Annual Report 2001

For the year ended March 31, 2001

Nippon Electric Glass Co., Ltd.

CONTENTS

Nippon Electric Glass Co., Ltd. (NEG) is engaged in the manufacture and supply of high-technology glass products, which are contributing to social progress and development.

Targeting the global market, NEG now has production bases worldwide, including in the U.S., Malaysia, the U.K. and China. It is thus able to provide customers around the world with a broad range of specialty glass products for CRTs, flat panel displays and optical/electronic devices as well as glass fibers, tubing, heat-resistant glass and building materials.

We at NEG are dedicated to developing and manufacturing high-tech glass including products used for information technology and communications as the core, to the benefit of individuals everywhere.

Consolidated Financial Highlights

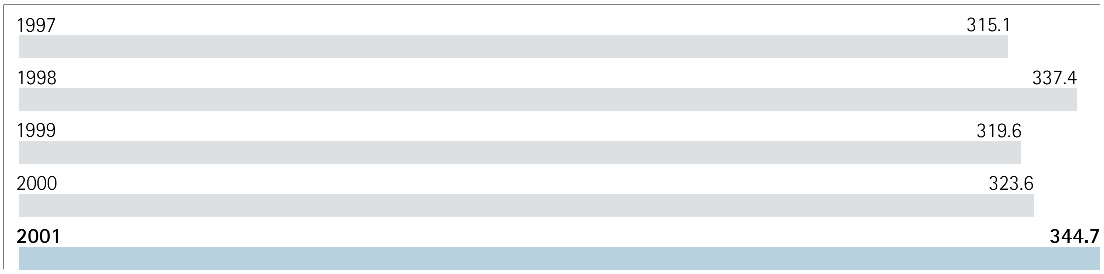
Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries for the years ended March 31, 1997, 1998, 1999, 2000 and 2001

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

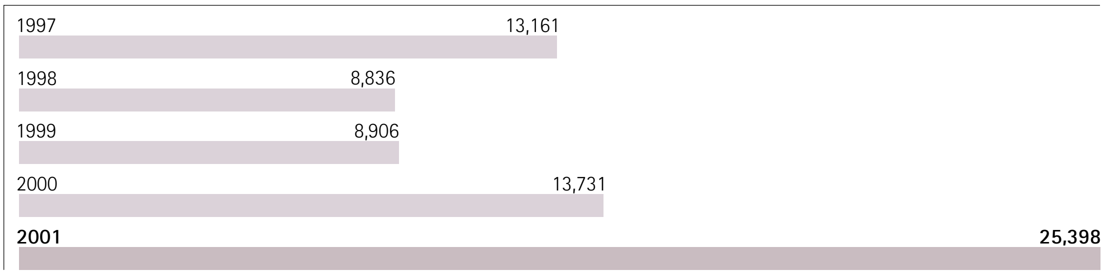
	1997	1998	1999	2000	2001		Percent change 2001/2000
Net sales	¥315,137	¥337,417	¥319,638	¥323,590	**¥344,677**	**$2,779,653**	**6.5%**
Net income	13,161	8,836	8,906	13,731	**25,398**	**204,823**	**85.0**
Total assets	491,801	520,916	516,090	544,766	**563,377**	**4,543,362**	**3.4**
Shareholders' equity	137,063	143,784	150,556	174,311	**200,918**	**1,620,306**	**15.3**
Per share of common stock (Yen)							
Net income	¥ 82.37	¥ 55.30	¥ 55.74	¥ 85.94	**¥ 158.97**	**$ 1.28**	**85.0**
Diluted net income	76.04	51.55	52.11	79.80	**145.89**	**1.18**	**82.8**
Shareholders' equity	857.88	899.95	942.33	1,091.01	**1,257.54**	**10.14**	**15.3**
Equity ratio (%)	27.9	27.6	29.2	32.0	**35.7**		
Return on equity (%)	10.0	6.3	6.1	8.5	**13.5**		

Note: 1. The computations of net income per share and shareholders' equity per share are based on the average number of shares outstanding during each year and the number of shares outstanding at the end of each year, respectively.
2. U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of the reader, using the prevailing exchange rate at March 30, 2001 of ¥124 to US$1.
3. At March 31, 2001, Nippon Electric Glass Co., Ltd. had 24 consolidated subsidiaries.

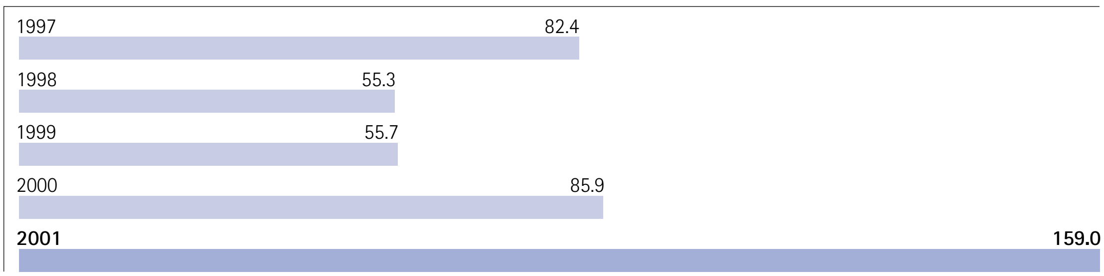
Net Sales (Billions of yen)



Net Income (Millions of yen)



Net Income Per Share (Yen)



Message from the Management

Up to the midpoint of fiscal 2001, which ended March 31, 2001, overseas economies were doing well, and Japan's economy continued to slowly recover. However, from the third quarter, the U.S. slowdown led to sudden adjustments in the economies of Japan and other countries.

In this economic climate, we continued to concentrate on improving efficiency across the board, strengthening our management structure, and boosting competitiveness and profitability in all product sectors. We positioned non-CRT sectors such as glass for flat panel display devices and glass for optical and electronic devices as the Company's growth sectors, and focused on establishing technologies and building and expanding production and supply systems related to such sectors.

Outline of Results

Consolidated net sales during the year amounted to ¥344,677 million ($2,780 million), 6.5% more than the preceding year. Reflecting the worldwide expansion of the information and telecommunication markets, in the first half sales of glass for non-CRT applications were higher, led by glass for LCDs and glass for optical communications, and sales of glass for CRTs also posted steady gains.

Net income rose 85.0% year on year, to ¥25,398 million ($205 million), thanks to a number of factors including higher sales, improvements in productivity and exchange gains. As a result, net income per share increased by ¥73.03 (59 cents), to ¥158.97 ($1.28).

To strengthen the Company's financial position, in fiscal 2000 we launched a program to reduce our interest-bearing debt by ¥60 billion (approximately $500 million) over a three-year period. During the fiscal period under review, we exceeded our target for the period by reducing the interest-bearing debt by ¥31.2 billion ($252 million) compared to the preceding year.

Future Management Issues

With national economies continuing to become more borderless in nature, international competition is expected to become increasingly fierce. To withstand this the competitive pressures of such an environment, NEG is moving forward with the following measures to improve business results and provide a corporate foundation and competitive product lineup for future corporate progress and development.

- **Stronger Corporate Foundation**
  We are focusing on improving efficiency throughout the NEG Group by streamlining the corporate structure, consolidating operations and prioritizing investments, and are also emphasizing the importance of cash flows. In a related move, we newly appointed officers in charge of important business of the Company to speed up decision-making and strengthen executive functions in the Company's core business operations. We are also ahead of schedule with respect to our three-year program for reducing interest-bearing debt.

- **Developing Non-CRT Sectors**
  We are focusing on R&D and the development of applications, particularly in information and communications related sectors such as glass for display and optical devices, and in the glass-ceramics sector in which the Company has a rich fund of technology. In doing this, the aim is to develop and expand areas of business that will provide the foundation for future corporate growth and progress. In particular, we are concentrating management resources on non-CRT sectors such as glass for LCDs, plasma display panels (PDPs) and glass for optical communications to build up our core business. Moreover, we are boosting our technology and processing capabilities in the area of thin-film processes, an element technology of critical importance to such glass products.

- **Globalization**
  NEG has overseas production bases in six countries. On a consolidated basis, overseas production accounts for 38% of total production, and overseas sales account for 65% of total sales. Looking to the future, NEG is strengthening the international competitiveness of all its products, and is moving forward with the globalization of operations using the

production, supply and sales networks that the companies of the NEG Group has established in the world's major markets.

