

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on July 29, 2022 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



MEMBERSHIP

July 29, 2022

CONSOLIDATED FINANCIAL RESULTS for the Second Quarter of the Year Ending December 31, 2022 (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: Motoharu Matsumoto, President and Representative Director
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Scheduled date to file quarterly report: August 12, 2022
 Scheduled date to commence dividend payments: August 31, 2022
 Supplementary material on quarterly financial results: Yes
 Quarterly financial results presentation meeting: Yes (conference call 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, 2022 (From January 1, 2022 to June 30, 2022)

(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, 2022	172,771	21.4	19,157	25.0	29,734	30.4	24,417	80.4
June 30, 2021	142,344	23.4	15,332	97.4	22,811	231.1	13,533	98.3

Note: Comprehensive income:

For the six months ended June 30, 2022: 46,680 million yen [108.6%]
 For the six months ended June 30, 2021: 22,378 million yen [-%]

	Earnings per share	Diluted Earnings per share
For the six months ended	yen	yen
June 30, 2022	262.46	-
June 30, 2021	140.03	-

Note: "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations has been applied from the beginning of the first quarter of the fiscal year ending December 31, 2022, and relevant figures for the six months ended June 30, 2022 are after the application of said accounting standards and others.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
June 30, 2022	759,514	540,420	70.6
December 31, 2021	698,129	499,742	70.9

Reference: Equity:

As of June 30, 2022: 536,038 million yen

As of December 31, 2021: 495,070 million yen

Note: "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations has been applied from the beginning of the first quarter of the fiscal year ending December 31, 2022, and relevant figures for the six months ended June 30, 2022 are after the application of said accounting standards and others.

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, 2021	-	50.00	-	60.00	110.00
For the year ending December 31, 2022	-	60.00	—	—	—
For the year ending December 31, 2022 (Forecasts)	—	—	-	60.00	120.00

Note: Revision of the forecasts most recently announced: None

3. Consolidated earnings forecasts for the year ending December 31, 2022 (From January 1, 2022 to December 31, 2022)

(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, 2022	330,000	13.0	37,000	12.9	37,000	(17.7)	30,000	7.5	322.43

Note: Revision of the forecasts most recently announced: None

*** 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: Yes
 - B. Changes in accounting policies due to other reasons: None
 - C. Changes in accounting estimates: None
 - 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, 2022	99,523,246 shares
As of December 31, 2021	99,523,246 shares

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

As of June 30, 2022	6,480,328 shares
As of December 31, 2021	6,495,982 shares

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

For the six months ended June 30, 2022	93,033,919 shares
For the six months ended June 30, 2021	96,648,184 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, 2022)

A. Overview

The global economy made progress toward the normalization of socioeconomic activities in major countries amid the spread of the novel coronavirus disease. At the same time, the risk of an economic downturn has been increasing due to rising raw material and fuel prices, supply constraints, etc., and the outlook has become increasingly uncertain. In the domestic economy, although there were signs of improvement in corporate earnings and personal consumption, there was a rapid weakening of the yen, in addition to the rise in raw material and fuel prices, leading to an increase in the prices of commodities.

Under these circumstances, net sales for the first half of the fiscal year (from January 1 to June 30, 2022) exceeded those of the same period of the previous fiscal year (from January 1 to June 30, 2021) due to strong performance of glass fiber, heat-resistant glass and other products despite a significant slowdown for glass for flat panel displays (FPDs) due to the impact of inventory adjustments by customers in the second quarter of the fiscal year (from April 1 to June 30, 2022).

In terms of profit/loss, both operating profit and ordinary profit exceeded those of the same period of the previous fiscal year. Profit attributable to owners of parent was significantly higher than that of the same period of the previous fiscal year due to an increase in ordinary profit, along with the recording of insurance claim income, etc.

As a change in accounting policy, “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations has been applied from the beginning of the first quarter of the fiscal year ending December 31, 2022. As a result, year on year comparisons are based on figures calculated using different standards.

