

Financial Results For FY2021

(Ending December 31, 2021)

- New Medium-term Business Plan “EGP2026” -

Investor Meeting
February 3, 2022

Nippon Electric Glass Co., Ltd.

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Financial Results for FY2021 & Review on Former Medium-term Business Plan “EGP2021”

Summary of Financial Results

(Billions of JPY)

	FY2020	FY2021	Change (%)
Net sales	242.8	292.0	20.2
Operating profit	17.6	32.7	85.6
Operating margin	7.3%	11.2%	
Ordinary profit	19.1	44.9	135.4
Extraordinary income/loss	0.7	(5.8)	-
Profit attributable to owners of parent	15.2	27.9	83.0
Earnings per share (JPY)	¥157.84	¥290.98	84.4
Net assets	476.9	499.7	4.8
Equity ratio	71.7%	70.9%	-
Dividend per share (JPY)	¥100	¥110	10.0

Summary of “EGP2021”

Achieved the growth of net sales and profits, and steadily strengthened the Company's structure, despite the continuing severe business environment, including the spread of COVID-19.

FY2021	(Targets)	(Results)	Review
Net sales (billion yen)	300.0	292.0	Achieved the target level
Operating profit (billion yen)	25.0	32.7	Exceeded the target
Operating margin (%)	8	11.2	Exceeded the target

- **Glass for FPDs:**

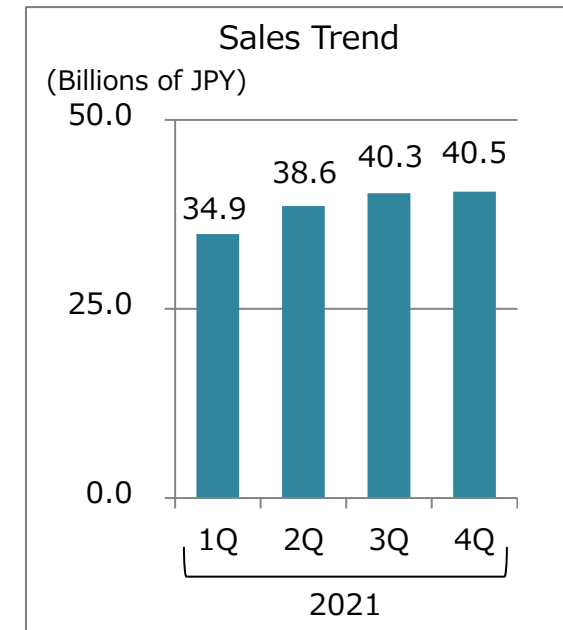
- Improving profitability by deploying innovative manufacturing processes
- Strengthening business foundation through aggressive investment (Xiamen, China)
- Full-scale shipment of G10.5

- **Glass for electronic devices:**

- Strong sales, mainly powder glass for home appliances
- LTCC (Low Temperature Co-fired Ceramics) joint venture business has started since 2019
- Progress in new product development and sales expansion in the fields of telecommunications, medical use, and semiconductors
(LTCC materials for 5G communication, glass for supporting semiconductor wafer, etc.)

- **Glass for optical devices:**

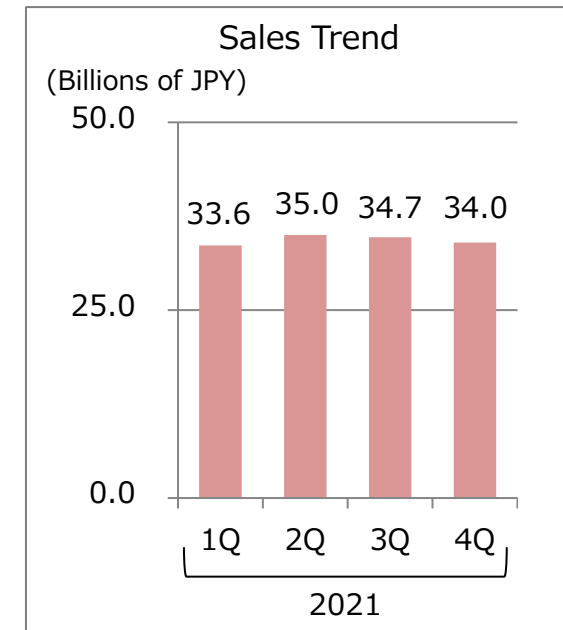
- For metro networks and communication base stations, sales to North America were strong, while sales to China were weak
- Strong sales for long-distance communications
- Product development for 5G communication (Ball lens with anti-reflection film coating etc.)



Sales – Performance Materials & Others

- **Glass fiber :**

- After being affected by COVID-19, the market recovered rapidly.
 - Restarted operations at an early stage, then achieved sales recovery
- Implemented production system restructure and organizational reforms while promoting restructuring centered on Europe and US sites
 - Built a foundation for future growth
(Consolidated US sites into 2 sites, etc.)



- **Others :**

- **Glass tubing for medical use :** Continued strong demand for mainly overseas market including for COVID-19 vaccine containers
 - Respond to market expansion by increasing Malaysia's capacity in 2020
- **Heat resistant glass :** Strong sales for stove in Europe and for cooking appliance in Japan
- **Building materials :** Strong overseas sales for fire rated glass, and started sales for new products such as large size fire rated glass

Research and Development

- Developed multiple new products under the integrated development structures for products, glass technologies, and manufacturing processes
- Made progress in developing products to support the future, including all-solid-state Na-ion secondary batteries
 Developments during “EGP2021” : 20 items
- Enhanced marketing functions
- Developed and horizontally rolled out innovative manufacturing processes



Smartphone operation experiment with an all-solid-state Na-ion secondary battery

Finance and Profit Return

- | | |
|--|--|
| • Maintaining financial soundness: | Keep the shareholder equity ratio in the 70% range
Continue stable operations and make aggressive investments even during the coronavirus pandemic. |
| • Improving asset efficiency: | Sell cross-holding shares, etc. |
| • Maintaining and increasing dividends: | Achieve a dividend on equity ratio (DOE) of 2% or higher.
Increase the dividend to 110 yen. |
| • Share repurchased: | Total number of shares 3,630,100 shares
Total amount 9,999,729 thousand yen
Period from October 1, 2021 to November 12, 2021 |

Outline of New Medium-term Business Plan “EGP2026”

Outline of the new medium-term business plan “EGP2026”

● Slogan

“Strong Growth” – Completing all work by changing ourselves and speeding up

● Basic policy

We aim to become the world’s leading manufacturer of special glass by strengthening our corporate structure and manufacturing the world’s most environmentally friendly glass.

