

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on July 29, 2016 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



July 29, 2016

CONSOLIDATED FINANCIAL RESULTS for the Second Quarter of the Year Ending December 31, 2016 (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/>
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Scheduled date to file quarterly report: August 12, 2016
 Scheduled date to commence dividend payments: August 31, 2016
 Supplementary material on quarterly financial results: Yes
 Quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Consolidated performance for the second quarter of the year ending December 31, 2016 (From January 1, 2016 to June 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
For the six months ended		%		%		%		%
June 30, 2016	118,229	(4.6)	8,710	(5.9)	568	(91.2)	(1,270)	-
June 30, 2015	123,926	-	9,256	-	6,492	-	1,311	-

Note: Comprehensive income:

For the six months ended June 30, 2016: (13,552) million yen [-%]

For the six months ended June 30, 2015: 6,558 million yen [-%]

	Earnings per share	Diluted net income per share
For the six months ended	Yen	yen
June 30, 2016	(2.55)	-
June 30, 2015	2.64	-

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. As the period corresponding to the second quarter in the fiscal year ended December 2015 (January 1 to June 30, 2015) differs from the previous second quarter for the fiscal year ended December 2014 (the Company and its consolidated subsidiaries in Japan: April 1 to September 30, 2014; overseas consolidated subsidiaries: January 1 to September 30, 2014), year-on-year changes have not been prepared.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
June 30, 2016	693,203	500,247	71.5
December 31, 2015	726,937	519,801	70.6

Reference: Equity:

As of June 30, 2016: 495,325 million yen

As of December 31, 2015: 513,218 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 December 31, 2015	-	8.00	-	8.00	16.00
For the year ending December 31, 2016	-	8.00	—	—	—
For the year ending December 31, 2016 (Forecasts)	—	—	-	8.00	16.00

Note: Revision of the forecasts most recently announced: None

3. Consolidated earnings forecasts for the year ending December 31, 2016 (From January 1, 2016 to December 31, 2016)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
		%		%		%		%	yen
For the year ending December 31, 2016	248,000	(1.3)	19,000	(13.8)	14,000	(1.9)	10,000	3.8	20.11

Note: Revision of the forecasts most recently announced: None

*** Notes**

- (1) **Changes in significant subsidiaries during the six 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, 2016	497,616,234 shares
As of December 31, 2015	497,616,234 shares

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

As of June 30, 2016	246,245 shares
As of December 31, 2015	243,750 shares

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

For the six months ended June 30, 2016	497,371,154 shares
For the six months ended June 30, 2015	497,384,802 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 Company 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 Six Months” on page 5.

Qualitative Information Regarding Consolidated Results for the Six Months

(1) Information regarding operating results (Six months ended June 30, 2016)

A. Overview

In the global economy, although the economy gradually recovered in Europe, uncertainty over the outlook heightened in light of the UK's decision to leave the EU. The US economy remained on a recovery track on the back of solid employment conditions and personal consumption. However, the Chinese economy slowed as exports stalled and fixed asset investments registered flat growth. Although personal consumption appeared weak, the Japanese economy continued to make a modest recovery, due in part to improved employment conditions.

In this environment, in the first half of the fiscal year (from January 1 to June 30, 2016), while shipments of the mainstay substrate glass for liquid crystal displays (LCDs) recovered from the second quarter (from April 1 to June 30, 2016), a moderate price decline continued. Sales of glass fiber were solid, despite the effects of the strong yen. As a result, sales fell below levels in the first half of the previous fiscal year (January 1 to June 30, 2015), but picked up from the first quarter (from January 1 to March 31, 2016) through the second quarter. On the profit/loss side, profits came under pressure due to facility repairs, but progress was made in improving productivity and cutting costs. The strong yen resulted in foreign exchange losses.

B. Operating results

(Billions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016	Change (%)
Net sales	123.9	118.2	(5)
Operating income	9.2	8.7	(6)
Ordinary income	6.4	0.5	(91)
Profit attributable to owners of parent	1.3	(1.2)	-

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Category	Six months ended June 30, 2015		Six months ended June 30, 2016		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	82.9	67	72.8	62	(10.1)	(12)
	Performance Materials and Others	40.9	33	45.3	38	4.4	11
Total		123.9	100	118.2	100	(5.6)	(5)

Note: 1. Amounts less than 100 million yen are omitted.

