

FY 2022 2nd Quarter Consolidated Financial Results <IFRS> 11 November 2021

(English translation of the Japanese original)

Listed Company Name: Nippon Sheet Glass Company, Limited Stock Exchange Listing: Tokyo
Code Number: 5202 (URL: <http://www.nsg.com>)

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Submission of quarterly report to MOF: 15 November 2021 Payment of dividends start from: N/A
Quarterly result presentation papers: Yes
Quarterly result presentation meeting: Yes (Teleconference for institutional investors)

1. Consolidated business results for FY 2022 2nd Quarter (From 1 April to 30 September 2021)

(1) Consolidated business results

	Revenue		Operating profit		Profit/(loss) before taxation		Profit/(loss) for the period		Profit/(loss) attributable to owners of the parent		Total comprehensive income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
2Q FY 2022	290,687	31.2	12,700	292.2	14,727	-	9,557	-	8,598	-	22,563	-
2Q FY 2021	221,531	(23.2)	3,238	(78.2)	(15,972)	-	(17,199)	-	(17,315)	-	(26,664)	-

	Earnings per share - basic	
2Q FY 2022	¥	84.02
2Q FY 2021	¥	(201.86)

Note: Operating profit in the above table is defined as being operating profit stated before exceptional items.

(2) Changes in financial position

	Total assets	Total equity	Total shareholders' equity	Total shareholders' equity ratio
	¥ millions	¥ millions	¥ millions	%
FY 2022 2nd Quarter	829,201	105,610	86,488	10.4
FY 2021 Full year	824,963	79,762	62,937	7.6

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
FY 2021 (Actual)	-	¥ 0.00	-	¥ 0.00	¥ 0.00
FY 2022 (Actual)	-	¥ 0.00			
FY 2022 (Forecast)			-	¥ 0.00	¥ 0.00

Note:

- There have been no changes to the forecast dividends this quarter.
- The above table shows dividends on common shares. Please refer to "(Reference) Dividends for Class A Shares" for information regarding dividends on Class A shares, which are unlisted and have different rights from common shares.

3. Forecast for FY 2022 (From 1 April 2021 to 31 March 2022)

	Revenue		Operating profit		Profit before taxation		Profit for the period		Profit attributable to owners of the parent		Earnings per share - basic
Full year	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
	560,000	12.2	24,000	83.7	19,000	-	12,000	-	10,000	-	88.75

- Note:
- There have been no changes to the forecast results this quarter.
 - Forecast of basic earnings per share for FY2022 is calculated by dividing the profit attributable to owners of the parent after deducting preferred dividends for Class A shares (a rate of 6.5% per annum applied to the outstanding balance at 31 March 2022), by 90,706,041 shares which is the number of ordinary shares issued at 30 June 2021, reduced by the number of treasury stock and restricted shares (93,700 shares).

4. Other items

- (1) Changes in status of principle subsidiaries --- No
- (2) Changes implemented to the accounting policies, practice and presentations related to the preparation of quarterly consolidated financial statements
 - (i) Changes due to revisions in accounting standards under IFRS --- No
 - (ii) Changes due to other reasons ---No
 - (iii) Changes in accounting estimates --- No
- (3) Numbers of shares outstanding (common stock)
 - (i) Number of shares issued at the end of the period, including shares held as treasury stock: 90,933,999 shares as of 30 September 2021 and 90,810,899 shares as at 31 March 2021
 - (ii) Number of shares held as treasury stock at the end of the period: 24,638 shares as at 30 September 2021 and 23,785 shares as at 31 March 2021
 - (iii) Average number of shares in issue during the period, after deducting shares held as treasury stock: 90,694,204 shares for the period ending 30 September 2021 and 90,622,935 shares for the period ending 30 September 2020

Status of quarterly review procedures taken by external auditors for the quarterly results

This document (Tanshin) is out of scope for quarterly review by the external auditors.

Explanation for the appropriate usage of performance projections and other special items

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 include but are not limited to 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.

(For Reference) Dividends for Class A Shares

Dividends per share related to Class A Shares with different rights from those of common shares are as follows.

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Class A Shares					
FY2021 (Actual)	-	¥ 0.00	-	¥ 65,000.00	¥ 65,000.00
FY2022 (Actual)	-	¥ 0.00			
FY2022 (Forecast)			-	¥ 65,000.00	¥ 65,000.00

Note: Number of Class A Shares in issue are 30,000 shares. 40,000 Class A Shares were originally issued on 31 March 2017. On 7 December 2018, the Company acquired and then retired a total of 5,000 Class A shares. On 6 June 2019, the Company acquired and then retired a total of 5,000 Class A shares. The forecast of dividends, for Class A shares that have dividend record dates belonging to FY2022, is ¥ 1,950 million.

[Attachments]

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1. Narratives about financial results

(1) Business Performance

(a) Background to Results

The Group's markets experienced varied conditions during the second quarter of the year. Architectural Glass markets were generally strong with buoyant levels of construction and refurbishment activity across many regions. Demand for Solar energy glass was also positive. In addition, Technical Glass markets also benefitted from high levels of consumer demand in a variety of areas. Automotive markets however were increasingly weak, with a shortage of computer chip components causing the Group's large automotive customers to restrict production.

