


FY 2019 2nd Quarter Consolidated Financial Results < IFRS > 1 November 2018

(English translation of the Japanese original)

Listed Company Name: Nippon Sheet Glass Company, Limited
Code Number: 5202

Stock Exchange Listing: Tokyo
(URL: <http://www.nsg.com>)

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Submission of quarterly report to MOF: 5 November
2018

Payment of dividends start from: 7 December
2018

Quarterly result presentation papers: Yes

Quarterly result presentation meeting: Yes (For institutional investors)

1. Consolidated business results for FY 2019 2nd Quarter (From 1 April to 30 September 2018)
(1) Consolidated business results

	Revenue		Operating profit		Profit before taxation		Profit for the period		Profit attributable to owners of the parent		Total comprehensive income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
2Q FY 2019	308,143	4.8	17,856	1.3	13,713	48.6	9,983	80.0	9,261	94.4	6,392	(89.6)
2Q FY 2018	293,997	-	17,626	-	9,229	-	5,547	-	4,765	-	18,388	-

	Earnings per share - basic	
	¥	
2Q FY 2019	90.16	
2Q FY 2018	42.74	

- Note:
- 2Q FY 2018 data is restated as a result of adopting IFRS15 'Revenue from Contracts with Customers'. Consequently, percentage movements from the previous year (FY 2017) are not provided.
 - Operating profit in the above table is defined as being operating profit stated before exceptional items.

(2) Changes in financial position

	Total assets	Total equity	Total shareholders' equity	Total shareholders' equity ratio
	¥ millions	¥ millions	¥ millions	%
FY 2019 2nd Quarter	781,602	147,477	138,879	17.8
FY 2018 Full year	788,592	143,715	135,192	17.1

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
FY 2018 (Actual)	-	¥ 0.00	-	¥ 20.00	¥ 20.00
FY 2019 (Actual)	-	¥ 10.00			
FY 2019 (Forecast)			-	¥ 20.00	¥ 30.00

- Note:
- There have been no changes to the forecast dividends this quarter.
 - The above table shows dividends on common shares. Please refer to "(Reference) Dividends for Class Shares" for information regarding dividends on Class A shares, which are unlisted and have different rights from common shares.

3. Forecast for FY 2019 (From 1 April 2018 to 31 March 2019)

	Revenue		Operating profit		Profit before taxation		Profit for the period		Profit attributable to owners of the parent		Earnings per share - basic
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Full year	630,000	5.2	41,000	15.1	24,000	8.4	16,000	102.4	14,000	127.1	131.35

- Note:
- There have been no changes to the forecast results this quarter.
 - Forecast of basic earnings per share for FY2019 is calculated by dividing the profit attributable to owners of the parent after deducting dividends, by 90,489,408 shares.
 - For further details, please refer to the prospects section on page 6.

4. Other items

- (1) Changes in status of principle subsidiaries --- No
- (2) Changes implemented to the accounting policies, practice and presentations related to the preparation of quarterly consolidated financial statements
 - (i) Changes due to revisions in accounting standards under IFRS --- Yes
 - (ii) Changes due to other reasons ---Yes
 - (iii) Changes in accounting estimates --- No

Note:

- For further details, please refer to the changes in accounting policy section on pages 7.

- (3) Numbers of shares outstanding (common stock)
 - (i) Number of shares issued at the end of the period, including shares held as treasury stock:
90,506,099 shares as of 30 September 2018 and 90,487,499 shares as of 31 March 2018
 - (ii) Number of shares held as treasury stock at the end of the period:
16,691 shares as at 30 September 2018 and 14,465 shares as at 31 March 2018
 - (iii) Average number of shares in issue during the period, after deducting shares held as treasury stock:
90,482,287 shares for the period ending 30 September 2018 and 90,382,139 shares for the period ending 30 September 2017

Status of quarterly review procedures taken by external auditors for the quarterly results

This document (Tanshin) is out of scope for quarterly review by the external auditors.

Explanation for the appropriate usage of performance projections and other special items

The projections contained in this document are based on information currently available to the Group and certain assumptions considered 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, Asia and the Americas, etc.), product supply/demand shifts, fluctuations in currency exchange and interest rates, as well as price changes in primary fuels and raw materials. Please refer to the section entitled "Prospects" on page 6 for qualitative information such as assumptions used for the projections.

(For Reference) Dividends for Class Shares

Dividends per share related to Class Shares with different rights from those of common shares are as follows.

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Class A Shares					
FY2018 (Actual)	-	-	-	¥ 45,000.00	¥ 45,000.00
FY2019 (Actual)	-	¥ 27,575.30			
FY2019 (Forecast)			-	¥ 27,424.70	¥ 55,000.00

(Note) Number of Class A Shares issued are 40,000 shares. The Class A Shares were issued on 31 March 2017. Forecast of dividends, that have dividend record dates belonging to FY2019, is ¥ 2,114 million.

[Attachments]

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1. Narratives about financial results

(1) Business Performance

(a) Background to Results

The second quarter of the year saw stable or improving market conditions across most regions. European architectural markets continued to be strong with high levels of demand leading to a robust pricing environment, whilst automotive markets improved slightly from the previous year. In Asia, architectural markets were flat, although demand for solar energy glass was above the previous year. Automotive markets in Asia were at similar levels to the previous year. In the Americas, both architectural and automotive markets enjoyed strong demand in North America. In South America, vehicle sales continued to gradually recover in Brazil, although sales in Argentina declined sharply during the second quarter. The Group's technical glass markets were positive with improving market volumes being experienced in several areas.

The Group recorded revenues of ¥ 308,143 million (2Q FY18 restated ¥ 293,997 million) and a trading profit (before exceptional items and amortization relating to the acquisition of Pilkington) of ¥ 18,844 million (2Q FY18 restated ¥ 18,627 million). Operating profits improved slightly to ¥ 17,856 million (Q2 FY18 restated ¥ 17,626 million). The profit attributable to owners of the parent increased to ¥ 9,261 million (Q2 FY18 restated ¥ 4,765 million) due to a year-on-year reduction in exceptional items and financial costs, together with the impact of a significant one-off gain at the Group's architectural joint venture in Brazil.

