

NSG

GROUP

NSG Group

FY2020 Quarter 3 Results

(from 1 April 2019 to 31 December 2019)

Nippon Sheet Glass Company, Limited
30 January 2020

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Agenda

1. FY2020 Quarter 3 Financial Results
2. FY2020 Quarter 3 Business Update
3. Revision of FY2020 Full-year Forecast
4. Key Actions Update
5. Summary

FY2020 Quarter 3 Results Highlights

Affected by decline in vehicle production as well as an increase in architectural glass supply, mainly in Europe

Revenue	JPY 425.8 bn (7)%	Headwinds in the core markets, in addition to the translational impact of foreign exchange. Year-on-year decrease of 3% at constant exchange rates
Trading profit	JPY 19.4 bn (29)%	Automotive affected by further volume reduction in Europe, and decline in Japan in Q3; and Architectural by increasingly challenging market conditions, especially in Europe, with lower asset utilization. Improvements in solar energy glass volumes
Profit attributable to owners of the parent	JPY 1.2 bn (88)%	Lower operating profit and non-reoccurrence of an one-off gain recognized by a JV in the previous year
Free cash flow	JPY (49.3) bn	Additional impact of scheduled strategic investments and working capital movements

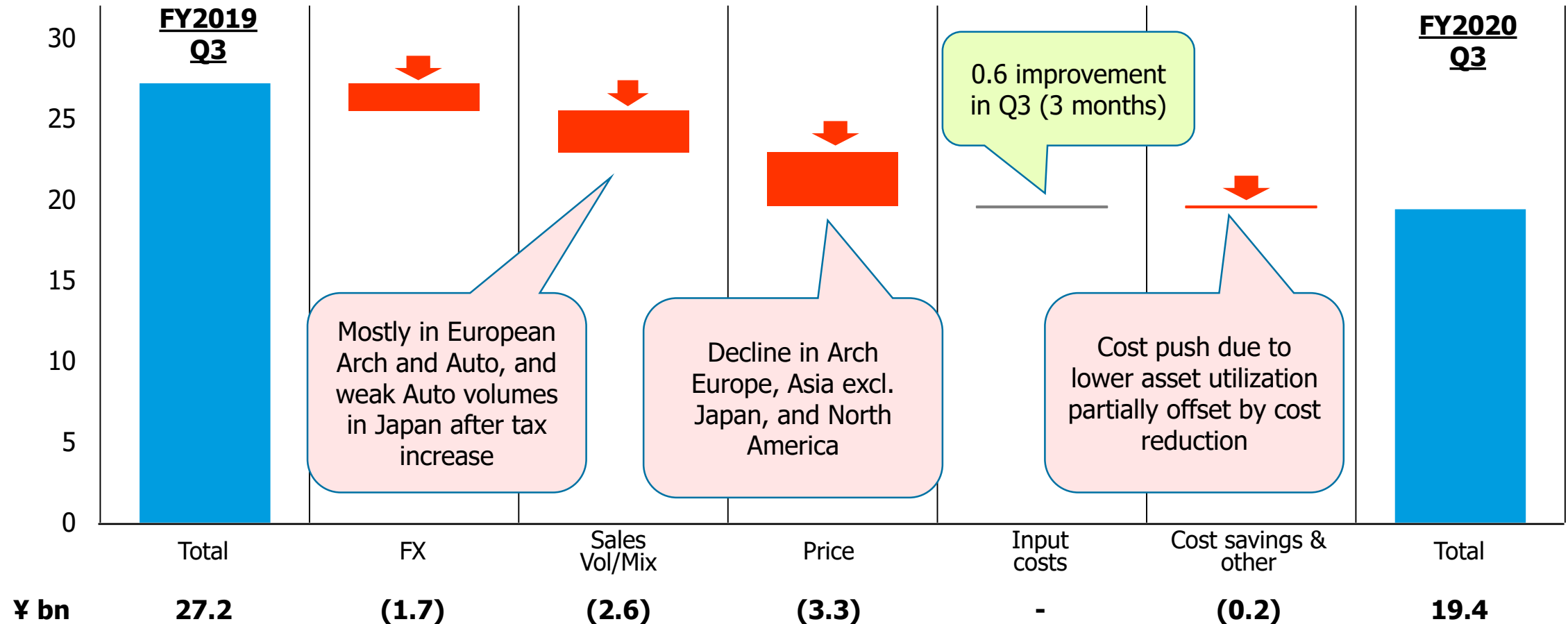
Consolidated Income Statement

