

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on July 30, 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



MEMBERSHIP

July 30, 2020

CONSOLIDATED FINANCIAL RESULTS for the Second 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
Inquiries: Koichi Tsuda, Director and Senior Vice President
TEL: +81-77-537-1700 (from overseas)

Scheduled date to file quarterly report: August 13, 2020
Scheduled date to commence dividend payments: August 31, 2020
Supplementary material on quarterly financial results: Yes
Quarterly financial results presentation meeting: Yes (conference call for institutional investors and analysts)

(in millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the second quarter of the year ending December 31, 2020 (From January 1, 2020 to June 30, 2020)

(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 six months ended								
June 30, 2020	115,381	(13.6)	7,767	(17.6)	6,888	(21.0)	6,824	24.2
June 30, 2019	133,497	(13.6)	9,423	(32.9)	8,714	(24.7)	5,494	(32.0)

Note: Comprehensive income:

For the six months ended June 30, 2020: (2,452) million yen [-%]

For the six months ended June 30, 2019: (919) million yen [-%]

	Earnings per share	Diluted Earnings per share
For the six months ended	yen	yen
June 30, 2020	70.62	-
June 30, 2019	56.88	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
June 30, 2020	653,722	469,217	71.1
December 31, 2019	664,800	477,154	71.0

Reference: Equity:

As of June 30, 2020: 464,595 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	-	50.00	—	—	—
For the year ending December 31, 2020 (Forecasts)	—	—	-	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 year ending December 31, 2020	230,000	(10.7)	12,000	(26.2)	11,000	(28.5)	9,000	—	93.13

Note: Revision of the forecasts most recently announced: Yes

As economic activities have been constrained due to the impact of novel coronavirus disease (COVID-19), it is difficult to forecast future earnings. At the moment, however, net sales are expected to show a gradual recovery after hitting a bottom in the second quarter of the fiscal year. In terms of profit/loss, profit is predicted to be pushed down due to such factors as ongoing production adjustments, increasing research and development, and partially postponed capital investment and repairs. In light of such forecasts and the consolidated results for the first half of the fiscal year, we will revise, as shown in the table above, the consolidated earnings forecasts for the full year ending December 31, 2020, announced on February 5, 2020.

*** Notes**

- (1) **Changes in significant subsidiaries during the six 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 June 30, 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 June 30, 2020	2,881,673shares
As of December 31, 2019	2,904,626shares

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

For the six months ended June 30, 2020	96,628,447 shares
For the six months ended June 30, 2019	96,610,822shares

* 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 Six Months” on page 5.

Qualitative Information Regarding Consolidated Results for the Six Months

(1) Information regarding operating results (Six months ended June 30, 2020)

A. Overview

The global economy has been rapidly decelerating due to stagnant economic activities 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, the employment environment and personal consumption in Japan have been deteriorated and business activities also have been gravely affected by COVID-19. In this environment, while ensuring the safety and health of stakeholders including employees by taking initiatives to prevent the spread of COVID-19, the Company Group has continued business activities.

For the first half of the fiscal year (from January 1 to June 30, 2020), the Company Group's results for the first quarter (from January 1 to March 31, 2020) were almost in line with the initial forecasts since the impact of the spread of COVID-19 was minor. However, glass fiber shipments for the second quarter of the fiscal year (from April 1 to June 30, 2020) declined significantly due to rapid deterioration of demand in automobile-related markets. In addition, shipments of glass for flat panel displays (FPDs) also have turned negative due to the reduction of production by customers. As a result, net sales fell below the levels in the same period of the previous fiscal year (from January 1 to June 30, 2019).

In terms of profit/loss, though operating profit and ordinary profit fell below the levels in the same period of the previous fiscal year due to such factors as the decline in net sales and falls in capacity utilization rates in the glass fiber, we generally met the initial schedule since we promoted productivity improvements, cost reduction initiatives, construction reviews, etc., in addition to reduction of raw materials and fuel costs. Profit attributable to owners of parent rose from the same period of the previous fiscal year mainly due to an increase of reversals resulting from the reversal of provision for special repairs.

