Note: This document is a translation for the convenience of non-Japanese speakers. In the event of any discrepancy between this translation and the original Japanese document, the latter shall prevail.

Notice of Convening The 153rd Ordinary General Meeting of Shareholders

NSG GROUP

Date and Time:

10:00 A.M., Thursday, 27 June 2019

(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.)

Please kindly be informed that we will no longer offer commemorative gifts for shareholders attending the meeting in person, from this year. Thank you for your understanding.

Matters to be Resolved:

Proposal: Election of Nine Directors

Deadline to exercise the voting rights in writing or via the Internet:

5:45 P.M. (Japan time)

Wednesday, 26 June 2019

Nippon Sheet Glass Company, Limited

Securities Code: 5202

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Securities Code: 5202

5 June 2019

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 153rd Ordinary General Meeting of Shareholders

Dear Shareholders,

Thank you for your continuing support and patronage of NSG Group.
As described below, this is to notify you of the forthcoming 153rd Ordinary General Meeting of Shareholders of the Company and you are hereby cordially invited to attend the meeting.

Even if you are unable to attend the meeting in person on the day, you remain capable of exercising your voting rights either in writing or by electronic or magnetic means (via the Internet), so even in the case of your absence from the meeting, we would much appreciate it if you could take your time to review and consider the "Reference Materials to Proposals at the General Meeting of Shareholders" below, and then exercise your voting rights according to the explanations and instructions described in page 2 by no later than 5:45 P.M. (Japan time) of 26 June (Wed.) 2019.

Note:

1. Date and Time	10:00 A.M., Thursday, 27 June 2019
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 153rd fiscal period from 1 April 2018 to 31 March 2019 2. Reports of the Financial Statements for the 153rd fiscal period from 1 April 2018 to 31 March 2019 Matters to be Resolved Proposal: Election of Nine Directors

End

Other Matters related to this Convening

◎ 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 from 5 to 57 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/ in accordance with the relevant laws and ordinances, and Article 14 of the Articles of Incorporation.
Accordingly, those Consolidated Financial Statements and Financial Statements attached to this Convening Notice respectively constitute such part of Consolidated Financial Statements and Financial Statements as were audited by the Accounting Auditor and the Audit Committee in the course of their conduct of audit in order to prepare for and produce their respective audit reports.

◎ 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 are intended to operate as substitute in place of the issue and posting of a resolution notice.

Exercising Voting Rights

➢ When attending the meeting on the day

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

➢ 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 26 June (Wed.) 2019.

➢ 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 (page 3) and then exercise the rights by no later than 5:45 p.m. (Japan time) of 26 June (Wed.) 2019.

Electronic Voting Platform for Institutional Shareholders

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

Information concerning Exercising Voting Rights via the Internet

Exercising your voting rights via the Internet can be carried out only through the website above specified by the Company.

- Exercise of voting rights by "Smart Voting" (available only in Japanese)

  Please scan the "Smartphone use voting right exercise website login QR cord" on the lower right of the enclosed voting rights exercising card with a smartphone or tablet. The URL that then appears will bring you to the voting right exercise website screen by clicking on it. There are two methods for exercise of voting rights: i.e., (1) separately indicating your position on each proposal; or (2) simply indicating your "approval" for all proposals recommended by the Company in a comprehensively way. Please follow the screen instructions to exercise your voting rights.

- Exercise of voting rights by the voting rights code and password (available only in Japanese)

  Please access the website for exercising voting rights, https://www.web54.net, with a personal computer or other Internet-capable device of yours and enter your approval or disapproval for each proposal by using the voting rights code and password described in your enclosed voting rights exercising card and afterwards follow the screen instructions shown in the screen.

Voting Rights

- 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.
- Though voting rights may be exercised via the Internet till 5:45 p.m. (Japan time) of 26 June (Wed.) 2019, it would be greatly appreciated if you could kindly exercise the rights earlier.

Password and voting rights code

- The password is very important information to enable us to identify those who would exercise the voting rights as our shareholders themselves truly, so please treat it very carefully.
- If you mistakenly enter a wrong password on a certain specified number of occasions, this password will become invalid. If you wish the reissue of another password please follow the instruction shown on the screen.
- The voting rights code written on voting rights exercising card shall be valid only for this General Meeting of Shareholders.

Inquiries regarding Exercising Voting Rights

- Contact the following 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)
- Contact the following for any other query regarding your shareholding and its related matters
  1) If you have a shareholder account in a securities company
  Please contact the securities company administrating your shareholder account
  2) If you do NOT have a shareholder account in a 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)

Reference Materials to Proposals at General Meeting of Shareholders

Proposal and the References thereto

Proposal: Election of Nine Directors

The term of office of all the eight Directors shall expire as of the end of this Ordinary General Meeting of Shareholders. Hence the shareholders are hereby asked to approve of election of nine Directors based on and pursuant to the decision of Nomination Committee of the Company. Those director candidates are as follows. For further information on each director candidate please refer to the pages from 6 to 14 of this Convening Notice:

No.	Name	Note	Current Responsibilities at NSG Group				Record of attendance at Board meeting
			Board	NC	AC	CC	
1	Günter Zorn To be re-elected	External Independent	Chairman	Member	Member	Member	100% (11/11)
2	Shigeki Mori To be re-elected	Representative Executive Officer, President and CEO		Member		Member	100% (11/11)
3	Clemens Miller To be re-elected	Representative Executive Officer, Executive Vice President and COO					100% (11/11)
4	Kenichi Morooka To be re-elected	Representative Executive Officer, Executive Vice President and CFO					100% (11/11)
5	Toshikuni Yamazaki To be re-elected	External Independent		Member	Chairman	Member	100% (11/11)
6	Yasuyuki Kimoto To be re-elected	External Independent		Member	Member	Chairman	100% (11/11)
7	Masatoshi Matsuzaki To be re-elected	External Independent		Chairman	Member	Member	100% (11/11)
8	Yuji Takei To be re-elected	External					100% (11/11)
9	Jörg Raupach Sumiya To be newly-elected	External Independent					—

Notes:

1. Messrs. Günter Zorn, Toshikuni Yamazaki, Yasuyuki Kimoto, Masatoshi Matsuzaki, Yuji Takei and Jörg Raupach Sumiya are all candidates for the External Directors stipulated in Article 2.15 of the Companies Act. In addition, all of them except Mr. Yuji Takei have been notified to Tokyo Stock Exchange (hereinafter called "TSE") as Independent Directors. The Company has on its own created and applied 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 five candidates for External Directors also meet. For the detail of the criteria, please see pages from 15 to 16.
2. The Company has entered into an agreement on limitation of liabilities with all the candidates of the External Directors whose tenure is expiring (Messrs. Günter Zorn, Toshikuni Yamazaki, Yasuyuki Kimoto, Masatoshi Matsuzaki and Yuji Takei) respectively to the effect that the level of the liability of each of the External Directors in having performed their duties in good faith and without gross negligence on their part should be capped by the amount allowed by law. The Company further intends to enter into an agreement on similar limitation of liability with Dr. Jörg Raupach Sumiya once elected, to the effect that the level of his liability in having performed his duties in good faith and without gross negligence on his part should be capped by the amount allowed by law.

To be re-elected | Candidate for External Director | Candidate for Independent Director

1 Mr. Günter Zorn

Positions/responsibilities at NSG Group	Director, Chairman of the Board, a member of Nomination Committee, Audit Committee and Compensation Committee
Date of birth	23 March 1953 (66 years old)
Length of incumbency as External Director	5 years (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 common shares owned	5,891
Material Positions concurrently held with third parties	Representative Director and President, Z-ANSHIN K.K.
Special interest existing between the candidate and the Company	n/a

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. (Incumbent)
Jun. 2014	Director, NSG Group (Incumbent)

Reasons for recommendation as an External Director

Mr. Günter Zorn has been elected as an External Director of the Company in since 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 should continue to contribute to the supervisory function of the Board including in overseeing performance of Executive Officers from an independent and objective standpoint as well as based upon his abundant international experiences and broad knowledge and perspectives with regard to business management.

To be re-elected

2 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 (60 years old)
■ **Record of attendance at Board of Directors meetings**	100% (11/11)
■ **Number of the Company's common shares owned**	14,235
■ **Material Positions concurrently held with third parties**	n/a
■ **Special interest the candidate the Company**	n/a

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 (Incumbent)
Jun. 2015	Director (Incumbent)

Reasons for recommendation as a Director----------

After having worked for the functions of human resources and corporate planning in the Group, Mr. Shigeki Mori served for a number of important positions of the Group including the president of a material subsidiary 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 business. Based upon such ample experiences and delivery of results gained in both of administrative role and plural business lines 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 should continue to contribute to the decision-making function of the Board.

To be re-elected

3 Dr. Clemens Miller

Positions/responsibilities at NSG Group	Director, Representative Executive Officer, Executive Vice President and COO
Date of birth	21 February 1959 (60 years old)
Record of attendance at Board of Directors meetings	100% (11/11)
Number of the Company's common shares owned	5,900
Material Positions concurrently held with third parties	n/a
Special interest existing between the candidate and the Company	n/a

Brief career history

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

Reasons for recommendation as a Director

After having engaged in work of production, business planning and marketing in the Group's Architectural Glass business, Dr. 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 should continue to contribute to the decision-making function of the Board by making best use of his abundant experiences, knowledge and perspectives with regard to the Group's business, operation and management.

To be re-elected

4 Mr. Kenichi Morooka

■ **Positions/responsibilities at NSG Group**	Director, Representative Executive Officer, Executive Vice President and CFO
■ **Date of birth**	12 December 1956 (62 years old)
■ **Record of attendance at Board of Directors meetings**	100% (11/11)
■ **Number of the Company's common shares owned**	13,032
■ **Material Positions concurrently held with third parties**	n/a
■ **Special interest existing between the candidate and the Company**	n/a

Brief career history----------

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

Reasons for recommendation as a Director----------

Mr. Kenichi Morooka joined the Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation) and held a number of important posts there. He joined NSG Group in December 2006 and engaged himself in business planning, accounting, finance and business administration in both Japan and the UK. He became appointed as 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 should continue to contribute to the decision-making function of the Board by making best use of his abundant experiences and knowledge and perspectives with regard to the Group's accounting, finance, human resources, business and management.

To be re-elected Candidate for External Director
Candidate for Independent Director

5 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 (73 years old)
■ **Length of incumbency as External Director**	4 years (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 common shares owned**	5,688
■ **Material Positions concurrently held with third parties**	Representative Director and President, Ryugasaki Country Club
■ **Special interest existing between the candidate and the Company**	n/a

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 (Incumbent)
Jun. 2015	Director, NSG Group (Incumbent)

Reasons for recommendation as an External Director----------

Mr. Toshikuni Yamazaki has been elected as an External Director of the Company since 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 a 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 should continue to contribute to the supervisory function of the Board including in overseeing performance of Executive Officers from an independent and objective standpoint as well as based upon his abundant experiences and broad knowledge and perspectives with regard to business management and finance and accounting.

To be re-elected | Candidate for External Director | Candidate for Independent Director

6 Mr. Yasuyuki Kimoto

■ **Positions/responsibilities at NSG Group**	Director, a member of Nomination Committee and Audit Committee, and Chairman of Compensation Committee
■ **Date of birth**	26 February 1949 (70 years old)
■ **Length of incumbency as External Director**	3 years (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 common shares owned**	3,692
■ **Material Positions concurrently held with third parties**	n/a
■ **Special interest existing between the candidate and the Company**	n/a

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 (Retired in February 2019)
	Chairman of the Board of Director, Olympus Corporation (Retired in June 2015)
Jun. 2015	Corporate Auditor, DMG Mori Co., Ltd. (Retired in March 2019)
Jun. 2016	Director, NSG Group (Incumbent)

Reasons for recommendation as an External Director

Mr. Yasuyuki Kimoto has been elected as an External Director of the Company since June 2016. In addition to his experience of having led an independent-majority board of a major international manufacturing company in his role as chair of the board, in relation to a certain UK subsidiary of a major Japanese financial institution he also had the career and experiences of having led its board in his capacity as then president and chair, comprising a plural number of non-Japanese independent directors as its members. It is expected that he should continue to contribute to the supervisory function of the Board including in overseeing performance of Executive Officers from an independent and objective standpoint as well as based upon his abundant international experiences and broad knowledge and perspectives with regard to business management.

