

## Notice of the 103rd Ordinary General Meeting of Shareholders

Dear Shareholders,

Please be advised that the 103rd Ordinary General Meeting of Shareholders will be held as follows.

In order to prevent the spread of novel coronavirus (COVID-19) infection, you are strongly encouraged to exercise your voting rights prior to the meeting in writing or by using the Internet, etc., if at all possible, and urged to refrain from traveling to the venue on the date of the meeting. We cordially request that you review the Reference Documents 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:** Wednesday, March 30, 2022, 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 103rd fiscal year (from January 1, 2021 to December 31, 2021)
2. Non-consolidated financial statements for the 103rd fiscal year (from January 1, 2021 to December 31, 2021)

**Proposals:**

- Proposal 1:** Distribution of Surplus  
**Proposal 2:** Patrial Amendments of Articles of Incorporation  
**Proposal 3:** Election of Ten (10) Directors  
**Proposal 4:** Election of One (1) Corporate Auditor  
**Proposal 5:** Election of One (1) Substitute Corporate Auditor  
**Proposal 6:** Payment of Bonuses to Directors  
**Proposal 7:** Partial Revision 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 29, 2022 (Tuesday).



Voting via the Internet, etc.

Please enter your approval or disapproval of the proposals via the Internet, etc. by 5:00 pm on March 29, 2022 (Tuesday).

- (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 Documents 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/>).

## **Reference Documents 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 performance and financial situation into account. The Company will also implement flexible return to shareholders.

For year-end dividends for the fiscal year under review, we will pay ¥60 per share. As a result, the annual dividend for the fiscal year will be ¥110 per share, including the interim dividend of ¥50, representing an increase of ¥10 from the previous year's annual dividend per share of ¥100.

- (1) Type of dividend assets:  
Cash
- (2) Matters related to allocation of dividend assets to shareholders and the total amount thereof:  
¥60 per share of common stock of the Company; a total amount of ¥5,581,635,840
- (3) Effective date of distribution of surplus:  
March 31, 2022

**Proposal 2:**

**Partial Amendments of Articles of Incorporation**

1. Reason for the proposal

The revised provisions stipulated in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) will come into effect on September 1, 2022. Therefore, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing information materials for the general meeting of shareholders in electronic format.

- (1) Article 17 paragraph 1 of the proposed amendments will stipulate that electronic means of provision by adopted for information that is content of reference documents for the general meeting of shareholders.
- (2) Article 17 paragraph 2 of the proposed amendments will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) Since the provisions for Disclosure of Reference Materials for General Meeting of Shareholders via the Internet and Deemed Provision (Article 17 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- (4) In accordance with the above new establishment and deletion, supplementary provisions regarding the effective date, etc., will be established.

2. Details of the amendments

The Company will partially amend its current Articles of Incorporation as follows.

(Changes are underlined.)

| Current Articles of Incorporation  | Proposed Amendments |
|--|---------------------|
| <p><u>(Disclosure of Reference Materials for General Meeting of Shareholders via the Internet and Deemed Provision)</u></p> <p><u>Article 17 In convening the General Meeting of Shareholders, the Company may deem that information regarding the matters which should be described or shown in the reference materials for the General Meeting of Shareholders, business reports, financial documents and consolidated financial documents has been provided to the shareholders by disclosing those over the Internet in accordance with the Ministry of Justice Order.</u></p> | <p>(Deleted)</p>    |

| Current Articles of Incorporation | Proposed Amendments   |
|-----------------------------------|---|
| (Newly established)               | <p data-bbox="826 248 1375 309"><u>(Measures for Providing Information in Electronic Format, Etc.)</u></p> <p data-bbox="826 315 1375 544"><u>Article 17 1 In convening the General Meeting of Shareholders, the Company shall take measures for providing information that constitutes the content of reference materials for the General Meeting of Shareholders, etc. in electronic format.</u></p> <p data-bbox="826 551 1375 813"><u>2 The Company may omit from documents provided to shareholders who request the provision of documents up to the record date for voting all or part of the matters stipulated by the Ministry of Justice Order among those matters for which the measures for providing information in electronic format will be taken.</u></p>  |
| (Newly established)               | <p data-bbox="826 853 1139 882"><u>Supplementary Provisions</u></p> <p data-bbox="826 889 1375 1182"><u>1 Amendments to Article 17 of the Articles of Incorporation shall take effect on September 1 2022, the date of implementation of the amended provisions stipulated in the proviso to Article 1 of the Supplementary Provisions of the Law Amending Part of the Companies Act (Law No. 70 of 2022) (hereinafter, the “Date of Enforcement”).</u></p> <p data-bbox="826 1189 1375 1518"><u>2 Notwithstanding the provision of the preceding paragraph, Article 17 of the Articles of Incorporation (Disclosure of Reference Materials for General Meeting of Shareholders via the Internet and Deemed Provision) shall be in effect for General Meetings of Shareholders whose date of the General Meeting of Shareholders is a date within six (6) months of the Date of Enforcement.</u></p> <p data-bbox="826 1525 1375 1756"><u>3 These supplementary provisions shall be extinguished on the later date of either the date on which six (6) months have elapsed following the Date of Enforcement or the date on which three (3) months have elapsed following the date of a General Meeting of Shareholders of the preceding paragraph.</u></p> |

