

Annual Report 2015

For the year ended December 31, 2015

GLASS FOR FUTURE



At Nippon Electric Glass, our corporate philosophy is a reflection of our founding mission, a statement of our devotion to creating products infused with the very best of human civilization for the betterment of society.

【Our corporate philosophy】

We strive to build a brighter future for the world by uncovering the unlimited possibilities of glass for more advanced creative manufacturing.

Firmly rooted in the traditions of our founding mission, the NEG corporate philosophy plots a path for our quest for sustainable growth. Thanks to material design, melting, forming, and processing technologies, glass can be infused with different properties for a broad range of functions. We are dedicated to unlocking glass's potential to make life better and more comfortable for people and communities the world over.

Our slogan

GLASS FOR FUTURE

【Our vision】

The world's leading manufacturer of special glass

Our goal is to become the world's leading manufacturer of special glass, with the best talent, the best technology, and the best creative manufacturing ability. At the same time, we strive to run our company in a way that inspires pride among our workers and enables us to make a genuine contribution to the community. The way we see it, creative manufacturing is achieved through state-of-the-art technological development, the highest quality standards, efficient production, and a steady supply of products, all underpinned by a fundamental dedication to environmental sustainability.

【Our values】

- | | |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------|
| • Customer first | Everything is based on accurate understanding and complete satisfaction of customers' requirements. |
| • Get the job done | We are dedicated to completing every task properly. |
| • Broad minds and open communication | We think beyond existing norms and encourage frank communication among all departments and generations. |
| • High ethical standards | We are bound to act ethically and in good faith in all situations. |
| • Consideration for the environment | We are constantly aware of the need to be considerate of the environment, and strive to reduce our footprint. |

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Disclosure Policy

The NEG Group Code of Conduct stipulates that it will disclose necessary corporate information in a timely and appropriate manner and that it will enhance communication with concerned parties. Following this policy, we will continue to disclose important information relating to our Group's activities to all stakeholders in a timely and appropriate manner.

Caution concerning Forward-Looking Statements

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

Period of Reporting

Fiscal year 2015 (January 1 to December 31, 2015)
Some qualitative information regarding the period from January to March 2016 has been included in this report.

Becoming the World's Leading Manufacturer of Special Glass

In fiscal 2015, we installed a new management team, with Masayuki Arioka as Chairman of the Board and Motoharu Matsumoto assuming the role of President, aiming to go on the offensive in order to achieve better results. Despite our sales having been slightly below forecasts, we recorded an increase in operating income, putting an end to a recent downward trend in profits.

In recent years, our business environment and our business portfolio have undergone major transitions in line with changes in society and technological advances. Against this backdrop, we established a new "Corporate Philosophy Structure" in 2015 in order to reconfirm our foundations as a company and clearly articulate our future direction. To that end, we have formulated our EGP2018 (Electric Glass Prospects 2018) medium-term business plan, with its final target set for fiscal 2018. This was our first step towards our goal to become the world's leading manufacturer of special glass.

The basis of EGP2018 lies in *growth*, driven by areas other than glass for displays (such as glass fiber, glass for optical and electronic devices, and glass for medical care). Accordingly, we will work to develop a well-balanced business portfolio without overemphasizing glass for displays. We will adopt aggressive approaches to deliver highly specific growth results, including M&As, collaborations and affiliations with other companies, and R&D activities that will bring forth potential product commercialization. Fiscal 2016 will be the first year of EGP2018, and thus is exceedingly important for us. We will strive to meet our performance targets despite unpredictable economic factors such as the state of the Chinese economy and crude oil prices.

On behalf of our fellow board members, we wish to express our heartfelt gratitude to our shareholders, customers, suppliers, employees, and all other stakeholders for their warm support. We look forward to your ongoing patronage and understanding for our Group.



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

May 2016

Masayuki Arioka
Chairman of the Board

Motoharu Matsumoto
President

Consolidated Financial Summary

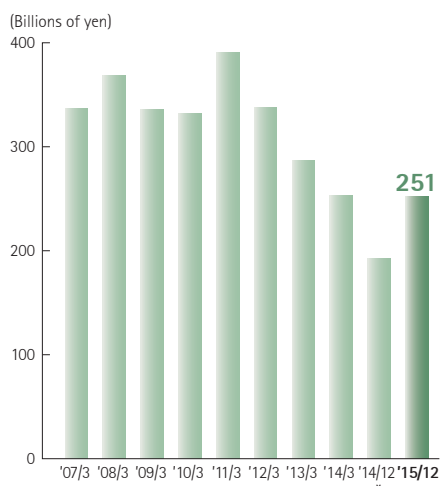
Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries for the ten most recent years

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

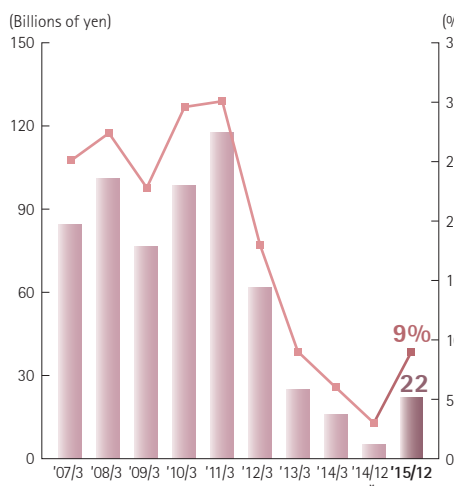
| | 2007/3 | 2008/3 | 2009/3 | 2010/3 |
|-----------------------------------------------------|----------|----------|-----------|----------|
| For the year | | | | |
| Net sales | ¥336,411 | ¥368,267 | ¥335,662 | ¥332,388 |
| Operating income | 84,585 | 100,883 | 76,416 | 98,426 |
| Net income | 40,358 | 50,669 | 21,832 | 54,927 |
| At year-end | | | | |
| Total assets | ¥519,707 | ¥588,031 | ¥588,414 | ¥646,444 |
| Current assets | 208,719 | 238,859 | 200,062 | 228,625 |
| Net property, plant and equipment | 274,683 | 318,527 | 362,860 | 385,170 |
| Current liabilities | 198,308 | 189,606 | 165,640 | 153,874 |
| Interest-bearing debts | 116,296 | 96,766 | 129,883 | 99,827 |
| Net assets | 276,556 | 347,785 | 352,744 | 406,307 |
| Cash flows | | | | |
| Net cash provided by operating activities | ¥107,784 | ¥102,429 | ¥ 89,873 | ¥118,721 |
| Net cash used in investing activities | (95,960) | (91,931) | (121,975) | (86,847) |
| Net cash provided by (used in) financing activities | (9,432) | 5,525 | 27,438 | (35,135) |
| Cash and cash equivalents at end of year | 85,392 | 101,046 | 94,623 | 91,668 |
| Per share of common stock (yen and dollars) | | | | |
| Net income | ¥ 84.37 | ¥ 105.29 | ¥ 43.89 | ¥ 110.41 |
| Net assets | 568.55 | 691.27 | 701.62 | 808.75 |
| Cash dividends | 7.33 | 9.00 | 10.00 | 11.00 |
| Operating income ratio (%) | | | | |
| Operating income ratio (%) | 25.1 | 27.4 | 22.8 | 29.6 |
| Equity ratio (%) | 52.3 | 58.5 | 59.3 | 62.2 |
| Return on equity (%) | 16.0 | 16.5 | 6.3 | 14.6 |

Notes: 1. Net income per share and net assets per share are calculated based on the average number of shares outstanding during each year and the number of shares outstanding at the end of each year, respectively.
2. Per share of common stock amounts are retroactively adjusted for subsequent stock splits. The Company had a 1.5-for-1 stock split of its common stock on April 1, 2007.
3. As there was no dilutive stock outstanding during these years, diluted net income per share was not calculated.
4. U.S. dollar amounts have been translated from Japanese yen solely for the convenience of the reader using the prevailing exchange rate at December 31, 2015 of ¥121 to US\$1.00.

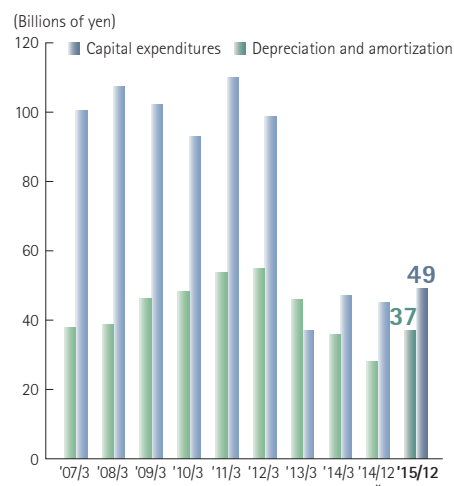
Net sales



Operating income & operating income ratio



Capital expenditures & depreciation and amortization



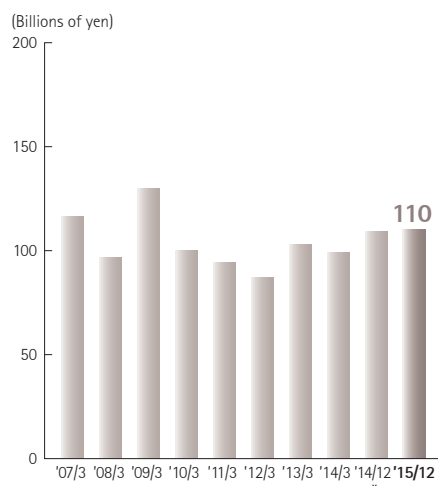
(Millions of yen and thousands of U.S. dollars, except per share figures)

| 2011/3 | 2012/3 | 2013/3 | 2014/3 | 2014/12* | 2015/12 | |
|----------|----------|----------|----------|----------|----------|-------------|
| ¥390,196 | ¥338,214 | ¥287,304 | ¥252,548 | ¥192,692 | ¥251,178 | \$2,075,851 |
| 117,471 | 61,639 | 24,968 | 16,171 | 5,224 | 22,035 | 182,107 |
| 68,609 | 19,409 | 10,603 | 12,432 | 5,938 | 9,637 | 79,645 |
| 52,699 | 54,785 | 46,105 | 35,891 | 28,420 | 37,154 | 307,058 |
| 110,025 | 98,788 | 37,487 | 46,962 | 45,214 | 49,212 | 406,711 |
| 4,553 | 6,464 | 6,833 | 6,920 | 5,527 | 6,183 | 51,099 |
| ¥692,622 | ¥687,070 | ¥697,386 | ¥707,021 | ¥731,185 | ¥726,938 | \$6,007,752 |
| 238,908 | 224,416 | 243,577 | 247,502 | 264,001 | 267,430 | 2,210,165 |
| 417,423 | 420,311 | 395,376 | 393,751 | 397,273 | 386,013 | 3,190,190 |
| 142,327 | 135,200 | 88,038 | 86,970 | 82,701 | 105,400 | 871,074 |
| 94,273 | 86,812 | 102,604 | 99,492 | 109,141 | 109,731 | 906,868 |
| 468,038 | 475,736 | 495,295 | 510,807 | 522,577 | 519,801 | 4,295,876 |
| ¥133,391 | ¥ 83,737 | ¥ 55,111 | ¥ 46,700 | ¥ 38,837 | ¥ 46,797 | \$ 386,753 |
| (96,822) | (79,827) | (46,545) | (33,843) | (29,264) | (32,638) | (269,736) |
| (11,774) | (14,731) | 7,667 | (11,190) | 1,699 | (7,892) | (65,223) |
| 116,366 | 105,210 | 121,741 | 123,888 | 129,823 | 133,856 | 1,106,248 |
| ¥ 137.92 | ¥ 39.02 | ¥ 21.32 | ¥ 24.99 | ¥ 11.94 | ¥ 19.38 | \$ 0.16 |
| 932.17 | 945.47 | 982.97 | 1,011.46 | 1,032.66 | 1,031.86 | 8.53 |
| 13.00 | 15.00 | 16.00 | 16.00 | 12.00 | 16.00 | 0.13 |
| 30.1 | 18.2 | 8.7 | 6.4 | 2.7 | 8.8 | |
| 66.9 | 68.4 | 70.1 | 71.2 | 70.2 | 70.6 | |
| 15.8 | 4.2 | 2.2 | 2.5 | 1.2 | 1.9 | |

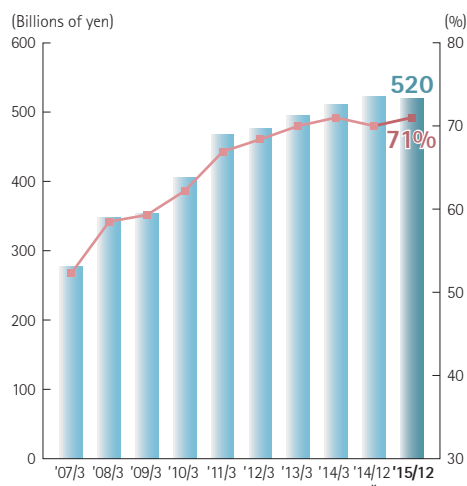
5. As of December 31, 2015, Nippon Electric Glass Co., Ltd. had 24 consolidated subsidiaries.

6. Capital expenditures for FY2014/12 are calculated based on the periods from April 1, 2014 to December 31, 2014 for the Company and its domestic consolidated subsidiaries and January 1, 2014 to December 31, 2014 for the Company's overseas consolidated subsidiaries.

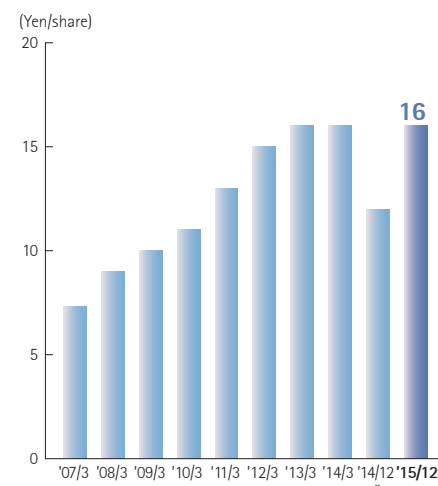
Interest-bearing debts



Net assets & equity ratio

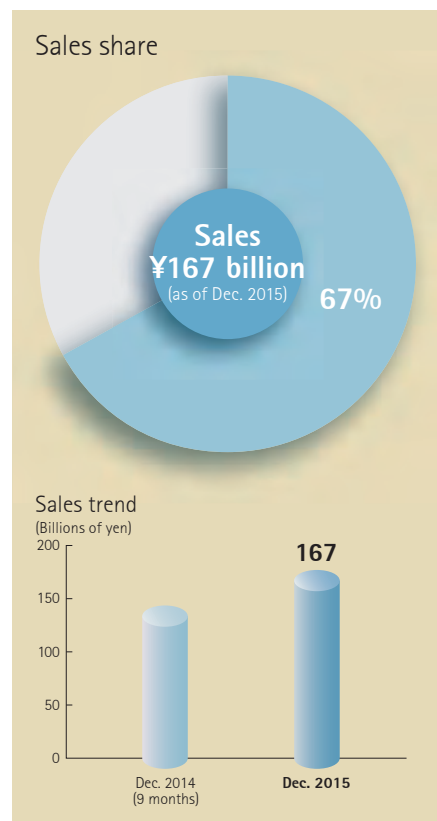


Cash dividends



Review of Operations for Fiscal 2015 and the Outlook for Fiscal 2016

Glass for Electronic and Information Devices



Glass for Flat Panel Displays (FPDs)



This type of glass is used as a substrate for displays, such as liquid crystal displays (LCDs) for televisions and mobile terminals. In fiscal 2015, we secured stable profits in this area due to a number of factors, including an increase in shipment volume arising from the LCD panel area growth, less severe price declines, and productivity improvements. In fiscal 2016, we anticipate a mild increase in shipments on a full-year basis as the market grows. Our melting and forming facility in Xiamen and processing facility in Nanjing will start production in 2016, which will enable us to respond to the increase in demand in the burgeoning China market.

Glass for Chemical Strengthening



Dinorex™ is a glass for chemical strengthening developed for use as cover material for mobile terminals such as smartphones and tablets, protecting the display surfaces of these devices against scratches and impacts. While the markets for smartphones and tablets slowed down in fiscal 2015, we maintained our volume of shipments through expanding sales to Chinese mobile device manufacturers. Despite the forecast of ongoing severe market conditions in fiscal 2016, we will seek to secure an increase in sales by broadening the range of brands and models of mobile terminals that use Dinorex™.

Glass for Electronic Devices



Our glass for electronic devices takes various forms, including image sensor cover glass for devices such as digital cameras; powdered glass used in electronic parts for home appliances, automobiles and industrial equipment; glass paste; and precision glass tubes. In fiscal 2015, our image sensor cover glass for high-end model digital cameras trended in a steady manner, as did our other products, including powder glass. We expect to achieve an increase in sales in fiscal 2016 by committing ourselves to promoting business for both new and existing products.

Glass for Optical Devices



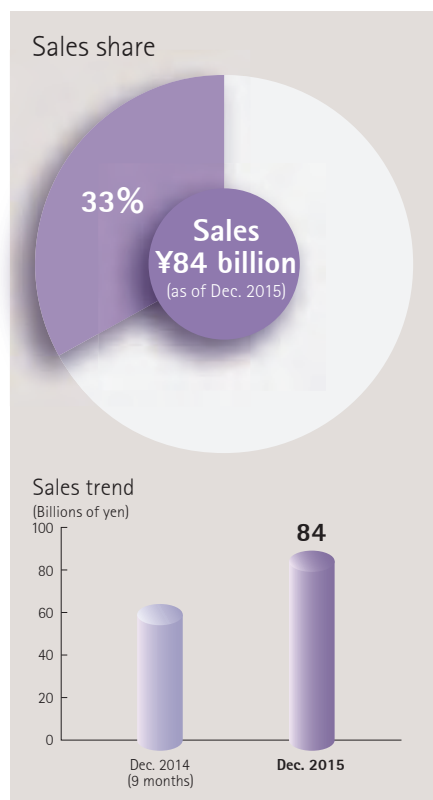
Our diverse range of glass products for optical applications, such as that for separating a particular wavelength from optical signals, and those that branch optical signals, play important roles in the area of data transmission. We continued to achieve good sales in fiscal 2015 against a backdrop of growing demand from the telecommunications infrastructure market, including an increase in the number of telecommunication base stations and data centers. It is projected that demand in this sector will remain strong throughout fiscal 2016 due to such developments as improvements in optical communication networks and standards in emerging nations, which we believe will continue to drive shipments of our products in this area.

