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GROUP

NSG Group

FY2018 Third Quarter Results

(from 1 April 2017 to 31 December 2017)

Nippon Sheet Glass Company, Limited
2 February 2018

Kenichi Morooka
Chief Financial Officer

Clemens Miller
Chief Operating Officer

Iain Smith
Finance Director – Global Finance

Thank you for joining us for this NSG Group FY2018 Third Quarter financial results presentation. I am Kenichi Morooka, CFO of the NSG Group.

With me today are Clemens Miller, COO and Iain Smith, Finance Director – Global Finance.

Agenda

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1. FY2018 Q3 Financial Results
2. FY2018 Q3 Business Update
3. Summary

Slide 4 shows the agenda for today’s presentation.

I will start with the key points, then discuss the financial results and the performance of each of our regional businesses.

FY2018 Q3 Results Highlights

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Revenue	JPY 449.4 bn (+4.3%)	Good market conditions and positive impact from weakening Yen
Trading profit	JPY 27.4 bn (+20%)	Robust European markets, improved results in Technical Glass, continued benefit from operational improvements
Operating profit	JPY 25.9 bn (+29%)	
Profit attributable to owners of the parent	JPY (1.7) bn	Decrease in accounting value of Group's deferred tax assets following the reduction of U.S. corporate tax rate (charge of JPY 9.6 bn)

Free cash flow	JPY (10.5) bn	Negative cash flow arising from seasonal working capital movements, expected to reverse at Q4. Full-year positive cash flow target remains valid.

Improved operating results from the previous year

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Slide 5 is the Highlights of Third Quarter Results.

Revenue increased by 4.3% from the previous year to 449 billion yen, due to stable market conditions and the weakened Japanese yen.

Trading profit continues to show an improving trend, as the figure improved by 4.6 billion yen from the previous year to 27.4 billion yen. This is mainly due to robust market conditions in Europe, improved results in Technical Glass and continued benefit from operational improvements.

As announced on 27 December, the profit attributable to owners of the parent was hit by a deferred tax charge (non-cash) of 9.6 billion yen. U.S. tax reforms enacted in December included a reduction in the headline rate of tax from 35 percent to 21 percent, and this has generated a corresponding reduction in the accounting value of the Group's deferred tax assets. The reduction in U.S. tax rates is positive news in the long run for the Group, as it will result in a lower tax charge on our U.S. profits in the future.

Free cash outflows of 10.5 billion yen have been affected by seasonal working capital movements, but we expect this to reverse in the fourth quarter. We are maintaining our full-year positive cash flow target (of 10.0 billion yen).

Consolidated Income Statement

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(JPY bn)	FY2017 Q3	FY2018 Q3	FY2018 Forecast (original)	FY2018 Forecast (revised)
Revenue	**430.7**	**449.4**	**600.0**	**600.0**
Trading profit	**22.8**	**27.4**	**38.0**	**38.0**
Amortization*	(2.7)	(1.5)	(2.0)	(2.0)
Operating profit	**20.1**	**25.9**	**36.0**	**36.0**
Exceptional items	5.4	(2.5)		
Finance expenses (net)	(13.8)	(11.1)		
Share of JVs and associates	0.8	1.7		
Profit before taxation	**12.5**	**14.0**	**17.0**	**20.0**
Taxation	(6.6)	**(4.8)**		
Adjustment in respect of US tax rate change	–	**(9.6)**		
Profit/(loss) for the period	**5.9**	**(0.4)**	**10.0**	**3.0**
Profit/(loss) attributable to owners of the parent	**4.6**	**(1.7)**	**8.0**	**1.0**
EBITDA	44.3	48.8		

No change

See Slide 20

* Amortization arising from the acquisition of Pilkington plc only

Positive net profit expected for the year

Moving to slide 6. Here we can see the income statement. The first two columns are the comparison of the cumulative nine-month results, and the third and fourth columns are shown on this slide to explain the changes in our full-year forecast, announced on 27 December.

I will start with the Group's third quarter results. Operating profit has improved from the previous year to 25.9 billion yen, supported by lower amortization. This is in line with our full-year forecast of 36.0 billion yen. Full-year operating profit forecast remain unchanged.

Last year's exceptional items included a significant credit due to sale and leaseback transactions in Japan and Malaysia, which did not recur this year.

