

11 May 2018

Key Questions and Answers at FY2018 Annual Results Announcement

- Q: You announced the resumption of ordinary dividends today. What is your idea for the balance between the redemption of preferred shares and the ordinary dividends?
- A: We have been unable to pay dividends to our ordinary shareholders since FY2013. Now, considering continued improvement in our profitability, we decided to resume the distribution of ordinary dividends. We believe it is our mission as a listed company to distribute profits to our shareholders.
- We issued the Class A Shares for the purpose of enhancing our balance sheet and continue to aim for earlier redemption, reviewing our profitability and equity improvement carefully.
- Q: Why did Automotive Glass improve in Q4, though it had been weak in Q3? Also, why did profits of Technical Glass drop suddenly in Q4, while having been robust until Q3?
- A: Automotive Glass has seasonality and it is most robust in Q4. On the other hand, many customers for Technical Glass are in Japan and China. The volume decreased because of new-year and lunar-new-year holidays in these countries in Q4. In addition to the foregoing, inventory adjustments also affected profits. The markets in each business were stable, except for these seasonal factors.
- Q: You forecast operating profit of JPY41 billion (up by JPY5.3 billion) for FY2019. What factors will contribute?
- A: In Architectural Glass, the glass shipment will increase with the restart of Ottawa float line in North America. As for Automotive Glass, we are forecasting continuous robust market in Europe and contribution of market recovery in South America. Improvement of Display and Glass Fiber segments in Technical Glass are also contributing factors. Impacts of potential energy price increase will be offset by continuous cost reduction.
- Q: Does the volume increase of solar glass with the new capital expenditure mean growth of top-line, profit and VA sales ratio going forward?
- A: Yes. The new furnaces for solar glass will start in two years. We believe this will contribute to the growth of top-line, profit and VA sales ratio, with improved product mix and higher sales volume.

Q: Are you managing the risk of JPY38billion investment for solar glass properly, including the long-term contract with First Solar? Also, how many years do you think it takes to recover the investment?

A: As the investment was decided based on the long-term contract, we consider its risk as minimum. It is no exaggeration to say that only NSG can provide thin film solar glass in such a large quantity and we expect a range of business opportunities. Further, our online coating technology can be utilized not only for solar glass, but also for other applications such as architectural, automotive and displays. The payback is expected to be in several years.

Q: For the increase of capital expenditure, have you changed your policy of keeping the capital expenditure below depreciation and amortization?

A: No. However, we expect we may exceed the guideline for certain year for the growth investment. In the medium to long term, we intend to manage the capital expenditure and cash by prioritization of total expenditure and continued efforts of asset optimisation.

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.