

Financial Results For 2Q of the Year Ending December 31, 2016

Investor Meeting
August 1, 2016

Nippon Electric Glass Co., Ltd.

Financial Results For 2Q of FY2016

Summary of 2Q Financial Results

- Economy trend

(Global)

- Europe: Gradually recovered, but uncertainly over the outlook heightened in light of the UK's decision to leave the EU.
- US: On a recovery track on the back of solid employment conditions and personal consumption.
- China: Slowed as exports stalled and fixed assets investments registered flat growth.

(Japan)

Personal consumption appeared weak, but modest recovery due to in part to improved employment conditions.

- Business performance

- Net sales: Solid at Glass Fiber, LCD recovered from 2Q.
- Operating income: Under pressure due to facility repair, but improving productivity and cutting costs were on progress.

Summary of 2Q Financial Results

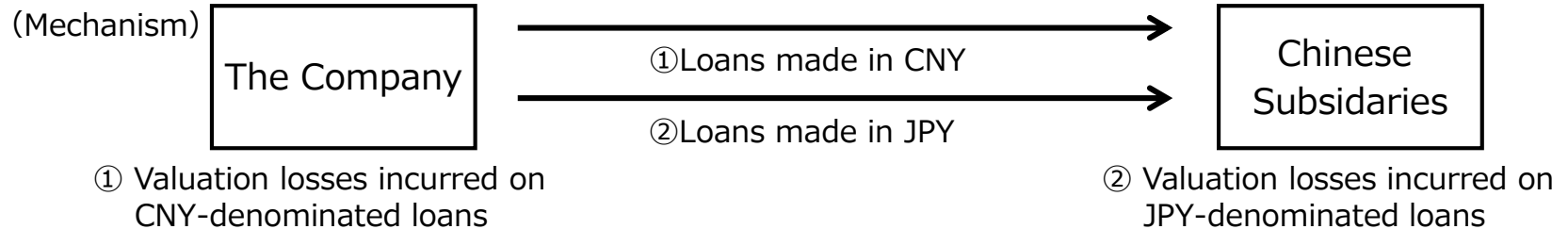
(Billions of yen)

	FY2016			FY2015
	1Q	2Q	2Q (accum)	2Q (accum)
Net sales	5.79	6.02	118.2	123.9
Operating income (Operating margin)	5.1 (9%)	3.5 (6%)	8.7 (7%)	9.2 (7%)
Ordinary income	2.4	(1.8)	0.5	6.4
Extraordinary income/loss	0.0	1.0	1.0	(0.7)
Income before income taxes and minority interests	2.4	(0.8)	1.6	5.7
Profit attributable to owners of parent	0.6	(1.9)	(1.2)	1.3
Earnings per share (yen)	¥1.30	(¥3.86)	(¥2.55)	¥2.64
Net assets	507.5	-	500.2	524.0
Equity ratio	71.2%	-	71.5%	71.2%
Dividend per share (yen)	-	-	¥8	¥8

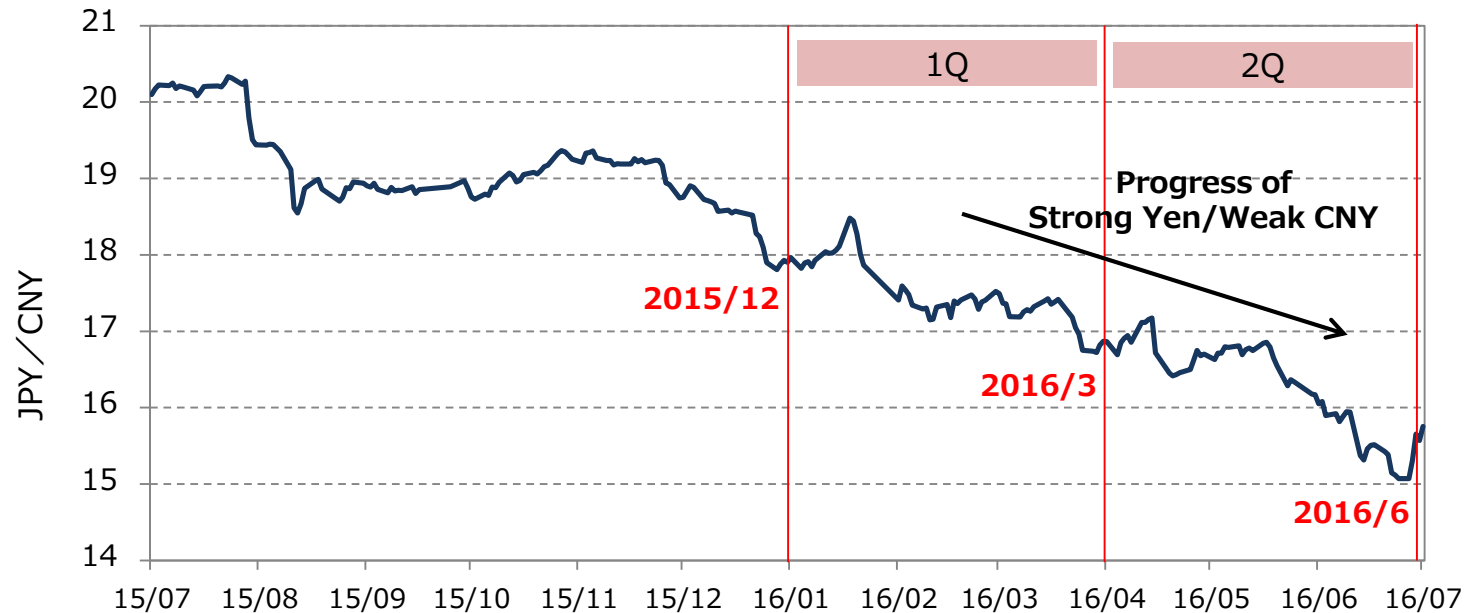
Foreign exchange loss (valuation loss)

