

TRANSLATION FOR REFERENCE ONLY

Corporate Governance Report

Last update: April 9, 2020

Nippon Electric Glass Co., Ltd.

President: Motoharu Matsumoto

Contact: Takashi Chisaka, General Manager of Administrative Division:

Tel: 077-537-1700

Securities Identification Code: 5214

<https://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.

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

[Principle 1.4 Cross-Shareholdings]

The Company, in principle, does not engage in cross-shareholdings for other cases than those where it recognizes the rationale for shareholding, such as business alliance and maintaining/enhancing business partnerships.

The Board of Directors examines the suitability of cross-shareholdings both from qualitative perspective, such as the suitability of purposes to hold each individual cross-shareholding, and the quantitative perspective, such as the economic rationale based on the cost of capital. In cases where the intended purposes of the shareholding are diluted, the Company will consider reducing cross-shareholdings after consulting with the issuing companies.

The Company exercises the voting rights relating to the cross-shareholdings after comprehensively considering issues like whether or not the proposal effectively complies

with the Company's shareholding policy and whether or not it would be expected to increase the corporate value of the issuing 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 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company has introduced a defined-contribution pension plan. It strives to choose proper asset management institutions and products and provides consistent investment education for employees who are pension participants. Since the pension funds are managed by the participating employees, there is no conflict of interests between the beneficiaries of the corporate pension plan and the Company.

[Principle 3.1 Full Disclosure]

(i) 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-term Business Plan, "EGP 2021", and discloses such business plan on the Company's website (<https://www.neg.co.jp>; see Notice of Investor Relations).

(ii) 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.

(iii) In order to ensure transparency and objectivity with regard to Director remuneration, the Company established a Nomination and Remuneration Advisory Committee with an Outside Director serving as the Chairperson and a majority of the committee members composed of Outside Directors. The committee discusses the policies and system of Director remuneration as well as the amount of Director remuneration, reports the

results to the Board of Directors, and the Board of Directors makes decisions after serious consideration of the reports from the committee.

(iv) 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.

In a case where there is misconduct or a serious violation of relevant laws and regulations and the Articles of Incorporation in the execution of duties of the senior management, an explanation of such conduct is given to Outside Directors in advance, and the Board of Directors deliberates on the dismissal of the senior management 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.

(V) The reasons for the appointment/dismissal and nomination of all Director and Corporate Auditor are described in reference document for 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]

Except for Outside Corporate Auditor, Mr. Takahashi, who serves as an outside Corporate Auditor of Aeon Delight Co., Ltd., any of the Company's Directors and Corporate Auditors including Outside Directors and Outside Corporate Auditors are not other listed company's Director or Corporate Auditor. 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 4-11-3 Results of Analysis and Evaluation of the Effectiveness of the Board of Directors]

The Company has conducted an annual questionnaire survey of effectiveness of the Board of Directors by asking all Directors. As a result of the survey, the Company has confirmed that the Board of Directors is functioning adequately and the effectiveness is secured. The Company will work continuously on conducting an evaluation of effectiveness and improving a debate in the Board of Directors.

[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.

The Company explains its situation and system before Outside Directors and Outside Corporate Auditors take office. After the assumption of office, the Company provides opportunities for them to visit domestic and overseas plants and subsidiaries and hold interviews with Directors and Executive Officers.

[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. In addition, the Company has engaged in a dialogue with overseas investors by participating in a Conference and so forth.

2. Capital Structure

Foreign Shareholding Ratio	More than 20% less than 30%
----------------------------	-----------------------------

[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
NIPRO CORPORATION	12,580,420	13.02
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,615,100	8.92
Japan Trustee Services Bank, Ltd. (Trust Account)	6,047,000	6.26
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	2,493,900	2.58
SMBC Nikko Securities Inc.	2,016,500	2.09
THE BANK OF NEW YORK MELLON 140051	1,717,900	1.78
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	1,627,800	1.68
The Shiga Bank, Ltd.	1,617,880	1.67
Mitsubishi UFJ Morgan Stanley	1,436,500	1.49

Securities Co., Ltd.		
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	1,343,400	1.39

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 December 2019.

(1) In the Report of Possession of Large Volume of Mitsubishi UFJ Financial Group, Inc. made available for public inspection on November 18, 2019, it is mentioned that MUFG Bank, Ltd. and other five companies held 6,069 thousand shares as of November 11, 2019, but the Company did not include them in the major shareholders above as the Company could not confirm the number of shares beneficially held by them as of the end of December 2019.

(2) In the Change Report (the Change Report pertaining to Report of Possession of Large Volume) made available for public inspection on December 19, 2019, it is mentioned that BlackRock Japan Co., Ltd. and other six companies held 4,274 thousand shares as of December 13, 2019, but the Company did not include them in the major shareholders above as the Company could not confirm the number of shares beneficially held by them as of the end of December 2019.

