
NSG
GROUP

NSG Group
FY2021 Quarter 1 Results
(from 1 April 2020 to 30 June 2020)

Nippon Sheet Glass Company, Limited

6 August 2020

Reiko Kusunose

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Agenda

1. FY2021 Quarter 1 Financial Results
2. FY2021 Quarter 1 Business Update
3. Business Impact of COVID-19 Update
4. FY2021 Forecast
5. Action for the Future
6. Summary

FY2021 Quarter 1 Results Highlights

FY2021 Q1 results significantly affected by COVID-19 pandemic

Revenue	JPY 91.9 bn (55.2) bn	38% yoy decline due to shipment reduction caused by COVID-19, while solar glass shipment remaining robust. 34% decline at constant exchange rates.
Operating loss *	JPY (0.6) bn (9.4) bn	Significant fall due to revenue reduction, partly offset by cost reduction
Operating loss after COVID-19-related exceptional items	JPY (12.1) bn (20.9) bn	Impact of COVID-19-related exceptional costs including those for idle facilities, mainly recognized in April and May
Loss attributable to owners of the parent	JPY (16.4) bn (19.3) bn	Net loss reflecting a significant fall in revenue and operating loss
Free cash flow	JPY (46.7) bn (19.9) bn	Outflow due to net loss and seasonal working capital movements

Lower line: Variance against prior year

* After amortization arising from the acquisition of Pilkington plc

Consolidated Income Statement

Revenue better than previous forecast
helped by a stronger demand rebound in June, while significantly below prior year

¥ bn	FY2020 Q1	**FY2021 Q1**
Revenue	147.1	**91.9**
Operating (loss)/profit *	8.8	**(0.6)**
Exceptional items (COVID-19)	-	**(11.5)**
Operating (loss)/profit after COVID-19-related exceptional items	8.8	**(12.1)**
Exceptional items (Other)	(0.6)	**(0.1)**
Finance expenses (net)	(3.5)	**(2.4)**
Share of JVs and associates	0.5	**(0.4)**
(Loss)/profit before taxation	5.2	**(14.9)**
(Loss)/profit for the period	3.1	**(16.5)**
owners of the parent	2.9	**(16.4)**
EBITDA	17.5	**6.1**

YOY Change in Q1 Revenue (Actual v Forecast)

	Actual YOY	Forecast as at 22 May
Architectural	-25%	-30~40%
Automotive	-50%	-50~60%
Technical	-20%	-10～20%
Total	-38%	-40～50%

