

# Notice of Convening The 150<sup>th</sup> Ordinary General Meeting of Shareholders

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## Date and Time:

**10:00 A.M., Wednesday, 29 June 2016**  
**(Reception to open from 9:00 A.M.)**

## Venue:

**Shinagawa Intercity Hall**  
**15-4, Konan 2-Chome, Minato-ku, Tokyo**

(Please refer to the “Map of the Venue for the Ordinary  
General Meeting of Shareholders” attached at the end.)

## ■ Deadline to exercise the voting rights in writing or via the Internet

5: 45 p.m. (Japan time)

Tuesday, 28 June 2016

**Nippon Sheet Glass Company, Limited**

Securities Code: 5202

7 June 2016

Shigeki Mori,  
Director,  
Representative Executive Officer, President and CEO  
Nippon Sheet Glass Co., Ltd.  
5-27, Mita 3-Chome, Minato-ku, Tokyo

## Notice of Convening the 150th Ordinary General Meeting of Shareholders

Dear Shareholder,

You are cordially invited to attend the 150th Ordinary General Meeting of Shareholders to be held as follows.

**Should you be unable to attend the meeting in person on the day, you are entitled to exercise your voting rights in writing or via the Internet. In this case you are kindly asked to review and consider the Reference Materials to Proposals at the General Meeting of Shareholders produced below, and then exercise your voting rights according to the explanations and instructions described in page 2 below no later than 5:45 p.m. (Japan time) of 28 June (Tue.) 2016.**

Note:

**1. Date and Time:** 10:00 A.M., Wednesday, 29 June 2016

**2. Venue:** Shinagawa Intercity Hall, 15-4, Konan 2-Chome, Minato-ku, Tokyo

(Please refer to the "Map of the Venue for the Ordinary General Meeting of Shareholders" attached at the end.)

### 3. Agenda

#### Matters to be Noted

1. Business Report, Reports of the Consolidated Financial Statements, and Audit Reports of the Accounting Auditor and the Audit Committee on the Consolidated Financial Statements, for the 150th fiscal period from 1 April 2015 to 31 March 2016.
2. Reports of the Financial Statements for the 150th fiscal period from 1 April 2015 to 31 March 2016.

#### Matters to be Resolved

- Proposal 1: Share Consolidation
- Proposal 2: Election of Seven Directors

#### 4. Online Disclosure

Reference Materials to Proposals at the General Meeting of Shareholders and those Business Report, Consolidated Financial Statements, and Financial Statements which need to be attached to this Convening Notice are all as duplicated and shown in pages 5 to 53 below, with the exclusion of Notes to the Consolidated Financial Statements and Notes to the Financial Statements which are posted and made available on the Company's website at <http://www.nsg.com/> accordance with the relevant law and ordinance, and article 14 of the Articles of Incorporation.

#### 5. Exercising Voting Rights

➤ When attending the meeting on the day

Please present the enclosed voting rights exercising card to the reception.

➤ If not attending the meeting on the day

(1) When exercising voting rights in writing

Indicate your approval or disapproval of the proposals in the enclosed voting rights exercising card and send it so that it reaches us no later than 5:45 p.m. (Japan time) of 28 June (Tue.) 2016.

(2) When exercising voting rights via the Internet

When exercising voting rights via the Internet, please carefully read "**Information concerning exercising voting rights via the Internet**" as shown below (pages 3 to 4) and then exercise the rights no later than 5:45 p.m. (Japan time) of 28 June (Tue.) 2016.

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➤ If it should become necessary to make any amendments to any of the Reference Materials to Proposals at the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and/or Financial Statements, such amendments shall be notified to you by mail, or on the Company's website at

<http://www.nsg.com/> .

➤ Voting results of the meeting will be filed and shown via EDINET (<http://disclosure.edinet-fsa.go.jp/>) in the form of an Extraordinary Report (in Japanese only), and also disclosed on the Company's website at <http://www.nsg.com/> (in English) and at <http://www.nsg.co.jp/> (in Japanese). You are kindly asked to acknowledge and confirm that these actions would operate as alternatives to issue of a resolution notice.

## Information concerning Exercising Voting Rights via the Internet

Please note the following matters upon exercising voting rights via the Internet.

### 1. Website for Exercising Voting Rights

Exercising voting rights via the Internet can be carried out only through the following website specified by the Company: <http://www.web54.net> (in Japanese only)

### 2. Voting Rights

- (1) When exercising voting rights via the Internet, use voting rights code and password listed in the enclosed voting rights exercising card and follow the on-screen directions to indicate your approval or disapproval of the proposals.
- (2) Though voting rights may be exercised till 5:45 p.m. (Japan time) of 28 June (Tue.) 2016, it would be greatly appreciated if you could kindly exercise the rights earlier to facilitate early tabulation of the voting results.
- (3) When a shareholder exercises his or her voting rights both in writing and via the Internet, the voting rights exercised via the Internet shall take precedence over the one in writing. When a shareholder exercises his or her voting rights multiple times via the Internet, the last valid exercise of voting rights via the Internet shall be considered as the shareholder's final vote.
- (4) The shareholder shall bear any connection fees of the service provider or telecommunication charges upon using the website for exercising voting rights.

### 3. Voting Rights Code and Password

- (1) The password is very important information to identify you at the voting. Please treat it very carefully in the same manner as if it is your personal seal or secret number.
- (2) In the event that you put wrong password a certain number of times such password will become invalid. If you wish reissue of the password please follow the instruction shown on the screen.
- (3) The voting rights code written on voting rights exercising card shall be valid only for this General Meeting of Shareholders.

### 4. System Requirements for Exercising Voting Rights via the Internet

Please confirm the following system requirements of your computer when you exercise voting rights via Internet:

- (1) Website for personal computer
    - A) Display resolution of the computer is 800×600 (SVGA) or higher.
    - B) Following applications are installed into the computer
      - (i) Microsoft® Internet Explorer 5.01 SP2 or its higher version as Internet browser software
      - (ii) Adobe® Acrobat® Reader® 4.0 or its higher version, or Adobe® Reader® 6.0 or its higher version as PDF file browser
- \* Internet Explorer is the name of product provided by Microsoft Corporation. Adobe® Acrobat® Reader® and Adobe® Reader® are the trademarks or registered trademarks of Adobe Systems Incorporated in the U.S. and other countries.
- \* You can download such software for free at the website of each company respectively.

(iii) If the pop-up broker is active on your computer please make it (temporarily) inactive and Cookie enabled for this website in the privacy setting.

(iv) If you cannot access the website the Internet access might be restricted due to the setting of firewall proxy server and security software. In such case please check the settings.

## (2) Website for mobile phone

Mobile phone is capable of 128-bit SSL communication (encrypted communication), and either of the following services is available: i) i-mode, ii) EZweb or iii) Yahoo! Keitai

\* i-mode, EZweb, Yahoo! and Yahoo! Keitai are trademarks or registered trademarks of NTT DoCoMo, Inc., KDDI Corporation, Yahoo! Incorporated and SoftBank Corporation respectively.

\* In the case that you access the website by using; full browsing application of mobile devices; PC via network provided by the mobile device or; Smartphone device, your voting is deemed as the one exercised on the website for personal computer.

## 5. Inquiries regarding Exercising Voting Rights via the Internet

### (1) Contact for any inquiries regarding the exercise of voting rights via the Internet

Web support desk of Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited

Telephone number:

0120-652-031 (from 9 a.m. to 9 p.m. Japan time, toll free in Japan)

### (2) Contact for other information such as request for documents

#### A) If you have a shareholder account of securities company:

Please contact the securities company administrating your shareholder account

#### B) If you do NOT have a shareholder account of securities company:

Please contact the Administration Center of Transfer Agency of Sumitomo Mitsui Trust Bank

Telephone number:

0120-782-031 (Weekdays from 9 a.m. to 5 p.m. Japan time, toll free in Japan)

## 6. Electronic Voting Platform for Institutional Shareholders

The Electronic Voting Platform operated by ICJ, Inc. is available for institutional shareholders.

## Reference Materials to Proposals at General Meeting of Shareholders

### Proposal 1: Share Consolidation

#### 1. Reason for Proposal

For the greater convenience of investors and other market participants, all Japanese securities exchanges are promoting an “Action Plan for Consolidating Trading Units”, under which trading units of common shares (number of shares in a unit) for domestically listed companies are uniformly set at 100 shares. In light of the intent of this action plan, the Company decided to change the number of shares in a unit from 1,000 shares to 100 shares by the resolution at the Board of Directors meeting held on 20 May 2016, according to the provisions of the Companies Act.

In this exercise, in order to maintain price level of a trading unit and the number of voting rights of shareholders following the change of the number of shares in a unit, the Company also decided to carry out a share consolidation of the Company shares under which every 10 shares will be consolidated into 1 share (the “Share Consolidation”).

Subject to the approval of this proposal as originally proposed, the aforementioned change in the number of shares in a unit will take effect on 1 October 2016.

#### 2. Consolidation Ratio

Every 10 shares in the Company will be consolidated into 1 share. If any fractional shares arise as result of the Share Consolidation, pursuant to the Article 235 of the Companies Act, the Company will sell all such fractional shares and distribute the proceeds to shareholders having fractional shares in proportion to their respective fractions.

#### 3. The Date on which the Share Consolidation Becomes Effective (the “Effective Date”)

1 October 2016

#### 4. Total Number of Authorized Shares as of the Effective Date

177,500,000 shares

By implementing the Share Consolidation, it will be deemed that the Articles of Incorporation is amended with respect to the change of total number of authorized shares on the Effective Date, pursuant to Article 182.2 of the Companies Act.

(Reference only)

Subject to the approval of this proposal as originally proposed, the Articles of Incorporation of the Company will be partially amended as follows on 1 October 2016. The following table shows the comparison between the current and amended provisions of the Articles of Incorporation. The specific changes made are indicated by underlines.

Current Version	Amended Version
<b>Article 1</b> through (Omitted) <b>Article 5</b>	<b>Article 1</b> through (Same as the Current Version) <b>Article 5</b>
<b>CHAPTER 2: COMPANY SHARES</b> <b>Article 6 Total Number of Shares Authorized to be Issued</b>	<b>CHAPTER 2: COMPANY SHARES</b> <b>Article 6 Total Number of Shares Authorized to be Issued</b>
Total number of shares of the Company authorized to be issued shall be <u>1,775,000,000</u> .	Total number of shares of the Company authorized to be issued shall be <u>177,500,000</u> .
<b>Article 7 Number of Shares Comprising One (1) Unit</b>	<b>Article 7 Number of Shares Comprising One (1) Unit</b>
The Number of shares comprising one (1) unit (hereinafter referred to as "Unit") shall be <u>1,000</u> .	The Number of shares comprising one (1) unit (hereinafter referred to as "Unit") shall be <u>100</u> .
<b>Article 8</b> through (Omitted) <b>Article 31</b>	<b>Article 8</b> through (Same as the Current Version) <b>Article 31</b>

## Proposal 2: Election of Seven Directors

The term of office of all the eight Directors shall expire as of the end of this Ordinary General Meeting of Shareholders. It is therefore proposed that the following seven Directors be elected. Details of the Director candidates are as follows:

No.	Name	Current Responsibilities at NSG Group
1	Shigeki Mori <span>Reappointed</span>	<ul style="list-style-type: none"> <li>■ Member of Nomination Committee</li> <li>■ Member of Compensation Committee</li> </ul>
2	Clemens Miller <span>Reappointed</span>	
3	Kenichi Morooka <span>Reappointed</span>	<ul style="list-style-type: none"> <li>■ Member of Nomination Committee</li> <li>■ Member of Compensation Committee</li> </ul>
4	Günter Zorn <span>Reappointed</span> Candidate for External Director Candidate for Independent Director	<ul style="list-style-type: none"> <li>■ Member of Nomination Committee</li> <li>■ Member of Audit Committee</li> <li>■ Chairman of Compensation Committee</li> </ul>
5	Toshikuni Yamazaki <span>Reappointed</span> Candidate for External Director Candidate for Independent Director	<ul style="list-style-type: none"> <li>■ Member of Nomination Committee</li> <li>■ Chairman of Audit Committee</li> <li>■ Member of Compensation Committee</li> </ul>
6	Yasuyuki Kimoto <span>New</span> Candidate for External Director Candidate for Independent Director	
7	Masatoshi Matsuzaki <span>New</span> Candidate for External Director Candidate for Independent Director	

Notes:

1. Responsibilities of each of Director candidates stated above are as at the time of this Ordinary General Meeting of Shareholders.
2. Responsibilities of each of Director including the newly appointed Director candidates will be newly determined by the resolution of the Board of Directors to be held immediately after this Ordinary General Meeting of Shareholders.



**Mr. Shigeki Mori**

- **Positions/responsibilities at NSG Group:** Director, Representative Executive Officer, President and CEO, a member of Nomination Committee and Compensation Committee
- **Date of birth:** 22 July 1958 (57 years old)
- **Number of the Company's shares owned:** 30,452
- **Material concurrent office:** n/a
- **Special interest between the candidate and the Company:** n/a
- **Reasons for recommendation as a Director**

After having worked in the functions of human resources and corporate planning in the Group, Shigeki Mori held a succession of such important posts as the president of certain subsidiaries in the Architectural Glass business and the Head of the Technical Glass Strategic Business Unit. For two years from July 2010 he was based in the UK as the Head of Production, Fabrication and Marketing, UK and South Europe, Architectural Glass. Based upon such career and experiences he was appointed Representative Executive Officer, President and CEO in April 2015 and since then, has taken leadership in the whole Group business. He was also appointed Director in June 2015. It is expected that his knowledge and experience of the Group business will be shared with the Board, which we believe continue to contribute to the decision-making function of the Board.

