Annual Report 2014

Nippon Electric Glass Co., Ltd.

Transitional nine-month period ended December 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.

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Caution concerning Forward-Looking Statements

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

Consolidated Financial Summary

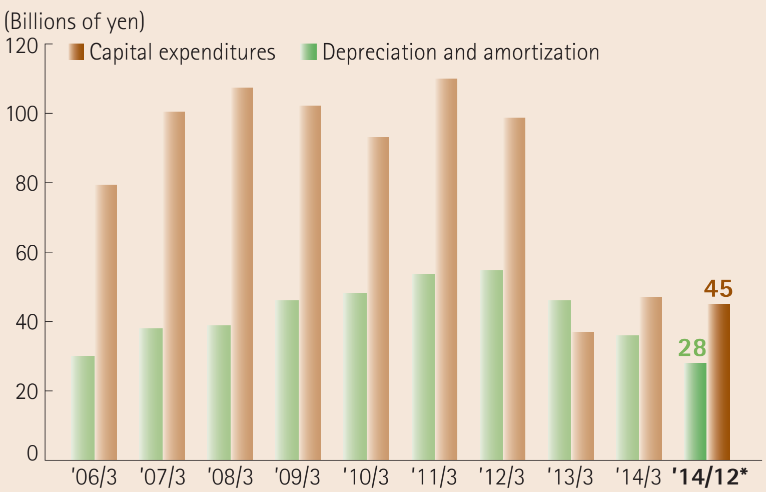
Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries for the ten most recent years

*Fiscal year ended December 31, 2014 was a nine-month period due to a change in the Company's fiscal year-end.

	2006/3	2007/3	2008/3	2009/3
For the year				
Net sales	¥296,440	¥336,411	¥368,267	¥335,662
Operating income	51,952	84,585	100,883	76,416
Net income	3,231	40,358	50,669	21,832
Depreciation and amortization	30,106	38,042	38,843	46,134
Capital expenditures	79,300	100,414	107,283	102,050
Per share of common stock (yen and dollars)				
Net income	¥ 6.47	¥ 84.37	¥ 105.29	¥ 43.89
Cash dividends	6.00	7.33	9.00	10.00
Net assets	482.58	568.55	691.27	701.62
At year-end				
Total assets	¥486,016	¥519,707	¥588,031	¥588,414
Current assets	216,168	208,719	238,859	200,062
Net property, plant and equipment	233,206	274,683	318,527	362,860
Current liabilities	177,748	198,308	189,606	165,640
Long-term debt	48,757	23,981	29,112	44,989
Net assets	235,364	276,556	347,785	352,744
Cash flows				
Net cash provided by operating activities	¥ 71,312	¥107,784	¥102,429	¥ 89,873
Net cash used in investing activities	(56,516)	(95,960)	(91,931)	(121,975)
Net cash provided by (used in) financing activities	(29,760)	(9,432)	5,525	27,438
Cash and cash equivalents at end of year	86,321	85,392	101,046	94,623
Number of shares outstanding (thousands)				
Average	318,993	318,912	481,226	497,456
Year-end	318,938	318,880	497,570	497,484
Equity ratio (%)	47.5	52.3	58.5	59.3
Return on equity (%)	1.4	16.0	16.5	6.3

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 1.5-for-1 stock split of its common stock on April 1, 2007.
3. As there was no dilutive stock outstanding during these years, diluted net income per share was not calculated.

Capital expenditures & depreciation and amortization

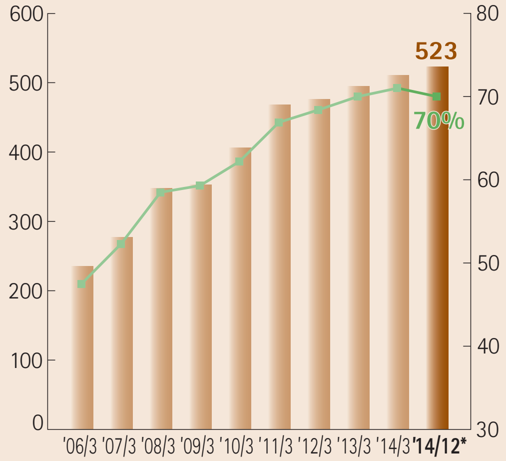


(Millions of yen and thousands of U.S. dollars, except per share figures)

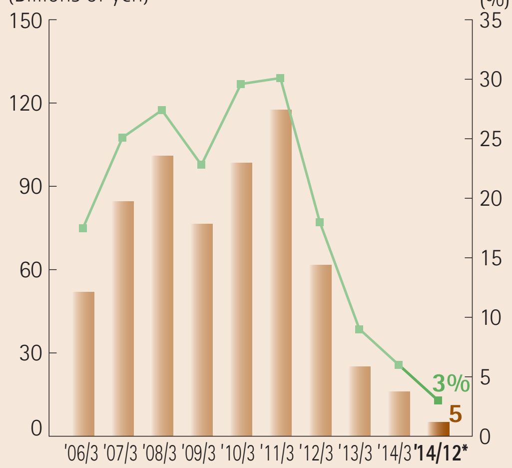
2010/3	2011/3	2012/3	2013/3	2014/3	2014/12*	
¥332,388	¥390,196	¥338,214	¥287,304	¥252,548	**¥192,692**	**$1,592,496**
98,426	117,471	61,639	24,968	16,171	**5,224**	**43,174**
54,927	68,609	19,409	10,603	12,432	**5,938**	**49,074**
48,167	52,699	54,785	46,105	35,891	**28,420**	**234,876**
93,079	110,025	98,788	37,487	46,962	**45,214**	**373,669**
¥ 110.41	¥ 137.92	¥ 39.02	¥ 21.32	¥ 24.99	**¥ 11.94**	**$ 0.10**
11.00	13.00	15.00	16.00	16.00	**12.00**	**0.10**
808.75	932.17	945.47	982.97	1,011.46	**1,032.66**	**8.53**
¥646,444	¥692,622	¥687,070	¥697,386	¥707,021	**¥731,185**	**$6,042,851**
228,625	238,908	224,416	243,577	247,502	**264,001**	**2,181,826**
385,170	417,423	420,311	395,376	393,751	**397,273**	**3,283,248**
153,874	142,327	135,200	88,038	86,970	**82,701**	**683,479**
57,281	49,739	40,414	76,892	71,307	**90,800**	**750,413**
406,307	468,038	475,736	495,295	510,807	**522,577**	**4,318,818**
¥118,721	¥133,391	¥ 83,737	¥ 55,111	¥ 46,700	**¥ 38,837**	**$ 320,967**
(86,847)	(96,822)	(79,827)	(46,545)	(33,843)	**(29,264)**	**(241,851)**
(35,135)	(11,774)	(14,731)	7,667	(11,190)	**1,699**	**14,041**
91,668	116,366	105,210	121,741	123,888	**129,823**	**1,072,917**
497,476	497,459	497,422	497,410	497,403	**497,392**	
497,468	497,450	497,409	497,408	497,396	**497,387**	
62.2	66.9	68.4	70.1	71.2	**70.2**	
14.6	15.8	4.2	2.2	2.5	**1.2**	

4. U.S. dollar amounts have been translated from Japanese yen solely for the convenience of the reader using the prevailing exchange rate at December 31, 2014 of ¥121 to US$1.00.
5. The number of shares outstanding is net of treasury stock.
6. As of December 31, 2014, Nippon Electric Glass Co., Ltd. had 23 consolidated subsidiaries.
7. Capital expenditures for FY2014/12 are calculated based on the periods from April 1, 2014 to December 31, 2014 for the Company and its domestic consolidated subsidiaries and January 1, 2014 to December 31, 2014 for the Company's overseas consolidated subsidiaries.

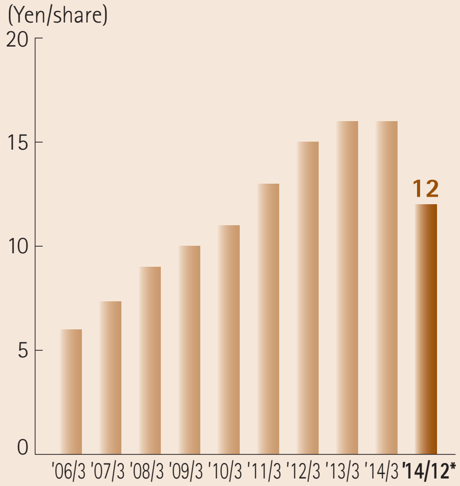
Net assets & equity ratio



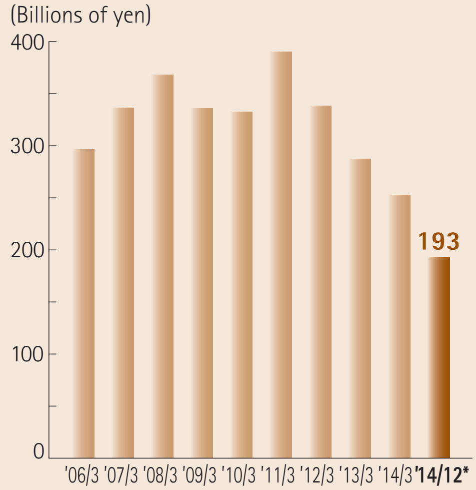
Operating income & operating income ratio



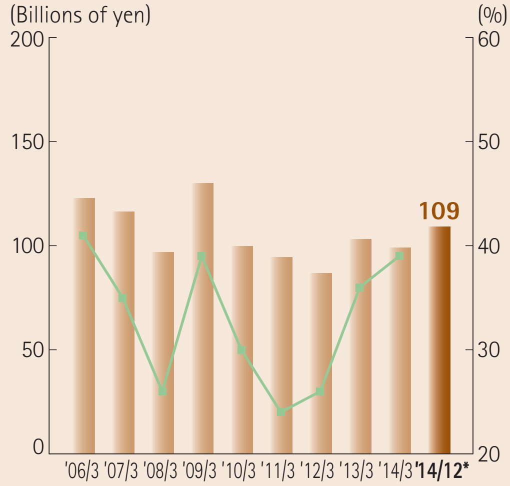
Cash dividends



Net sales



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



Message from the Management

The Start of a New Chapter

The environment surrounding the liquid crystal display (LCD) glass business, which is NEG's core area of activity, has changed. Area growth can no longer be expected, and product prices continue to decline. In order for us to maintain stable growth, it is important to strengthen our core display glass business, and at the same time, expand our non-display glass businesses, to forge a well-balanced structure. To this end, during the past years we have been transferring domestic production capacity of our display glass overseas to improve profitability, and we also made efforts to develop non-display glass areas, such as glass fibers, glass for optical and electronic devices, glass for pharmaceutical and medical use, heat-resistant glass, and glass for building materials. We believe that we have made progress in restructuring our operations.