Glass for Solar Cells



Our solar cell glass, SS-1, is used as substrate for chemical compound solar cells. This type of glass has higher strain and softening points than general window glass. Chemical compound solar cells are characterized by their high conversion efficiency and by the fact that they enjoy stable demand in the highly competitive solar cell market. Our shipment of this product in fiscal 2015 has largely been steady, and we expect to continue making steady progress in fiscal 2016.

Glass for Others



Glass Fiber



The key product within our glass fiber business is chopped strands* for reinforcing high-function plastics, which are mainly used to make products such as automotive parts. Although our business has been affected by slowing demand in Asian markets, other markets including Europe have mostly been consistent, driving an increase in our sales for fiscal 2015. Sales in fiscal 2016 are expected to grow primarily in the automotive parts field.

*Chopped strands: Made by bundling thousands of glass fibers and cutting them to a specified length. They are combined with high-function plastics.

Glass for Building Materials



We provide glass for building materials in various shapes and with a variety of properties, such as glass for specified fire protection equipment, glass-ceramic building materials, and glass blocks. In fiscal 2015, our sales were sluggish through the second and third quarters due to the influence of seasonal variation factors related to major construction projects, but they began to show signs of recovery in the fourth quarter. In fiscal 2016, we will aggressively promote sales in overseas markets, centering on glass for specified fire protection equipment.

Heat-resistant Glass



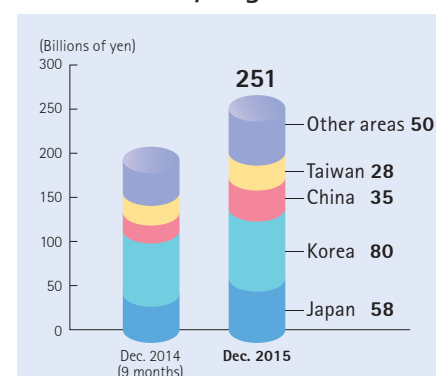
We produce and supply heat-resistant glass that has outstanding thermal shock resistance and mechanical strength. Exploiting such properties, it is used for a number of applications, including home appliances such as oven and fireplace window glass and top-plates for cooking appliances. We also provide carriers used for thermal treatment processing of electronic parts, making good use of the fact that the glass has a thermal expansion coefficient close to zero. Sales in fiscal 2015 have moved steadily, relying mainly on its use for top-plates for cooking appliances in the European and U.S. markets. In fiscal 2016, we will actively pursue opportunities such as applications for high-grade and high-function cooking heaters in the domestic market and sales expansion in overseas markets.

Glass for Medical Care



We provide glass tubing made of borosilicate glass for pharmaceutical and medical use, which has excellent acid and chemical resistance and high strength. It is used as material for medical applications such as ampoules and vials. With a high lead content and excellent radiation shielding properties, LX Premium protects medical personnel against radiation exposure in its use at medical facilities. In fiscal 2015, we increased our sales of glass tubing for pharmaceutical and medical use through our efforts to promote business in emerging nations, such as China, where medical-related demand is growing. We plan to boost production of glass tubing for pharmaceutical and medical use at our Malaysian subsidiary and aim to expand sales of this product in fiscal 2016.

Sales Trends by Region



A large proportion of our shipments go to South Korea and Taiwan, both hubs of the flat panel display (FPD) industry, and our domestic sales share is slightly above 20% of total sales. In fiscal 2015, we achieved sales growth in China, thanks to such factors as increased shipments of FPD glass stemming from an increase in LCD panel production by Chinese manufacturers. In addition, glass fiber shipments to Europe and the U.S. increased, reflecting accelerated sales in those markets.

Medium- to Long-term Strategy and the "EGP2018" Medium-term Business Plan

The NEG Group will make comprehensive efforts to achieve the goals set forth in its "EGP2018" medium-term business plan, ultimately becoming the world's leading manufacturer of special glass.

Q1:

This was the first time that NEG has drafted a medium-term business plan. Would you explain to us the reason why?

A: I would first like to touch briefly upon the changes in the market surrounding our business. From the 1990s, our cathode-ray tube (CRT) glass business saw a rapid increase globally, which was a result of Japanese CRT manufacturers' business expansion overseas. During the 2000s, FPDs suddenly began to replace CRTs due to increasing advancements in imaging technology. In the past quarter century, we have overcome many changes and challenges seen in the display market and shown tremendous growth. However, since fiscal 2010, the growth of the FPD glass market started slowing down and today, it is a matter of the utmost urgency for us to develop a new business pillar of growth. At this turning point for our company, I was appointed President and I decided to create a solid, well-defined plan for achieving further growth.

Changes in both the business environment and NEG's operations

From 1990:

Accompanying the overseas shift of Japanese CRT manufacturers, NEG expands its overseas CRT glass operations.

From 2000:

The display market changes and shifts to FPDs from CRTs. NEG implements structural reform of its display glass business.

From 2010:

FPD glass hits its growth peak and NEG begins to seek a new pillar for future growth.

From 2015:

NEG faces a turning point in its efforts to realize further growth

Establishes new Corporate Philosophy Structure
Establishes new management strategy and medium-term business plan



Q2:

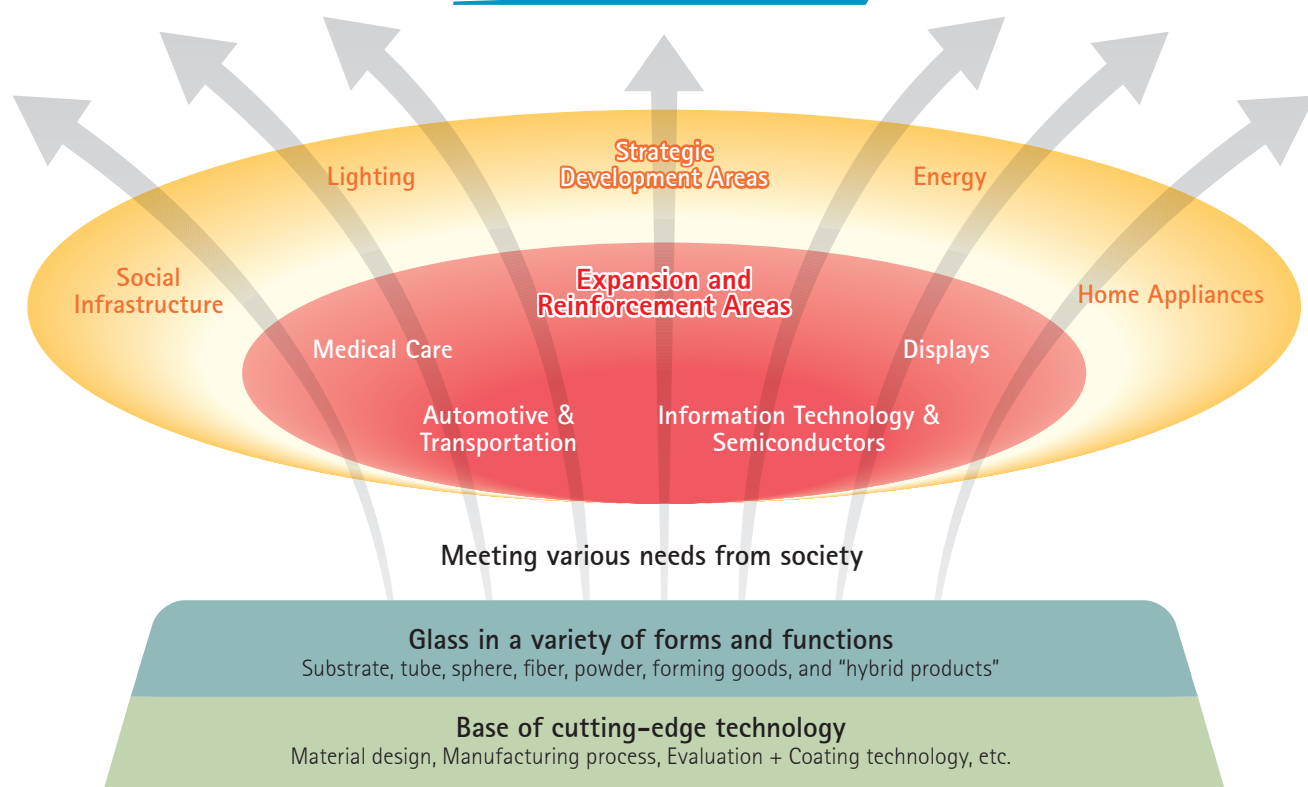
Is this why the new Corporate Philosophy Structure was announced in December 2015?

A: Well, it might be best to say that we reviewed and revised the former Corporate Philosophy. We already had a corporate philosophy based on the founding spirit, but there really wasn't a structure that bound our vision and all our other codes together. In addition, over the years, there were changes in surrounding environments as well as employee turnover. Unfortunately, we saw that the founding spirit was not being fully shared. Therefore, we decided to reorganize our existing corporate philosophy so that it would be more suited to the current environment.

Our business model

"We strive to build a brighter future for the world by uncovering the unlimited possibilities of glass for more advanced creative manufacturing."

GLASS FOR FUTURE



Q3:

Would you share with us what kind of discussions took place while drafting the medium-term business plan?

A: We view EGP2018, our medium-term business plan, as a milestone in our efforts "to become the world's leading manufacturer of special glass." In order to arrive at an overall business plan for the next three years, we thoroughly discussed our medium- and long-term management strategy. During this process we checked and analyzed the markets to focus our resources on, as well as how to achieve further growth. In other words, we reviewed and clearly defined our business model. NEG has fundamental glass technology that includes material design, manufacturing process technology, and evaluation technology. We build on these basic technologies and develop glass with a variety of functions and in many forms ranging from substrates, tubes, and spheres, to fibers, and powders, as well as forming goods and hybrid products that combine different materials including thin-films, plastics, and metals. Our business model is based on our desire to contribute to the development of society through our unique technology, providing innovative products with added value. By doing so, we believe that we will attain sustainable growth.

Medium- to Long-term Strategy and the "EGP2018" Medium-term Business Plan

Q4:

What areas will you emphasize? Please also explain to us in detail your plans for company growth.

A: We have designated the four particular business areas for expansion and reinforcement: "Automotive and Transportation;" "Information Technology and Semiconductors;" "Medical Care;" and "Displays." We will focus on expanding these areas and strengthening our profitability. In these four areas, we already have resources to serve as sources of medium-term growth. We have also designated the four areas of "Lighting," "Energy," "Social Infrastructure," and "Home Appliances" as strategic development areas, and we will target our R&D so that it will generate new business and growth. EGP2018 places focus on the areas that we can expand and reinforce over the next three years, and consequently seek ways for the strategic development areas to contribute to our profitability.

Q5:

Please explain to us about the key points and basic policy of EGP2018.

A: The key to our medium-term business plan is "growth." The Group achieved record high sales of ¥390 billion in fiscal 2010. Since then, the Group has experienced lower sales of around ¥250 billion over the past few years. Our strong determination to get back on the growth track is portrayed in the goals set forth in EGP2018. In terms of display business, we will place priority on strengthening profitability through profit-oriented management. Although the area size of display glass is still seeing gradual growth, prices are predicted to fall at a regular pace, which indicates that we cannot anticipate major growth in this business. However, business related to performance materials, optical and electronic devices, medical care, and heat-resistant and building materials have potential for future growth. We will strive to expand these businesses through measures including expansion of sales, investments in existing operations, M&As, and collaboration with other companies. To that end, we have earmarked a total of approximately ¥50 billion for strategic investment in this area for the next three years, which is in addition to capital investment made on a regular basis. Furthermore, we will support the growth and the profitability of these businesses by promoting R&D, which fully utilizes the superior characteristics of glass, improve our basic technology, and implement proactive intellectual property strategies.

Management targets

Net sales ¥300 billion

(Breakdown)

Electronics and Information Technology:
(Glass for displays, optical and electronic devices, etc.)
¥170 billion

Performance Materials and Others:
(Glass fiber, medical care, heat-resistant and building materials, etc.)
¥130 billion

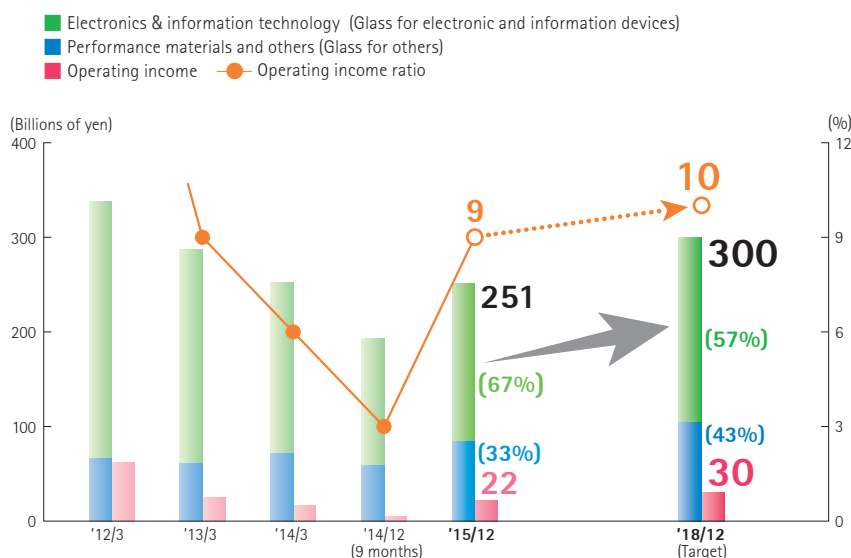
Operating income: **¥ 30 billion**

Operating income ratio: **10%**

Duration

January 1, 2016 to December 31, 2018

Creating a well-balanced business portfolio: increasing net sales and achieving stable profits



EGP2018 Outline

Basic policies and measures

- (1) Strengthen profitability of "displays" related business.
 - Improve productivity and quality by honing the manufacturing process.
 - Realize the smooth shift of production overseas.
 - Conduct management based on controlling risk and prioritizing income and expenditures.
- (2) Expand business related to "performance materials, optical and electronic devices, medical care, and heat-resistant and building materials."
 - Provide specifics for the M&A alliance strategy to generate new business opportunities and growth synergy.
 - Grow existing businesses through sales expansion and investment.
 - Realize early commercialization of newly developed products.
- (3) Reinforcement of R&D
 - Develop "materials, processes, and products" that take advantage of the superior features of glass.
 - Improve basic technologies in material design, manufacturing process technology, and evaluation technology.
 - Enhance intellectual property strengths and utilize licensing-in and cross-licensing to generate new businesses and expand existing businesses.
- (4) Constructive investments

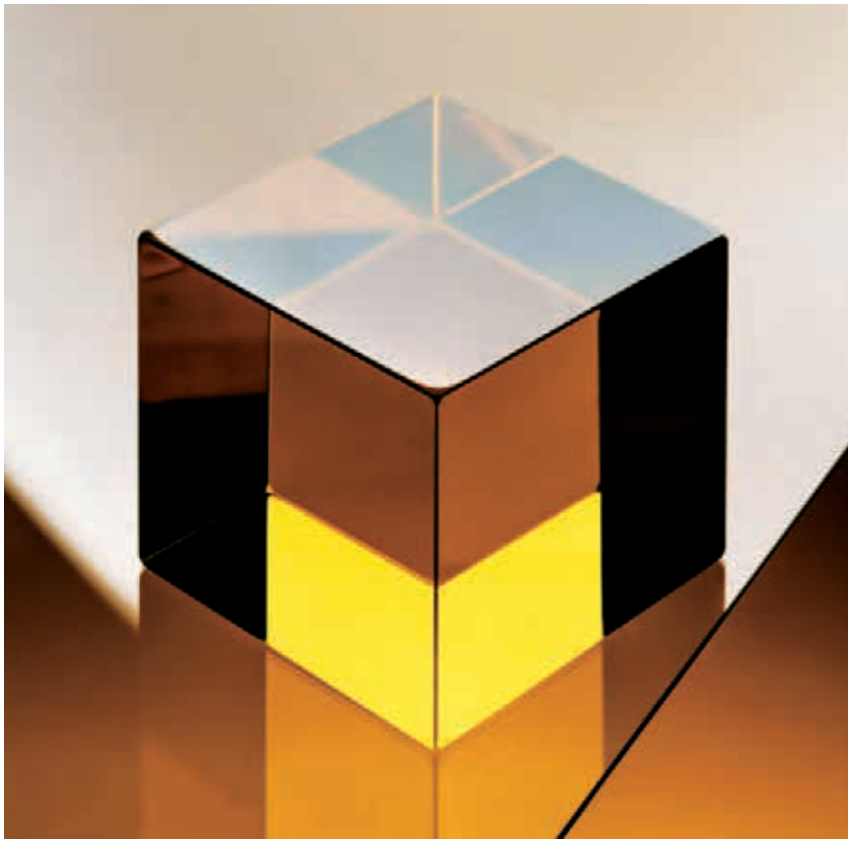
In addition to the usual capital investments, the company will set aside approximately 50 billion yen over a three-year period for strategic investments.

Q6:

Lastly, please tell us about your efforts to achieve EGP2018 targets.

A: Given the recent economic climate and business environment, I do realize that the road ahead to the achievement of our goals is by no means an easy one. I believe, however, that we will be able to do so if we steadily carry out the measures we have identified. We are making Group-wide efforts to implement detailed measures and are determined to attain the goals we have set. I kindly ask you all to continue your support and cooperation for the NEG Group.