(b) Review by Business Segment

The Group's business lines cover three core product sectors: Architectural, Automotive, and Technical Glass.

Architectural, representing 40 percent of cumulative Group sales, includes the manufacture and sale of flat glass and various interior and exterior glazing products within the commercial and residential markets. It also includes glass for the Solar Energy sector.

Automotive, with 52 percent of Group sales, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

Technical Glass, representing 8 percent of Group sales, comprises a number of discrete businesses, including the manufacture and sale of very thin glass for small displays, lenses and light guides for printers, as well as glass fiber products, such as battery separators and glass components for engine timing belts.

The table below shows a summary of cumulative results by business segment.

¥ millions	Revenue		Operating profit	
	2nd Quarter FY 2019	2nd Quarter FY 2018 (restated)	2nd Quarter FY 2019	2nd Quarter FY 2018 (restated)
Architectural	121,721	117,447	11,890	13,338
Automotive	160,815	151,980	7,444	5,867
Technical Glass	24,963	24,142	4,366	3,265
Other Operations	644	428	(5,844)	(4,844)
Total	308,143	293,997	17,856	17,626

Architectural Business

Architectural revenues improved from the previous year due to higher volumes, particularly in Europe, and increased dispatches of glass for solar energy. Despite the strong underlying trading conditions, profits fell, being affected by the Group's furnace cold repair schedule and an increase in energy-related input costs.

In Europe, representing 40 percent of the Group's architectural sales, markets continued to be positive with strong demand leading to high levels of capacity utilization and a robust pricing environment. Profits fell, reflecting a cold repair in Germany and an increase in input costs.

In Asia, representing 36 percent of the Group's architectural sales, revenues and profits improved. Demand in South East Asia was generally strong, and the Group benefitted from an increase in sales of glass for solar energy. Revenues in Japan improved whilst results were flat due to an increase in input costs.

In the Americas, representing 24 percent of the Group's architectural sales, revenues and profits both fell, due largely to the adoption of hyperinflationary accounting in Argentina, see section "Changes in accounting principles, practices and presentations" below. Underlying market conditions in Argentina continue to be in line with the Group's expectations. In North America, the Group benefitted from the full operation of the Ottawa plant and a buoyant domestic market.

The Architectural business recorded revenues of ¥ 121,721 million and an operating profit of ¥ 11,890 million.

Automotive Business

In the Automotive business, revenues and profits were both above the previous year, due mainly to positive results in Europe.

Europe represents 46 percent of the Group's automotive sales. Results improved in the Group's original equipment (OE) business with a further gradual recovery in volumes and a continued shift towards VA products. Revenues and profits also increased in the Automotive Glass Replacement (AGR) business with an increase in volumes from the previous year.

In Asia, representing 21 percent of the Group's automotive sales, revenues increased slightly from the previous year whilst profits were flat. In Japan, light vehicle sales were similar to the previous year, and the Group's OE volumes were also similar despite the interruptions to the automotive supply chain caused by the natural disasters that occurred during the period. Results in the AGR business improved as a consequence of increased volumes.

In the Americas, representing 33 percent of the Group's automotive sales, revenues and profits improved from the previous year. In North America, the Group's OE volumes were similar to the previous year, consistent with continued strong light vehicle sales. Profitability improved in South America, with a further recovery of volumes from the previous year in Brazil. In Argentina, the Group's automotive results were impacted by the adoption of hyperinflationary accounting as noted above.

The Automotive business recorded sales of ¥ 160,815 million and an operating profit of ¥ 7,444 million.

Technical Glass Business

Revenues and profits in the Technical glass business improved from the previous year.

In the display business, improving revenues and previous-year cost reduction efforts provided a strong foundation for a further improvement in results. In the information devices business, demand for glass components used in printers and scanners was firm. Demand for glass cord used in engine timing belts was robust, consistent with conditions in the automotive sector generally. Metashine[®] product sales also increased with demand being strong in both the car paint and cosmetic fields. In other areas, battery separators continued to experience firm market conditions.

The Technical Glass business recorded revenues of ¥ 24,963 million and an operating profit of ¥ 4,366 million.

Other Operations and Eliminations

This segment covers corporate costs, consolidation adjustments, certain small businesses not included in the segments covered above and the amortization of other intangible assets related to the acquisition of Pilkington plc. Operating costs and consolidation adjustments incurred in Other Operations and Eliminations increased from the previous year due partly to the inclusion of the Group's newly established Business Innovation Center.

Consequently, this segment recorded revenues of ¥ 644 million and operating costs of ¥ 5,844 million.

Joint Ventures and Associates

The Group's share of joint ventures and associates profits increased from the previous year due to improved results at Cebrace, the Group's architectural joint venture in Brazil. During the second quarter of the year, this joint venture recorded a one-off gain, the NSG share of which was ¥ 2,302 million, following the conclusion of a legal challenge regarding the calculation of sales-based taxes borne by the company in previous years. The underlying trading performance at Cebrace was also positive.

The Group's share of joint ventures and associates profits after tax was ¥ 3,751 million (Q2 FY18 ¥ 996 million).

(2) Financial Condition

Total assets at the end of September 2018 were ¥ 781,602 million, representing a decrease of ¥ 6,990 million from the end of March 2018 (restated). Total equity was ¥ 147,477 million, representing an increase of ¥ 3,762 million from the restated March 2018 figure of ¥ 143,715 million. Total equity increased due to the profit recorded for the period as well as an increase in asset values in Argentina following the adoption of hyperinflationary accounting. These effects were partly offset by exchange movements following a strengthening of the yen compared to the Group's other operating currencies.

Net financial indebtedness increased by ¥ 13,623 million from 31 March 2018 to ¥ 320,093 million at the period end. The increase in indebtedness arose mainly from seasonal increases in working capital. Currency movements generated an increase in net debt of approximately ¥ 2,970 million over the period. Gross debt was ¥ 377,267 million at the period end. As of 30 September 2018, the Group had un-drawn, committed facilities of ¥ 76,044 million.

