

NSG

GROUP



NSG Group

FY2021 Quarter 2 Results

(from 1 April 2020 to 30 September 2020)

Nippon Sheet Glass Company, Limited
5 November 2020

Shigeki Mori

Chief Executive Officer

Reiko Kusunose

Chief Financial Officer

Clemens Miller

Chief Operating Officer

Agenda

1. FY2021 Quarter 2 Financial Results
2. FY2021 Quarter 2 Business Update
3. FY2021 Forecast
4. Urgent Cost Saving Project and Liquidity
5. Execution of Business Transformation
6. Summary

Consolidated Income Statement



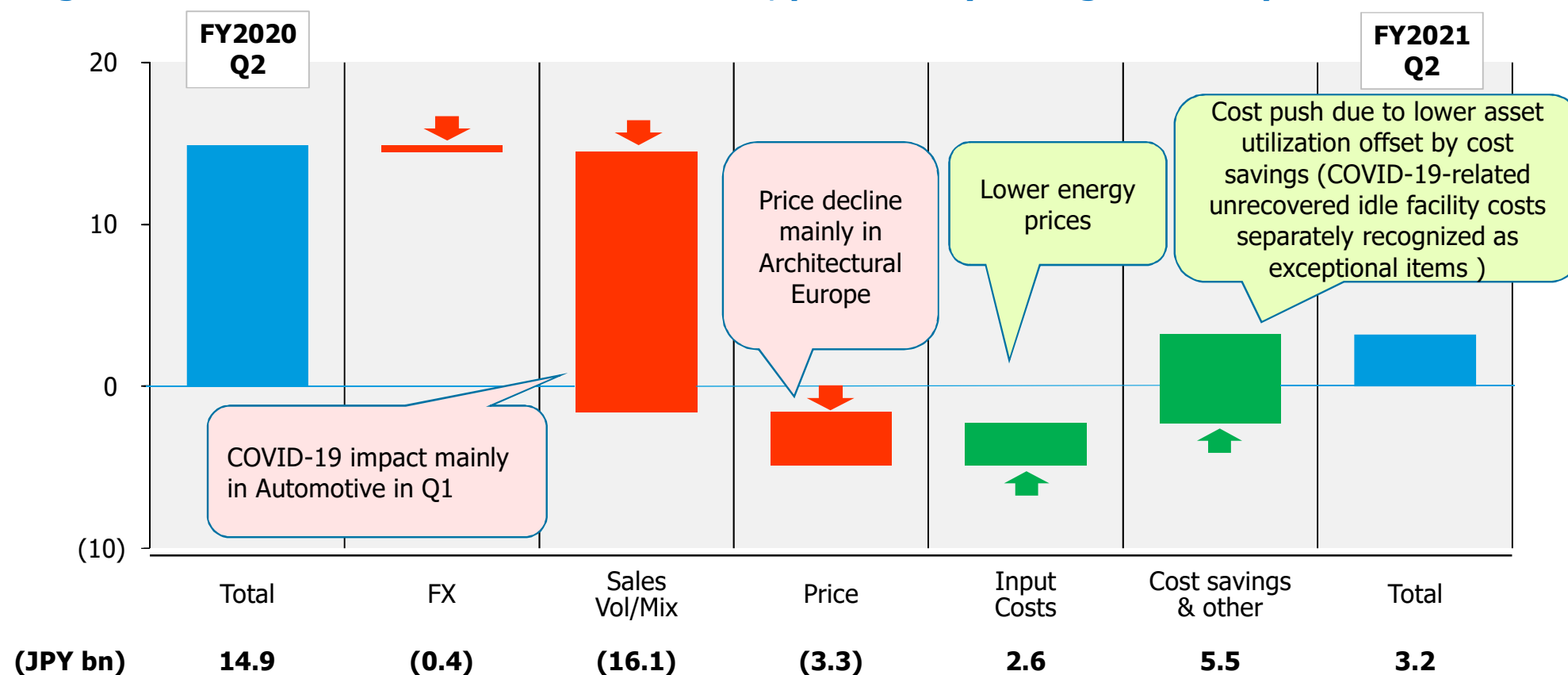
Significant recovery during Q2 supported also by cost saving efforts, resulting in operating profit after Covid-related exceptional items

(JPY bn)

