Annual Report 2010

Nippon Electric Glass Co., Ltd.

For the year ended March 31, 2010

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.

CONTENTS

A Caution concerning Forward-Looking Statements
Statements in this annual report with respect to NEG's plans, strategies, and benefits, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties.

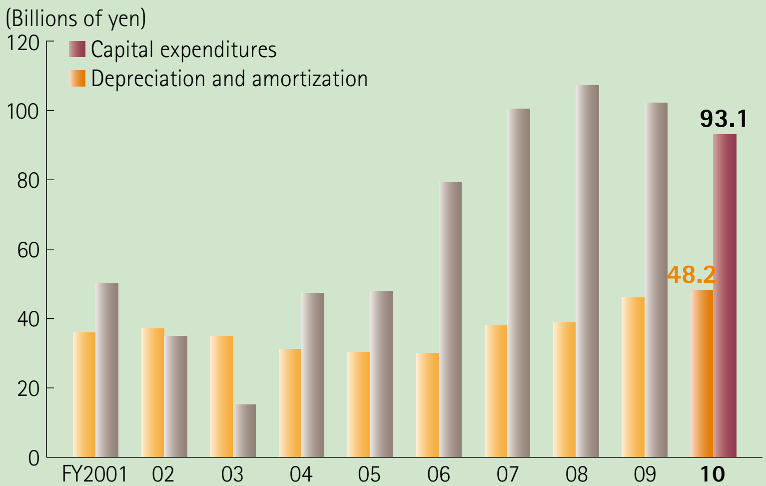
Consolidated Financial Summary

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

	FY2001	2002	2003	2004
For the year ended March 31				
Net sales	¥344,677	¥300,395	¥328,803	¥297,307
Operating income	49,204	22,132	42,985	33,819
Net income	25,398	3,378	14,603	8,568
Depreciation and amortization	35,932	37,079	34,967	31,177
Capital expenditures	50,241	34,919	15,236	47,315
Per share of common stock (yen and dollars)				
Net income	¥ 52.99	¥ 7.05	¥ 30.16	¥ 17.58
Diluted net income	48.63	-	-	-
Cash dividends	3.67	3.67	4.00	4.00
Shareholders' equity	419.18	455.21	444.43	434.68
At year-end				
Total assets	¥563,377	¥559,957	¥499,569	¥514,691
Current assets	244,743	229,395	213,667	237,274
Net property, plant and equipment	271,241	279,711	242,126	243,816
Current liabilities	210,609	200,459	165,926	173,199
Long-term debt	100,466	84,891	69,007	84,176
Shareholders' equity	200,918	218,184	212,942	208,248
Cash flows				
Net cash provided by operating activities	¥ 72,640	¥ 36,456	¥ 79,241	¥ 53,397
Net cash used in investing activities	(32,820)	(33,024)	(18,368)	(32,478)
Net cash provided by (used in) financing activities	(39,707)	(16,434)	(57,433)	5,615
Cash and cash equivalents at end of year	71,585	58,886	62,339	89,291
Number of shares outstanding (thousands)				
Average	159,769	159,768	159,702	159,597
Year-end	159,771	159,760	159,614	159,577
Equity ratio (%)	35.7	39.0	42.6	40.5
Return on equity (%)	13.5	1.6	6.8	4.1

Notes: 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 income per

Capital expenditures & depreciation and amortization



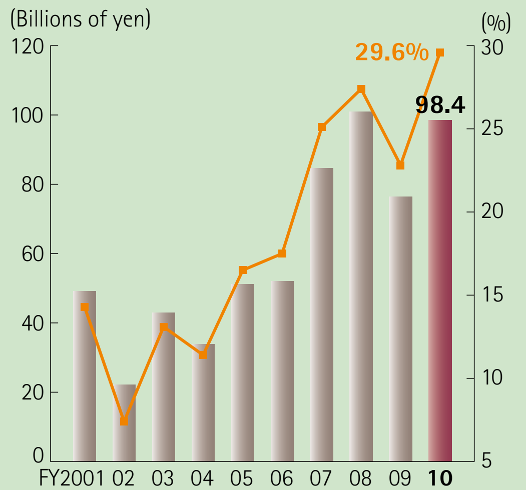
(Millions of yen and thousands of U.S. dollars, except per share figures)

2005	2006	2007	2008	2009	2010	
¥310,198	¥296,440	¥336,411	¥368,267	¥335,662	¥332,388	$3,574,065
51,109	51,952	84,585	100,883	76,416	98,426	1,058,344
11,954	3,231	40,358	50,669	21,832	54,927	590,613
30,345	30,106	38,042	38,843	46,134	48,167	517,925
47,997	79,300	100,414	107,283	102,050	93,079	1,000,849
¥ 24.64	¥ 6.47	¥ 84.37	¥ 105.29	¥ 43.89	¥ 110.41	$ 1.19
-	-	-	-	-	-	-
4.33	6.00	7.33	9.00	10.00	11.00	0.12
454.33	482.58	568.55	691.27	701.62	808.75	8.70
¥495,568	¥486,016	¥519,707	¥588,031	¥588,414	¥646,444	$6,951,011
233,799	216,168	208,719	238,859	200,062	228,625	2,458,333
228,218	233,206	274,683	318,527	362,860	385,170	4,141,613
165,367	177,748	198,308	189,606	165,640	153,874	1,654,559
59,066	48,757	23,981	29,112	44,989	57,281	615,926
217,588	231,005	271,951	343,953	349,043	402,328	4,326,107
¥ 71,844	¥ 71,312	¥107,784	¥102,429	¥ 89,873	¥118,721	$1,276,570
(52,918)	(56,516)	(95,960)	(91,931)	(121,975)	(86,847)	(933,839)
(9,603)	(29,760)	(9,432)	5,525	27,438	(35,135)	(377,796)
97,902	86,321	85,392	101,046	94,623	91,668	985,677
319,101	318,993	318,912	481,226	497,456	497,476	
319,048	318,938	318,880	497,570	497,484	497,468	
43.9	47.5	52.3	58.5	59.3	62.2	
5.6	1.4	16.0	16.5	6.3	14.6	

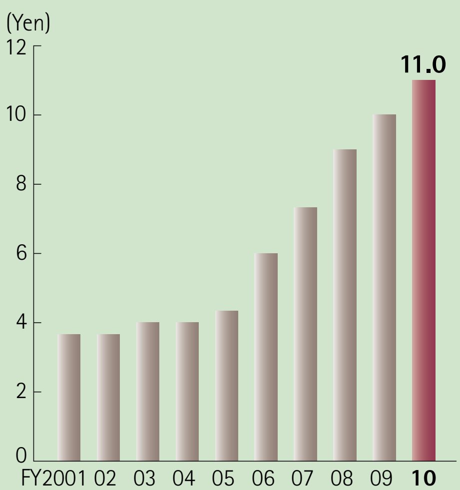
share was not calculated in 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, and 2010.
4. Shareholders' equity = Total net assets - Minority interests (as recorded on the Consolidated Balance Sheets)
5. U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2010 of ¥93 to US$1.00.
6. The number of shares outstanding is net of treasury stock.
7. At March 31, 2010, Nippon Electric Glass Co., Ltd. had 22 consolidated subsidiaries.

Net sales

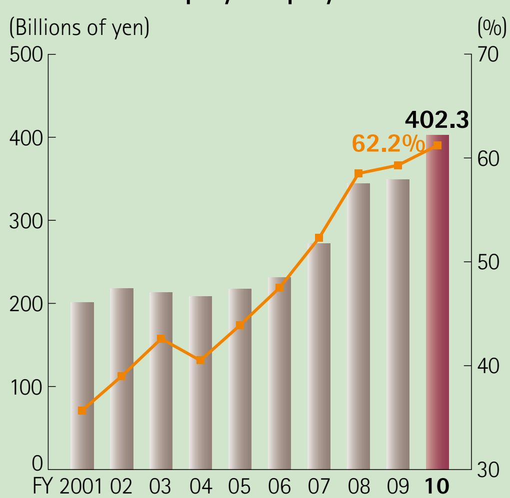
Operating income & operating income ratio



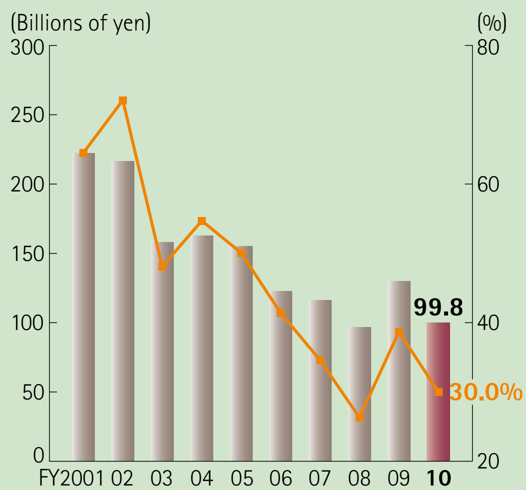
Cash dividends



Shareholders' equity & equity ratio



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



Message from the Management

Overview of Fiscal Year 2010

In the 2010 fiscal year (ended March 31, 2010), the economic recovery in China, in particular, led to a rapid recovery in our sales of glass for flat panel displays (FPDs), which is our core business product. Sales of glass for electronic devices and glass fibers also recovered. At the end of 2008, we shut down several of our glass melting furnaces in response to a rapid drop in demand, taking the move as an opportunity to improve our equipment. This upgrade has since served as a driving force in our business recovery because it enabled us to increase production and thus meet the subsequent improvement in sales. As a result, profits were significantly higher in fiscal 2010 than in fiscal 2009.

Changes in Senior Management

By resolution at a meeting of the Board of Directors held following the annual shareholders' meeting on June 29, Yuzo Izutsu (former Vice Chairman) assumed the role of Chairman of the Board. Tetsuji Mori (former Chairman) became Corporate Advisor. The new administration, headed by President Masayuki Arioka (reappointed), is firmly committed to addressing the challenges ahead.

Advancing in the New Fiscal Year

The demand for glass for FPDs is expected to further increase in response to replacement requirements for CRT televisions as well as the expansion of FPD markets in emerging economies. FPDs have a wide range of applications, from small display panels for cell phones to ultra-large digital signage, and the FPD market is expected to grow further with the development of display technology, such as that used for 3D images. However, increased demand and declining prices are inextricably linked. To address this, measures to achieve higher production efficiency are of prime importance. In fiscal 2011, we plan to implement measures to further enhance the productivity of existing equipment and improve product quality.