Cash inflows from operating activities were ¥ 3,092 million. Cash outflows from investing activities were ¥ 12,259 million, including capital expenditure on property, plant, and equipment of ¥ 11,734 million. As a result, free cash flow was an outflow of ¥ 9,167 million.

(3) Prospects

The forecast of revenue, operating profit, profit before taxation, profit for the period, profit attributable to owners of the parent and earnings per share for the year to 31 March 2019 is set out on page 2. The forecast of earnings per share has been shown after considering the effect of dividends related to Class A shares.

The Group expects to see a further recovery in profitability during FY2019 with modest improvements in market conditions and an increasing contribution from VA products more than compensating for an increase in input costs.

In Architectural, European markets should continue at their current levels, resulting in a high level of capacity utilization and stable prices. In Asia, the Group expects a gradual recovery of architectural profitability in Japan, whilst results in South East Asia will benefit from a recovery in sales of glass for solar energy. In the Americas, architectural profits will benefit from a full-years operation at the Ottawa plant. Despite the short-term difficulties faced by the economy in Argentina, the Group considers the outlook of long-term demand to be positive.

In Automotive, European markets are expected to be robust with strengthening automotive profits reflecting positive underlying demand and an improving mix of products. In Asia, the Group's results are likely to be similar to the previous year, reflecting generally flat market conditions. Profits in the Americas should benefit from a further rebound of demand in South America.

Results in the Technical Glass business should benefit from a further recovery in profitability in the display division and generally positive market conditions in other areas.

Exceptional costs will continue to reflect restructuring expenditure necessary to achieve additional improvements in operational efficiency and overall cost reductions. Financial costs will continue to fall as result of a further reduction in the Group's cost of borrowings.

Whilst the Group will maintain its focus on cash generation, it will also make selective investments consistent with its strategy to become a VA glass company. On 11 May 2018, the Group announced a plan to expand its production capacity of online TCO (transparent conductive oxide) coated glass to support the growing solar market. The investment will fund the upgrade and restart of a currently dormant float furnace in Vietnam and the construction of a new glass production facility in the United States over the next three years. The Group considers the outlook of demand for architectural and automotive glass products in South America to be positive, and on 9 October 2018 announced its intention to expand its production capacity in Argentina with the construction of a new float glass facility to be operated by the Group's 51 percent held subsidiary Vidiería Argentina S.A.

Based on our Long-term Strategic Vision to transform the NSG Group into a VA Glass Company, the Group launched the Medium-term Plan ("MTP") starting in FY2015. The key objectives of the MTP are: to achieve financial sustainability; and to start the transformation into a VA Glass Company. The two financial targets were Net financial debt / EBITDA of 3X and Operating return on sales of greater than 8%. The Group also envisions a Return on Equity (ROE) of greater than 10% to be achieved under the MTP. From FY2018, the Group entered Phase 2 of the MTP, re-doubling its efforts to ensure the achievement of these targets by FY2020. The Group will focus on the four key measures under MTP Phase 2: "Drive VA No.1 Strategy"; "Establish growth drivers"; "Business culture innovation" and "Enhancement of Global Management", in order to achieve the targets, as well as to expedite the improvement of its financial base and growth strategy.

2. Other information

(1) Changes in status of principle subsidiaries

There was no change.

(2) Changes in accounting principles, practices and presentations

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' effective from the Group's financial period commencing 1 April 2018. Due to the change in accounting policy, in accordance with IAS 8, the Group has restated its comparative information in the primary condensed quarterly consolidated financial statements for the second quarter of the previous year. For further details, see note 6-(j).

From the second quarter of FY2019, the Group has applied hyperinflationary accounting adjustments when consolidating the financial results and position of its subsidiaries in Argentina as required by IAS 29 "Financial Reporting in Hyperinflationary Economies". Adjustments have been made to present the financial results and position of the Group's subsidiaries in Argentina using the measuring unit current as at the period end date. This has involved applying Argentina inflation to the underlying results and balance sheet net assets of these businesses. As required by IAS 21 "The Effects of Changes in Foreign Exchange Rate", the Group has used closing period-end exchange rates when consolidating the cash flows and comprehensive income of its subsidiaries in Argentina. The financial effect of applying this approach as at Q2 FY2019, is a decrease in revenues of ¥ 1,900 million, a decrease in operating profit of ¥ 490 million, a decrease in profit for the period of ¥ 1,340 million and a decrease in profit attributable to owners of the parent of ¥ 810 million. Shareholders' equity was increased by ¥ 1,340 million. The Group has not disclosed the potential effect of applying this accounting approach for the full year, as the impact is directly related to the closing value of Argentine Peso, which the Group is unable to forecast with a high degree of confidence.

3. Consolidated financial statements and their notes

(1) (a) Condensed quarterly consolidated income statement

¥ millions

	Note	2nd Quarter For the period 1 April to 30 September 2018	2nd Quarter For the period 1 April to 30 September 2017 (restated)
Revenue	(6)-(a)	308,143	293,997
Cost of sales		(225,822)	(215,086)
Gross profit		82,321	78,911
Other income		717	1,367
Distribution costs		(28,254)	(26,691)
Administrative expenses		(33,749)	(32,253)
Other expenses		(3,179)	(3,708)
Operating profit	(6)-(a)	17,856	17,626
Exceptional items	(6)-(b)	(1,155)	(1,760)
Operating profit after exceptional items		16,701	15,866
Finance income	(6)-(c)	1,591	443
Finance expenses	(6)-(c)	(8,330)	(8,076)
Share of post-tax profit of joint ventures and associates accounted for using the equity method		3,751	996
Profit before taxation		13,713	9,229
Taxation	(6)-(d)	(3,730)	(3,682)
Profit for the period		9,983	5,547
Profit attributable to non-controlling interests		722	782
Profit attributable to owners of the parent		9,261	4,765
Earnings per share attributable to owners of the parent	(6)-(e)		
Basic		90.16	42.74
Diluted		58.35	30.04

