

NSG

GROUP

NSG Group

FY2021 Quarter 3 Results

(from 1 April 2020 to 31 December 2020)

Nippon Sheet Glass Company, Limited
4 February 2021

Shigeki Mori

Chief Executive Officer

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Agenda

1. FY2021 Quarter 3 Financial Results
2. FY2021 Forecast
3. Business Transformation Update
4. Summary

Consolidated Income Statement

Benefitting from further demand recovery, profits for Q3 (3 months) improved year on year, although cumulatively impacted by COVID-19

(JPY bn)	Q3 (3 months)			Cumulative (9 months)		
	FY2020	FY2021	Change	FY2020	FY2021	Change
Revenue	137.2	135.9	(1.3)	425.8	357.4	(68.4)
Operating profit	3.1	4.8	1.7	18.0	8.0	(10.0)
ROS: Return on sales (%)	2.3%	3.5%		4.2%	2.2%	
Exceptional items (COVID-19 related)	—	(1.2)		—	(14.0)	
Operating (loss)/profit after COVID-19 related exceptional items	3.1	3.6	0.5	18.0	(6.0)	(24.0)
Exceptional items (Other)	(2.2)	1.0	3.2	(4.4)	0.2	4.6
Finance expenses (net)	(3.2)	(2.1)	1.1	(9.5)	(7.5)	2.0
Share of JVs and associates' profits	0.4	1.0	0.6	1.2	0.8	(0.4)
(Loss)/profit before taxation	(1.9)	3.5	5.4	5.3	(12.5)	(17.8)
(Loss)/profit for the period	(0.5)	3.7	4.2	1.9	(13.5)	(15.4)
(Loss)/profit attributable to owners of the parent	(0.7)	3.4	4.1	1.2	(13.9)	(15.1)
EBITDA	11.5	13.5	2.0	43.2	32.3	(10.9)

