

NSG

GROUP



NSG Group

FY2019 Second Quarter Results

(from 1 April 2018 to 30 September 2018)

Nippon Sheet Glass Company, Limited
1 November 2018

Shigeki Mori

Chief Executive Officer

Clemens Miller

Chief Operating Officer

Kenichi Morooka

Chief Financial Officer

Agenda

1. FY2019 Second Quarter Financial Results
2. FY2019 Second Quarter Business Update
3. Redemption of Class A Shares
4. Centennial Commemoration Dividend
5. Medium-term Plan (MTP) Phase 2 Update
6. Summary

FY2019 2nd Quarter Results Highlights



Revenue	JPY 308.1 bn (+5%)	Benefitted from VA sales increase and robust markets
Trading profit	JPY 18.8 bn (+1%)	Improved profitability in Automotive Europe and Technical Glass offset cost increases
Exceptional items	JPY (1.2) bn	Reversal of impairment related to the re-start of mothballed float line and restructuring costs in Europe
Share of JVs and associates	JPY 3.8 bn	Gain recognized by Cebrace, in relation to the sales tax overpaid in previous years
Profit attributable to owners of the parent	JPY 9.3 bn (+94%)	Significant year-on-year improvement from reduction in net finance costs and recognition of one-off credit
Free cash flow	JPY (9.2) bn	Seasonality of working capital movements

Operating results in line with forecast, significant year-on-year improvement in net profit

Consolidated Income Statement

(JPY bn)	<u>FY2018</u> <u>2nd</u> ^{*1} <u>Quarter</u>	<u>FY2019</u> <u>2nd</u> <u>Quarter</u>	<u>FY2019</u> <u>Full year</u> <u>forecast</u>
Revenue	294.0	308.1	630.0
Trading profit	18.6	18.8	43.0
Amortization ^{*2}	(1.0)	(1.0)	(2.0)
Operating profit	17.6	17.8	41.0
Exceptional items	(1.8)	(1.2)	(7.0)
Finance expenses (net)	(7.6)	(6.7)	(13.0)
Share of JVs and associates	1.0	3.8	3.0
Profit before taxation	9.2	13.7	24.0
Profit for the period	5.5	10.0	16.0
Profit attributable to owners of the parent	4.8	9.3	14.0
EBITDA	31.5	32.0	

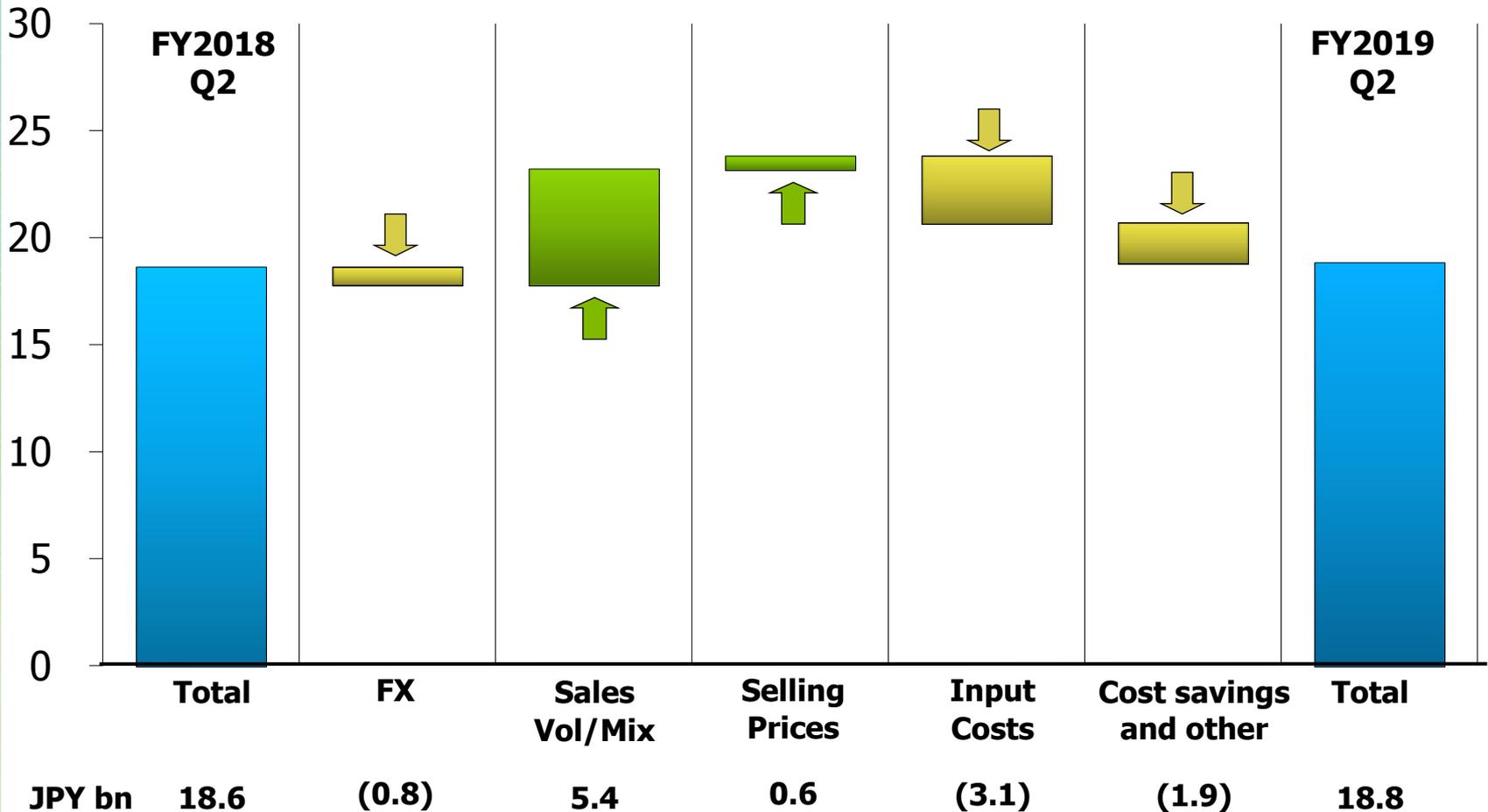
*1: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

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

On track to achieve annual forecast

Change Analysis

Trading profit



Improving prices, volumes and product mix more than offsetting input cost increases

Key Performance Indicators

	<u>30-Sep-17</u> ^{*1}	<u>30-Sep-18</u>	<u>31-Mar-18</u> ^{*1}
Net Debt (JPY bn)	329.6	320.1	306.5
Net Debt/EBITDA	5.2x	5.0x	4.8x
Net Debt/Equity Ratio	2.2x	2.2x	2.1x
Shareholders' Equity Ratio	18.2%	17.8%	17.1%
	<u>FY2018</u> ^{*1}	<u>FY2019</u>	<u>FY2018</u> ^{*1}
	<u>2nd Quarter</u>	<u>2nd Quarter</u>	<u>Full-year</u>
Operating Return ^{*2} on Sales	6.3%	6.1%	6.3%

