

Financial Results For FY2018

(Ending December 31, 2018)

— on former and new Medium-term Business Plan—

Investor Meeting
February 6, 2019

Nippon Electric Glass Co., Ltd.

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1. Former Medium-term Business Plan “EGP2018”

- ① Financial Results for FY2018
- ② Review on “EGP2018”

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- ① Outline of “EGP2021”
- ② Forecasts of FY2019

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Summary of Financial Results

(Billions of JPY)

	FY2017	FY2018	Change(%)
Net sales	282.4	300.3	6.3
Operating profit <i>Operating margin</i>	32.2 11.4%	24.8 8.3%	(22.8)
Ordinary profit	34.1	19.8	(41.9)
Extraordinary income/loss	(1.4)	5.5	-
Income before income taxes and minority interests	32.6	25.4	(22.1)
Income taxes	4.9	9.7	97.0
Profit attributable to owners of parent	27.1	15.1	(44.1)
Earnings per share (JPY)	¥273.29	¥154.26	(43.6)
Net assets	543.7	521.5	(4.1)
Equity ratio	70.5%	71.2%	-
Dividend per share (JPY)	¥90	¥100	11.1

■ Impacts on sales

- Firm demand for LCDs
- Positive impact of M&A of EGFA
- Decreased demand for glass fiber in the 2nd half

■ Impacts on profit/loss

- A shortfall in productivity at EGFA compared with initial forecasts
- Rising prices for raw materials and fuel
- Foreign exchange loss (mainly on revaluation of loan to subsidiaries in China)

Consolidated Balance Sheet

(Billions of JPY)

	Dec 31, 2017	Dec 31, 2018	Change
Current assets	262.9	252.8	(10.0)
Cash and deposits	117.0	116.7	(0.2)
Notes and accounts receivable-trade	61.1	56.7	(4.3)
Inventories	69.3	68.1	(1.2)
Others	15.3	11.1	(4.1)
Non-current assets	501.4	472.6	(28.7)
Property, plant and Equipment	393.8	386.5	(7.2)
Intangible assets	35.0	31.9	(3.0)
Investments and other assets	72.6	54.2	(18.4)
Total Assets	764.4	725.5	(38.8)

	Dec 31, 2017	Dec 31, 2018	Change
Liabilities	220.6	204.0	(16.6)
Notes and account payable-trade	37.9	38.7	0.7
Interest-bearing debts	120.6	112.0	(8.6)
Accrued income tax	1.9	2.4	0.4
Reserve for special repairs	23.2	17.7	(5.5)
Others	36.7	33.0	(3.6)
Net assets	543.7	521.5	(22.2)
Shareholders' equity	509.8	505.1	(4.7)
Accumulated other comprehensive income	28.9	11.3	(17.6)
Minority Interests	4.9	5.0	0.1
Total liability & net assets	764.4	725.5	(38.8)



Consolidated Statement of Cash Flows

(Billions of JPY)

	Dec 31, 2017	Dec 31, 2018	Change
Cash flows from operating activities	46.1	52.0	5.8
Profit before income taxes	32.6	25.4	
Depreciation	28.7	29.7	
Foreign exchange losses	(2.3)	3.8	
Increase in notes and account receivable, trade	(6.1)	2.6	
Decrease (increase) in inventories	(2.1)	0	
Others	(4.5)	(9.7)	
Cash flows from investing activities	(68.6)	(19.5)	49.0
Purchase of non-current assets	(16.5)	(25.4)	
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(59.3)	-	
Others	7.2	5.9	
Free cash flow	(22.4)	32.4	54.9
Cash flows from financial activities	9.7	(28.5)	(38.3)
Increase/decrease of interest-bearing debts	18.6	(8.2)	
Purchase of treasury shares	(0)	(10.0)	
Cash dividends paid	(8.7)	(10.3)	
Others	(0)	0	
Effect of exchange rate changed on cash equivalents	0.3	(1.5)	
Net increase (decrease) in cash and cash equivalents	(12.3)	2.4	14.7
Cash and cash equivalents at the end of year	113.8	116.2	2.4

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Basic policies

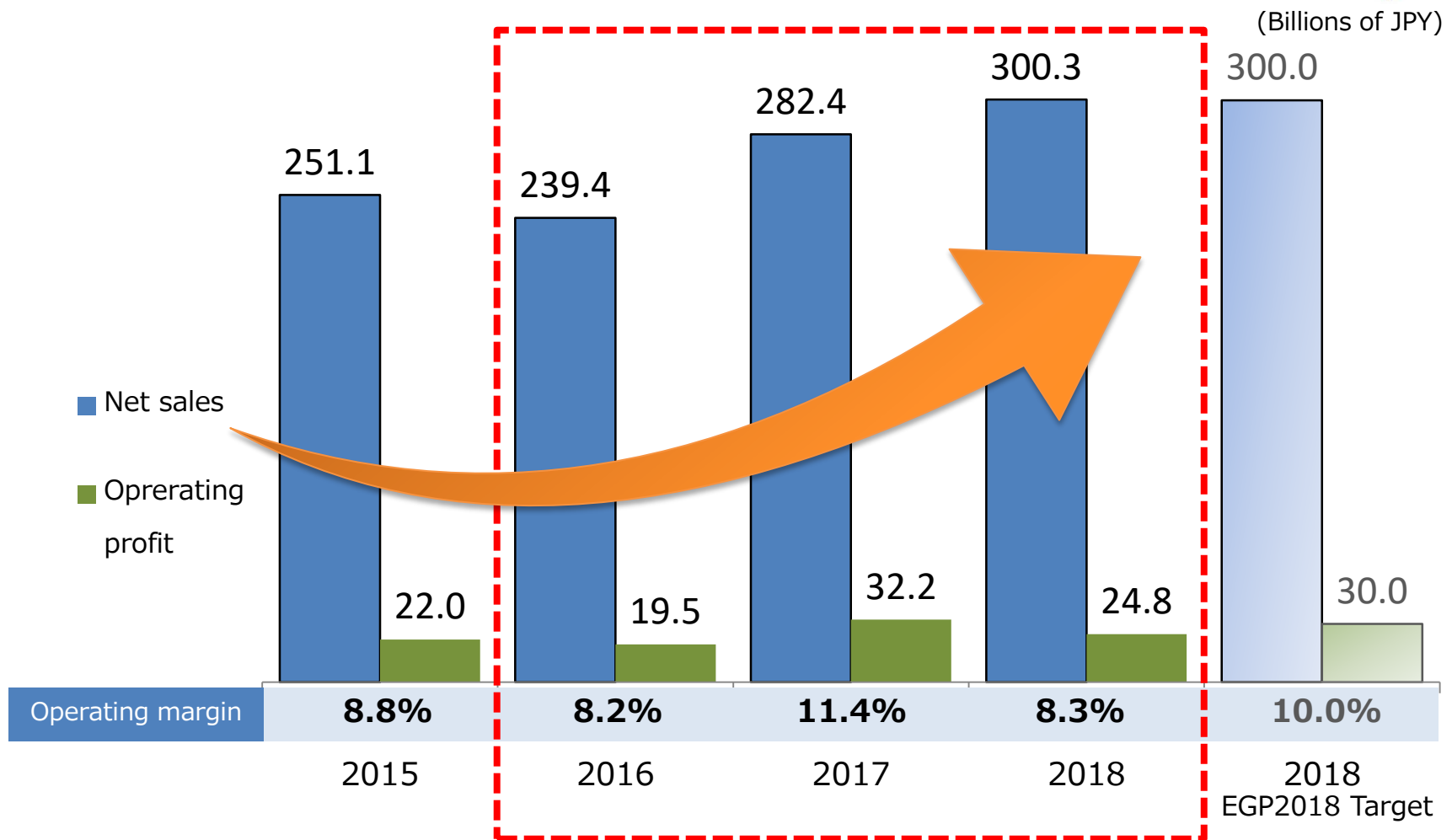
- ① Strengthen profitability of “display” related business
- ② Expand business related to “performance materials, optical and electronic devices and medical care, heat-resistant, and building materials”
- ③ Reinforcement of R&D
- ④ Constructive investments