● Period

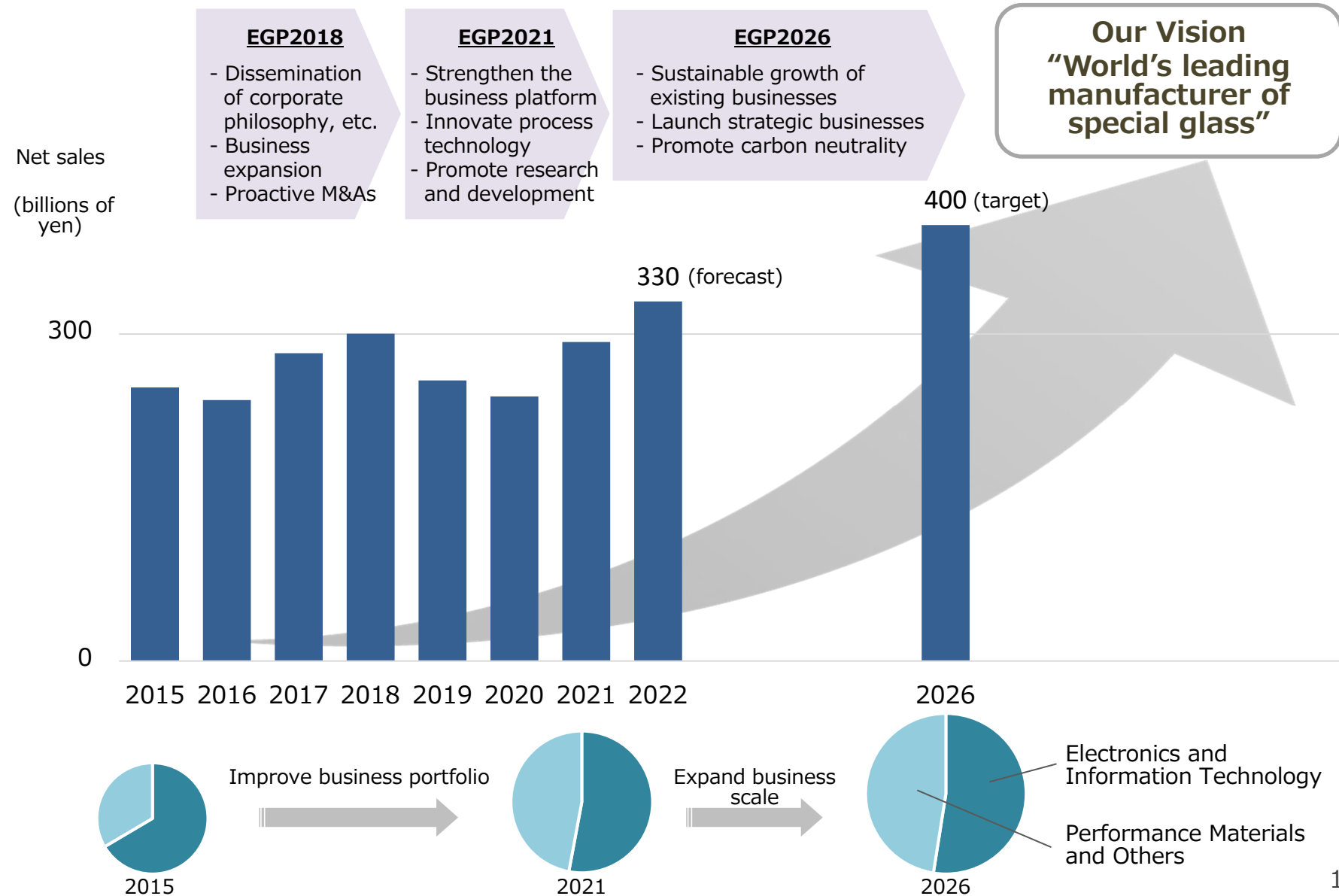
January 1, 2022 to December 31, 2026 (5 years)

● Management targets

Net sales	400 billion yen
	Electronics and Information Technology: 210 billion yen
	Performance Materials and Others: 190 billion yen
Operating profit	45 billion yen
Operating margin	11 %
Year to achieve targets	Fiscal 2026

In each business, steadily implementing strategies for growth to achieve targets.

Changes in the medium-term business plan

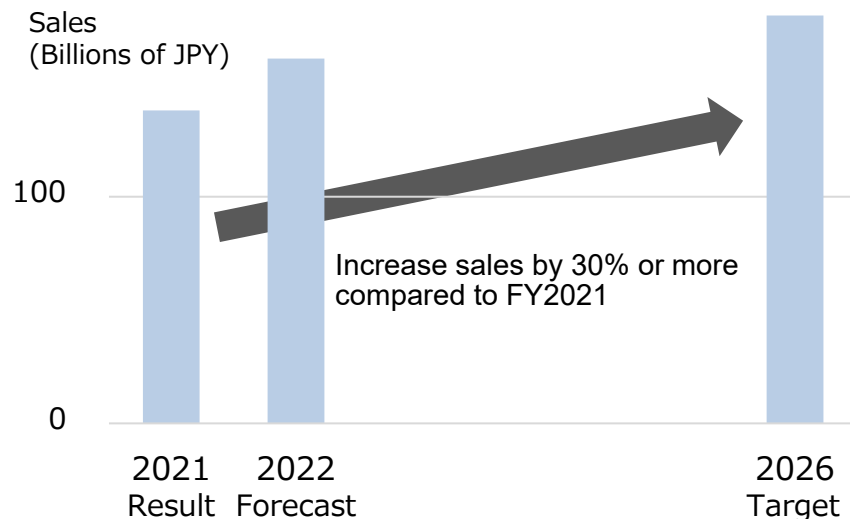


Business Strategy and Image of Growth

① Display

- Horizontal deployment of innovative manufacturing processes for competitiveness and carbon neutrality
- Expanding market share by strengthening business in China
- Expanding sales of cover glass for foldable devices
- Developing new products utilizing the overflow technology

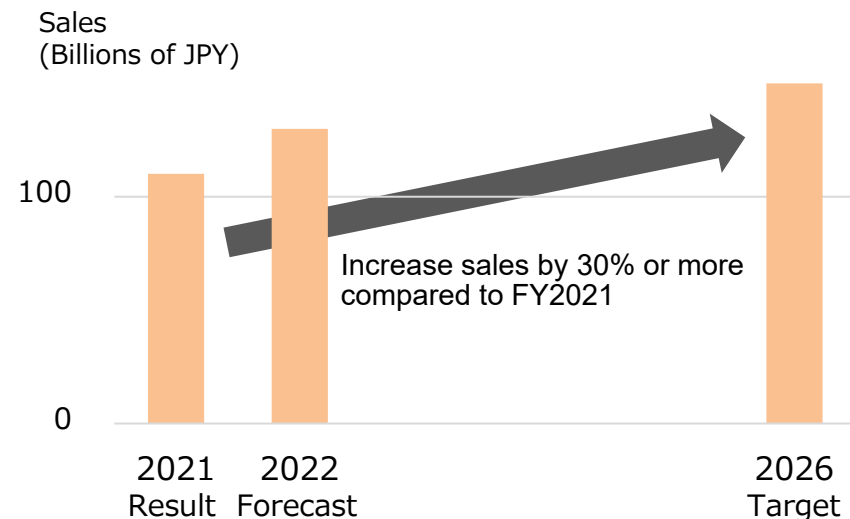
(Image of growth)



② Glass Fiber

- Increasing capacity in Malaysia. Improving competitiveness in Europe and the U.S.
→ Establish a global supply system
- Expanding market share in growth market
(Automotive, electric & electronic, infrastructure)
- Environmentally friendly manufacturing (yield improvement, energy efficiency improvement, development of melting technology, etc.)

