

March 6, 2019

Notice of the 100th Ordinary General Meeting of Shareholders

Dear Shareholders,

Please be advised that the 100th Ordinary General Meeting of Shareholders will be held as follows, and we would be grateful if you could attend the meeting.

If you are unable to attend the meeting in person, you are entitled to vote by mail or via the Internet, etc. In this case, we cordially request that you review the Reference Document for the Ordinary General Meeting of Shareholders described below and exercise your voting rights.

Yours faithfully,
Masayuki Arioka, Chairman of the Board
Nippon Electric Glass Co., Ltd.
7-1, Seiran 2-chome, Otsu, Shiga, Japan

- 1. Date and Time:** **Thursday, March 28, 2019, from 10:00 a.m.**
- 2. Venue:** **Conference Room at the Head Office of the Company
7-1, Seiran 2-chome, Otsu, Shiga, Japan**

3. Meeting Agenda:

Reporting:

1. Business report, consolidated financial statements and results of audits of consolidated financial statements by the Independent Auditor and the Board of Corporate Auditors for the 100th fiscal year (from January 1, 2018 to December 31, 2018)
2. Non-consolidated financial statements for the 100th fiscal year (from January 1, 2018 to December 31, 2018)

Proposals:

Proposal 1: Distribution of Surplus

Proposal 2: Election of Nine (9) Directors

Proposal 3: Election of three (3) Corporate Auditors

Proposal 4: Election of One (1) Substitute Corporate Auditor

Proposal 5: Payment of Bonuses to Directors

Proposal 6: Determination of Remuneration for Grant of Restricted Stock to Directors (excluding Outside Directors)

“Instructions on Voting”



Attending the Meeting in
Person

When attending the meeting, please bring the enclosed voting form and present it at the reception desk.



Voting by Mail

Please indicate your approval or disapproval of the proposals in the enclosed voting form and then return the form to the Company by postal mail so that your vote is received by 5:00 pm on March 27, 2019 (Wednesday).



Voting via the Internet, etc.

Please enter your approval or disapproval of the proposals via the Internet, etc. by 5:00 pm on March 27, 2019 (Wednesday).

- (1) If you exercise your voting rights twice through voting by mail and via the Internet, etc., we will deem the vote cast via the Internet, etc. to be the effective one.
- (2) If you exercise your voting rights more than once via the Internet, etc., we will deem the last vote cast to be the effective one.

* Any revisions in Reference Document for the Ordinary General Meeting of Shareholders, business report, non-consolidated financial statements and consolidated financial statements will be disclosed on the internet at the Company's website (<https://www.neg.co.jp/>).

Business Report for the 100th Fiscal Year

Period from January 1, 2018 to December 31, 2018

1. Status of Corporate Group

(1) Progress and results of operations

Overall trend

In this fiscal year, in the global economy, the US economy gradually recovered on the back of solid employment conditions and robust personal consumption. On the other hand, in Europe and China, a stronger perception of economic slowdown was recognized. The Japanese economy continued to make a modest recovery, driven by improved employment conditions and personal consumption.

Consolidated results of operations for the fiscal year under review

| | 99th Fiscal Year (January 2017 to December 2017) | 100th Fiscal Year (January 2018 to December 2018) | Change |
|---|--|---|--------|
| | Millions of yen | Millions of yen | % |
| Net sales | 282,447 | 300,326 | 6.3 |
| Operating profit | 32,201 | 24,865 | (22.8) |
| Ordinary profit | 34,130 | 19,832 | (41.9) |
| Profit attributable to owners of parent | 27,184 | 15,199 | (44.1) |

In the Company Group, shipments of substrate glass for liquid crystal display (LCDs) were solid. In glass fiber for high-performance resin, the US subsidiary (Electric Glass Fiber America: EGFA) that the Company acquired in September, 2017 contributed to higher sales despite a decline in demand in the second half of the fiscal year. As a result, sales exceeded the levels in the previous fiscal year (from January 1 to December 31, 2017).

On the other hand, profit was down over the previous fiscal year. This reflected the impact of the factors including rising prices for raw materials and fuel, up-front costs related to production capacity increase, etc. at EGFA and Electric Glass (Xiamen), as well as a shortfall in EGFA's productivity relative to initial forecasts, and foreign exchange losses.

Sales by business category are as follows:

| Category | | 99th Fiscal Year (January 2017 to December 2017) | | 100th Fiscal Year (January 2018 to December 2018) | | Change | |
|-------------------|--|--|-----------|---|-----------|-----------------------------|------------|
| | | Net sales | Breakdown | Net sales | Breakdown | Amount | Percentage |
| Glass Business | Electronics and Information Technology | Millions of yen 149,157 | % 52.8 | Millions of yen 152,225 | % 50.7 | Millions of yen 3,068 | % 2.1 |
| | Performance Materials and Others | 133,289 | 47.2 | 148,100 | 49.3 | 14,811 | 11.1 |
| | Total | 282,447 | 100 | 300,326 | 100 | 17,879 | 6.3 |

Electronics and Information Technology:

Shipments of substrate glass for LCDs were solid, although prices fell slightly. Sales of cover glass for mobile devices (glass for chemical strengthening) also remained strong on the back of increasing adoption by customers. Glass for electronic devices grew moderately in line with trend in the home appliance market and glass for optical devices generally performed well, with the exception of certain products. However, sales of substrate glass for solar cells remained weak.

As a result, net sales of Electronics and Information Technology amounted to ¥152,225 million, a year-on-year increase of 2.1%.

Performance Materials and Others:

Sales of glass fiber for high-performance resin reflected the impact of slower demand in the fourth quarter (from October 1 to December 31, 2018), especially in the European and Chinese markets, despite the positive sales contribution of EGFA. Overall sales of heat-resistant glass remained weak, being continuously affected by inventory adjustments at some customers, while shipments to China of glass tubing for pharmaceutical and medical use showed growth, and sales of glass for building materials remained favorable for fire-rated equipment.

As a result, net sales of Performance Materials and Others amounted to ¥148,100 million, a year-on-year increase of 11.1%.

(2) Capital investment

The Company Group's capital investment amounted to ¥49,339 million in the fiscal year under review.

In Electronics and Information Technology, we made investments primarily for construction of production facilities at Electric Glass (Xiamen) Co., Ltd., while in Performance Materials and Others, we made investments mainly for boosting production capacity in the glass fiber business.

(3) Fund procurement status

Funds required in the fiscal year under review were for capital investment and working

capital, which the Company financed with its own funds and borrowings, among other means.

Aiming at flexible fund-raising, the Company has entered into a commitment line agreement for a total amount of ¥25 billion with financial institutions in Japan.

(4) Main Lenders (as of December 31, 2018)

| Lender | Borrowing Amount |
|-------------------------------------|------------------|
| Sumitomo Mitsui Banking Corporation | ¥13.2 billion |
| Sumitomo Mitsui Trust Bank, Limited | ¥9.8 billion |
| The Shiga Bank, Ltd. | ¥8.9 billion |

(5) Issues to be addressed

[Basic management policy]

The Company Group’s basic management policy is to respond to the needs of societies by developing, manufacturing, and supplying an abundance of glass products to the market with various properties and functions through the technologies of material design, melting, forming, and processing under the Company Corporate Philosophy Structure with the goal of becoming the world’s leading manufacturer of special glass. At the same time, the Company Group will fulfill its social responsibility in line with the times by performing important CSR (corporate social responsibility) activities. Through these activities, the Company Group will contribute to social development, strive to disseminate its corporate identity, raise corporate value, and achieve sustainable growth.

“The Company Corporate Philosophy Structure”

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

(Our corporate philosophy)

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

Our Slogan: GLASS FOR FUTURE

(Our vision)

“The world’s leading manufacturer of special glass”

(Our values)

- Customer first
- Get the job done

- Broad minds and open communication
- High ethical standards
- Symbiosis with the environment

[Target management indexes]

The Company Group considers that continuous research and development, growth investments, and sales and profits to support these activities are essential for business continuity and development for future. Therefore, the Company Group places Net sales, Operating profit and Operating profit margin as important indexes, and set the numerical target in the Medium term business Plan.

[Medium- and long-term management strategy and issues to be addressed]

<The Company Group's management strategy>

○ Five Key Factors and Their concepts for Achieving Growth over the Medium to Long Term

<Key Factors>

<Concepts>

- | | |
|-------------------------------|--|
| • Corporate Goal: | Be a presence that coexists with and contributes to society |
| • Research and Development: | Create glass that makes dreams come true |
| • Manufacturing Processes: | Develop innovative processes |
| • Environmental Preservation: | Achieve sustainable creative manufacturing |
| • Human Resource Development: | Be a group of professionals with high aspirations and enthusiasm |

○ The Company Group's business model

- Utilizing the strengths of human resources and our technical expertise, we will pursue high-value-added products and innovative products.
- Through creative manufacturing (*), we will meet the market's needs by providing glass in a wide variety of forms and with a wide range of functions—substrate, tube, sphere, fiber, powder, forming goods, and “hybrid products”—that combine thin films, plastics, and metals.
- The Company Group will expand its business in the Electronics and Information Technology field with glass for displays and glass for optical and electronic devices, as well as in the Performance Materials and Other fields with glass fiber, glass tubing for pharmaceutical use, heat-resistant glass and glass for building materials, and will build a balanced business portfolio.
- In carrying out these activities, the Company Group will strive to fulfill its corporate social responsibilities and contribute to social development, while also increasing corporate value and pursuing sustainable growth.

