

TRANSLATION FOR REFERENCE ONLY

Corporate Governance Report

Last update: December 1, 2015

Nippon Electric Glass Co., Ltd.

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<http://www.neg.co.jp/>

The corporate governance of Nippon Electric Glass Co., Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile, and Other Basic Information

1. Basic Views

The basic view of the Company is that enhanced corporate governance is beneficial in ensuring managerial transparency and strengthening operational supervisory functions.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]
Updated

[Principle 4.8 Effective Use of Independent Outside Directors]

The company has already appointed one independent Outside Director and will add another independent Outside Director during the next fiscal year.

[Supplementary Principle 4-11-3 Results of Analysis and Evaluation of the Effectiveness of the Board of Directors]

The Company is aware that it is important to evaluate the effectiveness of the Board of Directors as a whole and improve it based on the results of the evaluation. The Company will consider the methods of the evaluation and analysis.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

[Principle 1.4 Cross-Shareholdings]

When acquiring shares in listed companies for purposes other than investment, the Company makes decisions after thoroughly considering the rationale for the shareholding, such as in cases of business alliance and maintaining/enhancing business partnerships.

The company determines whether or not it is necessary to acquire or dispose of the aforementioned shares after verification from the perspective of whether or not the acquisition or disposal is necessary for the Company's growth and whether or not there are other methods for effectively utilizing the funds. It might be referred to the Board of Directors and the Management Committee for consideration as necessary.

In addition, the voting rights relating to the aforementioned shares are exercised after comprehensively considering a number of issues. These include whether or not the bill complies with the Company's shareholding policy, and whether or not it would contribute to the efficient and sound management of the issuing company and would be expected to increase the shareholders' value of the issuing company—and consequently the corporate value of the Company.

[Principle 1.7 Related Party Transactions]

In the Company, conflict-of-interest transactions involving the Directors and corporations over which any of the Directors have effective control require consideration and resolution by the Board of Directors, and the track records of these transactions are regularly reported to the Board of Directors.

The Company Group's Corporate Code of Conduct specifies fair and proper transactions with all partners in compliance with related laws and regulations. These requirements also apply to transactions with major shareholders.

[Principle 3.1 Full Disclosure]

(1) The Company operates under the following Corporate Philosophy: "We strive to build a brighter future for the world by uncovering the unlimited possibilities of glass for more advanced creative manufacturing". The Company also sets the Medium- and Long-Term Management Strategy and discloses such strategy on the Company's website

(<http://www.neg.co.jp>; see Notice of the 96th Ordinary General Meeting of Shareholders). The Company will also disclose the Medium-Term Plan.

(2) The basic views and policy on corporate governance of the Company are described in the above section of “I. Basic Views on Corporate Governance Capital Structure, Corporate Profile, and Other Basic Information” of this Corporate Governance Report.

(3) The remuneration of Directors is made up of monthly (fixed) remuneration and bonuses. The total amounts of bonuses are determined at the General Meeting of Shareholders in comprehensive consideration of responsibilities based on their performance results. The remuneration of Corporate Auditors is made up of monthly remuneration only and does not include any bonuses in consideration of their role to monitor and supervise the management from an independent standpoint. The remuneration of Directors is determined at a meeting of the Board of Directors attended by Outside Directors.

(4) In order to bring diversity to the Board of Directors in terms of experience, knowledge, and expertise, the President recommends candidates for Directorship who have a great sense of integrity, deep insight, strong ability, broad knowledge, and extensive experience and have achieved substantial results in their professional fields. An explanation of such candidates is also given to Outside Directors in advance, and the Board of Directors deliberates on the appointment based on the advice of the Outside Directors.

The Board of Directors deliberates on the appointment of Corporate Auditors, examining candidates who have a great sense of integrity, deep insight, strong ability, broad professional knowledge, and extensive experience, with the consent of the Board of Corporate Auditors.

(5) The reasons for the appointment of each Outside Director and Outside Corporate Auditor are described in reference document for General Meeting of Shareholders. Other Directors and Corporate Auditors are appointed based on their careers and others, and their respective careers are disclosed in reference document for the General Meeting of Shareholders.

