

NSG

GROUP

NSG Group

2023/3 Quarter 1 Results

(from 1 April 2022 to 30 June 2022)

Nippon Sheet Glass Company, Limited
Reiko Kusunose, Senior Executive Officer & CFO

5 August 2022

Agenda

1. Financial Year ending 31 March 2023 Quarter 1 Results
2. Forecast for Financial Year ending 31 March 2023
3. Update of Transformation Initiatives under Revival Plan 24 (RP24)
4. Summary

1. Financial Year ending 31 March 2023 Quarter 1 Results

Consolidated Income Statement

Continued strong Architectural and Technical Glass performance.
Solid start with additional benefit from exceptional gains

(JPY bn)	Q1		
	2022/3	2023/3	Change
Revenue	147.7	177.9	30.2
Operating profit	7.2	8.3	1.1
ROS: Return on sales (%)	4.8%	4.6%	(0.2) pt
Exceptional items (net)	(0.2)	2.3	2.5
Operating profit after exceptional items	7.0	10.6	3.6
Finance expenses (net)	(2.9)	(2.8)	0.1
Share of JVs and associates' profits	1.5	2.2	0.8
Other gains/(losses) on equity method investments	-	(1.2)	(1.2)
Profit before taxation	5.5	8.8	3.3
Profit for the period	2.9	3.3	0.4
Net profit *	2.5	2.4	(0.2)
EBITDA	16.5	18.0	1.6

Sales increased in all SBU partly supported by weaker JPY. (Without Battery Separator business disposed in Sep. 2021)
Strong performance of Architectural and Technical covered Automotive

[Sales and Operating Profit : vs PY]

(JPY bn)	Sales	Operating profit
Architectural	+21.1	+2.8
Automotive	+10.7	(2.0)
Technical	(1.4)	+0.4
Others	(0.1)	(0.1)
Grp. Total	+30.2	+1.1

Received settlement money following tornado damage in the USA in 2017

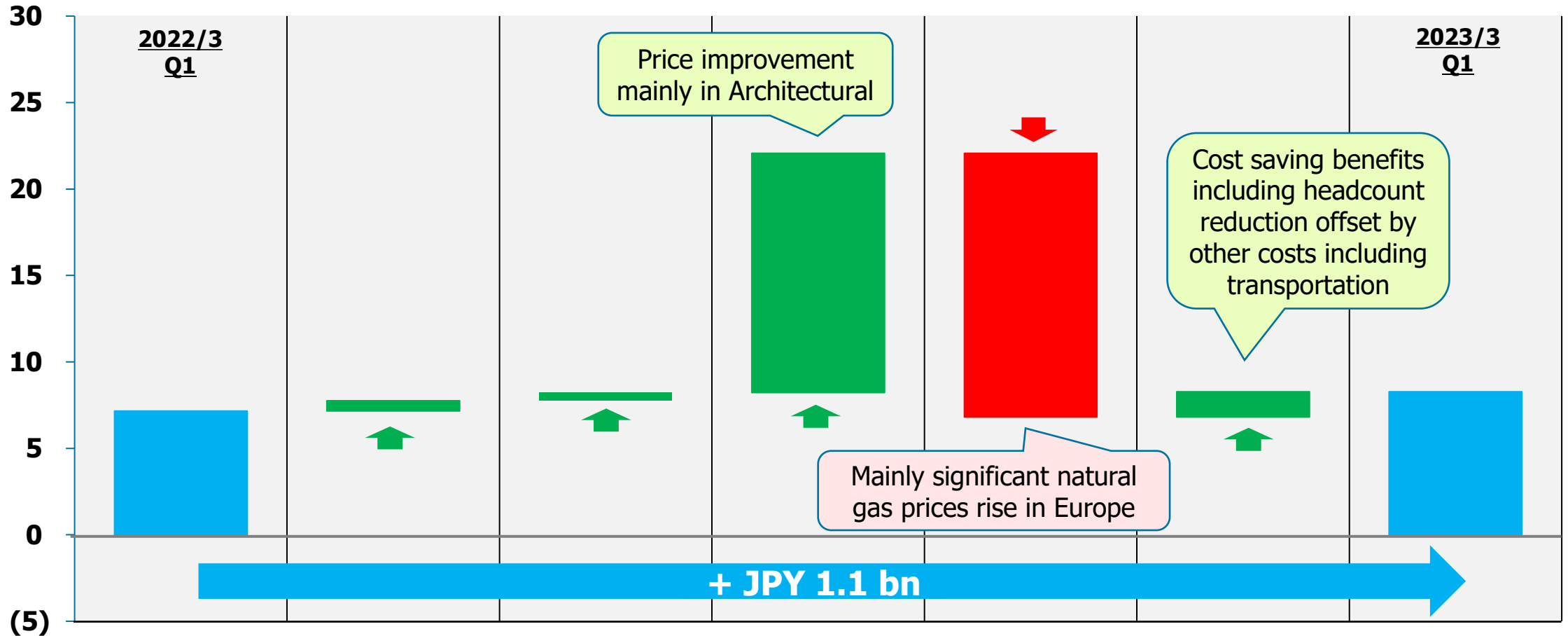
Immediate impairment of share of profits earned at JV in Russia

Taxation charges calculated based on the effective rate expected for the full-year

* Profit attributable to owners of the parent

Change Analysis – Operating profit (Quarter 1 cumulative)