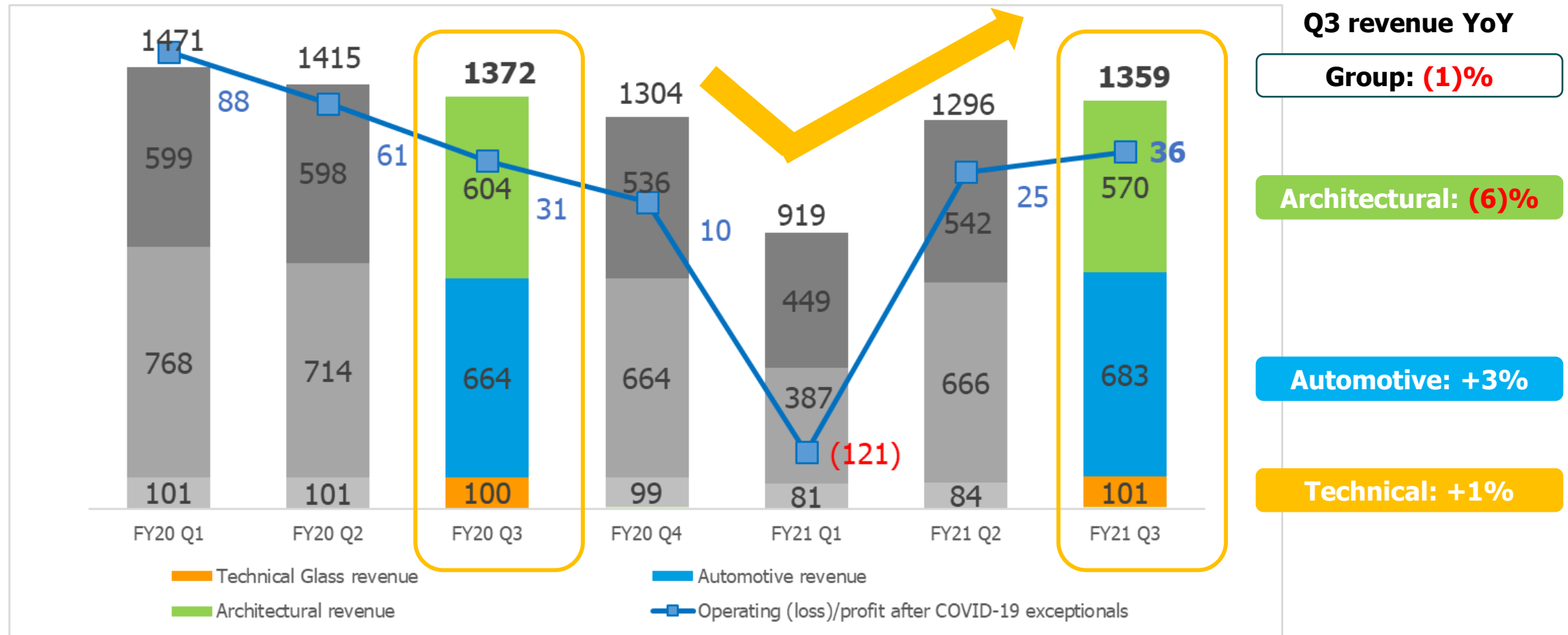
Positive cumulative results

Positive after COVID-19 related exceptional items and improved year-on-year

Q3 net profit in positive territory

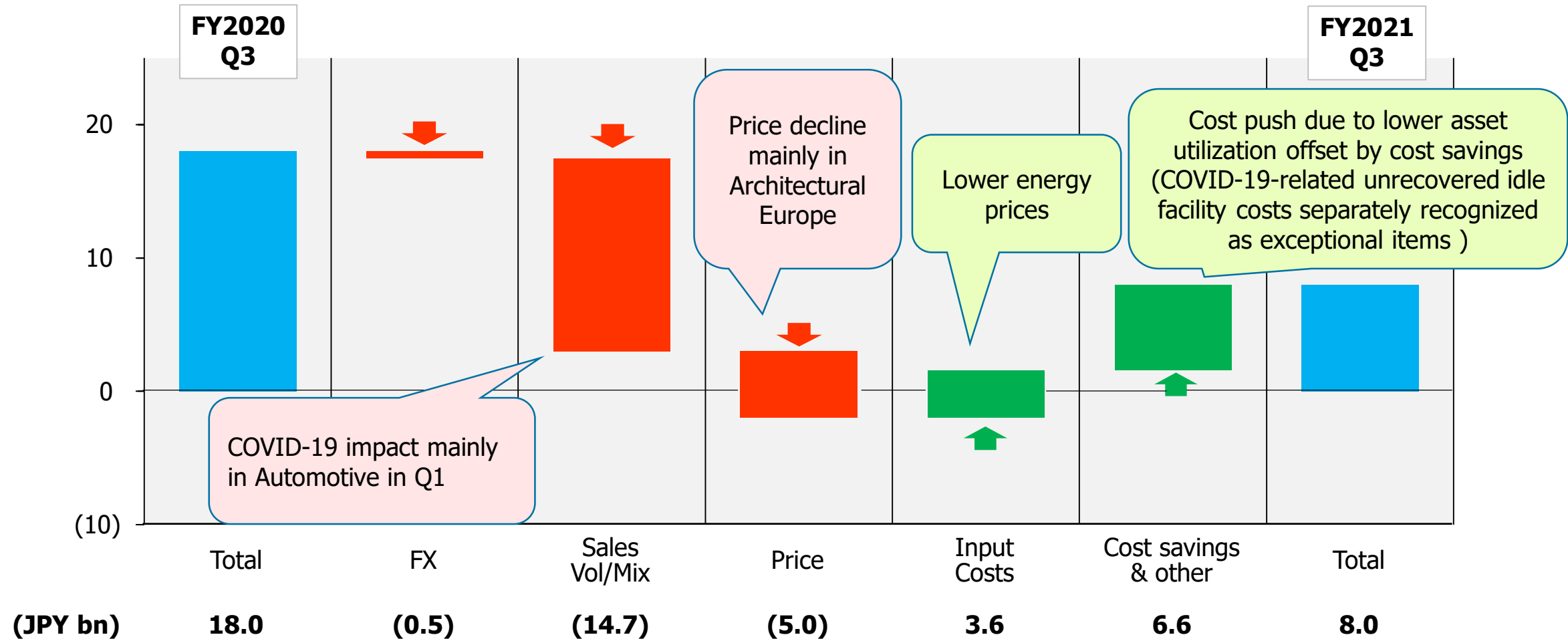
Revenue & Operating Profit after COVID-19 Related Exceptional Items

Continuing recovery reflecting improving trading conditions, supported by cost saving efforts. Benefitted also from Automotive revenue increase in Q3



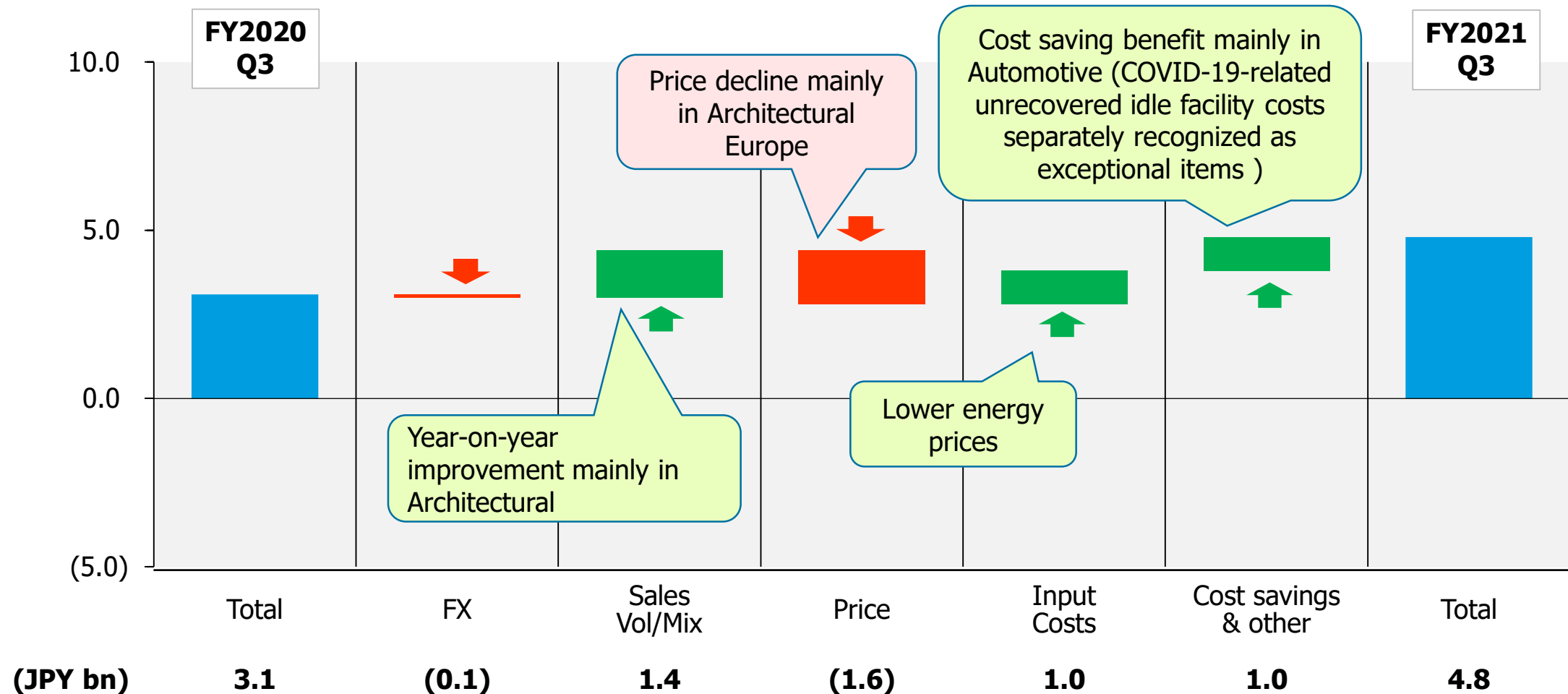
Change Analysis – Operating profit (Cumulative)

