

## Translation

Notice: This English version is a translation of the original disclosure in Japanese released on April 27, 2018 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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April 27, 2018

# CONSOLIDATED FINANCIAL RESULTS for the First Quarter of the Year Ending December 31, 2018 (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: May 15, 2018  
 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, 2018 (From January 1, 2018 to March 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
For the three months ended		%		%		%		%
March 31, 2018	78,609	18.7	7,162	(9.5)	5,126	(13.2)	3,131	(24.4)
March 31, 2017	66,245	14.2	7,915	52.8	5,904	140.5	4,140	538.7

Note: Comprehensive income:

For the three months ended March 31, 2018: (4,263) million yen [ -%]

For the three months ended March 31, 2017: 6,645 million yen [ -%]

	Earnings per share	Diluted Earnings per share
For the three months ended	yen	yen
March 31, 2018	31.48	-
March 31, 2017	41.63	-

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, 2017.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
March 31, 2018	746,157	534,235	71.0
December 31, 2017	764,420	543,789	70.5

Reference: Equity:

As of March 31, 2018: 529,524 million yen

As of December 31, 2017: 538,819 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, 2017	-	8.00	-	50.00	-
For the year ending December 31, 2018	-	—	—	—	—
For the year ending December 31, 2018 (Forecasts)	—	50.00	-	50.00	100.00

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, for the year ended December 31, 2017, the Company describes the actual amount before the share consolidation as the amount of the second quarter-end dividend per share, while the Company describes “-” as the total annual dividends per share. On the assumption that the share consolidation is taken into account, dividends for the year ended December 31, 2017 are 40 yen for Second quarter-end and 90 yen for Total.

## 3. Consolidated earnings forecasts for the year ending December 31, 2018 (From January 1, 2018 to December 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
		%		%		%		%	yen
For the six months ending June 30, 2018	150,000	12.6	15,000	(7.8)	14,000	(12.4)	9,000	(25.2)	90.48
For the year ending December 31, 2018	300,000	6.2	31,000	(3.7)	29,000	(15.0)	20,000	(26.4)	201.07

Note: Revision of the forecasts most recently announced: None

**\* 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 March 31, 2018	99,523,246 shares
As of December 31, 2017	99,523,246 shares

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

As of March 31, 2018	53,861 shares
As of December 31, 2017	53,734 shares

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

For the three months ended March 31, 2018	99,469,447 shares
For the three months ended March 31, 2017	99,472,635 shares

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

\* 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 Three Months” on page 5.

## Qualitative Information Regarding Consolidated Results for the Three Months

### (1) Information regarding operating results (Three months ended March 31, 2018)

#### A. Overview

In the global economy, the economy gradually recovered in Europe and the US on the back of improved employment conditions and personal consumption. There were signs of a recovery in China, partly due to expanded exports. The Japanese economy continued to modest recovery, due to improved employment conditions and personal consumption, and expanded exports.

In this environment, in the first quarter of the fiscal year (from January 1 to March 31, 2018), shipments of substrate glass for liquid crystal display (LCDs) increased under a firm demand. Shipments of glass fiber increased, particularly for highly-functioned resin materials used in auto parts. The US glass fiber business subsidiary (Electric Glass Fiber America: EGFA) that the Company acquired in September, 2017 also made a contribution to sales. As a result, sales exceeded level in the first quarter of the previous fiscal year (from January 1 to March 31, 2017). Profit was down over the same period in the previous fiscal year due to construction related to productivity improvement and production capacity increase at EGFA, goodwill amortization, the launch of new facilities at Electric Glass (Xiamen), foreign exchange losses, etc.

#### B. Operating results

(Billions of yen)

	Three months ended March 31, 2017	Three months ended March 31, 2018	Change (%)
Net sales	66.2	78.6	19
Operating profit	7.9	7.1	(10)
Ordinary profit	5.9	5.1	(13)
Profit attributable to owners of parent	4.1	3.1	(24)

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Category	Three months ended March 31, 2017		Three months ended March 31, 2018		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	34.5	52	38.5	49	3.9	12
	Performance Materials and Others	31.7	48	40.1	51	8.3	26
Total		66.2	100	78.6	100	12.3	19

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronics and Information Technology:

Shipments of substrate glass for LCDs increased on the back of the firm demand although prices fell slightly. Shipments of cover glass for mobile devices (glass for chemical strengthening) declined. In glass for electronic devices, sales of products such as functional powder glass were affected by seasonal fluctuation, but overall sales were solid. Sales of glass for optical devices were solid. Shipments of substrate glass for solar cells declined.

Performance Materials and Others:

Shipments of glass fiber increased due to solid demand for applications for highly-functioned resin materials used in auto parts. The aforementioned EGFA also contributed to higher sales. Shipments of heat-resistant glass were firm, despite the impact of inventory adjustments by some customers. Sales of glass tubing for pharmaceutical and medical use were solid, particularly among overseas customers. Sales of glass for building materials were also generally solid.

(Profit/loss)

Operating profit was down due to construction related to productivity improvement and production capacity increase at EGFA, goodwill amortization and the launch of new facilities at Electric Glass (Xiamen). Ordinary profit and profit attributable to owners of parent were affected mainly by foreign exchange losses attributable to revaluation of receivables and payables related to loans to some overseas subsidiaries.