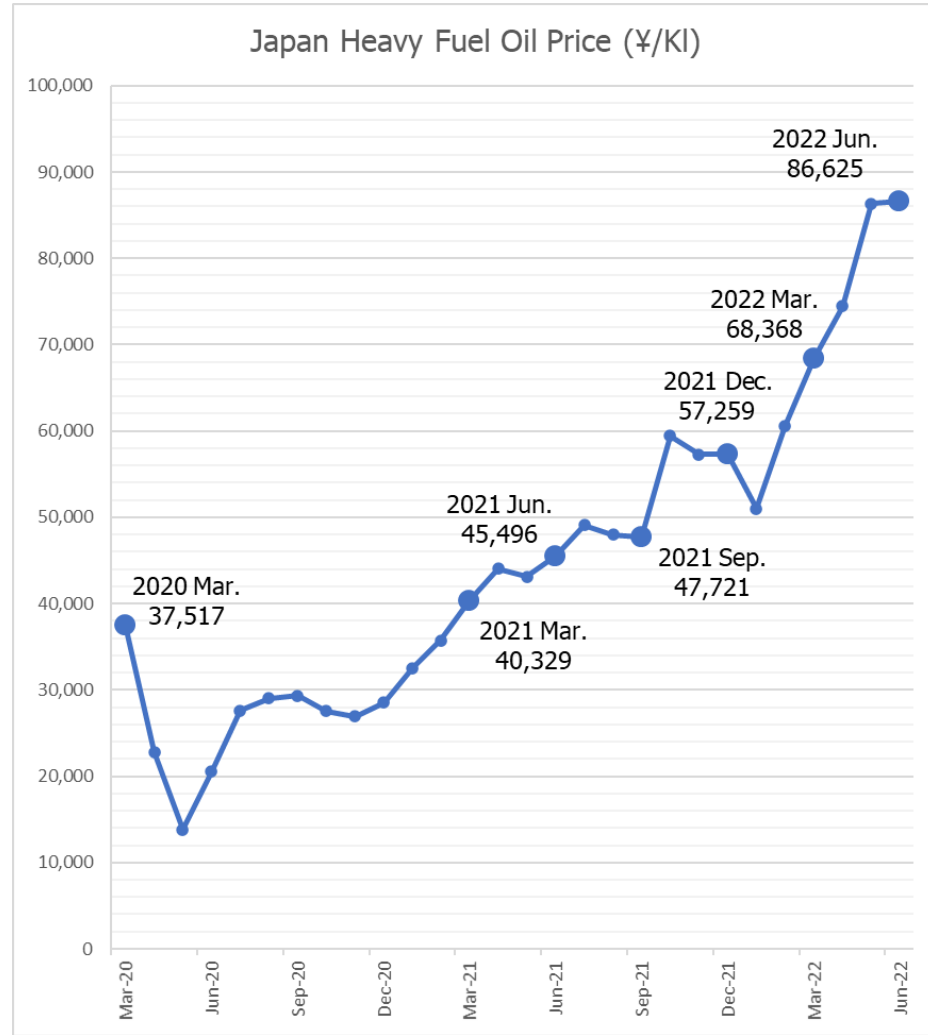
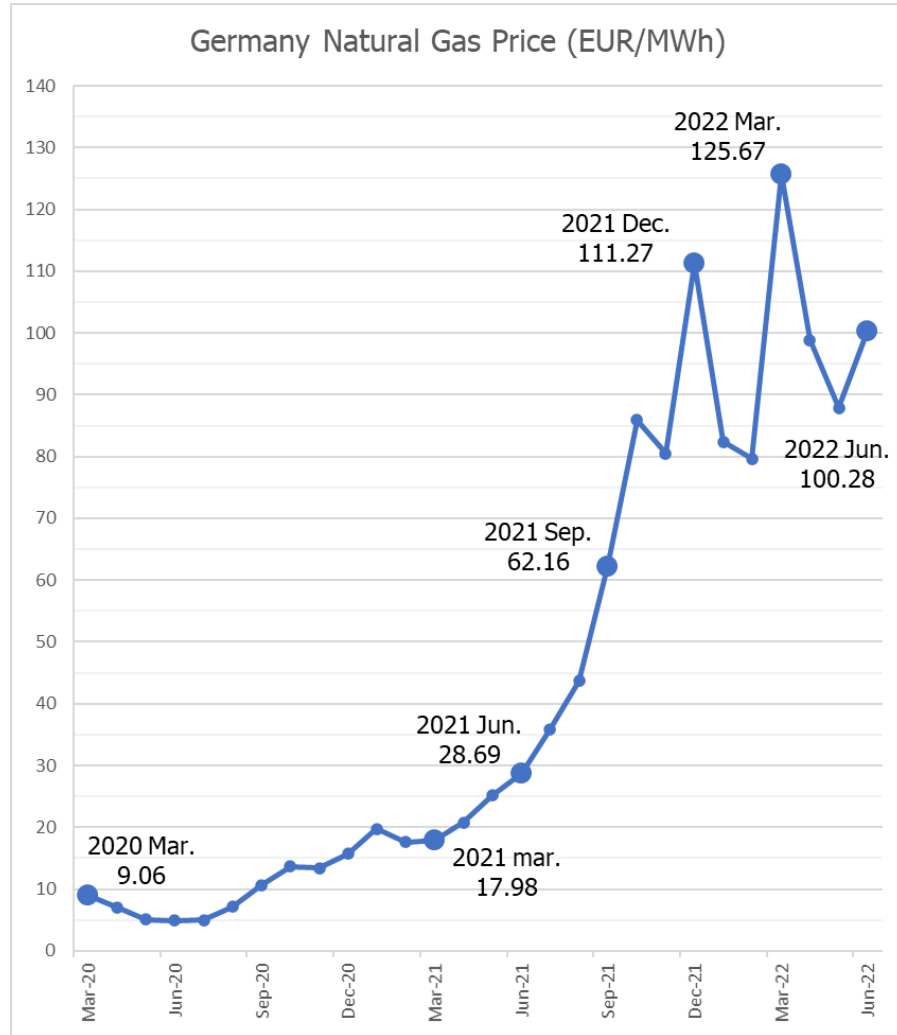
Improved profit with sales price increases and cost saving efforts offsetting impact of energy, material and other costs



	Operating profit	FX	Sales Vol/Mix	Price	Input Costs	Other	Operating profit
(JPY bn)	7.2	0.6	0.5	13.8	(15.3)	1.5	8.3