In the Other Products sector, sales of glass fibers for auto parts have been showing a steady increase, and we will continue improvements in productivity and quality. In terms of glass for electronic devices, the major battlefield has moved to China. In order to compete effectively with local manufacturers, we are placing special emphasis on the manufacture of high-quality products at low cost, together with the development of new products. In the heat-resistant glass sector, we will improve product quality and strengthen cost competitiveness in order to expand sales. We will concentrate on the development of overseas markets for glass for building materials. Glass for medical applications offers highly promising global market opportunities, and we will focus on boosting sales of glass for pharmaceutical use and glass for radiation shielding windows. To respond to these challenges, in fiscal 2011 we plan to invest 100 billion yen in capital expenditures.

Medium- to Long-term Business Strategy

We intend to place emphasis on development of future business sectors such as next-generation displays, new types of lighting, and energy applications. More specifically, we are committed to the development of organic light-emitting diode (OLED) displays in the display sector, and the development of glass for OLED lighting and phosphor glass for LEDs in the lighting sector. In the energy sector, our expertise in glass and thin films is extremely valuable. Accordingly, we are now engaged in the development of glass substrates for solar cells, and we have begun shipment of solar reflectors for solar thermal power generation. In the field of secondary batteries, we are promoting the development of thin-film lithium-ion secondary batteries made on ultra-thin glass substrates. Ultra-thin glass sheets are expected to be central to an emerging business field, and we are thus developing a technique for forming and continuously producing rolls of such sheets with thicknesses of several tens of micrometers. (See pages 4-5.)

Efforts to Improve Business Structure

From late fiscal 2009 through early fiscal 2010, NEG implemented funds management with special attention to securing liquidity on hand as a hedge against any sudden changes in the business environment. Consequently, the company was temporarily forced to back down from its effort to reduce interest-bearing debts. Fortunately, as financial markets stabilized, we were able to return to normal funds management starting in the latter half of fiscal 2010, and we duly reduced our interest-bearing debts. Since equipment plays a fundamental role for NEG, fixed assets are sources of both technology and profits and therefore constitute a large portion of the company's total assets. During this era of rapid market change, we will adhere to our cash-flow-based management approach. Specifically, we are working to reduce interest-bearing debts and to improve investment efficiency for increasingly stable management.

CSR Activities

Regarding our corporate social responsibility (CSR) activities, we place specific emphasis on three issues: preserving the environment, contributing to local communities, and employing people with disabilities.

Our environmental approach is based on the concept that "ideal manufacturing in terms of production efficiency and cost performance will be environmentally friendly." Our efforts involve reduction of CO_2 emissions, glass recycling, and decreased use of environmentally hazardous substances. In contributing to local communities, we support the development of local human resources for the future, such as via our academic-industrial collaboration with the University of Shiga Prefecture. Employees with disabilities at the NEG Group accounted for 3.4% of all personnel in the previous fiscal year—a figure that significantly exceeds the statutory hiring rate of 1.8% in Japan. However, rather than focusing only on numerical targets, we are determined to improve the workplace environment so that employees with disabilities can participate in the manufacturing of glass. Ultimately, we aim to provide a workplace in which every employee can share in the satisfaction of doing rewarding work.

Message to Shareholders

Returning profits to our shareholders is a vital issue for NEG. We will follow through on our dividend policy to continuously provide stable and long-term return of profits to our shareholders, while making efforts to meet financial requirements, thus moving ahead with active capital expenditures and the reduction of interest-bearing debts. We will also endeavor to retain earnings that will finance future business development. In fiscal 2010 we increased our annual dividend by ¥1 per share from the previous fiscal year. It was the sixth consecutive year in

Yuzo Izutsu, Chairman of the Board (left), and Masayuki Arioka, President

which dividends increased. We will continue to strive to steadily return profits to our shareholders while taking into account current financial situations and business results.

In closing, on behalf of the members of the Board, we would like to express our sincere gratitude to our shareholders, customers, and employees, and to all other stakeholders. We look forward to your continued support for the sound growth of the NEG Group.

Yuzo Izutsu, Chairman of the Board

M. Arioka

Masayuki Arioka, President

The Potentials of Ultra-thin Glass Sheets

NEG has taken its expertise in forming glass substrates for LCDs another step further, developing a technology that allows the manufacture of extremely thin glass sheets with thicknesses of several tens of micrometers (µm; 1 µm is equal to one thousandth of a millimeter) without polishing. NEG's innovative ultra-thin glass sheets are characterized by film-like flexibility and lightness, and they provide high performance. NEG endeavors to achieve the ultimate limit possible in terms of thinness, flatness and smoothness.

Ultra-thin glass sheets are superior to plastic films because of the inherent properties of glass, including gas barrier properties (which protect against gas and water), heat resistance, and transparency. Thus, these sheets have a variety of potential applications such as for OLED elements, electronic paper, solid secondary batteries, and solar cells. We aim to introduce this material into the new markets for next-generation displays, new types of lighting, and energy. Also, stemming from their thin and lightweight nature, ultra-thin glass sheets are environmentally friendly and can result in reduced use of energy and natural resources.

NEG has succeeded in developing a technology to form and continuously produce rolls of such sheets each with a length of over 100 meters. This will enable these rolls to be employed in the "roll-to-roll" process, which will open possibilities for even further improvements in production efficiency—a potential that is eyed with great expectations. We will continue to promote the development of ultra-thin glass sheets while exploring new potential markets. The following examines the use of ultra-thin glass sheets in an OLED lighting panel and for a lithium-ion secondary battery combined with a solar cell.

Ultra-thin glass sheet of 100 µm rolled into a cylinder

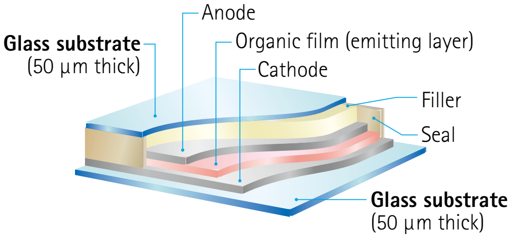
Next-Generation Displays

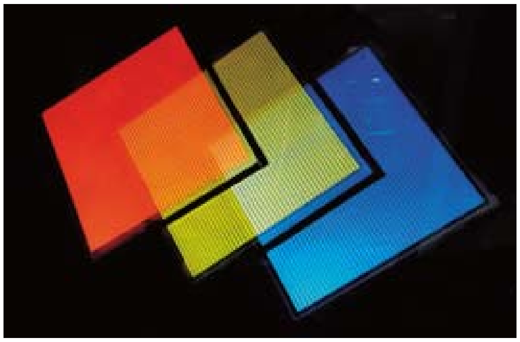
Flexible displays
OLED displays
Electronic paper
Other products

Highly flexible ultra-thin glass sheet

OLED Lighting Panel

OLED lighting is environmentally friendly, mercury-free, and ideal as next-generation lighting. Owing to its outstanding thinness, lightness, low electric power consumption, and use as a surface light source, it has a wide range of potential applications. NEG has succeeded in trial production of the world's thinnest OLED lighting panel (about 100 µm thick) using a pair of ultra-thin glass sheets each with a thickness of 50 µm. Ultra-thin glass sheets are able to bring out the maximum advantages of OLED lighting. There is a strong outlook for their deployment in new areas of business.





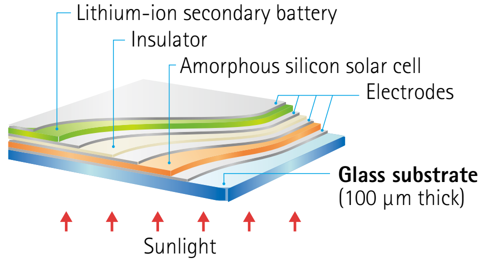
OLED lighting panels

Ultra-thin Glass Sheets

Energy
Lithium-ion secondary batteries
Lithium-ion secondary battery combined with a solar cell
Other products

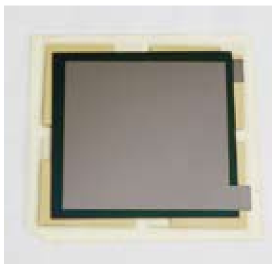
New Types of Lighting
OLED lighting panels
Other products

Other Areas
Hybrids with other materials
Other products

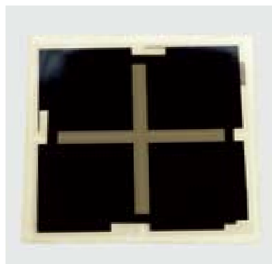


Lithium-Ion Secondary Battery Combined with a Solar Cell

NEG has completed trial production of a lithium-ion secondary battery combined with a solar cell made using ultra-thin glass substrates, in collaboration with Iwate University, ULVAC, Inc., and the National Institute of Advanced Industrial Science and Technology. It is produced by combining a solar cell and a lithium-ion secondary battery formed on an ultra-thin glass substrate, which NEG jointly developed with Iwate University. Electric power is generated by the solar cell, and it is stored in the lithium-ion secondary battery. The result is the world's thinnest lithium-ion secondary battery combined with a solar cell (about 100 μm thick), which is expected to be applied in areas such as mobile electronic devices and next-generation IC cards.



Lithium-ion secondary battery side

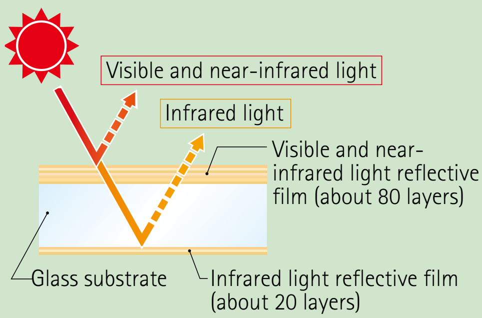


Amorphous silicon solar cell side

NEG's Solar Mirror Receives Technical Award

NEG was granted the Technical Award of the Ceramic Society of Japan* for its solar mirror. The solar mirror was highly evaluated for its ability to efficiently reflect sunlight at most wavelengths of the spectrum and for the technology that allows ceramic coatings with high heat resistance to be evenly formed on a large sheet of glass (about 1 m^2).

The mirror is used in solar thermal power facilities located in deserts or other areas with high solar radiation, to collect sunlight and generate electric power. In order to efficiently reflect sunlight and collect it within a heat storage medium, a total of nearly 100 layers of thin ceramic coating are formed on the glass surfaces. It is one of the largest solar mirrors in the world with ceramic coating.



This product was created through a combination of the Company's glass sheet forming technology based on the development of glass substrates for LCDs and a high-precision thin-film coating technique. In other words, it is an example of business success that has been made possible through the integration of NEG's many core technologies.

* The Technical Award of the Ceramic Society of Japan is given by the Ceramic Society of Japan to a person or company that has made a notable contribution in the areas of product development, industrialization, or the like, in relation to ceramic science and technology.

