

**NSG**  
**GROUP**

# NSG Group Overview and Results to 31 March 2009

20 May 2009

Stuart Chambers – Group Chief Executive

Mike Powell – Group Finance Director

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# NSG Group Year End Results



## Agenda

- Financial Results
- Market Demand and Business Update
- Restructuring Actions and Update
- FY2010 Outlook
- Progress on Strategy
- Summary

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## Key Points - April 08 to March 09

- Full year results in line with previous forecast
- Good progress on strategic objectives with net debt target achieved one year early
- Restructuring plans announced in response to market downturn
- Full year dividend held reflecting Board confidence in longer term prospects

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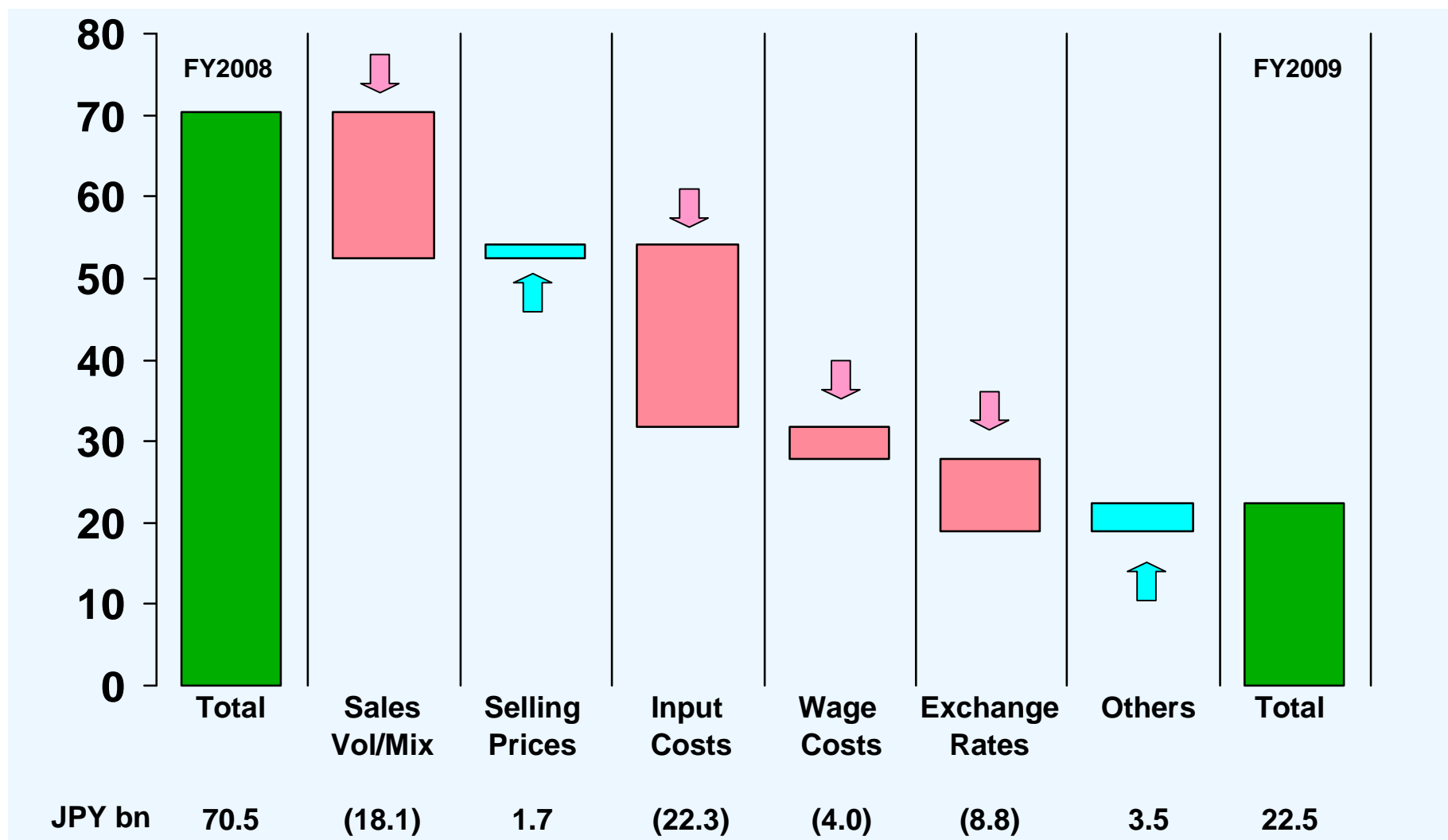
# Consolidated Income Statement

<u>(JPY bn)</u>	<u>FY2009</u>	<u>FY2008</u>	<u>Change from FY2008</u>
Revenue	739.4	865.6	-15%
Op.Income before amortization*	22.5	70.5	-68%
Amortization*	(20.6)	(24.0)	
<b>Operating Income</b>	<b>1.9</b>	<b>46.5</b>	<b>-96%</b>
Non-operating items	(14.2)	(16.1)	
<b>Ordinary income</b>	<b>(12.3)</b>	<b>30.4</b>	
Extraordinary items	(1.2)	31.9	
<b>Pre-tax Income</b>	<b>(13.5)</b>	<b>62.3</b>	
<b>Net Income</b>	<b>(28.4)</b>	<b>50.4</b>	
EBITDA	68.2	120.4	-43%

\* Amortization arising from the acquisition of Pilkington plc only

**Operating income sharply reduced**

# Operating Income Change Analysis



**Market deterioration and significant cost push**



# Non-operating Items

	<b>FY2009 (JPY bn)</b>	<b>FY2008 (JPY bn)</b>
<b>Interest and dividend income</b>	<b>8.3</b>	<b>9.7</b>
<b>Interest expenses</b>	<b>(20.0)</b>	<b>(25.5)</b>
<b>Joint ventures and associates (continuing)</b>	<b>1.6</b>	<b>6.5</b>
<b>Joint ventures and associates (discontinued)</b>	<b>-</b>	<b>3.8</b>
<b>Other income and expenses</b>	<b>(4.1)</b>	<b>(10.6)</b>
	<b>(14.2)</b>	<b>(16.1)</b>

**Interest costs fall with reduced debt**

# Extraordinary Items

	FY2009 (JPY bn)	FY2008 (JPY bn)
Gain from sale of securities	7.7	13.4
Gain from sale of discontinued operations	-	30.8
Gain on disposal of associates and joint ventures	30.0	-
Gain on disposal of fixed assets	0.2	2.7
Restructuring as announced 29 January:		
Redundancies	(12.4)	-
Impairments	(7.2)	-
Other restructuring:		
Redundancies	(3.1)	(12.5)
Impairments	(4.0)	(6.0)
EC Automotive fine	(7.8)	-
Others	(4.6)	3.5
	<b>(1.2)</b>	<b>31.9</b>

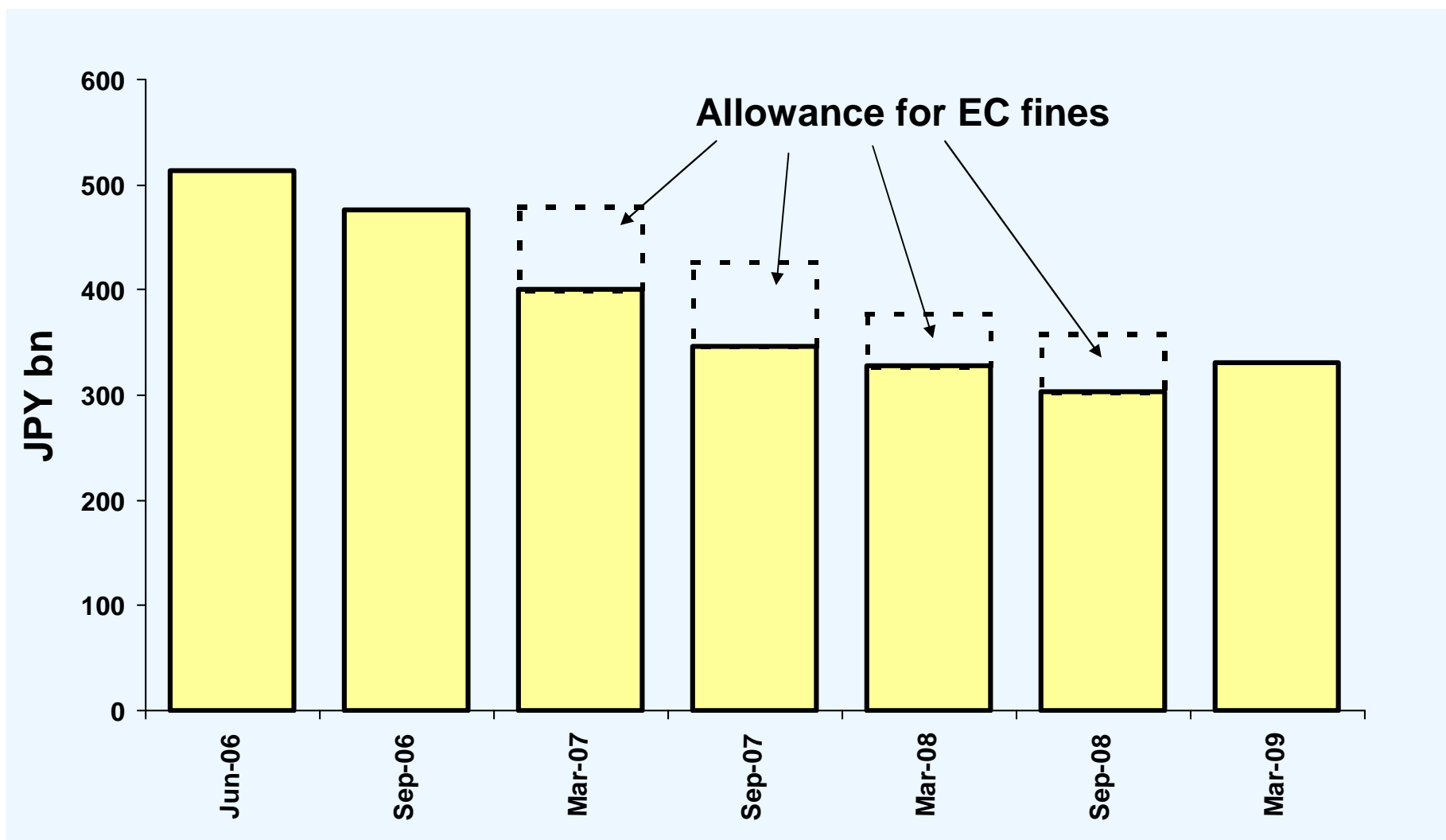
**Sale of NH Techno Glass Corporation and significant restructuring charge**

