

**NSG**

**GROUP**

# **NSG Group**

## **FY2018 Third Quarter Results**

**(from 1 April 2017 to 31 December 2017)**

Nippon Sheet Glass Company, Limited  
2 February 2018

# **Kenichi Morooka**

**Chief Financial Officer**

# **Clemens Miller**

**Chief Operating Officer**

# **Iain Smith**

**Finance Director – Global Finance**

# Agenda

1. FY2018 Q3 Financial Results
2. FY2018 Q3 Business Update
3. Summary

# FY2018 Q3 Results Highlights



|   |                         |   |
|---|-------------------------|---|
| Revenue                                     | JPY 449.4 bn<br>(+4.3%) | Good market conditions and positive impact from weakening Yen   |
| Trading profit                              | JPY 27.4 bn<br>(+20%)   | Robust European markets, improved results in Technical Glass, continued benefit from operational improvements                         |
| Operating profit                            | JPY 25.9 bn<br>(+29%)   |   |
| Profit attributable to owners of the parent | JPY (1.7) bn            | Decrease in accounting value of Group's deferred tax assets following the reduction of U.S. corporate tax rate (charge of JPY 9.6 bn) |

|                |               |   |
|----------------|---------------|---|
| Free cash flow | JPY (10.5) bn | Negative cash flow arising from seasonal working capital movements, expected to reverse at Q4. Full-year positive cash flow target remains valid. |
|----------------|---------------|---|

Improved operating results from the previous year

# Consolidated Income Statement

| (JPY bn)  | <u>FY2017</u><br><u>Q3</u> | <u>FY2018</u><br><u>Q3</u> | <u>FY2018</u><br><u>Forecast</u><br><u>(original)</u> | <u>FY2018</u><br><u>Forecast</u><br><u>(revised)</u> |
|---|----------------------------|----------------------------|---|--|
| <b>Revenue</b>  | <b>430.7</b>               | <b>449.4</b>               | <b>600.0</b>  | <b>600.0</b>   |
| <b>Trading profit</b>                                     | <b>22.8</b>                | <b>27.4</b>                | <b>38.0</b>   | <b>38.0</b>  |
| Amortization*   | (2.7)                      | (1.5)                      | (2.0)   | (2.0)  |
| <b>Operating profit</b>                                   | <b>20.1</b>                | <b>25.9</b>                | <b>36.0</b>   | <b>36.0</b>  |
| Exceptional items   | 5.4                        | (2.5)                      |   |  |
| Finance expenses (net)                                    | (13.8)                     | (11.1)                     |   |  |
| Share of JVs and associates                               | 0.8                        | 1.7                        |   |  |
| <b>Profit before taxation</b>                             | <b>12.5</b>                | <b>14.0</b>                | <b>17.0</b>   | <b>20.0</b>  |
| Taxation  | (6.6)                      | <b>(4.8)</b>               |   |  |
| Adjustment in respect of US tax rate change               | -                          | <b>(9.6)</b>               |   |  |
| <b>Profit/(loss) for the period</b>                       | <b>5.9</b>                 | <b>(0.4)</b>               | <b>10.0</b>   | <b>3.0</b>   |
| <b>Profit/(loss) attributable to owners of the parent</b> | <b>4.6</b>                 | <b>(1.7)</b>               | <b>8.0</b>  | <b>1.0</b>   |
| EBITDA  | 44.3                       | 48.8                       |   |  |