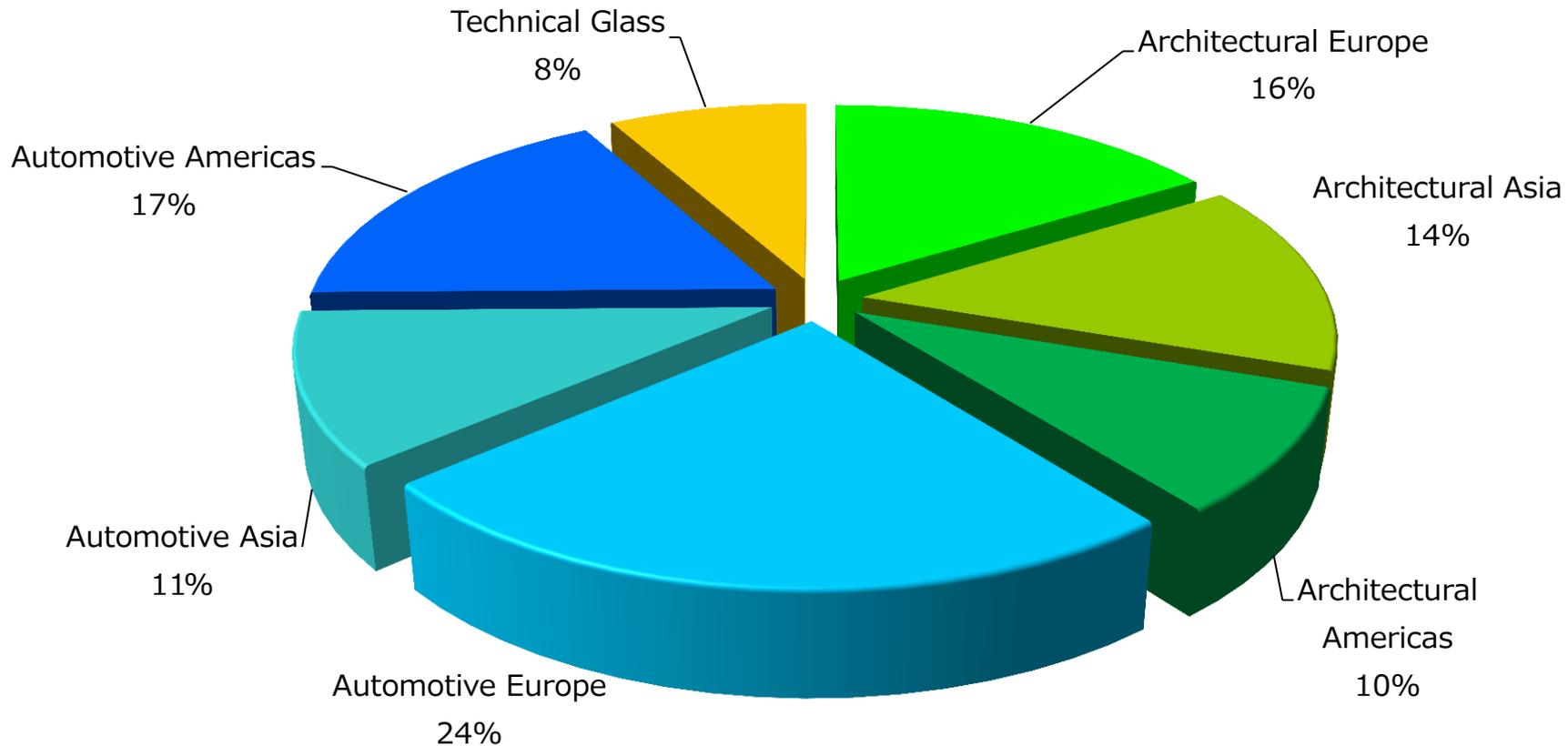
*1: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

*2: Trading profit

Year-on-year improvement in Net Debt and Net Debt / EBITDA ratio

External Revenue - Group Businesses

¥ 308.1 billion

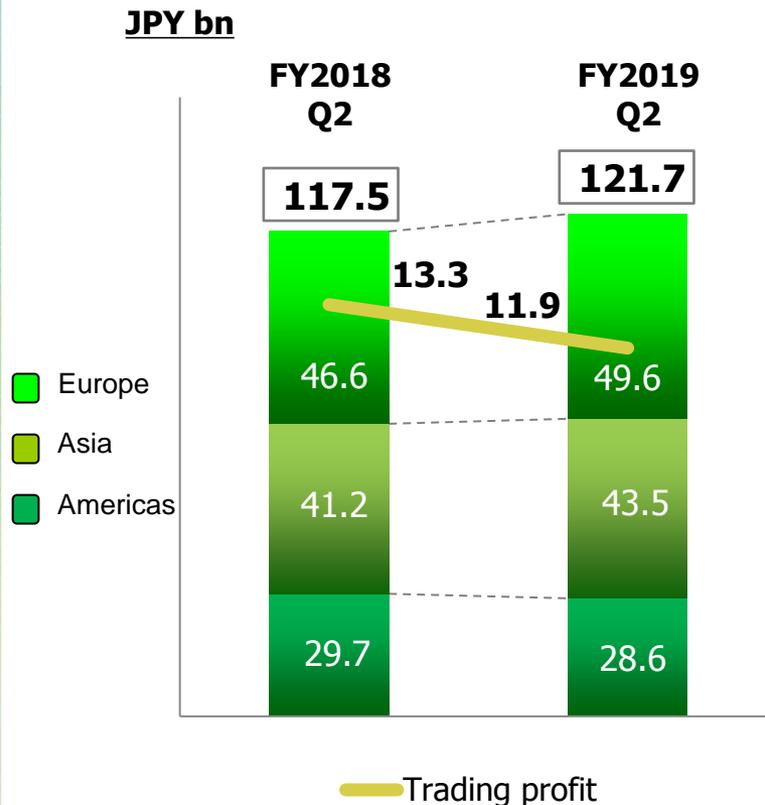


FY2019 2nd Quarter

Diversified geographical coverage

Architectural

FY2018 Q2 v FY2019 Q2



Europe (Revenue ↑, Profit ↓)

- Higher volumes and prices, while profits affected by input cost increase and furnace repair

Asia (Revenue ↑, Profit ↑)

- Revenue increased in Japan, while profits were flat despite being impacted by higher oil price
- Higher solar revenue and profit with volume recovery in Asia

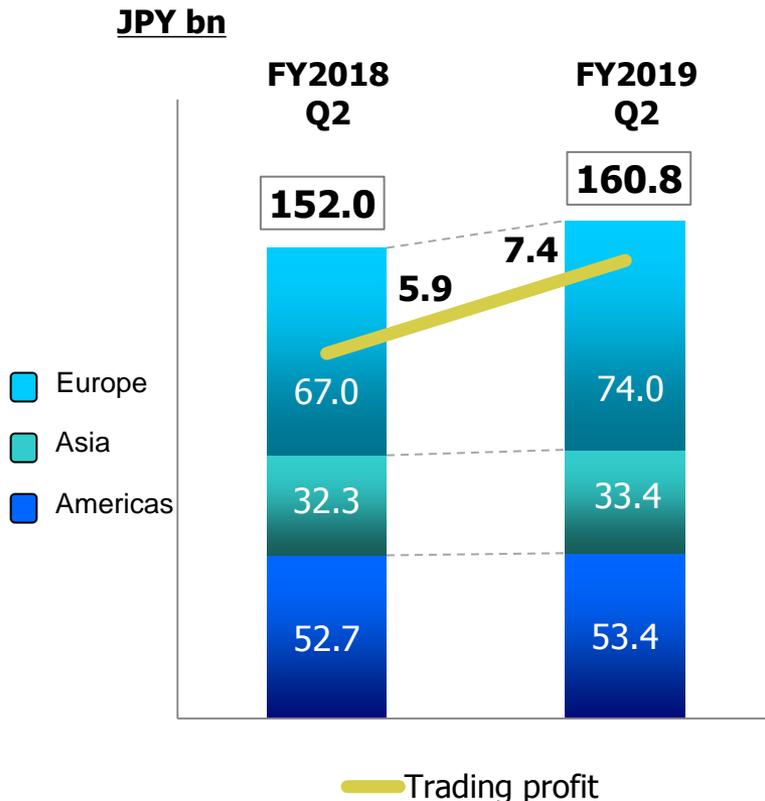
Americas (Revenue ↓, Profit ↓)

