Nippon Electric Glass Co., Ltd.

Annual Report 2008

For the year ended March 31, 2008

C O N T E N T S

Nippon Electric Glass—Creating the Future with High-Tech Glass

Glass is a unique material that provides a multitude of positive societal benefits. It can be customized to result in these positive benefits by modifying its composition and altering the various forming and finishing processes used to manufacture the intended end product. Since its establishment, NEG has wholly dedicated itself to this distinctive material seeking at all times to develop new glass compositions and advanced technologies for melting, forming, and processing.

High-tech glass forms the basis for NEG's products, produced with advanced technology that optimally meets the needs of customers with respect to characteristics, shape, grade, and precision. High-tech glass has been widely used in display devices, IT equipment, automobiles, buildings, and household appliances. The range of next-generation applications for these materials continues to expand.

Through the creation of high-tech glass, NEG intends to continue contributing to societal development while working to ensure harmony with the environment.

Consolidated Financial Summary

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries for the ten most recent years

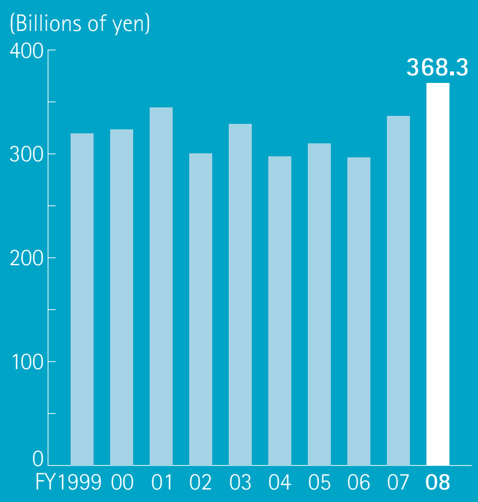
	FY1999	2000	2001	2002
For the year ended March 31				
Net sales	¥319,638	¥323,590	¥344,677	¥300,395
Operating income	33,309	37,536	49,204	22,132
Net income	8,906	13,731	25,398	3,378
Depreciation and amortization	33,661	32,241	35,932	37,079
Capital expenditures	50,160	23,549	50,241	34,919
Per share of common stock (yen and dollars)				
Net income	¥ 18.58	¥ 28.65	¥ 52.99	¥ 7.05
Diluted net income	17.37	26.60	48.63	-
Cash dividends	3.33	4.00	3.67	3.67
Shareholders' equity	314.11	363.67	419.18	455.21
At year-end				
Total assets	¥516,090	¥544,766	¥563,377	¥559,957
Current assets	223,575	239,906	244,743	229,395
Net property, plant and equipment	260,419	256,382	271,241	279,711
Current liabilities	173,679	175,472	210,609	200,459
Long-term debt	156,035	146,397	100,466	84,891
Shareholders' equity	150,556	174,311	200,918	218,184
Cash flows				
Net cash provided by operating activities	¥ -	¥ 56,789	¥ 72,640	¥ 36,456
Net cash used in investing activities	-	(6,801)	(32,820)	(33,024)
Net cash provided by (used in) financing activities	-	(28,723)	(39,707)	(16,434)
Cash and cash equivalents at end of year	-	70,009	71,585	58,886
Number of shares outstanding (thousands)				
Average	159,770	159,770	159,769	159,768
Year-end	159,770	159,770	159,771	159,760
Equity ratio (%)	29.2	32.0	35.7	39.0
Return on equity (%)	6.1	8.5	13.5	1.6

Note: 1. The computations of net income per share and shareholders' equity per share are based on the average number of shares outstanding during each year and the number of shares outstanding at the end of each year, respectively.

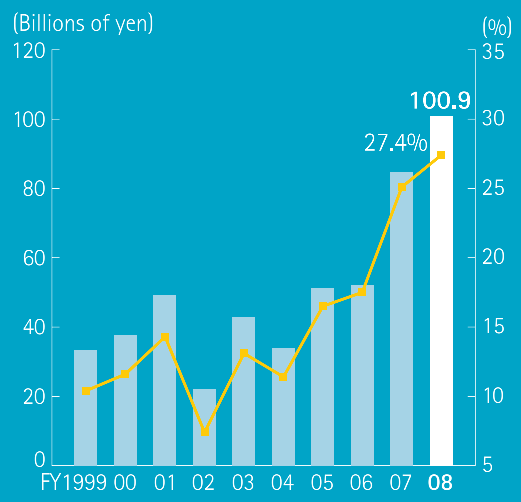
2. Per share of common stock amounts are retroactively adjusted for subsequent stock splits. The company had a 2-for-1 stock split of its common stock on March 10, 2005, and had a 1.5-for-1 stock split of its common stock on April 1, 2007 .

3. Due to the redemption of convertible bonds on March 29, 2002, the computation of diluted net

Net sales



Operating income & operating income ratio

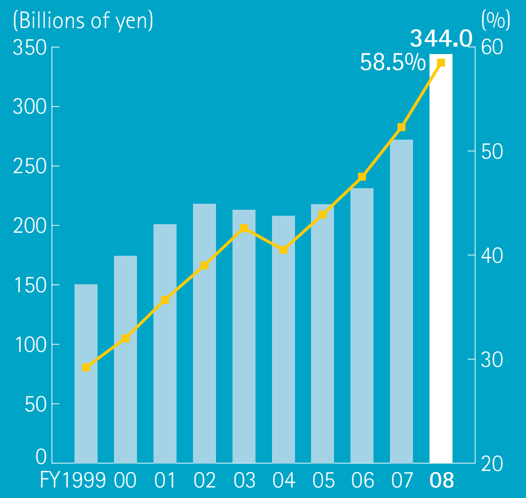


(Millions of yen and thousands of U.S. dollars, except per share figures)

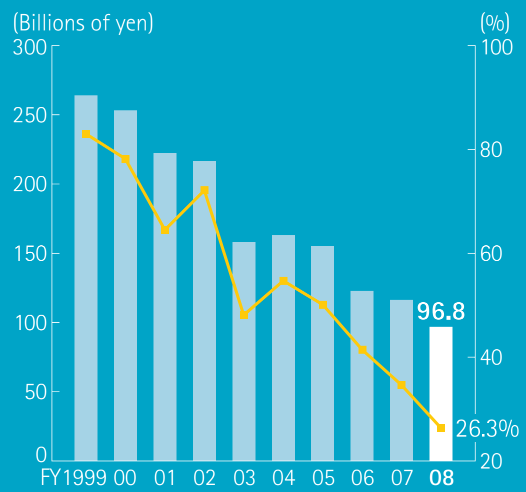
2003	2004	2005	2006	2007	2008	
¥328,803	¥297,307	¥310,198	¥296,440	¥336,411	**¥368,267**	**$3,682,670**
42,985	33,819	51,109	51,952	84,585	**100,883**	**1,008,830**
14,603	8,568	11,954	3,231	40,358	**50,669**	**506,690**
34,967	31,177	30,345	30,106	38,042	**38,843**	**388,430**
15,236	47,315	47,997	79,300	100,414	**107,283**	**1,072,830**
¥ 30.16	¥ 17.58	¥ 24.64	¥ 6.47	¥ 84.37	**¥ 105.29**	**$ 1.05**
–	–	–	–	–	**–**	**–**
4.00	4.00	4.33	6.00	7.33	**9.00**	**0.09**
444.43	434.68	454.33	482.58	568.55	**691.27**	**6.91**
¥499,569	¥514,691	¥495,568	¥486,016	¥519,707	**¥588,031**	**$5,880,310**
213,667	237,274	233,799	216,168	208,719	**238,859**	**2,388,590**
242,126	243,816	228,218	233,206	274,683	**318,527**	**3,185,270**
165,926	173,199	165,367	177,748	198,308	**189,606**	**1,896,060**
69,007	84,176	59,066	48,757	23,981	**29,112**	**291,120**
212,942	208,248	217,588	231,005	271,951	**343,953**	**3,439,530**
¥ 79,241	¥ 53,397	¥ 71,844	¥ 71,312	¥ 107,784	**¥102,429**	**$1,024,290**
(18,368)	(32,478)	(52,918)	(56,516)	(95,960)	**(91,931)**	**(919,310)**
(57,433)	5,615	(9,603)	(29,760)	(9,432)	**5,525**	**55,250**
62,339	89,291	97,902	86,321	85,392	**101,046**	**1,010,460**
159,702	159,597	319,101	318,993	318,912	**481,226**	
159,614	159,577	319,048	318,938	318,880	**497,570**	
42.6	40.5	43.9	47.5	52.3	**58.5**	
6.8	4.1	5.6	1.4	16.0	**16.5**	

income per share was not calculated in 2002, 2003, 2004, 2005, 2006, 2007, and 2008.
4. Shareholders' equity = Total net assets – Minority interests (as recorded on the Consolidated Balance Sheets)
5. U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2008, of ¥100 to US$1.00.
6. The number of shares outstanding is net of treasury stock.
7. At March 31, 2008, Nippon Electric Glass Co., Ltd. had 23 consolidated subsidiaries.

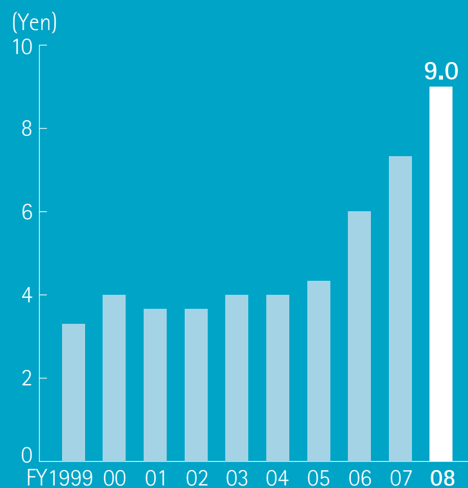
Shareholders' equity & equity ratio



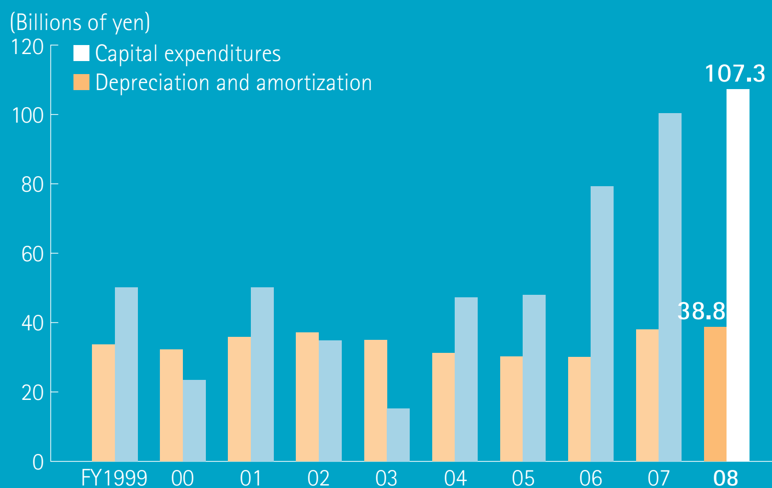
Interest-bearing debt & interest-bearing debt to sales ratio



Cash dividends



Capital expenditures & depreciation and amortization



New Growth from Restructured Business

Over the past few years, the NEG Group has been transforming its business structure. In the fiscal year ending March 31, 2008, we charted a course for growth emphasizing glass for flat panel displays (FPDs). With market conditions in our favor, we set new record highs for both sales and income, thanks to increased sales of FPD glass and improved productivity.

Strong Investment in the FPD Sector

The FPD glass market continues to grow at double-digit rates, due to increasing demand for panels for flat screen televisions and computers. We have been making capital investments in excess of depreciation in recent years in order to augment FPD glass facilities and to step up productivity, working to meet voracious demand. We plan to continue to enhance capacity commensurate with market growth in fiscal year 2009 as well, by making improvements to existing facilities and putting new facilities into operation.