(Image of growth)

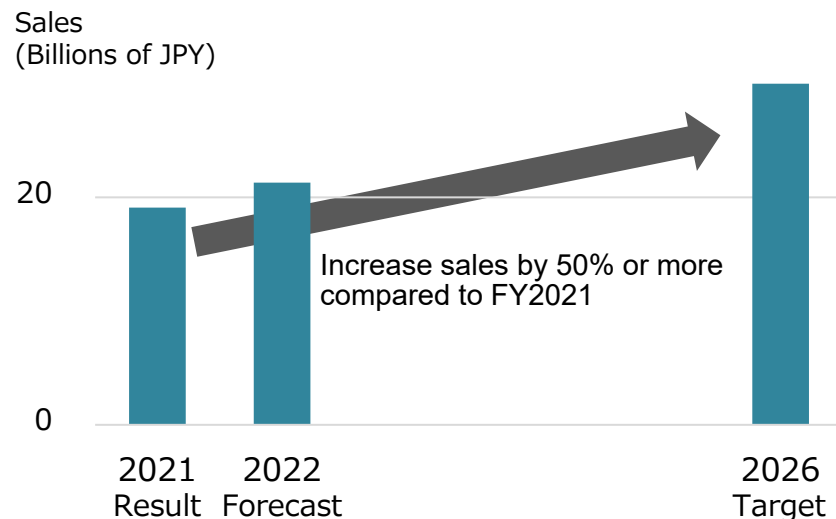


Business Strategy and Image of Growth

③Optical and Electronic Device

- Making timely investment in fields with growth potential
→ Establish a supply system that meets the market needs.
- Strengthening cooperation with marketing departments
→ Cultivate new customers and expand sales.
- Promoting product development and commercialization by strengthening cooperation with parties inside and outside the company

(Image of growth)

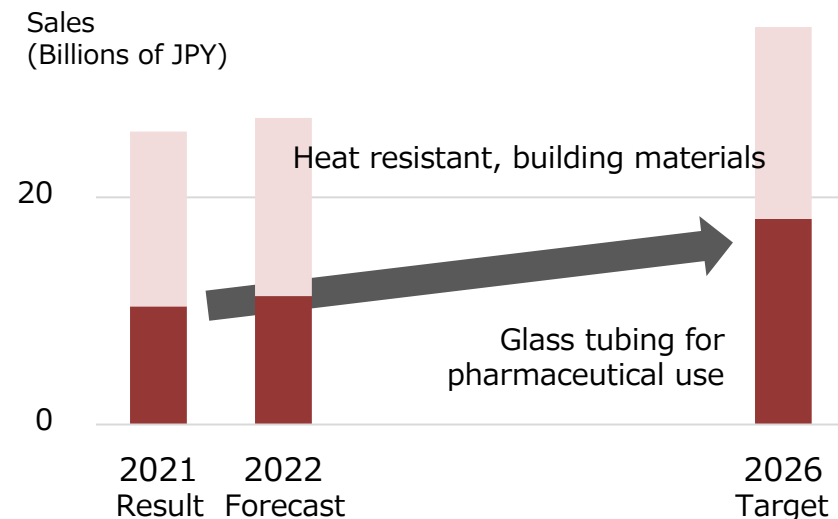


④Medical, Heat-resistant, Building

- Medical:
Responding to demand by increasing capacity
- Heat-resistant:
Establishing a mass production system to expand sales in Europe for top plates for cookers
- Building materials:
Strengthening promotion and expanding sales of fire-rated glass ceramic in cooperation with the marketing departments

(Image of growth)

Increase overall sales by 20% and sales of glass tubing for pharmaceutical use by 50% compared to FY2021



Priority measures for growth

① Strengthen the business platform

Establishment of a strong supply chain

- Taking measures against procurement risks due to economic conditions, logistics disruptions, etc.
- Taking measures against environmental and compliance risks
 - Procure from multiple suppliers, prepare multiple distribution routes, and strengthen monitoring of business partners

Reinforcement of plants

- Realizing disaster- and trouble-resistant plants
 - Introduce high-efficiency, state-of-the-art equipment
 - Strengthen the backup function

Continuation of basic research and development

- Conducting research on development of materials and processes utilizing computational science
- Establishing a network and conducting joint research with domestic and overseas universities and research institutions
 - Introduce equipment, acquire human resources from Japan and overseas, and expand the network

Priority measures for growth

②Flexible investment

Swift investment in response to market growth and customer needs

Promotion of DX and realization of smart factories

- Achieving timely collection and analysis of manufacturing process data and automation of processes using digital technologies such as AI and IoT
- Increasing productivity, reducing human-caused problems, and reducing the burden on workers

Proactive efforts for M&As

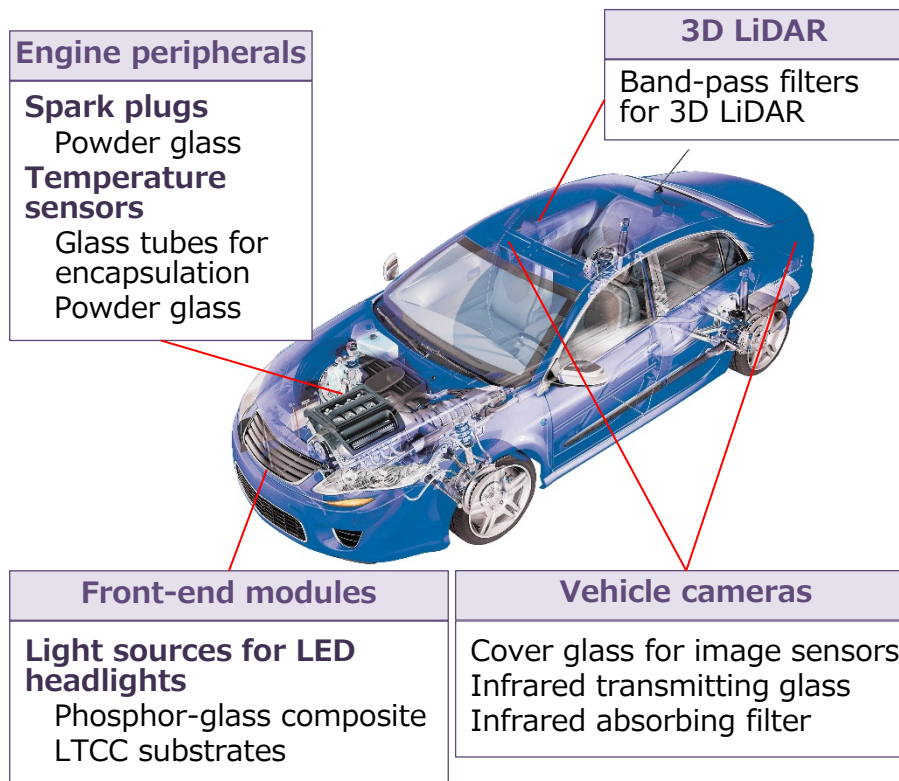
- Proactively pursuing M&A opportunities in businesses that are expected to generate synergies with existing businesses, in addition to organic growth

Priority measures for growth

③ Promote new businesses

- Commercialization of new products such as all-solid-state Na-ion secondary batteries
- Expansion of substrate glass, cover glass and LTCC material businesses in the semiconductor field
- Proactive use of cooperation and alliances with other companies, etc.

(Glass Used in On-board Electronic Devices)



(Glass Used in Semiconductors and Other Fields)



Glass for supporting semiconductor wafer in production processes



Probe card substrate used in semiconductor inspection



Low loss tangent material suitable for parts and devices used for 5G communication

Priority measures for growth

④ Promote carbon neutrality

Promote the electrification of all processes, aiming to achieve a balance with an improvement in competitiveness

- Improving competitiveness and contributing to curbing global warming by electrifying each process and updating facilities
- We aim to achieve 36% reduction in CO₂ emissions and 60% reduction in production intensity by 2030, and carbon neutrality by 2050.

Invest in and procure renewable energy

Develop technologies for CO₂-free energy (hydrogen, etc.)