Reasons for loss

Significant impact from revaluation of receivables and payables related to loans made by the Company (parent company) to Chinese subsidiaries

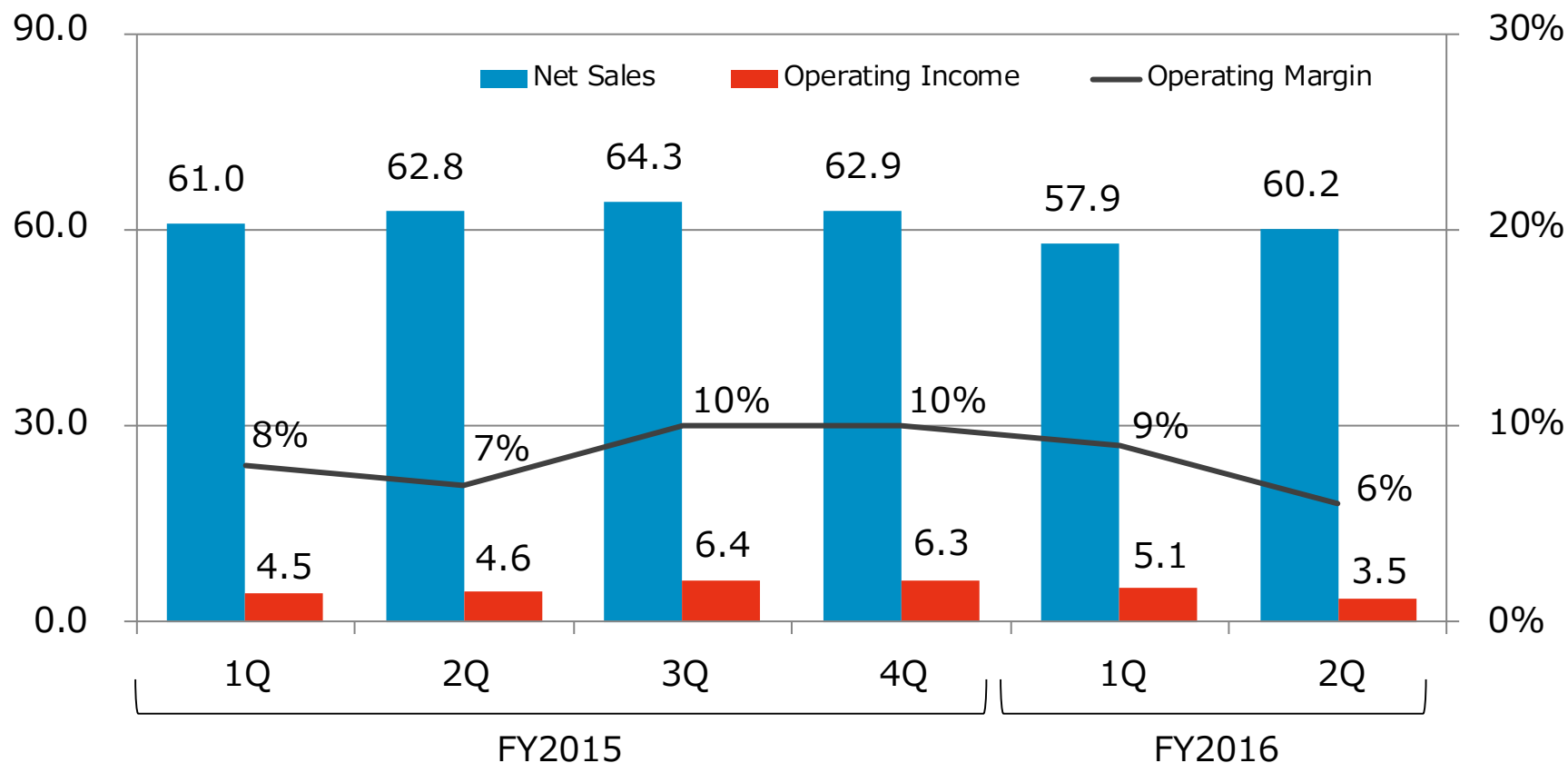


(Fluctuations in JPY/CNY exchange rates)



