

Financial Results For FY2016

(Ending December 31, 2016)

Investor Meeting
February 6, 2017

Nippon Electric Glass Co., Ltd.

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Financial Results For FY2016



Summary of Financial Results

- Economy trend
(Global)
 - Europe and US : Gradual recovery on the back of solid employment conditions and personal consumption
 - China : Modest economic slowdown
signs of a recovery due to the effect of various policies
- (Japan)
 - Solid personal consumption trends
 - Modest economic recovery partly due to improved employment
- Business performance
 - Net sales: Increase in glass fiber (contributions from former PPG EU)
Decrease in LCD (shipments increased but price fell)
Heat resistant glass, glass tubing for medical use, and
glass for building materials fell short of forecasts
 - Operating income: Slight decrease
Posting of foreign exchange losses, while improved
productivity and lower material and fuel costs



Summary of Financial Results

(Billions of JPY)

| | FY2015 | FY2016 | Change(%) |
|-----------------------------------------|--------|--------|-----------|
| Net sales | 251.1 | 239.4 | (4.7) |
| Operating income | 22.0 | 19.5 | (11.2) |
| Operating margin | 9% | 8% | |
| Ordinary income | 14.2 | 13.9 | (2.1) |
| Extraordinary income/loss | 2.5 | 1.2 | (51.1) |
| Profit before income taxes | 16.7 | 15.2 | (9.5) |
| Profit attributable to owners of parent | 9.6 | 4.9 | (48.4) |
| Earnings per share (JPY) | 19.38 | 9.99 | (48.5) |
| Net assets | 519.8 | 509.5 | (2.1) |
| Equity ratio | 70.6% | 72.7% | 2.1 |
| Dividend per share (JPY) | 16 | 16 | 0 |

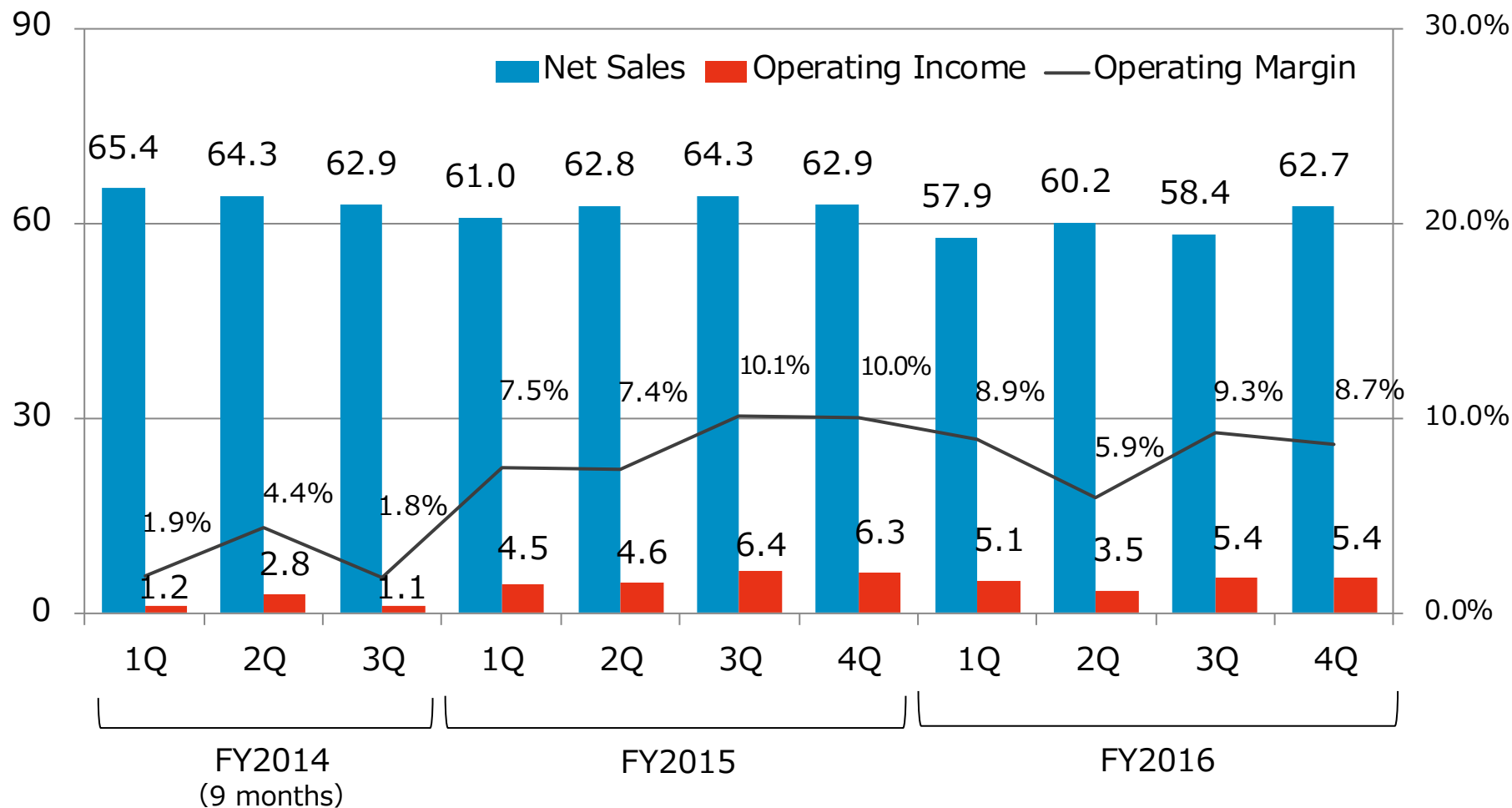
Topics on non-operating expenses, and extraordinary income/losses

- Foreign exchange losses (-3.8 billion JPY)
Revaluation of loan from parent company to subsidiaries in China mainly due to strong JPY/weak RMB
- Reversal of provision for special repairs (+8.9 billion JPY)
Cancellation of plans to repair some glass melting furnaces
Changes in accounting estimates of provisions for special repairs
- Impairment loss (-6.4 billion JPY)
Impairment losses on production facilities that are not expected to use in future
- Income taxes- deferred (-7.2 billion JPY)
Reversed some deferred tax assets due to tax reform
Based on non-consolidated performance in this fiscal year, reversed some deferred tax assets



Quarterly Trends

(Billions of JPY)