	FY2020			FY2021			Cumulative change
	Q1	Q2	Cumulative	Q1	Q2	Cumulative	
Revenue	147.1	141.5	288.6	91.9	129.6	221.5	(67.1)
Operating profit	8.8	6.1	14.9	(0.6)	3.8	3.2	Turned positive for H1
ROS: Return on sales (%)	6.0%	4.3%	5.2%	—	2.9%	1.4%	
Exceptional items (COVID-19 related)	—	—	—	(11.5)	(1.3)	(12.8)	Turned positive for quarter
Operating (loss)/profit after COVID-19 related exceptional items	8.8	6.1	14.9	(12.1)	2.5	(9.6)	
Exceptional items (Other)	(0.6)	(1.6)	(2.2)	(0.0)	(0.8)	(0.8)	
Finance expenses (net)	(3.5)	(2.8)	(6.3)	(2.4)	(3.0)	(5.4)	
Share of JVs and associates' (losses)/profits	0.5	0.3	0.8	(0.4)	0.2	(0.2)	
(Loss)/profit before taxation	5.2	2.0	7.2	(14.9)	(1.1)	(16.0)	(23.2)
(Loss)/profit for the period	3.1	(0.7)	2.4	(16.5)	(0.7)	(17.2)	(19.6)
(Loss)/profit attributable to owners of the parent	2.9	(1.0)	1.9	(16.4)	(0.9)	(17.3)	(19.2)
EBITDA	17.5	14.2	31.7	6.1	12.7	18.8	(12.9)

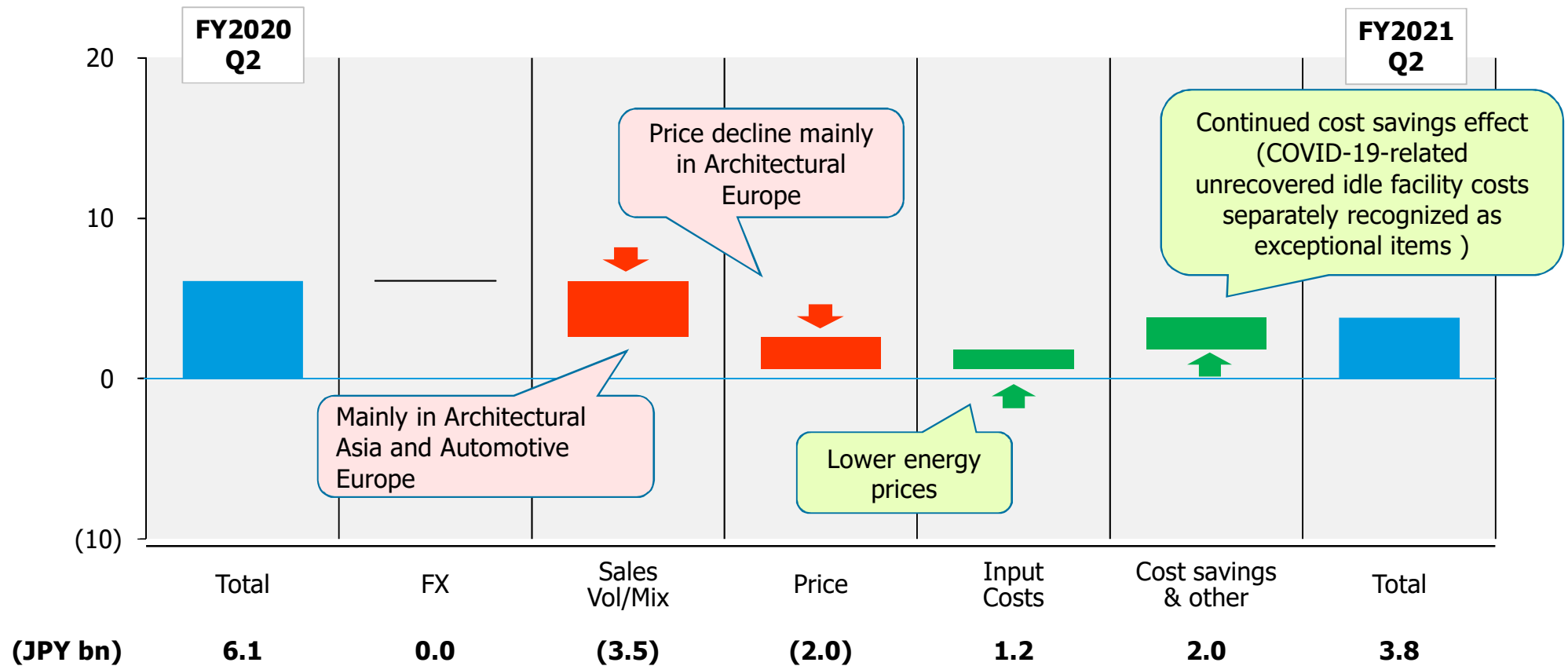
Change Analysis – Operating profit (Cumulative)

Significant COVID-19-related fall in volumes, particularly during the first quarter



Change Analysis – Operating profit (Quarter 2 only)

Volume decline decreased significantly while cost saving effect continued



Consolidated Balance Sheet

Equity reduced as a result of the net loss in Q1 and also an update to retirement benefit obligations in Q2

(JPY bn)