[Supplementary Principle 4-1-1 Role of the Board of Directors and Scope of Delegation

to the Management]

In addition to the matters stipulated in the laws and regulations and the Articles of Incorporation, the Board of Directors makes decisions on important matters for the Company Group, such as the basic management policy of the Company, the content of which is clearly defined in the Rules of Board of Directors and the Standard for Agenda of Board of Directors. Decision-making for other matters are delegated to the Management Committee and Executive Officers.

[Principle 4.9 Independence Standards and Qualifications for Independent Directors]

When appointing a candidate to serve as an independent Outside Director, the Company examines the independence of the candidate in accordance with the independence standards set by the Tokyo Stock Exchange.

[Supplementary Principle 4-11-1 Views on the Appropriate Balance among Knowledge, Experience, and Skills of the Board as a Whole, and also on Diversity and Appropriate Board Size]

The Company's basic stance regarding structure of the Board of Directors is to have twelve or fewer Directors and four or fewer Corporate Auditors in consideration of the balance of knowledge, experience, and skills as well as utilization of external human resources.

[Supplementary Principle 4-11-2 Status of Directors and Auditors Serving at Other Companies]

One of the two outside Corporate Auditors is an attorney at law and the other is a certified public accountant. The attorney concurrently serves as an Outside Corporate Auditor of another company. The status of the Outside Directors and Outside Corporate Auditors who serve at other companies is disclosed annually in reference document for the General Meetings of Shareholders, the securities reports, the Corporate Governance Report, and other relevant materials.

[Supplementary Principle 4-14-2 Policy on Training for Directors and Auditors]

For executive Directors and full-time Corporate Auditors, the Company holds compliance seminars inviting external lecturers during Compliance Awareness Month every October.

In addition, the Company also holds training sessions for Directors twice a year, to help

them enhance their understanding of business conditions, including with regard to corporate governance. The Auditors acquire knowledge related to auditing through seminars and exchange of information by enrolling in external organizations.

[Principle 5.1 Policy on Constructive Dialogue with Shareholders]

In the Company, the Director in charge of administration is responsible for Investors Relations, and the Administrative Division is in charge of relevant practices. Requests for dialogues from shareholders, investors, and analysts are widely accepted and Investors Meetings for financial results are held after the end of the second and fourth quarters. Relevant materials as well as questions and answers raised at the Investors Meetings are posted on the Company's website in both Japanese and English to ensure appropriate disclosure of information.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
NIPRO CORPORATION	70,200,602	14.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,459,000	6.12
Japan Trustee Services Bank, Ltd. (Trust Account)	26,121,400	5.25
Trust & Custody Services Bank, Ltd. (Collateral on Unit Trust Account)	13,357,803	2.68
SAJAP	10,605,000	2.13
THE BANK OF NEW YORK 133524	8,427,002	1.69
Japan Trustee Services Bank, Ltd. (Trust Account No. 4)	8,284,000	1.66
The Shiga Bank, Ltd.	8,089,400	1.63
BNP Paribas Securities (Japan) Limited	6,672,319	1.34
JUNIPER	6,331,000	1.27

Controlling Shareholders (except for Parent Company)	-
Parent Company	None

Supplementary Explanation Updated

The above section, “2. Capital Structure [status of major shareholders],” shows the status as of the end of June 2015.

(1) The Company received a copy of the Report of Possession of Large Volume dated October 21, 2014 sent by Baillie Gifford & Co., stating that Baillie Gifford & Co. and other one company held 25,037 thousand shares as of October 15, 2014. However, the Company did not include them in the major shareholders above as the Company was unable to confirm the number of shares beneficially held by them as of the end of June 2015.

(2) GLG Partners LP filed the Change Report (the Change Report pertaining to Report of Possession of Large Volume) dated June 18, 2015 stating that GLG Partners LP held 26,018 thousand shares as of June 15, 2015. However, the Company did not include it in the major shareholders above as the Company was unable to confirm the number of shares beneficially held by it as of the end of June 2015.

