

**NSG**  
**GROUP**

# **NSG Group Overview and Results to 31 March 2008**

**23 May 2008**

**Stuart Chambers – Chief Operating Officer**

**Mike Powell – Group Finance Director**

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# NSG Group Year End Results



## Agenda

- **Financial Results**
- **Business Update**
- **Synergies and EERP**
- **Strategy Update**
- **Outlook and Summary**

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# Key Points

- Full year shows sustained improvement in Group sales and profits
- Strong performance in Europe in both BP and Automotive
- Net debt reduction ahead of schedule
- Organizational integration and changes continue
- Preparations for Phase 2 underway
- Significant cost push in FY09 reducing margins short term.

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# NSG Group Year End Results



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- **Financial Results**
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# Consolidated Income Statement

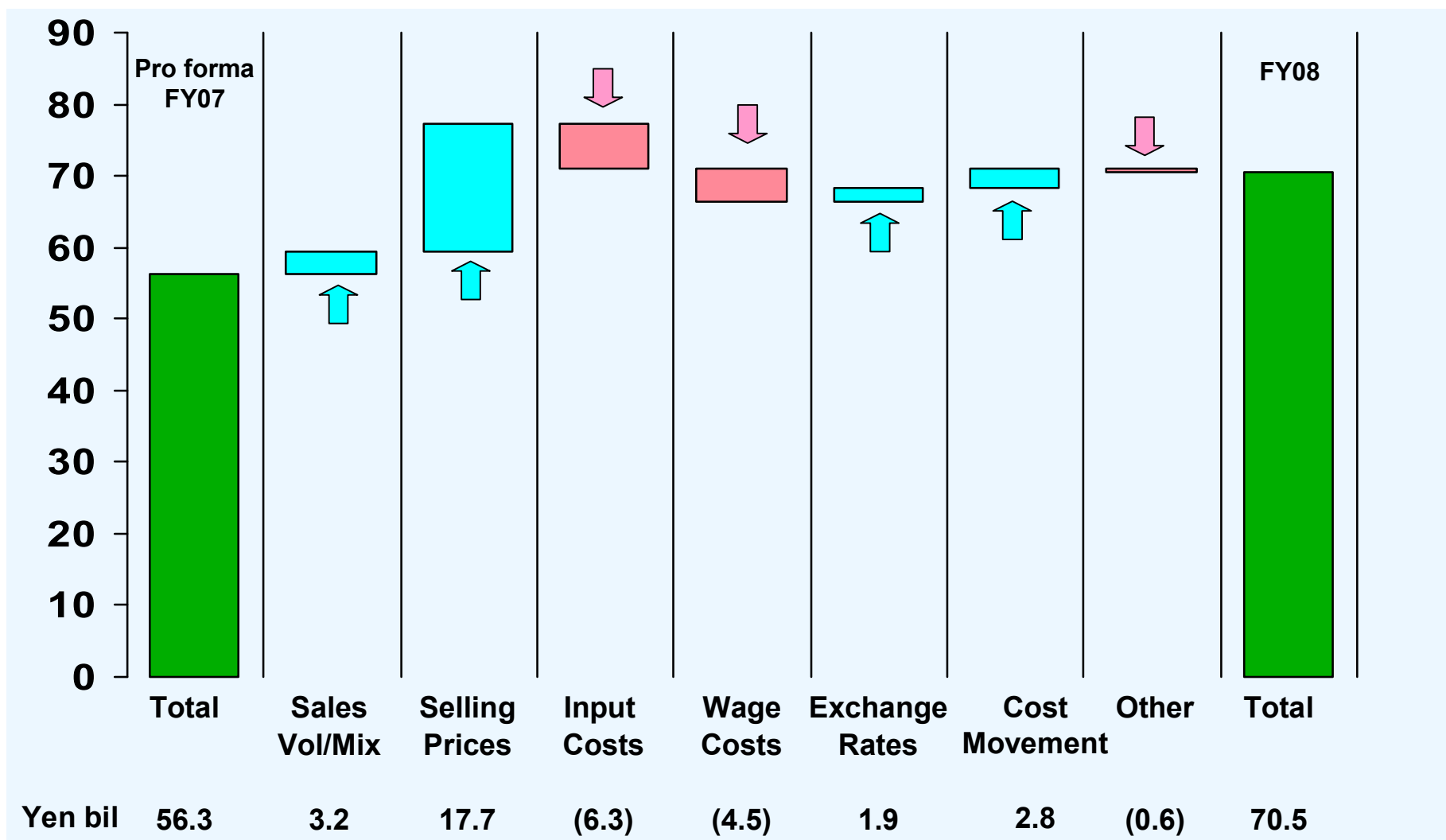
## Consolidated Income Statement

<u>(JPY bil)</u>	<u>FY08</u>	<u>FY07</u>	<u>FY07</u> <u>(Proforma)</u>	<u>Change</u> <u>from</u> <u>FY07</u>
Sales	865.6	681.5	829.9	27%
<b>Op.Income before amortization*</b>	<b>70.5</b>	<b>43.3</b>	<b>56.3</b>	<b>63%</b>
Amortization	(24.0)	(19.5)	(25.6)	23%
<b>Operating Income</b>	<b>46.5</b>	<b>23.8</b>	<b>30.7</b>	<b>95%</b>
Non-operating items	(16.1)	(15.8)		
<b>Ordinary income</b>	<b>30.4</b>	<b>8.0</b>		<b>280%</b>
Extraordinary items	31.9	30.1		
<b>Pre-tax Income</b>	<b>62.3</b>	<b>38.1</b>		<b>64%</b>
<b>Net Income</b>	<b>50.4</b>	<b>12.1</b>		<b>317%</b>
EBITDA	120.4	83.5		44%

\*Before amortization arising from the acquisition of Pilkington plc

**Strong improvement in sales and profits**

# Operating Income Change Analysis



**Underlying improvement in performance**



# Non-operating Items

	<b>FY08 (JPY bil)</b>	<b>FY07 (JPY bil)</b>
<b>Interest &amp; dividend income</b>	<b>9.7</b>	<b>6.5</b>
<b>Share of profits of joint ventures and associates</b>	<b>10.3</b>	<b>2.4</b>
<b>Other income</b>	<b>1.8</b>	<b>6.6</b>
<b>Interest expenses</b>	<b>(25.5)</b>	<b>(23.1)</b>
<b>Other expenses</b>	<b>(12.4)</b>	<b>(8.2)</b>
	<b>(16.1)</b>	<b>(15.8)</b>

**Strong performance by joint ventures and associates**

# Extraordinary Items

	<b>FY08</b> <b>(JPY bil)</b>	<b>FY07</b> <b>(JPY bil)</b>
<b>Gain from sale of securities</b>	<b>13.4</b>	<b>44.8</b>
<b>Gain from sale of discontinued operations</b>	<b>30.8</b>	<b>0.1</b>
<b>Gain on disposal of fixed assets</b>	<b>2.7</b>	<b>3.7</b>
<b>Acquisition expenses</b>	<b>-</b>	<b>(10.5)</b>
<b>Write-off / impairment of assets and investments</b>	<b>(6.0)</b>	<b>(9.6)</b>
<b>Provision for enhanced early retirement plan</b>	<b>(12.5)</b>	<b>0.0</b>
<b>Others</b>	<b>3.5</b>	<b>1.6</b>
	<b>31.9</b>	<b>30.1</b>

**Main impact from sale of Australasia business**

# Consolidated Balance Sheet

	FY08 (JPY bil)	FY07 (JPY bil)	Change (JPY bil)		FY08 (JPY bil)	FY07 (JPY bil)	Change (JPY bil)
<b>Assets</b>				<b>Liabilities</b>			
Cash and deposits	128	161	(33)	Notes and account payables - trade	99	98	1
Notes and account receivables - trade	146	149	(3)	Loans (including corporate bonds)	456	561	(105)
Inventories	119	113	6	Other liabilities	392	399	(7)
Other current asset	29	43	(14)	Liabilities	947	1,058	(111)
<b>Current assets</b>	<b>422</b>	<b>466</b>	<b>(44)</b>	<b>Net assets</b>	<b>372</b>	<b>351</b>	<b>21</b>
Tangible assets	375	397	(22)	Common stock	96	96	0
Intangible assets	353	399	(46)	Capital surplus	105	105	0
Investments in securities	100	127	(27)	Retained earnings	152	106	46
Other fixed assets	69	20	49	Treasury stock	(1)	0	(1)
<b>Fixed Assets</b>	<b>897</b>	<b>943</b>	<b>(46)</b>	<b>Shareholders equity</b>	<b>352</b>	<b>307</b>	<b>45</b>
				Valuation and translation adjustments	5	30	(25)
				Minority interests in consolidated subsidiaries	13	13	0
<b>Total assets</b>	<b>1,319</b>	<b>1,409</b>	<b>(90)</b>	<b>Total liabilities and net assets</b>	<b>1,319</b>	<b>1,409</b>	<b>(90)</b>

**Balance sheet continues to strengthen**

# Consolidated Cash Flow Summary

	FY08 (JPY bil)	FY07 (JPY bil)	Change (JPY bil)
Income before income taxes and minority interests	62	38	24
Depreciation, amortization and impairment	76	60	16
(Decrease)/increase in working capital	(4)	15	(19)
Others, including tax and interest paid	(85)	(38)	(47)
<b>Net cash provided by operating activities</b>	<b>49</b>	<b>75</b>	<b>(26)</b>
Purchase of fixed assets	(47)	(49)	2
Others, including acquisitions and disposals	76	(248)	324
<b>Net cash provide by (used in) investing activities</b>	<b>29</b>	<b>(298)</b>	<b>327</b>
Net (decrease)/increase in borrowings	(78)	194	(272)
Cash dividends paid	(4)	(3)	(1)
Others, net	(2)	(1)	(1)
<b>Net cash provided by (used in) financing activities</b>	<b>(84)</b>	<b>190</b>	<b>(274)</b>
<b>Cash and cash equivalents at start of period</b>	<b>160</b>	<b>179</b>	<b>(19)</b>
Decrease in cash and cash equivalents	(5)	(32)	27
Effect of exchange rate on cash and cash equivalents	(13)	13	(26)
Decrease due to change in scope of cash & cash equivalents on consolidation	(39)	-	(39)
<b>Cash and cash equivalents at end of period</b>	<b>103</b>	<b>160</b>	<b>(57)</b>

**Strong underlying cash generation**

# Key Performance Indicators

	<u>FY08</u>	<u>FY07</u>
Net Debt (JPY bil)	328	400
Net Debt / EBITDA	2.7x	-
Net Debt/Equity Ratio	0.88	1.14
EBITDA Interest Cover	6.9x	-
Operating Return on Sales*	8.1%	6.4%