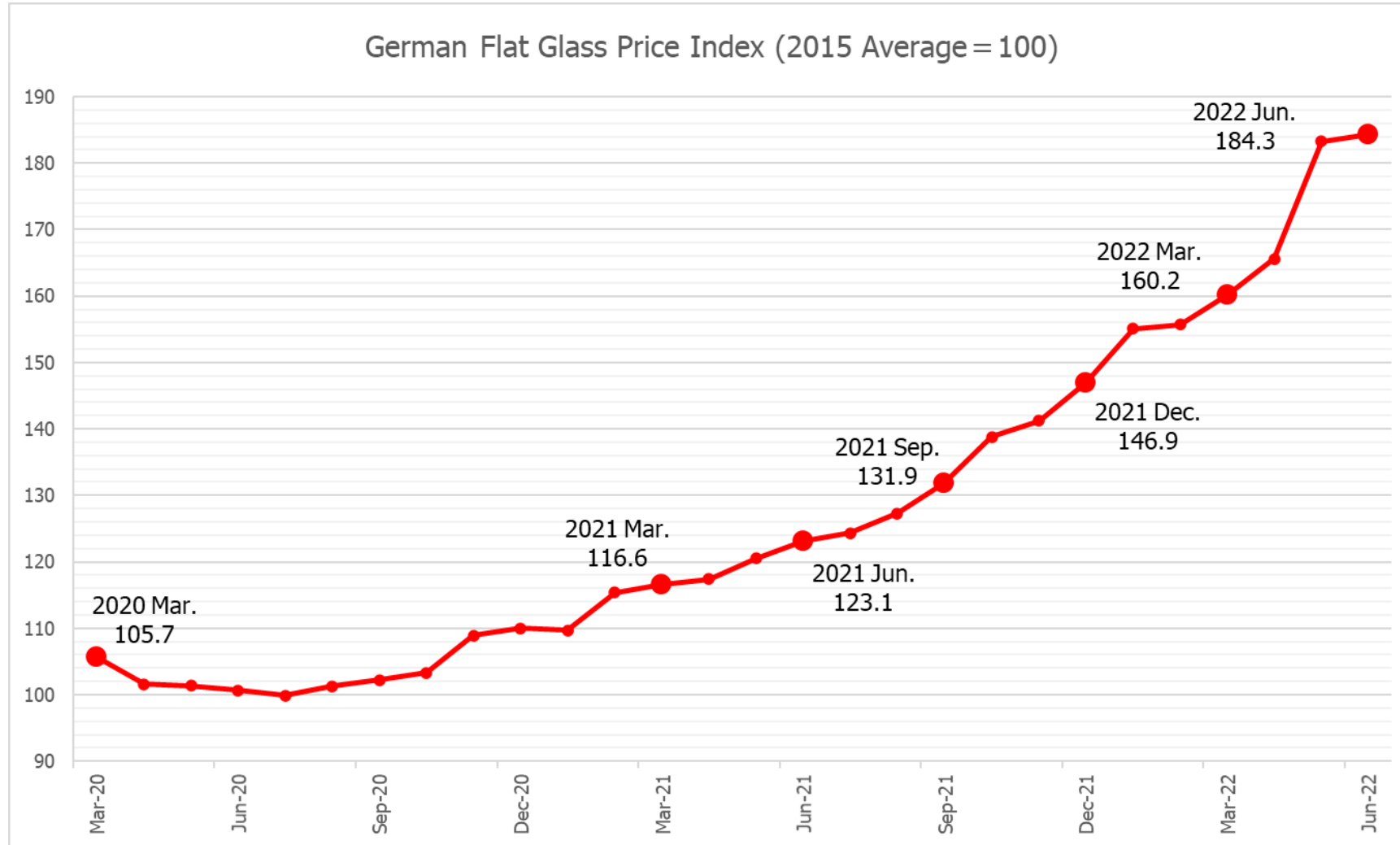
Energy Price Movement

**Jun. 2022 German natural gas price hiked 3.5x from Jun. 2021.
Japanese heavy fuel oil price increased 1.9x**



Glass Market Price Movement

**Jun. 2022 German glass price increased 1.5x from Jun. 2021.
Offsetting impact of higher input costs especially natural gas**



Consolidated Balance Sheet

Improvement in shareholders' equity ratio above 18% with positive factors including net profit generation

(JPY bn)	31 March 2022	30 June 2022	Change	
Total Assets	939.3	1,003.5	64.2	Mainly increase in tangible fixed assets and value of financial derivative assets
Non-current assets	637.0	686.3	49.3	
Current assets	302.2	317.2	15.0	Mainly increase in inventory
Total Liabilities	769.9	793.9	23.9	
Current liabilities	306.7	330.3	23.6	Mainly increase in loans
Non-current liabilities	463.2	463.6	0.4	
Total Equity	169.4	209.6	40.3	Recovered above 18% with net profit, positive revaluation of energy hedge derivatives, reduction in retirement benefit obligations and weaker JPY
Shareholders' equity	145.3	181.5	36.2	
Shareholders' Equity Ratio	15.5%	18.1%	+2.6pt	
Net Debt	365.2	388.0	22.8	Increase mainly free cash outflow and weaker JPY

Consolidated Statement of Cash Flows

**Negative free cash flow due to seasonal working capital movement.
Aiming to achieve positive free cash flow and RP24 target for the full-year,
consistent with the previous year**

(JPY bn)	Q1		
	2022/3	2023/3	Change
Net cash flows from operating activities	(0.8)	(3.2)	(2.4)
included above: Net change in working capital	(12.0)	(20.0)	(8.1)
Net cash flows from investing activities	(8.8)	(9.7)	(0.8)
included above: Purchase of property, plant and equipment	(8.3)	(9.1)	(0.8)
Free cash flow	(9.6)	(12.9)	(3.3)
Net cash flows from financing activities	(3.2)	2.0	5.2
(Decrease)/increase in cash and cash equivalents	(12.7)	(10.8)	1.9
Cash and cash equivalents at the end of the period	41.6	52.0	10.4

Seasonal working capital movement together with impact of foreign exchange movement

Almost same level with 2022/3

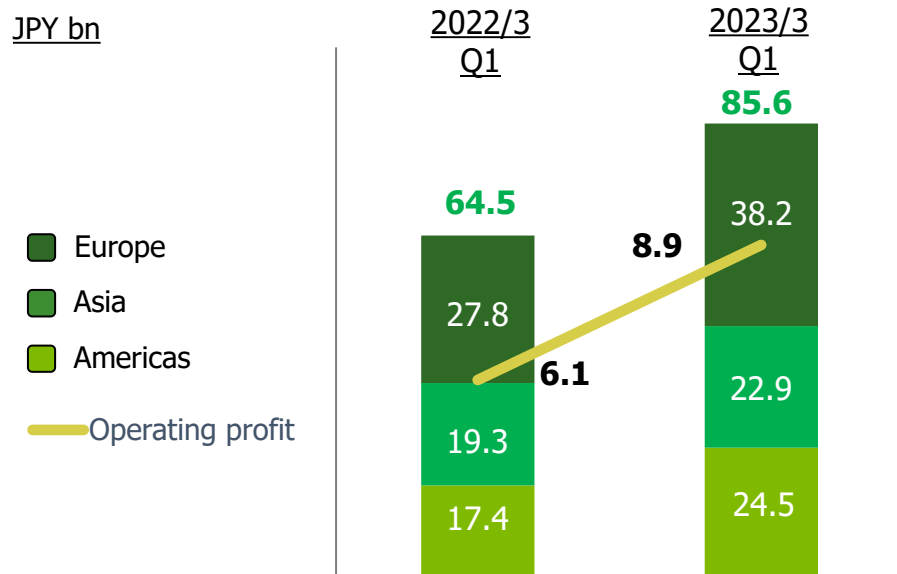
Negative free cash flow mainly due to working capital increase. Aiming at positive for full-year