2. Beginning in this consolidated fiscal period, the categories of the reporting segments for sales by product were changed from "Glass for Electronic and Information Devices" to "Electronics and Information Technology" and from "Glass for Others" to "Performance Materials and Others".

(Net sales)

Electronics and Information Technology:

With the decline in LCD panel demand bottoming out, sales of substrate glass for LCDs began to recover in the second quarter. However, sales of cover glass for mobile devices (specialty glass for chemical strengthening) were affected by sluggish demand for smartphones and others. Sales of

glass for optical devices fell in the communications infrastructure market in certain regions, but this was offset by higher sales of new products in glass for electronic devices. Substrate glass for solar cells was generally firm.

Performance Materials and Others:

Sales of glass fiber remained solid, although applications in high-function plastics for auto parts were affected by the strong yen. In the area of building materials, heat-resistant glass and others, sales of glass for building materials declined, particularly overseas sales. However, sales of heat-resistant glass and glass for pharmaceutical and medical use recovered through the second quarter as inventory adjustments were completed. In particular, sales in the Performance Materials and Others segment increased compared to the previous year due to higher sales of glass fiber.

(Profit/loss)

Operating income was supported by enhanced productivity and cost-cutting, despite facility repairs and costs associated with the launch of Electric Glass (Xiamen) Co., Ltd. (melting and forming). However, ordinary income was pulled down primarily by foreign exchange losses attributable to a revaluation of receivables and payables related to loans made by the Company to its Chinese subsidiaries since the yen strengthened against the Chinese yuan.

In addition, net income was pushed down by a reversal of deferred tax assets following FY 2016 tax reform (lowering of income and other tax rates), canceling out the gains on the reversal of provisions for special repairs once part of the plans to repair glass melting furnaces were canceled.

**(2) Information regarding consolidated earnings forecasts and other forward-looking statements
(Consolidated earnings forecasts for the year ending December 31, 2016)**

(Billions of yen)

	Year ending December 31, 2016
Net sales	248.0
Operating income	19.0
Ordinary income	14.0
Profit attributable to owners of parent	10.0

Note: Amounts less than 100 million yen are omitted.

Although the US continues to recover, the outlook for the global economy is increasingly unclear, given the economic slowdown in China and the UK's exit from the EU, among other factors. However, we expect the Japanese economy to continue recovering gradually as various policies take effect, although consideration must be given to global economic trends and fluctuations in exchange rates.

Given this environment, in the Electronics and Information Technology segment, we expect the shipment of substrate glass for LCDs to gradually pick up through the second half of the fiscal year on restored demand for LCD panels. Moreover, the production capacity of Electric Glass (Xiamen) Co., Ltd. (melting and forming) and Electric Glass (Nanjing) Co., Ltd. (processing), which began operating this fiscal year, will be fully utilized to meet growing demand in China. Shipments of glass for optical devices are expected to be solid due to demand for communications infrastructure in emerging economies. In glass for electronic devices, we anticipate a recovery in demand ahead of the year-end shopping season and expanded sales of newly developed products, as well as higher sales of in-vehicle applications.

In the Performance Materials and Others segment, we expect shipments of glass fiber to remain at high levels on the back of solid demand for applications in high-function plastics for auto parts. We are working to expand sales of glass for building materials, heat-resistant glass, and glass for pharmaceutical and medical use, particularly in overseas markets. In particular, a new production facility at Nippon Electric Glass (Malaysia) Sdn. Bhd. will begin operating in the third quarter (from July 1 to September 30, 2016) to manufacture glass tubing for pharmaceutical and medical use, adapting to the growing market in China and other emerging economies.

We expect profit/loss to be affected by future market and product price trends and fluctuations in

exchange rates, among other factors, but we will endeavor to ensure profits with more extensive measures to improve productivity and cut costs.

In light of the above outlook, we have left the Company Group's consolidated earnings forecasts for the full year ending December 31, 2016 unchanged from the previous forecasts (released on April 28, 2016), as shown in the table above.