Feature 2: Products and Technology

Innovative Glass-ceramics for Daily Life

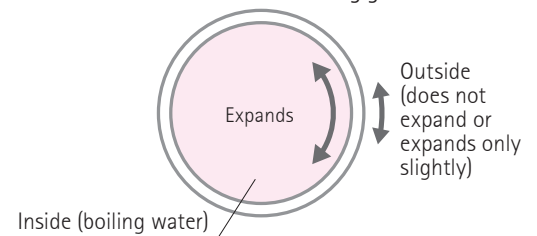


Thermal shock resistance test: glass does not break even when heated to 800°C and splashed with water.



Glass has a number of excellent properties such as being transparent, tough, and chemical resistant. However, it also has drawbacks, such as being brittle breaking easily. An ordinary drinking glass will break if boiling water is poured into it. This is due to the fact that glass expands with heat. The heat of the boiling water quickly heats the inner side of the glass, which then expands. Because heat is not transferred evenly, the outer side remains cool and fails to expand. Thus, the expanding force works on the inner side of the glass and a force that tries to restrain such expansion works on its outer side. In addition, innumerable and invisibly minute fissures exist on glass surfaces. Stressed by the expanding force, these fissures grow into cracks, causing the glass to break.

Cross section of a drinking glass



Using a technology called crystallization, in 1962 NEG successfully developed super heat-resistant glass-ceramics which possess a number of outstanding properties, including high strength, toughness for withstanding rapid temperature changes, and negligible electrical conductivity. Glass-ceramics are made by reheating a base glass material, which is primarily non-crystalline, allowing crystals to evenly precipitate within the glass.

NEG's super heat-resistant glass-ceramics are produced by heat-processing special composition glass, thereby creating minute crystals having thermal contraction properties allowing even precipitation within the glass. In the event of a rapid temperature increase, the contraction of crystals and the expansion of residual glass negate each other, causing almost no expansion. With the resulting extremely low coefficient of thermal expansion*, glass-ceramics withstand rapid fluctuations in temperature, and they will not break even if they are heated up to 800°C and then immediately splashed with cold water.

*Coefficient of thermal expansion: the degree to which a substance expands in response to changes in temperature

Widespread use of super heat-resistant glass-ceramics

Super heat-resistant glass-ceramics are used in a variety of everyday appliances, such as heat-resistant glassware, top-plates for induction heating and gas cookers, and protective tubes for nichrome wire in toaster ovens. They are also used as fire-rated glass in fire protective areas and equipment in buildings. They are used as parts for optical communication and as materials for manufacturing precision components such as electronic parts and semiconductors. Glass-ceramics are experiencing a rapid expansion in the areas in which they are being used.



Neoceram (used in dishware)



Neoceram (used in fireplace window)



Neoceram (used in carriers for thermal treatment of electronic components)



N-0 (used in cooking appliance top-plates)

Product line-up

| | |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Neoceram | Heat-resistant cookware, microwave oven turntables, stove windows, carriers for thermal treatment processing of electronic components |
| N-0, N-11 | Cooking appliance top plates |
| FireLite FireLite Plus | Fire-rated glass incorporated into designated and general fire protection equipment in buildings |

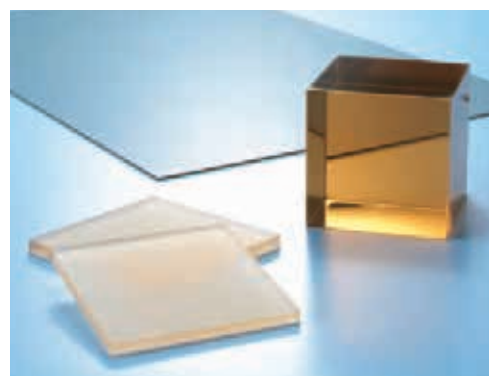
ZERØ™ Glass with a zero coefficient of thermal expansion

In 2013, NEG succeeded in developing ZERØ™, glass with a zero coefficient of thermal expansion. This is a product that evolved from further advancement of super heat-resistant glass-ceramics.

ZERØ™ neither expands nor contracts in response to changes in ambient temperature, demonstrating that it has

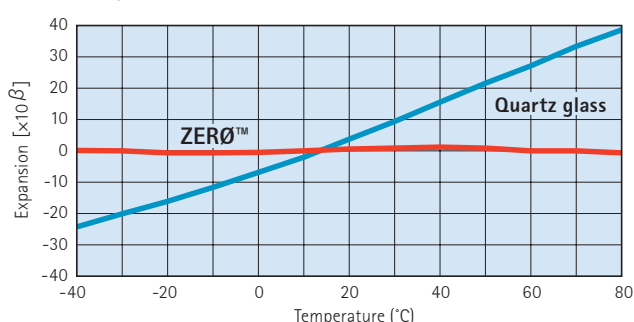
an extremely high level of dimensional stability. It is an ideal material for making highly sophisticated substrates for optical parts and optical communication, measuring devices such as ultra-precision scales, and any new components for which never-before-achieved dimensional stability is required. ZERØ™ accelerates the development of new products and technologies for which superb properties are needed.

Benefiting from the properties of glass (namely, that it can be processed into various forms), ZERØ™ can also be made into powder and fiber forms. This will allow it to be combined with other materials, thus raising expectations for the creation of new hybrid materials. If mixed with resin, for example, ZERØ™ will suppress the thermal expansion of the resin, contributing to the realization of low thermal expansion of resin.



ZERØ™, zero CTE glass

Thermal expansion



Half a century since their launch, our super heat-resistant glass-ceramics are now used in a diverse array of applications. NEG is determined to continue to contribute in many ways to the achievement of a comfortable and secure living environment and the advancement of all industries through our products and our unique technology that allows us to freely employ properties such as low and zero thermal expansion to glass.

Corporate Governance

NEG increased the number of its outside directors to two with the resolution made at the shareholders meeting held on March 30, 2016. This will reinforce overall management supervision and energize the activities of the board of directors.

Our Corporate Governance Policy

We believe that to increase corporate value and achieve sustainable growth, it is essential to ensure managerial transparency and strengthen supervisory functions regarding the execution of business affairs. This is our basic policy regarding corporate governance and we will strive to improve our organization and systems to fulfill this policy.

Corporate Governance Structure

Board of Directors

The board of directors makes decisions on important management affairs of the NEG Group and supervises the execution of business affairs. As of March 30, 2016, the board of directors consists of nine directors (including two representative directors, five inside directors, and two outside directors). The director tenure has been shortened to one year, in order to clearly specify managerial responsibilities and build a flexible management system capable of responding to changes in the business environment. Board of director meetings are held regularly once every month and extraordinary board of director meetings are held from time to time when needed. The directors also enhance their management supervisory functions by attending the yearly budget plan meeting where they are given explanations from executive officers regarding the fiscal year budget.

Board of Corporate Auditors

NEG operates with a corporate audit system. As of March 30, 2016, the board of corporate auditors consists of four corporate auditors, including two outside corporate auditors. The board of corporate auditors meetings are held regularly once every month, where auditors discuss and exchange views and information. Corporate auditors conduct an audit of the execution of the directors' duties by attending board of directors meetings. Corporate auditors assess business affairs and corporate assets and also set important auditing themes in accordance with policies, plans, and assignment of duties established by the board of corporate auditors, in order to audit the performance of directors' required business tasks. So as to deepen their understanding about the company and increase the efficacy of their auditing, corporate auditors attend the yearly budget plan meeting, and they also create opportunities to directly hear from directors and executive officers about their duties for which they are responsible and related business affairs.

Management Committee

The management committee deliberates on the Group's important managerial affairs as well as detailed action plans regarding the decisions made at the board of directors meetings. Management committee meetings are held twice a month on a regular basis and also when deemed necessary.

Executive Officers

NEG operates with an executive officer system to promote faster decision making, ensure managerial transparency, and enhance the execution of business affairs. As of March 30, 2016, there are 20 executive officers (six of whom are directors). The President is responsible for execution of duties and the other executive officers execute the duties assigned to them by the President. Each executive officer serves for a term of one year.



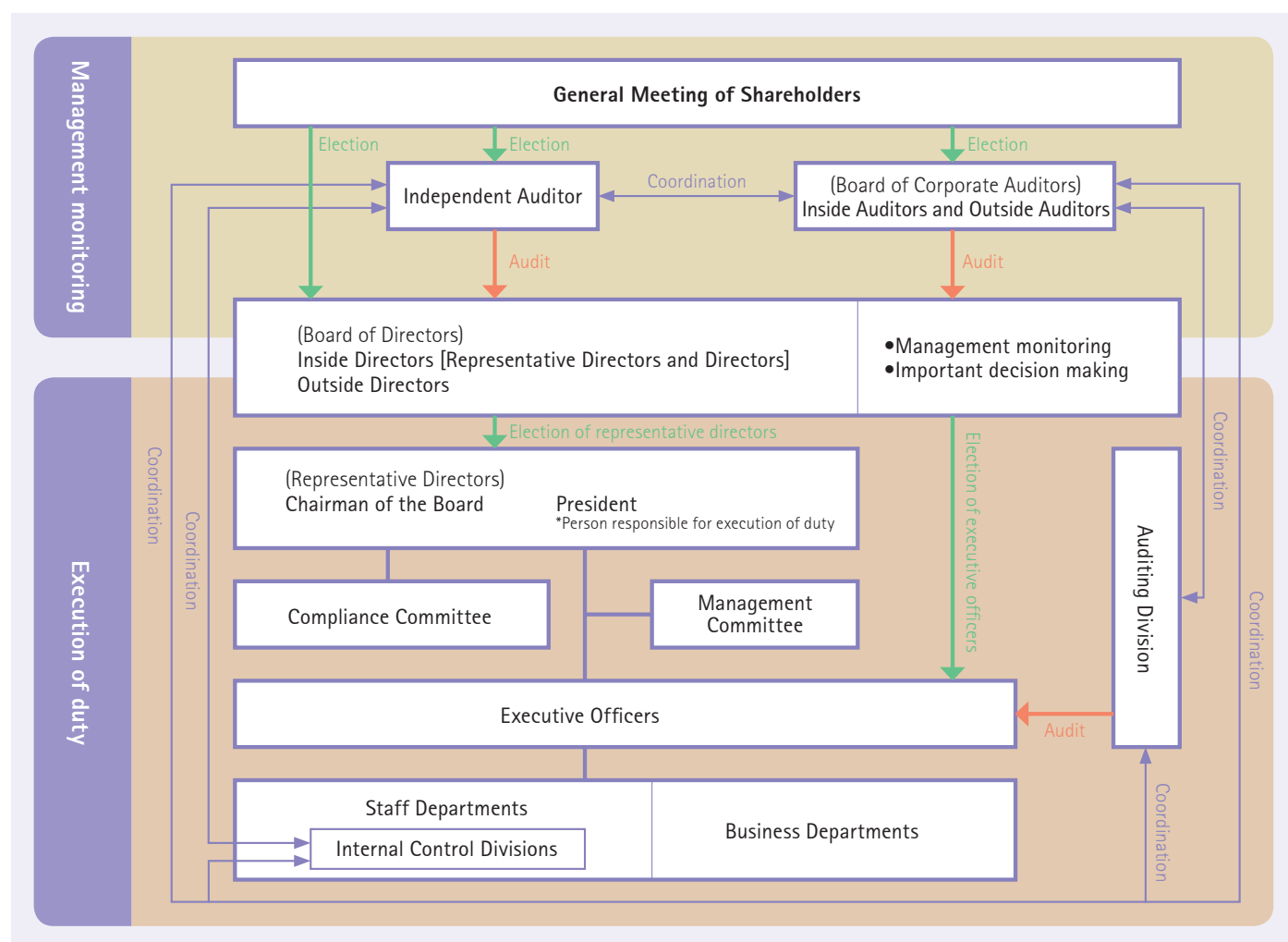
Outside Directors and Corporate Auditors

Currently, there are two outside directors and two outside corporate auditors in our company. One of the outside directors is an economist who has special knowledge and broad experience in the field of global economics. He provides objective advice and views at board of directors meetings. The other outside director was newly appointed at the March 30, 2016, shareholders meeting. He has long been involved in corporate management, and has vast knowledge and experience in that arena. This appointment will further strengthen management supervisory functions.

Outside corporate auditors consist of an attorney and a certified public accountant who are independent from the company and are highly informed in their respective fields. They proactively perform their auditing duties and reinforce supervisory functions.

We base our selection on whether or not candidates satisfy requirements set for "independent directors/corporate auditors" in accordance with the Tokyo Stock Exchange's rules and regulations. At the same time, we also take into account the importance of avoiding any risks or conflicts of interest with our general shareholders. We have registered all of our outside executives as "independent directors/corporate auditors" with the Tokyo Stock Exchange.

Diagram of corporate governance system (as of March 30, 2016)



Compliance and Risk Management

With a view to acquiring society's trust and in order to achieve sustainable growth, NEG and its Group companies will ensure compliance with international laws and rules, and carry out its activities with integrity to meet high ethical standards.

■ Compliance System

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

- Drafting revisions to the Corporate Philosophy, Group Code of Conduct, and Principles of Activities
- Collecting and analyzing information on compliance and providing compliance training
- Installing and managing an internal reporting system (NEG Hotline)



Compliance seminar at Nippon Electric Glass Taiwan Co., Ltd.



Compliance seminar at Electric Glass (Xiamen) Co., Ltd.

■ Compliance Program

Group Code of Conduct and Principle of Activities

To ensure that all executives and employees of the NEG Group are informed regarding compliance, we have created the Group Code of Conduct and Principle of Activities. We have made portable wallet cards with the Code of Conduct, Principle of Activities, Corporate Philosophy Structure, and an introduction about the NEG Hotline printed on them. These cards were distributed to all employees of the NEG Group.



Internal Reporting System

We have installed a new system, called the "NEG Hotline." The purpose of the NEG Hotline is to prevent any legal violations, wrongdoings, or unethical acts as well as promote early detection and to quickly resolve any such acts if they actually occur. We have established two consultation hotlines: one that connects employees to the compliance committee (internal contact point) and the other that connects them to a lawyer's office (outside contact point). The confidentiality of the informers is strictly protected at both contact points, so that no harm or unfair treatment will occur.

Ensuring Compliance

In order to raise awareness throughout the Group, each year we carry out compliance training as a part of various education programs such as for top executives and newly hired employees as well as antitrust seminars for employees engaged in sales activities. In fiscal 2015, we conducted compliance seminars for executives at all our overseas subsidiaries.

Compliance Awareness Month

We have designated October as "Compliance Awareness Month." We conduct compliance-related lectures and internal training and put up compliance awareness posters throughout our facilities. We also ask all NEG Group executives and employees in Japan and overseas, to provide us with their signed declarations promising that they will abide by the Group Code of Conduct. This gives them the opportunity to reflect on how they carry out their work in terms of compliance.

Risk Management

The NEG Group reviews business risks on a periodic basis, based on the company's basic policy on internal control, and takes actions to manage such risks. In cases involving any business risks that are deemed significant*, responsible divisions or special committees establish regulations and guidelines, conduct training, prepare manuals, and undertake other necessary activities.

*Significant business risks related to compliance, finance, the environment, disasters, trade control, information management, product quality, and health and safety.

Implementation of BCP

To be prepared for disasters such as earthquakes, windstorms, floods, and fires, we created a disaster management manual based on the company's disaster prevention regulations, and we carry out emergency drills periodically. However, in the wake of the 2011 Great East Japan Earthquake, we have reviewed our disaster management measures and also implemented seismic reinforcement to our buildings, production facilities, and equipment.

In fiscal 2015, we began using Business Continuity Planning (BCP), which replaced the previous disaster prevention

regulations. To facilitate the processes necessary for BCP, we have created a new BCP manual providing information on detailed preparation procedures and actions that should be taken when an emergency or disaster strikes. In accordance with the implementation of BCP, we have introduced a system that will efficiently confirm the whereabouts of all domestic Group employees and their families in case of an emergency. Our overseas Group companies also periodically carry out training based on the disaster management manual, to be prepared for any disasters.

Basic policy of BCP

1. To protect each employee and their families and to secure their safety
2. To protect production equipment, to prevent secondary disasters from expanding within the company and the adjacent communities, and to help with rescue efforts
3. To resume providing clients with products and services as rapidly as possible



Firefighting training at Shiga-Takatsuki Plant



Disaster drill at Electric Glass (Guangzhou) Co., Ltd.

Environmental Conservation

We regard "consideration for the environment" as one of our key values, and we will continue to manufacture products that are friendly to the environment.

Our Environmental Conservation Policy

The NEG Group has long regarded "consideration for the environment" to be an important managerial issue. We believe that implementing efficient production activities with low environmental burdens will lead to reduction of CO₂ emissions as well as water and energy use and result in effective utilization of limited natural resources. This in turn will help prevent global warming and maintain biodiversity.

Promotion of the Environmental Management Plan

In 2015, all domestic plants set 37 objectives, of which 33 were attained. For unmet objectives, even higher goals have been established for 2016, and related activities are being implemented.

Environmental Education

The ISO 14001 international standard was revised in September 2015, meaning that our operations would have to be reviewed for updates within three years. We made a plan to renew certification in Japan in 2017 and have begun educational activities regarding the new revised standard in preparation.