(*) The Company Group's vision of "creative manufacturing"

To meet society's needs, the Company Group carries out research and development based on cutting-edge technology (material design, manufacturing process technology [melting, forming, processing] and evaluation technology), creates top-notch products, and supplies its products steadily to the market through the highest quality standards and efficient production. The Company Group then uses feedback from the market for further research and development. This cycle represents the approach to "creative manufacturing" to which the Company Group aspires.

○ Focus market areas

- The Company has designated the four areas of "Automotive and Transportation," "Information Technology and Semiconductors," "Medical Care," and "Displays" as its "Expansion and reinforcement areas" that will directly lead to medium-term growth. The Company will focus on aggressively expanding business and strengthening competitiveness in these areas.
- The Company expects growth in the four areas of "Lighting," "Energy," "Social Infrastructure," and "Home Appliances" as society develops. These are also areas in which the functionality of glass can be fully utilized. The Company places these areas in "Strategic development areas," and will promote research and development to create new businesses in these areas.
- The Company will meet the following needs in each area through the above activities.

- Expansion and reinforcement areas -

- ◎ Automotive and Transportation: Lightweight materials, in-vehicle lighting, display devices, autonomous driving, in-vehicle cameras, electronic devices
- ◎ Information Technology and Semiconductors: High-speed and high-capacity optical communications equipment (5G-compatible), next-generation semiconductors (small-sized, high-precision, high-functioning)
- ◎ Medical Care: Advanced pharmaceutical containers, cutting-edge medical equipment and devices
- ◎ Displays: Next-generation displays (high-definition, thin and lightweight, flexible)

- Strategic development areas -

- ◎ Lighting: Next-generation lighting (energy-saving, high-luminance, high-output)
- ◎ Energy: Renewable energy systems, secondary batteries
- ◎ Social Infrastructure: High-functioning fire-rated equipment, high-functioning structural materials (safe, durable, lightweight)

- ◎ Home Appliances: High-functioning home appliances and housing equipment materials, multi-function wall materials

<Medium-term business plan EGP2021>

The Company has established a three-year medium-term business plan, “EGP2021” (Electric Glass Prospects 2021), starting in fiscal 2019. With the formulation of EGP2021, young employees who will lead the Company in the future and the top management discussed the futuristic vision of the Company after 30 years with becoming “the world’s leading manufacturer of special glass” in mind. By back casting from the futuristic vision, five key factors and their concepts for achieving growth over the medium to long term (listed in beginning of “[The Company Group’s management strategy]” above) were identified. The Company has positioned EGP2021 as an initiative to realize the five key factors, and will carry out various measures in order to achieve its targets.

- Basic Policy

- Pursue further growth toward becoming “the world’s leading manufacturer of special glass”

- Our Slogan

- Strong Growth – Raise Aspirations and Break Through Walls*

- * Emphasis is placed on achieving strong growth in financial results as well as in human resources, core technologies and R&D capabilities, and as a result, making our corporate character even stronger.

- Priorities and Measures

- (1) Research and Development:

- Build integrated development structures for products, glass technologies, and manufacturing process
 - Enhance marketing functions
 - Invest 10 billion yen in R&D annually (3% of net sales and an increase of 43% compared to fiscal 2018)
 - Pursue R&D that makes dreams come true

- (2) Business Strategies

- Create innovations in productivity and quality in the display glass business
 - Expand the glass fiber business and generate results through M&A synergies
 - Strengthen the Company’s presence in growth areas such as China
 - Assess the value of business and properly allocate resources

(3) Strategic investment

- The Company will implement M&A and establish collaborations and affiliations with other companies from the perspective of long-term growth and, in addition to conventional capital expenditure, the Company will set aside about 50 billion yen spread out over the three-year period for strategic investments.

(4) CSR

- Achieve sustainable growth and increase corporate value through initiatives that address the three priority themes of “environment”, diversity and inclusion” and “community contribution”.

○ Management targets

- Net sales: 350 billion yen
(Breakdown)
Electronics and Information Technology: 175 billion yen
(glass for displays, glass for optical and electronic devices, etc.)
Performance materials and others: 175 billion yen
(glass fiber, medical-care, heat-resistant products, building materials and others)
- Operating profit: 35 billion yen
- Operating margin: 10%
- Year to achieve targets: Fiscal 2021

○ Financial policy

- Emphasis on cash flow
- Emphasis on efficient use of assets (reduction in financial assets and inventory assets, consolidation of manufacturing equipment through productivity improvement)
- Financial soundness

○ Profit Distribution Policy:

- Continued and stable payment of dividends over the long term
- Dividends on equity ratio (DOE): 2% and upwards
- Implementation of flexible shareholder return measures according to the status of achievement of the medium-term business plan

In this fiscal year, which is the final year of the medium-term business plan EGP2018, in the display glass business we established new facilities and started operations at Electric Glass (Xiamen) Co., Ltd., our subsidiary in China for melting and forming processes in the first quarter

(from January 1 to March 31, 2018) and took measures to develop new customers in China, which is a growing market. With regard to the performance materials business, in the glass fiber business we made efforts to increase production capacity by improving facilities and performing construction to increase production at Electric Glass Fiber America, LLC, a subsidiary in the United States acquired through M&A. As for new products and development, we developed high-efficiency deep UV-transmitting glass, an Infrared absorbing filter with the world's highest visible light transmittance, the world's smallest optical isolator for high power fiber lasers, and other products.

During the three years up to this fiscal year, we implemented initiatives under the EGP2018, including reinforcement of the profitability of substrate glass for display by improving productivity and enhancing overseas production, and expansion of the glass fiber business through organic growth and M&A. As a result of these efforts, the target for net sales was achieved, and although the target for operating profit was not reached, it can be recognized that the foundation for achieving that target has been steadily established.

In fiscal 2019, we will launch EGP2021, our new medium-term business plan. We will continue to focus our efforts on achieving our goals.

(6) Changes in assets and profit/loss

(Yen)

| Item | 97th Fiscal Year (January 2015 to December 2015) | 98th Fiscal Year (January 2016 to December 2016) | 99th Fiscal Year (January 2017 to December 2017) | 100th Fiscal Year (January 2018 to December 2018) |
|--|--|--|--|---|
| Net sales | 251,177 million | 239,411 million | 282,447 million | 300,326 million |
| Operating profit | 22,034 million | 19,571 million | 32,201 million | 24,865 million |
| Ordinary profit | 14,272 million | 13,967 million | 34,130 million | 19,832 million |
| Profit attributable to owners of parent | 9,636 million | 4,968 million | 27,184 million | 15,199 million |
| Earnings per share | 19.38 | 9.99 | 273.29 | 154.26 |
| Total assets | 726,937 million | 693,917 million | 764,420 million | 725,575 million |
| Net assets | 519,801 million | 509,564 million | 543,789 million | 521,547 million |
| Net assets per share | 1,031.86 | 1,013.92 | 5,416.93 | 5,346.03 |

Notes: On July 1, 2017, the Company carried out a consolidation of shares at a ratio of one for every five common shares. Earnings per share and net assets per share are calculated on the assumption that this consolidation of shares was carried out at the beginning of the 99th fiscal year.

(7) Status of important subsidiaries (as of December 31, 2018)

| Subsidiary name | Capital stock | Investment stake of the Company | Main business |
|--|---------------------|---------------------------------|---|
| Nippon Electric Glass (Malaysia) Sdn. Bhd. | MYR 1,303 million | 100% | Production and sale of glass in the field of Electronics and Information Technology, and Performance Materials and Others |
| Paju Electric Glass Co., Ltd. | KRW 84,120 million | 60% | Processing and sale of glass in the field of Electronics and Information Technology |
| Electric Glass (Korea) Co., Ltd. | KRW 167,117 million | 100% | Production and sale of glass in the field of Electronics and Information Technology |
| Electric Glass (Xiamen) Co., Ltd. | CNY 1,525 million | 100% | Production and sale of glass in the field of Electronics and Information Technology |
| Electric Glass Fiber America, LLC | USD 100 | 100% | Production and sale of glass in the field of Performance Materials and Others |

- Notes: 1. The Company's equity stake in Electric Glass Fiber America, LLC is an indirect holding through the Company's US subsidiary.
2. The number of consolidated subsidiaries, including the five important subsidiaries above, is now 27 as of the end of the fiscal year under review.

(8) Description of main businesses (as of December 31, 2018)

The Company Group mainly produces and sells special glass products including glass for Electronics and Information Technology, as well as glass making machinery.

| Category | Main products |
|--|---|
| Electronics and Information Technology | Glass for Flat Panel Displays (FPD) Glass for Liquid Crystal Displays (LCD) Glass for Organic Light-Emitting Diode (OLED) Displays “Dinorex” Specialty Glass for Chemical Strengthening Glass for Optical Devices Capillary and Ferrule for Optical Communication Devices Lens for Optical Communication Devices “Micro Preform” Glass Materials for Aspherical Lenses Glass for Electronic Devices Functional Powdered Glass Sheet Glass for Image Sensors Glass Tube for Small Electronic Products “Lumiphous” Phosphor-Glass Composites Glass for Solar Cells |
| Performance Materials and Others | Glass Fiber Chopped Strands for Function Plastic Roving for Reinforced Plastics Chopped-Strand Mats for Automobiles Alkali-Resistant Glass Fiber for Cement Reinforcement Glass for Building Materials Glass Blocks “Neoparies” Glass Ceramics Building Materials “FireLite” Fire Rated Glass “Lamion” Ultra-thin Glass Laminated on Resin “Invisible glass” Ultra-Low Reflection Glass Heat-Resistant Glass “Neoceram” Super Heat-Resistant Glass Ceramic “StellaShine” Super Heat-Resistant Glass-ceramics for Cooking Appliance Top Plates “Neorex” Heat-Resistant Glass Glass for Lighting Use Glass for Pharmaceutical and Medical Applications Glass tubing for Pharmaceutical and Medical Use “LX Premium” Radiation-Shielding Glass Glass for Thermos Flasks Glass Making Machinery |