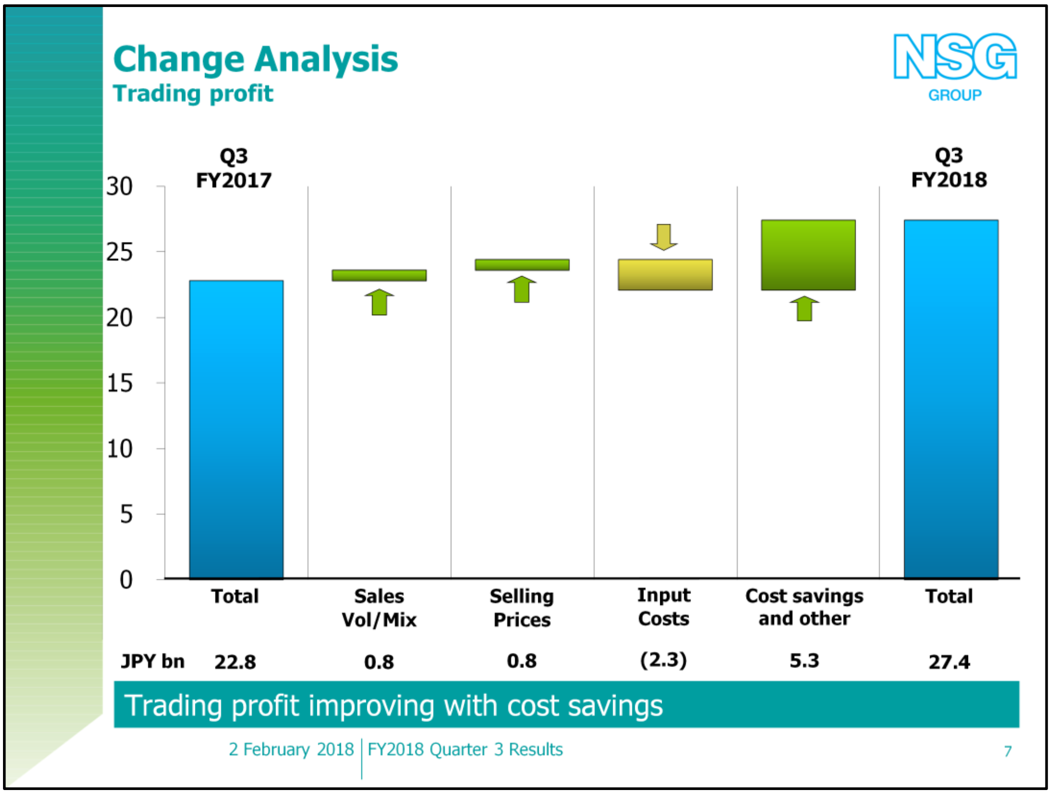
Net finance expenses have fallen from the previous year, as result of lower average debt levels and reduced costs of borrowings as our balance sheet and financial results continue to strengthen.

Our share of joint ventures and associates' profits has increased from the previous year, mainly due to improved results at Cebrace, our joint venture in Brazil.

Profit attributable to owners of the parent recorded a loss of (1.7) billion yen in the third quarter, due to the one-off deferred tax charge of (9.6) billion yen.

[Note: Reflecting the underlying improvements in business performance, EBITDA increased by 10% from the previous year to 49 billion yen.]
I will briefly discuss about the revision of our full-year forecast announced on 27 December. Please refer to slide 20 for details.

We expect the profit before tax to improve by 3.0 billion yen, reflecting the improvements in exceptional and other items.
[Note: Full-year forecast for profit before tax: 20.0 billion yen.]
Despite the significant reduction of profit attributable to owners of the parent by 7.0 billion yen after the inclusion of the one-time, non-cash deferred tax charge, we expect the profit attributable to owners of the parent to remain positive.



On slide 7 we can see an explanation of the year on year movement in trading profits.

Increases in volumes were seen in Automotive Europe, Architectural and Automotive South America, and Technical Glass, but this was partially offset with temporary negatives in Architectural North America and South East Asia.

Prices have improved in Architectural, particularly in Europe and for some products in Technical Glass.

Increases in energy costs in regions such as Japan and South East Asia have affected the Group's input costs.

The cost savings and other column shows the effect of our continuous drive to improve operational efficiency and reduction of costs, which continues to more than offset inflationary factors.

Key Performance Indicators

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	31-Mar-17	31-Dec-17
Net Debt (JPY bn)	313	335
Net Debt/EBITDA	5.0x	5.0x
Net Debt/Equity Ratio	2.3x	2.3x
Shareholders' Equity Ratio	15.7%	17.3%
	FY2017 Q3	**FY2018 Q3**
Operating Return* on Sales	5.3%	6.1%

* trading profit

Improvement in Return on Sales

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On slide 8 we show the key financial ratios.

Net debt has increased by 21.5 billion yen from end of March 2017, mainly due to seasonal increases in working capital and also translational differences arising from the weakening Yen.

The weakened Yen has been positive for the shareholders’ equity ratio, which has improved to 17.3%.

Operating return on sales has improved to 6.1% from 5.3% in the previous year, reflecting the improvements in the Group’s underlying business performance.

