NSG

GROUP

# NSG Group

## FY2017 Quarter 1 Results

**(from 1 April 2016 to 30 June 2016)**

Nippon Sheet Glass Co., Ltd.
29 July 2016


Thank you for joining us for this NSG Group FY2017 Quarter 1 financial results presentation.

I am Kenichi Morooka, CFO of the NSG Group.

With me today are Clemens Miller, COO, and Iain Smith, Financial Director – Global Finance.

## FY2017 Quarter 1 Results
**(from 1 April 2016 to 30 June 2016)**

NSG GROUP

### Agenda

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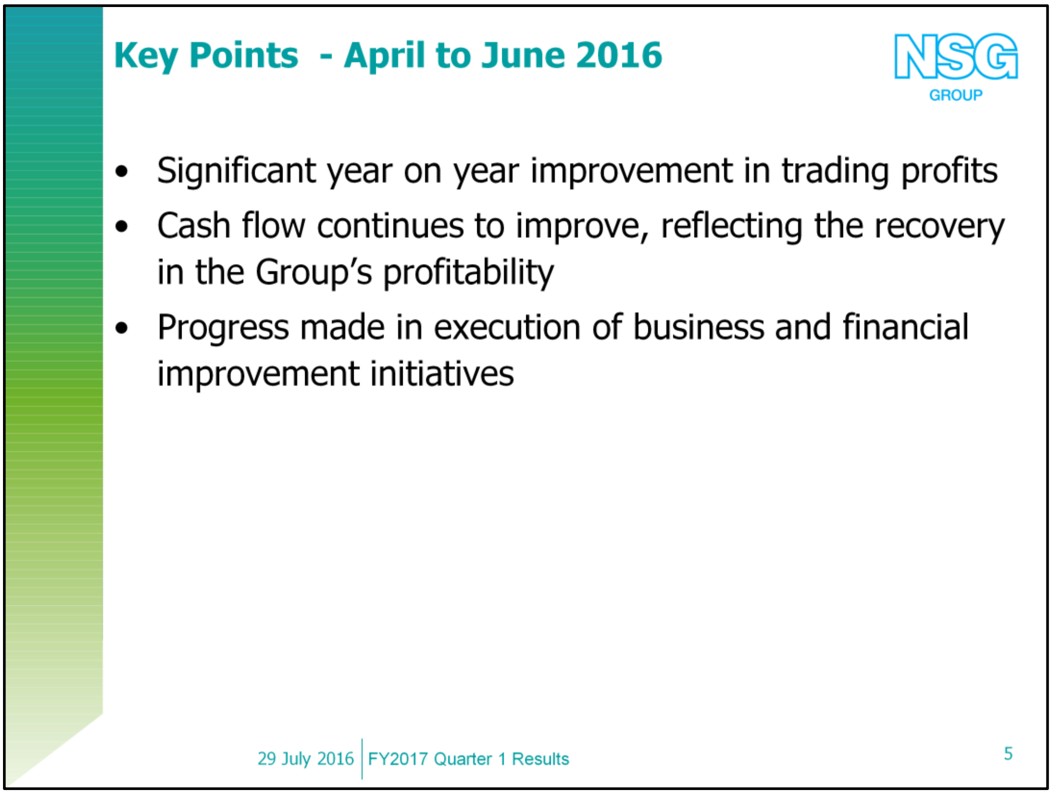
Slide 4 shows the agenda for today's presentation.

I will discuss the items on this agenda.




Turning to page 5. The key points for the FY2017 Quarter 1 results which were announced this afternoon to the Tokyo Stock Exchange, are presented on this slide.

Our trading profit showed a significant improvement from the previous year, supported by a continued recovery of our key European markets, together with lower input costs and further operational improvements.

The Group's cash flow also continues to improve, reflecting the improving trend of the Group's profitability, supported by disposals of non-current assets.

The Group has made progress in the execution of its business and financial improvement initiatives. The exit from the rolled glass business in China, and the temporary suspension of production at the thin flat glass line in Vietnam were executed during this quarter, and such actions have lessened the risk of posting further losses. In terms of financial improvement initiatives, corporate bonds have been redeemed as planned and negotiations for refinancing are underway.

Now, for the key points regarding each region – we have seen improvements in both Architectural and Automotive markets in Europe, which are reflected in our performance.
In Japan, both Architectural and Automotive markets have been soft, and our profits were lower than the previous year.
Our Automotive businesses in South America continue to suffer from difficult market conditions in the region.
However, our Architectural businesses in North America, South America and South East Asia posted significantly improved results.

## FY2017 Quarter 1 Results
### (from 1 April 2016 to 30 June 2016)

NSG GROUP

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## Consolidated Income Statement

NSG GROUP

| (JPY bn) | FY2017 Q1 | FY2016 Q1 | Change from FY2016 |
|---|---|---|---|
| **Revenue** | **150.5** | **162.1** | -7% [2] |
| **Trading profit** | **8.9** | **5.2** | 71% [3] |
| Amortization [1] | (1.8) | (2.1) | |
| **Operating profit** | **7.1** | **3.1** | |
| Exceptional items | 7.8 | (0.6) | |
| Finance expenses (net) | (4.2) | (4.2) | |
| Share of JVs and associates | - | (0.1) | |
| **Profit/(loss) before taxation** | **10.7** | **(1.8)** | |
| **Profit/(loss) for the period** | **4.4** | **(0.5)** | |
| **Profit/(loss) attributable to owners of the parent** | **3.9** | **(1.4)** | |
| EBITDA | 16.2 | 13.7 | 18% |

1 Amortization arising from the acquisition of Pilkington plc only
2 Increase of 4.5% based on constant exchange rates
3 Increase of 97% based on constant exchange rates

**Improved profitability despite strengthened yen**



Moving to slide 7. Here we can see the income statement in the usual format.