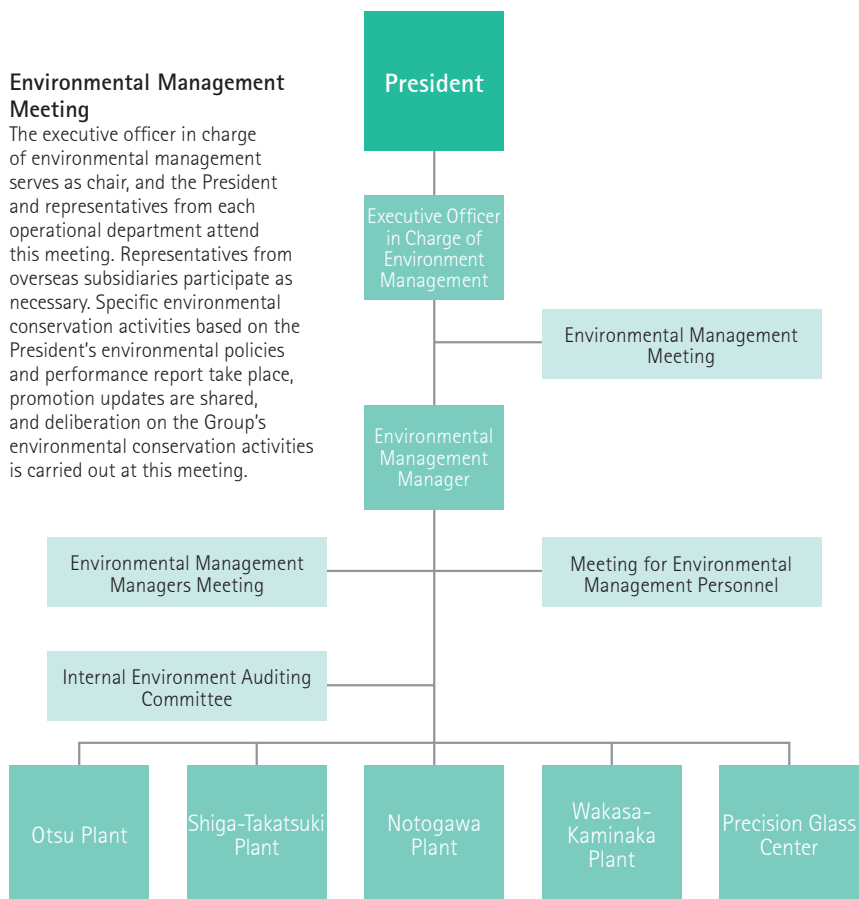
Environmental Business Plan

As one of our specific environmental activities, we have implemented an Environmental Business Plan over a number of years. This is a proprietary activity whereby business management methods are applied to environmental conservation activities, including deployment of 3R activities (reduce, reuse, recycle), with waste, water and exhaust gas as the main themes. This will help reduce environmental burdens that result from our glass production operations.

Business Plan (waste reduction)

Since this activity began in 2000, the amount of solid waste destined for landfill (Category D) has been steadily decreasing. The graph on page 18 indicates the changes

Environmental Management Activity Organizational Chart



ISO 14001 certification status

The ISO 14001 certification status of the NEG Group is as follows:

| Company name | Date of certification |
|----------------------------------------------------------------------|-----------------------|
| Nippon Electric Glass Co., Ltd. (multi-certification at five plants) | Aug. 27, 1999 |
| Group companies | |
| Japan | |
| SGS Engineering Co., Ltd. | Jan. 19, 2001 |
| Nichiden Glass Processing Company, Limited | Nov. 1, 2002 |
| Shiga Nichiman Company, Limited | Feb. 15, 2013 |
| Overseas | |
| Techneglass LLC | Jan. 31, 2000 |
| Nippon Electric Glass (Malaysia) Sdn. Bhd. | Jan. 12, 2002 |
| Nippon Electric Glass Taiwan Co., Ltd. | Sep. 18, 2006 |
| Paju Electric Glass Co., Ltd. | Aug. 28, 2007 |
| Nippon Electric Glass (Korea) Co., Ltd. | Oct. 9, 2007 |
| Electric Glass (Shanghai) Co., Ltd. | Dec. 21, 2009 |
| Electric Glass (Korea) Co., Ltd. | Dec. 9, 2014 |
| Electric Glass (Guangzhou) Co., Ltd. | Nov. 11, 2015 |

Environmental Charter

[Environmental Principles]

The preservation of the global environment is most important and indispensable factor for the prosperity of civilization and humanity in the 21st century.

Nippon Electric Glass Co., Ltd. will contribute to the progress of societies and civilization by creating high-tech glass and by supplying high quality products.

Nippon Electric Glass Co., Ltd. will strive to develop and utilize its own technology to coexist with the local community, nature and the global environment.

Nippon Electric Glass Co., Ltd. will contribute to the preservation of the global environment and to realization of a recycling-based society through the glass manufacturing business.

[Action Plan]

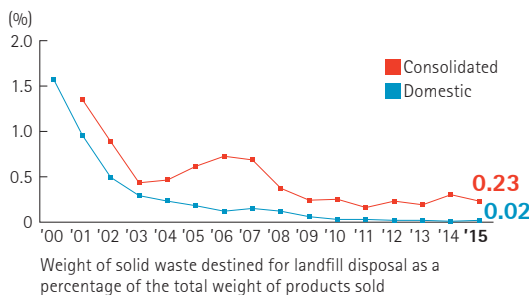
1. Restrain the generation of waste and thoroughly recycle wastes that originates from the glass manufacturing business itself. Reduce the environmental impact by minimizing the emission of wastes.
2. Reduce environmental impact by achieving conservation of resources and energy through the development and utilization of glass manufacturing technologies that attain the highest efficiency in the world.
3. Make every possible effort to prevent pollution according to standards that conform to the requirements of the 21st century and to coexist with the local community.
4. Make every possible effort to preserve the environment by honoring and observing all environmental legislation, regulations, and agreements, and by enforcing our own even stricter standards.
5. Manage the handling and control of chemical substances with utmost care. In particular, make every possible effort to limit the use of hazardous chemical substances.
6. Set environmental objectives and targets, and then attain them through the environmental protection activities of every employee. Continually improve our environmental management system and our environmental protection performance.
7. Protect the environment by supporting the operation of our affiliated companies in relation to the environment, and coordinate our own and our affiliates' efforts to protect the global environment.

This charter will be communicated to all employees and affiliated companies, and it will be available to the public.

Environmental Conservation

in the ratio of solid waste (destined to become landfill waste) of products sold, as a result of standard manufacturing processes. In 2010, we achieved our aim of reducing the weight of solid waste destined for landfill disposal to be equivalent to 0.01% (or less) of the total weight of products sold for our Japanese-based operations, and we have since kept it at that level. On a consolidated basis, including overseas operations, the amount of landfill disposal temporarily increased since we ceased manufacturing CRT glass and were no longer able to use recycled CRT glass. Going forward, we will actively promote reduction of corporate recycling (Category C), which is outsourced, in addition to reducing landfill waste.

Reduction of Landfill Waste



Waste categories

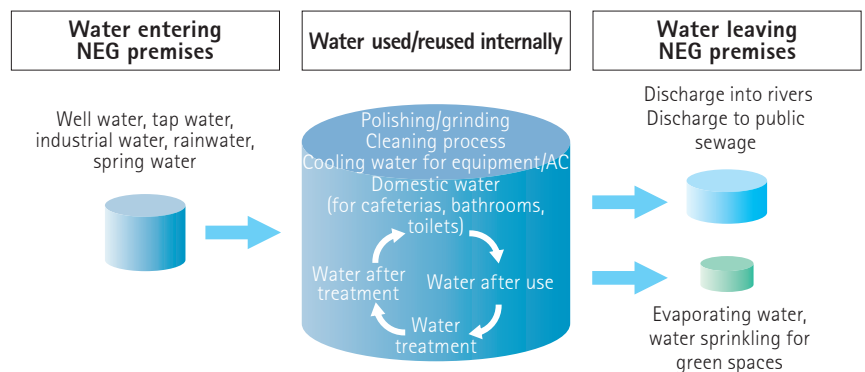
Categories classified by treatment level

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

Business Plan (water reduction)

We have been working on reduction of water usage, not only in pursuit of resource conservation but also because we believe that our manufacturing philosophy is represented in the way we regard water usage.

Volume of water usage compared to weight of products sold



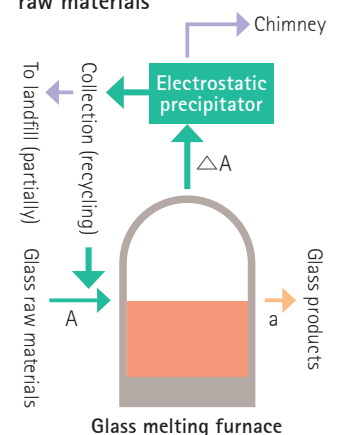
We aim at fully understanding the entire glass manufacturing process, including melting, forming, and processing (cleaning), and improving process techniques as well as equipment. At our overseas facilities, water resources have become more valuable than they are in Japan. We will strive to reduce water usage and waste water volumes by horizontally disseminating knowledge that has been acquired over the years in Japan.

Business Plan (reduction of evaporated glass components in glass melting furnaces)

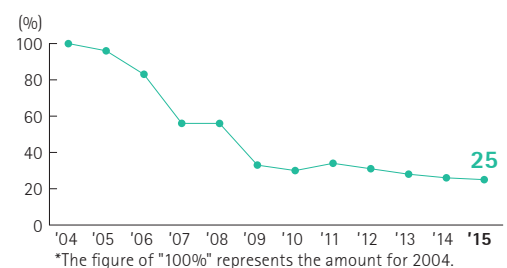
We will seek a melting method that results in reducing evaporated glass components in the exhaust gas from furnaces and will work to reduce the related environmental burden. The underlying concept is to "reduce evaporated glass components in exhaust gas by removing such components by using electrostatic precipitators, as well as keeping the volume of such components arising during the melting process as low as possible."

The right-hand graph shows changes in the percentage of furnace exhaust gas accounted

Recycling mechanism for glass raw materials



Percentage of exhaust gas accounted for by evaporated glass components



*The figure of "100%" represents the amount for 2004.



Natural vegetation at Notogawa Plant

for by evaporated glass components generated during the glass melting process for our core business line of LCD display glass. The index is based on the total volume of evaporated glass components in exhaust gas compared to the total weight of glass sold. Compared to the level in 2004, before this business plan commenced, the percentage has been steadily decreasing. In 2014, it was reduced to one-fourth of the level prior to initiation of this plan. We will continue to devise various ways of reducing evaporated glass components in the exhaust gas from glass melting furnaces.

Our Global Warming Countermeasures

We use a significant amount of energy to melt glass; therefore, we put in great effort to conserve energy used in our glass melting furnaces and reduce the emission of greenhouse gas. The issue of greenhouse gas emission was discussed at the 2015 Paris Climate Conference (COP21), and Japan made its reduction target an international pledge. We will continue our endeavors to reduce greenhouse gas.

Introduction of oxy-fuel firing glass melting furnaces

In 1993, we introduced the first oxy-fuel firing glass melting furnace in Japan as a result of designing and developing our own



Oxygen supplied from liquid oxygen tanks is used in the oxy-fuel firing furnaces

oxy-fuel burner and glass melting furnace. Introduction of these furnaces has been completed. Compared to air combustion furnaces, oxy-fuel firing furnaces produce approximately 20% less CO₂ per unit of production weight.

The key issue for oxygen combustion is to remove the nitrogen that comprises 80% of air and is not associated with either combustion or heating. Thus, thermal nitrogen oxides or "NO_x" generated when nitrogen is oxidized at high temperatures are rarely produced. The amount of exhaust gas is also substantially reduced, and thermal efficiency is improved, resulting in lower fuel consumption and CO₂ emissions.

Fuel conversion in glass melting furnaces

For fueling our glass melting furnaces, we have been switching from heavy oil to kerosene and to LPG and ultimately to city gas, thus reducing CO₂ emissions. Since the extension of pipelines to the Notogawa Plant and the Shiga-Takatsuki Plant, we have been switching to city gas. In 2000, heavy oil accounted for over 60% of fuel usage; however, heavy oil has not been used in any of our glass melting furnaces since 2010.

Increasing electricity usage in the glass melting process

To melt glass raw materials, gas and electricity are used either alone or in combination, depending on the situation. In electric heating, unlike that using liquid fuel or gas fuel, electrodes are directly inserted into the melted glass, resulting in excellent thermal conductivity to the glass. Thus, if electricity use is increased in percentage terms, CO₂ emissions can be reduced. Also, in heating with electricity, the amount of exhaust gas can be substantially reduced compared with that generated by heating with fossil fuel. The NEG Group has company-wide activities aimed at increasing electricity as an energy source used to melt glass.

Developing Human Resources and Diversity

The NEG Group respects the individuality and diversity of its employees and is committed to creating a workplace environment in which all of its employees are given opportunities to maximize their potential and feel a sense of fulfillment.



Employing and Developing Global Human Resources

Our business continues to become global, with increases in ratio of overseas sales and production. We are implementing initiatives to secure and develop human resources who are able to demonstrate great performance in both domestic and overseas environments.

Employment Activities

We welcome new graduates who are willing to be active in the global business arena. As one of our initiatives to recruit people with global talent, we participate in job fairs catered to international students. From fiscal 2012 to date, we have hired a total of 92 people, including both new-graduate and mid-career hires. Among them were seven international employees. We have put in place a support system for these international employees at each of their workplaces, and they are all performing significantly by positively utilizing their individuality. We will continue to hire a diverse array of people so that we can be flexible for global challenges and to create a dynamic organization.

Human Resources Development

We are implementing a more progressive approach to nurturing employees to become ready for global business. In fiscal 2013, we started a Global Communications Program (GCP), which offers language training to young employees who are candidates for active roles overseas. It places emphasis on acquiring English of

a satisfactory business-use level. Those who have taken this program are carrying out negotiations with overseas clients and affiliates, and thus we are already seeing great results.

We also have training programs for young employees and mid-career employees. The young employee program is intended for fifth year employees, which enable them to acquire necessary business skills as well as understand the goals of the company, and the requirements of human resources that the company needs. The mid-career program is intended for tenth year employees, providing them with insight to assume leadership positions in the workplace. To teach implicit knowledge such as technical and experience-based knowhow in addition to manufacturing-related academic information, we have a program named "Monozukuri College" (or "Manufacturing College") in place. Through such programs, our employees will learn about our corporate philosophy and work-related skills that will serve them significantly regarding their jobs. Furthermore, we will focus on developing managerial talent and nurturing human resources for global management positions.

Promoting Employment of People with Disabilities

In 1980, we established a special-purpose subsidiary aimed at employing people with disabilities, and we were among the first six companies in Japan to do so. To this day, the NEG Group has been working towards expanding employment opportunities for persons with disabilities.

Training programs

| Category | Item |
|-------------------------|------------------------------------------------------------|
| Training based on level | New employee training |
| | Young employee training (fifth year) |
| | Mid-career employee training (tenth year) |
| | Managerial position training (new managers) |
| | Mid-level management training |
| Global human resources | Global Communications Program (GCP) |
| | Overseas training for newly hired administrative employees |
| | Language training (English, Chinese, and Korean) |
| Skill-based training | Intellectual property training |
| | Accounting seminars, Monozukuri College |
| Other | Compliance training, Information security training |



A student from Shiga Prefectural Nagahama High School for Children with Disabilities engaging in the occupational experience program

We have succeeded in significantly exceeding the statutory requirement and as of December 2015, the NEG Group has achieved a 3.7% employment rate for such persons. In addition to employment opportunities, we strive to provide a safe and suitable workplace environment for these employees. Initiatives include implementing support systems and enhancing acceptance in the workplace of people with mental disorders. We have been developing programs to support the independence of local people with disabilities. Our efforts include incorporating occupational experience programs for students from nearby schools for children with special needs. We will continue with such endeavors to improve our workplace environment and to create new opportunities for them.

Developing the Next Generation and Promoting Female Career Advancement

NEG respects the individuality and diversity of its employees and implements programs and efforts so that they can exercise their full potential and enjoy their careers.

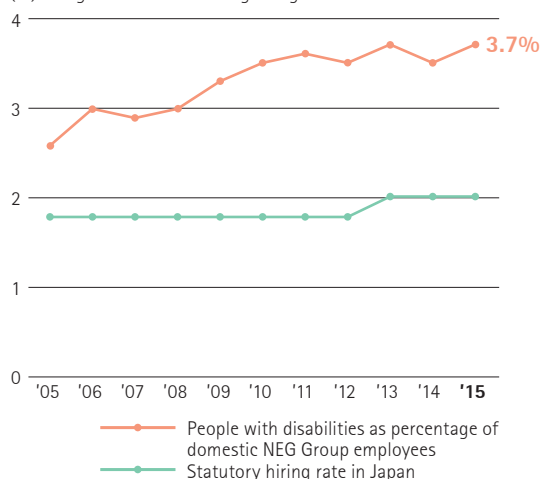
Promotion of the Act on Measures to Support the Development of the Next Generation

We are facilitating to create a workplace in which employees can achieve a beneficial work-life balance. In May 2015, we received the "Kurumin" accreditation mark from the Ministry of Health, Labour and Welfare for the fourth consecutive year. This is the first accreditation granted to a corporation based in Shiga Prefecture. This accreditation was awarded as a result of our achieving our goals set forth in our Fourth Action Plan.

April 2015 marked the start of our Fifth Action Plan, which is a three-year plan. We are emphasizing childcare leave for male employees and promoting their participation in this area. We believe this will increase their understanding of child rearing and household chores and will in

Percentage of employment of people with disabilities

(%) All figures are from the beginning of June.



NEG's Fifth Action Plan (Duration: April 1, 2015 to March 31, 2018)

| Goal | Content |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Childcare leave Females: To achieve more than 75% utilization rate Males: To achieve more than 13% utilization rate of those whose spouses have given birth to a child | Provide information regarding birth and child care systems and related issues, and promote their use |
| 2. Allowing use of paid leave on an hourly basis | Study and adopt systems that meet employees' needs |
| 3. Measures to reduce overtime | Require each department to set overtime reduction targets and manage them |
| 4. Promotion of use of paid leave | Promote use of vacation days for memorial days such as birthdays and anniversaries Encourage employees who have not taken much paid leave to take more |
| 5. Female invigoration project | Incorporate systems catered to females that they believe would appropriately invigorate female careers and support their needs |

turn result in female employees continuing with their careers. In fiscal 2015, a total of six male employees took childcare leave. We also started a project consisting of only female employees, in which they search for ways to invigorate the careers of female employees. They discuss ways to increase female career opportunities and progression. They also exchange information and opinions with female employees of other firms. We will continue to strive to create a workplace in which all our employees will be able to achieve a great work-life balance and feel fulfilled in their jobs.