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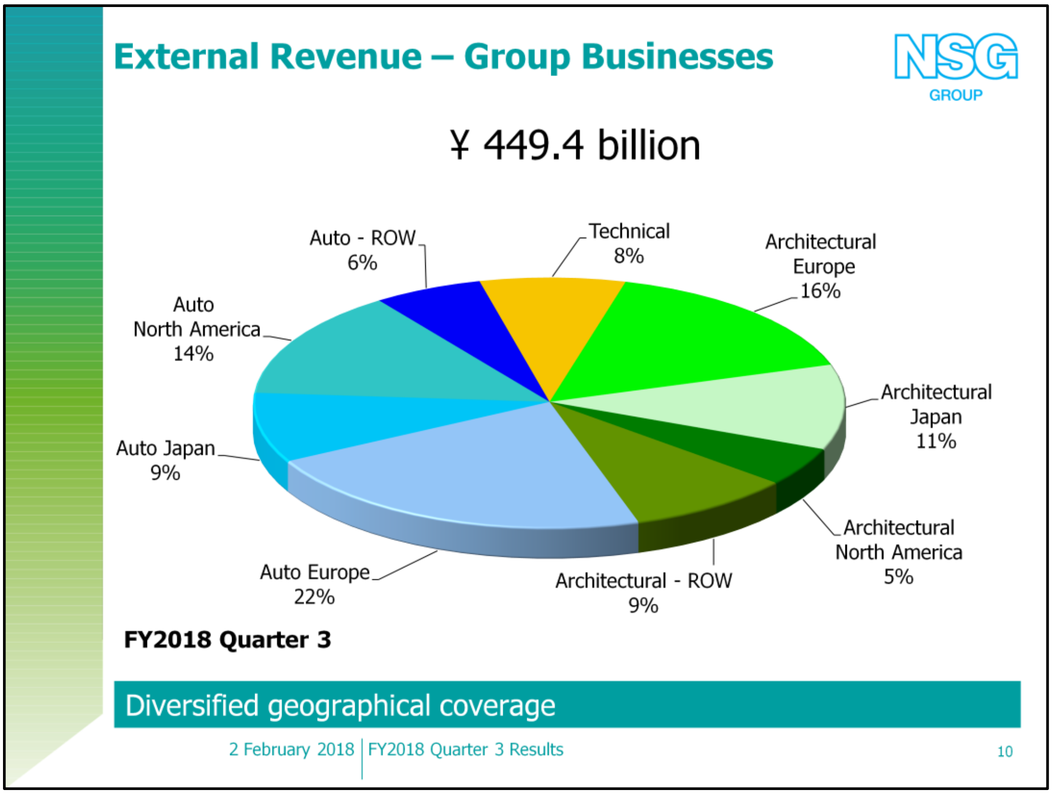
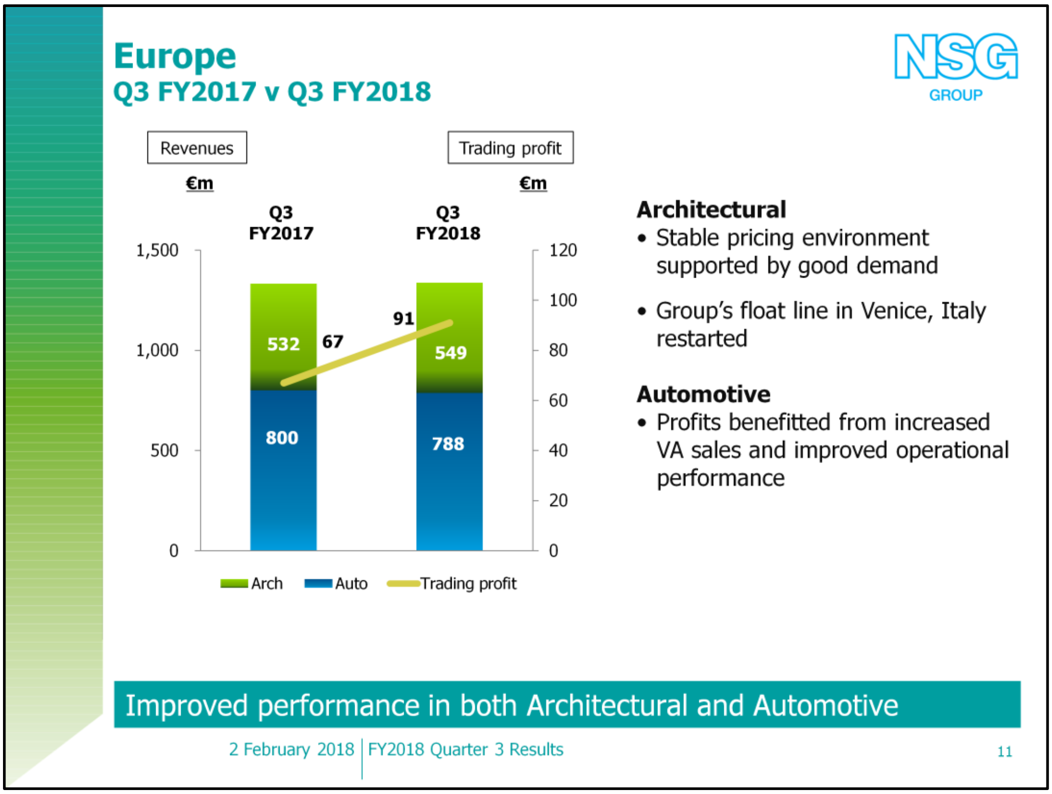


