Translation

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

Member of the Financial Accounting Standards Foundation

October 29, 2018

CONSOLIDATED FINANCIAL RESULTS for the Third 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: November 14, 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 third quarter of the year ending December 31, 2018 (From January 1, 2018 to September 30, 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 nine months ended		%		%		%		%
September 30, 2018	227,652	11.2	19,305	(21.5)	15,727	(36.6)	11,642	(34.5)
September 30, 2017	204,751	15.9	24,601	74.1	24,796	483.3	17,762	-

Note: Comprehensive income:
For the nine months ended September 30, 2018: 5,268 million yen [(80.0%)]
For the nine months ended September 30, 2017: 26,328 million yen [-%]

	Earnings per share	Diluted Earnings per share
For the nine months ended	yen	yen
September 30, 2018	117.46	-
September 30, 2017	178.56	-

Note: 1. As of the end of the fiscal year ended December 31, 2017, the Company finalized certain provisional accounting treatments in relation to business combinations, and the consolidated operating results for the nine months ended September 30, 2017, reflect the finalization of these provisional figures.
2. 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			%
September 30, 2018	737,750	531,121	71.3
December 31, 2017	764,420	543,789	70.5

Reference: Equity:
As of September 30, 2018: 526,257 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	-	50.00	-	——	——
For the year ending December 31, 2018 (Forecasts)	——	——	——	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 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 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, 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 September 30, 2018	2,244,789 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 nine months ended September 30, 2018	99,114,872 shares
For the nine months ended September 30, 2017	99,471,999 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 nine months ended September 30, 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 Nine Months" on page 5.

Qualitative Information Regarding Consolidated Results for the Nine Months

(1) Information regarding operating results (Nine months ended September 30, 2018)

A. Overview

In the global economy, the economy gradually recovered in the US on the back of solid employment conditions and robust personal consumption. On the other hand, the recovery in Europe slowed due to a lull in exports, and growth also decelerated in China. The Japanese economy continued to make a modest recovery, driven by improved employment conditions and personal consumption.
In this environment, in the first three quarters of the fiscal year (from January 1 to September 30, 2018), shipments of substrate glass for liquid crystal display (LCDs) were solid. In glass fiber for high-performance resin, the US glass fiber business subsidiary (Electric Glass Fiber America: EGFA) that the Company acquired in September, 2017 contributed to higher sales. As a result, sales exceeded the levels in the first three quarters of the previous fiscal year (from January 1 to September 30, 2017).
On the other hand, in addition to work to increase production capacity and measures to improve facilities, etc., at EGFA and Electric Glass (Xiamen), such factors as the goodwill amortization at EGFA, rising prices for raw materials and fuel, and foreign exchange losses, resulted in profit down over the same period in the previous fiscal year.

B. Operating results

(Billions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018	Change (%)
Net sales	204.7	227.6	11
Operating profit	24.6	19.3	(22)
Ordinary profit	24.7	15.7	(37)
Profit attributable to owners of parent	17.7	11.6	(35)

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Category	Nine months ended September 30, 2017		Nine months ended September 30, 2018		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	110.2	54	113.6	50	3.4	3
	Performance Materials and Others	94.4	46	113.9	50	19.4	21
Total		204.7	100	227.6	100	22.9	11

Note: Amounts less than 100 million yen are omitted.

(Net sales)
Electronics and Information Technology:
Shipments of substrate glass for LCDs were solid, although prices fell slightly. Sales of cover glass for mobile devices (glass for chemical strengthening) remained strong on the back of rising levels of adoption by customers. Glass for electronic devices experienced a gentle recovery in line with the trend of the home appliance market, but glass for optical devices was affected by slowing demand for certain products in the third quarter (from July 1 to September 30, 2018), leading to growth turning negative. Shipments of substrate glass for solar cells were weak.

Performance Materials and Others:
The third quarter saw weakness in shipments of glass fiber for high-performance resin, due primarily to the impact of a seasonal dip in operating rates at European customers, but the above-mentioned acquisition of EGFA contributed to an increase in sales. Heat-resistant glass was affected by inventory adjustments at some customers, but overall it has been recovering. Shipments to China of glass tubing for pharmaceutical and medical use recorded growth. Sales of glass for building materials showed resilience.

(Profit/loss)
In the first three quarters of the fiscal year, the first quarter (from January 1 to March 31, 2018) and the second quarter (from April 1, 2018 to June 30, 2018) were affected by work done to improve productivity and increase production capacity at EGFA, as well as up-front costs related to the ramp-up of new facilities at Electric Glass (Xiamen). In the third quarter, shipments of glass fiber to European customers declined due to seasonal factors. In addition, operating profit was depressed by the goodwill amortization at EGFA, rising prices for raw materials and fuel, and other factors. Ordinary profit and profit attributable to owners of parent were affected by foreign exchange losses attributable to the revaluation of receivables and payables related to loans to certain overseas subsidiaries. Conversely, amendments to the retirement pension system at a subsidiary in the Netherlands (Electric Glass Fiber NL) resulted in extraordinary income.

