicles	3-30 years

The estimated useful lives applied by the overseas subsidiaries are principally as follows:

Buildings and structures	20-50 years
Machinery, equipment and vehicles	5-25 years

(j) Intangible assets included in other assets

Amortization of intangible assets is calculated by the straight-line method. For computer software used in the Company and domestic consolidated subsidiaries, the estimated useful lives are determined within a period of five or ten years. Intangible assets recognized upon acquisition of Pilkington, such as relationships with customers, brand, and developed technology, have depreciation periods not exceeding 20 years.

(k) Retirement benefits

Accrued retirement benefits for employees are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial gain or loss and unrecognized past service cost. The retirement benefit obligation is attributed to each period

1. Summary of significant accounting policies continued

by the straight-line method over the estimated remaining years of service of the eligible employees for the Company and domestic subsidiaries and for all other subsidiaries the Projected Unit Credit Method is used, where each period of service gives rise to an additional benefit entitlement and each unit is measured separately to calculate the final obligation.

Past service costs related to pension schemes are generally expensed as incurred, and actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method over a period of five years, which is shorter than the average remaining years of service of the eligible employees.

(l) Allowance for rebuilding furnaces
In order to prepare for periodic large-scale repairs to furnaces, the allowance for rebuilding domestic furnaces in Japan is calculated in consideration of the estimated cost of scheduled repairs and the number of hours of operation prior to the next repair date. Such an allowance is not made for furnaces outside Japan.

(m) Leases
The Company and its consolidated subsidiaries lease certain machinery, equipment, vehicles and software under non-cancellable lease agreements referred to as finance leases. Finance leases are capitalized as liabilities and leased assets are treated as though they were legally owned. All other lease transactions are accounted for as operating leases and related payments are charged to income as incurred.

(n) Bond issuance expenses and share issuance expenses
Bond issuance expenses and share issuance expenses are charged to income as incurred.

(o) Research and development costs
Research and development costs are charged to income as incurred.

(p) Income taxes
Deferred tax assets and liabilities are determined based on the differences between reported accounting values and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to be reversed.

(q) Provision for German minority interests
The provision is calculated based on additional payments of principal and interest expected to be paid to former minority interest shareholders of Dahlbusch AG, a German subsidiary.

(r) Provision for warranties and claims
This provision is calculated based on expected future costs incurring from warranties and claims of products sold.

(s) Environmental provision
This provision is calculated based on expected future costs relating to preservation of the environment.

(t) Provision for loss on natural disaster
This provision is calculated based on expected future costs of repairing the damage caused by the earthquake and tsunami in Tohoku, Japan.

(u) Provision for restructuring expenditure
The Company has created a provision for restructuring expenditure. This provision covers the future costs associated with initiatives not yet paid at the balance sheet date.

(v) Provision for Netherlands fine
The Company has created a provision for potential future payments following an investigation undertaken by the Netherlands Competition Commission. The amount is based on the fine amount reported by the Netherlands Competition Commission for 2011 and calculated based on the guidelines under Netherlands law in 2010.

(w) Hedge accounting
The Company and domestic consolidated subsidiaries adopt deferred hedge accounting for derivatives which qualify as hedges, under which unrealized gains or losses are deferred.

Derivative financial instruments are used to hedge the risks associated with fluctuations in foreign exchange rates, interest rates and fuel prices in accordance with internal rules.

The hedged items and the hedging instruments used by the Company and consolidated subsidiaries are as follows:

- Hedged items: Accounts receivable and accounts payable denominated in foreign currencies and forecast transactions denominated in foreign currencies.

  Hedging instruments: Forward foreign exchange contracts.

- Hedged item: Interest on borrowings.

  Hedging instruments: Interest rate swaps.

- Hedged items: Fuel prices.

  Hedging instruments: Commodity swaps.

The Company and its domestic consolidated subsidiaries evaluate the effectiveness of their hedging activities by comparing the market price fluctuations or the cumulative changes in cash flows on hedging instruments with those of the related hedged items from the commencement of the hedges on a semi-annual basis.

Certain overseas consolidated subsidiaries account for their derivative transactions based on the terms of the respective contracts entered into at inception as follows:

i. Fair value hedges
Changes in the fair value of derivatives, designated and qualifying as fair value hedges, are charged to income, together with any changes in the fair value of the underlying hedged asset or liability attributable to the hedged risk.

ii. Cash flow hedges
The effective portion of changes in the fair value of derivatives, designated and qualifying as cash flow hedges, is recognized in 'Accumulated other comprehensive income/(loss)' at an amount net of the relevant tax effects. The gain or loss relating to the ineffective portion is recognized immediately and charged to income as incurred.

iii. Net investment hedges
Hedges of net investments in overseas operations are accounted for in a manner similar to that of cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in 'Accumulated other comprehensive income/(loss)' at an amount net of the relevant tax effects.

iv. Derivatives that do not qualify for hedge accounting
Changes in the fair value of any derivative instruments not qualifying for hedge accounting are immediately charged or credited to income as incurred.

(x) Appropriation of retained earnings
Pursuant to the Corporation Law of Japan and the Articles of Incorporation of the Company, the appropriation of retained earnings, including the declaration of dividends with respect to a given financial period, is made by resolution of the Board of Directors. The accounts for the period, therefore, do not reflect such appropriations.

(y) Accounting for consumption tax
Transactions subject to consumption tax are shown net of this amount.

1. Summary of significant accounting policies continued

(z) Revenue recognition
Revenues and costs of construction contracts of which the percentage completion can be reliably estimated are recognized by the percentage of completion method. The percentage of completion is calculated by reference to the cost incurred as a percentage of the estimated total cost. The completed contract method is applied for contracts for which the percentage of completion cannot be reliably estimated.

2. Balance sheet date of consolidated subsidiaries

The 2011 and 2010 consolidated results include all consolidated subsidiaries using a balance sheet date of 31 March 2011 and 2010, respectively.

3. Changes in method of accounting, estimates and presentation

(a) Change in method of accounting
Application of the accounting standard for asset retirement obligations

From this financial year 'Accounting Standard for Asset Retirement Obligations' (Accounting Standards Board of Japan (ASBJ) Statement No. 18, issued on 31 March 2008) and 'Guidance on Accounting Standard for Asset Retirement Obligations' (ASBJ Guidance No. 21, issued on 31 March 2008) have been applied. There was no impact from the application of this accounting standard on the Group's results during the period.

Application of the accounting standard for business combinations

From this financial year, 'Accounting Standard for Business Combinations' (ASBJ Statement No. 21, issued on 26 December 2008), 'Accounting Standard for Consolidated Financial Statements' (ASBJ Statement No. 22, issued on 26 December 2008), 'Partial Amendments to Accounting Standard for Research and Development Costs' (ASBJ Statement No. 23, issued on 26 December 2008), 'Accounting Standard for Business Divestitures' (ASBJ Statement No. 7, revised on 26 December 2008), 'Accounting Standard for Equity Method of Accounting for Investments' (ASBJ Statement No. 16, partially revised on 26 December 2008) and 'Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures' (ASBJ Guidance No. 10, revised on 26 December 2008) have been applied.

Application of the accounting standard for equity method of accounting for investments

From this financial year, 'Accounting Standard for Equity Method of Accounting for Investments' (ASBJ Statement No. 16, issued on 10 March 2008) and 'Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method' (ASBJ PITF No. 24, issued on 10 March 2008) have been applied. There was no impact from the application of this accounting standard on the Group's results during the period.

Application of the accounting standard for measurement of inventories

From this financial year, 'Accounting Standard for Measurement of Inventories' (ASBJ Statement No. 9, revised on 26 September 2008) has been applied. There was no material impact from the application of this accounting standard.

Change in the accounting method for interest rate swap contracts

From this financial year, the Company changed its accounting method for interest rate swap contracts held by the Company, which had been accounted for under the exceptional method, to the deferred hedge accounting method. Prior to the change, those interest swap contracts were accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt. There was no impact from the application of this accounting method on the Group's results during the period.

(b) Changes in estimates
Change in the useful life of tangible fixed assets

From this financial year, the Company has changed the estimated useful life of machinery, equipment and vehicles to be within the range of three to 30 years, which was previously three to nine years. Similarly, the Company has changed the estimated useful life of tools, furniture and fixtures to be five years, which was previously within the range of two to ten years. Also from this financial year, the Company has changed its depreciation method for tangible fixed assets acquired before and on 31 March 2007, so that they are depreciated to a nominal value as a residual value by the straight-line method over the useful economic life. These fixed assets were previously depreciated to the value of 5 percent of the acquisition cost, and then after reaching 5 percent of the acquisition cost, the remaining balance of the assets was depreciated to a nominal value by the straight-line method over a period of five years commencing a year after.

Through the establishment of the Group's global management system, these changes were made to apply the depreciation method in a similar way across the Group's subsidiaries.

As a result of these changes, 'Operating income' and 'Income before income taxes and minority interests' increased by ¥835 million (€7 million) during the period.

Change in the useful life of intangible fixed assets

From this financial year, the Company has changed the estimated useful life of computer software to five or ten years, which was previously five years. Through the establishment of the Group's global management system, these changes were made to apply a consistent useful life that reflects the expected future period in use of the software held by the Group.

As a result of this change, 'Operating income', and 'Income before income taxes and minority interests' increased by ¥1,388 million (€12 million) during the period.

(c) Changes in presentation
Adoption of Accounting Standard for Presentation of Comprehensive Income

From this financial year, `Accounting Standard for Presentation of Comprehensive Income', (ASBJ Statement No. 25, issued on 30 June 2010) has been applied.

Application of accounting standard for segmental information

From this financial year, 'Accounting standard for Disclosure about Segments of an Enterprise and Related information' (ASBJ Statement No. 17, as revised on 27 March 2009) and 'Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information' (ASBJ Guidance No. 20, issued on 21 March 2008) have been applied. The segmental information for the year ended 31 March 2010 has been restated in accordance with the new standard.

4. Financial instruments

(a) Overview

(i) Use of financial instruments

The Company and its subsidiaries (the Group) is financed by a combination of cash flows from operations, bank loans and corporate bonds. The Group's policy is to ensure continuity of finance at a reasonable cost with varying maturities.

The Group refinances borrowings well before their due date and ensures that any uncommitted or short-term borrowings are supported by un-drawn committed facilities. The Group aims to obtain its funding from a variety of sources and access markets globally as and when such funding is required.

The Group seeks to deal with Relationship Banks that are able to support its businesses worldwide with the services it requires and at the same time provide, where necessary, appropriate levels of credit.