⑤ Human resource strategy

Recruitment and training of personnel with advanced knowledge and skills

- Proactively acquiring specialized human resources from a long-term perspective, and enhancing fundamental technology, product development technology, and process development technology

Appointment and promotion of diverse human resources

- Acquiring a wide range of human resources with diverse values necessary for business development
 - Organizational and institutional reforms (creating a work environment that is friendly to women, foreigners, LGBTQ, disabled, etc., and human resource development programs)

Creation of a comfortable and motivating workplace

- Improving work efficiency and reducing the burden on workers through work-style reforms
 - Create a workplace where people of diverse backgrounds, regardless of gender and age, can work comfortably with fulfillment for a long period of time
 - Use RPA and IT tools, expand the remote work and flextime systems, and take other measures

Financial policy

- Achieve operating margin of more than 10%
- Maintain a strong balance sheet
- Improve efficiency in the use of assets by streamlining total assets
- Management from the perspective of cash flows

Profit distribution policy

- Continued and stable payment of dividends
(maintain dividends on equity ratio (DOE) of 2% and upwards)
- Expansion of dividends based on business performance, financial conditions, etc.
- Flexible acquisition of treasury shares

Forecasts of FY2022

Forecasts of FY2022

(FY2022)

(Billions of JPY)

	2Q (accum)	Full year	For reference		
			FY2021	Change(%)	EGP2026
Net sales	160.0	330.0	292.0	13.0	400.0
Operating Profit	18.0	37.0	32.7	12.9	45.0
Operating margin	11.3%	11.2%	11.2%	—	11%
Ordinary profit	18.0	37.0	44.9	(17.7)	—
Profit attributable to owners of parent	14.0	30.0	27.9	7.5	—
Dividend forecast (JPY/share)	60	120	110	9.1	—

Foreign exchange
rate

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

Cost of raw
materials and fuels

- Both of energy and raw materials are expected to rise in price from the previous year

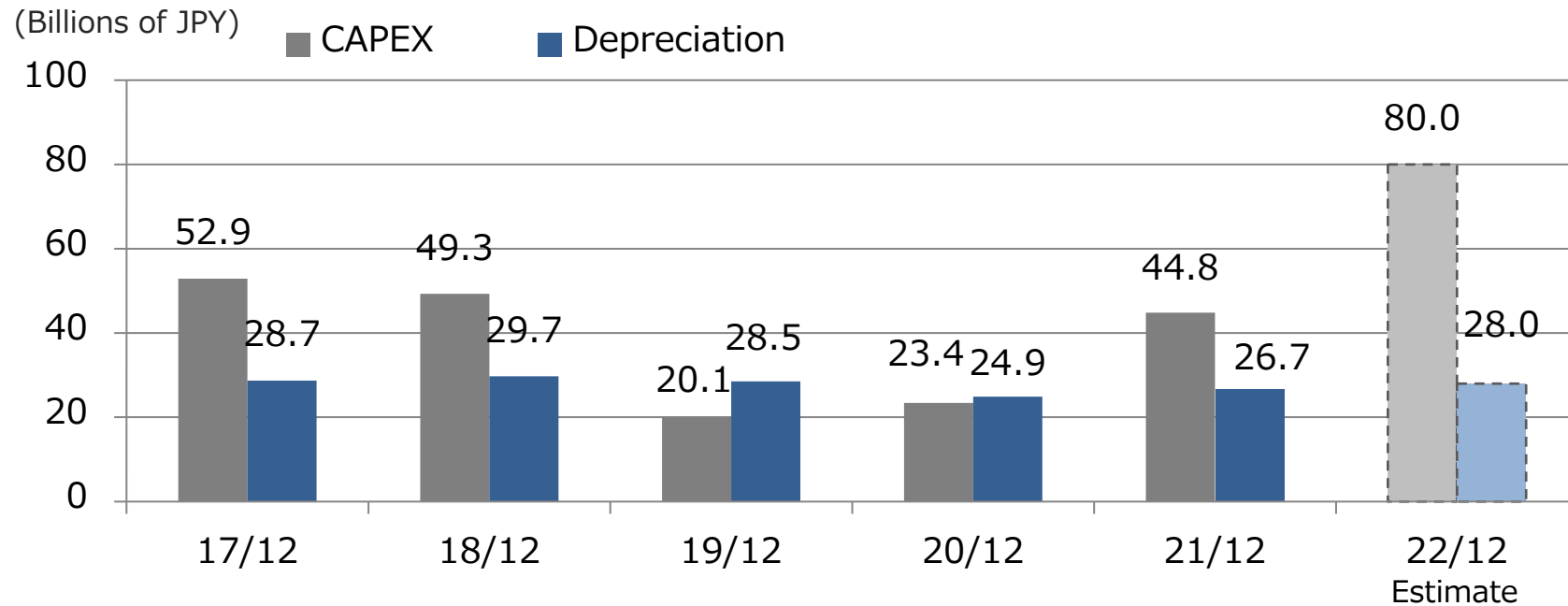
CAPEX and Depreciation

CAPEX

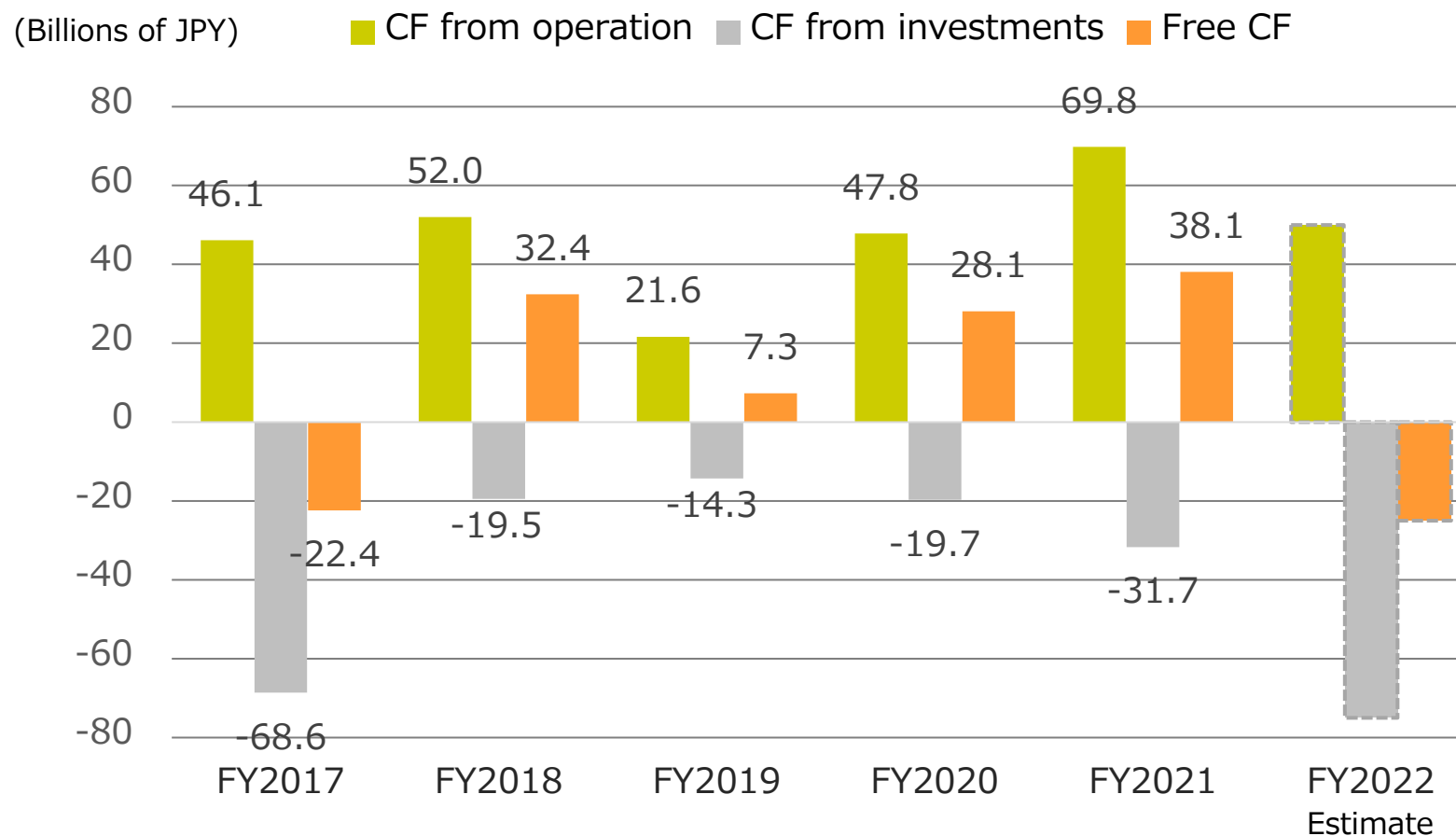
- Planned 80.0 billion JPY in FY2022
Enhance production capacity for glass for FPDs and Glass Fiber, Carbon Neutrality correspondence, equipment regular repairs, and investment in new markets