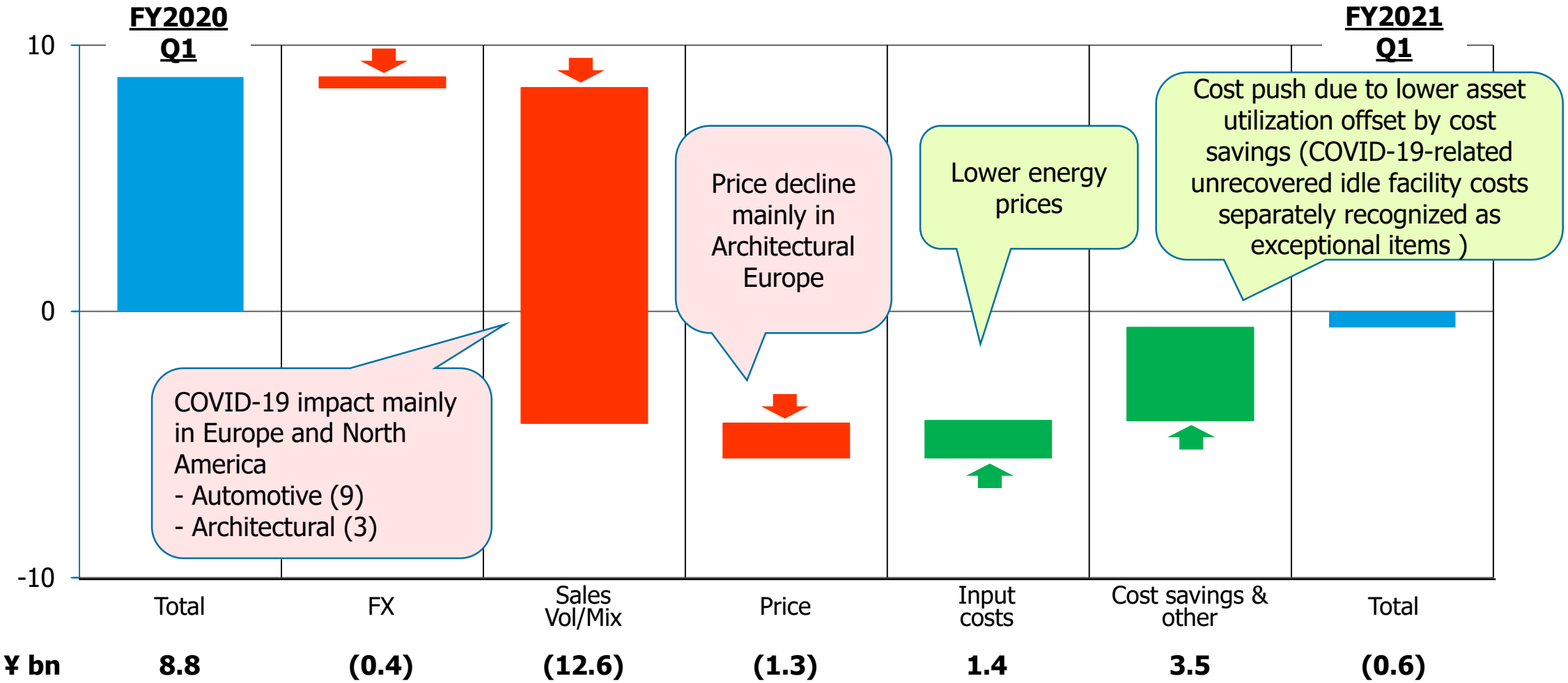
YOY Revenue Change by Month

April	May	June
-52%	-46%	-14%

* After amortization arising from the acquisition of Pilkington plc (JPY 0.4bn for Q1)

Change Analysis – Operating profit

Affected by significant volume decline due to COVID-19 mainly in Automotive Glass



Consolidated Balance Sheet

JPY bn	31 March 2020	30 June 2020	Change
Assets	**765.2**	**757.5**	**(7.7)**
Non-current assets	**541.1**	**547.8**	**6.7**
Goodwill & intangible assets	138.6	139.8	1.2
Property, plant and equipment	294.5	296.9	2.4
Other	108.0	111.1	3.1
Current assets	**224.1**	**209.7**	**(14.4)**
Cash & cash equivalents	43.6	36.5	(7.1)
Other	180.5	173.2	(7.3)
Liabilities	**677.0**	**686.8**	**9.8**
Current liabilities	**200.4**	**178.3**	**(22.1)**
Financial liabilities	58.7	70.3	11.6
Other	141.7	108.0	(33.7)
Non-current liabilities	**476.6**	**508.5**	**31.9**
Financial liabilities	376.3	407.7	31.4
Other	100.3	100.8	0.5
Equity	**88.2**	**70.7**	**(17.5)**
Shareholders' equity	73.6	56.0	(17.6)
Non-controlling interests	14.6	14.7	0.1
Total liabilities and equity	**765.2**	**757.5**	**(7.7)**

Consolidated Cash Flow Summary

JPY bn	FY2020 1st Quarter	**FY2021 1st Quarter**	Change
(Loss)/profit for the period	3.1	**(16.5)**	(19.6)
Depreciation and amortization	8.7	**8.6**	(0.1)
Net impairment	0.6	**-**	(0.6)
Gain on sale of assets	(1.0)	**(0.6)**	0.4
Tax paid	(3.2)	**(1.2)**	2.0
Others	1.1	**1.2**	0.1
Net operating cash flows before movement in working capital	9.3	**(8.5)**	(17.8)
Net change in working capital	(19.4)	**(22.1)**	(2.7)
Net cash flows from operating activities	(10.1)	**(30.6)**	(20.5)
Purchase of property, plant and equipment			
- Strategic projects	(13.1)	**(6.2)**	6.9
- Ordinary	(6.0)	**(7.0)**	(1.0)
Acquisitions of subsidiaries and associates	-	**(3.3)**	(3.3)
Disposal proceeds	2.0	**1.1**	(0.9)
Others	0.4	**(0.7)**	(1.1)
Net cash flows from investing activities	(16.7)	**(16.1)**	0.6
Free cash flow	(26.8)	**(46.7)**	(19.9)