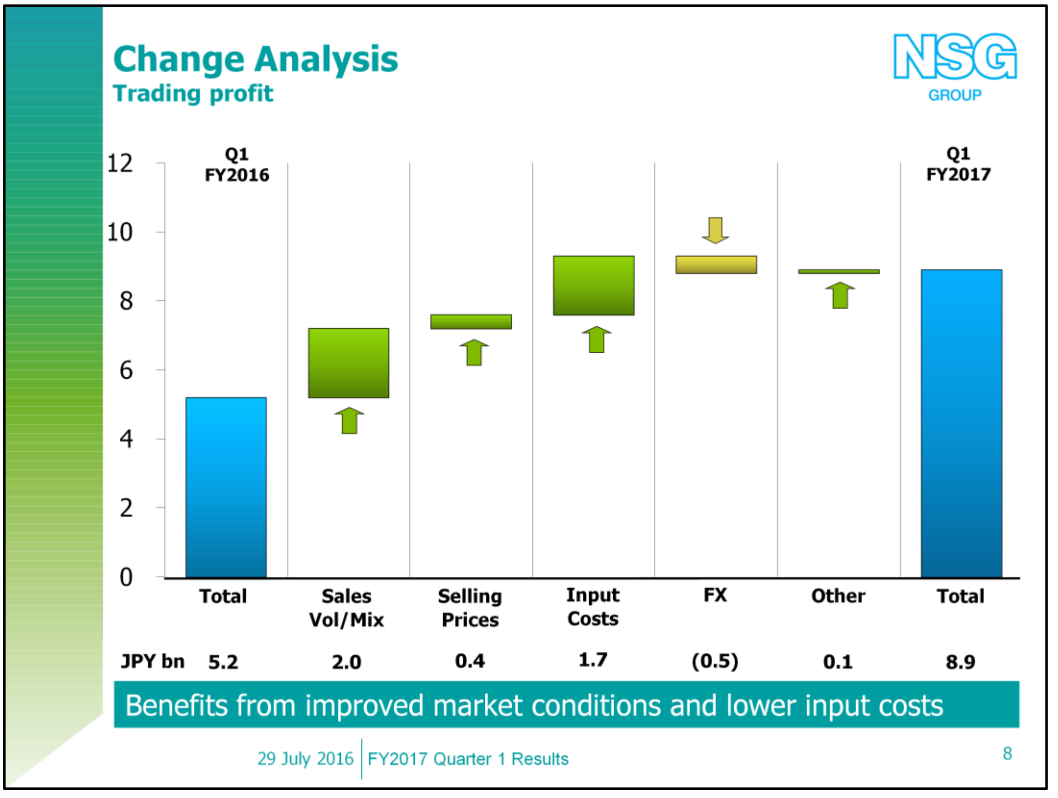
Revenue of 150.5bn yen has decreased by 7 percent from the previous year. At constant exchange rates, revenue would have increased by 4.5 percent.

Trading profit increased by 3.7 bn yen to 8.9 bn yen. At constant exchange rates, the trading profit would have almost doubled.

A recovery of European markets, lower input costs and operational improvements have each contributed to this improvement.

In Exceptional items, the Group has posted gains from sale and lease back transactions and the disposal of investments, which together with other items, amounted to 7.8 bn yen overall.

Net financial expenses and the Group's share of joint ventures and associates losses were similar to the previous year.




On slide 8 we can see an explanation of the year on year movement in trading profits.

Volumes increased in our Automotive businesses particularly in Europe and North America whilst prices have improved in Architectural, again particularly in Europe and North America.

The Group has benefitted from lower energy costs, some which were offset by increased raw material prices.

Our profits have been adversely affected by foreign exchange movements during the quarter, and the FX shown on the chart is the effect of applying current year exchange rates to the previous year profit.

## Exceptional Items

NSG GROUP

| (JPY bn) | FY2017 Q1 | FY2016 Q1 |
|---|---|---|
| Gain on disposal of non-current assets | **7.7** | - |
| Gain from exit of business | **0.9** | - |
| Gain on disposal of investments in associates | **0.7** | - |
| Gain on dilution in associate | **-** | 0.1 |
| Restructuring costs | **(0.7)** | (0.3) |
| Impairment of non-current assets | **(0.7)** | - |
| Settlement of litigation matters | **(0.1)** | (0.4) |
| | **7.8** | (0.6) |

Exceptional gains from disposal of non-current assets



On slide 9, we can see the breakdown of exceptional items.

We have posted net exceptional gains of 7.8 bn yen, mainly due to the execution of sale and lease back transactions in Japan and Malaysia.

## Consolidated Cash Flow Summary

NSG GROUP

| (JPY bn) | FY2017 Q1 | FY2016 Q1 |
|---|---|---|
| Profit/(loss) for the period | 4.4 | (0.5) |
| Depreciation and amortization | 9.1 | 10.6 |
| Impairment | 0.7 | - |
| Gain on disposal of assets and exit of business | (9.4) | - |
| Tax paid | (1.9) | (1.2) |
| Others | 6.2 | (5.5) |
| **Net operating cash flows before movement in working capital** | **9.1** | **3.4** |
| Net change in working capital | (11.1) | (14.9) |
| **Net cash outflows from operating activities** | **(2.0)** | **(11.5)** |
| Purchase of property, plant and equipment | (7.8) | (8.6) |
| Disposal proceeds | 8.6 | - |
| Others | (0.5) | (0.3) |
| **Net cash inflows/(outflows) from investing activities** | **0.3** | **(8.9)** |
| **Cash flow before financing activities** | **(1.7)** | **(20.4)** |

Operating cash flow driven by improved profit

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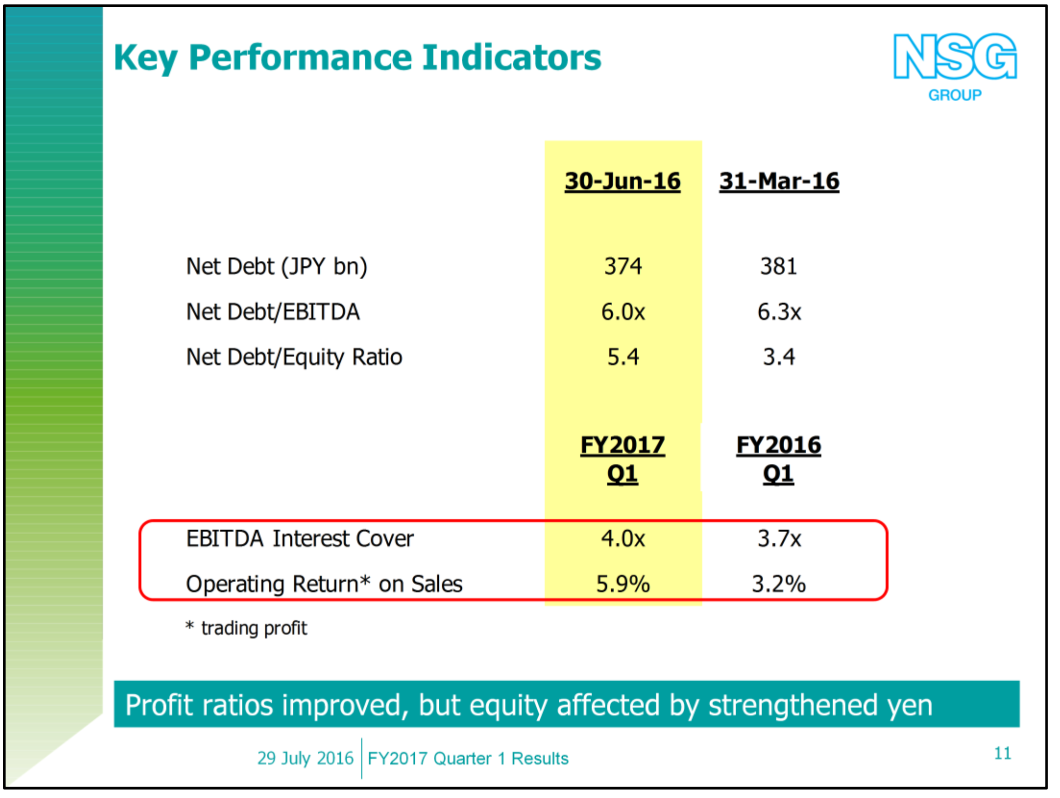
Turning to slide 10, this slide shows the consolidated cash flow.