\* Before amortization arising from the acquisition of Pilkington plc

**Good progress on debt reduction**

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# NSG Group Year End Results



## Agenda

- Financial Results
- **Business Update**
- Synergies and EERP
- Strategy Update
- Outlook and Summary

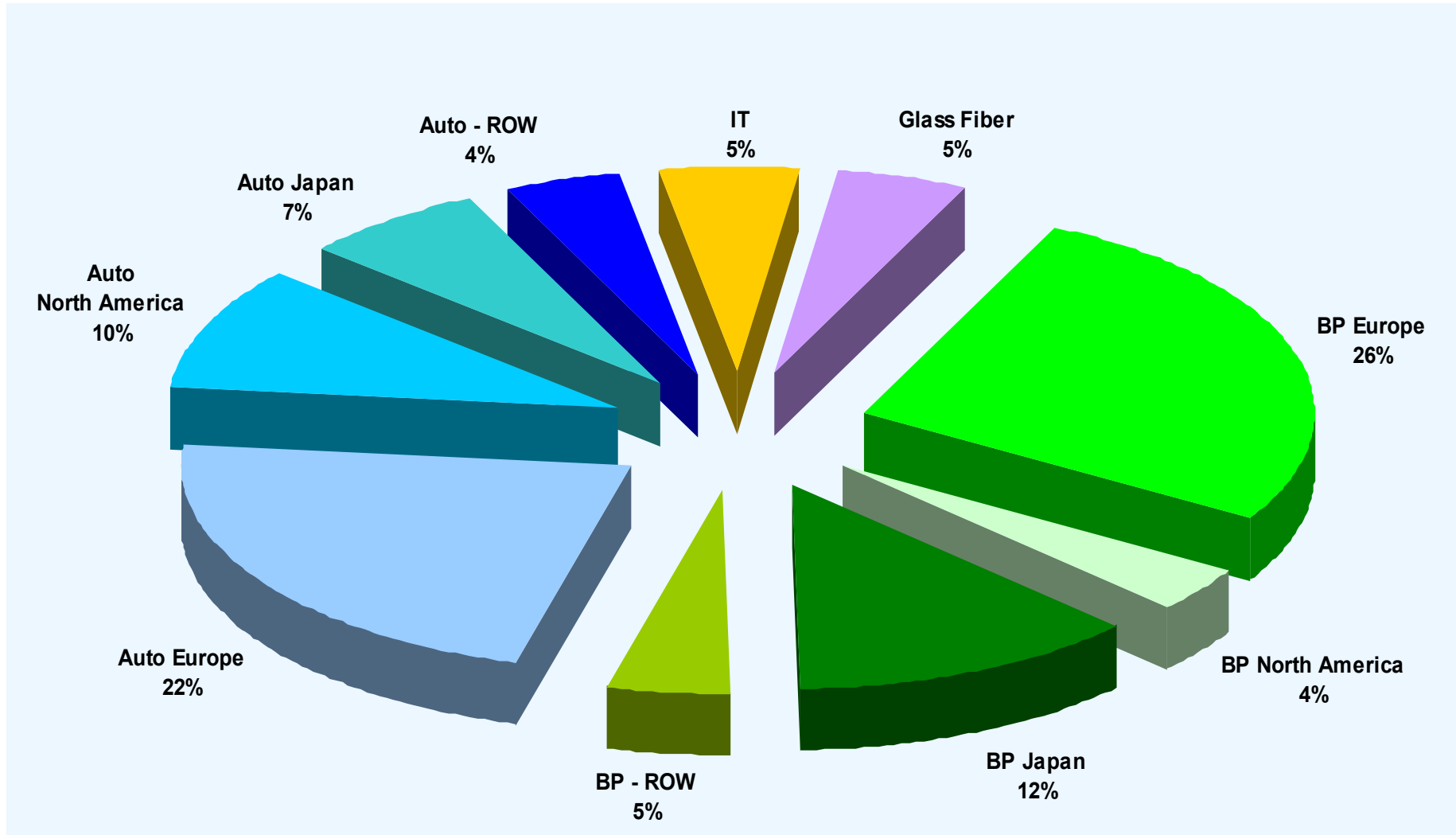
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# NSG Group Summary

- A global glass leader – greatest focus on Flat Glass of all industry majors
- Ownership/interests in 51 float lines (6.4 million tonnes annual output)
- Global Automotive customer base
- Leading player in lenses for multi-function printers
- Strong position in Glass Fiber products worldwide
- 32,500 employees globally
- Principal manufacturing operations in 29 countries; Sales in 130+ countries