B. Operating results

(Billions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020	Change (%)
Net sales	133.4	115.3	(14)
Operating profit	9.4	7.7	(18)
Ordinary profit	8.7	6.8	(21)
Profit attributable to owners of parent	5.4	6.8	24

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Six months ended June 30, 2019		Six months ended June 30, 2020		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	70.2	53	64.1	56	(6.1)	(9)
	Performance Materials and Others	63.2	47	51.2	44	(11.9)	(19)
Total		133.4	100	115.3	100	(18.1)	(14)

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronic and Information Technology:

Shipments of glass for FPDs for the second quarter of the fiscal year were down compared to the same period of the previous fiscal year due to the reduction of production by customers, and the prices slightly declined compared to the same period 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. Shipments of glass for optical and electronic devices increased compared to the same period of the previous fiscal year, due primarily to solid demand for telecommunications infrastructure including 5G, etc. The LTCC (low temperature co-fired ceramics) joint venture business also contributed to sales.

Performance Materials and Others:

Shipments of glass fiber for the second quarter of the fiscal year declined compared to the same period of the previous fiscal year, resulting primarily from rapid deterioration of demand for high-performance resin used in auto parts due to the impact of the spread of COVID-19. Shipments of heat-resistant glass also 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 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)

Though operating profit and ordinary profit fell below the levels in the same period of the previous fiscal year due to the decline in net sales and higher costs affected by falls in capacity utilization rates because of the deteriorated demand for glass fibers, we generally met the initial schedule since we promoted productivity improvements, cost reduction initiatives, construction reviews, etc., in addition to reduction of raw materials and fuel costs. Profit attributable to owners of parent rose from the same period of the previous fiscal year because of an increase of reversals due to the reversal of provision for special repairs resulting from the cancellation of plans to repair some glass melting furnaces, gain on sales of some securities, etc.

(2) Information regarding consolidated earnings forecasts and other forward-looking statements (Consolidated earnings forecasts for the year ending December 31, 2020)

(Billions of yen)

	Year ending December 31, 2020 (From January 1, 2020 to December 31, 2020)		Change (B – A)	Percent change (%)
	Previous forecasts (A)	Revised forecasts (B)		
Net sales	260.0	230.0	(30.0)	(12)
Operating profit	16.0	12.0	(4.0)	(25)
Ordinary profit	15.0	11.0	(4.0)	(27)
Profit attributable to owners of parent	11.0	9.0	(2.0)	(18)

Note: Amounts less than 100 million yen are omitted.

Although China, the US, and some countries in Europe, etc. show moves to resume economic activities, there is no sign of when COVID-19 will come to an end, so the outlook for the global economy is expected to remain uncertain.

In addition to the prevention of the spread of COVID-19, the Company Group will continue to promote cost reduction initiatives and productivity improvements to step up its efforts to secure profit. The Group will promote investment with a focus on mid-to long-term growth and the development and commercialization of new products without slowing down such efforts.

In the Electronics and Information Technology segment, shipments of glass for FPDs are expected to show a gradual recovery due to solid demand in the display market for television and computers, etc. In cover glass (glass for chemical strengthening), we will aim to expand applications and sell new products for mobile devices. In glass for optical and electronic devices, although demand for home appliances and automobile-related products will decrease, demand for telecommunications infrastructure including 5G, etc. is expected to remain solid.

In the Performance Materials and Others segment, although demand for glass fiber shows a gradual recovery mainly in automobile-related markets, a full-scale recovery in glass fiber is expected to still take some time. In glass tubing for pharmaceutical and medical use, we plan to strengthen production capacity in Malaysia in the fourth quarter (from October 1 to December 31, 2020) in order to satisfy strong demand. For heat-resistant glass and glass for building materials, we predict a recovery in related markets in the second half of the fiscal year.

As economic activities have been constrained due to the impact of COVID-19, it is difficult to forecast future earnings. On the above assumption, however, at present, net sales are expected to show a gradual recovery after hitting a bottom in the second quarter of the fiscal year. In terms of profit/loss, profit is predicted to be pushed down due to such factors as ongoing production adjustments, increasing research and development, and partially postponed capital investment and repairs. Considering such forecasts and the consolidated results for the first half of the fiscal year, we will revise, as shown in the table above, the Company Group's consolidated earnings forecasts for the full year ending December 31, 2020, announced on February 5, 2020.

