# FINANCIAL REPORT

For the year ended December 31, 2023

Nippon Electric Glass Co., Ltd.

# Consolidated Balance Sheets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
December 31, 2022 and 2023

## ASSETS

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | December 31, 2022 | December 31, 2023 | December 31, 2023 |
| **Current assets:** | | | |
| Cash and time deposits (Notes 6 and 9) | ¥ 107,152 | ¥ 75,402 | $ 531,000 |
| Notes and accounts receivable - trade, and contract assets (Notes 6 and 20) | 52,438 | 58,165 | 409,613 |
| Electronically recorded monetary claims - operating | 1,331 | 1,438 | 10,127 |
| Allowance for doubtful receivables | (163) | (260) | (1,831) |
| Inventories (Note 10) | 102,371 | 107,503 | 757,063 |
| Other current assets (Notes 6 and 8) | 8,551 | 10,857 | 76,458 |
| Total current assets | 271,680 | 253,105 | 1,782,430 |
| | | | |
| **Property, plant and equipment (Note 12):** | | | |
| Land | 11,723 | 12,357 | 87,021 |
| Building and structures | 186,582 | 175,062 | 1,232,831 |
| Machinery and equipment | 804,705 | 771,992 | 5,436,563 |
| Construction in progress | 28,301 | 25,245 | 177,782 |
| Total property, plant and equipment | 1,031,311 | 984,656 | 6,934,197 |
| Accumulated depreciation | (605,681) | (591,688) | (4,166,817) |
| Net property, plant and equipment | 425,630 | 392,968 | 2,767,380 |
| | | | |
| **Intangible assets (Note 12):** | | | |
| Intangible assets | 5,341 | 4,996 | 35,183 |
| | | | |
| **Investments and other assets:** | | | |
| Investment securities (Notes 6 and 7) | 35,852 | 38,095 | 268,275 |
| Investment in affiliates (Note 7) | 4,954 | 5,310 | 37,394 |
| Deferred tax assets (Note 14) | 1,784 | 1,783 | 12,556 |
| Allowance for doubtful receivables | (22) | (8,257) | (58,148) |
| Other assets | 2,688 | 15,917 | 112,092 |
| Total investments and other assets | 45,256 | 52,848 | 372,169 |
| | | | |
| **Total assets** | ¥ 747,907 | ¥ 703,917 | $ 4,957,162 |

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) |
|---|---|---|---|
| | December 31, 2022 | December 31, 2023 | December 31, 2023 |
| **Current liabilities:** | | | |
| Short-term debt, including current portion of long-term debt (Notes 6 and 13) | ¥ 42,879 | ¥ **34,505** | $ **242,993** |
| Notes and accounts payable (Note 6): | | | |
| Trade | 52,102 | **43,169** | **304,007** |
| Construction and other | 15,366 | **10,191** | **71,768** |
| Accrued expenses | 13,916 | **11,192** | **78,817** |
| Accrued income taxes | 1,372 | **1,046** | **7,366** |
| Other reserves | 214 | **71** | **500** |
| Asset retirement obligations (Note 15) | – | **1,518** | **10,690** |
| Other current liabilities (Note 8) | 5,816 | **7,351** | **51,767** |
| Total current liabilities | 131,665 | **109,043** | **767,908** |
| | | | |
| **Long-term liabilities:** | | | |
| Long-term debt (Notes 6 and 13) | 62,647 | **85,838** | **604,493** |
| Deferred tax liabilities (Note 14) | 9,696 | **5,284** | **37,211** |
| Reserve for special repairs | 8,665 | **6,223** | **43,824** |
| Other reserves | 275 | **129** | **909** |
| Net liabilities for severance and retirement benefits (Note 16) | 1,254 | **1,399** | **9,852** |
| Asset retirement obligations (Note 15) | 253 | **1,147** | **8,077** |
| Other long-term liabilities | 4,540 | **4,724** | **33,268** |
| Total long-term liabilities | 87,330 | **104,744** | **737,634** |
| | | | |
| **Net assets (Note 18):** | | | |
| **Shareholders' equity:** | | | |
| Common stock<br>Authorized - 240,000,000 shares in Dec. 2022 and Dec. 2023<br>Issued - 99,523,246 shares in Dec. 2022 and Dec. 2023 | 32,156 | **32,156** | **226,451** |
| Capital surplus | 34,278 | **34,274** | **241,366** |
| Retained earnings | 446,359 | **409,910** | **2,886,690** |
| Treasury stock at cost<br>6,480,511 shares in Dec. 2022<br>10,378,386 shares in Dec. 2023 | (20,072) | **(31,933)** | **(224,880)** |
| Total shareholders' equity | 492,721 | **444,407** | **3,129,627** |
| | | | |
| **Accumulated other comprehensive income:** | | | |
| Valuation difference on available-for-sale securities | 14,207 | **16,785** | **118,204** |
| Deferred gains on hedges | 443 | **39** | **275** |
| Foreign currency translation adjustments | 16,973 | **25,815** | **181,796** |
| Total accumulated other comprehensive income | 31,623 | **42,639** | **300,275** |
| | | | |
| **Noncontrolling interests** | 4,568 | **3,084** | **21,718** |
| | | | |
| Total net assets | 528,912 | **490,130** | **3,451,620** |
| **Contingent liabilities (Note 19)** | | | |
| **Total liabilities and net assets** | ¥ 747,907 | ¥ **703,917** | $ **4,957,162** |

# Consolidated Statements of Operations

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2022 and 2023

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | December 31, 2022 | December 31, 2023 | December 31, 2023 |
| **Net sales (Note 20)** | ¥ 324,635 | **¥ 279,975** | **$ 1,971,655** |
| **Cost of sales** | 239,066 | **246,765** | **1,737,782** |
| Gross profit | 85,569 | **33,210** | **233,873** |
| **Selling, general and administrative expenses** | 59,385 | **43,631** | **307,260** |
| Operating profit (loss) | 26,184 | **(10,421)** | **(73,387)** |
| | | | |
| **Other income (expenses):** | | | |
| Interest and dividend income | 2,038 | **2,146** | **15,113** |
| Subsidy income | 1,544 | **1,672** | **11,775** |
| Foreign exchange gains | 6,334 | **1,190** | **8,380** |
| Interest expense | (925) | **(1,268)** | **(8,930)** |
| Depreciation of idle property, plant and equipment | (854) | **(1,375)** | **(9,683)** |
| Donations | (156) | **(1,046)** | **(7,366)** |
| Loss on disposal of non-current assets | (1,844) | **(1,783)** | **(12,556)** |
| Reversal of reserve for special repairs | 814 | **3,124** | **22,000** |
| Insurance claim income | 4,857 | **3,053** | **21,500** |
| Gain on sales of investment securities (Note 7) | 1,185 | **2,891** | **20,359** |
| Gain on sales of non-current assets | 297 | **2,472** | **17,408** |
| Restructuring expense (Note 11) | – | **(16,959)** | **(119,430)** |
| Loss on impairment (Note 12) | (831) | **(12,551)** | **(88,387)** |
| Other, net | 875 | **243** | **1,711** |
| Total other income (expenses) | 13,334 | **(18,191)** | **(128,106)** |
| **Profit (loss) before income taxes** | 39,518 | **(28,612)** | **(201,493)** |
| | | | |
| **Income taxes (Note 14):** | | | |
| Current | 8,112 | **3,208** | **22,592** |
| Deferred | 2,910 | **(5,534)** | **(38,972)** |
| Total income taxes | 11,022 | **(2,326)** | **(16,380)** |
| | | | |
| **Profit (loss)** | 28,496 | **(26,286)** | **(185,113)** |
| | | | |
| **Profit (loss) attributable to noncontrolling interests** | 328 | **(98)** | **(690)** |
| | | | |
| **Profit (loss) attributable to owners of the parent** | ¥ 28,168 | **¥ (26,188)** | **$ (184,423)** |
| | Yen | | U.S. dollars (Note 1) |
| **Amount per share of common stock:** | | | |
| Profit (loss) attributable to owners of the parent (Note 2) | ¥ 302.76 | **¥ (282.90)** | **$ (1.99)** |
| Diluted profit attributable to owners of the parent (Note 2) | – | **–** | **-** |
| Cash dividends applicable to the year (Note 18) | 120.00 | **120.00** | **0.85** |