To be re-elected | Candidate for External Director | Candidate for Independent Director

7 Mr. Masatoshi Matsuzaki

■ **Positions/responsibilities at NSG Group**	Director, Chairman of Nomination Committee, and a member of Audit Committee and Compensation Committee
■ **Date of birth**	21 July 1950 (68 years old)
■ **Length of incumbency as External Director**	3 years (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 common shares owned**	3,559
■ **Material Positions concurrently held with third parties**	Director and Chairman of the Board, Konica Minolta, Inc., External Director, Ichigo Inc., and External Director, Nomura Research Institute, Ltd.
■ **Special interest existing between the candidate and the Company**	n/a

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. (Incumbent) President, Japan Business Machine and Information System Industries Association (Retired in May 2016)
May 2016	External Director, Ichigo Inc. (Incumbent)
Jun. 2016	External Director, Nomura Research Institute, Ltd. (Incumbent) Director, NSG Group (Incumbent)

Reasons for recommendation as an External Director

Mr. Masatoshi Matsuzaki has been elected as an External Director of the Company since June 2016. He has the career and experiences of serving as both representative executive officer and subsequently chairman of the Board of a major international manufacturing company, which adopts a governance system of "Company with Three Committees" like us. It is expected that he should continue to contribute to the supervisory function of the Board including in overseeing performance of Executive Officers from an independent and objective standpoint as well as based upon his abundant experiences and broad knowledge and perspectives with regard to even both sides of executive and supervisory functions of such company having the Committee system.

8 Mr. Yuji Takei

To be re-elected | Candidate for External Director

Positions/responsibilities at NSG Group	Director
Date of birth	30 June 1964 (54 years old)
Length of incumbency as External Director	2 year and 3 months (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 common shares owned	0
Material Positions concurrently held with third parties	Director, Chief Operating Officer and Head of Investment, Japan Industrial Solutions Co., Ltd.
Special interest existing between the candidate and the Company	Director of the Company acting as general partner of one of the Investment LPS to which Class A Shares are issued

Brief career history----------

Apr. 1988	Joined the Long-Term Credit Bank of Japan, ltd. (Currently Shinsei Bank, Limited)
Sep. 1998	Joined McKinsey & Company, Inc.
Oct. 2002	Joined Advantage Partners, Inc.
Sep. 2006	Senior Partner, Advantage Partners, Inc.
Apr. 2012	Partner, M&A and Private Equity Practice Leader, A.T. Kearney K.K.
Nov. 2016	Member of the Board, COO, Japan Industrial Solutions, Co., Ltd.
Apr. 2017	Member of the Board, COO and Head of Investment, Japan Industrial Solutions, Co., Ltd. (Incumbent) Director, NSG Group (Incumbent)

Reasons for recommendation as an External Director----------

Mr. Yuji Takei has been elected as an External Director of the Company since April 2017. Initially having joined the Long-Term Credit Bank of Japan, ltd. (currently Shinsei Bank, Limited) then moved to an international consulting firm and afterwards served as a partner in an investment fund among others, through the course of such career and experiences of engaging in corporate management as an external director in some other companies. It is expected that he should continue to contribute to the supervisory function of the Board including in overseeing performance of Executive Officers based upon his abundant experiences and broad knowledge and perspectives with regard to business management.

To be newly-elected Candidate for External Director
Candidate for Independent Director

9 Dr. Jörg Raupach Sumiya

Positions/responsibilities at NSG Group	—
Date of birth	17 January 1961 (58 years old)
Length of incumbency as External Director	n/a (as a new candidate for External Director.)
Record of attendance at Board of Directors meetings	—
Number of the Company's common shares owned	0
Material Positions concurrently held with third parties	Professor, College of Business Administration Ritsumeikan University
Special interest existing between the candidate and the Company	n/a

Brief career history

Jun. 1990	Senior Consultant, Roland Berger Strategy Consultants
Oct. 1995	Senior Executive Managing Director, Trumpf Corporation
Jul. 1999	Research Fellow, German Institute for Japanese Studies
Jun. 2001	General Manager, Administration, NEC Schott Components Corporation (Currently Schott Japan Corporation)
Dec. 2002	President, Representative Director, NEC Schott Components Corporation (Currently Schott Japan Corporation)
Jun. 2011	Manager, Innovation, Schott Electronic Packaging GmbH
Sep. 2011	Professor, FOM University (Germany)
Apr. 2012	Professor, College of Business Administration Ritsumeikan University (Incumbent)

Reasons for recommendation as an External Director

Dr. Jörg Raupach Sumiya has international experience in the field of both business and academia, and is currently a professor at the college of business administration, Ritsumeikan University, one of the Japan's famous private university. It is expected that he will contribute to the supervisory function of the Board including in overseeing performance of Executive Officers from an independent and objective standpoint as well as based upon his abundant experiences and broad knowledge and perspectives with regard to an academic expert and business management.

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-subsidiary 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.

End

153rd Business Report of
Nippon Sheet Glass Company, Limited

From 1 April 2018
To 31 March 2019

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

(1) Overview and Results of Business Activities

During the year to 31 March 2019 (FY2019), the Group experienced sluggish conditions in European and North American automotive markets, particularly so later in the year, but this was more than offset by stable or improving conditions in other areas. European architectural markets continued to be strong with high levels of demand leading to a robust pricing environment. Automotive markets became progressively difficult during the year however, with relatively weak domestic demand and subdued conditions in certain key export markets. In Asia, architectural markets were flat, although demand for solar energy glass was above the previous year. Automotive markets in Asia were at similar levels to the previous year. In the Americas, architectural demand was strong in North America, although automotive demand gradually weakened during the year. In South America, vehicle sales continued to recover in Brazil, although sales in Argentina remain at a low level. The Group's technical glass markets were positive with improving volumes being experienced in several areas. Group revenues improved from the previous year due to an increase in volumes, and, also prices in certain areas. Profitability also improved as the higher volumes were only partly offset by an increase in input costs.

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

Consolidated Revenue	
¥612,789m	(up 2.3%)
Consolidated Profit before Taxation	
¥22,730m	(up 2.6%)
Consolidated Profit Attributable to Owners of the Parent	
¥13,287m	(up 115.6%)

Consolidated Operating Profit	
¥36,855m	(up 3.4%)
Consolidated Profit for the Period	
¥14,378m	(up 81.8%)

Notes:
1. Operating profit in the above table is defined as being operating profit stated before exceptional items.
2. The Group has adopted IFRS 15 'Revenue from Contracts with Customers' effective from FY2019. Due to the change in accounting policy, in accordance with IAS 8, the Group has restated its comparative information in the consolidated financial statements for the previous year and use such information in this report.

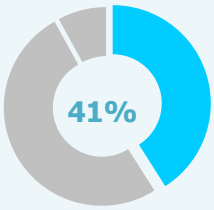
The performance by segment is as follows.

Architectural Glass Business

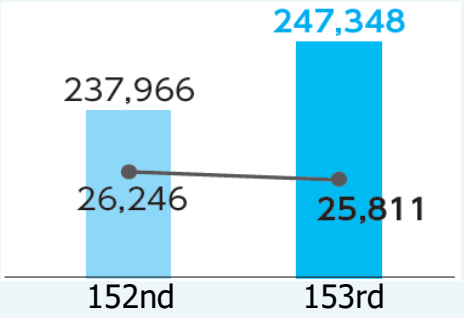
Revenue ¥ 247,348 million **Operating profit** ¥ 25,811million

Main Focus of the Business :-
Architectural, representing 41 percent of the Group's annual revenue, 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 revenue



Revenue
Operating profit (Millions of yen)



The Architectural business recorded revenues of ¥ 247,348 million (FY2018 restated ¥ 237,966 million) and an operating profit of ¥ 25,811 million (FY2018 restated ¥ 26,246 million).

Architectural revenues improved from the previous year with higher volumes across most regions, and increased dispatches of glass for solar energy. Despite the strong underlying trading conditions, profits fell, being affected by the Group's furnace cold repair schedule and an increase in energy-related input costs.

In Europe, representing 39 percent of the Group's architectural sales, markets continued to be positive with strong demand leading to high levels of capacity utilization and a robust pricing environment. Profits increased slightly, despite a cold repair in Germany earlier in the year and input cost increases.

In Asia, representing 37 percent of the Group's architectural sales, revenues improved whilst profits were similar to the previous year. Demand in South East Asia was generally strong although new competitor capacity helped generate an increasingly competitive marketplace. The Group benefitted from an increase in sales of glass for solar energy however. Results improved in Japan due to improved volumes and prices, despite an increase in input costs.

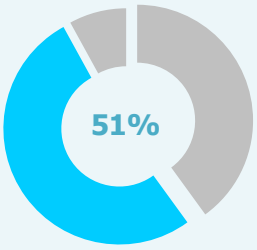
In the Americas, representing 24 percent of the Group's architectural sales, revenues improved, whilst profits fell slightly, largely due to the adoption of hyperinflationary accounting in Argentina. Underlying market conditions in Argentina continue to be in line with the Group's expectations. In North America, the Group benefitted from the full operation of the Ottawa plant and a buoyant domestic market, although the second half of the year was affected by lower yields for certain VA products and weaker prices due to higher imports and increased competitor capacity.

Automotive Glass Business

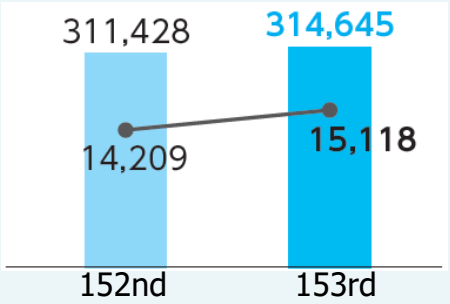
Revenue ¥ 314,645 million **Operating profit ¥ 15,118 million**

Main Focus of the Business :-
Automotive, representing 51 percent of the Group's annual revenue, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

Ratio of sales to Group revenue



Revenue
Operating profit (Millions of yen)



The Automotive business recorded sales of ¥ 314,645 million (FY2018 restated ¥ 311,428 million) and an operating profit of ¥ 15,118 million (FY2018 restated ¥ 14,209 million).

In the Automotive business, revenues were slightly above the previous year, and profits also increased with strong European results experienced during the earlier part of the year.

Europe represents 45 percent of the Group's automotive sales. Results improved in the Group's original equipment (OE) business, although demand softened markedly from the third quarter of the year, affected by both a decline in domestic light-vehicle sales and weakening exports of luxury vehicles. Results also improved in the Automotive Glass Replacement (AGR) business with an increase in volumes and an improving mix of VA products from the previous year.

In Asia, representing 22 percent of the Group's automotive sales, revenues and profits both increased from the previous year. In Japan, light vehicle sales were similar to the previous year. The Group's OE revenues improved despite interruptions to the automotive supply chain caused by natural disasters. Results in the AGR business improved as a consequence of increased volumes.

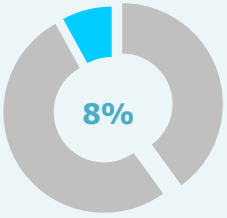
In the Americas, representing 33 percent of the Group's automotive sales, revenues and profitability were both slightly higher than the previous year. In North America, the Group's OE volumes reflected a progressive weakening during the year of light-vehicle sales in the region. Profitability improved in South America, with a further recovery of volumes from the previous year in Brazil. In Argentina, the Group's automotive results were impacted by the adoption of hyperinflationary accounting as noted above.

Technical Glass Business

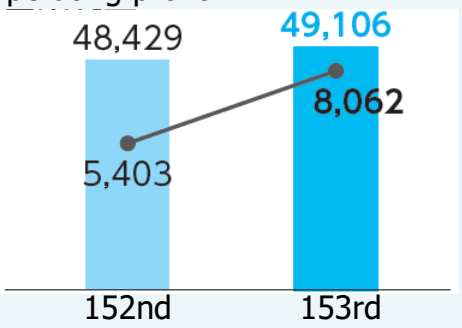
Revenue ¥ 49,106 million **Operating profit** ¥ 8,062 million

Main Focus of the Business :-
Technical Glass, representing 8 percent of the Group's annual revenue, 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 revenue



Revenue
Operating profit (Millions of yen)



The Technical Glass business recorded revenues of ¥ 49,106 million (FY2018 restated ¥ 48,429 million) and an operating profit of ¥ 8,062 million (FY2018 restated ¥ 5,403 million).

In the fine glass business (previously the display business), improving revenues and previous-year cost reduction efforts provided a strong foundation for a further improvement in results. In the information devices business, demand for glass components used in printers and scanners, declined slightly. Demand for glass cord used in engine timing belts also softened, particularly in Europe and China towards the end of the year in line with conditions in automotive markets. Metashine® product sales increased with demand being strong in both the car paint and cosmetic fields. In other areas, ISS battery separator demand in Japan continued to be at a good level.

Other Operations and Eliminations

The Other Operations and Eliminations recorded revenues of ¥ 1,690 million (FY2018 restated ¥ 1,074 million) and operating costs of ¥ 12,136 million (FY2018 restated cost of ¥ 10,226 million).

