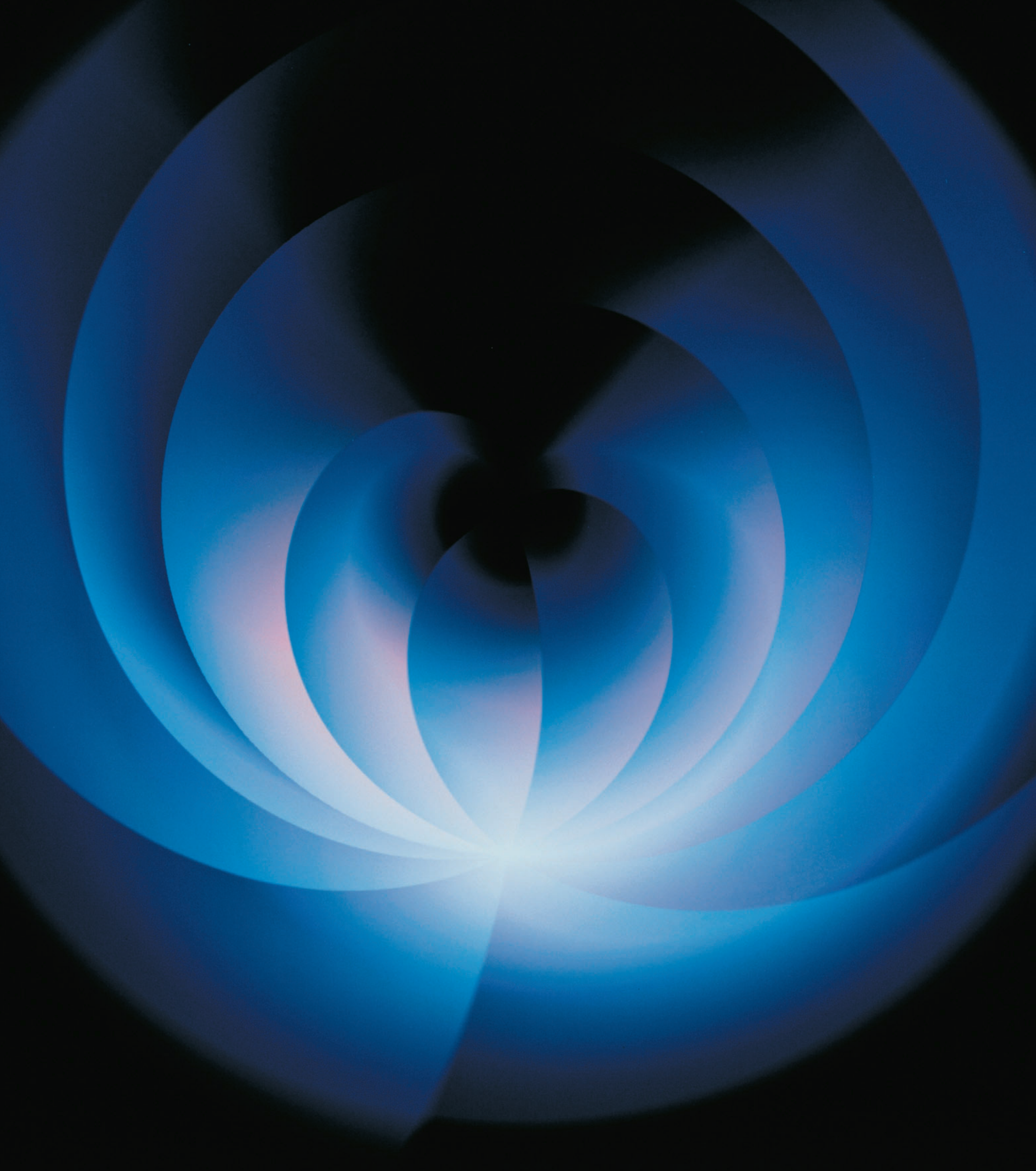
Annual Report 2011

Nippon Electric Glass Co., Ltd.

For the year ended March 31, 2011



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, Nippon Electric Glass (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

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.

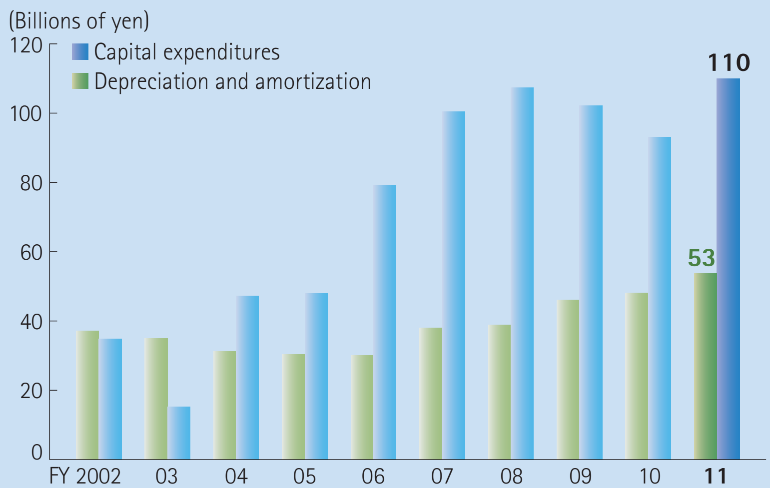
Consolidated Financial Summary

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

	FY2002	2003	2004	2005
For the year ended March 31				
Net sales	¥300,395	¥328,803	¥297,307	¥310,198
Operating income	22,132	42,985	33,819	51,109
Net income	3,378	14,603	8,568	11,954
Depreciation and amortization	37,079	34,967	31,177	30,345
Capital expenditures	34,919	15,236	47,315	47,997
Per share of common stock (yen and dollars)				
Net income	¥ 7.05	¥ 30.16	¥ 17.58	¥ 24.64
Cash dividends	3.67	4.00	4.00	4.33
Shareholders' equity	455.21	444.43	434.68	454.33
At year-end				
Total assets	¥559,957	¥499,569	¥514,691	¥495,568
Current assets	229,395	213,667	237,274	233,799
Net property, plant and equipment	279,711	242,126	243,816	228,218
Current liabilities	200,459	165,926	173,199	165,367
Long-term debt	84,891	69,007	84,176	59,066
Shareholders' equity	218,184	212,942	208,248	217,588
Cash flows				
Net cash provided by operating activities	¥ 36,456	¥ 79,241	¥ 53,397	¥ 71,844
Net cash used in investing activities	(33,024)	(18,368)	(32,478)	(52,918)
Net cash provided by (used in) financing activities	(16,434)	(57,433)	5,615	(9,603)
Cash and cash equivalents at end of year	58,886	62,339	89,291	97,902
Number of shares outstanding (thousands)				
Average	159,768	159,702	159,597	319,101
Year-end	159,760	159,614	159,577	319,048
Equity ratio (%)	39.0	42.6	40.5	43.9
Return on equity (%)	1.6	6.8	4.1	5.6

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.

Capital expenditures & depreciation and amortization

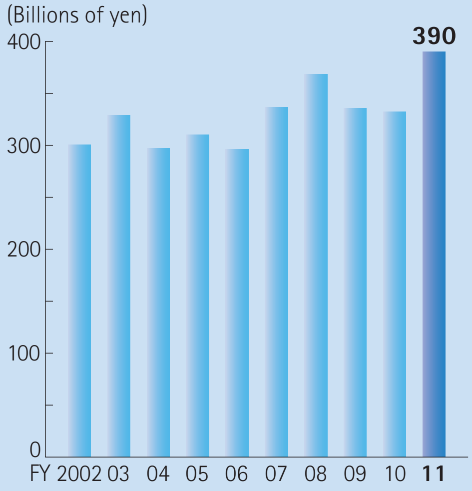


(Millions of yen and thousands of U.S. dollars, except per share figures)

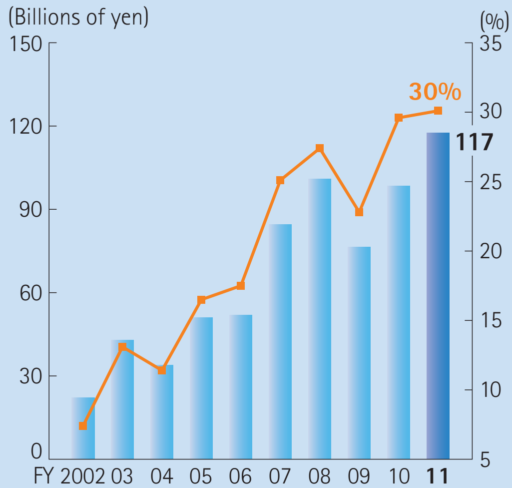
2006	2007	2008	2009	2010	2011	
¥296,440	¥336,411	¥368,267	¥335,662	¥332,388	**¥390,196**	**$4,701,157**
51,952	84,585	100,883	76,416	98,426	**117,471**	**1,415,313**
3,231	40,358	50,669	21,832	54,927	**68,609**	**826,614**
30,106	38,042	38,843	46,134	48,167	**52,699**	**634,928**
79,300	100,414	107,283	102,050	93,079	**110,025**	**1,325,602**
¥ 6.47	¥ 84.37	¥ 105.29	¥ 43.89	¥ 110.41	**¥ 137.92**	**$ 1.66**
6.00	7.33	9.00	10.00	11.00	**13.00**	**0.16**
482.58	568.55	691.27	701.62	808.75	**932.17**	**11.23**
¥486,016	¥519,707	¥588,031	¥588,414	¥646,444	**¥692,622**	**$8,344,843**
216,168	208,719	238,859	200,062	228,625	**238,908**	**2,878,410**
233,206	274,683	318,527	362,860	385,170	**417,423**	**5,029,193**
177,748	198,308	189,606	165,640	153,874	**142,327**	**1,714,783**
48,757	23,981	29,112	44,989	57,281	**49,739**	**599,265**
231,005	271,951	343,953	349,043	402,328	**463,710**	**5,586,867**
¥ 71,312	¥107,784	¥102,429	¥ 89,873	¥118,721	**¥133,391**	**$1,607,120**
(56,516)	(95,960)	(91,931)	(121,975)	(86,847)	**(96,822)**	**(1,166,530)**
(29,760)	(9,432)	5,525	27,438	(35,135)	**(11,774)**	**(141,855)**
86,321	85,392	101,046	94,623	91,668	**116,366**	**1,402,000**
318,993	318,912	481,226	497,456	497,476	**497,459**	
318,938	318,880	497,570	497,484	497,468	**497,450**	
47.5	52.3	58.5	59.3	62.2	**66.9**	
1.4	16.0	16.5	6.3	14.6	**15.8**	

3. As there was no dilutive stock outstanding during these years, the computation of diluted net income per share was not calculated.
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, 2011 of ¥83 to US$1.00.
6. The number of shares outstanding is net of treasury stock.
7. At March 31, 2011, Nippon Electric Glass Co., Ltd. had 20 consolidated subsidiaries.