The line highlighted by the red box shows that there has been a strong improvement in operating cash flow from the previous year, supported by the improvement in operating profit.

Despite the seasonal negative working capital movement, cash flow before financing activities have improved significantly from the previous year,  with the help of disposal proceeds.




On slide 11 we show the key financial ratios.

The Net Debt/EBITDA ratio continues to gradually improve, and both of the income statement ratios, highlighted by the red box, benefitted from improvements in the Group's underlying profitability. Our return on sales increased to 5.9 percent.

The Net Debt/Equity ratio has worsened from March, as the Group's equity was affected by the strengthened Japanese yen.

## FY2017 Quarter 1 Results
### (from 1 April 2016 to 30 June 2016)

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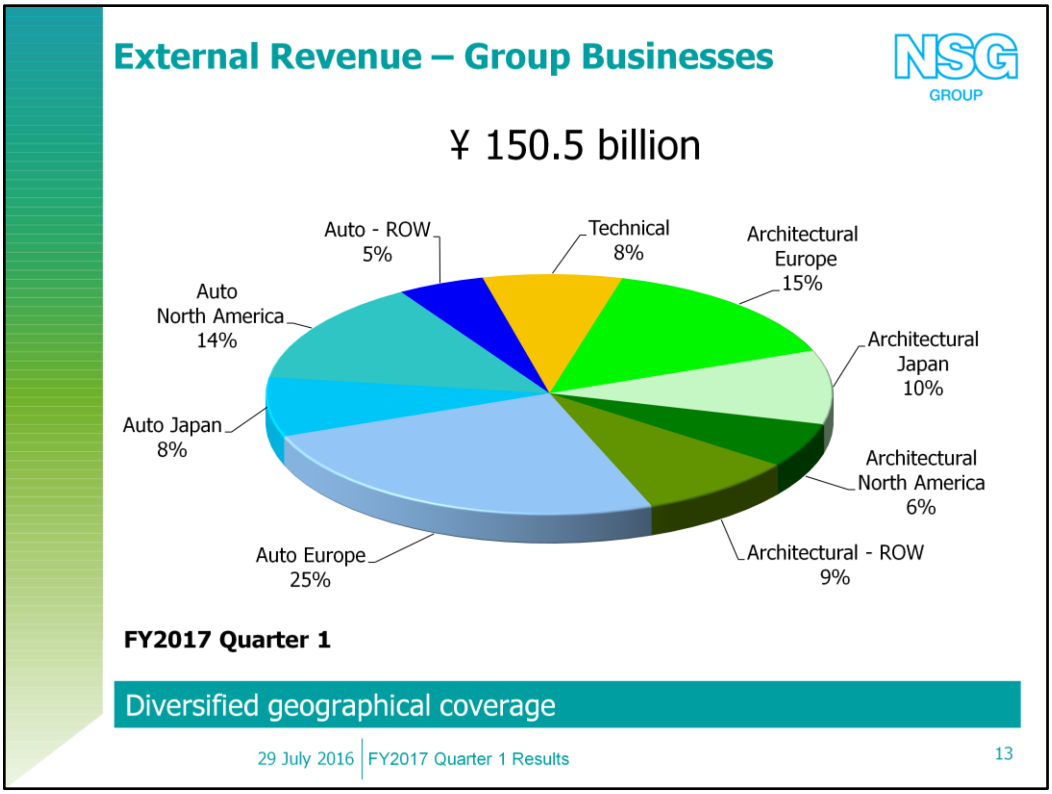
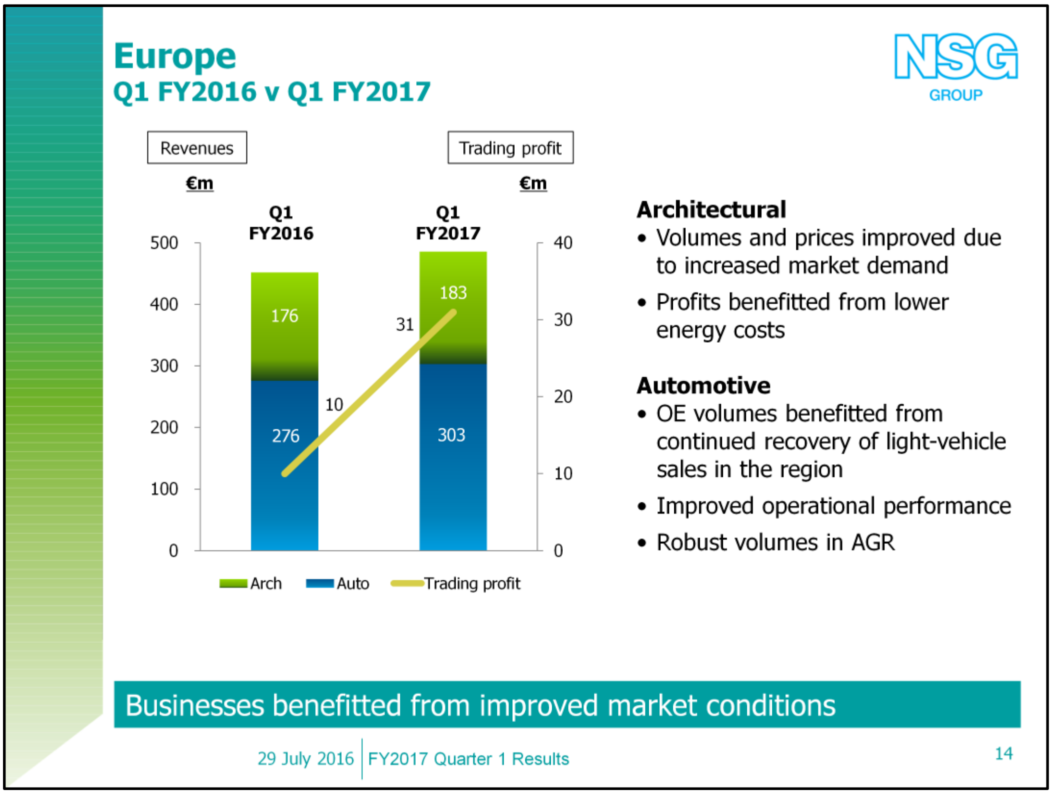



Now turning to slide 13.

This slide shows the proportion of sales generated by each of the Group's business segments.

