



FINANCIAL REPORT

For the year ended December 31, 2023

Nippon Electric Glass Co., Ltd.

Consolidated Balance Sheets

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

ASSETS

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

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

LIABILITIES AND NET ASSETS

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

Consolidated Statements of Operations

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

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

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

Consolidated Statements of Comprehensive Income

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

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

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

Consolidated Statements of Changes in Net Assets

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

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

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

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

Consolidated Statements of Cash Flows

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

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

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

Notes to Consolidated Financial Statements

Nippon Electric Glass Co., Ltd. and Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Nippon Electric Glass Co., Ltd. ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accompanying consolidated financial statements have been restructured and translated into English with certain expanded disclosures from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at December 31, 2023, which was ¥142 to U.S. \$1.00. The translations, provided for convenience, should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

(a) Consolidation policies

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

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

Investments in unconsolidated subsidiaries and affiliates are accounted for by the equity method or by cost. If the equity method of accounting had been applied to the investments in the companies accounted for by cost, the effect on the accompanying consolidated financial statements would not have been material.

(b) Translation of foreign currencies

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

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

(c) Cash and cash equivalents

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

(d) Marketable and investment securities

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

(e) Allowance for doubtful receivables

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

(f) Inventories

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

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

Property, plant and equipment are stated at cost.

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

(h) Intangible assets (except for leased property)

Intangible assets are amortized by the straight-line method.

(i) Severance and retirement benefits

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

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

(1) Allocation of projected retirement benefit obligation

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

(2) Method for amortizing actuarial gain or loss

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

(j) Reserve for special repairs

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

(k) Income taxes

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

(l) Research and development

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

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

The computations of profit attributable to the owners of the parent per share are based on the average number of shares of common stock outstanding during each year. Diluted profit attributable to the owners of the parent per share of common stock is computed based on the average number of shares outstanding increased by the number of shares that would be outstanding assuming all dilutive convertible bonds were converted at the beginning of the year at the current conversion price.

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

(n) Revenue recognition

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

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

(o) Derivatives and hedge accounting

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

Forward foreign exchange contracts that meet the criteria for hedge accounting as provided in the "Accounting Standard for Financial Instruments" are accounted for using deferral hedge accounting, which requires unrealized gain or loss to be deferred as net unrealized gain or loss on the contract as a component of net assets until the loss or gain related to the hedged item is actually recognized.

The Company and its consolidated subsidiaries enter into forward foreign exchange contracts to hedge the risk of exchange rate fluctuations in forecasted foreign currency transactions. For forecasted foreign currency transactions, the suitability for hedging is confirmed by pre-testing and post-testing, with consideration for whether the execution of the transaction is highly likely. The Company and its consolidated subsidiaries use derivative transactions solely for the purpose of managing risks and not for speculation. The counterparties are major financial institutions. Therefore, the Company and its consolidated subsidiaries consider the credit risk to be minimal. The derivative transactions are entered into by each company in accordance with accounting policies and decisions made by each company's management.

(p) Reclassification

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

3. Significant accounting estimates

Consideration of impairment on non-current assets

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

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

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

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

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

impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss.

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

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

4. Changes in accounting estimates

(a) Change in useful life

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

5. Accounting standards for presentation of comprehensive income

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

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

6. Financial instruments

(a) Status of financial instruments

(1) Policy on financial instruments

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

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

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

Operating receivables denominated in foreign currencies,

which arise from the Company's global business development, are exposed to foreign exchange fluctuation risk. The Company and its consolidated subsidiaries enter into forward foreign exchange contracts mainly for accounts receivable associated with export transactions of finished goods to manage fluctuations in future foreign exchange rates.

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

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

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

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

Matters regarding derivative transactions are determined by executives in charge of accounting at each consolidated Group company in accordance with the regulations of each company. Approval for transactions that exceed a certain scope is granted by the Company's management committee.

Operations and management pertaining to the execution of derivative transactions are carried out by each company's accounting department, and such operations are managed through a check and balance system. With derivative transactions, the Company enters into contracts only with financial institutions with high ratings to reduce credit risk.

