

Translation

Notice: This English version is a translation of the original disclosure in Japanese released on July 29, 2021 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.

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MEMBERSHIP

July 29, 2021

CONSOLIDATED FINANCIAL RESULTS for the Second Quarter of the Year Ending December 31, 2021 (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: August 13, 2021
Scheduled date to commence dividend payments: August 31, 2021
Supplementary material on quarterly financial results: Yes
Quarterly financial results presentation meeting: Yes (conference call for institutional investors and analysts)

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

1. Consolidated performance for the second quarter of the year ending December 31, 2021 (From January 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

For the six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
June 30, 2021	142,344	23.4	15,332	97.4	22,811	231.1	13,533	98.3
June 30, 2020	115,381	(13.6)	7,767	(17.6)	6,888	(21.0)	6,824	24.2

Note: Comprehensive income:

For the six months ended June 30, 2021: 22,378 million yen [-%]
For the six months ended June 30, 2020: (2,452) million yen [-%]

For the six months ended	Earnings per share	Diluted Earnings per share
	yen	yen
June 30, 2021	140.03	-
June 30, 2020	70.62	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of			%
June 30, 2021	679,641	494,107	72.0
December 31, 2020	658,139	476,920	71.7

Reference: Equity:

As of June 30, 2021: 489,636 million yen

As of December 31, 2020: 472,198 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, 2020	-	50.00	-	50.00	100.00
For the year ending December 31, 2021	-	50.00	—	—	—
For the year ending December 31, 2021 (Forecasts)	—	—	-	60.00	110.00

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

2. For the revision to the dividend forecast, please refer to “Notice of Revisions to Dividends Forecasts (Dividend Increase) for the fiscal year ending December 31, 2021” announced today (July 29, 2021).

3. Consolidated earnings forecasts for the year ending December 31, 2021 (From January 1, 2021 to December 31, 2021)

(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, 2021	280,000	15.3	28,000	58.5	32,000	67.5	21,000	37.7	217.26

Note: Revision of the forecasts most recently announced: None

*** Notes**

- (1) **Changes in significant subsidiaries during the six 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 June 30, 2021	99,523,246 shares
As of December 31, 2020	99,523,246 shares

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

As of June 30, 2021	2,865,651 shares
As of December 31, 2020	2,882,008 shares

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

For the six months ended June 30, 2021	96,648,184 shares
For the six months ended June 30, 2020	96,628,447 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 Six Months” on page 5.

Qualitative Information Regarding Consolidated Results for the Six Months

(1) Information regarding operating results (Six months ended June 30, 2021)

A. Overview

The global economy has been recovering in some regions where vaccination is progressing, although the spread of the novel coronavirus disease (hereinafter called COVID-19) continues to affect economic activity. In the domestic economy, capital investment and industrial production continued to show signs of recovery, despite a weak employment situation and personal consumption.

Under these circumstances, net sales for the first half of the fiscal year (from January 1 to June 30, 2021) exceeded those of the same period of the previous fiscal year (from January 1 to June 30, 2020) due to an increase in shipments of our mainstay products, glass for flat panel displays (FPDs) and glass fiber, against a backdrop of strong demand for displays and high-performance resin used in auto parts and also due to generally strong performance of glass tubing for pharmaceutical and medical use and other products.

In terms of profit/loss, operating profit, ordinary profit, and profit attributable to owners of parent all significantly exceeded respective results in the same period of the previous fiscal year due to factors such as the increase in net sales, the rise in capacity utilization rates, and productivity gains.

B. Operating results

(Billions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021	Change (%)
Net sales	115.3	142.3	23
Operating profit	7.7	15.3	97
Ordinary profit	6.8	22.8	231
Profit attributable to owners of parent	6.8	13.5	98

Note: Amounts less than 100 million yen are omitted.

(Sales by products)

Reporting segment	Segment	Six months ended June 30, 2020		Six months ended June 30, 2021		Change	
		billions of yen	(%)	billions of yen	(%)	billions of yen	(%)
Glass Business	Electronics and Information Technology	64.1	56	73.6	52	9.5	15
	Performance Materials and Others	51.2	44	68.6	48	17.4	34
Total		115.3	100	142.3	100	26.9	23

Note: Amounts less than 100 million yen are omitted.

