

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on July 29, 2019 at 16:25 (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 29, 2019

CONSOLIDATED FINANCIAL RESULTS for the Second 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: August 14, 2019
Scheduled date to commence dividend payments: August 30, 2019
Supplementary material on quarterly financial results: Yes
Quarterly financial results presentation meeting: Yes (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, 2019 (From January 1, 2019 to June 30, 2019)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

For the six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
June 30, 2019	133,366	(13.7)	9,292	(33.8)	8,714	(24.7)	5,494	(32.0)
June 30, 2018	154,529	16.0	14,039	(13.7)	11,580	(27.5)	8,083	(32.9)

Note: Comprehensive income:

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

For the six months ended June 30, 2018: (3,421) million yen [-%]

For the six months ended	Earnings per share	Diluted Earnings per share
	yen	yen
June 30, 2019	56.88	-
June 30, 2018	81.26	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
June 30, 2019	704,345	515,227	72.5
December 31, 2018	725,320	521,547	71.2

Reference: Equity:

As of June 30, 2019: 510,458 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	-	50.00	—	—	—
For the year ending December 31, 2019 (Forecasts)	—	—	-	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 year ending December 31, 2019	270,000	(10.1)	18,000	(27.6)	16,000	(19.3)	8,000	(47.4)	82.80

Note: 1. Revision of the forecasts most recently announced: Yes

2. For the revision to consolidated earnings forecasts, please refer to “Notice Concerning a Difference between Consolidated Earnings Forecasts and Actual Results for First Half Fiscal 2019, and Revision of Consolidated Earnings Forecasts for Fiscal 2019,” which was announced today (July 29, 2019).

*** 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: 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 June 30, 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 June 30, 2019	2,904,427 shares
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 six months ended June 30, 2019	96,610,822 shares
For the six months ended June 30, 2018	99,469,389 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 Six Months” on page 5.

Qualitative Information Regarding Consolidated Results for the Six Months

(1) Information regarding operating results (Six months ended June 30, 2019)

A. Overview

The outlook for the global economy remained unclear, mainly due to the impact of the trade dispute between the US and China, and economic slowdowns in Europe and China. While there have been improvements in the employment environment in Japan, some weakness is being seen in certain areas of export and production against the background of slowing external demand.

In this environment, during the first half of the fiscal year (from January 1 to June 30, 2019), shipments of our mainstay products of substrate glass for liquid crystal display (LCD) began to recover in the second quarter (from April 1 to June 30, 2019), but due in part to weakness in glass fiber shipments since the second half of 2018, sales were down from the first half of the previous fiscal year (from January 1 to June 30, 2018).

In terms of profit/loss, the impact of lower sales was significant, and operating profit, ordinary profit and profit attributable to owners of parent were all fell below the levels in the first half of the previous fiscal year.

B. Operating results

(Billions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019	Change (%)
Net sales	154.5	133.3	(14)
Operating profit	14.0	9.2	(34)
Ordinary profit	11.5	8.7	(25)
Profit attributable to owners of parent	8.0	5.4	(32)

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Six months ended June 30, 2018		Six months ended June 30, 2019		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	76.4	49	70.2	53	(6.2)	(8)
	Performance Materials and Others	78.0	51	63.1	47	(14.8)	(19)
Total		154.5	100	133.3	100	(21.1)	(14)

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronics and Information Technology:

Shipments of substrate glass for LCDs recovered in the second quarter. Shipments of cover glass for mobile devices (glass for chemical strengthening) declined as a result of slowdown in demand for smartphones, etc. Sales of glass for electronic devices for home appliances and automobile-related markets was weak. Shipments of glass for optical devices recovered in the second quarter as the demand for telecommunications infrastructure recovered. Sales of substrate glass for solar cells declined.

Performance Materials and Others:

Shipments of glass fiber declined significantly for high-performance resin used in auto parts and for wind turbine blades used in wind power generation, as a result of related markets slowing more than expected. Heat-resistant glass and glass for building materials were also weak. Glass tubing for pharmaceutical and medical use recorded higher shipments to the growing market of China.

(Profit/loss)

Operating profit was affected not only by the decline in net sales, but also by delayed improvements in profitability at the US glass fiber business subsidiary, as well as higher prices for raw material and energy. Ordinary profit was affected by foreign exchange losses attributable to revaluation of receivables and payables related to loans to overseas subsidiaries which have decreased over the first half of the previous fiscal year.

With regard to profit, in terms of extraordinary income/loss, while expenses related to damage to certain manufacturing facilities caused by power outages and temporary suspension of operations at an overseas subsidiary, and expenses related to removal of property, plant and equipment were recorded in extraordinary losses, gains on reversals resulting from the reversal of provisions for special repairs were recorded in extraordinary income due to the cancellation of plans to repair some glass melting furnaces.

**(2) Information regarding consolidated earnings forecasts and other forward-looking statements
(Consolidated earnings forecasts for the year ending December 31, 2019)**

(Billions of yen)

	Year ending December 31, 2019 (From January 1, 2019 to December 31, 2019)		Change (B – A)	Percent change (%)
	Previous forecasts (A)	Revised forecasts (B)		
Net sales	305.0	270.0	(35.0)	(11)
Operating profit	25.0	18.0	(7.0)	(28)
Ordinary profit	22.0	16.0	(6.0)	(27)
Profit attributable to owners of parent	18.0	8.0	(10.0)	(56)

Note: Amounts less than 100 million yen are omitted.

The outlook for the global economy has remained 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 its gradual recovery, but a close eye must be kept on such trends overseas.