Cumulative Group revenues increased by 31 percent to ¥ 290,687 million (2Q FY2021 ¥ 221,531 million), with COVID-19-related lockdowns having a particularly significant impact on revenues during the first quarter of the previous year. At constant exchange rates, cumulative revenues would have increased by 26 percent. Operating profits were ¥ 12,700 million (2Q FY2021 ¥ 3,238 million). Net exceptional gains were ¥ 4,526 million due to a gain recorded on the disposal of the Group's Battery Separator business. The previous year included net exceptional losses of ¥ 13,625 million due largely to costs arising from the COVID-19 pandemic. As a consequence of the improved operating profit and the net exceptional gain, the Group recorded a positive profit attributable to owners of the parent of ¥ 8,598 million (2Q FY2021 loss attributable of ¥ 17,315 million).

(b) Review by Business Segment

The Group's business lines cover three core product sectors: Architectural, Automotive, and Technical Glass.

Architectural, representing 46 percent of cumulative revenues, includes the manufacture and sale of flat glass and various interior and exterior glazing products within the commercial and residential markets. It also includes glass for the Solar Energy sector.

Automotive, with 47 percent of cumulative revenues, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

Technical Glass, representing 7 percent of cumulative revenues, comprises several discrete businesses, including the manufacture and sale of very thin glass used as cover glass for displays, lenses and light guides for printers, and glass fiber components for engine timing belts.

Other operations include corporate costs, consolidation adjustments, certain small businesses not included in the segments covered above and the amortization of other intangible assets related to the acquisition of Pilkington.

The table below shows a summary of cumulative results by business segment.

¥ millions	Revenue		Operating profit/(loss)	
	2nd Quarter FY 2022	2nd Quarter FY 2021	2nd Quarter FY 2022	2nd Quarter FY 2021
Architectural	132,019	99,086	13,640	7,260
Automotive	135,221	105,363	(1,071)	(2,408)
Technical Glass	21,679	16,475	5,710	2,506
Other Operations	1,768	607	(5,579)	(4,120)
Total	290,687	221,531	12,700	3,238

Architectural Business

The Architectural business recorded cumulative revenues of ¥ 132,019 million (2Q FY2021: ¥ 99,086 million) and an operating profit of ¥ 13,640 million (2Q FY2021: ¥ 7,260 million).

Architectural revenues and profits increased from the previous year which had been significantly impacted by the COVID-19 pandemic during the first quarter. Revenues were robust although profits continue to be impacted by increasing input costs, especially with respect to energy.

In Europe, representing 42 percent of the Group's architectural sales, revenues improved with buoyant demand exceeding capacity, which resulted in positive volumes and rising price levels. A strong operational performance and tight cost control continued to partly mitigate the impact of increasing input prices, particularly for energy, but also for costs such as logistics services and raw materials.

In Asia, representing 30 percent of the Group's architectural sales, revenues were above the previous year. Revenues in Japan showed signs of improvement during the second quarter, and other South East Asia markets were also positive, helped by an easing of lockdown restrictions. Demand for glass for Solar Energy was robust.

In the Americas, representing 28 percent of the Group's architectural sales, revenues and profits were ahead of the previous year. Volumes rebounded from the previous year although they were constrained to some extent by low levels of inventory due to a planned cold repair, and also shortages of transportation capacity. Sales of glass for Solar Energy continued to be positive.

Automotive Business

The Automotive business recorded cumulative revenues of ¥ 135,221 million (2Q FY2021: ¥ 105,363 million) and an operating loss of ¥ 1,071 million (2Q FY2021: loss of ¥ 2,408 million).

In the Automotive business, cumulative revenues were significantly ahead of the previous year which had been badly affected by the COVID-19 pandemic during the first quarter. Despite strong underlying consumer demand, volumes were badly affected by the Group's customers restricting production in response to a shortage of computer chip components. As a consequence of the restricted demand and also increasing input costs, operating losses were only marginally reduced from the previous year.

Europe represents 44 percent of the Group's automotive sales. Cumulative revenues improved from the previous year, due to a collapse in demand during the first quarter of FY2021 as a result of the COVID-19 pandemic. Revenues were, however, badly affected by restrictions in volumes caused by computer chip component shortages at the Group's customers. Profitability was negatively impacted by increasing input costs and a low level of asset utilization.

In Asia, representing 21 percent of the Group's automotive sales, cumulative revenues and profits were above the previous year. Vehicle sales increased in Japan, although vehicle build rates were increasingly impacted by shortages of computer chips restricting vehicle production. Demand in Malaysia was hit by lockdowns leading to a suspension of production at the Group's automotive customers, although restrictions eased towards the end of the period.

In the Americas, representing 35 percent of the Group's automotive sales, cumulative revenues and profits also increased strongly from the previous year. The positive impact of removing COVID-19 restrictions was partly offset by the impact on vehicle production of computer-chip component shortages.

