

NSG

GROUP



NSG Group

FY2019 Quarter 1 Results

(from 1 April 2018 to 30 June 2018)

Nippon Sheet Glass Company, Limited
2 August 2018

Kenichi Morooka

Chief Financial Officer

Clemens Miller

Chief Operating Officer

Iain Smith

Finance Director – Global Finance

Agenda

1. FY2019 Quarter 1 Financial Results
2. FY2019 Quarter 1 Business Update
3. Other Developments
4. Summary

FY2019 Quarter 1 Results Highlights



Revenue	JPY 158.4 bn (+9%)	Benefitted from improving markets, especially in Europe, and VA sales increase
Trading profit	JPY 10.2 bn (+12%)	Driven by improved profitability in Automotive Europe and Technical Glass
Exceptional items	JPY 2.4 bn	Reversal of impairment related to the mothballed float line in Vietnam
Profit attributable to owners of the parent	JPY 5.4 bn (+131%)	Year-on-year improvement including one-off credit in exceptional items
Free cash flow	JPY (10.6) bn	Similar to previous year with consistent seasonality of working capital movements

Improved revenue and profit reflecting higher VA sales and favorable market conditions

Consolidated Income Statement

(JPY bn)	<u>FY2018</u> <u>Q1</u> *1	<u>FY2019</u> <u>Q1</u>	<u>FY2019</u> <u>Half year</u>	<u>FY2019</u> <u>Full year</u>
Revenue	145.3	158.4	310.0	630.0
Trading profit	9.1	10.2		43.0
Amortization *2	(0.5)	(0.5)		(2.0)
Operating profit	8.6	9.7	18.0	41.0
Exceptional items	(0.4)	2.4		(7.0)
Finance expenses (net)	(3.9)	(3.2)		(13.0)
Share of JVs and associates	0.3	0.4		3.0
Profit before taxation	4.6	9.3		24.0
Profit for the period	2.7	6.0		16.0
Profit attributable to owners of the parent	2.3	5.4		14.0
EBITDA	15.4	16.7		

