Translation

Notice: This English version is a translation of the original disclosure in Japanese released on July 31, 2023 at 15:00 (GMT+9) and is only for reference purposes. In the case where any differences occur between the English version and the original Japanese version, the Japanese version will prevail.

Member of the Financial Accounting Standards Foundation

July 31, 2023

CONSOLIDATED FINANCIAL RESULTS for the Second Quarter of the Year Ending December 31, 2023 (Unaudited) <under Japanese GAAP>

Company name: **Nippon Electric Glass Co., Ltd.**
Listing: Prime Market of the Tokyo Stock Exchange
Securities identification code: 5214
URL: https://www.neg.co.jp/
Representative: Akira Kishimoto, President and Representative Director
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Scheduled date to file quarterly report: August 10, 2023
Scheduled date to commence dividend payments: August 31, 2023
Supplementary material on quarterly financial results: Yes
Quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(in millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the second quarter of the year ending December 31, 2023 (From January 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
For the six months ended		%		%		%		%
June 30, 2023	139,178	(19.4)	(5,742)	-	(3,066)	-	(15,711)	-
June 30, 2022	172,771	21.4	19,157	25.0	29,734	30.4	24,417	80.4

Note: Comprehensive income:
For the six months ended June 30, 2023: (5,105) million yen [-%]
For the six months ended June 30, 2022: 46,680 million yen [108.6%]

	Earnings per share	Diluted Earnings per share
For the six months ended	yen	yen
June 30, 2023	(168.85)	-
June 30, 2022	262.46	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
June 30, 2023	736,050	516,857	69.8
December 31, 2022	747.907	528,912	70.1

Reference: Equity:
As of June 30, 2023: 513,728 million yen
As of December 31, 2022: 524,344 million yen

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
For the year ended December 31, 2022	-	60.00	-	60.00	120.00
For the year ending December 31, 2023	-	60.00	——	——	——
For the year ending December 31, 2023 (Forecasts)	——	——	-	60.00	120.00

Note: Revision of the forecasts most recently announced: None

3. Consolidated earnings forecasts for the year ending December 31, 2023 (From January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
		%		%		%		%	yen
For the year ending December 31, 2023	290,000	(10.7)	(5,000)	-	(5,000)	-	(20,000)	-	(214.93)

Note: 1. Revision of the forecasts most recently announced: Yes
2. For the revision to consolidated earnings forecasts, please refer to “Notice Concerning Posting of an Extraordinary Loss, the Difference Between Consolidated Earnings Forecasts and Actual Results for the First Half, and Revision of Consolidated Earnings Forecasts for the Year Ending December 31, 2023,” which was announced today (July 31, 2023).

*** Notes**

(1) Changes in significant subsidiaries during the six months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting for preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

A. Changes in accounting policies due to revisions to accounting standards: None
B. Changes in accounting policies due to other reasons: None
C. Changes in accounting estimates: Yes
D. Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common stock)

A. Total number of issued shares at the end of the period (including treasury stock)

As of June 30, 2023	99,523,246 shares
As of December 31, 2022	99,523,246 shares

B. Number of treasury shares at the end of the period

As of June 30, 2023	6,468,171 shares
As of December 31, 2022	6,480,511 shares

C. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the six months ended June 30, 2023	93,048,064 shares
For the six months ended June 30, 2022	93,033,919 shares

* This quarterly financial results report is exempt from quarterly review by Certified Public Accountants or Audit firm.

* Proper use of earnings forecasts, and other special directions

The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the Company and its subsidiaries ("the Company Group") and include risks and contingencies. Actual business results may differ substantially due to a number of factors. For more details, please refer to the section of "(2) Information regarding consolidated earnings forecasts and other forward-looking statements in Qualitative Information Regarding Consolidated Results for the Six Months" on page 5.

Qualitative Information Regarding Consolidated Results for the Six Months

(1) Information regarding operating results (Six months ended June 30, 2023)

A. Overview

Net sales for the first six months of the fiscal year (from January 1 to June 30, 2023) were lower than those of the same period of the previous fiscal year (from January 1 to June 30, 2022).

In terms of profit/loss, operating loss, ordinary loss and loss attributable to owners of the parent were recorded.

B. Operating results

(Billions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Change (%)
Net sales	172.7	139.1	(19)
Operating profit (loss)	19.1	(5.7)	-
Ordinary profit (loss)	29.7	(3.0)	-
Profit (loss) attributable to owners of parent	24.4	(15.7)	-

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Six months ended June 30, 2022		Six months ended June 30, 2023		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	83.6	48	62.8	45	(20.7)	(25)
	Performance Materials and Others	89.1	52	76.3	55	(12.8)	(14)
Total		172.7	100	139.1	100	(33.5)	(19)

Note: Amounts less than 100 million yen are omitted.