Technical Glass Business

The Technical Glass business recorded cumulative revenues of ¥ 21,679 million (2Q FY2021: ¥ 16,475 million) and an operating profit of ¥ 5,710 million (2Q FY2021: ¥ 2,506 million).

Revenues and profits improved in the Technical Glass business with improving market conditions in the current year contrasting with the impact of COVID-19 in the previous year.

In the fine glass business, continued cost reduction efforts and a better sales mix provided a strong foundation for a further improvement in results. In the information devices business, volumes of printer lenses continued to be boosted by work from home and school from home demand. Demand for glass cord used in engine timing belts was also strong. Metashine sales showed signs of recovery, after a long period of difficult market conditions for automotive and cosmetic applications.

The Group disposed of its Battery Separator business during the second quarter of the year. For further details, please refer to the press release "Transfer of Battery Separator Business to Wholly-owned Subsidiary through Company Split (Simple Absorption-type Split) and Sale of Shares in Such Subsidiary" issued on 1 September 2021. The gain arising on this transaction has been classified as an exceptional item. Please refer to the summary of exceptional items within section 2. Consolidated financial statements and their notes (5) Notes to the condensed quarterly consolidated financial statements (c) Exceptional items.

Joint Ventures and Associates

The Group's share of joint ventures and associates' profits after tax was ¥ 3,345 million (2Q FY2021: losses of ¥ 197 million).

The Group's share of joint ventures and associate's results was above the previous year, largely due to an improving performance at Cebrace, the Group's architectural joint venture in Brazil.

(2) Financial Condition

Total assets at the end of September 2021 were ¥ 829,201 million, representing an increase of ¥ 4,238 million from the end of March 2021. Total equity was ¥ 105,610 million, representing an increase of ¥ 25,848 million from the March 2021 figure of ¥ 79,762 million. The increase in total equity was due to a combination of the profit recorded for the period and also positive movements on derivative balances. Derivative assets increased in value due mainly to the positive revaluation of the Group's energy-hedging contracts reflecting the increasing price of natural gas during the quarter.

Net financial indebtedness decreased by ¥ 8,549 million from 31 March 2021 to ¥ 403,222 million at the period end. The decrease in indebtedness arose largely from the increasing value of financial derivative assets, partly offset by negative cash-flows, which largely reflected an increase in working capital balances. Excluding working capital movements, underlying cash flows were positive. Gross debt was ¥ 463,527 million at the period end. As of 30 September 2021, the Group had un-drawn, committed facilities of ¥ 77,993 million.

Cash inflows from operating activities were ¥ 14,475 million. Cash outflows from investing activities were ¥ 15,861 million, including capital expenditure on property, plant, and equipment of ¥ 20,330 million and proceeds on the disposal of the Battery Separator business of 6,249 million. As a result, free cash flow was an outflow of ¥ 1,386 million (2Q FY2021 free cash outflow of ¥34,204 million).

(3) Prospects

The Group's financial forecast for the full year to 31 March 2022 has not been amended since the update provided together with the first quarter financial results as issued on 5 August 2021. For details, please refer to the press release "Revision to Forecast for Financial Year ending on 31 March 2022 as issued on 5 August 2021 and also the slides on 2022/3 forecast included within the 2022/3 First Quarter Results presentation.

2. Consolidated financial statements and their notes

(1) (a) Condensed quarterly consolidated income statement

		¥ millions	
		2nd Quarter FY 2022 For the period 1 April to 30 September 2021	2nd Quarter FY 2021 For the period 1 April to 30 September 2020
Note			
Revenue	(5)-(c)	290,687	221,531
Cost of sales		(221,810)	(168,866)
Gross profit		68,877	52,665
Other income		782	720
Distribution costs		(25,422)	(19,937)
Administrative expenses		(28,944)	(27,628)
Other expenses		(2,593)	(2,582)
Operating profit	(5)-(c)	12,700	3,238
Exceptional items – gains	(5)-(d)	4,981	2,806
Exceptional items – losses	(5)-(d)	(455)	(16,431)
Operating profit/(loss) after exceptional items		17,226	(10,387)
Finance income	(5)-(e)	1,043	813
Finance expenses	(5)-(e)	(6,887)	(6,201)
Share of post-tax profit/(loss) of joint ventures and associates accounted for using the equity method		3,345	(197)
Profit/(loss) before taxation		14,727	(15,972)
Taxation	(5)-(f)	(5,170)	(1,227)
Profit/(loss) for the period		9,557	(17,199)
Profit attributable to non-controlling interests		959	116
Profit/(loss) attributable to owners of the parent		8,598	(17,315)
		9,557	(17,199)
Earnings per share attributable to owners of the parent			
Basic	(5)-(g)	84.02	(201.86)
Diluted	(5)-(g)	60.54	(201.86)