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 increased from the previous year due partly to the inclusion of the Group's newly established Business Innovation Center, an organization specifically tasked with accelerating new business development.

(2) Capital Expenditure

The capital expenditure of the Group totaled ¥32,150million during the fiscal year under review, broken down by segment as follows:

(Millions of yen)

Business	Expenditure
Architectural	¥ 15,150
Automotive	¥ 14,110
Technical Glass	¥ 1,919
Other	¥ 971

(3) Financial Situation

Total assets at the end of March 2019 were ¥ 761,869 million, representing a decrease of ¥ 26,723 million from ¥ 788,592 million at the end of March 2018 (restated). Total equity was ¥ 132,506 million, representing a decrease of ¥ 11,209 million from the restated March 2018 figure of ¥ 143,715 million. Total equity decreased, as the profit recorded for the period and an increase in asset values in Argentina following the adoption of hyperinflationary accounting, were more than offset by other movements, include exchange differences arising on the strengthening of the yen compared to the Group's other operating currencies.

Net financial indebtedness increased by ¥ 11,231 million from 31 March 2018 to ¥ 317,701 million at the period end. Gross debt was ¥ 371,508 million at the period end. As of 31 March 2019, the Group had un-drawn, committed facilities of ¥ 74,591 million. Cash inflows from operating activities were ¥ 29,030 million. Cash outflows from investing activities were ¥ 28,143 million, including capital expenditure on property, plant, and equipment of ¥ 28,125 million. As a result, free cash flow was an inflow of ¥ 887 million.

(4) Issues to be Addressed

Adopting "Our Vision" as new management principles

The NSG Group marked the 100th anniversary last year and taking that opportunity, we developed new management principles called "Our Vision". In "Our Vision", the Group's "Mission: Core Purpose" is defined as 'improving our world by changing our surroundings'. And as our "Aspiration: Desired Future Position", we aim to 'become the most trusted partner in all industries we work in through innovation." Furthermore, as "Core Values: How we work" to live up to our Mission and Aspiration, we set forth six action principles, namely, to respect others and unleash their potential; to exemplify trust and integrity; to ensure efforts to serve society; to take the initiative; to embrace challenges and learn from failure; and to follow through to get results." Under "Our Vision" as new management principles, we are determined to contribute to improve our society by providing glass plus enhanced value added products and services that meet a broad range of needs from customers and the society.



Medium Term Plan (MTP) Phase 2

The Group aims to transform into VA Glass Company (VA comes from "value added") as advanced in its long-term strategic vision and formulated its "Medium-term Plan Phase 2" (hereinafter called "MTP Phase 2") covering the three years from FY2018 to FY2020 as the plan to be delivered with group-wide strengths and resources. Its principal targets are to achieve financial sustainability and to start transforming into VA Glass Company. The financial targets for MTP are to achieve the return on sales (*) of 8 percent or more and net debt/EBITDA of three times. We consider the return on equity of over 10 percent and the equity ratio of around 20 percent as the milestones envisioned to be attained in the year when those plans are achieved.

*Note: On the basis of trading profit before exceptional items and amortization arising from the acquisition of Pilkington Plc.

The basic approaches of MTP Phase 2 are:

・To accelerate and evolve VA strategies to build a robust profit base for sustainable growth; and

・To review each work process to develop a leaner business structure.

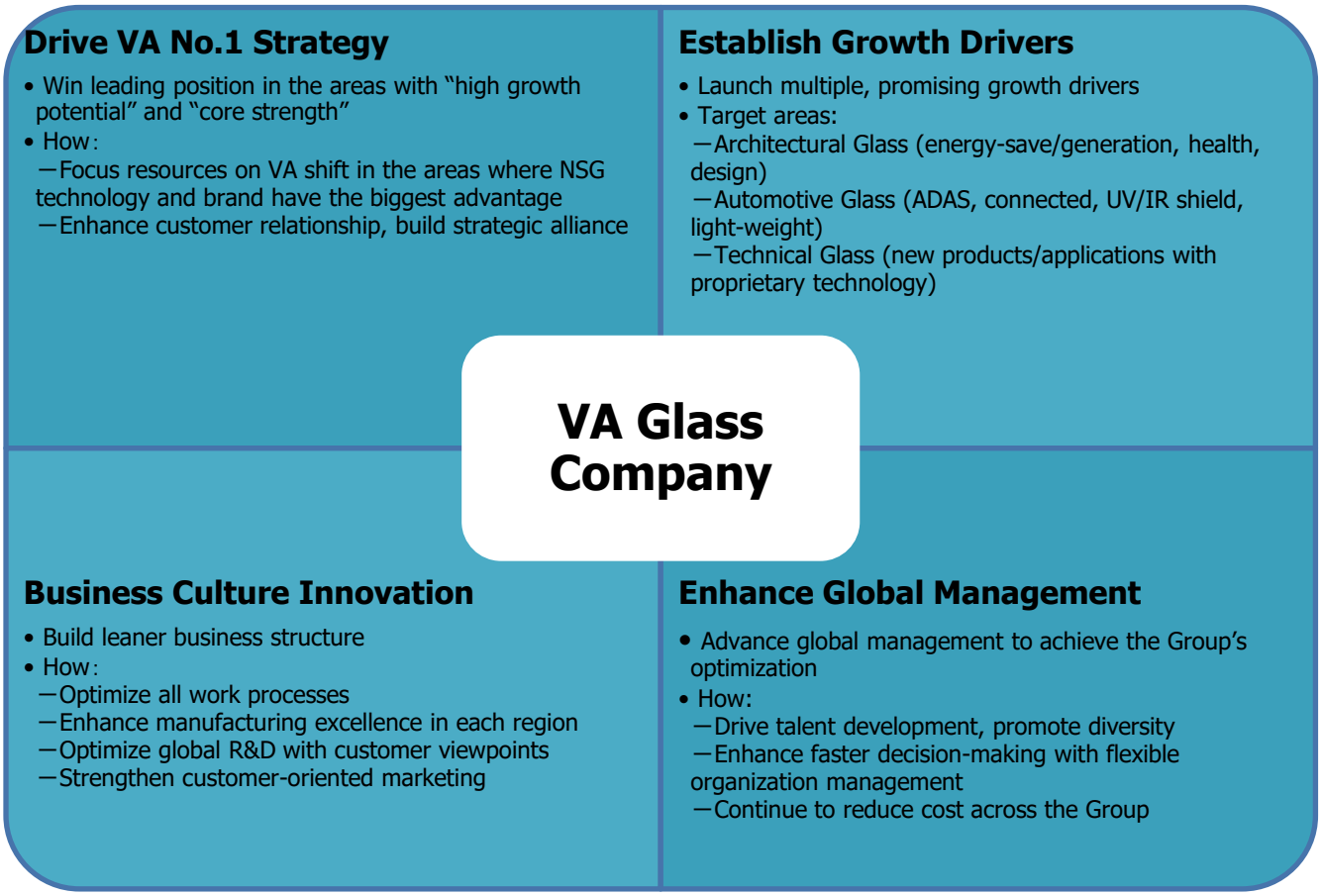
Specifically, the followings are the four key specific measures of MTP Phase 2:

1.Drive VA No.1 strategy – focus resources on the VA shift in the areas with high growth potential and NSG's core strength to aim for a leading market position

2.Establish growth drivers – accelerate generation of new profitable growth with focus and selection

3.Business culture innovation – continue to optimize each work process towards a leaner business structure

4.Enhance global management – advance global management to achieve the Group's optimization



Performance in FY2019 and Progress of MTP Phase 2

In the 1st half of FY2019, the Group recorded higher sales revenue and net profit year-on-year thanks to robust market environment in general and especially in Europe as well as the growth in VA product sales. However, with the start of the 2nd half of the year, the automotive market in Europe began to slow down, certain energy-related costs kept rising and the value of South American currencies deteriorated, which led to lower revenue and higher profit year-on-year. On a full-year basis in FY2019, the Group's sales revenue was 612.8 billion yen (2.3% higher than FY18) and trading profit was 36.9 billion yen (3.4% higher than FY18). Profit attributable to owners of the parent in FY2019 was 13.3 billion yen (115.6% higher than FY18). The trading profit was higher than the previous year for six consecutive years. The bottom line was positive and kept growing for three years successively.

Cash flow was 0.9 billion yen, lower than the previous year partly because of the capital investment we decided to make in FY2019 for the growth in future.

In FY2019, which is the 2nd year of MTP phase 2, we managed to accelerate our actions to achieve the targets by adding "Growth" to the basic policy of "Shift to VA" and putting up "Shift to VA + Growth" as an enhanced policy. VA sales ratio increased to 46% driving improvement in profit. Also, with "Growth" or the expansion of top line in perspective, we decided to boost our capacity to manufacture glass for solar panel in Vietnam and North America and to expand a float glass plant in Argentina, which is regarded as a promising market. In addition, Business Innovation Center (BIC) was established in July 2018 for the purposes of further accelerating the endeavours to develop new businesses and enhance customer values. BIC is expected to take an initiative in such ambitious areas as in life science and Industry 4.0.

In light of the improved financial condition enabling us to generate profit and cash flow in a stable manner, the Group distributed dividends on ordinary shares in FY2019 for the first time since FY2012. It is the Group's basic profit distribution policy to declare the dividends in a stable manner on the basis of our sustainable business performance. Ordinary dividend distribution for the current term was resolved in the Board of Directors meeting on 10 May 2019. The Group also partially redeemed class-A shares for the amount of 5 billion yen in FY2019. We intend to continue making partial redemption of class-A shares while taking into account the balance between earned profit as well as generated cash flow and the financing needs for new investment projects to the extent of not eroding our net equity. A resolution on redemption of another 5 billion yen is already passed in the Board of Directors meeting on 10 May 2019. In future, after all Class A Shares have been redeemed and cancelled, while we maintain this basic policy in all respects, we will continue to use the sincere efforts to declare dividends with introduction of consolidated dividend payout ratio of 30 percent as a guide.

Progress has been achieved by executing the four key measures for growth set forth in MTP Phase 2. By driving VA No.1 strategy, we succeeded in establishing an advantageous position in the online coating area of architectural glass business and adding up order volume for VA automotive glass. In order to establish growth drivers, we are accelerating commercialization of new businesses by registering promising development themes as "Star Projects". In the arena of business culture innovation, productivity has been improved in the manufacturing lines for automotive glass through "enhancement of MONOZUUKURI or Manufacturing Excellence" and the attitude of "Customer First" has been disseminated extensively not only within the sales departments but across the Group through "reinforcement of marketing activities". As a means to advance global management, a shared service center was set up in four locations around the world in an attempt to consolidate back office operation of the Group. The Group also made Inclusion & Diversity Declaration to promote inclusion and diversity among employees. As a financial measure, we issued class-A shares to bolster our net equity while achieving the target of financial cost reduction one year earlier, which contributed to push up profit in FY2019.

The progress of MTP Phase 2 in comparison with the targets in FY2020 is summarized below:

Return on Sales (ROS) Target:8% or more FY2019 actual: 6.3%

Net debt /EBITDA ratio Target: x 3 FY2019 actual: x 4.9

*Note：As actual results in FY2019, Return on Equity (ROE) was 10.3% and Net equity ratio was 16.2%.

Outlook for FY2020 and Challenges to be addressed

The Group anticipates the global architectural and automotive glass markets to be mixed and vary from region to region but increase its degree of severity generally in FY2020. Against such a backdrop, the Group's sales are expected to increase slightly with increased sales of VA products.

In Europe, the market for architectural glass is expected to remain stable. While certain raw materials, energy and other input costs are forecasted to continue to rise, we aim for further expansion of VA products including high transparency glass. The European automotive market is expected to slow down and sales expansion would not be the case for FY2020 but we expect to push up the ratio of VA product sales such as highly tolerant automotive glass for head-up displays and improve our operational efficiency. Brexit remains to be carefully watched but we anticipate its impact to be relatively limited because glass products are basically consumed in the same region as it is produced.

In Asia and especially in Japan, solid demand is anticipated for commercial buildings in the architectural glass market due to urban redevelopment and reconstruction of old buildings while the demand for residential application is forecasted to level off due to an increase of consumption tax. The Group intends to improve performance by increasing the sales of SpaciaTM and other VA products, further cost saving and restructuring initiatives. Although the automotive glass market is anticipated to be in line with FY2019, the Group expects a rise in production cost. We forecast the architectural glass market in Southeast Asia will remain steady and the demand volume for solar battery panel will grow in that region.