- **Brief career history**

Apr. 1981	Joined the Company
Apr. 2003	General Manager of Planning Dept. Architectural Glass Company
Jan. 2005	General Manager of Functional Glass production & Technology, Architectural Glass Company and President of NSG Kanto Co., Ltd. (currently NSG Building Products Co., Limited)
Jul. 2010	Head of Production, Fabrication and Marketing, UK and South Europe, Architectural Glass (UK)
May 2012	Senior Corporate Officer, Head of Architectural Glass Japan
Jun. 2012	Senior Corporate Officer, Head of Technical Glass SBU
Apr. 2015	Representative Executive Officer, President and CEO (Current position)
Jun. 2015	Director (Current position)

**Mr. Clemens Miller**

- **Positions/responsibilities at NSG Group:** Director, Representative Executive Officer, Executive Vice President and COO
- **Date of birth:** 21 February 1959 (57 years old)
- **Number of the Company's shares owned:** 10,000
- **Material concurrent office:** n/a
- **Special interest between the candidate and the Company:** n/a
- **Reasons for recommendation as a Director**

After having engaged in work of production, business planning and marketing in the Group's Architectural Glass business, Clemens Miller held a succession of such important posts as the Head of the Architectural Glass and Technical Glass Strategic Business Units and so forth. He was appointed Director, Executive Officer of the Group in June 2011 and since April 2012 he has taken leadership in the Group business as the Director, Representative Executive Officer, Executive Vice President and COO. It is expected that he will continue to contribute to the decision-making function of the Board by making best use of his abundant experiences and knowledge with regard to the Group's business, operation and management.

- **Brief career history**

Jul. 1992	Joined Flachglas AG (currently Pilkington Deutschland AG)
Dec. 2002	Head of Business Planning, Building Products Europe Managing Director, Fire Protection, Building Products Europe
Jun. 2005	Managing Director, Fire Protection & Coatings, Building Products Europe
Apr. 2007	Managing Director, Solar Energy Business Managing Director, Fire Protection & Coatings, Building Products
Aug. 2007	Managing Director, Building Products Europe Managing Director, Fire Protection & Coatings, Building Products
Jun. 2008	Senior Corporate Officer, Head of Building Products Europe, NSG Group
Apr. 2010	Senior Corporate Officer, Vice President of Commercial and Solar Energy Products, NSG Group
Jun. 2011	Director (Current position), Executive Officer, Head of Building Products Worldwide, NSG Group
Feb. 2012	Executive Officer, Head of Architectural glass SBU and Technical Glass SBU, NSG Group
Apr. 2012	Representative Executive Officer, Executive Vice President and COO, Head of Architectural glass SBU and Technical Glass SBU, NSG Group
Jun. 2012	Representative Executive Officer, Executive Vice President and COO, NSG Group (Current Position)

**Mr. Kenichi Morooka**

- **Positions/responsibilities at NSG Group:** Director, Representative Executive Officer, Executive Vice President and CFO, and a member of Nomination Committee and Compensation Committee
- **Date of birth:** 12 December 1956 (59 years old)
- **Number of the Company's shares owned:** 51,417
- **Material concurrent office:** n/a
- **Special interest between the candidate and the Company:** n/a
- **Reasons for recommendation as a Director**

Kenichi Morooka joined The Sumitomo Bank, Limited (Currently Sumitomo Mitsui Banking Corporation) and held a number of important posts thereat. He joined NSG Group in December 2006 and engaged in work of business planning, accounting, finance and business administration in Japan and the UK. He became Director, Executive Officer, Executive Vice President in June 2013 and since September 2013, has taken leadership in the area of the Group's business planning, human resources, finance in Japan and external communications, and he became Director, Representative Executive Officer, Executive Vice President and CFO in April 2016. It is expected that he will continue to contribute to the decision-making function of the Board by making best use of his abundant experiences and knowledge with regard to the Group's accounting, finance, human resources, business and management.

- **Brief career history**

Apr. 1979	Joined The Sumitomo Bank, Limited (Currently Sumitomo Mitsui Banking Corporation)
Apr. 1993	Senior Assistant General Manager, International Affairs (Tokyo), The Sumitomo Bank, Limited
Jun. 2002	President, SMBC Securities, Inc., and Vice President, SMBC Capital Markets, Inc.
Dec. 2006	General Manager, Promotion of Business Integration, and Senior Manager, Finance, NSG Group
Jun. 2008	Corporate Officer, Head of Financial Planning, NSG Group
Apr. 2011	Corporate Officer, CFO, Specialty Glass, General Manager of SG Administration, and Head of Corporation Planning Communication, NSG Group
Jun. 2011	Senior Corporate Officer, CFO, Specialty Glass, General Manager of SG Administration, and Head of Corporation Planning Communication, NSG Group
Feb. 2012	Senior Corporate Officer, Head of Corporation Planning Communication, NSG Group
May 2012	Senior Corporate Officer, Deputy CFO, NSG Group
Apr. 2013	Executive Officer, Deputy CFO, NSG Group
Jun. 2013	Director (Current position), Executive Officer, Executive Vice President, NSG Group
Apr. 2016	Representative Executive Officer, Executive Vice President and CFO, NSG Group (Current position)

- **Positions/responsibilities at NSG Group:** Director, a member of Nomination Committee and Audit Committee, and Chairman of Compensation Committee
- **Date of birth:** 23 March 1953 (63 years old)
- **Terms of office as External Director:** 2 year (as of the end of this General Meeting of Shareholders.)
- **Record of attendance at Board of Directors meetings;** 100% (11/11)
- **Number of the Company's shares owned:** 19,464
- **Material concurrent offices:** Representative Director and President, Z-ANSHIN K.K.
- **Special interest between the candidate and the Company:** n/a
- **Reasons for recommendation as an External Director:**

Günter Zorn became External Director of the Company in June 2014. He has the career and experiences of serving as management of the major international companies and Representative Director and President of their Japanese entities. In addition, he is the Representative Director and President of his own consulting firm. It is expected that he will continue to contribute to the supervisory function of the Board from an independent and objective standpoint as well as based upon his abundant international experiences and broad knowledge with regard to business management.

- **Brief career history**

Nov. 1978	Joined Polaroid Corporation
Jul. 1985	Moved to Linotype Aktiengesellschaft
Jun. 1991	President and Representative Director, Linotype-Hell K.K.
Nov. 1994	President and Representative Director, Linotype-Hell K.K. Vice President, Asia Pacific, Linotype (acquired by Heidelberger Druckmaschinen AG in 1997)
Apr. 1998	President, Heidelberg France S.A.
Apr. 2000	President, Asia Pacific, Heidelberg
Jul. 2005	Representative Director and President, DHL Japan, Inc.
Apr. 2006	Representative Director and President, DHL Japan, Inc. Executive Vice President North Pacific (Japan and Korea), DHL GmbH.
Apr. 2009	Representative Director and President, Z-ANSHIN K.K. (Current position)
Jun. 2014	Director, NSG Group (Current position)

**Mr. Toshikuni Yamazaki**

- **Positions/responsibilities at NSG Group:** Director, a member of Nomination Committee and Compensation Committee, and Chairman of Audit Committee
- **Date of birth:** 13 January 1946 (70 years old)
- **Terms of office as External Director:** 1 year (as of the end of this General Meeting of Shareholders.)
- **Record of attendance at Board of Directors meetings:** 100% (9/9)\*
- **Number of the Company's shares owned:** 17,439
- **Material concurrent office:** Representative Director and President, Ryugasaki Country Club
- **Special interest between the candidate and the Company:** n/a
- **Reasons for recommendation as an External Director:**

Toshikuni Yamazaki became External Director of the Company in June 2015. He has the career and experiences of serving as Representative Director, Executive Vice President (in charge of finance, investor relations and accounting) and full-time corporate auditor of the major international manufacturing company, and a member of the Investment Advisory Committee of the Government Pension Investment Fund, Japan (GPIF). It is expected that he will continue to contribute to the supervisory function of the Board from an independent and objective standpoint as well as based upon his abundant experiences and broad knowledge with regard to business management and finance and accounting.

- **Brief career history**

Apr. 1968	Joined Nippon Kokan K.K. (Currently JFE Holdings, Inc.)
Jun. 1999	Director, Nippon Kokan K.K.
Apr. 2000	Vice President (Corporate Officer), Nippon Kokan K.K.
Apr. 2001	Senior Vice President (Corporate Officer), Nippon Kokan K.K.
Apr. 2005	Corporate Officer, Executive Vice President, JFE Holdings, Inc. (Retired in March 2009)
Jun. 2005	Representative Director, JFE Holdings, Inc.
Apr. 2009	Director, JFE Holdings, Inc.
Jun. 2009	Corporate Auditor (Full-time), JFE Holdings, Inc. (Retired in June 2013)
	Corporate Auditor, Universal Shipbuilding Corporation (Retired in December 2012)
Apr. 2010	Corporate Auditor, JFE Engineering Corporation (Retired in April 2013)
	A member of Investment Advisory Committee, Government Pension Investment Fund, Japan (GPIF) (Retired in March 2013)
Mar. 2015	Representative Director and President, Ryugasaki Country Club (Current position)
Jun. 2015	Director, NSG Group (Current position)

\* Note: Mr. Toshikuni Yamazaki was newly appointed as Director at the 149th Ordinary General Meeting of Shareholders held on 26 June 2015, therefore the total number of the Board of Directors meetings shown in the above differs from that for the other re-appointed candidates for Director.

## Mr. Yasuyuki Kimoto

- **Positions/responsibilities at NSG Group:** -
- **Date of birth:** 26 February 1949 (67 years old)
- **Terms of office as External Director:** Mr. Kimoto is a newly appointed candidate for Director.
- **Number of the Company's shares owned:** 0
- **Material concurrent office:** Special Adviser, The Japan Research Institute, Limited, and Corporate Auditor, DMG Mori Co., Ltd.
- **Special interest between the candidate and the Company:** n/a
- **Reasons for recommendation as an External Director:**

Mr. Yasuyuki Kimoto has the career and experiences of serving as chairman of the Board of the major international manufacturing company, a majority of whose Board consisted of independent external directors, as well as leading the Board, involving several non-Japanese independent external directors, of the UK local entity of the major Japanese financial institution. It is expected that he will contribute to the supervisory function of the Board from an independent and objective standpoint as well as based upon his abundant international experiences and broad knowledge with regard to business management.

- **Brief career history**

Apr. 1971	Joined The Sumitomo Bank, Limited (Currently Sumitomo Mitsui Banking Corporation)
Jun. 1998	Director, The Sumitomo Bank, Limited
Jun. 1999	Director, Executive Officer, The Sumitomo Bank, Limited
Jun. 2002	Director, Managing Executive Officer, Sumitomo Mitsui Banking Corporation
Apr. 2004	Managing Director and Managing Executive Officer, Sumitomo Mitsui Banking Corporation
Jun. 2005	Senior Managing Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation (Retired in April 2006)
May. 2006	President and CEO, The Japan Research Institute, Limited
Apr. 2012	Special Adviser, The Japan Research Institute, Limited (Current position)
	Chairman of the Board of Director, Olympus Corporation (Retired in June 2015)
Jun. 2015	Corporate Auditor, DMG Mori Co., Ltd. (Current position)

## Mr. Masatoshi Matsuzaki

- **Positions/responsibilities at NSG Group:** -
- **Date of birth:** 21 July 1950 (65 years old)
- **Terms of office as External Director:** Mr. Matsuzaki is a newly appointed candidate for Director.
- **Number of the Company's shares owned:** 0
- **Material concurrent office:** Director and Chairman of the Board, Konica Minolta, Inc. and President, Japan Business Machine and Information System Industries Association
- **Special interest between the candidate and the Company:** n/a
- **Reasons for recommendation as an External Director:**

Mr. Masatoshi Matsuzaki has the career and experiences of serving as both representative executive officer and subsequently chairman of the Board of the major international manufacturing company, which adopts a governance system of "Company with Three Committees" like us. It is expected that he will contribute to the supervisory function of the Board from an independent and objective standpoint as well as based upon his abundant experiences and broad knowledge with regard to even both sides of executive and supervisory functions of such company having the Committee system.

- **Brief career history**

Apr. 1976	Joined Konishiroku Photo Industry Co., Ltd. (Currently Konica Minolta Inc.)
Nov. 1997	General Manager of Development Group No.2, Color Business Machines Development Div., Business Machines Headquarters, Konica Corporation (Currently Konica Minolta Inc.)
May. 1998	General Manager of Development Center No.1, System Technology Development Div., Business Machines Headquarters, Konica Corporation
Oct. 2003	Director, Konica Minolta Business Technologies, Inc.
Apr. 2005	Executive Officer, Konica Minolta Inc. Representative Director and President, Konica Minolta Technology Center, Inc.
Apr. 2006	Senior Executive Officer, Konica Minolta Inc. Representative Director and President, Konica Minolta Technology Center, Inc.
Jun. 2006	Director and Senior Executive Officer, Konica Minolta Inc. Representative Director and President, Konica Minolta Technology Center, Inc.
Apr. 2009	Director, Representative Executive Officer and President, Konica Minolta Inc.
Apr. 2014	Director and Chairman of the Board, Konica Minolta Inc. (Current position) President, Japan Business Machine and Information System Industries Association (Current position)

Notes:

1. Messrs. Günter Zorn, Toshikuni Yamazaki, Yasuyuki Kimoto and Masatoshi Matsuzaki are candidates for the External Directors stipulated in Article 2.15 of the Companies Act. In addition, all of them have been notified to Tokyo Stock Exchange (TSE) as Independent Directors. Furthermore, the Company originally has more stringent criteria with respect to such independency of directors considering their relationships with the Group itself, Group's directors and/or Group's major shareholders, which all four candidates for External Directors also meet. For the detail of the criteria, please see page 16.
2. Particulars of the candidates for External Directors are as follows:
  - Agreement on liability limitation with External Directors
  - The Company concluded an agreement with Messrs. Günter Zorn and Toshikuni Yamazaki, and will do the same with Messrs. Yasuyuki Kimoto and Masatoshi Matsuzaki respectively to the effect that the liability of each of the External Directors in performing their duties in good faith and without gross negligence be limited to the amount permissible by law.



## For Reference: Criteria of Independency for External Director at NSG

External Directors of Nippon Sheet Glass Company, Limited ("NSG" or the "Company") falling into any of the following categories are considered to lack independency as an External Director.

