

FY 2020 Annual Consolidated Financial Results <IFRS>

22 May 2020



(English translation of the Japanese original)

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Annual general shareholders' meeting: 16 July 2020
 Submission of annual financial statements to MOF: 30 June 2020
 Payment of dividends start from: N/A
 Annual result presentation papers: Yes
 Annual result presentation meeting: Yes (Teleconference for institutional investors)

1. Consolidated business results for FY2020 (From 1 April 2019 to 31 March 2020)**(1) Consolidated business results**

	Revenue		Operating profit		Profit before taxation		Profit for the period		Profit attributable to owners of the parent		Total comprehensive income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ million	%	¥ millions	%	¥ millions	%
FY2020	556,178	(9.2)	21,177	(42.5)	(13,549)	-	(17,518)	-	(18,925)	-	(36,533)	-
FY2019	612,789	2.3	36,855	3.4	22,730	2.6	14,378	81.8	13,287	115.6	(374)	-

	Earnings per share - basic	Ratio of profit attributable to owners of the parent to average equity attributable to owners of the parent	Profit before tax ratio to total assets	Operating profit ratio to revenue
	¥	%	%	%
FY2020	(235.96)	(19.2)	(1.8)	3.8
FY2019	115.16	10.3	2.9	6.0

Share of post-tax profit of joint ventures and associates accounted for using the equity method

FY2020: ¥ 1,077 million FY2019: ¥ 6,244 million

Note:

- Operating profit in the above table is defined as being operating profit stated before exceptional items.

(2) Changes in financial position

	Total assets	Total equity	Total shareholders' equity	Total shareholders' equity ratio	Total shareholders' equity per share
	¥ millions	¥ millions	¥ millions	%	¥
FY2020	765,197	88,194	73,612	9.6	470.88
FY2019	761,869	132,506	123,760	16.2	978.50

(3) Consolidated statement of cash flow

	Net cash generated from operating activities	Net cash used in investing activities	Net cash generated from /(used in) from financing activities	Cash and cash equivalents as of term-end
	¥ millions	¥ millions	¥ millions	¥ millions
FY2020	30,444	(56,888)	18,205	40,512
FY2019	29,030	(28,143)	(11,358)	50,292

2. Dividends

	Dividends per share					Dividends (annual) (¥ millions)	Payout ratio	Dividends to net assets ratio (%)
	Q1	Q2	Q3	Q4	Total			
FY2019 (actual)	-	¥ 10.00	-	¥ 20.00	¥ 30.00	¥ 2,716	26.1	3.0
FY2020 (actual)	-	¥ 0.00	-	¥ 0.00	¥ 0.00	¥ 0	-	-
FY2021 (forecast)	-	-	-	-	-		-	

Note:

- The above table shows dividends on common shares. The dividend forecast for the fiscal year ending March 2021 has yet to be determined.
- Please refer to "(Reference) Dividends for Class A Shares" for information regarding dividends on class A shares, which are unlisted and have different rights from common shares.
- For further details, please refer to the dividend policy section on page 8.

3. Forecast for FY2021 (From 1 April 2020 to 31 March 2021)

Note:

- The consolidated financial forecast for the fiscal year ending March 2021 is not decided because the outlook is unclear at this time for the impact of the spread of COVID-19 infection. In the future, we plan to announce the earnings forecast as soon as it becomes available.
- For further details, please refer to the prospects section on page 8.

4. Other items

- (a) Changes in status of principal subsidiaries: No
- (b) Changes implemented to the accounting policies, practice and presentations related to the preparation of quarterly consolidated financial statements:
- (i) Changes due to revisions in accounting standards under IFRS --- Yes
- (ii) Changes due to other reasons --- No
- (iii) Changes in accounting estimates --- No

Note:

- For further details, please refer to the changes in accounting policy section on page 16.

- (c) Number of shares outstanding (common stock)
- (i) Number of shares issued at the end of the period, including shares held as treasury stock:
90,642,499 shares as at 31 March 2020 and 90,593,399 shares as at 31 March 2019
- (ii) Number of shares held as treasury stock at the end of the period:
21,279 shares as at 31 March 2020 and 18,418 shares as at 31 March 2019
- (iii) Average number of shares in issue during the period, after deducting shares held as treasury stock:
90,587,703 shares for the period ending 31 March 2020 and 90,509,179 shares for the period ending 31 March 2019

(Reference) Non-consolidated financial results of the parent company
Financial results of FY2020 (From 1 April 2019 to 31 March 2020)

(1) Stand-alone business results

	Revenue		Operating loss		Ordinary income/(loss)		Net profit/(loss)	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FY2020	105,136	(6.0)	(1,348)	-	(2,528)	-	(2,713)	-
FY2019	111,882	7.1	1,449	-	8,734	98.1	8,836	49.3

	Basic earnings per share	Diluted earnings per share
	¥	¥
FY2020	(56.99)	(56.99)
FY2019	65.98	56.62

(2) Stand-alone financial positions

	Total assets	Total equity	Equity ratio	Total equity per share
	¥ millions	¥ millions	%	¥
FY2020	671,915	312,055	46.4	3,095.73
FY2019	664,107	324,580	48.8	3,189.66

Note: Shareholders' equity

FY2020: ¥ 311,479 million

FY2019: ¥ 324,035 million

Status of audit procedures taken by external auditors for the annual results

This document (Tanshin) is out of scope for independent audit by the external auditors.

Explanation for the appropriate usage of performance projections and other special items

The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable. Hence the actual results may differ. The major factors that may affect the results are the economic and competitive environment in major markets, product supply and demand shifts, currency exchange and interest rate fluctuations, changes in supply of raw materials and fuel and changes and laws and regulations, but not limited.

(Reference) Dividends for Class A Shares

Dividends per share related to Class A Shares with different rights from those of common shares are as follows.

	Dividends per share				
	Q1	Q2	Q3	Q4	Total
Class A Shares					
FY2019 (Actual)	-	¥ 27,575.30	-	¥ 27,424.70	¥ 55,000.00
FY2020 (Actual)	-	¥ 0.00	-	¥ 55,000.00	¥ 55,000.00
FY2021 (Forecast)		¥ 0.00		¥ 65,000.00	¥ 65,000.00

(Note) Number of Class A Shares in issue are 30,000 shares. 40,000 Class A Shares were originally issued on 31 March 2017. On 7 December 2018, the Company acquired and then retired a total of 5,000 Class A shares. On 6 June 2019, the Company acquired and then retired a total of 5,000 Class A shares. The forecast of dividends, for class A shares that have dividend record dates belonging to FY2021, is ¥ 1,950 million.

[Attachments]

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1. Overview about business performance etc.

(1) Overview about business performance

1) Background to Results

The Group experienced increasingly difficult trading conditions in its core markets during the year with underlying market conditions deteriorating from the third quarter. COVID-19 impacted the Group's Technical Glass business from January 2020 and severely impacted the Group's Automotive and Architectural businesses from March 2020. In some regions, vehicle production fell to near-zero levels towards the end of the year, as the Group's main automotive customers temporarily ceased production, particularly at plants in Europe and the Americas. Vehicle production continued at customers in Asia, albeit at much reduced levels. In Architectural, construction activity also weakened significantly towards the end of the year in response to COVID-19 lockdown restrictions, particularly in Europe and South America, but also in other regions. Demand for Solar Energy glass remains robust. Conditions facing the Group's Technical Glass business were also negatively impacted by COVID-19, although conditions began to stabilize somewhat by the end of the year.