(9) Main sales offices and factories (as of December 31, 2018)

1) The Company

| Name | Location |
|-----------------------------------|--------------------|
| Head Office | Otsu, Shiga |
| Osaka Office & Sales Headquarters | Yodogawa-ku, Osaka |
| Tokyo Office & Sales Headquarters | Minato-ku, Tokyo |
| Otsu Plant | Otsu, Shiga |
| Shiga-Takatsuki Plant | Nagahama, Shiga |
| Notogawa Plant | Higashiomi, Shiga |
| Precision Glass Processing Center | Kusatsu, Shiga |

2) Subsidiaries

| Company name | Location |
|--|--------------------|
| Nippon Electric Glass (Malaysia) Sdn. Bhd. | Selangor, Malaysia |
| Paju Electric Glass Co., Ltd. | Gyeonggi, Korea |
| Electric Glass (Korea) Co., Ltd. | Gyeonggi, Korea |
| Electric Glass (Xiamen) Co., Ltd. | Fujian, China |
| Electric Glass Fiber America, LLC | North Carolina, US |

(10) Status of employees (as of December 31, 2018)

| Number of employees | Change from previous fiscal year |
|---------------------|----------------------------------|
| 6,875 | Increase of 99 |

Notes: 1. The number of employees represents the number of working employees.

2. The number of employees of the Company is 1,678 (increase of 34 compared with the previous fiscal year).

2. Matters related to shares of the Company (as of December 31, 2018)**(1) Total number of shares authorized to be issued:** 240,000,000 shares**(2) Total number of shares issued:** 99,523,246 shares

Notes: Total number of shares issued includes 2,918,451 shares of treasury stock.

(3) Number of shareholders 13,460**(4) Major shareholders (Top 10 shareholders)**

| Name | Number of shares held (Thousands of shares) | Ratio of shareholding |
|---|--|--------------------------|
| NIPRO CORPORATION | 12,715 | 13.2% |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 10,951 | 11.3% |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 6,443 | 6.7% |
| Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) | 1,814 | 1.9% |
| THE BANK OF NEW YORK MELLON 140051 | 1,726 | 1.8% |
| Japan Trustee Services Bank, Ltd. (Trust Account No.5) | 1,697 | 1.8% |
| The Shiga Bank, Ltd. | 1,617 | 1.7% |
| JAPAN SECURITIES FINANCE CO., LTD. | 1,477 | 1.5% |
| STATE STREET BANK WEST CLIENT - TREATY 505234 | 1,390 | 1.4% |
| JP MORGAN CHASE BANK 385151 | 1,212 | 1.3% |

Notes: 1. The Company holds 2,918,451 treasury shares, and these are excluded from the major shareholders indicated above.

2. The ratio of shareholding is calculated by excluding treasury stock.

3. In the Report of Possession of Large Volume made available for public inspection on June 21, 2017, it is mentioned that BlackRock Japan Co., Ltd. and other six companies held 24,930 thousand shares as of June 15, 2017, 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 the fiscal year under review. The number of shares before the share consolidation is provided for said number of shares.

4. In the Change Report (the Change Report pertaining to Report of Possession of Large Volume) of Mizuho Securities Co., Ltd. made available for public inspection on July 23, 2018, it is mentioned that Asset Management One Co., Ltd. and other one company held 5,552 thousand shares as of July 13, 2018, 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 the fiscal year under review.

5. In the Change Report (the Change Report pertaining to Report of Possession of Large Volume) made available for public inspection on October 18, 2018, it is mentioned that Nomura Securities Co., Ltd. and other two companies held 5,691 thousand shares as of October 15, 2018, 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 the fiscal year under review.

6. In the Change Report (the Change Report pertaining to Report of Possession of Large

Volume) made available for public inspection on December 21, 2018, it is mentioned that Sumitomo Mitsui Trust Bank, Limited and other two companies held 8,512 thousand shares as of December 14, 2018, 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 the fiscal year under review. The number of shares before the share consolidation is provided for said number of shares.

3. Matters related to Directors and Corporate Auditors of the Company

(1) Names, etc. of Directors and Corporate Auditors (as of December 31, 2018)

| Name | Position in the Company | Assignment of work and significant concurrent positions |
|--------------------|--|--|
| Masayuki Arioka | Chairman of the Board (Representative Director) | |
| Motoharu Matsumoto | President (Representative Director) | CEO [In charge of Auditing] |
| Hirokazu Takeuchi | Director | Executive Vice President [Supervising: Consumer Glass Business, Glass Fiber Business and Electronic Products Business] Group General Manager, Glass Fiber Group |
| Masahiro Tomamoto | Director | Senior Vice President [Supervising: Engineering and Plant Engineering] [In charge of Environmental Management, Furnace Design & Engineering] Group General Manager, Corporate Engineering Group |
| Akihisa Saeki | Director | Senior Vice President [Supervising: Display Glass Business and Thin Film Business] Group General Manager, Display Glass Group Chairman, Board of Directors, Electric Glass (Shanghai) Co., Ltd. Chairman, Board of Directors, Electric Glass (Xiamen) Co., Ltd. Chairman, Board of Directors, Electric Glass (Nanjing) Co., Ltd. Representative Director, Dong Yang Electronic Glass Co., Ltd. |
| Koichi Tsuda | Director | Senior Vice President [Supervising: Accounting, Purchasing and Sales Management] [In charge of Corporate Strategy, Administration, Human Resources, Information Systems, Tokyo Branch Office, Security Trade Control] |
| Hiroki Yamazaki | Director | Senior Vice President [Supervising: Technology] [In charge of Intellectual Property] Group General Manager, Corporate Technology Group |

| Name | Position in the Company | Assignment of work and significant concurrent positions |
|-------------------|---------------------------------------|---|
| Sumimaru Odano | Outside Independent Director | Emeritus Professor, Shiga University Director, KEA Institute Co., Ltd. |
| Shuichi Mori | Outside Independent Director | Outside Director, TOKAI Cable Network Corporation |
| Fujio Kishi | Full-time Corporate Auditor | |
| Masahiko Oji | Full-time Corporate Auditor | |
| Keijiro Kimura | Outside Independent Corporate Auditor | Attorney at Law, Representative Partner of Kyoei Law Office |
| Katsuhiko Matsui* | Outside Independent Corporate Auditor | Certified Public Accountant and Certified Public Tax Accountant, Representative, Matsui-jicpa Representative Partner, Sakura Horwath LLC |

- Notes: 1. Corporate Auditor Mr. Katsuhiko Matsui marked with asterisks (*) is newly elected at the 99th Ordinary General Meeting of Shareholders held on March 29, 2018 and accordingly assumed its position.
2. Director Mr. Sumimaru Odano and Mr. Shuichi Mori are an Outside Director and an Independent Director filed at Tokyo Stock Exchange Inc. pursuant to the provisions set forth by that company.
3. Corporate Auditors Mr. Keijiro Kimura and Mr. Katsuhiko Matsui are Outside Corporate Auditors and Independent Auditors filed at Tokyo Stock Exchange Inc. pursuant to the provisions set forth by that company.
4. Corporate Auditor Mr. Katsuhiko Matsui is qualified as a certified public accountant and a certified public tax accountant and has deep insight into financial affairs and accounting.
5. The following is the name of Corporate Auditor who retired during the fiscal year under review and its position at the retirement and retirement date.

| Name | Position at the retirement | Year, month and date of retirement |
|--------------|----------------------------|---|
| Kazuya Ishii | Corporate Auditor | March 29, 2018 (expiration of the term of office) |

6. The Company has adopted Executive Officer System. “Supervising” and “In charge” in the “Assignment of work and significant concurrent positions” indicate work assignments of Executive Officers. Names and assignment of work of Executive Officers as of January 1, 2019 are as follows. Executive Officers marked with asterisks (*) are those who concurrently serve as Directors. On January 1, 2019, Director Mr. Masahiro Tomamoto retired from Senior Vice President.

| Name | Assignment of work |
|---------------------|--|
| Motoharu Matsumoto* | CEO [In charge of Auditing] |
| Hirokazu Takeuchi* | Executive Vice President [Supervising: Research & Development, Process Development & Engineering and Electronic Products Business] Group General Manager, Research & Development Group |