The four-star Kurumin accreditation mark

Contributing to Local Communities

As a member of society, we are committed to contributing to the development of every community in which we conduct business. We will do so by respecting the cultures of all such countries, regions, and communities.

■ Our Social Contribution Policy

The NEG Group has multiple facilities both in Japan and overseas, including major facilities located in Shiga prefecture, where NEG was established. Our business activities themselves contribute to the local economy and create employment opportunities. In addition to this, we have been steadily engaged in activities that allow us to contribute to local society, such as voluntary cleaning and planting greenery in areas surrounding our company premises. We also hold events to continue our close interaction with the surrounding communities. Moreover, we continue to focus on providing positive support for the development of younger generations, by offering plant tours and through active participation in educational events and activities.

Supporting the Younger Generation

Educational Events

With the aim of stimulating children's interest in science through fun and unique experiences with glass, every year we have been participating in the "Science Yataimura" event hosted by the Otsu City Science Museum in Shiga prefecture. For the fiscal 2015 event,

we presented interactive glass exhibits, using Invisible Glass™ (glass with ultra-low reflecting coating), G-Leaf™ (ultra-thin glass) and Dinorex™ (glass for chemical strengthening). Children enjoyed different types of special glass that were "invisible," could bend, and would not break, which was quite a surprise for them.

Visiting Lessons

We co-sponsored and held a visiting lesson for the "IF Class: invention, discovery, and manufacturing" hosted by the Otsu City

Science Museum. This event is aimed at giving children the chance to experience the fun of learning and making things. A total of 18 children from Otsu City, ranging from fifth to eighth graders, participated in our lesson. We gave lectures explaining the features and the use of various glass materials and their manufacturing methods. They also had a chance to cut sheets of glass and made their own photo frames. Children shared their feedback with us, such as "I learned so many new things today, and it was all really interesting!"



Lecture at the visiting lesson



Children learning how to cut glass

Plant Tours

As an example of our efforts to support the younger generation and the local community, we organize plant tours for local residents and students. Through these



Fifth grade students touring the Otsu plant

NEG exhibit at the 2015 Science Yataimura event



efforts, we maintain close communications with the community. In fiscal 2015, a total of about 650 people toured our factories in Japan and overseas. We will continue to create an environment in which local residents can enjoy visiting our facilities.

Academic-industrial Collaboration

In 2007, we concluded a comprehensive university-industry collaboration agreement with the University of Shiga Prefecture. Based on that agreement, we have been collaborating with the university on a variety of ongoing glass engineering-related projects. Such projects include the establishment of an endowment course, joint research and technological exchange, and supporting the development of tomorrow's leaders.

At Nippon Electric Glass (Malaysia) Sdn. Bhd., we are jointly developing a recycling system for used CRT glass with the National University of Malaysia (Universiti Kebangsaan Malaysia). With the shift in TVs from CRT to flat panel displays, it is becoming more difficult to reuse them as CRT glass; therefore, it is important to find new applications for recycled CRT glass. We will seek a new recycling system that will contribute to the conservation of the local environment.



Signing ceremony of technology transfer of CRT glass recycling system (Nippon Electric Glass (Malaysia) Sdn. Bhd.)

Strengthening Ties with Local Communities

Every year, each of our domestic facilities holds summer festivals and invites local residents and employees' families. The

festivities include playful stalls at which children can engage in games, stage performances, and raffles to win prizes. We are happy that these events attract many residents, and it is a great way for us to deepen our ties with the local community.

At our overseas facilities, we also actively host events to strengthen our relationship with local society as well as with our employees, executives, and their families.



Paju Electric Glass Co., Ltd. hosts a celebration for the elderly.

Donation and Support Activities

In December 2014, the eastern part of Malaysia was hit by heavy rain, triggering rising rivers and severe flooding. The flooding was considered among the worst in decades, resulting in many casualties and displacing a large number of residents. In response to this disaster, Nippon Electric Glass (Malaysia) Sdn. Bhd. donated funds to help flood victims and to assist with Malaysia's speedy recovery. Many NEG Group employees also voluntarily donated funds to buy relief goods, which were delivered to the victims through international organizations.

In regard to other domestic activities to energize the local community and nurture the younger generation, in 2015 we co-sponsored the "2015 Biwako Sobun" interscholastic cultural festival in Shiga prefecture. We also co-sponsored an interactive science event for young people hosted by Shiga prefecture and the Japanese government. In addition, we made donations for the renovation of the Lake Biwa Museum in Shiga prefecture.

Business Climate

The overall global economy for fiscal 2015 saw a recovery backed by steady consumer spending and improvement in the employment market in Europe and the U.S. However, China showed increased signs of a slowing economy due to factors such as a decline in exports and fixed asset investments. The Japanese market continued to sustain a modest recovery, with improvement in corporate earnings and employment conditions amid solid personal spending.

Against this backdrop, to improve profitability of its LCD glass business and to achieve growth in developing markets, the NEG Group has been moving forward with the transfer of its LCD glass production capacity (namely, the portions related to melting and forming) to its China and Korean facilities. Transfer to Korea was completed in late 2014, and highly efficient production is ongoing to date. In China, we are in the midst of preparations for the launching of production at Electric Glass (Xiamen) Co., Ltd., which will be a result of our first stage investment. Full scale sales are projected to commence from the second quarter of fiscal 2016. Consequently, to create a well-balanced business portfolio, we are expanding in the glass fiber business, which is the second pillar of our company. Profitability of our

glass fiber business improved in fiscal 2015. This was achieved by increasing glass fiber production capacity at our Malaysia subsidiary and through our efforts to improve the productivity of our existing equipment.

Analysis of Business Results

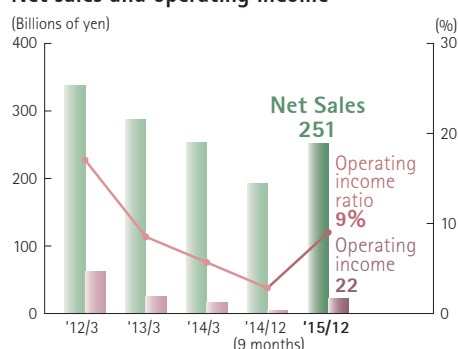
Regarding our financial performance, despite a decline in prices for glass for LCDs, our core business, increases were seen in numerous business areas, including glass fiber and glass for optical devices. As a result, the net sales figure for fiscal 2015 was ¥251,178 million (\$2,076 million).

In terms of profits, improved productivity and cost-cutting as well as lower energy costs helped offset the decline in LCD glass product price, resulting in stable operating profits for the entire fiscal year. However, ordinary income was pushed down by foreign exchange losses connected with borrowings in foreign currency made mainly by overseas subsidiaries.

Net income was impacted by several factors, such as the reversal of deferred tax assets due to fiscal 2015 revisions in the Japanese tax system (including corporate tax rate reductions) and building and equipment removal costs in connection with the Fujisawa Plant closure. However, factors such as a reversal of reserve for special repairs (as there were no plans to repair glass-melting furnaces) and gains on sales of investment securities resulting from a review of held shares offset the decrease. As a result, gross profit was ¥53,006 million (\$438 million), operating income was ¥22,035 million (\$182 million), and the operating income ratio was 8.8%.

For the net amount of other income and other expenses, losses of ¥5,236 million (\$43 million) were recorded. These figures were derived chiefly from other income comprising the reversal of reserve for special repairs of ¥3,869 million (\$32 million). Other expenses included foreign exchange losses of ¥5,743 million (\$47 million), depreciation of idle property, plant and equipment of ¥2,149 million (\$18 million), and loss on impairment of fixed assets of ¥1,486 million (\$12 million). As a result, the income before income taxes and minority interests totaled ¥16,799 million (\$139 million). This figure combined with a net amount of provision for income taxes of ¥6,453 million (\$53 million) and

Net sales and operating income



Sales by Business

(Millions of yen and U.S. dollars)

| | 2014/12* | | 2015/12 | | Change | |
|----------------------------------------------|-----------|----------------------|-----------|----------------------|--------|---|
| | Net sales | Percent of net sales | Net sales | Percent of net sales | | |
| Glass Business | | | | | | |
| Glass for electronic and information devices | ¥133,680 | 69.4% | ¥167,050 | \$1,381 | 66.5% | - |
| Glass for others | 59,012 | 30.6 | 84,128 | 695 | 33.5 | - |
| | | | | | | |
| Total | ¥192,692 | 100.0% | ¥251,178 | \$2,076 | 100.0% | - |

The NEG Group comprises a single segment of glass business.

minority interests of ¥709 million (\$6 million), resulting in net income of ¥9,637 million (\$80 million) and net income per share of ¥19.38 (\$0.16).

Dividends

The company follows its basic policy of returning stable profits over the long-term to its shareholders, without it being significantly affected by fluctuations in its earnings. The annual dividend for fiscal 2015 was ¥16 (\$0.13) per share. The company plans an annual dividend of ¥16 (\$0.13) per share for the next fiscal year.

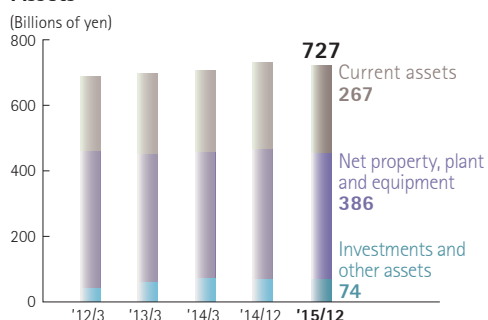
Financial Position

Total assets at the end of the fiscal 2015 amounted to ¥726,938 million (\$6,008 million), a decrease of ¥4,247 million (\$35 million) compared with the end of the previous fiscal year.

Current assets increased by ¥3,429 million (\$28 million). This was a result of an increase in inventories despite a decrease in cash and time deposits due to factors such as purchases of fixed assets by overseas subsidiaries and the payment of dividends.

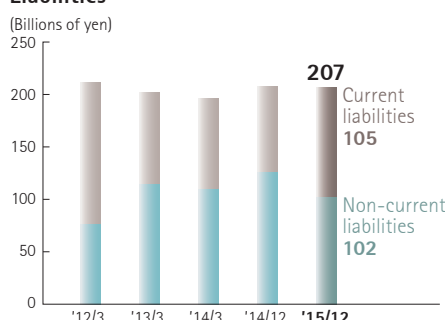
Net property, plant and equipment decreased by ¥11,260 million (\$93 million). Although the abovementioned purchases of fixed assets by overseas subsidiaries contributed to an increase, negative

Assets

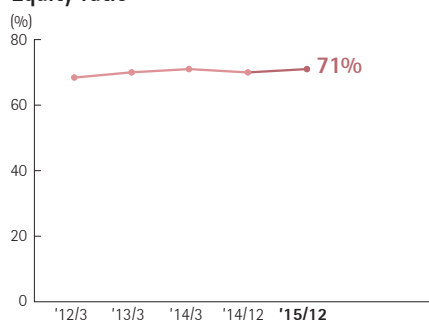


factors resulted in a decrease. Such factors included a decline in value of foreign currency denominated assets, which was attributable to the appreciation of the yen against certain currencies, and the depreciation and amortization of the aforementioned assets. Investments and other assets increased by ¥3,584 million (\$30 million). This was mainly attributed to an appreciation in the value of investment securities owing to the stock market recovery, although a reversal of deferred tax assets associated with revisions in the taxation system was seen.

Liabilities



Equity ratio



Current liabilities increased by ¥22,699 million (\$188 million). The current portion of long-term debt increased due to the reclassification of long-term debt for both long-term debts payable within one year and unsecured bonds to be redeemed within one year. This, combined with the reserve for loss on the closure of the Fujisawa Plant, resulted in the increase.

Non-current liabilities decreased by

¥24,170 million (\$200 million). Long-term debt decreased as a result of the above-stated reclassification of long-term debts payable and unsecured bonds to the current portion of long-term debt. Reserve for special repairs decreased, as there was no need to repair glass-melting furnaces.

Total net assets at the end of fiscal 2015 were ¥519,801 million (\$4,296 million), a decrease of ¥2,776 million (\$23 million) compared with the previous fiscal year-end. The decrease was due to foreign currency translation adjustments attributed to appreciation of the yen against certain currencies, although an increase was seen in net unrealized holding gains on securities associated with the stock market recovery. Consequently, the equity ratio at the end of fiscal 2015 was 70.6%, a 0.4 point increase from 70.2% at the end of the previous fiscal year.

Cash Flow Analysis

In order to achieve financial strength that can withstand changes in business environments, the NEG Group has designated the following as key elements of its fundamental financial policy: emphasize cash flow-oriented management, promote efficient use of assets (including streamlining financial and inventory assets and consolidating equipment to enhance production efficiency), and strengthen financial standing by maintaining an appropriate capital-adequacy ratio and realizing de facto debt-free management.

The NEG Group's cash flows for fiscal 2015 were as follows:

In regard to cash flows from operating activities, increased investment in property, plant and equipment in recent years resulted in high levels of depreciation, and increases were seen

Financial Review

in income before income taxes and minority interests. However, inventory increases resulted in a total of ¥46,797 million (\$387 million) in net cash provided by operating activities.

Regarding cash flows from investing activities, net cash used in investing activities totaled ¥32,638 million (\$270 million). This was primarily due to the purchase of additional glass fiber production equipment at our Malaysia subsidiary and an increase in capital expenditures at Electric Glass (Xiamen) Co., Ltd.

Free cash flows (the total of cash flows from operating activities and investing activities) totaled ¥14,159 million (\$117 million).

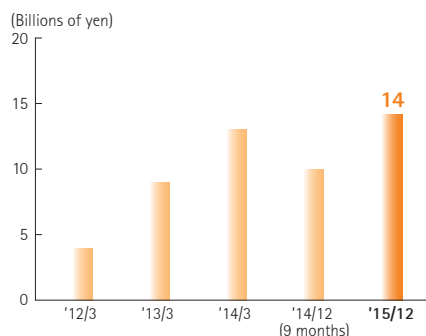
In regard to cash flows from financing activities, net cash used in financing activities totaled ¥7,892 million (\$65 million). This was mainly due to payment of dividends.

Including the negative effect of exchange rate changes on cash and cash equivalents of ¥2,234 million (\$18 million), the balance of cash and cash equivalents at the end of fiscal 2015 was ¥133,856 million (\$1,106 million).

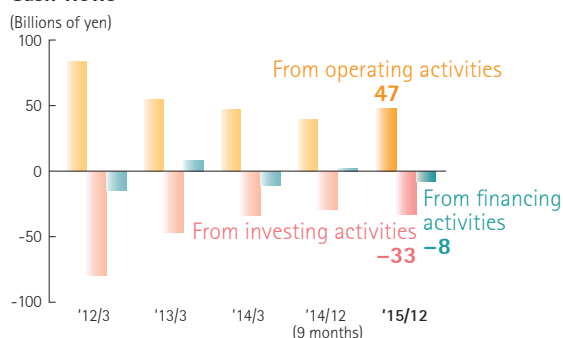
Capital Expenditures

Capital expenditures for fiscal 2015 totaled ¥49,212 million (\$407 million). In the Glass for Electronic and Information Devices sector, expenditures were made at Electric Glass (Xiamen) Co., Ltd. to build production equipment for LCD glass. In the Glass for Others sector, expenditures were made to increase production equipment for glass fiber at our Malaysia subsidiary.

Free cash flows



Cash flows



Note: The consolidated period for fiscal 2015 and that for the previous year differ. Therefore, we have not provided actual figures that compare the results of fiscal 2015 with those of the previous year in the financial position section or the cash flow analysis section.