# Consolidated Cash Flow Summary

	FY2009 (JPY bn)	FY2008 (JPY bn)
Income before income taxes and minority interests	(13.6)	62.2
Depreciation and amortization	66.3	73.9
Increase in working capital	(3.0)	(3.4)
Net interest & tax paid	(31.1)	(61.1)
Addback profit on disposal of subsidiaries/investments	(37.7)	(44.2)
EC fines	(43.4)	(22.5)
Others	29.9	44.4
<b>Net cash provided by (used in) operating activities</b>	<b>(32.6)</b>	<b>49.4</b>
Purchase of fixed assets	(43.1)	(46.6)
Disposal of subsidiaries/investments	52.3	84.0
Others	(6.6)	(7.9)
<b>Net cash provided by investing activities</b>	<b>2.6</b>	<b>29.5</b>
<b>Cash flow before financing activities</b>	<b>(30.0)</b>	<b>78.9</b>

**Cash flow impacted by EC Automotive fine**

# Net Debt Position



**JPY 350bn target achieved one year early**

# Key Performance Indicators

	<u>31-Mar-09</u>	<u>31-Mar-08</u>
Net Debt (JPY bn)	331	328
Net Debt/EBITDA	4.9x	2.7x
Net Debt/Equity Ratio	1.29	0.88
	<u>FY2009</u>	<u>FY2008</u>
EBITDA Interest Cover	5.2x	6.9x
Operating Return on Sales*	3.0%	8.1%

\* Before amortization arising from acquisition of Pilkington plc

**Ratios weaker on declining EBITDA**

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# NSG Group Year End Results

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- Financial Results
- Market Demand and Business Update
  - Building Products
  - Automotive
  - Specialty Glass
  - Solar
- Restructuring Actions and Update
- FY2010 Outlook
- Progress on Strategy
- Summary

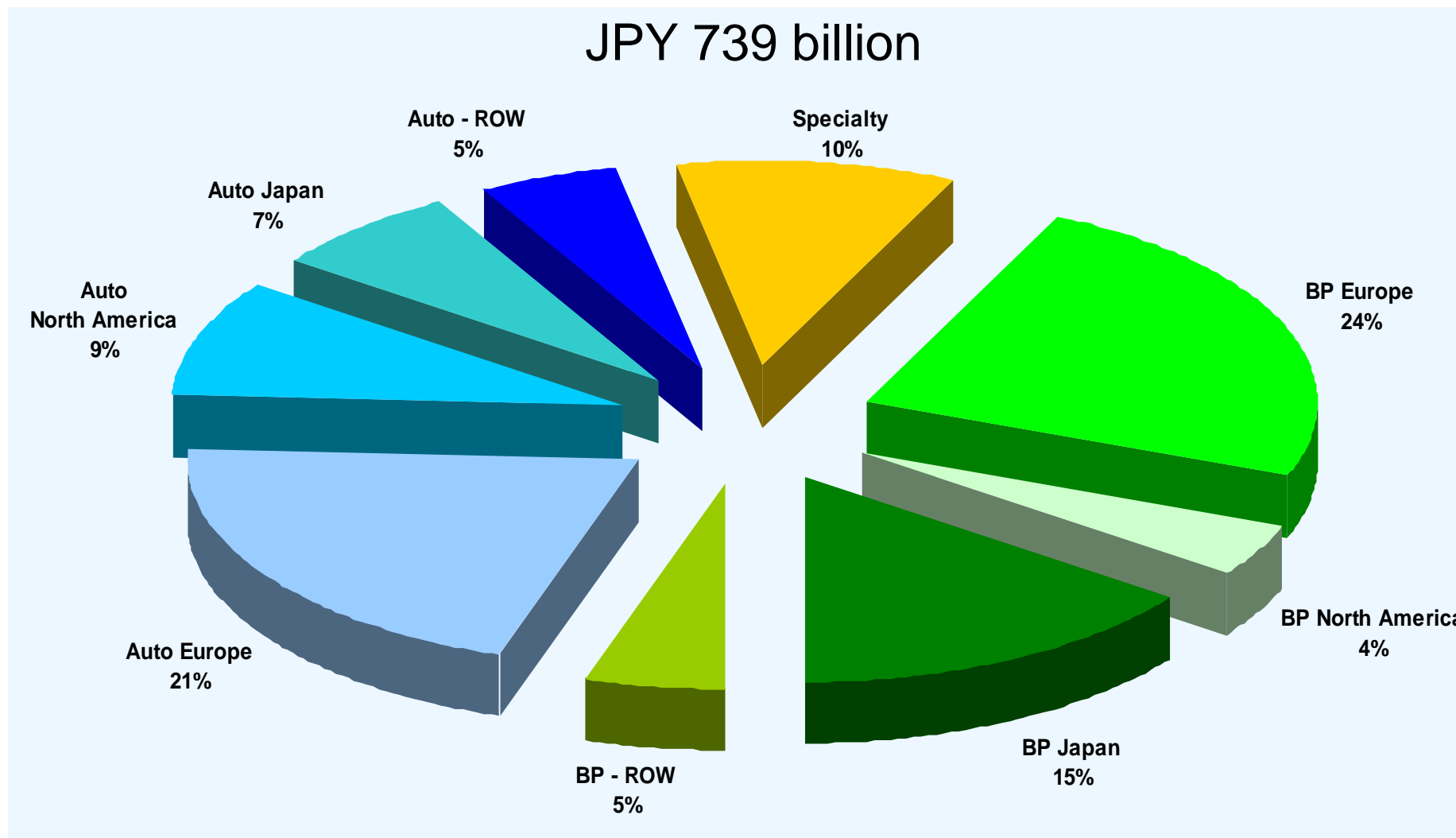
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# NSG Group Summary

- Ownership/interests in 51 float lines
- Global Automotive customer base
- Leading player in lenses for multi-function printers
- Strong position in glass fiber products worldwide
- Growing presence in glass for PV cells
- Principal manufacturing operations in 29 countries; sales in c.130 countries

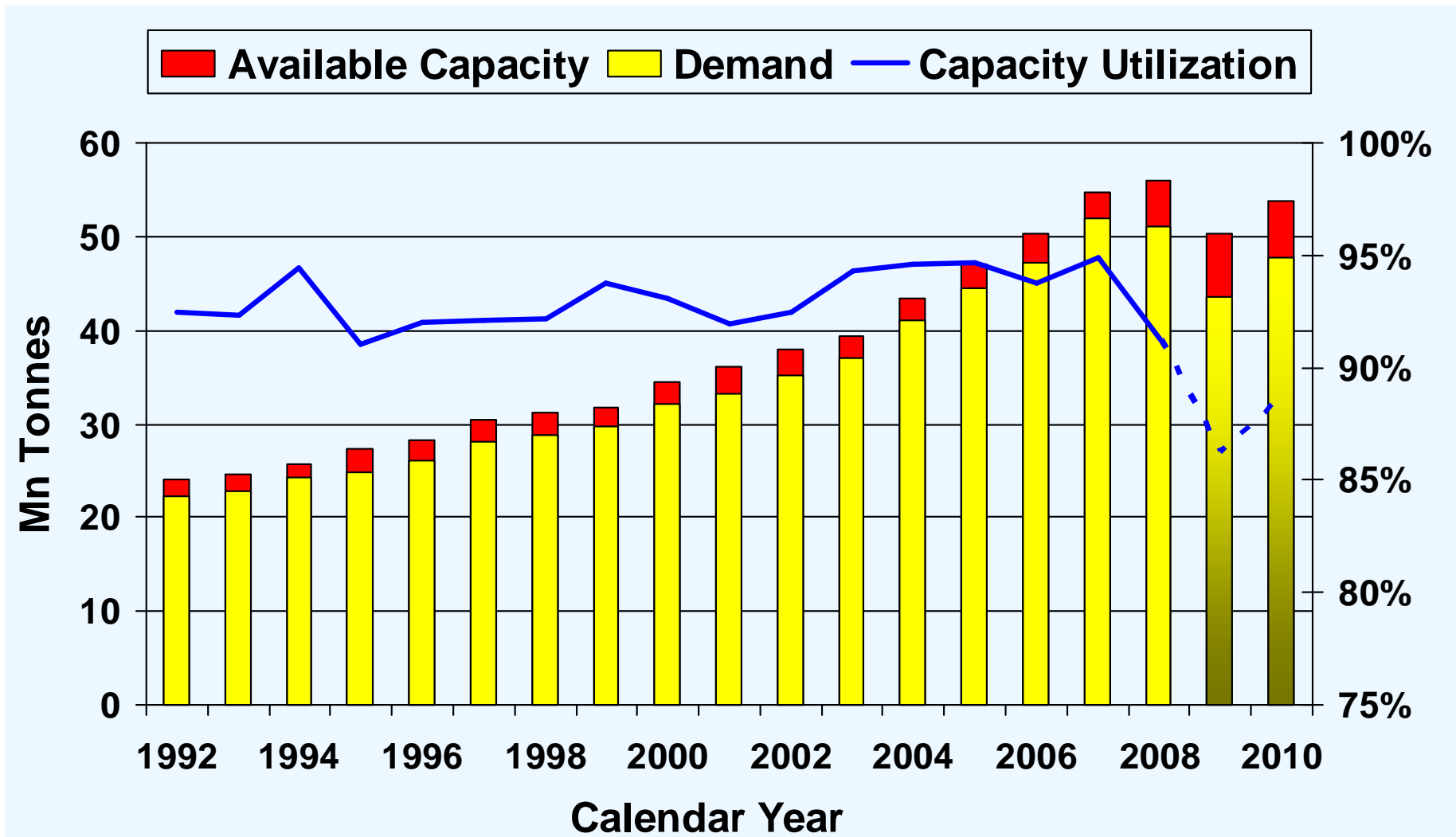
**A global glass manufacturing company**