B. Operating results

(Billions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022	Change (%)
Net sales	142.3	172.7	21
Operating profit	15.3	19.1	25
Ordinary profit	22.8	29.7	30
Profit attributable to owners of parent	13.5	24.4	80

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Six months ended June 30, 2021		Six months ended June 30, 2022		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	73.6	52	83.6	48	9.9	14
	Performance Materials and Others	68.6	48	89.1	52	20.4	30
Total		142.3	100	172.7	100	30.4	21

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronic and Information Technology:

Although sales of glass for FPDs, mainly for 10.5 generation size glass, were strong in the first quarter of the fiscal year (from January 1 to March 31, 2022), sales were sluggish in the second quarter due to the impact of inventory adjustments by customers. Demand for glass for optical and electronic devices remained strong for use in home appliances, semiconductors, and auto parts. As a result, net sales of Electronics and Information Technology increased from the same period of the previous fiscal year.

Performance Materials and Others:

For glass fiber, product price revisions progressed amid firm demand mainly for high-performance resin used in auto parts. Heat-resistant glass continued to enjoy robust demand overseas, and domestic demand also recovered in the second quarter. Sales of glass tubing for pharmaceutical and medical use and glass for building materials were also firm. As a result, sales of Performance Materials and Others exceeded those of the same period of the previous fiscal year.

(Profit/loss)

In addition to the increase in net sales, operating profit exceeded that of the same period of the previous fiscal year as a result of the Company's ability to limit the impact of increased costs, primarily for raw materials and fuel, mainly by reflecting some of the cost increases in product prices. Ordinary profit was also higher than that of the same period of the previous fiscal year mainly due to an increase in foreign exchange gains attributable to revaluation of receivables and payables related to borrowings of overseas subsidiaries in non-operating income. Profit attributable to owners of parent was significantly higher than that of the same period of the previous fiscal year mainly due to the above factors contributing to increased profits as well as the recording of extraordinary income on insurance claim income related to power outages at domestic plants in 2020.

**(2) Information regarding consolidated earnings forecasts and other forward-looking statements
(Consolidated earnings forecasts for the year ending December 31, 2022)**

(Billions of yen)

	Year ending December 31, 2022
Net sales	330.0
Operating profit	37.0
Ordinary profit	37.0
Profit attributable to owners of parent	30.0

Note: Amounts less than 100 million yen are omitted.

The outlook for the global economy is expected to remain uncertain mainly due to the impact of accelerating inflation and geopolitical risks. For glass for FPDs, it is expected to take some time for capacity utilization rates of customers to recover. For glass fiber, demand for high-performance resin used in auto parts is forecast to weaken in the latter part of the second half of the fiscal year, but shipments for wind turbine blades for wind power generation and for household equipment and building material applications are expected to be strong. In terms of profit/loss, although we will need to closely monitor raw material and fuel prices, logistics costs, exchange rate trends and other factors, we will strive to maintain profitability by matching production to demand trends and through initiatives such as improvements in productivity and cost reductions.

In light of the above outlook, the full-year consolidated earnings forecast for the fiscal

year ending December 31, 2022 is left unchanged from the previous forecast (February 2, 2022).

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, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	134,974	131,592
Notes and accounts receivable - trade	59,579	-
Notes and accounts receivable - trade, and contract assets	-	66,661
Electronically recorded monetary claims - operating	1,033	1,212
Merchandise and finished goods	32,045	42,092
Work in process	1,340	1,730
Raw materials and supplies	28,714	38,487
Other	7,001	7,646
Allowance for doubtful accounts	(177)	(209)
Total current assets	264,512	289,212
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	78,152	85,576
Machinery, equipment and vehicles, net	261,119	291,582
Other, net	41,008	41,091
Total property, plant and equipment	380,280	418,251
Intangible assets	4,958	5,463
Investments and other assets		
Other	48,394	46,602
Allowance for doubtful accounts	(17)	(15)
Total investments and other assets	48,377	46,587
Total non-current assets	433,617	470,302
Total assets	698,129	759,514