Quarterly Trends

(Billions of yen)

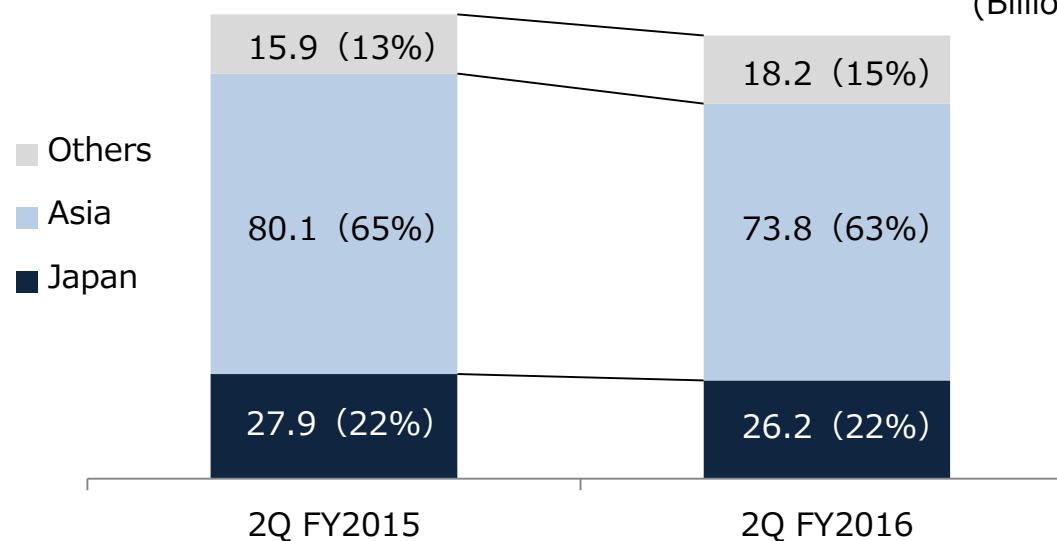


Sales – By business & By Region

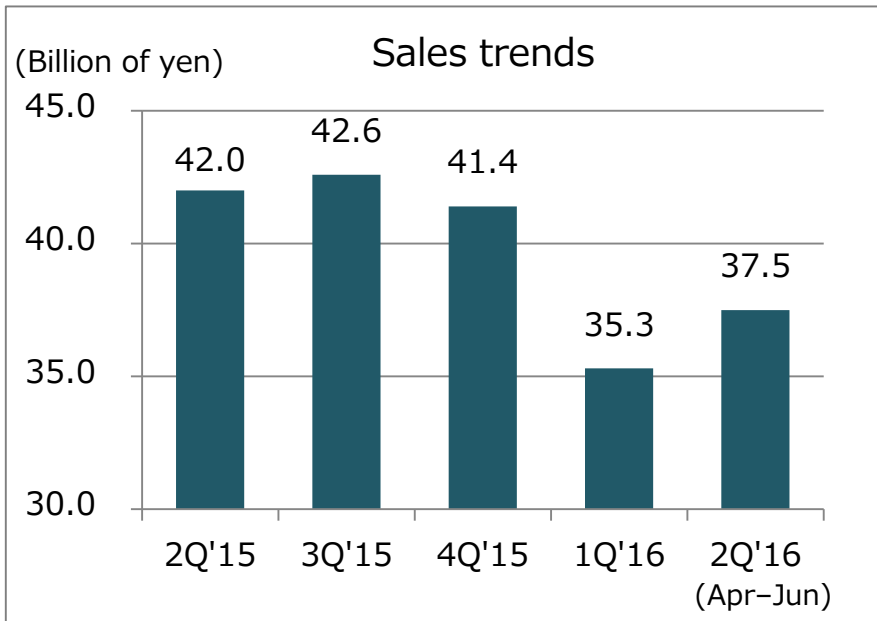
(Billions of yen)

		2Q FY2015 (accum)		2Q FY2016 (accum)	
Glass Business	Electronics and Information Technology	82.9	67%	72.8	62%
	Performance Materials and Others	40.9	33%	45.3	38%
Total		123.9	100%	118.2	100%

(Billions of yen)