Significant COVID-19-related fall in volumes, particularly during the first quarter



Change Analysis – Operating profit (Quarter 3 only)

With boost in volumes and further cost savings, profitability improved year-on-year



Exceptional items

Net cost of JPY0.2bn during Q3, restructuring costs offset by gain recognized related to a legal case on sales-based taxes in Brazil

(JPY bn)	FY2020	FY2021	
	Cumulative	Q3	Cumulative
COVID-19 related items	—	(1.2)	(14.0)
Government support	—	0.2	2.3
Suspension and other costs		(1.4)	(16.3)
Other exceptional items	(4.4)	1.0	0.2
Gain on settlement of litigation matters	—	3.4	3.4
Loss on settlement of litigation matters	(0.2)	(0.1)	(0.3)
Net impairment of non-current assets	(0.1)	0.8	0.8
Gain on disposal of subsidiaries and joint ventures	1.0	—	0.7
Restructuring costs	(3.8)	(2.9)	(4.0)
Suspension of facilities	(1.3)	—	(0.2)
Retirement benefit obligations – past service cost	—	(0.2)	(0.2)
Exceptional items – net	(4.4)	(0.2)	(13.8)

(11.5) bn in Q1

Conclusion of a legal challenge regarding the calculation of sales-based taxes in Brazil

Including 2.2bn provision for early retirement program in Japan

Q3 net loss at (0.2)bn

* 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.

Consolidated Balance Sheet

Improvement in shareholders' equity ratio from the end of September

(JPY bn)	31 March 2020	30 Sep 2020	31 Dec 2020	Change	
				vs 31 Mar	vs 30 Sep
Total Assets	765.2	757.6	778.0	12.8	20.4
Non-current assets	541.1	544.7	561.1	20.0	16.4
Current assets	224.1	212.9	216.9	(7.2)	4.0
Total Liabilities	677.0	693.4	701.4	24.4	8.0
Current liabilities	200.4	222.4	232.7	32.3	10.3
Non-current liabilities	476.6	471.0	468.7	(7.9)	(2.3)
Total Equity	88.2	64.2	76.6	(11.6)	12.4
Shareholders' equity	73.6	48.8	61.3	(12.3)	12.5
Shareholders' Equity Ratio	9.6%	6.4%	7.9%	(1.7)%	1.5%
Net Debt	390.2	428.0	426.7	36.5	(1.3)
Net Debt / EBITDA	7.1x	10.2x	9.6x		
Net Debt / Equity Ratio	4.4x	6.7x	5.6x		

Improved from Q2, reflecting positive effects including net profit and foreign exchange movements during Q3

Consolidated Statement of Cash Flows

Substantial positive free cash flow generated in Q3 with recovering underlying profits and strict cash management

(JPY bn)	Q3 (3 months)			Cumulative (9 months)		
	FY2020	FY2021	Change	FY2020	FY2021	Change
Net cash flows from operating activities	(6.0)	12.5	18.5	(4.6)	4.7	9.3
included above: Net change in working capital	(9.6)	2.0	11.6	(23.1)	(4.6)	18.5
Net cash flows from investing activities	(14.5)	(6.9)	7.6	(44.7)	(33.3)	11.4
included above: Purchase of property, plant and equipment	(13.9)	(7.8)	6.1	(45.0)	(30.5)	14.5
Free cash flow	(20.5)	5.6	26.1	(49.3)	(28.6)	20.7
Net cash flows from financing activities	17.8	(2.6)	(20.4)	41.2	28.3	(12.9)
(Decrease)/increase in cash and cash equivalents	(2.7)	3.0	5.7	(8.1)	(0.3)	7.8
Cash and cash equivalents at the end of the period				42.7	41.3	(1.4)

