

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on October 28, 2020 at 15:00 (GMT+9) and is only for reference purposes. In the case where any differences occur between the English version and the original Japanese version, the Japanese version will prevail.

Member of the Financial Accounting Standards Foundation



October 28, 2020

CONSOLIDATED FINANCIAL RESULTS for the Third Quarter of the Year Ending December 31, 2020 (Unaudited) <under Japanese GAAP>

Company name: **Nippon Electric Glass Co., Ltd.**
Listing: First Section of the Tokyo Stock Exchange
Securities identification code: 5214
URL: <https://www.neg.co.jp/>
Representative: Motoharu Matsumoto, President and Representative Director
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Scheduled date to file quarterly report: November 13, 2020
Scheduled date to commence dividend payments: -
Supplementary material on quarterly financial results: None
Quarterly financial results presentation meeting: None

(in millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the third quarter of the year ending December 31, 2020 (From January 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

For the nine months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
September 30, 2020	175,133	(10.3)	12,375	(3.5)	12,643	22.3	12,059	282.3
September 30, 2019	195,168	(14.3)	12,830	(33.5)	10,335	(34.3)	3,154	(72.9)

Note: Comprehensive income:

For the nine months ended September 30, 2020: 5,522million yen [-%]
For the nine months ended September 30, 2019: (4,253)million yen [-%]

	Earnings per share	Diluted Earnings per share
For the nine months ended	yen	yen
September 30, 2020	124.80	-
September 30, 2019	32.65	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
September 30, 2020	657,234	472,360	71.2
December 31, 2019	664,800	477,154	71.0

Reference: Equity:

As of September 30, 2020: 467,655 million yen

As of December 31, 2019: 472,030 million yen

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
For the year ended December 31, 2019	-	50.00	-	50.00	100.00
For the year ending December 31, 2020	-	50.00	-	—	—
For the year ending December 31, 2020 (Forecasts)	—	—	—	50.00	100.00

Note: Revision of the forecasts most recently announced: None

3. Consolidated earnings forecasts for the year ending December 31, 2020 (From January 1, 2020 to December 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
		%		%		%		%	yen
For the year ending December 31, 2020	235,000	(8.7)	15,000	(7.7)	15,000	(2.4)	14,000	—	144.87

Note: 1. Revision of the forecasts most recently announced: Yes

2. For the revision to consolidated earnings forecasts, please refer to “Notice Concerning Revision of Consolidated Earnings Forecasts for Fiscal 2020,” which was announced today (October 28, 2020).

*** Notes**

- (1) **Changes in significant subsidiaries during the nine months under review** (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) **Application of special accounting for preparing the quarterly consolidated financial statements:** Yes
- (3) **Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections**
- A. Changes in accounting policies due to revisions to accounting standards: None
 - B. Changes in accounting policies due to other reasons: None
 - C. Changes in accounting estimates: None
 - D. Restatement of prior period financial statements after error corrections: None

(4) **Number of issued shares (common stock)**

- A. Total number of issued shares at the end of the period (including treasury stock)

As of September 30, 2020	99,523,246 shares
As of December 31, 2019	99,523,246 shares

- B. Number of treasury shares at the end of the period

As of September 30, 2020	2,881,853 shares
As of December 31, 2019	2,904,626 shares

- C. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the nine months ended September 30, 2020	96,632,355 shares
For the nine months ended September 30, 2019	96,613,170 shares

* This quarterly financial results report is exempt from quarterly review by Certified Public Accountants or Audit firm.

* Proper use of earnings forecasts, and other special directions
(Proper use of earnings forecasts)

The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the Company and its subsidiaries (“the Company Group”) and include risks and contingencies. Actual business results may differ substantially due to a number of factors. For more details, please refer to the section of “(2) Information regarding consolidated earnings forecasts and other forward-looking statements in Qualitative Information Regarding Consolidated Results for the Nine Months” on page 6.

Qualitative Information Regarding Consolidated Results for the Nine Months

(1) Information regarding operating results (Nine months ended September 30, 2020)

A. Overview

The outlook for the global economy remains uncertain as the trade dispute between the US and China and the spread of the novel coronavirus disease (COVID-19) (hereinafter called COVID-19) continue to affect economic activity, despite showing some signs of recovery. Meanwhile, in the domestic economy, although there were signs of improvement in the employment environment, personal consumption, etc., they were only moderate. In this environment, while taking initiatives to prevent infection, the Company Group has continued business activities.

