NSG GROUP

22 May 2020

FY2020 ANNUAL RESULTS

(1 April 2019 to 31 March 2020)

- **FY2020 revenues and profits affected by foreign exchange movements, challenging trading conditions in core regions, significant impact of COVID-19 in Q4 and the recognition of exceptional costs**
- **FY2021 to face a sharp demand decline caused by COVID-19, which is expected to bottom out gradually from May as economic activities restart. Securing liquidity, minimizing cash outflow and developing additional improvement actions**
- **Priority and urgency of recovering profitability of existing businesses and stable financial base. For a longer-term, structural transformation into a lighter-asset business**

FY2020 revenues and profits affected by foreign exchange movements, challenging trading conditions in core regions, significant impact of COVID-19 in Q4 and the recognition of exceptional costs

- Group revenues of ¥ 556.2bn; decreased from the previous year (FY2019: ¥ 612.8bn) mainly due to headwinds in the core markets, in addition to the translational impact of foreign exchange. Year-on-year decrease of 5% at constant exchange rates

- Trading profit of ¥ 23.0bn below the previous year (FY2019: ¥ 38.8bn), as a result of lower asset utilization in Architectural, especially in Europe; and Automotive affected by further volume reduction in Europe, exacerbated by COVID-19 impact in Q4. Solar energy glass shipments were robust

	Revenue		Trading Profit	
	FY2020	FY2019	**FY2020**	FY2019
Architectural Glass	**¥ 233.7bn**	¥ 247.3bn	**¥ 17.3bn**	¥ 25.8bn
Automotive Glass	**¥ 281.0bn**	¥ 314.7bn	**¥ 6.1bn**	¥ 15.1bn
Technical Glass	**¥ 40.1bn**	¥ 49.1bn	**¥ 7.1bn**	¥ 8.1bn

- Loss attributable to owners of the parent of ¥ 18.9bn (FY2019: profit of ¥ 13.3bn), due to lower trading profit, share of joint ventures and associates' profits, and additional exceptional costs including goodwill and intangible asset impairments, and impacts of COVID-19.

FY2021 to face a sharp demand decline caused by COVID-19, which is expected to bottom out gradually from May as economic activities restart. Securing liquidity, minimizing cash outflow and developing additional improvement actions

- Forecast of FY2021 to be announced as soon as the impact of COVID-19 is reasonably stabilized and quantifiable
- No immediate concern for liquidity. Discussions underway with banks for additional liquidity
- Cash outflow minimized. Developing additional improvement actions
  - Suspension of all but most critical capital expenditure projects, including new capacity in Argentina
  - Optimized adjustment of operations, saving input materials and maximizing layoffs, utilizing available government subsidies
  - Thorough reduction of expenditure, including voluntary reduction of compensation for Directors and Executive Officers
  - Planning and execution of non-core asset disposals and working capital reduction
  - Lower fixed cost with the furnace suspensions in Asia; contribution of robust solar glass shipments
  - Additional improvement actions being developed

Priority and urgency of recovering profitability of existing businesses and stable financial base. For a longer-term, structural transformation into a lighter-asset business

- Recognizing the recovery of stable financial foundation as the priority for the Group, focus on profitability and cash flow improvement
- By transforming into a leaner and agile business, aim to take advantage of the opportunities in the post-COVID-19 world
- New medium-term management plan to be announced at an appropriate timing

Excerpt from NSG Group FY2020 Annual financial results presentation

Consolidated Income Statement

NSG GROUP

Trading profits close to forecast but additional exceptional loss recorded

¥ bn	FY2019 Actual	FY2020 Forecast (Revised at Q3)	FY2020 Actual	Change (vs. PY)	Change (vs. Forecast)
Revenue	612.8	560.0	**556.2**	**(56.6)**	**(3.8)**
Trading profit	38.8	23.0	**23.0**	**(15.8)**	**0.0**
Amortization *	(1.9)	(2.0)	**(1.8)**	**0.1**	**0.2**
Operating profit	36.9	21.0	**21.2**	**(15.7)**	**0.2**
Exceptional items	(7.1)	(7.0)	**(24.0)**	**(16.9)**	**(17.0)**
Finance expenses (net)	(13.3)	(13.0)	**(11.8)**	**1.5**	**1.2**
Share of JVs and associates	6.2	2.0	**1.1**	**(5.1)**	**(0.9)**
Profit before taxation	22.7	3.0	**(13.5)**	**(36.2)**	**(16.5)**
Profit for the period	14.4	(2.0)	**(17.5)**	**(31.9)**	**(15.5)**
Profit attributable to owners of the parent	13.3	(3.0)	**(18.9)**	**(32.2)**	**(15.9)**
EBITDA	64.7	-	**55.0**	**(9.7)**	

*: Amortization arising from the acquisition of Pilkington plc only

Actions for the Future

NSG GROUP

1. Priority and urgency on recovery of business profitability and financial stability
   - Speedy improvement of profitability with cost structure reform and acceleration of VA shift
   - Reinforcement of growing and new businesses to contribute to profitability
   - Reduction in overhead costs, capita expenditure control and disposals of non-core businesses and assets in order to lower interest-bearing debt
   - With the above measures, aiming to restore businesses to generate sustainable profit and cash flow

2. For a longer-term, structural transformation into a lighter-asset and less cyclical business
   - With a view to the post COVID-19 world, aiming to shift the business fields by redefining businesses to develop further or defocus – more value to what is related to maintaining life such as health, hygiene and environment (solar energy glass, energy-saving glass, anti-bacterial or anti-virus glass and mobile PCR, glass used for teleworking, cameras, sensors and telecommunications)
   - Lighter-asset cost structure, market-oriented product development and sales & marketing
   - Lean and agile organization utilizing ICT

3. New medium-term management plan to be announced after the impact of COVID-19 is reasonably quantified and incorporating the above policies

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