(1) (b) Condensed quarterly consolidated statement of comprehensive income

¥ millions

	2nd Quarter FY 2022 For the period 1 April to 30 September 2021	2nd Quarter FY 2021 For the period 1 April to 30 September 2020
Profit/(loss) for the period	9,557	(17,199)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Re-measurement of retirement benefit obligations (net of taxation)	(43)	(8,016)
Revaluation of Assets held at Fair Value through Other Comprehensive Income – equity investments (net of taxation)	1,196	(1,011)
Sub total	1,153	(9,027)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	(72)	(3,409)
Revaluation of Assets held at Fair Value through Other Comprehensive Income – other investments (net of taxation)	19	30
Cash flow hedges:		
- fair value gains (net of taxation)	11,906	2,941
Sub total	11,853	(438)
Total other comprehensive income for the period (net of taxation)	13,006	(9,465)
Total comprehensive income for the period	22,563	(26,664)
Attributable to non-controlling interests	84	(1,621)
Attributable to owners of the parent	22,479	(25,043)
	22,563	(26,664)

(2) Condensed quarterly consolidated balance sheet

¥ millions

	2nd Quarter FY 2022 as at 30 September 2021	FY 2021 as at 31 March 2021
ASSETS		
Non-current assets		
Goodwill	98,770	99,016
Intangible assets	47,732	48,761
Property, plant, and equipment	315,462	316,788
Investment property	159	214
Investments accounted for using the equity method	22,513	18,870
Retirement benefit asset	23,182	23,335
Contract assets	931	988
Trade and other receivables	16,307	14,389
Financial assets:		
– Assets held at Fair Value through Other Comprehensive Income	21,557	18,439
– Derivative financial instruments	3,254	362
Deferred tax assets	33,941	33,816
	583,808	574,978
Current assets		
Inventories	119,209	111,910
Contract assets	1,726	1,322
Trade and other receivables	59,303	65,810
Financial assets:		
– Derivative financial instruments	13,630	904
Cash and cash equivalents	43,421	58,673
	237,289	238,619
Assets held for sale	8,104	11,366
	245,393	249,985
Total assets	829,201	824,963

(2) Condensed quarterly consolidated balance sheet continued

¥ millions

	2nd Quarter FY 2022 as at 30 September 2021	FY 2021 as at 31 March 2021
LIABILITIES AND EQUITY		
Current liabilities		
Financial liabilities:		
- Borrowings	148,879	120,994
- Derivative financial instruments	963	729
Trade and other payables	122,453	138,527
Contract liabilities	6,292	5,749
Provisions	13,825	17,860
Deferred income	477	504
	292,889	284,363
Liabilities related to assets held for sale	2,289	3,450
	295,178	287,813
Non-current liabilities		
Financial liabilities:		
- Borrowings	313,160	349,146
- Derivative financial instruments	525	841
Trade and other payables	3,610	3,710
Contract liabilities	5,604	6,037
Deferred tax liabilities	21,899	16,176
Retirement benefit obligations	60,130	61,002
Provisions	20,492	17,391
Deferred income	2,993	3,085
	428,413	457,388
	723,591	745,201
Equity		
Capital and reserves attributable to the Company's equity shareholders		
Called up share capital	116,685	116,643
Capital surplus	155,263	155,245
Retained earnings	(72,090)	(81,692)
Retained earnings (Translation adjustment at the IFRS transition date)	(68,048)	(68,048)
Other reserves	(45,322)	(59,211)
Total shareholders' equity	86,488	62,937
Non-controlling interests	19,122	16,825
Total equity	105,610	79,762
Total liabilities and equity	829,201	824,963

(3) Condensed quarterly consolidated statement of changes in equity

¥ millions

2nd Quarter FY 2022	Called up share capital	Capital surplus	Retained earnings	Retained earnings (Translation on adjustment at the IFRS translation date)	Other reserves	Total share holders' equity	Non-controlling interests	Total equity
At 1 April 2021	116,643	155,245	(81,692)	(68,048)	(59,211)	62,937	16,825	79,762
Total Comprehensive Income	-	-	8,555	-	13,924	22,479	84	22,563
Hyperinflation adjustment	-	-	2,997	-	-	2,997	2,527	5,524
Dividends paid	-	-	(1,950)	-	-	(1,950)	(314)	(2,264)
Share-based compensation with restricted shares	25	1	-	-	-	26	-	26
Stock options	17	17	-	-	(34)	-	-	-
Purchase of treasury stock	-	-	-	-	(1)	(1)	-	(1)
At 30 September 2021	116,685	155,263	(72,090)	(68,048)	(45,322)	86,488	19,122	105,610

¥ millions

2nd Quarter FY 2021	Called up share capital	Capital surplus	Retained earnings	Retained earnings (Translation on adjustment at the IFRS translation date)	Other reserves	Total share holders' equity	Non-controlling interests	Total equity
At 1 April 2020	116,607	155,222	(54,276)	(68,048)	(75,893)	73,612	14,582	88,194
Total Comprehensive Income	-	-	(25,331)	-	288	(25,043)	(1,621)	(26,664)
Hyperinflation adjustment	-	-	1,910	-	-	1,910	1,320	3,230
Dividends paid	-	-	(1,650)	-	-	(1,650)	(24)	(1,674)
Share-based compensation with restricted shares	26	(13)	-	-	-	13	-	13
Stock options	3	3	-	-	(6)	-	-	-
Equity transaction with non-controlling interests	-	-	(51)	-	-	(51)	1,195	1,144
At 30 September 2020	116,636	155,212	(79,398)	(68,048)	(75,611)	48,791	15,452	64,243

