

**NSG**  
**GROUP**

# NSG Group

## FY2020 Quarter 3 Results

(from 1 April 2019 to 31 December 2019)

Nippon Sheet Glass Company, Limited  
30 January 2020

**Kenichi Morooka**

Chief Financial Officer

**Clemens Miller**

Chief Operating Officer

**Iain Smith**

Finance Director – Global Finance

# Agenda

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

# FY2020 Quarter 3 Results Highlights

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

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

# Consolidated Income Statement

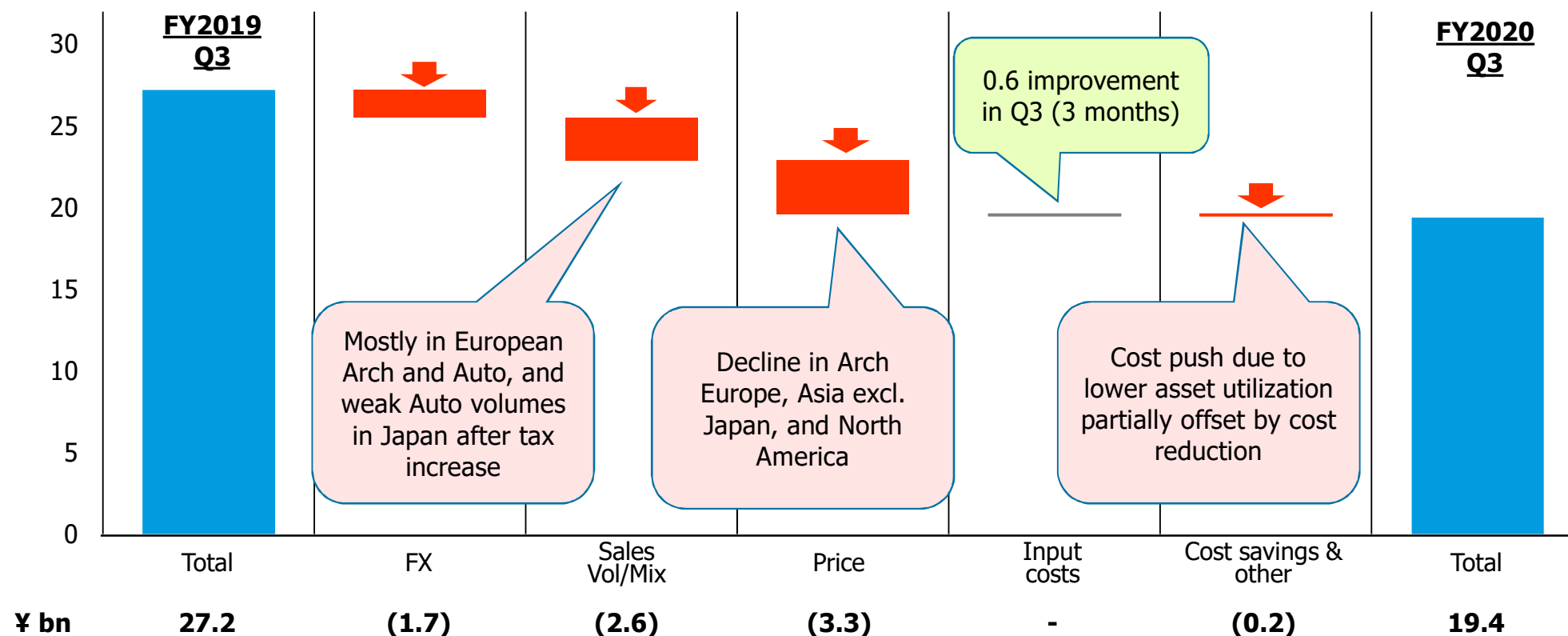


	<u>FY2019</u> <u>Q3</u>	<b><u>FY2020</u></b> <b><u>Q3</u></b>	<u>Change</u>
<b>¥ bn</b>			
<b>Revenue</b>	459.5	<b>425.8</b>	(33.7)
<b>Trading profit</b>	27.2	<b>19.4</b>	(7.8)
Amortization *	(1.5)	<b>(1.4)</b>	0.1
<b>Operating profit</b>	25.7	<b>18.0</b>	(7.7)
Exceptional items	(3.3)	<b>(4.4)</b>	(1.1)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

