

2 February 2017

Key Questions and Answers at FY2018 Third Quarter Results Announcement

- Q: While your first half results exceeded the forecast slightly, what is your view on the progress made in the third quarter?
- A: Our cumulative results are generally in line with our plan and we believe JPY 36 billion of operating profit for the full-year is achievable.
- Q: Please provide the breakdown of "Cost savings and other" in the change analysis in slide 7 of the results presentation. Further, will the profit improvement by cost savings continue into the next year, FY2019?
- A: "Cost savings and other" includes certain one-off items. In terms of the areas, we saw major improvement in Architectural and Automotive Glass businesses in Europe as well as Technical Glass business. As to the next year forecast, our budget-making process for FY2019 is currently underway. We intend to implement further manufacturing cost savings that can offset certain cost push factors such as inflation.
- Q: What is the time lag for an oil price rise to affect your performance?
- A: We are using natural gas for most of our glass furnaces. The oil price fluctuations do not directly affect our results. In addition, we have hedged about 90 percent of FY2018 gas and oil and 50 percent for FY2019. (We assume the risk of oil price rise can be mitigated to some extent.)
- Q: Please provide your view on architectural glass price in Europe going forward.
- A: We have not raised glass prices since spring 2017. The prices remain stable. In general prices tend to decline in winter but we have not seen any significant drop this winter. We expect it should have a positive impact in our fourth quarter. Given the current level, there may not be much room for further significant price rises. We will consider price increases, monitoring the market situation.
- Q: Please explain the impact of the announced price increases for architectural glass in Japan.
- A: Considering the continuous rise in fuel and material cost over the last several years, we announced the price increases in January, which will take effect on 1 March. The rate of increase varies between 7 and 15 percent depending on the product type. The announcement is too recent for us to estimate the impact but it will be negligible for FY2018. We hope to see a positive impact in FY2019 but it will be also affected by the market situation.
- Q: You said solar glass demand would recover in the fourth quarter. Is it sustainable or temporary?
- A: So far in the current financial year, our shipment has been affected by the re-tooling of a major customer. The reduction is temporary and we see the recovery in the fourth quarter to continue.

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Q: It seems that the improvement of Automotive Glass business in the third quarter was weak.

A: The situation varies region to region. We benefitted from the market recovery and production improvement in Europe. The demand upturn in South America was beyond our expectation, while the results of North America and Japan were disappointing. In North America, automotive market has peaked out. In Japan, our profits were affected by raw glass cost increase and certain operational issues, although the market and our sales were robust.

Q: Please explain the market and competitive environment in the North American automotive glass market.

A: Although the market has peaked out, the demand in North America remains at a high level. As to the competition, we understand it is about a Chinese competitor. They have already started production and, in the future, our business could be affected. However, it has not impacted our shipment or pricing.