FY 2024 2nd Quarter Consolidated Financial Results <IFRS> 9 November 2023

(English translation of the Japanese original)

Listed Company Name:	Nippon Sheet Glass Company, Limited	Stock Exchange Listing:	Tokyo
Code Number:	5202	(URL: http://www.nsg.com)	

Representative:	Representative Executive Officer, President and CEO	Name:	Munehiro Hosonuma
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Submission of quarterly report to MOF:	13 November 2023	Payment of dividends start from:	N/A
Quarterly result presentation papers:	Yes		
Quarterly result presentation meeting:	Yes (Teleconference for institutional investors)		

1. Consolidated business results for FY 2024 2nd Quarter (From 1 April to 30 September 2023)

(1) Consolidated business results

	Revenue		Operating profit		Profit/(loss) before taxation		Profit/(loss) for the period		Profit/(loss) attributable to owners of the parent		Total comprehensive income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
2Q FY 2024	420,168	11.9	26,028	80.3	19,335	–	10,498	–	9,771	–	13,143	3,944.0
2Q FY 2023	375,651	29.2	14,437	13.7	(34,543)	–	(37,006)	–	(38,816)	–	325	(98.6)

	Earnings per share - basic
2Q FY 2024	¥ 96.70
2Q FY 2023	¥ (438.08)

Note: 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 2024 2nd Quarter	1,001,825	157,629	126,527	12.6
FY 2023 Full year	951,387	124,868	97,040	10.2

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
FY 2023 (Actual)	–	¥ 0.00	–	¥ 0.00	¥ 0.00
FY 2024 (Actual)	–	¥ 0.00			
FY 2024 (Forecast)			–	¥ 0.00	¥ 0.00

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 A Shares" for information regarding dividends on Class A shares, which are unlisted and have different rights from common shares.

3. Forecast for FY 2024 (From 1 April 2023 to 31 March 2024)

	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	840,000	10.0	42,000	20.6	23,000	-	14,000	-	12,000	-	110.38

Note:
- There have been changes to the forecast results this quarter.
- Forecast of basic earnings per share for FY2024 is calculated by dividing the profit attributable to owners of the parent after deducting preferred dividends for Class A shares (a rate of 6.5% per annum applied to the outstanding balance at 31 March 2024), by 91,045,074 shares which is the number of ordinary shares issued at 30 September 2023, reduced by the number of treasury stock and restricted shares (272,500 shares).
- For details, please refer to the "Difference between Actual Results and Previous Forecast, and Revision to Forecast for Financial Year ending on 31 March 2024" and the slides on 2024/3 forecast in 2024/3 Second Quarter Results presentation.

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 --- No
- (ii) Changes due to other reasons ---No
- (iii) Changes in accounting estimates --- No

(3) Numbers of shares outstanding (common stock)
- (i) Number of shares issued at the end of the period, including shares held as treasury stock: 91,349,799 shares as of 30 September 2023 and 91,167,199 shares as at 31 March 2023
- (ii) Number of shares held as treasury stock at the end of the period: 32,225 shares as at 30 September 2023 and 31,064 shares as at 31 March 2023
- (iii) Average number of shares in issue during the period, after deducting shares held as treasury stock: 90,958,760 shares for the period ending 30 September 2023 and 90,836,265 shares for the period ending 30 September 2022

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 us and certain assumptions that we consider to be reasonable. Hence the actual results may differ. The major factors that may affect the results include but are not limited to 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.

(For Reference) Dividends for Class A Shares

Dividends per share related to Class A 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					
FY2023 (Actual)	-	¥ 0.00	-	¥ 65,000.00	¥ 65,000.00
FY2024 (Actual)	-	¥ 0.00			
FY2024 (Forecast)			-	¥ 65,000.00	¥ 65,000.00

Note: Number of Class A Shares in issue are 30,000 shares. 40,000 Class A Shares were originally issued on 31 March 2017. On 7 December 2018, the Company acquired and then retired a total of 5,000 Class A shares. On 6 June 2019, the Company acquired and then retired a total of 5,000 Class A shares. The forecast of dividends, for Class A shares that have dividend record dates belonging to FY2024, is ¥ 1,950 million.

[Attachments]

Table of contents in the attachments (including mandatory disclosure items)

1. Narratives about financial results

(1) Business Performance

(a) Background to Results

The Group experienced mostly positive market conditions during the first two quarters of the year. Architectural markets were strong across Japan and South America although markets in North America and Europe showed signs of softening demand during the second quarter. Demand for solar energy glass was positive. Automotive markets continued to gradually recover, with volumes benefitting from a further improvement in supply chain constraints at the Group's customers. Technical glass markets were relatively weak across most areas.

