

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on October 31, 2022 at 15:00 (GMT+9) and is only for reference purposes. In the case where any differences occur between the English version and the original Japanese version, the Japanese version will prevail.

Member of the Financial Accounting Standards Foundation



MEMBERSHIP

October 31, 2022

CONSOLIDATED FINANCIAL RESULTS for the Third Quarter of the Year Ending December 31, 2022 (Unaudited) <under Japanese GAAP>

Company name: **Nippon Electric Glass Co., Ltd.**
 Listing: Prime Market of the Tokyo Stock Exchange
 Securities identification code: 5214
 URL: <https://www.neg.co.jp/>
 Representative: Motoharu Matsumoto, President and Representative Director
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Scheduled date to file quarterly report: November 11, 2022
 Scheduled date to commence dividend payments: -
 Supplementary material on quarterly financial results: None
 Quarterly financial results presentation meeting: None

(in millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the third quarter of the year ending December 31, 2022 (From January 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
For the nine months ended		%		%		%		%
September 30, 2022	251,202	15.5	23,254	(6.0)	34,653	5.2	29,185	40.2
September 30, 2021	217,506	24.2	24,749	100.0	32,939	160.5	20,815	72.6

Note: Comprehensive income:

For the nine months ended September 30, 2022: 53,260million yen [78.5%]

For the nine months ended September 30, 2021: 29,834million yen [440.3%]

	Earnings per share	Diluted Earnings per share
For the nine months ended	yen	yen
September 30, 2022	313.70	-
September 30, 2021	215.37	-

Note: "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others are applied from the beginning of the first quarter of the fiscal year ending December 31, 2022, and relevant figures for the third quarter of the fiscal year ending December 31, 2022 are after the application of said accounting standards and others.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
September 30, 2022	755,430	541,428	71.1
December 31, 2021	698,129	499,742	70.9

Reference: Equity:

As of September 30, 2022: 537,194 million yen

As of December 31, 2021: 495,070 million yen

Note: “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and others are applied from the beginning of the first quarter of the fiscal year ending December 31, 2022, and relevant figures for the third quarter of the fiscal year ending December 31, 2022 are after the application of said accounting standards and others.

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
For the year ended December 31, 2021	-	50.00	-	60.00	110.00
For the year ending December 31, 2022	-	60.00	-	—	—
For the year ending December 31, 2022 (Forecasts)	—	—	—	60.00	120.00

Note: Revision of the forecasts most recently announced: None

3. Consolidated earnings forecasts for the year ending December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
		%		%		%		%	yen
For the year ending December 31, 2022	330,000	13.0	25,000	(23.7)	35,000	(22.2)	30,000	7.5	322.43

Note: 1. Revision of the forecasts most recently announced: Yes

2. For the revision to consolidated earnings forecasts, please refer to “Notice Concerning Revision of Consolidated Earnings Forecasts for Fiscal 2022,” which was announced today (October 31, 2022).

*** Notes**

- (1) **Changes in significant subsidiaries during the nine months under review** (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) **Application of special accounting for preparing the quarterly consolidated financial statements:** Yes
- (3) **Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections**
- A. Changes in accounting policies due to revisions to accounting standards: Yes
 - B. Changes in accounting policies due to other reasons: None
 - C. Changes in accounting estimates: None
 - D. Restatement of prior period financial statements after error corrections: None

(4) **Number of issued shares (common stock)**

- A. Total number of issued shares at the end of the period (including treasury stock)

As of September 30, 2022	99,523,246 shares
As of December 31, 2021	99,523,246 shares

- B. Number of treasury shares at the end of the period

As of September 30, 2022	6,480,391 shares
As of December 31, 2021	6,495,982 shares

- C. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the nine months ended September 30, 2022	93,036,610 shares
For the nine months ended September 30, 2021	96,650,996 shares

* This quarterly financial results report is exempt from quarterly review by Certified Public Accountants or Audit firm.

* Proper use of earnings forecasts, and other special directions

The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the Company and its subsidiaries (“the Company Group”) and include risks and contingencies. Actual business results may differ substantially due to a number of factors. For more details, please refer to the section of “(2) Information regarding consolidated earnings forecasts and other forward-looking statements in Qualitative Information Regarding Consolidated Results for the Nine Months” on page 5.