NEG follows a clear corporate philosophy, defined by the following words: "We, the NEG Group, will contribute to the welfare and prosperity of society by means of creating high-technology glass in harmony with the environment." Moreover, NEG carries out its business activities in line with the Group's high ethical standards of integrity. We place emphasis on compliance, environmental preservation, employment of people with disabilities, and contribution to local communities. As a member of society, we are committed to fulfilling our social responsibilities while working to achieve sustainable development of the company and improve its corporate value.

Corporate Governance

•Directors, Board of Directors, and Corporate Officers

NEG aims at promoting faster decision-making, ensuring managerial transparency, and enhancing business execution. We have optimized the number of directors, defined their decision-making and supervisory functions, and adopted a corporate officer system for business operations. Moreover, NEG has shortened the term for directorships to one year in order to clarify management responsibilities and establish a flexible management system capable of responding to business conditions.

•Auditors and Board of Auditors

The auditors conduct an audit of the performance of directors' duties by attending board of directors meetings and examining business operations and the financial situation. This is performed in accordance with the audit policy and plan that was established by the board of auditors. External auditors are selected from among those who have no vested interest in NEG, and they serve as auditors from an independent, objective, and professional perspective.

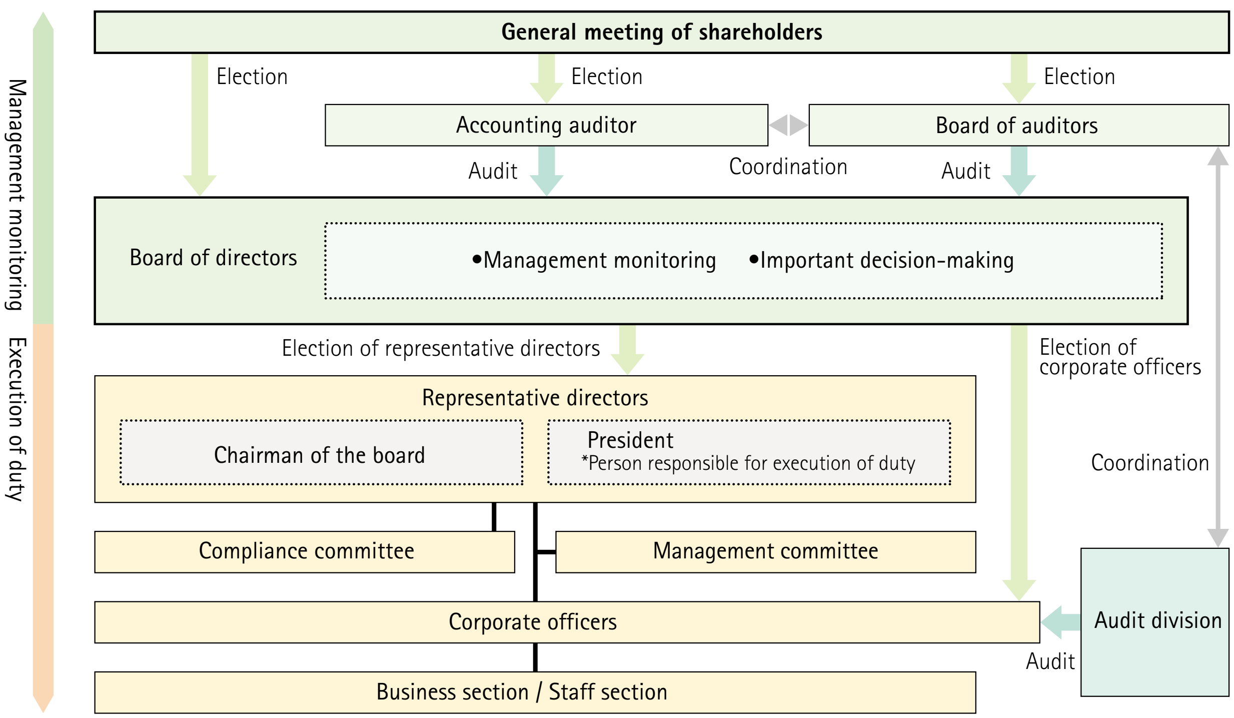
Internal Control

NEG has a basic policy on internal control which includes the following elements.
For internal control over financial reporting, a system has been established to ensure the appropriateness of financial reporting by NEG and its Group companies in accordance with applicable laws and regulations.

•Compliance System

NEG has established a compliance committee, a special organization that keeps all employees of the NEG Group continuously informed to ensure their compliance with laws and corporate ethical standards. The committee undertakes the following activities.
- Drafting revisions to the Corporate Philosophy, Group Code of Conduct, and Principles of Activities,

Diagram of corporate governance system



and implementing relevant measures throughout the Group
- Collecting and analyzing information and conducting compliance training
- Operating an internal reporting system
It is required that details of the above activities be reported to the board of directors and auditors on a regular basis.

•Risk Management System
NEG recognizes the importance of business risks related to compliance, finance, the environment, disasters, foreign trade management, information management, quality, and safety and health. To deal with these risks, responsible divisions and an expert committee formulate rules and guidelines, conduct training, prepare manuals, and implement other measures as needed. If any new type of risk arises, the president will promptly appoint designated personnel to be responsible for necessary measures. Matters of particular importance to corporate management will be discussed and reported at managerial meetings and to the board of directors.

Anti-takeover Measures

NEG is a public company whose stock is freely traded. Therefore, the final decision on whether or not to sell Company shares in response to large-scale purchases should be made by our shareholders. However, there are some cases relating to large-scale purchases in which shareholders are not given sufficient time or information to consider the purchase condition, or in which damage to corporate value and shareholders' common interests is possible.

We believe that before our shareholders make decisions in response to large-scale purchases, it is our obligation to obtain sufficient information from potential large-scale purchasers, have our board of directors examine and discuss such information, and provide our shareholders with their findings and opinions.

Based on this concept, NEG has partially revised its policy on countermeasures for large-scale purchases originally introduced in 2006. The revised policy was approved by our shareholders at its annual meeting in June 2009, and it subsequently took effect.

The policy involves the establishment of a special committee to prohibit the board of directors from taking arbitrary countermeasures and to make substantive and objective judgments regarding application of the policy. The committee gives priority to assessments made by highly independent external parties.

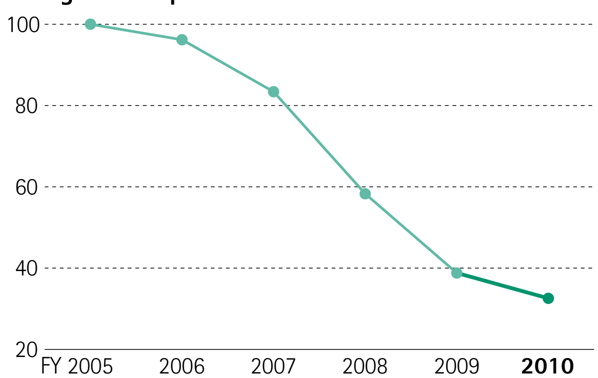
NEG is determined to undertake ongoing efforts to assure and improve the shareholders' common interests in accordance with this policy. In principle, the policy remains in effect until the closing of the annual meeting of shareholders in 2012.

Environmental Preservation

NEG views environmental awareness as one of its most important corporate social responsibilities.

•Reduction of Amount of Evaporants in Furnaces
NEG has been continuously seeking ways to reduce the amount of evaporants and smoke from exhaust gases. To do so, we have been using exhaust gas treatment equipment to capture and recycle evaporants from raw materials in exhaust gas. Taking this conventional approach a step further, in fiscal 2006, NEG implemented a plan to reduce the amount of evaporants formed during the melting process, contributing to a decrease of environmental burdens. The graph below shows changes in the evaporation ratio in the manufacture of LCD glass. This figure is the ratio of the amount of evaporants from glass elements formed in melting furnaces to the weight of glass products sold. With the implementation of our plan, by fiscal 2010, the evaporation ratio had been reduced to one-third of its level in fiscal 2005. We are determined to continue working to reduce the amount of evaporants from glass elements.

Changes in evaporation ratio*



*Changes are shown using FY 2005 as a base year (with a value of 100).

•The Notogawa Plant—In Harmony with the Environment

When it constructed its Notogawa plant, NEG focused on achieving harmony with the environment. A standard approach when creating green spaces in a plant would be to grow a lawn and plant trees. In contrast, in the construction of Notogawa plant, the site was left almost untouched, aside from the production area and several other locations. A natural stream still runs through the plant site and vegetation grows just as it did before the plant was built. We planted trees on the site over twenty years ago with the aim of creating a forest in which birds could come to nest. These trees have since grown and are now resulting in a natural environment. They are symbolic of NEG's philosophy of environmental preservation and are maintained with good care.

A pathway at the Notogawa plant full of natural vegetation

Regional Contributions

As a company located in Shiga Prefecture, we have been involved in continuous efforts to make contributions to the region in addition to the economic benefits and jobs created through our business activities. Such efforts include volunteer cleanups of neighboring roads and planting of trees and flowers around the site. Recently, we have been engaging in activities focused on the development of local human resources for the future.

In 2007, NEG entered into a comprehensive agreement with the University of Shiga Prefecture for academic-industrial collaboration. This year, NEG extended the period of the agreement and endowed courses at the university for a further three years.

Promoting Employment of People with Disabilities

The NEG Group is committed to expansion of employment opportunities for people with disabilities. As of March 2010, people with disabilities accounted for 3.4%* of all personnel employed by the NEG Group. This figure significantly exceeds the statutory hiring rate of 1.8% in Japan. Rather than focusing only on numerical targets, we are determined to improve the workplace environment so that employees with disabilities can participate in glass manufacturing and every employee will be able to experience the satisfaction of doing rewarding work.

*This figure was calculated based on the methods given by the Employment Promotion Act for People with Disabilities of Japan.

Financial Review

See page 1 for related graphs.

Business Climate

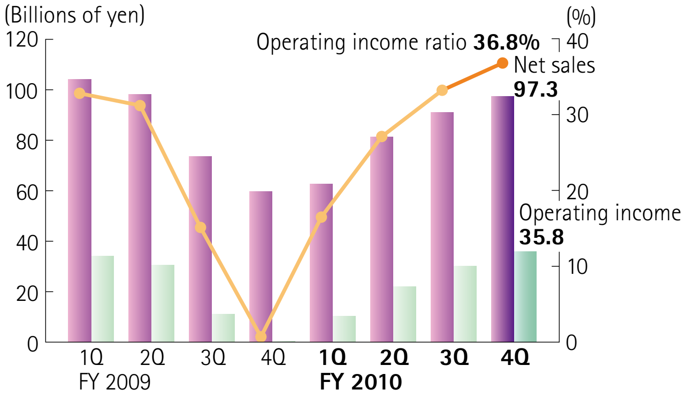
In the 2010 fiscal year, countermeasures taken by countries around the world against serious economic stagnation began to yield results. In Asia, Chinese domestic demand was instrumental in its recovery. Meanwhile, the U.S. economy started picking up gradually and the European downturn seemed to be bottoming out. Overall, however, the economic conditions in both Europe and the U.S. continued to be severe.