\*: Amortization arising from the acquisition of Pilkington plc only

# Change Analysis – Trading profit

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



# Key Performance Indicators

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

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

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

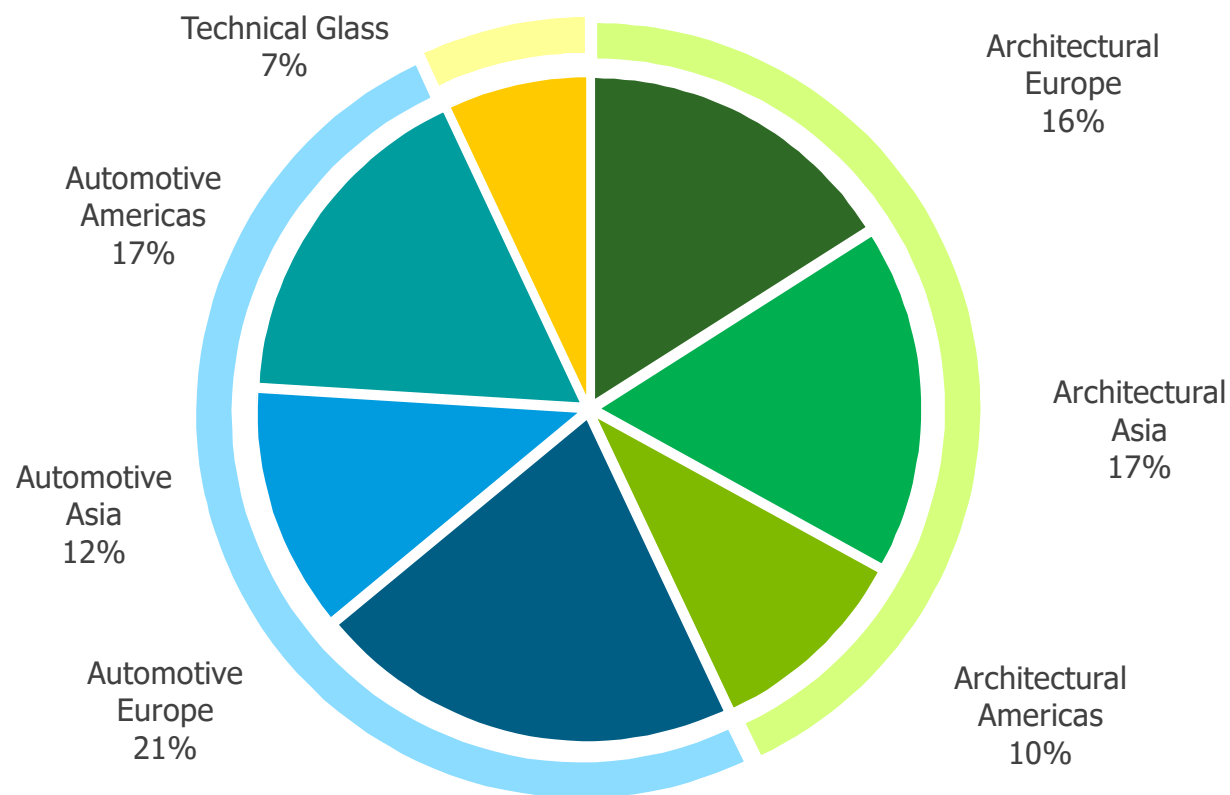
\*2: Trading profit



# External Revenue – Group Businesses

**Diversified geographical coverage**

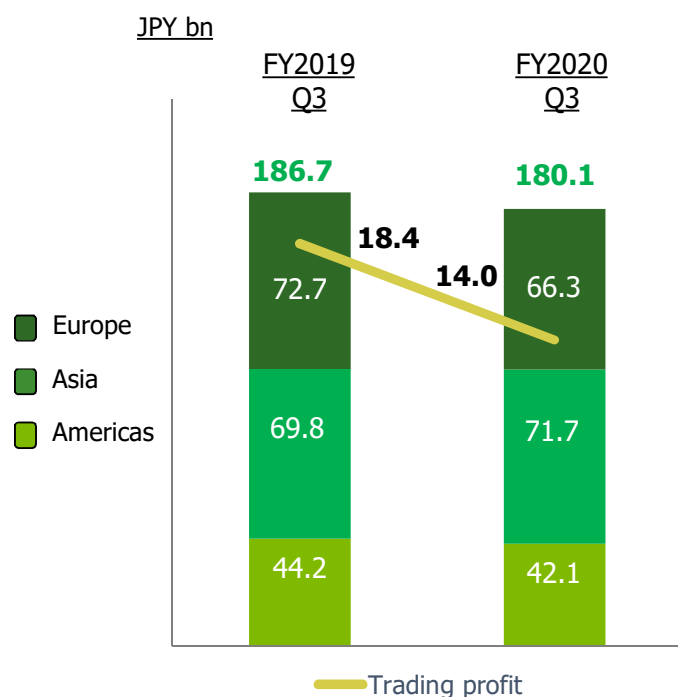
¥ 425.8 billion



