

TRANSLATION FOR REFERENCE ONLY

## Corporate Governance Report

Last update: April 8, 2022

Nippon Electric Glass Co., Ltd.

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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.

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

The Company complies with all of the Principles of the Corporate Governance Code.

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

The Company has presented information in this report in accordance with the Corporate Governance Code as it stands after its revision in June 2021.

#### **[Principle 1.4 Cross-Shareholdings]**

The Company does not hold cross-shareholdings except in cases where it recognizes the rationale for cross-shareholdings, such as business alliances 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.

NEG Group 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.

#### **[Supplementary Principle 2-4-1]**

The Company has established diversity as one of its priority themes for CSR, and based on the belief that the collective strength of diverse human resources, including diversity of gender and race, will serve as a driving force for corporate growth, aims to further accelerate its proactive initiatives for promoting women, foreign nationals and midcareer hires to middle managerial positions.

In addition, as its policy for internal environment development, the Company is developing systems to enable more diverse work styles, enhancing existing systems, implementing measures to reduce overtime work, encouraging employees to use their annual paid leave days, promoting employment of persons with disabilities and encouraging employees to take childcare leave. The Company appropriately discloses the implementation status of these various measures in the Integrated Report, etc.

#### **[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]**

The Company has introduced a defined contribution pension plan. Although the Company is not involved in the accumulation, etc. or management of corporate pension funds as an asset owner, the Company provides ongoing investment education to its employees.

**[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 2026”, 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. Based on the consultation by the Board of 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. The monthly remuneration and bonus amount for each Director determined by the committee shall be deemed to have been resolved by the Board of Directors, except in the case of a tie in 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 3-1-3]**

The Company appropriately discloses its initiatives on sustainability, investments in human capital and intellectual property, and other information in the Integrated Report, securities reports, etc. In addition, the Company has formulated a plan for achieving carbon neutrality and started working on the related initiatives. Regarding disclosures concerning climate change-related risks and earning opportunities, the Company has declared its support of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and will enhance its disclosures based on the associated disclosure framework.

**[Supplementary Principle 4-1-1]**

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 is 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 4-10-1]**

In order to ensure transparency and objectivity with regard to the appointment and dismissal of the Representative Director and Directors' remuneration, the Company established the Nomination and Remuneration Advisory Committee with an

independent Outside Director serving as the Chairperson and a majority of the committee members composed of independent Outside Directors. The committee discusses the appointment and dismissal of the Representative Director, the policies and system of Directors' remuneration and the amount of Directors' 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.

**[Supplementary Principle 4-11-1]**

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. The independent Outside Directors include individuals with management experience in other companies. The skills matrix is shown in the attachment.

**[Supplementary Principle 4-11-2]**

The status of the Outside Directors and Outside Corporate Auditors who serve at other companies is disclosed annually in business reports, the securities reports, the Corporate Governance Report, and other relevant materials.

**[Supplementary Principle 4-11-3]**

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]**

The Company provides training for Directors and Corporate Auditors that takes into consideration the Company's Corporate Philosophy and management strategy. 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 holds a training session for Directors once a year to help them enhance their understanding of corporate governance and compliance, as well as the conditions surrounding management, including those related to corporate governance. The Corporate Auditors acquire knowledge related to auditing through seminars and

exchange of information by enrolling in external organizations.

The Company explains its current conditions and systems to Outside Directors and Outside Corporate Auditors before they assume office. After they assume office, the Company provides them with opportunities for personal meetings with Directors, Executive Officers, top management of overseas subsidiaries and other relevant personnel.

#### **[Principle 5.1 Policy on Constructive Dialogue with Shareholders]**

The Company has established a policy on information disclosure, and discloses material information regarding the Company Group in a timely and appropriate manner to shareholders, investors and all other stakeholders.

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%
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#### **[Status of Major Shareholders] Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,399,900	16.55
NIPRO CORPORATION	9,657,020	10.38
Custody Bank of Japan, Ltd. (Trust Account)	4,839,600	5.20
THE BANK OF NEW YORK MELLON 140051	2,204,000	2.37
THE SHIGA BANK, LTD.	1,617,880	1.74
Keimitsu Kin	1,470,000	1.58
STATE STREET BANK AND TRUST COMPANY 505001	1,384,180	1.49

SMBC Nikko Securities Inc.	1,374,200	1.48
JP Morgan Securities Japan Co., Ltd.	1,317,361	1.42
JAPAN SECURITIES FINANCE CO., LTD.	1,146,100	1.23

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

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Supplementary Explanation **Updated**

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The above section, “2. Capital Structure [status of major shareholders],” shows the status as of the end of December 2021.

