

FY 2024 1st Quarter Consolidated Financial Results <IFRS> 9 August 2023

(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: 10 August 2023 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 2024 1st Quarter (From 1 April to 30 June 2023)**(1) Consolidated business results**

	Revenue		Operating profit		Profit before taxation		Profit for the period		Profit attributable to owners of the parent		Total comprehensive income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
1Q FY 2024	207,954	16.9	14,578	76.4	13,273	50.5	7,543	129.1	7,027	195.0	21,283	(38.8)
1Q FY 2023	177,909	20.5	8,265	15.4	8,817	59.5	3,292	14.3	2,382	(6.3)	34,752	193.1

	Earnings per share - basic	
1Q FY 2024	¥	71.95
1Q FY 2023	¥	20.88

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 2024 1st Quarter	1,000,013	155,673	124,478	12.4
FY 2023 Full year	951,387	124,868	97,040	10.2

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
FY 2023 (Actual)	—	¥ 0.00	—	¥ 0.00	¥ 0.00
FY 2024 (Actual)	—				
FY 2024 (Forecast)		¥ 0.00	—	¥ 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 2024 (From 1 April 2023 to 31 March 2024)

	Revenue		Operating profit		Profit before taxation		Profit for the period		Profit attributable to owners of the parent		Earnings per share - basic
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Half year	420,000	11.8	19,000	31.6	13,000	—	9,000	—	8,000	—	77.24
Full year	840,000	10.0	35,000	0.5	20,000	—	13,000	—	11,000	—	99.51

- Note:
- There have been changes to the forecast results this quarter.
 - Forecast of basic earnings per share for FY2024 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 2024), by 90,946,162 shares which is the number of ordinary shares issued at 30 June 2023, reduced by the number of treasury stock and restricted shares (189,500 shares).
 - For details, please refer to the "Revision to Forecast for Financial Year ending on 31 March 2024" and the slides on 2024/3 forecast in 2024/3 First Quarter Results presentation.

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: 91,167,199 shares as of 30 June 2023 and 91,167,199 shares as at 31 March 2023
 - (ii) Number of shares held as treasury stock at the end of the period: 31,537 shares as at 30 June 2023 and 31,064 shares as at 31 March 2023
 - (iii) Average number of shares in issue during the period, after deducting shares held as treasury stock: 90,919,720 shares for the period ending 30 June 2023 and 90,823,185 shares for the period ending 30 June 2022

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					
FY2023 (Actual)	—	¥ 0.00	—	¥ 65,000.00	¥ 65,000.00
FY2024 (Actual)	—				
FY2024 (Forecast)		¥ 0.00	—	¥ 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 FY2024, is ¥ 1,950 million.

[Attachments]

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1. Narratives about financial results

(1) Business Performance

(a) Background to Results

The Group experienced mostly positive market conditions during the first quarter of the year. Architectural markets were strong across Japan and the Americas, although European markets were relatively weak. Demand for solar energy glass was positive. Automotive markets continued to gradually recover, with volumes benefitting from a further improvement in supply chain constraints at the Group's customers. Technical glass markets were relatively weak across most areas.

Group revenues increased by 17 percent to ¥ 207,954 million (1Q FY2023 ¥ 177,909 million), with the majority of the improvement being in the Automotive business. Operating profits were ¥ 14,578 million (1Q FY2023 ¥ 8,265 million), with an improvement being recorded in both the Automotive and Architectural businesses. Net financial expenses increased to ¥ 6,383 million (1Q FY2023 ¥ 2,821 million) due largely to higher prevailing interest rates during the period. As a consequence of the Group's joint venture, SP Glass Holdings B.V., disposing of its Russian subsidiaries, the Group recorded a gain on the reversal of previous impairments of balances owed by joint ventures of ¥ 3,740 million and also recognized a reversal of the previous impairment of the investment in this joint venture of ¥ 1,213 million, included within other gains on equity method investments. Taxation charges of ¥ 5,730 million (1Q FY2023 ¥ 5,525 million) are calculated based on the effective rate expected for the full-year. As a consequence of the improving operating profit and the gains arising with respect to equity method investments, the Group recorded a positive profit attributable to owners of the parent of ¥ 7,027 million (1Q FY2023 ¥ 2,382 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 49 percent of cumulative revenues, supplies a wide range of automotive glazing for new vehicles and for replacement markets.

