

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on July 31, 2017 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 31, 2017

CONSOLIDATED FINANCIAL RESULTS for the Second Quarter of the Year Ending December 31, 2017 (Unaudited) <under Japanese GAAP>

Company name: **Nippon Electric Glass Co., Ltd.**
Listing: First Section of the Tokyo Stock Exchange
Securities identification code: 5214
URL: <http://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 14, 2017
Scheduled date to commence dividend payments: August 31, 2017
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, 2017 (From January 1, 2017 to June 30, 2017)

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

| For the six months ended | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|--------------------------|-----------|-------|------------------|-------|-----------------|--------|-----------------------------------------|---|
| | | % | | % | | % | | % |
| June 30, 2017 | 133,206 | 12.7 | 16,266 | 86.7 | 15,978 | - | 12,038 | - |
| June 30, 2016 | 118,229 | (4.6) | 8,710 | (5.9) | 568 | (91.2) | (1,270) | - |

Note: Comprehensive income:

For the six months ended June 30, 2017: 17,291 million yen [-%]

For the six months ended June 30, 2016: (13,552) million yen [-%]

| For the six months ended | Earnings per share | Diluted Earnings per share |
|--------------------------|--------------------|----------------------------|
| | yen | yen |
| June 30, 2017 | 121.02 | - |
| June 30, 2016 | (12.77) | - |

Note: The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. Earnings per share are calculated based on the assumption that the share consolidation had been implemented at the beginning of the year ended December 31, 2016.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------|--------------|------------|--------------|
| As of | | | % |
| June 30, 2017 | 691,533 | 522,061 | 74.8 |
| December 31, 2016 | 693,917 | 509,564 | 72.7 |

Reference: Equity:

As of June 30, 2017: 517,328 million yen

As of December 31, 2016: 504,287 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, 2016 | - | 8.00 | - | 8.00 | 16.00 |
| For the year ending December 31, 2017 | - | 8.00 | — | — | — |
| For the year ending December 31, 2017 (Forecasts) | — | — | - | 40.00 | - |

Note: 1. Revision of the forecasts most recently announced: None

2. The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. Accordingly, the amount of the year-end dividend per share for the year ending December 31, 2017 (forecast) takes this share consolidation into account and disclosure of the total annual dividends per share are described as “-.” For details, please refer to “Proper use of earnings forecasts, and other special directions.”

3. Consolidated earnings forecasts for the year ending December 31, 2017 (From January 1, 2017 to December 31, 2017)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Net income per share |
|---------------------------------------|-----------|------|------------------|------|-----------------|-------|-----------------------------------------|-------|----------------------|
| | | % | | % | | % | | % | yen |
| For the year ending December 31, 2017 | 266,000 | 11.1 | 30,000 | 53.3 | 29,000 | 107.6 | 22,000 | 342.8 | 221.17 |

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

2. For details on the revision of consolidated earnings forecasts, please refer to “Notice Concerning Revision of Consolidated Earnings Forecasts for the Fiscal Year Ending December 2017” disclosed today (July 31, 2017).
3. Net income per share for consolidated earnings forecasts for the year ending December 31, 2017 takes the effect of share consolidation into account. For details, please refer to “Proper use of earnings forecasts, and other special directions.”

*** 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, 2017 | 99,523,246 shares |
| As of December 31, 2016 | 99,523,246 shares |

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

| | |
|-------------------------|---------------|
| As of June 30, 2017 | 51,275 shares |
| As of December 31, 2016 | 50,369 shares |

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

| | |
|----------------------------------------|-------------------|
| For the six months ended June 30, 2017 | 99,472,488 shares |
| For the six months ended June 30, 2016 | 99,474,230 shares |

Note: The Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. The total number of issued shares at the end of the period, the number of treasury shares at the end of the period and the average number of shares during the period are calculated based on the assumption that the share consolidation had been implemented at the beginning of the year ended December 31, 2016.

* This quarterly financial results report is exempt from quarterly review.

* 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.