Consolidated Financial Statements

Consolidated Balance Sheets

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries
December 31, 2014 and December 31, 2015

ASSETS

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|-------------------------------------------------------|-------------------|-------------------|---------------------------------------|
| | December 31, 2014 | December 31, 2015 | December 31, 2015 |
| Current assets: | | | |
| Cash and time deposits (Note 4 and 7) | ¥ 149,743 | ¥ 144,345 | \$ 1,192,934 |
| Notes and accounts receivable, trade (Note 4) | 48,027 | 47,392 | 391,669 |
| Allowance for doubtful receivables | (71) | (75) | (620) |
| Inventories (Note 8) | 56,062 | 64,176 | 530,380 |
| Deferred tax assets (Note 11) | 3,703 | 5,030 | 41,570 |
| Other current assets (Note 4) | 6,537 | 6,562 | 54,232 |
| Total current assets | 264,001 | 267,430 | 2,210,165 |
| Property, plant and equipment (Note 9 and 12): | | | |
| Land | 13,191 | 12,657 | 104,603 |
| Building and structures | 143,979 | 154,609 | 1,277,760 |
| Machinery and equipment | 727,699 | 702,723 | 5,807,628 |
| Construction in progress | 19,871 | 21,217 | 175,347 |
| Total property, plant and equipment | 904,740 | 891,206 | 7,365,338 |
| Accumulated depreciation | (507,467) | (505,193) | (4,175,148) |
| Net property, plant and equipment | 397,273 | 386,013 | 3,190,190 |
| Investments and other assets: | | | |
| Investment securities (Note 4 and 5) | 47,039 | 53,630 | 443,223 |
| Investment in affiliates (Note 5) | 1,684 | 1,684 | 13,917 |
| Deferred tax assets (Note 11) | 16,344 | 12,561 | 103,810 |
| Other assets (Note 4) | 4,844 | 5,620 | 46,447 |
| Total investments and other assets | 69,911 | 73,495 | 607,397 |
| Total assets | ¥ 731,185 | ¥ 726,938 | \$ 6,007,752 |

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, 2014 | December 31, 2015 | December 31, 2015 |
| Current liabilities: | | | |
| Short-term debt, including current portion of long-term debt (Note 4 and 10) | ¥ 18,340 | ¥ 42,230 | \$ 349,007 |
| Notes and accounts payable (Note 4): | | | |
| Trade | 32,122 | 29,567 | 244,355 |
| Construction and other | 14,870 | 16,062 | 132,744 |
| Accrued expenses | 10,299 | 9,527 | 78,736 |
| Accrued income taxes | 1,302 | 3,428 | 28,331 |
| Reserve for loss on plant closing | - | 1,036 | 8,562 |
| Other reserves | 50 | 79 | 653 |
| Other current liabilities (Note 4) | 5,718 | 3,471 | 28,686 |
| Total current liabilities | 82,701 | 105,400 | 871,074 |
| Non-current liabilities: | | | |
| Long-term debt (Note 4 and 10) | 90,800 | 67,500 | 557,851 |
| Reserve for special repairs | 32,855 | 31,650 | 261,570 |
| Other reserves | 62 | 28 | 232 |
| Net defined benefit liability (Note 13) | 1,218 | 1,202 | 9,934 |
| Other non-current liabilities (Note 4 and 12) | 972 | 1,357 | 11,215 |
| Total non-current liabilities | 125,907 | 101,737 | 840,802 |
| Net assets (Note 14): | | | |
| Shareholders' equity: | | | |
| Common stock | | | |
| Authorized - 1,200,000,000 shares in Dec. 2014 and Dec. 2015 | | | |
| Issued - 497,616,234 shares in Dec. 2014 and Dec. 2015 | 32,156 | 32,156 | 265,752 |
| Capital surplus | 34,351 | 34,350 | 283,884 |
| Retained earnings | 423,763 | 427,431 | 3,532,488 |
| Treasury stock at cost | | | |
| 228,870 shares in Dec. 2014 | | | |
| 243,750 shares in Dec. 2015 | (281) | (289) | (2,388) |
| Total shareholders' equity | 489,989 | 493,648 | 4,079,736 |
| Accumulated other comprehensive income (Note 3): | | | |
| Net unrealized holding gains on securities | 17,882 | 23,290 | 192,478 |
| Deferred gains or (losses) on hedges | (764) | (204) | (1,685) |
| Foreign currency translation adjustments | 6,526 | (3,515) | (29,050) |
| Total accumulated other comprehensive income | 23,644 | 19,571 | 161,743 |
| Minority interests | 8,944 | 6,582 | 54,397 |
| Total net assets | 522,577 | 519,801 | 4,295,876 |
| Contingent liabilities (Note 15) | | | |
| Total liabilities and net assets | ¥ 731,185 | ¥ 726,938 | \$ 6,007,752 |

Consolidated Statements of Income

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries

Period ended December 31, 2014 and year ended December 31, 2015

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

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|----------------------------------------------------------|--------------------|-------------------|------------------------------------|
| | December 31, 2014* | December 31, 2015 | December 31, 2015 |
| Net sales | ¥ 192,692 | ¥ 251,178 | \$ 2,075,851 |
| Cost of sales | 164,695 | 198,172 | 1,637,785 |
| Gross profit | 27,997 | 53,006 | 438,066 |
| Selling, general and administrative expenses | 22,773 | 30,971 | 255,959 |
| Operating income | 5,224 | 22,035 | 182,107 |
| Other income (expenses): | | | |
| Interest and dividend income | 1,307 | 1,584 | 13,091 |
| Interest expense | (487) | (1,118) | (9,240) |
| Gain on sales of investment securities, net (Note 5) | - | 2,132 | 17,620 |
| Depreciation of idle property, plant and equipment | (1,836) | (2,149) | (17,760) |
| Loss on impairment of fixed assets (Note 9) | (3,042) | (1,486) | (12,281) |
| Reversal of reserve for special repairs | 5,736 | 3,869 | 31,975 |
| Foreign exchange gains (losses) | 2,672 | (5,743) | (47,463) |
| Loss on closing of plants | - | (1,255) | (10,372) |
| Other, net | (391) | (1,070) | (8,842) |
| | 3,959 | (5,236) | (43,272) |
| Income before income taxes and minority interests | 9,183 | 16,799 | 138,835 |
| Income taxes (Note 11): | | | |
| Current | 2,457 | 5,673 | 46,884 |
| Deferred | 45 | 780 | 6,447 |
| | 2,502 | 6,453 | 53,331 |
| Income before minority interests | 6,681 | 10,346 | 85,504 |
| Minority interests | 743 | 709 | 5,859 |
| Net income | ¥ 5,938 | ¥ 9,637 | \$ 79,645 |
| | | | |
| | | Yen | U.S. dollars (Note 1) |
| Amount per share of common stock: | | | |
| Net income (Note 2) | ¥ 11.94 | ¥ 19.38 | \$ 0.16 |
| Diluted net income (Note 2) | - | - | - |
| Cash dividends applicable to the year (Note 14) | 12.00 | 16.00 | 0.13 |

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

Period ended December 31, 2014 and year ended December 31, 2015

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

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--------------------------------------------|--------------------|-------------------|---------------------------------------|
| | December 31, 2014* | December 31, 2015 | December 31, 2015 |
| Income before minority interests | ¥ 6,681 | ¥ 10,346 | \$ 85,504 |
| Other comprehensive income (Note 3): | | | |
| Net unrealized holding gains on securities | 4,212 | 5,408 | 44,693 |
| Deferred gains or (losses) on hedges | (848) | 560 | 4,629 |
| Foreign currency translation adjustments | 7,075 | (10,018) | (82,793) |
| | 10,439 | (4,050) | (33,471) |
| Comprehensive income | ¥ 17,120 | ¥ 6,296 | \$ 52,033 |
| Comprehensive income attributable to: | | | |
| Owners of the parent | ¥ 16,309 | ¥ 5,563 | \$ 45,975 |
| Minority interests | 811 | 733 | 6,058 |

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

Period ended December 31, 2014 and year ended December 31, 2015

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

| | Thousands of shares | Millions of yen | | | | | | | | |
|----------------------------------------------------------------------------------------|--------------------------------------------------|-----------------|--------------------|----------------------|-------------------|--------------------------------------------------|-----------------------------------------------|---------------------------------------------------|-----------------------|---------------------|
| | Number of shares of common stock issued | Common stock | Capital surplus | Retained earnings | Treasury stock | Net unrealized holding gains on securities | Deferred gains or (losses) on hedges | Foreign currency translation adjustments | Minority interests | Total net assets |
| Balance at April 1, 2014 | 497,616 | ¥ 32,156 | ¥ 34,351 | ¥ 422,894 | ¥ (277) | ¥ 13,670 | ¥ 84 | ¥ 215 | ¥ 7,714 | ¥ 510,807 |
| Net income | - | - | - | 5,938 | - | - | - | - | - | 5,938 |
| Cash dividends paid | - | - | - | (7,958) | - | - | - | - | - | (7,958) |
| Acquisition of treasury stock | - | - | - | - | (4) | - | - | - | - | (4) |
| Disposition of treasury stock | - | - | (0) | - | 0 | - | - | - | - | 0 |
| Increase in retained earnings in subsidiaries due to change in accounting period | - | - | - | 2,889 | - | - | - | - | - | 2,889 |
| Net change during the period | - | - | - | - | - | 4,212 | (848) | 6,311 | 1,230 | 10,905 |
| Balance at January 1, 2015 | 497,616 | ¥32,156 | ¥34,351 | ¥423,763 | ¥(281) | ¥17,882 | ¥(764) | ¥ 6,526 | ¥8,944 | ¥522,577 |
| Net income | - | - | - | 9,637 | - | - | - | - | - | 9,637 |
| Cash dividends paid | - | - | - | (5,969) | - | - | - | - | - | (5,969) |
| Acquisition of treasury stock | - | - | - | - | (9) | - | - | - | - | (9) |
| Disposition of treasury stock | - | - | (1) | - | 1 | - | - | - | - | 0 |
| Net change during the year | - | - | - | - | - | 5,408 | 560 | (10,041) | (2,362) | (6,435) |
| Balance at December 31, 2015 | 497,616 | ¥32,156 | ¥34,350 | ¥427,431 | ¥(289) | ¥23,290 | ¥(204) | ¥(3,515) | ¥6,582 | ¥519,801 |

Thousands of U.S. dollars (Note 1)

| | Common stock | Capital surplus | Retained earnings | Treasury stock | Net unrealized holding gains on securities | Deferred gains or (losses) on hedges | Foreign currency translation adjustments | Minority interests | Total net assets |
|-------------------------------------|------------------|--------------------|----------------------|-------------------|--------------------------------------------------|-----------------------------------------------|---------------------------------------------------|-----------------------|---------------------|
| Balance at January 1, 2015 | \$265,752 | \$283,892 | \$3,502,173 | \$(2,322) | \$147,785 | \$(6,314) | \$ 53,934 | \$73,917 | \$4,318,818 |
| Net income | - | - | 79,645 | - | - | - | - | - | 79,645 |
| Cash dividends paid | - | - | (49,330) | - | - | - | - | - | (49,330) |
| Acquisition of treasury stock | - | - | - | (75) | - | - | - | - | (75) |
| Disposition of treasury stock | - | (9) | - | 9 | - | - | - | - | 0 |
| Net change during the year | - | - | - | - | 44,693 | 4,629 | (82,984) | (19,520) | (53,182) |
| Balance at December 31, 2015 | \$265,752 | \$283,884 | \$3,532,488 | \$(2,388) | \$192,478 | \$(1,685) | \$(29,050) | \$54,397 | \$4,295,876 |

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

Period ended December 31, 2014 and year ended December 31, 2015

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

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--------------------------------------------------------------------------|--------------------|-------------------|---------------------------------------|
| | December 31, 2014* | December 31, 2015 | December 31, 2015 |
| Cash flows from operating activities: | | | |
| Income before income taxes and minority interests | ¥ 9,183 | ¥ 16,799 | \$ 138,835 |
| Depreciation and amortization | 28,420 | 37,154 | 307,058 |
| Loss on impairment of fixed assets | 3,042 | 1,486 | 12,281 |
| Loss on closing of plant | - | 1,255 | 10,372 |
| Gain on sales of investment securities, net | - | (2,132) | (17,620) |
| Decrease in reserve for special repairs | (3,083) | (1,204) | (9,950) |
| Interest and dividend income | (1,307) | (1,584) | (13,091) |
| Interest expense | 487 | 1,118 | 9,240 |
| Foreign exchange (gains) losses | (595) | 6,082 | 50,264 |
| Decrease (increase) in notes and accounts receivable, trade | 293 | (2,134) | (17,636) |
| Increase in inventories | (469) | (9,330) | (77,107) |
| Increase (decrease) in notes and accounts payable | 2,469 | (1,541) | (12,736) |
| Other | 3,819 | 3,158 | 26,098 |
| Subtotal | 42,259 | 49,127 | 406,008 |
| Interest and dividend received | 1,257 | 1,553 | 12,836 |
| Interest paid | (570) | (1,061) | (8,769) |
| Income taxes paid | (4,109) | (2,822) | (23,322) |
| Net cash provided by operating activities | 38,837 | 46,797 | 386,753 |
| Cash flows from investing activities: | | | |
| (Increase) decrease in time deposits, net | (5,083) | 9,541 | 78,851 |
| Proceeds from sales of marketable and investment securities | - | 3,154 | 26,066 |
| Purchases of property, plant and equipment | (25,642) | (44,599) | (368,587) |
| Other | 1,461 | (734) | (6,066) |
| Net cash used in investing activities | (29,264) | (32,638) | (269,736) |
| Cash flows from financing activities: | | | |
| Increase in short-term debt, net | 464 | 1,215 | 10,041 |
| Repayment of long-term borrowings | (1,048) | (499) | (4,124) |
| Proceeds from issuance of unsecured bonds | 20,000 | - | - |
| Redemption of unsecured bonds | (10,000) | - | - |
| Cash dividends paid | (7,958) | (5,969) | (49,331) |
| Cash dividends paid to minority shareholders | - | (2,566) | (21,207) |
| Other | 241 | (73) | (602) |
| Net cash provided by (used in) financing activities | 1,699 | (7,892) | (65,223) |
| Effect of exchange rate changes on cash and cash equivalents | 1,045 | (2,234) | (18,463) |
| Net increase in cash and cash equivalents | 12,317 | 4,033 | 33,331 |
| Cash and cash equivalents at beginning of period | 123,888 | 129,823 | 1,072,917 |
| Decrease in cash and cash equivalents due to change in accounting period | (6,382) | - | - |
| Cash and cash equivalents at end of period (Note 7) | ¥ 129,823 | ¥ 133,856 | \$ 1,106,248 |

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.

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, 2015, which was ¥121 to U.S. \$1.00. The translations, provided for convenience, should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

(a) Consolidation policies

Under Japanese GAAP, companies are required to consolidate all significant equity investments over which they have the power of control through a majority of voting rights or existence of certain other conditions evidencing control.

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

Investments in unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

(b) Translation of foreign currencies

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

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

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, deposits placed with banks on demand and

short-term highly liquid investments with maturities of three months or less when deposited or purchased are considered to be cash and cash equivalents.

(d) Marketable and investment securities

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

(e) Allowance for doubtful receivables

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

(f) Inventories

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

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

Property, plant and equipment are principally stated at cost.

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

(h) Reserve for directors' bonuses

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

(i) Severance and retirement benefits

The defined benefit pension plans of the Company and its consolidated subsidiaries are immaterial.

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

(j) Directors' retirement benefits

To provide for directors' retirement benefits, the Company and its consolidated subsidiaries recorded the amount that was required by internal corporate policy at the end of the current fiscal year. However, the directors' retirement benefits system was abolished in June 2004, and the Company has ceased recording these provisions since July 2004.

(k) Reserve for special repairs

To be prepared for significant repairs of glass-melting furnaces that occur on a periodic basis, estimated costs for

the next-envisioned repair are accrued within the period between the previous repair and such next-envisioned repair.

(l) Reserve for loss on plant closing

To provide for loss on plant closing, the Company recorded the estimated cost of closing the plant.

(m) Income taxes

The tax effects of loss carryforwards and temporary differences between the financial statements basis and the tax basis of assets and liabilities are recognized as deferred tax assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income.

(n) Research and development

Costs related to research and development activities are charged to income as incurred and amounted to ¥5,527 million and ¥6,183 million (\$51,099 thousand) for the fiscal years ended December 31, 2014 and 2015, respectively.

(o) Net income per share

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

(p) Derivatives and hedge accounting

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in

the fair value as gain or loss, unless the derivative financial instruments are used for hedging purposes.

Forward foreign exchange contracts and interest rate swap contracts that meet the criteria for hedge accounting as provided in 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 gain or loss related to the hedged item is actually recognized.

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

Hedging instruments: Forward foreign exchange contracts and interest rate swap contracts
Hedged items: Forecasted foreign currency transactions and interest on borrowings

The Company and its consolidated subsidiaries enter into forward foreign exchange contracts and interest rate swap contracts to hedge the risk of exchange rate fluctuations in forecasted foreign currency transactions and fluctuations in interest rates on borrowings, respectively. The Company and its consolidated subsidiaries use derivative transactions solely for the purpose of managing risks and not for speculation. The counterparties are major financial institutions, therefore, the Company and its consolidated subsidiaries consider the credit risk to be minimal. The derivative transactions are entered into by each company in accordance with accounting policies and decisions made by each company's management.

(q) Reclassification and restatement

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

3. Accounting standards for presentation of comprehensive income

The components of other comprehensive income for the fiscal years ended December 31, 2014 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------------------|-----------------|----------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Net unrealized holding gains on securities | | | |
| Increase (decrease) during the year | ¥ 6,520 | ¥ 9,244 | \$ 76,396 |
| Reclassification adjustments | - | (2,131) | (17,612) |
| Subtotal, before tax | 6,520 | 7,113 | 58,784 |
| Tax (expense) benefit | (2,308) | (1,705) | (14,091) |
| Subtotal, net of tax | 4,212 | 5,408 | 44,693 |
| Deferred gains or losses on hedges | | | |
| Increase (decrease) during the year | (1,024) | (116) | (958) |
| Reclassification adjustments | 74 | 636 | 5,256 |
| Subtotal, before tax | (950) | 520 | 4,298 |
| Tax (expense) benefit | 102 | 40 | 331 |
| Subtotal, net of tax | (848) | 560 | 4,629 |
| Foreign currency translation adjustments | | | |
| Increase (decrease) during the year | 7,158 | (10,018) | (82,793) |
| Reclassification adjustments | (112) | - | - |
| Subtotal, before tax | 7,046 | (10,018) | (82,793) |
| Tax (expense) benefit | 29 | - | - |
| Subtotal, net of tax | 7,075 | (10,018) | (82,793) |
| Total other comprehensive income | ¥10,439 | ¥(4,050) | \$(33,471) |

4. Financial instruments

(a) Status of financial instruments

(1) Policy on financial instruments

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

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

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

Operating receivables denominated in foreign currencies, which arise from the Company's global business development, are exposed to foreign exchange fluctuation risk. The Group enters into forward foreign exchange contracts mainly for accounts receivable associated with export transactions of finished goods to manage fluctuation in future foreign exchange rates.

Investment securities consist mainly of equity securities of companies with which companies in the Group have business relationships and are exposed to market price fluctuation risk. The Company, pursuant to the Company's Shareholdings Regulations, regularly monitors the fair values of such securities and continuously reviews the holding thereof.

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

Regarding borrowings, short-term debt is issued mainly for the purpose of obtaining funds for operating transactions, and bonds and long-term debt are issued mainly for the purpose of obtaining funds for capital expenditures. Interest rates on some borrowings are floating rates and are exposed to interest rate fluctuation risk against which long-term debt is partially hedged through interest rate swap contracts.

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

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

Matters regarding derivative transactions are determined by executives in charge of accounting at each consolidated Group company in accordance with the regulations of each company. Approval for transactions that exceed a certain scope is granted by the Company's management committee. Operations and management pertaining to the execution thereof are carried out by each company's accounting department, and such operations are managed through a check and balance system. With derivative transactions, the Company enters into contracts only with financial institutions with high ratings to reduce credit risks.

