Translation

Notice: This English version is a translation of the original disclosure in Japanese released on October 29, 2019 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 29, 2019

CONSOLIDATED FINANCIAL RESULTS for the Third Quarter of the Year Ending December 31, 2019 (Unaudited) <under Japanese GAAP>

Company name: **Nippon Electric Glass Co., Ltd.**
Listing: First Section of the Tokyo Stock Exchange
Securities identification code: 5214
URL: https://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 8, 2019
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, 2019 (From January 1, 2019 to September 30, 2019)

(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 nine months ended		%		%		%		%
September 30, 2019	194,925	(14.4)	12,588	(34.8)	10,335	(34.3)	3,154	(72.9)
September 30, 2018	227,652	11.2	19,305	(21.5)	15,727	(36.6)	11,642	(34.5)

Note: Comprehensive income:
For the nine months ended September 30, 2019: (4,253) million yen [-%]
For the nine months ended September 30, 2018: 5,268 million yen [(80.0%)]

	Earnings per share	Diluted Earnings per share
For the nine months ended	yen	yen
September 30, 2019	32.65	-
September 30, 2018	117.46	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
September 30, 2019	690,676	507,064	72.7
December 31, 2018	725,320	521,547	71.2

Reference: Equity:
As of September 30, 2019: 502,217 million yen
As of December 31, 2018: 516,451 million yen

Note: The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending December 31, 2019. Accordingly, total assets and equity ratio for the fiscal year ended December 31, 2018, reflect the retroactive application of this standard.

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, 2018	-	50.00	-	50.00	100.00
For the year ending December 31, 2019	-	50.00	-	——	——
For the year ending December 31, 2019 (Forecasts)	——	——	——	60.00	110.00

Note: Revision of the forecasts most recently announced: None

3. Consolidated earnings forecasts for the year ending December 31, 2019 (From January 1, 2019 to December 31, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
		%		%		%		%	yen
For the year ending December 31, 2019	270,000	(10.1)	18,000	(27.6)	16,000	(19.3)	8,000	(47.4)	82.80

Note: Revision of the forecasts most recently announced: None

*** 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: 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 September 30, 2019	99,523,246 shares
As of December 31, 2018	99,523,246 shares

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

As of September 30, 2019	2,904,602 shares
As of December 31, 2018	2,918,451 shares

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

For the nine months ended September 30, 2019	96,613,170 shares
For the nine months ended September 30, 2018	99,114,872 shares

* This quarterly financial results report is exempt from quarterly review by Certified Public Accountants or Audit firm.

* 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, 2019)

A. Overview

The outlook for the global economy remained unclear, due to such factors as the prolonged trade dispute between the US and China, and economic slowdowns in Europe and China. While there have been improvements in the employment and income environment in Japan, some weakness is being seen in the export and production areas against the background of slowing external demand.

In this environment, in the first nine months of the fiscal year ending December 31, 2019 (from January 1 to September 30, 2019), sales declined mainly for substrate glass for liquid crystal displays (LCDs) and glass fiber, causing net sales to fall below of the same period of the previous fiscal year (from January 1 to September 30, 2018).

In terms of profit/loss, the impact of lower net sales was significant, and operating profit, ordinary profit and profit attributable to owners of parent were all fell below the levels in the same period of the previous fiscal year.

B. Operating results

(Billions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019	Change (%)
Net sales	227.6	194.9	(14)
Operating profit	19.3	12.5	(35)
Ordinary profit	15.7	10.3	(34)
Profit attributable to owners of parent	11.6	3.1	(73)

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Nine months ended September 30, 2018		Nine months ended September 30, 2019		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	113.6	50	102.5	53	(11.1)	(10)
	Performance Materials and Others	113.9	50	92.3	47	(21.6)	(19)
Total		227.6	100	194.9	100	(32.7)	(14)

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronics and Information Technology:

Shipments of substrate glass for LCDs remained at the same level as the same period of the previous fiscal year (from January 1 to September 30, 2018) due to the impact of reduced operations at panel manufacturers in the third quarter (from July 1 to September 30, 2019), and the prices slightly declined compared to the same period of the previous fiscal year. Sales of cover glass for mobile devices (glass for chemical strengthening) declined compared the same period of the previous fiscal year as a result of slowdown in demand for smartphones, etc. Even though shipments of certain products such as phosphor-glass remained steady during the third quarter, sales of glass for optical and electronic devices overall declined compared to the same period of the previous fiscal year. Sales of substrate glass for solar cells were weak.

Performance Materials and Others:

Shipments of glass fiber declined significantly compared to the same period of the previous fiscal year, as a result of prolonged slowdown in related markets for high-performance resin used in auto parts and for wind turbine blades used in wind power generation, in addition to shipments of household equipment application falling below expectations. Sales of heat-resistant glass were weak and declined compared to the same period of the previous fiscal year. Shipments of glass for building materials were at the same level with the same period of the previous fiscal year. Shipments of glass tubing for pharmaceutical and medical use increased compared to the same period of the previous fiscal year, due to strong demand in overseas markets.

(Profit/loss)

Operating profit was down over the levels of the same period of the previous fiscal year, affected not only by the decline in net sales, but also by higher costs due to falls in capacity utilization rates in the glass fiber business, delayed improvements in profitability at the US glass fiber business subsidiary, as well as higher prices for raw material and energy. Ordinary profit was affected mainly by foreign exchange losses attributable to revaluation of receivables and payables related to loans to some overseas subsidiaries.