**FY2020 Quarter 3**

# Architectural – FY2019 Q3 vs FY2020 Q3

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



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

**Profit:** More than half decline in Europe

## Europe (Revenue ▼, Profit ▼)

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

## Asia (Revenue ▲, Profit ▼)

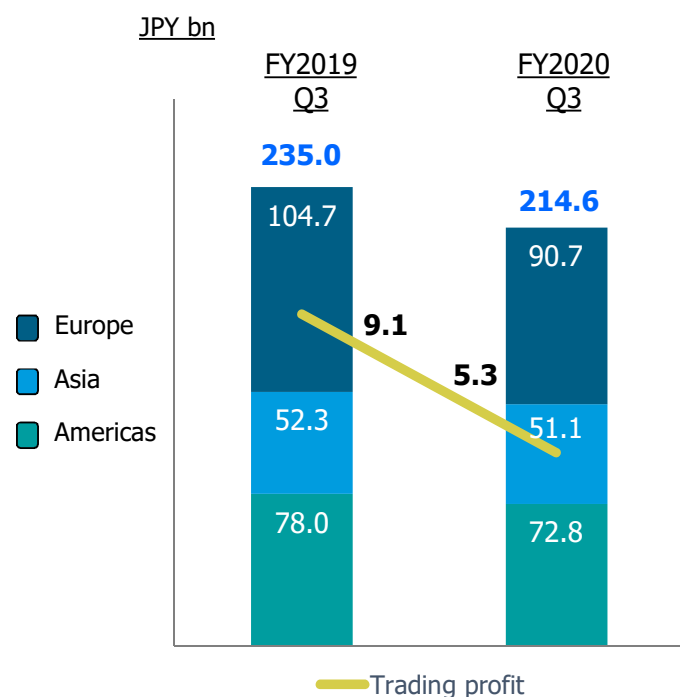
- Higher revenues with increased solar energy glass shipment. Improved profit in Japan offset by reduction in South East Asia in challenging markets due to excess capacity