Reorganization of Operations

While worldwide demand for CRT glass bulbs keeps on expanding at a steady pace, demand in Japan is shrinking as Japanese CRT manufacturers continue to transfer production overseas. At the same time, demand for non-CRT sector products is expected to grow rapidly. In order to respond to such changes in the business environment, we shall be gradually shifting CRT glass production overseas, and concentrating on non-CRT products in Japan.
As a first step in this reorganization of operations, in June 2001, a new furnace for CRT panel glass was constructed at Nippon Electric Glass (Malaysia), our Malaysian subsidiary, and in July this was followed by the construction of a furnace for CRT neck tube glass.
To enable us to fully concentrate corporate resources on our core business, at the end of 2000 we stopped production and sale of glass-ceramic bioactive products.

Conserving the Environment

In its business operations, NEG has always been giving special priority to conservation of the environment. To combat global warming, we are changing over to an oxygen-fired system for our glassmaking furnaces that greatly reduces emissions of nitrogen oxide and carbon dioxide.
NEG is also introducing its own system of managing waste as part of a move to minimize the amount of waste materials generated in the course of manufacturing operations. The new system uses the ratio of waste to production volume as an index.
In Japan, the Home Appliance Recycling Law came into effect on April 1, 2001. NEG has set up a system for recycling CRT glass from used TV sets, as part of our corporate responsibility to help make Japan a nation that practices recycling.

Management Changes

At the General Meeting of Shareholders held on June 28, 2001, Kiyosaku Kishida stepped down as chairman of the board and was appointed Senior Advisor. At a meeting of the board of directors held following the conclusion of the General Meeting of Shareholders, Nobutsune Kogo, who had been serving as Vice Chairman, was elected Chairman of the Board. Mr. Kishida served on the board of directors of NEG since 1973, a period of 28 years, and made a major contribution to the globalization of the Company's operations following his appointment to the presidency in 1985. We would like to express our deep appreciation to Mr. Kishida for his many achievements over the years.

Nobutune Kogo, Chairman of the Board (right), and Tetsuji Mori, President

Finally, in fiscal 2002, the economic slowdown in the United States and the effect this will have on the Asian economies, the sluggish state of the PC market, the stagnant level of telecommunications-related investment and other such factors will create a severe management environment that is very different from the preceding year. For its part, NEG intends to respond to this difficult management environment by increasing its efforts to speedily tackle the above management issues, and by ensuring its business results.

On behalf of the board of directors, we would like to conclude by expressing our thanks to our shareholders, customers, employees, friends and associates for their unwavering support. Please continue to support our future endeavors.

Nobutune Kogo *Chairman of the Board*

Tetsuji Mori *President*

Review of Operations

Glass Business

Glass business sales rose 6.6% year on year, to ¥342,296 million ($2,760 million), and accounted for 99.3% of consolidated total sales.

Information and Communications

Sales by this category amounted to ¥280,159 million ($2,259 million), 9.3% more than the preceding year, and accounted for 81.3% of consolidated total sales.

Glass for CRTs

Sales of glass for CRTs posted a year-on-year gain of 6.3%, to ¥235,391 million ($1,898 million), and accounted for 68.3% of consolidated total sales.
Global demand for CRT glass bulbs was boosted by the trend toward larger TVs, flat-screen types, and the growth of the PC market. To meet this increase in demand, NEG pushed up productivity levels and expanded production capacity at overseas subsidiaries. This involved the addition of a new melting furnace at Nippon Electric Glass (Malaysia), and the expansion of forming facilities at Shijiazhuang Baoshi Electric Glass Co., Ltd., a joint venture in China.
In addition, a new joint venture was established in Fuzhou, China, to process CRT funnel glass. Operations at the new company got underway in November 2000.

A new CRT panel glass plant at NEG-M, built as a first step in the NEG Group's restructuring of business operations

Sales (in millions of yen)

1999	227,048
2000	221,535
2001	**235,391**

CRT glass bulbs for TVs, displays, projection TVs/CRT neck tubes

Glass for Non-CRT

(Flat Panel Displays, Optical and Electronic Devices)
Sales of glass for non-CRT products rose 28.7% year-on-year, to ¥44,768 million ($361 million), and accounted for 13.0% of consolidated total sales, 2.2 points higher than the preceding year.
The global increase in LCD production, together with the ramping-up of PDP production in Japan, pushed up sales of LCD substrate glass and substrate glass and glass paste for PDPs. Market growth for optical communications products in North America and elsewhere resulted in a major gain in sales of glass for optical communications applications.
A change in the method of manufacturing LCD substrate glass resulted in an improvement in productivity and supply capability. With respect to glass for PDPs and optical communications applications, production capacity was increased to handle rising demand.

LCD substrate glass

Sales (in millions of yen)

1999	28,150
2000	34,796
2001	**44,768**

Glass for LCDs (LCD substrate glass, MLA glass for LCD projectors) /
Glass for PDPs (PDP substrate glass, glass paste) /
Glass for optical communications (glass capillaries, ferrules, micro ball lenses and lens-units) / CCD cover glass /
Glass for laser-diodes / Powder glass / Glass tube for diodes & reed-switches

Other Products

Sales by this category came to ¥62,137 million ($501 million), 4.0% less than the preceding year. Other product sales accounted for 18.0% of consolidated total sales.

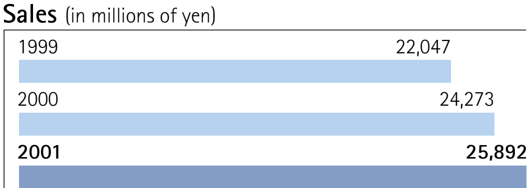
Glass Fibers

Sales of glass fibers increased 6.7%, to ¥25,892 million ($209 million), accounting for 7.5% of consolidated total sales.

Sales of glass fibers for printed circuit boards were brisk, reflecting market growth by PCs and mobile telephones. Also contributing to the improvement were efforts to expand sales of glass fibers for engineering plastics, which resulted in higher sales, especially to Southeast Asia and Europe.

Glass fiber for printed circuit boards (yarn twisting process)

Sales (in millions of yen)



E-fiber for printed-circuit-boards, engineering-plastics and FRP/ ARG (alkali-resistant glass) for GRC and asbestos replacements

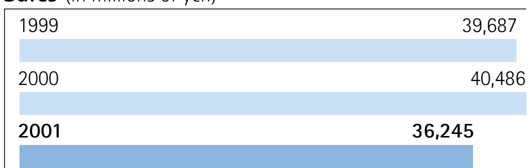
Building Materials, Heat-resistant Glass, Glass Tubing, Other

Sales of these products decreased 10.5%, to ¥36,245 million ($292 million), and accounted for 10.5% of consolidated total sales.

Sales of glass for building materials were robust, but in the absence of the spot orders that boosted shipments the previous fiscal year, lower sales were posted by super heat-resistant "Neoceram" glass-ceramic products and glass tubing for fluorescent-lamp bulbs.

"Firelite" with newly-developed radiant-heat insulation property

Sales (in millions of yen)

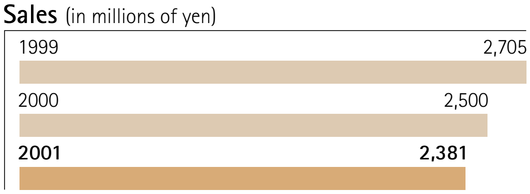


Building Materials: Glass blocks, Glass-ceramics building materials "Neopariés" and "Neoclad," "Firelite" for fire doors, Radiation-shielding glass "LX," Recycled glass tile "Crystal Clay"/
Heat-resistant glass: Super heat-resistant glass-ceramics "Neoceram," Heat-resistant glass "Neorex"/
Glass Tubing: Glass for fluorescent-lamp bulbs, Glass for ampules, vials and laboratory use/Glass for thermos flasks/
Evacuated-type solar collector/Glassmaking Machinery

Other Business

This comprises businesses operated by subsidiaries other than glass-related business. Other business sales decreased 4.8%, to ¥2,381 million ($19 million).

