CFO Message

"While paying close attention to future demand for the liquidity, we will continue to reduce costs, control capital expenditure, and dispose non-core businesses and assets, aiming to reduce interest-bearing debt."

Reiko Kusunose
Chief Financial Officer

Business Results for the Financial Period Ended on 31 March 2020 (FY2020)

The Group experienced increasingly difficult trading conditions in its core markets during the year with underlying market conditions deteriorating from the third quarter. COVID-19 impacted the Group's Technical Glass business from January 2020 and severely impacted the Group's Automotive and Architectural businesses from March 2020. In some regions, vehicle production fell to near-zero levels towards the end of the year, as the Group's main automotive customers temporarily ceased production, particularly at plants in Europe and the Americas. Vehicle production continued at customers in Asia, albeit at much reduced levels. In Architectural, construction activity also weakened significantly towards the end of the year in response to COVID-19 lockdown restrictions, particularly in Europe and South America, but also in other regions. Demand for Solar Energy glass remains robust. Conditions facing the Group's Technical Glass business were also negatively impacted by COVID-19, although conditions began to stabilize somewhat by the end of the year.

Review by Business Segment

The Group's business lines cover three core product sectors: Architectural, Automotive, and Technical Glass.
Architectural, representing 42 percent of cumulative Group sales, includes the manufacture and sale of flat glass and various interior and exterior glazing products within the commercial and residential markets. It also includes glass for the Solar Energy sector.
Automotive, with 51 percent of Group sales, supplies a wide range of automotive glazing for new vehicles and for replacement markets.
Technical Glass, representing 7 percent of Group sales, comprises several discrete businesses, including the manufacture and sale of very thin glass used as cover glass for displays, lenses and light guides for printers, as well as glass fiber products, such as battery separators and glass components for engine timing belts.
Other operations include corporate costs, consolidation adjustments, certain small businesses not included in the segments covered above and the amortization of other intangible assets related to the acquisition of Pilkington.
The business results by business segment for the fiscal years ended 31 March 2020 and 31 March 2019, are summarized as in the table below.

(Millions of yen)

	Revenue		Operating profit before exceptional items	
	FY2020	FY2019	FY2020	FY2019
Architectural	233,687	247,348	17,331	25,811
Automotive	280,977	314,645	6,100	15,118
Technical Glass	40,143	49,106	7,116	8,062
Other operations	1,371	1,690	(9,370)	(12,136)
Total	556,178	612,789	21,177	36,855

Architectural

The Architectural business recorded revenues of ¥ 233,687 million (4Q FY2019: ¥ 247,348 million) and operating profit before exceptional items of ¥ 17,331 million (4Q FY2019: ¥ 25,811 million).
Architectural revenues fell from the previous year, mainly due to the translational impact of foreign exchange movements. Currency effects, together with the impact of increasingly challenging market conditions also led to a reduction in reported profits.
In Europe, representing 37 percent of the Group's architectural sales, revenues fell, due to lower volumes and restructuring projects concluded during the previous year, together with the impact of foreign exchange movements. Prices weakened from the third quarter, reflecting capacity additions in the region. Profits also fell in line with the lower prices, reduced volumes, and currency effects. Volumes declined sharply towards the end of the year due to the COVID-19 pandemic.
In Asia, representing 39 percent of the Group's architectural sales, revenues were similar to the previous year with increased dispatches of solar energy glass largely offsetting difficult domestic markets. Revenues from conventional architectural glass in Japan remained stable, and underlying profitability in Japan was also positive, although reported profits were hit by a one-off inventory valuation adjustment in an earlier quarter. On 31 March 2020 the Group announced the suspension of the Chiba #1 furnace effective from July 2020. On 30 January 2020 the Group announced the commencement of production at its second furnace in Vietnam dedicated to the production of glass for Solar Energy.
In the Americas, representing 24 percent of the Group's architectural sales, revenues and profits were below the previous year. Domestic market conditions in North America were more challenging than the previous year, with increased flat glass supply causing an erosion of market prices. Sales of glass for solar energy improved, however. In South America, revenues fell mainly due to the translational impact of foreign exchange movements. In addition, volumes were impacted by COVID-19 towards the end of the year.