# External Sales – Group Businesses



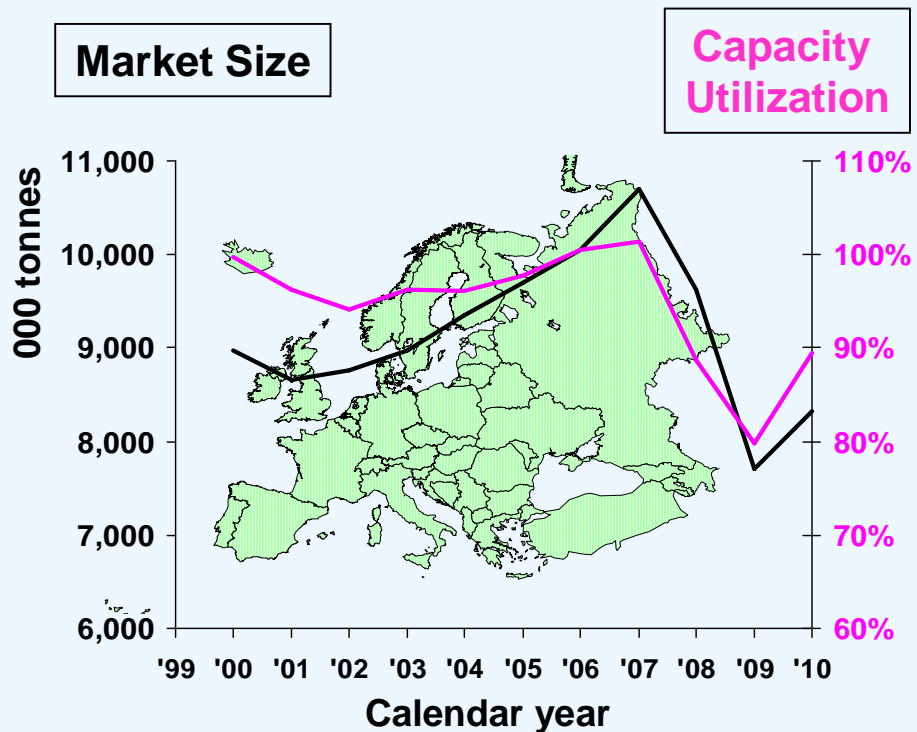


# Global Flat Glass Capacity and Utilization



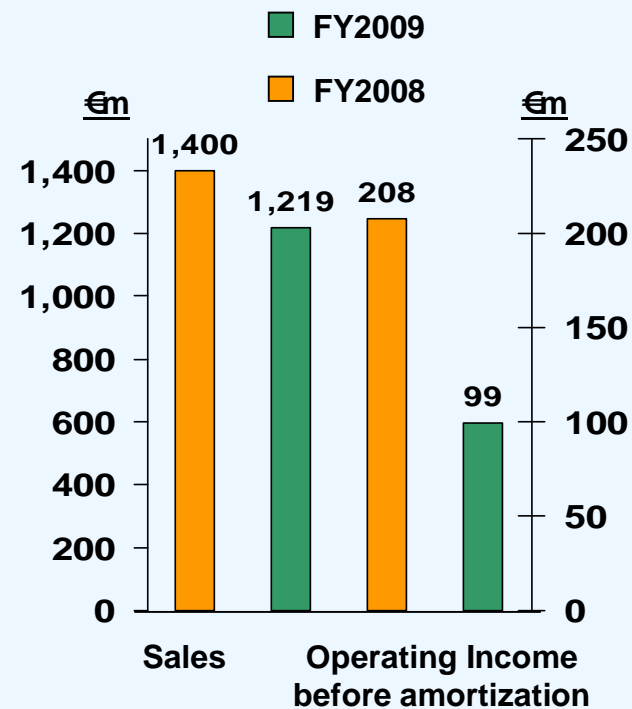
# Building Products Europe

## Market



- Substantial demand reduction from the final quarter of 2008
- Market restructuring and capacity reduction

## Business

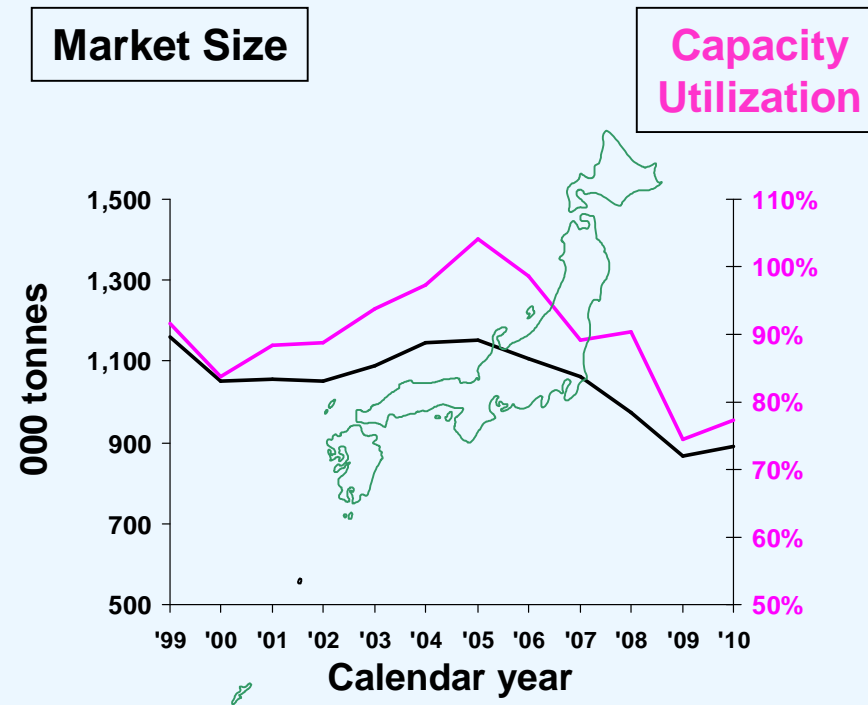


- Revenues reduced due to lower prices and volumes
- Higher input costs, lower selling prices and volumes reduce operating income

Note. 1. Amortization is only that arising on acquisition of Pilkington plc  
 2. Market size now gross. Previously shown net of imports.

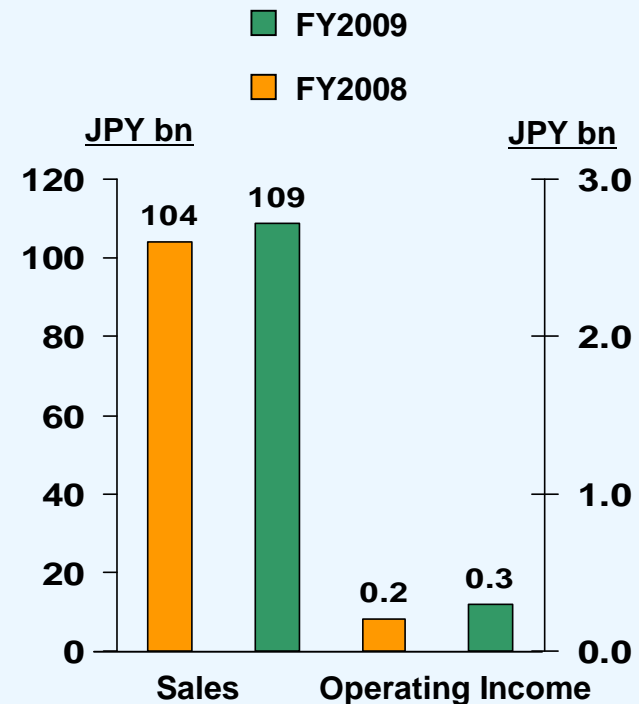
# Building Products Japan

## Market



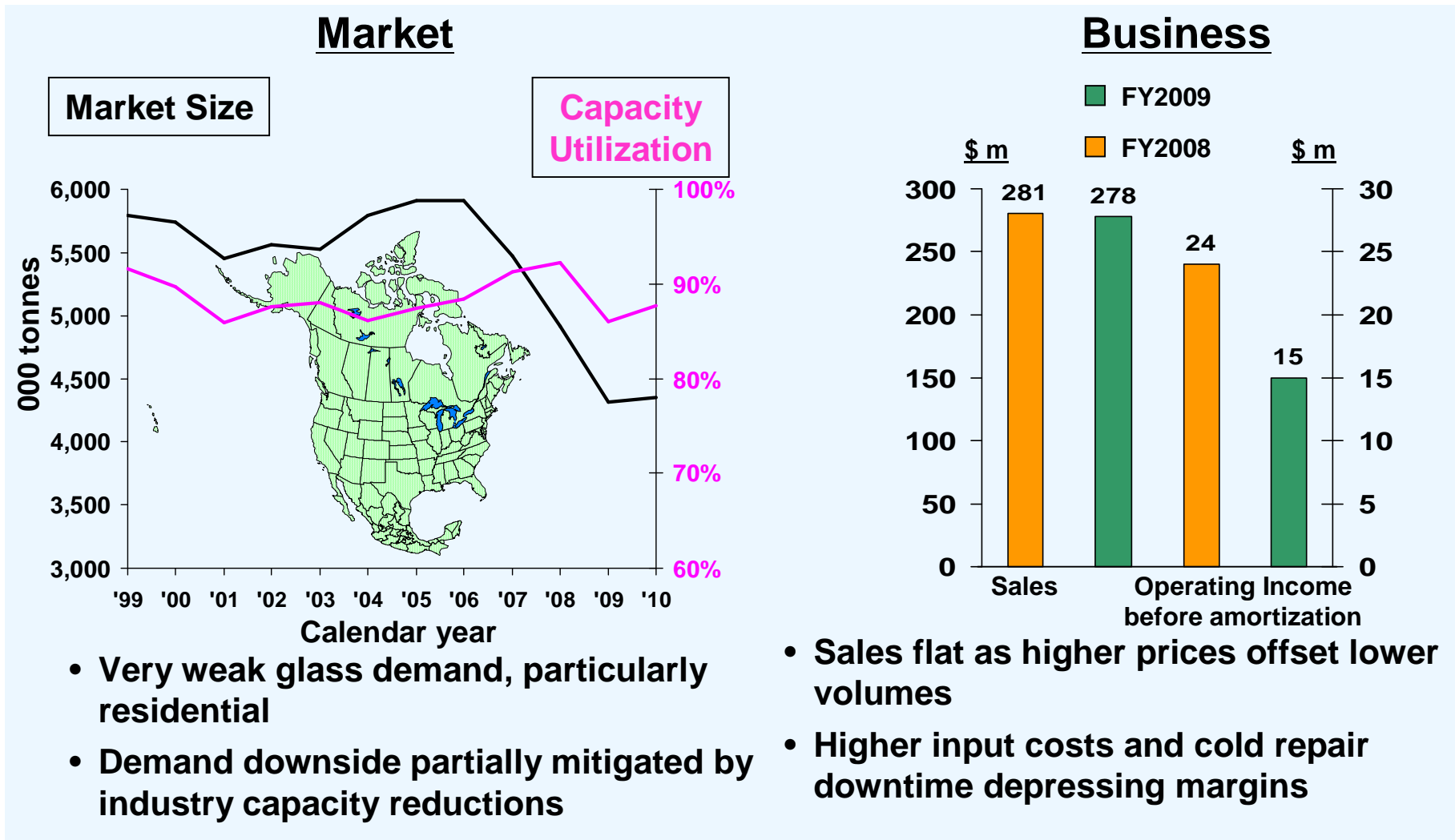
- Market demand remains depressed

## Business



- Sales increased due to better prices and 15 months of downstream consolidated sales offsetting lower volumes
- Strong cost push compensated by cost reduction and improved product mix