**A global leader of scale in Flat Glass**

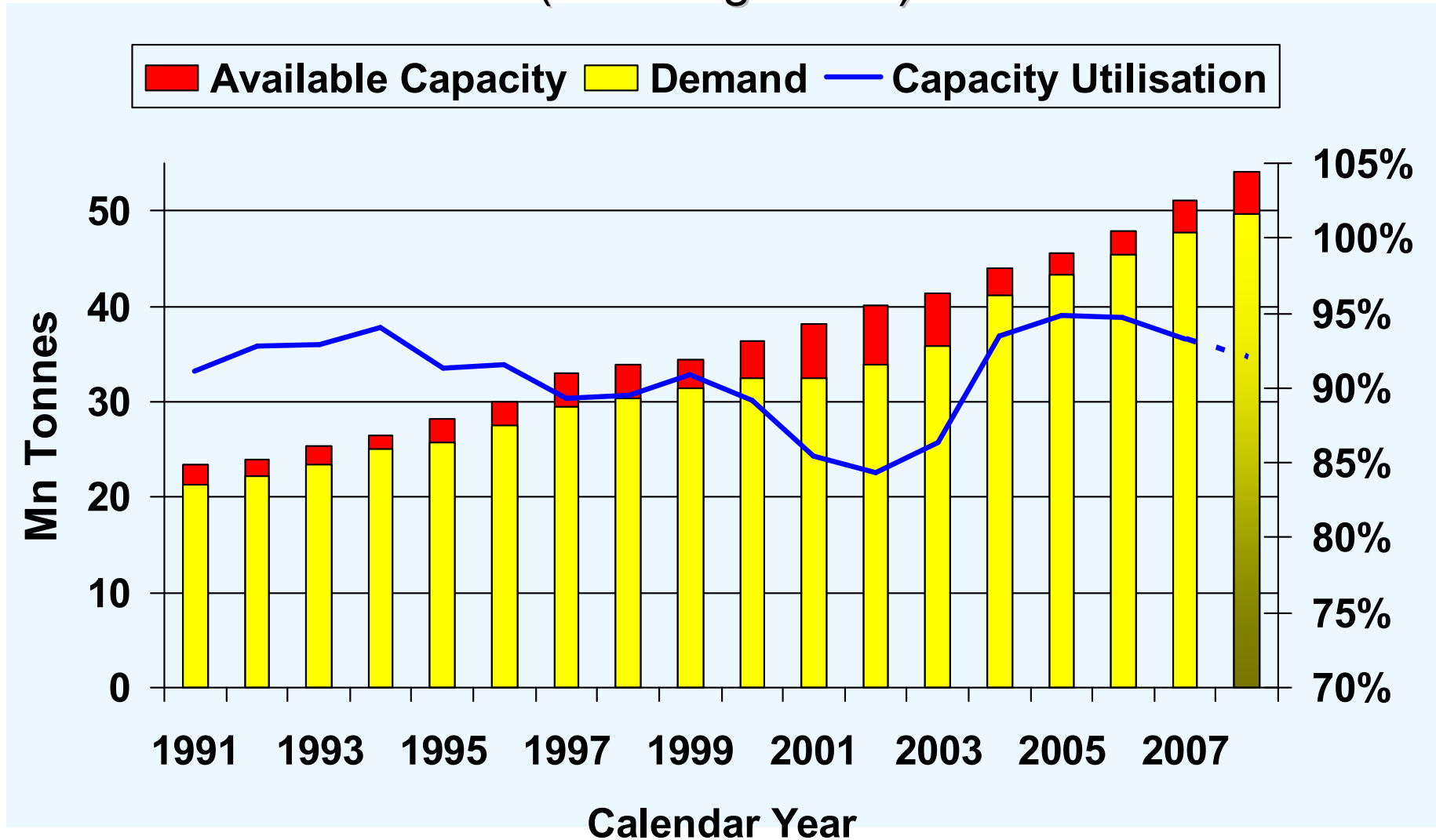
# External Sales – Group Businesses





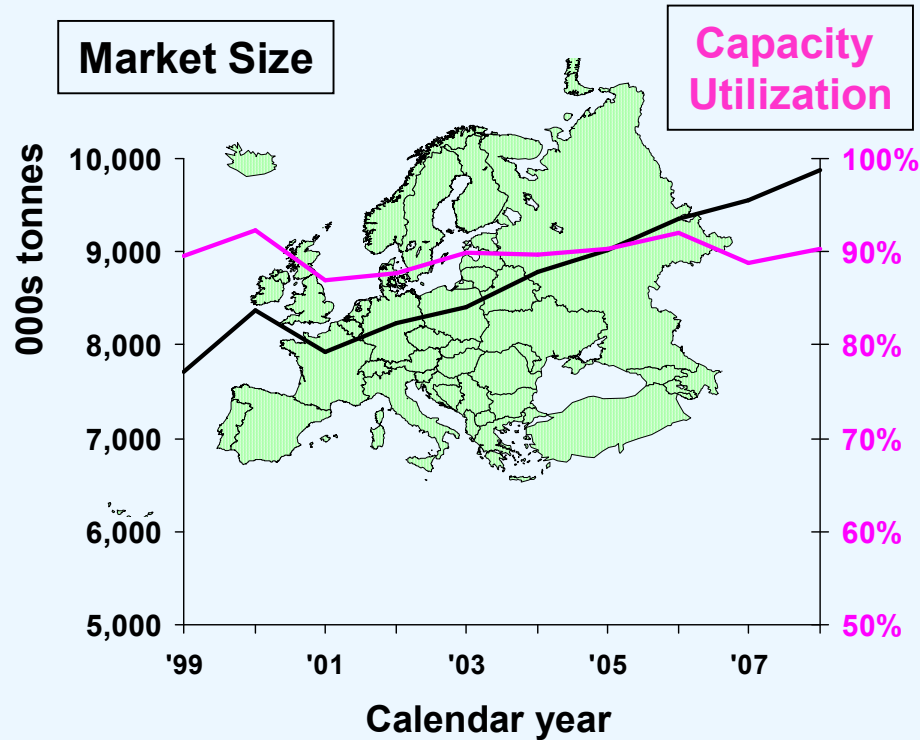
# Building Products

# Global Capacity Utilisation (including China)



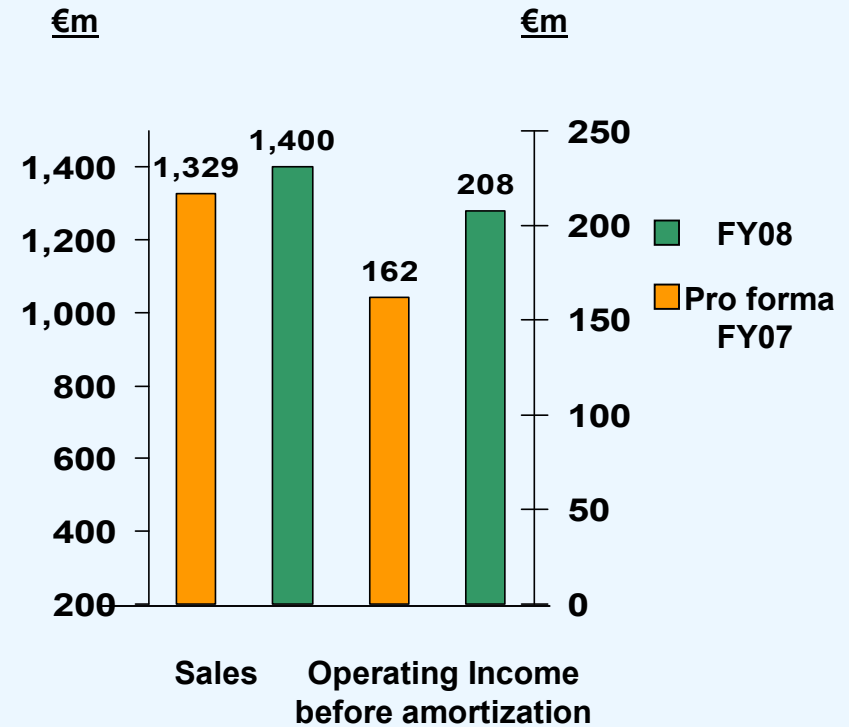
# BP Europe

## Market



- Continued steady market growth
- High level of capacity utilisation

## Business

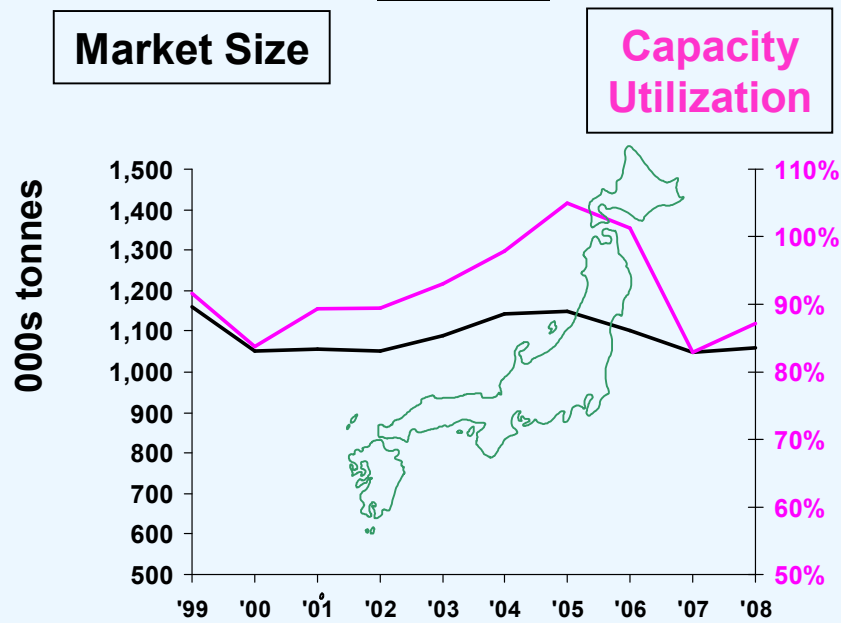


- Profit improvements across all markets

**Strong performance from the European business**

# BP Japan

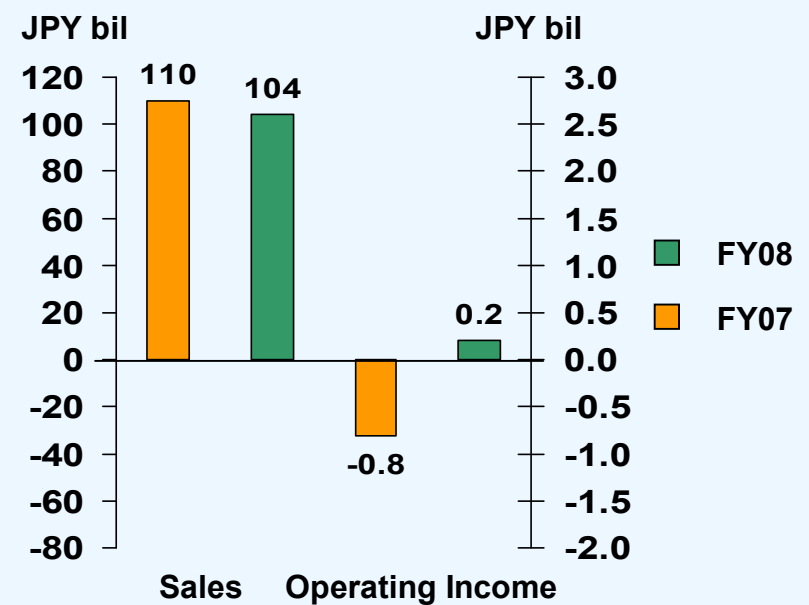
## Market



Calendar year

- Challenging economic conditions
- Depressed levels of residential construction

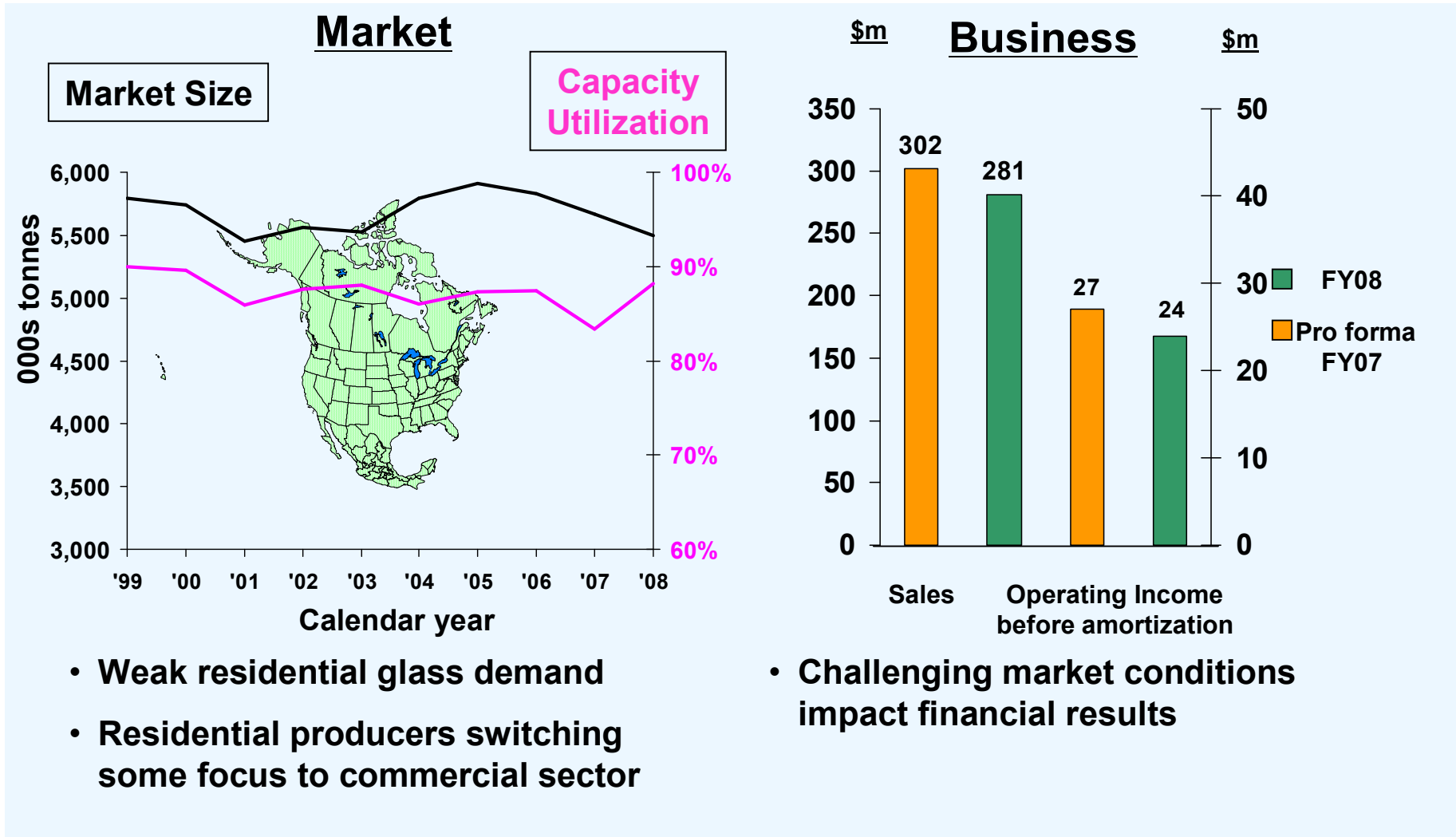
## Business



- Continued low operating margins

**Margin improvement a priority**

# BP North America



**Good performance in challenging market**

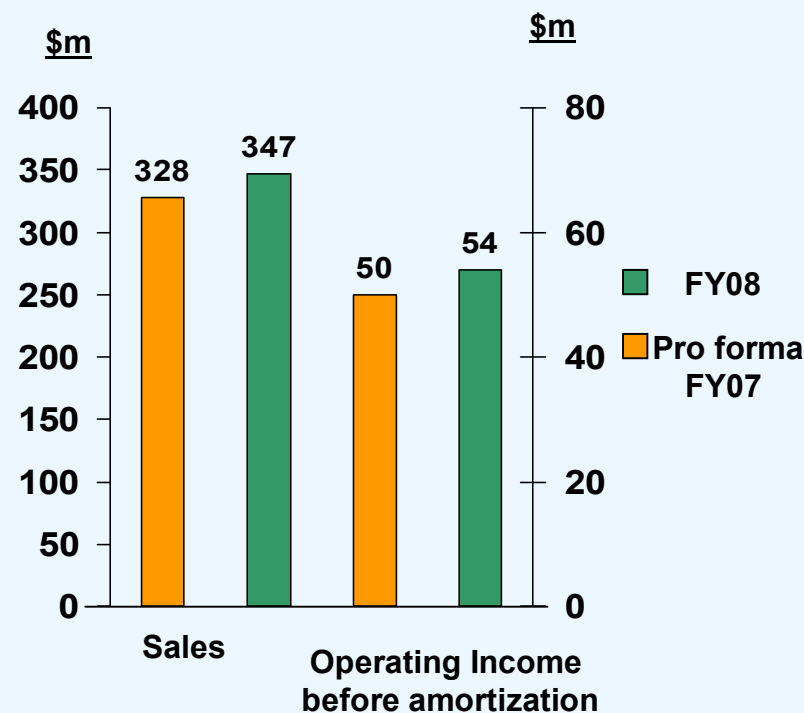