Cumulatively Positive cash flow as a result of working capital reduction project

Continued capital expenditure reduction except for Strategic Projects

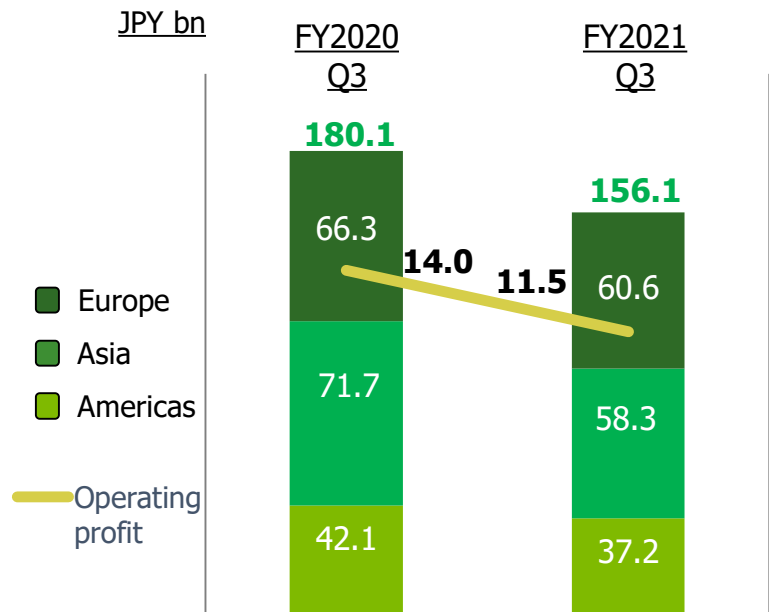
Positive free cash flow for two consecutive quarters

Segmental Information

(JPY bn)	FY2020 Q3 cumulative			FY2021 Q3 cumulative			Change	
	Revenue	%	Operating profit	Revenue	%	Operating profit	Revenue	Operating profit
Architectural	180.1	43%	14.0	156.1	44%	11.5	(24.0)	(2.5)
Europe	66.3	16%		60.6	17%		(5.7)	
Asia	71.7	17%		58.3	16%		(13.4)	
Americas	42.1	10%		37.2	11%		(4.9)	
Automotive	214.6	50%	5.3	173.6	49%	(1.1)	(41.0)	(6.4)
Europe	90.7	21%		72.1	20%		(18.6)	
Asia	51.1	12%		43.4	12%		(7.7)	
Americas	72.8	17%		58.1	17%		(14.7)	
Technical Glass	30.2	7%	5.4	26.6	7%	4.5	(3.6)	(0.9)
Europe	5.1	1%		4.6	1%		(0.5)	
Asia	24.0	6%		21.2	6%		(2.8)	
Americas	1.1	0%		0.8	0%		(0.3)	
Other	0.9	0%	(6.7)	1.1	0%	(6.9)	0.2	(0.2)
Total	425.8	100%	18.0	357.4	100%	8.0	(68.4)	(10.0)

Architectural – FY2020 Q3 vs FY2021 Q3

Profitability improvement during FY2021 with further demand recovery in Q3 especially in Europe and South America, as well as cost saving efforts.



(JPY bn)	Q3 (3 months)			Cumulative (9 months)		
	FY2020	FY2021	Change	FY2020	FY2021	Change
Revenue	60.4	57.0	(3.4)	180.1	156.1	(24.0)
Europe	21.0	22.4	1.4	66.3	60.6	(5.7)
Asia	24.7	20.5	(4.2)	71.7	58.3	(13.4)
Americas	14.7	14.1	(0.6)	42.1	37.2	(4.9)
OP	4.2	4.2	0.0	14.0	11.5	(2.5)

Europe (9M: Rev ▼, Profit ▼; 3M: Rev ▲, Profit ▲)

- Improving volumes and prices during current year with demand recovery
- Profitability continuing to recover with cost savings and stable operational performance

Asia (9M: Rev ▼, Profit ▲; 3M: Rev ▼, Profit ▲)

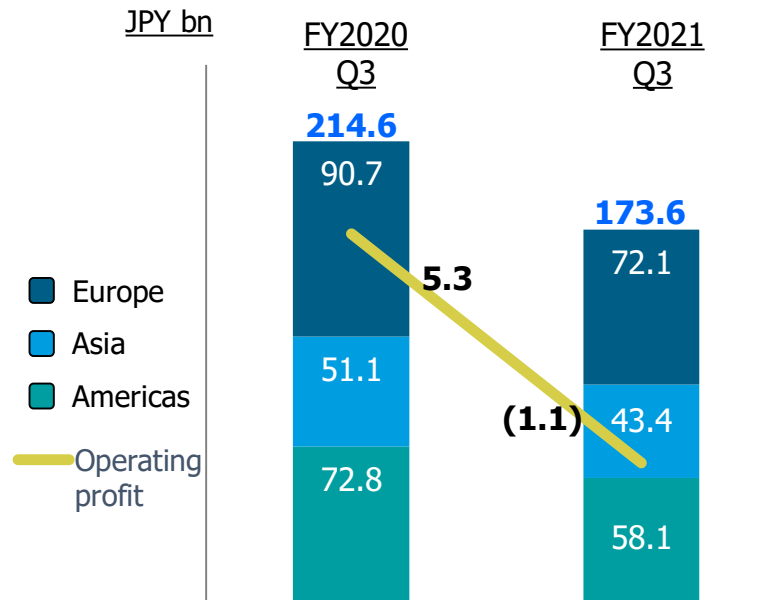
- Improved profit helped by lower fixed cost after the suspension of furnaces in Chiba and Malaysia, despite revenue decline
- Robust solar energy glass shipment largely unaffected by COVID-19