Profit attributable to owners of parent fell significantly below the same period of the previous fiscal year. This is due to the fact that in extraordinary income/loss, while reversal gains due to reversal of provision for special repairs due to the cancellation of plans to repair some glass melting furnaces were recorded in extraordinary gains, expenses related to damage to certain manufacturing facilities caused by power outages and temporary suspension of operations at an overseas subsidiary and expenses related to partial damage to domestic production facilities caused by typhoons, etc., were recorded in extraordinary losses.

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

(Consolidated earnings forecasts for the year ending December 31, 2019)

(Billions of yen)

	Year ending December 31, 2019
Net sales	270.0
Operating profit	18.0
Ordinary profit	16.0
Profit attributable to owners of parent	8.0

Note: Amounts less than 100 million yen are omitted.

The outlook for the global economy has remained unclear due to such factors as the trade dispute between the US and China, and economic slowdowns in Europe and China. The Japanese economy is expected to gradually recover, but a close eye must be kept on such trends overseas.

Given this environment, in the Electronics and Information Technology segment, we will mainly strengthen sales in the Chinese market, although there are concerns of a slowdown in demand for substrate glass for LCDs. We will continue to develop new materials for cover glass for mobile devices. For glass for electronic devices, we will steadily launch a joint venture in the LTCC (low temperature co-fired ceramics) business established in October this year. We forecast that glass for optical devices will also post a gentle recovery.

In the Performance Materials and Others segment, we believe that a full-scale recovery in glass fiber will still take some time. In addition to holding operating rates in line with the trends in demand, we will make efforts to expand sales. We will appropriately respond to the healthy demand for glass tubing for pharmaceutical and medical use in the Chinese markets. Shipments of heat-resistant glass and glass for building materials are generally expected to be stable.

In terms of profit/loss, close attention must be paid to the market environment, prices for raw material and energy and fluctuations in exchange rates, etc., but we will work to recover profits through productivity improvements and cost reduction initiatives.

In light of the above outlook, we have left the Company Group's consolidated earnings forecasts for the full year ending December 31, 2019 (released on July 29, 2019) 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, 2018	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	116,785	97,947
Notes and accounts receivable - trade	56,795	48,698
Merchandise and finished goods	40,498	50,009
Work in process	1,583	2,749
Raw materials and supplies	26,034	26,286
Other	6,235	5,670
Allowance for doubtful accounts	(191)	(219)
Total current assets	247,741	231,141
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	83,170	78,217
Machinery, equipment and vehicles, net	276,102	262,904
Other, net	27,267	31,416
Total property, plant and equipment	386,540	372,538
Intangible assets		
Goodwill	19,072	16,873
Other	12,864	11,857
Total intangible assets	31,937	28,731
Investments and other assets		
Other	59,138	58,289
Allowance for doubtful accounts	(38)	(23)
Total investments and other assets	59,100	58,265
Total non-current assets	477,578	459,535
Total assets	725,320	690,676

(Millions of yen)

	As of December 31, 2018	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	38,781	34,280
Short-term loans payable	33,351	23,408
Current portion of bonds	10,000	—
Income taxes payable	2,450	1,028
Other provision	2,168	1,255
Other	26,239	24,442
Total current liabilities	112,992	84,414
Non-current liabilities		
Bonds payable	20,000	30,000
Long-term loans payable	46,653	44,892
Provision for special repairs	17,774	15,528
Other provision	20	21
Net defined benefit liability	1,665	1,683
Other	4,666	7,070
Total non-current liabilities	90,780	99,196
Total liabilities	203,772	183,611
Net assets		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,365	34,358
Retained earnings	448,909	442,384
Treasury shares	(10,308)	(10,258)
Total shareholders' equity	505,121	498,640
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,481	18,737
Deferred gains or losses on hedges	108	103
Foreign currency translation adjustment	(8,260)	(15,264)
Total accumulated other comprehensive income	11,330	3,577
Non-controlling interests	5,095	4,847
Total net assets	521,547	507,064
Total liabilities and net assets	725,320	690,676

(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, 2018	Nine months ended September 30, 2019
Net sales	227,652	194,925
Cost of sales	176,608	153,152
Gross profit	51,044	41,773
Selling, general and administrative expenses	31,739	29,184
Operating profit	19,305	12,588
Non-operating income		
Interest income	408	462
Dividend income	744	859
Other	1,106	1,565
Total non-operating income	2,259	2,887
Non-operating expenses		
Interest expenses	1,299	561
Foreign exchange losses	2,967	3,140
Other	1,569	1,436
Total non-operating expenses	5,836	5,139
Ordinary profit	15,727	10,335
Extraordinary income		
Reversal of provision for special repairs	—	1,552
Gain on revision of retirement benefit plan	970	—
Other	253	253
Total extraordinary income	1,223	1,806
Extraordinary losses		
Loss on accident	—	3,550
Business structure improvement expenses	213	—
Other	55	1,193
Total extraordinary losses	269	4,743
Profit before income taxes	16,682	7,398
Income taxes	4,783	3,898
Profit	11,898	3,499
Profit attributable to non-controlling interests	256	344
Profit attributable to owners of parent	11,642	3,154

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Profit	11,898	3,499
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,202)	(744)
Deferred gains or losses on hedges	(39)	(5)
Foreign currency translation adjustment	(2,948)	(6,869)
Remeasurements of defined benefit plans, net of tax	(346)	—
Share of other comprehensive income of entities accounted for using equity method	(93)	(133)
Total other comprehensive income	(6,630)	(7,752)
Comprehensive income	5,268	(4,253)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,011	(4,598)
Comprehensive income attributable to non-controlling interests	256	344