※EGP : Electric Glass Prospects

Review on “EGP2018”

Net sales . . . Target achieved

Operating profit . . . Established the foundation for achieving the target



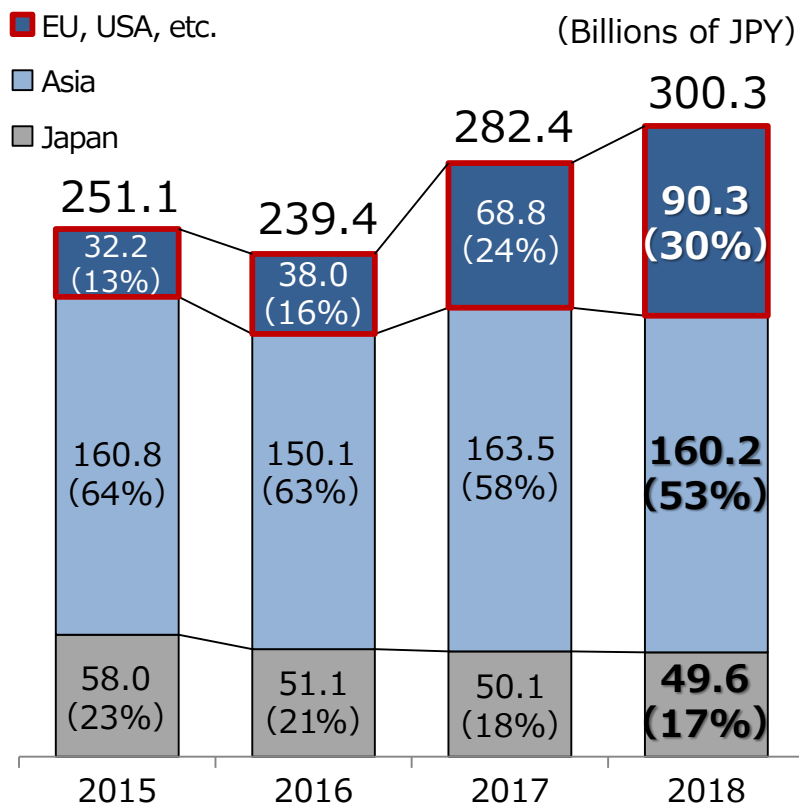
Review on “EGP2018”

Business portfolio

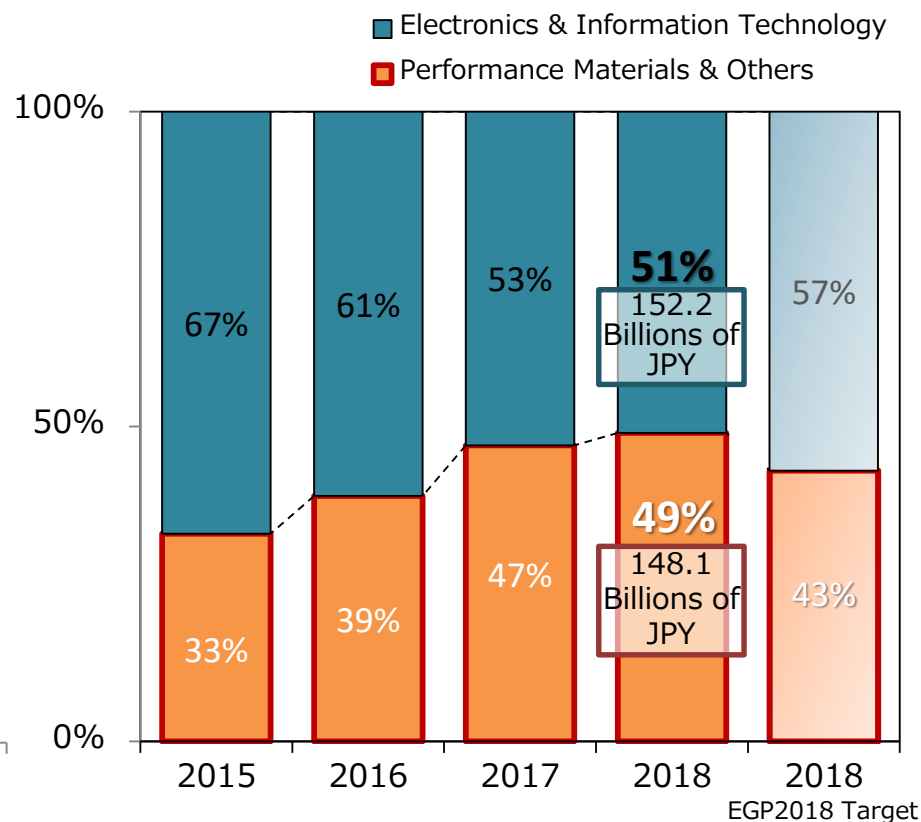
- • • More balanced due to the growth of Performance Materials and Others