Sales (in millions of yen)



Financial Review

Business climate

The first half of fiscal 2001 was marked by strong demand for glass for non-CRT applications, such as glass for LCDs, PDPs and optical communications. From the third quarter, however, demand was impacted over a broad range of product sectors as customers adjusted inventories in the wake of a slowdown in the PC market and cutbacks in investments for optical fiber networks and facilities.

Sales

Consolidated sales in fiscal 2001 totaled ¥344,677 million ($2,780 million), an increase of 6.5% compared to the preceding year. The worldwide expansion of the information and telecommunication markets boosted sales of glass for LCDs, optical communications and other non-CRT applications, and sales of glass for CRTs and glass fibers were also higher.

Sales in Japan amounted to ¥121,308 million ($978 million), 1.4% more than the preceding year. Sales of glass for CRTs declined, as CRT manufacturers continued to shift production overseas, but this decline was more than offset by higher sales of glass for LCDs and glass for optical devices.

At ¥223,369 million ($1,801 million), overseas sales registered a year-on-year increase of 9.5%, attributable mainly to higher sales of glass for CRTs in the Asia region.

Income

Fiscal 2001 operating income rose 31.1% year on year, to ¥49,204 million ($397 million). The increase in sales, along with higher productivity and capacity utilization rates, resulted in a 2.7 point improvement in the ratio of costs to sales.

As a result, income before income taxes and minority interests increased 83.1% year on year, to ¥35,729 million ($288 million), and net income rose 85.0%, to ¥25,398 million ($205 million). Net income per share was ¥158.97 ($1.28), ¥73.03 (59 cents) more than the preceding year.

Geographic Segment Information

Japan: Total sales came to ¥252,449 million ($2,036 million), 8.8% more than the preceding year. Main contributors to the increase were glass for LCDs and glass for optical communications applications.

Higher sales, along with improvements in productivity and operating rates, resulted in a year-on-year increase of 49.4% in operating income, to ¥28,052 million ($226 million).

America: Total sales came to ¥77,248 million ($623 million), 3.2% down from the previous year. The sales on a yen basis were lower, owing to the appreciation of the yen. The impact of reductions in the price of glass for CRTs during the preceding fiscal year, combined with delays in implementing productivity improvements in the Company's U.S. subsidiary, resulted in an operating loss of ¥596 million ($5 million).

Asia: Total sales grew 36.9% year on year, to ¥63,099 million ($509 million), and operating income rose 48.0%, to ¥17,773 million ($143 million). Major factors behind this improvement in sales and operating income included increases in CRT glass bulb production capacity at the Company's Malaysian subsidiary, Nippon Electric Glass (Malaysia), and at Shijiazhuang Baoshi Electric Glass Co., Ltd., the joint venture in China.

Europe: Higher sales of CRT glass bulbs helped push up sales 6.4% year on year, to ¥21,094 million ($170 million). In addition to sales growth, higher productivity helped boost operating income to ¥5,265 million ($42 million), 136.7% more than the preceding year.

(in millions of yen and thousands of U.S. dollars)

Sales by Business

	2000	**2001**		Percent change **2001/2000**	Percent of net sales **2001**
Glass Business:					
Information and Communications					
Glass for CRTs	¥221,535	**¥235,391**	**$1,898,315**	**6.3%**	**68.3%**
Glass for Non-CRT (Flat Panel Displays, Optical and Electronic Devices)	34,796	**44,768**	**361,032**	**28.7**	**13.0**
	256,331	**280,159**	**2,259,347**	**9.3**	**81.3**
Other Products					
Glass fibers	24,273	**25,892**	**208,806**	**6.7**	**7.5**
Building Materials, Heat-resistant Glass, Glass Tubing, Other	40,486	**36,245**	**292,298**	**−10.5**	**10.5**
	64,759	**62,137**	**501,104**	**−4.0**	**18.0**
	321,090	**342,296**	**2,760,451**	**6.6**	**99.3**
Other Business:	2,500	**2,381**	**19,202**	**−4.8**	**0.7**
Total	¥323,590	**¥344,677**	**$2,779,653**	**6.5%**	**100%**

Dividends

The annual cash dividend per share of common stock for fiscal 2001 was ¥11 (8.9 cents), which included an interim dividend of ¥5 (4.0 cents), paid in December 2000.

Financial Position

Total assets at the end of fiscal 2001 were ¥563,377 million ($4,543 million), an increase of ¥18,611 million ($150 million) compared to the end of fiscal 2000. This was principally due to an increase in machinery and equipment, mainly for expanding production capacity at overseas subsidiaries, and an increase in investment securities as unrealized gains generated as a result of using current market value to evaluate marketable securities.

In accordance with changes in accounting standards, starting from fiscal 2001, marketable securities other than held-to-maturity debt securities and available-for-sale securities (except those maturing within one year) are classified as investment securities, and foreign currency translation adjustments are classified as part of minority interests and shareholders' equity.

Total liabilities amounted to ¥348,626 million ($2,812 million), a decrease of ¥9,388 million ($76 million) from the end of fiscal 2000. The decrease was due mainly to the repayment of long-term debt, in line with the Company's program to reduce interest-bearing debt.

Total shareholders' equity at the end of fiscal 2001 was ¥200,918 million ($1,620 million), ¥26,607 million ($215 million) more than the preceding year. This was mainly due to a rise in retained earnings resulting from the high level of net income, and to net unrealized holding gains on securities based on the use of current market value to evaluate marketable securities.

Cash Flows

Net cash provided by operating activities amounted to ¥72,640 million ($586 million), up 27.9% compared to the preceding year. This increase is attributable to the high level of income before income taxes and minority interests of ¥35,729 million ($288 million) resulting from higher sales and productivity levels, and a reduction in notes and accounts receivable resulting from efforts to shorten the payment term.

Net cash used in investing activities came to ¥32,820 million ($265 million), 4.8 times the amount of the preceding year. Purchases of property, plant and equipment amounted to ¥32,970 million ($266 million), an increase of 24%, most of which was used to expand or refurbish production equipment to handle growing demand for glass for CRTs, glass for LCDs and glass for optical communications applications.

Net cash used in financing activities came to ¥39,707 million ($320 million), 38.2% more than the preceding year. Most of this amount was used to reduce long-term debt, in line with the Company's three-year plan to reduce interest-bearing debt, starting from fiscal 2000.

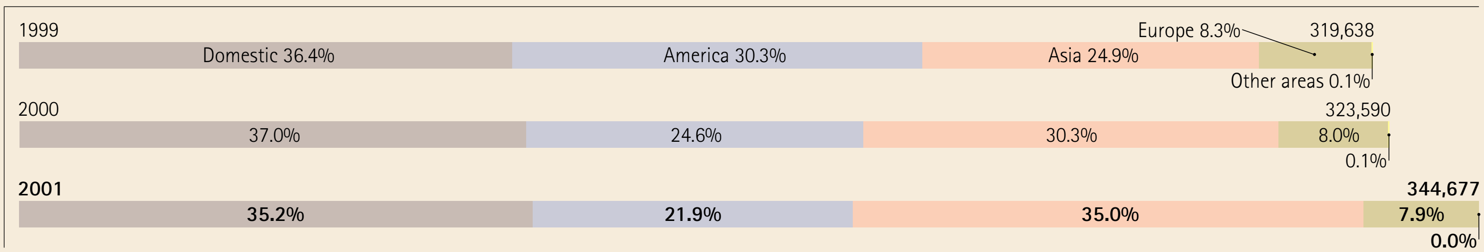
In addition to the foregoing, the effect of exchange rate changes on cash and cash equivalents resulted in a net increase of ¥1,576 million ($13 million) in cash and cash equivalents at the end of the year, to ¥71,585 million ($577 million).