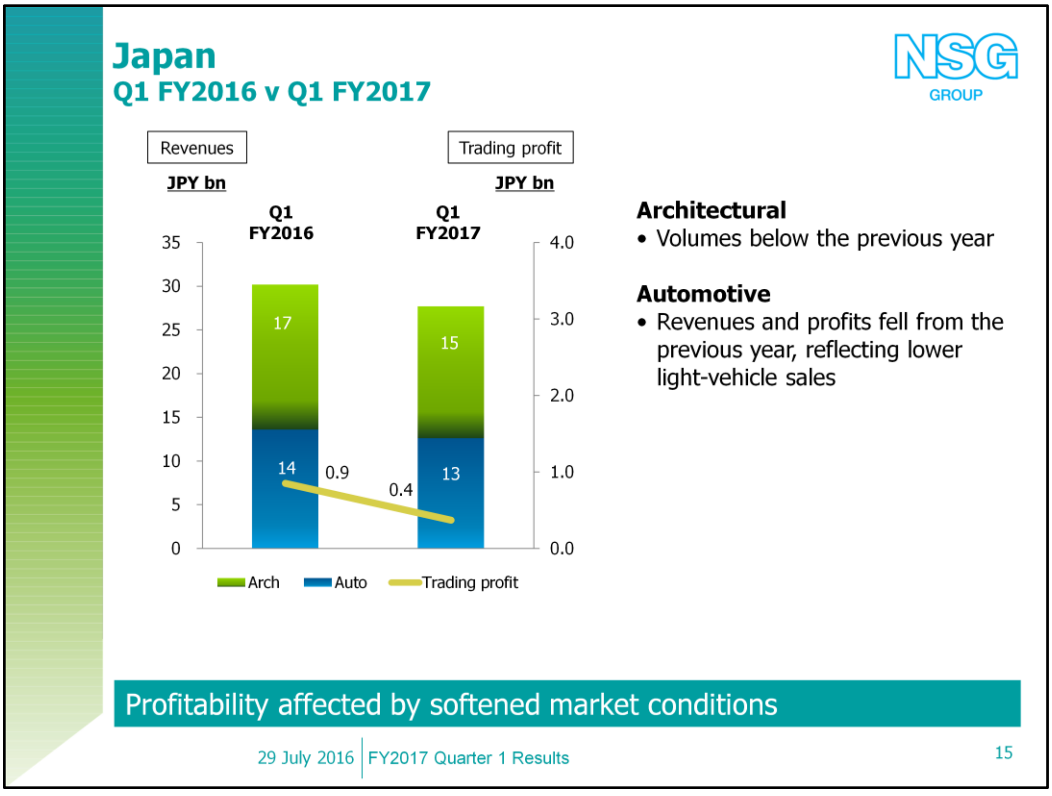
40 percent of the Group's sales are in Europe, 23 percent in Japan, 21 percent in North America and 16 percent in the rest of the world.




Moving to slide 14, we can see the performance of the Group's flat glass businesses in Europe.

Our volumes and prices improved as demand in European architectural markets increased. Profits also benefitted from lower energy costs.

In Automotive, volumes increased as the recovery of light-vehicle sales in the region continued. An improvement in our operational performance also contributed to the improved profits.

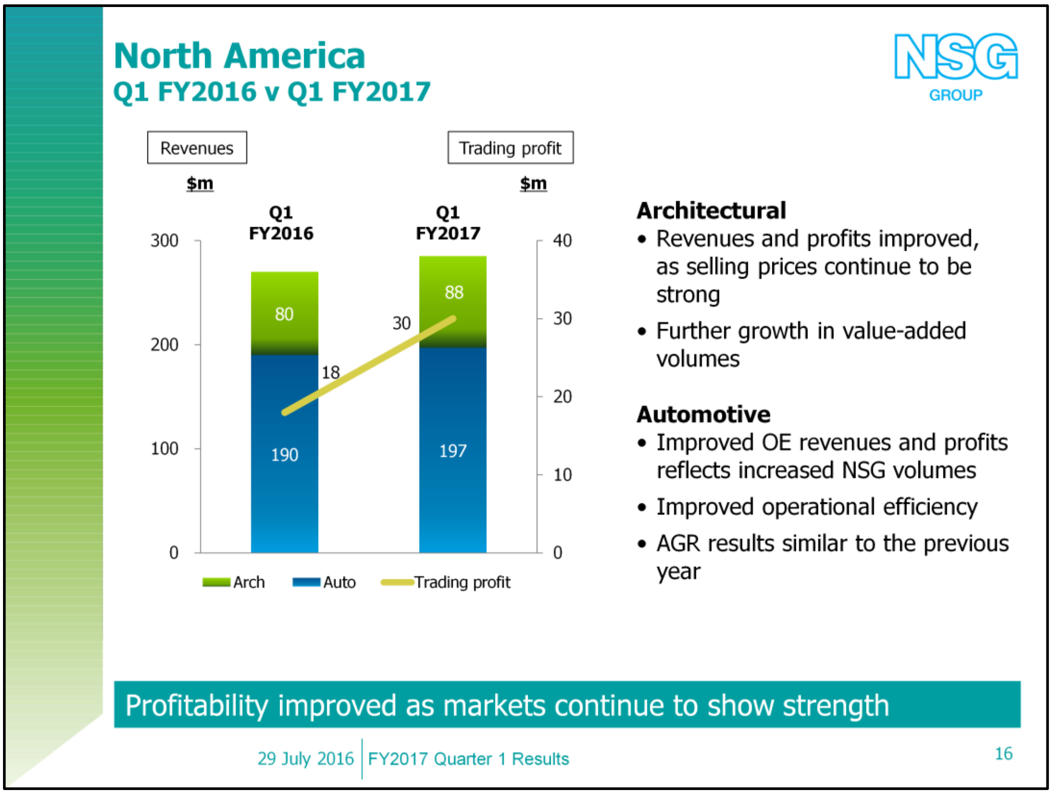



Slide 15 is Japan.

The performance of both the Architectural and Automotive businesses were affected by the softened market conditions.

In Architectural, our markets continue to be soft in both commercial and residential sectors.