(4) Condensed quarterly consolidated statement of cash flow

¥ millions

	Note	2nd Quarter For the period 1 April to 30 September 2021	2nd Quarter For the period 1 April to 30 September 2020
Cash flows from operating activities			
Cash flows generated from operations	(5)-(k)	20,743	(2,377)
Interest paid		(5,704)	(5,332)
Interest received		1,878	1,427
Tax paid		(2,442)	(1,484)
Net cash in/(out)flows from operating activities		14,475	(7,766)
Cash flows from investing activities			
Dividends received from joint ventures and associates		65	42
Purchase of joint ventures and associates		-	(3,312)
Proceeds on disposal of joint ventures and associates		-	381
Purchase of subsidiaries, net of cash balances held by subsidiaries upon acquisition		-	(70)
Proceeds on disposal of subsidiaries, net of cash balances held by subsidiaries on disposal		6,249	(127)
Purchases of property, plant and equipment		(20,330)	(22,709)
Proceeds on disposal of property, plant and equipment		347	308
Purchases of intangible assets		(571)	(618)
Proceeds on disposal of intangible assets		-	5
Purchase of assets held at FVOCI		(1,772)	(815)
Proceeds on disposal of assets held at FVOCI		2	626
Loans advanced to joint ventures, associates and third parties		(682)	(372)
Loans repaid from joint ventures, associates and third parties		831	223
Net cash outflows from investing activities		(15,861)	(26,438)
Cash flows from financing activities			
Dividends paid to owners of the parent		(1,956)	(1,651)
Dividends paid to non-controlling interests		(314)	(24)
Repayment of borrowings		(33,097)	(19,774)
Proceeds from borrowings		23,514	51,256
Increase in treasury stock		(1)	-
Capital contribution from non-controlling interests		-	1,144
Others		-	(2)
Net cash (out)/inflows from financing activities		(11,854)	30,949
Decrease in cash and cash equivalents (net of bank overdrafts)		(13,240)	(3,255)
Cash and cash equivalents (net of bank overdrafts) at beginning of period	(5)-(l)	53,500	40,512
Effect of foreign exchange rate changes		25	(274)
Hyperinflation adjustment	(5)-(m)	451	501
Cash and cash equivalents (net of bank overdrafts) at end of period	(5)-(l)	40,736	37,484

(5) Notes to the condensed quarterly consolidated financial statements

(a) Notes regarding going concern

There were no issues or events arising during the period, which negatively affect the ability of the Group to continue as a going concern.

(b) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will not usually be equal to the related actual results.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

While each business experienced varied conditions during the second quarter of the fiscal year, whole group performance continued to recover from the COVID-19 pandemic. Therefore, critical accounting estimates and assumptions including impairment of goodwill and intangible assets, used for the condensed quarterly consolidated financial statements were made based on the assumption that the Group's performance will gradually recover.

(c) Segmental information

The Group is organized on a worldwide basis into the following principal primary operating segments.

The Architectural segment engages in the manufacturing and sale of flat glass and various interior and exterior glazing products within commercial and residential markets. It also includes glass for the solar energy sector.

The Automotive segment supplies a wide range of automotive glazing for new vehicles and for replacement markets.

The Technical Glass segment comprises a number of discrete businesses, including the manufacture and sale of very thin glass used as cover glass for displays, lenses and light guides for printers, and glass fiber components for engine timing belts.

The Other segment covers corporate costs, certain small businesses not included in the segments covered above, and consolidation adjustments including amortization and impairment costs recorded with respect to goodwill and intangible assets related to the acquisition of Pilkington plc.

External revenue is disaggregated into three categories; Europe, Asia which includes Japan, and Americas which comprises of North and South Americas.

The Group's revenues comprise sales of glass recognized at a point in time and sales of services recognized over time. Sales of services recognized over time are immaterial and are therefore not disclosed separately at interim periods.

The amortization arising from the acquisition of Pilkington plc was ¥ 641 million in FY2022 Q2 (FY2021 Q2: ¥817 million).

(c) Segmental information continued

The segmental results for the second quarter to 30 September 2021 were as follows:

	¥ millions				
2nd Quarter FY 2022 For the period 1 April 2021 to 30 September 2021	Architectural	Automotive	Technical Glass	Other Operations	Total
Total revenue	137,051	136,353	22,987	3,146	299,537
Inter-segmental revenue	(5,032)	(1,132)	(1,308)	(1,378)	(8,850)
External revenue	132,019	135,221	21,679	1,768	290,687
<i>Disaggregation of external revenue by geographical regions:</i>					
<i>Europe</i>	54,890	59,079	3,883	1,299	119,151
<i>Asia</i>	40,265	27,984	17,164	469	85,882
<i>Americas</i>	36,864	48,158	632	-	85,654
Operating profit/(loss)	13,640	(1,071)	5,710	(5,579)	12,700
Exceptional items – gains	30	456	4,442	53	4,981
Exceptional items – losses	(23)	(114)	-	(318)	(455)
Operating profit after exceptional items					17,226
Finance costs – net					(5,844)
Share of post-tax profit from joint ventures and associates					3,345
Profit before taxation					14,727
Taxation					(5,170)
Profit for the period from continuing operations					9,557