Group revenues increased by 12 percent to ¥ 420,168 million (2Q FY2023 ¥ 375,651 million), with the majority of the improvement being in the Automotive business. Operating profits were ¥ 26,028 million (2Q FY2023 ¥ 14,437 million), with an improvement being recorded in both the Automotive and Architectural businesses. Net exceptional items were an overall gain of ¥ 289 million (2Q FY2023 loss of ¥ 44,949 million). The improved net exceptional gain/loss is due to no recurrence of the significant impairment of goodwill arising during the previous year. Net financial expenses increased to ¥ 14,040 million (2Q FY2023 ¥ 6,559 million), due largely to higher prevailing interest rates during the period. As a consequence of the Group's joint venture, SP Glass Holdings B.V., disposing of its Russian subsidiaries, the Group recorded a gain on the reversal of previous impairments of balances owed by joint ventures during the first quarter of ¥ 3,740 million and also recognized a reversal of the previous impairment of the investment in this joint venture of ¥ 1,213 million, included within other gains on equity method investments. Taxation charges of ¥ 8,837 million (2Q FY2023 ¥ 2,463 million) are calculated based on the effective rate expected for the full-year. As a consequence of the improving operating profit, exceptional gains, and the gains arising with respect to equity method investments, the Group recorded a positive profit attributable to owners of the parent of ¥ 9,771 million (2Q FY2023 loss of ¥ 38,816 million).

(b) Review by Business Segment

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

Architectural, representing 46 percent of cumulative revenues, 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 49 percent of cumulative revenues, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

Technical Glass, representing 5 percent of cumulative revenues, comprises several discrete businesses, including the manufacture and sale of very thin glass used as cover glass for displays, lenses and light guides for printers, and glass fiber components for engine timing belts.

Other operations include 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.

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

¥ millions	**Revenue**		**Operating profit/(loss)**	
	2nd Quarter FY 2024	**2nd Quarter FY 2023**	**2nd Quarter FY 2024**	**2nd Quarter FY 2023**
Architectural	192,934	182,111	21,803	15,495
Automotive	205,165	171,872	6,300	(1,694)
Technical Glass	19,882	20,186	4,000	5,689
Other Operations	2,187	1,482	(6,075)	(5,053)
Total	420,168	375,651	26,028	14,437

Architectural Business

The Architectural business recorded cumulative revenues of ¥ 192,934 million (2Q FY2023: ¥ 182,111 million) and an operating profit of ¥ 21,803 million (2Q FY2023: ¥ 15,495 million).

Architectural revenues and profits were higher than the previous year due to increased prices and improved volumes across Asia and the Americas, although markets in Europe worsened.

In Europe, representing 38 percent of the Group's architectural sales, revenues were below the previous year as volumes and prices declined in line with deteriorating economic activity. The impact of the weaker market conditions was mitigated somewhat by a decrease in input costs.

In Asia, representing 28 percent of the Group's architectural sales, revenues and profits were above the previous year. Results improved in Japan, assisted by improved selling prices, although markets remain depressed in other South East Asia regions. Volumes of glass for solar energy were positive.

In the Americas, representing 34 percent of the Group's architectural sales, revenues and profits were ahead of the previous year. In North America, revenue and profitability improved with increased market prices and positive solar energy volumes. Demand in South America was positive, with results benefitting from the additional volumes available from the Group's new float glass facility in Argentina.

Automotive Business

The Automotive business recorded cumulative revenues of ¥ 205,165 million (2Q FY2023: ¥ 171,872 million) and an operating profit of ¥ 6,300 million (2Q FY2023: loss of ¥ 1,694 million). Exchange factors contributed to the increased revenues, together with higher sales volumes across most regions, as an easing of supply chain constraints allowed the Group's customers to recover levels of production.

Europe represents 41 percent of the Group's automotive sales. Revenues and profitability improved, with increased input costs being partially recovered from customers. Volumes benefitted from improving vehicle sales together with a replenishment of vehicle inventory at customers and distribution networks, with supply chain constraints continuing to ease.

In Asia, representing 19 percent of the Group's automotive sales, revenues and profitability also improved from the previous year. Japanese volumes benefitted from increased vehicle sales, and profitability was also assisted by agreements with customers to mitigate the continued high level of input costs.

In the Americas, representing 40 percent of the Group's automotive sales, revenues and profits both increased from the previous year. Demand benefitted from a recovery in vehicle sales and a lessening of supply chain constraints at the Group's customers.

Technical Glass Business

The Technical Glass business recorded cumulative revenues of ¥ 19,882 million (2Q FY2023: ¥ 20,186 million) and an operating profit of ¥ 4,000 million (2Q FY2023: ¥ 5,689 million).

Technical Glass revenues were slightly reduced, with demand varying across sectors. Profits declined, with challenging market conditions in some areas preventing the recovery of increased input costs.

In the Fine Glass business, revenues and profits declined due to an adverse mix of products sold compared to the previous year. In the Information Devices business, demand for printer lenses was adversely affected by weak consumer demand and inventory reductions at the Group's customers. Volumes of glass cord used in engine timing belts benefitted from improving conditions in automotive markets. Metashine sales increased both for automotive and cosmetics applications.

Joint Ventures and Associates

Including both the share of profits arising from joint ventures and associates, and also other gains and losses relating to these investments, the Group recorded a net gain from equity method investments of ¥ 3,318 million (2Q FY2023: ¥ 2,528 million).

The increase in overall gains from joint ventures was due to a reversal of previous impairments of the Group's investment in SP Glass Holdings B.V., a joint venture previously owning subsidiaries in Russia. The impairment reversal of ¥ 1,213 million is included within other gains on equity method investments, and arises following the disposal by SP Glass Holding B.V. of its Russian subsidiaries.

