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Notice of a Review of Medium-term Business Plan “EGP2021”

Nippon Electric Glass Co., Ltd. (hereinafter, the “Company”) hereby announces that the Company’s Board of Directors today conducted a review of the Medium-term Business Plan “EGP2021” (**E**lectric **G**lass **P**rospects 2021) announced on February 5, 2019 and made the revisions described below.

1. Reason for the review

Upholding the slogan, “*Strong Growth – Raise Aspirations and Break Through Walls,*” the Company has implemented the Medium-term Business Plan EGP2021, since FY2019, identifying *Research and Development*, *Business Strategies*, *Strategic Investment*, and *CSR* as the priorities for the Company to address.

However, the Company’s business results in FY2019, the first year of its Medium-term Business Plan, underperformed the initial projections due to the impact of weaker sales in the glass fiber business caused by sluggish demand in Europe, China, and elsewhere and of higher costs resulting from significant adjustments to operations and the impact of reduced operations of panel manufacturers in the second half of last year in the flat panel display business.

In light of this situation, we have recently made partial revisions to the Medium-term Business Plan EGP2021, as described below. We will continue working on the measures set out under the current plan and introduce new initiatives to achieve the Medium-term Business Plan as the entire group.

2. Details of the review (underlined: Revisions made. (): Words or figures before revision)

- Duration: January 1, 2019 to December 31, 2021 (three years)
- Basic Policy: Pursue further growth toward becoming “the world’s leading manufacturer of special glass”
- Our Slogan: ***Strong Growth – Raise Aspirations and Break Through Walls***

* Emphasis is placed on achieving strong growth in financial results as well as in human resources, core technologies and R&D capabilities, and as a result, making our corporate character even stronger.

■ Priorities and Measures

(1) Research and Development:

- Build integrated development structures for products, glass technologies, and manufacturing process
- Enhance marketing functions
- Invest 10 billion yen in R&D annually
- Pursue R&D that makes dreams come true

(2) Business Strategies

- Create innovations in productivity and quality in the display glass business
- Improve competitiveness of the glass fiber business through the optimization of the global production system and enhancement to development
(Expand the glass fiber business and generate results through M&A synergies)
- Strengthen the Company's presence in growth areas such as China
- Assess the value of business and properly allocate resources

(3) Strategic investment

- The Company will implement M&A and establish collaborations and affiliations with other companies from the perspective of long-term growth and, in addition to conventional capital expenditure, the Company will set aside about 50 billion yen spread out over the three-year period for strategic investments.

(4) CSR

- Achieve sustainable growth and increase corporate value through initiatives that address the three priority themes of “environment,” “diversity and inclusion” and “community contribution”.

■ Management Targets:

- Net sales: 300 billion yen (350 billion yen)
(Breakdown)
Electronics and information technology: 150 billion yen (175 billion yen)
(glass for displays, glass for optical and electronic devices, etc.)
Performance materials and others: 150 billion yen (175 billion yen)
(glass fiber, medical-care, heat-resistant products, building materials and others)
- Operating profit: 25 billion yen (35 billion yen)
- Operating margin: 8% (10%)
- Year to achieve targets: Fiscal 2021

■ Financial Policy:

- Emphasis on cash flow
- Emphasis on efficient use of assets (reduction in financial assets and inventory assets, consolidation of manufacturing equipment through productivity improvement)
- Financial soundness

■ Profit Distribution Policy:

- Continued and stable payment of dividends over the long term
- Dividends on equity ratio (DOE): 2% and upwards
- Implementation of flexible shareholder return measures according to the status of achievement of the medium-term business plan