(c) Segmental information continued

The segmental results for the second quarter to 30 September 2020 were as follows:

	¥ millions				
2nd Quarter FY 2021 For the period 1 April 2020 to 30 September 2020	Architectural	Automotive	Technical Glass	Other Operations	Total
Total revenue	103,426	105,896	17,472	1,820	228,614
Inter-segmental revenue	(4,340)	(533)	(997)	(1,213)	(7,083)
External revenue	99,086	105,363	16,475	607	221,531
<i>Disaggregation of external revenue by geographical regions:</i>					
<i>Europe</i>	38,229	43,304	2,704	250	84,487
<i>Asia</i>	37,819	25,811	13,262	357	77,249
<i>Americas</i>	23,038	36,248	509	-	59,795
Operating profit/(loss)	7,260	(2,408)	2,506	(4,120)	3,238
Exceptional items – gains	915	1,114	106	671	2,806
Exceptional items – losses	(6,410)	(9,389)	(362)	(270)	(16,431)
Operating loss after exceptional items					(10,387)
Finance costs – net					(5,388)
Share of post-tax loss from joint ventures and associates					(197)
Loss before taxation					(15,972)
Taxation					(1,227)
Loss for the period from continuing operations					(17,199)

The segmental assets at 30 September 2021 and capital expenditure for the second quarter ended 30 September 2021 were as follows:

	¥ millions				
	Architectural	Automotive	Technical Glass	Other Operations	Total
Net trading assets	159,327	171,968	28,203	5,386	364,884
Capital expenditure (including intangibles)	4,207	5,264	443	294	10,208

The segmental assets at 30 September 2020 and capital expenditure for the second quarter ended 30 September 2020 were as follows:

	¥ millions				
	Architectural	Automotive	Technical Glass	Other Operations	Total
Net trading assets	158,582	150,378	33,171	7,113	349,244
Capital expenditure (including intangibles)	14,234	2,839	258	183	17,514

Net trading assets consist of property, plant and equipment, investment property, intangible assets excluding those arising from a business combination, inventories, trade and other receivables and trade and other payables, contract assets and liabilities.

Capital expenditure comprises additions to property, plant, and equipment (owned) and intangible assets.

(d) Exceptional items

¥ millions

	2nd Quarter FY 2022 For the period 1 April to 30 September 2021	2nd Quarter FY 2021 For the period 1 April to 30 September 2020
Exceptional items – gains:		
Gain on disposal of Battery Separator business (a)	4,440	-
COVID-19 government support (b)	404	2,125
Reversal of surplus provisions (c)	109	-
Reversal of previous impairments (d)	4	-
Gain on disposal of joint ventures (e)	-	647
Others	24	34
	4,981	2,806
Exceptional items – losses:		
Settlement of litigation matters (f)	(204)	(215)
Restructuring costs, including employee termination payments (c)	(80)	(1,064)
Suspension and other costs caused by COVID-19 (b)	-	(14,937)
Suspension of facilities (g)	-	(211)
Others	(171)	(4)
	(455)	(16,431)
	4,526	(13,625)

(a) The Group has recognized an exceptional gain as a consequence of the disposal of its Battery Separator business during the second quarter of the year. On 10 May 2021, the Group and ENTEK Technology Holdings LLC (Head Office in Lebanon, Oregon, USA; "ENTEK") concluded a share transfer contract with the Group agreeing to sell its Battery Separator business to a new wholly-owned subsidiary of ENTEK that was to be established in Japan. Subsequently, the Group has completed the transfer of this business on 1 September 2021.

(b) In both the current and previous year, the Group has received financial support from various governments to assist with the costs of maintaining its facilities and workforce during the COVID-19 pandemic. Such support has been recognized as an exceptional gain.

In the previous year, the Group has recorded the direct costs and also unrecovered operating costs arising from the COVID-19 pandemic as exceptional items. 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. Any remaining costs related to COVID-19 during the current year are less significant than during the previous year, and have not been classified as exceptional costs.

(c) Restructuring costs principally include the cost of compensating redundant employees for the termination of their contracts of employment. Reversal of the surplus provisions in the current year is related to the restructuring provisions established in the previous year.

In the prior year, restructuring costs related to restructuring programs in Architectural South East Asia and Automotive Europe.

(d) Reversal of previous impairments are related to property, plant and equipment assets in Architectural Europe and Asia.

- (e) The prior year gain on disposal of a joint venture relates to the recycling into the income statement of foreign exchange gains and losses recognized during previous years within the Statement of Comprehensive Income, following the disposal of the Group's shares in Jiangsu Pilkington SYP Glass Co., Ltd a float glass manufacturing entity in China.
- (f) In both the current and prior year, the settlement of litigation matters relates to legal claims arising as a result of transactions that were previously recorded as exceptional items.
- (g) The suspension of facilities in the previous year were related to the repair of facilities in Architectural Japan following a Typhoon during FY2020.

