

Key Questions and Answers at FY2020 First Quarter Results Announcement

- Q: The change analysis on Slide 7 shows a relatively high positive number for "Cost savings & other", while a low negative one for "Input costs" in the first quarter, which is somewhat different from the forecast change analysis issued at the FY2019 full-year results announcement on 10 May. What is your view going forward?
- A: "Cost savings & other" reflects the benefits of restructuring and continuous cost-saving efforts made to date and stabilization of operational issues experienced in some businesses last year. We will continue our cost saving efforts, aiming for achieving our full-year plan. The figure for "Input costs" was within our expectation for the first quarter, though we will continue monitoring the risk of input cost increases going forward.
- Q: What is your demand outlook for Automotive and Architectural Glass Europe?
- A: For Automotive Europe, the market has been on a gradual, not significant, downward trend for the last six months. It is unclear at this moment to which extent the market would decline or when the demand would start to pick up.
For Architectural Glass, the demand itself has been stable for the quarter. However, with new capacities added by competitors in Europe, we expect some pressure on price and volume for commodity glass going forward. The glass supply has also increased in North America following the restart of several suppliers' float lines that had been shut down due to a natural disaster and other reasons. With our strategy to raise the ratio of VA (value-added) products, including the glass for solar panels, we have been turning less susceptible to the fluctuations in commodity prices and demands, as shown in the change analysis.
- Q: Sales of glass for solar panels look to be strong. How much did they increase?
- A: The sales volume for the first quarter increased by more than 50 percent year on year, partly because the demand from a main customer had been subdued in FY2019 due to their retooling. The volume variance from the second quarter and onward is expected to moderate, as the retooling progressed step by step over the course of FY2019.
- Q: Was the inventory increase from the end of FY2019 related to the preparation for hard Brexit?
- A: It was partly due to Brexit preparations but also due to a sharp decline in demand in Automotive Glass in the second half of FY2019. We have launched a Group-wide project to reduce inventories, aiming for optimizing their level toward the end of FY2020, and for eventually improving cashflow.
- Q: Have the key actions for improving Architectural Glass Japan as described in slide 13 resulted in any positive impact? Is reducing production capacity one of the actions?
- A: Some measures have already been put in place and we expect to see their benefits gradually from the second half of FY2020. The key actions include price increases and rationalizing sales and distribution but not production capacity reduction.
- Q: What is the current VA sales ratio of Automotive Glass, which has not reached the target yet?
- A: It is still far below to hit the target of 50 percent and we will keep pushing ourselves to achieve the goal.

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 and competitive environment in major markets, product supply and demand shifts, currency exchange and interest rate fluctuations, changes in supply of raw materials and fuel and changes in laws and regulations, but not limited.