- Revenue improved based on robust demand and restart of Ottawa facility, but profits were affected by temporary production cost increases
- Revenue and profit were affected by hyperinflation accounting adjustments, despite strong market conditions in South America

Profits affected by input cost increase and hyperinflation

Automotive

FY2018 Q2 v FY2019 Q2



Europe (Revenue↑, Profit↑)

- Significant revenue and profit improvement due to robust market conditions and VA sales expansion for OE and AGR

Asia (Revenue↑, Profit→)

- Production and shipment in Japan was stable despite the impact of natural disasters
- Improved revenue in South East Asia

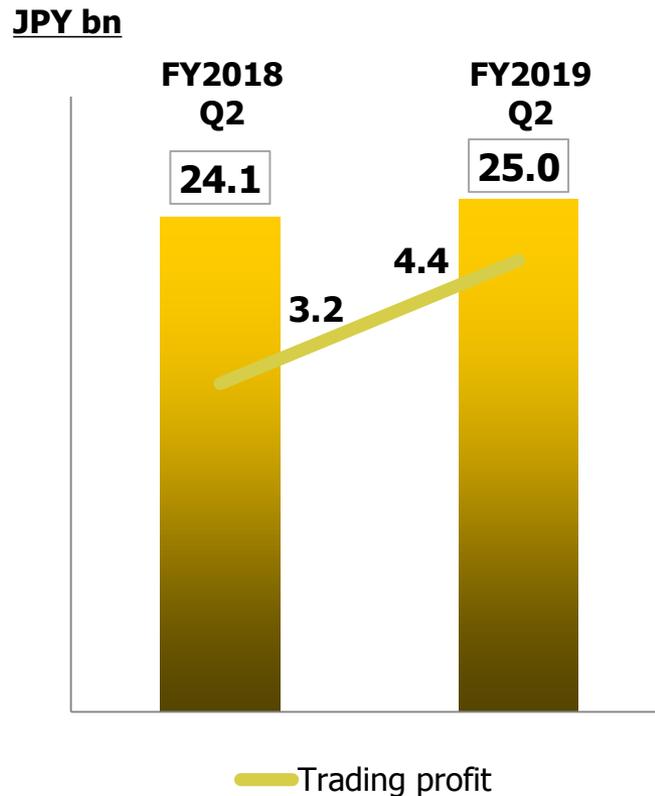
Americas (Revenue↑, Profit↑)

- Revenue and profit improved supported by robust shipment in North America
- Improved performance due to recovering volume in Brazil

Revenue growth in most of regions. Europe profitability supported by increased volume and VA ratio

Technical Glass

FY2018 Q2 v FY2019 Q2



Technical Glass (Revenue ↑, Profit ↑)

- Profit in Display improved due to higher revenue and lower cost base
- Firm demand for printer lenses
- Strong performance of glass cord in line with improving vehicle sales
- Metashine sales expansion for automotive paints and cosmetics
- Strong demand for battery separators

Improvements across all business segments

Redemption of Class A Shares Started (Acquisition & Cancellation)

Considering the continued improvement in net profitability, the Group has decided to redeem a portion of its Class A shares

Number of shares to be acquired and cancelled: 5,000

Amount: JPY5,800m including JPY750m premium and JPY50m dividends

Planned date of acquisition and cancellation: 7 December 2018

Number of outstanding shares after redemption:

35,000 (Issued value: JPY35,000m)

Redemption Policy:

- The Group's policy is to redeem Class A Shares at the earliest possible timing, considering net profit and preferred and ordinary dividends, while maintaining financial stability.
- By reducing the outstanding shares, the amount of preferred dividends and redemption premium is to be reduced.

Distribution of Centennial Commemoration Dividends

Based on the second quarter results in line with forecast, the dividend distribution of JPY10 per share to commemorate the centennial has been declared as planned.

	FY2019 (Interim)	FY2019 (Q4 forecast)	FY2019 Total forecast
Ordinary (JPY/share)	-	20	20
Commemoration (JPY/share)	10	-	10
Total Ordinary Dividend	10	20	30
Dividend Amount (JPY bn)	2.0	2.8	4.8
(Ordinary Dividends)	(0.9)	(1.8)	(2.7)
(Preferred Dividends)	(1.1)	(1.0)	(2.1)
Consolidated Payout Ratio (Ordinary)			23%

Reference: Dividend Policy

The Group's dividend policy is to secure dividend payments based on sustainable business results.

Once Class A Shares are fully redeemed, the Group will aim to maintain a consolidated dividend pay-out ratio of 30 percent.

FY2019 Q2 Results

- Year-on-year revenue growth and profits in line with forecast
- Steady VA shift progress, particularly in Europe. Markets remain stable
- Cost push from increased oil prices
- Significant increase in net profit due to reduced finance costs and one-off factors
- Centennial commemoration dividend declared as planned
- Commencing redemption of Class A Shares, reflecting the continued improvement in net profit

FY2019 Forecast

- No revision to the forecast, as Second Quarter results were in line with our expectations
- Increase in input costs to be carefully monitored
- Actions being taken to deliver the sixth year of trading profit growth

Medium-term Plan (MTP) Phase 2

FY2019 Approach

– Shift to “VA + Growth”



Shift to “VA + Growth”

Actions are being taken based on different growth phases

Core Business

Profitability Enhancement

- Profit improvement with VA shift
- Cost reduction with productivity improvement
- Review of underperforming businesses

Growth Business

Top-line Expansion

- Growth Investment in Emerging Markets (South America)
- Capacity expansion in thin-film solar panel glass
- New application development of online-coated glass
- Commercialization of new Technical Glass products

