

## Translation

Notice: This English version is a translation of the original disclosure in Japanese released on July 31, 2017 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.

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MEMBERSHIP

July 31, 2017

# CONSOLIDATED FINANCIAL RESULTS for the Second Quarter of the Year Ending December 31, 2017 (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: Motoharu Matsumoto, President and Representative Director  
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Scheduled date to file quarterly report: August 14, 2017  
 Scheduled date to commence dividend payments: August 31, 2017  
 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, 2017 (From January 1, 2017 to June 30, 2017)

### (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, 2017	133,206	12.7	16,266	86.7	15,978	-	12,038	-
June 30, 2016	118,229	(4.6)	8,710	(5.9)	568	(91.2)	(1,270)	-

Note: Comprehensive income:

For the six months ended June 30, 2017: 17,291 million yen [ -%]

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

	Earnings per share	Diluted Earnings per share
For the six months ended	yen	yen
June 30, 2017	121.02	-
June 30, 2016	(12.77)	-

Note: The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. Earnings per share are calculated based on the assumption that the share consolidation had been implemented at the beginning of the year ended December 31, 2016.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
June 30, 2017	691,533	522,061	74.8
December 31, 2016	693,917	509,564	72.7

Reference: Equity:

As of June 30, 2017: 517,328 million yen

As of December 31, 2016: 504,287 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, 2016	-	8.00	-	8.00	16.00
For the year ending December 31, 2017	-	8.00	—	—	—
For the year ending December 31, 2017 (Forecasts)	—	—	-	40.00	-

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

2. The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. Accordingly, the amount of the year-end dividend per share for the year ending December 31, 2017 (forecast) takes this share consolidation into account and disclosure of the total annual dividends per share are described as “-.” For details, please refer to “Proper use of earnings forecasts, and other special directions.”

## 3. Consolidated earnings forecasts for the year ending December 31, 2017 (From January 1, 2017 to December 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
		%		%		%		%	yen
For the year ending December 31, 2017	266,000	11.1	30,000	53.3	29,000	107.6	22,000	342.8	221.17

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

2. For details on the revision of consolidated earnings forecasts, please refer to “Notice Concerning Revision of Consolidated Earnings Forecasts for the Fiscal Year Ending December 2017” disclosed today (July 31, 2017).  
3. Net income per share for consolidated earnings forecasts for the year ending December 31, 2017 takes the effect of share consolidation into account. For details, please refer to “Proper use of earnings forecasts, and other special directions.”

**\* 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: None
- 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, 2017	99,523,246 shares
As of December 31, 2016	99,523,246 shares

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

As of June 30, 2017	51,275 shares
As of December 31, 2016	50,369 shares

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

For the six months ended June 30, 2017	99,472,488 shares
For the six months ended June 30, 2016	99,474,230 shares

Note: The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. The total number of issued shares at the end of the period, the number of treasury shares at the end of the period and the average number of shares during the period are calculated based on the assumption that the share consolidation had been implemented at the beginning of the year ended December 31, 2016.

\* This quarterly financial results report is exempt from quarterly review.

\* Proper use of earnings forecasts, and other special directions

(Proper use of 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 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.

(Dividends and consolidated earnings forecasts after the share consolidation)

The Company's proposal for the share consolidation was approved at the 98<sup>th</sup> Ordinary General Meeting of Shareholders, held on March 30, 2017 and the Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. The Company changed the number of shares constituting one tradable unit (change from 1,000 shares to 100 shares) along with the share consolidation. On the assumption that the share consolidation is not taken into account, dividends and consolidated earnings forecasts for the year ending December 31, 2017 are as follows.

- (1) Dividends forecasts for the year ending December 31, 2017

Dividends per share

Year-end: 8 yen

- (2) Consolidated earnings forecasts for the year ending December 31, 2017

Net income per share

Year-end: 44.23 yen

## Qualitative Information Regarding Consolidated Results for the Six Months

### (1) Information regarding operating results (Six months ended June 30, 2017)

#### A. Overview

In the global economy, the economy gradually recovered in Europe and the US on the back of growing personal consumption and improved employment conditions. There were signs of a recovery in China, partly due to the effects of government policies. The Japanese economy continued to modest recovery, due to improved personal conditions and employment conditions. In this environment, in the first half of the fiscal year (from January 1 to June 30, 2017), shipments of substrate glass for liquid crystal display (LCDs) increased during the second quarter (from April 1 to June 30, 2017). Shipments of glass fiber were solid, particularly for applications in high-function plastics for auto parts. As a result, both sales and profits far exceeded levels in the first half of the previous fiscal year (from January 1 to June 30, 2016).