	<u>FY2019</u> <u>Q3</u>	<u>FY2020</u> <u>Q3</u>	<u>Change</u>
¥ bn			
Revenue	459.5	425.8	(33.7)
Trading profit	27.2	19.4	(7.8)
Amortization *	(1.5)	(1.4)	0.1
Operating profit	25.7	18.0	(7.7)
Exceptional items	(3.3)	(4.4)	(1.1)
Finance expenses (net)	(10.2)	(9.5)	0.7
Share of JVs and associates	4.9	1.2	(3.7)
Profit before taxation	17.1	5.3	(11.8)
Profit for the period	11.4	1.9	(9.5)
Profit attributable to owners of the parent	10.5	1.2	(9.3)
EBITDA	46.7	43.2	(3.5)

*: Amortization arising from the acquisition of Pilkington plc only

Change Analysis – Trading profit

Impacted by foreign exchange movement and volume decline in challenging market conditions, exacerbated by severe price declines in Q3



Key Performance Indicators

Net debt increased due to IFRS16, strategic investments and working capital movements

	<u>31 December</u> <u>2018</u>	<u>31 December</u> <u>2019</u>	<u>31 March</u> <u>2019</u>
Net Debt (¥ bn)	336.8	411.4 ^{*1}	317.7
Net Debt / EBITDA	5.3x	6.4x	4.9x
Net Debt / Equity Ratio	2.6x	3.5x	2.4x
Shareholders' Equity Ratio	15.9%	12.9%	16.2%
	<u>FY2019</u> <u>Q3</u>	<u>FY2020</u> <u>Q3</u>	<u>FY2019</u>
Operating Return ^{*2} on Sales	5.9%	4.6%	6.3%

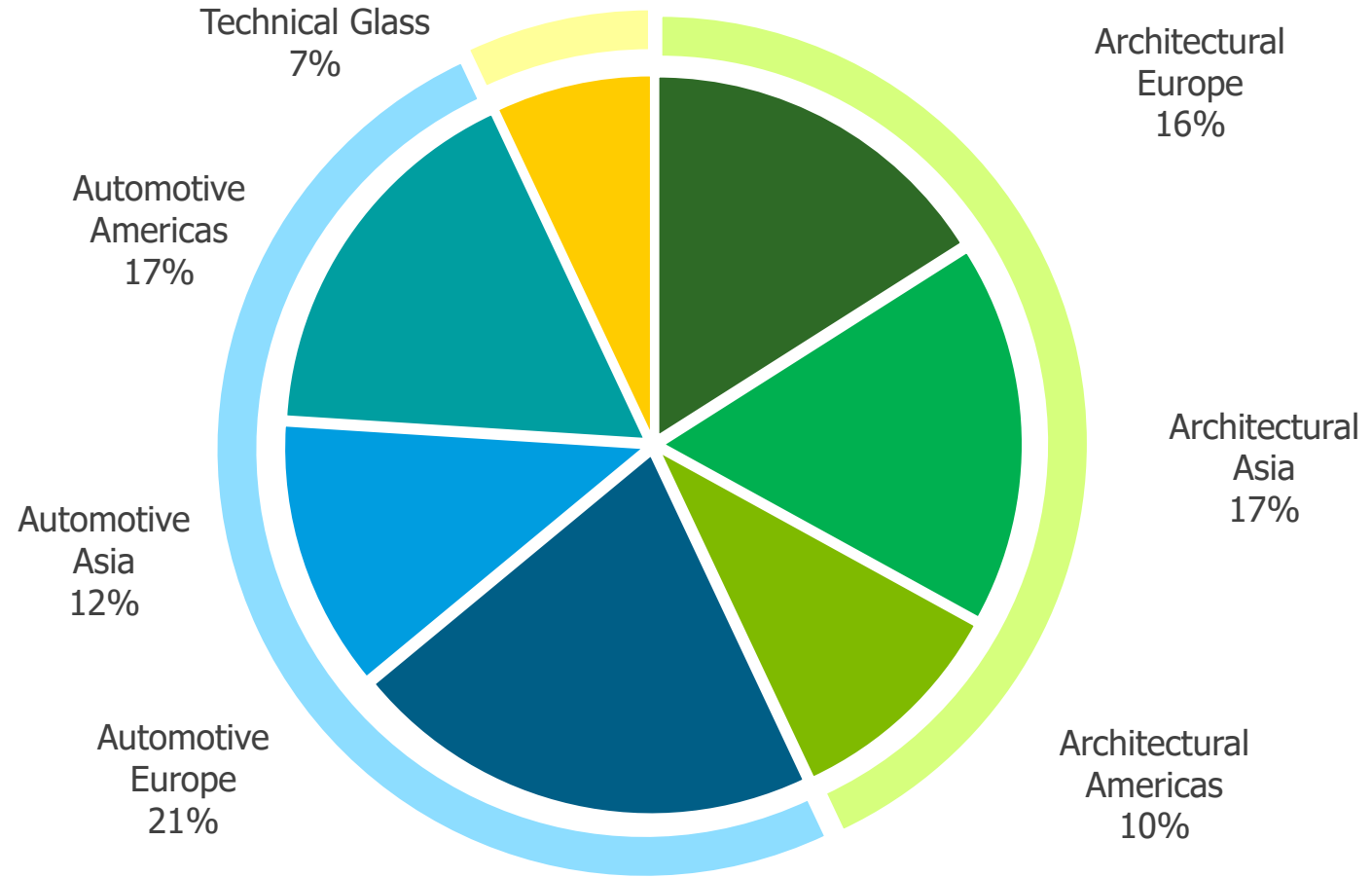
*1: Includes net debt arising from adoption of IFRS16 of JPY 30.4 billion