# Building Products North America



Note. Amortization is only that arising on acquisition of Pilkington plc

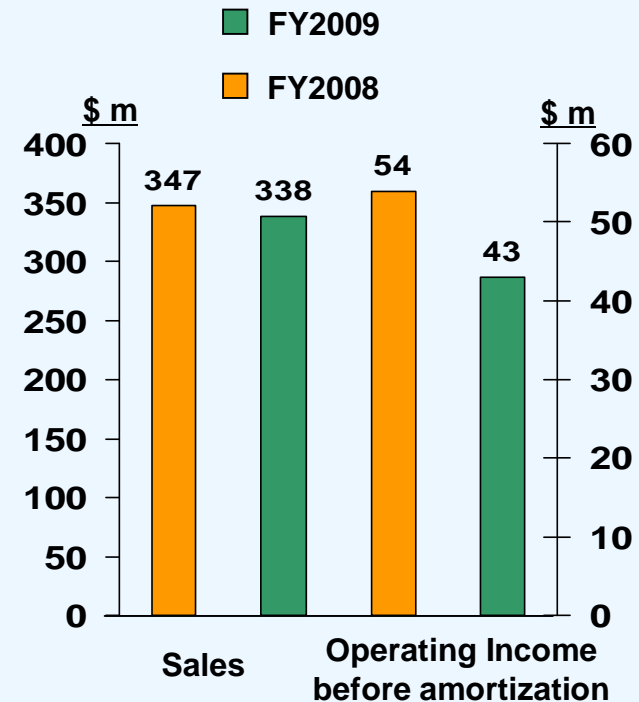
# Building Products Rest of World

## Market



- In South America, a sharp demand reduction in final quarter after strong growth earlier in the year
- Malaysia/Vietnam markets remain weak

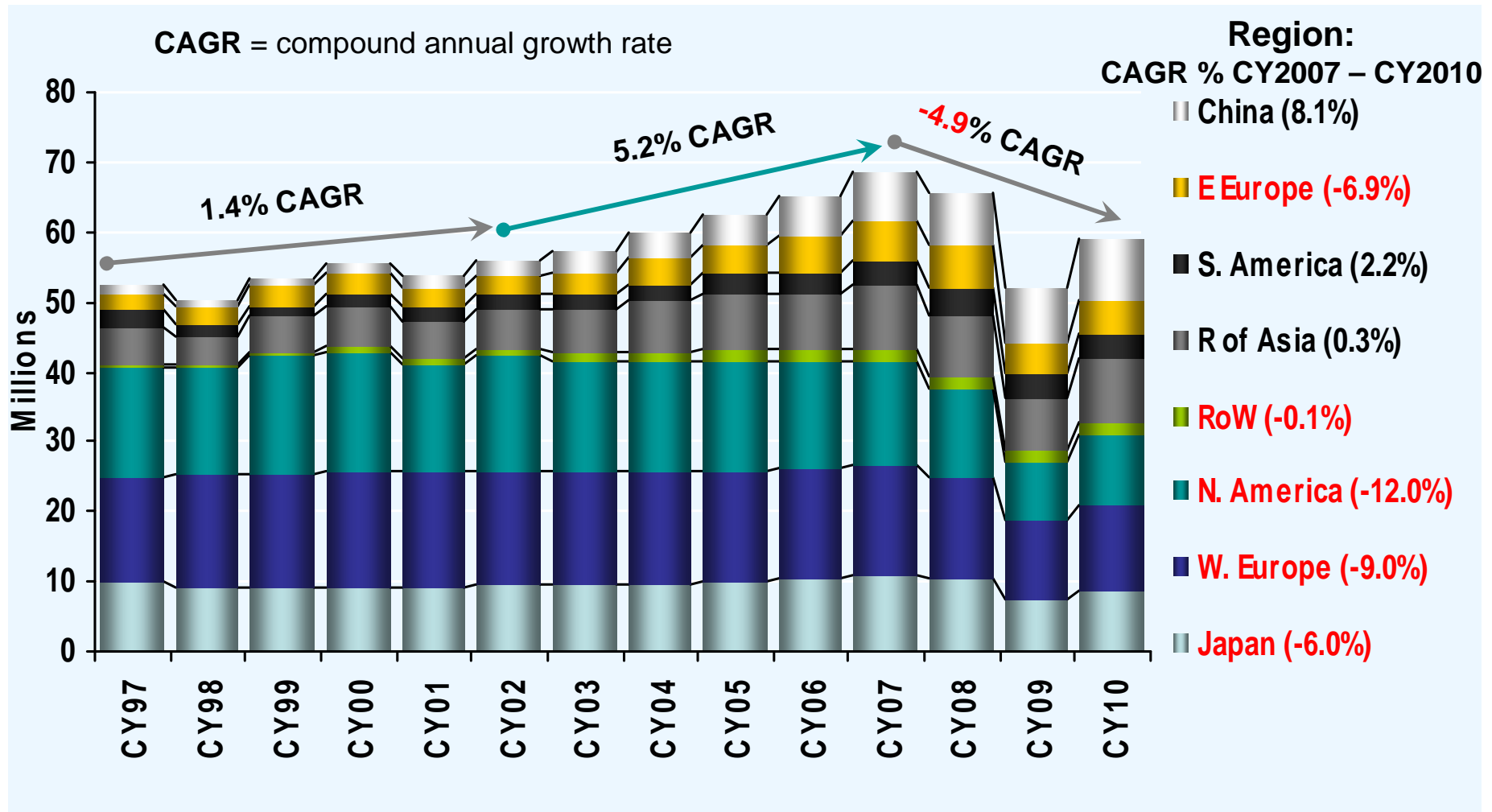
## Business



- In South America, higher input costs offset by higher prices
- In South East Asia, higher input costs and lower volumes reduce profits

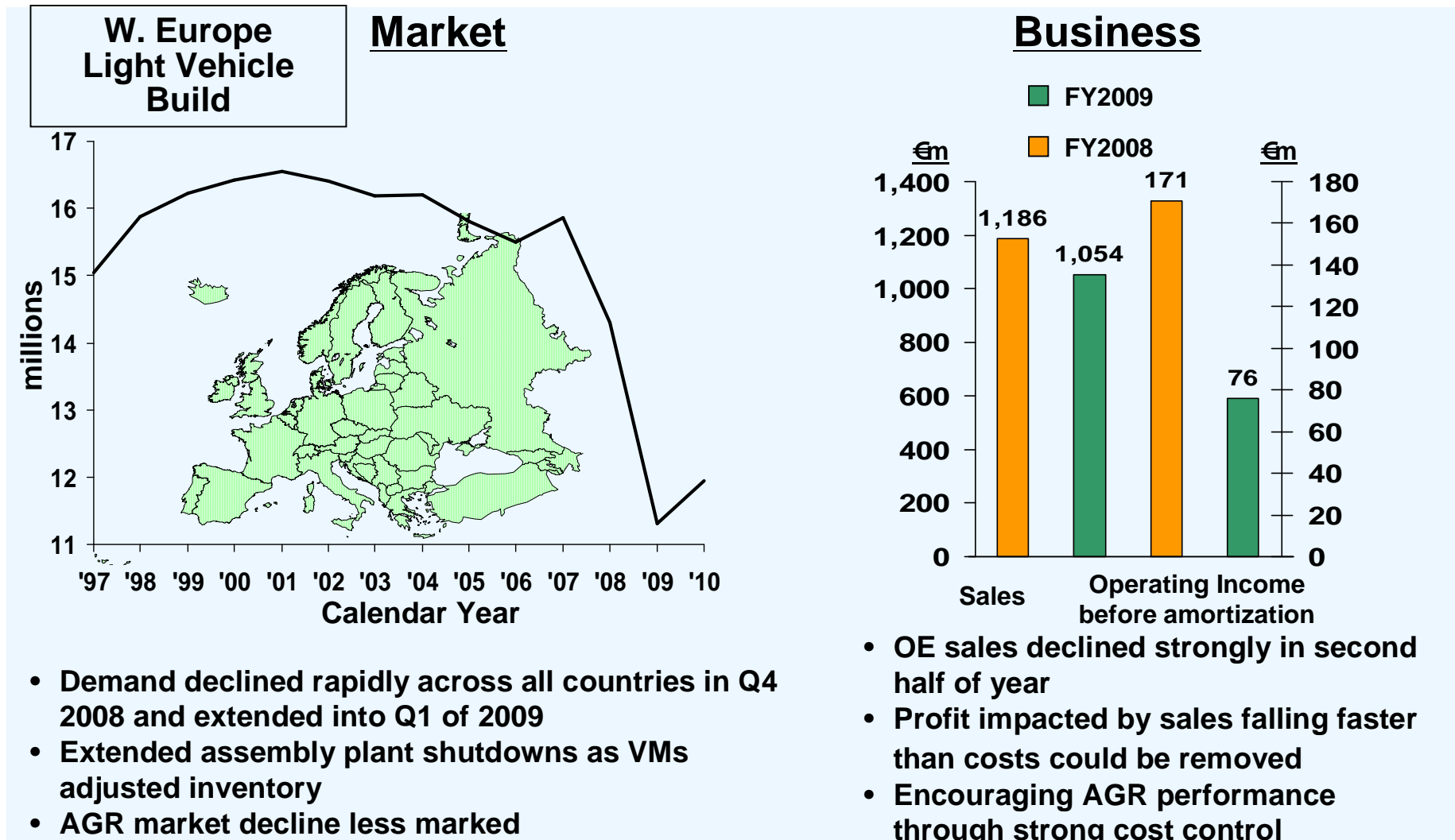
Note. Amortization is only that arising on acquisition of Pilkington plc