Key Performance Indicators

Net debt increased due to net loss and cash outflow

	30 June 2019	**30 June 2020**	31 March 2020
Net Debt (¥ bn)	388.3	**440.7**	390.2
Net Debt / EBITDA	5.3x	**10.1x**	7.1x
Net Debt / Equity Ratio	3.4x	**6.2x**	4.4x
Shareholders' Equity Ratio	13.5%	**7.4%**	9.6%

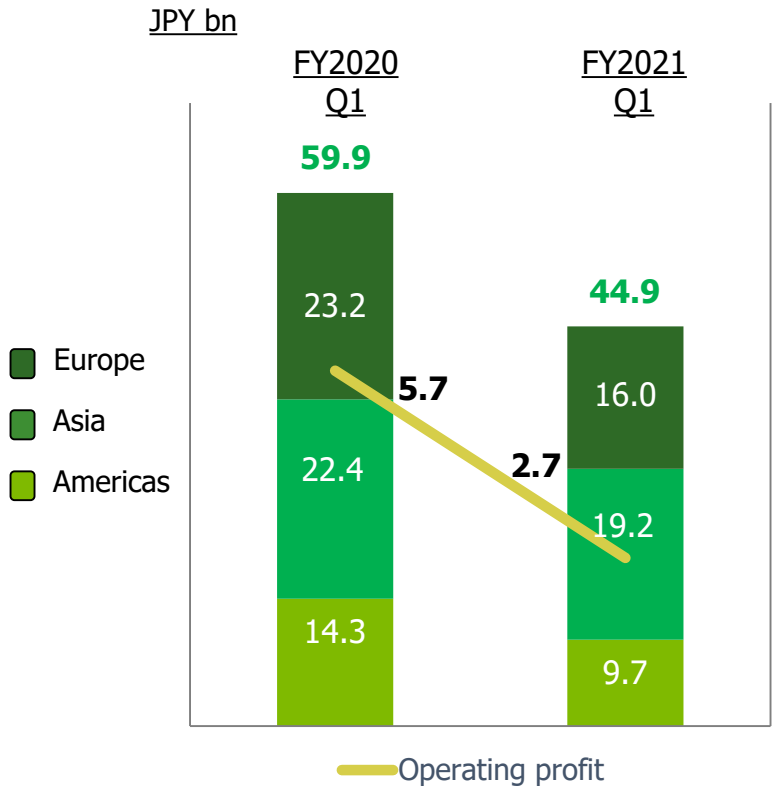
	FY2020 Q1	**FY2021 Q1**	FY2020
Operating Return on Sales	6.0%	**(0.7%)**	3.8%

Segmental Information

JPY bn	Q1 FY2020 Revenue	Q1 FY2020 %	Q1 FY2020 Operating profit	Q1 FY2021 Revenue	Q1 FY2021 %	Q1 FY2021 Operating profit	Difference Revenue	Difference Operating profit
Architectural	**59.9**	**41%**	**5.7**	**44.9**	**49%**	**2.7**	**(15.0)**	**(3.0)**
Europe	23.2	16%		16.0	17%		(7.2)	
Asia	22.4	15%		19.2	21%		(3.2)	
Americas	14.3	10%		9.7	11%		(4.6)	
Automotive	**76.8**	**53%**	**4.0**	**38.7**	**42%**	**(2.9)**	**(38.1)**	**(6.9)**
Europe	33.5	23%		16.6	18%		(16.9)	
Asia	17.4	12%		9.9	11%		(7.5)	
Americas	25.9	18%		12.2	13%		(13.7)	
Technical Glass	**10.1**	**6%**	**1.8**	**8.1**	**9%**	**1.4**	**(2.0)**	**(0.4)**
Europe	1.7	1%		1.3	2%		(0.4)	
Asia	8.0	5%		6.5	7%		(1.5)	
Americas	0.4	0%		0.3	0%		(0.1)	
Other Operations	**0.3**	**0%**	**(2.7)**	**0.2**	**0%**	**(1.8)**	**(0.1)**	**0.9**
Total	**147.1**	**100%**	**8.8**	**91.9**	**100%**	**(0.6)**	**(55.2)**	**(9.4)**

Architectural – FY2020 Q1 vs FY2021 Q1

Affected by demand reduction due to COVID-19, especially in Europe and Americas. Robust solar energy glass demand



Europe (Revenue ▼, Profit ▼)

- Affected by volume decrease and suspension of production due to lockdown restrictions
- Most of the lines back to more normal production levels towards the end of the quarter

Asia (Revenue ▼, Profit ▲)