*2: Trading profit

External Revenue – Group Businesses

Diversified geographical coverage

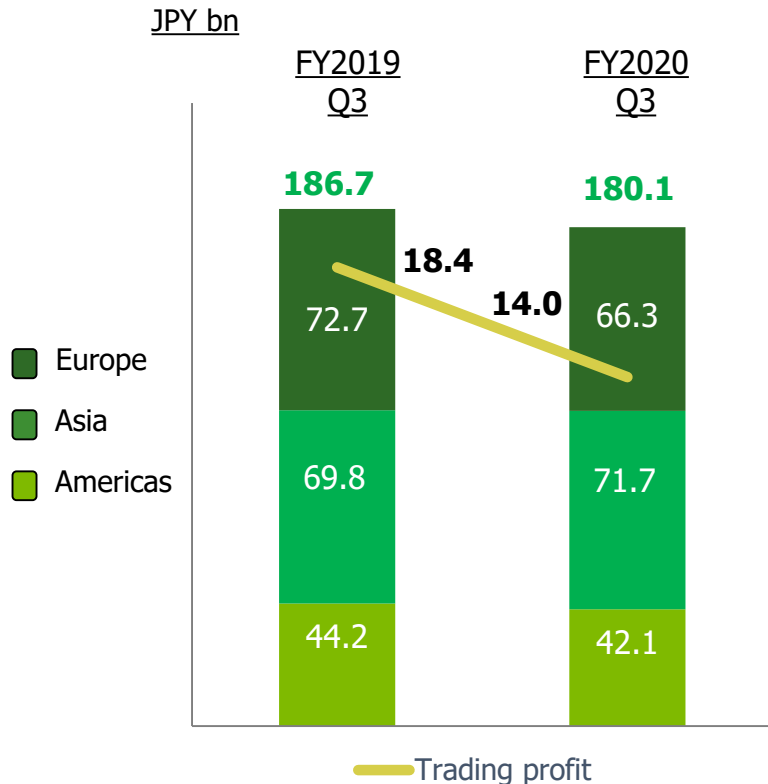
¥ 425.8 billion



FY2020 Quarter 3

Architectural – FY2019 Q3 vs FY2020 Q3

Affected by foreign exchange movements, increasingly difficult market conditions and lower asset utilization. Robust solar energy glass volumes



Revenue: Mostly forex movement, exacerbated by market deterioration in Q3

Profit: More than half decline in Europe

Europe (Revenue ▼, Profit ▼)