Larger, More Ecological Substrate Glass

In order to produce large FPD panels more efficiently, substrate glass continues to increase in size. In the case of liquid crystal displays (LCDs), mass production has already begun on 7.5th and 8th generation substrate glass. In the near future, the 10th generation product will debut, at a length of over three meters. Our facilities already support production up through the 8th generation substrate glass, and they are ready for ever-larger sizes.

In response to environmental needs, we began mass production of “environmentally-friendly substrate glass” (glass in which substances that may have an influence on the environment have been reduced) at a new facility that started operation at the end of last year. Moving forward, we plan to continue to increase the production ratio for such glass in step with the timing of regular maintenance of melting furnaces and new facility construction.

Non-FPD Fields and Other Promising Areas

We intend to continue to develop our operations for display devices that include FPDs as our core business, but we will also devote efforts to non-FPD areas in order to ensure stable growth. Relevant areas include glass fibers, glass for electronic devices, and glass-ceramics.

In the glass fiber business, we will promote glass fiber used in high-function plastics for automobile parts. In the area of glass for electronic devices, we will strengthen initiatives for optical communications and for glass used in image sensors and optical lenses for digital cameras and the like. In addition, we intend to focus on developing products for advanced technical applications that utilize non-glass technologies, such as thin films. In regard to glass-ceramics, we will continue to expand business in areas such as top plates of cooking appliances and fire-rated facilities. At the same time we will develop new applications that require superior heat resistance and other remarkable properties.

At an exhibition last fall, we introduced ultra-thin sheet glass with a thickness of just 50 to 100 microns. The need for thinner glass in the FPD sector is expected to increase as panels become thinner and lighter. We plan to promote even further development of ultra-thin sheet glass by capitalizing on the advantages of our manufacturing technologies. It has a texture and flexibility that transcends conventional conceptions of what glass can be. It is expected not only to be used on its own but also in combination with other materials such as plastics to bring out the most effective characteristics of both. We will work to create applications for next generation displays, including organic light-emitting diodes (OLED), as well as for a variety of other fields.

Financial and Operational Strength

The NEG Group has made a major transformation from a cathode ray tube bulb manufacturer to a company that focuses on glass for FPDs. In order to facilitate flexible investment for future growth and build a strong financial foundation that withstands such investment, we conducted a capital increase via public stock offering in February 2008. Through the offering we raised ¥27.5 billion, all of which is being used for capital investment.

Tetsuji Mori, Chairman of the Board (Left), and Yuzo Izutsu, President

In addition, we have been working since fiscal year 2000 to reduce interest-bearing debt in order to create a sturdy financial structure capable of withstanding changes in the business environment. Fiscal year 2008 was the final year of our third three-year plan for reduction of such debt. Under the plan, we have decreased debt by ¥58 billion and lowered the ratio of interest-bearing debt to net sales to 26%. We will continue our efforts in this area while making timely capital investments.

Further Progress with Our Stakeholders

The NEG Group announces its forecasts for first-half and full-term performance at the beginning of each fiscal year, but because conditions surrounding our business undergo such turbulent fluctuation, it is exceedingly difficult to predict performance accurately six months or one year down the road. Therefore in order to provide more helpful and accurate forecasts, we have established our own disclosure policy to promptly disclose and enhance quarterly projections.

The NEG Group faithfully distributed profits to shareholders on the basis of our policy for the stable, long-term provision of dividends. Compared with the situation three years ago (factoring in the effects of recent stock splits), we have substantially more than doubled our per-share dividends. We expect that significant funds will be required for future growth, but we intend to continue to steadily distribute profits while taking our financial position into account.

In terms of our responsibilities to society, we are placing specific emphasis on harmony with the environment, employment of people with disabilities, and community involvement. We will be fulfilling our responsibilities in a steady manner.

There is a great deal of uncertainty right now regarding the overall outlook for the economy, but we are working to pursue further growth by advancing the policies outlined above. In conclusion, as representatives of the board, we would like to express our sincere appreciation to shareholders, customers, employees, and all other stakeholders. We look forward to your continuing support.

Tetsuji Mori, Chairman of the Board

Yuzo Izutsu, President

Committed to Creating Glass for a Sustainable Society

NEG is managed with integrity and a social conscience. As a member of society, we place importance on fulfilling our corporate social responsibilities and seek to increase corporate value.

Corporate Governance

•Directors, Board of Directors, and Corporate Officers

NEG is working to expedite decision-making, to ensure managerial transparency, and to reinforce business operations. We have optimized the number of directors, clarified their decision-making and supervisory functions, and introduced a system of corporate officers to facilitate effective business operations. In order to clarify managerial responsibilities and to maintain a flexible management system capable of responding to changes in business conditions, we have reduced the tenure of directors to one year.

•Auditors and Board of Auditors

NEG's board of auditors is currently made up of four auditors, two of whom are external auditors. Auditors audit the business conduct of directors by attending meetings of the board of directors, investigating business affairs, assessing corporate assets, and the like. These activities are carried out in accordance with auditing policies, plans, and assignment of duties established by the board of auditors. External auditors are independent of the company and perform their duties as auditors from an objective, expert perspective.

Internal Control

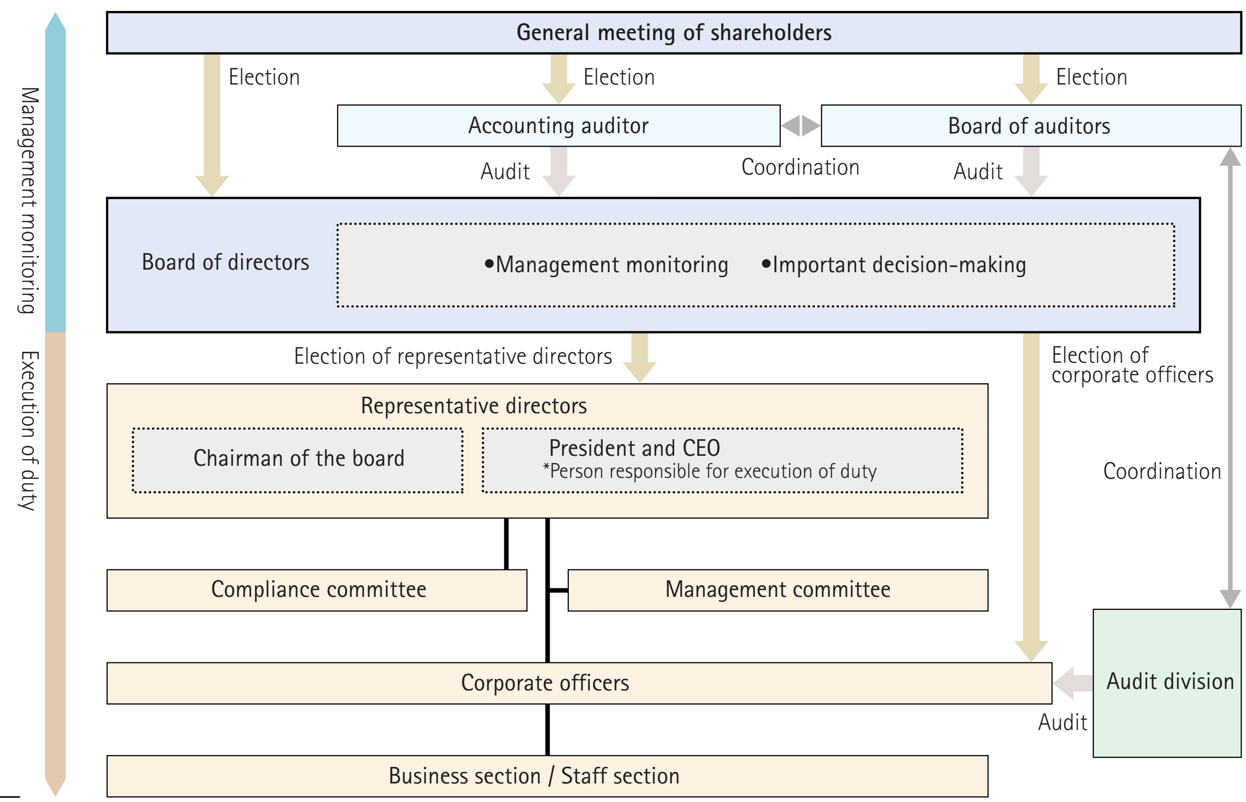
The basic policy on internal control established by NEG's board of directors includes the elements described below. It also created a system of internal control for financial reporting in accordance with applicable laws in order to ensure the appropriateness of such reporting by the NEG Group.

•Compliance System

A compliance committee has been established as a special organization that aims to continuously raise awareness of and implement compliance and corporate ethics at NEG and its group companies. The committee engages in the following activities.

· Drafting revisions to the Corporate Philosophy, Group Code of Conduct, and Principles of Activities and implementing measures among all NEG Group employees
· Gathering and analyzing information on compliance and providing compliance training
· Operating an internal reporting system

Diagram of corporate governance system



The committee regularly reports on these activities to the board of directors and the board of auditors.

•Risk Management System

NEG recognizes the importance of a range of business-related risks. These include compliance, financial, environmental, natural-disaster, foreign trade-management, information-management, quality, and health and safety risks. The departments or special committees in charge of these risks establish respective regulations and guidelines, provide training, prepare manuals, and take other measures as needed. For new risks that emerge, the president promptly determines who will be in charge of responding to such risks, including the implementation of countermeasures. Matters of particular importance to the company's management are discussed and/or reported to the management committee and the board of directors.

Anti-takeover Measures

NEG believes that as long as it remains a public company, the final decision of whether or not to sell shares in response to large-scale purchases should be made by our shareholders. However, in some cases a takeover bid may involve an attempt to force shareholders to sell shares, or fail to allow adequate time or information to enable them to consider the terms of the bid. Such a case can end up reducing corporate value and prove detrimental to the common interests of shareholders. In order for shareholders to be able to make decisions regarding how they should respond to large-scale purchases, we believe that any party making such a bid needs to provide sufficient information and that our board of directors should assess and consider that information and convey its findings and opinions to shareholders.

With this in mind, NEG has established a policy on responding to large-scale purchases of the company's stock. The policy was approved at the annual meeting of shareholders held in June 2006. To eliminate the arbitrary execution of defensive measures by the board of directors, it establishes a special committee for making objective judgments regarding the actual application of this policy, and expresses the emphasis we place on the judgment of highly objective outside parties. NEG will continue to protect and enhance the common interests of shareholders on the basis of this policy, which will remain in effect until the conclusion of the annual meeting of shareholders to be held in 2009.

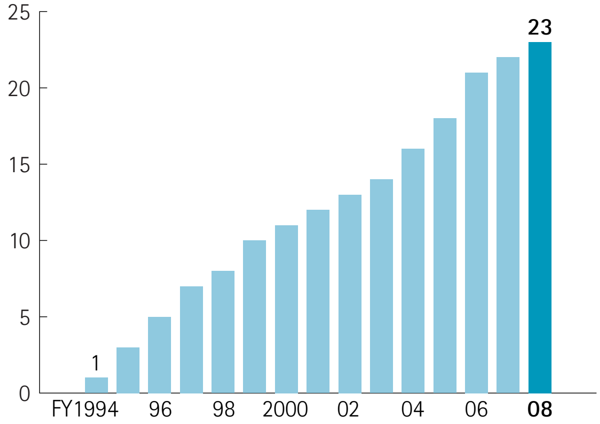
Addressing Global Warming

NEG recognizes that helping to protect the environment is one of its most important social responsibilities as a corporation. We have laid out our environmental policies in our Environmental Charter and have worked to reduce the environmental impact of our business activities on this basis. At NEG, environmental activities are integrated with production activities. This approach applies to our efforts to address global warming as well.