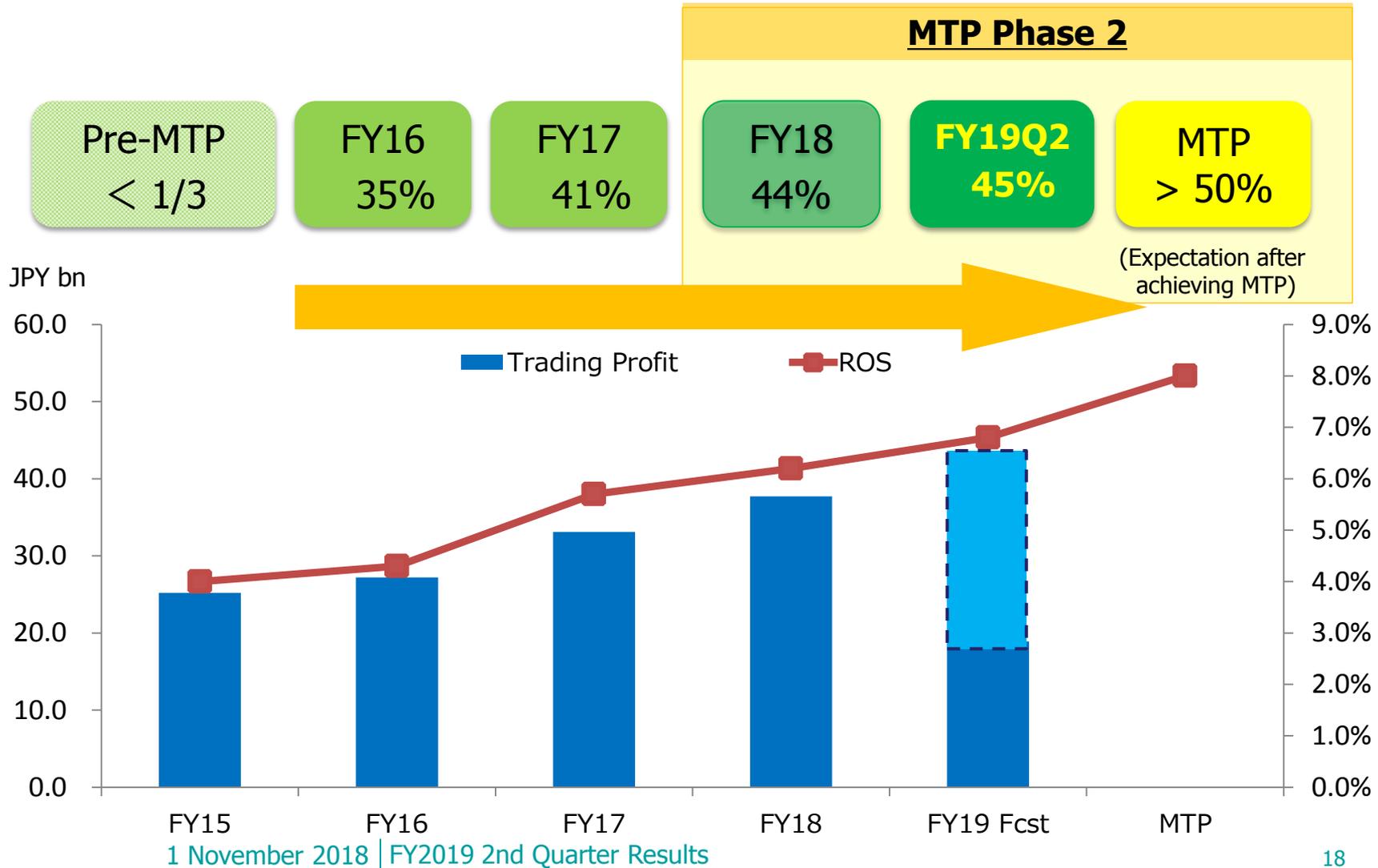
New Business

New Business Development and Creation of Customer Value

- Launch of the Business Innovation Center

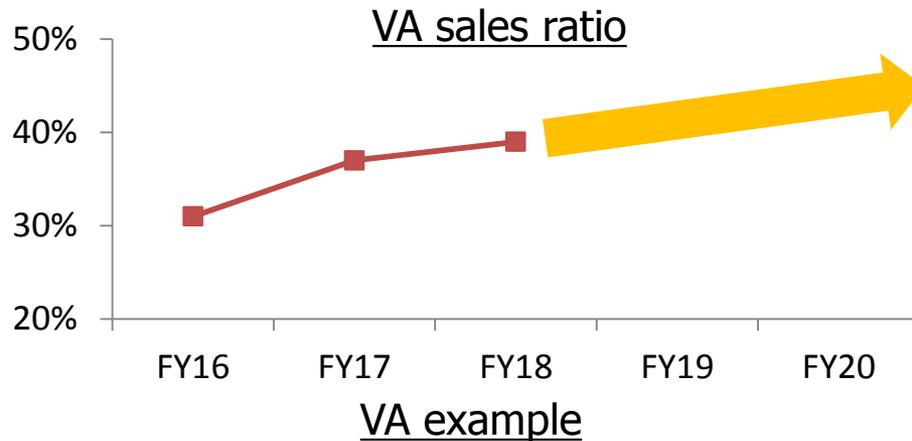
Profitability Improvement with VA shift

Steady improvement in VA sales ratio, bolstering trading profit growth



Improvement with VA Shift – Automotive Europe

Business performance improvement supported by VA shift



Heated WS is available as an option for popular Ford Fiesta (annual sales estimate: 300k cars)

Other examples include premium car WS such as for Maserati and WS with EL display for industrial vehicles



Market

Advance markets including Europe will remain stable, significant growth is not expected

Our actions

- 1.VA sales increase where we have strengths: advanced WS, lightweight, antennas etc.
- 2.Reduction of underperforming lines

Gradual improvement of VA sales ratio

Business performance improvement

VA Development in Automotive business

Expanding VA products with automotive technology advancement



Automotive application development for glanova™, thin glass



★ Anti-fog glass featured on new Sienta
(Photo: Toyota Motors Co)



★ Acoustic & IR cut glass together with Metashine™-printed glass selected for train's passenger window (Seibu Railway)



2019 GMC Sierra Denali
Photos courtesy of General Motors

★ GM T1XX – the first full-size trucks to offer HUD technology



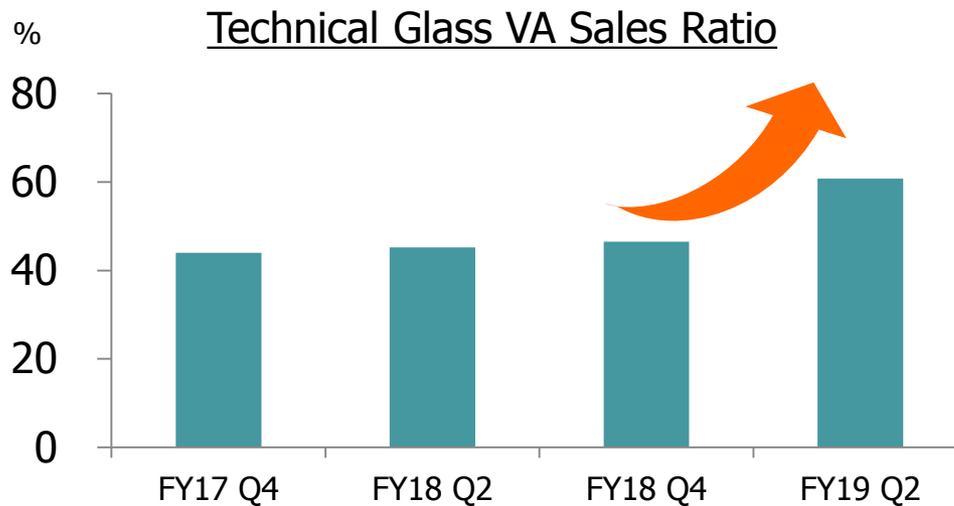
Automotive application development for online-coated low e glass

★: Announced in FY2019

VA sales ratio improvement in Technical Glass

Contributing factors:

- Continuing recovery of Display business
- Solid demand for glass cord in Europe and China such as high-tensile and belt-in-oil applications
- Expansion Metashine™ demand for automotive paint etc.