(3) Sumitomo Mitsui Trust Bank, Limited filed the Change Report (the Change Report pertaining to Report of Possession of Large Volume) dated July 6, 2015 stating that Sumitomo Mitsui Trust Bank, Limited and other two companies held 41,071 thousand shares as of June 30, 2015. However, the Company did not include them in the major shareholders above as the Company was unable to confirm the number of shares beneficially held by them as of the end of June 2015.

3. Corporate Profile

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Glass & Ceramics Products
Number of Employees	More than 1000

(consolidated) as of the End of the Previous Fiscal Year	
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances that may Have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Board of Corporate Auditors
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman of the Board (excluding cases in which the Chairman also serves as President)
Number of Directors	8
Status of appointment of Outside Directors	Appointed
Number of Outside Directors	1
Number of Independent Directors	1

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Sumimaru Odano	Academic											

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category; "△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category; "▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive Director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to compensation as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/corporate auditors are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationships with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Sumimaru Odano	○	-	To enhance the management monitoring function in the Board of Directors and reflect views from an objective standpoint, an economist who has expertise regarding the international economy and extensive experience is appointed as an Outside Director. He is designated as an independent Director because he is judged as having no potential conflicts of interest with general shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or	Not Established
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Remuneration Committee	
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[Corporate Auditors]

Establishment of the Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	4
Number of Corporate Auditors	4

Cooperation among Corporate Auditors, Accounting Auditors, and Internal Audit Departments

Corporate Auditors and Accounting Auditors report and exchange views among themselves through internal audits and legal audits by Accounting Auditors regularly and as necessary. The internal audit department (Auditing Division) reports to and exchanges views with Corporate Auditors and Accounting Auditors regularly and as necessary concerning the themes of the audit conducted by the division.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	2
Number of Independent Corporate Auditors	2

Outside Corporate Auditors' Relationships with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	J	k	l	m
Kazuya Ishii	Certified Public Accountant													
Keijiro Kimura	Attorney at Law													

* Categories for “Relationship with the Company”

* “○” when the Corporate Auditor presently falls or has recently fallen under the category; “△” when the Corporate Auditor fell under the category in the past

* “●” when a close relative of the Corporate Auditor presently falls or has recently fallen

under the category; “▲”when a close relative of the Corporate Auditor fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. Corporate Auditor of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to compensation as an corporate auditor
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Corporate Auditor himself/herself only)
- k. Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the Auditor himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Corporate Auditor himself/herself only)
- m. Others

Outside Corporate Auditors' Relationships with the Company (2)

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons for Appointment
Kazuya Ishii	○	-	To enhance the auditing function in the Board of Corporate Auditors and reflect views from an objective standpoint at the Board of Directors, audits, and other relevant occasions, a certificated public accountant who has

			expertise and extensive experience is appointed as an Outside Corporate Auditor. He is designated as an independent Corporate Auditor because he is judged as having no potential conflict of interest with general shareholders.
Keijiro Kimura	○	-	To enhance the auditing function in the Board of Corporate Auditors and reflect views from an objective standpoint at the Board of Directors, audits, and other relevant occasions, an attorney at law who has expertise and extensive experience is appointed as an Outside Corporate Auditor. He is designated as an independent Director because he is judged as having no potential conflict of interest with general shareholders.

[Independent Directors/Corporate Auditors]

Number of Independent Directors/Corporate Auditors	3
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Matters relating to Independent Directors/Corporate Auditor

The Company appoints all Outside Directors and Corporate Auditors who meet a qualification set by the Tokyo Stock Exchange, as independent directors / corporate auditors.

[Incentives]

Incentive Policies for Directors	Other
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Supplementary Explanation

The Company has abolished the retirement benefits system, and it has shifted the focus of the remuneration system for Directors from seniority-based to results and performance-based. In addition, the Directors (excluding Outside Directors) have already held a relatively large number of shares in the Company due to having continuously acquiring shares through the Company's shareholding association. They continue to purchase shares of the Company through the shareholding association. For this reason, the Company believes it will be able to entrust management of the Company to Directors by matching the interests of Directors and shareholders without preparing other incentives for increasing the corporate value, such as stock options.