Automotive

The Automotive business recorded sales of ¥ 280,977 million (4Q FY2019: ¥ 314,645 million) and operating profit before exceptional items of ¥ 6,100 million (4Q FY2019: ¥ 15,118 million).
In the Automotive business, revenues and profits were below the previous year due to the translational impact of foreign exchange movements, together with a decline in new car production in Europe.
Europe represents 43 percent of the Group's automotive sales. Revenues and profits fell, due mainly to a reduction in volumes as a result of declining light-vehicle build levels. Volumes were significantly affected by COVID-19 related stoppages at customer's plants towards the end of the year.
In Asia, representing 24 percent of the Group's automotive sales, revenues were below the previous year, and profits also declined. In Japan, revenues were below the previous year, as an improvement in sales volumes during the first two quarters was more than offset by a reduction from the third quarter after the imposition of increased sales taxes from 1 October 2019. Profits also fell from the previous year, being impacted by raw glass cost increases and the reduction of volumes from the third quarter.
In the Americas, representing 33 percent of the Group's automotive sales, revenues fell due to the translational impact of foreign exchange movements and weakening market conditions particularly towards the end of the year with a significant impact from the COVID-19 pandemic. In North America, despite OE

volumes being slightly below the previous year, profits strengthened, benefitting from further manufacturing efficiency improvements. Profitability in South America was similar to the previous year.

Technical Glass

The Technical Glass business recorded revenues of ¥ 40,143 million (4Q FY2019: ¥ 49,106 million) and operating profit before exceptional items of ¥ 7,116 million (4Q FY2019: ¥ 8,062 million).
Revenues and profits fell in the Technical Glass business due to the challenging market conditions in some areas.
In the fine glass business, continued cost reduction efforts and a better sales mix provided a strong foundation for further improvement in results. In the information devices business, demand for glass components used in printers and scanners declined. Demand for glass cord used in engine timing belts fell, reflecting conditions in the automotive sector generally, particularly towards the end of the year. Results in the battery separator business remained stable.

Other

Other Operations and Eliminations recorded revenues of ¥ 1,690 million (Q4 FY18 restated ¥ 1,074 million) and operating costs of ¥ 12,136 million (Q4 FY18 restated cost of ¥ 10,226 million).
This segment covers corporate costs, consolidation adjustments, certain small businesses not included in the segments covered above and the amortization of other intangible assets related to the acquisition of Pilkington plc.

Joint ventures and associates

The Group's share of joint ventures and associates' profits after tax was ¥ 1,077 million (4Q FY2019: ¥ 6,244 million).
The Group's share of joint ventures and associates' profits was below the previous year, due partly to the non-recurrence of a one-off gain recorded during the second quarter of the previous year at Cebrace, the Group’s architectural joint venture in Brazil, following the conclusion of a legal challenge regarding the calculation of sales-based taxes. In addition, underlying results also fell as the Group’s joint ventures and associates faced increasingly difficult market conditions towards the end of the year.

Financial Position

The Group's forecasts and projections show that the Group is able to continue to operate within existing financial facilities. The Group will enter renewal negotiations with its providers of finance before such facilities fall due. In discussions with its bankers on future borrowing requirements, no matters have been drawn to the Group's attention to suggest that renewal would not be forthcoming on acceptable terms. After making enquiries, the directors have reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to apply the going concern basis in preparing these financial statements.