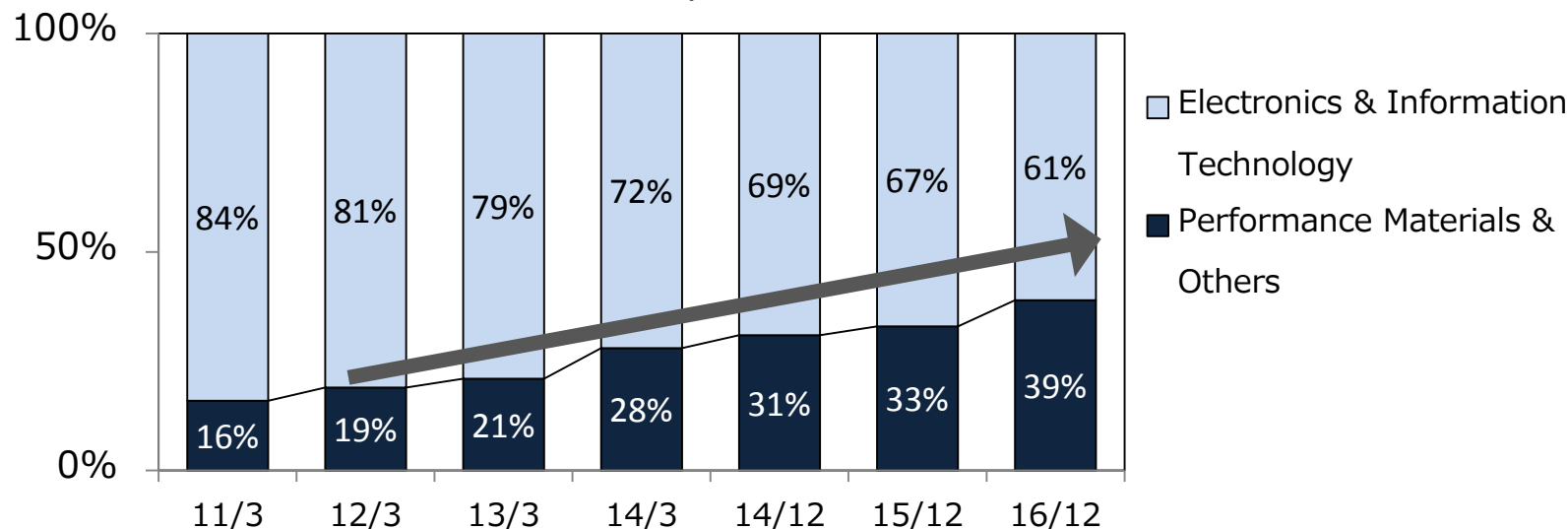


Sales by Business

(Billions of JPY)

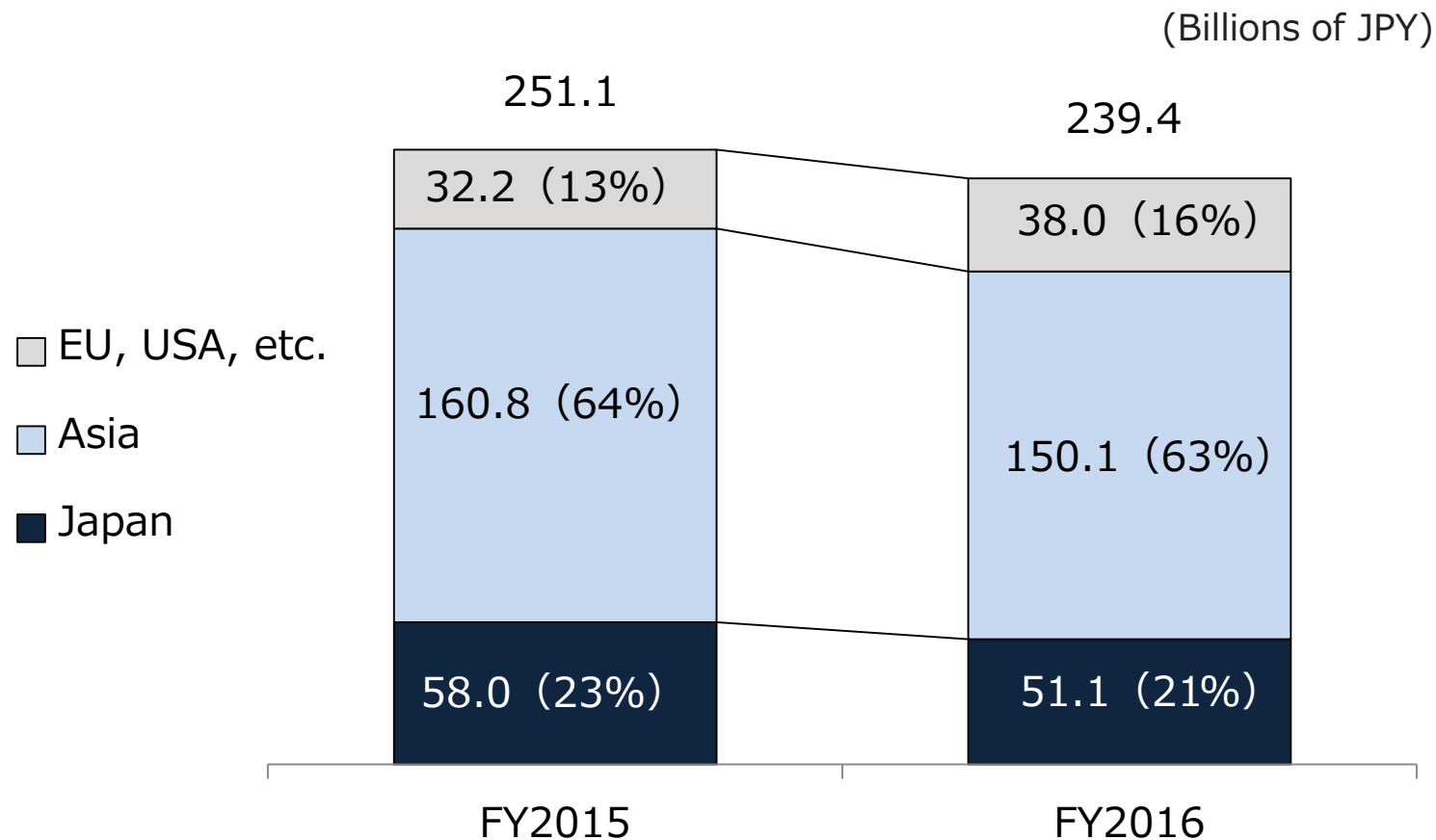
| | | FY2015 | | FY2016 | | Change |
|----------------|--------------------------------------|-----------|-------|-----------|-------|--------|
| | | Net sales | Ratio | Net sales | Ratio | % |
| Glass Business | Electronics & Information Technology | 167.0 | 67% | 147.1 | 61% | (12) |
| | Performance Materials & Others | 84.1 | 33% | 92.2 | 39% | 10 |
| Total | | 251.1 | 100% | 239.4 | 100% | (5) |

