

NSG

GROUP

NSG Group

FY2016 Annual Results

(from 1 April 2015 to 31 March 2016)

Shigeki Mori

Chief Executive Officer

Clemens Miller

Chief Operating Officer

Kenichi Morooka

Chief Financial Officer

FY2016 Annual Results

(from 1 April 2015 to 31 March 2016)

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FY2017 Forecast

Medium-term Plan Update

Summary

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(from 1 April 2015 to 31 March 2016)



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Key Points - April 2015 to March 2016

- Trading profit continues to improve, as improved Architectural results covered reduction in profitability in Display
- Exceptional losses reflect market conditions in Display and demand downturns in emerging markets
- Improving market outlook in Europe
- Performance improved in Japan
- Architectural maintained its strong performance in North America and South East Asia
- Automotive continues to suffer from difficult market conditions in South America

Consolidated Income Statement

(JPY bn)	<u>FY2016</u>	<u>FY2015</u>	<u>Change from FY2015</u>
Revenue	629.2	626.7	0%**
Trading profit	27.2	25.2	8%
Amortization*	(7.8)	(8.4)	
Operating profit	19.4	16.8	
Exceptional items	(35.1)	5.5	
Finance expenses (net)	(18.2)	(17.9)	
Share of JVs and associates	(3.5)	0.4	
Profit/(loss) before taxation	(37.4)	4.8	
Profit/(loss) for the period	(47.5)	2.9	
Profit/(loss) attributable to owners of the parent	(49.8)	1.7	
EBITDA	60.3	57.9	4%

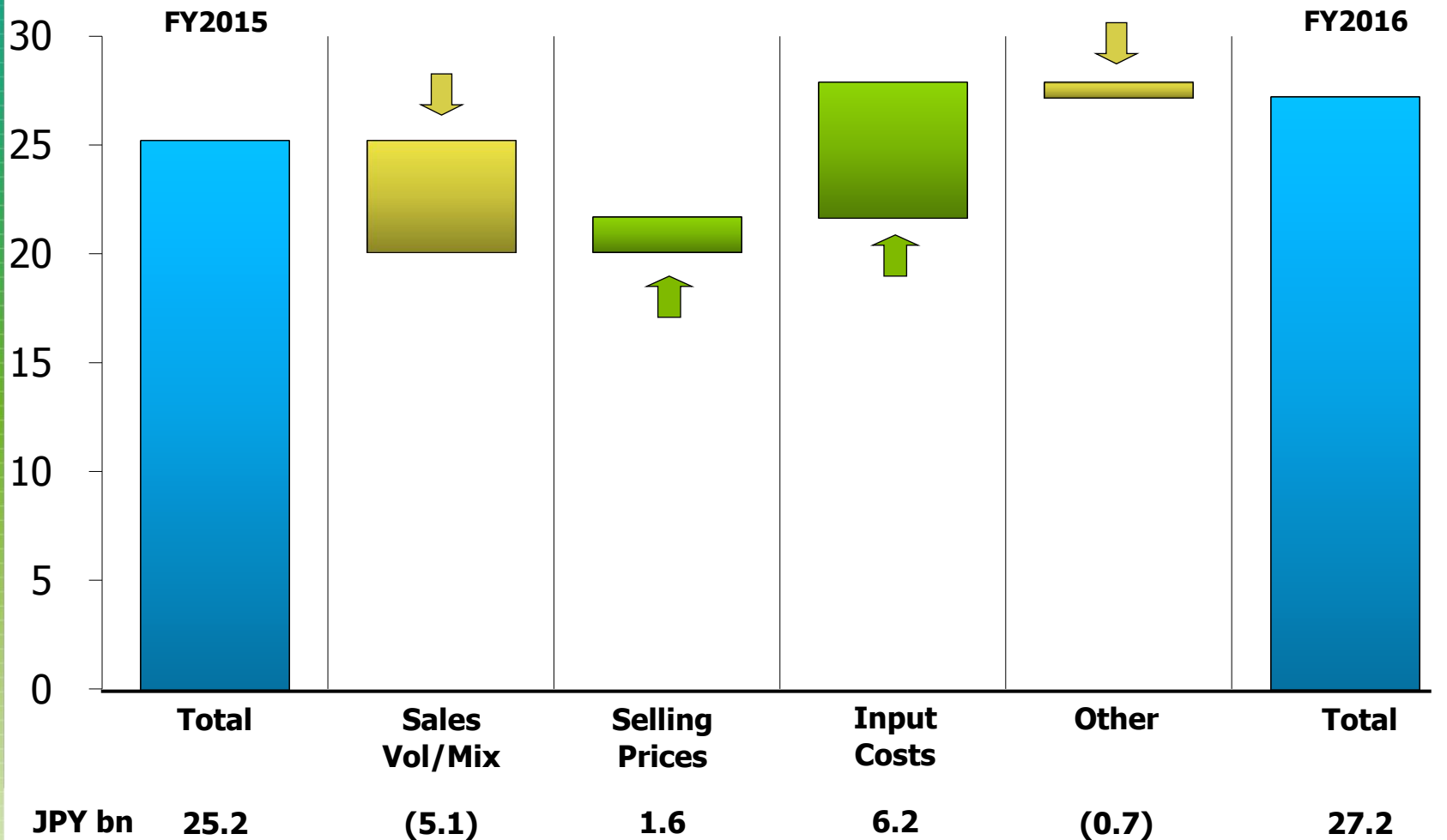
* Amortization arising from the acquisition of Pilkington plc only

** 1.7% based on constant exchange rates

Trading profit showing steady improvement

Change Analysis

Trading profit



Improvement in Architectural and lower input costs covered Display

Exceptional Items

(JPY bn)	<u>FY2016</u>	<u>FY2015</u>
Gain on disposal of non-current assets	0.2	5.1
Gain on reclassification of investments	-	13.3
Impairments of non-current assets	(12.7)	(0.6)
Impairments of goodwill	(6.9)	-
Impairments of investment in affiliates	(5.2)	(2.1)
Settlement of litigation matters	(4.7)	(1.3)
Restructuring costs	(4.3)	(8.9)
Other items	(1.5)	-
	<u>(35.1)</u>	<u>5.5</u>

Exceptional losses due to emerging markets and Display business

Consolidated Cash Flow Summary

(JPY bn)	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>	<u>FY2013</u>
Profit/(loss) for the period	(47.5)	2.9	(15.5)	(33.5)
Depreciation and amortization	40.9	41.7	40.4	36.6
Impairment	24.9	3.5	3.6	9.1
Tax paid	(3.8)	(4.2)	(3.7)	(6.0)
Gain on sale of property, plant and equipment	(0.3)	(5.2)	(0.6)	(0.9)
Gain on reclassification of investment	-	(13.3)	-	-
Others	10.5	(14.7)	(21.5)	(12.8)
Net operating cash flows before movement in working capital	24.7	10.7	2.7	(7.5)
Net change in working capital	(2.9)	13.9	15.2	21.7
Net cash inflow/(outflow) from operating activities	21.8	24.6	17.9	14.2
Purchase of property, plant and equipment	(28.2)	(32.6)	(25.7)	(25.6)
Others	1.8	9.4	8.6	18.6
Net cash outflow from investing activities	(26.4)	(23.2)	(17.1)	(7.0)
Cash flow before financing activities	(4.6)	1.4	0.8	7.2

Improvement in sustainable operating cash flow continues

Key Performance Indicators

	<u>31-Mar-16</u>	<u>31-Mar-15</u>	<u>31-Mar-14</u>
Net Debt (JPY bn)	381	374	379
Net Debt/EBITDA	6.3x	6.5x	7.0x
Net Debt/Equity Ratio	3.4	2.0	2.0
	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
EBITDA Interest Cover	3.6x	3.7x	3.7x
Operating Return* on Sales	4.3%	4.0%	3.7%

