Annual Report 2012

Nippon Electric Glass Co., Ltd.

For the year ended March 31, 2012

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.

C O N T E N T S

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.

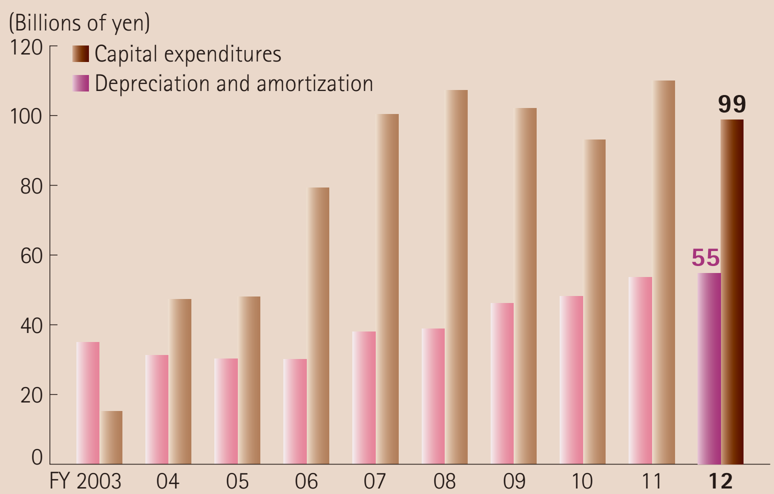
Consolidated Financial Summary

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

	FY2003	2004	2005	2006
For the year ended March 31				
Net sales	¥328,803	¥297,307	¥310,198	¥296,440
Operating income	42,985	33,819	51,109	51,952
Net income	14,603	8,568	11,954	3,231
Depreciation and amortization	34,967	31,177	30,345	30,106
Capital expenditures	15,236	47,315	47,997	79,300
Per share of common stock (yen and dollars)				
Net income	¥ 30.16	¥ 17.58	¥ 24.64	¥ 6.47
Cash dividends	4.00	4.00	4.33	6.00
Shareholders' equity	444.43	434.68	454.33	482.58
At year-end				
Total assets	¥499,569	¥514,691	¥495,568	¥486,016
Current assets	213,667	237,274	233,799	216,168
Net property, plant and equipment	242,126	243,816	228,218	233,206
Current liabilities	165,926	173,199	165,367	177,748
Long-term debt	69,007	84,176	59,066	48,757
Shareholders' equity	212,942	208,248	217,588	231,005
Cash flows				
Net cash provided by operating activities	¥ 79,241	¥ 53,397	¥ 71,844	¥ 71,312
Net cash used in investing activities	(18,368)	(32,478)	(52,918)	(56,516)
Net cash provided by (used in) financing activities	(57,433)	5,615	(9,603)	(29,760)
Cash and cash equivalents at end of year	62,339	89,291	97,902	86,321
Number of shares outstanding (thousands)				
Average	159,702	159,597	319,101	318,993
Year-end	159,614	159,577	319,048	318,938
Equity ratio (%)	42.6	40.5	43.9	47.5
Return on equity (%)	6.8	4.1	5.6	1.4

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

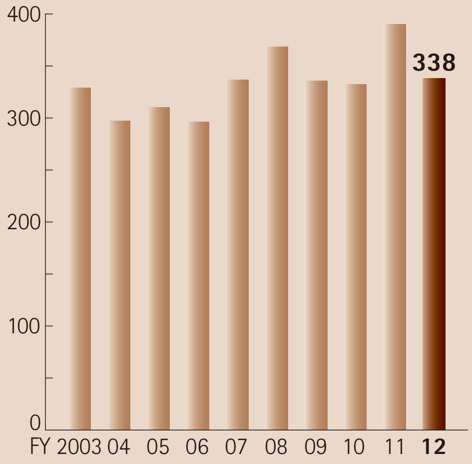


(Millions of yen and thousands of U.S. dollars, except per share figures)

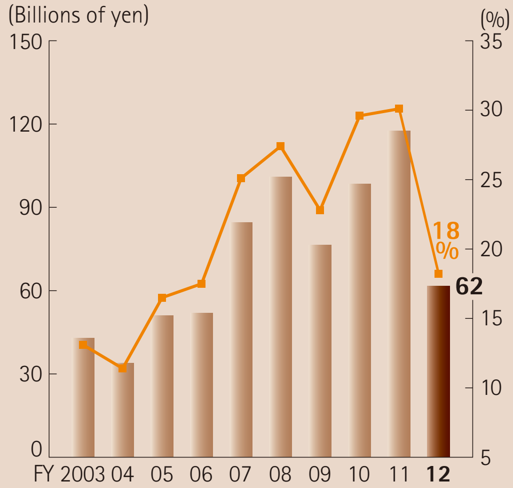
2007	2008	2009	2010	2011	**2012**	
¥336,411	¥368,267	¥335,662	¥332,388	¥390,196	**¥338,214**	**$4,124,561**
84,585	100,883	76,416	98,426	117,471	**61,639**	**751,695**
40,358	50,669	21,832	54,927	68,609	**19,409**	**236,695**
38,042	38,843	46,134	48,167	52,699	**54,785**	**668,110**
100,414	107,283	102,050	93,079	110,025	**98,788**	**1,204,732**
¥ 84.37	¥ 105.29	¥ 43.89	¥ 110.41	¥ 137.92	**¥ 39.02**	**$ 0.48**
7.33	9.00	10.00	11.00	13.00	**15.00**	**0.18**
568.55	691.27	701.62	808.75	932.17	**945.47**	**11.53**
¥519,707	¥588,031	¥588,414	¥646,444	¥692,622	**¥687,070**	**$8,378,902**
208,719	238,859	200,062	228,625	238,908	**224,416**	**2,736,780**
274,683	318,527	362,860	385,170	417,423	**420,311**	**5,125,744**
198,308	189,606	165,640	153,874	142,327	**135,200**	**1,648,780**
23,981	29,112	44,989	57,281	49,739	**40,414**	**492,854**
271,951	343,953	349,043	402,328	463,710	**470,283**	**5,735,159**
¥107,784	¥102,429	¥ 89,873	¥118,721	¥133,391	**¥ 83,737**	**$1,021,183**
(95,960)	(91,931)	(121,975)	(86,847)	(96,822)	**(79,827)**	**(973,500)**
(9,432)	5,525	27,438	(35,135)	(11,774)	**(14,731)**	**(179,646)**
85,392	101,046	94,623	91,668	116,366	**105,210**	**1,283,049**
318,912	481,226	497,456	497,476	497,459	**497,422**	
318,880	497,570	497,484	497,468	497,450	**497,409**	
52.3	58.5	59.3	62.2	66.9	**68.4**	
16.0	16.5	6.3	14.6	15.8	**4.2**	

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, 2012, of ¥82 to US$1.00.
6. The number of shares outstanding is net of treasury stock.
7. At March 31, 2012, Nippon Electric Glass Co., Ltd. had 21 consolidated subsidiaries.

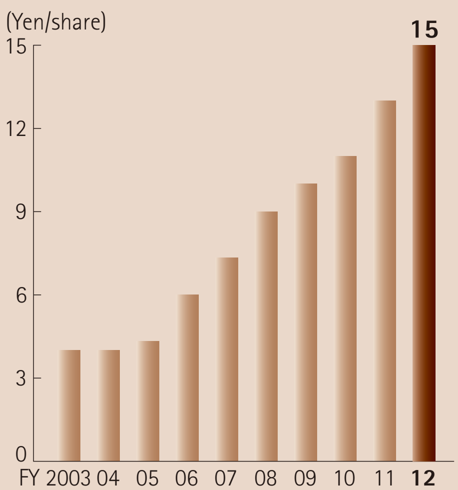
Net sales



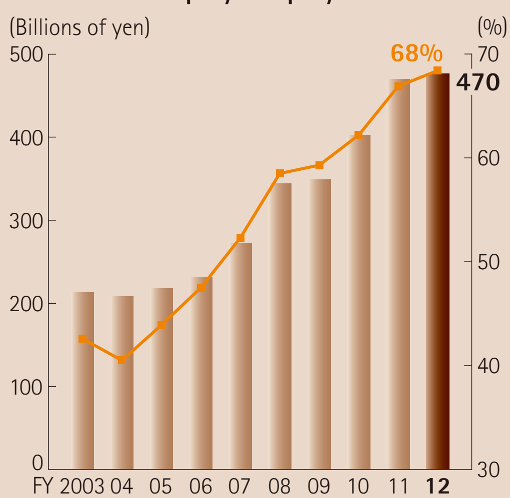
Operating income & operating income ratio



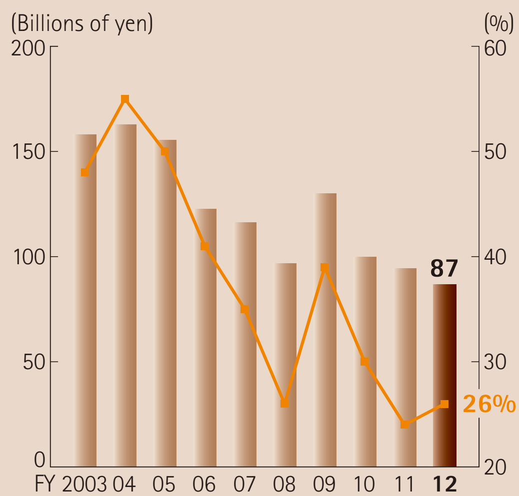
Cash dividends



Shareholders' equity & equity ratio



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



Message from the Management

Overview of Fiscal Year 2012

In fiscal 2012 (ended March 31, 2012), the global economic climate continued to be unpredictable, largely due to the sovereign debt crisis in Europe. In Japan, the business climate remained severe amid continuing appreciation of the yen and electric power supply shortage issues, although positive signs stemming from the recovery from the Great East Japan Earthquake Disaster were observed. Under these circumstances, our business performance also remained stagnant. This was due to deceleration of business activity starting in the second quarter attributable to declining demand for and prices of glass for flat panel displays (FPDs), followed by deteriorating demand for other products. We booked impairment losses regarding production equipment for glass for plasma display panels (PDPs) due to a sharp decrease in demand. Despite efforts to improve productivity and streamline operations, our profits turned out to be significantly lower than those for the previous fiscal year, due to the rapid pace of change. Meanwhile, successful results were achieved in the acquisition of intellectual property rights, due to our strengthened efforts to address and prioritize this important issue in our business strategies.