In addition, as a consequence of the same transaction, the Group also recorded a gain on the reversal of previous impairments of balances owed by joint ventures of ¥ 3,740 million.

Gains and losses with respect to equity method investments, excluding SP Glass Holdings B.V., were slightly below the previous year.

(2) Financial Condition

Total assets at the end of September 2023 were ¥ 1,001,825 million, representing an increase of ¥ 50,438 million from the end of March 2023. Total equity was ¥ 157,629 million, representing an increase of ¥ 32,761 million from the March 2023 figure of ¥ 124,868 million. The increase in total equity was largely due to a combination of the profit for the period and foreign exchange gains.

Net financial indebtedness increased by ¥ 46,892 million from 31 March 2023 to ¥ 454,815 million at the period end. The increase in indebtedness arose largely from seasonal working capital movements and also foreign exchange movements. Foreign exchange movements generated an increase in net indebtedness of ¥ 17,610 million. Excluding working capital movements, underlying cash flows were positive. Gross debt was ¥ 527,841 million at the period end.

Cash inflows from operating activities were ¥ 3,360 million. Cash outflows from investing activities were ¥ 21,952 million, including capital expenditure on property, plant, and equipment of ¥ 27,785 million. As a result, free cash flow was an outflow of ¥ 18,592 million (2Q FY2023 free cash outflow of ¥ 9,497 million).

(3) Prospects

The Group's forecast for the financial year FY2024 is shown on page 2.

For details, please refer to the "Difference between Actual Results and Previous Forecast, and Revision to Forecast for Financial Year ending on 31 March 2024" and the slides on 2024/3 forecast in 2024/3 Second Quarter Results presentation.

NSG Group has set out its direction as the Medium-Term Vision aiming for becoming a global glass supplier contributing to the world with high value-added glass products and services, under which it will focus on the three areas of contribution: such as Safety & Comfort; Eco Society; and ICT.

At the same time the Group has announced a new medium-term management plan, "Revival Plan 24" (RP24), for a three-year period from 1 April 2021 to 31 March 2024 as the first step to achieve the Medium-Term Vision.

Reviewing the previous Medium-Term Plan (MTP) and reflecting the changes in the business environment, the Group sets RP24 as the period for its business transformation and will execute a drastic reform of its profit structure, with the restoration of financial stability and the transformation of the Group's business portfolio, consisting of the following Three Reforms and Two Key Initiatives.

Three Reforms: Cost structure reform; Business structure reform; Corporate culture reform
Two Key Initiatives: Restoration of financial stability; Transformation into more profitable business portfolio

The Group has established a set of key financial metrics as targets for the end of the RP24 period.

Operating profit margin *1	8%
Net profit *2	More than ¥ 30 billion cumulatively for 3 years
Equity ratio	More than 10%
Free cash flow	More than ¥ 10 billion

*1: Based on operating profit after amortization

*2: Profit attributable to owners of the parent

2. Consolidated financial statements and their notes

(1) (a) Condensed quarterly consolidated income statement

¥ millions

	Note	**2nd Quarter FY 2024 For the period 1 April to 30 September 2023**	2nd Quarter FY 2023 For the period 1 April to 30 September 2022
Revenue	(5)-(c)	**420,168**	375,651
Cost of sales		**(322,636)**	(294,565)
Gross profit		**97,532**	81,086
Other income		**363**	1,239
Distribution costs		**(32,078)**	(32,444)
Administrative expenses		**(38,308)**	(32,427)
Other expenses		**(1,481)**	(3,017)
Operating profit	(5)-(c)	**26,028**	14,437
Exceptional items – gains	(5)-(d)	**1,117**	4,048
Exceptional items – losses	(5)-(d)	**(828)**	(48,997)
Operating profit/(loss) after exceptional items		**26,317**	(30,512)
Finance income	(5)-(e)	**4,275**	2,913
Finance expenses	(5)-(e)	**(18,315)**	(9,472)
Reversal of previous impairment of financial receivables owed by joint ventures and associates	(5)-(f)	**3,740**	—
Share of post-tax profit of joint ventures and associates accounted for using the equity method		**2,176**	3,240
Other gains/(losses) on equity method investments	(5)-(f)	**1,142**	(712)
Profit/(loss) before taxation		**19,335**	(34,543)
Taxation	(5)-(g)	**(8,837)**	(2,463)
Profit/(loss) for the period		**10,498**	(37,006)
Profit attributable to non-controlling interests		**727**	1,810
Profit/(loss) attributable to owners of the parent		**9,771**	(38,816)
		10,498	(37,006)
Earnings per share attributable to owners of the parent			
Basic	(5)-(h)	**96.70**	(438.08)
Diluted	(5)-(h)	**68.77**	(438.08)