Glass cord for engine timing belts



Effects pigment, Metashine™

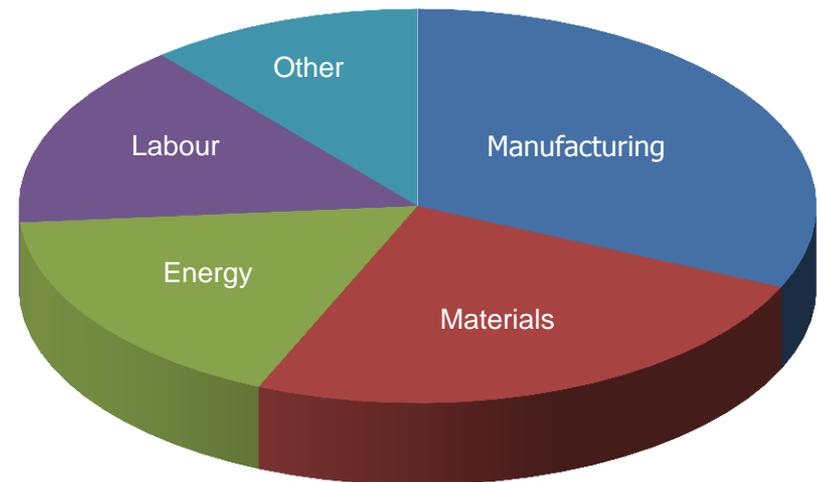
Cost Reduction through Productivity Improvement

Continuous productivity improvement and cost saving activities to reduce manufacturing cost

Operational Cost Saving Programs (OCS)

- Bottom-up global cost reduction initiatives
- More than 2,000 projects focusing on reducing manufacturing cost mainly
- Cost savings consistently achieved and largely off-setting cost push
- Supported by restructuring actions to consolidate production lines and optimize utilization

FY19 OCS Segments



Capacity Growth in Emerging Market (South America) (1)

Expansion of float glass capacity in Argentina

- Capturing growth opportunities by expanding supply capability in South America, where the Group has a strong strategic presence
- Investment to be made by VASA*, a 51-percent owned subsidiary
- Start up planned in first half of 2020

Project Summary

Facility: 2nd float line for VASA

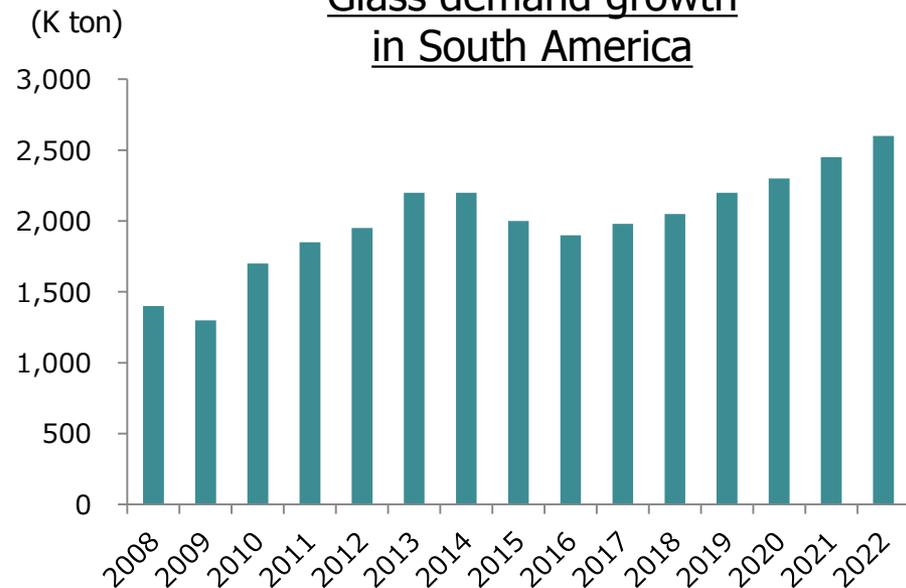
(capacity: approx. 900t/day)

Investment: approx. USD200m

Site: Cardales (near Buenos Aires)

Market: Argentina and neighboring countries

Glass demand growth in South America



(NSG estimate)

* Refer to the next slide for VASA

Capacity Growth in Emerging Market (South America) (2)

The investment decision supported by the Group's solid track record and abundant experiences

- Well-established route to market and solid market position
- Stable management capability, having weathered past economic volatility
- Economic risk reduced through VASA ownership structure
- The Group's full support including technology

* VASA (Vidrieria Argentina SA) Outline

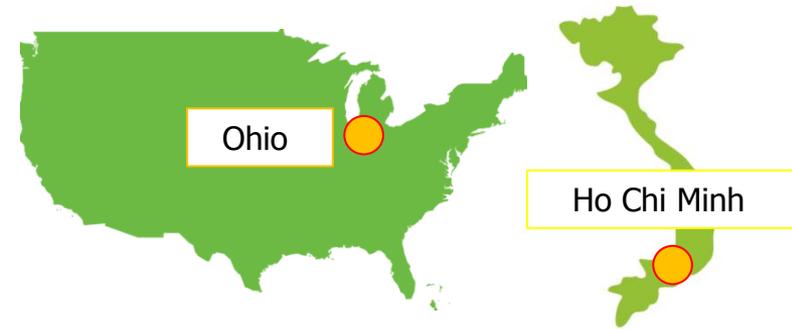
- Established in 1938, with 80-year history
- NSG holding: 51% (49% held by Saint-Gobain)
- Sites: HQ and 1st float in Llavallol;
2nd float planned in Cardales
(Both sites close to Buenos Aires)



Thin-film Solar Glass Capacity Expansion

Investment underway on schedule

- Site chosen in Troy Township*, Ohio for a new float line in USA
- Furnace restart in Vietnam on schedule, in line with previous announcement



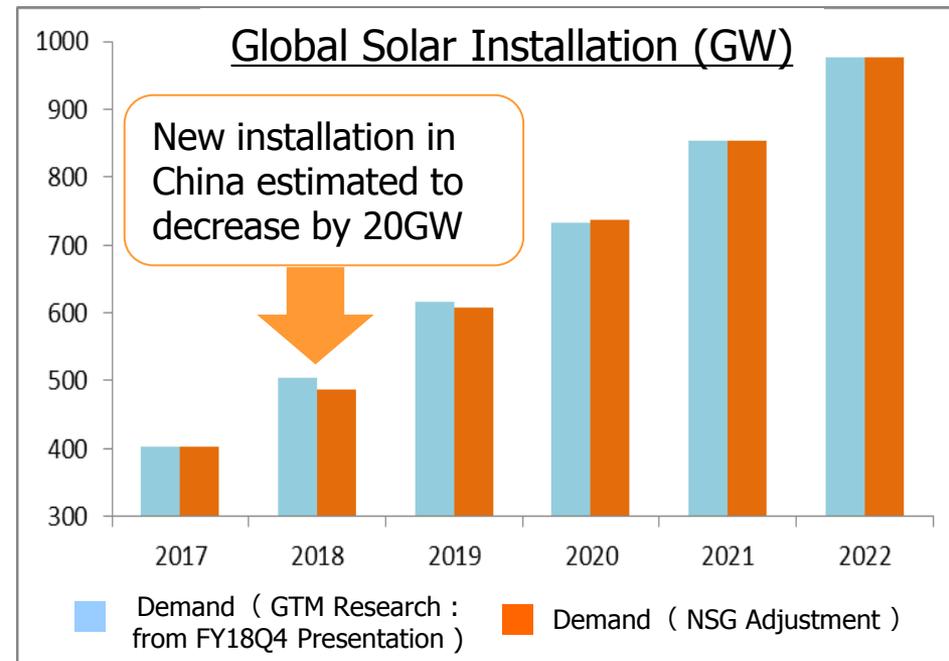
Demand remaining robust

FY19 Q2 Solar Sales Increase

v FY19 Q1 +10%

v FY18 H1 +30%

- Demand recovering steadily from temporary drop in FY18
- Re-tooling at a major customer progressing
- Policy change in China affecting global demand in 2018/19, while limited impact expected on the Group's key customer