(Net sales)

Electronic and Information Technology:

Shipments of glass for FPDs increased compared to the same period of the previous fiscal year amid persistently strong demand due to the Company having been able to start up domestic plant production facilities at a speed which was faster than planned subsequent to their suspension due to a power outage in the first quarter of the fiscal year (from January 1 to March 31, 2021) as well as steady gains in productivity at other sites. Shipments of glass for optical and electronic devices increased compared to the same period of the previous fiscal year due to firm performance in applications for home appliances, semiconductors, and auto parts despite a downturn in shipments of glass for optical devices.

Performance Materials and Others:

Shipments of glass fiber increased compared to the same period of the previous fiscal year due to strong demand for high-performance resin used in auto parts, etc. helping to make progress in restarting previously suspended production facilities. Shipments of glass tubing for pharmaceutical and medical use increased compared to the same period of the previous fiscal year, with such results facilitated by production of our new facilities in Malaysia upon having been started up last year amid strong global demand, which includes demand for COVID-19 vaccine containers. Shipments of heat-resistant glass and glass for building materials also increased compared to the same period of the previous fiscal year.

(Profit/loss)

Operating profit significantly exceeded that of the same period of the previous fiscal year due to factors that include the increase in net sales, the rise in capacity utilization rates, and productivity gains despite the rise in logistics, raw material and fuel costs.

Ordinary profit substantially exceeded that of the same period of the previous fiscal year largely as a result of having recorded foreign exchange gains attributable to revaluation of receivables and payables related to loans for overseas subsidiaries, in addition to the increase in operating profit.

Profit attributable to owners of parent rose significantly from the same period of the previous fiscal year due to factors that include the increases in operating profit and ordinary profit, along with extraordinary income recorded in association with a gain on sales of investment securities and insurance income related to damage incurred by domestic production facilities caused by a typhoon that struck in 2019, and despite extraordinary loss recorded due to expenses incurred with respect to temporary suspension of operations associated with the aforementioned power outage and facility repairs.

**(2) Information regarding consolidated earnings forecasts and other forward-looking statements
(Consolidated earnings forecasts for the year ending December 31, 2021)**

(Billions of yen)

	Year ending December 31, 2021
Net sales	280.0
Operating profit	28.0
Ordinary profit	32.0
Profit attributable to owners of parent	21.0

Note: Amounts less than 100 million yen are omitted.

Although COVID-19 continues to affect economic activity, the global economy is expected to mount a moderate recovery as vaccinations progress in each country. On the other hand, the markets related to the Company could be affected by factors that include

resurgences of COVID-19, the global semiconductor shortage, an increase in the prices of raw materials, fuel and producer goods, and trends in international logistics.

Under these circumstances, in the Electronics and Information Technology segment, we expect that shipments of glass for FPDs will continue to remain steady against the backdrop of strong demand in the display market. We are strengthening production capacity in Xiamen, China, aiming to capture demand in the Chinese market. In glass for optical and electronic devices, we will make progress in expanding sales and developing new products not only for home appliances and semiconductors but also for automobiles, medical care and other growth markets.

In the Performance Materials and Others segment, we expect robust shipments with respect to glass fiber, particularly for automobile-related markets. In glass tubing for pharmaceutical and medical use, we will address growing demand through efforts to achieve further productivity gains. In heat-resistant glass and glass for building materials, we will forge ahead in expanding sales centered on new products.

In terms of profit/loss, the increase in logistics costs centering on ocean freight and the significant increases in costs for raw materials, fuel and producer goods are matters for concern. However, we are strengthening the management of various costs, continuing to improve productivity, and will aim to secure the forecasted profits.

In light of the above outlook, the Company Group's consolidated earnings forecasts for the full year ending December 31, 2021 are left unchanged from the previous forecast (April 28, 2021) as shown in the table above.

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, rapid technological advancement in addition to spread of infection. 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, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	121,440	134,465
Notes and accounts receivable - trade	59,286	63,691
Merchandise and finished goods	35,317	25,868
Work in process	2,359	1,038
Raw materials and supplies	23,186	26,782
Other	4,973	4,748
Allowance for doubtful accounts	(163)	(186)
Total current assets	246,399	256,409
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	71,738	71,748
Machinery, equipment and vehicles, net	249,825	250,582
Other, net	34,164	44,873
Total property, plant and equipment	355,727	367,204
Intangible assets	5,207	5,050
Investments and other assets		
Other	50,825	50,997
Allowance for doubtful accounts	(21)	(19)
Total investments and other assets	50,804	50,978
Total non-current assets	411,739	423,232
Total assets	658,139	679,641

