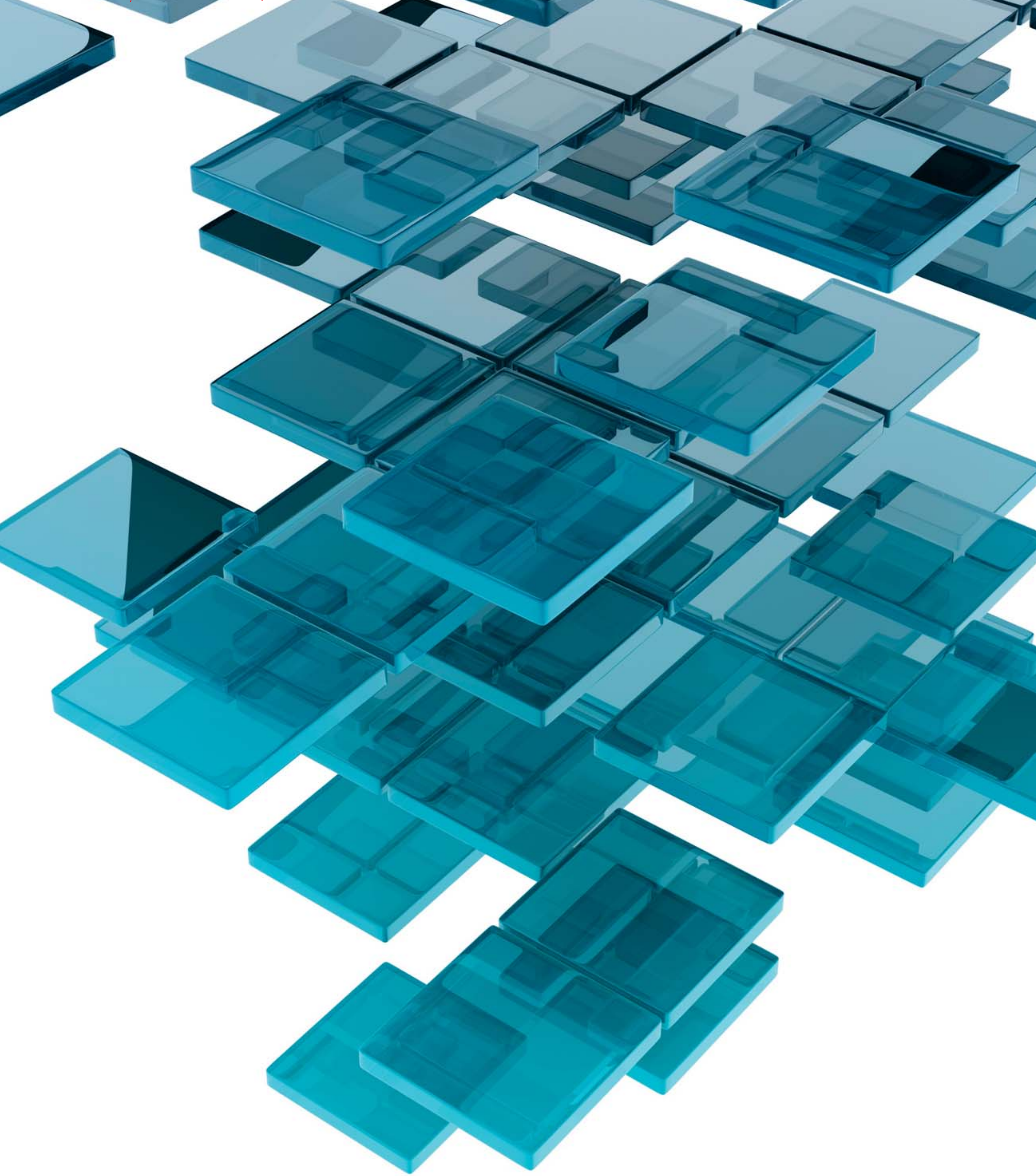
Annual Report 2014

Nippon Electric Glass Co., Ltd.

For the year ended March 31, 2014



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

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

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

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

C O N T E N T S

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

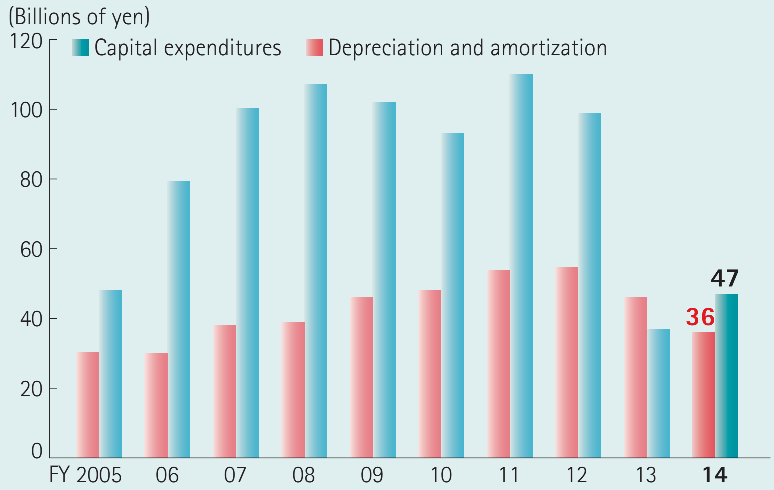
Consolidated Financial Summary

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

	FY2005	2006	2007	2008
For the year ended March 31				
Net sales	¥310,198	¥296,440	¥336,411	¥368,267
Operating income	51,109	51,952	84,585	100,883
Net income	11,954	3,231	40,358	50,669
Depreciation and amortization	30,345	30,106	38,042	38,843
Capital expenditures	47,997	79,300	100,414	107,283
Per share of common stock (yen and dollars)				
Net income	¥ 24.64	¥ 6.47	¥ 84.37	¥ 105.29
Cash dividends	4.33	6.00	7.33	9.00
Net assets	454.33	482.58	568.55	691.27
At year-end				
Total assets	¥495,568	¥486,016	¥519,707	¥588,031
Current assets	233,799	216,168	208,719	238,859
Net property, plant and equipment	228,218	233,206	274,683	318,527
Current liabilities	165,367	177,748	198,308	189,606
Long-term debt	59,066	48,757	23,981	29,112
Net assets	232,923	235,364	276,556	347,785
Cash flows				
Net cash provided by operating activities	¥ 71,844	¥ 71,312	¥107,784	¥102,429
Net cash used in investing activities	(52,918)	(56,516)	(95,960)	(91,931)
Net cash provided by (used in) financing activities	(9,603)	(29,760)	(9,432)	5,525
Cash and cash equivalents at end of year	97,902	86,321	85,392	101,046
Number of shares outstanding (thousands)				
Average	319,101	318,993	318,912	481,226
Year-end	319,048	318,938	318,880	497,570
Equity ratio (%)	43.9	47.5	52.3	58.5
Return on equity (%)	5.6	1.4	16.0	16.5

Notes: 1. Net income per share and net assets per share are calculated 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



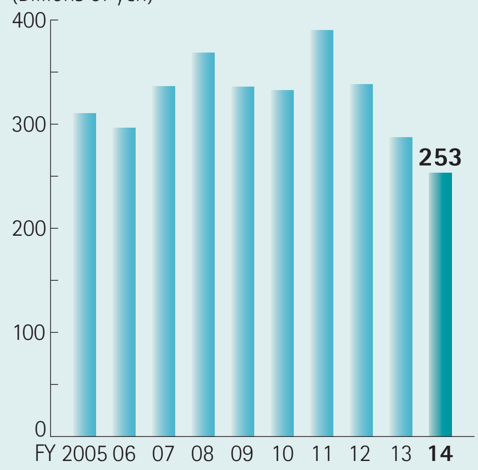
(Millions of yen and thousands of U.S. dollars, except per share figures)

2009	2010	2011	2012	2013	2014	
¥335,662	¥332,388	¥390,196	¥338,214	¥287,304	**¥252,548**	**$2,451,922**
76,416	98,426	117,471	61,639	24,968	**16,171**	**157,000**
21,832	54,927	68,609	19,409	10,603	**12,432**	**120,699**
46,134	48,167	52,699	54,785	46,105	**35,891**	**348,456**
102,050	93,079	110,025	98,788	37,487	**46,962**	**455,942**
¥ 43.89	¥ 110.41	¥ 137.92	¥ 39.02	¥ 21.32	**¥ 24.99**	**$ 0.24**
10.00	11.00	13.00	15.00	16.00	**16.00**	**0.16**
701.62	808.75	932.17	945.47	982.97	**1,011.46**	**9.82**
¥588,414	¥646,444	¥692,622	¥687,070	¥697,386	**¥707,021**	**$6,864,282**
200,062	228,625	238,908	224,416	243,577	**247,502**	**2,402,932**
362,860	385,170	417,423	420,311	395,376	**393,751**	**3,822,825**
165,640	153,874	142,327	135,200	88,038	**86,970**	**844,370**
44,989	57,281	49,739	40,414	76,892	**71,307**	**692,301**
352,744	406,307	468,038	475,736	495,295	**510,807**	**4,959,291**
¥ 89,873	¥118,721	¥133,391	¥ 83,737	¥ 55,111	**¥ 46,700**	**$ 453,399**
(121,975)	(86,847)	(96,822)	(79,827)	(46,545)	**(33,843)**	**(328,573)**
27,438	(35,135)	(11,774)	(14,731)	7,667	**(11,190)**	**(108,641)**
94,623	91,668	116,366	105,210	121,741	**123,888**	**1,202,796**
497,456	497,476	497,459	497,422	497,410	**497,403**	
497,484	497,468	497,450	497,409	497,408	**497,396**	
59.3	62.2	66.9	68.4	70.1	**71.2**	
6.3	14.6	15.8	4.2	2.2	**2.5**	

3. As there was no dilutive stock outstanding during these years, diluted net income per share was not calculated.
4. 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, 2014, of ¥103 to US$1.00.
5. The number of shares outstanding is net of treasury stock.
6. As of March 31, 2014, Nippon Electric Glass Co., Ltd. had 22 consolidated subsidiaries.