### (1) As to the External Director him/herself, where:-

- a) He/she is, has become or once served as an executive director, executive officer, corporate officer or employee of the NSG Group (hereinafter collectively referred to as "executive/employee");
- b) i) He/she has a business relationship with the Company and received from the Company the following sum during any single financial year for him/her/(it) of those past three years most recently ended or (in case where the one having such business relationship is an organization such as legal entity, then he/she serves or served as executive/employee of the organization), OR NSG Group is a Major Business Partner for him/her/it
  - Aggregate payments equivalent to more than 1% of their consolidated sales during the subject year; OR,
  - ii) he/she has a business relationship with the Company and paid the Company the following sum during the Company's any single financial year of those past three years most recently ended, or he/she is a Major Business partner of the NSG Group (or in case where the one having such business relationship is an organization such as legal entity, then he/she serves or served as executive/employee of the organization);
    - Aggregate payments equivalent to more than 1% of the Company's consolidated sales during the subject year

Note: For the purpose of this criteria protocols, the expression "Major Business Partner(s)" means, as between the NSG Group and the group having business relationship with us, those persons which could be, in terms of magnitude of its business relationship, expected to exert the same degree of influence on the decision-making process of the other as would exist among parent-subsidary relationship or affiliated group.
- c) He/she is an Certified Public Accountant retained as Accounting Auditor for the Company (or in case the accounting firm is retained as Accounting Auditor then he/she serves as partner or employee of the firm) or he/she has engaged in any audit activities of the NSG Group businesses at any time during the past three years;
- d) He/she is one of those consultants, accountants or lawyers who have received substantial amount of cash or other financial gains (equivalent to JPY 10 million or more per financial year of the Company) from the NSG Group (or in case where an organization such as consulting, accounting or law firm is the one having received such cash or gains, then he/she belongs to any such organization);
- e) He/she has material business relationship with or is materially interested in the NSG Group (or in case where an organization such as legal entity has such relationship or interest, he/she is an executive/employee of the organization) (For this purpose, the fact of receipt of the sum in the form of donation or loans from the NSG Group equivalent to JPY 10 million or more on an average per annum for the past three financial years of the Company most recently ended is deemed to constitute such material interest in the NSG Group.);
- f) He/she holds cross-directorships or has significant links with other Directors/Executive Officers of the Company through involvement in other companies/bodies;
- g) He/she is a major beneficial shareholder who is entitled to 10% or more of the total voting rights of the Company (or in case where the organization such as legal entity falls into such a shareholder, then he/she currently is or was employed as an executive/employee of the organization at any time during the past five years); or
- h) He/she is an individual who has fallen into the above d), e) or f) during the Company's any single financial year of those past three financial years most recently ended.

### (2) As to the close relative(s) of the External Director (his or her spouse, or those relatives who are within the second degree of kinship or live in the same dwelling as him or her), where:-

- a) He/she is or was in the past five years an executive director/officer or senior employee of the NSG Group (collectively "Senior Manager");
- b) i) He/she has a business relationship with the Company and received from the Company the following sum during any single financial year for him/her/(it) of those past three years most recently ended (in case where the organization such as legal entity has such business relationship, then he/she serves or served as a Senior Manager thereof), OR the NSG Group is a Major Business Partner for him/her/it
  - Aggregate payments equivalent to more than 1% of their consolidated sales during the subject year; OR
  - ii) he/she has a business relationship with the Company and paid the Company the following sum in any single financial year of the Company during its past three years most recently ended, or is a Major Business Partner of the NSG Group (in case where an organization such as legal entity has such business relationship, then he/she serves or served as a Senior Manager of the organization);
    - Aggregate payments equivalent to more than 1% of the Company's consolidated sales during the subject year
- c) He/she is a Certified Public Accountant retained as an Accounting Auditor (or in case the accounting firm is retained as Accounting Auditor then he/she is a partner or Senior Manager thereof) or has engaged in any audit activities of the NSG Group businesses at any time during the past three years;
- d) He/she is one of those consultants, accountants or lawyers who have received substantial amount of cash or other financial gains (equivalent to JPY 10 million or more per financial year of the Company) from the NSG Group (in case where an organization such as consulting, accounting or law firm is the one having received such cash or gains, then he/she serves as partner, associate or Senior Manager of the organization);
- e) He/she has material business relationship with or is materially interested in the NSG Group (in case where an organization such as legal entity has such relationship or interest, then he/she is a Senior Manager of the organization) (For this purpose, the fact of receipt of the sum in the form of donation or loans from the NSG Group equivalent to JPY 10 million or more on an average per annum for the past three financial years of the Company most recently ended is deemed to constitute such material interest in the NSG Group.);
- f) He/she is a major beneficial shareholder who is entitled to 10% or more of the total voting rights of the Company (in case where the organization such as legal entity falls into such a shareholder, then he/she currently serves as Senior Manager of the organization); or
- g) He/she has fallen into either or both of d) and/or e) at any time during the past three financial years of the Company most recently ended.

# 150th Business Report of Nippon Sheet Glass Company, Limited

From 1 April 2015  
To 31 March 2016

## 1. Matters Relating to the Current State of the Company's Corporate Group

### (1) Overview and Results of Business Activities

During the year to 31 March 2016 (FY2016), the Group experienced contrasting conditions in its major markets. European Architectural markets improved from the previous year and Automotive markets continued to recover, with significant increases in light vehicle sales in key Southern and Western European markets. In Japan, Architectural markets were stable, with volumes similar to the previous year, whilst Automotive markets were negatively affected by revised eco-car tax exemption rules. North American markets showed further growth, particularly in Architectural. Low-levels of consumer confidence contributed to a significant decline in Automotive markets in South America. In Technical Glass, markets for thin glass for displays were particularly challenging. The Group has posted a number of one-off exceptional losses for FY2016 to reflect the market conditions in Display and demand downturns in emerging markets.

As a consequence, the Group's year-end results are as shown in the table below.

	Results	
Consolidated Revenue	¥ 629,172m	(up 0.4%)
Consolidated Operating Profit	¥ 19,362m	(up 14.9%)
Consolidated Loss before Taxation	¥ 37,439m	
Consolidated Loss for the Period	¥ 47,500m	
Consolidated Loss Attributable to Owners of the Parent	¥ 49,838m	

Note : Operating profit in the above table is defined from FY2016 as being operating profit stated before exceptional items.

The performance by segment is as follows.

## Architectural

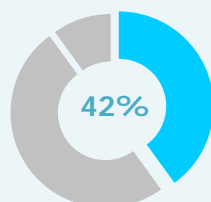
Revenue: ¥ 262,559 million

Operating profit : ¥ 24,560 million

### Business content:-

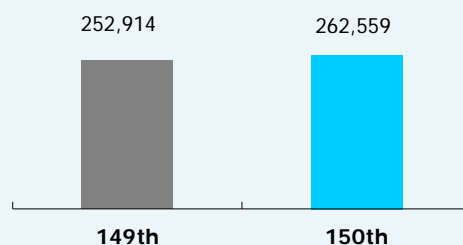
Architectural, representing 42 percent of the Group's annual sales, includes the manufacture and sale of flat glass and various interior and exterior glazing products within commercial and residential markets. It also includes glass for the Solar Energy sector.

### Ratio of sales to Group sales



### Sales

(Millions of yen)



Operating results in the Architectural business improved from the previous year due to reduced energy-related input costs and further improvements to market conditions in North America. Revenues also increased, due largely to the strong market conditions in North America.

In Europe, representing 35 percent of the Group's Architectural sales, demand increased through the year leading to an improved pricing environment. Cumulative local currency revenues increased reflecting the improved underlying conditions. Profitability was negatively affected by a cold repair, offsetting the positive impact of lower input costs.

In Japan, representing 27 percent of Architectural sales, cumulative volumes were similar to the previous year. Revenues and profitability improved due to improved prices and increased sales of value-added products.

In North America, representing 15 percent of Architectural sales, architectural glass markets continued to register year on year growth. The Group's revenues and profits improved from the previous year. Volumes increased, with domestic demand being particularly strong. Domestic price levels were also above the previous year.

In the rest of the world, markets were generally at similar levels to the previous year. Solar glass dispatches were robust in South East Asia, and profits in South America were resilient despite a challenging economic environment and a cold repair in Argentina. On 31 March 2016, the Group announced its decision to exit from its loss-making business in China producing rolled glass for crystalline silicon photovoltaic applications.

The Architectural business recorded revenues of ¥ 262,559 million and an operating profit of ¥ 24,560 million.

# Automotive

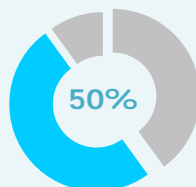
Revenue: ¥ 316,327 million

Operating profit : ¥ 9,813 million

## Business content:-

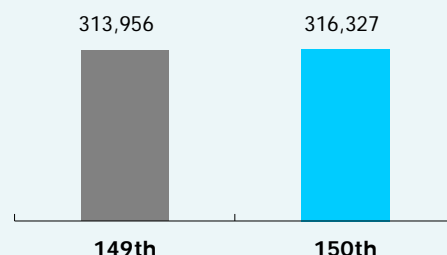
Automotive, with 50 percent of Group sales, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

## Ratio of sales to Group sales



## Sales

(Millions of yen)



Automotive business revenues were similar to the previous year. Profitability improved however, with increased volumes and cost savings in Japan.

Europe represents 44 percent of the Group's Automotive sales. Light-vehicle sales were ahead of the previous year, with further growth in Western Europe indicating a sustainable market recovery. The Group also benefitted from robust volumes in its Automotive Glass Replacement (AGR) business. Total local currency revenues and profits were both slightly improved from the previous year.

In Japan, representing 18 percent of the Group's Automotive sales, OE revenues and profits were both ahead of the previous year. The Group's volumes increased, despite light-vehicle sales falling after the implementation of revised eco-car tax exemption rules. AGR profits were also ahead of the previous year.

In North America, representing 28 percent of the Group's Automotive sales, cumulative OE local currency revenues were ahead of the previous year as market volumes continued to strengthen. The Group's AGR revenues fell however.

In the rest of the world, weak market conditions persist in South America, with a significant decrease in light-vehicle sales in Brazil.

The Automotive business recorded sales of ¥ 316,327 million and an operating profit of ¥ 9,813 million.

# Technical Glass

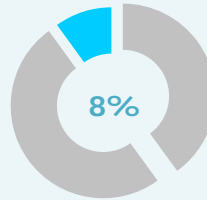
Revenue: ¥ 49,490 million

Operating profit : ¥ 267 million

## Business content:-

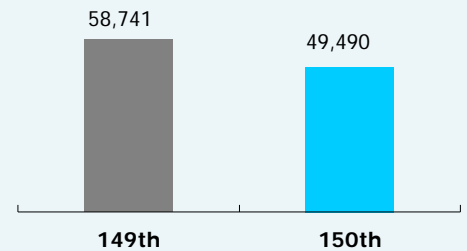
Technical Glass, representing 8 percent of Group sales, comprises a number of discrete businesses, including the manufacture and sale of very thin glass for small displays, lenses and light guides for printers, as well as glass fiber products, such as battery separators and glass components for engine timing belts.

## Ratio of sales to Group sales



## Sales

(Millions of yen)



Revenues and profits in the Technical Glass business were below the previous year due to a challenging competitive environment in the Display business.

On 31 March 2016, the Group announced an adjustment to its production of thin glass for displays, with the mothballing of its thin glass float line in Vietnam. The timing for restarting this line is to be decided, and will be dependent on the future market situation, inventory levels, and other relevant factors.

Demand for components used in multi-function printers which had been robust in earlier quarters, softened during the second half of the year. Volumes of glass cord used in engine timing belts were robust, consistent with strengthening Automotive markets in Europe.

The Technical Glass business recorded revenues of ¥ 49,490 million and an operating profit of ¥ 267 million.

# Other

This segment covers corporate costs, consolidation adjustments, certain small businesses not included in the segments covered above and the amortization of other intangible assets related to the acquisition of Pilkington plc. Operating costs and consolidation adjustments incurred in Other Operations and Eliminations were above the previous year due to non-recurring consolidation adjustments.

Consequently, this segment recorded revenues of ¥ 796 million and operating costs of ¥ 15,278 million.

## (2) Capital Expenditure

The capital expenditure of the Group totaled ¥28,192 million during the fiscal year under review, broken down by segment as follows:

Business	Expenditure
Architectural	¥13,156 m
Automotive	¥ 13,272 m
Technical Glass	¥ 1,452 m
Other	¥ 312 m

## (3) Financial Situation

Total assets at the end of March 2016 were ¥ 812,120 million, representing a decrease of ¥ 107,986 million from the end of March 2015. Total equity was ¥ 112,011 million, representing a decrease of ¥ 73,997 million due to the loss for the period and the translational impact of a strengthening Japanese yen. A reduction in net retirement benefit obligations partly offset the impact of currency movements and the loss for the year.

Net financial indebtedness increased by ¥ 6,952 million from 31 March 2015 to ¥ 381,044 million at the period end.

Currency movements generated an increase in net debt of approximately ¥ 700 million over the period. Gross debt was ¥ 436,959 million at the period end. As of 31 March 2016, the Group had un-drawn, committed facilities of ¥ 49,647 million.

Cash inflows from operating activities were ¥ 21,789 million. Cash outflows from investing activities were ¥ 26,401 million, including capital expenditure on property, plant, and equipment of ¥ 28,197 million. As a result, total cash outflows before financing were ¥ 4,612 million.

#### **(4) Issues to be Addressed**

Since the Group's Long-term Strategic Vision and Medium-Term plan (MTP) was announced in May 2014, the Group has been focusing on the maximization of capacity utilization and growing its VA (value added) product ratio as the core strategy within its MTP. While continuing to maintain the core strategy, the Group will further accelerate measures to achieve "VA Glass Company", its Strategic Vision. Under the Long-term Strategic Vision, our aim is to:

- Consolidate our trusted reputation as a glass specialist
- Work closely with our customers in a range of global industries to deliver values required by our customers through our products and services
- Transform our flat glass business, moving from a traditional commodity business model towards one increasingly focused on value-added products and services

Although the regions in which the Group operates have shown mixed results, where the performance is weak, the Group will take additional improvement measures, while stepping up its efforts to seek higher profitability for those with an already strong performance.