	31 March 2020	30 September 2020	Change
Total Assets	765.2	757.6	(7.6)
Non-current assets	541.1	544.7	3.6
Current assets	224.1	212.9	(11.2)
Total Liabilities	677.0	693.4	16.4
Current liabilities	200.4	222.4	22.0
Non-current liabilities	476.6	471.0	(5.6)
Total Equity	88.2	64.2	(24.0)
Shareholders' equity	73.6	48.8	(24.8)
Shareholders' Equity Ratio	9.6%	6.4%	(3.2)%
Net Debt	390.2	428.0	37.8
Net Debt / EBITDA	7.1x	10.2x	
Net Debt / Equity Ratio	4.4x	6.7x	

Inventory improvement
(9.0)

Cumulative net loss
(17.3 bn); updated RBO
assumptions (7.8 bn)

Consolidated Statement of Cash Flows



Substantial positive free cash flow generated in Q2 with recovering underlying profits and strict cash management

(JPY bn)

	FY2020			FY2021			Cumulative change
	Q1	Q2	Cumulative	Q1	Q2	Cumulative	
Net cash flows from operating activities	(10.1)	11.5	1.4	(30.6)	22.8	(7.8)	(9.2)
included above: Net change in working capital	(19.4)	5.9	(13.5)	(22.1)	15.5	(6.6)	6.9
Net cash flows from investing activities	(16.7)	(13.5)	(30.2)	(16.1)	(10.3)	(26.4)	3.8
included above: Purchase of property, plant and equipment	(19.1)	(12.0)	(31.1)	(13.2)	(9.5)	(22.7)	8.4
Free cash flow	(26.8)	(2.0)	(28.8)	(46.7)	12.5	(34.2)	(5.4)
Net cash flows from financing activities	14.8	8.6	23.4	39.9	(9.0)	30.9	7.5
Decrease in cash and cash equivalents	(12.0)	6.6	(5.4)	(6.8)	3.5	(3.3)	2.1
Cash and cash equivalents at the end of the period			43.0			37.5	(5.5)

Positive operating cash flow due to effect of working capital improvement project

Free Cash Flow also benefitting from control of capital expenditure

capital expenditure control

Segmental Information

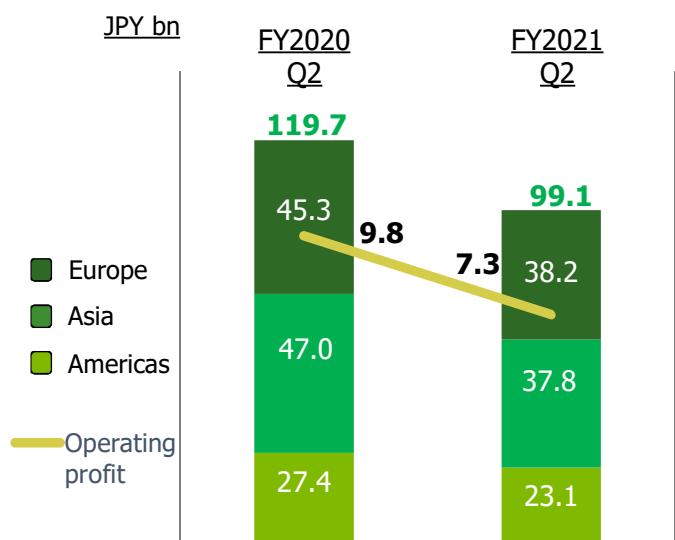


(JPY bn)

	FY2020 Q2			FY2021 Q2			Change	
	Revenue	%	Operating profit	Revenue	%	Operating profit	Revenue	Operating profit
Architectural	119.7	41%	9.8	99.1	45%	7.3	(20.6)	(2.5)
Europe	45.3	16%		38.2	17%		(7.1)	
Asia	47.0	16%		37.8	17%		(9.2)	
Americas	27.4	9%		23.1	11%		(4.3)	
Automotive	148.2	52%	5.2	105.3	48%	(2.4)	(42.9)	(7.6)
Europe	62.9	22%		43.3	20%		(19.6)	
Asia	34.6	12%		25.8	12%		(8.8)	
Americas	50.7	18%		36.2	16%		(14.5)	
Technical Glass	20.2	7%	3.5	16.5	7%	2.5	(3.7)	(1.0)
Europe	3.5	1%		2.7	1%		(0.8)	
Asia	15.9	6%		13.3	6%		(2.6)	
Americas	0.8	0%		0.5	0%		(0.3)	
Other	0.5	0%	(3.6)	0.6	0%	(4.2)	0.1	(0.6)
Total	288.6	100%	14.9	221.5	100%	3.2	(67.1)	(11.7)

Architectural – FY2020 Q2 vs FY2021 Q2

YoY profit improvement in Q2 with demand recovery and cost saving, while H1 affected by demand reduction in Q1 due to COVID-19. Robust solar shipment



Europe (H1: Rev ▼, Profit ▼ ; Q2: Rev ►, profit ►)

- QoQ price improvement with demand recovery
- Profitability improvement with cost saving and stable operational performance

Asia (H1: Rev ▼, Profit ▲ ; Q2: Rev ▼, profit ▲)