No change

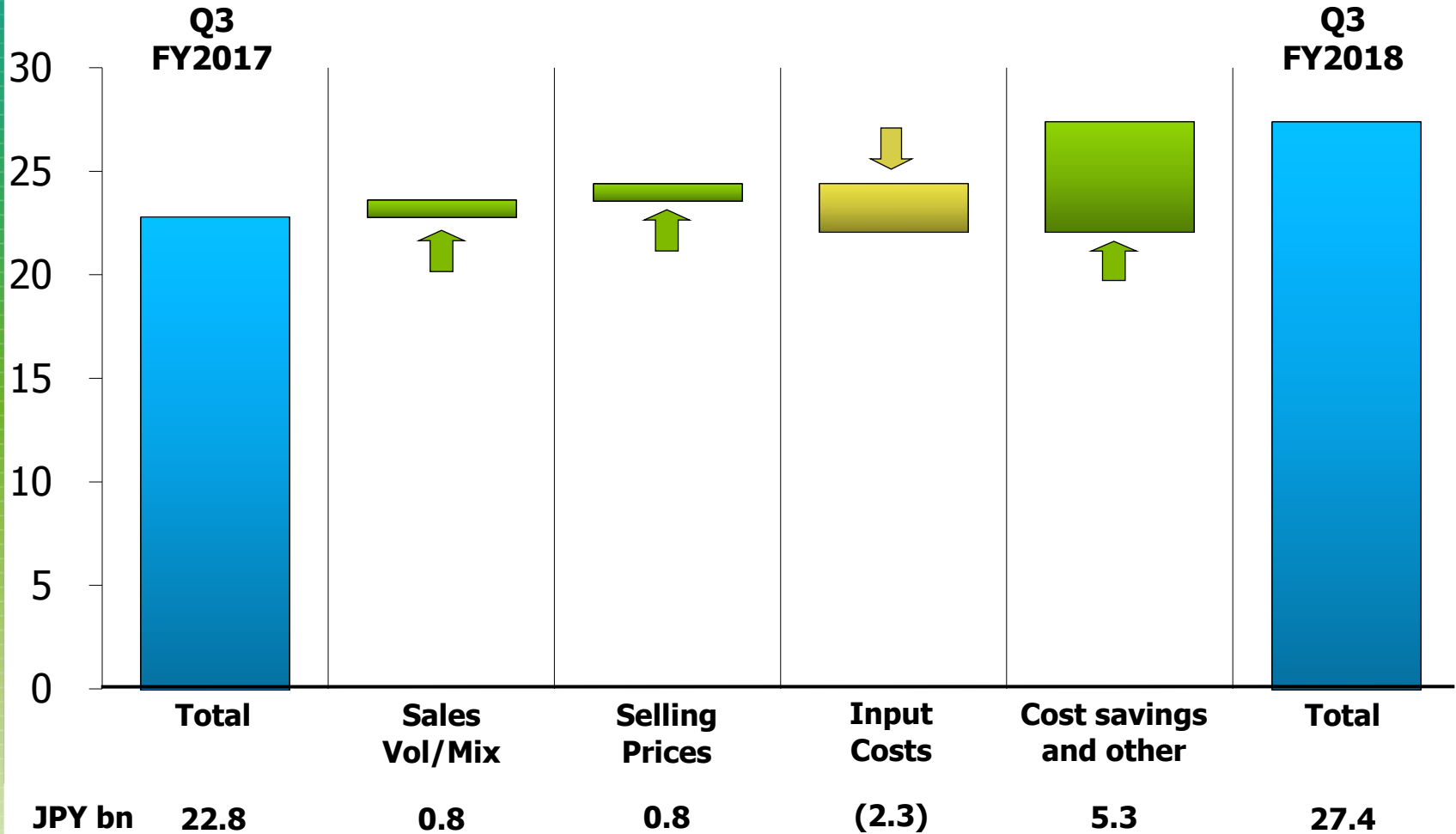
See Slide 20

\* Amortization arising from the acquisition of Pilkington plc only

Positive net profit expected for the year

# Change Analysis

## Trading profit



Trading profit improving with cost savings

# Key Performance Indicators

|                            | <u>31-Mar-17</u>           | <u>31-Dec-17</u>           |
|----------------------------|----------------------------|----------------------------|
| Net Debt (JPY bn)          | 313                        | 335                        |
| Net Debt/EBITDA            | 5.0x                       | 5.0x                       |
| Net Debt/Equity Ratio      | 2.3x                       | 2.3x                       |
| Shareholders' Equity Ratio | 15.7%                      | 17.3%                      |
|                            | <u>FY2017</u><br><u>Q3</u> | <u>FY2018</u><br><u>Q3</u> |
| Operating Return* on Sales | 5.3%                       | 6.1%                       |

