NSG GROUP

10 November 2022

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Recognition of Exceptional loss, Differences between Actual Results and Previous Forecast, and Revision to Forecast for Financial Year ending on 31 March 2023

The NSG Group announces the recognition of an exceptional loss, differences between actual results and the previous consolidated forecast for the first half year ending March 2023 (from 1 April 2022 to 30 September 2022), and also a revision to its consolidated forecast for full year ending March 2023 (the financial year ending on 31 March 2023), as set out below.

I. Recognition of Exceptional Loss

The Group recorded an exceptional loss of JPY 48,776 million due to an impairment of goodwill and intangible assets. This represents a full impairment of all remaining goodwill and intangible assets relating to the Group's automotive business unit in Europe, originally arising on the acquisition of Pilkington in 2006. The impairment was calculated by comparing the value-in-use with the accounting book values of this business unit. The value-in-use was calculated by discounting predicted future cash flows using an appropriate discount rate, determined using bond and equity market conditions prevailing at the balance sheet date. The group still considers the medium-term prospects of this business to be positive, and processed this impairment largely as a consequence of a significant increase in discount rates used in the preparation of this impairment test, reflecting interest rate rises in Europe during the second quarter.

II. Differences between Actual Results and Previous Consolidated Forecast for the First Half Year ending March 2023 (From 1 April 2022 to 30 September 2022)

(JPY million)

	Revenue	Operating profit	Profit/(loss) before taxation	Profit/(loss) for the period	Profit/(loss) attributable to owners of parent	Earnings per share – basic
Previous forecast (A)	360,000	11,000	9,000	4,000	3,000	¥ 22.26
Actual (B)	375,651	14,437	(34,543)	(37,006)	(38,816)	¥ (438.08)
Change (B-A)	15,651	3,437	(43,543)	(41,006)	(41,816)	¥ (460.34)
Change (%)	4.3	31.2	-	-	-	-
Ref: 2022/3 H1	290,687	12,700	14,727	9,557	8,598	¥ 84.02

[Note: The forecast of earnings per share has been shown after considering the effect of dividends related to Class A shares.]

III. Revision to Consolidated Forecast for Full Year ending March 2023
(From 1 April 2022 to 31 March 2023)

(JPY million)

	Revenue	Operating profit	Profit/(loss) before taxation	Profit/(loss) for the period	Profit/(loss) attributable to owners of parent	Earnings per share – basic
Previous forecast (A)	690,000	18,000	11,000	5,000	4,000	¥ 22.56
Revised forecast (B)	740,000	18,000	(35,000)	(38,000)	(41,000)	¥ (472.71)
Change (B-A)	50,000	-	(46,000)	(43,000)	(45,000)	¥ (495.27)
Change (%)	7.2	-	-	-	-	-
Ref: 2022/3	600,568	19,980	11,859	6,759	4,134	¥ 24.07

[Note: The forecast of earnings per share has been shown after considering the effect of dividends related to Class A shares.]

IV. Backgrounds for Difference and Revision

1. Background for Differences between Actual Results and Previous Forecast for the First Half Year ending March 2023

The Group's revenue and operating profit were better than the previous forecast, published in August, as a consequence of the experienced benefits from positive foreign exchange movements, with the Japanese yen weakening against the Group's other major currencies. In addition, revenues also benefitted from higher sales prices in the architectural business, largely offsetting input cost increases.

The loss before taxation, the loss for the period, and the loss attributable to owners of the parent were worse than the previous forecast due to an exceptional impairment loss related to goodwill and intangible assets within the Group's automotive business unit in Europe, as stated in Section I above.

2. Background for Revision to Consolidated Forecast for Full Year ending March 2023

The Group has revised its forecast of revenue upward, reflecting positive foreign exchange movements, with the Japanese yen weakening against the Group's other major currencies and also an expected benefit from higher architectural sales prices.

The forecast of operating profit is unchanged, considering uncertainty with respect to risks relevant to the second half of the year including continued high energy and material costs and potential recessionary conditions in the Group's major markets as a consequence of increasing inflation and rising interest rates. Profit/loss before taxation, profit/loss for the period, and profit/loss attributable to owners of the parent have each been revised downward, due mainly to the exceptional impairment loss recorded with respect to goodwill and intangible assets relating to the Group's automotive business unit in Europe, as stated in Section I above.

The recognition of the impairment loss of goodwill and intangible assets removes all remaining value of goodwill and intangible assets with respect to the European automotive business arising on the acquisition of Pilkington. This was mainly as a consequence of increasing discount rates, with the medium-term prospects of this business still being positive, reflecting an expectation of improving vehicle build levels and the recovery of input cost increases following successful negotiations with the Group's key automotive customers. The Group will continue to promote the key initiative of "Restoration of financial stability" in RP24.

<Excerpt from NSG Group 2023/3 Q2 financial results presentation>

Forecast for Financial Year ending 31 March 2023

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Full-year revenue forecast revised upward based on relatively strong performance in H1. Operating profit forecast remained considering uncertainty with business environment in H2

(JPY bn)	2023/3 H1 fcst (Previous)	2023/3 H1 Act	2023/3 Full-year fcst (Previous)	2023/3 Full-year fcst (Revised)	2022/3 Full-year Act
Revenue	360.0	**375.7**	690.0	**740.0**	600.6
Operating profit	11.0	**14.4**	18.0	**18.0**	20.0
Exceptional items	2.0	**(44.9)**	2.0	**(45.0)**	3.6
Operating profit/(loss) after exceptional items	13.0	**(30.5)**	20.0	**(27.0)**	23.6
Finance expenses (net)	(6.0)	**(6.6)**	(13.0)	**(13.0)**	(12.5)
Impairment of financial receivables owed by joint ventures and associates	-	**-**	-	**-**	(3.4)
Share of JVs and associates' profits	2.0	**3.2**	4.0	**5.0**	7.5
Other gains/(losses) on equity method investments		**(0.7)**			(3.4)
Profit/(loss) before taxation	9.0	**(34.5)**	11.0	**(35.0)**	11.9
Profit/(loss) for the period	4.0	**(37.0)**	5.0	**(38.0)**	6.8
Net profit/(loss) *	3.0	**(38.8)**	4.0	**(41.0)**	4.1

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*Profit/(loss) attributable to owners of the parent

[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.]