Depreciation

- Planned 28.0 billion JPY in FY2022



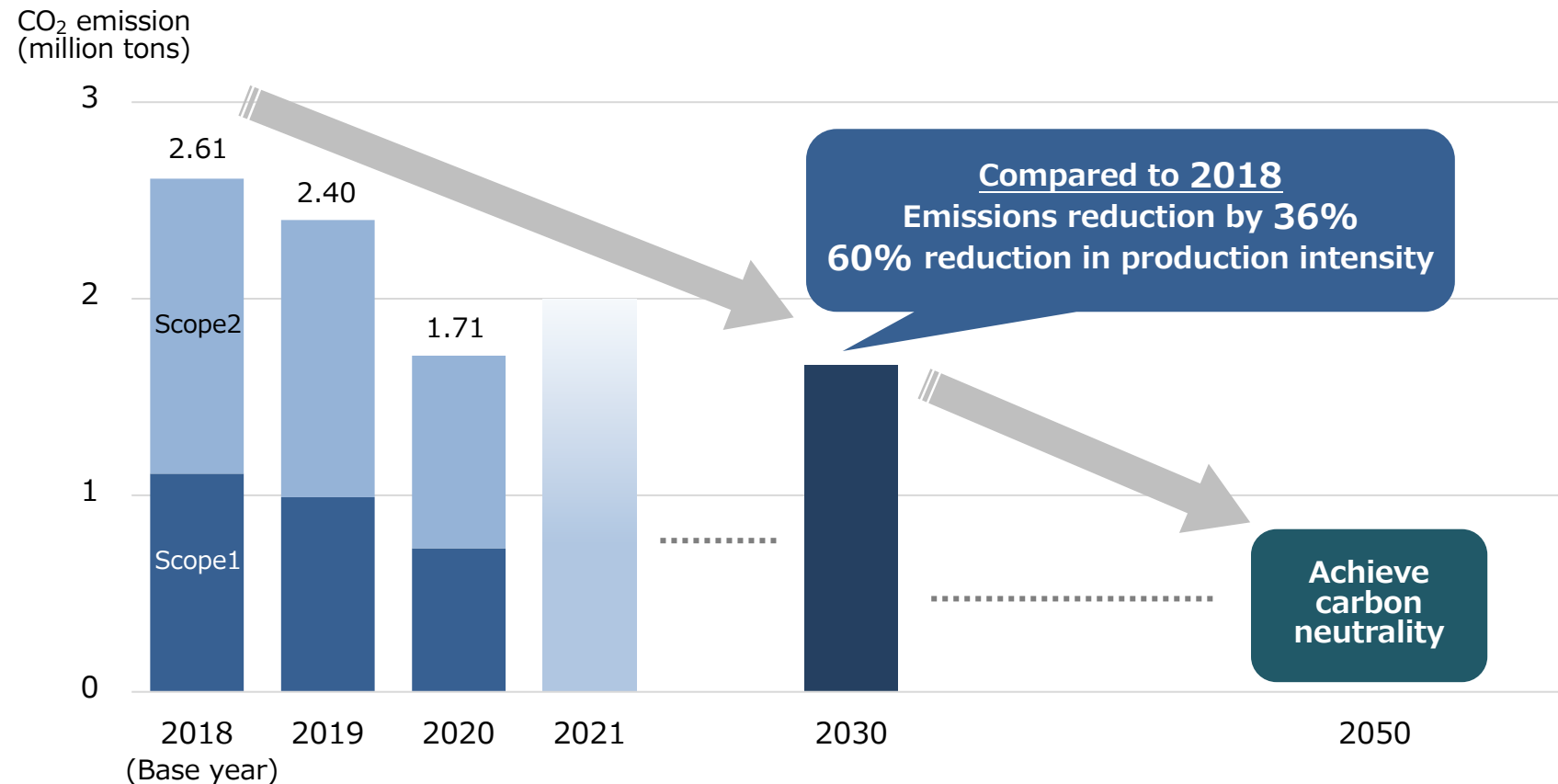
Cash Flows



Efforts toward Carbon Neutrality

CO₂ emission reduction target (Scope 1+2)

We aim to achieve 36% reduction in emissions and 60% reduction in production intensity by 2030, and carbon neutrality by 2050.



Efforts toward carbon neutrality

We aim to achieve carbon neutrality through aggressive investment, and research and development, etc.

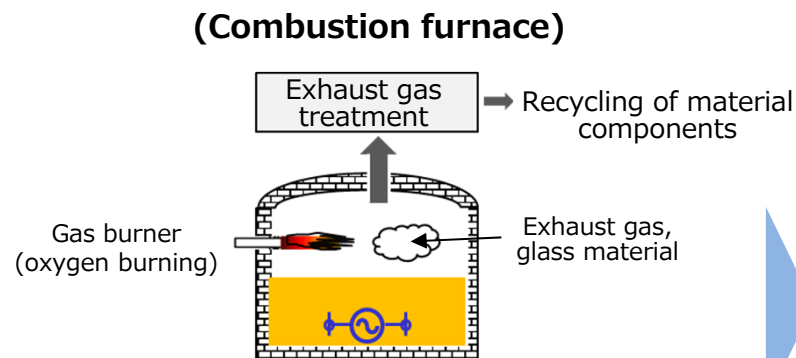
In April 2021, we launched the Carbon Neutrality Project and created and implemented an action plan for CO₂ emission reduction, which is in operation.

Category	Efforts
Manufacturing process	Promoting electric melting; increasing efficiency of melting
	Switching to energy-saving equipment
	Technological improvement and electrification of forming and processing equipment
	Automation and optimization of operations
Utility facilities	Upgrade to high-efficiency equipment
	Optimization of equipment (elimination of supply-demand mismatch, etc.)
	Optimization of operation (external environment, production process, etc.)
Technology development	Development of technology for CO ₂ -free fuel (hydrogen, etc.)
Procurement	Investment in and procurement of renewable energy

Examples of Initiatives

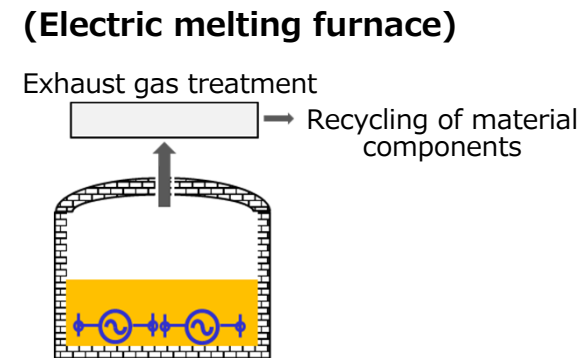
- Electric melting technology

Innovations in process technology reduces energy loss and CO₂ emissions.



High environmental cost

- ✓ Heavy investments in treatment facilities to recover gases resulting from burning (CO₂, NO_x and SO_x) and glass material components are required.
- ✓ Energy loss is large.