3. Progress made in priorities and future actions

(1) Research and Development

Priorities	Progress and future actions
<ul style="list-style-type: none"> • Build integrated development structures for products, glass technologies, and manufacturing process • Enhance marketing functions • Invest 10 billion yen in R&D annually • Pursue R&D that makes dreams come true 	<p>(Progress)</p> <ul style="list-style-type: none"> • Developed multiple new products under the integrated development structures for products, glass technologies, and manufacturing processes (Issued five press releases) • Established a new independent marketing organization to promote commercialization • Developed and advanced innovative manufacturing process technologies that achieve higher productivity, lower energy consumption and smaller environmental footprints <p>(Future actions)</p> <ul style="list-style-type: none"> • Develop new products (strengthen development of not only materials but also device areas) • Establish innovative manufacturing process technologies for core products • Strengthen prototype/evaluation structures

(2) Business Strategies

Priorities	Progress and future actions
<ul style="list-style-type: none"> • Create innovations in productivity and quality in the display glass business 	<p>(Progress)</p> <ul style="list-style-type: none"> • Developed high-performance display glass substrates that have better dimensional stability in the high-temperature process and cover glass with greater strength (glass for chemical strengthening); samples are being evaluated by customers <p>(Future actions)</p> <ul style="list-style-type: none"> • Horizontally roll out innovative manufacturing process • Increase sales of the above new products
<ul style="list-style-type: none"> • Improve competitiveness of the glass fiber business through the optimization of the global production system and enhancement to development 	<p>(Progress)</p> <ul style="list-style-type: none"> • Adjusted the level of operations according to changes in market conditions • Developed new products and manufacturing processes <p>(Future actions)</p> <p>Fundamentally review production structures, manufacturing processes and product makeups globally to improve productivity and cost competitiveness</p> <ul style="list-style-type: none"> • Malaysia: Achieve the best cost competitiveness in the world through modifications to the manufacturing process • U.S./Europe: Improve productivity and achieve profitability. Consolidate three plants to two in the U.S. • Enlarge the customer base for high-value-added products such as glass fiber highly resistant to deformation and flat glass fiber • Enhance new product development based on market needs
<ul style="list-style-type: none"> • Strengthen the Company's presence in growth areas such as China • Assess the value of businesses and properly allocate resources 	<p>(Progress and future actions)</p> <ul style="list-style-type: none"> • Glass for displays: Decided to increase production capacity in Xiamen, China, in order to enhance the Company's business foundation in China. Increase sales and raise profitability through prompt action. In Japan, consolidate operations to match the market and reinforce R&D. • Glass for optical and electronics devices: Enhance device-based proposals. Continue promoting development proactively centered on 5G and CASE (Connected, Autonomous, Shared/Service, Electric) areas. • Glass tubing for pharmaceutical and medical use: Cater to market growth through efforts to improve productivity and profitability by modifying the manufacturing process. Going forward, enhance production capacity in Malaysia by introducing state-of-the-art facilities. • Glass for building materials and heat-resistant glass: Promote development of new products with special features and new uses. Focus on sales expansion overseas.

(3) Strategic Investment

Priorities	Progress and future actions
In addition to conventional capital expenditure, set aside about 50 billion yen spread out over the three-year period for strategic investments, in preparation for M&A and collaborations and affiliations with other companies for future growth	Launched a JV in manufacturing and sales of LTCC (low temperature co-fired ceramics) for the purpose of expanding businesses in the electronics device area. The Corporate Strategy Division proactively promotes the Company's alliance strategy including M&As and collaborations and affiliations with other companies.

(4) CSR

Priorities	Progress and future actions
Achieve sustainable growth and increase corporate value through initiatives that address the three priority themes of "environment," "diversity and inclusion" and "community contribution"	<ul style="list-style-type: none">• Environment: Reduce CO2 through horizontal rollout of innovative manufacturing process technologies. Reduce environmental footprints by promoting the 3Rs (Reduce, Reuse, Recycle).• Diversity and Inclusion: Promote work-style reforms (e.g. improve operational efficiency through, for instance, the use of IT tools such as RPA; reform HR systems, expand telecommuting and flexible work hour systems). Promote the hiring of people with disabilities.• Community Contribution: Extend the industry/academia collaboration agreement with the University of Shiga Prefecture. Enhance support for the education of local human resources and continued communication with the community.