

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on October 30, 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.

Member of the Financial Accounting Standards Foundation



October 30, 2017

CONSOLIDATED FINANCIAL RESULTS for the Third 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
 Inquiries: Koichi Tsuda, Director and Senior Vice President
 TEL: +81-77-537-1700 (from overseas)

Scheduled date to file quarterly report: November 14, 2017
 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 third quarter of the year ending December 31, 2017 (From January 1, 2017 to September 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 nine months ended		%		%		%		%
September 30, 2017	204,751	15.9	24,639	74.3	24,841	484.4	17,807	-
September 30, 2016	176,680	(6.2)	14,133	(10.1)	4,251	(42.1)	286	(80.2)

Note: Comprehensive income:

For the nine months ended September 30, 2017: 26,374 million yen [-%]

For the nine months ended September 30, 2016: (12,862) million yen [-%]

	Earnings per share	Diluted Earnings per share
For the nine months ended	yen	yen
September 30, 2017	179.02	-
September 30, 2016	2.88	-

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			%
September 30, 2017	745,488	527,160	70.1
December 31, 2016	693,917	509,564	72.7

Reference: Equity:

As of September 30, 2017: 522,304 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 “-.” On the assumption that the share consolidation is not taken into account, dividends for the year ending December 31, 2017 (Forecasts) are 8 yen for Year-end and 16 yen for Total.

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	280,000	17.0	32,000	63.5	32,000	129.1	24,000	383.0	241.27

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

2. Net income per share for consolidated earnings forecasts for the year ending December 31, 2017 takes the effect of share consolidation into account.

*** Notes**

- (1) **Changes in significant subsidiaries during the nine 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 September 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 September 30, 2017	52,589 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 nine months ended September 30, 2017	99,471,999 shares
For the nine months ended September 30, 2016	99,474,110 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 Nine Months” on page 5.

Qualitative Information Regarding Consolidated Results for the Nine Months

(1) Information regarding operating results (Nine months ended September 30, 2017)

A. Overview

In the global economy, the economy gradually recovered in Europe and the US on the back of improved personal consumption and 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 consumption and employment conditions.

In this environment, in the first three quarters of the fiscal year (from January 1 to September 30, 2017), shipments of substrate glass for liquid crystal display (LCDs) increased steadily after the second quarter (from April 1 to June 30, 2017) due to the start of full-scale shipments to new customers under a firm market base. Shipments of glass fiber were solid. The European and US glass fiber businesses acquired from PPG also made a contribution to sales. In terms of profit/loss, we ensured firm profits from improved productivity on a company-wide basis and higher sales. As a result, both sales and profits far exceeded levels in the first three quarters of the previous fiscal year (from January 1 to September 30, 2016).

B. Operating results

(Billions of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017	Change (%)
Net sales	176.6	204.7	16
Operating income	14.1	24.6	74
Ordinary income	4.2	24.8	484
Profit attributable to owners of parent	0.2	17.8	-

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Category	Nine months ended September 30, 2016		Nine months ended September 30, 2017		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	110.5	63	110.2	54	(0.2)	(0)
	Performance Materials and Others	66.1	37	94.4	46	28.2	43
Total		176.6	100	204.7	100	28.0	16

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronics and Information Technology:

With demand for substrate glass for LCDs remained firm, shipments to new customers through the joint-venture on processing of glass substrates in China (Fuqing City) became full-scale in the third quarter (July 1 to September 30, 2017). Sales of cover glass for mobile devices (glass for chemical strengthening) were stable. In glass for electronic devices, sales of products such as functional powder glass grew on the back of solid demand related to home appliances and automobiles. In glass for optical devices, shipments of some products were weak. Sales of substrate glass for solar cells were stable.

Performance Materials and Others:

Despite the impact of a seasonal slowdown in European customers' operating rates in the third quarter, sales of glass fiber remained firm as a whole, primarily due to sales of highly-functioned resin materials used in auto parts. Compared to the first three quarters of the previous fiscal year, the European (consolidated from October 2016) and US (consolidated from September 2017) glass fiber businesses acquired from PPG made a contribution to sales. Sales of heat-resistant glass and glass tubing for pharmaceutical and medical use were firm, but sales of glass for building materials used in large domestic projects were sluggish.

(Profit/loss)

Improved productivity and higher sales boosted operating income. In the first three quarters of the previous fiscal year, ordinary income was pulled down by foreign exchange losses attributable to the revaluation of receivables and payables related to loans made by the Company to its Chinese subsidiaries, but these reverted to foreign exchange gains in the first three quarters of this fiscal year, which improved ordinary income. In terms of extraordinary income/loss, we posted an extraordinary loss in the third quarter (loss on closing of plant) for the cost of environmental improvement work at the former site of the Fujisawa Plant. However, gain on sales of investment securities were posted as extraordinary income. As a result, operating income, ordinary income, and profit attributable to owners of parent all surpassed levels in the first three quarters 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	266.0	280.0	14.0	5
Operating income	30.0	32.0	2.0	7
Ordinary income	29.0	32.0	3.0	10
Profit attributable to owners of parent	22.0	24.0	2.0	9