Group revenues fell by nine percent to ¥ 556,178 million (4Q FY2019 ¥ 612,789 million), affected by the translational impact of foreign exchange movements, and also by the difficult market conditions facing the Group in many areas. At constant exchange rates, revenues would have fallen by five percent. The Group recorded a trading profit (before exceptional items and amortization relating to the acquisition of Pilkington) of ¥ 23,018 million (4Q FY2019 ¥ 38,824 million). Operating profits were ¥ 21,177 million (4Q FY2019 ¥ 36,855 million). The Group recorded exceptional items of ¥ 23,960 million, including the impairment of goodwill and other intangible assets for the Automotive Europe and Rest of World Cash Generating Units of ¥ 11,728 million. The loss attributable to owners of the parent was ¥ 18,925 million (4Q FY2019 profit of ¥ 13,287 million) with the deterioration due mainly to the exceptional items recorded as well as the reduced operating profit.

2) Review by Business Segment

The Group's business lines cover three core product sectors: Architectural, Automotive, and Technical Glass.

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

Automotive, with 51 percent of Group sales, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

Technical Glass, representing 7 percent of Group sales, comprises several discrete businesses, including the manufacture and sale of very thin glass used as cover glass for displays, lenses and light guides for printers, as well as glass fiber products, such as battery separators and glass components for engine timing belts.

Other operations include 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.

The table below shows a summary of cumulative results by business segment.

¥ millions	Revenue		Operating profit	
	FY2020	FY2019	FY2020	FY2019
Architectural	233,687	247,348	17,331	25,811
Automotive	280,977	314,645	6,100	15,118
Technical Glass	40,143	49,106	7,116	8,062
Other Operations	1,371	1,690	(9,370)	(12,136)
Total	556,178	612,789	21,177	36,855

Architectural

The Architectural business recorded revenues of ¥ 233,687 million (4Q FY2019: ¥ 247,348 million) and an operating profit of ¥ 17,331 million (4Q FY2019: ¥ 25,811 million).

Architectural revenues fell from the previous year, mainly due to the translational impact of foreign exchange movements. Currency effects, together with the impact of increasingly challenging market conditions also led to a reduction in reported profits.

In Europe, representing 37 percent of the Group's architectural sales, revenues fell, due to lower volumes and restructuring projects concluded during the previous year, together with the impact of foreign exchange movements. Prices weakened from the third quarter, reflecting capacity additions in the region. Profits also fell in line with the lower prices, reduced volumes, and currency effects. Volumes declined sharply towards the end of the year due to the COVID-19 pandemic.

In Asia, representing 39 percent of the Group's architectural sales, revenues were similar to the previous year with increased dispatches of solar energy glass largely offsetting difficult domestic markets. Revenues from conventional architectural glass in Japan remained stable, and underlying profitability in Japan was also positive, although reported profits were hit by a one-off inventory valuation adjustment in an earlier quarter. On 31 March 2020 the Group announced the suspension of the Chiba #1 furnace effective from July 2020. On 30 January 2020 the Group announced the commencement of production at its second furnace in Vietnam dedicated to the production of glass for Solar Energy.

In the Americas, representing 24 percent of the Group's architectural sales, revenues and profits were below the previous year. Domestic market conditions in North America were more challenging than the previous year, with increased flat glass supply causing an erosion of market prices. Sales of glass for solar energy improved however. In South America, revenues fell mainly due to the translational impact of foreign exchange movements. In addition, volumes were impacted by COVID-19 towards the end of the year.

Automotive

The Automotive business recorded sales of ¥ 280,977 million (4Q FY2019: ¥ 314,645 million) and an operating profit of ¥ 6,100 million (4Q FY2019: ¥ 15,118 million).

In the Automotive business, revenues and profits were below the previous year due to the translational impact of foreign exchange movements, together with a decline in new car production in Europe.

Europe represents 43 percent of the Group's automotive sales. Revenues and profits fell, due mainly to a reduction in volumes as a result of declining light-vehicle build levels. Volumes were significantly affected by COVID-19 related stoppages at customer's plants towards the end of the year.

In Asia, representing 24 percent of the Group's automotive sales, revenues were below the previous year, and profits also declined. In Japan, revenues were below the previous year, as an improvement in sales volumes during the first two quarters was more than offset by a reduction from the third quarter after the imposition of increased sales taxes from 1 October 2019. Profits also fell from the previous year, being impacted by raw glass cost increases and the reduction of volumes from the third quarter.

In the Americas, representing 33 percent of the Group's automotive sales, revenues fell due to the translational impact of foreign exchange movements and weakening market conditions particularly towards the end of the year with a significant impact from the COVID-19 pandemic. In North America, despite OE volumes being slightly below the previous year, profits strengthened, benefitting from further manufacturing efficiency improvements. Profitability in South America was similar to the previous year.

Technical Glass

The Technical Glass business recorded revenues of ¥ 40,143 million (4Q FY2019: ¥ 49,106 million) and an operating profit of ¥ 7,116 million (4Q FY2019: ¥ 8,062 million).

Revenues and profits fell in the Technical Glass business due to the challenging market conditions in some areas.

In the fine glass business, continued cost reduction efforts and a better sales mix 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. Demand for glass cord used in engine timing belts fell, reflecting conditions in the automotive sector generally, particularly towards the end of the year. Results in the battery separator business remained stable.

Joint Ventures and Associates

The Group's share of joint ventures and associates' profits after tax was ¥ 1,077 million (4Q FY2019: ¥ 6,244 million).

The Group's share of joint ventures and associate's profits was below the previous year, due partly to the non-recurrence of a one-off gain recorded during the second quarter of the previous year at Cebrace, the Group's architectural joint venture in Brazil, following the conclusion of a legal challenge regarding the calculation of sales-based taxes. In addition, underlying results also fell as the Group's joint ventures and associates faced increasingly difficult market conditions towards the end of the year.

(2) Overview about financial condition and cash flows

Total assets at the end of March 2020 were ¥ 765,197 million, representing an increase of ¥ 3,328 million from the end of March 2019. The increase in assets was largely caused by the recognition of Right-of-Use assets, within Property, Plant & Equipment, as a result of the adoption of IFRS16 "Leases". Total equity was ¥ 88,194 million, representing a decrease of ¥ 44,312 million from the March 2019 figure of ¥ 132,506 million. Total equity fell mainly as a result of the strengthened yen when compared to many of the Group's currencies, the loss recorded for the period and the acquisition and cancellation of Class A shares.

Net financial indebtedness increased by ¥ 72,468 million from 31 March 2019 to ¥ 390,169 million at the period end. The increase in indebtedness arose from the adoption of IFRS16, and also from capital expenditure in growth investment projects. Gross debt was ¥ 435,007 million at the period end. As of 31 March 2020, the Group had un-drawn, committed facilities of ¥ 65,511 million.

Cash inflows from operating activities were ¥ 30,444 million. Cash outflows from investing activities were ¥ 56,888 million, including capital expenditure on property, plant, and equipment of ¥ 60,868 million. Capital expenditure increased due to the progression of strategic investment projects in the U.S., Vietnam and Argentina. As a result, free cash flow was an outflow of ¥ 26,444 million.