- Revenues affected by forex and lower volumes, together with price decline in Q3, driven by new market capacity
- Further profit decline due to lower sales and asset utilization

Asia (Revenue ▲, Profit ▼)

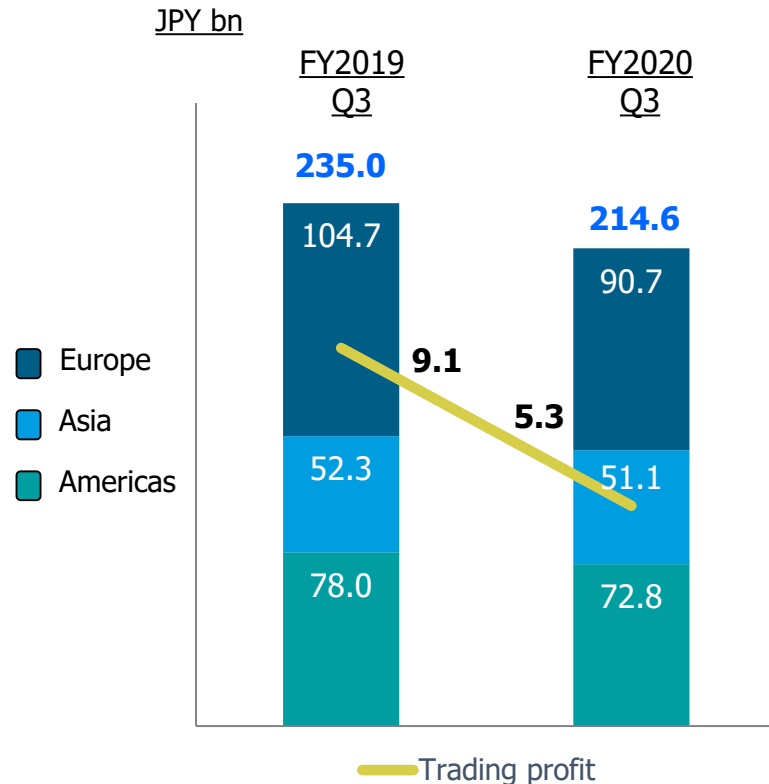
- Higher revenues with increased solar energy glass shipment. Improved profit in Japan offset by reduction in South East Asia in challenging markets due to excess capacity

Americas (Revenue ▼, Profit ▼)

- Flat revenues & lower profit in NA with higher solar glass volumes offset by lower prices due to increased glass supply
- Local currency results improved in SA despite uncertainty in underlying economic environment

Automotive – FY2019 Q3 vs FY2020 Q3

Significantly affected by slowdown in new car production in European markets



Revenue: affected by forex movements and volume reduction, mainly in Europe

Profit: reduced mostly in Europe, and in Japan in Q3

Europe (Revenue ▼, Profit ▼)

- Results affected by reduction in volumes with Q3 in particular impacted by production cuts by vehicle manufacturers, mainly to re-balance inventories.

Asia (Revenue ▼, Profit ▼)

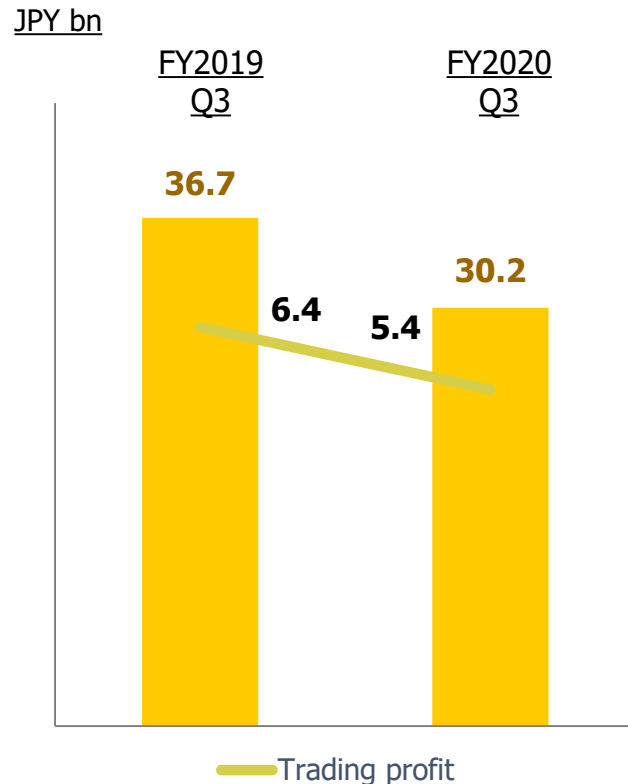
- In Japan, solid sale volumes in H1, followed by reduction after the consumption tax hike. Profit affected by increased raw glass costs and volume decline in Q3

