

Financial Results For 2Q of the Year ending December 31, 2017

Investor Meeting
August 1, 2017

Nippon Electric Glass Co., Ltd.

Financial Results For 2Q of FY2017

Summary of 2Q Financial Results

- Economy trend
(Global)
 - Europe and US : Gradual recovery on the back of solid employment conditions and personal consumption
 - China : Modest recovery due to the effect of various policies
(Japan)
 - Modest economic recovery due to improved employment and consumption trends
- Business performance
 - Net sales: Steady shipments in glass fiber
Increased sales in glass for LCDs from 2Q
 - Operating income: Improved productivity and cost reduction realized, while equipment repair cost



Summary of 2Q Financial Results

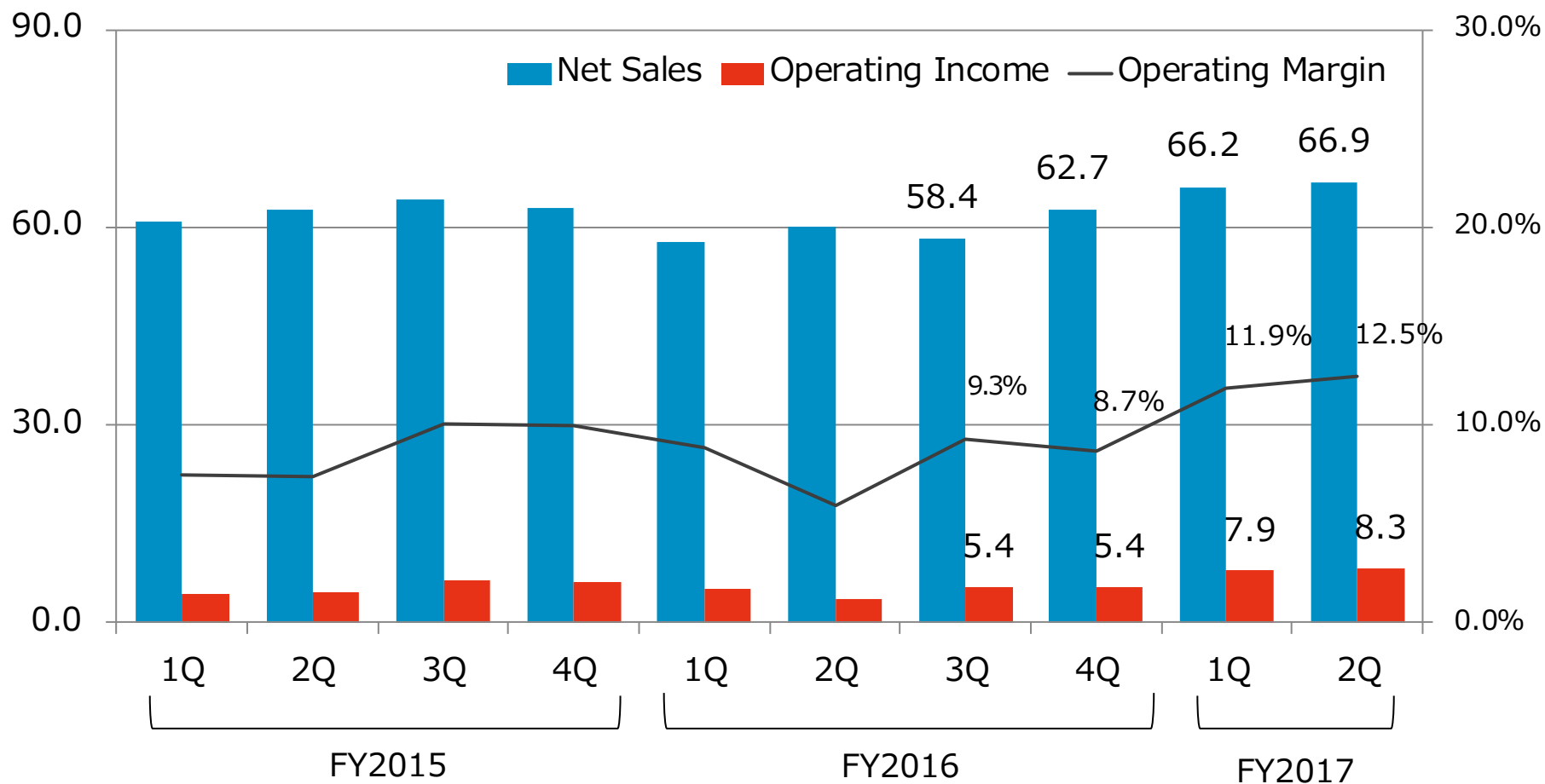
(Billions of JPY)

	FY2017			FY2016
	1Q	2Q	2Q (accum)	2Q (accum)
Net sales	66.2	66.9	133.2	118.2
Operating income (Operating margin)	7.9 (11.9%)	8.3 (12.5%)	16.2 (12.2%)	8.7 (7.4%)
Ordinary income	5.9	10	15.9	0.5
Extraordinary income/loss	0.1	(0.1)	(0.0)	1.0
Income before income taxes and minority interests	6.0	9.9	15.9	1.6
Profit attributable to owners of parent	4.1	7.9	12.0	(1.2)
Earnings per share (JPY)	¥41.61	-	121.02	(¥12.77)
Net assets	511.4	-	522.0	500.2
Equity ratio	73.0%	-	74.8%	71.5%
Dividend per share (JPY)	-	-	¥8 (¥40 after share consolidation)	¥8

※The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. Earnings per share are calculated based on the assumption that the share consolidation had been implemented at the beginning of the year ended December 31, 2016.