Slide 10 shows the proportion of sales generated by each of the Group's business segments.

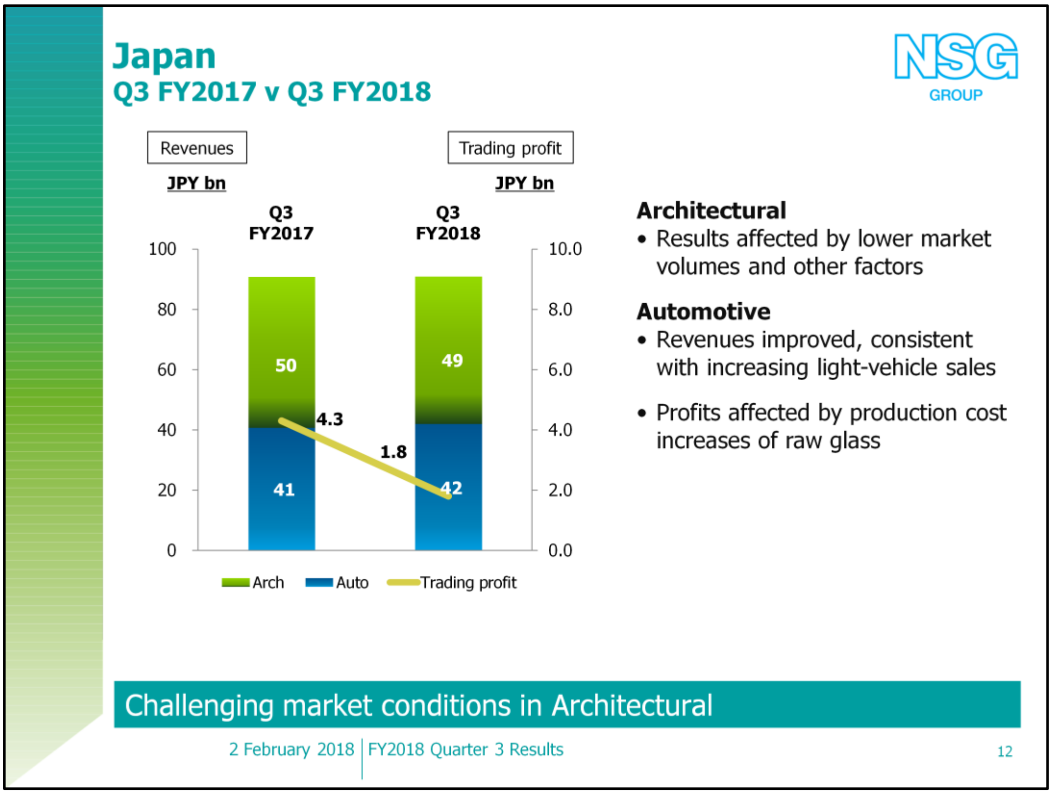
[Note: 39 percent of the Group's sales are in Europe, 25 percent in Japan, 19 percent in North America and 17 percent in the rest of the world.]



Turning to slide 11, we can see the performance of the Group's flat glass businesses in Europe.

Architectural businesses benefitted from robust market conditions, with the pricing environment being supported by good demand. The Group's float line in Venice, Italy has restarted in November, and this will help us meet customer demand going forward.

Automotive profits also increased, due to increased VA sales and improvements in operational performance. Underlying automotive market conditions continue to be positive.