- Profit improvement partly due to cost reduction after the suspension of furnaces in Chiba and Malaysia
- Robust solar energy glass shipment largely unaffected by COVID-19

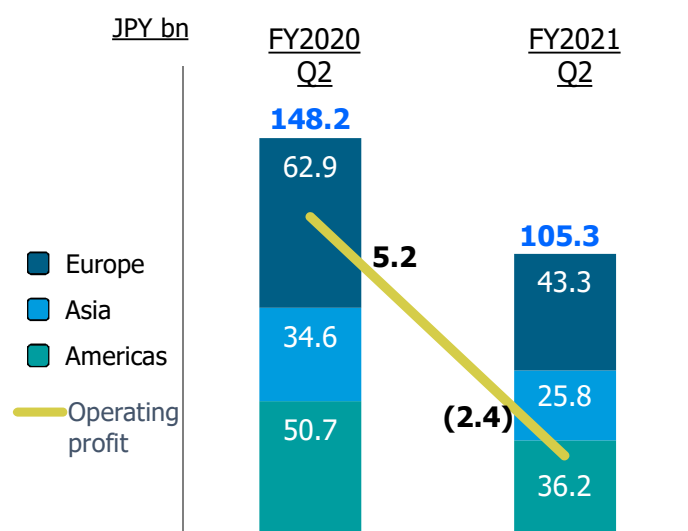
Americas (H1: Rev ▼, Profit ▼ ; Q2: Rev ►, profit ▲)

- Solid shipments with robust solar energy glass volumes in North America; new float line to start warming up in mid-November
- Strong volumes in South America in Q2, rebounding to previous year's level

	FY2020			FY2021			Cum. Change
	Q1	Q2	Cum	Q1	Q2	Cum	
Revenue	59.9	59.8	119.7	44.9	54.2	99.1	(20.6)
Europe	23.2	22.1	45.3	16.0	22.2	38.2	(7.1)
Asia	22.4	24.6	47.0	19.2	18.6	37.8	(9.2)
Americas	14.3	13.1	27.4	9.7	13.4	23.1	(4.3)
OP	5.7	4.1	9.8	2.7	4.6	7.3	(2.5)

Automotive – FY2020 Q2 vs FY2021 Q2

Q2 profit supported by demand recovery led by North America since June, while YoY decline in revenue and profit for H1



Europe (H1: Rev ▼, Profit ▼; Q2: Rev ▼, profit ▼)

- OE volumes recovery in Q2 as car production restarted
- Improved AGR results with market bounce back after lifting of lockdown restrictions

Asia (H1: Rev ▼, Profit ▼; Q2: Rev ▼, profit ▼)

- Increased production levels from low utilization in Q1, with new car production recovery

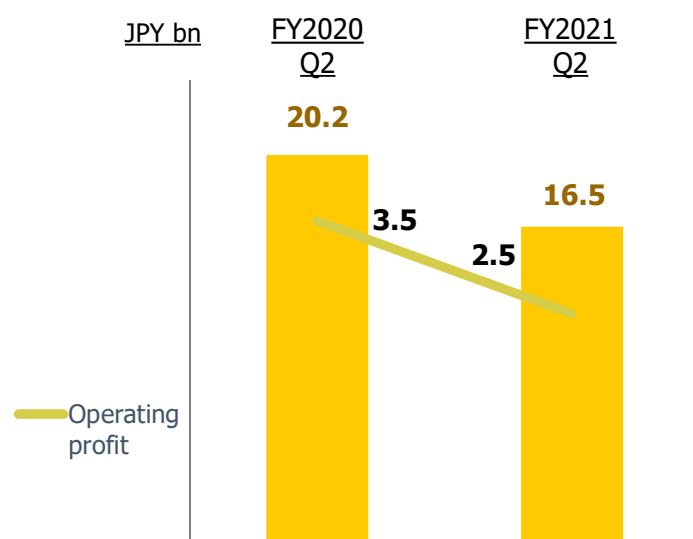
Americas (H1: Rev ▼, Profit ▼; Q2: Rev ▼, profit ▲)

- YoY volumes increase in Q2, reflecting car production rise due to inventory replenishment by VMs and car sales rebound
- Signs of improvement in demand in South America, though still weak

	FY2020			FY2021			Cum. Change
	Q1	Q2	Cum	Q1	Q2	Cum	
Revenue	76.8	71.4	148.2	38.7	66.6	105.3	(42.9)
Europe	33.5	29.4	62.9	16.6	26.7	43.3	(19.6)
Asia	17.4	17.2	34.6	9.9	15.9	25.8	(8.8)
Americas	25.9	24.8	50.7	12.2	24.0	36.2	(14.5)
OP	4.0	1.2	5.2	(2.9)	0.5	(2.4)	(7.6)

Technical Glass – FY2020 Q2 vs FY2021 Q2

Relatively stable, while automotive applications remaining weak, especially in Europe



Technical (H1: Rev ▼ , Profit ▼ ; Q2: Rev ▼ , profit ▼)