(3) Prospects

The Group has not published a forecast for the financial year FY2021. The current economic environment has led to a severe disruption of the Group's normal business activity. In response to the COVID-19 pandemic and a lack of demand for glass, the Group has taken appropriate action to suspend or reduce production at various plants with the utmost priority on health and safety of its employees. The Group is focused on saving cash costs in a variety of areas and is also actively seeking government assistance where such programs are available. The Group will continue its programs of disposing of non-core assets and improving the efficiency of working capital. Additionally, the Group will prioritize capital expenditure to focus on strategically important and urgent projects, suspending expenditure on other projects where appropriate.

The Group expects a gradual recovery of demand during FY2021, but it is not clear what the timing and extent of this recovery is likely to be. Therefore the Group does not yet have sufficient clarity on the expected FY2021 financial results to enable a forecast to be published. As the short and medium-term impact of the COVID-19 pandemic becomes clearer, the Group will provide guidance on its FY2021 forecast and on its medium-term plan and strategy.

Whilst noting the robust liquidity position as at 31 March 2020, the Group is mindful of its liquidity needs going forwards in the current distressed market conditions. The Group is in discussions with its providers of finance to ensure that sufficient liquidity will continue to be available.

The Group recognizes the improvement of its financial stability is critical and urgent. It will continue to make efforts to enhance its profitability and cash flow by fundamentally reforming the cost structure of existing businesses while accelerating new business development with the reinforcement of R&D and Business Innovation Center activities. In addition, it will control capital expenditure and dispose non-core businesses and assets to reduce interest-bearing debt. With these measures the Group aims to recover its business to be able to generate sustainable profit and cash.

In the medium term, the Group expects a gradual recovery of markets to more normal levels as experienced prior to the COVID-19 pandemic, although it will vary in different industrial sectors. As noted above, the pace and timing of such a recovery is currently unclear although the Group expects that this is likely to be gradual and does not anticipate a rapid return to pre COVID-19 levels of demand.

When the current coronavirus pandemic has subsided, the society and economy might be changed drastically forever. With a view to such changes, the Group will redefine the businesses to develop further or to defocus and transform its business structure. The Group believes certain fields such as the environment (glass for solar panels and energy saving glass for ZEB and ZEH), health and safety (PCR test device and antivirus glass) and telecommunication, where demand associated with new working styles would increase (optical telecom devices), where it can contribute with its strengths.

The Group's overall direction remains unchanged. It will continue to focus on VA products, drive a change to a lighter-asset cost structure, establish more customer-oriented product development and sales and marketing and leaner and more agile organization utilizing ICT, so as to make its business less cyclical.

(4) Dividend policy

The Group's dividend policy is to secure dividend payments based on sustainable business results. As a consequence of the loss recorded for the year, the Group does not intend to distribute a dividend on ordinary shares for FY2020.

Dividends related to Class A Shares are detailed on page 3.

2. Basic concept regarding selection of accounting standards

The Group applies International Financial Reporting Standards (IFRS) in the preparation of its consolidated financial statements. The Group has a detailed set of specific accounting policies, complying with IFRS, which all subsidiary companies apply when preparing financial statements for the purposes of Group consolidation. The application of a common accounting language, based on IFRS, enables the Group to measure business performance and assess business decisions, using consistently prepared comparable financial data.

With the Group's global spread of operations and shareholders base, the application of IFRS reflects the Group's position as an international company headquartered in Japan.

3. Consolidated Financial Statements

(1). (a) Consolidated income statement

		¥ millions	
	Note	FY2020 For the period 1 April 2019 to 31 March 2020	FY2019 For the period 1 April 2018 to 31 March 2019
Revenue	(6)-(f)	556,178	612,789
Cost of sales		(421,881)	(452,095)
Gross profit		134,297	160,694
Other income		3,177	1,130
Distribution costs		(51,430)	(55,582)
Administrative expenses		(59,351)	(63,999)
Other expenses		(5,516)	(5,388)
Operating profit	(6)-(f)	21,177	36,855
Exceptional items	(6)-(g)	(23,960)	(7,068)
Operating (loss)/profit after exceptional items		(2,783)	29,787
Finance income	(6)-(h)	2,126	2,131
Finance expenses	(6)-(h)	(13,969)	(15,432)
Share of post-tax profit of joint ventures and associates accounted for using the equity method		1,077	6,244
(Loss)/profit before taxation		(13,549)	22,730
Taxation	(6)-(i)	(3,969)	(8,352)
(Loss)/profit for the period		(17,518)	14,378
Profit attributable to non-controlling interests		1,407	1,091
(Loss)/profit attributable to owners of the parent		(18,925)	13,287
		(17,518)	14,378
Earnings per share attributable to owners of the parent	(6)-(j)		
Basic		(235.96)	115.16
Diluted		(235.96)	85.14

(1). (b) Consolidated statement of comprehensive income

		¥ millions	
		FY2020	FY2019
		For the period	For the period
		1 April 2019 to	1 April 2018 to
		31 March 2020	31 March 2019
Note			
	(Loss)/profit for the period	(17,518)	14,378
	Other comprehensive income:		
	Items that will not be reclassified to profit or loss:		
	Re-measurement of retirement benefit obligations (net of taxation)	(6)-(o) 9,117	697
	Revaluation of Assets held at Fair Value through Other Comprehensive Income - equity investments (net of taxation)	(1,974)	(157)
	Sub total	7,143	540
	Items that may be reclassified subsequently to profit or loss:		
	Foreign currency translation adjustments	(25,908)	(18,054)
	Revaluation of Assets held at Fair Value through Other Comprehensive Income – other investments (net of taxation)	209	36
	Cash flow hedges: - fair value losses, net of taxation	(4,845)	(103)
	Hyperinflation adjustment	(6)-(p) 4,386	2,829
	Sub total	(26,158)	(15,292)
	Total other comprehensive income for the period, net of taxation	(19,015)	(14,752)
	Total comprehensive income for the period	(36,533)	(374)
	Attributable to non-controlling interests	1,544	508
	Attributable to owners of the parent	(38,077)	(882)
		(36,533)	(374)

(2) Consolidated balance sheet

	¥ millions	
	FY2020 as at 31 March 2020	FY2019 as at 31 March 2019
ASSETS		
Non-current assets		
Goodwill	91,199	107,349
Intangible assets	47,390	53,790
Property, plant and equipment	294,545	241,506
Investment property	303	371
Investments accounted for using the equity method	17,083	18,294
Retirement benefit asset	32,894	27,557
Contract assets	622	1,047
Trade and other receivables	10,474	14,327
Financial assets:		
- Assets held at Fair Value through Other Comprehensive Income	17,571	18,640
- Derivative financial instruments	51	435
Deferred tax assets	28,658	32,411
Tax receivables	318	561
	541,108	516,288
Current assets		
Inventories	118,388	119,645
Contract assets	2,117	1,645
Trade and other receivables	54,003	63,994
Financial assets:		
- Assets held at Fair Value through Other Comprehensive Income	461	-
- Derivative financial instruments	1,179	966
Cash and cash equivalents	43,608	52,406
Tax receivables	2,119	1,721
	221,875	240,377
Assets held for sale	2,214	5,204
	224,089	245,581
Total Assets	765,197	761,869