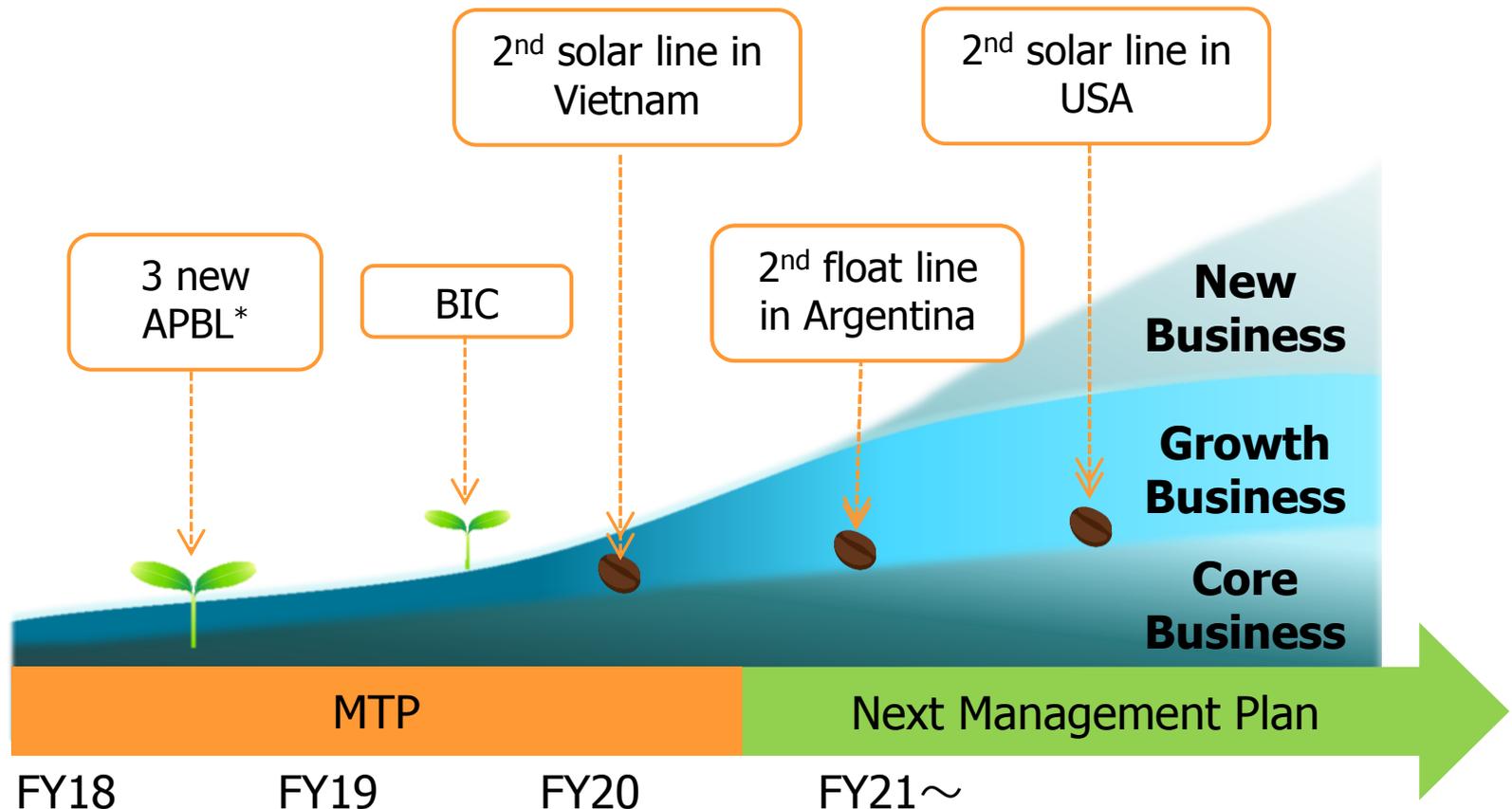


* Pending final approval of state and local incentive packages.

“VA + Growth”

– Seeds for Next Growth

Focused actions in the areas the Group has strengths or growth potential such as advanced automotive windscreens, online coating, South America, Technical Glass products

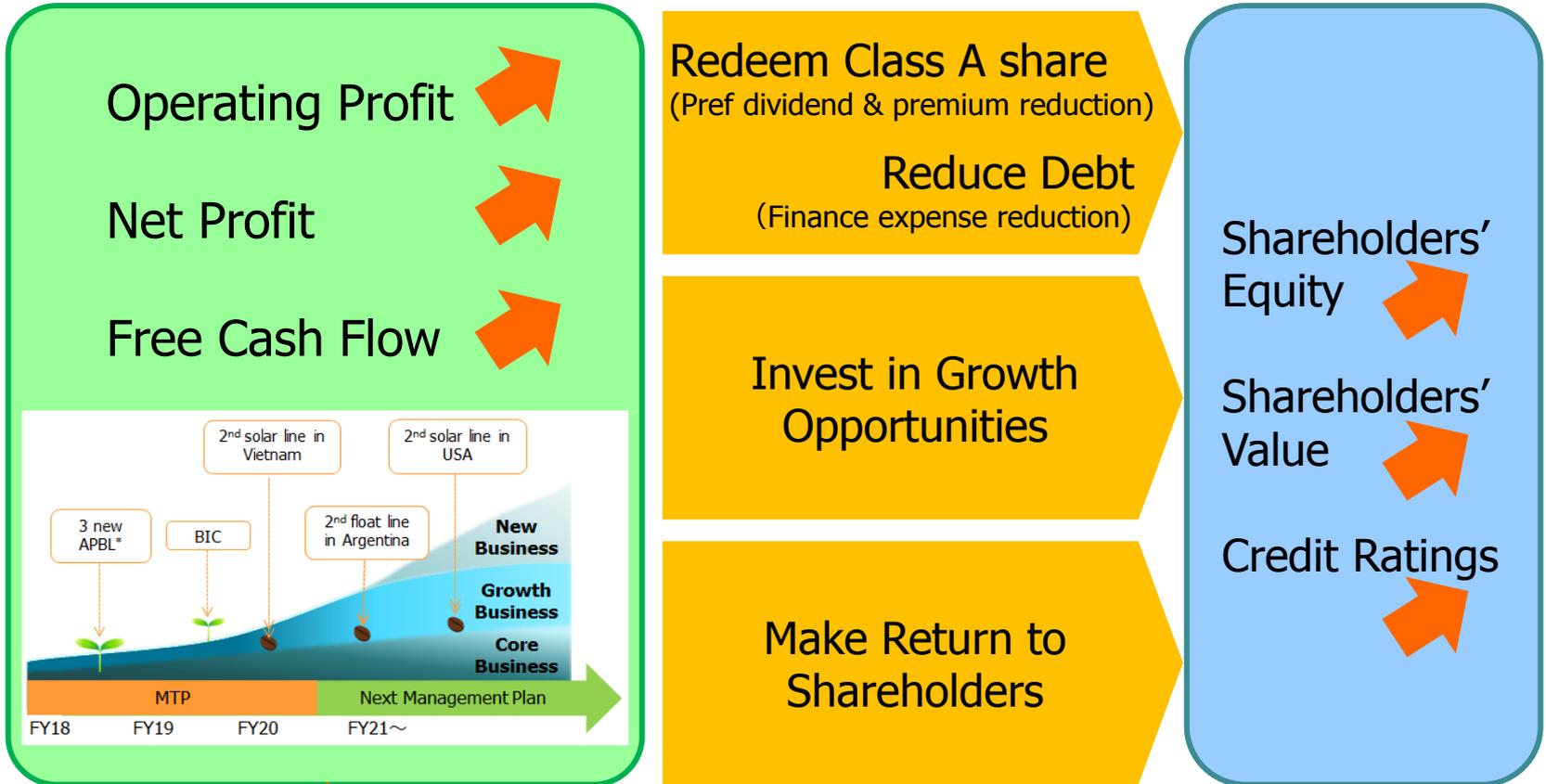


* APBL : Advanced Press Bending for Laminated

“VA+Growth”