The Group has obtained long-term investment grade credit ratings from three rating agencies. The current ratings are Baa3 from Moody's, BBB from Rating and Investment, Inc. and BBB+ from Japan Credit Rating Agency, Ltd. The Group aims to maintain these ratings, and further reductions in net debt should underpin this objective.

The Group invests cash balances into short-term investments, such as money market funds and certificates of deposit, with a selected group of creditworthy financial institutions.

The Group does not engage in speculative trading of financial instruments or derivatives.

(ii) Types of financial instruments and the associated risk

Trade notes and accounts receivable are exposed to credit risks of each individual customer. The Group actively manages its exposure to such credit risks through regular reviews of balances and formal approval of credit limits. In some territories, the Group uses external credit insurance to protect the value of notes and accounts receivable. The Group provides specifically for the value of doubtful notes and accounts receivable and, as such, the carrying value of such items is equal to the fair value.

Investment in securities consists mainly of equity securities issued by the companies with whom the Group has a close business relationship and bond securities with higher credibility. These investments are exposed to market risks due to the fluctuation in market prices, and so the Group regularly monitors their fair values.

The majority of notes and accounts payable are settled within one year from the financial year-end.

The treasury function manages the liquidity risk of the Group. It has procedures in place to manage the risk of the Group and responds appropriately based upon timely information reported from each business line.

The Group has a global treasury function appropriate for the global nature of our business. The treasury function is responsible for the Group's liquidity management and for the management of the Group's interest, commodity and foreign exchange risks, operating within policies and authority limits set by the Board of Directors. The Board approves a set of financial counterparties noted for their strong credit standing. Treasury operations are reviewed annually by the Group Internal Audit Function, to ensure compliance with the Group's policies.

Risk management – foreign exchange and interest rates

The Group has major manufacturing operations in 29 countries and sales in around 130 countries. Assets denominated in foreign currencies are hedged where appropriate, for example by matching the currency of borrowings to those assets.

The Group borrows in a variety of currencies, principally, but not limited to Japanese yen, euro, US dollars and sterling, at both fixed and floating rates of interest using derivatives where appropriate to generate the desired effective currency and interest rate exposure. The financial instruments used for this purpose are principally interest rate swaps and forward foreign exchange contracts. Material foreign exchange transactions are hedged when reasonably certain, usually through the use of foreign exchange forward contracts.

The Group does not engage in speculative trading of financial instruments or derivatives. However, risks arise in these transactions if the expected cash flow does not arise or if the highly rated financial counterparty does not perform its obligations under the contract. The policies require immediate cancellation of any derivative that is found to be no longer required.

Exposure to interest rate fluctuations on borrowings is managed by borrowing on either a fixed or floating basis and entering into interest rate swaps or forward rate agreements. Foreign exchange contracts and interest rate swaps are transacted in such a way as to ensure hedge accounting on some transactions.

Risk management – commodities

The Group consumes significant amounts of energy and is exposed to energy price risk arising from this consumption, principally of oil and gas. The Group's risk management policy for energy is to hedge between 20 and 100 percent of anticipated purchases for the subsequent 12 months and between 10 and 80 percent for the next four years.

The financial instruments used for this purpose are energy swaps and are trades with highly rated financial counterparties. Risks arise in these transactions if the expected cash flow does not arise or if the highly rated financial counterparty does not perform its obligations under the contract. The policies require immediate cancellation of any derivative that is found to be no longer required.

Commodity hedging is transacted in such a way as to ensure effectiveness of the hedge and therefore the Group usually benefits from deferred hedge accounting on all transactions.

(iii) Supplementary explanations of the fair values of financial instruments

Financial instruments are shown on the balance sheet at the fair value on the balance sheet date although there are some exceptions. As a general rule, the fair values of derivatives are calculated with reference to forward exchange rates, interest rates or commodity prices in the financial markets on the balance sheet date. However, when the future cash flows for the derivative can be reliably estimated, they are discounted to the balance sheet date. Where an instrument is tradable in the financial markets we use this market price as the fair value. Fair values are expected to change throughout the life of the instrument such that this valuation is only relevant at the balance sheet date and may not equate to an actual price at which the instrument can be sold.

4. Financial instruments continued

(b) Fair value information

The table below shows the carrying value, fair value and variance of each of the major financial instruments held by the Group as of 31 March 2011 and 2010. Financial instruments, whose fair values are extremely difficult to measure reliably, are excluded from the table.

	Millions of yen		
	2011		
	Carrying value as at the balance sheet date	**Fair value**	**Variance**
Cash and cash equivalents	**60,906**	**60,906**	**–**
Short-term investments	**–**	**–**	**–**
	60,906	**60,906**	**–**
Trade notes and accounts receivable	**95,640**		
Allowance for doubtful accounts (i)	**(4,092)**		
	91,548	**91,548**	**–**
Investments in securities			
Joint ventures and associates	**12,451**	**41,500**	**29,049**
Other securities	**6,029**	**6,029**	**–**
Total financial assets	**170,934**	**199,983**	**29,049**
Trade notes and accounts payable	**73,927**	**73,927**	**–**
Short-term bank borrowings	**14,925**	**14,925**	**–**
Long-term bank borrowings (ii)	**278,274**	**278,950**	**676**
Bonds payable (iii)	**74,000**	**74,592**	**592**
Total financial liabilities (iv)	**441,126**	**442,394**	**1,268**
Derivative contracts (v)	**1,016**	**1,016**	**–**

	Millions of yen		
	2010		
	Carrying value as at the balance sheet date	Fair value	Variance
Cash and cash equivalents	79,435	79,435	–
Short-term investments	361	361	–
	79,796	79,796	–
Trade notes and accounts receivable	97,680		
Allowance for doubtful accounts (i)	(3,604)		
	94,076	94,076	–
Investments in securities			
Joint ventures and associates	7,181	17,919	10,738
Other securities	6,524	6,524	–
Total financial assets	187,577	198,315	10,738
Trade notes and accounts payable	68,898	68,898	–
Short-term bank borrowings	25,619	25,619	–
Long-term bank borrowings (ii)	303,859	303,669	(190)
Bonds payable (iii)	60,000	59,736	(264)
Total financial liabilities (iv)	458,376	457,922	(454)
Derivative contracts (v)	(7,567)	(7,567)	–

4. Financial instruments continued

	Millions of euro		
	2011		
	Carrying value as at the balance sheet date	Fair value	Variance
Cash and cash equivalents	520	520	–
Short-term investments	–	–	–
	520	520	–
Trade notes and accounts receivable	817		
Allowance for doubtful accounts (i)	(35)		
	782	782	–
Investments in securities			
Joint ventures and associates	106	355	249
Other securities	52	52	–
Total financial assets	1,460	1,709	249
Trade notes and accounts payable	632	632	–
Short-term bank borrowings	128	128	–
Long-term bank borrowings (ii)	2,378	2,384	6
Bonds payable (iii)	632	637	5
Total financial liabilities (iv)	3,770	3,781	11
Derivative contracts (v)	(9)	(9)	–

Note:
i. The amount of allowance for doubtful accounts is related only to trade notes and accounts receivable.
ii. The amount of long-term bank borrowings includes a portion of borrowings maturing within one year.
iii. The amount of bonds payable includes a portion of bonds payable maturing within one year.
iv. Short-term and long-term finance lease liabilities are excluded from the fair value disclosure due to immateriality.
v. The amounts of derivative contracts are presented net of financial receivables and payables from the outstanding contracts, and are presented in negative value if financial payables exceed receivables.

Fair valuation methods and notes about investments and derivatives

Financial asset items

Cash and cash equivalents and Trade notes and accounts receivable

These items are measured at carrying value, as they are settled within a short period and so their fair values are thought to be almost equal to the carrying values.

Investments in securities

Fair values of investments in equity securities are measured by reference to quoted market prices at stock exchanges. Fair values of investments in debt securities are measured by reference to prices at financial markets or specific prices indicated by financial institutions.

Financial liability items

Trade notes and accounts payable

Trade notes and accounts payable are measured at carrying value, as they are settled within a short period and so their fair values are thought to be almost equal to the carrying values.

Short-term and long-term bank borrowings

Fair values of these items are calculated by discounting aggregated future cash payments of interests and principals related to each borrowing contract to present values. Interest rates, assumed as applicable to new bank borrowings with similar values and terms at the year-end, are used as discount rates.

Bonds payable

Fair values of bonds payable with market price are measured at the market prices. Fair values of bonds payable with no market price are calculated by discounting aggregated future cash payments for interests and principals related to each bond to present values. Interest rates, after considering remaining periods to maturity and credit risks associated with the bonds, are used as discount rates.

Derivative contracts

Fair values of derivative contracts are measured by reference to prices or indices indicated by financial institutions. The fair values of interest rate swap contracts, accounted for by 'Exceptional method' under J-GAAP in the year ended 31 March 2010, are not fair valued separately, because the fair values are included in those of the underlying borrowings as they are accounted for as if the interest rates applied to the swaps had originally applied to the underlying borrowings.

Financial instruments whose fair values are extremely difficult to measure reliably

Unlisted equity securities of ¥44,232 million (€378 million) and ¥45,519 million that are included in 'Investments in securities' and 'Investments in unconsolidated subsidiaries and affiliates' on the consolidated balance sheets as at 31 March 2011 and 2010 have not been included in 'Investments in securities' in the tables of Note 4(b). The fair value of these unlisted equity securities is extremely difficult to measure reliably because their market prices are not readily available and future cash flows from these investments in securities cannot be estimated.

4. Financial instruments continued

Maturity profile of financial assets and investments in securities with fixed maturities

	Due within one year	Due after one to five years	Due after five to 10 years	Due after 10 years
	Millions of yen			
	2011			
Cash and cash equivalents	**60,906**	**–**	**–**	**–**
Short-term investments	**–**	**–**	**–**	**–**
Trade notes and accounts receivable	**95,640**	**–**	**–**	**–**
Investments in securities				
Other securities with maturity				
Debt securities (Government bonds)	**230**	**676**	**953**	**1,695**
Total	**156,776**	**676**	**953**	**1,695**

	Due within one year	Due after one to five years	Due after five to 10 years	Due after 10 years
	Millions of yen			
	2010			
Cash and cash equivalents	79,435	–	–	–
Short-term investments	361	–	–	–
Trade notes and accounts receivable	97,680	–	–	–
Investments in securities				
Other securities with maturity				
Debt securities (Government bonds)	1	910	736	1,956
Total	177,477	910	736	1,956

	Due within one year	Due after one to five years	Due after five to 10 years	Due after 10 years
	Millions of euro			
	2011			
Cash and cash equivalents	**520**	**–**	**–**	**–**
Short-term investments	**–**	**–**	**–**	**–**
Trade notes and accounts receivable	**817**	**–**	**–**	**–**
Investments in securities				
Other securities with maturity				
Debt securities (Government bonds)	**2**	**6**	**8**	**14**
Total	**1,339**	**6**	**8**	**14**

For the maturity profile of long-term debt please refer to Note 10.