Capital Expenditures

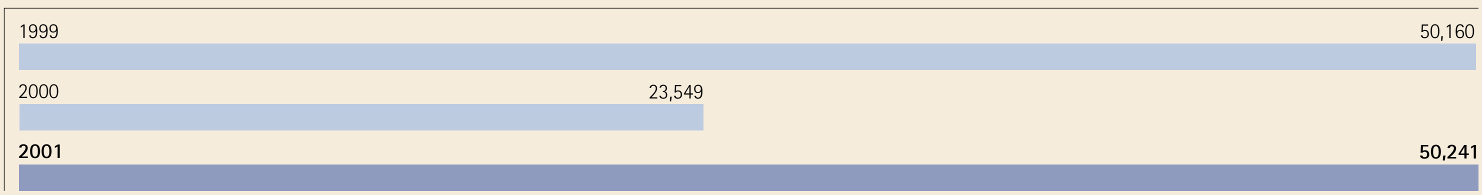
Capital expenditures include the periodic refurbishment of the glassmaking furnaces. Capital expenditures during fiscal 2001 came to ¥50,241 million ($405 million), 113.3% more than the preceding year. Of this amount, ¥42,125 million ($340 million) was used in the Information and Communications segment, mainly to upgrade plant and equipment to raise LCD substrate glass productivity, and to expand CRT glass production facilities at Nippon Electric Glass (Malaysia), and at the joint venture in Shijiazhuang, China.

¥8,097 million ($65 million) was invested in the Other Products segment, mainly for the refurbishment of glassmaking furnaces.

Sales by Market (in millions of yen)



Capital Expenditures (in millions of yen)



Consolidated Balance Sheets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries

March 31, 2000 and 2001

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	**2001**	**2001**
Current assets:			
Cash and time deposits (Note 6)	¥ 67,342	**¥ 72,471**	**$ 584,443**
Marketable securities (Notes 4 and 6)	10,630	**1,729**	**13,944**
Notes and accounts receivable, trade	80,583	**78,149**	**630,234**
Allowance for doubtful receivables	(443)	**(280)**	**(2,258)**
Inventories (Note 7)	71,866	**76,087**	**613,605**
Deferred income taxes (Note 10)	4,322	**7,244**	**58,419**
Other current assets	5,606	**9,343**	**75,347**
Total current assets	239,906	**244,743**	**1,973,734**
Property, plant and equipment (Note 8):			
Land	15,837	**17,431**	**140,573**
Buildings and structures	100,028	**103,823**	**837,282**
Machinery and equipment	421,889	**458,639**	**3,698,701**
Construction in progress	11,109	**9,311**	**75,089**
	548,863	**589,204**	**4,751,645**
Accumulated depreciation	(292,481)	**(317,963)**	**(2,564,218)**
Net property, plant and equipment	256,382	**271,241**	**2,187,427**
Investments and other assets:			
Investment securities (Notes 4 and 8)	8,372	**27,122**	**218,725**
Investment in affiliates	134	**134**	**1,081**
Goodwill	9,282	**10,026**	**80,855**
Deferred income taxes (Note 10)	8,065	**3,913**	**31,556**
Other assets	6,799	**6,198**	**49,984**
Total investments and other assets	32,652	**47,393**	**382,201**
Foreign currency translation adjustments	15,826	**–**	**–**
Total assets	¥544,766	**¥563,377**	**$4,543,362**

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	**2001**	**2001**
Current liabilities:			
Short-term borrowings, including current portion of long-term debt (Notes 8 and 9)	¥109,597	**¥124,359**	**$1,002,895**
Notes and accounts payable:			
Trade	40,844	**44,931**	**362,347**
Construction and other	7,060	**15,731**	**126,863**
Accrued expenses	13,049	**13,566**	**109,403**
Accrued income taxes (Note 10)	4,085	**9,756**	**78,678**
Other current liabilities	837	**2,266**	**18,274**
Total current liabilities	175,472	**210,609**	**1,698,460**
Long-term debt (Notes 8 and 9)	146,397	**100,466**	**810,210**
Severance and retirement benefits (Note 11)	9,318	**9,661**	**77,911**
Reserve for special repairs	14,553	**14,495**	**116,895**
Deferred income taxes (Note 10)	8,963	**10,056**	**81,096**
Other non-current liabilities	3,311	**3,339**	**26,928**
Total liabilities	358,014	**348,626**	**2,811,500**
Minority interests	12,441	**13,833**	**111,556**
Commitments and contingent liabilities (Note 13)			
Shareholders' equity (Note 12):			
Common stock, per value ¥50 per share:			
Authorized - 400,000,000 shares			
Issued - 159,771,520 shares	18,385	**18,385**	**148,266**
Additional paid-in capital	20,115	**20,115**	**162,218**
Retained earnings	135,813	**157,662**	**1,271,467**
Net unrealized holding gains on securities	-	**8,790**	**70,887**
Foreign currency translation adjustments	-	**(4,034)**	**(32,532)**
Less: cost of treasury stock:	174,313	**200,918**	**1,620,306**
286 shares in 2001, 2,004 shares in 2000	(2)	**(0)**	**(0)**
Total shareholders' equity	174,311	**200,918**	**1,620,306**
Total liabilities and shareholders' equity	¥544,766	**¥563,377**	**$4,543,362**

Consolidated Statements of Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	**2001**	**2001**
Net sales	¥323,590	**¥344,677**	**$2,779,653**
Cost of sales	244,296	**250,929**	**2,023,621**
Gross profit	79,294	**93,748**	**756,032**
Selling, general and administrative expenses	41,758	**44,544**	**359,226**
Operating income	37,536	**49,204**	**396,806**
Other income (expenses):			
Interest and dividend income	832	**1,166**	**9,403**
Interest and discount charges	(9,250)	**(8,519)**	**(68,702)**
Loss on disposal of property, plant and equipment including removal expenses	(3,301)	**(3,231)**	**(26,056)**
Loss on disposal of inventories	(1,470)	**(1,985)**	**(16,008)**
Loss from devaluation of inventories	(1,008)	**(1,917)**	**(15,459)**
Foreign exchange gains (losses), net	(3,334)	**1,864**	**15,032**
Other, net	(496)	**(853)**	**(6,879)**
	(18,027)	**(13,475)**	**(108,669)**
Income before income taxes and minority interests	19,509	**35,729**	**288,137**
Provision for Income taxes (Note 10)			
Current	5,627	**12,000**	**96,774**
Deferred	(425)	**(3,815)**	**(30,766)**
	5,202	**8,185**	**66,008**
Minority interests	**576**	**2,146**	**17,306**
Net income	**¥13,731**	**¥ 25,398**	**$ 204,823**

	Yen		U.S. dollars (Note 1)
Amount per share of common stock:			
Net income	¥ 85.94	**¥ 158.97**	**$ 1.28**
Diluted net income	79.80	**145.89**	**1.18**
Cash dividends applicable to the year	12.00	**11.00**	**0.09**

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

Consolidated Statements of Shareholders' Equity

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2000 and 2001

	Thousands of shares	Millions of yen					
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on securities	Foreign currency transaction adjustments	Treasury stock
Balance at March 31, 1999	159,772	¥ 18,385	¥ 20,115	¥ 112,057	¥ -	¥ -	¥(1)
Cumulative effect of adopting deferred income tax accounting	-	-	-	10,348	-	-	-
Increase due to application of SFAS 115 to the consolidated subsidiaries in the U.S.	-	-	-	1,437	-	-	-
Adjustment due to decrease in affiliated company accounted for by equity method	-	-	-	1,290	-	-	-
Adjustment due to increase in consolidated subsidiaries	-	-	-	(1,273)	-	-	-
Net income	-	-	-	13,731	-	-	-
Treasury stock	-	-	-	-	-	-	(1)
Cash dividends paid	-	-	-	(1,598)	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(179)	-	-	-
Balance at March 31, 2000	159,772	18,385	20,115	135,813	-	-	(2)
Net income	**–**	**–**	**–**	**25,398**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**(1,478)**	**–**	**–**	**–**
Adjustments from translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**–**	**(4,034)**	**–**
Adoption of new accounting standard for financial instruments	**–**	**–**	**–**	**–**	**8,790**	**–**	**–**
Treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**2**
Cash dividends paid	**–**	**–**	**–**	**(1,917)**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**–**	**(154)**	**–**	**–**	**–**
Balance at March 31, 2001	**159,772**	**¥18,385**	**¥20,115**	**¥157,662**	**¥8,790**	**¥(4,034)**	**¥(0)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on securities	Foreign currency transaction adjustments	Treasury stock
Balance at March 31, 2000	$ 148,266	$ 162,218	$ 1,095,266	$ -	$ -	$(16)
Net income	**–**	**–**	**204,823**	**–**	**–**	**–**
Other	**–**	**–**	**(11,920)**	**–**	**–**	**–**
Adjustments from translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**(32,532)**	**–**
Adoption of new accounting standard for financial instruments	**–**	**–**	**–**	**70,887**	**–**	**–**
Treasury stock	**–**	**–**	**–**	**–**	**–**	**16**
Cash dividends paid	**–**	**–**	**(15,460)**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**(1,242)**	**–**	**–**	**–**
Balance at March 31, 2001	**$148,266**	**$162,218**	**$1,271,467**	**$70,887**	**$(32,532)**	**$ (0)**