– Financial Sustainability

Mid- to long-term policy to improve financial sustainability remains unchanged; Increased profits for balanced allocation to financial improvement, growth and return to shareholders



New Corporate Vision

"Our Vision" - To the Next 100 Years



Our Vision, the new management principles, to mark the centennial

- From a glass company to 'Glass and more' company to create more value
- A team consisting of motivated individuals, leveraging its diversity, to achieve the shared goals



NSG Group will celebrate its 100th anniversary on 22 November 2018

Summary

FY2019 Q2 Results

- Year-on-year revenue growth and profits in line with forecast
- Steady VA shift progress, particularly in Europe. Markets remain stable
- Cost push from increased oil prices
- Significant increase in net profit due to reduced finance costs and one-off factors
- Centennial commemoration dividend declared as planned
- Commencing redemption of Class A Shares, reflecting the continued improvement in net profit

FY2019 Forecast

- No revision to forecast based on Second Quarter results in line with plan
- Increase in input costs to be carefully monitored
- Actions being taken to deliver the sixth year of trading profit growth

Medium-term Plan (MTP) Phase 2 Update

- Accelerating actions based on Shift to “VA + Growth”
- Investing in new capacity to solidify the established position in growing South America
- “Our Vision” announced at the timing of the 100th anniversary

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 environment in major markets, product supply/demand shifts, and currency exchange fluctuations.

Nippon Sheet Glass Company, Limited

Appendices

- FY2019 2nd Quarter Results
 - Revenue by Business & Regions
 - Trading Profit by Business & Regions
 - Consolidated Balance Sheet
 - Consolidated Cash Flow
 - Exceptional items
 - Exchange Rates
 - Hyperinflation accounting in Argentina
- Medium-term Plan (MTP) Phase 2
 - Summary of Medium-term Plan (MTP) Phase 2
 - Financial KPIs
 - News Releases (April 2018 to October 2018)

Revenue by Business & Regions

FY2018 Q2 v FY2019 Q2

<u>(JPY bn)</u>	<u>FY2018</u> <u>2nd</u> <u>Quarter</u> [*]	<u>FY2019</u> <u>2nd</u> <u>Quarter</u>	<u>Change</u>
Architectural	117.5	121.7	4.2
Europe	46.6	49.6	3.0
Asia	41.2	43.5	2.3
Americas	29.7	28.6	(1.1)
Automotive	152.0	160.8	8.8
Europe	67.0	74.0	7.0
Asia	32.3	33.4	1.1
Americas	52.7	53.4	0.7
Technical Glass	24.1	25.0	0.9
Europe	3.7	4.1	0.4
Asia	19.7	20.1	0.4
Americas	0.7	0.8	0.1
Other Operations	0.4	0.6	0.2
Total	294.0	308.1	14.1

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

Pre-IFRS15: JPY 297.0 bn [adjustment of JPY (3.0) bn]

Trading Profit by Business & Regions

FY2018 Q2 v FY2019 Q2

<u>(JPY bn)</u>	<u>FY2018</u> <u>2nd</u> <u>Quarter*</u>	<u>FY2019</u> <u>2nd</u> <u>Quarter</u>	<u>Change</u>
by SBU			
Architectural	13.3	11.9	(1.4)
Automotive	5.9	7.4	1.5
Technical Glass	3.2	4.4	1.2
Other	(3.8)	(4.9)	(1.1)
Total	18.6	18.8	0.2
by Region			
Europe	9.2	9.5	0.3
Asia	7.5	9.0	1.5
Americas	5.7	5.2	(0.5)
Other	(3.8)	(4.9)	(1.1)
Total	18.6	18.8	0.2

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

Pre-IFRS15: JPY 18.7 bn [adjustment of JPY (0.1) bn]

Consolidated Balance Sheet

(JPY bn)	<u>31-Mar-18*</u>	<u>30-Sep-18</u>	<u>Change</u>
Assets	788.6	781.6	(7.0)
Non-current assets	530.8	532.6	1.8
Goodwill & intangible assets	169.7	169.6	(0.1)
Property, plant and equipment	244.1	244.8	0.7
Other	117.0	118.2	1.2
Current assets	257.8	249.0	(8.8)
Cash and cash equivalents	64.8	53.0	(11.8)
Other	193.0	196.0	3.0
Liabilities	644.9	634.1	(10.8)
Current liabilities	255.0	192.8	(62.2)
Financial liabilities	97.6	50.1	(47.5)
Other	157.4	142.7	(14.7)
Non-current liabilities	389.9	441.3	51.4
Financial liabilities	275.1	327.2	52.1
Other	114.8	114.1	(0.7)
Equity	143.7	147.5	3.8
Shareholders' equity	135.2	138.9	3.7
Non-controlling interests	8.5	8.6	0.1
Total liabilities and equity	788.6	781.6	(7.0)

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

[Assets] Pre-IFRS15: JPY 791.9 bn - adjustment of JPY (3.3) bn

[Equity] Pre-IFRS15: JPY 142.8 bn - adjustment of JPY +0.9 bn

Consolidated Cash Flow Summary

(JPY bn)	<u>FY2018</u> <u>2nd*</u> <u>Quarter</u>	<u>FY2019</u> <u>2nd</u> <u>Quarter</u>
Profit for the period	5.5	10.0
Depreciation and amortization	14.4	14.2
Net impairment	0.3	(0.2)
Gain on disposal of assets	(2.4)	-
Share of profit from joint ventures and associates	(1.0)	(3.8)
Tax paid	(2.8)	(3.4)
Others	(0.9)	-
Net operating cash flows before movement in working capital	13.1	16.8
Net change in working capital	(7.8)	(13.7)
Net cash flows from operating activities	5.3	3.1
Purchase of property, plant and equipment	(13.4)	(11.7)
Disposal proceeds	1.5	0.1
Others	(0.5)	(0.7)
Net cash flows from investing activities	(12.4)	(12.3)
Free cash flow	(7.1)	(9.2)

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"
(Total free cash flow is not affected)

Exceptional Items

(JPY bn)

Reversal of impairment of non-current assets

Gain on disposal of investments in JVs

Gain on settlement of insurance proceeds

Impairment of non-current assets

Restructuring costs

Suspension of facilities

Other items

	<u>FY2018</u> <u>2nd Quarter</u>	<u>FY2019</u> <u>2nd Quarter</u>
	-	2.7
	1.5	-
	1.0	-
	(0.2)	(2.5)
	(2.2)	(1.3)
	(2.1)	-
	0.2	(0.1)
	(1.8)	(1.2)