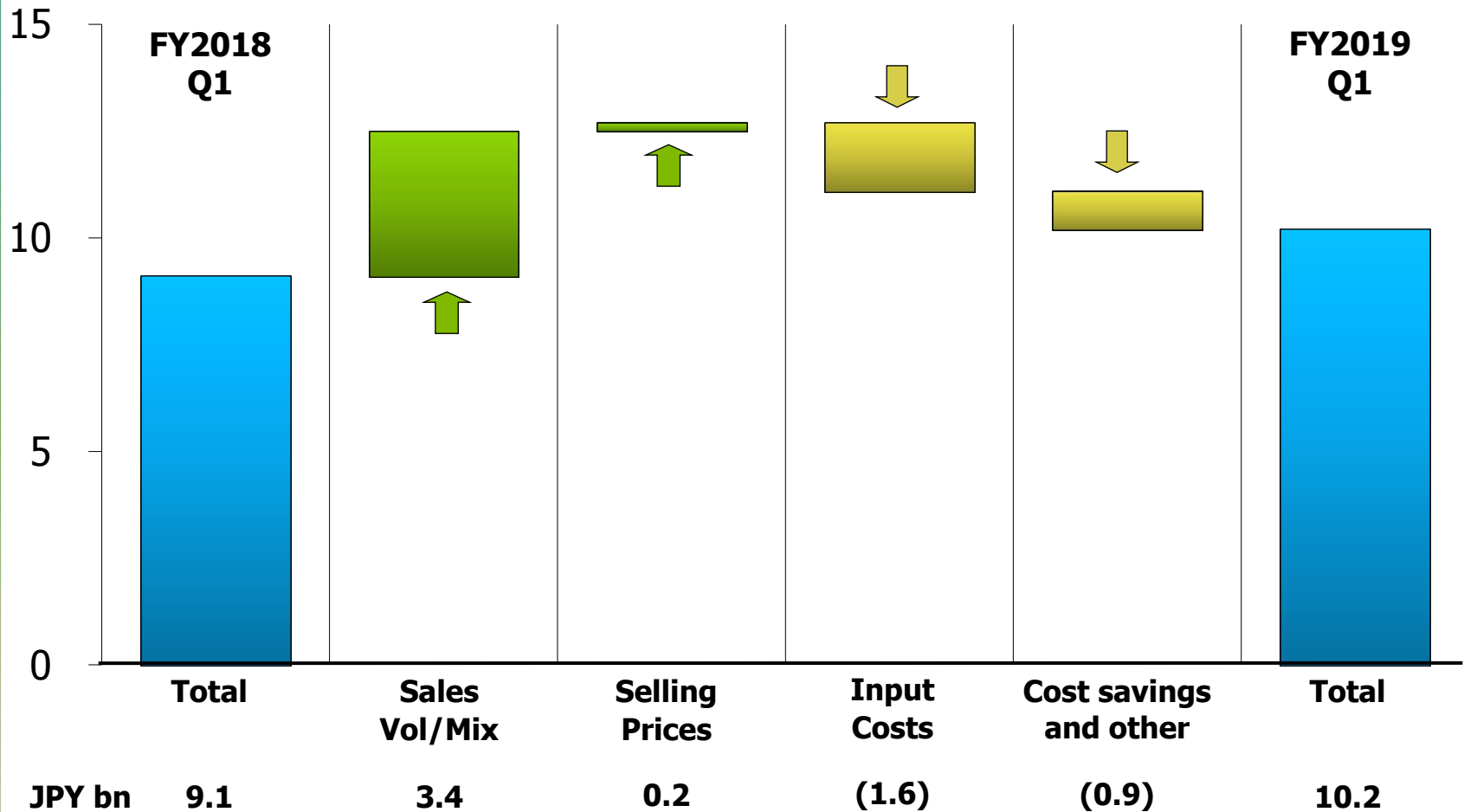
*1: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

*2: Amortization arising from the acquisition of Pilkington plc only

Solid start towards full year target

Change Analysis

Trading profit



Improving prices, volumes and product mix more than offsetting input cost increases

Key Performance Indicators

	<u>30-Jun-17</u> ^{*1}	<u>30-Jun-18</u>	<u>31-Mar-18</u> ^{*1}
Net Debt (JPY bn)	332	320	307
Net Debt/EBITDA	5.4x	4.9x	4.8x
Net Debt/Equity Ratio	2.4x	2.4x	2.1x
Shareholders' Equity Ratio	17.1%	16.6%	17.1%
	<u>FY2018</u> ^{*1} <u>Q1</u>	<u>FY2019</u> <u>Q1</u>	<u>FY2018</u> ^{*1} <u>Full-year</u>
Operating Return ^{*2} on Sales	6.3%	6.4%	6.3%