Operating debt and borrowings are exposed to liquidity risks. The Group manages such risks by cash management forecasting planning at each Group company.

(3) Supplementary explanation for fair values of financial instruments

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

(b) Fair values of financial instruments

The table below shows the book values of financial instruments recorded in the consolidated balance sheet, their fair values and any differences between the book value and fair value as of December 31, 2014 and 2015. Financial instruments whose fair values were deemed to be extremely difficult to estimate were not included. (Note 3)

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

Millions of yen

| 2015/12: | Book value | Fair value | Difference |
|-----------------------------------------------------|------------|------------|------------|
| (1) Cash and time deposits | ¥ 144,345 | ¥ 144,345 | ¥ - |
| (2) Notes and accounts receivable, trade | 47,392 | 47,392 | - |
| (3) Investment securities: | | | |
| Other securities | 53,627 | 53,627 | - |
| (4) Short-term debt: | | | |
| Short-term debt | (18,930) | (18,930) | - |
| Current portion of long-term debt | (13,300) | (13,301) | (1) |
| Current portion of unsecured bonds | (10,000) | (10,083) | (83) |
| (5) Notes and accounts payable, trade | (29,567) | (29,567) | - |
| (6) Long-term debt: | | | |
| Unsecured bonds | (40,000) | (40,279) | (279) |
| Long-term borrowings | (27,500) | (27,493) | 7 |
| (7) Derivatives | | | |
| Derivatives not accounted for with hedge accounting | (1,962) | (1,962) | - |
| Derivatives accounted for with hedge accounting | (299) | (299) | - |

Thousands of U.S. dollars

| 2015/12: | Book value | Fair value | Difference |
|-----------------------------------------------------|-------------|-------------|------------|
| (1) Cash and time deposits | \$1,192,934 | \$1,192,934 | \$ - |
| (2) Notes and accounts receivable, trade | 391,669 | 391,669 | - |
| (3) Investment securities: | | | |
| Other securities | 443,198 | 443,198 | - |
| (4) Short-term debt: | | | |
| Short-term debt | (156,445) | (156,445) | - |
| Current portion of long-term debt | (109,917) | (109,926) | (9) |
| Current portion of unsecured bonds | (82,645) | (83,331) | (686) |
| (5) Notes and accounts payable, trade | (244,355) | (244,355) | - |
| (6) Long-term debt: | | | |
| Unsecured bonds | (330,580) | (332,885) | (2,305) |
| Long-term borrowings | (227,271) | (227,214) | 57 |
| (7) Derivatives | | | |
| Derivatives not accounted for with hedge accounting | (16,215) | (16,215) | - |
| Derivatives accounted for with hedge accounting | (2,471) | (2,471) | - |

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

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

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

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

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

(4) Short-term debt and (5) Notes and accounts payable, trade
The fair value of these items, excluding the current portion of long-term debt and unsecured bonds, approximates the book value because of their short-term nature. Thus, the book value is used as the fair value. The current portion of long-term debt and unsecured bonds, which are included in Short-term debt, is measured based on the methods used in "(6) Long-term debt" below and classified as such.

(6) Long-term debt

The fair value of unsecured bonds issued by the Company is measured based on the market price if available and the present value calculated by discounting the total amount of principle and interest outstanding at an appropriate rate considering the time to maturity and the credit risk if the market price is not available.

The fair value of long-term borrowings is measured by discounting the total amount of principle and interest outstanding at an estimated interest rate for similar new borrowings.

(7) Derivatives

Refer to Note 6, "Derivatives."

3. Financial instruments whose fair values are deemed to be extremely difficult to estimate

Equity securities issued by affiliates and non-listed equity securities are not included in "(3) Investment securities." Because their fair values were deemed extremely difficult to estimate, they had no quoted market prices and it was not possible to estimate their future cash flows.

For information related to these securities, refer to Note 5, "Marketable and investment securities."

5. Marketable and investment securities

(a) Acquisition cost and book value of securities with observable market values at December 31, 2014 and 2015 were as follows:

| | Millions of yen | | |
|------------------------------------------------------------|------------------|------------|------------|
| | Acquisition cost | Book value | Difference |
| 2014/12: | | | |
| Available-for-sale securities: | | | |
| Securities with book value exceeding acquisition cost: | | | |
| Equity securities | ¥ 22,008 | ¥ 47,036 | ¥ 25,028 |
| Securities with book value not exceeding acquisition cost: | | | |
| Equity securities | - | - | - |
| | ¥ 22,008 | ¥ 47,036 | ¥ 25,028 |
| 2015/12: | | | |
| Available-for-sale securities: | | | |
| Securities with book value exceeding acquisition cost: | | | |
| Equity securities | ¥ 21,487 | ¥ 53,627 | ¥ 32,140 |
| Securities with book value not exceeding acquisition cost: | | | |
| Equity securities | - | - | - |
| | ¥ 21,487 | ¥ 53,627 | ¥ 32,140 |
| 2015/12: | | | |
| Available-for-sale securities: | | | |
| Securities with book value exceeding acquisition cost: | | | |
| Equity securities | \$177,580 | \$443,198 | \$265,618 |
| Securities with book value not exceeding acquisition cost: | | | |
| Equity securities | - | - | - |
| | \$177,580 | \$443,198 | \$265,618 |

(b) Book values of securities with no available market values at December 31, 2014 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------------------|-----------------|---------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Available-for-sale securities: | | | |
| Equity securities issued by affiliates | ¥ 1,684 | ¥ 1,684 | \$ 13,917 |
| Non-listed equity securities, other | 3 | 3 | 25 |
| | ¥ 1,687 | ¥ 1,687 | \$ 13,942 |

(c) Sales of available-for-sale securities sold in the years ended December 31, 2014 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|---------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Total sales amounts | ¥ - | ¥ 3,154 | \$ 26,066 |
| Gains on sales | - | 2,132 | 17,620 |
| Losses on sales | - | - | - |

(d) Impairment loss on investment securities

The Company recognized impairment loss of ¥6 million on equity securities for the fiscal year ended December 31, 2014. There was no impairment loss on investment securities in the year ended December 31, 2015.

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

6. Derivatives

The fair values of derivative contracts used by the Company and its consolidated subsidiaries at December 31, 2014 and 2015 were as follows:

(a) Derivative transactions not accounted for under hedge accounting

Currency related transactions

2014/12:

| Millions of yen | | | | | |
|-------------------------|--------------------------|-----------------|--------------------------|------------|------------------------|
| Classification | Type of transaction: | Notional amount | Portion due after 1 year | Fair value | Unrealized gain (loss) |
| Non-market transactions | Forward foreign exchange | | | | |
| | Sell | ¥ 4,068 | ¥ - | ¥ (91) | ¥ (91) |
| | Buy | 537 | - | 3 | 3 |
| | Currency swap | 5,896 | 5,390 | 1,254 | 1,254 |
| | | ¥ 10,501 | ¥ 5,390 | ¥ 1,166 | ¥ 1,166 |

2015/12:

| Millions of yen | | | | | |
|-------------------------|--------------------------|-----------------|--------------------------|------------|------------------------|
| Classification | Type of transaction: | Notional amount | Portion due after 1 year | Fair value | Unrealized gain (loss) |
| Non-market transactions | Forward foreign exchange | | | | |
| | Sell | ¥ 5,136 | ¥ - | ¥ 62 | ¥ 62 |
| | Buy | 706 | - | (20) | (20) |
| | Currency swap | 21,850 | 19,310 | (2,004) | (2,004) |
| | | ¥ 27,692 | ¥ 19,310 | ¥ (1,962) | ¥ (1,962) |

2015/12:

| Thousands of U.S. dollars | | | | | |
|---------------------------|--------------------------|-----------------|--------------------------|------------|------------------------|
| Classification | Type of transaction: | Notional amount | Portion due after 1 year | Fair value | Unrealized gain (loss) |
| Non-market transactions | Forward foreign exchange | | | | |
| | Sell | \$ 42,446 | \$ - | \$ 512 | \$ 512 |
| | Buy | 5,835 | - | (165) | (165) |
| | Currency swap | 180,579 | 159,587 | (16,562) | (16,562) |
| | | \$228,860 | \$159,587 | \$(16,215) | \$(16,215) |

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

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

Currency related transactions

2014/12:

| Millions of yen | | | | | |
|----------------------------|--------------------------|---------------------------------------------------------------------------|-----------------|--------------------------|------------|
| Method of hedge accounting | Type of transaction | Hedged item | Notional amount | Portion due after 1 year | Fair value |
| Deferral hedge accounting | Forward foreign exchange | | | | |
| | Buy | Forecasted transactions for investments denominated in foreign currencies | ¥ 1,908 | ¥ - | ¥ 138 |
| | Currency swap | Forecasted transactions for borrowings denominated in foreign currencies | 17,000 | 17,000 | (692) |
| | | | ¥ 18,908 | ¥ 17,000 | ¥ (554) |

2015/12:

| | | | Millions of yen | | |
|----------------------------|--------------------------|---------------------------------------------------------------------------|-----------------|--------------------------|------------|
| Method of hedge accounting | Type of transaction | Hedged item | Notional amount | Portion due after 1 year | Fair value |
| Deferral hedge accounting | Forward foreign exchange | | | | |
| | Buy | Forecasted transactions for investments denominated in foreign currencies | ¥ 502 | ¥ - | ¥ (15) |
| | | | ¥ 502 | ¥ - | ¥ (15) |
| | | | | | |

2015/12:

| | | | Thousands of U.S. dollars | | |
|----------------------------|--------------------------|---------------------------------------------------------------------------|---------------------------|--------------------------|------------|
| Method of hedge accounting | Type of transaction | Hedged item | Notional amount | Portion due after 1 year | Fair value |
| Deferral hedge accounting | Forward foreign exchange | | | | |
| | Buy | Forecasted transactions for investments denominated in foreign currencies | \$ 4,149 | \$ - | \$ (124) |
| | | | \$ 4,149 | \$ - | \$ (124) |
| | | | | | |

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

Interest related transactions

2014/12:

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

2015/12:

| | | | Millions of yen | | |
|----------------------------|---------------------|------------------------|-----------------|--------------------------|------------|
| Method of hedge accounting | Type of transaction | Hedged item | Notional amount | Portion due after 1 year | Fair value |
| Deferral hedge accounting | Interest rate swap | Interest on borrowings | ¥ 35,000 | ¥ 27,500 | ¥ (284) |

2015/12:

| | | | Thousands of U.S. dollars | | |
|----------------------------|---------------------|------------------------|---------------------------|--------------------------|------------|
| Method of hedge accounting | Type of transaction | Hedged item | Notional amount | Portion due after 1 year | Fair value |
| Deferral hedge accounting | Interest rate swap | Interest on borrowings | \$289,256 | \$227,273 | \$ (2,347) |

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

7. Cash and cash equivalents

Cash and cash equivalents at December 31, 2014 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------------------------------------------|-----------------|----------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Cash and time deposits on the consolidated balance sheets | ¥ 149,743 | ¥144,345 | \$1,192,934 |
| Time deposits due over three months | (19,920) | (10,489) | (86,686) |
| Cash and cash equivalents in the consolidated statements of cash flows | ¥ 129,823 | ¥133,856 | \$1,106,248 |

8. Inventories

Inventories at December 31, 2014 and 2015 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------|-----------------|----------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Finished and purchased goods | ¥ 33,603 | ¥ 40,085 | \$ 331,281 |
| Work-in-process | 1,621 | 1,631 | 13,479 |
| Raw materials and others | 20,838 | 22,460 | 185,620 |
| | ¥ 56,062 | ¥ 64,176 | \$ 530,380 |

9. Loss on impairment of fixed assets

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

Loss on impairment of fixed assets for the fiscal years ended December 31, 2014 and 2015 is summarized below.

(a) Grouping

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

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

(b) Assets subject to impairment

After review, the book values of the following assets were reduced to recoverable values and the reduced amounts were recognized as impairment loss.

2014/12:

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

2015/12:

| Use | Reason | Location | Type |
|-----------------------|---------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Important idle assets | No utilization plan | Shiga-Takatsuki factory, Nippon Electric Glass (Korea) Co., Ltd., other | Building and structures, machinery and equipment, construction in progress, other |

(c) Assessment of recoverable values

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

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

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

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------|-----------------|---------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Machinery and equipment | ¥1,957 | ¥ 850 | \$ 7,025 |
| Construction in progress | 720 | 635 | 5,248 |
| Other | 365 | 1 | 8 |
| | ¥3,042 | ¥1,486 | \$12,281 |

10. Short-term and long-term debt

Short-term debt, including the current portion of long-term debt at December 31, 2014 and 2015 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------------------------------------------|-----------------|---------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Short-term bank borrowings; average rate 0.7% per annum | ¥ 14,799 | ¥15,930 | \$131,652 |
| Commercial paper; average rate 0.1% per annum | 3,000 | 3,000 | 24,793 |
| Current portion of long-term borrowings; average rate 0.3% per annum | 541 | 13,300 | 109,917 |
| Current portion of unsecured bonds; average rate 1.0% per annum | - | 10,000 | 82,645 |
| | ¥18,340 | ¥42,230 | \$349,007 |

Long-term debt at December 31, 2014 and 2015 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------------------------------------------------------------------------------------------|-----------------|----------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Borrowings, principally from banks and insurance companies due from 2016 through 2021; average rate 0.2% per annum | ¥ 41,341 | ¥40,800 | \$337,188 |
| 1.0% unsecured bonds, due in 2016 | 10,000 | 10,000 | 82,645 |
| 0.4% unsecured bonds, due in 2017 | 10,000 | 10,000 | 82,645 |
| 0.7% unsecured bonds, due in 2019 | 10,000 | 10,000 | 82,645 |
| 0.3% unsecured bonds, due in 2020 | 10,000 | 10,000 | 82,645 |
| 0.6% unsecured bonds, due in 2022 | 10,000 | 10,000 | 82,645 |
| | 91,341 | 90,800 | 750,413 |
| Less current portion of long-term borrowings | (541) | (13,300) | (109,917) |
| Less current portion of unsecured bonds | - | (10,000) | (82,645) |
| | ¥90,800 | ¥67,500 | \$557,851 |

The aggregate annual maturities of long-term debt at December 31, 2015 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---------------------|-----------------|---------------------------|
| 2016 | ¥23,300 | \$192,562 |
| 2017 | 10,000 | 82,645 |
| 2018 | 7,500 | 61,983 |
| 2019 | 20,000 | 165,289 |
| 2020 | 10,000 | 82,645 |
| 2021 and thereafter | 20,000 | 165,289 |
| | ¥90,800 | \$750,413 |

For flexible financing purposes, the Company has committed credit facilities with certain banks. The maximum aggregate credit facility available to the Company is ¥25,000 million (\$206,612 thousand). The credit facility has not been used as of December 31, 2015.

11. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 35.4% for the fiscal years ended December 31, 2014 and 2015, respectively.

The significant differences between the statutory tax rate in Japan and the effective tax rate of the Company and its consolidated subsidiaries for financial statement purposes for the fiscal years ended December 31, 2014 and 2015 were as follows:

| | 2014/12 | 2015/12 |
|-------------------------------------------------------------------------------------------|---------|---------|
| Statutory tax rate in Japan | 35.4% | 35.4% |
| Exclusion from gross revenue of dividends | (11.4) | (22.0) |
| Difference in tax rates for overseas consolidated subsidiaries | (14.4) | (21.1) |
| Expenses not deductible for tax purposes, mainly entertainment expenses | 3.7 | 9.9 |
| Undistributed earnings of overseas consolidated subsidiaries | 3.5 | (2.4) |
| Effect of elimination of dividend income | 9.3 | 21.6 |
| Change in statutory tax rate on the Company and its domestic consolidated subsidiaries | - | 11.6 |
| Overseas withholding tax | - | 2.5 |
| Less valuation allowance | (0.0) | 0.7 |
| Other | 1.1 | 2.2 |
| Effective tax rate | 27.2% | 38.4% |

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of December 31, 2014 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------------------------------|-----------------|----------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Deferred tax assets: | | | |
| Reserve for special repairs in excess of tax limit | ¥10,467 | ¥ 9,983 | \$ 82,504 |
| Depreciation in excess of tax limit | 7,982 | 6,014 | 49,702 |
| Unrealized gain on property, plant and equipment | 3,262 | 3,389 | 28,008 |
| Loss on devaluation of inventories | 2,172 | 2,729 | 22,554 |
| Tax losses carried forward | 1,930 | 1,878 | 15,521 |
| Loss on valuation of investment securities | 1,714 | 1,467 | 12,124 |
| Long-term prepaid expenses | 859 | 630 | 5,207 |
| Accrued bonuses | 356 | 372 | 3,074 |
| Reserve for loss on plant closing | - | 341 | 2,818 |
| Other | 9,792 | 9,620 | 79,505 |
| Subtotal deferred tax assets | 38,534 | 36,423 | 301,017 |
| Less valuation allowance | (2,810) | (2,845) | (23,513) |
| Total deferred tax assets | 35,724 | 33,578 | 277,504 |
| Deferred tax liabilities: | | | |
| Depreciation of overseas consolidated subsidiaries | (6,253) | (5,576) | (46,083) |
| Net unrealized holding gains on securities | (7,146) | (8,850) | (73,140) |
| Special depreciation allowance | (480) | (263) | (2,174) |
| Other | (1,798) | (1,298) | (10,727) |
| Total deferred tax liabilities | (15,677) | (15,987) | (132,124) |
| Net deferred tax assets | ¥20,047 | ¥ 17,591 | \$145,380 |

Adjustment of deferred tax assets and liabilities following the change in the statutory tax rates

The "Act for Partial Revision of the Income Tax Act, etc." and the "Act for Partial Revision of the Local Tax Act, etc." were promulgated on March 31, 2015, and the statutory tax rate, etc., will be changed from the consolidated fiscal year beginning on or after April 1, 2015.