We anticipate the architectural glass market in North America will remain robust and the Group plans to maintain a high VA product sales ratio while sales price is expected to fall due to severer competition and cost is expected to go up. The automotive glass market in the region will either remain unchanged or may see a marginal decline while we expect to reap the harvest of our continuous efforts in improving operational efficiency. Further recovery of automotive sales is anticipated in Brazil.

In technical glass business, the markets for each business division are forecasted to remain steady and trading performance is expected to improve further with an increased sales ratio of VA products such as glanovaTM new composition thin glass and battery separator to meet the growing demand for ISS (Idling Stop and Start) though total revenue will be scaled down as a result of disposal of Nippon Sheet Glass Environment Amenity Co., Ltd. in April 2019.

Across the Group as a whole, while efforts will be maintained to expand the sales of VA products and reduce costs, trading profit in FY2020 is expected to fall slightly below the previous year due to worldwide economic slowdown, an increase of certain raw materials, energy and other input costs and increment in production costs associated with promotion of VA products. Financial cost is being reduced as envisioned in the plan excluding the impact of IFRS 16 Leases accounting standard to be introduced in FY2020. Joint ventures and associated companies, including those in South America, are expected to have steady bottom line in FY2020 though no one-off gains are expected as we had in FY2019.

Reflecting the foregoing, the Group forecasts both operating profit and net profit for FY2020 to be slightly below year-on-year but we anticipate securing net profit exceeding 10 billion yen.

Cash flow is expected to fall in the negative territory temporarily because the funding needs for the strategic investment for future growth (in order to increase production of PV panel glass in North America and Asia and float glass for the emerging markets in South America) will peak in FY2020, but cash generating structure of the Group is steadily improving.

FY2020 is the last year of MTP Phase 2.

So far, the Group has achieved steady growth in profit with an increase of operating profit for six years successively and positive bottom line for three consecutive years by expanding VA product sales, pursuing operational efficiency improvement and cost reduction incessantly. However, in the wake of rising energy and other costs, postponed market launch of new products, delayed VA shift in some markets and frontloaded investment for future growth, financial targets for ROS and net debt/EBITDA set forth in MTP Phase 2 are unlikely to be met.

It remains unchanged that "Financial Sustainability" and "Transformation into VA Glass Company" put up as the basic goals of MTP Phase2 are the top priorities for the Group. We will continue to work hard to improve our business

profitability further under the "Shit to VA + Growth" policy in FY2020 while generating cash and reducing net debt through rigours control of working capital and capital expenditure as well as by disposing of non-core assets and businesses. In addition, we intend to continue redeeming class-A shares in FY2020 as mentioned above.

Furthermore, we consider that our challenges to be addressed by the Group are to transform our business structure into the one capable of generating stable profit while flexibly adapting to the changes in uncertainties in markets and economy, and to establish a robust profit base for sustainable growth. To this end, we will make every effort to execute our four key measures under MTP Phase 2: drive VA No.1 strategy; establish growth drivers; business culture innovation; and enhance global management, and to drive forward transformation of our business model from a commodity and mass volume oriented type to a high-value type, namely, transformation into VA Glass Company.
Also, the "growth strategy" will be pursued for sustainable growth. Specifically, in the architectural field, in view of the spread of "Zero Energy Building (ZEB)", where energy consumption is offset with energy generated by a building or a house, we aim to increase the sales of energy saving glass and glass substrate for photovoltaic (PV) panel leveraging our strength in this field. Another new business opportunity is on the horizon with the spread of "Smart Window" utilizing IoT and AI. In the automotive field, where CASE, which stands for Connected, Autonomous, Shared and Electric, is the buzzword of the day, we will expand advanced VA glass business catering to customer needs in each field. In the technical glass field, we will push back our business boundaries in such fields as life science, IoT/Cloud, Energy conversion and Industry 4.0.

ESG commitment

As a member of society, the Group will proactively work on initiatives aimed at realizing sustainable growth for society. Through the sales expansion of our VA products, we will contribute to energy saving and creation while striving to reduce CO2 emissions and industrial waste in our business operation earnestly. In July 2018, the NSG Group signed Science Based Target initiative. With this, we intend to expedite our initiative to reduce greenhouse effect gas further.
Education and cultivation of people and talent development group-wide continues to be the subject of our invariable agenda. With the belief that "the essence of our success in the business lies in the dynamism generated by diverse human resources", the Group recently declared to pursue and implement the Inclusion and Diversity initiative as a management commitment. We will also fulfil our corporate and societal obligations as a good corporate citizen, including by rolling out and embedding the Group Code of Ethics within the Group and through implementation of the program to secure compliance with the Supplier Code of Conduct by our suppliers as an example.
Further, by continuously and intermittently pursuing and maintaining effective Governance system with transparency and objectivity ensured under the oversight of the Board of Directors to warrant the validity of these commitments, we will be persistently making efforts to contribute to the realization of a sustainable society. Further as regards and on the basis of the revisions of the Corporate Governance Code in June 2018, we have been working on an exercise to establish a corporate governance structure with a view towards enhancing our enterprise value.
These activities have led us to win the highest "Gold" CSR rating from EcoVadis, CSR rating agency in France, in 2018. The Group was highly rated from the standpoints of "environment", "labour practices and human rights", "fair business customs" and "sustainable procurement" and ranked in the top 7% in the glass industry.
The Group will focus on the execution of MTP Phase 2, aiming for increasing the shareholders' value.

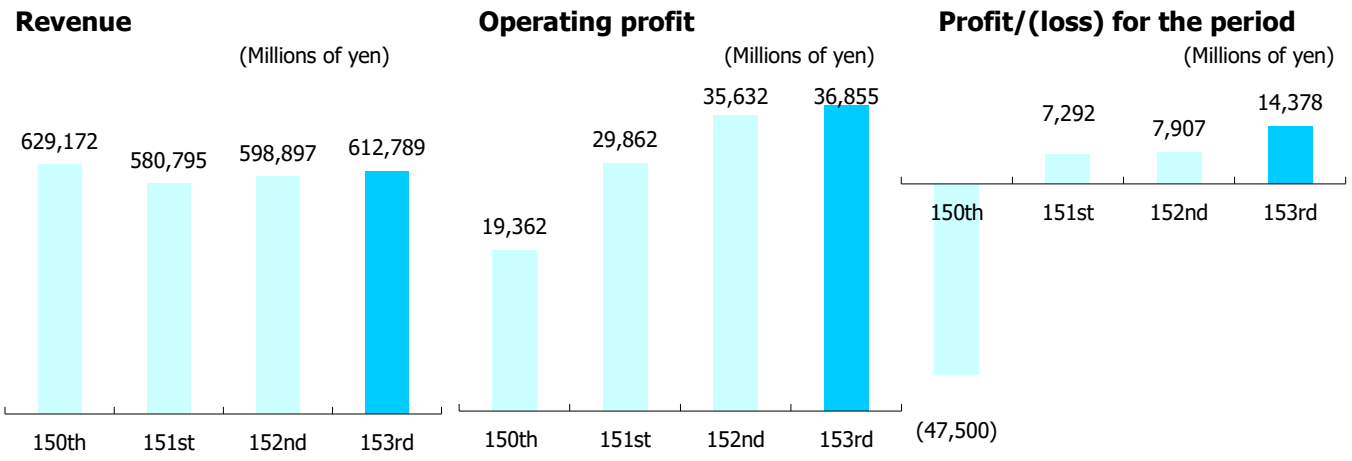
(5) Assets and Business Results (Consolidated)

(Millions of yen, except per-share figures)

	150th (FY2016)	151st (FY2017)	152nd (FY2018) Note 5	153rd (FY2019)
Revenue	629,172	580,795	598,897	612,789
Operating Profit	19,362	29,862	35,632	36,855
Profit/(loss) before taxation	(37,439)	14,751	22,146	22,730
Profit/(loss) for the period	(47,500)	7,292	7,907	14,378
Profit/(loss) Attributable to Owners of the Parent	(49,838)	5,605	6,164	13,287
Earnings/(loss) per Share Attributable to Owners of the Parent (yen)	(551.75) Note 4	62.04	48.27	115.16
Total Shareholders' Equity	103,109	124,146	135,192	123,760
Total Shareholders' Equity per Share (yen)	1,114.40 Note 4	941.76	1,042.72	978.50
Total Assets	812,120	790,192	788,592	761,869

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, after deducting dividends and acquisition premium payable related to Class A shares, by the weighted average number of common shares in issue during the year. The dividends related to Class A shares are calculated by the dividend rate defined in the terms and conditions of the shares. The weighted average number of common shares excludes common shares purchased by the Company and held as treasury shares.
3. Total shareholders' equity per share is calculated by dividing the total shareholders' equity, after deducting the amount to be paid in for the Class A Shares and dividends and acquisition premium payable related to Class A shares, by the number of common shares in issue as at the end of the financial year excluding common shares purchased by the company and held as treasury shares.
4. Effective as from 1 October 2016, the Company conducted a share consolidation in which every ten common shares were consolidated into one share. Basic earnings per share attributable to owners of the parent and Total shareholders' equity per share in FY2016 are calculated under the assumption that this share consolidation was conducted on 1 April 2016.
5. FY 2018 data is restated as a result of adopting IFRS15 'Revenue from Contracts with Customers'.



(6) Overview of Major Subsidiaries

Subsidiary undertakings	Capital stock		% Ownership	Business
Japan				
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	Architectural
Europe				
Pilkington United Kingdom Limited	GBP thousand	328,483	100 (100)	Architectural
Pilkington Automotive Limited	EUR thousand	432,961	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	5,225	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	JPY million	420,706	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

(6) Overview of Major Subsidiaries (continued)

Subsidiary undertakings	Capital stock		% Ownership	Business
Americas				
Pilkington North America Inc.	USD thousand	17,701	100 (100)	Architectural and Automotive
L-N Safety Glass SA de CV	Mex.Peso thousand	175,155	100 (100)	Automotive
Vidrieria Argentina S.A.	Arg.Peso thousand	178,000	51.0 (51.0)	Architectural
Vidrios Lirquén S.A.	Chi.Peso thousand	22,443,983	51.6 (51.6)	Architectural
Pilkington Automotive Argentina S.A.	Arg.Peso thousand	648,145	100 (100)	Automotive
Pilkington Brasil Limitada	Real thousand	333,008	100 (100)	Architectural and Automotive
Asia (excluding Japan)				
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	84,211	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 (52.2)	Architectural

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

(7) Main Offices and Plants

The Company	Head Offices	Tokyo head office (Tokyo); Osaka head office (Osaka)
	Branch Offices	Toyota branch office (Aichi); Hiroshima branch office (Hiroshima)
	Plants/Laboratory	Chiba plant (Chiba); Sagamihara plant (Kanagawa); Yokkaichi plant (Mie); Tsu plant (Mie); Tarui plant (Gifu); Kyoto plant (Kyoto); Maizuru plant (Kyoto); Research laboratory (Hyogo)
Major Subsidiaries	Japan	NSG Building Products Co. Limited (Chiba) Thanx Corporation Co. Limited (Tokyo) Nippon Sheet Glass WIN-TEC Co. Limited (Osaka)
	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)
	Americas	Pilkington North America Inc. (USA) L-N Safety Glass SA de CV (Mexico) Vidrieria Argentina S.A. (Argentina) Vidrios Lirquén S.A. (Chile) Pilkington Automotive Argentina S.A. (Argentina) Pilkington Brasil Limitada (Brazil)
	Asia (excluding Japan)	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 (Consolidated)
Architectural	8,871
Automotive	15,262
Technical Glass	1,260
Other	1,348
Total	26,741 (down by 216 year on year)

Note: The table above doesn't include the number of temporary employees.

(9) Main Lenders

Lenders	Amount (Millions of yen)
Sumitomo Mitsui Banking Corporation	83,300
Development Bank of Japan	36,710
Sumitomo Mitsui Trust Bank, Limited	32,102
Mizuho Bank, Ltd.	26,732
MUFG Bank, Ltd.	23,521
Aozora Bank. Ltd.	17,460
Shinsei Bank, Limited	15,000
International Finance Corporation (IFC)	11,077
The Mie Bank, Ltd.	10,000
The Norinchukin Bank	9,650

Note: The figures shown in the above table include the amount borrowed from those lenders as parties to syndicated loan agreements.