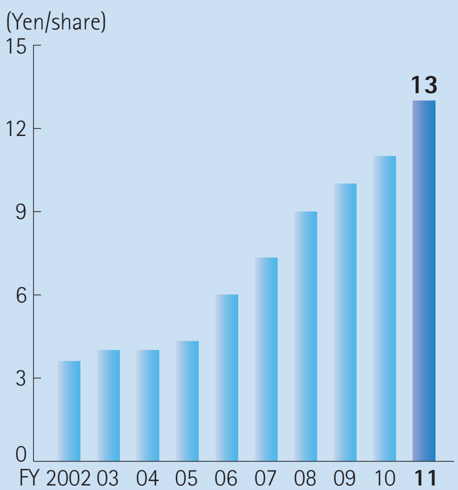
Net sales



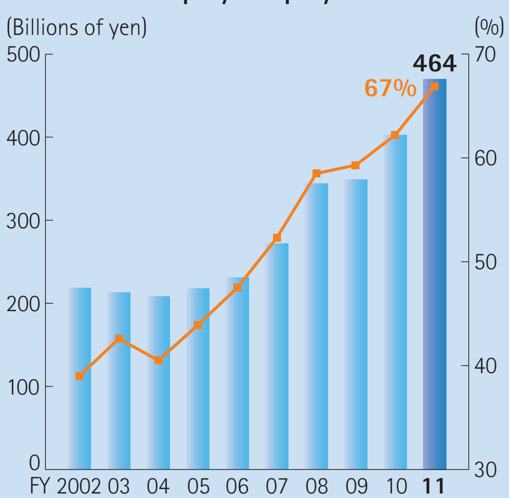
Operating income & operating income ratio



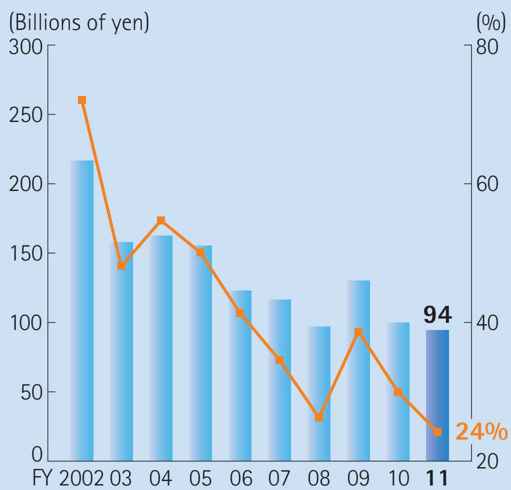
Cash dividends



Shareholders' equity & equity ratio

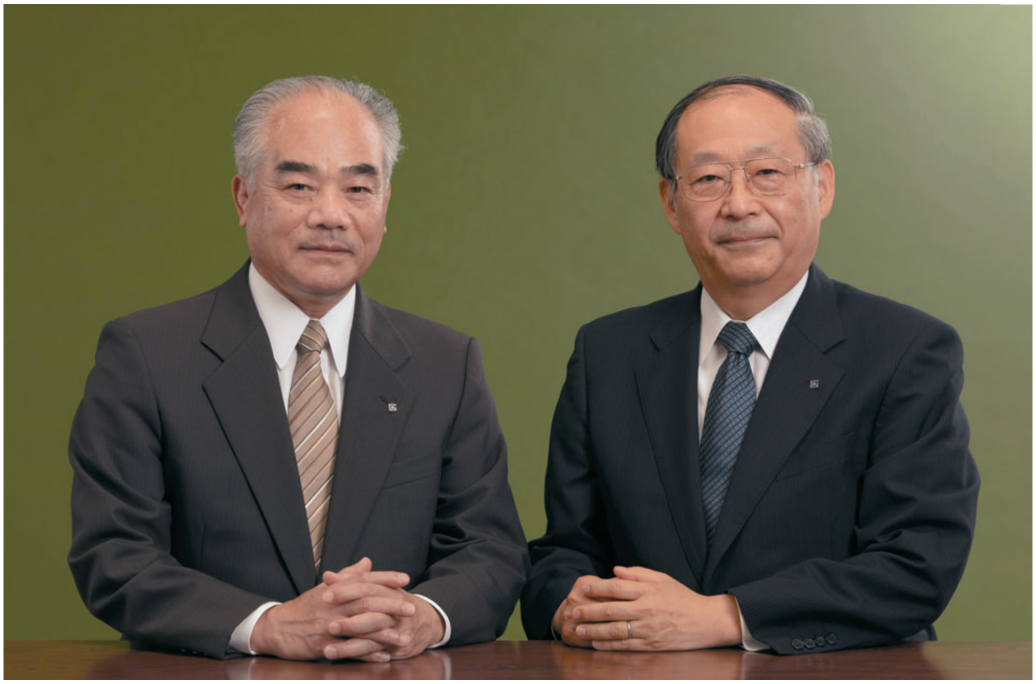


Interest-bearing debt & interest-bearing debt to sales ratio



Message from the Management

On March 11, northeastern Japan was hit by the Great East Japan Earthquake. NEG would like to offer its deepest condolences to all persons affected by this catastrophe. It is our sincere hope that those impacted by the disaster will be able to return to their normal lives as soon as possible, and that the afflicted regions will continue to recover steadily.



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

Overview of Fiscal Year 2011

In the first half of fiscal 2011 (ended March 31, 2011), demand for electrical appliances and auto parts increased around the world. Our products, such as glass for flat panel displays (FPDs) and glass fibers, also profited from this growing demand, thereby contributing to the growth of our business performance. In the second half, our performance was adversely impacted by a deceleration in demand for glass for FPDs, coupled with a decline in production due to temporary problems and an operational delay following cold repair. Nevertheless, we renewed our record highs in both sales and profits for the fiscal year as a whole, supported by the favorable business performance of the first half. In addition, successful results were obtained in product development, and their positive effects will carry over into the subsequent fiscal year.

Emphasized Efforts for Fiscal Year 2012

Fiscal 2012 commenced in the midst of an increasingly uncertain outlook for the future of the Japanese economy due to confusion following the Great East Japan Earthquake. Given that China and other emerging nations are rapidly reinforcing their economic strength, Japanese companies must remain competitive despite the severe post-disaster environment. NEG will properly and rapidly respond to market changes with its "swift manufacturing" capabilities, effectively adjusting production in accordance with market needs.

In the field of displays, vigorous efforts will be made to produce thinner glass substrates for liquid crystal displays (LCDs). Meanwhile, expansion in non-display fields will be implemented to improve NEG's business portfolio, which is currently display-oriented. In line with the increased emphasis on non-display-related business, the executive structure and other aspects of corporate organization were reorganized in April this year. Facilities for the production of glass fibers were newly constructed by our Malaysian subsidiary with an investment of over 20 billion yen, and operations started last December. The new facility will be utilized to meet expanding demand in the automotive field in Europe, the U.S., and emerging nations.

Vigorous sales activities will be conducted in the field of building materials, encompassing overseas markets. In the field of glass for medical and pharmaceutical use, facilities for glass tubing were newly constructed by our Malaysian subsidiary with an investment of 2 billion yen, and full-scale operations have commenced in order to meet the growing demand from emerging nations. Emphasis will be placed on efforts to expand sales of glass tubing together with radiation shielding glass for use in PET (positron emission tomography) medical examinations and other forms of advanced medical therapy, with the aim of boosting the scale of business from its current level of about 5 billion yen per annum to 10 billion yen or more per annum. Furthermore, we have also initiated business related to cover glass (chemically strengthened glass) for smartphones and other devices, as well as glass substrates for solar cells. It is expected that starting this fiscal year, these new products will contribute to increases in sales and profits. For fiscal 2012, a plan is underway to invest approximately 80 billion yen in capital expenditures.

For Sustainable Development

Our FPD glass business has hitherto been promoted with an emphasis on manufacturing within Japan. However, our production system needs to be reviewed for future diversification of business location, based on trends in overseas demand and business continuity management (BCM). Turning to research and development, progress is being made with the next generation displays, with the development of glass substrates for organic light-emitting diode (OLED) displays. Promising developments are also underway in the lighting sector, particularly with phosphor glass for LEDs and glass for OLED lighting. In the energy sector, we began the rollout of glass substrates for solar cells following the introduction of solar mirrors for solar thermal power generation. Making use of the P&P Technology Center inaugurated in June this year (see page 5), we will promote the development of new products and new processes and accelerate the growth of new business areas. Investment in R&D has hitherto amounted to 4 to 5 billion yen per annum, but this amount will be increased so as to further enhance R&D activities.

Efforts to Improve Business Structure

As a measure to reinforce our financial standing, efforts have continuously been made to reduce interest-bearing debts, with the aim of lowering them to 20% of consolidated net sales. Consequently, as of the end of fiscal 2011, they accounted for 24.2%—an improvement of 5.8% over the figures from the end of fiscal 2010. During this era of rapid market change, we will continue to adhere to our cash-flow-based approach for increasingly stable management.

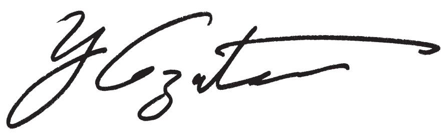
Our CSR Approaches

NEG has designated the employment of people with disabilities, preservation of the environment, and contributions to local communities, as the key themes of its CSR activities. Efforts will be made to create optimal workplace environments that provide job satisfaction for people with disabilities. Environmental preservation is being promoted under the concept that ideal manufacturing without waste will be environmentally friendly, and thus the preservation of the global environment and conservation of biodiversity are addressed through CO_2 reduction and raw material recycling. In contributing to local communities, emphasis has been placed on providing support for the development of human resources who represent the futures of their local areas. (Please see pages 7 and 8.)