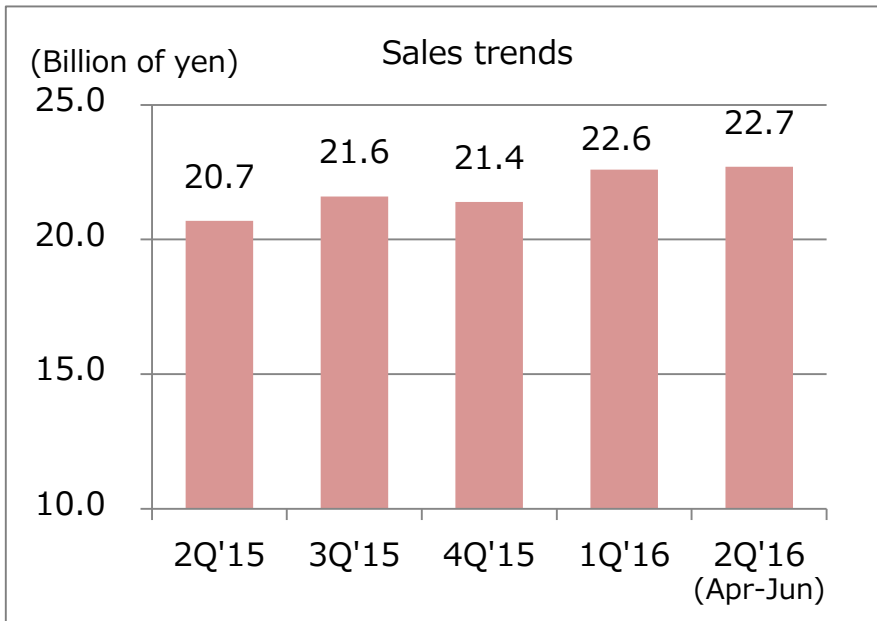
Sales – Electronics and Information Technology



- Glass for LCDs :
Recovery in sales from 2Q (2Q)
Volume: Increased by around 10% from 1Q
Price: Declined moderately
- Cover glass <Dinorex®> :
Poor sales continued
- Glass for solar cells:
Stable sales

- Glass for optical and electronic devices:
 - For optical devices:
Although sales are down in some markets, demand for communication infrastructure is expanding.
 - For electronic devices:
Despite sluggish growth of cover glass for image sensors, sales of new products are on the rise and applications for general-purpose electronic parts are also stable.

Sales – Performance Materials and Others



- Glass fiber:
 - Applications in high-function plastics for auto parts were solid, despite the effect of strong yen
- Glass for medical use and building materials, heat-resistant glass:
 - Building materials: Sluggish growth of fire-rated glass "FireLite"
 - Heat-resistant: Recovery now that major customers have finished with inventory adjustments
 - Medical: Sales growth overseas, primarily in China

Consolidated Balance Sheets

(Billions of yen)

	Dec 31, 2015	Jun 30, 2016	Change		Dec 31, 2015	Jun 30, 2016	Change
Current assets	267.4	257.3	(10.0)	Liabilities	207.1	192.9	(14.1)
Cash and deposits	144.3	137.5	(6.8)	Notes and accounts payable-trade	29.5	26.1	(3.4)
Notes and accounts receivable-trade	47.3	45.3	(2.0)	Interest-bearing debts	109.7	112.9	3.2
Inventories	64.1	59.5	(4.5)	Accrued income taxes	3.4	1.4	(2.0)
Others	11.5	14.8	3.3	Reserve for special repairs	31.6	28.2	(3.3)
				Others	32.7	24.1	(8.6)
Non-current assets	459.5	435.8	(23.6)	Net assets	519.8	500.2	(19.5)
Property, plant and equipment	386.0	365.8	(20.1)	Shareholders' equity	493.6	488.3	(5.2)
Intangible assets	4.1	3.8	(0.3)	Accumulated other comprehensive income	19.5	6.9	(12.6)
Investments and other assets	69.3	66.1	(3.1)	Minority interests	6.5	4.9	(1.6)
Total assets	726.9	693.2	(33.7)	Total liabilities and net assets	726.9	693.2	(33.7)

■ Current assets

- (-) Cash and deposits: Acquisition of facilities by overseas subsidiaries, Dividend
- (-) Inventories: Increase of glass fiber sales

■ Non-current assets

- (-) Decline in foreign currency-denominated assets due to strong JPY
- (-) Depreciation

■ Liabilities

- (-) Reserve for special repairs: Withdrawal accompanying a suspension of production facilities

■ Net assets

- (-) Shareholders' equity: (-) Net loss, (-) Dividend
- (-) Accumulated other comprehensive income:
 - (+) Decrease of share value
 - (-) Decrease in foreign currency translation adjustment

Consolidated Statements of Cash Flows

	2Q FY2015 (accum)	2Q FY2016 (accum)	Change
Cash flows from operating activities	15.0	17.0	1.9
Income before income taxes and minority interests	5.7	1.6	
Depreciation	18.2	15.1	
Decrease (increase) in notes and accounts receivable-trade	(1.2)	(0.3)	
Decrease (increase) in inventories	(6.6)	2.4	
Increase (decrease) in notes and accounts payable-trade	(3.5)	(2.0)	
Other, net	2.4	0.1	
Cash flows from investing activities	(12.1)	(10.9)	1.1
Purchase of non-current assets	(22.3)	(16.4)	
Other, net	(10.1)	5.4	
Cash flows from financing activities	(5.4)	(3.1)	2.2
Cash dividends paid	(4.1)	(5.9)	
Other, net	(1.2)	2.8	
Effect of exchange rate change on cash and cash equivalents	0.3	(3.0)	
Net increase (decrease) in cash and cash equivalents	(2.1)	(0.1)	2.0
Cash and cash equivalents at end of period	127.6	133.7	6.0