# BP Rest of the World

## Market



- Steady growth in developing markets

## Business



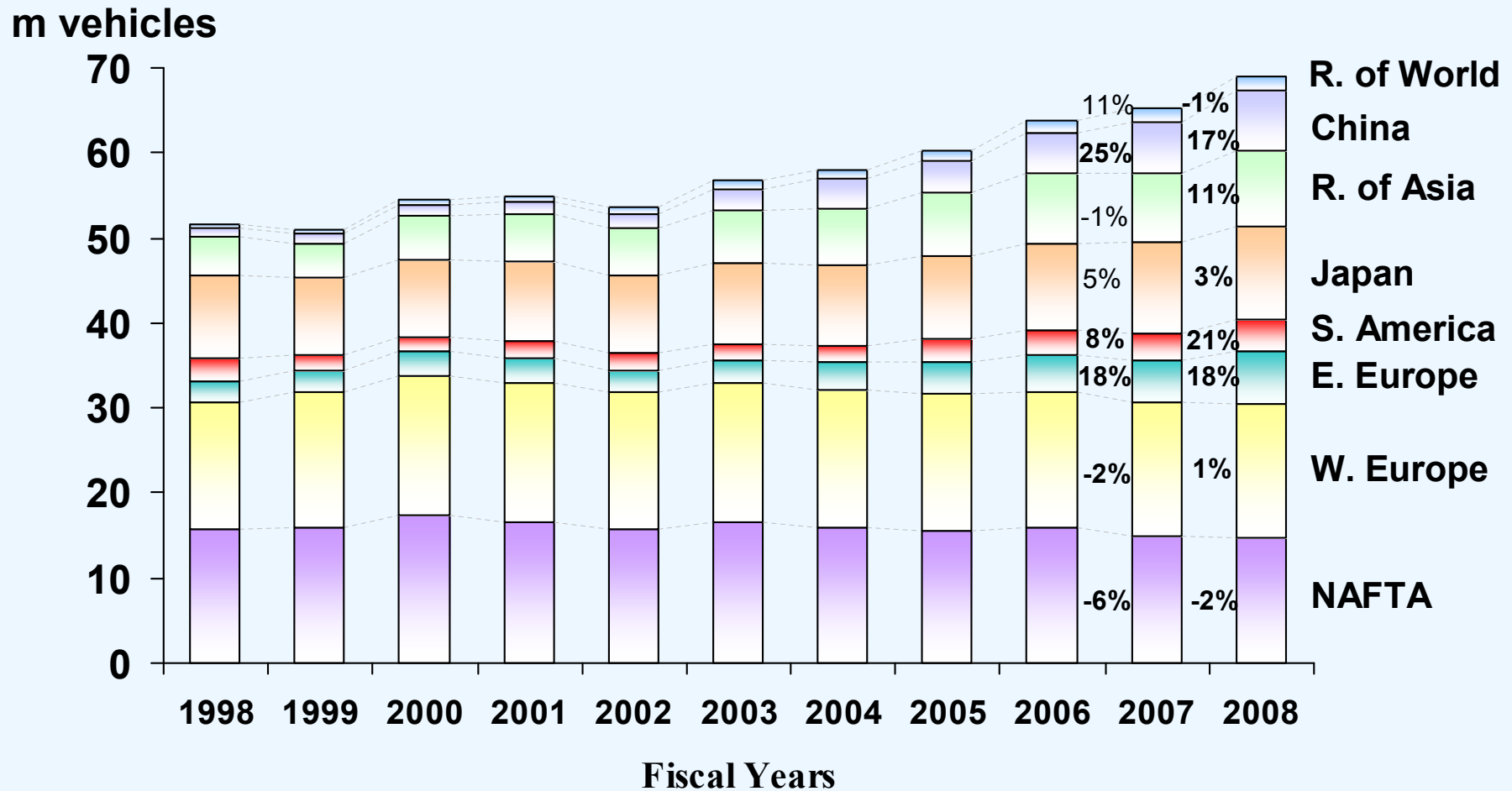
- Profit improvement in line with market growth

**Continuing good performance in the Rest of the World**

# Automotive

# Global Light Vehicle Build

2.4% Growth in FY07 with 5.6% Growth in FY08



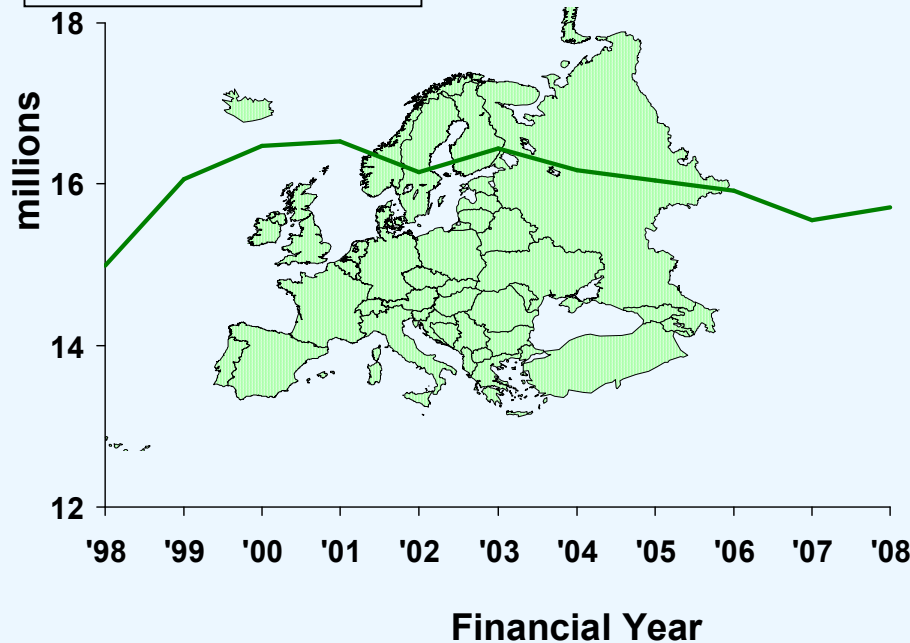
**NAFTA down; slight growth in both Western Europe & Japan; very strong growth in South America, Eastern Europe and China**



# Automotive Europe

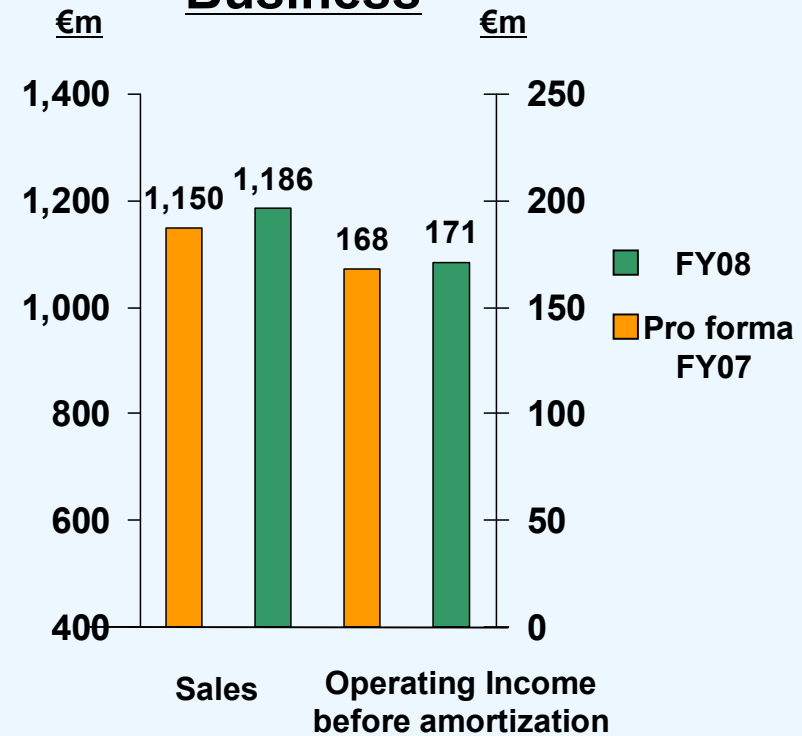
## W. Europe Light Vehicle Build

## Market



- Western Europe slightly up
- Further strong growth in Eastern Europe

## Business

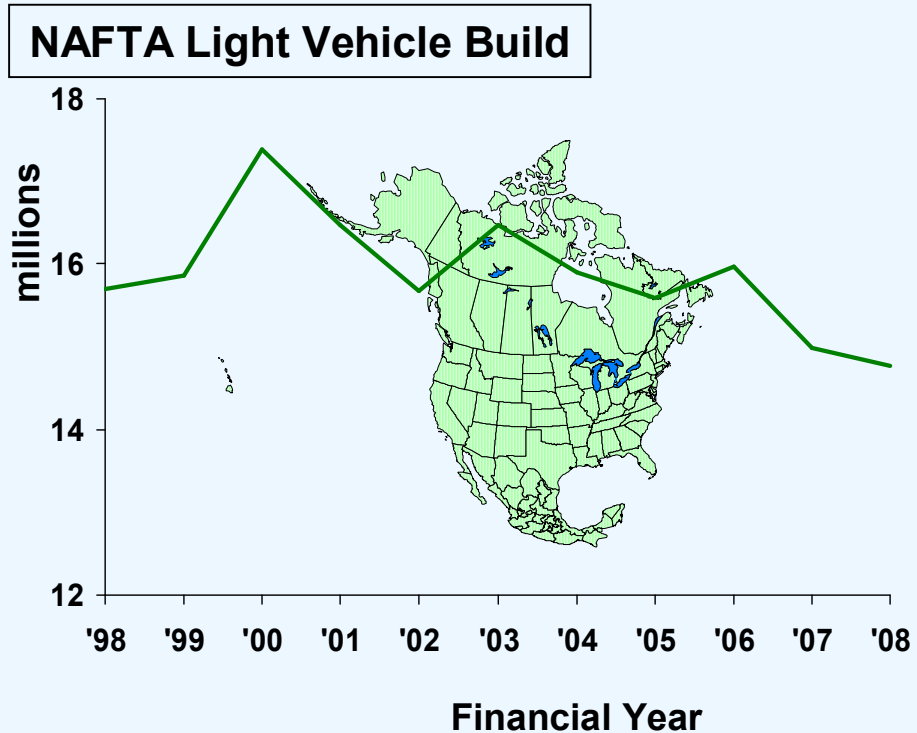


- Solid OE and AGR performance, with improved volumes aided by efficiency improvements