(1) In the Change Report of Nomura Securities Co., Ltd. (the Change Report pertaining to Report of Possession of Large Volume) made available for public inspection on October 22, 2020, it is mentioned that Nomura Asset Management Co., Ltd. held 6,551 thousand shares as of October 15, 2020. However, the status of the major shareholders described above is based on the number of shares recorded in the register of shareholders as the Company could not confirm the number of shares beneficially held by them as of December 31, 2021.

(2) In the Change Report (the Change Report pertaining to Report of Possession of Large Volume) made available for public inspection on December 6, 2021, it is mentioned that Sumitomo Mitsui Trust Bank, Limited and other two companies held 7,978 thousand shares as of November 30, 2021. However, the status of the major shareholders described above is based on the number of shares recorded in the register of shareholders as the Company could not confirm the number of shares beneficially held by them as of December 31, 2021.

### 3. Corporate Profile

Listed Stock Market and Market Section <b>Updated</b>	Tokyo Stock Exchange Prime 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**

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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 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 <b>Updated</b>	10
Status of appointment of Outside Directors	Appointed
Number of Outside Directors <b>Updated</b>	4
Number of Independent Directors <b>Updated</b>	4

Outside Directors' Relationship with the Company (1) <b>Updated</b>
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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											
Yoshio Ito	From another company								△			

\* 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	○	-	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.
Reiko Urade	○	-	To enhance the management

			<p>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.</p>
Hiroyuki Ito	○	-	<p>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.</p>
Yoshio Ito	○	<p>The Company Group has an ongoing business relationship with Panasonic Corporation Group, where Mr. Yoshio Ito served as a representative director (the transaction value amounted to 0.7% of</p>	<p>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</p>

		the Company's consolidated net sales in the fiscal year under review).	Independent Director because the 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 described in the left column is insignificant, and two years have passed since his retirement from Panasonic Corporation as well as because he is judged as having no potential conflicts of interest with general shareholders
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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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	6	0	2	4	0	0	Outside Director
Committee Equivalent to Remuneration Committee	Nomination and Remuneration Advisory Committee	6	0	2	4	0	0	Outside Director

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**Supplementary explanations** **Updated**

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As part of its efforts to strengthen corporate governance, the Company has established the Nomination and Remuneration Advisory Committee, to ensure transparency and objectivity in the decision process for the appointment and dismissal of the Representative Director and Directors' 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 Directors' remuneration followed by a report to the Board of Directors.

Furthermore, the committee is composed of the Chairman of the Board, President, and four Outside Directors, with the majority being Outside Directors. The members are as follows.

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), Hiroyuki Ito (Outside Director) and Yoshio 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

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

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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) **Updated**

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	J	k	l	m
Tsukasa Takahashi	Attorney at Law													
Yukihiro Yagura	Certified Public Accountant													

\* 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
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.
Yukihiro Yagura	○	-	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.



**[Independent Directors/Corporate Auditors]**

Number of Independent Directors/Corporate Auditors <b>Updated</b>	6
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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 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	
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**Supplementary Explanation****[Directors' Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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**Supplementary Explanation **Updated****

In fiscal 2021, the total amount of remuneration paid to the Directors of the Company was 385 million yen. The amount includes 90 million yen in bonuses for the Directors, which was approved by the Ordinal General Meeting of Shareholders held on March 30, 2022 and restricted stock compensation of 40 million yen, expensed during fiscal 2021.

Policy on Determining Remuneration Amounts and	Established
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**Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods**

The Company resolved to adopt a policy on determination of content of remuneration, etc. for individual Directors at a Board of Directors meeting. In making the resolution, the Board of Directors, in advance, had consulted with the Nomination and Remuneration Advisory Committee regarding a summary of the content that was to be resolved, and received its opinion.

Moreover, the Board of Directors judges that the remuneration, etc. of individual Directors for the fiscal year under review is in line with the policy, because the method of determining the content of remuneration, etc. and the determined content comply with the determination policy resolved by the Board of Directors, and the opinion of the Nomination and Remuneration Advisory Committee has been respected.