Quarterly Trends

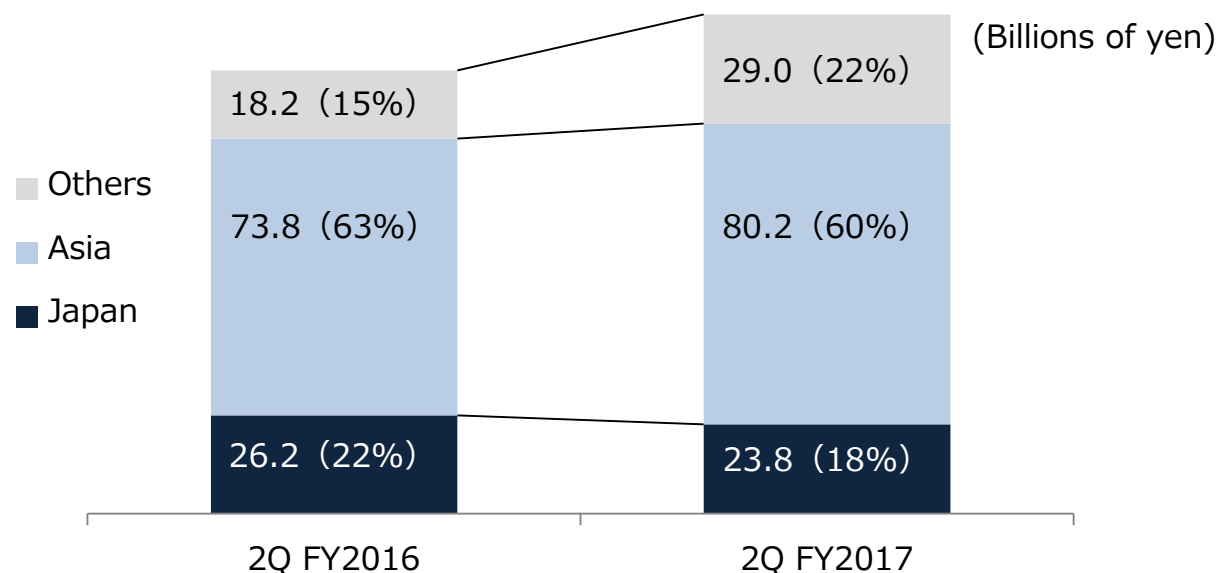
(Billions of JPY)



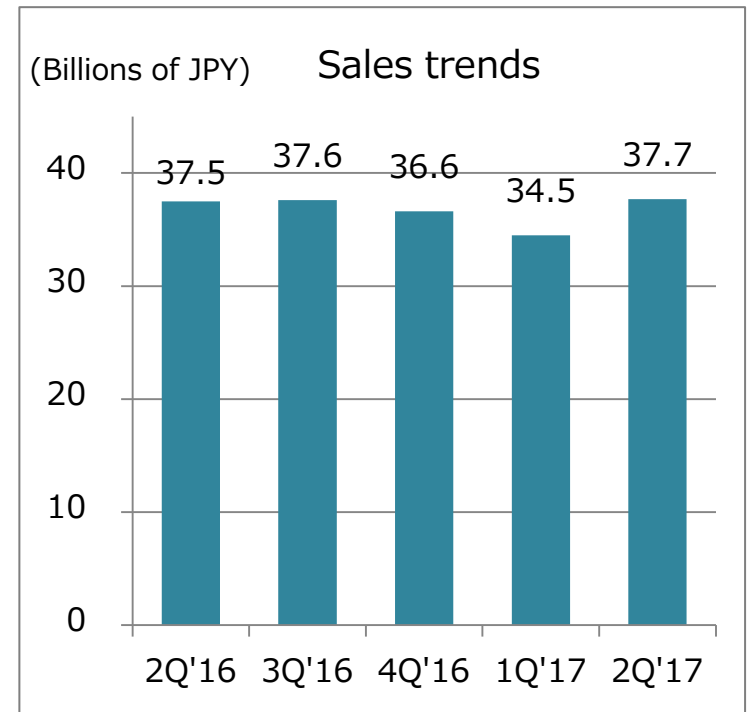
Sales – By business & By Region

(Billions of JPY)

		2Q FY2016 (accum)		2Q FY2017 (accum)	
Glass Business	Electronics and Information Technology	72.8	62%	72.3	54%
	Performance Materials and Others	45.3	38%	60.9	46%
Total		118.2	100%	133.2	100%



- Glass for LCDs: Recovery in sales from 2Q
(2Q, QoQ trend)
Volume: Increase high-single digit%
Price : More moderate decline
- Cover glass <Dinorex®> : Stable
- Glass for solar cells: Slightly declined demands; steady shipments
- Glass for optical and electronic devices:
 - For optical devices : Generally firm except for certain products
 - For electronic parts : Strong performance in Sheet Glass for Image Sensors and Functional Powdered Glass etc.