5. Investments in securities

The Company and its consolidated subsidiaries did not hold any trading securities or held-to-maturity debt securities at 31 March 2011 and 2010.

Marketable securities classified as other securities at 31 March 2011 and 2010 are summarized as follows:

	Carrying value	Acquisition costs	Unrealized gain/(loss)	Carrying value	Acquisition costs	Unrealized gain/(loss)
	Millions of yen					
	2011			2010		
Securities whose carrying value exceeds their acquisition costs						
Equity securities	**1,736**	**1,153**	**583**	2,811	1,796	1,015
Debt securities	**3,145**	**2,429**	**716**	3,207	2,570	637
Securities whose carrying value does not exceed their acquisition costs						
Equity securities	**740**	**770**	**(30)**	110	128	(18)
Debt securities	**408**	**410**	**(2)**	395	397	(2)
Total	**6,029**	**4,762**	**1,267**	6,523	4,891	1,632

5. Investments in securities continued

	Millions of euro		
	2011		
	Carrying value	Acquisition costs	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition costs			
Equity securities	15	10	5
Debt securities	27	21	6
Securities whose carrying value does not exceed their acquisition costs			
Equity securities	6	6	(0)
Debt securities	4	4	(0)
Total	52	41	11

At the year end, the Company and its consolidated subsidiaries compare the market value and the carrying value of each of their marketable equity securities. Impairment losses are recorded as appropriate.

Sales of other securities for the years ended 31 March 2011 and 2010 are summarized as follows:

	Millions of yen		Millions of euro
	2011	2010	2011
Sales			
Equity securities	30	7,155	0
Debt securities – Government bonds	–	513	–
Total	30	7,668	0
Aggregate gain			
Equity securities	2	4,087	0
Debt securities – Government bonds	–	50	–
Total	2	4,137	0
Aggregate loss			
Equity securities	25	–	0

6. Derivatives

Derivatives that did not qualify for hedge accounting

The notional amounts and the estimated fair value of the derivative instruments outstanding which did not qualify for hedge accounting at 31 March 2011 and 2010 were as follows:

(a) Currency-related transactions

	Millions of yen			
	2011			
	Contract value	Due after one year	Fair value	Gain/(loss)
Forward foreign exchange contracts				
Sell:				
US dollar	2,287	–	(3)	(3)
Euro	6,084	88	10	10
Other	872	–	(18)	(18)
Buy:				
US dollar	2,602	–	(22)	(22)
Euro	2,623	–	39	39
Other	641	72	(4)	(4)
Total	15,109	160	2	2

6. Derivatives continued

(a) Currency-related transactions continued

	Millions of yen			
	2010			
	Contract value	Due after one year	Fair value	Gain/(loss)
Forward foreign exchange contracts				
Sell:				
Pound sterling	8,656	–	(7)	(7)
Euro	8,027	–	(5)	(5)
US dollar	7,160	–	(4)	(4)
Buy:				
Pound sterling	5,724	–	(332)	(332)
Euro	473	–	(36)	(36)
US dollar	131	–	0	0
Total	30,171	–	(384)	(384)

	Millions of euro			
	2011			
	Contract value	**Due after one year**	**Fair value**	**Gain/(loss)**
Forward foreign exchange contracts				
Sell:				
US dollar	**20**	**–**	**(0)**	**(0)**
Euro	**52**	**1**	**0**	**0**
Other	**8**	**–**	**(0)**	**(0)**
Buy:				
US dollar	**22**	**–**	**(0)**	**(0)**
Euro	**22**	**–**	**0**	**0**
Other	**5**	**0**	**(0)**	**(0)**
Total	**129**	**1**	**0**	**0**

Note: The fair value of each contract is measured based on forward foreign exchange market rates.

(b) Interest-related transactions

	Millions of yen			
	2011			
	Contract value	**Due after one year**	**Fair value**	**Gain/(loss)**
Interest rate swaps				
Receive/fixed and pay/floating	**10,326**	**10,326**	**168**	**168**
Receive/floating and pay/fixed	**9,789**	**9,789**	**(709)**	**(709)**
Total	**20,115**	**20,115**	**(541)**	**(541)**

	Millions of yen			
	2010			
	Contract value	Due after one year	Fair value	Gain/(loss)
Interest rate swaps				
Receive/fixed and pay/floating	11,707	11,707	394	394
Receive/floating and pay/fixed	10,411	10,411	(1,336)	(1,336)
Total	22,118	22,118	(942)	(942)

	Millions of euro			
	2011			
	Contract value	**Due after one year**	**Fair value**	**Gain/(loss)**
Interest rate swaps				
Receive/fixed and pay/floating	**88**	**88**	**1**	**1**
Receive/floating and pay/fixed	**84**	**84**	**(6)**	**(6)**
Total	**172**	**172**	**(5)**	**(5)**

Note: The fair value of each contract is measured by reference to the price or index indicated by financial institutions.

6. Derivatives continued

Derivatives that did qualify for hedge accounting

The notional amounts and the estimated fair value of the derivative instruments outstanding which did qualify for hedge accounting at 31 March 2011 and 2010 were as follows:

(a) Currency-related transactions

	Millions of yen		
	2011		
	Contract value	Due after one year	Fair value
Type: deferred hedge			
Hedged item: receivables and payables in foreign currencies			
Forward foreign exchange contracts			
Sell:			
US dollar	7,043	–	30
Euro	9,218	–	19
Buy:			
US dollar	240	–	1
Type: net investment hedge			
Hedged item: assets and liabilities denominated in foreign currencies			
Forward foreign exchange contracts			
Sell:			
Polish zloty	13,208	–	(286)
Russian ruble	6,415	–	(97)
Brazilian real	3,944	–	15
Argentine peso	3,160	–	10
Chilean peso	1,550	–	(5)
Swedish krona	1,263	–	(25)
Other	1,205	–	(47)
Buy:			
Euro	34,087	–	411
Japanese yen	21,500	–	(12)
Other	225	–	1
Type: cash flow hedge			
Hedged item: receivables and payables in foreign currencies			
Forward foreign exchange contracts			
Sell:			
US dollar	4,132	–	80
Euro	9,211	118	(266)
Japanese yen	1,100	–	(6)
Other	561	–	(15)
Buy:			
US dollar	2,314	–	(44)
Euro	6,412	–	219
Polish zloty	4,517	–	(70)
Japanese yen	2,639	–	(71)
Canadian dollar	1,624	69	91
Mexican peso	758	–	37
Total	136,326	187	(30)

6. Derivatives continued

(a) Currency-related transactions continued

	Millions of yen		
	2010		
	Contract value	Due after one year	Fair value
Type: deferred hedge			
Hedged item: receivables and payables in foreign currencies			
Forward foreign exchange contracts			
Sell:			
Euro	121	–	(1)
US dollar	3,292	–	(100)
Buy:			
Euro	8	–	0
US dollar	18	–	0
Type: net investment hedge			
Hedged item: assets and liabilities denominated in foreign currencies			
Forward foreign exchange contracts			
Sell:			
Pound sterling	23,735	–	(48)
Buy:			
Pound sterling	29,343	–	(1,422)
Euro	3,657	–	(370)
Type: cash flow hedge			
Hedged item: receivables and payables in foreign currencies			
Forward foreign exchange contracts			
Sell:			
Pound sterling	8,150	232	148
Euro	3,795	–	167
US dollar	3,943	–	180
Buy:			
Pound sterling	6,366	–	(200)
Euro	2,889	–	(160)
US dollar	408	–	(43)
Other	399	–	13
Total	86,124	232	(1,836)

6. Derivatives continued

(a) Currency-related transactions continued

	Millions of euro		
	2011		
	Contract value	Due after one year	Fair value
Type: deferred hedge			
Hedged item: receivables and payables in foreign currencies			
Forward foreign exchange contracts			
Sell:			
US dollar	60	–	0
Euro	79	–	0
Buy:			
US dollar	2	–	0
Type: net investment hedge			
Hedged item: assets and liabilities denominated in foreign currencies			
Forward foreign exchange contracts			
Sell:			
Polish zloty	113	–	(2)
Russian ruble	55	–	(1)
Brazilian real	34	–	0
Argentine peso	27	–	0
Chilean peso	13	–	(0)
Swedish krona	11	–	(0)
Other	10	–	(0)
Buy:			
Euro	291	–	4
Japanese yen	184	–	(0)
Other	2	–	0
Type: cash flow hedge			
Hedged item: receivables and payables in foreign currencies			
Forward foreign exchange contracts			
Sell:			
US dollar	35	–	0
Euro	79	1	(2)
Japanese yen	10	–	(0)
Other	5	–	(0)
Buy:			
US dollar	20	–	(0)
Euro	55	–	2
Polish zloty	38	–	(1)
Japanese yen	22	–	(1)
Canadian dollar	14	1	1
Mexican peso	6	–	0
Total	1,165	2	(0)

Note: The fair value of each contract is measured based on forward foreign exchange market rates.

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6. Derivatives continued

(b) Interest-related transactions

	Millions of yen		
	2011		
	Contract value	Due after one year	Fair value
Type: deferred hedge			
Hedge item: long-term debt			
Interest rate swaps			
Receive/floating and pay/floating	**8,700**	**8,700**	**135**
Receive/floating and pay/fixed	**24,000**	**22,500**	**(265)**
Type: cash flow hedge			
Hedge item: long-term debt			
Interest rate swaps			
Receive/floating and pay/fixed	**54,405**	**43,585**	**(494)**
Total	**87,105**	**74,785**	**(624)**

	Millions of yen		
	2010		
	Contract value	Due after one year	Fair value
Type: deferred hedge			
Hedge item: long-term debt			
Interest rate swaps			
Receive/floating and pay/fixed	22,500	22,500	(304)
Type: exceptional method			
Hedge item: long-term debt			
Interest rate swaps			
Receive/floating and pay/floating	8,700	8,700	Note 2
Receive/floating and pay/fixed	1,500	1,500	Note 2
Type: cash flow hedge			
Hedge item: long-term debt			
Interest rate swaps			
Receive/floating and pay/fixed	68,304	30,804	(2,833)
Total	101,004	63,504	(3,137)

	Millions of euro		
	2011		
	Contract value	Due after one year	Fair value
Type: deferred hedge			
Hedge item: long-term debt			
Interest rate swaps			
Receive/fixed and pay/floating	**74**	**74**	**1**
Receive/floating and pay/fixed	**205**	**192**	**(2)**
Type: cash flow hedge			
Hedge item: long-term debt			
Interest rate swaps			
Receive/floating and pay/fixed	**465**	**373**	**(4)**
Total	**744**	**639**	**(5)**

Notes:
1. The fair value of each contract is measured by reference to the price or index indicated by financial institutions.
2. Fair values of interest swap contracts, which are accounted for by the 'Exceptional method' under JGAAP, are not fair valued separately, because the fair values are included in those of the underlying long-term borrowings as they are accounted for as if the interest rates applied to the swaps had originally applied to the underlying borrowings.