*1: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

*2: Trading profit

Year on year improvement in Net Debt and Net Debt / EBITDA ratio

Agenda

1. FY2019 Quarter 1 Financial Results
2. **FY2019 Quarter 1 Business Update**
3. Other Developments
4. Summary

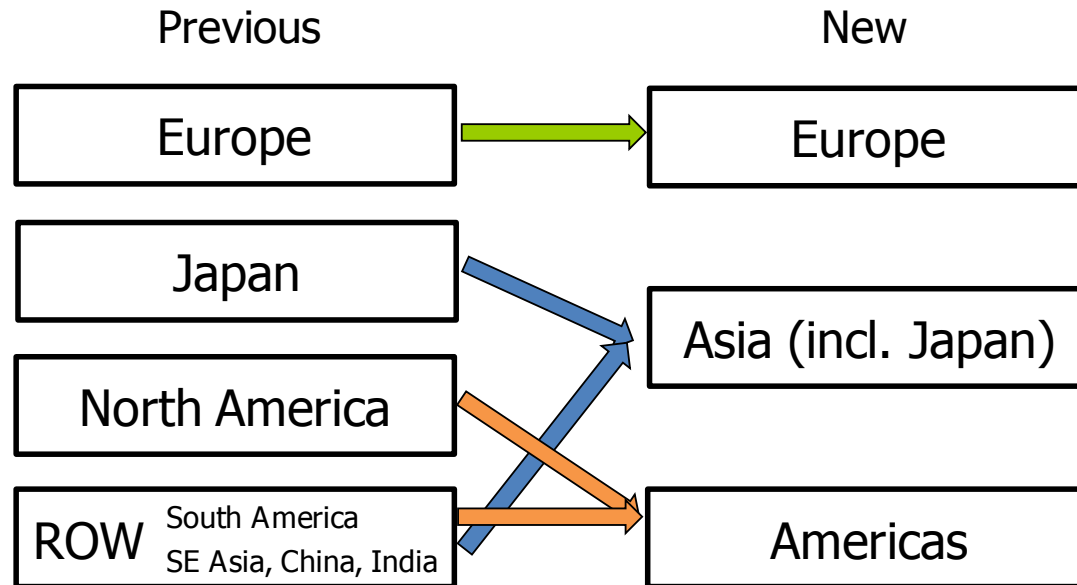
New Format for Business Section

Changes made to ensure consistency in disclosure and to align external explanations to the Group management approach

