

## Translation

Notice: This English version is a translation of the original disclosure in Japanese released on August 7, 2014 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

August 7, 2014

# CONSOLIDATED FINANCIAL RESULTS for the First Quarter of the Year Ending December 31, 2014 (Unaudited) <under Japanese GAAP>

Company name: **Nippon Electric Glass Co., Ltd.**  
 Listing: First Section of the Tokyo Stock Exchange  
 Securities identification code: 5214  
 URL: <http://www.neg.co.jp/>  
 Representative: Masayuki Arioka, President and Representative Director  
 Inquiries: Koichi Inamasu, Director and Executive Vice President  
 TEL: +81-77-537-1700 (from overseas)

Scheduled date to file quarterly report: August 14, 2014  
 Scheduled date to commence dividend payments: -  
 Supplementary material on quarterly financial results: None  
 Quarterly financial results presentation meeting: None

(in millions of yen with fractional amounts discarded, unless otherwise noted)

## 1. Consolidated performance for the first quarter of the year ending December 31, 2014 (From April 1, 2014 to June 30, 2014)

### (1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
For the three months ended		%		%		%		%
June 30, 2014	65,440	-	1,234	-	1,415	-	3,013	-
June 30, 2013	62,003	(17.2)	3,359	(56.9)	3,614	(49.5)	1,857	202.4

Note: Comprehensive income:

For the three months ended June 30, 2014: 3,521 million yen [ -%]

For the three months ended June 30, 2013: 11,238 million yen [94.9%]

	Net income per share	Diluted net income per share
For the three months ended	yen	yen
June 30, 2014	6.06	-
June 30, 2013	3.74	-

Note: The Company has changed its fiscal year end (last date of its business year) from March 31 to December 31 effective from the year ending December 31, 2014 (this fiscal year). As the period under consolidation for the period ended June 30, 2014, which is a transitional period in the change to the fiscal year end (the Company and its domestic consolidated subsidiaries: April 1, 2014, to June 30, 2014; the Company's overseas consolidated subsidiaries: January 1, 2014, to June 30, 2014) is different to that of the first quarter of the previous fiscal year, year-on-year changes are not presented. As a measure for this transitional period, profit and loss for the overseas consolidated subsidiaries in the three months from January 1, 2014, to March 31, 2014, are directly added or deducted in retained earnings under shareholders' equity on the consolidated balance sheet.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
June 30, 2014	701,293	512,711	72.0
March 31, 2014	707,021	510,807	71.2

Reference: Equity:

As of June 30, 2014: 504,603 million yen

As of March 31, 2014: 503,093 million yen

## 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 March 31, 2014	-	8.00	-	8.00	16.00
For the year ending December 31, 2014	-	—	—	—	—
For the year ending December 31, 2014 (Forecasts)	—	8.00	-	4.00	12.00

Note: 1. Revision of the forecasts most recently announced: None

2. Dividends for the year ending December 31, 2014, will be determined on the assumption of maintaining a dividend of 16 yen per share per twelve-month period, which was paid in the year ended March 31, 2014. As this will be adjusted in consideration that the year ending December 31, 2014, is actually a nine-month period, the planned annual dividend is 12 yen per share (interim dividend 8 yen, year-end dividend 4 yen).

## 3. Consolidated earnings forecasts for the year ending December 31, 2014 (From April 1, 2014 to December 31, 2014)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
		%		%		%		%	yen
For the six months ending September 30, 2014	130,000 - 135,000	-	3,000 - 5,000	-	2,000 - 4,000	-	3,500 - 4,500	-	7.04 - 9.05
For the year ending December 31, 2014	195,000 - 205,000	-	7,000 - 13,000	-	6,000 - 12,000	-	6,000 - 10,000	-	12.06 - 20.10

Note: 1. Revision of the forecasts most recently announced: Yes

2. As the period under consolidation for this fiscal year (the Company and its domestic consolidated subsidiaries: April 1, 2014, to December 31, 2014; the Company's overseas consolidated subsidiaries: January 1, 2014, to December 31, 2014) is different to that of the previous fiscal year, year-on-year changes are not presented for the period ending September 30, 2014, or the full year. As a measure for this transitional period, profit and loss for the overseas consolidated subsidiaries in the three months from January 1, 2014, to March 31, 2014, are directly added or deducted in retained earnings under shareholders' equity on the consolidated balance sheet.