TRANSLATION FOR REFERENCE ONLY

| Name | Assignment of work |
|-------------------|---|
| Akihisa Saeki* | Senior Vice President [Supervising: Display Glass Business and Thin Film Business] Group General Manager, Display Glass Group |
| Koichi Tsuda* | Senior Vice President [Supervising: Accounting, Purchasing and Sales Management] [In charge of Corporate Strategy, Administration, Human Resources, Information Systems, Tokyo Branch Office, Security Trade Control] |
| Hiroki Yamazaki* | Senior Vice President [In charge of Fundamental Technology, Intellectual Property, Environmental Management, Quality Auditing, Product Safety Management and Cooperation in Research & Technology] |
| Akira Kishimoto | Senior Vice President [In charge of Consumer Glass Business] Group General Manager, Consumer Glass Products Group |
| Norio Nakamura | Senior Vice President [In charge of Glass Fiber Business] Group General Manager, Glass Fiber Group |
| Haruki Matsumiya | Senior Vice President [In charge of Process Development & Engineering] Group General Manager, Process Development & Engineering |
| Toshimasa Kanai | Vice President [In charge of Thin Film Business] General Manager, Thin Film Division, Production, Display Glass Group |
| Kiyohide Takeuchi | Vice President [In charge of Electric Glass Building Materials Co., Ltd.] Representative Director President, Electric Glass Building Materials Co., Ltd. |
| Kunihiro Nakagawa | Vice President [In charge of Electronic Products Business, Sales] |
| Hiroaki Nomura | Vice President [In charge of Glass Fiber Business, Sales and Sales Management] Deputy Group General Manager, Glass Fiber Group |
| Masaya Kubo | Vice President [In charge of Nippon Electric Glass (Malaysia) Sdn. Bhd.] Managing Director, Nippon Electric Glass (Malaysia) Sdn. Bhd. |
| Tomonori Kano | Vice President [In charge of Display Glass Business, Production] Deputy Group General Manager, Display Glass Group |

| Name | Assignment of work |
|--------------------|---|
| Masaaki Kadomi | Vice President [In charge of Research & Development] Deputy Group General Manager, Research & Development Group and General Manager, Development Division, Research & Development Group |
| Mamoru Morii | Vice President [In charge of Accounting, Purchasing] General Manager, Accounting Division |
| Masashi Takahata | Vice President [In charge of Consumer Glass Business, Sales] General Manager, Consumer Glass Products Division, Sales, Consumer Glass Products Group |
| Takuo Horiuchi | Vice President [In charge of Display Glass Business, Sales] General Manager, Display Glass Division, Sales, Display Glass Group |
| Masahiro Kobayashi | Vice President [In charge of Electronic Products Business] Group General Manager, Electronic Products Group |

(2) The amount of remunerations for Directors and Corporate Auditors

| Category | Number | Total amount of remunerations |
|--|----------|-------------------------------|
| Director (of which, Outside Director) | 9 (2) | ¥345 million (¥14 million) |
| Corporate Auditor (of which, Outside Corporate Auditor) | 5 (3) | ¥54 million (¥11 million) |
| Total | 14 | ¥399 million |

Note: The total amount of remunerations for Directors includes bonuses to Directors of ¥80 million, which is to be resolved at the 100th Ordinary General Meeting of Shareholders scheduled to be held on March 28, 2019.

(3) Matters related to Outside Directors and Outside Corporate Auditors

- 1) Significant concurrent position(s) of Outside Directors and Outside Corporate Auditors for other entities and relationships between the Company and such other entities (as of December 31, 2018)

| Category | Name | Significant concurrent positions |
|-------------------|------------------|--|
| Director | Sumimaru Odano | Emeritus Professor, Shiga University Director, KEA Institute Co., Ltd. |
| Director | Shuichi Mori | Outside Director, TOKAI Cable Network Corporation |
| Corporate Auditor | Keiji Kimura | Attorney at Law, Partner of Kyoei Law Office |
| Corporate Auditor | Katsuhiko Matsui | Certified Public Accountant and Certified Public Tax Accountant, Representative, Matsui-jicpa, Representative Partner, Sakura Horwath LLC |

Note: There are no special relationships between the Company and any of the entities

described in “Significant concurrent positions” .

2) Main activities during the fiscal year under review

| Category | Name | Status of main activities |
|-------------------|------------------|---|
| Director | Sumimaru Odano | Mr. Sumimaru Odano attended all 14 of the Board of Directors Meetings held during the fiscal year under review, and made inquiries and expressed opinions where appropriate, mainly from the expert viewpoint of an economist. |
| Director | Shuichi Mori | Mr. Shuichi Mori attended all 14 of the Board of Directors Meetings held during the fiscal year under review, and made inquiries and expressed opinions where appropriate, mainly based on many years of experience in corporate management. |
| Corporate Auditor | Keijiro Kimura | Mr. Keijiro Kimura attended 13 of 14 Board of Directors Meetings and 12 of 13 Corporate Auditors Meetings held during the fiscal year under review, and made inquiries and expressed opinions where appropriate, mainly from the expert viewpoint of an attorney at law. |
| Corporate Auditor | Katsuhiro Matsui | Mr. Katsuhiro Matsui attended all 11 of the Board of Directors Meetings and 10 Corporate Auditors Meetings held after his assuming the office of the Corporate Auditor on March 29, 2018 during the fiscal year under review, and made inquiries and expressed opinions where appropriate, mainly from the expert viewpoint of a Certified Public Accountant and a Certified Public Tax Accountant. |

3) Outline of the liability limitation agreement

The Company has concluded a liability limitation agreement with each of the Outside Directors and Outside Corporate Auditors. This agreement specifies that, in compliance with Article 427, Paragraph 1 of the Corporation Law, when each of Outside Directors or Outside Corporate Auditors 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 Directors or Outside Corporate Auditors in good faith and without gross negligence.

4. Status of Independent Auditor

(1) Name of Independent Auditor

KPMG AZSA LLC

(2) Amount of remuneration for Independent Auditor in the fiscal year under review

| | Amount of remunerations |
|--|-------------------------|
| Amount of remuneration for auditing service stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law | ¥63 million |
| Total amount of money and other property benefits that shall be paid by the Company and its subsidiaries | ¥64 million |

- Notes: 1. In the auditing contract between the Company and the Independent Auditor, the amount of remuneration for auditing under the Corporation Law and the amount of remuneration for auditing under the Financial Instruments and Exchange Act have not been separated distinctly, nor can they be separated in essence. Accordingly, the above amount indicates the total of these amounts.
2. The Company commissioned the Independent Auditor to issue confirmation regarding application for reduction or exemption of the amount of charge imposed under the Feed-in Tariff Scheme for Renewable Energy in addition to service as provided in Article 2, Paragraph 1 of the Certified Public Accountants Act and paid fees for the services accordingly.
3. Five important subsidiaries of the Company listed in “(7) Status of important subsidiaries” in “1. Status of Corporate Group” are audited by accounting firms other than the said Independent Auditor of the Company.
4. The Board of Corporate Auditors has given its consent to the amount of remuneration paid to the Independent Auditor as the Board of Corporate Auditors verified the details of the audit plan, status of performance of audit duties, grounds for calculation of estimated remuneration and other matters pertaining to the Independent Auditor and concluded that these were appropriate.

(3) Policy on decision to dismiss or not reappoint Independent Auditor

In cases where an Independent Auditor is considered to fall under any section of Article 340, Paragraph 1 of the Corporation Law, the Board of Corporate Auditors may dismiss said Independent Auditor upon unanimous consent of the Corporate Auditors.

In cases in which it is considered difficult for an Independent Auditor to execute its duties appropriately, as well as for reasons of the Company, pursuant to Article 344 of the Corporation Law, the Board of Corporate Auditors may decide the contents of proposal to be submitted to a shareholders' meeting of the Company concerning dismissal or non-reappointment of the Independent Auditor.

5. Systems to ensure execution of duties by Directors complying with laws and regulations and the Articles of Incorporation and other systems to ensure the appropriateness of operations of stock companies**(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 and makes corporate ethics thoroughly known to comply with them within the Company Group, and the committee shall implement the following: [1] planning of revision of “Corporate Philosophy,” “The Company 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 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 Corporate Auditors, payment processing shall be made based on a request from Corporate Auditors.

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

Corporate Auditors shall exchange opinions with the Representative Directors, the Independent Auditor, and the Auditing Division as deemed appropriate.

6. Summary of Status of operation of systems to ensure execution of duties by Directors complying with laws and regulations and the Articles of Incorporation and other systems to ensure the appropriateness of operations of stock companies

The status of operations is as follows.

(1) Key meetings

The following key meetings were held in the fiscal year under review.

The Board of Directors meetings were held 14 times. The Outside Director, who does not have interests with the Company, attended all of the meetings in order to ensure the legality of the execution of the Directors' duties and enhance the appropriateness and efficiency of the Directors' execution of duties. Each business group meetings were held on a monthly basis, where progress on the budget, revisions to business plans and other matters were discussed. In addition, the Board of Corporate Auditors meetings were held 13 times, the Management Committee meetings were held 24 times and the Compliance Committee meetings were held 2 times.

(2) Corporate Auditors' execution of duties

Corporate Auditors carried out audits in line with the audit plans devised by the Board of Corporate Auditors. Corporate Auditors attended the Board of Directors meetings and other important meetings or reviewed related documents, such as the minutes of meetings to ascertain the process for important internal decision-making and the status of execution of duties. In addition, Corporate Auditors met as needed with the Company's Representative Directors, Directors, and subsidiaries' Directors.

Corporate Auditors also met as needed with subsidiaries' Corporate Auditors, the Internal Auditing Department (the Auditing Division), and Independent Auditor to proactively work in closer cooperation with them.

(3) Internal auditing

The Internal Auditing Department (the Auditing Division) audited the operations of each division and Group companies in line with the prepared internal auditing plans for the purpose of helping to strengthen the Company Group's overall compliance. The audit results were reported to the President, the Board of Directors and the Board of Corporate Auditors.

(4) Risk identification and response

The Company identifies risks that could have a major impact on business operations in a timely and appropriate manner, carries out risk surveys to devise measures to avoid and mitigate such risks, evaluates risks based on survey results, and considers countermeasures. In addition, business continuity plan (BCP) response drills are also conducted in preparation for disasters.

(5) Status of implementation of key education and training

The Compliance Committee devises and implements compliance education plans.

The Company has designated October as the month for strengthening compliance. In the fiscal year under review, internal training sessions for Company employees, employees of domestic subsidiaries and employees of overseas subsidiaries were held, in addition, a seminar given by an outside instructor and aimed at top management, was held for Directors and Corporate Auditors, and executives.

In the fiscal year under review, training sessions on the Antitrust Act were given for relevant employees.

In addition, case sheets which introduce situations that employees are likely to encounter are distributed monthly for the purpose of raising compliance awareness.