(Dividends and consolidated earnings forecasts after the share consolidation)

The Company’s proposal for the share consolidation was approved at the 98th Ordinary General Meeting of Shareholders, held on March 30, 2017 and the Company carried out the share consolidation at a ratio of one for every five common shares on July 1, 2017. The Company changed the number of shares constituting one tradable unit (change from 1,000 shares to 100 shares) along with the share consolidation. On the assumption that the share consolidation is not taken into account, dividends and consolidated earnings forecasts for the year ending December 31, 2017 are as follows.

- (1) Dividends forecasts for the year ending December 31, 2017

Dividends per share

Year-end: 8 yen

- (2) Consolidated earnings forecasts for the year ending December 31, 2017

Net income per share

Year-end: 44.23 yen

Qualitative Information Regarding Consolidated Results for the Six Months

(1) Information regarding operating results (Six months ended June 30, 2017)

A. Overview

In the global economy, the economy gradually recovered in Europe and the US on the back of growing personal consumption and improved employment conditions. There were signs of a recovery in China, partly due to the effects of government policies. The Japanese economy continued to modest recovery, due to improved personal conditions and employment conditions. In this environment, in the first half of the fiscal year (from January 1 to June 30, 2017), shipments of substrate glass for liquid crystal display (LCDs) increased during the second quarter (from April 1 to June 30, 2017). Shipments of glass fiber were solid, particularly for applications in high-function plastics for auto parts. As a result, both sales and profits far exceeded levels in the first half of the previous fiscal year (from January 1 to June 30, 2016).

B. Operating results

(Billions of yen)

| | Six months ended June 30, 2016 | Six months ended June 30, 2017 | Change (%) |
|--------------------------------------------|-----------------------------------|-----------------------------------|------------|
| Net sales | 118.2 | 133.2 | 13 |
| Operating income | 8.7 | 16.2 | 87 |
| Ordinary income | 0.5 | 15.9 | - |
| Profit attributable to owners of parent | (1.2) | 12.0 | - |

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

| Reporting segment | Category | Six months ended June 30, 2016 | | Six months ended June 30, 2017 | | Change | |
|----------------------|-------------------------------------------------|-----------------------------------|-----|-----------------------------------|-----|--------------------|-----|
| | | billions of yen | (%) | billions of yen | (%) | billions of yen | (%) |
| Glass Business | Electronics and Information Technology | 72.8 | 62 | 72.3 | 54 | (0.5) | (1) |
| | Performance Materials and Others | 45.3 | 38 | 60.9 | 46 | 15.5 | 34 |
| Total | | 118.2 | 100 | 133.2 | 100 | 14.9 | 13 |

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronics and Information Technology:

With demand for substrate glass for LCDs recovering in the second quarter, shipments increased and a smaller decline in prices was recorded. Sales of cover glass for mobile devices (specialty glass for chemical strengthening) were stable. In glass for electronic devices, sales of cover glass for image sensors, primarily those used in digital cameras with interchangeable lenses, were firm, while other products such as functional powdered glass also grew. In glass for optical devices, although some products experienced sluggish sales, the remainder were generally firm. Although demand for substrate glass for solar cells declined, sales were stable.

Performance Materials and Others:

Firm sales of glass fiber continued against a backdrop consisting primarily of healthy demand for high-function plastics used in auto parts applications. Other factors such as the European glass fiber

business acquired from PPG in October 2016 also made a contribution to sales. Sales of heat-resistant glass and glass tubing for pharmaceutical and medical use were generally firm, but sales of glass for building materials, primarily for large domestic projects, were sluggish.

(Profit/loss)

Higher sales and improved productivity boosted profits, and operating income, ordinary income, and profit attributable to owners of parent all surpassed levels in the first half of the previous fiscal year.

**(2) Information regarding consolidated earnings forecasts and other forward-looking statements
(Consolidated earnings forecasts for the year ending December 31, 2017)**

(Billions of yen)

| | Year ending December 31, 2017 | | Change (B-A) | Change (%) |
|--------------------------------------------|----------------------------------|----------------------|-----------------|---------------|
| | Previous forecast (A) | Revised forecast (B) | | |
| Net sales | 260.0 | 266.0 | 6.0 | 2 |
| Operating income | 24.0 | 30.0 | 6.0 | 25 |
| Ordinary income | 20.0 | 29.0 | 9.0 | 45 |
| Profit attributable to owners of parent | 17.0 | 22.0 | 5.0 | 29 |

Note: Amounts less than 100 million yen are omitted.

