

Key Points of the Q&A Session at the Investor Meeting for the Second Quarter of FY2023

(Monday, August 1, 2023; Tokyo)

Q1. I would like to know about the business environment and price revisions for glass for flat panel displays (FPDs).

A1. Demand for glass for FPDs has been recovering after bottoming out in the first quarter of this fiscal year. As the inventory at our customers has been gradually decreasing, we expect that demand will increase toward the end of the year. In line with the escalating trend of larger TV screens, the size of glass demanded is expected to increase by a few percentage points from the previous year.

In terms of prices, as the costs of raw materials and fuel have been soaring, we have notified our customers of our intention to raise prices. Our competitors have announced they will raise their prices in the second half of this fiscal year. We too, hope to raise our prices even a little, though we are still in negotiations and nothing has been decided yet.

Q2. Regarding the streamlining of operations in South Korea in the display business, please give us a breakdown of the extraordinary loss of 17.5 billion yen. And, what is your estimate of the effects of this on cost reduction, production capacity and the capacity utilization rate?

A2. We have dissolved two companies: Nippon Electric Glass (Korea) Co., Ltd. and Electric Glass (Korea) Co., Ltd. The former is a company engaged in the processing of glass for FPDs. It has been in business 20 years since its founding and depreciation of its buildings and equipment has been mostly completed. About 10 percent of the extraordinary loss of 17.5 billion yen is attributable to this company. The latter is a company engaged in the melting and forming of glass for FPDs. Since it had to be closed after about 10 years of operation, the book value of buildings, etc. remains. So, about 90 percent of the extraordinary loss of 17.5 billion yen is attributable to this company.

The equipment in South Korea has been in operation for a long time, so its production efficiency is inferior to that of state-of-the-art equipment. By stopping production in South Korea and operating higher-efficiency equipment in Japan and China at a high capacity utilization rate, we expect a significant cost reduction effect while maintaining the production capacity. We also plan to increase capacity in Japan to respond to demand in the second half. Through these measures, we believe that the display business will return to a structure that supports the Company.

Q3. I heard that the recovery in demand for glass fiber is slow. What is the business environment like? And what is the situation with price revisions and surcharges?

A3. Demand for glass fiber began to decline in the second half of fiscal 2022 and it seems to have not hit the bottom yet. In the second half of fiscal 2023, it may weaken compared to the first half. It is said that the production of automobiles, for which glass fiber is mainly used, has been increasing. However, there is a large amount of intermediate inventory in the supply chain. We anticipated at the end of the first quarter that demand would recover in the second half. However, having heard the situations of our customers, a full-scale recovery seems difficult through the end of this year.

As for prices, in a slack supply and demand situation where goods are oversupplied, it is impossible to have surcharges accepted. Under the circumstances where surcharges and price increases are difficult, we will negotiate with customers so that we can secure sales volume and develop new customers in the second half, in view also of sales in the next fiscal year.

Q4. I would like to know if there are any initiatives such as structural reform of the glass fiber business, including the risk of impairment losses.

A4. Because demand for glass fiber is sluggish, we had to adjust operations at all the sites, resulting in higher costs. Nothing has been decided at the moment, but we will put the business back on track and establish a structure that will make profits in the next fiscal year and beyond.

Q5. Please explain the prospects for the growth of the glass fiber business in the medium to long run.

A5. We believe demand for products for wind turbines will continue to increase, and glass fiber will also play an important role in reducing the weight of automobiles. As applications of glass fiber will continue to increase, demand for glass fiber will expand in the medium to long run. We believe that our production systems in Europe, the U.S., Malaysia, and Japan are effective, and we will expand the business by taking advantage of these systems.

Q6. Your full-year forecast for operating profit is a decrease of about 31 billion yen from the previous year. What are the factors behind this decrease?

A6. Regarding the prices of raw materials and fuel, we expected a worsening of 40 billion yen at the time of budgeting, but it is likely to end up as a worsening of about 25 billion yen. Price increases and surcharges are expected to be less than half of our estimation. In addition, because production was curtailed, productivity decreased, resulting in higher costs. These factors will contribute to a decrease in profit of about 6 billion yen, and together with the approximately 25 billion yen for raw material and fuel prices, we expect a decline in profit of approximately 31 billion yen from the previous fiscal year.

Q7. Please explain the background of your maintaining the dividend payment despite the downward revision of your earnings forecast.

A7. We have paid stable dividends with a DOE target of 2% or more regardless of the performance results. We would like to maintain the dividend amount for this fiscal year as well. Meanwhile, since there are several ways to return profit to shareholders, we will consider what we can do in the next fiscal year and beyond, including dividend payment.

Q8. How will you reduce strategically held shares? I think the losses can be covered to some extent by sales of shares.

A8. Our basic stance is to reduce the strategically held shares. Although I cannot talk about individual shares, this stance will not change.

Q9. I would like to know the progress of the development of all-solid-state sodium (Na) ion secondary battery.

A9. We have decided to start sample work with more than 10 customers in the second half this year, and have already started providing samples. We will accumulate experience in fields where advantages of the all-solid-state battery can be fully utilized, such as applications in a low-temperature or high-temperature environment, in which liquid-type batteries cannot be used, or applications for which safety is particularly important. In the future, we plan to expand the fields.

\* The information in this document is intended to be used for reference purposes only.  
\* This document is not a full transcription of the Q&A session held at our earnings presentation meeting. Please understand that this is a simplified summary created at our discretion.  
\* This document contains forward-looking statements on future company earnings and about the industry environment in which we operate. These statements are based on information available at the time the Nippon Electric Glass Group disclosed this information and contains risks and uncertainties. In addition, we do not guarantee the completeness and accuracy of the information contained in this document.