Annual Report 2013

Nippon Electric Glass Co., Ltd.

For the year ended March 31, 2013

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.

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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.

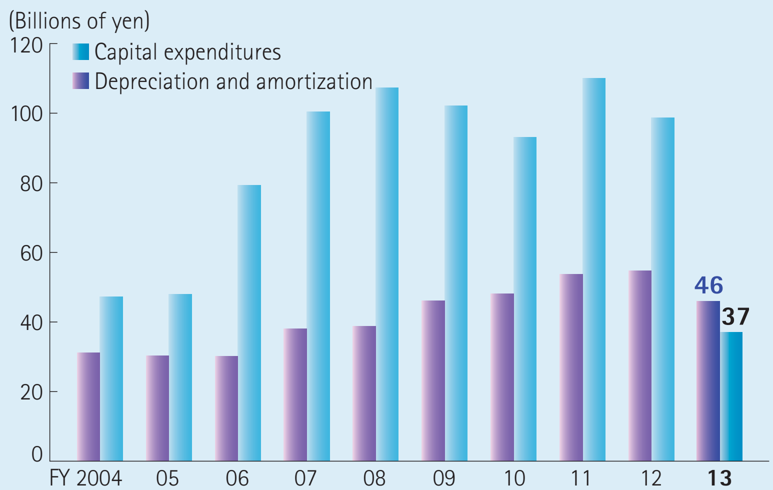
Consolidated Financial Summary

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

	FY2004	2005	2006	2007
For the year ended March 31				
Net sales	¥297,307	¥310,198	¥296,440	¥336,411
Operating income	33,819	51,109	51,952	84,585
Net income	8,568	11,954	3,231	40,358
Depreciation and amortization	31,177	30,345	30,106	38,042
Capital expenditures	47,315	47,997	79,300	100,414
Per share of common stock (yen and dollars)				
Net income	¥ 17.58	¥ 24.64	¥ 6.47	¥ 84.37
Cash dividends	4.00	4.33	6.00	7.33
Shareholders' equity	434.68	454.33	482.58	568.55
At year-end				
Total assets	¥514,691	¥495,568	¥486,016	¥519,707
Current assets	237,274	233,799	216,168	208,719
Net property, plant and equipment	243,816	228,218	233,206	274,683
Current liabilities	173,199	165,367	177,748	198,308
Long-term debt	84,176	59,066	48,757	23,981
Shareholders' equity	208,248	217,588	231,005	271,951
Cash flows				
Net cash provided by operating activities	¥ 53,397	¥ 71,844	¥ 71,312	¥107,784
Net cash used in investing activities	(32,478)	(52,918)	(56,516)	(95,960)
Net cash provided by (used in) financing activities	5,615	(9,603)	(29,760)	(9,432)
Cash and cash equivalents at end of year	89,291	97,902	86,321	85,392
Number of shares outstanding (thousands)				
Average	159,597	319,101	318,993	318,912
Year-end	159,577	319,048	318,938	318,880
Equity ratio (%)	40.5	43.9	47.5	52.3
Return on equity (%)	4.1	5.6	1.4	16.0

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

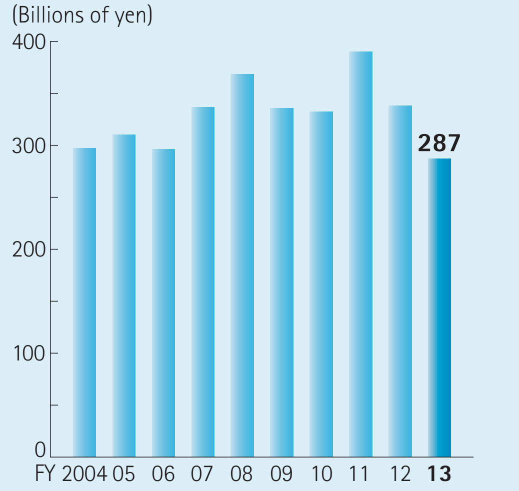


(Millions of yen and thousands of U.S. dollars, except per share figures)

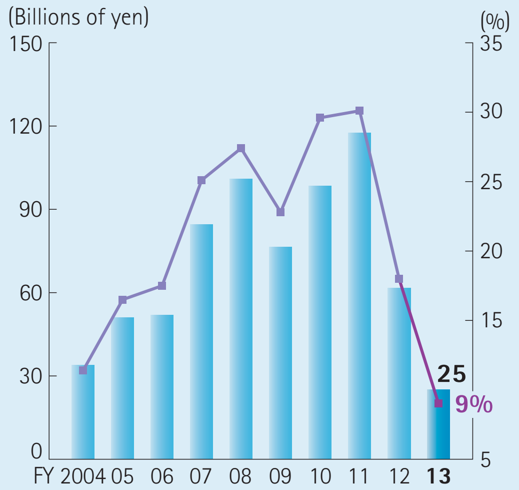
2008	2009	2010	2011	2012	2013	
¥368,267	¥335,662	¥332,388	¥390,196	¥338,214	**¥287,304**	**$3,056,426**
100,883	76,416	98,426	117,471	61,639	**24,968**	**265,617**
50,669	21,832	54,927	68,609	19,409	**10,603**	**112,798**
38,843	46,134	48,167	52,699	54,785	**46,105**	**490,479**
107,283	102,050	93,079	110,025	98,788	**37,487**	**398,798**
¥ 105.29	¥ 43.89	¥ 110.41	¥ 137.92	¥ 39.02	**¥ 21.32**	**$ 0.23**
9.00	10.00	11.00	13.00	15.00	**16.00**	**0.17**
691.27	701.62	808.75	932.17	945.47	**982.97**	**10.46**
¥588,031	¥588,414	¥646,444	¥692,622	¥687,070	**¥697,386**	**$7,419,000**
238,859	200,062	228,625	238,908	224,416	**243,577**	**2,591,245**
318,527	362,860	385,170	417,423	420,311	**395,376**	**4,206,128**
189,606	165,640	153,874	142,327	135,200	**88,038**	**936,574**
29,112	44,989	57,281	49,739	40,414	**76,892**	**818,000**
343,953	349,043	402,328	463,710	470,283	**488,936**	**5,201,447**
¥102,429	¥ 89,873	¥118,721	¥133,391	¥ 83,737	**¥ 55,111**	**$ 586,287**
(91,931)	(121,975)	(86,847)	(96,822)	(79,827)	**(46,545)**	**(495,160)**
5,525	27,438	(35,135)	(11,774)	(14,731)	**7,667**	**81,564**
101,046	94,623	91,668	116,366	105,210	**121,741**	**1,295,117**
481,226	497,456	497,476	497,459	497,422	**497,410**	
497,570	497,484	497,468	497,450	497,409	**497,408**	
58.5	59.3	62.2	66.9	68.4	**70.1**	
16.5	6.3	14.6	15.8	4.2	**2.2**	

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, 2013, of ¥94 to US$1.00.
6. The number of shares outstanding is net of treasury stock.
7. At March 31, 2013, Nippon Electric Glass Co., Ltd. had 22 consolidated subsidiaries.

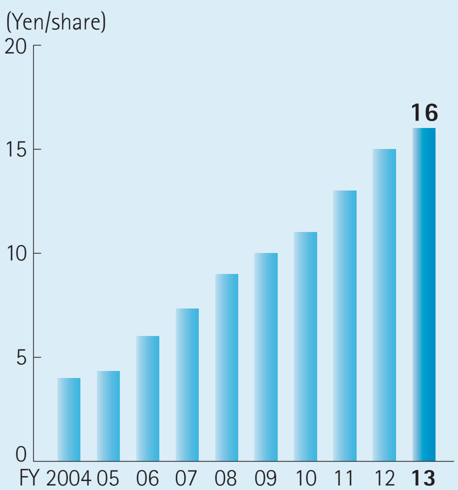
Net sales



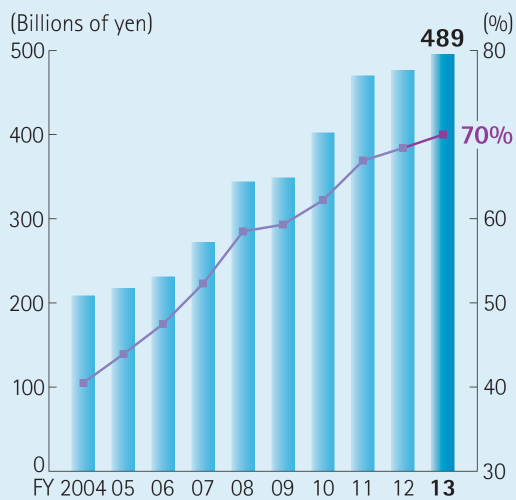
Operating income & operating income ratio



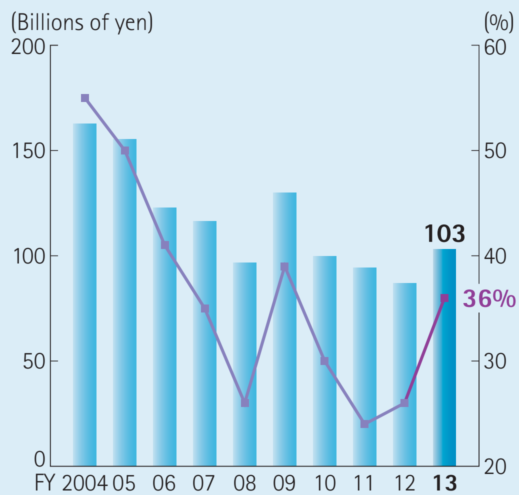
Cash dividends



Shareholders' equity & equity ratio



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



Overview of Fiscal Year 2013

In fiscal 2013 (ended March 31, 2013), the economy experienced moderate economic recovery in the U.S., while economic stagnation in Europe continued and growth weakened in China. In Japan, the economy continued to go through a recessionary phase as a result of low exports, among other factors. However, signs of recovery were seen in the latter half of the fiscal year, reflecting widespread optimism about the government's economic policy. Meanwhile, sales of glass for liquid crystal displays (LCDs), the NEG Group's core business, remained firm in the first half of the year, putting the Group's business performance on a moderate recovery track. In the second half, however, demand dropped in almost all product fields including glass for LCDs. As a result, we have recorded lower earnings on lower sales for fiscal 2013.