(Billions of yen)

<From operating income>

- Income before income taxes and minority interests :
Decrease

- Depreciation:
High level due to recent investments in facility

- Inventories:
Decrease

<From investing activities>

- Non-current assets:
Acquisition of facilities by overseas subsidiaries

<From financing activities>

- Cash dividends paid:
Payment of dividends to shareholders and minor shareholders

Forecast of FY2016

Consolidated Earning Forecast (1)

(FY2016)

(Billions of yen)

	Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
Full Year	248.0	19.0	14.0	10.0

(Outlook)

Summary

- Overseas: Although sales were firm in the US, the outlook is uncertain due to a slowdown in the Chinese economy and the impact of the UK's decision to leave the EU
- Japan: Economy will continue to recover gradually, but impact of overseas economies should be considered

Foreign exchange rate

- Assumption: 1USD=114JPY、 1 EUR = 125JPY

Raw materials and fuels

- The effect of lower costs attributable to cheap crude oil and strong JPY since the start of the fiscal year will continue in the second half of the fiscal year as well

Consolidated Earning Forecast (2)

= Electronics & Information Technology =

<p>For Display (LCD)</p>	<ul style="list-style-type: none"> • Approximately same growth as markets expected in 2016 (calendar year) (YoY low single-digit % growth) • 3Q forecasts Volume: Slight increase over 2Q expected Price: Modest decrease expected
<p>Cover Glass (Dinorex®)</p>	<ul style="list-style-type: none"> • Increase in sales expected overseas, including China
<p>For Optical and Electronic Devises</p>	<ul style="list-style-type: none"> • Glass for optical devices: Solid demand for communications infrastructure in emerging markets would drive shipments • Glass for electronic devices: Recovery of shipment due to year-end shopping season Sales expansion by new products and auto applications
<p>For Solar Cells</p>	<ul style="list-style-type: none"> • Steady shipments expected

Consolidated Earning Forecast (3)

= Performance Material and Others =

Glass Fiber	<ul style="list-style-type: none">● A high level of sales expected, particularly applications for autos (Expanded market and higher share)
Medical	<ul style="list-style-type: none">● Augmented capacity of Malaysian subsidiary● Sales expansion in overseas, particularly in China
Heat-Resistant	<ul style="list-style-type: none">● Solid shipments expected, particularly of top plate applications
Building Materials	<ul style="list-style-type: none">● Sales expansion, particularly of fire-rated glass and radiation shielding glass