#### B. Operating results

(Billions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017	Change (%)
Net sales	118.2	133.2	13
Operating income	8.7	16.2	87
Ordinary income	0.5	15.9	-
Profit attributable to owners of parent	(1.2)	12.0	-

Note: Amounts less than 100 million yen are omitted.

#### (Sales by products)

Reporting segment	Category	Six months ended June 30, 2016		Six months ended June 30, 2017		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	72.8	62	72.3	54	(0.5)	(1)
	Performance Materials and Others	45.3	38	60.9	46	15.5	34
Total		118.2	100	133.2	100	14.9	13

Note: Amounts less than 100 million yen are omitted.

#### (Net sales)

##### Electronics and Information Technology:

With demand for substrate glass for LCDs recovering in the second quarter, shipments increased and a smaller decline in prices was recorded. Sales of cover glass for mobile devices (specialty glass for chemical strengthening) were stable. In glass for electronic devices, sales of cover glass for image sensors, primarily those used in digital cameras with interchangeable lenses, were firm, while other products such as functional powdered glass also grew. In glass for optical devices, although some products experienced sluggish sales, the remainder were generally firm. Although demand for substrate glass for solar cells declined, sales were stable.

##### Performance Materials and Others:

Firm sales of glass fiber continued against a backdrop consisting primarily of healthy demand for high-function plastics used in auto parts applications. Other factors such as the European glass fiber

business acquired from PPG in October 2016 also made a contribution to sales. Sales of heat-resistant glass and glass tubing for pharmaceutical and medical use were generally firm, but sales of glass for building materials, primarily for large domestic projects, were sluggish.

(Profit/loss)

Higher sales and improved productivity boosted profits, and operating income, ordinary income, and profit attributable to owners of parent all surpassed levels in the first half of the previous fiscal year.

**(2) Information regarding consolidated earnings forecasts and other forward-looking statements  
(Consolidated earnings forecasts for the year ending December 31, 2017)**

(Billions of yen)

	Year ending December 31, 2017		Change (B-A)	Change (%)
	Previous forecast (A)	Revised forecast (B)		
Net sales	260.0	266.0	6.0	2
Operating income	24.0	30.0	6.0	25
Ordinary income	20.0	29.0	9.0	45
Profit attributable to owners of parent	17.0	22.0	5.0	29

Note: Amounts less than 100 million yen are omitted.

We expect Europe and the US economies to continue recovering steadily and China to continue modest recovery as various policies take effect although consideration must be given to international situation and global economy. The Japanese economy is expected to continue recovering gradually, due in part to improved employment and income conditions.

Given this environment, in the Electronics and Information Technology category, we expect that from the third quarter (July 1 to September 30, 2017) onward, with demand for substrate glass for LCDs providing a firm base, growth will be driven by such factors as shipments to new customers through the joint-venture on processing of glass substrates in China. Sales for certain products in glass for electronic devices and glass for optical devices are forecast to slow, but are expected to be generally firm. In the Performance Materials and Others segment, a seasonal slowdown in European customers' operating rates is forecast for the glass fiber business, but overall demand is expected to be resilient. Shipments of glass for building materials, heat-resistant glass and glass for medical and pharmaceutical use are generally expected to be stable.

We expect profit/loss to be affected by the future market environment, 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 and results for the first half of the fiscal year, we have revised the Company Group's consolidated earnings forecasts for the full year ending December 31, 2017, 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, 2016	As of June 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	132,001	126,959
Notes and accounts receivable - trade	49,133	52,795
Merchandise and finished goods	38,977	39,198
Work in process	1,456	1,460
Raw materials and supplies	19,979	22,161
Other	13,418	11,830
Allowance for doubtful accounts	(96)	(100)
Total current assets	254,870	254,305
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	78,656	76,502
Machinery, equipment and vehicles, net	267,860	261,023
Other, net	20,882	23,405
Total property, plant and equipment	367,399	360,930
Intangible assets	7,179	6,882
Investments and other assets		
Other	64,498	69,439
Allowance for doubtful accounts	(29)	(24)
Total investments and other assets	64,468	69,414
Total non-current assets	439,047	437,228
Total assets	693,917	691,533