* trading profit

Steady improvement in key Net Debt/EBITA ratio

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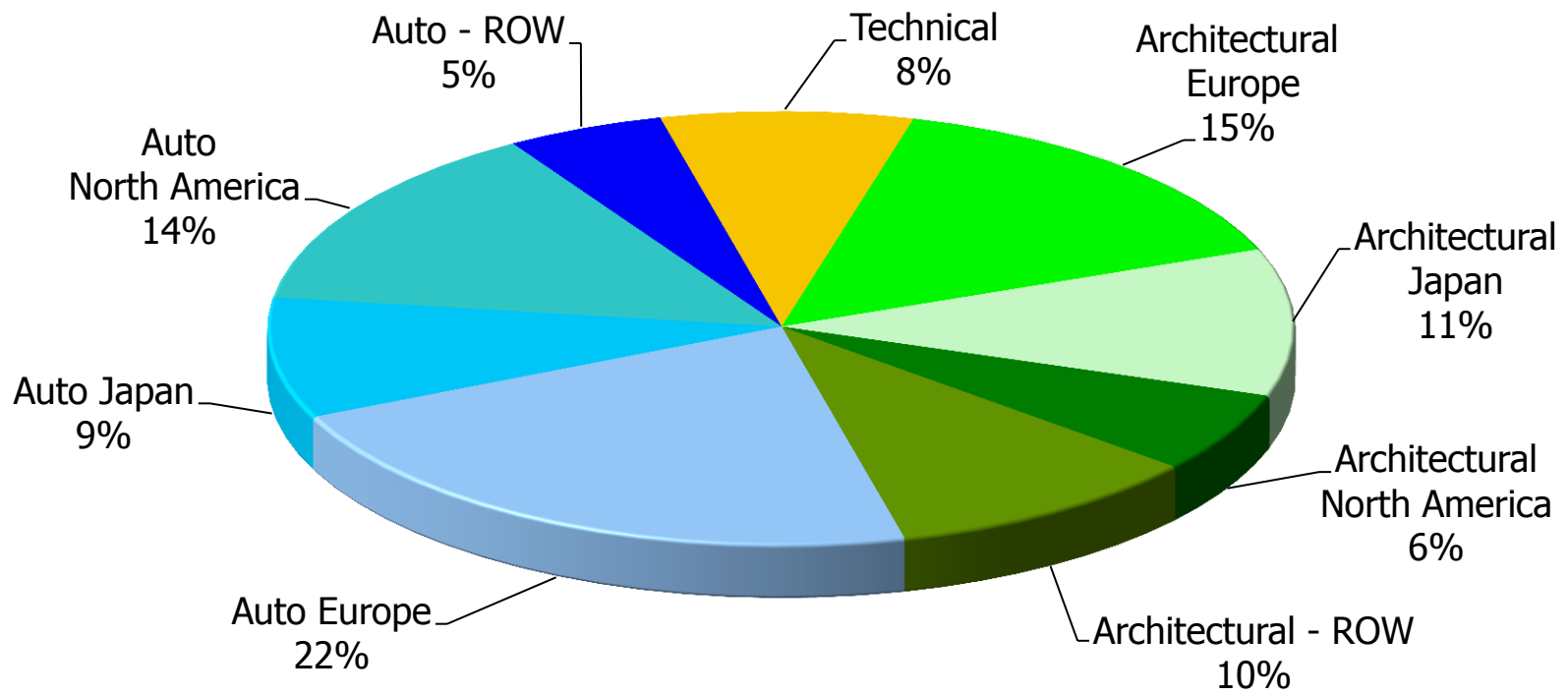
FY2017 Forecast

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External Revenue – Group Businesses

¥ 629.2 billion

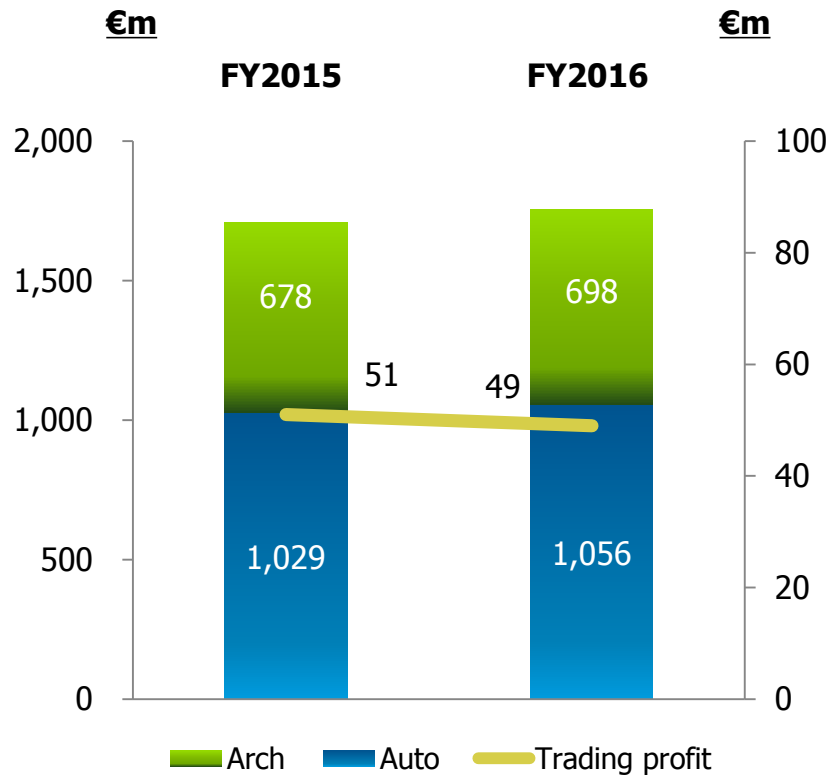


FY2016

Diversified geographical coverage

Europe

FY2015 v FY2016



Architectural

- Increased demand leading to an improved pricing environment
- Profits benefitted from lower input costs, but negatively affected by a cold repair

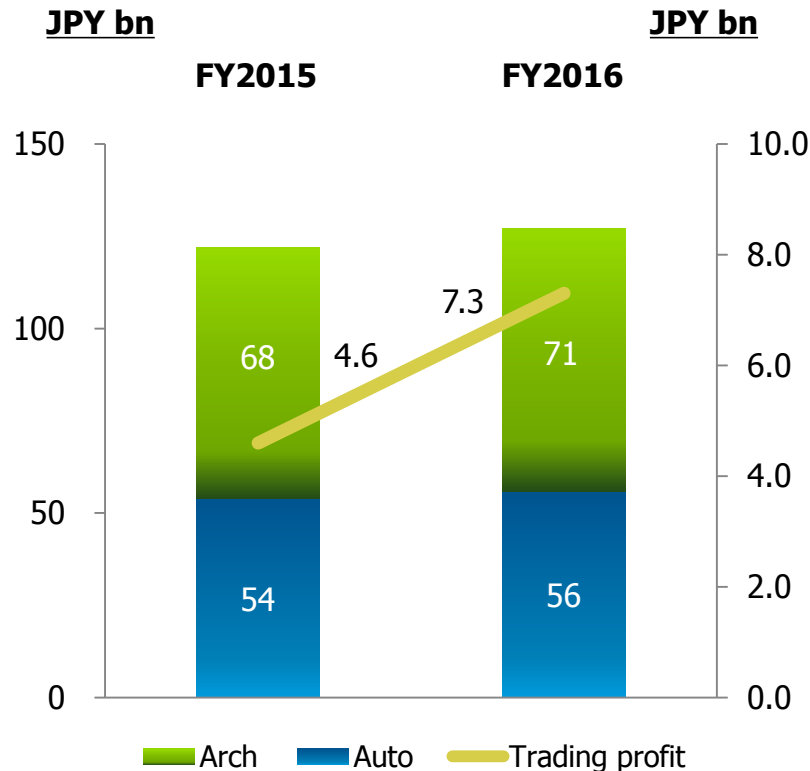
Automotive

- Western Europe light-vehicle sales indicating a sustainable market recovery
- Robust volumes in AGR