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

¥ millions

	2nd Quarter FY 2024 For the period 1 April to 30 September 2023	2nd Quarter FY 2023 For the period 1 April to 30 September 2022
Profit/(loss) for the period	**10,498**	(37,006)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Re-measurement of retirement benefit obligations (net of taxation)	**(365)**	5,382
Revaluation of Assets held at Fair Value through Other Comprehensive Income – equity investments (net of taxation)	**(2,204)**	(2,180)
Sub total	**(2,569)**	3,202
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	**8,624**	16,265
Revaluation of Assets held at Fair Value through Other Comprehensive Income – other investments (net of taxation)	**(437)**	(1,576)
Cash flow hedges:		
- fair value gains (net of taxation)	**(2,973)**	19,440
Sub total	**5,214**	34,129
Total other comprehensive income for the period (net of taxation)	**2,645**	37,331
Total comprehensive income for the period	**13,143**	325
Attributable to non-controlling interests	**(6,450)**	412
Attributable to owners of the parent	**19,593**	(87)
	13,143	325

(2) Condensed quarterly consolidated balance sheet

¥ millions

	2nd Quarter FY 2024 as at 30 September 2023	FY 2023 as at 31 March 2023
ASSETS		
Non-current assets		
Goodwill	**81,048**	74,081
Intangible assets	**43,020**	39,480
Property, plant, and equipment	**408,366**	370,460
Investment property	**131**	120
Investments accounted for using the equity method	**31,174**	25,349
Retirement benefit asset	**27,390**	28,185
Contract assets	**397**	378
Trade and other receivables	**6,500**	13,164
Financial assets:		
– Assets held at Fair Value through Other Comprehensive Income	**20,490**	22,227
– Derivative financial instruments	**10,305**	13,011
Deferred tax assets	**29,344**	28,613
	658,165	615,068
Current assets		
Inventories	**173,420**	156,918
Contract assets	**2,427**	3,191
Trade and other receivables	**99,898**	96,857
Financial assets:		
– Derivative financial instruments	**5,621**	4,873
Cash and cash equivalents	**57,100**	69,313
	338,466	331,152
Assets held for sale	**5,194**	5,167
	343,660	336,319
Total assets	**1,001,825**	951,387

(2) Condensed quarterly consolidated balance sheet continued

¥ millions

	2nd Quarter FY 2024 as at 30 September 2023	FY 2023 as at 31 March 2023
LIABILITIES AND EQUITY		
Current liabilities		
Financial liabilities:		
- Borrowings	**122,609**	161,610
- Derivative financial instruments	**1,958**	2,102
Trade and other payables	**168,393**	187,450
Contract liabilities	**15,038**	14,896
Provisions	**16,482**	16,194
Deferred income	**623**	710
	325,103	382,962
Liabilities related to assets held for sale	**1,172**	1,415
	326,275	384,377
Non-current liabilities		
Financial liabilities:		
- Borrowings	**401,741**	329,933
- Derivative financial instruments	**1,533**	1,475
Trade and other payables	**6,398**	5,503
Contract liabilities	**18,152**	18,260
Deferred tax liabilities	**15,438**	14,523
Retirement benefit obligations	**50,892**	50,676
Provisions	**20,479**	18,772
Deferred income	**3,288**	3,000
	517,921	442,142
Total liabilities	**844,196**	826,519
Equity		
Capital and reserves attributable to the Company's equity shareholders		
Called up share capital	**116,829**	116,756
Capital surplus	**155,787**	155,746
Retained earnings	**(67,400)**	(86,675)
Retained earnings (Translation adjustment at the IFRS transition date)	**(68,048)**	(68,048)
Other reserves	**(10,641)**	(20,739)
Total shareholders' equity	**126,527**	97,040
Non-controlling interests	**31,102**	27,828
Total equity	**157,629**	124,868
Total liabilities and equity	**1,001,825**	951,387

(3) Condensed quarterly consolidated statement of changes in equity

¥ millions

2nd Quarter FY 2024	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 2023	116,756	155,746	(86,675)	(68,048)	(20,739)	**97,040**	27,828	**124,868**
Total Comprehensive Income	-	-	9,406	-	10,187	**19,593**	(6,450)	**13,143**
Hyperinflation adjustment	-	-	11,819	-	-	**11,819**	10,272	**22,091**
Dividends paid	-	-	(1,950)	-	-	**(1,950)**	(548)	**(2,498)**
Share-based compensation with restricted shares	29	(3)	-	-	-	**26**	-	**26**
Stock options	44	44	-	-	(88)	**-**	-	**-**
Purchase of treasury stock	-	-	-	-	(1)	**(1)**		**(1)**
At 30 September 2023	**116,829**	**155,787**	**(67,400)**	**(68,048)**	**(10,641)**	**126,527**	**31,102**	**157,629**

¥ millions

2nd Quarter FY 2023	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 2022	116,709	155,312	(60,121)	(68,048)	1,439	**145,291**	24,064	**169,355**
Total Comprehensive Income	-	-	(33,434)	-	33,347	**(87)**	412	**325**
Hyperinflation adjustment	-	-	8,578	-	-	**8,578**	7,286	**15,864**
Dividends paid	-	-	(1,950)	-	-	**(1,950)**	(653)	**(2,603)**
Share-based compensation with restricted shares	24	-	-	-	-	**24**	-	**24**
Stock options	14	14	-	-	(28)	-	-	**-**
At 30 September 2022	**116,747**	**155,326**	**(86,927)**	**(68,048)**	**34,758**	**151,856**	**31,109**	**182,965**