On 31 March 2016, the Group announced that it would cease production at its business manufacturing rolled glass for crystalline silicon photovoltaic applications, representing an exit from its loss-making Architectural business in China. On the same day, the Group also announced an adjustment to its production of thin glass for displays with a temporary closure of its thin glass float line in Vietnam, thus minimizing losses in the display division. Through these actions the Group continues to take necessary measures to align its production capacity with current levels of market demand, eliminating obstacles to a further recovery in the Group's performance.

The Group expects to see an improvement in market conditions during FY2017. In Europe, Architectural markets are likely to be broadly stable with supply and demand in balance across the region. Light vehicle sales increased steadily during FY2016, and this recovery should continue through FY2017. Absolute levels of light vehicle sales in Europe will still be below their previous peak however. Architectural markets in Japan are likely to be generally flat but with the Group benefitting from an increase in VA sales, whilst automotive revenues are likely to fall following the implementation of revised eco-car tax exemption rules during FY2016. Architectural markets in North America will continue to be robust, with the Group benefitting from a high proportion of VA product sales. Automotive markets should also be at a good level, with the Group's profitability expected to improve. In South America, the Group expects to see a leveling-off of previous declines in light vehicle sales, although does not anticipate a significant rebound in near-term volumes. In the rest of the world, market conditions in South East Asia are likely to continue at a good level and the Group's Architectural results will benefit from the closure of the rolled glass line in China. Within the Technical Glass business unit, results from the display division will benefit from the temporary closure of the Group's thin glass float line in Vietnam. Across the Group, operating profitability is expected to benefit from relatively low energy costs and the Group's continued efforts to reduce its cost base. Amortization costs arising on the acquisition of Pilkington plc will fall to approximately half the level of FY2016.

Taking account of the above factors, the Group expects to record an improvement in operating profitability in FY2017.

For the Group's financial position, please kindly refer to the above section 1. (3) "Financial Situation". The Group continues to aim at achieving financial sustainability through cash generation and net debt reduction by further improving

the underlying business profitability and keeping tight control of working capital and capital expenditure. Discussion for securing further financial facilities will be continued with the financial institutions appropriately.

Each business unit has specific issues to be addressed as follows.

### **Architectural**

The Group's Architectural business will focus on further improvements to its profitability. Previous restructuring actions have generated an improved level of asset utilization, which, together with falling energy costs, has enabled a strong improvement in operating profitability. The Group will continue to focus on achieving a high level of asset utilization, as well as expanding its sales of VA products.

The Group intends to focus on further improving levels of Architectural profitability, particularly in Europe. European prices improved during the course of FY2016 but remain at historically low levels. Input costs were positive, due to a decline in energy prices. European profitability in FY2017 should benefit from a stable market environment and relatively low energy costs. The Group will focus on achieving a high level of asset utilization and an increase in sales of higher-margin VA products.

The drive to produce clean renewable energy will continue to fuel growth for the Group's Solar Energy products business over the long-term. VA products, such as low-e glass designed to save energy in buildings, will become an increasingly important part of the Group's Architectural portfolio. The Group's medium-term Architectural strategy is to further develop its portfolio of VA products, where it has a technological advantage over competitors.

### **Automotive**

As in the Architectural business, the Group's Automotive business will continue to focus on improving profitability. The Automotive business has also experienced a fall in input costs, particularly with respect to energy.

The Group expects to achieve long-term expansion of its Automotive business in fast growing emerging economies. However, South American markets have continued to decline during FY2016, and are expected to continue to be at a low level during FY2017, reflecting a difficult economic environment. In South America, the Group consolidated its Automotive sites to reduce fixed costs, and the Group will continue to work on to develop after market applications further. The Group's largest Automotive business is in Europe, which has suffered from declining volumes since 2008. However, light vehicle sales registered an increase across most European economies during FY2016, and the Group expects this to continue during FY2017.

Technological advances in VA areas such as autonomous driving, advanced information & communications technology, Solar Energy control, and weight reduction will play an important part in the future of Automotive glazing, and the Group will continue to be a key player in these areas. The Group also expects to grow its AGR business both through organic growth and, where appropriate, strategic acquisitions.

### **Technical Glass**

In Technical Glass, the Group's profitability declined sharply during FY2016. Markets for thin glass for displays were weak and price levels fell as a result of industry-wide over-capacity. The Group's decision to temporarily reduce its production in this area, together with improving sales of new composition VA products such as glanova™, should enable an improved result in FY2017. Demand for glass products used in multi-function printers softened during FY2016, and the Group does not anticipate a significant rebound in this market during FY2017. Volumes of glass cord used in engine timing belts should be robust however, reflecting a further growth in light vehicle sales, particularly in Europe.

The Group will continue to meet its customer's needs across the globe, by fully utilizing its technological leadership and development capability to develop and expand sales of new value-added products in addition to growing with existing



businesses, in its technical glass segments.

The Group will accelerate measures in line with the Strategic Vision and MTP to address the above-mentioned issues.

The overall objectives of the MTP are to achieve financial sustainability and to further develop the NSG Group's position as a VA glass company. The Group has established two very clear financial targets to be achieved by 31 March 2018, Net financial debt / EBITDA of 3X and Operating return on sales of greater than 8%. Under the MTP, the Group aims at achieving Return on equity (ROE) of greater than 10% in FY2018.

The Group will perform an assessment of its performance against its MTP, and consider any actions that now need to be taken to ensure that the Group continues to move towards achievement of its MTP objectives. The results of this assessment are expected to be communicated alongside the Group's second quarter results for FY2017.

## (5) Assets and Business Results (Consolidated)

(Millions of yen, except per-share figures)

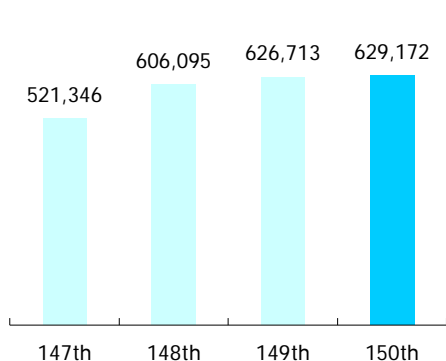
	147th period (FY2013)	148th (FY2014)	149th (FY2015)	150th (FY2016)
Revenue	521,346	606,095	626,713	629,172
Operating Profit	1,946	14,567	16,848	19,362
Profit/(loss) before taxation	(31,096)	(15,120)	4,807	(37,439)
Profit/(loss) for the period	(33,455)	(15,460)	2,893	(47,500)
Profit/(loss) Attributable to Owners of Parent	(34,324)	(16,605)	1,668	(49,838)
Earnings/(loss) per Share Attributable to Owners of the Parent (Yen)	(38.04)	(18.40)	1.85	(55.18)
Total Shareholders' Equity	145,031	183,974	175,746	103,109
Total Shareholders' Equity per Share (Yen)	160.68	203.78	194.60	114.14
Total Assets	885,436	926,208	920,106	812,120

### Notes:

1. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). Operating Profit in the above table is operating profit before exceptional items.
2. Basic earnings per share attributable to owners of the parent is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.
3. Total shareholders' equity per share is calculated by dividing the total shareholders' equity by the number of ordinary shares in issue as at the end of the financial year excluding ordinary shares purchased by the company and held as treasury shares.

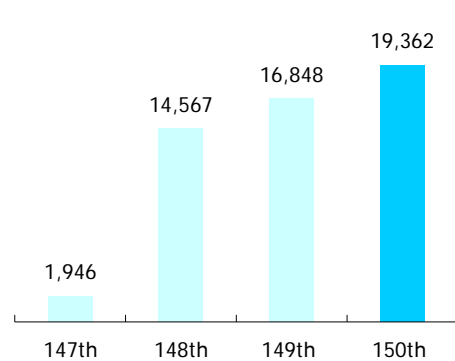
### Revenue

(Millions of yen)



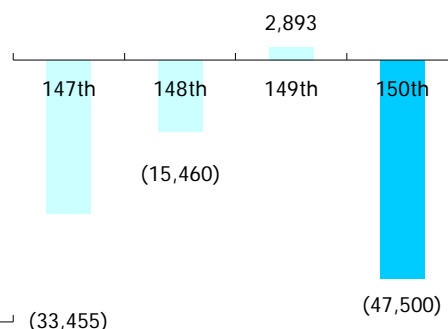
### Operating profit

(Millions of yen)



### Profit/(loss) for the period

(Millions of yen)



## (6) Overview of Major Subsidiaries

Subsidiary undertakings	Capital stock		% Ownership	Business
<b>Japan</b>				
NSG Building Products Co. Limited	JPY million	350	100	Architectural
Thanx Corporation Co. Limited	JPY million	300	92.5	Architectural
Nippon Sheet Glass WIN-TEC Co. Limited	JPY million	48	99.3 (0.2)	Architectural
<b>Europe</b>				
Pilkington United Kingdom Limited	GBP thousand	229,978	100 (100)	Architectural
Pilkington Automotive Limited	EUR thousand	306,595	100 (100)	Automotive
Pilkington Technology Management Limited	GBP thousand	441,320	100 (100)	Architectural and Automotive
NGF Europe Limited	GBP thousand	5,400	100	Technical Glass
Pilkington Deutschland AG	EUR thousand	69,290	96.3 (96.3)	Architectural
Pilkington Automotive Deutschland GmbH	EUR thousand	18,996	100 (100)	Automotive
Pilkington Austria GmbH	EUR thousand	8,721	100 (100)	Architectural
Pilkington Norge AS	NKR thousand	5,130	100 (100)	Architectural
Pilkington Automotive Finland OY	EUR thousand	19,414	100 (100)	Automotive
Pilkington IGP Sp. z o.o.	Zloty thousand	507	100 (100)	Architectural
Pilkington Automotive Poland Sp. z o.o.	Zloty thousand	30,511	100 (100)	Automotive
Pilkington Polska Sp. z o.o.	Zloty thousand	147,340	100 (100)	Architectural
Pilkington Italia SpA	EUR thousand	112,996	100 (100)	Architectural and Automotive
NSG Holding (Europe) Limited	GBP thousand	2,363,517	100	Holding company
NSG UK Enterprises Limited	GBP thousand	1,801,478	100 (100)	Holding company
Pilkington Group Limited	GBP thousand	1,983,926	100 (100)	Holding company

Note:

The % Ownership above in parentheses stands for the percentage owned indirectly through the Company's subsidiary/subsidiaries.

## (6) Overview of Major Subsidiaries (continued)

Subsidiary undertakings	Capital stock		% Ownership	Business
<b>North America</b>				
Pilkington North America Inc.	USD thousand	1	100 (100)	Architectural and Automotive
L-N Safety Glass SA de CV	Mex.Peso thousand	175,155	100 (100)	Automotive
<b>Rest of the world</b>				
Vidrieria Argentina S.A.	Arg.Peso thousand	178,000	51.0 (51.0)	Architectural
Vidrios Lirquén S.A.	Chi.Peso thousand	27,443,983	51.6 (51.6)	Architectural
Pilkington Automotive Argentina S.A.	Arg.Peso thousand	155,015	100 (100)	Automotive
Pilkington Brasil Limitada	Real thousand	163,936	100 (100)	Architectural and Automotive
Guilin Pilkington Safety Glass Co. Limited	RMB thousand	100,000	100 (100)	Automotive
Suzhou NSG Electronics Co. Limited	RMB thousand	371,689	100	Technical Glass
NSG Hong Kong Co. Limited	HKD thousand	800	100 (100)	Technical Glass
Malaysian Sheet Glass Sdn. Bhd.	MYR thousand	81,151	100	Architectural and Automotive
Vietnam Float Glass Co. Limited	VND billion	512	55.0	Architectural
NSG Vietnam Glass Industries Limited	USD thousand	148,575	100 (100)	Architectural and Technical Glass

Note:

The % Ownership above in parentheses stands for the percentage owned indirectly through the Company's subsidiary/subsidiaries.

## (7) Main Offices and Plants of the Group

The Company	Head Office	5-27, Mita 3-Chome, Minato-ku, Tokyo, Japan
	Branch Offices	Minato-ku, Tokyo; Chuo-ku, Osaka-shi; Toyota-shi, Aichi; Minami-ku, Hiroshima-shi
	Plants	Ichihara-shi, Chiba; Sagamihara-shi, Kanagawa; Yokkaichi-shi, Mie; Tsu-shi, Mie; Tarui-cho, Fuwa-gun, Gifu; Minami-ku, Kyoto-shi; Maizuru-shi, Kyoto
Major Subsidiaries	Japan	NSG Building Products Co. Limited (Ichihara-shi, Chiba), Thanx Corporation Co. Limited (Edogawa-ku, Tokyo), Nippon Sheet Glass WIN-TEC Co. Limited (Chuo-ku, Osaka-shi),
	Europe	Pilkington United Kingdom Limited (UK) Pilkington Automotive Limited (UK) Pilkington Technology Management Limited (UK) NGF Europe Limited (UK) Pilkington Deutschland AG (Germany) Pilkington Automotive Deutschland GmbH (Germany) Pilkington Austria GmbH (Austria) Pilkington Norge AS (Norway) Pilkington Automotive Finland OY (Finland) Pilkington IGP Sp. z o.o. (Poland) Pilkington Automotive Poland Sp. z o.o. (Poland) Pilkington Polska Sp. z o.o. (Poland) Pilkington Italia SpA (Italy) NSG Holding (Europe) Limited (UK) NSG UK Enterprises Limited (UK) Pilkington Group Limited (UK)
	North America	Pilkington North America Inc. (USA) L-N Safety Glass SA de CV (Mexico)
	Rest of the World	Vidrieria Argentina S.A. (Argentina) Vidrios Lirquén S.A. (Chili) Pilkington Automotive Argentina S.A. (Argentina) Pilkington Brasil Limitada (Brazil) Guilin Pilkington Safety Glass Co. Limited (China) Suzhou NSG Electronics Co. Limited (China) NSG Hong Kong Co. Limited (China) Malaysian Sheet Glass Sdn. Bhd. (Malaysia) Vietnam Float Glass Co. Limited (Vietnam) NSG Vietnam Glass Industries Limited (Vietnam)

**(8) Permanent Employees**

Segments	Number of employees
Architectural	9,181
Automotive	15,259
Technical Glass	1,813
Other	1,210
Total	27,463 (up by 92 year on year)

**(9) Main Lenders to the Group**

Lenders	Amount (Millions of yen)
Sumitomo Mitsui Banking Corporation	107,554
Development Bank of Japan	45,310
Sumitomo Mitsui Trust Bank, Limited.	42,087
Mizuho Bank, Ltd.	41,552
The Bank of Tokyo-Mitsubishi UFJ, Ltd	17,850
Mitsubishi UFJ Trust and Banking Corporation	12,701
The Mie Bank, Ltd.	10,000
The Norinchukin Bank	8,000
Shinsei Bank, Limited	6,750
Bank of America N.A.	6,259
Aozora Bank, Ltd.	5,700

Note: The figures shown in the above table include the amount borrowed as syndicated loans.