Low environmental cost

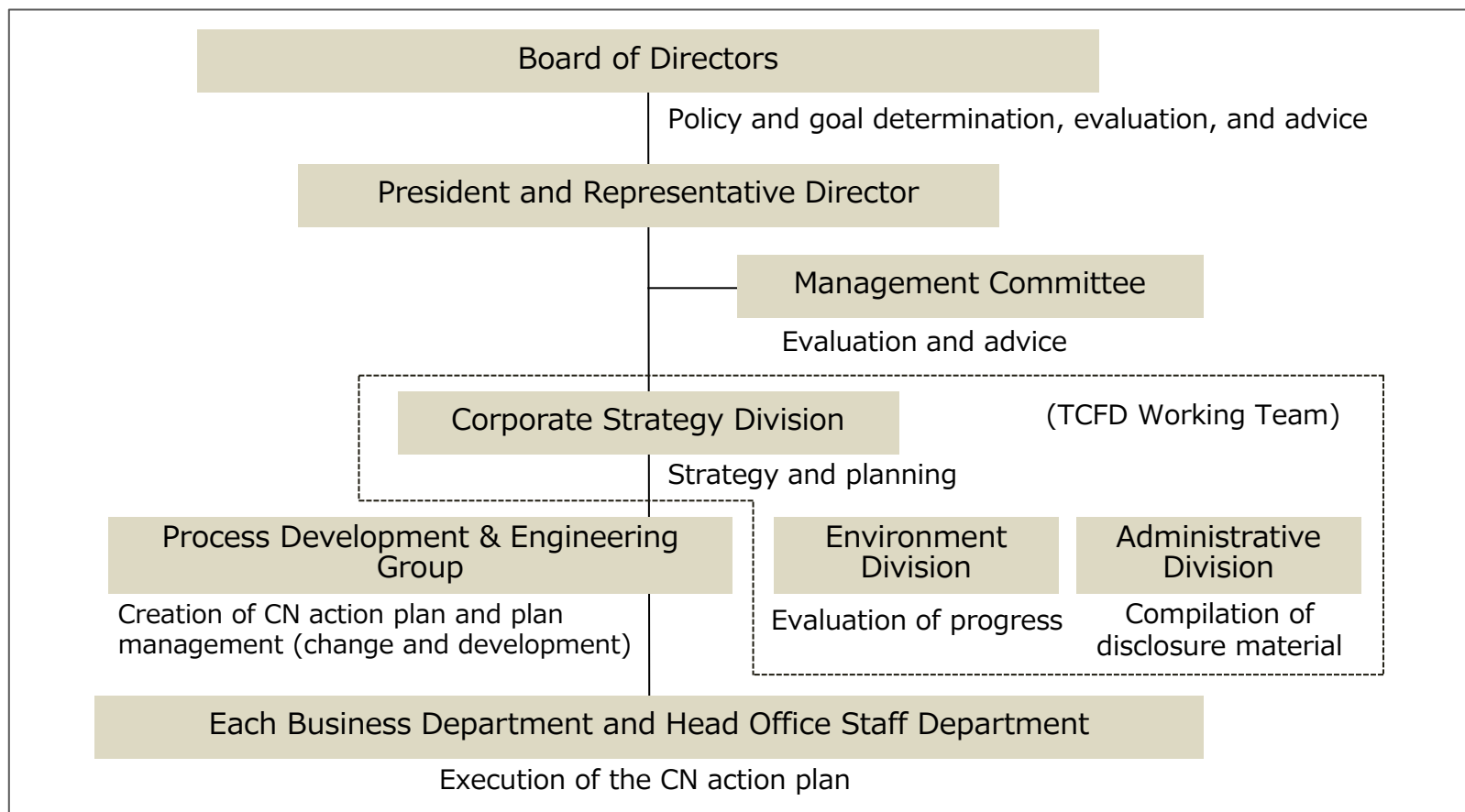
- ✓ Since no gases resulting from burning (CO₂, NO_x and SO_x) are generated, and evaporation of glass material is extremely small, investments can be reduced by downsizing facilities.
- ✓ Energy efficiency is greatly improved.

⇒ **Accelerate the electrification of melting, forming, and machining facilities.**

- Introduction of oxy-fuel firing systems and fuel conversion in melting furnaces

- In 1993, we introduced Japan's first oxy-fuel firing system. Oxy-fuel firing systems have been introduced into almost all melting furnaces.
- The use of heavy oil was discontinued more than 10 years ago. → The conversion to natural gas is now 100% complete.

Carbon Neutrality (CN) and TCFD Promotion System

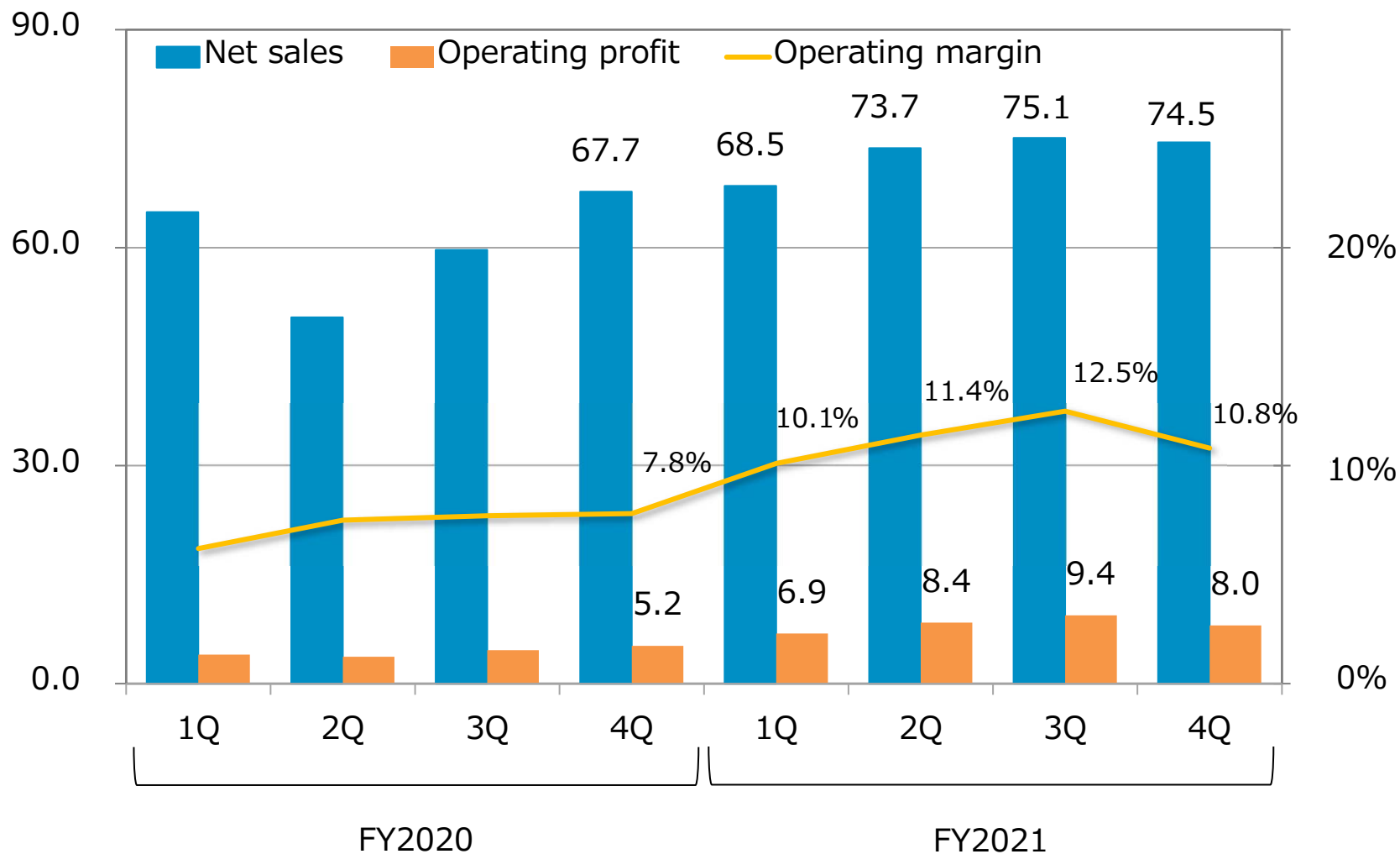


- Creation of CN action plan and start of efforts in FY2022
- Endorsement of support for the TCFD in November 2021. Analysis of initial scenario at time of endorsement. Carbon tax and increased energy costs perceived as significant risks
- Promotion of marketing and development of environmentally friendly products
 - Glass fiber (for wind turbine blades for wind power generation, etc.)
 - All-solid-state Na-ion secondary batteries, etc.

