Nippon Electric Glass Co., Ltd.

Key Points of the Q&A Session at the Investor Meeting for the Second Quarter of FY2026

(Monday, August 3, 2026; Tokyo)

Q1. The operating profit forecast for the full year of 2026 was revised from 33 billion yen to 20 billion yen. Please tell us the breakdown by factor.

A1. The breakdown is unit sales and pricing of approximately 1 billion yen, productivity and operation rate of approximately 4 billion yen, material and energy prices, and logistics expenses of approximately 7 billion yen, and others of approximately 1 billion yen. The productivity and operation rate are mostly from the composites business, and also include some effects from the displays business and the medical care business. With regard to items such as material and energy prices, and logistics expenses, although it is difficult to clearly isolate the impact of foreign exchange rates and crude oil prices, in addition to soaring material and energy prices, the company expects an increase in manufacturing costs due to the impact of the appreciation of the Chinese yuan at the China base of the displays business.

Q2. In the displays business, the shift to all electric melting furnaces contributed to cost reductions in FY2025. Why did this factor contribute to cost increases in FY2026? Also, please tell us how the cost for the second half will be in the third and fourth quarters.

A2. Compared with gas fired furnaces, all electric melting furnaces have higher productivity and are more competitive in the long term, but the initial cost of conversion to all electric melting furnaces is high. The melting furnace also needs to be repaired regularly. We expect an increase in expenses related to periodic repairs, mainly in the third quarter of this fiscal year. We expect to be able to recover the cost in FY2027 and beyond.

Q3. In the electronics business, the company expects business expansion in the information and communications application. How much sales do you expect for microcapillaries and glass polarizers?

A3. Capillaries and polarizers are used in various optical communication networks, but demand has grown rapidly in recent years due to the expansion of data centers and infrastructure investment between data centers. We are also investing in facilities to expand our production capacity to meet the current strong demand. We aim to grow each of these businesses to 10 billion yen in FY2028.

Q4. What progress has been made in improving productivity in the composites business compared to the initial forecast? What are your assumptions for the full-year forecast?

A4. In the composites business, the deficit has been reduced due to productivity improvements, but the deficit remained in the first half of FY2026 and the business did not return to profitability as expected at the beginning of the fiscal year. As energy prices at our Malaysian base are expected to rise more than we expect in the second half of the year, we have incorporated a negative impact of several billion yen into our full-year earnings forecast. We are continuing to make every effort to improve productivity. We will also seek to transform our business into a profitable one by switching to high value-added products and asking for price revisions.

Q5. From 2016 to 2017, the company acquired European and the U.S. bases for the composites business, but this M&A seemed to have failed. What kind of internal discussions have you had?

A5. The M&A at that time was aimed at strengthening the global structure by securing production bases in Europe and the U.S. and expanding the production lineup, and we believe that we achieved a certain level of results. However, the subsequent massive investment and price destruction that ignored the demand from Chinese competitors exceeded expectations. The sharp rise in energy prices, which account for a large part of manufacturing costs, was also significantly affected. At present, we are working to improve productivity and rebuild the composites business by shifting from general-purpose products to high-value-added products such as D2 fiber.

Q6. At the investors meeting in February 2026, the company explained that mass production of D2 fiber was scheduled to begin in the fourth quarter of FY2026. Has the start of mass production been delayed? I want to know the situation including the background.

A6. D2 fiber is being evaluated by customers, but it will take some more time. However, since our customers have told us that they want us to supply first generation fiber, we are changing our plan to start first generation and then second generation. As the market environment and demand trends surrounding low-dielectric glass fibers have changed from the past, we will respond to customer demands with certainty.