Nippon Electric Glass Co., Ltd.

Key Points in the Q&A Session for the 2Q of the Fiscal Year Ending December 31, 2016

(August 1, 2016 (Monday), Tokyo)

Q1. At the end of 1Q, you revised your sales volume growth forecast for LCD substrate glass to an outlook for lower single-digit growth, as opposed to your forecast at the start of the fiscal year for mid-single digit growth. Sales volume recovered in 2Q, so what is your forecast at this stage?

A1. We forecast sales volume growth in the lower single-digits given the negative impact from a drop in shipments in 1Q.

Q2. Am I correct to understand that selling prices are declining in line with your forecast at the start of the fiscal year? Also, are there factors unique to NEG that would trigger a downturn in sales volume?

A2. Selling prices are in line with our forecast. The degree of sales to China is the key to sales volume growth.

Q3. In 2Q, operating income declined roughly 1.6 billion yen quarter-on-quarter but NEG has not revised its previously announced 2H plan. Can you explain by product the factors that detracted from quarter-on-quarter profit growth in 2Q and the catalysts you expect are likely to drive profit growth in 3Q quarter-on-quarter?

A3. Profit dropped quarter-on-quarter in 2Q due to a rise in expenses due to a delay in repairs related to LCD substrate glass and start-up costs in Xiamen. We forecast quarter-on-quarter profit growth in 4Q, as we believe we will reach our full-year forecast given in part our construction schedule.

Q4. Profit in 2Q was low due to the postponement of construction from 1Q to 2Q and a one-off rise in cost due to the start-up of a site in China. Will these one-off factors diminish in and after 3Q?

A4. Yes, that is what we forecast.

Q5. At this stage, have you made headway to achieving the goals in the medium-term business plan (FY2018: sales of 300 billion yen and operating income of 30 billion yen)?

A5. Performance in the display business is the key to achieving the goals in our medium-term business plan. We are not aiming for substantial sales and profit growth in the display business but it is crucial that we do not let our sales and profit drop. We believe that we will attain a certain degree of growth in other businesses, including glass fiber, electronic

devices, and glass for consumer glass (medical care, building materials, and heat-resistant glass). In light of this, we believe it is vital that we sustain sales and profit levels in the display business.

Q6. To what degree did the delay in the posting of repair costs from 1Q to 2Q detract from profit?

A6. I cannot give you specific figures as this is related to our competitiveness. Repairs to several lines at once would entail spending several billion yen. However, without repairs we would be operating low-productivity lines, which would raise costs. We plan to implement repairs when the opportunity arises.

Q7. You stated that the final line launched in 2Q at the furnace in Xiamen, China was currently operating smoothly. Is there potential for a further increase in profits owing to productivity at the furnace in China?

A7. The facilities that were installed in Xiamen are an upgraded version of those in South Korean so we anticipate higher productivity at these facilities. In 2H, we believe we should begin to see benefit.

Q8. I would like to confirm the impact of USD and euro forex trends.

A8. In 1H, sales declined by nearly 1.0 billion yen due to the impact of the yen's appreciation in value against these two currencies. Operating income was hindered by product sales denominated in USD and euro. However, there was also a plus side, lower purchasing costs for raw materials and fuels. In light of this the overall impact to operating income was neutral.

Q9. The acquisition of PPG's European glass fiber business should create a keen balance between profits in "Electronics and Information Technology", and "Performance Materials and Others" segments. Do you believe you can achieve the improvement in profit balance that should be the aim of the medium-term business plan by additionally attaining growth at organic (original) businesses? Also, please explain the significance of this acquisition and your outlook.

A9. The primary objective of the acquisition of PPG's European glass fiber business was to expand our own glass fiber business in the medium/long term, rather than simply to bolster sales and profits. While we believe this acquisition will bring us a step closer to reaching the 300 billion yen sales goal in our medium-term business plan, we are also examining other M&A deals. We plan to continue to make acquisition if the right deal presents itself.

Q10.Ordinary and net income are decreasing due to the forex loss being posted to the non-operating account. What factors support your decision to sustain your full-year earnings forecasts despite this negative forex impact?

A10. We are reiterating our earnings forecasts as we are unable to estimate forex trends. However, we believe that the current operating income forecast is attainable at present forex rates. We also believe a certain degree of ordinary and net income should be attainable.