Message to Our Shareholders

Manufacturing, development competency, and strong managerial foundations are the pillars of the corporate ideal that NEG pursues. Through manufacturing and development competency, we intend to provide socially useful products to the world now and in the future. As we are aware that corporate growth based on such continued efforts is only feasible with strong managerial foundations, efforts are continuously underway to reinforce our management structure. In addition, the return of profits to our shareholders is also considered to be an important management issue. In fiscal 2011, we increased our annual dividend by ¥2 per share over the previous fiscal year, making it the seventh consecutive year in which dividends increased. We will remain committed to our business activities so that we will be able to return profits to our shareholders on a steady, long-term basis, giving consideration to financial and business performance.

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



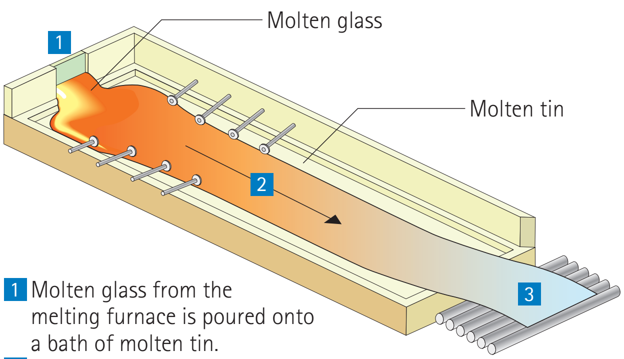
Yuzo Izutsu, Chairman of the Board

Masayuki Arioka, President

New Possibilities for Float Glass

By fully utilizing its diversified glass forming technologies unparalleled by other companies, NEG responds to market needs by turning molten glass into sheets, pressed products, tubing, fibers, and other required shapes in various sizes. Particularly in the field of glass sheets, manufacturing is conducted using the best forming techniques—processes such as overflow, float, and rolling are selected depending on product usage and specifications. Some of the expanding opportunities presented by new products produced using the float process will be discussed below.

Glass sheet formed by the float process

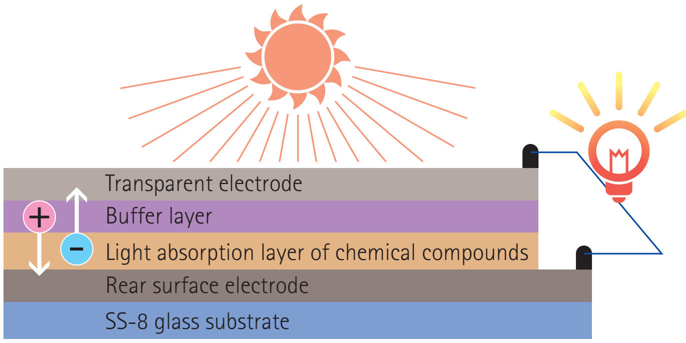


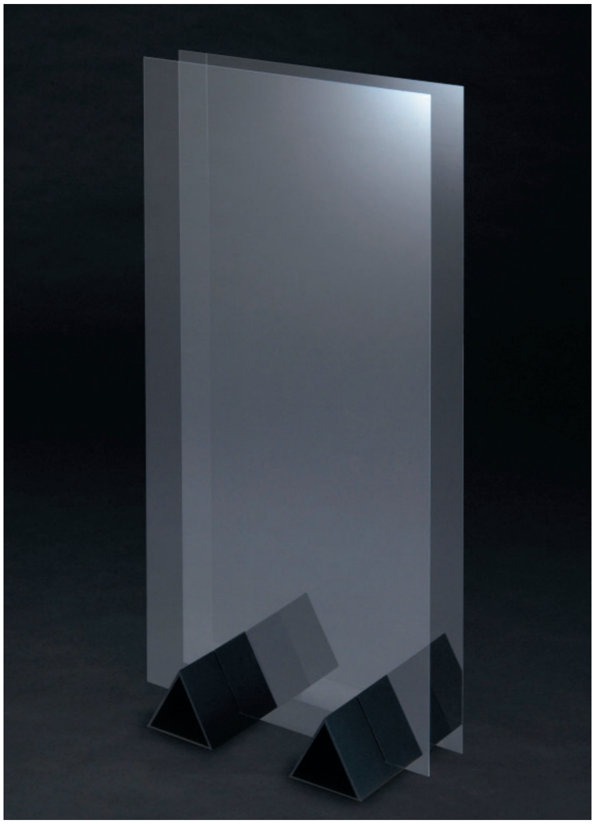
1 Molten glass from the melting furnace is poured onto a bath of molten tin.
2 Molten glass is floated and drawn.
3 Formed glass is slowly cooled.

In spring 2011, NEG entered two markets with new products produced using the float process: glass substrates for solar cells and specialty glass for chemical strengthening used as cover glass of smartphones and other mobile devices. The demand for these two products is expected to grow rapidly. The potential applications of the float process in manufacturing will be expanded with the addition of new products to the existing lineup of glass substrates for plasma display panels (PDPs), all of which together serve to enhance profitability and contribute to corporate growth.

Glass Substrates for Solar Cells: SS-8

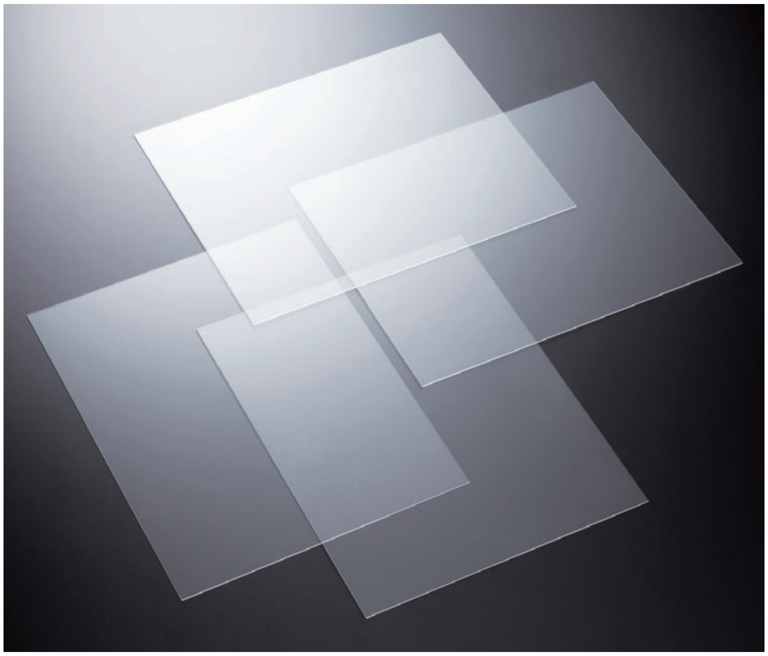
Among all the glass components used for solar cells, NEG has focused on glass substrates which can offer more advanced functions and higher added value. To this end, NEG has started mass-production and sales of SS-8 glass substrates for chemical compound solar cells. Chemical compound solar cells are new, and they generate power by efficiently absorbing light through thin films of chemical compounds formed on glass substrates. Our SS-8 possesses superior functions, including high strain point properties, which prevent thermal deformation from taking place during thermal processing. They also offer a high degree of surface precision, which is suitable for forming thin films.





SS-8 glass substrate for solar cells

Specialty Glass for Chemical Strengthening: CX-01™

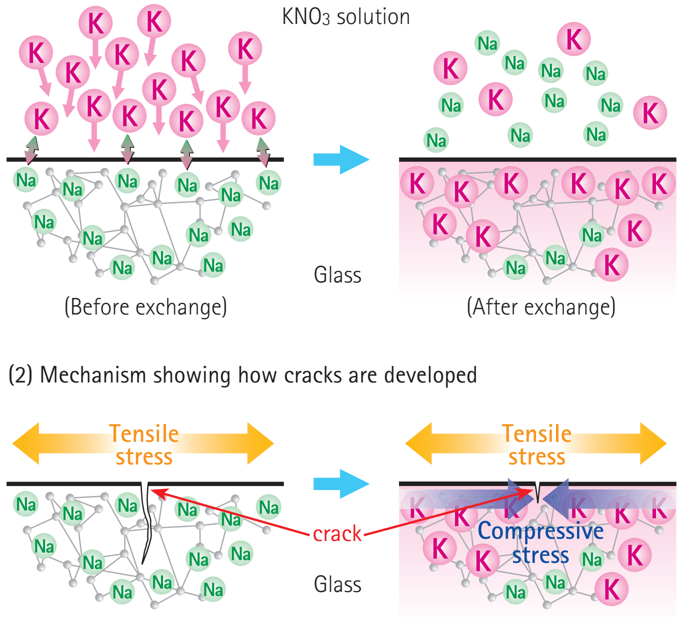


CX-01™ used as cover glass for mobile devices

Chemical strengthening method

(1) Ion exchange mechanism

(2) Mechanism showing how cracks are developed



NEG has commenced mass-production of CX-01 specialty glass for chemical strengthening. This glass is used as cover glass for mobile devices such as smartphones and tablet PCs, which are rapidly growing in demand. Conventional cover glass is made from strengthened soda-lime glass used for windowpanes. CX-01 has been developed exclusively for use as strengthened glass, and it possesses high durability and superior scratch resistance in comparison with conventional products. This makes it an optimal cover glass for protecting the touch screen panels of mobile devices from scratches and impact shocks. The glass is strengthened by the chemical strengthening method. When glass containing sodium ions (Na^+) is soaked in a potassium nitrate (KNO_3) solution containing potassium ions (K^+), an ion exchange occurs in which Na^+ in the surface layer of the glass is exchanged with K^+, which has a larger ion radius. This will generate high compressive stress* in the surface layer of the glass. This process makes CX-01 so strong that it does not shatter even when smashed with a hammer.

* Compressive stress can be understood as follows. When Na^+ in the surface layer of a piece of glass is replaced with K^+ (which has a larger ion radius), the surface layer tends to expand in volume, although the total volume of the piece of glass remains unchanged. As a result, compression is generated in the surface layer. This compressive stress can be used to offset tensile stress, which causes cracks to widen, thereby hindering the development of cracks and enhancing the glass strength.

P&P Technology Center Inaugurated

NEG officially opened the P&P Technology Center in June 2011. The letters "P&P" in the center's name stand for "process" and "product," representing an important principle behind technological development at NEG: "Development of novel technologies and processes must be valued, and the accumulated results of development will be reflected in the quality of products." The center specializes in the development of new products in fields that are expected to grow, as well as in development relating to new processes such as adhesion of glass with resins and the rolling process for ultra-thin glass sheets to accelerate new growth.