2. Matters Related to the Shares

(1) Authorized Number of Shares to be Issued and Authorized Number of Shares to be Issued by Class:

(a) Authorized Number of Shares to be Issued		177,500,000 shares
(b) Authorized Number of Shares to be Issued by Class	Common Shares	177,500,000 shares
	Class A Shares	40,000 shares

(2) Total Number of Shares Issued:

Common Shares		90,593,399 shares
	(Shares held as treasury:	18,418 shares)
Class A Shares		35,000 shares

(3) Number of Shareholders:

Common Shares	55,359
Class A Shares	3

(4) Top 10 Shareholders

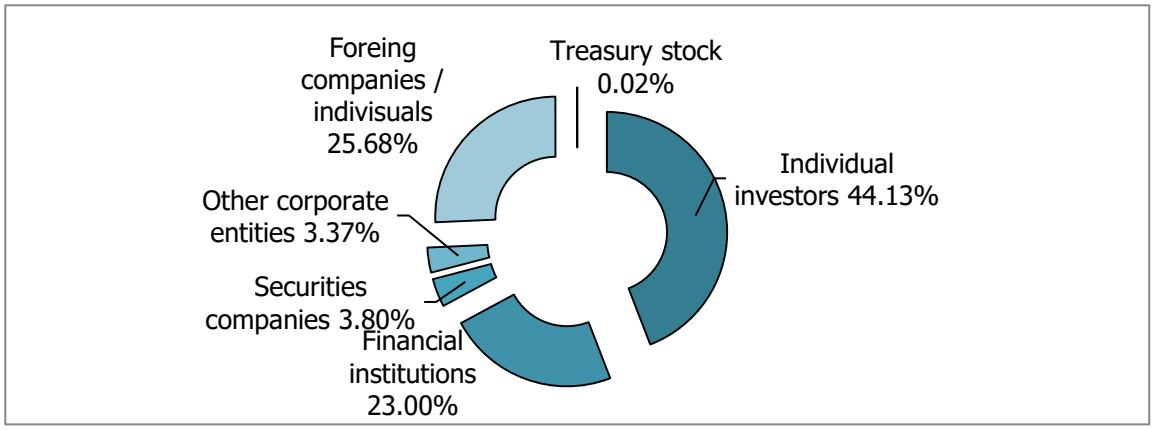
Shareholders	Number of Shares (common share)	Percentage of Shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,218,200	6.86
Japan Trustee Services Bank, Ltd. (Trust Account)	4,284,200	4.72
JUNIPER	2,233,000	2.46
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,881,100	2.07
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS – UNITED KINGDOM	1,834,400	2.02
THE BANK OF NEW YORK MELLON 140042	1,558,853	1.72
JP MORGAN CHASE BANK 385151	1,416,203	1.56
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1,263,800	1.39
Japan Trustee Services Bank, Ltd. (Trust Account 2)	1,170,200	1.29
Client stock ownership of Nippon Sheet Glass	1,059,678	1.16

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.

(5) Other Important Matters Related to the Shares

On 7 December 2019, the Company acquired, in exchange for cash, 5,000 shares (issue price JPY5 billion) out of 40,000 shares of the Class A Shares pursuant to the Article 10-6 of the Company's Articles of Incorporation and retired the same pursuant to provisions under Article 178 of the Companies Act. Consequently, on the same date, the remaining number of issued Class A Shares became 35,000. Moreover, the Board of the Directors of the Company resolved on 10 May 2019 to acquire, in exchange for cash on 6 June 2019, further 5,000 shares (issue price JPY5 billion) out of 35,000 shares of the Class A Shares pursuant to the Article 10-6 of the Company's Articles of Incorporation and, on the same date, retire the same pursuant to provisions under Article 178 of the Companies Act, on the condition that the Company acquires the relevant shares.

■Distribution of NSG Group Shareholders of common shares



■Shareholders of Class A Shares

Japan Industrial Solutions Fund II	17,500 shares
UDS Corporate Mezzanine No.3 Limited Partnership	7,875 shares
UDS Corporate Mezzanine No.4 Limited Partnership	9,625 shares

3. Policy on Return of Our Profits to Shareholders

The Group's dividend policy is to secure dividend payments based on sustainable business results. The Company's Board of Directors resolved to distribute ordinary dividend of JPY20 per common share at the record date of 31 March 2019, and also to distribute the amount of dividends for Class A Shares as may become necessary. Once and after all Class A Shares have been redeemed and cancelled, while the Group maintains this basic policy in all respects, the Group will continue to use the sincere efforts to declare dividends with introduction of consolidated dividend payout ratio of 30 percent as a guide.

4. Matters Related to the Stock Acquisition Rights, etc.

(1) Stock Acquisition Rights (Stock Options) Owned by Directors and Executive Officers as of the End of 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
Directors (excluding External Directors) and Executive Officers	Stock acquisition rights issued in Sep. 2008 (Stock- compensation type)	¥ 4,975.1 per share	¥ 1 per share	From 28 Sep 2008 to 27 Sep 2038	26	2,600 Common shares (100 Common shares per right)	2
	Stock acquisition rights issued in Sep. 2009 (Stock- compensation type)	¥ 2,551.2 per share	¥ 1 per share	From 1 Oct 2009 to 30 Sep 2039	52	5,200 Common shares (100 Common shares per right)	2
	Stock acquisition rights issued in Sep. 2010 (Stock- compensation type)	¥ 1,394.2 per share	¥ 1 per share	From 1 Oct 2010 to 30 Sep 2040	44	4,400 Common shares (100 Common shares per right)	2
	Stock acquisition rights issued in Oct. 2011 (Stock- compensation type)	¥ 1,262.8 per share	¥ 1 per share	From 15 Oct 2011 to 14 Oct 2041	72	7,200 Common shares (100 Common shares per right)	2
	Stock acquisition rights issued in Sep. 2012 (Stock- compensation type)	¥ 214.3 per share	¥ 1 per share	From 29 Sep 2012 to 28 Sep 2042	314	31,400 Common shares (100 Common shares per right)	4
	Stock acquisition rights issued in Oct. 2013 (Stock- compensation type)	¥ 882.8 per share	¥ 1 per share	From 16 Oct 2013 to 15 Oct 2043	424	42,400 Common shares (100 Common shares per right)	4
	Stock acquisition rights issued in Sep. 2014 (Stock- compensation type)	¥ 900.9 per share	¥ 1 per share	From 1 Oct 2014 to 30 Sep 2044	264	26,400 Common shares (100 Common shares per right)	4
	Stock acquisition rights issued in Sep. 2015 (Stock- compensation type)	¥ 749.6 per share	¥ 1 per share	From 1 Oct 2015 to 30 Sep 2045	391	39,100 Common shares (100 Common shares per right)	4
	Stock acquisition rights issued in Oct. 2016 (Stock- compensation type)	¥ 656.29 per share	¥ 1 per share	From 15 Oct 2016 to 14 Oct 2046	576	57,600 Common shares (100 Common shares per right)	4
	Stock acquisition rights issued in Sep. 2017 (Stock- compensation type)	¥ 775.06 per share	¥ 1 per share	From 30 Sep 2017 to 29 Sep 2047	664	66,400 Common shares (100 Common shares per right)	5
	Stock acquisition rights issued in Jul. 2018 (Stock- compensation type)	¥ 1,117.66 per share	¥ 1 per share	From 27 Jul 2018 to 26 Jul 2048	705	70,500 Common shares (100 Common shares per right)	6
Total	—	—	—	—	3,532	353,200 Common shares	6

(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 Jul. 2018 (Stock- compensation type)	¥ 1,117.66 per share	¥ 1 per share	From 27 Jul 2018 to 26 Jul 2048	212	21,200 Common shares (100 Common shares per right)	3

5. Matters Related to Directors and Executive Officers

(1) Name etc. of Directors and Executive Officers

A) Directors

Name	Non-executive position		Material concurrent positions s
Günter Zorn	Director, Chairman of the Board	A member of Compensation Committee, 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
Yasuyuki Kimoto	Director	Chairman of Compensation Committee, and a member of Nomination Committee and Audit Committee	—
Masatoshi Matsuzaki	Director	Chairman of Nomination Committee, and a member of Audit Committee and Compensation Committee	➢ Director and Chairman of the Board, Konica Minolta, Inc. ➢ External Director, Ichigo Inc. ➢ External Director, Nomura Research Institute, Ltd.
Yuji Takei	Director	—	➢ Director, Chief Operating Officer and Head of Investment, Japan Industrial Solutions Co., Ltd.
Shigeki Mori	Director	A member of Nomination Committee and Compensation Committee	—
Clemens Miller	Director	—	—
Kenichi Morooka	Director	—	—

Notes:

1. Messrs. Günter Zorn, Toshikuni Yamazaki, Yasuyuki Kimoto, Masatoshi Matsuzaki and Yuji Takei are External Directors as stipulated in Article 2.15 of the Companies Act. All of them except Mr. Yuji Takei have been notified to Tokyo Stock Exchange (hereinafter called "TSE") as Independent Directors. In addition to such criteria set by TSE, the Company has on its own created and applied 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 four External Directors also meet. For the details of such criteria, please see pages from 15 to 16.
2. Mr. Toshikuni Yamazaki, Chairman of Audit Committee, has specialized knowledge and expertise 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.
3. We have no full-time Audit Committee member appointed for the time being, given mainly that as a company with three committees, our Audit Committee has conducted and implemented its audit in an organizational manner including by liaising with the external Accounting Auditor, Group Internal Audit and other internal control functions of the Company. We have also appointed and made available certain employees as dedicated Support Staffs of Audit Committee and they report to and provide necessary information to/for Audit Committee.

B) Executive Officers

Name	Executive position		Material concurrent positions
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	—
Tony Fradgley	Executive Officer	Head of Automotive AGR SBU and Head of Automotive OE SBU	—
Koichi Hiyoshi	Executive Officer	Chief Legal Officer (CLO) and Company Secretary	—
Hiroshi Kishimoto	Executive Officer	Chief Risk Officer (CRO)	—
Hiroshi Nishikawa	Executive Officer	Head of Technical Glass SBU	—
Jochen Settelmayer	Executive Officer	Head of Architectural Glass SBU	—
Phil Wilkinson	Executive Officer	Chief Information Officer (CIO) and Global Head of Automotive AGR SBU	—
Satoshi Ishino	Executive Officer	Chief Development Officer (CDO) and Head of Business Innovation Center	—
Yutaka Nakashima	Executive Office	Chief Human Resources Officer (CHRO)	—

Notes: Ms. Shirley Anderson resigned from Executive officer on 31 January 2019.

(2) Compensation for Directors and Executive Officers

A) Principles of Compensation for Directors, and Executive Officers

(i) Organization & Responsibilities

The company has in place the statutory Compensation Committee (the "Committee") as adopting a "Company with Committees" structure. Its current membership consists of the four Independent External Directors of NSG Group, and one Director who concurrently serves as Representative Executive Officer. The current chairman is Mr. Yasuyuki Kimoto, 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 2018/19, the Committee met on five occasions.

The Committee has formal authorities to determine:

- The policy on individual compensation and other perquisites payable to the Directors and Executive Officers of the Company
- 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 compensation for the Group's senior management other than Directors and Executive Officers, keeping a consistency with the policy of (iii) below.

(ii) Activities of the Committee in Compensation related Decision-Making Process

In the meetings held in March, May and June 2018, the Committee resolved the individual amount of basic salary, the number of stock options to be allotted, the performance indicators and method for determining the payment amount of incentives (performance-linked compensations), and the actual payment amount based on the achievement against the previous year's indicators. It monitored the progress against the relevant indicators of the running incentives in the meeting held in October 2018.

(iii) 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 calibre 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. Based on this perspective, the ratio of basic salary and incentives is, rather than specifically and equally applied, set according to individuals' management grades (which will be given by reference to the factors such as knowhow, issues and the level of accountability relevant to the responsibilities assigned). The compensation package for the Executive Officers consist of basic salary, incentives and other benefits. 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 (constituting our performance-linked compensations) 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. The main focus in these plans is then first to ensure alignment with delivery of the target numbers assigned to Group operating profit and cash flow which are the financial performance indicators specifically important to the said budget but in relation to some of the Executive Officers of the Company those indicators such as the main four specific SBU operating profit and cash flow within the Group, either totally or individually by regions, also operate as target to be achieved. The Company ensures that such financial performance targets are clearly aligned to the overall medium term strategy of the Group. These performance indicators are also weighted as relative to and according to the duties and responsibilities had by each Executive Officer.

Performance measures for the FY2019 and FY2020 annual incentive plan for Executive Officers are mainly based on the following:

Element	Weight (%)		
	CEO, COO and CFO	Executive Officers other than CEO, COO and CFO, who are mainly responsible for specific Global SBUs	Executive Officers other than CEO, COO and CFO, who are mainly responsible for specific group functions
Group Management Operating Profit	50%	25%	25%
Group Free Cash Flow	50%	25%	25%
Global SBU Management Operating Profit	—	In relation to the results of specific SBUs they are responsible for, constituting 25% in total	In relation to the results for each and every of SBUs of the Group, constituting 25% in total
Global SBU Cash Flow from Operations	—	In relation to the results of specific SBUs they are responsible for, constituting 25% in total	In relation to the results for each and every of SBUs of the Group, constituting 25% in total

*Note: 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, hence ensuring adequacy of such payment along with absence of occurrences of non-financial nature having significant level of magnitude. A 'Gate' mechanism also operates for the plan, the Gate is set as an affordability threshold to allow access to payment based on achievement against the different performance measures. It is possible to achieve the Gate and still not achieve a payment, as "Entry" on the relevant performance scales have not been met. The annual bonus potential payment levels for Executive Officers range between 0 and 125% against each individual's basic salary according to the respective management grade. Individual payment amount of the annual bonus will be decided according to the level of achievement against the pre-set performance indicators.