Trend of sales by business





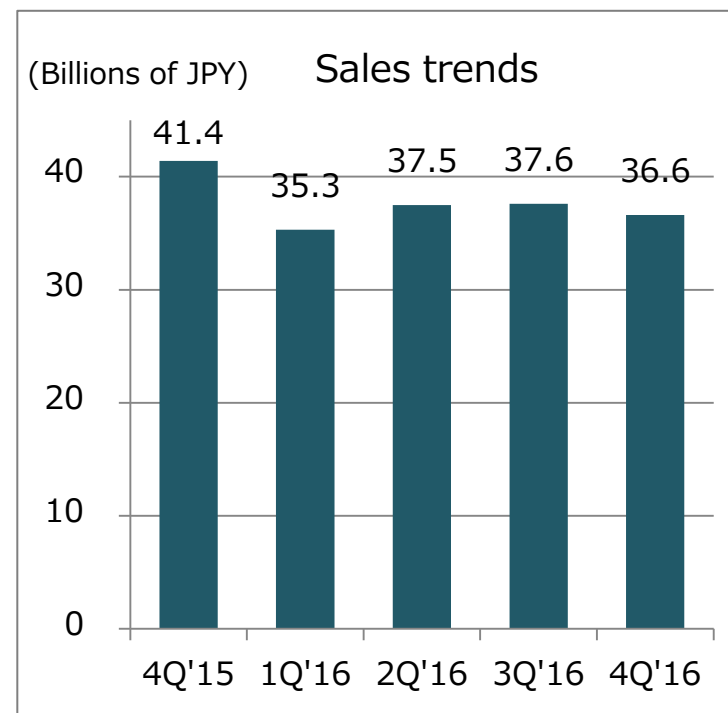
Sales by Region





Sales - Electronics & Information Technology

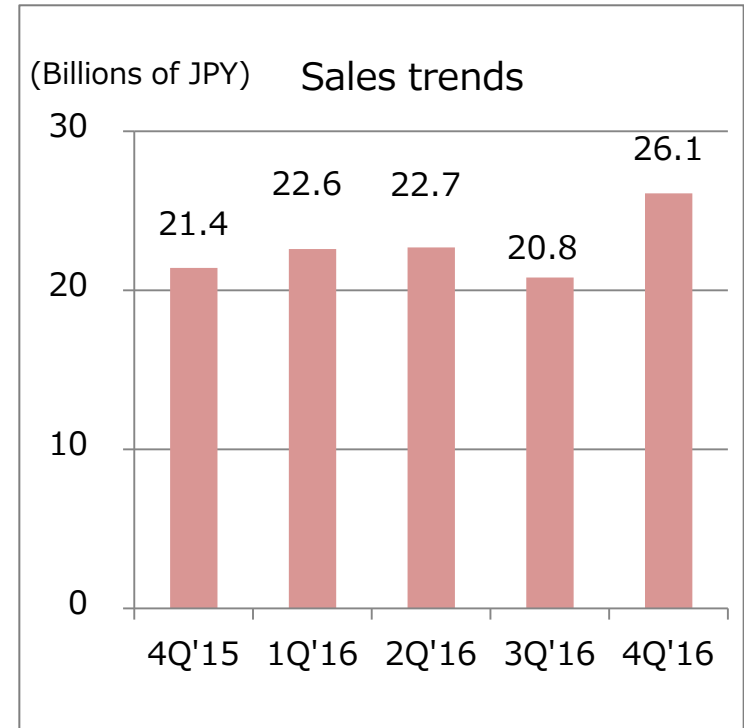
- Glass for LCDs:
(YoY)— Shipments increased but price fell
(4Q) { Volume: Declined by a low single-digit % from 3Q
Price: declined moderately
- Cover glass <Dinorex®> : Sluggish
- Glass for solar cells: Stable
- Glass for optical and electronic devices:
 - For image sensors: Steady
 - For optical devices: A slowdown in part of the communications infrastructure market, but firm overall
 - Applications for general-purpose electronic parts: Firm
 - For others: Contributions of newly developed products such as WSG





Sales – Performance Materials & Others

- Glass fiber:
 - Influenced by customers' inventory adjustment from 3Q, but generally firm
 - Contributions from former PPG's European business in 4Q
 - Higher production efficiency contributed to profits
- Others:
 - Heat Resistant Glass:
 - Extended business mainly abroad, but influenced by strong JPY
 - Glass for medical use:
 - Slow expansion in Chinese market
 - Building materials:
 - 2Q~3Q slow down





Consolidated Balance Sheets

(Billions of JPY)

| | Dec 31, 2015 | Dec 31, 2016 | Change (%) |
|-------------------------------------|-----------------|-----------------|---------------|
| Current assets | 267.4 | 254.8 | (4.7) |
| Cash and deposits | 144.3 | 132.0 | (8.6) |
| Notes and accounts receivable-trade | 47.3 | 49.1 | 3.7 |
| Inventories | 64.1 | 60.4 | (5.9) |
| Others | 11.5 | 13.3 | 15.7 |
| Non-current assets | 459.5 | 439.0 | (4.5) |
| Property, plant and equipment | 386.0 | 367.3 | (4.8) |
| Intangible assets | 4.1 | 7.1 | 71.6 |
| Investments and other assets | 69.3 | 64.4 | (7.0) |
| Total assets | 726.9 | 693.9 | (4.5) |

| | Dec 31, 2015 | Dec 31, 2016 | Change (%) |
|-----------------------------------------|-----------------|-----------------|---------------|
| Liabilities | 207.1 | 184.3 | (11.0) |
| Notes and account payable-Trade | 29.5 | 31.6 | 6.8 |
| Interest-bearing debts | 109.7 | 101.9 | (7.0) |
| Accrued income taxes | 3.4 | 1.3 | (60.9) |
| Reserve for special repairs | 31.6 | 23.1 | (26.9) |
| Others | 32.7 | 26.2 | (19.7) |
| Net assets | 519.8 | 509.5 | (2.0) |
| Shareholders' equity | 493.6 | 490.6 | (0.6) |
| Accumulated other comprehensive income | 19.5 | 13.6 | (30.2) |
| Minority interests | 6.5 | 5.2 | (19.8) |
| Total liabilities and net assets | 726.9 | 693.9 | (4.5) |

■ Current assets

Cash & deposits (–) Payment of facility charges for overseas subsidiaries

■ Non-current assets

Property, plant & equipment (–) Decrease in the value of foreign currency-denominated assets (–)
 Depreciation (–), impairment losses (–)
 New facility in overseas subsidiaries (+)
 Intangible assets (+) Goodwill in overseas subsidiaries (+)

■ Liabilities

Provision for special repairs(–) Cancellation of furnace repair (–)
 Changes in accounting estimates of provisions for special repairs (–)

■ Net assets

Shareholders' equity (–) Dividends (–) , Profit (+)
 Accumulated other comprehensive income (–) Foreign currency translation adjustment (–)



Consolidated Statements of Cash Flows

(Billions of JPY)

| | FY2015 | FY2016 | Change |
|--------------------------------------------------------------------|---------------|---------------|---------------|
| Cash flows from operating activities | 46.7 | 48.2 | 1.4 |
| Profit before income taxes | 16.7 | 15.2 | (1.5) |
| Depreciation | 37.1 | 31.2 | (5.8) |
| Increase(decrease) in provision for special repairs | (1.2) | (8.5) | (7.3) |
| Decrease (increase) in inventories | (9.3) | 4.5 | 13.8 |
| Other, net | 3.3 | 5.7 | 2.3 |
| Cash flows from investing activities | (32.6) | (36.1) | (3.5) |
| Purchase of non-current assets | (44.5) | (27.6) | 16.9 |
| Payments for transfer of business | - | (12.4) | (12.4) |
| Other, net | 11.9 | 4.0 | (7.9) |
| Cash flows from financing activities | (7.8) | (17.6) | (9.7) |
| Cash dividends paid | (8.5) | (9.9) | (1.4) |
| Redemption of bonds | - | (10.0) | (10.0) |
| Other, net | 0.6 | 2.3 | 1.7 |
| Effect of exchange rate change on cash and cash equivalents | (2.2) | (2.1) | 0 |
| Net increase (decrease) in cash and cash equivalents | 4.0 | (7.6) | (11.7) |
| Cash and cash equivalents at end of period | 133.8 | 1.261 | (7.6) |

(CF from operating activities)

- Depreciation:
Decrease while high level CAPEX
- Provision for special repairs:
Changes in accounting estimates
- Inventories:
Decrease

(CF from investing activities)

- Non-current assets:
Purchase of assets in Xiamen etc.
- Payments for transfer of business:
Acquisition of PPG's Glass fiber business in Europe

(CF from financing activities)

- Dividends:
Dividends paid to non-controlling interests
- Redemption of bonds:
Redeemed bonds that had reached maturity

Forecasts of FY2017



Consolidated Earnings Forecasts (1)

FY2017

(Billions of JPY)

| | Sales | Operating Income | Ordinary Income | Profit Attributable to Owners of Parent |
|------------|-------|------------------|-----------------|-----------------------------------------|
| 2Q (accum) | 125.0 | 11.0 | 8.0 | 7.0 |
| Full year | 260.0 | 24.0 | 20.0 | 17.0 |
| FY2016 | 239.4 | 19.5 | 13.9 | 4.9 |
| Change | 8.6% | 22.6% | 43.2% | 242.1% |

(Outlook)

Summary

- Overseas: Pay attention to new US administration & Brexit, expect modest recovery in China
- Japan: Expect gradual recovery

Foreign exchange rate

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

Cost of Raw materials and fuels

- Fuel: Flat or slightly decline (assumption: \$50/bbl)
- Raw materials: Though partly price up, generally remain unchanged