Americas (9M: Rev ▼, Profit ▼; 3M: Rev ▼, Profit ▼)

- Sluggish volumes for domestic commercial buildings, but solid shipments with robust solar energy glass volumes in North America; start of warming up the new float line in Luckey, Ohio, on 9 November
- Strong volumes in South America since Q2, rebounding to previous year's level

Automotive – FY2020 Q3 vs FY2021 Q3

Q3 results improved YoY with demand recovery since June, while cumulative revenues and profits lower YoY



(JPY bn)	Q3 (3 months)			Cumulative (9 months)		
	FY2020	FY2021	Change	FY2020	FY2021	Change
Revenue	66.4	68.3	1.9	214.6	173.6	(41.0)
Europe	27.8	28.8	1.0	90.7	72.1	(18.6)
Asia	16.5	17.6	1.1	51.1	43.4	(7.7)
Americas	22.1	21.9	(0.2)	72.8	58.1	(14.7)
OP	0.1	1.3	1.2	5.3	(1.1)	(6.4)

Europe (9M: Rev ▼, Profit ▼ ; 3M: Rev▲, Profit ▼)

- Recovery of OE volumes as car production restarted

Asia (9M: Rev ▼, Profit ▼ ; 3M: Rev▲, Profit ▲)

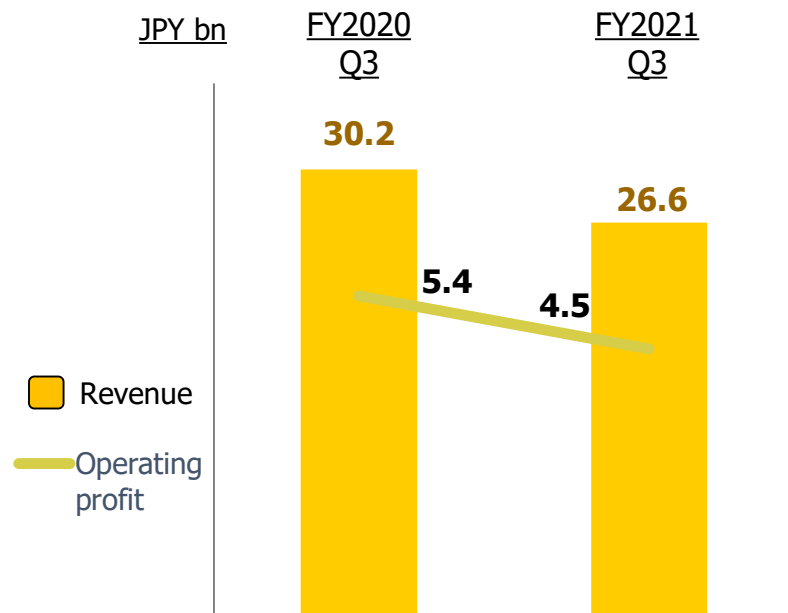
- Increased production levels from Q2, with new car production recovery

Americas (9M: Rev ▼, Profit ▼ ; 3M: Rev▼, Profit▲)

- Improving with YoY volume increase since Q2 and cost saving benefits
- Signs of improvement in demand in South America, though still weak

Technical Glass – FY2020 Q3 vs FY2021 Q3

Q3 results recovered to previous year's level while cumulative revenues and profits impacted by COVID-19



(JPY bn)	Q3 (3 months)			Cumulative (9 months)		
	FY2020	FY2021	Change	FY2020	FY2021	Change
Revenue	10.0	10.1	0.1	30.2	26.6	(3.6)
OP	1.9	2.0	0.1	5.4	4.5	(0.9)

Technical (9M: Rev ▼, Profit ▼ ; 3M: Rev ▲, Profit ▲)

- Limited impact of COVID-19 on fine glass volumes
- Improved volumes of printer lenses due to work from home demand
- Demand for glass cord used in engine timing belts reflected conditions in the European automotive sector, but showed signs of recovery towards the end of quarter
- Continued stable results for battery separators

FY2021 Forecast Assumptions

Group	<ul style="list-style-type: none"> Revenue and profit forecast revised upward again, reflecting Q3 results exceeding previous forecast as well as improving demand and cost saving efforts Trading conditions in Q4 expected to return to last year's level, while may be affected by possible demand decline by increasing COVID-19 infections
Architectural	<ul style="list-style-type: none"> Assuming stable demand recovery with normalization of economic activities Continued robust demand for solar energy glass, while profit to be temporarily affected by start up cost of new solar glass line in the USA
Automotive	<ul style="list-style-type: none"> Assuming substantial recovery in demand in line with vehicle sales, while reduction of vehicle production could be caused by such factors as increasing COVID-19 infections and shortage of semiconductor
Technical Glass	<ul style="list-style-type: none"> Assuming recovery to previous year's level in most segments