Segmental Information

(JPY bn)	2021/3 Q1				2022/3 Q1			2023/3 Q1			Change	
	Revenue	%	Operating profit	Operating profit after COVID*	Revenue	%	Operating profit	Revenue	%	Operating profit	Revenue	Operating Profit
Architectural	44.9	49%	2.7	(2.2)	64.5	44%	6.1	85.6	48%	8.9	21.1	2.8
Europe	16.0	17%			27.8	19%		38.2	21%		10.4	
Asia	19.2	21%			19.3	13%		22.9	13%		3.6	
Americas	9.7	11%			17.4	12%		24.5	14%		7.1	
Automotive	38.7	42%	(2.9)	(9.3)	70.9	48%	1.3	81.6	46%	(0.7)	10.7	(2.0)
Europe	16.6	18%			31.2	21%		33.7	19%		2.5	
Asia	9.9	11%			15.1	10%		14.5	8%		(0.6)	
Americas	12.2	13%			24.6	17%		33.4	19%		8.8	
Technical Glass	8.1	9%	1.4	1.2	11.4	8%	2.8	9.9	6%	3.2	(1.4)	0.4
Europe	1.3	1%			2.1	1%		2.1	1%		0.0	
Asia	6.5	7%			9.0	6%		7.5	4%		(1.5)	
Americas	0.3	0%			0.3	0%		0.4	0%		0.0	
Other	0.2	0%	(1.8)	(1.8)	0.9	1%	(3.1)	0.8	0%	(3.1)	(0.1)	(0.1)
Total	91.9	100%	(0.6)	(12.1)	147.7	100%	7.2	177.9	100%	8.3	30.2	1.1

Architectural (Rev ▲, Profit ▲)

Continued favourable demand in all regions. Significant profit increase with price improvement offsetting input cost rises particularly energy



Europe (Rev ▲, Profit ▲)

- Strong demand continuing
- Continued higher input and logistics costs particularly natural gas offset by sales price improvement

Asia (Rev ▲, Profit ▲)

- Favourable demand continuing including Japan, with good progress in price improvement
- Robust demand for solar energy glass

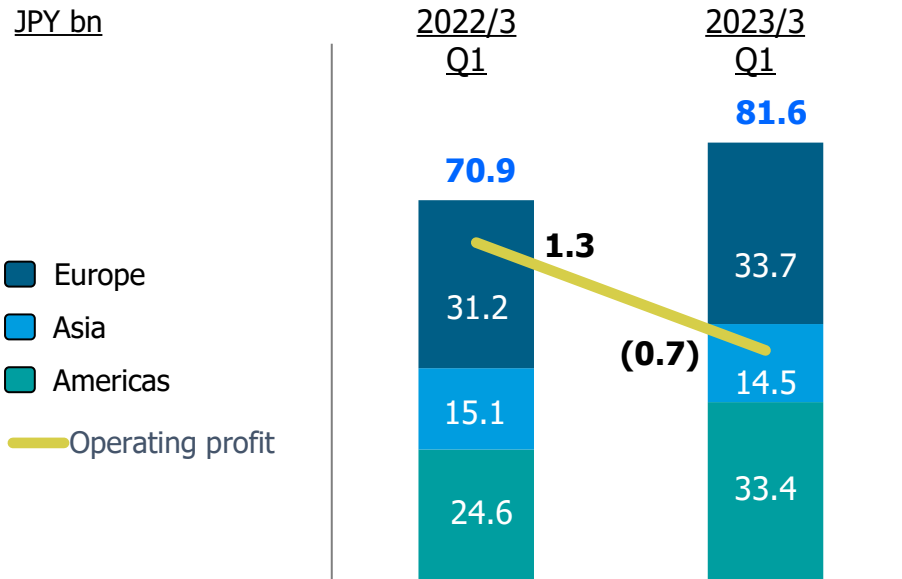
Americas (Rev ▲, Profit ▲)

- Increased sales volume and price reflecting strong demand, although shipments constrained due to shortages of transportation capacity in North America
- Continued strong demand of solar energy glass
- Strong demand continuing in South America

(JPY bn)	Q1		
	2022/3	2023/3	Change
Revenue	64.5	85.6	21.1
Europe	27.8	38.2	10.4
Asia	19.3	22.9	3.6
Americas	17.4	24.5	7.1
OP	6.1	8.9	2.8

Automotive (Rev ▲, Profit ▼)

Revenue increased in Q1 partly due to foreign exchange movement, while continuously affected by constrained vehicle build due to component parts shortage



Europe (Rev ▲, Profit ▼)

Asia (Rev ▼, Profit ▼)

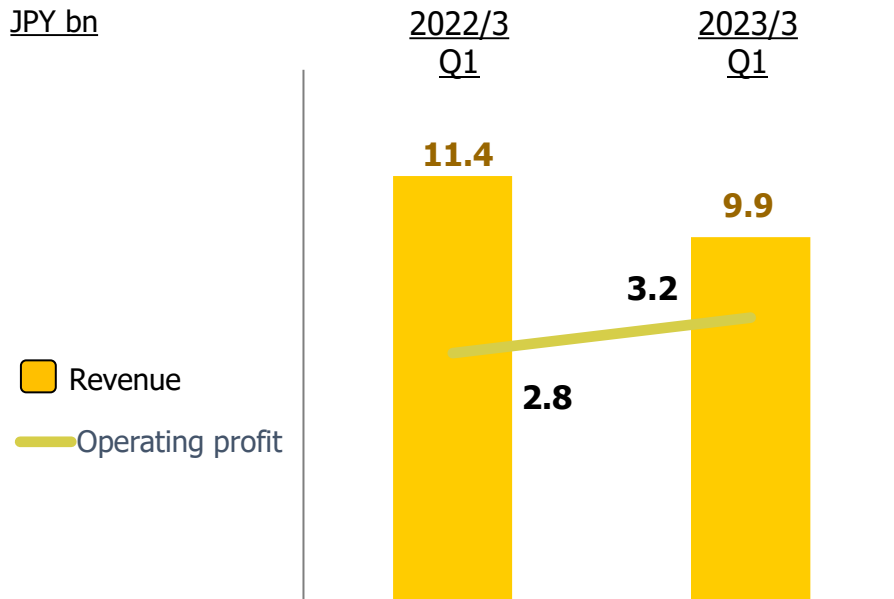
Americas (Rev ▲, Profit ▲)

- Continuous constrained vehicle build due to shortage of component parts such as semiconductors. Sales volume in Asia including Japan severely affected by lockdowns in China
- Sales price increase negotiation with vehicle manufacturers in progress in all regions
- Worse profitability in Europe and Asia due to input cost rises despite continuous cost reduction efforts