Americas (Revenue ▼, Profit ▲)

- Improved profit with better manufacturing efficiency in North America despite slight decline in revenue
- Profitability in South America similar to the previous year, with Brazil improving

Technical Glass – FY2019 Q3 vs FY2020 Q3

Demand decline for lenses and glass cord while further improvement in fine glass



Technical Glass (Revenue ▼, Profit ▼)

- Improved fine glass profit with continued cost reduction efforts and better sales mix
- Decline in revenues and profit of printer lenses and glass cord used in engine timing belts due to weaker market conditions
- Stable battery separators results

Revision of Full-year Forecast

Revisions made reflecting worsened business environment in Q3, which is expected to continue into Q4

¥ bn	<u>FY2019 Actual</u>	<u>FY2020 Forecast (Original)</u>	<u>FY2020 Forecast (Revised at Q2)</u>	<u>FY2020 Revised Forecast (Latest)</u>	<u>Change</u>
Revenue	612.8	620.0	570.0	560.0	(10.0)
Trading profit	38.8	37.0	31.0	23.0	(8.0)
Amortization *	(1.9)	(2.0)	(2.0)	(2.0)	-
Operating profit	36.9	35.0	29.0	21.0	(8.0)
Exceptional items	(7.1)	(6.0)	(7.0)	(7.0)	-
Finance expenses (net)	(13.3)	(14.0)	(14.0)	(13.0)	1.0
Share of JVs and associates	6.2	4.0	2.0	2.0	-
Profit before taxation	22.7	19.0	10.0	3.0	(7.0)
Profit for the period	14.4	12.0	4.0	(2.0)	(6.0)
Profit attributable to owners of the parent	13.3	11.0	3.0	(3.0)	(6.0)

*: Amortization arising from the acquisition of Pilkington plc only

Revision of Full-year Forecast

Key contributing factors: worsening market conditions in Europe and Asia and resulting decline in asset utilization

Breakdown of JPY 8 billion revision to trading profit forecast

Business	Profit	Factors
Architectural	(3)	<ul style="list-style-type: none">Market deterioration in Europe and South East Asia. Lower asset utilization due to impact from new floats
Automotive	(4)	<ul style="list-style-type: none">Europe contributing to about half of decline, followed by JapanSales volume reduction and lower asset utilization in Europe due to production cuts by vehicle manufacturersSignificant decline in Japan volumes from Q3 following consumption tax increase
Technical	(1)	<ul style="list-style-type: none">Vehicle production decline in Europe and China impacting glass cord demand

Key Actions Update: Profitability Improvement

Continued identification and execution of fundamental improvement actions including cost reduction

- Automotive Europe: continued restructuring and production line consolidation mainly in Italy
- Architectural Europe counter actions against increasingly challenging market conditions: planned supply adjustment with hot hold, earlier or longer repair for multiple float lines
- Architectural Japan: profitability improvement project under progress according to plan, including the consolidation of downstream operations, processing line closures, headcount reduction and price increases, aiming for profit improvement in FY2021
- Automotive North America: ongoing efficiency improvement
- Group-wide OCS (operational cost saving) programs and additional spend cuts underway towards the end of FY2020
- Additional measures to benefit FY2021 and onward under consideration. Any material financial impact such as incurring exceptional cost would be announced timely

Key Actions Update: Investment for Growth

Remaining committed to strategic investments and new business development, aimed for supporting growth in FY2021 and onward

- Strategic investment projects for solar energy glass and in South America are progressing as planned
 - Capacity expansion for solar energy glass
 - The second line in Vietnam was lit up on 19 January and is planned to start production in February
 - The greenfield plant in the USA is slated for starting up in the second half of FY2021
 - New capacity in South America (Argentina) is being built to begin operations during the second half of FY2021 (latest assumption)
- Multiple projects under development by Business Innovation Center (BIC)