YoY Revenue Assumption

	Prev Q3 Fcst	Q3 Act	Prev Q4 Fcst	Q4 Fcst	Prev FY	Latest FY
Architectural	-	-6%	-	Slight YoY improvement in all businesses	-10%	+1~2pt on prev forecast in all businesses
Automotive		+3%			-15%	
Technical		+1%			-10%	
Group	-5%	-1%	0%	3%	-15%	-12%

FY2021 Forecast

Revenue and operating profit revised upward again. Full-year forecast below operating profit to be published when exceptional items confirmed. Asset disposals anticipated to mitigate the expected restructuring cost

(JPY bn)	FY2021				FY2020	
	Q3 Cumulative Actuals	Q4 3 months Forecast	Full year Forecast (Latest)	Full year Forecast (Previous)	Q4 3 months Actuals	Full year Cumulative Actuals
Revenue	357.4	133.0	490.0	480.0	130.4	556.2
Operating profit	8.0	4.0	12.0	9.0	3.2	21.2
Operating (loss)/profit after COVID-19 related exceptional items	(6.0)	4.0	(2.0)	(7.0)	1.0	19.0
Exceptional items (Other)	0.2	—	—	—	(17.4)	(21.8)
Finance expenses (net)	(7.5)	—	—	—	(2.3)	(11.8)
Share of JVs and associates' profits/(losses)	0.8	—	—	—	(0.1)	1.1
(Loss)/profit before taxation	(12.5)	—	—	—	(18.8)	(13.5)
(Loss)/profit for the period	(13.5)	—	—	—	(19.4)	(17.5)
(Loss)/profit attributable to owners of the parent	(13.9)	—	—	—	(20.1)	(18.9)

Execution of Business Transformation

Reform across the Group to ensure meaningful net profit in FY2022

Urgent Cost Saving Project	<ul style="list-style-type: none">Cumulatively JPY20bn saving YoY achieved
Stable Liquidity	<ul style="list-style-type: none">Continued strict management of capital expenditure and working capital to improve cash flowStable liquidity with JPY46.5 billion of cash and JPY84.4 billion unused commitment lines at the end of December, improving from the levels at the end of September
Cost Transformation Aiming for cost improvement of over JPY10bn in FY2022	<ul style="list-style-type: none">Headcount Reduction: Actions identified and many in progress to reduce more than 2000 employees globally as planned. Progress being made through redundancy and retirement programs including those being implemented in JapanSignificant Fixed cost, Production Cost and Procurement Cost Improvement: Actions identified and in progress across the Group, addressing material, energy, logistics, bought-in services, rent and other cost
Disposals	<ul style="list-style-type: none">Progressing toward Q4, aiming to mitigate the costs associated with expected headcount reduction programs

Summary

1. FY2021 Q3 Results

- Cumulatively results impacted by demand decline associated with COVID-19 during Q1
- Led by improving Automotive results, Q3 revenue returned to previous year's level and operating profit improved 52% year-on-year, resulting in positive profit attributable to owners of the parent
- Solar energy glass shipments remain robust. A new line in the US started warming up in November
- Substantial positive free cash flow generated in Q3 with recovering underlying profits and strict cash management
- Improvement in shareholders' equity ratio from the end of September

2. FY2021 Forecast

- Full-year forecast of revenue and operating profit revised upward again, reflecting the improved market conditions during the third quarter and the latest outlook for the remainder of the year
- Anticipating revenue run-rate recovery to previous year's levels in Q4 while increasing COVID-19 infections might impact the automotive glass market
- Full-year forecast below operating profit to be published when reasonable assumptions for exceptional items become available

3. Business Transformation Update

- Reform in progress across the Group to ensure meaningful net profit in FY2022
- Headcount reduction and fixed cost, production cost and procurement cost improvement actions identified and in progress
- Asset/business disposals progressing toward Q4, aiming to mitigate the costs associated with expected headcount reduction programs

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 Q3 Results

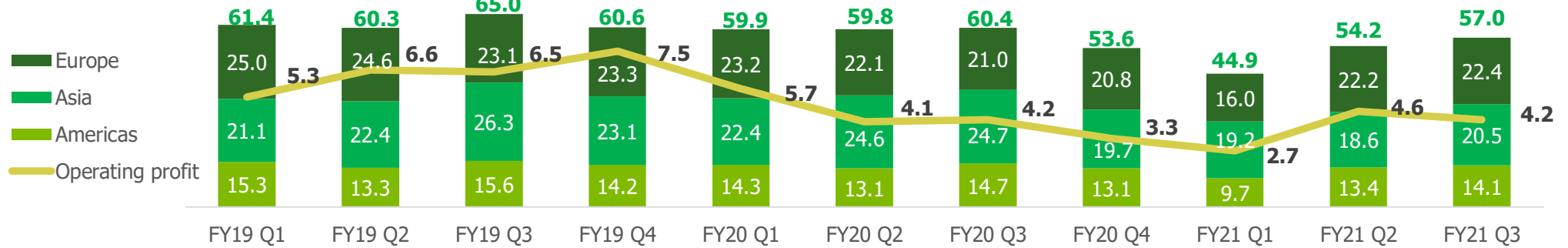
- Consolidated Income Statement – Quarterly Trend
- Revenue & Operating Profit – Quarterly Trend
- Segmental Information by Quarterly
- Revenue & Operating Profit – by Regions
- Foreign Currency Exchange Rates and FX Sensitivity
- Depreciation & Amortization, Capital Expenditures, R&D Expenditures