Technical Glass, representing 5 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)	
	1st Quarter FY 2024	1st Quarter FY 2023	1st Quarter FY 2024	1st Quarter FY 2023
Architectural	95,751	85,605	11,890	8,879
Automotive	100,897	81,552	3,230	(705)
Technical Glass	9,960	9,944	2,137	3,233
Other Operations	1,346	808	(2,679)	(3,142)
Total	207,954	177,909	14,578	8,265

Architectural Business

The Architectural business recorded cumulative revenues of ¥ 95,751 million (1Q FY2023: ¥ 85,605 million) and an operating profit of ¥ 11,890 million (1Q FY2023: ¥ 8,879 million).

Architectural revenues and profits increased from the previous year due to increased prices and improved volumes across most markets.

In Europe, representing 40 percent of the Group's architectural sales, revenues were below the previous year as volumes declined in line with deteriorating economic activity. The impact of the weaker market conditions was mitigated somewhat by a decline in input costs.

In Asia, representing 28 percent of the Group's architectural sales, revenues and profits were above the previous year. Results improved in Japan, assisted by improved selling prices, although volumes remain depressed in other South East Asia markets. Volumes of glass for solar energy were positive.

In the Americas, representing 32 percent of the Group's architectural sales, revenues and profits were ahead of the previous year. In North America, revenue and profitability improved with increased market prices. Demand in South America was positive, with results benefitting from the additional volumes available from the Group's new float glass facility in Argentina.

Automotive Business

The Automotive business recorded cumulative revenues of ¥ 100,897 million (1Q FY2023: ¥ 81,552 million) and an operating profit of ¥ 3,230 million (1Q FY2023: loss of ¥ 705 million). Exchange factors contributed to the increased revenues, together with higher sales volumes across most regions, as an easing of supply chain constraints allowed the Group's customers to recover levels of production.

Europe represents 42 percent of the Group's automotive sales. Revenues and profitability improved, with increased input costs being partially recovered from customers. Volumes benefitted from a replenishment of vehicle inventory at customers and distribution networks, with supply chain constraints continuing to ease.

In Asia, representing 18 percent of the Group's automotive sales, revenues and profitability also improved from the previous year. Japanese volumes benefitted from increased vehicle sales, and profitability was also assisted by agreements with customers to mitigate the continued high level of input costs.

In the Americas, representing 40 percent of the Group's automotive sales, revenues and profits both increased from the previous year. Demand benefitted from a recovery in vehicle sales and a lessening of supply chain constraints at the Group's customers.

Technical Glass Business

The Technical Glass business recorded cumulative revenues of ¥ 9,960 million (1Q FY2023: ¥ 9,944 million) and an operating profit of ¥ 2,137 million (1Q FY2023: ¥ 3,233 million).

Technical Glass revenues were flat, with demand varying across sectors. Profits declined however, with challenging market conditions in some areas preventing the recovery of increased input costs.

In the Fine Glass business, volumes declined in line with challenging market conditions. In the Information Devices business, demand for printer lenses was adversely affected by weak consumer demand and inventory reductions at the Group's customers. Volumes of glass cord used in engine timing belts benefitted from improving conditions in automotive markets. Metashine sales increased both for automotive and cosmetics applications.

Joint Ventures and Associates

Including both the share of profits arising from joint ventures and associates, and also other gains and losses relating to these investments, the Group recorded a net gain from equity method investments of ¥ 2,102 million (1Q FY2023: ¥ 1,038 million).

The increase in overall gains from joint ventures was due to a reversal of previous impairments of the Group's investment in SP Glass Holdings B.V., a joint venture previously owning subsidiaries in Russia. The impairment reversal of ¥ 1,213 million is included within other gains on equity method investments, and arises following the disposal by SP Glass Holding B.V. of its Russian subsidiaries.

In addition, as a consequence of the same transaction, the Group also recorded a gain on the reversal of previous impairments of balances owed by joint ventures of ¥ 3,740 million.