Sales by Region



Trend of sales by business





Review on “EGP2018”

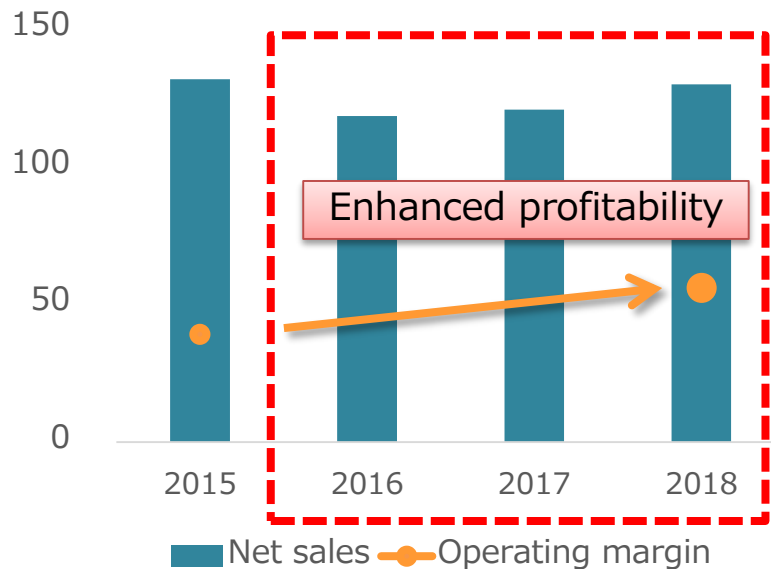
• Display

- Improve productivity and quality by improving manufacturing process
- Smooth shift of production overseas
- Management based on controlling risk and prioritizing income/expenditures

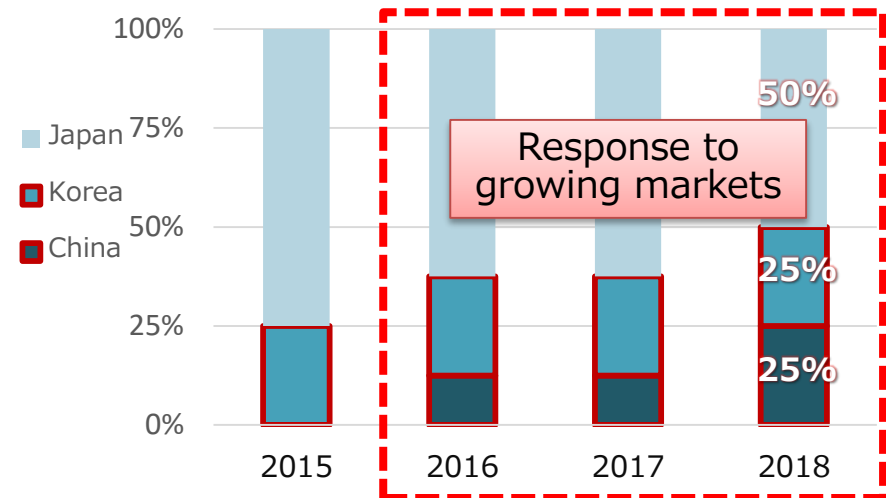


Improved productivity

(Billions of JPY)



Forming capacity of glass substrate for LCDs



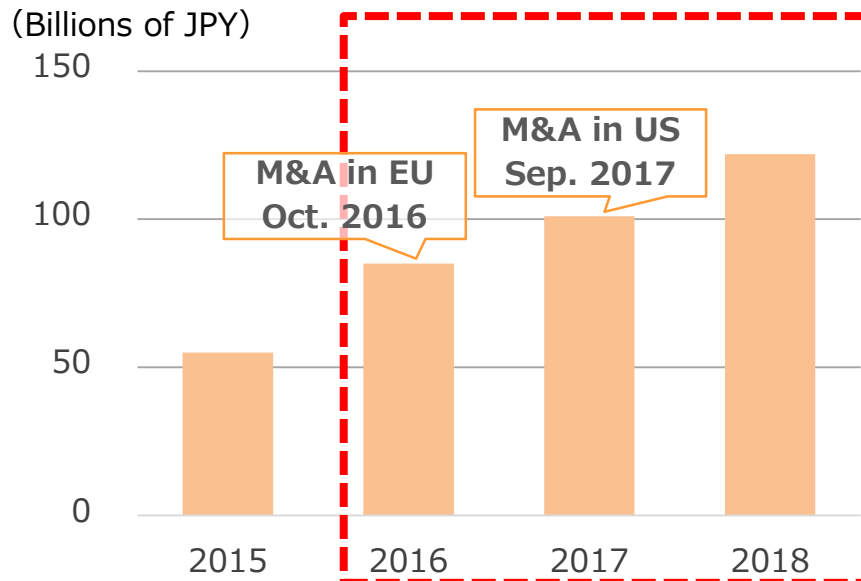
Review on “EGP2018”

• Glass Fiber

- Provide specifics for the M&A and alliance strategy to generate new business opportunities and growth synergy
- Grow existing businesses through sales expansion and investment

