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Notice regarding the Closure of a Plant of a US Glass Fiber Business Subsidiary and Recognition of Extraordinary Loss related to US and Europe Glass Fiber Business

Nippon Electric Glass Co., Ltd. hereby announces that it has resolved the closure of a plant of a US glass fiber business subsidiary at the Board of Directors' meeting held on December 16, 2019 and extraordinary loss related to US and Europe glass fiber business subsidiaries will be recognized in its consolidated financial results for fiscal 2019 (From January 1, 2019 to December 31, 2019). Details are as follows:

1. Details and Outline

(1) Background

Nippon Electric Glass is expanding the production and sales of the glass fiber business, especially the products for engineering plastics used in automobiles and wind power generator turbine blades. Since the second half of fiscal 2018, market competition has intensified mainly due to weak demand in Europe and China. In order to respond to such a trend, various efforts such as improvements in productivity, streamlining of the management structure and operational adjustments have been carried out. However, under the circumstances of market recovery turning more gradually than expected, US and Europe glass fiber business subsidiaries have not been able to supplement the reduction of sales and increased costs from operational adjustments through internal efforts, and stagnation of profit continues.

Based on the above background, we decided to consolidate the production facilities from 3 plants to 2 plants in Electric Glass Fiber America, LLC (EGFA), our US glass fiber business subsidiary, in order to enhance the efficiency of management, and improve cost competitiveness as well as review the production lineup.

Meanwhile, an impairment loss mainly on property, plant and equipment and goodwill of EGFA, Electric Glass Fiber UK, Ltd. and Electric Glass Fiber NL, B.V. (EGFU & EGFN), which are our Europe glass fiber business subsidiaries, will be recognized.

(2) Details of the closure and extraordinary loss

i) Closure of a plant of EGFA

Chester Plant will stop production and be closed by the end of the first quarter of fiscal 2020.

(Overview of Chester Plant)

Location: Chester, South Carolina, US

Production lineup: glass fiber for high performance engineering plastics

Employees: Approx. 140

ii) Impairment loss mainly on tangible fixed assets and goodwill based on the business plan including the closure of a plant of EGFA

Approx. USD 190 million (Approx. JPY 20.8 billion *1)

iii) Impairment loss mainly on tangible fixed assets and goodwill of EGFU & EGFN

EGFU: Approx. GBP 57 million (Approx. JPY 7.9 billion *1)

EGFN: Approx. EUR 77 million (Approx. JPY 9.4 billion *1)

2. Impact on the Financial Results

The impact on the consolidated earnings forecasts for fiscal 2019 (From January 1, 2019 to December 31, 2019) is currently under review and will be announced immediately after it is defined.

3. Future Initiatives in the Glass Fiber Business

Long-term stable growth is expected in the glass fiber business. We will continue to improve the productivity in US and Europe subsidiaries, and further enhance cost reductions through the streamlining of organization, etc. For EGFA, reliable supply will be ensured by realizing high efficiency production based on an increased utilization rate in 2 plants.

Moreover, by further strengthening the cooperation among four plants (Japan, Malaysia, US and Europe), we aim to accurately identify customer needs, and realize optimal local production and sales according to demands in each region. R&D of new products and expansion of the production lineup are also in progress in order to recover profitability and target further business expansion globally.

Notes:

*1. Currency exchange rate used above

109 JPY/USD, 139 JPY/GBP, 123 JPY/EUR

2. The amounts above are based on the trial calculation as of the date of the announcement of this release, and the forecasts and discount rates may differ due to review and audit going forward.