

# Financial Results For FY2017

(Ending December 31, 2017)

Investor Meeting  
February 6, 2018

Nippon Electric Glass Co., Ltd.

# (Contents)

1. Financial Results for FY2017
2. Forecasts of FY2018 and progress in the Medium-term Business Plan “EGP2018”

# Financial Results For FY2017

# Summary of Financial Results

- Economy trend  
(Global)
  - Europe and US: Recovery on the back of solid employment conditions and personal consumption
  - China: Signs of a recovery due to the effect of various policies
- (Japan)
  - Modest economic recovery due to improved employment, and solid personal consumption
- Business performance
  - Net sales: Increase in glass fiber (contributions from European and US business acquired through M&A)  
Increase in shipments of glass for LCDs
  - Operating income: Improved productivity and increased sales

# Summary of Financial Results

(Billions of JPY)

	FY2016	FY2017	Change(%)
Net sales	239.4	282.4	18.0
Operating income ( <i>Operating margin</i> )	19.5 8.2%	32.2 11.4%	64.5
Ordinary income	13.9	34.1	144.4
Extraordinary income/loss	1.2	(1.4)	
Income before income taxes and minority interests	15.2	32.6	114.7
Profit attributable to owners of parent	4.9	27.1	447.1
Earnings per share (JPY)	¥49.95	¥273.29	447.1
Net assets	509.5	543.7	6.7
Equity ratio	72.7%	70.5%	
Dividend per share (JPY)	¥80	¥90	12.5

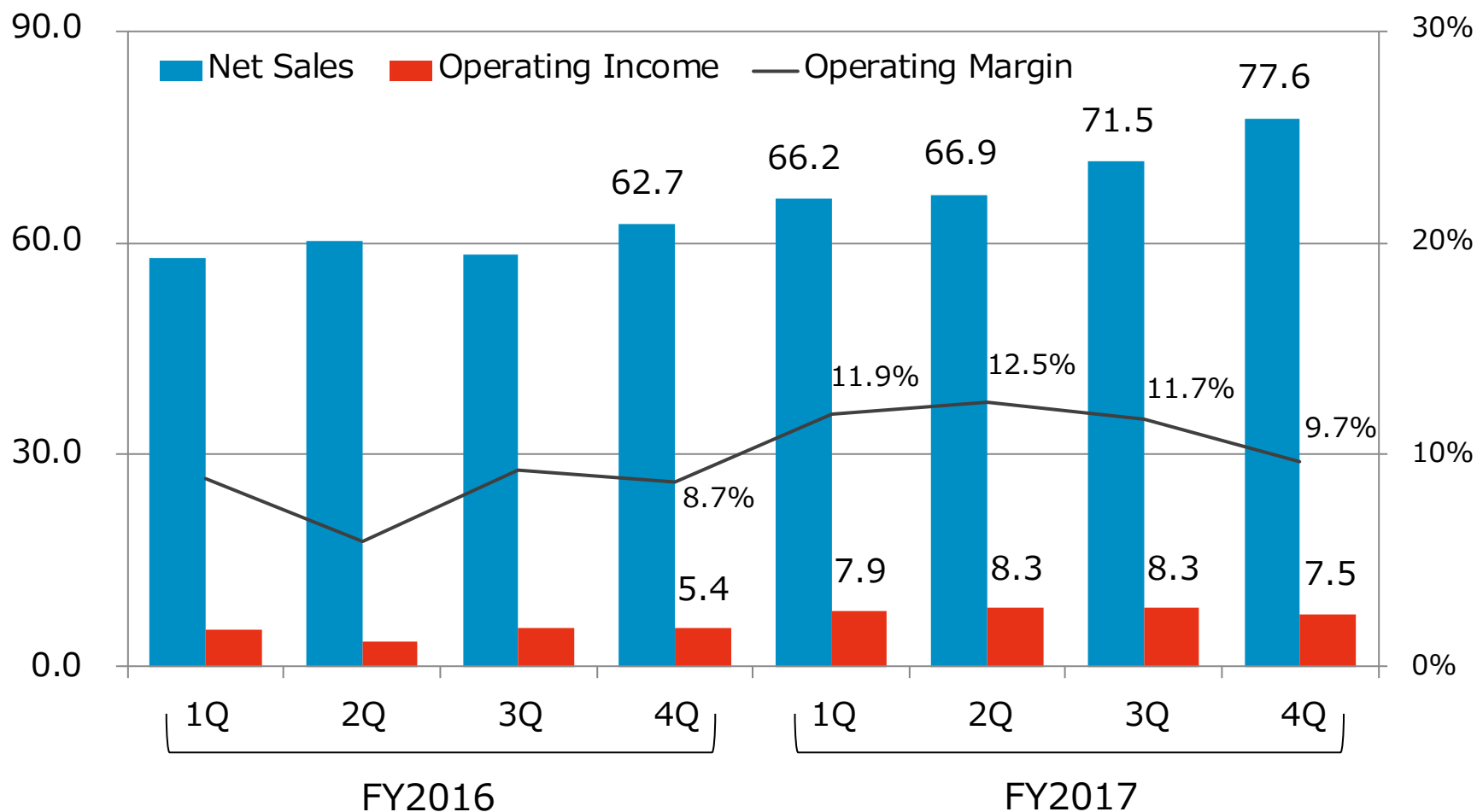
※The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. Earnings per share are calculated based on the assumption that the share consolidation had been implemented at the beginning of the year ended December 31, 2016.

# Topics on non-operating expenses, and extraordinary income/losses

- Foreign exchange gains
  - Revaluation of loan from parent company to subsidiaries in China mainly due to weak JPY/strong RMB
- Gain on sales of non-current assets
  - Sale of the former site of the Wakasa-Kaminaka Plant
- Gain on sales of investment securities
  - Sale of securities of Nipro Corporation
- Loss on closing of plants
  - Cost of environmental improvement work at the former site of the Fujisawa Plant
- Income taxes
  - Deferred tax accounting etc.,

