

## **Key Questions and Answers at FY2020 Second Quarter Results Announcement**

- Q: Could you share with us the details of current supply-demand situation of Architectural Glass, which is deteriorating in various parts of the world?
- A: In Europe, North America or Southeast Asia (mainly Malaysia), there is no major change in demand. However, an increase in glass supply is affecting the supply-demand balance, leading to downward pressure on prices.
- In Europe, three new float furnaces have been planned. One of them is already in operation though another one is said to have been postponed. Also, in Malaysia, in recent years, Chinese glass manufacturers constructed several production lines locally creating oversupply and the excess glass is being exported to surrounding Asian countries and North America.
- In the meantime, in North America, no new furnaces have been started and there is no such plan, either. But all the furnaces that were suspended due to natural disasters or other reasons are now fully recovered including one of ours and furthermore, the import from Asia is also on the increase. Consequently, downward pressure on prices is intensifying especially in the west coast of the US. In response to such trend, we are accelerating the VA (value-added) shift to increase VA sales ratio as in the case of solar energy glass and also taking cost saving steps in various areas including manufacturing and logistics.
- Q: How long do you expect the demand deterioration in Europe will continue? Are you thinking any capacity adjustment measures such as repairing furnaces earlier and delaying their restart?
- A: We were fully aware that glass supply would increase and there is no surprise in it. But it is difficult to predict to what extent or how long the selling prices would be impacted precisely. The prices are expected to continue to fall at least for some time to come and we are taking various countermeasures. However, there is no plan for a major production adjustment at this moment.
- Q: How do you see the current state of European markets in comparison with the situation in the aftermath of the European Sovereign Debt Crisis around 2012?
- A: In comparison with those days, our Group's resilience to economic cycles has been strengthened by taking various mitigation measures including improvement in cost base and promotion of VA shift. Our profitability has improved substantially with more robust VA customer base and a wider VA product range. Moreover, back then, the cause for oversupply was a significant decline in demand, which is not the case now.
- Q: You mentioned the glass for solar panels is growing. How much growth has been made in the first half of this fiscal year?
- A: The sales volume has increased more than 50% year-on-year.
- Q: There seem to be increasing inflation and other economic uncertainties in Argentina. Isn't there any risk of asset impairment?
- A: Demand for glass is robust in South America including not only Argentina but in surrounding countries, and it remains unchanged even under the recent economic situation. There might be a circumstance requiring a minor adjustment due to economic fluctuations in the short term, but in the medium- to long-term, we are not worried.

Q: You announced a downward revision to the full-year forecast. Are you also planning to change your approach to the redemption of Class A Shares?

A: Our approach is to redeem Class A Shares, considering net profits for the period and the equity level, which remains unchanged. While the current challenging market environment is expected to continue for the time being, we are making progress in improving profitability of focus businesses such as Architectural Glass Japan and Automotive Glass North America as well as contribution from growing solar energy glass business.

We will continue to focus on improving our profitability also by reducing costs. Through these efforts, and also considering our balance sheet, we aim to redeem Class A Shares as early as possible.

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 in laws and regulations, but not limited.