Recipients of Stock Options	
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Supplementary Explanation

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[Directors' Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

In fiscal 2014, the total amount of remuneration paid to the Directors of the Company was 240 million yen. The amount includes 41 million yen in bonuses for the Directors, which was approved by the Ordinal General Meeting of Shareholders held on March 27, 2015.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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Remuneration of Directors is made up of monthly remuneration and bonuses. The amount is determined based on the role, responsibilities, and performance results of each Director within the total amount determined at the General Meeting of Shareholders.

[Supporting System for Outside Directors and/or Corporate Auditors]

The secretariats are established for the Board of Directors and the Board of Corporate Auditors respectively in the Administrative Division to deliver necessary information to Outside Directors and Outside Corporate Auditors appropriately.

Regarding the Board of Directors, materials are delivered prior to the meeting in principle, and a briefing is given in advance as necessary to ensure fruitful deliberation at the meeting. Regarding the Board of Corporate Auditors, in collaboration with full-time Auditors, materials are delivered prior to the meeting in principle to ensure fruitful deliberation at the meeting. In addition, matters that critically impact the Company's Group are reported before or immediately after the event.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

An outline of the Company's corporate governance system is as follows.

(1) Directors, Board of Directors, and Executive Officers

The Company aims to realize rapid and decisive decision-making, managerial transparency, and strong execution of business affairs. The Company takes measures to ensure the optimal number of Directors and to clarify their functions of decision-making and supervising. The Company has introduced Executive Officers System to execute business operations. To achieve clarity of management responsibility and a flexible management system capable of responding to changes in the business environment, the Company has shortened the term of Directors to one year.

Regular Board of Directors Meetings are held on a monthly basis, and extraordinary Board of Directors Meetings are held as necessary, to make decisions regarding important managerial issues and to supervise the execution of business affairs (management monitoring). Currently, the Board of Directors consists of seven inside Directors (including two Representative Directors) and one Outside Director (newly appointed at the 96th Ordinary General Meeting of Shareholders held on March 27, 2015).

The Company has the President as the Chief Executive Officer and other 18 Executive Officers (including 5 serving concurrently as Directors) as of the last update. The terms

of Executive Officers is one year (the same as that for the Director).

(2) Management Committee

Management Committee meetings are held to discuss and consider important business issues as well as details and implementation regarding managerial decisions made at Board of Directors Meetings. Management Committee meetings are held regularly twice a month and extraordinarily as necessary.

(3) Board of Corporate Auditors (including initiatives to enhance the function of Auditors)

The Company's Board of Corporate Auditors currently consists of four Corporate Auditors, two of whom are Outside Corporate Auditors. Corporate Auditors carry out audits of the Directors' execution of their duties through assessing business affairs and corporate assets and setting important audit items according to auditing policies, plans, and assignment of duties established by the Board of Corporate Auditors as well as through participation in Board of Directors meetings.

Meetings of the Board of Corporate Auditors are held monthly in principle, and Corporate Auditors share information and exchange their views there. The Corporate Auditors will endeavor to improve the effectiveness of their audits through expanding their knowledge about the business of the Company. For this purpose, the Corporate Auditors take various measures, such as receiving explanations directly from the Executive Officers about the annual budget in their charge at the budget meeting held once a year and periodically questioning Directors and/or Executive Officers about their duties and issues to be handled by them.

The Company intends to strengthen the function of auditing by electing a certified public accountant and an attorney as Outside Corporate Auditors. The Outside Corporate Auditors perform their audits independently and based on their professional viewpoints. The Company makes efforts to communicate necessary information to the Corporate Auditors by the secretariat established in Administrative Division.

(4) Independent Auditor

The Company has elected KPMG AZSA LLC as its Accounting Independent Auditor to perform the accounting audit and has executed an auditing contract with it. The Company undergoes in KPMG AZSA LLC's audit under the Companies Act and the

Financial Instruments and Exchange Act.