Reference Material

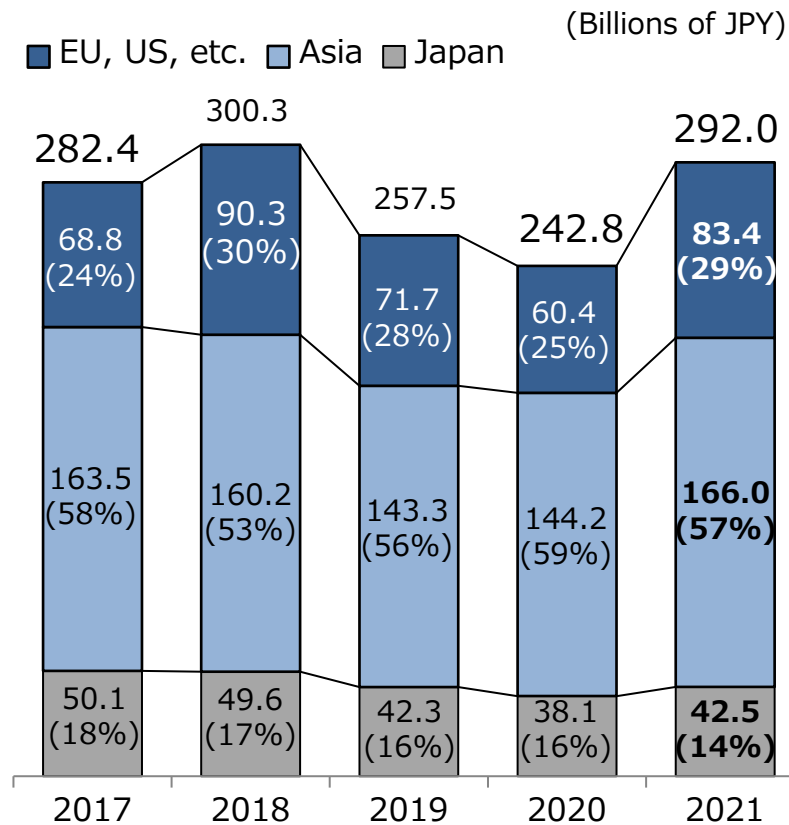
Quarterly Trends

(Billions of JPY)