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

(Billions of yen)

	Year ending December 31, 2018
Net sales	300.0
Operating profit	31.0
Ordinary profit	29.0
Profit attributable to owners of parent	20.0

Note: Amounts less than 100 million yen are omitted.

The outlook for the global economy is becoming more uncertain, given problems such as the trade dispute between the US and China, and slowing growth in Europe and China. On the other hand, although consideration must be given to the impact of overseas factors, the Japanese economy is expected to maintain a modest recovery, backed by continued improvements in the employment and income environment.
Given this environment, in the Electronics and Information Technology category, we expect solid shipments of substrate glass for LCDs. We expect that glass for electronic devices will continue to recover as a result of solid demand for home appliances, etc., while glass for optical devices is also expected to rebound. In the Performance Materials and Others category, inventory adjustments at glass fiber customers are forecast towards the end of the year, but demand is expected to be resilient. Glass for building materials and heat-resistant glass are seen recovering steadily, and we will proactively take steps to respond to the expansion of demand in China for glass tubing for pharmaceutical and medical use.
In terms of profit/loss, while taking into account the market environment and product pricing, prices for raw materials and fuel, and fluctuations in exchange rates, etc., we will implement initiatives to expand sales, improve productivity, and reduce costs, and thus secure profits.
In light of the above outlook, the Company Group’s consolidated earnings forecasts for the full year ending December 31, 2018, remain unchanged from those previously announced on February 5, 2018, 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 September 30, 2018
Assets		
Current assets		
Cash and deposits	117,068	106,314
Notes and accounts receivable - trade	61,145	60,339
Merchandise and finished goods	44,156	38,802
Work in process	1,605	2,077
Raw materials and supplies	23,604	24,552
Other	15,515	13,507
Allowance for doubtful accounts	(164)	(234)
Total current assets	262,932	245,360
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	82,605	85,755
Machinery, equipment and vehicles, net	267,048	279,393
Other, net	44,164	26,902
Total property, plant and equipment	393,817	392,051
Intangible assets		
Goodwill	21,848	20,104
Other	13,171	13,275
Total intangible assets	35,019	33,380
Investments and other assets		
Other	72,675	66,996
Allowance for doubtful accounts	(25)	(38)
Total investments and other assets	72,650	66,958
Total non-current assets	501,488	492,390
Total assets	764,420	737,750

(Millions of yen)

	As of December 31, 2017	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,991	37,173
Short-term loans payable	35,607	34,408
Current portion of bonds	—	10,000
Income taxes payable	1,993	1,609
Other provision	3,038	2,243
Other	25,205	23,899
Total current liabilities	103,835	109,334
Non-current liabilities		
Bonds payable	30,000	20,000
Long-term loans payable	53,053	44,713
Provision for special repairs	23,277	23,535
Other provision	859	423
Net defined benefit liability	1,900	1,525
Other	7,703	7,096
Total non-current liabilities	116,795	97,293
Total liabilities	220,631	206,628
Net assets		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,320	34,365
Retained earnings	443,667	445,351
Treasury shares	(306)	(7,967)
Total shareholders' equity	509,836	503,905
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,123	26,921
Deferred gains or losses on hedges	(208)	(248)
Foreign currency translation adjustment	(1,279)	(4,321)
Remeasurements of defined benefit plans	346	—
Total accumulated other comprehensive income	28,982	22,352
Non-controlling interests	4,969	4,864
Total net assets	543,789	531,121
Total liabilities and net assets	764,420	737,750

(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, 2017	Nine months ended September 30, 2018
Net sales	204,751	227,652
Cost of sales	153,602	176,608
Gross profit	51,149	51,044
Selling, general and administrative expenses	26,548	31,739
Operating profit	24,601	19,305
Non-operating income		
Interest income	194	408
Dividend income	1,024	744
Foreign exchange gains	675	―
Other	685	1,106
Total non-operating income	2,579	2,259
Non-operating expenses		
Interest expenses	540	1,299
Foreign exchange losses	―	2,967
Other	1,842	1,569
Total non-operating expenses	2,383	5,836
Ordinary profit	24,796	15,727
Extraordinary income		
Gain on sales of non-current assets	239	253
Gain on sales of investment securities	1,941	―
Gain on revision of retirement benefit plan	―	970
Total extraordinary income	2,181	1,223
Extraordinary losses		
Loss on retirement of non-current assets	218	55
Business structure improvement expenses	―	213
Loss on closing of plants	3,430	―
Other	37	―
Total extraordinary losses	3,686	269
Profit before income taxes	23,292	16,682
Income taxes	5,139	4,783
Profit	18,153	11,898
Profit attributable to non-controlling interests	391	256
Profit attributable to owners of parent	17,762	11,642

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Profit	18,153	11,898
Other comprehensive income		
Valuation difference on available-for-sale securities	4,051	(3,202)
Deferred gains or losses on hedges	198	(39)
Foreign currency translation adjustment	3,872	(2,948)
Remeasurements of defined benefit plans, net of tax	4	(346)
Share of other comprehensive income of entities accounted for using equity method	49	(93)
Total other comprehensive income	8,175	(6,630)
Comprehensive income	26,328	5,268
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25,937	5,011
Comprehensive income attributable to non-controlling interests	391	256