31 March 2020

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Recognition of Exceptional Costs and Revision to Forecast of Dividend on Ordinary Shares for FY2020

Nippon Sheet Glass Co., Ltd. announces the recognition of exceptional costs and revision to the forecast of dividend on ordinary shares for FY2020 (from 1 April 2019 to 31 March 2020).

I. Recognition of Exceptional Costs

1. Exceptional costs: Impairment costs and other suspension costs of one of the two float furnaces at the Chiba site in Japan ("Chiba #1 Furnace") based on the decision to suspend its operation

2. Timing of suspension: Scheduled in July 2020

3. Timing of cost recognition: FY2020 (financial year ending March 2020)

4. Amount: Approximately JPY 4.4 billion, consisting of impairment of fixed assets (JPY 4.0 billion), impairment of consumables (JPY 0.2 billion) and suspension expenses (JPY 0.2 billion)

5. Reasons and backgrounds

   The NSG Group decided to suspend the operation of Chiba #1 Furnace as one of the profitability improvement measures referred to in the announcement made on 30 January 2020, "Revision of Forecast for Full Year FY2020".

   The background for the decision is as follows:

   (1) Chiba #1 Furnace has been operating as a multi-purpose float glass line, producing a wide range of products including architectural and industrial glass used for electronics and other applications. Particularly over the last year or so, it provided support to catch up with an increasing demand for glass used for thin-film solar panels, in addition to the supply of coated architectural glass.

   (2) In February 2020, however, the Group's second float furnace for thin-film solar glass in Vietnam began production. As a result, Chiba #1 Furnace transferred and ceased its solar glass production

as planned.

(3) Further, considering the increasing uncertainties in the business environment with the recent spread of Covid-19 infections, the Group decided to take swift actions to bolster its capacity utilization and protect profitability.

The Group's supply of glass to the domestic market in Japan remains unchanged. The other float furnace at Chiba will continue to supply architectural glass and the products supplied from Chiba #1 Furnace will be imported from the Group's overseas locations in the future.

The Group expects fixed cost reductions from the suspension of Chiba #1 Furnace in FY2021 and onward, while the non-cash provisions are recognized in FY2020.

II. Impact on FY2020 Forecast

With the recognition of exceptional costs as stated above, profit before taxation, loss for the period and loss attributable to owners of the parent would worsen against the previous forecast for the full year FY2020 (1 April 2019 to 31 March 2020) announced on 30 January 2020.

At the same time, the worldwide expansion of Covid-19 infections are having a significant direct and indirect impact on the Group, particularly in its main business areas of the architectural and automotive glass.

In the automotive glass market, the suspension of production by vehicle manufacturers across the globe has led to a sharp drop in demand, especially since mid-March. In the architectural glass market, the economic impact of lockdowns, particularly in European cities, has begun to soften demand.

In response to such fluctuations in demand and complying with the national and local governments' orders and guidelines on daily life such as curfew, the Group's business activities in countries around the world are also being drastically changed or reduced.

Taking account of these circumstances, the Group is currently examining their impact on forecast for full year FY2020 and will announce them as soon as they are confirmed.

The Group has sufficient cash on hand and unused credit facilities and is taking further steps to secure funding going forward.

III. Revision to Forecast of Dividend on Ordinary Shares for FY2020

1. Revision

	Dividend per ordinary share (JPY)		
	End of Q2	End of Q4	Total
Previous forecast		20	20
Revised forecast		0	0
FY2020 actual	0		
FY2019 actual	10*1	20	30

*1: Centennial commemoration dividend

2. Reasons for Revision

The Company's dividend policy is to secure dividend payments based on sustainable business results. Regrettably, however, the Company has revised its forecast of dividend on ordinary shares to nil based on the assumption that the Group's consolidated business performance for FY2020 is expected to deteriorate materially as explained in I and II above.

* Note: The Articles of Incorporation of the Company stipulate that decisions on dividends shall be based on Article 459 Paragraph 1 of the Companies Act, and that dividends on surpluses may be paid based upon a resolution of the Board of Directors without requiring a resolution of the General Meeting of Shareholders.

[Note: 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.]