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

# Consolidated Statements of Comprehensive Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2022 and 2023

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | December 31, 2022 | December 31, 2023 | December 31, 2023 |
| **Profit (loss)** | ¥ 28,496 | **¥ (26,286)** | **$ (185,113)** |
| | | | |
| **Other comprehensive income (Note 5)** | | | |
| Valuation difference on available-for-sale securities | (2,898) | **2,578** | **18,155** |
| Deferred gains (losses) on hedges | 271 | **(404)** | **(2,845)** |
| Foreign currency translation adjustments | 14,688 | **7,394** | **52,070** |
| Share of other comprehensive income of associates accounted for using equity method | 177 | **153** | **1,078** |
| Total other comprehensive income | 12,238 | **9,721** | **68,458** |
| | | | |
| **Comprehensive income (loss)** | ¥ 40,734 | **¥ (16,565)** | **$ (116,655)** |
| | | | |
| **Comprehensive income (loss) attributable to:** | | | |
| Owners of the parent | ¥ 40,406 | **¥ (16,467)** | **$ (115,965)** |
| Noncontrolling interests | 328 | **(98)** | **(690)** |

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

# Consolidated Statements of Changes in Net Assets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2022 and 2023

| | Thousands of shares | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares of common stock issued | Common stock | Capital surplus | Retained earnings | Treasury stock | Valuation difference on available-for-sale securities | Deferred gains on hedges | Foreign currency translation adjustments | Non-controlling interests | Total net assets |
| **Balance at January 1, 2022** | 99,523 | ¥ 32,156 | ¥ 34,295 | ¥ 429,355 | ¥ (20,121) | ¥ 17,105 | ¥ 172 | ¥ 2,108 | ¥ 4,673 | ¥ 499,743 |
| **Cumulative effects of changes in accounting policies** | – | – | – | 0 | – | – | – | – | – | 0 |
| **Restated balance at beginning of year** | – | 32,156 | 34,295 | 429,355 | (20,121) | 17,105 | 172 | 2,108 | 4,673 | 499,743 |
| Profit attributable to owners of the parent | – | – | – | 28,168 | – | – | – | – | – | 28,168 |
| Cash dividends paid | – | – | – | (11,164) | – | – | – | – | – | (11,164) |
| Acquisition of treasury stock | – | – | – | – | (1) | – | – | – | – | (1) |
| Disposition of treasury stock | – | – | (17) | – | 50 | – | – | – | – | 33 |
| Other | – | – | – | – | – | – | – | – | – | – |
| Net changes in items other than shareholders' equity | – | – | – | – | – | (2,898) | 271 | 14,865 | (105) | 12,133 |
| | | | | | | | | | | |
| **Balance at January 1, 2023** | 99,523 | ¥ 32,156 | ¥ 34,278 | ¥ 446,359 | ¥ (20,072) | ¥ 14,207 | ¥ 443 | ¥ 16,973 | ¥ 4,568 | ¥ 528,912 |
| Loss attributable to owners of the parent | – | – | – | (26,188) | – | – | – | – | – | (26,188) |
| Cash dividends paid | – | – | – | (11,166) | – | – | – | – | – | (11,166) |
| Acquisition of treasury stock | – | – | – | – | (11,900) | – | – | – | – | (11,900) |
| Disposition of treasury stock | – | – | (4) | – | 39 | – | – | – | – | 35 |
| Other | – | – | – | – | – | – | – | – | – | – |
| Change in scope of consolidation | – | – | – | 905 | – | – | – | – | – | 905 |
| Net changes in items other than shareholders' equity | – | – | – | – | – | 2,578 | (404) | 8,842 | (1,484) | 9,532 |
| | | | | | | | | | | |
| **Balance at December 31, 2023** | 99,523 | ¥ 32,156 | ¥ 34,274 | ¥ 409,910 | ¥(31,933) | ¥ 16,785 | ¥ 39 | ¥ 25,815 | ¥ 3,084 | ¥ 490,130 |

| | Thousands of U.S. dollars (Note 1) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Valuation difference on available-for-sale securities | Deferred gains on hedges | Foreign currency translation adjustments | Non-controlling interests | Total net assets |
| **Balance at January 1, 2023** | $ 226,451 | $ 241,394 | $3,143,373 | $(141,352) | $ 100,049 | $ 3,120 | $119,528 | $ 32,169 | $ 3,724,732 |
| Loss attributable to owners of the parent | – | – | (184,423) | – | – | – | – | – | (184,423) |
| Cash dividends paid | – | – | (78,634) | – | – | – | – | – | (78,634) |
| Acquisition of treasury stock | – | – | – | (83,803) | – | | – | – | (83,803) |
| Disposition of treasury stock | – | (28) | – | 275 | – | – | – | – | 247 |
| Other | – | – | – | – | – | – | – | – | - |
| Change in scope of consolidation | – | – | 6,374 | – | – | – | – | – | 6,374 |
| Net changes in items other than shareholders' equity | – | – | – | – | 18,155 | (2,845) | 62,268 | (10,451) | 67,127 |
| | | | | | | | | | |
| **Balance at December 31, 2023** | $ 226,451 | $ 241,366 | $2,886,690 | $(224,880) | $ 118,204 | $ 275 | $181,796 | $ 21,718 | $ 3,451,620 |

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

# Consolidated Statements of Cash Flows

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended December 31, 2022 and 2023

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | December 31, 2022 | December 31, 2023 | December 31, 2023 |
| **Cash flows from operating activities:** | | | |
| Profit (loss) before income taxes | ¥ 39,518 | ¥ (28,612) | $ (201,493) |
| Depreciation and amortization | 28,962 | 37,185 | 261,866 |
| Loss on impairment | 831 | 23,495 | 165,458 |
| Insurance claim income | (4,857) | (3,053) | (21,500) |
| Gain on sales of investment securities | (1,185) | (2,891) | (20,359) |
| Decrease in reserve for special repairs | (6) | (2,442) | (17,197) |
| Interest and dividend income | (2,038) | (2,146) | (15,113) |
| Interest expense | 925 | 1,268 | 8,930 |
| Foreign exchange gains | (4,222) | (3,510) | (24,718) |
| Decrease (increase) in notes and accounts receivable - trade, and contract assets | 10,762 | (5,354) | (37,704) |
| Increase in inventories | (37,317) | (4,208) | (29,634) |
| Increase (decrease) in notes and accounts payable - trade | 7,163 | (9,266) | (65,254) |
| Other, net | 3,015 | (1,551) | (10,923) |
| Subtotal | 41,551 | (1,085) | (7,641) |
| Interest and dividends received | 2,043 | 1,950 | 13,732 |
| Interest paid | (788) | (1,381) | (9,725) |
| Proceeds from insurance claim income | 4,857 | 3,053 | 21,500 |
| Income taxes paid | (16,100) | (3,898) | (27,451) |
| Net cash used in (provided by) operating activities | 31,563 | (1,361) | (9,585) |
| | | | |
| **Cash flows from investing activities:** | | | |
| Proceeds from sales of marketable and investment securities | 1,773 | 4,548 | 32,028 |
| Purchases of property, plant and equipment | (60,003) | (29,096) | (204,901) |
| Proceeds from sales of non-current assets | 1,074 | 6,881 | 48,458 |
| Other, net | 1 | (3,110) | (21,902) |
| Net cash used in investing activities | (57,155) | (20,777) | (146,317) |
| | | | |
| **Cash flows from financing activities:** | | | |
| Increase in short-term debt, net | 374 | 2,743 | 19,317 |
| Proceeds from long-term borrowings | 22,807 | 32,133 | 226,289 |
| Repayment of long-term borrowings | (5,972) | (21,046) | (148,211) |
| Redemption of unsecured bonds | (10,000) | – | – |
| Purchase of treasury shares | (1) | (11,900) | (83,803) |
| Cash dividends paid | (11,159) | (11,162) | (78,606) |
| Repayments to noncontrolling shareholders | – | (1,386) | (9,760) |
| Other, net | (1,923) | (955) | (6,725) |
| Net cash used in financing activities | (5,874) | (11,573) | (81,499) |
| | | | |
| **Effect of exchange rate changes on cash and cash equivalents** | 3,606 | 2,109 | 14,852 |
| | | | |
| **Net decrease in cash and cash equivalents** | (27,860) | (31,602) | (222,549) |
| **Cash and cash equivalents at beginning of year** | 134,723 | 106,863 | 752,556 |
| **Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation** | - | (178) | (1,254) |
| **Cash and cash equivalents at end of year (Note 9)** | ¥ 106,863 | ¥ 75,083 | $ 528,753 |

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

# Notes to Consolidated Financial Statements

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries

## 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 ("IFRS").

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, 2023, which was ¥142 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 the 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 accounted for by the equity method or by cost. If the equity method of accounting had been applied to the investments in the companies accounted for by cost, the effect on the accompanying consolidated financial statements would not have been material.

### (b) Translation of foreign currencies

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the relevant exchange rates at the balance sheet date.

The financial statements of the Company's overseas consolidated subsidiaries are translated into Japanese yen at the current rates for assets and liabilities and at historical rates for shareholder equity accounts. Average yearly rates are used for the translation of income and expense amounts. Foreign currency translation adjustments are recorded in net assets.

### (c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, deposits placed with banks on demand and short-term highly liquid investments with maturities of three months or less when deposited or purchased are considered to be cash and cash equivalents.