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 June 30, 2020
Assets		
Current assets		
Cash and deposits	101,509	117,017
Notes and accounts receivable - trade	52,819	47,290
Merchandise and finished goods	52,551	49,810
Work in process	3,141	2,397
Raw materials and supplies	26,295	26,149
Other	5,331	5,036
Allowance for doubtful accounts	(166)	(151)
Total current assets	241,482	247,550
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	75,432	72,392
Machinery, equipment and vehicles, net	257,128	247,590
Other, net	26,121	27,965
Total property, plant and equipment	358,682	347,948
Intangible assets	7,306	6,889
Investments and other assets		
Other	57,350	51,349
Allowance for doubtful accounts	(20)	(15)
Total investments and other assets	57,329	51,334
Total non-current assets	423,318	406,171
Total assets	664,800	653,722

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,892	27,034
Short-term borrowings	23,874	47,187
Current portion of bonds	10,000	10,000
Income taxes payable	1,355	1,582
Other provisions	1,108	1,044
Other	25,253	20,018
Total current liabilities	96,485	106,866
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	44,604	35,508
Provision for special repairs	11,867	8,434
Other provisions	18	19
Retirement benefit liability	939	968
Other	13,730	12,707
Total non-current liabilities	91,160	77,638
Total liabilities	187,645	184,504
Net assets		
Shareholders' equity		
Share capital	32,155	32,155
Capital surplus	34,358	34,310
Retained earnings	405,560	407,540
Treasury shares	(10,258)	(10,177)
Total shareholders' equity	461,815	463,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,147	17,334
Deferred gains or losses on hedges	48	(248)
Foreign currency translation adjustment	(10,981)	(16,320)
Total accumulated other comprehensive income	10,215	765
Non-controlling interests	5,123	4,622
Total net assets	477,154	469,217
Total liabilities and net assets	664,800	653,722

(2) Quarterly consolidated statement of income (cumulative) and quarterly consolidated statement of comprehensive income (cumulative)
Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Net sales	133,497	115,381
Cost of sales	104,726	91,530
Gross profit	28,770	23,851
Selling, general and administrative expenses	19,346	16,083
Operating profit	9,423	7,767
Non-operating income		
Interest income	305	320
Dividend income	826	674
Other	930	726
Total non-operating income	2,062	1,721
Non-operating expenses		
Interest expenses	385	299
Foreign exchange losses	1,498	1,344
Other	887	957
Total non-operating expenses	2,770	2,600
Ordinary profit	8,714	6,888
Extraordinary income		
Reversal of provision for special repairs	1,619	3,033
Other	239	670
Total extraordinary income	1,859	3,703
Extraordinary losses		
Impairment loss	10	402
Loss on accident	966	376
Other	956	429
Total extraordinary losses	1,933	1,207
Profit before income taxes	8,640	9,384
Income taxes	2,880	2,387
Profit	5,760	6,996
Profit attributable to non-controlling interests	265	172
Profit attributable to owners of parent	5,494	6,824

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit	5,760	6,996
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,707)	(3,813)
Deferred gains or losses on hedges	66	(296)
Foreign currency translation adjustment	(4,971)	(5,282)
Share of other comprehensive income of entities accounted for using equity method	(67)	(57)
Total other comprehensive income	(6,680)	(9,449)
Comprehensive income	(919)	(2,452)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,185)	(2,625)
Comprehensive income attributable to non- controlling interests	265	172

(3) Quarterly consolidated statement of cash flows (cumulative)

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	8,640	9,384
Depreciation	14,357	12,268
Increase (decrease) in provision for special repairs	(2,476)	(3,432)
Foreign exchange losses (gains)	1,203	1,375
Decrease (increase) in trade receivables	3,471	4,362
Decrease (increase) in inventories	(8,121)	2,232
Increase (decrease) in trade payables	697	(9,456)
Income taxes paid	(3,331)	(1,319)
Other, net	205	68
Net cash provided by (used in) operating activities	14,646	15,483
Cash flows from investing activities		
Purchase of non-current assets	(9,300)	(8,646)
Other, net	(260)	962
Net cash provided by (used in) investing activities	(9,561)	(7,683)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,850)	312
Proceeds from long-term borrowings	1,245	15,710
Repayments of long-term borrowings	(10,842)	(1,512)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(10,000)	—
Dividends paid	(4,829)	(4,829)
Dividends paid to non-controlling interests	—	(674)
Other, net	(284)	(335)
Net cash provided by (used in) financing activities	(16,562)	8,671
Effect of exchange rate change on cash and cash equivalents	(915)	(945)
Net increase (decrease) in cash and cash equivalents	(12,392)	15,526
Cash and cash equivalents at beginning of period	116,248	100,977
Cash and cash equivalents at end of period	103,856	116,503