Gains and losses with respect to equity method investments, excluding SP Glass Holdings B.V., were similar to last year.

(2) Financial Condition

Total assets at the end of June 2023 were ¥ 1,000,013 million, representing an increase of ¥ 48,626 million from the end of March 2023. Total equity was ¥ 155,673 million, representing an increase of ¥ 30,805 million from the March 2023 figure of ¥ 124,868 million. The increase in total equity was largely due to a combination of foreign exchange gains and the profit for the period.

Net financial indebtedness increased by ¥ 55,180 million from 31 March 2023 to ¥ 463,103 million at the period end. The increase in indebtedness arose largely from seasonal working capital movements and also foreign exchange movements. Foreign exchange movements generated an increase in net indebtedness of ¥ 16,470 million. Excluding working capital movements, underlying cash flows were positive. Gross debt was ¥ 529,121 million at the period end.

Cash outflows from operating activities were ¥ 17,536 million. Cash outflows from investing activities were ¥ 14,065 million, including capital expenditure on property, plant, and equipment of ¥ 13,792 million. As a result, free cash flow was an outflow of ¥ 31,601 million (1Q FY2023 free cash outflow of ¥12,855 million).

(3) Prospects

The Group's forecast for the financial year FY2024 is shown on page 2.

For details, please refer to the "Revision of Forecast for Financial Year ending on 31 March 2024" and the slides on 2024/3 forecast in 2024/3 First Quarter Results presentation.

NSG Group has set out its direction as the Medium-Term Vision aiming for becoming a global glass supplier contributing to the world with high value-added glass products and services, under which it will focus on the three areas of contribution: such as Safety & Comfort; Eco Society; and ICT.

At the same time the Group has announced a new medium-term management plan, "Revival Plan 24" (RP24), for a three-year period from 1 April 2021 to 31 March 2024 as the first step to achieve the Medium-Term Vision.

Reviewing the previous Medium-Term Plan (MTP) and reflecting the changes in the business environment, the Group sets RP24 as the period for its business transformation and will execute a drastic reform of its profit structure, with the restoration of financial stability and the transformation of the Group's business portfolio, consisting of the following Three Reforms and Two Key Initiatives.

Three Reforms: Cost structure reform; Business structure reform; Corporate culture reform

Two Key Initiatives: Restoration of financial stability; Transformation into more profitable business portfolio

The Group has established a set of key financial metrics as targets for the end of the RP24 period.

Operating profit margin *1	8%
Net profit *2	More than ¥ 30 billion cumulatively for 3 years
Equity ratio	More than 10%
Free cash flow	More than ¥ 10 billion

*1: Based on operating profit after amortization

*2: Profit attributable to owners of the parent

2. Consolidated financial statements and their notes**(1) (a) Condensed quarterly consolidated income statement**

¥ millions

	Note	1st Quarter FY 2024 For the period 1 April to 30 June 2023	1st Quarter FY 2023 For the period 1 April to 30 June 2022
Revenue	(5)-(c)	207,954	177,909
Cost of sales		(158,575)	(136,391)
Gross profit		49,379	41,518
Other income		247	307
Distribution costs		(15,871)	(15,976)
Administrative expenses		(18,546)	(16,126)
Other expenses		(631)	(1,458)
Operating profit	(5)-(c)	14,578	8,265
Exceptional items (gains)	(5)-(d)	—	2,633
Exceptional items (losses)	(5)-(d)	(764)	(298)
Operating profit after exceptional items		13,814	10,600
Finance income	(5)-(e)	2,549	1,324
Finance expenses	(5)-(e)	(8,932)	(4,145)
Reversal of previous impairment of financial receivables owed by joint ventures and associates	(5)-(f)	3,740	—
Share of post-tax profit of joint ventures and associates accounted for using the equity method		959	2,246
Other gains/(losses) on equity method investments	(5)-(f)	1,143	(1,208)
Profit before taxation		13,273	8,817
Taxation	(5)-(g)	(5,730)	(5,525)
Profit for the period		7,543	3,292
Profit attributable to non-controlling interests		516	910
Profit attributable to owners of the parent		7,027	2,382
		7,543	3,292
Earnings per share attributable to owners of the parent			
Basic	(5)-(h)	71.95	20.88
Diluted	(5)-(h)	49.42	16.77