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

Consolidated Statements of Cash Flows

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2000 and 2001

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2000	**2001**	**2001**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥19,509	**¥35,729**	**$288,137**
Depreciation and amortization	32,241	**35,932**	**289,774**
Loss on disposal of property, plant and equipment	3,834	**3,626**	**29,242**
(Reversal of) Provision for special repairs	1,609	**(201)**	**(1,621)**
Interest and dividend income	(832)	**(1,166)**	**(9,403)**
Interest expense	9,249	**8,519**	**68,701**
Decrease (Increase) in notes and accounts receivable	(5,764)	**6,706**	**54,081**
(Increase) Decrease in inventories	6,726	**(1,282)**	**(10,339)**
Increase in notes and accounts payable	2,388	**2,893**	**23,331**
Other	(570)	**(3,120)**	**(25,161)**
Subtotal	68,390	**87,636**	**706,742**
Interest and dividends received	1,097	**994**	**8,016**
Interest paid	(9,528)	**(8,927)**	**(71,992)**
Payment for income taxes	(3,170)	**(7,063)**	**(56,960)**
Net cash provided by operating activities	56,789	**72,640**	**585,806**
Cash flows from investing activities:			
(Increase) Decrease in time deposits, net	16,932	**(463)**	**(3,734)**
Purchases of marketable and investment securities	(166)	**(311)**	**(2,508)**
Proceeds from sale of marketable and investment securities	352	**1,126**	**9,081**
Purchases of property, plant and equipment	(26,542)	**(32,970)**	**(265,887)**
Proceeds from sales of property, plant and equipment	152	**503**	**4,056**
Increase in loans receivable	(129)	**(523)**	**(4,217)**
Collection of loans receivable	2,523	**573**	**4,621**
Other	77	**(755)**	**(6,089)**
Net cash used in investing activities	(6,801)	**(32,820)**	**(264,677)**
Cash flows from financing activities:			
Decrease in short-term debt, net	(6,579)	**(14,380)**	**(115,968)**
Proceeds from long-term debt	3,683	**11,363**	**91,637**
Repayment of long-term debt	(25,641)	**(34,853)**	**(281,072)**
Proceeds from common stock issued to minority shareholders	1,413	**82**	**661**
Cash dividends paid	(1,599)	**(1,919)**	**(15,476)**
Net cash used in financing activities	(28,723)	**(39,707)**	**(320,218)**
Effect of exchange rate changes on cash and cash equivalents	(1,801)	**1,463**	**11,798**
Net increase in cash and cash equivalents	19,464	**1,576**	**12,709**
Cash and cash equivalents at beginning of year	46,550	**70,009**	**564,589**
Effect of changes in number of consolidated subsidiaries	3,995	**–**	**–**
Cash and cash equivalents at end of year (Note 6)	¥70,009	**¥71,585**	**$577,298**

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

1. Basis of presenting consolidated financial statements

Nippon Electric Glass Co., Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of consolidated foreign subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with Japanese GAAP from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of shareholders' equity have been prepared for the purpose of inclusion in the consolidated financial statements, although such statements are not customarily prepared in Japan and are not required to be filed with the regulatory authorities.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 30, 2001, which was ¥124 to US$1. The convenient translations 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

The consolidated financial statements include the accounts of the Company and substantially all of its subsidiaries. All significant intercompany transactions and account balances are eliminated in consolidation.

All companies are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or existence of certain conditions.

Previously, only majority-owned companies were consolidated.

In 2001, two subsidiaries were reclassified as consolidated subsidiaries.

The excess of cost of investments in consolidated subsidiaries over the equity in net assets at the time of acquisition is amortized on a straight-line basis over five years.

The investments in the other affiliated companies are stated at cost.

(b) Translation of foreign currency

Prior to April 1, 2000, the Company and its consolidated domestic subsidiaries translated long-term foreign currency receivables and payable at historical rates.

The Company and its consolidated domestic subsidiaries adopted the revised accounting standard for foreign currency translation effective April 1, 2000. Based on the revised accounting standard, Receivable and payables in foreign currencies are translated into Japanese yen on the basis of the year-end rates.

The financial statements of the Company's consolidated foreign subsidiaries are translated into Japanese yen using the year-end rates for assets and liabilities, and historical rates for common stock and additional paid-in capital.

The average rates for the years are used for transaction of income, expenses and net earnings for the years, and rates used by the Company for transactions with the Company.

(c) Consolidated statement of cash flows

In preparing the consolidated statement of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with a maturity of three months or less when deposited or purchased are considered to be cash and cash equivalents.

(d) Marketable and investment securities

Prior to April 1, 2000, the Company and its consolidated domestic subsidiaries stated publicly traded securities in both "Current assets" and "Investments and other assets" principally at the lower of cost or market value, cost being determined by the average method. Cost and market value were compared on an item-by-item basis. Recovery of write-downs was recognized. Other securities were stated at cost, determined principally by the average method.

Effective April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for financial instruments. The new accounting standard requires the Company and its consolidated domestic subsidiaries to determine the intent of holding each security, and classify into four types.

a) holding securities for trading ("trading securities")

b) debt securities held to maturity ("held-to-maturity debt securities")

c) equity securities of subsidiaries and affiliates
d) other securities ("available-for-sale securities")
The Company and its consolidated domestic subsidiaries adopted the new accounting method. Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market value 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 shareholders' equity.
Cost of sales is calculated by the moving average cost method.
There was no effect on the consolidated income statement from adopting the new accounting standard.

(e) Allowance for doubtful receivables
Allowance for doubtful receivables is provided in an amount sufficient to cover possible losses on collection. Prior to April 1, 2000, it consisted of the estimated uncollectable amount with respect to specific items and a maximum amount deductible for tax purposes.
Effective April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new accounting standard. For regular receivables, it consists of estimated uncollectable amounts with respect to the actual ratio of bad debt losses. For receivables from customers in financial difficulty, it consists of the estimated uncollectable amounts with respect to specific items.

(f) Inventories
Finished goods are stated principally at the lower of cost or market value, cost being determined by the moving average method.
Other inventories are stated principally at cost, which is determined on a first-in, first-out basis or by the moving average method.

(g) Property, plant and equipment
Property, plant and equipment are principally stated at cost.
Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is calculated by the declining-balance method at rates based on estimated useful lives of the assets.
Buildings acquired after March 31, 1999 are depreciated using the straight-line method, excluding building fixtures.
Depreciation of property, plant and equipment of consolidated foreign subsidiaries is calculated principally by the straight-line method over estimated useful lives of the assets.
The ranges of estimated useful lives for machinery and equipment are generally 9 to 13 years.

(h) Goodwill
Goodwill is related to subsidiaries in the U.S. and is principally being amortized by the straight-line method over 40 years.

(i) Accounting for certain lease transactions
Finance leases that do not transfer titles to lessees are accounted for principally in the same manner as operating leases.

(j) Severance and retirement benefits
Prior to April 1, 2000, upon retirement or termination of employment, employees of the Company and its consolidated domestic subsidiaries, in most circumstances, were entitled to a lump-sum or annuity payments (or a combination of both) based on their base salary and the length of service at the time of retirement or termination.
Effective April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new accounting standard. It requires to determine the "liability for severance and retirement benefits" and "severance and retirement benefit expenses" based on the amounts calculated by actuarial calculation. Also the Company and its consolidated domestic subsidiaries provided for the liability for severance and retirement benefits based on the projected benefit obligation and the estimated pension assets at March 31, 2001.
The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") was ¥15,998 million ($125,790 thousand) at April 1, 2000 and the Company and its consolidated domestic subsidiaries recognize the transition obligation as expenses in equal amounts over 15 years. The actuarial differences will be recognized as expenses by the straight-line method over the average of the estimated remaining service lives (10 years) from the next fiscal term.