Note: Monetary amounts and numbers of shares less than stated units in this business report are rounded down, whereas percentages and per-share data are rounded to the nearest unit.

Consolidated balance sheet

(As of December 31, 2018)

(Millions of yen)

| Item | Amount | Item | Amount |
|---------------------------------------|----------------|---|----------------|
| (Assets) | | (Liabilities) | |
| <u>Current assets</u> | 252,885 | <u>Current liabilities</u> | 112,992 |
| Cash and deposits | 116,785 | Notes and accounts payable - trade | 38,781 |
| Notes and accounts receivable - trade | 56,795 | Short-term loans payable | 33,351 |
| Merchandise and finished goods | 40,498 | Current portion of bonds | 10,000 |
| Work in process | 1,583 | Income taxes payable | 2,450 |
| Raw materials and supplies | 26,034 | Provision for loss on closing plants | 2,062 |
| Deferred tax assets | 5,143 | Other provision | 105 |
| Other | 6,235 | Other | 26,239 |
| Allowance for doubtful accounts | (191) | <u>Non-current liabilities</u> | 91,035 |
| | | Bonds payable | 20,000 |
| <u>Non-current assets</u> | 472,689 | Long-term loans payable | 46,653 |
| <u>Property, plant and equipment</u> | 386,540 | Deferred tax liabilities | 2,606 |
| Buildings and structures | 83,170 | Provision for special repairs | 17,774 |
| Machinery, equipment and vehicles | 276,102 | Other provision | 20 |
| Land | 12,744 | Net defined benefit liability | 1,665 |
| Construction in progress | 13,404 | Other | 2,314 |
| Other | 1,117 | Total liabilities | 204,027 |
| <u>Intangible assets</u> | 31,937 | (Net assets) | |
| Goodwill | 19,072 | <u>Shareholders' equity</u> | 505,121 |
| Other | 12,864 | Capital stock | 32,155 |
| <u>Investments and other assets</u> | 54,211 | Capital surplus | 34,365 |
| Investment securities | 49,710 | Retained earnings | 448,909 |
| Deferred tax assets | 1,587 | Treasury shares | (10,308) |
| Other | 2,951 | <u>Accumulated other comprehensive income</u> | 11,330 |
| Allowance for doubtful accounts | (38) | Valuation difference on available-for-sale securities | 19,481 |
| | | Deferred gains or losses on hedges | 108 |
| | | Foreign currency translation adjustment | (8,260) |
| | | <u>Non-controlling interests</u> | 5,095 |
| | | Total net assets | 521,547 |
| Total assets | 725,575 | Total liabilities and net assets | 725,575 |

Note: Amounts less than ¥1 million are rounded down.

TRANSLATION FOR REFERENCE ONLY

Consolidated statement of income

(From January 1, 2018 to December 31, 2018)

(Millions of yen)

| Item | Amount | |
|--|--------|---------|
| Net sales | | 300,326 |
| Cost of sales | | 233,234 |
| Gross profit | | 67,092 |
| Selling, general and administrative expenses | | 42,226 |
| Operating profit | | 24,865 |
| Non-operating income | | |
| Interest income | 578 | |
| Dividend income | 1,334 | |
| Other | 1,682 | 3,595 |
| Non-operating expenses | | |
| Interest expenses | 1,630 | |
| Foreign exchange losses | 4,950 | |
| Other | 2,048 | 8,629 |
| Ordinary profit | | 19,832 |
| Extraordinary income | | |
| Reversal of provision for special repairs | 3,774 | |
| Gain on sales of investment securities | 1,941 | |
| Gain on revision of retirement benefit plan | 965 | |
| Gain on sales of non-current assets | 254 | 6,937 |
| Extraordinary losses | | |
| Loss on suspension of production facilities | 950 | |
| Business structure improvement expenses | 169 | |
| Other | 221 | 1,341 |
| Profit before income taxes | | 25,428 |
| Income taxes – current | 4,872 | |
| Income taxes - deferred | 4,868 | 9,741 |
| Profit | | 15,687 |
| Profit attributable to non-controlling interests | | 487 |
| Profit attributable to owners of parent | | 15,199 |

Note: Amounts less than ¥1 million are rounded down.

Consolidated statement of changes in equity
(From January 1, 2018 to December 31, 2018)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 32,155 | 34,320 | 443,667 | (306) | 509,836 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (9,946) | | (9,946) |
| Profit attributable to owners of parent | | | 15,199 | | 15,199 |
| Purchase of treasury shares | | | | (10,001) | (10,001) |
| Capital increase of consolidated subsidiaries | | 45 | | | 45 |
| Other | | | (11) | | (11) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | 45 | 5,241 | (10,001) | (4,714) |
| Balance at end of current period | 32,155 | 34,365 | 448,909 | (10,308) | 505,121 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 30,123 | (208) | (1,279) | 346 | 28,982 | 4,969 | 543,789 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | | | (9,946) |
| Profit attributable to owners of parent | | | | | | | 15,199 |
| Purchase of treasury shares | | | | | | | (10,001) |
| Capital increase of consolidated subsidiaries | | | | | | | 45 |
| Other | | | | | | | (11) |
| Net changes of items other than shareholders' equity | (10,642) | 317 | (6,981) | (346) | (17,652) | 125 | (17,526) |
| Total changes of items during period | (10,642) | 317 | (6,981) | (346) | (17,652) | 125 | (22,241) |
| Balance at end of current period | 19,481 | 108 | (8,260) | - | 11,330 | 5,095 | 521,547 |

Note: Amounts less than ¥1 million are rounded down.

Non-consolidated balance sheet

(As of December 31, 2018)

(Millions of yen)

| Item | Amount | Item | Amount |
|---|----------------|---|----------------|
| (Assets) | | (Liabilities) | |
| <u>Current assets</u> | 159,480 | <u>Current liabilities</u> | 88,785 |
| Cash and deposits | 68,433 | Accounts payable – trade | 30,348 |
| Notes receivable - trade | 2,093 | Short-term loans payable | 25,526 |
| Accounts receivable – trade | 34,767 | Current portion of bonds | 10,000 |
| Merchandise and finished goods | 18,946 | Accounts payable – other | 8,490 |
| Work in process | 1,195 | Accrued expenses | 5,566 |
| Raw materials and supplies | 16,038 | Income taxes payable | 1,113 |
| Deferred tax assets | 3,844 | Provision for loss on closing plants | 2,062 |
| Other | 14,187 | Other provision | 80 |
| Allowance for doubtful accounts | (25) | Other | 5,598 |
| | | <u>Non-current liabilities</u> | 79,031 |
| | | Bonds payable | 20,000 |
| | | Long-term loans payable | 40,447 |
| <u>Non-current assets</u> | 485,889 | Deferred tax liabilities | 376 |
| <u>Property, plant and equipment</u> | 186,808 | Provision for special repairs | 17,774 |
| Buildings and structures | 32,922 | Other provision | 37 |
| Machinery and equipment | 143,843 | Other | 395 |
| Vehicles, tools, furniture and fixtures | 768 | Total liabilities | 167,817 |
| Land | 6,010 | | |
| Other | 13 | (Net assets) | |
| Construction in progress | 3,249 | <u>Shareholders' equity</u> | 458,056 |
| | | Capital stock | 32,155 |
| <u>Intangible assets</u> | 2,139 | Capital surplus | 34,349 |
| <u>Investments and other assets</u> | 296,941 | Legal capital surplus | 33,885 |
| Investment securities | 46,415 | Other capital surplus | 463 |
| Shares of subsidiaries and associates | 139,308 | Retained earnings | 401,859 |
| Investments in capital of subsidiaries and associates | 36,703 | Legal retained earnings | 2,988 |
| Long-term loans receivable | 74,004 | Other retained earnings | 398,871 |
| Other | 548 | Reserve for special depreciation | 16 |
| Allowance for doubtful accounts | (38) | General reserve | 205,770 |
| | | Retained earnings brought forward | 193,085 |
| | | Treasury shares | (10,308) |
| | | <u>Valuation and translation adjustments</u> | 19,495 |
| | | Valuation difference on available-for-sale securities | 19,481 |
| | | Deferred gains or losses on hedges | 13 |
| | | Total net assets | 477,552 |
| Total assets | 645,369 | Total liabilities and net assets | 645,369 |

Note: Amounts less than ¥1 million are rounded down.

Non-consolidated statement of income
(From January 1, 2018 to December 31, 2018)

(Millions of yen)

| Item | Amount | |
|--|--------|---------|
| Net sales | | 144,473 |
| Cost of sales | | 120,078 |
| Gross profit | | 24,395 |
| Selling, general and administrative expenses | | 19,249 |
| Operating profit | | 5,145 |
| Non-operating income | | |
| Interest and dividend income | 17,686 | |
| Technical support fee | 6,243 | |
| Other | 1,418 | 25,348 |
| Non-operating expenses | | |
| Interest expenses | 343 | |
| Depreciation of inactive non-current assets | 607 | |
| Foreign exchange losses | 1,966 | |
| Other | 384 | 3,302 |
| Ordinary profit | | 27,192 |
| Extraordinary income | | |
| Reversal of provision for special repairs | 3,774 | |
| Gain on sales of investment securities | 1,941 | 5,716 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 416 | |
| Loss on suspension of production facilities | 950 | |
| Other | 119 | 1,486 |
| Profit before income taxes | | 31,422 |
| Income taxes - current | 3,177 | |
| Income taxes - deferred | 1,571 | 4,748 |
| Profit | | 26,674 |

Note: Amounts less than ¥1 million are rounded down.