Focused Efforts for Fiscal Year 2013

In the field of displays, countermeasures to meet the decline in price coupled with a sharp increase in demand for thinner glass (with a thickness of 0.5 mm or less) were difficult to implement for the production of glass for liquid crystal displays (LCDs). However, our production has been on a gradual recovery track. During this fiscal year, efforts shall be made to improve profitability by fully utilizing the cost reduction benefits achieved through the successful production of thinner glass and to promptly respond to technological progress in advanced functionality and high definition. The opening of a new production facility for the melting and forming of FPD glass in the Republic of Korea, a major market for FPD glass, is planned for autumn next year. The new facility is expected to reinforce our production structure, expand ability to respond promptly to technological requirements, and mitigate risks of concentration of production locations.

In the other business areas, we will continue to focus on fields expected to expand globally. In the field of glass fibers, demand for high-function plastics corresponding to automotive developments, such as the rise of hybrid vehicles, has been increasing. In the field of heat-resistant glass, demand for glass for fire protection facilities with superior heat-shielding and safety features can be expected. In emerging countries, demand is growing for glass tubes for medical use. NEG will fully utilize its capacity to further increase sales. Capital expenditures on the scale of approximately 50 billion yen per annum have been planned for fiscal 2013, and the outlays will mainly be used for improving production efficiency, enhancing quality, and developing future products. Capital expenditures will be reduced significantly from the previous fiscal year (98.8 billion yen), corresponding to the amount of depreciation.

Medium- to Long-term Perspectives

In the field of displays, full-scale commercialization of organic light emitting diode (OLED) displays is expected; however, revolutionary technological innovation for large-size displays, such as those for televisions, is required for further market expansion. Progress must be made on a variety of products for displays, such as glass substrates, cover glass for large-size displays, and glass for touch panels. Development activities will be enhanced with this in mind.

In the non-display fields, our medium- to long-term objective is to expand plate glass products, for which a significant market exists. Here, we enjoy the advantage of an extensive lineup with various production methods and diverse features, such as ultra-thin, super heat-resistant, and chemically strengthened glass. We will combine thin films and resins to produce glass products with added value, and offer products impossible for our competitors to follow on a global basis. Steady efforts are underway to commercialize newly developed products. Phosphor glass for high-brightness LEDs has been released to the commercial market for installation in motor vehicles. Liquid crystal lenses created with our thin glass technology are expected to attract demand for use in security cameras, among other purposes. Overall, NEG invested 6.4 billion yen in R&D in fiscal 2012.

Efforts for Reinforcing Corporate Standing

In order to reinforce its financial standing, NEG continues to work on reducing interest-bearing debt towards the goal of 20% of consolidated sales. As of the end of fiscal 2012, this figure was 25.7%, up 1.5% from the preceding fiscal year-end numbers due to the decline in sales. We will continue to work on reducing interest-bearing debts in order to stabilize corporate management.

Our Corporate Efforts on CSR and BCP

In the area of corporate social responsibility (CSR), NEG focuses on "regional contribution," "environmental preservation," and "employment of people with disabilities" as key themes. Regarding "regional contribution," efforts are being made with a focus on development of local human resources who will become tomorrow's leaders. For "environmental preservation," we are working on recycling of resources, CO_2 emissions reduction, and other projects. Moreover, a favorable rate of employment of people with disabilities, significantly surpassing the statutory rate, has been maintained. (Please see pages 7 and 8.)

In terms of business continuity planning (BCP), topics including the earthquake resistance of buildings and electric power supply continuity, the prioritization of human safety, plant and equipment maintenance for early restoration, and prevention of damage expansion to neighborhoods have been continuously reviewed since the Great East Japan Earthquake disaster. As a precaution against large-scale blackouts, our in-house power generation facilities have been reinforced, and our employees have been undergoing training to ensure that they have the skills to readily handle emergency situations.

Returns to Shareholders

NEG regards returning profits to its shareholders as an important management issue. We decided to set the dividend at 15 yen per share per annum (an increase of 2 yen from the preceding fiscal year) in order to reward our shareholders for their loyal patronage in fiscal 2012. This, in fact, is the eighth consecutive dividend increase. Going forward, we will stay committed to promoting business in order to continue to steadily return corporate profits over the long term so that profit returns will not be affected by fluctuations in business performance.

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

In conclusion, on behalf of our fellow board members, we wish to express our heartfelt gratitude to our shareholders, customers, employees, and all other stakeholders for their warm support. We look forward to your ongoing patronage for further growth of the NEG Group.

Yuzo Izutsu, Chairman of the Board

Masayuki Arioka, President

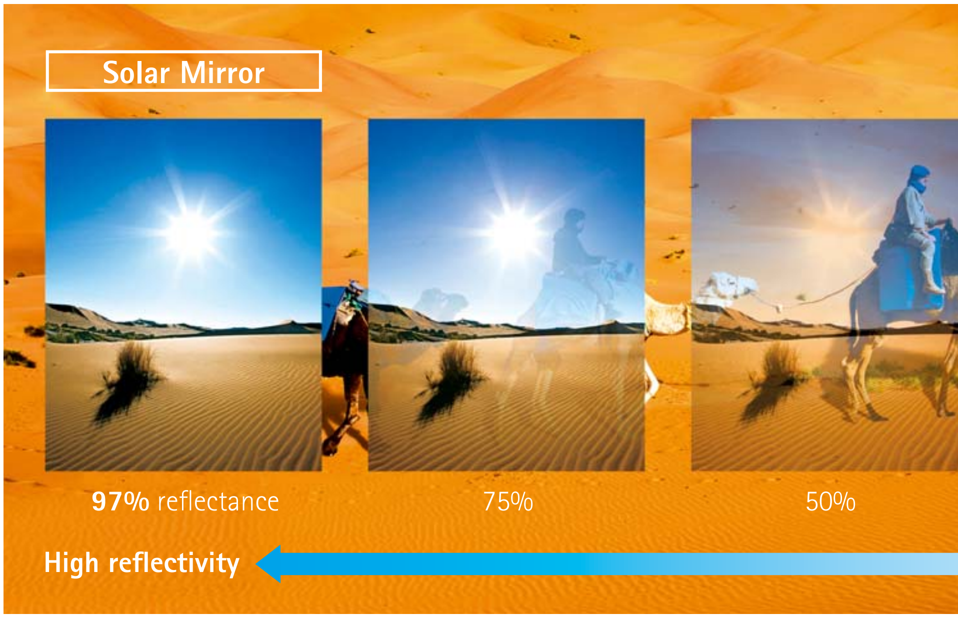
Features of NEG's Thin Film Technologies

High precision film thickness control and multilayer film coating
(generating a diverse range of film properties)

High precision film coating for large substrates
(size customization to the meter available)

Extensive glass lineup
(e.g., Ultra Thin Glass, super heat-resistant glass, chemically strengthened glass)

NEG supplies high-function glass products produced by combining various types of specialty glass with thin film technologies. Taking advantage of the features of our thin film technologies, we focus on product development aimed at realizing enhanced functionality and added value. Some examples of our development initiatives are presented below.

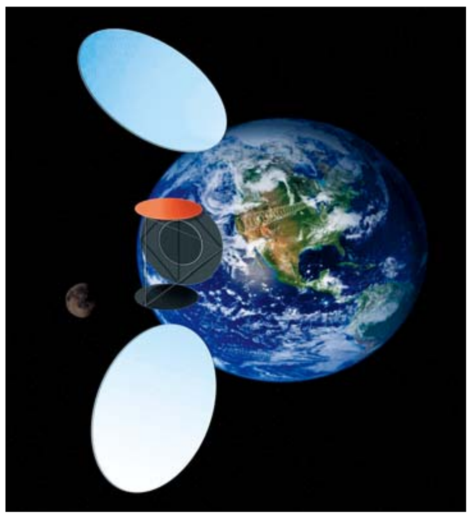


From Invisible Glass to Solar Mirrors

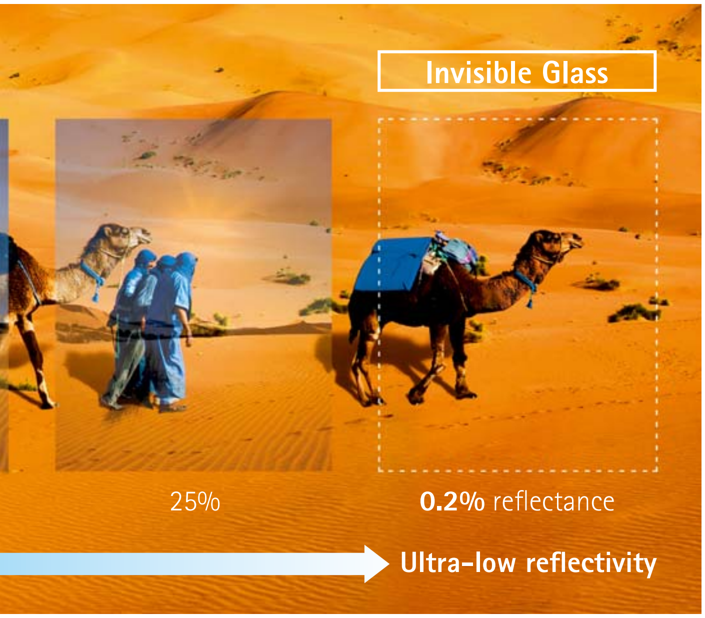
NEG's Invisible Glass consists of 30 or more layers of anti-reflecting coatings formed on both sides of the glass in order to minimize light reflection (0.2% luminous reflectance or less for both sides of the glass). Overall, the anti-reflecting coatings are extremely thin, at 1 µm (0.001 mm) or less, showing that NEG's high precision film thickness control and multilayer film designing technologies are being effectively utilized. With almost no reflection from the surroundings on its surface, Invisible Glass meets demands for glass for showcases and displays, and it is consequently now undergoing development for commercial products.

In contrast to Invisible Glass, solar mirrors reflect light at almost all wavelengths, and they are used in the light collection equipment at solar thermal power generation facilities. NEG's solar mirrors are produced by forming approximately 100 layers of thin film coatings on a large sheet of glass (approximately 1 m^2), achieving reflectance of nearly 100% and resistance to high temperatures up to 500°C. The coatings show no deterioration and almost no decrease in reflectance even at high temperatures and under severe environmental conditions in desert areas.

