

Key Points of the Q&A Session for the Fiscal Year Ended December 31, 2017

(Tuesday, February 6, 2018; Tokyo)

- Q1. What is the Company's business results forecast for the 1st quarter of fiscal 2018?
- A1. Each division has seen extremely good sales growth. However, the price decline of glass substrate for LCD has heavily weighed on margins, and expenses for the second phase investment in Xiamen will be included in the accounts. Therefore, it is not so easy for us to achieve the target, although profits are in line with the forecast.
- Q2. The Company forecasts that profits will decrease in fiscal 2018. Can I assume that the Company finds it difficult to increase profits due to the amortization of goodwill for the US glass fiber business and an increase in depreciation, even after taking into account the growth in sales of glass fibers and the effects of the price increase?
- A2. In the US, depreciation expenses have increased. In addition, we have begun upgrading our facilities including utilities (electric power, water, and gas, etc.) from the previous year. Furthermore, we have strengthened our product lineup to closely meet market needs. We expect these expenses will be included in the accounts in fiscal 2018. Meanwhile, we do not think that the price increase will automatically lead to an increase in profits, considering a rise in the cost of raw materials and fuel. However, if we're talking about the glass fiber business in Japan and Malaysia, sales and profits are forecasted to grow from the previous year.
- Q3. The Company forecasts that net sales will be 300 billion yen in fiscal 2018. Could you please explain why net sales will increase by 17.6 billion yen from the previous year ("fiscal 2017")?
- A3. In fiscal 2018, we will consolidate the US glass fiber business over a 12-month period. Therefore, net sales will grow by the equivalent of 8 months of sales year-on-year. Before the acquisition, we estimated that the net sales of the US glass fiber business would be around 35 billion yen. Therefore, the impact would be around two thirds of its sales. Furthermore, since we slightly expanded the capacity of our Malaysia subsidiary in December 2017, it will also contribute to the growth in net sales. Meanwhile, the sales of glass manufacturing facilities are projected to decrease from the previous year.
- Q4. Could you please explain the prospects for sales and profits in the Electronics and Information Technology segment and the Performance Materials and Others segment?
- A4. In the Electronics and Information Technology segment, most sales and profits come from the display business. In fiscal 2018, sales and profits in display business are estimated to remain almost flat from the previous year. In the Performance Materials and Others segment, the mainstay

glass fiber business is forecasted to see net sales grow but profits slightly decrease on a year-on-year basis.

Q5. How much does the Company expect raw material and fuel costs to increase in fiscal 2018? In addition, how much goodwill does the Company plan to amortize for the US glass fiber business in fiscal 2018?

A5. We expect raw materials and fuel costs to increase by 1 to 2 billion yen from the previous year. We need to amortize around 22 billion yen of goodwill in total, about 20 billion yen for the US business and the rest for the European business. We plan to amortize these costs over 10 years. This means that annual amortization would be slightly more than 2 billion.

Q6. Could you please explain why capital expenditure ("capex") in fiscal 2017 jumped to more than 50 billion yen from 20 billion yen in the initial plan? Can I assume that the Company will maintain capex at this level in fiscal 2019 and later?

A6. Capex expanded mainly due to an M&A. In fiscal 2018, we plan to spend 60 billion yen as capex. Around 50% of it will go to the second phase of the project in Xiamen. We expect to use around 20 billion yen for repairing facilities in the glass fiber, display, and other segments. We estimate capex will decrease in fiscal 2019 and later at the moment. However, it depends on future management decisions.

Q7. What is the Company's forecast for its business mix in the next medium-term business plan?

A7. In fiscal 2018, we estimate each of the display and glass fiber businesses will account for a little more than 40% of total sales. In the next medium-term business plan, sales for the Performance Materials and Others segment (mainly glass fiber business) are forecasted to exceed those for the Electronics and Information Technology segment (mainly display business).

Q8. It is said that the glass substrate for LCD market is projected to grow by mid-single digits in fiscal 2018. Your competitors have said price decreases will be smaller. What is the Company's forecast for shipments and sales prices?