CAPEX / Depreciation

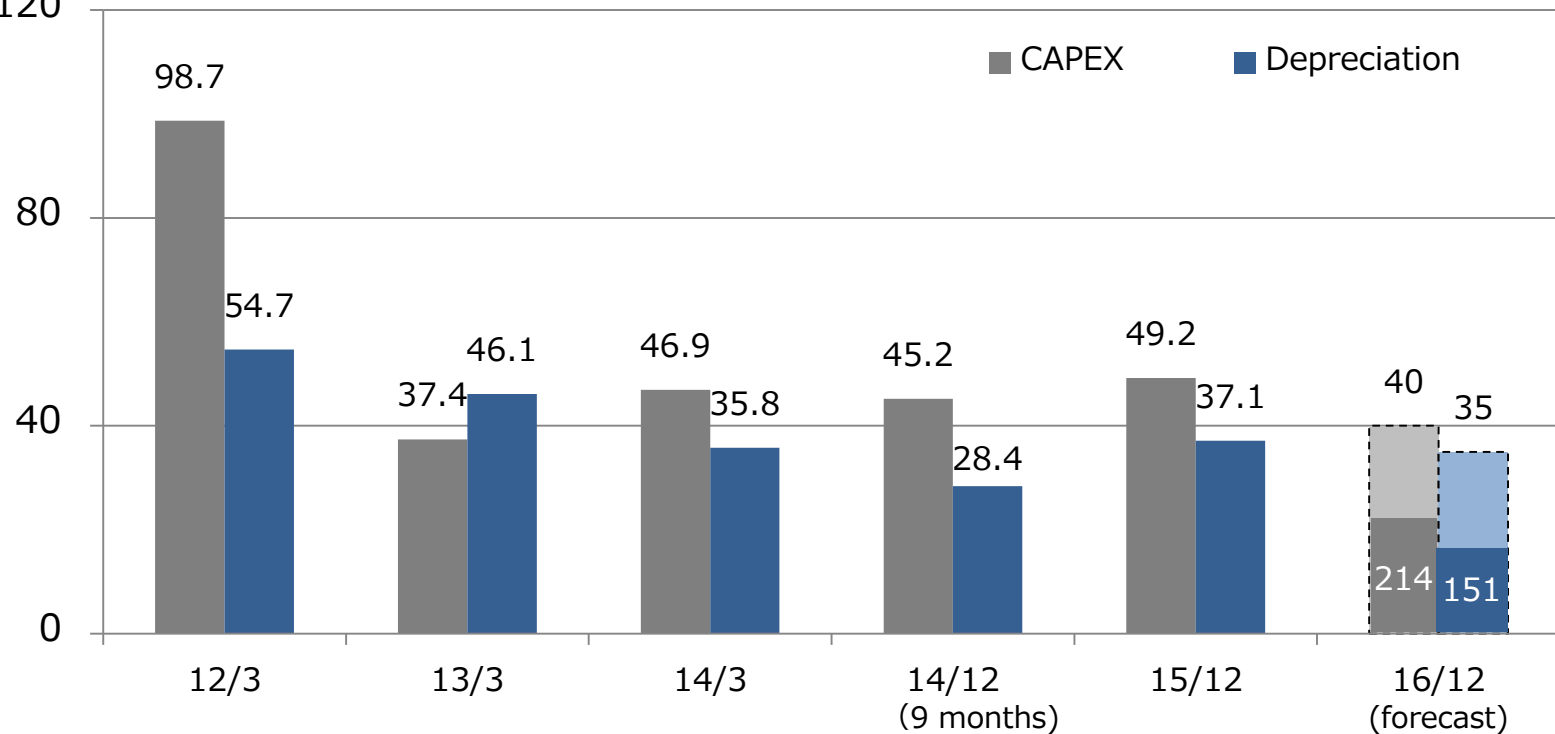
CAPEX

- About 40.0 billion JPY
- Expanded the LCD glass business to China (Xiamen and Nanjing)
- Expansion of production capacity for glass fiber and glass tubing for pharmaceutical and medical use (Malaysia)

Depreciation

- About 35.0 billion JPY

(billion of yen)



*FY2014: including capital investments in overseas subsidiaries in January to March