By redesigning our solar mirrors, we were able to develop ultra-thin lightweight mirrors for space-based solar power generation. These have been supplied to the Japan Aerospace Exploration Agency (JAXA). Research and development


Microwave-type SSPS, courtesy of JAXA

is currently underway to enable the practical use of these mirrors in Space Solar Power Systems (SSPS) by the 2030s. As it is essential to make the mirror lightweight and sufficient for facilitating transportation into space, coatings were formed on Ultra Thin Glass with a thickness of 100 µm, yielding an exceedingly low weight of 250 g per 1 m². This is a product that could only have been produced by NEG, as the company possesses both ultra-thin glass sheet technologies and thin film forming technologies. To further enhance lightness, development of mirrors that are 40 µm in thickness is currently in progress.

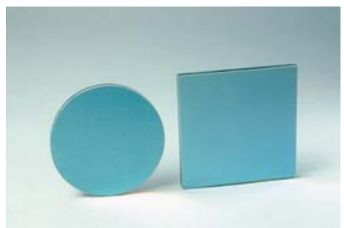


Functional Films to Control Wavelength—Optical Filter Glass and Heat Reflecting Glass

When the surface of glass is coated with optical filter film, glass is able to transmit particular wavelengths while reflecting others, and light can be freely controlled. Glass that exclusively transmits red, green, and blue light (RGB) shows promise for use in projectors and other similar products. In addition, some films can control wavelengths not visible to the human eye, such as ultraviolet (UV) and infrared (IR) rays. UV cut glass, which prevents goods from color fade-out and deterioration, is used for the covers of lighting fixtures in shops and stores. IR cut glass, which can produce natural color shades, is used as the cover glass for the image sensors of digital cameras and video cameras.

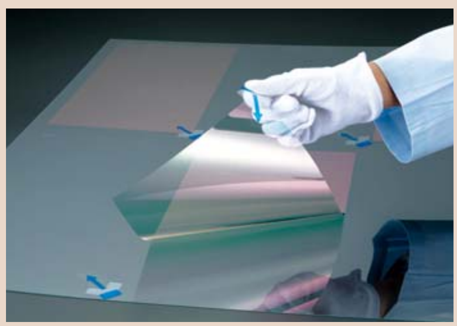
Products utilizing the heat reflection functions of infrared reflecting films include the front glass of fireplaces and the glass for windows used to observe the interior of furnaces. In response to needs for heat resistance, thin film is coated on super heat-resistant glass-ceramics.


Optical filter glass


Glass for furnace observation windows

NEG's "GOG" Concept Showcased in SID Display Week 2012

NEG participated in SID Display Week 2012 held by the Society for Information Display (SID) in Boston, MA, U.S.A. from June 5 to 7, 2012. NEG's exhibit featured "GOG" (Glass On Glass). GOG is an innovative concept designed to facilitate transportation of NEG's Ultra Thin Glass to customer's production facilities. The Ultra Thin Glass is placed on a carrier glass for transportation and both forms of glass are made to stick together without the use of adhesive. With this method, the Ultra Thin Glass stays firmly in place during transportation and product manufacturing processes, and can be easily peeled off as required upon arrival at the site of each process. Application of Ultra Thin Glass to various electronic devices is expected to be accelerated with GOG, which makes handling of Ultra Thin Glass so much easier.


Glass On Glass (GOG)

Working toward a Sustainable Society

NEG's corporate philosophy states: "We, the NEG Group, will contribute to the welfare and prosperity of society by means of creating high-technology glass in harmony with the environment." With this firmly in mind, NEG manages its business in accordance with the Group's high ethical standards of integrity. We place special emphasis on compliance, employment of people with disabilities, regional contribution, and preservation of the environment. By fulfilling our corporate responsibilities as a member of society, we pursue sustainable development of the Group and work to increase its corporate value.

Corporate Governance

•Directors, Board of Directors, and Corporate Officers

NEG endeavors to speed up decision making, ensure managerial transparency, and enhance the execution of business affairs. We have optimized the number of directors, clearly defined their decision-making and supervisory functions, and introduced a corporate officer system to facilitate effective business operations. In order to clearly specify managerial responsibilities and build a flexible management system capable of responding to changes in the business environment, we have reduced director tenure to one year.

•Auditors and Board of Auditors

NEG's board of auditors currently consists of four auditors, including two external auditors. Auditors audit the business conduct of directors by attending meetings of the board of directors, investigating business affairs, and assessing financial situations in accordance with auditing policies, plans, and duty assignments determined by the board of auditors. External auditors are independent of the company and perform their duties from an objective and expert standpoint.

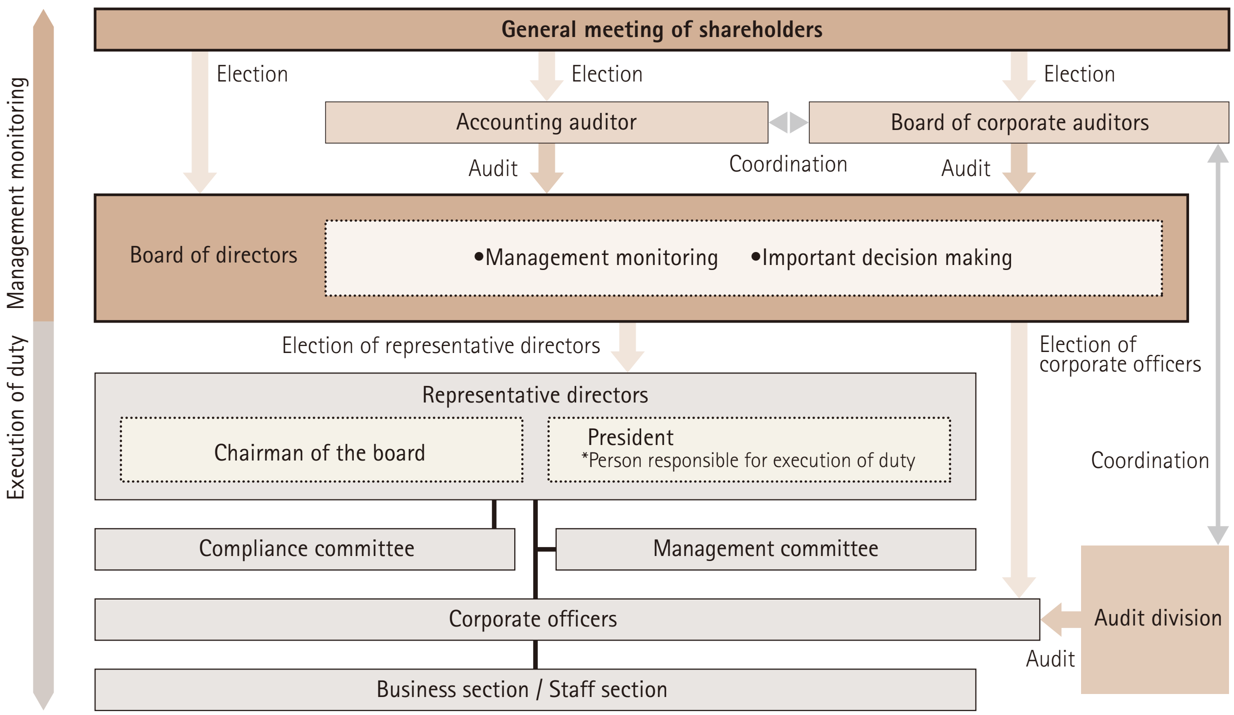
Internal Control

NEG has a basic policy on internal control that includes the following elements. For internal control related to financial reporting, NEG has established a system to ensure that NEG and the Group companies make appropriate financial reports in accordance with applicable laws. The efficacy of this system is evaluated by the internal audit department.

•Compliance System

The Company has established a compliance committee as a specialized organization that continuously acts so that employees of NEG and its Group companies will be able to comply with laws and corporate ethical standards. The committee is responsible for the following matters.

Diagram of corporate governance system



- Drafting revisions to the Corporate Philosophy, Group Code of Conduct, and Principles of Activities, and implementing measures throughout the Group
- Gathering and analyzing information on compliance and providing compliance training
- Operating an internal reporting system in conjunction with the compliance committee and designated law firms

Details regarding the above matters are reported to the board of directors and auditors on a regular basis.

•Risk Management System

NEG examines business risks on a periodic basis to discover any risks related to its operations and takes action to manage such risks. NEG also recognizes the importance of business risks relating to compliance, finance, the environment, disasters, foreign trade management, information management, quality, and health and safety. Therefore, the responsible departments or special committees establish regulations and guidelines, conduct training, prepare manuals, and undertake other activities as needed. When a new type of risk arises, the president will promptly designate responsible personnel and implement necessary measures. Matters of particular importance to the company's management are reported to and discussed by the management committee and the board of directors.

Anti-takeover Measures

NEG partially amended its corporate policy on countering large-scale purchases of Company shares by approval of its shareholders, which was originally introduced in June 2006, at the Ordinary General Meeting of Shareholders held in June 2009.

Although the amended policy would remain valid until the closing of the Ordinary General Meeting of Shareholders to be held in June 2012 (hereinafter "this General Meeting"), NEG's board of directors resolved not to continue this policy. Accordingly, this policy was terminated upon expiration of the term, as of the closing of this General Meeting.

The decision of our board of directors not to continue this policy was made at our board of directors' meeting, in light of the fact that legislation regarding large-scale purchase of shares had been improved to a certain extent, and in consideration of the changing corporate management environment. Even after the termination of this policy, should there be an entity that seeks to purchase a large quantity of Company shares, NEG shall proactively request such large-scale purchasers to provide information, shall disclose necessary information on a timely basis, and shall take appropriate measures as necessary to the extent permitted by the Companies Act and other relevant laws and regulations.