\* trading profit

**Improvement in Return on Sales**

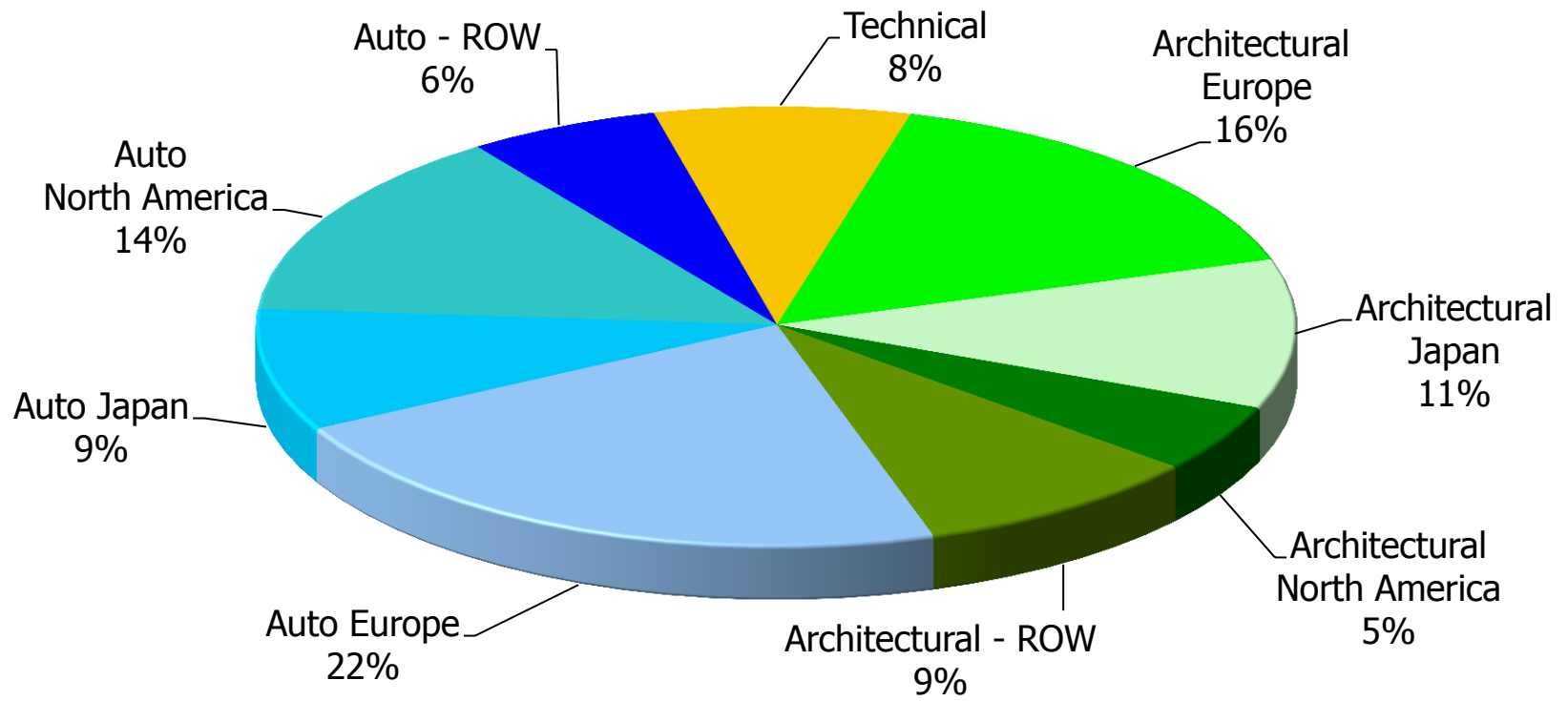


# Agenda

1. FY2018 Q3 Financial Results
2. FY2018 Q3 Business Update
3. Summary

# External Revenue – Group Businesses

¥ 449.4 billion

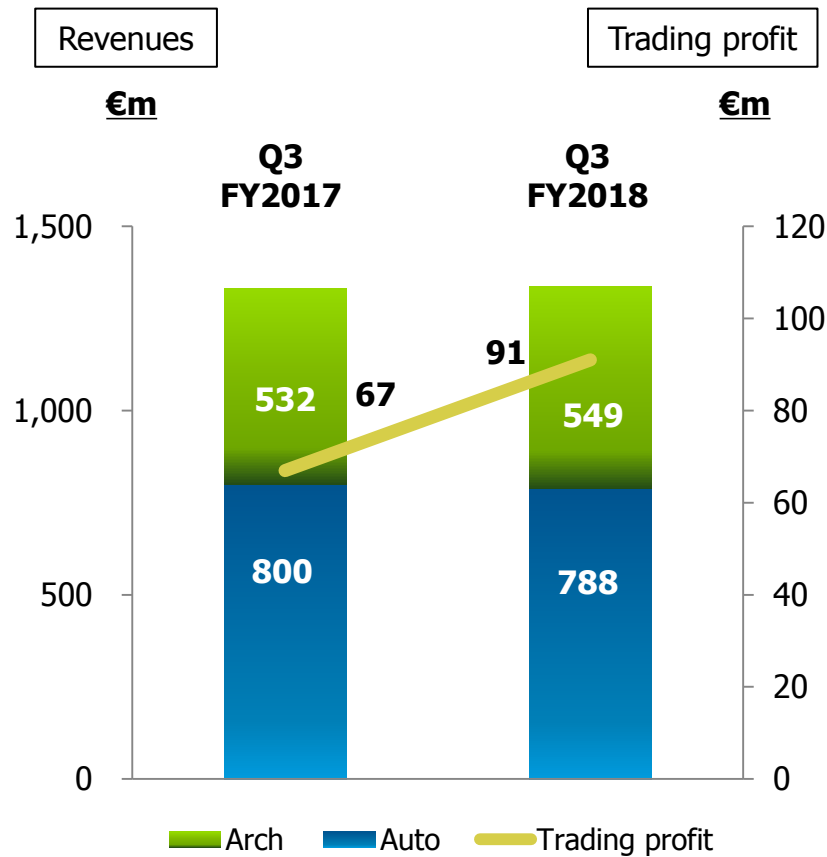


**FY2018 Quarter 3**

Diversified geographical coverage