Details of the policy on determination of content of remuneration, etc. for individual Directors are as follows.

**(1) Policy on determination of amounts of remuneration, etc. for individual Directors (excluding performance-linked remuneration and non-monetary remuneration)**

The monthly (fixed) remuneration and bonuses (excluding Outside Directors) of the Company's Directors shall be determined according to individual duties, responsibilities and performance, while giving comprehensive consideration to financial results (excluding Outside Directors), the Company's management environment, and remuneration levels of other companies based on objective remuneration market survey data by an outside specialist institution. In addition, the amount of Directors' bonuses is deliberated by the Nomination and Remuneration Advisory Committee based on consultation from the Board of Directors, and the results of that deliberation are reported to the Board of Directors, which approves the amount before it gets decided by the General Meeting of Shareholders.

**(2) Policy on determination of content, and calculation method for amount or number of non-monetary remuneration, etc. (including policy on determination of timing and conditions for paying remuneration, etc.)**

Non-monetary remuneration, etc. shall be allocated at a certain time each year in the form of restricted stock to Directors, excluding Outside Directors. The Eligible Directors shall, in accordance with the resolution of the Board of Directors of the Company, receive

the issuance or disposal of the common shares of the Company within the scope of the total number resolved by the General Meeting of Shareholders. Furthermore, the amount of payment, which is the standard for calculation of the number of restricted shares to be allotted, shall be determined based on the individual duties, responsibilities, and share price, within the scope of the total amount resolved by the General Meeting of Shareholders.

**(3) Policy on determination of proportion of monetary remuneration amount, performance-linked remuneration amount, or non-monetary remuneration amount by individual director remuneration amount**

For Directors other than Outside Directors, payment shall be linked with achievement of financial results targets and medium- to long-term corporate value increase and comprised of regular remuneration, which is a monthly (fixed) remuneration, and variable remuneration, which consists of bonus and restricted stock remuneration. The ratio of regular to variable remuneration based on payment amount shall be approximately 6:4. For Outside Directors, payment shall consist only of a monthly (fixed) remuneration that is not linked to financial results, so as to maintain their independence.

**(4) Policy on determination of timing and conditions for paying remuneration, etc.**

Monthly (fixed) remuneration shall be a fixed remuneration paid monthly. Bonuses shall be paid at a certain time each year.

**(5) Matters related to determination of content of remuneration, etc., for individual Directors**

The evaluation and allocation of the amount of individual monthly (fixed) remuneration and bonuses (excluding Outside Directors) for Directors of the Company is determined as follows. Based on the consultation of the Board of Directors, the specific content of the remuneration is deliberated by the Nomination and Remuneration Advisory Committee, which is chaired by an Outside Director and is made up of the Chairman of the Board of Directors, the President, and all Outside Directors, with Outside Directors making up a majority. Except in cases where the opinions of the committee members are equally divided, a response to the Board of Directors is not required, and the content of the decision of the committee is deemed to be a resolution of the Board of Directors.

The specific allocation of restricted stock to Directors excluding Outside Directors shall be determined by the Board of Directors.

The remuneration for Corporate Auditors is decided by and in consultation with the Corporate Auditors by referring to remuneration levels of other companies based on a survey by an outside specialist institution and set within the scope of the total amount resolved by 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.

## **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 functions of decision-making and

supervising by Board of Directors Meetings. 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 four 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, Hiroki Yamazaki, Tomonori Kano, and Mamoru Morii

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

Moreover, in addition to the members listed above, all Corporate Auditors attend the Board of Directors Meetings and budget 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: Hiroki Yamazaki (Director), Tomonori Kano (Director), Mamoru Morii (Director), Akira Kishimoto, Norio Nakamura, Haruki Matsumiya, Masaaki Kadomi and Masahiro Kobayashi

Vice Presidents: Hiroaki Nomura, Takuo Horiuchi, Hitoshi Kanaya, Toshiyuki Nakajima, Hidetaka Oda, Yoshiyuki Tamamura, Ken Hamajima, Takuji Oka and Masanori Wada

#### **(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 five 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, Koichi Tsuda, Hiroki Yamazaki, Tomonori Kano and Mamoru Morii  
Senior Vice Presidents: Akira Kishimoto, Norio Nakamura, Haruki Matsumiya, Masaaki Kadomi and Masahiro Kobayashi

#### **(5) Nomination and Remuneration Advisory Committee**

As part of its efforts to strengthen corporate governance, the Company has established the committee, 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: Tsukasa Takahashi and Hiroyuki Yagura

Outside Corporate Auditor Mr. Tsukasa Takahashi has abundant experience as an

attorney at law and deep insight into laws, etc. Outside Corporate Auditor Mr. Hiroyuki Yagura has deep insight into financial affairs and accounting as a certified public accountant and a certified public tax accountant.