NEG has established a new top administrative team with Masayuki Arioka (former President) taking over as Chairman of the Board and Motoharu Matsumoto (former Executive Vice President) assuming the role of President. Under this new leadership, we will continue to place great emphasis on implementing our initiatives to strengthen the display glass business and expand the non-display glass business and to seek diversity in all business fields. The circumstances surrounding us are not favorable. We need to overcome many of the challenges that lie before us through accelerated decision making and rapid implementation. This, we believe, will result in the recovery of our performance and assure future growth.

Initiatives for Fiscal Year 2015

Sales appeared to have bottomed out in fiscal 2014 (beginning April 1 and ending December 31, 2014). Increased efforts to improve production efficiency and reduce costs were made; however, falling prices for LCD glass and increasing raw fuel costs negatively impacted our profits. Fiscal 2015 (beginning January 1 and ending December 31, 2015) will be the first year after the implementation of change in our accounting term. The NEG Group will vigorously push forward to recover strength in its business performance and increase both sales and profit figures.

In the display glass business, we will fully capitalize on the cost advantage arising from the transfer of our integrated production system (which covers every stage from melting and forming to processing) overseas. We will also boost profitability with highly efficient production. We will maximize production volume for LCD glass at our sites in Korea, which is the largest LCD glass market. To date, 25% of the domestic melting and forming production capacity has been transferred to Korea. With demand growing in China, we will also promote the transfer of production equipment from Japan to China. We are committed to realizing early commencement of production at our two Chinese plants—Electric Glass (Xiamen), our first melting and forming production site in China (with production planned to begin at the end of this year) and Electric Glass (Nanjing), our third processing site in China (with production planned to begin between April and June 2016).

Glass fibers constitute the main driving force of our non-display glass business. Expanded production of glass fibers for high-functional plastics began at our Malaysian subsidiary in April of this year. We will fully utilize the increased production capacity and expand sales and market share. In regards to other products in the non-display glass business, we will strive to bolster sales to secure higher profits.

For Mid- to Long-term Growth

In order to secure medium- to long-term growth, it is of utmost importance to achieve diversification in each business area and to attain stable profits. In the non-display glass business, progress was seen in the expansion of the glass fiber business, restructuring of glass for pharmaceutical and medical use operations, and development of glass products used in electronic parts. Improvements in profitability were seen in areas of glass for building materials and heat-resistant glass. Accordingly, preparations for future growth in these product areas have been completed. To increase the profitability in the display glass business, downsizing at Japan-based facilities and transfer of related production capacity overseas is underway. We will strive to enhance cost competitiveness in all areas and build a well-balanced business structure that ensures stable profits.

In parallel, NEG has been strengthening its R&D organization, such as by establishing R&D centers (namely, the P&P Technology Center Otsu/Takatsuki). We will undertake the development of products in potential growth areas. NEG views displays, automobiles, medical care, information-communication technology, lighting, energy, and infrastructure as potential growth areas, and it will further work toward development in these fields.

In the area of displays, we will aggressively expand business, especially in emerging markets, and develop products for high-functional displays. In the area of automobiles, we will provide glass products that will enable improvements in vehicular comfort and environmental performance and will enhance technology advancement in electronic and computerized control systems. We will contribute to medical improvements by supplying chemical-resistant glass tubings, high-functional radiation shielding glass, and medical tools using glass with superior characteristics. Furthermore, we view the following areas as engines of growth: in the information-communication technology area the source of growth is the increase in communication traffic and advancement of information technology; for lighting it is the popularization of LED and OLED lighting; for the energy field it is the increase in environmental consciousness; and for infrastructure it is the need to achieve durability and the safety of buildings. NEG will continue to develop highly-functional products that fulfill these increased needs.

Masayuki Arioka, Chairman of the Board (left), and Motoharu Matsumoto, President

Our CSR Policy

NEG places a great deal of importance on contribution to local communities, employment of people with disabilities, and environmental preservation as the three major themes in its CSR activities. We know that it is imperative to minimize the use of energy and keep emissions of environmentally harmful substances as low as possible throughout our glass production process. We prioritize the creation of workplaces at which people with disabilities will be safe and comfortable. NEG supports events and activities that help educate the younger generation of the community as a part of its local contribution efforts. In fiscal 2015, NEG plans to hold educational programs that will inspire local elementary and junior high school students with the joy that can be found in creating products.

To Our Shareholders

NEG considers returning profits to its shareholders to be a managerial issue of central importance. For fiscal 2014, we deemed it necessary to return stable profits, and accordingly, we set a dividend of 12 yen per share per annum. (This is a total of the interim dividend of 8 yen and the 4 yen year-end dividend.) This is calculated on a 9-month basis; therefore, when converted to a 12-month basis, it will be the equivalent of a 16 yen dividend paid out for the previous fiscal year. The NEG Group will continue on with efforts to recover business performance and to return stable profits to shareholders.

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

Masayuki Arioka

Masayuki Arioka, Chairman of the Board

M. MATSUMOTO

Motoharu Matsumoto, President

High-Functional Glass Used in Medical Applications

NEG perceives the medical field as a future growth area and is working toward expanding business in this field. The advancement of medical technologies in recent years is increasingly necessitating the creation of safe environments in which medical staff provide treatment and patients can receive such treatment without anxiety. Here, we introduce high functional medical glass—a type of specialty glass that is expected to play a more extensive role on the frontlines of medicine.

Glass Tubings for Pharmaceutical and Medical Use

Used for medical agents, glass tubings not only need to be chemically stable, such as being acid-proof and chemical-proof, but are also required to have excellent heat resistance and impact resistance, among other properties. In addition to being used for ampules and vials, our glass tubings are being adopted for applications in the manufacture of prefilled syringes (syringes already containing medicines) and pen injectors (syringes in pen-like form), which are increasingly being used to simplify medicine preparation and administration. They are also highly effective in minimizing the risk of contamination by foreign substances and eliminating risks of medical errors.

We will continue to contribute to the progress of medicine by developing high-quality glass tubings while working to achieve further growth of our business by increasing sales in overseas markets such as China, where medical related markets are showing significant development.

Glass tubings for pharmaceutical use

Radiation Shielding Glass

Viewing windows are key requirements for operator rooms in radiological diagnostic examination facilities such as those in which CT*[1] and PET*[2] scanning and cardiac catheter tests are carried out. The radiation shielding glass (lead-rich glass) used in such windows protects medical staff conducting the examinations from exposure to radiation. With a high level of visible light transmission and excellent shielding properties, our radiation shielding glass plays important roles in not only the medical field but also in other areas, including nuclear-related industries. Our LX Premium has earned high praise for its ease of maintenance and impact resistance. This radiation shielding glass has sheets of special cover glass laminated on both sides to effectively prevent fogging, which occurs with adhesion of chemicals or through cleaning with water, a typical problem for conventional types of lead-rich glass. This product will support improvements at medical facilities, thereby contributing to safety in medical practices, alongside products such as Pro-GR, the most suitable material for PET treatment rooms, in which gamma rays are used, and MR-LITE, a new electromagnetic wave/radiation shielding glass that can be used in both MRI*[3] and radiological diagnostic facilities.

*1 Computed tomography
*2 Positron-emission tomography, a cancer screening method
*3 Magnetic resonance imaging

Radiation shielding glass in use at
Keio University Hospital

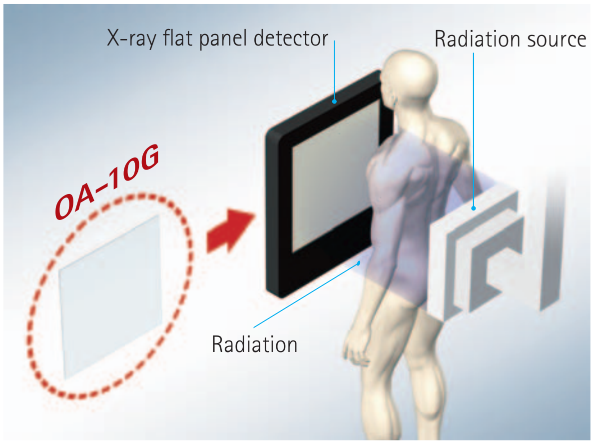
MR- LITE

Promising Products in Medical Fields

Glass for X-ray flat panel detectors

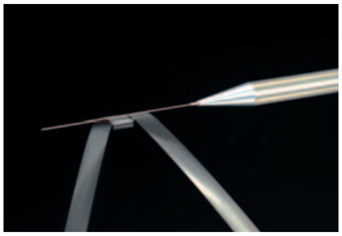
Our OA-10G non-alkali glass excels in smoothness, chemical resistance, and heat resistance. It is widely used as glass for LCDs and is also suitable for glass substrates for flat-panel detectors* that are mounted on medical X-ray equipment.

*Digital X-ray image sensor in a thin panel form



Material for microfluidic chips used for laboratory testing

NEG's Glass-ribbon was selected as a material for microfluidic chips developed by Riken, a leading research institute in Japan. It is highly acclaimed for its flexibility and excellent durability even at extremely low thicknesses of 4 to 6 μm, as well as for its other properties.



Glass-ribbon

Lumiphous™ phosphor glass

Lumiphous phosphor glass, which processes a high-power laser source into white light, offers significantly superior resistance against heat and water compared with resin products. It will enhance the possibility of light for medical applications.