(e) Finance income and expenses

¥ millions

	2nd Quarter FY 2022 For the period 1 April to 30 September 2021	2nd Quarter FY 2021 For the period 1 April to 30 September 2020
Finance income		
Interest income	666	783
Foreign exchange transaction gains	96	30
Gain on net monetary position	281	-
	<u>1,043</u>	<u>813</u>
Finance expenses		
Interest expense:		
– bank and other borrowings	(6,200)	(5,586)
Dividend on non-equity preference shares due to minority shareholders	(131)	(121)
Foreign exchange transaction losses	(11)	(18)
Other interest and similar charges	(358)	(198)
	<u>(6,700)</u>	<u>(5,923)</u>
Unwinding discounts on provisions	(89)	(88)
Retirement benefit obligations		
– net finance charge	(98)	11
Loss on net monetary position	-	(201)
	<u>(6,887)</u>	<u>(6,201)</u>
	<u>(5,844)</u>	<u>(5,388)</u>

(f) Taxation

The tax charge on the profit before taxation, excluding the Group's share of net results of joint ventures and associates, is a rate of 45.4 percent in the second quarter to 30 September 2021 (30 September 2020 - a rate of (7.8) percent). The tax charge for the quarter is based on the estimated effective rate for the year to 31 March 2022.

On 24 May 2021 the U.K government substantially enacted an increase in the headline rate of U.K. corporation tax from 19 percent to 25 percent with effect from 1 April 2023. The effect of this tax rate change is to increase deferred tax assets by ¥ 954 million and to increase deferred tax liabilities by ¥ 2,382 million. The net effect of this change is an increase in the Group's tax charge of ¥ 1,428 million, recognized during the first quarter of FY2022.

Excluding the change in the rate of U.K. corporation tax, the Group's tax charge on the profit before taxation, excluding the Group's share of net results of joint ventures and associates, would be a rate of 32.9 percent.

(g) Earnings per share**(i) Basic**

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent, after deducting dividends paid to holders of Class A shares, by the weighted average number of ordinary shares in issue during the year. The dividends related to Class A shares are calculated by the dividend rate defined in the terms and conditions of the shares. The weighted average number of ordinary shares excludes ordinary shares purchased by the company and held as treasury shares, and restricted shares which have not been satisfied the conditions to lift the restriction.

	Quarter ended 30 September 2021	Quarter ended 30 September 2020
	¥ millions	¥ millions
Profit/(loss) attributable to owners of the parent	8,598	(17,315)
Adjustment for;		
– Dividends on Class A shares	(978)	(978)
Profit/(loss) used to determine basic earnings per share	7,620	(18,293)
	Thousands	Thousands
Weighted average number to ordinary shares in issue	90,694	90,623
	¥	¥
Basic earnings per share	84.02	(201.86)

(ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, following the exercise of share options and exercise of put options, attached to Class A shares, for which the consideration is common shares. Also Restricted shares which have not met the condition to lift the restriction are treated as dilutive potential ordinary shares. As for share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is deducted from the number of shares that would have been issued assuming the exercise of the share options. Restricted shares are treated as dilutive potential ordinary shares until the conditions for lifting the restrictions are met. As for Class A shares, a calculation is performed to determine the number of shares that would have been issued, assuming a conversion to common shares that is most advantageous for holders of the class shares. Conversion of Class A shares to common shares is reflected in the diluted earnings per share, using the factor applied to the case where the put options are exercised from 1 July 2022 onward, if the conversion has dilutive effect.

	Quarter ended 30 September 2021	Quarter ended 30 September 2020
	¥ millions	¥ millions
Profit/(loss) attributable to owners of the parent	8,598	(17,315)
Adjustment for;		
– Dividends on Class A shares	-	(978)
Profit/(loss) used to determine diluted earnings per share	8,598	(18,293)
	Thousands	Thousands
Weighted average number to ordinary shares in issue	90,694	90,923
Adjustment for;		
– Share options	607	-
– Restricted shares	46	-
– Class A shares	50,679	-
Weighted average number of ordinary shares for diluted earnings per share	142,026	90,623
	¥	¥
Diluted earnings per share	60.54	(201.86)

Diluted earnings per share for the prior period do not include stock options, Class A shares and restricted shares due to the anti-dilutive effect caused by the profits and the loss during the period.

(h) Cash Flow Hedges – fair value gains

Revaluation gains on cash flow hedges comprise unrealized gains on derivative contracts that have not matured at the balance sheet date. The unrealized gain recognized during the period relates mainly to forward contracts for the purchase of energy. Unrealized gains posted in the Statement of Comprehensive Income totalled ¥ 11,906 million, comprising a gross movement of ¥ 15,459 million and deferred taxation of ¥ 3,553 million.