Working toward a Sustainable Society

NEG's corporate philosophy calls upon the NEG Group to "contribute to the welfare and prosperity of society by means of creating high-technology glass in harmony with the environment." Furthermore, NEG manages its operations in accordance with the Group's high ethical standards of integrity. We place emphasis on compliance, employment of people with disabilities, environmental preservation, and contribution to local communities. We are committed to fulfilling our social responsibilities as a member of society, while working to achieve sustainable development of the company and to increase its corporate value.

Corporate Governance

•Directors, Board of Directors, and Corporate Officers

NEG aims to speed up decision-making, ensure managerial transparency, and enhance 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 changes in business environments.

•Corporate Auditors and Board of Corporate Auditors

The board of auditors currently consists of four auditors, including two external auditors. The board of auditors establishes an audit policy and plan and decides how to allocate the auditors' respective assignments. In accordance with this, 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. External auditors are selected from among those who have no vested interest in NEG, and they perform their duties from an independent, objective, and professional standpoint.

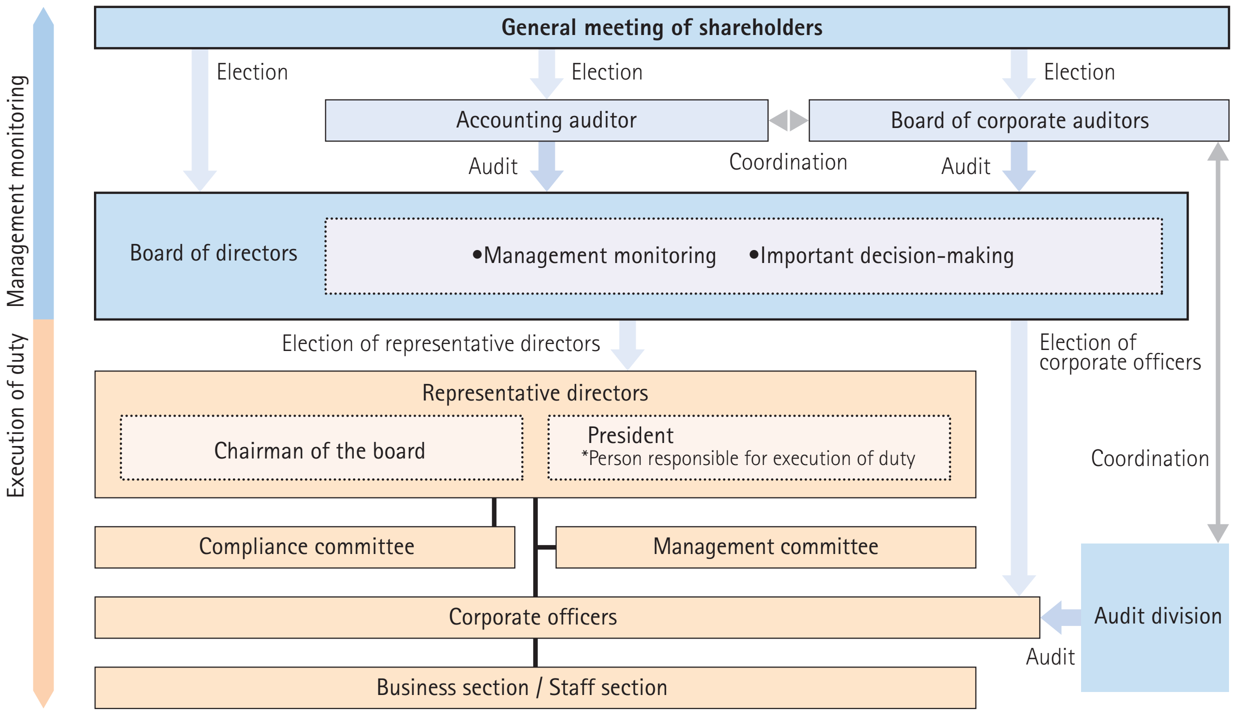
Internal Control

For internal control related to financial reporting, a system has been established to ensure that the financial reporting carried out by NEG and its Group companies are in accordance with applicable laws and regulations. The efficacy of the system is evaluated by the internal auditing department (audit division).

•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

Diagram of corporate governance system



standards. The committee undertakes the following activities.

- Drafting revisions to the Corporate Philosophy, Group Code of Conduct, and Principles of Activities, and implementing relevant measures throughout the Group
- Collecting and analyzing information and conducting compliance training
- Managing 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 examines business risks on a periodic basis to grasp any risks related to its operations and takes actions to manage such risks. We also recognize the importance of business risks related to compliance, finance, the environment, disasters, foreign trade management, information management, quality, 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

As a public company whose stock is freely traded on the market, NEG believes that the final decision on whether or not to sell Company shares in response to large-scale purchases should be made by our shareholders. However, in some cases large-scale purchases are attempted in such a way that shareholders are not given sufficient time or information to consider the purchase conditions. It is also possible that some such purchases could damage corporate value or shareholders' common interests.

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 the annual meeting in June 2009, following which it went into effect.

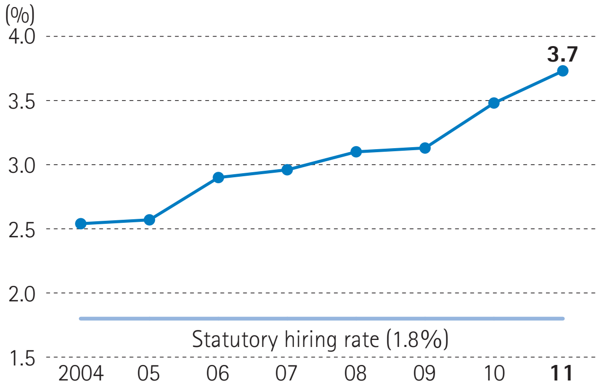
The policy involves the establishment of a special committee to prohibit the board of directors from engaging in arbitrary countermeasures and to make substantive and objective judgments regarding application of the policy. The committee gives priority to assessments made by highly independent external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

NEG will continue to work for 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.

Promoting Employment of People with Disabilities

The NEG Group is committed to expansion of employment opportunities for people with disabilities and improvements in workplace environments. In fiscal 2011, the employment of people with disabilities at the NEG Group accounted for twice the statutory hiring rate of 1.8% in Japan, which had been NEG's target for some years. 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.

People with disabilities as percentage of domestic NEG Group employees



All figures are from the month of March in the years noted.

Environmental Preservation

NEG places environmental concerns among its most important corporate social responsibilities. Here we will explain a few of our environmental efforts.

•Reduction of Waste

NEG follows through on a basic policy "to internally recycle solid waste (such as polishing sludge and scraps of glass) that originates from the glass manufacturing business itself." To do so, we have categorized waste in accordance with the diagrams below. In treating solid waste destined for a landfill, the company continues to reduce the amount of such waste relative to the weight of glass products sold. In fiscal 2011, we were able to achieve a numerical target for reduction that surpassed the results for all previous years.

Category of waste

Category X (Classified by treatment level)

Total generation / Emissions in total

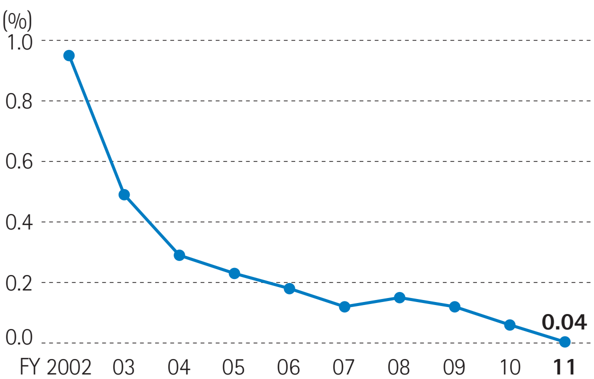
Internal recycling	EP dust Polishing sludge, scraps of glass, etc.
Social recycling	Scrap metal, scrap brick Waste paper, cardboard for recycling, etc.
Landfill waste	Waste acids, waste alkalis Incombustible waste, incinerated ash, etc.

Category Y (Classified by the area which waste was generated)

Emissions in total

Waste from furnaces	Glass scraps	Social recycling Landfill waste
	Other waste	Social recycling Landfill waste
Waste from processing		Social recycling Landfill waste
Other waste		Social recycling Landfill waste

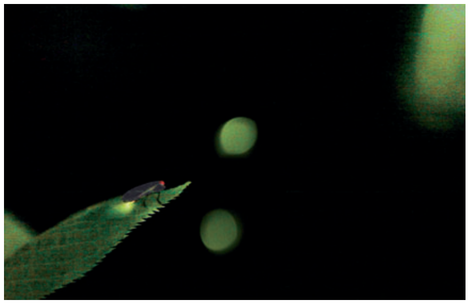
Reduction of landfill waste



Ratio of solid waste destined for landfill disposal to total weight of products sold.

•Conservation of Biodiversity

NEG places emphasis on conservation of biodiversity, and thus endeavors to manage plant operations in harmony with the environment.
At our Notogawa plant, a natural stream flows through the center of the site and vegetation grows just as it did before the plant was built. Every year in early June, fireflies can be seen flying along the streams at dusk. The sight of small beautiful lights flying about in the dark evokes a sense of fantastic natural beauty. A habitat for fireflies has numerous requirements, such as the presence of a pollution-free stream and the existence of organisms that serve as feed, as well as various types of plants and moss. Fireflies are able to live in our stream as a result of our actions to create a plant that is in harmony with the environment.



Fireflies at the stream in Notogawa plant

Regional Contributions

As a company located in Shiga Prefecture, we continuously seek to make contributions to the region. In addition to economic benefits and job creation, we have initiated efforts that include volunteer cleanups of neighboring roads and the planting of trees and flowers around the site. Recently, we have been focusing on the development of local human resources. Last year, Mr. Yuzo Izutsu, Chairman of the Board, gave a lecture at the Faculty of Economics at Shiga University. This lecture was part of an initiative that allowed students to learn from top executives about management strategies and ways of contributing to communities. We accepted the request from the University, hoping that it would help support the nurturing of local human resources for the future.

Financial Review

See page 1 for related graphs.