1. Change from regional to business graphs
2. Redefinition of regions

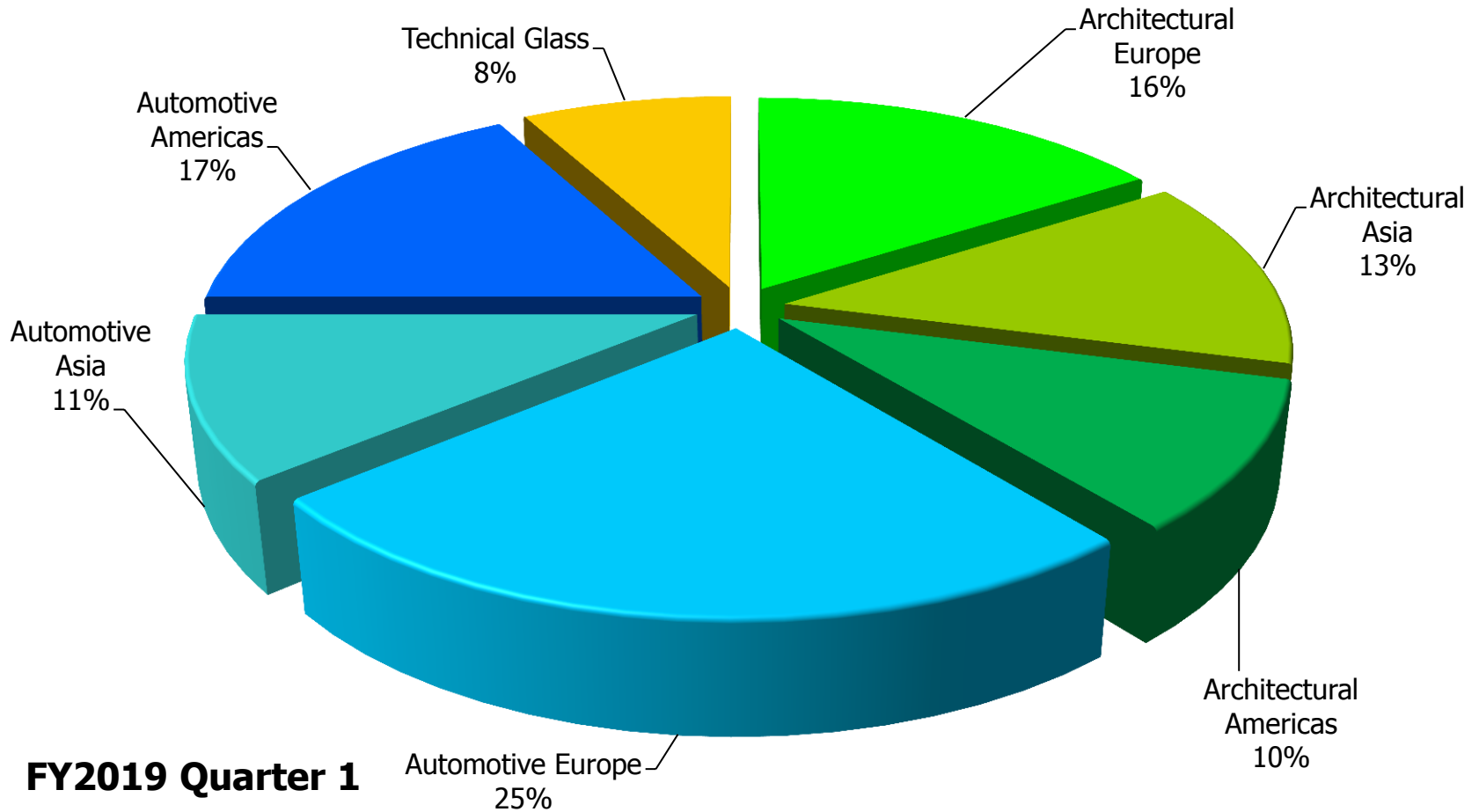
Three regions: Europe, Asia, Americas

“Others” separated in regional trading profit slide in Appendices



External Revenue - Group Businesses

¥ 158.4 billion

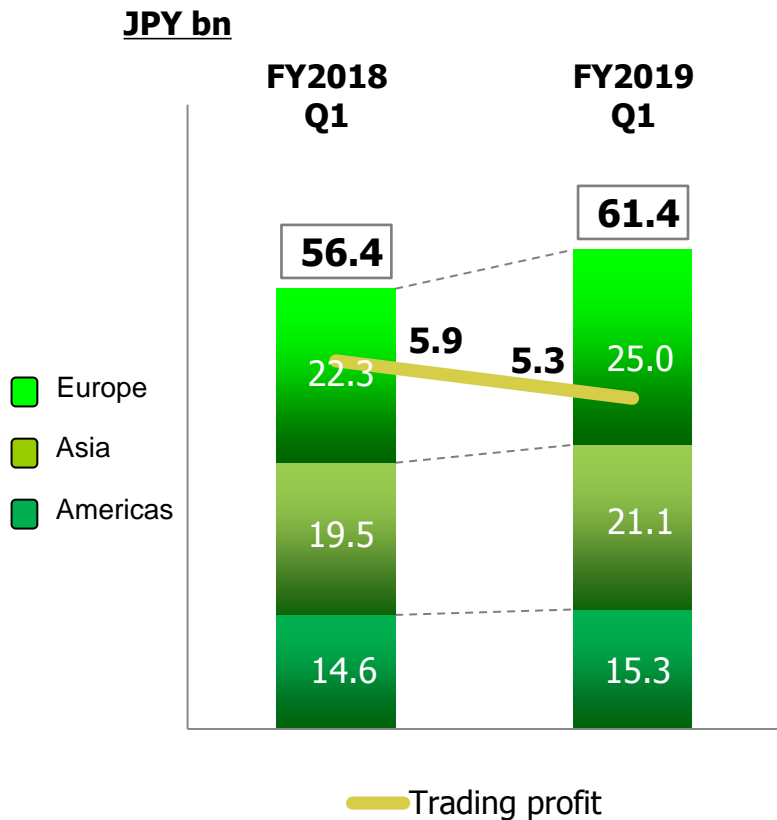


FY2019 Quarter 1

Diversified geographical coverage

Architectural

FY2018 Q1 v FY2019 Q1



Europe (Revenue ↑, Profit ↓)

- Higher volumes and stable prices, while profits affected by input cost increase and furnace repair