Improving market outlook

Japan

FY2015 v FY2016



Architectural

- Results improved with increased prices and lower input costs

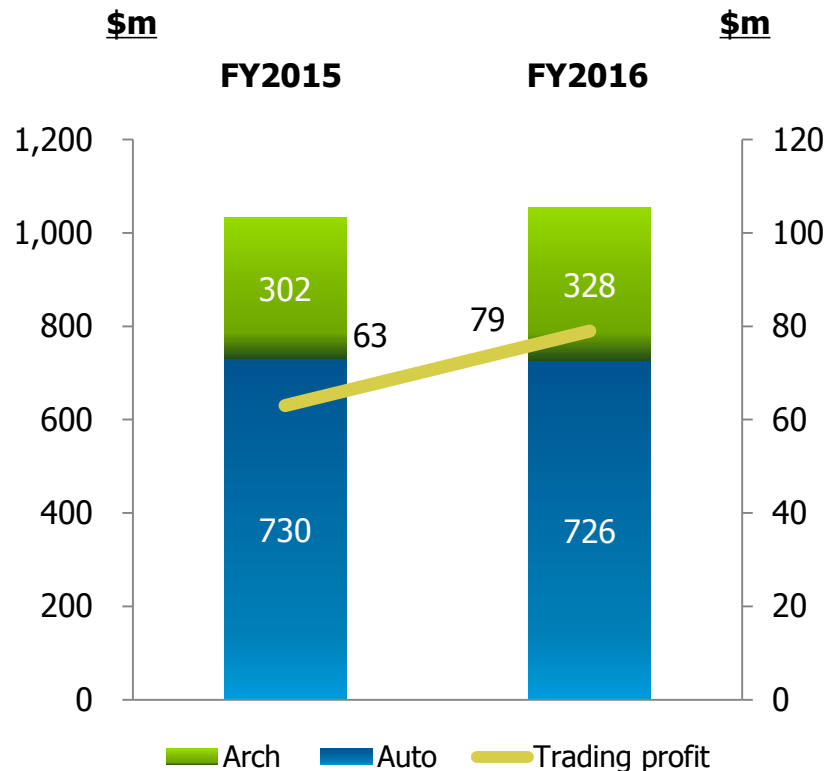
Automotive

- Revenues and profits above previous year, despite the fall of light-vehicles sales following revised eco-car incentives

Performance improved despite modest market conditions

North America

FY2015 v FY2016



Architectural

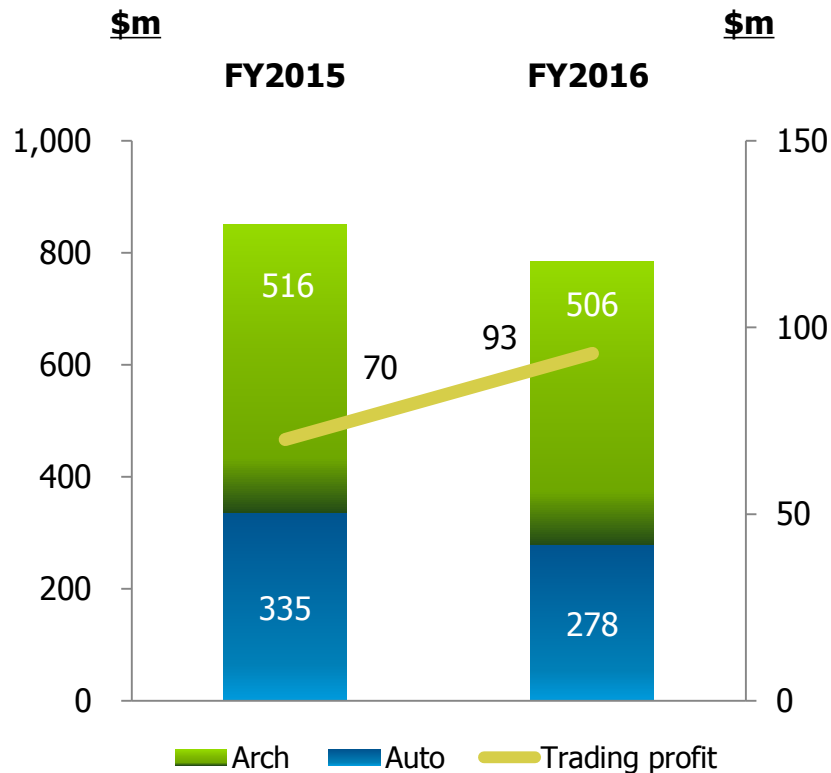
- Revenues and profits improved, as volumes increased with strong domestic demand

Automotive

- OE revenues in local currency ahead of previous year as market continues to strengthen, but AGR revenues fell

Markets maintaining their strength

Rest of World FY2015 v FY2016



Architectural

- Profits in South America improved despite a challenging economic environment and a cold repair
- Robust demand in South East Asia

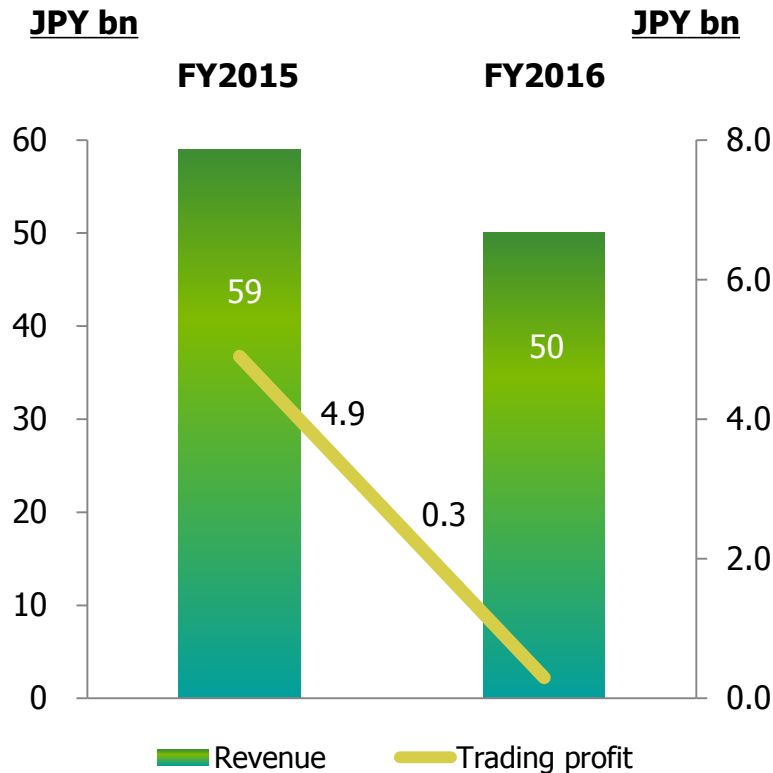
Automotive

- Profits affected by significant decrease in Brazilian light-vehicle sales, as weak market conditions persist

Improvement in profitability

Technical Glass

FY2015 v FY2016



Technical Glass

- Display revenues and profits deteriorated due to challenging competitive environment
- Demand for components used in office printers softened
- Volumes of glass cord used in engine timing belts were robust, as European automotive markets strengthened

Extremely difficult market conditions in Display

Joint Ventures and Associates

FY2016 v FY2015

(JPY bn)	<u>FY2016</u>	<u>FY2015</u>
Share of post-tax profits/(losses)	(3.5)	0.4

- Profits stable at Cebrace, the Group's joint venture in Brazil
- Improved performance, but continued losses in the Group's Russian joint venture
- Group's Chinese affiliates suffered with deteriorating results

Demand downturns in Russia and China

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FY2016:

- Posted a significant amount of one-off losses, reflecting intensified competitive market situation in Display, and demand downturns in emerging markets
- Continued to improve trading profit of core businesses following recent restructuring and cost reduction measures
- Made steady progress in the shift to “VA Glass Company” as described in the Medium-term Plan, (MTP) with increased ratio of value-added products

FY2017:

- To maintain the strategic approach to increase profit through business improvement and shift to value-added products and services and to focus on accelerating growth strategies.