The status of the accounting audit for fiscal 2014 was as follows:

The name of certified public accountants who conducted the audit (years of audit experience)

Designated members with limited liability, executive members:

Katsumi Hashimoto (2 years), Manabu Matsumoto (7 years), Koji Yasui (1 year)

Structure of supporting members

Certified Public Accountants: 5, others: 4

(5) Outline of the Limited Liability Contract

The Company has concluded a liability limitation agreement with each of Outside Directors and the Outside Corporate Auditors. This agreement specifies that, in compliance with Article 427, Paragraph 1 of the Corporation Law, when an an Outside Director or Outside Corporate Auditor bears liability for damage against the Company as stipulated in Article 423, Paragraph 1 of the Corporation Law, the relevant liability for damages shall be limited to the minimum liability for damages as stipulated in Article 425, Paragraph 1 of the Corporation Law, provided that said person execute his or her duties as Outside Director or an Outside Corporate Auditors of the Company in good faith and without gross negligence.

3. Reasons for Adoption of Current Corporate Governance System

As described in the above section “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions,” the Company believes the management monitoring function is working effectively.

The Company appointed a new Outside Director at the 96th Ordinary General Meeting of Shareholders held on March 27, 2015 in order to enhance management monitoring functions.

III. Implementation Status of Measures for Shareholders and Other Stakeholders

1. Measure to Vitalize General Meetings of Shareholders and smooth exercise of voting rights

	Supplementary explanations
Early Notification of General Meetings of Shareholders	No later than three weeks prior to the date of each General Meeting of Shareholders.
Allowing Electronic Exercise of Voting Rights	Adopting exercise of voting rights by electronic means using the Internet.
Participation in electronic Voting Platforms and Other Efforts towards Improvement of Voting Environments of Institutional Investors	Participating in electronic voting platforms for institutional investors managed by ICJ, Inc.
Provision of a Convocation Notice (abstract) in English	Posting a convocation notice (in English) on the Company's website and electronic voting platforms on the date of dispatch thereof.
Other	Posting a convocation notice (in Japanese) on the Company's website on the date of dispatch thereof. Business reports and other explanations are made using visual tools at General Meetings of Shareholders.

2. IR Activities

	Supplementary explanations	Explanations by a representative in person
Regular Investor Briefings for Analysts and Institutional Investors	After announcement of financial results for the second and fourth quarters, the Executive Officer in charge of administration and accounting holds Investor Meetings for analysts and institutional investors with regard to the	No

	summary of results, prospects of next fiscal year, etc.	
Posting of IR Materials on the Company's Website	Creating a page dedicated to IRs on the Company's website, in which publicly disclosed information including timely disclosure materials, convocation notices for General Meetings of Shareholders, annual reports, and annual securities reports, is posted.	
Establishment of Department (personnel in charge) concerning IRs	The Executive Officer in charge of administration and accounting is responsible for IRs. In addition, personnel members in charge of IRs are appointed in the Administrative Division to carry out activities concerning IRs.	
Others	Disclosing its earnings estimate for the full year (cumulative basis) in a range format together with that for the next quarter (cumulative basis) in a range format at the time of announcement of financial results.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Setting forth the "Group Code of Conduct" and the "Principles of Activities" in order to ensure compliance with laws and regulations as well as corporate ethics in the Company Group, in which relations with stakeholders with regard to "environmental preservation," "social contribution," "respect for human rights," etc. are stipulated.
Implementation of Environmental	Setting forth policies on efforts for the environment in the "Environment Charter," and obtaining

Preservation Activities, CSR Activities, etc.	<p>environmental ISO certifications throughout the Company Group as the need arises. Environmental reports that summarize the annual environmental activities are created annually and posted on the Company's website.</p> <p>The Company's basic policy of management is to raise its corporate value through performance of corporate social responsibilities by putting "environmental conservation," "employment promotion of persons with disabilities," and "contribution to local community" together with compliance as main issues.</p>
Development of Policies on Information Provision to Stakeholders	<p>Stipulating that "the Company Group communicates with concerned parties, and discloses necessary corporate information in a timely and appropriate manner" in the "Group Code of Conduct" as a basic policy for "Transmission of Information"</p>
Other	<p>Continuously improving employment environment to help employees balance work and family-life, and certified as a "Childcare Support Company" meeting specified criteria based on the Act on Advancement of Measures to Support Raising Next-Generation Children from the Minister of Health, Labour and Welfare.</p>

IV. Matters Concerning Internal Control System, etc.

1. Basic Views on Internal Control System and the Progress thereof

The Company's Board of Directors has resolved that the Company shall operate its Internal Control System under the Companies Act is as follows.