Consolidated Income Statement – Quarterly Trend

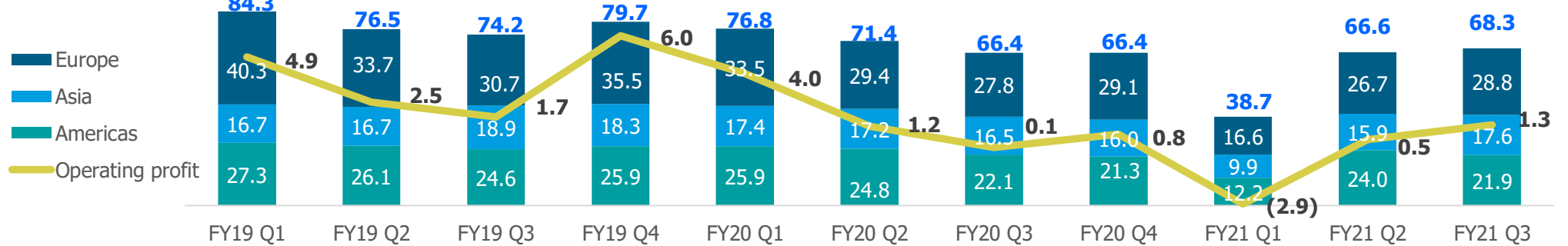
(JPY bn)	FY2020				FY2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	147.1	141.5	137.2	130.4	91.9	129.6	135.9
Operating profit/(loss)	8.8	6.1	3.1	3.2	(0.6)	3.8	4.8
ROS: Return on sales (%)	6.0%	4.3%	2.3%	2.5%	—	2.9%	3.5%
Exceptional items (COVID-19 related)	—	—	—	(2.2)	(11.5)	(1.3)	(1.2)
Operating (loss)/profit after COVID-19 related exceptional items	8.8	6.1	3.1	1.0	(12.1)	2.5	3.6
Exceptional items (Other)	(0.6)	(1.6)	(2.2)	(17.4)	—	(0.8)	1.0
Finance expenses (net)	(3.5)	(2.8)	(3.2)	(2.3)	(2.4)	(3.0)	(2.1)
Share of JVs and associates' (losses)/profits	0.5	0.3	0.4	(0.1)	(0.4)	0.2	1.0
(Loss)/profit before taxation	5.2	2.0	(1.9)	(18.8)	(14.9)	(1.1)	3.5
(Loss)/profit for the period	3.1	(0.7)	(0.5)	(19.4)	(16.5)	(0.7)	3.7
(Loss)/profit attributable to owners of the parent	2.9	(1.0)	(0.7)	(20.1)	(16.4)	(0.9)	3.4
EBITDA	17.5	14.2	11.5	11.8	6.1	12.7	13.5