Qualitative Information Regarding Consolidated Results for the Nine Months

(1) Information regarding operating results (Nine months ended September 30, 2022)

A. Overview

In the second quarter of the fiscal year (from April 1 to June 30, 2022) and thereafter, shipments of glass for flat panel displays (FPDs) fell significantly due to the impact of inventory adjustments by customers, but for other products the weakening yen pushed up yen-denominated sales. In glass fiber, we made progress in revising prices and levying surcharges aimed at recovering distribution and energy costs. Shipments of heat-resistant glass and glass tubing for pharmaceutical and medical use increased. As a result, net sales exceeded those of the same period of the previous fiscal year (from January 1 to September 30, 2021).

Operating profit fell below the levels in the same period of the previous fiscal year due to the impact of soaring raw material and fuel prices and the effect of lower capacity utilization rates for glass for FPDs, but ordinary profit exceeded those of the same period of the previous fiscal year, mainly as a result of increases in foreign exchange gains. Profit attributable to owners of parent was significantly higher than that of the same period of the previous fiscal year due to an increase in ordinary profit, along with the recording of insurance claim income, etc.

As a change in accounting policy, “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations have been applied from the beginning of the first quarter of the fiscal year ending December 31, 2022. As a result, year on year comparisons are based on figures calculated using different standards.

B. Operating results

(Billions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Change (%)
Net sales	217.5	251.2	16
Operating profit	24.7	23.2	(6)
Ordinary profit	32.9	34.6	5
Profit attributable to owners of parent	20.8	29.1	40

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Nine months ended September 30, 2021		Nine months ended September 30, 2022		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	114.0	52	116.4	46	2.4	2
	Performance Materials and Others	103.4	48	134.7	54	31.2	30
Total		217.5	100	251.2	100	33.6	16

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronics and Information Technology:

Although sales of glass for FPDs, mainly for 10.5 generation size glass, were strong in the first quarter of the fiscal year (from January 1 to March 31, 2022), shipments have fallen significantly

since the beginning of the second quarter due to the impact of inventory adjustments by customers. Demand for glass for optical and electronic devices remained strong mainly for use in semiconductors. As a result, sales in Electronics and Information Technology increased only slightly compared to the same period of the previous fiscal year.

Performance Materials and Others:

From the beginning of the third quarter (from July 1 to September 30, 2022), glass fiber demand weakened mainly for high-performance resin used in auto parts, but sales were supported by revisions to product prices and the levying of surcharges aimed at recovering distribution and energy costs in addition to the weaker yen. Heat-resistant glass saw continued robust demand. Glass tubing for pharmaceutical and medical use also recorded strong sales. As a result, sales of Performance Materials and Others significantly exceeded those of the same period of the previous fiscal year.

(Profit/loss)

With raw material and fuel prices and distribution expenses soaring, and the progressive weakening of the yen pushing up costs, we strengthened efforts to reduce expenses, improve productivity, among other initiatives, and made progress in revising product prices and levying various surcharges. Nevertheless, the impact of rising costs due to lower capacity utilization rates for glass for FPDs was significant, and operating profit fell below the levels in the same period of the previous fiscal year. On the other hand, ordinary profit was higher than that of the same period of the previous fiscal year mainly due to an increase in foreign exchange gains attributable to revaluation of receivables and payables related to borrowings of overseas subsidiaries in non-operating income. Profit attributable to owners of parent was significantly higher than that of the same period of the previous fiscal year mainly due to an increase in ordinary profit, as well as the recording of extraordinary income on insurance claim income related to power outages at domestic plants in 2020.

**(2) Information regarding consolidated earnings forecasts and other forward-looking statements
(Consolidated earnings forecasts for the year ending December 31, 2022)**

(Billions of yen)

	Year ending December 31, 2022 (From January 1, 2022 to December 31, 2022)		Change (B – A)	Percent change (%)
	Previous forecasts (A)	Revised forecasts (B)		
Net sales	330.0	330.0	-	-
Operating profit	37.0	25.0	(12.0)	(32)
Ordinary profit	37.0	35.0	(2.0)	(5)
Profit attributable to owners of parent	30.0	30.0	-	-

Note: Amounts less than 100 million yen are omitted.

Due to accelerating inflation, the impact of geopolitical risks and other factors, the outlook for the global economy remains uncertain, and we believe that a recovery in capacity utilization rates at customers for glass for FPDs will require time. Demand for glass fiber is weak, mainly in high-performance resin used in auto parts, but we expect the weaker yen and other factors to provide support for sales. We expect firm demand of other products such as heat-resistant glass and glass tubing for pharmaceutical and medical use to continue, and shipments to remain strong. As a result, we have left our net sales forecast unchanged from that of the previous announcement (February 2, 2022).

