

Key Points of the Q&A Session for the year Ended December 31, 2020

(Wednesday, February 3, 2021; conferencecall)

- Q1. Please give us a breakdown of the planned capital expenditure of 60.0 billion yen in FY2021.
- A1. Approximately 30.0 billion yen is planned for investment in the display business in Xiamen, China. In the display business, we plan to focus on domestic investment and repairs. In addition, we are also planning expenditure in the glass fiber business and the business of glass tubing for pharmaceutical and medical use, and these add up to approximately 60.0 billion yen.
- Q2. You have told us that you will also continue to make capital expenditures of approximately 60.0 billion yen in the medium to long term. Please tell us the details and the level of free cash flow.
- A2. We expect to make investments in G10-sized glass in the display business and in glass fiber for wind turbine blades in the glass fiber business. Free cash flow might be negative in years in which the amount of investment is large. However, we hope to have positive free cash flow in the medium to long term.
- Q3. In the display business, do you plan to invest in equipment that can produce G10 glass in China?
- A3. We plan to introduce equipment that can produce G10 glass in Xiamen, China. We expect G10-related investment such as processing equipment as well.
- Q4. Where do you plan to sell the extra products that will be produced with the increased production capacity in Xiamen, China?
- A4. We initially planned to reduce production capacity at bases in Japan, which were less competitive, and increase production capacity in Xiamen, China. However, as advances in technology have made the bases in Japan more competitive, we are currently considering producing primarily G10-sized glass in Xiamen without reducing production capacity in Japan.
- Q5. Please give us details of the extraordinary loss of approximately 6.5 billion yen expected in FY2021 related to the power outage at your Shiga-Takatsuki Plant.
- A5. Two-thirds of the loss are related to repair costs and the rest comprises operating costs that will be incurred during the suspension of production such as costs to maintain equipment.
- Q6. Regarding the power outage at the Shiga-Takatsuki Plant, will you be able to regain your market share when the equipment is restored?
- A6. The power outage has caused temporary inconvenience to our customers. However, we expect to see no more impact on sales from April onwards.

- Q7. Please analyze the changes in operating profit in FY2020 and FY2021.
- A7. While we expect little change in the display business, we expect higher operating rates and larger profits in the glass fiber business. We expect to increase profits in other businesses including the business of glass tubing for pharmaceutical and medical use as well.
- Q8. In the glass fiber business, which field are you going to prioritize in getting back to full operation?
- A8. We expect that the speed of recovery for glass fiber for automobile parts will be fast and the lack of goods will continue for about half a year. The market is also tight for glass fiber for housing equipment and wind turbine blades. We expect that there will be more wind turbine blades that use both carbon fiber and glass fiber. As glass fibers with a high elastic modulus are in demand, it is important to sell glass fibers with high elasticity without fail. Currently, due to the impact of COVID-19, construction may not proceed as planned. We thus expect that our glass fiber production will not be at full capacity until the second half of the year.
- Q9. Please tell us about the profitability of the glass fiber business.
- A9. Bases in Japan and Malaysia are making profit, but bases in Europe and U.S. are struggling. The loss at bases in Europe and the U.S. decreased considerably in 2020.
- Q10. What about changes in the cost of materials and fuel?
- A10. We expect costs to fall in 2021 on a unit price basis. However, transportation costs are rising.
- Q11. What are your expectations for sales and profit in the next Medium-term Business Plan?
- A11. We aim to achieve net sales of over 300.0 billion yen and an operating margin of 10% or more.
- Q12. What will be the key to aiming for an operating margin of 10%?
- A12. The key is increased productivity. Improving the manufacturing process will enable us not only to increase productivity but also reduce energy consumption. We will also promote labor saving by using AI and other technologies. As it cannot be improved in a short time, we aim to take two to three years to return our profitability to a healthy level.
- Q13. Do you plan to reduce the number of strategically held shares?
- A13. Our plan is to gradually reduce the number of strategically held shares, which we did to some extent in FY2020. We plan to reduce the number of strategically held shares in FY2021 as well.

\* 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.

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