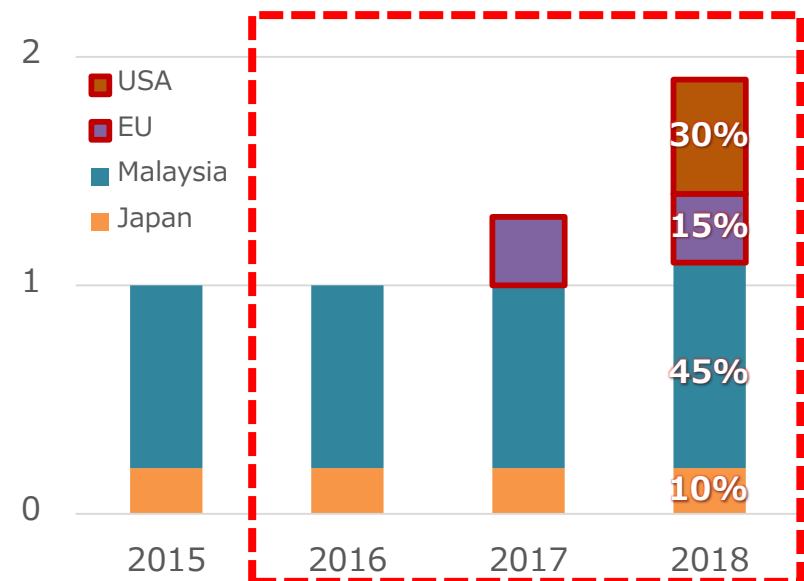


Sales growth of glass fiber



Global production of glass fiber

(at the beginning of each year)



*Production capacity of FY2015 as index 1



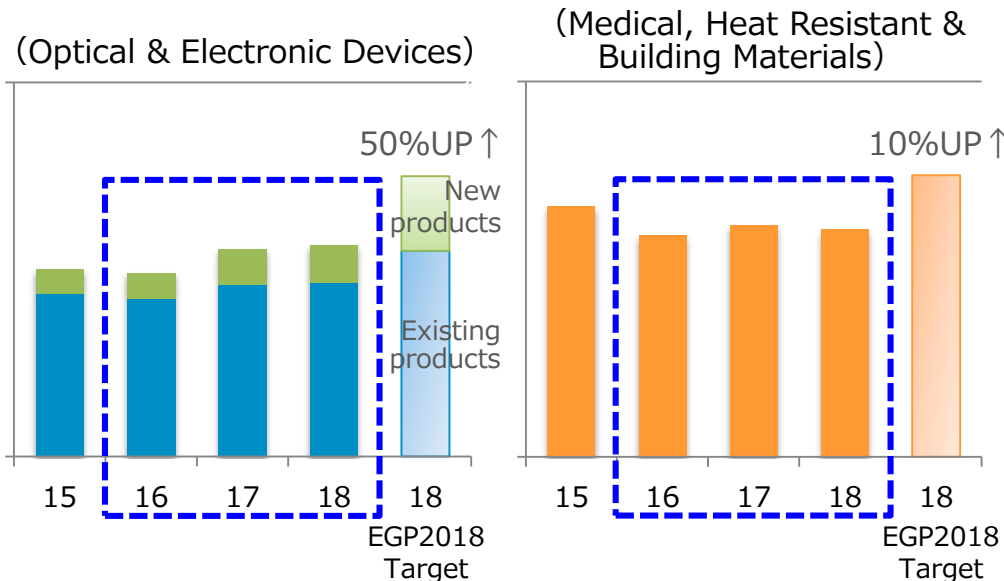
Review on “EGP2018”

• Optical & Electronic Devices, Medical, Heat resistant & Building Materials

- Grow existing businesses through sales expansion and investment
- Sales targets • • • Optical & Electronic Devices -“50% UP” (Unachieved)
Medical, Heat resistant & Building Materials -“10% UP” (Unachieved)



Sales growth



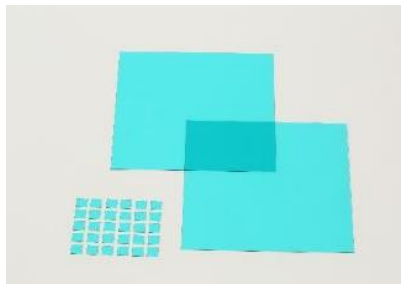
Issues

- Sales expansion of glass tubing for medical use in China
 - Commercialization and sales efforts of newly developed products
 - Adding value to the products
- ➡ To be improved in EGP2021

Review on “EGP2018”

• Reinforcement of R&D

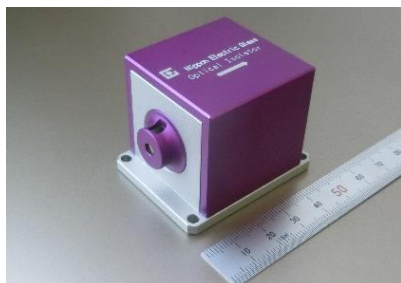
- Develop “materials, processes, and products” that take advantage of the superior features of glass
- Improve basic technologies in material design, manufacturing process technology, and evaluation technology
- Strengthen intellectual property strengths and utilize licensing-in and cross-licensing to generate new businesses



Infrared absorbing filters



Deep UV-transmitting glass

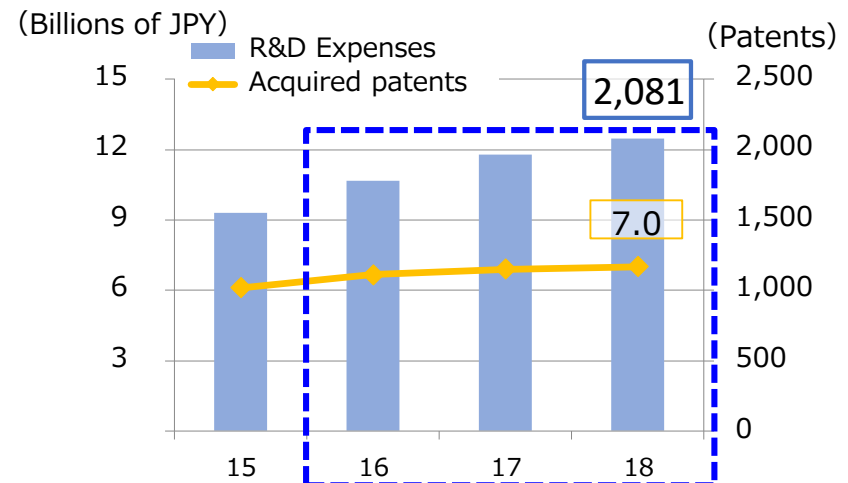



Optical isolator with
Magneto-optical Glass



All solid Na-ion secondary battery
using glass ceramic cathode

R&D Expenses/Number of acquired patents



 Further progress in EGP2021



Review on “EGP2018”

• Measure of constructive investments

- In addition to the usual capital expenditure, the Company will set aside about 50 billion yen spread out over the three-year period for strategic investments (including M&A and collaborations and affiliations with other companies).