# Quarterly Trends

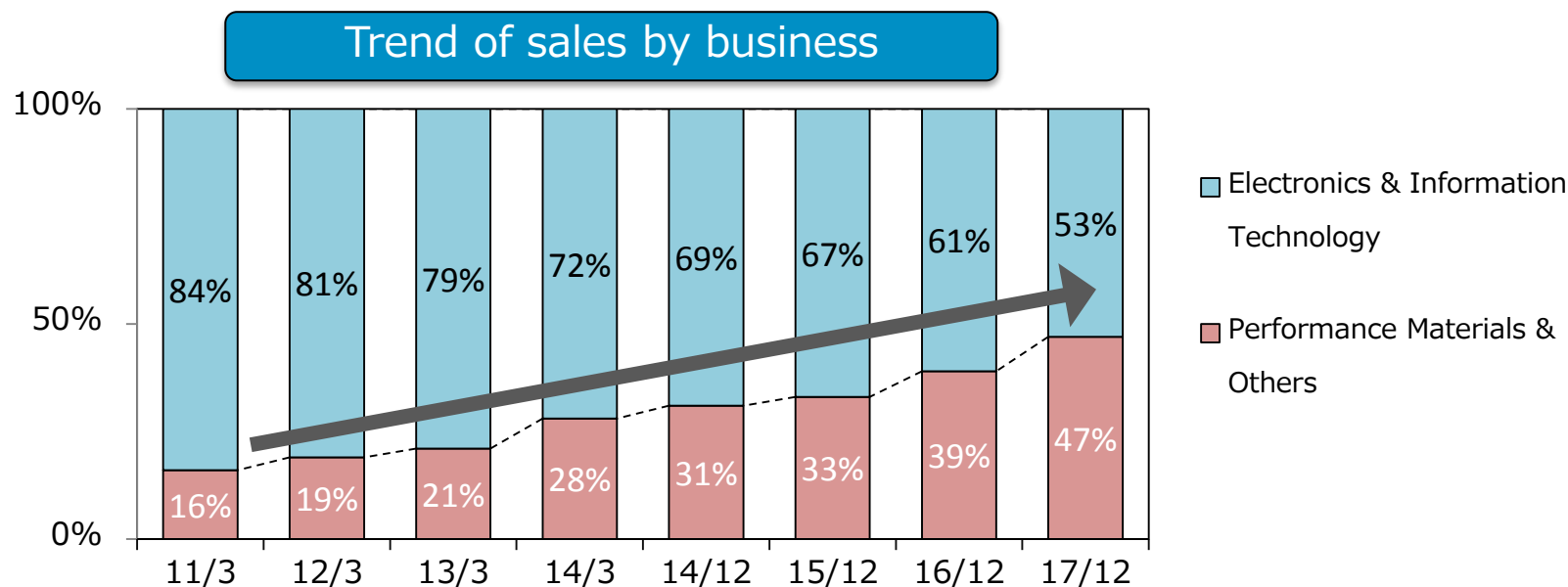
(Billions of JPY)



# Sales by Business

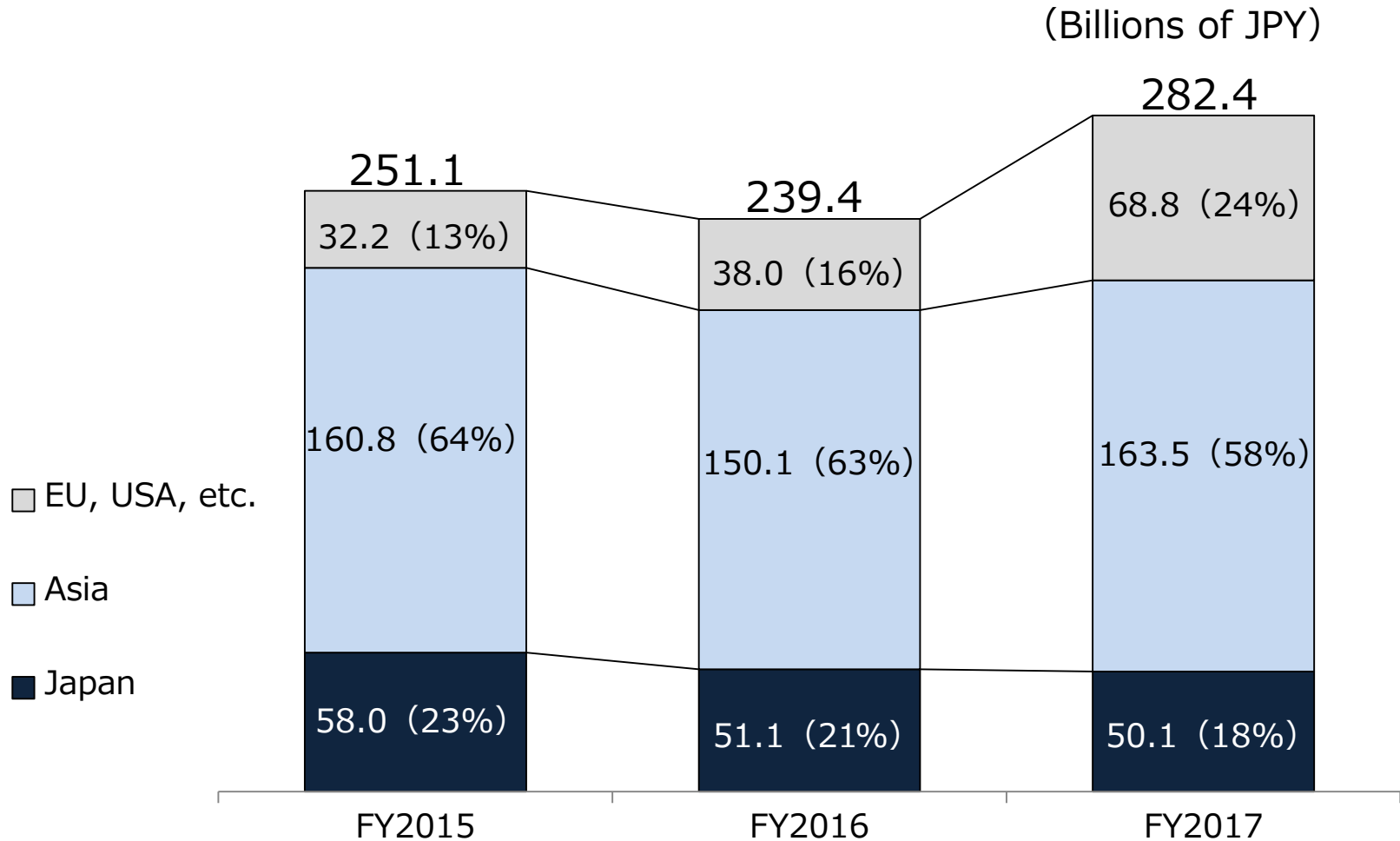
(Billions of JPY)

		FY2016		FY2017		Change
		Net Sales	Ratio	Net Sales	Ratio	%
Glass Business	Electronics & Information Technology	147.1	61%	149.1	53%	1
	Performance Materials & Others	92.2	39%	133.2	47%	44
Total		239.4	100%	282.4	100%	18





# Sales by Region

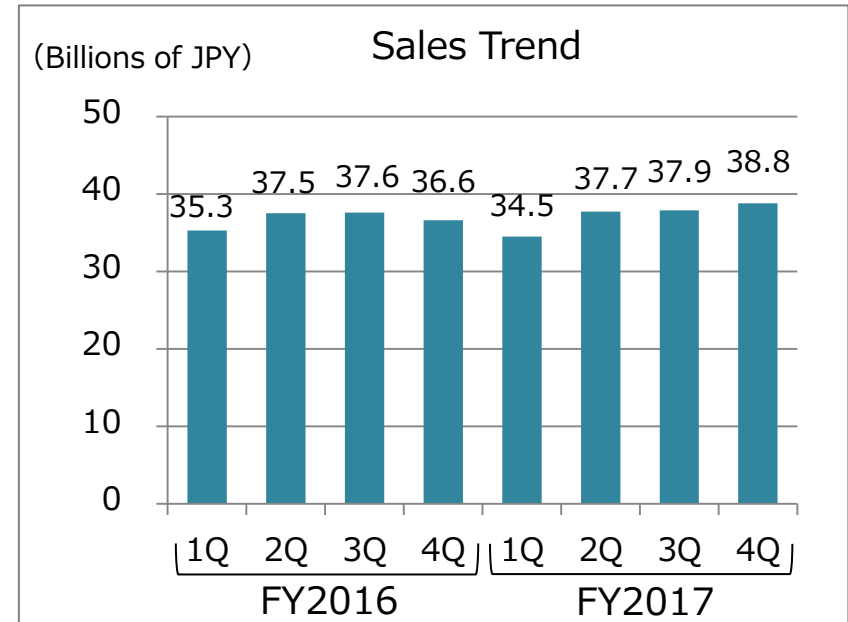


- Glass for LCDs:  
(YoY) Shipments increased from 2Q (4Q)
  - Volume: Increased by a mid single-digit % from 3Q
  - Price: declined more moderately