### (d) Marketable and investment securities

Available-for-sale securities with observable fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are calculated using moving average cost.

### (e) Allowance for doubtful receivables

Allowance for doubtful receivables is provided in an amount sufficient to cover possible losses on collection. For regular receivables, it consists of an estimated amount based on the historical ratio of bad debt losses. For receivables from customers in financial difficulty, it consists of the estimated uncollectable amounts of specific doubtful receivables.

### (f) Inventories

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

### (g) Property, plant and equipment (except for leased property)

Property, plant and equipment are 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 facilities attached to buildings, acquired after March 31, 1998, are depreciated using the straight-line method. Facilities attached to buildings and structures acquired after March 31, 2016 are also depreciated using the straight-line method. Depreciation of property, plant and equipment of overseas consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful life of the assets. The estimated useful life of machinery and equipment is generally from 6 to 9 years.

### (h) Intangible assets (except for leased property)

Intangible assets are amortized by the straight-line method.

### (i) Severance and retirement benefits

The Company and its consolidated subsidiaries, excluding certain consolidated subsidiaries, use principally 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 few employees have applied for the defined benefit pension plans.

In certain consolidated subsidiaries, the allowance for employees' severance and retirement benefits is recognized in an amount after deducting the value of plan assets from retirement benefits for the net defined benefit liability. Calculation methods for net defined benefit liability and retirement benefit costs are as follows:

#### (1) Allocation of projected retirement benefit obligation

In calculating the retirement benefit obligation, the benefit formula method is used to allocate the projected retirement benefit obligation to the estimated years of service of the eligible employees.

#### (2) Method for amortizing actuarial gain or loss

Depending on each company's situation, actuarial gain or loss is amortized at the time of occurrence.

### (j) Reserve for special repairs

To prepare for the significant recurring repairs required of glass-melting furnaces, estimated costs for the next repairs are accrued within the period between the previous repair and the next envisioned repair.

### (k) Income taxes

The tax effects of loss carryforwards and temporary differences between the financial statement 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 operations.

### (l) Research and development

Costs related to research and development activities are charged to income as incurred and amounted to ¥7,266 million and ¥8,094 million ($57,000 thousand) for the fiscal years ended December 31, 2022 and 2023, respectively.

### (m) Profit (loss) attributable to owners of parent per share

The computations of profit attributable to the owners of the parent per share are based on the average number of shares of common stock outstanding during each year. Diluted profit attributable to the owners of the parent 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.

Diluted profit attributable to the owners of the parent per share has not been presented because there were no potentially dilutive shares of common stock for the year ended December 31, 2022. Diluted profit attributable to the owners of the parent per share has not been presented because the Company and its consolidated subsidiaries recorded loss attributable to the owners of the parent and there were no potentially dilutive shares of common stock for the year ended December 31, 2023.

### (n) Revenue recognition

The Company and its consolidated subsidiaries primarily manufacture and sell special glass products. As a general rule, the Company and its consolidated subsidiaries recognize revenue from the sale of their products at the time of delivery to the customer when they satisfy their performance obligations. Regarding export sales, the Company and its consolidated subsidiaries recognize revenue at the time the control and risks related to the products have been transferred to the customer pursuant to the terms and conditions of trade set forth by the relevant Incoterms. However, regarding domestic sales, the Company and its consolidated subsidiaries recognize revenue at the time of shipment when control of the products is transferred to the customer in a normal period after the shipment.

Revenue is measured at the amount of consideration set forth in the contract, from which discounts, rebates, etc., are deducted. The consideration received under the terms of a contract is collected primarily within one year from the delivery date and does not include significant financial factors.

### (o) 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 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 gain or loss to be deferred as net unrealized gain or loss on the contract as a component of net assets until the loss or gain related to the hedged item is actually recognized.

The Company and its consolidated subsidiaries enter into forward foreign exchange contracts to hedge the risk of exchange rate fluctuations in forecasted foreign currency transactions. For forecasted foreign currency transactions, the suitability for hedging is confirmed by pre-testing and post-testing, with consideration for whether the execution of the transaction is highly likely. 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.

### (p) Reclassification

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

## 3. Significant accounting estimates

Consideration of impairment on non-current assets

#### (a) Amount recorded on the consolidated financial statements for the current consolidated fiscal year

The Company and its consolidated subsidiaries owned property, plant and equipment in the amount of ¥392,968 million ($2,767,380 thousand) and intangible assets in the amount of ¥4,996 million ($35,183 thousand) at the end of the current fiscal year. Of those non-current assets, ¥35,029 million ($246,683 thousand) were used for the Company's domestic display glass production.

#### (b) Other information regarding the content of significant accounting estimates

The Company groups operating assets by business unit for which the profit or loss is continually controlled to measure the impairment of the assets.

While these non-current assets are depreciated/amortized in a periodical manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the related asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss.

Since the recovery of facility operations was slower than initially planned amid ongoing sluggish demand for end-products, the Company's displays business has recognized recurring operating losses for some consecutive years, indicating impairment. Accordingly, the Company performed an impairment test during the current fiscal year; however, it determined that the recognition of an impairment loss was not necessary as the estimated undiscounted future cash flows from the business exceeded the carrying amount. The estimated future cash flows used in the impairment testing were based on the Company's business plans developed by management, which reflected highly uncertain assumptions, including, in particular, estimated sales volumes and unit selling prices.

If the assumptions used in these estimates need to be changed due to future changes in economic conditions, this may have a material impact on the amounts of the non-current assets recognized in the consolidated financial statements in the following fiscal years.

## 4. Changes in accounting estimates

### (a) Change in useful life

Due to the decision to dissolve a consolidated subsidiary in South Korea, the useful lives of the subsidiary's non-current assets were reviewed for the current fiscal year. As a result of this change, loss before income taxes increased by ¥5,001 million ($35,218 thousand) for the current fiscal year.

## 5. Accounting standards for presentation of comprehensive income

The components of other comprehensive income for the fiscal years ended December 31, 2022 and 2023 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| **Valuation difference on available-for-sale securities** | | | |
| Increase (decrease) during the year | ¥ (2,892) | ¥ 6,791 | $ (47,824) |
| Reclassification adjustments | (1,186) | (2,891) | (20,359) |
| Subtotal, before tax | (4,078) | 3,900 | 27,465 |
| Tax (expense) benefit | 1,180 | (1,322) | (9,310) |
| Subtotal, net of tax | (2,898) | 2,578 | 18,155 |
| **Deferred gains (losses) on hedges** | | | |
| Increase during the year | 601 | 60 | 423 |
| Reclassification adjustments | (258) | (601) | (4,232) |
| Subtotal, before tax | 343 | (541) | (3,809) |
| Tax (expense) benefit | (72) | 137 | 964 |
| Subtotal, net of tax | 271 | (404) | (2,845) |
| **Foreign currency translation adjustments** | | | |
| Increase during the year | 14,688 | 7,394 | 52,070 |
| **Share of other comprehensive income of entities accounted for using equity method** | | | |
| Increase during the year | 177 | 153 | 1,078 |
| **Total other comprehensive income** | ¥ 12,238 | ¥ 9,721 | $ 68,458 |

## 6. Financial instruments

## (a) Status of financial instruments

### (1) Policy on financial instruments

As a Group policy, the Company and its consolidated subsidiaries restrict investments of surplus cash, if any, to safe financial assets, such as bank deposits. Funds required by the Company are obtained mainly through borrowing from banks and the issuance of bonds. Derivatives are used to manage the risks described below and are not entered into for speculative purposes.

### (2) Details of financial instruments, associated risks 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 the due dates and outstanding balances of each counterparty and by 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 Company and its consolidated subsidiaries enter into forward foreign exchange contracts mainly for accounts receivable associated with export transactions of finished goods to manage fluctuations in future foreign exchange rates.

Investment securities consist mainly of equity securities of companies with which the Company and its consolidated subsidiaries have business relationships and are exposed to market price fluctuation risk. The Company, pursuant to the Company's Shareholding Regulations, monitors the fair values of such securities and regularly reviews its holdings.

Notes and accounts payable - trade, which are operating debt, are settled within one year.

Regarding borrowings, short-term debt is issued mainly to obtain funds for operating transactions, and bonds and long-term debt are issued mainly for capital expenditures.

For details regarding hedge accounting of derivatives, such as hedging instruments, hedged items and hedging policy, refer to Note 2(o), "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 of derivative transactions are carried out by each company's accounting department, and such operations are managed through a check and balance system. With derivative transactions, the Company enters into contracts only with financial institutions with high ratings to reduce credit risk.

Operating debt and borrowings are exposed to liquidity risks. The Company and its consolidated subsidiaries manage such risks by cash management forecasting at each Group company.

**(3) Supplementary explanation for fair values of financial instruments**

The notional amounts of derivatives in Note 8, "Derivatives," does not indicate the market risks pertaining to the derivatives themselves.