(4) Condensed quarterly consolidated statement of cash flow

¥ millions

	Note	**2nd Quarter For the period 1 April to 30 September 2023**	2nd Quarter For the period 1 April to 30 September 2022
Cash flows from operating activities			
Cash flows generated from operations	(5)-(k)	**15,776**	18,561
Interest paid		**(18,909)**	(8,893)
Interest received		**9,244**	4,848
Tax paid		**(2,751)**	(3,097)
Net cash in flows from operating activities		**3,360**	11,419
Cash flows from investing activities			
Dividends received from joint ventures and associates		**77**	88
Purchase of businesses, net of cash balances held by subsidiaries upon acquisition		**-**	(7)
Proceeds on disposal of subsidiaries, net of cash balances held by subsidiaries on disposal		**-**	(1,282)
Purchases of property, plant and equipment		**(27,785)**	(19,117)
Proceeds on disposal of property, plant and equipment		**104**	44
Purchases of intangible assets		**(948)**	(472)
Purchase of assets held at FVOCI		**(6)**	(23)
Proceeds on disposal of assets held at FVOCI		**1**	11
Loans advanced to joint ventures, associates and third parties		**(197)**	(284)
Loans repaid from joint ventures, associates and third parties		**6,802**	126
Net cash outflows from investing activities		**(21,952)**	(20,916)
Cash flows from financing activities			
Dividends paid to owners of the parent		**(1,950)**	(1,955)
Dividends paid to non-controlling interests		**(341)**	(653)
Repayment of borrowings		**(87,599)**	(35,494)
Proceeds from borrowings		**89,966**	39,605
Increase in treasury stock		**(1)**	-
Net cash in flows from financing activities		**75**	1,503
Decrease in cash and cash equivalents (net of bank overdrafts)		**(18,517)**	(7,994)
Cash and cash equivalents (net of bank overdrafts) at beginning of period	(5)-(l)	**68,518**	60,015
Effect of foreign exchange rate changes		**2,540**	2,098
Hyperinflation adjustment	(5)-(m)	**2,657**	1,090
Cash and cash equivalents (net of bank overdrafts) at end of period	(5)-(l)	**55,198**	55,209

(5) Notes to the condensed quarterly consolidated financial statements

(a) 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.

(b) Accounting policies, critical accounting estimates and assumptions

The principal accounting policies applied to the consolidated financial statements for the period to 30 September 2023 are the same as the ones applied to the consolidated financial statements for the year ended 31 March 2023.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will not usually be equal to the eventual actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

In each case, unexpected changes in estimates and assumptions could cause a material change in balance sheet assets and liabilities, particularly in the areas noted below.

When assessing the recoverability of certain balance sheet assets such as goodwill and other intangible assets arising on consolidation, the Group compares the value-in-use of the Group's identified Cash Generating Units (CGUs) with the accounting value of assets within each CGU. The value-in-use for this purpose is considered to be the capitalized current value of the future cash flows of each CGU as calculated by discounting the projected future operating cash flows of each cash-generating unit, using an appropriate discount rate. The choice of discount rate is therefore a key determinant in assessing the value-in-use, and is calculated based on prevailing conditions in bond and equity markets. If discount rates increase, as happened during the second quarter of the previous year, then an impairment of assets such as goodwill becomes more likely.

Sales volumes are a key input into expectations of future trading conditions and, consequently, cash flows. Sales prices and input costs are also important factors. The Group experienced an increase in input costs during FY2023, exacerbated by the invasion of Ukraine by Russia prior to the start of that year, although this has reversed somewhat during FY2024. The Group protects against volatility of input costs through hedging techniques, although this does not provide complete protection from all cost increases, particularly over the longer term. The Group expects to recover input costs increases through higher selling prices. The extent of this recovery is likely to vary by business and region. This reflects the Group's expected ability to raise selling prices, based on legal terms of trading and market forces generally.

The recoverability of long-term investments in joint ventures, including loans receivable, is based on the current and expected future trading environment. The expected future trading environment is assessed using reasonable estimates of possible future trading conditions. Where relevant, the Group will also consider the existence of legal restrictions that may prevent the payment of dividends or interest, or repayment of debt by the joint venture when assessing the recoverability of such investments. In addition, the Group would also consider any projected corporate restructurings or other similar transactions that the joint venture may enter, but only in circumstances where the Group considers there is a satisfactory level of confidence that such a transaction will be completed.

(c) Segmental information

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

The Architectural segment engages in the manufacturing and sale of flat glass and various interior and exterior glazing products within commercial and residential markets. It also includes glass for the solar energy sector.

(c) Segmental information continued

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

The Technical Glass segment comprises a number of discrete businesses, including the manufacture and sale of very thin glass used as cover glass for displays, lenses and light guides for printers, and glass fiber components for engine timing belts.

The Other segment covers corporate costs, certain small businesses not included in the segments covered above, and consolidation adjustments including amortization and impairment costs recorded with respect to goodwill and intangible assets related to the acquisition of Pilkington plc.

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.

The amortization arising from the acquisition of Pilkington plc was ¥ 115 million in FY2024 Q2 (FY2023 Q2: ¥440 million).