Business Climate

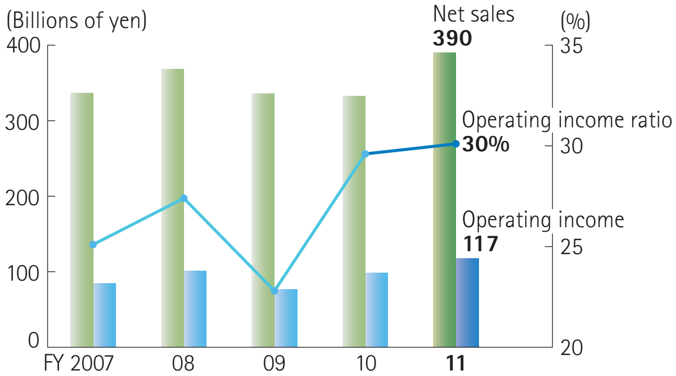
In fiscal 2011, the economy in Asia showed expansion led by solid domestic demand in China. The economy in the U.S. gradually recovered, and signs of recovery were observed in Europe. Overall, however, the economies in Europe and the U.S. remained in severe conditions, due to the continued high unemployment rates in both areas, as well as to concerns about financial conditions and monetary systems in Europe.

In Japan, a trend of economic recovery was observed due to a series of economic stimulus measures including subsidies for promoting environmentally friendly vehicles and incentive points for energy-efficient electrical appliances. Toward the second half of fiscal 2011, however, the economy remained sluggish due to slow consumer spending affected by the termination and scale-down of such measures, a decline in exports attributable to rapid yen appreciation, and the severe employment situation. Amidst such environment, the Great East Japan Earthquake, which occurred in March 2011, inflicted major damage and confusion on Japan's economy and society, and the problem of radioactive leakage from the disaster-stricken nuclear power plant emerged, thereby making the future of the Japanese economy increasingly uncertain.

Net Sales

Net sales for fiscal 2011 were ¥390,196 million ($4,701 million), an increase of 17.4% from the previous fiscal year, renewing our record high. Sales of Glass for Electronic and Information Devices sector in fiscal 2011 exceeded those in the previous fiscal year, due to favorable sales in the first half, offsetting the impact of weakening demand in the latter half of the second quarter (from July 1 to September 30, 2010) and onward. Sales of Glass for Others sector in fiscal 2011 increased over the previous fiscal year due to steady sales of glass fibers, mainly in overseas markets, despite the fact that sales of glass for building materials and heat-resistant glass were at low levels.

Net sales and operating income



Income

Operating income increased by 19.3% from the previous fiscal year to ¥117,471 million ($1,415 million). Due to favorable sales performance led by glass for FPDs in the first half of this fiscal year, gross profit increased by 20.3% from the previous fiscal year, and the cost to sales ratio improved by 0.9 points. As a result, the operating income ratio accounted for 30.1%, an increase of 0.5 points from the previous fiscal year.

For net amount of other income and other expenses, losses of ¥5,599 million ($67 million) were recorded, representing a reduction in losses by ¥6,290 million ($76 million) from the previous fiscal year. Other income mainly comprised interest and dividend income of ¥1,989 million ($24 million) and reversal of reserve for special repairs of ¥3,967 million

Sales by Business

(Millions of yen and U.S. dollars)

	FY2010		**FY2011**			**2011/2010**
	Net sales	Percent of net sales	Net sales		Percent of net sales	Percent change
Glass Business						
Glass for Electronic and Information Devices	¥283,778	85.4%	**¥328,522**	**$3,958**	**84.2%**	**15.8%**
Glass for Others	48,610	14.6	**61,674**	**743**	**15.8**	**26.9**
Total	¥332,388	100.0%	**¥390,196**	**$4,701**	**100.0%**	**17.4%**

NEG Group comprises a single segment of glass business.

($48 million). Other expenses included interest expenses of ¥1,081 million ($13 million), loss on disposal of property, plant and equipment (including removal expenses) of ¥7,414 million ($89 million), depreciation of idle property, plant and equipment of ¥816 million ($10 million), loss from spoilage of ¥789 million ($10 million), and loss on impairment of fixed assets of ¥640 million ($8 million).

Consequently, income before income taxes and minority interests totaled ¥111,872 million ($1,348 million), an increase of ¥25,335 million ($305 million) from the previous fiscal year. Combined with net amounts of provision for income taxes of ¥42,393 million ($511 million) and minority interests in profit of ¥870 million ($10 million), net income totaled ¥68,609 million ($827 million), a 24.9% increase from the previous fiscal year. Net income per share was ¥137.92 ($1.66).

Dividends

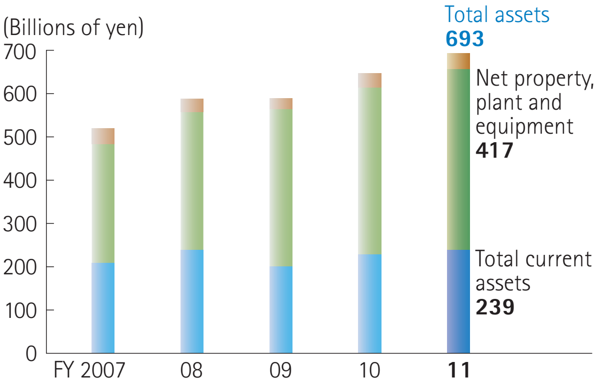
The dividend for fiscal 2011 was ¥13 ($0.16) per share, including an interim dividend of ¥6 ($0.07) per share paid out in November 2010, denoting an effective dividend increase of ¥2.0 ($0.02) from the previous fiscal year.

Financial Position

Total assets at the end of the fiscal year were worth ¥692,622 million ($8,345 million), an increase of ¥46,178 million ($556 million) from the previous fiscal year end.

Current assets increased by ¥10,283 million ($124 million). Particularly in the first quarter, income increased due to favorable sales performance and other factors, resulting in an increase in cash and time deposits. In the latter half of the second

Assets



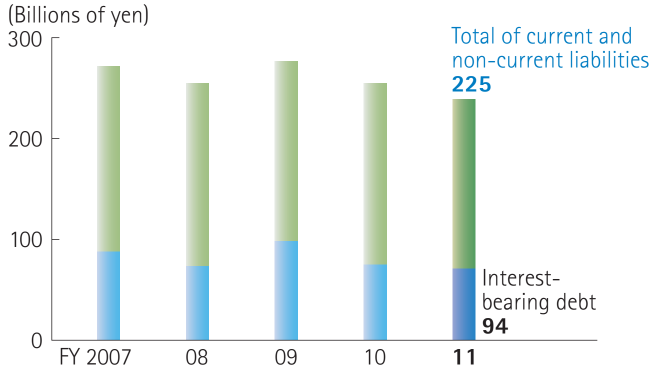
quarter and onward, notes and accounts receivable, trade decreased due to a decline in sales, while finished goods and purchased goods increased. In addition, raw materials and other increased due to procurement of various materials necessary for the maintenance of plant and equipment for FPD glass.

Net property, plant, and equipment increased by ¥32,253 million (¥389 million), mainly due to capital expenditures for FPD glass and glass fibers.

Current liabilities decreased by ¥11,547 million ($139 million). Compared with the previous fiscal year end, notes and accounts payable, trade increased due to an increase in production, while accrued income taxes decreased due to payment of taxes.

Non-current liabilities decreased by ¥4,006 million ($48 million), mainly due to a decrease in long-term debts.

Liabilities

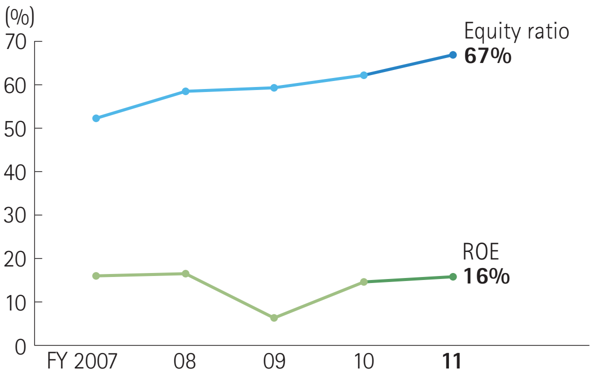


The NEG Group has been addressing the reduction of interest-bearing debts as a medium- to long-term issue to be resolved so as to improve its financial position. As a result of our continuous efforts to reduce interest-bearing debts in view of achieving the goal of 20% of consolidated net sales, the balance of interest-bearing debts (short- and long-term borrowings, unsecured bonds, and commercial paper) at this fiscal year end totaled ¥94,273 million ($1,136 million), a decrease by ¥5,555 million ($67 million) from the previous fiscal year end. This figure accounts for 24.2% of consolidated net sales.

Total net assets at this fiscal year end amounted to ¥468,038 million ($5,639 million), an increase by ¥61,731 million ($744 million) from the previous fiscal year end. While retained earnings increased, a decrease in foreign currency translation adjustments occurred due to erosion in the value of investments in overseas subsidiaries attributed to yen appreciation, together with a decrease in net unrealized holding gains on securities due to stagnation of stock market conditions.

Consequently, the equity ratio as of this fiscal year end was 66.9%, an increase of 4.7 points from 62.2% as of the previous fiscal year end.

Equity ratio & ROE



Cash Flows

[Cash Flows from Operating Activities]
Net cash provided by operating activities totaled ¥133,391 million ($1,607 million), an increase of ¥14,670 million ($177 million) from the previous fiscal year, due to an increase in income before income taxes and minority interests, a decrease in notes and accounts receivables, and an increase in inventories and payment for income taxes.

[Cash Flows from Investing Activities]
Even with the withdrawal of time deposits, net cash spent for investing activities totaled ¥96,822 million ($1,167 million), an increase in spending of ¥9,975 million ($120 million) from the previous fiscal year, due to the purchase of property, plant and equipment, particularly for FPD glass and glass fibers, as well as due to investments in securities.

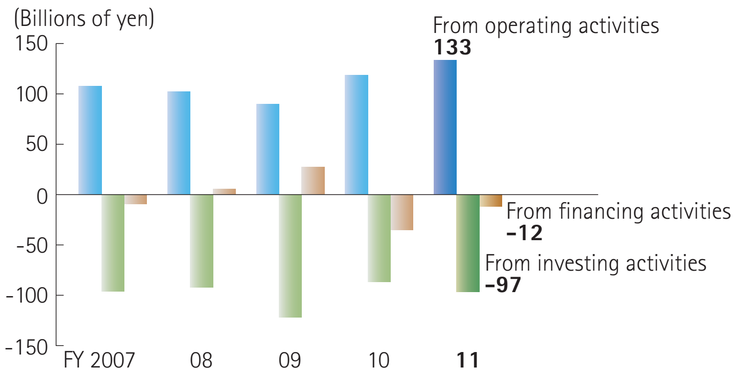
[Cash Flows from Financing Activities]
Net cash used for financing activities totaled ¥11,774 million ($142 million), a decrease by ¥23,361 million ($281 million) from the previous fiscal year, despite an increase resulting from the repayment of long-term borrowings and payment of dividends.