(1) (b) Condensed quarterly consolidated statement of comprehensive income

¥ millions

	Note	2nd Quarter For the period 1 April to 30 September 2018	2nd Quarter For the period 1 April to 30 September 2017 (restated)
Profit for the period		9,983	5,547
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Re-measurement of retirement benefit obligations (net of taxation)		(807)	(731)
Revaluation of Assets held at Fair Value through Other Comprehensive Income – equity investments (net of taxation)		(2,457)	(3,422)
Sub-total		(3,264)	(4,153)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		(4,559)	16,293
Revaluation of Assets held at Fair Value through Other Comprehensive Income – other investments (net of taxation)		(38)	(62)
Cash flow hedges:			
- fair value gains, net of taxation		2,580	763
Hyperinflation adjustment	(6)-(k)	1,690	-
Sub-total		(327)	16,994
Total other comprehensive income for the period, net of taxation		(3,591)	12,841
Total comprehensive income for the period		6,392	18,388
Attributable to non-controlling interests		61	546
Attributable to owners of the parent		6,331	17,842
		6,392	18,388

(2) Condensed quarterly consolidated balance sheet

¥ millions

	2nd Quarter as at 30 September 2018	FY 2018 as at 31 March 2018 (restated)
ASSETS		
Non-current assets		
Goodwill	112,912	112,455
Intangible assets	56,667	57,249
Property, plant and equipment	244,846	244,105
Investment property	415	413
Investments accounted for using the equity method	20,173	17,655
Retirement benefit asset	28,292	27,144
Contract assets	1,477	1,110
Trade and other receivables	16,008	17,071
Financial assets:		
- Assets held at Fair Value through Other Comprehensive Income	14,702	17,290
- Derivative financial instruments	1,675	445
Deferred tax assets	35,388	35,901
	532,555	530,838
Current assets		
Inventories	121,141	114,774
Contract assets	2,121	3,142
Trade and other receivables	70,284	73,999
Financial assets:		
- Assets held at Fair Value through Other Comprehensive Income	2	100
- Derivative financial instruments	2,481	938
Cash and cash equivalents	53,018	64,801
	249,047	257,754
Total assets	781,602	788,592

(2) Condensed quarterly consolidated balance sheet continued

¥ millions

	2nd Quarter as at 30 September 2018	FY 2018 as at 31 March 2018 (restated)
LIABILITIES AND EQUITY		
Current liabilities		
Financial liabilities:		
- Borrowings	49,059	96,470
- Derivative financial instruments	1,024	1,093
Trade and other payables	122,507	136,646
Contract liabilities	4,901	3,566
Provisions	14,701	16,416
Deferred income	574	809
	192,766	255,000
Non-current liabilities		
Financial liabilities:		
- Borrowings	326,728	274,185
- Derivative financial instruments	456	906
Trade and other payables	470	2,987
Contract liabilities	612	879
Deferred tax liabilities	19,632	18,418
Retirement benefit obligations	72,986	71,937
Provisions	15,876	15,903
Deferred income	4,599	4,662
	441,359	389,877
Total liabilities	634,125	644,877
Equity		
Capital and reserves attributable to the Company's equity shareholders		
Called up share capital	116,556	116,546
Capital surplus	166,672	166,661
Retained earnings	(44,586)	(51,350)
Retained earnings (Translation adjustment at the IFRS transition date)	(68,048)	(68,048)
Other reserves	(31,715)	(28,617)
Total shareholders' equity	138,879	135,192
Non-controlling interests	8,598	8,523
Total equity	147,477	143,715
Total liabilities and equity	781,602	788,592

(3) Condensed quarterly consolidated statement of changes in equity

¥ millions

2nd Quarter FY 2019	Called up share capital	Capital surplus	Retained earnings	Retained earnings (Translation on adjustment at the IFRS translation date)	Other reserves	Total share holders' equity	Non-controlling interests	Total equity
At 1 April 2018 (restated)	116,546	166,661	(51,350)	(68,048)	(28,617)	135,192	8,523	143,715
Hyperinflation adjustment	-	-	864	-	-	864	671	1,535
At 1 April 2018 (after hyperinflation adjustment)	116,546	166,661	(50,486)	(68,048)	(28,617)	136,056	9,194	145,250
Total Comprehensive Income	-	-	9,509	-	(3,178)	6,331	61	6,392
Dividends paid	-	-	(3,609)	-	-	(3,609)	(241)	(3,850)
Stock options	10	11	-	-	82	103	-	103
Issuance and purchase of treasury stock	-	-	-	-	(2)	(2)	-	(2)
Equity transaction with non-controlling interests	-	-	-	-	-	-	(416)	(416)
At 30 September 2018	116,556	166,672	(44,586)	(68,048)	(31,715)	138,879	8,598	147,477

¥ millions

2nd Quarter FY 2018 (restated)	Called up share capital	Capital surplus	Retained earnings	Retained earnings (Translation on adjustment at the IFRS translation date)	Other reserves	Total share holders' equity	Non-controlling interests	Total equity
At 1 April 2017	116,463	166,578	(58,890)	(68,048)	(31,201)	124,902	9,562	134,464
Total Comprehensive Income	-	-	4,034	-	13,808	17,842	546	18,388
Dividends paid	-	-	-	-	-	-	(1,753)	(1,753)
Stock options	29	29	-	-	12	70	-	70
Issuance and purchase of treasury stock	-	-	-	-	(1)	(1)	-	(1)
At 30 September 2017	116,492	166,607	(54,856)	(68,048)	(17,382)	142,813	8,355	151,168