(Millions of yen)

	As of December 31, 2016	As of June 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	31,611	31,254
Short-term loans payable	19,197	22,963
Current portion of bonds	10,000	—
Income taxes payable	1,338	2,030
Other provision	526	453
Other	23,350	21,557
Total current liabilities	86,024	78,258
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	40,800	33,300
Provision for special repairs	23,127	23,268
Other provision	31	34
Net defined benefit liability	1,561	1,802
Other	2,808	2,807
Total non-current liabilities	98,328	91,213
Total liabilities	184,353	169,471
<b>Net assets</b>		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,320	34,320
Retained earnings	424,441	432,500
Treasury shares	(293)	(296)
Total shareholders' equity	490,624	498,680
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,558	26,560
Deferred gains or losses on hedges	(418)	363
Foreign currency translation adjustment	(8,744)	(8,542)
Remeasurements of defined benefit plans	266	266
Total accumulated other comprehensive income	13,663	18,648
Non-controlling interests	5,276	4,733
Total net assets	509,564	522,061
Total liabilities and net assets	693,917	691,533

**(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, 2016	Six months ended June 30, 2017
Net sales	118,229	133,206
Cost of sales	93,996	100,564
Gross profit	24,233	32,641
Selling, general and administrative expenses	15,522	16,375
Operating income	8,710	16,266
Non-operating income		
Interest income	97	123
Dividend income	722	992
Other	302	369
Total non-operating income	1,122	1,485
Non-operating expenses		
Interest expenses	578	396
Depreciation of inactive non-current assets	615	396
Other	8,070	979
Total non-operating expenses	9,264	1,772
Ordinary income	568	15,978
Extraordinary income		
Reversal of provision for special repairs	3,884	—
Gain on sales of non-current assets	57	162
Total extraordinary income	3,941	162
Extraordinary losses		
Impairment loss	2,596	—
Loss on sales and retirement of non-current assets	296	168
Total extraordinary losses	2,892	168
Profit before income taxes	1,618	15,972
Income taxes	2,536	3,666
Profit (loss)	(917)	12,305
Profit attributable to non-controlling interests	352	267
Profit (loss) attributable to owners of parent	(1,270)	12,038



# Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Profit (loss)	(917)	12,305
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,759)	4,001
Deferred gains or losses on hedges	(142)	781
Foreign currency translation adjustment	(8,732)	189
Remeasurements of defined benefit plans, net of tax	—	(0)
Share of other comprehensive income of entities accounted for using equity method	—	12
Total other comprehensive income	(12,634)	4,985
Comprehensive income	(13,552)	17,291
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(13,882)	17,023
Comprehensive income attributable to non-controlling interests	330	267

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

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Cash flows from operating activities		
Profit before income taxes	1,618	15,972
Depreciation	15,182	13,464
Impairment loss	2,596	—
Increase (decrease) in provision for special repairs	(3,356)	141
Foreign exchange losses (gains)	4,582	227
Decrease (increase) in notes and accounts receivable - trade	(311)	(3,652)
Decrease (increase) in inventories	2,410	(2,522)
Increase (decrease) in notes and accounts payable - trade	(2,030)	(1,113)
Income taxes paid	(4,072)	(1,714)
Other, net	381	3,632
Net cash provided by (used in) operating activities	17,000	24,437
Cash flows from investing activities		
Purchase of non-current assets	(16,426)	(9,839)
Other, net	5,460	1,776
Net cash provided by (used in) investing activities	(10,965)	(8,063)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,577	(3,638)
Proceeds from long-term loans payable	13,300	—
Repayments of long-term loans payable	(13,000)	—
Redemption of bonds	—	(10,000)
Cash dividends paid	(3,975)	(3,972)
Dividends paid to non-controlling interests	(2,019)	(811)
Other, net	(1,016)	(18)
Net cash provided by (used in) financing activities	(3,134)	(18,441)
Effect of exchange rate change on cash and cash equivalents	(3,022)	(169)
Net increase (decrease) in cash and cash equivalents	(121)	(2,236)
Cash and cash equivalents at beginning of period	133,856	126,167
Cash and cash equivalents at end of period	133,734	123,930