(JPY bn)		Q1		
		2022/3	2023/3	Change
Revenue		70.9	81.6	10.7
Europe		31.2	33.7	2.5
Asia		15.1	14.5	(0.6)
Americas		24.6	33.4	8.8
OP		1.3	(0.7)	(2.0)

Technical Glass (Rev ▲, Profit ▲)

Improved revenue and profit, with stable demand and cost reduction efforts (like-for-like basis without battery separator business disposed in September 2021)



(JPY bn)	Q1		
	2022/3	2023/3	Change
Revenue	11.4	9.9	(1.4)
OP	2.8	3.2	0.4

Technical Glass

- Further improvement in fine glass based on continued cost reduction efforts and better sales mix
- Demand for printer lenses continued to be supported by work from home and school from home demand
- Stable demand for glass cord particularly in replacement market.
Demand for Metashine[®] fell slightly with difficult conditions in automotive markets

2. Forecast for Financial Year ending 31 March 2023

Assumptions for 2023/3 Forecast

Group	<p>H1 forecast and full-year sales forecast revised upward reflecting relatively strong performance in Q1 mainly in Architectural</p> <ul style="list-style-type: none"> • Depreciation of JPY continuing • Assume continuous input cost increases, with higher energy costs and worldwide inflation trend • Uncertain business environment in H2 anticipated with potential recessionary conditions caused by rising interest rates • Focusing on profitability improvement through continuous cost reduction, expansion of VA products and price increase across the whole Group
Architectural Glass	<p>Favourable demand and supply situation expected, while impact of higher energy cost assumed especially in Europe and potential recession concern in the USA</p> <ul style="list-style-type: none"> • Europe : sales prices improving with tighter demand and supply balance while uncertainty of energy supply, input cost hike continuing • Asia : volume and price improving in Japan. Cold repair in Vietnam has started • NA : favourable domestic market expected though recession concerned due to interest rates hike SA : continued tight demand and supply environment. Contribution of new float furnace in Argentina SOP from Q2 • Solar energy glass : continued robust demand. New installation of online coating capacity in Malaysia
Automotive Glass	<p>Affected by component shortage and higher input costs, despite strong vehicle demand</p> <ul style="list-style-type: none"> • Anticipating continued strong vehicle demand and car inventory replenishment • Further progress of sales price increase negotiation with customers to be realized from Q2 • Continued component shortages to be resolved gradually although a little behind original forecast • Aiming for operating profit with cost reduction efforts, expansion of VA products and price increase offsetting higher energy and material costs
Technical Glass	<p>Continuous overall stable business environment</p> <ul style="list-style-type: none"> • Continued cost reduction efforts and better sales mix contributing to fine glass • Demand for printer lens to be supported by working from home demand • Stable demand mainly in replacement market for glass cord

Forecast for Financial Year ending 31 March 2023

H1 forecast and full-year revenue forecast revised upward reflecting relatively strong financial performance in Q1

(JPY bn)	2023/3 H1 forecast (Previous)	2023/3 H1 forecast (Revised)	2023/3 Full-year fcst (Previous)	2023/3 Full-year fcst (Revised)	2022/3 Full-year Actual
Revenue	320.0	360.0	650.0	690.0	600.6
Operating profit	7.0	11.0	18.0	18.0	20.0
Exceptional items	2.0	2.0	2.0	2.0	3.6
Operating profit after exceptional items	9.0	13.0	20.0	20.0	23.6
Finance expenses (net)	(7.0)	(6.0)	(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	} 2.0	} 4.0	} 4.0	7.5
Other gains/(losses) on equity method investments					(3.4)
Profit before taxation	4.0	9.0	11.0	11.0	11.9
Profit for the period	2.0	4.0	5.0	5.0	6.8
Net profit *	2.0	3.0	4.0	4.0	4.1

*Profit attributable to owners of the parent

3. Update of Transformation Initiatives under Revival Plan 24 (RP24)

Transformation Initiatives under Revival Plan 24

**Continued RP24 initiatives underway for business to grow sustainably.
Shareholder's equity ratio improved further**

Three Reforms

● **Business structure reform**

- Installation of online coating capacity to existing float furnace in Malaysia to produce solar energy glass (Aiming at starting operation from 2024/3)
- New float furnace construction in Argentina progressing for scheduled start of production in Q2
- New sales of "METASHINE® Aurora Series", glittering pigment in response to environment friendly development



Two Key Initiatives

● **Restoration of financial stability (2023/3 Q1 actual)**

- Recovery in shareholder's equity ratio above 18%
- JPY 52.4 bn of cash and JPY 38.3 bn unused commitment lines at the end of June 2022

● **Transformation into more profitable business portfolio**

- Integration of the Group's Automotive Glass business in China with a major Chinese automotive glass manufacturer

4. Summary

Summary

1. Financial Year ending 31 March 2023 Quarter 1 Results

- Continued profit with strong Architectural and Technical Glass performance
- Impacted by higher energy, materials and other costs, offset by price improvements and cost reduction efforts
- Solid start benefitting from exceptional gains
- Further improvement in Shareholder's equity ratio with positive factors including net profit generation

2. Forecast for Financial Year ending 31 March 2023

- H1 forecast and full-year revenue forecast revised upward reflecting relatively strong financial performance in Q1 and weaker JPY
- Continuous impact of input cost increases anticipated, with higher energy costs and worldwide inflation trend
- Full-year profits forecast unchanged considering H2 business environment uncertainty.
The Group is paying close attention to outlook for the business environment
- Focusing on profitability improvement through continuous cost reduction, expansion of VA products and price increase across the whole Group

3. Update of Transformation Initiatives under Revival Plan 24

- Business structure reform: Decision to install online coating capacity to existing float furnace in Malaysia to produce solar energy glass
- Restoration of financial stability : Further improvement in shareholder's equity ratio
- Transformation into more profitable business portfolio : Decision to integrate the Group's Automotive Glass business in China with a major Chinese automotive glass manufacturer

