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Nippon Electric Glass Co., Ltd.

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Notice of Measures to Achieve Sustainable Growth and Corporate Value Enhancement

Nippon Electric Glass Co., Ltd. (hereinafter, “the Company”) launched its medium-term business plan “EGP2026” in February 2022. Under a slogan of “Strong Growth” – Completing all work by changing ourselves and speeding up and a basic policy of “We aim to become the world’s leading manufacturer of special glass by strengthening our corporate structure and manufacturing the world’s most environmentally friendly glass,” it has been implementing various measures.

However, the business environment surrounding the Group is currently undergoing major changes. Supply chain disruptions caused by the COVID-19 pandemic, rapid fluctuations in supply and demand following the subsequent resumption of economic activities, the impact of the situation in Russia and Ukraine, etc. have led to soaring raw material and fuel prices and simultaneous progress of global inflation and economic deterioration. Regarding the business performance of the Group, in addition to these cost-increasing factors, lower capacity utilization due to weak market conditions has had a significant impact on soaring costs, particularly in the display business and the glass fiber business. As a result, the recovery in our business performance has been delayed. Moreover, the outlook of the situation in the Middle East is uncertain, and competition with Chinese companies is intensifying.

For this reason, in order to turn around its business performance and to achieve sustainable growth and enterprise value enhancement, the Group needs to formulate and execute a new growth strategy in response to the current situation. The Group has already decided structural reform measures for the display business in May 2023 and the glass fiber business in September 2023 and has been implementing measures to improve its profit structure. As a next step, we have decided to formulate a medium-term business plan “EGP2028” as our growth strategy.

“EGP2028” is a five-year plan starting from FY2024, and its details will be announced together with full-year financial results for the fiscal year ending December 2023 (scheduled for early February 2024). The Group will aim to enhance its corporate value and improve its PBR through the implementation of measures set forth in “EGP2028.”

Key Features of “EGP2028”

1. Period

January 1, 2024 to December 31, 2028 (5 years)

2. Management targets

In addition to net sales, operating profit, and operating margin targets that we have been setting, we will set “ROE of 8%” as a new management target.

* Target values of net sales, operating profit, and operating margin are currently being finalized.

3. Business strategy

(1) Expansion of strategic businesses

- Focusing mainly on the fields of energy, medical care, environment, and food, we will leverage our strengths in special glass and allocate resources aggressively to business with promising growth opportunities to expand strategic businesses.
- We will expand device businesses that will increase the added value of glass products.

(2) Creation of future businesses through research and development

- We will bolster research and development resources particularly in the fields of energy, medical care, environment, and food.
- We will actively collaborate with universities, research institutes, venture companies, etc.

(3) Strategic investment

- We will establish a budget for strategic investment and actively undertake M&A, strategic alliances, business investments, etc.

(4) Structural reform of existing businesses

- Develop high value added products and strengthen commercialization.
- Leverage all-electric melting technology to increase productivity.
- Reduce cost to build a strong business foundation (efficient operation of resources, utilization of digital transformation, review of procurement, operational/manufacturing process reform, etc.)
- Thoroughly evaluate business profitability to determine whether to continue to invest in, downsize, or withdraw from existing businesses.

(5) Strengthen our supply chain

- Take measures against procurement risks arising from economic conditions, logistics disruptions, etc. (procure from multiple suppliers, prepare multiple distribution routes, and forming strategic alliances with business partners).

4. Financial strategy

(1) Reduction of cross-shareholdings

In consideration of changes in the business environment, we will evaluate the appropriateness of shareholdings both quantitatively based on cost of capital and qualitatively based on holding purposes to further reduce cross-shareholdings and their proportion in consolidated net assets.

(2) Asset reduction

We will dispose of any non-core assets arising in the course of “EGP2028,” structural reform of businesses, etc., as appropriate in order to increase asset efficiency.

(3) Balance sheet management and enhancement of shareholder returns

We will work to enhance shareholder returns while managing our balance sheet in consideration of financial stability and capital efficiency, and securing retained earnings to prepare for further growth.

- Share repurchases
(We will carry out share repurchases of 50 billion yen in total by the end of December 2026.)
- Stable dividend
(The dividend on equity ratio (DOE) at 2% or above)
- Enhance dividends based on performance, financial condition, growth investment, etc.

5. Sustainability strategy

(1) Promotion of carbon neutrality

We will promote the development of all-electric melting technology and other technologies to contribute to the prevention of global warming while striving to achieve sustainable growth and corporate value enhancement.

- Promote electrification of all processes.
- Investment in and procurement of renewable energy
- Technological development of CO₂-free energy (such as hydrogen)

(2) Human resource strategy

We will expand investment in human resources who are expected to play pivotal roles in management while securing a work environment in which diverse individuals can fully demonstrate their abilities as appropriate in order to increase our competitiveness.

- Recruitment and training of personnel with advanced knowledge and skills
- Promotion of diverse human resources
- Creation of a comfortable workplace for diverse human resources to feel job satisfaction

(3) Supply chain management

We will promote initiatives to fulfill our social responsibility with regard to environment, biodiversity, human rights, etc., throughout the supply chain and work to achieve sustainable growth and corporate value enhancement.