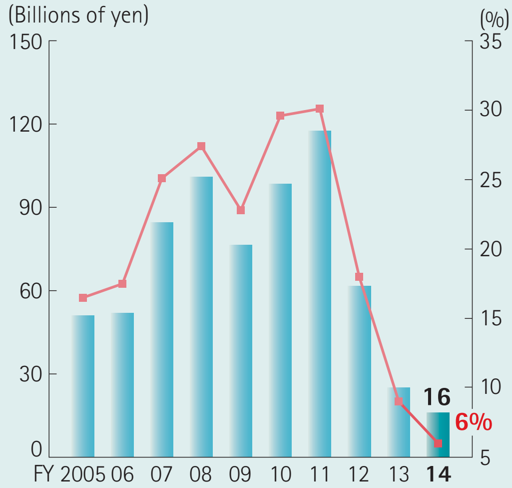
Net sales

(Billions of yen)



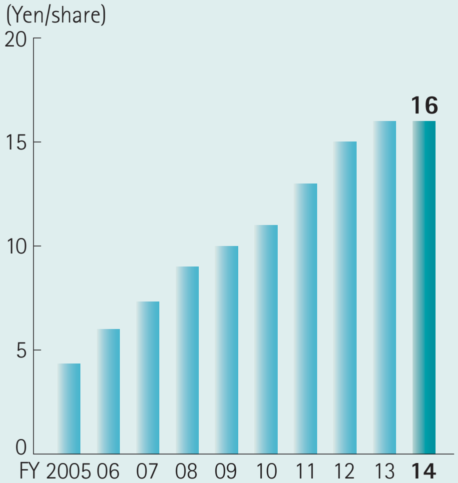
Operating income & operating income ratio

(Billions of yen)



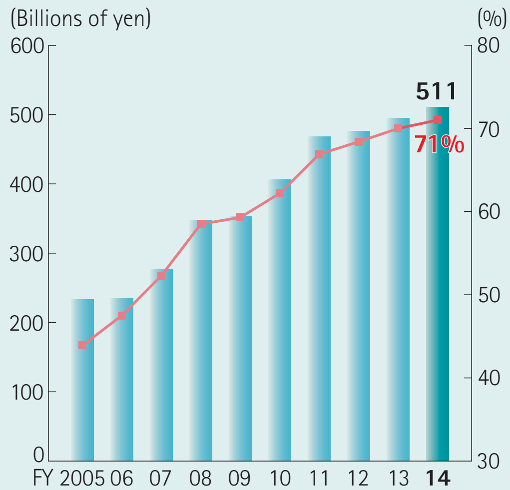
Cash dividends

(Yen/share)



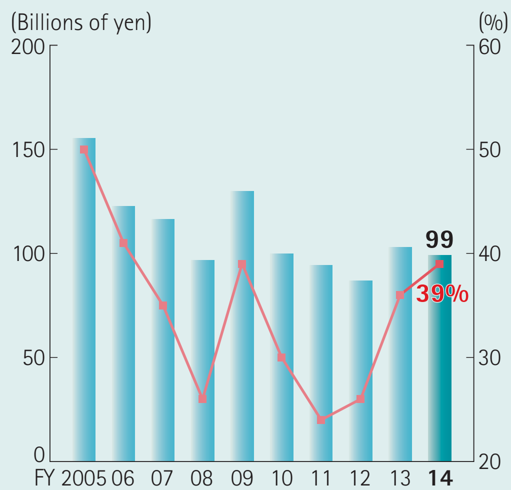
Net assets & equity ratio

(Billions of yen)



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

(Billions of yen)



Message from the Management

Overview of Fiscal Year 2014

In fiscal 2014 (ended March 31, 2014), NEG strived to carry out its key policies of "improving productivity," "expanding existing businesses," and "increasing sales of new products." However, demand for glass for liquid crystal displays (LCDs), the core business of the NEG Group, slowed down and prices dropped. Coupled with other factors, such as an increase in raw fuel costs, our business performance has been characterized by lower income on lower sales for three consecutive years. Meanwhile, some degree of success was achieved in terms of individual sectors. Electric Glass (Korea) Co., Ltd., which is our first overseas production base for melting and forming facilities for glass for LCDs, started operations in the summer of 2013 and achieved a level of production efficiency exceeding that of our facilities in Japan. In addition, our glass fiber business, our second business pillar, achieved a sales record, boosted by the tailwind created by the thriving automotive market. These are encouraging results for the NEG Group as it switches over to the offensive to improve its business performance.

Initiatives for the Current Fiscal Year

An absolute must for the current fiscal year ending December 31, 2014*, is to become far more aggressive in order to boost business performance. We are committed to implementing initiatives to "strengthen the display glass business and expand the non-display glass business," the policy that was adopted in fiscal 2011.

Our target in the display glass business is to improve the profitability of the LCD glass business by "enhancing productivity and transferring production capacity overseas." To achieve this, realizing highly efficient production is essential. Fortunately, Electric Glass (Korea), where state-of-the-art production technologies and know-how have been brought together, has demonstrated high productivity using equipment and facilities installed in the first phase of its operation plan. Following this, the second phase of equipment installation is scheduled for summer 2014, and we will then start full-scale production as soon as possible. Meanwhile, demand for LCD panels is expected to rise in China. In March this year, we started processing glass for LCD panels in Guangzhou, in addition to our existing operations in Shanghai, in order to capture the demand growth in China. Additionally, we plan to establish a plant for melting and forming of glass for LCDs in Xiamen in Fujian Province, which will be the first of its kind in China. This plant is scheduled to commence operations in 2015. In regard to our new product Dinorex, which is enjoying favorable sales, we will focus our efforts to achieve a market share of 20%.

In the area of non-display products, sales of glass fiber, for example, have been strong both for automobile parts and cement reinforcement applications (see pages 4 and 5 for more details). We will endeavor to improve productivity in the current fiscal year in order to increase sales of glass fiber by 10% or more (on a 12-month basis) over the previous year and achieve an operating income ratio of over 10%. In order to prepare for future demand growth, we also decided to expand our Malaysian subsidiary's production facilities starting in the first half of 2015. Since last year, we have been reorganizing our business relating to glass tubing for pharmaceutical and medical use and expanding production capacity in Malaysia to respond to increasing demand from overseas markets. Additionally, NEG succeeded in gaining product approval for its glass tubing in China, where the market is growing rapidly. We plan to embark on full-scale expansion of overseas sales for this product in the current fiscal year. To implement the initiatives mentioned above, we plan to make capital expenditures of approximately ¥40 billion in the current fiscal year.

*The current fiscal year is a transitional period for altering accounting terms, and it consists of nine months, beginning on April 1, 2014 and ending on December 31, 2014.

Toward an Ideal Business Model

NEG's business structure in fiscal 2011, the year in which it recorded its highest ever profit, was decidedly out of balance in that sales of display glass products accounted for around 80% of total sales. In fiscal 2014, however, the same figure was slightly more than 60%, due partly to shrinking sales of display products, but largely to the growth in our non-display products business. Moving forward, while retaining the current level of business for display products, as a specialty glass manufacturer, we will develop a number of new non-display business areas. We will make every effort to advance new businesses so that they will be highly profitable and achieve the greatest possible market share, even if they are in niche markets.

Our objective is to build up, within the space of several years, a business structure that realizes profits in a consistent and stable manner, with the contribution from the two main product areas being almost equal.

Efforts for Reinforcing Corporate Standing

NEG has been striving to reduce interest-bearing debts in order to strengthen its financial standing. In fiscal 2014, the figure for interest-bearing debts as a percentage of consolidated net sales was 39.4%. We will endeavor to keep reducing interest-bearing debt with the aim of achieving stable growth.

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

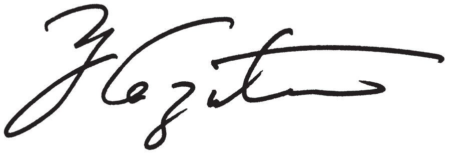
Our Corporate Efforts on CSR

The central themes of NEG's CSR activities have been to contribute to local communities, employ people with disabilities, and preserve the environment. In contributing to local communities, we participated as an exhibitor in the "Lake Biwa Invention Festival 2013," which was held with the aim of raising awareness and stimulating interest in science and manufacturing among the younger generation. Our overseas subsidiaries are also endeavoring to contribute to their local communities through, for instance, actively engaging in voluntary activities. With regard to employing people with disabilities, we continue to maintain an employment ratio that greatly exceeds the legal requirements (see page 7 for more details). To help preserve the environment, we promote environmentally friendly production on an ongoing basis.

Returns to Shareholders

NEG regards returning profits to its shareholders as one of its important management issues. Despite our business performance for fiscal 2014, which may not be described as satisfactory, we decided to set the dividend at 16 yen per share per annum (no change from the preceding fiscal year) in order to reward our shareholders for their loyal patronage in fiscal 2014. We will continue our efforts to recover our performance so that we will be able to return profits to our shareholders in a sustainable and stable manner. In this regard, we look forward to your continued support.

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



Yuzo Izutsu, Chairman of the Board

Masayuki Arioka, President

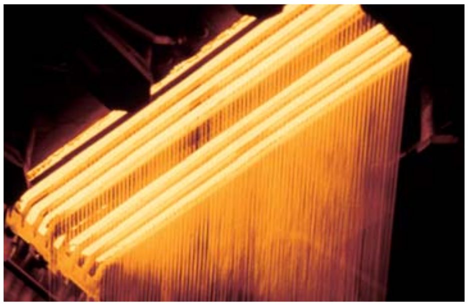
Glass Fibers, Growing to Become NEG's Second Business Pillar

Glass Filaments Enable Composite Reinforcement

NEG is committed to developing a well-balanced business structure under its policy of enhancing the display business and expanding the non-display business.

Our sales of glass fiber products are increasing steadily as the markets for automobiles and building/transport infrastructure expand and develop. Here, we introduce our glass fiber business, which is continuing to grow as the second pillar of the company.

Glass fiber products



Spinning process

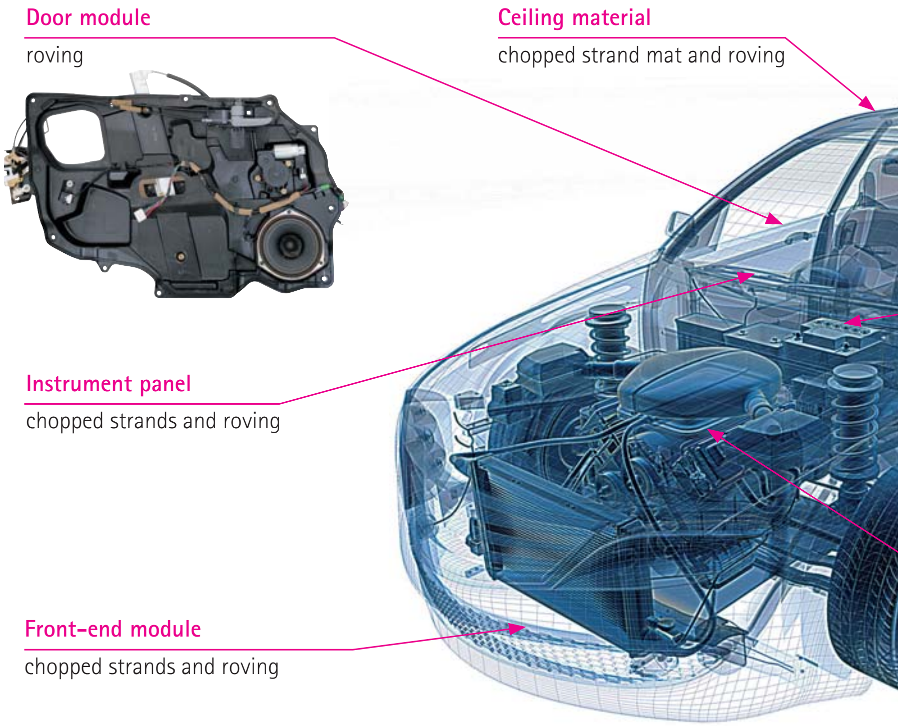
Glass fibers are formed using the spinning process. With this method, thousands of glass filaments that are from a few to several dozen micrometers thick (1 µm is equal to 0.001 mm) are simultaneously extruded from platinum nozzles.