6. Derivatives continued

(c) Commodity-related transactions

	Millions of yen		
	2011		
	Contract value	Due after one year	Fair value
Type: deferred hedge			
Hedge item: forecast oil transaction			
Commodity swap contracts			
Oil swap contracts	**6,795**	**3,794**	**1,136**
Type: cash flow hedge			
Hedge item: forecast energy purchase			
Commodity swap contracts			
Energy swap contract	**4,261**	**3,207**	**1,073**
Total	**11,056**	**7,001**	**2,209**

	Millions of yen		
	2010		
	Contract value	Due after one year	Fair value
Type: deferred hedge			
Hedge item: forecast oil transaction			
Commodity swap contracts			
Oil swap contracts	6,726	3,251	(64)
Type: cash flow hedge			
Hedge item: forecast energy purchase			
Commodity swap contracts			
Energy swap contract	14,743	14,743	(1,204)
Total	21,469	17,994	(1,268)

	Millions of euro		
	2011		
	Contract value	Due after one year	Fair value
Type: deferred hedge			
Hedge item: forecast oil transaction			
Commodity swap contracts			
Oil swap contracts	**58**	**33**	**10**
Type: cash flow hedge			
Hedge item: forecast energy purchase			
Commodity swap contracts			
Energy swap contract	**37**	**27**	**9**
Total	**95**	**60**	**19**

Note: The fair value of each contract is measured by reference to the price or index indicated by financial institutions.

7. Loss on impairment of fixed assets

The Company and its consolidated subsidiaries recognized a loss on impairment of fixed assets for the years ended 31 March 2011 and 2010 as follows:

Description	Location	Classification	2011 Millions of yen	2011 Millions of euro
Idle production facilities	Italy	Machinery and equipment	**316**	**3**
Idle production facilities	Spain	Machinery and equipment	**22**	**0**
Idle production facilities	Norway	Machinery and equipment	**73**	**1**
Idle production facilities	Poland	Machinery and equipment	**12**	**0**
Idle production facilities	UK	Buildings, machinery and equipment and others	**82**	**1**
Idle production facilities	China	Machinery and equipment	**92**	**1**
Production facilities	USA	Machinery and equipment	**50**	**1**
Idle production facilities	Miyagi, Japan	Land and buildings	**111**	**1**
Idle production facilities	Kyoto, Japan	Land and buildings	**164**	**1**
Idle production facilities	Kagoshima, Japan	Land and buildings	**6**	**0**
Idle production facilities	Chiba, Japan	Buildings, machinery and equipment and others	**521**	**4**
Idle production facilities	Osaka, Japan	Land and buildings	**106**	**1**
Idle production facilities	Tokyo, Japan	Land, machinery and equipment and others	**146**	**1**
Idle production facilities	Hokkaido, Japan	Land and buildings	**150**	**1**
Total			**1,851**	**16**

Description	Location	Classification	2010 Millions of yen
Production facilities	Italy	Machinery, equipment, tools and fixtures	488
Other	Netherlands	Goodwill	137
Other	Switzerland	Goodwill	1,167
Factory	Chile	Buildings, machinery and equipment	530
Other	Denmark	Other intangible assets	51
Idle production facilities	Germany	Machinery and equipment	818
Production facilities	Germany	Machinery and equipment	152
Other	Hungary	Other intangible assets	189
Warehouse	Finland	Buildings, machinery and equipment	328
Other	France	Other intangible assets and goodwill	2,189
Factory	France	Buildings, machinery and equipment	1,362
Production facilities	UK	Machinery and equipment	1,761
Factory	UK	Land	461
Idle production facilities	UK	Machinery and equipment	96
Office	UK	Buildings	64
Other	UK	Computer software	33
Research and development	UK	Computer software	18
Production facilities	China	Machinery and equipment	163
Factory	China	Buildings	91
Factory	USA	Land and buildings	223
Production facilities	USA	Machinery and equipment	194
Idle production facilities	Chiba, Japan	Buildings, machinery and equipment and others	117
Idle production facilities	Mie, Japan	Buildings, machinery and equipment	37
Total			10,669

The Company and its consolidated subsidiaries group their assets based on their reporting segment except for idle facilities which are considered separately because they are not applicable for business use.

An impairment loss is recognized on idle facilities which are not anticipated to be utilized in the future.

The carrying value of the items in the above tables except for the idle facilities have been reduced to their respective recoverable amounts due to continuing losses from operating activities, which the Group has recognized in the respective financial year.

For the financial year ended 31 March 2010, the carrying amounts of the goodwill that relate to the businesses which were classified as for sale have been reduced to their fair value less costs to sell.

The recoverable amounts are measured based on net selling price and value in use. The net selling price of land is measured based on professional appraisals issued by real estate appraisers and the recoverable amounts of the other assets are based on reasonable estimates. Value in use is measured as the sum of the anticipated future cash flows discounted at an annual rate from 8.46 to 10.46 percent and from 6 to 10.45 percent for the years ended 31 March 2011 and 2010, respectively.

8. Retirement benefits

The Company and its consolidated subsidiaries operate various types of funded or unfunded defined benefit plans, covering substantially all employees who are entitled to lump sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Plan assets for retirement benefit plans are contributed to insurance companies or pension trusts. In addition to the defined benefit plans, some of the consolidated subsidiaries have defined contribution plans. Further, some of the subsidiaries in the USA, UK and other countries, also have medical insurance schemes for retirees. In certain cases, additional severance payments are made when employees retire.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at 31 March 2011 and 2010 for the defined benefit plans of the Company and its consolidated subsidiaries:

	Millions of yen		Millions of euro
	2011	2010	**2011**
Retirement benefit obligation	**(294,965)**	(305,223)	**(2,521)**
Plan assets at fair value	**219,821**	220,385	**1,879**
Unfunded retirement benefit obligation	**(75,144)**	(84,838)	**(642)**
Unrecognized actuarial loss	**23,079**	25,519	**197**
Accrued retirement benefits	**(52,065)**	(59,319)	**(445)**

The retirement benefit obligation in the table above is calculated by independent external actuaries.

The components of retirement benefit expenses for the years ended 31 March 2011 and 2010 are outlined as follows:

	Millions of yen		Millions of euro
	2011	2010	**2011**
Service cost	**3,993**	5,598	**34**
Interest cost	**13,572**	15,772	**116**
Expected return on plan assets	**(11,664)**	(10,132)	**(100)**
Net actuarial loss recognized during the year	**5,431**	3,284	**47**
Past service costs recognized during the year	**–**	221	**–**
Payments into defined contribution pension plans	**5,141**	4,000	**44**
Total	**16,473**	18,743	**141**

The retirement benefit expenses of the domestic consolidated subsidiaries, which are calculated by simplified methods as allowed under the applicable accounting standard, have been included in 'service cost' in the above table.

For the years ended 31 March 2011 and 2010, the assumptions used in accounting for the above plans are as follows:

Year ended 31 March 2011	**Japan**	**Overseas**
Discount rate	**principally 2.0%**	**between 3.6% and 5.6%**
Expected rate of return on plan assets	**principally 2.0%**	**between 6.0% and 6.7%**

Year ended 31 March 2010	Japan	Overseas
Discount rate	principally 2.0%	between 3.8% and 5.8%
Expected rate of return on plan assets	principally 2.0%	between 6.1% and 7.2%

9. Income taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in aggregate, result in a statutory tax rate of approximately 40.7 percent for the year ended 31 March 2011. Overseas subsidiaries are subject to the income tax regulations of the respective countries in which they operate.

The Group has realized an income tax credit for the year ended 31 March 2011 of ¥1,682 million (€14 million) on 'Income before income taxes and minority interests' of ¥3,360 million (€29 million). This represents an effective tax rate of (50.1) percent. The effective tax rate differs from the statutory tax rate as explained below.

	%
	2011
Statutory tax rate:	40.7
Permanently non-deductible items for tax purposes	51.6
Differences in tax rates applicable to overseas subsidiaries	(6.0)
Differences arising from changes in tax rates in overseas subsidiaries	(57.7)
Prior year corporate income tax adjustments by overseas subsidiaries	(93.8)
Prior year deferred income tax adjustments by overseas subsidiaries	(12.4)
Changes in valuation allowance	(7.9)
Amortization of goodwill	76.7
Inhabitants' per capita taxes and other taxes not related to earnings	54.8
Equity in earnings of affiliates	(98.2)
Other	2.1
Effective tax rate	(50.1)

Due to the loss recorded in the Group's consolidated statements of income for the year ended 31 March 2010, a reconciliation of the effective tax rate was not presented.

The significant components of deferred tax assets and liabilities at 31 March 2011 and 2010 were as follows:

	Millions of yen		Millions of euro
	2011	2010	**2011**
Deferred tax assets			
Allowance for doubtful accounts	**2,013**	2,156	**17**
Accrued expenses	**1,021**	1,174	**9**
Accrued retirement benefits	**11,614**	14,014	**99**
Allowance for rebuilding furnaces	**2,994**	2,831	**26**
Loss on revaluation of investments in securities	**6,541**	7,127	**56**
Non-deductible investments and other assets	**1,076**	1,816	**9**
Tax losses carried forward	**29,341**	31,839	**251**
Other	**12,767**	16,797	**109**
Gross deferred tax assets	**67,367**	77,754	**576**
Less valuation allowance	**(23,224)**	(29,358)	**(199)**
Total deferred tax assets	**44,143**	48,396	**377**
Deferred tax liabilities			
Unrealized holding gain on securities	**(615)**	(407)	**(5)**
Reserve for special depreciation (a reserve for tax purposes under the Corporation Tax Law of Japan)	**(1,918)**	(2,133)	**(16)**
Revaluation of net assets acquired upon acquisition of Pilkington plc at fair value	**(23,606)**	(29,799)	**(202)**
Accelerated depreciation	**(14,450)**	(16,595)	**(124)**
Undistributed earnings of overseas subsidiaries	**(938)**	(1,022)	**(8)**
Other	**(506)**	(1,525)	**(4)**
Total deferred tax liabilities	**(42,033)**	(51,481)	**(359)**
Net deferred tax assets/(liabilities)	**2,110**	(3,085)	**18**

10. Short-term bank borrowings and long-term debt

The weighted average interest rates on gross borrowings for the years ended 31 March 2011 and 2010 were 2.21 and 1.99 percent, respectively.