Lumiphous™ phosphor-glass composite

Glass for designated fireproof facilities

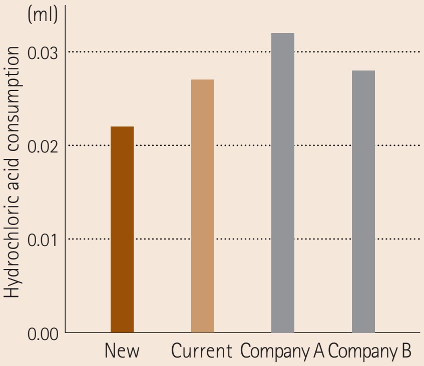
Our glass for fireproof equipment uses ultra-heat-resistant glass-ceramics, offering such strong resistance against thermal shock that it will not break even if cold water is applied immediately after the glass has been heated to 800°C. Thus, in the event of a fire, our glass will minimize the spread of flames. It has a wide range of applications, including use in medical and welfare facilities.

Glass application in Heartful Seya, a geriatric health services facility

Development of Two New Glass Tubing Materials

Glass improving hydrolytic resistance

NEG developed a new glass material that significantly lowers the extent of alkaline elution from glass. Compared to the corresponding NEG product currently on the market, the new material reduces alkaline elution by up to 20%, which is the highest level achieved within the industry. Quality degradation of pharmaceutical and medical agents due to alkaline elution can be ameliorated with the use of our newly developed material.



Glass durable against delamination

There have been reports of delamination occurring in glass tubings and glass containers used to house pharmaceutical and medical agents. Delamination is a phenomenon whereby glass laminate flakes and taints a medical agent. NEG developed a new material that greatly reduces such contamination risks. The new material is an aluminosilicate glass; however, it can be converted at virtually the same temperature as that of borosilicate glass, which is a world first.

Creating a Sustainable Society

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

Corporate Governance

•Directors and Corporate Officers

NEG aims at promoting faster decision making, ensuring managerial transparency, and enhancing the execution of business affairs. We have optimized the number of directors, clearly defined their decision-making and supervisory functions, and adopted a corporate officer system to facilitate effective business operations. Moreover, we have shortened the director tenure to one year, in order to clearly specify managerial responsibilities and build a flexible management system capable of responding to changes in the business environment. As of March 27, 2015, the board of directors consists of seven inside directors (including two representative directors) and one outside director (who was newly elected at the 96th general meeting of the shareholders). Aside from the President, who is the Chief Executive Officer, as of March 27, 2015, there are eighteen corporate officers (five 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.

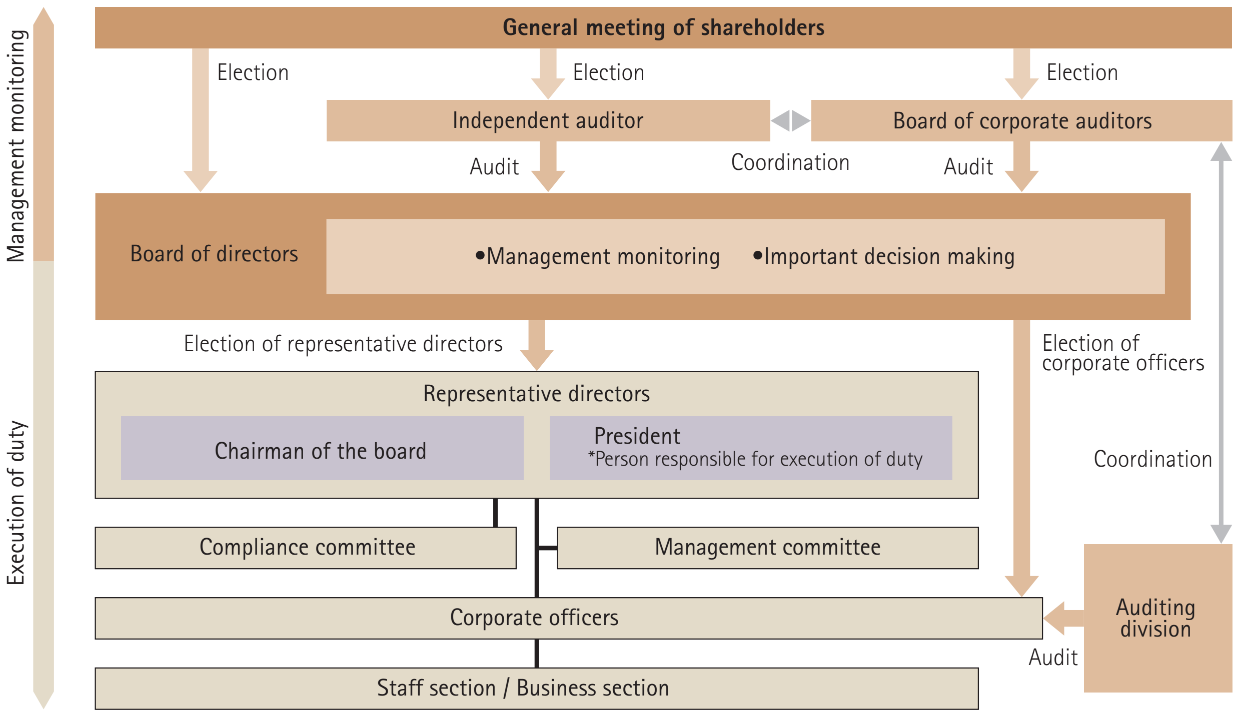
•Corporate Auditors

As of March 27, 2015, NEG's board of corporate auditors consists of four auditors, including two outside corporate auditors. The auditors conduct an audit of the performance of directors' duties by attending board of directors meetings, examining business affairs, and assessing financial situations. This is conducted in accordance with the 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 professional perspective.

Internal Control

NEG's basic policy on internal control includes the

Diagram of corporate governance system



following elements. For internal control related to financial reporting, a system has been established to ensure the creation of an organizational structure that enables NEG and the Group companies to make appropriate financial reports in accordance with applicable laws and regulations. The efficacy of this system is evaluated by the internal auditing division.

•Compliance System

NEG has established a compliance committee, a specialized organization that keeps all employees of NEG and its Group companies informed to ensure their compliance with laws and corporate ethical standards. The committee is responsible for the following activities.

- Drafting revisions to the Corporate Philosophy, Group Code of Conduct, and Principles of Activities, and planning and implementing relevant measures to ensure they are followed throughout the Group
- Collecting and analyzing information on compliance and providing compliance training
- Managing an internal reporting system

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

•Risk Management System

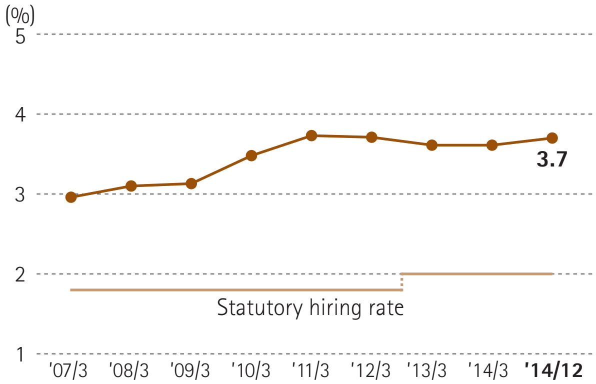
NEG reviews business risks on a periodic basis to grasp any risks related to its operations and takes actions to manage such risks. We also recognize the importance of business risks related to compliance, finance, the environment, disasters, security trade control, information management, quality, and health and safety. To deal with such risks, responsible divisions and special committees establish regulations and guidelines, conduct training, prepare manuals, and undertake other significant activities. If any new risks arise, the President will promptly designate responsible personnel and implement necessary measures. Matters of special importance to the Company's management are reported to and discussed at managerial meetings and meetings of the board of directors.

Employment of People with Disabilities

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

For fiscal 2014 (ended December 31, 2014), our rate of employment of people with disabilities came to 3.7%, significantly higher than the statutory rate of 2.0% in Japan, and we have succeeded in surpassing the 3.0% level for eight consecutive fiscal periods since fiscal 2008. NEG has an ongoing commitment to identifying and realizing opportunities for people with disabilities to participate in the workplace, and to organizing working environments that provide a sense of safety for such employees.

People with disabilities as percentage of domestic NEG Group employees



All figures are from the end of the fiscal year.

Regional Contributions

Among its efforts to provide positive support for the development of younger generations and to contribute to local communities, the NEG Group has been offering factory tours that cater to both children and adults. In addition, the NEG Group continues to be involved in a wide variety of local events.

In August 2014, we participated as an exhibitor in "Science Yataimura 2014" held in Otsu, Shiga prefecture. This event was aimed at stimulating interest in science among elementary and junior high school students by allowing them to perform science experiments and create science-related craftwork. The NEG booth exhibited products such as Invisible Glass, Lamion™ (ultra-thin glass laminated on resin), and Dinorex™ (glass for chemical strengthening).

It enabled children to actually see and touch the products, making it a very popular exhibit.

Children lining up to experience Invisible Glass

Our Korean subsidiary, Electric Glass (Korea) co-sponsored the local Munsan Street Festival held in September 2014. In October, they invited top local government officials, school principals, and community council members to tour the factory, strengthening ties with the local community.

People visiting the NEG booth at the Munsan Street Festival

In November 2014, Electric Glass (Shanghai) invited 50 students from the Inorganic Materials Department of East China University of Science and Technology to tour the factory. The students and the employees exchanged opinions regarding topics such as glass technology and the LCD related business environment.

Students at the presentation given by Electric Glass (Shanghai)

Environmental Preservation

NEG believes that one of its most important social responsibilities is to address environmental concerns. We implement a variety of environmental conservation activities while striving to operate our factories in harmony with the natural environment.

Reduction of Waste

In fiscal 2001, NEG created an Environmental Business Plan, a unique approach focusing on "waste," "water," and "emissions." This plan calls for the entire company to work toward the realization of zero-waste targets. In order to reduce waste generation, NEG created its own criteria based on a fundamental policy of "exhaustive internal reuse of solid waste to the greatest extent possible," with the goal of reducing the amount of landfill waste that is impossible to recycle.