Japan saw an increase in exports, mainly to Asia, and consumer spending started to recover. However, capital expenditures and housing investment remained at low levels, and corporate profits and employment figures were still weak. Despite this situation, the NEG Group experienced a reasonable recovery in sales of glass for FPDs due to a rebound in demand among our customers. In the Group's other business sectors, recovery generally continued at a gradual rate, with particularly encouraging improvement in sales of products such as glass fibers.

Net Sales

Sales were on the path to recovery after hitting bottom in the fourth quarter of the previous fiscal year (January 1 through March 31, 2009). Consequently, net sales for this fiscal year were ¥332,388 million ($3,574 million), remaining almost unchanged from the previous fiscal year with a decrease of only 1.0%. Regarding sales of glass for display devices, while sales of glass for CRTs declined due to the shrinking of the CRT market, sales of glass for FPDs, our core product, experienced a recovery. Sales of glass for electronic devices were heading for recovery, with particularly positive outcomes for glass parts for optical communications and cover glass for image sensors. As a result, sales in the Information and Communications sector increased over the previous fiscal year. In the Other Products sector, the sales recovery remained moderate, resulting in a decline in sales volume over the previous fiscal year.

Net sales and operating income (by quarter)



Income

Operating income increased by 28.8% over the previous fiscal year to ¥98,426 million ($1,058 million). Profitability gains were achieved in every quarter due to a recovery in sales of glass for FPDs, increases in plant utilization ratio, and improved

Sales by Business

(Millions of yen and U.S. dollars)

	FY2009		FY2010			2010/2009
	Net sales	Percent of net sales	Net sales		Percent of net sales	Percent change
Glass Business :						
Information and Communications						
Glass for Display Devices	¥262,515	78.2%	¥272,051	$2,925	81.8%	3.6%
Glass for Electronic Devices	11,649	3.5	11,727	126	3.6	0.7
	274,164	81.7	283,778	3,051	85.4	3.5
Other Products						
Glass Fibers	29,615	8.8	22,659	244	6.8	–23.5
Building Materials, Heat-Resistant Glass, Glass Tubing, Others	30,456	9.1	24,832	267	7.5	–18.5
	60,071	17.9	47,491	511	14.3	–20.9
Glass Business Total	334,235	99.6	331,269	3,562	99.7	–0.9
Other Business :	1,427	0.4	1,119	12	0.3	–21.7
Total	¥335,662	100.0%	¥332,388	$3,574	100.0%	–1.0%

productivity. As a result, gross profit increased by 17.7% and the cost to sales ratio improved by 5.7 points. Accordingly, the operating income ratio was 29.6%, an increase of 6.8 points over the previous fiscal year.

For the net amount of other income and other expenses, losses of ¥11,889 million ($128 million) were recorded. This amount represented an improvement of ¥23,966 million ($258 million) over the figures for the previous fiscal year. Other income mainly comprised interest and dividend income of ¥1,351 million ($15 million). Other expenses included interest expenses of ¥1,570 million ($17 million); loss on disposal of property, plant and equipment (including removal expenses) of ¥4,755 million ($51 million); depreciation of idle property, plant and equipment of ¥2,737 million ($29 million); loss from spoilage of ¥1,049 million ($11 million); loss on impairment of fixed assets of ¥950 million ($10 million); and loss on liquidation of subsidiaries of ¥1,367 million ($15 million).

As a result, income before income taxes and minority interests totaled ¥86,537 million ($931 million), an increase of ¥45,976 million ($494 million) over the previous fiscal year. Combined with net amounts of provision for income taxes of ¥31,342 million ($337 million) and minority interests in profit of ¥268 million ($3 million), net income totaled ¥54,927 million ($591 million), a 151.6% increase over the previous fiscal year. Net income per share was ¥110.41 ($1.19).

Geographic Segment Information

[Japan]
Sales of flagship glass for FPDs recovered every quarter due to a rebound in demand among our customers. Sales totaled ¥307,123 million ($3,302 million), a 10.8% increase over the previous fiscal year. Operating income increased to ¥98,977 million ($1,064 million), up 42.8% on the previous fiscal year, mainly due to sales recovery, an increase in the plant utilization ratio, and improved productivity.

[Asia]
Although the Malaysian subsidiary, which mainly manufactures CRT glass and glass fibers, experienced a decline in sales, processing subsidiaries for LCD glass substrates enjoyed sales recoveries.
Total sales in Asia increased to ¥224,649 million ($2,416 million), up 4.6% on the previous fiscal year. Operating income also increased to ¥5,055 million ($54 million), up 49.8% on the previous fiscal year, mainly due to the sales recovery and an increase in the plant utilization ratio.

[Other Areas]
Sales from other areas, which included sales from the U.S. sales subsidiary, were down 22.6% on the previous fiscal year, to ¥2,395 million ($26 million), while operating income fell by 76.7% to ¥35 million ($0.4 million).

Dividends

The dividend per share for this fiscal year was ¥11 ($0.12), including a ¥5 ($0.05) per share interim dividend paid out in November 2009. This represents an effective dividend increase of ¥1.0 ($0.01) from the previous fiscal year.

Financial Position

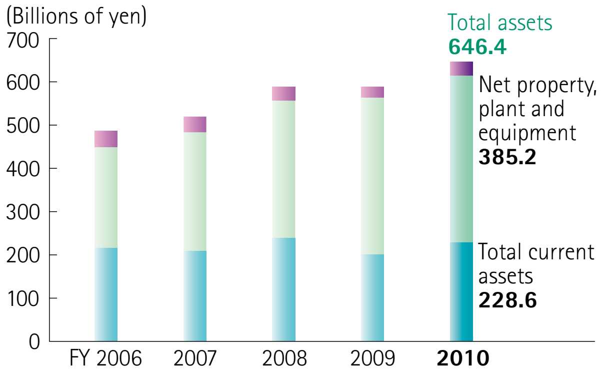
Total assets at the end of the fiscal year were worth ¥646,444 million ($6,951 million), an increase of ¥58,030 million ($624 million) from the amount at the end of the previous fiscal year.

Current assets increased by ¥28,563 million ($307 million). In line with the sales recovery, figures for finished goods and purchased goods decreased while those for notes and accounts receivable, trade increased.

Net property, plant and equipment figures increased by ¥22,310 million ($240 million). Specifically, this increase was a result of capital expenditures to augment the production capacity for FPD glass substrates.

Current liabilities decreased by ¥11,766 million ($127 million). Short-term borrowings decreased and the current portion of corporate bonds also decreased

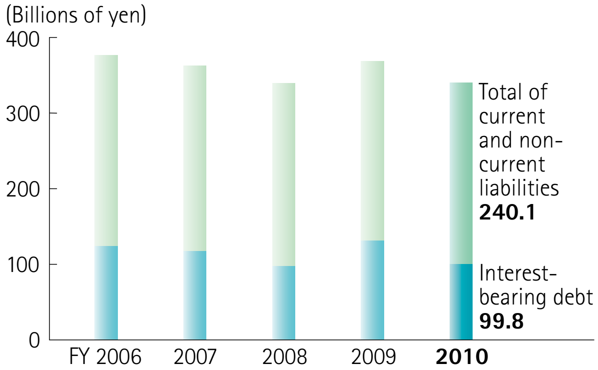
Assets



after redemption at maturity. However, accrued income taxes increased as a result of the profit upturn. Non-current liabilities increased by ¥16,233 million ($175 million) due to an increase in long-term debts chiefly arising from issuance of corporate bonds.

After repayment of debts, total interest-bearing debts, including corporate bonds and short- and long-term debts, at the end of this fiscal year were ¥99,828 million ($1,073 million), a decrease of ¥30,055 million ($323 million) over the previous fiscal year.

Liabilities



Total net assets at the end of the fiscal year increased by ¥53,563 million ($576 million) over the previous fiscal year to ¥406,307 million ($4,369 million). Retained earnings increased and net unrealized holding gains on securities also increased due to the stock market recovery.

Consequently, the equity ratio at the end of this fiscal year was 62.2%, an increase of 2.9 points from 59.3% at the end of the previous fiscal year.

Cash Flows

[Cash Flows from Operating Activities]

Net cash provided by operating activities totaled ¥118,721 million ($1,277 million), an increase of ¥28,848 million ($310 million) over the previous fiscal year. This was due to an increase in income before income taxes and minority interests, a decrease in inventories, an increase in notes and accounts payable, a decrease in payment for income taxes, and an increase in notes and accounts receivable.

[Cash Flows from Investing Activities]

Net cash used in investing activities totaled ¥86,847 million ($934 million), a decrease in spending of ¥35,128 million ($378 million) over the previous fiscal year. Cash outflows in this category for this fiscal year consisted primarily of payments for purchase of property, plant and equipment, particularly FPD glass-related equipment.

[Cash Flows from Financing Activities]

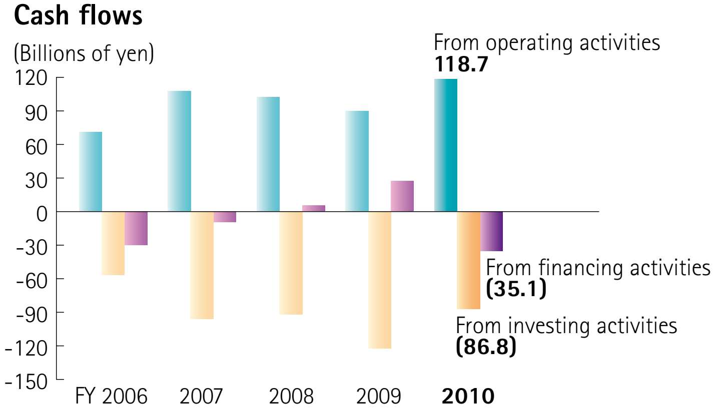
Net cash used in financing activities totaled ¥35,135 million ($378 million), mainly for repayment of short-term debts and long-term debts. In the previous fiscal year, there were earnings of ¥27,438 million ($295 million).

Cash and cash equivalents at the end of this fiscal year totaled ¥91,668 million ($986 million), a year-on-year decrease of ¥2,955 million ($32 million). These results include the positive effect of exchange rate changes on cash and cash equivalents, worth ¥306 million ($3 million).