(2) Consolidated balance sheet continued

	¥ millions	
	FY2020 as at 31 March 2020	FY2019 as at 31 March 2019
LIABILITIES AND EQUITY		
Current liabilities		
Financial liabilities:		
- Borrowings	54,000	41,054
- Derivative financial instruments	4,664	1,132
Trade and other payables	124,145	127,425
Contract liabilities	4,537	3,780
Taxation liabilities	2,232	3,084
Provisions	9,423	13,880
Deferred income	996	1,191
	199,997	191,546
Liabilities related to assets held for sale	392	1,432
	200,389	192,978
Non-current liabilities		
Financial liabilities:		
- Borrowings	373,728	328,598
- Derivative financial instruments	2,615	724
Trade and other payables	382	481
Contract liabilities	6,120	590
Deferred tax liabilities	16,105	18,469
Taxation liabilities	2,646	2,408
Retirement benefit obligations	58,589	66,177
Provisions	13,261	14,184
Deferred income	3,168	4,754
	476,614	436,385
Total liabilities	677,003	629,363
Equity		
Capital and reserves attributable to the Company's equity shareholders		
Called up share capital	116,607	116,588
Capital surplus	155,222	160,953
Retained earnings	(54,276)	(40,530)
Retained earnings (Translation adjustment at the IFRS transition date)	(68,048)	(68,048)
Other reserves	(75,893)	(45,203)
Total shareholders' equity	73,612	123,760
Non-controlling interests	14,582	8,746
Total equity	88,194	132,506
Total liabilities and equity	765,197	761,869

(3) Consolidated statement of changes in equity

¥ millions

FY2020	Share Capital	Capital surplus	Retained earnings	Retained earnings (Translation adjustment at the IFRS transition date)	Other reserves	Total share holders equity	Non-controlling interests	Total equity
At 1 April 2019	116,588	160,953	(40,530)	(68,048)	(45,203)	123,760	8,746	132,506
Adoption of new standards	-	-	(3,576)	-	-	(3,576)	-	(3,576)
At 1 April 2019 (after adjustment)	116,588	160,953	(44,106)	(68,048)	(45,203)	120,184	8,746	128,930
Loss for the period	-	-	(18,925)	-	-	(18,925)	1,407	(17,518)
Other comprehensive income	-	-	11,567	-	(30,719)	(19,152)	137	(19,015)
Total Comprehensive Income	-	-	(7,358)	-	(30,719)	(38,077)	1,544	(36,533)
<i>Transactions with owners</i>								
Dividends paid	-	-	(2,822)	-	-	(2,822)	(508)	(3,330)
Share based payments	19	19	-	-	31	69	-	69
Purchase of treasury stock	-	-	-	-	(5,752)	(5,752)	-	(5,752)
Retirement of treasury stock	-	(5,750)	-	-	5,750	-	-	-
Equity transaction with non-controlling interests	-	-	10	-	-	10	4,800	4,810
At 31 March 2020	116,607	155,222	(54,276)	(68,048)	(75,893)	73,612	14,582	88,194

¥ millions

FY2019	Share Capital	Capital surplus	Retained earnings	Retained earnings (Translation adjustment at the IFRS transition date)	Other reserves	Total share holders equity	Non-controlling interests	Total equity
At 1 April 2018 (restated)	116,546	166,661	(51,350)	(68,048)	(28,617)	135,192	8,523	143,715
Hyperinflation adjustment	-	-	770	-	-	770	598	1,368
At 1 April 2018 (after hyperinflation adjustment)	116,546	166,661	(50,580)	(68,048)	(28,617)	135,962	9,121	145,083
Profit for the period	-	-	13,287	-	-	13,287	1,091	14,378
Other comprehensive income	-	-	2,432	-	(16,601)	(14,169)	(583)	(14,752)
Total Comprehensive Income	-	-	15,719	-	(16,601)	(882)	508	(374)
<i>Transactions with owners</i>								
Dividends paid	-	-	(5,669)	-	-	(5,669)	(472)	(6,141)
Share based payments	42	42	-	-	19	103	-	103
Purchase of treasury stock	-	-	-	-	(5,754)	(5,754)	-	(5,754)
Retirement of treasury stock	-	(5,750)	-	-	5,750	-	-	-
Equity transaction with non-controlling interests	-	-	-	-	-	-	(411)	(411)
At 31 March 2019	116,588	160,953	(40,530)	(68,048)	(45,203)	123,760	8,746	132,506

(4) Consolidated statement of cash flows

		¥ millions	
	Note	FY2020 for the period 1 April 2019 to 31 March 2020	FY2019 for the period 1 April 2018 to 31 March 2019
Cash flows from operating activities			
Cash generated from operations	(6)-(m)	43,873	44,434
Interest paid		(11,097)	(12,047)
Interest received		3,236	2,019
Tax paid		(5,568)	(5,376)
Net cash inflows from operating activities		30,444	29,030
Cash flows from investing activities			
Dividends received from joint ventures and associates		1,490	3,606
Purchase of associates		(13)	-
Proceeds on disposal of joint ventures and associates		-	15
Proceeds on disposal of subsidiaries		1,950	-
Decrease in cash and cash equivalents resulting from change in scope of consolidation		(129)	-
Purchases of property, plant and equipment		(60,868)	(28,125)
Proceeds on disposal of property, plant and equipment		1,879	479
Purchases of intangible assets		(1,778)	(2,380)
Proceeds on disposal of intangible assets		37	1
Purchase of assets held at FVOCI		(2,218)	(1,801)
Proceeds on disposal of assets held at FVOCI		1	10
Loans advanced to joint ventures, associates & third parties		(1,075)	(502)
Loans repaid from joint ventures, associates & third parties		2,663	555
Others		1,173	(1)
Net cash outflows from investing activities		(56,888)	(28,143)
Cash flows from financing activities			
Dividends paid to owners of the parent		(2,818)	(5,656)
Dividends paid to non-controlling interests		(508)	(472)
Repayment of borrowings		(46,567)	(107,973)
Proceeds from borrowings		69,040	108,907
Increase in Treasury stock		(5,752)	(5,754)
Capital contribution from non-controlling interests		5,248	-
Others		(438)	(410)
Net cash in/ (out) flows from financing activities		18,205	(11,358)
Decrease in cash and cash equivalents (net of bank overdrafts)		(8,239)	(10,471)
Cash and cash equivalents (net of bank overdrafts) at beginning of period	(6)-(n)	50,292	62,799
Effect of foreign exchange rate changes		(3,627)	(3,558)
Hyperinflation adjustment	(6)-(p)	2,086	1,522
Cash and cash equivalents (net of bank overdrafts) at end of period	(6)-(n)	40,512	50,292

(5) Notes regarding going concern

There were no issues or events arising during the period, which negatively affect the ability of the Group to continue as a going concern.

(6) Notes to the Consolidated Financial Statements**(a) Reporting entity**

Nippon Sheet Glass Company, Limited and its consolidated subsidiaries (the Group) is a world leader in the supply of flat glass for architectural and automotive applications. In addition, the Group has a number of discreet technical glass businesses, operating in high technology areas. The parent company of the Group, Nippon Sheet Glass Company, Limited (the Company) is domiciled in Japan and has shares publicly traded on the Tokyo Stock Exchange. The registered office is located at 5-27, Mita 3-chome, Minato-ku, Tokyo, 108-6321, Japan.