Asia (Revenue ↑, Profit ↑)

- Flat sales in Japan in tough market while impacted by higher oil price
- Higher solar revenue and profit with volume recovery in Asia

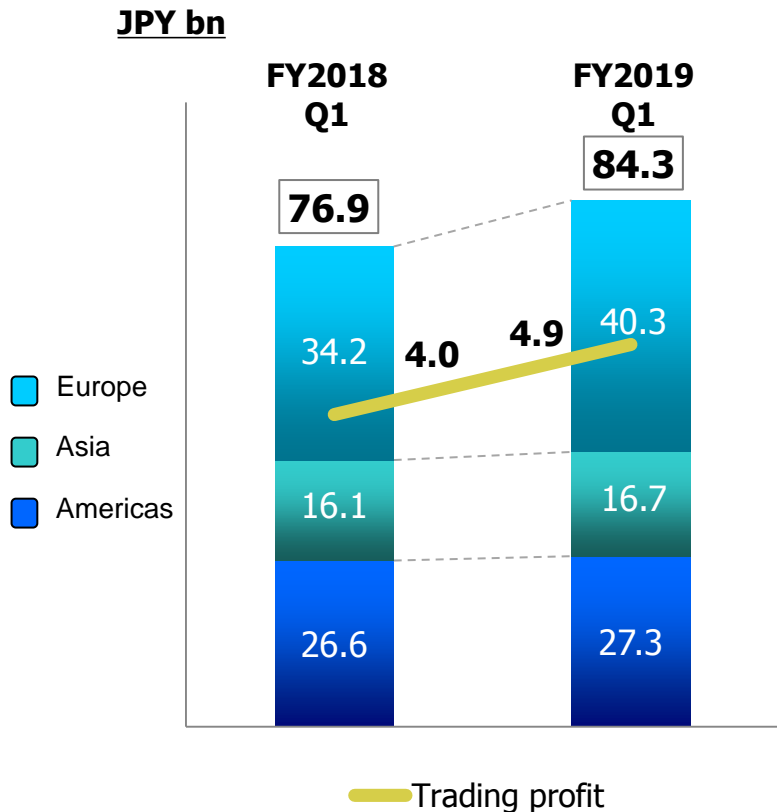
Americas (Revenue ↑, Profit →)

- Higher revenue and profit based on robust demand and restart of Ottawa facility in North America
- Local currency profits improved in South America, consistent with strong market conditions

Top-line growth due to increased volume, especially in Europe. Profits affected by input cost increase and furnace repair

Automotive

FY2018 Q1 v FY2019 Q1



Europe (Revenue↑, Profit↑)

- Significant revenue and profit improvement due to robust market conditions and VA sales expansion for OE and AGR

Asia (Revenue↑, Profit↑)

- Revenue and profit similar to the previous year in Japan, with stable shipment and operation
- Improved revenue in South East Asia but reduction in China

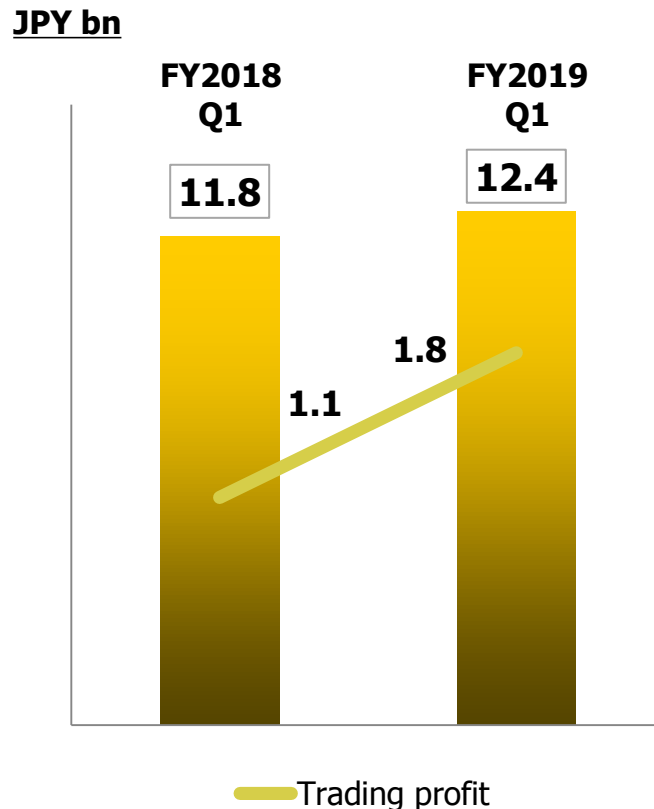
Americas (Revenue↑, Profit↓)

