Translation

Notice: This English version is a translation of the original disclosure in Japanese released on April 26, 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

April 26, 2019

CONSOLIDATED FINANCIAL RESULTS for the First 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
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Scheduled date to file quarterly report: May 14, 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 first quarter of the year ending December 31, 2019 (From January 1, 2019 to March 31, 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 three months ended		%		%		%		%
March 31, 2019	67,809	(13.7)	4,947	(30.9)	6,326	23.4	3,877	23.8
March 31, 2018	78,609	18.7	7,162	(9.5)	5,126	(13.2)	3,131	(24.4)

Note: Comprehensive income:
For the three months ended March 31, 2019: 8,453million yen [-%]
For the three months ended March 31, 2018: (4,263) million yen [-%]

	Earnings per share	Diluted Earnings per share
For the three months ended	yen	yen
March 31, 2019	40.14	-
March 31, 2018	31.48	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
March 31, 2019	721,518	524,576	72.1
December 31, 2018	725,320	521,547	71.2

Reference: Equity:
As of March 31, 2019: 519,919 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	-	——	——	——	——
For the year ending December 31, 2019 (Forecasts)	——	50.00	-	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 six months ending June 30, 2019	145,000	(6.2)	10,000	(28.8)	9,000	(22.3)	8,000	(1.0)	82.81
For the year ending December 31, 2019	305,000	1.6	25,000	0.5	22,000	10.9	18,000	18.4	186.33

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, 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 March 31, 2019	2,918,491shares
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 three months ended March 31, 2019	96,604,777 shares
For the three months ended March 31, 2018	99,469,447 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 Three Months" on page 5.

Qualitative Information Regarding Consolidated Results for the Three Months

(1) Information regarding operating results (Three months ended March 31, 2019)

A. Overview

Due to the trade dispute between the US and China, an economic slowdown in Europe and China and other factors, the outlook for the global economy has become increasingly uncertain. While there have been improvements in the employment and income environment in Japan, some weakness is being seen in certain areas of export and production.
In this environment, in the first quarter of the fiscal year (from January 1 to March 31, 2019), shipments of our mainstay product of substrate glass for liquid crystal display (LCDs), and glass fiber, were affected by production adjustments, etc. at customers, with the result that sales was down over the level in the first quarter of the previous fiscal year (from January 1 to March 31, 2018).
In terms of profit/loss, operating profit was down over the same period in the previous fiscal year, but ordinary profit and profit attributable to owners of parent rose over that of the same period in the previous fiscal year.

B. Operating results

(Billions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019	Change (%)
Net sales	78.6	67.8	(14)
Operating profit	7.1	4.9	(31)
Ordinary profit	5.1	6.3	23
Profit attributable to owners of parent	3.1	3.8	24

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Three months ended March 31, 2018		Three months ended March 31, 2019		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	38.5	49	35.2	52	(3.2)	(9)
	Performance Materials and Others	40.1	51	32.5	48	(7.5)	(19)
Total		78.6	100	67.8	100	(10.7)	(14)

Note: Amounts less than 100 million yen are omitted.

(Net sales)
Electronics and Information Technology:
Substrate glass for LCDs was affected by production adjustments, etc. at customers, leading to declines in shipments. Although sales of cover glass for mobile devices (glass for chemical strengthening) and glass for electronic devices were affected by seasonal factors, overall demand remained firm. Sales of glass for optical devices and substrate glass for solar cells were weak.

Performance Materials and Others:
Shipments of glass fiber, primarily in the areas of high-performance resin used in auto parts and of wind turbine blades for wind power generation, declined as a result of production adjustments, etc. at customers. Heat-resistant glass and glass for building materials were weak.

(Profit/loss)
Operating profit was down over the levels of the same period in the previous fiscal year, affected not only by the decline in sales, but also by delayed improvements in productivity at the US glass fiber business subsidiary, as well as higher prices for raw material and energy. On the other hand, ordinary profit and profit attributable to owners of parent were affected mainly by foreign exchange gains attributable to revaluation of receivables and payables related to loans to some overseas subsidiaries, and recorded year-on-year increases.

(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, 2019)

(Billions of yen)

	Six months ending June 30, 2019	Year ending December 31, 2019
Net sales	145.0	305.0
Operating profit	10.0	25.0
Ordinary profit	9.0	22.0
Profit attributable to owners of parent	8.0	18.0

Note: Amounts less than 100 million yen are omitted.