(b) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provision of article 93 of "Regulations Concerning Terminology, Forms, and Method for Preparing Financial Statements" (Ministry of Finance Ordinance No. 28, issued in 1976).

The Company meets the requirement of the provision of article 1-2 of the regulations and satisfies the status of a qualified company for filing the financial statements in IFRS "Tokutei-kaisha" of the provision.

The consolidated financial statements have been prepared on a historical cost basis, except for investment property, derivative financial instruments and assets held at fair value through other comprehensive income that have been measured at fair value, and also except for the application of hyperinflationary accounting at the group subsidiaries in Argentina.

The consolidated financial statements are presented in Japanese yen and are rounded to the nearest million yen (¥m) except where otherwise indicated.

(c) New standards, amendments and interpretations issued but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's annual accounting periods beginning on or after 1 April 2020 and are considered to be relevant and potentially material to the Group's primary financial statements. The Group has elected not to adopt early the standards as described below:

IFRS 17 "Insurance Contracts" addresses accounting for insurance contracts and will be effective from the Group's financial period commencing 1 April 2021. This new standard will replace IFRS 4 "Insurance Contracts". The Group has not yet calculated the impact of the adoption of this standard.

(d) Principal accounting policies

The principal accounting policies applied to the consolidated financial statements for the year ended 31 March 2020 are the same as the ones applied to the consolidated financial statements for the year ended 31 March 2019, except for the changes described below:

The Group has adopted IFRS 16 'Leases' from the Group's financial period commencing 1 April 2019. This new standard addresses the principles for the recognition and measurement of leases, and replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an Agreement contains a Lease'. The Group has adopted this new standard retrospectively with the cumulative effect of initial application recognized in the opening balance sheet on 1 April 2019. The values for the comparative period are based on IAS 17 rules and are presented as previously reported.

Leases that were previously classified as operating leases in accordance with IAS 17 are recognized to conform with IFRS 16 rules using the recognition and measurement requirements and exemptions as set out below:

Right-of-use asset	<p>Right-of-use assets recognized by the Group as a lessee at 1 April 2019 are measured at cost, generally corresponding with the discounted remaining lease payments due as at that date.</p> <p>Subsequent acquisitions of right-of-use assets will be measured at the discounted value of future lease payments as adjusted by initial direct costs, prepaid lease payments, and estimates of future dismantling or clean-up costs.</p> <p>Right-of-use assets are presented as 'Property, plant and equipment' in the Group's consolidated balance sheet. Depreciation is charged on a straight-line basis over the shorter of the lease term or remaining estimated life of the asset.</p>
Lease liability	<p>Lease liabilities recognized by the Group as a lessee at 1 April 2019 are measured at the present value of future lease payments at that date, using the practical expedient to apply consistent discount rates to portfolios of leases with similar characteristics.</p> <p>For leases contracted after 1 April 2019, the discount rate used is the interest rate implicit in the lease, equating the future lease payments with the present value of the leased asset. Where this cannot be readily determined the Group will use its incremental borrowing rate, as adjusted to take account of factors such as the term and currency of the lease, the financial position of the NSG Group lessee, and the security inherently provided to the lessor in a lease arrangement.</p> <p>Lease liabilities are presented as 'Borrowings' in the Group's consolidated balance sheet. Lease liabilities are subsequently measured based on the effective interest method, and interest expenses will be charged to the income statement.</p>
Practical expedients used upon initial application of IFRS 16	<p>The Group has used the following practical expedients as permitted upon initial application of IFRS 16, at 1 April 2019:</p> <p>Right-of-use assets and lease liabilities are not recognized for leases where the lease term ends within 12 months of the date of initial application.</p> <p>Hindsight is used in determining the lease term if the contract contains options to extend or terminate the lease.</p>

The Group has applied IFRS 16 to contracts that were previously identified as leases when applying IAS 17 without reassessing whether a contract is, or contains, a lease at 1 April 2019. The Group has not applied this standard to contracts that were not identified as containing a lease when applying IAS 17.

The Group has also elected not to recognize right-of-use assets and lease liabilities for short-term leases with terms within 12 months, and leases for which the underlying asset is of low value. In such cases, the Group will recognize the payments associated with those leases as an expense on a straight-line basis over the lease term.

At the date of initial application of IFRS 16, the Group recognized right-of-use assets of ¥34,288 million and lease liabilities of ¥34,289 million, in both cases representing an increase of ¥34,220 million on the IAS 17 value. The difference of ¥1 million is due to the assets and liabilities accounted for as finance leases when applying IAS17 which now have been reclassified as leases without any amendment to their 31 March 2019 value.

The ongoing income statement impact is likely to be relatively immaterial and will involve operating lease rental costs being replaced with a depreciation charge on right-of-use assets and a finance charge on lease liabilities.

Repayments of capitalized lease balances will now be shown as financing cash flows, whereas previously these were shown as operating cash flows.

The difference between the lease liabilities recognized in the Group's balance sheet at the date of initial application of IFRS 16, and the operating lease commitments in accordance with IAS 17 as at 31 March 2019 which were disclosed in the Group's FY2019 consolidated financial statements, are as follows:

¥ million

IAS 17 Operating lease commitments as at 31 March 2019, as disclosed in the Group's FY2019 consolidated financial statements	29,884
Effect of discounting using the Group's weighted-average incremental borrowing rate (4.3%) as at 1 April 2019	(4,743)
IAS 17 Operating lease commitments as at 31 March 2019, discounted using the Group's weighted-average incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at 1 April 2019 (4.3%)	25,141
IAS 17 finance lease liabilities as at 31 March 2019	69
Leases excluded from IAS 17 disclosures due to cancellation clauses in the underlying lease agreements and new leases identified during IFRS 16 implementation, less short-term and low-value leases excluded from IFRS 16 lease liability	9,079
Lease liabilities recognized in the Group's balance sheet at 1 April 2019	34,289

The value of finance lease liabilities recognized on adoption of IFRS16 as at 1 April 2019, is greater than the Group's previous estimation as disclosed in its FY2019 consolidated financial statements, due to the identification of additional leases after the date of publication of those financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies the recognition and measurement guidance contained within IAS 12 "Income Taxes" with respect to uncertain tax treatments. An uncertain tax treatment is any tax treatment, applied in local tax filings, where there is uncertainty whether the local tax authority will accept that tax treatment according to local laws. This new interpretation is effective from the Group's financial period commencing 1 April 2019. The Group has adopted this new interpretation retrospectively with the cumulative effect of initial application recognized in the opening balance sheet on 1 April 2019. The values for the comparative period do not include the impact of adopting this new interpretation and are as previously reported.

The adoption of IFRIC 23 has caused the Group to decrease its deferred tax assets by ¥1,191 million, decrease its deferred tax liability by ¥68 million, increase its trade and other payables by ¥1,780 million and decrease its retained earnings by ¥2,903 million for uncertain tax positions at 1 April 2019. The ongoing income statement impact is not expected to be material.