Strategic approach to remain unchanged to improve profit in FY2017

FY2017 Forecast

(JPY bn)

Revenue

Trading profit

Amortization*

Operating profit

Exceptional items

Finance expenses (net)

Share of JVs and associates

Profit/(loss) before taxation

Profit/(loss) for the period

Profit/(loss) attributable to owners of the parent

	<u>Forecast FY2017</u>	<u>Actuals FY2016</u>
	620.0	629.2
	34.0	27.2
	(3.0)	(7.8)
	31.0	19.4
	1.0	(35.1)
	(18.0)	(18.2)
	1.0	(3.5)
	15.0	(37.4)
	7.0	(47.5)
	5.0	(49.8)

* Amortization arising from the acquisition of Pilkington plc only

Bottom line profit expected to be positive in FY2017

- Europe: Gradual recovery in both Architectural and Automotive markets
 - Further reduction of cost base and operational improvement in low-profit facilities, and drive an increase in the VA ratio
- Japan: Architectural markets stable, and Automotive markets to be slightly weaker
 - Increased sales of VA products
- North America: Robust Architectural and Automotive markets
 - Automotive to focus on operational improvement and AGR recovery
- South America: Architectural markets remain at same level, Automotive markets expected to be at a low level
 - Effect of restructuring in Automotive to be realized
- South East Asia: VA products to remain strong
- Technical Glass: Display continues to be sluggish, lenses expected to be impacted by strong Japanese Yen, while other businesses expected to increase sales
- Joint ventures and Associates: Brazilian market to remain at same level

Necessary actions to be taken for each market

Plans and Approaches Going Forward

- **Operating Profit:** JPY 12 billion improvement (yoy)
 - Benefits from reducing loss making activities
 - Continued profitability recovery in core businesses
 - Reduction in amortization
- **Exceptional Items and JVs & Associates**
 - Gain on assets liquidation and efficiency improvement costs anticipated
 - Profits of JVs & Associates to improve JPY 4 billion (yoy)
- Aim to establish more stable and robust business
 - To generate free cash flow more than JPY 10 billion
 - To continuously review the Group's cost base
 - To reinforce R&D by "selection and focus"

Aim for stable profitability with operating profit and other improvements

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MTP – Target and Action Plan

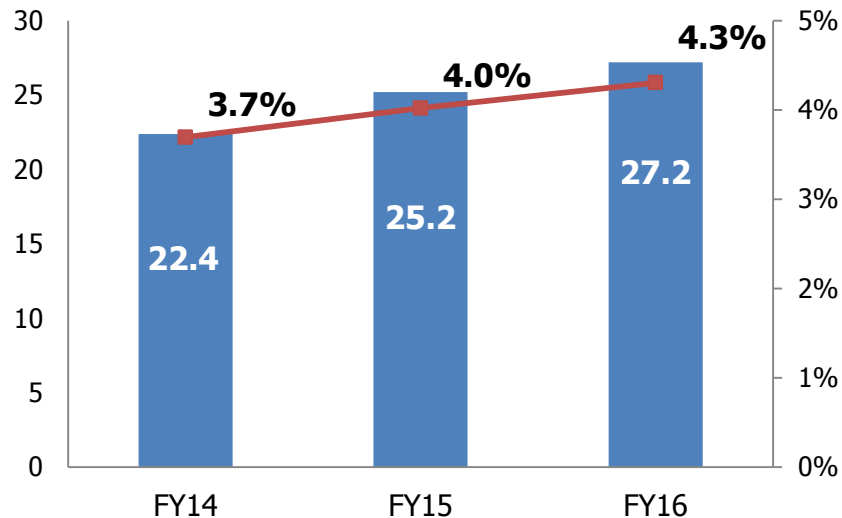
- Target
 - Achieve financial sustainability
 - Start transformation into a VA Glass Company
- Financial Target (FY2018)
 - Net debt / EBITDA : 3x
 - ROS: 8%*
- Action Plans to achieve targets
 - Increase in value-added product share
 - Maximize utilization of existing assets
- Approach
 - Architectural + Automotive : improve profitability
 - Technical Glass: grow with existing businesses and new products, focus on R&D

*Operating Profit before amortization and exceptionals

Establish financial sustainability and start transformation into VA Glass Company

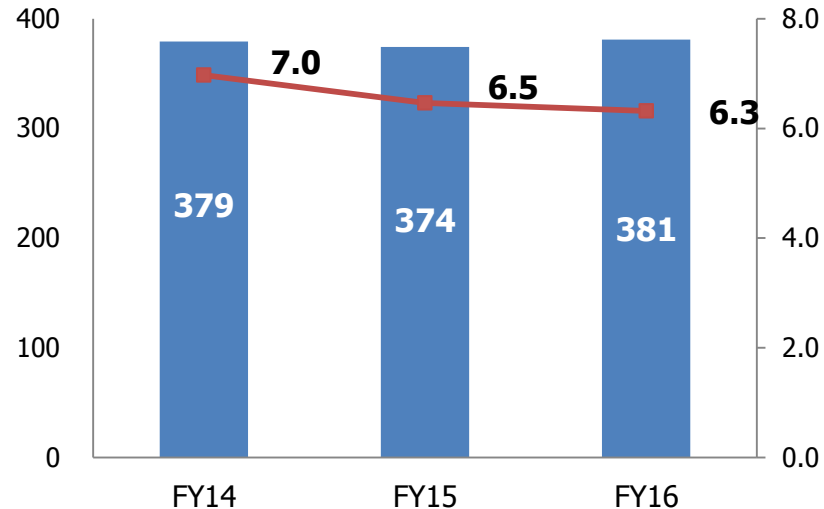
MTP – Progress

**Trading profit
(JPY bn)**



ROS (Target 8%)

**Net Debt
(JPY bn)**



**Net Debt/EBITDA
(Target x3)**

- Trading profit improved in two consecutive years (FY2015 and FY2016)
 - Trading profit is showing an improving trend
- Net debt/EBITDA and ROS ratios show improvement, while net debt flat

Financial KPIs showing modest improvement

Upsides and Downsides against MTP

Down sides

- Market Assumptions:
 - Lower volume & prices in Europe and South America
 - More challenging Display glass market with new entrants
- Cost: Slower operational efficiency improvement in Automotive North America and Europe

Up sides

- VA Ratio: Architectural Glass on plan but delayed in Display. Overall on plan
 - FY14: about 33% => FY16: slightly below 40%
- Market: North America Architectural markets robust
- Input cost: Significantly lower energy cost

Downturns in some markets and delays in efficiency improvement but VA shift on schedule; benefits from lower energy cost

Actions taken in key issue areas

- Display:
 - Mothballing of thin glass float line in Vietnam
 - ➔ Aimed for inventory and fixed cost reduction and better utilization of the line in Japan
 - Sales expansion of value-added new composition glass, glanova™
- Automotive Glass in South America:
 - Consolidation of two Automotive sites in Brazil
 - ➔ Aimed for fixed cost reduction
 - Aftermarket development
- Automotive Glass in Europe and North America:
 - Focused on operational efficiency and productivity recovery and VA products sales expansion

Expansion of VA (value-added) Products (Rf. Appendices)

Actions taken and VA shift leading to certain progress

- Preparing for the growth phase by VA shift acceleration and reinforced R&D by “selection and focus”
- Expediting productivity improvement
- Overhead cost reduction in coming two years
- Steady reduction of net debt and finance cost with asset liquidation, solid management of working capital and capital expenditure, and operating cash flow increase.