## (b) Fair values of financial instruments

The tables below show 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 December 31, 2022 and 2023.

| | Millions of yen | | |
|---|---|---|---|
| 2022/12 | Book value | Fair value | Difference |
| (1) Investment securities: | | | |
| Other securities | ¥ 35,852 | ¥ 35,852 | – |
| Total assets | 35,852 | 35,852 | – |
| (2) Long-term debt: | | | |
| Unsecured bonds | 20,000 | 19,740 | ¥ (260) |
| Long-term borrowings | 62,765 | 62,353 | (412) |
| Total liabilities | 82,765 | 82,093 | (672) |
| (3) Derivatives | | | |
| Derivatives | 730 | 730 | – |

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

1. "Cash and time deposits," "Notes and accounts receivable - trade and contract assets," "Notes and accounts payable trade" and "short-term debt" are omitted because they are in cash and due within one year, and their fair value approximates their book value.
2. Investment securities
   For information on investment securities, refer to Note 7, "Marketable and investment securities."
3. Derivatives
   Net receivables and payables arising from derivative transactions are shown as net amounts, and items that are net liabilities are shown in parentheses.
   For information related to derivatives, refer to Note 8, "Derivatives."
4. Non-marketable securities
   The following financial instruments are not included in "(1) Investment securities" because they do not have market prices and it is extremely difficult to determine their fair value.
   For information related to these securities, refer to Note 7, "Marketable and investment securities."

| | Millions of yen |
|---|---|
| 2022/12 | |
| Unlisted shares | ¥ 1,684 |
| Investments in capital | 3,270 |
| Total | ¥ 4,954 |

| 2023/12 | Millions of yen<br>Book value | <br>Fair value | <br>Difference |
|---|---|---|---|
| (1) Investment securities: | | | |
| Other securities | ¥ 38,095 | ¥ 38,095 | – |
| Total assets | 38,095 | 38,095 | – |
| (2) Long-term debt: | | | |
| Unsecured bonds | 20,000 | 19,887 | ¥ (113) |
| Long-term borrowings | 74,467 | 74,226 | (241) |
| Total liabilities | 94,467 | 94,113 | (354) |
| (3) Derivatives | | | |
| Derivatives | (2,425) | (2,425) | – |

| 2023/12 | Thousands of U.S. dollars<br>Book value | <br>Fair value | <br>Difference |
|---|---|---|---|
| (1) Investment securities: | | | |
| Other securities | $ 268,275 | $ 268,275 | – |
| Total assets | 268,275 | 268,275 | – |
| (2) Long-term debt: | | | |
| Unsecured bonds | 140,846 | 140,049 | $ (797) |
| Long-term borrowings | 524,415 | 522,718 | (1,697) |
| Total liabilities | 665,261 | 662,767 | (2,494) |
| (3) Derivatives | | | |
| Derivatives | (17,077) | (17,077) | – |

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

1. “Cash and time deposits,” “Notes and accounts receivable - trade and contract assets,” “Notes and accounts payable trade” and “short-term debt” are omitted because they are in cash and due within one year, and their fair value approximates their book value.
2. Investment securities
   For information on investment securities, refer to Note 7, “Marketable and investment securities.”
3. Derivatives
   Net receivables and payables arising from derivative transactions are shown as net amounts, and items that are net liabilities are shown in parentheses.
   For information related to derivatives, refer to Note 8, “Derivatives.”
4. Non-marketable securities
   Equity securities without market prices are not included in “(1) Investment securities.” The amount recorded on the consolidated balance sheets of the relevant financial instrument is as follows.
   For information related to these securities, refer to Note 7, “Marketable and investment securities.”

| 2023/12 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Unlisted shares | ¥ 1,684 | $ 11,859 |
| Investments in capital | 3,626 | 25,535 |
| Total | ¥ 5,310 | $ 37,394 |

## (c) Breakdown of the fair value of financial instruments by asset level

The fair values of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used in determining the fair value.

Level 1: Fair value based on the observable inputs, such as quoted prices in active markets for identical assets or liabilities
Level 2: Fair value based on observable inputs other than Level 1 inputs
Level 3: Fair value based on unobservable inputs

When multiple inputs that have a significant impact on the determination of fair value are used and those inputs are from different levels of the fair value hierarchy, the fair value is classified by the lowest level from which inputs were used.

### (1) Financial instruments recorded at fair value on the Consolidated Balance Sheets

| 2022/12 | Fair value (Millions of yen) Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment securities | | | | |
| Other securities | – | – | – | **–** |
| Equity securities | ¥ 35,852 | – | – | **¥ 35,852** |
| Total | 35,852 | – | – | **35,852** |
| Derivatives | | | | |
| Currency related | – | ¥ 730 | – | **730** |

| 2023/12 | Fair value (Millions of yen) Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment securities | | | | |
| Other securities | – | – | – | **–** |
| Equity securities | ¥ 38,095 | – | – | **¥ 38,095** |
| Total | 38,095 | – | – | **38,095** |
| Derivatives | | | | |
| Currency related | – | ¥ (2,425) | – | **(2,425)** |

| 2023/12 | Fair value (Thousands of U.S. dollars) Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment securities | | | | |
| Other securities | – | – | – | **–** |
| Equity securities | $ 268,275 | – | – | **$ 268,275** |
| Total | 268,275 | – | – | **268,275** |
| Derivatives | | | | |
| Currency related | – | $ (17,077) | – | **(17,077)** |

Net receivables and payables arising from derivative transactions are shown as net amounts, and items that are net liabilities in total are shown in parentheses.

### (2) Financial instruments not recorded at fair value on the Consolidated Balance Sheets

| 2022/12 | Fair value (Millions of yen) Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Long-term borrowings | – | ¥ (19,740) | – | **¥ (19,740)** |
| Unsecured bonds | – | (62,353) | – | **(62,353)** |
| Total | – | ¥ (82,093) | – | **¥ (82,093)** |

| 2023/12 | Fair value (Millions of yen) Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Long-term borrowings | – | ¥ (19,887) | – | **¥ (19,887)** |
| Unsecured bonds | – | (74,226) | – | **(74,226)** |
| Total | – | ¥ (94,113) | – | **¥ (94,113)** |

| 2023/12 | Fair value (Thousands of U.S. dollars) Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Long-term borrowings | – | $ (140,049) | – | **$ (140,049)** |
| Unsecured bonds | – | (522,718) | – | **(522,718)** |
| Total | – | $ (662,767) | – | **$ (662,767)** |

Explanation of valuation methods used to determine fair value and inputs used in the determination.

**(1) Investment securities**
The fair value of listed equity securities is estimated using quoted market prices. Since listed equity securities are traded in active markets, their fair values are classified as Level 1.

**(2) Derivatives**
The fair value of exchange forward contracts is determined using the discounted present value method with observable inputs such as exchange rates and is classified as Level 2.

**(3) Unsecured bonds**
The fair value of unsecured bonds is based on Reference Statistical Prices for OTC Bond Transactions and is classified as Level 2.

**(4) Long-term borrowings**
The fair value of long-term borrowings is calculated by discounting the total amount of principal and interest at the interest rate that would be applicable if similar new borrowings were arranged and is classified as Level 2.

## 7. Marketable and investment securities

### (a) Acquisition cost and book value of securities with observable market values at December 31, 2022 and 2023 were as follows:

| | Millions of yen | | |
|---|---|---|---|
| 2022/12 | Acquisition cost | Book value | Difference |
| Available-for-sale securities: | | | |
| Securities with book value exceeding acquisition cost: Equity securities | ¥ 16,872 | ¥ 35,852 | ¥18,980 |
| Securities with book value not exceeding acquisition cost: Equity securities | – | – | – |
| | ¥ 16,872 | ¥ 35,852 | ¥18,980 |

| | Millions of yen | | |
|---|---|---|---|
| 2023/12 | Acquisition cost | Book value | Difference |
| Available-for-sale securities: | | | |
| Securities with book value exceeding acquisition cost: Equity securities | **¥ 15,215** | **¥ 38,095** | **¥ 22,880** |
| Securities with book value not exceeding acquisition cost: Equity securities | **–** | **–** | **–** |
| | **¥ 15,215** | **¥ 38,095** | **¥ 22,880** |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| 2023/12 | Acquisition cost | Book value | Difference |
| Available-for-sale securities: | | | |
| Securities with book value exceeding acquisition cost: Equity securities | **$ 107,148** | **$ 268,275** | **$ 161,127** |
| Securities with book value not exceeding acquisition cost: Equity securities | **–** | **–** | **–** |
| | **$ 107,148** | **$ 268,275** | **$ 161,127** |

### (b) Sales of available-for-sale securities sold in the years ended December 31, 2022 and 2023 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Total sales amounts | ¥ 1,773 | **¥ 4,548** | **$ 32,028** |
| Gains on sales | 1,185 | **2,891** | **20,359** |

### (c) Impairment loss on investment securities

The Company recognized impairment loss of ¥1 million on investment securities for the year ended December 31, 2022. There was no impairment loss on investment securities in the year ended December 31, 2023.