Vietnam Glass Industries and the light-up ceremony

Summary

FY2020 quarter 3 financial results

- Revenues declined due to foreign exchange movements and challenging conditions in core markets
- Profit fell due to: further volume reduction in Europe, and decline in Japan in Q3, in Automotive; and more difficult market conditions and asset utilization especially in Europe in Architectural
- Solar energy glass volumes and South American businesses remained solid

Revision of full-year forecast reflecting further slowdown in core markets, continuing into Q4

- Architectural: market deterioration in Europe and South East Asia. Lower asset utilization due to impact from new floats
- Automotive: sales volume reduction and lower asset utilization in Europe due to production cuts by vehicle manufacturers; and significant decline in Japan volumes from Q3 after consumption tax hike
- Technical: vehicle production decline in Europe and China impacting glass cord demand
- Focus on attaining positive underlying free cash flow, excluding the strategic capital expenditure

Profitability improvement measures and investment for growth

- Continued identification and execution of fundamental improvement actions including cost reduction
- Drive for strategic investment projects and new business development for future remains unchanged

Notice

The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable. Hence the actual results may differ. The major factors that may affect the results are the economic 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.

Nippon Sheet Glass Company, Limited

Appendices

- Revenue – by Business & Regions
- Trading Profit – by Business & Regions
- Revenue & Trading Profit – Quarterly Trend
- Consolidated Balance Sheet
- Consolidated Cash Flow
- Exceptional items
- Foreign exchange rates
- Depreciation & Amortization, CAPEX, R&D Expenses

Revenue – by Business & Regions

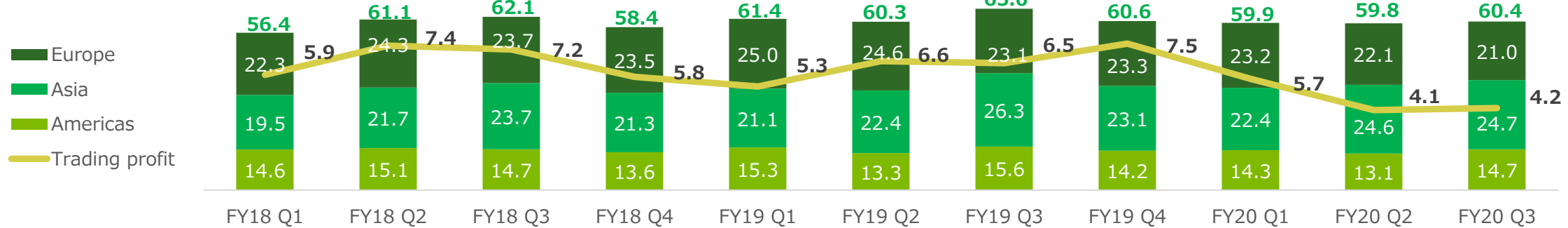
JPY bn	3rd Quarter (Oct - Dec: 3 months)			3rd Quarter (Cumulative: 9 months)		
	FY2019	FY2020	Change	FY2019	FY2020	Change
Architectural	65.0	60.4	(4.6)	186.7	180.1	(6.6)
Europe	23.1	21.0	(2.1)	72.7	66.3	(6.4)
Asia	26.3	24.7	(1.6)	69.8	71.7	1.9
Americas	15.6	14.7	(0.9)	44.2	42.1	(2.1)
Automotive	74.2	66.4	(7.8)	235.0	214.6	(20.4)
Europe	30.7	27.8	(2.9)	104.7	90.7	(14.0)
Asia	18.9	16.5	(2.4)	52.3	51.1	(1.2)
Americas	24.6	22.1	(2.5)	78.0	72.8	(5.2)
Technical Glass	11.7	10.0	(1.7)	36.7	30.2	(6.5)
Europe	1.7	1.6	(0.1)	5.8	5.1	(0.7)
Asia	9.6	8.1	(1.5)	29.7	24.0	(5.7)
Americas	0.4	0.3	(0.1)	1.2	1.1	(0.1)
Other	0.5	0.4	(0.1)	1.1	0.9	(0.2)
Total	151.4	137.2	(14.2)	459.5	425.8	(33.7)