No change to strategic direction

Key Approaches by Business

Architectural Provide value through glass expertise to meet expanding market needs

Shift from commodity to VA

Automotive (OE)

Expand VA products adapting to car technology evolution

Excellent *Gemba* + VA shift

(AGR)

Create new growth by providing good services

Unique service values

Technical Glass

Create new growth in ICT and various industrial fields

R&D Marketing

- Financial KPIs showing modest improvement
- Acceleration is necessary
- The Group will perform an assessment of its performance against its MTP and consider any actions that now need to be taken to ensure that the Group continues to move towards achievement of its MTP objectives
- The results of this assessment are expected to be communicated alongside the Group's second quarter results for FY2017

More specific explanation at FY2017 Q2 announcement

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- Trading profit continues to improve, as improved Architectural results covered reduction in profitability in Display
- Exceptional losses reflect market conditions in Display and demand downturns in emerging markets
- Forecast FY2017 operating profit to improve by 12 billion yen, reflecting the exit from loss-making activities, profitability improvements in core businesses, and a reduction in amortization of intangible assets
- Comprehensive update of the Medium-term Plan (MTP) to be communicated alongside the FY2017 Q2 results

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 Co., Ltd.

Appendices

Revenue by Business

FY2016 v FY2015

<u>(JPY bn)</u>	<u>FY2016</u>	<u>FY2015</u>	<u>Change from FY2015</u>
Architectural	262.6	252.9	9.7
Europe	92.2	94.5	(2.3)
Japan	70.5	68.4	2.1
North America	39.3	33.2	6.1
Rest of World	60.6	56.8	3.8
Automotive	316.3	314.0	2.3
Europe	139.5	143.4	(3.9)
Japan	56.4	53.5	2.9
North America	87.0	80.3	6.7
Rest of World	33.4	36.8	(3.4)
Technical	49.5	58.7	(9.2)
Europe	8.0	8.0	0.0
Japan	24.5	31.5	(7.0)
North America	1.2	1.2	0.0
Rest of World	15.8	18.0	(2.2)
Other Operations	0.8	1.1	(0.3)
Europe	0.1	0.1	0.0
Japan	0.7	1.0	(0.3)
North America	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0
Total	629.2	626.7	2.5

Trading profit

FY2016 v FY2015

<u>(JPY bn)</u>	<u>FY2016</u>	<u>FY2015</u>	<u>Change from FY2015</u>
by SBU			
Architectural	24.6	17.0	7.6
Automotive	9.8	9.4	0.4
Technical	0.3	4.9	(4.6)
Other Operations	(7.5)	(6.1)	(1.4)
Total	27.2	25.2	2.0
by Region			
Europe	5.2	6.0	(0.8)
Japan	1.3	5.0	(3.7)
North America	9.2	6.5	2.7
Rest of World	11.5	7.7	3.8
Total	27.2	25.2	2.0

Consolidated Balance Sheet

(JPY bn)	<u>FY2016</u>	<u>FY2015</u>	<u>Change from FY2015</u>
Assets	812.1	920.1	(108.0)
Non-current assets	571.4	653.0	(81.6)
Goodwill & intangible assets	176.4	206.4	(30.0)
Property, plant and equipment	258.9	293.5	(34.6)
Other	136.1	153.1	(17.0)
Current assets	240.7	267.1	(26.4)
Cash and cash equivalents	55.1	67.7	(12.6)
Other	185.6	199.4	(13.8)
Liabilities	700.1	734.1	(34.0)
Current liabilities	285.9	266.9	19.0
Financial liabilities	143.5	115.2	28.3
Other	142.4	151.7	(9.3)
Non-current liabilities	414.2	467.2	(53.0)
Financial liabilities	293.4	327.5	(34.1)
Other	120.8	139.7	(18.9)
Equity	112.0	186.0	(74.0)
Shareholders' equity	103.1	175.7	(72.6)
Non-controlling interests	8.9	10.3	(1.4)
Total liabilities and equity	812.1	920.1	(108.0)

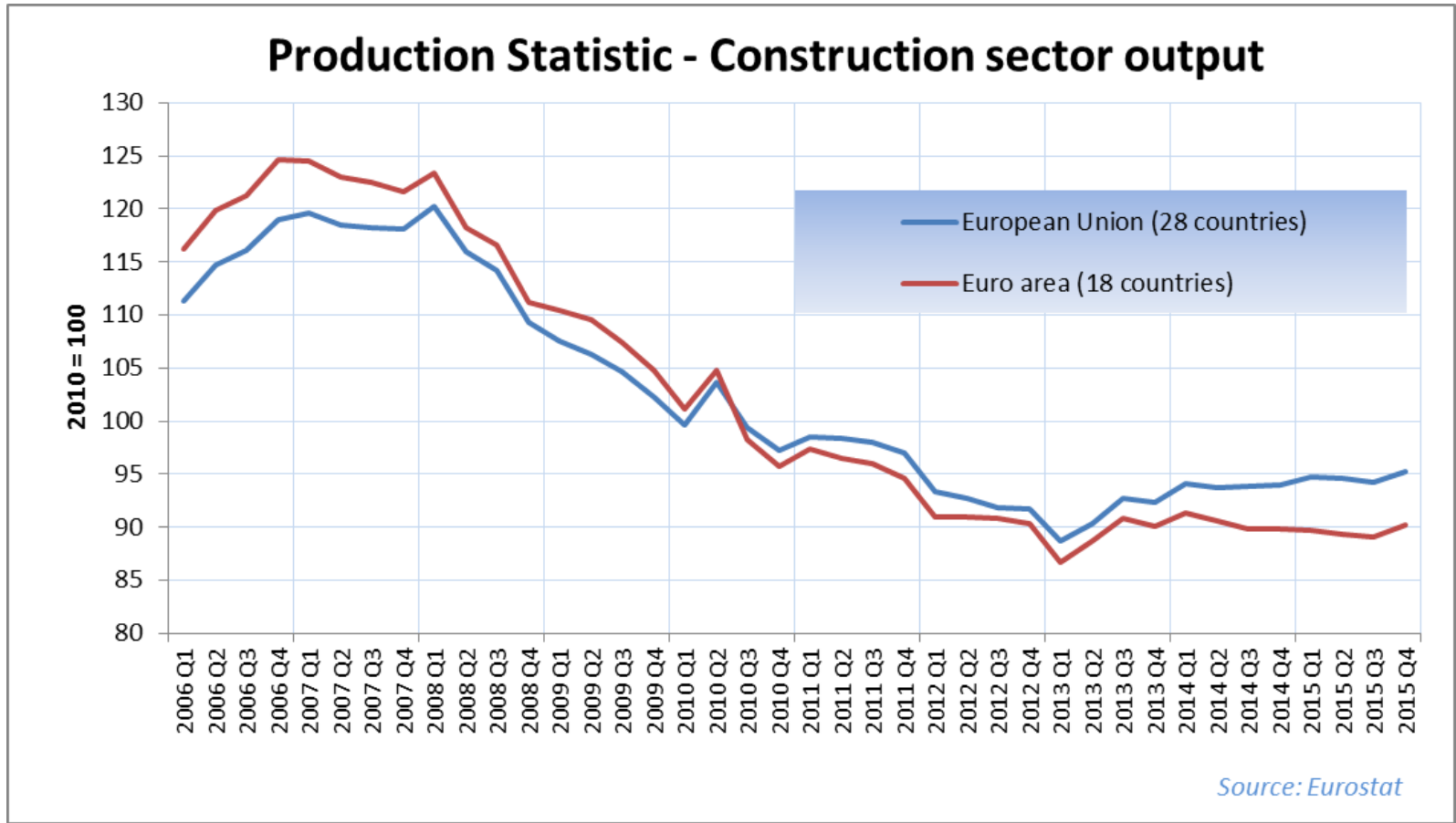
Depreciation & Amortization, CAPEX



(JPY bn)	FY2012	FY2013	FY2014	FY2015	FY2016
Depreciation and Amortization	38.7	36.6	40.4	41.7	40.9
Capital expenditures	34.7	26.0	31.6	36.6	28.2
R&D expenditures	8.0	7.3	7.9	8.2	9.8