Focused Initiatives for Fiscal Year 2014

The Japanese economy is currently regaining its vigor. The economy in the U.S. is showing a recovery trend, and economic growth in China is expected to be maintained. Concerns associated with the debt crisis in Europe have lessened. At NEG, sales of glass fiber for auto parts and glass for electronic devices are recovering, and promising signs are beginning to appear. Riding this tailwind, we are determined to halt the recent slide of lower earnings on lower sales and resume a trend towards growth in fiscal 2014. To achieve this, we will implement the following three initiatives.

The first initiative is to improve the productivity of our main product, glass for LCDs. In the LCD market, growth is decelerating while prices are dropping, resulting in lowered profitability. We will take measures such as reducing production loss and reviewing the way we procure raw and secondary materials, and we will identify cost improvements by converting the outcomes of such measures into monetary value in order to accelerate the improvement process. The second initiative is to expand existing businesses other than glass for LCDs. We will make sure that sales of glass fiber and glass for electronic devices are increased and ensure that profits are realized as a result of these expanded sales. Although sales of glass for building materials and heat-resistant glass have slowed as a result of sluggish demand, our rationalization measures are now beginning to yield results. We will continue to endeavor to achieve profit improvements in these fields. The third initiative is to expand sales of new products. In the field of displays, we will boost sales of specialty glass for chemical strengthening used for touch panels of smartphones and tablets, an area in which huge growth is expected. We will also endeavor to increase sales of our phosphor-glass, Lumiphous, which is used for LEDs and laser diodes. Based on the above, we plan to make capital expenditures of approximately ¥50 billion in fiscal 2014, with a focus on productivity and quality improvement, expansion of the LCD business in overseas markets, and new product development.

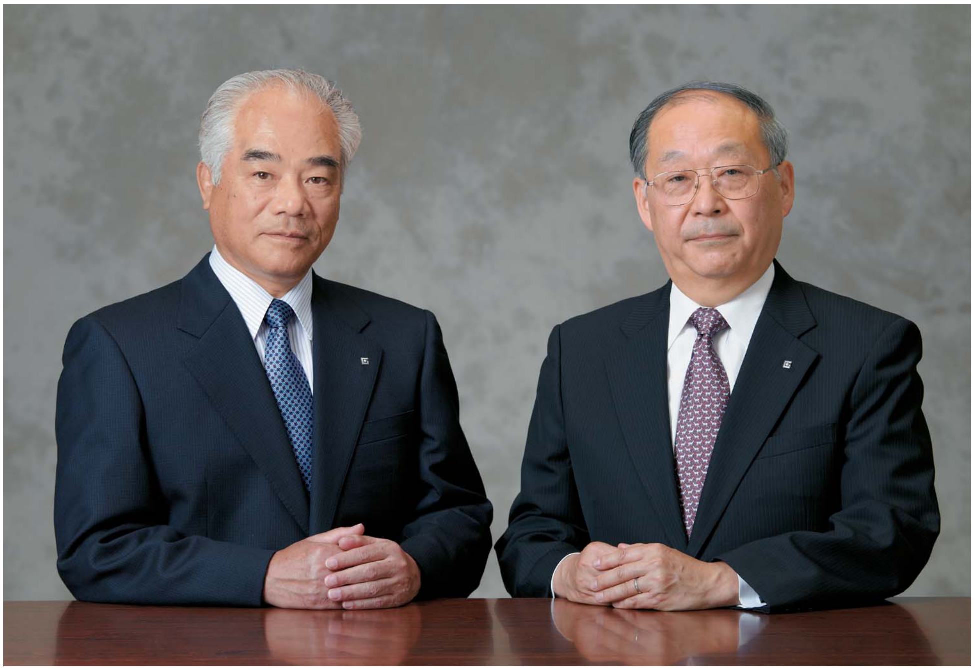
Business Strategies Based on a Realistic View of the Future

We will aggressively pursue business expansion of our core business, glass for displays, an area that includes glass substrates for next-generation displays and chemically strengthened glass used for touch panels. That said, we will need to avoid excessive reliance on the display market, which is subject to major fluctuations, and to expand other business areas in order to ensure the stable growth of the company. The automotive, energy, and advanced medical care markets are anticipated to expand steadily in the future. Fortunately, our manufacturing portfolio includes high growth sector products such as those for electronic devices, highly functional plastics, photovoltaic power generation, and medical components and materials. We will increase sales of these products in parallel with the growth of markets, energetically develop new products, and broaden our business domain. We will actively utilize our new development center, P&P Technology Center Otsu, which started operations in April 2013, to help us achieve these goals.

As a key part of our overall business strategy, we established the Corporate Strategy Division, which will be responsible for the formulation of company-wide, across-the-board business strategies. We will strengthen our strategies and further ensure our sustainable growth through the activities of this new department, including market analysis and investigation of business reorganization and M&As. Regarding overseas development, we will adopt a capability-transfer-based policy, meaning that we will update our current domestic production equipment first and then transfer such equipment overseas, rather than trying to directly increase the net production capacity overseas.

Efforts for Reinforcing Corporate Standing

In order to reinforce its financial standing, NEG is working on reducing interest-bearing debt towards the goal of a debt level that represents 20% of consolidated sales. As of the end of fiscal 2013, this figure was 35.7%, up 10 points from the preceding term-end numbers due to borrowing to meet financial requirements for overseas expansion. Going forward, we will continue to work on reducing interest-bearing debt and enhance the efficient use of funds.



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

Our Corporate Efforts on CSR

Our company has worked to preserve the environment, employ people with disabilities, and contribute to local communities, which are the central themes of our CSR activities. As part of our commitment to preserving the environment, we promote environmentally friendly production (elimination of production loss) and manufacture products which do not contain substances that impose environmental burdens. With regard to employing people with disabilities, we continue to maintain an employment ratio that greatly exceeds the statutory requirement. We are, however, exerting steady efforts beyond the mere pursuit of figures to improve our work environment and to create a rewarding workplace for people with disabilities. To contribute to local communities, we continue to implement a range of initiatives, such as industry-academia collaboration with the University of Shiga Prefecture (situated in our region), from the perspective of human resources development support. (Please see pages 7 and 8 for more details about our CSR activities.)

Return to Shareholders

NEG regards returning profits to its shareholders as an important management issue. In fiscal 2013, we increased our annual dividend to 16 yen per share per annum (an increase of 1 yen from the preceding fiscal year) in order to reward our shareholders for their loyal patronage. This, in fact, is the ninth consecutive dividend increase. We will continue to use dividends as a core means of returning profits, and we are committed to paying dividends stably over the long term. In this regard, we look forward to your continued support.

In closing, as representatives of the board, we wish to express our sincere gratitude to our shareholders, customers, employees, and all other stakeholders. We look forward to your ongoing support for further growth of the NEG Group.

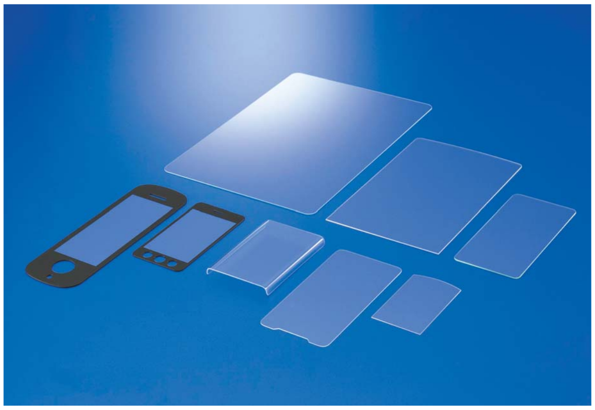
Yuzo Izutsu, Chairman of the Board

Masayuki Arioka, President

New Endeavors for the Growing Touch Panel Market

Mass Production of New Specialty Glass for Chemical Strengthening

The demand for touch panels is increasing, along with the growth of the market for smartphones and tablets. Taking this trend into account, NEG has developed and started to commercially produce the new T2X Series: two types of specialty glass for chemical strengthening especially designed to be used for touch panels of smartphones and tablets. T2X Series glass is not only thin and light, but also highly durable, allowing it to protect touch panel screens against impact shocks and scratches.



T2X Series glass, chemically strengthened glass

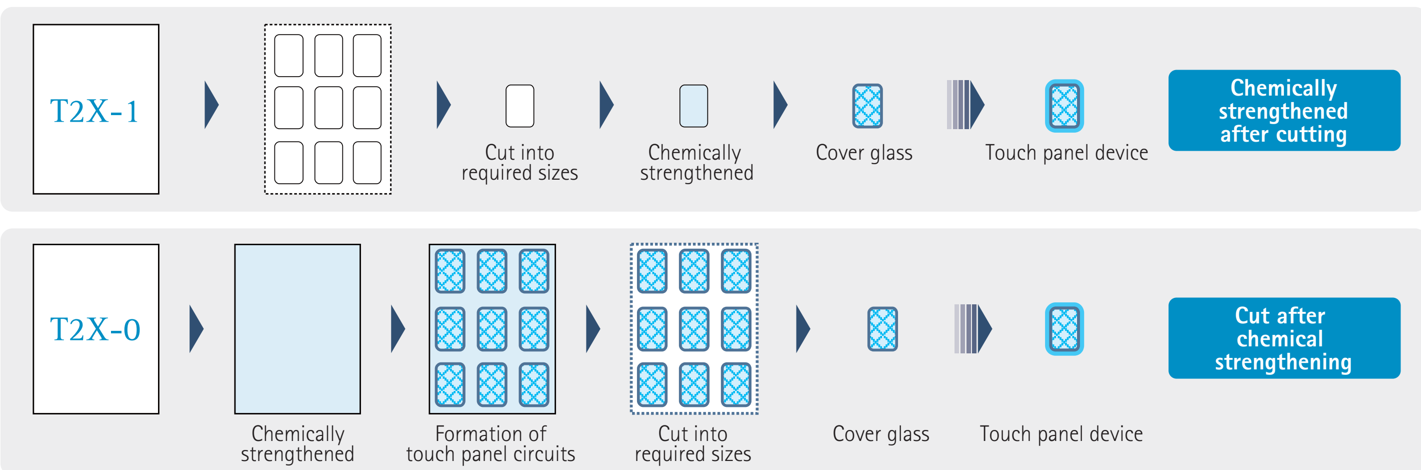
"T2X-1" was developed to achieve a thin profile while maintaining a high level of protection against impact shocks and scratch resistance, in order to meet the requirement to make smartphones and tablets thinner and lighter. The length of the chemical strengthening process was reduced by 25% compared with that of conventional products*1, thereby substantially improving production efficiency.