(4) Condensed quarterly consolidated statement of cash flow

¥ millions

	Note	2nd Quarter For the period 1 April to 30 September 2018	2nd Quarter For the period 1 April to 30 September 2017 (restated)
Cash flows from operating activities			
Cash generated from operations	(6)-(h)	11,231	14,079
Interest paid		(6,247)	(6,384)
Interest received		1,557	409
Tax paid		(3,449)	(2,849)
Net cash inflows from operating activities		3,092	5,255
Cash flows from investing activities			
Dividends received from joint ventures and associates		337	591
Purchases of property, plant and equipment		(11,734)	(13,424)
Proceeds on disposal of property, plant and equipment		126	1,066
Purchases of intangible assets		(700)	(761)
Proceeds on disposal of intangible assets		-	10
Purchase of assets held at FVOCI		(4)	(204)
Proceeds on disposal of assets held at FVOCI		10	443
Loans advanced to joint ventures, associates and third parties		(300)	(252)
Loans repaid from joint ventures, associates and third parties		6	34
Others		-	114
Net cash outflows from investing activities		(12,259)	(12,383)
Cash flows from financing activities			
Dividends paid to owners of the parent		(3,599)	-
Dividends paid to non-controlling interests		(241)	(1,753)
Repayment of borrowings		(88,394)	(46,401)
Proceeds from borrowings		91,267	21,555
Others		(418)	(2)
Net cash outflows from financing activities		(1,385)	(26,601)
Decrease in cash and cash equivalents (net of bank overdrafts)		(10,552)	(33,729)
Cash and cash equivalents (net of bank overdrafts) at beginning of period	(6)-(i)	62,799	79,808
Effect of foreign exchange rate changes		(2,272)	1,699
Hyperinflation adjustment	(6)-(k)	811	-
Cash and cash equivalents (net of bank overdrafts) at end of period	(6)-(i)	50,786	47,778

(5) Notes regarding going concern

There were no issues or events arising during the period, which negatively affect the ability of the Group to continue as a going concern.

(6) Notes to the condensed quarterly consolidated financial statements

(a) Segmental information

The Group is organized on a worldwide basis into the following principal business segments.

Architectural, includes the manufacture and sale of flat glass and various interior and exterior glazing products within the commercial and residential markets. It also includes glass for Solar Energy sector.

Automotive, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

Technical Glass, comprises a number of discrete businesses, including the manufacture and sale of very thin glass for small displays, lenses and light guides for printers, as well as glass fiber products, such as battery separators and glass components for engine timing belts.

Other operations include head office and other central costs, consolidation adjustments and other non-core activities.

External revenue is disaggregated into three categories; Europe, Asia which includes Japan, and Americas which comprises of North and South Americas.

The Group's revenues comprise sales of glass recognized at a point in time and sales of services recognized over time. Sales of services recognized over time are immaterial and are therefore not disclosed separately at interim periods.

(a) Segmental information continued

The segmental results for the second quarter to 30 September 2018 were as follows:

	¥ millions				
2nd Quarter FY 2019 For the period 1 April to 30 September 2018	Architectural	Automotive	Technical Glass	Other Operations	Total
Total revenue	130,626	161,809	25,599	2,412	320,446
Inter-segmental revenue	(8,905)	(994)	(636)	(1,768)	(12,303)
External revenue	121,721	160,815	24,963	644	308,143
<i>Disaggregation of external revenue by geographical regions:</i>					
<i>Europe</i>	<i>49,543</i>	<i>73,998</i>	<i>4,110</i>	<i>307</i>	<i>127,958</i>
<i>Asia</i>	<i>43,542</i>	<i>33,361</i>	<i>20,098</i>	<i>337</i>	<i>97,338</i>
<i>Americas</i>	<i>28,636</i>	<i>53,456</i>	<i>755</i>	<i>-</i>	<i>82,847</i>
Trading profit	11,890	7,444	4,366	(4,856)	18,844
Amortization arising from the acquisition of Pilkington plc	-	-	-	(988)	(988)
Operating profit	11,890	7,444	4,366	(5,844)	17,856
Exceptional items	(961)	(2,906)	2,671	41	(1,155)
Operating profit after exceptional items					16,701
Finance costs – net					(6,739)
Share of post-tax profit from joint ventures and associates					3,751
Profit before taxation					13,713
Taxation					(3,730)
Profit for the period from continuing operations					9,983

(a) Segmental information continued

The segmental results for the second quarter to 30 September 2017 were as follows:

	¥ millions				
2nd Quarter FY 2018 For the period 1 April to 30 September 2017(restated)	Architectural	Automotive	Technical Glass	Other Operations	Total
Total revenue	127,097	153,169	24,466	2,296	307,028
Inter-segmental revenue	(9,650)	(1,189)	(324)	(1,868)	(13,031)
External revenue	117,447	151,980	24,142	428	293,997
<i>Disaggregation of external revenue</i> <i>by geographical regions:</i>					
Europe	46,587	66,962	3,754	221	117,524
Asia	41,180	32,333	19,732	207	93,452
Americas	29,680	52,685	656	-	83,021
Trading profit	13,338	5,867	3,265	(3,843)	18,627
Amortization arising from the acquisition of Pilkington plc	-	-	-	(1,001)	(1,001)
Operating profit	13,338	5,867	3,265	(4,844)	17,626
Exceptional items	(1,415)	(979)	(1,224)	1,858	(1,760)
Operating profit after exceptional items					15,866
Finance costs – net					(7,633)
Share of post-tax profit from joint ventures and associates					996
Profit before taxation					9,229
Taxation					(3,682)
Profit for the period from continuing operations					5,547

The segmental assets at 30 September 2018 and capital expenditure for the second quarter ended 30 September 2018 were as follows:

	¥ millions				
	Architectural	Automotive	Technical Glass	Other Operations	Total
Net trading assets	147,852	135,232	34,699	8,148	325,931
Capital expenditure (including intangibles)	4,210	5,403	305	228	10,146

The segmental assets at 30 September 2017 and capital expenditure for the second quarter ended 30 September 2017 were as follows:

	¥ millions				
(Restated)	Architectural	Automotive	Technical Glass	Other Operations	Total
Net trading assets	132,252	137,255	42,612	7,706	319,825
Capital expenditure (including intangibles)	5,486	7,413	485	111	13,495

Net trading assets consist of property, plant and equipment, investment property, intangible assets excluding those arising from a business combination, inventories, construction work-in-progress, trade and other receivables and trade and other payables.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

(b) Exceptional items

¥ millions

	2nd Quarter For the period 1 April to 30 September 2018	2nd Quarter For the period 1 April to 30 September 2017
Exceptional items (gains):		
Reversal of impairment of non-current assets	2,717	-
Settlement of litigation matters	256	190
Gain on disposal of investments in joint ventures	-	1,541
Gain on settlement of insurance proceeds	-	997
Other items	-	67
	2,973	2,795
Exceptional items (losses):		
Impairment of non-current assets	(2,501)	(216)
Restructuring costs, including employee termination payments	(1,325)	(2,218)
Settlement of litigation matters	(97)	(39)
Suspension of facilities	-	(2,082)
Other items	(205)	-
	(4,128)	(4,555)
	(1,155)	(1,760)

The reversal of impairment of non-current assets relates mainly to a float line in Vietnam. This line was previously mothballed after being impaired during the year to 31 March 2016. The Group will convert this line from its former usage as thin-glass line into a solar-energy line.