If the fair market value of investment securities as of the end of each financial quarter has declined by more than 30% from the acquisition cost, impairment loss on investment securities is recognized.

## 8. Derivatives

### (a) Derivative transactions not accounted for under hedge accounting

#### (1) Currency related transactions

2022/12 — Millions of yen

| Classification | Type of transaction | Notional amount | Portion due after 1 year | Fair value | Unrealized gain |
|---|---|---|---|---|---|
| Non-market transactions | Currency swap | ¥ 19,000 | ¥ 19,000 | ¥ 428 | ¥ 428 |
| | | ¥ 19,000 | ¥ 19,000 | ¥ 428 | ¥ 428 |

2023/12 — Millions of yen

| Classification | Type of transaction | Notional amount | Portion due after 1 year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|---|
| Non-market transactions | Currency swap | **¥ 19,000** | **¥ 17,100** | **¥ (2,066)** | **¥ (2,066)** |
| | | **¥ 19,000** | **¥ 17,100** | **¥ (2,066)** | **¥ (2,066)** |

2023/12 — Thousands of U.S. dollars

| Classification | Type of transaction | Notional amount | Portion due after 1 year | Fair value | Unrealized gain (loss) |
|---|---|---|---|---|---|
| Non-market transactions | Currency swap | **$ 133,803** | **$ 120,423** | **$ (14,549)** | **$ (14,549)** |
| | | **$ 133,803** | **$ 120,423** | **$ (14,549)** | **$ (14,549)** |

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

#### (1) Currency related transactions

2022/12 — Millions of yen

| Method of hedge accounting | Type of transaction | Hedged items | Notional amount | Portion due after 1 year | Fair value |
|---|---|---|---|---|---|
| Deferral hedge accounting | Forward foreign exchange | | | | |
| | Sell | Forecasted transactions for accounts receivable denominated in foreign currencies | ¥ 40,969 | ¥ 8,526 | ¥ 302 |
| | | | ¥ 40,969 | ¥ 8,526 | ¥ 302 |

2023/12 — Millions of yen

| Method of hedge accounting | Type of transaction | Hedged items | Notional amount | Portion due after 1 year | Fair value |
|---|---|---|---|---|---|
| Deferral hedge accounting | Forward foreign exchange | | | | |
| | Sell | Forecasted transactions for accounts receivable denominated in foreign currencies | **¥ 34,549** | **¥ 4,146** | **¥ (359)** |
| | | | **¥ 34,549** | **¥ 4,146** | **¥ (359)** |

2023/12 — Thousands of U.S. dollars

| Method of hedge accounting | Type of transaction | Hedged items | Notional amount | Portion due after 1 year | Fair value |
|---|---|---|---|---|---|
| Deferral hedge accounting | Forward foreign exchange | | | | |
| | Sell | Forecasted transactions for accounts receivable denominated in foreign currencies | **$ 243,303** | **$ 29,197** | **$ (2,528)** |
| | | | **$ 243,303** | **$ 29,197** | **$ (2,528)** |

Note: The fair value of exchange forward contracts is determined using the discounted present value method with observable inputs such as exchange rates.

## 9. Cash and cash equivalents

Cash and cash equivalents at December 31, 2022 and 2023 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Cash and time deposits on consolidated balance sheets | ¥ 107,152 | ¥ 75,402 | $ 531,000 |
| Time deposits due over three months | (289) | (319) | (2,247) |
| Cash and cash equivalents in consolidated statements of cash flows | ¥ 106,863 | ¥ 75,083 | $ 528,753 |

## 10. Inventories

Inventories at December 31, 2022 and 2023 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Finished and purchased goods | ¥ 53,378 | ¥ 62,841 | $ 442,542 |
| Work-in-process | 2,345 | 907 | 6,387 |
| Raw materials and others | 46,648 | 43,755 | 308,134 |
| | ¥ 102,371 | ¥ 107,503 | $ 757,063 |

## 11. Restructuring expense

Restructuring expense was expense incurred in connection with the liquidation and bankruptcy of the Company's consolidated subsidiaries for the purpose of restructuring the display business and the composite business. The main expenses included loss on impairment of non-current assets and depreciation/amortization expenses.

## 12. Loss on impairment

### (a) Grouping

The Company and its consolidated subsidiaries group operating assets by business unit for which the profit or loss is continually controlled to measure the impairment of the assets. Important idle assets which are not used for business are grouped by project.

### (b) Details of loss on impairment by fiscal year

(1) Fiscal year ended December 31, 2022

| Use | Location | Type | Loss on impairment<br>Millions of yen<br>2022/12 |
|---|---|---|---|
| Signficant idle assets | Shiga-Takatsuki plant | Machinery and equipment | ¥ 732 |
| | | Others | 1 |
| | | Subtotal | 733 |
| | Electric Glass Fiber UK, Ltd. | Construction in progress | 98 |
| | | Subtotal | 98 |
| Total | | | ¥ 831 |

i. Significant idle assets

1. Reason to recognize impairment

   Since there was no plan to use the idle assets, the book values of the assets were written down to their recoverable values.

2. Assessment of recoverable values

   The recoverable values of significant idle assets were based on the net selling prices. No recoverable values were expected for the idle assets due to the low probability of future diversion and sale.

(2) Fiscal year ended December 31, 2023

| Use | Location | Type | Loss on impairment Millions of yen 2023/12 | Loss on impairment Thousands of U.S. dollars 2023/12 |
|---|---|---|---|---|
| Glass production for displays | Electric Glass (Korea) Co., Ltd. | Building and structures | ¥ 8,217 | $ 57,866 |
| | | Machinery and equipment | 1,962 | 13,817 |
| | | Others | 765 | 5,387 |
| | | Subtotal | 10,944 | 77,070 |
| Glass tubing production for pharmaceutical and medical use | Nippon Electric Glass (Malaysia) Sdn. Bhd. | Building and structures | 918 | 6,465 |
| | | Machinery and equipment | 4,743 | 33,401 |
| | | Others | 15 | 106 |
| | | Subtotal | 5,676 | 39,972 |
| Glass production for composites | Electric Glass Fiber UK, Ltd. | Building and structures | 331 | 2,331 |
| | | Machinery and equipment | 670 | 4,718 |
| | | Others | 576 | 4,057 |
| | | Subtotal | 1,577 | 11,106 |
| Significant idle assets | Shiga-Takatsuki plant, Shiga-Notogawa plant, Paju Electric Glass Co., Ltd. | Building and structures | 4,526 | 31,873 |
| | | Machinery and equipment | 702 | 4,944 |
| | | Others | 70 | 493 |
| | | Subtotal | 5,298 | 37,310 |
| Total | | | ¥ 23,495 | $165,458 |

Note: Of the above, ¥12,551 million ($88,387 thousand) was presented as loss on impairment in the consolidated statements of operations. Of the above, ¥10,944 million ($77,071 thousand) was presented as restructuring expense in the consolidated statements of operations.

i. Glass production for displays
1. Reason to recognize impairment
Since the decision to dissolve Electric Glass (Korea) Co., Ltd. was made, the book values of the assets for glass production for displays were written down to their recoverable values.
2. Assessment of recoverable values
The recoverable values of the assets for glass production for displays were measured at fair value less costs of disposal. The fair value was based mainly on the selling price.

ii. Glass tubing production for pharmaceutical and medical use
1. Reason to recognize impairment
Since the improvements in production efficiency could not sufficiently offset the reduction in sales of some products in pharmaceutical and medical use, the book values of the assets for glass tubing production for pharmaceutical and medical use were written down to their recoverable values.
2. Assessment of recoverable values
The recoverable values of the assets for glass tubing production for pharmaceutical and medical use were measured at fair value less costs of disposal. The fair value was based mainly on the selling price.

iii. Glass production for composites
1. Reason to recognize impairment
Since the market was experiencing intensifying competition, the book values of the assets for glass production for composites were written down to their recoverable values.
2. Assessment of recoverable values
The recoverable values of the assets for glass production for composites were based on value in use.
Impairment loss was allocated to the individual assets in the unit at not less than their fair value less costs of disposal. The fair value was based mainly on the selling price.
Since no positive undiscounted future cash flows were expected, no discount rate was calculated.

iv. Significant idle assets
1. Reason to recognize impairment
Since there was no plan to use the idle assets, the book values of the assets were written down to their recoverable values.
2. Assessment of recoverable values
The recoverable values of significant idle assets were based on the net selling prices. No recoverable values were expected for the idle assets due to the low probability of future diversion and sale.