Non-consolidated statement of changes in equity
(From January 1, 2018 to December 31, 2018)

(Millions of yen)

| | Shareholders' equity | | | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|----------------------------------|-----------------|-----------------------------------|-------------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | | | Retained earnings | | | | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other Retained earnings | | | Total retained earnings | | |
| | | | | | | Reserve for special depreciation | General reserve | Retained earnings brought forward | | | |
| Balance at beginning of current period | 32,155 | 33,885 | 463 | 34,349 | 2,988 | 56 | 205,770 | 176,318 | 385,132 | (306) | 451,331 |
| Changes of items during period | | | | | | | | | | | |
| Changes of reserve for special depreciation | | | | | | (40) | | 40 | - | | - |
| Dividends of surplus | | | | | | | | (9,946) | (9,946) | | (9,946) |
| Profit | | | | | | | | 26,674 | 26,674 | | 26,674 |
| Purchase of treasury shares | | | | | | | | | | (10,001) | (10,001) |
| Net changes of items other than shareholders' equity | | | | | | | | | | | |
| Total changes of items during period | - | - | - | - | - | (40) | - | 16,767 | 16,727 | (10,001) | 6,725 |
| Balance at end of current period | 32,155 | 33,885 | 463 | 34,349 | 2,988 | 16 | 205,770 | 193,085 | 401,859 | (10,308) | 458,056 |

| | Valuation and translation adjustments | | | Total net assets |
|--|---|------------------------------------|---|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments | |
| Balance at beginning of current period | 30,123 | (208) | 29,915 | 481,246 |
| Changes of items during period | | | | |
| Changes of reserve for special depreciation | | | | - |
| Dividends of surplus | | | | (9,946) |
| Profit | | | | 26,674 |
| Purchase of treasury shares | | | | (10,001) |
| Net changes of items other than shareholders' equity | (10,642) | 222 | (10,419) | (10,419) |
| Total changes of items during period | (10,642) | 222 | (10,419) | (3,694) |
| Balance at end of current period | 19,481 | 13 | 19,495 | 477,552 |

Note: Amounts less than ¥1 million are rounded down.

(Reference)**Consolidated statement of cash flows (Summary)**

(From January 1, 2018 to December 31, 2018)

(Millions of yen)

| Item | Amount |
|---|----------|
| Net cash provided by (used in) operating activities | 52,002 |
| Profit before income taxes | 25,428 |
| Depreciation | 29,775 |
| Foreign exchange losses | 3,819 |
| Decrease in notes and accounts receivable - trade | 2,693 |
| Decrease in inventories | 70 |
| Increase in notes and accounts payable - trade | 2,970 |
| Income taxes paid | (3,876) |
| Other, net | (8,879) |
| Net cash provided by (used in) investing activities | (19,551) |
| Purchases of non-current assets | (25,476) |
| Other, net | 5,925 |
| Net cash provided by (used in) financing activities | (28,503) |
| Net decrease in long- and short-term loans payable | (8,226) |
| Purchase of treasury shares | (10,001) |
| Cash dividends paid | (9,942) |
| Dividends paid to non-controlling interests | (416) |
| Other, net | 84 |
| Effect of exchange rate change on cash and cash equivalents | (1,534) |
| Net increase in cash and cash equivalents | 2,413 |
| Cash and cash equivalents at beginning of period | 113,835 |
| Cash and cash equivalents at end of period | 116,248 |

Note: Amounts less than ¥1 million are rounded down.

Reference Document for the Ordinary General Meeting of Shareholders

Proposal 1: Distribution of Surplus

Based on a basic policy of maintaining a long-term and stable return of profits to shareholders that is not significantly affected by fluctuations in earnings, the Company decides on dividend payments with its target of dividend on equity ratio (DOE) at 2% or more, while taking its financial situation into account. The Company will also implement flexible return to shareholders according to the achievement of the medium-term business plan.

For year-end dividends for the fiscal year under review, we will pay ¥50 per share.

As a result, the annual dividend for the fiscal year will be ¥100 per share, including the interim dividend of ¥50, representing an increase of ¥10 from the previous year's annual dividend per share of ¥90 after taking into account the share consolidation carried out on July 1, 2017 (at a ratio of one for every five common shares).

- (1) Type of dividend assets:
Cash
- (2) Matters related to allocation of dividend assets to shareholders and the total amount thereof:
¥50 per share of common stock of the Company; a total amount of ¥4,830,239,750
- (3) Effective date of distribution of surplus:
March 29, 2019

Proposal 2:**Election of Nine (9) Directors**

The terms of office for all nine (9) Directors will expire as of the close of this Ordinary General Meeting of Shareholders. We propose the election of nine (9) Directors.

The candidates for Directors are as follows:

| No. | Name (Date of birth) | Brief personal profile, position, responsibilities and significant concurrent positions | Number of the Company shares held |
|-----|--|--|---|
| 1 | Masayuki Arioka (September 28, 1948) (Reappointed) | Apr. 1978: Joined Nippon Electric Glass June 1999: Director (Incumbent) June 2002: Vice President June 2004: Senior Vice President Apr. 2008: Executive Vice President June 2009: President CEO Mar. 2015: Chairman (Incumbent) | 14,700 |
| | | [Reasons for selection as Director candidate] Mr. Masayuki Arioka, after serving as General Manager of the Glass Fiber Products Division and Group General Manager of the LCD Glass Group, served as President for six years, and during this period he promoted the stabilization of the Group's business through means such as improvements in the business portfolio and the manufacturing and development infrastructure while actively investing in growth fields. In addition, he is currently serving as the Chair of the Board of Directors and General Meeting of Shareholders as the Chairman of the Board of Directors while serving as a Representative Director focused on external matters. The Company has deemed that he would contribute to the further growth of the Group in consideration of his experience and achievements, and accordingly the Company proposes his election. [Status of attendance at the Board of Directors meeting] 14 of 14 times (100%) | |
| 2 | Motoharu Matsumoto (May 30, 1957) (Reappointed) | Apr. 1982: Joined Nippon Electric Glass Apr. 2007: Vice President June 2011: Director (Incumbent) Senior Vice President Apr. 2013: Executive Vice President Mar. 2015: President (Incumbent) CEO (Incumbent) [Assignment of work for an executive officer] In charge of Auditing | 4,900 |
| | | [Reasons for selection as Director candidate] Mr. Motoharu Matsumoto has served as President of a UK subsidiary and a US subsidiary, General Manager of the Accounting Division, and Group General Manager of the Display Glass Group, and has abundant experience and insight regarding global corporate management and finance. Since appointment as President, he carried out the establishment of the new Corporate Philosophy Structure in December 2015 and the formulation of the medium-term business plan "EGP2018" in February 2016, and he has steadily implemented measures to achieve EGP2018 including investments in growth fields such as the acquisition of glass fiber businesses in Europe and the United States. He formulated the new medium-term business plan "EGP2021" in February 2019 and is taking measures for the Company to become "the world's leading manufacturer of special glass." The Company has deemed that he would contribute to the further growth of the Group in consideration of his experience and achievements, and accordingly the Company proposes his election. [Status of attendance at the Board of Directors meeting] 14 of 14 times (100%) | |

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| No. | Name (Date of birth) | Brief personal profile, position, responsibilities and significant concurrent positions | Number of the Company shares held |
|-----|---|--|---|
| 3 | Hirokazu Takeuchi (June 7, 1959) (Reappointed) | Apr. 1982: Joined Nippon Electric Glass Apr. 2010: Vice President Group General Manager, Electronic Products Group June 2013: Director (Incumbent) Senior Vice President Jan. 2017: Executive Vice President (Incumbent) Jan. 2019: Group General Manager, Research & Development Group (Incumbent) [Assignment of work for an executive officer] Supervising: Research & Development, Process Development & Engineering and Electronic Products Business | 3,400 |
| | [Reasons for selection as Director candidate] Mr. Hirokazu Takeuchi worked towards establishing a global production structure and strengthening product development capabilities in the consumer glass business, glass fiber business, and electronic products business. As a Director and Executive Vice President who supervises research & development, process development & engineering, and electronic products business, he is currently working to reform and strengthen the Company's research & development and process development & engineering. The Company has deemed that he would contribute to the further growth of the Group in consideration of his experience and achievements, and accordingly the Company proposes his election. [Status of attendance at the Board of Directors meeting] 14 of 14 times (100%) | | |

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| No. | Name (Date of birth) | Brief personal profile, position, responsibilities and significant concurrent positions | Number of the Company shares held |
|--|---|--|---|
| 4 | Akihisa Saeki (December 23, 1956) (Reappointed) | Apr. 1982: Joined Nippon Electric Glass Apr. 2012: Vice President General Manager, LCD Glass Division, Production, LCD Glass Group June 2014: Director (Incumbent) Senior Vice President (Incumbent) Mar. 2015: Group General Manager, Display Glass Group (Incumbent) [Assignment of work for an executive officer] Supervising: Display Glass Business and Thin Film Business [Significant Concurrent Position] Chairman, Board of Directors, Electric Glass (Shanghai) Co., Ltd. Chairman, Board of Directors, Electric Glass (Xiamen) Co., Ltd. Chairman, Board of Directors, Electric Glass (Nanjing) Co., Ltd. Representative Director, Dong Yang Electronic Glass Co., Ltd. | 3,800 |
| [Reasons for selection as Director candidate] Mr. Akihisa Saeki has served at important posts in the display glass business including President of a subsidiary in Malaysia, and has devoted himself to launching production at newly established subsidiaries overseas, and production and quality improvements on-site. He is currently promoting strategic businesses including the establishment of a production structure in China where considerable growth is expected going forward for the display market as a Director and Senior Vice President who supervises the display glass business. The Company has deemed that he would contribute to the further growth of the Group in consideration of his experience and achievements, and accordingly the Company proposes his election. [Status of attendance at the Board of Directors meeting] 14 of 14 times (100%) | | | |
| 5 | Koichi Tsuda (October 15, 1959) (Reappointed) | Apr. 1982: Joined Nippon Electric Glass Apr. 2011: Vice President General Manager, Administrative Division Mar. 2015: Director (Incumbent) Senior Vice President (Incumbent) [Assignment of work for an executive officer] Supervising: Accounting, Purchasing and Sales Management In charge of Corporate Strategy, Administration, Human Resources, Information Systems, Tokyo Branch Office, Security Trade Control | 1,300 |
| [Reasons for selection as Director candidate] Mr. Koichi Tsuda has served as General Manager of the Administrative Division and a Representative Director of a domestic subsidiary, and has abundant experience and insight regarding management of the Group, including supporting the management foundations of the Group. He is currently playing a role in management areas such as the Group's global business strategy and finance as a Director and Senior Vice President who supervises corporate departments. The Company has deemed that he would contribute to the further growth of the Group in consideration of his experience and achievements, and accordingly the Company proposes his election. [Status of attendance at the Board of Directors meeting] 14 of 14 times (100%) | | | |