## 2. Matters Related to the Company's Shares

**(1) Authorized Number of Shares to be Issued:**

1,775,000,000 shares

**(2) Total Number of Shares Issued:**

903,550,999 shares

(Shares held as treasury:

194,949 shares)

**(3) Number of Shareholders:**

74,089

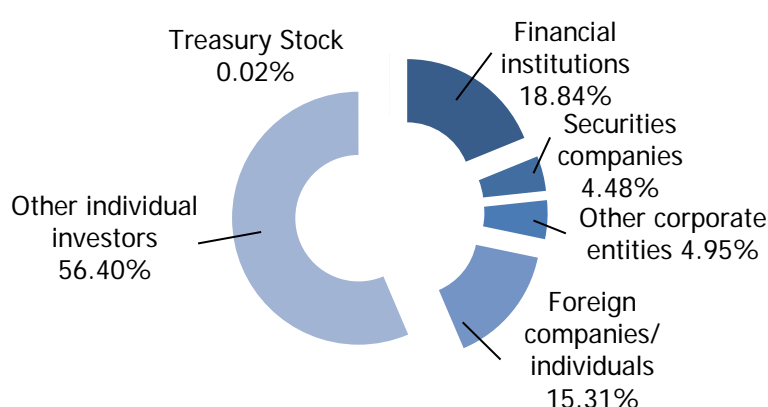
**(4) Top 10 Shareholders**

Shareholders	Number of Shares (Thousand)	Percentage of Shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	33,068	3.66
Japan Trustee Services Bank, Ltd. (Trust Account)	32,254	3.57
Goldman Sachs International	15,412	1.70
CBNY DFA Intl Small Cap Value Portfolio	11,442	1.26
Japan Trustee Services Bank, Ltd. (Trust Account No. 1)	10,409	1.15
Japan Trustee Services Bank, Ltd. (Trust Account No. 5)	10,353	1.14
Japan Trustee Services Bank, Ltd. (Trust Account No. 6)	10,352	1.14
Japan Trustee Services Bank, Ltd. (Trust Account No.2)	10,328	1.14
Japan Trustee Services Bank, Ltd. (Trust Account No.3)	10,176	1.12
Toyota Motor Corporation	9,610	1.06

Note:

Where the percentage of shares is calculated, treasury shares are excluded from the total number of issued shares and it has been rounded down to the second decimal.

■ Distribution of NSG Group Shareholders



## 3. Policy on Return of Our Profits to Shareholders

The Group's dividend policy is to secure dividend payments based on sustainable business results. As a consequence of the current market conditions faced by the Group and the loss sustained during the year, the directors did not recommend a dividend for the year to 31 March 2016. The Group recognizes the importance of dividends to its shareholders and anticipates resuming dividend payments when the financial performance of the Group allows.

## 4. Matters Related to the Company's Stock Acquisition Rights, etc

### (1) Stock Acquisition Rights (Stock Options) Owned by Directors as of the End of Fiscal Year

Category	Name	Issue Price	Exercise Price	Exercise Period	No. of Stock Acquisition Rights	Type and Number of Shares to be Issued with the Exercise of Stock Acquisition Rights	No. of Holders
Directors (excluding External Directors)	Stock acquisition rights issued in Sep. 2008 (Stock- compensation type)	¥ 497.51 per share	¥ 1 per share	From 28 Sep 2008 to 27 Sep 2038	13	13,000 Common shares (1,000 Common shares per right)	1
	Stock acquisition rights issued in Sep. 2009 (Stock- compensation type)	¥ 255.12 per share	¥ 1 per share	From 1 Oct 2009 to 30 Sep 2039	26	26,000 Common shares (1,000 Common shares per right)	1
	Stock acquisition rights issued in Sep. 2010 (Stock- compensation type)	¥ 139.42 per share	¥ 1 per share	From 1 Oct 2010 to 30 Sep 2040	22	22,000 Common shares (1,000 Common shares per right)	1
	Stock acquisition rights issued in Oct. 2011 (Stock- compensation type)	¥ 126.28 per share	¥ 1 per share	From 15 Oct 2011 to 14 Oct 2041	36	36,000 Common shares (1,000 Common shares per right)	1
	Stock acquisition rights issued in Sep. 2012 (Stock- compensation type)	¥ 21.43 per share	¥ 1 per share	From 29 Sep 2012 to 28 Sep 2042	168	168,000 Common shares (1,000 Common shares per right)	2
	Stock acquisition rights issued in Oct. 2013 (Stock- compensation type)	¥ 88.28 per share	¥ 1 per share	From 16 Oct 2013 to 15 Oct 2043	249	249,000 Common shares (1,000 Common shares per right)	2
	Stock acquisition rights issued in Sep. 2014 (Stock- compensation type)	¥ 90.09 per share	¥ 1 per share	From 1 Oct 2014 to 30 Sep 2044	155	155,000 Common shares (1,000 Common shares per right)	2
	Stock acquisition rights issued in Sep. 2015 (Stock- compensation type)	¥ 74.96 per share	¥ 1 per share	From 1 Oct 2015 to 30 Sep 2045	250	250,000 Common shares (1,000 Common shares per right)	2
Total	—	—	—	—	919	919,000 Common shares	2

### (2) Stock Acquisition Rights (Stock Options) Issued to Corporate Officers during the Fiscal Year

Category	Name	Issue Price	Exercise Price	Exercise Period	No. of Stock Acquisition Rights	Type and Number of Shares to be Issued with the Exercise of Stock Acquisition Rights	No. of Holders
Corporate Officers	Stock acquisition rights issued in Sep. 2015 (Stock- compensation type)	¥ 74.96 per share	¥ 1 per share	From 1 Oct 2015 to 30 Sep 2045	702	702,000 Common shares (1,000 Common shares per right)	11



## 5. Matters Related to Directors and Executive Officers of the Company

### (1) Name etc. of Directors and Executive Officers

#### A) Directors

Name	Non-executive position		Material concurrent office
Seiichi Asaka	Director, Chairman of the Board	A member of Nomination Committee, Audit Committee and Compensation Committee	—
Hiroshi Komiya	Director	Chairman of Nomination Committee, and a member of Audit Committee and Compensation Committee	—
Günter Zorn	Director	Chairman of Compensation Committee, and a member of Nomination Committee and Audit Committee	➤ Representative Director/President, Z-ANSHIN K.K.
Toshikuni Yamazaki	Director	Chairman of Audit Committee, and a member of Nomination Committee and Compensation Committee	➤ Representative Director/President, Ryugasaki Country Club
Shigeki Mori	Director	A member of Nomination Committee and Compensation Committee	—
Clemens Miller	Director	—	—
Mark Lyons	Director	—	—
Kenichi Morooka	Director	A member of Nomination Committee and Compensation Committee	—

Notes:

- Messrs. Seiichi Asaka, Hiroshi Komiya, Günter Zorn and Toshikuni Yamazaki are External Directors as stipulated in Article 2.15 of the Companies Act and notified to Tokyo Stock Exchange (TSE) as Independent Directors. In addition to such criteria set by TSE, the Company originally has more stringent criteria with respect to such independency of directors considering their relationships with the Group itself, Group's directors and/or Group's major shareholders, which all four External Directors also meet. For the details of such criteria, please see page 16.
- A member of Audit Committee, Mr. Toshikuni Yamazaki has specialized knowledge particularly on finance and accounting to a respectable degree with his career of Representative Director, Executive Vice President (in charge of finance, investor relations and accounting) of the major international manufacturing company.
- The Company does not appoint a full-time Audit Committee member for the time being under the circumstances Audit Committee implements organizational audit in co-operation with the external Accounting Auditor, Group Internal Audit and other internal control functions as a Company with Three-Committee System. For assistance of such Audit Committee's audit, the dedicated Support Staffs of Audit Committee are appointed and report to and provide necessary information to Audit Committee.

#### B) Executive Officers

##### (i) As of 31 March 2016

Name	Executive position		Material concurrent office
Shigeki Mori	Representative Executive Officer	President and CEO	—
Clemens Miller	Representative Executive Officer	Executive Vice President and COO	—
Mark Lyons	Representative Executive Officer	Executive Vice President and CFO	—
Kenichi Morooka	Executive Officer	Executive Vice President	—

**(ii) As of 1 April 2016**

The Group has newly appointed six Executive Officers as at 1 April 2016 as follows in order to enhance the Group's executive function by way of attaching statutory "Executive Officer" position whose legal position and responsibility is much clearer to those who take responsibility of each head of Group's SBUs and certain functions. On the same day, Mark Lyons retired from the position of Representative Executive Officer, Executive Vice President and CFO, instead Kenichi Morooka took the role of the same.

Name	Executive position		Material concurrent office
Shigeki Mori	Representative Executive Officer	President and CEO	—
Clemens Miller	Representative Executive Officer	Executive Vice President and COO	—
Kenichi Morooka	Representative Executive Officer	Executive Vice President and CFO	—
Shirley Anderson	Executive Officer (Newly appointed)	Chief Human Resources Officer (CHRO)	—
Tony Fradgley	Executive Officer (Newly appointed)	Head of Automotive AGR SBU and Head of Automotive OE SBU	—
Kazuhiko Fujimaki	Executive Officer (Newly appointed)	Head of Technical Glass SBU	—
Koichi Hiyoshi	Executive Officer (Newly appointed)	Chief Legal Officer (CLO) and Company Secretary	—
Hiroshi Kishimoto	Executive Officer (Newly appointed)	Chief Corporate Planning Officer (CCPO)	—
Jochen Settelmayer	Executive Officer (Newly appointed)	Head of Architectural Glass SBU	—

**(2) Compensation for Directors and Executive Officers****A) Principles of Compensation for Directors, and Executive Officers****(i) Organization & Responsibilities**

The Compensation Committee was established following the 142nd Ordinary General Meeting of Shareholders in June 2008. Its current membership consists of the four External Directors of NSG Group, two Directors who concurrently serves as Representative Executive Officer. The current chairman is Mr. Günter Zorn, an External Director. No member of the Committee is allowed to be present when matters relating to his specific compensation are being discussed. The Committee is supported by a secretariat from the Human Resources function and may use information from specialist external advisers when necessary. In addition, such member(s) of the Legal and Company Secretarial department as the Committee approves of acts as in-house legal adviser for any legal aspects or matters. During the year 2015/16, the Committee met on four occasions.

The Committee is responsible for:

- Determining the policy on individual compensation and other perquisites payable to the Directors and Executive Officers of the Company
- Determining individual compensation and other perquisites payable to the Directors and Executive Officers of the Company.

The Committee may also give recommendation or advice to the Representative Executive Officer, President and CEO on the policies and details with respect to compensations for the Group's senior management other than Directors and

Executive Officers, keeping a consistency with the policy of (ii) below.

(ii) Compensation Policy for Executive Officers

NSG Group is a global business, operating in around 30 countries worldwide. The objectives of the compensation policy are to ensure that packages of employment terms and conditions are market competitive and designed in such a way as to attract, retain and motivate Executive Officers of the highest caliber on a worldwide basis in an international business.

The policy aims to ensure that each individual's basic salary and incentives are aligned with the performance of the Group and the interests of shareholders as well as reflecting the commitment and achievements of the individuals concerned. While some of the elements of the packages of the Executive Officers will vary depending on the market conditions in the countries in which they are directly employed, annual bonus and long-term incentive plans follow a global policy and are structured, designed and co-ordinated at Group level.

Salary and benefit packages are set at market competitive levels and annual performance-related payments are assessed against the achievement of key targets which are mainly financial.

The salaries of Executive Officers are reviewed annually. The policy is to broadly align salaries with market medians for a global business. In determining what are the appropriate market rates, account is taken of turnover, market capitalization and the complexity and breadth of internationalization. In reviewing salaries, account is also taken of the scope and responsibilities of the role, the performance of the individual, the progress the Company is making against its targets and plans and of salary increases planned for other managers.

Each Executive Officer participates in an annual performance-related incentive scheme. The Committee establishes the performance criteria and sets the appropriate bonus parameters. The incentive plans are based on challenging financial performance targets relating to the annual budget which is approved by the Board and key non-financial performance targets. The financial performance targets are clearly aligned to the overall medium term strategy of the Group.

Performance measures for the FY2016 annual incentive plan for Executive Officers included the following:

Elements	Weight (%)
Management Operating Profit	40
Net debt scale	40
MTP (Medium Term Plan)	20

Performance measures for the FY2017 annual incentive plan for Executive Officers will include the following:

Elements	Weight (%)	
	CEO, COO and CFO	Other Executive Officers
Group Management Operating Profit	50	25
Group Free Cash Flow	50	25
Global SBU* Management Operating Profit	—	25
Global SBU* Cash from Operations	—	25

\* SBU means each "Strategic Business Unit" of the Group

No bonus is paid to the Executive Officers if a minimum entry level of performance is not achieved. This minimum

entry level is set and approved by the Committee to ensure that the business is meeting the minimum standard of financial performance. The annual bonus potential payment levels for Executive Officers range between 0 and 125% against each individual's basic salary dependent upon the management grade.

Each Executive Officer may be invited to participate in a Long Term Incentive Plan (LTIP). These plans are designed to reward the achievement of the Group's longer term objectives over a three year period. An LTIP may be issued annually. Therefore at any point in time there may be up to three overlapping plans in operation. The performance criteria for these plans are in the main financial measures.

The performance measure used in the plans that are in operation for, FY2014, FY2015 and FY2016 is currently an Aggregate Earnings Per Share Measure. No payment is made if the entry point is not met. Payments from these plans are in cash. In order to align Executive Officers with shareholders, cash payments earned from these plans are factored up or down according to the share price movement during each three year plan period. The long term incentive plan's payment levels for Executive Officers range between 0 and 150% against each individual's base salary dependent upon the management grade.