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,539	49,365
Short-term borrowings	24,910	28,851
Current portion of bonds payable	10,000	10,000
Income taxes payable	8,704	6,611
Other provisions	281	173
Other	31,498	35,899
Total current liabilities	117,934	130,901
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	39,911	45,919
Provision for special repairs	8,670	9,511
Other provisions	312	292
Retirement benefit liability	1,213	1,349
Other	10,342	11,120
Total non-current liabilities	80,451	88,193
Total liabilities	198,386	219,094
Net assets		
Shareholders' equity		
Share capital	32,155	32,155
Capital surplus	34,294	34,256
Retained earnings	429,354	448,191
Treasury shares	(20,120)	(20,071)
Total shareholders' equity	475,684	494,531
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,104	15,487
Deferred gains or losses on hedges	172	(958)
Foreign currency translation adjustment	2,108	26,977
Total accumulated other comprehensive income	19,385	41,506
Non-controlling interests	4,672	4,381
Total net assets	499,742	540,420
Total liabilities and net assets	698,129	759,514

(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, 2021	Six months ended June 30, 2022
Net sales	142,344	172,771
Cost of sales	104,781	120,956
Gross profit	37,563	51,815
Selling, general and administrative expenses	22,231	32,657
Operating profit	15,332	19,157
Non-operating income		
Interest income	305	356
Dividend income	695	877
Foreign exchange gains	5,393	9,926
Other	2,070	844
Total non-operating income	8,465	12,006
Non-operating expenses		
Interest expenses	255	341
Loss on retirement of non-current assets	273	673
Other	457	414
Total non-operating expenses	986	1,429
Ordinary profit	22,811	29,734
Extraordinary income		
Insurance claim income	1,392	4,187
Other	1,990	728
Total extraordinary income	3,382	4,915
Extraordinary losses		
Loss on accident	6,191	-
Other	310	-
Total extraordinary losses	6,502	-
Profit before income taxes	19,691	34,650
Income taxes	6,028	10,090
Profit	13,662	24,559
Profit attributable to non-controlling interests	128	141
Profit attributable to owners of parent	13,533	24,417

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	13,662	24,559
Other comprehensive income		
Valuation difference on available-for-sale securities	487	(1,616)
Deferred gains or losses on hedges	(214)	(1,131)
Foreign currency translation adjustment	8,242	24,462
Share of other comprehensive income of entities accounted for using equity method	199	407
Total other comprehensive income	8,715	22,121
Comprehensive income	22,378	46,680
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,249	46,538
Comprehensive income attributable to non-controlling interests	128	141

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

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	19,691	34,650
Depreciation	12,624	13,496
Loss (gain) on sale of investment securities	(1,990)	(544)
Increase (decrease) in provision for special repairs	679	840
Foreign exchange losses (gains)	(4,319)	(6,754)
Decrease (increase) in trade receivables	(327)	-
Decrease (increase) in trade receivables and contract assets	-	(1,158)
Decrease (increase) in inventories	8,532	(15,388)
Increase (decrease) in trade payables	5,758	1,004
Income taxes paid	(2,967)	(10,587)
Other, net	65	(1,392)
Net cash provided by (used in) operating activities	37,747	14,166
Cash flows from investing activities		
Proceeds from sale of investment securities	2,870	729
Purchase of non-current assets	(14,411)	(26,022)
Other, net	348	25
Net cash provided by (used in) investing activities	(11,192)	(25,267)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,437)	906
Proceeds from long-term borrowings	6,092	9,771
Repayments of long-term borrowings	(24,779)	(2,937)
Proceeds from issuance of bonds	10,000	-
Dividends paid	(4,832)	(5,580)
Dividends paid to non-controlling interests	(353)	(432)
Other, net	(609)	(513)
Net cash provided by (used in) financing activities	(15,919)	1,213
Effect of exchange rate change on cash and cash equivalents	2,374	6,457
Net increase (decrease) in cash and cash equivalents	13,009	(3,429)
Cash and cash equivalents at beginning of period	121,215	134,723
Cash and cash equivalents at end of period	134,225	131,293