(e) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will not usually be equal to the resulting actual outcome.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In response to the COVID-19 pandemic and a lack of demand for glass, the Group has taken appropriate action to suspend or reduce production at various plants. The Group expects a gradual recovery of demand during FY2021, but it is not clear what the timing and extent of this recovery is likely to be. In the medium term, the Group expects a gradual recovery of markets to more normal levels as experienced prior to the COVID-19 pandemic, although it will vary in different industrial sectors. As noted above, the pace and timing of such a recovery is currently unclear although the Group expects that this is likely to be gradual and does not anticipate a rapid return to pre COVID-19 levels of demand.

The Group has performed an impairment test as at the year-end date on the balance sheet value of goodwill resulting in an impairment as noted in 6(g) on page 22. This testing involved comparing the value-in-use of the Group's identified Cash Generating Units (CGUs) with the accounting value of assets within each CGU. To calculate the value-in-use of each CGU, forward-looking cash-flow projections were prepared, covering the financial periods from FY2021 to FY2024 with a perpetuity thereafter. Critical assumptions included discount rates, perpetuity growth rates, projected sales volumes and prices, and input costs. The Group then applied risk-based downside adjustments to its base case assumptions prepared before COVID-19 pandemic to generate forecast value-in-use cash flows for comparison to asset values. For the Automotive Europe and Automotive Rest of World CGUs, the risk-adjusted value-in-use calculation was lower than the asset values within those CGU's, resulting in an impairment of goodwill. These risk-based downsides were prepared assuming that any recovery in the Group's key markets will be modest compared to the base case assumption with some residual COVID-19 impact on demand still prevailing in FY2024.

(f) Segmental information

The Group is organized on a worldwide basis into the following principal business segments.

Architectural, includes the manufacture and sale of flat glass and various interior and exterior glazing products within the commercial and residential markets. It also includes glass for Solar Energy sector.

Automotive, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

Technical Glass comprises several discrete businesses, including the manufacture and sale of very thin glass used as cover glass for displays, lenses and light guides for printers, as well as glass fiber products, such as battery separators and glass components for engine timing belts.

Other operations include head office and other central costs, consolidation adjustments, including costs recorded with respect to goodwill and intangible assets arising on consolidation, and other non-core activities.

External revenue is disaggregated into three categories; Europe, Asia which includes Japan, and Americas which comprises of North and South Americas.

The segmental results for the financial period to 31 March 2020 were as follows:

	¥ millions				
FY2020 For the period 1 April 2019 to 31 March 2020	Architectural	Automotive	Technical Glass	Other Operations	Total
Total revenue	247,139	282,570	42,607	5,024	577,340
Inter-segmental revenue	(13,452)	(1,593)	(2,464)	(3,653)	(21,162)
External revenue	233,687	280,977	40,143	1,371	556,178
<i>Disaggregation of external revenue by geographical regions:</i>					
<i>Europe</i>	87,069	119,772	7,108	629	214,578
<i>Asia</i>	91,370	67,147	31,694	742	190,953
<i>Americas</i>	55,248	94,058	1,341	-	150,647
Trading profit	17,331	6,100	7,116	(7,529)	23,018
Amortization arising from the acquisition of Pilkington plc	-	-	-	(1,841)	(1,841)
Operating profit	17,331	6,100	7,116	(9,370)	21,177
Exceptional items	(4,568)	(7,123)	829	(13,098)	(23,960)
Operating loss after exceptional items					(2,783)
Finance costs – net					(11,843)
Share of post-tax profit from joint ventures and associates					1,077
Loss before taxation					(13,549)
Taxation					(3,969)
Loss for the period from continuing operations					(17,518)

(f) Segmental information continued

The segmental results for the financial period to 31 March 2019 were as follows:

	¥ millions				
FY2019 For the period 1 April 2018 to 31 March 2019	Architectural	Automotive	Technical Glass	Other Operations	Total
Total revenue	263,930	316,488	50,437	5,328	636,183
Inter-segmental revenue	(16,582)	(1,843)	(1,331)	(3,638)	(23,394)
External revenue	247,348	314,645	49,106	1,690	612,789
<i>Disaggregation of external revenue by geographical regions:</i>					
<i>Europe</i>	95,976	140,169	8,125	735	245,005
<i>Asia</i>	92,928	70,601	39,448	955	203,932
<i>Americas</i>	58,444	103,875	1,533	-	163,852
Trading profit	25,811	15,118	8,062	(10,167)	38,824
Amortization arising from the acquisition of Pilkington plc	-	-	-	(1,969)	(1,969)
Operating profit	25,811	15,118	8,062	(12,136)	36,855
Exceptional items	(4,172)	(4,596)	3,327	(1,627)	(7,068)
Operating profit after exceptional items					29,787
Finance costs – net					(13,301)
Share of post-tax profit from joint ventures and associates					6,244
Profit before taxation					22,730
Taxation					(8,352)
Profit for the period from continuing operations					14,378

The segmental assets at 31 March 2020 and capital expenditure for the period ended 31 March 2020 were as follows:

	¥ millions				
	Architectural	Automotive	Technical Glass	Other Operations	Total
Net trading assets	146,810	158,386	33,602	7,467	346,265
Capital expenditure (including intangibles)	43,770	13,476	1,672	8,053	66,971

The segmental assets at 31 March 2019 and capital expenditure for the period ended 31 March 2019 were as follows:

	¥ millions				
	Architectural	Automotive	Technical Glass	Other Operations	Total
Net trading assets	140,370	137,588	31,972	7,379	317,309
Capital expenditure (including intangibles)	15,150	14,110	1,919	971	32,150

Net trading assets consist of property, plant and equipment, investment property, intangible assets excluding those arising from a business combination, inventories, trade and other receivables and trade and other payables, contract assets and liabilities.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

(g) Exceptional items

	FY2020 for the period 1 April 2019 to 31 March 2020	FY2019 for the period 1 April 2018 to 31 March 2019
	¥ millions	¥ millions
Exceptional Items (gains):		
Gain on disposal of subsidiaries and joint ventures	1,278	-
Gain on disposal of property, plant and equipment	1,092	-
Reversal of impairment of non-current assets	378	2,717
Exchange gain on business closure	-	698
Settlement of litigation matters	-	271
	<u>2,748</u>	<u>3,686</u>
Exceptional Items (losses):		
Impairment of goodwill and intangible assets	(11,728)	-
Restructuring costs, including employee termination payments	(6,368)	(4,415)
Impairments of non-current assets	(4,706)	(3,544)
Suspension costs caused by COVID-19	(2,228)	-
Suspension of facilities	(1,479)	(968)
Settlement of litigation matters	(158)	(194)
Retirement benefit obligations – past service cost	-	(1,385)
Others	(41)	(248)
	<u>(26,708)</u>	<u>(10,754)</u>
	<u>(23,960)</u>	<u>(7,068)</u>

The gain on disposal of a subsidiaries and joint ventures relates partly to the sale of Nippon Sheet Glass Environment Amenity Co., Limited, a subsidiary operating within the Technical Glass business, and partly to the disposal of the Group's shares in Jiangsu Pilkington SYP Glass Co., Ltd a float glass manufacturing entity in China.

The gain on disposal of property, plant and equipment relates to the disposal of assets within the architectural business in Europe.

The reversal of impairment of non-current assets to an asset in Architectural North America and also assets in Architectural Asia. The previous-year reversal of impairment of non-current assets relates mainly to a float line in Vietnam. This line was previously mothballed after being impaired during the year to 31 March 2016. The Group has now converted this line from its former usage as thin-glass line into a solar-energy line.