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

Financial Year ending 31 March 2023 Quarter 1 Results

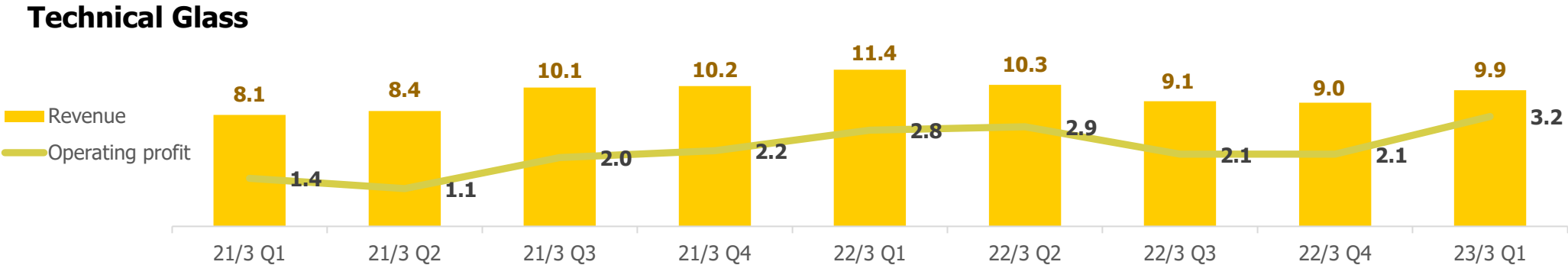
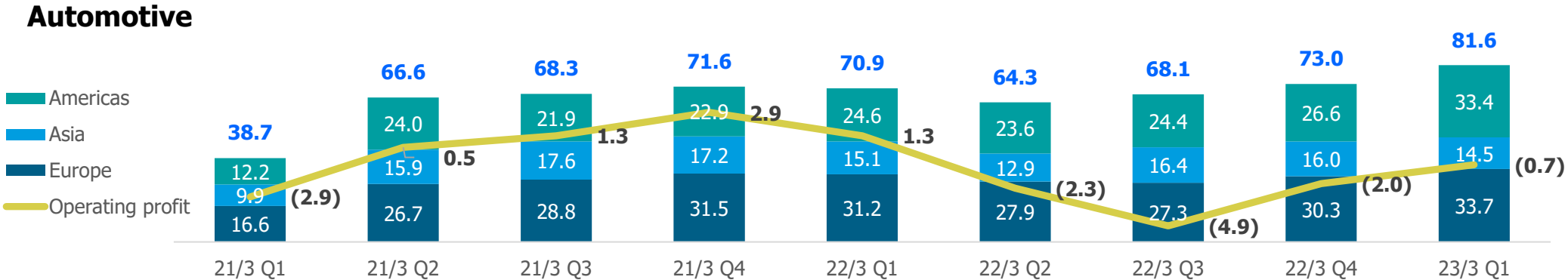
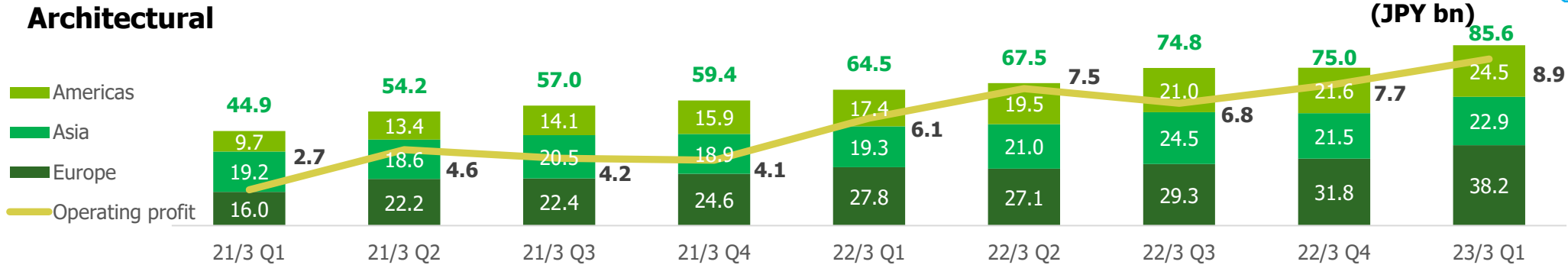
- Consolidated Income Statement – Quarterly Trend
- Revenue & Operating Profit – Quarterly Trend
- Segmental Information by Quarter
- Exceptional items
- Revenue & Operating Profit – by Region
- Foreign Currency Exchange Rates and Sensitivity
- Depreciation & Amortization, Capital Expenditures, R&D Expenditures
- Energy Cost Breakdown

Consolidated Income Statement – Quarterly Trend

(JPY bn)	2021/3				2022/3				2023/03
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	91.9	129.7	135.8	141.9	147.7	143.0	152.3	157.6	177.9
Operating profit/(loss)	(0.6)	3.8	4.8	5.0	7.2	5.5	1.8	5.5	8.3
Operating profit margin (%)	–	2.9%	3.5%	3.6%	4.8%	3.9%	1.2%	3.5%	4.6%
Exceptional items (COVID-19 related)	(11.5)	(1.3)	(1.2)	(2.1)	-	-	-	-	-
Operating profit/(loss) after COVID-19 related exceptional items	(12.1)	2.5	3.6	3.0	7.2	5.5	1.8	5.5	8.3
Exceptional items (Other)	(0.1)	(0.8)	1.0	(6.1)	(0.2)	4.7	(0.2)	(0.7)	2.3
Operating profit/(loss) after exceptional items	(12.2)	1.7	4.6	(3.1)	7.0	10.2	1.7	4.8	10.6
Finance expenses (net)	(2.4)	(3.0)	(2.1)	(3.5)	(2.9)	(2.9)	(3.2)	(3.4)	(2.8)
Impairment of financial receivables owed by joint ventures and associates	-	-	-	-	-	-	-	(3.4)	-
Share of JVs and associates' profits	(0.4)	0.2	1.0	1.3	1.5	1.9	2.2	1.9	2.2
Other gains/(losses) on equity method investments	-	-	-	0.6	-	-	-	(3.4)	(1.2)
Profit/(loss) before taxation	(14.9)	(1.1)	3.5	(4.7)	5.5	9.2	0.7	(3.6)	8.8
Profit/(loss) for the period	(16.5)	(0.7)	3.7	(2.8)	2.9	6.7	1.0	(3.8)	3.3
Net profit/(loss) *	(16.4)	(0.9)	3.4	(3.0)	2.5	6.1	0.0	(4.5)	2.4
EBITDA	6.1	12.7	13.5	14.5	16.5	14.6	11.1	14.4	18.0

