Notice of Establishment of Medium-term Business Plan, “EGP2018”

The Company has established its medium-term business plan, “EGP2018”, and has provided details below.

1. Introduction

In 2015, in light of changes in the Company’s business structure resulting from social and technological advances, the Company revised its corporate philosophy to better fit the current business environment, while carrying on the thinking behind the original corporate philosophy. In conjunction with this, the Company clarified the direction it aspires to and the values all employees should share, and consolidated these in a corporate philosophy structure. Today, the Company also established a three-year medium-term business plan, “EGP2018” or Electric Glass Prospects 2018, covering fiscal 2016 through fiscal 2018. This plan will serve as a milestone in the Company’s growth as “the world’s leading manufacturer of special glass”, the corporate vision we aspire to under the new corporate philosophy. The Company will use a range of measures to achieve this goal.

Through these initiatives, we will steadily implement our corporate philosophy of “We strive to build a brighter future for the world by uncovering the unlimited possibilities of glass for more advanced creative manufacturing,” thus enabling the Company to contribute to social development. In addition, the Company will strive to disseminate its corporate identity, raise corporate value and achieve sustainable growth.

2. Medium- and long-term management strategy

   ○ Company’s business model

   • Utilizing the strengths of human resources and our technical expertise, we will pursue high-value-added products and innovative products.
   • Through creative manufacturing (*), we will meet the market’s needs by providing glass in a wide variety of forms—substrate, tube, sphere, fiber, powder, forming goods, and “hybrid products”—that combine thin films, plastics, and metals, and that offer a range of functions.
   • The Company will expand its business in the Electronics and Information Technology field with glass for displays and glass for optical and electronic devices, as well as in the Performance Materials and Other fields with glass fiber, glass tubing for pharmaceutical use, heat-resistant glass and glass for building materials, and will build a balanced business portfolio.
   • In carrying out these activities, the Company will strive to fulfill its corporate social responsibilities and contribute to social development, while also increasing corporate value and pursuing sustainable growth.
(*) Company’s vision of “creative manufacturing”

To meet society’s needs, the Company carries out research and development based on cutting-edge technology (material design, manufacturing process technology [melting, forming, processing] and evaluation technology), creates top-notch products, and supplies its products steadily to the market through the highest quality standards and efficient production. The Company then uses feedback from the market for further research and development. This cycle represents the approach to “creative manufacturing” to which the Company aspires.

- Focus market areas

  - The Company has designated the four areas of “Automotive and Transportation,” “Information Technology and Semiconductors,” “Medical Care,” and “Displays” as its “Expansion and reinforcement areas” that will directly lead to medium-term growth. The Company will focus on aggressively expanding business and strengthening competitiveness in these areas.
  - The Company expects growth in the four areas of “Lighting,” “Energy,” “Social Infrastructure,” and “Home Appliances” as society develops. These are also areas in which the functionality of glass can be fully utilized. These areas are designated “Strategic development areas,” and research and development is under way to create new businesses in these areas.
  - The above activities will enable the following needs in each area to be met.

- Expansion and reinforcement areas -
  - Automotive and Transportation: Lightweight materials, in-vehicle lighting, display devices, in-vehicle cameras, electronic devices
  - Information Technology and Semiconductors: High-speed and high-capacity optical communications equipment, next-generation semiconductors (small-sized, high-precision, high-functioning)
  - Medical Care: Advanced pharmaceutical containers, cutting-edge medical equipment and devices
  - Displays: Next-generation displays (high-definition, thin and lightweight, flexible)

- Strategic development areas -
  - Lighting: Next-generation lighting (energy-saving, high-luminance, high-output)
  - Energy: Natural energy systems, secondary batteries
  - Social Infrastructure: High-functioning fire-resistant equipment, high-functioning structural materials (safe, durable, lightweight)
  - Home Appliances: High-functioning home appliances and housing equipment materials, multi-function wall materials
○ Financial policy
  • Emphasis on cash flow
  • Efficient use of assets (reduction in financial assets and inventory assets, improvement of productivity for equipment and consolidation)
  • Reinforcement of financial base (appropriate shareholders’ equity ratio and effectively debt-free management)

○ Profit distribution policy
  • Based on continuous payment of stable dividends to shareholders
  • Flexible shareholder return measures also considered for certain occasions
  • In addition to shareholder returns, proactive use of retained earnings for research and development, and growth investments with an eye on the future
3. Overview of medium-term business plan EGP2018

○ Duration
  January 1, 2016 to December 31, 2018

○ Basic policies and measures
  (1) Strengthen profitability of “display” related business
      • Improve productivity and quality by improving manufacturing process
      • Smooth shift of production overseas
      • Management based on controlling risk and prioritizing income/expenditures

  (2) Expand business related to “performance materials, optical and electronic devices and medical care, heat-resistant, and building materials”
      • Provide specifics for the M&A and alliance strategy to generate new business opportunities and growth synergy
      • Grow existing businesses through sales expansion and investment
      • Early commercialization of newly developed products

  (3) Reinforcement of R&D
      • Develop “materials, processes, and products” that take advantage of the superior features of glass
      • Improve basic technologies in material design, manufacturing process technology, and evaluation technology
      • Strengthen intellectual property strengths and utilize licensing-in and cross-licensing to generate new businesses and expand existing businesses

  (4) Constructive investments
      In addition to the usual capital investments, the Company will set aside about 50 billion yen spread out over the three-year period for strategic investments (including M&A and collaborations and affiliations with other companies).

○ Management targets
  • Net sales: 300 billion yen
    (Breakdown) Electronics and Information Technology: 170 billion yen (glass for displays, glass for optical and electronic devices, etc.)
    Performance Materials and Others: 130 billion yen (glass fiber, medical care, heat-resistant, building materials, etc.)
  • Operating income: 30 billion yen
  • Operating profit margin: 10%