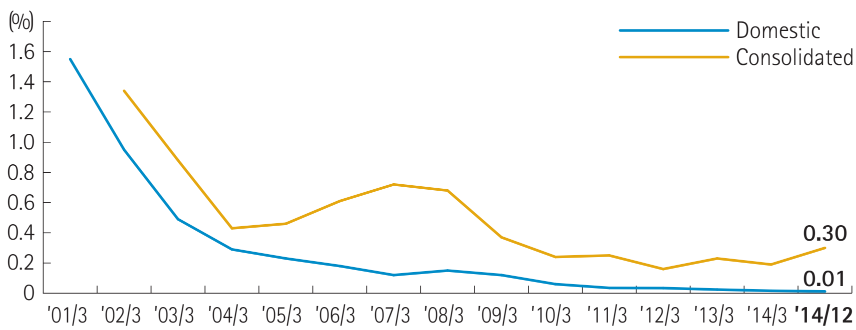
Waste Categories

Categories classified by treatment level

		Category	Examples
Waste in Total		Internal Recycling (Category A)	•Electric precipitator (EP) dust •Polishing sludge •Scraps of glass
	Waste Handled Externally	Social Recycling (Category B)	•Scrap metal, scrap brick •Waste paper and cardboard for recycling •Waste pallets
		Corporate Recycling (Category C)	•Recycling of waste plastics as fuel •Recycling of polishing sludge as raw material for cement •Recycling of waste oil as fuel
		Landfill Waste (Category D)	•External intermediate disposal of waste acids and waste alkalis •Incombustible waste, incinerated ash, mixed garbage, waste refractories

As can be seen from the graph below, by weight, the solid waste destined for landfill disposal is equivalent to 0.01% of the total weight of products sold for our Japan-based operations. For our overseas operations, we also will aim at reaching high reduction levels by taking into consideration the conditions of each business environment.

Reduction of Landfill Waste



The ratio of solid waste destined for landfill disposal (Category D) to total weight of products sold.
"Landfill waste" is the waste generated in the course of regular production activities.

Financial Review

*Fiscal year ended December 31, 2014 was a nine-month period due to a change in the Company's fiscal year-end.

See page 1 for related graphs.

Business Climate

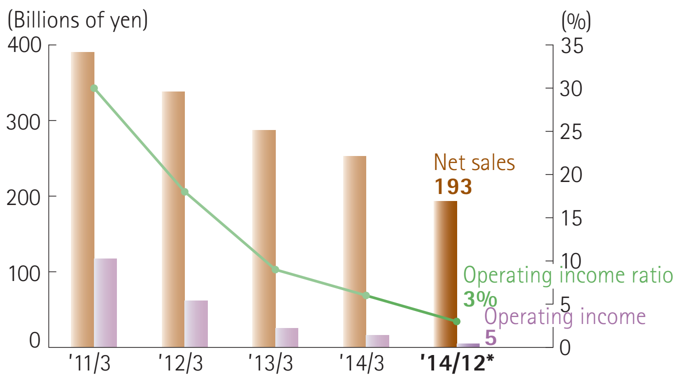
Examining the outlook for the global economy for fiscal 2014,* overall conditions in the European economy remained uncertain due to geopolitical risks in particular regions and the impact of the low price of crude oil, despite a modest recovery. The U.S. economy experienced a steady recovery due to a solid employment market and increased consumer spending. China showed some signs of a slowing economy; however, it continued to grow steadily. The Japanese market moved forward on a gradual recovery track with improvement in employment conditions and a steady stock market.

Net Sales

The net sales figure for this fiscal year was ¥192,692 million ($1,592 million). In the Glass for Electronic and Information Devices sector, sales of glass for LCDs, our core business, were weak as product prices declined amidst a recovery in demand. Sales of cover glass for mobile devices (specialty glass for chemical strengthening) were sluggish and impacted by falling demand for high-end models, despite an increase in the number of models adopting NEG glass and an enlargement of sales channels. In the area of glass for electronic devices, sales of cover glass for image sensors were stagnant due to a slowdown in demand for digital cameras. However, glass for optical devices experienced favorable sales, due to an increase in demand for communication infrastructure. Solid sales results were also achieved for glass substrates for solar cells. Sales of glass for plasma display panels (PDPs) were terminated at the end of the second quarter owing to the withdrawal of a primary client from the sector. The Company also terminated the forming production of glass for cathode-ray tubes (CRTs) at the end of the third quarter due to the shrinking of the market. (NEG will continue the sale of products remaining as inventory.)

In the Glass for Others sector, sales of glass fibers were strong, backed by demand for applications in high-function plastics for auto parts due to the expanding auto market, particularly in North America, as well as an increase in orders for reinforced cement, particularly overseas. Sales of glass for building materials saw recovery, as NEG glass was selected for use in architectural projects and buildings across the globe. Heat-resistant glass saw moderate recovery. Glass tubings for pharmaceutical use experienced solid sales, mostly in overseas markets.

Net sales and operating income



Income

Operating income was ¥5,224 million ($43 million). Although improved productivity and cost-cutting yielded some results, profits experienced downward pressure from declining product prices and increasing costs of raw fuel, costs related to the operation of new facilities at Electric Glass (Korea), and development costs resulting in an operating income ratio of 2.7%.

Sales by Business

(Millions of yen and U.S. dollars)

	2014/3		2014/12*			Change
	Net sales	Percent of net sales	Net sales		Percent of net sales	
Glass Business						
Glass for Electronic and Information Devices	¥180,921	71.6%	**¥133,680**	**$1,104**	**69.4%**	–
Glass for Others	71,627	28.4	**59,012**	**488**	**30.6**	–
Total	¥252,548	100.0%	**¥192,692**	**$1,592**	**100.0%**	–

The NEG Group comprises a single segment of glass business.

*Fiscal year 2014 ended December 31, 2014 was a nine-month period due to a change in the Company's fiscal year-end.

For the net amount of other income and other expenses, an income of ¥3,959 million ($33 million) was recorded.

These figures were derived chiefly from other income comprising foreign exchange gains of ¥2,672 million ($22 million) and reversal of reserve for special repairs of ¥5,736 million ($47 million). Other expenses included depreciation of idle property, plant and equipment of ¥1,836 million ($15 million) and loss on impairment of fixed assets of ¥3,042 million ($25 million).

As a result, the income before income taxes and minority interests totaled ¥9,183 million ($76 million). This figure, combined with a net provision for income taxes of ¥2,502 million ($21 million) and minority interests of ¥743 million ($6 million), resulted in net income of ¥5,938 million ($49 million). Net income per share was ¥11.94 ($0.10).

Dividends

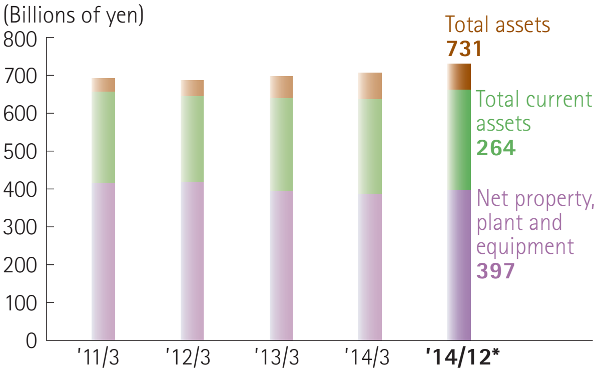
The dividend for fiscal 2014 was ¥12 ($0.10) per share, including an interim dividend of ¥8 ($0.07). This figure was calculated on a 9-month basis. Converted to a figure calculated on a 12-month basis, it is equivalent to the ¥16 ($0.13) dividend payment per share made in the previous fiscal year.

Financial Position

Total assets at the end of fiscal 2014 were ¥731,185 million ($6,043 million), an increase of ¥24,164 million ($200 million) from the end of the previous fiscal year.

Current assets increased by ¥16,499 million ($136 million). Cash and time deposits increased due mainly to the issuance of new unsecured bonds. Notes and accounts receivable, trade increased as a result of recovery in sales.

Assets

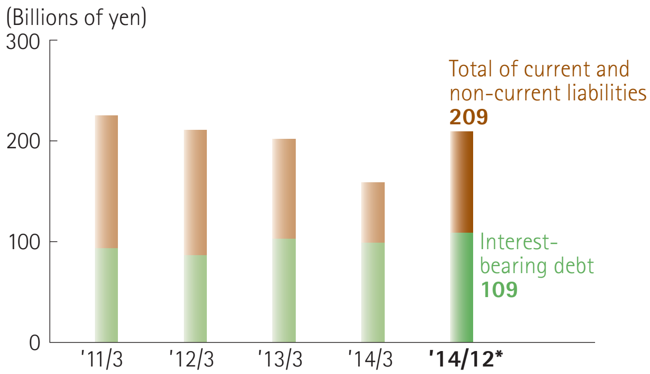


Net property, plant and equipment increased by ¥3,522 million ($29 million) due to an increase in buildings and structures associated with the completion of the second-phase investment in Electric Glass (Korea), which in turn resulted in a decrease in the construction in progress. Investments and other assets increased by ¥4,143 million ($34 million) with appreciation in the value of investment securities owing to the stock market recovery.

Current liabilities decreased by ¥4,269 million ($35 million). Although notes and accounts payable, trade increased with the commencement of production at Electric Glass (Korea), unsecured bonds redeemable within one year were redeemed.

Non-current liabilities increased by ¥16,663 million ($138 million). This was mainly due to the issuance of new unsecured bonds even though reserve for special repairs was reversed as there were no plans to repair glass furnaces.