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

¥ millions

	1st Quarter FY 2024 For the period 1 April to 30 June 2023	1st Quarter FY 2023 For the period 1 April to 30 June 2022
Profit for the period	7,543	3,292
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Re-measurement of retirement benefit obligations (net of taxation)	(183)	7,211
Revaluation of Assets held at Fair Value through Other Comprehensive Income – equity investments (net of taxation)	(1,825)	(996)
Sub-total	(2,008)	6,215
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	18,228	18,382
Revaluation of Assets held at Fair Value through Other Comprehensive Income – other investments (net of taxation)	(303)	(659)
Cash flow hedges: – fair value gains, net of taxation	(2,177)	7,522
Sub-total	15,748	25,245
Total other comprehensive income for the period, net of taxation	13,740	31,460
Total comprehensive income for the period	21,283	34,752
Attributable to non-controlling interests	(1,561)	965
Attributable to owners of the parent	22,844	33,787
	21,283	34,752

(2) Condensed quarterly consolidated balance sheet

¥ millions

	1st Quarter FY 2024 as at 30 June 2023	FY 2023 as at 31 March 2023
ASSETS		
Non-current assets		
Goodwill	81,083	74,081
Intangible assets	42,851	39,480
Property, plant and equipment	402,825	370,460
Investment property	131	120
Investments accounted for using the equity method	29,754	25,349
Retirement benefit asset	27,428	28,185
Contract assets	430	378
Trade and other receivables	13,866	13,164
Financial assets:		
– Assets held at Fair Value through Other Comprehensive Income	20,809	22,227
– Derivative financial instruments	11,799	13,011
Deferred tax assets	30,266	28,613
	661,242	615,068
Current assets		
Inventories	177,482	156,918
Contract assets	2,895	3,191
Trade and other receivables	98,634	96,857
Financial assets:		
– Derivative financial instruments	5,306	4,873
Cash and cash equivalents	48,913	69,313
	333,230	331,152
Assets held for sale	5,541	5,167
	338,771	336,319
Total assets	1,000,013	951,387

(2) Condensed quarterly consolidated balance sheet continued

¥ millions

	1st Quarter FY 2024 as at 30 June 2023	FY 2023 as at 31 March 2023
LIABILITIES AND EQUITY		
Current liabilities		
Financial liabilities:		
- Borrowings	155,732	161,610
- Derivative financial instruments	2,285	2,102
Trade and other payables	167,364	187,450
Contract liabilities	14,855	14,896
Provisions	18,421	16,194
Deferred income	681	710
	359,338	382,962
Liabilities related to assets held for sale	1,069	1,415
	360,407	384,377
Non-current liabilities		
Financial liabilities:		
- Borrowings	369,320	329,933
- Derivative financial instruments	1,784	1,475
Trade and other payables	6,370	5,503
Contract liabilities	15,553	18,260
Deferred tax liabilities	15,541	14,523
Retirement benefit obligations	51,128	50,676
Provisions	20,840	18,772
Deferred income	3,397	3,000
	483,933	442,142
Total liabilities	844,340	826,519
Equity		
Capital and reserves attributable to the Company's equity shareholders		
Called up share capital	116,756	116,756
Capital surplus	155,757	155,746
Retained earnings	(75,248)	(86,675)
Retained earnings (Translation adjustment at the IFRS transition date)	(68,048)	(68,048)
Other reserves	(4,739)	(20,739)
Total shareholders' equity	124,478	97,040
Non-controlling interests	31,195	27,828
Total equity	155,673	124,868
Total liabilities and equity	1,000,013	951,387

(3) Condensed quarterly consolidated statement of changes in equity

¥ millions

1st Quarter FY 2024	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 2023	116,756	155,746	(86,675)	(68,048)	(20,739)	97,040	27,828	124,868
Total Comprehensive Income	—	—	6,844	—	16,000	22,844	(1,561)	21,283
Hyperinflation adjustment	—	—	6,533	—	—	6,533	5,474	12,007
Dividends paid	—	—	(1,950)	—	—	(1,950)	(546)	(2,496)
Share-based compensation with restricted shares	—	11	—	—	—	11	—	11
At 30 June 2023	116,756	155,757	(75,248)	(68,048)	(4,739)	124,478	31,195	155,673

