NSG GROUP

2 August 2018

Key Questions and Answers at FY2019 First Quarter Results Announcement

Q: Regarding the impact of input cost increase on profit, how much of it was assumed in your plan?

A: The actual impact was in line with our expectation, half of which was energy-related. In the first quarter, there were some regional differences, with more impact in Europe and South America and less in North America. If the oil prices remain at the current level, we assume the cost increase will be in line with our annual plan.

Q: How much input cost increase can you pass on to sales prices?

A: In the Automotive business, it is difficult to pass on due to the nature of sales contracts. In Architectural, we can pass on to a certain extent and we are taking actions in all the regions. While the sales prices are already at a high level in Europe and North America, we have made some successes. In Japan, we have just started raising prices and its effect is to materialize going forward.

Q: Please explain the current situation of solar glass business.

A: The volume has recovered significantly both year on year and quarter on quarter. The construction of new capacities is just beginning and the increased volume is being shipped from the existing assets.

Q: Please explain which products contributed to the VA revenue increase specifically?

A: VA revenue increase in all the businesses. Solar glass in the Architectural Glass business and value-added windshield in Automotive, especially in Europe, are growing, as well as display glass and Metashine^{TM}, glass-flake-based pigment, in Technical Glass business.

Q: Profit increased more than revenue in Technical Glass. Was there any special factor to improve profit other than revenue growth?

A: Most of improvement in Technical Glass was achieved in the Display business, driven by the cost reduction measures taken in the previous year, including the closure of an assembly operation in China, and better sales mix. The Display business exceeded the breakeven point in the first quarter.

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Q: How much one-off losses were accounted in the negative cost savings and other column of JPY0.9 billion on slide 7?

A: The biggest item is about half a billion Japanese yen impact of furnace cold repair in Germany. There were also other smaller one-off items and the column turned negative as a result. The Group has no other furnace repair plan in this financial year.

Q: What was the one-off cost in Automotive North America? Was it related to operational issues?

A: It was due to the settlement with our supplier regarding a case from years ago and had nothing to do with operation.

Q: Your forecast of JPY7 billion exceptional cost for the year after incurring credit in the first quarter indicates a significant restructuring cost to be incurred later in the year. Do you expect anything special?

A: The significant restructuring phase is behind us but we continue to implement measures to improve our efficiency and improve underperforming businesses. It is our plan to step up our actions to further streamline our cost base this year and an elevated level of exceptional cost is anticipated.

Q: How will you be affected by the policy change of the Chinese government on the solar energy subsidies and resultant turmoil in the solar panel industry?

A: Solar panels produced in China are crystalline silicon panels, which are different from our main customer's thin-film solar panels. Also, our customer's main market is the USA, not in China. The import duty on Chinese crystalline silicon solar panels imposed by the US government from several months ago is a tailwind. In a nutshell, we do not say we will not be affected at all but we expect the impact to be relatively insignificant.

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