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 whilst concurrently designed to align the interests of the Executive Officers with those of the shareholders by requiring them to use a part of the proceeds for purchase and thus owning the shares of the Company. 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 financial measures that should be strategically important for the Group on a longer-term basis.

The performance measure used in the plans that are in operation for FY2017 and FY2018 is an Aggregate Earnings

Per Share Measure. For FY2019 plan, the performance is measured by both Aggregate Earnings Per Share and Return on Sales. The Company has commenced the use of these two indicators from FY2019, in that given the current situations and environment surrounding the Company they are believed as more appropriate with a view to increasing the linkage with the Medium-term Management Plan, seeking further strengthening of the earning power and thus enhancing the shareholders' value generally. No payment is made if the entry point is not met. In order to align Executive Officers with shareholders, the award earned from these plans are factored up or down according to the share price movement during each three-year plan period. The LTIP's award levels for Executive Officers range between 0 and 150% against each individual's basic salary dependent upon the management grade. Individual award amount of the LTIP will be decided according to the level of achievement against the pre-set performance indicators.

All LTIPs incorporate Malus (ability for the value of the award to be reduced after it has been granted but before it has vested) and Clawback clauses (ability for the Group to require the participant to repay the value they receive after the award has vested). The Group can exercise these provisions if one of a list of trigger events occurs. Trigger events include the Misstatement of results, an error that causes an award to be paid at too high a level, a serious illegal act, or a material breach of the Group Code of Ethics.

Further, the LTIPs require Executive Officers (including those residing in Japan) and other eligible participants to mandatorily invest 50% of any 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.

(iv) 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 fulfil 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 any of the Committees.

Meanwhile in the case that a Non Independent External Director is elected, such Non Independent External Director will receive the level of compensation adequate for his/her duties in a way commensurate with the duties discharged by Independent External Directors including in terms of whether or not to be appointed as member of any of three Committees and so forth. Also, as with Independent External Directors, Non Independent External Directors are not eligible for performance-related bonuses or awards under long-term incentive plans.

B) Amount of Compensation for Directors and Executive Officers

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

The amounts shown in the table below are payments earned in respect of the Group's Financial Year from 1st April 2018 to 31st March 2019, and those paid or clearly expected to be paid during the said period, by NSG.

Category	Headcount	Compensation (Million Yen)			
		Basic Salary	Performance -linked compensation		Other Benefits
			Annual Bonus	Long-Term Incentive pay	
Directors who do not concurrently serve as Executive Officers (External Directors)	5	69	-	-	-
Executive Officers	7	215	52	86	104

Notes:

1. The amounts shown for Executive Officers relate to all compensation paid or to be paid to Shigeki Mori, Kenichi Morooka, Koichi Hiyoshi, Satoshi Ishino, Hiroshi Kishimoto, Hiroshi Nishikawa and Yutaka Nakashima.
2. In addition to the amounts shown in this table which are amounts paid by NSG, additional amounts were paid to other Executive Officers by subsidiaries of the Company, and these are shown in a separate table (ii) below. Payments to Executive Officers, as shown in this table, consist of; Basic Salary, Performance-linked compensation and Other benefits for the seven Executive Officers.
3. Amounts shown relate to the periods for which the office of Director and Executive Officer was held.
4. The data for Executive Officers includes those who assumed office during the Group's Financial Year from 1st April 2018 to 31st March 2019.
5. The amount shown as Performance-linked compensation in the table are the payments associated with the Annual Bonus for the year from April 2018 to March 2019 and with the Long Term Incentive Plan covering the three financial years from April 2016 to March 2019. The amount will be paid to the Executives in the financial year commencing April 2019.
6. Other Benefits for Executive Officers include an amount of 79 Million Yen for Stock Options awarded to six 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.
7. 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	Performance -linked compensation		Other Benefits
			Annual Bonus	Long-Term Incentive pay	
Executive Officers	5	214	43	104	31

Notes:

1. The amounts shown relate to all compensation paid or to be paid to Clemens Miller, Tony Fradgley, Jochen Settelmayer, Phil Wilkinson and Shirley Anderson as Executive Officers, by the subsidiaries of the Company which has direct privity of contract with them in the form of a certain services contract. The Company has not directly paid for such compensations, but all of which have been reviewed and approved by the Compensation Committee of the Company.
2. The amount shown as Performance-linked compensation in the table are the payments associated with the Annual Bonus for the year from April 2018 to March 2019 (the "FY in question") and with the Long Term Incentive Plan covering the three financial years from April 2016 to March 2019. The amount will be paid to the Executives in the financial year commencing April 2019.
3. Other Benefits include pension fund contributions, healthcare provision, transport costs.
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: 146JPY and EUR1: 129.2JPY respectively.

(3) Matters related to External Directors

A) Material Concurrent Positions held by External Directors (those positions if any concurrently held by them with or for other organizations in their capacity as executive positions such as an executive director and executive officer or an external director)

Name	Concurrent Position
Günter Zorn	➢ Representative Director/President, Z-ANSHIN K.K.
Toshikuni Yamazaki	➢ Representative Director/President, Ryugasaki Country Club
Yasuyuki Kimoto	—
Masatoshi Matsuzaki	➢ Director and Chairman of the Board, Konica Minolta, Inc. ➢ External Director, Ichigo Inc. ➢ External Director, Nomura Research Institute, Ltd.
Yuji Takei	➢ Director, Chief Operating Officer and Head of Investment, Japan Industrial Solutions Co., Ltd.

Notes: Japan Industrial Solutions Co., Ltd., where Mr. Yuji Takei retains such concurrent position, is the general partner of Japan Industrial Solutions Fund II, one of Investment LPS to which Class A Shares are issued. In relation to all other External Directors we have no special relationship in business with any of the companies listed above as those where they have such concurrent offices.

B) Major Activities of External Directors during Fiscal Year

Name	Major Activities
Günter Zorn	Attended all 11 Board of Directors meetings, all five Nomination Committee meetings, all 11 Audit Committee meetings, and all five Compensation Committee meetings held during the fiscal year under review, and made necessary contribution to the deliberation mainly from a specialized viewpoint of an experienced business manager.
Toshikuni Yamazaki	Attended all 11 Board of Directors meetings, all five Nomination Committee meetings, all 11 Audit Committee meetings, and all five Compensation Committee meetings held during the fiscal year under review, and made necessary contribution to the deliberation mainly from a specialized viewpoint of an experienced business manager.
Yasuyuki Kimoto	Attended all 11 Board of Directors meetings, all five Nomination Committee meetings, all11 Audit Committee meetings, and all five Compensation Committee meetings held during the fiscal year under review, and made necessary contribution to the deliberation mainly from a specialized viewpoint of an experienced business manager.
Masatoshi Matsuzaki	Attended all 11 Board of Directors meetings, all five Nomination Committee meetings, 10 of 11 Audit Committee meetings, and all five Compensation Committee meetings held during the fiscal year under review, and made necessary contribution to the deliberation s mainly from a specialized viewpoint of an experienced business manager.
Yuji Takei	Attended all 11 Board of Directors meetings held during the fiscal year under review, and made necessary contribution to the deliberation mainly from a specialized viewpoint of an experienced business manager.

C) Outline of an Agreement on Liability Limitation

An agreement has been entered into between the Company and each of the External Directors, to the effect that the liability of each of the External Directors in having performed their duties in good faith and without gross negligence be capped to the amount permitted 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	¥ 138 million
Monetary and/or other property benefits payable by the Company and its subsidiaries to Accounting Auditor	¥ 138 million

Notes:

1. The audit contract entered into between the Company and the Accounting Auditor does not differentiate the fees payable to it from their audit in their capacity as Accounting Auditor pursuant to the Companies Act and those payable to from their audit 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" referred to in the above table show the total sum payable for these services.
2. Ernst & Young also acts as principal auditors for material subsidiaries of the Group.

(3) The Reason for which Audit Committee Consented to the Fees, etc. to the Accounting Auditor

Audit Committee gave its consent to the amount of the fees, etc. payable to the Accounting Auditor as set forth in Article 399.1 of the Companies Act, after, among others, having reviewed their audit plan, last year's performance and the rationale of fee estimate by way of receipt of the necessary documents and conduct of 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 where the Accounting Auditor is considered to fall into any of the causes described in Article 340.1 of the Companies Act, the Audit Committee shall, as a matter of principle, propose an agenda for dismissal or non-reappointment of the Accounting Auditor to the General Meeting of Shareholders when the Audit Committee considers that it would be difficult to the Accounting Auditor 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.

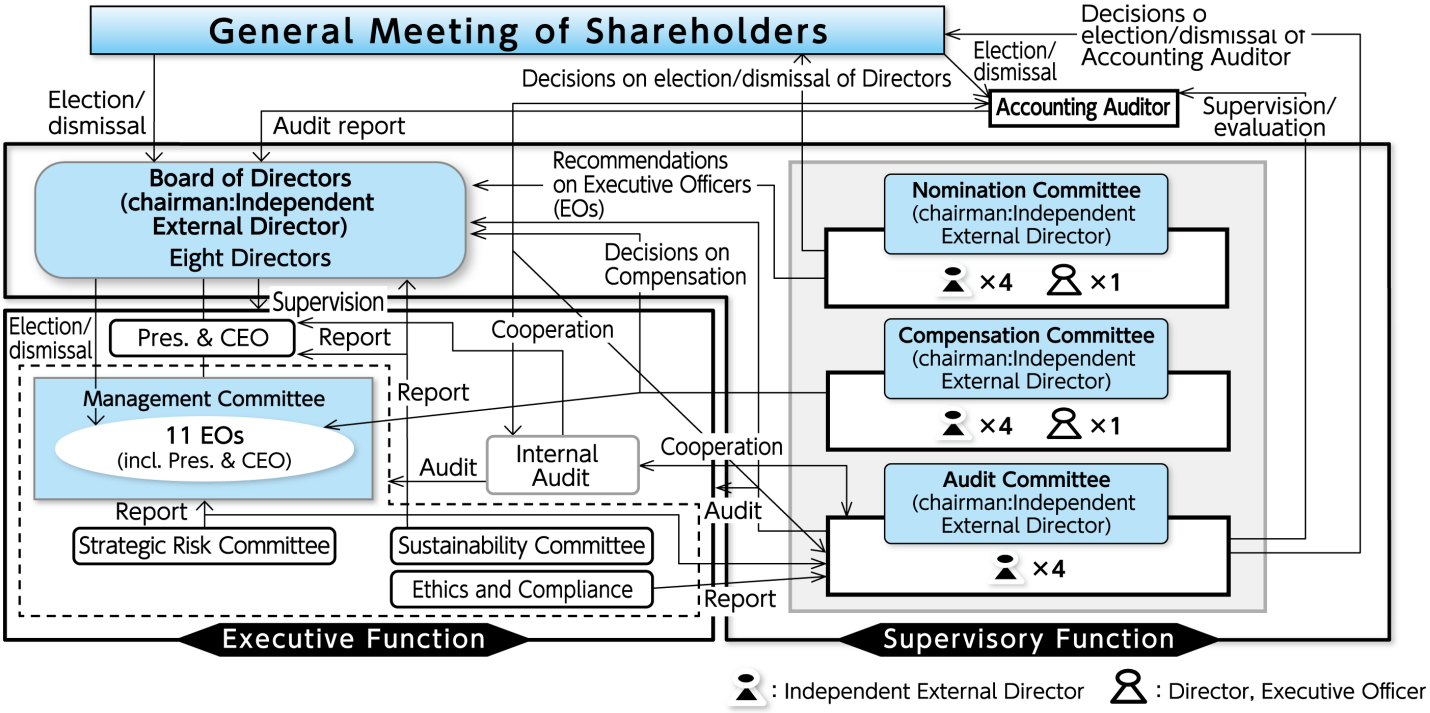
7. Status of Corporate Governance

(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. 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



- **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.
- **Nomination Committee** decides the details of the agenda items on election and removal of Directors to be submitted to the General Meeting of Shareholders, supervise succession plans for President, CEO and other important offices, and give recommendation or advice on candidates for Executive Officers to the Board of Directors.
- **Audit Committee** conducts audits of the execution of duties by Directors and Executive Officers, prepares for audit reports, and decides the details of agenda items on the appointment and removal of Accounting Auditor, as well as their non-reappointment.
- **Compensation Committee** makes decisions on principles with respect to compensations for Directors and Executive Officers and on individual compensations of Directors and Executive Officers under such principles.
- **Management Committee** gives direction to the management of the Group and monitor the status of its implementation from time to time.