The Long Term Incentive Plan starting from 2014 requires Executive Officers and other eligible participants to mandatorily invest 50% of any cash LTIP proceeds to purchase ordinary NSG shares. The mandatory investment leads to further alignment of the Executive Officers with shareholders, allowing Executive Officers to enjoy the benefits of share ownership and continue to be motivated to help build shareholder value. The mandatory investment in shares applies to all eligible participants including Executive Officers who are non-resident in Japan.

Share retention and alignment with shareholders is further achieved by the use of shareholding targets. Shareholding targets are set for each Executive Officer and are expressed as a percentage of basic salary. It is expected that over a period of time via the LTIP Executive Officers will build their shareholding to meet the targets. Assessment of progress towards the shareholding targets will be reviewed annually. The shareholding target for Executive Officers is currently between 50 and 100% of basic salary dependent upon the management grade. The target levels will continue to be reviewed by the Compensation Committee in line with market practice.

### (iii) Compensation Policy for Independent External Directors

The role of Independent External Directors is to supervise all Group business from their independent and objective standpoint as well as to engage in the material decision-makings as members of the Board of Directors. In order for them to fulfill this role adequately and effectively, and for the Group to retain individuals with the capability and experience required, the appropriate compensation level of Independent External is set based on comparisons with other companies using benchmark data provided by specialist external advisers.

Independent External Directors receive fees for the performance of their duties. They are not eligible for performance-related bonuses or awards under long-term incentive plans.

Independent External Directors receive additional reward if they act as Chair at either the Board or one of the other Committees.

## B) Amount of Compensation for Directors and Executive Officers

### (i) Amount of Compensation for Directors and Executive Officers Paid by the Company

Category	Headcount	Compensation (Million Yen)		
		Basic Salary	Incentive Plan	Other Benefits
Directors who do not concurrently serve as Executive Officers (External Directors)	5	64	-	1
Executive Officers	4	108	15	36

Notes:

1. In addition to the amounts shown in this table which are amounts paid by NSG, additional amounts were paid to certain Executive Officers by subsidiaries of the Company, and these are shown in a separate table 2 below. Payments to Executive Officers, as shown in this table, consist of; Basic Salary for three Executive Officers; Incentive Plan for two Executive Officers; and Other benefits for four Executive Officers.
2. Amounts shown relate to the periods for which the office of Director and Executive Officer was held.
3. The data for External Directors and Executive Officers includes those who retired as of the end of 149th AGM.
4. The amount shown as Incentive Plan payment in the table is the one to be paid to two eligible Executive Officers in the year from April 2016 for the performance with regard to the period from April 2013 to March 2014 of the Long Term Incentive Plan covering the three financial years from April 2013 to March 2016. No payment was earned in respect of Annual Bonus for the financial year of 2016.
5. Other Benefits for Executive Officers include an amount of 19 Million Yen for Stock Options awarded to two Executive Officers, which are the Stock Compensation-type Stock Options introduced as a retirement saving plan in accordance with the abolishment of director's retirement allowance scheme in 2007 under Japanese employment terms.
6. Other Benefits include pension fund contributions, healthcare provision and accommodation costs and so forth.

### (ii) Amount of Compensation for Executive Officers Paid by Subsidiaries

Category	Headcount	Compensation (Million Yen)		
		Basic salary	Incentive Plan	Other Benefits
Executive Officers	2	148	45	111

Notes:

1. The amounts shown relate to all compensation paid or to be paid to Clemens Miller and Mark Lyons as Executive Officers.
2. The amount shown as Incentive Plan payment in the table is the one to be paid to two eligible Executive Officers in the year from April 2016 for the performance with regard to the period from April 2013 to March 2014 of the Long Term Incentive Plan covering the three financial years from April 2013 to March 2016. No payment was earned in respect of Annual Bonus for this period.
3. Other Benefits include pension fund contributions, healthcare provision, transport costs and other payment in relation to holding office.
4. Where amounts in UK sterling and EURO have been converted to Japanese Yen this has been done at an average exchange rate for the year of GBP1: 181JPY and EUR1: 132.1JPY respectively.

### (3) Matters related to External Directors

#### A) Material Concurrent Office of External Directors (in case that the External director has also executive positions such as an Executive Director and Executive Officer or is an External Director or Auditor of other organizations)

Name	Concurrent Position
Günter Zorn	➤ Representative Director/President, Z-ANSHIN K.K.
Toshikuni Yamazaki	➤ Representative Director/President, Ryugasaki Country Club

Note:

NSG does not have any special relationship in business with Z-ANSHIN K.K. and Ryugasaki Country Club.

#### B) Major Activities of External Directors during Fiscal Year

Name	Major Activities
Seiichi Asaka	Attended 10 of 11 Board of Directors meetings, all 11 Nomination Committee meetings, 10 of 11 Audit Committee meetings and all four Compensation Committee meetings held during the fiscal year under review, and made statements as necessary mainly from a specialized viewpoint of an experienced business manager.
Hiroshi Komiya	Attended all 11 Board of Directors meetings, all 11 Nomination Committee meeting, all 11 Audit Committee meetings, and all four Compensation Committee meetings held during the fiscal year under review, and made statements as necessary mainly from a specialized viewpoint of an experienced business manager.
Günter Zorn	Attended all 11 Board of Directors meetings, all 11 Nomination Committee meeting, all 11 Audit Committee meetings, and all four Compensation Committee meetings held during the fiscal year under review, and made statements as necessary mainly from a specialized viewpoint of an experienced business manager.
Toshikuni Yamazaki	Attended all nine Board of Directors meetings, all nine Nomination Committee meeting, all eight Audit Committee meetings, and all three Compensation Committee meetings held after his assumption of the office of Director on 26 June 2015 during the fiscal year under review, and made statements as necessary mainly from a specialized viewpoint of an experienced business manager.

#### C) Outline of an Agreement on Liability Limitation

An agreement is concluded between the Company and each of the External Directors, to the effect that the liability of each of the External Directors in performing their duties in good faith and without gross negligence be limited to the amount as stipulated by law.

## 6. Accounting Auditor

### (1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

### (2) Fees, etc., to Accounting Auditor with respect to the Fiscal Year

Fees, etc., to Accounting Auditor with respect to the fiscal year under review	¥ 134 million
Monetary and/or other property benefits payable by the Company and its subsidiaries to Accounting Auditor	¥ 142 million

Notes:

1. The audit contract between the Company and the Accounting Auditor does not differentiate fees related to auditing as Accounting Auditor pursuant to the Companies Act and fees related to auditing pursuant to the Financial Instruments and Exchange Act. It is not practically possible to differentiate them, either. As such, the Fees, etc., to Accounting Auditor for the fiscal year in the above table are the combined sum for these services.
2. Ernst & Young are the Group companies' principal auditors.
3. The Company paid the fees to the Accounting Auditor in consideration for its rendering of consultation or other services on internal control matters in addition to those for such services performed by it as prescribed in Article 2.1 of the Certified Public Accountants Act.

### (3) The Reason why Audit Committee Agreed to the Fees, etc. to the Accounting Auditor

Audit Committee agreed to the fees, etc. to the Accounting Auditor in accordance with Article 399.1 of the Companies Act as a result of reviewing their audit plan, last year's performance, rationale of fee estimate and so forth by pulling together the necessary documents and hearing from the Executive Officers, relevant departments and Accounting Auditor themselves.

### (4) Policies on Dismissal or Non-reappointment of Accounting Auditor

In addition to the dismissal of the Accounting Auditor by the Audit Committee pursuant to stipulations in Article 340.1 of the Companies Act, the Audit Committee shall, in principle, propose an agenda for dismissal or non-reappointment of the Accounting Auditor to the General Meeting of Shareholders when the Audit Committee judges that the Accounting Auditor is unable to perform its duties properly, due to violation of law by the Accounting Auditor or other matters impairing the eligibility or independence as Accounting Auditor.

### (5) Business-Suspension Order etc. against the Accounting Auditor in the Past Two Years

Summary of the actions including business-suspension order, taken by the Financial Services Agency against Ernst & Young ShinNihon LLC ("the firm"), which was issued on 22 December 2015:

#### A) Contents of the Actions against the Firm:

Administrative orders to:

- (i) Suspend the firm from accepting new engagements for three months from 1 January 2016 to 31 March 2016, and
- (ii) Require the firm to improve its operations

#### B) Reasons for the Action:

- (i) False certification by negligence of the members of the firm, and
- (ii) Significant inappropriateness of the firm's operation

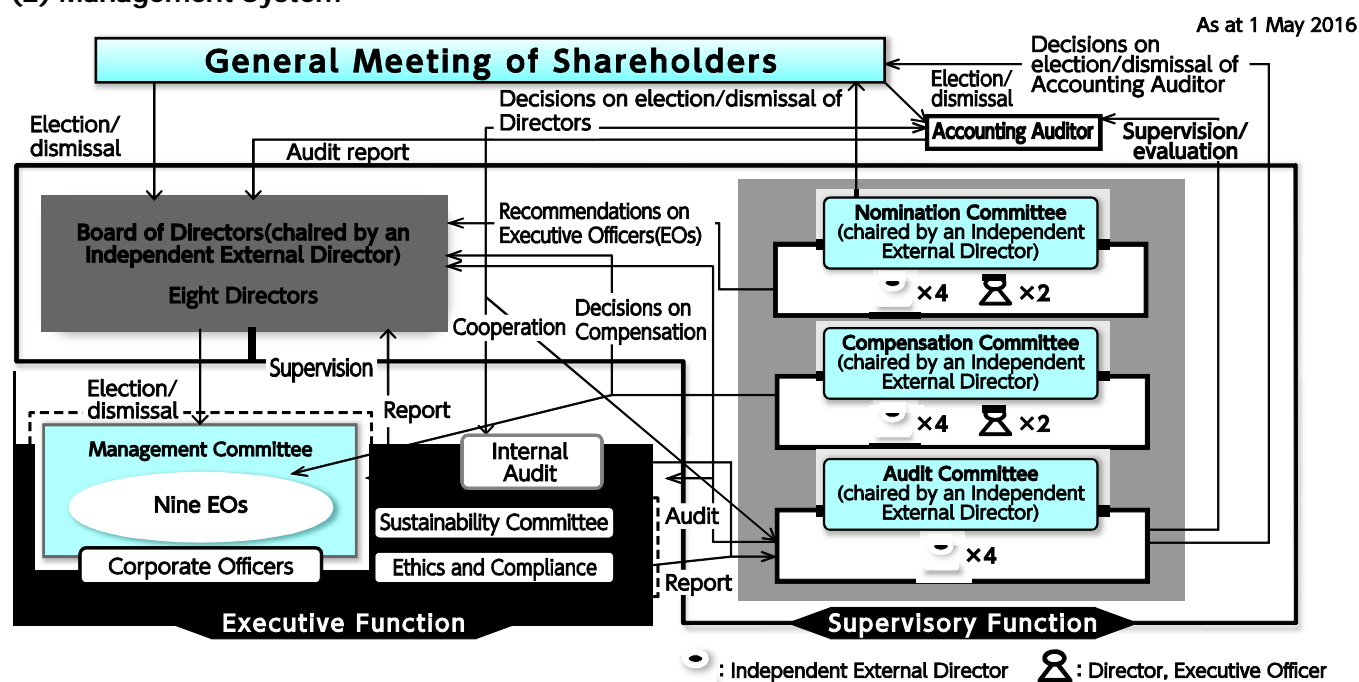
## 7. Status of Corporate Governance

### (1) Policy and Structure

The Group adopts a Company with Three Committees structure, under which we intend and seek to introduce additional safeguards for shareholders, increase the transparency of management, and enhance corporate governance by separating the functions of execution and oversight, with the role of the Independent External Directors strengthened.

NSG Group established the “NSG Group Corporate Governance Guidelines” supporting the Principles of the TSE Corporate Governance Code which took effect on 1 June 2015. These Guidelines provide the basic principles and framework of the corporate governance for the Group to enhance its corporate values in a sustainable manner, on a medium-to-long term basis, and thus increasing the common value of the Group for our various stakeholders including our shareholders.

### (2) Management System



- A) Board of Directors** decides or approves matters delegated to it by resolution of the General Meeting of Shareholders as well as especially important matters on the execution of the Company's business, in addition to the matters provided by laws and ordinances or by the Articles of Incorporation, and supervises the execution of duties by Directors and Executive Officers.
- B) Nominating Committee** decides the details of the agenda items on appointment and removal of Directors to be submitted to the General Meeting of Shareholders, and give recommendation or advice on candidates for Executive Officers to the Board of Directors.
- C) Audit Committee** conducts audits of the execution of duties by Directors and Executive Officers, prepares audit reports, and decides the details of agenda items on the appointment and removal of Accounting Auditor, as well as their non-reappointment.
- D) Compensation Committee** makes decisions on principles with respect to determination on compensations for Directors and Executive Officers, and thereunder individual compensations of Directors and Executive Officers.
- E) Management Committee** guides management operations of the Group and monitor implementation of development of such management operations.