Consolidated Earnings Forecasts (2)

= Electronics & Information Technology =

For display
(LCD)

- YoY: Solid market condition; sales promotion in China
1Q: Volume: Decline by a mid single-digit %
from 4Q (seasonal factors)
Price: Moderate decline

Cover glass
<Dinorex®>

- Continuous sales promotion aiming at new adoptions

For optical
and electronic
devices

- Sales of existing products
(optical devices, image sensors, phosphor-glass composite and WSG)
- Newly developed products
(glass frit for laser-sealing, IR absorbing filters)
- Take in the growth of home appliances and
automotive fields



Consolidated Earnings Forecasts (3)

= Performance Materials & Others =

| | |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Glass fibers | <ul style="list-style-type: none"> Contributions from production and sales of EGF UK and NL(former PPG's European business) Firm needs from the market |
| Medical | <ul style="list-style-type: none"> Sales expansion mainly in developing countries |
| Heat-resistant | <ul style="list-style-type: none"> Overseas sales promotion of, StellaShine™ (cooking appliance top plates) & Neoceram (window panels for stoves) |
| Building materials | <ul style="list-style-type: none"> Sales extension of FireLite (fire rated glass) |



CAPEX / Depreciation

CAPEX

FY2016: 46.4 billion JPY

- Overseas production of glass substrate for LCD
- Reinforcement of glass fiber
- Strengthened production of glass tubing in Malaysia

FY2017: estimated 20 billion JPY

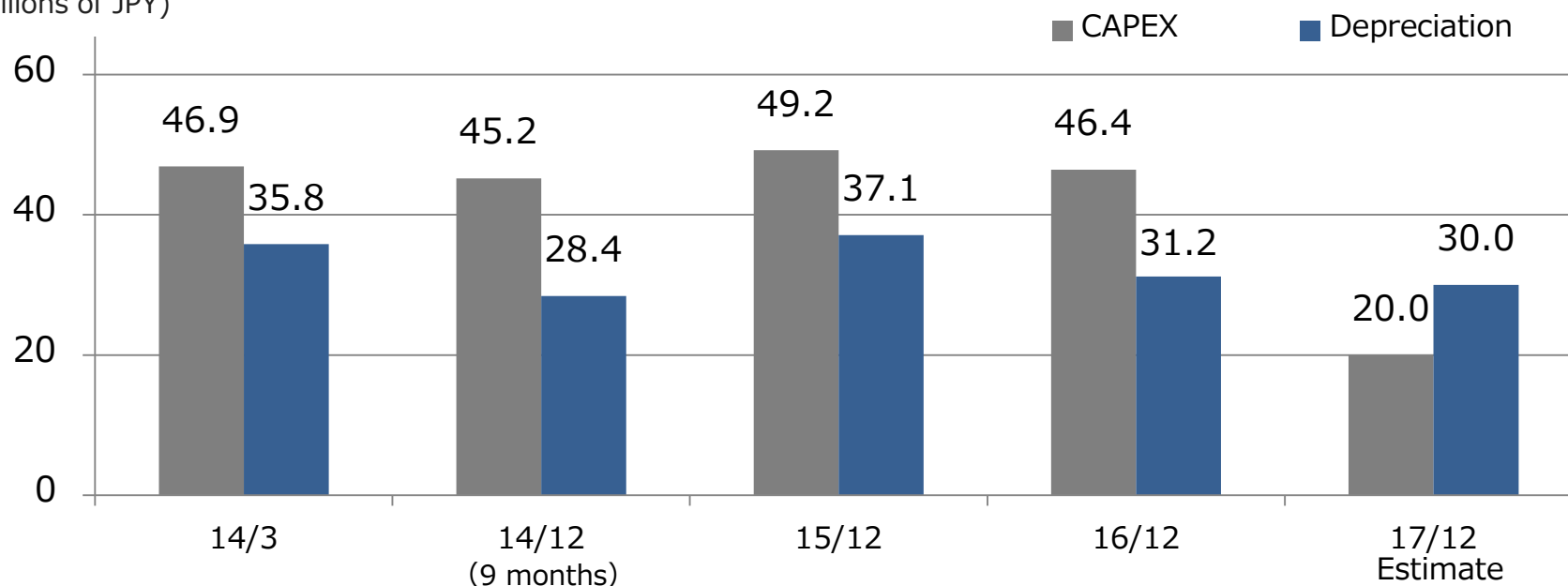
- Improvement in productivity and investment in new areas (not including Constructive Investments in EGP2018)

Depreciation

FY2016: 31.2 billion JPY

FY2017: 30 billion JPY

(Billions of JPY)



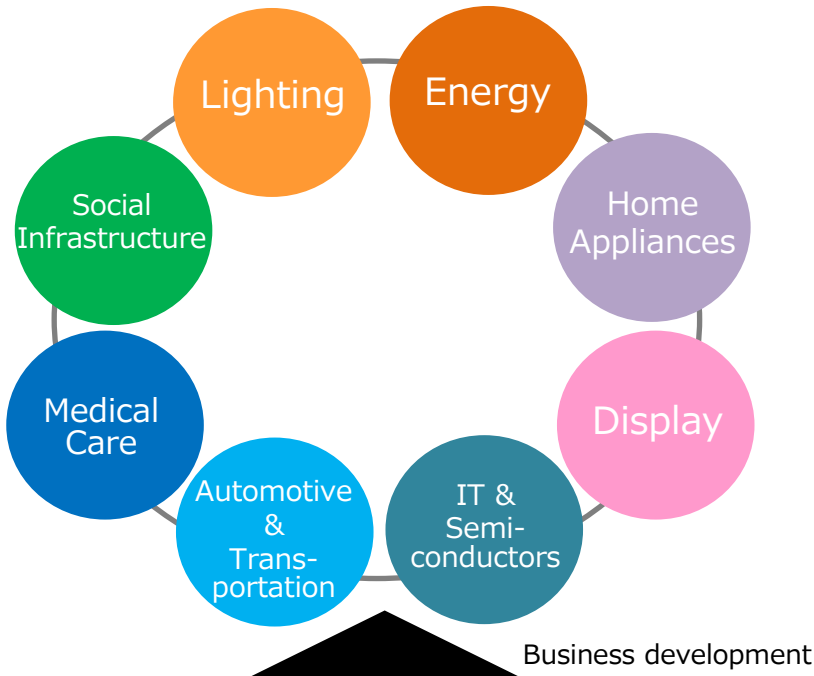
*14/12: including capital investments in overseas subsidiaries in January to March