## 13. Short-term and long-term debt

Short-term debt, including the current portion of long-term debt, at December 31, 2022 and 2023 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Short-term bank borrowings, average interest rate 1.3% per annum | ¥ 20,761 | ¥ 23,876 | $ 168,140 |
| Commercial paper, average interest rate (0.0)% per annum | 2,000 | 2,000 | 14,085 |
| Current portion of long-term borrowings, average interest rate 1.6% per annum | 20,118 | 8,629 | 60,768 |
| | ¥ 42,879 | ¥ 34,505 | $ 242,993 |

Average interest rate is the weighted average interest rate for amounts outstanding as of the fiscal year end.

Long-term debt at December 31, 2022 and 2023 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Borrowings, principally from banks and insurance companies due from 2024 through 2030, average interest rate 0.6% per annum | ¥ 62,765 | ¥ 74,467 | $ 524,415 |
| 0.3% unsecured bonds, due in 2026 | 10,000 | 10,000 | 70,423 |
| 0.3% unsecured bonds, due in 2028 | 10,000 | 10,000 | 70,423 |
| | 82,765 | 94,467 | 665,261 |
| Less current portion of long-term borrowings | (20,118) | (8,629) | (60,768) |
| | ¥ 62,647 | ¥ 85,838 | $ 604,493 |

The aggregate annual maturities of long-term debt at December 31, 2023 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2024 | ¥ 8,629 | $ 60,768 |
| 2025 | 24,533 | 172,768 |
| 2026 | 10,438 | 73,507 |
| 2027 | 10,438 | 73,507 |
| 2028 | 10,429 | 73,443 |
| 2029 and thereafter | 30,000 | 211,268 |
| | ¥ 94,467 | $ 665,261 |

## 14. Income taxes

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 year ended December 31, 2022 and 2023 were as follows:

| | 2022/12 | 2023/12 |
|---|---|---|
| Statutory tax rate in Japan | 30.5% | —% |
| Dividend income, other nontaxable income and expenses | (2.5) | — |
| Difference in tax rates for overseas consolidated subsidiaries | (3.7) | — |
| Undistributed profit of overseas consolidated subsidiaries | 1.2 | — |
| Effect of elimination of dividend income | 3.6 | — |
| Overseas withholding tax | 0.2 | — |
| Effect of elimination of unrealized gains | (0.2) | — |
| Movement of valuation allowance | 0.8 | — |
| Tax credits for experimentation and research expenses | (0.6) | — |
| Others | (1.4) | — |
| Effective tax rate | 27.9% | —% |

The details of the differences between the statutory tax rate and effective tax rate for the year ended December 31, 2023 were omitted because the Company recorded a loss before income taxes for the year.

Significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of December 31, 2022 and 2023 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| **Deferred tax assets:** | | | |
| Tax losses carried forward | ¥ 9,344 | **¥ 12,833** | **$ 90,373** |
| Depreciation in excess of tax limit | 5,391 | **4,737** | **33,359** |
| Goodwill | 3,858 | **3,686** | **25,958** |
| Capital allowances | 2,876 | **3,600** | **25,352** |
| Loss on devaluation of inventories | 2,564 | **3,562** | **25,085** |
| Unrealized gain on property, plant and equipment | 4,415 | **3,477** | **24,486** |
| Others | 10,581 | **11,430** | **80,493** |
| Subtotal deferred tax assets | 39,029 | **43,325** | **305,106** |
| Valuation allowance for tax loss carried forward | (8,785) | **(8,979)** | **(63,232)** |
| Valuation allowance for deductible temporary differences | (15,766) | **(16,109)** | **(113,444)** |
| Total valuation allowance | (24,551) | **(25,088)** | **(176,676)** |
| Total deferred tax assets | 14,478 | **18,237** | **128,430** |
| **Deferred tax liabilities:** | | | |
| Depreciation of overseas consolidated subsidiaries | (11,408) | **(9,859)** | **(69,430)** |
| Valuation difference on available-for-sale securities | (4,773) | **(6,094)** | **(42,915)** |
| Undistributed profit of overseas consolidated subsidiaries | (4,595) | **(4,740)** | **(33,380)** |
| Others | (1,614) | **(1,045)** | **(7,360)** |
| Total deferred tax liabilities | (22,390) | **(21,738)** | **(153,085)** |
| Net deferred tax assets (liabilities) | ¥ (7,912) | **¥ (3,501)** | **$ (24,655)** |

Notes:
Tax losses carried forward and their deferred tax assets by expiration period as of December 31, 2022 and 2023 were as follows:

2022/12

| | Millions of yen | | |
|---|---|---|---|
| | Tax losses carried forward | Valuation allowance for tax losses carried forward | Deferred tax assets |
| 2023 | ¥ – | ¥ – | ¥ – |
| 2024 | 374 | (374) | – |
| 2025 | 38 | (38) | – |
| 2026 | 192 | (192) | – |
| 2027 | 22 | (22) | – |
| 2028 and thereafter | 8,718 | (8,159) | 559 |
| Total | ¥ 9,344 | ¥ (8,785) | ¥ 559 |

2023/12

| | Millions of yen | | |
|---|---|---|---|
| | Tax losses carried forward | Valuation allowance for tax losses carried forward | Deferred tax assets |
| 2024 | **¥ –** | **¥ –** | **¥ –** |
| 2025 | **12** | **(12)** | **–** |
| 2026 | **206** | **(206)** | **–** |
| 2027 | **24** | **(24)** | **–** |
| 2028 | **15** | **(15)** | **–** |
| 2029 and thereafter | **12,576** | **(8,722)** | **3,854** |
| Total | **¥ 12,833** | **¥ (8,979)** | **¥ 3,854** |

2023/12

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | Tax losses carried forward | Valuation allowance for tax losses carried forward | Deferred tax assets |
| 2024 | **$ –** | **$ –** | **$ –** |
| 2025 | **85** | **(85)** | **–** |
| 2026 | **1,451** | **(1,451)** | **–** |
| 2027 | **169** | **(169)** | **–** |
| 2028 | **105** | **(105)** | **–** |
| 2029 and thereafter | **88,563** | **(61,422)** | **27,141** |
| Total | **$ 90,373** | **$ (63,232)** | **$ 27,141** |

The amount of tax losses carried forward in the above table is after multiplying by the statutory tax rate.

## 15. Asset retirement obligations

### (a) Asset retirement obligations recorded on the consolidated balance sheets

(1) Outline of asset retirement obligations

Recorded asset retirement obligations are expenses, such as the costs for the disposal of machinery and equipment owned by the Company that contain PCB (polychlorinated biphenyl) and the costs for the removal of asbestos from buildings owned by the Company when they are demolished. These expenses include the demolition and removal costs of buildings and the disposal costs of equipment and other items in connection with the liquidation of consolidated subsidiaries.

(2) Basis for calculating asset retirement obligations

Asset retirement obligations are based on estimates provided by specialty companies such as construction companies.

(3) Changes in the total amount of asset retirement obligations during the fiscal years ended December 31, 2022 and 2023 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Beginning balance | ¥ 256 | **¥ 253** | **$ 1,782** |
| Decrease due to the fulfillment of asset retirement obligations | (4) | **(986)** | **(6,944)** |
| Change in estimated asset retirement obligations | – | **3,399** | **23,937** |
| Ending balance | ¥ 252 | **¥ 2,666** | **$ 18,775** |

(4) Changes in accounting estimates

For the current fiscal year, due to the decision to dissolve consolidated subsidiaries in South Korea, the demolition and removal costs for buildings and the disposal costs of equipment and other items in connection with the liquidation of consolidated subsidiaries were reviewed as to the best estimates by the available information. As a result, ¥3,399 million ($23,937 thousand) was added to the asset retirement obligations balance, and the same amount was added to the loss before income taxes.

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

Regarding some plant sites and other properties used under real estate leasing agreements, the Company and its 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 terminate or move out at this time, it is impossible to reasonably estimate the related asset retirement obligations. Therefore, no asset retirement obligations are recorded in connection with such obligations.

## 16. Severance and retirement benefits

The Company and its domestic consolidated subsidiaries provide mainly defined contribution pension plans. However, certain employees are provided unfunded lump-sum payment plans. The overseas consolidated subsidiaries provide funded lump-sum payment plans, defined contribution pension plans and defined benefit pension plans.

