

Key Points of the Q&A Session for the Year Ended December 31, 2019

(Thursday, February 6, 2020; Tokyo)

Q1. Do you have any impacts from the novel coronavirus disease?

A1. As of today, we are continuing operations at all five production bases in China with no impact on procurements and shipments. We have confirmed no infected staff at the Group companies. We will take appropriate measures by carefully watching the situation.

Q2. Please explain the reason for the decrease in operating profit for fiscal 2019.

A2. The decrease is attributable mostly to a drop in sales of glass fibers.

Q3. As to the forecasts for fiscal 2020, there are almost no changes between the first and second halves. What is the reason for this forecast?

A3. We estimate that the second half will be a little stronger. Profitability in both key businesses are expected to improve toward the second half.

Q4. Could you explain why you forecast the operating profit for fiscal 2020 to remain almost the same as the previous fiscal year?

A4. It is expected that a burden on depreciation amounting to approximately 3.0 billion yen will be alleviated due to impairment loss associated with the glass fiber business. Meanwhile, in the glass fiber business, while operational adjustments in fiscal 2019 were implemented during the second half, we estimate that higher costs will arise for fiscal 2020 as we plan to conduct operational adjustments throughout the year. Prices are also subject to some fluctuation reflecting weak demand-supply conditions currently. We expect that the display glass business will require more repair expenses in fiscal 2020 than in the previous fiscal year.

Q5. Please explain how significantly the reduction in production by LG Display will affect the Company's business.

A5. We understand that LG Display will suspend production of liquid crystal displays for television sets in South Korea, but that the production of displays for OLEDs and small-size devices such as mobile devices and notebook computers will continue. Furthermore, LG Display will reduce demand for display glass substrates in South Korea, but they will boost production in China. Therefore, we do not anticipate any decrease in overall shipments of display glass substrates since our share is increasing in South Korea and China as a whole.

Q6. You have explained that you plan to expand sales in the display glass business in China. Please tell us specifically to which companies you will sell your products.

A6. Some Chinese manufacturers are expected to be our customers besides LG Display. We are now negotiating specific sales agreements with some of them.

Q7. While there are some views that demands in the display market will shrink, the Company plans to enhance production capacity in China. Do you expect you will be able to recover investments? Also, please tell us about your perspectives for the display glass business in Japan?

A7. We do not expect that demands for glass for FPDs will decrease considering that various new display technologies will be developed in the future. In China, we will be able to keep our investments at smaller amounts due to lower costs than in Japan, and by introducing more-efficient facilities. We believe this investment will yield returns. Since costs are higher in Japan, we will enhance research and development functions in the future while integrating existing facilities.

Q8. Is production of G10 under way?

A8. We already have facilities for G10 in South Korea, and are ready for production anytime.

Q9. I have an impression that a price decline of glass for displays is more significant than competitors. What is your view about that?

A9. It is difficult to explain about that because prices vary depending on the substrate size, region, and other factors. We believe that customers highly evaluate our product quality and customer responses. We refrain from giving remarks on competitors.

Q10. Please explain about expenses associated with the closure of a plant of a U.S. glass fiber business subsidiary.

A10. We estimate that the amount will be limited to a range of several hundred million yen since it is a relatively small plant. On the other hand, we expect to receive some income from the sale.

Q11. I would like to know about the outlook for operational adjustment of the glass fiber business and the level of inventory.

A11. We have been implementing operational adjustments since June 2019, but the inventory has not decreased as much as we expected because the market has not recovered. While the U.S. operations are anticipated to go back to the level of full-fledged operations in the middle of fiscal 2020, we plan to continue the operational adjustments in Malaysia. The inventory is expected to decrease and operations will be recovered by the end of this year.

Q12. Could you explain how you adjust operations of the glass fiber business?

A12. We adjust operations by suspending parts of the forming facilities while keeping the furnaces working. These adjustments are implemented by giving priority to facilities that demonstrate poor productivity and need prompt repair. Since the furnace temperature is kept unchanged, the energy cost remains almost the same.

Q13. Considering that sales of automobiles have not decreased to such an extent, isn't the decrease in sales in the Company's glass fiber business attributable not only to the sluggish market but also the decreasing market share?

A13. We believe that weaker market conditions are the main reason. It seems that there were more-than-expected distributors' stock in supply chains. Other than that, some small and medium-size customers shifted to suppliers

that provided low-priced products on the back of weaker markets, but we see no particular share change with our major customers.

Q14. The glass fiber business seems to have recovered since the fourth quarter of fiscal 2019. What is your view about the market conditions?

A14. Shipments have seen a recovery compared with November and December 2019. We think that this year has started pretty well.

Q15. Do you expect that profitability in the glass fiber business in Europe and U.S. will improve in 2021?

A15. We expect a recovery in the final year of the Medium-term Business Plan.

Q16. According to your revised Medium-term Business Plan, the Company does not expect significant growth in both net sales and operating profit. Please explain your prospects for profitability of the major products.

A16. While profitability in the display glass business was higher than the overall company average in fiscal 2019, our goal has been set for double-digit percentage profitability. As for the glass fiber business, profitability has been previously between 10% and 20%, but currently, it is at low-single digit percentage. We will endeavor to improve it to a double-digit percentage level. Furthermore, the target profitability in the electronic products business is set at around 30%.

\* The information in this document is intended to be used for reference purposes only.  
\* This document is not a full transcription of the Q&A session held at our earnings presentation meeting. This is a simplified summary of the Q&A session created at the discretion of Nippon Electric Glass Co., Ltd.  
\* This document contains forward-looking statements on future company earnings and about the industry environment in which we operate. These forward-looking statements are based on information available at the time the Nippon Electric Glass Group disclosed this information and contains risks and uncertainties. In addition, Nippon Electric Glass does not guarantee the completeness or accuracy of the information contained in this document.