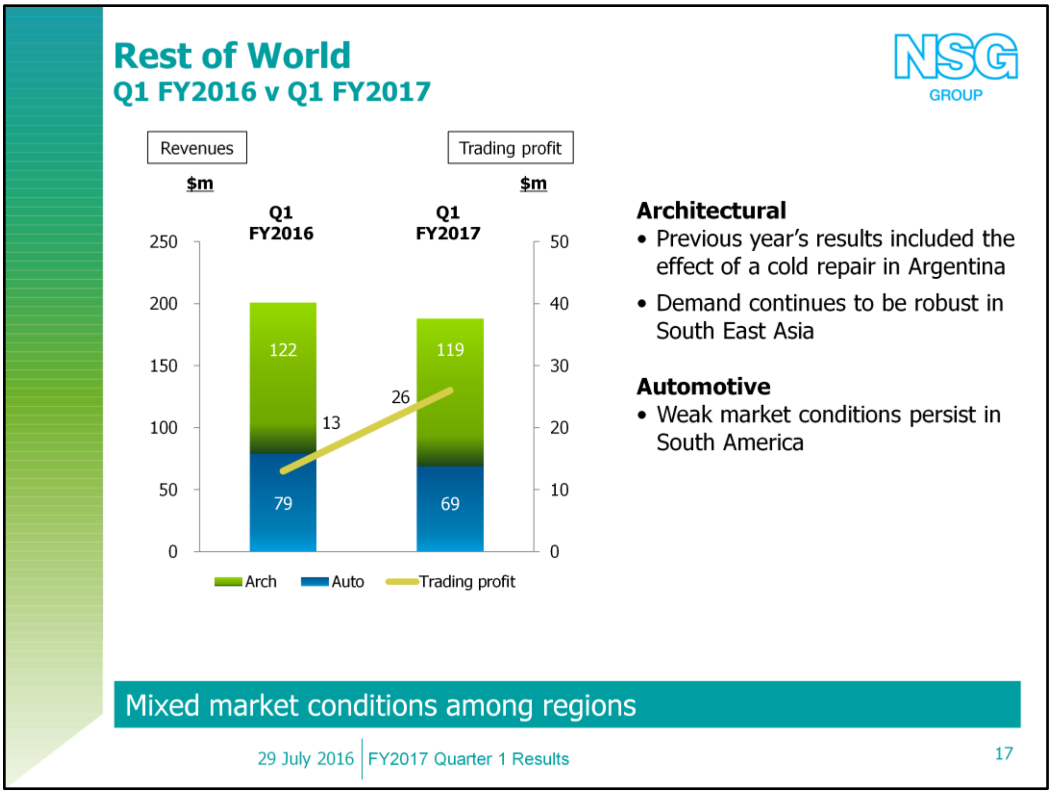
In Automotive, volumes were affected by a decline in light-vehicle sales from the previous year.




Turning to North America on slide 16.

The performance in Architectural continues to be strong, benefitting from higher prices supported by robust demand. Further growth in value-added volumes also contributed to the improvement.

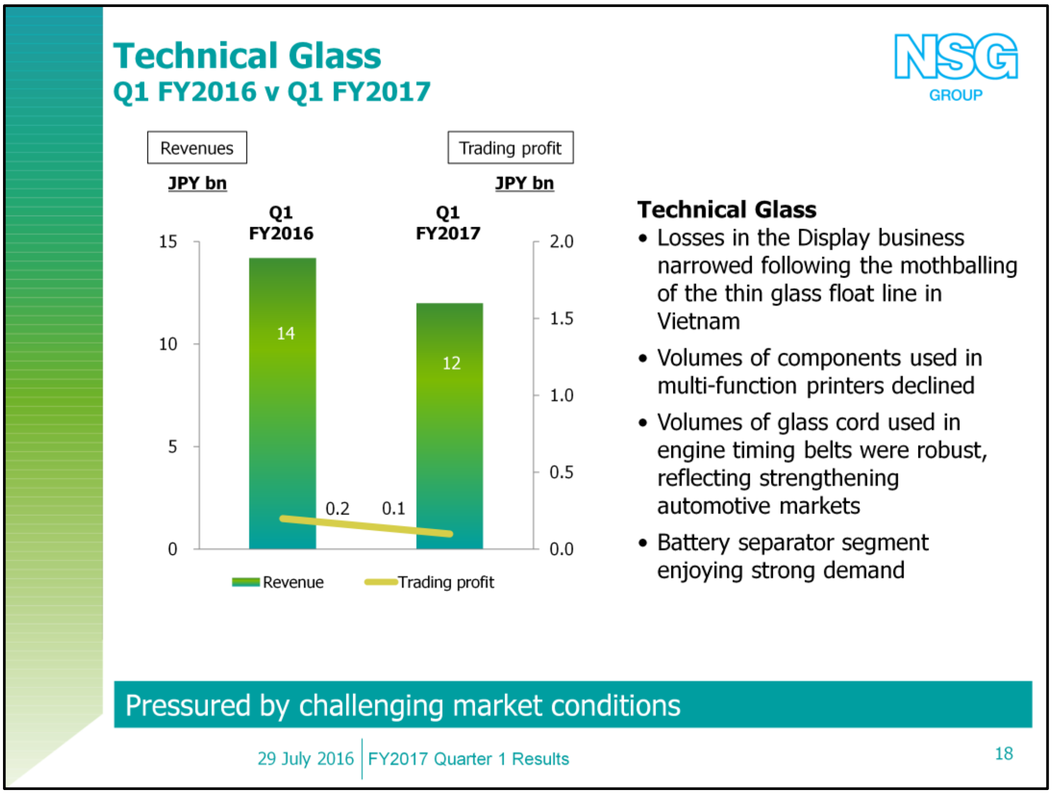
Automotive performance improved from the previous year, as NSG volumes increased. Improved operational efficiency also contributed to the profit improvement.




Page 17 is Rest of the World.

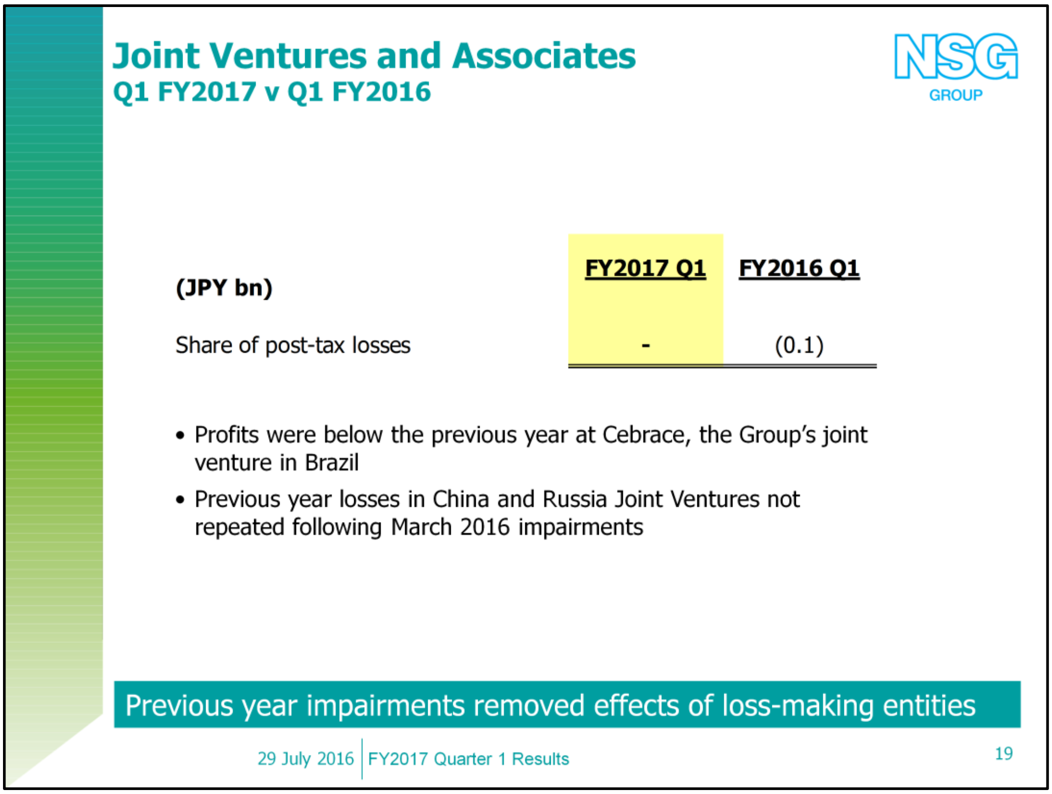
Our Architectural businesses in South America have performed well, despite the difficult market conditions. The previous year's results included the adverse effect of a cold repair in Argentina.
Our businesses in South East Asia continue to enjoy robust demand.