(3) In the Report of Possession of Large Volume made available for public inspection on December 20, 2019, it is mentioned that Mizuho Securities Co., Ltd. and other one company held 5,299 thousand shares as of December 13, 2019, but the Company did not include them in the major shareholders above as the Company could not confirm the number of shares beneficially held by them as of the end of December 2019.

(4) In the Change Report (the Change Report pertaining to Report of Possession of Large Volume) made available for public inspection on January 9, 2020, it is mentioned that Sumitomo Mitsui Trust Bank, Limited and other two companies held 8,604 thousand

shares as of December 31, 2019, but the Company did not include them in the major shareholders above as the Company could not confirm the number of shares beneficially held by them as of the end of December 2019.

(5) In the Change Report (the Change Report pertaining to Report of Possession of Large Volume) made available for public inspection on January 9, 2020, it is mentioned that Nomura Securities Co., Ltd. and other two companies held 6,654 thousand shares as of December 31, 2019, but the Company did not include them in the major shareholders above as the Company could not confirm the number of shares beneficially held by them as of the end of December 2019.

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 (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From 100 billion yen to less than 1 trillion yen
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

-

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

-

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
-------------------	--

[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	9
Status of appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shuichi Mori	From another company								△			
Reiko Urade	Academic											
Hiroyuki Ito	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) **Updated**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Shuichi Mori	○	The Company Group has an ongoing business relationship with SUMITOMO CORPORATION Group, where Mr. Shuichi Mori served as a representative director (the transaction value amounted to 1.6% of the Company's	To enhance the management monitoring function in the Board of Directors and reflect views from an objective standpoint, a former corporate manager who has expertise and extensive experience in corporate management is appointed as an Outside Director. According to the left column, he corresponds to Clause h above, but he is designated as an Independent Director because the

		consolidated net sales in the fiscal year under review). In addition, both the Company and SUMITOMO CORPORATION hold stock in each other's companies, but the respective shareholding ratio is less than 0.1%.	Company believes that there are no problem as regards this relationship between the two companies and his independence based on the fact that the transactions ratio and shareholding ratio described in the left column are insignificant, and nine years has passed since his retirement from SUMITOMO CORPORATION as well as because he is judged as having no potential conflicts of interest with general shareholders.
Reiko Urade	○	-	To enhance the management monitoring function in the Board of Directors and reflect views from an objective standpoint, a researcher in science who has expertise regarding agriculture and extensive experience is appointed as an Outside Director. She is designated as an Independent Director because she is judged as having no potential conflicts of interest with general shareholders.
Hiroyuki Ito	○	-	To enhance the management monitoring function in the Board of Directors and reflect views from an objective standpoint, a scholar of business administration who has expertise regarding the corporate management 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 Remuneration Committee Updated	Established
---	-------------

Committee's Name, Composition, and Chairperson's Attributes Updated
--

	Committee's Name	Total Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Equivalent to Nominating Committee	Nomination and Remuneration Advisory Committee	5	0	2	3	0	0	Outside Director
Committee Equivalent to Remuneration Committee	Nomination and Remuneration Advisory Committee	5	0	2	3	0	0	Outside Director

Supplementary explanations Updated

As part of its efforts to strengthen corporate governance, the Company established a Nomination and Remuneration Advisory Committee on March 27, 2020, to ensure transparency and objectivity in the decision process for the appointment and dismissal of the Representative Director and Director remuneration.

The committee discusses the validity of items regarding the appointment and dismissal of the Representative Director, the policies and systems of Director remuneration, and the amount of Director remuneration followed by a report to the Board of Directors.

Furthermore, the committee is composed of the Chairman of the Board, President, and three Outside Directors consisting of the following members.

Chairperson: Shuichi Mori (Outside Director)

Committee members: Masayuki Arioka (Representative Director and Chairman of the Board), Motoharu Matsumoto (Representative Director and President), Reiko Urade (Outside Director), and Hiroyuki Ito (Outside Director)

[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 based on results of audits by Corporate Auditors 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
Katsuhiro Matsui	Certified Public Accountant													
Tsukasa Takahashi	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 a 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

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons for Appointment
Katsuhiro Matsui	○	-	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 certified public accountant and certified public tax 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.
Tsukasa Takahashi	○	-	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	5
--	---

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
----------------------------------	-------

Supplementary Explanation

The Company has introduced a restricted stock remuneration plan for Directors, excluding Outside Directors (hereinafter, the “Eligible Directors”), in order to provide incentives to sustainably increase the Company’s corporate value and to further promote shared value between shareholders and the Eligible Directors.