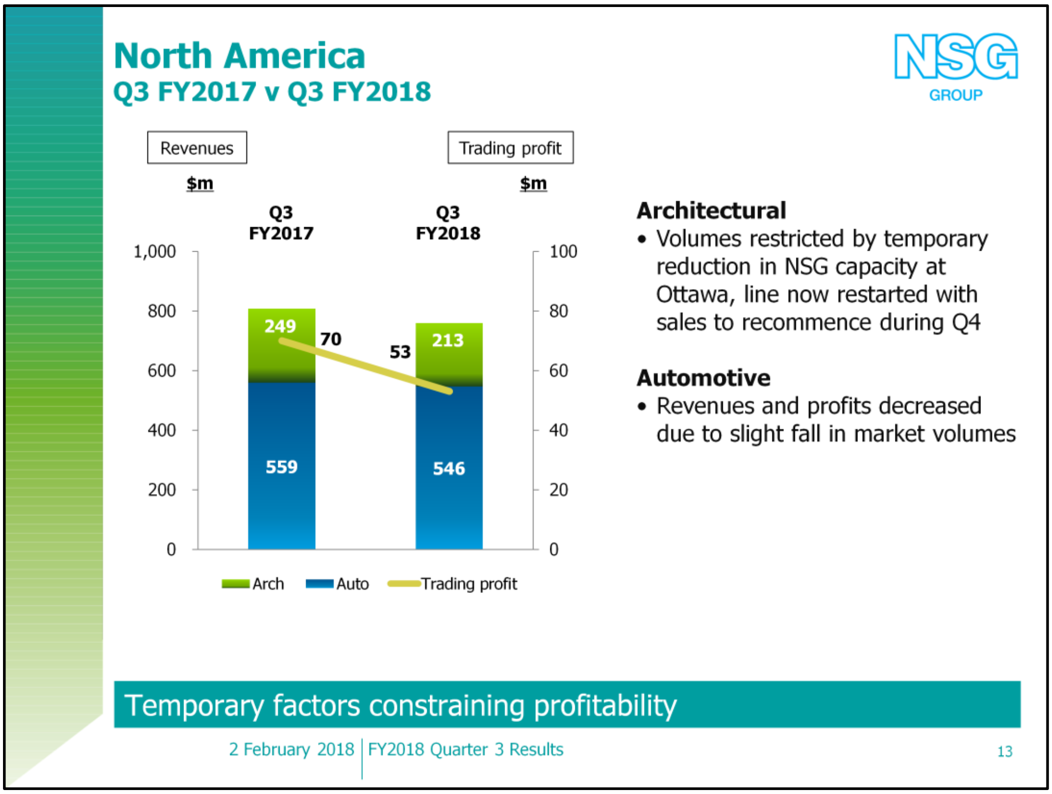


Slide 12 is Japan.

In Architectural, revenues were affected by lower market volumes and other factors. Increases in energy costs such as heavy oil, and consumables have affected the production costs. Increase in labor costs due to tight labor market contributed to the increase in production costs also. Profits were also affected by a one-off, non-recurring charge in the first quarter.

We are continuing to address our cost base and promote value-added products, as well as implement the announced price increases, to ensure the Group can achieve satisfactory levels of profitability even at current market demand.

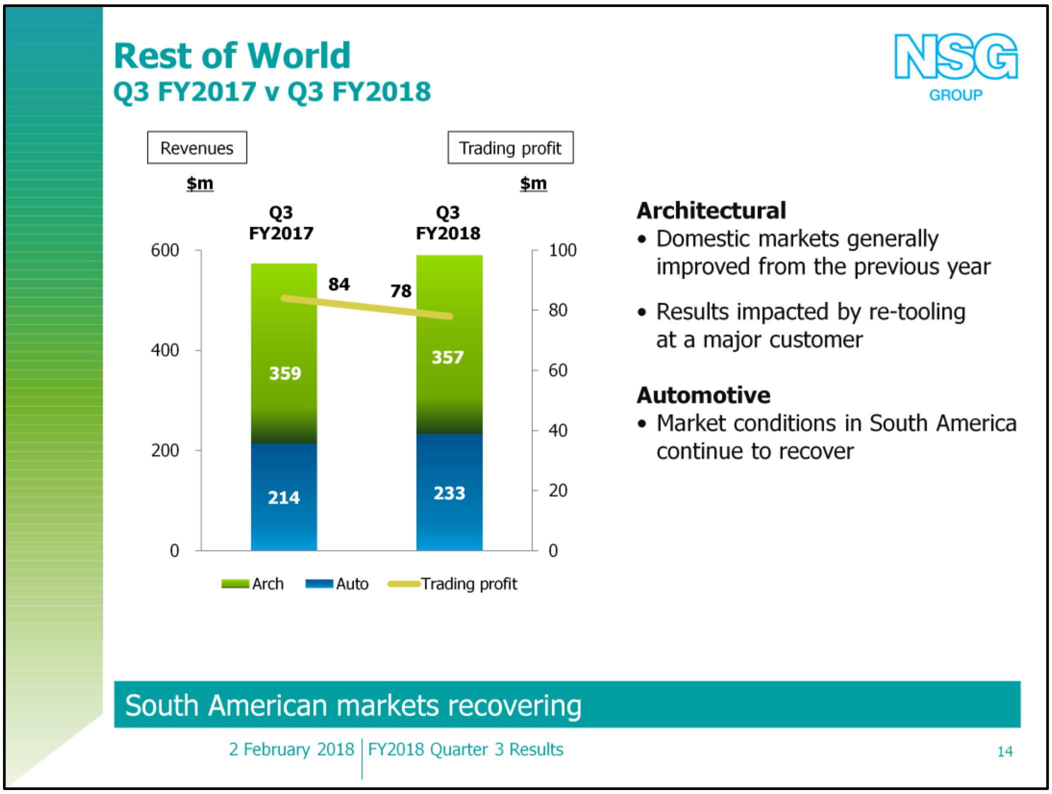
In Automotive, our revenues improved, reflecting the increase in light-vehicle sales. Profits were affected by production cost increases of raw glass. We have been taking counter measures in this area since late 2017.