Q11. Will you be able to offset the decline in selling prices with improvements to production efficiency and the introduction of new technologies?

A11. I cannot comment on the specifics of improvements we have planned at this time but we are working to extend the life of key parts of production. The life of key parts at our production facilities for LCD substrate glass has likely been extended around 80% (1.8x). We believe we can also offset the decline in selling prices by leveraging a combination of benefits from a reduction in parts and materials and stable furnace operations.

Q12. Is it safe to assume to that depreciation cost will decrease in and after FY2017 owing to the extended life of key parts?

A12. We anticipate this type of benefit.

Q13. Major LCD panel manufacturers are beginning to comment on the downsizing of supply and conversion of LCD lines to OLED. Does NEG have the flexibility to make these changes to its downstream operations? For instance, how does NEG plan to move forward with strengthening production capacity at its Xiamen facilities or downsize operations in Japan?

A13. I cannot comment on this as I have not directly heard from our customers of plans to reduce their supply volume. However, I think it will be necessary to strengthen production capacity by forecasting future market trends. The conversion from LCD panels to OLED panels for TVs will not advance that quickly. In light of this, when the opportunity arises, we plan to make an optimal decision on whether to further investment in our facility in China.

Q14. The business of glass tubing for medical use is growing at a fairly rapid pace in China. What degree of potential do you believe this business has?

A14. Globally, there are 2-3 types of glass tubes employed for medical use. NEG produces a so-called Type 1 glass that boasts a low thermal expansion and low level of alkali elution. The glass tubing for medical use that is generally used in China is Type 2, which has a high alkali elution. In China, the government plans to make a switch from Type 2 to Type 1 in around three years. In China the production of Type 1 glass tubing is minimal and quality is inconsistent. In light of this, we believe this is a major business opportunity for NEG. At present, we are boosting production capacity at our facility in Malaysia. In the near term, we aim to increase our market share by embarking on the production of glass tubing for medical use in China.

Q15. In Chinese market, a pattern we are seeing is where Japanese or other overseas

manufacturers start out with a lead owing to quality and other factors, but then local manufacturers flood the market by increasing their production capacity. Do you see the possibility for a similar trend in glass tubing for medical use?

A15. Type 1 glass tubing is difficult to produce in comparison with Type 2, which is easy to produce. Consequently, we do not believe that local manufacturers will be able to easily emulate us if we begin production of glass tubing in China.

Q16. The business of glass for chemical strengthing appears to be struggling. What are your plans for business development as you move forward?

A16. One factor is that demand is weak in the market for cover glass made of aluminosilicate glass. Aluminosilicate glass sales, unlike sales of glass substrate for LCD panels, are denominated in US dollars. Subsequently, these sales are negatively impacted by the yen's appreciation in value against the USD. Nonetheless, NEG aims to grow sales in China and focus its sales expansion chiefly in the market in China.

Q17. I know that you are still in the stages prior to closing your deal with PPG for its European operations, however, is my understanding correct that you estimate profit growth after taking into consideration goodwill amortization and other factors?

A17. At present, PPG is our competitor so I cannot comment on certain delicate details, including selling prices and market share. We will be able to confirm details after closing. We do plan to generate profit from this business after its acquisition.

Q18. What is glass fiber roving, the mainstay of PPG, and how do you plan to take this business forward?

A18. PPG's UK plant is producing roving for use in wind turbine blades for wind power generators. As the renewable energy industry grows, it is believed that this market will experience a fair degree of growth. We plan to expand this business in these fields.

Q19. Demand for chopped strands that are used in automotive parts is expected to grow in the field of engineering plastics. How do you plan to enter the market for automotive parts?

A19. Chopped strands are made from long strands of glass fiber by cutting them into specified lengths, of several millimeters. We deliver them to engineering plastics manufacturers. Chopped strands are used in combination with engineering plastics, applied to FRTP(fiber reinforced thermoplastics) for automotible, such as engine parts or battery cases . Meanwhile, roving produced at PPG's UK plant are long strands of glass fiber and it is used in engineer plastic without cutting. This is used to make automotive parts such as those in and around the instrument panel and door modules.

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