Oxy-Fuel Firing Furnaces

NEG has introduced oxy-fuel firing glass melting furnaces, which enables the firing of glass on oxygen alone, in order to reduce emissions of nitrogen oxides (NO_x) and carbon dioxide (CO_2). In 1993, we became the first company in Japan to introduce such furnaces, and we now operate 23 facilities using this system in Japan.

Furnaces converted to oxy-fuel firing system



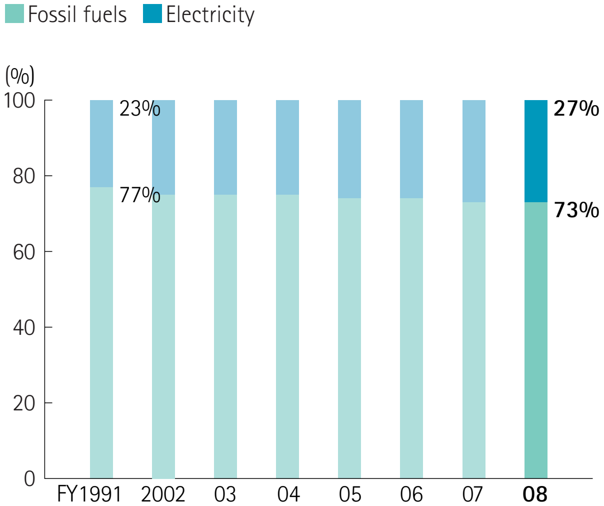
Alternative Fuels

We are steadily converting the fuel used for melting glass from fuel oil and kerosene to LPG and city gas, which generate less CO_2.

Increasing the Proportion of Electric Melting

Compared with indirectly heating glass materials by burning fossil fuels in a furnace, directly applying electrical energy to molten glass to heat it improves energy efficiency while simultaneously reducing the generation and emission of CO_2. Accordingly, we are working to increase the proportion of electric melting in our operations.

Comparison based on calorific power: use of electricity and fossil fuels (%)



Regional Contributions

NEG was established in Shiga Prefecture, a region of great natural beauty and home to Japan's largest lake, Lake Biwa. In developing a number of factories in this region we have provided economic benefits and new jobs and have steadily contributed to the area's communities.

Our efforts have included lakeside and roadside volunteer cleanup campaigns, planting of seasonal plants and flowers around our factories, opening on-site parks and grounds to the public, and ongoing community activities.

In addition, we have concluded a comprehensive agreement with the University of Shiga Prefecture in order to pursue partnership projects through academic-industrial collaboration. We are helping to further promote academics at the school through endowment of new courses, conducting joint research, and collaboration in personnel training.

A lecture delivered at an NEG factory to University of Shiga Prefecture students.

Employing People with Disabilities

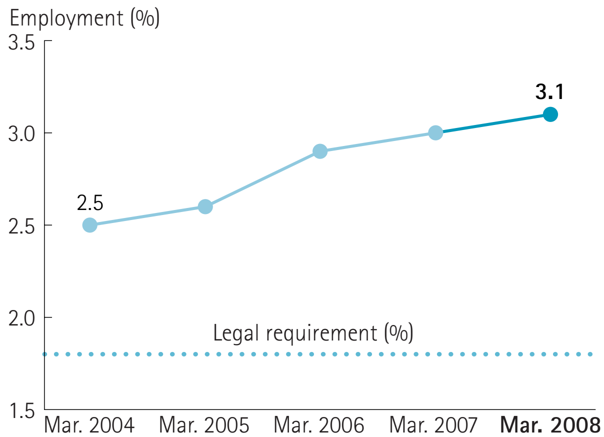
NEG continually works to expand employment of people with disabilities.

In 1980, we became the sixth company in Japan to establish a subsidiary specially aimed at promoting employment of people with disabilities, and we have worked to expand employment opportunities. The entire NEG Group is involved in developing workplace conditions that make it easier for people with disabilities go about their jobs.

As of the end of March 2008, the domestic NEG Group's employment ratio for people with disabilities was 3.1%, well over Japan's legal requirement of 1.8%.

Going forward, we intend to work actively to expand employment for people with mental disabilities, for whom employment opportunities tend to be minimal, and to provide a broad range of employment options for people with disabilities.

People with disabilities as percentage of domestic NEG Group employees



Advanced Glass for Optical Communications

From material design to melting, forming, and processing, the diversity of NEG's expertise is unsurpassed. By drawing on our storehouse of superior technologies, we are able to quickly and flexibly satisfy the specific requirements of clients and the broader needs of our times—areas in which NEG truly excels.

Glass for Today's Needs

NEG is committed to developing new products as a market leader. One notable example of such approach can be seen in the case of optical communications glass, which has drawn considerable attention in recent years. Leveraging the many qualities of glass—thermal, chemical, optical, and mechanical—we provide numerous products for optical communications using our advanced technologies, including glass-ceramic ferrules for optical connectors, capillaries, ball lenses, and micro prisms. As optical communication networks continue to expand, we expect continued high growth in this market.

NEG's Glass Technologies for Optical Communications

Contributing to high product reliability, increasingly miniaturized modules, and lower costs

Material Design

NEG offers glass compositions to meet desired characteristics.

- Glass-ceramics: These materials expand product potential with exceptional heat resistance and environmental durability.
- Lens glass: NEG places a special focus on optical glass, and provides glass for lenses with various refractive indices.

Forming

NEG supplies glass in any shape required.

- Line-drawing technology: NEG can achieve dimensional accuracy at the submicron level. It was the world's first company to successfully mass-produce precise micro capillaries made of glass-ceramics.
- Ultra-precision forming: NEG created the world's smallest prism*, at a mere 30 microns (0.03 mm) per side.

*Based on a July, 2008 NEG study

Processing

NEG applies films to glass or combines glass with metals or organic materials to achieve new properties.

- Sealing technologies: High-precision ball lenses are sealed with metal using low temperature sealing glass. NEG's ball lens units are patented.
- Thin film fabricating technologies: Anti-reflective (AR) coatings, infrared cut filters, and wavelength selection coatings provide excellent optical properties.

For connecting optical fibers

Glass-Ceramic Ferrules

For stabilizing optical fibers

Micro Capillaries

For stabilizing optical fibers

Polygonal Capillaries

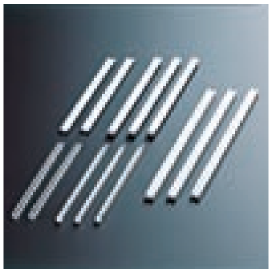
For stabilizing optical fibers

V-Groove Substrate

For optical transceivers

VS Receptacles

For coupler housings and cover glasses



Neoceram

For optical devices

Ball Lens Caps

For changing optical paths and wavelength selection

Micro Prisms

Glass Business

Sales from the Glass Business in fiscal 2008 totaled ¥366,809 million ($3,668 million), an increase of 9.5% over the previous year.

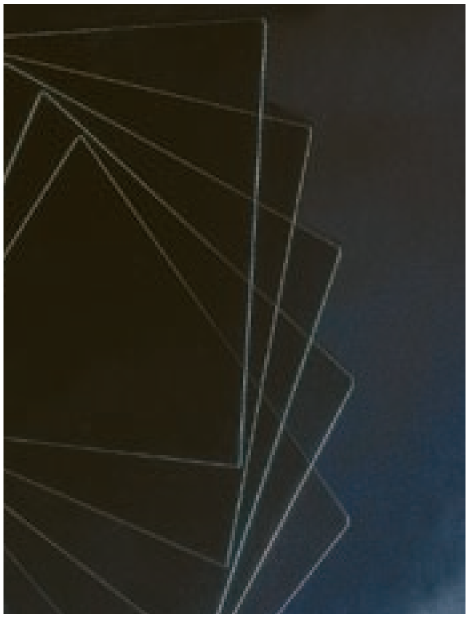
Information and Communications

Sales from the Information and Communications sector rose 10.8% from the previous year to ¥301,012 million ($3,010 million).

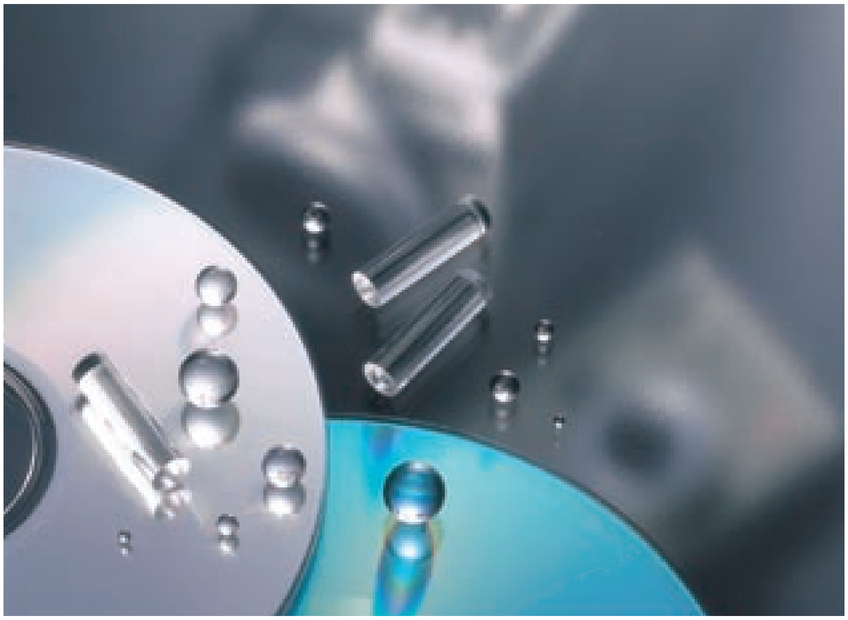
Glass for Display Devices

With the FPD market continuing to expand, sales of LCD substrate glass increased from the previous year, as we were able to meet higher demand by improving productivity at existing facilities and launching new facilities into operation in December 2007. Sales of PDP substrate glass and LCD backlight glass were lower than projected due to the impact of falling prices and other factors. Sales of CRT glass declined as a result of the shrinking of the market and a reduction in the NEG Group's production capacity. (Production facilities were reduced at the Malaysian subsidiary, and a decision was made to dissolve the Indonesian subsidiary.)

As a result, overall sales of glass for display devices increased 10.9% from the previous year to ¥284,882 million ($2,849 million).



Substrate glass for LCDs



Glass materials for aspheric lenses

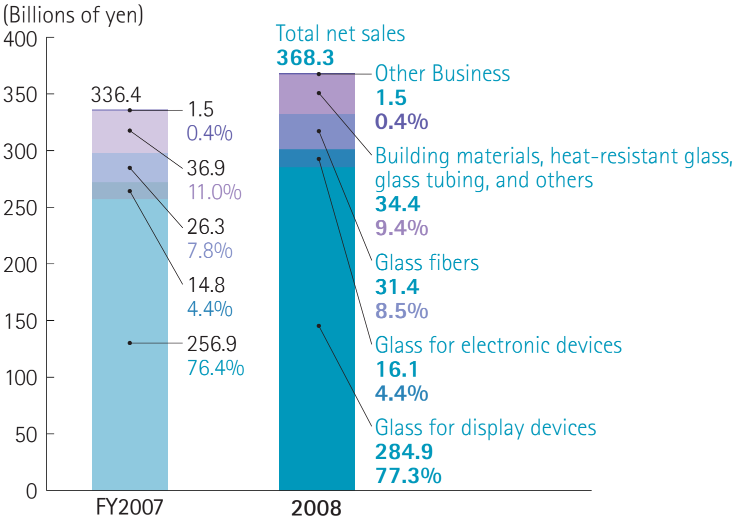
Glass for Electronic Devices

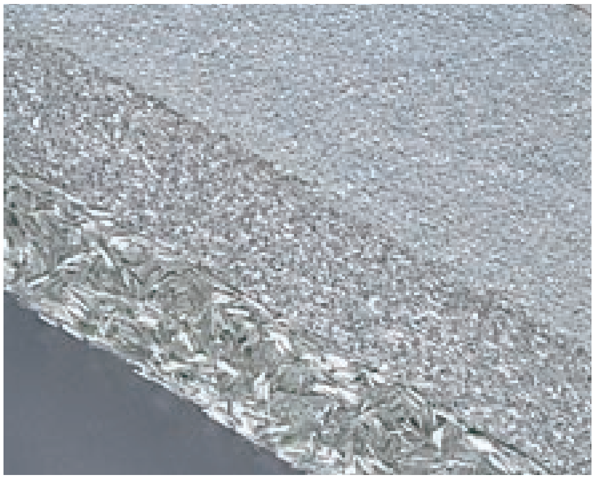
Sales of glass for electronic devices totaled ¥16,130 million ($161 million), a year-on-year increase of 8.7%. This was attributed to favorable sales of glass for image sensors used in digital cameras and cell phones.