We expect Europe and the US economies to continue recovering steadily and China to continue modest recovery as various policies take effect although consideration must be given to international situation and global economy. The Japanese economy is expected to continue recovering gradually, due in part to improved employment and income conditions.

Given this environment, in the Electronics and Information Technology category, we expect that from the third quarter (July 1 to September 30, 2017) onward, with demand for substrate glass for LCDs providing a firm base, growth will be driven by such factors as shipments to new customers through the joint-venture on processing of glass substrates in China. Sales for certain products in glass for electronic devices and glass for optical devices are forecast to slow, but are expected to be generally firm. In the Performance Materials and Others segment, a seasonal slowdown in European customers' operating rates is forecast for the glass fiber business, but overall demand is expected to be resilient. Shipments of glass for building materials, heat-resistant glass and glass for medical and pharmaceutical use are generally expected to be stable.

We expect profit/loss to be affected by the future market environment, product price trends, and fluctuations in exchange rates, among other factors, but we will endeavor to ensure profits with more extensive measures to improve productivity and cut costs.

In light of the above outlook and results for the first half of the fiscal year, we have revised the Company Group's consolidated earnings forecasts for the full year ending December 31, 2017, 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, 2016 | As of June 30, 2017 |
|----------------------------------------|-------------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 132,001 | 126,959 |
| Notes and accounts receivable - trade | 49,133 | 52,795 |
| Merchandise and finished goods | 38,977 | 39,198 |
| Work in process | 1,456 | 1,460 |
| Raw materials and supplies | 19,979 | 22,161 |
| Other | 13,418 | 11,830 |
| Allowance for doubtful accounts | (96) | (100) |
| Total current assets | 254,870 | 254,305 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 78,656 | 76,502 |
| Machinery, equipment and vehicles, net | 267,860 | 261,023 |
| Other, net | 20,882 | 23,405 |
| Total property, plant and equipment | 367,399 | 360,930 |
| Intangible assets | 7,179 | 6,882 |
| Investments and other assets | | |
| Other | 64,498 | 69,439 |
| Allowance for doubtful accounts | (29) | (24) |
| Total investments and other assets | 64,468 | 69,414 |
| Total non-current assets | 439,047 | 437,228 |
| Total assets | 693,917 | 691,533 |

(Millions of yen)

| | As of December 31, 2016 | As of June 30, 2017 |
|-------------------------------------------------------|-------------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 31,611 | 31,254 |
| Short-term loans payable | 19,197 | 22,963 |
| Current portion of bonds | 10,000 | — |
| Income taxes payable | 1,338 | 2,030 |
| Other provision | 526 | 453 |
| Other | 23,350 | 21,557 |
| Total current liabilities | 86,024 | 78,258 |
| Non-current liabilities | | |
| Bonds payable | 30,000 | 30,000 |
| Long-term loans payable | 40,800 | 33,300 |
| Provision for special repairs | 23,127 | 23,268 |
| Other provision | 31 | 34 |
| Net defined benefit liability | 1,561 | 1,802 |
| Other | 2,808 | 2,807 |
| Total non-current liabilities | 98,328 | 91,213 |
| Total liabilities | 184,353 | 169,471 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 32,155 | 32,155 |
| Capital surplus | 34,320 | 34,320 |
| Retained earnings | 424,441 | 432,500 |
| Treasury shares | (293) | (296) |
| Total shareholders' equity | 490,624 | 498,680 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 22,558 | 26,560 |
| Deferred gains or losses on hedges | (418) | 363 |
| Foreign currency translation adjustment | (8,744) | (8,542) |
| Remeasurements of defined benefit plans | 266 | 266 |
| Total accumulated other comprehensive income | 13,663 | 18,648 |
| Non-controlling interests | 5,276 | 4,733 |
| Total net assets | 509,564 | 522,061 |
| Total liabilities and net assets | 693,917 | 691,533 |