Glass fibers are made of glass filaments that are from a few to several dozen micrometers thick. Mixed into resins and cement, they produce new composite materials with outstanding mechanical strength. Our glass fibers include E-fiber, which is used primarily to make plastic parts and components for automobiles and electric/electronic products, and ARG-fiber (alkaline resistant glass fiber), which is a material for reinforcing cement used in the construction and civil engineering industries. The demand for these resins/cement-based composite materials reinforced by glass fiber is expected to grow steadily as the standard of living and social infrastructure improves. Responding to social needs, NEG will actively address the development of new technologies and applications for glass fiber, and will thereby develop the glass fiber business into one of the major pillars supporting the company.

Contributing to the Realization of Eco-cars

Mixing E-fiber with resins results in high-functional resins having improved properties such as strength, heat resistance, corrosion resistance, and dimensional stability. Currently, there is intense competition among automobile manufacturers to improve their vehicles in terms of environmental considerations, safety, and fuel efficiency, all of which have been accelerating the trend toward lighter and hybrid vehicles.

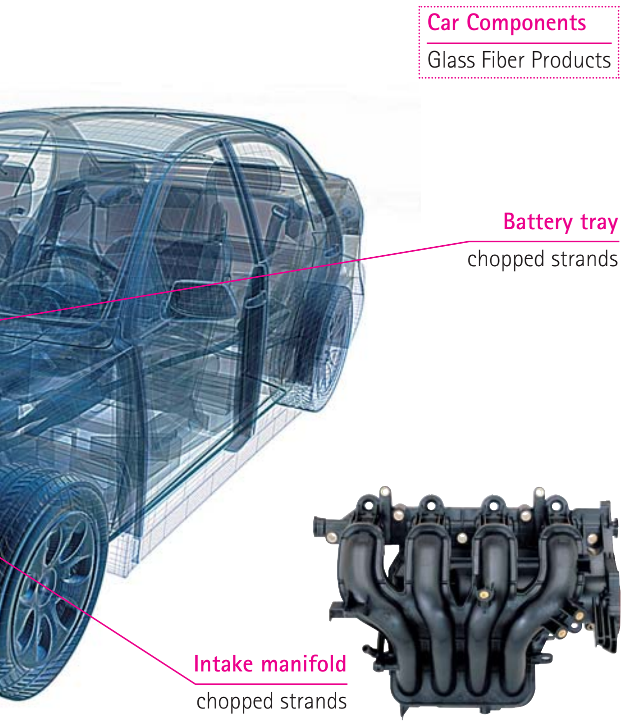
Examples of Automotive Applications



As a result, car components, many of which used to be made of metal, are being increasingly replaced by plastic components, as these lower the amount of energy consumed during automobile production and are

E-fiber chopped strands

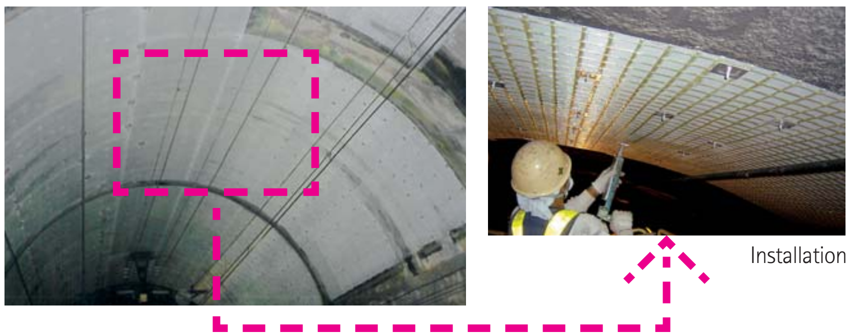
lighter than metal. High-functional resins reinforced by E-fiber are being used to make engine components and door modules as well as parts of car interiors, such as the ceiling and instrument panels, thus greatly contributing to making automobiles lighter. NEG produces glass fiber products in various forms to satisfy a diverse range of application requirements. Among the product forms of E-fiber, chopped strands, made by cutting glass fibers into pieces a few millimeters long, have seen a constant increase in shipments in recent years, resulting in our current dominance of the industry with a global share of 30% in the area of thermoplastic resin reinforcement.



Further steady growth in the sales of this promising product is expected. In addition to automotive component use, NEG's E-fiber plays an active role in an extensive range of applications, including in the plastic components used in electric/electronic products and housing equipment, and plastic sleepers for railroads.

Reinforcing Mortar and Concrete, and Preventing the Flaking of These Materials

With its excellent alkaline- and acid-resistance, NEG's ARG fiber is being used as a crack-prevention material for mortar and concrete. The main architectural applications are in the mortar walls for housing and external cladding for buildings. Mortar or concrete materials to which ARG fibers have been added facilitate the creation of well-designed buildings due to their distinctive characteristics of light weight, high strength, and excellent adaptability to complex profiles. In civil engineering, their uses include the reinforcement of bridge piers and prevention of the flaking of tunnel walls, thus supporting disaster-resistant transport infrastructures.



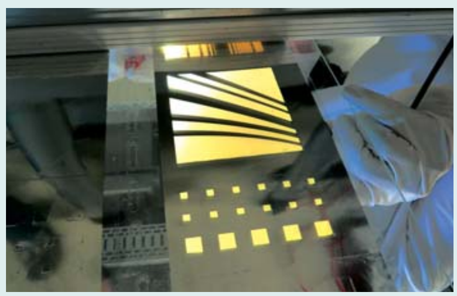
Preventing flaking of the interior walls of a tunnel

Mesh-like materials containing NEG's ARG fiber are being installed on tunnel surfaces to keep them from cracking and to prevent concrete pieces from falling.

G-Leaf Used in OLED Lighting Panels under Development by COMEDD at Fraunhofer FEP

NEG's G-Leaf ultra-thin glass was chosen for use in the roll-to-roll processes for manufacturing organic light-emitting diodes (OLED) on flexible glass substrates currently being developed by COMEDD at Fraunhofer FEP (COMEDD). COMEDD is a research institution of Fraunhofer-Gesellschaft which is Europe's largest application-oriented research organization. The successful outcome of this development was presented by COMEDD at the International Exhibition and Conference for the Printed Electronics Industry, LOPE-C 2014* held in Munich (May 27-28, 2014). Roll-to-roll processing using flexible glass substrates is a truly revolutionary production technology. Ongoing technological progress is expected to substantially accelerate use of G-Leaf as the glass substrate for OLED lighting panels.

*Large-area, Organic & Printed Electronics Convention



OLED lighting on flexible glass (10 x10 cm²) processed with roll-to-roll technology © Fraunhofer FEP

Working toward a Sustainable Society

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

Corporate Governance

•Directors and Corporate Officers

NEG endeavors to speed up decision making, ensure managerial transparency, and enhance the execution of business affairs. We have optimized the number of directors, clearly defined their decision-making and supervisory functions, and introduced a corporate officer system to facilitate effective business operations. In order to clearly specify managerial responsibilities and build a flexible management system capable of responding to changes in the business environment, we have reduced director tenure to one year. As of June 28, 2014, the board of directors consists of eight directors (including two representative directors). Aside from the President, who is the Chief Executive Officer, as of June 28, 2014, there are eighteen corporate officers (six of whom are directors). The President is responsible for execution of duties, and the other corporate officers execute the duties assigned to them by the President. Each corporate officer serves for a term of one year.

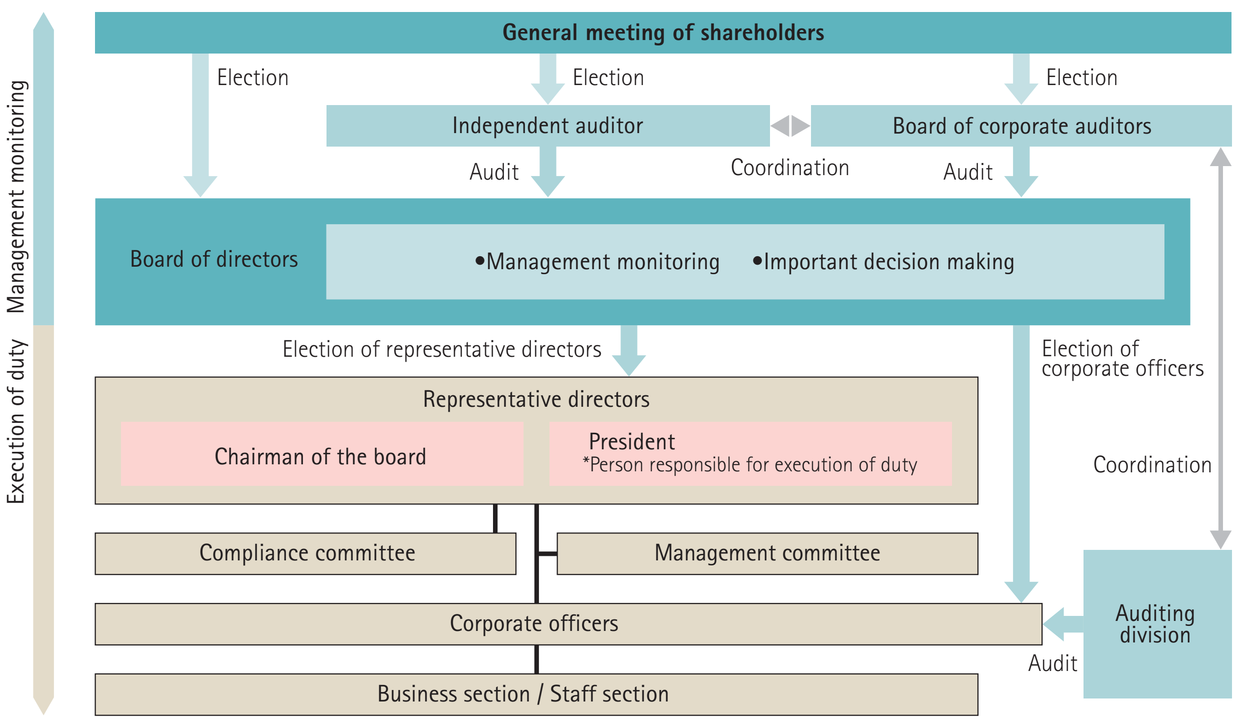
•Corporate Auditors

NEG's board of corporate auditors currently consists of four auditors, including two outside corporate auditors, as of June 28, 2014. Auditors audit the business conduct of directors by attending meetings of the board of directors, investigating business affairs, and assessing financial situations in accordance with auditing policies, plans, and duty assignments determined by the board of corporate auditors. Outside corporate auditors are selected from lawyers and certified accountants who are independent of the company and perform their duties from an objective and expert standpoint.

