10 November 2022

Key Questions and Answers at 2023/3 Second Quarter Results Announcement

Q: Could the impacts of raw materials and other costs rise be also absorbed while the impact of natural gas price hike is mitigated by energy surcharge system in Architectural glass?

A: Yes, their impacts could be also mitigated by price pass-through, although they are out of the scope of the energy surcharge system.

Q: Is it possible to continue price pass-through in Architectural glass business in Europe whilst signs of demand decrease are seen in Europe?

A: In Europe, the demand has declined slightly since September and a little attention to it is needed. However, in this current situation, price pass-through is sufficiently working and can be continued.

Q: Has demand for solar energy glass been in line with the Group's forecast so far?

A: Yes, the demand has moved as we expected.

Q: What will the Group's plan be to invest in accordance with First Solar's production capacity expansion in North America? Will an option to construct a new float furnace be excluded as much as possible?

A: It is unlikely that the Group will choose an option to construct a new furnace from the viewpoint of our cash management policy that we will pursue the most profit with the least investment, and in addition to that, construction and other costs rise due to the current global inflation.

Q: It is mentioned that the sales price increase negotiations progressed in Europe, what are the situations in other regions?

A: In Japan, price increases are in good progress but on a smaller scale because the energy prices haven't risen so high compared to Europe. In North America, progress is also seen, and we will continue to negotiate as we have done.

Q: Will the price pass-through effects in H2 of the year in Automotive glass business be of the same level as in H1?

A: Positive effects of price increase will be expected in H2 although its level will not be the same as H1 which included retroactive price pass-through effects.

Q: The operating profit margin of Automotive glass business must be improved in order to achieve a RP24 target of an operating profit margin more than 8%. Does the business still aim to achieve operating profit in full year?

A: Yes, we are still aiming to achieve it.

Q: The operating profit forecast for the full year of JPY 18.0 bn is unchanged while JPY 14.4 bn operating profit was recorded in H1. As a result, the operating profit forecast for H2 is JPY 3.6 bn which appears to decrease from the previous H2 forecast of JPY 7.0 bn and H1 actual of JPY14.4 bn. Could you provide the background of this?

A: The full-year operating profit forecast has remained unchanged considering the uncertain business environment, including high energy prices, demand decline in Architectural glass business in Europe and the recession risks. The Group will review this forecast in Q3 if necessary.

Q: Please explain the main reasons for the impairment of goodwill and intangible assets in Automotive business in Europe. Have any financial risks related to the European Automotive glass business been eliminated by this?

A: The recording of the impairment is mainly caused by a discount rate increase of approx. 2% due to the interest rate rises in Europe. Profit recovery over the medium term is still expected in the European Automotive business with seeing recovery of vehicle production and realization of price pass-through. Also, this eliminated financial risks for the business in Europe. There are remaining goodwill and intangible assets originally arising from the acquisition of Pilkington in Architectural business and Automotive business in North America, however, the values in use were significantly higher than the accounting book values in the impairment test at March end of 2022.

Q: Will the shareholders' equity ratio be maintained to some extent even if JPY is appreciated again?

A: The Group has already estimated the shareholders' equity ratio with a stronger JPY at the same level as before and concluded that we will be able to maintain a RP24 target of a Shareholders' equity ratio above 10%.