■ M&A in glass fiber business

Company name	Electric Glass Fiber UK Electric Glass Fiber NL	Electric Glass Fiber America
Location	Wigan(UK), Hoogezand(NL)	Shelby, Lexington, Chester
Acquisition price	108 million EUR	540 million USD
Aquired	October, 2016	September, 2017

Effects

- Established a global supply base
- Enhanced market presence
- Synergies with acquired plants
- Expanded product portfolio

■ Joint venture in display business

Company name	Fuzhou Xufu Optoelectronic Technology Co.,Ltd.
Location	Fujian Province, China
Stakes	Nippon Electric Glass: 40% Dongxu Optoelectronic Technology: 60%
Total investment	Approximately 700 million RMB
Commencement of production	2Q 2017

Effects

- Response to growing China market
- Acquired leading customers
- Maximized effect with reduced investment risks

Review on “EGP2018”

• Profit distribution

- Based on continuous payment of stable dividends to shareholders
- Flexible shareholder return measures will also be considered as opportunities present



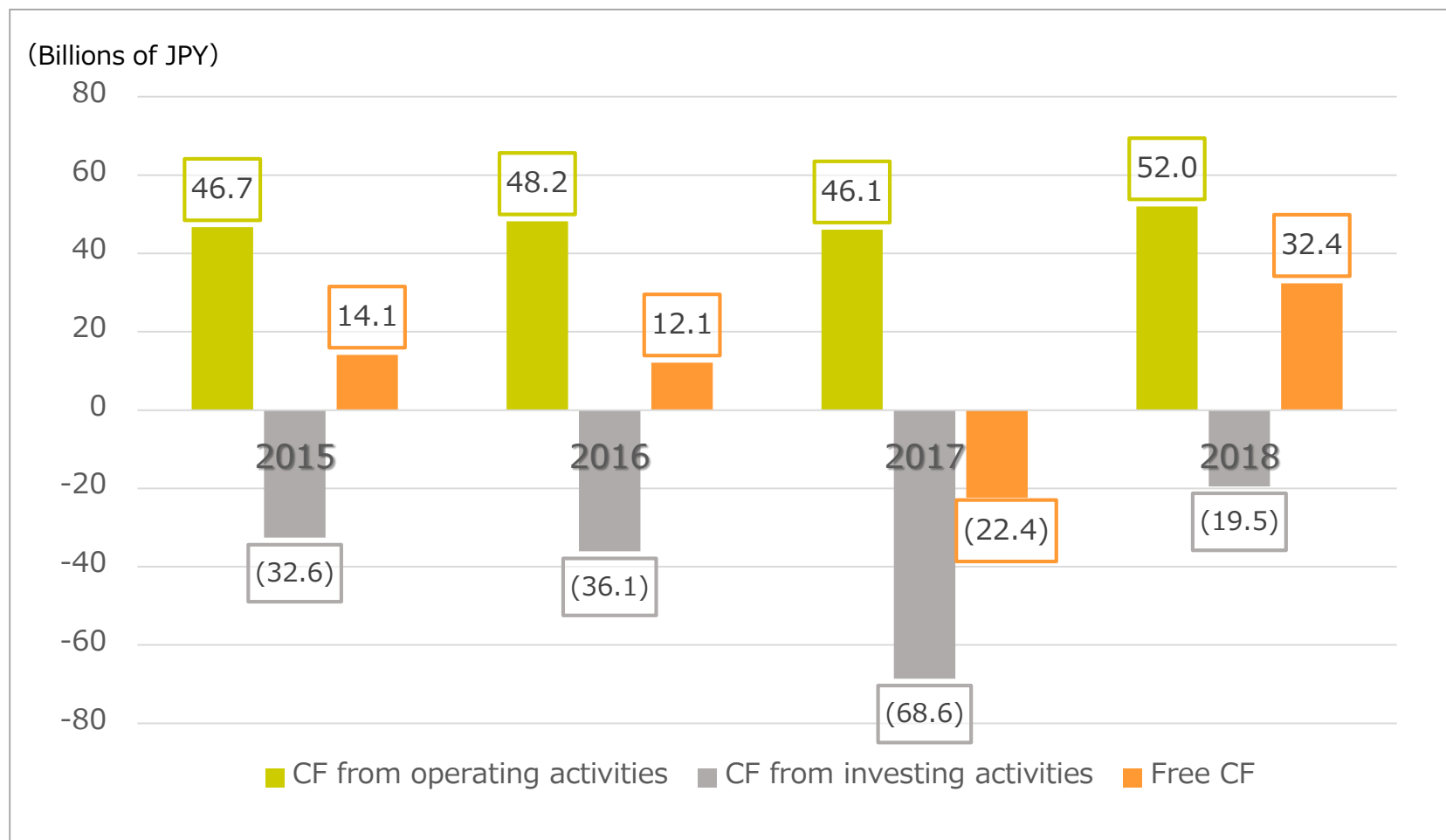
■ Increased dividend in the past 2 years consecutively

■ Purchase of treasury shares to enhance shareholder returns

- Total number of purchased shares 2,864,100 shares
- Total purchase amount 9,999,817 thousand JPY
- Purchase period July 31, 2018
 ~October 19, 2018

Review on “EGP2018”

Cash flows



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Outline of “EGP2021”

- EGP2021 is positioned as an initiative to realize the 5 Key Factors below.