# Europe

## Q3 FY2017 v Q3 FY2018



### Architectural

- Stable pricing environment supported by good demand
- Group's float line in Venice, Italy restarted

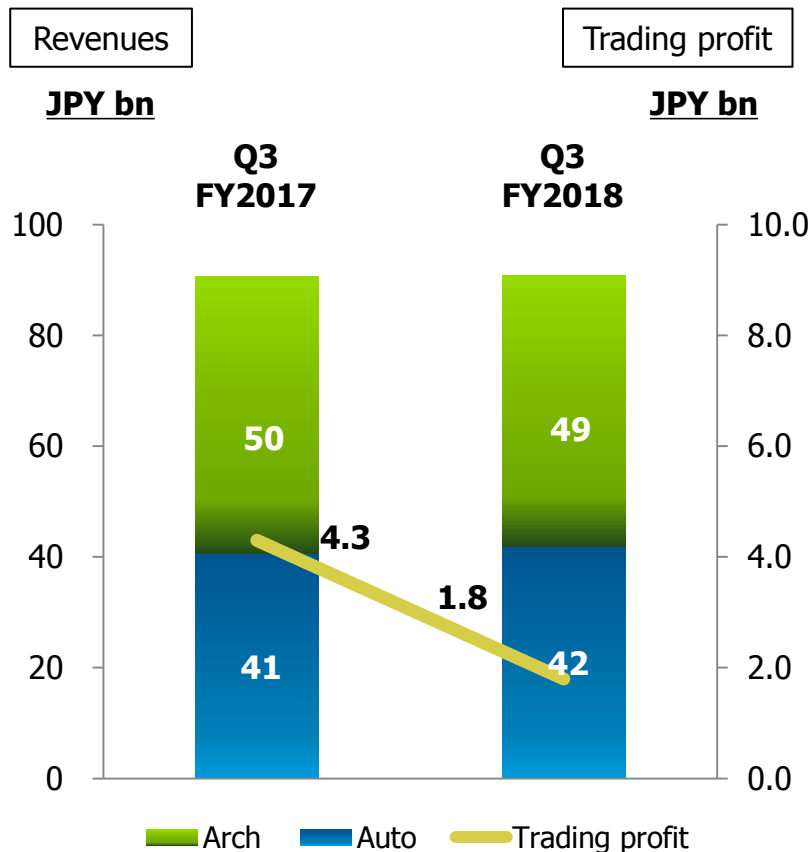
### Automotive

- Profits benefitted from increased VA sales and improved operational performance