- Glass fiber:

Firm based on strong demand for high-function plastics used in auto parts applications

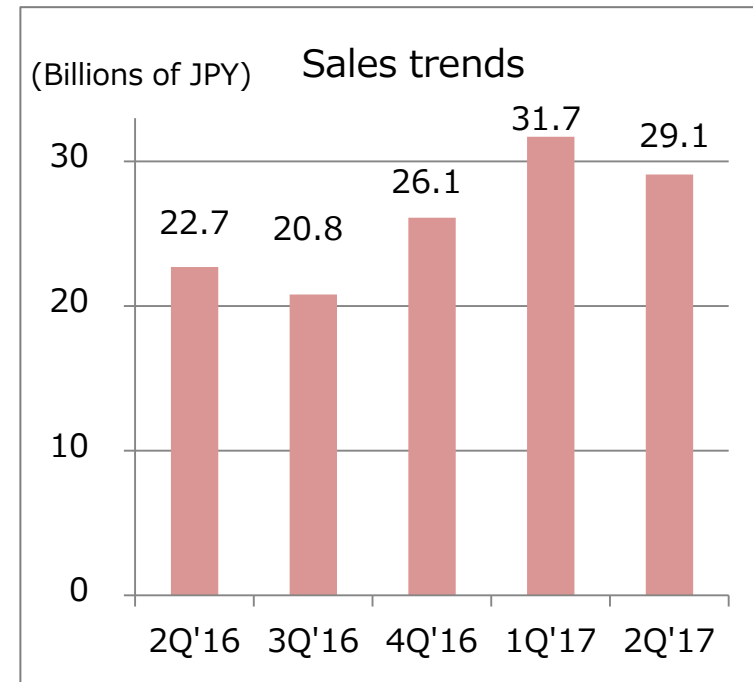
- Others:

- Building materials:

Slow sales mainly due to fewer large-scale projects in Japan

- Heat resistant glass, glass tubing for medical use:

Firm overall





Consolidated Balance Sheets

(Billions of JPY)

	Dec 31, 2016	Jun 31, 2017	Change
Current assets	254.8	254.3	(0.5)
Cash and deposits	132.0	126.9	(5.0)
Notes and accounts receivable-trade	49.1	52.7	3.6
Inventories	60.4	62.8	2.4
Others	13.3	11.7	(1.5)
Non-current assets	439.0	437.2	(1.8)
Property, plant and equipment	367.3	360.9	(6.4)
Intangible assets	7.1	6.8	(0.2)
Investments and other assets	64.4	69.4	4.9
Total assets	693.9	691.5	(2.3)

■ Current assets

- Cash & deposits (-): Redemption of bonds (-)
- Payment of dividends (-)
- Notes and accounts receivable-trade (+): Sales increase (+)

■ Non-current assets

- Property, plant & equipment (-): Depreciation (-)

	Dec 31, 2016	Jun 31, 2017	Change
Liabilities	184.3	169.4	(14.8)
Notes and account payable-trade	31.6	31.2	(0.3)
Interest-bearing debts	101.9	88.2	(13.7)
Accrued income taxes	1.3	2.0	0.6
Reserve for special repairs	23.1	23.2	0.1
Others	26.2	24.6	(1.6)
Net assets	509.5	522.0	12.4
Shareholders' equity	490.6	498.6	8.0
Accumulated other comprehensive income	13.6	18.6	4.9
Minority interests	5.2	4.7	(0.5)
Total liabilities and net assets	693.9	691.5	(2.3)

■ Liabilities

- Interest-bearing debts (-): Redemption of bonds (-)
- Repayments of short-term loans (-)

■ Net assets

- Shareholders' equity (+): Retained earnings (+); Profit (+)
- Accumulated other comprehensive income (+):
- Recovery in the stock market (+)

Consolidated Statements of Cash Flows

(Billions of JPY)

	2Q FY2016 (accum)	2Q FY2017 (accum)	Change
Cash flows from operating activities	17.0	24.4	7.4
Income before income taxes and minority interests	1.6	15.9	
Depreciation	15.1	13.4	
Decrease (increase) in notes and accounts receivable, trade	(0.3)	(3.6)	
Decrease (increase) in inventories	2.4	(2.5)	
Increase (decrease) in notes and accounts payable	(2.0)	(1.1)	
Other	0.1	2.2	
Cash flows from investing activities	(10.9)	(8.0)	2.9
Purchase of non-current assets	(16.4)	(9.8)	
Other	5.4	1.7	
Cash flows from financing activities	(3.1)	(18.4)	(15.3)
Cash dividends paid	(5.9)	(4.7)	
Other	2.8	(13.6)	
Effect of exchange rate change on cash and cash equivalents	(3.0)	(0.1)	
Net increase (decrease) in cash and cash equivalents	(0.1)	(2.2)	(2.1)
Cash and cash equivalents at the end of period	133.7	123.9	(9.8)

<From operating activities>

- Income before income taxes and minority interests:
Increase
- Depreciation:
Continuous high level
- Inventories:
Increase

<From investing activities>

- Non-current assets:
Acquisition of facilities by overseas subsidiaries

<From financing activities>

- Cash dividends paid:
Payment of dividends to shareholders and minor shareholders
- Redemption of bonds

Forecast of FY2017

Consolidated Earning Forecast (1)

FY2017

(Billions of JPY)

	1Q~2Q (accum)	3Q~4Q (accum)	Full year	For reference		
				Forecast Feb 3, 2017	FY2016	YoY percentage change
Sales	133.2	132.7	266.0	260.0	239.4	11.1%
Operating income	16.2	13.7	30.0	24.0	19.5	53.3%
Ordinary income	15.9	13.0	29.0	20.0	13.9	107.6%
Profit attributable to owners of parent	12.0	9.9	22.0	17.0	4.9	342.8%
Operating margin	12.1%	10.3%	11.2%	9.2%	8.2%	—

Notes: The acquisition of PPG's US glass fiber business is not included in the forecast above due to the uncertainty of the closing timing.