(1) Systems to ensure that the execution of duties by Directors and employees of the Company and its subsidiaries shall comply with laws and regulations and the Articles of Incorporation

The Company has established the Compliance Committee as a specialized body that continuously ensures compliance with laws and regulations as well as corporate ethics within the Company Group, and the committee shall implement the following: [1] planning of revision of "Corporate Philosophy," "The NEG Group Code of Conduct," and "Principles of Activities," and planning, preparing and implementing various measures to disseminate such materials throughout the Company Group companies; [2] collecting and analyzing information about compliance including movement of social conditions, relevant laws and regulations at home and abroad, and providing training; and [3] operating an Internal Reporting System (Liaison Offices: Compliance Committee and a law firm). The details of these implemented actions are regularly reported to the Board of Directors and the Corporate Auditors.

The Internal Auditing Department (the Auditing Division) shall implement internal auditing of each division and all Group companies from an independent position based on internal auditing regulations and the auditing plan, and shall report on the status of implementation to the President as necessary.

(2) Systems for storage and management of information related to execution of duties by Directors

Documents concerning execution of duties by Directors (approval documents and other decision-making documents, minutes of a meetings, etc.) shall be kept and managed appropriately in compliance with laws and regulations as well as the document management rules and other rules set forth by the Company.

(3) Regulations and other systems concerning risk management for loss

The Company assesses risks periodically, identifies any management risks, and takes

necessary measures to mitigate or eliminate them. Risks related business of the Company that it recognizes as important (such as those relating to compliance, finance, environment, disaster, trade control, information management, quality, product safety, safety, and health) shall be overseen by the responsible departments or by specialized committees through means such as establishing regulations and guidelines, providing training, and preparing manuals as the need arises.

As for risks that have newly arisen, the President will promptly determine the personnel responsible for them and implement countermeasures.

Issues of particular importance to management shall be discussed at and reported to the Board of Directors Meetings and the Management Committee.

(4) Systems to ensure efficient execution of duties by Directors

The Company has introduced the Executive Officer System and business group system approach in order to clarify management targets and efficiently operate business, and it will set an annual budget (business plan) by each business group and on a company-wide basis at the Board of Directors Meetings. In addition, the Company shall manage business achievements on a monthly basis and discuss and examine important management issues from various perspectives at the Board of Directors Meetings, meetings of the Management Committee, and meetings of business groups.

In order to make sure that necessary information is conveyed to interested parties and appropriate decisions are made on a timely basis, information technology such as electronic approval systems is utilized.

(5) Systems to ensure the appropriateness of operations of the Company Group comprising the Company and its subsidiaries

The Company has established and is ensuring compliance with the “Group Code of Conduct” and the “Principles of Activities”, which comprise the standards for judgement and behavior of Directors and employees of the Company Group, and it also operates the Internal Reporting System.

Furthermore, to ensure the appropriateness of the Company Group’s financial reporting, the Company and its Group companies have established and are operating the necessary organizational systems and the Internal Auditing Department (the Auditing Division) evaluates the validity of such systems.

Besides the above actions, the Company shall identify and resolves management issues of subsidiaries as deemed appropriate, by means such as dispatching Directors and Corporate Auditors to subsidiaries, determining Executive Officers in charge of each subsidiary, establishing a system for accepting consultations regarding execution of businesses, and having the administration departments of the Head Office or relevant business groups exchange information regularly with subsidiaries. In addition, risk surveys of the Company and its subsidiaries shall be regularly conducted, and the Company shall identify the risks for the Company Group to take measures as deemed appropriate. In particular, as for overseas subsidiaries, the Company has prepared a list of matters to be reported to the Company in the event of large-scale natural disaster, etc., and in case of any problems shall, strive to identify them and implement countermeasures. The top management of the Company and subsidiaries shall hold meetings to improve management efficiency as the need arises.