1. Total assets
   Total assets at the end of March 2020 were ¥ 765,197 million, representing an increase of ¥ 3,328 million from the end of March 2019. The increase in assets was largely caused by the recognition of Right-of-Use assets, within Property, Plant & Equipment, as a result of the adoption of IFRS16 "Leases".
2. Net debt
   Net financial indebtedness increased by ¥ 72,468 million from 31 March 2019 to ¥ 390,169 million at the period end. The increase in indebtedness arose from the adoption of IFRS16, and also from capital expenditure in growth investment projects. Gross debt was ¥ 435,007 million at the period end. As of 31 March 2020, the Group had un-drawn, committed facilities of ¥ 65,511 million.
3. Net assets
   Total equity was ¥ 88,194 million, representing a decrease of ¥ 44,312 million from the March 2019 figure of ¥ 132,506 million. Total equity fell mainly as a result of the strengthened yen when compared to many of the Group's currencies, the loss recorded for the period and the acquisition and cancellation of Class A shares.
4. Other indices
   Basic net profits per share worsened from a profit of ¥ 115.16 in the previous year, to a loss of ¥ 235.96 in FY2020. Earnings per share are calculated by taking the profit attributable to owners

of the parent together with dividends relating to Class A Shares, and dividing this by the weighted average number of ordinary shares in issue during the year. In FY2020, dividends relating to Class A Shares of ¥ 1,700 million have been included in this calculation (FY2019: ¥ 2,114 million).

Cash Flow

Cash inflows from operating activities were ¥ 30,444 million. Cash outflows from investing activities were ¥ 56,888 million, including capital expenditure on property, plant, and equipment of ¥ 60,868 million. Capital expenditure increased due to the progression of strategic investment projects in the U.S., Vietnam and Argentina. As a result, free cash flow was an outflow of ¥ 26,444 million.
After taking into account the effect of financing cash flows and movements in exchange rates, cash and cash equivalents at the end of the year decreased by ¥ 9,780 million year-on-year to ¥ 40,512 million.

Financial Policy

The current economic environment has led to a severe disruption of the Group's normal business activity. In response to the COVID-19 pandemic and a lack of demand for glass, the Group has taken appropriate action to suspend or reduce production at various plants with the utmost priority on health and safety of its employees. The Group is focused on saving cash costs in a variety of areas and is also actively seeking government assistance where such programs are available. The Group will continue its programs of disposing of non-core assets and improving the efficiency of working capital. Additionally, the Group will prioritize capital expenditure to focus on strategically important and urgent projects, suspending expenditure on other projects where appropriate.
Whilst noting the robust liquidity position as at 31 March 2020, the Group is mindful of its liquidity needs going forwards in the current distressed market conditions. The Group is in discussions with its providers of finance to ensure that sufficient liquidity will continue to be available.
The Group recognizes the improvement of its financial stability is critical and urgent. It will continue to make efforts to enhance its profitability and cash flow by fundamentally reforming the cost structure of existing businesses while accelerating new business development with the reinforcement of R&D and Business Innovation Center activities. In addition, it will control capital expenditure and dispose non-core businesses and assets to reduce interest-bearing debt. With these measures the Group aims to recover its business to be able to generate sustainable profit and cash.

Dividend Policy

The Group's dividend policy is to secure dividend payments based on sustainable business results. Once and after all Class A Shares have been redeemed and cancelled, while the Group maintains this basic policy in all respects, the Group will continue to use the sincere efforts to declare dividends with introduction of consolidated dividend payout ratio of 30% as a guide.
The Articles of Incorporation of Nippon Sheet Glass Co., Ltd. (the Company) stipulate the record date for the ordinary dividends at 31 March and 30 September, and that decisions on dividends shall be based on Article 459 Paragraph 1 of the Companies Act, and that dividends on surpluses may be paid based upon a resolution of the Board of Directors without requiring a resolution of the General Meeting of Shareholders.
After considering the factors such as the current Group's financial position and its level of profitability, the Board of Directors regrettably have decided not to declare a dividend for the year to 31 March 2020. The Group recognizes the importance of dividends to its shareholders and anticipates resuming dividend payments when the financial performance of the Group allows. The Board of Directors resolved to distribute the designated amount of dividends for Class A Shares.