*Profit (loss) attributable to owners of the parent

Revenue & Operating Profit – Quarterly Trend



Segmental Information by Quarter

(JPY bn)	2021/3					2022/3					2023/3
	Q1	Q2	Q3	Q4	Cum.	Q1	Q2	Q3	Q4	Cum.	Q1
Revenue: Architectural	44.9	54.2	57.0	59.4	215.5	64.5	67.5	74.8	75.0	281.8	85.6
Europe	16.0	22.2	22.4	24.5	85.2	27.8	27.1	29.3	31.8	116.0	38.2
Asia	19.2	18.6	20.5	18.9	77.2	19.3	21.0	24.5	21.5	86.2	22.9
Americas	9.7	13.4	14.1	16.0	53.1	17.4	19.4	21.0	21.6	79.5	24.5
Operating profit	2.7	4.6	4.3	4.1	15.7	6.1	7.5	6.8	7.7	28.1	8.9
OP after COVID*	(2.2)	4.1	3.8	3.4	9.1	-	-	-	-	-	-
Revenue: Automotive	38.7	66.7	68.2	71.6	245.2	70.9	64.3	68.1	73.0	276.2	81.6
Europe	16.6	26.7	28.8	31.5	103.6	31.2	27.9	27.3	30.3	116.7	33.7
Asia	9.9	15.9	17.6	17.3	60.6	15.1	12.9	16.4	16.0	60.4	14.5
Americas	12.2	24.1	21.9	22.9	81.0	24.6	23.6	24.4	26.6	99.2	33.4
Operating profit	(2.9)	0.5	1.3	2.9	1.8	1.3	(2.3)	(4.9)	(2.0)	(7.9)	(0.7)
OP after COVID*	(9.3)	(0.6)	0.4	1.7	(7.8)	-	-	-	-	-	-
Revenue: Technical	8.1	8.4	10.1	10.2	36.8	11.4	10.3	9.1	9.0	39.8	9.9
Europe	1.3	1.4	1.8	1.9	6.4	2.1	1.8	2.0	2.0	7.9	2.1
Asia	6.5	6.7	8.0	8.1	29.3	9.0	8.2	6.8	6.6	30.6	7.5
Americas	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.4	1.3	0.4
Operating profit	1.4	1.1	2.0	2.2	6.7	2.8	2.9	2.1	2.1	9.9	3.2
OP after COVID*	1.2	1.0	2.1	2.2	6.5	-	-	-	-	-	-
Revenue: Other	0.2	0.4	0.5	0.6	1.7	0.9	0.8	0.3	0.7	2.7	0.8
Operating profit	(1.8)	(2.3)	(2.8)	(4.2)	(11.1)	(3.1)	(2.5)	(2.2)	(2.4)	(10.1)	(3.1)
OP after COVID*	(1.8)	(2.0)	(2.7)	(4.3)	(10.8)	-	-	-	-	-	-
Revenue: Total	91.9	129.7	135.8	141.9	499.2	147.7	143.0	152.3	157.6	600.6	177.9
Operating profit	(0.6)	3.8	4.8	5.0	13.1	7.2	5.5	1.8	5.5	20.0	8.3
OP after COVID*	(12.1)	2.5	3.6	3.0	(3.0)	-	-	-	-	-	-

Exceptional Items

(JPY bn)	2022/3	2023/3
	Q1	Q1
Restructuring costs	(0.1)	(0.0)
Net impairment	-	(0.2)
Settlement of litigation matters	-	2.6
Others	(0.1)	(0.0)
Exceptional items – net	(0.2)	2.3

Revenue & Operating Profit – by Region

(JPY bn)	2022/3 Q1			2023/3 Q1			Change	
	Revenue	%	Operating profit/(loss)	Revenue	%	Operating profit/ (loss)	Revenue	Operating profit/(loss)
Europe	61.0	41%	2.4	74.0	42%	2.4	12.9	0.0
Asia	43.3	29%	5.1	44.9	25%	5.0	1.5	(0.1)
Americas	42.4	29%	2.7	58.2	33%	4.0	15.9	1.3
Other *	0.9	1%	(3.1)	0.8	0%	(3.1)	(0.1)	(0.1)
Total	147.7	100%	7.2	177.9	100%	8.3	30.2	1.1

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

Foreign Currency Exchange Rates and Sensitivity

Average rates used

	2021/3				2022/3				2022/3
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GBP	133	135	136	139	153	152	153	153	163
EUR	118	121	123	124	132	131	131	130	138
USD	107	106	106	106	109	109	112	112	129
BRR	19.9	19.8	19.7	19.7	20.6	20.8	20.7	21.0	26.4
ARS	Closing rates are applied – hyperinflation								

Closing rates used

	2021/3				2022/3				2022/3
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GBP	132	135	141	152	153	150	156	160	165
EUR	121	124	127	130	132	129	131	136	142
USD	107	105	103	111	111	112	116	122	136
BRR	19.9	18.7	19.8	19.1	22.3	20.6	20.4	25.5	26.2
ARS	1.53	1.38	1.22	1.20	1.16	1.13	1.12	1.10	1.09

Sensitivity

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

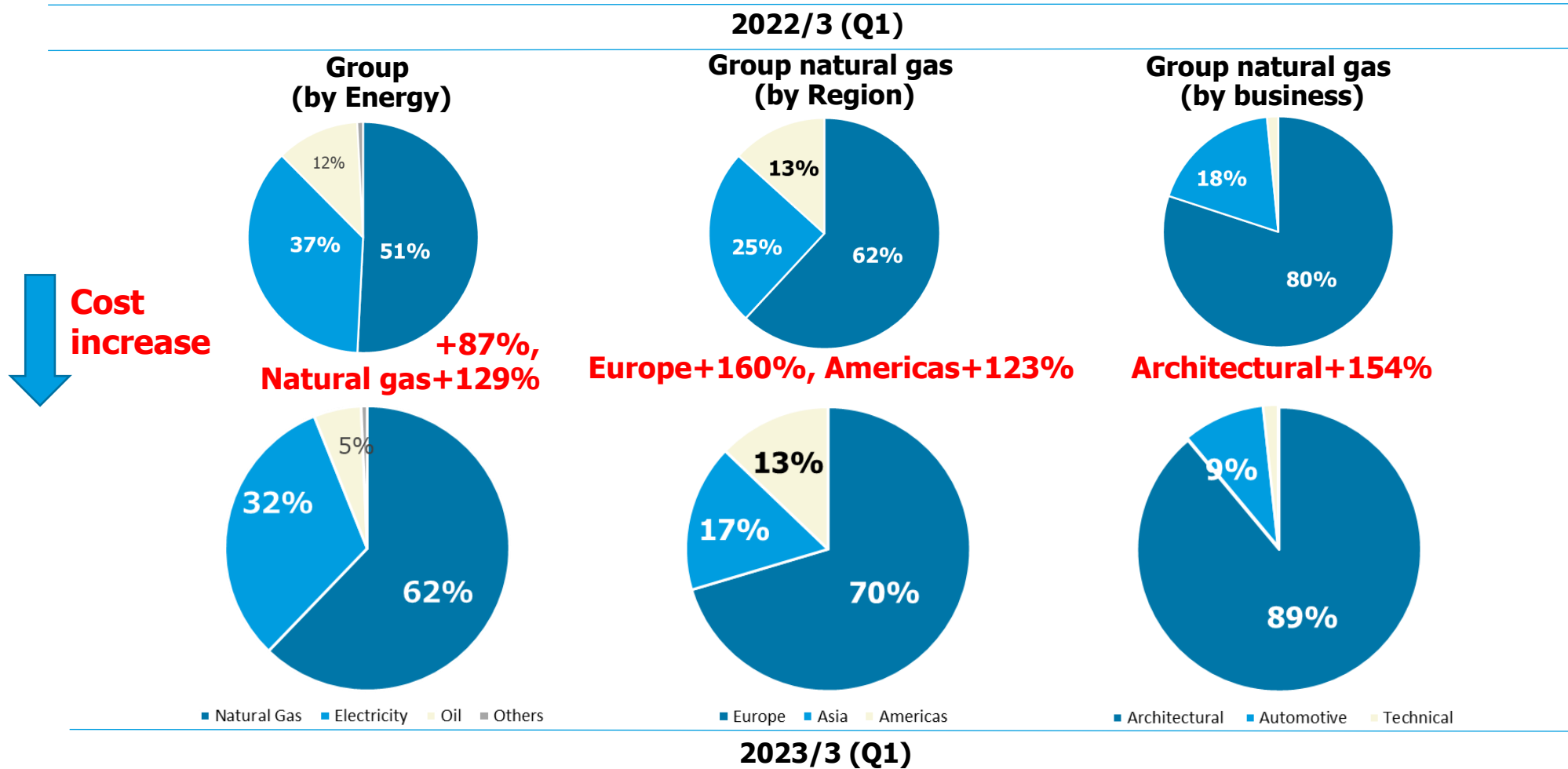
	2022/3
Equity	JPY 4.0 billion
Profit for the period	Improve by JPY 0.1 billion