"T2X-0" was developed to be used for touch sensor integrated cover glass. Its strength properties can be precisely controlled. First, a large sized glass substrate*2 is chemically strengthened, followed by the formation of multiple touch sensor circuits, and the glass with touch sensor circuits is then efficiently cut into the size required for cover glass. This product is stronger than conventional soda-lime-based chemically strengthed glass. It is lightweight, since it is low in density, and its low thermal expansion coefficient results in high thermal dimensional stability. This stability makes it ideal for touch panel use, which involves high temperatures during the production process.

*1 Survey conducted by NEG
*2 Glass substrates can accommodate sizes of G6 (1,500 x 1,850 mm) or greater

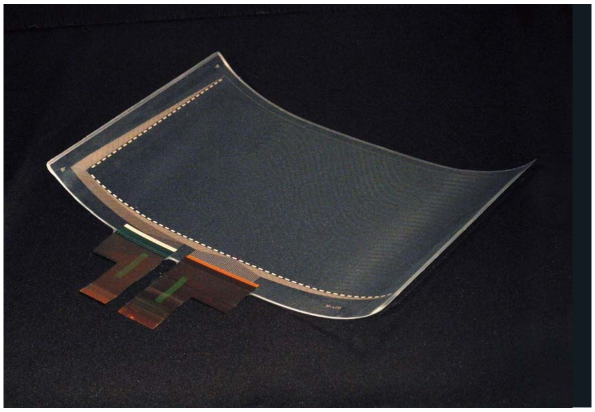
Almost perfectly transparent and colorless, the T2X Series products have practically no effect on the display's original color tones or resolution. In addition, they are formed using the overflow process, which is also used when making glass substrates for LCDs, and thus extremely smooth surface qualities can be achieved without polishing. This feature makes these products ideal for the process of forming sensor circuits necessary for touch sensor integrated cover glass. The T2X Series allows touch panels to fully exhibit their properties while they are safeguarded by effective protective covers.

Processing Procedures for T2X-1 and T2X-0



Potentials of NEG's Ultra Thin Glass

NEG has developed a test model of a "curved surface touch panel display" using Ultra Thin Glass as the touch sensor glass substrate. This was done to verify that Ultra Thin Glass could be used for next-generation touch panels. Touch sensors were formed on the surface of Ultra Thin Glass with a thickness of only 50 µm, which enabled us to make thinner curved displays. Higher in clarity than resin films, the glass has almost no impact on the display quality.

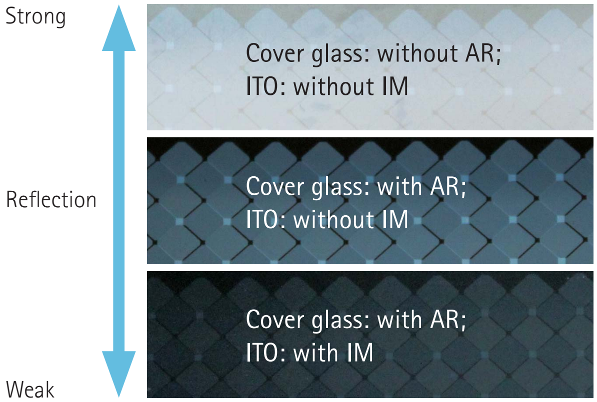


Curved surface touch panel display test model

For this test model, we used high-performance anti-reflection coating to enhance viewability by suppressing reflection on the screen, and a refractive index matching layer to make the ITO electrode virtually invisible. Through these measures, we have achieved clearer images on the display.

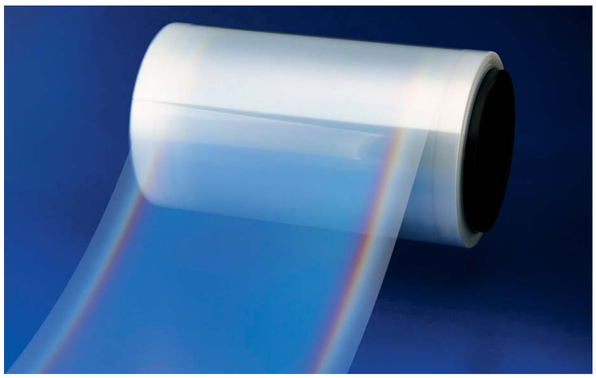
Comparison of Reflection on the Surface of a Touch Panel

(Photo of sensor electrodes under touch panel surface)



AR: anti-reflection
IM: refractive index matching layer

Our company will strive to expand the business of specialty glass for chemical strengthening and pursue the potential of glass for use in next-generation touch panels through initiatives such as combining Ultra Thin Glass with advanced film coating technology.



ITO coated Ultra Thin Glass roll

NEG's ARG Fiber Used in the New Kabukiza Theater

Kabuki is a traditional Japanese form of theater proclaimed by UNESCO to be a "Masterpiece of the Oral and Intangible Heritage of Humanity." Tokyo's Kabukiza theater is the foremost venue for this art form. In April 2013, reconstruction work on the Kabukiza theater was completed, with the newly unveiled building retaining the numerous traditional Japanese design elements that had characterized the venue in the past.

The Kabukiza theater incorporates many building components made of GRC*1, of which our ARG fiber*2 forms a constituent part. About 2,100 m^2 of the theater's exterior is built with GRC materials. GRC was selected on account of its distinctive characteristics—high strength, light weight, and excellent adaptability to design. In recent years, GRC has been attracting increasing attention, and its applications as a material that facilitates the creation of buildings with good design qualities have been expanding.

*1 GRC (glass fiber reinforced concrete)
*2 ARG fiber (alkaline resistant glass fiber)

The new Kabukiza theater

For a Sustainable Society

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

Corporate Governance

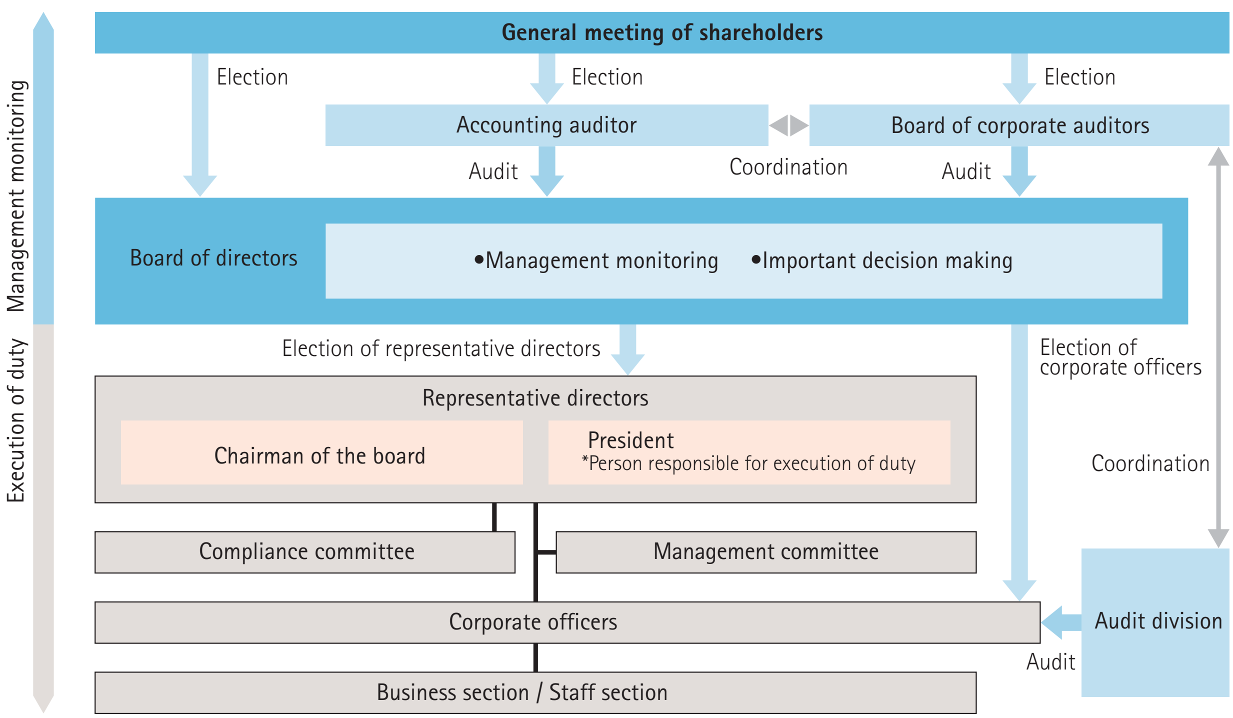
•Directors, Board of Directors, and Corporate Officers

NEG aims to speed up decision-making, ensure managerial transparency, and enhance business execution. We have optimized the number of directors, clearly defined their decision-making and supervisory functions, and adopted a corporate officer system for business operations. Moreover, NEG has shortened the term for directorships to one year in order to clarify management responsibilities and establish a flexible management system capable of responding to changes in business environments. As of June 28, 2013, there are 8 directors (2 of which are representative directors) on the board of directors. Aside from the President, who is the Chief Executive Officer, as of June 28, 2013, there are 18 corporate officers (of which 6 are directors). The President is responsible for execution of duties, and the other corporate officers execute the duties assigned to them by the President. The term of office for corporate officers is one year.

•Auditors and Board of Auditors

As of June 28, 2013, the board of auditors currently consists of four auditors, including two external auditors. The auditors attend the board of directors meeting, and they establish themes that require intensive examination based on the audit policy and plan, as well as the allocation of auditor assignments established by the board of auditors. In accordance with this, the auditors conduct an audit of the performance of directors' duties by examining business operations and the financial situation. External auditors are selected from lawyers and certified accountants to enhance the auditing functions, and they perform their duties from an independent, objective, and professional standpoint.

Diagram of corporate governance system



Internal Control

NEG's basic policy on internal control includes the elements described below. In addition, NEG has established an internal control system for financial reporting to safeguard the propriety of financial reporting carried out by NEG and its Group companies are in compliance with applicable laws and regulations. The system ensures the creation of an effective organizational structure that enables such financial reporting, and the efficacy of the system is evaluated by the internal auditing department.