Other Products

Sales in the Other Products sector increased 4.1% over the previous year to ¥65,797 million ($658 million).

Sales by business





Chopped strands for function plastics

Glass Fibers

Sales of glass fibers climbed 19.5% to ¥31,416 million ($314 million). New facilities were launched at our Malaysian subsidiary in July 2007 to meet increased demand for this material used in high-function plastics for automobile parts. Sales increased thanks in part to the contribution of these facilities in the second half of this fiscal year.

Building Materials, Heat-Resistant Glass, Glass Tubing, and Others

Sales of building materials declined due in part to the impact of construction approval delays caused by revisions to Japan's Building Standards Law, and overall sales in this sector were sluggish. Sales amounted to ¥34,381 million ($344 million), a decrease of 6.9% compared with the previous year.

Other Business

This segment consists of service and retail activities conducted by NEG subsidiaries. Sales decreased 0.6% from the previous year to ¥1,458 million ($15 million).

Main products

Information and Communications
- Glass for Display Devices
  - Glass for FPDs
    - Glass for LCDs:
      - substrate glass
      - glass tubing for back-light lamps
    - Glass for PDPs:
      - substrate glass
      - glass paste
  - Glass for CRTs
- Glass for Electronic Devices
  - Glass for optical devices:
    - glass parts for optical communications
    - glass materials for aspheric lenses
  - Glass for electronic devices:
    - powdered glass
    - sheet glass
    - glass tubes

Other Products
- Glass Fibers
  - chopped strands for function plastics
  - yarns for printed circuit boards
  - rovings for reinforced plastics
  - alkali-resistant glass fiber
- Building Materials, Heat-Resistant Glass, Glass Tubing, and Others
  - Building materials:
    - glass blocks
    - glass-ceramics building materials "Neoparies" and "NeoClad"
    - fire rated glass "Firelite"
    - radiation-shielding glass
    - glass for interiors / exteriors
  - Heat-resistant glass:
    - super heat-resistant glass-ceramic "Neoceram"
    - heat-resistant glass "Neorex"
  - Fluorescent-lamp bulbs
  - Glass for ampules, vials, and laboratory use
  - Glass for thermos flasks
  - Glassmaking machinery

Financial Review

Business Climate

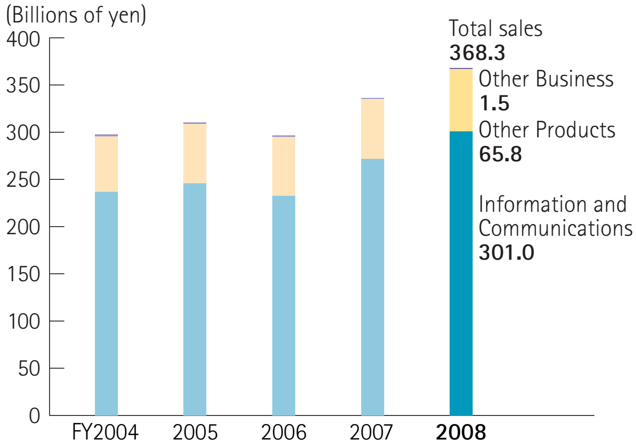
In regard to the global economy for fiscal year 2008, Asia (and in particular China) continued to experience growth, while Europe overall enjoyed moderate recovery. However, the U.S. economy began to slow in the second half of the year with the emergence of the subprime mortgage crisis. Despite rising prices of oil and raw materials, the Japanese economy continued its recovery supported by steady exports and capital expenditures. Nevertheless, towards the end of the fiscal year, uncertainty regarding the economy's outlook increased, due in part to rapid yen appreciation.

In the field of display glass, which is the core business of the NEG Group, demand increased for glass for FPDs. This was due largely to an expanding market for flat-screen televisions, despite the economic conditions described above.

Net Sales

Consolidated net sales increased 9.5% from the previous year to ¥368,267 million ($3,683 million). Higher sales of FPD glass led to sales growth in the Information and Communications sector, while sales from the Other Products sector also improved over the previous year thanks to increased sales of glass fiber. Sector-by-sector details on sales are given in the Review of Operations.

Net sales



Income

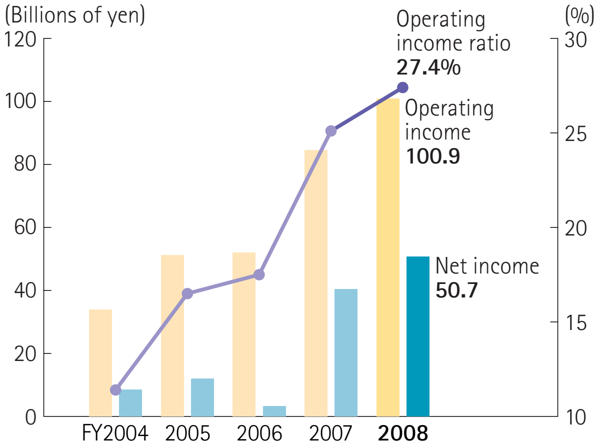
Operating income increased 19.3% over the previous year to ¥100,883 million ($1,009 million). Falling product prices, rising materials and fuel prices, and higher depreciation expenses put downward pressure on income. However, these trends were more than offset by increased sales of FPD glass and productivity improvements. Gross profit increased by 13.9%, and the cost to sales ratio improved by 1.3 points. In addition, selling, general and administrative expenses declined ¥805 million ($8 million), further boosting operating income. Driven by these developments, the operating income ratio was 27.4%, an increase of 2.3 points from the previous year.

Sales by business

(Millions of yen and U.S. dollars)

	FY2007		FY2008			2008/2007
	Net sales	Percent of net sales	Net sales		Percent of net sales	Percent change
Glass Business:						
Information and Communications						
Glass for display devices	¥256,889	76.4%	¥284,882	$2,849	77.3%	10.9%
Glass for electronic devices	14,843	4.4	16,130	161	4.4	8.7
	271,732	80.8	301,012	3,010	81.7	10.8
Other Products						
Glass fibers	26,289	7.8	31,416	314	8.5	19.5
Building materials, heat-resistant glass, glass tubing, and others	36,923	11.0	34,381	344	9.4	-6.9
	63,212	18.8	65,797	658	17.9	4.1
Glass Business Total	334,944	99.6	366,809	3,668	99.6	9.5
Other Business:	1,467	0.4	1,458	15	0.4	-0.6
Total	¥336,411	100.0%	¥368,267	$3,683	100.0%	9.5%

Income



While the net amount of other income and other expenses amounted to losses of ¥10,409 million ($104 million), the loss was ¥10,801 million ($108 million) less than the amount for the previous year. Other income included gains from liquidation of investment securities of ¥2,065 million ($21 million) associated with a former subsidiary in the U.K. Other expenses included loss on disposal of property, plant and equipment, including removal expenses of ¥3,247 million ($32 million), loss from valuation of investment securities of ¥1,268 million ($13 million) attributable to stock market declines, losses on disposal of inventories of ¥1,685 million ($17 million), and loss on impairment of fixed assets of ¥6,364 million ($64 million) on CRT glass production facilities and the dissolution of the Indonesian subsidiary.

As a result, income before income taxes and minority interests totaled ¥90,474 million ($905 million), an increase of ¥27,099 million ($271 million) from the previous year. Net amounts of provisions for income taxes totaled ¥39,878 million ($399 million), while minority interests in losses were ¥73 million ($0.7 million), resulting in net income of ¥50,669 million ($507 million), an increase of 25.5% over the previous year. Net income per share was ¥105.29 ($1.05).

Geographic Segment Information

[Japan]

Driven by higher sales of FPD glass, total sales in Japan rose 13.3% from the previous year to ¥310,142 million ($3,101 million). This sales growth combined with improved productivity boosted operating income by 22.5% to ¥96,469 million ($965 million).

[Asia]

While sales of cathode-ray tube (CRT) glass declined, growing demand for FPD glass in South Korea and Taiwan increased sales at processing subsidiaries in those countries. In addition, the launch of new production facilities for glass fiber at the Malaysian subsidiary further helped to boost sales. As a result, total sales in Asia increased 29.9% to ¥221,718 million ($2,217 million). Operating income also jumped 37.1% to ¥4,256 million ($43 million) thanks to the contribution of FPD glass.

[Other Areas]

Sales from other areas, which include sales from the US sales subsidiary declined 15.6% from the previous year to ¥2,997 million ($30 million). However, operating income climbed 865% to ¥193 million ($2 million).

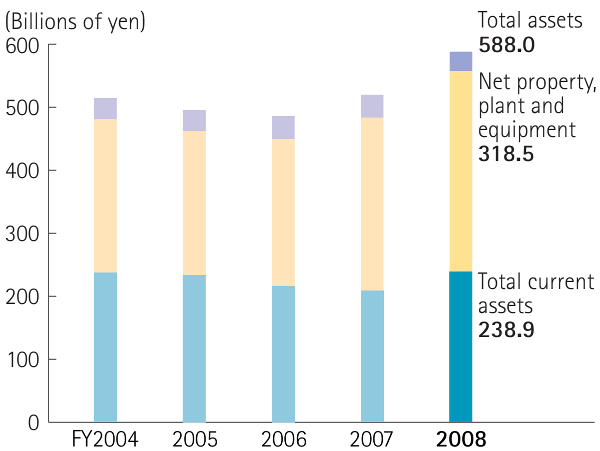
Dividends

The dividend per share for fiscal year 2008 was ¥9 ($0.09), including a ¥4 ($0.04) per share interim dividend paid out in November 2007. When calculated on the basis prior to the 1.5-for-1 split of common stock occurring in April 2007, the per-share divided for the year was ¥13.5 ($0.14), an effective increase of ¥2.5 ($0.03) from the prior fiscal year's dividend of ¥11 ($0.11) per share.

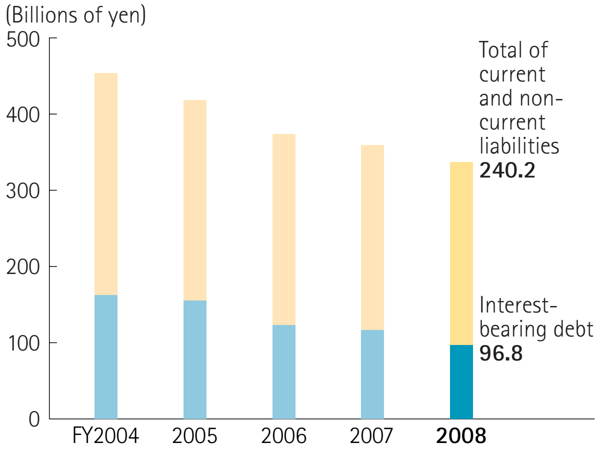
Financial Position

Total assets at the end of the fiscal year were ¥588,031 million ($5,880 million), an increase of ¥68,324 million ($683 million) from the end of the previous year. Current assets increased by ¥30,140 million ($301million) due mainly to increased cash and time deposits from public stock offerings, as well as increased notes and accounts receivable, trade because of higher sales.