Reference: Consolidated earnings for the six months ended September 30, 2013

The period under consolidation:

The Company and its domestic consolidated subsidiaries: April 1, 2013, to September 30, 2013

The Company's overseas consolidated subsidiaries: January 1, 2013, to June 30, 2013

Net sales	Operating income	Ordinary income	Net income	(Millions of yen)
126,271	10,427	9,799	6,022	

Consolidated earnings for the year ended March 31, 2014

The period under consolidation:

The Company and its domestic consolidated subsidiaries: April 1, 2013, to March 31, 2014

The Company's overseas consolidated subsidiaries: January 1, 2013, to December 31, 2013

Net sales	Operating income	Ordinary income	Net income	(Millions of yen)
252,548	16,170	14,372	12,431	

**\* Notes**

- (1) **Changes in significant subsidiaries during the three 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, 2014	497,616,234 shares
As of March 31, 2014	497,616,234 shares

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

As of June 30, 2014	222,872 shares
As of March 31, 2014	220,670 shares

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

For the three months ended June 30, 2014	497,394,402 shares
For the three months ended June 30, 2013	497,407,135 shares

\* Indication regarding execution of quarterly review procedures

At the time of disclosure of this quarterly financial results report, the quarterly review procedures for the quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act were incomplete.

\* 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 NEG 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 Three Months” on page 6.

## Qualitative Information Regarding Consolidated Results for the Three Months

### (1) Information regarding operating results (Three months ended June 30, 2014)

#### A. Overview

In the global economy, Europe mounted an overall recovery while the U.S. continued to follow a recovery track mainly on the back of growth in personal consumption. In addition, the Chinese economy continued to grow, albeit moderately. The Japanese economy showed a moderate recovery reflecting the weakening impact of the demand pullback following the rush in demand leading up to the consumption tax hike that was implemented in April 2014.

Amid this environment, during the first quarter (from April 1, 2014, to June 30, 2014), sales of substrate glass for liquid crystal displays (LCDs), glass fiber and others were generally firm, despite weak growth in sales of cover glass for mobile devices (specialty glass for chemical strengthening). As a result, performance was within the range of initial forecasts.

#### B. Operating results

(Billions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	62.0	65.4
Operating income	3.3	1.2
Ordinary income	3.6	1.4
Net income	1.8	3.0

Note: Amounts less than 100 million yen are omitted.

#### (Sales by products)

Reporting segment	Category	Three months ended June 30, 2013		Three months ended June 30, 2014	
		billions of yen	(%)	billions of yen	(%)
Glass Business	Glass for electronic and information devices	45.6	74	46.2	71
	Glass for others	16.3	26	19.1	29
Total		62.0	100	65.4	100

Note: Amounts less than 100 million yen are omitted.

#### (Net sales)

##### Glass for electronic and information devices:

Sales of substrate glass for LCDs continued to be stable in line with an increase in demand although sales of cover glass for mobile devices were below expectations reflecting weaker demand for high-end models. With respect to glass for electronic devices, sales of cover glass for image sensors lacked momentum for a recovery. On the other hand, sales of glass for optical devices and substrate glass for solar cells were generally firm.

##### Glass for others:

In the area of glass fiber, sales grew for its application in high-function plastics for auto parts and for reinforced cement on the back of firm demand. In the area of building materials, heat resistant glass and others, sales increased primarily in overseas markets despite the impact on some products from the demand pullback following the rush in demand leading up to the consumption tax hike.

(Profits)

There were adverse effects on profitability not only from such factors as rising raw material and fuel prices caused by yen depreciation and a rise in electricity prices, as well as falling product selling prices, but also from productivity not meeting expectations in some fields. A reversal of provision for special repairs accompanying a suspension of production facilities was a factor boosting net income.