- Limited impact of COVID-19 on fine glass volumes
- Decline in revenues and profits of printer lenses due to weaker demand, but signs of recovery due to work from home demand
- Decline in revenues and profits for glass cord used in engine timing belts, reflecting conditions in the European automotive sector generally
- Continued stable results for battery separators

	FY2020			FY2021			Cum. Change
	Q1	Q2	Cum	Q1	Q2	Cum	
Revenue	10.1	10.1	20.2	8.1	8.4	16.5	(3.7)
OP	1.8	1.7	3.5	1.4	1.1	2.5	(1.0)

FY2021 Forecast Assumptions

Group	<ul style="list-style-type: none"> Revenue and profit forecast reflects stronger demand recovery than expected as well as benefits of cost saving efforts; Q4 revenues expected to return to last year's level Potential demand decline risk if increasing COVID-19 infections levels lead to the widespread re-imposition of lockdown measures
Architectural	<ul style="list-style-type: none"> assuming stable market demand recovery along with normalization of economic activities Continued robust demand for solar energy glass, while profit to be temporarily affected by start up cost of new solar glass line in the USA
Automotive	<ul style="list-style-type: none"> Assuming substantial recovery in demand in line with vehicle sales, with some markets exceeding last year in H2
Technical Glass	<ul style="list-style-type: none"> Some time-lag in demand recovery but back to previous year's level by the end of year in most segments

YoY Revenue: Improvement in all quarters

	Q1 Act	Q2 Act	Q3 Fcst	Q4 Fcst	FY
Previous Fcst	-	-15%	-15%	-5%	-20%
Latest Fcst	-38%	-8%	-5%	0%	-15%

YoY Revenue: improvement in all businesses

	H1 Act	Prev FY	Latest FY
Architectural	-17%	-15%	-10%
Automotive	-29%	-20%	-15%
Technical	-18%	-15%	-10%
Group	-23%	-20%	-15%

FY2021 Forecast



Significant improvement in forecast. Full-year forecast below operating profit to be published when reasonable assumptions for exceptional items become available

(JPY bn)

	H1 Fct (Previous)	H1 Act	H2 Fct (Previous)	H2 Fct (Latest)	Full Year Fct (Previous)	Full Year Fct (Latest)	FY2020 Act
Revenue	210.0	221.5	250.0	260.0	460.0	480.0	556.2
Operating profit	-	3.2	-	6.0	-	9.0	21.2
Operating (loss)/profit after COVID-19 related exceptional items	(15.0)	(9.6)	(5.0)	3.0	(20.0)	(7.0)	19.0
Exceptional items (Other)	(1.0)	(0.8)	-	-	-	-	(21.8)
Finance expenses (net)	(6.0)	(5.4)	-	-	-	-	(11.8)
Share of JVs and associates' (losses)/profits	0.0	(0.2)	-	-	-	-	1.1
(Loss)/profit before taxation	(22.0)	(16.0)	-	-	-	-	(13.5)
(Loss)/profit for the period	(24.0)	(17.2)	-	-	-	-	(17.5)
(Loss)/profit attributable to owners of the parent	(24.0)	(17.3)	-	-	-	-	(18.9)

Urgent Cost Saving Project and Liquidity

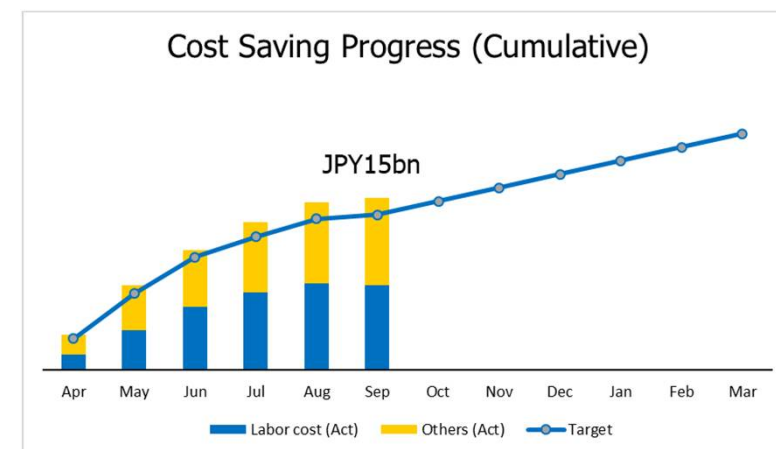
Saving project underway to support FY2021 profitability. Stable liquidity

Urgent Cost Saving Project

- Continued savings from Q1 focused on labor cost and discretionary spending
Cumulatively JPY15bn cost saved YoY

Stable liquidity

- In addition to revenue improvement and cost saving, cuts made to manage capital expenditure, including strategic investment projects, and strict control of working capital
- JPY40.5 billion of cash and JPY74.8 billion unused commitment lines at the end of September, maintaining the levels at the end of June




Outlook and Business Policy

In the challenging situation of the COVID-19 new normal, launching a business transformation program