¥ millions

1st Quarter FY 2023	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 2022	116,709	155,312	(60,121)	(68,048)	1,439	145,291	24,064	169,355
Total Comprehensive Income	—	—	9,593	—	24,194	33,787	965	34,752
Hyperinflation adjustment	—	—	4,344	—	—	4,344	3,402	7,746
Dividends paid	—	—	(1,950)	—	—	(1,950)	(270)	(2,220)
Share-based compensation with restricted shares	—	13	—	—	—	13	—	13
Stock options	6	6	—	—	(12)	—	—	—
At 30 June 2022	116,715	155,331	(48,134)	(68,048)	25,621	181,485	28,161	209,646

(4) Condensed quarterly consolidated statement of cash flow

¥ millions

	Note	1st Quarter For the period 1 April to 30 June 2023	1st Quarter For the period 1 April to 30 June 2022
Cash flows from operating activities			
Cash flows generated from operations	(5)-(k)	(11,978)	181
Interest paid		(8,075)	(3,591)
Interest received		4,650	2,302
Tax paid		(2,133)	(2,087)
Net cash outflows from operating activities		(17,536)	(3,195)
Cash flows from investing activities			
Dividends received from joint ventures and associates		25	—
Purchase of businesses, net of cash balances held by subsidiaries upon acquisition		—	(7)
Purchases of property, plant and equipment		(13,792)	(9,075)
Proceeds on disposal of property, plant and equipment		74	20
Purchases of intangible assets		(320)	(248)
Purchase of assets held at FVOCI		(4)	(22)
Proceeds on disposal of assets held at FVOCI		—	11
Loans advanced to joint ventures, associates and third parties		(98)	(399)
Loans repaid from joint ventures, associates and third parties		50	60
Net cash outflows from investing activities		(14,065)	(9,660)
Cash flows from financing activities			
Dividends paid to owners of the parent		(1,950)	(1,955)
Dividends paid to non-controlling interests		(326)	(258)
Repayment of borrowings		(35,386)	(8,249)
Proceeds from borrowings		42,795	12,478
Net cash (out) /in flows from financing activities		5,133	2,016
Decrease in cash and cash equivalents (net of bank overdrafts)		(26,468)	(10,839)
Cash and cash equivalents (net of bank overdrafts) at beginning of period	(5)-(l)	68,518	60,015
Effect of foreign exchange rate changes		3,350	2,347
Hyperinflation adjustment	(5)-(m)	765	472
Cash and cash equivalents (net of bank overdrafts) at end of period	(5)-(l)	46,165	51,995

(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) Accounting policies, critical accounting estimates and assumptions

The principal accounting policies applied to the consolidated financial statements for the period to 30 June 2023 are the same as the ones applied to the consolidated financial statements for the year ended 31 March 2023.

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will not usually be equal to the eventual actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

In each case, unexpected changes in estimates and assumptions could cause a material change in balance sheet assets and liabilities, particularly in the areas noted below.

When assessing the recoverability of certain balance sheet assets such as goodwill and other intangible assets arising on consolidation, the Group compares the value-in-use of the Group's identified Cash Generating Units (CGUs) with the accounting value of assets within each CGU. The value-in-use for this purpose is considered to be the capitalized current value of the future cash flows of each CGU as calculated by discounting the projected future operating cash flows of each cash-generating unit, using an appropriate discount rate. The choice of discount rate is therefore a key determinant in assessing the value-in-use, and is calculated based on prevailing conditions in bond and equity markets. If discount rates increase, as happened during the second quarter of the previous year, then an impairment of assets such as goodwill becomes more likely.