Management targets of Medium-term Business Plan "EGP2018"

- Net sales : **300 billion JPY**
 Electronics and Information Technology : **170 billion JPY**;
 Performance Materials and Others : **130 billion JPY**
- Operating income: **30 billion JPY**
- Operating margin: **10%**

Consolidated Earning Forecast (2)

(Outlook)

Summary

- Overseas: Pay attention to international situation and economic trends, expect modest recovery overall
- Japan: Expect gradual recovery

Foreign exchange rate

- Assumption: 1USD=105JPY, 1EUR=115JPY

Raw materials and fuels

- Though partly price up, generally remain unchanged

Consolidated Earning Forecast (3)

For display (LCD)	<ul style="list-style-type: none">• Solid market condition 3Q: Volume increase mid-single digit%; Price decline more moderate• Start of mass production in JV in Fujian (Fuqing)
For optical and electronic devices	<ul style="list-style-type: none">• Firm in automobile and home appliances (powdered glass, sheet glass etc.)• Slow sales partly in optical devices• Commercialization of newly developed products
Glass fibers	<ul style="list-style-type: none">• Strong market (seasonal influence in 3Q due to reduced operation in Europe)• Plan to acquire PPG's US glass fiber business
Medical	<ul style="list-style-type: none">• Sales promotion in Chinese market
Heat-resistant	<ul style="list-style-type: none">• Extension of the overseas business of glass for cooking appliance top plates and stoves
Building materials	<ul style="list-style-type: none">• Sales increase based on completion of large-scale projects

1. Progress in “Displays” related business

Issues

- Continued efforts in Chinese market
- Response to LCD panel manufacturers' expansion plans(diversification of risks)
- Utilization of the capacity in Xiamen



Progress

- Started JV in Fujian Province (shipment to BOE Fuzhou)
- Improved productivity continuously
- Xiamen-Phase I :full capacity
-Phase II :1Q 2018~



Started JV in
Fujian Province

Basic policies: Sales Recovery and Profit Improvement

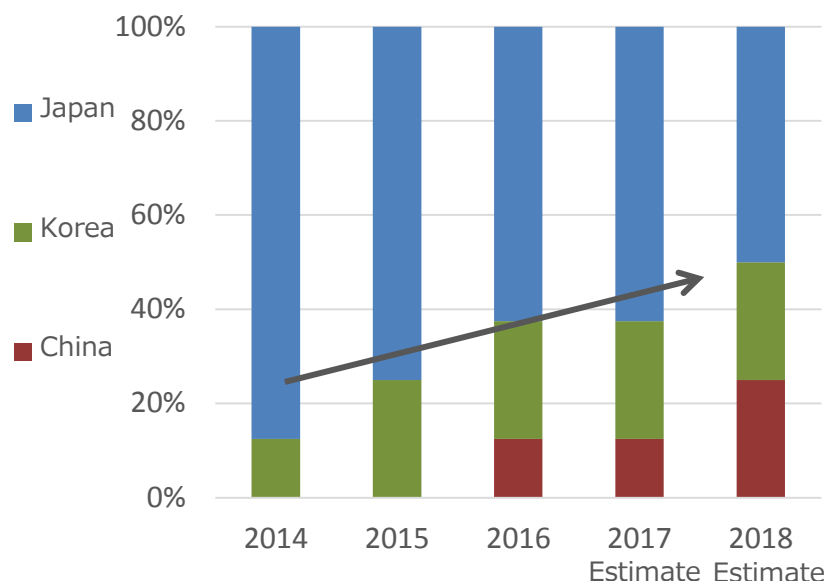


Medium-term Business Plan “EGP2018”

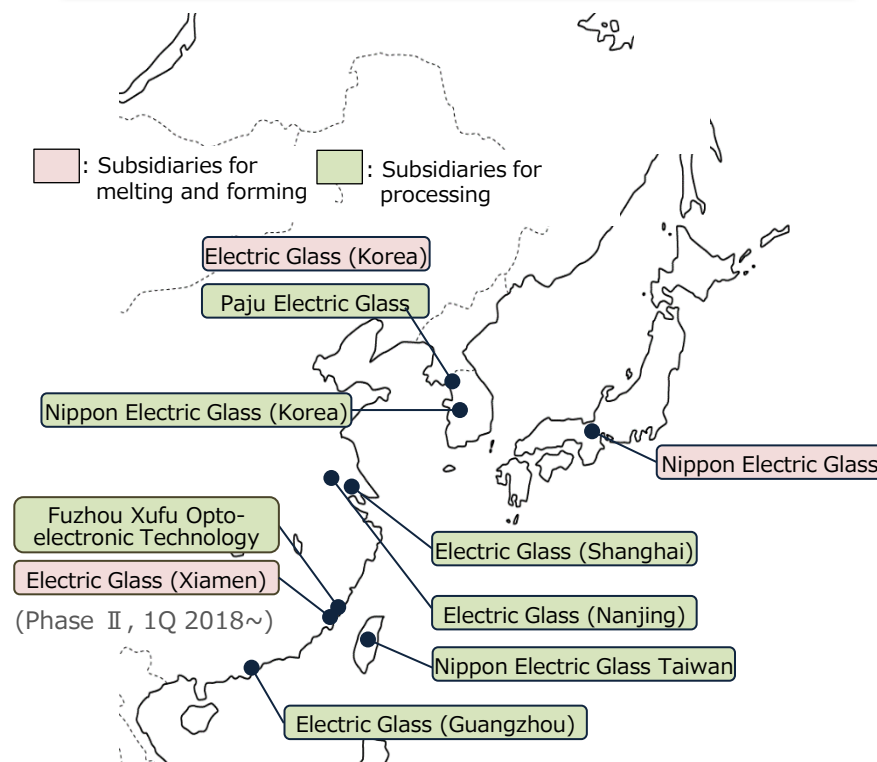
(Expansion of overseas production and forming capacity)

Forming capacity of glass substrate for LCD in Japan, Korea and China

Smoothly transferring production overseas



Overseas production of display business



2. Progress in glass fiber business

Issues

- Consider ways of reaching sales of 100 billion JPY
- Continue with M&A and alliance strategy
- Product development and expansion of sales channels



Progress

- Acquisition of PPG's glass fiber business in Europe, and then in USA
- Full capacity operation to fulfill strong demands
- Continued high yields



Engine room of automobile

Basic policies: Reformation of business portfolio by strengthening glass fiber business

Growth of glass fiber market is expected in the medium to long term.