The settlement of litigation matters relate to legal claims arising as a result of transactions that were previously recorded as exceptional items.

The gain on the disposal of investments in joint ventures in the previous year is related to the disposal of the Group's interest in Tianjin SYP Pilkington Glass Co., Ltd. The proceeds received on disposal of this investment are an investment in Tianjin SYP Glass Co., Ltd which will be accounted for as an asset held at Fair Value through Other Comprehensive Income (FVOCI). The exceptional gain included a partial reversal of a previous impairment and a gain on recycling to the income statement of previous foreign exchange postings made directly to the Statement of Comprehensive Income.

The previous-year gain on settlement of insurance proceeds relates to insurance monies received following the Tornado that struck the Group's plant at Ottawa, Illinois, U.S.A, on 28 February 2017.

The impairment of non-current assets relates to assets in both Architectural and Automotive Europe as a consequence of restructuring projects in these businesses. The previous year impairment related mainly to assets in Automotive North America.

Restructuring costs principally include the cost of compensating redundant employees for the termination of their contracts of employment. The most significant projects during the year were in Architectural and Automotive Europe. The previous year costs were related to restructuring activities in Technical Glass in China, and a number of more minor projects elsewhere.

The suspension of facilities in the previous year relates to the Group's decision to proceed with an expedited repair of the furnace at Ottawa, Illinois, U.S.A. as announced on 12 May 2017.

(c) Finance income and expenses

¥ millions

	Note	2nd Quarter For the period 1 April to 30 September 2018	2nd Quarter For the period 1 April to 30 September 2017
Finance income			
Interest income		1,549	435
Foreign exchange transaction gains		42	8
		<u>1,591</u>	<u>443</u>
Finance expenses			
Interest expense:			
- bank and other borrowings		(6,928)	(7,318)
Dividend on non-equity preference shares due to minority shareholders		(130)	(127)
Foreign exchange transaction losses		(19)	(9)
		<u>(7,077)</u>	<u>(7,454)</u>
Unwinding discounts on provisions		(102)	(109)
Retirement benefit obligations			
- net finance charge		(299)	(513)
Loss on net monetary position	(6)-(k)	(852)	-
		<u>(8,330)</u>	<u>(8,076)</u>

(d) Taxation

The tax charge on the profit before taxation, excluding the Group's share of net results of joint ventures and associates, is a rate of 37.4 percent in the second quarter to 30 September 2018 (30 September 2017 - restated: tax charge on profit at a rate of 44.7 percent). The tax charge for the quarter is based on the estimated effective rate for the year to 31 March 2019.

(e) Earnings per share**(i) Basic**

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent after deducting dividends, by the weighted average number of ordinary shares in issue during the year. The dividends are calculated by the dividend rate defined in the terms and conditions of the shares. The weighted average number of ordinary shares excludes ordinary shares purchased by the Company and held as treasury shares.

	Quarter ended 30 September 2018	Quarter ended 30 September 2017 (restated)
	¥ millions	¥ millions
Profit attributable to owners of the parent	9,261	4,765
Adjustment for;		
- Dividends on Class A shares	(1,103)	(902)
Profit used to determine basic earnings per share	8,158	3,863
	Thousands	Thousands
Weighted average number to ordinary shares in issue	90,482	90,382
	¥	¥
Basic earnings per share	90.16	42.74

(ii) Basic – adjusted for premium on Class A shares

Basic earnings per share as reported above does not include redemption premium potentially payable to holders of Class A shares due to the company having no obligation to redeem its Class A shares and therefore incur this premium. Had the basic earnings per share have been amended to include this premium, it would have been calculated as set out in the table below. This is calculated based on an assumed redemption date of 31 March 2023 for all the Class A shares that had not already been redeemed as at the balance sheet date. This date is assumed, being the date beyond which no further increases in redemption premium would be incurred. It should not be inferred that the company expects or intends to redeem Class A shares on this particular date.

	Quarter ended 30 September 2018	Quarter ended 30 September 2017 (restated)
	¥ millions	¥ millions
Profit attributable to owners of the parent	9,261	4,765
Adjustment for;		
- Dividends on Class A shares	(1,103)	(902)
- Redemption premium on Class A shares	(1,433)	-
Profit used to determine basic earnings per share	6,725	3,863
	Thousands	Thousands
Weighted average number to ordinary shares in issue	90,482	90,382
	¥	¥
Basic earnings per share - adjusted	74.32	42.74

(iii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, following the exercise of share options and exercise of put options, attached to Class A shares, for which the consideration is common shares. As for share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is deducted from the number of shares that would have been issued assuming the exercise of the share options. As for Class A shares, a calculation is performed to determine the number of shares that would have been issued, assuming a conversion to common shares that is most advantageous for holders of the class shares. Conversion of Class A shares to common shares is reflected in the diluted earnings per share, using the factor applied to the case where the put options are exercised from 1 July 2022 onward, if the conversion has dilutive effect.