- Cover glass <Dinorex®> :  
Sales recovered

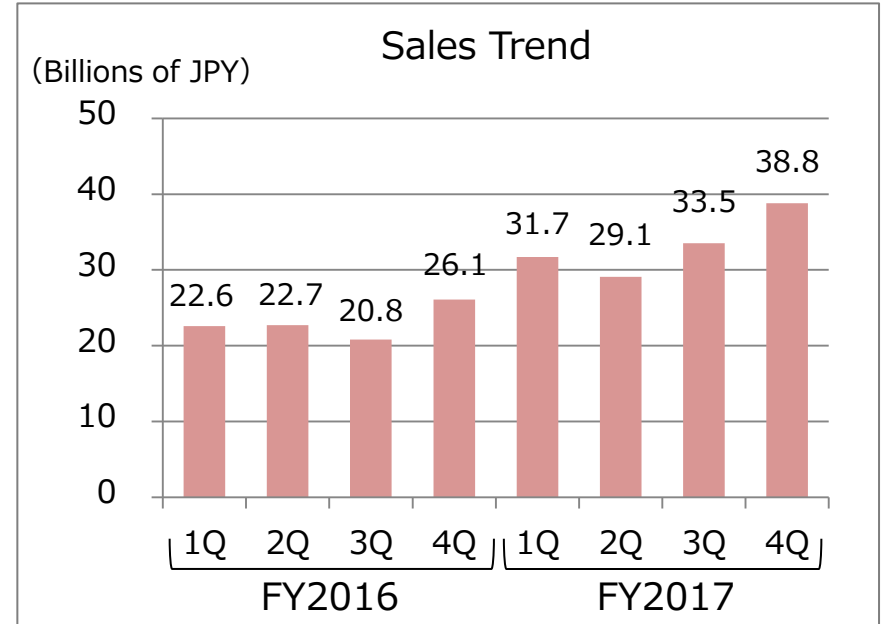
- Glass for solar cells: Stable

- Glass for optical and electronic devices:
  - For optical devices: Firm overall except for a slowdown in part of the products
  - Functional powder glass: Expanded
  - For image sensors: Expanded
  - Phosphor-glass composite: Firm



- Glass fiber:

- Firm based on strong demand for auto parts applications (high-function plastics)
- Contributions from acquired business in EU & US  
(EU: 2016 October~;  
US: 2017 September~)



- Others:

- Building materials: Slow sales mainly due to fewer large-scale projects in Japan
- Heat resistant glass, glass tubing for medical use: Firm

# Consolidated Balance Sheet

(Billions of JPY)

	Dec 31, 2016	Dec 31, 2017	Change
<b>Current assets</b>	<b>254.8</b>	<b>262.9</b>	8.0
Cash and deposits	132.0	117.0	(14.9)
Notes and accounts receivable-trade	49.1	61.1	12.0
Inventories	60.4	69.3	8.9
Others	13.3	15.3	2.0
<b>Non-current assets</b>	<b>439.0</b>	<b>501.4</b>	62.4
Property, plant and equipment	367.3	393.8	26.4
Intangible assets	7.1	35.0	27.8
Investments and other assets	64.4	72.6	8.1
<b>Total Assets</b>	<b>693.9</b>	<b>764.4</b>	70.5

## ■ Current Assets

Cash & deposits (-): Redemption of bonds (-)  
 Acquisition of US glass fiber business (-)  
 Notes and accounts receivable-trade (+): Sales increase (+)

## ■ Non-current assets

Property, plant & equipment (-): Depreciation (-)  
 Acquisition of US glass fiber business (+)  
 Phase II in Xiamen (+)  
 Intangible assets(+): Goodwill of US business, etc. (+)

	Dec 31, 2016	Dec 31, 2017	Change
<b>Liabilities</b>	<b>184.3</b>	<b>220.6</b>	36.2
Notes and account payable-trade	31.6	37.9	6.3
Interest bearing debts	101.9	120.6	18.6
Accrued income tax	1.3	1.9	0.6
Reserve for special repairs	23.1	23.2	0.1
Others	26.2	36.7	10.4
<b>Net assets</b>	<b>509.5</b>	<b>543.7</b>	34.2
Shareholders' equity	490.6	509.8	19.2
Accumulated other comprehensive income	13.6	28.9	15.3
Minority Interests	5.2	4.9	(0.3)
<b>Total liability &amp; net assets</b>	<b>693.9</b>	<b>764.4</b>	70.5

## ■ Liabilities

Interest-bearing debts (-): Redemption of bonds (-)  
 Repayments of short-term loans (-)  
 Acquisition of US glass fiber business (+)

## ■ Net assets

Shareholders' equity (+): Retained earnings (+)

# Consolidated Statement of Cash Flows

(Billions of JPY)

	Dec 31, 2016	Dec 31, 2017	Change
<b>Cash flows from operating activities</b>	<b>48.2</b>	<b>46.1</b>	<b>(2.1)</b>
Profit before income taxes	15.2	32.6	
Depreciation	31.2	28.7	
Foreign exchange losses	3.4	(2.3)	
Increase in notes and account receivable, trade	(1.0)	(6.1)	
Decrease (increase) in inventories	4.5	(2.1)	
Others	(5.1)	(4.5)	
<b>Cash flows from investing activities</b>	<b>(36.1)</b>	<b>(68.6)</b>	<b>(32.5)</b>
Purchase of non-current assets	(27.6)	(16.5)	
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5.0)	(59.3)	
Others	(3.3)	7.2	
<b>Cash flows from financial activities</b>	<b>(17.6)</b>	<b>9.7</b>	<b>27.4</b>
Proceeds from long-term borrowing	13.3	21.1	
Redemption of unsecured bonds	(10.0)	(10.0)	
Cash dividends paid	(7.9)	(7.9)	
Others	(12.9)	6.6	
<b>Effect of exchange rate changed on cash equivalents</b>	<b>(2.1)</b>	<b>0.3</b>	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(7.6)</b>	<b>(12.3)</b>	<b>(4.6)</b>
<b>Cash and cash equivalents at end of year</b>	<b>126.1</b>	<b>113.8</b>	<b>(12.3)</b>