R&D

R&D expense

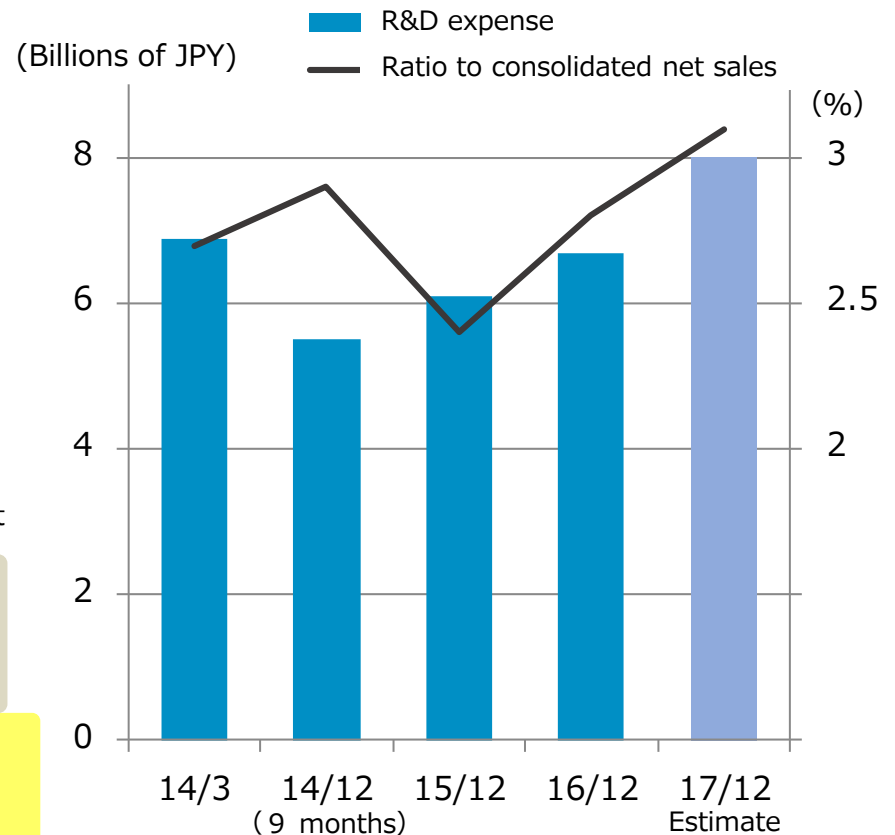
FY2017: 8.0 billion JPY (estimate), FY2016: 6.7 billion JPY



《Glass in wide variety of format and functions》
substrate, tube, sphere, fiber, powder, forming goods, and "hybrid products"

《Base of cutting-edge technology》
Material design • Manufacturing process • Evaluation
+ Coating, etc.

Trends of R&D expense



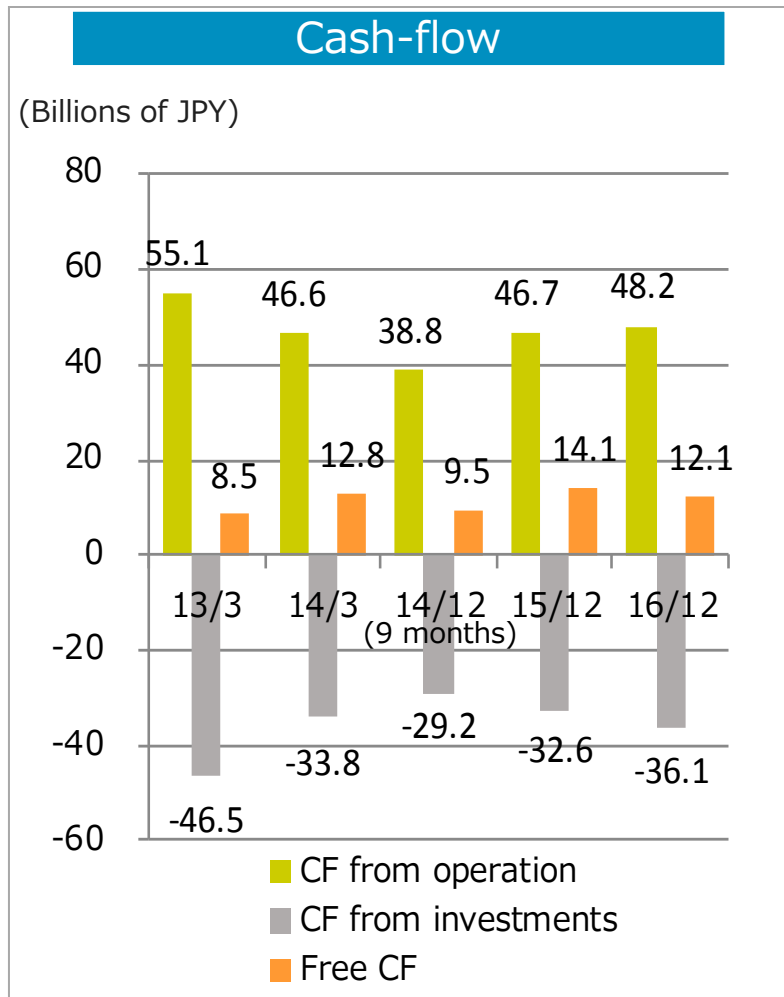
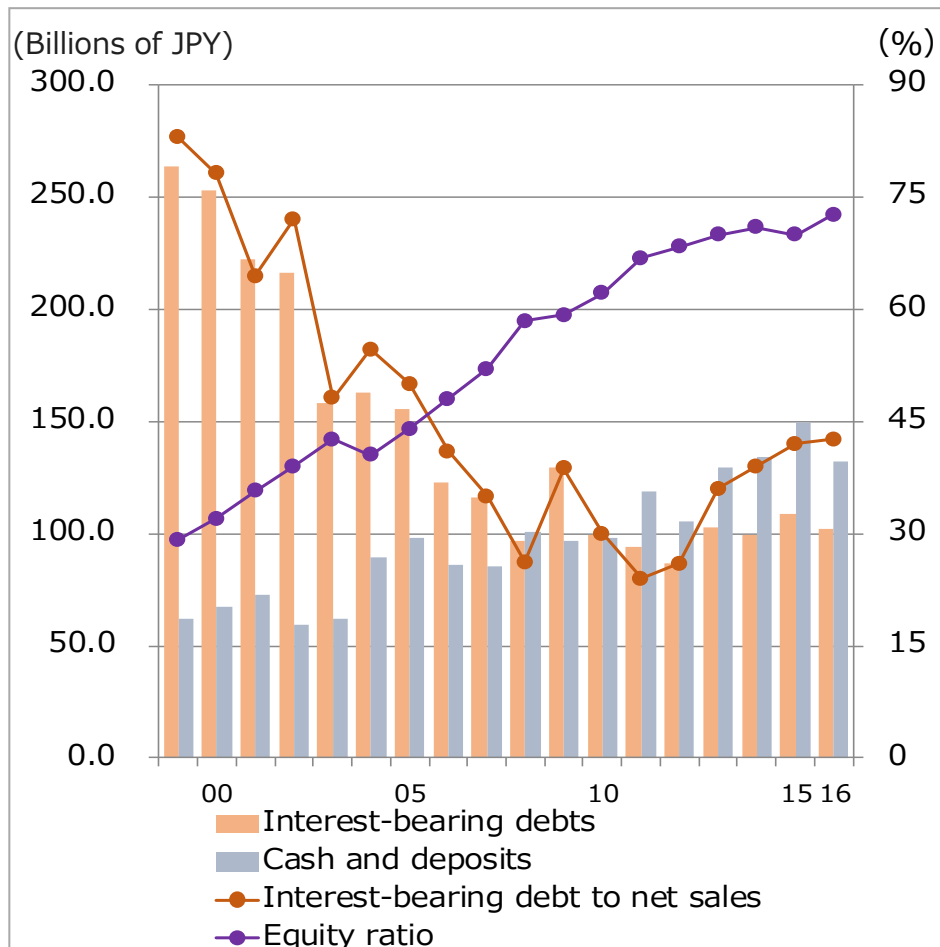
Interested-bearing debts, Equity ratio & CF Nippon Electric Glass

Interest-bearing debt

FY2016: 101.9 billion JPY (YoY -7.7 billion JPY)

Equity ratio

FY2016: 72.7% (YoY +2.1pt)