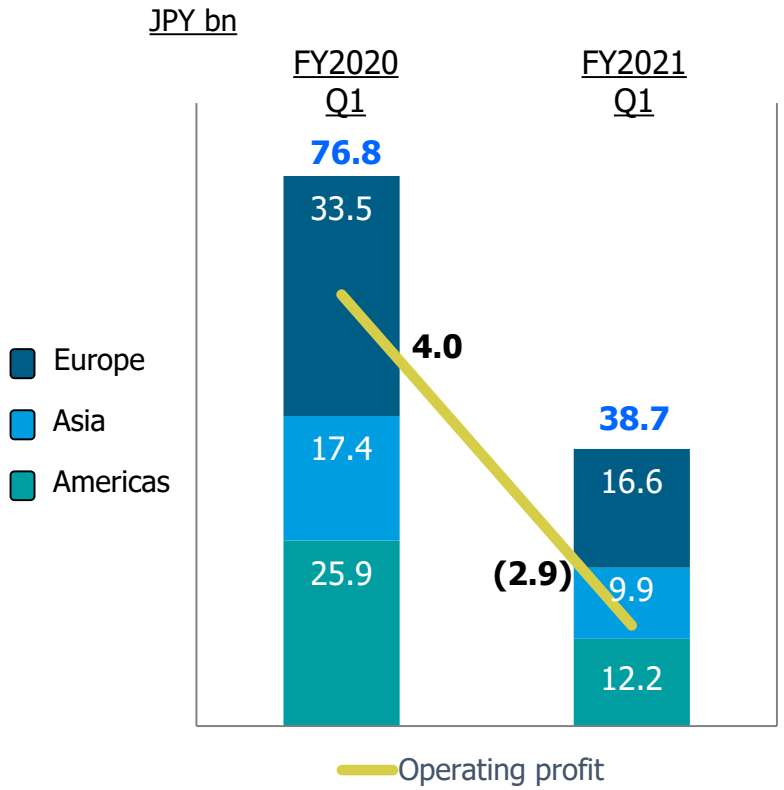
- Less impact of COVID-19 in Japan than other regions
- Robust solar energy glass shipment
- Two furnaces in Chiba & Malaysia suspended as planned

Americas (Revenue ▼, Profit ▼)

- Higher solar energy glass volumes offset by lower architectural demand due to COVID-19 in North America
- Revenues affected by COVID-19 impact and forex in South America

Automotive – FY2020 Q1 vs FY2021 Q1

Affected by a sharp decline in new car production in April and May, strengthened markedly in June



Europe (Revenue ▼, Profit ▼)

- OE volumes significantly affected by the closure of customers' production facilities due to COVID-19
- AGR results affected by lockdown restrictions

Asia (Revenue ▼, Profit ▼)

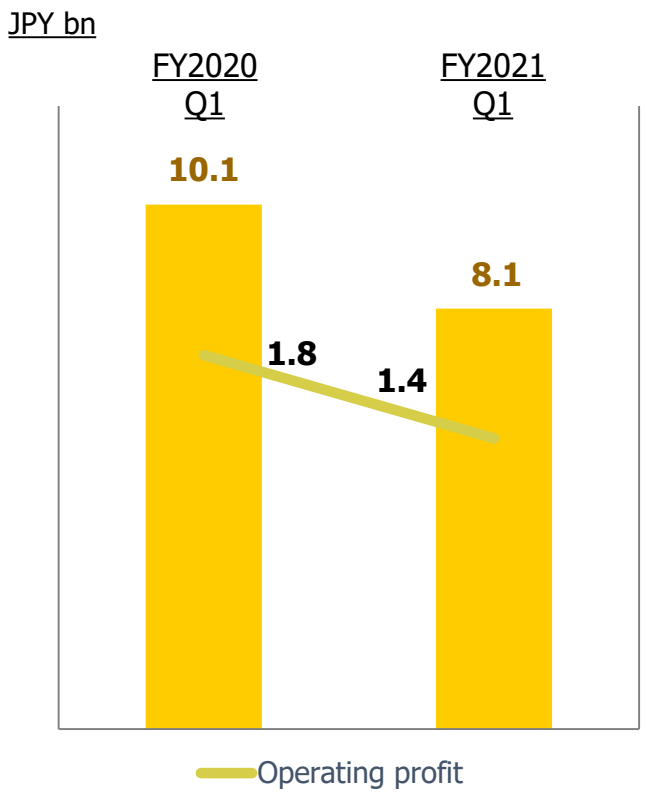
- Production levels well below capacity, although less severe than in other regions