Future outlook — Over six months since the pandemic started and with the COVID-19 new normal coming into view

- Car demand anticipated not to return to the pre-pandemic levels until around FY2025, and the growing environmental awareness accelerating electrification
- No significant demand fall anticipated for architectural glass, but commoditization will accelerate
- Digital transformation (DX) will reshape every industry

 Only those who can provide the values that customers want will survive

NSG Group Business Policy

- Aiming to weather the current situation, return to meaningful net profit in FY2022, and build a sustainable business structure, a drastic business transformation has been launched in October to be executed over coming years
- CTrO reporting directly to CEO, has been appointed to drive the initiative across the Group
- The key actions are: cost transformation; acceleration of growth; and organizational / business reform

Execution of Business Transformation

Reform across the Group to ensure meaningful net profit in FY2022

Cost Transformation

Cost improvement of over JPY10bn in FY2022

- Transform cost structure to generate stable profits and cash at soonest timing
- Significant fixed cost improvement with about 2000 headcount reduction
- Big improvement in production and procurement costs

Acceleration of Growth

Business portfolio change in light of future demand trend changes

- Early contribution of growth businesses including solar glass as well as VA shift.
- Acceleration of new business development with new Creative Technology Business

Organizational / Business Reform

Management structure for speedy decision-making with sense of urgency

- Acceleration of decision-making and execution by management structure changes, reducing hierarchy and more delegation of authority
- Commitment to results and accountability

- Options to secure fund and profit including disposals to be reviewed continuously
- New medium-term management plan incorporating the fundamental improvement plan will be published going forward

* Financial impact of individual project will be assessed and announced as appropriate, when clarified

Appointment of CTrO and Transformation Team

Reporting directly to CEO, to drive business transformation initiatives

Chief Transformation Officer (CTrO)

- Appointed on 1 October, to report directly to CEO
- Organization
 - Transformation Team to speed up and drive optimization across the Group through implementing a series of wide ranging programs
 - Manufacturing Excellence and Procurement Functions to report directly to CTrO
 - Three Regional Transformation Directors and Reform Leaders in businesses appointed
- Mission: to lead business transformation initiatives across the Group
 - Cost Transformation
 - Significant fixed cost reduction with headcount reduction
 - Big improvement in production and procurement costs
 - Efficiency improvement of work and operations

Summary

1. FY2021 Q2 Results

- Significant recovery during Q2 supported also by cost saving efforts, resulting in operating profit after Covid-related exceptional items, while cumulatively decline in revenues and profit YoY due to significant demand reduction in Q1 caused by COVID-19
- Improvement driven by revenue recovery in Europe and Americas. Solar energy glass shipment largely unaffected by COVID-19
- Substantial positive free cash flow generated in Q2 with recovering underlying profits and strict cash management
- Equity reduced as a result of the net loss in Q1 and also an update to retirement benefit obligations in Q2

2. FY2021 Forecast

- Full-year forecast updated reflecting stronger demand and progress of cost saving activities
- Anticipating revenue run-rate recovery to previous year's levels by the end of FY2021 for some regions
- Full-year forecast below operating profit to be published when reasonable assumptions for exceptional items become available

3. Outlook and Business Policy

- Saving project underway to support FY2021 profitability. Stable liquidity
- In the challenging situation of the COVID-19 new normal, launching a business transformation program to ensure meaningful net profit in FY2022
- CTrO appointed, reporting directly to CEO, to drive business transformation initiatives

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 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.

Nippon Sheet Glass Company, Limited

Appendices

FY2021 Q2 Results

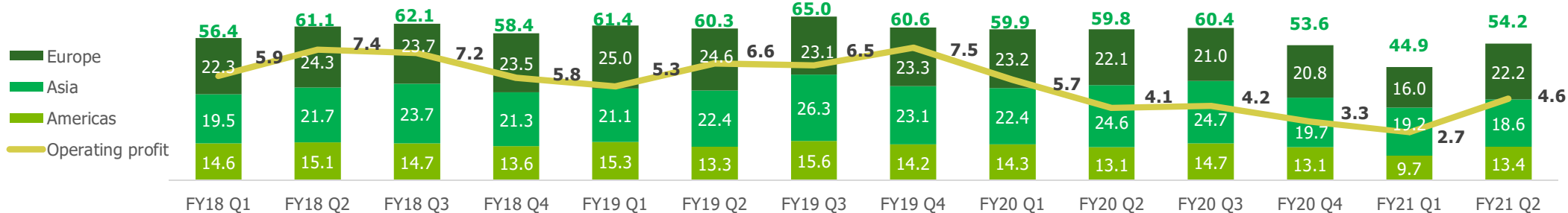
- Revenue & Operating Profit – Quarterly Trend
- Segmental Information
- Revenue & Operating Profit – by Regions
- Exceptional items
- Foreign Currency Exchange Rates
- FX Sensitivity
- Depreciation & Amortization, Capital Expenditures, R&D Expenditures
- News Releases — June to October 2020