**Proposal 3:****Election of Ten (10) Directors**

The terms of office for all nine (9) Directors will expire as of the close of this Ordinary General Meeting of Shareholders. Considering the current business condition, we propose the election of ten (10) Directors by increase of one (1) more Outside Director.

The candidates for Directors are as follows:

| No. | Name<br>(Date of birth)   | Brief personal profile, position, responsibilities<br>and significant concurrent positions   | Number of<br>the Company<br>shares held |
|-----|---|--|---|
| 1   | Masayuki Arioka<br>(September 28, 1948)<br>(Reappointed)  | Apr. 1978: Joined Nippon Electric Glass<br>June 1999: Director (Incumbent)<br>June 2002: Vice President<br>June 2004: Senior Vice President<br>Apr. 2008: Executive Vice President<br>June 2009: President<br>CEO<br>Mar. 2015: Chairman (Incumbent) | 31,800                                  |
|     | <p>[Reasons for selection as Director candidate]</p> <p>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.</p> <p>[Status of attendance at the Board of Directors meeting]</p> <p>14 of 14 times (100%)</p> |  |   |

## TRANSLATION FOR REFERENCE ONLY

| No. | Name<br>(Date of birth)   | Brief personal profile, position, responsibilities<br>and significant concurrent positions   | Number of<br>the Company<br>shares held |
|-----|---|--|---|
| 2   | Motoharu<br>Matsumoto<br>(May 30, 1957)<br>(Reappointed)  | Apr. 1982: Joined Nippon Electric Glass<br>Apr. 2007: Vice President<br>June 2011: Director (Incumbent)<br>Senior Vice President<br>Apr. 2013: Executive Vice President<br>Mar. 2015: President (Incumbent)<br>CEO (Incumbent)<br>[Assignment of work for an executive officer]<br>In charge of Auditing   | 21,300                                  |
|     | [Reasons for selection as Director candidate]<br>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. After his appointment as President, he established the new Corporate Philosophy Structure in December 2015, and formulated the medium-term business plan “EGP2021” in February 2019. He has promoted product development to support the future and steadily implemented measures such as aggressive investment in growth markets. In February 2022, he formulated the new medium-term business plan “EGP2026,” which includes promoting carbon neutrality, and he will continue to undertake 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.<br>[Status of attendance at the Board of Directors meeting]<br>14 of 14 times (100%) |  |   |
| 3   | Hirokazu Takeuchi<br>(June 7, 1959)<br>(Reappointed)  | Apr. 1982: Joined Nippon Electric Glass<br>Apr. 2010: Vice President<br>Group General Manager, Electronic<br>Products Group<br>June 2013: Director (Incumbent)<br>Senior Vice President<br>Jan. 2017: Executive Vice President (Incumbent)<br>[Assignment of work for an executive officer]<br>Supervising: Research & Development, Process<br>Development & Engineering and Electronic Products<br>Business | 12,300                                  |
|     | [Reasons for selection as Director candidate]<br>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.<br>[Status of attendance at the Board of Directors meeting]<br>14 of 14 times (100%)   |  |   |

## TRANSLATION FOR REFERENCE ONLY

| No. | Name<br>(Date of birth)   | Brief personal profile, position, responsibilities<br>and significant concurrent positions   | Number of<br>the Company<br>shares held |
|-----|---|--|---|
| 4   | Hiroki Yamazaki<br>(March 11, 1962)<br>(Reappointed)  | Apr. 1984: Joined Nippon Electric Glass<br>Oct. 2006: General Manager, Technical Division<br>Apr. 2011: Vice President<br>Mar. 2016: Director (Incumbent)<br>Senior Vice President (Incumbent)<br>[Assignment of work for an executive officer]<br>In charge of Fundamental Technology, Intellectual<br>Property, Environment, Quality Auditing, Product Safety<br>Management and Cooperation in Research & Technology | 10,500                                  |
|     | [Reasons for selection as Director candidate]<br>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, environment, 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.<br>[Status of attendance at the Board of Directors meeting]<br>14 of 14 times (100%) |  |   |