## Americas (Revenue ▼, Profit ▼)

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

# Automotive – FY2019 Q3 vs FY2020 Q3

**Significantly affected by slowdown in new car production in European markets**



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

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

## Europe (Revenue ▼, Profit ▼)

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

## Asia (Revenue ▼, Profit ▼)

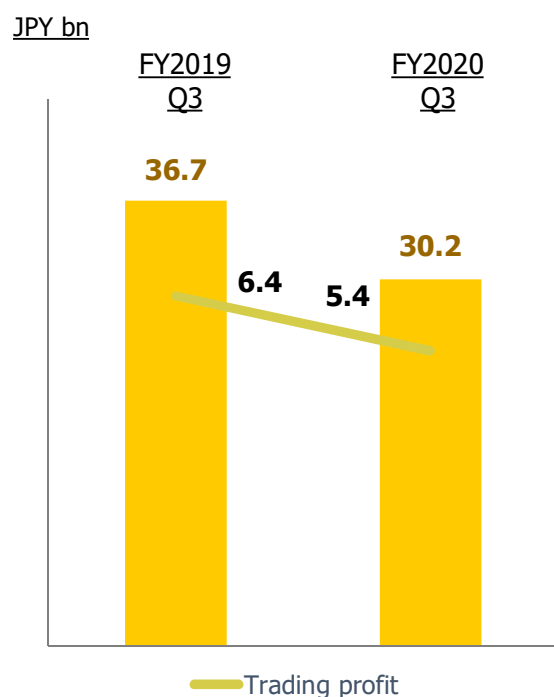
- In Japan, solid sale volumes in H1, followed by reduction after the consumption tax hike. Profit affected by increased raw glass costs and volume decline in Q3

## Americas (Revenue ▼, Profit ▲)

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

# Technical Glass – FY2019 Q3 vs FY2020 Q3

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



## Technical Glass (Revenue ▼, Profit ▼)

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

# Revision of Full-year Forecast



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

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

\*: Amortization arising from the acquisition of Pilkington plc only

# Revision of Full-year Forecast

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

Breakdown of JPY 8 billion revision to trading profit forecast

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

# Key Actions Update: Profitability Improvement



## **Continued identification and execution of fundamental improvement actions including cost reduction**

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

# Key Actions Update: Investment for Growth

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

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



Vietnam Glass Industries and the light-up ceremony



# Summary

## **FY2020 quarter 3 financial results**

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

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

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

## **Profitability improvement measures and investment for growth**

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

# Notice



The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable. Hence the actual results may differ. The major factors that may affect the results are the economic and competitive environment in major markets, product supply and demand shifts, currency exchange and interest rate fluctuations, changes in supply of raw materials and fuel and changes and laws and regulations, but not limited.

Nippon Sheet Glass Company, Limited

# Appendices

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

# Revenue – by Business & Regions

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

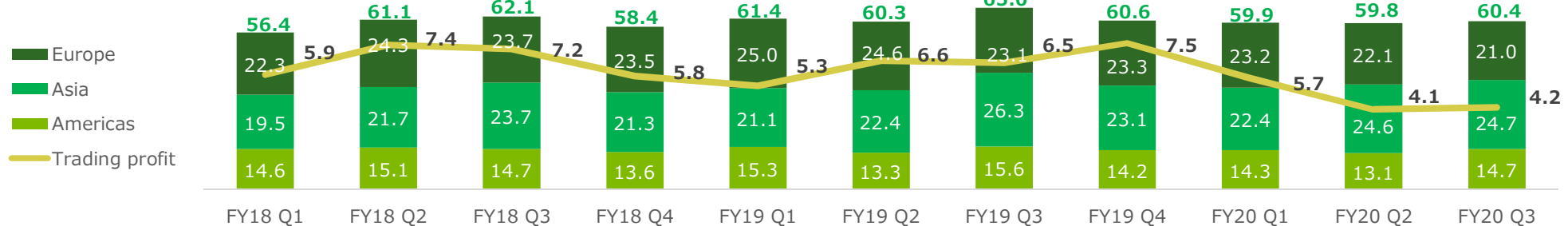
# Trading Profit – by Business & Regions

