

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on April 28, 2020 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 28, 2020

CONSOLIDATED FINANCIAL RESULTS for the First Quarter of the Year Ending December 31, 2020 (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, 2020
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, 2020 (From January 1, 2020 to March 31, 2020)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

For the three months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
March 31, 2020	64,903	(4.4)	4,004	(20.2)	3,562	(43.7)	2,234	(42.4)
March 31, 2019	67,877	(13.7)	5,016	(30.0)	6,326	23.4	3,877	23.8

Note: Comprehensive income:

For the three months ended March 31, 2020: (7,192) million yen [-%]
For the three months ended March 31, 2019: 8,453million yen [-%]

For the three months ended	Earnings per share	Diluted Earnings per share
	yen	yen
March 31, 2020	23.12	-
March 31, 2019	40.14	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
March 31, 2020	654,897	464,434	70.2
December 31, 2019	664,800	477,154	71.0

Reference: Equity:

As of March 31, 2020: 459,845 million yen

As of December 31, 2019: 472,030 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, 2019	-	50.00	-	50.00	100.00
For the year ending December 31, 2020	-	—	—	—	—
For the year ending December 31, 2020 (Forecasts)	—	50.00	-	50.00	100.00

Note: Revision of the forecasts most recently announced: None

3. Consolidated earnings forecasts for the year ending December 31, 2020 (From January 1, 2020 to December 31, 2020)

(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, 2020	130,000	(2.5)	7,000	(24.7)	7,000	(19.7)	5,000	(9.0)	51.75
For the year ending December 31, 2020	260,000	1.1	16,000	0.4	15,000	2.4	11,000	-	113.85

Note: Revision of the forecasts most recently announced: None

Regarding the spread of novel coronavirus disease (COVID-19), how much it will affect the Company Group's results is extremely uncertain, and we find it difficult to reasonably calculate its effects. Therefore, we have left the previously announced forecasts (February 5, 2020) unchanged at this moment, and no revision has been made so far.

*** 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: None
 - 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, 2020	99,523,246 shares
As of December 31, 2019	99,523,246 shares

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

As of March 31, 2020	2,904,673 shares
As of December 31, 2019	2,904,626 shares

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

For the three months ended March 31, 2020	96,618,602 shares
For the three months ended March 31, 2019	96,604,777 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, 2020)

A. Overview

The global economy has been rapidly decelerating due to restrictions on activities, disruption to physical distribution, etc., caused by the spread of novel coronavirus disease (COVID-19) (hereinafter called COVID-19), in addition to the prolonged trade dispute between the US and China. Meanwhile, in the domestic economy, consumption has been sluggish, and the impact of COVID-19 on business activities has been widespread.

In this environment, in the first quarter of the fiscal year (from January 1 to March 31, 2020), the impact mentioned above was small, and shipments of glass for flat panel displays (FPDs), glass fiber, and glass for optical and electronic devices gradually began to recover; yet, net sales did not reach the same level as in the first quarter of the previous fiscal year (from January 1 to March 31, 2019).

In terms of profit/loss, due to factors such as the decline in net sales, and falls in capacity utilization rates in the glass fiber that have continued from the previous fiscal year, operating profit, ordinary profit and profit attributable to owners of parent were all less than that in the same period of the previous fiscal year, respectively.

B. Operating results

(Billions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020	Change (%)
Net sales	67.8	64.9	(4)
Operating profit	5.0	4.0	(20)
Ordinary profit	6.3	3.5	(44)
Profit attributable to owners of parent	3.8	2.2	(42)

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Three months ended March 31, 2019		Three months ended March 31, 2020		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	35.2	52	34.0	52	(1.2)	(4)
	Performance Materials and Others	32.6	48	30.8	48	(1.7)	(5)
Total		67.8	100	64.9	100	(2.9)	(4)

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronics and Information Technology:

Shipments of glass for FPDs, despite being affected by the downturn in prices, reached the same level as in the first quarter of the previous fiscal year. Shipments of cover glass (glass for chemical strengthening) declined compared to the same period of the previous fiscal year due to falls in capacity utilization rates in customers caused by the spread of COVID-19, etc. Shipments of glass for optical and electronic devices increased compared to the same period of the previous fiscal year, due primarily to the recovery of demand for telecommunications infrastructure including 5G, etc.

Performance Materials and Others:

Shipments of glass fiber declined compared to the same period of the previous fiscal year, resulting primarily from a prolonged slowdown in related markets for high-performance resin used in auto parts. Shipments of heat-resistant glass declined compared to the same period of the previous fiscal year due to the impact of COVID-19. Shipments of glass for building materials were at the same level as in the first quarter 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 less than that in the same period of the previous fiscal year, due to factors such as decline in sales, and falls in capacity utilization rates in the glass fiber that have continued from the previous fiscal year. Ordinary profit and profit attributable to owners of parent were less than that in the same period of the previous fiscal year, respectively, due primarily to the decline in operating profit, and the impact of foreign exchange losses and gains 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, 2020)**

(Billions of yen)

	Six months ending June 30, 2020	Year ending December 31, 2020
Net sales	130.0	260.0
Operating profit	7.0	16.0
Ordinary profit	7.0	15.0
Profit attributable to owners of parent	5.0	11.0

Note: Amounts less than 100 million yen are omitted.