Americas (Revenue ▼, Profit ▼)

- Declined volumes due to COVID-19. Stronger rebound in vehicle production towards the end of the quarter
- Production in South America significantly below normal levels

Technical Glass – FY2020 Q1 vs FY2021 Q1

Affected by COVID-19 although to a lesser extent



Technical Glass (Revenue ▼, Profit ▼)

- Impact of COVID-19 on fine glass partially offset by sales mix improvement
- Decline in revenues and profits of printer lenses due to weaker market conditions
- Decline in revenues and profits for glass cord used in engine timing belts, reflecting conditions in the European automotive sector generally
- Continued solid results for battery separators

Business Impact of COVID-19

With reopening of economy, operations restarted and returning to normal including those in Europe and Americas

Architectural	Gradually returning to normal operation in all regions • Europe: All lines but one back in operation, few with reduced utilization • Asia: One furnace each suspended in Chiba and Malaysia as planned. Others under normal operation while some lines with reduced utilization. Solar lines fully utilized • North America: All lines back in operation while some lines with reduced utilization • South America: Argentina operating fully to normal, while Brazil (Cebrace JV) and Chile operating with reduced utilization
Automotive	All plants restarted in Europe and Americas in line with vehicle manufacturers' restart • Europe: Utilization improving but most lines still operating with reduced utilization. Stop and go production cycle in place with further summer shutdowns planned • Asia: Continuing operation with reduced utilization. Summer shutdowns planned • Americas: North America rebounded strongly with no summer shutdown planned. South America operating with reduced utilization and later virus impact on productivity
Technical	Some lines operating with reduced utilization due to lower automotive-related demand
Group	• No major issue in supply of fuel and input materials • Safe and flexible restart of production based on careful preparations

Actions for FY2021

Focused on minimizing cash outflow and cost

Additional liquidity secured

- Capital expenditure including strategic projects to be managed below depreciation; working capital control
- Additional commitment lines of JPY40 billion secured by the end of June
- JPY36.5 billion of cash and JPY73.2 billion unused commitment lines at the end of June 2020

Urgent Cost Saving Project

- About JPY10bn saved in direct cost and overhead in Q1 including labor cost such as furlough, reduced overtime, hiring freeze, travelling, utilization of government subsidies, 10% cut in executive and senior managers' pay as well as other discretionary spending such as maintenance, outsourcing and contracting, consumables

Work Style Reform and Efficiency Improvement

- Encouraging working from home for those who can
- All key meetings including Management Committee and Board of Directors meetings conducted online since as early as March, based on well-established IT tools and infrastructure including reinforced network capacity, switching to laptops and tablets and enhanced online meeting systems.

FY2021 Forecast

Uncertain business outlook – difficult to determine split of operating result and COVID-19 related exceptionals. Full-year forecast to be published when reasonable assumptions below operating profit are available

¥ bn	FY2020 Actual	FY2021 Q1 Actual	FY2021 Forecast Half year	FY2021 Forecast Full year
Revenue	556.2	91.9	**210.0**	**460.0**
Operating (loss)/profit	21.2	(0.6)	**-**	**-**
Operating (loss)/profit after COVID-19-related exceptional items	19.0	(12.1)	**(15.0)**	**(20.0)**
Exceptional items	(21.8)	(0.1)	**(1.0)**	**-**
Finance expenses (net)	(11.8)	(2.4)	**(6.0)**	**-**
Share of JVs and associates	1.1	(0.4)	**0.0**	**-**
(Loss)/profit before taxation	(13.5)	(14.9)	**(22.0)**	**-**
(Loss)/profit for the period	(17.5)	(16.5)	**(24.0)**	**-**
(Loss)/profit attributable to owners of the parent	(18.9)	(16.4)	**(24.0)**	**-**

	Q1 Actual	Q2/Q3 Forecast	Q4 Forecast	Full year
Revenue vs PY	-38%	-15%	-5%	-20%

	Q1 Actual	Full-year forecast
Architectural	-25%	-15%
Automotive	-50%	-20%
Technical	-20%	-15%
Group	-38%	-20%