(k) Reserve for special repairs
Significant repair expenditure is expected for melting furnaces every 3 to 7 years. Such repairs are provided for in advance by charging the estimated cost against current operations.

(l) Income taxes
Tax effects of temporary differences between the financial statements basis and the tax basis of assets and liabilities were recognized. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(m) Research and development
Costs relating to research and development activities were charged to income as incurred and amounted to ¥3,140 million ($25,323 thousand) and ¥6,004 million ($48,419 thousand) in 2000 and 2001, respectively.

(n) Net income per share
The computation of net income per share is based on the average number of shares outstanding during each year. The diluted net income per share of common stock for 2000 and 2001 is computed based on the average number of shares which is increased by the number of shares that would be outstanding assuming all convertible bonds were converted at the beginning of the respective years at the current conversion price.

(o) Derivatives and hedge accounting

Effective from the year ended March 31, 2001, the new accounting standard for financial instruments requires the Company and its consolidated domestic subsidiaries to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging conditions, the Company and its consolidated domestic subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related gains or losses on the hedged items and recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging conditions, forward foreign exchange contracts and hedged items are accounted for in the following manner.

If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and

(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

Also, if interest rate swap contracts are used as hedges and meet certain hedging conditions, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract was executed.

The Company and its consolidated subsidiaries used the hedging instruments and hedged items of following.

Hedging instruments:	Hedging item:
Forward foreign exchange contracts	Principally foreign currency receivables
Interest rate swap contracts	Interest on loans payable

The Company and its consolidated subsidiaries enter into foreign currency contracts and interest rate swap agreements to manage their risk exposure.

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

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

The derivative transactions are entered into by each subsidiary in accordance with accounting policies and controlled by the accounting division.

(p) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2001 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Supplementary information

(a) Foreign currency translation

"Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation" was issued by the Business Accounting Deliberation Council on October 22, 1999 (the "Revised Accounting Standard").

The effect on the consolidated income statement of adopting the Revised Accounting Standard was immaterial.

Based on the Revised Accounting Standard, the Company and its consolidated domestic subsidiaries recorded the foreign currency translation adjustments in the shareholders' equity and minority interests.

The prior year's amount is included in assets and consolidated financial statements have not been restated.

(b) Financial instruments

"Opinion Concerning Establishment of Accounting Standard for Financial Instruments" was issued by the Business Accounting Deliberation Council on January 22, 1999.

Due to the adoption of the new accounting standard for financial instruments, income before income taxes and minority interest increased by ¥1,133 million ($9,137 thousand). Also, based on the examination of the intent of holding each security upon application of the new accounting standard on April 1, 2000, trading securities as well as held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments and other assets. As a result, at April 1, 2000, securities in current assets decreased by ¥6,923 million ($55,831 thousand) and investment securities increased by the same amount at April 1, 2000.

(c) Employees' severance and retirement benefits

"Opinion on Setting Accounting Standard for Employees' Severance and Retirement Benefits" was issued by the Business Accounting Deliberation Council on June 16, 1998.

The effect for the year ended March 31, 2001 of adopting the new accounting standard for employee' severance and retirement benefits was to decrease the severance and retirement benefit expenses by ¥476 million ($3,839 thousand) and increase income before income taxes and minority interest by ¥375 million ($3,024 thousand).

(d) Property, plant and equipment

Effective April 1, 2000, a consolidated foreign subsidiary, Nippon Electric Glass (Malaysia), changed the depreciation method for property, plant and equipment from the straight-line method to the declining-balance method.

This change was made to improve the financial position by early collection of the invested capital in light of the increasing capital investment in Nippon Electric Glass Malaysia.

The effect for the year ended March 31, 2001 was to increase the depreciation by ¥3,619 million ($29,185 thousand) and decrease income before income taxes and minority interests by ¥3,182 million ($25,661 thousand).

4. Market value information of securities

(a) At March 31, 2001, acquisition cost, book value and fair value of securities with available market value were as follows:

	Millions of yen		
	Book value	Fair value	Difference
Held-to-maturity debt securities:			
Securities with available market value exceeding book value	¥ 622	¥ 627	¥ 5
Other securities	188	188	(0)
	¥ 810	¥ 815	¥ 5

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Held-to-maturity debt securities:			
Securities with available market value exceeding book value	$ 5,016	$ 5,056	$ 40
Other securities	1,516	1,516	(0)
	$ 6,532	$ 6,572	$ 40

	Millions of yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost			
Equity securities	¥ 8,352	¥ 24,499	¥ 16,147
Other securities			
Equity securities	3,285	2,172	(1,113)
	¥11,637	¥ 26,671	¥ 15,034

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book value exceeding acquisition cost			
Equity securities	$67,355	$197,573	$130,218
Other securities			
Equity securities	26,492	17,516	(8,976)
	$93,847	$215,089	$121,242

(b) At March 31, 2001, book value of securities with no available market value were as follows:

	Millions of yen	Thousands of U.S. dollars
	Book value	Book value
Available-for-sale securities:		
Shares of affiliates	¥ 134	$ 1,081
Non-listed equity securities	130	1,048
Mutual funds	1,240	10,000
	¥1,504	$12,129

(c) At March 31, 2001, the repayment schedule of available-for-sale securities with maturities and held-to-maturity debt securities were as follows:

	Millions of yen		
	Within one year	Over one year but within five years	Over five years
Held-to-maturity debt securities:			
Corporate bonds	**¥170**	**¥ –**	**¥ –**
Other than bonds	**319**	**321**	**–**
	¥489	**¥321**	**¥ –**

	Thousands of U.S. dollars		
	Within one year	Over one year but within five years	Over five years
Held-to-maturity debt securities:			
Corporate bonds	**$1,371**	**$ –**	**$ –**
Other than bonds	**2,573**	**2,588**	**–**
	$3,944	**$2,588**	**$ –**

5. Derivatives

Derivative transactions for which hedge accounting has not been applied consisted of the following:
(a) At March 31, 2000, foreign currency contracts were as follows:

	Millions of yen		
	Contract amount	Market value	Difference
At March 31, 2000:			
Sell			
U.S. dollars	**¥1,652**	**¥1,624**	**¥(28)**
Purchase			
U.S. dollars	**1,169**	**1,177**	**8**
	¥2,821	**¥2,801**	**¥(20)**

There were no foreign currency contracts at March 31, 2001.

(b) At March 31, 2000, interest rates swap contracts were as follows:

	Millions of yen		
	Contract amount	Market value	Unrealized losses
At March 31, 2000:			
Exchange of floating rate for fixed rate interest payment			
Interest rate swap: Receive variable/pay fixed	**¥14,018**	**¥(248)**	**¥(248)**

There were no foreign currency contracts at March 31, 2001.

6. Cash and cash equivalents

Cash and cash equivalents at March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Cash and time deposits	¥ 67,342	**¥ 72,471**	**$ 584,443**
Marketable securities	10,630	**1,729**	**13,944**
	77,972	**74,200**	**598,387**
Time deposit due over three months	(538)	**(2,126)**	**(17,145)**
Shares and bonds due over three months	(7,425)	**(489)**	**(3,944)**
Cash and cash equivalents	¥ 70,009	**¥ 71,585**	**$ 577,298**

7. Inventories

Inventories at March 31, 2000 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Finished and purchased goods	¥ 31,736	**¥ 33,272**	**$ 268,323**
Semi-finished goods and work in process	23,854	**24,753**	**199,621**
Raw materials	16,276	**18,062**	**145,661**
	¥ 71,866	**¥ 76,087**	**$ 613,605**

8. Pledged assets

At March 31, 2001, the following assets were pledged as collateral for the secured debts amounting to ¥442 million ($ 3,565 thousand).