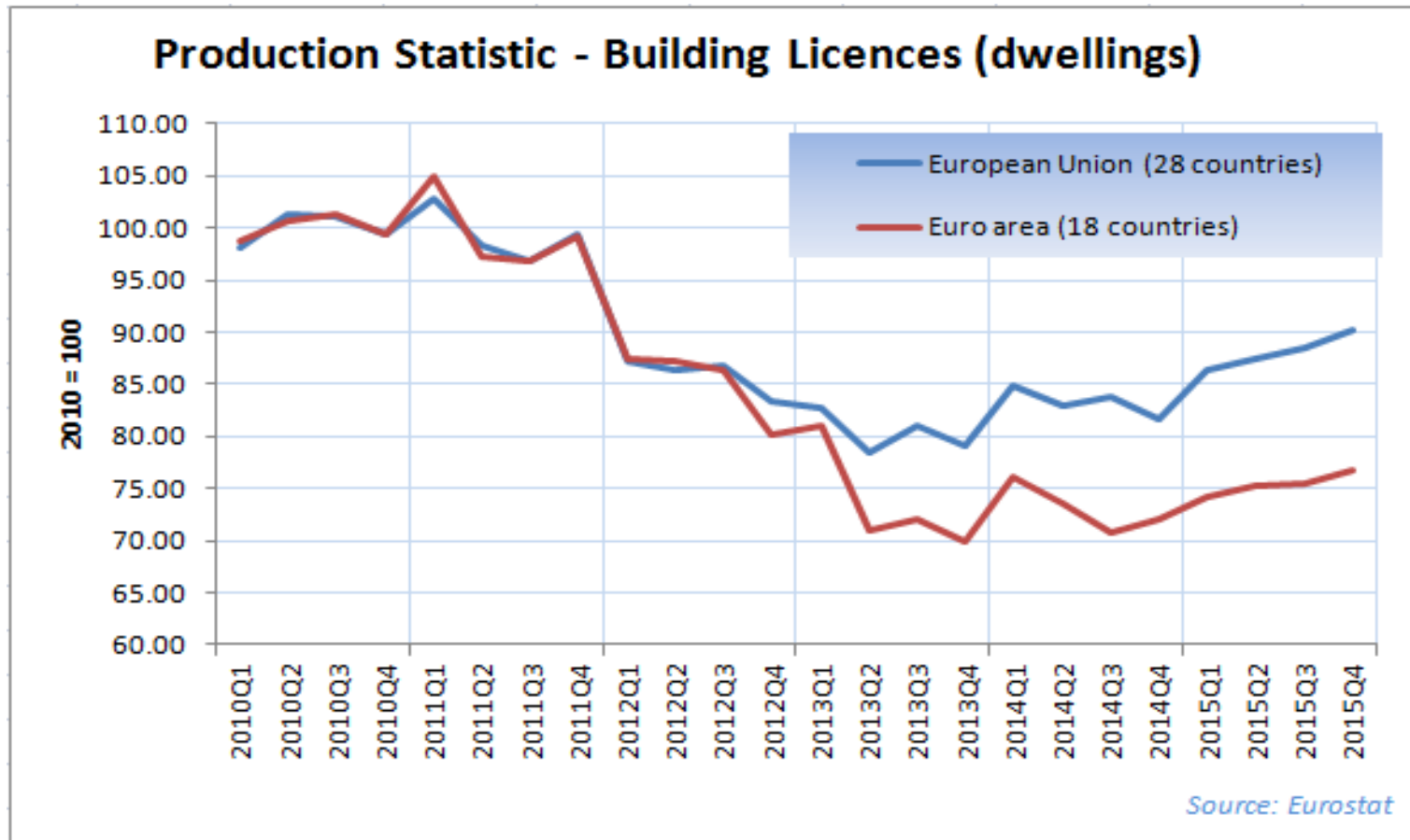
Assumptions

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u> <u>Forecast</u>
Average rates used:			
JPY/GBP	177	181	160
JPY/USD	110	120	110
JPY/EUR	139	132	130
Closing rates used:			
JPY/GBP	178	161	
JPY/USD	120	113	
JPY/EUR	130	127	



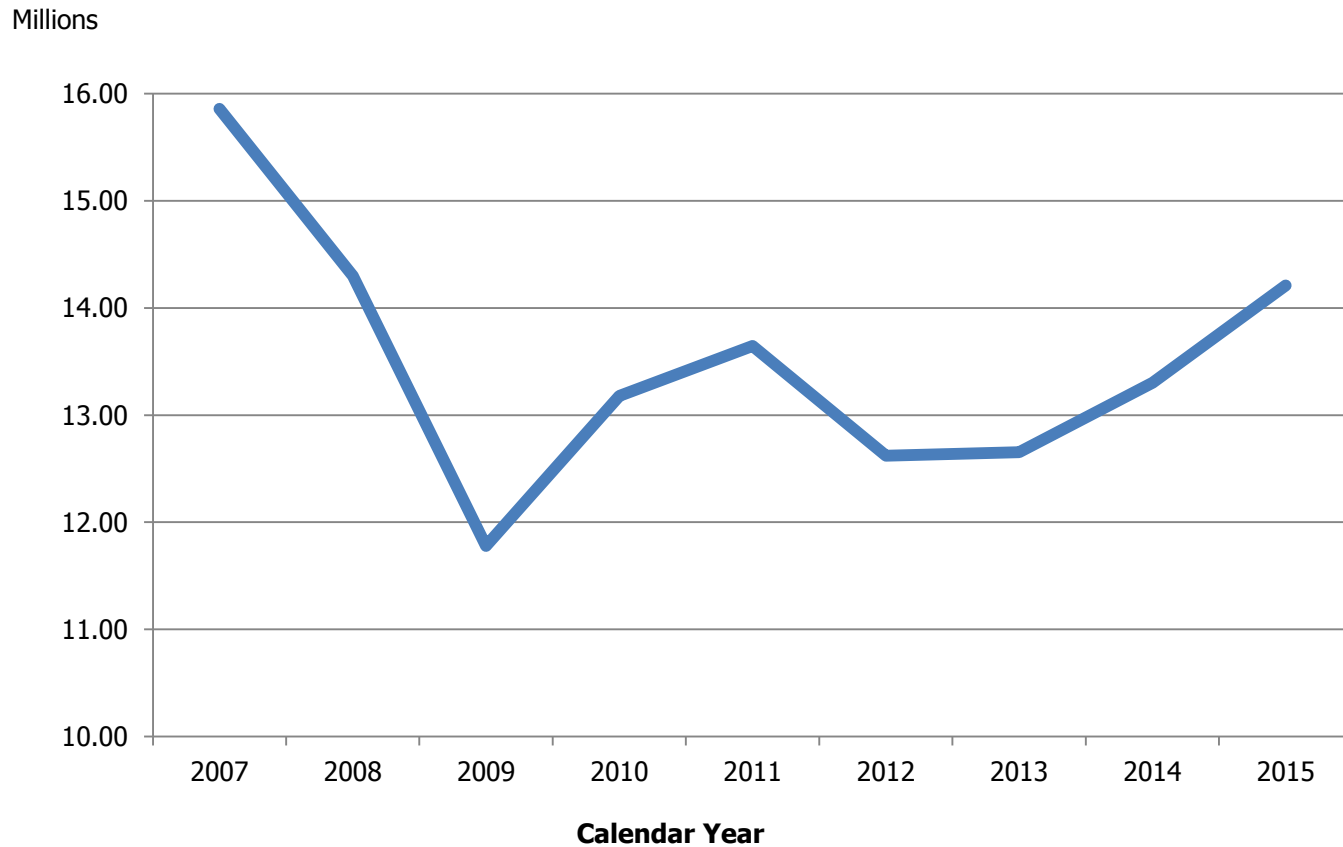
Production output stabilised in 2013 but at a low level; a mixed picture but majority EU countries seen a higher output in 2015 compared to 2014