For the nine months of the fiscal year (from January 1 to September 30, 2020), net sales fell below the levels in the same period of the previous fiscal year (from January 1 to September 30, 2019) despite shipments of glass for flat panel displays (FPDs) significantly increasing due to strong demand in the display market upon entering the third quarter (from July 1 to September 30, 2020), in addition to demand for glass fiber recovering, mainly in automobile-related markets, and shipments increasing after hitting a bottom in the second quarter of the fiscal year (from April 1 to June 30, 2020).

In terms of profit/loss, though the decline in net sales and falls in capacity utilization rates in the glass fiber caused profit to be pushed down, we were able to secure operating profit at the same level as in the same period of the previous fiscal year by improving productivity, mainly for glass for FPDs, reducing costs, reviewing construction, etc. Ordinary profit rose from the same period of the previous fiscal year due to a decrease of foreign exchange losses attributable to revaluation of receivables and payables related to loans for overseas subsidiaries. Profit attributable to owners of parent rose significantly from the same period of the previous fiscal year mainly due to an increase of the reversal of provision for special repairs and a decrease of the amount of loss on accident.

B. Operating results

(Billions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Change (%)
Net sales	195.1	175.1	(10)
Operating profit	12.8	12.3	(4)
Ordinary profit	10.3	12.6	22
Profit attributable to owners of parent	3.1	12.0	282

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Nine months ended September 30, 2019		Nine months ended September 30, 2020		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	102.6	53	99.4	57	(3.2)	(3)
	Performance Materials and Others	92.4	47	75.6	43	(16.8)	(18)
Total		195.1	100	175.1	100	(20.0)	(10)

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronics and Information Technology:

Shipments of glass for FPDs increased from the same period of the previous fiscal year due to demand recovering significantly in the display market for televisions and IT-related applications upon entering the third quarter, despite the impact of reduced production by customers in the second quarter. The prices declined compared to the same period of the previous fiscal year. Shipments of cover glass (glass for chemical strengthening) declined compared to the same period of the previous fiscal year as a result of the slow recovery of demand for smartphones, etc. Despite shipments of glass for electronic devices, mainly for use in auto parts, declining, shipments of glass for optical devices increased compared to the same period of the fiscal year. The LTCC (low temperature co-fired ceramics) joint venture business also contributed to sales.

Performance Materials and Others:

Shipments of glass fiber declined compared to the same period of the previous fiscal year, despite shipments recovering, mainly for high-performance resin used in auto parts, from the third quarter after hitting a bottom in the second quarter due to the impact of COVID-19. Shipments of glass tubing for pharmaceutical and medical use increased compared to the same period of the previous fiscal year, due to strong demand in overseas markets. Shipments of heat-resistant glass and glass for building materials declined compared to the same period of the previous fiscal year due to the impact of COVID-19.

(Profit/loss)

Though the decline in net sales and falls in capacity utilization rates in the glass fiber caused profit to be pushed down, we were able to secure operating profit at the same level as in the same period of the previous fiscal year by improving productivity, mainly for glass for FPDs, reducing costs, reviewing construction, etc. Ordinary profit rose from the same period of the previous fiscal year due to a decrease of foreign exchange losses attributable to revaluation of receivables and payables related to loans for overseas subsidiaries. Profit attributable to owners of parent rose significantly from the same period of the previous fiscal year because of an increase of reversals due to the reversal of provision for special repairs resulting from the cancellation of plans to repair some glass melting furnaces, a decrease of the amount of loss on accident overseas, etc.

**(2) Information regarding consolidated earnings forecasts and other forward-looking statements
(Consolidated earnings forecasts for the year ending December 31, 2020)**

(Billions of yen)

	Year ending December 31, 2020 (From January 1, 2020 to December 31, 2020)		Change (B – A)	Percent change (%)
	Previous forecasts (A)	Revised forecasts (B)		
Net sales	230.0	235.0	5.0	2
Operating profit	12.0	15.0	3.0	25
Ordinary profit	11.0	15.0	4.0	36
Profit attributable to owners of parent	9.0	14.0	5.0	56

Note: Amounts less than 100 million yen are omitted.

Although there continues to be no sign of when COVID-19 will come to an end, the economy is expected to remain on a path of recovery due to various countries resuming economic activities.

In the Electronics and Information Technology segment, shipments of glass for FPDs are predicted to continue to be stable. In cover glass (glass for chemical strengthening), we will aim to expand applications and launch new products for mobile devices. We expect that glass for optical and electronic devices will recover in line with demand trends.

In the Performance Materials and Others segment, demand for glass fiber, mainly for use in auto parts, is predicted to recover gradually. In glass tubing for pharmaceutical and medical use, we plan to strengthen production capacity in Malaysia in the fourth quarter (from October 1 to December 31, 2020) in order to satisfy strong demand. For heat-resistant glass and glass for building materials, we predict a recovery in related markets.