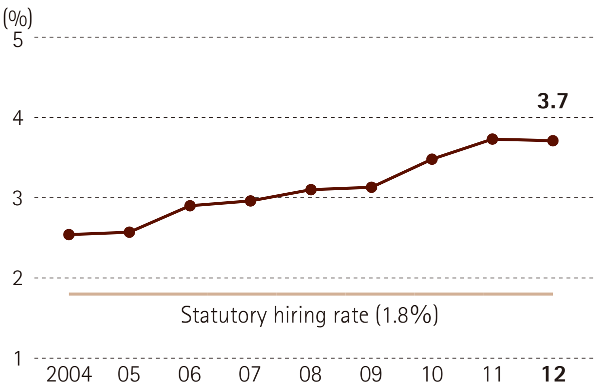
Promoting Employment of People with Disabilities

The NEG Group continues to work to expand employment opportunities for people with disabilities and to provide suitable workplace environments for such employees.

For fiscal 2011, our rate of employment of people with disabilities came to more than double the statutory rate (1.8%) in Japan, and we succeeded in maintaining this level for fiscal 2012. The latest development is a requirement that all employees with disabilities carry a whistle at all times, so that they can quickly signal their whereabouts in order to ensure their safety in an emergency situation such as the occurrence of a disaster. Inside each whistle is a card describing the procedures for providing appropriate support measures for an employee with disabilities.

NEG has an ongoing commitment to identifying and realizing opportunities for people with disabilities to participate in the process of glass manufacturing, and to organizing workplace environments to provide a sense of safety for such employees.

People with disabilities as percentage of domestic NEG Group employees



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

Regional Contribution

As a corporation with its major business base in Shiga Prefecture, NEG regularly engages in regional contribution activities, such as volunteer cleanups of nearby roadways and planting around the site. We also carry out activities focusing on development and support of local human resources who will become tomorrow's leaders, in addition to the local economic and employment benefits conferred by the Group's business activities.

Since 2007, based on a comprehensive agreement to jointly pursue academic-industrial collaboration, NEG has been collaborating with the University of Shiga Prefecture on a variety of ongoing projects involving research, education, and technologies related to glass engineering. With this agreement due to expire in March 2013, the parties decided in April 2012 to extend the term for another three years, together with continuation of NEG-sponsored endowment courses. This period of collaborative involvement with the university will eventually total nine consecutive years, including the recent three-year extension.

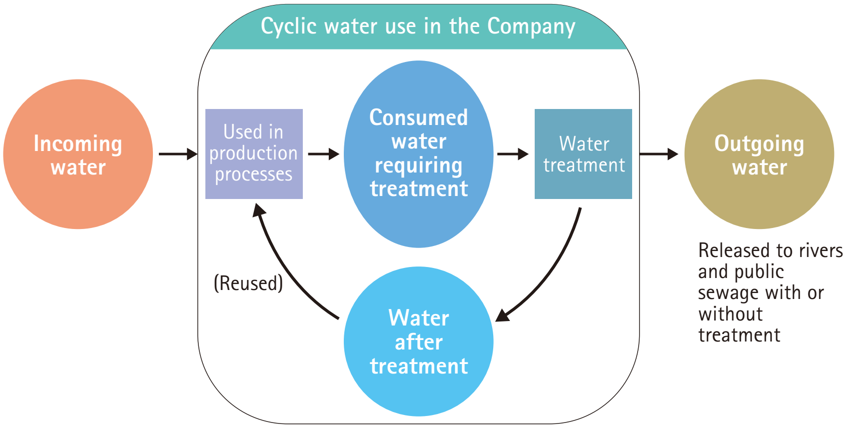
Environmental Preservation

NEG implements a variety of environmental protection activities while striving to operate its plants in harmony with the natural environment and emphasizing the protection of biodiversity.

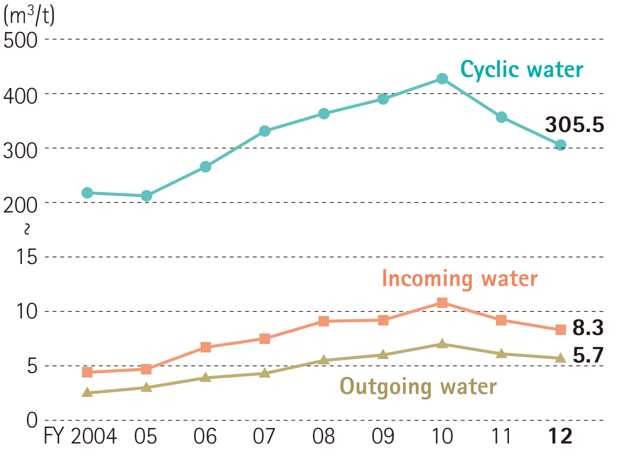
•Water Use Reduction

Adopting the view that better manufacturing practice entails lower water consumption, NEG is working to reduce water consumption and effluent water volumes while pursuing appropriate methods of water usage and management through the improvement of manufacturing processes. The volume of water consumed and effluent water discharged by NEG was on the rise from fiscal 2005 to fiscal 2010, when glass for FPDs became the company's major product. However, NEG's efforts to improve its manufacturing processes gradually began to yield favorable results, and volumes have been decreasing from the peak levels of fiscal 2010.

Circulation of water within NEG



Changes in water volume per ton of products sold by the NEG Group



See page 1 for related graphs.

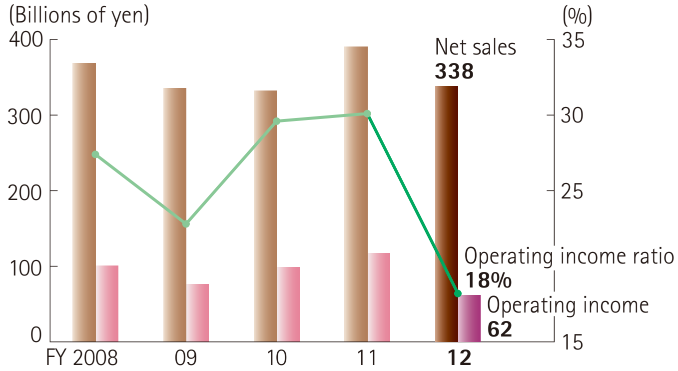
Business Climate

In fiscal 2012, the global economy remained unpredictable. Although signs of moderate economic recovery were observed in the U.S., the economy was stagnant throughout most of Europe due to the sovereign debt crisis, and economic growth slowed down in China. With the progress of recovery efforts in the aftermath of the Great East Japan Earthquake Disaster, the domestic economy saw a gradual improvement. However, the business environment for the manufacturing industry in Japan remained in a difficult state due to a worsening export situation attributable to continued yen appreciation, sluggish consumer spending, electric power supply shortage issues and high crude oil prices. The business environment for the NEG Group became increasingly severe, and drastic downward revisions of production took place as clients of the NEG Group companies continually made lowering adjustments in response to market conditions.

Net Sales

Net sales for fiscal 2012 were ¥338,214 million ($4,125 million), a decrease of 13.3% from the previous fiscal year. Sales of Glass for Electronic and Information Devices sector experienced a moderate recovery in the first quarter (April 1 to June 30, 2011), followed by a slowdown due to production adjustments for our clients in the second quarter (July 1 to September 30, 2011). Subsequently, continued price declines coupled with lack of improvement in demand resulted in a significant decrease in sales for fiscal 2012 over the previous fiscal year. Sales of heat-resistant glass and glass for building materials stalled as a result of the sluggish pace of market recovery and lower production yields. Nevertheless, sales of Glass for Others sector increased over the previous fiscal year, thanks to steady sales of glass fibers in the beginning of fiscal 2012.

Net sales and operating income



Income

Operating income decreased by 47.5% from the previous fiscal year to ¥61,639 million ($752 million). Due to sales slowdown and price declines, mainly for glass for FPDs, and to a decrease in operations resulting from production adjustments, gross profit decreased by 37.4% over the previous fiscal year, and the cost to sales ratio increased by 10.2 points. As a result, the operating income ratio was 18.2%, a decrease of 11.9 points from the previous fiscal year.

For net amount of other income and other expenses, losses of ¥24,861 million ($303 million) were recorded, representing an increase in losses of ¥19,262 million ($235 million). These figures mainly included other income comprising interest and dividend income totaling ¥1,425 million ($17 million) and reversal of reserves for special repairs of ¥4,047 million ($49 million). Other expenses included interest expenses of ¥966 million ($12 million), loss from spoilage of ¥1,505 million ($18 million), loss on disposal of property, plant, and equipment of ¥3,836

Sales by Business

(Millions of yen and U.S. dollars)

	FY2011		**FY2012**			**2012/2011**
	Net sales	Percent of net sales	Net sales		Percent of net sales	Percent change
Glass Business						
Glass for electronic and information devices	¥328,522	84.2%	**¥272,481**	**$3,323**	**80.6%**	**–17.1%**
Glass for others	61,674	15.8	**65,733**	**802**	**19.4**	**6.6**
Total	¥390,196	100.0%	**¥338,214**	**$4,125**	**100.0%**	**–13.3%**

NEG Group comprises a single segment of glass business.

million ($47 million), depreciation of idle property, plant, and equipment of ¥2,594 million ($32 million), loss on impairment mostly for production equipment of glass for PDPs of ¥17,621 million ($215 million), and loss related to the competition law concerning glass for color cathode-ray tubes (CRTs) of ¥4,753 million ($58 million).

Consequently, income before income taxes and minority interests totaled ¥36,778 million ($449 million), a decrease of ¥75,094 million ($916 million) from the previous fiscal year. Combined with net amounts of provision for income taxes of ¥16,118 million ($197 million) and minority interests in profit of ¥1,251 million ($15 million), net income totaled ¥19,409 million ($237 million), a 71.7% decrease from the previous fiscal year. Net income per share was ¥39.2 ($0.48).

Dividends

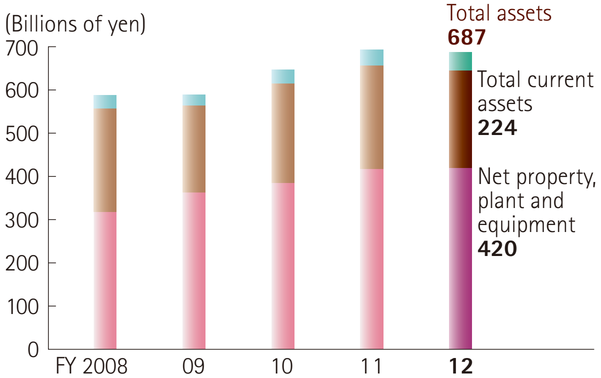
The dividend for fiscal 2012 was ¥15 ($0.18) per share, including an interim dividend of ¥7 ($0.09) paid out in November 2011, denoting a dividend increase of ¥2.0 ($0.02) from the previous fiscal year.