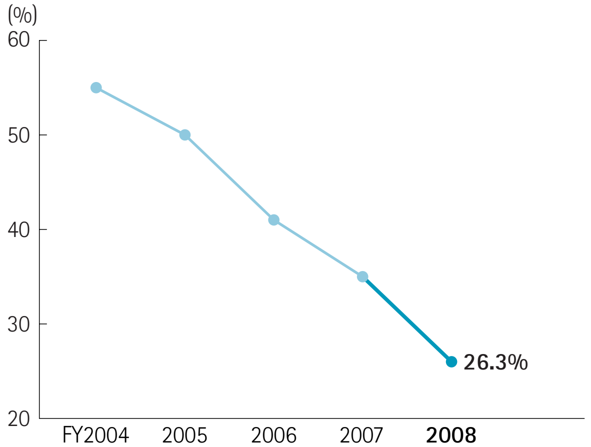
Assets



Liabilities



Interest-bearing debt to sales ratio



Net property, plant and equipment increased by ¥43,844 million ($438 million). As in the previous year, capital expenditures exceeded depreciation. Such capital expenditures were chiefly used to augment production capacity expansion for FPD glass and glass fiber.

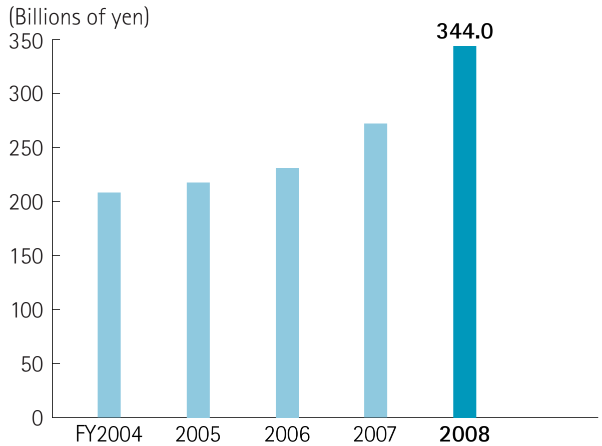
Current liabilities declined by ¥8,702 million ($87 million). Short-term borrowings including the current portion of long-term debt declined, due to the redemption of ¥20,000 million ($200 million) in bonds. On the other hand, accrued income taxes resulting from higher income increased. Non-current liabilities increased by ¥5,797 million ($58 million). Long-term debt increased ¥5,131 million ($51 million).

The NEG Group has worked since fiscal year 2000 to reduce its interest-bearing debt as part of a mid- to long-range plan for improving its financial position.

The fiscal year under review was the final year of our third three-year reduction plan, and on a cumulative basis, the Group has reduced interest-bearing debt by ¥58,558 million ($586 million) over the past three years. Total interest-bearing debt (long-term and short-term debts payable and corporate bonds) at the end of the fiscal year was ¥96,766 million ($968 million) and interest-bearing debt as a percentage of net sales decreased to 26.3%.

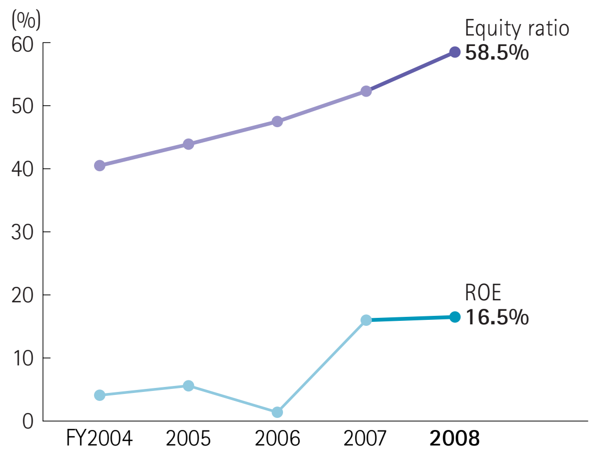
Net assets at fiscal year-end increased ¥71,229 million ($712 million) from the end of the previous fiscal year to ¥347,785 million ($3,478 million), due mainly to an increase in capital and capital surplus resulting from a public stock offering and an increase in retained earnings from higher net income. As a result of these developments, the equity ratio at the end of the fiscal year under review was 58.5%, an increase of 6.2 points from last year's 52.3%.

Shareholders' equity*



*(total assets-minority interests)

Equity ratio & ROE



Cash Flows

Net cash provided by operating activities was ¥102,429 million ($1,024 million), with a high level of above ¥100,000 million ($1,000 million) maintained as in the previous year. Net cash used in investing activities was ¥91,931 million ($919 million), as outlays similar to those made in the previous year were used to finance robust investment in facilities. Net cash provided by financing activities was ¥5,525 million ($55 million) due to proceeds from issuance of common stock and other factors. Including the negative effect of exchange rate changes on cash and cash equivalents of ¥369 million ($4 million), cash and cash equivalents at the end of this fiscal year totaled ¥101,046 million ($1,010 million), a year-on-year increase of ¥15,654 million ($157 million).

[Cash Flows from Operating Activities]

Net cash provided by operating activities totaled ¥102,429 million ($1,024 million), a decrease of ¥5,355 million ($54 million) from the previous year. This was due to increases in notes and accounts receivable and payment for income taxes, despite the increase in income before income taxes and minority interests.

[Cash Flows from Investing Activities]

Net cash used in investing activities totaled ¥91,931 million ($919 million), a decrease of ¥4,029 million ($40 million) from the previous year. Cash outflows in this category for this fiscal year mainly consisted of purchases of property, plant and equipment to augment production capacity for FPD glass.

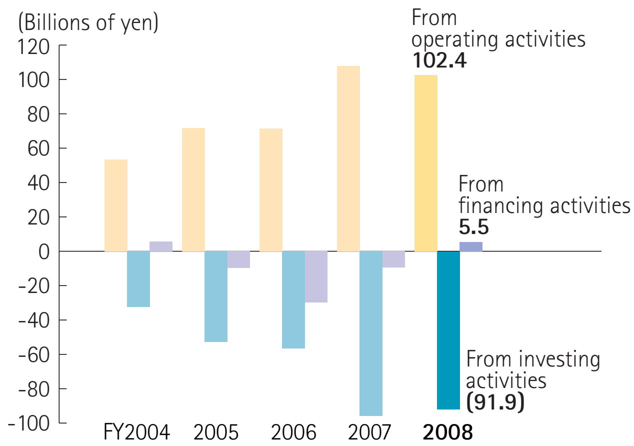
[Cash Flows from Financing Activities]

Net cash provided by financing activities totaled ¥5,525 million ($55 million), an increase of ¥14,957 million ($150 million) from the previous fiscal year. Although redemption of unsecured bonds and cash dividends paid increased, net cash also increased year-on-year due to proceeds from issuance of common stock and other factors.

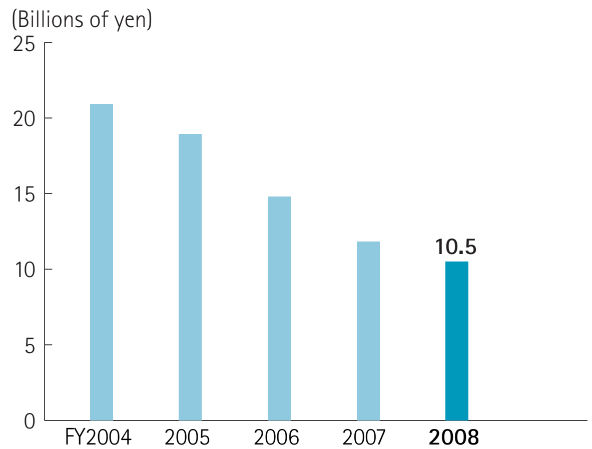
Capital Expenditures

Capital expenditures for the fiscal year were ¥107,283 million ($1,073 million). In the Information and Communications sector, capital expenditures totaled ¥81,578 million ($816 million). Much of this went to increased production capacity for FPD glass. In the Other Products sector, capital expenditures of ¥25,697 million ($257 million) were made primarily to boost production capacity for glass fiber.

Cash flows



Free cash flows



Consolidated Financial Statements

Consolidated Balance Sheets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
March 31, 2007 and 2008

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2008	2008
Current assets:			
Cash and time deposits (Note 7)	¥ 85,392	¥ 101,046	$ 1,010,460
Notes and accounts receivable, trade	72,890	84,825	848,250
Allowance for doubtful receivables	(627)	(579)	(5,790)
Inventories (Note 8)	39,773	39,731	397,310
Deferred income taxes (Note 12)	8,840	10,011	100,110
Other current assets	2,451	3,825	38,250
Total current assets	208,719	238,859	2,388,590
Property, plant and equipment (Note 9 and 10):			
Land	15,363	14,323	143,230
Building and structures	84,898	89,350	893,500
Machinery and equipment	446,291	497,769	4,977,690
Construction in progress	21,839	16,230	162,300
	568,391	617,672	6,176,720
Accumulated depreciation	(293,708)	(299,145)	(2,991,450)
Net property, plant and equipment	274,683	318,527	3,185,270
Investments and other assets:			
Investment securities (Note 5)	21,788	17,508	175,080
Investment in affiliates (Note 5)	2,294	1,757	17,570
Deferred income taxes (Note 12)	7,818	6,904	69,040
Other assets (Note 9 and 10)	4,405	4,476	44,760
Total investments and other assets	36,305	30,645	306,450
Total assets	¥ 519,707	¥ 588,031	$ 5,880,310

The accompanying notes to the consolidated financial statements are an integral part of these statements.

LIABILITIES AND NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2008	2008
Current liabilities:			
Short-term borrowings, including current portion of long-term debt (Note 11)	¥ 92,315	¥ 67,654	$ 676,540
Notes and accounts payable (Note 9) :			
Trade	46,779	45,967	459,670
Construction and other	31,272	35,209	352,090
Accrued expenses	10,583	10,145	101,450
Accrued income taxes	15,891	29,629	296,290
Other reserves	630	351	3,510
Other current liabilities	838	651	6,510
Total current liabilities	198,308	189,606	1,896,060
Non current liabilities:			
Long-term debt (Note 11)	23,981	29,112	291,120
Reserve for special repairs	14,870	17,612	176,120
Other reserves (Note 13)	1,652	1,767	17,670
Other non-current liabilities	4,340	2,149	21,490
Total non current liabilities	44,843	50,640	506,400
Net assets (Note 14):			
Shareholders' equity:			
Common stock			
Authorized - 800,000,000 shares in 2007			
1,200,000,000 shares in 2008			
Issued - 319,544,156 shares in 2007			
497,616,234 shares in 2008	18,386	32,156	321,560
Capital surplus	20,130	34,517	345,170
Retained earnings	225,961	272,803	2,728,030
Treasury stock at cost			
663,952 shares in 2007			
46,344 shares in 2008	(805)	(45)	(450)
Total shareholders' equity	263,672	339,431	3,394,310
Valuation and translation adjustments:			
Net unrealized holding gains on securities	6,970	3,683	36,830
Foreign currency translation adjustments	1,309	839	8,390
Total valuation and translation adjustments	8,279	4,522	45,220
Minority interests	4,605	3,832	38,320
Total net assets	276,556	347,785	3,477,850
Contingent liabilities (Note 15)			
Total liabilities and net assets	¥ 519,707	¥ 588,031	$ 5,880,310