The segmental results for the second quarter to 30 September 2023 were as follows:

¥ millions

2nd Quarter FY 2024 For the period 1 April 2023 to 30 September 2023	**Architectural**	**Automotive**	**Technical Glass**	**Other Operations**	**Total**
Total revenue	**210,366**	**205,359**	**20,820**	**3,303**	**439,848**
Inter-segmental revenue	**(17,432)**	**(194)**	**(938)**	**(1,116)**	**(19,680)**
External revenue	**192,934**	**205,165**	**19,882**	**2,187**	**420,168**
Disaggregation of external revenue by geographical regions:					
Europe	***73,508***	***83,794***	***5,022***	***1,611***	***163,935***
Asia	***54,831***	***38,310***	***13,969***	***576***	***107,686***
Americas	***64,595***	***83,061***	***891***	-	***148,547***
Operating profit/(loss)	**21,803**	**6,300**	**4,000**	**(6,075)**	**26,028**
Exceptional items – gains	**1,117**	-	-	-	**1,117**
Exceptional items – losses	**(775)**	**(48)**	-	**(5)**	**(828)**
Operating profit after exceptional items					**26,317**
Finance costs – net					**(14,040)**
Reversal of previous impairment of financial receivables owed by joint ventures and associates					**3,740**
Share of post-tax profit from joint ventures and associates					**2,176**
Other gains on equity method investments					**1,142**
Profit before taxation					**19,335**
Taxation					**(8,837)**
Profit for the period from continuing operations					**10,498**

(c) Segmental information continued

The segmental results for the second quarter to 30 September 2022 were as follows:

¥ millions

2nd Quarter FY 2023 For the period 1 April 2022 to 30 September 2022	**Architectural**	**Automotive**	**Technical Glass**	**Other Operations**	**Total**
Total revenue	195,707	172,266	22,069	2,583	392,625
Inter-segmental revenue	(13,596)	(394)	(1,883)	(1,101)	(16,974)
External revenue	182,111	171,872	20,186	1,482	375,651
Disaggregation of external revenue by geographical regions:					
Europe	*78,845*	*69,894*	*4,580*	*975*	*154,294*
Asia	*48,980*	*32,381*	*14,763*	*507*	*96,631*
Americas	*54,286*	*69,597*	*843*	*-*	*124,726*
Operating profit/(loss)	15,495	(1,694)	5,689	(5,053)	14,437
Exceptional items – gains	79	1,241	-	2,728	4,048
Exceptional items – losses	(67)	(144)	(9)	(48,777)	(48,997)
Operating loss after exceptional items					(30,512)
Finance costs – net					(6,559)
Share of post-tax profit from joint ventures and associates					3,240
Other losses on equity method investments					(712)
Loss before taxation					(34,543)
Taxation					(2,463)
Loss for the period from continuing operations					(37,006)

The segmental assets at 30 September 2023 and capital expenditure for the second quarter ended 30 September 2023 were as follows:

¥ millions

	Architectural	**Automotive**	**Technical Glass**	**Other Operations**	**Total**
Net trading assets	**247,810**	**199,499**	**36,248**	**8,144**	**491,701**
Capital expenditure (including intangibles)	**19,061**	**4,760**	**283**	**422**	**24,526**

The segmental assets at 30 September 2022 and capital expenditure for the second quarter ended 30 September 2022 were as follows:

¥ millions

	Architectural	**Automotive**	**Technical Glass**	**Other Operations**	**Total**
Net trading assets	196,392	188,165	31,290	6,020	421,867
Capital expenditure (including intangibles)	8,575	7,460	600	1,005	17,640

Net trading assets consist of property, plant and equipment, investment property, intangible assets excluding those arising from a business combination, inventories, trade and other receivables and trade and other payables, contract assets and liabilities.

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

(d) Exceptional items

¥ millions

	2nd Quarter FY 2024 For the period 1 April to 30 September 2023	2nd Quarter FY 2023 For the period 1 April to 30 September 2022
Exceptional items – gains:		
Settlement of litigation matters (a)	**967**	2,823
Reversal of previous impairments (b)	**150**	-
Gain on disposal of subsidiaries (c)	-	1,147
Others	-	78
	1,117	4,048
Exceptional items – losses:		
Impairment of non-current assets (d)	**(556)**	-
Write down of inventories (e)	**(186)**	-
Settlement of litigation matters (a)	**(45)**	(108)
Restructuring costs, including employee termination payments (f)	**(37)**	(92)
Impairment of goodwill & intangible assets (g)	-	(48,776)
Others	**(4)**	(21)
	(828)	(48,997)
	289	(44,949)

(a) The gain on the settlement of litigation matters relates mainly to an additional settlement agreed with the Group's insurer and broker following the suspension of production at the Group's facility in Laurinburg, North Carolina, U.S.A, following an electrical power outage at this facility during Q1 of FY2020. The Group has been engaged in a dispute with its insurer and its broker regarding the value of insurance coverage following this event, and has reached a settlement that has resulted in an additional amount of $6 million being paid to the Group.

The previous-year gain on the settlement of litigation matters related mainly to an additional settlement agreed with the Group's insurer and broker following damage to the Group's facility at Ottawa, Illinois, U.S.A, as a consequence of a Tornado during Q4 of FY2017. The Group had been engaged in a dispute with its insurer and its broker regarding the value of insurance coverage following this event, and reached a settlement that resulted in an additional amount of $20 million being paid to the Group.