Sales volumes are a key input into expectations of future trading conditions and, consequently, cash flows. Sales prices and input costs are also important factors. The Group experienced an increase in input costs during FY2023, exacerbated by the invasion of Ukraine by Russia prior to the start of that year, although this has reversed somewhat during FY2024. The Group protects against volatility of input costs through hedging techniques, although this does not provide complete protection from all cost increases, particularly over the longer term. The Group expects to recover input costs increases through higher selling prices. The extent of this recovery is likely to vary by business and region. This reflects the Group's expected ability to raise selling prices, based on legal terms of trading and market forces generally.

The recoverability of long-term investments in joint ventures, including loans receivable, is based on the current and expected future trading environment. The expected future trading environment is assessed using reasonable estimates of possible future trading conditions. Where relevant, the Group will also consider the existence of legal restrictions that may prevent the payment of dividends or interest, or repayment of debt by the joint venture when assessing the recoverability of such investments. In addition, the Group would also consider any projected corporate restructurings or other similar transactions that the joint venture may enter, but only in circumstances where the Group considers there is a satisfactory level of confidence that such a transaction will be completed.

(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.

The amortization arising from the acquisition of Pilkington plc was ¥57 million in FY2024 Q1 (FY2023 Q1: ¥217 million).

The segmental results for the first quarter to 30 June 2023 were as follows:

	¥ millions				
1st Quarter FY 2024 For the period 1 April to 30 June 2023	Architectural	Automotive	Technical Glass	Other Operations	Total
Total revenue	104,858	100,969	10,775	1,744	218,346
Inter-segmental revenue	(9,107)	(72)	(815)	(398)	(10,392)
External revenue	95,751	100,897	9,960	1,346	207,954
<i>Disaggregation of external revenue by geographical regions:</i>					
<i>Europe</i>	38,095	42,536	2,457	1,029	84,117
<i>Asia</i>	26,826	17,864	7,074	317	52,081
<i>Americas</i>	30,830	40,497	429	—	71,756
Operating profit/(loss)	11,890	3,230	2,137	(2,679)	14,578
Exceptional items (losses)	(738)	(26)	—	—	(764)
Operating profit after exceptional items					13,814
Finance costs – net					(6,383)
Reversal of previous impairment of financial receivables owed by joint ventures and associates					3,740
Share of post-tax profit from joint ventures and associates					959
Other gains on equity method investments					1,143
Profit before taxation					13,273
Taxation					(5,730)
Profit for the period from continuing operations					7,543

(c) Segmental information continued

The segmental results for the first quarter to 30 June 2022 were as follows:

	¥ millions				
1st Quarter FY 2023 For the period 1 April to 30 June 2022	Architectural	Automotive	Technical Glass	Other Operations	Total
Total revenue	92,746	81,706	10,434	1,347	186,233
Inter-segmental revenue	(7,141)	(154)	(490)	(539)	(8,324)
External revenue	85,605	81,552	9,944	808	177,909
<i>Disaggregation of external revenue by geographical regions:</i>					
<i>Europe</i>	38,224	33,695	2,067	545	74,531
<i>Asia</i>	22,903	14,489	7,485	263	45,140
<i>Americas</i>	24,478	33,368	392	—	58,238
Operating profit/(loss)	8,879	(705)	3,233	(3,142)	8,265
Exceptional items (gains)	—	95	—	2,538	2,633
Exceptional items (losses)	(42)	(78)	(7)	(171)	(298)
Operating profit after exceptional items					10,600
Finance costs – net					(2,821)
Share of post-tax loss from joint ventures and associates					2,246
Other losses on equity method investments					(1,208)
Profit before taxation					8,817
Taxation					(5,525)
Profit for the period from continuing operations					3,292

The segmental assets at 30 June 2023 and capital expenditure for the first quarter ended 30 June 2023 were as follows:

	¥ millions				
	Architectural	Automotive	Technical Glass	Other Operations	Total
Net trading assets	240,434	199,400	36,031	10,804	486,669
Capital expenditure (including intangibles)	8,749	1,986	129	173	11,037

The segmental assets at 30 June 2022 and capital expenditure for the first quarter ended 30 June 2022 were as follows:

	¥ millions				
	Architectural	Automotive	Technical Glass	Other Operations	Total
Net trading assets	183,543	188,485	31,148	2,278	405,454
Capital expenditure (including intangibles)	2,306	2,945	375	576	6,202