# Forecasts of FY2017 and progress in the Medium-term Business Plan “EGP2018”

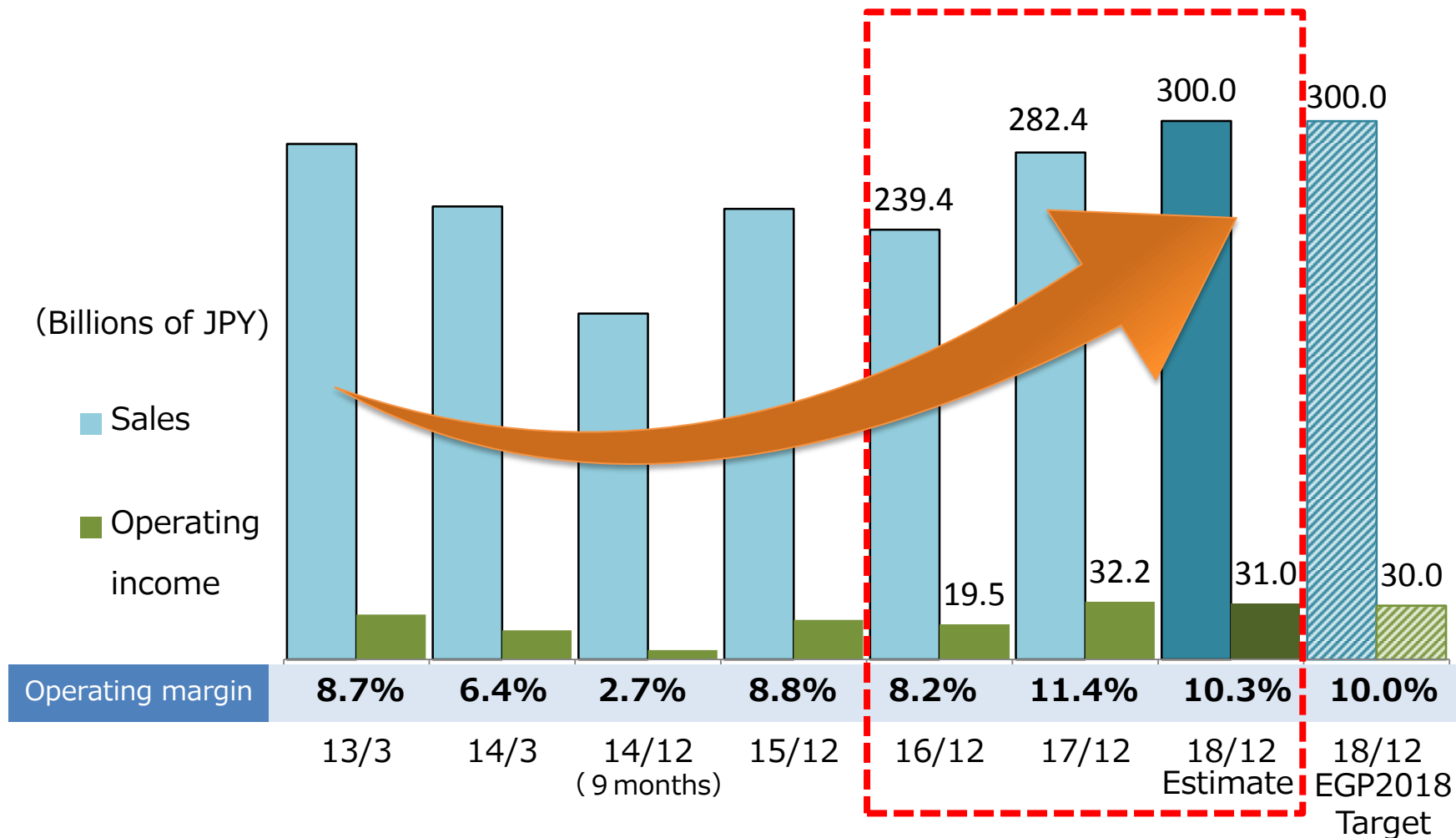
# Consolidated Earnings Forecasts (1)

FY2018

(Billions of JPY)

	2Q (accum)	Full year	For reference		
			Mid-term business plan	FY2017	Change(%)
Sales	150.0	<b>300.0</b>	300.0	282.4	6.2
Operating Income	15.0	<b>31.0</b>	30.0	32.2	(3.7)
Ordinary income	14.0	<b>29.0</b>	—	34.1	(15.0)
Profit attributable to owners profit	9.0	<b>20.0</b>	—	27.1	(26.1)
Operating margin	10.0%	<b>10.3%</b>	10.0%	11.4%	
Depreciation and amortization	—	<b>35.0</b>	—	28.7	22.0