Revenue & Operating Profit – Quarterly Trend

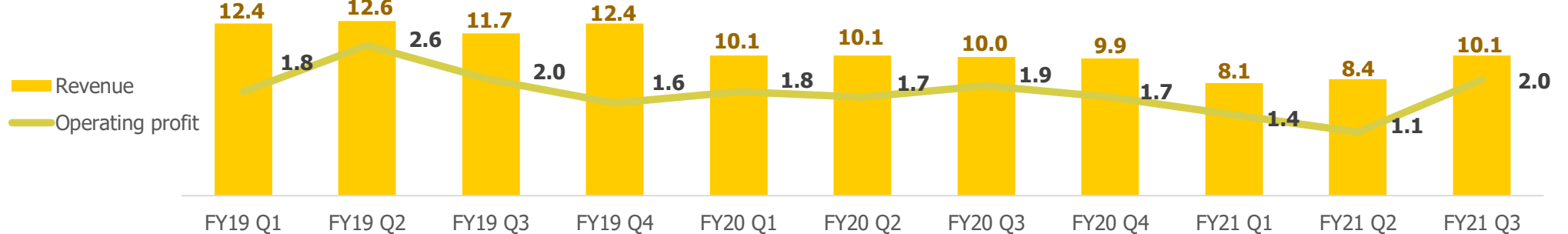
Architectural



Automotive



Technical Glass



Segmental Information

(JPY bn)	FY2020				FY2021				Change			
	Q1	Q2	Q3	Cumulative	Q1	Q2	Q3	Cumulative	Q1	Q2	Q3	Cumulative
Revenue: Architectural	59.9	59.8	60.4	180.1	44.9	54.2	57.0	156.1	(15.0)	(5.6)	(3.4)	(24.0)
Europe	23.2	22.1	21.0	66.3	16.0	22.2	22.4	60.6	(7.2)	0.1	1.4	(5.7)
Asia	22.4	24.6	24.7	71.7	19.2	18.6	20.5	58.3	(3.2)	(6.0)	(4.2)	(13.4)
Americas	14.3	13.1	14.7	42.1	9.7	13.4	14.1	37.2	(4.6)	0.3	(0.6)	(4.9)
Operating profit	5.7	4.1	4.2	14.0	2.7	4.6	4.2	11.5	(3.0)	0.5	0.0	(2.5)
Revenue: Automotive	76.8	71.4	66.4	214.6	38.7	66.6	68.3	173.6	(38.1)	(4.8)	1.9	(41.0)
Europe	33.5	29.4	27.8	90.7	16.6	26.7	28.8	72.1	(16.9)	(2.7)	1.0	(18.6)
Asia	17.4	17.2	16.5	51.1	9.9	15.9	17.6	43.4	(7.5)	(1.3)	1.1	(7.7)
Americas	25.9	24.8	22.1	72.8	12.2	24.0	21.9	58.1	(13.7)	(0.8)	(0.2)	(14.7)
Operating profit	4.0	1.2	0.1	5.3	(2.9)	0.5	1.3	(1.1)	(6.9)	(0.7)	1.2	(6.4)
Revenue: Technical	10.1	10.1	10.0	30.2	8.1	8.4	10.1	26.6	(2.0)	(1.7)	0.1	(3.6)
Europe	1.7	1.8	1.6	5.1	1.3	1.4	1.9	4.6	(0.4)	(0.4)	0.3	(0.5)
Asia	8.0	7.9	8.1	24.0	6.5	6.8	7.9	21.2	(1.5)	(1.1)	(0.2)	(2.8)
Americas	0.4	0.4	0.3	1.1	0.3	0.2	0.3	0.8	(0.1)	(0.2)	0.0	(0.3)
Operating profit	1.8	1.7	1.9	5.4	1.4	1.1	2.0	4.5	(0.4)	(0.6)	0.1	(0.9)
Revenue: Other	0.3	0.2	0.4	0.9	0.2	0.4	0.5	1.1	(0.1)	0.2	0.1	2.0
Operating profit	(2.7)	(0.9)	(3.1)	(6.7)	(1.8)	(2.4)	(2.7)	(6.9)	0.9	(1.5)	0.4	(0.2)
Revenue: Total	147.1	141.5	137.2	425.8	91.9	129.6	135.9	357.4	(55.2)	(11.9)	(1.3)	(68.4)
Operating profit	8.8	6.1	3.1	18.0	(0.6)	3.8	4.8	8.0	(9.4)	(2.3)	1.7	(10.0)

Revenue & Operating Profit – by Regions

(JPY bn)	FY2020 Q3 cumulative			FY2021 Q3 cumulative			Change	
	Revenue	%	Operating profit	Revenue	%	Operating profit	Revenue	Operating profit
Europe	162.1	38%	6.6	137.3	39%	2.4	(24.8)	(4.2)
Asia	146.8	35%	11.1	122.9	34%	8.3	(23.9)	(2.8)
Americas	116.0	27%	7.0	96.1	27%	4.2	(19.9)	(2.8)
Other *	0.9	0%	(6.7)	1.1	0%	(6.9)	0.2	(0.2)
Total	425.8	100%	18.0	357.4	100%	8.0	(68.4)	(10.0)

* Revenue and Operating loss of Other Operation are not split by geographical regions.

Foreign Currency Exchange Rates

Average rates used

	FY2019				FY2020				FY2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GBP	149	147	146	146	141	137	138	138	133	135	136
EUR	131	130	129	129	124	121	121	121	118	121	123
USD	110	111	111	111	109	109	109	109	107	106	106
BRR	30.4	29.3	29.3	29.4	28.0	27.6	27.2	26.4	19.9	19.8	19.7
ARS	4.70	Closing rates are applied – hyperinflation									

Closing rates used

	FY2019				FY2020				FY2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GBP	145	148	141	144	137	133	144	133	132	135	141
EUR	128	132	127	124	123	118	122	119	121	124	127
USD	111	113	111	111	108	108	109	108	107	105	103
BRR	28.6	28.2	28.5	28.3	28.3	26.0	27.1	20.8	19.9	18.7	19.8
ARS	3.94	2.84	2.93	2.53	2.53	1.88	1.82	1.68	1.53	1.38	1.22

FX Sensitivity

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

	FY2019	FY2020
Equity	JPY (3.3) billion	JPY (3.1) billion
Profit/(loss) for the period	Decrease by JPY 0.2 billion (Profit)	Improve by JPY 0.1 billion (Loss)

Depreciation & Amortization, Capital Expenditures, R&D Expenditures

(JPY bn)	FY2020 Q3 Cumulative	FY2021 Q3 Cumulative	FY2021 Full-year Forecast
Depreciation & Amortization	25.8	26.3	37.0
Capital expenditures	46.1	25.6	37.0
Ordinary	17.2	9.7	
Strategic projects and other	28.9	15.9	
R&D expenditures	6.9	6.6	9.0
Architectural	2.0	1.8	
Automotive	1.9	1.8	
Technical Glass	0.7	0.7	
Other	2.3	2.3	

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