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

	1st Quarter FY 2024 For the period 1 April to 30 June 2023	1st Quarter FY 2023 For the period 1 April to 30 June 2022
Exceptional items (gains):		
Settlement of litigation matters (a)	—	2,633
	—	2,633
Exceptional items (losses):		
Impairment of non-current assets (b)	(540)	(171)
Write down of inventories (c)	(194)	—
Settlement of litigation matters (a)	(22)	(66)
Restructuring costs, including employee termination payments (d)	(8)	(40)
Others	—	(21)
	(764)	(298)
	(764)	2,335

- (a) The previous-year gain on the settlement of litigation matters related mainly to an additional settlement agreed with the Group's insurer and broker following damage to the Group's facility at Ottawa, Illinois, U.S.A, as a consequence of a Tornado on 28 February 2017. The Group had been engaged in a dispute with its insurer and its broker regarding the value of insurance coverage following this event, and reached a settlement that resulted in an additional amount of \$20 million being paid to the Group.

In both the current and previous year, the settlement of litigation matters within exceptional items (losses), relates to legal claims arising as a result of transactions that were previously recorded as exceptional items.

- (b) The impairment of non-current assets relates to the impairment of property, plant & equipment within Architectural business in Asia.

In the previous year, the impairment of non-current assets related mainly to assets included on the Group's balance sheet as Assets Held for Sale

- (c) The write down of inventories also relates to Architectural business in Asia.

- (d) Restructuring costs principally include the cost of compensating redundant employees for the termination of their contracts of employment.

(e) Finance income and expenses

¥ millions

	1st Quarter FY 2024 For the period 1 April to 30 June 2023	1st Quarter FY 2023 For the period 1 April to 30 June 2022
Finance income		
Interest income	1,299	551
Foreign exchange transaction gains	217	102
Gain on net monetary position	1,033	671
	2,549	1,324
Finance expenses		
Interest expense:		
– bank and other borrowings	(6,295)	(3,630)
Dividend on non-equity preference shares due to minority shareholders	(75)	(69)
Foreign exchange transaction losses	(1,182)	(62)
Other interest and similar charges	(1,299)	(375)
	(8,851)	(4,136)
Unwinding discounts on provisions	(71)	(58)
Retirement benefit obligations		
– net finance charge	(10)	49
	(8,932)	(4,145)

(f) Investments accounted for using the equity method

The Group's Joint Venture, SP Glass Holdings B.V. disposed its subsidiaries in Russia during the first quarter of the year. As a consequence of this transaction, the Group recorded a reversal of previous impairments of the its investment in SP Glass Holdings B.V. of ¥ 1,213 million and also recorded a reversal of the previous impairment of a financial receivable owed by a Russian subsidiary of SP Glass Holdings B.V. of ¥ 3,740 million. These two items are presented separately in the consolidated income statement as other gains/(losses) on equity method investments and as reversal of previous impairment of financial receivables owed by joint ventures and associates respectively. The value recorded in total as other gains/(losses) on equity method investments also includes a charge of ¥ 70 million relating to the impairment of the Group's share of the profits of SP Glass Holdings B.V. earned during the first quarter of the year, prior to the disposal of its subsidiaries in Russia.

(g) Taxation

The tax charge on the profit before taxation, excluding the Group's share of the net results of joint ventures and associates, is a rate of 46.5 percent in the first quarter to 30 June 2023 (1Q FY2023 - a rate of 84.1 percent). The tax charge for the quarter is based on the estimated effective rate for the year to 31 March 2024 .