•Compliance System

NEG has established a compliance committee, a special organization that keeps all employees of the NEG Group continuously informed to ensure their compliance with laws and corporate ethical standards. The committee undertakes the following activities.

- Drafting revisions to the Corporate Philosophy, Group Code of Conduct, and Principles of Activities, and the planning and implementation of relevant measures to ensure they (Corporate Philosophy, Group Code of Conduct, Principles of Activities) are carried out throughout the Group
- Collecting and analyzing information and conducting compliance training
- Managing an internal reporting system

Details of the above activities are reported to the board of directors and auditors on a regular basis. The internal auditing department independently carries out internal auditing of each department and NEG Group companies, based on internal auditing rules and auditing plans. The results of internal auditing are reported to the President as appropriate.

•Risk Management System

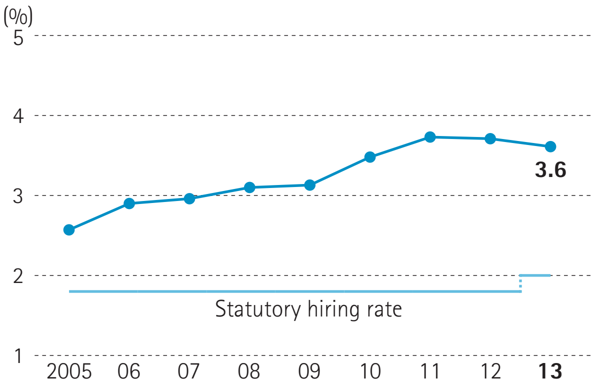
NEG examines business risks on a periodic basis to grasp any risks related to its operations and takes actions to manage such risks. We also recognize the importance of business risks related to compliance, finance, the environment, disasters, security trade control, information management, product quality, and health and safety. To deal with these risks, responsible divisions and an expert committee formulate rules and guidelines, conduct training, prepare manuals, and implement other measures as needed. If any new type of risk arises, the President will promptly appoint designated personnel to be responsible for necessary measures. Matters of particular importance to corporate management will be discussed and reported at managerial meetings and to the board of directors.

Promoting the Employment of People with Disabilities

The NEG Group has continued its efforts to increase employment opportunities for people with disabilities and improve their workplace environment. In fiscal 2013, similar to the previous year, we achieved an employment ratio of people with disabilities (3.6%) that greatly exceeded the statutory requirement (2%). As a result, we have maintained a high employment level of more than 3% for six consecutive years.

Going beyond the mere pursuit of statistical targets, we will continue to develop a workplace in which disabled people can participate in the manufacture of glass products and achieve full job satisfaction. We will also endeavor to create an ever-safer working environment 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 Contributions

As a company with its major business base located in Shiga Prefecture, NEG has been steadily engaged in activities that contribute to local communities, such as voluntary cleaning along nearby roadsides and planting greenery in the areas surrounding our company premises. Our business activities in and of themselves also contribute to regional vitality by generating beneficial economic effects and employment. Moreover, we continue to focus on the development of human resources in the area,

Students tour the NEG factory.

thus helping to realize a brighter future for local communities.

As one example of our efforts, we organize factory tours for local schools at each of our plants from the viewpoint of fostering human resources. In fiscal 2013, we hosted tours of the company for 12 different schools, with the participation of about 250 students in total. The students were able to learn about the roles that specialty glass plays in daily life, and to better appreciate the exertions and pleasures associated with work. Through these tours, they were also able to deepen their understanding of the relationship between companies and society, and the significance of labor.

Environmental Preservation

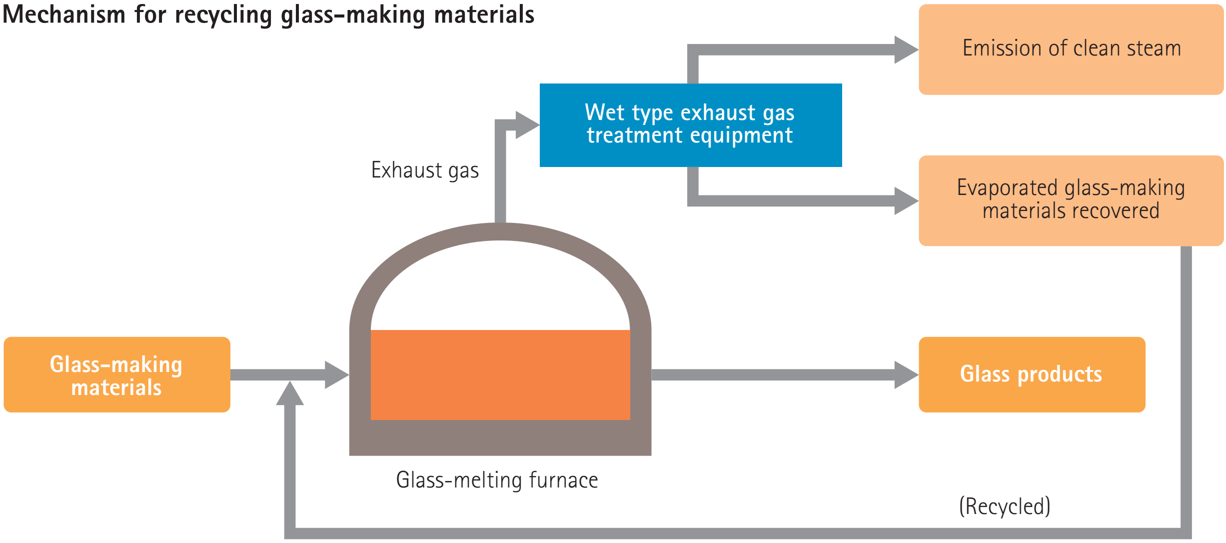
NEG regards preservation of the natural environment as a key social responsibility that all businesses must fulfill. Thus, we are undertaking a variety of environmentally beneficial initiatives while endeavoring to carry out our factory operations in harmony with the natural environment and placing emphasis on the conservation of biodiversity.

Recycling of glass-making materials

As raw materials for glass are melted at high temperatures during the melting process, furnace exhaust gas contains evaporated glass components. Using water, we remove such components from the gas with exhaust gas treatment equipment and ensure that the gas is clean before discharging it. In addition, our innovative technology allows us to recover and recycle all glass-making materials from the resulting waste liquid. We reused around 7,000 tons of recycled glass materials in fiscal 2013. This not only helps preserve the environment—it also reduces our expenditures for raw materials. The NEG Group will continue to expand and improve treatment equipment and contribute to environmental preservation and resource conservation.

Recycled glass-making materials

Mechanism for recycling glass-making materials



Financial Review

See page 1 for related graphs.

Business Climate

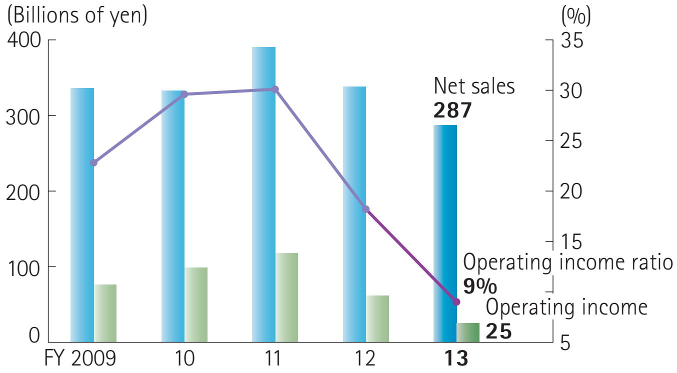
The global economy for fiscal 2013 saw continued economic stagnation in Europe as a result of the protracted debt crisis, while growth weakened in China due to the impact of the situation in Europe and a slowdown in domestic demand. In the U.S., there was a moderate economic recovery despite severe employment conditions and ongoing concerns about fiscal problems. In Japan, the economy continued to experience a recessionary phase due to low exports caused by anemic overseas demand as well as weak domestic personal consumption. In the latter half of the fiscal year, however, expectations that the economy would receive a boost from the government's economic policy resulted in signs of economic recovery.

Net Sales

Net sales for this fiscal year were ¥287,304 million ($3,056 million), a decrease of 15.1% from the previous fiscal year. Sales in the Glass for Electronic and Information Devices sector continued to show a recovery trend, mainly led by glass for LCDs, from the first quarter (April 1 to June 30, 2012) to the second quarter (July 1 to September 30, 2012), followed by a slowdown due to production adjustments made by our clients from the third quarter (October 1 to December 31, 2012) onwards.

In the Glass for Others sector, sales of glass fibers were on a recovery track in the first quarter, particularly for automobile parts. In the second quarter, sales figures for the same product took a downward turn and entered an adjustment phase, which continued until the end of the fiscal year. Sales of heat-resistant glass and glass for building materials were weak due to the sluggish recovery of related markets.

Net sales and operating income



Income

Operating income decreased by 59.5% from the previous fiscal year to ¥24,968 million ($266 million). Although profits were on a recovery track during the first quarter and the second quarter, from the third quarter, there was downward pressure on profits, mainly from a slowdown in sales of glass for LCDs, which resulted in production adjustments, falling product prices, and costs associated with the initiation of mass production of new products. Other fields also experienced declines in demand, leading to weak sales. As a result, gross profit decreased by 41.9% from the previous year and the cost to sales ratio increased by 8.4 points. Consequently, the operating income ratio was 8.7%, a decrease of 9.5 points from the previous fiscal year.

For net amount of other income and other expenses, losses of ¥7,857 million ($84 million) were recorded, representing a decrease in losses of ¥17,004 million ($181 million) compared with the previous year.

These figures are derived primarily from other income comprising interest and dividend income totaling ¥1,019 million ($11 million) and a reversal of reserve

Sales by Business

(Millions of yen and U.S. dollars)

	FY2012		FY2013			2013/2012
	Net sales	Percent of net sales	Net sales		Percent of net sales	Percent change
Glass Business						
Glass for electronic and information devices	¥272,481	80.6%	¥226,241	$2,407	78.7%	–17.0%
Glass for others	65,733	19.4	61,063	649	21.3	–7.1
Total	¥338,214	100.0%	¥287,304	$3,056	100.0%	–15.1%

The NEG Group comprises a single segment of glass business.

for special repairs of ¥2,407 million ($26 million).