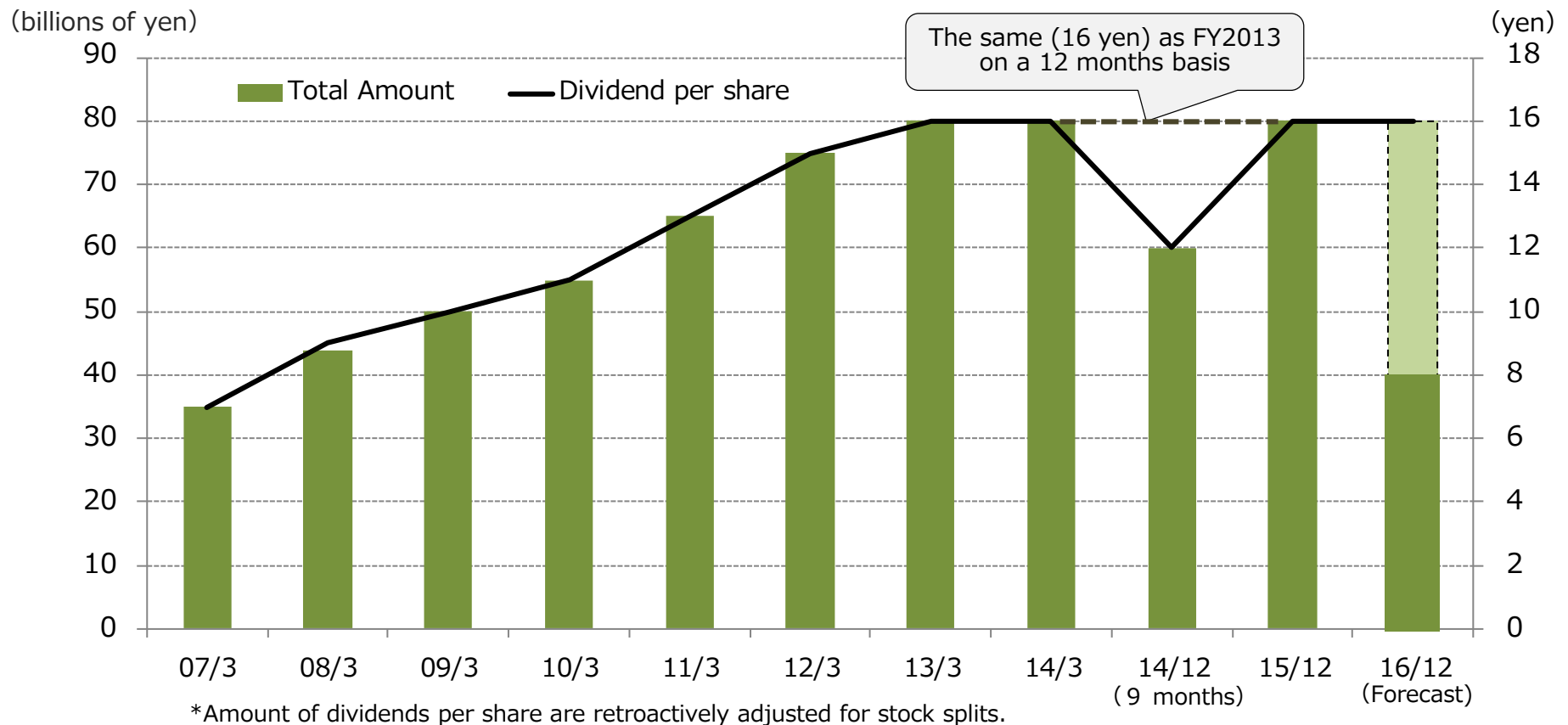
Profit allocation policy & Dividends

Profit allocation policy

- Based on continuous payment of stable dividends to shareholders
- Flexible shareholder return measures will also be considered as opportunities present
- In addition to shareholder returns, proactively use retained earnings for research and development as well as growth investments with an eye on the future

Cash dividends Of FY2016

- Interim: 8 yen per share
- Year-end : 8 yen per share (forecast)



Initiatives to achieve Medium-term Business Plan, “EGP2018”

Strengthening of profitability of “Display” related business

- Gradual introduction of new manufacturing-related technology at domestic and overseas bases
- Smooth launch of Electric Glass (Xiamen) (melting and forming) (full-scale launch of operations in May 2016)
- Start of production at Electric Glass (Nanjing) (processing) (July 2016)
- Expanded sales in Chinese market

Business expansion related to “Performance materials and others”

- Continuing high productivity of glass fibers in Malaysia
- Entered into a preliminary agreement with PPG to acquire the European glass fiber business
- Expansion of production capacity of glass tubing for pharmaceutical and medical use in Malaysia

Business expansion related to “Performance materials and others”

- Entered into a preliminary agreement with PPG to acquire the European glass fiber business (June 2016)

- Target assets ①Wigan, UK ②Hoogezand, Netherlands

	Wigan	Hoogezand
Main Products	Direct rovings for reinforced plastics	Chopped strands for reinforced plastics
Main Purpose of the Use	Blades for wind power generations, Composite materials for auto parts	Composite materials for auto parts
Annual Sales	Approximately EUR 150 million	

- Purpose: ①Fortifying global supply capabilities
 ②Increase sales of chopped strands
 ③Adding other glass fiber products to the current lineups

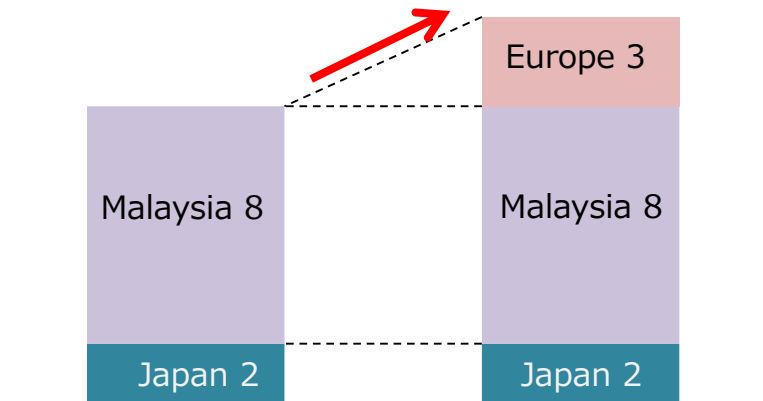
Steady expansion of business scale and industry presence
 Second pillar of the Company, both in name and reality



【Business scale for sales of glass fiber】

Approx. 65 billion yen (target of FY2016) → to **80 billion yen level**

【Production scale】



【World share of glass fiber for high-function plastics*】

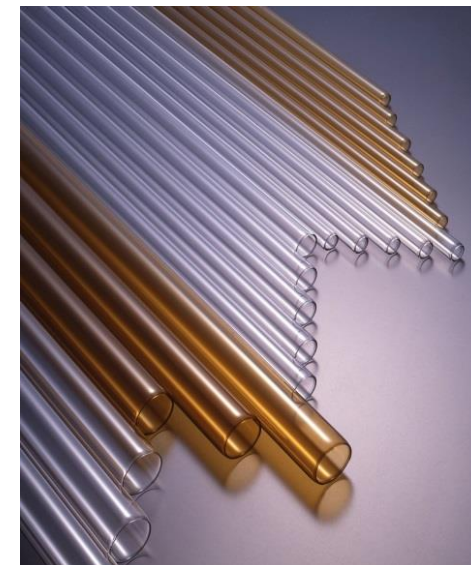
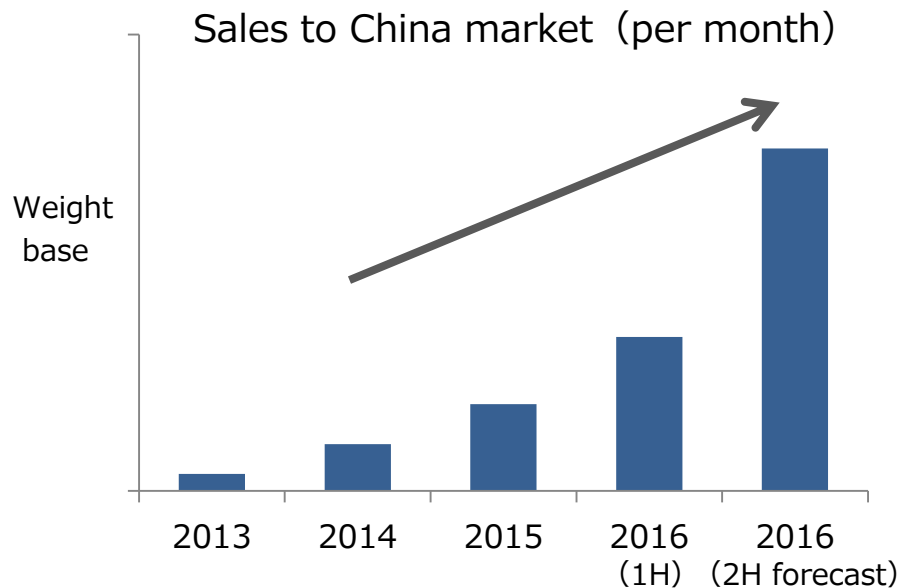
Chopped strands : a little more than 30% → **40%**