# Sales Recovery and Profit Improvement

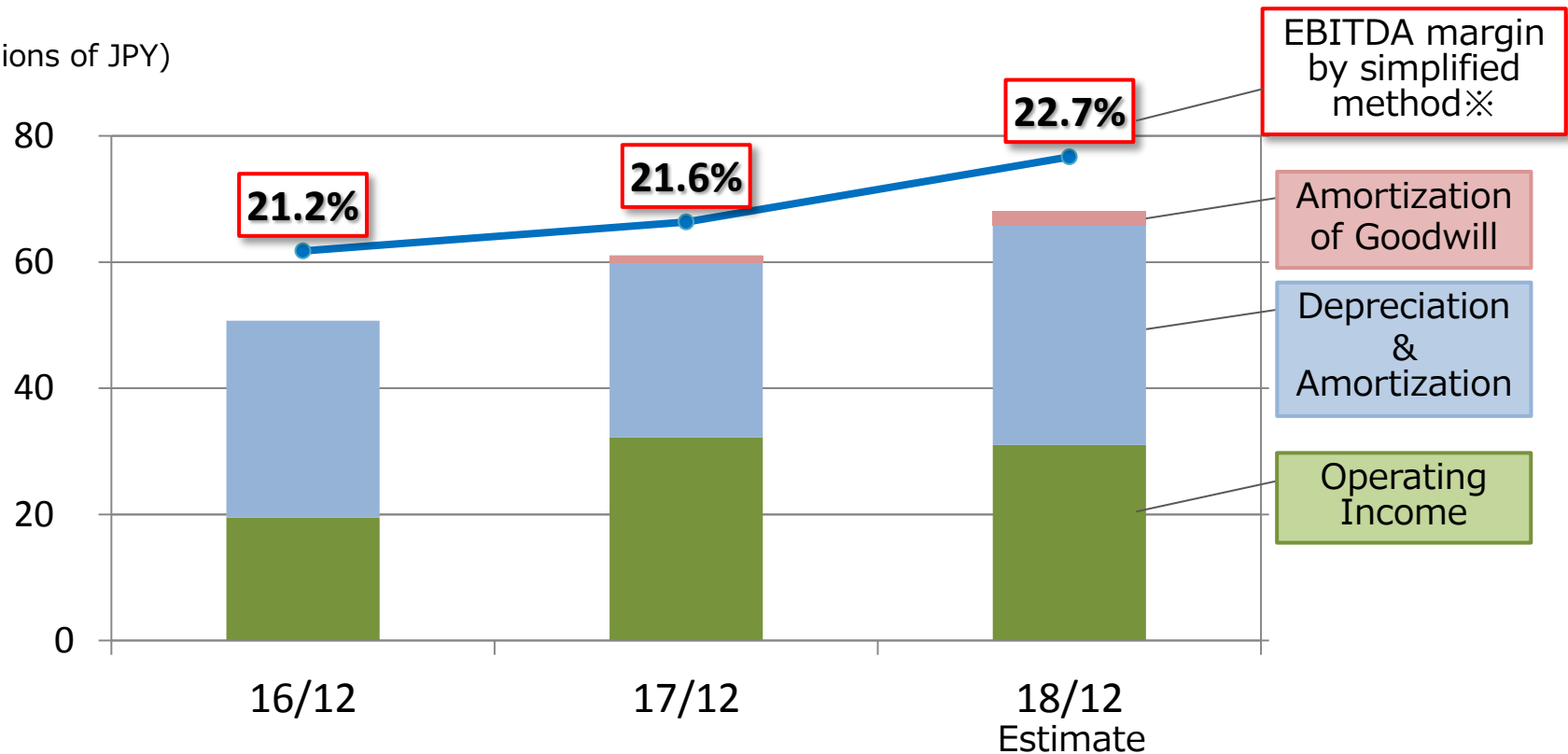




# Improvement of Cash Generating Ability

## Improvement of EBITDA Margin by Simplified Method

(Billions of JPY)



※ (Operating Income + Depreciation & Amortization + Amortization of Goodwill) ÷ Sales

# Consolidated Earnings Forecasts (2) Nippon Electric Glass

(Outlook)

## Summary

- Overseas: Pay attention to international situation, global financial & capital markets, expect moderate recovery
- Japan: continuous moderate recovery due to the effect of various policies

## Foreign exchange rate

- Assumption: 1USD = 110JPY, 1Euro = 130JPY

## Cost of raw materials and fuels

- Cost increase  
Price increase of raw materials, and energy cost increase based on higher oil price

## Depreciation and amortization

- Increase  
(FY2017:28.7 billion JPY→FY2018:35.0 billion JPY)  
Acquisition of US glass fiber business, start of Xiamen Phase II

# Consolidated Earnings Forecasts (3) Nippon Electric Glass

## (Outlook)

Display	<ul style="list-style-type: none"> <li>● Solid market condition</li> <li>● More moderate price decline</li> <li>● Start of Xiamen Phase II</li> </ul>
Electronic Products	<ul style="list-style-type: none"> <li>● Firm in home appliances and automotive fields</li> <li>● Take in the growth of infrastructure demands for optical devices</li> <li>● Commercialization of newly developed products</li> </ul>
Glass Fiber	<ul style="list-style-type: none"> <li>● Firm needs from the market of auto parts</li> <li>● Boost production at US subsidiary; realize synergy by four production locations globally</li> <li>● Improve productivity in all the subsidiaries</li> </ul>
Medical, heat-resistant, building materials	<ul style="list-style-type: none"> <li>● Glass tubing for medical use: Promotion in China</li> <li>● Heat resistant glass: Overseas sales expansion for cooking appliance top plates and stoves</li> <li>● Building materials: Promotion of fire rated glass</li> </ul>



# CAPEX, Depreciation and Amortization

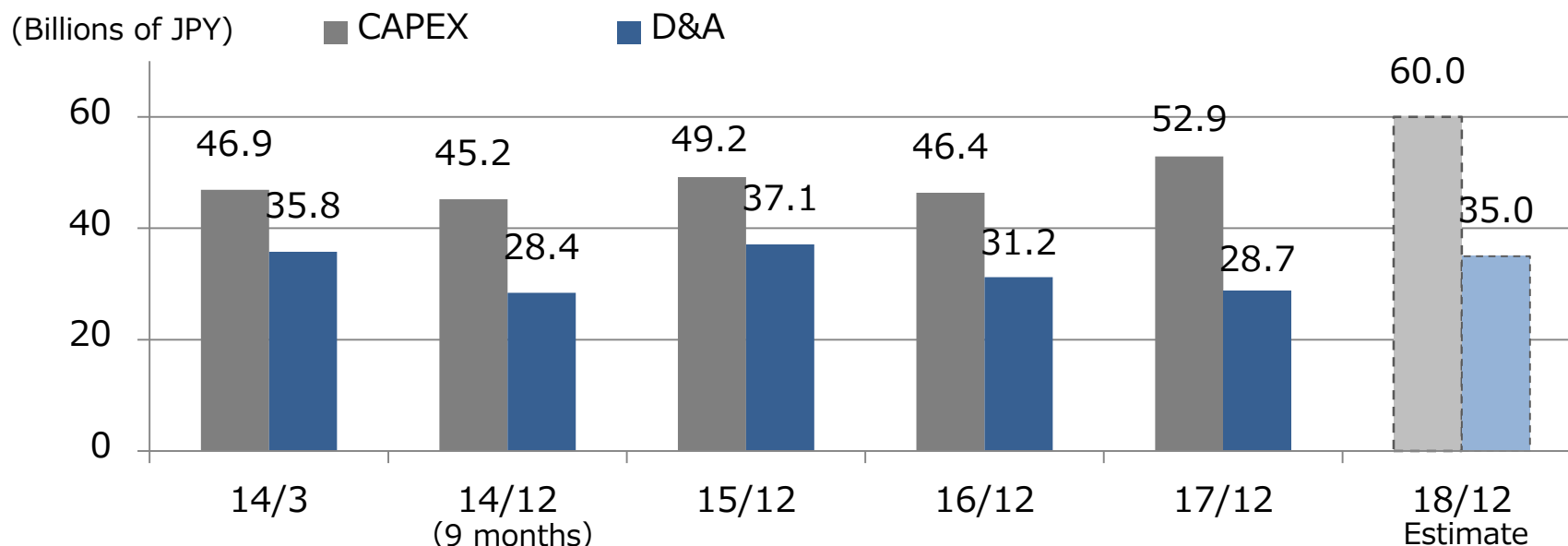
## CAPEX

- FY2018, 60.0 billion JPY

Xiamen Phase II, capacity expansion in US glass fiber business, improvement in profitability, repairs of equipment, investment etc.,

## D & A

- FY2018, 35.0 billion JPY



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

## Basic policies

- ① Strengthen profitability of “display” related business
- ② Expand business related to “performance materials, optical and electronic devices and medical care, heat-resistant, and building materials”
- ③ Reinforcement of R&D
- ④ Constructive investments

Duration : January 1, 2016 to December 31, 2018

※EGP : **E**lectric **G**lass **P**rospects

FY2016 & FY2017 progressed steadily in accordance with EGP2018.  
FY2018 is the final year of EGP2018.

We will make every effort to reach the management targets and work toward the next business plan aiming at a long-term development.