Other expenses include loss on disposal of property, plant, and equipment, including removal expenses of ¥2,200 million ($23 million), loss from valuation of investment securities of ¥4,074 million ($43 million), depreciation of idle property, plant and equipment of ¥2,097 million ($22 million), and loss on impairment of fixed assets of ¥2,691 million ($29 million).

Consequently, income before income taxes and minority interests totaled ¥17,111 million ($182 million), a decrease of ¥19,667 million ($209 million) from the previous fiscal year. Combined with net amounts of provision for income taxes of ¥5,264 million ($56 million) and minority interests of ¥1,244 million ($13 million), net income totaled ¥10,603 million ($113 million), a 45.4% decrease from the previous fiscal year. Net income per share was ¥21.32 ($0.23).

Dividends

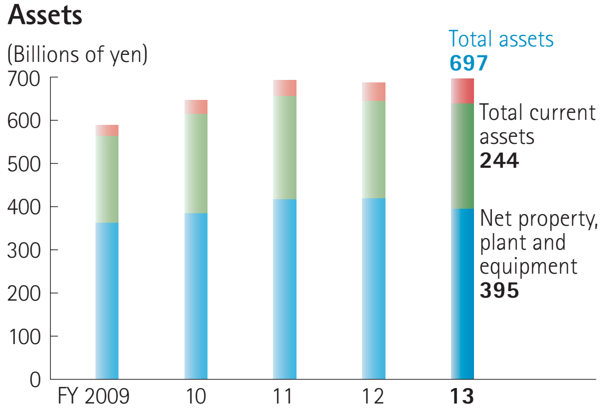
The dividend for fiscal 2013 was ¥16 ($0.17) per share, including an interim dividend of ¥8 ($0.09) paid out in November 2012, denoting a dividend increase of ¥1.0 ($0.01) from the previous fiscal year.

Financial Position

Total assets as of the end of fiscal 2013 were ¥697,386 million ($7,419 million), an increase of ¥10,316 million ($110 million) from the end of the previous fiscal year.

Current assets increased by ¥19,161 million ($204 million). Notes and accounts receivable, trade decreased due to slowdown of sales, while the figures for finished goods and purchased goods

Assets



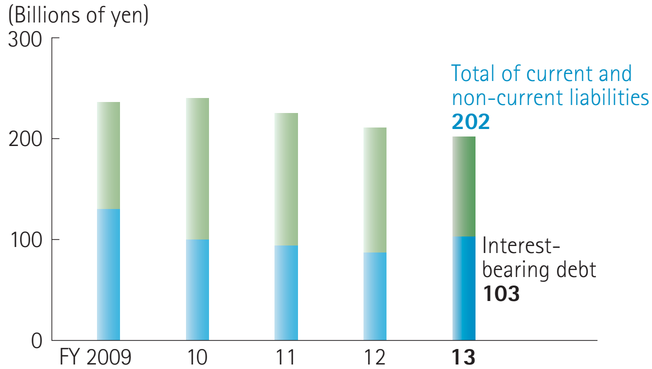
increased. In addition, cash and time deposits increased, which can be attributed to an increase in long-term debt in the fourth quarter (January 1 to March 31, 2013).

Property, plant and equipment decreased by ¥24,935 million ($265 million) due to depreciation. Investments and other assets increased by ¥16,090 million ($171 million) due to share acquisitions and appreciation in investment securities owing to the recovery of the stock market.

Current liabilities decreased by ¥47,162 million ($502 million). Short-term debt decreased due to payment of the current portion of long-term debt, and the figures decreased for notes and accounts payable: construction and other.

Non-current liabilities increased by ¥37,919 million ($403 million). We issued unsecured bonds during this fiscal year, and additional long-term debt was taken on.

Liabilities

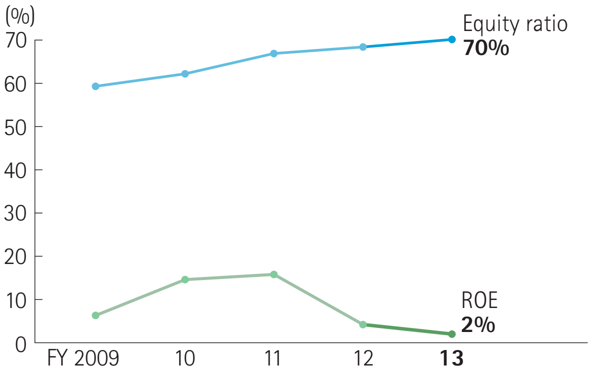


Among our business initiatives for improving the NEG Group's financial strength, we have been working tirelessly to reduce interest-bearing debts (short- and long-term debt, unsecured bonds, and commercial paper) to 20% of consolidated net sales. Interest-bearing debt as of the end of the fiscal year totaled ¥102,604 million ($1,092 million), an increase of ¥15,792 million ($168 million) from the end of the previous fiscal year, because the NEG Group took out new loans to meet the financial requirements for expansion in the Group's overseas operations. Together with a decrease in consolidated net sales, as a result, the ratio of interest-bearing debt to consolidated net sales was 35.7%, an increase of 10.0 points from the end of the previous fiscal year.

Total net assets at the end of this fiscal year amounted to ¥495,295 million ($5,269 million), an increase of ¥19,559 million ($208 million) from the end of the previous fiscal year. An increase was seen in net unrealized holding gains on securities led by the stock market recovery, and foreign currency translation adjustments also increased due to the weakening of the yen toward the end of the current fiscal year.

Consequently, the equity ratio at the end of this fiscal year was 70.1%, an increase of 1.7 points from 68.4%, the figure from the end of the previous fiscal year.

Equity ratio & ROE



Cash Flows

[Cash Flows from Operating Activities]
Net cash provided by operating activities totaled ¥55,111 million ($586 million), a decrease of ¥28,626 ($305 million) from the previous fiscal year, due to the low level of income before income taxes and a decrease in impairment loss of fixed assets and notes and accounts payable, although the amount of income tax paid was low.

[Cash Flows from Investing Activities]
Net cash spent in investing activities totaled ¥46,545 million ($495 million), a decrease in spending of ¥33,282 million ($354 million) from the previous fiscal year, primarily due to a decrease in spending for the purchase of property, plant and equipment.

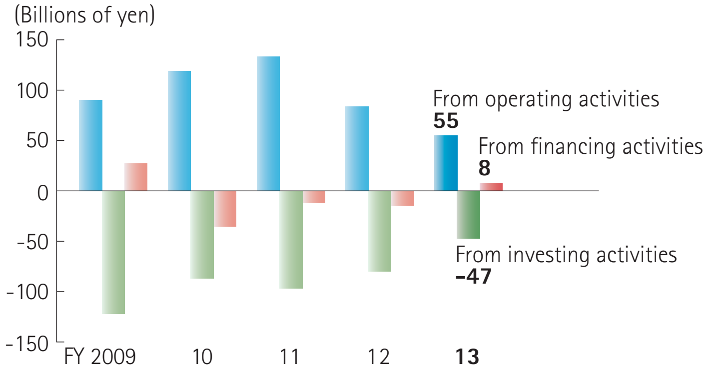
[Cash Flows from Financing Activities]
Repayment of long-term borrowings was conducted with the issuance of unsecured bonds in the first quarter, but additional long-term borrowings were made in the fourth quarter (January 1 to March 31, 2013). As a result, ¥7,667 million ($82 million) was gained by financing activities compared with ¥14,731 million ($157 million) spent in the previous fiscal year.

Including the positive effect of exchange rate changes on cash and cash equivalents worth ¥298 million ($3 million), the balance of cash and cash equivalents as of the end of this fiscal year totaled ¥121,741 million ($1,295 million), an increase of ¥16,531 million ($176 million) from the end of the previous fiscal year.

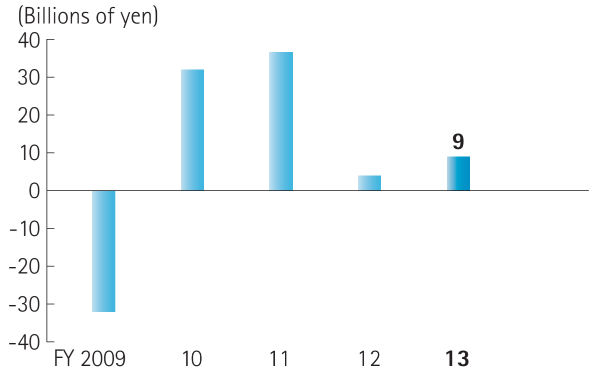
Capital Expenditures

Capital expenditures for this fiscal year totaled ¥37,487 million ($399 million). In the Glass for Electronic and Information Devices sector, capital investment was made primarily in glass for LCDs, in order to respond to the demand for thinner glass and to improve productivity. Capital investment was made in the Glass for Others sector, mainly to enhance production capacity for heat-resistant glass and glass fiber. In addition, the Company also invested in the construction of the P&P Technology Center Otsu, a new research and development facility.