# Global Light Vehicle Build Growth



5% decline in CY08 followed by 20% decline in CY09; 13% growth CY10

# Automotive Europe

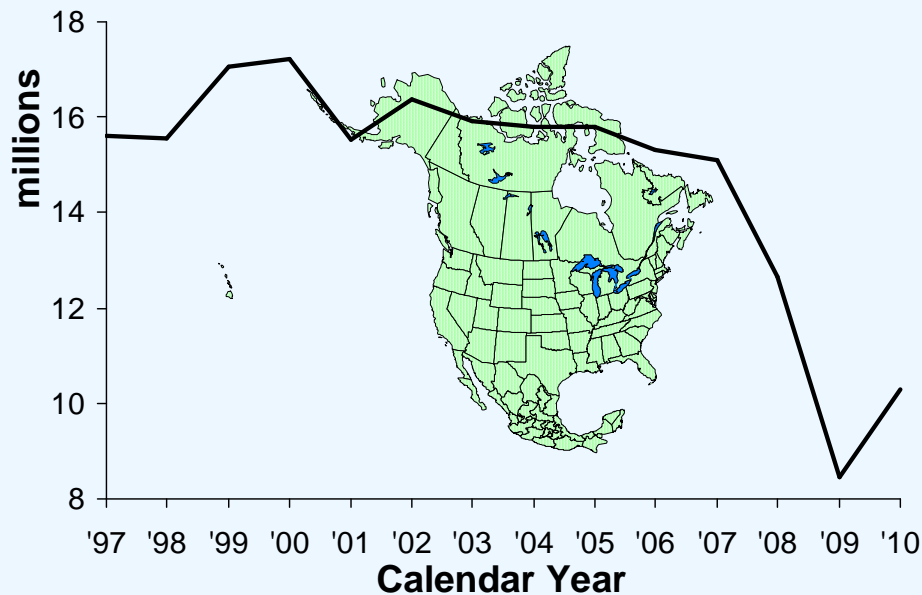


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# Automotive North America

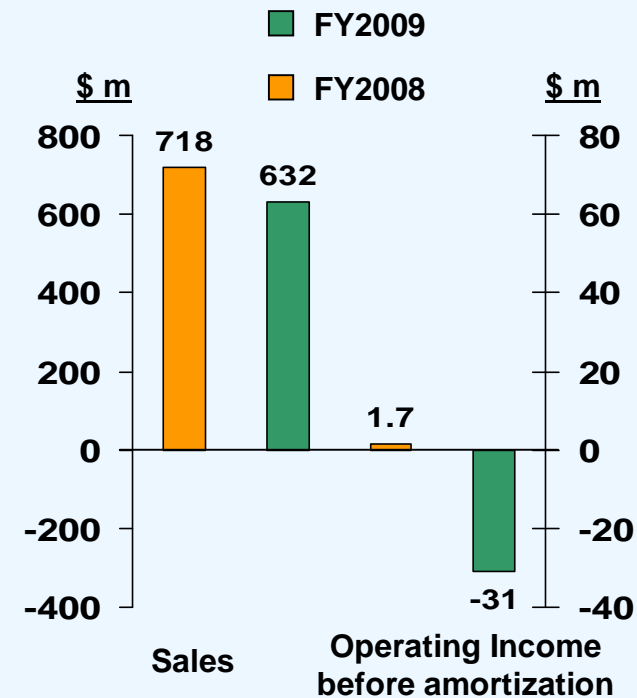
## Market

NAFTA Light Vehicle Build



- Demand declined rapidly especially during the second half of 2008 and into 2009
- Prolonged VM plant closures to address excess inventory
- Recovery expected in 2010

## Business



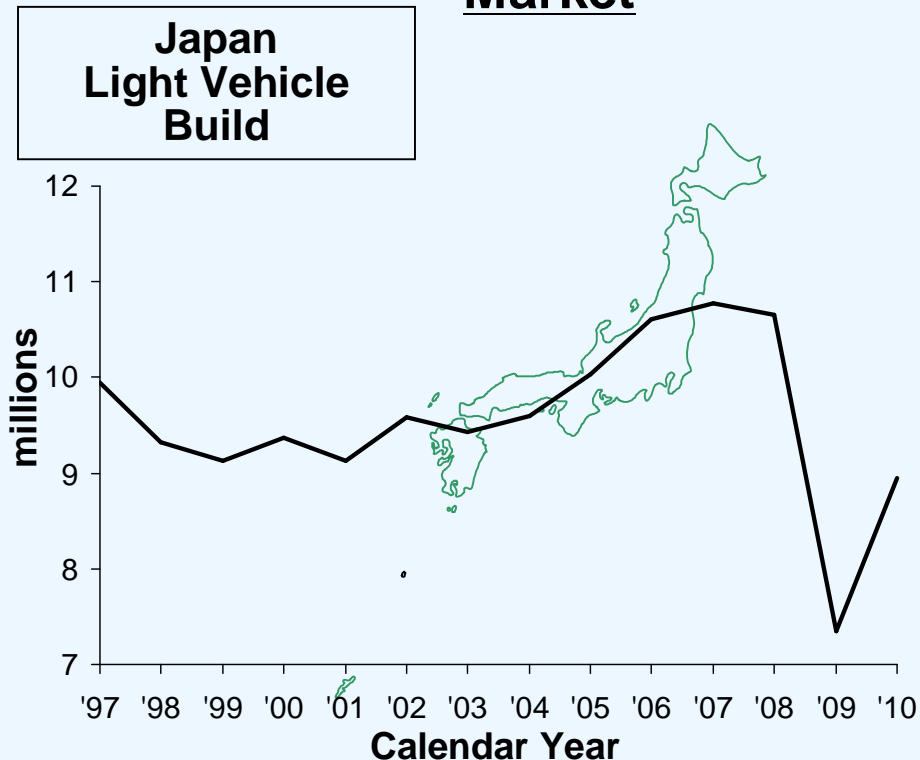
- Sales fell strongly in Q3 and Q4
- Results impacted by float rebuild, lower sales, and cost push

Note. Amortization is only that arising on acquisition of Pilkington plc



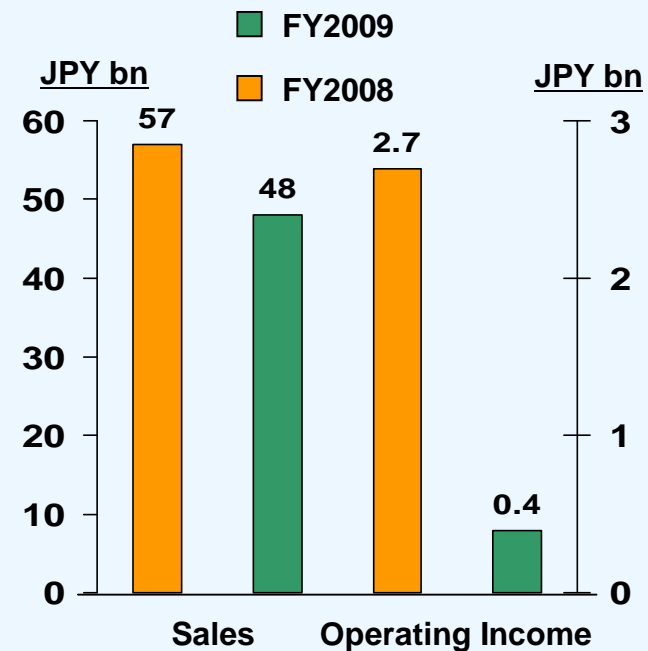
# Automotive Japan

## Market



- Local demand severely hit by the economic crisis, especially moving into 2009
- Export markets also strongly impacted
- Car maker de-stocking now complete

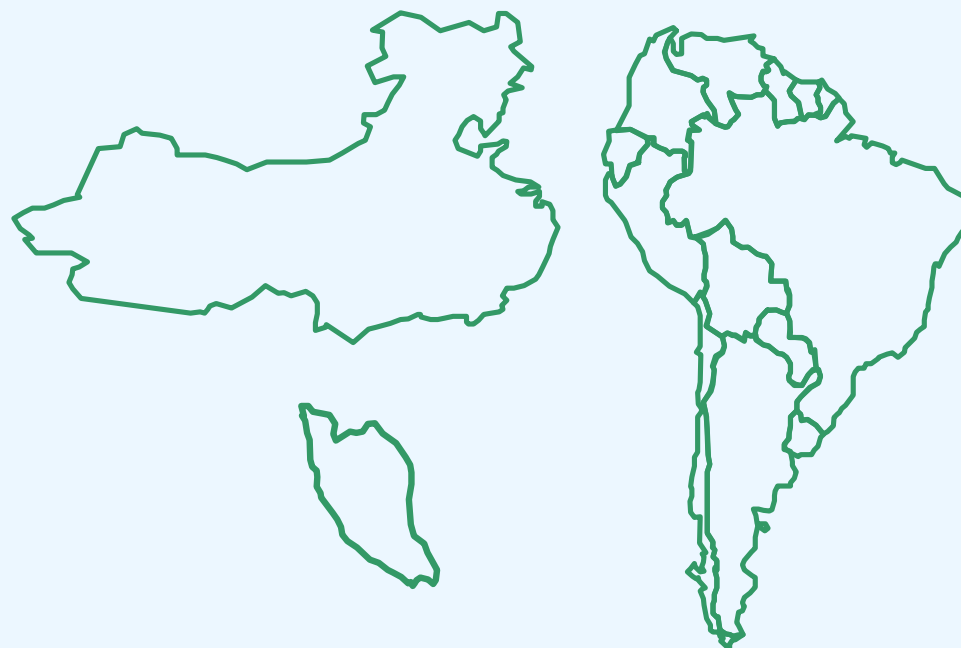
## Business



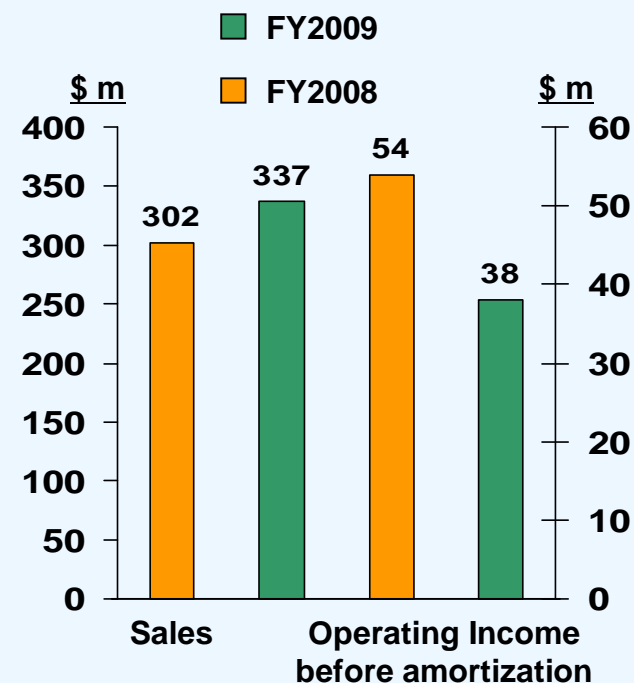
- Sales declined rapidly in Q4 FY2009
- Strong underlying improvement in Q4 FY2008 through to Q3 FY2009
- Q4 FY2009 impacted by sales decline and profit gains eroded