Financial Position

Total assets as of the end of fiscal 2012 were ¥687,070 million ($8,379 million), a decrease of ¥5,552 million ($68 million) from the previous fiscal year end.

Current assets decreased by ¥14,492 million ($177 million). Cash and time deposits decreased, which was attributable to payments for production equipment. In addition, notes and accounts receivable, trade decreased due to slowdown of sales, while finished goods and purchased goods increased. Furthermore, deferred income taxes decreased.

Assets

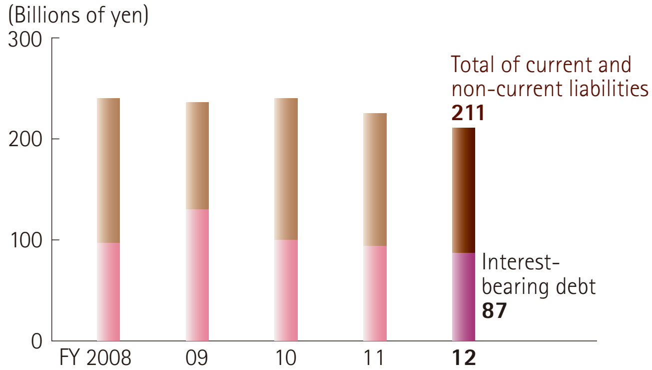


Net property, plant, and equipment increased by ¥2,888 million ($35 million). Although production equipment of glass for PDPs yielded impairment losses, production equipment of glass for LCDs showed an increase.

Current liabilities decreased by ¥7,127 million ($87 million). Accrued income taxes decreased due to payment of taxes within this fiscal year and a decrease in profit in this consolidated fiscal year; however, the figures for notes and accounts payable: construction and other increased.

Non-current liabilities decreased by ¥6,123 million ($75 million). Despite the fact that long-term debts decreased, reserve for special repairs increased.

Liabilities

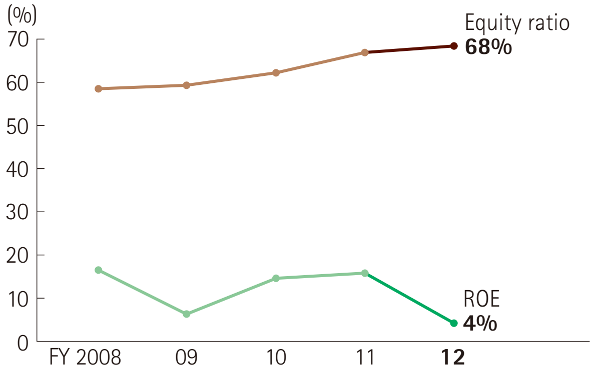


The NEG Group has been addressing the reduction of interest-bearing debts as a medium- to long-term issue to be resolved so as to improve its financial position. As a result of our continuous efforts to achieve our goal of reducing interest-bearing debts to 20% of consolidated net sales, the balance of interest-bearing debts (short- and long-term borrowings, unsecured bonds, and commercial paper) at this fiscal year end totaled ¥86,812 million ($1,059 million), a decrease of ¥7,461 million ($91 million) from the previous fiscal year end. The figure for interest-bearing debts as a percentage of consolidated net sales was 25.7%, an increase of 1.5 points from the previous fiscal year end, due to a decrease in consolidated net sales.

Total net assets at this fiscal year end amounted to ¥475,736 million ($5,802 million), an increase of ¥7,698 million ($94 million) from the previous fiscal year end. While retained earnings increased, a decrease in net unrealized holding gains on securities occurred due to the stock market slump, together with a decrease in foreign currency translation adjustments due to erosion in the value of investments in overseas subsidiaries attributable to yen appreciation.

Consequently, the equity ratio as of this fiscal year end was 68.4%, an increase of 1.5 points from 66.9% as of the previous fiscal year end.

Equity ratio & ROE



Cash Flows

[Cash Flows from Operating Activities]
Net cash provided by operating activities totaled ¥83,737 million ($1,021 million), a decrease in income of ¥49,654 million ($606 million) from the previous fiscal year, due to a considerable decrease in net income before income taxes and an increase in inventories, despite a decrease in income tax payment.

[Cash Flows from Investing Activities]
Net cash spent for investing activities totaled ¥79,827 million ($974 million), a decrease of ¥16,995 million ($207 million), due to a decrease in payment for purchases of property, plant, and equipment.

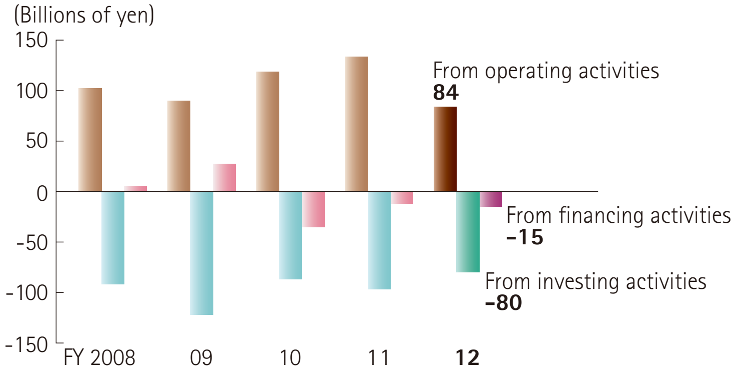
[Cash Flows from Financing Activities]
Net cash used for financing activities totaled ¥14,731 million ($180 million), an increase in expenditure of ¥2,957 million ($36 million), due to an increase in repayment of short-term debt, net and payment of dividends, despite proceeds from long-term borrowings.

Including the negative effect of exchange rate changes on cash and cash equivalents worth ¥336 million ($4 million), the balance of cash and cash equivalents as of this fiscal year end totaled ¥105,210 million ($1,283 million), a decrease of ¥11,156 million ($136 million) from the previous fiscal year end.

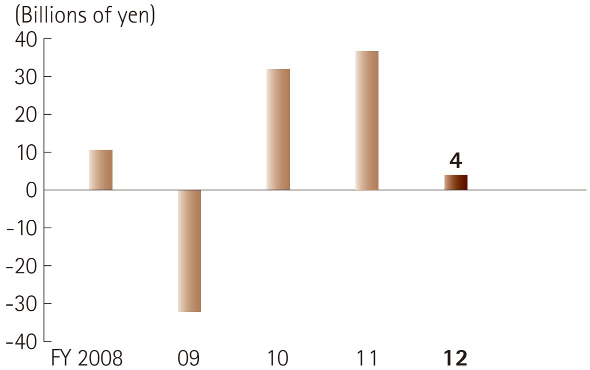
Capital Expenditures

Capital expenditures for this fiscal year totaled ¥98,788 million ($1,205 million). This was due to the addition of new equipment to increase production capacity, improvements to existing equipment to enhance productivity, and regular maintenance of glass melting furnaces. Such capital expenditures were made for the Glass for Electronic and Information Devices sector for changes to production equipment to enable manufacture of thinner glass for FPDs and to boost production efficiency, and mainly to enhance production capacity for heat-resistant glass 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, 2011 and 2012

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2012	2012
Current assets:			
Cash and time deposits (Note 5 and 8)	¥118,809	**¥105,828**	**$1,290,585**
Notes and accounts receivable, trade (Note 5)	64,357	**56,230**	**685,732**
Allowance for doubtful receivables	(539)	**(103)**	**(1,256)**
Inventories (Note 9)	45,374	**52,905**	**645,183**
Deferred income taxes (Note 12)	7,284	**4,010**	**48,902**
Other current assets	3,623	**5,546**	**67,634**
Total current assets	238,908	**224,416**	**2,736,780**
Property, plant and equipment (Note 10 and 13):			
Land	13,427	**13,275**	**161,890**
Building and structures	113,568	**118,067**	**1,439,841**
Machinery and equipment	648,802	**693,637**	**8,458,988**
Construction in progress	18,837	**12,089**	**147,427**
	794,634	**837,068**	**10,208,146**
Accumulated depreciation	(377,211)	**(416,757)**	**(5,082,402)**
Net property, plant and equipment	417,423	**420,311**	**5,125,744**
Investments and other assets:			
Investment securities (Note 5 and 6)	21,760	**20,498**	**249,976**
Investment in affiliates (Note 6)	1,688	**1,684**	**20,537**
Deferred income taxes (Note 12)	10,272	**17,523**	**213,695**
Other assets (Note 10)	2,571	**2,638**	**32,170**
Total investments and other assets	36,291	**42,343**	**516,378**
Total assets	¥692,622	**¥687,070**	**$8,378,902**

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)
	2011	**2012**	**2012**
Current liabilities:			
Short-term debt, including current portion of long-term debt (Note 5 and 11)	¥ 44,534	**¥ 46,398**	**$ 565,829**
Notes and accounts payable (Note 5):			
Trade	42,544	**40,893**	**498,695**
Construction and other	26,743	**34,616**	**422,146**
Accrued expenses	11,540	**9,805**	**119,573**
Accrued income taxes	15,462	**2,006**	**24,463**
Other reserves	148	**132**	**1,610**
Other current liabilities	1,356	**1,350**	**16,464**
Total current liabilities	142,327	**135,200**	**1,648,780**
Non-current liabilities:			
Long-term debt (Note 5 and 11)	49,739	**40,414**	**492,854**
Reserve for special repairs	29,766	**33,430**	**407,683**
Other reserves (Note 14)	1,679	**1,488**	**18,146**
Other non-current liabilities (Note 13)	1,073	**802**	**9,780**
Total non-current liabilities	82,257	**76,134**	**928,463**
Net assets (Note 15):			
Shareholders' equity:			
Common stock			
Authorized - 1,200,000,000 shares in 2011 and 2012			
Issued - 497,616,234 shares in 2011 and 2012	32,156	**32,156**	**392,146**
Capital surplus	34,357	**34,356**	**418,976**
Retained earnings	403,355	**415,800**	**5,070,732**
Treasury stock at cost			
166,179 shares in 2011			
206,939 shares in 2012	(233)	**(275)**	**(3,354)**
Total shareholders' equity	469,635	**482,037**	**5,878,500**
Accumulated other comprehensive income (Note 4):			
Net unrealized holding gains on securities	3,140	**824**	**10,049**
Deferred gains or losses on hedges	(33)	**(6)**	**(73)**
Foreign currency translation adjustments	(9,032)	**(12,572)**	**(153,317)**
Total accumulated other comprehensive income	(5,925)	**(11,754)**	**(143,341)**
Minority interests	4,328	**5,453**	**66,500**
Total net assets	468,038	**475,736**	**5,801,659**
Contingent liabilities (Note 16)			
Total liabilities and net assets	¥692,622	**¥687,070**	**$8,378,902**