**Revenue and profits ahead of previous year**

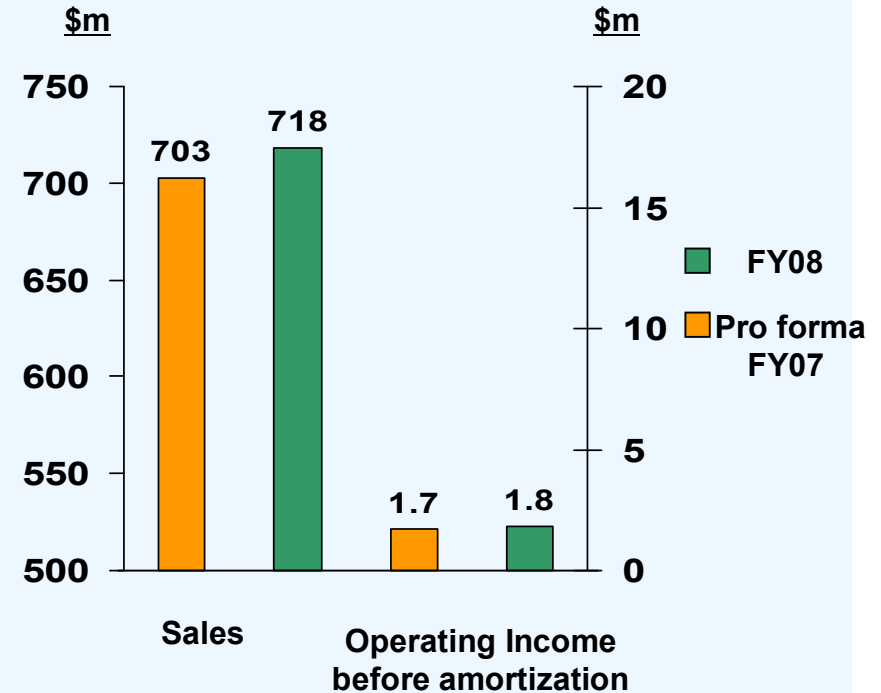
# Automotive North America

## Market



- Further decline in light vehicle build
- Domestic manufacturers under-performing against foreign name plates

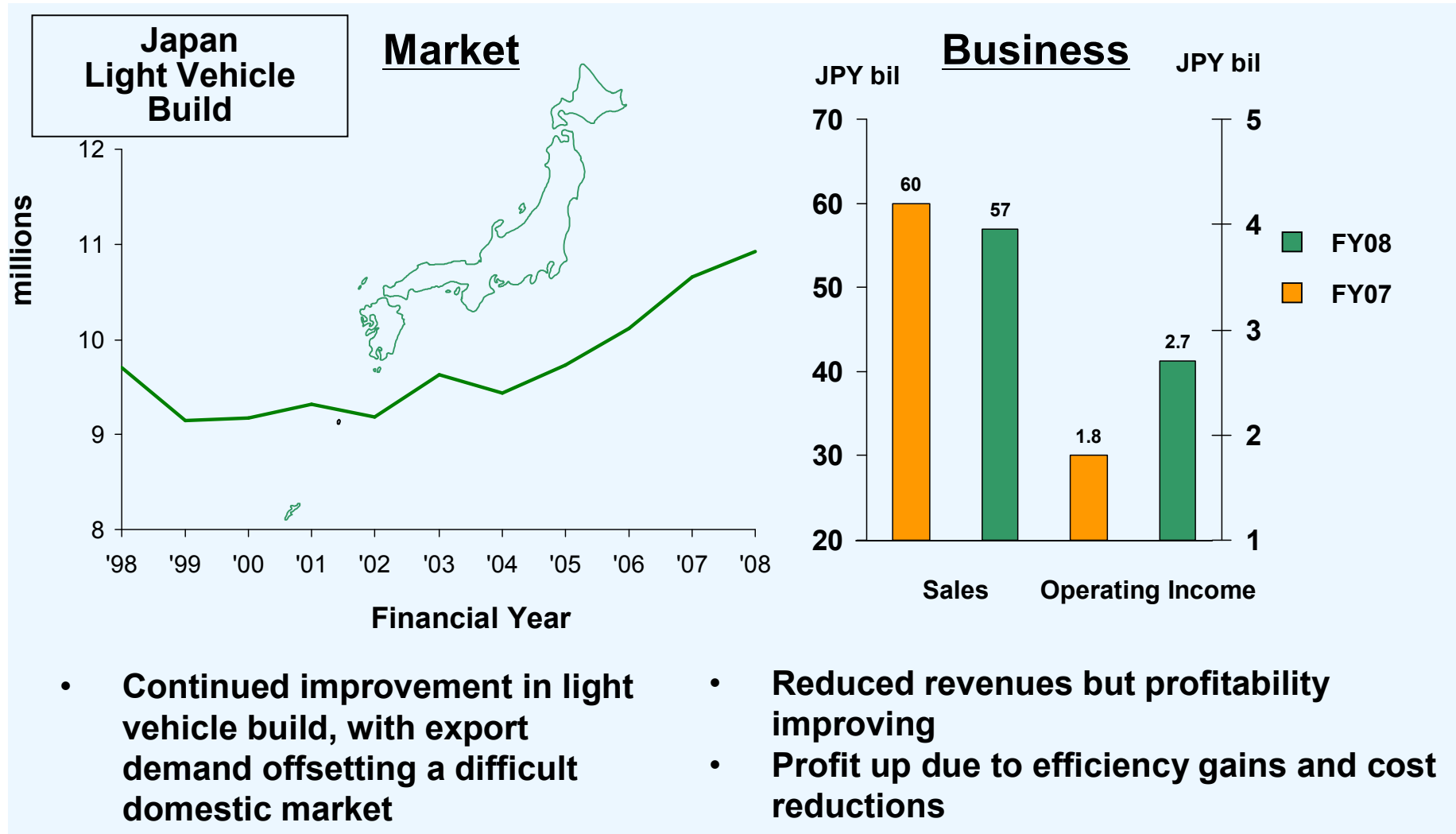
## Business



- OE performance flat
- AGR performance improving due to improved cost competitiveness

**OE performance flat with AGR improving**

# Automotive Japan



**Reduced revenues but good profit growth**

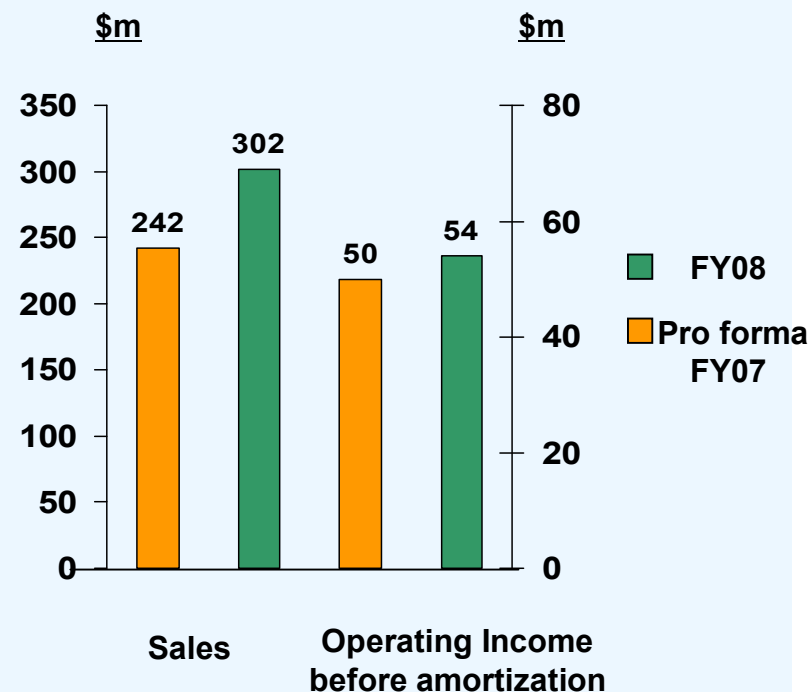
# Automotive Rest of the World

## Market



- Strong growth, particularly in South America and China

## Business

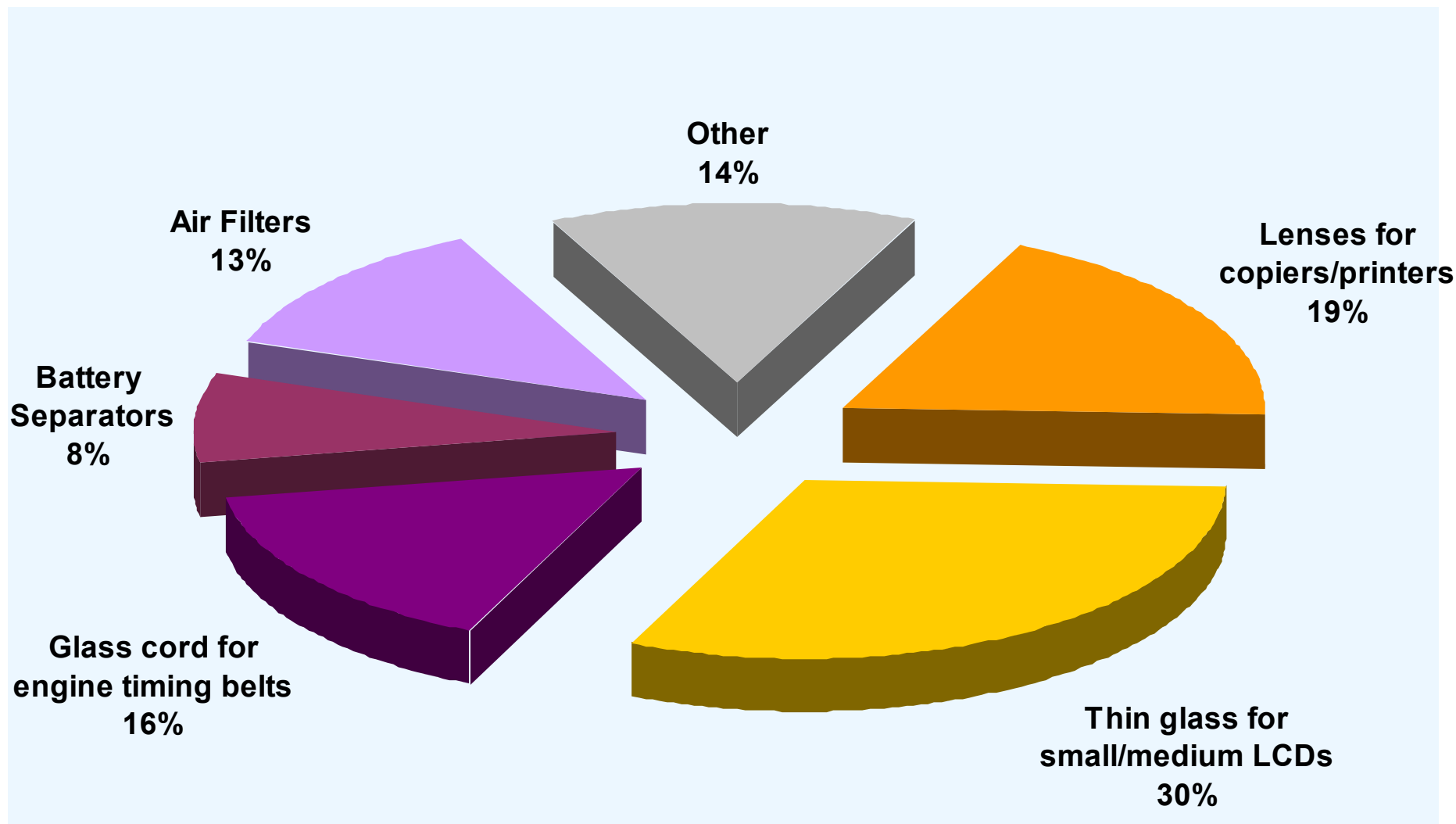


- Profit improvements based on strong demand and continuing efficiency improvements