Note: The Company has changed its fiscal year end (last date of its business year) from March 31 to December 31 effective from the year ending December 31, 2014 (this fiscal year). As the period under consolidation for the period ended June 30, 2014, which is a transitional period in the change to the fiscal year end (the Company and its domestic consolidated subsidiaries: April 1, 2014, to June 30, 2014; the Company's overseas consolidated subsidiaries: January 1, 2014, to June 30, 2014) is different to that of the first quarter of the previous fiscal year, year-on-year changes are not presented. As a measure for this transitional period, profit and loss for the overseas consolidated subsidiaries in the three months from January 1, 2014, to March 31, 2014, are directly added or deducted in retained earnings under shareholders' equity on the consolidated balance sheet.

(2) Information regarding consolidated earnings forecasts and other forward-looking statements

**Consolidated earnings forecasts for the six months ending September 30, 2014**

(Billions of yen)

	Six months ending September 30, 2014
Net sales	130.0 - 135.0
Operating income	3.0 - 5.0
Ordinary income	2.0 - 4.0
Net income	3.5 - 4.5

Note: Amounts less than 100 million yen are omitted.

**Consolidated earnings forecasts for the year ending December 31, 2014**

(Billions of yen)

	Year ending December 31, 2014		Change (B) - (A)	Change (%)
	Previous forecast (A)	Revised forecast (B)		
Net sales	200.0 - 210.0	195.0 - 205.0	-	-
Operating income	11.0 - 17.0	7.0 - 13.0	-	-
Ordinary income	8.0 - 14.0	6.0 - 12.0	-	-
Net income	7.0 - 11.0	6.0 - 10.0	-	-
Net income per share (yen)	14.07 - 22.12	12.06 - 20.10	-	-

Note: Amounts less than 100 million yen are omitted.

The global economy is expected to generally continue to recover despite slight differences among regions.

Amid this environment, in the second quarter (from July 1, 2014, to September 30, 2014), in glass for electronic and information devices, shipments of substrate glass for LCDs, our core business, are forecast to be generally in line with those of the first quarter. Shipments of glass for others, particularly glass fiber, are expected to remain firm. In terms of costs, on the other hand, depreciation on facilities, launch costs and other expenses are expected to occur in the second phase of investment for Electric Glass (Korea) Co., Ltd. In addition, trends in raw material and fuel prices and product selling prices are forecast to have an adverse impact on profitability. The NEG Group will put in all efforts to secure profits through such efforts as improving productivity and reducing expenses.

In light of these considerations, our consolidated earnings forecasts for the six months ending September 30, 2014, are as presented in the table above.

We have decided to revise our previously announced consolidated earnings forecasts for the year ending December 31, 2014 (announced on April 25, 2014), as presented in the table above. The revision has been made in consideration of such factors as market changes and developments in our

earnings since our initial forecasts, and our earnings outlook.

Note: As the period under consolidation for this fiscal year (the Company and its domestic consolidated subsidiaries: April 1, 2014, to December 31, 2014; the Company's overseas consolidated subsidiaries: January 1, 2014, to December 31, 2014) is different to that of the previous fiscal year, year-on-year changes are not presented for the period ending September 30, 2014, or the full year. As a measure for this transitional period, profit and loss for the overseas consolidated subsidiaries in the three months from January 1, 2014, to March 31, 2014, are directly added or deducted in retained earnings under shareholders' equity on the consolidated balance sheet. In line with this measure, in the consolidated earnings forecasts with respect to profit and loss, the forecast figures provided for the second quarter are those for the six months from April 1, 2014, to September 30, 2014, while the forecast figures for the full year are those for the nine months from April 1, 2014, to December 31, 2014.