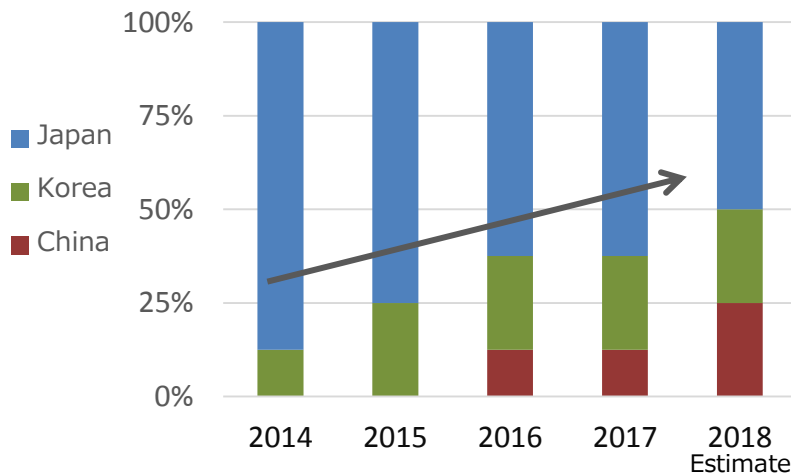
# Main Progress of EGP2018 (1)

## • Display

### Progress

- Improved productivity company-wide
- Efforts to strengthen business in China
- Repairs and investments aimed at reinforcing facilities
- Thinner and larger sized products, development of new material

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



### Issues

- Continued efforts in Chinese market
- Response to our main customers' plans to increase production
- More improvement in quality and service
- Productivity improvement

Overseas production of display business



Electric Glass (Xiamen)

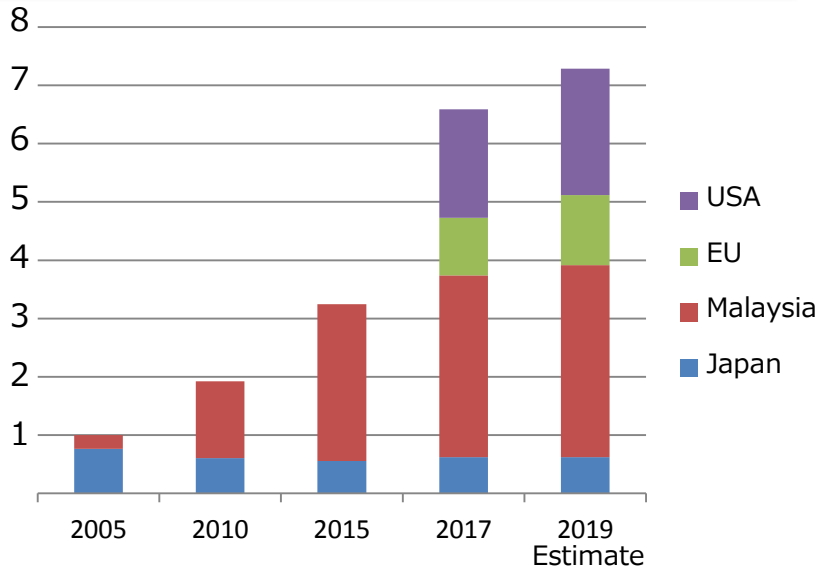
# Main Progress of EGP2018 (2)

## • Glass Fiber

### Progress

- Expanded business through M&A (EU, US) and other efforts
- Respond to increasing demands
- Improved productivity company-wide
- Enhance product portfolio

Global production growth image of glass fiber



※Production capacity of FY2005 as index 1

### Issues

- Production increase in US (18/2Q~)
- Improve productivity in EU and US, realize synergy effect
- Continue with M&A and alliance strategy
- Product development

Development of new product

### Flat Glass Fiber \*

	Cross sections	Warpage tests
Round cross section chopped strands		
Elliptical cross section chopped strands		

\* Glass fiber which features elliptical cross section.  
Reduce warpage and improve dimensional stability as compared with conventional one with round cross sections.

# Main Progress of EGP2018 (3)

## • Optical & Electronic Devices, Medical, Heat resistant & Building Materials

### Progress

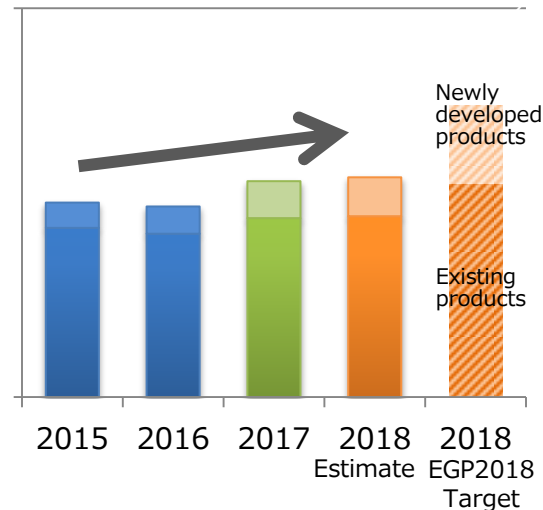
- For optical devices: Firm overall except for a slowdown in part of the products
- Glass tubing for medical use: Business expanded in China
- Slower progress than other business

### Issues

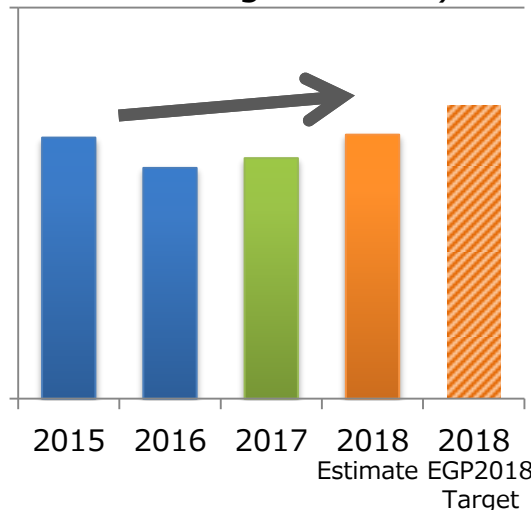
- Sales promotion of glass tubing for medical use in China
- Commercialization and expansion of newly developed products
- Development of high value-added products

### Sales growth image

(Optical & Electronic Devices)

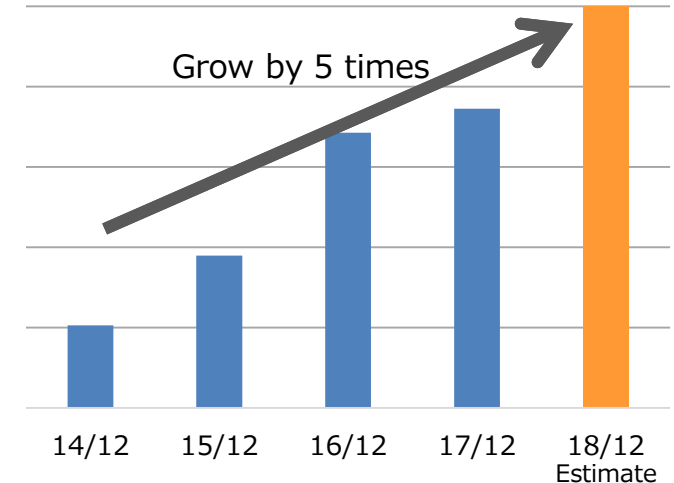


(Medical, Heat Resistant & Building Materials)



### Sales promotion of glass tubing for medical use in China

Sales trend in China





# Main Progress of EGP2018 (4)

## • Reinforcement of R&D

### Progress

- Development of new products and new materials
- Evaluation and simulation technology
- Collaboration with universities and research institutions
- Strategic patents applications