**(2) Information regarding consolidated earnings forecasts and other forward-looking statements  
(Consolidated earnings forecasts for the six months and for the year ending December 31, 2018)**

(Billions of yen)

	Six months ending June 30, 2018	Year ending December 31, 2018
Net sales	150.0	300.0
Operating profit	15.0	31.0
Ordinary profit	14.0	29.0
Profit attributable to owners of parent	9.0	20.0

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 although consideration must be given to international situation and global economy. The Japanese economy is also expected to continue recovering gradually.

Given this environment, in the Electronics and Information Technology category, we expect substrate glass for LCDs to grow gradually in line with market growth. The augmented capacity of Electric Glass (Xiamen), which will be completed in the second quarter (from April 1 to June 30, 2018), will help to expand sales in China, a growing market. We expect glass for electronic devices to grow steadily ahead of the year-end shopping season. In glass for optical devices, we will accurately adapt to trends in demand for telecommunications infrastructure.

In Performance Materials and Others category, we expect sales of glass fiber to be solid, primarily for highly-functioned resin materials used in auto parts. With the construction for increasing production capacity at EGFA finished in the second quarter, we will aggressively meet growing demand. We expect demand for heat-resistance glass to gradually recover after our customers' inventory adjustments are completed. We will meet growing demand for glass tubing for pharmaceutical and medical use in China. We expect glass for building materials to gradually increase through the second half of the fiscal year.

In terms of profit/loss, we will need to take into account the impact of the aforementioned launch of new facilities at Electric Glass (Xiamen) and EGFA, as well as trends in exchange rates and product prices. However, given the solid demand in the current environment, we will launch new facilities quickly to expand our sales and also work to improve productivity to raise profitability.

We have left the Company Group's consolidated earnings forecasts for the second quarter ending June 30, 2018 and the full year ending December 31, 2018 (released on February 5, 2018) unchanged, 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, 2017	As of March 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	117,068	110,339
Notes and accounts receivable - trade	61,145	62,853
Merchandise and finished goods	44,156	38,419
Work in process	1,605	1,755
Raw materials and supplies	23,604	23,755
Other	15,515	17,273
Allowance for doubtful accounts	(164)	(175)
Total current assets	262,932	254,222
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,605	86,841
Machinery, equipment and vehicles, net	267,048	269,253
Other, net	44,164	36,021
Total property, plant and equipment	393,817	392,116
Intangible assets		
Goodwill	21,848	19,881
Other	13,171	12,986
Total intangible assets	35,019	32,868
Investments and other assets		
Other	72,675	66,991
Allowance for doubtful accounts	(25)	(41)
Total investments and other assets	72,650	66,949
Total non-current assets	501,488	491,934
Total assets	764,420	746,157

(Millions of yen)

	As of December 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	37,991	35,801
Short-term loans payable	35,607	39,871
Income taxes payable	1,993	1,880
Other provision	3,038	3,444
Other	25,205	27,829
Total current liabilities	103,835	108,827
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	53,053	43,379
Provision for special repairs	23,277	23,362
Other provision	859	358
Net defined benefit liability	1,900	1,890
Other	7,703	4,103
Total non-current liabilities	116,795	103,093
Total liabilities	220,631	211,921
<b>Net assets</b>		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,320	34,365
Retained earnings	443,667	441,825
Treasury shares	(306)	(307)
Total shareholders' equity	509,836	508,039
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,123	26,226
Deferred gains or losses on hedges	(208)	97
Foreign currency translation adjustment	(1,279)	(5,167)
Remeasurements of defined benefit plans	346	328
Total accumulated other comprehensive income	28,982	21,484
Non-controlling interests	4,969	4,711
Total net assets	543,789	534,235
Total liabilities and net assets	764,420	746,157



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

**Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Three months ended March 31, 2017	Three months ended March 31, 2018
Net sales	66,245	78,609
Cost of sales	50,311	60,356
Gross profit	15,933	18,253
Selling, general and administrative expenses	8,017	11,090
Operating profit	7,915	7,162
Non-operating income		
Interest income	46	131
Dividend income	273	236
Other	163	333
Total non-operating income	483	701
Non-operating expenses		
Interest expenses	210	504
Foreign exchange losses	1,578	1,769
Other	705	464
Total non-operating expenses	2,494	2,738
Ordinary profit	5,904	5,126
Extraordinary income		
Gain on sales of non-current assets	143	125
Total extraordinary income	143	125
Extraordinary losses		
Loss on sales and retirement of non-current assets	36	—
Business structure improvement expenses	—	10
Total extraordinary losses	36	10
Profit before income taxes	6,012	5,240
Income taxes	1,795	2,006
Profit	4,216	3,234
Profit attributable to non-controlling interests	76	102
Profit attributable to owners of parent	4,140	3,131

# Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended March 31, 2017	Three months ended March 31, 2018
Profit	4,216	3,234
Other comprehensive income		
Valuation difference on available-for-sale securities	4,824	(3,897)
Deferred gains or losses on hedges	287	306
Foreign currency translation adjustment	(2,650)	(3,847)
Remeasurements of defined benefit plans, net of tax	(11)	(18)
Share of other comprehensive income of entities accounted for using equity method	(20)	(40)
Total other comprehensive income	2,428	(7,497)
Comprehensive income	6,645	(4,263)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,569	(4,366)
Comprehensive income attributable to non-controlling interests	76	102