

Key Points of the Q&A Session at the Briefing of the Fiscal Year Ended December 31, 2021

(Thursday, February 3, 2022; conference call)

Q1. In FY2021, the actual operating income exceeded significantly from the initial forecast, but fell short of the latest one. Please tell us the factors of this result.

A1. Compared with the forecast beginning of the period, the productivity and quality were improved as a result of the improvement of the manufacturing process of the display glass business, and we realized the sale of G10.5-size substrate glass. Furthermore, the profit margin of the electronic products business also hovered at a higher level. Meanwhile, the shortfall of operating income from the forecast announced at the end of September was attributable to the less-than-expected shipment of glass for flat panel displays, and delays of accounting of sales of glass fibers due to logistics disruptions.

Q2. In FY2022, profits in the display glass business does not seem to increase in comparison with the increase in sales. Please tell us why. In addition, I would like to know the impact of the launch of a new glass fiber facility on your business performance.

A2. In the display glass business, we anticipate the accounting of the costs for switching to a new process technology and launching of facility in the second half of the fiscal year. As to the glass fiber business, a new facility in Malaysia will be launched around the end of this year. Therefore, we expect that only the relevant cost will be accounted for in FY2022.

Q3. Please explain why the demand for glass fiber is so strong whereas car production has not recovered yet to the level before the COVID-19 pandemic.

A3. We have strong inquiries from direct customers, and we don't believe that such demand links much to the production and sale of automobiles. It seems that the amount of resin used per car is increasing, and we suppose that our customers are trying to secure inventories in the supply chain.

Q4. It seems that the improvement in profits of a US glass fiber subsidiary is delayed. Please explain the actual situation.

A4. Currently, profits are expected to be lower than the forecast partly due to the impact of logistics disruption on production. However, the supply and demand of glass fiber is extremely tight, and we also made an upward revision of the price. Therefore, we believe that the subsidiary will be able to eliminate the deficit in FY2022.

Q5. In FY2021, the glass fiber business saw an upturn of demand together with the rise in price. What is the outlook for the future?

A5. Although it is difficult for us to predict the future supply and demand environment, we believe that glass fiber is likely to show an annual growth rate of about 5%. The price also depends on the competitive environment. Since Chinese competitors have become more competitive, we plan to establish an advantageous position in terms of quality and environmental measures in addition to improvement of processes.

Q6. Please explain about the assumed usage for the all-solid-state battery, obstacles to overcome for mass production and the planned business scale, etc.

A6. The usage will vary depending on the efficiency, but we expect the battery will be used as a stationary storage battery and the like. We hope it will be used for automobiles. The scale of the business depends on how we do business, but we expect net sales will reach about 10 billion yen in the next five years.

Q7. Regarding the Medium-term Business Plan, did you estimate conservatively the annual growth rate of net sales will be approximately 5%?

A7. Considering our past 10-year performance, there were some periods recording negative growth. Comparing with this, we don't think that the annual growth of 5% is low. We formulated the Plan taking into consideration the competitive environment of each business and capital expenditure.

Q8. Regarding the Medium-term Business Plan, if the increase in energy cost equivalent to 10 billion yen is eliminated in the future, maybe you will be able to set a higher target of operating income to exceed 45 billion yen under the Medium-term Business Plan. Furthermore, do you think it is likely that profits of 5 billion yen or 10 billion yen can be added from new products such as all-solid-state batteries?

A8. It is very difficult for us to predict how the prices of raw materials and fuels will change in the future, but we will be able to set higher targets if procurement prices settle down. We think that all-solid-state batteries will contribute to sales, but will not be profitable enough yet.

Q9. Regarding the Medium-term Business Plan, please tell us the reason why the composition of sales will not change significantly in five years. I would also like to ask you if you consider the target of operating margin of 11% as appropriate.

A9. Regarding the display market, we made the sales forecast partly based on the analysis of information provided by research companies, etc. We anticipate that prices will fall to some extent. Regarding the composition of sales, we plan to increase sales in the display glass business and glass fiber business by about 30%, respectively, the electronic products business by 50%, and the medical / building material / heat-resistance business by 20% in five years. Therefore, the overall composition ratio is not expected to change significantly. As to operating margin, the higher, the better, but considering various investments and shareholder returns, we would like to have at least 10%. There will be no significant impact on operating margins even if environmental investment is taken into consideration. On the contrary, we believe that significant advantages in terms of production and quality will be brought to us in the future by investing in environmental measures.

Q10. Regarding the Medium-term Business Plan, please tell us how you will be able to increase sales by 30% in the display glass business in five years from now.

A10. In FY2022, we expect that the sales volume will increase because of full-fledged shipping of G10.5-size substrate glass in addition to the market growth. We anticipate that the growth trend will be relatively moderate in FY2023 and thereafter. I don't think that the price will change significantly. We plan to increase sales mainly of G10.5-size substrate glass in the Chinese market.

Q11. Regarding the Medium-term Business Plan, do you consider to reduce capital expenditure if it becomes difficult to attain the targets of operating income and operating margin?

A11. We will certainly implement our plan without adjusting capital expenditure, if there are market needs and we can expect returns.

Q12. Please explain the background behind the increase in dividends and repurchase of shares in FY2021, and the announcement of further increase in dividends for FY2022.

A12. In FY2022, free cash flow is expected to fall negative, but we expect that both net sales and operating margin will increase. Therefore, we decided to further return profit to our shareholders.

Q13. Am I correct if I understand that the repurchase of shares will be implemented more flexibly?

A13. Until now, we considered the repurchase of our own shares as part of the achievements of the 3-year Medium-term Plan, but we will implement it more flexibly according to the progress of the business in the next five years.

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