	Quarter ended 30 September 2018	Quarter ended 30 September 2017 (restated)
	¥ millions	¥ millions
Earnings		
Profit attributable to owners of the parent	9,261	4,765
Profit used to determine diluted earnings per share	9,261	4,765
	Thousands	Thousands
Weighted average number to ordinary shares in issue	90,482	90,382
Adjustment for:		
- Share options	652	643
- Class A shares	67,572	67,572
Weighted average number of ordinary shares for diluted earnings per share	158,706	158,597
	¥	¥
Diluted earnings per share	58.35	30.04

(f) Dividends

	Quarter ended 30 September 2018	Quarter ended 30 September 2017
	¥ millions	¥ millions
Dividends on ordinary shares declared and paid during the period:		
Final dividend for the year ended 31 March 2018 ¥ 20 per share (2017: ¥ 0 per share)	1,799	-
Dividends on ordinary shares proposed after the end of the reporting period and not recognized as a liability:		
Interim dividend for the year ended 31 March 2019 ¥ 10 per share (2018: ¥ 0 per share)	905	-

	Quarter ended 30 September 2018	Quarter ended 30 September 2017
	¥ millions	¥ millions
Dividends on Class A shares declared and paid during the period:		
Final dividend for the year ended 31 March 2018 ¥ 45,000 per share (2017: ¥ 0 per share)	1,800	-
Dividends on Class A shares proposed after the end of the reporting period and not recognized as a liability:		
Interim dividend for the year ended 31 March 2019 ¥ 27,575.30 per share (2018: ¥ 0 per share)	1,103	-

The interim dividend set out above was approved at a meeting of the Board of Directors on 1 November 2018, and will be paid to shareholders as at a record date of 30 September 2018.

(g) Exchange rates

The principal exchange rates used for the translation of foreign currencies were as follows:

	2nd Quarter FY 2019 30 September 2018		Year ended 31 March 2018		2nd Quarter FY 2018 30 September 2017	
	Average	Closing	Average	Closing	Average	Closing
GBP	147	148	147	150	144	151
US dollar	111	113	111	106	112	113
Euro	130	132	130	132	126	132
Argentine peso	-	2.84	6.30	5.30	6.74	6.42

(h) Cash flows generated from operations

	¥ millions	
	2nd Quarter For the period 1 April to 30 September 2018	2nd Quarter For the period 1 April to 30 September 2017 (restated)
Profit for the period from continuing operations	9,983	5,547
Adjustments for:		
Taxation	3,730	3,682
Depreciation	12,324	12,345
Amortization	1,851	2,052
Impairment	2,536	315
Reversal of impairments	(2,717)	(37)
Gain on sale of property, plant and equipment	(28)	(818)
Gain on disposal of investments in joint ventures	-	(1,541)
Grants and deferred income	(259)	(124)
Finance income	(1,591)	(443)
Finance expenses	8,330	8,076
Share of profit from joint ventures and associates	(3,751)	(996)
Other items	(310)	67
Operating cash flows before movement in provisions and working capital	30,098	28,125
Decrease in provisions and retirement benefit obligations	(5,208)	(6,236)
Changes in working capital:		
- inventories	(7,317)	(973)
- trade and other receivables	(4,862)	(4,602)
- trade and other payables	(3,212)	(3,298)
- contract balances	1,732	1,063
Net change in working capital	(13,659)	(7,810)
Cash flows generated from operations	11,231	14,079

(i) Cash and cash equivalents

	¥ millions	
	As at 31 March 2018	As at 31 March 2017
Cash and cash equivalents	64,801	84,920
Bank overdrafts	(2,002)	(5,112)
	62,799	79,808

	¥ millions	
	As at 30 September 2018	As at 30 September 2017
Cash and cash equivalents	53,018	51,389
Bank overdrafts	(2,232)	(3,611)
	50,786	47,778

(j) Restatement of FY2018 Comparative Information

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' effective from the Group's financial period commencing 1 April 2018. The Group applied IFRS 15 retrospectively using the practical expedient in paragraph C5(c) of IFRS 15, under which the Group does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Group expects to recognize that amount as revenue for all reporting periods presented before 1 April 2018.

The main practical change is that the Group will, in certain circumstances, recognize revenue from the sale of tooling to automotive customers on acceptance of that tooling by the customer. The Group's previous policy was to recognize this revenue over the life of the associated automotive supply contract. This may result in a change to the level of revenue recognized with respect to automotive tooling in any given year, although the Group expects no material impact over the medium-term.

In accordance with IAS1, as the Group considers the financial impact of adopting IFRS15 to be relatively immaterial, a third full comparative statement of financial position as at 1 April 2017 is not provided. The following tables summarize the impacts of adopting IFRS 15 on the Group's consolidated financial statements:

Consolidated balance sheet

¥ millions

As at 1 April 2017	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
Total Assets	<u>790,192</u>	<u>(4,158)</u>	<u>786,034</u>
Total Liabilities	<u>656,484</u>	<u>(4,914)</u>	<u>651,570</u>
Retained earnings	(59,646)	756	(58,890)
Other	183,792	-	183,792
Total shareholders' equity	<u>124,146</u>	<u>756</u>	<u>124,902</u>
Non-controlling interests	9,562	-	9,562
Total Equity	<u>133,708</u>	<u>756</u>	<u>134,464</u>
Total Liabilities and Equity	<u>790,192</u>	<u>(4,158)</u>	<u>786,034</u>

Consolidated balance sheet continued

¥ millions

As at 31 March 2018	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
Intangible assets	57,389	(140)	57,249
Property, plant and equipment	252,778	(8,673)	244,105
Deferred tax assets	36,115	(214)	35,901
Contract assets	-	4,252	4,252
Trade and other receivables	94,743	(3,673)	91,070
Inventories	108,975	5,799	114,774
Construction work-in-progress	641	(641)	-
Other	241,241	-	241,241
Total Assets	791,882	(3,290)	788,592
Trade and other payables	141,252	(1,619)	139,633
Contract liabilities	-	4,445	4,445
Deferred income	12,296	(6,825)	5,471
Deferred tax liabilities	18,567	(149)	18,418
Other	476,910	-	476,910
Total Liabilities	649,025	(4,148)	644,877
Retained earnings	(52,140)	790	(51,350)
Other reserves	(28,685)	68	(28,617)
Other	215,159	-	215,159
Total shareholders' equity	134,334	858	135,192
Non-controlling interests	8,523	-	8,523
Total Equity	142,857	858	143,715
Total Liabilities and Equity	791,882	(3,290)	788,592