Revenue & Operating Profit – Quarterly Trend

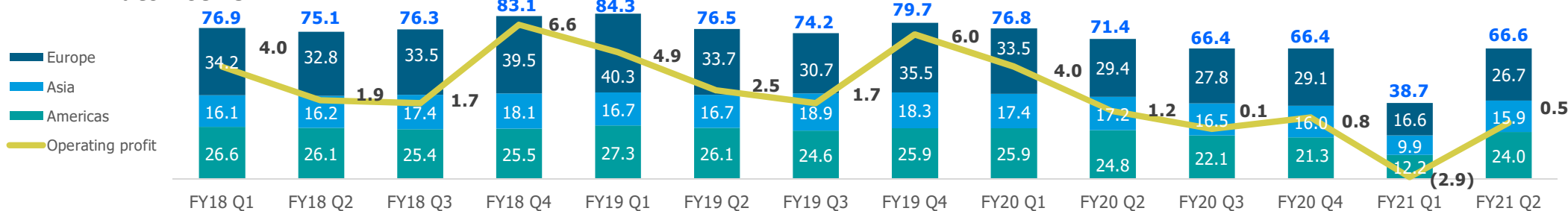
(JPY bn)



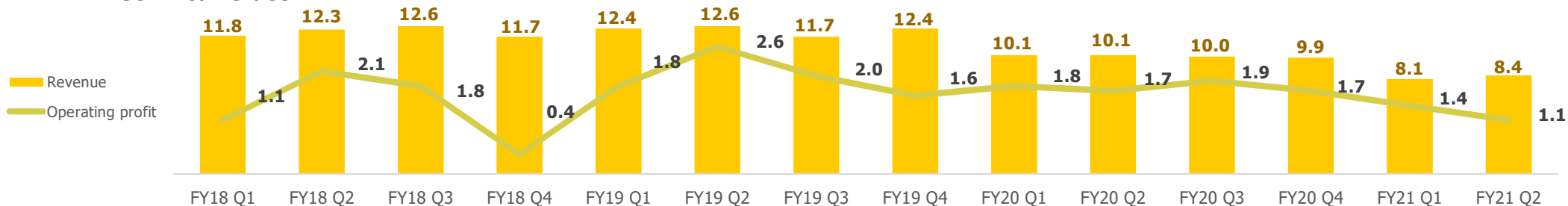
Architectural



Automotive



Technical Glass



Segmental Information

(JPY bn) 

	FY2020			FY2021			Change		
	Q1	Q2	Cumulative	Q1	Q2	Cumulative	Q1	Q2	Cumulative
Revenue: Architectural	59.9	59.8	119.7	44.9	54.2	99.1	(15.0)	(5.6)	(20.6)
Europe	23.2	22.1	45.3	16.0	22.2	38.2	(7.2)	0.1	(7.1)
Asia	22.4	24.6	47.0	19.2	18.6	37.8	(3.2)	(6.0)	(9.2)
Americas	14.3	13.1	27.4	9.7	13.4	23.1	(4.6)	0.3	(4.3)
Operating profit	5.7	4.1	9.8	2.7	4.6	7.3	(3.0)	0.5	(2.5)
Revenue: Automotive	76.8	71.4	148.2	38.7	66.6	105.3	(38.1)	(4.8)	(42.9)
Europe	33.5	29.4	62.9	16.6	26.7	43.3	(16.9)	(2.7)	(19.6)
Asia	17.4	17.2	34.6	9.9	15.9	25.8	(7.5)	(1.3)	(8.8)
Americas	25.9	24.8	50.7	12.2	24.0	36.2	(13.7)	(0.8)	(14.5)
Operating profit	4.0	1.2	5.2	(2.9)	0.5	(2.4)	(6.9)	(0.7)	(7.6)
Revenue: Technical	10.1	10.1	20.2	8.1	8.4	16.5	(2.0)	(1.7)	(3.7)
Europe	1.7	1.8	3.5	1.3	1.4	2.7	(0.4)	(0.4)	(0.8)
Asia	8.0	7.9	15.9	6.5	6.8	13.3	(1.5)	(1.1)	(2.6)
Americas	0.4	0.4	0.8	0.3	0.2	0.5	(0.1)	(0.2)	(0.3)
Operating profit	1.8	1.7	3.5	1.4	1.1	2.5	(0.4)	(0.6)	(1.0)
Revenue: Other	0.3	0.2	0.5	0.2	0.4	0.6	(0.1)	0.2	0.1
Operating profit	(2.7)	(0.9)	(3.6)	(1.8)	(2.4)	(4.2)	0.9	(1.5)	(0.6)
Revenue: Total	147.1	141.5	288.6	91.9	129.6	221.5	(55.2)	(11.9)	(67.1)
Operating profit	8.8	6.1	14.9	(0.6)	3.8	3.2	(9.4)	(2.3)	(11.7)