## TRANSLATION FOR REFERENCE ONLY

| No. | Name<br>(Date of birth)   | Brief personal profile, position, responsibilities<br>and significant concurrent positions   | Number of<br>the Company<br>shares held |
|-----|---|--|---|
| 5   | Tomonori Kano<br>(March 2, 1965)<br>(Reappointed)   | Apr. 1989: Joined Nippon Electric Glass<br>Mar. 2015: General Manager, Display Glass Division,<br>Production, Display Glass Group<br>Jan. 2016: Vice President<br>Jan. 2020: Senior Vice President (Incumbent)<br>Jan. 2021: Group General Manager, Display Glass<br>Group (Incumbent)<br>[Assignment of work for an executive officer]<br>Supervising: Display Glass Business<br>In charge of Thin Film Business<br>[Significant Concurrent Position]<br>Chairman, Board of Directors, Electric Glass (Xiamen)<br>Co., Ltd.<br>Chairman, Board of Directors, Electric Glass (Shanghai)<br>Co., Ltd.<br>Representative Director, Dong Yang Electronic Glass<br>Co., Ltd. | 2,900                                   |
|     | <p>[Reasons for selection as Director candidate]</p> <p>Mr. Tomonori Kano has served at important posts in the display glass business, and has devoted himself to developing manufacturing processes with respect to glass for flat panel displays as well as making productivity improvements and improving quality in that regard. He has also contributed to heightening competitiveness of the display glass business in part by facilitating swift launch of production in newly established subsidiaries overseas. He is currently promoting the display business strategically including the establishment of a production structure in China where further 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.</p> <p>[Status of attendance at the Board of Directors meeting (after assuming the Director from March 2021)]<br/>           11 of 11 times (100%)</p> |  |   |

## TRANSLATION FOR REFERENCE ONLY

| No. | Name<br>(Date of birth)  | Brief personal profile, position, responsibilities<br>and significant concurrent positions   | Number of the<br>Company<br>shares held |
|-----|--|--|---|
| 6   | Mamoru Morii<br>(August 18, 1962)<br>(New)                                     | Apr. 1985:   Joined Nippon Electric Glass<br>Jun. 2014:   General Manager, Finance<br>Jan. 2017:   Vice President<br><br>Jan. 2021:   Senior Vice President (Incumbent)<br>[Assignment of work for an executive officer]<br>Supervising   Administration,   Human   Resources,<br>Purchasing,   Information   Systems   and   Sales<br>Management)<br>In charge of Accounting, Corporate Strategy, Marketing,<br>Tokyo Branch Office and Security Trade Control].  | 2,700                                   |
|     |  | [Reasons for selection as Director candidate]<br>Mr. Mamoru Morii has served at important posts in administration divisions, such as General Manager of the Accounting Department. He has participated in overseas expansion projects and served as vice president of a Chinese subsidiary, and has abundant experience and insight regarding management of the Group. Furthermore, he is currently playing a role in management areas such as the Group’s global business strategy and finance as the Senior Vice President who supervises corporate departments.   |   |
| 7   | Shuichi Mori<br>(March 8, 1949)<br>(Reappointed)<br>(Outside)<br>(Independent) | Apr. 1972:   Joined SUMITOMO CORPORATION<br>June 2008:   Representative Director, Executive Vice<br>President, SUMITOMO CORPORATION<br>Mar. 2011:   Retired from SUMITOMO<br>CORPORATION<br>Mar. 2011:   Representative Director, President, Jupiter<br>Telecommunications Co., Ltd. (Currently<br>JCOM Co., Ltd.)<br>Jan. 2014:   Representative Director, Chairman, Jupiter<br>Telecommunications Co., Ltd.<br>June 2015:   Retired from Jupiter Telecommunications<br>Co., Ltd.<br>Mar. 2016:   Director of the Company (Incumbent)<br>[Significant Concurrent Position]<br>Outside Director, TOKAI Cable Network Corporation   | 300                                     |
|     |  | [Reasons for selection as Director candidate and summary of expected role]<br>Mr. Shuichi Mori has served as Representative Director and Executive Vice President at Sumitomo Corporation and President and Chairman at Jupiter Telecommunications Co., Ltd. (Currently JCOM 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 expects him to draw on his expertise and experience in ways beneficial for the Company’s management and to provide supervision, advice, and so forth regarding the execution of duties by Directors. Furthermore, if he is elected, the Company intends that he should serve as chairman of the Nomination and Remuneration Advisory Committee, and also that he should be involved in an independent capacity in the appointment and dismissal of Representative Directors and the determination of remuneration, etc. for Directors.<br>[Status of attendance at the Board of Directors meeting]<br>14 of 14 times (100%) |   |