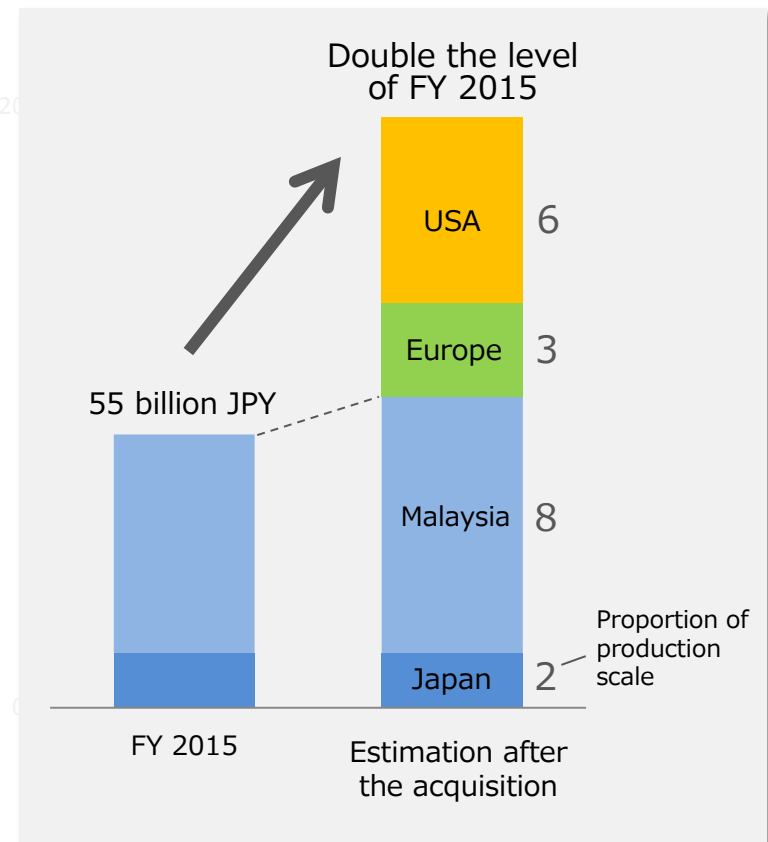
Medium-term Business Plan “EGP2018”

(Acquisition of PPG’s glass fiber business ①)

Effect of the acquisition

- Establish a global supply base spanning across four major locations (Japan, Malaysia, Europe and USA)
※Completion of the acquisition of PPG
USA is under process
- Extend development capabilities for advanced composite materials (Synergies with PPG’s technology)
- Enhance global presence in glass fiber market

Sales growth image

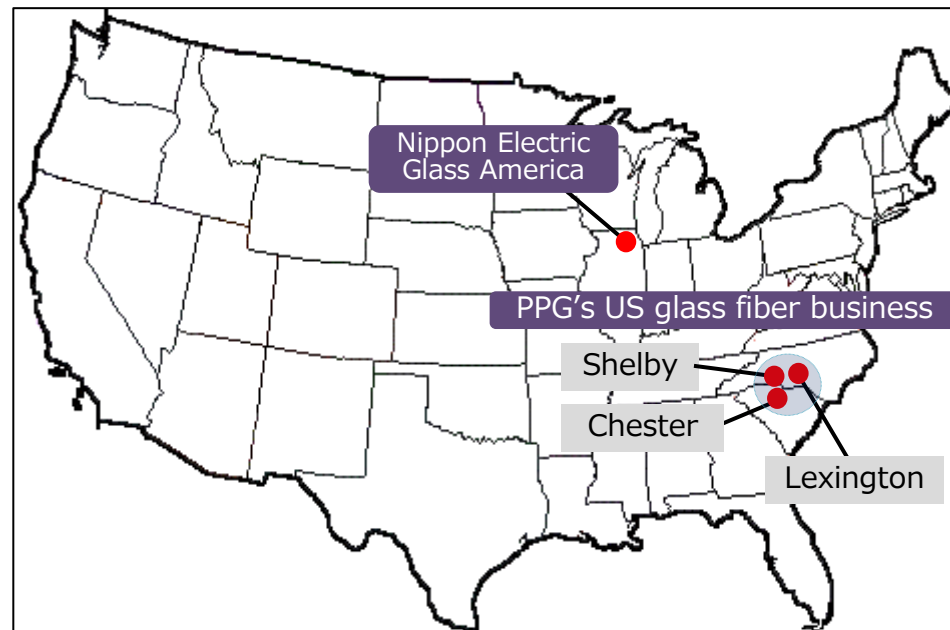
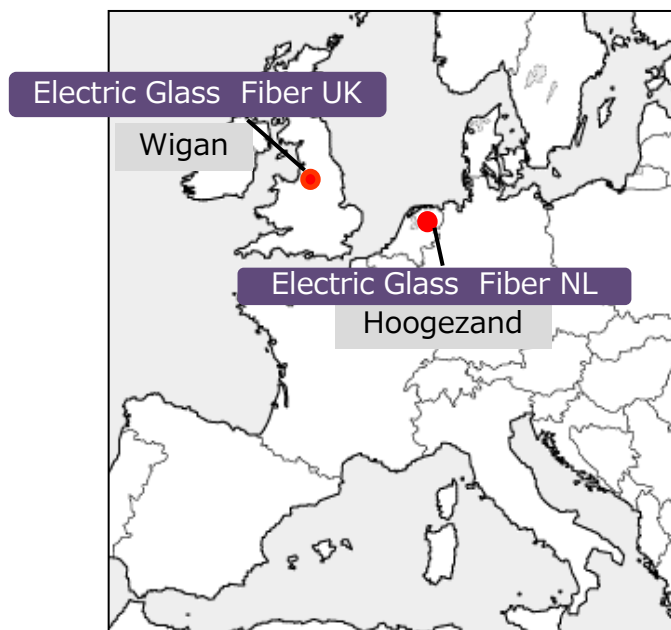