**(3) Systems to Ensure Execution of Duties by Executive Officers are Compliant with Laws and Articles of Incorporation and to Secure Appropriateness of Operations, etc.**

1	System for ensuring that the performance of duties by Executive Officers and employees of the Company, and directors, statutory auditors and employees of the subsidiaries of the Company (collectively referred to as the "Group Employees") complies with laws, regulations, and the Articles of Incorporation	<ul style="list-style-type: none"> <li>On the basis and strength of the Values and Principles, the NSG Group (the "Group") aims to ensure high levels of ethics and compliance throughout the Group in conducting businesses, proactively fulfilling its social responsibilities for the sustainable growth</li> <li>Under the Values and Principles, the Group establishes the "NSG Group Code of Ethics" providing business ethics and compliance with laws/ regulations/ internal policies and procedures, and uses its internal communication network to continually disseminate and provide educational training about the contents of the Code of Ethics for the Group Employees, together with other important internal policies and procedures of the Group (e.g. Group Policies, procedures or manuals).</li> <li>Each Strategic Business Unit ("SBU") and function in charge of securing compliance with the relevant laws and regulations, will monitor such compliance status in coordination with Internal Audit function, and also report it to the Audit Committee.</li> <li>The Group establishes a Group central function responsible for developing and maintaining the effective framework of ethics and compliance throughout the Group (hereinafter generally referred to as "Ethics and Compliance Function").</li> <li>Ethics and Compliance Function will, throughout the Group, :- <ul style="list-style-type: none"> <li>work closely with regional team in charge of ethics and compliance matters to promote and ensure compliance by adherence to strict standards and to promote ethics and compliance awareness through communication and training programs; and</li> <li>as it may deem necessary, conduct audits in cooperation with Internal Audit function and other Internal Control Functions.</li> </ul> </li> <li>Ethics and Compliance Function will also report to the Audit Committee.</li> <li>The Group establishes a global reporting of concerns hotline not subject to usual reporting structure for execution of the businesses ("hotline"), which enables the Group Employees to voice any ethics and compliance related issues through an independent external vendor as points of contact; whereby the Group ensures the framework under which it is able to promptly detect and address any such issues.</li> <li>Ethics and Compliance Function shall, periodically or from time to time as appropriate, update the Audit Committee on the status of the implementation and operation of the hotline as well as on the issues brought from the hotline.</li> <li>The Group Employees can make a report via the hotline with anonymity where legally allowed, and the Group must explicitly guarantee that no retaliation or unfavorable personnel treatment will be taken against the Group Employees in question for reason of the report.</li> </ul>
2	Rules relating to the management of the risk of loss and other relevant risk management system with respect to the Group	<ul style="list-style-type: none"> <li>The Group establishes internal policies and procedures to adequately address various risks associated with its business operations and identify and manage all possible risks in a holistic way that it could be exposed to.</li> <li>The Group establishes internal policies and procedures that clearly define how to treat specific risks associated with such as ethics and compliance, environment, safety, disaster management, product quality, information security, funding, raw material procurement, research and development and credit control, and each SBU and function shall manage such risks in their respective areas of responsibility according to these internal policies and procedures.</li> <li>The Group shall make sure that Ethics and Compliance Function manages and controls significant ethics and compliance-related risks including by preparation of adequate internal policies and procedures, in cooperation with Internal Control Functions including Legal and Internal Audit function.</li> <li>Risk control measures will be managed and taken, as necessary, including risk diversification and insurance on a group basis.</li> </ul>

		<ul style="list-style-type: none"> <li>The Group develops and has in place policies and procedures to prepare against and deal with major incidents for risk management purposes that may occur globally or regionally.</li> <li>The Group establishes the control system to ensure the integrity of its financial reporting as well as the appropriateness and timeliness of other corporate disclosures.</li> </ul>
3	System for retaining and managing information pertaining to Executive Officers' performance of duties	<ul style="list-style-type: none"> <li>Executive Officers properly retain and manage documents, records and any other information regarding their performance of duties in accordance with the applicable laws and internal policies and procedures.</li> </ul>
4	System for ensuring effective and efficient performance of duties by the Group's Employees	<ul style="list-style-type: none"> <li>The Group formulates an annual business targets for the Group based upon its medium to long-term business plans resolved by the Board. Also it clearly communicates the targets throughout the whole organization to ensure that all Group businesses are managed and coordinated in a consistent manner.</li> <li>The Board authorizes the Executive officers to make decisions on the business and affairs of the Group Board within the remit permitted by law.</li> <li>The Group establishes the Management Committee comprising the Executive Officers as its core member. Discussions and deliberations at the meetings thereof will be of assistance for the Executive Officers to make bold and prompt decisions on the Group businesses in an effective and efficient way, under the framework of the Group's basic policies and goals set by the Board.</li> <li>The Group clearly defines the area of duties and responsibilities assigned to respective Executive Officers and other Group Employees pursuant to the resolutions by the Board and those internal policies and procedures providing for allocation of role/duties and authorities.</li> <li>The Group prepares for internal policies and procedures in relation to various internal meeting or conference structures within the Group including in relation to Management Committee and ensures that all business decisions for the Group be made in manner complied with the standards and process for deliberation provided in such policies and procedures.</li> <li>The Group develops and maintains information systems that improve the efficiency of business operations.</li> </ul>
5	Reporting-line structure within the Group	<ul style="list-style-type: none"> <li>The reporting-line structure will be built up and maintained within the Group for each and every SBU and function formed on a group-wide basis.</li> <li>The Group formulates the internal policy with respect to the management of the Company's subsidiaries which ensures each material subsidiary to notify the Company regularly of the matters relevant to it regarding: internal audit, finance, treasury, taxation, human resources, labor relations, pensions, health and safety, investor relations, legal, ethics and compliance, environment and any other areas related to internal controls and the status of risks or exposures associated with such .</li> <li>Internal audit will be conducted on a group basis.</li> </ul>
6	Systems to ensure effectiveness of audits conducted by the Audit Committee	<ul style="list-style-type: none"> <li>The Audit Committee, as a part of oversight function of the Board, is tasked to audit execution of duties by Directors and Executive Officers, on the basis of this Fundamental Policy on Internal Control System, from a viewpoint of whether:- <ul style="list-style-type: none"> <li>➤ an internal control system is established, maintained and implemented by the Executive Officers in an appropriate manner;</li> <li>➤ and this Fundamental Policy itself is still valid or requires no improvement.</li> </ul> </li> <li>For the purpose of securing effectiveness of such audit:- <ul style="list-style-type: none"> <li>➤ the Audit Committee may have its members attend Management Committee meetings and other important meetings of the Group. When other forms of decision-making processes are used in lieu of discussion at a meeting, the Audit Committee has the right of access to any information related to or used in such decision-making processes;</li> <li>➤ the Audit Committee may, as it deems necessary, interview any of those Group Employees with senior positions to obtain information necessary to conduct its audits;</li> <li>➤ the Audit Committee receives regular reports about the current risk</li> </ul> </li> </ul>

		<p>exposures of the Group with respect to the followings from departments and functions responsible therefor:-</p> <ul style="list-style-type: none"> <li>● internal audit, finance, treasury, taxation, human resources, labor relations, pensions, health and safety, investor relations, legal, ethics and compliance, environment and any other areas related to internal controls;</li> </ul> <ul style="list-style-type: none"> <li>➤ the Audit Committee has the right of access to any material corporate document containing material information including but not limited to papers used for Management Committee meetings and internal approval documents;</li> <li>➤ the Audit Committee receives explanation from the Executive Officer in charge of financial affairs on the Group's quarterly and full-year financial statements before they are presented to the Board for reporting or approval;</li> <li>➤ the Audit Committee shall meet with Internal Audit function and Accounting Auditor on a regular basis to obtain necessary information.</li> <li>➤ Members of the Audit Committee may conduct onsite inspections of the Group's major sites to monitor the status of the business and assets when it deems further necessary to do so in light of the purpose of audit prescribed above in this section.</li> </ul>
7	System for reporting by the Group's Employees to the Audit Committee and other systems concerning reporting to the Audit Committee	<ul style="list-style-type: none"> <li>• Directors and Executive Officers shall report the followings to the Audit Committee immediately when:- <ul style="list-style-type: none"> <li>➤ an individual has found any fact that could have a substantially adverse effect on the Group</li> <li>➤ a Group Employee has committed or could be considered to commit such an act as may constitute a violation of any law, regulation or the Articles of Incorporation.</li> </ul> </li> <li>• Without prejudice to generality of the foregoing section, the Audit Committee may request any of the Group Employees to prepare and submit such reports as it deems necessary for audit.</li> <li>• The Group explicitly guarantees that no retaliation or unfavorable personnel action in any manner should be taken against those who report to the Audit Committee by reason of such reporting.</li> </ul>
8	Matters relating to Directors and/or Employees who support the execution of duties by the Audit Committee	<ul style="list-style-type: none"> <li>• The Group shall establish an Audit Committee Office that assists the execution of duties by the Audit Committee, and shall assign such number of employees as it deems necessary for the performance of its functions. (hereinafter referred to as "Support Staff of the Audit Committee")</li> <li>• Under the instructions of the Audit Committee members, Support Staff of the Audit Committee shall:- <ul style="list-style-type: none"> <li>➤ by themselves, or by liaising with relevant departments, investigate, analyze or report the matters subject to its audit, and</li> <li>➤ where necessary, assist the Audit Committee in conducting onsite inspections of the Group's major sites to monitor the status of their business and assets.</li> </ul> </li> </ul>
9	Matters relating to i) independence of the above Directors and/or Employees from Executive Officers, and ii) how to ensure effectiveness of Audit Committees' instructions thereto	<ul style="list-style-type: none"> <li>• Decisions on personnel matters of Support Staff of the Audit Committee shall require the prior notice to and consent of the Audit Committee.</li> <li>• The head of Support Staff of the Audit Committee shall be prohibited from concurrently holding any position that may be involved in the execution of businesses and affairs of the Group, and shall report only to the Audit Committee.</li> </ul>
10	Matters relating to policy with regard to advance payment or, reimbursement of the expenses incurred (but limited only to those to accrue relating to	<ul style="list-style-type: none"> <li>• If a member of the Audit Committee requests an advance payment of the expenses to be incurred in the course of his performance of the duties or otherwise makes such requests as provided in each section of article 404.4 of the Companies Act, the Company shall not refuse such request except where the Company proves that the said expenses or debts relating to such request is not necessary for the performance of the duties of the committee member in question.</li> </ul>

	execution of duties of the Audit Committee), or any other treatment of such expenses and debts	
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Note: Above is the policy amended by the resolution of the Board of Directors held on 26 March 2015 in accordance with “the Act on the Partial Revision of the Companies Act” (Act No. 90 of 2014) which took effect on 1 May 2015.

**(4) Summary of the manner of Operation Status of “Systems to Ensure Execution of Duties by Executive Officers are Compliant with Laws and Articles of Incorporation and to Secure Appropriateness of Operations, etc.”**

We have operated in accordance with the above (3) “Systems to Ensure Execution of Duties by Executive Officers are Compliant with Laws and Articles of Incorporation and to Secure Appropriateness of Operations” throughout FY 2016.

Main actions were as follows:

**1. Actions with regard to the Group’s Ethics and Compliance**

- The Group has revised the previous “NSG Group Code of Conduct” and rebranded it as “NSG Group Code of Ethics” in April 2015 so that all Group’s employees can deepen their understanding more of what the ethical conduct is and actually act in such a manner. At the same time, we expanded the “NSG Group Reporting of Concerns line” and renamed it as “NSG Group Ethics & Compliance Hotline”, through which employees in all regions in which the Group operates can report ethically-concerned matters and behaviors in their own languages. In FY 2016, 46 reports were received via the Hotline.
- The Group appointed the Ethics champions in each region and held the workshops in order to familiarize the Group’s employees with the Code and Hotline. The Code is translated in 20 languages and shared on the Group’s intranet.
- Online trainings regarding competition law compliance and anti-bribery and anti-corruption continue to be provided to the Group’s key roles. In addition, the Group’s Chief Ethics and Compliance Officer periodically issues Ethics and Compliance briefings to increase awareness of compliance related issues. This is translated in 11 languages and shared on the Group’s intranet.
- Ethics and Compliance function periodically reports to Audit Committee its actions made in regard of compliance including aforementioned matters.

**2. Actions with regard to the Group’s Risk Management**

- We identify and assess annually the material risks which should be controlled on a group basis in accordance with NSG Group Risk Management Policy. Group Internal Audit reviews the status of risk management and reports to Audit Committee the outcomes thereof.
- We have created and operated NSG Group Insurance Policy pursuant to which those risks adequate for transfer by such including loss from natural disasters are insured on a group level basis. .
- We have, in preparation for potential major incidents and calamities, organized and constituted a major incident management team at and for each operating site where major incident management plan is also prepared and in operation, on the basis of NSG Group Business Continuity Policy and Major Incident Guidelines..
- Each Strategic Business Unit (SBU) and function which supports SBUs manages and controls risks associated with execution of its own duties. In addition, we also established NSG Group Entities Management Policy in order to manage and control risks with regard to not only on a SBU or function basis but also on a Group entity basis. As such we comprehensively identify, manage and control risks in relation to the Group entities.
- Executive Officers retain and manage documents, records and any other information regarding their performance of duties in accordance with the NSG Group Record Retention Policy and IS Security Policy.

### **3. Actions to Ensure the Group's Efficient and Effective Management**

- The Group has Management Committee (MC) as advisory board for the President/Chief Executive Officer (CEO) in order for the policies and goals established by the Board of Directors to be efficiently and adequately carried out. 10 MC meetings were held during FY2016.
- We have promoted the initiative of separation of oversight and exercise role whereby we strengthen the supervisory role and duties of the Board over the executives whilst making necessary delegation of powers and authorities to the executives, thus seeking to enhance transparency and agility of whole management process.
- We set in place the internal rule clarifying the roles and decision-making authorities of each layer of management from Representative Executive Officers to each regional SBU heads. As such the Group operates the organization in which we can make business decisions appropriately and timely addressing changes of market and business environment etc.
- We systemize authorization flow process for efficient and effective business management, including in relation to performance control against progress or results of management plans such as long and medium-term plan or annual plan and approval process for capital expenditures requisition.
- We operate the organization with its reporting lines clarified by having the specific organization charts by each SBU and function which supports SBUs.

### **4. Actions to Ensure the Effectiveness of the Group's Audit**

- Group Internal Audit implements audits on a group basis in accordance with annual audit plan agreed by Audit Committee, and reports such audit results to Audit Committee, Executive Officers and external Accounting Auditor.
- Three dedicated Support Staffs of the Audit Committee are appointed for assistance of Audit Committee, and report to and provide necessary information to Audit Committee.
- A member of Audit Committee and Support Staff of Audit Committee attends internal material meetings such as MC in order to ensure the effectiveness of their audit. They have rights to access necessary important documents and so on for their audit.
- Audit Committee periodically meets with Group Internal Audit and other internal control functions and exchange views with them.
- Audit Committee meets with the Accounting Auditor on a periodical and as-necessary basis, keeping close communication with them.