EU Economic Indices - Architectural



Production output stabilised in 2013 but at a low level; a mixed picture but majority EU countries seen a higher output in 2015 compared to 2014

Western Europe Light Vehicle Build



Source: : IHS Apr 2015, LMC Mar 2015

VA Glass Company

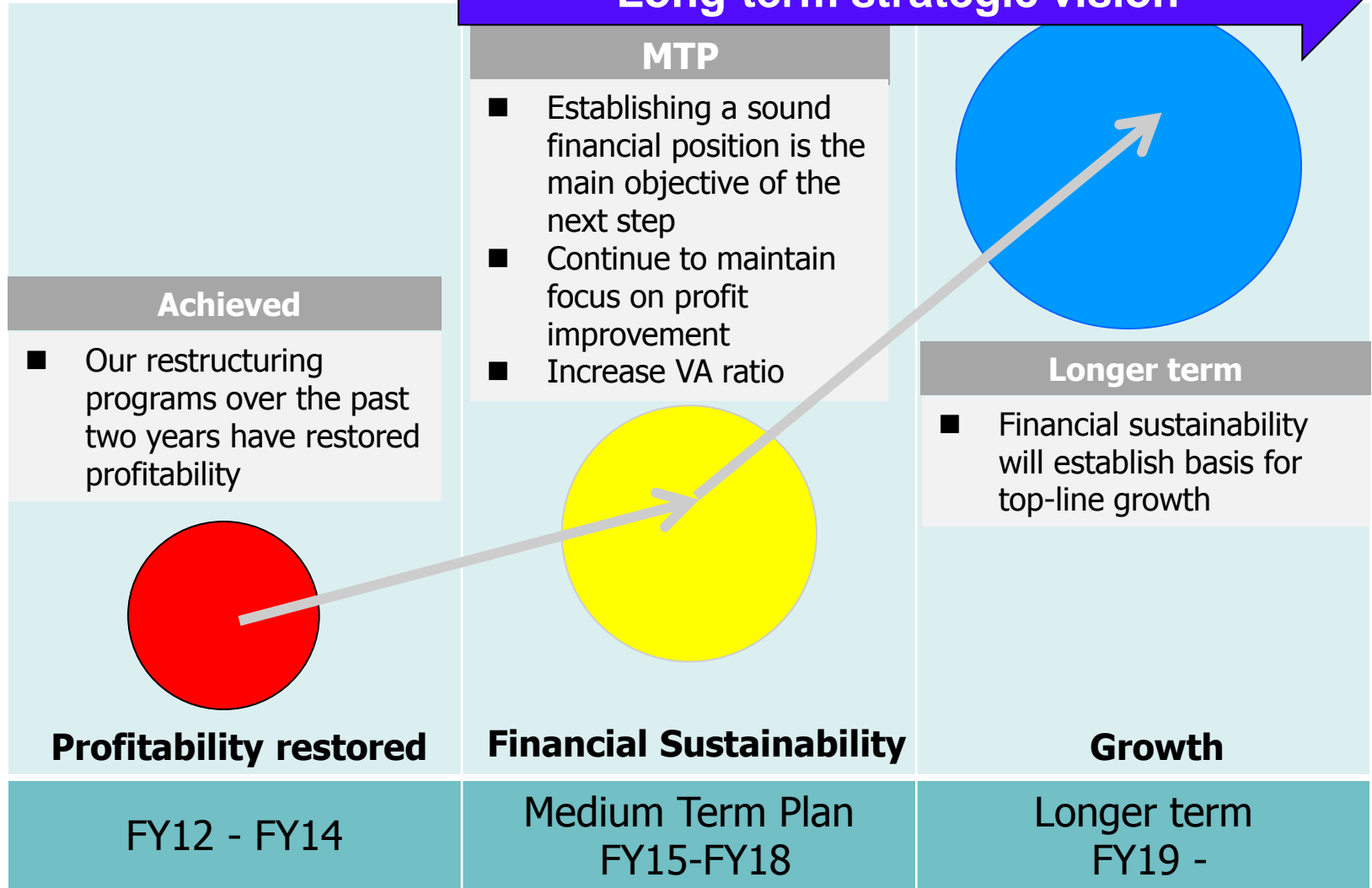
Our aim is to:

- Consolidate our trusted reputation as a glass specialist
- Work closely with our customers in a range of global industries to deliver values required by our customers through our products and services
- Transform our flat glass business, moving from a traditional commodity business model towards one increasingly focused on value-added products and services

Pursue business with focus on value-added products and services

Medium-term Plan (MTP)

Long-term strategic vision



FY15:Year to 31 March 2015

VA (value-added) Products

- Architectural Glass
 - Proprietary online coating technology
Thin film solar, low-e, digital signage, anti-reflection, etc.
 - Vacuum glass (Spacia™), Optiwhite™, etc.
- Automotive Glass:
 - Solar control and lightweight glazing, lightweight, Head-up displays, camera sensors, functional antennas, etc.
- Technical Glass:
 - Development of new composition thin glass, glanova™, joint development of glass flake, battery separator for Idling Stop-Start, High Tensile Strength glasscord, etc.