Consolidated income statement

¥ millions

For the period ended 30 September 2017	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
Revenue	296,989	(2,992)	293,997
Cost of sales	(217,981)	2,895	(215,086)
Other net operating costs	(61,285)	-	(61,285)
Operating profit	17,723	(97)	17,626
Exceptional items	(1,760)	-	(1,760)
Finance costs – net	(7,633)	-	(7,633)
Share of post-tax profit from joint ventures and associates	996	-	996
Profit before taxation	9,326	(97)	9,229
Taxation	(3,666)	(16)	(3,682)
Profit for the period	5,660	(113)	5,547
Profit attributable to non-controlling interests	782	-	782
Profit attributable to owners of the parent	4,878	(113)	4,765
	5,660	(113)	5,547

Consolidated statement of comprehensive income

¥ millions

For the period ended 30 September 2017	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
Profit for the period	5,660	(113)	5,547
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Foreign currency translation adjustments	16,195	98	16,293
Other	(3,452)	-	(3,452)
Total comprehensive income for the period	18,403	(15)	18,388
Profit attributable to non-controlling interests	546	-	546
Profit attributable to owners of the parent	17,857	(15)	17,842
	18,403	(15)	18,388

Consolidated statement of cash flow

¥ millions

For the period ended 30 September 2017	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
Profit for the period	5,660	(113)	5,547
Adjustments for:			
Taxation	3,666	16	3,682
Depreciation	13,668	(1,323)	12,345
Amortization	2,074	(22)	2,052
Grants and deferred income	(431)	307	(124)
Changes in working capital:			
Inventories	(305)	(668)	(973)
Construction work-in-progress	(4)	4	-
Trade and other receivables	(4,770)	168	(4,602)
Trade and other payables	(2,877)	(421)	(3,298)
Contract balances	-	1,063	1,063
Other	(10,437)	-	(10,437)
Net cash inflows from operating activities	6,244	(989)	5,255
Purchases of property, plant and equipment	(14,393)	969	(13,424)
Purchases of intangible assets	(781)	20	(761)
Other	1,802	-	1,802
Net cash outflows from investing activities	(13,372)	989	(12,383)
Net cash outflows from financing activities	(26,601)	-	(26,601)
Decrease in cash and cash equivalents (net of bank overdrafts)	(33,729)	-	(33,729)

(k) Hyperinflationary accounting adjustments

As from Q2 FY2019, the wholesale price index in Argentina indicated that cumulative 3-year inflation had exceeded 100 percent. Consequently the Group has concluded that its subsidiaries in Argentina, each of which has the Argentine Peso as a functional currency, are currently operating in a hyperinflationary environment. The Group has therefore applied accounting adjustments to the underlying financial results and position of its subsidiaries in Argentina as required by IAS 29 'Financial Reporting in Hyperinflationary Economies'.

As required by IAS 29, the Group's consolidated financial statements will include the results and financial position of its Argentinian subsidiaries, restated in terms of the measuring unit current at the period end date.

For the restatement of results and financial positions of its Argentinian subsidiaries, the Group will apply the conversion coefficient derived from the Internal Wholesales Price Index (IPIM) published by Instituto Nacional de Estadística y Censos de la República Argentina (INDEC). IPIM and corresponding conversion coefficients from June 2006 are presented below.

Balance sheet date	Internal Wholesales Price Index (IPIM) (30 June 2006 = 100)	Conversion coefficient
30 June 2006	100.0	8.126
31 March 2007	103.9	7.824
31 March 2008	120.2	6.760
31 March 2009	128.7	6.314
31 March 2010	146.5	5.547
31 March 2011	165.5	4.910
31 March 2012	186.7	4.352
31 March 2013	211.1	3.849
31 March 2014	265.6	3.060
31 March 2015	305.7	2.658
31 March 2016	390.6	2.080
31 March 2017	467.2	1.739
31 March 2018	596.1	1.363
30 April 2018	606.8	1.339
31 May 2018	652.3	1.246
30 June 2018	694.7	1.170
31 July 2018	727.4	1.117
31 August 2018	763.0	1.065
30 September 2018	812.6	1.000

The Group's subsidiaries in Argentina will restate their non-monetary items held at historical cost, namely property, plant and equipment, by applying the conversion coefficient based on when the items were initially recognized. Monetary items and non-monetary items held at current cost will not be restated, as they are considered to be expressed in terms of the measuring unit current at the period end date. The effect of inflation on the net monetary position of the Group's Argentinian subsidiaries is presented in the finance expenses section of the income statement.

The Argentinian subsidiaries' income statement and cash flow statement will also be restated, applying the conversion coefficient for the current financial year as shown in the above table.

For the purpose of consolidation, the results and financial position of the Group's Argentinian subsidiaries are translated using the closing exchange rates at the period end date. Comparative financial statements are not restated based on IAS 21 'The Effects of Changes in Foreign Exchange Rates' para 42(b).

(7) Significant subsequent events**Partial acquisition and retirement of Class A Shares**

On 1 November 2018 the Group announced its intention to undertake a partial acquisition and retirement of Class A shares. Out of a total number of 40,000 Class A shares issued, the Company intends to redeem 5,000 shares, leaving 35,000 Class A shares remaining in issue. Including preferred dividends and acquisition premium payable, the total acquisition cost of these shares will be ¥ 5,801 million. The acquisition date will be 7 December 2018. As a result, other capital surplus will be reduced by ¥ 5,750 million.

The Company originally issued Class A Shares of ¥ 40 billion on 31 March 2017 in order to expedite the enhancement of shareholders' equity and achieve a stable financial base. The NSG Group's subsequent efforts to improve its financial position and reduce interest cost have been successfully achieved, enabling a continuous improvement of the Group's earnings. Consequently the Company's Board of Directors has decided to redeem part of the issued Class A shares, with a view to reduce the dividend payment burden of Class A Shares' Preferred Dividends.

The Company intends to redeem the remaining Class A Shares in a timely and flexible manner, while maintaining financial stability, in order to ultimately redeem all of the Class A shares in future for money.