The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the NEG 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 between the yen and other major currencies such as the U.S. dollar and the Euro, and interest rates, in addition to rapid technological advancement. 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 March 31, 2014	As of June 30, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	134,149	127,942
Notes and accounts receivable - trade	44,317	46,834
Merchandise and finished goods	35,807	29,847
Work in process	2,373	1,819
Raw materials and supplies	19,139	19,814
Other	11,784	13,258
Allowance for doubtful accounts	(68)	(68)
Total current assets	247,502	239,448
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	286,487	283,063
Other, net	107,262	111,966
Total property, plant and equipment	393,750	395,029
Intangible assets	2,659	2,732
Investments and other assets		
Other	63,157	64,144
Allowance for doubtful accounts	(48)	(61)
Total investments and other assets	63,109	64,082
Total non-current assets	459,519	461,844
Total assets	707,021	701,293
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	28,143	28,941
Short-term loans payable	15,185	15,773
Current portion of bonds	10,000	10,000
Income taxes payable	1,898	1,896
Other provision	65	57
Other	31,676	26,155
Total current liabilities	86,969	82,824
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	41,306	40,800
Provision for special repairs	35,937	32,869
Other provision	72	58
Net defined benefit liability	1,012	1,044
Other	915	984
Total non-current liabilities	109,243	105,757
Total liabilities	196,213	188,582

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Net assets		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,351	34,351
Retained earnings	422,893	424,818
Treasury shares	(276)	(277)
Total shareholders' equity	489,124	491,047
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,670	14,306
Deferred gains or losses on hedges	84	(149)
Foreign currency translation adjustment	214	(601)
Total accumulated other comprehensive income	13,969	13,555
Minority interests	7,714	8,107
Total net assets	510,807	512,711
Total liabilities and net assets	707,021	701,293



**(2) Quarterly consolidated statement of income and comprehensive income**  
**Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	62,003	65,440
Cost of sales	51,894	57,232
Gross profit	10,109	8,208
Selling, general and administrative expenses	6,750	6,973
Operating income	3,359	1,234
Non-operating income		
Interest income	47	49
Dividend income	518	503
Foreign exchange gains	571	271
Other	278	324
Total non-operating income	1,415	1,148
Non-operating expenses		
Interest expenses	191	181
Loss on retirement of non-current assets	94	6
Depreciation of inactive non-current assets	582	563
Other	291	216
Total non-operating expenses	1,160	967
Ordinary income	3,614	1,415
Extraordinary income		
Reversal of provision for special repairs	75	3,935
Other	—	98
Total extraordinary income	75	4,033
Extraordinary losses		
Loss on retirement of non-current assets	424	64
Impairment loss	—	1,323
Total extraordinary losses	424	1,387
Income before income taxes and minority interests	3,266	4,061
Income taxes	1,111	815
Income before minority interests	2,154	3,245
Minority interests in income	296	231
Net income	1,857	3,013

# Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Income before minority interests	2,154	3,245
Other comprehensive income		
Valuation difference on available-for-sale securities	4,920	636
Deferred gains or losses on hedges	367	(233)
Foreign currency translation adjustment	3,796	(126)
Total other comprehensive income	9,084	275
Comprehensive income	11,238	3,521
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,918	3,296
Comprehensive income attributable to minority interests	320	225

**(3) Reference: Summarized quarterly consolidated statement of cash flows (cumulative)**

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	3,266	4,061
Depreciation	8,252	8,517
Increase (decrease) in provision for special repairs	1,588	(3,067)
Decrease (increase) in notes and accounts receivable - trade	1,334	(176)
Decrease (increase) in inventories	(2,237)	2,735
Increase (decrease) in notes and accounts payable - trade	(2,155)	(208)
Income taxes paid	(872)	(1,926)
Other, net	465	(1,655)
Net cash provided by (used in) operating activities	9,640	8,279
<b>Cash flows from investing activities</b>		
Purchase of non-current assets	(5,896)	(7,682)
Other, net	(1,998)	(4,633)
Net cash provided by (used in) investing activities	(7,894)	(12,315)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable, long-term loans payable and corporate bonds, etc	(860)	(65)
Cash dividends paid	(3,790)	(3,678)
Other, net	(24)	(19)
Net cash provided by (used in) financing activities	(4,674)	(3,763)
Effect of exchange rate change on cash and cash equivalents	228	81
Net increase (decrease) in cash and cash equivalents	(2,700)	(7,717)
Cash and cash equivalents at beginning of period	121,740	123,887
Decrease in cash and cash equivalents due to changes in accounting period	—	(6,381)
Cash and cash equivalents at end of period	119,040	109,788