

Key Questions and Answers at FY2020 Annual Results Announcement

- Q: You took major restructuring actions at the time of global financial crisis and the European sovereign debt crisis. Although it should be difficult for you to form a firm view on the outlook in the middle of the COVID-19 pandemic, is the current situation different from the past crises?
- A: Our immediate priority is to minimize cash outflow, reduce costs and optimize operations. We will also consider the disposals of non-core assets. In the past after the global financial crisis, glass demand in Europe fell by more than 30 percent and we decided to implement major restructuring programs. Currently, since the impact of COVID-19 is still unclear, we have been focused on optimizing our operations at reduced utilization and ensuring flexible responses to the developing situation. We keep monitoring the demand trend carefully and would take restructuring actions, should there be such needs. On the other hand, in the areas of Architectural Glass Asia, where we have had challenging trading conditions, we decided to suspend two float furnaces in Chiba and Malaysia.
- Q: Impairment losses in Automotive Europe and Rest of World were recognized. What were the basis of such recognition? Was no impairment needed regarding the Architectural Glass business?
- A: A significant portion of the impairment was in Europe. We determined that impairment was necessary as a gap between the booked value and recoverable amount was identified as a result of the impairment test based on the medium-term management plan prepared before the COVID-19 pandemic, adjusted with its impact and considering various forecast provided by third parties. For example, the review reflected that the outlook of declining vehicle production in Europe became even more uncertain with the pandemic. The goodwill and intangible assets in the Architectural Glass business were also tested and it was decided no impairment was necessary.
- Q: You mentioned the glass for solar panels was growing. How much growth is expected in FY2021?
- A: Sales of solar glass panels account for more than 10 percent of the Architectural Glass business in FY2020. The new furnace in Vietnam is now in full operation. Although we expect the volume to increase by more than 10 percent in FY2021, we are taking a slightly conservative view as the business could be somewhat affected by the pandemic.
- Q: Could you share with us the detail of additional improvement actions? How much benefit do you expect?
- A: The most important action is to reduce fixed costs and lower the break-even point and to improve profitability with the VA (value-added) shift. In addition, we will implement all options such as the disposals of non-core assets so that we could return to net profitability. Although it is still difficult for us to quantify the cost benefit with uncertainty associated with COVID-19, we would like to see the benefits of improvement effects as the demand gradually improves from May.
- Q: The conversion restriction of Class A Shares was lifted ahead of schedule. How do you plan for the future redemption of Class A Shares?
- A: We do not believe there is substantial impact from the cancellation of the conversion limitation of Class A Shares a little over a month earlier, given the conversion price of JPY846.5 per share. We have partially redeemed a total of 10 billion yen so far based on profits for the periods. It would be difficult for us to redeem further in an immediate future. However, our policy to redeem Class A Shares with profits as early as possible remains unchanged.

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.