Consolidated Statements of Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	**2012**	**2012**
Net sales	¥390,196	**¥338,214**	**$4,124,561**
Cost of sales	246,984	**248,545**	**3,031,037**
Gross profit	143,212	**89,669**	**1,093,524**
Selling, general and administrative expenses	25,741	**28,030**	**341,829**
Operating income	117,471	**61,639**	**751,695**
Other income (expenses):			
Interest and dividend income	1,989	**1,425**	**17,378**
Interest expense	(1,081)	**(966)**	**(11,780)**
Loss from spoilage	(789)	**(1,505)**	**(18,354)**
Loss on disposal of property, plant and equipment, including removal expenses	(7,414)	**(3,836)**	**(46,780)**
Gain on sales of property, plant and equipment	475	**14**	**171**
(Loss) Gain on sales of investment securities, net	(139)	**754**	**9,195**
Depreciation of idle property, plant and equipment	(816)	**(2,594)**	**(31,634)**
Loss on impairment of fixed assets (Note 10)	(640)	**(17,621)**	**(214,890)**
Reversal of reserve for special repairs	3,967	**4,047**	**49,354**
Foreign exchange losses	(737)	**(1,111)**	**(13,549)**
Loss on related to competition law case	-	**(4,753)**	**(57,963)**
Other, net	(414)	**1,285**	**15,669**
	(5,599)	**(24,861)**	**(303,183)**
Income before income taxes and minority interests	111,872	**36,778**	**448,512**
Income taxes (Note 12)**:**			
Current	35,701	**18,526**	**225,927**
Deferred	6,692	**(2,408)**	**(29,366)**
	42,393	**16,118**	**196,561**
Income before minority Interests	69,479	**20,660**	**251,951**
Minority Interests	870	**1,251**	**15,256**
Net income	¥ 68,609	**¥ 19,409**	**$ 236,695**

	Yen		U.S. dollars (Note 1)
Amount per share of common stock:			
Net income (Note 2)	¥ 137.92	**¥ 39.02**	**$ 0.48**
Diluted net income (Note 2)	-	**-**	**-**
Cash dividends applicable to the year (Note 15)	13.00	**15.00**	**0.18**

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, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	**2012**	**2012**
Income before minority interests	¥69,479	**¥20,660**	**$251,951**
Other comprehensive income (Note 4)**:**			
Net unrealized holding gains on securities	(758)	**(2,315)**	**(28,232)**
Deferred gains or losses on hedges	12	**26**	**317**
Foreign currency translation adjustments	(1,225)	**(3,552)**	**(43,316)**
	(1,971)	**(5,841)**	**(71,231)**
Comprehensive income	¥67,508	**¥14,819**	**$180,720**
Comprehensive income attributable to:			
Owners of the parent	¥66,671	**¥ 13,580**	**$ 165,610**
Minority interests	837	**1,239**	**15,110**

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, 2011 and 2012

	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 translation adjustments	Minority interests	Total net assets
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**
Net income	**-**	**-**	**-**	**19,409**	**-**	**-**	**-**	**-**	**-**	**19,409**
Cash dividends paid	**-**	**-**	**-**	**(6,964)**	**-**	**-**	**-**	**-**	**-**	**(6,964)**
Acquisition of treasury stock	**-**	**-**	**-**	**-**	**(47)**	**-**	**-**	**-**	**-**	**(47)**
Disposition of treasury stock	**-**	**-**	**(1)**	**-**	**5**	**-**	**-**	**-**	**-**	**4**
Changes in scope of consolidation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net change during the year	**-**	**-**	**-**	**-**	**-**	**(2,316)**	**27**	**(3,540)**	**1,125**	**(4,704)**
Balance at March 31, 2012	**497,616**	**¥32,156**	**¥34,356**	**¥415,800**	**¥ (275)**	**¥ 824**	**¥ (6)**	**¥(12,572)**	**¥5,453**	**¥475,736**

	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 translation adjustments	Minority interests	Total net assets
Balance at March 31, 2011	**$392,146**	**$418,988**	**$4,918,963**	**$(2,842)**	**$38,293**	**$(402)**	**$(110,146)**	**$52,780**	**$5,707,780**
Net income	**-**	**-**	**236,695**	**-**	**-**	**-**	**-**	**-**	**236,695**
Cash dividends paid	**-**	**-**	**(84,926)**	**-**	**-**	**-**	**-**	**-**	**(84,926)**
Acquisition of treasury stock	**-**	**-**	**-**	**(573)**	**-**	**-**	**-**	**-**	**(573)**
Disposition of treasury stock	**-**	**(12)**	**-**	**60**	**-**	**-**	**-**	**-**	**49**
Changes in scope of consolidation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net change during the year	**-**	**-**	**-**	**-**	**(28,244)**	**328**	**(43,171)**	**13,720**	**(57,366)**
Balance at March 31, 2012	**$392,146**	**$418,976**	**$5,070,732**	**$(3,355)**	**$10,049**	**$ (74)**	**$(153,317)**	**$66,500**	**$5,801,659**

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, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	**2012**	**2012**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥111,872	**¥ 36,778**	**$ 448,512**
Depreciation and amortization	52,699	**54,785**	**668,110**
Loss on disposal of property, plant and equipment	3,235	**3,315**	**40,427**
Loss on impairment of fixed assets	640	**17,621**	**214,890**
Increase in provision for reserve for special repairs	2,879	**3,664**	**44,683**
Interest and dividend income	(1,989)	**(1,425)**	**(17,378)**
Interest expense	1,081	**966**	**11,780**
Decrease in notes and accounts receivable	15,011	**7,606**	**92,756**
Increase in inventories	(8,614)	**(8,130)**	**(99,146)**
Increase (decrease) in notes and accounts payable	6,026	**(1,428)**	**(17,415)**
Other	3,552	**2,469**	**30,110**
Sub-total	186,392	**116,221**	**1,417,329**
Interest and dividends received	2,038	**1,441**	**17,573**
Interest paid	(1,079)	**(971)**	**(11,841)**
Payment for income taxes, net	(53,960)	**(32,954)**	**(401,878)**
Net cash provided by operating activities	133,391	**83,737**	**1,021,183**
Cash flows from investing activities:			
Decrease in time deposits, net	3,920	**1,819**	**22,183**
Purchases of marketable and investment securities	(7,014)	**(8,817)**	**(107,524)**
Proceeds from sales of marketable and investment securities	712	**6,267**	**76,427**
Purchases of property, plant and equipment	(95,643)	**(78,475)**	**(957,012)**
Proceeds from sales of property, plant and equipment	1,209	**43**	**524**
Other	(6)	**(664)**	**(8,098)**
Net cash used in investing activities	(96,822)	**(79,827)**	**(973,500)**
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	2,400	**(15,000)**	**(182,927)**
Proceeds from long-term borrowings	-	**15,300**	**186,585**
Repayment of long-term borrowings	(7,917)	**(7,735)**	**(94,329)**
Proceeds from common stock issued to minority shareholders	1,104	**344**	**4,195**
Cash dividends paid	(5,966)	**(6,962)**	**(84,902)**
Cash dividends paid to minority shareholders	(1,085)	**(322)**	**(3,927)**
Payment of dividend in liquidation for minority shareholders	(210)	**-**	**-**
Other	(100)	**(356)**	**(4,341)**
Net cash used in financing activities	(11,774)	**(14,731)**	**(179,646)**
Effect of exchange rate changes on cash and cash equivalents	(97)	**(336)**	**(4,098)**
Net increase (decrease) in cash and cash equivalents	24,698	**(11,157)**	**(136,061)**
Cash and cash equivalents at beginning of year	91,668	**116,366**	**1,419,098**
Cash and cash equivalents at end of year (Note 8)	¥116,366	**¥105,210**	**$1,283,049**

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 translations 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, 2012, which was ¥82 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, 2011 and 2012, 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 ¥4,553 million and ¥6,464 million ($78,829 thousand) in 2011 and 2012, 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. Additional information

Accounting Standard for Accounting Policies, Changes in Accounting Estimates and Errors
Commencing for the year ended March 31, 2012, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Policies, Changes in Accounting Estimates and Errors" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24, issued on December 4, 2009) and "Guidance on Accounting Standard for Policies, Changes in Accounting Estimates and Errors" (ASBJ Guidance No. 24, issued on December 4, 2009).

4. Accounting standards for presentation of comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Net unrealized holding gains on securities		
Increase (decrease) during the year	**¥(3,198)**	**$(39,000)**
Reclassification adjustments	**(753)**	**(9,183)**
Sub-total, before tax	**(3,951)**	**(48,183)**
Tax (expense) or benefit	**1,636**	**19,951**
Sub-total, net of tax	**(2,315)**	**(28,232)**
Deferred gains or losses on hedges		
Increase (decrease) during the year	**(3)**	**(37)**
Reclassification adjustments	**47**	**573**
Sub-total, before tax	**44**	**536**
Tax (expense) or benefit	**(18)**	**(219)**
Sub-total, net of tax	**26**	**317**
Foreign currency translation adjustments		
Increase (decrease) during the year	**(3,562)**	**(43,439)**
Reclassification adjustments	**–**	**–**
Sub-total, before tax	**(3,562)**	**(43,439)**
Tax (expense) or benefit	**10**	**122**
Sub-total, net of tax	**(3,552)**	**(43,317)**
Total other comprehensive income	**¥(5,840)**	**$(71,232)**

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 the foreign exchange fluctuation risks. The Group enters into forward foreign exchange contracts mainly for accounts receivable associated with export transactions of finished goods, to avoid fluctuation risks of future foreign exchange rates as much as possible.

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

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

Regarding borrowings, short-term debt are made mainly for the purpose of obtaining funds for operating transactions, and bonds and long-term debt 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 against which long-term debt are partially hedged through interest rate swap contracts.