Recipients of Stock Options	
-----------------------------	--

Supplementary Explanation

-

[Directors' Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
--	--------------------------

Supplementary Explanation Updated

In fiscal 2019, the total amount of remuneration paid to the Directors of the Company was 287 million yen. The amount includes restricted stock compensation of 32 million yen, expensed during fiscal 2019.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
--	-------------

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

About Remuneration of Directors, Inside Directors' remuneration is made up of monthly remuneration, bonuses and restricted stock remuneration and Outside Directors' remuneration is made up of monthly remuneration. 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 respectively in the Administrative Division to deliver necessary information to Outside Directors appropriately. Employees who belong to the Administrative Division shall assist Corporate Auditors in their duties as the need arises, and deliver necessary information to 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.

[Status of Persons Who Have Retired from a Position Such as Representative Director and President]

Corporate Advisor (Sodanyaku) / Advisor (Komon) who have retired from Representative Director and Presidents, etc.

Name	Title/Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office
Tetsuji Mori	Advisor	Former President (currently not involved in management) who provides advice as requested by the Representative Director.	Part-time, Paid	June 29, 2010	Not specified.

Total Number of Corporate Advisor (Sodanyaku) /Advisor (Komon) who have retired from Representative Director and Presidents, etc.	1
---	---

Other Matters

The Company has a system for selecting former Representative Directors as a Corporate Advisor through a resolution by the Board of Directors, but currently, no such individual exists. After a Corporate Advisor has resigned, he or she is appointed as an Advisor and paid remuneration commensurate to his or her duties.

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

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

(1) Outline of the Company's corporate governance system

To increase the corporate value and achieve sustainable growth, the system of corporate governance at the Company establishes organs and positions based on the Companies Act which are the General Meeting of Shareholders, Directors, Board of Directors, Corporate Auditors, Board of Corporate Auditors, and the Independent Auditor. In addition, the system ensures transparency in management and is designed to be able to strengthen the supervisory functions with respect to business execution.

(2) Directors, and Board of Directors

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). In addition, it attempts to monitor the management by receiving explanations directly from the Executive Officers about the summary of the business results of the current fiscal year and the budget of next fiscal year in their charges respectively at the budget meeting held once a year. Furthermore, as of the last update the Board of Directors consists of six Inside Directors (including two Representative Directors) and three Outside Directors, and the members are as follows.

Chairman of the Board of Directors: Masayuki Arioka (Representative Director and Chairman of the Board)

Directors: Motoharu Matsumoto (Representative Director and President),

Hirokazu Takeuchi, Akihisa Saeki, Koichi Tsuda, and Hiroki Yamazaki

Outside Directors: Shuichi Mori, Reiko Urade, and Hiroyuki Ito

Moreover, in addition to the members listed above, all Corporate Auditors attend the Board of Directors Meetings.

(3) Executive Officers

Regarding business execution, the Company has adopted an Executive Officer System consisting of CEO (serving concurrently as Representative Director and President) as a person in charge of executing the Company and eighteen other Executive Officers (including four serving concurrently as Directors) as of the last update. The term of Executive Officers is one year (the same as that for the Director). The members are as follows.

CEO: Motoharu Matsumoto (Representative Director and President)

Executive Vice President: Hirokazu Takeuchi (Director)

Senior Vice Presidents: Akihisa Saeki (Director), Koichi Tsuda (Director),

Hiroki Yamazaki (Director), Akira Kishimoto, Norio Nakamura, Haruki Matsumiya, and Tomonori Kano

Vice Presidents: Hiroaki Nomura, Masaya Kubo, Masaaki Kadomi, Mamoru Morii, Masashi Takahata, Takuo Horiuchi, Masahiro Kobayashi, Hitoshi Kanaya, Toshiyuki Nakajima, and Hidetaka Oda

(4) 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. As of the last update, Management Committee consists of six Inside Directors (including two Representative Directors) and four Senior Vice Presidents, and the members are as follows.

Directors: Masayuki Arioka (Representative Director and Chairman of the Board), Motoharu Matsumoto (Representative Director and President), Hirokazu Takeuchi, Akihisa Saeki, Koichi Tsuda, and Hiroki Yamazaki

Senior Vice Presidents: Akira Kishimoto, Norio Nakamura, Haruki Matsumiya, and Tomonori Kano

(5) Nomination and Remuneration Advisory Committee

As part of its efforts to strengthen corporate governance, the Company established the committee on March 27, 2020, to ensure transparency and objectivity in the decision process for the appointment and dismissal of the Representative Director and Director remuneration. For more details, refer to “Committee’s Name, Composition, and Chairperson’s Attributes” in section II 1. of this report.

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

The Company has adopted a Corporate Auditor System. As of the last update, the Company’s Board of Corporate Auditors consists of four Corporate Auditors, two of whom are Outside Corporate Auditors, and the members are as follows.