Exchange Rates

	<u>FY2018</u> <u>2nd Quarter</u>	<u>FY2018</u>	<u>FY2019</u> <u>2nd Quarter</u>
Average rates used:			
JPY/GBP	144	147	147
JPY/USD	112	111	111
JPY/EUR	126	130	130
JPY/ARS	6.74	6.30	-
Closing rates used:			
JPY/GBP	151	150	148
JPY/USD	113	106	113
JPY/EUR	132	132	132
JPY/ARS	6.42	5.30	2.84

Argentina Hyperinflation accounting

Treatments adopted from Q2 FY2019

- In accordance with IAS29 rules, hyperinflation accounting adopted for Argentina subsidiaries from Q2 FY2019
 - Property, plant and equipment, and related deferred taxation balances restated to measuring unit current as at 30 September 2018
 - Hyperinflation adjustments applied to current year income statement and cash flow
 - Opportunity cost loss on monetary items recorded as a financial expense
 - Income statement and cash flows consolidated using closing rates of exchange

Financial impact at Q2 FY2019 (JPY bn)

Consolidated income statement

Revenue	(1.9)
Operating profit	(0.5)
Profit after taxation	(1.3)
<i>Attributable to:</i>	
Non-controlling interest	(0.5)
Owners of the parent	(0.8)

Consolidated balance sheet

Property, plant & equipment	3.4
Deferred tax liability	(1.0)
Total shareholders equity	1.4
Non-controlling interest	1.0
Total equity	2.4

Medium-term Plan (MTP) Phase 2 (FY2018-FY2020)

Phase 2 Measures

Growth Measures

- Drive VA No.1 Strategy
- Establish growth drivers
- Business culture innovation
- Enhance global management

Financial Measures

- Enhance equity
- Reduce net debt
- Issue Class A Shares

MTP Targets

- Financial sustainability
- Transform into VA Glass Company

Financial Targets

Net debt / EBITDA: 3x

ROS > 8%

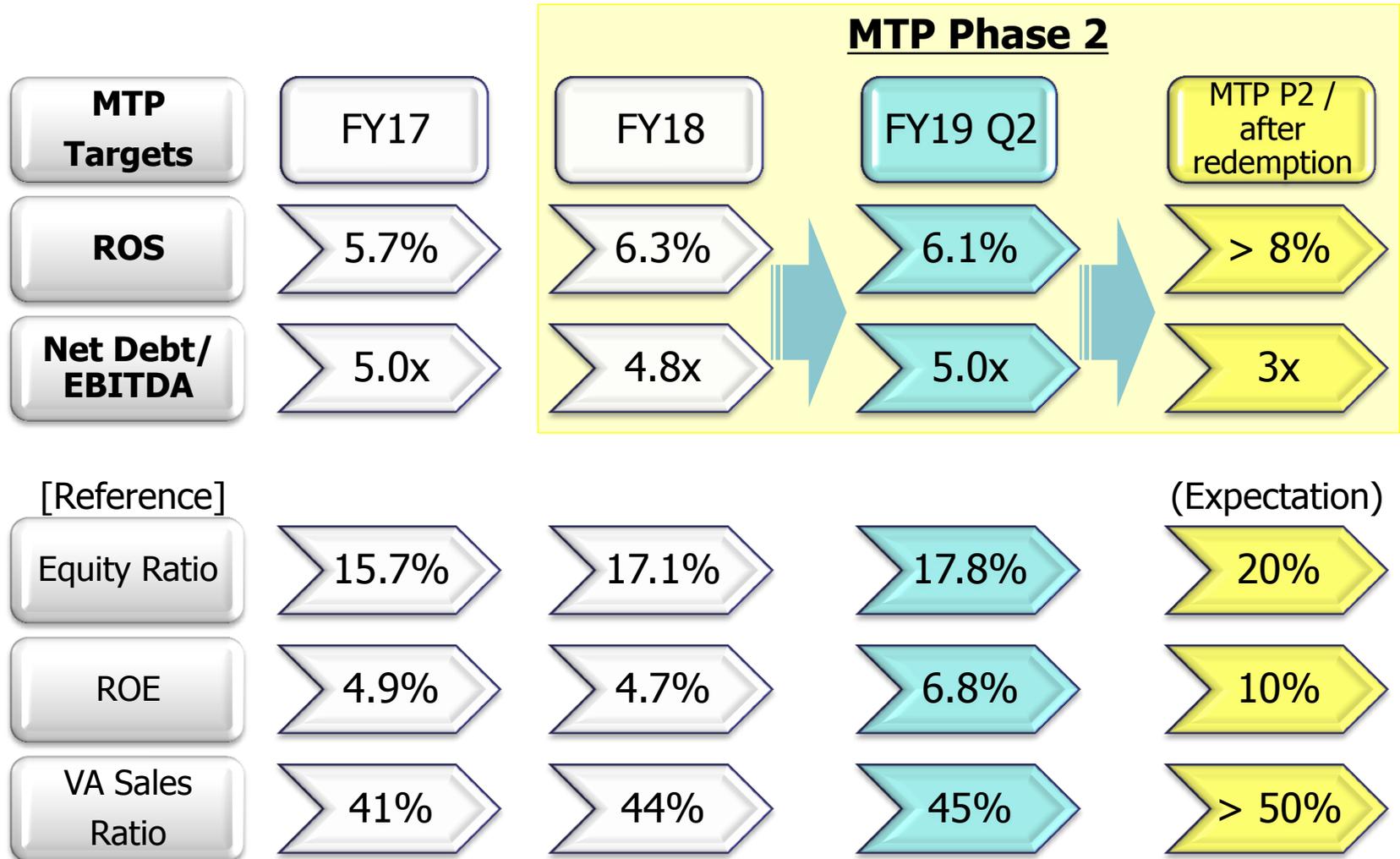
[Expectation after achieving MTP Targets]
(After redemption of Class A Shares)

- Equity Ratio: 20%
- ROE: 10%
- VA Sales Ratio: > 50%
- Trading Profit: JPY50-60 bn

VA: Value-added ROS (Return on Sales): based on trading profit (profit before amortization of non-tangible assets)

MTP Phase 2: KPI Update

Steady improvement of KPIs toward financial sustainability



News Releases – Apr to Oct 2018

- Apr. 2 100th Anniversary launched with special website and Facebook account
- Apr. 16 NSG's train glass for Odakyu's Romancecar
- Apr. 27 NSG Group named General Motors' Supplier of the Year
- May 11 Production capacity expansion for solar glass
- Jun. 18 Establishment of "Business Innovation Center"
- Jun. 21 Mobile real-time PCR equipment at "BIO Tech 2018"
- Jul. 30 Publication of the first integrated report
- Aug. 21 NSG's HUD technology featured on new 2019 GMC Sierra and 2019 Chevrolet Silverado
- Sep. 13 NSG's anti-fog glass featured in New Toyota Sienta
- Oct. 1 Highest rating given for environmentally rated loan by Development Bank of Japan
- Oct. 9 Expansion of float glass production in Argentina
- Oct. 22 Location of new US solar glass plant
- Oct. 30 NSG's acoustic & IR-cut glass with Metashine™ print for Seibu's new express train, Laview



(Photo courtesy of
Odakyu Electric Railway)

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