Internal Control

NEG has a basic policy on internal control that includes the following elements. For internal control related to financial reporting, NEG has established a system to ensure the creation of an organizational structure that enables NEG and the Group companies to make appropriate financial reports in

Diagram of corporate governance system



accordance with applicable laws. The efficacy of this system is evaluated by the internal auditing division.

•Compliance System

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

- 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 are carried out throughout the Group
- Gathering and analyzing information on compliance and providing compliance training
- Operating an internal reporting system

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

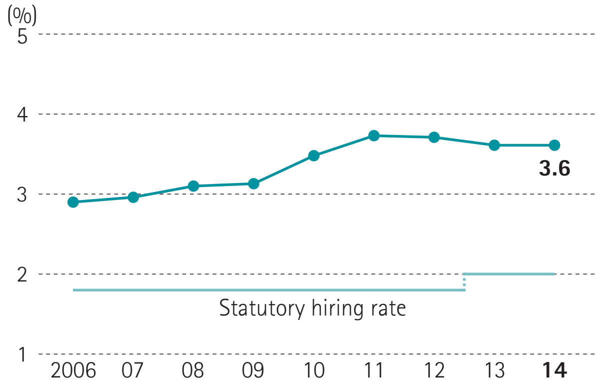
•Risk Management System

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

Commitment to Employment of Persons with Disabilities

NEG and its group companies have been working toward expanding employment opportunities and improving workplace environments for persons with disabilities. In fiscal 2014, we succeeded in achieving an employment ratio of 3.6% for people with disabilities, significantly exceeding the statutory requirement of 2.0%. Since 2007, we have maintained a high ratio of employment of persons with disabilities in excess of 3.0% for seven consecutive years. The NEG Group will actively continue its efforts to improve working environments and create new workplaces for persons with disabilities so that they can work safely and with peace of mind.

People with disabilities as percentage of domestic NEG Group employees



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

Contributions to Local Communities

Among our activities for contributing to local communities, our company has been providing positive support for the development of human resources who will play important roles in the future. Last year, we participated as an exhibitor in the "Lake Biwa Invention Festival 2013," which was

Children viewing the Invisible Glass exhibit held in Otsu City, Shiga Prefecture, with the aim of enhancing young persons' awareness of and interest in science, technology, and manufacturing.

The festival exhibition included inventions created by children and the latest technologies from local and other companies. NEG exhibited products such as its Invisible Glass, Dinorex (cover glass for smartphones and tablets) and Lumiphous (high-brightness phosphor-glass used for LEDs), providing an opportunity for children to actually see and touch glass products manufactured using the latest technologies.

Efforts for Environmental Preservation

NEG believes that practicing business in consideration of the environment is one of its key social responsibilities. With that belief, NEG continuously conducts plant operations that are in harmony with the natural environment and stresses the importance of biodiversity preservation. Such initiatives for environmental preservation include efforts to reduce industrial waste generation and energy/resource consumption.

Cleaning Local Areas to Make Them More Beautiful

Each year, NEG participates in a civic campaign called the "Lake Biwa Cleanup" as one of our activities for environmental preservation. This campaign, held on July 1 (Lake Biwa Day), involves local citizens and businesses participating in activities to clean up the shore of Lake Biwa, neighboring rivers and parks, and other areas. Many of our employees also take part in this campaign as volunteers. Our communication with local communities is also improved through joining with residents in such beautification and cleanup activities.

Our company also takes part in the "Omi Eco-Foster System" established by the Shiga Prefectural Government for beautification and environmental preservation of public spaces. Under this system, activities are organized once each month for cleaning up and beautifying the shores of Lake Biwa, neighboring roads, and other locations.

"Lake Biwa Cleanup" scene

Change of Fiscal Year Definition

Pursuant to a resolution made in the shareholders' meeting in June 2014, NEG and its domestic consolidated subsidiaries have changed the end date of their fiscal year from March 31 to December 31. This change is aimed for unifying the accounting periods of domestic operations and overseas consolidated subsidiaries, thereby improving efficiency in business operations, including operational performance management. This will enable more appropriate disclosure of performance information and better response to the globalization of business. As a result of this change, the current fiscal year, which started on April 1, 2014, will cover the nine-month period until December 31, 2014 (see table at right).

Category	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
NEG and its domestic consolidated subsidiaries	–	1Q	2Q	3Q
Overseas consolidated subsidiaries	*	1Q	2Q	3Q

(Q: Quarter)

*The January-March 2014 period for overseas consolidated subsidiaries is not reflected in the consolidated statements of income. This is because their net income figures for the period are directly incorporated into the retained earnings in the shareholders' equity portion of the consolidated balance sheets as of the beginning of the first quarter.

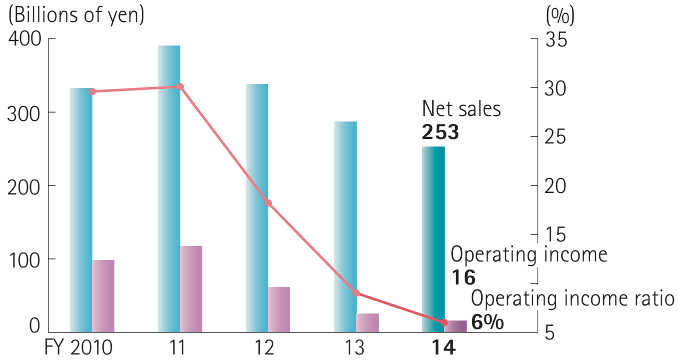
Financial Review

See page 1 for related graphs.

Business Climate

Examining the global economy of fiscal 2014, signs of recovery in Europe were apparent, despite persistently severe employment conditions, while the U.S. economy continued its upward trend with improvements in personal consumption and the housing market. Moderate economic growth continued to be seen in China. The Japanese economy moved forward on its path to recovery, backed by improvements in personal consumption, the housing market, and employment.

Net sales and operating income



Net Sales

Net sales for this fiscal year were ¥252,548 million ($2,452 million), a 12.1% decrease from the previous fiscal year. Sales in the Glass for Electronic and Information Devices sector were weak, due mainly to declines in prices and a slowdown in demand in the glass for LCDs, our core business. Sales of glass for plasma display panels (PDPs) declined, owing to the withdrawal of a primary client from the sector. In the area of cover glass for smartphones and tablets (specialty glass for chemical strengthening), full-scale sales of Dinorex, a new product, commenced in the third quarter (October 1 to December 31, 2013).

In the Glass for Others sector, sales of glass fibers increased and were favorable throughout the year. Sales of glass tubing for pharmaceutical and medical use remained firm, with an increase in sales in the overseas market. Sales figures for radiation shielding glass were also strong, with an increase in demand. Moderate recoveries in sales were seen for glass for building materials and heat-resistant glass, due to improvements in the economy.

Income

Operating income decreased by 35.2% to ¥16,171 million ($157 million) from the previous fiscal year. Profits experienced downward pressure, due mainly to a decline in prices and a slowdown in sales of glass for LCDs, the depreciation of the yen, a rise in fuel costs attributed to a hike in electricity prices, and an increase in costs related to the launch of Electric Glass (Korea) Co., Ltd. As a result, the operating income ratio was 6.4%, a decrease of 2.3 points from the previous fiscal year.

For the net amount of other income and other expenses, income of ¥2,797 million ($27 million) was recorded, representing an increase of ¥10,654 million ($103 million) from the previous year.

These figures are derived primarily from other income comprising gain on sales of property, plant and equipment, net totaling ¥3,756 million ($36 million) and a reversal of reserve for special repairs of ¥4,697 million ($46 million). Other expenses included depreciation of idle property, plant and equipment of ¥3,035 million ($29 million) and loss on impairment of fixed assets of ¥3,357 million ($33 million).

Sales by Business

(Millions of yen and U.S. dollars)

	FY2013		**FY2014**			**2014/2013**
	Net sales	Percent of net sales	Net sales		Percent of net sales	Percent change
Glass Business						
Glass for electronic and information devices	¥226,241	78.7%	**¥180,921**	**$1,757**	**71.6%**	**–20.0%**
Glass for others	61,063	21.3	**71,627**	**695**	**28.4**	**17.3**
Total	¥287,304	100.0%	**¥252,548**	**$2,452**	**100.0%**	**–12.1%**

The NEG Group comprises a single segment of glass business.

As a result, the income before income taxes and minority interests totaled ¥18,968 million ($184 million), an increase of ¥1,857 million ($18 million) from the previous fiscal year. This figure, combined with an amount of provision for income taxes of ¥5,160 million ($50 million) and minority interests of ¥1,376 million ($13 million), resulted in net income totaling ¥12,432 million ($121 million), a 17.2% increase from the previous fiscal year. Net income per share was ¥24.99 ($0.24).

Dividends

Dividends for fiscal year 2014 were the same as those for the previous fiscal year, at ¥16 ($0.16) per share. This figure includes an interim dividend of ¥8 ($0.08), which was paid out in November 2013.

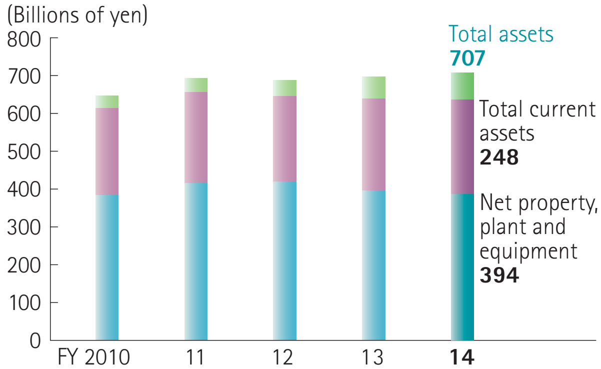
Financial Position

Total assets as of the end of fiscal 2014 were ¥707,021 million ($6,864 million), an increase of ¥9,635 million ($94 million) from the end of the previous fiscal year.