Turning to North America on slide 13.

Architectural revenues and profits were below the previous year, as the Group's capacity has been temporarily reduced due to an expedited repair at Ottawa, Illinois. This line restarted at the end of December, with sales expected from the fourth quarter. Going forward, we expect the volumes to increase gradually. Solar volumes were affected by re-tooling at a major customer.

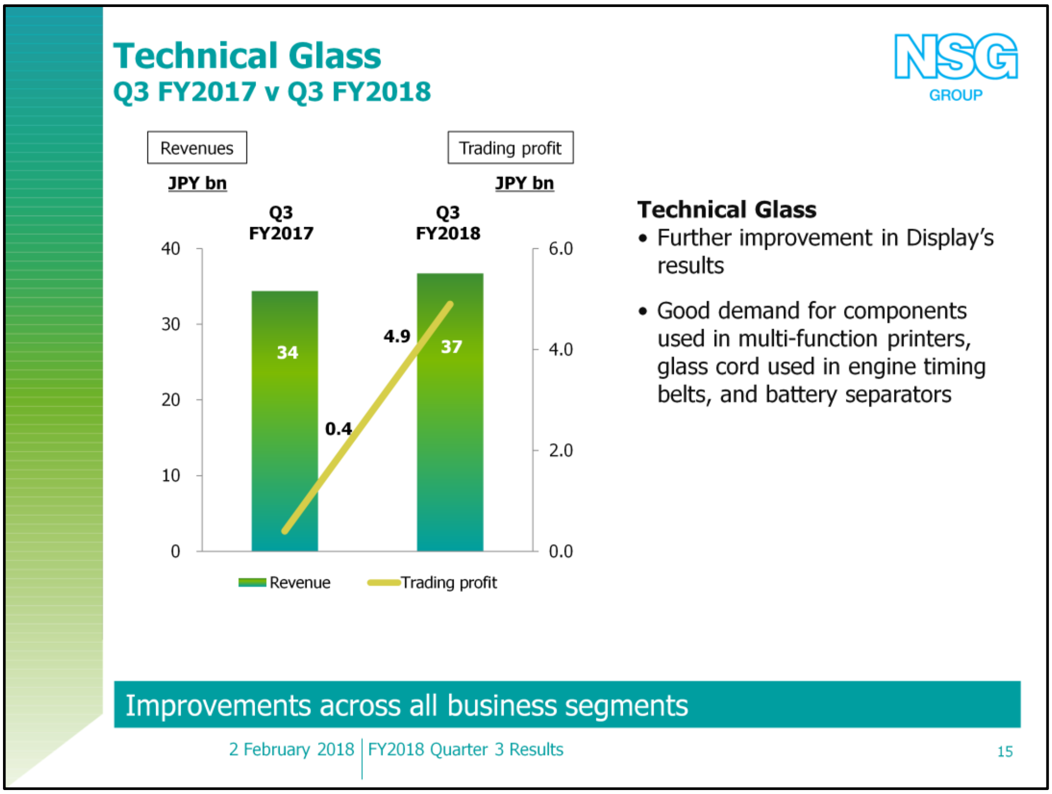
Automotive revenues and profits were affected by a slight fall in market volumes. We will further improve our sales mix to be more value-added as well as productivity.



Slide 14 is Rest of the World.

Domestic architectural markets in South America and South East Asia were generally improved, although in South East Asia, volumes of solar energy glass were adversely affected by re-tooling at a major customer.

In Automotive, market conditions in South America continue to recover, as the region's economic outlook shows an improving trend.



Turning to slide 15, Technical Glass.

Display's results continue to improve, driven by improved production efficiency and increased prices in some products.

Volumes of components used in multi-function printers, glass cord used in engine timing belts, and battery separators increased from the previous year, due to good demands in their respective markets.