Actions for the Future

Restoring business performance to generate sustainable profit and cash flow

Directions for Businesses

- Architectural: While impacted by COVID-19, demand expected to be relatively stable; ensure quick contribution of new solar investment; further promotion of VA strategy by taking advantage of new business opportunities such as anti-virus glass, glass for electrochromic and BIPV applications
- Automotive: Years before full demand recovery; aligning operations to reduced demand as soon as possible
- Technical: Developing new applications as soon as possible such as new SLA for machine vision, anti-virus glass for touch screen, products for high-durability industrial batteries
- BIC: Business development of **PicoGene™ 1100** and optical devices for new-generation telecommunication
- R&D: Hydrogen fuel for glass making and anti-virus glass based on UK government grants, automotive glass for CASE applications

Continued identification and execution of disposals of non-core businesses and assets

Fundamental improvement plan under development with a view to longer-term demand structure

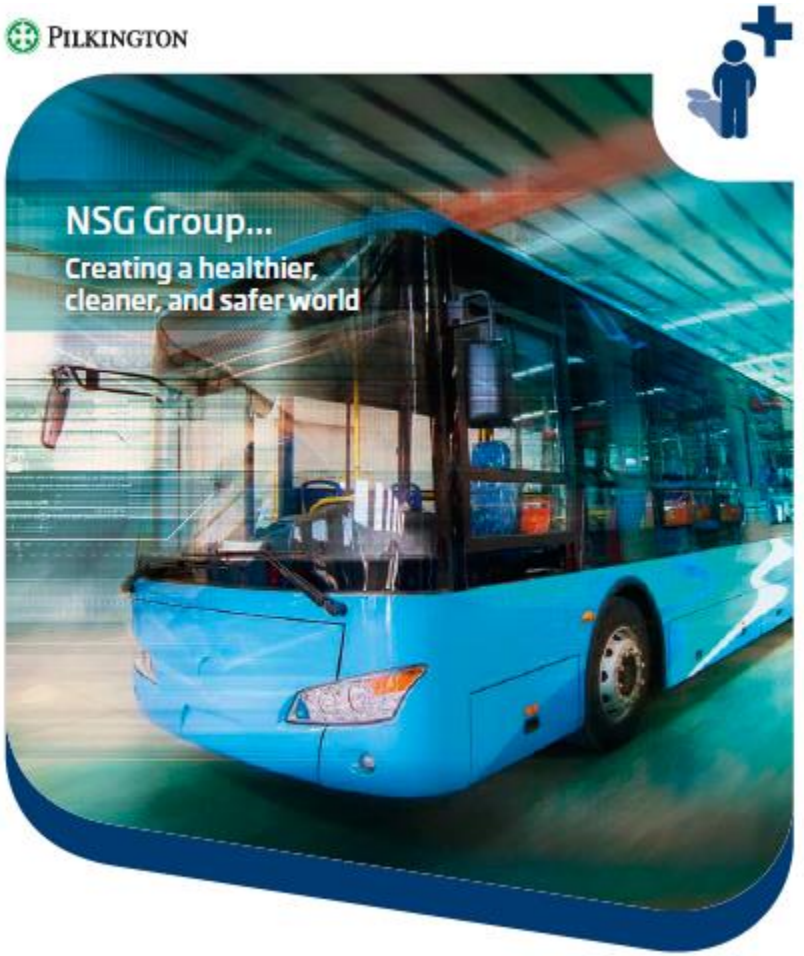
- Aiming for earlier execution to ensure a longer-term improvement in profitability and financial position

Opportunities for the Future

Aim for growth by responding to societies' changing needs

Health

- Hand-held PCR device, **PicoGene™**: Growing interest globally, due to its uniqueness in size and speed with evaluation underway
- Anti-virus products: New applications including office usage being developed **for Virus Clean™**; new product development underway in Japan, Europe and the US for various applications including bus windows and driver enclosures in North America



Environment

- Glass for thin-film solar: Continued robust demand
  - New line in Vietnam fully utilized
  - New line in the US under construction for startup in H2
- Glass for electrochromic and BIPV applications:
  - Developing markets in Japan, Europe and North America in cooperation with multiple start-up companies

Telecommunication

- Development projects underway for optical devices and coating and processing technologies to be used for large-capacity high-speed communication infrastructure

Summary

FY2021 Q1 Results

- Results affected by a reduction in demand associated with COVID-19 pandemic globally. Nearly 40% year-on-year revenue decline, while a stronger rebound seen in June
  - Architectural: Europe and Americas more seriously affected. Robust solar energy glass demand
  - Automotive: Significant impact of the closure of customers' production facilities. Demand recovering with reopening of car production
  - Technical: Automotive applications affected, to a lesser extent than the other businesses
- Safe and flexible restart of production based on careful preparations
- Additional commitment lines secured for liquidity. Focused on cost and cash savings across the Group

FY2021 Forecast and Counteractions

- Based on gradual demand recovery from Q1 throughout the year and the execution of an urgent cost saving project, aiming to restore business profitability
- Fundamental improvement actions for transforming the business structure to generate sustainable profit and cash flow for a longer-term improvement in profitability and financial position under consideration
- Seeking growth by responding to changing needs of new normal in the society 'with or after COVID-19'

Notice

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.