Cash flows



Free cash flows



Consolidated Financial Statements

Consolidated Balance Sheets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
March 31, 2012 and 2013

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Current assets:			
Cash and time deposits (Note 4 and 7)	¥105,828	¥129,421	$1,376,819
Notes and accounts receivable, trade (Note 4)	56,230	45,825	487,500
Allowance for doubtful receivables	(103)	(104)	(1,106)
Inventories (Note 8)	52,905	55,235	587,606
Deferred income taxes (Note 11)	4,010	4,901	52,138
Other current assets	5,546	8,299	88,288
Total current assets	224,416	243,577	2,591,245
Property, plant and equipment (Note 9 and 12):			
Land	13,275	13,337	141,883
Building and structures	118,067	122,778	1,306,149
Machinery and equipment	693,637	703,957	7,488,904
Construction in progress	12,089	12,990	138,192
	837,068	853,062	9,075,128
Accumulated depreciation	(416,757)	(457,686)	(4,869,000)
Net property, plant and equipment	420,311	395,376	4,206,128
Investments and other assets:			
Investment securities (Note 4 and 5)	20,498	35,578	378,489
Investment in affiliates (Note 5)	1,684	1,684	17,915
Deferred income taxes (Note 11)	17,523	17,720	188,511
Other assets (Note 9)	2,638	3,451	36,712
Total investments and other assets	42,343	58,433	621,627
Total assets	¥687,070	¥697,386	$7,419,000

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)
	2012	**2013**	**2013**
Current liabilities:			
Short-term debt, including current portion of long-term debt (Note 4 and 10)	¥ 46,398	**¥ 25,712**	**$ 273,532**
Notes and accounts payable (Note 4):			
Trade	40,893	**35,467**	**377,309**
Construction and other	34,616	**14,359**	**152,755**
Accrued expenses	9,805	**9,261**	**98,521**
Accrued income taxes	2,006	**1,423**	**15,138**
Other reserves	132	**94**	**1,000**
Other current liabilities	1,350	**1,722**	**18,319**
Total current liabilities	135,200	**88,038**	**936,574**
Non-current liabilities:			
Long-term debt (Note 4 and 10)	40,414	**76,892**	**818,000**
Reserve for special repairs	33,430	**35,033**	**372,692**
Other reserves (Note 13)	1,488	**989**	**10,521**
Other non-current liabilities (Note 12)	802	**1,139**	**12,117**
Total non-current liabilities	76,134	**114,053**	**1,213,330**
Net assets (Note 14):			
Shareholders' equity:			
Common stock			
Authorized - 1,200,000,000 shares in 2012 and 2013			
Issued - 497,616,234 shares in 2012 and 2013	32,156	**32,156**	**342,085**
Capital surplus	34,356	**34,352**	**365,447**
Retained earnings	415,800	**418,420**	**4,451,277**
Treasury stock at cost			
206,939 shares in 2012			
208,204 shares in 2013	(275)	**(271)**	**(2,883)**
Total shareholders' equity	482,037	**484,657**	**5,155,926**
Accumulated other comprehensive income (Note 3):			
Net unrealized holding gains on securities	824	**10,853**	**115,457**
Deferred gains or losses on hedges	(6)	**(67)**	**(713)**
Foreign currency translation adjustments	(12,572)	**(6,507)**	**(69,223)**
Total accumulated other comprehensive income	(11,754)	**4,279**	**45,521**
Minority interests	5,453	**6,359**	**67,649**
Total net assets	475,736	**495,295**	**5,269,096**
Contingent liabilities (Note 15)			
Total liabilities and net assets	¥687,070	**¥697,386**	**$7,419,000**

Consolidated Statements of Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Net sales	¥338,214	¥287,304	$3,056,426
Cost of sales	248,545	235,227	2,502,415
Gross profit	89,669	52,077	554,011
Selling, general and administrative expenses	28,030	27,109	288,394
Operating income	61,639	24,968	265,617
Other income (expenses):			
Interest and dividend income	1,425	1,019	10,840
Interest expense	(966)	(681)	(7,245)
Loss on disposal of property, plant and equipment, including removal expenses	(3,836)	(2,200)	(23,404)
Gain on sales of property, plant and equipment	14	191	2,032
(Loss) Gain on sales of investment securities, net	754	(475)	(5,053)
Loss from valuation of investment securities (Note 5)	-	(4,074)	(43,340)
Depreciation of idle property, plant and equipment	(2,594)	(2,097)	(22,308)
Loss on impairment of fixed assets (Note 9)	(17,621)	(2,691)	(28,628)
Reversal of reserve for special repairs	4,047	2,407	25,606
Foreign exchange (losses) gains	(1,111)	215	2,287
Loss on related to competition law case	(4,753)	-	-
Other, net	(220)	529	5,628
	(24,861)	(7,857)	(83,585)
Income before income taxes and minority interests	36,778	17,111	182,032
Income taxes (Note 11):			
Current	18,526	9,492	100,979
Deferred	(2,408)	(4,228)	(44,979)
	16,118	5,264	56,000
Income before minority interests	20,660	11,847	126,032
Minority interests	1,251	1,244	13,234
Net income	¥ 19,409	¥ 10,603	$ 112,798

	Yen		U.S. dollars (Note 1)
Amount per share of common stock:			
Net income (Note 2)	¥ 39.02	¥ 21.32	$ 0.23
Diluted net income (Note 2)	-	-	-
Cash dividends applicable to the year (Note 14)	15.00	16.00	0.17

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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Income before minority interests	¥20,660	**¥11,847**	**$126,032**
Other comprehensive income (Note 3):			
Net unrealized holding gains on securities	(2,315)	**10,029**	**106,691**
Deferred gains or losses on hedges	26	**(61)**	**(649)**
Foreign currency translation adjustments	(3,552)	**6,094**	**64,830**
	(5,841)	**16,062**	**170,872**
Comprehensive income	¥14,819	**¥27,909**	**$296,904**
Comprehensive income attributable to:			
Owners of the parent	¥13,580	**¥26,636**	**$283,362**
Minority interests	1,239	**1,273**	**13,542**

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, 2012 and 2013

	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, 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
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**
Net income	**–**	**–**	**–**	**10,603**	**–**	**–**	**–**	**–**	**–**	**10,603**
Cash dividends paid	**–**	**–**	**–**	**(7,959)**	**–**	**–**	**–**	**–**	**–**	**(7,959)**
Acquisition of treasury stock	**–**	**–**	**–**	**–**	**(2)**	**–**	**–**	**–**	**–**	**(2)**
Disposition of treasury stock	**–**	**–**	**(4)**	**–**	**6**	**–**	**–**	**–**	**–**	**2**
Other	**–**	**–**	**–**	**(24)**	**–**	**–**	**–**	**–**	**–**	**(24)**
Net change during the year	**–**	**–**	**–**	**–**	**–**	**10,029**	**(61)**	**6,065**	**906**	**16,939**
Balance at March 31, 2013	**497,616**	**¥ 32,156**	**¥34,352**	**¥418,420**	**¥ (271)**	**¥10,853**	**¥(67)**	**¥ (6,507)**	**¥6,359**	**¥495,295**

	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, 2012	**$342,085**	**$365,489**	**$4,423,404**	**$(2,926)**	**$ 8,766**	**$ (64)**	**$(133,745)**	**$58,011**	**$5,061,020**
Net income	**–**	**–**	**112,798**	**–**	**–**	**–**	**–**	**–**	**112,798**
Cash dividends paid	**–**	**–**	**(84,670)**	**–**	**–**	**–**	**–**	**–**	**(84,670)**
Acquisition of treasury stock	**–**	**–**	**–**	**(21)**	**–**	**–**	**–**	**–**	**(21)**
Disposition of treasury stock	**–**	**(42)**	**–**	**64**	**–**	**–**	**–**	**–**	**22**
Other	**–**	**–**	**(255)**	**–**	**–**	**–**	**–**	**–**	**(255)**
Net change during the year	**–**	**–**	**–**	**–**	**106,691**	**(649)**	**64,522**	**9,638**	**180,202**
Balance at March 31, 2013	**$342,085**	**$365,447**	**$4,451,277**	**$(2,883)**	**$115,457**	**$(713)**	**$ (69,223)**	**$67,649**	**$5,269,096**

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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 36,778	¥ 17,111	$ 182,032
Depreciation and amortization	54,785	46,105	490,479
Loss on disposal of property, plant and equipment	3,315	1,243	13,223
Loss on impairment of fixed assets	17,621	2,691	28,628
Loss from valuation of investment securities	-	4,074	43,340
Increase in provision for reserve for special repairs	3,664	1,603	17,053
Interest and dividend income	(1,425)	(1,019)	(10,840)
Interest expense	966	681	7,245
Decrease in notes and accounts receivable	7,606	11,145	118,564
Increase in inventories	(8,130)	(1,295)	(13,777)
Decrease in notes and accounts payable	(1,428)	(18,594)	(197,809)
Other	2,469	(365)	(3,883)
Sub-total	116,221	63,380	674,255
Interest and dividends received	1,441	1,013	10,777
Interest paid	(971)	(739)	(7,862)
Payment for income taxes, net	(32,954)	(8,543)	(90,883)
Net cash provided by operating activities	83,737	55,111	586,287
Cash flows from investing activities:			
Decrease (increase) in time deposits, net	1,819	(7,049)	(74,989)
Purchases of marketable and investment securities	(8,817)	(7,775)	(82,713)
Proceeds from sales of marketable and investment securities	6,267	1,376	14,638
Purchases of property, plant and equipment	(78,475)	(33,176)	(352,936)
Proceeds from sales of property, plant and equipment	43	496	5,276
Other	(664)	(417)	(4,436)
Net cash used in investing activities	(79,827)	(46,545)	(495,160)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	(15,000)	155	1,649
Proceeds from long-term borrowings	15,300	20,000	212,766
Repayment of long-term borrowings	(7,735)	(24,394)	(259,511)
Proceeds from issuance of unsecured bonds	-	20,000	212,766
Proceeds from common stock issued to minority shareholders	344	-	-
Cash dividends paid	(6,962)	(7,957)	(84,649)
Cash dividends paid to minority shareholders	(322)	(26)	(276)
Other	(356)	(111)	(1,181)
Net cash provided by (used in) financing activities	(14,731)	7,667	81,564
Effect of exchange rate changes on cash and cash equivalents	(336)	298	3,171
Net increase (decrease) in cash and cash equivalents	(11,157)	16,531	175,862
Cash and cash equivalents at beginning of year	116,366	105,210	1,119,255
Cash and cash equivalents at end of year (Note 7)	¥105,210	¥121,741	$1,295,117

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, 2013, which was ¥94 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.

For the year ended March 31, 2013, pursuant to an amendment to the Japanese Corporate Tax Law, the Company and its domestic consolidated subsidiaries depreciate tangible fixed assets acquired on or after April 1, 2012, in accordance with the method stipulated in the amended Japanese Corporation Tax Law. As a result, for the year ended March 31, 2013, operating income was ¥520 million ($5,532 thousand) more, and income before income taxes and minority interests was ¥509 million ($5,415 thousand) more than they would have been using the previous method.

(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 that 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, 2012 and 2013, 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 ¥6,464 million and ¥6,833 million ($72,691 thousand) in 2012 and 2013, respectively.