# Automotive Rest of World

## Market



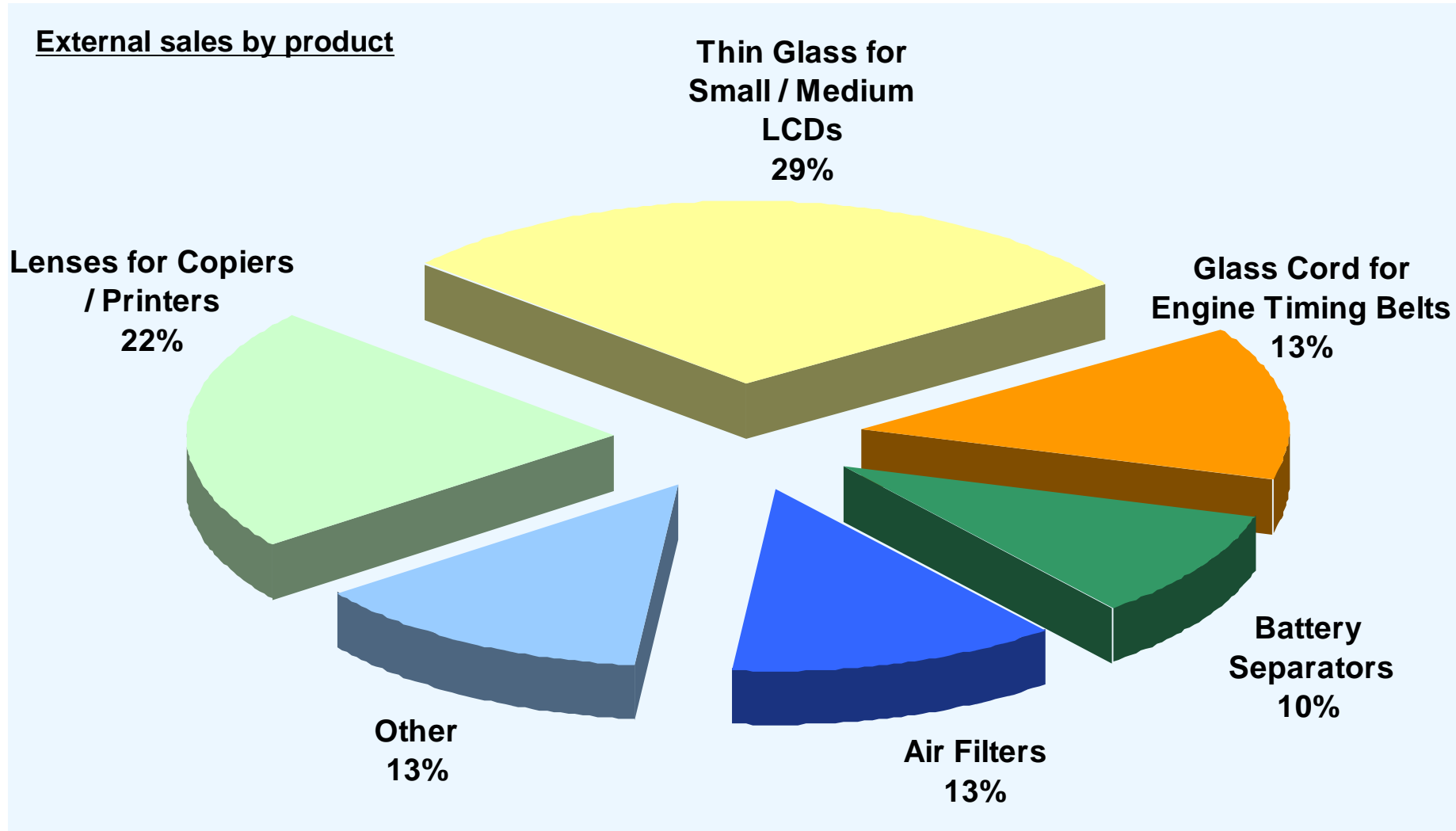
## Rest of the World



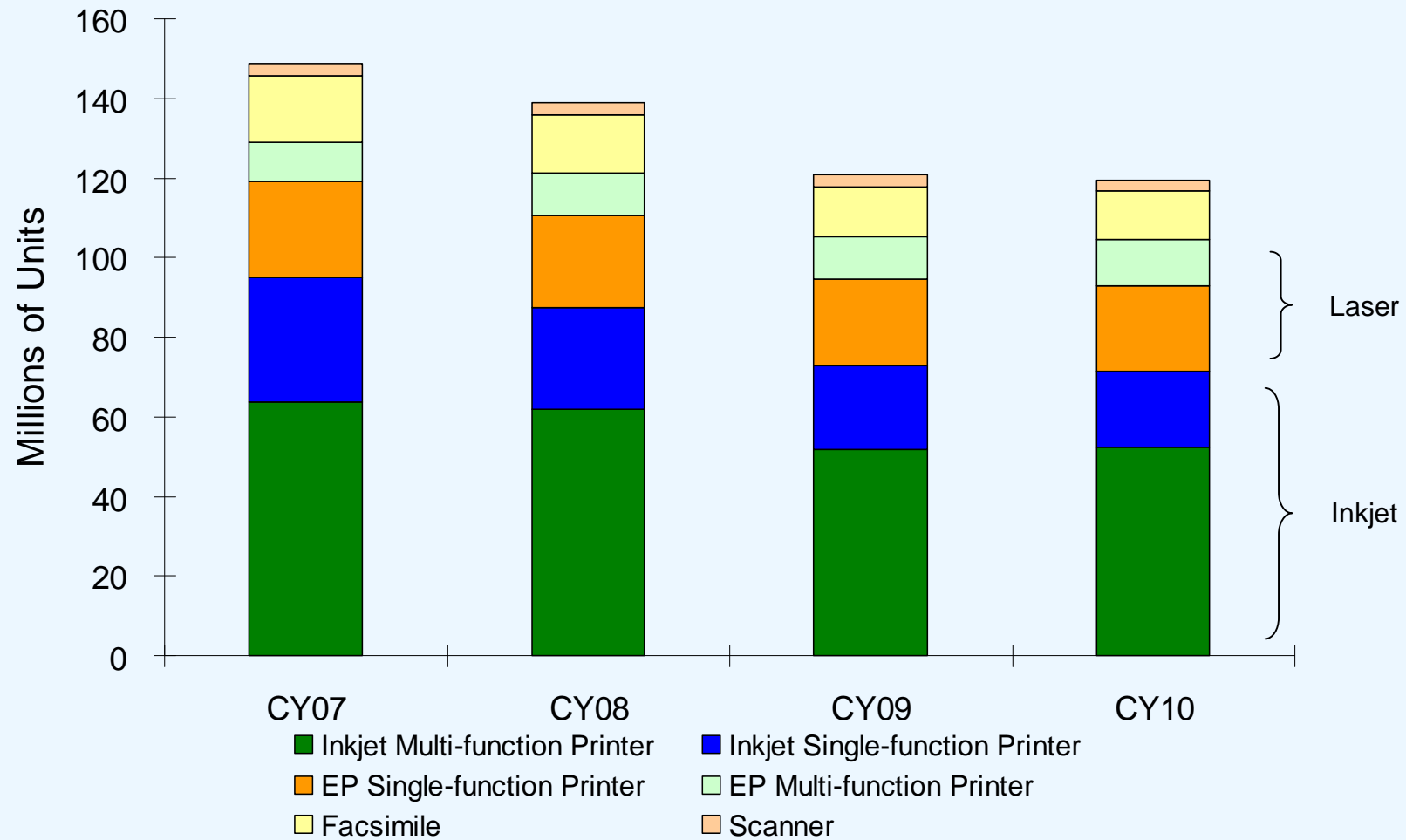
- South American demand down on prior year
- China still growing year on year but at slower rate
- Excluding exchange rate changes, sales are lower in FY2009
- Profits impacted by lower sales, higher energy and other cost push