Although a one-off gain from the disposal of non-current assets is included in this year's results, the strengthening conditions of each of the sectors continue to drive the profitability improvement in the Technical Glass business.

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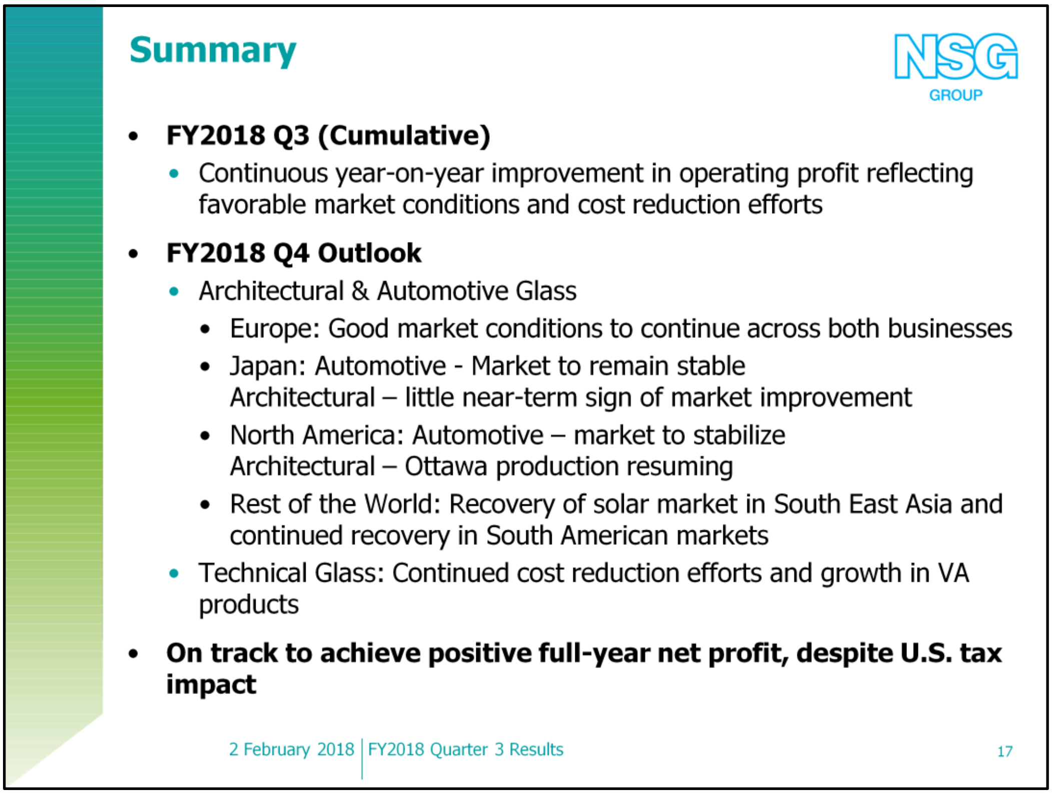

Slide 17 is the summary of today's presentation.

The Group's overall operating performance continues to show improvement, supported by favorable market conditions and cost reduction efforts.

The Group continues to benefit from robust market conditions in Europe and improved profitability in Technical Glass.

We expect the markets to be generally stable for the remainder of the year. Architectural Japan will continue to face difficult market conditions, but demand for Solar glass is expected to recover in South East Asia. The Group will maintain its focus on VA strategy, operational efficiency improvements and further cost reductions.

Our third quarter results were affected by the one-off deferred tax charge, but we still expect to achieve positive full-year net profit.

Notice

The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable. Hence the actual results may differ. The major factors that may affect the results are the economic environment in major markets (such as Europe, Japan, the U.S. and Asia), product supply/demand shifts, and currency exchange fluctuations.

Nippon Sheet Glass Company, Limited

Appendices

- FY2018 Q3 Results
  - Revision of FY2018 Full-year Forecast
  - Exceptional items
  - Revenue by Business & Regions
  - Trading Profit by Business & Regions
  - Consolidated Cash Flow Summary
  - Consolidated Balance Sheet
  - Exchange Rates

Revision of FY2018 Full-year Forecast (As announced on 27 December)

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Deferred tax charge due to change in U.S. federal tax rate

- Re-assessed Group's deferred tax position after enactment of U.S. federal tax legislation, which includes reduction of tax rate from 35 percent to 21 percent
- **Non-cash**, **one-time** tax charge of **JPY 9.6 bil** recognized in Q3
- Reduced tax charge on U.S. profits in the future

Revision of FY2018 full-year forecast

- **JPY 3.0 bil** improvement in profit before taxation to reflect a reduced level of exceptional and other costs
- Full-year forecast of profit attributable to owners of the parent is **positive**, despite reduction of **JPY 7.0 bil**