### Issues

- Marketing of unique glass products
- Exploration of needs from markets and customers
- Faster development cycle
- Development on manufacturing process



Infrared-transmitting Glass



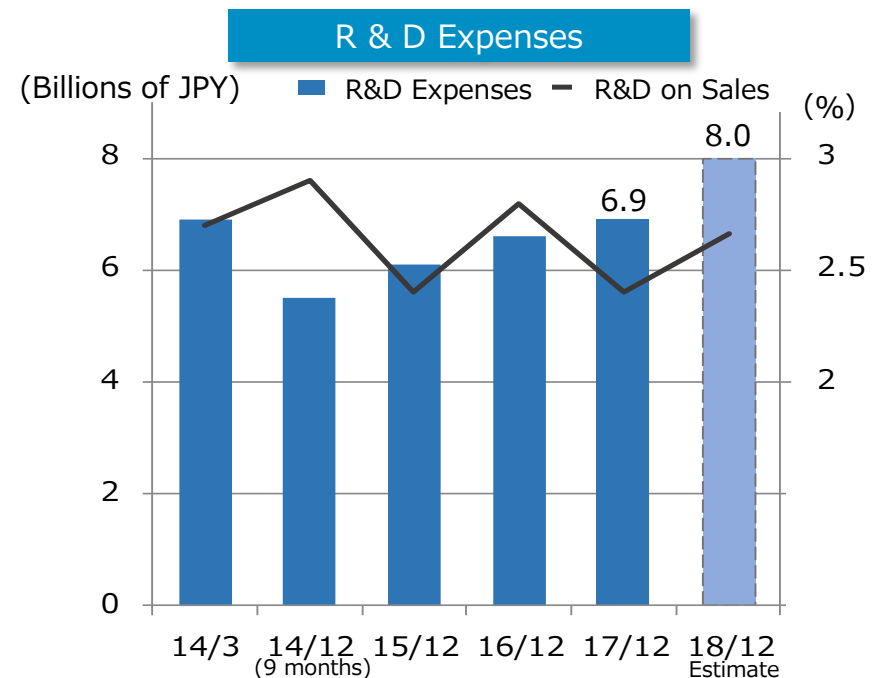
Endowed Chair Established at Zhejiang University, China



Deep UV-transmitting Glass



Development of all solid state Na-ion secondary battery



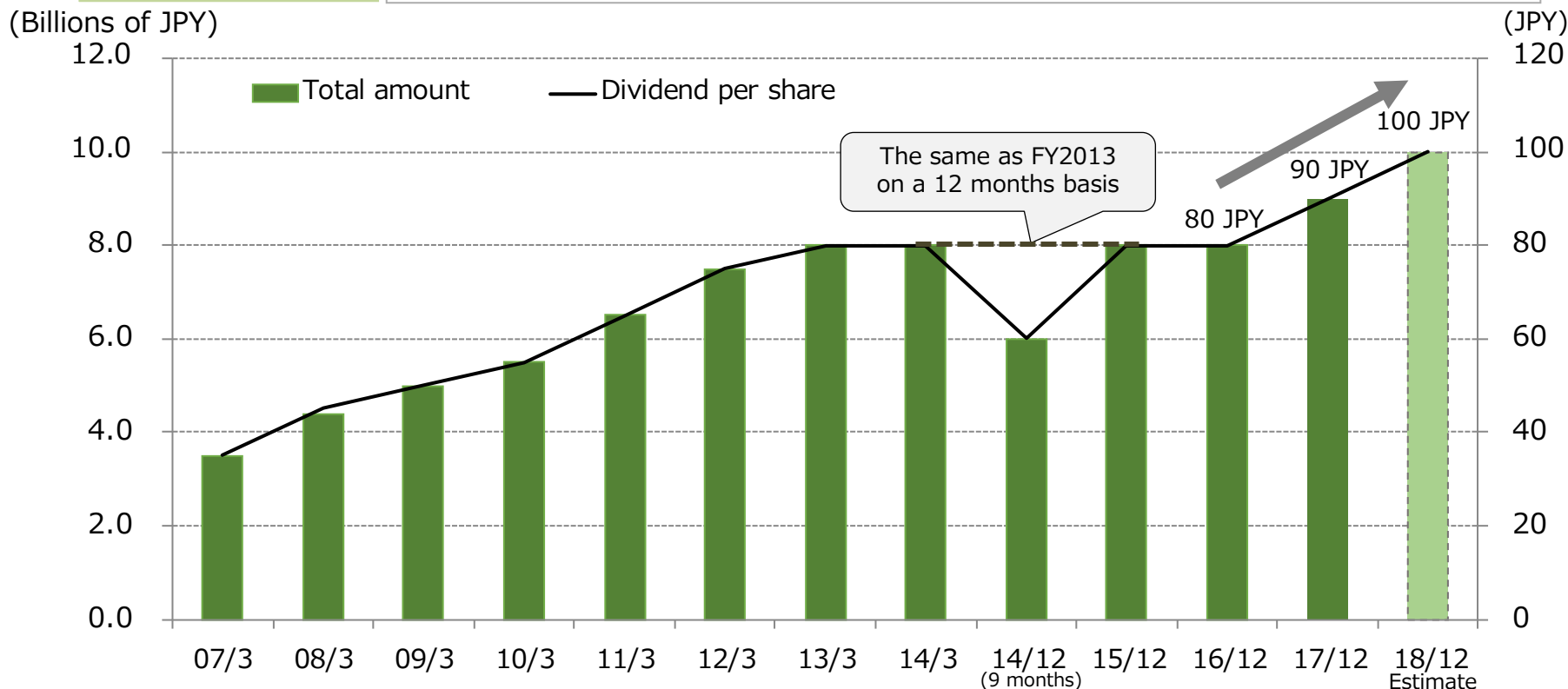
# Profit allocation policy & Dividends

## Profit allocation policy

- Based on continuous payment of stable dividends to shareholders
- Flexible shareholder return measures will also be considered as opportunities present

## FY2018 (Estimate)

- Interim: 50 JPY per share Year-end: 50 JPY per share (100 JPY share/annum, YoY Dividends increase of 10 JPY)  
※The share consolidation at a ratio of one for every five common shares was carried out on July 1, 2017.



\*Amounts of dividends per share are retroactively adjusted for the share consolidation.