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

(3) Supplementary explanation for fair values of financial instruments

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

(b) Fair values of financial instruments

The tables below show the book values of financial instruments recorded in the consolidated balance sheet, their fair values and any differences between the book value and fair value as of December 31, 2022 and 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Investment securities

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

(2) Derivatives

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

(3) Unsecured bonds

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

(4) Long-term borrowings

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

7. Marketable and investment securities

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

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

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

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

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

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

(c) Impairment loss on investment securities

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

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

8. Derivatives

(a) Derivative transactions not accounted for under hedge accounting

(1) Currency related transactions

2022/12

Millions of yen

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

2023/12

Millions of yen

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

2023/12

Thousands of U.S. dollars

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

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

(1) Currency related transactions

2022/12

Millions of yen

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

2023/12

Millions of yen

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

2023/12

Thousands of U.S. dollars

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

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

9. Cash and cash equivalents

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

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

10. Inventories

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

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

11. Restructuring expense

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

12. Loss on impairment

(a) Grouping

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

(b) Details of loss on impairment by fiscal year

(1) Fiscal year ended December 31, 2022

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

i. Significant idle assets

1. Reason to recognize impairment

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

2. Assessment of recoverable values

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

(2) Fiscal year ended December 31, 2023

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

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

i. Glass production for displays

1. Reason to recognize impairment

Since the decision to dissolve Electric Glass (Korea) Co., Ltd. was made, the book values of the assets for glass production for displays were written down to their recoverable values.

2. Assessment of recoverable values

The recoverable values of the assets for glass production for displays were measured at fair value less costs of disposal. The fair value was based mainly on the selling price.

ii. Glass tubing production for pharmaceutical and medical use

1. Reason to recognize impairment

Since the improvements in production efficiency could not sufficiently offset the reduction in sales of some products in pharmaceutical and medical use, the book values of the assets for glass tubing production for pharmaceutical and medical use were written down to their recoverable values.

2. Assessment of recoverable values

The recoverable values of the assets for glass tubing production for pharmaceutical and medical use were measured at fair value less costs of disposal. The fair value was based mainly on the selling price.

iii. Glass production for composites

1. Reason to recognize impairment

Since the market was experiencing intensifying competition, the book values of the assets for glass production for composites were written down to their recoverable values.

2. Assessment of recoverable values

The recoverable values of the assets for glass production for composites were based on value in use.

Impairment loss was allocated to the individual assets in the unit at not less than their fair value less costs of disposal. The fair value was based mainly on the selling price.

Since no positive undiscounted future cash flows were expected, no discount rate was calculated.

iv. Significant idle assets

1. Reason to recognize impairment

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

2. Assessment of recoverable values

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

13. Short-term and long-term debt

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

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

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

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

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

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

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

14. Income taxes

The significant differences between the statutory tax rate in Japan and the effective tax rate of the Company and its consolidated subsidiaries for financial statement purposes for the fiscal year ended December 31, 2022 and 2023 were as follows:

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

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

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

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

Notes:

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

2022/12

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

2023/12

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

2023/12

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

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

15. Asset retirement obligations

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

(1) Outline of asset retirement obligations

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

(2) Basis for calculating asset retirement obligations

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

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

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

(4) Changes in accounting estimates

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

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

Regarding some plant sites and other properties used under real estate leasing agreements, the Company and its consolidated subsidiaries have obligations related to the cost of restoring such properties to their original state at the time of business termination or moving out. However, since there are uncertainties regarding the lease periods of the properties to which such obligations apply because there are no plans to terminate or move out at this time, it is impossible to reasonably estimate the related asset retirement obligations. Therefore, no asset retirement obligations are recorded in connection with such obligations.

16. Severance and retirement benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17. Stock options

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

(a) Details of restricted stock

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

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

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

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

(2) Number of shares

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

(3) Price information

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

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

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

(d) Method for estimating vested number of shares

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

18. Net assets

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

Under the Japanese Corporate Law (“the Law”), in cases in which a dividend distribution of surplus takes place, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common shares over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, both of these appropriations generally require a resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, which are potentially available for dividends, by a resolution of a shareholders’ meeting. The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law.