(h) 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 June 2023	Quarter ended 30 June 2022
	¥ millions	¥ millions
Profit attributable to owners of the parent	7,027	2,382
Adjustment for;		
– Dividends on Class A shares	(485)	(486)
Profit used to determine basic earnings per share	6,542	1,896
	Thousands	Thousands
Weighted average number to ordinary shares in issue	90,920	90,823
	¥	¥
Basic earnings per share	71.95	20.88

(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 for share-based payment plan are treated as dilutive potential ordinary shares if certain conditions are met. 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. Regarding restricted shares for share-based payment plan, during period from the start date of the transfer restriction period to the date of the first Ordinary General Meeting of Shareholders of the Company, if the fair value (determined as the average annual market share price of the Company's shares) exceeds the issue price, equivalent of the delivered service as consideration for compensation are treated as dilutive potential ordinary shares. 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 June 2023	Quarter ended 30 June 2022
	¥ millions	¥ millions
Profit attributable to owners of the parent	7,027	2,382
Adjustment for;		
– Dividends on Class A shares	—	—
Profit used to determine diluted earnings per share	7,027	2,382
	Thousands	Thousands
Weighted average number to ordinary shares in issue	90,920	90,823
Adjustment for:		
– Share options	492	521
– Class A shares	50,679	50,679
– Restricted shares	88	—
Weighted average number of ordinary shares for diluted earnings per share	142,179	142,023
	¥	¥
Diluted earnings per share	49.42	16.77

Diluted earnings per share for the previous period do not include restricted shares due to the the fair value (determined as the average market share price of the Company's shares for the same period) was lower than the issue price.

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

	Quarter ended 30 June 2023	Quarter ended 30 June 2022
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 June 2023	Quarter ended 30 June 2022
Declared and paid during the period:		
Final dividend for the previous year		
Dividend total (¥ millions)	1,950	1,950
Dividend per share (¥)	65,000	65,000

(j) Exchange rates

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

	Quarter ended 30 June 2023		Year ended 31 March 2023		Quarter ended 30 June 2022	
	Average	Closing	Average	Closing	Average	Closing
GBP	172	183	163	165	163	165
US dollar	138	145	135	133	129	136
Euro	150	158	141	145	138	142
Argentine peso	—	0.57	—	0.64	—	1.09

(k) Cash flows generated from operations

¥ millions

	1st Quarter FY 2024 for the period 1 April 2023 to 30 June 2023	1st Quarter FY 2023 for the period 1 April 2022 to 30 June 2022
Profit for the period from continuing operations	7,543	3,292
Adjustments for:		
Taxation	5,730	5,525
Depreciation	10,230	9,103
Amortization	529	679
Impairment	546	186
Gain on sale of property, plant and equipment	(2)	(9)
Grants and deferred income	(60)	(67)
Finance income	(2,549)	(1,324)
Finance expenses	8,932	4,145
Reversal of previous impairment of financial receivables owed by joint ventures and associates	(3,740)	—
Share of profit from joint ventures and associates	(959)	(2,246)
Other (gains)/losses on equity method investments	(1,143)	1,208
Other items	175	521
Operating cash flows before movement in provisions and working capital	25,232	21,013
Decrease in provisions and retirement benefit obligations	1,216	(787)
Changes in working capital:		
– inventories	(10,248)	(11,644)
– trade and other receivables	898	(6,416)
– trade and other payables	(27,651)	(7,407)
– contract balances	(1,425)	5,422
Net change in working capital	(38,426)	(20,045)
Cash flows generated from operations	(11,978)	181

(I) Cash and cash equivalents

¥ millions

	As at 31 March 2023	As at 31 March 2022
Cash and cash equivalents	69,313	60,464
Bank overdrafts	(795)	(449)
	68,518	60,015

¥ millions

	As at 30 June 2023	As at 30 June 2022
Cash and cash equivalents	48,913	52,408
Bank overdrafts	(2,748)	(413)
	46,165	51,995

(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	82.007
31 March 2007	103.9	78.956
31 March 2008	120.2	68.220
31 March 2009	128.7	63.717
31 March 2010	146.5	55.979
31 March 2011	165.5	49.554
31 March 2012	186.7	43.919
31 March 2013	211.1	38.840
31 March 2014	265.6	30.879
31 March 2015	305.7	26.822
31 March 2016	390.6	20.994
31 March 2017	467.2	17.552
31 March 2018	596.1	13.758
31 March 2019	970.9	8.446
31 March 2020	1,440.8	5.692
31 March 2021	2,046.4	4.007
31 March 2022	3,162.1	2.593
31 March 2023	6,402.2	1.281
30 April 2023	7,111.4	1.153
31 May 2023	7,664.2	1.070
30 June 2023	8,200.7	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.