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

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

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

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

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

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

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

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

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

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

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

3. Accounting standards for presentation of comprehensive income

Each component of other comprehensive income for the period ended March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Net unrealized holding gains on securities			
Increase (decrease) during the year	¥(3,198)	**¥ 8,682**	**$ 92,362**
Reclassification adjustments	(753)	**4,549**	**48,394**
Sub-total, before tax	(3,951)	**13,231**	**140,756**
Tax (expense) or benefit	1,636	**(3,202)**	**(34,065)**
Sub-total, net of tax	(2,315)	**10,029**	**106,691**
Deferred gains or losses on hedges			
Increase (decrease) during the year	(3)	**(149)**	**(1,585)**
Reclassification adjustments	47	**55**	**585**
Sub-total, before tax	44	**(94)**	**(1,000)**
Tax (expense) or benefit	(18)	**33**	**351**
Sub-total, net of tax	26	**(61)**	**(649)**
Foreign currency translation adjustments			
Increase (decrease) during the year	(3,562)	**6,128**	**65,191**
Reclassification adjustments	-	**–**	**–**
Sub-total, before tax	(3,562)	**6,128**	**65,191**
Tax (expense) or benefit	10	**(34)**	**(361)**
Sub-total, net of tax	(3,552)	**6,094**	**64,830**
Total other comprehensive income	¥(5,840)	**¥16,062**	**$170,872**

4. Financial instruments

(a) Status of financial instruments

(1) Policy on financial instruments

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

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

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

Operating receivables denominated in foreign currencies, which arise from the Company's global business development, are exposed to 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 is issued mainly for the purpose of obtaining funds for operating transactions, and bonds and long-term debt are issued 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, 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 book values for financial instruments recorded on the consolidated balance sheet and their fair values as of March 31, 2012 and 2013, as well as the differences. However, financial instruments whose fair values are deemed to be extremely difficult to estimate are not included. (Note 3)

	Millions of yen		
2012:	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 not accounted for under hedge accounting	998	998	-
Derivatives accounted for under hedge accounting	(10)	(10)	-

2013:	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 129,421	¥ 129,421	¥ –
(2) Notes and accounts receivable, trade	45,825	45,825	–
(3) Investment securities:			
Other securities	35,570	35,570	–
(4) Short-term debt:			
Short-term debt	(22,172)	(22,172)	–
Current portion of long-term debt	(3,540)	(3,557)	(17)
(5) Notes and accounts payable, trade	(35,467)	(35,467)	–
(6) Long-term debt:			
Unsecured bonds	(40,000)	(40,560)	(560)
Long-term borrowings	(36,892)	(36,773)	119
(7) Derivatives			
Derivatives not accounted for under hedge accounting	1,051	1,051	–
Derivatives accounted for under hedge accounting	(104)	(104)	–

2013:	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	$1,376,819	$1,376,819	$ –
(2) Notes and accounts receivable, trade	487,500	487,500	–
(3) Investment securities:			
Other securities	378,404	378,404	–
(4) Short-term debt:			
Short-term debt	(235,872)	(235,872)	–
Current portion of long-term debt	(37,660)	(37,840)	(180)
(5) Notes and accounts payable, trade	(377,309)	(377,309)	–
(6) Long-term debt:			
Unsecured bonds	(425,532)	(431,489)	(5,957)
Long-term borrowings	(392,468)	(391,202)	1,266
(7) Derivatives			
Derivatives not accounted for under hedge accounting	11,181	11,181	–
Derivatives accounted for under hedge accounting	(1,106)	(1,106)	–

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 values of these items approximate their book values because of their short-term nature. Thus, the book values are used as fair value.

(3) Investment securities
The fair value of equity securities is based on the market prices of public exchanges.
Regarding the information on investment securities, please refer to the note on "5. Marketable and investment securities."

(4) Short-term debt and (5) Notes and accounts payable, trade
The fair values of these items 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 "6. 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 notes for "5. Marketable and investment securities."

5. Marketable and investment securities

(a) Acquisition cost and book value of securities with observable market values at March 31, 2012 and 2013, were as follows:

2012:	Millions of yen		
	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

2013:	Millions of yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**¥ 21,387**	**¥ 35,569**	**¥ 14,182**
Securities with book value not exceeding acquisition cost:			
Equity securities	**–**	**–**	**–**
	¥ 21,387	**¥ 35,569**	**¥ 14,182**

2013:	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**$227,521**	**$378,393**	**$150,872**
Securities with book value not exceeding acquisition cost:			
Equity securities	**–**	**–**	**–**
	$227,521	**$378,393**	**$150,872**

(b) Book value of securities with no observable market values at March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Available-for-sale securities:			
Equity securities issued by affiliates	¥ 1,684	**¥ 1,684**	**$ 17,915**
Non-listed equity securities, other	9	**9**	**96**
	¥ 1,693	**¥ 1,693**	**$ 18,011**

(c) Sales of available-for-sale securities sold in the years ended March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Total sales amounts	¥ 6,267	**¥ 1,376**	**$ 14,638**
Gains on sales	1,479	**–**	**–**
Losses on sales	725	**475**	**5,053**

(d) Impairment loss on investment securities.

There was no impairment loss on investment securities in the year ended March 31, 2012.

The Company recognized loss on impairment of ¥4,074 million ($43,340 thousand) on equity securities in the year ended March 31, 2013.

If fair market value as of the end of each financial quarter has dropped by more than 30% compared with acquisition cost, all of loss on impairment is recognized.

6. Derivatives

The fair value of derivative contracts utilized by the Company and its consolidated subsidiaries at March 31, 2012 and 2013, were as follows:

(a) Derivative transactions not accounted for under hedge accounting

Currency related transactions

2012: Millions of yen

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

2013: Millions of yen

Classification	Type of transaction:	Notional Amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward foreign exchange				
	Sell	**¥ 1,919**	**¥ -**	**¥ (14)**	**¥ (14)**
	Buy	**282**	**-**	**(3)**	**(3)**
	Swap	**5,730**	**4,718**	**1,068**	**1,068**
		¥ 7,931	**¥ 4,718**	**¥ 1,051**	**¥ 1,051**

2013: Thousands of U.S. dollars

Classification	Type of transaction:	Notional Amount	Portion due after 1 year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward foreign exchange				
	Sell	**$ 20,415**	**$ -**	**$ (149)**	**$ (149)**
	Buy	**3,000**	**-**	**(32)**	**(32)**
	Swap	**60,957**	**50,191**	**11,362**	**11,362**
		$ 84,372	**$ 50,191**	**$ 11,181**	**$ 11,181**

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

(b) Derivative transactions accounted for under hedge accounting

Interest related transactions

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)

2013: 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	**¥ 37,400**	**¥ 35,000**	**¥ (104)**

2013: 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	**$397,872**	**$372,340**	**$ (1,106)**

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

7. Cash and cash equivalents

Cash and cash equivalents at March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Cash and time deposits on the consolidated balance sheets	¥105,828	¥129,421	$1,376,819
Time deposits due over three months	(618)	(7,680)	(81,702)
Cash and cash equivalents in the consolidated statements of cash flows	¥105,210	¥121,741	$1,295,117

8. Inventories

Inventories at March 31, 2012 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Finished and purchased goods	¥ 29,830	¥ 31,552	$ 335,660
Work-in-process	2,170	2,479	26,372
Raw materials and others	20,905	21,204	225,574
	¥ 52,905	¥ 55,235	$ 587,606

9. Loss on impairment of fixed assets

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

Loss on impairment of fixed assets for the years ended March 31, 2012 and 2013, 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.

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, Construction in progress, other
Important idle assets	No utilization plan	Shiga-Takatsuki factory, Wakasa-Kaminaka factory, other	Building and structures, Machinery and equipment, other

2013:

Use	Reason	Location	Type
Manufacturing line for plasma display panel (PDP) glass	Serious deterioration of the PDP glass market	Shiga-Takatsuki factory, other	Machinery and equipment, Construction in progress, other
Manufacturing line for cathode ray tube (CRT) glass	Serious deterioration of the CRT glass market	Nippon Electric Glass (Malaysia) Sdn. Bhd.	Machinery and equipment
Manufacturing line for medical and laboratory application glass	Cutback in production at Fujisawa factory except for medical and laboratory application glass	Fujisawa factory	Building and structures, Machinery and equipment, other
Important idle assets	No utilization plan	Fujisawa 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, CRT and medical and laboratory application glass were measured based on 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, CRT and medical and laboratory application glass because 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
	2012	2013	2013
Building and structures	¥ 6,132	¥ 274	$ 2,915
Machinery and equipment	11,320	1,795	19,096
Other	169	622	6,617
	¥17,621	¥ 2,691	$ 28,628

10. Short-term and long-term debt

Short-term debt, including the current portion of long-term debt, at March 31, 2012 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Short-term bank borrowings; average rate 0.50% per annum	¥19,000	¥19,172	$203,957
Commercial paper; average rate 0.11% per annum	3,000	3,000	31,915
Current portion of long-term borrowings; average rate 0.85% per annum	24,398	3,540	37,660
	¥46,398	¥25,712	$273,532

Long-term debt at March 31, 2012 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Borrowings, principally from banks and insurance companies due from 2014 through 2019; average rate 0.42% per annum	¥44,812	¥40,432	$430,128
0.68% unsecured bonds, due in 2015	10,000	10,000	106,383
1.00% unsecured bonds, due in 2017	10,000	10,000	106,383
0.41% unsecured bonds, due in 2018	-	10,000	106,383
0.68% unsecured bonds, due in 2020	-	10,000	106,383
	64,812	80,432	855,660
Less current portion included in short-term borrowings	(24,398)	(3,540)	(37,660)
	¥40,414	¥76,892	$818,000

The aggregate annual maturities of long-term debt at March 31, 2013, were as follows:

	Millions of yen	Thousands of U.S. dollars
2014	¥ 3,540	$ 37,660
2015	11,085	117,926
2016	8,007	85,181
2017	10,300	109,574
2018	17,500	186,170
2019 and thereafter	30,000	319,149
	¥80,432	$855,660

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 ($265,957 thousand). The credit facility has not been used as of March 31, 2013.

11. 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% and 37.8% for the years ended March 31, 2012 and 2013.