(Millions of yen)

	As of December 31, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,501	33,762
Short-term borrowings	47,019	23,414
Income taxes payable	1,533	4,044
Other provisions	2,291	1,965
Other	24,230	29,064
Total current liabilities	103,576	92,250
Non-current liabilities		
Bonds payable	20,000	30,000
Long-term borrowings	34,668	39,077
Provision for special repairs	9,341	10,020
Other provisions	20	18
Retirement benefit liability	1,035	1,119
Other	12,576	13,045
Total non-current liabilities	77,643	93,283
Total liabilities	181,219	185,533
Net assets		
Shareholders' equity		
Share capital	32,155	32,155
Capital surplus	34,310	34,294
Retained earnings	411,137	419,816
Treasury shares	(10,178)	(10,120)
Total shareholders' equity	467,425	476,147
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,775	19,263
Deferred gains or losses on hedges	98	(115)
Foreign currency translation adjustment	(14,101)	(5,659)
Total accumulated other comprehensive income	4,773	13,488
Non-controlling interests	4,721	4,471
Total net assets	476,920	494,107
Total liabilities and net assets	658,139	679,641

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

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net sales	115,381	142,344
Cost of sales	91,530	104,781
Gross profit	23,851	37,563
Selling, general and administrative expenses	16,083	22,231
Operating profit	7,767	15,332
Non-operating income		
Interest income	320	305
Dividend income	674	695
Foreign exchange gains	—	5,393
Other	726	2,070
Total non-operating income	1,721	8,465
Non-operating expenses		
Interest expenses	299	255
Loss on retirement of non-current assets	155	273
Foreign exchange losses	1,344	—
Other	802	457
Total non-operating expenses	2,600	986
Ordinary profit	6,888	22,811
Extraordinary income		
Gain on sales of investment securities	670	1,990
Insurance claim income	—	1,392
Reversal of provision for special repairs	3,033	—
Total extraordinary income	3,703	3,382
Extraordinary losses		
Loss on accident	376	6,191
Impairment loss	402	—
Other	429	310
Total extraordinary losses	1,207	6,502
Profit before income taxes	9,384	19,691
Income taxes	2,387	6,028
Profit	6,996	13,662
Profit attributable to non-controlling interests	172	128
Profit attributable to owners of parent	6,824	13,533

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Profit	6,996	13,662
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,813)	487
Deferred gains or losses on hedges	(296)	(214)
Foreign currency translation adjustment	(5,282)	8,242
Share of other comprehensive income of entities accounted for using equity method	(57)	199
Total other comprehensive income	(9,449)	8,715
Comprehensive income	(2,452)	22,378
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,625)	22,249
Comprehensive income attributable to non-controlling interests	172	128

(3) Quarterly consolidated statement of cash flows (cumulative)

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	9,384	19,691
Depreciation	12,268	12,624
Loss (gain) on sales of investment securities	(670)	(1,990)
Increase (decrease) in provision for special repairs	(3,432)	679
Foreign exchange losses (gains)	1,375	(4,319)
Decrease (increase) in trade receivables	4,362	(327)
Decrease (increase) in inventories	2,232	8,532
Increase (decrease) in trade payables	(9,456)	5,758
Income taxes paid	(1,319)	(2,967)
Other, net	738	65
Net cash provided by (used in) operating activities	15,483	37,747
Cash flows from investing activities		
Proceeds from sales of investment securities	872	2,870
Purchase of non-current assets	(8,646)	(14,411)
Other, net	90	348
Net cash provided by (used in) investing activities	(7,683)	(11,192)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	312	(1,437)
Proceeds from long-term borrowings	15,710	6,092
Repayments of long-term borrowings	(1,512)	(24,779)
Proceeds from issuance of bonds	—	10,000
Dividends paid	(4,829)	(4,832)
Dividends paid to non-controlling interests	(674)	(353)
Other, net	(335)	(609)
Net cash provided by (used in) financing activities	8,671	(15,919)
Effect of exchange rate change on cash and cash equivalents	(945)	2,374
Net increase (decrease) in cash and cash equivalents	15,526	13,009
Cash and cash equivalents at beginning of period	100,977	121,215
Cash and cash equivalents at end of period	116,503	134,225