Profit allocation policy & Dividends

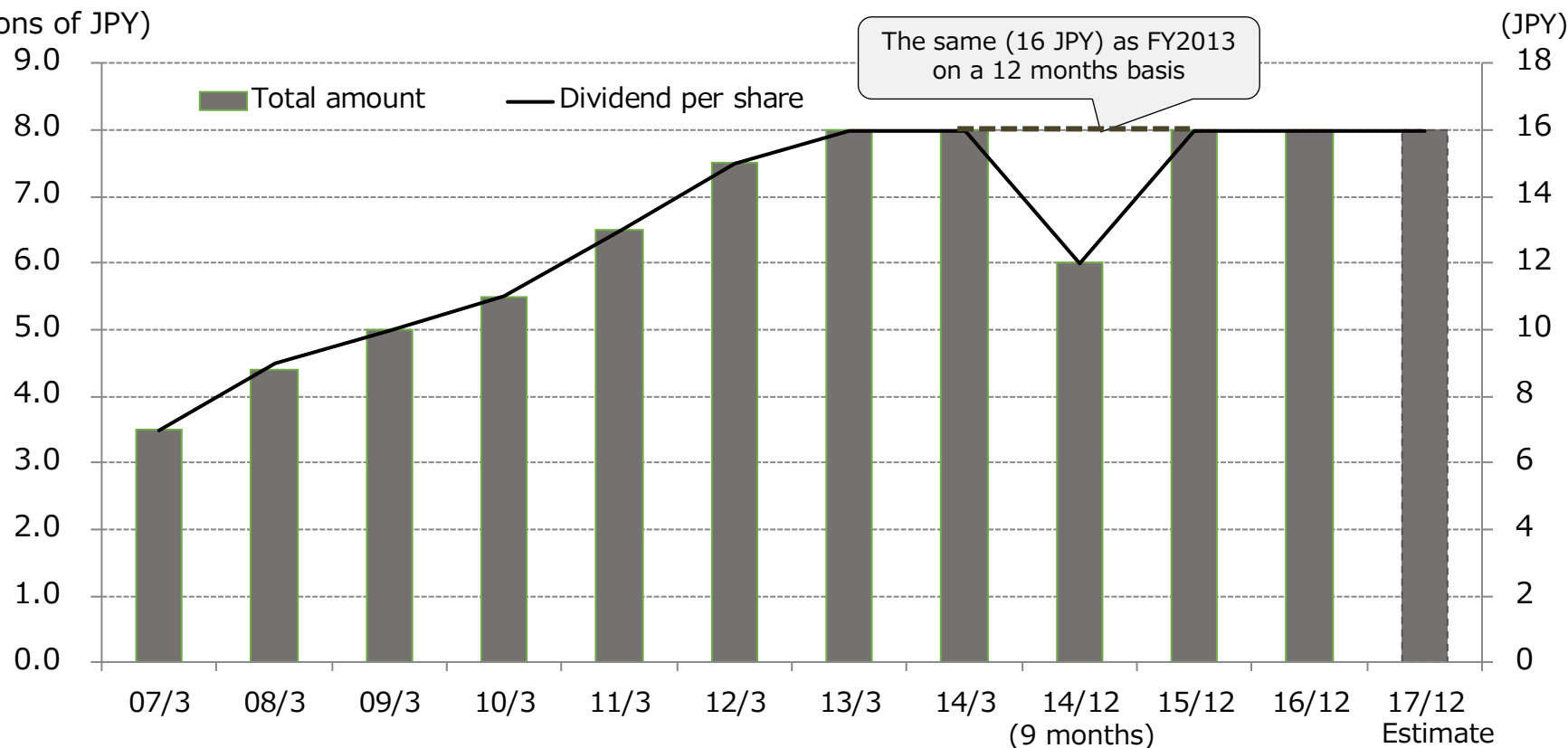
Profit allocation policy

- 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 Year-end: 8 JPY per share (16 JPY per share/annum)
- Consideration of dividend increase based on the business performance



(Billions of JPY)



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



Reduction in Investment Units

| | Before | | After |
|------------------------------------|----------------|-------------------------------------------------------------------------------------|--------------|
| Revision of share trading units | 1,000 shares |  | 100 shares |
| Share Consolidation | 1 for 5 shares | | |
| Total numbers of authorized shares | 1.2 billion |  | 0.24 billion |
| Effective on | July,1 2017 | | |

※ On the condition of the approval in 98th Ordinary General Meeting of Shareholders on March 30, 2017.

Progress in the Medium-term Business Plan “EGP2018”



Medium-term Business Plan “EGP2018”

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 : Electric Glass Prospects



Medium-term Business Plan "EGP2018"

Management targets (Consolidated basis)

- Net sales : **300 billion JPY**

(Breakdown)

Electronics and Information Technology : **170 billion JPY**

(glass for displays, glass for optical and electronic devices, etc.)

Performance Materials and Others : **130 billion JPY**

(glass fiber, medical care, heat-resistant, building materials, etc.)

- Operating income: **30 billion JPY**

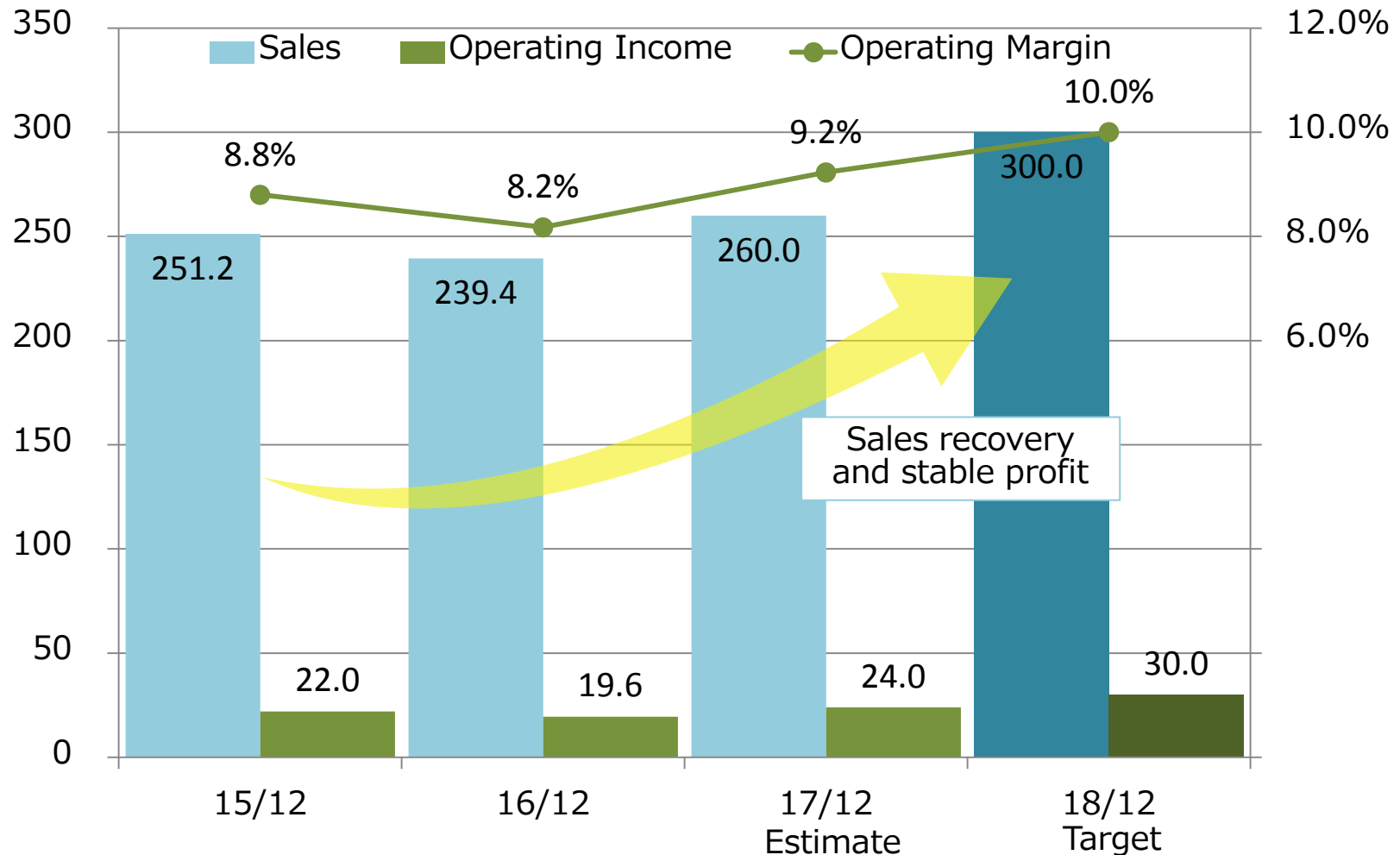
- Operating profit margin: **10%**

Sales Recovery and Profit Improvement



(Trends of sales, operating income and operating margin)

