

4 August 2017

Key Questions and Answers at FY2018 Quarter 1 Results Teleconference

- Q: You said you had had a good start. Please provide your view on progress against your plan.
- A: At the Group level, we were slightly ahead of our plan, with two main contributing factors: operational efficiency improvement; and cost reduction. Sales volumes and prices were mixed among regions and businesses. By segment, Architectural Glass was better than the plan in all the regions, except for Japan, where we incurred one-off expense. Automotive Glass was also better, notably in Europe. All the sub-segments in Technical Glass showed improvement.
- Q: What were the underlying factors for variances in each region of Architectural Glass?
- A: In Europe, sales volume increased in the upstream business but decreased in some countries in the downstream business. In Japan, we incurred a one-off expense to replace glass for certain project related to a quality issue. Although North America was impacted by the cold repair in Ottawa, Illinois, and the re-tooling at a major customer, both had been already factored in our annual plan. While we are informed that the re-tooling will be implemented step by step up to FY2019, we expect its impact will become smaller in the later stage.
- Q: What is the cause of revenue decline year-on-year on the local currency basis in Automotive Europe?
- A: While the markets in Europe were brisk, our first quarter revenues were impacted by the launch timing of some of the car models for which we supply. However, we anticipate we can recover the reduced revenues later in this financial year.
- Q: What caused lower revenue and higher profit in Technical Glass year on year?
- A: In terms of revenues, only the Display business was lower than last year. The other businesses recorded higher revenues. While the sales volume of Display business decreased as we exited from loss making products, the cost base improved as a result of the mothballing of float line in Vietnam. Prices of some products increased, partly helped by slightly less intense market competition. We are aiming for the Display business' returning to profitability by the end of this financial year.
- Q: Your second quarters tend to be weaker than the first owing to seasonality. What is your projection for this year?
- A: Some businesses are seasonal. We expect business environment in Architectural and Technical Glass businesses will remain robust. Meanwhile, Automotive Glass, Original Equipment in particular, will be influenced by the summer closures of carmakers. The cost impact of a cold repair in Vietnam in the first quarter (JPY0.2 billion) in the Rest of the World in Architectural Glass will not be in the second quarter.

- Q: Will there be no revision to the forecast of exceptional cost (JPY6 billion for FY2018)?
- A: Our full year forecast remains unchanged. The items in the first quarter included downtime cost related to the cold repair in Ottawa in the US. This will continue to the third quarter. We also had a gain from insurance proceeds for the tornado-related damage at the same site. The cost for our on-going restructuring is also included here and will accrue throughout the year.
- Q: Your working capital conventionally increases in the first quarter. Still, please explain what caused the additional JPY3 billion increase year on year.
- A: Though the working capital movement in the first quarter was bigger than the past years, but it was within our plan and will be managed in accordance with the plan going forward.

The projections contained in this document are based on information currently available to us and certain assumptions that we consider to be reasonable. Hence the actual results may differ. The major factors that may affect the results are the economic environment in major markets (such as Europe, Japan, the U.S. and Asia), product supply/demand shifts, and currency exchange fluctuations.