In order to provide certainty of future financing, the Company has arranged committed credit facilities of ¥86,054 million (€736 million) and ¥93,131 million as at 31 March 2011 and 2010, of which ¥9,027 million (€77 million) and nil was utilized at 31 March 2011 and 2010, respectively.

Long-term debt at 31 March 2011 and 2010 consisted of the following:

	Millions of yen		Millions of euro
	2011	2010	**2011**
Secured loans from banks and other financial institutions	**2,650**	33,845	**22**
Unsecured loans from banks and other financial institutions	**275,624**	270,014	**2,356**
Finance leases	**2,873**	4,964	**25**
1.77% unsecured bonds, due 8 September 2010	**–**	10,000	**–**
1.98% unsecured bonds, due 23 March 2012	**2,000**	2,000	**17**
2.24% unsecured bonds, due 22 May 2013	**20,000**	20,000	**171**
1.96% unsecured bonds, due 30 September 2015	**5,000**	5,000	**43**
1.55% unsecured bonds, due 9 December 2015	**24,000**	–	**205**
Zero-coupon unsecured convertible bonds with stock acquisition rights, due 13 May 2011	**23,000**	23,000	**196**
Total	**355,147**	368,823	**3,035**
Less current portion included in current liabilities	**40,626**	53,517	**347**
	314,521	315,306	**2,688**

Zero-coupon unsecured convertible bonds with stock acquisition rights at the gross issuance amount of ¥23,000 million (€197 million) are convertible into shares of common stock of the Company at ¥511 (€4.37) per share as at 31 March 2011 and are exercisable from 20 May 2004 to 6 May 2011.

Assets pledged as collateral for long-term loans from banks and other financial institutions of ¥2,746 million (€23 million) and ¥33,961 million at 31 March 2011 and 2010 respectively, and short-term bank borrowings of nil and ¥190 million at 31 March 2011 and 2010 were as follows:

	Millions of yen		Millions of euro
	2011	2010	**2011**
Land	**–**	79	**–**
Buildings and structures	**1,203**	–	**10**
Machinery, equipment and vehicles	**4,892**	20,116	**42**
Investments in consolidated subsidiaries	**–**	312,532	**–**
Total	**6,095**	332,727	**52**

The aggregate annual maturities of long-term debt as at 31 March 2011 are summarized as follows:

Year ending 31 March	Millions of yen	Millions of euro
2012	40,626	347
2013	87,820	750
2014	132,411	1,132
2015	37,415	320
2016	45,542	389
2017 and thereafter	11,333	97
Total	355,147	3,035

11. Shareholders' equity

(a) The Corporation Law of Japan (the Law), provides that an amount equal to 10 percent of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25 percent of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company amounted to ¥6,377 million (€55 million) at 31 March 2011 and 2010.

Movements in stock during the years ended 31 March 2011 and 2010 are summarized as follows:

	Number of shares			
	31 March 2010	Increase	Decrease	**31 March 2011**
Issued stock				
Common stock	669,550,999	234,000,000	–	**903,550,999**
Preferred stock	3,000,000	–	(3,000,000)	**–**
	672,550,999	234,000,000	(3,000,000)	**903,550,999**
Treasury stock				
Common stock	1,427,080	90,453	(113,446)	**1,404,087**
Preferred stock	–	3,000,000	(3,000,000)	**-**
	1,427,080	3,090,453	(3,113,446)	**1,404,087**

	Number of shares			
	31 March 2009	Increase	Decrease	31 March 2010
Issued stock				
Common stock	669,550,999	–	–	669,550,999
Preferred stock	–	3,000,000	–	3,000,000
	669,550,999	3,000,000	–	672,550,999
Treasury stock				
Common stock	1,398,921	55,182	(27,023)	1,427,080

During the year ended 31 March 2011, the common stock of the Company was increased through a public offering and an allocation of new shares to third parties (234,000,000 shares).

During the year ended 31 March 2011, all the preferred stock was acquired and cancelled by the Company (3,000,000 shares).

The movement in treasury stock during the year ended 31 March 2011 was due to the purchase of shares from shareholders who dissented to the merger with the Company of the wholly owned consolidated subsidiary, Nippon Sheet Glass Business Assist Company, Limited (26,000 shares), the purchase of odd-lot shares (64,453 shares), the exercise of stock options (108,000 shares) and the disbursement of odd-lot shares (5,446 shares).

During the year ended 31 March 2010, the preferred stock of the Company was increased through an allocation of new shares to third parties (3,000,000 shares).

The movement in treasury stock during the year ended 31 March 2010 was due to the purchase of odd-lot shares (55,182 shares), the exercise of stock options (22,000 shares) and the disbursement of odd-lot shares (5,023 shares).

(b) In accordance with the former Commercial Code and the Law, stock option plans for certain directors, certain executive officers and certain officers (*Riji*) of the Company were approved at Ordinary General Meetings of the Shareholders, a meeting of the Board of Directors of the Company, and/or the Representative Executive Director. The stock options issued in July 2004 were approved by shareholders of the Company on 29 June 2004. The stock options issued in August 2005 were approved by shareholders of the Company on 29 June 2005. The stock options issued in August 2006 were approved by shareholders of the Company on 29 June 2006. The stock options issued in September 2007 were approved by the Board of Directors of the Company on 30 August 2007. The stock options issued in September 2008 were approved by the Board of Directors of the Company on 28 August 2008. The stock options issued in September 2009 were approved by the Representative Executive Director on 14 September 2009. The stock options issued in September 2010 were approved by the Representative Executive Director on 24 August 2010.

The Company recognized selling, general and administrative expenses in the amount of ¥55 million (€0 million) and ¥203 million in relation to stock options for the years ended 31 March 2011 and 2010, respectively.

11. Shareholders' equity continued

The stock option plans of the Company are summarized as follows:

	2005 plan (issued July 2004)	2006 plan (issued August 2005)	2007 plan (issued August 2006)	2008 plan (issued September 2007)	2009 plan (issued September 2008)	2010 plan (issued September 2009)	2011 plan (issued September 2010)
Number and category of grantees of stock options	Directors (exclusive of external directors) (6 persons) Executive officers (15 persons)	Directors (exclusive of external directors) (6 persons) Executive officers (15 persons)	Directors (exclusive of external directors) (7 persons) Executive officers (15 persons)	Directors (exclusive of external directors) (7 persons) Executive officers (6 persons) Officers (*Riji*) (10 persons)	Directors (exclusive of external directors) (4 persons) Executive officers (11 persons) Officers (*Riji*) (10 persons)	Directors (exclusive of external directors) (4 persons) Executive officers (10 persons) Officers (*Riji*) (7 persons)	Directors (exclusive of external directors) (3 persons) Executive officers (9 persons)
Number of stock options granted per class of shares	Common stock 455,000	Common stock 495,000	Common stock 345,000	Common stock 215,000	Common stock 422,000	Common stock 771,000	Common stock 394,000
Grant date	30 July 2004	1 August 2005	31 August 2006	28 September 2007	27 September 2008	30 September 2009	30 September 2010
Conditions for vesting of stock options	Those who hold stock options must remain employees from a grant date on 30 July 2004 to a vesting date on 30 June 2006 to exercise the stock options except for holders' mandatory retirement, end of tenure or other due reasons.	Those who hold stock options must remain employees from a grant date on 1 August 2005 to a vesting date on 30 June 2007 to exercise the stock options except for holders' mandatory retirement, end of tenure or other due reasons.	Those who hold stock options must remain employees from a grant date on 31 August 2006 to a vesting date on 30 June 2008 to exercise the stock options except for holders' mandatory retirement, end of tenure or other due reasons.	N/A	N/A	N/A	N/A
Period of service to which stock option rights are granted	From 30 July 2004 to 30 June 2006	From 1 August 2005 to 30 June 2007	From 31 August 2006 to 30 June 2008	N/A	N/A	N/A	N/A
Period in which stock option rights can be exercised	From 1 July 2006 to 28 June 2014	From 1 July 2007 to 28 June 2015	From 1 July 2008 to 28 June 2016	From 29 September 2007 to 28 September 2037	From 28 September 2008 to 27 September 2038	From 1 October 2009 to 30 September 2039	From 1 October 2010 to 30 September 2040

11. Shareholders' equity continued

Stock option activities during the year ended 31 March 2011 were as follows:

	2011 plan	2010 plan	2009 plan	2008 plan
Number of shares:				
Outstanding at beginning of the year	**–**	796,000	448,000	272,000
Granted	**394,000**	–	–	–
Exercised	**–**	(25,000)	(26,000)	(57,000)
Expired	**–**	–	–	–
Outstanding at end of the year	**–**	–	–	–
Exercisable at end of the year	**394,000**	771,000	422,000	215,000
Price information:				
Exercise price	**1**	1	1	1
Weighted average price of shares when exercised	**–**	223	255	241
Fair value of unit price	**139**	255	498	666

	2007 plan	2006 plan	2005 plan
Number of shares:			
Outstanding at beginning of the year	345,000	495,000	455,000
Granted	–	–	–
Exercised	–	–	–
Expired	–	–	–
Outstanding at end of the year	–	–	–
Exercisable at end of the year	345,000	495,000	455,000
Price information:			
Exercise price	578	466	418
Weighted average price of shares when exercised	–	–	–
Fair value of unit price	221	–	–

Stock option activities during the year ended 31 March 2010 were as follows:

	2010 plan	2009 plan	2008 plan
Number of shares:			
Outstanding at beginning of the year	–	461,000	281,000
Granted	796,000	–	–
Exercised	–	(13,000)	(9,000)
Expired	–	–	–
Outstanding at end of the year	–	–	–
Exercisable at end of the year	796,000	448,000	272,000
Price information:			
Exercise price	1	1	1
Weighted average price of shares when exercised	–	256	256
Fair value of unit price	255	498	666

	2007 plan	2006 plan	2005 plan
Number of shares:			
Outstanding at beginning of the year	345,000	495,000	455,000
Granted	–	–	–
Exercised	–	–	–
Expired	–	–	–
Outstanding at end of the year	–	–	–
Exercisable at end of the year	345,000	495,000	455,000
Price information:			
Exercise price	578	466	418
Weighted average price of shares when exercised	–	–	–
Fair value of unit price	221	–	–

Note:
Number of stock options granted is translated into the same number of shares.