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

19. Contingent liabilities

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

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

20. Revenue recognition

(a) Disaggregation of revenue from contracts with customers

(1) Geographical information

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

(2) Business field information

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

(b) Revenue from contracts with customers

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

(C) Revenue in the current and subsequent fiscal years

(1) Contract assets and liabilities

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

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

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

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

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

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

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

(2) Transaction price allocated to remaining performance obligations

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

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

21. Segment information

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

(a) Segment information (by management approach)

Outline of reportable segment

The Company has adopted a business division system in which each business division develops a comprehensive strategy for the products it handles and conducts business activities based on such strategy. The Board of Directors periodically reviews decisions regarding the allocation of management resources to each business division and evaluates business performance.

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

(b) Related information**(1) Information by products and services**

2022/12 Millions of yen

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

2023/12 Millions of yen

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

2023/12 Thousands of U.S. dollars

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

(c) Geographical information

Net sales

2022/12 Millions of yen

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

2023/12 Millions of yen

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

2023/12 Thousands of U.S. dollars

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

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

Property, plant and equipment

2022/12 Millions of yen

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

2023/12 Millions of yen

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

2023/12 Thousands of U.S. dollars

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

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

(d) Information by major customers

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

(e) Information on impairment

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

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

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

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

22. Significant subsequent events

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

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

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

(b) Details of the asset to be transferred

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

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

(c) Overview of the transferee

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

(d) Schedule of transfer

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



Independent Auditor's Report

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

For the Years ended December 31,
2023 and 2022

KPMG AZSA LLC
April 2024

This independent auditor's report prepared by KPMG AZSA LLC (including the one that is signed with electronic signatures) shall not be reprinted, disclosed, quoted, summarized, translated, cited, circulated or otherwise used, in whole or in part, to any third party including posting on the web without prior written consent as specified by KPMG AZSA LLC, except for the purpose of compliance with laws, regulations and the like, or for usage in response to an order or request from an administrative or judicial body.



Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

balance sheets of the Group as of December 31, 2023. As described in Note 3, “Significant Accounting Estimates, Consideration of impairment on non-current assets” to the consolidated financial statements, ¥35,029 million of the non-current assets were used for the Company’s domestic display glass production, accounting for approximately 5.0% of total assets in the consolidated financial statements.

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

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

We, therefore, determined that the appropriateness of the Company’s judgment as to whether an impairment loss should be recognized on non-current assets used for domestic display glass production was of

non-current assets used for domestic display glass production included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to determining whether impairment loss on non-current assets should be recognized. In this assessment, we focused our testing on controls designed to prevent and/or detect the use of inappropriate assumptions for sales volumes and unit selling prices of major products in the Company’s business plans.

(2) Assessment of the reasonableness of estimated undiscounted future cash flows

We inquired of the personnel responsible for the display glass business and accounting regarding the basis for key assumptions used to develop the business plans that formed the basis for estimating undiscounted future cash flows in order to assess whether those key assumptions were appropriate. In addition, we:

- compared the estimated sales volumes of major products with information obtained from customers and market forecast reports published by external organizations, which served as the basis for estimating the sales volume, and assessed the reasonableness of the responses of the personnel responsible;
- inspected the estimates of unit selling prices and other documents that were submitted to major customers and assessed their feasibility; and
- developed undiscounted future cash flow projections by incorporating the effect of specific uncertainties into the business plans approved by the Board of Directors, after considering the results of our evaluation of the reasonableness of key assumptions, and then assessed whether there was any potential effect on the determination of whether an impairment loss should be recognized.

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Fee-related Information

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

Sung-Jung Hong

Designated Engagement Partner

Certified Public Accountant

Johta Mizo

Designated Engagement Partner

Certified Public Accountant

Yohei Onishi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Kyoto Office, Japan

April 15, 2024



Nippon Electric Glass

<https://www.neg.co.jp/en/>

7-1, Seiran 2-chome, Otsu, Shiga 520-8639, Japan
TEL: (81) 77-537-1700