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| No. | Name (Date of birth) | Brief personal profile, position, responsibilities and significant concurrent positions | Number of the Company shares held |
|--|---|--|---|
| 6 | Hiroki Yamazaki (March 11, 1962) (Reappointed) | Apr. 1984: Joined Nippon Electric Glass Oct. 2006: General Manager, Technical Division Apr. 2011: Vice President Mar. 2016: Director (Incumbent) Senior Vice President (Incumbent) [Assignment of work for an executive officer] In charge of Fundamental Technology, Intellectual Property, Environmental Management, Quality Auditing, Product Safety Management and Cooperation in Research & Technology | 1,600 |
| [Reasons for selection as Director candidate] Mr. Hiroki Yamazaki has served at important posts in the technical division, and has devoted himself to initiatives such as the establishment of a technology planning system for the swift development of high-performance glass materials. As a Director and Senior Vice President in charge of fundamental technology, intellectual property, environmental management, quality auditing, product safety management and cooperation in research & technology, he is currently engaged in strengthening basic research in collaboration with research institutions in Japan and overseas. The Company has deemed that he would contribute to the further growth of the Group in consideration of his experience and achievements, and accordingly the Company proposes his election. [Status of attendance at the Board of Directors meeting] 14 of 14 times (100%) | | | |
| 7 | Sumimaru Odano (September 30, 1945) (Reappointed) (Outside) (Independent) | Apr. 2000: Professor, Faculty of Economics, Shiga University Apr. 2003: Director of the Center for Risk Research, Faculty of Economics, Shiga University Apr. 2011: Emeritus Professor, Shiga University (Incumbent) Research Professor, Faculty of Economics, Shiga University Mar. 2015: Director of the Company (Incumbent) [Significant Concurrent Position] Emeritus Professor, Shiga University Director, KEA Institute Co., Ltd. | None |
| [Reasons for selection as Director candidate] Mr. Sumimaru Odano has expertise and extensive experience of international economy as an economist. He has achieved noteworthy results in the area of Southeast Asian economics and has also been involved in human resource development in that field. The Company proposes his election to enable this expertise and experience to be reflected in the Company's management. [Status of attendance at the Board of Directors meeting] 14 of 14 times (100%) | | | |

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| No. | Name (Date of birth) | Brief personal profile, position, responsibilities and significant concurrent positions | Number of the Company shares held |
|--|--|---|---|
| 8 | Shuichi Mori (March 8, 1949) (Reappointed) (Outside) (Independent) | Apr. 1972: Joined SUMITOMO CORPORATION June 2008: Representative Director, Executive Vice President, SUMITOMO CORPORATION Mar. 2011: Retired from SUMITOMO CORPORATION Mar. 2011: Representative Director, President, Jupiter Telecommunications Co., Ltd. Jan. 2014: Representative Director, Chairman, Jupiter Telecommunications Co., Ltd. June 2015: Retired from Jupiter Telecommunications Co., Ltd. Mar. 2016: Director of the Company (Incumbent) [Significant Concurrent Position] Outside Director, TOKAI Cable Network Corporation | 300 |
| [Reasons for selection as Director candidate] Mr. Shuichi Mori has served as Representative Director and Executive Vice President at Sumitomo Corporation and President and Chairman at Jupiter Telecommunications Co., Ltd. He has been involved in the management of these companies for many years, and has expertise and extensive experience regarding corporate management. The Company proposes his election to enable this expertise and experience to be reflected in the Company's management. [Status of attendance at the Board of Directors meeting] 14 of 14 times (100%) | | | |
| 9 | Reiko Urade (February 6, 1953) (New) (Outside) (Independent) | April 2010: Professor, Graduate School of Agriculture, Kyoto University April 2018: Professor Emeritus, Kyoto University (Incumbent) Specially Appointed Professor, Institute for Integrated Radiation and Nuclear Science, Kyoto University (Incumbent) [Significant Concurrent Position] Professor Emeritus, Kyoto University Research Professor, Institute for Integrated Radiation and Nuclear Science, Kyoto University | None |
| [Reasons for selection as Director candidate] Ms. Reiko Urade has achieved noteworthy results as an agricultural researcher, has been involved in human resource development in that field, and has expertise and extensive experience. The Company proposes her election to enable this expertise and experience to be reflected in the Company's management. She has no experience of involvement in corporate management in a way other than as an outside director or corporate auditor; however, the Company has considered that she is capable of appropriately performing the duties of an Outside Director of the Company due to the reasons mentioned above. | | | |

- Notes: 1. All candidates have no conflicts of interest with the Company.
2. The Company has adopted the Executive Officer System. "Supervising" and "In charge of" in the "Brief personal profile, position, responsibilities and significant concurrent positions" indicate work assignments of executive officers.
3. Matters related to the candidate for Outside Director Mr. Sumimaru Odano are as follows:
- (1) Mr. Sumimaru Odano is a candidate for Outside Director.
 - (2) Mr. Sumimaru Odano is currently an Outside Director of the Company, and his term of office will be four years at the close of this Ordinary General Meeting of Shareholders.
 - (3) Outline of limited liability agreement:

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Mr. Sumimaru Odano and the Company executed a limitation of liability agreement with respect to his duty as an Outside Director of the Company that limits his liability for damages to the Company pursuant to Article 423(1) of the Corporation Law up to the sum total of the amounts listed in the items of Article 425(1) of the Corporation Law (“the Limitation of Liability Contract for Outside Director”). Provided that Mr. Sumimaru Odano is reappointed as Outside Director, he and the Company will continue the limitation of liability agreement for Outside Director.

4. Matters related to the candidate for Outside Director Mr. Shuichi Mori are as follows:

- (1) Mr. Shuichi Mori is a candidate for Outside Director.
- (2) Mr. Shuichi Mori is currently an Outside Director of the Company, and his term of office will be three years at the close of this Ordinary General Meeting of Shareholders.
- (3) The Company Group has an ongoing business relationship with SUMITOMO CORPORATION Group, where Mr. Shuichi Mori served as a representative director (the transaction value with SUMITOMO CORPORATION amounted to 1.6% of the Company’s 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%. The Company believes that there are no problems as regards this relationship between the two companies and Mr. Mori’s independence because the above transactions ratio and shareholding ratio are insignificant, and seven years has passed since his retirement from SUMITOMO CORPORATION.

(4) Outline of limited liability agreement:

Mr. Shuichi Mori and the Company executed a limitation of liability agreement with respect to his duty as an Outside Director of the Company that limits his liability for damages to the Company pursuant to Article 423(1) of the Corporation Law up to the sum total of the amounts listed in the items of Article 425(1) of the Corporation Law (“the Limitation of Liability Contract for Outside Director”). Provided that Mr. Shuichi Mori is reappointed as Outside Director, he and the Company will continue the limitation of liability agreement for Outside Director.

5 Matters related to the candidate for Outside Director Ms. Reiko Urade are as follows:

- (1) Ms. Reiko Urade is a candidate for Outside Director.
- (2) Outline of limited liability agreement:

Provided that Ms. Reiko Urade is appointed as Outside Director, she and the Company will execute a limitation of liability agreement with respect to her duty as an Outside Director of the Company that limits his liability for damages to the Company pursuant to Article 423(1) of the Corporation Law up to the sum total of the amounts listed in the items of Article 425(1) of the Corporation Law.

6. Mr. Sumimaru Odano, Mr. Shuichi Mori and Ms. Reiko Urade are the candidates for the Independent Directors pursuant to the provisions of Tokyo Stock Exchange Inc.

Proposal 3: Election of three (3) Corporate Auditors

The terms of office for Corporate Auditors Mr. Fujio Kishi, Mr. Masahiko Oji and Mr. Keijiro Kimura will expire as of the close of this Ordinary General Meeting of Shareholders. Therefore, we would like you to approve appointment of three (3) Corporate Auditors.

The Board of Corporate Auditors has already approved this proposal.