Improved performance in both Architectural and Automotive

# Japan

## Q3 FY2017 v Q3 FY2018



### Architectural

- Results affected by lower market volumes and other factors

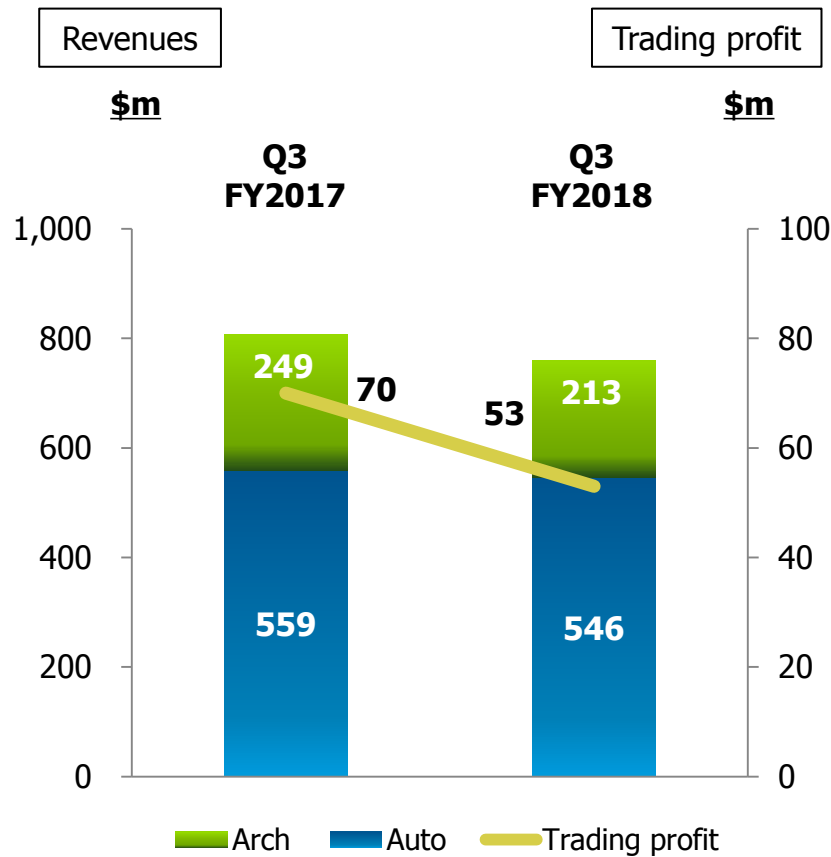
### Automotive

- Revenues improved, consistent with increasing light-vehicle sales
- Profits affected by production cost increases of raw glass

Challenging market conditions in Architectural

# North America

## Q3 FY2017 v Q3 FY2018



### Architectural

- Volumes restricted by temporary reduction in NSG capacity at Ottawa, line now restarted with sales to recommence during Q4

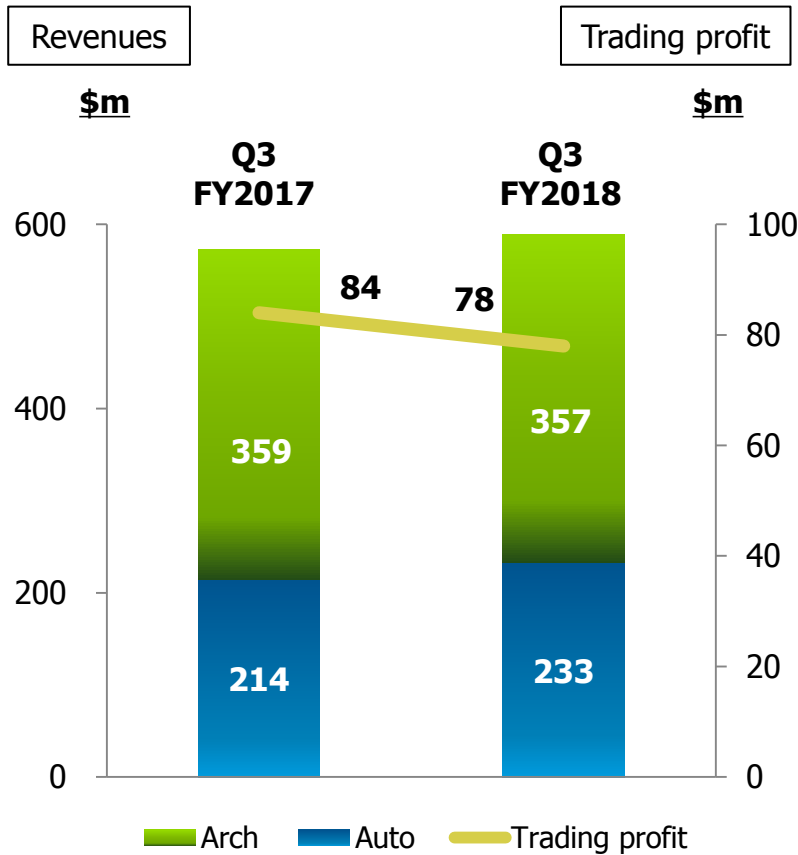
### Automotive

- Revenues and profits decreased due to slight fall in market volumes

Temporary factors constraining profitability

# Rest of World

## Q3 FY2017 v Q3 FY2018



### Architectural

- Domestic markets generally improved from the previous year
- Results impacted by re-tooling at a major customer