Consolidated Statements of Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2008	2008
Net sales	¥ 336,411	¥ 368,267	$ 3,682,670
Cost of sales	225,214	241,577	2,415,770
Gross profit	111,197	126,690	1,266,900
Selling, general and administrative expenses	26,612	25,807	258,070
Operating income	84,585	100,883	1,008,830
Other income (expenses):			
Interest and dividend income	1,602	1,261	12,610
Interest expense	(1,390)	(1,445)	(14,450)
Loss from spoilage	(1,119)	(281)	(2,810)
Loss from devaluation of inventories	(744)	(334)	(3,340)
Loss on disposal of property, plant and equipment, including removal expenses	(2,190)	(3,247)	(32,470)
Gain on sales of investment securities	316	368	3,680
Gain from liquidation of investment securities (Note 4)	-	2,065	20,650
Loss from valuation of investment securities	(6)	(1,268)	(12,680)
Loss on disposal of inventories	(571)	(1,685)	(16,850)
Non-recurring depreciation for property, plant and equipment (Note 2)	(1,784)	-	-
Loss on impairment of fixed assets (Note 10)	(15,088)	(6,364)	(63,640)
Reversal of reserve for special repairs	146	338	3,380
Provision for product defect compensation	(990)	-	-
Foreign exchange gains	323	188	1,880
Other, net	285	(5)	(50)
	(21,210)	(10,409)	(104,090)
Income (loss) before income taxes and minority interests	63,375	90,474	904,740
Provision for income taxes (Note 12)**:**			
Prior-period	(1,443)	-	-
Current	17,596	38,210	382,100
Deferred	7,135	1,668	16,680
	23,288	39,878	398,780
Minority Interests	(271)	(73)	(730)
Net income	¥ 40,358	¥ 50,669	$ 506,690

	Yen		U.S. dollars (Note 1)
Amount per share of common stock:			
Net income (Note 2)	¥ 84.37	¥ 105.29	$ 1.05
Diluted net income (Note 2)	-	-	-
Cash dividends applicable to the year (Note 14)	7.33	9.00	0.09

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2008

	Thousands of shares	Millions of yen							
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Foreign currency transaction adjustments	Minority interests	Total net assets
Balance at March 31, 2006	319,544	¥ 18,386	¥ 20,124	¥ 185,673	¥ (647)	¥ 7,098	¥ 371	¥ 4,359	¥ 235,364
Net income	-	-	-	40,358	-	-	-	-	40,358
Cash dividends paid	-	-	-	(3,189)	-	-	-	-	(3,189)
Bonuses to directors	-	-	-	(132)	-	-	-	-	(132)
Acquisition of treasury stock	-	-	-	-	(163)	-	-	-	(163)
Disposition of treasury stock	-	-	6	-	5	-	-	-	11
Decrease due to accounting standards in foreign countries	-	-	-	(0)	-	-	-	-	(0)
Changes in the scope of consolidation	-	-	-	3,251	-	-	-	-	3,251
Net change during the year	-	-	-	-	-	(128)	938	246	1,056
Balance at March 31, 2007	319,544	18,386	20,130	225,961	(805)	6,970	1,309	4,605	276,556
Net income	-	-	-	50,669	-	-	-	-	50,669
Cash dividends paid	-	-	-	(3,827)	-	-	-	-	(3,827)
Issuance of common stock (Note 14)	18,300	13,770	13,770	-	-	-	-	-	27,540
Acquisition of treasury stock	-	-	-	-	(226)	-	-	-	(226)
Disposition of treasury stock	-	-	617	-	986	-	-	-	1,603
Decrease due to accounting standards in foreign countries	-	-	-	(0)	-	-	-	-	(0)
Net change during the year	-	-	-	-	-	(3,287)	(470)	(773)	(4,530)
Stock split (Note 14)	159,772	-	-	-	-	-	-	-	-
Balance at March 31, 2008	497,616	¥ 32,156	¥ 34,517	¥ 272,803	¥ (45)	¥ 3,683	¥ 839	¥ 3,832	¥ 347,785

	Thousands of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Foreign currency transaction adjustments	Minority interests	Total net assets
Balance at March 31, 2007	$183,860	$201,300	$2,259,610	$(8,050)	$69,700	$13,090	$46,050	$2,765,560
Net income	-	-	506,690	-	-	-	-	506,690
Cash dividends paid	-	-	(38,270)	-	-	-	-	(38,270)
Issuance of common stock	137,700	137,700	-	-	-	-	-	275,400
Acquisition of treasury stock	-	-	-	(2,260)	-	-	-	(2,260)
Disposition of treasury stock	-	6,170	-	9,860	-	-	-	16,030
Decrease due to accounting standards in foreign countries	-	-	(0)	-	-	-	-	(0)
Net change during the year	-	-	-	-	(32,870)	(4,700)	(7,730)	(45,300)
Balance at March 31, 2008	$321,560	$345,170	$2,728,030	$ (450)	$36,830	$ 8,390	$38,320	$3,477,850

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2008	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 63,375	¥ 90,474	$ 904,740
Depreciation and amortization	38,042	38,843	388,430
Loss on disposal of property, plant and equipment	1,086	1,811	18,110
Loss on impairment of fixed assets	15,088	6,364	63,640
Gain on sales of investment securities	(316)	(368)	(3,680)
Gain from liquidation of investment securities	-	(2,065)	(20,650)
Loss from valuation of investment securities	6	1,268	12,680
Provision for reserve for special repairs	3,583	2,742	27,420
Interest and dividend income	(1,602)	(1,261)	(12,610)
Interest expense	1,390	1,445	14,450
Increase in notes and accounts receivable	(1,145)	(13,087)	(130,870)
Decrease (increase) in inventories	1,916	(142)	(1,420)
Increase in notes and accounts payable	7,420	2,363	23,630
Other	(4,119)	(859)	(8,590)
Sub-total	124,724	127,528	1,275,280
Interest and dividends received	1,595	1,191	11,910
Interest paid	(1,310)	(1,476)	(14,760)
Payment for income taxes, net	(17,225)	(24,814)	(248,140)
Net cash provided by operating activities	107,784	102,429	1,024,290
Cash flows from investing activities:			
Increase in time deposits, net	(126)	(129)	(1,290)
Purchases of marketable and investment securities	(964)	(5,536)	(55,360)
Proceeds from sales of marketable and investment securities	601	501	5,010
Proceeds from liquidation of investment securities	-	3,870	38,700
Purchases of property, plant and equipment	(100,431)	(90,809)	(908,090)
Proceeds from sales of property, plant and equipment	4,577	8	80
Proceeds from capital reduction of affiliated company	347	218	2,180
Decrease in loans receivable, net	36	13	130
Cash paid in conjunction with the purchases of consolidated subsidiaries	-	(67)	(670)
Net cash used in investing activities	(95,960)	(91,931)	(919,310)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	1,683	(2,461)	(24,610)
Proceeds from long-term loans	-	7,818	78,180
Repayment of long-term loans	(8,204)	(4,791)	(47,910)
Redemption of unsecured bonds	-	(20,000)	(200,000)
Proceeds from issuance of common stock	-	27,540	275,400
Proceeds from common stock issued to minority shareholders	452	193	1,930
Cash dividends paid	(3,188)	(3,825)	(38,250)
Other	(175)	1,051	10,510
Net cash provided by (used in) financing activities	(9,432)	5,525	55,250
Effect of exchange rate changes on cash and cash equivalents	2,453	(369)	(3,690)
Net increase in cash and cash equivalents	4,845	15,654	156,540
Cash and cash equivalents at beginning of year	86,321	85,392	853,920
Effect of changes in the number of consolidated subsidiaries	(5,774)	-	-
Cash and cash equivalents at end of year (Note 7)	¥ 85,392	¥ 101,046	$ 1,010,460

The accompanying notes to the consolidated financial statements are an integral part of these statements.

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Nippon Electric Glass Co., Ltd. ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP") which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosure from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100 to U.S. $1.00.

The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

(a) Consolidation policies

Under Japanese GAAP, companies are required to consolidate all significant investees over which they have power of control through a majority of voting rights or existence of certain conditions evidencing control.

The accompanying consolidated financial statements include the accounts of the Company and substantially all of its subsidiaries. All significant intercompany transactions and account balances are eliminated in consolidation.

Investments in other affiliated companies are stated at cost.

Financial information for foreign subsidiaries is based on their fiscal years which end December 31.

(b) Translation of foreign currencies

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the relevant exchange rates at the balance sheet date.

The financial statements of the Company's consolidated foreign subsidiaries are translated into Japanese yen at the current rates for assets and liabilities and historical rates for shareholders' equity accounts. Average rates for the years are used for the translation of income and expense amounts. Foreign currency translation adjustments are recorded in net assets.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, deposits placed with banks on demand and short-term highly liquid investments with maturities of three months or less when deposited or purchased are considered to be cash and cash equivalents.

(d) Marketable and investment securities

Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Cost of sales is calculated using moving average cost.

(e) Allowance for doubtful receivables

Allowance for doubtful receivables is provided in an amount sufficient to cover possible losses on collection. For regular receivables, it consists of an estimated amount based on the historical ratio of bad debt losses. For receivables from customers in financial difficulty, it consists of the estimated uncollectable amounts of specific doubtful receivables.

(f) Inventories

Finished goods are stated principally at the lower of cost or market value, with cost determined by the moving average method. Other inventories are stated principally at cost determined by the moving average method.

(g) Property, plant and equipment

Property, plant and equipment are principally stated at cost.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is calculated by the declining-balance method at rates based on the estimated useful life of the asset. Buildings, excluding fixtures, acquired after March 31, 1998 are depreciated using the straight-line method. Depreciation of property, plant and equipment of consolidated foreign subsidiaries is calculated principally by the declining-balance method at rates based on the estimated useful life of the asset. The estimated useful life of machinery and equipment are generally ranges from 9 to 13 years.

For the year ended March 31, 2007, the Company shortened the estimated useful life of certain machinery in the Information and Communications sector because the Company confirmed that the useful life of the assets was actually shorter than the former estimated useful life, considering the situations under which machines are used. Also, this machinery was depreciated retroactively on a temporary basis. The effect of this change was to increase depreciation expenses by ¥4,004 million, decrease operating income by ¥1,839 million and decrease income before income taxes and minority interests by ¥3,623 million. The impact on segment information as a result of this change is described in detail in the segment information section.

For the year ended March 31, 2008, pursuant to an amendment to the Japanese Corporate Tax Law, the Company and its consolidated domestic subsidiary depreciate tangible fixed assets acquired on or after April 1, 2007 in accordance with the method stipulated in the amended Japanese Corporation Tax Law. As a result, for the year ended March 31, 2008, operating income and income before income taxes and minority interests were each ¥998 million ($9,980 thousand) less than they would have been using the previous method. The impact on segment information as a result of this change is described in detail in the segment information section.

Pursuant to an amendment to the Japanese Corporate Tax Law, after fully depreciating tangible fixed assets acquired on or before March 31, 2007 up to 5% of the acquisition cost based on the prior Japanese Corporate Tax Law, the Company and its consolidated domestic subsidiaries depreciate the difference between 5% of the acquisition cost and the memorandum price using a straight-line method over 5 years and expense the amounts as "Depreciation and amortization." The straight-line depreciation starts from the year following the year the book value of tangible assets acquired on or before March 31, 2007 reach 5% of the acquisition cost. As a result, for the year ended March 31, 2008, the operating income and income before income taxes and minority interests were each ¥596 million ($5,960 thousand) less than they would have been using the previous method. The impact on segment information as a result of this change is described in detail in the segment information section.

(h) Accounting for certain lease transactions
Finance leases that do not transfer ownership to the lessees are accounted for principally in the same manner as operating leases in accordance with Japanese GAAP.

(i) Provision for product defect compensation
The provision for product defect compensation is provided to cover the estimated future compensation for a single type of product manufactured by the Company and calculated based on the number of shipments of that product.