The candidates for Corporate Auditor are as follows:

| No. | Name (Date of birth) | Brief personal profile, position and significant concurrent positions | Number of the Company shares held |
|-----|--|--|---|
| 1 | Masahiko Oji (September 20, 1959) (Reappointed) | Apr. 1982: Joined Nippon Electric Glass Oct. 2010: General Manager, Development Division Jan. 2015: Special Assistant to President Mar.2015 Full-time Corporate Auditor (Incumbent) | 1,200 |
| | <p>[Reasons for selection as Corporate Auditor candidate] Mr. Masahiko Oji has served as the Company's full-time Corporate Auditor for four years and has extensive knowledge and experience as a corporate auditor. The Company has deemed that he can appropriately carry out duties as a Corporate Auditor of the Company, and accordingly the Company proposes his election.</p> <p>[Status of attendance at the Board of Directors meeting and the Corporate Auditors Meetings] Board of Directors meeting: 14 of 14 times (100%) Corporate Auditors Meetings: 13 of 13 times (100%)</p> | | |
| 2 | Yoshihisa Hayashi (May 14, 1963) (New) | Apr. 1986: Joined Nippon Electric Glass Mar. 2015: General Manager, Administrative Division (Incumbent) | 1,900 |
| | <p>[Reasons for selection as Corporate Auditor candidate] Mr. Yoshihisa Hayashi has been involved in the Company's administrative and legal affairs for many years and has extensive knowledge and experience regarding the Company's overall management. The Company has deemed that he can appropriately carry out duties as a Corporate Auditor of the Company, and accordingly the Company proposes his election.</p> | | |
| 3 | Tsukasa Takahashi (December 10, 1962) (New) (Outside) (Independent) | Apr. 1989: Registered as an Attorney at Law Joined Katsube Law Office (Currently, Katsube Takahashi Law Office) July 2012: Representative, Katsube Takahashi Law Office (incumbent) [Significant Concurrent Position] Representative, Katsube Takahashi Law Office Outside Corporate Auditor, Aeon Delight Co., Ltd. | None |
| | <p>[Reasons for selection as Outside Corporate Auditor candidate] Mr. Tsukasa Takahashi has expertise and extensive experience as an Attorney at Law. The Company proposes that Mr. Takahashi be elected as an Outside Corporate Auditor in the hope that he will reflect such expertise and experience when auditing the Company. He has no experience of involvement in corporate management in a way other than as an outside director or corporate auditor; however, the Company has considered that he is capable of appropriately performing the duties of an Outside Corporate Auditor of the Company due to the reasons mentioned above.</p> | | |

Notes: 1. The abovementioned candidates have no conflicts of interest with the Company.

2. Matters related to the candidate for Outside Corporate Auditor are as follows:

(1) Mr. Tsukasa Takahashi is a candidate for Outside Corporate Auditor.

(2) Outline of limited liability agreement:

If the election of Mr. Tsukasa Takahashi is approved, the Company intends to enter into an agreement with him concerning liability for damages as stipulated in Article 423, Paragraph 1 of the Corporation Law. This agreement shall limit his liability for damages to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Corporation Law.

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3. Mr. Tsukasa Takahashi is the candidate for the Independent Auditor pursuant to the provisions of Tokyo Stock Exchange Inc.

Proposal 4: Election of One (1) Substitute Corporate Auditor

To prepare for the case in which the Company does not have the number of Corporate Auditors stipulated in laws and regulations, we propose the election of one (1) substitute Corporate Auditor in advance.

The Board of Corporate Auditors has already approved this proposal.

The candidate for substitute Corporate Auditor is as follows:

| Name (Date of birth) | Brief personal profile, position and significant concurrent positions | Number of the Company shares held |
|--|---|---|
| Toru Watanabe (February 2, 1966) | Apr. 1993: Registered as an Attorney at Law Joined Kitahama Law Office (Currently Kitahama Law Office - Foreign Law Joint Enterprise) Oct. 1998: Partner, Kitahama Law Office - Foreign Law Joint Enterprise (Incumbent) [Significant Concurrent Position] Partner, Kitahama Law Office - Foreign Law Joint Enterprise Outside Director, SHO-BI Corporation (Audit & Supervisory Committee Member) Outside Auditor, AOYAMA TRADING Co., Ltd. Outside Auditor, O-WELL CORPORATION Guest Professor, Kyoto University Law School | None |
| [Reasons for selection as substitute Outside Corporate Auditor candidate] Mr. Toru Watanabe has expertise and extensive experience as an Attorney at Law. The Company proposes that Mr. Watanabe be elected as the substitute Corporate Auditor in the hope that he will reflect such expertise and experience when auditing the Company. He has no experience of involvement in corporate management in a way other than as an outside director or corporate auditor; however, the Company has considered that he is capable of appropriately performing the duties of an Outside Corporate Auditor of the Company due to the reasons mentioned above. | | |

Notes: 1. The abovementioned candidate has no conflicts of interest with the Company.

2. Matters related to the candidate for substitute Outside Corporate Auditor are as follows:

- (1) Mr. Toru Watanabe is candidate for substitute Outside Corporate Auditor.
- (2) Outline of limited liability agreement:

If Mr. Toru Watanabe assumes the office of Outside Corporate Auditor, the Company intends to enter into an agreement with him concerning liability for damages as stipulated in Article 423, Paragraph 1 of the Corporation Law. This agreement shall limit his liability for damages to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Corporation Law.

3. Mr. Tsukasa Takahashi fulfills the requirements for the Independent Corporate Auditor pursuant to the provisions of Tokyo Stock Exchange Inc.

Proposal 5: Payment of Bonuses to Directors

The Company proposes that it pay Directors' bonuses totaling ¥80 million to seven (7) Directors, excluding Outside Directors, as of the end of the fiscal year under review, pursuant to a comprehensive assessment of duties based on progress in addressing the issues raised in the EGP2018 medium-term business plan "EGP2018" and earnings during the fiscal year under review.

Proposal 6: Determination of Remuneration for Grant of Restricted Stock to Directors (excluding Outside Directors)

With regard to the amount of remuneration, etc. for Directors of the Company, it was approved at the 81st Ordinary General Meeting of Shareholders held on June 29, 2000, that the remuneration, etc. shall be not more than ¥28 million per month (excluding employee salaries of Directors who concurrently serve as employees).

At this time, the Company hereby proposes payment of remuneration in order to make new grants of restricted stock to Directors of the Company (excluding Outside Directors, hereinafter the “Eligible Directors”) separate from the remuneration referenced above 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.

The total monetary remuneration to be paid for the purpose of granting Eligible Directors restricted stock based on this proposal shall be a reasonable amount in light of the above objectives of not more than ¥100 million per year. The specific allocation to each Eligible Director shall be determined by the Board of Directors.

The number of Directors is currently nine (9) (including two (2) Outside Directors). Subject to the approval and adoption of Proposal 2 as originally proposed, the number of Directors will continue to be nine (9) (including three (3) Outside Directors).

Also, all of the monetary remuneration claims to be provided under this proposal shall be paid in the form of property contributed in kind, and the Eligible Directors shall receive common shares of the Company that shall be issued or disposed of by the Company, pursuant to a resolution of the Company’s Board of Directors with the total number of the Company’s common shares to be issued or disposed of at no more than 50,000 shares per year (*), and the pay-in amount per share shall be determined by the Board of Directors to an extent that is not particularly advantageous to Eligible Directors based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day immediately before each date of resolution by Board of Directors resolution (if there is no closing price on such date, the closing price on the closest preceding trading day). Furthermore, for such issuance or disposal of the common shares of the Company pursuant to this proposal, an agreement on allotment of shares with transfer restrictions as summarized below (the “Allotment Agreement”) shall be entered into between the Company and each Eligible Director.

- (1) The Eligible Director shall not transfer, create security interests on, or otherwise dispose of the common shares of the Company allotted under the Allotment Agreement (the “Allotted Shares”) during the period from the day of allotment of the Allotted Shares until the day that the relevant Eligible Director resigns as the Director of the Company (the “Restriction Period”). The restrictions described in the preceding sentence will hereinafter be collectively referred to as the “transfer restrictions.”
- (2) If the Eligible Director resigns from the position of the Director of the Company before the period designated by the Company’s Board of Directors (the “Service Period”) expires, the Company shall automatically acquire such Allotted Shares without contribution, unless the Board of Directors of the Company deems the reason for resignation to be justifiable.
- (3) The Company shall lift the transfer restrictions on all of the Allotted Shares upon expiration of the Restriction Period on the condition that the Eligible Director has remained in the position of the Director of the Company continuously throughout the Service Period. However, if the Eligible Director resigns from the position of Director of the Company before the expiration of the Service Period for a reason that the Board of Directors of the Company deems justifiable as specified in (2) above, the Company shall rationally adjust the number of the Allotted Shares on which the transfer restrictions are to be lifted as necessary.
- (4) The Company shall automatically acquire without contribution the Allotted Shares on which the transfer restrictions have not been lifted at the expiration of the Restriction Period in

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accordance with the provisions in (3) above.

- (5) Notwithstanding the provisions in (1) above, if, during the Restriction Period, matters relating to a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary, or other reorganization, etc. are approved at the Company's General Meeting of Shareholders (or at a meeting of its Board of Directors in cases where approval at the Company's General Meeting of Shareholders is not required in relation to the reorganization, etc.), the Company shall lift the transfer restrictions on the Allotted Shares with the number of shares that is reasonably determined considering the period from the start date of the Service Period to the date of approval of the reorganization, etc. prior to the date on which the reorganization, etc. becomes effective, by resolution of the Board of Directors of the Company.
- (6) In the cases specified in (5) above, the Company shall automatically acquire without contribution the Allotted Shares on which the transfer restrictions have not been lifted as of the time immediately after the transfer restrictions were lifted in accordance with the provisions in (5) above.
- (7) The method for expressing intentions and giving notifications in the Allotment Agreement, the method for amending the Allotment Agreement, and other matters to be determined by the Board of Directors shall be laid out in the Allotment Agreement.

(*) However, if on or after the date that this proposal is approved and adopted, the Company performs a share split (including allotment of shares without contribution) or a reverse share split of its common shares, or other circumstances necessitating adjustment of the total number of the Company's common shares to be issued or disposed of as the grant of restricted stock, the total number of shares shall be adjusted to a reasonable extent.