Economic activities have been rapidly shrinking due to the worldwide spread of COVID-19, and the world economy has been in a downturn. In this environment, the Company Group is concerned that the decline in net sales attributable to rapidly worsening demand, production adjustments, falls in product prices, etc. may affect business results in many business areas.

Not only will the Company Group try hard to gather information to promptly and accurately respond to rapid changes in related markets, but it will also step up its efforts to secure profit by further trying to reduce costs. In addition, taking this opportunity, the Company Group will promote the work-style reform with proactive utilization of ICT to improve business efficiency. The Company Group will continue to proactively make efforts to develop products and improve productivity without slowing down such efforts.

For the Company Group's consolidated earnings forecasts for the second quarter ending June 30, 2020 and the full year ending December 31, 2020, the operating results for the three months ended March 31, 2020 were more or less in line with the schedule. However, since how much the spread of COVID-19 will affect the Company Group's results is extremely uncertain, and we find it difficult to reasonably calculate its effects, we have left the previously announced forecasts (February 5, 2020) unchanged at this moment.

We intend to announce any revision to the forecasts as quickly as possible when a reasonable calculation can be made and such revision is needed.

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, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	101,509	107,760
Notes and accounts receivable - trade	52,819	57,857
Merchandise and finished goods	52,551	46,834
Work in process	3,141	2,710
Raw materials and supplies	26,295	24,449
Other	5,331	5,228
Allowance for doubtful accounts	(166)	(171)
Total current assets	241,482	244,670
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	75,432	73,691
Machinery, equipment and vehicles, net	257,128	253,485
Other, net	26,121	25,447
Total property, plant and equipment	358,682	352,624
Intangible assets	7,306	7,110
Investments and other assets		
Other	57,350	50,507
Allowance for doubtful accounts	(20)	(15)
Total investments and other assets	57,329	50,491
Total non-current assets	423,318	410,227
Total assets	664,800	654,897

(Millions of yen)

	As of December 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,892	29,916
Short-term borrowings	23,874	42,050
Current portion of bonds	10,000	10,000
Income taxes payable	1,355	1,080
Other provisions	1,108	1,050
Other	25,253	20,418
Total current liabilities	96,485	104,516
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	44,604	40,940
Provision for special repairs	11,867	12,131
Other provisions	18	19
Retirement benefit liability	939	937
Other	13,730	11,917
Total non-current liabilities	91,160	85,945
Total liabilities	187,645	190,462
Net assets		
Shareholders' equity		
Share capital	32,155	32,155
Capital surplus	34,358	34,358
Retained earnings	405,560	402,963
Treasury shares	(10,258)	(10,258)
Total shareholders' equity	461,815	459,218
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,147	16,736
Deferred gains or losses on hedges	48	(356)
Foreign currency translation adjustment	(10,981)	(15,753)
Total accumulated other comprehensive income	10,215	627
Non-controlling interests	5,123	4,589
Total net assets	477,154	464,434
Total liabilities and net assets	664,800	654,897

(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, 2019	Three months ended March 31, 2020
Net sales	67,877	64,903
Cost of sales	53,176	52,402
Gross profit	14,701	12,501
Selling, general and administrative expenses	9,684	8,496
Operating profit	5,016	4,004
Non-operating income		
Interest income	144	136
Dividend income	416	465
Foreign exchange gains	1,052	—
Other	349	337
Total non-operating income	1,962	939
Non-operating expenses		
Interest expenses	213	145
Foreign exchange losses	—	934
Other	438	302
Total non-operating expenses	652	1,382
Ordinary profit	6,326	3,562
Extraordinary income		
Gain on sales of non-current assets	149	—
Gain on sales of investment securities	—	670
Total extraordinary income	149	670
Extraordinary losses		
Loss on accident	—	153
Business restructuring expenses	—	146
Loss on valuation of investment securities	—	105
Other	320	62
Total extraordinary losses	320	468
Profit before income taxes	6,155	3,764
Income taxes	2,124	1,390
Profit	4,031	2,373
Profit attributable to non-controlling interests	153	139
Profit attributable to owners of parent	3,877	2,234

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Profit	4,031	2,373
Other comprehensive income		
Valuation difference on available-for-sale securities	2,031	(4,411)
Deferred gains or losses on hedges	496	(404)
Foreign currency translation adjustment	1,859	(4,701)
Share of other comprehensive income of entities accounted for using equity method	34	(48)
Total other comprehensive income	4,422	(9,565)
Comprehensive income	8,453	(7,192)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,299	(7,353)
Comprehensive income attributable to non-controlling interests	153	161