	Millions of yen	Thousands of U.S. dollars
Investment securities	**¥ 123**	**$ 992**
Property, plant and equipment, net of accumulated depreciation	**14,815**	**119,476**
	¥ 14,938	**$ 120,468**

9. Short-term borrowings and long-term debt

Short-term borrowings including the current portion of long-term debt and capital lease obligations at March 31, 2000 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Short-term bank loans	¥ 87,214	**¥ 73,444**	**$ 592,290**
Current portion of long -term debt	21,929	**20,397**	**164,492**
Current portion of unsecured convertible bonds	-	**29,997**	**241,911**
Current portion of capital lease obligations	454	**521**	**4,202**
	¥109,597	**¥124,359**	**$1,002,895**

Long-term debt, including capital lease obligations, at March 31, 2000 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Loans, principally from banks and insurance companies due from 2002 through 2013: average rate 6.1% per annum	¥ 85,841	**¥ 68,814**	**$ 554,952**
3.05% unsecured bonds, due 2003	30,000	**30,000**	**241,936**
1.97% unsecured bonds, due 2005	20,000	**20,000**	**161,290**
2.0% unsecured convertible bonds, due 2002	29,997	**29,997**	**241,911**
Capital lease obligations due 2004: average rate 8.0% per annum	2,942	**2,570**	**20,726**
	168,780	**151,381**	**1,220,815**
Less-current portion included in short-term borrowings and capital lease obligations	(22,383)	**(50,915)**	**(410,605)**
	¥146,397	**¥100,466**	**$ 810,210**

2.0% unsecured convertible bonds are convertible into 16,767 thousand shares of common stock at the current conversion price of ¥1,789.10 ($ 14.43) up to March 28, 2002.

The aggregate annual maturities of long-term debt at March 31, 2001 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2002	**¥ 50,915**	**$ 410,605**
2003	**54,984**	**443,419**
2004	**9,399**	**75,799**
2005	**3,375**	**27,218**
2006	**23,256**	**187,548**
2007 and thereafter	**9,452**	**76,226**
	¥151,381	**$1,220,815**

10. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 42% for the years ended March 31, 2000 and 2001. 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 purpose for the years ended March 31, 2000 and 2001 were as follows:

	2000	**2001**
Statutory tax rate in Japan	42.0%	**42.0%**
Lower tax rates for consolidated foreign subsidiaries	(20.2)	**(17.3)**
Effect of elimination of dividend income	5.9	**3.6**
Tax losses carried forward of consolidated foreign subsidiaries	-	**(3.5)**
Other	(1.0)	**(1.9)**
Effective tax rate	26.7%	**22.9%**

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Deferred tax assets:			
Unrealized gain on property, plant and equipment	¥2,426	**¥ 3,340**	**$ 26,935**
Excess severance benefits	2,781	**2,821**	**22,750**
Loss on devaluation of inventories	1,785	**2,325**	**18,750**
Excess reserve for special repairs	2,283	**2,210**	**17,823**
Alternative minimum tax	-	**1,289**	**10,395**
Other	3,112	**5,590**	**45,081**
Subtotal deferred tax assets	12,387	**17,575**	**141,734**
Less: Valuation allowance	-	**-**	**-**
Total net deferred tax assets	12,387	**17,575**	**141,734**
Deferred tax liabilities:			
Excess tax depreciation of consolidated foreign subsidiaries	(8,286)	**(10,093)**	**(81,395)**
Net unrealized holding gains on securities	-	**(6,244)**	**(50,355)**
Other	(677)	**(137)**	**(1,105)**
Total deferred tax liabilities	(8,963)	**(16,474)**	**(132,855)**
Net deferred tax assets	¥3,424	**¥ 1,101**	**$ 8,879**

11. Severance and retirement benefits

At March 31, 2001, the liabilities for severance and retirement benefits were as follows:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	**¥83,594**	**$674,145**
Pension assets	**(48,506)**	**(391,177)**
Unrecognized benefit obligation	**35,088**	**282,968**
Unrecognized transition obligation	**(14,558)**	**(117,403)**
Unrecognized actuarial differences	**(11,853)**	**(95,589)**
Net liabilities for severance and retirement benefits	**8,677**	**69,976**
Prepaid benefit cost	**984**	**7,935**
Liabilities for severance and retirement benefits	**¥ 9,661**	**$ 77,911**

At March 31, 2001, the severance and retirement benefit expenses were as follows:

	Millions of yen	Thousands of U.S. dollars
Service costs	**¥ 2,488**	**$ 20,065**
Interest cost	**2,624**	**21,161**
Expected return on pension assets	**(2,066)**	**(16,661)**
Amortization of transition obligation	**1,040**	**8,387**
Severance and retirement benefit expenses	**¥ 4,086**	**$ 32,952**

Defined post-employment benefit plans the Company and its consolidated subsidiaries provide were as follows:
The Company provides two types of funded non-contributory pension plans and unfunded lump-sum payment plans.
Certain consolidated subsidiaries provide funded non-contributory pension plans and unfunded lump-sum payment plan.

Above calculation is based on the following:

Discount rate	**3.0%**
Expected return on pension assets	**4.0**
Useful lives for the amortization of actuarial differences	**10 years**
Useful lives for the amortization of projected transition obligation	**15**

12. Shareholders' equity

In accordance with the Code certain issuances of common stock, including conversions of convertible bonds, are required to be credited to the common stock account to the extent of the greater of par value or 50% of the proceeds and the remaining amount to the additional paid-in capital account as determined by the Board of Directors.
The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company and in accordance with the Code.
The Company's Articles of Incorporation approves Board of Directors to purchase up to 15,000,000 shares of the Company's common stock for the purpose of retiring such shares. Under the Code, all amounts paid for purchasing the Company's own shares for the purpose of retirement are charged to retained earnings and thus are not available for future distribution to shareholders.

13. Commitments and contingent liabilities

Contingent liabilities at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Notes discounted	**¥10,120**	**$ 81,613**
Notes endorsed	**1,629**	**13,137**
Guarantee for employees' housing loans	**3,101**	**25,008**
	¥14,850	**$119,758**

14. Lease information

(a) At March 31, 2000 and 2001, the equivalent amounts of acquisition cost, accumulated depreciation and net book value of leased properties under finance leases accounted for in the same manner as operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Acquisition cost of machinery and equipment	¥4,058	**¥3,630**	**$29,274**
Accumulated depreciation of machinery and equipment	2,380	**2,520**	**20,322**
Net book value	¥1,678	**¥1,110**	**$ 8,952**

(b) Future minimum lease payments excluding interest under finance leases at March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Current	¥ 641	**¥ 624**	**$ 5,032**
Non-current	1,226	**625**	**5,040**
	¥1,867	**¥1,249**	**$10,072**

(c) Lease payments, assumed depreciation charges and assumed interest for the years ended March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Lease payments	¥ 825	**¥ 797**	**$ 6,427**
Assumed depreciation charges	668	**642**	**5,177**
Assumed interest	173	**135**	**1,089**

Assumed depreciation charges are calculated by the straight-line method over a lease term assuming no residual value.

(d) Future minimum lease payments under operating leases at March 31, 200 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Current	¥ 19	**¥ 33**	**$ 266**
Non-current	17	**60**	**484**
	¥ 36	**¥ 93**	**$ 750**

15. Segment information

Information by segment for the years ended March 31, 2000 and 2001 was as follows:

(a) Information by business segment
The Company and its consolidated subsidiaries principally operate a glass business in Japan and foreign countries.
Other business activities are immaterial. Therefore, business segment information is not disclosed.