**Continuing strong performance**

# Specialty Glass

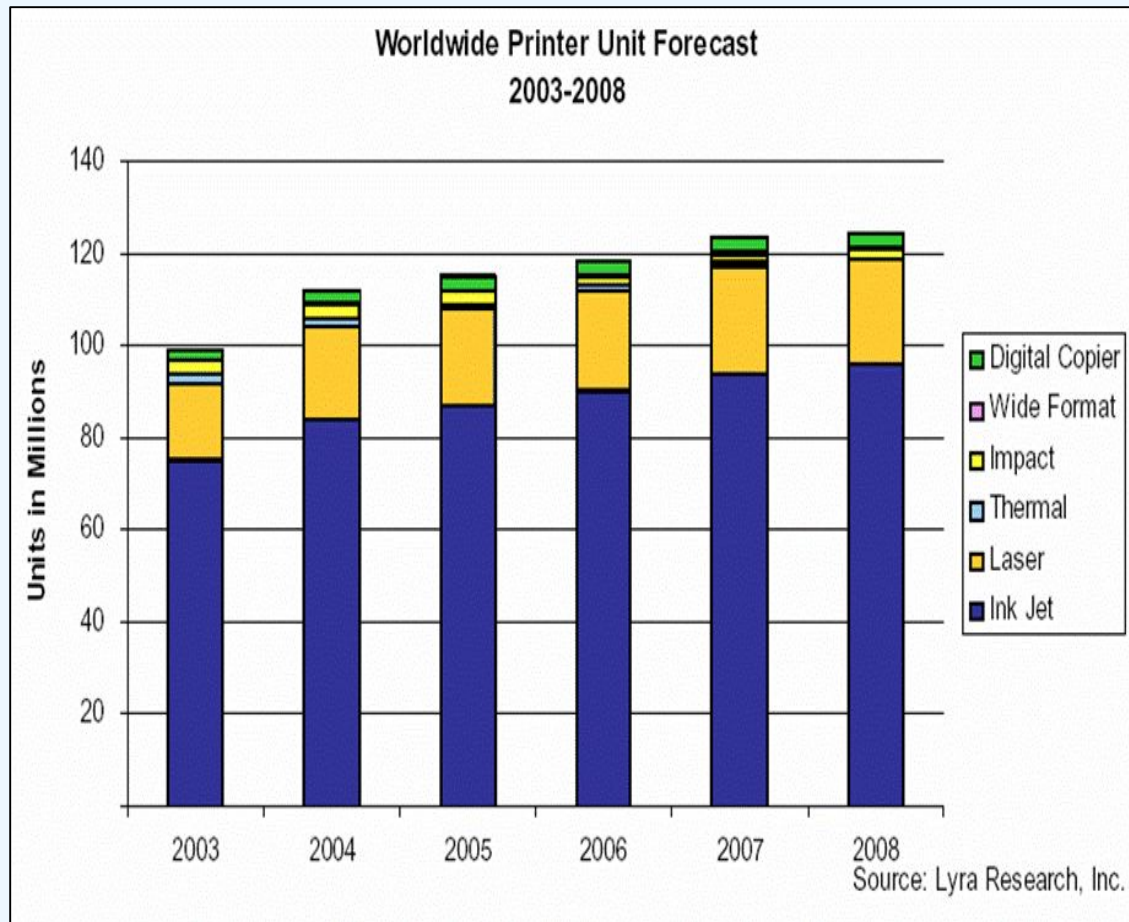
# Specialty Glass



# Specialty Glass

## IT Business - Lenses

### Market Drivers - Lenses



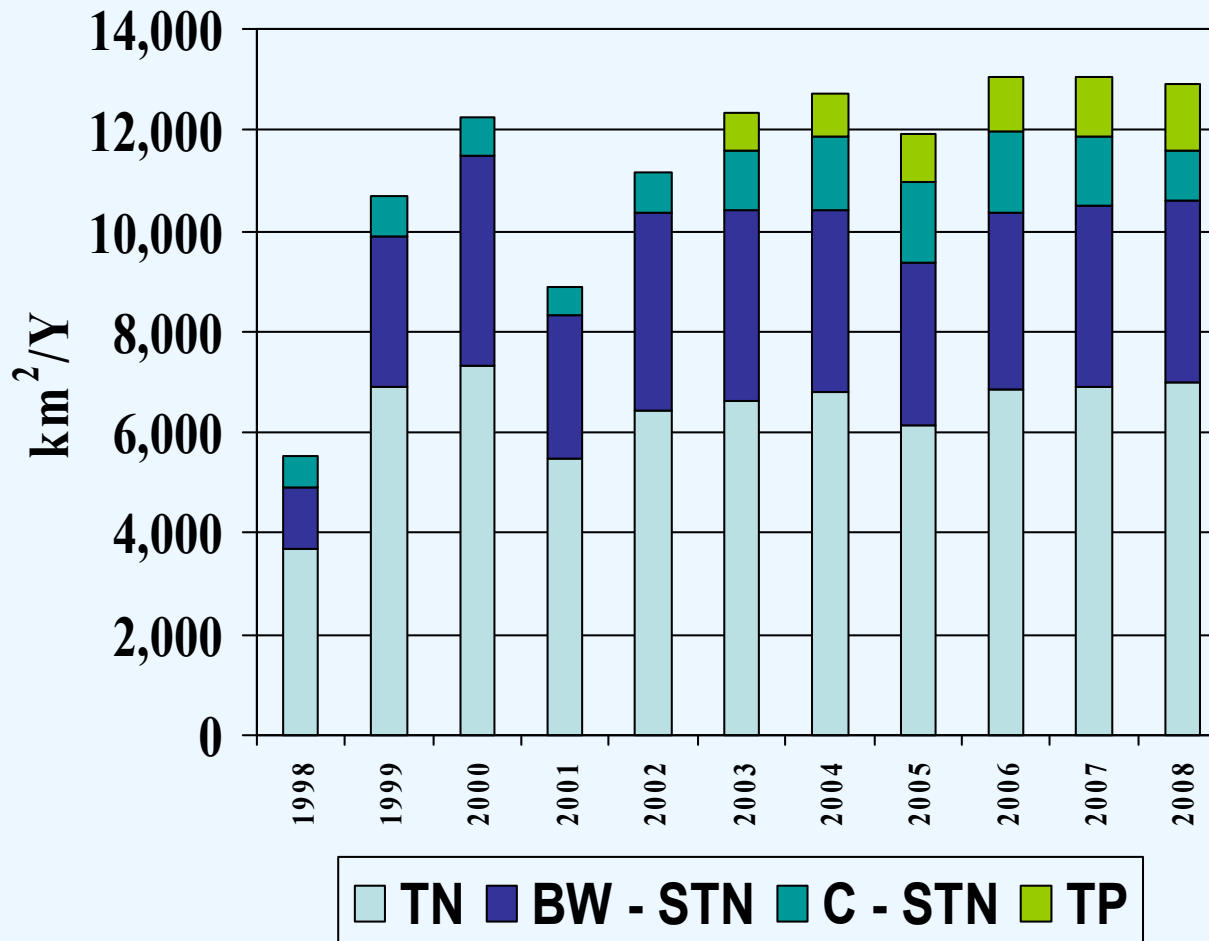
- **Market for multifunction printers, main application for SELFOC® Lens Array (SLA), shows steady growth in the medium term.**

**Demand for SELFOC® Lens Array expanding**

# Specialty Glass

## IT Business - Display

### Market Drivers - Display



- Touch Panel growing at the expense of C-STN.
- Sales and profits from glass substrate steady.

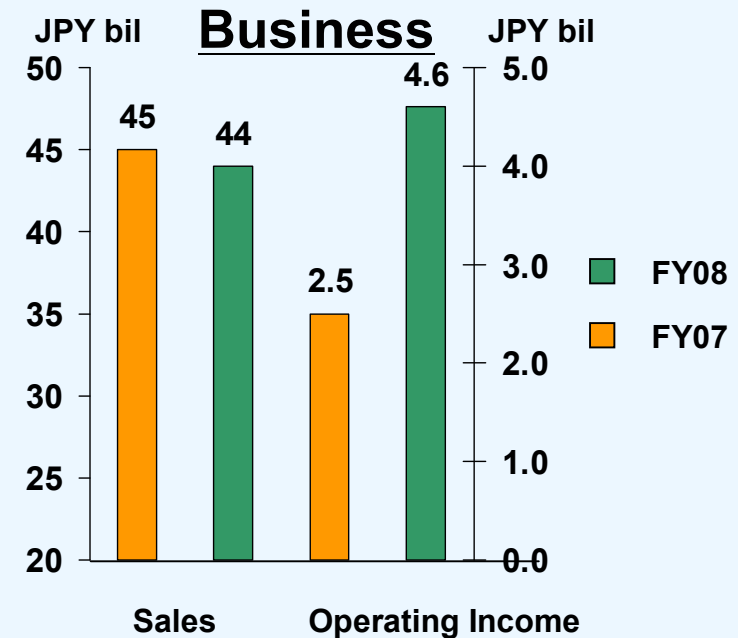
**Steady growth in Touch Panel applications**



# Specialty Glass - IT Business

## Market

- Glass substrate market for small and medium-sized LCD and touch panels remains steady
- Demand for multi-functional printers shows steady growth