In both the current and previous year, the settlement of litigation matters within exceptional items (losses), relates to legal claims arising as a result of transactions that were previously recorded as exceptional items.

(b) The reversal of previous impairments relates to the impairment of property, plant & equipment assets at the Architectural business in Asia.

(c) The previous-year gain on disposal of subsidiaries related to the disposal of Guilin Pilkington Safety Glass Co., Limited and Tianjin NSG Safety Glass Co., Limited, two companies involved in the processing and distribution of automotive glass in China. These companies were sold to SYP Kangqiao Autoglass Co., Limited, a company in which the NSG Group held a 20 percent investment, and which is accounted for by the Group as an associate using the equity method of accounting. As part of this disposal the Group reinvested the sales proceeds into additional equity of SYP Kangqiao Autoglass Co., Limited, increasing the Group's shareholding in this entity to 28.6 percent. The gain on disposal related mainly to the recycling of historic foreign exchange movements relating to these former subsidiary companies into the Consolidated Income Statement from the Statement of Comprehensive Income.

(d) The impairment of non-current assets relates to the impairment of property, plant & equipment within Architectural business in Asia.

(e) The write-down of inventories also relates to the Architectural business in Asia.

(f) Restructuring costs principally include the cost of compensating redundant employees for the termination of their contracts of employment.

(g) The previous-year impairment of goodwill and intangible assets represented a full impairment of all remaining goodwill and intangible assets relating to the Group's automotive business unit in Europe, originally arising on the acquisition of Pilkington in 2006. The impairment was calculated by comparing the value-in-use with the accounting book values of this business unit. The value-in-use was calculated by discounting predicted future cash flows using an appropriate discount rate, determined using bond and equity market conditions prevailing at the balance sheet date.

An impairment was recorded largely as a consequence of an increase in discount rates during the previous year. At 31 March 2022 the Group calculated the value-in-use of this business unit using a discount rate of 6.92 percent. At 30 September 2022, the discount rate used was 8.8 percent. Future economic prospects generally deteriorated during the second quarter of the previous year, largely as a consequence of rising inflation and interest rates. Such factors were directly linked to the increased discount rate used in the Group's impairment testing process.

(e) Finance income and expenses

¥ millions

	2nd Quarter FY 2024 For the period 1 April to 30 September 2023	2nd Quarter FY 2023 For the period 1 April to 30 September 2022
Finance income		
Interest income	**2,976**	963
Foreign exchange transaction gains	**75**	198
Gain on net monetary position	**1,224**	1,752
	4,275	2,913
Finance expenses		
Interest expense:		
– bank and other borrowings	**(13,928)**	(8,102)
Dividend on non-equity preference shares due to minority shareholders	**(153)**	(140)
Foreign exchange transaction losses	**(1,833)**	(338)
Other interest and similar charges	**(2,238)**	(861)
	(18,152)	(9,441)
Unwinding discounts on provisions	**(146)**	(120)
Retirement benefit obligations		
– net finance charge	**(17)**	89
	(18,315)	(9,472)
	(14,040)	(6,559)

(f) Investments accounted for using the equity method

The Group's Joint Venture, SP Glass Holdings B.V. disposed its subsidiaries in Russia during the first quarter of the year. As a consequence of this transaction, the Group recorded a reversal of previous impairments of the its investment in SP Glass Holdings B.V of ¥ 1,213 million and also recorded a reversal of the previous impairment of a financial receivable owed by a Russian subsidiary of SP Glass Holdings BV of ¥ 3,740 million. These two items are presented separately in the consolidated income statement as other gains/(losses) on equity method investments and as reversal of previous impairment of financial receivables owed by joint ventures and associates respectively. The value recorded in total as other gains/(losses) on equity method investments also includes a charge of ¥ 71 million relating to the impairment of the Group's share of the profits of SP Glass Holdings B.V earned during the first quarter of the year, prior to the disposal of its subsidiaries in Russia.

(g) Taxation

The tax charge on the profit before taxation, excluding the Group's share of the net results of joint ventures and associates, is a rate of 51.5 percent for the first two quarters to 30 September 2023 (2Q FY2023 - a rate of 50.5 percent after excluding the impact of goodwill impairment). The tax charge for the period is based on the estimated effective rate for the year to 31 March 2024.

(h) Earnings per share

(i) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent, after deducting dividends paid to holders of Class A shares, by the weighted average number of ordinary shares in issue during the year. The dividends related to Class A shares 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, and restricted shares which have not been satisfied the conditions to lift the restriction.