For defined benefit pension plans, the reconciliation of the opening and ending balances for the projected benefit obligation for the fiscal years ended December 31, 2022 and 2023 was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Projected benefit obligation at beginning of year | ¥ (1,247) | **¥ (1,293)** | **$ (9,106)** |
| Service cost | (94) | **(91)** | **(641)** |
| Interest cost | (19) | **(32)** | **(225)** |
| Actuarial differences | 49 | **(34)** | **(239)** |
| Benefits paid | 74 | **72** | **507** |
| Others | (56) | **(65)** | **(458)** |
| Projected benefit obligation at end of year | ¥ (1,293) | **¥ (1,443)** | **$ (10,162)** |

For defined benefit pension plans, the reconciliation of the opening and ending balances for plan assets for the fiscal years ended December 31, 2022 and 2023 was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Plan assets at beginning of year | ¥ 34 | ¥ 39 | $ 275 |
| Expected return on pension assets | 0 | 1 | 7 |
| Actuarial differences | 3 | 0 | 0 |
| Contributions paid by employer | 1 | 1 | 7 |
| Benefits paid | – | (0) | (0) |
| Others | 1 | 3 | 21 |
| Plan assets at end of year | ¥ 39 | ¥ 44 | $ 310 |

For defined benefit pension plans, the reconciliation of the ending balances for projected benefit obligations and plan assets and the balances for net defined benefit liability recognized in the consolidated balance sheets for the fiscal years ended December 31, 2022 and 2023 was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Projected benefit obligation of funded plans | ¥ (900) | ¥ (1,036) | $ (7,296) |
| Plan assets | 39 | 44 | 310 |
| | (861) | (992) | (6,986) |
| Projected benefit obligation of unfunded plans | (393) | (407) | (2,866) |
| Net liabilities for severance and retirement benefits recognized in the consolidated balance sheets | (1,254) | (1,399) | (9,852) |
| | | | |
| Net defined benefit liability | (1,254) | (1,399) | (9,852) |
| Net liabilities for severance and retirement benefits recognized in the consolidated balance sheets | ¥ (1,254) | ¥ (1,399) | $ (9,852) |

For defined benefit pension plans, components of severance and retirement benefit expense for the fiscal years ended December 31, 2022 and 2023 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Service cost | ¥ 94 | ¥ 91 | $ 641 |
| Interest cost | 19 | 32 | 225 |
| Expected return on plan assets | 0 | (1) | (7) |
| Amortization of actuarial differences | (52) | 34 | 239 |
| Others | (5) | (5) | (35) |
| Severance and retirement benefit expense for defined benefit pension plans | ¥ 56 | ¥151 | $ 1,063 |

For defined benefit pension plans, the percentage composition by asset class of total plan assets for the fiscal years ended December 31, 2022 and 2023 was as follows:

| | 2022/12 | 2023/12 |
|---|---|---|
| Equity securities | 47% | 47% |
| Bonds | 11% | 12% |
| Others | 42% | 41% |
| Total | 100% | 100% |

The current and expected allocation of plan assets and the current and expected long-term rates of return for the various assets that constitute the plan assets are considered when determining the long-term expected rate of return on plan assets.

For defined benefit pension plans, principal actuarial assumptions for the fiscal years ended December 31, 2022 and 2023 were as follows:

| | 2022/12 | 2023/12 |
|---|---|---|
| Discount rates | 1.5–5.9% | 1.3–5.4% |
| Long-term expected rate of return on plan assets | 0.5% | 1.6% |
| Expected rates of pay raises | 2.5–5.1% | 2.5–5.1% |

The total amounts that the Company and its consolidated subsidiaries needed to contribute to the defined contribution pension plans were ¥1,796 million and ¥1,971 million ($13,880 thousand) for the fiscal years ended December 31, 2022 and 2023, respectively.

## 17. Stock options

Outline of compensation paid to the Company's directors based on the Company's restricted share-based compensation plan

### (a) Details of restricted stock

| | Restricted stock issued in 2022 | Restricted stock issued in 2023 |
|---|---|---|
| Title and number of grantees | 6 directors of the Company (Excluding independent outside directors) | **5 directors of the Company (Excluding independent outside directors)** |
| Number of shares | 16,000 common shares | **12,600 common shares** |
| Grant date | March 30, 2022 | **March 30, 2023** |
| Vesting conditions | Remain in the position of director from the date of annual shareholders' meeting immediately preceding the allotment date to the date of annual shareholders' meeting for the following fiscal year | **Remain in the position of director from the date of annual shareholders' meeting immediately preceding the allotment date to the date of annual shareholders' meeting for the following fiscal year** |
| Service period | From March 30, 2022 to March 29, 2023 | **From March 30, 2023 to March 27, 2024** |

### (b) Size and changes in the Company's restricted share-based compensation plan

(1) Cost and presentation in the consolidated statements of income

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Selling, general and administrative expenses | ¥ 33 | **¥ 35** | **$ 246** |

(2) Number of shares

| | Shares | |
|---|---|---|
| | Restricted stock issued in 2022 | Restricted stock issued in 2023 |
| End of the previous consolidated fiscal year | 16,000 | **–** |
| Granted | – | **12,600** |
| Forfeited | – | **–** |
| Vested | 16,000 | **–** |
| Unvested | – | **12,600** |

(3) Price information

| | Yen | |
|---|---|---|
| | Restricted stock issued in 2022 | Restricted stock issued in 2023 |
| Fair value at the grant date | ¥ 2,756 | **¥ 2,519** |

### (c) Valuation method for estimating fair value of per share of restricted stock

The estimated fair value is the closing price of the Company's common stock on the Tokyo Stock Exchange on the immediately preceding business day of the grant date (March 29, 2023).

### (d) Method for estimating vested number of shares

Because it is difficult to accurately estimate the number of shares that will be forfeited in the future, only the actual number of forfeitures is reflected in the estimate of the vested number of shares.

## 18. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common shares. 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 shares 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 nonconsolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on March 28, 2024, the shareholders approved cash dividends amounting to ¥5,349 million ($37,669 thousand), or ¥60.00 per share. In addition, the Company paid interim cash dividends of ¥5,583 million ($39,317 thousand), or ¥60.00 per share, on August 31, 2023.

## 19. Contingent liabilities

Contingent liabilities at December 31, 2022 and 2023 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Notes receivable discounted | ¥ 531 | – | – |
| Guarantees of employees' housing loans | 26 | ¥ 14 | $ 99 |
| Guarantees of bank loans for affiliated company accounted for by the equity method | 1,665 | – | – |

## 20. Revenue recognition

### (a) Disaggregation of revenue from contracts with customers

#### (1) Geographical information

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Japan | ¥ 42,920 | ¥ 41,483 | $ 292,134 |
| Asia | 163,794 | 142,974 | 1,006,859 |
| Europe, North America and others | 117,921 | 95,516 | 672,648 |
| Revenue from contracts with customers | 324,635 | 279,973 | 1,971,641 |
| Other revenues | 0 | 2 | 14 |
| Revenues from external customers | ¥ 324,635 | ¥ 279,975 | $ 1,971,655 |

#### (2) Business field information

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2022/12 | 2023/12 | 2023/12 |
| Electronics and Information Technology | ¥ 148,764 | ¥ 133,209 | $ 938,092 |
| Performance Materials | 175,871 | 146,764 | 1,033,549 |
| Revenue from contracts with customers | 324,635 | 279,973 | 1,971,641 |
| Other revenues | 0 | 2 | 14 |
| Revenues from external customers | ¥ 324,635 | ¥ 279,975 | $ 1,971,655 |

### (b) Revenue from contracts with customers

For a fundamental understanding of revenue, see: Note 2(n), "Revenue Recognition."

## (C) Revenue in the current and subsequent fiscal years

### (1) Contract assets and liabilities

| Millions of yen | 2022/1 | 2022/12 |
|---|---|---|
| Receivables from contracts with customers | ¥ 60,614 | **¥ 53,756** |
| Contract assets | 10 | **13** |
| Contract liabilities | ¥ 2,303 | **¥ 1,010** |

| Millions of yen | 2023/1 | 2023/12 |
|---|---|---|
| Receivables from contracts with customers | ¥ 53,756 | **¥ 59,585** |
| Contract assets | 13 | **19** |
| Contract liabilities | ¥ 1,010 | **¥ 373** |

| Thousands of U.S. dollars | 2023/1 | 2023/12 |
|---|---|---|
| Receivables from contracts with customers | $ 378,563 | **$ 419,613** |
| Contract assets | 92 | **134** |
| Contract liabilities | $ 7,113 | **$ 2,627** |

Contract assets relate mainly to rights to consideration for which revenue has been recognized but for which an invoice has not been issued in connection with contracts for which performance obligations are satisfied over time. Contract assets are transferred to receivables arising from contracts with customers when the rights of the Company and its consolidated subsidiaries to the related consideration become unconditional.

Contract liabilities consist mainly of consideration received from customers before the delivery of products or the completion of services. Contract liabilities are reversed upon the recognition of revenue.

The amount of revenue recognized in the current fiscal year that was included in the balance of contract liability at the beginning of the fiscal year was ¥1,012 million ($7,127 thousand).

The difference between the beginning balance and the balance at the end of the period was due to exchange rate fluctuations. The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied (or partially satisfied) in prior periods was immaterial.

### (2) Transaction price allocated to remaining performance obligations

Information related to remaining performance obligations is omitted because there were no significant transactions in which the originally expected contract period exceeded one year.