Electronic and Information Technology:

Net sales of glass for flat panel displays (FPDs) were significantly lower than those of the same period of the previous fiscal year, affected by customers' production adjustments. Net sales of glass for electronic devices were lower than those of the same period of the previous fiscal year, as demand for use in home appliances and auto parts was affected by supply chain inventory adjustments, despite strong demand for use in semiconductors.

Performance Materials and Others:

Net sales of glass fiber were significantly lower than those of the same period of the previous fiscal year due to a slow recovery in global demand, especially for high-performance resin used in auto parts, and a decrease in the transfer of surcharges to customers. Net sales of glass tubing for pharmaceutical and medical use, heat-resistant glass, and glass for building materials exceeded those of the same period of the previous fiscal year, supported by product price revisions and surcharges, despite softening demand.

(Profit/loss)

Amid soaring raw material and fuel prices pushing up costs, a decline in demand meant cost recovery from product price revisions and surcharges was less than expected. In addition, the impact, such as rising costs due to lower capacity utilization rates mainly for glass for FPDs and glass fiber, was significant, and we recorded operating loss (operating profit for the same period of the previous fiscal year). Non-operating income, such as foreign exchange gains attributable to revaluation of receivables and payables related to borrowings by overseas subsidiaries, was insufficient to offset the operating loss, resulting in ordinary loss (ordinary profit in the same period of the previous fiscal year). As for extraordinary income/losses, while insurance claim income and reversal of provision for special repairs were recorded as extraordinary income, restructuring expenses for the display glass business were recorded as extraordinary losses. As a result, loss attributable to owners of parent was recorded (profit attributable to owners of parent in the same period of the previous fiscal year).

(2) Information regarding consolidated earnings forecasts and other forward-looking statements

(Consolidated earnings forecasts for the year ending December 31, 2023)

(Billions of yen)

	Year ending December 31, 2023 (From January 1, 2023 to December 31 ,2023)		Change (B－A)	Percent change (%)
	Previous forecasts (A)	Revised forecasts (B)		
Net sales	340.0	290.0	(50.0)	(15)
Operating profit (loss)	10.0	(5.0)	(15.0)	-
Ordinary profit (loss)	10.0	(5.0)	(15.0)	-
Profit (loss) attributable to owners of parent	8.0	(20.0)	(28.0)	-

Note: Amounts less than 100 million yen are omitted.

Although the global economy is showing signs of a gradual recovery, the outlook is expected to remain uncertain as a result of raw material and fuel prices trends and the prospect of economic slowdown due to monetary tightening in various countries.

In the Electronics and Information Technology segment, we are predicting strong shipments of glass for FPDs against the backdrop of a recovery in the display market. We will strongly push for product price revisions and expanded sales of 10.5 generation glass. Demand for glass for electronic devices is expected to be very moderate, despite an expected recovery in demand for home appliances, automobiles, and optical devices, etc. There is a strong increase in demand for products for semiconductors, and we will respond to this demand by increasing production capacity.

In the Performance Materials and Others segment, demand for glass fiber, including demand from the automobile-related market, is expected to take longer to recover, but we will continue to focus on expanding sales of high value-added products and developing new products. Demand for glass tubing for pharmaceutical and medical use is expected to remain weak. In heat-resistant glass and glass for building materials, we will strive to reduce costs and expand sales in domestic and overseas markets.

In terms of profit/loss, we expect that structural reforms and higher capacity utilization rates in the display glass business will contribute to profits, but raising the level of the glass fiber business is an urgent issue. We will continue to reduce expenses and improve productivity, as well as promote product price revisions, in an effort to improve profitability.

In light of the consolidated financial results for the first six months of the fiscal year and the outlook previously described, we have revised our full-year consolidated earnings forecasts for the fiscal year ending December 31, 2023, which was announced on February 3, 2023, as shown in the table above.

The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the Company Group and include risks and contingencies. Actual business results may differ substantially due to a number of factors. Factors that may impact actual business results include the economic conditions of global markets, various rules and regulations such as those concerning trade, significant fluctuation of supply and demand of products in principal markets as well as the financial situation showing extensive changes in prices on capital markets, exchange rates, and interest rates, rapid technological advancement in addition to spread of infection. Factors not mentioned here also could have a significant impact on business results.

Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	107,151	85,052
Notes and accounts receivable - trade, and contract assets	52,438	56,651
Electronically recorded monetary claims - operating	1,330	1,098
Merchandise and finished goods	53,377	61,788
Work in process	2,345	1,417
Raw materials and supplies	46,648	48,223
Other	8,551	7,937
Allowance for doubtful accounts	(162)	(270)
Total current assets	271,680	261,899
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	81,727	71,925
Machinery, equipment and vehicles, net	298,723	305,235
Other, net	45,178	42,037
Total property, plant and equipment	425,629	419,198
Intangible assets	5,341	5,424
Investments and other assets		
Other	45,278	49,546
Allowance for doubtful accounts	(21)	(20)
Total investments and other assets	45,256	49,526
Total non-current assets	476,227	474,150
Total assets	747,907	736,050

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	52,102	41,879
Short-term borrowings	40,878	49,521
Income taxes payable	1,372	1,096
Other provisions	213	146
Asset retirement obligations	—	1,905
Other	37,098	29,791
Total current liabilities	131,665	124,339
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	42,647	48,544
Provision for special repairs	8,665	6,201
Other provisions	274	264
Retirement benefit liability	1,253	1,332
Asset retirement obligations	252	3,029
Other	14,235	15,480
Total non-current liabilities	87,329	94,854
Total liabilities	218,995	219,193
Net assets		
Shareholders' equity		
Share capital	32,155	32,155
Capital surplus	34,278	34,258
Retained earnings	446,359	425,065
Treasury shares	(20,072)	(20,034)
Total shareholders' equity	492,721	471,445
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,207	17,033
Deferred gains or losses on hedges	443	(497)
Foreign currency translation adjustment	16,973	25,746
Total accumulated other comprehensive income	31,623	42,282
Non-controlling interests	4,567	3,128
Total net assets	528,912	516,857
Total liabilities and net assets	747,907	736,050

(2) Quarterly consolidated statement of income (cumulative) and quarterly consolidated statement of comprehensive income (cumulative)

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	172,771	139,178
Cost of sales	120,956	123,125
Gross profit	51,815	16,053
Selling, general and administrative expenses	32,657	21,795
Operating profit (loss)	19,157	(5,742)
Non-operating income		
Interest income	356	348
Dividend income	877	936
Foreign exchange gains	9,926	2,602
Other	844	1,633
Total non-operating income	12,006	5,520
Non-operating expenses		
Interest expenses	341	452
Donations	137	1,028
Depreciation of inactive non-current assets	93	655
Other	856	708
Total non-operating expenses	1,429	2,844
Ordinary profit (loss)	29,734	(3,066)
Extraordinary income		
Insurance claim income	4,187	3,041
Reversal of provision for special repairs	—	2,498
Other	728	1,184
Total extraordinary income	4,915	6,724
Extraordinary losses		
Business restructuring expenses	—	17,504
Other	—	239
Total extraordinary losses	—	17,744
Profit (loss) before income taxes	34,650	(14,086)
Income taxes	10,090	1,678
Profit (loss)	24,559	(15,764)
Profit (loss) attributable to non-controlling interests	141	(53)
Profit (loss) attributable to owners of parent	24,417	(15,711)

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit (loss)	24,559	(15,764)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,616)	2,826
Deferred gains or losses on hedges	(1,131)	(940)
Foreign currency translation adjustment	24,462	8,609
Share of other comprehensive income of entities accounted for using equity method	407	163
Total other comprehensive income	22,121	10,659
Comprehensive income	46,680	(5,105)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	46,538	(5,051)
Comprehensive income attributable to non-controlling interests	141	(53)

(3) Quarterly consolidated statement of cash flows (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	34,650	(14,086)
Depreciation	13,496	20,979
Impairment losses	—	10,197
Loss (gain) on sale of investment securities	(544)	(1,054)
Increase (decrease) in provision for special repairs	840	(2,463)
Foreign exchange losses (gains)	(6,754)	(3,624)
Decrease (increase) in trade receivables and contract assets	(1,158)	(2,455)
Decrease (increase) in inventories	(15,388)	(7,003)
Increase (decrease) in trade payables	1,004	(11,873)
Income taxes paid	(10,587)	(1,325)
Other, net	(1,392)	3,472
Net cash provided by (used in) operating activities	14,166	(9,236)
Cash flows from investing activities		
Proceeds from sale of investment securities	729	1,286
Purchase of non-current assets	(26,022)	(19,842)
Loan advances	(2)	(2,365)
Other, net	27	192
Net cash provided by (used in) investing activities	(25,267)	(20,728)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	906	8,088
Proceeds from long-term borrowings	9,771	10,000
Repayments of long-term borrowings	(2,937)	(4,815)
Dividends paid	(5,580)	(5,581)
Dividends paid to non-controlling interests	(432)	—
Repayments to non-controlling shareholders	—	(1,385)
Other, net	(513)	(509)
Net cash provided by (used in) financing activities	1,213	5,797
Effect of exchange rate change on cash and cash equivalents	6,457	2,042
Net increase (decrease) in cash and cash equivalents	(3,429)	(22,126)
Cash and cash equivalents at beginning of period	134,723	106,862
Cash and cash equivalents at end of period	131,293	84,736