(b) Information by geographic area

	Millions of yen						
2000:	Japan	America	Asia	Europe	Total	Elimination and corporate	Consolidated Total
Net sales							
External	¥ 191,693	¥ 77,580	¥ 37,806	¥ 16,511	¥ 323,590	¥ -	¥ 323,590
Inter-segment	40,397	2,234	8,284	3,321	54,236	(54,236)	-
Total sales	232,090	79,814	46,090	19,832	377,826	(54,236)	323,590
Operating expenses	213,313	75,258	34,082	17,608	340,261	(54,207)	286,054
Operating income	¥ 18,777	¥ 4,556	¥ 12,008	¥ 2,224	¥ 37,565	¥ (29)	¥ 37,536
Identifiable assets	¥ 288,446	¥ 93,192	¥ 94,523	¥ 36,425	¥ 512,586	¥ 32,180	¥ 544,766

	Millions of yen						
2001:	Japan	America	Asia	Europe	Total	Elimination and corporate	Consolidated Total
Net sales							
External	**¥ 196,045**	**¥ 75,185**	**¥ 54,225**	**¥ 19,222**	**¥ 344,677**	**¥ –**	**¥ 344,677**
Inter-segment	**56,404**	**2,063**	**8,874**	**1,872**	**69,213**	**(69,213)**	**–**
Total sales	**252,449**	**77,248**	**63,099**	**21,094**	**413,890**	**(69,213)**	**344,677**
Operating expenses	**224,397**	**77,844**	**45,326**	**15,829**	**363,396**	**(67,923)**	**295,473**
Operating income	**¥ 28,052**	**¥(596)**	**¥ 17,773**	**¥ 5,265**	**¥ 50,494**	**¥ (1,290)**	**¥ 49,204**
Identifiable assets	**¥ 288,781**	**¥100,270**	**¥110,582**	**¥ 36,768**	**¥ 536,401**	**¥ 26,976**	**¥ 563,377**

	Thousands of U.S. dollars						
2001:	Japan	America	Asia	Europe	Total	Elimination and corporate	Consolidated Total
Net sales							
External	**$1,581,008**	**$606,331**	**$437,298**	**$155,016**	**$2,779,653**	**$ –**	**$2,779,653**
Inter-segment	**454,871**	**16,637**	**71,564**	**15,097**	**558,169**	**(558,169)**	**–**
Total sales	**2,035,879**	**622,968**	**508,862**	**170,113**	**3,337,822**	**(558,169)**	**2,779,653**
Operating expenses	**1,809,654**	**627,774**	**365,532**	**127,653**	**2,930,613**	**(547,766)**	**2,382,847**
Operating income	**$ 226,225**	**$ (4,806)**	**$143,330**	**$ 42,460**	**$ 407,209**	**$ (10,403)**	**$ 396,806**
Identifiable assets	**$2,328,879**	**$808,629**	**$891,790**	**$296,516**	**$4,325,814**	**$217,548**	**$4,543,362**

As described in Note 2 and 3, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for severance and retirement benefits and financial instruments. As a result, operating expenses has been decreased and operating profit for Japan has been increased by ¥299 million ($2,411 thousand), respectively.
As described in Note 2 and 3, the Company's Malaysian subsidiary, Nippon Electric Glass (Malaysia) changed the depreciation method for property, plant and equipment. As a result, operating expenses has been increased and operating profit for Asia has been decreased by ¥3,182 ($25,661 thousand), respectively.

(c) Overseas sales information

	Millions of yen				
2000:	America	Asia	Europe	Other areas	Total
Overseas sales	¥ 79,708	¥ 97,961	¥ 25,800	¥ 491	¥ 203,960
Consolidated sales					323,590
Percentage of overseas sales	24.6%	30.3%	8.0%	0.1%	63.0%

	Millions of yen				
2001:	America	Asia	Europe	Other areas	Total
Overseas sales	**¥ 75,514**	**¥120,541**	**¥ 27,104**	**¥ 210**	**¥ 223,369**
Consolidated sales					**344,677**
Percentage of overseas sales	**21.9%**	**35.0%**	**7.9%**	**0.0%**	**64.8%**

	Thousands of U.S. dollars				
2001:	America	Asia	Europe	Other areas	Total
Overseas sales	**$608,983**	**$972,105**	**$218,581**	**$1,694**	**$1,801,363**
Consolidated sales					**2,779,653**

Overseas sales were comprised of the Company's and its consolidated subsidiaries' sales to the countries except Japan.

16. Subsequent event

On June 28, 2001, the Company's shareholders authorized the following appropriations of retained earnings at the Annual General Meeting of Shareholders.

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥6.00 per share	¥959	$7,734
Bonuses to directors	109	879

Report of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheets of Nippon Electric Glass Co., Ltd. (a Japanese corporation) and consolidated subsidiaries as of March 31, 2000 and 2001, the related consolidated statements of income and shareholders' equity, and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Nippon Electric Glass Co., Ltd. and consolidated subsidiaries as of March 31, 2000 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 3, Nippon Electric Glass Co., Ltd. and its consolidated domestic subsidiaries prospectively adopted new Japanese accounting standards for foreign currency translation, financial instruments and employees' severance and retirement benefits in the year ended March 31, 2001. Also, a consolidated foreign subsidiary, Nippon Electric Glass (Malaysia), changed the method of accounting for depreciation of property, plant and equipment, effective April 1, 2000, as referred to in Note 3, with which we concur.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

(Member Firm of Andersen Worldwide SC)

Tokyo, Japan
June 28, 2001

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying consolidated financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Consolidated Five-year Summary

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

	1997	1998	1999	2000	**2001**	
For the year						
Net sales	¥315,137	¥337,417	¥319,638	¥323,590	**¥344,677**	**$2,779,653**
Net income	13,161	8,836	8,906	13,731	**25,398**	**204,823**
Depreciation and amortization	29,279	32,822	33,661	32,241	**35,932**	**289,774**
Capital expenditures	89,283	65,063	50,160	23,549	**50,241**	**405,169**
Per share of common stock (Yen)						
Net income	¥ 82.37	¥ 55.30	¥ 55.74	¥ 85.94	**¥ 158.97**	**$ 1.28**
Diluted net income	76.04	51.55	52.11	79.80	**145.89**	**1.18**
Cash dividends	12.00	10.00	10.00	12.00	**11.00**	**0.09**
Shareholders' equity	857.88	899.95	942.33	1,091.01	**1,257.54**	**10.14**
At year-end						
Total assets	¥491,801	¥520,916	¥516,090	¥544,766	**¥563,377**	**$4,543,362**
Current assets	209,823	215,625	223,575	239,906	**244,743**	**1,973,734**
Property, plant and equipment, net	254,827	272,235	260,419	256,382	**271,241**	**2,187,427**
Current liabilities	178,789	191,542	173,679	175,472	**210,609**	**1,698,460**
Long-term debt	127,432	142,731	156,035	146,397	**100,466**	**810,210**
Shareholders' equity	137,063	143,784	150,556	174,311	**200,918**	**1,620,306**
Cash flows						
Net cash provided by operating activities	¥ -	¥ -	¥ -	¥ 56,789	**¥ 72,640**	**$ 585,806**
Net cash used in investing activities	-	-	-	△ 6,801	**△32,820**	**△ 264,677**
Net cash used in financing activities	-	-	-	△28,723	**△39,707**	**△ 320,218**
Cash and cash equivalents at end of year	-	-	-	70,009	**71,585**	**577,298**
Number of shares issued (in thousands)						
Average	159,769	159,770	159,770	159,770	**159,769**	
Year-end	159,770	159,769	159,770	159,770	**159,771**	

Note: 1. The computations of net income per share and shareholders' equity per share are based on the average number of shares outstanding during each year and the number of shares outstanding at the end of each year, respectively.
2. U.S.dollar amounts have been translated from Japanese yen, solely for the convenience of the reader, using the prevailing exchange rate at March 30, 2001 of ¥124 to US$1.
3. The cash dividend for the year ended March 31, 1997 includes a special dividend of ¥2.00 per share.
The cash dividend for the year ended March 31, 2000 includes a special dividend for ¥2.00 to commemorate the Company's 50th anniversary.

Directors/ Corporate Auditors and Officers

Directors

Nobutsune Kogo
Chairman of the Board

Tetsuji Mori
President

Hiroshi Sugimoto
Executive Vice President

Takeshi Kikuchi
Executive Vice President

Michio Morimoto
Executive Vice President

Fumitaka Toya
Executive Vice President

Muneyuki Morikawa
Executive Vice President

Shigezo Fujii
Senior Vice President

Yuzo Izutsu
Senior Vice President

Yoshihiro Suzuki
Executive Advisor,
NEC Corporation

Akio Ikeda
Vice President

Terutaka Uraki
Vice President

Hiroshi Kato
Vice President

Katsumi Inada
Vice President

Masayuki Arioka
Vice President

Masami Atsuji
Vice President

Corporate Auditors

Hideo Nakagawa

Toshio Hayashi

Kanji Sugihara
Executive Vice President
and Member of the Board,
NEC Corporation

Tomoyuki Kato
Vice President,
NEC Corporation

Officers

Shuji Ito

Junji Fujikawa

Masahiro Miyake

Kenichi Takayama

Masatsune Yoshida

Takashi Omori

Tamotsu Kitagawa

Nobuhiro Iijima

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Stock Exchange Listings
The common stock is listed on the
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