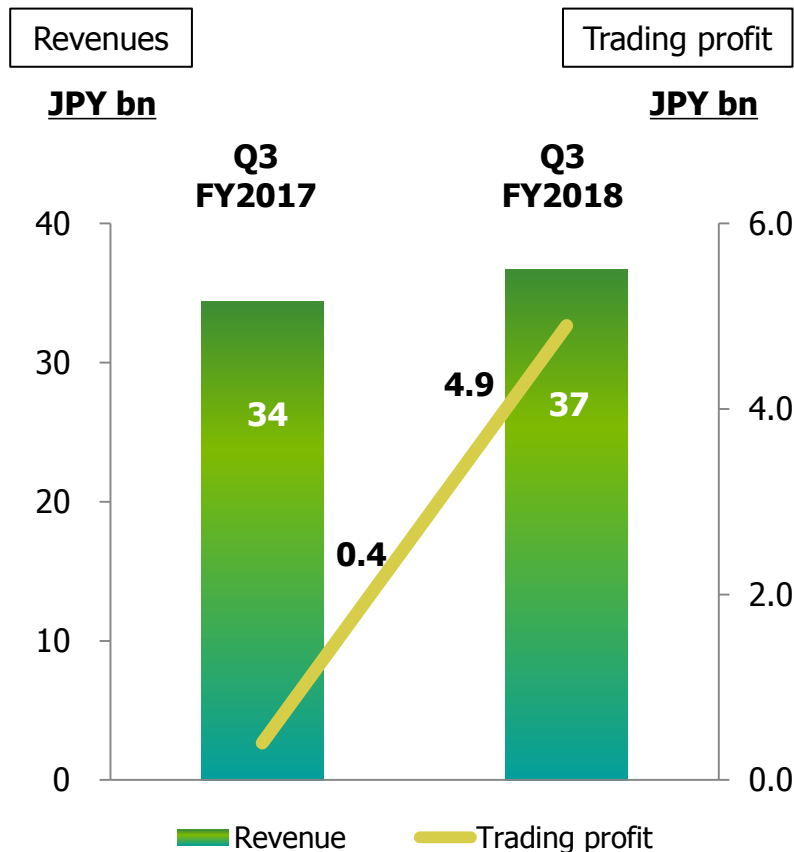
### Automotive

- Market conditions in South America continue to recover

South American markets recovering

# Technical Glass

## Q3 FY2017 v Q3 FY2018



### Technical Glass

- Further improvement in Display's results
- Good demand for components used in multi-function printers, glass cord used in engine timing belts, and battery separators

Improvements across all business segments

# Agenda

1. FY2018 Q3 Financial Results
2. FY2018 Q3 Business Update
3. Summary



- **FY2018 Q3 (Cumulative)**
  - Continuous year-on-year improvement in operating profit reflecting favorable market conditions and cost reduction efforts
- **FY2018 Q4 Outlook**
  - Architectural & Automotive Glass
    - Europe: Good market conditions to continue across both businesses
    - Japan: Automotive - Market to remain stable  
Architectural – little near-term sign of market improvement
    - North America: Automotive – market to stabilize  
Architectural – Ottawa production resuming
    - Rest of the World: Recovery of solar market in South East Asia and continued recovery in South American markets
  - Technical Glass: Continued cost reduction efforts and growth in VA products
- **On track to achieve positive full-year net profit, despite U.S. tax impact**

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

- FY2018 Q3 Results
  - Revision of FY2018 Full-year Forecast
  - Exceptional items
  - Revenue by Business & Regions
  - Trading Profit by Business & Regions
  - Consolidated Cash Flow Summary
  - Consolidated Balance Sheet
  - Exchange Rates

# Revision of FY2018 Full-year Forecast (As announced on 27 December)

## Deferred tax charge due to change in U.S. federal tax rate

- Re-assessed Group's deferred tax position after enactment of U.S. federal tax legislation, which includes reduction of tax rate from 35 percent to 21 percent
- **Non-cash, one-time** tax charge of **JPY 9.6 bil** recognized in Q3
- Reduced tax charge on U.S. profits in the future

## Revision of FY2018 full-year forecast

- **JPY 3.0 bil** improvement in profit before taxation to reflect a reduced level of exceptional and other costs
- Full-year forecast of profit attributable to owners of the parent is **positive**, despite reduction of **JPY 7.0 bil**

