

31 January 2019

**Key Questions and Answers at FY2019 Third Quarter Results Announcement**

- Q: Regarding the change analysis of trading profit, there is a cumulative negative variance of JPY3 billion for "Cost savings and other" on slide 7 and a negative variance of JPY1 billion should be in the third quarter. What are the factors? [P7 of Financial Results Presentation]
- A: The main factor is a cost increase in relation to developing new products in Architectural Glass North America. We expect higher cost to continue into the fourth quarter but to be resolved in next financial year, FY2020.
- Q: Please explain the increased competition in Architectural Glass Southeast Asia. [P10 of Financial Results Presentation]
- A: Our competitors have been increasing their production capacity in Southeast Asia, especially in Malaysia, which is affecting our conventional architectural glass business in the region. On the other hand, solar glass revenue is increasing as our key customer's re-tooling progresses.
- Q: Automotive Glass Europe, which is usually a significant profit contributor in a fourth quarter, started slowing down during the third quarter. What made you forecast year-on-year revenue and profit increase in the fourth quarter? [P13 & 14 of Financial Results Presentation]
- A: We expect year-on-year revenue growth trend up to the third quarter to remain unchanged. As for trading profit, the benefits of additional cost improvement initiatives we are taking against a backdrop of softening automotive markets in Europe will contribute in the fourth quarter.
- Q: Regarding the downward revision to full-year trading profit forecast, how big is the downward revision in Architectural and Automotive Glass and upward one in Technical Glass? [P14 of Financial Results Presentation]
- A: We do not disclose our forecasts by business segments. However, given the smaller size of Technical Glass business, its improvement will be more than offset by weaker forecast in larger Architectural and Automotive Glass businesses. As a result, trading profit for the Group is expected to be below our original forecast.
- Q: Will the downward revision of trading profit negatively affect free cash flow for the full year?
- A: Cumulative free cash flow at the end of the third quarter is less than the previous year due to an increase in working capital and non-recurrence of non-core asset disposal included in the previous year. We plan to improve free cash flow in the fourth quarter.
- Q: Will the recent lower crude oil prices have benefits going forward?
- A: We mainly use natural gas in Europe and Americas and its prices are not necessarily linked to the movement of crude oil prices. Though hedging is in place, the higher prices of natural gas are expected to continue to have a negative impact in the fourth quarter.

- Q: As for the hyperinflation accounting in Argentina, please explain how much risk you assume going forward. [P24 of Financial Results Presentation]
- A: For the consolidation of income statement, instead of the usual average exchange rate, the closing rate, which tends to be more volatile, is used under the hyperinflation accounting. The significant part of exchange rate impact had been accounted in the second quarter and little was recognized in the third quarter as the Argentine currency stabilized. We believe that risk would be limited if the exchange rate should remain stable going forward. We have one float line in Argentina and it can be a guideline as to the size of business there.
- Q: What is your view for FY2020? Will you continue the improvement by driving VA shift and cost reduction?
- A: We are in the process of making FY2020 budget and the situation of Automotive Glass in Europe will be reflected. Our guideline is the Medium-term Plan and we will continue to make every effort in driving the VA shift and cost reduction.
- Q: In case of the no-deal Brexit, what would be its impact on your business?
- A: Architectural Glass is a regional business and the impact would be limited. Automotive Glass operates across Europe and we are making preparations so that the supply to vehicle manufacturers would not be disrupted. Since the transactions are Euro-denominated throughout Europe, Sterling Pound fluctuations, if any, would not affect our results.

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 and laws and regulations, but not limited.