In addition to that, borrowings denominated in foreign currencies are exposed to the foreign exchange fluctuation risks and the Company utilizes currency swap contracts to avoid 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 granted 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 such risks by cash management forecasting planning 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, 2011 and 2012, 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		
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)	-
(6) Long term debt:			
Unsecured bonds	(20,000)	(20,125)	(125)
Long-term borrowings	(29,739)	(30,088)	(349)
(7) Derivatives			
Derivatives which are not accounted for hedge accounting	1,168	1,168	-
Derivatives which are accounted for hedge accounting	(55)	(55)	-

2012:	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 105,828	¥ 105,828	¥ -
(2) Notes and accounts receivable, trade	56,230	56,230	-
(3) Investment securities:			
Other securities	20,489	20,489	-
(4) Short-term debt:			
Short-term debt	(22,000)	(22,000)	-
Current portion of long term debt	(24,398)	(24,560)	(162)
(5) Notes and accounts payable, trade	(40,893)	(40,893)	-
(6) Long term debt:			
Unsecured bonds	(20,000)	(20,326)	(326)
Long-term borrowings	(20,414)	(20,365)	49
(7) Derivatives			
Derivatives which are not accounted for hedge accounting	998	998	-
Derivatives which are accounted for hedge accounting	10	10	-

2012:	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	$1,290,585	$1,290,585	$ -
(2) Notes and accounts receivable, trade	685,732	685,732	-
(3) Investment securities:			
Other securities	249,866	249,866	-
(4) Short-term debt:			
Short-term debt	(268,293)	(268,293)	-
Current portion of long term debt	(297,536)	(299,512)	(1,976)
(5) Notes and accounts payable, trade	(498,695)	(498,695)	-
(6) Long term debt:			
Unsecured bonds	(243,903)	(247,878)	(3,975)
Long term borrowings	(248,951)	(248,354)	597
(7) Derivatives			
Derivatives which are not accounted for hedge accounting	12,171	12,171	-
Derivatives which are accounted for hedge accounting	(122)	(122)	-

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

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

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

(1) Cash and time deposits, and (2) Notes and accounts receivable, trade
The fair value of these accounts approximates their book value because of their short-term nature. Thus, the book value is used as fair value.

(3) Investment securities
The fair value of equity securities is based on the market prices of public exchanges.
Regarding the information on investment securities, please refer to the note on "6. Marketable and investment securities."

(4) Short-term debt and (5) Notes and accounts payable, trade
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. The current portion of long-term debt, which is included in Short-term debt, is measured based on the method used in "(6) Long-term debt" below and classified as such.

(6) 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.

(7) Derivatives
Please refer to the note on "7. Derivatives."

3. Financial instruments whose fair values are deemed to be extremely difficult to estimate are as follows.
Equity securities issued by affiliates and non-listed equity securities are not included in "(3) Investment securities," as it is deemed to be extremely difficult to estimate 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."

6. Marketable and investment securities

(a) At March 31, 2011 and 2012, acquisition cost and book value of securities with observable market values were as follows:

	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

	Millions of yen		
2012:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**¥ 7,557**	**¥ 10,957**	**¥ 3,400**
Securities with book value not exceeding acquisition cost:			
Equity securities	**11,980**	**9,532**	**(2,448)**
	¥ 19,537	**¥ 20,489**	**¥ 952**

	Thousands of U.S. dollars		
2012:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**$ 92,159**	**$133,622**	**$41,463**
Securities with book value not exceeding acquisition cost:			
Equity securities	**146,098**	**116,244**	**(29,854)**
	$238,256	**$249,866**	**$11,610**

(b) At March 31, 2011 and 2012, book value of securities with no observable market values were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Available-for-sale securities:			
Equity securities issued by affiliates	¥ 1,688	**¥ 1,684**	**$20,537**
Non-listed equity securities, other	9	**9**	**110**
	¥ 1,697	**¥ 1,693**	**$20,647**

(c) Sales of available-for-sale securities sold in the years ended March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Total sales amounts	¥ 712	**¥ 6,267**	**$76,427**
Gains on sales	-	**1,479**	**18,036**
Losses on sales	139	**725**	**8,841**

7. Derivatives

The fair value of derivative contracts utilized by the Company and its consolidated subsidiaries at March 31, 2011 and 2012, were as follows:

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

Currency related transactions

2011: Millions of yen

Classification	Type of transaction:	Notional Amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
	Forward foreign exchange				
Non-market transactions	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

2012: Millions of yen

Classification	Type of transaction:	Notional Amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
	Forward foreign exchange				
Non-market transactions	Sell	**¥ 1,189**	**¥ -**	**¥ (41)**	**¥ (41)**
	Buy	**325**	**-**	**0**	**0**
	Swap	**6,742**	**5,730**	**1,039**	**1,039**
		¥ 8,256	**¥ 5,730**	**¥ 998**	**¥ 998**

2012: Thousands of U.S. dollars

Classification	Type of transaction:	Notional Amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
	Forward foreign exchange				
Non-market transactions	Sell	**$ 14,500**	**$ -**	**$ (500)**	**$ (500)**
	Buy	**3,963**	**-**	**0**	**0**
	Swap	**82,220**	**69,878**	**12,670**	**12,670**
		$100,683	**$ 69,878**	**$ 12,170**	**$12,170**

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

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)

2012: 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	**¥ 20,600**	**¥ 17,400**	**¥ (10)**

2012: 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	**$251,220**	**$212,195**	**$ (122)**

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, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Cash and time deposits in the consolidated balance sheets	¥118,809	**¥105,828**	**$1,290,585**
Time deposits due over three months	(2,443)	**(619)**	**(7,548)**
Cash and cash equivalents in the consolidated statements of cash flows	¥116,366	**¥105,209**	**$1,283,037**

9. Inventories

Inventories at March 31, 2011 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Finished and purchased goods	¥ 24,733	**¥ 29,830**	**$ 363,781**
Work-in-process	1,586	**2,170**	**26,463**
Raw materials and others	19,055	**20,905**	**254,939**
	¥ 45,374	**¥ 52,905**	**$ 645,183**

10. Loss on impairment of fixed assets

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

Loss on impairment of fixed assets for the years ended March 31, 2011 and 2012, 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.

2011:

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

2012:

Use	Reason	Location	Type
Manufacturing line for plasma display panel (PDP) glass	Serious deterioration of the PDP glass market	Shiga-Takatsuki factory, Wakasa-Kaminaka factory	Building and structures, Machinery and equipment, other
Important idle assets	No utilization plan	Shiga-Takatsuki factory, Wakasa-Kaminaka factory, other	Building and structures, Machinery and equipment, other

(c) Assessment of recoverable values

The recoverable values of the important idle assets were measured based on the net selling prices, and the recoverable values of the production facilities for PDP were measured by the utility value.

In addition no recoverable values were expected for the production facilities of glass manufacturing line, due to the possibility of future sales being low. No utility values were evaluated for the manufacturing line for PDP glass, due to future cash flow cannot be expected.

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
	2011	2012	2012
Building and structures	¥ -	¥ 6,132	$ 74,780
Machinery and equipment	397	11,320	138,049
Other	243	169	2,061
	¥ 640	¥17,621	$214,890

11. Short-term and long-term debt

Short-term debt, including the current portion of long-term debt, at March 31, 2011 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Short-term bank borrowings; average rate 0.49% per annum	¥34,000	¥19,000	$231,707
Commercial paper; average rate 0.11% per annum	3,000	3,000	36,585
Current portion of long-term borrowings; average rate 1.39% per annum	7,534	24,398	297,537
	¥44,534	¥46,398	$565,829

Long-term debt at March 31, 2011 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Borrowings, principally from banks and insurance companies due from 2013 through 2018; average rate 1.03% per annum	¥37,273	¥44,812	$546,488
0.68% unsecured bonds, due in 2015	10,000	10,000	121,951
1.00% unsecured bonds, due in 2017	10,000	10,000	121,951
	57,273	64,812	790,390
Less current portion included in short-term borrowings	(7,534)	(24,398)	(297,537)
	¥49,739	¥40,414	$492,853

The aggregate annual maturities of long-term debt at March 31, 2012, were as follows:

	Millions of yen	Thousands of U.S. dollars
2013	¥24,398	$297,537
2014	3,533	43,085
2015	11,078	135,097
2016	8,003	97,598
2017	10,300	125,610
2018 and thereafter	7,500	91,463
	¥64,812	$790,390

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 ($304,878 thousand). The credit facility has not been used as of March 31, 2012.

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, 2011 and 2012.

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, 2011 and 2012, were as follows:

	2011	2012
Statutory tax rate in Japan	40.4%	**40.4%**
Exclusion from gross revenue of dividends	(3.8)	**(3.5)**
Difference in tax rates for overseas consolidated subsidiaries	(1.3)	**(2.4)**
Undistributed earnings of overseas consolidated subsidiaries	(0.2)	**0.6**
Expense not deductible for tax purposes, mainly entertainment expenses	0.3	**0.8**
Effect of elimination of dividend income	3.3	**2.4**
Change in the statutory tax of the Company and its domestic consolidated subsidiaries	-	**5.0**
Other	(0.8)	**0.5**
Effective tax rate	37.9%	**43.8%**

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Deferred tax assets:			
Depreciation in excess of tax limit	¥ 2,037	**¥ 8,833**	**$107,720**
Reserve for special repairs in excess of tax limit	5,675	**5,763**	**70,280**
Unrealized gain on property, plant and equipment	2,625	**2,458**	**29,976**
Loss on devaluation of inventories	1,521	**1,856**	**22,634**
Long-term prepaid expenses	1,235	**1,208**	**14,732**
Tax losses carried forward	1,188	**1,201**	**14,646**
Accrued bonuses	1,300	**1,083**	**13,207**
Other	11,397	**8,023**	**97,841**
Subtotal deferred tax assets	26,978	**30,425**	**371,036**
Less valuation allowance	(3,189)	**(2,998)**	**(36,561)**
Total deferred tax assets	23,789	**27,427**	**334,475**
Deferred tax liabilities:			
Depreciation of overseas consolidated subsidiaries	(3,940)	**(3,923)**	**(47,841)**
Special depreciation allowance	-	**(1,101)**	**(13,427)**
Other	(2,707)	**(1,225)**	**(14,939)**
Total deferred tax liabilities	(6,647)	**(6,249)**	**(76,207)**
Net deferred tax assets	¥17,142	**¥21,178**	**$258,268**

Adjustment of deferred tax assets and liabilities following the change in the statutory tax rates

The "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" were promulgated on December 2, 2011, and the statutory tax rate, etc., will be changed from the consolidated fiscal year beginning on or after April 1, 2012.