Brief Guide to NSG Group

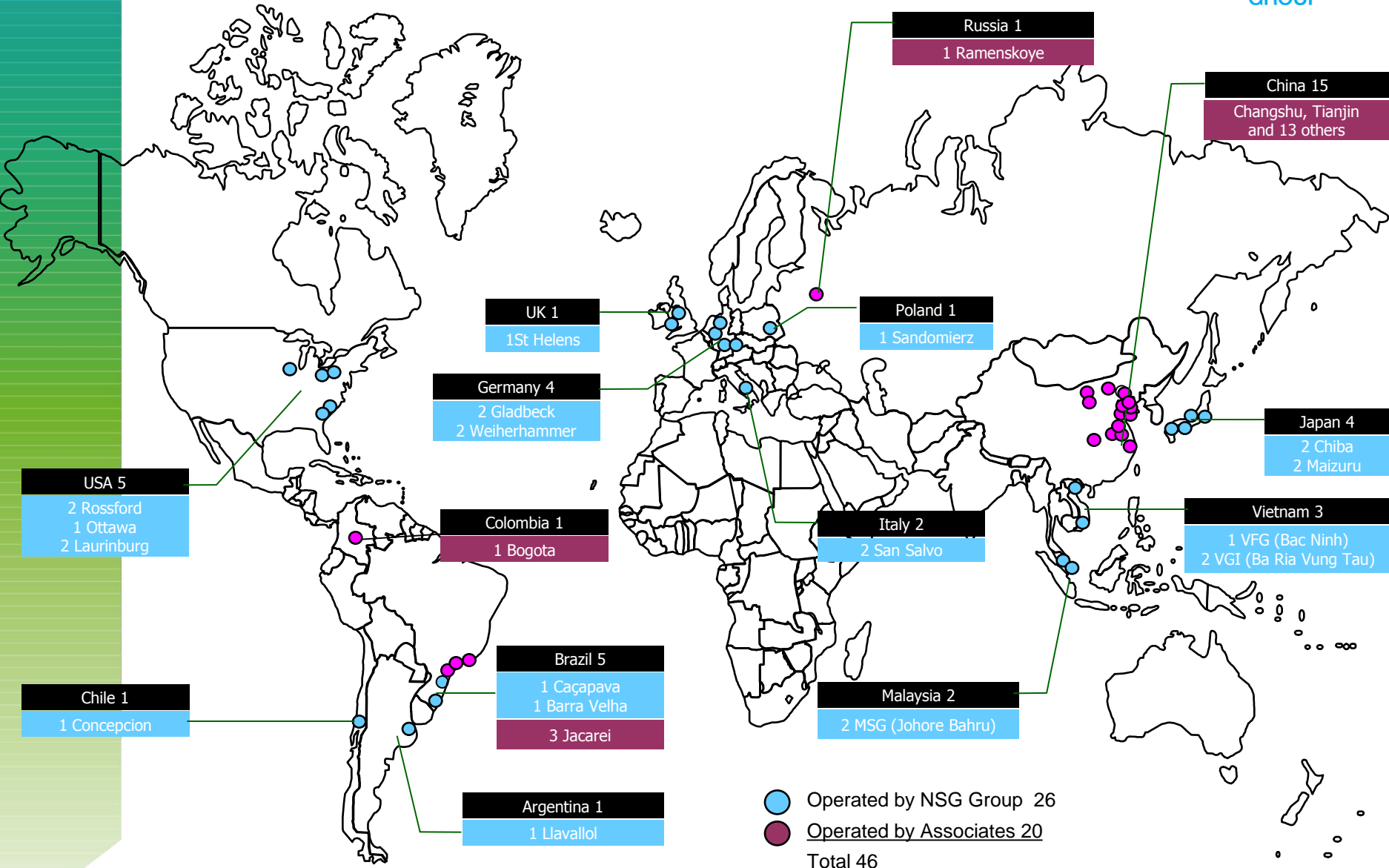
- One of the world's largest manufacturers of glass and glazing products for the Architectural, Automotive and Technical Glass sectors
 - World leader in float glass technology and coatings
 - Supplying the world's leading vehicle manufacturers
 - Leading player in thin glass for displays, lenses and light guides for printers and glasscord, etc.
- Principal operations in 28 countries, with sales in over 130 countries
- Ownership/interests in 46 float lines worldwide
- Approximately 27,000 employees globally

(Reference) Consolidated revenue: JPY 629 billion (FY2016)

Company History

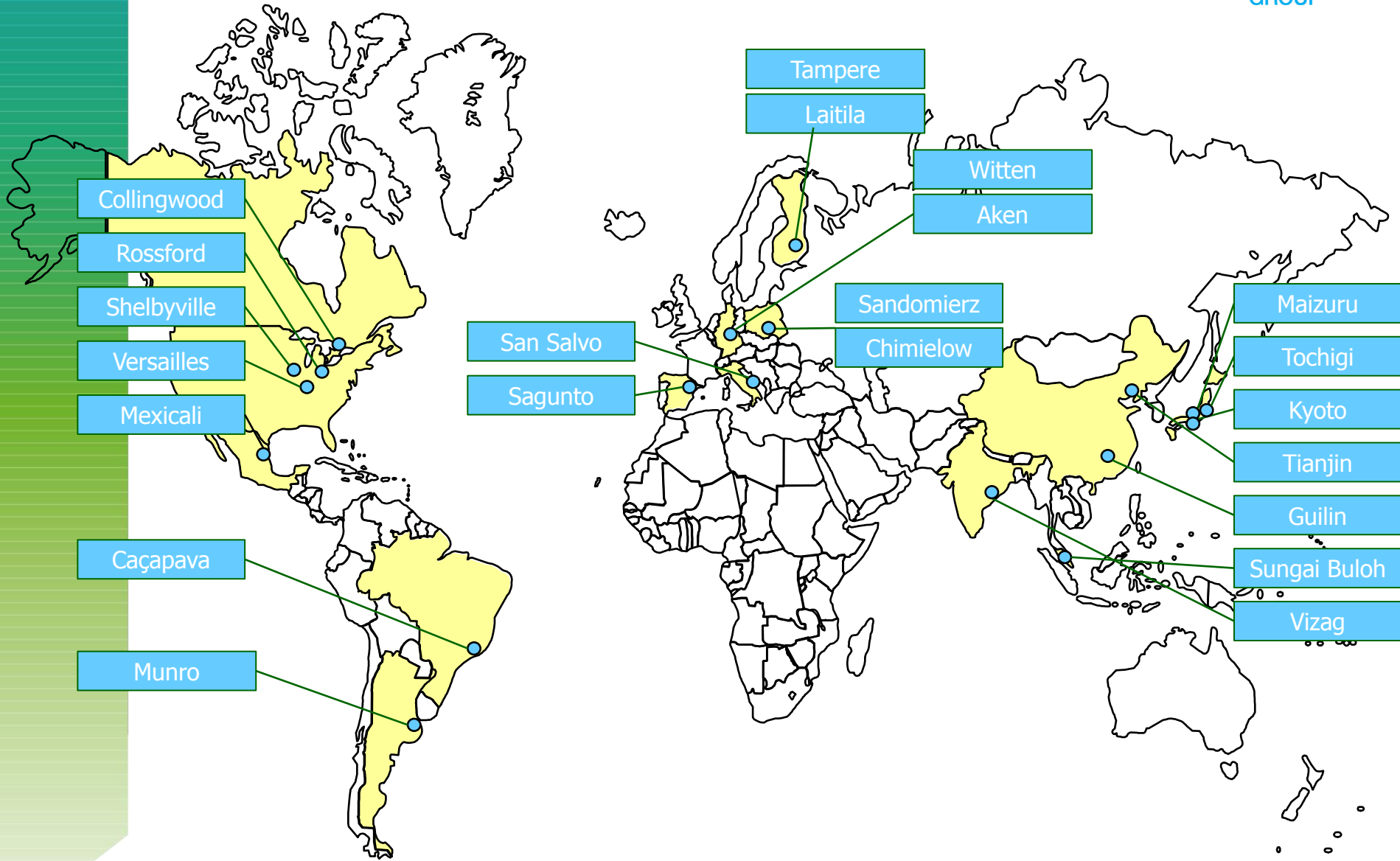
Nov 1918	Obtained the flat glass technology (Colburn process) from Libbey-Owens-Ford Glass Corporation of the United States. Established as America Japan Sheet Glass Co., Ltd. with its head office in Osaka.
Jan 1931	Changed the company name to Nippon Sheet Glass Co., Ltd.
Feb 1965	Installed a new float glass manufacturing process at the Maizuru Plant in Kyoto, Japan.
Nov 1968	Developed "SELFOC®" (Joint Development with NEC Corporation).
Nov 1971	Established Malaysian Sheet Glass Sdn Bhd in Malaysia.
Mar 1995	Established Vietnam Float Glass Co., Ltd.
Oct 1997	Developed "Spacia™" vacuum glazing.
Oct 2001	Affiliated with Pilkington Plc. under the equity method.
Jul 2004	Changed the registered address of head office from Osaka to Kaigain, Minato-ku, Tokyo.
Jun 2006	Acquired the remaining 80% equity of Pilkington Plc. and made it a subsidiary.
Feb 2007	Changed the registered address of head office to Mita, Minato-ku, Tokyo.
Jun 2008	Changed the Board to the "Company with Committees" structure.
Apr 2011	Adopted the International Financial Reporting Standards (IFRS).

Global Float Operations



● Operated by NSG Group 26
● Operated by Associates 20
 Total 46
 (Data : as at FY2015)

Global Automotive Operations



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