Chairman of the Board of Corporate Auditors: Yoshihisa Hayashi (Full-time Corporate Auditor)

Full-time Corporate Auditor: Masahiko Ohji

Outside Corporate Auditors: Katsuhiko Matsui and Tsukasa Takahashi

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 the attending at the budget meeting and periodically questioning Directors and/or Executive Officers about their duties and issues to be handled by them.

The Company intends to strengthen the auditing function by electing two Outside Corporate Auditors, one of whom is a Certified Public Accountant and Certified Public Tax Accountant and the other an Attorney. Each Outside Corporate Auditor shall independently perform their audits based on their professional viewpoints.

Employees who belong to the Administrative Division shall assist Corporate Auditors in their duties as the need arises, and deliver necessary information to Corporate Auditors appropriately.

(7) 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 2019 was as follows:

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

Designated members with limited liability, executive members:

Motoharu Iyomasa (5 years), Koji Yasui (6 years), Johta Mizo (2 years)

Structure of supporting members

Certified Public Accountants: 8, others: 10

(8) Items Pertaining to the Policy for Determining the Remuneration Amounts for Directors and Calculation Methods

The Company's remuneration for Directors and other officers consists of monthly remuneration, bonuses, and restricted stock remuneration for Directors (excluding Outside Directors) and a monthly remuneration only for Outside Directors and Corporate Auditors. Representative Director and President, Motoharu Matsumoto is entrusted by the Board of Directors to decide the monthly remuneration and bonus amount for Directors based on the business results and according to individual duties, responsibilities, and achievements within the range of the total amount decided by the General Meeting of Shareholders. The restricted stock remuneration for Directors is decided by the Board of Directors based on individual duties, responsibilities, etc. and the share price within the range of the total amount decided by the General Meeting of Shareholders. The remuneration for Corporate Auditors is decided by and in consultation with the Corporate Auditors by referring to the standards of other companies according to a survey by an external expert organization and set within the range of the total amount decided by the General Meeting of Shareholders.

Furthermore, the Company decided at the Board of Directors meeting held on March 27, 2020, to establish a Nomination and Remuneration Advisory Committee to ensure transparency and objectivity within the decision process for Director remuneration. A majority of the members of the committee consist of Outside Directors, and resolutions are passed when a majority of the committee members are in attendance. The decision process for Director remuneration in the committee is as follows.

The committee discusses the policies and system of Director remuneration as well as the amount of Director remuneration, reports the details to the Board of Directors, and the Board of Directors then makes decisions after serious consideration of the reports from the committee.

(9) 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 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.

III. Implementation Status of Measures for Shareholders and Other Stakeholders

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

	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 two days before of the date of dispatch thereof.
Other	Posting a convocation notice (in Japanese) on the Company's website on the two days before of 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
Establishment and announcement of "Disclosure Policy"	The Company stipulates "the Company Group communicates with concerned parties, and discloses necessary corporate information in a timely and appropriate manner" as a basic policy for "Transmission of Information" in the "Group Code of	

	<p>Conduct”. Based on this basic stance, the Company discloses information.</p> <p>Basic Stance on Information Disclosure is disclosed on the Company’s website (https://www.neg.co.jp; see Notice of Investor Relations).</p>	
Regular Investor Briefings for Analysts and Institutional Investors	<p>After announcement of financial results for the fourth quarters, the President and the Director in charge of (supervising) administration, and after announcement of financial results for the second quarters, the Director in charge of (supervising) administration holds Investor Meetings for analysts and institutional investors with regard to the summary of results, prospects of next fiscal year, etc.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>The Director in charge of (supervising) administration has engaged in a dialogue with overseas investors by participating in a Conference.</p>	None
Posting of IR Materials on the Company’s Website	<p>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.</p>	
Establishment of Department (personnel in charge) concerning IRs	<p>The Director in charge of (supervising) administration is responsible for IRs. In addition, personnel members in charge of IRs</p>	

	are appointed in the Administrative Division to carry out activities concerning IRs.	
--	--	--

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 “consideration for the environment,” “contribution to society,” “respect for human rights,” etc. are stipulated.
Implementation of Environmental Preservation Activities, CSR Activities, etc.	Setting forth policies on efforts for the environment in the “Environmental Charter,” and obtaining environmental ISO certifications throughout the Company Group as the need arises. Summaries of the annual environmental activities are created annually and posted on the Company’s website. The Company set important subjects such as compliance from CSR (corporate social responsibility) in line with the times, and promotes activities.
Development of Policies on Information Provision to Stakeholders	Stipulating that “the Company Group communicates with concerned parties, and discloses necessary corporate information in a timely and appropriate manner” as a basic policy for “Transmission of Information” in the “Group Code of Conduct”
Other	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.

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 decided that the Company shall operate its Internal Control System under the Companies Act 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
------------------------------------	------

Supplementary explanations for corresponding items
--

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 Officer 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]