In addition, any consideration from contracts with customers does not include any material amount which was not included in the transaction price.

## 21. Segment information

Information by segment for the fiscal years ended December 31, 2022 and 2023 was as follows:

### (a) Segment information (by management approach)
### Outline of reportable segment

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 the Company and its consolidated subsidiaries may be considered to consist of multiple business segments that are handled by various business divisions, in general the “glass products” made by the Company and its consolidated subsidiaries are similar in terms of product characteristics, manufacturing methods, market and industry, customer type and marketing factors. Therefore, the Company and its consolidated subsidiaries have consolidated these segments into a single “Glass Business” segment. Accordingly, except for information given in the “Outline of reportable segment,” information for other segments has been omitted.

## (b) Related information

### (1) Information by products and services

2022/12 — Millions of yen

| | Glass Business | | Total |
|---|---|---|---|
| | Electronics and Information Technology | Performance Materials | |
| Sales to external customers | ¥ 148,764 | ¥ 175,871 | ¥ 324,635 |

2023/12 — Millions of yen

| | Glass Business | | Total |
|---|---|---|---|
| | Electronics and Information Technology | Performance Materials | |
| Sales to external customers | **¥ 133,209** | **¥ 146,766** | **¥ 279,975** |

2023/12 — Thousands of U.S. dollars

| | Glass Business | | Total |
|---|---|---|---|
| | Electronics and Information Technology | Performance Materials | |
| Sales to external customers | **$ 938,092** | **$ 1,033,563** | **$ 1,971,655** |

## (c) Geographical information

Net sales

2022/12 — Millions of yen

| Japan | China | South Korea | U.S. | Europe | Other areas | Total |
|---|---|---|---|---|---|---|
| ¥ 42,920 | ¥ 94,039 | ¥ 38,416 | ¥ 62,961 | ¥ 51,975 | ¥ 34,324 | ¥ 324,635 |

2023/12 — Millions of yen

| Japan | China | South Korea | U.S. | Europe | Other areas | Total |
|---|---|---|---|---|---|---|
| **¥ 41,485** | **¥ 79,502** | **¥ 28,949** | **¥ 54,307** | **¥ 38,994** | **¥ 36,738** | **¥ 279,975** |

2023/12 — Thousands of U.S. dollars

| Japan | China | South Korea | U.S. | Europe | Other areas | Total |
|---|---|---|---|---|---|---|
| **$ 292,148** | **$ 559,873** | **$ 203,866** | **$ 382,444** | **$ 274,606** | **$ 258,718** | **$ 1,971,655** |

Notes: 1. The classifications of countries and areas are based on the location of customers.
2. The main country classified as "Other areas" is Taiwan.

Property, plant and equipment

2022/12 — Millions of yen

| Japan | China | Malaysia | Other areas | Total |
|---|---|---|---|---|
| ¥ 192,208 | ¥ 100,534 | ¥ 69,739 | ¥ 63,149 | ¥ 425,630 |

2023/12 — Millions of yen

| Japan | China | Malaysia | Other areas | Total |
|---|---|---|---|---|
| **¥ 192,657** | **¥ 99,350** | **¥ 61,374** | **¥ 39,587** | **¥ 392,968** |

2023/12 — Thousands of U.S. dollars

| Japan | China | Malaysia | Other areas | Total |
|---|---|---|---|---|
| **$ 1,356,739** | **$ 699,648** | **$ 432,211** | **$ 278,782** | **$ 2,767,380** |

Notes: 1. The classifications of countries and areas are based on the location of property, plant and equipment.
2. The main countries classified as "Other areas" are South Korea and the U.S.

## (d) Information by major customers

Information for the year ended December 31, 2022 and 2023 was omitted as no single customer accounted for more than 10% of consolidated net sales as reported in the consolidated statements of operations.

### (e) Information on impairment

| 2022/12 | Millions of yen | |
|---|---|---|
| | Glass Business | Total |
| Loss on impairment | ¥ 831 | ¥ 831 |

| 2023/12 | Millions of yen | |
|---|---|---|
| | Glass Business | Total |
| Loss on impairment | **¥ 23,495** | **¥ 23,495** |

| 2023/12 | Thousands of U.S. dollars | |
|---|---|---|
| | Glass Business | Total |
| Loss on impairment | **$ 165,458** | **$ 165,458** |

Note: Loss on impairment included the portion of impairment loss recorded as restructuring expense.

## 22. Significant subsequent events

At the Board of Directors meeting held on January 29, 2024, the Board of Directors resolved to transfer a non-current asset (land) held by the Company. The Company concluded a contract for the sale of the asset on January 31, 2024.

### (a) Reason for transfer of the non-current asset

As part of its initiative to realize sustainable growth and improve corporate value, the Company strategies for the good use of capital with a view to improving the capital efficiency of the Group.

### (b) Details of the asset to be transferred

| | |
|---|---|
| Details | Land (site of the Company's Fujisawa Plant) |
| Location | Kugenumashinmei 3-chome, Fujisawa, Kanagawa |
| Area | 29,504.32 $m^2$ |
| Current state | Idle land |
| Gain on transfer | Approximately ¥15.2 billion |

Note: Due to the request of the transferee, the transfer price and book value of the asset are not disclosed.

### (c) Overview of the transferee

Although the transferee is a general business company in Japan, information regarding the transferee is not disclosed according to the transferee's request. There are no capital relationships, personal relationships, business relationships, or other matters needing to be disclosed because of any related party status.

### (d) Schedule of transfer

| | |
|---|---|
| Date of resolution of the Board of Directors meeting: | January 29, 2024 |
| Date of conclusion of sale and purchase agreement: | January 31, 2024 |
| Date of transfer of property: | February 29, 2024 |

KPMG

# Independent Auditor's Report

Nippon Electric Glass Co., Ltd. and its consolidated subsidiaries

For the Years ended December 31,
2023 and 2022

KPMG AZSA LLC
April 2024

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# Independent auditor's report

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

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Nippon Electric Glass Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, the consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on non-current assets used for domestic display glass production**

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| Property, plant and equipment of ¥392,968 million and intangible assets of ¥4,996 million were recognized in the consolidated | The primary procedures we performed to assess the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on |

| | |
|---|---|
| balance sheets of the Group as of December 31, 2023. As described in Note 3, "Significant Accounting Estimates, Consideration of impairment on non-current assets" to the consolidated financial statements, ¥35,029 million of the non-current assets were used for the Company's domestic display glass production, accounting for approximately 5.0% of total assets in the consolidated financial statements.<br><br>While these non-current assets are depreciated/amortized in a periodical manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the related asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.<br><br>Since the recovery of facility operations was slower than initially planned amid ongoing sluggish demand for end-products, the Company's displays business recognized recurring operating losses for several consecutive years, indicating impairment. Accordingly, the Company performed an impairment test during the current fiscal year; however, it determined that the recognition of an impairment loss was not necessary as the estimated undiscounted future cash flows from the business exceeded the carrying amount. The estimated future cash flows used in the impairment testing were based on the Company's business plans developed by management which reflected highly uncertain assumptions, including, in particular, estimated sales volumes and unit selling prices. Accordingly, management's judgment on these assumptions had a significant effect on the estimated future cash flows.<br><br>We, therefore, determined that the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on non-current assets used for domestic display glass production was of | non-current assets used for domestic display glass production included the following:<br><br>**(1) Internal control testing**<br><br>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to determining whether impairment loss on non-current assets should be recognized. In this assessment, we focused our testing on controls designed to prevent and/or detect the use of inappropriate assumptions for sales volumes and unit selling prices of major products in the Company's business plans.<br><br>**(2) Assessment of the reasonableness of estimated undiscounted future cash flows**<br><br>We inquired of the personnel responsible for the display glass business and accounting regarding the basis for key assumptions used to develop the business plans that formed the basis for estimating undiscounted future cash flows in order to assess whether those key assumptions were appropriate. In addition, we:<br>● compared the estimated sales volumes of major products with information obtained from customers and market forecast reports published by external organizations, which served as the basis for estimating the sales volume, and assessed the reasonableness of the responses of the personnel responsible;<br>● inspected the estimates of unit selling prices and other documents that were submitted to major customers and assessed their feasibility; and<br>● developed undiscounted future cash flow projections by incorporating the effect of specific uncertainties into the business plans approved by the Board of Directors, after considering the results of our evaluation of the reasonableness of key assumptions, and then assessed whether there was any potential effect on the determination of shether an impairment loss should be recognized. |

| | |
|---|---|
| most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | |

## Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine that such information does not exist.

## Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures

that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 70 million yen and 159 million yen, respectively.

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2023 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.

## Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Sung-Jung Hong

Designated Engagement Partner

Certified Public Accountant

Johta Mizo

Designated Engagement Partner

Certified Public Accountant

Yohei Onishi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Kyoto Office, Japan

April 15, 2024

Nippon Electric Glass

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