The previous-year exchange gain on business closure relates to gains previously posted to reserves using the Statement of Comprehensive Income which have now been recycled to retained earnings through the income statement having been realized following the closure of a technical Glass business in China.

The impairment of goodwill and intangible assets relates to goodwill and intangible assets (Pilkington brand name etc.) created on the acquisition of Pilkington in 2006. The impairment relates to the Automotive Europe and Automotive Rest of World Cash Generating Units (CGU's). A summary of the methodology used to calculate this impairment is set out in 6(e) on page 18.

Restructuring costs principally include the cost of compensating redundant employees for the termination of their contracts of employment. The most significant costs during the year related to projects in Automotive Europe and to a lesser extent Automotive in South America. The most significant projects during the previous year were in Architectural and Automotive Europe, and Architectural in Japan.

The impairment of non-current assets relates mainly to architectural assets in Asia, particularly in Japan. The previous year impairment of non-current assets relates to assets in both Architectural and Automotive Europe as a consequence of restructuring projects in these businesses.

Suspension costs caused by COVID-19 relate to the costs of maintaining facilities that have been temporarily idled as a direct consequence of the COVID-19 pandemic. These costs are not recovered through external sales during this period so have been reclassified to exceptional items. These costs do not represent the full impact of COVID-19 which is predominantly an opportunity cost of lost margin due to the significant decline in sales arising.

The suspension of facilities mainly relates to a short-term suspension of the Group's Architectural facility in Laurinburg, U.S.A., due to a power failure in the local area, and also includes a short-term suspension of the Group's Architectural facility in Chiba, Japan as a result of Typhoon damages. The previous year suspension of facilities included the cost of repair to a float line in Japan required as a direct result of typhoon damage during the third quarter, and also the temporary suspension of automotive facilities in Europe to equate the Group's production capacity with levels of demand.

The settlement of litigation matters in both the current and previous years relates to legal claims arising as a result of transactions that were previously recorded as exceptional items.

The previous year past service cost on retirement benefit obligations relates to a court ruling in the U.K. regarding Guaranteed Minimum Pensions (GMP's). Following this judgement, U.K. pension schemes are required to equalize benefits in excess of the GMP as between male and female scheme members for the period between 1990 and 1997. GMP's represent an element of the Group's pension liability which was designed to substitute for pension benefits that would otherwise have been provided by the state, with the state-provided pension benefits being unequal between men and women resulting in inequality of the scheme-provided benefit. The exceptional item recognized consists of a gross charge of ¥ 2,144 million and a credit with respect to taxation on pension surplus of ¥ 759 million.

(h) Finance income and expenses

	Note	FY2020 for the period 1 April 2019 to 31 March 2020	FY2019 for the period 1 April 2018 to 31 March 2019
		¥ millions	¥ millions
Finance income			
Interest income		1,967	2,003
Foreign exchange transaction gains		67	128
Gain on net monetary position	(6)-(p)	92	-
		2,126	2,131
Finance expenses			
Interest expense:			
- bank and other borrowings		(11,882)	(12,219)
Dividend on non-equity preference shares due to minority shareholders		(242)	(258)
Foreign exchange transaction losses		(437)	(90)
Other interest and similar charges		(890)	(697)
		(13,451)	(13,264)
Unwinding discounts on provisions		(199)	(205)
Retirement benefit obligations			
- net finance charge	(6)-(o)	(319)	(480)
Loss on net monetary position	(6)-(p)	-	(1,483)
		(13,969)	(15,432)

(i) Taxation

	FY2020 for the period 1 April 2019 to 31 March 2020	FY2019 for the period 1 April 2018 to 31 March 2019
	¥ millions	¥ millions
Current tax		
Charge for the period	(3,814)	(6,159)
Adjustment in respect of prior periods	542	(254)
	(3,272)	(6,413)
Deferred tax		
Credit/(charge) for the period	(192)	(2,119)
Adjustment in respect of prior periods	206	192
Adjustment in respect of rate changes	(711)	(12)
	(697)	(1,939)
Taxation charge for the period	(3,969)	(8,352)

The Group has a tax charge for FY2020 which results in an effective rate of tax of (27.1) percent on the loss before taxation for the period, after excluding the Group's share of net profits of joint ventures and associates (FY2019: a tax charge of 50.7 percent).

The tax charge for the year is calculated as the sum of the total current and deferred tax charge or credit arising in each territory in which the Group operates.

(j) Earnings per share**(i) Basic**

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent, after deducting dividends and redemption premium paid to holders of Class A shares, by the weighted average number of ordinary 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 ordinary shares excludes ordinary shares purchased by the company and held as treasury shares.

	Period ended 31st March 2020	Period ended 31 st March 2019
	¥ millions	¥ millions
(Loss)/Profit attributable to owners of the parent	(18,925)	13,287
Adjustment for;		
- Dividends on class A shares	(1,700)	(2,114)
- Redemption premium paid on class A shares	(750)	(750)
Profit used to determine basic earnings per share	(21,375)	10,423
	Thousands	Thousands
Weighted average number of ordinary shares in issue	90,588	90,509
	¥	¥
Basic earnings per share	(235.96)	115.16

(ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, following the exercise of share options and exercise of put options, attached to Class A shares, for which the consideration is common shares. As for share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is deducted from the number of shares that would have been issued assuming the exercise of the share options. As for Class A shares, a calculation is performed to determine the number of shares that would have been issued, assuming a conversion to common shares that is most advantageous for holders of the Class A shares. Conversion of Class A shares to common shares is reflected in the diluted earnings per share, using the factor applied to the case where the put options are exercised from 1 July 2022 onward, if the conversion has dilutive effect.

	Period ended 31st March 2020	Period ended 31 st March 2019
	¥ millions	¥ millions
Earnings		
Profit attributable to owners of the parent	(18,925)	13,287
Adjustment for;		
- Dividends on class A shares	(1,700)	-
Redemption premium paid on class A shares	(750)	-
Profit used to determine diluted earnings per share	(21,375)	13,287
	Thousands	Thousands
Weighted average number of ordinary shares in issue	90,588	90,509
Adjustment for:		
- Share options	-	611
- Preferred shares	-	64,934
Weighted average number of ordinary shares for diluted earnings per share	90,588	156,054
	¥	¥
Diluted earnings per share	(235.96)	85.14

Diluted earnings per share for the period do not include stock options and Class A shares due to the anti-dilutive effect caused by the profits and the loss during the period.