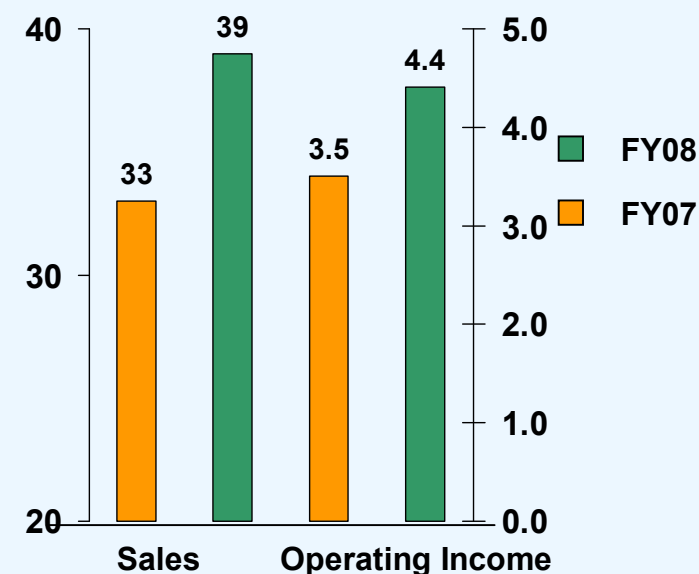
- Market shares in lenses and thin float steady
- Profit improvement through cost reduction and increase of high value added product sales in the display business

# Specialty Glass – Glass Fiber

## Market

- Sales of glass cord, used for timing belts in diesel vehicles, is growing in Europe
- Demand for lead batteries is flat
- Demand for air filters in Japan is still challenging

## JPY bil Business JPY bil



- Higher year-on-year sales reflect continuing robust demand for glass cord in Europe
- Operating income up due to strong demand and increased sales of high value-added products in the glass cord business

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- **Synergies and EERP**
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# Synergies

- Attainment of ‘synergies’ in the conventional sense was not the prime purpose of the acquisition of Pilkington (as there was very little overlap between the two companies – a very good fit).
- Main focus has been on integration, and most parts of the business no longer think in terms of synergies.
- Nevertheless, targets have been set to achieve cost savings, good progress made in a number of key areas.

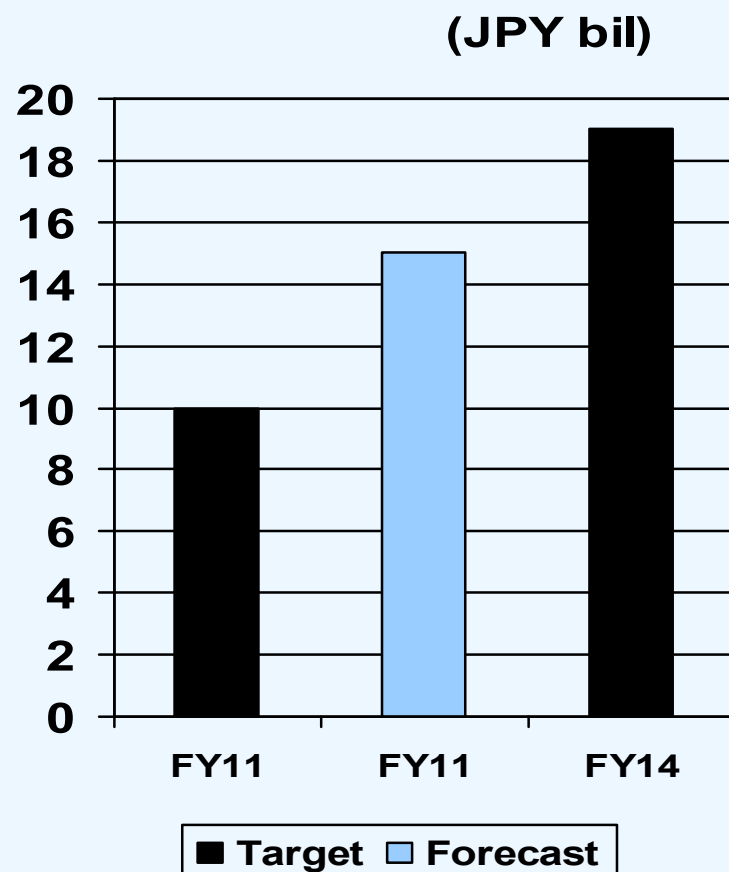
**Operational focus on integration rather than synergies**

# Areas for Synergies

- Procurement
- Benchmarking / Best Practice
- Process Innovation
- Optimum Production Sharing
- Organizational Overlap
- Product Innovation
- New Products
- R&D Focus

**Key areas for potential savings identified**

# Projected Synergies



- Good progress made so far. On target to exceed FY11 target

**Good progress towards targets**

## EERP in Japan

- Medium-Term Plan requires improvements in operational performance and competitiveness across the Group
- EERP will help reduce cost base and simplify the organization in order to be more efficient in Japan
- The resulting approximate annual cost reduction is estimated at JPY 2 billion in FY2009, JPY 3 billion in FY2010.

**Improving competitiveness in Japan operations**

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# 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 (2007-2011)

## Objective

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

## Priorities

- 1. Create one integrated global business designed for maximum effectiveness and exploit synergies**
- 2. Reduce net debt down to target levels**
- 3. Prepare for Phase 2**

**Clear priorities for the next three years**

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# Phase 1 Priorities:

Create Integrated Global Business

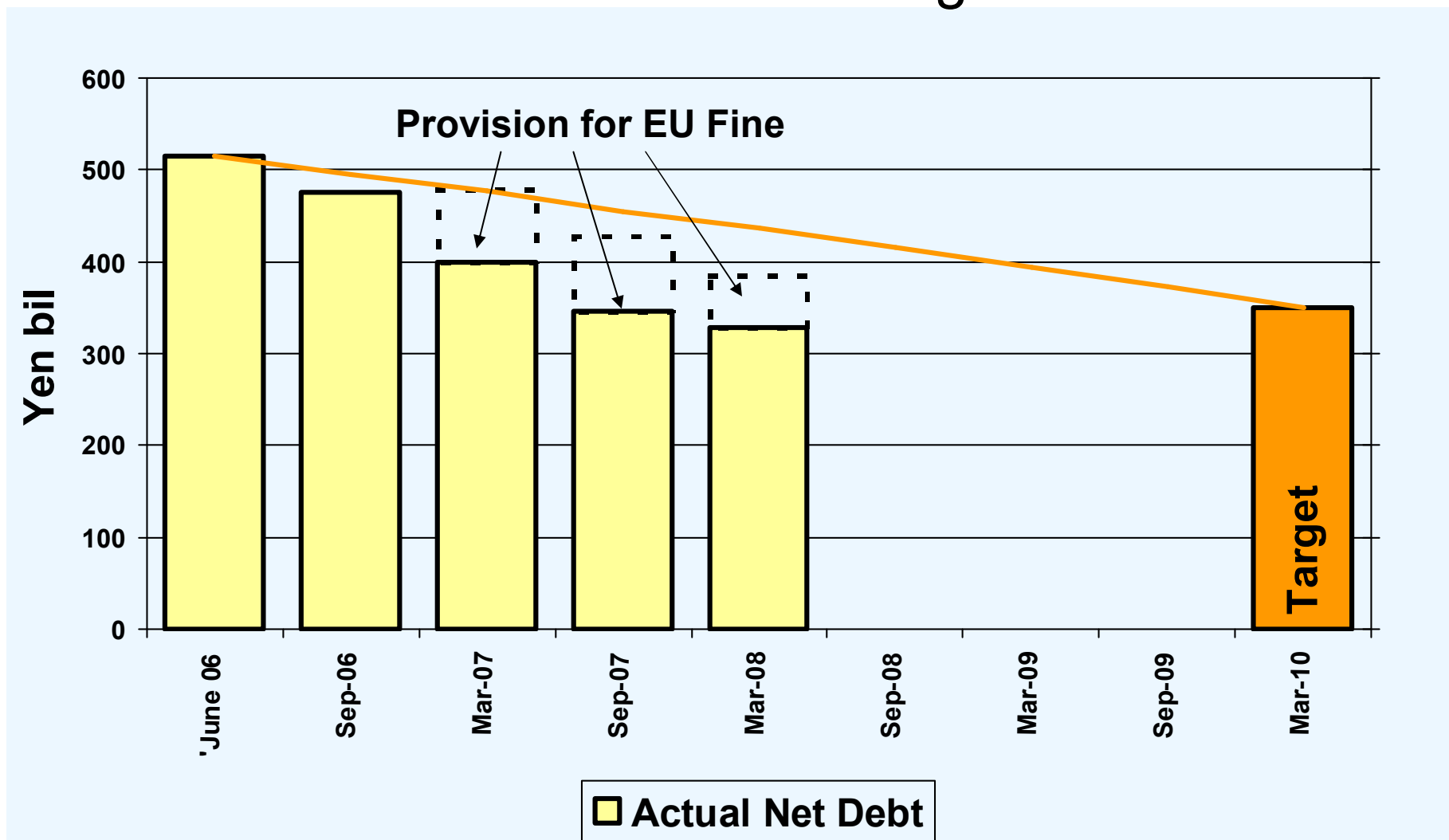
Evolving organizational development

- New NSG Group Chairman and President/CEO appointments announced (subject to AGM)
- New Board appointments reflect international spread of the Group
- Move to 'Company with Committees' in line with best Corporate Governance practice, improving transparency and protecting shareholder interests.