Given this environment, in the Electronics and Information Technology segment, we expect shipments of substrate glass for LCDs to grow gradually. In addition, we forecast that glass for electronic devices and optical devices will post a gentle recovery in line with the trends in demand. In the Performance Materials and Others segment, we believe that a full-scale recovery in glass fiber will still take some time. In addition to holding operating rates in line with the trends in demand, we will make efforts to expand sales. We will meet to the healthy demand for glass tubing for pharmaceutical and medical use in the Chinese markets. For heat-resistant glass and glass for building materials, we predict a recovery in related markets.

In terms of profit/loss, close attention must be paid to the market environment, prices for raw material and energy and fluctuations in exchange rates, etc., but we will work to improve profitability through productivity improvements and cost reduction initiatives.

In light of the above outlook, we have revised the Company Group's consolidated earnings forecasts for the full year ending December 31, 2019, 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 June 30, 2019
Assets		
Current assets		
Cash and deposits	116,785	104,370
Notes and accounts receivable - trade	56,795	52,434
Merchandise and finished goods	40,498	47,410
Work in process	1,583	2,746
Raw materials and supplies	26,034	25,221
Other	6,235	6,278
Allowance for doubtful accounts	(191)	(187)
Total current assets	247,741	238,274
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	83,170	79,786
Machinery, equipment and vehicles, net	276,102	265,945
Other, net	27,267	32,999
Total property, plant and equipment	386,540	378,732
Intangible assets		
Goodwill	19,072	17,424
Other	12,864	12,300
Total intangible assets	31,937	29,724
Investments and other assets		
Other	59,138	57,639
Allowance for doubtful accounts	(38)	(25)
Total investments and other assets	59,100	57,613
Total non-current assets	477,578	466,070
Total assets	725,320	704,345

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	38,781	37,773
Short-term loans payable	33,351	22,035
Current portion of bonds	10,000	—
Income taxes payable	2,450	1,506
Other provision	2,168	1,301
Other	26,239	26,627
Total current liabilities	112,992	89,243
Non-current liabilities		
Bonds payable	20,000	30,000
Long-term loans payable	46,653	46,137
Provision for special repairs	17,774	15,298
Other provision	20	21
Net defined benefit liability	1,665	1,692
Other	4,666	6,724
Total non-current liabilities	90,780	99,874
Total liabilities	203,772	189,118
Net assets		
Shareholders' equity		
Capital stock	32,155	32,155
Capital surplus	34,365	34,358
Retained earnings	448,909	449,553
Treasury shares	(10,308)	(10,258)
Total shareholders' equity	505,121	505,808
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,481	17,774
Deferred gains or losses on hedges	108	175
Foreign currency translation adjustment	(8,260)	(13,299)
Total accumulated other comprehensive income	11,330	4,649
Non-controlling interests	5,095	4,768
Total net assets	521,547	515,227
Total liabilities and net assets	725,320	704,345

(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, 2018	Six months ended June 30, 2019
Net sales	154,529	133,366
Cost of sales	118,588	104,726
Gross profit	35,941	28,639
Selling, general and administrative expenses	21,901	19,346
Operating profit	14,039	9,292
Non-operating income		
Interest income	223	305
Dividend income	711	826
Other	876	1,061
Total non-operating income	1,811	2,193
Non-operating expenses		
Interest expenses	685	385
Foreign exchange losses	2,603	1,498
Other	981	887
Total non-operating expenses	4,270	2,770
Ordinary profit	11,580	8,714
Extraordinary income		
Reversal of provision for special repairs	—	1,619
Other	221	239
Total extraordinary income	221	1,859
Extraordinary losses		
Loss on retirement of non-current assets	56	888
Business structure improvement expenses	133	—
Loss on accident	—	966
Other	—	78
Total extraordinary losses	189	1,933
Profit before income taxes	11,612	8,640
Income taxes	3,303	2,880
Profit	8,309	5,760
Profit attributable to non-controlling interests	226	265
Profit attributable to owners of parent	8,083	5,494

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Profit	8,309	5,760
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,001)	(1,707)
Deferred gains or losses on hedges	112	66
Foreign currency translation adjustment	(3,740)	(4,971)
Remeasurements of defined benefit plans, net of tax	(33)	—
Share of other comprehensive income of entities accounted for using equity method	(68)	(67)
Total other comprehensive income	(11,730)	(6,680)
Comprehensive income	(3,421)	(919)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,647)	(1,185)
Comprehensive income attributable to non-controlling interests	226	265

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

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Cash flows from operating activities		
Profit before income taxes	11,612	8,640
Depreciation	14,475	14,357
Increase (decrease) in provision for special repairs	169	(2,476)
Foreign exchange losses (gains)	2,505	1,203
Decrease (increase) in notes and accounts receivable - trade	(192)	3,471
Decrease (increase) in inventories	4,970	(8,121)
Increase (decrease) in notes and accounts payable - trade	350	697
Income taxes paid	(2,128)	(3,331)
Other, net	(6,792)	205
Net cash provided by (used in) operating activities	24,970	14,646
Cash flows from investing activities		
Purchase of non-current assets	(15,752)	(9,300)
Other, net	3,112	(260)
Net cash provided by (used in) investing activities	(12,639)	(9,561)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,830	(1,850)
Proceeds from long-term loans payable	1,707	1,245
Repayments of long-term loans payable	(8,213)	(10,842)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	—	(10,000)
Cash dividends paid	(4,969)	(4,829)
Dividends paid to non-controlling interests	(416)	—
Other, net	91	(284)
Net cash provided by (used in) financing activities	(6,968)	(16,562)
Effect of exchange rate change on cash and cash equivalents	(817)	(915)
Net increase (decrease) in cash and cash equivalents	4,544	(12,392)
Cash and cash equivalents at beginning of period	113,835	116,248
Cash and cash equivalents at end of period	118,380	103,856