Profit attributable to owners of the parent to be positive

Exceptional Items

(JPY bn)	FY2017 Q3	FY2018 Q3
Gain on disposal of non-current assets	7.9	**2.1**
Gain on disposal of investments in JVs and associates	0.9	**1.5**
Gain on settlement of insurance proceeds	-	**1.0**
Gain from exit of business	0.9	–
Suspension of facilities	-	**(3.7)**
Restructuring costs	(2.8)	**(3.3)**
Impairments of non-current assets	(1.6)	**(0.5)**
Other items	0.1	**0.4**
	5.4	**(2.5)**

Revenue by Business & Regions
FY2017 Q3 v FY2018 Q3

(JPY bn)	FY2017 Q3	FY2018 Q3	Change
Architectural	**178.1**	**182.5**	**4.4**
Europe	62.9	70.3	7.4
Japan	50.2	48.7	(1.5)
North America	26.7	23.7	(3.0)
Rest of World	38.3	39.8	1.5
Automotive	**217.9**	**229.6**	**11.7**
Europe	94.6	100.9	6.3
Japan	40.7	41.9	1.2
North America	59.7	60.9	1.2
Rest of World	22.9	25.9	3.0
Technical Glass	**34.4**	**36.7**	**2.3**
Europe	4.9	5.6	0.7
Japan	17.9	19.1	1.2
North America	0.7	1.0	0.3
Rest of World	10.9	11.0	0.1
Other Operations	**0.3**	**0.6**	**0.3**
Europe	0.0	0.3	0.3
Japan	0.3	0.3	0.0
North America	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0
Total	**430.7**	**449.4**	**18.7**

Trading Profit by Business & Regions
FY2017 Q3 v FY2018 Q3

(JPY bn)	FY2017 Q3	FY2018 Q3	Change
by SBU			
Architectural	20.8	20.4	(0.4)
Automotive	7.8	7.7	(0.1)
Technical Glass	0.4	4.9	4.5
Other Operations	(6.2)	(5.6)	0.6
Total	22.8	27.4	4.6
by Region			
Europe	5.9	11.1	5.2
Japan	0.7	1.9	1.2
North America	7.1	5.5	(1.6)
Rest of World	9.1	8.9	(0.2)
Total	22.8	27.4	4.6

Consolidated Cash Flow Summary

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(JPY bn)	FY2017 Q3	FY2018 Q3
Profit for the period	5.9	**(0.4)**
Depreciation and amortization	24.2	**24.1**
Impairment	1.7	**0.5**
Gain on disposal of assets and exit of business	(9.9)	**(2.2)**
Tax paid	(3.4)	**(4.6)**
Others	(2.6)	**3.0**
Net operating cash flows before movement in working capital	15.9	**20.4**
Net change in working capital	(8.0)	**(13.9)**
Net cash flows from operating activities	7.9	**6.5**
Purchase of property, plant and equipment	(16.9)	**(23.4)**
Disposal proceeds	12.9	**7.4**
Others	(0.7)	**(1.0)**
Net cash flows from investing activities	(4.7)	**(17.0)**
Free cash flow	3.2	**(10.5)**

Consolidated Balance Sheet

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(JPY bn)	31-Mar-17	31-Dec-17	Change
Assets	**790.2**	**782.0**	**(8.2)**
Non-current assets	**527.8**	**543.2**	**15.4**
Goodwill & intangible assets	162.3	176.2	13.9
Property, plant and equipment	245.2	257.6	12.4
Other	120.3	109.4	(10.9)
Current assets	**262.4**	**238.8**	**(23.6)**
Cash and cash equivalents	84.9	51.9	(33.0)
Other	177.5	186.9	9.4
Liabilities	**656.5**	**638.2**	**(18.3)**
Current liabilities	**223.2**	**246.0**	**22.8**
Financial liabilities	79.8	111.6	31.8
Other	143.4	134.4	(9.0)
Non-current liabilities	**433.3**	**392.2**	**(41.1)**
Financial liabilities	319.6	276.4	(43.2)
Other	113.7	115.8	2.1
Equity	**133.7**	**143.8**	**10.1**
Shareholders' equity	124.1	135.1	11.0
Non-controlling interests	9.6	8.7	(0.9)
Total liabilities and equity	**790.2**	**782.0**	**(8.2)**

Exchange Rates

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	FY2017 Q3	FY2017 Full-year	FY2018 Q3	FY2018 Forecast
Average rates used:				
JPY/GBP	142	142	146	140
JPY/USD	107	108	111	110
JPY/EUR	118	119	128	120
Closing rates used:				
JPY/GBP	144	139	152	
JPY/USD	117	111	113	
JPY/EUR	122	119	136	

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