(k) Dividends paid and proposed

	Year ended 31 st March 2020	Year ended 31 st March 2019
Dividends on ordinary shares declared and paid during the period:		
Final dividend for the previous year		
Dividend total (¥ millions)	1,811	1,809
Dividend per share (¥)	20	20
Interim dividend for the year		
Dividend total (¥ millions)	-	905
Dividend per share (¥)	-	10 *
Dividends on ordinary shares declared after the end of the reporting period and not recognized as a liability:		
Final dividend for the year		
Dividend total (¥ millions)	-	1,811
Dividend per share (¥)	-	20

* Centennial commemoration dividend

	Year ended 31 st March 2020	Year ended 31 st March 2019
Dividends on Class A shares declared and paid during the period:		
Final dividend for the previous year		
Dividend total (¥ millions)	960	1,800
Dividend per share (¥)	27,424.70	45,000.00
Interim dividend for the year		
Dividend total (¥ millions)	-	1,103
Dividend per share (¥)	-	27,575.30
The daily pro-rated preferred dividend for the partial acquisition during the year		
Dividend total (¥ millions)	50	51
Dividend per share (¥)	10,068.30	10,246.60
Dividends on Class A shares declared after the end of the reporting period and not recognized as a liability:		
Final dividend for the year		
Dividend total (¥ millions)	1,650	960
Dividend per share (¥)	55,000.00	27,424.70

(l) Exchange rates

The principal exchange rates used for the translation of foreign currencies were as follows:

	FY2020 31 March 2020		FY2019 31 March 2019	
	Average	Closing	Average	Closing
GBP	138	133	146	144
US dollar	109	108	111	111
Euro	121	119	129	124
Argentine peso	-	1.68	-	2.53

(m) Cash flows generated from operations

	Note	FY2020 for the period 1 April 2019 to 31 March 2020	FY2019 for the period 1 April 2018 to 31 March 2019
		¥ millions	¥ millions
(Loss)/Profit for the period from continuing operations		(17,518)	14,378
Adjustments for:			
Taxation	(6)-(i)	3,969	8,352
Depreciation		31,047	24,218
Amortization		3,795	3,692
Impairment		17,507	4,614
Reversal of impairment of non-current assets		(378)	(2,735)
Profit on sale of property, plant and equipment		(1,117)	(157)
Profit on sales of subsidiaries, joint ventures, associates and businesses		(1,362)	(4)
Exchange gain on business closure		-	(698)
Grants and deferred income		(1,463)	768
Finance income	(6)-(h)	(2,126)	(2,131)
Finance expenses	(6)-(h)	13,969	15,432
Share of profits from joint ventures and associates		(1,077)	(6,244)
Other items		(2,534)	(1,433)
Operating cash flows before movement in provisions and working capital		42,712	58,052
Decrease in provisions and retirement benefit obligations		(7,568)	(8,593)
Changes in working capital:			
- inventories		(5,460)	(10,045)
- trade and other receivables		11,049	2,211
- trade and other payables		(3,414)	1,394
- contract balances		6,554	1,415
Net change in working capital		8,729	(5,025)
Cash flows generated from operations		43,873	44,434

(n) Cash and cash equivalents

	As at 31 March 2020	As at 31 March 2019
	¥ millions	¥ millions
Cash and cash equivalents	43,608	52,406
Bank overdrafts	(3,096)	(2,114)
	40,512	50,292

(o) Post-retirement benefits

(Charges) and credits, relating to defined benefit type post-retirement benefit arrangements were recorded in the income statement and statement of comprehensive income as follows:

FY2020 for the period 1 April 2019 to 31 March 2020

	Operating costs ¥ millions	Exceptional costs ¥ millions	Finance costs ¥ millions	SoCI* ¥ millions
Post-employment benefits	(3,227)	-	293	12,457
Post-retirement healthcare benefits	(22)	-	(612)	1,915
Deferred income and other taxes**	-	-	-	(5,255)
	(3,249)	-	(319)	9,117

FY2019 for the period 1 April 2018 to 31 March 2019

	Operating costs ¥ millions	Exceptional costs ¥ millions	Finance costs ¥ millions	SoCI* ¥ millions
Post-employment benefits	(3,611)	(2,144)	359	(465)
Post-retirement healthcare benefits	(26)	-	(839)	3,682
Deferred income and other taxes**	-	759	-	(2,520)
	(3,637)	(1,385)	(480)	697

* Consolidated Statement of Comprehensive Income

** Included within deferred income and other taxes is a deferred tax charge of ¥ 1,097 million (FY2019: charge of ¥ 943 million) and other taxes of ¥ 4,158 million (FY2019: ¥ 1,577 million), which represent a charge against the pension asset.

A summary of the main assumptions, applying to the Group's most material retirement benefit obligations is set out below.

	As at 31 March 2020 %	As at 31 March 2019 %
UK discount rate	2.4	2.4
UK inflation	2.0	2.1
Japan discount rate	0.4	0.6
US discount rate	2.9	3.6
Eurozone discount rates (range)	1.7	1.0-1.4

(p) Hyperinflationary accounting adjustments

As from the second quarter of FY 2019, the wholesale price index in Argentina indicated that cumulative 3-year inflation had exceeded 100 percent. Consequently, the Group has concluded that its subsidiaries in Argentina, each of which has the Argentine Peso as a functional currency, are currently operating in a hyperinflationary environment. The Group has therefore applied accounting adjustments to the underlying financial results and position of its subsidiaries in Argentina as required by IAS 29 'Financial Reporting in Hyperinflationary Economies'.

As required by IAS 29, the Group's consolidated financial statements will include the results and financial position of its Argentinian subsidiaries, restated in terms of the measuring unit current at the period end date.

For the restatement of results and financial positions of its Argentinian subsidiaries, the Group will apply the conversion coefficient derived from the Internal Wholesales Price Index (IPIM) published by Instituto Nacional de Estadística y Censos de la República Argentina (INDEC). IPIM and corresponding conversion coefficients from June 2006 are presented below.

Balance sheet date	Internal Wholesales Price Index (IPIM) (30 June 2006 = 100)	Conversion coefficient
30 June 2006	100.0	14.408
31 March 2007	103.9	13.872
31 March 2008	120.2	11.986
31 March 2009	128.7	11.195
31 March 2010	146.5	9.835
31 March 2011	165.5	8.706
31 March 2012	186.7	7.716
31 March 2013	211.1	6.824
31 March 2014	265.6	5.425
31 March 2015	305.7	4.712
31 March 2016	390.6	3.688
31 March 2017	467.2	3.084
31 March 2018	596.1	2.417
31 March 2019	970.9	1.484
30 April 2019	1,012.9	1.422
31 May 2019	1,043.9	1.380
30 June 2019	1,075.2	1.340
31 July 2019	1,095.8	1.315
31 August 2019	1,139.1	1.265
30 September 2019	1,206.2	1.195
31 October 2019	1,245.9	1.156
30 November 2019	1,298.9	1.109
31 December 2019	1,347.5	1.069
31 January 2020	1,377.9	1.046
29 February 2020	1,405.6	1.025
31 March 2020	1,440.8	1.000

The Group's subsidiaries in Argentina have restated their non-monetary items held at historical cost, namely property, plant and equipment, by applying the conversion coefficient based on when the items were initially recognized. Monetary items and non-monetary items held at current cost will not be restated, as they are considered to be expressed in terms of the measuring unit current at the period end date. The effect of inflation on the net monetary position of the Group's Argentinian subsidiaries is presented in the finance income or finance expenses section of the income statement.

The Argentinian subsidiaries' income statement and cash flow statement will also be restated, applying the conversion coefficient for the current financial year as shown in the above table.

For the purpose of consolidation, the results and financial position of the Group's Argentinian subsidiaries are translated using the closing exchange rates at the period end date. Comparative financial statements are not restated based on IAS 21 'The Effects of Changes in Foreign Exchange Rates' para 42(b).

(7) Significant subsequent events

There were no significant subsequent events