(i) Dividends**(i) Dividends on ordinary shares**

	Quarter ended 30 September 2021	Quarter ended 30 September 2020
Declared and paid during the period:		
Final dividend for the previous year		
Dividend total (¥ millions)	-	-
Dividend per share (¥)	-	-

(ii) Dividends on Class A shares

	Quarter ended 30 September 2021	Quarter ended 30 September 2020
Declared and paid during the period:		
Final dividend for the previous year		
Dividend total (¥ millions)	1,950	1,650
Dividend per share (¥)	65,000	55,000

(j) Exchange rates

The principal exchange rates used for the translation of foreign currencies were as follows:

	Quarter ended 30 September 2021		Year ended 31 March 2021		Quarter ended 30 September 2020	
	Average	Closing	Average	Closing	Average	Closing
GBP	152	150	139	152	135	135
US dollar	109	112	106	111	106	105
Euro	131	129	124	130	121	124
Argentine peso	-	1.13	-	1.20	-	1.38

(k) Cash flows generated from operations

¥ millions

	2nd Quarter FY 2022 for the period 1 April 2021 to 30 September 2021	2nd Quarte FY 2021 for the period 1 April 2020 to 30 September 2020
Profit/(loss) for the period from continuing operations	9,557	(17,199)
Adjustments for:		
Taxation	5,170	1,227
Depreciation	16,893	15,723
Amortization	1,534	1,646
Impairment	313	31
Reversal of impairments	(13)	(116)
Gain on sale of property, plant, and equipment	(6)	(54)
Gain on sale of subsidiaries and joint ventures	(4,440)	(542)
Grants and deferred income	(122)	(541)
Finance income	(1,043)	(813)
Finance expenses	6,887	6,201
Share of (profit)/loss from joint ventures and associates	(3,345)	197
Other items	56	(372)
Operating cash flows before movement in provisions and working capital	31,441	5,388
Decrease in provisions and retirement benefit obligations	(1,989)	(1,182)
Changes in working capital:		
– inventories	(7,904)	9,318
– trade and other receivables	185	(8,759)
– trade and other payables	(1,073)	(6,553)
– contract balances	83	(589)
Net change in working capital	(8,709)	(6,583)
Cash flows generated from operations	20,743	(2,377)

(l) Cash and cash equivalents

¥ millions

	As at 31 March 2021	As at 31 March 2020
Cash and cash equivalents	58,673	43,608
Bank overdrafts	(5,173)	(3,096)
	53,500	40,512

¥ millions

	As at 30 September 2021	As at 30 September 2020
Cash and cash equivalents	43,421	40,530
Bank overdrafts	(2,685)	(3,046)
	40,736	37,484

(m) Hyperinflationary accounting adjustments

As from the second quarter of FY 2019, the wholesale price index in Argentina indicated that cumulative 3-year inflation had exceeded 100 percent. Consequently, the Group has concluded that its subsidiaries in Argentina, each of which has the Argentine Peso as a functional currency, are currently operating in a hyperinflationary environment. The Group has therefore applied accounting adjustments to the underlying financial results and position of its subsidiaries in Argentina as required by IAS 29 'Financial Reporting in Hyperinflationary Economies'.

As required by IAS 29, the Group's consolidated financial statements will include the results and financial position of its Argentinian subsidiaries, restated in terms of the measuring unit current at the period end date.

For the restatement of results and financial positions of its Argentinian subsidiaries, the Group will apply the conversion coefficient derived from the Internal Wholesales Price Index (IPIM) published by Instituto Nacional de Estadística y Censos de la República Argentina (INDEC). IPIM and corresponding conversion coefficients from June 2006 are presented below.

Balance sheet date	Internal Wholesales Price Index (IPIM) (30 June 2006 = 100)	Conversion coefficient
30 June 2006	100.0	24.993
31 March 2007	103.9	24.063
31 March 2008	120.2	20.792
31 March 2009	128.7	19.419
31 March 2010	146.5	17.061
31 March 2011	165.5	15.103
31 March 2012	186.7	13.385
31 March 2013	211.1	11.837
31 March 2014	265.6	9.411
31 March 2015	305.7	8.174
31 March 2016	390.6	6.398
31 March 2017	467.2	5.349
31 March 2018	596.1	4.193
31 March 2019	970.9	2.574
31 March 2020	1,440.8	1.735
31 March 2021	2,046.4	1.221
30 April 2021	2,156.8	1.159
31 May 2021	2,228.4	1.122
30 June 2021	2,299.2	1.087
31 July 2021	2,368.1	1.055
31 August 2021	2,426.5	1.030
30 September 2021	2,499.3	1.000

The Group's subsidiaries in Argentina will restate their non-monetary items held at historical cost, namely property, plant, and equipment, by applying the conversion coefficient based on when the items were initially recognized. Monetary items and non-monetary items held at current cost will not be restated, as they are expressed in terms of the measuring unit current at the period end date. The effect of inflation on the net monetary position of the Group's Argentinian subsidiaries is presented in the finance expenses section of the income statement.

The Argentinian subsidiaries' income statement and cash flow statement will also be restated, applying the conversion coefficient for the current financial year as shown in the above table.

For the purpose of consolidation, the results and financial position of the Group's Argentinian subsidiaries are translated using the closing exchange rates at the period end date. Comparative financial statements are not restated based on IAS 21 'The Effects of Changes in Foreign Exchange Rates' para 42(b).

(n) Significant subsequent events

There were no significant subsequent events.