(Billions of JPY)

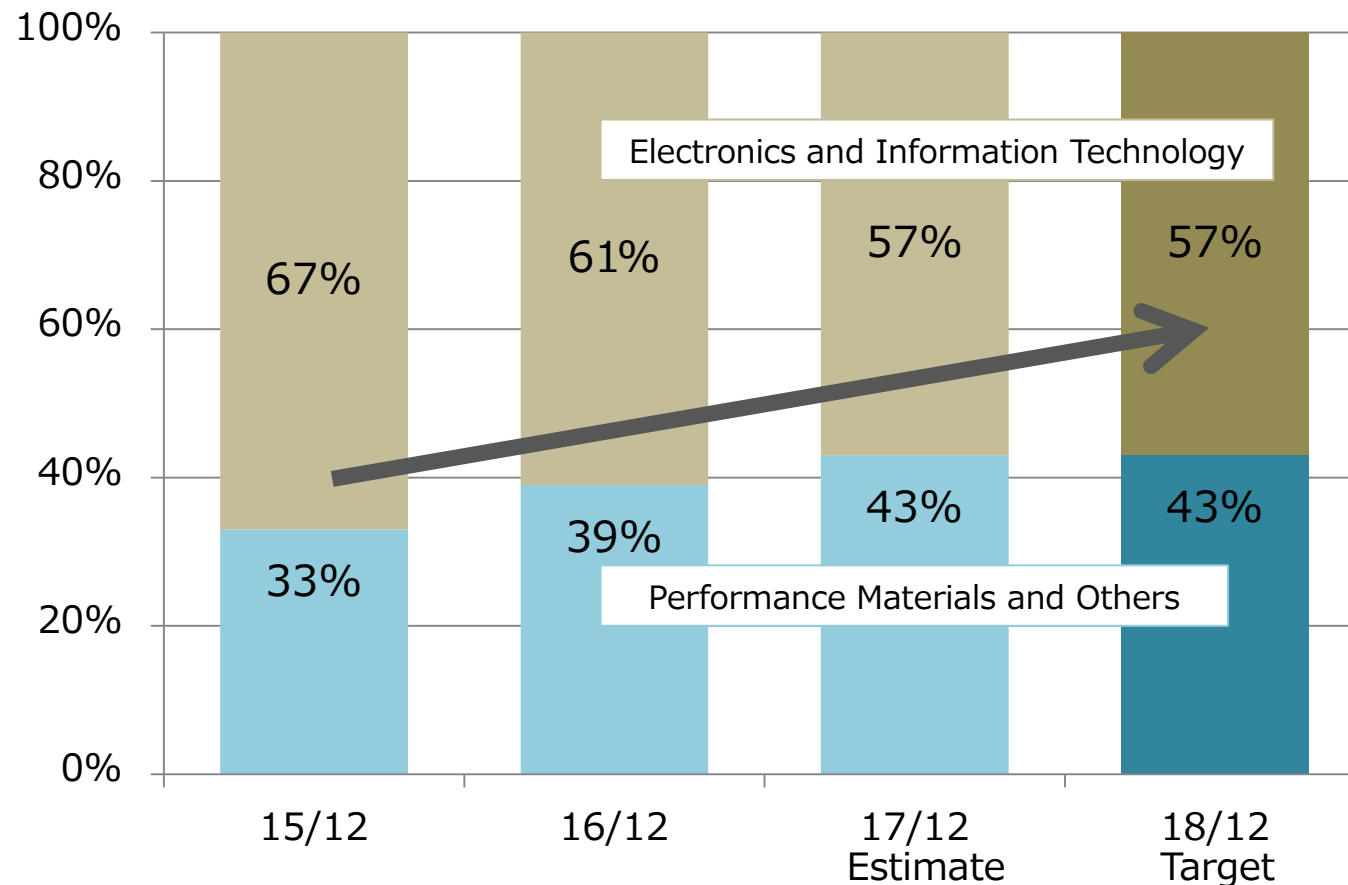




Reformation of Business Portfolio

(Trend of sales by business)

Carry out reforms to achieve balanced business portfolio
~ Return to growth track





Main Progress & Issues

① Strengthen profitability of "display" related business

Progress

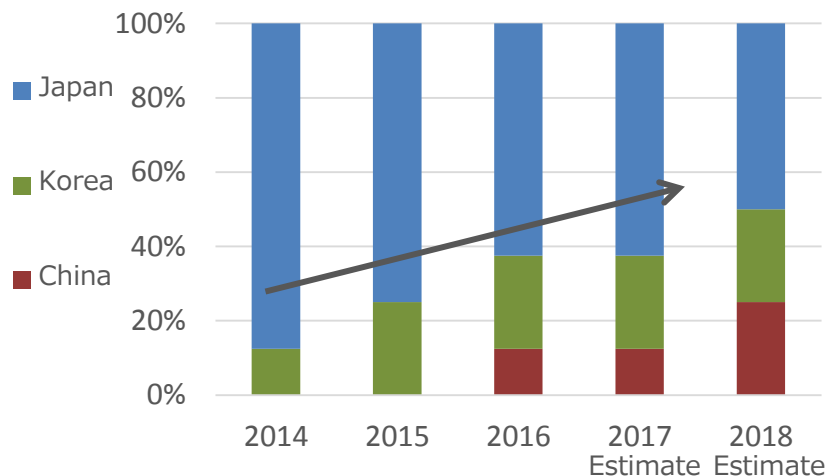
- Cost improvements due to mass production in Xiamen
- Repairs and investments aimed at reinforcing facilities
- Efforts to strengthen business in China (JV in Fuzhou, decision on Xiamen Phase-2)
- Improved productivity company-wide

Issues

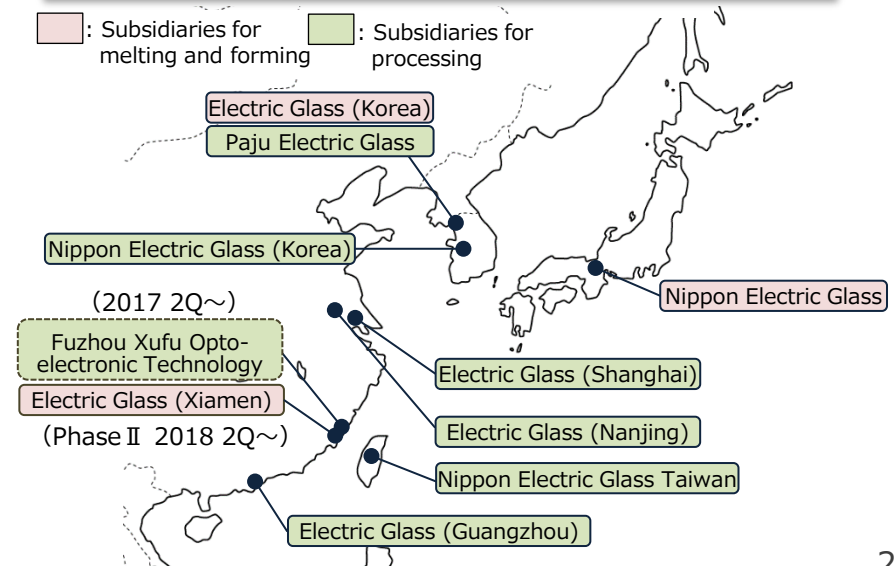
- Continued efforts in Chinese market
- Response to LCD panel manufacturers' plans to increase production

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

Smoothly transferring production overseas



Overseas production of display business





Main Progress & Issues

② Expand business related to "performance materials, optical and electronic devices and medical care, heat-resistant, and building materials" — 1

(Glass Fiber)

Progress

- Expanded business through M&A and other efforts (PPG Europe)
- Increased share of existing products

Issues

- Consider ways of reaching sales of 100 billion JPY
- Continue with M&A and alliance strategy
- Product development and expansion of sales channels (roving, etc.)