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, 2012 and 2013, were as follows:

	2012	2013
Statutory tax rate in Japan	40.4%	**37.8%**
Exclusion from gross revenue of dividends	(3.5)	**(5.7)**
Difference in tax rates for overseas consolidated subsidiaries	(2.4)	**(7.8)**
Undistributed earnings of overseas consolidated subsidiaries	0.6	**1.7**
Expenses not deductible for tax purposes, mainly entertainment expenses	0.8	**0.8**
Effect of elimination of dividend income	2.4	**4.4**
Change in statutory taxes on the Company and its domestic consolidated subsidiaries	5.0	**-**
Difference in tax rates due to Special Corporation Tax for Reconstruction	-	**1.9**
Less valuation allowance	-	**(2.9)**
Other	0.5	**0.6**
Effective tax rate	43.8%	**30.8%**

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Deferred tax assets:			
Depreciation in excess of tax limit	¥ 8,833	**¥ 7,976**	**$ 84,851**
Reserve for special repairs in excess of tax limit	5,763	**8,626**	**91,766**
Unrealized gain on property, plant and equipment	2,458	**1,899**	**20,202**
Loss on devaluation of inventories	1,856	**2,572**	**27,362**
Loss from valuation of investment securities	275	**1,714**	**18,234**
Long-term prepaid expenses	1,208	**1,144**	**12,170**
Tax losses carried forward	1,201	**1,978**	**21,043**
Accrued bonuses	1,083	**853**	**9,074**
Other	7,748	**8,382**	**89,170**
Subtotal deferred tax assets	30,425	**35,144**	**373,872**
Less valuation allowance	(2,998)	**(2,567)**	**(27,308)**
Total deferred tax assets	27,427	**32,577**	**346,564**
Deferred tax liabilities:			
Net unrealized holding gains on securities	(127)	**(3,329)**	**(35,415)**
Depreciation of overseas consolidated subsidiaries	(3,923)	**(4,605)**	**(48,989)**
Special depreciation allowance	(1,101)	**(905)**	**(9,628)**
Other	(1,098)	**(1,370)**	**(14,575)**
Total deferred tax liabilities	(6,249)	**(10,209)**	**(108,607)**
Net deferred tax assets	¥21,178	**¥22,368**	**$237,957**

12. Asset retirement obligations

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

(1) Outline of asset retirement obligations
Recorded asset retirement obligations are expenses such as costs for disposal of Company-owned machines and equipment containing PCB (polychlorinated biphenyl), and costs for removal of asbestos from Company-owned buildings when they are demolished.

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

(3) Changes in the total amount of asset retirement obligations during the year ended March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Beginning balance	¥ 853	**¥ 537**	**$ 5,713**
Decrease due to the fulfillment of asset retirement obligations	(59)	**(37)**	**(394)**
Change in estimated asset retirement obligations	(286)	**–**	**–**
Other	29	**(10)**	**(106)**
Ending balance	¥ 537	**¥ 490**	**$ 5,213**

(b) Asset retirement obligations not recorded on the consolidated balance sheet
Regarding some factory sites and other properties being used under real estate leasing agreements, the Company and its domestic consolidated subsidiaries have obligations related to the cost of restoring such properties to their original states at the time of business termination or moving out. However, since there are uncertainties regarding the lease periods of properties to which such obligations apply, and there are no plans to move out at this time, it is impossible to reasonably estimate asset retirement obligations. Therefore, no asset retirement obligations are recorded for such obligations.

13. Severance and retirement benefits

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

Some consolidated domestic subsidiaries changed parts of their funded lump-sum payment plans to defined contribution pension plans for the year ended March 31, 2013. As a result, the projected benefit obligation was ¥613 million ($6,521 thousand) less, the unrecognized transition obligation was ¥8 million ($85 thousand) less, and severance and retirement benefits were ¥621 million ($6,606 thousand) less than they would have been using the previous method.

Severance and retirement benefits at March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Projected benefit obligation	¥(1,467)	**¥ (898)**	**$ (9,553)**
Pension assets	15	**20**	**213**
Unfunded projected benefit obligation	(1,452)	**(878)**	**(9,340)**
Unrecognized transition obligation	(6)	**(1)**	**(11)**
Unrecognized actuarial differences	56	**(45)**	**(479)**
Net liabilities for severance and retirement benefits	(1,402)	**(924)**	**(9,830)**
Prepaid pension cost	–	**–**	**–**
Severance and retirement benefits	¥(1,402)	**¥ (924)**	**$ (9,830)**

Severance and retirement benefit expenses for the years ended March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Service costs	¥ 182	**¥ 183**	**$ 1,947**
Interest cost	13	**16**	**170**
Expected return on pension assets	(0)	**(0)**	**(0)**
Amortization of transition obligation	(9)	**(7)**	**(74)**
Amortization of actuarial differences	1	**32**	**340**
Subtotal severance and retirement benefit expenses	187	**224**	**2,383**
Payment into defined contribution pension plan	1,245	**1,252**	**13,319**
Total severance and retirement benefit expenses	¥ 1,432	**¥ 1,476**	**$ 15,702**

14. Net assets

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

Under The Japanese Corporate Law ("the Law"), in cases in which dividend distribution of surplus takes place, 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 a 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 (which are potentially available for dividends) by a resolution of a shareholders' meeting.

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 27, 2013, the shareholders approved cash dividends amounting to ¥3,979 million ($42,330 thousand), or ¥8.00 per share.

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥3,979 million ($42,330 thousand), or ¥8.00 per share on November 30, 2012.

15. Contingent liabilities

Contingent liabilities at March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Notes receivable discounted	¥ 49	**¥ 14**	**$ 149**
Guarantee of employees' housing loans	650	**515**	**5,479**
	¥ 699	**¥529**	**$5,628**

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. Liabilities and expenses borne by the liquidator and others related to the liquidation
2. Fees for the liquidator

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

16. Lease information

Finance leases that, 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, 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
	2012
Acquisition cost of machinery and equipment	¥ 236
Accumulated depreciation of machinery and equipment	(213)
Net book value	¥ 23

There was no applicable matter for lease contract to subject to notes expired at March 31, 2013.

(b) Future minimum lease payments, excluding interest, under finance leases at March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Current	¥ 34	**¥ -**	**$ -**
Non-current	-	**-**	**-**
	¥ 34	**¥ -**	**$ -**

(c) Lease payments, assumed depreciation and assumed interest for the years ended March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Lease payments	¥ 86	¥ 36	$ 383
Assumed depreciation	60	23	245
Assumed interest	13	2	21

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 included as lease assets at March 31, 2012 and 2013.

Future minimum lease payments under operating leases at March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Current	¥ 4	¥ 5	$ 53
Non-current	3	5	53
	¥ 7	¥ 10	$ 106

17. Segment information

Information by segment for the years ended March 31, 2012 and 2013, was 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 such 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 the 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
2012:	Glass for electronic and information devices	Glass for others	
Sales to external customers	¥ 272,481	¥ 65,733	¥ 338,214

	Millions of yen		
	Glass business		Total
2013:	Glass for electronic and information devices	Glass for others	
Sales to external customers	¥ 226,241	¥ 61,063	¥ 287,304

	Thousands of U.S. dollars		
	Glass business		Total
2013:	Glass for electronic and information devices	Glass for others	
Sales to external customers	$2,406,819	$649,607	$3,056,426

(2) Geographical information

Net sales

2012:

Millions of yen				
Japan	Korea	Taiwan	Other areas	Total
¥ 94,440	¥ 120,676	¥ 77,713	¥ 45,385	¥ 338,214

2013:

Millions of yen				
Japan	Korea	Taiwan	Other areas	Total
¥ 64,172	**¥ 119,286**	**¥ 60,100**	**¥ 43,746**	**¥ 287,304**

2013:

Thousands of U.S. dollars				
Japan	Korea	Taiwan	Other areas	Total
$ 682,681	**$1,269,000**	**$639,362**	**$ 465,383**	**$3,056,426**

Notes: 1. The classifications of countries and areas are based on the locations of customers.
2. The main countries classified as "other areas" are China, Malaysia, the U.S.A., and Europe.

Property, plant and equipment

2012:

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

2013:

Millions of yen			
Japan	Malaysia	Other areas	Total
¥ 327,918	**¥ 41,081**	**¥ 26,377**	**¥ 395,376**

2013:

Thousands of U.S. dollars			
Japan	Malaysia	Other areas	Total
$3,488,489	**$ 437,032**	**$280,607**	**$4,206,128**

Notes: 1. The classifications of countries and areas are based on the locations of property, plant and equipment.
2. The main countries classified as "other areas" are Taiwan and Korea.

(3) Information by major customers

Sales

	Millions of yen		Thousands of U.S. dollars	Related segment
	2012	**2013**	**2013**	
LG Display Co., Ltd.	¥ 106,632	**¥116,626**	**$1,240,702**	Glass business
Innolux Corporation	35,259	**30,397**	**323,372**	Glass business

Notes: 1. Chimei Innolux Corporation changed its name to Innolux Corporation in January 2013.

(c) Information on impairment of fixed assets

2012:

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

2013:

	Millions of yen	
	Glass business	Total
Loss on impairment of fixed assets	**¥ 2,691**	**¥ 2,691**

2013:

	Thousands of U.S. dollars	
	Glass business	Total
Loss on impairment of fixed assets	**$ 28,628**	**$ 28,628**

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, 2013, 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.

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, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 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 27, 2013
Osaka, Japan

Directors, Corporate Auditors, and Corporate Officers

Directors

Chairman of the Board
Yuzo Izutsu

President
Masayuki Arioka

Directors
Shigeru Yamamoto
Koichi Inamasu
Motoharu Matsumoto
Masahiro Miyake
Masahiro Tomamoto
Hirokazu Takeuchi

Corporate Auditors

Nobuhiro Miyamoto

Fujio Kishi

Kazuhiro Ito
Certified Public Accountant

Mineya Hamaoka
Attorney at Law

Corporate Officers

President
Masayuki Arioka

Executive Vice Presidents
Shigeru Yamamoto
Koichi Inamasu
Motoharu Matsumoto

Senior Vice Presidents
Masahiro Miyake
Masahiro Tomamoto
Hirokazu Takeuchi

Vice Presidents
Sumio Oshita
Atsushi Shimomura
Seiichi Osako
Shigeaki Aoki
Shigeru Goto
Toshimasa Kanai
Koichi Tsuda
Hiroki Yamazaki
Akihisa Saeki
Yusuke Maenaka
Akira Kishimoto
Norio Nakamura

as of June 27, 2013

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Stock Exchange Listings
The common stock is listed on the Tokyo Stock Exchange in Japan.

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