Translation

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

October 31, 2016

CONSOLIDATED FINANCIAL RESULTS for the Third 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/
Representative: Motoharu Matsumoto, President and Representative Director
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Scheduled date to file quarterly report: November 14, 2016
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, 2016 (From January 1, 2016 to September 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 nine months ended		%		%		%		%
September 30, 2016	176,680	(6.2)	14,133	(10.1)	4,251	(42.1)	286	(80.2)
September 30, 2015	188,262	-	15,728	-	7,346	-	1,447	-

Note: Comprehensive income:
For the nine months ended September 30, 2016: (12,862) million yen [-%]
For the nine months ended September 30, 2015: (5,304) million yen [-%]

	Earnings per share	Diluted Earnings per share
For the nine months ended	Yen	yen
September 30, 2016	0.58	-
September 30, 2015	2.91	-

Note: The Company has changed its fiscal year end (last date of its business year) from March 31 to December 31 effective from the fiscal year ending December 31, 2014. As consolidated financial statements for the third quarter of the fiscal year ended December 31, 2014 were not prepared, year-on-year changes have not been prepared for the third quarter in the fiscal year ended December 31, 2015.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
September 30, 2016	686,123	496,958	71.7
December 31, 2015	726,937	519,801	70.6

Reference: Equity:
As of September 30, 2016: 491,829 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 nine months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly consolidated: Electric Glass Fiber UK, Ltd.

(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, 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 September 30, 2016	247,394 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 nine months ended September 30, 2016	497,370,555 shares
For the nine months ended September 30, 2015	497,383,484 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 Nine Months" on page 5.

Qualitative Information Regarding Consolidated Results for the Nine Months

(1) Information regarding operating results (Nine months ended September 30, 2016)

A. Overview

In the global economy, although the economy continued to gradually recover in Europe, some export and manufacturing sectors showed signs of weakness. 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 and fixed asset investments declined. With solid personal consumption, the Japanese economy continued to make a modest recovery, due in part to improved employment conditions.

In this environment, on the sales side in the first three quarters (from January 1 to September 30, 2016), while shipments of substrate glass for liquid crystal displays (LCDs) recovered from the second quarter (from April 1 to June 30, 2016), a moderate price decline continued. Shipments of glass fiber fell in the third quarter (from July 1 to September 30, 2016), in part due to the impact of summer holidays in Europe and the US. As a result, sales fell below the levels in the first three quarters of the previous year (from January 1 to September 30, 2015). On the profit/loss side, profits undercut the previous year, but recovered from the second quarter into the third quarter. The strong yen resulted in foreign exchange losses.

B. Operating results

(Billions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Change (%)
Net sales	188.2	176.6	(6)
Operating income	15.7	14.1	(10)
Ordinary income	7.3	4.2	(42)
Profit attributable to owners of parent	1.4	0.2	(80)

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Category	Nine months ended September 30, 2015		Nine months ended September 30, 2016		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	125.6	67	110.5	63	(15.1)	(12)
	Performance Materials and Others	62.6	33	66.1	37	3.5	6
Total		188.2	100	176.6	100	(11.5)	(6)

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 demand in the LCD panel market recovering, sales of substrate glass for LCDs gained momentum from the second quarter, but prices continued to fall slightly. Sales of cover glass for mobile devices (specialty glass for chemical strengthening) were affected by sluggish demand for

smartphones and others. In glass for electronic devices, sales of new products increased, but sales of glass for optical devices declined due to a partial slowdown in the communications infrastructure market in certain regions. Substrate glass for solar cells was generally firm.

Performance Materials and Others:
Sales of glass fiber in the first three quarters exceeded levels in the first three quarters of the previous fiscal year. This was despite a decline in sales for application in high-function plastics for auto parts in the third quarter, attributable to the impact of the summer holidays in Europe and the US, and a drop in sales due the strong yen from the second quarter. Sales of heat-resistant glass recovered from the second quarter as inventory adjustments were completed. Sales of glass for building materials and glass tubing for pharmaceutical and medical use were weak.

(Profit/loss)
One-off costs associated with the launch of Electric Glass (Xiamen) Co., Ltd., reduced profits in the second quarter, but operating income improved year-on-year in the third quarter due to enhanced productivity and a decrease in company expenses. However, 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 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 the 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 and Europe in particular are expected to make a modest recovery, the outlook for the global economy remains unclear, given the economic slowdown in China and the UK's vote to leave the EU, among other factors. We expect the Japanese economy to continue recovering gradually as various policies take effect, although consideration must be given to overseas economic trends and fluctuations in the exchange rates.
Given this environment, in the Electronics and Information Technology segment, we expect the markets for LCD panels and optical and electronic devices to recover in the fourth quarter (from October 1 to December 31, 2016). In the Performance Materials and Others segment, PPG's European business acquired in October 2016 is expected to contribute to sales of glass fiber. 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.
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, we have left the Company Group's consolidated earnings forecasts for the full year ending December 31, 2016 unchanged.