Our Vision

“The World’s Leading Manufacturer of Special Glass”

5 Key Factors

【Corporate Goal】

Be a presence that Coexists with and contributes to society

【Research & Development】

Create glass that makes dreams come true

【Manufacturing Processes】

Develop innovative processes

【Environmental Preservation】

Achieve sustainable creative manufacturing

【Human Resource Development】

Be a group of professionals with aspirations and enthusiasm

EGP2021

(Target for fiscal 2021)

Sales: 350.0 billion JPY
Operating profit:
35.0 billion JPY
Operating margin: 10%

EGP2018

(Results for fiscal 2018)

Sales: 300.3 billion JPY
Operating profit:
24.8 billion JPY
Operating margin: 8.3%



Outline of “EGP2021”

■ Basic Policy

Pursue further growth toward becoming “the world’s leading manufacturer of special glass”

■ Our Slogan

Strong Growth - Raise Aspirations and Break Through Walls

※ Emphasis is placed on achieving strong growth in financial results as well as in human resources, core technologies and R&D capabilities, and as a result, making our corporate character even stronger.

■ Priorities

① **Research and Development**

② **Business Strategies**

③ **Strategic investment**

④ **CSR**

■ Management Targets

● Net sales

350 billion yen

- Electronics and information technology 175 billion yen
(glass for displays, glass for optical and electronic devices, etc.)
- Performance materials and others 175 billion yen
(glass fiber, medical-care, heat-resistant products, building materials and others)

● Operating profit

35 billion yen

● Operating margin

10%

Outline of “EGP2021”

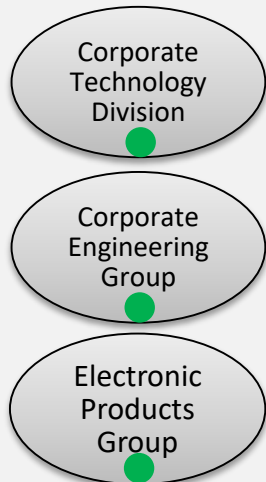
■ Priorities and Measures

① Research and Development

- Build integrated development structures for products, glass technologies, and manufacturing process
- Enhance marketing functions
- Invest 10 billion yen in R&D annually (3% of net sales and an increase of 43% compared to FY2018)
- Pursue R&D that makes dreams come true

Integrated management system

Former management



● Different Directors

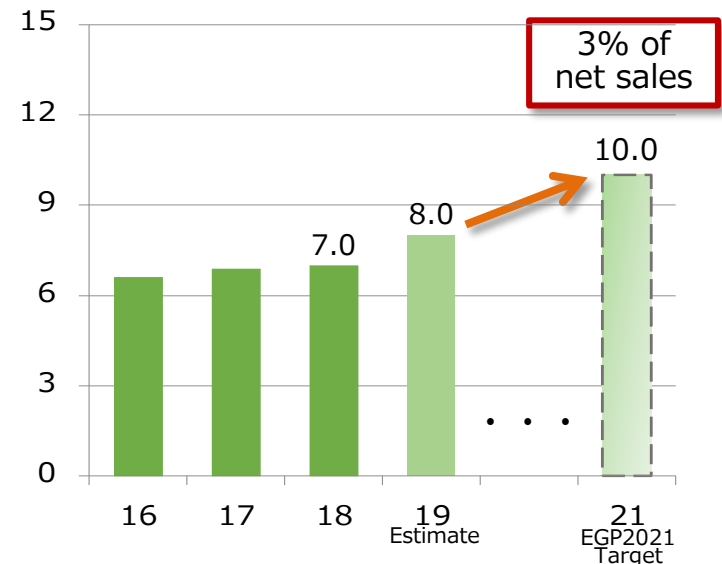
New management system

※2019.1.1~



R&D Expenses

(Billions of JPY)



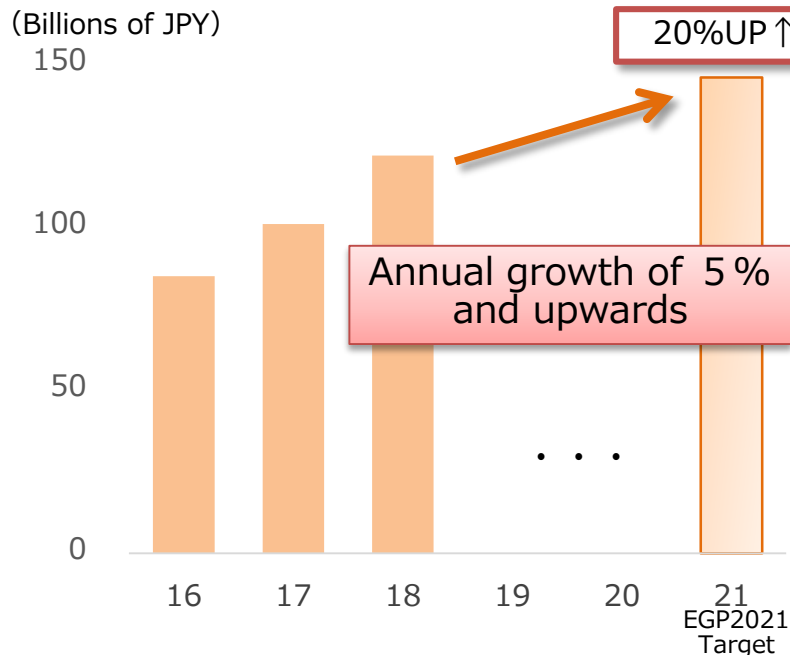
Outline of “EGP2021”