Trading Profit – by Business & Regions

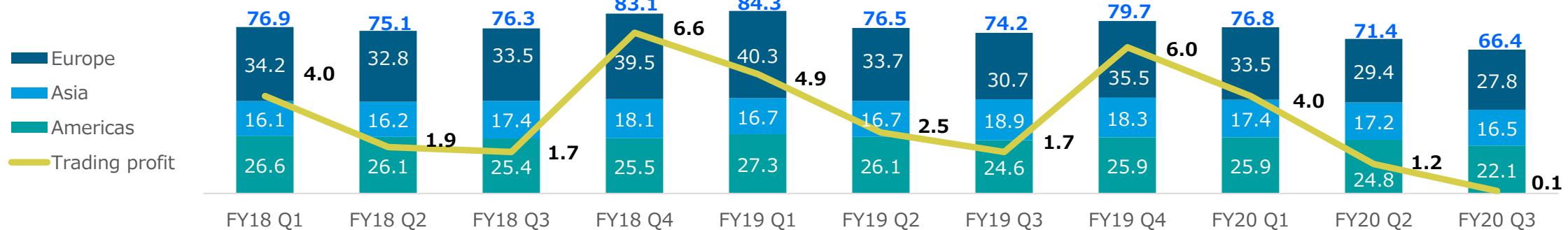
JPY bn	<u>3rd Quarter (Oct-Dec: 3 months)</u>			<u>3rd Quarter (Cumulative: 9 months)</u>		
	<u>FY2019</u>	<u>FY2020</u>	<u>Change</u>	<u>FY2019</u>	<u>FY2020</u>	<u>Change</u>
Architectural	6.5	4.2	(2.3)	18.4	14.0	(4.4)
Automotive	1.7	0.1	(1.6)	9.1	5.3	(3.8)
Technical Glass	2.0	1.9	(0.1)	6.4	5.4	(1.0)
Other	(1.8)	(2.6)	(0.8)	(6.7)	(5.3)	1.4
Total	8.4	3.6	(4.8)	27.2	19.4	(7.8)
Europe	3.0	0.9	(2.1)	12.5	6.6	(5.9)
Asia	5.4	3.7	(1.7)	14.4	11.0	(3.4)
Americas	1.8	1.6	(0.2)	7.0	7.1	0.1
Other	(1.8)	(2.6)	(0.8)	(6.7)	(5.3)	1.4
Total	8.4	3.6	(4.8)	27.2	19.4	(7.8)