The outlook for the global economy is expected to remain volatile due to factors such as the trade dispute between the US and China, the economic slowdown in China, and Brexit uncertainty. The Japanese economy is expected to continue grow gradually, but a close eye must be kept on the trend. Given this environment, in the Electronics and Information Technology segment, we predict that shipments of substrate glass for LCDs will expand gradually, and we expect glass for electronic devices and optical devices to also recover going into the second half of the fiscal year, in line with the trends in demand in related markets.
In the Performance Materials and Others segment, we expect glass fiber inventory adjustments to come to an end, and for a modest recovery to follow. Going into the second half of the fiscal year, we will link growing demand in China for glass tubing for pharmaceutical and medical use to an expansion in sales, while for heat-resistant glass and glass for building materials we predict a second-half recovery in related markets.
In terms of profit/loss, close attention must be paid to the market environment and to prices for raw material and energy, etc., but we will work to enhance profitability through productivity improvements and cost reduction initiatives.
In light of the above outlook, we have left the Company Group's previously announced consolidated earnings forecasts for the second quarter ending June 30, 2019 and the full year ending December 31, 2019 (released on February 5, 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 March 31, 2019
Assets		
Current assets		
Cash and deposits	116,785	106,554
Notes and accounts receivable - trade	56,795	53,955
Merchandise and finished goods	40,498	45,439
Work in process	1,583	2,625
Raw materials and supplies	26,034	26,010
Other	6,235	7,306
Allowance for doubtful accounts	(191)	(194)
Total current assets	247,741	241,696
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	83,170	82,292
Machinery, equipment and vehicles, net	276,102	274,731
Other, net	27,267	29,966
Total property, plant and equipment	386,540	386,990
Intangible assets		
Goodwill	19,072	18,507
Other	12,864	12,868
Total intangible assets	31,937	31,376
Investments and other assets		
Other	59,138	61,479
Allowance for doubtful accounts	(38)	(24)
Total investments and other assets	59,100	61,455
Total non-current assets	477,578	479,821
Total assets	725,320	721,518

(Millions of yen)

	As of December 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	38,781	39,628
Short-term loans payable	33,351	22,771
Current portion of bonds	10,000	10,000
Income taxes payable	2,450	1,948
Other provision	2,168	1,593
Other	26,239	27,631
Total current liabilities	112,992	103,573
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	46,653	47,404
Provision for special repairs	17,774	17,742
Other provision	20	20
Net defined benefit liability	1,665	1,710
Other	4,666	6,491
Total non-current liabilities	90,780	93,368
Total liabilities	203,772	196,941
Net assets		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,365	34,365
Retained earnings	448,909	447,954
Treasury shares	(10,308)	(10,308)
Total shareholders' equity	505,121	504,167
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,481	21,513
Deferred gains or losses on hedges	108	604
Foreign currency translation adjustment	(8,260)	(6,366)
Total accumulated other comprehensive income	11,330	15,752
Non-controlling interests	5,095	4,656
Total net assets	521,547	524,576
Total liabilities and net assets	725,320	721,518

(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, 2018	Three months ended March 31, 2019
Net sales	78,609	67,809
Cost of sales	60,356	53,176
Gross profit	18,253	14,632
Selling, general and administrative expenses	11,090	9,684
Operating profit	7,162	4,947
Non-operating income		
Interest income	131	144
Dividend income	236	416
Foreign exchange gains	—	1,052
Other	333	418
Total non-operating income	701	2,031
Non-operating expenses		
Interest expenses	504	213
Foreign exchange losses	1,769	—
Other	464	438
Total non-operating expenses	2,738	652
Ordinary profit	5,126	6,326
Extraordinary income		
Gain on sales of non-current assets	125	149
Total extraordinary income	125	149
Extraordinary losses		
Loss on retirement of non-current assets	—	320
Business structure improvement expenses	10	—
Total extraordinary losses	10	320
Profit before income taxes	5,240	6,155
Income taxes	2,006	2,124
Profit	3,234	4,031
Profit attributable to non-controlling interests	102	153
Profit attributable to owners of parent	3,131	3,877

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Profit	3,234	4,031
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,897)	2,031
Deferred gains or losses on hedges	306	496
Foreign currency translation adjustment	(3,847)	1,859
Remeasurements of defined benefit plans, net of tax	(18)	—
Share of other comprehensive income of entities accounted for using equity method	(40)	34
Total other comprehensive income	(7,497)	4,422
Comprehensive income	(4,263)	8,453
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,366)	8,299
Comprehensive income attributable to non-controlling interests	102	153