The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the Company 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, 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 December 31, 2015	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	144,345	137,544
Notes and accounts receivable - trade	47,391	45,386
Merchandise and finished goods	40,084	37,373
Work in process	1,631	1,296
Raw materials and supplies	22,459	20,929
Other	11,592	14,905
Allowance for doubtful accounts	(75)	(67)
Total current assets	267,429	257,368
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,687	79,534
Machinery, equipment and vehicles, net	267,932	264,853
Other, net	35,392	21,455
Total property, plant and equipment	386,012	365,843
Intangible assets	4,185	3,810
Investments and other assets		
Other	69,377	66,247
Allowance for doubtful accounts	(67)	(65)
Total investments and other assets	69,309	66,182
Total non-current assets	459,507	435,835
Total assets	726,937	693,203
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,587	26,159
Short-term loans payable	29,230	19,154
Current portion of bonds	10,000	20,000
Income taxes payable	3,428	1,418
Other provision	1,114	677
Other	32,039	23,832
Total current liabilities	105,399	91,241
Non-current liabilities		
Bonds payable	40,000	30,000
Long-term loans payable	27,500	40,800
Provision for special repairs	31,650	28,294
Other provision	27	28
Net defined benefit liability	1,202	1,073
Other	1,357	1,518
Total non-current liabilities	101,736	101,713
Total liabilities	207,136	192,955

(Millions of yen)

	As of December 31, 2015	As of June 30, 2016
Net assets		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,350	34,320
Retained earnings	427,431	422,181
Treasury shares	(289)	(290)
Total shareholders' equity	493,648	488,367
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,290	19,530
Deferred gains or losses on hedges	(205)	(347)
Foreign currency translation adjustment	(3,515)	(12,225)
Total accumulated other comprehensive income	19,570	6,958
Non-controlling interests	6,582	4,922
Total net assets	519,801	500,247
Total liabilities and net assets	726,937	693,203

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

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Net sales	123,926	118,229
Cost of sales	99,485	93,996
Gross profit	24,440	24,233
Selling, general and administrative expenses	15,183	15,522
Operating income	9,256	8,710
Non-operating income		
Interest income	182	97
Dividend income	628	722
Other	594	302
Total non-operating income	1,405	1,122
Non-operating expenses		
Interest expenses	494	578
Foreign exchange losses	1,708	7,451
Other	1,966	1,234
Total non-operating expenses	4,169	9,264
Ordinary income	6,492	568
Extraordinary income		
Reversal of provision for special repairs	376	3,884
Gain on sales of investment securities	720	—
Other	—	57
Total extraordinary income	1,097	3,941
Extraordinary losses		
Impairment loss	58	2,596
Loss on closing of plants	1,255	—
Other	510	296
Total extraordinary losses	1,824	2,892
Income before income taxes and minority interests	5,765	1,618
Income taxes	4,191	2,536
Profit (loss)	1,573	(917)
Profit attributable to non-controlling interests	262	352
Profit (loss) attributable to owners of parent	1,311	(1,270)

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Profit (loss)	1,573	(917)
Other comprehensive income		
Valuation difference on available-for-sale securities	5,983	(3,759)
Deferred gains or losses on hedges	614	(142)
Foreign currency translation adjustment	(1,612)	(8,732)
Total other comprehensive income	4,984	(12,634)
Comprehensive income	6,558	(13,552)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,272	(13,882)
Comprehensive income attributable to non-controlling interests	285	330

(3) Quarterly consolidated statement of cash flows (cumulative)

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	5,765	1,618
Depreciation	18,241	15,182
Impairment loss	58	2,596
Increase (decrease) in provision for special repairs	1,076	(3,356)
Foreign exchange losses (gains)	1,370	4,582
Decrease (increase) in notes and accounts receivable - trade	(1,287)	(311)
Decrease (increase) in inventories	(6,626)	2,410
Increase (decrease) in notes and accounts payable - trade	(3,517)	(2,030)
Income taxes paid	(1,611)	(4,072)
Other, net	1,584	381
Net cash provided by (used in) operating activities	15,054	17,000
Cash flows from investing activities		
Purchase of non-current assets	(22,319)	(16,426)
Other, net	10,178	5,460
Net cash provided by (used in) investing activities	(12,141)	(10,965)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(702)	3,577
Proceeds from long-term loans payable	—	13,300
Repayments of long-term loans payable	(528)	(13,000)
Cash dividends paid	(1,985)	(3,975)
Dividends paid to non-controlling interests	(2,162)	(2,019)
Other, net	(36)	(1,016)
Net cash provided by (used in) financing activities	(5,415)	(3,134)
Effect of exchange rate change on cash and cash equivalents	327	(3,022)
Net increase (decrease) in cash and cash equivalents	(2,174)	(121)
Cash and cash equivalents at beginning of period	129,823	133,856
Cash and cash equivalents at end of period	127,648	133,734