11. Shareholders' equity continued

Method for estimating fair value per share of stock options

The fair value per share of the 2011 and 2010 plans granted during the year ended 31 March 2011 and 2010 was estimated as follows:

1. Technique of estimation used: the Black-Scholes Model

2. Basic factors taken into account for the estimation:

	2011 plan	2010 plan
Expected volatility of the share price (Note 1)	**44.4%**	44.8%
Expected remaining life of the option (Note 2)	**8 years**	8 years
Expected dividend (Note 3)	**¥6 per share**	¥6 per share
Risk-free interest rate (Note 4)	**0.724%**	1.018%

Notes:
1. The volatility of the share price for the 2011 and 2010 plans are estimated by taking into account the actual share prices for eight years (from 1 October 2002 to 30 September 2010) and eight years (from 10 October 2001 to 30 September 2009), respectively.
2. The expected remaining life of the option is estimated reflecting the actual conditions of the option, taking into account that any person to whom the stock options were allotted may exercise the stock options five years after the holders' tenure as a Director, an Executive Officer, or an Officer (*Riji*) had ended.
3. The expected dividends for the years ended 31 March 2011 and 2010 are based on the actual dividends for the years ended 31 March 2010 and 2009, respectively.
4. The risk-free interest rate represents the yield on Government bonds for the period that corresponds to the expected remaining life of the option.

12. Leases

Future minimum lease payments to be made under non-cancellable operating leases subsequent to 31 March 2011 are summarized as follows:

	Millions of yen	Millions of euro
Due in one year or less	**2,070**	**18**
Due after one year	**14,780**	**126**
Total	**16,850**	**144**

13. Contingent liabilities

(a) Trade notes receivable endorsed

At 31 March 2011, the Company and its consolidated subsidiaries were contingently liable for endorsed trade notes receivable of ¥629 million (€5 million).

(b) Guarantees of loans

At 31 March 2011, the Company and its consolidated subsidiaries were contingently liable for guarantees of loans of unconsolidated subsidiaries and affiliates amounting to ¥2,347 million (€20 million) in aggregate. These amounts include contingent guarantees and letters of awareness amounting to ¥10 million (€0 million) in aggregate.

14. Research and development costs

Costs relating to research and development activities charged to cost of sales and selling, general and administrative expenses amounted to ¥10,692 million (€91 million) and ¥12,071 million for the years ended 31 March 2011 and 2010, respectively.

15. Supplementary cash flow information

(a) Reconciliation of cash and cash equivalents

Reconciliation of cash and cash equivalents presented in the accompanying consolidated balance sheets at 31 March 2011 and 2010 and cash and cash equivalents presented in the accompanying consolidated statements of cash flows for the years then ended are as follows:

	Millions of yen		Millions of euro
	2011	2010	**2011**
Cash and cash equivalents presented in the consolidated balance sheet	**60,906**	79,435	**520**
Overdraft included in short-term bank borrowings	**(14,415)**	(23,440)	**(123)**
Cash and cash equivalents presented in the consolidated statement of cash flows	**46,491**	55,995	**397**

(b) Significant non-cash transactions

Please refer to Note 18 for details of the assets and liabilities of Pilkington Solar (Taicang), Limited which became a subsidiary during the year following a share exchange transaction in which the Group acquired the 50 percent of the company it did not previously own.

16. Amounts per share

Amounts per share at 31 March 2011 and 2010 and for the years then ended were as follows:

	yen		euro
	2011	2010	**2011**
Net assets	**239.40**	297.73	**2.05**
Net income:			
Basic	**0.13**	(65.61)	**0.00**
Diluted	**–**	–	**–**
Cash dividends	**6.00**	6.00	**0.05**

Net assets per share are based on the number of shares of common stock outstanding at the year end.

Basic net income per share is computed on the basis of the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed on the basis of the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the conversion of convertible bonds and the exercise of stock acquisition rights. Diluted net income per share has not been disclosed at 31 March 2011 due to the anti-dilution effect during the period. For the year ended 31 March 2010, diluted net income per share has not been disclosed due to the loss recorded in that period. Cash dividends per share represent the cash dividends declared as applicable to the respective years.

The interim dividend for the preferred stock was ¥935 million (€8 million) or ¥463 (€3.96) per share and ¥1,143 million or ¥381 per share for the years ended 31 March 2011 and 2010, respectively. The year-end dividend for the preferred shares was ¥1,383 million or ¥461 per share for the year ended 31 March 2010.

17. Segment information

(a) Business segments

1) Overview of reporting segments

The reporting segments of the Group are designated as business segments whose segregated financial information can be obtained and which the Board of Directors regularly reviews to decide on the allocation of managerial and financial resources and to evaluate their financial performance.

The Group has business lines categorized by the Group's main product sectors. Each business line establishes comprehensive business strategies related to the product sectors and manages these business operations.

The Group's three business lines cover three core sectors: Building Products, Automotive and Specialty Glass, and so the three business lines are defined as the reporting segments of the Group.

The Building Products segment engages in the manufacturing, processing and sales of a variety of glass products for various applications within the building materials industry and solar energy sectors. The Automotive segment engages in the manufacturing, processing and sale of glass products mainly for the Automotive Original Equipment (OE) and Glass Replacement (AGR) markets. The Specialty Glass segment engages in the manufacturing, processing and sale of micro optics and fine glass, industrial glass, LCD, specialized glass fiber products and environmental amenity products.

2) Basis of measurement for operating income and assets for reporting segments

The segmental analysis for reporting segments is prepared by taking almost the same methods as explained in Note 1 'Summary of significant accounting policies'. Operating income for reporting segments is calculated based on operating income before the allocation of general corporate costs and amortization of intangible assets and goodwill arising from the acquisition of Pilkington plc. Inter-segment sales are calculated, referring to actual market prices of products or using other methodologies considered as appropriate, depending on business sectors and geographic locations. Assets and liabilities for reporting segments are calculated on the components from the consolidated balance sheets as note (iv), which are defined as 'Net trading assets' by the Group. 'Net trading assets' consists of inventories, trade notes and accounts receivable, trade notes and accounts payable, property, plant and equipment and other intangible assets using the average exchange rate for the financial year.

Following the introduction of the new segmental reporting standard in Japan, the Group no longer allocates consolidation adjustments and certain other costs incurred within other operations and eliminations 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 Operations and Eliminations above. As a result of this change, the FY2010 operating result for the Building Products business line improved by ¥10,899 million, the operating result for the Automotive business line increased by ¥12,799 million, and the operating result for the Specialty Glass business line increased by ¥25 million. The operating loss in Other Operations and Eliminations increased by ¥23,723 million. Also as a result of this change, FY2010 external sales in the Building Products business line increased by ¥5,267 million and external sales in the Automotive business line increased by ¥120 million. External sales in Other Operations and Eliminations decreased by ¥5,387 million.

17. Segment information continued

(a) Business segments continued

The business segment information for the years ended 31 March 2011 and 2010 is summarized as follows:

Millions of yen

	Reporting segments							Year ended 31 March 2011	
	Building Products	Automotive	Specialty Glass	Sub total	Other (Note i)	Adjustments (Note ii)	Total	Amortization of goodwill and intangible assets (Note iii)	Amount included in consolidated statements of income (Note iv)
Sales and operating income/(loss)									
External sales	**244,792**	**264,042**	**62,955**	**571,789**	**5,423**	**–**	**577,212**	**–**	**577,212**
Inter-segment sales	**14,233**	**924**	**161**	**15,318**	**5,545**	**(20,863)**	**–**	**–**	**–**
Net sales	**259,025**	**264,966**	**63,116**	**587,107**	**10,968**	**(20,863)**	**577,212**	**–**	**577,212**
Operating income/(loss)	**16,515**	**18,672**	**7,523**	**42,710**	**1,384**	**(13,913)**	**30,181**	**(15,829)**	**14,352**
Net trading assets	**157,530**	**162,759**	**48,991**	**369,280**	**582**	**23,914**	**393,776**	**–**	**393,776**
Other items									
Depreciation and amortization	**13,801**	**14,455**	**3,390**	**31,646**	**635**	**–**	**32,281**	**15,829**	**48,110**
Capital expenditure	**13,629**	**16,143**	**1,849**	**31,621**	**322**	**–**	**31,943**	**–**	**31,943**

Millions of yen

	Reporting segments							Year ended 31 March 2010	
	Building Products	Automotive	Specialty Glass	Sub total	Other (Note i)	Adjustments (Note ii)	Total	Amortization of goodwill and intangible assets (Note iii)	Amount included in consolidated statements of income (Note iv)
Sales and operating income/(loss)									
External sales	249,503	265,137	66,112	580,752	7,642	–	588,394	–	588,394
Inter-segment sales	12,015	2,461	1,219	15,695	4,311	(20,006)	–	–	–
Net sales	261,518	267,598	67,331	596,447	11,953	(20,006)	588,394	–	588,394
Operating income/(loss)	1,285	13,020	3,668	17,973	1,884	(18,996)	861	(18,044)	(17,183)
Net trading assets	169,137	176,115	49,282	394,534	4,642	11,537	410,713	–	410,713
Other items									
Depreciation and amortization	16,188	17,622	4,395	38,205	812	–	39,017	18,044	57,061
Capital expenditure	8,562	12,319	2,304	23,185	509	–	23,694	–	23,694

17. Segment information continued

(a) Business segments continued

Millions of euro

	Reporting segments							Year ended 31 March 2011	
	Building Products	Automotive	Specialty Glass	Sub total	Other (Note i)	Adjustments (Note ii)	Total	Amortization of goodwill and intangible assets (Note iii)	Amount included in consolidated statements of income (Note iv)
Sales and operating income/(loss)									
External sales	2,092	2,257	538	4,887	46	–	4,933	–	4,933
Inter-segment sales	122	8	1	131	47	(178)	–	–	–
Net sales	2,214	2,265	539	5,018	93	(178)	4,933	–	4,933
Operating income/(loss)	141	160	64	365	12	(119)	258	(135)	123
Net trading assets	1,346	1,391	419	3,156	5	205	3,366	–	3,366
Other items									
Depreciation and amortization	118	124	29	271	5	–	276	135	411
Capital expenditure	116	138	16	270	3	–	273	–	273

Note:
i. 'Other' consists of business segments not included in the reporting segments of the Group.
ii. The details of 'Adjustments' are as follows:
- The operating income/(loss) is the corporate costs which are not allocated to the reporting segments.
- Net trading assets consists of other assets and liabilities, ¥19,820 million (€170 million) in 2011 and ¥16,670 million in 2010 and the adjustment for foreign exchange rates of ¥4,094 million gain (€35 million) in 2011 and ¥5,133 million loss in 2010.

iii. 'Amortization of goodwill and intangible assets' is the amortization of intangible fixed assets and goodwill arising on the acquisition of Pilkington plc.
iv. i) Operating income/(loss) is reconciled to operating income/(loss) on the consolidated statements of income.
ii) Net trading assets are reconciled to the consolidated balance sheet as in the table below.