Meetings of the Board of Corporate Auditors are held monthly in principle, and Corporate Auditors share information and exchange their views there. Meetings of the Board of Corporate Auditors were held 13 times during fiscal 2021, and the rate of attendance by Corporate Auditors was 100%. Matters resolved after discussion by the meetings were the selection of Chairman of the Board of Corporate Auditors and Specified Corporate Auditors, formulation of auditing policies and audit plans, consent to the amount of remuneration for the Independent Auditor, decision to dismiss or not reappoint Independent Auditor, and preparation of audit reports.

According to auditing policies, plans, and assignment of duties established by the Board of Corporate Auditors, Corporate Auditors participate in Board of Directors meetings to audit proceedings and contents of its resolutions and express their opinions as necessary while carrying out audits of the Directors' execution of duties through assessing business affairs and corporate assets and setting important audit items. As important audit items, Corporate Auditors held interviews with Directors and Executive Officers, witnessed assessment of the progress of internal control systems in each division and internal controls for financial reporting, and performed audits on the status of operation and management of domestic and overseas subsidiaries, as well as on business reports, non-consolidated financial statements, and consolidated financial statements.

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 2021 was as follows:

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

experience)

Designated members with limited liability, executive members:

Sung-Jung Hong (2 years), Johta Mizo (4 years), Yohei Onishi (1 year)

Structure of supporting members

Certified Public Accountants: 7, others: 11

### **(8) 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.

### **(9) Outline of the Directors and Officers Liability Insurance Policy**

The Company has entered into a directors and officers liability insurance policy with an insurance company, under which the insured are Directors, Corporate Auditors and Executive Officers of the Company; Directors and Corporate Auditors of its subsidiaries (except for Techneglas LLC, Electric Glass Fiber UK, Ltd., Electric Glass Fiber NL, B.V., and Electric Glass Fiber America, LLC); and Directors and Corporate Auditors dispatched from the Company to associated companies. The insured are covered by the policy against damages arising from assuming responsibility in relation to the execution of their duties or from claims received in relation to the pursuit of these responsibilities (however, excluding damages corresponding to exemption clauses defined by the policy). Premiums for the policy are paid by the Company, and the insured do not pay the premiums.

## **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

	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 and English) 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 Updated

	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 NEG 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 (<a href="https://www.neg.co.jp">https://www.neg.co.jp</a>; 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 Senior Vice President in charge of administration and accounting, and after announcement of financial results for the second quarters, the Senior Vice President in charge of administration and accounting 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 Senior Vice President in charge of administration and accounting 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 Senior Vice President in charge of administration and accounting is responsible for IRs. In addition, the</p>	

	group in charge of IRs is established in the Administrative Division to carry out activities concerning IRs.	
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### 3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Setting forth NEG Group Code of Conduct and NEG Group 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 establishes priority themes, such as carbon neutrality initiatives, 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 NEG Group Code of Conduct.
Other	Continuously improving employment environment to help employees balance work and family-life, and certified as a “Platinum Kurumin” by the Minister of Health, Labour and Welfare as a “Childcare Support Company” meeting specified criteria based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

#### **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 "NEG Group 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 NEG Group Code of Conduct and NEG Group 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 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 NEG Group Code of Conduct as a basic policy for “High Ethical Standards,” and the specific conduct criteria are described in NEG Group 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

### 2. Other Matters concerning Corporate Governance Systems, etc. Updated

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 NEG 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 Senior Vice President 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