(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, 2016 | Six months ended June 30, 2017 |
|----------------------------------------------------|-----------------------------------|-----------------------------------|
| Net sales | 118,229 | 133,206 |
| Cost of sales | 93,996 | 100,564 |
| Gross profit | 24,233 | 32,641 |
| Selling, general and administrative expenses | 15,522 | 16,375 |
| Operating income | 8,710 | 16,266 |
| Non-operating income | | |
| Interest income | 97 | 123 |
| Dividend income | 722 | 992 |
| Other | 302 | 369 |
| Total non-operating income | 1,122 | 1,485 |
| Non-operating expenses | | |
| Interest expenses | 578 | 396 |
| Depreciation of inactive non-current assets | 615 | 396 |
| Other | 8,070 | 979 |
| Total non-operating expenses | 9,264 | 1,772 |
| Ordinary income | 568 | 15,978 |
| Extraordinary income | | |
| Reversal of provision for special repairs | 3,884 | — |
| Gain on sales of non-current assets | 57 | 162 |
| Total extraordinary income | 3,941 | 162 |
| Extraordinary losses | | |
| Impairment loss | 2,596 | — |
| Loss on sales and retirement of non-current assets | 296 | 168 |
| Total extraordinary losses | 2,892 | 168 |
| Profit before income taxes | 1,618 | 15,972 |
| Income taxes | 2,536 | 3,666 |
| Profit (loss) | (917) | 12,305 |
| Profit attributable to non-controlling interests | 352 | 267 |
| Profit (loss) attributable to owners of parent | (1,270) | 12,038 |

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

| | Six months ended June 30, 2016 | Six months ended June 30, 2017 |
|-----------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Profit (loss) | (917) | 12,305 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (3,759) | 4,001 |
| Deferred gains or losses on hedges | (142) | 781 |
| Foreign currency translation adjustment | (8,732) | 189 |
| Remeasurements of defined benefit plans, net of tax | — | (0) |
| Share of other comprehensive income of entities accounted for using equity method | — | 12 |
| Total other comprehensive income | (12,634) | 4,985 |
| Comprehensive income | (13,552) | 17,291 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (13,882) | 17,023 |
| Comprehensive income attributable to non-controlling interests | 330 | 267 |

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

(Millions of yen)

| | Six months ended June 30, 2016 | Six months ended June 30, 2017 |
|--------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,618 | 15,972 |
| Depreciation | 15,182 | 13,464 |
| Impairment loss | 2,596 | — |
| Increase (decrease) in provision for special repairs | (3,356) | 141 |
| Foreign exchange losses (gains) | 4,582 | 227 |
| Decrease (increase) in notes and accounts receivable - trade | (311) | (3,652) |
| Decrease (increase) in inventories | 2,410 | (2,522) |
| Increase (decrease) in notes and accounts payable - trade | (2,030) | (1,113) |
| Income taxes paid | (4,072) | (1,714) |
| Other, net | 381 | 3,632 |
| Net cash provided by (used in) operating activities | 17,000 | 24,437 |
| Cash flows from investing activities | | |
| Purchase of non-current assets | (16,426) | (9,839) |
| Other, net | 5,460 | 1,776 |
| Net cash provided by (used in) investing activities | (10,965) | (8,063) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 3,577 | (3,638) |
| Proceeds from long-term loans payable | 13,300 | — |
| Repayments of long-term loans payable | (13,000) | — |
| Redemption of bonds | — | (10,000) |
| Cash dividends paid | (3,975) | (3,972) |
| Dividends paid to non-controlling interests | (2,019) | (811) |
| Other, net | (1,016) | (18) |
| Net cash provided by (used in) financing activities | (3,134) | (18,441) |
| Effect of exchange rate change on cash and cash equivalents | (3,022) | (169) |
| Net increase (decrease) in cash and cash equivalents | (121) | (2,236) |
| Cash and cash equivalents at beginning of period | 133,856 | 126,167 |
| Cash and cash equivalents at end of period | 133,734 | 123,930 |