Including the negative effect of exchange rate changes on cash and cash equivalents worth ¥97 million ($1 million), the balance of cash and cash equivalents as of this fiscal year end totaled ¥116,366 million ($1,402 million), an increase of ¥24,698 million ($298 million) from the previous fiscal year end.

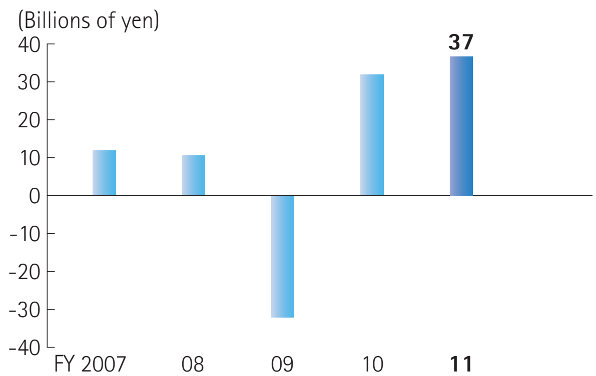
Capital Expenditures

Capital expenditures for this fiscal year totaled ¥110,025 million ($1,326 million). This was due to addition of new equipment to increase production capacity, improvements to existing equipment, and regular maintenance of glass melting furnaces to enhance production efficiency. Such capital expenditures were made mainly for the manufacturing of FPD glass in the Glass for Electronic and Information Devices sector and for glass fibers in the Glass for Others sector.

Cash flows



Free cash flows



Consolidated Financial Statements

Consolidated Balance Sheets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2011

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Current assets:			
Cash and time deposits (Note 5 and 8)	¥ 98,082	¥118,809	$1,431,434
Notes and accounts receivable, trade (Note 5)	80,038	64,357	775,386
Allowance for doubtful receivables	(645)	(539)	(6,494)
Inventories (Note 9)	36,935	45,374	546,675
Deferred income taxes (Note 12)	10,510	7,284	87,759
Other current assets	3,705	3,623	43,650
Total current assets	228,625	238,908	2,878,410
Property, plant and equipment (Note 10 and 13):			
Land	14,091	13,427	161,771
Building and structures	104,352	113,568	1,368,289
Machinery and equipment	578,785	648,802	7,816,892
Construction in progress	26,542	18,837	226,952
	723,770	794,634	9,573,904
Accumulated depreciation	(338,600)	(377,211)	(4,544,711)
Net property, plant and equipment	385,170	417,423	5,029,193
Investments and other assets:			
Investment securities (Note 5 and 6)	16,249	21,760	262,169
Investment in affiliates (Note 6)	1,688	1,688	20,337
Deferred income taxes (Note 12)	12,889	10,272	123,759
Other assets (Note 10)	1,823	2,571	30,975
Total investments and other assets	32,649	36,291	437,240
Total assets	¥646,444	¥692,622	$8,344,843

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)
	2010	2011	2011
Current liabilities:			
Short-term debt, including current portion of long-term debt (Note 5 and 11)	¥ 42,547	¥ 44,534	$ 536,554
Notes and accounts payable (Note 5):			
Trade	37,753	42,544	512,578
Construction and other	27,560	26,743	322,205
Accrued expenses	10,101	11,540	139,036
Accrued income taxes (Note 5)	34,135	15,462	186,289
Other reserves	199	148	1,783
Other current liabilities	1,579	1,356	16,338
Total current liabilities	153,874	142,327	1,714,783
Non-current liabilities:			
Long-term debt (Note 5 and 11)	57,281	49,739	599,265
Reserve for special repairs	26,888	29,766	358,627
Other reserves (Note 14)	1,839	1,679	20,229
Other non-current liabilities (Note 13)	255	1,073	12,927
Total non-current liabilities	86,263	82,257	991,048
Net assets (Note 15):			
Shareholders' equity:			
Common stock			
Authorized - 1,200,000,000 shares in 2010 and 2011			
Issued - 497,616,234 shares in 2010 and 2011	32,156	32,156	387,422
Capital surplus	34,357	34,357	413,940
Retained earnings	340,014	403,355	4,859,699
Treasury stock at cost			
148,073 shares in 2010			
166,179 shares in 2011	(212)	(233)	(2,808)
Total shareholders' equity	406,315	469,635	5,658,253
Accumulated other comprehensive income (Note 4):			
Net unrealized holding gains on securities	3,898	3,140	37,831
Deferred gains on hedges	(45)	(33)	(398)
Foreign currency translation adjustments	(7,840)	(9,032)	(108,819)
Total accumulated other comprehensive income	(3,987)	(5,925)	(71,386)
Minority interests	3,979	4,328	52,145
Total net assets	406,307	468,038	5,639,012
Contingent liabilities (Note 16)			
Total liabilities and net assets	¥646,444	¥692,622	$8,344,843

Consolidated Statements of Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Net sales	¥332,388	¥390,196	$4,701,157
Cost of sales	213,358	246,984	2,975,711
Gross profit	119,030	143,212	1,725,446
Selling, general and administrative expenses	20,604	25,741	310,133
Operating income	98,426	117,471	1,415,313
Other income (expenses):			
Interest and dividend income	1,351	1,989	23,964
Interest expense	(1,570)	(1,081)	(13,024)
Loss from spoilage	(1,049)	(789)	(9,506)
Loss on disposal of property, plant and equipment, including removal expenses	(4,755)	(7,414)	(89,325)
Gain on sales of property, plant and equipment	258	475	5,723
Loss on liquidation of subsidiaries	(1,367)	–	–
Depreciation of idle property, plant and equipment	(2,737)	(816)	(9,831)
Loss on impairment of fixed assets (Note 10)	(950)	(640)	(7,711)
Reversal of reserve for special repairs	143	3,967	47,795
Foreign exchange losses	(453)	(737)	(8,880)
Other, net	(760)	(553)	(6,663)
	(11,889)	(5,599)	(67,458)
Income before income taxes and minority interests	86,537	111,872	1,347,855
Income taxes (Note 12):			
Current	40,868	35,701	430,133
Deferred	(9,526)	6,692	80,626
	31,342	42,393	510,759
Income before minority interests	55,195	69,479	837,096
Minority interests	268	870	10,482
Net income	¥ 54,927	¥ 68,609	$ 826,614

	Yen		U.S. dollars (Note 1)
Amount per share of common stock:			
Net income (Note 2)	¥ 110.41	¥ 137.92	$ 1.66
Diluted net income (Note 2)	-	–	–
Cash dividends applicable to the year (Note 15)	11.00	13.00	0.16

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

Consolidated Statements of Comprehensive Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	**2011**	**2011**
Income before minority interests	¥55,195	**¥69,479**	**$837,096**
Other comprehensive income:			
Net unrealized holding gains on securities	2,487	**(758)**	**(9,133)**
Deferred gains on hedges	(56)	**12**	**145**
Foreign currency transaction adjustments	929	**(1,225)**	**(14,759)**
	3,360	**(1,971)**	**(23,747)**
Comprehensive income	¥58,555	**¥67,508**	**$813,349**
Comprehensive income attributable to:			
Owners of the parent	¥58,275	**¥66,671**	**$803,265**
Minority interests	280	**837**	**10,084**

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, 2010 and 2011

	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, 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
Net income	–	–	–	68,609	–	–	–	–	–	68,609
Cash dividends paid	–	–	–	(5,970)	–	–	–	–	–	(5,970)
Acquisition of treasury stock	–	–	–	–	(22)	–	–	–	–	(22)
Disposition of treasury stock	–	–	(0)	–	1	–	–	–	–	1
Changes in scope of consolidation	–	–	–	702	–	–	–	–	–	702
Net change during the year	–	–	–	–	–	(758)	12	(1,192)	349	(1,589)
Balance at March 31, 2011	497,616	¥32,156	¥34,357	¥403,355	¥ (233)	¥3,140	¥(33)	¥(9,032)	¥4,328	¥468,038

	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, 2010	$387,422	$413,940	$4,096,554	$(2,555)	$46,964	$(542)	$ (94,458)	$47,940	$4,895,265
Net income	–	–	826,614	–	–	–	–	–	826,614
Cash dividends paid	–	–	(71,927)	–	–	–	–	–	(71,927)
Acquisition of treasury stock	–	–	–	(265)	–	–	–	–	(265)
Disposition of treasury stock	–	(0)	–	12	–	–	–	–	12
Changes in scope of consolidation	–	–	8,458	–	–	–	–	–	8,458
Net change during the year	–	–	–	–	(9,133)	144	(14,361)	4,205	(19,145)
Balance at March 31, 2011	$387,422	$413,940	$4,859,699	$(2,808)	$37,831	$(398)	$(108,819)	$52,145	$5,639,012

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, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥86,537	¥111,872	$1,347,855
Depreciation and amortization	48,167	52,699	634,928
Loss on disposal of property, plant and equipment	2,365	3,235	38,976
Loss on impairment of fixed assets	950	640	7,711
Increase in provision for reserve for special repairs	3,755	2,879	34,687
Interest and dividend income	(1,351)	(1,989)	(23,964)
Interest expense	1,570	1,081	13,024
Decrease (increase) in notes and accounts receivable	(32,221)	15,011	180,855
Decrease (increase) in inventories	5,635	(8,614)	(103,783)
Increase in notes and accounts payable	5,528	6,026	72,602
Other	2,376	3,552	42,796
Sub-total	123,311	186,392	2,245,687
Interest and dividends received	1,318	2,038	24,554
Interest paid	(1,784)	(1,079)	(13,000)
Payment for income taxes, net	(4,124)	(53,960)	(650,121)
Net cash provided by operating activities	118,721	133,391	1,607,120
Cash flows from investing activities:			
Decrease (increase) in time deposits, net	(4,343)	3,920	47,229
Purchases of marketable and investment securities	(1,425)	(7,014)	(84,506)
Proceeds from sales of marketable and investment securities	1,259	712	8,578
Purchases of property, plant and equipment	(83,953)	(95,643)	(1,152,325)
Proceeds from sales of property, plant and equipment	1,586	1,209	14,566
Other	29	(6)	(72)
Net cash used in investing activities	(86,847)	(96,822)	(1,166,530)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	(31,024)	2,400	28,916
Increase in commercial paper, net	3,000	-	-
Proceeds from long-term borrowings	914	-	-
Repayment of long-term borrowings	(3,001)	(7,917)	(95,386)
Proceeds from issuance of unsecured bonds	20,000	-	-
Redemption of unsecured bonds	(20,000)	-	-
Proceeds from common stock issued to minority shareholders	-	1,104	13,301
Cash dividends paid	(4,973)	(5,966)	(71,880)
Cash dividends paid to minority shareholders	(1)	(1,085)	(13,072)
Payment of dividend in liquidation for minority shareholders	-	(210)	(2,530)
Other	(50)	(100)	(1,204)
Net cash used in financing activities	(35,135)	(11,774)	(141,855)
Effect of exchange rate changes on cash and cash equivalents	306	(97)	(1,169)
Net increase (decrease) in cash and cash equivalents	(2,955)	24,698	297,566
Cash and cash equivalents at beginning of year	94,623	91,668	1,104,434
Cash and cash equivalents at end of year (Note 8)	¥91,668	¥116,366	$1,402,000

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

1. Basis of presenting consolidated financial statements

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

The 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, 2011, which was ¥83 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.