For Reference

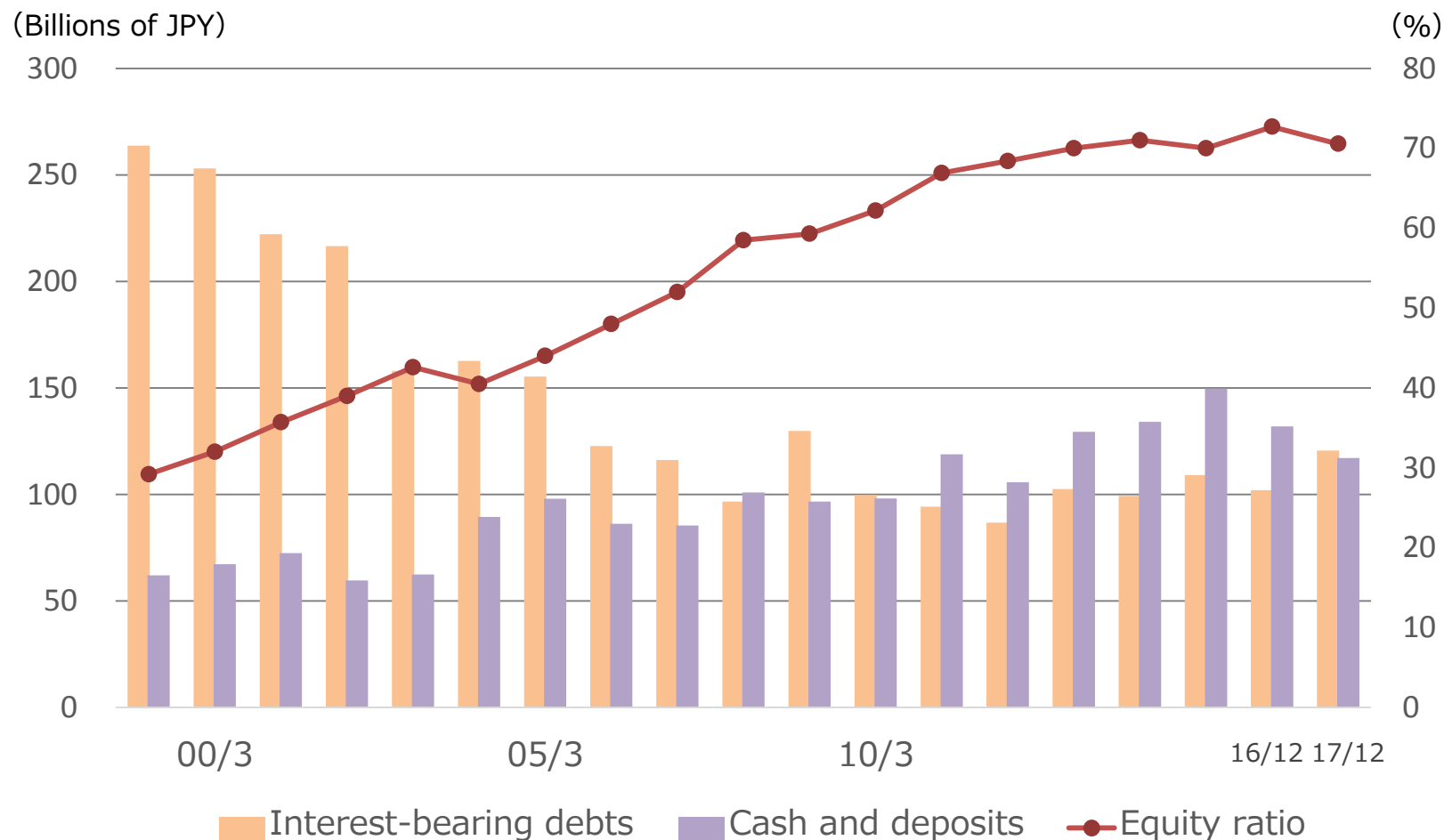


# Interest-bearing debts, Equity ratio

**Interest-bearing debts** FY2017: 120.6 billion JPY (YoY +18.6 billion JPY)

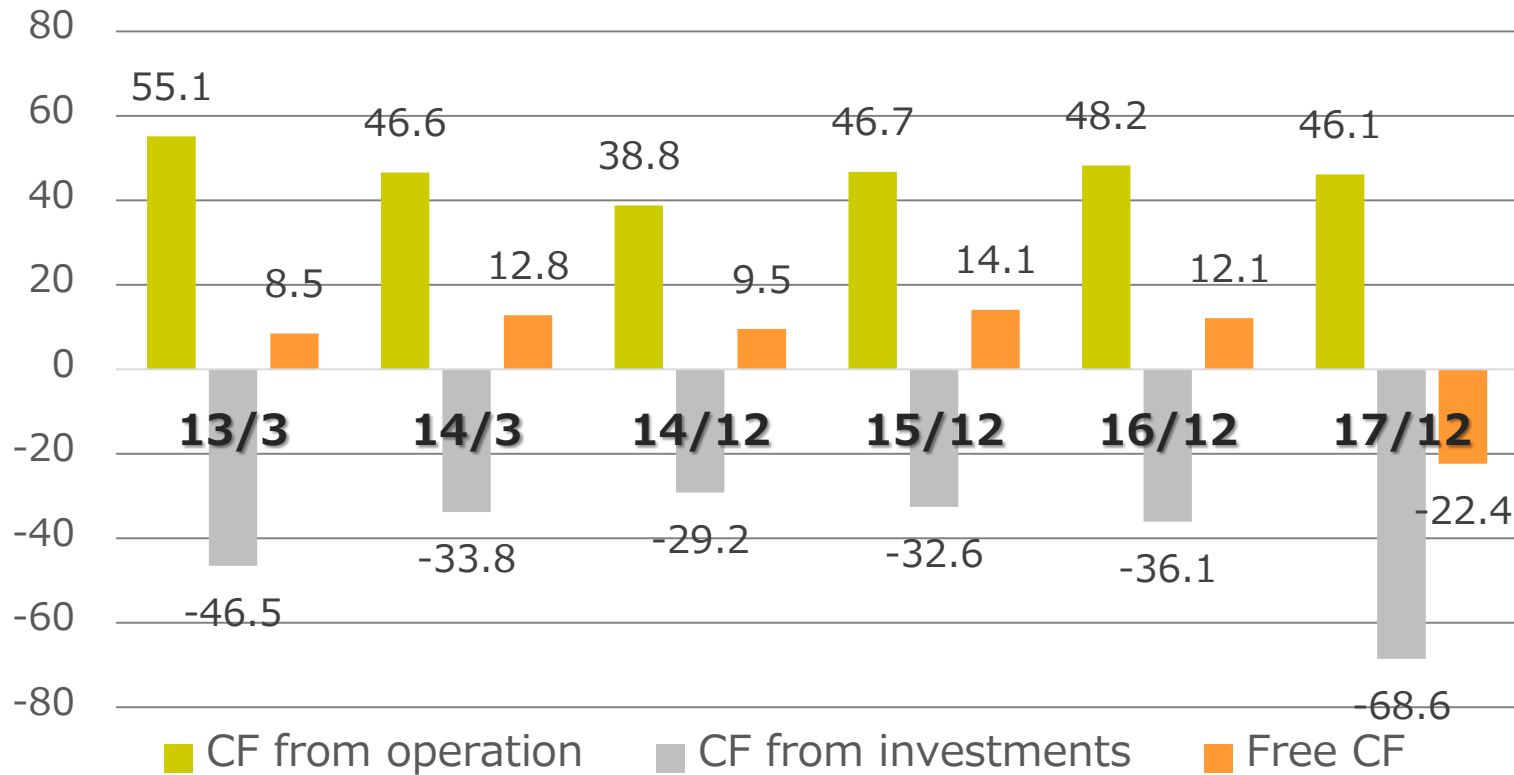
**Equity Ratio**

FY2017: 70.5% (YoY -2.2pt)



# Cash flow

(Billions of JPY)



# 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:	6,776 (Group total as of Dec 31, 2017)
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, 15 overseas

## 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**