Current assets increased by ¥3,925 million ($38 million). Notes and accounts receivable, trade decreased due to a slowdown in sales, while the figures for finished goods and purchased goods increased. Cash and time deposits increased with sales of property, plant and equipment associated with a reduction of surplus assets.

Although there was an increase in production equipment for Electric Glass (Korea), depreciation and sales of assets attributed to a reduction of surplus assets brought the total amount of property, plant and equipment down by ¥1,625 million ($16 million) from the previous fiscal year-end. Investments and other assets increased by ¥7,335 million ($71 million) due to appreciation in investment securities owing to the recovery of the stock market.

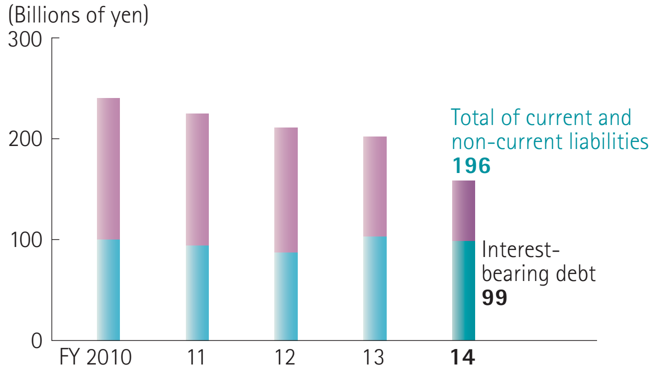
Assets



Current liabilities decreased by ¥1,068 million ($10 million). The current portion of long-term debt increased due to reclassification of unsecured bonds to be redeemed within one year from long-term debt. A decrease in the procurement of raw materials resulted in a decrease in notes and accounts payable. This, combined with the taking on of additional long-term debt, allowed for repayment of short-term debt.

Non-current liabilities decreased by ¥4,809 million ($47 million). As stated above, this was the result of a reduction in long-term debt due to the reclassification of unsecured bonds to be redeemed within one year to the current portion of long-term debt, although a new long-term loan was taken on.

Liabilities

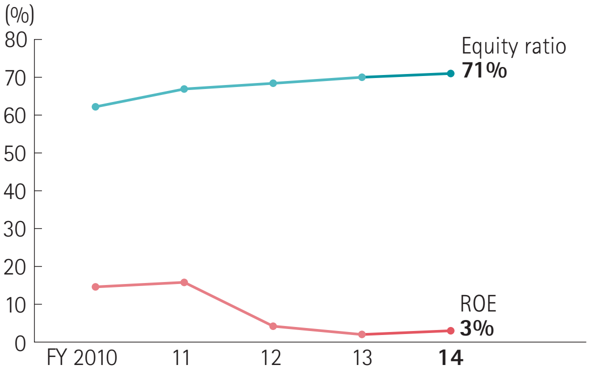


In order to improve its financial strength, the NEG Group has been continuously addressing the reduction of interest-bearing debt (short- and long-term debt, unsecured bonds, and commercial paper) to 20% of consolidated net sales as a managerial issue. With the repayment of debt this fiscal year, interest-bearing debt as of the end of this fiscal year totaled ¥99,492 million ($966 million), a decrease of ¥3,112 million ($30 million) from the previous fiscal year. However, with the decrease in consolidated net sales, interest-bearing debt as a percentage of consolidated net sales was 39.4%, an increase of 3.7 points from the end of the previous fiscal year.

Total net assets at the end of this fiscal year amounted to ¥510,807 million ($4,959 million), an increase of ¥15,512 million ($151 million) from the end of the previous fiscal year. Increases were seen in both retained earnings and net unrealized holding gains on securities, the latter attributed to the recovery in stock markets. Foreign currency translation adjustments also increased due to the depreciation of the yen against major currencies.

Consequently, the equity ratio at the end of this fiscal year was 71.2%, a 1.1 point increase from the previous fiscal year.

Equity ratio & ROE



Cash Flows

[Cash Flows from Operating Activities]
Net cash provided by operating activities totaled ¥46,700 ($453 million), a decrease of ¥8,411 million ($82 million) from the previous fiscal year. Although income increased with a decrease of notes and accounts receivable, it was offset by an increase in payments due to a decrease in notes and accounts payable.

[Cash Flows from Investing Activities]
Net cash used in investing activities totaled ¥33,843 million ($329 million), a decrease in spending of ¥12,702 million ($123 million) from the previous fiscal year. This was primarily due to the purchase of property, plant and equipment related to the launch of Electric Glass Korea, offset by proceeds from the sale of property, plant and equipment in connection with a reduction of surplus assets.

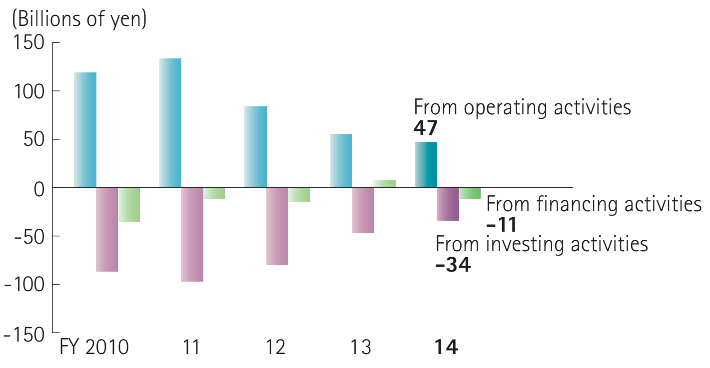
[Cash Flows from Financing Activities]
Cash increased due to additional long term borrowings; however, cash was used to repay existing short- and long-term debts, as well as to pay dividends. As a result, net cash used for financing activities totaled ¥11,190 million ($109 million) for fiscal 2014. For the previous fiscal year, net earnings in this category were ¥7,667 million ($74 million).

Including the positive effect of exchange rate changes on cash and cash equivalents of ¥480 million ($5 million), the balance of cash and cash equivalents as of the end of this fiscal year totaled ¥123,888 million ($1,203 million) an increase of ¥2,147 million ($21 million) from the previous fiscal year-end.

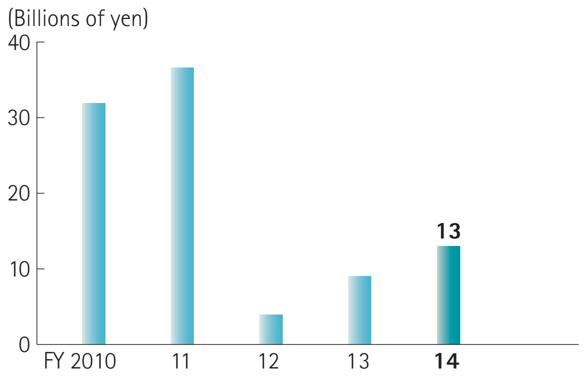
Capital Expenditures

Capital expenditures for this fiscal year totaled ¥46,962 million ($456 million). Capital investments made in the Glass for Electronic and Information Devices sector were primarily for construction of production facilities for Electronic Glass (Korea). In the Glass for Others sector, investments were mainly made to expand production capacity.

Cash flows



Free cash flows



Consolidated Financial Statements

Consolidated Balance Sheets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
March 31, 2013 and 2014

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	**2014**	**2014**
Current assets:			
Cash and time deposits (Note 4 and 7)	¥129,421	**¥134,149**	**$1,302,417**
Notes and accounts receivable, trade (Note 4)	45,825	**44,317**	**430,262**
Allowance for doubtful receivables	(104)	**(68)**	**(660)**
Inventories (Note 8)	55,235	**57,320**	**556,505**
Deferred tax assets (Note 11)	4,901	**3,894**	**37,806**
Other current assets (Note 4)	8,299	**7,890**	**76,602**
Total current assets	243,577	**247,502**	**2,402,932**
Property, plant and equipment (Note 9 and 12):			
Land	13,337	**13,042**	**126,621**
Building and structures	122,778	**131,559**	**1,277,272**
Machinery and equipment	703,957	**711,786**	**6,910,544**
Construction in progress	12,990	**25,288**	**245,515**
Total property, plant and equipment	853,062	**881,675**	**8,559,952**
Accumulated depreciation	(457,686)	**(487,924)**	**(4,737,127)**
Net property, plant and equipment	395,376	**393,751**	**3,822,825**
Investments and other assets:			
Investment securities (Note 4 and 5)	35,578	**40,525**	**393,447**
Investment in affiliates (Note 5)	1,684	**1,684**	**16,350**
Deferred tax assets (Note 11)	17,720	**18,848**	**182,990**
Other assets (Note 4)	3,451	**4,711**	**45,738**
Total investments and other assets	58,433	**65,768**	**638,525**
Total assets	¥697,386	**¥707,021**	**$6,864,282**

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)
	2013	2014	2014
Current liabilities:			
Short-term debt, including current portion of long-term debt (Note 4 and 10)	¥ 25,712	¥ 28,186	$ 273,650
Notes and accounts payable (Note 4):			
Trade	35,467	27,883	270,709
Construction and other	14,359	16,117	156,476
Accrued expenses	9,261	9,829	95,427
Accrued income taxes	1,423	1,899	18,437
Other reserves	94	65	631
Other current liabilities (Note 4)	1,722	2,991	29,040
Total current liabilities	88,038	86,970	844,370
Non-current liabilities:			
Long-term debt (Note 4 and 10)	76,892	71,307	692,301
Reserve for special repairs	35,033	35,937	348,903
Other reserves (Note 13)	989	72	699
Net defined benefit liability (Note 13)	-	1,012	9,825
Other non-current liabilities (Note 12)	1,139	916	8,893
Total non-current liabilities	114,053	109,244	1,060,621
Net assets (Note 14):			
Shareholders' equity:			
Common stock			
Authorized - 1,200,000,000 shares in 2013 and 2014			
Issued - 497,616,234 shares in 2013 and 2014	32,156	32,156	312,194
Capital surplus	34,352	34,351	333,505
Retained earnings	418,420	422,894	4,105,767
Treasury stock at cost			
208,204 shares in 2013			
220,670 shares in 2014	(271)	(277)	(2,689)
Total shareholders' equity	484,657	489,124	4,748,777
Accumulated other comprehensive income (Note 3):			
Net unrealized holding gains on securities	10,853	13,670	132,718
Deferred gains or (losses) on hedges	(67)	84	816
Foreign currency translation adjustments	(6,507)	215	2,087
Total accumulated other comprehensive income	4,279	13,969	135,621
Minority interests	6,359	7,714	74,893
Total net assets	495,295	510,807	4,959,291
Contingent liabilities (Note 15)			
Total liabilities and net assets	¥697,386	¥707,021	$6,864,282