Medium-term Business Plan “EGP2018”

(Acquisition of PPG’s glass fiber business ②)

	Electric Glass Fiber UK	Electric Glass Fiber NL	PPG’s US glass fiber business
Location	Wigan, UK	Hoogezand, the Netherlands	Shelby(NC), Lexington(NC), Chester(SC), USA
Net sales	EUR 150 million (FY2015)		USD 340 million (FY2016)
Acquisition value	EUR 108 million		USD 545 million
Closing	October, 2016		Second half of 2017





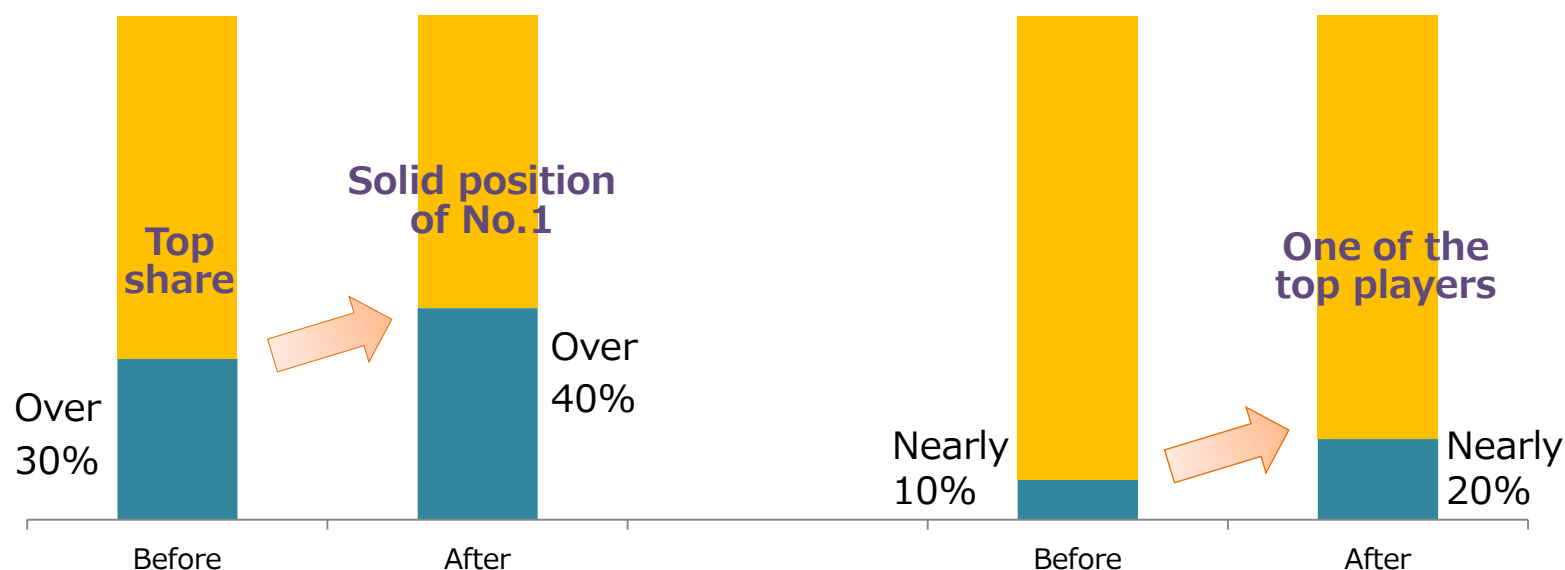
Medium-term Business Plan “EGP2018”

(Acquisition of PPG’s glass fiber business ③)

Our global share after the acquisition of PPG’s glass fiber business (Europe, USA)

Chopped strand for engineering plastics

Continuous glass fiber



(※Based on our estimation)



New products, R&D ①

Lamion[®] (Ultra Thin Glass laminated on resin)

- Features of the product:

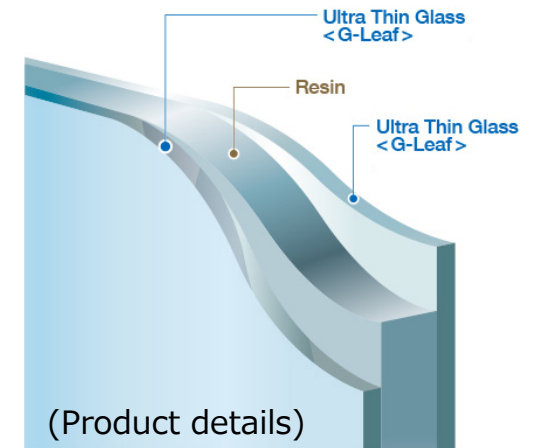
A hybrid material combining the advantages of both glass (high scratch-resistance, gas barrier property etc.) and resin (light weight)

- Progress in sales promotion:

Platform door → Installed popularly in stations in the metropolitan area
Cover for digital signage → Adopted in shops and stations

- Approaches for the future:

Expansion in various areas such as infrastructure and ICT
(board for conference room, partition wall, automobile etc.)