Revenue & Operating Profit – by Regions



(JPY bn)

	FY2020 Q2			FY2021 Q2			Change	
	Revenue	%	Operating profit	Revenue	%	Operating profit	Revenue	Operating profit
Europe	111.7	39%	5.7	84.2	38%	0.8	(27.5)	(4.9)
Asia	97.5	34%	7.3	76.9	35%	3.6	(20.6)	(3.7)
Americas	78.9	27%	5.5	59.8	27%	2.9	(19.1)	(2.6)
Other	0.5	0%	(3.6)	0.6	0%	(4.1)	0.1	(0.5)
Total	288.6	100%	14.9	221.5	100%	3.2	(67.1)	(11.7)

Exceptional items

	(JPY bn)	
	FY2020 Q2	FY2021 Q2
COVID-19 related items	–	(12.8)
Government support	–	2.1
Suspension and other costs	–	(14.9)
Other exceptional items	(2.2)	(0.8)
Gain on disposal of subsidiaries and joint ventures	1.0	0.7
Net impairment of non-current assets	(0.1)	–
Restructuring costs, including employee termination payment	(1.7)	(1.1)
Suspension of facilities	(1.2)	(0.2)
Settlement of litigation matters	(0.2)	(0.2)

* The Group has recorded the direct costs and also unrecovered operating costs arising from the COVID-19 pandemic as exceptional items, together with any related income from governments. Such costs include payments to employees not engaged in productive activities due to the COVID-19 pandemic, costs of maintaining idle facilities, and direct costs such as the deep cleaning of facilities to promote a safe operating environment. (JPY 14.9 billion costs and JPY 2.1 billion gains from government support)

Foreign Currency Exchange Rates

Average rates used

	FY2018				FY2019				FY2020				FY2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GBP	142	144	146	147	149	147	146	146	141	137	138	138	133	135
EUR	122	126	128	130	131	130	129	129	124	121	121	121	118	121
USD	111	112	111	111	110	111	111	111	109	109	109	109	107	106
BRR	34.6	35.0	34.8	34.4	30.4	29.3	29.3	29.4	28.0	27.6	27.2	26.4	19.9	19.8
ARS	7.06	6.74	6.65	6.30	4.70	Closing rates are applied – hyperinflation								

Closing rates used

	FY2018				FY2019				FY2020				FY2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GBP	146	151	152	150	145	148	141	144	137	133	144	133	132	135
EUR	128	132	136	132	128	132	127	124	123	118	122	119	121	124
USD	112	113	113	106	111	113	111	111	108	108	109	108	107	105
BRR	34.0	35.4	33.9	32.1	28.6	28.2	28.5	28.3	28.3	26.0	27.1	20.8	19.9	18.7
ARS	6.81	6.42	6.03	5.30	3.94	2.84	2.93	2.53	2.53	1.88	1.82	1.68	1.53	1.38

FX Sensitivity



Increase (decrease) if the value of the yen increases by 1% - all other things being equal

	FY2019	FY2020
Equity	JPY(3.3) billion	JPY(3.1) billion
Profit/(loss) for the period	Decrease by JPY0.2 billion (Profit)	Improve by JPY0.1 billion (Loss)

Depreciation & Amortization, Capital Expenditures, R&D Expenditures



(JPY bn)

	FY2020 Q2	FY2021 Q2	FY2021 Full-year Forecast
Depreciation & Amortization	17.2	17.4	37.0
Capital expenditures	31.5	17.5	37.0
Ordinary	11.2	5.4	22.0
Strategic projects and other	20.3	12.1	15.0
R&D expenditures	4.5	4.4	9.0
Architectural	1.3	1.2	
Automotive	1.3	1.2	
Technical Glass	0.4	0.4	
Other	1.5	1.6	

News Releases — June to October 2020



8-Jun-20	The UK R&D team receives award for its antiviral glass development project
11-Jun-20	Extension of voluntary reduction of compensation for Directors and Executive Officers and voluntary reduction of salaries for senior management
23-Jun-20	New website for mobile real-time PCR device (PicoGene™ PCR1100) released
25-Jun-20	Developing partitions using antiviral glass, VirusClean™
3-Jul-20	Recognized by General Motors as a 2019 Supplier of the Year Winner
8-Jul-20	SLA 5DG, new SELFOC™ Lens Array (SLA), for machine vision
14-Jul-20	Glass for SAPHIR ODORIKO, new limited express train of JR East in Japan
28-Jul-20	Low e glass units for the new indoor event space of Shinjuku Sumitomo Building
9-Sep-20	Achievement Award for Pilkington Automotive by Toyota Motor Europe
8-Oct-20	NSG HUD technology to be featured on 2021 Chevrolet, GMC, and Cadillac SUV Models
9-Oct-20	Shutter-proof glass, Lamipane Shelter™, to prepare windows against typhoons
27-Oct-20	New antiviral glass, Pilkington SaniTise™

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