Liabilities



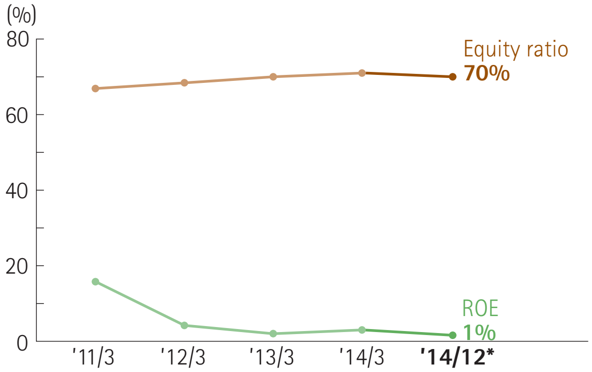
In order to implement flexible investment strategies and to be financially prepared for rapid changes, the NEG Group has been continuously working on its policy to reduce interest-bearing debts (short- and long-term debt, unsecured bonds, and commercial paper) to 20% of consolidated net sales. The amount of interest-bearing debt at the end of this fiscal year totaled ¥109,140 million ($902 million), an increase of ¥9,648 million ($80 million) from the previous fiscal year-end. This was chiefly because NEG issued new bonds to carry out its investment strategy of transferring LCD glass production capacity overseas.

Total net assets at the end of this fiscal year amounted to ¥522,577 million ($4,319 million), an increase of ¥11,770 million ($97 million) from the previous fiscal year-end. An increase was seen in net unrealized holding gains on securities, 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 70.2%, a 1.0 point decrease from the 71.2% figure of the previous fiscal year.

Notes:
December 31, 2014 was this fiscal year-end for NEG and its consolidated subsidiaries both in Japan and overseas. The previous fiscal year-end was March 31, 2014 for NEG and its domestic consolidated subsidiaries and December 31, 2013 for overseas consolidated subsidiaries.

Equity ratio & ROE



Cash Flows

[Cash Flows from Operating Activities]
Income before income taxes and minority interests was low. The increased investment in property, plant and equipment in recent years resulted in high levels of depreciation. In addition, notes and accounts payable, trade increased due to the start of the second phase of investment for equipment production at Electric Glass (Korea). As a result of these factors, net cash provided by operating activities totaled ¥38,837 million ($321 million).

[Cash Flows from Investing Activities]
Owing mainly to the purchase of property, plant and equipment related to the second phase of investment at Electric Glass (Korea), net cash spent in investing activities totaled ¥29,264 million ($242 million).

[Cash Flows from Financing Activities]
Despite the redemption of bonds, repayment of long-term loans, and payment of dividends, there were also proceeds from the issuance of new bonds. As a result, ¥1,699 million ($14 million) was gained from financing activities.

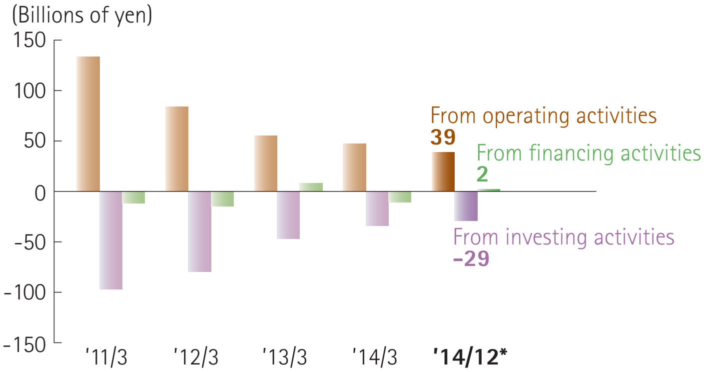
Including the positive effect of exchange rate changes on cash and cash equivalents worth ¥1,045 million ($9 million) and a negative effect on cash and cash equivalents of ¥6,382 million ($53 million) due to changes in the accounting period, the balance of cash and cash equivalents at the end of this fiscal year totaled ¥129,823 million ($1,073 million).

Capital Expenditures

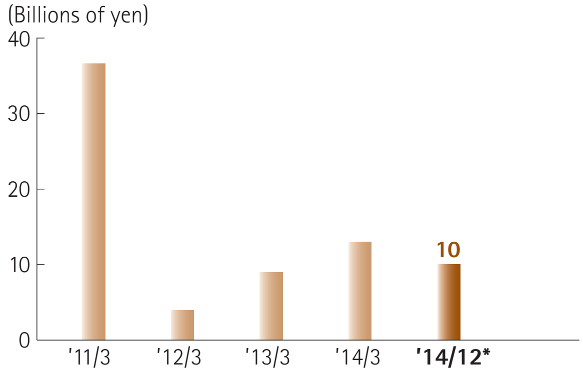
Capital expenditures for this fiscal year amounted to ¥45,214 million ($374 million). In the Glass for Electronic and Information Devices sector, capital investments were primarily made to transfer production equipment to Electric Glass (Korea). In the Glass for Others sector, capital investment was made mainly to enhance glass fiber production capacity.

Notes:
The capital expenditure figures given above are those of NEG and its domestic consolidated subsidiaries for the period of April 1 to December 31, 2014, and those of overseas consolidated subsidiaries for the period of January 1 to December 31, 2014.

Cash flows



Free cash flows



Consolidated Financial Statements

Consolidated Balance Sheets

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

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31, 2014	**December 31, 2014**	**December 31, 2014**
Current assets:			
Cash and time deposits (Note 4 and 7)	¥134,149	**¥149,743**	**$1,237,545**
Notes and accounts receivable, trade (Note 4)	44,317	**48,027**	**396,917**
Allowance for doubtful receivables	(68)	**(71)**	**(587)**
Inventories (Note 8)	57,320	**56,062**	**463,322**
Deferred tax assets (Note 11)	3,894	**3,703**	**30,603**
Other current assets (Note 4)	7,890	**6,537**	**54,026**
Total current assets	247,502	**264,001**	**2,181,826**
Property, plant and equipment (Note 9 and 12):			
Land	13,042	**13,191**	**109,017**
Building and structures	131,559	**143,979**	**1,189,909**
Machinery and equipment	711,786	**727,699**	**6,014,041**
Construction in progress	25,288	**19,871**	**164,223**
Total property, plant and equipment	881,675	**904,740**	**7,477,190**
Accumulated depreciation	(487,924)	**(507,467)**	**(4,193,942)**
Net property, plant and equipment	393,751	**397,273**	**3,283,248**
Investments and other assets:			
Investment securities (Note 4 and 5)	40,525	**47,039**	**388,752**
Investment in affiliates (Note 5)	1,684	**1,684**	**13,917**
Deferred tax assets (Note 11)	18,848	**16,344**	**135,074**
Other assets (Note 4)	4,711	**4,844**	**40,034**
Total investments and other assets	65,768	**69,911**	**577,777**
Total assets	¥707,021	**¥731,185**	**$6,042,851**

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)
	March 31, 2014	**December 31, 2014**	**December 31, 2014**
Current liabilities:			
Short-term debt, including current portion of long-term debt (Note 4 and 10)	¥ 28,186	**¥ 18,340**	**$ 151,570**
Notes and accounts payable (Note 4):			
Trade	27,883	**32,122**	**265,471**
Construction and other	16,117	**14,870**	**122,893**
Accrued expenses	9,829	**10,299**	**85,116**
Accrued income taxes	1,899	**1,302**	**10,760**
Other reserves	65	**50**	**413**
Other current liabilities (Note 4)	2,991	**5,718**	**47,256**
Total current liabilities	86,970	**82,701**	**683,479**
Non-current liabilities:			
Long-term debt (Note 4 and 10)	71,307	**90,800**	**750,413**
Reserve for special repairs	35,937	**32,855**	**271,529**
Other reserves	72	**62**	**513**
Net defined benefit liability (Note 13)	1,012	**1,218**	**10,066**
Other non-current liabilities (Note 12)	916	**972**	**8,033**
Total non-current liabilities	109,244	**125,907**	**1,040,554**
Net assets (Note 14):			
Shareholders' equity:			
Common stock			
Authorized - 1,200,000,000 shares in Mar. 2014 and Dec. 2014			
Issued - 497,616,234 shares in Mar. 2014 and Dec. 2014	32,156	**32,156**	**265,752**
Capital surplus	34,351	**34,351**	**283,893**
Retained earnings	422,894	**423,763**	**3,502,173**
Treasury stock at cost			
220,670 shares in Mar. 2014			
228,870 shares in Dec. 2014	(277)	**(281)**	**(2,322)**
Total shareholders' equity	489,124	**489,989**	**4,049,496**
Accumulated other comprehensive income (Note 3):			
Net unrealized holding gains on securities	13,670	**17,882**	**147,785**
Deferred gains or (losses) on hedges	84	**(764)**	**(6,314)**
Foreign currency translation adjustments	215	**6,526**	**53,934**
Total accumulated other comprehensive income	13,969	**23,644**	**195,405**
Minority interests	7,714	**8,944**	**73,917**
Total net assets	510,807	**522,577**	**4,318,818**
Contingent liabilities (Note 15)			
Total liabilities and net assets	¥707,021	**¥731,185**	**$6,042,851**

Consolidated Statements of Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2014 and period ended December 31, 2014
*Fiscal year ended December 31, 2014 was a nine-month period due to a change in the Company's fiscal year-end.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31, 2014	**December 31, 2014***	**December 31, 2014***
Net sales	¥252,548	**¥192,692**	**$1,592,496**
Cost of sales	208,065	**164,695**	**1,361,116**
Gross profit	44,483	**27,997**	**231,380**
Selling, general and administrative expenses	28,312	**22,773**	**188,206**
Operating income	16,171	**5,224**	**43,174**
Other income (expenses):			
Interest and dividend income	1,446	**1,307**	**10,802**
Interest expense	(650)	**(487)**	**(4,025)**
Loss on disposal of property, plant and equipment, including removal expenses	(1,979)	**(1,037)**	**(8,570)**
Gain on sales of property, plant and equipment, net	3,752	**326**	**2,694**
Loss on valuation of investment securities (Note 5)	-	**(6)**	**(50)**
Depreciation of idle property, plant and equipment	(3,035)	**(1,836)**	**(15,174)**
Loss on impairment of fixed assets (Note 9)	(3,357)	**(3,042)**	**(25,140)**
Reversal of reserve for special repairs	4,697	**5,736**	**47,405**
Foreign exchange gains	1,781	**2,672**	**22,083**
Other, net	142	**326**	**2,694**
	2,797	**3,959**	**32,719**
Income before income taxes and minority interests	18,968	**9,183**	**75,893**
Income taxes (Note 11):			
Current	5,435	**2,457**	**20,306**
Deferred	(275)	**45**	**372**
	5,160	**2,502**	**20,678**
Income before minority interests	13,808	**6,681**	**55,215**
Minority interests	1,376	**743**	**6,141**
Net income	¥ 12,432	**¥ 5,938**	**$ 49,074**