Nippon Sheet Glass Company, Limited

Appendices

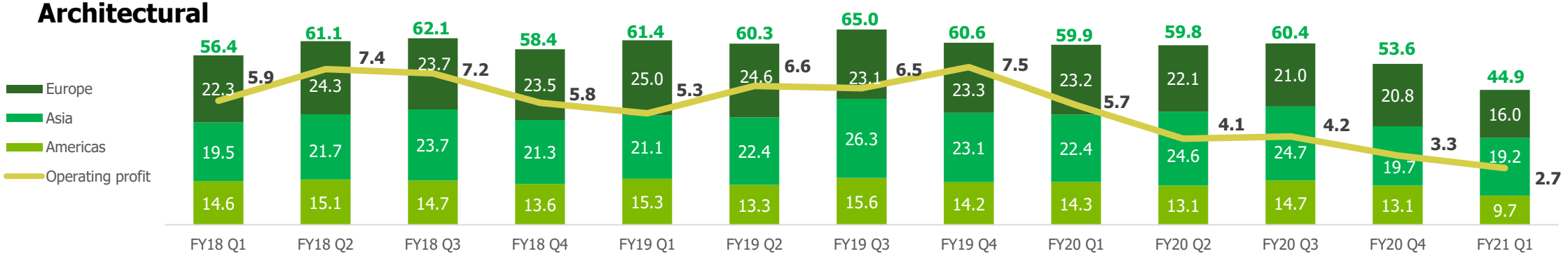
FY2021 Q1 Results

- Revenue & Operating Profit – Quarterly Trend
- Exceptional items
- FY2021 Forecast Assumptions for Reference
- Exchange Rates
- Depreciation & Amortization, CAPEX, R&D Expenses

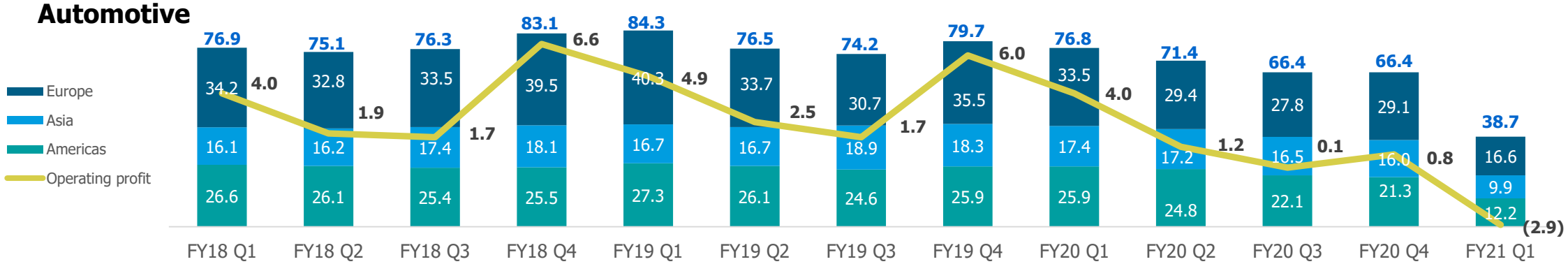
Revenue & Operating Profit – Quarterly Trend

(JPY bn)