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 September 30, 2016
Assets		
Current assets		
Cash and deposits	144,345	127,344
Notes and accounts receivable - trade	47,391	44,731
Merchandise and finished goods	40,084	36,621
Work in process	1,631	1,285
Raw materials and supplies	22,459	20,779
Other	11,592	13,815
Allowance for doubtful accounts	(75)	(66)
Total current assets	267,429	244,511
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,687	78,179
Machinery, equipment and vehicles, net	267,932	261,508
Other, net	35,392	17,722
Total property, plant and equipment	386,012	357,410
Intangible assets	4,185	3,807
Investments and other assets		
Other	69,377	80,457
Allowance for doubtful accounts	(67)	(62)
Total investments and other assets	69,309	80,394
Total non-current assets	459,507	441,612
Total assets	726,937	686,123

(Millions of yen)

	As of December 31, 2015	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,587	27,217
Short-term loans payable	29,230	18,678
Current portion of bonds	10,000	20,000
Income taxes payable	3,428	1,221
Other provision	1,114	528
Other	32,039	19,582
Total current liabilities	105,399	87,228
Non-current liabilities		
Bonds payable	40,000	30,000
Long-term loans payable	27,500	40,800
Provision for special repairs	31,650	28,613
Other provision	27	29
Net defined benefit liability	1,202	1,077
Other	1,357	1,415
Total non-current liabilities	101,736	101,936
Total liabilities	207,136	189,165
Net assets		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,350	34,320
Retained earnings	427,431	419,759
Treasury shares	(289)	(290)
Total shareholders' equity	493,648	485,945
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,290	20,847
Deferred gains or losses on hedges	(205)	(304)
Foreign currency translation adjustment	(3,515)	(14,657)
Total accumulated other comprehensive income	19,570	5,884
Non-controlling interests	6,582	5,128
Total net assets	519,801	496,958
Total liabilities and net assets	726,937	686,123

(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, 2015	Nine months ended September 30, 2016
Net sales	188,262	176,680
Cost of sales	149,761	139,365
Gross profit	38,500	37,314
Selling, general and administrative expenses	22,772	23,181
Operating income	15,728	14,133
Non-operating income		
Interest income	289	135
Dividend income	655	749
Other	682	474
Total non-operating income	1,627	1,359
Non-operating expenses		
Interest expenses	791	829
Foreign exchange losses	6,551	8,639
Other	2,665	1,772
Total non-operating expenses	10,008	11,241
Ordinary income	7,346	4,251
Extraordinary income		
Reversal of provision for special repairs	376	3,884
Gain on sales of investment securities	720	―
Other	―	138
Total extraordinary income	1,097	4,022
Extraordinary losses		
Impairment loss	58	2,596
Loss on closing of plants	1,255	―
Other	773	816
Total extraordinary losses	2,087	3,412
Income before income taxes and minority interests	6,356	4,861
Income taxes	4,432	4,015
Profit	1,923	846
Profit attributable to non-controlling interests	476	559
Profit attributable to owners of parent	1,447	286

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
Profit	1,923	846
Other comprehensive income		
Valuation difference on available-for-sale securities	2,851	(2,443)
Deferred gains or losses on hedges	573	(99)
Foreign currency translation adjustment	(10,652)	(11,165)
Total other comprehensive income	(7,227)	(13,708)
Comprehensive income	(5,304)	(12,862)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(5,803)	(13,398)
Comprehensive income attributable to non-controlling interests	499	536

(3) Reference: Summarized quarterly consolidated statement of cash flows (cumulative)

(Millions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	6,356	4,861
Depreciation	27,650	22,940
Impairment loss	58	2,596
Increase (decrease) in provision for special repairs	1,681	(3,036)
Foreign exchange losses (gains)	6,357	6,408
Decrease (increase) in notes and accounts receivable - trade	(3,864)	(635)
Decrease (increase) in inventories	(7,729)	2,750
Increase (decrease) in notes and accounts payable - trade	(4,509)	(912)
Income taxes paid	(2,730)	(5,149)
Other, net	5,505	1,707
Net cash provided by (used in) operating activities	28,776	31,530
Cash flows from investing activities		
Purchase of non-current assets	(36,159)	(23,347)
Other, net	10,048	(8,458)
Net cash provided by (used in) investing activities	(26,111)	(31,805)
Cash flows from financing activities		
Net increase (decrease) inn short-term loans payable, long-term loans payable	(451)	3,382
Cash dividends paid	(5,969)	(7,959)
Dividends paid to non-controlling interests	(2,565)	(2,019)
Other, net	(53)	(1,025)
Net cash provided by (used in) financing activities	(9,039)	(7,622)
Effect of exchange rate change on cash and cash equivalents	(1,100)	(3,403)
Net increase (decrease) in cash and cash equivalents	(7,474)	(11,302)
Cash and cash equivalents at beginning of period	129,823	133,856
Cash and cash equivalents at end of period	122,348	122,554