Our Automotive businesses in South America continue to suffer from the weak market conditions, with a further decline in light-vehicle sales from the previous year.




Turning to slide 18, Technical Glass.

Profits of the Technical Glass business were similar to the previous year. Losses in the Display business narrowed following the mothballing of the thin glass float line in Vietnam, and volumes of components used in multi-function printers declined due to softened market conditions. Glass cord used in timing belts enjoyed strong demand as did battery separators.




Slide 19 shows the Group's share of the post-tax losses of joint ventures and associates.

The share of post-tax loss is almost zero, which is similar to the previous year.

The profits of Cebrace, the Group's joint venture in Brazil were below the previous year, while previous year losses from China and Russia Joint Ventures were not repeated following the impairments in March 2016.

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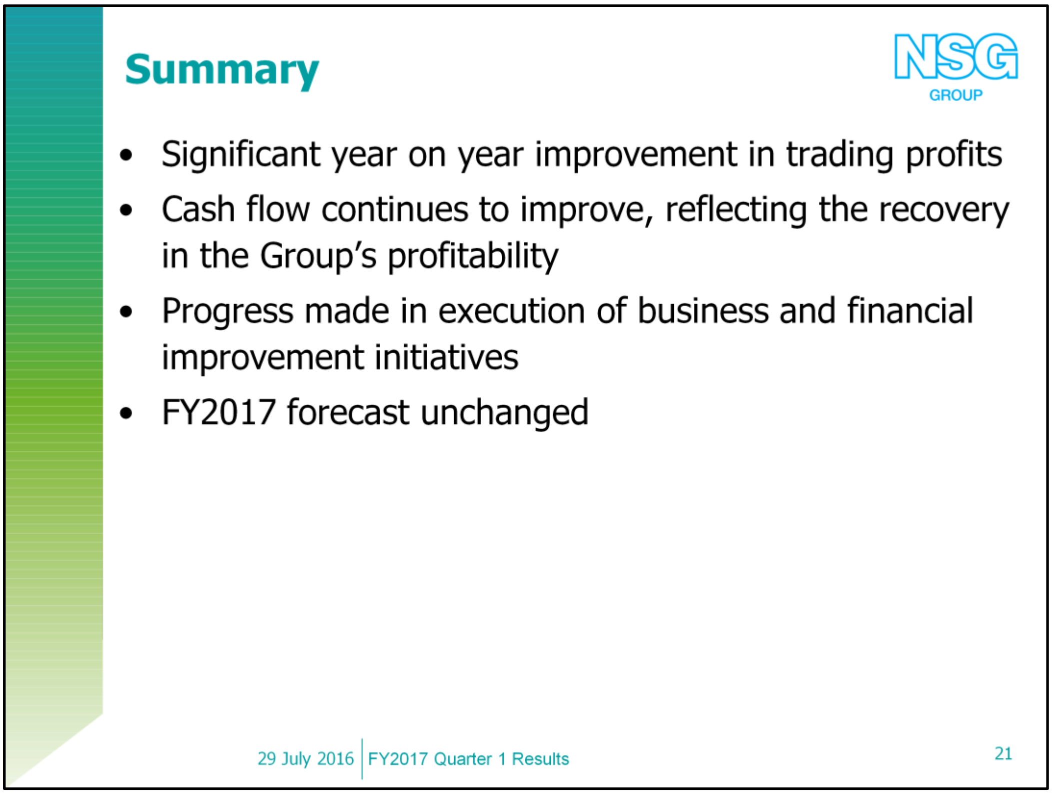



Slide 21 is the summary of today's presentation.

Our trading profit showed a significant improvement from the previous year, supported by the recovery in European markets, lower input costs and operational improvements.

The Group's cash flow continues to improve, reflecting the improving trend of the Group's profitability.

The Group has made progress in the execution of its business and financial improvement initiatives.

Our FY2017 forecast remains unchanged, as we expect the improving trend of underlying operating profitability to continue, and the translational impact of strengthening yen should not outweigh this.

A comprehensive update of the MTP will be communicated alongside the FY2017 Q2 results.

Thank you very much.

# 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 Co., Ltd.

# Appendices

## Revenue by Business
### FY2017 Q1 v FY2016 Q1

| (JPY bn) | FY2017 Q1 | FY2016 Q1 | Change |
|---|---|---|---|
| **Architectural** | **59.9** | **64.7** | **(4.8)** |
| Europe | 22.3 | 23.5 | (1.2) |
| Japan | 15.1 | 16.6 | (1.5) |
| North America | 9.6 | 9.7 | (0.1) |
| Rest of World | 12.9 | 14.9 | (2.0) |
| **Automotive** | **78.5** | **83.1** | **(4.6)** |
| Europe | 37.0 | 36.9 | 0.1 |
| Japan | 12.6 | 13.6 | (1.0) |
| North America | 21.4 | 23.1 | (1.7) |
| Rest of World | 7.5 | 9.5 | (2.0) |
| **Technical Glass** | **12.0** | **14.2** | **(2.2)** |
| Europe | 1.8 | 2.1 | (0.3) |
| Japan | 6.2 | 7.0 | (0.8) |
| North America | 0.3 | 0.3 | 0.0 |
| Rest of World | 3.7 | 4.8 | (1.1) |
| **Other Operations** | **0.1** | **0.1** | **0.0** |
| Europe | 0.0 | 0.0 | 0.0 |
| Japan | 0.1 | 0.1 | 0.0 |
| North America | 0.0 | 0.0 | 0.0 |
| Rest of World | 0.0 | 0.0 | 0.0 |
| **Total** | **150.5** | **162.1** | **(11.6)** |

## Trading profit
### FY2017 Q1 v FY2016 Q1

NSG GROUP

| (JPY bn) | FY2017 Q1 | FY2016 Q1 | Change |
|---|---|---|---|
| **by SBU** | | | |
| Architectural | 6.5 | 3.3 | 3.2 |
| Automotive | 3.7 | 2.6 | 1.1 |
| Technical Glass | 0.1 | 0.2 | (0.1) |
| Other Operations | (1.4) | (0.9) | (0.5) |
| Total | 8.9 | 5.2 | 3.7 |
| **by Region** | | | |
| Europe | 3.5 | 1.4 | 2.1 |
| Japan | (0.6) | 0.7 | (1.3) |
| North America | 3.1 | 2.1 | 1.0 |
| Rest of World | 2.9 | 1.0 | 1.9 |
| Total | 8.9 | 5.2 | 3.7 |