New products, R&D ②

Functional thin film :

Thin film business for smart half-mirror※ of automobile started (production and shipment)

※Half mirror: when applied to rearview mirror, it can switch from a mirror to a monitor of rear camera.

Magneto-optical Glass :

In a magnetic field, polarization plane rotates

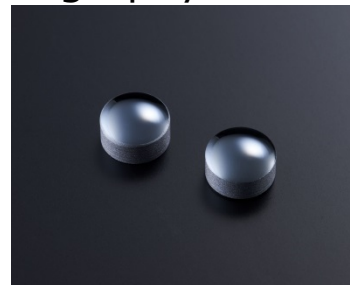
Applications such as optical isolator for protection of laser source are under development



Magneto-optical Glass

Infrared-transmitting Glass :

Application to night vision cameras, thermography etc.



Infrared-transmitting Glass

Deep UV-transmitting Glass :

Expansion in germicidal lamps through UVC instead of mercury vapor lamps



Deep UV-transmitting Glass

CAPEX / Depreciation

CAPEX

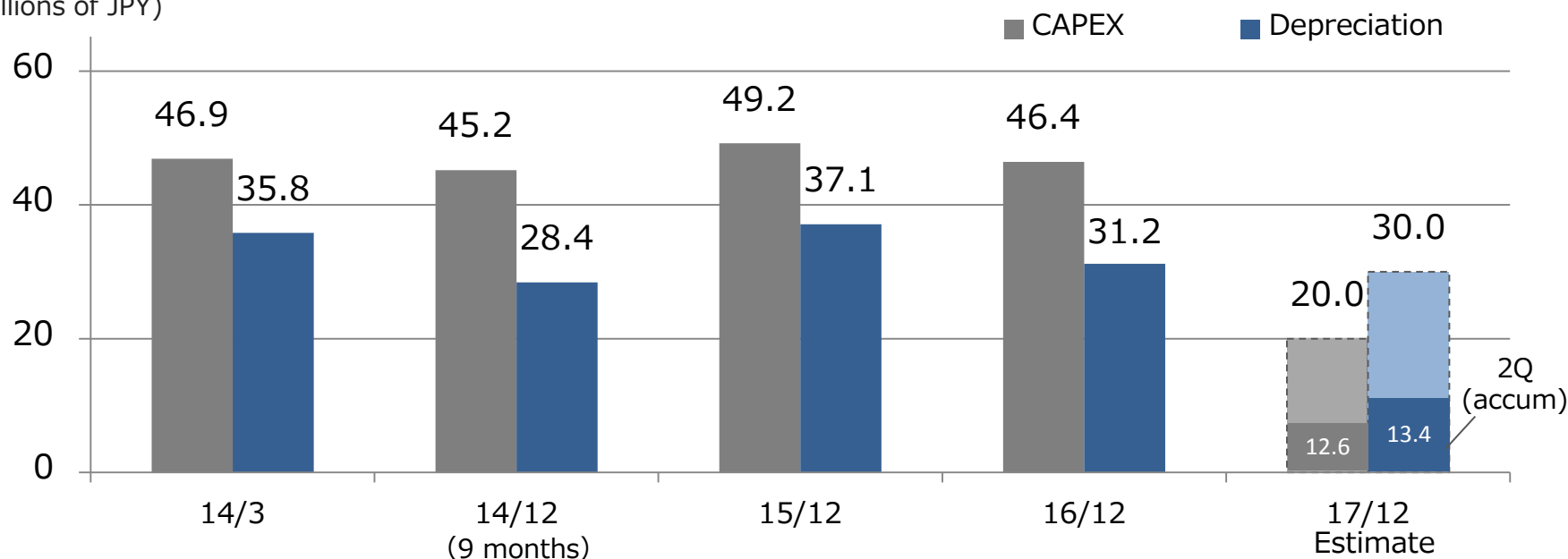
- Estimated 20 billion JPY (after completion)
(not including Constructive Investments in EGP2018)
- Improvement in productivity, investment in new areas etc.

Depreciation

- Estimated 30 billion JPY

Notes: Constructive Investments of USD 545 million (approx. JPY 60 billion) will be carried out to acquire PPG's US glass fiber business in the second half of FY 2017, consequently with the increase of depreciation. Presently, it is not included in the forecast above due to the uncertainty of the closing timing.

(Billions of JPY)



*14/12: including capital investments in overseas subsidiaries in January to March