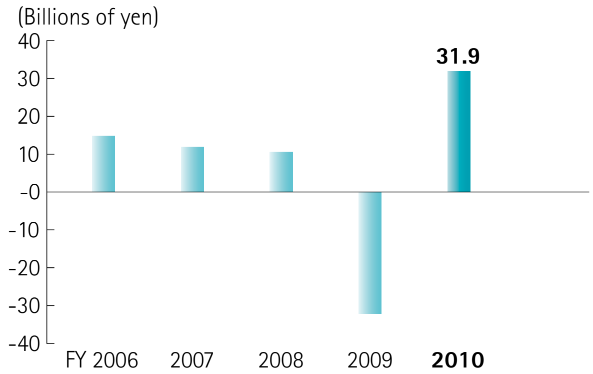
Capital Expenditures

Capital expenditures for the fiscal year totaled ¥93,079 million ($1,001 million). In the Information and Communications sector, capital expenditures of ¥89,309 million ($960 million) were made, mainly to augment production capacity for FPD glass. In the Other Products sector, capital expenditures of ¥3,769 million ($41 million) were made, primarily to improve productivity and boost production capacity.

Cash flows



Free cash flows



Consolidated Financial Statements

Consolidated Balance Sheets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
March 31, 2009 and 2010

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
Current assets:			
Cash and time deposits (Note 4, 7 and 9)	¥ 96,693	¥ 98,082	$1,054,645
Notes and accounts receivable, trade (Note 4)	47,167	80,038	860,624
Allowance for doubtful receivables	(602)	(645)	(6,935)
Inventories (Note 8)	42,251	36,935	397,151
Deferred income taxes (Note 12)	6,249	10,510	113,011
Other current assets	8,304	3,705	39,837
Total current assets	200,062	228,625	2,458,333
Property, plant and equipment (Note 9 and 10):			
Land	14,108	14,091	151,516
Building and structures	97,638	104,352	1,122,065
Machinery and equipment	523,708	578,785	6,223,495
Construction in progress	30,223	26,542	285,397
	665,677	723,770	7,782,473
Accumulated depreciation	(302,817)	(338,600)	(3,640,860)
Net property, plant and equipment	362,860	385,170	4,141,613
Investments and other assets:			
Investment securities (Note 4 and 5)	12,424	16,249	174,720
Investment in affiliates (Note 5)	1,710	1,688	18,151
Deferred income taxes (Note 12)	9,083	12,889	138,591
Other assets (Note 9 and 10)	2,275	1,823	19,603
Total investments and other assets	25,492	32,649	351,065
Total assets	¥588,414	¥646,444	$6,951,011

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)
	2009	2010	2010
Current liabilities:			
Short-term debt, including current portion of long-term debt (Note 4 and 11)	¥ 84,894	¥ 42,547	$ 457,495
Notes and accounts payable (Note 4 and 9) :			
Trade	29,812	37,753	405,946
Construction and other	37,244	27,560	296,344
Accrued expenses	11,076	10,101	108,613
Accrued income taxes (Note 4)	1,348	34,135	367,043
Other reserves	222	199	2,140
Other current liabilities	1,044	1,579	16,978
Total current liabilities	165,640	153,874	1,654,559
Non current liabilities:			
Long-term debt (Note 4 and 11)	44,989	57,281	615,925
Reserve for special repairs	23,132	26,888	289,118
Other reserves (Note 13)	1,790	1,839	19,774
Other non-current liabilities	119	255	2,743
Total non current liabilities	70,030	86,263	927,560
Net assets (Note 14):			
Shareholders' equity:			
Common stock			
Authorized - 1,200,000,000 shares in 2009 and 2010			
Issued - 497,616,234 shares in 2009 and 2010	32,156	32,156	345,763
Capital surplus	34,358	34,357	369,430
Retained earnings	290,062	340,014	3,656,065
Treasury stock at cost			
131,778 shares in 2009			
148,073 shares in 2010	(197)	(212)	(2,280)
Total shareholders' equity	356,379	406,315	4,368,978
Valuation and translation adjustments:			
Net unrealized holding gains on securities	1,411	3,898	41,914
Deferred gains on hedges	11	(45)	(484)
Foreign currency translation adjustments	(8,758)	(7,840)	(84,301)
Total valuation and translation adjustments	(7,336)	(3,987)	(42,871)
Minority interests	3,701	3,979	42,785
Total net assets	352,744	406,307	4,368,892
Contingent liabilities (Note 15)			
Total liabilities and net assets	¥588,414	¥646,444	$6,951,011

Consolidated Statements of Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
Net sales	¥335,662	¥332,388	$3,574,065
Cost of sales	234,572	213,358	2,294,172
Gross profit	101,090	119,030	1,279,893
Selling, general and administrative expenses	24,674	20,604	221,549
Operating income	76,416	98,426	1,058,344
Other income (expenses):			
Interest and dividend income	1,554	1,351	14,527
Interest expense	(1,774)	(1,570)	(16,882)
Loss from spoilage	(656)	(1,049)	(11,280)
Loss on disposal of property, plant and equipment, including removal expenses	(6,495)	(4,755)	(51,129)
Loss on sales of property, plant and equipment	(15,903)	-	-
Gain on sales of investment securities (Note 5)	-	10	108
Loss on sales of investment securities (Note 5)	(1,906)	(227)	(2,441)
Loss on liquidation of subsidiaries	(260)	(1,367)	(14,699)
Depreciation of idle property, plant and equipment	(2,061)	(2,737)	(29,430)
Loss on impairment of fixed assets (Note 10)	(2,442)	(950)	(10,215)
Reversal of reserve for special repairs	523	143	1,538
Foreign exchange gains or (losses)	(3,761)	(453)	(4,871)
Other, net	(2,674)	(285)	(3,065)
	(35,855)	(11,889)	(127,839)
Income before income taxes and minority interests	40,561	86,537	930,505
Income taxes (Note 12):			
Current	15,493	40,868	439,441
Deferred	3,268	(9,526)	(102,430)
	18,761	31,342	337,011
Minority Interests	(32)	268	2,881
Net income	¥ 21,832	¥ 54,927	$ 590,613

	Yen		U.S. dollars (Note 1)
Amount per share of common stock:			
Net income (Note 2)	¥ 43.89	¥ 110.41	$ 1.19
Diluted net income (Note 2)	-	-	-
Cash dividends applicable to the year (Note 14)	10.00	11.00	0.12

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, 2009 and 2010

	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	Deferred gains on hedges	Foreign currency transaction adjustments	Minority interests	Total net assets
Balance at March 31, 2008	497,616	¥ 32,156	¥34,517	¥ 272,803	¥ (45)	¥ 3,683	¥ -	¥ 839	¥ 3,832	¥ 347,785
Net income	-	-	-	21,832	-	-	-	-	-	21,832
Cash dividends paid	-	-	-	(4,975)	-	-	-	-	-	(4,975)
Acquisition of treasury stock	-	-	-	-	(510)	-	-	-	-	(510)
Disposition of treasury stock	-	-	(159)	-	358	-	-	-	-	199
Increase due to the change of accounting standards	-	-	-	402	-	-	-	-	-	402
Net change during the year	-	-	-	-	-	(2,272)	11	(9,597)	(131)	(11,989)
Balance at March 31, 2009	**497,616**	**32,156**	**34,358**	**290,062**	**(197)**	**1,411**	**11**	**(8,758)**	**3,701**	**352,744**
Net income	**-**	**-**	**-**	**54,927**	**-**	**-**	**-**	**-**	**-**	**54,927**
Cash dividends paid	**-**	**-**	**-**	**(4,975)**	**-**	**-**	**-**	**-**	**-**	**(4,975)**
Acquisition of treasury stock	**-**	**-**	**-**	**-**	**(17)**	**-**	**-**	**-**	**-**	**(17)**
Disposition of treasury stock	**-**	**-**	**(1)**	**-**	**2**	**-**	**-**	**-**	**-**	**1**
Net change during the year	**-**	**-**	**-**	**-**	**-**	**2,487**	**(56)**	**918**	**278**	**3,627**
Balance at March 31, 2010	**497,616**	**¥32,156**	**¥34,357**	**¥340,014**	**¥(212)**	**¥3,898**	**¥(45)**	**¥(7,840)**	**¥3,979**	**¥406,307**

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Deferred gains on hedges	Foreign currency transaction adjustments	Minority interests	Total net assets
Balance at March 31, 2009	**$345,763**	**$369,441**	**$3,118,946**	**$(2,118)**	**$15,172**	**$ 118**	**$(94,172)**	**$39,796**	**$3,792,946**
Net income	**-**	**-**	**590,613**	**-**	**-**	**-**	**-**	**-**	**590,613**
Cash dividends paid	**-**	**-**	**(53,494)**	**-**	**-**	**-**	**-**	**-**	**(53,494)**
Acquisition of treasury stock	**-**	**-**	**-**	**(184)**	**-**	**-**	**-**	**-**	**(184)**
Disposition of treasury stock	**-**	**(11)**	**-**	**22**	**-**	**-**	**-**	**-**	**11**
Net change during the year	**-**	**-**	**-**	**-**	**26,742**	**(602)**	**9,871**	**2,989**	**39,000**
Balance at March 31, 2010	**$345,763**	**$369,430**	**$3,656,065**	**$(2,280)**	**$41,914**	**$(484)**	**$(84,301)**	**$42,785**	**$4,368,892**

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, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 40,561	¥ 86,537	$ 930,505
Depreciation and amortization	46,134	48,167	517,925
Loss on disposal of property, plant and equipment	3,010	2,365	25,430
Loss (gain) on sales of property, plant and equipment, net	15,903	(188)	(2,022)
Loss on impairment of fixed assets	2,442	950	10,215
Loss on sales of investment securities, net	1,906	217	2,333
Provision for reserve for special repairs	5,521	3,755	40,376
Interest and dividend income	(1,554)	(1,351)	(14,527)
Interest expense	1,774	1,570	16,882
Decrease (increase) in notes and accounts receivable	36,387	(32,221)	(346,462)
Decrease (increase) in inventories	(4,504)	5,635	60,591
Increase (decrease) in notes and accounts payable	(12,879)	5,528	59,441
Other	3,495	2,347	25,238
Sub-total	138,196	123,311	1,325,925
Interest and dividends received	1,574	1,318	14,172
Interest paid	(1,689)	(1,784)	(19,183)
Payment for income taxes, net	(48,208)	(4,124)	(44,344)
Net cash provided by operating activities	89,873	118,721	1,276,570
Cash flows from investing activities:			
Increase in time deposits, net	(124)	(4,343)	(46,699)
Purchases of marketable and investment securities	(3,760)	(1,425)	(15,323)
Proceeds from sales of marketable and investment securities	2,684	1,259	13,538
Purchases of property, plant and equipment	(129,659)	(83,953)	(902,720)
Proceeds from sales of property, plant and equipment	8,833	1,586	17,054
Decrease in loans receivable, net	7	10	108
Other	44	19	203
Net cash used in investing activities	(121,975)	(86,847)	(933,839)
Cash flows from financing activities:			
Decrease in short-term debt, net	(2,290)	(31,024)	(333,591)
Increase in commercial paper, net	-	3,000	32,258
Proceeds from long-term loans	38,215	914	9,828
Repayment of long-term loans	(2,543)	(3,001)	(32,269)
Proceeds from issuance of unsecured bonds	-	20,000	215,054
Redemption of unsecured bonds	-	(20,000)	(215,054)
Cash dividends paid	(4,972)	(4,973)	(53,473)
Other	(972)	(51)	(549)
Net cash provided by (used in) financing activities	27,438	(35,135)	(377,796)
Effect of exchange rate changes on cash and cash equivalents	(1,759)	306	3,290
Net decrease in cash and cash equivalents	(6,423)	(2,955)	(31,775)
Cash and cash equivalents at beginning of year	101,046	94,623	1,017,452
Cash and cash equivalents at end of year (Note 7)	¥ 94,623	¥ 91,668	$ 985,677

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.