	Yen		U.S. dollars (Note 1)
Amount per share of common stock:			
Net income (Note 2)	¥ 24.99	**¥ 11.94**	**$ 0.10**
Diluted net income (Note 2)	-	**-**	**-**
Cash dividends applicable to the year (Note 14)	16.00	**12.00**	**0.10**

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
Year ended March 31, 2014 and period ended December 31, 2014
*Fiscal year ended December 31, 2014 was a nine-month period due to a change in the Company's fiscal year-end.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31, 2014	**December 31, 2014***	**December 31, 2014***
Income before minority interests	¥13,808	**¥ 6,681**	**$ 55,215**
Other comprehensive income (Note 3):			
Net unrealized holding gains on securities	2,817	**4,212**	**34,810**
Deferred gains or (losses) on hedges	151	**(848)**	**(7,008)**
Foreign currency translation adjustments	6,783	**7,075**	**58,471**
	9,751	**10,439**	**86,273**
Comprehensive income	¥23,559	**¥17,120**	**$141,488**
Comprehensive income attributable to:			
Owners of the parent	¥22,122	**¥16,309**	**$134,785**
Minority interests	1,437	**811**	**6,703**

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
Year ended March 31, 2014 and period ended December 31, 2014
*Fiscal year ended December 31, 2014 was a nine-month period due to a change in the Company's fiscal year-end.

	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, 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 April 1, 2014	**¥497,616**	**¥32,156**	**¥34,351**	**¥422,894**	**¥ (277)**	**¥13,670**	**¥ 84**	**¥ 215**	**¥7,714**	**¥510,807**
Net income	**-**	**-**	**-**	**5,938**	**-**	**-**	**-**	**-**	**-**	**5,938**
Cash dividends paid	**-**	**-**	**-**	**(7,958)**	**-**	**-**	**-**	**-**	**-**	**(7,958)**
Acquisition of treasury stock	**-**	**-**	**-**	**-**	**(4)**	**-**	**-**	**-**	**-**	**(4)**
Disposition of treasury stock	**-**	**-**	**(0)**	**-**	**0**	**-**	**-**	**-**	**-**	**0**
Increase in retained earnings in subsidiaries due to change in accounting period	**-**	**-**	**-**	**2,889**	**-**	**-**	**-**	**-**	**-**	**2,889**
Net change during the period	**-**	**-**	**-**	**-**	**-**	**4,212**	**(848)**	**6,311**	**1,230**	**10,905**
Balance at December 31, 2014*	**¥497,616**	**¥32,156**	**¥34,351**	**¥423,763**	**¥ (281)**	**¥17,882**	**¥(764)**	**¥6,526**	**¥8,944**	**¥522,577**

	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, 2014	**$265,752**	**$283,893**	**$3,494,992**	**$(2,289)**	**$112,975**	**$ 694**	**$ 1,776**	**$63,752**	**$4,221,545**
Net income	**-**	**-**	**49,074**	**-**	**-**	**-**	**-**	**-**	**49,074**
Cash dividends paid	**-**	**-**	**(65,769)**	**-**	**-**	**-**	**-**	**-**	**(65,769)**
Acquisition of treasury stock	**-**	**-**	**-**	**(33)**	**-**	**-**	**-**	**-**	**(33)**
Disposition of treasury stock	**-**	**(0)**	**-**	**0**	**-**	**-**	**-**	**-**	**0**
Increase in retained earnings in subsidiaries due to change in accounting period	**-**	**-**	**23,876**	**-**	**-**	**-**	**-**	**-**	**23,876**
Net change during the period	**-**	**-**	**-**	**-**	**34,810**	**(7,008)**	**52,158**	**10,165**	**90,125**
Balance at December 31, 2014*	**$265,752**	**$283,893**	**$3,502,173**	**$(2,322)**	**$147,785**	**$ (6,314)**	**$ 53,934**	**$73,917**	**$4,318,818**

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
Year ended March 31, 2014 and period ended December 31, 2014
*Fiscal year ended December 31, 2014 was a nine-month period due to a change in the Company's fiscal year-end.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	March 31, 2014	**December 31, 2014***	**December 31, 2014***
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 18,968	**¥ 9,183**	**$ 75,893**
Depreciation and amortization	35,891	**28,420**	**234,876**
Gain on sales of property, plant and equipment	(3,798)	**(340)**	**(2,810)**
Loss on disposal of property, plant and equipment	1,422	**68**	**562**
Loss on impairment of fixed assets	3,357	**3,042**	**25,140**
Increase (decrease) in reserve for special repairs	905	**(3,083)**	**(25,479)**
Interest and dividends income	(1,446)	**(1,307)**	**(10,802)**
Interest expense	650	**487**	**4,025**
Decrease in notes and accounts receivable	2,550	**293**	**2,421**
Increase in inventories	(1,671)	**(469)**	**(3,876)**
Increase (decrease) in notes and accounts payable	(8,988)	**2,469**	**20,405**
Other	3,055	**3,496**	**28,893**
Subtotal	50,895	**42,259**	**349,248**
Interest and dividends received	1,447	**1,257**	**10,389**
Interest paid	(606)	**(570)**	**(4,711)**
Income taxes paid	(5,036)	**(4,109)**	**(33,959)**
Net cash provided by operating activities	46,700	**38,837**	**320,967**
Cash flows from investing activities:			
Increase in time deposits, net	(2,685)	**(5,083)**	**(42,008)**
Purchases of marketable and investment securities	(622)	**–**	**–**
Purchases of property, plant and equipment	(45,349)	**(25,642)**	**(211,917)**
Proceeds from sales of property, plant and equipment	15,027	**1,459**	**12,058**
Other	(214)	**2**	**16**
Net cash used in investing activities	(33,843)	**(29,264)**	**(241,851)**
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	(5,094)	**464**	**3,835**
Proceeds from long-term borrowings	5,500	**–**	**–**
Repayment of long-term borrowings	(3,539)	**(1,048)**	**(8,661)**
Proceeds from issuance of unsecured bonds	-	**20,000**	**165,289**
Redemption of unsecured bonds	-	**(10,000)**	**(82,645)**
Cash dividends paid	(7,958)	**(7,958)**	**(65,769)**
Other	(99)	**241**	**1,992**
Net cash provided by (used in) financing activities	(11,190)	**1,699**	**14,041**
Effect of exchange rate changes on cash and cash equivalents	480	**1,045**	**8,636**
Net increase in cash and cash equivalents	2,147	**12,317**	**101,793**
Cash and cash equivalents at beginning of period	121,741	**123,888**	**1,023,868**
Decrease in cash and cash equivalents due to change in accounting period	-	**(6,382)**	**(52,744)**
Cash and cash equivalents at end of period (Note 7)	¥123,888	**¥129,823**	**$1,072,917**

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 December 31, 2014, which was ¥121 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.

(b) Change of fiscal year end

The Company changed its fiscal year-end from March 31 to December 31. The resolution to make this change was approved at the 95th general meeting of the shareholders, which was held on June 27, 2014. Accordingly, the fiscal year-end for the Company's domestic consolidated subsidiaries has been changed to December 31, and the fiscal year-end for the Company's consolidated financial statements has also been changed to December 31. This change was made to further enhance the efficiency of the Group's overall business operations, including budgetary processes and performance controls on a consolidated basis, as well as to allow timely and accurate disclosure of corporate information.

With the implementation of the fiscal year-end change, the current consolidated fiscal year is a transitional period consisting of nine months beginning on April 1, 2014 and ending on December 31, 2014. With this change in place, the difference in accounting periods between the Company and its overseas consolidated subsidiaries, which had already been following a calendar-year-based fiscal period (beginning January 1 and ending December 31) will be resolved. To this end, the profit and loss during the term beginning January 1, 2014 and ending March 31, 2014 of the Company's overseas consolidated subsidiaries has been directly reflected in the Company's retained earnings.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) Inventories

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

(h) 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.

(i) Leased properties

Finance leases are recognized on the balance sheets. Depreciation and amortization of lease properties of the Company and its domestic consolidated subsidiaries are 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.

(j) Reserve for directors' bonuses

To provide a reserve for directors' bonuses, the Company and its domestic consolidated subsidiaries record the amount estimated to be paid to directors after the balance sheet date for their services rendered during the fiscal period.

(k) Severance and retirement benefits

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

From this fiscal year, the Company and its consolidated subsidiaries adopted the provisions set forth in Paragraph 35 of the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26, May 17, 2012—"Statement No. 26") and Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (Implementation

Guidance No. 25, May 17, 2012—"Guidance No. 25").

The transitional provisions set out in Paragraph 37 of Statement No. 26 were applied when adopting the abovementioned standards and guidance. This application had no effect on the Company's profit and loss statement for this fiscal year.

(l) 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.

(m) Reserve for special repairs

Significant expenditures are expected for the repair of melting furnaces every 3 to 7 years. Such repairs are provided for in advance by charging the estimated cost against current operations over those periods.

(n) Income taxes

Tax effects of loss 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.

(o) Research and development

Costs relating to research and development activities are charged to income as incurred and amounted to ¥6,920 million and ¥5,527 million ($45,678 thousand) for the fiscal years ended March 31, 2014 and December 31, 2014, respectively.

(p) Net income per share

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

(q) Derivatives and hedge accounting

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss, unless the derivative financial instruments are used for hedging purposes.

Forward foreign exchange contracts, currency swap contracts and interest rate swap contracts that meet the criteria for hedge accounting as provided in the "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, currency swap 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, currency swap 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.

(r) Reclassification and restatement

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on the previously reported results of operations or retained earnings.