**Senior management and Board changes**

# Phase 1 Priorities

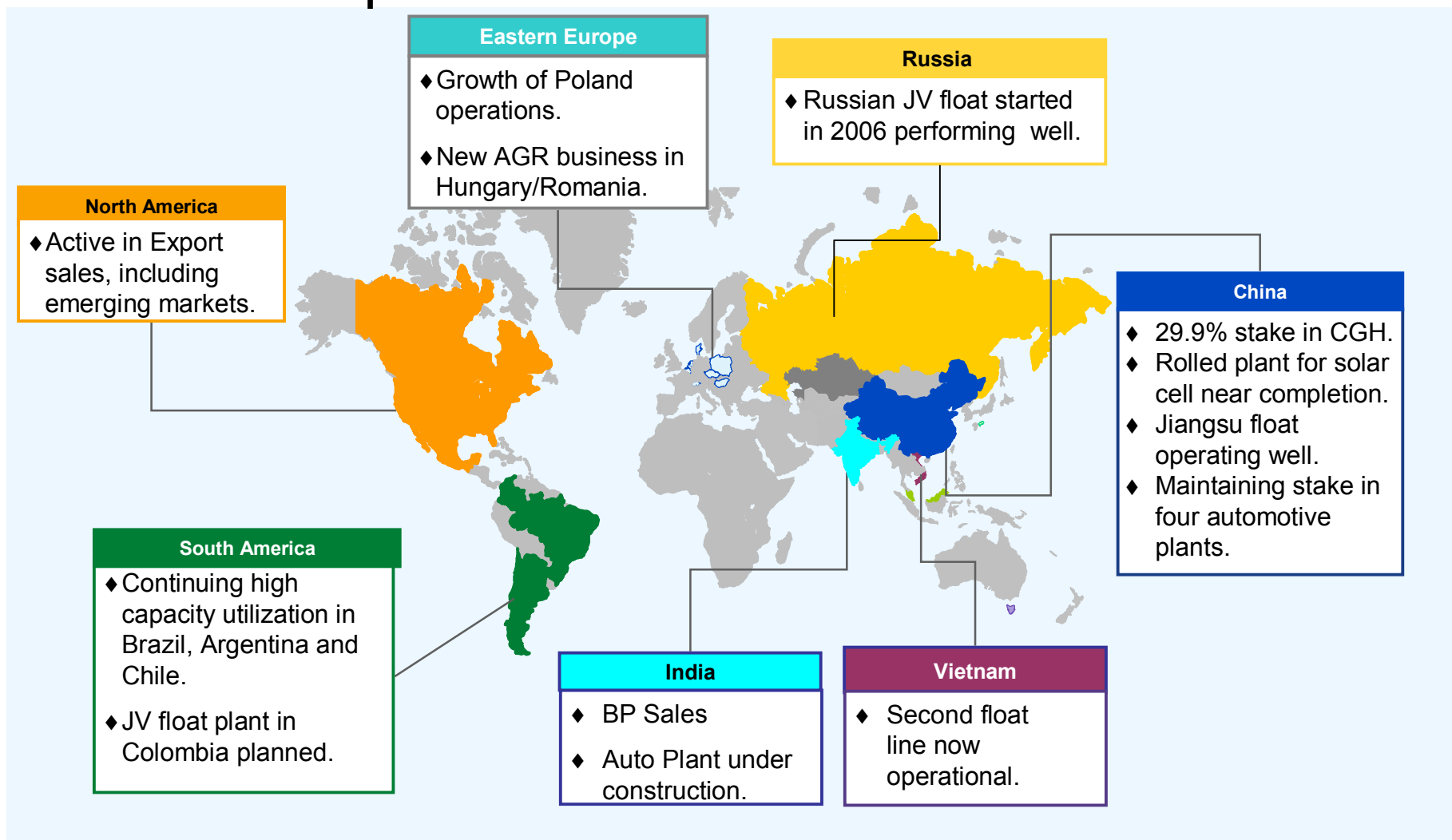
## Net Debt Position and Target



**Continuing good progress on debt reduction**

# Phase 1 Priorities

## Preparation for Phase 2



**Selective investments to prepare for growth**

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# Phase 1 Priorities

## Preparation for Phase 2

- Several sectors already identified as having strong potential as we prepare for Phase 2
- Two of these, namely glass for solar cells and coated glass in China, will underpin delivery of our FY11 targets.

**Potential growth areas under study**

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# Outlook

- Europe - coming off peak, but still relatively strong trading conditions
- North America – market challenging in both BP and Automotive
- Japan – building market sluggish, Automotive build for export holding up
- Rest of the World – expect continuing strong performance, especially in South America
- Relentless cost push affecting energy and raw material prices is key challenge for FY09.



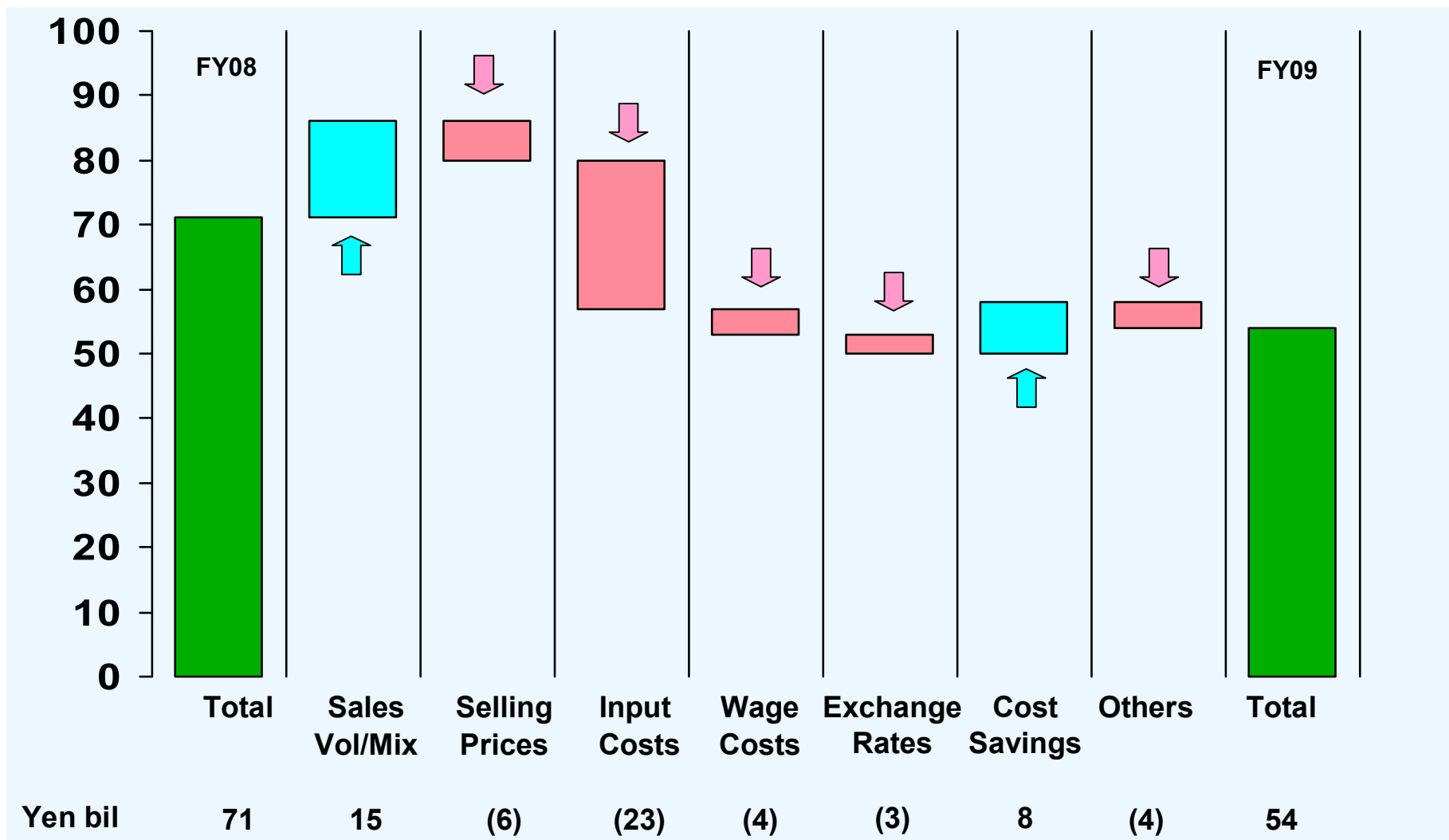
# Income Statement Outlook

<u>(JPY bil)</u>	<u>FY09</u>	<u>FY08</u>	<u>Change on FY08</u>
<b>Sales</b>	<b>880.0</b>	<b>865.6</b>	2%
<b>Op.Income before amortization*</b>	54.0	70.5	-23%
Amortization	(23.0)	(24.0)	
<b>Operating Income</b>	<b>31.0</b>	<b>46.5</b>	-33%
Non-operating items	(13.0)	(16.1)	
<b>Ordinary income</b>	<b>18.0</b>	<b>30.4</b>	-41%
<b>Net Income</b>	<b>20.0</b>	<b>50.4</b>	-60%

\*Before amortization arising from the acquisition of Pilkington plc

**Cost push impacts FY09 profitability**

# Operating Income Change Analysis



Mitigation of oil-related cost push being undertaken, with some success

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## FY10 and FY11

- Glass for Photovoltaics will provide profit growth from this year
- Further efficiency improvements and cost reduction will be needed
- Still on track to achieve medium-term plan targets in FY11

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# Summary

- Good results in FY08, with Europe improving strongly.
- Good progress on strategic objectives, with debt reduced further
- Continuing strong global cost push depressing margins in FY09
- Dramatic cost push cannot be compensated short term
- Strong underlying business performance and continuing global Flat Glass industry growth provide confidence for FY10 and FY11.

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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

# Sales by Business – FY08

(JPY bil)	Japan	Europe	North America	Rest of World	Total
	Flat Glass				
BP	104.1	226.6	32.1	39.6	402.5
Auto	56.5	191.9	82.0	34.4	364.8
	Specialty Glass				
IT	21.2	0.0	1.2	21.9	44.3
Glass Fiber	28.4	10.9	0.0	0.0	39.3
Group Operations and Technology	3.9	10.8	0.0	0.0	14.7
<b>Total</b>	<b>214.1</b>	<b>440.2</b>	<b>115.3</b>	<b>95.9</b>	<b>865.6</b>

# Operating Income before Amortization

(JPY bil)	Japan	Europe	North America	Rest of World	Total	Ratio on Sales
	<b>Flat Glass</b>					
BP	0.2	33.7	2.7	6.2	42.8	10.6%
Auto	2.7	27.6	0.2	6.1	36.6	10.0%
	<b>Specialty Glass</b>					
IT	3.3	0.0	(0.1)	1.4	4.6	10.4%
Glass Fiber	3.6	0.8	0.0	0.0	4.4	11.2%
Group Operations and Technology	(7.7)	(10.2)	0.0	0.0	(17.9)	
Total	2.1	51.9	2.8	13.7	70.5	8.1%
Ratio on Sales	1.0%	11.8%	2.4%	14.3%	8.1%	



# Operating Income after Amortization

(JPY bil)	Japan	Europe	North America	Rest of World	Total	Ratio on Sales
	<b>Flat Glass</b>					
BP	0.2	25.1	1.2	4.9	31.4	7.8%
Auto	2.7	19.6	(2.2)	3.9	24.0	6.6%
	<b>Specialty Glass</b>					
IT	3.3	0.0	(0.1)	1.4	4.6	10.4%
Glass Fibre	3.6	0.8	0.0	0.0	4.4	11.2%
Group Operations and Technology Management	(7.7)	(10.2)	0.0	0.0	(17.9)	
Total	2.1	35.3	(1.1)	10.2	46.5	5.4%
Ratio on Sales	1.0%	8.0%	-1.0%	10.6%	5.4%	

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