(j) Reserve for directors' bonuses
To provide a reserve for directors' bonuses, the Company and its consolidated domestic subsidiaries record the amount estimated to be paid to directors after the balance sheet date for their services rendered during the period.

(k) Severance and retirement benefits
The Company and its consolidated subsidiaries principally provided the liability for severance and retirement benefits based on the projected benefit obligation at the end of fiscal year.

At March 31, 2007 and 2008, accrued retirement benefits for employees were provided mainly at an amount of the projected benefit obligation calculated by a simplified method because the amount of severance and retirement benefits was not significant.

(l) Directors' retirement benefits
To provide for directors' retirement benefits, the Company and its consolidated subsidiaries recorded the amount that was required by the internal corporate policy at the end of the current fiscal year. However, the directors' retirement benefits system was abolished in June 2004, and the Company has ceased recording them from July 2004.

(m) Reserve for special repairs
Significant expenditures are expected for the repair of melting furnaces every 3 to 7 years. Such repairs are provided for in advance by charging the estimated cost against current operations over those periods.

(n) Income taxes
Tax effects of loss carryforwards and temporary differences between the financial statements basis and the tax basis of assets and liabilities are recognized as deferred tax assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income.

(o) Research and development
Costs relating to research and development activities are charged to income as incurred and amounted to ¥4,482 million and ¥5,108 million ($51,080 thousand) in 2007 and 2008, respectively.

(p) Net income per share
The computations of net income per share are based on the average number of shares outstanding during each year. Diluted net income per share of common stock is computed based on the average number of shares outstanding, increased by the number of shares that would be outstanding assuming all dilutive convertible bonds were converted at the beginning of the year at the current conversion price. Because there was no diluted stock, the computation of diluted net income per share was not calculated.

Per share of common stock amounts are retroactively adjusted for subsequent stock splits. The Company had a 2-for-1 stock split of its common stock on March 10, 2005 and had a 1.5-for-1 stock split of its common stock on April 1, 2007.

(q) Derivatives and hedge accounting
The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes.

If currency swap contracts are executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted currency, and no gain or loss on the currency swap contract is recognized.

Hedging instruments and hedged items used by the Company and its consolidated subsidiaries are as follows:

Hedging instruments:	Hedged item:
Currency swap contracts	Long-term loan

The Company and its consolidated subsidiaries enter into forward foreign exchange contracts and currency swap contracts to manage risk exposure.

The Company and its consolidated subsidiaries use derivative transactions solely for the purpose of managing risks, and not for speculation.

The counterparties are major financial institutions, therefore, the Company and its consolidated subsidiaries consider the credit risk to be minimal.

The derivative transactions are entered into by each company in accordance with accounting policies and decisions made in each company's management meeting.

(r) Reclassification and restatement
Certain prior year amounts have been reclassified to conform to the current year presentation.

These reclassifications had no impact on previously reported results of operations or retained earnings.

3. Accounting changes

(a) Accounting standard for directors' bonuses

Effective from the year ended March 31, 2007, the Company and its consolidated domestic subsidiaries adopted Accounting Standards Statement No. 4, "Accounting Standard for Directors' Bonuses," issued by the Accounting Standards Board of Japan on November 29, 2005.

The effect on net income of the adoption of this new accounting standard was not material.

(b) Accounting standard for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests, as applicable, and the shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently compared to the previous presentation. Minority interests are required to be included in the net assets section under the New Accounting Standards. Under the previous presentation rules, companies were required to present minority interests in the current liabilities section and between the non-current liabilities and shareholders' equity sections, respectively.

The adoption of the New Accounting Standards had no impact on the consolidated statements of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥271,951 million would have been presented.

(c) Accounting standard for statement of changes in net assets

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "Additional New Accounting Standards").

Accordingly, the Company prepared the statements of changes in net assets for the year ended in accordance with the Additional New Accounting Standards. Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP.

4. Supplementary information

Gain from liquidation of investment securities

Gain from liquidation of investment securities was due to the liquidation of Nippon Electric Glass UK Limited, a former subsidiary in the U.K.

5. Marketable and investment securities

(a) At March 31, 2007 and 2008, acquisition cost, book value and fair value of securities with available market values were as follows:

	Millions of yen		
2007:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 6,813	¥ 18,113	¥ 11,300
Securities with acquisition cost exceeding book value:			
Equity securities	500	448	(52)
	¥ 7,313	¥ 18,561	¥ 11,248

	Millions of yen		
2008:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 4,755	¥ 11,327	¥ 6,572
Securities with acquisition cost exceeding book value:			
Equity securities	6,694	6,168	(526)
	¥ 11,449	¥ 17,495	¥ 6,046

	Thousands of U.S. dollars		
2008:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	$ 47,550	$113,270	$65,720
Securities with acquisition cost exceeding book value:			
Equity securities	66,940	61,680	(5,260)
	$114,490	$174,950	$60,460

(b) At March 31, 2007 and 2008, book value of securities with no available market values were as follows:

	Millions of yen
2007:	Book value
Available-for-sale securities:	
Equity securities issued by affiliates	¥ 2,294
Non-listed equity securities, other	3,227
	¥ 5,521

	Millions of yen	Thousands of U.S. dollars
2008:	Book value	Book value
Available-for-sale securities:		
Equity securities issued by affiliates	¥ 1,757	$ 17,570
Non-listed equity securities, other	13	130
	¥ 1,770	$ 17,700

(c) Sales of available-for-sale securities sold in the years ended March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Total sales amounts	¥ 601	¥ 501	$5,010
Gains on sales	316	368	3,680
Losses on sales	19	-	-

6. Derivatives

The fair value of derivative contracts utilized by the Company and its consolidated subsidiaries at March 31, 2007 and 2008 were as follows:

Currency related transaction

2007: Millions of yen

Classification	Type of transaction	Notional amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
	Forward foreign exchange				
Non-market transaction	Sell	¥ 2,001	¥ -	¥ 2,017	¥ (18)
	Buy	38	-	37	0
	Swap	2,762	1,657	92	92
	Option				
	Sell-Buy	2,596	-	(82)	(82)
		¥ 7,397	¥ 1,657	¥ 2,064	¥ (8)

2008: Millions of yen

Classification	Type of transaction	Notional amount	Portion due after 1 year	Fair value	Unrealized gain
	Forward foreign exchange				
Non-market transaction	Sell	¥ 1,558	¥ -	¥ 1,544	¥ 13
	Buy	42	-	42	0
	Swap	1,591	530	87	87
		¥ 3,191	¥ 530	¥ 1,673	¥ 100

2008: Thousands of U.S. dollars

Classification	Type of transaction	Notional amount	Portion due after 1 year	Fair value	Unrealized gain
	Forward foreign exchange				
Non-market transaction	Sell	$15,580	$ -	$15,440	$ 130
	Buy	420	-	420	0
	Swap	15,910	5,300	870	870
		$31,910	$5,300	$16,730	$1,000

Note: 1. The fair value of forward foreign exchange is based on the forward exchange rate. The fair value of swaps and options is based on the prices obtained from the financial institution.
2. The option transaction is described in a lump sum because call options and put options are combined.
3. Derivative transactions utilized by the Company and its consolidated subsidiaries other than those above are accounted for hedge accounting and are not included in the above tasks.

7. Cash and cash equivalents

Cash and cash equivalents at March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Cash and time deposits in the balance sheets	¥85,392	¥101,046	$1,010,460
Time deposits due over three months	-	-	-
Cash and cash equivalents in the statements of cash flows	¥85,392	¥101,046	$1,010,460

8. Inventories

Inventories at March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Finished and purchased goods	¥15,001	¥ 12,425	$ 124,250
Semi-finished goods and work-in-process	13,341	12,737	127,370
Raw materials and others	11,431	14,569	145,690
	¥39,773	¥ 39,731	$ 397,310

9. Pledged assets

At March 31, 2008, the following assets were pledged as collateral for notes payable and others amounting to ¥1,002 million ($10,020 thousand).

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Building and structures	-	¥ 1,080	$ 10,800
Other assets (leasehold)	-	168	1,680
	-	¥ 1,248	$ 12,480

10. Loss on impairment of fixed assets

Long-lived assets, such as property, plant and equipment, and acquired intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison between the book value of the asset and the estimated undiscounted future cash flows expected to be generated by the asset. If the book value of the asset exceeds its estimated future cash flows, an impairment loss is recognized in the amount by which the book value of the asset exceeds the fair value of the asset.

Loss on impairment of fixed assets for the years ended March 31, 2007 and 2008 consisted of the following:

(a) Grouping
The Company and its consolidated subsidiaries essentially group its operating assets by business units and its idle assets separately, to measure the impairment of the assets.

(b) Assets subject to impairment
After review, the book values of the following assets were reduced to recoverable values and the reduced amounts were recognized as impairment losses.

2007:

Use	Reason	Location	Type
Production facilities for CRT glass	Unprofitable due to marked deterioration in market circumstances	Malaysia China	Machinery and equipment, Other

2008:

Use	Reason	Location	Type
Production facilities for CRT glass	Unprofitable due to marked deterioration in market circumstances	China Malaysia	Machinery and equipment, Other
Important idle assets	No utilization plan	Shiga-Takatsuki factory, Other	Machinery and equipment, Other

(c) Assessment of recoverable values

For the year ended March 31, 2007, the recoverable values were mainly measured at value in use calculated by discounting future cash flows at an interest rate of 6.0%.

No recoverable values were expected for the production facilities for CRT glass because the possibility for future use and sale was low.

For the year ended March 31, 2008, the recoverable values were mainly measured at value in use calculated by discounting future cash flows at an interest rate of 12.0%.

No recoverable values were expected for the production facilities for CRT glass because the possibility for future use and sale was low.

Recoverable values for land and buildings are measured at the appraisal values given by real estate appraisers.

(d) Impairment loss on fixed assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Machinery and equipment	¥11,660	¥ 4,482	$ 44,820
Other	3,428	1,882	18,820
	¥15,088	¥ 6,364	$ 63,640

11. Short-term borrowings and long-term debt

Short-term borrowings, including the current portion of long-term debt, at March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Short-term bank loans; average rate 1.33% per annum	¥67,519	¥65,073	$650,730
Current portion of long-term loans; average rate 1.49% per annum	4,796	2,581	25,810
Current portion of unsecured bonds; 1.27%	20,000	–	–
	¥92,315	¥67,654	$676,540

Long-term debt at March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Loans, principally from banks and insurance companies due from 2009 through 2016; average rate 1.71% per annum	¥ 8,777	¥11,693	$116,930
1.27% unsecured bonds, due in 2008	20,000	–	–
0.99% unsecured bonds, due in 2010	20,000	20,000	200,000
	48,777	31,693	316,930
Less current portion included in short-term borrowings	(24,796)	(2,581)	(25,810)
	¥23,981	¥29,112	$291,120

The aggregate annual maturities of long-term debt at March 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars
2009	¥ 2,581	$ 25,810
2010	21,452	214,520
2011	989	9,890
2012	777	7,770
2013	777	7,770
2014 and thereafter	5,117	51,170
	¥31,693	$316,930

12. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 40.4% for the years ended March 31, 2007 and 2008.

