

Key Questions and Answers at FY2020 Third Quarter Results Announcement

- Q: Could you share with us the background for architectural glass price and volume declines in Europe, Southeast Asia and North America, where the markets are softening? When do you expect the markets to start recovering?
- A: In each region, market conditions worsened due to increases of glass supply. Prices have been declining gradually, in Southeast Asia for a year and in North America since the beginning of 2019. In Europe, prices had been fairly stable until this summer, but fell rapidly during the third quarter. The prices in the third quarter were lower than last year by about 10 percent in North America and in Southeast Asia, and by 15 to 20 percent in Europe. It is difficult for us to anticipate for sure when the recovery will take place. Usually the architectural glass demand picks up in spring in Europe, which may stop the price decline. However, we assume that a full recovery will take more time.
- Q: Have the capacity adjustment measures including hot holds* in Architectural Europe in slide 15 been already implemented? While it would take more than NSG's actions alone to improve the supply and demand balance in the market, are there any moves among other glass suppliers?
- A: We are not able to comment on competitors' plans but some have taken adjustment measures. In FY2021, a hot hold for one of our furnaces and an earlier and/or longer repair for another are planned.
- * "Hot hold" means that the furnace will be kept in an active state from which it can be restarted at short notice.
- Q: As shown in slide 15, key actions in Architectural Japan are mainly regarding downstream operations (i.e. glass processing). Are there any rationalization plans for upstream operations (i.e. glass making)?
- A: We are currently focusing on the rationalization and consolidation of downstream operations.
- Q: How much have sales of solar energy glass increased in FY2020? What would be the contribution from the second solar float line in Vietnam?
- A: We expect an about 50 percent revenues growth of solar energy glass in FY2020 and a further increase in FY2021 with the addition of the line in Vietnam.
- Q: Please explain the reasons for decreased revenues in Automotive Europe, while the vehicle registration in the region seems to have bottom out.
- A: While the monthly vehicle registration has been volatile, the annualized figure has been flat year on year. On the other hand, the new car production dropped by four percent year on year. About 20 percent of cars produced in Europe are exported, mainly to North America and China. The vehicle production in Europe was affected by lower exports due to import tariffs on cars and a demand decline in export markets, together with inventory adjustments by vehicle manufacturers. Replacement glass revenues were also lower in mild winter.

Investors Relations

Nippon Sheet Glass Co., Ltd.

Phone: +81-3-5443-0100

5-27, Mita 3-Chome, Minato-Ku, Tokyo, 108-6321 Japan

Q: Regarding the downward revision of the full-year forecast, sales decreased by 10 billion yen compared to the previously-published forecast and trading profit decreased significantly by eight billion. What are the factors? How much profit improvement is incorporated in the forecast based on the planned cost reduction actions?

A: As the cost structure differs from region to region, it cannot be said uniformly. In general, the fixed cost ratio is high in the glass industry and a significant part of the decrease in profits is due to lower asset utilization. Some cost reduction measures have already been incorporated in the forecast. We are reviewing more fundamental measures but they have not yet been included in the forecast. We would like to accelerate actions.

Q: The input cost variance turned positive in the third quarter in the trading profit change analysis. Will this trend continue going forward?

A: lower energy prices have contributed positively but the prices of some raw materials have been rising. If the crude oil prices remain unchanged, there should be a positive impact in the next financial year.

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 in laws and regulations, but not limited.

Investors Relations

Nippon Sheet Glass Co., Ltd.

Phone: +81-3-5443-0100

5-27, Mita 3-Chome, Minato-Ku, Tokyo, 108-6321 Japan