Note. Amortization is only that arising on acquisition of Pilkington plc

# Specialty Glass

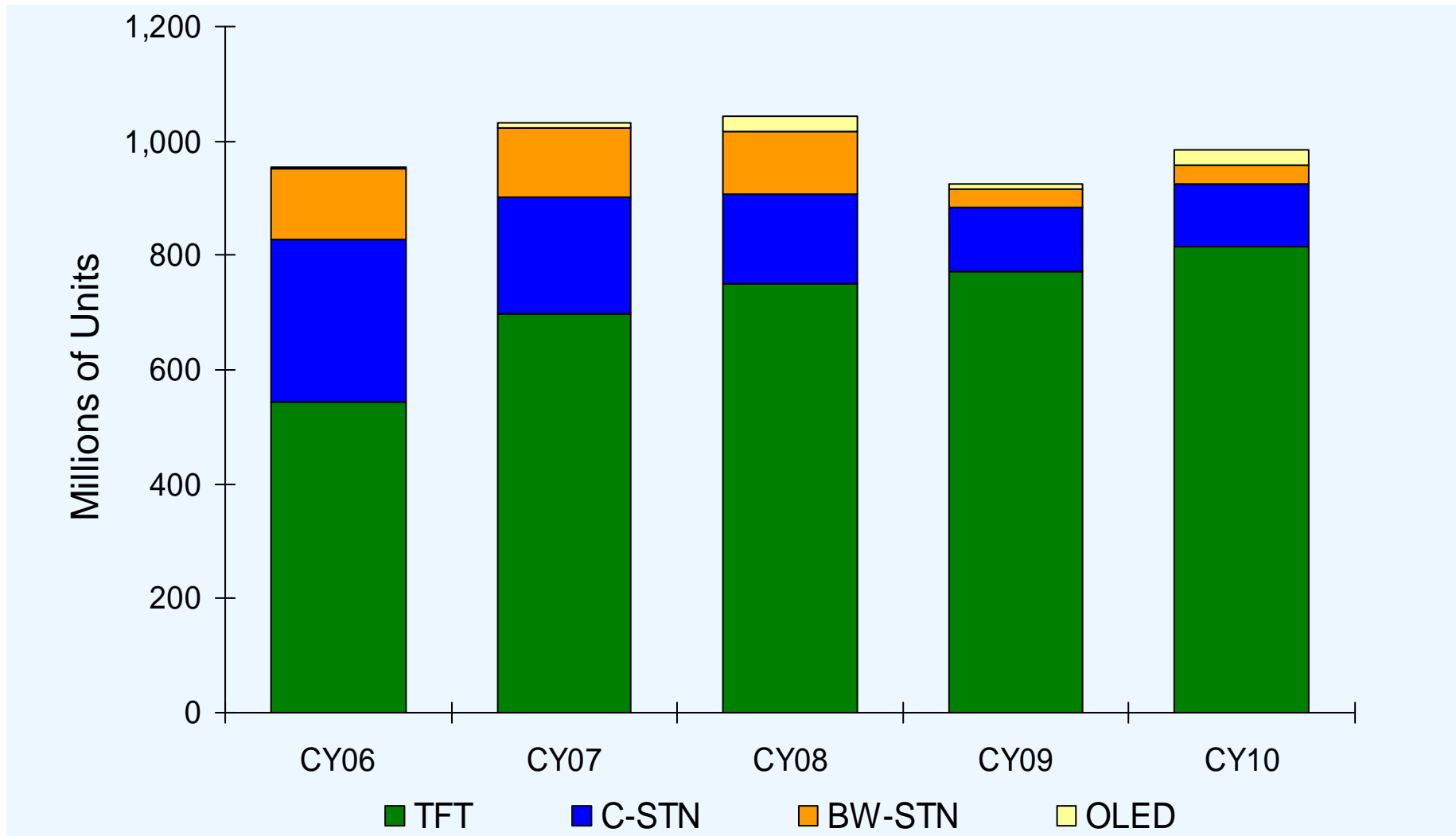


# Market Overview - Printers



Source : JEITA & NSG estimates

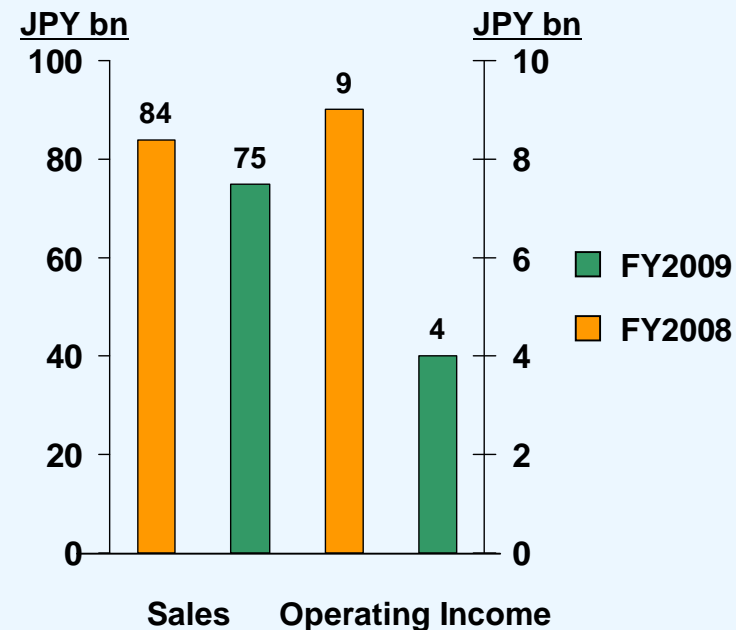
# Market Overview - Mobile Phones



NSG Estimates

# Specialty Glass

- Significant deterioration from Q3 in all Specialty Glass markets
- Glass cord and battery separator markets were impacted by automotive slowdown
- Printer and scanner components affected by a slowdown in consumer electronic markets
- Display market shows signs of recovery but demand remains low
- Strong yen affecting exports from Japan



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# Solar Market Background

- Restrictions on project finance slowing growth, but funding is available for good projects
- Government incentives maintained, underpinned by environmental agenda
- The drive for renewable energy remains high on many governments' agendas. USA and China take up could transform the market in coming years

Environmental concerns will ensure sales momentum

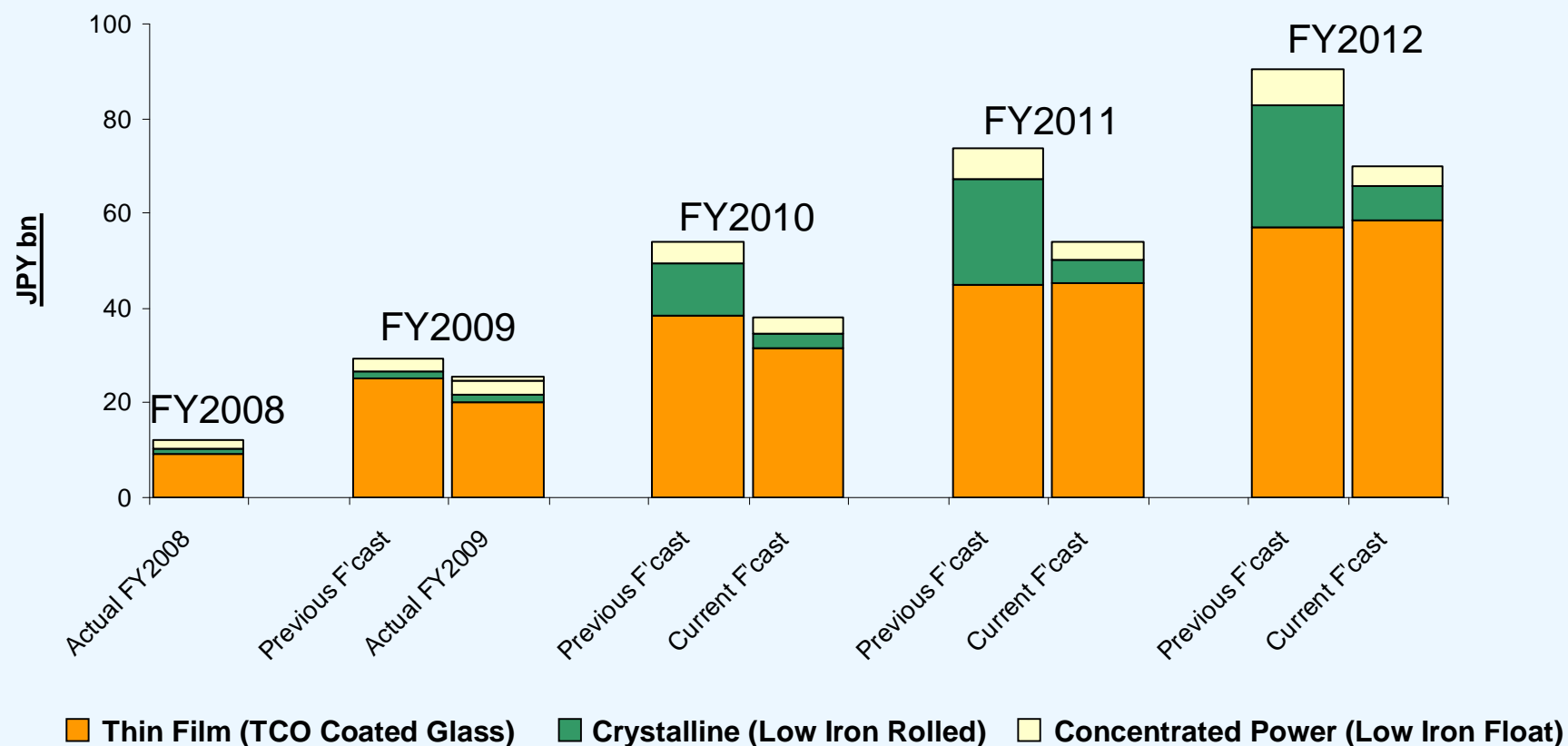
# NSG's Solar Business Background

- Thin film
  - Market leading technology
  - Medium term outlook remains unchanged from previous forecasts
- Crystalline
  - Growth plans scaled back in response to industry over capacity

Leading position in thin film



# Solar Revenue Outlook



Solar market fundamentals unchanged

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# Solar Summary

- Underlying demand and prospects remain strong
- Technology improvements are rapidly opening up new potential markets
- Crystalline is more commoditised at module and glass levels; thin film is much more focused on added value and technology
- NSG is well placed to retain its leading position in thin film, and to be competitive in crystalline

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# Restructuring - Actions Announced

## Actions

Now being implemented in three areas

1. Headcount reduction
2. Capacity reduction
3. Investment review

## Costs

25 billion yen over two years. 18 billion yen cash cost.

	FY2009	FY2010	Total
Income statement charge	19	6	25
Cash	-	18	18

## Projected savings

Realized in FY2010: 10 billion yen

Annualized savings from April 2010: 16 billion yen

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# Restructuring - Headcount Reductions

- Early action taken to reduce headcount in Group's seasonal and temporary workers
- Further reduction now well advanced in all business lines
- Overall reduction will be more than 15 percent of global headcount
- Around 4,500 employees (permanent and temporaries) reduced by 31 March 2009 and a further 2,200 will leave by March 2010

**Plans ahead of schedule**

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# Restructuring - Capacity Reductions

- Automotive production capacity in Europe and North America reduced
- Float glass capacity reduced by approximately 25 percent
- Specialty Glass reduced shifts with line closures

**Adjusting capacity to reduced customer demand**

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# Restructuring - Reviewing Investment

- Investment plans reviewed in line with new markets and demands
- Some planned investment will be reduced or postponed
- Solar is still a key area for expansion and will receive increased proportion of remaining investment

**Capital expenditure under 60 percent of depreciation**

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## FY2010 Key Points

- Year of restructuring
- First half result will reflect current economic environment
- Second half result will increasingly benefit from restructuring actions
- Rebuilding organization for profit growth from FY2011 onwards