Accordingly, with regards to temporary differences, etc., that are expected to be eliminated in the consolidated fiscal year beginning on or after January 1, 2016, the statutory tax rate for calculating deferred tax assets and liabilities will be changed from 35.4% to 32.9%. Regarding temporary differences, etc., that are expected to be eliminated in the consolidated fiscal year beginning on or after January 1, 2017, the statutory tax rate for calculating deferred tax assets and liabilities will be changed to 32.1%.

Following these changes, net deferred tax assets recorded in this fiscal year decreased by ¥1,050 million, while income taxes-deferred increased by ¥1,950 million, net unrealized holding gains on securities increased by ¥909 million and deferred gains or (losses) on hedges decreased by ¥9 million.

12. 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 costs for disposal of machinery and equipment owned by the Company that contain PCB (polychlorinated biphenyl) and costs for removal of asbestos from buildings owned by the Company when they are demolished.

(2) Basis for calculating asset retirement obligations

Asset retirement obligations are based on estimates provided by specialty companies (construction companies, etc.).

(3) Changes in the total amount of asset retirement obligations during the fiscal years ended December 31, 2014 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------------------------------------|-----------------|---------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Beginning balance | ¥ 489 | ¥ 490 | \$ 4,050 |
| Decrease due to the fulfillment of asset retirement obligations | (2) | (66) | (545) |
| Change in estimated asset retirement obligations | - | (113) | (934) |
| Other | 3 | 17 | 140 |
| Ending balance | ¥ 490 | ¥ 328 | \$ 2,711 |

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

Regarding some factory sites and other properties being 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 move out at this time, it is impossible to reasonably estimate the related asset retirement obligations. Therefore, no asset retirement obligations are recorded for such obligations.

13. Severance and retirement benefits

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

Under defined benefit pension plans, the reconciliation of opening and ending balances for projected benefit obligation for the fiscal years ended December 31, 2014 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------------------|-----------------|----------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Projected benefit obligation at beginning of year | ¥(1,037) | ¥(1,239) | \$ (10,240) |
| Service cost | (167) | (257) | (2,124) |
| Interest cost | (19) | (28) | (231) |
| Actuarial differences | (41) | 49 | 405 |
| Benefits paid | 105 | 159 | 1,314 |
| Increase due to change in accounting period | (16) | - | - |
| Other | (64) | 92 | 760 |
| Projected benefit obligation at end of year | ¥(1,239) | ¥(1,224) | \$ (10,116) |

Under defined benefit pension plans, the reconciliation of opening and ending balances for pension assets for the fiscal years ended December 31, 2014 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------------|-----------------|---------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Pension assets at beginning of year | ¥ 25 | ¥ 21 | \$ 174 |
| Expected return on pension assets | 0 | 0 | 0 |
| Actuarial differences | 0 | 0 | 0 |
| Contributions paid by employer | 2 | 2 | 17 |
| Increase due to change in accounting period | (8) | - | - |
| Other | 2 | (1) | (9) |
| Pension assets at end of year | ¥ 21 | ¥ 22 | \$ 182 |

Under defined benefit pension plans, the reconciliation of ending balances for projected benefit obligations and pension assets and the balances for net defined benefit liability recognized in the consolidated balance sheets for the fiscal years ended December 31, 2014 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------------------------------------------------------------------------|-----------------|----------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Projected benefit obligations of funded plans | ¥ (405) | ¥ (417) | \$(3,446) |
| Pension assets | 21 | 22 | 182 |
| | (384) | (395) | (3,264) |
| Projected benefit obligations of unfunded plans | (834) | (807) | (6,670) |
| Net liabilities for severance and retirement benefits recognized in the consolidated balance sheets | (1,218) | (1,202) | (9,934) |
| Net defined benefit liability | (1,218) | (1,202) | (9,934) |
| Net liabilities for severance and retirement benefits recognized in the consolidated balance sheets | ¥(1,218) | ¥(1,202) | \$(9,934) |

Under defined benefit pension plans, components of severance and retirement benefit expenses for the fiscal years ended December 31, 2014 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------------------------------------------------|-----------------|---------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Service cost | ¥ 167 | ¥ 257 | \$ 2,124 |
| Interest cost | 19 | 28 | 231 |
| Expected return on pension assets | (0) | (0) | (0) |
| Amortization of actuarial differences | 41 | (50) | (413) |
| Other | (0) | (0) | (0) |
| Severance and retirement benefit expenses for defined benefit pension plans | ¥ 227 | ¥ 235 | \$ 1,942 |

Under defined contribution pension plans, the amounts that the Company and its consolidated subsidiaries needed to contribute to defined contribution pension plans were ¥958 million for the fiscal period ended December 31, 2014 and ¥1,238 million (\$10,231 thousand) for the fiscal year ended December 31, 2015.

14. Net assets

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

Under The Japanese Corporate Law ("the Law"), in cases in which a dividend distribution of surplus takes place, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, which are potentially available for dividends, by a resolution of a shareholders' meeting.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on March 30, 2016, the shareholders approved cash dividends amounting to ¥3,979 million (\$32,884 thousand), or ¥8.00 per share. In addition, the Company paid interim cash dividends of ¥3,979 million (\$32,884 thousand), or ¥8.00 per share on August 31, 2015.

15. Contingent liabilities

Contingent liabilities at December 31, 2014 and 2015 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------------------|-----------------|---------|---------------------------|
| | 2014/12 | 2015/12 | 2015/12 |
| Notes receivable discounted | ¥ 105 | ¥ 104 | \$ 860 |
| Guarantees of employees' housing loans | 366 | 298 | 2,463 |

Other contingent liabilities

For the legal liquidation of Nippon Electric Glass (UK) Limited, the Company executed and delivered a guaranty to the liquidator and others. The Company compensates the following under the guaranty.

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

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

16. Segment information

Information by segment for the fiscal years ended December 31, 2014 and 2015 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 it is considered that the Group consists of multiple business segments that are handled by various business divisions, in general the "glass products" made by the Group companies are similar in terms of characteristics, manufacturing methods, market and industry, customer type, and marketing factors. Therefore, the Group has consolidated these segments into a single "Glass Business" segment.

Accordingly, information for other segments has been omitted except for information given in the "Outline of reportable segment."

(b) Related Information

(1) Information by products and services

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

| 2015/12: | Millions of yen | | |
|-----------------------------|----------------------------------------------|------------------|------------------|
| | Glass business | | Total |
| | Glass for electronic and information devices | Glass for others | |
| Sales to external customers | ¥ 167,050 | ¥ 84,128 | ¥ 251,178 |

| 2015/12: | Thousands of U.S. dollars | | |
|-----------------------------|----------------------------------------------|------------------|--------------------|
| | Glass business | | Total |
| | Glass for electronic and information devices | Glass for others | |
| Sales to external customers | \$1,380,578 | \$695,273 | \$2,075,851 |

(2) Geographical information

Net sales

| 2014/12: | Millions of yen | | | | |
|----------|-----------------|----------|----------|----------|-------------|
| | Japan | Korea | China | Taiwan | Other areas |
| | ¥ 40,955 | ¥ 71,899 | ¥ 20,340 | ¥ 22,310 | ¥ 37,188 |
| | | | | | Total |
| | | | | | ¥ 192,692 |

| 2015/12: | Millions of yen | | | | |
|----------|-----------------|----------|----------|----------|------------------|
| | Japan | Korea | China | Taiwan | Other areas |
| | ¥ 58,011 | ¥ 79,612 | ¥ 35,187 | ¥ 28,276 | ¥ 50,092 |
| | | | | | Total |
| | | | | | ¥ 251,178 |

| 2015/12: | Thousands of U.S. dollars | | | | |
|----------|---------------------------|------------|-----------|-----------|--------------------|
| | Japan | Korea | China | Taiwan | Other areas |
| | \$ 479,430 | \$ 657,950 | \$290,802 | \$233,686 | \$413,983 |
| | | | | | Total |
| | | | | | \$2,075,851 |

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

Property, plant and equipment

| 2014/12: | Millions of yen | | | | |
|----------|-----------------|----------|----------|----------|-------------|
| | Japan | Korea | Malaysia | China | Other areas |
| | ¥257,711 | ¥ 69,662 | ¥ 51,851 | ¥ 11,612 | ¥ 6,437 |
| | | | | | Total |
| | | | | | ¥ 397,273 |

| 2015/12: | Millions of yen | | | | |
|----------|-----------------|----------|----------|----------|------------------|
| | Japan | Korea | Malaysia | China | Other areas |
| | ¥ 230,418 | ¥ 59,341 | ¥ 46,725 | ¥ 44,081 | ¥ 5,448 |
| | | | | | Total |
| | | | | | ¥ 386,013 |

| 2015/12: | Thousands of U.S. dollars | | | | |
|----------|---------------------------|-----------|-----------|-----------|--------------------|
| | Japan | Korea | Malaysia | China | Other areas |
| | \$1,904,281 | \$490,421 | \$386,157 | \$364,306 | \$ 45,025 |
| | | | | | Total |
| | | | | | \$3,190,190 |

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

(3) Information by major customers

Sales

| | Millions of yen | | Thousands of U.S. dollars | Related segment |
|----------------------|-----------------|---------|---------------------------|-----------------|
| | 2014/12 | 2015/12 | 2015/12 | |
| LG Display Co., Ltd. | ¥60,896 | ¥63,944 | \$528,463 | Glass business |

(c) Information on impairment of fixed assets

2014/12:

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

2015/12:

| | Millions of yen | |
|------------------------------------|-----------------|---------|
| | Glass business | Total |
| Loss on impairment of fixed assets | ¥ 1,486 | ¥ 1,486 |

2015/12:

| | Thousands of U.S. dollars | |
|------------------------------------|---------------------------|-----------|
| | Glass business | Total |
| Loss on impairment of fixed assets | \$12,281 | \$ 12,281 |

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Nippon Electric Glass Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the nine-month period ended December 31, 2014 and the year ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nippon Electric Glass Co., Ltd. and its consolidated subsidiaries as at December 31, 2014 and 2015, and their financial performance and cash flows for the nine-month period ended December 31, 2014 and the year ended December 31, 2015, in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

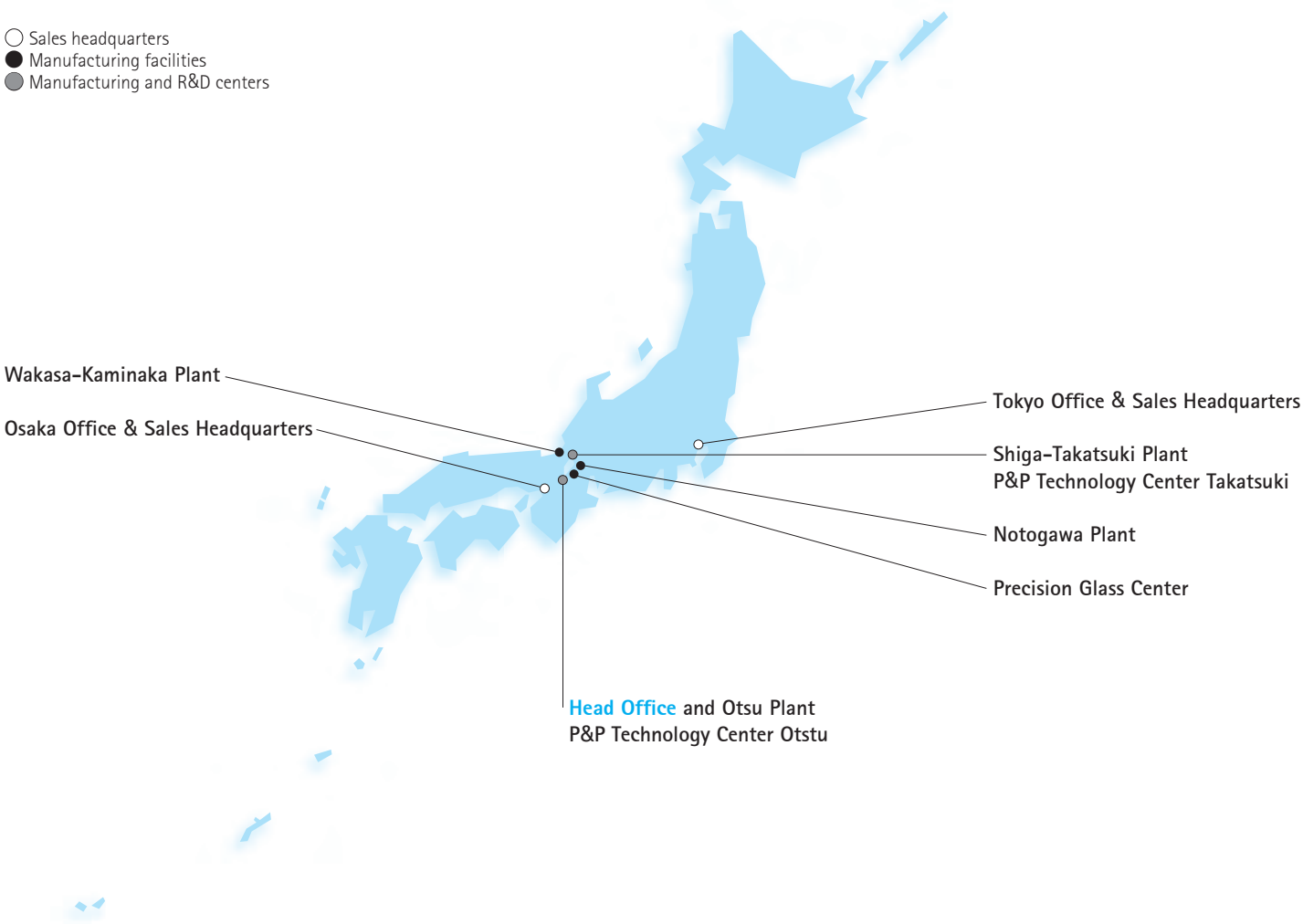
April 15, 2016
Kyoto, Japan

Global Network

Consolidated subsidiaries: 24 (Japan 12, Overseas 12)



- Sales headquarters
- Manufacturing facilities
- Manufacturing and R&D centers



Corporate Information

Corporate Data

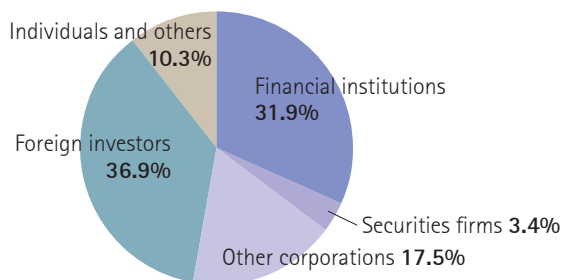
(as of December 31, 2015)

| | |
|----------------------------------------|---------------------------------------------------------------------------------|
| Founded | December 1, 1949 |
| Company Name | Nippon Electric Glass Co., Ltd. |
| Head Office | 7-1, Seiran 2-chome, Otsu, Shiga 520-8639 Japan |
| Sales Headquarters | |
| Osaka | 1-14, Miyahara 4-chome, Yodogawa-ku, Osaka 532-0003 Japan |
| Tokyo | 16-4 Konan 2-chome, Minato-ku, Tokyo 108-0075 Japan |
| Plants | Otsu, Shiga-Takatsuki, Notogawa, Wakasa-Kaminaka, and Precision Glass Center |
| Capital | 32,156 million yen |
| Employees | 5,220 (consolidated) |
| Stock Exchange Listings | Tokyo Stock Exchange (first section) |
| Stock Code | 5214 |
| Fiscal Year | January 1 to December 31 of each year |
| General Shareholders Meeting | Held each year in March |
| Transfer Agent for Common Stock | Sumitomo Mitsui Trust Bank, Limited |

Stock Information (as of December 31, 2015)

| | |
|------------------------------------------------|----------------------|
| Total number of shares authorized to be issued | 1,200,000,000 shares |
| Total number of shares issued | 497,616,234 shares |
| Shares per unit | 1,000 shares |
| Total number of shareholders | 13,296 |

Distribution of Shares By Shareholder Type



Major Shareholders

| Shareholders | Number of shares held (Thousands of shares) | Investment stake (%) |
|------------------------------------------------------------------------|------------------------------------------------|----------------------|
| NIPRO CORPORATION | 68,335 | 13.7 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 33,283 | 6.7 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 22,626 | 4.5 |
| Trust & Custody Services Bank, Ltd. (Collateral on Unit Trust Account) | 14,547 | 2.9 |
| THE BANK OF NEW YORK 133524 | 12,815 | 2.6 |
| SAJAP | 8,460 | 1.7 |
| The Shiga Bank, Ltd. | 8,089 | 1.6 |
| Japan Trustee Services Bank, Ltd. (Trust Account No. 4) | 7,824 | 1.6 |
| UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT | 7,650 | 1.5 |
| PICTET AND CIE (EUROPE) S.A. | 5,599 | 1.1 |

Directors, Corporate Auditors, and Executive Officers

(as of March 30, 2016)

| Directors | Executive Officers |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Chairman of the Board</i> Masayuki Arioka | <i>President</i> Motoharu Matsumoto |
| <i>President</i> Motoharu Matsumoto | <i>Senior Vice President</i> Masahiro Tomamoto Hirokazu Takeuchi Akihisa Saeki Koichi Tsuda Hiroki Yamazaki |
| <i>Director</i> Masahiro Tomamoto Hirokazu Takeuchi Akihisa Saeki Koichi Tsuda Hiroki Yamazaki Sumimaru Odano* ¹ Shuichi Mori* ¹ | <i>Vice President</i> Seiichi Osako Shigeaki Aoki Shigeru Goto Toshimasa Kanai Yusuke Maenaka Akira Kishimoto Norio Nakamura Kiyohide Takeuchi Kunihiro Nakagawa Hiroaki Nomura Masaya Kubo Haruki Matsumiya Tomonori Kano Masaaki Kadomi |

*1 Outside Director

Corporate Auditors

Fujio Kishi
Masahiko Oji
Kazuya Ishii*²
Certified Public Accountant
Keiji Kimura*²
Attorney at Law

*2 Outside Corporate Auditor

GLASS FOR FUTURE



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