(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 is generally 9 years.

(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.

(i) 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.

(j) 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, 2010 and 2011, 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.

(k) 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.

(l) 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.

(m) 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.

(n) Research and development
Costs relating to research and development activities are charged to income as incurred and amounted to ¥3,589 million and ¥4,553 million ($54,855 thousand) in 2010 and 2011, respectively.

(o) 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.

(p) 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.

(q) 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

Accounting Standard for Asset Retirement Obligations
Commencing for the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No.18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). As a result of the adoption of this accounting standard, income before income taxes and minority interests decreased by ¥866 million ($10,434 thousand) for the year ended March 31, 2011, from the amounts which would have been recorded under the method applied in the previous year.

4. Additional information

Accounting Standard for Presentation of Comprehensive Income
Commencing for the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan Statement No. 25, issued on June 30, 2010).

The amounts presented as "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" in the consolidated financial statements for the year ended March 31, 2010, represent amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments," respectively.

5. 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 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 having business relations with the Company 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 borrowings are made mainly for the purpose of obtaining funds for operating transactions, and bonds and long-term borrowings 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 borrowings are partially hedged against the interest rate fluctuation risks, through interest rate swap contracts.

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

For details of hedge accounting of derivatives such as hedging instruments and hedged items, and hedging policy, please refer to "(p) 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. Approval for transactions that exceed a certain scope is given by 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 liquidity risks, and the Group manages the risk by measures such as creating 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 and 2011, 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)	-

	Millions of yen		
2011:	Book value	Fair value	Difference
(1) Cash and time deposits	**¥118,809**	**¥118,809**	**¥ -**
(2) Notes and accounts receivable, trade	**64,357**	**64,357**	**-**
(3) Investment securities:			
Other securities	**21,751**	**21,751**	**-**
(4) Short-term debt:			
Short-term debt	**(37,000)**	**(37,000)**	**-**
Current portion of long term debt	**(7,534)**	**(7,556)**	**(22)**
(5) Notes and accounts payable, trade	**(42,544)**	**(42,544)**	**-**
(7) Long-term debt:			
Unsecured bonds	**(20,000)**	**(20,125)**	**(125)**
Long-term borrowings	**(29,739)**	**(30,088)**	**(349)**
(8) Derivatives			
Derivatives which are not accounted for hedge accounting	**1,168**	**1,168**	**-**
Derivatives which are accounted for hedge accounting	**(55)**	**(55)**	**-**

2011:	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	$1,431,434	$1,431,434	$ -
(2) Notes and accounts receivable, trade	775,386	775,386	-
(3) Investment securities:			
Other securities	262,060	262,060	-
(4) Short-term debt:			
Short-term debt	(445,783)	(445,783)	-
Current portion of long-term debt	(90,771)	(91,036)	(265)
(5) Notes and accounts payable, trade	(512,578)	(512,578)	-
(7) Long-term debt:			
Unsecured bonds	(240,964)	(242,470)	(1,506)
Long-term borrowings	(358,301)	(362,506)	(4,205)
(8) Derivatives			
Derivatives which are not accounted for hedge accounting	14,072	14,072	-
Derivatives which are accounted for hedge accounting	(663)	(663)	-

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 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 "6. 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 "7. Derivatives."

3. Financial instruments whose fair values are deemed to be extremely difficult to estimate are described 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 "6. 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).

6. Marketable and investment securities

(a) At March 31, 2010 and 2011, acquisition cost and book value of securities with observable market values were as follows:

	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 book value not exceeding acquisition cost:			
Equity securities	116	114	(2)
	¥ 10,065	¥ 16,236	¥ 6,171

	Millions of yen		
2011:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**¥ 14,422**	**¥ 19,533**	**¥ 5,111**
Securities with book value not exceeding acquisition cost:			
Equity securities	**2,426**	**2,218**	**(208)**
	¥ 16,848	**¥ 21,751**	**¥ 4,903**

	Thousands of U.S. dollars		
2011:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**$173,759**	**$235,337**	**$61,578**
Securities with book value not exceeding acquisition cost:			
Equity securities	**29,229**	**26,723**	**(2,506)**
	$202,988	**$262,060**	**$59,072**

(b) At March 31, 2010 and 2011, book value of securities with no observable market values were as follows:

	Millions of yen
2010:	Book value
Available-for-sale securities:	
Equity securities issued by affiliates	¥ 1,688
Non-listed equity securities, other	13
	¥ 1,701

	Millions of yen	Thousands of U.S. dollars
2011:	Book value	Book value
Available-for-sale securities:		
Equity securities issued by affiliates	**¥ 1,688**	**$ 20,337**
Non-listed equity securities, other	**9**	**109**
	¥ 1,697	**$ 20,446**

(c) Sales of available-for-sale securities sold in the years ended March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Total sales amounts	¥ 1,259	**¥ 712**	**$ 8,578**
Gains on sales	10	**–**	**–**
Losses on sales	227	**139**	**1,675**

7. Derivatives

The fair value of derivative contracts utilized by the Company and its consolidated subsidiaries at March 31, 2010 and 2011, were as follows:

(a) Derivative transactions which are not applied to under hedge accounting

Currency related transactions

2010: Millions of yen

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

2011: Millions of yen

Classification	Type of transaction:	Notional amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward foreign exchange				
	Sell	**¥ 1,142**	**¥ -**	**¥ (35)**	**¥ (35)**
	Buy	**258**	**-**	**3**	**3**
	Swap	**4,554**	**3,542**	**1,200**	**1,200**
		¥ 5,954	**¥ 3,542**	**¥ 1,168**	**¥ 1,168**

2011: Thousands of U.S. dollars

Classification	Type of transaction:	Notional amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward foreign exchange				
	Sell	**$13,759**	**$ -**	**$ (422)**	**$ (422)**
	Buy	**3,109**	**-**	**36**	**36**
	Swap	**54,867**	**42,675**	**14,458**	**14,458**
		$71,735	**$ 42,675**	**$14,072**	**$14,072**

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

(b) Derivative transactions which are applied to 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)

2011: 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	**¥ 11,800**	**¥ 5,600**	**¥ (55)**

2011: 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	**$142,169**	**$67,470**	**$ (663)**

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

8. Cash and cash equivalents

Cash and cash equivalents at March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Cash and time deposits in the consolidated balance sheets	¥98,082	¥118,809	$1,431,434
Time deposits due over three months	(6,414)	(2,443)	(29,434)
Cash and cash equivalents in the consolidated statements of cash flows	¥91,668	¥116,366	$1,402,000

9. Inventories

Inventories at March 31, 2010 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Finished and purchased goods	¥21,127	¥ 24,733	$ 297,988
Work-in-process	1,827	1,586	19,109
Raw materials and other	13,981	19,055	229,578
	¥36,935	¥ 45,374	$ 546,675

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, is 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, 2010 and 2011, 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.

2010:

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

2011:

Use	Reason	Location	Type
Important idle assets	No utilization plan	Fujisawa factory, other	Machinery and equipment, other

(c) Assessment of recoverable values

For the years ended March 31, 2010 and 2011, 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
	2010	2011	2011
Machinery and equipment	¥ 836	¥ 397	$ 4,783
Other	114	243	2,928
	¥ 950	¥ 640	$ 7,711

11. Short-term and long-term debt

Short-term debt, including the current portion of long-term debt, at March 31, 2010 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Short-term bank borrowings; average rate 0.51% per annum	¥31,600	¥34,000	$409,639
Commercial paper; average rate 0.13% per annum	3,000	3,000	36,144
Current portion of long-term borrowings; average rate 0.84% per annum	7,947	7,534	90,771
	¥42,547	¥44,534	$536,554

Long-term debt at March 31, 2010 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Borrowings, principally from banks and insurance companies due from 2012 through 2016; average rate 1.26% per annum	¥45,228	¥37,273	$449,072
0.68% unsecured bonds, due in 2015	10,000	10,000	120,482
1.00% unsecured bonds, due in 2017	10,000	10,000	120,482
	65,228	57,273	690,036
Less current portion included in short-term borrowings	(7,947)	(7,534)	(90,771)
	¥57,281	¥49,739	$599,265

The aggregate annual maturities of long-term debt at March 31, 2011, were as follows:

	Millions of yen	Thousands of U.S. dollars
2012	¥ 7,534	$ 90,771
2013	24,534	295,590
2014	3,608	43,470
2015	11,089	133,602
2016	508	6,121
2017 and thereafter	10,000	120,482
	¥57,273	$690,036

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 ($301,205 thousand). The credit facility has not been used as of March 31, 2011.

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, 2010 and 2011.