Accordingly, with regards to temporary differences, etc., that are expected to be eliminated in the consolidated fiscal year beginning on or after April 1, 2012, the statutory tax rate for calculating deferred tax assets and liabilities will be changed from 40.4% to 37.8%. Regarding temporary differences, etc., that are expected to be eliminated in the consolidated fiscal year beginning on or after April 1, 2015, the statutory tax rate for calculating deferred tax assets and liabilities will be changed to 35.4%.

Following these changes, net deferred tax assets recorded in this fiscal year decreased by ¥1,820 million yen, while income taxes-deferred increased by ¥1,820 million yen.

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 the costs to dispose of the Company owned machines and equipment containing PCB (polychlorinated biphenyl) and the 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 and 2012, were as follows :

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Beginning balance	¥ 866	**¥ 853**	**$ 10,402**
Decrease due to the fulfillment of asset retirement obligations	(13)	**(59)**	**(719)**
Change in the estimate of the asset retirement obligation	-	**(286)**	**(3,488)**
Other	-	**29**	**354**
Ending balance	¥ 853	**¥ 537**	**$ 6,549**

(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, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Projected benefit obligation	¥(1,607)	**¥(1,467)**	**$(17,890)**
Pension assets	55	**15**	**183**
Unfunded projected benefit obligation	(1,552)	**(1,452)**	**(17,707)**
Unrecognized transition obligation	(29)	**(6)**	**(73)**
Unrecognized actuarial differences	38	**56**	**683**
Net liabilities for severance and retirement benefits	(1,543)	**(1,402)**	**(17,097)**
Prepaid pension cost	-	**-**	**-**
Severance and retirement benefits	¥(1,543)	**¥(1,402)**	**$(17,097)**

Severance and retirement benefit expenses for the years ended March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Service costs	¥ 199	**¥ 182**	**$ 2,219**
Interest cost	12	**13**	**159**
Expected return on pension assets	(1)	**(0)**	**(0)**
Amortization of transition obligation	(7)	**(9)**	**(110)**
Amortization of actuarial differences	8	**1**	**12**
Subtotal severance and retirement benefit expenses	211	**187**	**2,280**
Payment into defined contribution pension plan	1,244	**1,245**	**15,183**
Total severance and retirement benefit expenses	¥ 1,455	**¥ 1,432**	**$ 17,463**

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 an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings by resolution of the shareholders' meeting, which are potentially available for dividends.

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

At the annual shareholders' meeting held on June 28, 2012, the shareholders approved cash dividends amounting to ¥3,979 million ($48,524 thousand), or ¥8.00 per share.

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥3,482 million ($42,463 thousand), or ¥7.00 per share on November 30, 2011.

16. Contingent liabilities

Contingent liabilities at March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Notes receivable discounted	¥ 45	**¥ 49**	**$ 597**
Guarantee of employees' housing loans	771	**650**	**7,927**
	¥ 816	**¥699**	**$8,524**

Other contingent liabilities

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

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

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

17. Lease information

Finance leases, which do not transfer ownership and do not have bargain purchase provisions, and for which 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, 2011 and 2012, 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
	2011	**2012**	**2012**
Acquisition cost of machinery and equipment	¥ 334	**¥236**	**$2,878**
Accumulated depreciation of machinery and equipment	(251)	**(213)**	**(2,598)**
Net book value	¥ 83	**¥ 23**	**$ 280**

(b) Future minimum lease payments, excluding interest, under finance leases at March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Current	¥ 73	**¥ 34**	**$ 415**
Non current	33	**-**	**-**
	¥ 106	**¥ 34**	**$ 415**

(c) Lease payments, assumed depreciation and assumed interest for the years ended March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Lease payments	¥ 118	**¥ 86**	**$ 1,049**
Assumed depreciation	92	**60**	**732**
Assumed interest	24	**13**	**159**

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, 2011 and 2012.

Future minimum lease payments under operating leases at March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Current	¥ 7	**¥ 4**	**$ 49**
Non current	6	**3**	**36**
	¥ 13	**¥ 7**	**$ 85**

18. Segment information

Information by segment for the years ended March 31, 2011 and 2012, were as follows:

(a) 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."

(b) Related Information

(1) Information by products or services

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

	Millions of yen		
	Glass business		Total
2012:	Glass for electronic and information devices	Glass for others	
Sales to external customers	**¥ 272,481**	**¥ 65,733**	**¥ 338,214**

	Thousands of U.S. dollars		
	Glass business		Total
2012:	Glass for electronic and information devices	Glass for others	
Sales to external customers	**$3,322,939**	**$801,622**	**$4,124,561**

(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

2012:

Millions of yen				
Japan	Korea	Taiwan	Other areas	Total
¥ 94,440	**¥ 126,859**	**¥ 77,713**	**¥ 39,202**	**¥ 338,214**

2012:

Thousands of U.S. dollars				
Japan	Korea	Taiwan	Other areas	Total
$1,151,707	**$1,547,061**	**$947,720**	**$ 478,073**	**$4,124,561**

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

2012:

Millions of yen			
Japan	Malaysia	Other areas	Total
¥ 352,027	**¥ 39,437**	**¥ 28,847**	**¥ 420,311**

2012:

Thousands of U.S. dollars			
Japan	Malaysia	Other areas	Total
$4,293,012	**$ 480,939**	**$351,793**	**$5,125,744**

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	**2012**	**2012**	
LG Display Co., Ltd.	¥ 117,295	**¥106,632**	**$1,300,390**	Glass business
AU Optronics Corporation	48,868	**38,895**	**474,329**	Glass business
Chimei Innolux Corporation	44,884	**35,259**	**429,988**	Glass business

(c) Information about impairment of fixed assets

2011:

	Millions of yen	
	Glass business	Total
Loss on impairment of fixed assets	¥ 640	¥ 640

2012:

	Millions of yen	
	Glass business	Total
Loss on impairment of fixed assets	**¥ 17,621**	**¥ 17,621**

2012:

	Thousands of U.S. dollars	
	Glass business	Total
Loss on impairment of fixed assets	**$214,890**	**$ 214,890**

19. Subsequent events

(a) Establishment of a new subsidiary

The Company resolved, at the meeting of Board of Directors held on May 16, 2012, to establish a subsidiary, and such establishment took place on May 25, 2012. The purpose and nature of the subsidiary are outlined below.

1. Purpose of establishment

To promptly meet customer needs and to diversify plant locations, the Company decided to establish a subsidiary near a major source of demand.

2. Profile of subsidiary to be established

(1) Name: Electric Glass (Korea) Co., Ltd.
(2) Location: Paju City, Gyeonggi, Korea
(3) Line of business: Manufacture and sale of glass for FPDs
(4) Owned capital: Approximately ¥22 billion (including ¥7 billion in capital stock)
(Approximately $270 million (including $85 million in capital stock))
(5) Investment: Approximately ¥33 billion (including equipment to be relocated)
(Approximately $400 million (including equipment to be relocated))
(6) Share structure ratio: 100% held by the Company

(b) Issuance of unsecured straight bonds

The Company issued unsecured straight bonds in accordance with the resolution of the meeting of Board of Directors held on March 26, 2012. The purpose and overview of the issuance are outlined below:

1. Nippon Electric Glass Co., Ltd. Unsecured Straight Bonds, seventh series (with limited inter-bond pari passu clause)

(1) Amount of issue: ¥10,000 million ($121,951 thousand)
(2) Issue price: ¥100 per ¥100 face value
(3) Interest rate: 0.408% per annum
(4) Payment date: May 30, 2012
(5) Redemption date: May 30, 2017
(6) Redemption price: ¥100 per ¥100 face value
(7) Usage of funds procured by the issuance: Repayment of long-term debts
(8) Special financial covenant: Restriction on pledge of collateral clause

2. Nippon Electric Glass Co., Ltd. Unsecured Straight Bonds, eighth series (with limited inter-bond pari passu clause)

(1) Amount of issue: ¥10,000 million ($121,951 thousand)
(2) Issue price: ¥100 per ¥100 face value
(3) Interest rate: 0.678% per annum
(4) Payment date: May 30, 2012
(5) Redemption date: May 30, 2019
(6) Redemption price: ¥100 per ¥100 face value
(7) Usage of funds procured by the issuance: Repayment of long-term debts
(8) Special financial covenant: Restriction on pledge of collateral clause

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Nippon Electric Glass Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nippon Electric Glass Co., Ltd. and its consolidated subsidiaries as at March 31, 2012, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following.

(1) As discussed in Note 19 to the consolidated financial statements, the Company resolved, at a meeting of the Board of Directors held on May 16, 2012, to establish a subsidiary, and such establishment took place on May 25, 2012.

(2) As discussed in Note 19 to the consolidated financial statements, the Company issued the unsecured straight bonds in accordance with the resolution of the meeting of the Directors held on March 26, 2012.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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

June 28, 2012
Osaka, Japan

Directors, Corporate Auditors, and Corporate Officers

Directors

Chairman of the Board
Yuzo Izutsu

President
Masayuki Arioka

Director
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
Masanori Yokota
Shigeru Yamamoto
Koichi Inamasu

Senior Vice President
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
Koichi Tsuda
Hiroki Yamazaki
Akihisa Saeki

as of June 28, 2012

Corporate Data

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

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

Tokyo Office & Sales Headquarters
16-4, Konan 2-chome, Minato-ku, Tokyo 108-0075, Japan
Phone: (81) 3-5460-2510
Fax: (81) 3-5460-2525

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

Transfer Agent for Common Stock
Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

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

Major Overseas Subsidiaries

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

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

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

Paju Electric Glass Co., Ltd.
883-5, Dangdong-ri, Munsan, Paju City, Gyeonggi,
Korea 413-902
Phone: (82) 31-934-1032
Fax: (82) 31-934-1060

Electric Glass (Shanghai) Co., Ltd.
No. 2009 Zhuanxing Road, Xinzhuang Industrial Park,
Minhang District, Shanghai, China 201108
Phone: (86) 21-6442-7707
Fax: (86) 21-6131-3535

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

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