To enhance the business efficiency of the Company Group, the Group Finance and the Group Common Accounting System are utilized.

(6) Matters related to employees assigned to assist Corporate Auditors in their duties and independence of such employees from Directors in the event Corporate Auditors' request such employees

Employees who belong to the Administrative Division shall assist Corporate Auditors in their duties as the need arises. In the meantime, opinions of Corporate Auditors concerning transfer, etc. of such employees shall be respected.

(7) Systems concerning reporting to Corporate Auditors

Directors and employees shall report without delay before or after the fact on matters that would have an important influence on the Company Group. In addition, responsible personnel shall report on the status of operation of the Internal Reporting System and the status of implementation of internal auditing appropriately.

Directors and employees shall report promptly when requested to do so by the Board of Corporate Auditors.

In order to understand issues relating to auditing of subsidiaries, Corporate Auditors shall cooperate with Corporate Auditors of the subsidiaries appropriately.

(8) Systems to ensure that a person who has made reports to a Corporate Auditor does not receive disadvantageous treatment because of such reporting

The operation status of the Internal Reporting System is reported to Corporate Auditors appropriately. Dismissals or other disadvantageous treatments against reporters under the Internal Reporting System for the reason of such reporting shall be prohibited, as specified in rules set forth by the Company.

(9) Matters concerning policies regarding procedures for advance payments or reimbursements of costs arising from execution of duties of Corporate Auditors, and processing of other costs or liabilities arising from execution of such duties

Regarding expenses arising from execution of duties of a Corporate Auditor, payment processing shall be made based on a request from the Corporate Auditors.

(10) Other systems to ensure that auditing by Corporate Auditors will be performed effectively

The Corporate Auditors shall exchange opinions with the Representative Director, Accounting Auditor, and the Auditing Division as deemed appropriate.

2. Basic Views on Eliminating Antisocial Forces and the Progress thereof

The Company stipulates that “the NEG Group faces antisocial forces and organizations with rectitude and resolution” in the “Group Code of Conduct” as a basic policy for “High Ethical Standards,” and the specific conduct criteria are described in the “Principles of Activities.” These materials are distributed to Officers and employees in the form of portable cards to ensure a full understanding thereof.

Subject to the basic policy above, the departments in charge of administration play a key role in collecting information and handling it in an organized manner in cooperation with the police or lawyers as the need arises.

V. Other

1. Introduction of Anti-Takeover Measures

Adoption of anti-takeover measures	None
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Supplementary explanations for corresponding items
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2. Other Matters concerning Corporate Governance Systems, etc.

The outline of our timely disclosure system is as follows.

The Company stipulates that “the NEG Group communicates with concerned parties and discloses necessary corporate information in a timely and appropriate manner” in the “Group Code of Conduct” as a basic policy of “Transmission of Information” to strive for timely and appropriate disclosure.

(1) Collection of the corporate information

The Company has established systems by which matters concerning the corporate information of each staff section/business section (including information of subsidiaries) are comprehensively reported to and collected by personnel responsible for information handling (the Executive Officers in charge of administration and accounting) or the Administrative Division (including IRs and legal functions)/the Accounting Division directly, or through approval systems or important meetings in a timely and appropriate manner in accordance with the rules, etc. set forth by the Company. In addition, such information is reported to the Board of Directors Meeting as the need arises.