Prior to the year ended March 31, 2009, the accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 3, the accounts of overseas consolidated subsidiaries from the year ended March 31, 2009 and after, have been prepared in accordance with International Financial Reporting Standards or U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosures 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 translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93 to U.S. $1.00.

The translations, provided for convenience, 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 equity investments over which they have the 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 upon consolidation.

Investments in unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Financial information of foreign subsidiaries is based on their fiscal years, which end on 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 overseas consolidated subsidiaries are translated into Japanese yen at the current rates for assets and liabilities and at 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 observable 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 non-collectable amounts of specific doubtful receivables.

(f) Inventories

Inventories are stated principally at the lower of weighted-average cost or net realized value, with cost determined by the moving average method.

As of the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the Accounting Standards Board of Japan on July 5, 2006). The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses. Replacement cost may be used in lieu of the net realizable value, if appropriate. The effect of adopting the new accounting standard decreased operating income by ¥1,683 million and decreased income before income taxes and minority interests by ¥657 million for the year ended March 31, 2009. The impact on segment information as a result of this change is described in detail in the segment information section.

(g) Property, plant and equipment (except for leased properties)

Property, plant and equipment are principally stated at cost.

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

For the year ended March 31, 2009, in the light of an amendment to the Japanese Corporate Tax Law, the Company and its domestic consolidated subsidiaries reviewed useful lives of tangible fixed assets and the generally estimated useful lives of machinery and equipment were changed from 13 years to 9 years. The effect of this change decreased operating income by ¥2,427 million and decreased income before income taxes and minority interests by ¥2,710 million for the year ended March 31, 2009. The impact on segment information as a result of this change is described in detail in the segment information section.

(h) Leased properties
Finance leases are recognized on the balance sheets. Depreciation or amortization of lease properties of the Company and its domestic consolidated subsidiaries is calculated by a straight-line basis over the lease period. For leases, the residual value is zero.

As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

Commencing for the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Lease Transaction" (Statement No.13 originally issued by the Business Accounting Deliberation Counsel on June 17, 1993 and revised by the Accounting Standards Board of Japan on March 30, 2007) and "Guidance on Accounting Standard for Lease Transaction" (Accounting Standard Implementation Guidance No.16 originally issued by the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the Accounting Standards Board of Japan on March 30, 2007). For the year ended March 31, 2009, all finance lease transactions were capitalized.

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

(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 domestic consolidated subsidiaries record the amount estimated to be paid to directors after the balance sheet date for their services rendered during the current fiscal 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, 2009 and 2010, accrued retirement benefits for employees were provided mainly at an amount of the projected benefit obligation calculated by a simplified method as the amount of severance and retirement benefits were 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 these provisions since 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 carry forwards 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 ¥5,051 million and ¥3,589 million ($38,591 thousand) in 2009 and 2010, respectively.

(p) Net income per share
The computations of net income per share are based on the average number of shares of common stock 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. As there was no dilutive stock outstanding during the year, the computation of diluted net income per share was not calculated.

(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 gains or losses, unless the derivative financial instruments, are used for hedging purposes.

Interest rate swap contracts, that meet the criteria of hedge accounting as regulated in "Accounting Standard for Financial Instruments," are accounted for using deferral hedge accounting, which requires unrealized gains or losses to be deferred as net unrealized gains or losses on the contracts, component of net assets, until these gains or losses relating to the hedged item are actually recognized.

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

Hedging instruments:	Hedged item:
Interest rate swap contracts	Interest on borrowings

The Company and its consolidated subsidiaries enter into forward foreign exchange contracts, currency swap contracts and interest rate 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 the previously reported results of operations or retained earnings.

3. Accounting changes

Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective from the year ended March 31, 2009 and going forward, the Company and its overseas consolidated subsidiaries have adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18 ("PITF No.18") issued by the Accounting Standards Board of Japan on May 17, 2006). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. As a result of the adoption of this accounting standard, operating income decreased by ¥2,304 million and income before income taxes and minority interests decreased by ¥5,333 million for the year ended March 31, 2009 from the amounts which would have been recorded under the method applied in the previous year. The impact on segment information as a result of this change is described in detail in the segment information section.

4. Financial Instruments

(a) Status of financial instruments

(1) Policy on financial instruments

As a Group policy, the Company and consolidated subsidiaries restrict investments of cash surpluses, if any, to only financial assets such as bank deposits. Funds required by the Company, are obtained mainly through bank borrowings and issuance of bonds. Derivatives are utilized to avoid the risks to be hereinafter described, and the Company does not enter into derivative contracts for speculative purposes.

(2) Details of financial instruments, risks thereof and risk management structure

Notes and accounts receivable trade, which are operating receivables, are exposed to customer credit risks. The Company, pursuant to the Company's Credit Control Regulations, manages credit risks by managing relative due dates and outstanding balances of each counterparty and by periodically monitoring the credit status of major counterparties. Consolidated subsidiaries perform similar procedures in conformity with the Company's Credit Control Regulations.

Operating receivables denominated in foreign currencies, which arise from the Company's global business development, are exposed to the foreign exchange fluctuation risks. The Group enters into forward foreign exchange contracts mainly for accounts receivable associated with export transactions of finished goods, to avoid fluctuation risks of future foreign exchange rates as much as possible.

Investment securities mainly consist of equity securities of companies with business relations and are exposed to market price fluctuation risks. The Company, pursuant to the Company's Shareholdings Regulations, regularly monitors the fair values of such securities, and continuously reviews the holding thereof.

Notes and accounts payable trade, which are operating debt, are mostly settled within one year. Also, accrued income taxes are mostly settled within one year.

Regarding borrowings, short-term loans payable are made mainly for the purpose of obtaining funds for operating transactions, and bonds and long-term loans payable are made mainly for the purpose of obtaining funds for capital expenditures. Interest rates on some borrowings are floating rates, and exposed to the interest rate fluctuation risks, of which long-term loans payable are partially hedged against the interest rate fluctuation risks, through interest rate swap contracts.

In addition to that, borrowings denominated in foreign currencies are exposed to the foreign exchange fluctuation risks and the Company utilizes currency swap contracts to avoid the risks.

For details of hedge accounting of derivatives such as hedging instruments and hedged items, and hedging policy, please refer to "(q) Derivatives and hedge accounting" in "2. Significant accounting policies".

Matters regarding derivative transactions are determined by executives in charge of accounting at each consolidated Group company, in accordance with the regulations of each company. Approvals for transactions that exceed a certain scope are made at the Company's management committee. Operations and management pertaining to the execution thereof are carried out by each company's accounting department, and such operations are managed through a check and balance system. In derivative transactions, the Company enters into contracts only with financial institutions with high ratings to reduce credit risks.

Operating debt and borrowings are exposed to the liquidity risks, and the Group manages the risk by measures forecasting cash management plans at each Group company.

(3) Supplementary explanation to fair values of financial instruments

Please note that notional amounts of derivatives in the note on "Derivatives" do not, in themselves, indicate market risks pertaining to derivatives.

(b) Fair values of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair values as of March 31, 2010, as well as their differences. However, financial instruments whose fair values are deemed to be extremely difficult to estimate are not included. (Note 3)

	Millions of yen		
2010:	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 98,082	¥ 98,082	¥ –
(2) Notes and accounts receivable, trade	80,038	80,038	–
(3) Investment securities:			
Other securities	16,236	16,236	–
(4) Short-term debt:			
Short-term debt	(34,600)	(34,600)	–
Current portion of long term debt	(7,947)	(7,975)	(28)
(5) Notes and accounts payable, trade	(37,753)	(37,753)	–
(6) Accrued income taxes	(34,135)	(34,135)	–
(7) Long-term debt:			
Unsecured bonds	(20,000)	(19,905)	95
Long-term borrowings	(37,281)	(37,799)	(518)
(8) Derivatives			
Derivatives which are not accounted for hedge accounting	911	911	–
Derivatives which are accounted for hedge accounting	(76)	(76)	–

	Thousands of U.S. dollars		
2010:	Book value	Fair value	Difference
(1) Cash and time deposits	$1,054,645	$1,054,645	$ –
(2) Notes and accounts receivable, trade	860,624	860,624	–
(3) Investment securities:			
Other securities	174,581	174,581	–
(4) Short-term debt:			
Short-term debt	(372,043)	(372,043)	–
Current portion of long term debt	(85,452)	(85,753)	(301)
(5) Notes and accounts payable, trade	(405,946)	(405,946)	–
(6) Accrued income taxes	(367,043)	(367,043)	–
(7) Long-term debt:			
Unsecured bonds	(215,054)	(214,032)	1,022
Long-term borrowings	(400,871)	(406,441)	(5,570)
(8) Derivatives			
Derivatives which are not accounted for hedge accounting	9,796	9,796	–
Derivatives which are accounted for hedge accounting	(817)	(817)	–

Notes: Fair value measurements of financial instruments, and matters regarding marketable securities and derivatives

1. The amounts of "Book value" and "Fair value" in parentheses indicate net liabilities

2. Fair value measurements of fair value of financial instruments, and matters regarding marketable securities and derivatives

(1) Cash and time deposits, and (2) Notes and accounts receivable, trade

The fair value of these accounts approximates their book value because of their short-term nature. Thus, the book value is used as fair value.

(3) Investment securities

The fair value of equity securities is based on the market prices of public exchanges.

Regarding the information on investment securities, please refer to the note on "5. Marketable and investment securities."

(4) Short-term debt, (5) Notes and accounts payable, trade, and (6)

Accrued income taxes

The fair values of these accounts approximate their book values because of their short-term nature. Thus, the book values are used as fair values. Current portion of long-term debt, which is included in Short-term debt, is measured based on the method used in "(7) Long-term debt" below and classified as such.