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, 2010 and 2011, were as follows:

	2010	2011
Statutory tax rate in Japan	40.4%	40.4%
Exclusion from gross revenue of dividends	(1.5)	(3.8)
Difference in tax rates for overseas consolidated subsidiaries	(0.3)	(1.3)
Valuation allowance	(4.1)	(0.6)
Undistributed earnings of overseas consolidated subsidiaries	0.2	(0.2)
Expenses not deductible for tax purposes, mainly entertainment expenses	0.2	0.3
Effect of elimination of dividend income	0.9	3.3
Other	0.4	(0.2)
Effective tax rate	36.2%	37.9%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Deferred tax assets:			
Excess reserve for special repairs	¥ 5,324	¥ 5,675	$ 68,373
Unrealized gain on property, plant and equipment	2,040	2,625	31,627
Impairment loss on property, plant and equipment	1,929	1,613	19,434
Loss on devaluation of inventories	1,864	1,521	18,325
Accrued bonuses	1,326	1,300	15,663
Long-term prepaid expenses	997	1,235	14,880
Unrealized gain on inventories	2,733	1,220	14,699
Tax losses carried forward	1,832	1,188	14,313
Accrued enterprise tax	2,346	1,081	13,024
Accrued excess of depreciation	1,389	1,055	12,711
Alternative minimum tax	1,035	827	9,964
Loss from valuation of investments in affiliates	4,811	–	–
Other	5,305	7,638	92,023
Subtotal deferred tax assets	32,931	26,978	325,036
Less valuation allowance	(4,003)	(3,189)	(38,422)
Total deferred tax assets	28,928	23,789	286,614
Deferred tax liabilities:			
Depreciation of overseas consolidated subsidiaries	(2,353)	(3,940)	(47,470)
Net unrealized holding gains on securities	(2,273)	(1,764)	(21,253)
Other	(1,159)	(943)	(11,361)
Total deferred tax liabilities	(5,785)	(6,647)	(80,084)
Net deferred tax assets	¥23,143	¥17,142	$206,530

13. Asset retirement obligations

(a) Asset retirement obligations recorded on the consolidated balance sheet

(1) Outline of the asset retirement obligations
Recorded asset retirement obligations are expenses such as costs to dispose of the Company owned machines and equipment containing PCB (polychlorinated biphenyl) and costs to remove asbestos from the Company owned buildings when they are demolished.

(2) Basis for calculating the asset retirement obligations
Asset retirement obligations are based on the estimate provided by specialty companies (construction companies, etc.).

(3) Change in the total amount of asset retirement obligations during the year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Beginning balance (Note)	¥ 866	$ 10,434
Decrease due to the fulfillment of asset retirement obligations	(13)	(157)
Ending balance	¥ 853	$ 10,277

Notes: The beginning balance shows the amount resulting from the application of "Accounting Standard for Asset Retirement Obligations" and "Guidance on Accounting Standard for Asset Retirement Obligations" effective from the year ended March 31, 2011.

(b) Asset retirement obligations not recorded on the consolidated balance sheet

Regarding some factory sites and other properties being used under the real estate leasing agreements, the Company and its domestic consolidated subsidiaries have obligations related to the cost of restoring the property to its original state at the time of business termination or moving out. However, since periods of lease properties related to such obligations are uncertain, and there is no plan to move out at this time, it is impossible to reasonably estimate the amount of asset retirement obligations. Therefore, no asset retirement obligations are recorded for such obligations.

14. 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.

Severance and retirement benefits at March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Projected benefit obligation	¥(1,545)	¥(1,607)	$(19,361)
Pension assets	52	55	662
Unfunded projected benefit obligation	(1,493)	(1,552)	(18,699)
Unrecognized transition obligation	(37)	(29)	(349)
Unrecognized actuarial differences	38	38	458
Net liabilities for severance and retirement benefits	(1,492)	(1,543)	(18,590)
Prepaid pension cost	-	-	-
Severance and retirement benefits	¥(1,492)	¥(1,543)	$(18,590)

Severance and retirement benefit expenses for the years ended March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Service costs	¥ 156	¥ 199	$ 2,398
Interest cost	16	12	145
Expected return on pension assets	(1)	(1)	(12)
Amortization of transition obligation	(7)	(7)	(84)
Amortization of actuarial differences	(19)	8	95
Subtotal severance and retirement benefit expenses	145	211	2,542
Payments into defined contribution pension plan	1,256	1,244	14,988
Total severance and retirement benefit expenses	¥ 1,401	¥ 1,455	$ 17,530

15. 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 the 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, 2011, the shareholders approved cash dividends amounting to ¥3,482 million ($41,952 thousand), or ¥7.00 per share.

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥2,985 million ($35,964 thousand), or ¥6.00 per share on November 30, 2010.

16. Contingent liabilities

Contingent liabilities at March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Notes receivable discounted	¥ 69	**¥ 45**	**$ 542**
Guarantee of employees' housing loans	957	**771**	**9,289**
	¥1,026	**¥816**	**$9,831**

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 for 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.

17. Lease information

Finance leases, which do not transfer ownership and do not have bargain purchase provisions, and 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, 2010 and 2011, 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
	2010	**2011**	**2011**
Acquisition cost of machinery and equipment	¥ 523	**¥334**	**$4,024**
Accumulated depreciation of machinery and equipment	(349)	**(251)**	**(3,024)**
Net book value	¥ 174	**¥ 83**	**$1,000**

(b) Future minimum lease payments, excluding interest, under finance leases at March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Current	¥ 95	**¥ 73**	**$ 880**
Non-current	106	**33**	**397**
	¥ 201	**¥106**	**$1,277**

(c) Lease payments, assumed depreciation, and assumed interest for the years ended March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Lease payments	¥155	**¥118**	**$1,422**
Assumed depreciation	134	**92**	**1,108**
Assumed interest	¥ 33	**¥ 24**	**$ 289**

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

There was no impairment loss on fixed assets distributed to lease assets at March 31, 2010 and 2011.

Future minimum lease payments under operating leases at March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Current	¥ 33	**¥ 7**	**$ 84**
Non-current	13	**6**	**73**
	¥ 46	**¥ 13**	**$ 157**

18. Segment information

Information by segment for the years ended March 31, 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					
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

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 ¥51,676 million at March 31, 2010, consisted mainly of cash and time deposits and investment securities owned by the Company.

(c) Overseas sales information

2010:	Millions of yen		
	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%

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.

Information by segment for the year ended March 31, 2011, was as follows:

(d) Segment information (by management approach)

Outline of reportable segment

With the corporate philosophy of "producing high-technology glass with advanced technology that optimally meets the needs of the age with respect to characteristics, shape, grade, and precision," the Group (the Company and its consolidated subsidiaries) has developed, manufactured and marketed various glass products utilizing the materials design technology, processing technology (melting, forming and processing) and evaluation technology that have been cultivated over many years.

The Company has adopted a business division system, and each business division develops a comprehensive strategy for the products it handles and conducts business activities based on that strategy. The Board of Directors periodically reviews decisions regarding allocation of management resources to each business division and evaluates business performance.

Although it is considered that the Group consists of multiple business segments that are handled by various business divisions, in general the "glass products" made by Group companies are similar in terms of characteristics, manufacturing methods, market and industry, customer type, and marketing factors. Therefore the Group has consolidated these segments into a single "Glass Business" segment.

Accordingly, information for other segments has been omitted except for information given in the "Outline of reportable segment."

(e) Related Information

(1) Information by products or services

2011:	Millions of yen		
	Glass business		Total
	Glass for electronic and information devices	Glass for others	
Sales to external customer	**¥ 328,522**	**¥ 61,674**	**¥ 390,196**

2011:	Thousands of U.S. dollars		
	Glass business		Total
	Glass for electronic and information devices	Glass for others	
Sales to external customer	**$3,958,096**	**$743,061**	**$4,701,157**

(2) Geographical information

Net sales

2011: Millions of yen

Japan	Korea	Taiwan	Other areas	Total
¥ 115,522	**¥ 120,993**	**¥ 104,682**	**¥ 48,999**	**¥ 390,196**

2011: Thousands of U.S. dollars

Japan	Korea	Taiwan	Other areas	Total
$1,391,831	**$1,457,747**	**$1,261,229**	**$ 590,350**	**$4,701,157**

Notes: 1. The classification of countries or area is based on the location of customer.
2. The main countries belonging to the classification of other areas are China, Malaysia, U.S.A., and Europe.

Property, plant and equipment

2011: Millions of yen

Japan	Malaysia	Other areas	Total
¥ 346,868	¥ 43,648	¥ 26,907	¥ 417,423

2011: Thousands of U.S. dollars

Japan	Malaysia	Other areas	Total
$4,179,133	$ 525,880	$ 324,180	$5,029,193

Notes: 1. The classification of countries or area is based on the location of property, plant and equipment.
2. The main countries belonging to the classification of other areas are Taiwan and Korea.

(3) Information by major customers

Sales

	Millions of yen	Thousands of U.S. dollars	Related segment
	2011	2011	
LG Display Co., Ltd.	¥117,295	$1,413,193	Glass business
AU Optronics Corporation	48,868	588,771	Glass business
Chimei Innolux Corporation	44,884	540,771	Glass business

(f) Information about impairment of fixed asset

2011: Millions of yen

	Glass business	Total
Loss on impairment of fixed asset	¥ 640	¥ 640

2011: Thousands of U.S. dollars

	Glass business	Total
Loss on impairment of fixed asset	$7,711	$ 7,711

(Additional information)
Effective from the year ended March 31, 2011, the Company and consolidated subsidiaries adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (Accounting Standards Board of Japan ("ASBJ") Statement No.17, issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosure about segments of an Enterprise and Related Information" (ASBJ Guidance No.20, issued on March 21, 2008).

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, 2010 and 2011, and the related consolidated statements of income, comprehensive 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, 2010 and 2011, 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.

As discussed in Note 3 to the consolidated financial statements, commencing for the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No.18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008).

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011, 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 LLC

Osaka, Japan
June 29, 2011

Directors and Corporate Auditors

Directors

Chairman of the Board
Yuzo Izutsu

President
Masayuki Arioka

Director
Shuji Ito
Masanori Yokota
Shigeru Yamamoto
Koichi Inamasu
Masahiro Miyake
Tamotsu Kitagawa
Motoharu Matsumoto

Corporate Auditors

Nobuhiro Miyamoto

Fujio Kishi

Kazuhiro Ito
Certified Public Accountant

Mineya Hamaoka
Attorney at Law

Corporate Officers

President
Masayuki Arioka

Executive Vice President
Shuji Ito
Masanori Yokota

Senior Vice President
Shigeru Yamamoto
Koichi Inamasu
Masahiro Miyake
Tamotsu Kitagawa
Motoharu Matsumoto

Vice President
Takao Akune
Kenji Ishitani
Sumio Oshita
Atsushi Shimomura
Masahiro Tomamoto
Seiichi Osako
Shigeaki Aoki
Shigeru Goto
Hirokazu Takeuchi
Toshimasa Kanai
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Transfer Agent for Common Stock
The Sumitomo Trust and Banking Company, Limited
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Stock Exchange Listings
The common stock is listed on the Tokyo and Osaka
Stock Exchanges in Japan

Major Overseas Subsidiaries

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