Profit attributable to owners of the parent to be positive

# Exceptional Items

| <b>(JPY bn)</b>                                       | <b><u>FY2017</u></b><br><b><u>Q3</u></b> | <b><u>FY2018</u></b><br><b><u>Q3</u></b> |
|---|--|--|
| Gain on disposal of non-current assets                | 7.9                                      | <b>2.1</b>                               |
| Gain on disposal of investments in JVs and associates | 0.9                                      | <b>1.5</b>                               |
| Gain on settlement of insurance proceeds              | -  | <b>1.0</b>                               |
| Gain from exit of business                            | 0.9                                      | -  |
| Suspension of facilities                              | -  | <b>(3.7)</b>                             |
| Restructuring costs                                   | (2.8)                                    | <b>(3.3)</b>                             |
| Impairments of non-current assets                     | (1.6)                                    | <b>(0.5)</b>                             |
| Other items   | 0.1                                      | <b>0.4</b>                               |
|   | 5.4                                      | <b>(2.5)</b>                             |
|   | 5.4                                      | <b>(2.5)</b>                             |

# Revenue by Business & Regions

## FY2017 Q3 v FY2018 Q3

| (JPY bn)                | <u>FY2017</u><br><u>Q3</u> | <u>FY2018</u><br><u>Q3</u> | <u>Change</u> |
|-------------------------|----------------------------|----------------------------|---------------|
| <b>Architectural</b>    | <b>178.1</b>               | <b>182.5</b>               | <b>4.4</b>    |
| Europe                  | 62.9                       | 70.3                       | 7.4           |
| Japan                   | 50.2                       | 48.7                       | (1.5)         |
| North America           | 26.7                       | 23.7                       | (3.0)         |
| Rest of World           | 38.3                       | 39.8                       | 1.5           |
| <b>Automotive</b>       | <b>217.9</b>               | <b>229.6</b>               | <b>11.7</b>   |
| Europe                  | 94.6                       | 100.9                      | 6.3           |
| Japan                   | 40.7                       | 41.9                       | 1.2           |
| North America           | 59.7                       | 60.9                       | 1.2           |
| Rest of World           | 22.9                       | 25.9                       | 3.0           |
| <b>Technical Glass</b>  | <b>34.4</b>                | <b>36.7</b>                | <b>2.3</b>    |
| Europe                  | 4.9                        | 5.6                        | 0.7           |
| Japan                   | 17.9                       | 19.1                       | 1.2           |
| North America           | 0.7                        | 1.0                        | 0.3           |
| Rest of World           | 10.9                       | 11.0                       | 0.1           |
| <b>Other Operations</b> | <b>0.3</b>                 | <b>0.6</b>                 | <b>0.3</b>    |
| Europe                  | 0.0                        | 0.3                        | 0.3           |
| Japan                   | 0.3                        | 0.3                        | 0.0           |
| North America           | 0.0                        | 0.0                        | 0.0           |
| Rest of World           | 0.0                        | 0.0                        | 0.0           |
| <b>Total</b>            | <b>430.7</b>               | <b>449.4</b>               | <b>18.7</b>   |

# Trading Profit by Business & Regions

## FY2017 Q3 v FY2018 Q3

| (JPY bn)         | <u>FY2017</u><br><u>Q3</u> | <u>FY2018</u><br><u>Q3</u> | <u>Change</u> |
|------------------|----------------------------|----------------------------|---------------|
| <b>by SBU</b>    |                            |                            |               |
| Architectural    | 20.8                       | 20.4                       | (0.4)         |
| Automotive       | 7.8                        | 7.7                        | (0.1)         |
| Technical Glass  | 0.4                        | 4.9                        | 4.5           |
| Other Operations | (6.2)                      | (5.6)                      | 0.6           |
| <b>Total</b>     | <b>22.8</b>                | <b>27.4</b>                | <b>4.6</b>    |
| <b>by Region</b> |                            |                            |               |
| Europe           | 5.9                        | 11.1                       | 5.2           |
| Japan            | 0.7                        | 1.9                        | 1.2           |
| North America    | 7.1                        | 5.5                        | (1.6)         |
| Rest of World    | 9.1                        | 8.9                        | (0.2)         |
| <b>Total</b>     | <b>22.8</b>                | <b>27.4</b>                | <b>4.6</b>    |