In terms of profit/loss, despite predicting that there will be impacts from capital investments to prepare for the future, startup costs, utilization adjustments, etc., we will secure profits by promoting the improvement of productivity and the reduction of costs. Considering the consolidated results for the first nine months of the fiscal year and the above forecasts, we will revise, as shown in the table above, the Company Group's consolidated earnings forecasts for the full year ending December 31, 2020, announced on July 30, 2020.

The forward-looking statements, including earnings forecasts, contained in these materials are based on certain assumptions deemed to be reasonable by the Company Group and include risks and contingencies. Actual business results may differ substantially due to a number of factors. Factors that may impact actual business results include the economic conditions of global markets, various rules and regulations such as those concerning trade, significant fluctuation of supply and demand of products in principal markets as well as the financial situation showing extensive changes in prices on capital markets, exchange rates, and interest rates, in addition to rapid technological advancement. Factors not mentioned here also could have a significant impact on business results.

Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of December 31, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	101,509	113,793
Notes and accounts receivable - trade	52,819	54,888
Merchandise and finished goods	52,551	45,326
Work in process	3,141	2,410
Raw materials and supplies	26,295	25,105
Other	5,331	5,918
Allowance for doubtful accounts	(166)	(159)
Total current assets	241,482	247,283
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	75,432	72,061
Machinery, equipment and vehicles, net	257,128	245,749
Other, net	26,121	32,851
Total property, plant and equipment	358,682	350,663
Intangible assets	7,306	6,727
Investments and other assets		
Other	57,350	52,581
Allowance for doubtful accounts	(20)	(21)
Total investments and other assets	57,329	52,560
Total non-current assets	423,318	409,950
Total assets	664,800	657,234

(Millions of yen)

	As of December 31, 2019	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,892	25,670
Short-term borrowings	23,874	47,251
Current portion of bonds	10,000	10,000
Income taxes payable	1,355	1,461
Other provisions	1,108	1,025
Other	25,253	21,565
Total current liabilities	96,485	106,974
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	44,604	35,087
Provision for special repairs	11,867	9,076
Other provisions	18	19
Retirement benefit liability	939	985
Other	13,730	12,729
Total non-current liabilities	91,160	77,899
Total liabilities	187,645	184,873
Net assets		
Shareholders' equity		
Share capital	32,155	32,155
Capital surplus	34,358	34,310
Retained earnings	405,560	407,944
Treasury shares	(10,258)	(10,177)
Total shareholders' equity	461,815	464,233
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,147	18,644
Deferred gains or losses on hedges	48	(44)
Foreign currency translation adjustment	(10,981)	(15,178)
Total accumulated other comprehensive income	10,215	3,422
Non-controlling interests	5,123	4,704
Total net assets	477,154	472,360
Total liabilities and net assets	664,800	657,234

(2) Quarterly consolidated statement of income (cumulative) and quarterly consolidated statement of comprehensive income (cumulative)
Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Net sales	195,168	175,133
Cost of sales	153,152	138,410
Gross profit	42,015	36,723
Selling, general and administrative expenses	29,184	24,347
Operating profit	12,830	12,375
Non-operating income		
Interest income	462	502
Dividend income	859	705
Other	1,322	1,393
Total non-operating income	2,644	2,601
Non-operating expenses		
Interest expenses	561	445
Depreciation of inactive non-current assets	416	790
Other	4,161	1,097
Total non-operating expenses	5,139	2,333
Ordinary profit	10,335	12,643
Extraordinary income		
Reversal of provision for special repairs	1,552	3,033
Other	253	911
Total extraordinary income	1,806	3,944
Extraordinary losses		
Loss on accident	3,550	599
Impairment loss	229	402
Other	964	492
Total extraordinary losses	4,743	1,494
Profit before income taxes	7,398	15,093
Income taxes	3,898	2,778
Profit	3,499	12,314
Profit attributable to non-controlling interests	344	255
Profit attributable to owners of parent	3,154	12,059

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Profit	3,499	12,314
Other comprehensive income		
Valuation difference on available-for-sale securities	(744)	(2,502)
Deferred gains or losses on hedges	(5)	(92)
Foreign currency translation adjustment	(6,869)	(4,190)
Share of other comprehensive income of entities accounted for using equity method	(133)	(6)
Total other comprehensive income	(7,752)	(6,792)
Comprehensive income	(4,253)	5,522
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,598)	5,267
Comprehensive income attributable to non-controlling interests	344	255