Revenue & Trading Profit – Quarterly Trend

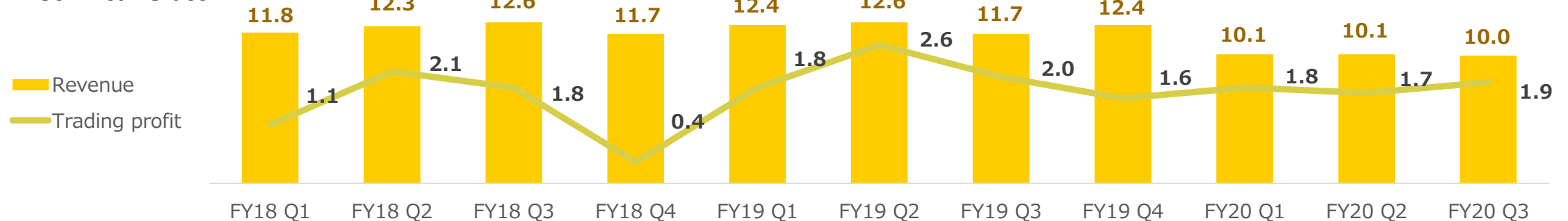
Architectural



Automotive



Technical Glass



Consolidated Balance Sheet

JPY bn	<u>31 March</u> <u>2019</u>	<u>31 December</u> <u>2019</u>	<u>Change</u>
Assets	761.9	809.2	47.3
Non-current assets	516.3	562.2	45.9
Goodwill & intangible assets	161.1	156.7	(4.4)
Property, plant and equipment	241.5	295.5	54.0
Other	113.7	110.0	(3.7)
Current assets	245.6	247.0	1.4
Cash & cash equivalents	52.4	45.9	(6.5)
Other	193.2	201.1	7.9
Liabilities	629.4	692.9	63.5
Current liabilities	193.0	184.5	(8.5)
Financial liabilities	42.2	59.4	17.2
Other	150.8	125.1	(25.7)
Non-current liabilities	436.4	508.4	72.0
Financial liabilities	329.3	398.8	69.5
Other	107.1	109.6	2.5
Equity	132.5	116.3	(16.2)
Shareholders' equity	123.8	104.3	(19.5)
Non-controlling interests	8.7	12.0	3.3
Total liabilities and equity	761.9	809.2	47.3

Consolidated Cash Flow Summary

JPY bn	FY2019 3rd Quarter	FY2020 3rd Quarter	Change
Profit for the period	11.4	1.9	(9.5)
Depreciation and amortization	21.0	25.8	4.8
Gain on sale of a subsidiary	-	(1.0)	(1.0)
Share of profit from JVs and associates	(4.9)	(1.2)	3.7
Tax paid	(4.4)	(4.4)	-
Others	(1.7)	(2.6)	(0.9)
Net operating cash flows before movement in working capital	21.4	18.5	(2.9)
Net change in working capital	(18.6)	(23.1)	(4.5)
Net cash flows from operating activities	2.8	(4.6)	(7.4)
Purchase of property, plant and equipment			
- Strategic projects	-	(28.9)	(28.9)
- Other	(19.3)	(16.1)	3.2
Disposal proceeds	0.3	2.2	1.9
Others	(2.1)	(1.9)	0.2
Net cash flows from investing activities	(21.1)	(44.7)	(23.6)
Free cash flow	(18.3)	(49.3)	(31.0)

Exceptional items

JPY bn

Gain on disposal of a subsidiary
 Exchange gain on business closure
 Restructuring costs, including employee termination payments
 Suspension of facilities
 Net impairment of non-current assets
 Retirement benefit obligations - past service cost
 Other

	<u>FY2019</u> <u>3rd Quarter</u>	<u>FY2020</u> <u>3rd Quarter</u>
	-	1.0
	0.7	-
	(2.0)	(3.8)
	(0.4)	(1.3)
	(0.1)	(0.1)
	(1.4)	-
	(0.1)	(0.2)
	(3.3)	(4.4)

Foreign exchange rates

Average rates used

	FY2018				FY2019				FY2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Forecast
GBP	142	144	146	147	149	147	146	146	141	137	138	137
EUR	122	126	128	130	131	130	129	129	124	121	121	122
USD	111	112	111	111	110	111	111	111	109	109	109	109
BRR	34.6	35.0	34.8	34.4	30.4	29.3	29.3	29.4	28.0	27.6	27.2	-
ARS	7.06	6.74	6.65	6.30	4.70	-	-	-	-	-	-	-

FX Sensitivity

Increase (decrease) if the value of the yen increases by 1% (all other things being equal):

(JPY bn)	FY2018	FY2019
Equity	(3.5)	(3.3)
Profit for the period	(0.1)	(0.2)

Closing rates used

	FY2018				FY2019				FY2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GBP	146	151	152	150	145	148	141	144	137	133	144
EUR	128	132	136	132	128	132	127	124	123	118	122
USD	112	113	113	106	111	113	111	111	108	108	109
BRR	34.0	35.4	33.9	32.1	28.6	28.2	28.5	28.3	28.3	26.0	27.1
ARS	6.81	6.42	6.03	5.30	3.94	2.84	2.93	2.53	2.53	1.88	1.82

Oil prices (Brent)

FY2020 Forecast **US\$ 63 per barrel**

Depreciation & Amortization, CAPEX, R&D Expenditures

(JPY bn)	<u>FY2019</u> <u>3rd Quarter</u>	<u>FY2020</u> <u>3rd Quarter</u>
Depreciation and amortization	21.0	25.8
Capital expenditures (including intangibles)		
Ordinary	17.6	17.2
Strategic projects and other	-	28.9
Total	17.6	46.1
R&D expenditures		
Architectural	2.0	2.0
Automotive	2.4	1.9
Technical Glass	0.6	0.7
Other	2.2	2.3
Total	7.2	6.9

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