

Key Questions and Answers at FY2021 Second Quarter Results Announcement

- Q: Revised forecast of 3 billion yen for operating profit after COVID-19-related exceptional items for the second half of the year (6 months) looks rather conservative, considering the same for Q2 (3 months) was 2.5 billion yen.
- A: Although the results for the first half were better than previous forecast, the second half forecast is conservative to some extent in consideration of continued uncertainties in the business environment. In addition, although the first-half results were supported by significant cost saving benefits, these benefits are likely to gradually decrease in the second half due to increased levels of operation as demand recovers.
- Q: There may be downside risk related to the reintroduction of lockdown measures, which are already in place in some areas in Europe. Has such risk been assumed in the revised forecast? Do you expect the re-imposition of widespread lockdown measures like in Q1?
- A: If the lockdown measures are put in place in European countries for an extended period of time, the Group's business would be affected. However, industrial lockdowns, in which glass production was suspended across Europe in the first quarter, are not assumed. Vehicle production and construction activities remain unaffected at this point.
- Q: While full-year forecast below operating profit is not published, what kind of exceptional items are expected to be recognized in the second half of the year, other than COVID-related exceptional items?
- A: Costs associated with headcount reductions and gains on disposals of businesses and assets are anticipated. Full year forecast below operating profit will be published when reasonable assumptions for exceptional items become available.
- Q: Slide 18 says that the Group aims to ensure meaningful net profit in FY2022 by executing a business transformation program. Do you mean "net profit", not only "operating profit"? That said, there remains risk of further equity erosion in FY2021. What financial measures can the Group take?
- A: We aim to ensure meaningful net profit in FY2022. The Group's priority is to improve profitability with the transformation initiative including cost saving, and in addition, options including disposals of businesses and assets continue to be reviewed.
- Q: The business transformation initiative has been launched to be executed over coming years. Please provide a timeline for actions shown in Slide 18.
- A: The business transformation will be implemented in coming few years. The transformation program includes short-term actions such as headcount reductions and longer-term ones such as improvement of production processes and automation. Actions for "acceleration of growth" will also take longer time.
- Q: Is the slowdown in the pace of architectural glass price decline in Europe due to the demand recovery in Q2? Are the prices expected to continue rising?
- A: Although the architectural glass markets were affected by a reduction in demand associated with the COVID-19 pandemic in Q1, demand recovered markedly in the second quarter, leading to a shortage of glass, especially in Europe and South America. As a result, price levels recovered during the second quarter. This trend is expected to continue. In other regions, there is no significant price improvement.
- Q: Solar energy glass is growing. How much ratio did it account for in the revenue or profit of the Architectural Glass business in the first half of the year?
- A: Sales of solar energy glass accounted for more than 10% of the Architectural Glass business. The volume is expected to increase by 5 to 10 percent in FY2021.