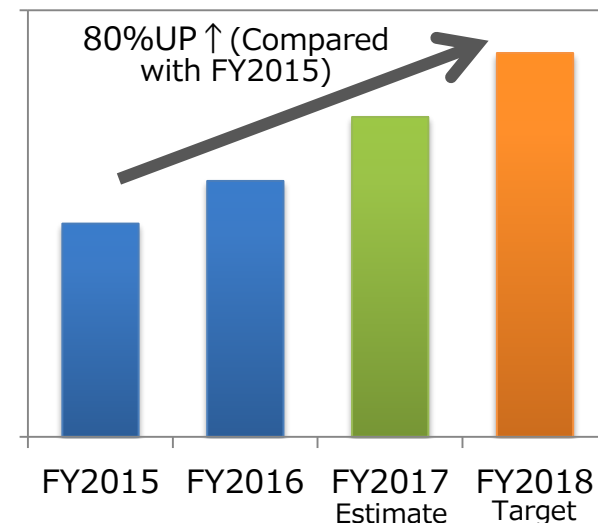


Electric Glass Fiber NL, B.V.



Electric Glass Fiber UK, Ltd.

Sales growth image of glass fiber





Main Progress & Issues

② Expand business related to "performance materials, optical and electronic devices and medical care, heat-resistant, and building materials" — 2

Progress

- Negative impact of strong JPY and deteriorating market conditions
- Capital participation in NS Materials
- Contribution of newly developed products to earnings (WSG, others)

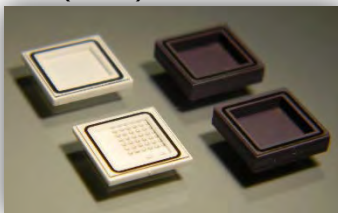
Issues

- Continue with M&A and alliance strategy
- Expand sales of glass tubing for pharmaceutical and medical use in China
- Commercialize newly developed products and pursue new developments

Newly developed products



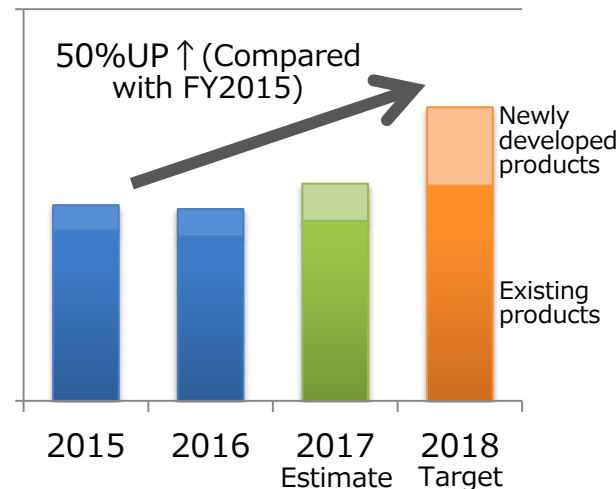
Glass for supporting semiconductor wafers (WSG)



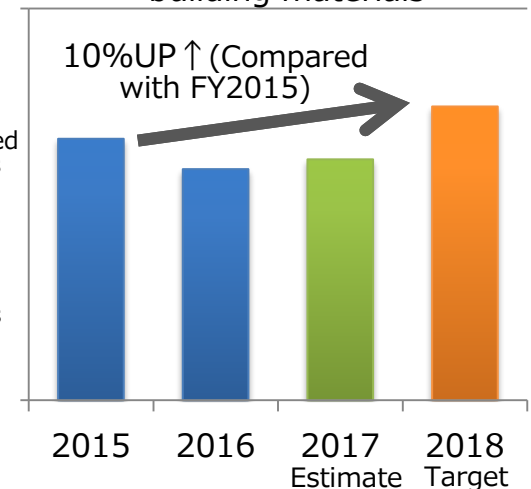
Applications of glass frit for laser-sealing

Sales growth image

Optical and electronic devices



Medical care, heat-resistant, and building materials



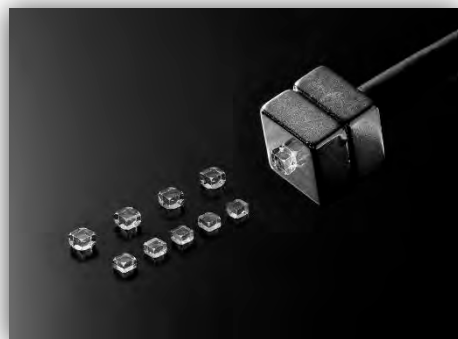


Main Progress & Issues

③ Reinforcement of R&D

Progress

- Development of new products and new materials
- Research on basic technology: Pursued collaboration with universities in Japan and overseas
- Intellectual property: Licensing-in and cross-licensing agreements



Magneto-optical glass



Black copper mesh touch sensor sheet using G-Leaf

Issues

- Matching characteristics of innovative glass and customer needs
- Consider possibility of mass production

The number of published patent applications in the field of inorganic material/metallurgy (2014)

| Ranking | Applicant | Number |
|---------|-------------------------------|--------|
| 1 | JFE Steel | 445 |
| 2 | Nippon Steel & Sumitomo Metal | 360 |
| 3 | KOBELCO | 244 |
| 4 | Asahi Glass | 149 |
| 5 | Sumitomo Metal Mining | 121 |
| 6 | Nippon Electric Glass | 112 |
| 7 | JX Nippon Mining & Metals | 100 |
| 8 | Mitsubishi Materials | 86 |
| 9 | Hitachi Metals | 82 |
| 10 | Toyota Motor | 81 |
| 11 | Sumitomo Electric | 80 |
| 12 | UACJ | 69 |
| 13 | Corning | 63 |
| 14 | Panasonic | 57 |
| 15 | Taiheiyo Cement | 56 |
| 16 | Denka | 52 |
| 17 | Mitsubishi Heavy Industries | 49 |
| 18 | Tosoh | 46 |
| 19 | Honda Motor | 45 |
| 20 | NGK Insulators | 45 |

- Japan Patent Office annual report 2016



Main Progress & Issues

④ Constructive investments

Progress

- Acquisition of PPG's fiber business in Europe
108 million EUR (approx. 13.0 billion JPY)
- Capital participation in NS Materials
740 million JPY
- Joint venture with Tunghsu in Fuzhou
700 million RMB x 40%
(approx. 4.5 billion JPY)

Issues

- Realize synergies with new bases in Europe
- Development of new products related to quantum dot phosphor
- Smooth launch of new processing plant and expanded sales channels for BOE

Strategies of M&A and alliance are in progress.

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 |

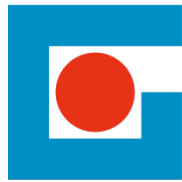
Corporate Information

| | |
|-------------------------|---------------------------------------------------------------------------------------------------|
| 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