(7) Long-term debt

The fair value of unsecured bonds issued by the Company is measured based on the market price if observable, and based on the present value calculated by discounting the total amount of principle and interest outstanding, at an appropriate rate based on consideration of the time to maturity and the credit risk, if the market price is not observable.

The fair value of long-term borrowings is measured by discounting the total amount of principle and interest outstanding, at an estimated interest rate for similar new borrowings.

(8) Derivatives

Please refer to the note on "6. Derivatives."

3. Financial instruments whose fair values are deemed to be extremely difficult to estimated are as follows.

Equity securities issued by affiliates and non-listed equity securities are not included in "(3) Investment securities" as it is deemed to be extremely difficult to estimated their fair values, since they have no quoted market prices, and it is not possible to estimate their future cash flows.

For information related to these securities, please refer to the note on "5. Marketable and investment securities."

(Additional information)

Effective from the year ended March 31, 2010, the Company and consolidated subsidiaries adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008).

5. Marketable and investment securities

(a) At March 31, 2009 and 2010, acquisition cost, book value and fair value of securities with observable market values were as follows:

	Millions of yen		
2009:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 7,354	¥ 9,892	¥ 2,538
Securities with acquisition cost exceeding book value:			
Equity securities	2,763	2,518	(245)
	¥ 10,117	¥ 12,410	¥ 2,293

	Millions of yen		
2010:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**¥ 9,949**	**¥ 16,122**	**¥ 6,173**
Securities with acquisition cost exceeding book value:			
Equity securities	**116**	**114**	**(2)**
	¥ 10,065	**¥ 16,236**	**¥ 6,171**

2010:	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**$106,978**	**$173,355**	**$66,377**
Securities with acquisition cost exceeding book value:			
Equity securities	**1,248**	**1,226**	**(22)**
	$108,226	**$174,581**	**$66,355**

(b) At March 31, 2009 and 2010, book value of securities with no observable market values were as follows:

2009:	Millions of yen
	Book value
Available-for-sale securities:	
Equity securities issued by affiliates	¥ 1,710
Non-listed equity securities, other	14
	¥ 1,724

2010:	Millions of yen	Thousands of U.S. dollars
	Book value	Book value
Available-for-sale securities:		
Equity securities issued by affiliates	**¥ 1,688**	**$ 18,151**
Non-listed equity securities, other	**13**	**139**
	¥ 1,701	**$ 18,290**

(c) Sales of available-for-sale securities sold in the years ended March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Total sales amounts	¥ 2,684	**¥ 1,259**	**$13,538**
Gains on sales	-	**10**	**108**
Losses on sales	1,906	**227**	**2,441**

6. Derivatives

The fair value of derivative contracts utilized by the Company and its consolidated subsidiaries at March 31, 2009 and 2010 were as follows:

Currency related transactions

2009:		Millions of yen			
Classification	Type of transaction: Forward foreign exchange	Notional amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
Non-market transactions	Sell	¥ 1,000	¥ -	¥ (42)	¥ (42)
	Buy	99	-	1	1
	Swap	8,202	5,566	1,227	1,227
		¥ 9,301	¥ 5,566	¥ 1,186	¥ 1,186

Notes: 1. The fair value is based on the prices obtained from financial institutions.
2. Derivative transactions utilized by the Company and its consolidated subsidiaries, other than those shown here, are accounted for under hedge accounting, and are not included.

(a) Derivative transactions which are not accounted for under hedge accounting

Currency related transactions

2010: Millions of yen

Classification	Type of transaction: Forward foreign exchange	Notional amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
Non-market transactions	Sell	¥ 1,459	¥ –	¥ (30)	¥ (30)
	Buy	262	–	5	5
	Swap	5,566	4,554	936	936
		¥ 7,287	¥ 4,554	¥ 911	¥ 911

2010: Thousands of U.S. dollars

Classification	Type of transaction: Forward foreign exchange	Notional amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
Non-market transactions	Sell	$15,688	$ –	$ (322)	$ (322)
	Buy	2,817	–	54	54
	Swap	59,850	48,968	10,064	10,064
		$78,355	$ 48,968	$ 9,796	$ 9,796

Notes: The fair value is based on the prices obtained from financial institutions.

(b) Derivative transactions which are accounted for under hedge accounting

Interest related transactions

2010: Millions of yen

Method of hedge accounting	Type of transaction	Hedged item	Notional amount	Portion due after 1 year	Fair value
Deferral hedge accounting	Interest rate swap	Interest on borrowings	¥ 15,000	¥ 11,800	¥ (76)

2010: Thousands of U.S. dollars

Method of hedge accounting	Type of transaction	Hedged item	Notional amount	Portion due after 1 year	Fair value
Deferral hedge accounting	Interest rate swap	Interest on borrowings	$161,290	$126,882	$ (817)

Notes: The fair value is based on the prices obtained from financial institutions.

7. Cash and cash equivalents

Cash and cash equivalents at March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Cash and time deposits in the balance sheets	¥ 96,693	¥ 98,082	$1,054,645
Time deposits due over three months	(2,070)	(6,414)	(68,968)
Cash and cash equivalents in the statements of cash flows	¥ 94,623	¥ 91,668	$ 985,677

8. Inventories

Inventories at March 31, 2009 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Finished and purchased goods	¥ 25,586	¥ 21,127	$ 227,172
Work-in-process	1,348	1,827	19,645
Raw materials and others	15,317	13,981	150,334
	¥ 42,251	¥ 36,935	$ 397,151

9. Pledged assets

At March 31, 2009, the following assets were pledged as collateral for notes payable and others amounting to ¥826 million.

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Cash and time deposit	¥ 303	¥ –	$ –
Building and structures	868	–	–
Other assets (leasehold)	138	–	–
	¥ 1,309	¥ –	$ –

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 values of the assets may not be recoverable. Recoverability of assets to be held and used in operations, are measured by a comparison between the book values of the assets and the estimated undiscounted future cash flows expected to be generated by the assets. If the book values of the assets exceed the estimated future cash flows, an impairment loss is recognized in the amount by which the book values of the assets exceed the fair values of the assets.

Loss on impairment of fixed assets for the years ended March 31, 2009 and 2010 consisted of the following:

(a) Grouping

The Company and its consolidated subsidiaries, group operating assets by business units, and 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.

2009:

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

2010:

Use	Reason	Location	Type
Important idle assets	No utilization plan	Wakasa-Kaminaka factory, Other	Machinery and equipment, Other

(c) Assessment of recoverable values

For the year ended March 31, 2009, recoverable values of the production facilities were mainly measured based on the net selling prices.

Recoverable values for land and buildings are measured at the appraisal values obtained from real estate appraisers.

For the year ended March 31, 2010, recoverable values of the production facilities were mainly measured based on the net selling prices.

However no recoverable values were expected for the production facilities, due to possibility for future sales being low.

Recoverable values for land and buildings are measured based on appraisal values obtained from real estate appraisers.

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

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Machinery and equipment	¥2,097	¥836	$ 8,989
Other	345	114	1,226
	¥2,442	¥950	$10,215

11. Short-term and long-term debt

Short-term debt, including the current portion of long-term debt, at March 31, 2009 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Short-term bank borrowings; average rate 0.58% per annum	¥62,589	¥31,600	$339,785
Commercial paper; average rate 0.11% per annum	-	3,000	32,258
Current portion of long-term borrowings; average rate 0.99% per annum	2,305	7,947	85,452
Current portion of unsecured bonds; 0.99%	20,000	-	-
	¥84,894	¥42,547	$457,495

Long-term debt at March 31, 2009 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Borrowings, principally from banks and insurance companies due from 2011 through 2016; average rate 1.24% per annum	¥47,294	¥45,228	$486,323
0.99% unsecured bonds, due in 2010	20,000	–	–
0.68% unsecured bonds, due in 2015	-	10,000	107,527
1.00% unsecured bonds, due in 2017	-	10,000	107,527
	67,294	65,228	701,377
Less current portion included in short-term debt	(22,305)	(7,947)	(85,452)
	¥44,989	¥57,281	$615,925

The aggregate annual maturities of long-term debt at March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
2011	¥ 7,947	$ 85,452
2012	7,542	81,097
2013	24,542	263,892
2014	3,608	38,796
2015	11,083	119,172
2016 and thereafter	10,506	112,968
	¥65,228	$701,377

For flexible financing purposes, the Company has committed credit facilities with certain banks. The maximum aggregate credit facility available to the Company is ¥25,000 million ($268,817 thousand). The credit facility has not been used as of March 31, 2010.

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, 2009 and 2010.

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, 2009 and 2010 were as follows:

	2009	2010
Statutory tax rate in Japan	40.4%	40.4%
Valuation allowance	1.2	(4.1)
Exclusion from gross revenue of dividends	(3.4)	(1.5)
Difference in tax rates for overseas consolidated subsidiaries	2.8	(0.3)
Expense not deductible for tax purposes, mainly entertainment expenses	0.4	0.2
Undistributed earnings of overseas consolidated subsidiaries	1.2	0.2
Effect of elimination of dividend income	2.4	0.9
Other	1.3	0.4
Effective tax rate	46.3%	36.2%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Deferred tax assets:			
Excess reserve for special repairs	¥ 4,594	¥ 5,324	$ 57,247
Loss from valuation of investments in affiliates	-	4,811	51,731
Unrealized gain on inventory	271	2,733	29,387
Enterprise tax	30	2,346	25,226
Unrealized gain on property, plant and equipment	1,804	2,040	21,935
Impairment loss on property, plant and equipment	2,962	1,929	20,742
Loss on devaluation of inventories	2,065	1,864	20,043
Tax losses carried forward	2,400	1,832	19,699
Excess of depreciation	1,230	1,389	14,935
Accrued bonuses	1,254	1,326	14,258
Alternative minimum tax	1,023	1,035	11,129
Other	7,381	6,302	67,765
Subtotal deferred tax assets	25,014	32,931	354,097
Less valuation allowance	(5,992)	(4,003)	(43,043)
Total net deferred tax assets	19,022	28,928	311,054
Deferred tax liabilities:			
Depreciation of overseas consolidated subsidiaries	(1,951)	(2,353)	(25,301)
Net unrealized holding gains on securities	(883)	(2,273)	(24,441)
Other	(1,076)	(1,159)	(12,463)
Total deferred tax liabilities	(3,910)	(5,785)	(62,205)
Net deferred tax assets	¥15,112	¥23,143	$248,849

13. Severance and retirement benefits

The Company provides mainly defined contribution pension plans, however, 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, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Projected benefit obligation	¥(1,408)	¥ (1,545)	$ (16,613)
Pension assets	52	52	559
Unrecognized benefit obligation	(1,356)	(1,493)	(16,054)
Unrecognized transition obligation	(44)	(37)	(398)
Unrecognized actuarial differences	(44)	38	409
Net liabilities for severance and retirement benefits	(1,444)	(1,492)	(16,043)
Prepaid benefit cost	-	-	-
Liabilities for severance and retirement benefits	¥(1,444)	¥ (1,492)	$ (16,043)

Severance and retirement benefit expenses for the years ended March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Service costs	¥ 207	¥ 156	$ 1,677
Interest cost	11	16	172
Expected return on pension assets	(1)	(1)	(11)
Amortization of transition obligation	(7)	(7)	(75)
Amortization of actuarial differences	(13)	(19)	(204)
Subtotal severance and retirement benefit expenses	197	145	1,559
Defined contribution pension plan	1,309	1,256	13,506
Total severance and retirement benefit expenses	¥1,506	¥1,401	$15,065

14. Net assets

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 Japanese Corporate Law ("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. The Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

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 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.