A8. We think our shipments outperformed market growth in fiscal 2017. Therefore, we feel that our market share increased. Since shipments have been growing steadily, we expect the sales volume to slightly exceed market growth again in fiscal 2018. Meanwhile, we would like to maintain sales prices at the current level. However, we may be requested to reduce prices by the same rate as the growth in sales volume.

Q9. The US glass fiber business generated around 5 billion yen of pre-tax income before the acquisition. Can I assume that its income before taxes will reach this level after depreciation and amortization in fiscal 2019 and later?

A9. We would like to make it happen. We thought the US glass fiber business would break even on an

operating income basis in fiscal 2018. However, repair expenses are expected to mount, making it difficult for us to generate profits.

Q10. Could you please explain how the acquisition of PPG's glass fiber business strengthens the Company's business? Furthermore, in what markets does the Company expect sales to increase?

A10. Our glass fiber business has developed at around 3.5% annually, slightly higher than the GDP growth rate, for the 40 years from the start of the business. Since the business has expanded at about 5% annually in the most recent decade, we think our glass fiber business will keep growing at this pace. Especially considering that automobiles with internal combustion engines will be replaced by electric vehicles ("EV") in the future, we believe that the weight reduction of automobiles will become even more important. Taking into account various costs and required features, we expect sales of glass fiber reinforced plastics to continue expanding in the market.

Q11. The US glass fiber business is less profitable than the Company's subsidiary in Malaysia. Could you please explain how the Company plans to improve the productivity of the US glass fiber business, including the transfer of knowhow?

A11. Since we will repair and upgrade our facilities both in the US and Europe within five years, we estimate that productivity will increase during this process. We have already made adjustments to equipment that needs urgent improvement. However, we will replace nonessential facilities according to their life cycle. In Europe, significant numbers of facilities have already switched to our own technology in part. In the US, we will change over to our own technology. We believe that these efforts will directly lead to improvement in productivity in the future.

Q12. The Company has established a global quadruple production structure in the glass fiber business through acquisition. Has the Company found any changes in its bargaining power with customers? In addition, could you please explain the prospects for increasing market share, and the development of the use of glass fibers in businesses other than the mainstay chopped strands?

A12. We feel that our customers, especially in Europe and US, have started looking at us differently. Since we have developed our business by establishing our production and R&D centers in Europe and US, where our customers are based, we think that they have begun treating us as a closer business partner. Furthermore, thanks to an increase in our sales teams in Europe and US, we have become able to conduct a good deal of marketing to potential customers who had been out of reach and users in markets other than the chopped strands market. In that respect, we think that there is a growing possibility for us to raise market share and we have gained bargaining power that enables us to negotiate with our customers without haste. To develop the use of glass fibers in businesses other than chopped strands, we have expanded our product lineup, including Flat Glass Fiber, to explore new applications. Since the company that we acquired has a global market share of 20% of wind turbine blades for wind power systems, we consider this may grow into a new pillar of our business in the future. Furthermore, composite materials containing glass fiber are

widely used as roofing materials in the US. Their shipments are growing fast. We think that there has been a significant number of business opportunities in the glass fiber business, including the above-mentioned applications, which we have not focused on before. We would like to create a group synergy by dividing markets in some cases, including manufacture in Malaysia.

Q13 Could you please explain the R&D and commercialization of all solid state batteries, and the Company's forecast for sales?

A13. We have continued the R&D that Lithium-ion battery began with the belief that the adoption of all solid state batteries may add a new dimension to the effective use of our materials. Against this backdrop, we made a cathode from our materials (glass ceramics) and succeeded in generating electricity. Since we have received a couple of inquiries, we have been building a prototype using all solid state batteries and preparing evaluation facilities while considering what technological collaboration can be pursued. At the moment, we do not have any specific forecast for sales.

Q14. Could you please explain the Company's policy on the return to shareholders including share repurchases and dividend increases?

A14. In fiscal 2017, we increased our dividend by 10 yen. We also plan to raise dividends by 10 yen in fiscal 2018. We would like to maintain the dividend on equity attributable to owners of parent ("DOE") at around 2%. Basically, we will decide the dividend payment by looking at the amount of free cash. Furthermore, we will not totally rule out the possibility of a share repurchase and will flexibly examine it.

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