(3) Systems to Ensure that Execution of Duties by Executive Officers are Compliant with Laws and Articles of Incorporation and to Secure Appropriateness of Businesses

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

- On the basis and strength of the management principles "Our Vision", 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.
- Under the management principles "Our Vision", 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).
- 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.
- 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").
- Ethics and Compliance Function will, throughout the Group,:-
  - 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
  - as it may deem necessary, conduct audits in cooperation with Internal Audit function and other Internal Control Functions.
- Ethics and Compliance Function will also report to the Audit Committee.
- 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.
- 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.
- 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.

2. Rules relating to the management of the risk of loss and other relevant risk management system with respect to the Group

- 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 throughout the enterprise that it could be exposed to. For effective facilitation of the overall enterprise risk management, the Group constitutes the Strategic Risk Committee which is to be led by a representative executive officer of the Company and reports to the Management Committee and the Audit Committee, with its assigned responsibilities to conducts a review of the status regularly of identification, evaluation and remediation of the major risks identified.
- 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.
- 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.
- Risk control measures will be managed and taken, as necessary, including risk diversification and insurance on a group basis. In particular the Group establishes the internal policy on group insurance and takes out and renews global insurance programme annually thereby aiming to secure adequate transfer of material risks of the Group.
- 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.
- 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.

3. System for retaining and managing information pertaining to Executive Officers' performance of duties

- 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.

4. System for ensuring effective and efficient performance of duties by the Group's Employees

- 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.
- The Board authorizes the Executive officers to make decisions on the business and affairs of the Group Board within the remit permitted by law.
- 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.
- 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.
- 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.
- The Group develops and maintains information systems that improve the efficiency of business operations.

5. Reporting-line structure within the Group

- 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.
- 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 areas.
- Internal audit will be conducted on a group basis.

6. Systems to ensure effectiveness of audits conducted by the Audit Committee

- 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:-
  - an internal control system is established, maintained and implemented by the Executive Officers in an appropriate manner;
  - and this Fundamental Policy itself is still valid or requires no improvement.
- For the purpose of securing effectiveness of such audit:-
  - 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;
  - 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;
  - the Audit Committee receives regular reports about the current risk exposures of the Group with respect to the followings from departments and functions responsible therefore:-
    - 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;
  - 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;
  - 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;
  - the Audit Committee shall meet with Internal Audit function and Accounting Auditor on a regular basis to obtain necessary information; and
  - 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.

7. System for reporting by the Group's Employees to the Audit Committee and other systems concerning reporting to the Audit Committee

- Directors and Executive Officers shall report the followings to the Audit Committee immediately when:-
  - an individual has found any fact that could have a substantially adverse effect on the Group
  - 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.
- 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.
- 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.

8. Matters relating to Directors and/or Employees who support the execution of duties by the Audit Committee

- 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").
- Under the instructions of the Audit Committee members, Support Staff of the Audit Committee shall:-
  - by themselves, or by liaising with relevant departments, investigate, analyze or report the matters subject to its audit, and
  - 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.

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

- Decisions on personnel matters of Support Staff of the Audit Committee shall require the prior notice to and consent of the Audit Committee.
- 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.

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 execution of duties of the Audit Committee), or any other treatment of such expenses and debts

- 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.

(4) Summary of the manner of Operation Status of "Systems to Ensure that Execution of Duties by Executive Officers are Compliant with Laws and Articles of Incorporation and to Secure Appropriateness of Businesses"

Summary of the manner of operation status throughout FY2019 of "Systems to Ensure that Execution of Duties by Executive Officers are Compliant with Laws and Articles of Incorporation and to Secure Appropriateness of Businesses" was as follows:

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

・The NSG Group Code of Ethics broadly covers the ethical behavior expected of our employees in the work place, including compliance with the law and all major Group l policies, and procedures and guidelines. The Code is available in all Group 19 languages on its intranet.

・The Group has in place the Reporting of Concerns system including the Ethics and Compliance (E&C) Hotline. The confidential hotline is operated by a qualified third party, where anyone can report E&C related concerns anytime, even anonymously except as prohibited legally. The hotline is available in multiple languages.

All hotline reports are handled consistently in accordance with the relevant Group policies and procedures, being appropriately investigated where warranted. Any form of retaliation against an individual who has reported in good faith is expressly prohibited. In FY2019, 74 allegations were reported via the Reporting of Concerns system.

・Under the Group's Chief Ethics and Compliance Officer's leadership, E&C regional managers were appointed for each major region to embed E&C culture into the whole organization within the Group as well as cover risks in each region.

・The Group requires its employees to report or obtain prior permission from Group E&C with regard to certain matters in high risk areas such as competition law compliance (CC) and Anti-Bribery and Anti-Corruption (ABAC) via an online system.

・The Group is monitoring third parties such as agents, consultants and joint venture partners that meet certain risk criteria of ABAC.

・The Group has expanded the scope of online trainings to other risk areas than CC and ABAC, such as General Data Protection Regulation (GDPR), Social Media, Fraud and Inclusion & Diversity.

・The Group's Chief Ethics and Compliance Officer periodically issues E&C briefings, which are translated in 11 languages and available on the Group's intranet.

・Group E&C regularly reports to Audit Committee on its performance and action plans.

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.

・We have established and been operating Strategic Risk Committee whose member consists of Executive Officers including CEO; Chief Risk Officer ("CRO") is also appointed from among the Executive Officers.

Strategic Risk Committee is entrusted, among others, to provide for an overall framework for an enterprise risk management of the Group and differentiate the high level risks which could be expected to have a material adverse effect on the Group from the risks to be properly managed by each division and then monitor the status of counter-measures taken against those risks and require the division in charge to react accordingly in the event of deficiencies found. Strategic Risk Committee appoints a risk owner for each of the high-level risks so identified and control the process of information gathering and progress of the measures taken regarding such risks.

CRO presides over any and all of the meetings of Strategic Risk Committee and as representative of the Committee regularly reports to, and receives review of, Management Committee and Audit Committee in relation to effectiveness of the fundamental system of the internal control and risk management structure of the Group.

・Each Strategic Business Unit (SBU) and Function in support of SBUs constituting the Group manages and controls risks associated with execution of its own duties and reports, regularly and on an as-needed basis, to the Strategic Risk Committee.
・Internal Audit Function has the role of giving independent assurance to efficacy of such overall enterprise risk management of the Group.
・In addition to the risk management and control implemented by SBUs and Functions, we have also created and been operating the NSG Group Entities Management Policy in order to enable us to comprehensively identify and manage and control material risks particularly in light of each legal entity constituting the Group. The Executive Officer in charge is responsible for regularly reporting to Management Committee and the Board of Directors regarding the outcome.
・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.
・Executive Officers of the Company preserve, maintain and control such information or data as may be relevant to their performance of the duties in their capacity 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 established the 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. 11 MC meetings were held during FY2019.
・In relation to FY2018, the Group conducted an effectiveness review and evaluation of the Board as well as the Nomination, Audit and Compensation Committees. As for this review, the independent directors were entrusted to lead and supervise the whole process of analysis and evaluation under the leadership of the Chairman of the Board so that sufficient adequacy and independence was maintained throughout. As a consequence, it resulted in a positive evaluation for all meeting vehicles that their efficiency has improved further from FY2017 and the manner of operating each such meeting is proper and adequate. Simultaneously, however, certain concrete suggestions and views were also presented from the perspective of further enhancing the contents of discussion on strategic direction of the Group and in light of the exercises for implementing more robust risk management. With the aid and on the basis of such results and views, the Board has created and carried into effect the specific action plans, one of whose aim is to ensure that further in-depth opportunities for discussion and confirmation be made available to the Board in relation to those strategic issues. Those action plans are the subject of regular review in light of their status of implementation and effect as well as the contents themselves.
・We have promoted the initiative of separation of oversight and executive 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 have introduced and effected IT-operated authorization flow process for efficient and effective business management, including in relation to performance management 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 rounding off any fraction of one million yen to the nearest one million yen. Any future and prospective matters contained above are described by reference to the then status existing as of the end of FY2019.

Consolidated Balance Sheet (as of 31 March 2019)

(In JPY millions)

ASSETS		LIABILITIES	
Non-current assets	516,288	Current liabilities	192,978
Goodwill	107,349	Borrowings	41,054
Intangible assets	53,790	Derivative financial instruments	1,132
Property, plant and equipment	241,506	Trade and other payables	127,425
Investment property	371	Contract liabilities	3,780
Investments accounted for using the equity method	18,294	Taxation liabilities	3,084
Retirement benefit assets	27,557	Provisions	13,880
Contract assets	1,047	Deferred income	1,191
Trade and other receivables	14,327	Liabilities related to assets for sale	1,432
Assets held at Fair Value through other Comprehensive Income	18,640		
Derivative financial instruments	435	Non-current liabilities	436,385
Deferred tax assets	32,411	Borrowings	328,598
Tax receivables	561	Derivative financial instruments	724
		Trade and other payables	481
Current assets	245,581	Contract liabilities	590
Inventories	119,645	Deferred tax liabilities	18,469
Contract assets	1,645	Taxation liabilities	2,408
Trade and other receivables	63,994	Retirement benefit obligations	66,177
Assets held at Fair Value through other Comprehensive Income	0	Provisions	14,184
Derivative financial instruments	966	Deferred income	4,754
Cash and cash equivalents	52,406		
Tax receivables	1,721	Total: Liabilities	629,363
Assets held for sale	5,204	EQUITY	
		Capital and reserves attributable to the Company's equity shareholders	123,760
		Called up share capital	116,588
		Capital surplus	160,953
		Treasury stock	(37)
		Stock subscription rights	545
		Retained earnings	(40,530)
		Retained earnings (Translation adjustment at the IFRS transition date)	(68,048)
		Accumulated other comprehensive income	(45,711)
		Non-controlling interests	8,746
		Total: Equity	132,506
Total: Assets	761,869	Total: Liabilities and equity	761,869

Consolidated Income Statement (for the period of 1 April 2018 to 31 March 2019)

(In JPY millions)

Revenue		612,789
Cost of Sales		(452,095)
Gross profit		160,694
Other income	1,130	
Distribution costs	(55,582)	
Administrative expenses	(63,999)	
Other expenses	(5,388)	(123,839)
Operating profit before exceptional items		36,855
Exceptional items		(7,068)
Operating profit after exceptional items		29,787
Finance income	2,131	
Finance expenses	(15,432)	
Share of post-tax profit of joint ventures and associates accounted for using the equity method	6,244	(7,057)
Profit before taxation		22,730
Taxation		(8,352)
Profit for the period		14,378
Profit attributable to non-controlling interests		1,091
Profit attributable to owners of the parent		13,287

Consolidated Statement of Comprehensive Income (Reference only) (for the period of 1 April 2018 to 31 March 2019)

(In JPY millions)

Profit for the period	14,378
Other comprehensive income:	
Items that will not be reclassified to profit or loss:	
Re-measurement of retirement benefit obligations	697
Revaluation of Assets held at Fair Value through Other Comprehensive Income – equity investments	(157)
Sub total	540
Items that may be reclassified to profit or loss:	
Foreign currency translation adjustments	(18,054)
Revaluation of Assets held at Fair Value through Other Comprehensive Income – other investments	36
Cash flow hedges – fair value gains	(103)
Hyperinflation adjustment	2,829
Sub total	(15,292)
Total: Other comprehensive income for the period	(14,752)
Total comprehensive income for the period	(374)
Attributable to non-controlling interests	508
Attributable to owners of the parent	(882)

Consolidated Statement of Changes in Equity (for the period of 1 April 2018 to 31 March 2019)

(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 2018 (restated)	116,546	166,661	(33)	526	(51,350)	(68,048)
Hyperinflation adjustment					770	
Balance: as of 1 April 2018 (after hyperinflation adjustment)	116,546	166,661	(33)	526	(50,580)	(68,048)
Comprehensive income for the year:						
Profit for the year					13,287	
Other comprehensive income					2,432	
Total comprehensive income for the year	-	-	-	-	15,719	-
Transactions with owners:						
Dividends paid					(5,669)	
Stock options	42	42		19		
Purchase of treasury stock			(5,754)			
Retirement of treasury stock		(5,750)	5,750			
Equity transaction with non-controlling interests						
Total transactions with owners	42	(5,708)	(4)	19	(5,669)	-
Balance: as of 31 March 2019	116,588	160,953	(37)	545	(40,530)	(68,048)