	Millions of yen		Millions of euro
	2011	2010	**2011**
Finished goods	**55,183**	56,107	**472**
Work in progress and raw materials	**45,593**	42,684	**390**
Trade notes and accounts receivable	**95,640**	97,680	**817**
Trade notes and accounts payable	**(73,927)**	(68,898)	**(632)**
Property, plant and equipment	**271,287**	283,140	**2,319**
Total	**393,776**	410,713	**3,366**

(b) Geographical information

The geographical segment information by destination for the year ended 31 March 2011 is summarized below. Due to the revision to the JGAAP requirement to disclose segment information in 2011, comparative data for 2010 is not required.

Millions of yen

	Year ended 31 March 2011					
	Japan	Europe	North America	Asia	Other	Total
Net sales	152,662	226,694	72,729	63,474	61,653	577,212
Property, plant and equipment, net	60,957	128,462	31,921	29,338	20,609	271,287

Millions of euro

	Year ended 31 March 2011					
	Japan	Europe	North America	Asia	Other	Total
Net sales	1,305	1,937	622	542	527	4,933
Property, plant and equipment, net	521	1,098	273	251	176	2,319

17. Segment information continued

(c) Information about major customers

The Group has no major customers which accounted for more than 10 percent of net sales.

(d) Information about the loss on impairments of fixed assets

The loss on impairments of fixed assets for the year ended 31 March 2011 is summarized below. Due to the revision to the JGAAP requirement to disclose segment information in 2011, comparative data for 2010 is not required.

	Millions of yen	Millions of euro
	2011	2011
Reporting segments		
Building Products	1,078	9
Automotive	651	6
Specialty Glass	–	–
Sub total	1,729	15
Other	122	1
Total	1,851	16

(e) Information about the amortization and balance of goodwill

The amortization and balance of goodwill for the year ended 31 March 2011, including negative goodwill acquired prior to 1 April 2010, is summarized below. Due to the revision to the JGAAP requirement to disclose segment information in 2011, comparative data for 2010 is not required.

Millions of yen

	Reporting segments							Year ended 31 March 2011	
	Building Products	Automotive	Specialty Glass	Sub total	Other	Adjustments	Total	Amortization of goodwill and intangible assets	Amount included in consolidated statements of income
Amortization of goodwill	65	(3)	(41)	21	132	–	153	6,336	6,489
Balance of goodwill	710	–	7	717	2,323	–	3,040	104,650	107,690

Millions of euro

	Reporting segments							Year ended 31 March 2011	
	Building Products	Automotive	Specialty Glass	Sub total	Other	Adjustments	Total	Amortization of goodwill and intangible assets	Amount included in consolidated statements of income
Amortization of goodwill	0	(0)	(0)	0	1	–	1	54	55
Balance of goodwill	6	–	0	6	20	–	26	895	921

(f) Information about gains arising from negative goodwill

For the year ended 31 March 2011 there were no gains arising from negative goodwill acquired after 1 April 2010. Due to the revision to the JGAAP requirement to disclose segment information in 2011, comparative data for 2010 is not required.

18. Business combination

1. Outline
   i. Company name: Taicang Pilkington China Glass Special Glass Limited
   Content of the business: Manufacture and sale of low iron rolled glass

   ii. Purpose of the acquisition:
   To strengthen the Group's Solar Energy business

   iii. Acquisition date: 16 April 2010

   iv. Legal form of the business combination: Acquisition

   v. Company name after the acquisition: Pilkington Solar (Taicang), Limited

   vi. Percentage of the voting rights:
   Percentage of the voting rights before the acquisition: 50 percent
   Percentage of the additional acquisition of the voting rights: 50 percent
   Percentage of the voting rights after the acquisition: 100 percent

   vii. Basis for deciding the acquiring company:
   Pilkington International Holdings BV acquired 100 percent of the voting rights of Pilkington Solar (Taicang), Limited and controlled the acquired company.

2. Period of the performance of the acquired company in the consolidated statements of income:
   From 1 April 2010 to 31 March 2011

3. Acquisition costs and those details:
   Fair value of the shares of JV Investments Limited granted at the acquisition date: ¥1,029 million (€9 million)

4. Amount of difference between aggregated acquisition costs and its fair value from staged acquisition: ¥0 million (€0 million)

5. Amount, cause and method and period of amortization of goodwill:
   i. Amount of goodwill: ¥1,368 million (€12 million)
   ii. Cause of goodwill: Anticipated future profitability in excess of net asset value
   iii. Method and period of amortization of goodwill: Straight line over 20 years

6. Assets and liabilities at acquisition:
   Current assets: ¥1,452 million (€13 million)
   Property, plant and equipment: ¥5,526 million (€47 million)
   Total assets: ¥6,978 million (€60 million)
   Current liabilities: ¥4,387 million (€37 million)
   Long-term liabilities: ¥3,473 million (€30 million)
   Total liabilities: ¥7,860 million (€67 million)

19. Subsequent events

Appropriation of retained earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended 31 March 2011, was approved by the Board of Directors on 12 May 2011 with an effective payment date of 8 June 2011 for the common stock.

	Millions of yen	Millions of euro
Common stock		
Year-end cash dividends (¥3 (€0.03) per share)	**2,706**	**23**

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
Nippon Sheet Glass Company Limited

We have audited the accompanying consolidated balance sheets of Nippon Sheet Glass Company Limited and consolidated subsidiaries as of 31 March 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Sheet Glass Company Limited and consolidated subsidiaries at 31 March 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The Euro amounts in the accompanying consolidated financial statements with respect to the year ended 31 March 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into Euro amounts and, in our opinion, such translation has been made on the basis described in Note I(a).

Ernst & Young ShinNihon LLC

29 June 2011

ADDITIONAL INFORMATION

Background

Due to the share offering made during the year ended 31 March 2011, it is a requirement that the business risks associated with investing in the shares of Nippon Sheet Glass Company Limited are disclosed. This information does not form part of the audited financial statements of the Annual Report and is provided purely for the information of investors.

Business risk

The Group regularly reviews the principal financial and operating risk factors considered relevant to its current business activities and financial position. An updated analysis of the principal financial and operating risk factors facing the Group is presented below.

There were no material issues or events occurring during the year that cast doubt on the ability of the Group to continue to operate as a going concern for the foreseeable future.

Economic conditions

The majority of the Group's products are sold in the Japanese, European and North American markets, with these markets representing 29 percent, 41 percent and 14 percent, respectively, of net sales (by origin) for the year ended 31 March 2011. The majority of sales made outside of these three areas are in emerging markets such as South America and Asia. The Group expects that its growth in emerging markets is likely to exceed its growth in more mature markets, and therefore the proportion of Group sales recorded in such markets is likely to increase in the future. Such markets may be considered to have a more significant level of risk than the more mature markets that the Group operates in. Further, changes in the business environments of the Group's customers might affect the Group's business, and if economic conditions or particular business environments in these regions of the Group's major markets and emerging markets deteriorate, this could have a significant negative effect on the Group's results of operations and financial position.

Dependency on certain specified industries and sectors

The Group's Building Products and Automotive businesses together account for 89 percent of net sales to outside customers, and for the year ended 31 March 2011, the Group's Building Products and Automotive businesses accounted for 43 percent and 46 percent of net sales to external customers respectively. Also, the products to external customers are principally provided to customers in the construction, housing and automotive industries. These industries have been strongly affected by the global economic downturn that began in the fiscal year ended 31 March 2009.

The Group is working to increase its revenues generated from added value coated glass that can be used as part of a photovoltaic (Solar Energy) unit glass for solar cells, and from added value coated glass that can be used to conserve energy in buildings. Demand for such products is impacted partly by government incentives and government legislation. In recent years, certain governments around the world have provided incentives that have encouraged the construction of Solar Energy generation facilities and have passed legislation mandating the use of low-emissivity glass in buildings. This trend is expected to continue but there is no assurance that this will be the case.

In the Automotive business the Group is working to expand its sales of high value-added products and its presence in emerging markets, and is also working at the same time to diversify its customer base. In recent years there has been a significant level of consolidation in the Automotive industry, leading to increased purchasing power for the Group's automotive customers. If such consolidation continues then this could mean that the Group's automotive customer base becomes more concentrated.

Competition

The Group competes with domestic and overseas glass product manufacturers. The Group also competes with material manufacturers of various plastic, metal and other materials used in the Building products, Automotive and/or IT sectors. Although the Group endeavors to ensure a competitive edge in the provision of original technologies and products in these markets, if the Group is unable to ensure a competitive advantage due to changes in market needs or due to the emergence of a manufacturer providing low-cost products, or due to a manufacturer with a solid customer base and a high level of name recognition, or if our competitors receive governmental subsidies which are not available to us, there could be an adverse effect on the Group's results of operations and financial position.

Development of new products and technological innovation

The Group focuses on developing original technologies and products in its existing business fields and on developing new products in non-exploited business fields. The new product development process could require considerable time and expense, and the Group might be requested to invest considerable amounts of capital and resources before achieving sales revenues from the sale of new products. Should any competitor launch a similar product in the target market earlier than the Group, or if alternative technologies and products are preferred by the market, the previous investment in the Group's product development might not produce the profits initially expected. Should the Group be unable to predict or respond to an anticipated technological innovation and/or succeed in the development of a new product that sufficiently meets customers' needs, such failure in product development or technological innovation could adversely affect the Group's businesses, results of operations and financial position.

Funds necessary for future business operations

The Group might have to additionally raise funds to 1) launch new products, 2) conduct business or R&D projects, 3) extend manufacturing capacity, 4) acquire a supplementary business, technology or service, or 5) repay debt. If such funds cannot be raised under the intended conditions or at all, the Group might not be able to 1) invest in the expansion, development or reinforcement of any product or service, 2) capitalize on an opportunity for business development, or 3) ensure higher competitiveness to its competitors, or the Group's financial position could be negatively affected.

Overseas operations

The Group has many production facilities in numerous areas around the world including Japan, elsewhere in Asia, Europe, North America, and South America.

In particular, the Group is working to expand operations in emerging markets, such as South America, Eastern Europe and China, and if economic growth slows in one or more of these markets it could also adversely affect the Group's results of operations and financial position.