Consolidated Statements of Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Net sales	¥287,304	¥252,548	$2,451,922
Cost of sales	235,227	208,065	2,020,048
Gross profit	52,077	44,483	431,874
Selling, general and administrative expenses	27,109	28,312	274,874
Operating income	24,968	16,171	157,000
Other income (expenses):			
Interest and dividend income	1,019	1,446	14,039
Interest expense	(681)	(650)	(6,311)
Loss on disposal of property, plant and equipment, including removal expenses	(2,200)	(1,979)	(19,214)
Gain on sales of property, plant and equipment, net	191	3,752	36,427
Loss on sales of investment securities, net (Note 5)	(475)	-	-
Loss from valuation of investment securities (Note 5)	(4,074)	-	-
Depreciation of idle property, plant and equipment	(2,097)	(3,035)	(29,466)
Loss on impairment of fixed assets (Note 9)	(2,691)	(3,357)	(32,592)
Reversal of reserve for special repairs	2,407	4,697	45,602
Foreign exchange gains	215	1,781	17,291
Other, net	529	142	1,379
	(7,857)	2,797	27,155
Income before income taxes and minority interests	17,111	18,968	184,155
Income taxes (Note 11):			
Current	9,492	5,435	52,767
Deferred	(4,228)	(275)	(2,670)
	5,264	5,160	50,097
Income before minority interests	11,847	13,808	134,058
Minority interests	1,244	1,376	13,359
Net income	¥ 10,603	¥ 12,432	$ 120,699

	Yen		U.S. dollars (Note 1)
Amount per share of common stock:			
Net income (Note 2)	¥ 21.32	¥ 24.99	$ 0.24
Diluted net income (Note 2)	-	-	-
Cash dividends applicable to the year (Note 14)	16.00	16.00	0.16

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

Consolidated Statements of Comprehensive Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	**2014**	**2014**
Income before minority interests	¥11,847	**¥13,808**	**$134,058**
Other comprehensive income (Note 3):			
Net unrealized holding gains on securities	10,029	**2,817**	**27,350**
Deferred gains or (losses) on hedges	(61)	**151**	**1,466**
Foreign currency translation adjustments	6,094	**6,783**	**65,854**
	16,062	**9,751**	**94,670**
Comprehensive income	¥27,909	**¥23,559**	**$228,728**
Comprehensive income attributable to:			
Owners of the parent	¥26,636	**¥22,122**	**$214,777**
Minority interests	1,273	**1,437**	**13,951**

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, 2013 and 2014

	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 or (losses) on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at April 1, 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 April 1, 2013	**497,616**	**32,156**	**34,352**	**418,420**	**(271)**	**10,853**	**(67)**	**(6,507)**	**6,359**	**495,295**
Net income	**–**	**–**	**–**	**12,432**	**–**	**–**	**–**	**–**	**–**	**12,432**
Cash dividends paid	**–**	**–**	**–**	**(7,958)**	**–**	**–**	**–**	**–**	**–**	**(7,958)**
Acquisition of treasury stock	**–**	**–**	**–**	**–**	**(7)**	**–**	**–**	**–**	**–**	**(7)**
Disposition of treasury stock	**–**	**–**	**(1)**	**–**	**1**	**–**	**–**	**–**	**–**	**0**
Net change during the year	**–**	**–**	**–**	**–**	**–**	**2,817**	**151**	**6,722**	**1,355**	**11,045**
Balance at March 31, 2014	**497,616**	**¥32,156**	**¥34,351**	**¥422,894**	**¥ (277)**	**¥13,670**	**¥ 84**	**¥ 215**	**¥7,714**	**¥510,807**

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Deferred gains or (losses) on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at April 1, 2013	**$312,194**	**$333,515**	**$4,062,330**	**$(2,631)**	**$105,368**	**$ (650)**	**$(63,175)**	**$61,738**	**$4,808,689**
Net income	**–**	**–**	**120,699**	**–**	**–**	**–**	**–**	**–**	**120,699**
Cash dividends paid	**–**	**–**	**(77,262)**	**–**	**–**	**–**	**–**	**–**	**(77,262)**
Acquisition of treasury stock	**–**	**–**	**–**	**(68)**	**–**	**–**	**–**	**–**	**(68)**
Disposition of treasury stock	**–**	**(10)**	**–**	**10**	**–**	**–**	**–**	**–**	**0**
Net change during the year	**–**	**–**	**–**	**–**	**27,350**	**1,466**	**65,262**	**13,155**	**107,233**
Balance at March 31, 2014	**$312,194**	**$333,505**	**$4,105,767**	**$(2,689)**	**$132,718**	**$ 816**	**$ 2,087**	**$74,893**	**$4,959,291**

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, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 17,111	¥ 18,968	$ 184,155
Depreciation and amortization	46,105	35,891	348,456
Gain on sales of property, plant and equipment	(195)	(3,798)	(36,874)
Loss on disposal of property, plant and equipment	1,243	1,422	13,806
Loss on impairment of fixed assets	2,691	3,357	32,592
Loss from valuation of investment securities	4,074	–	–
Increase in reserve for special repairs	1,603	905	8,786
Interest and dividends income	(1,019)	(1,446)	(14,039)
Interest expense	681	650	6,311
Decrease in notes and accounts receivable	11,145	2,550	24,757
Increase in inventories	(1,295)	(1,671)	(16,223)
Decrease in notes and accounts payable	(18,594)	(8,988)	(87,262)
Other	(170)	3,055	29,661
Sub-total	63,380	50,895	494,126
Interest and dividends received	1,013	1,447	14,049
Interest paid	(739)	(606)	(5,883)
Income taxes paid	(8,543)	(5,036)	(48,893)
Net cash provided by operating activities	55,111	46,700	453,399
Cash flows from investing activities:			
Increase in time deposits, net	(7,049)	(2,685)	(26,068)
Purchases of marketable and investment securities	(7,775)	(622)	(6,039)
Proceeds from sales of marketable and investment securities	1,376	–	–
Purchases of property, plant and equipment	(33,176)	(45,349)	(440,282)
Proceeds from sales of property, plant and equipment	496	15,027	145,893
Other	(417)	(214)	(2,077)
Net cash used in investing activities	(46,545)	(33,843)	(328,573)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	155	(5,094)	(49,456)
Proceeds from long-term borrowings	20,000	5,500	53,398
Repayment of long-term borrowings	(24,394)	(3,539)	(34,359)
Proceeds from issuance of unsecured bonds	20,000	–	–
Cash dividends paid	(7,957)	(7,958)	(77,262)
Cash dividends paid to minority shareholders	(26)	–	–
Other	(111)	(99)	(962)
Net cash provided by (used in) financing activities	7,667	(11,190)	(108,641)
Effect of exchange rate changes on cash and cash equivalents	298	480	4,660
Net increase in cash and cash equivalents	16,531	2,147	20,845
Cash and cash equivalents at beginning of year	105,210	121,741	1,181,951
Cash and cash equivalents at end of year (Note 7)	¥121,741	¥123,888	$1,202,796

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, 2014, which was ¥103 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 other 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. Realized gains or losses on sales of such securities are 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 cost or net realized value, with cost determined by the moving average method.

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

Property, plant and equipment are principally stated at cost.

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

(h) Leased properties

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

Information related to lease transactions is not disclosed because it is immaterial.

(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 fiscal period.

(j) Severance and retirement benefits

The Company and its consolidated subsidiaries principally use a simplified method for calculating the projected benefit obligation, which provides for accrued retirement benefits for voluntary retirement at the end of the fiscal year.

Effective from the end of the current fiscal year, the Company and its consolidated subsidiaries adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26, May 17, 2012—"Statement No. 26") and "Guidance on Accounting Standard for Retirement Benefits" (Implementation Guidance No. 25, May 17, 2012—"Guidance No. 25"), except for the provisions set out in Paragraph 35 of Statement No. 26 and Paragraph 67 of Guidance No. 25, and changed its method so as to record Net defined benefit liability at the amount of projected benefit obligation less pension assets.

When adopting the abovementioned standard and guidance, the transitional provision set out in Paragraph 37 of Statement No. 26 has been applied, resulting in the recording of ¥1,012 million ($9,825 thousand) of Net defined benefit liability in non-current liabilities in the consolidated balance sheets at the end of the current fiscal year.

(k) Directors' retirement benefits
To provide for directors' retirement benefits, the Company and its consolidated subsidiaries recorded the amount that was required by 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 carryforwards and temporary differences between the financial statements basis and the tax basis of assets and liabilities are recognized as deferred tax assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income.

(n) Research and development
Costs relating to research and development activities are charged to income as incurred and amounted to ¥6,833 million and ¥6,920 million ($67,184 thousand) in 2013 and 2014, 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 gain or loss, unless the derivative financial instruments are used for hedging purposes.

Forward foreign exchange contracts and interest rate swap contracts that meet the criteria for hedge accounting as provided 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 as a component of net assets until the 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:	Forward foreign exchange contracts and interest rate swap contracts
Hedged items:	Forecasted foreign currency transactions and interest on borrowings

The Company and its consolidated subsidiaries enter into forward foreign exchange contracts and interest rate swap contracts to hedge the risk of exchange rate fluctuations in forecasted foreign currency transactions and fluctuations in interest rates on borrowings, respectively. 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 by each company's management.

(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

The components of other comprehensive income for the periods ended March 31, 2013 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Net unrealized holding gains on securities			
Increase (decrease) during the year	¥ 8,682	**¥4,326**	**$42,000**
Reclassification adjustments	4,549	**–**	**–**
Sub-total, before tax	13,231	**4,326**	**42,000**
Tax (expense) benefit	(3,202)	**(1,509)**	**(14,650)**
Sub-total, net of tax	10,029	**2,817**	**27,350**
Deferred gains or losses on hedges			
Increase (decrease) during the year	(149)	**136**	**1,320**
Reclassification adjustments	55	**98**	**952**
Sub-total, before tax	(94)	**234**	**2,272**
Tax (expense) benefit	33	**(83)**	**(806)**
Sub-total, net of tax	(61)	**151**	**1,466**
Foreign currency translation adjustments			
Increase (decrease) during the year	6,128	**6,847**	**66,475**
Reclassification adjustments	-	**–**	**–**
Sub-total, before tax	6,128	**6,847**	**66,475**
Tax (expense) benefit	(34)	**(64)**	**(621)**
Sub-total, net of tax	6,094	**6,783**	**65,854**
Total other comprehensive income	¥16,062	**¥9,751**	**$94,670**

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 surplus cash, if any, to financial assets such as bank deposits. Funds required by the Company are obtained mainly through bank borrowings and the issuance of bonds. Derivatives are used 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 risk. The Company, pursuant to the Company's Credit Control Regulations, manages credit risk 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 risk. The Group enters into forward foreign exchange contracts mainly for accounts receivable associated with export transactions of finished goods to manage fluctuation in future foreign exchange rates.