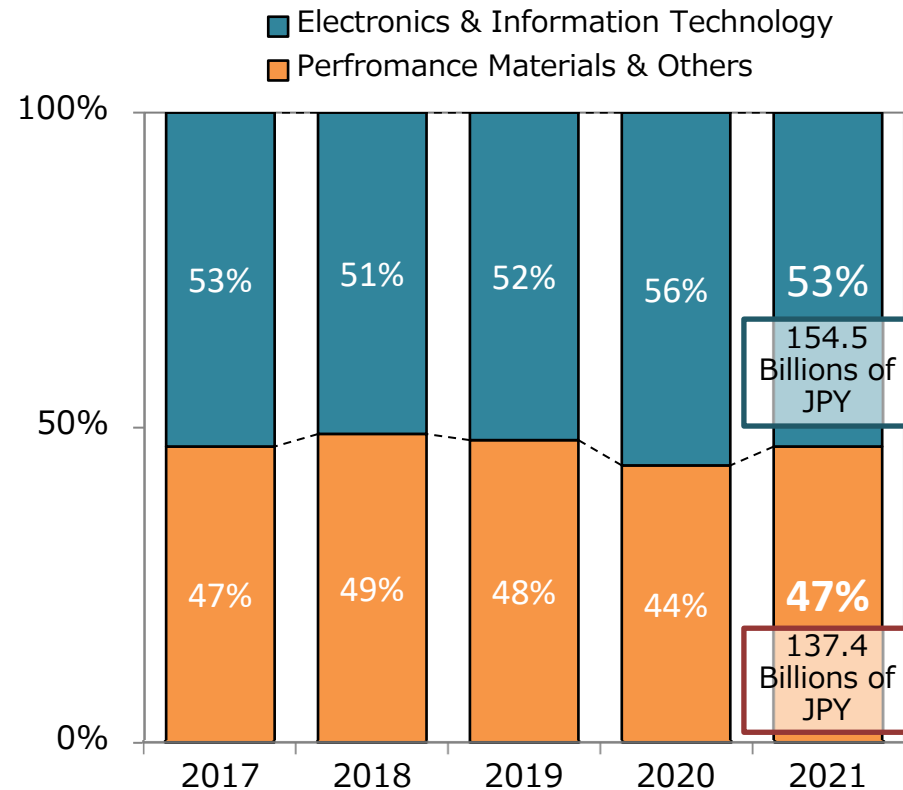


Sales by Region / Business

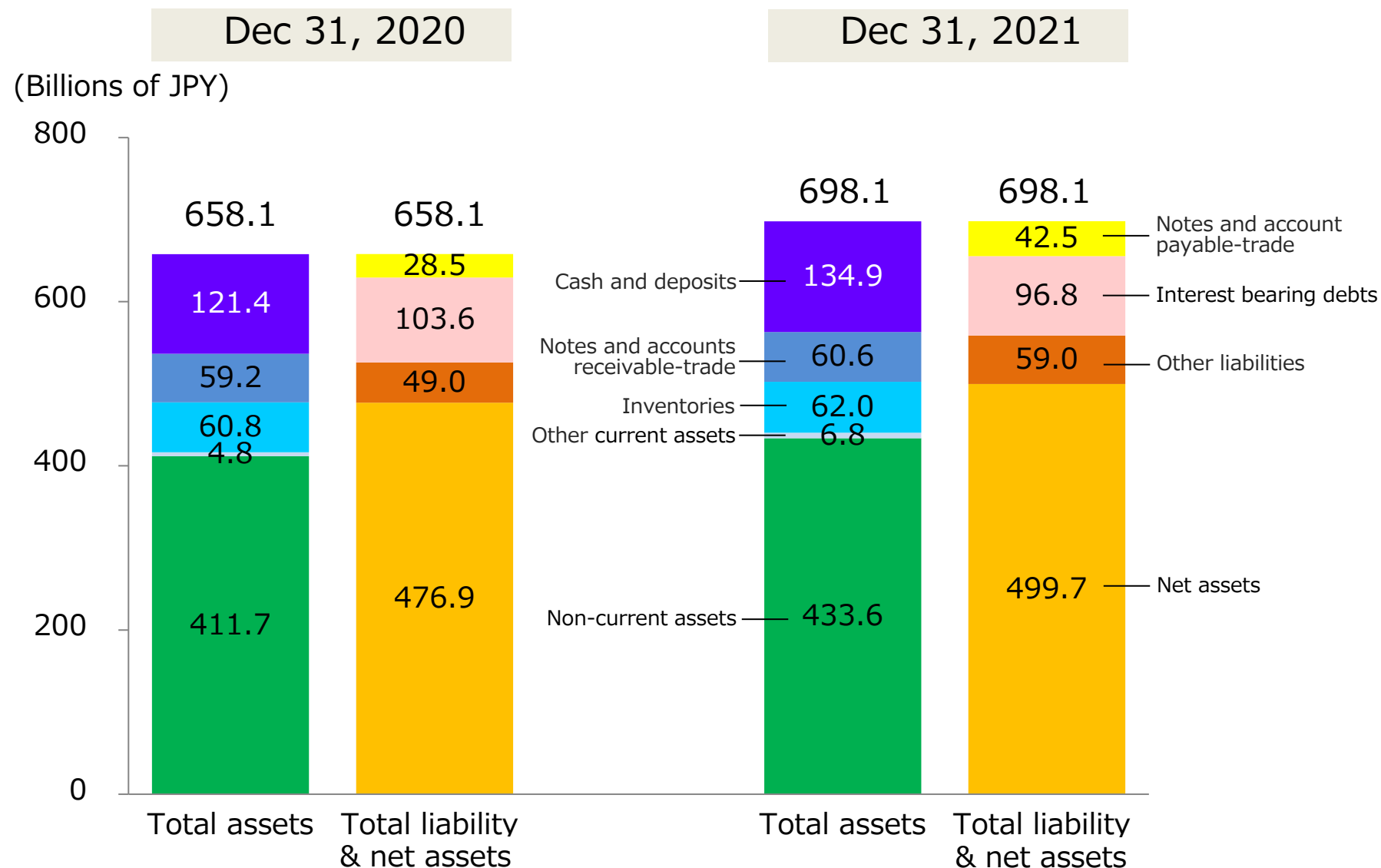
Trend of sales by region



Trend of sales by business



Consolidated Balance Sheet



Profit allocation policy

Continued and stable payment of dividends

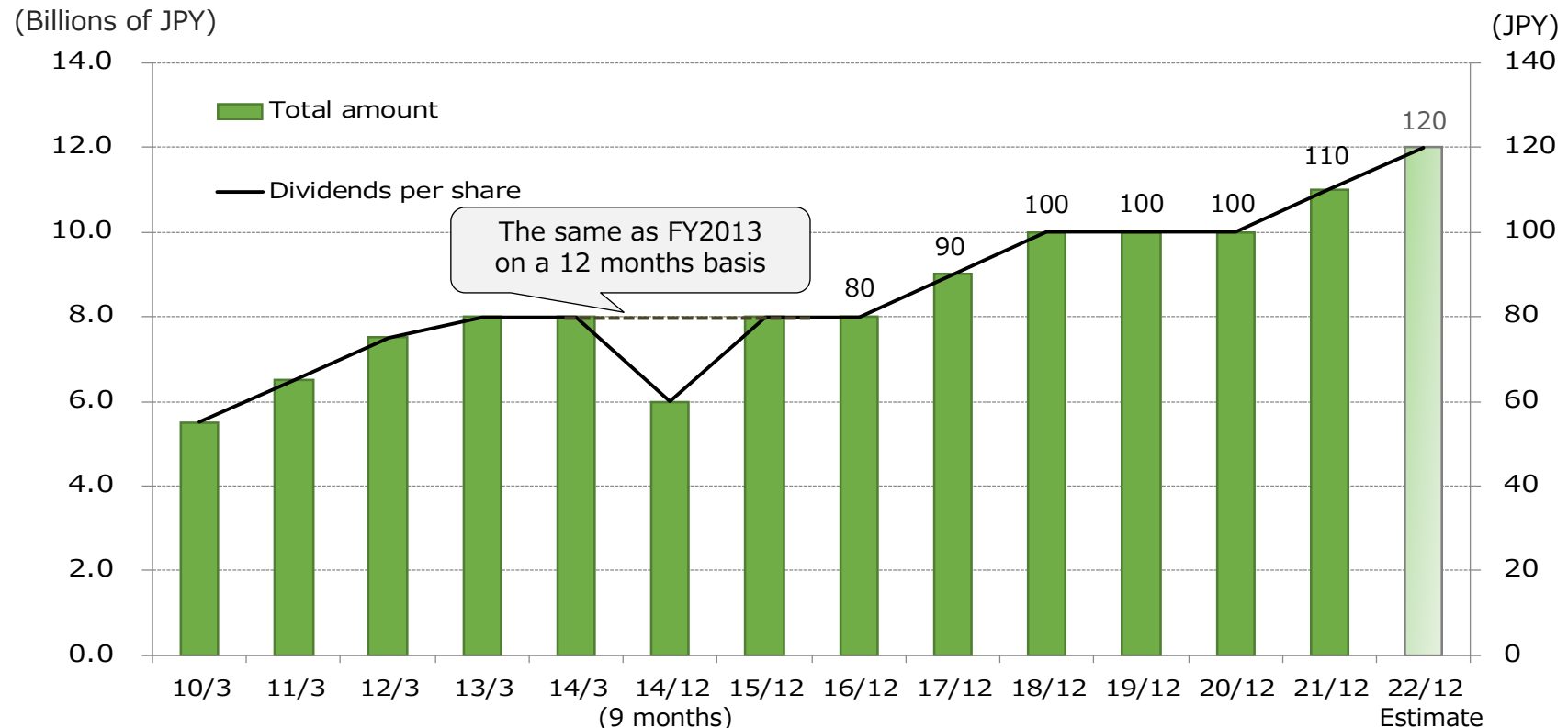
(maintaining or increasing dividends without reducing for over 20 years)

- ▶ Dividends on equity ratio (DOE) :2% and upwards
- ▶ Flexible acquisition of treasury stock

Dividend forecast for FY2022

Interim dividends: JPY60/share (YoY increase by JPY10/share)

Year-end dividends: JPY60/share



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

Corporate Information

Main business

Electronics & Information Technology	FPD	Glass for Liquid Crystal Displays (LCD) Glass for Organic Light-Emitting Diode (OLED) Displays
	Cover Glass	"Dinorex" Specialty Glass for Chemical Strengthening
	Optical Devices	Capillary and Ferrule for Optical Communication Devices Lens for Optical Communication Devices Micro Prism
	Electronic Devices	Functional Powdered Glass Sheet Glass for Image Sensors Glass Tube for Small Electronic Products "Lumiphous" Phosphor-Glass Composites
Performance Materials & Others	Glass Fiber	Chopped Strands for Function Plastic Reinforcement Wet Chopped Strands for Building Materials Roving for Plastics Reinforcement 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" Ultra-thin Glass Laminated on Resin "Invisible Glass" Ultra-Low Reflection Glass
	Heat-Resistant	"Neoceram" Super Heat-Resistant Glass Ceramic "StellaShine" Super Heat-Resistant Glass-Ceramics for Cooking Appliance Top Plates
	Medical Applications	Glass Tubing for Pharmaceutical and Medical Use "LX Premium" Radiation-Shielding Glass
	Others	Glass for Lighting Use Glass Making Machinery

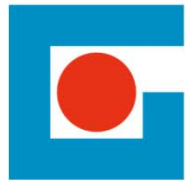
Corporate information

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:	6,251 (Group total as of Dec. 31, 2021)
Business:	Production and sales of special glass products, and manufacture and sales of glass making machinery
Plants:	Otsu, Shiga-Takatsuki, Notogawa, Precision Glass Center
Sales Office:	Osaka and Tokyo
Consolidated Companies:	10 in Japan 15 overseas (Malaysia, Korea, China, Taiwan, Europe, US)

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