*Our estimate

(Projected Schedule)

Closing by the end of September 2016

- **Expansion of production capacity for glass tubing for pharmaceutical and medical use in Malaysia**
 - Purpose: Respond to expanded demand in Asian markets, such as China
 - Start production: August 2016
 - Production capacity: Group capacity will be increased by about 25% compared to current production volume.



Glass tubing for pharmaceutical and medical use

Strengthening R&D, and strategic investment

- **Start of mass production of glass for supporting semiconductor wafers (1Q 2016)**
 - Started being used in semiconductor production process
 - Various CTE from low to high expansion are available respond to customers 'needs
- **Joint development with Nippon Sheet Glass (April 2016)**
 - Material development for the reinforcement and dimension stability to engineering plastics
 - Sample work ongoing globally
- **Investments in NS Materials (April 2016)**
 - Product development integrating quantum dots, developed and manufactured by NS Materials, and our special glass material technology (new materials and new devices in illumination field, etc.)
- **Development of glass frit for laser-sealing of ceramic package (April 2016)**
 - Development of semiconductor ceramic package materials, such as image sensors and LEDs
 - Aiming for use in automobile installations, deep UV LEDs used in sterilizing equipment and other applications

Corporate Information

Main Business

Electronics & Information Technology	FPD	Glass for liquid crystal displays Glass for Organic light emitting diode displays
	Cover Glass	"Dinorex" Specialty Glass for Chemical Strengthening
	Optical	Capillary and Ferrule for Optical Communication Devices Lens for Optical Communication Devices "Micro Preform" Glass Materials for Aspherical Lenses
	Electronic Devices	Functional Powdered Glass Sheet Glass for Image Sensors Glass Tube for Small Electronic Products "Lumiphous" Phosphor Glass
	Solar Cells	Glass for Solar Cells
Performance Materials & Others	Glass Fiber	Chopped Strands for Function Plastic Roving Glass for Reinforced Plastics Chopped-Strand Mats for Automobiles Alkali-Resistant Glass Fiber for cement reinforcement
	Building Materials	Glass Blocks "Neoparies" Glass Ceramics Building Materials "FireLite" Fire Rated Glass "Lamion" Composite Material Made of Glass and Resin "Invisible Glass" Super Anti-reflective Glass
	Heat-Resistant	"Neoceram" Super Heat-Resistant Glass Ceramic "Neorex" Heat-Resistant Glass
	Medical Care	Glass Tubing for Pharmaceutical Use "LX Premium" Radiation-Shielding Glass
	Others	Glass for Lighting Use Glass for Thermos Flasks Glass Making Machinery

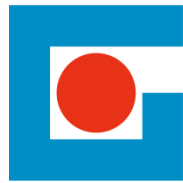
Corporate Information

Name:	Nippon Electric Glass Co., Ltd.
Head Office:	7-1, Seiran 2-chome, Otsu, Shiga 520-8639, Japan
Founded:	Dec 1, 1949
Representative:	Masayuki Arioka, Chairman of the Board Motoharu Matsumoto, President
Capital:	32.1 billion yen
Employees:	5,144(Group total as of Jun 30, 2016)
Business:	Production and sale of special glass products, and manufacture and sale of glass making machinery
Plants:	Otsu, Shiga-Takatsuki, Notogawa, Wakasa-Kaminaka, and Precision Glass Center
Sales Office:	Osaka and Tokyo
Consolidated Companies:	12 in Japan 12 overseas (Malaysia, Korea, China, Taiwan, etc.)

Note regarding 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 at the present moment and include risks and contingencies.
- ◆ Actual business results may differ substantially from the earnings forecasts due to a number of factors.

GLASS FOR FUTURE



Nippon Electric Glass