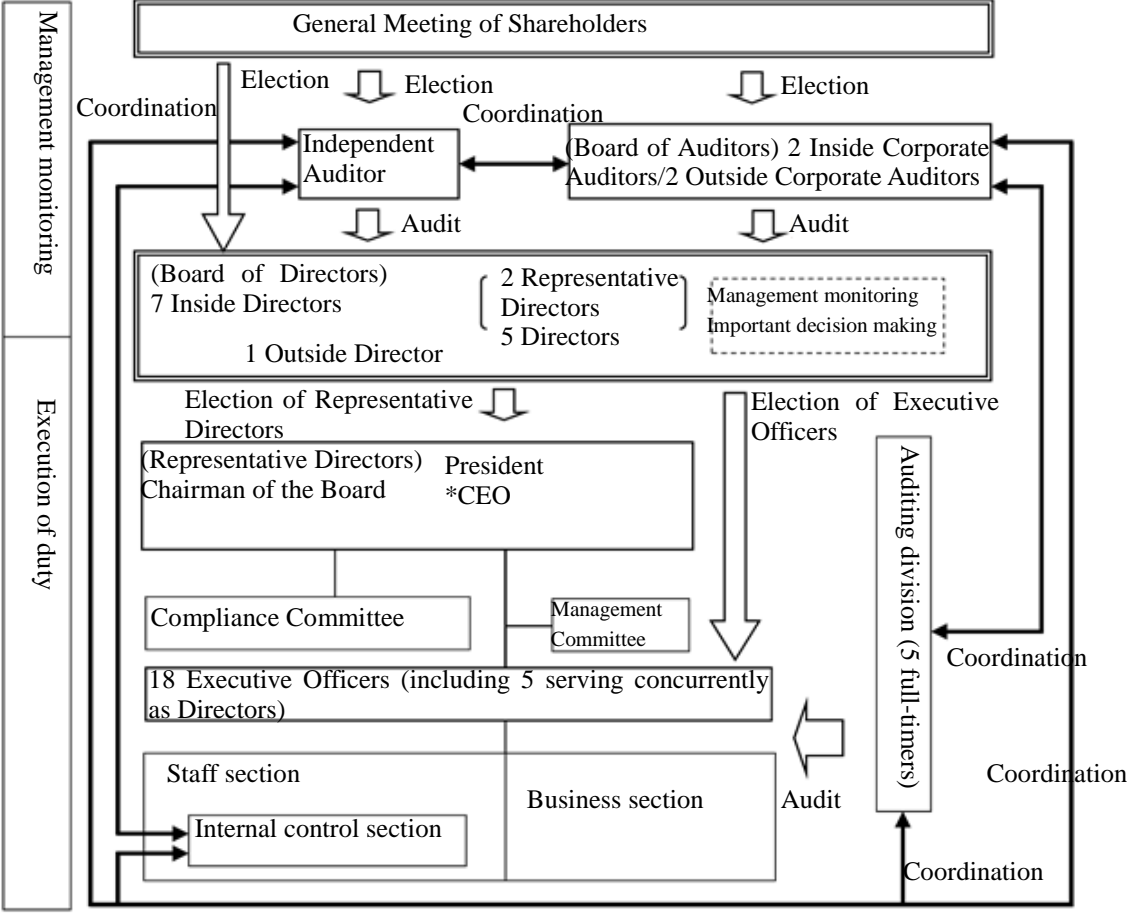
(2) Determination of necessity, methods, etc. of disclosure of the corporate information

As for matters concerning the corporate information collected, the Disclosure Consideration Committee considers the necessity, timing, method, etc. regarding disclosure in accordance with timely disclosure rules specified by the Tokyo Stock Exchange, the Financial Instruments and Exchange Act, and other relevant laws and regulations (hereinafter referred to as “Rules, etc.”). The results of the consideration are reported to and confirmed by the Management Committee, and final decisions regarding them are made by the President.

(3) Disclosure and announcement of the corporate information

The department in charge of disclosure and announcement (the Administrative Division) promptly discloses the corporate information that has been determined to be disclosed in a timely manner, and posted on the Company's website, in principle. In addition, corporate information not falling within the disclosure criteria set forth in the above (2), but is deemed to have an influence on the investment decisions of investors may be disclosed or announced after consideration of the necessity, etc. of disclosure through the same procedure.

[Corporate Governance System]



[Diagram of Timely Disclosure System]