- Good demand, while profit affected by one-off cost in North America
- Improved performance due to recovering volume in South America

Revenue growth in most of regions. Europe profitability supported by increased volume and VA ratio

Technical Glass

FY2018 Q1 v FY2019 Q1



Technical Glass (Revenue ↑, Profit ↑)

- Profit in Display improved due to higher revenue and lower cost base
- Firm demand for printer lenses
- Strong performance of glass cord in line with improving vehicle sales
- Metashine sales expansion for paints and cosmetics
- Strong demand for battery separators

Improvements across all business segments

Agenda

1. FY2019 Quarter 1 Financial Results
2. FY2019 Quarter 1 Business Update
3. **Other Developments**
4. Summary

Other Developments

- **BIC (Business Innovation Center)**
 - Established on 1 July as planned
 - Satoshi Ishino from Murata appointed Executive Officer and CDO
 - To accelerate new business development and drive the shift to “VA + Growth”
- **Publication of Integrated Report**
 - First NSG Group Integrated Report published on 30 July, replacing the Annual Report and Sustainability Report
 - To provide an overview of the Group’s approach to sustainable growth and value creation process

(<http://www.nsg.com/en/investors/ir-library/annual-reports>)

Agenda

1. FY2019 Quarter 1 Financial Results
2. FY2019 Quarter 1 Business Update
3. Other Developments
4. **Summary**

Summary

- FY2019 Q1
 - Solid start with increased year on year revenue and profit
 - Revenue increased with improving or stable markets, especially in Europe, and VA sales growth
 - Higher profitability mainly driven by Automotive Europe and Technical Glass
 - Significant increase in net profit reflecting improved operating profits and one-off exceptional credit
- Outlook
 - Re-confirming outlook with Q1 results in line with internal expectations
 - On track to deliver sixth consecutive year of trading profit improvement

Notice

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.

Nippon Sheet Glass Company, Limited

Appendices

- FY2019 Q1 Results
 - Revenue by Business & Regions
 - Trading Profit by Business & Regions
 - Consolidated Balance Sheet
 - Consolidated Cash Flow
 - Exceptional items
 - Exchange Rates

Revenue by Business & Regions

FY2018 Q1 v FY2019 Q1

<u>(JPY bn)</u>	<u>FY2018</u> <u>Q1</u> *	<u>FY2019</u> <u>Q1</u>	<u>Change</u>
Architectural	56.4	61.4	5.0
Europe	22.3	25.0	2.7
Asia	19.5	21.1	1.6
Americas	14.6	15.3	0.7
Automotive	76.9	84.3	7.4
Europe	34.2	40.3	6.1
Asia	16.1	16.7	0.6
Americas	26.6	27.3	0.7
Technical Glass	11.8	12.4	0.6
Europe	1.9	2.1	0.2
Asia	9.6	9.9	0.3
Americas	0.3	0.4	0.1
Other Operations	0.2	0.3	0.1
Total	145.3	158.4	13.1

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

Pre-IFRS15: JPY 146.9 bn [adjustment of JPY (1.6) bn]