The Group has joint venture operations, investments, alliances and other operations in China, South America and other areas. The Group believes that the stakes it holds in these operations are an important part of its strategy to expand its manufacturing capacities in these regions. However, there is no assurance that the Group will be able to effectively execute these strategies through these joint ventures. In addition, the Group could face unexpected losses from these investments if it becomes difficult to continue an operation as a result of disagreements with its joint venture partners or other partners regarding business operation policy or for other reasons.

Risk involved in the suspension of production

The Group undertakes regular anti-disaster inspections and the maintenance of facilities in order to minimize the potential adverse effects that might be caused by the suspension of production activity. Nevertheless, the potential adverse effects on production facilities due to a natural disaster (including an earthquake, an electric power outage or any other type of event that causes disruption) cannot always be prevented or mitigated. In some cases, certain types of products manufactured at a Group facility might not be able to be produced by another facility. Consequently, in case production activity is suspended at a facility due to an earthquake or any other similar event, the possibility of considerably reduced production capacity for certain specific products could adversely affect the Group's results of operations and financial position. The Group insures against such events but there can be no guarantee that such insurance will fully compensate the Group in all circumstances.

Fluctuations in foreign exchange and interest rates

The Group has manufacturing operations in 29 countries and sales in around 130 countries. Consequently, the Group is exposed to the risk of fluctuations in foreign exchange and interest rates in markets related to the Group. In addition, as the assets and liabilities denominated in local currencies are translated into yen when consolidated financial statements are prepared, the Group might be exposed to the risk of fluctuations in foreign exchange rates. Furthermore, fluctuations in interest rates might affect the value of interest expense, interest income or financial assets and liabilities. Although the Group aims to hedge these risks, such fluctuations in foreign exchange and interest rates could adversely affect the Group's businesses, results of operations and financial position.

Changes in supply of raw materials and fuel, and distribution of products

Specific raw materials, such as silica sand and soda ash, and fuels, such as fuel oil and natural gas, are critical to the glass manufacturing process. Fluctuations in the cost of supplying raw materials and fuel may adversely affect the Group's results of operations and financial condition. The Group uses commodity derivatives and swap contracts to hedge the effect of fluctuations in the market prices for raw materials and fuel. However, there can be no assurance that such measures can eliminate the impact of increases in the prices of raw materials and fuel.

The Group has entered into purchase agreements with selected suppliers of raw materials and fuel for medium and long-term fixed prices. The Group also sells its products through third party distributors in addition to its own distribution channels. If, for some reason, the Group's relationship with a major supplier or distributor ended, or such suppliers failed to perform their contractual obligations, the Group may have to enter into agreements with less favorable terms and conditions, or the supply of raw materials and the distribution of products may be impeded. This may result in the Group's results of operations and financial condition being adversely affected.

Retirement benefit obligations

The Group operates numerous corporate pension plans and health-care benefit plans for retiring employees. In the event of large fluctuations in the market value of the Group's pension assets or discount rates used to calculate pension liabilities, the Group may be obliged to contribute additional funds into the schemes. While providing appropriate retirement benefit plans for our employees, the Group also regularly reviews its retirement benefit obligations in order to reduce the risk to the Group. However, due to the scale of such retirement benefit plans and recent economic conditions, there is no assurance that the evaluations will be consistent with actual results, and it is possible that the Group will not be able to sufficiently reduce its risk regarding its obligation to contribute additional funds.

Legal restrictions

Foreign subsidiaries and affiliates of the Group are subject to local regulations relative to investment, imports and exports, fair competition rules, regulations for environmental conservation, and other laws regarding business transactions, labor, intellectual property rights, income tax, currency control and so forth of the respective countries and regions where they operate. Any change to these laws and regulations or operation thereof could adversely affect the Group's results of operations and financial position through limitation of the Group's business activities or imposition of expenses to be disbursed regarding legal compliance or penalty fees to the Group by reason of infringement of any of the relevant laws and regulations.

Business strategies

The Group's business strategies are affected by a variety of factors, including the economic environment, the price of raw materials, foreign exchange rates, and the development and provision of new technologies and products. However, there can be no assurances that, under these conditions, the Group's business plan will be successful, or that the intended results of the business strategies, through the success of the strategy, will be achieved. Furthermore, it is possible that the proposed execution of the Group's business plan will not be delivered, or that the intended effects will not be realized. The Group acquired Pilkington plc in June 2006, a company with a significant presence in Europe. If the results of operations in Europe underperform compared to the Group's expectations at the time of acquisition, or if some or all of the synergies cannot be achieved as planned, the Group could be required to recognize impairment charges on the goodwill or other intangible assets, which may have an adverse effect on the Group's results of operations and financial condition.

The Group invests intensively in shifting from relatively low-margin products to high value-added products which require advanced technology in order to keep its competitive advantages. Also, in order to meet the increasing demand for Solar Energy products, the Group invests constantly in R&D activities related to such sectors, and also invests intensively in shifting some of the existing Building Products plants for glass into facilities for solar cells and related products. However, there can be no assurance that the Group can succeed in development of higher technology earlier than its competitors, or, as a result, can ensure higher competitiveness than its competitors.

Intellectual property rights

Patents and other intellectual property rights are an important competitive factor in the Group's operation. However, there can be no assurance that the Group will always be successful in adequately protecting our intellectual property rights. In addition, we conduct our operations globally, which increases the risk of disputes between us and third parties over intellectual property rights. Any such infringements or disputes could have a negative impact on the Group's business, results of operations and financial condition.

Civil Liability

If individuals are injured as a result of defects in the Group's products, the Group could be subject to claims for damages based on product liability. In addition, the occurrence of the claim could negatively affect the Group's reputation.

The Group strives to ensure that its products are of the highest quality. However, if unexpected quality problems occur, the Group may need to conduct a major recall. If this happens, the Group's reputation may be harmed and its performance and financial position may be adversely affected.

Environmental laws and regulations

The Group is subject to a variety of environmental laws and regulations. Although the Group makes efforts to implement a variety of measures in regard to product development and manufacturing process in order to have a beneficial environmental impact and comply with the relevant laws and regulations, there can be no assurance that the Group can achieve expected results through those measures. Also, any change to these laws and regulations or operation thereof could adversely affect the Group's results of operations and financial position through limitation of the Group's business activities or imposition of expenses to be disbursed regarding legal compliance or penalty fees to the Group by reason of infringement of any of the relevant laws and regulations.

CORPORATE DATA

Company name	Nippon Sheet Glass Co., Ltd.
Head office	Sumitomo Fudosan Mita Twin Building West Wing, 5-27, Mita 3-chome, Minato-ku, Tokyo 108-6321 Japan Telephone: +81-3-5443-9500
Established	22 November 1918
Number of employees (consolidated)	29,340
Common stock	Authorized: 1,775,000,000 Issued: 903,550,999[2]
Preferred stock	Authorized: 3,000,000[1] Issued: 0[3]
Number of shareholders	Common shares 64,386 Preferred shares 0[3]
Paid-in capital	¥116,449 million
Stock listing	Tokyo and Osaka (Code: 5202)
Independent auditors	Ernst & Young ShinNihon LLC
Transfer agent	The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4 chome, Chuo-ku Osaka-shi

1. Authorized Type A preferred shares were cancelled with the Articles of Incorporation amendment, which eliminated all provisions related to Type A preferred shares, by the resolution of the 145th Ordinary General Meeting of Shareholders, held on 29 June 2011.
2. Issued Common shares increased by 234,000,000 from the last year-end reporting, due to the issuance of new shares as announced on 24 August 2010.
3. All issued Type A preferred shares were acquired and cancelled by the Company during the fiscal year under review as announced on 16 September 2010 and 3 February 2011.

SHAREHOLDER INFORMATION

Major shareholders as at 31 March 2011

	Number of shares	Percentage of shares
Common shares		
Japan Trustee Services Bank, Ltd. (Trust Account)	82,199,000	9.10
The Master Trust Bank of Japan, Ltd. (Trust Account)	55,779,000	6.17
Japan Trustee Services Bank, Ltd. (Trust Account 9)	36,433,000	4.03
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	15,772,000	1.75
The Chase Manhattan Bank, N. A. London Secs Lending Omnibus Account	15,583,512	1.72
Japan Trustee Services Bank, Ltd. (Trust Account 4)	15,015,000	1.66
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	14,466,000	1.60
State Street Bank and Trust Company 505225	13,648,751	1.51
JPMBLSA Offshore Lending JASDEC Account	11,345,000	1.26
Barclays Bank Plc Sub-account Barclays Capital Securities Limited SBL/PB	10,101,908	1.12

Status of shareholders as at 31 March 2011

	Number of shareholders	Number of shares (thousands)	Percentage of shares
Common shares			
Financial institutions	81	331,261	36.67
Securities companies	67	24,479	2.71
Other corporate entities	751	37,367	4.14
Foreign companies/individuals	420	325,493	36.01
Other individual investors	63,066	183,547	20.31
Treasury stock	1	1,404	0.16
Total	64,386	903,551	100.00

Fiscal period
1 April to 31 March of the following year

Ordinary General Meeting of Shareholders
Held annually in June

Shareholders' confirmation standard dates
Ordinary General Meeting of Shareholders: 31 March
Dividend: 30 September and 31 March

Transfer agent
The Sumitomo Trust & Banking Co., Ltd.

Operating office
The Sumitomo Trust & Banking Co., Ltd.
Stock Transfer Agency Department
3-1, Yaesu 2 chome, Chuo-ku,
Tokyo 104-0028, Japan

Public notice
www.nsg.com

Independent auditors
Ernst & Young ShinNihon LLC

Contact information
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 below.

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

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

FURTHER INFORMATION

We produce a regular flow of publications intended to provide current and potential investors with as much information as possible about the Group, the industries in which we operate and the organization, strategy, targets and progress of the Group. Some of our key publications are shown below.

Publications

Sustainability Report

Published annually in February, reporting on the Group's progress in advancing its sustainability agenda in the previous calendar year. Editions in both English and Japanese.

Pilkington and the Flat Glass industry

Published annually in November. Detailed analysis of the world's Flat Glass industry and the NSG Group's position within it. Published in English.

To our Shareholders

Published twice a year, in June and December, designed to keep shareholders informed of progress against our strategy. Editions in both English and Japanese.

The Way we do Business

Produced for Group employees in all of the languages in which the Group operates, summarizing the main points of the Group's Code of Conduct.

Websites

NSG Group Corporate website (English)
www.nsg.com

NSG Group Corporate website (Japanese)
www.nsg.co.jp

Commercial website (Building Products and Automotive)
www.pilkington.com

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