The significant differences between the statutory tax rate in Japan and the effective tax rate of the Company and its consolidated subsidiaries for financial statement purposes for the years ended March 31, 2007 and 2008 were as follows:

	2007	2008
Statutory tax rate in Japan	40.4%	40.4%
Effect of elimination of dividend income	1.7	1.5
Difference in tax rates for consolidated foreign subsidiaries	4.5	0.9
Valuation allowance	1.8	0.6
Expense not deductible for tax purposes, mainly entertainment expenses	0.3	0.2
Exclusion from gross revenue of dividends	(1.9)	(1.3)
Prior-period income tax	(2.3)	–
Effect of elimination of allowance for doubtful accounts	(10.4)	–
Other	2.6	1.8
Effective tax rate	36.7%	44.1%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Deferred tax assets:			
Excess reserve for special repairs	¥ 2,981	¥ 3,645	$ 36,450
Impairment loss on property, plant and equipment	2,439	2,791	27,910
Loss on devaluation of inventories	2,804	2,550	25,500
Tax losses carried forward	1,682	2,417	24,170
Enterprise tax	954	2,077	20,770
Unrealized gain on property, plant and equipment	1,742	1,856	18,560
Accrued liability on retirement benefit plan changes	2,905	1,732	17,320
Accrued bonuses	1,465	1,445	14,450
Alternative minimum tax	1,300	1,283	12,830
Unrealized gain on inventories	993	1,189	11,890
Loss from valuation of investment securities	2,096	1,030	10,300
Other	5,961	5,496	54,960
Subtotal deferred tax assets	27,322	27,511	275,110
Less valuation allowance	(4,335)	(5,589)	(55,890)
Total net deferred tax assets	22,987	21,922	219,220
Deferred tax liabilities:			
Depreciation of consolidated foreign subsidiaries	(2,013)	(2,624)	(26,240)
Net unrealized holding gains on securities	(4,278)	(2,362)	(23,620)
Other	(44)	(21)	(210)
Total deferred tax liabilities	(6,335)	(5,007)	(50,070)
Net deferred tax assets	¥16,652	¥16,915	$169,150

13. Severance and retirement benefits

The Company provides mainly defined contribution pension plans, and unfunded lump-sum payment plans are provided for a few employees.
Consolidated subsidiaries provide mainly funded lump-sum payment plans and defined contribution pension plans.

Liabilities for severance and retirement benefits at March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Projected benefit obligation	¥ (1,308)	¥ (1,421)	$ (14,210)
Pension assets	53	56	560
Unrecognized benefit obligation	(1,255)	(1,365)	(13,650)
Unrecognized transition obligation	(59)	(51)	(510)
Unrecognized actuarial differences	13	2	20
Net liabilities for severance and retirement benefits	(1,301)	(1,414)	(14,140)
Prepaid benefit cost	-	-	-
Liabilities for severance and retirement benefits	¥ (1,301)	¥ (1,414)	$ (14,140)

Severance and retirement benefit expenses for the years ended March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Service costs	¥ 156	¥ 350	$ 3,500
Interest cost	4	6	60
Expected return on pension assets	(1)	(1)	(10)
Amortization of transition obligation	(7)	(7)	(70)
Amortization of actuarial differences	(3)	4	40
Subtotal severance and retirement benefit expenses	149	352	3,520
Defined contribution pension plan	1,391	1,348	13,480
Total severance and retirement benefit expenses	¥ 1,540	¥ 1,700	$ 17,000

14. Net assets

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code").

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting.Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings by resolution of the shareholders' meeting, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

On March 10, 2005, the Company effected a 2-for-1 common stock split and on April 1, 2007 the Company effected a 1.5-for-1 common stock split. The amount of common stock did not increase by these stock splits. All historical share and per share data included in these financial statements have been adjusted to reflect these stock splits.

At the annual shareholders' meeting held on June 27, 2008, the shareholders approved cash dividends amounting to ¥2,488 million ($24,880 thousand), ¥5.00 per share.

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥1,913 million ($19,130 thousand), or ¥4.00 per share on November 30, 2007.

The Company issued 18,300,000 shares of common stock by public offering on February 14, 2008. The issue price was ¥1,569 per share and gross cash proceeds were ¥27,540 million ($275,400 thousand), of which ¥13,770 million ($137,700 thousand) was recorded as capital surplus in accordance with the Law.

Concurrently with the above public offering, the Company disposed (offered for sale) 1,050,000 shares of treasury stock.

15. Contingent liabilities

Contingent liabilities at March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Notes discounted	¥ 86	¥ 105	$ 1,050
Guarantee of employees' housing loans	1,513	1,347	13,470
	¥1,599	¥1,452	$14,520

Other contingent liabilities

For the legal liquidation of Nippon Electric Glass (UK) Limited, the Company executed and delivered a guaranty to the liquidator and others. The Company compensates the following under the guaranty.

1. The liabilities and expenses borne by the liquidator and others related to the liquidation
2. Fee for the liquidator

The compensation under the guaranty is less than the amount, including interest, which the Company receives from Nippon Electric Glass (UK) Limited.

16. Lease information

(a) At March 31, 2007 and 2008, the equivalent amounts of acquisition cost, accumulated depreciation and net book value of leased properties under finance leases accounted for in the same manner as operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Acquisition cost of machinery and equipment	¥ 712	¥727	$7,270
Accumulated depreciation of machinery and equipment	(431)	(260)	(2,600)
Net book value	¥ 281	¥467	$4,670

(b) Future minimum lease payments, excluding interest, under finance leases at March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Current	¥ 131	¥146	$1,460
Non-current	184	331	3,310
	¥ 315	¥477	$4,770

(c) Lease payments, assumed depreciation and assumed interest for the years ended March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Lease payments	¥ 160	¥184	$1,840
Assumed depreciation	151	164	1,640
Assumed interest	7	24	240

Assumed depreciation is calculated by the straight-line method over the term of the lease assuming no residual value.

(d) Future minimum lease payments under operating leases at March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Current	¥ 187	¥185	$1,850
Non-current	1,024	807	8,070
	¥1,211	¥992	$9,920

(e) There was no impairment loss on fixed assets distributed to lease assets at March 31, 2007 and 2008.

17. Segment information

Information by segment for the years ended March 31, 2007 and 2008 was as follows:

(a) Information by business segment

The Company and its consolidated subsidiaries principally operate in the glass business in Japan and foreign countries. Therefore, information by business segment is not required to be disclosed.

(b) Information by geographic area

	Millions of yen					
2007:	Japan	Asia	Other areas	Total	Elimination and corporate	Consolidated total
Net sales						
External	¥ 174,279	¥ 158,769	¥ 3,363	¥ 336,411	¥ -	¥ 336,411
Inter-segment	99,398	11,896	188	111,482	(111,482)	-
Total sales	273,677	170,665	3,551	447,893	(111,482)	336,411
Operating expenses	194,902	167,561	3,531	365,994	(114,168)	251,826
Operating income	¥ 78,775	¥ 3,104	¥ 20	¥ 81,899	¥ 2,686	¥ 84,585
Identifiable assets	¥ 384,385	¥ 137,279	¥ 2,970	¥ 524,634	¥ (4,927)	¥ 519,707

	Millions of yen					
2008:	Japan	Asia	Other areas	Total	Elimination and corporate	Consolidated total
Net sales						
External	¥ 155,289	¥ 210,032	¥ 2,946	¥ 368,267	¥ -	¥ 368,267
Inter-segment	154,853	11,686	51	166,590	(166,590)	-
Total sales	310,142	221,718	2,997	534,857	(166,590)	368,267
Operating expenses	213,673	217,462	2,804	433,939	(166,555)	267,384
Operating income	¥ 96,469	¥ 4,256	¥ 193	¥ 100,918	¥ (35)	¥ 100,883
Identifiable assets	¥ 439,881	¥ 144,340	¥ 1,901	¥ 586,122	¥ 1,909	¥ 588,031

	Thousands of U.S. dollars					
2008:	Japan	Asia	Other areas	Total	Elimination and corporate	Consolidated total
Net sales						
External	$1,552,890	$2,100,320	$29,460	$3,682,670	$ -	$3,682,670
Inter-segment	1,548,530	116,860	510	1,665,900	(1,665,900)	-
Total sales	3,101,420	2,217,180	29,970	5,348,570	(1,665,900)	3,682,670
Operating expenses	2,136,730	2,174,620	28,040	4,339,390	(1,665,550)	2,673,840
Operating income	$ 964,690	$ 42,560	$ 1,930	$1,009,180	$ (350)	$1,008,830
Identifiable assets	$4,398,810	$1,443,400	$19,010	$5,861,220	$19,090	$5,880,310

Note: 1. The classification of countries is based on the degree of geographical proximity.
2. The main countries belonging to the classification of those other than Japan are:
(1) Asia Malaysia, China, Korea, Taiwan
(2) Other areas U.S.A.
3. Corporate assets of ¥53,635 million and ¥63,986 million ($639,860 thousand) at March 31, 2007 and 2008, respectively, consisted mainly of cash and time deposits and investment securities owned by the Company.
4. Additional information
As discussed in Note 2(g), for the year ended March 31, 2007, the Company shortened the estimated useful life of certain machinery in the Information and Communications sector. As a result of this change, depreciation expenses were ¥4,004 million more, assets ¥3,623 million less, and operating income ¥1,839 million less in Japan segment than the amounts that would have been recorded under the previous method.
As discussed in Note 2(g), for the year ended March 31, 2008, the Company changed the method of depreciation of tangible fixed assets. As a result of this change, operating income was ¥998 million ($9,980 thousand) less in Japan segment than the amounts that would have been recorded under the previous method.
As discussed in Note 2(g), for the year ended March 31, 2008, the Company changed the accounting method of residual value of tangible fixed assets. As a result of this change, operating income was ¥596 million ($5,960 thousand) less in Japan segment than the amounts that would have been recorded under the previous method.

(c) Overseas sales information

2007:	Millions of yen Asia	Other areas	Total
Overseas sales	¥ 187,211	¥ 20,902	¥ 208,113
Consolidated sales			336,411
Percentage of overseas sales	55.7%	6.2%	61.9%

2008:	Millions of yen Asia	Other areas	Total
Overseas sales	**¥ 231,645**	**¥ 19,718**	**¥ 251,363**
Consolidated sales			**368,267**
Percentage of overseas sales	**62.9%**	**5.4%**	**68.3%**

2008:	Thousands of U.S. dollars Asia	Other areas	Total
Overseas sales	**$2,316,450**	**$197,180**	**$2,513,630**
Consolidated sales			**3,682,670**

Note: 1. The classification of countries is based on the degree of geographical proximity.
2. The main countries belonging to the classification of those other than Japan are:
(1) Asia Malaysia, China, Korea, Taiwan
(2) Other areas U.S.A
3. Overseas sales comprised the Company's and its consolidated subsidiaries' sales to countries other than Japan.

18. Related party transaction

For the year ended March 31, 2007 and 2008, there were no applicable matters.

Independent Auditors' Report

To the Board of Directors of
Nippon Electric Glass Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Nippon Electric Glass Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Electric Glass Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 27, 2008

Directors and Corporate Auditors

Directors

Chairman of the Board
Tetsuji Mori

President
Yuzo Izutsu

Director
Hiroshi Kato
Katsumi Inada
Masayuki Arioka
Masami Atsuji
Shigeru Yamamoto
Koichi Inamasu
Shuji Ito

Corporate Auditors

Hitoshi Yasuda
Nobuhiro Miyamoto

Takuro Takeuchi
Attorney at Law

Fujio Okada
Associate Senior Vice President NEC Corporation

Corporate Officers

President
Yuzo Izutsu

Executive Vice President
Hiroshi Kato
Katsumi Inada
Masayuki Arioka
Masami Atsuji

Senior Vice President
Shigeru Yamamoto
Koichi Inamasu
Shuji Ito

Vice President
Junji Fujikawa
Takashi Omori
Masahiro Miyake
Tamotsu Kitagawa
Takao Akune
Nobutaka Daiku
Kenji Ishitani
Masanori Yokota
Yoshihisa Kinoshita
Sumio Oshita
Motoharu Matsumoto

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Notogawa, Wakasa-Kaminaka

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Stock Exchange Listings
The common stock is listed on the Tokyo and Osaka Stock Exchanges in Japan

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