

# CEO Message

---

On behalf of the NSG Group, I sincerely thank you for your continued support. Please find below a summary of the Group's performance for the 154th fiscal period starting on 1 April 2019 and ending on 31 March 2020 (FY2020).

First, I would like to extend prayers to those who succumbed to COVID-19 and express the hope for a fast recovery of all who are infected with the disease or those adversely affected by the virus. At the same time, I would like to express gratitude and respect to all medical practitioners working hard to stop the expansion of pandemic and various other essential workers for their untiring efforts.



森 重樹

In the following, I would like to present an overview of the Group's performance for the 154th fiscal period ending on 31 March 2020 (FY2020), the changes in the state of business management under the influence of COVID-19 and the Group's future policy.

## Overview of FY2020

---

The Group's performance was exacerbated further by the COVID-19 pandemic since January 2020.

In automotive glass business, both sales and trading profit fell short of the previous year due to the fluctuation in exchange rates and the decline in automotive production in Europe. In architectural glass business, in addition to the foreign exchange impact, the deteriorating market environment in Europe, Americas and Asia together with the impact of COVID-19 lead to a significant drop in sales and trading profit towards the end of the year. On the other hand, the demand for solar glass remained robust and we started operation of the second production line for solar glass in Vietnam in February. In technical glass business, some business areas suffered lower sales and trading profit than the previous year due to the challenging market situation. Also, the spread of COVID-19 affected the overall business negatively. However, stability was restored to a certain extent and the Fine Glass division achieved steady improvement towards the end of the year.

The Group's full-year sales in FY2020 stood at 556.2 billion yen (vs. 612.8 billion yen in FY2019) and trading profit at 21.2 billion yen (vs. 36.9 billion yen in FY2019). We recognized exceptional costs of 24 billion yen in FY2020 including the impairment loss of goodwill and intangible assets of automotive glass business in Europe and other regions to the tune of 11.7 billion yen. The profit attributable to the owners of the parent in FY2020 fell significantly from the previous year down to the net loss of 18.9 billion yen (vs. net profit of 13.3 billion yen in FY2019).

## Initiatives in FY2021

---

We consider the impact of COVID-19 on the Group's performance will get worse in the first quarter of FY2021 than the fourth quarter of FY2020. Although the demand in general is expected to pick up gradually in the second quarter and onwards, the timing or extent of demand recovery is unclear, and we will need to stay on our toes throughout the period.

In case of urgency, we are negotiating with the financial institutions to secure additional liquidity funds though the Group's balance of cash and deposits stands at 43.6 billion yen and the unused amount of existing commitment line amounts to 65.5 billion yen. In order to mitigate the toughening business environment down the road, we will focus on minimizing cash outflow by strict management of working capital such as inventory reduction and freezing capital expenditure other than strategic investment and contingency items.

Also, we will curtail all kinds of expenses including voluntary reduction of compensation by the senior management team. In the manufacturing divisions, while ensuring the safety and health of employees, production facilities will be consolidated or downscaled, and line operation will be suspended in multiple sites. Additionally, non-core businesses and assets will be disposed of as appropriate on a continued basis. FY2021 annual forecast as well as the new Medium-Term Plan will be announced when it becomes possible for us to foresee the short to medium-term impacts of COVID-19 on our business.

## Future Policy and Business Plan

---

A quick recovery of the stable financial foundation is an urgent task for the Group. To this end, we are taking the following steps to put in place the business structure capable of earning current profit and generate cash in a sustainable manner at an earliest possible date.

- To improve profitability rapidly by drastically reforming the cost structure of existing businesses and further accelerating the VA (value added) strategy
- To ramp up growth areas and new business development for their early contribution to profit
- To reduce debt by slashing overhead costs, restricting investment and disposing of non-core businesses/assets

In the medium term, we set out to transform our business makeup by clearly identifying the businesses to be maintained or expanded and those to be restructured assuming the world after COVID-19 will be fundamentally different economically and socially. I believe with the "corona crisis" as a turning point, people will get more concerned about the environment, health and sanitation. In this regard, it is highly likely that there will be growing needs for such VA products and technologies of ours as solar glass, switchable glass for controlling energy consumption, antibacterial/antivirus glass, PCR detector, and glass disk for a variety of high-speed, large capacity telecom devices.

Most recently, our PCR detector PicoGene®PCR1100 is attracting interests of health organizations, business enterprises and universities in several countries of the world and multiple inquiries are rolling in. In the area of antibacterial/antiviral area, Virus Clean™ is already in the market and expected to be adopted for a wide variety of applications for its excellent antimicrobial feature not only in hospitals and other facilities where sanitation is crucial but for various types of touch panels. Moreover, the Group has been successful in receiving an award from Innovative UK, the UK's innovation agency for its antiviral glass development project. Our efforts for development of new types of antiviral glass shall be further accelerated.

Capitalizing on these business opportunities, we strive to become more resilient to business cycles through transformation into more asset-light business structure, market-oriented product development and establishment of sales system, and creation of a lean and agile organization leveraging IT technology.

## For Realization of Sustainable Growth

---

The NSG Group has been implementing COVID-19 infection prevention efforts, considering the safety and health of employees our top priority. While following the guidance of governments and other authorities all over the world, including social distancing, practicing gargling and hand-washing, wearing masks, implementing working from home, and limiting business travels, the Group has been trying to figure out ways to raise our business efficiency. Especially, the use of telework will contribute to our "Work-style Reform" and therefore, we will continue our efforts to bring about a better work environment with improved safety and security.

Also, the Group's target for greenhouse gas reduction, which was set in August 2019, aims to reduce greenhouse gas emissions (Scope 1 and Scope 2\*) by 21% compared to the 2018 level by 2030. This target was approved by the Science Based Targets initiative (SBTi)\*\* as "a science-based target to limit the average rise of global temperature to below 2°C from pre-industrial revolution levels" in line with the goals of the Paris Agreement. The Group formerly targeted to reduce CO2 emissions per production unit by 1% per year; however, by increasing the target to 2%, NSG will continue its contributions to mitigate climate change risks through the reduction of CO2 emissions from business operations and the supply of innovative glass products.

## Dividend

---

Concerning the yearend dividend of common shares for FY2020, we regretfully have decided not to declare it, taking into consideration the business results and the financial situations of the Group as well as other factors comprehensively. We are deeply sorry and sincerely apologize to our shareholders. The Group recognizes the importance of dividends to our shareholders and will concentrate our efforts to improve our

profitability toward the resumption of dividend payment as early as possible. We look forward to the continuing support and encouragement of our shareholders.

\*Scope1: Direct emissions by business operators (Use of fuel in manufacturing processes, etc.) \*Scope2: Indirect emissions by consumption of energy sources (Purchased electricity used in manufacturing processes, etc.)

\*\*SBTi is a partnership between CDP (former Carbon Disclosure Project), UN Global Compact, WRI (World Resources Institute) and WWF (World Wildlife Fund), which helps companies set the science-based goals for reducing GHG emissions to prevent the impact of climate change.

July 2020  
Shigeki Mori  
Representative Executive Officer  
President and CEO  
Nippon Sheet Glass Co., Ltd.