# Consolidated Balance Sheet

NSG GROUP

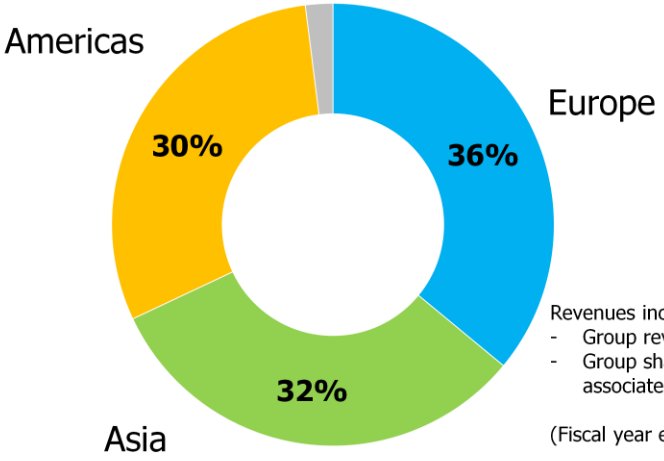
| (JPY bn) | 30-Jun-16 | 31-Mar-16 | Change |
|---|---|---|---|
| **Assets** | **742.7** | **812.1** | **(69.4)** |
| **Non-current assets** | **501.3** | **571.4** | **(70.1)** |
| Goodwill & intangible assets | 154.3 | 176.4 | (22.1) |
| Property, plant and equipment | 236.2 | 258.9 | (22.7) |
| Other | 110.8 | 136.1 | (25.3) |
| **Current assets** | **241.4** | **240.7** | **0.7** |
| Cash and cash equivalents | 55.9 | 55.1 | 0.8 |
| Other | 185.5 | 185.6 | (0.1) |
| **Liabilities** | **674.0** | **700.1** | **(26.1)** |
| **Current liabilities** | **284.9** | **285.9** | **(1.0)** |
| Financial liabilities | 156.2 | 143.5 | 12.7 |
| Other | 128.7 | 142.4 | (13.7) |
| **Non-current liabilities** | **389.1** | **414.2** | **(25.1)** |
| Financial liabilities | 278.1 | 293.4 | (15.3) |
| Other | 111.0 | 120.8 | (9.8) |
| **Equity** | **68.7** | **112.0** | **(43.3)** |
| Shareholders' equity | 60.4 | 103.1 | (42.7) |
| Non-controlling interests | 8.3 | 8.9 | (0.6) |
| **Total liabilities and equity** | **742.7** | **812.1** | **(69.4)** |

# Exchange Rates

NSG GROUP

| | FY2016 Q1 | FY2016 Full-year | FY2017 Q1 |
|---|---|---|---|
| Average rates used: | | | |
| JPY/GBP | 186 | 181 | 155 |
| JPY/USD | 122 | 120 | 108 |
| JPY/EUR | 134 | 132 | 122 |
| Closing rates used: | | | |
| JPY/GBP | 192 | 161 | 138 |
| JPY/USD | 122 | 113 | 103 |
| JPY/EUR | 136 | 127 | 114 |

## NSG Group Revenues by Geographical Destination (FY2016)




Revenues include:
- Group revenues: JPY 629 bn; and
- Group share of Joint Ventures & associates revenues: JPY 48bn

(Fiscal year ended 31 March 2016)

**Balanced presence in Europe, Asia and Americas**

# Depreciation & Amortization, CAPEX

NSG GROUP

| **(JPY bn)** | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 Q1 |
|---|---|---|---|---|---|---|
| Depreciation and Amortization | 38.7 | 36.6 | 40.4 | 41.7 | 40.9 | 9.1 |
| Capital expenditures | 34.7 | 26.0 | 31.6 | 36.6 | 28.2 | 8.1 |
| R&D expenditures | 8.0 | 7.3 | 7.9 | 8.2 | 9.8 | 2.2 |

# EU Economic Indices - Architectural

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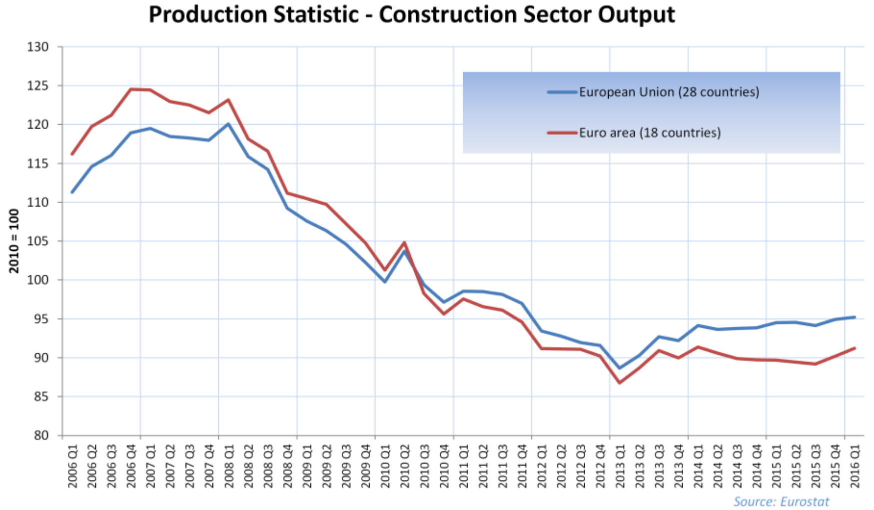
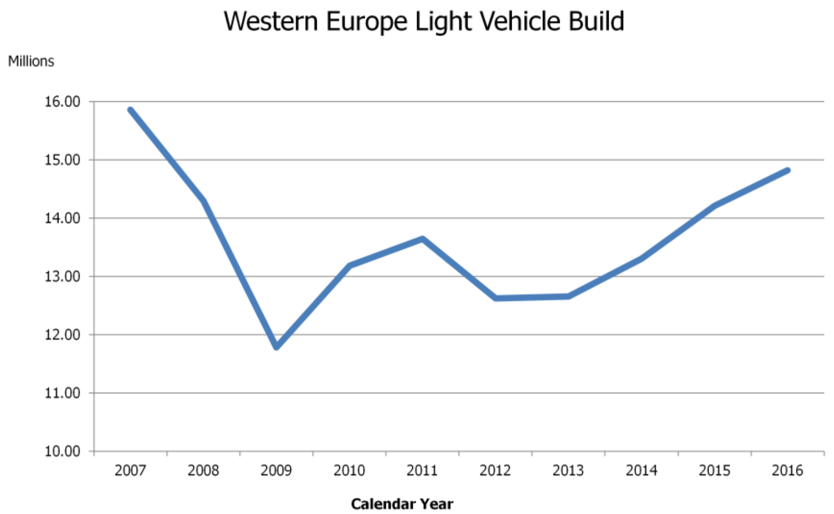