	Quarter ended 30 September 2023	Quarter ended 30 September 2022
	¥ millions	¥ millions
Profit/(loss) attributable to owners of the parent	**9,771**	(38,816)
Adjustment for;		
– Dividends on Class A shares	**(975)**	(978)
Profit/(loss) used to determine basic earnings per share	**8,796**	(39,794)
	Thousands	Thousands
Weighted average number to ordinary shares in issue	**90,958**	90,836
	¥	¥
Basic earnings per share	**96.70**	(438.08)

(ii) 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. Also Restricted shares for share-based payment plan are treated as dilutive potential ordinary shares if certain conditions are met. 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. Regarding restricted shares for share-based payment plan, during period from the start date of the transfer restriction period to the date of the first Ordinary General Meeting of Shareholders of the Company, if the fair value (determined as the average annual market share price of the Company's shares) exceeds the issue price, equivalent of the delivered service as consideration for compensation are treated as dilutive potential ordinary shares. 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 2023	Quarter ended 30 September 2022
	¥ millions	¥ millions
Profit/(loss) attributable to owners of the parent	**9,771**	(38,816)
Adjustment for;		
– Dividends on Class A shares	-	(978)
Profit/(loss) used to determine diluted earnings per share	**9,771**	(39,794)
	Thousands	Thousands
Weighted average number to ordinary shares in issue	**90,958**	90,836
Adjustment for:		
– Share options	392	-
– Class A shares	50,679	-
– Restricted shares	43	-
Weighted average number of ordinary shares for diluted earnings per share	**142,072**	90,836
	¥	¥
Diluted earnings per share	**68.77**	(438.08)

Diluted earnings per share for the previous period do not include stock options, Class A shares and restricted shares due to the anti-dilutive effect caused by the profits and the loss during the period.

(i) Dividends

(i) Dividends on ordinary shares

	Quarter ended 30 September 2023	Quarter ended 30 September 2022
Declared and paid during the period:		
Final dividend for the previous year		
Dividend total (¥ millions)	-	-
Dividend per share (¥)	-	-

(ii) Dividends on Class A shares

	Quarter ended 30 September 2023	Quarter ended 30 September 2022
Declared and paid during the period:		
Final dividend for the previous year		
Dividend total (¥ millions)	**1,950**	1,950
Dividend per share (¥)	**65,000**	65,000

(j) Exchange rates

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

	Quarter ended 30 September 2023		Year ended 31 March 2023		Quarter ended 30 September 2022	
	Average	**Closing**	Average	Closing	Average	Closing
GBP	**177**	**182**	163	165	163	161
US dollar	**140**	**148**	135	133	134	145
Euro	**153**	**157**	141	145	139	141
Argentine peso	-	**0.42**	—	0.64	-	0.98

(k) Cash flows generated from operations

¥ millions

	2nd Quarter FY 2024 for the period 1 April 2023 to 30 September 2023	2nd Quarter FY 2023 for the period 1 April 2022 to 30 September 2022
Profit/(loss) for the period from continuing operations	**10,498**	(37,006)
Adjustments for:		
Taxation	**8,837**	2,463
Depreciation	**20,856**	18,358
Amortization	**1,085**	1,379
Impairment	**581**	49,938
Reversal of impairments	**(146)**	(2)
Gain on sale of property, plant, and equipment	**(8)**	(9)
Gain on sale of subsidiaries and joint ventures	**-**	(1,406)
Grants and deferred income	**(142)**	(96)
Finance income	**(4,275)**	(2,913)
Finance expenses	**18,315**	9,472
Reversal of previous impairment of financial receivables owed by joint ventures and associates	**(3,740)**	-
Share of (profit)/loss from joint ventures and associates	**(2,176)**	(3,240)
Other (gains)/losses on equity method investments	**(1,142)**	712
Other items	**89**	(670)
Operating cash flows before movement in provisions and working capital	**48,632**	36,980
Decrease in provisions and retirement benefit obligations	**(1,544)**	(3,037)
Changes in working capital:		
– inventories	**(8,696)**	(17,709)
– trade and other receivables	**361**	(15,559)
– trade and other payables	**(24,733)**	9,029
– contract balances	**1,756**	8,857
Net change in working capital	**(31,312)**	(15,382)
Cash flows generated from operations	**15,776**	18,561

(l) Cash and cash equivalents

¥ millions

	As at 31 March 2023	As at 31 March 2022
Cash and cash equivalents	**69,313**	60,464
Bank overdrafts	**(795)**	(449)
	68,518	60,015

¥ millions

	As at 30 September 2023	As at 30 September 2022
Cash and cash equivalents	**57,100**	56,909
Bank overdrafts	**(1,902)**	(1,700)
	55,198	55,209

(m) Hyperinflationary accounting adjustments

As from the second quarter of FY 2019, 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	108.750
31 March 2007	103.9	104.704
31 March 2008	120.2	90.468
31 March 2009	128.7	84.497
31 March 2010	146.5	74.235
31 March 2011	165.5	65.714
31 March 2012	186.7	58.241
31 March 2013	211.1	51.507
31 March 2014	265.6	40.949
31 March 2015	305.7	35.569
31 March 2016	390.6	27.840
31 March 2017	467.2	23.276
31 March 2018	596.1	18.245
31 March 2019	970.9	11.201
31 March 2020	1,440.8	7.548
31 March 2021	2,046.4	5.314
31 March 2022	3,162.1	3.439
31 March 2023	6,402.2	1.699
30 April 2023	7,111.4	1.529
31 May 2023	7,664.2	1.419
30 June 2023	8,120.3	1.339
31 July 2023	8,635.5	1.259
31 August 2023	9,709.9	1.120
30 September 2023	10,875.0	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 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).

(n) Significant subsequent events

There were no significant subsequent events.