

Key Points of the Q&A Session at the Investor Meeting for FY2022

(Monday, February 6, 2023; Tokyo)

Q1. I assume that in FY2022, sales of glass for medical use, heat resistant glass, and glass for building materials increased, but I have the impression that such increase failed to contribute to an increase in profit. Please tell us what challenges you find in the profitability of this field.

A1. Profitability has been recovering, as we have steadily lowered costs by improving productivity, product quality and facilities. However, the profitability of these products is at a lower level than the average for the entire company. Therefore, we need to make efforts for further improvement.

Q2. The outlook of glass for flat panel displays (FPDs) for FY2023 is likely to become severe. Please explain how you plan to operate at each business site, and whether there is any risk of impairment losses.

A2. Although it is extremely difficult to forecast future market conditions, we are currently adjusting production according to the decline in demand. However, we are preparing to resume operations as soon as the market recovers. For instance, we have established a comprehensive production line for G10.5 size substrate glass in Xiamen, China. However, this business site alone is unlikely to meet the total demand, so we are prepared to operate our facilities in Korea at any time. Meanwhile, we are focusing on development in Japan. Therefore, we currently forecast no risk of impairment losses.

Q3. Your forecast for FY2023 indicates operating profit of 10.0 billion yen, a decrease of 16.1 billion yen year on year. Please tell us the respective ratios for “Electronics and Information Technology” and “Performance Materials and Others”.

A3. Although it is extremely difficult to forecast the market trend, we anticipate that the profitability of “Electronics and Information Technology” will be lower, while “Performance Materials and Others” will contribute more in profit.

Q4. In FY2023, you expect positive factors of 24.0 billion yen including price revisions, surcharges and improvement of productivity, against an increase of 40.0 billion yen in raw material and fuel costs. Please tell us how far the product prices will be able to make up for the increase in cost, together with the status of negotiations with your customers.

A4. The price revisions and surcharges account for a large portion of the 24.0 billion yen. Our business operation would be extremely difficult unless the increase in raw material and fuel cost were borne by our customers. The negotiations with our customers are not easy, but we are trying to explain the situation and ask them to bear the burden.

Q5. When you divide the raw material and fuel cost into that for raw materials and energy, which portion is larger? How is the situation by region? Also, could you tell us which raw materials have increased in price?

A5. We have an image that the cost of energy from electricity and gas and the cost of raw materials account for roughly 50% each. While the energy price is linked to the oil price in Japan, there are also policy implications in other

regions. As far as raw materials are concerned, for example, the price of boric acid has soared temporarily. This has occurred due to drastic changes in the supply-and-demand structure triggered by the conflict in Ukraine. In addition, the price of silica (silicon dioxide) has also increased.

Q6. The oil price and foreign exchange rates have stabilized somewhat compared with some time ago. Now, could you tell us whether it is possible that raw material and fuel prices will stabilize in the second half of the year?

A6. Both the oil price and foreign exchange rates have improved somewhat compared with the times when we prepared the budget, but still, it is difficult to tell the outlook for the future. We will consider revising the business forecast if we can see the prospects to a certain degree and decide that the rise in raw material and fuel prices will be lower than expected.

Q7. Next to glass for FPDs and glass fiber, it is necessary to expand the business of glass for electronic devices and for medical use. What is your focus in the Medium-term Business Plan “EGP2026”?

A7. Of course, our focus is on new product development. I believe I was appointed President for the very reason that I have been engaging in product development for a long time, and with the expectation that I will continue to do so. However, the first thing for us to do is improve and stabilize the profitability of our existing products. And as to product development, we still have more fields we haven't handled to date or want to enter, even in glass for FPDs and glass fiber, not to mention glass for electronic devices and for medical use. As for glass for FPDs, we will endeavor to develop new products formed by overflow technology and those of chemical strengthening glass. In the glass fiber field, we would like to create high value-added products such as those with higher mechanical strength and flat fibers in special shapes. Naturally, we will also focus on the development of glass for electronic devices and glass for medical use, but we would like to develop pillars in these fields from the perspectives of business scale, considering the extremely large markets for FPDs and glass fiber.

Q8. The Company's business performance has undergone repeated cycles of good times and bad times, during which ROE and PBR have remained low. Under these circumstances, could you explain how you will be able to improve performance?

A8. In terms of our business performance, the decline in profitability is not attributable to problems in our productivity, quality or development, but we believe that the impact of extremely drastic changes in the external environment has been far beyond our control. We have done everything we need, and productivity and quality have also improved steadily. Going forward, we will not slow down on improvement, and we are well prepared to quickly move with full force when demand recovers. Therefore, we do believe that our performance will certainly recover once the external environment settles down.

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