3. Accounting standards for presentation of comprehensive income

The components of other comprehensive income for the fiscal years ended March 31, 2014 and December 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	**2014/12**	**2014/12**
Net unrealized holding gains on securities			
Increase (decrease) during the year	¥4,326	**¥ 6,520**	**$53,884**
Reclassification adjustments	-	**-**	**-**
Subtotal, before tax	4,326	**6,520**	**53,884**
Tax (expense) benefit	(1,509)	**(2,308)**	**(19,074)**
Subtotal, net of tax	2,817	**4,212**	**34,810**
Deferred gains or losses on hedges			
Increase (decrease) during the year	136	**(1,024)**	**(8,463)**
Reclassification adjustments	98	**74**	**612**
Subtotal, before tax	234	**(950)**	**(7,851)**
Tax (expense) benefit	(83)	**102**	**843**
Subtotal, net of tax	151	**(848)**	**(7,008)**
Foreign currency translation adjustments			
Increase (decrease) during the year	6,847	**7,158**	**59,157**
Reclassification adjustments	-	**(112)**	**(926)**
Subtotal, before tax	6,847	**7,046**	**58,231**
Tax (expense) benefit	(64)	**29**	**240**
Subtotal, net of tax	6,783	**7,075**	**58,471**
Total other comprehensive income	¥9,751	**¥10,439**	**$86,273**

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 which 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 interest rate fluctuation risk against which long-term debt is partially hedged through interest rate swap contracts.

In addition, 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 regarding hedge accounting of derivatives, such as hedging instruments and hedged items and hedging policy, refer to Note 2 (q), "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 liquidity risks. The Group manages such risks by cash management forecasting planning at each Group company.

(3) Supplementary explanation for fair values of financial instruments

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

(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, 2014 and December 31, 2014. Financial instruments whose fair values were deemed to be extremely difficult to estimate were not included. (Note 3)

	Millions of yen		
2014/3:	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 bonds	(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	-

2014/12:	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 149,743	¥ 149,743	¥ -
(2) Notes and accounts receivable, trade	48,027	48,027	-
(3) Investment securities:			
Other securities	47,036	47,036	-
(4) Short-term debt:			
Short-term debt	(17,799)	(17,799)	-
Current portion of long-term debt	(541)	(545)	(4)
(5) Notes and accounts payable, trade	(32,122)	(32,122)	-
(6) Long-term debt:			
Unsecured bonds	(50,000)	(50,570)	(570)
Long-term borrowings	(40,800)	(40,836)	(36)
(7) Derivatives			
Derivatives not accounted for with hedge accounting	1,166	1,166	-
Derivatives accounted for with hedge accounting	(849)	(849)	-

2014/12:	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(1) Cash and time deposits	$1,237,545	$1,237,545	$ -
(2) Notes and accounts receivable, trade	396,917	396,917	-
(3) Investment securities:			
Other securities	388,727	388,727	-
(4) Short-term debt:			
Short-term debt	(147,099)	(147,099)	-
Current portion of long-term debt	(4,471)	(4,504)	(33)
(5) Notes and accounts payable, trade	(265,471)	(265,471)	-
(6) Long-term debt:			
Unsecured bonds	(413,225)	(417,934)	(4,709)
Long-term borrowings	(337,188)	(337,488)	(300)
(7) Derivatives			
Derivatives not accounted for with hedge accounting	9,636	9,636	-
Derivatives accounted for with hedge accounting	(7,017)	(7,017)	-

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 the 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.
For 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, excluding the current portion of long-term debt and unsecured bonds approximates the 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 bonds, 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, 2014 and December 31, 2014 were as follows:

	Millions of yen		
2014/3:	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

	Millions of yen		
2014/12:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**¥ 22,008**	**¥ 47,036**	**¥ 25,028**
Securities with book value not exceeding acquisition cost:			
Equity securities	**-**	**-**	**-**
	¥ 22,008	**¥ 47,036**	**¥ 25,028**

	Thousands of U.S. dollars		
2014/12:	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost:			
Equity securities	**$181,884**	**$388,727**	**$206,843**
Securities with book value not exceeding acquisition cost:			
Equity securities	**-**	**-**	**-**
	$181,884	**$388,727**	**$206,843**

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	**2014/12**	**2014/12**
Available-for-sale securities:			
Equity securities issued by affiliates	¥ 1,684	**¥ 1,684**	**$ 13,917**
Non-listed equity securities, other	9	**3**	**25**
	¥ 1,693	**¥ 1,687**	**$ 13,942**

(c) Impairment loss on investment securities

There was no impairment loss on investment securities in the year ended March 31, 2014.

The Company recognized impairment loss of ¥6 million ($50 thousand) on equity securities for the fiscal year ended December 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, 2014 and December 31, 2014 were as follows:

(a) Derivative transactions not accounted for under hedge accounting

Currency related transactions

2014/3: 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
	Currency swap	4,448	3,436	1,255	1,255
		¥ 6,764	¥ 3,436	¥ 1,241	¥ 1,241

2014/12: 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	**¥ 4,068**	**¥ -**	**¥ (91)**	**¥ (91)**
	Buy	**537**	**-**	**3**	**3**
	Currency swap	**5,896**	**5,390**	**1,254**	**1,254**
		¥10,501	**¥ 5,390**	**¥ 1,166**	**¥ 1,166**

2014/12: 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	**$33,620**	**$ -**	**$ (752)**	**$ (752)**
	Buy	**4,438**	**-**	**25**	**25**
	Currency swap	**48,727**	**44,545**	**10,363**	**10,363**
		$86,785	**$44,545**	**$ 9,636**	**$ 9,636**

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

2014/3 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				
	Buy	Forecasted transactions for investments denominated in foreign currencies	¥ 8,185	¥ -	¥ 181
			¥ 8,185	¥ -	¥ 181

2014/12: 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				
	Buy	Forecasted transactions for investments denominated in foreign currencies	**¥ 1,908**	**¥ -**	**¥ 138**
	Currency swap	Forecasted transactions for borrowings denominated in foreign currencies	**17,000**	**17,000**	**(692)**
			¥18,908	**¥17,000**	**¥ (554)**

2014/12:

Method of hedge accounting	Type of transaction	Hedged item	Notional amount	Portion due after 1 year	Fair value
			Thousands of U.S. dollars		
Deferral hedge accounting	Forward foreign exchange				
	Buy	Forecasted transactions for investments denominated in foreign currencies	$ 15,769	$ -	$ 1,140
	Currency swap	Forecasted transactions for borrowings denominated in foreign currencies	140,496	140,496	(5,719)
			$156,265	$140,496	$ (4,579)

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

Interest related transactions

2014/3:

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

2014/12:

Method of hedge accounting	Type of transaction	Hedged item	Notional amount	Portion due after 1 year	Fair value
			Millions of yen		
Deferral hedge accounting	Interest rate swap	Interest on borrowings	¥ 35,000	¥ 35,000	¥ (295)

2014/12:

Method of hedge accounting	Type of transaction	Hedged item	Notional amount	Portion due after 1 year	Fair value
			Thousands of U.S. dollars		
Deferral hedge accounting	Interest rate swap	Interest on borrowings	$289,256	$289,256	$ (2,438)

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

7. Cash and cash equivalents

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	2014/12	2014/12
Cash and time deposits on the consolidated balance sheets	¥ 134,149	¥149,743	$1,237,545
Time deposits due over three months	(10,261)	(19,920)	(164,628)
Cash and cash equivalents in the consolidated statements of cash flows	¥ 123,888	¥129,823	$1,072,917

8. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	2014/12	2014/12
Finished and purchased goods	¥ 35,807	¥ 33,603	$ 277,710
Work-in-process	2,373	1,621	13,397
Raw materials and others	19,140	20,838	172,215
	¥ 57,320	¥ 56,062	$ 463,322

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 fiscal years ended March 31, 2014 and December 31, 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 loss.

2014/3

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

2014/12

Use	Reason	Location	Type
Important idle assets	No utilization plan	Shiga-Takatsuki factory, Notogawa factory	Machinery and equipment, Construction in progress, other
Manufacturing line for plasma display panel (PDP) glass	Withdrawal of an important customer from business	Shiga-Takatsuki factory	Machinery and equipment, other
Manufacturing line for lighting glass	Serious deterioration of the lighting glass market	Nippon Electric Glass (Malaysia) Sdn. Bhd.	Building and structures, Machinery and equipment, 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 and lighting glass were measured based on the utility value.

In addition, no recoverable values were expected for the production facilities of the glass manufacturing line due to the possibility of future sales being low.

The manufacturing lines for PDP, and lighting glass were determined to have no utility value because future cash flows cannot be expected.

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	**2014/12**	**2014/12**
Machinery and equipment	¥ 2,666	**¥ 1,957**	**$ 16,174**
Construction in progress	-	**720**	**5,950**
Other	691	**365**	**3,016**
	¥ 3,357	**¥ 3,042**	**$ 25,140**

10. Short-term and long-term debt

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	**2014/12**	**2014/12**
Short-term bank borrowings; average rate 0.5% per annum	¥14,100	**¥14,799**	**$122,306**
Commercial paper; average rate 0.1% per annum	3,000	**3,000**	**24,793**
Current portion of long-term borrowings; average rate 1.4% per annum	1,086	**541**	**4,471**
Current portion of unsecured bonds; average rate 0.7% per annum	10,000	**–**	**–**
	¥28,186	**¥18,340**	**$151,570**

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	**2014/12**	**2014/12**
Borrowings, principally from banks and insurance companies due from 2015 through 2021; average rate 0.3% per annum	¥42,393	**¥41,341**	**$341,659**
0.7% unsecured bonds, due in 2014	10,000	**–**	**–**
1.0% unsecured bonds, due in 2016	10,000	**10,000**	**82,645**
0.4% unsecured bonds, due in 2017	10,000	**10,000**	**82,645**
0.7% unsecured bonds, due in 2019	10,000	**10,000**	**82,645**
0.3% unsecured bonds, due in 2020	–	**10,000**	**82,645**
0.6% unsecured bonds, due in 2022	–	**10,000**	**82,645**
	82,393	**91,341**	**754,884**
Less current portion of long-term borrowings	(1,086)	**(541)**	**(4,471)**
Less current portion of unsecured bonds	(10,000)	**–**	**–**
	¥71,307	**¥90,800**	**$750,413**

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

	Millions of yen	Thousands of U.S. dollars
2015	**¥ 541**	**$ 4,471**
2016	**23,300**	**192,562**
2017	**10,000**	**82,645**
2018	**7,500**	**61,983**
2019	**20,000**	**165,289**
2020 and thereafter	**30,000**	**247,934**
	¥91,341	**$754,884**

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 ($206,612 thousand). The credit facility has not been used as of December 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% and 35.4% for the fiscal years ended March 31, 2014 and December 31, 2014, respectively.