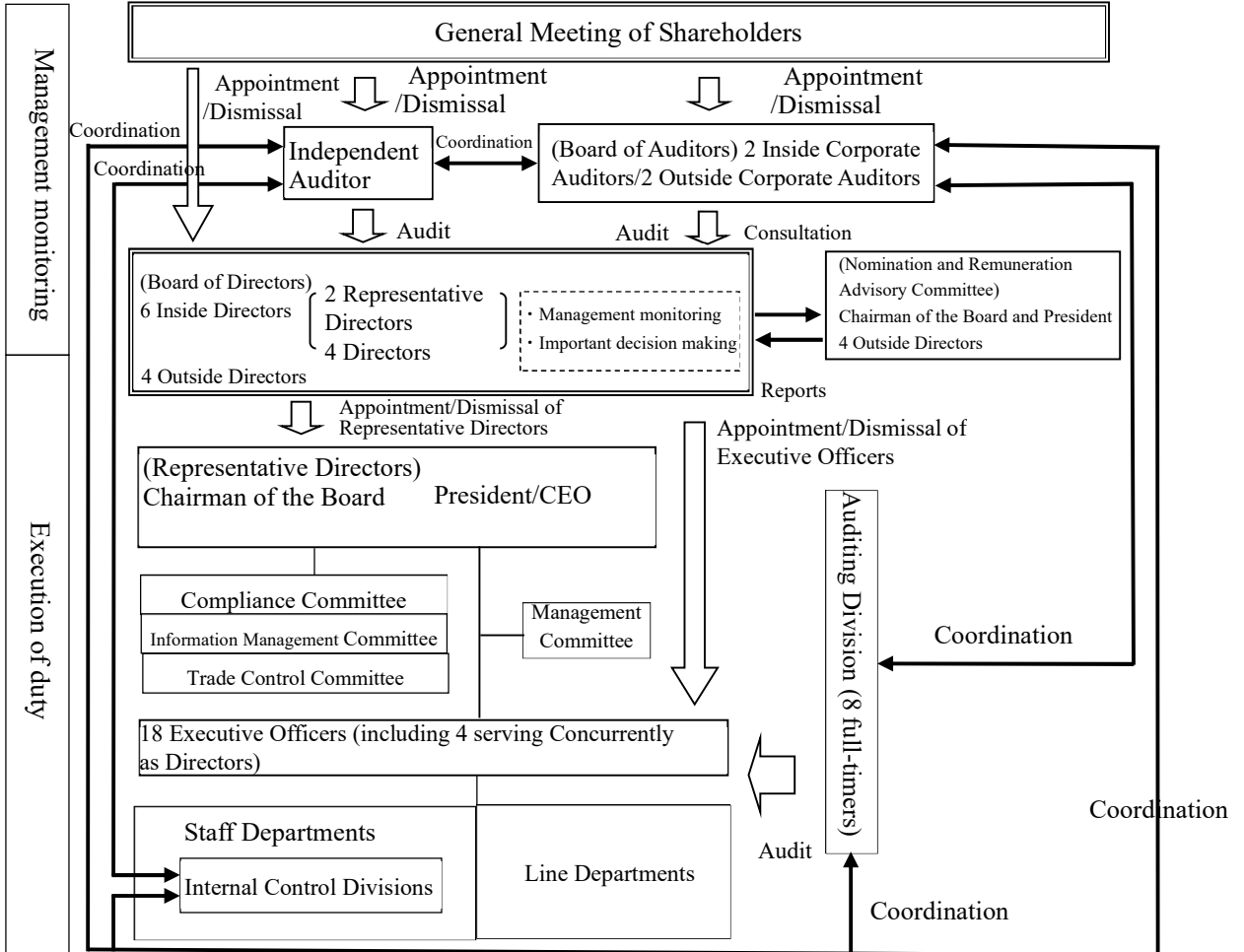
As for matters concerning the corporate information collected, the Disclosure Consideration Committee considers the necessity, timing, method, etc. regarding disclosure in accordance with timely disclosure rules specified by the Tokyo Stock Exchange, the Financial Instruments and Exchange Act, and other 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.