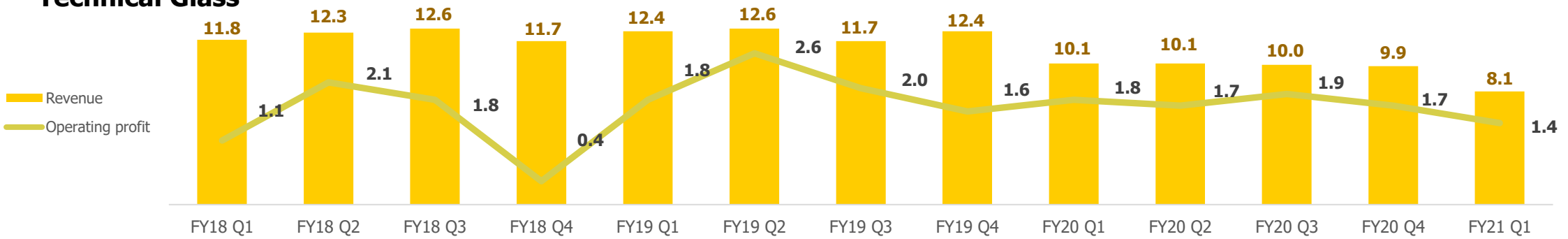
Architectural



Automotive



Technical Glass



Exceptional items

JPY bn	FY2020 1st Quarter	**FY2021 1st Quarter**
Exceptional items (gains):		
COVID-19 government support	-	**0.8**
Gain on disposal of subsidiaries and joint ventures	1.0	**0.6**
Others	-	**0.0**
	1.0	**1.4**
Exceptional items (losses):		
Suspension and other costs caused by COVID-19	-	**(12.3)**
Restructuring costs, including employee termination payment	(0.8)	**(0.4)**
Suspension of facilities	(0.5)	**(0.1)**
Net impairment of non-current assets	(0.2)	**-**
Others	(0.1)	**(0.1)**
	(1.6)	**(13.0)**

* The Group has recorded the direct costs and also unrecovered operating costs arising from the COVID-19 pandemic as exceptional items, together with any related income from governments. Such costs include payments to employees not engaged in productive activities due to the COVID-19 pandemic, costs of maintaining idle facilities, and direct costs such as the deep cleaning of facilities to promote a safe operating environment. （JPY 12.3 billion costs and JPY 0.8 billion gains from government support)

FY2021 Forecast Assumption for Reference

Group	• Gradual recovery in revenues, with certain seasonal fluctuations, close to the level of prior year at the end of financial year
Architectural	• Assuming gradual normalization of economic activities. • Suspension of two furnaces in Asia incorporated • Demand to follow advance indicators such as GDP and construction activities in each region • Continued robust demand for solar energy glass
Automotive	• Assuming recovery in demand in line with car production in Europe, Japan and Americas • Over 20% vehicle production decline in those markets • AGR markets to recover more quickly
Technical Glass	• Milder COVID-19 impact and a time lag in demand recovery

Foreign exchange rates

Average rates used

	FY2018				FY2019				FY2020				FY2021
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
GBP	142	144	146	147	149	147	146	146	141	137	138	138	**133**
EUR	122	126	128	130	131	130	129	129	124	121	121	121	**118**
USD	111	112	111	111	110	111	111	111	109	109	109	109	**107**
BRR	34.6	35.0	34.8	34.4	30.4	29.3	29.3	29.4	28.0	27.6	27.2	26.4	**19.9**
ARS	7.06	6.74	6.65	6.30	4.70	-	-	-	-	-	-	-	**-**

Closing rates used

	FY2018				FY2019				FY2020				
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
GBP	146	151	152	150	145	148	141	144	137	133	144	133	**132**
EUR	128	132	136	132	128	132	127	124	123	118	122	119	**121**
USD	112	113	113	106	111	113	111	111	108	108	109	108	**107**
BRR	34.0	35.4	33.9	32.1	28.6	28.2	28.5	28.3	28.3	26.0	27.1	20.8	**19.9**
ARS	6.81	6.42	6.03	5.30	3.94	2.84	2.93	2.53	2.53	1.88	1.82	1.68	**1.53**

FX Sensitivity

Increase (decrease) if the value of the yen increases by 1% (all other things being equal):

(JPY bn)	FY2019	**FY2020**
Equity	(3.3)	**(3.1)**
Profit/(loss) for the period	(0.2)	**0.1**

Depreciation & Amortization, CAPEX, R&D Expenditures

(JPY bn)	FY2020 1st Quarter	**FY2021 1st Quarter**	FY2021 Forecast
Depreciation and amortization	8.7	**8.6**	37.0
Capital expenditures (including intangibles)			
Ordinary	5.1	**2.2**	22.0
Strategic projects and other	13.1	**6.2**	15.0
Total	18.2	**8.4**	37.0
R&D expenditures			
Architectural	0.7	**0.5**	
Automotive	0.7	**0.5**	
Technical Glass	0.2	**0.2**	
Other	0.7	**0.9**	
Total	2.3	**2.1**	9.0


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