■ Priorities and Measures

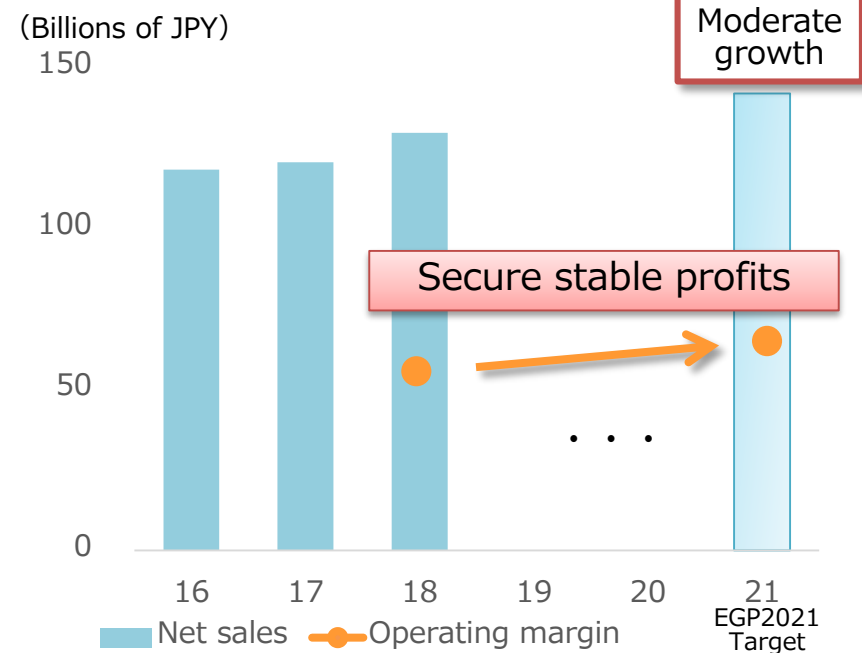
② Business Strategies

- Expand the glass fiber business and generate results through M&A synergies
- Create innovations in productivity and quality in the display glass business
- Strengthen the Company’s presence in growth areas such as China
- Assess the value of business and properly allocate resources

Growth image of glass fiber



Growth image of display business



Outline of “EGP2021”

■ Priorities and Measures

③ Strategic investment

- The Company will implement M&A and establish collaborations and affiliations with other companies from perspective of long-term growth and, in addition to conventional capital expenditure, the Company will set aside about 50 billion yen spread out over the three-year period for strategic investments.

Increase corporate value and aim for sustainable growth in both organic (by existing management resources) and non-organic areas (M&A etc.)

Next initiatives are under way.

Outline of “EGP2021”

■ Priorities and Measures

④ CSR

- Achieve sustainable growth and increase corporate value through initiatives that address the three priority themes of “environment”, “diversity and inclusion” and “community contribution”.

Main initiatives in EGP2021

Environment

- Development and sales of eco-friendly products
- Expansion of manufacturing processes to improve productivity and reduce CO2 emission
- Green procurement
- Local forest protection
- Removal of alien fish species from Lake Biwa



Diversity and inclusion

- Percentage of employees with disabilities...double the statutory requirement
- Platinum Kurumin Certification (on supporting the development of the next generation)
- Eruboshi Certification (on women's career advancement)
- Work-at-home program, work reinstatement program



Community contribution

- Continuous collaboration with the University of Shiga Prefecture
- Lake Biwa Floating School Program support
- Active participation in local community events
- Educational support to local schools
- Enhanced science study events



Outline of “EGP2021”

■ Financial Policies

- Emphasis on cash flow
- Emphasis on efficient use of assets(reduction in financial assets and inventory assets, consolidation of manufacturing equipment through productivity improvement)
- Financial soundness

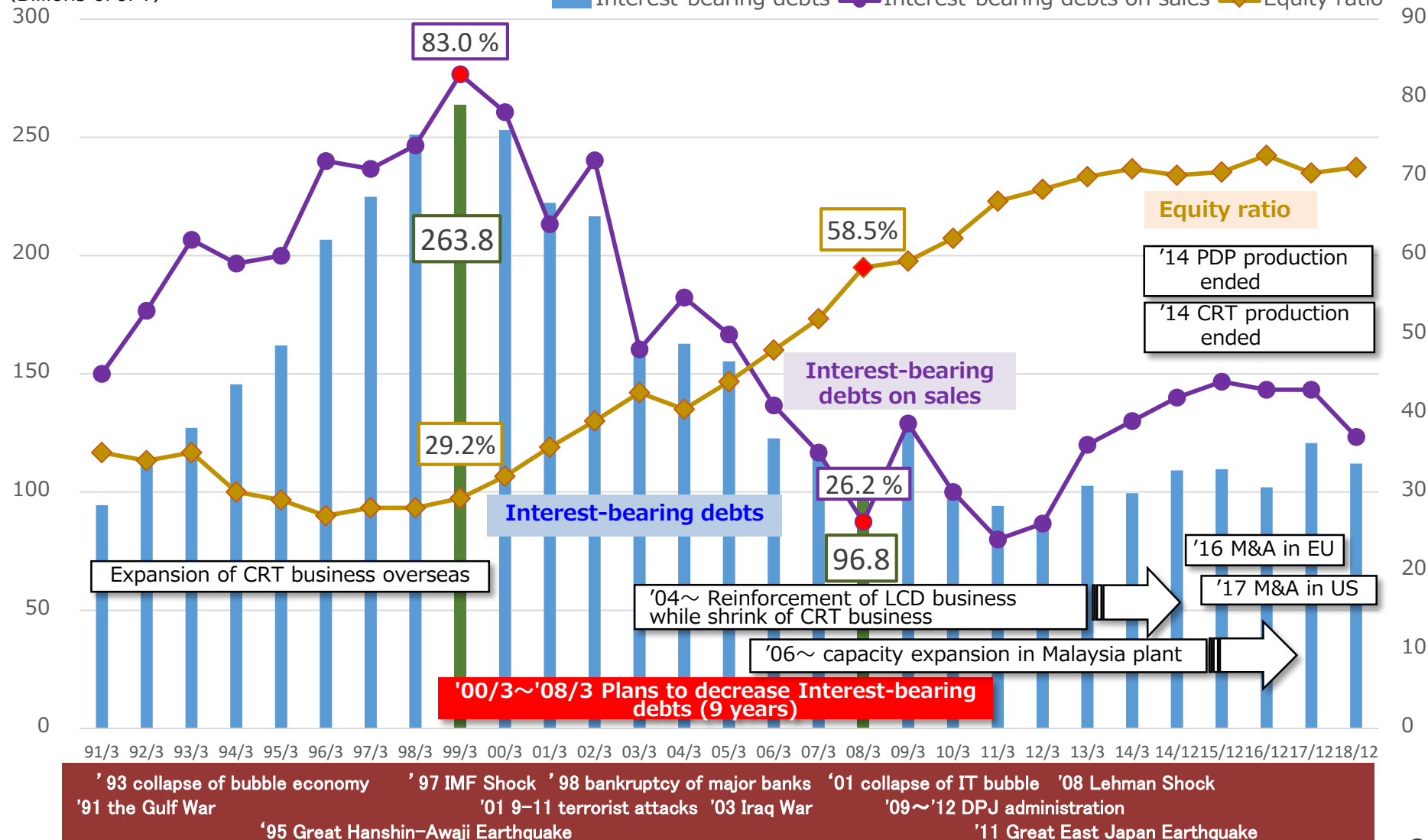
■ Profit Distribution Policies

- Continued and stable payment of dividends over the long term
- Dividends on equity ratio (DOE):2% and upwards
- Implementation of flexible shareholder return measures according to the status of achievement of the medium-term business plan