Investment securities consist mainly of equity securities of companies with whom companies in the Group have business relationships and are exposed to market price fluctuation risk. 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 risk against which long-term debt is partially hedged through interest rate swap contracts.

In addition to that, borrowings denominated in foreign currencies are exposed to foreign exchange fluctuation risk, and the Company uses currency swap contracts to manage such risk.

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

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 the 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 of financial instruments recorded in the consolidated balance sheet, their fair values and any differences between the book value and fair value as of March 31, 2013 and 2014. Financial instruments whose fair values were deemed to be extremely difficult to estimate were not included. (Note 3)

	Millions of yen		
2013:	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 with hedge accounting	1,051	1,051	-
Derivatives accounted for with hedge accounting	(104)	(104)	-

2014:	Millions of yen Book value	Fair value	Difference
(1) Cash and time deposits	¥ 134,149	¥ 134,149	¥ -
(2) Notes and accounts receivable, trade	44,317	44,317	-
(3) Investment securities:			
Other securities	40,517	40,517	-
(4) Short-term debt:			
Short-term debt	(17,100)	(17,100)	-
Current portion of long-term debt	(1,086)	(1,096)	(10)
Current portion of unsecured bond	(10,000)	(10,035)	(35)
(5) Notes and accounts payable, trade	(27,883)	(27,883)	-
(6) Long-term debt:			
Unsecured bonds	(30,000)	(30,392)	(392)
Long-term borrowings	(41,307)	(41,306)	1
(7) Derivatives			
Derivatives not accounted for with hedge accounting	1,241	1,241	-
Derivatives accounted for with hedge accounting	131	131	-

2014:	Thousands of U.S. dollars Book value	Fair value	Difference
(1) Cash and time deposits	$1,302,417	$1,302,417	$ -
(2) Notes and accounts receivable, trade	430,262	430,262	-
(3) Investment securities:			
Other securities	393,369	393,369	-
(4) Short-term debt:			
Short-term debt	(166,019)	(166,019)	-
Current portion of long-term debt	(10,544)	(10,641)	(97)
Current portion of unsecured bond	(97,087)	(97,427)	(340)
(5) Notes and accounts payable, trade	(270,709)	(270,709)	-
(6) Long-term debt:			
Unsecured bonds	(291,261)	(295,068)	(3,807)
Long-term borrowings	(401,040)	(401,029)	11
(7) Derivatives			
Derivatives not accounted for with hedge accounting	12,049	12,049	-
Derivatives accounted for with hedge accounting	1,272	1,272	-

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

1. Amounts for "Book value" and "Fair value" in parentheses indicate net liabilities.

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

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

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

(4) Short-term debt and (5) Notes and accounts payable, trade
The fair value of these items approximates their book value because of their short-term nature. Thus, the book value is used as the fair value. The current portion of long-term debt and unsecured bond, which are included in Short-term debt, is measured based on the methods 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 available and the present value calculated by discounting the total amount of principle and interest outstanding at an appropriate rate considering the time to maturity and the credit risk if the market price is not available.
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
Refer to Note 6, "Derivatives."

3. Financial instruments whose fair values are deemed to be extremely difficult to estimate
Equity securities issued by affiliates and non-listed equity securities are not included in "(3) Investment securities," as their fair values were deemed extremely difficult to estimate since they have no quoted market prices and it was not possible to estimate their future cash flows.
For information related to these securities, refer to Note 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, 2013 and 2014, were as follows:

	Millions of yen		
2013:	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

	Millions of yen		
2014:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**¥ 22,008**	**¥ 40,517**	**¥ 18,509**
Securities with book value not exceeding acquisition cost:			
Equity securities	**-**	**-**	**-**
	¥ 22,008	**¥ 40,517**	**¥ 18,509**

	Thousands of U.S. dollars		
2014:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**$213,670**	**$393,369**	**$179,699**
Securities with book value not exceeding acquisition cost:			
Equity securities	**-**	**-**	**-**
	$213,670	**$393,369**	**$179,699**

(b) Book values of securities with no available market values at March 31, 2013 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Available-for-sale securities:			
Equity securities issued by affiliates	¥ 1,684	**¥ 1,684**	**$ 16,350**
Non-listed equity securities, other	9	**9**	**87**
	¥ 1,693	**¥ 1,693**	**$ 16,437**

(c) Sales of available-for-sale securities sold in the years ended March 31, 2013 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Total sales amounts	¥ 1,376	**¥ -**	**$ -**
Gains on sales	-	**-**	**-**
Losses on sales	475	**-**	**-**

(d) Impairment loss on investment securities.

The Company recognized loss on impairment of ¥4,074 million on equity securities in the year ended March 31, 2013. There was no impairment loss on investment securities in the year ended March 31, 2014. If the fair market value as of the end of each financial quarter has dropped by more than 30% from the acquisition cost, all of the loss on impairment is recognized.

6. Derivatives

The fair values of derivative contracts used by the Company and its consolidated subsidiaries at March 31, 2013 and 2014, were as follows:

(a) Derivative transactions not accounted for under hedge accounting

Currency related transactions

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

2014: 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	**¥ 2,120**	**¥ -**	**¥ (15)**	**¥ (15)**
	Buy	**196**	**-**	**1**	**1**
	Swap	**4,448**	**3,436**	**1,255**	**1,255**
		¥ 6,764	**¥ 3,436**	**¥ 1,241**	**¥ 1,241**

2014: 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	**$20,583**	**$ -**	**$ (146)**	**$ (146)**
	Buy	**1,903**	**-**	**11**	**11**
	Swap	**43,184**	**33,359**	**12,184**	**12,184**
		$65,670	**$33,359**	**$12,049**	**$12,049**

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

(b) Derivative transactions to which hedge accounting has been applied

Currency related transactions

2013: N/A

2014: Millions of yen

Method of hedge accounting	Type of transaction	Hedged item	Notional amount	Portion due after 1 year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts				
	Buy	Forecasted transactions for investment denominated in foreign currencies	**¥ 8,185**	**¥ -**	**¥ 181**
			¥ 8,185	**¥ -**	**¥ 181**

2014: 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	Forward foreign exchange contracts				
	Buy	Forecasted transactions for investment denominated in foreign currencies	**$79,466**	**$ -**	**$ 1,757**
			$79,466	**$ -**	**$ 1,757**

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

Interest related transactions

2013:

Method of hedge accounting	Type of transaction	Hedged item	Notional amount (Millions of yen)	Portion due after 1 year (Millions of yen)	Fair value (Millions of yen)
Deferral hedge accounting	Interest rate swap	Interest on borrowings	¥ 37,400	¥ 35,000	¥ (104)

2014:

Method of hedge accounting	Type of transaction	Hedged item	Notional amount (Millions of yen)	Portion due after 1 year (Millions of yen)	Fair value (Millions of yen)
Deferral hedge accounting	Interest rate swap	Interest on borrowings	**¥ 35,000**	**¥ 35,000**	**¥ (50)**

2014:

Method of hedge accounting	Type of transaction	Hedged item	Notional amount (Thousands of U.S. dollars)	Portion due after 1 year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Deferral hedge accounting	Interest rate swap	Interest on borrowings	**$339,806**	**$339,806**	**$ (485)**

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

7. Cash and cash equivalents

Cash and cash equivalents at March 31, 2013 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Cash and time deposits on the consolidated balance sheets	¥ 129,421	**¥134,149**	**$1,302,417**
Time deposits due over three months	(7,680)	**(10,261)**	**(99,621)**
Cash and cash equivalents in the consolidated statements of cash flows	¥ 121,741	**¥123,888**	**$1,202,796**

8. Inventories

Inventories at March 31, 2013 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Finished and purchased goods	¥ 31,552	**¥ 35,807**	**$ 347,641**
Work-in-process	2,479	**2,373**	**23,039**
Raw materials and others	21,204	**19,140**	**185,825**
	¥ 55,235	**¥ 57,320**	**$ 556,505**

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 value of the asset and the estimated undiscounted future cash flows expected to be generated by the asset. If the book value of the asset exceeds the estimated future cash flows, an impairment loss is recognized in the amount by which the book value of the asset exceeds the fair value.

Loss on impairment of fixed assets for the years ended March 31, 2013 and 2014, consisted of the following:

(a) Grouping

The Company and its consolidated subsidiaries group operating assets by business unit, on which the profit or loss is continually controlled, to measure the impairment of the assets.

Idle assets, which are not used for business, are separately treated.

(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.

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 tubes (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

2014:

Use	Reason	Location	Type
Important idle assets	No utilization plan	Notogawa factory, other	Building and structures, Machinery and equipment, Land, other

(c) Assessment of recoverable values

The recoverable values of important idle assets were measured based on net selling price, 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.

The manufacturing lines for PDP, CRT and medical and laboratory application glass were determined to have no utility value because future cash flows 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 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Building and structures	¥ 274	**¥ 256**	**$ 2,485**
Machinery and equipment	1,795	**2,666**	**25,883**
Other	622	**435**	**4,224**
	¥ 2,691	**¥ 3,357**	**$ 32,592**

10. Short-term and long-term debt

Short-term debt, including the current portion of long-term debt, at March 31, 2013 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Short-term bank borrowings; average rate 0.30% per annum	¥19,172	**¥14,100**	**$136,893**
Commercial paper; average rate 0.10% per annum	3,000	**3,000**	**29,126**
Current portion of long-term borrowings; average rate 1.45% per annum	3,540	**1,086**	**10,544**
Current portion of unsecured bond; average rate 0.68% per annum	-	**10,000**	**97,087**
	¥25,712	**¥28,186**	**$273,650**

Long-term debt at March 31, 2013 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Borrowings, principally from banks and insurance companies due from 2015 through 2021; average rate 0.34% per annum	¥40,432	¥42,393	$411,584
0.68% unsecured bonds, due in 2015	10,000	10,000	97,087
1.00% unsecured bonds, due in 2017	10,000	10,000	97,087
0.41% unsecured bonds, due in 2018	10,000	10,000	97,087
0.68% unsecured bonds, due in 2020	10,000	10,000	97,087
	80,432	82,393	799,932
Less current portion of long-term borrowings	(3,540)	(1,086)	(10,544)
Less current portion of unsecured bond	-	(10,000)	(97,087)
	¥76,892	¥71,307	$692,301

The aggregate annual maturities of long-term debt at March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
2015	¥11,086	$107,631
2016	8,007	77,738
2017	15,800	153,398
2018	17,500	169,903
2019	10,000	97,087
2020 and thereafter	20,000	194,175
	¥82,393	$799,932

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 ($242,718 thousand). The credit facility has not been used as of March 31, 2014.

11. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 37.8% for both years ended March 31, 2013 and 2014.

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, 2013 and 2014, were as follows:

	2013	2014
Statutory tax rate in Japan	37.8%	37.8%
Exclusion from gross revenue of dividends	(5.7)	(7.8)
Difference in tax rates for overseas consolidated subsidiaries	(6.3)	(12.9)
Expenses not deductible for tax purposes, mainly entertainment expenses	0.8	2.6
Undistributed earnings of overseas consolidated subsidiaries	1.7	1.6
Effect of elimination of dividend income	4.4	3.5
Change in statutory tax rate on the Company and its domestic consolidated subsidiaries	-	2.6
Difference in tax rates due to Special Corporation Tax for Reconstruction	1.9	1.4
Less valuation allowance	(2.9)	0.7
Other	(0.9)	(2.3)
Effective tax rate	30.8%	27.2%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2013 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets:			
Reserve for special repairs in excess of tax limit	¥ 8,626	¥10,425	$101,214
Depreciation in excess of tax limit	7,976	7,807	75,796
Unrealized gain on property, plant and equipment	1,899	2,681	26,029
Loss on devaluation of inventories	2,572	2,205	21,408
Tax losses carried forward	1,978	1,904	18,485
Loss from valuation of investment securities	1,714	1,714	16,641
Long-term prepaid expenses	1,144	1,032	10,019
Accrued bonuses	853	743	7,214
Other	8,382	9,503	92,262
Subtotal deferred tax assets	35,144	38,014	369,068
Less valuation allowance	(2,567)	(2,772)	(26,913)
Total deferred tax assets	32,577	35,242	342,155
Deferred tax liabilities:			
Depreciation of overseas consolidated subsidiaries	(4,605)	(5,379)	(52,223)
Net unrealized holding gains on securities	(3,329)	(4,838)	(46,971)
Special depreciation allowance	(905)	(624)	(6,058)
Other	(1,370)	(2,813)	(27,311)
Total deferred tax liabilities	(10,209)	(13,654)	(132,563)
Net deferred tax assets	¥22,368	¥21,588	$209,592

Adjustment of deferred tax assets and liabilities following the change in the statutory tax rates
"Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014, and resulted in the early abolition of the Special Corporate Tax for Reconstruction. Following the abolition, the statutory tax rate used to calculate deferred tax assets and liabilities expected to be resolved in the consolidated fiscal year beginning on April 1, 2014 has been changed from 37.8% to 35.4%. As a result of the change, Deferred tax assets (the amount of deferred tax assets less deferred tax liabilities) decreased by ¥481 million ($4,670 thousand) and Income taxes—deferred increased by ¥485 million ($4,709 thousand).

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 the Company owned machines and equipment containing PCB (polychlorinated biphenyl) and the costs for removal of asbestos from the Company owned buildings when they are demolished.

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

(3) Changes in the total amount of asset retirement obligations during the years ended March 31, 2013 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Beginning balance	¥537	¥490	$4,757
Decrease due to the fulfillment of asset retirement obligations	(37)	(51)	(495)
Other	(10)	50	486
Ending balance	¥490	¥489	$4,748

(b) Asset retirement obligations not recorded on the consolidated balance sheet
Regarding some factory sites and other properties being used under the real estate leasing agreements, the Company and its domestic consolidated subsidiaries have obligations related to the cost of restoring such properties to their original state at the time of business termination or moving out. However, since there are uncertainties regarding the lease periods of the properties to which such obligations apply, and there are no plans to move out at this time, it is impossible to reasonably estimate the related 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, certain employees are provided unfunded lump-sum payment plans. Consolidated subsidiaries mainly provide funded lump-sum payment plans and defined contribution pension plans.

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

	Millions of yen
	2013
Projected benefit obligation	¥ (898)
Pension assets	20
Unfunded projected benefit obligation	(878)
Unrecognized transition obligation	(1)
Unrecognized actuarial differences	(45)
Net liabilities for severance and retirement benefits	(924)
Prepaid pension cost	-
Severance and retirement benefits	¥ (924)

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

	Millions of yen
	2013
Service costs	¥ 183
Interest cost	16
Expected return on pension assets	(0)
Amortization of transition obligation	(7)
Amortization of actuarial differences	32
Subtotal severance and retirement benefit expenses	224
Payment into defined contribution pension plans	1,252
Total severance and retirement benefit expenses	¥ 1,476

Under defined benefit pension plans, the reconciliation of opening and ending balances for projected benefit obligation for the year ended March 31, 2014, was as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Projected benefit obligation at beginning of year	¥ (898)	$ (8,718)
Service costs	(181)	(1,757)
Interest cost	(20)	(194)
Amortization of actuarial differences	19	184
Benefits paid	125	1,214
Past service costs	22	214
Other	(104)	(1,011)
Projected benefit obligation at end of year	¥(1,037)	$(10,068)

Under defined benefit pension plans, the reconciliation of opening and ending balances for pension assets for the year ended March 31, 2014, was as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Pension assets at beginning of year	¥ 20	$ 194
Expected return on pension assets	0	0
Amortization of actuarial differences	(0)	(0)
Contributions paid by employer	2	19
Other	3	30
Pension assets at end of year	¥ 25	$ 243

Under defined benefit pension plans, the reconciliation of ending balances for projected benefit obligation and pension assets and the balance for Net defined benefit liability recognized in the consolidated balance sheets for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Projected benefit obligation of funded plans	¥ (396)	$(3,845)
Pension assets	25	243
	(371)	(3,602)
Projected benefit obligation of unfunded plans	(641)	(6,223)
Net liabilities for severance and retirement benefits recognized in the consolidated balance sheets	(1,012)	(9,825)
Net defined benefit liability	(1,012)	(9,825)
Net liabilities for severance and retirement benefits recognized in the consolidated balance sheets	¥(1,012)	$(9,825)

Under defined benefit pension plans, components of severance and retirement benefit expenses for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service costs	¥ 181	$ 1,757
Interest cost	20	194
Expected return on pension assets	(0)	(0)
Amortization of actuarial differences	(19)	(184)
Past service costs	(22)	(214)
Other	45	437
Severance and retirement benefit expenses for defined benefit pension plans	¥ 205	$ 1,990

Under defined contribution pension plans, the amount the Company and its consolidated subsidiaries needed to contribute to defined contribution pension plans was ¥1,279 million ($12,417 thousand) for the year ended March 31, 2014.

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 a 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 the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, 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, 2014, the shareholders approved cash dividends amounting to ¥3,979 million ($38,631 thousand), or ¥8.00 per share. In addition, the Company paid interim cash dividends of ¥3,979 million ($38,631 thousand), or ¥8.00 per share on November 29, 2013.

15. Contingent liabilities

Contingent liabilities at March 31, 2013 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Notes receivable discounted	¥ 14	¥ 47	$ 456
Guarantees of employees' housing loans	515	420	4,078

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. Segment information

Information by segment for the years ended March 31, 2013 and 2014, 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 using 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 and services

	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

	Millions of yen		
	Glass business		Total
2014:	Glass for electronic and information devices	Glass for others	
Sales to external customers	**¥ 180,921**	**¥ 71,627**	**¥ 252,548**

	Thousands of U.S. dollars		
	Glass business		Total
2014:	Glass for electronic and information devices	Glass for others	
Sales to external customers	**$1,756,515**	**$695,407**	**$2,451,922**

(2) Geographical information

Net sales

2013:

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

2014:

Millions of yen				
Japan	Korea	Taiwan	Other areas	Total
¥ 54,952	**¥ 104,312**	**¥ 35,496**	**¥ 57,788**	**¥ 252,548**

2014:

Thousands of U.S. dollars				
Japan	Korea	Taiwan	Other areas	Total
$ 533,515	**$1,012,738**	**$344,621**	**$561,048**	**$2,451,922**

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, the U.S.A., Malaysia and Europe.

Property, plant and equipment

2013:

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

2014:

Millions of yen				
Japan	Korea	Malaysia	Other areas	Total
¥ 285,525	**¥ 51,483**	**¥ 44,218**	**¥ 12,525**	**¥ 393,751**

2014:

Thousands of U.S. dollars				
Japan	Korea	Malaysia	Other areas	Total
$2,772,087	**$ 499,835**	**$429,301**	**$121,602**	**$3,822,825**

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" were Korea, Taiwan and China in 2013, and Taiwan and China in 2014.

(3) Information by major customers

Sales

	Millions of yen		Thousands of U.S. dollars	Related segment
	2013	**2014**	**2014**	
LG Display Co., Ltd.	¥ 116,626	**¥ 95,489**	**$927,078**	Glass business

(c) Information on impairment of fixed assets

2013:

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

2014:

	Millions of yen	
	Glass business	Total
Loss on impairment of fixed assets	**¥ 3,357**	**¥ 3,357**

2014:

	Thousands of U.S. dollars	
	Glass business	Total
Loss on impairment of fixed assets	**$ 32,592**	**$ 32,592**

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, 2014, 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, 2014, 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, 2014 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

July 8, 2014
Kyoto, Japan

Directors, Corporate Auditors, and Corporate Officers

Directors

Chairman of the Board
Yuzo Izutsu

President
Masayuki Arioka

Director
Shigeru Yamamoto
Koichi Inamasu
Motoharu Matsumoto
Masahiro Tomamoto
Hirokazu Takeuchi
Akihisa Saeki

Corporate Auditors

Nobuhiro Miyamoto

Fujio Kishi

Mineya Hamaoka
Attorney at Law

Kazuya Ishii
Certified Public Accountant

Corporate Officers

President
Masayuki Arioka

Executive Vice President
Shigeru Yamamoto
Koichi Inamasu
Motoharu Matsumoto

Senior Vice President
Masahiro Tomamoto
Hirokazu Takeuchi
Akihisa Saeki

Vice President
Seiichi Osako
Shigeaki Aoki
Shigeru Goto
Toshimasa Kanai
Koichi Tsuda
Hiroki Yamazaki
Yusuke Maenaka
Akira Kishimoto
Norio Nakamura
Kiyohide Takeuchi
Kunihiro Nakagawa
Hiroaki Nomura

as of June 27, 2014

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

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