The above reports are prepared by:

1. Rounding off any fraction of one million yen to the nearest one million yen. ; and
2. Rounding down any fraction of 1,000 shares to the nearest 1,000 shares.

End

## Consolidated Balance Sheet (as of 31 March 2016)

(In JPY millions)

ASSETS		LIABILITIES	
Non-current assets	571,417	Current liabilities	285,910
Goodwill	113,459	Borrowings	139,089
Intangible assets	62,898	Derivative financial instruments	4,453
Property, plant and equipment	258,866	Trade and other payables	120,979
Investment property	715	Taxation liabilities	2,219
Investments accounted for using the equity method	17,869	Provisions	16,181
Retirement benefit assets	18,837	Deferred income	2,989
Trade and other receivables	15,297		
Available-for-sale investments	33,995	Non-current liabilities	414,199
Derivative financial instruments	26	Borrowings	289,319
Deferred tax assets	48,357	Derivative financial instruments	4,098
Tax receivables	1,098	Trade and other payables	714
		Deferred tax liabilities	17,321
Current assets	240,703	Taxation liabilities	1,002
Inventories	108,862	Retirement benefit obligations	75,111
Construction work-in-progress	716	Provisions	16,512
Trade and other receivables	72,574	Deferred income	10,122
Available-for-sale investments	346		
Derivative financial instruments	815	Total: Liabilities	700,109
Cash and cash equivalents	55,074		
Tax receivables	1,093	EQUITY	
		Capital and reserves attributable to the Company's equity shareholders	103,109
Assets held for sale	1,223	Called up share capital	116,449
		Capital surplus	127,511
		Treasury stock	(65)
		Stock subscription rights	650
		Retained earnings	(63,502)
		Retained earnings (Translation adjustment at the IFRS translation date)	(68,048)
		Accumulated other comprehensive income	(9,886)
		Non-controlling interests	8,902
		Total: Equity	112,011
Total: Assets	812,120	Total: Liabilities and equity	812,120

## Consolidated Income Statement (for the period of 1 April 2015 to 31 March 2016)

(In JPY millions)

Revenue		629,172
Cost of Sales		(472,217)
Gross profit		156,955
Other income	2,945	
Distribution costs	(56,639)	
Administrative expenses	(70,716)	
Other expenses	(13,183)	(137,593)
Operating profit before exceptional items		19,362
Exceptional items		(35,142)
Operating profit after exceptional items		(15,780)
Finance income	1,624	
Finance expenses	(19,848)	
Share of post-tax loss of joint ventures and associates accounted for using the equity method	(3,435)	(21,659)
Loss before taxation		(37,439)
Taxation		(10,061)
Loss for the period		(47,500)
Profit attributable to non-controlling interests		2,338
Loss attributable to owners of the parent		(49,838)



# Consolidated Statement of Comprehensive Income (Reference only)

(for the period of 1 April 2015 to 31 March 2016)

(In JPY millions)

Loss for the period	(47,500)
Other comprehensive income:	
Items that will not be reclassified to profit or loss:	
Re-measurement of retirement benefit obligations	12,203
Share of other comprehensive income of affiliates	(749)
Sub total	11,454
Items that may be reclassified to profit or loss:	
Foreign currency translation adjustments	(39,176)
Revaluation of available-for-sale investments	4,877
Cash flow hedges – fair value gains	(2,855)
Sub total	(37,154)
Total: Other comprehensive income for the period	(25,700)
Total comprehensive income for the period	(73,200)
Attributable to non-controlling interests	(496)
Attributable to owners of the parent	(72,704)

# Consolidated Statement of Changes in Equity (for the period of 1 April 2015 to 31 March 2016)

(in JPY millions)

	Equity attributable to the Company's shareholders					
	Called up share capital	Capital surplus	Treasury stock	Stock subscription rights	Retained earnings	Retained earnings (Transition adjustment at the IFRS transition date)
Balance: as of 1 April 2015	116,449	127,511	(150)	632	(25,082)	(68,048)
<b>Comprehensive income for the year:</b>						
Profit / (loss) for the year					(49,838)	
Other comprehensive income					11,454	
<b>Total comprehensive income for the year</b>	—	—	—	—	(38,384)	—
<b>Transactions with owners:</b>						
Purchase of treasury stock			(4)			
Disposal of treasury stock			—			
Dividends paid						
Share based payments (Stock options)		(36)	89	18		
Transfer of retained earnings to capital surplus		36			(36)	
<b>Total transactions with owners</b>	—	—	85	18	(36)	—
Balance: as of 31 March 2016	116,449	127,511	(65)	650	(63,502)	(68,048)

	Equity attributable to the Company's shareholders					Non controlling interests	Total equity
	Exchange translation reserve	Fair value reserve	Hedging reserve	Total other comprehensive income	Total equity attributable to the Company's shareholders		
Balance: as of 1 April 2015	28,056	1,240	(4,862)	24,434	175,746	10,262	186,008
<b>Comprehensive income for the year:</b>							
Profit / (loss) for the year					(49,838)	2,338	(47,500)
Other comprehensive income	(36,197)	4,877	(3,000)	(34,320)	(22,866)	(2,834)	(25,700)
<b>Total comprehensive income for the year</b>	(36,197)	4,877	(3,000)	(34,320)	(72,704)	(496)	(73,200)
<b>Transactions with owners:</b>							
Purchase of treasury stock				—	(4)		(4)
Disposal of treasury stock				—	—		—
Dividends paid				—	—	(864)	(864)
Share based payments (Stock options)				—	71		71
Transfer of retained earnings to capital surplus				—	—		—
<b>Total transactions with owners</b>	—	—	—	—	67	(864)	(797)
Balance: as of 31 March 2016	(8,141)	6,117	(7,862)	(9,886)	103,109	8,902	112,011

# Consolidated Statement of Cash Flows (Reference only)

## (for the period of 1 April 2015 to 31 March 2016)

(In JPY millions)

Cash flows from operating activities	
Loss for the period from continuing operations	(47,500)
Taxation	10,061
Depreciation and amortization	40,949
Impairment	24,943
Finance costs – net	18,224
Share of loss from joint ventures and associates	3,435
Decrease in provisions and retirement benefit obligations	(5,050)
Net change in working capital	(2,854)
Other	73
Cash flows generated from operations	42,281
Interest paid	(17,931)
Interest received	1,282
Tax paid	(3,843)
Net Cash inflows from operating activities	21,789
Cash flows from investing activities	
Dividends received from joint ventures and associates	2,741
Purchases of property, plant and equipment and intangible assets	(29,987)
Proceeds on disposal of property, plant and equipment and intangible assets	608
Other	237
Net cash outflows from investing activities	(26,401)
Cash flows from financing activities	
Repayment of borrowings	(136,485)
Proceeds from borrowings	131,438
Other	(861)
Net cash outflows from financing activities	(5,908)
Decrease in cash and cash equivalents (net of bank overdrafts)	(10,520)
Cash and cash equivalents (net of bank overdrafts) at beginning of period	62,340
Effect of foreign exchange rate changes	(5,658)
Cash and cash equivalents (net of bank overdrafts) at end of period	46,162

**Balance Sheet (as of 31 March 2016)**

(in JPY millions)

ASSETS		LIABILITIES	
Current assets	123,980	Current liabilities	166,533
Cash and cash deposits	3,133	Accounts payable-trade	15,459
Notes receivable	1,766	Short-term bank borrowings	8,875
Accounts receivable-trade	15,571	Current portion of Bonds	20,000
Products and goods	15,478	Current portion of Long-term borrowings	93,915
Work in process	2,441	Lease obligations	10
Raw materials and consumables	5,451	Accounts payable - non-trade	8,511
Deferred tax assets	76	Accrued income tax	170
Short-term loan receivable	67,964	Accrued expenses	1,744
Other current assets	12,682	Customers' deposits	15,151
Allowance for doubtful accounts	(582)	Provision for employees' bonuses	981
Fixed assets	558,576	Provision for warranties	62
Tangible assets	41,986	Provision for waste disposal expenditure	136
Buildings	11,140	Provision for onerous purchase contracts	363
Structures	1,267	Environmental Provision	21
Machinery & Equipment	16,079	Other current liabilities	1,135
Vehicles	9	Fixed liabilities	233,218
Tools & Fixtures	3,293	Bonds	15,000
Land	8,472	Long-term bank borrowings	210,886
Leased assets	28	Lease obligations	19
Construction in progress	1,698	Provision for retirement benefits	1,087
Intangible assets	1,161	Provision for rebuilding furnaces	2,832
Computer software	816	Environmental provision	211
Other intangible assets	345	Asset retirement obligations	1,157
Investments and other assets	515,429	Deferred tax liabilities	289
Investments in securities	992	Other fixed liabilities	1,737
Investments in subs. & affiliates	507,728	Total: Liabilities	399,751
Long-term loan receivable	2,260	NET ASSETS	
Long-term prepaid expenses	3,448	Shareholders' equity	284,129
Other assets	1,020	Common stock	116,449
Allowance for doubtful accounts	(19)	Capital surplus	124,772
		Capital surplus	124,772
		Retained earnings	42,973
		Earned surplus	6,377
		Other retained earnings	36,596
		Reserve for adv'd depreciation	1,750
		General reserve	24,977
		Retained earnings carried forward	9,869
		Treasury stock	(65)
		Valuation and translation adjustments	(1,974)
		Deferred gains or losses on hedges	(1,974)
		Stock subscription rights	650
		Net Assets	282,805
Total: Assets	682,556	Total: Liabilities and net assets	682,556

## Income Statement (for the period of 1 April 2015 to 31 March 2016)

(in JPY millions)

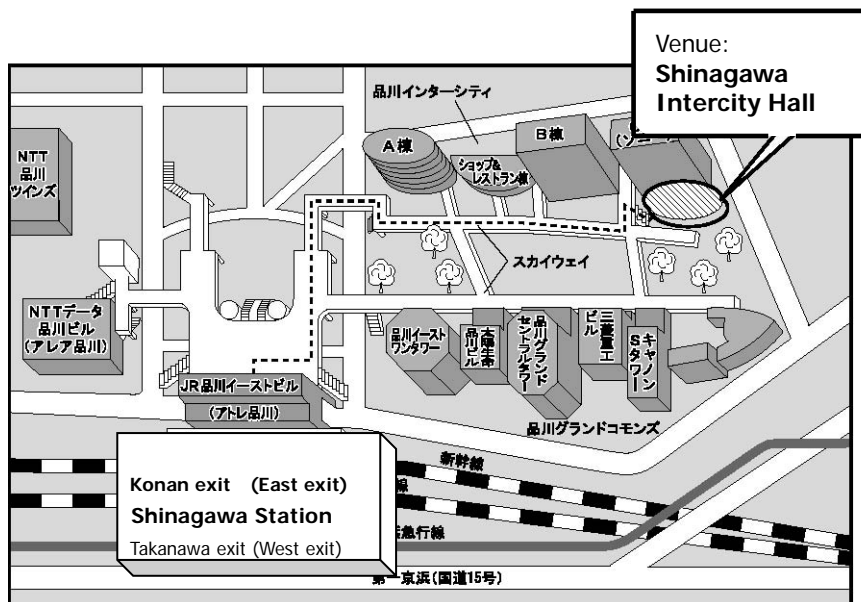
Revenue		101,156
Cost of sales		(80,816)
Gross profit		20,340
Selling, general and administrative expenses		(23,138)
Operating loss		(2,798)
Non-operating income		
Interest and dividend income	6,689	
Other income	484	7,173
Non-operating expense		
Interest expense	(9,208)	
Other expense	(2,855)	(12,063)
Ordinary loss		(7,688)
Extraordinary income		
Gain from sale of fixed assets	196	
State subsidy	509	
Other	43	
Extraordinary loss		748
Loss on scrapping of fixed assets	(194)	
Loss on impairment	(3)	
Other	(238)	(435)
Net loss before tax		(7,375)
Income tax: Current	744	
Income tax: Deferred	(24)	720
Net loss		(6,655)

## Statement of Changes in Net Assets (for the period of 1 April 2015 to 31 March 2016)

	Shareholders' equity										
	Common stock	Capital surplus			Retained earnings					Treasury stock	Sub-Total
		Capital surplus	Other capital surplus	Sub-total	Earned surplus	Other retained earnings			Sub-total		
						Reserve for advanced depreciation	General reserve	Retained earnings carried forward			
Balance: as of 1 April 2015	116,449	124,772	—	124,772	6,377	1,873	34,977	6,437	49,664	(150)	290,735
Changes during the period:											
Reversal of reserve for advanced depreciation				—		(123)		123	—		—
Reversal of general reserve				—			(10,000)	10,000	—		—
Net profit				—				(6,655)	(6,655)		(6,655)
Exercise of stock subscription rights			(36)	(36)					—	89	53
Acquisition of treasury stock				—					—	(4)	(4)
Disposal of treasury stock				—					—		—
Transfer of retained earnings to capital surplus			36	36				(36)	(36)		—
Net changes of items other than shareholders' equity											
Total changes during the period	—	—	—	—	—	(123)	(10,000)	3,432	(6,691)	85	(6,606)
Balance: as of 31 March 2016	116,449	124,772	—	124,772	6,377	1,750	24,977	9,869	42,973	(65)	284,129

	Valuation and translation adjustments		Stock subscription rights	Total net assets
	Deferred gains or losses on hedges	Sub-total		
<b>Balance: as of 1 April 2015</b>	(735)	(735)	632	290,632
Changes during the period:				
Reversal of reserve for advanced depreciation		—		—
Reversal of general reserve		—		—
Net profit		—		(6,655)
Exercise of stock subscription rights		—		53
Acquisition of treasury stock		—		(4)
Disposal of treasury stock		—		—
Transfer of retained earnings to capital surplus		—		—
Net changes of items other than shareholders' equity	(1,239)	(1,239)	18	(1,221)
Total changes during the period	(1,239)	(1,239)	18	(7,827)
<b>Balance: as of 31 March 2016</b>	(1,974)	(1,974)	650	282,805

## Map of the Venue for the Ordinary General Meeting of Shareholders



Venue: Shinagawa Intercity Hall, 15-4, Konan 2-Chome, Minato-ku, Tokyo

Access: 8 minute-walk from JR Shinagawa Station, Konan exit (East exit)