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

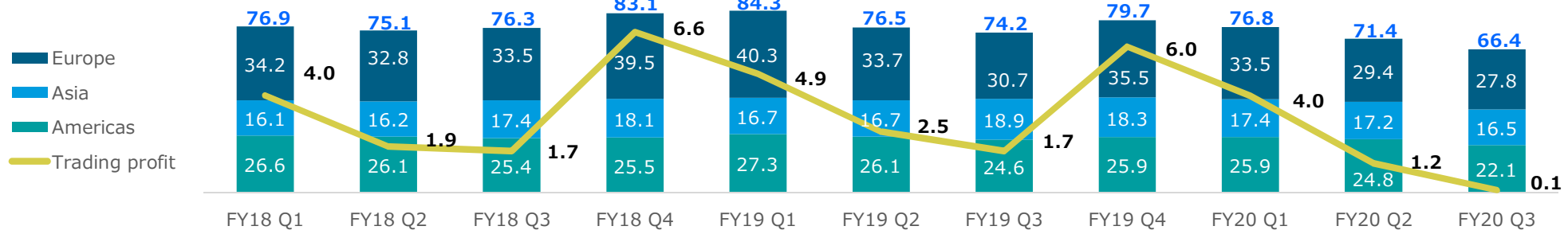
# Revenue & Trading Profit – Quarterly Trend



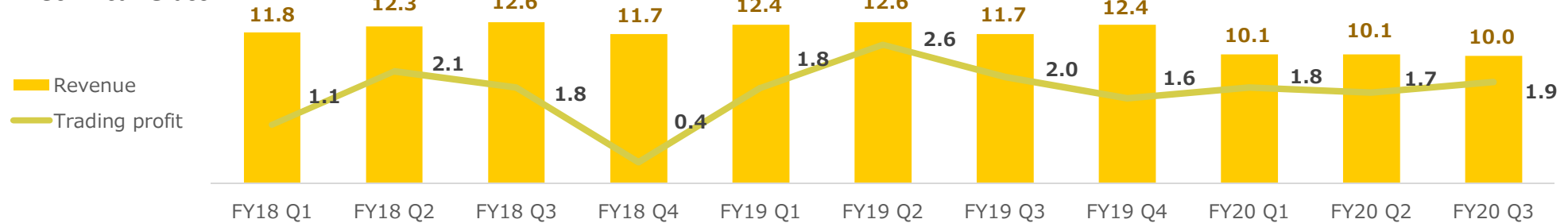
## Architectural



## Automotive



## Technical Glass



# Consolidated Balance Sheet



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

# Consolidated Cash Flow Summary



JPY bn

Profit for the period
Depreciation and amortization
Gain on sale of a subsidiary
Share of profit from JVs and associates
Tax paid
Others
<b>Net operating cash flows before movement in working capital</b>
Net change in working capital
<b>Net cash flows from operating activities</b>
Purchase of property, plant and equipment
- Strategic projects
- Other
Disposal proceeds
Others
<b>Net cash flows from investing activities</b>
<b>Free cash flow</b>

<u>FY2019</u> <u>3rd Quarter</u>	<u>FY2020</u> <u>3rd Quarter</u>	<u>Change</u>
11.4	<b>1.9</b>	(9.5)
21.0	<b>25.8</b>	4.8
-	<b>(1.0)</b>	(1.0)
(4.9)	<b>(1.2)</b>	3.7
(4.4)	<b>(4.4)</b>	-
(1.7)	<b>(2.6)</b>	(0.9)
21.4	<b>18.5</b>	(2.9)
(18.6)	<b>(23.1)</b>	(4.5)
2.8	<b>(4.6)</b>	(7.4)
-	<b>(28.9)</b>	(28.9)
(19.3)	<b>(16.1)</b>	3.2
0.3	<b>2.2</b>	1.9
(2.1)	<b>(1.9)</b>	0.2
(21.1)	<b>(44.7)</b>	(23.6)
(18.3)	<b>(49.3)</b>	(31.0)



# Exceptional items

## JPY bn

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

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

# Foreign exchange rates



## Average rates used

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

## Closing rates used

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

## FX Sensitivity

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

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

## Oil prices (Brent)

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

# Depreciation & Amortization, CAPEX, R&D Expenditures

(JPY bn)

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

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