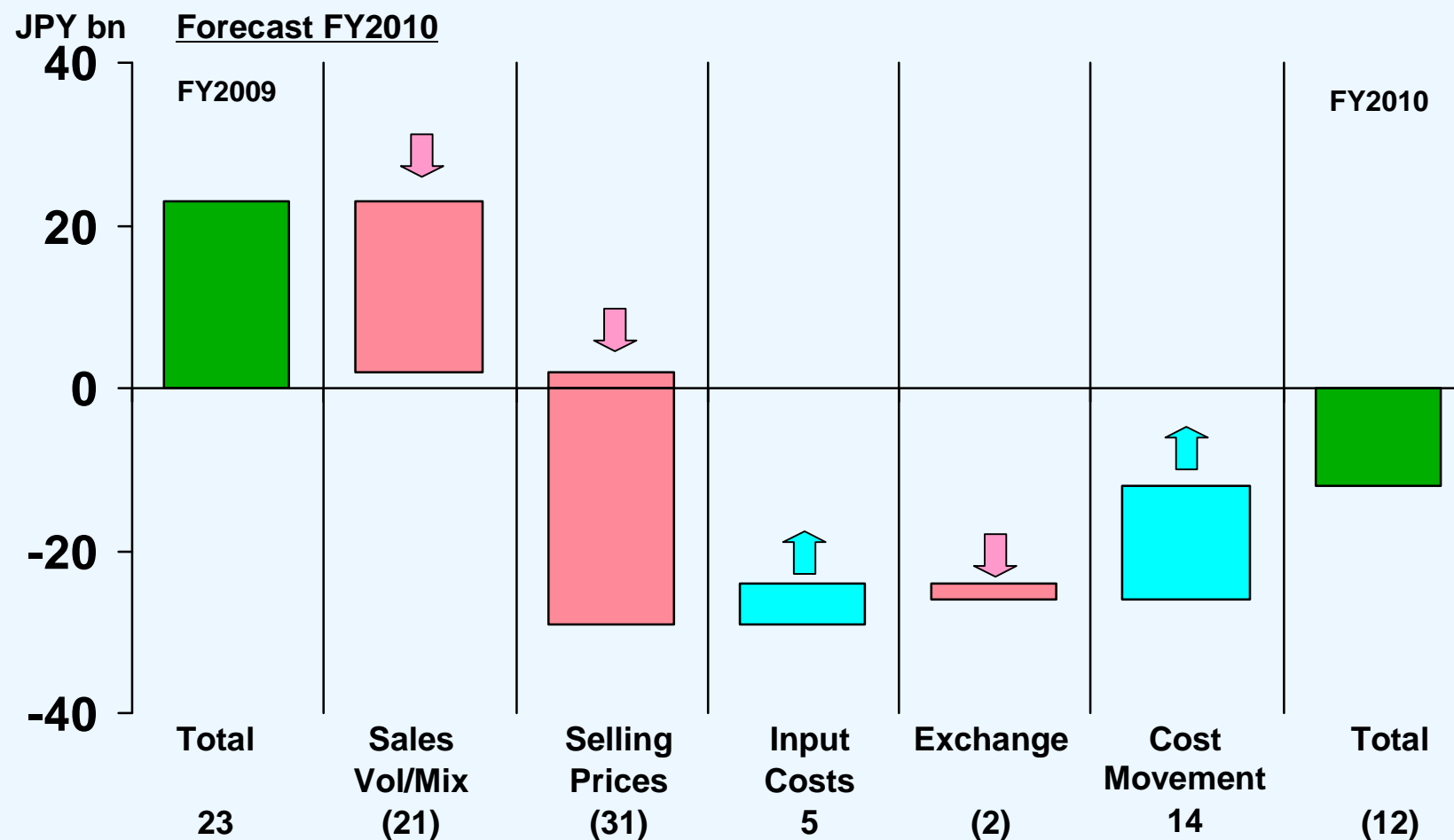
# Income Statement Outlook

JPY bn

	<b>FY2010</b>	<b>FY2009</b>
<b>Revenue</b>	<b>580</b>	<b>739</b>
<b>Op. income before amortization*</b>	<b>(12)</b>	<b>23</b>
Amortization*	(18)	(21)
<b>Operating Income</b>	<b>(30)</b>	<b>2</b>
Non-operating items	(17)	(14)
<b>Ordinary Income</b>	<b>(47)</b>	<b>(12)</b>
Extraordinary items	(10)	(1)
<b>Pre-tax Income</b>	<b>(57)</b>	<b>(13)</b>
<b>Net Income</b>	<b>(50)</b>	<b>(28)</b>

\* Amortization is only that arising on acquisition of Pilkington plc

# FY2010 Operating Income Change Analysis



No significant market improvement expected

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# Commercial Assumptions

Market continues to be at depressed levels

- Volume JPY (21) bn
  - Automotive represents about 60 percent
- Selling Prices JPY (31) bn
  - Building Products accounts for almost all of the decrease reflecting weak market conditions

# Cost Assumptions

- Input Costs JPY +5bn
  - Gas prices lower, reduction not relative to oil
  - Raw material prices dependent on commodity
- Cost Movement JPY +14bn
  - JPY 10bn from restructuring
  - JPY 4bn removal of other costs

# Outlook

	FY2011	FY2012
Commerical Assumptions	✓	✓ ✓
Input Cost Assumptions	-	✗
Cost Reduction	✓ ✓	✓

- In FY2012, we expect the business to be at operating margins (operating profit before amortization/revenue) similar to FY2008 of eight percent
- This is in line with the original Medium-term Plan margin

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# Our Long-term Vision

**Execute growth strategies through 3 phases**

## Phase 1 <4 years>

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

## Phase 2 <3 years>

Achieve aggressive growth in the flat glass business  
Geographically expanding into emerging countries  
Improve competitiveness, launch major new products, improve R&D and foster technologies

## Phase 3 <3 years>

Explore new areas for further growth  
Exploring new businesses by both leveraging our customers and our technical and operational competencies  
Pursuing acquisitions, mergers, and alliances in adjacent areas



2007 ~

2011 ~

2014 ~

2017



# Phase 1

## Objective

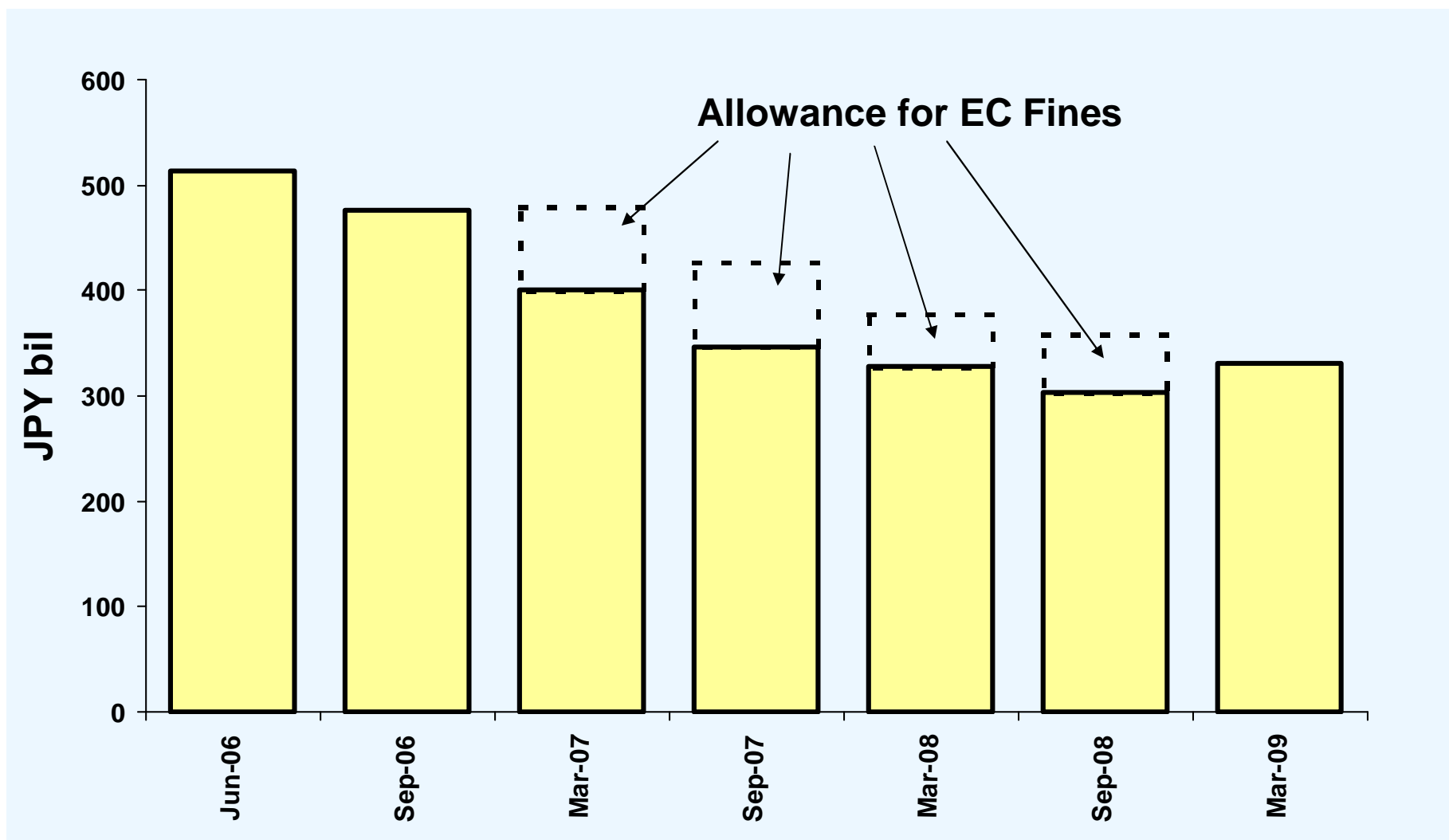
Create a new entity focused on differentiating ourselves from competitors and maximizing productivity and operational quality, while re-establishing our financial foundations

## Priorities/Achievements

- 1. Integration of global business achieved**
- 2. Net debt target levels achieved a year early**
- 3. Preparation for Phase 2 underway, but slowed by global downturn**

**End of Phase 1 now delayed by a year**

# Net Debt Position



**JPY 350bn target achieved one year early**

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## Medium-term Plan

- Medium-term Plan will be updated later this year
- Strategy direction likely to be largely unchanged
- Work on restructuring will strengthen our position
- Revenue line will be smaller than envisaged in Medium-term Plan and therefore we need to ensure we consciously revisit our plans and priorities

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# Summary

- Continuing good progress on strategic objectives, with net debt target met a year early
- Global market deterioration affecting all business lines
- Solar business holding up well
- Restructuring to re-establish profit growth from FY2011

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# Notice

The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable. Hence the actual results may differ. The major factors that may affect the results are the economic environment in major markets (such as Europe, Japan, the U.S. and Asia), product supply/demand shifts, and currency exchange fluctuations.

Nippon Sheet Glass Co., Ltd.

# Appendices

# Revenue by Business – FY2009

(JPY bil)	Japan	Europe	North America	Rest of World	Total
Building Products	109.0	176.7	28.1	34.1	347.9
Automotive	48.4	152.8	63.9	34.0	299.1
Specialty	43.3	7.9	2.2	22.0	75.4
Others	6.2	10.8	0.0	0.0	17.0
<b>Total</b>	<b>206.9</b>	<b>348.2</b>	<b>94.2</b>	<b>90.1</b>	<b>739.4</b>



# Operating Income before Amortization – FY2009



(JPY bil)	Japan	Europe	North America	Rest of World	Total	Ratio on Sales
Building Products	0.3	14.4	1.5	4.3	20.5	6%
Automotive	0.4	11.0	(3.2)	3.8	12.0	4%
Specialty	2.3	0.5	(0.1)	1.1	3.8	5%
Others	(4.4)	(9.4)	0.0	0.0	(13.8)	
Total	(1.4)	16.5	(1.8)	9.2	22.5	3%
Ratio on Sales	-1%	5%	-2%	10%	3%	

# Operating Income after Amortization – FY2009



(JPY bil)	Japan	Europe	North America	Rest of World	Total	Ratio on Sales
Building Products	0.3	6.9	0.2	3.2	10.6	3%
Automotive	0.4	4.2	(5.3)	2.0	1.3	0%
Specialty	2.3	0.5	(0.1)	1.1	3.8	5%
Others	(4.4)	(9.4)	0.0	0.0	(13.8)	
Total	(1.4)	2.2	(5.2)	6.3	1.9	0%
Ratio on Sales	-1%	1%	-6%	7%	0%	

# Exchange Rate Assumptions

	<b>FY2009</b>	<b>FY2010</b>
Average rates used:		
JPY/GBP	174	150
JPY/EUR	145	130
JPY/USD	101	100
Closing rates used:		
JPY/GBP	140	150
JPY/EUR	130	130
JPY/USD	98	100

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