Trading Profit by Business & Regions

FY2018 Q1 v FY2019 Q1

<u>(JPY bn)</u>	<u>FY2018</u> <u>Q1</u> *	<u>FY2019</u> <u>Q1</u>	<u>Change</u>
by SBU			
Architectural	5.9	5.3	(0.6)
Automotive	4.0	4.9	0.9
Technical Glass	1.1	1.8	0.7
Other	(1.9)	(1.8)	0.1
Total	9.1	10.2	1.1
by Region			
Europe	5.4	5.8	0.4
Asia	2.6	3.6	1.0
Americas	3.0	2.6	(0.4)
Other	(1.9)	(1.8)	0.1
Total	9.1	10.2	1.1

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"
Pre-IFRS15: JPY 9.2 bn [adjustment of JPY (0.1) bn]

Consolidated Balance Sheet

(JPY bn)	<u>31-Mar-18*</u>	<u>30-Jun-18</u>	<u>Change</u>
Assets	788.6	763.6	(25.0)
Non-current assets	530.8	519.2	(11.6)
Goodwill & intangible assets	169.7	166.2	(3.5)
Property, plant and equipment	244.1	240.5	(3.6)
Other	117.0	112.5	(4.5)
Current assets	257.8	244.4	(13.4)
Cash and cash equivalents	64.8	53.2	(11.6)
Other	193.0	191.2	(1.8)
Liabilities	644.9	628.5	(16.4)
Current liabilities	255.0	212.5	(42.5)
Financial liabilities	97.6	72.0	(25.6)
Other	157.4	140.5	(16.9)
Non-current liabilities	389.9	416.0	26.1
Financial liabilities	275.1	304.2	29.1
Other	114.8	111.8	(3.0)
Equity	143.7	135.1	(8.6)
Shareholders' equity	135.2	127.0	(8.2)
Non-controlling interests	8.5	8.1	(0.4)
Total liabilities and equity	788.6	763.6	(25.0)

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

[Assets] Pre-IFRS15: JPY 791.9 bn - adjustment of JPY (3.3) bn

[Equity] Pre-IFRS15: JPY 142.8 bn - adjustment of JPY +0.9 bn

Consolidated Cash Flow Summary

(JPY bn)	<u>FY2018</u> <u>Q1</u>[*]	<u>FY2019</u> <u>Q1</u>
Profit for the period	2.7	6.0
Depreciation and amortization	7.0	7.0
Net impairment	0.2	(2.6)
Gain on disposal of assets	(0.2)	-
Tax paid	(1.4)	(3.2)
Others	(0.2)	1.8
Net operating cash flows before movement in working capital	8.1	9.0
Net change in working capital	(13.7)	(13.0)
Net cash flows from operating activities	(5.6)	(4.0)
Purchase of property, plant and equipment	(6.6)	(6.4)
Disposal proceeds	0.3	0.1
Others	0.2	(0.3)
Net cash flows from investing activities	(6.1)	(6.6)
Free cash flow	(11.7)	(10.6)

*: Restated due to adoption of IFRS15 "Revenue from contracts with customers"

(Total free cash flow is not affected)

Exceptional Items

(JPY bn)	<u>FY2018</u> <u>Q1</u>	<u>FY2019</u> <u>Q1</u>
Reversal of impairment of non-current assets	-	2.7
Gain on settlement of insurance proceeds	1.0	-
Restructuring costs	(0.2)	(0.2)
Suspension of facilities	(1.0)	-
Other items	(0.2)	(0.1)
	(0.4)	2.4

Exceptional credit recognized following the decision to restart the mothballed float line in Vietnam

Exchange Rates

	<u>FY2018</u> <u>Q1</u>	<u>FY2018</u>	<u>FY2019</u> <u>Q1</u>
Average rates used:			
JPY/GBP	142	147	149
JPY/USD	111	111	110
JPY/EUR	122	130	131
Closing rates used:			
JPY/GBP	146	150	145
JPY/USD	112	106	111
JPY/EUR	128	132	128

NSG

GROUP