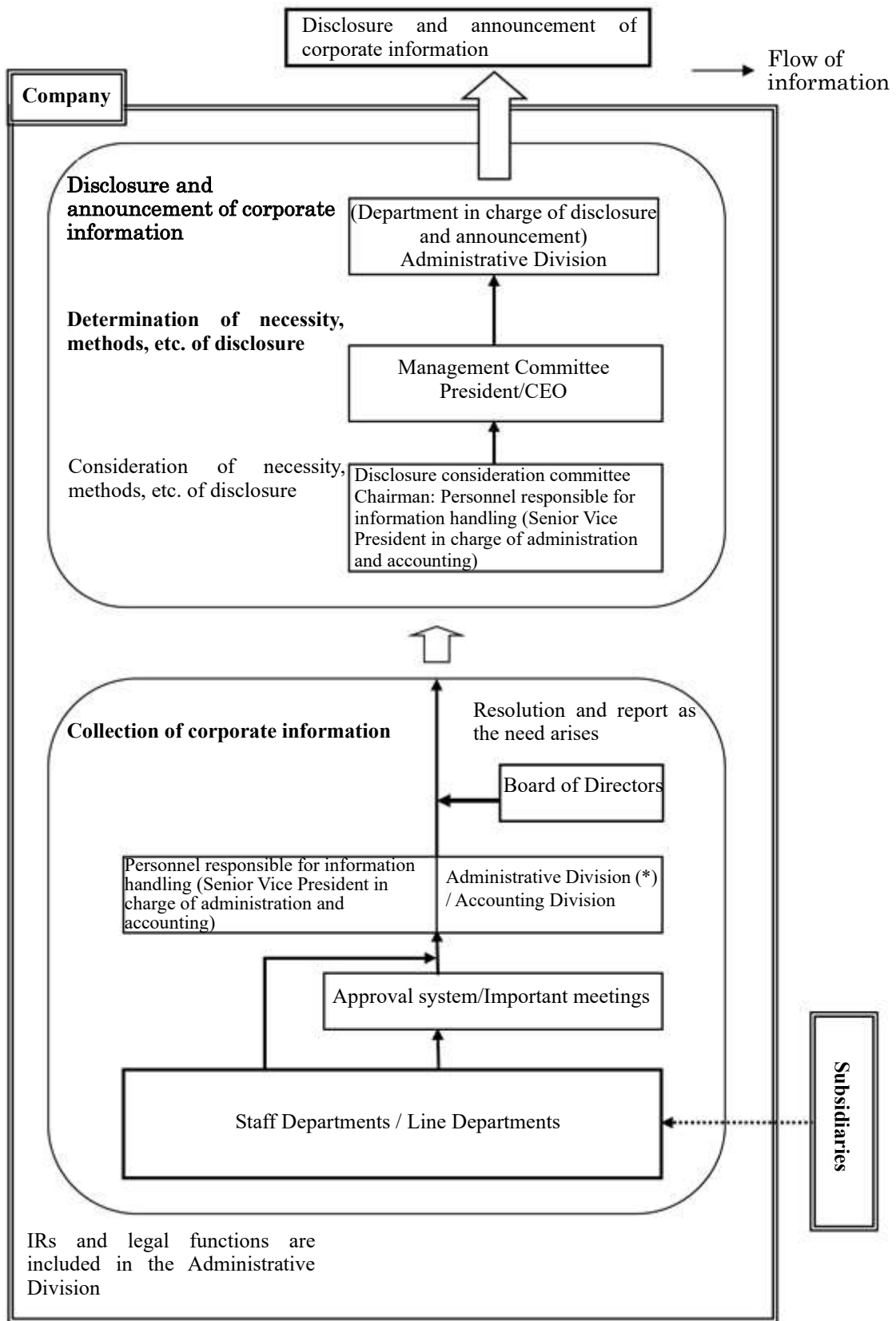


### **(3) Disclosure and announcement of the corporate information**

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]





< Skills Matrix >

Name	Position in the Company	Outside Independent	Sex	Nomination and Remuneration Advisory Committee (“✓✓” indicates chairperson)	Major knowledge, experience, and capabilities			
					Corporate management	Finance and Legal	Technology	Sales and Marketing
Masayuki Arioka	Chairman of the Board (Representative)		Male	✓	✓		✓	✓
Motoharu Matsumoto	President (Representative)		Male	✓	✓	✓		✓
Hirokazu Takeuchi	Director		Male		✓		✓	✓
Hiroki Yamazaki	Director		Male				✓	
Tomonori Kano	Director		Male		✓		✓	✓
Mamoru Morii	Director		Male			✓		✓
Shuichi Mori	Director	✓	Male	✓✓	✓	✓		✓
Reiko Urade	Director	✓	Female	✓			✓	
Hiroyuki Ito	Director	✓	Male	✓		✓		
Yoshio Ito	Director	✓	Male	✓	✓		✓	✓