At the annual shareholders' meeting held on June 29, 2010, the shareholders approved cash dividends amounting to ¥2,985 million ($32,097 thousand), ¥6.00 per share.

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥2,487 million ($26,742 thousand), or ¥5.00 per share on November 30, 2009.

15. Contingent liabilities

Contingent liabilities at March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Notes discounted	¥ 61	¥ 69	$ 742
Guarantee of employees' housing loans	1,149	957	10,290
	¥1,210	¥1,026	$11,032

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

Finance leases, which do not transfer ownership and do not have bargain purchase provisions, for which the transactions commenced prior to March 31, 2008, are accounted for in the same manner as operating leases. The details of these lease transactions are as follows;

(a) At March 31, 2009 and 2010, 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
	2009	2010	2010
Acquisition cost of machinery and equipment	¥ 696	¥ 523	$ 5,624
Accumulated depreciation of machinery and equipment	(388)	(349)	(3,753)
Net book value	¥ 308	¥ 174	$ 1,871

(b) Future minimum lease payments, excluding interest, under finance leases at March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Current	¥ 130	¥ 95	$ 1,022
Non-current	201	106	1,139
	¥ 331	¥ 201	$ 2,161

(c) Lease payments, assumed depreciation and assumed interest for the years ended March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Lease payments	¥ 189	¥ 155	$ 1,667
Assumed depreciation	158	134	1,441
Assumed interest	43	33	355

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

Future minimum lease payments under operating leases at March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Current	¥ 78	¥ 33	$ 355
Non-current	37	13	140
	¥ 115	¥ 46	$ 495

There was no impairment loss on fixed assets distributed to lease assets at March 31, 2009 and 2010.

17. Segment information

Information by segment for the years ended March 31, 2009 and 2010 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					
2009:	Japan	Asia	Other areas	Total	Elimination and corporate	Consolidated total
Net sales						
External	¥ 128,885	¥ 203,728	¥ 3,049	¥ 335,662	¥ -	¥ 335,662
Inter-segment	148,207	11,014	47	159,268	(159,268)	-
Total sales	277,092	214,742	3,096	494,930	(159,268)	335,662
Operating expenses	207,794	211,367	2,946	422,107	(162,861)	259,246
Operating income	¥ 69,298	¥ 3,375	¥ 150	¥ 72,823	¥ 3,593	¥ 76,416
Identifiable assets	¥ 456,093	¥ 101,465	¥ 1,427	¥ 558,985	¥ 29,429	¥ 588,414

	Millions of yen					
2010:	Japan	Asia	Other areas	Total	Elimination and corporate	Consolidated total
Net sales						
External	**¥ 122,307**	**¥ 207,722**	**¥ 2,359**	**¥ 332,388**	**¥ –**	**¥ 332,388**
Inter-segment	**184,816**	**16,927**	**36**	**201,779**	**(201,779)**	**–**
Total sales	**307,123**	**224,649**	**2,395**	**534,167**	**(201,779)**	**332,388**
Operating expenses	**208,146**	**219,594**	**2,360**	**430,100**	**(196,138)**	**233,962**
Operating income	**¥ 98,977**	**¥ 5,055**	**¥ 35**	**¥ 104,067**	**¥ (5,641)**	**¥ 98,426**
Identifiable assets	**¥ 537,030**	**¥ 140,111**	**¥ 1,261**	**¥ 678,402**	**¥ (31,958)**	**¥ 646,444**

	Thousands of U.S. dollars					
2010:	Japan	Asia	Other areas	Total	Elimination and corporate	Consolidated total
Net sales						
External	**$1,315,129**	**$2,233,570**	**$ 25,366**	**$3,574,065**	**$ –**	**$3,574,065**
Inter-segment	**1,987,269**	**182,011**	**387**	**2,169,667**	**(2,169,667)**	**–**
Total sales	**3,302,398**	**2,415,581**	**25,753**	**5,743,732**	**(2,169,667)**	**3,574,065**
Operating expenses	**2,238,129**	**2,361,226**	**25,376**	**4,624,731**	**(2,109,010)**	**2,515,721**
Operating income	**$1,064,269**	**$ 54,355**	**$ 377**	**$1,119,001**	**$ (60,657)**	**$1,058,344**
Identifiable assets	**$5,774,516**	**$1,506,570**	**$ 13,559**	**$7,294,645**	**$ (343,634)**	**$6,951,011**

Notes: 1. The classification of countries or areas is based on the degree of geographical proximity.
2. The main countries or areas 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 ¥63,516 million and ¥51,676 million ($555,656 thousand) at March 31, 2009 and 2010, respectively, consisted mainly of cash and time deposits and investment securities owned by the Company.
4. Accounting changes
   For the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the Accounting Standards Board of Japan on July 5, 2006). As a result of adopting this new accounting standard, operating income decreased by ¥1,683 million in the Japan segment for the year ended March 31, 2009.
   For the year ended March 31, 2009, the Company and its overseas subsidiaries have adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18 issued by the Accounting Standards Board of Japan on May 17, 2006). As a result of adopting this new accounting standard, operating income decreased by ¥2,304 million in the Asia segment for the year ended March 31, 2009.
5. Additional information
   As discussed in Note 2(g), for the year ended March 31, 2009, the Company changed the useful life of tangible fixed assets. As a result of this change, operating income decreased by ¥2,427 million in the Japan segment for the year ended March 31, 2009.

(c) Overseas sales information

	Millions of yen		
2009:	Asia	Other areas	Total
Overseas sales	¥ 213,835	¥ 18,459	¥ 232,294
Consolidated sales			335,662
Percentage of overseas sales	63.7%	5.5%	69.2%

	Millions of yen		
2010:	Asia	Other areas	Total
Overseas sales	**¥ 221,883**	**¥ 11,451**	**¥ 233,334**
Consolidated sales			**332,388**
Percentage of overseas sales	**66.8%**	**3.4%**	**70.2%**

	Thousands of U.S. dollars		
2010:	Asia	Other areas	Total
Overseas sales	**$2,385,839**	**$123,129**	**$2,508,968**
Consolidated sales			**3,574,065**

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

18. Related party transaction

For the years ended March 31, 2009 and 2010, 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, 2009 and 2010, 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, 2009 and 2010, 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.

Without qualifying our opinion, we draw attention to the following.
(1) As discussed in Note 2 to the consolidated financial statements, commencing in the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Measurement of Inventories".
(2) As discussed in Note 3 to the consolidated financial statements, effective for the year ended March 31, 2009, the Company and its overseas consolidated subsidiaries adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements".

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 29, 2010

Directors and Corporate Auditors

Directors

Chairman of the Board
Yuzo Izutsu

President
Masayuki Arioka

Director
Katsumi Inada
Masami Atsuji
Shuji Ito
Shigeru Yamamoto
Koichi Inamasu
Masanori Yokota

Corporate Auditors

Hitoshi Yasuda

Nobuhiro Miyamoto

Takuro Takeuchi
Attorney at Law

Kazuhiro Ito
Certified Public Accountant

Corporate Officers

President
Masayuki Arioka

Executive Vice President
Katsumi Inada
Masami Atsuji
Shuji Ito

Senior Vice President
Shigeru Yamamoto
Koichi Inamasu
Masanori Yokota

Vice President
Masahiro Miyake
Tamotsu Kitagawa
Takao Akune
Kenji Ishitani
Sumio Oshita
Motoharu Matsumoto
Atsushi Shimomura
Masahiro Tomamoto
Seiichi Osako
Shigeaki Aoki
Shigeru Goto
Hirokazu Takeuchi
Toshimasa Kanai

Corporate Data

Head Office
7-1, Seiran 2-chome, Otsu, Shiga 520-8639, Japan
Phone: (81) 77-537-1700
Fax: (81) 77-534-4967

Osaka Office & Sales Headquarters
1-14, Miyahara 4-chome, Yodogawa-ku, Osaka 532-0003, Japan
Phone: (81) 6-6399-2711
Fax: (81) 6-6399-2731

Tokyo Office & Sales Headquarters
16-4, Konan 2-chome, Minato-ku, Tokyo 108-0075, Japan
Phone: (81) 3-5460-2510
Fax: (81) 3-5460-2525
(The above address will be in use starting August 16, 2010.)

Factories in Japan
Otsu, Fujisawa, Shiga-Takatsuki, Notogawa, Wakasa-Kaminaka

Transfer Agent for Common Stock
The Sumitomo Trust and Banking Co., Ltd,
5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

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

Major Oversea Subsidiaries

Nippon Electric Glass (Malaysia) Sdn. Bhd.
Lot 1-7, Lion Industrial Park, Persiaran Jubli Perak,
P.O. Box 7216, 40706 Shah Alam, Selangor, Malaysia
Phone: (60) 3-5543-0000
Fax: (60) 3-5191-0881

Nippon Electric Glass (Korea) Co., Ltd.
145, Gongdan-dong, Gumi-City, Gyong-buk, Korea 730-030
Phone: (82) 54-462-7200
Fax: (82) 54-462-7201

Nippon Electric Glass Taiwan Co., Ltd.
No. 6, Wei 6th Road, Chungkang Export Processing Zone,
Wuchi Township, Taichung County 43541, Taiwan
Phone: (886) 4-2657-0099
Fax: (886) 4-2657-6202

Paju Electric Glass Co., Ltd.
587-1, Dangdong-ri, Munsan, Paju-City, Gyeonggi, Korea 413-902
Phone: (82) 31-934-1032
Fax: (82) 31-934-1060

Electric Glass-SVA (Shanghai) Co., Ltd.
No. 2009, ZhuanXing Road, Xinzhuang Industrial Park,
Minhang District, Shanghai, China, 201108
Phone: (86) 21-6442-7707
Fax: (86) 21-6131-3506

Printed in Japan

Nippon Electric Glass Co.,Ltd.
7-1, Seiran 2-chome, Otsu, Shiga 520-8639, Japan