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, we expect the following in the fourth quarter (October 1 to December 31, 2017). In the Electronics and Information Technology category, we expect shipments of substrate glass for LCDs to increase, primarily in the Chinese market. We expect shipments of glass for electronic devices and glass for optical devices to be generally stable. In the Performance Materials and Others segment, we expect Electric Glass Fiber America (the aforementioned US glass fiber business acquired from PPG), which became a consolidated subsidiary in September 2017, to push up sales, riding on the back of the steady demand for glass fiber. 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 three quarters 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 September 30, 2017
Assets		
Current assets		
Cash and deposits	132,001	105,582
Notes and accounts receivable - trade	49,133	62,402
Merchandise and finished goods	38,977	42,134
Work in process	1,456	1,467
Raw materials and supplies	19,979	23,354
Other	13,418	13,477
Allowance for doubtful accounts	(96)	(159)
Total current assets	254,870	248,259
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	78,656	77,480
Machinery, equipment and vehicles, net	267,860	269,351
Other, net	20,882	33,264
Total property, plant and equipment	367,399	380,097
Intangible assets		
Goodwill	1,903	43,635
Other	5,276	5,258
Total intangible assets	7,179	48,894
Investments and other assets		
Other	64,498	68,275
Allowance for doubtful accounts	(29)	(38)
Total investments and other assets	64,468	68,236
Total non-current assets	439,047	497,228
Total assets	693,917	745,488

(Millions of yen)

	As of December 31, 2016	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,611	38,436
Short-term loans payable	19,197	54,297
Current portion of bonds	10,000	—
Income taxes payable	1,338	2,786
Other provision	526	2,557
Other	23,350	25,957
Total current liabilities	86,024	124,034
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	40,800	33,300
Provision for special repairs	23,127	23,200
Other provision	31	1,317
Net defined benefit liability	1,561	1,941
Other	2,808	4,533
Total non-current liabilities	98,328	94,292
Total liabilities	184,353	218,327
Net assets		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,320	34,320
Retained earnings	424,441	434,290
Treasury shares	(293)	(301)
Total shareholders' equity	490,624	500,464
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,558	26,609
Deferred gains or losses on hedges	(418)	(219)
Foreign currency translation adjustment	(8,744)	(4,822)
Remeasurements of defined benefit plans	266	271
Total accumulated other comprehensive income	13,663	21,839
Non-controlling interests	5,276	4,856
Total net assets	509,564	527,160
Total liabilities and net assets	693,917	745,488

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

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017
Net sales	176,680	204,751
Cost of sales	139,365	153,415
Gross profit	37,314	51,336
Selling, general and administrative expenses	23,181	26,696
Operating income	14,133	24,639
Non-operating income		
Interest income	135	194
Dividend income	749	1,024
Foreign exchange gains	—	675
Other	474	685
Total non-operating income	1,359	2,579
Non-operating expenses		
Interest expenses	829	540
Foreign exchange losses	8,639	—
Depreciation of inactive non-current assets	931	642
Other	841	1,193
Total non-operating expenses	11,241	2,377
Ordinary income	4,251	24,841
Extraordinary income		
Reversal of provision for special repairs	3,884	—
Gain on sales of investment securities	—	1,941
Other	138	239
Total extraordinary income	4,022	2,181
Extraordinary losses		
Impairment loss	2,596	—
Loss on closing of plants	—	3,430
Other	816	255
Total extraordinary losses	3,412	3,686
Profit before income taxes	4,861	23,337
Income taxes	4,015	5,139
Profit	846	18,198
Profit attributable to non-controlling interests	559	391
Profit attributable to owners of parent	286	17,807

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017
Profit	846	18,198
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,443)	4,051
Deferred gains or losses on hedges	(99)	198
Foreign currency translation adjustment	(11,165)	3,872
Remeasurements of defined benefit plans, net of tax	—	4
Share of other comprehensive income of entities accounted for using equity method	—	49
Total other comprehensive income	(13,708)	8,175
Comprehensive income	(12,862)	26,374
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(13,398)	25,983
Comprehensive income attributable to non-controlling interests	536	391

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

(Millions of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	4,861	23,337
Depreciation	22,940	20,464
Impairment loss	2,596	—
Increase (decrease) in provision for special repairs	(3,036)	73
Foreign exchange losses (gains)	6,408	(280)
Decrease (increase) in notes and accounts receivable - trade	(635)	(8,207)
Decrease (increase) in inventories	2,750	(2,968)
Increase (decrease) in notes and accounts payable - trade	(912)	1,548
Income taxes paid	(5,149)	(2,681)
Other, net	1,707	2,347
Net cash provided by (used in) operating activities	31,530	33,632
Cash flows from investing activities		
Purchase of non-current assets	(23,347)	(12,166)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(59,389)
Other, net	(8,458)	4,415
Net cash provided by (used in) investing activities	(31,805)	(67,140)
Cash flows from financing activities		
Net increase (decrease) inn short-term loans payable, long-term loans payable	3,382	27,632
Redemption of bonds	—	(10,000)
Cash dividends paid	(7,959)	(7,959)
Dividends paid to non-controlling interests	(2,019)	(811)
Other, net	(1,025)	(31)
Net cash provided by (used in) financing activities	(7,622)	8,829
Effect of exchange rate change on cash and cash equivalents	(3,403)	462
Net increase (decrease) in cash and cash equivalents	(11,302)	(24,214)
Cash and cash equivalents at beginning of period	133,856	126,167
Cash and cash equivalents at end of period	122,554	101,952