# EU Economic Indices - Automotive




*Source: : IHS Jul 2016, LMC Jun 2016*

# Brief Guide to NSG Group

## NSG Today

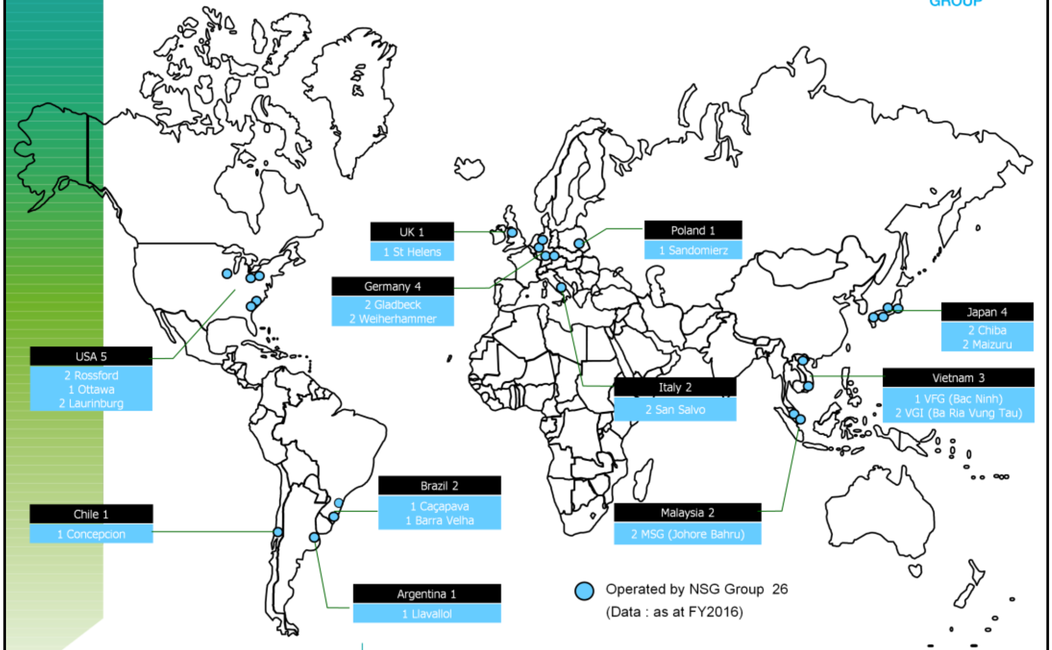
- One of the world's largest manufacturers of glass and glazing products for the Architectural, Automotive and Technical Glass sectors
  - World leader in float glass technology and coatings
  - Supplying the world's leading vehicle manufacturers
  - Leading player in thin glass for displays, lenses and light guides for printers and glasscord, etc.
- Principal operations in 28 countries, with sales in over 130 countries
- 26 float lines worldwide
- Approximately 27,000 employees globally

(Reference) Consolidated revenue: JPY 629 billion (FY2016)

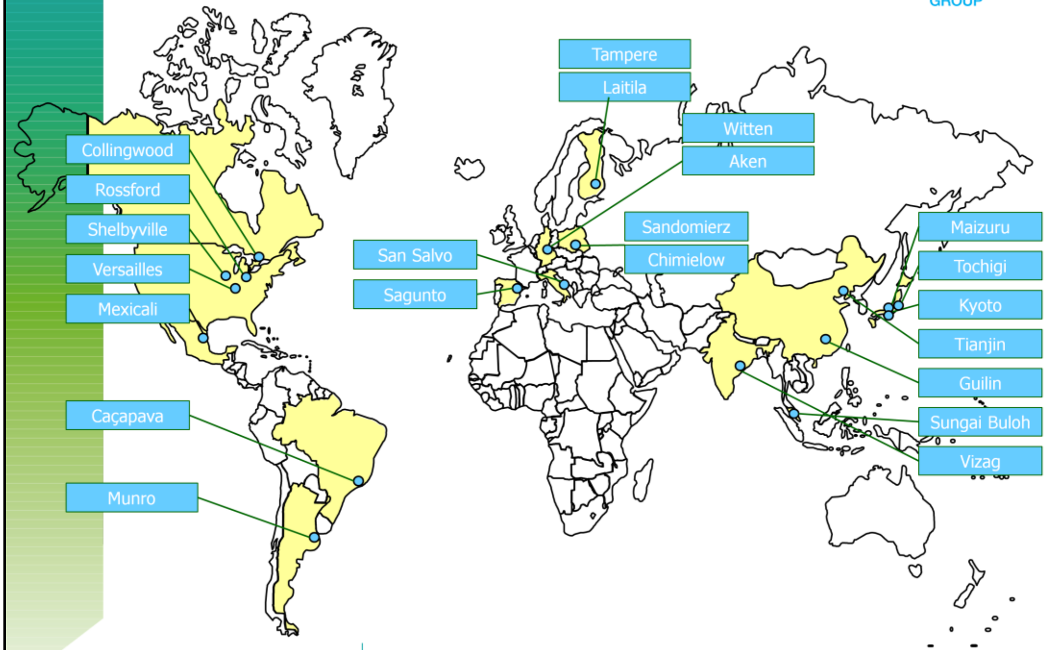
# Company History

| | |
|---|---|
| Nov 1918 | Obtained the flat glass technology (Colburn process) rom Libbey-Owens-Ford Glass Corporation of the United States.<br>Established as America Japan Sheet Glass Co., Ltd. with its head office in Osaka. |
| Jan 1931 | Changed the company name to Nippon Sheet Glass Co., Ltd. |
| Feb 1965 | Installed a new float glass manufacturing process at the Maizuru Plant in Kyoto, Japan. |
| Nov 1968 | Developed "SELFOC®" (Joint Development with NEC Corporation). |
| Nov 1971 | Established Malaysian Sheet Glass Sdn Bhd in Malaysia. |
| Mar 1995 | Established Vietnam Float Glass Co., Ltd. |
| Oct 1997 | Developed "Spacia™" vacuum glazing. |
| Oct 2001 | Affiliated with Pilkington Plc. under the equity method. |
| Jul 2004 | Changed the registered address of head office from Osaka to Kaigain, Minato-ku, Tokyo. |
| Jun 2006 | Acquired the remaining 80% equity of Pilkington Plc. and made it a subsidiary. |
| Feb 2007 | Changed the registered address of head office to Mita, Minato-ku, Tokyo. |
| Jun 2008 | Changed the Board to the "Company with Committees" structure. |
| Apr 2011 | Adopted the International Financial Reporting Standards (IFRS). |

# Global Float Operations



# Global Automotive Operations



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