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 fiscal years ended March 31, 2014 and December 31, 2014 were as follows:

	2014/3	**2014/12**
Statutory tax rate in Japan	37.8%	**35.4%**
Exclusion from gross revenue of dividends	(7.8)	**(11.4)**
Difference in tax rates for overseas consolidated subsidiaries	(12.9)	**(14.4)**
Expenses not deductible for tax purposes, mainly entertainment expenses	2.6	**3.7**
Undistributed earnings of overseas consolidated subsidiaries	1.6	**3.5**
Effect of elimination of dividend income	3.5	**9.3**
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	1.4	**–**
Less valuation allowance	0.7	**(0.0)**
Other	(2.3)	**1.1**
Effective tax rate	27.2%	**27.2%**

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	**2014/12**	**2014/12**
Deferred tax assets:			
Reserve for special repairs in excess of tax limit	¥10,425	**¥10,467**	**$ 86,504**
Depreciation in excess of tax limit	7,807	**7,982**	**65,967**
Unrealized gain on property, plant and equipment	2,681	**3,262**	**26,959**
Loss on devaluation of inventories	2,205	**2,172**	**17,950**
Tax losses carried forward	1,904	**1,930**	**15,950**
Loss on valuation of investment securities	1,714	**1,714**	**14,165**
Long-term prepaid expenses	1,032	**859**	**7,099**
Accrued bonuses	743	**356**	**2,942**
Other	9,503	**9,792**	**80,926**
Subtotal deferred tax assets	38,014	**38,534**	**318,462**
Less valuation allowance	(2,772)	**(2,810)**	**(23,223)**
Total deferred tax assets	35,242	**35,724**	**295,239**
Deferred tax liabilities:			
Depreciation of overseas consolidated subsidiaries	(5,379)	**(6,253)**	**(51,678)**
Net unrealized holding gains on securities	(4,838)	**(7,146)**	**(59,058)**
Special depreciation allowance	(624)	**(480)**	**(3,967)**
Other	(2,813)	**(1,798)**	**(14,859)**
Total deferred tax liabilities	(13,654)	**(15,677)**	**(129,562)**
Net deferred tax assets	¥21,588	**¥20,047**	**$165,677**

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 machines and equipment owned by the Company that contain PCB (polychlorinated biphenyl) and costs for removal of asbestos from buildings owned by the Company 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 fiscal years ended March 31, 2014 and December 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	**2014/12**	**2014/12**
Beginning balance	¥ 490	**¥ 489**	**$ 4,041**
Decrease due to the fulfillment of asset retirement obligations	(51)	**(2)**	**(17)**
Other	50	**3**	**26**
Ending balance	¥ 489	**¥ 490**	**$ 4,050**

(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, because 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 provides mainly defined contribution pension plans. However, certain employees are provided unfunded lump-sum payment plans. Consolidated subsidiaries provide mainly funded lump-sum payment plans and defined contribution pension plans.

Under defined benefit pension plans, the reconciliation of opening and ending balances for projected benefit obligation for the fiscal years ended March 31, 2014 and December 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	2014/12	2014/12
Projected benefit obligation at beginning of year	¥ (898)	¥ (1,037)	$ (8,570)
Service costs	(181)	(167)	(1,380)
Interest cost	(20)	(19)	(157)
Actuarial differences	19	(41)	(339)
Benefits paid	125	105	867
Past service costs	22	-	-
Increase due to change in accounting period	-	(16)	(132)
Other	(104)	(64)	(529)
Projected benefit obligation at end of year	¥ (1,037)	¥ (1,239)	$(10,240)

Under defined benefit pension plans, the reconciliation of opening and ending balances for pension assets for the fiscal years ended March 31, 2014 and December 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	2014/12	2014/12
Pension assets at beginning of year	¥ 20	¥ 25	$ 207
Expected return on pension assets	0	0	0
Actuarial differences	(0)	0	0
Contributions paid by employer	2	2	16
Increase due to change in accounting period	-	(8)	(66)
Other	3	2	17
Pension assets at end of year	¥ 25	¥ 21	$ 174

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 fiscal years ended March 31, 2014 and December 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	2014/12	2014/12
Projected benefit obligation of funded plans	¥ (396)	¥ (405)	$ (3,348)
Pension assets	25	21	174
	(371)	(384)	(3,174)
Projected benefit obligation of unfunded plans	(641)	(834)	(6,892)
Net liabilities for severance and retirement benefits recognized in the consolidated balance sheets	(1,012)	(1,218)	(10,066)
Net defined benefit liability	(1,012)	(1,218)	(10,066)
Net liabilities for severance and retirement benefits recognized in the consolidated balance sheets	¥ (1,012)	¥ (1,218)	$(10,066)

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	**2014/12**	**2014/12**
Service costs	¥ 181	**¥ 167**	**$1,380**
Interest cost	20	**19**	**157**
Expected return on pension assets	(0)	**(0)**	**(0)**
Amortization of actuarial differences	(19)	**41**	**339**
Past service costs	(22)	**–**	**–**
Other	45	**(0)**	**(0)**
Severance and retirement benefit expenses for defined benefit pension plans	¥ 205	**¥ 227**	**$1,876**

Under defined contribution pension plans, the amount the Company and its consolidated subsidiaries needed to contribute to defined contribution pension plans were ¥1,279 million for the year ended March 31, 2014 and ¥958 million ($7,917 thousand) for the fiscal year ended December 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 March 27, 2015, the shareholders approved cash dividends amounting to ¥1,990 million ($16,446 thousand), or ¥4.00 per share. In addition, the Company paid interim cash dividends of ¥3,979 million ($32,884 thousand), or ¥8.00 per share on November 28, 2014.

15. Contingent liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	**2014/12**	**2014/12**
Notes receivable discounted	¥ 47	**¥ 105**	**$ 868**
Guarantees of employees' housing loans	420	**366**	**3,025**

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 fiscal years ended March 31, 2014 and December 31, 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 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 in which 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 the 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
2014/3:	Glass for electronic and information devices	Glass for others	
Sales to external customers	¥ 180,921	¥ 71,627	¥ 252,548

	Millions of yen		
	Glass business		Total
2014/12:	Glass for electronic and information devices	Glass for others	
Sales to external customers	**¥ 133,680**	**¥ 59,012**	**¥ 192,692**

	Thousands of U.S. dollars		
	Glass business		Total
2014/12:	Glass for electronic and information devices	Glass for others	
Sales to external customers	**$1,104,794**	**$487,702**	**$1,592,496**

(2) Geographical information

Net sales

2014/3:

Millions of yen					
Japan	Korea	Taiwan	China	Other areas	Total
¥ 54,952	¥ 104,312	¥ 35,496	¥ 16,528	¥ 41,260	¥ 252,548

2014/12:

Millions of yen					
Japan	Korea	Taiwan	China	Other areas	Total
¥ 40,955	**¥ 71,899**	**¥ 22,310**	**¥ 20,340**	**¥ 37,188**	**¥ 192,692**

2014/12:

Thousands of U.S. dollars					
Japan	Korea	Taiwan	China	Other areas	Total
$ 338,471	**$594,207**	**$184,380**	**$168,099**	**$ 307,339**	**$1,592,496**

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

Property, plant and equipment

2014/3:

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

2014/12:

Millions of yen				
Japan	Korea	Malaysia	Other areas	Total
¥ 257,711	**¥ 69,662**	**¥ 51,851**	**¥ 18,049**	**¥ 397,273**

2014/12:

Thousands of U.S. dollars				
Japan	Korea	Malaysia	Other areas	Total
$2,129,843	**$575,719**	**$428,521**	**$149,165**	**$3,283,248**

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

(3) Information by major customers

Sales

	Millions of yen		Thousands of U.S. dollars	Related segment
	2014/3	**2014/12**	**2014/12**	
LG Display Co., Ltd.	¥ 95,489	**¥ 60,896**	**$503,273**	Glass business

(c) Information on impairment of fixed assets

2014/3:

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

2014/12:

	Millions of yen	
	Glass business	Total
Loss on impairment of fixed assets	**¥ 3,042**	**¥ 3,042**

2014/12:

	Thousands of U.S. dollars	
	Glass business	Total
Loss on impairment of fixed assets	**$ 25,140**	**$ 25,140**

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 December 31, 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the nine-month period ended December 31, 2014, 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 December 31, 2014, and their financial performance and cash flows for the nine-month period ended December 31, 2014 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 December 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

April 10, 2015
Kyoto, Japan

Directors, Corporate Auditors, and Corporate Officers

Directors

Chairman of the Board
Masayuki Arioka

President
Motoharu Matsumoto

Director
Shigeru Yamamoto
Masahiro Tomamoto
Hirokazu Takeuchi
Akihisa Saeki
Koichi Tsuda
Sumimaru Odano*1

Corporate Auditors

Fujio Kishi

Masahiko Ohji

Kazuya Ishii*2
Certified Public Accountant

Keijiro Kimura*2
Attorney at Law

*1 *Outside Director*
*2 *Outside Auditor*

Corporate Officers

President
Motoharu Matsumoto

Executive Vice President
Shigeru Yamamoto

Senior Vice President
Masahiro Tomamoto
Hirokazu Takeuchi
Akihisa Saeki
Koichi Tsuda

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

as of March 27, 2015

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

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