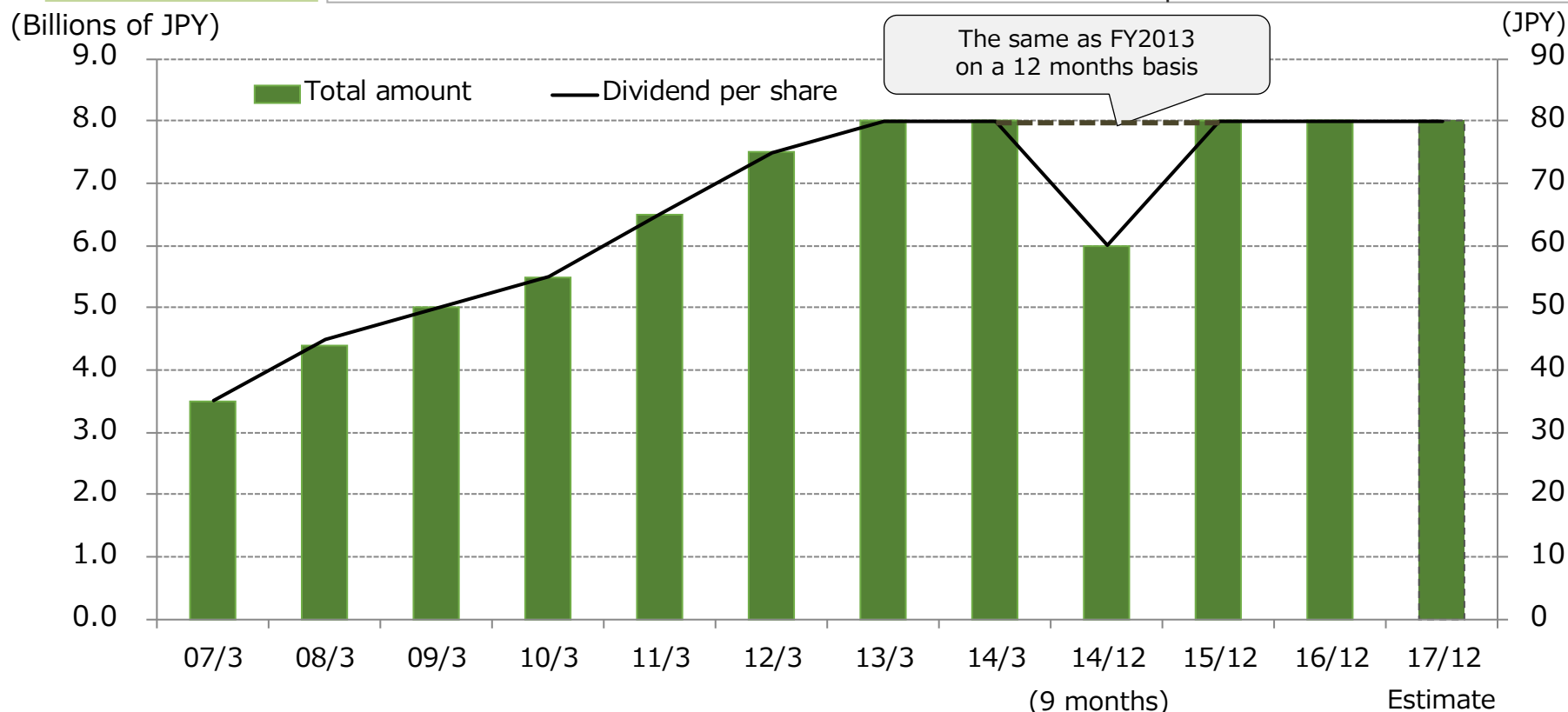
Profit allocation policy & Dividends

Profit allocation policy

- Based on continuous payment of stable dividends to shareholders
- Flexible shareholder return measures will also be considered as opportunities present
- In addition to shareholder returns, proactively use retained earnings for research and development as well as growth investments with an eye on the future

FY2017 (Forecast)

- Interim: 8 JPY per share(40 JPY after share consolidation) Year-end: 40 JPY per share (80 JPY per share/annum) ※The share consolidation at a ratio of one for every five common shares was carried out on July 1, 2017.
- Consideration of dividend increase based on the business performance



* Amounts of dividends per share are retroactively adjusted for stock splits.

Corporate Information

Main Business

Electronics & Information Technology	FPD	Glass for liquid crystal displays Glass for Organic light emitting diode displays
	Cover Glass	"Dinorex" Specialty Glass for Chemical Strengthening
	Optical	Capillary and Ferrule for Optical Communication Devices Lens for Optical Communication Devices "Micro Preform" Glass Materials for Aspherical Lenses
	Electronic Devices	Functional Powdered Glass Sheet Glass for Image Sensors Glass Tube for Small Electronic Products "Lumiphous" Phosphor Glass
	Solar Cells	Glass for Solar Cells
Performance Materials & Others	Glass Fiber	Chopped Strands for Function Plastic Roving Glass for Reinforced Plastics Chopped-Strand Mats for Automobiles Alkali-Resistant Glass Fiber for cement reinforcement
	Building Materials	Glass Blocks "Neoparies" Glass Ceramics Building Materials "FireLite" Fire Rated Glass "Lamion" Composite Material Made of Glass and Resin "Invisible Glass" Super Anti-reflective Glass
	Heat-Resistant	"Neoceram" Super Heat-Resistant Glass Ceramic "StellaShine" Heat-Resistant Glass-Ceramics for Cooking Appliance Top Plates "Neorex" Heat-Resistant Glass
	Medical Care	Glass Tubing for Pharmaceutical and Medical Use "LX Premium" Radiation-Shielding Glass
	Others	Glass for Lighting Use Glass for Thermos Flasks Glass Making Machinery

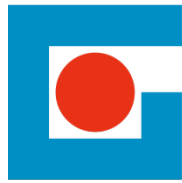
Corporate Information

Name:	Nippon Electric Glass Co., Ltd.
Head Office:	7-1, Seiran 2-chome, Otsu, Shiga 520-8639, Japan
Founded:	Dec 1, 1949
Representative:	Masayuki Arioka, Chairman of the Board Motoharu Matsumoto, President
Capital:	32.1 billion JPY
Employees:	5,849 (Group total as of Dec 31, 2016)
Business:	Production and sale of special glass products, and manufacture and sale of glass making machinery
Plants:	Otsu, Shiga-Takatsuki, Notogawa, Precision Glass Center
Sales Office:	Osaka and Tokyo
Consolidated Companies:	12 in Japan 14 overseas (Malaysia, Korea, China, Taiwan, Europe etc.)

Note regarding earnings forecasts

- ◆ The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the Company at the present moment and include risks and contingencies.
- ◆ Actual business results may differ substantially from the earnings forecasts due to a number of factors.

GLASS FOR FUTURE



Nippon Electric Glass