Conversely, soaring raw material and fuel prices and rising costs resulting from the weaker yen are expected to put further pressure on profits. As well as continuing to reduce expenses, improve productivity, and tailor capacity utilization to demand trends, we will strive to maintain profitability

by revising product prices and levying surcharges, but operating profit is expected to undershoot the previous forecast. However, partly due to the effect of recording foreign exchange gains in the first nine months of the fiscal year (from January 1 to September 30, 2022), profit attributable to owners of parent is expected to be unchanged from the previously announced forecast.

In the light of consolidated results for the first nine months of the fiscal year and the outlook previously described, we have revised the full-year consolidated earnings forecasts for the fiscal year ending December 31, 2022 announced on February 2, 2022, as shown in the above table.

The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the Company Group and include risks and contingencies. Actual business results may differ substantially due to a number of factors. Factors that may impact actual business results include the economic conditions of global markets, various rules and regulations such as those concerning trade, significant fluctuation of supply and demand of products in principal markets as well as the financial situation showing extensive changes in prices on capital markets, exchange rates, and interest rates, rapid technological advancement in addition to spread of infection. Factors not mentioned here also could have a significant impact on business results.

Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	134,974	115,874
Notes and accounts receivable - trade	59,579	—
Notes and accounts receivable - trade, and contract assets	—	55,842
Electronically recorded monetary claims - operating	1,033	1,201
Merchandise and finished goods	32,045	48,628
Work in process	1,340	2,269
Raw materials and supplies	28,714	43,914
Other	7,001	6,765
Allowance for doubtful accounts	(177)	(210)
Total current assets	264,512	274,287
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	78,152	84,676
Machinery, equipment and vehicles, net	261,119	291,054
Other, net	41,008	53,179
Total property, plant and equipment	380,280	428,910
Intangible assets	4,958	5,519
Investments and other assets		
Other	48,394	46,730
Allowance for doubtful accounts	(17)	(16)
Total investments and other assets	48,377	46,714
Total non-current assets	433,617	481,143
Total assets	698,129	755,430

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,539	51,784
Short-term borrowings	24,910	28,307
Current portion of bonds payable	10,000	10,000
Income taxes payable	8,704	1,584
Other provisions	281	185
Other	31,498	35,493
Total current liabilities	117,934	127,355
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	39,911	45,142
Provision for special repairs	8,670	8,398
Other provisions	312	272
Retirement benefit liability	1,213	1,352
Other	10,342	11,479
Total non-current liabilities	80,451	86,646
Total liabilities	198,386	214,002
Net assets		
Shareholders' equity		
Share capital	32,155	32,155
Capital surplus	34,294	34,267
Retained earnings	429,354	447,376
Treasury shares	(20,120)	(20,072)
Total shareholders' equity	475,684	493,727
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,104	15,682
Deferred gains or losses on hedges	172	(808)
Foreign currency translation adjustment	2,108	28,592
Total accumulated other comprehensive income	19,385	43,467
Non-controlling interests	4,672	4,233
Total net assets	499,742	541,428
Total liabilities and net assets	698,129	755,430

(2) Quarterly consolidated statement of income (cumulative) and quarterly consolidated statement of comprehensive income (cumulative)
Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	217,506	251,202
Cost of sales	158,033	180,491
Gross profit	59,473	70,711
Selling, general and administrative expenses	34,723	47,456
Operating profit	24,749	23,254
Non-operating income		
Interest income	537	536
Dividend income	743	918
Foreign exchange gains	6,047	10,685
Other	2,521	1,282
Total non-operating income	9,850	13,423
Non-operating expenses		
Interest expenses	388	592
Loss on retirement of non-current assets	587	590
Other	684	841
Total non-operating expenses	1,660	2,025
Ordinary profit	32,939	34,653
Extraordinary income		
Insurance claim income	1,393	4,849
Other	1,994	1,543
Total extraordinary income	3,387	6,392
Extraordinary losses		
Impairment losses	—	732
Loss on retirement of non-current assets	715	653
Loss on accident	6,312	—
Total extraordinary losses	7,028	1,386
Profit before income taxes	29,299	39,659
Income taxes	8,229	10,480
Profit	21,069	29,179
Profit (loss) attributable to non-controlling interests	254	(6)
Profit attributable to owners of parent	20,815	29,185

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Profit	21,069	29,179
Other comprehensive income		
Valuation difference on available-for-sale securities	(624)	(1,421)
Deferred gains or losses on hedges	(148)	(981)
Foreign currency translation adjustment	9,312	26,090
Share of other comprehensive income of entities accounted for using equity method	224	394
Total other comprehensive income	8,764	24,081
Comprehensive income	29,834	53,260
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	29,580	53,266
Comprehensive income attributable to non-controlling interests	254	(6)