# Consolidated Cash Flow Summary

**(JPY bn)**

|  | <b><u>FY2017</u></b><br><b><u>Q3</u></b> | <b><u>FY2018</u></b><br><b><u>Q3</u></b> |
|--|--|--|
| Profit for the period  | 5.9                                      | <b>(0.4)</b>                             |
| Depreciation and amortization                                      | 24.2                                     | <b>24.1</b>                              |
| Impairment   | 1.7                                      | <b>0.5</b>                               |
| Gain on disposal of assets and exit of business                    | (9.9)                                    | <b>(2.2)</b>                             |
| Tax paid   | (3.4)                                    | <b>(4.6)</b>                             |
| Others   | (2.6)                                    | <b>3.0</b>                               |
| <b>Net operating cash flows before movement in working capital</b> | <b>15.9</b>                              | <b>20.4</b>                              |
| Net change in working capital                                      | (8.0)                                    | <b>(13.9)</b>                            |
| <b>Net cash flows from operating activities</b>                    | <b>7.9</b>                               | <b>6.5</b>                               |
| Purchase of property, plant and equipment                          | (16.9)                                   | <b>(23.4)</b>                            |
| Disposal proceeds  | 12.9                                     | <b>7.4</b>                               |
| Others   | (0.7)                                    | <b>(1.0)</b>                             |
| <b>Net cash flows from investing activities</b>                    | <b>(4.7)</b>                             | <b>(17.0)</b>                            |
| <b>Free cash flow</b>  | <b>3.2</b>                               | <b>(10.5)</b>                            |



# Consolidated Balance Sheet

| (JPY bn)                            | <u>31-Mar-17</u> | <u>31-Dec-17</u> | <u>Change</u> |
|-------------------------------------|------------------|------------------|---------------|
| <b>Assets</b>                       | <b>790.2</b>     | <b>782.0</b>     | <b>(8.2)</b>  |
| <b>Non-current assets</b>           | <b>527.8</b>     | <b>543.2</b>     | <b>15.4</b>   |
| Goodwill & intangible assets        | 162.3            | 176.2            | 13.9          |
| Property, plant and equipment       | 245.2            | 257.6            | 12.4          |
| Other                               | 120.3            | 109.4            | (10.9)        |
| <b>Current assets</b>               | <b>262.4</b>     | <b>238.8</b>     | <b>(23.6)</b> |
| Cash and cash equivalents           | 84.9             | 51.9             | (33.0)        |
| Other                               | 177.5            | 186.9            | 9.4           |
| <b>Liabilities</b>                  | <b>656.5</b>     | <b>638.2</b>     | <b>(18.3)</b> |
| <b>Current liabilities</b>          | <b>223.2</b>     | <b>246.0</b>     | <b>22.8</b>   |
| Financial liabilities               | 79.8             | 111.6            | 31.8          |
| Other                               | 143.4            | 134.4            | (9.0)         |
| <b>Non-current liabilities</b>      | <b>433.3</b>     | <b>392.2</b>     | <b>(41.1)</b> |
| Financial liabilities               | 319.6            | 276.4            | (43.2)        |
| Other                               | 113.7            | 115.8            | 2.1           |
| <b>Equity</b>                       | <b>133.7</b>     | <b>143.8</b>     | <b>10.1</b>   |
| Shareholders' equity                | 124.1            | 135.1            | 11.0          |
| Non-controlling interests           | 9.6              | 8.7              | (0.9)         |
| <b>Total liabilities and equity</b> | <b>790.2</b>     | <b>782.0</b>     | <b>(8.2)</b>  |

# Exchange Rates

|                     | <b><u>FY2017</u></b><br><b><u>Q3</u></b> | <b><u>FY2017</u></b><br><b><u>Full-year</u></b> | <b><u>FY2018</u></b><br><b><u>Q3</u></b> | <b><u>FY2018</u></b><br><b><u>Forecast</u></b> |
|---------------------|--|---|--|--|
| Average rates used: |  |   |  |  |
| JPY/GBP             | 142                                      | 142   | 146                                      | 140  |
| JPY/USD             | 107                                      | 108   | 111                                      | 110  |
| JPY/EUR             | 118                                      | 119   | 128                                      | 120  |
| Closing rates used: |  |   |  |  |
| JPY/GBP             | 144                                      | 139   | 152                                      |  |
| JPY/USD             | 117                                      | 111   | 113                                      |  |
| JPY/EUR             | 122                                      | 119   | 136                                      |  |

**NSG**

**GROUP**