Depreciation & Amortization, Capital Expenditures, R&D Expenditures

(JPY bn)	2022/3 Q1	2023/3 Q1	2023/3 Full-year Forecast
Depreciation & Amortization	9.3	9.8	39.0
Capital expenditures	4.2	6.2	40.0
Ordinary	3.8	5.4	
Strategic projects and other	0.4	0.8	
R&D expenditures	2.0	2.2	9.5
Architectural	0.6	0.7	
Automotive	0.6	0.6	
Technical Glass	0.2	0.2	
Other	0.6	0.7	

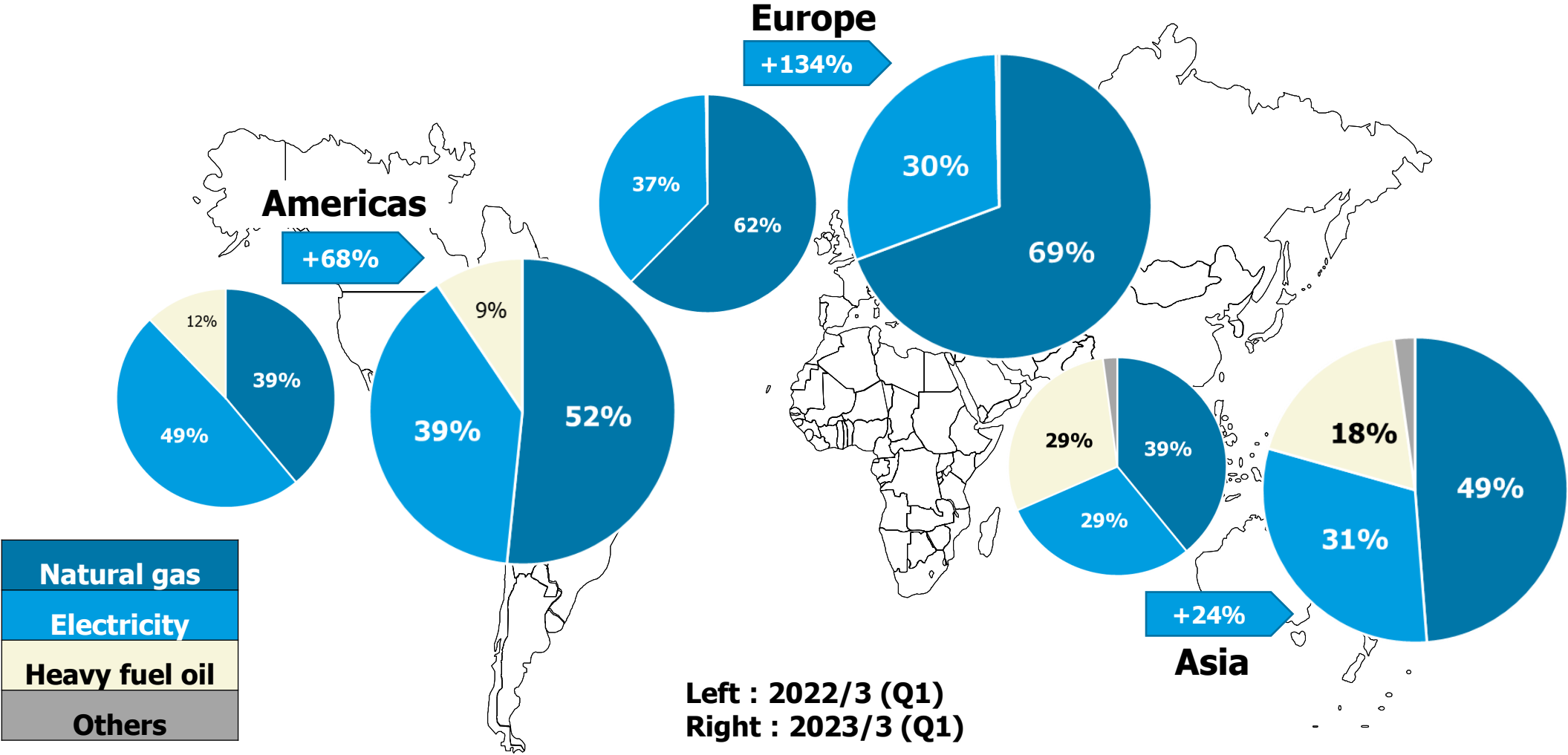
Energy Cost Breakdown (2022/3→2023/3)

Energy costs +87%* YoY for the Group, +129% for natural gas.
Natural gas prices remaining high, now accounting for 62% of the Group's total energy spend.
Significant impacts in Europe and Americas by region, and in Architectural by business



Energy Cost Breakdown (by region)

Significant impact to worldwide energy costs by natural gas price hike, especially in Europe and Americas



NSG

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