Outline of "EGP2021"

Financial history of Nippon Electric Glass

(Billions of JPY)



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Forecasts of FY2019

(FY2019)

(Billions of JPY)

	2Q (accum)	Full year	For reference		
			Mid-term Business plan	FY2018	Change(%)
Net sales	145.0	305.0	350.0	300.3	1.6
Operating profit	10.0	25.0	35.0	24.8	0.8
Ordinary profit	9.0	22.0	—	19.8	11.1
Profit attributable to owners of parent	8.0	18.0	—	15.1	19.2
Operating margin	6.9%	8.2%	10.0%	8.3%	—
Dividend forecast (JPY/share)	50	110	—	100	—

Foreign
exchange rate

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

Cost of raw
materials and
fuels

- Cost increase (assumption: \$ 75/bbl)

CAPEX

- FY2019: Planned **40.0** billion (FY2018:49.3 billion)
Mainly on productivity improvement and equipment repairs in Japan and overseas, capacity expansion in the Netherland plant and development of new products

Depreciation

- FY2019: Planned **30.0** billion (FY2018:29.7 billion)



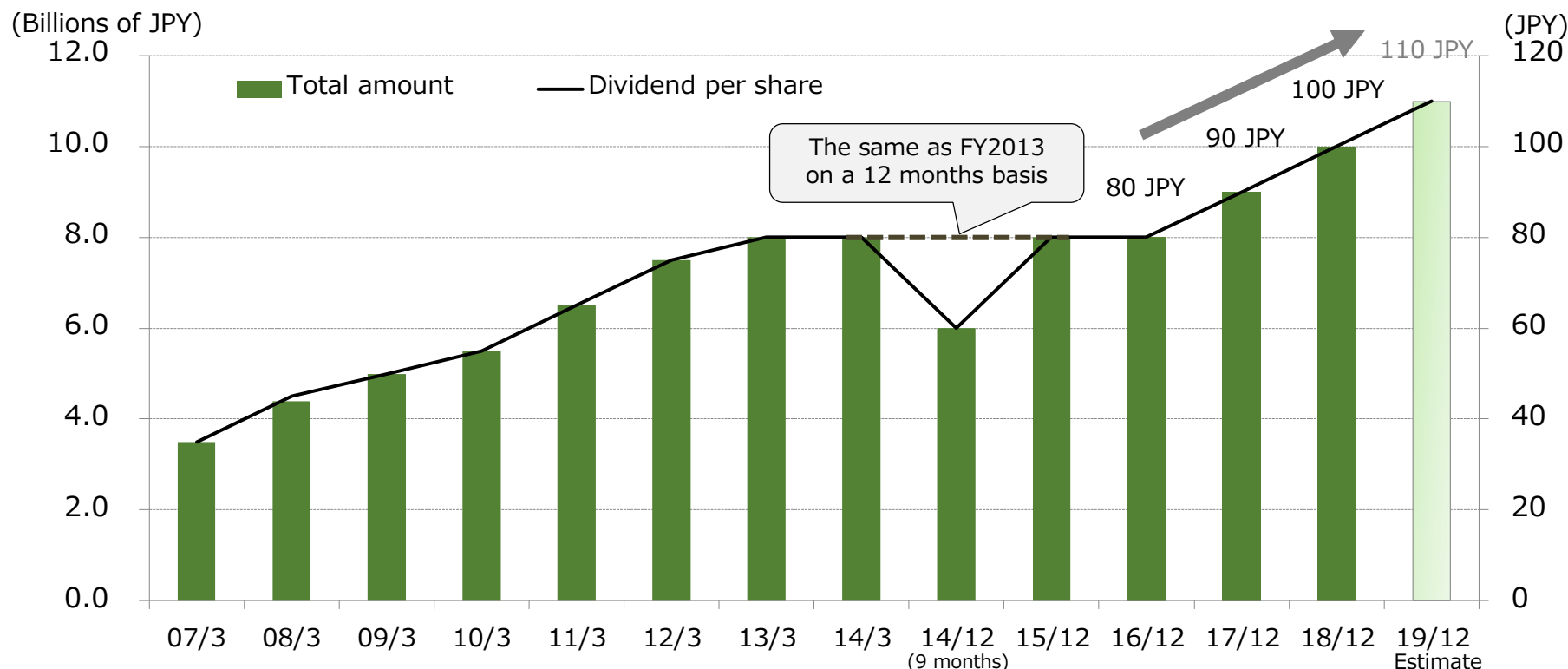
Profit distribution policies & Dividends

Profit Distribution Policies

- Continued and stable payment of dividends over the long term
- Dividends on equity ratio(DOE):2% and upwards
- Implementation of flexible shareholder return measures according to the status of achievement of the medium-term business plan

FY2019 (Estimate)

- Interim: 50 JPY per share Year-end: 60 JPY per share (110 JPY share/annum, YoY Dividends increase of 10 JPY)



*The share consolidation at a ratio of one for every five common shares was carried out on July 1, 2017. 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 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

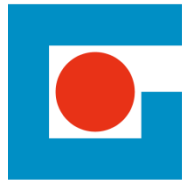
Corporate Information

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:	6,875 (Group total as of Dec 31, 2018)
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, 15 overseas (Malaysia, Korea, China, Taiwan, Europe, USA)

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