(in JPY millions)

	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 2018	(19,564)	(6,256)	(3,290)	(29,110)	135,192	8,523	143,715
Hyperinflation adjustment				-	770	598	1,368
Balance: as of 1 April 2018 (after hyperinflation adjustment)	(19,564)	(6,256)	(3,290)	(29,110)	135,962	9,121	145,083
Comprehensive income for the year:							
Profit for the year				-	13,287	1,091	14,378
Other comprehensive income	(16,375)	(121)	(105)	(16,601)	(14,169)	(583)	(14,752)
Total comprehensive income for the year	(16,375)	(121)	(105)	(16,601)	(882)	508	(374)
Transactions with owners:							
Dividends paid				-	(5,669)	(472)	(6,141)
Stock options				-	103		103
Purchase of treasury stock				-	(5,754)		(5,754)
Retirement of treasury stock				-	-		-
Equity transaction with non-controlling interests				-	-	(411)	(411)
Total transactions with owners	-	-	-	-	(11,320)	(883)	(12,203)
Balance: as of 31 March 2019	(35,939)	(6,377)	(3,395)	(45,711)	123,760	8,746	132,506

Consolidated Statement of Cash Flows (Reference only) (for the period of 1 April 2018 to 31 March 2019)

(In JPY millions)

Cash flows from operating activities	
Profit for the period from continuing operations	14,378
Taxation	8,352
Depreciation and amortization	27,910
Impairment	4,614
Finance costs - net	13,301
Share of profit from joint ventures and associates	(6,244)
Decrease in provisions and retirement benefit obligations	(8,593)
Net change in working capital	(5,025)
Other	(4,259)
Cash flows generated from operations	44,434
Interest paid	(12,047)
Interest received	2,019
Tax paid	(5,376)
Net Cash inflows from operating activities	29,030
Cash flows from investing activities	
Dividends received from joint ventures and associates	3,606
Purchases of property, plant and equipment and intangible assets	(30,505)
Proceeds on disposal of property, plant and equipment and intangible assets	480
Other	(1,724)
Net cash outflows from investing activities	(28,143)
Cash flows from financing activities	
Dividends paid	(6,128)
Repayment of borrowings	(107,973)
Proceeds from borrowings	108,907
Purchase of treasury stock	(5,754)
Other	(410)
Net cash outflows from financing activities	(11,358)
Decrease in cash and cash equivalents (net of bank overdrafts)	(10,471)
Cash and cash equivalents (net of bank overdrafts) at beginning of period	62,799
Effect of foreign exchange rate changes	(3,558)
Hyperinflation adjustment	1,522
Cash and cash equivalents (net of bank overdrafts) at end of period	50,292

NIPPON SHEET GLASS CO. LTD. **Financial Statements**

Balance Sheet (as of 31 March 2019)

(in JPY millions)

ASSETS		LIABILITIES	
Current assets	109,311	Current liabilities	76,474
Cash and cash deposits	8,538	Accounts payable-trade	16,256
Notes receivable	1,349	Current portion of Long-term borrowings	37,509
Accounts receivable-trade	16,146	Lease obligations	5
Products and goods	14,993	Accounts payable - non-trade	8,045
Work in process	2,454	Accrued income tax	251
Raw materials and consumables	6,801	Accrued expenses	1,611
Short-term loan receivable	53,154	Customers' deposits	9,822
Other current assets	7,048	Provision for employees' bonuses	1,435
Allowance for doubtful accounts	(1,172)	Provision for directors' bonuses	142
Fixed assets	554,796	Provision for warranties	258
Tangible assets	43,173	Provision for restructuring expenditure	707
Buildings	8,760	Provision for payment under Position retirement program	164
Structures	1,172	Other current liabilities	269
Machinery & Equipment	18,363	Fixed liabilities	263,053
Vehicles	28	Long-term bank borrowings	253,808
Tools & Fixtures	3,529	Lease obligations	10
Land	8,313	Provision for retirement benefits	2,104
Leased assets	15	Provision for rebuilding furnaces	5,474
Construction in progress	2,993	Environmental provision	328
Intangible assets	440	Asset retirement obligations	704
Computer software	117	Deferred tax liabilities	213
Other intangible assets	323	Other fixed liabilities	412
Investments and other assets	511,183	Total: Liabilities	339,527
Investments in securities	988	NET ASSETS	
Investments in subs. & affiliates	504,974	Shareholders' equity	323,839
Long-term loan receivable	8	Capital stock	116,588
Long-term prepaid expenses	3,737	Capital surplus	159,159
Other assets	1,488	Legal capital surplus	44,910
Allowance for doubtful accounts	(12)	Other capital surplus	114,249
		Retained earnings	48,129
		Legal earned surplus	6,377
		Other retained earnings	41,752
		Reserve for adv'ed depreciation	1,373
		General reserve	24,977
		Retained earnings carried forward	15,402
		Treasury stock	(37)
		Valuation and translation adjustments	196
		Deferred gains or losses on hedges	196
		Stock subscription rights	545
		Net Assets	324,580
Total: Assets	664,107	Total: Liabilities and net assets	664,107

Income Statement (for the period of 1 April 2018 to 31 March 2019)

(in JPY millions)

Revenue		111,882
Cost of sales		(86,317)
Gross profit		25,565
Selling, general and administrative expenses		(24,116)
Operating profit		1,449
Non-operating income		
Interest and dividend income	14,275	
Other income	1,539	15,814
Non-operating expense		
Interest expense	(5,062)	
Other expense	(3,467)	(8,529)
Ordinary profit		8,734
Extraordinary income		
Gain from sale of fixed assets	80	
Settlement received	130	
Gain from sale of securities	7	
Other	22	239
Extraordinary loss		
Loss on scrapping of fixed assets	(19)	
Loss on scrapping of fixed assets	(140)	
Restructuring expenditure	(707)	
Other	(1)	(867)
Net profit before tax		8,106
Income tax: Current	563	
Income tax: Deferred	167	730
Net profit		8,836

Statement of Changes in Net Assets (for the period of 1 April 2018 to 31 March 2019)

(in JPY millions)

	Shareholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
	Capital stock	Legal capital surplus	Other capital surplus	Sub-total	Legal earned surplus	Reserve for advanced depreciation	General reserve	Retained earnings carried forward	Sub-total	Treasury stock	Sub-Total
Balance: as of 1 April 2018	116,546	44,868	120,000	164,868	6,377	1,466	24,977	12,142	44,962	(33)	326,343
Changes during the period:											
Reversal of reserve for advanced depreciation				-		(93)		93	-		-
Dividends				-				(5,669)	(5,669)		(5,669)
Net profit				-				8,836	8,836		8,836
Stock options	42	42		42					-		84
Acquisition of treasury stock				-					-	(5,754)	(5,754)
Disposal of treasury stock			(1)	(1)					-	0	(1)
Retirement of treasury stock			(5,750)	(5,750)					-	5,750	-
Net changes of items other than shareholders' equity											
Total changes during the period	42	42	(5,751)	(5,709)	-	(93)	-	3,260	3,167	(4)	(2,504)
Balance: as of 31 March 2019	116,588	44,910	114,249	159,159	6,377	1,373	24,977	15,402	48,129	(37)	323,839

	Valuation and translation adjustments		Stock subscription rights	Total net assets
	Deferred gains or losses on hedges	Sub-total		
Balance: as of 1 April 2018	(181)	(181)	526	326,688
Changes during the period:				
Reversal of reserve for advanced depreciation		-		-
Dividends		-		(5,669)
Net profit		-		8,836
Stock options		-		84
Acquisition of treasury stock		-		(5,754)
Disposal of treasury stock		-		(1)
Retirement of treasury stock		-		-
Net changes of items other than shareholders' equity	377	377	19	396
Total changes during the period	377	377	19	(2,108)
Balance: as of 31 March 2019	196	196	545	324,580

The following also attached to the Japanese original of this document (for reference only):

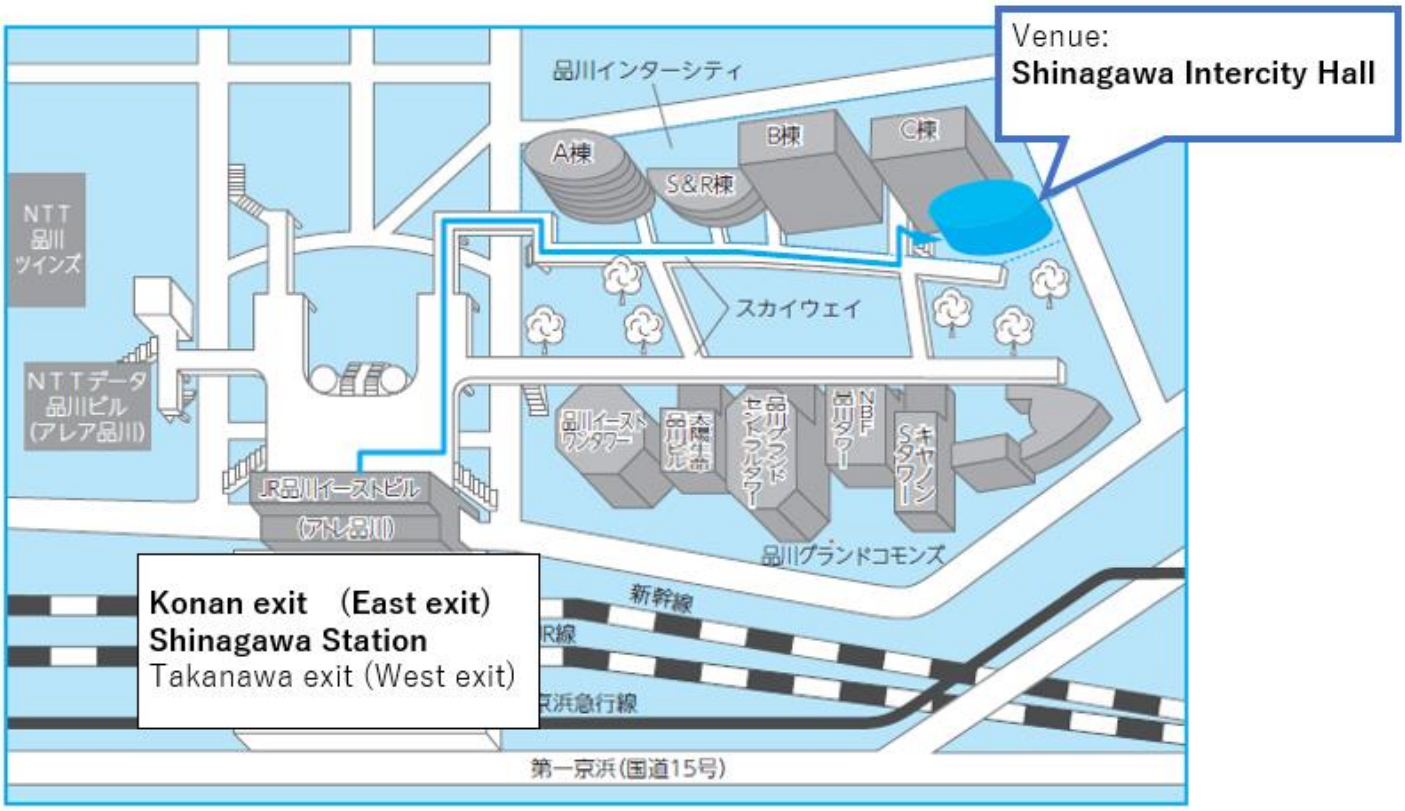
A. Conformed copy of the audit report of the Independent Accounting Auditor

- The related financial statements and its supplementary detail adequately representing the view of the assets and profits of the Company in all material respects.
- Absence of any notifiable interest between the Accounting Auditor and the Company

B. Conformed copy of the audit report of the Audit Committee

- Business Report
  - Business report and its supplementary detail correctly reflecting the position of the Company
  - Absence of unjust behaviour on the part of directors/executive officers or material facts in breach of law or Articles of Incorporation of the Company
  - Validity of the Board resolution re internal controls and absence of the matters to be notified in terms of business report or the performance of duties of directors/executive officers
- Confirming the validity of Accounting Auditor's manner of the audit and result re Consolidated financial statements
- Confirming the validity of Accounting Auditor's manner of the audit and results re financial statements and its supplementary detail (stand-alone basis)

Map of the Venue for the Ordinary General Meeting of Shareholders



Please kindly be informed that we will no longer offer commemorative gifts for shareholders attending the meeting in person, from this year. Thank you for your understanding.