| No. | Name<br>(Date of birth)  | Brief personal profile, position, responsibilities<br>and significant concurrent positions  | Number of<br>the Company<br>shares held |
|-----|--|---|---|
| 8   | Reiko Urade<br>(February 6, 1953)<br>(Reappointed)<br>(Outside)<br>(Independent) | Apr. 2010: Professor, Graduate School of Agriculture,<br>Kyoto University<br>Apr. 2018: Emeritus Professor, Kyoto University<br>(Incumbent)<br>Research Professor, Institute for Integrated<br>Radiation and Nuclear Science, Kyoto<br>University (Incumbent)<br>Mar. 2019: Director of the Company (Incumbent)<br>[Significant Concurrent Position]<br>Emeritus Professor, Kyoto University<br>Research Professor, Institute for Integrated Radiation and<br>Nuclear Science, Kyoto University   | None                                    |
|     |  | [Reasons for selection as Director candidate and summary of expected role]<br>Ms. Reiko Urade has achieved noteworthy results as a researcher in science who has expertise regarding agriculture, has been involved in human resource development in that field, and has expertise and extensive experience. The Company expects her to draw on her knowledge and experience in ways beneficial for the Company's management and to provide supervision, advice, and so forth regarding the execution of duties by Directors. Furthermore, if she is elected, the Company intends that as a member of the Nomination and Remuneration Advisory Committee, she should be involved in an independent capacity in the appointment and dismissal of Representative Directors and the determination of remuneration, etc. for Directors. 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.<br>[Status of attendance at the Board of Directors meeting]<br>14 of 14 times (100%) |   |

| No. | Name<br>(Date of birth)  | Brief personal profile, position, responsibilities<br>and significant concurrent positions  | Number of<br>the Company<br>shares held |
|-----|--|---|---|
| 9   | Hiroyuki Ito<br>(November 20, 1965)<br>(Reappointed)<br>(Outside)<br>(Independent) | Apr. 2009: Professor, Faculty of Economics, Shiga University<br>Mar. 2020: Director of the Company (Incumbent)<br>Apr. 2020: Emeritus Professor, Shiga University (Incumbent)<br>Professor, Faculty of Business Administration, Osaka University of Economics (Incumbent)<br>[Significant Concurrent Position]<br>Emeritus Professor, Shiga University<br>Professor, Faculty of Business Administration, Osaka University of Economics  | None                                    |
|     |  | [Reasons for selection as Director candidate and summary of expected role]<br>Mr. Hiroyuki Ito has expertise and extensive experience of research in corporate management as a scholar of business administration. He has achieved noteworthy results in the areas of corporate governance and management organizations, and has also been involved in human resource development in those fields. The Company expects him to draw on him knowledge and experience in ways beneficial for the Company’s management and to provide supervision, advice, and so forth regarding the execution of duties by Directors. Furthermore, if he is elected, the Company intends that as a member of the Nomination and Remuneration Advisory Committee, he should be involved in an independent capacity in the appointment and dismissal of Representative Directors and the determination of remuneration, etc. for Directors. 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 Director of the Company due to the reasons mentioned above.<br>[Status of attendance at the Board of Directors meeting (after assuming the Director from March 27, 2020)]<br>14 of 14 times (100%) |   |
| 10  | Yoshio Ito<br>(March 18, 1953)<br>(New)<br>(Outside)<br>(Independent)              | Apr. 1973: Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)<br>Jun. 2014: Representative Director, Senior Managing Director, Panasonic Corporation<br>Apr. 2017: Representative Director, Vice President, Panasonic Corporation<br>Jun. 2017: Representative Director, Executive Vice President, Panasonic Corporation<br>Jun. 2019: Retired from Panasonic Corporation<br>[Significant Concurrent Position]<br>Outside Director, Kameda Seika Co., Ltd.<br>President, Japan-China Economic Relations and Trade Centre   | None                                    |
|     |  | [Reasons for selection as Director candidate and summary of expected role]<br>Mr. Yoshio Ito has served as Representative Director, Senior Managing Director, and Executive Vice President of Panasonic Corporation. He has been involved in the management of the company for many years, and has expertise and extensive experience regarding corporate management. The Company expects him to draw on him knowledge and experience in ways beneficial for the Company’s management and to provide supervision, advice, and so forth regarding the execution of duties by Directors. Furthermore, if he is elected, the Company intends that as a member of the Nomination and Remuneration Advisory Committee, he should be involved in an independent capacity in the appointment and dismissal of Representative Directors and the determination of remuneration, etc. for Directors.  |   |

- 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. 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 six years at the close of this Ordinary General Meeting of Shareholders.
    - (3) 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 Companies Act up to the sum total of the amounts listed in the items of Article 425(1) of the Companies Act (“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.
  4. 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) Ms. Reiko Urade is currently an Outside Director of the Company, and her term of office will be three years at the close of this Ordinary General Meeting of Shareholders.
    - (3) Outline of limited liability agreement:  
Ms. Reiko Urade and the Company executed a limitation of liability agreement with respect to her duty as an Outside Director of the Company that limits her liability for damages to the Company pursuant to Article 423(1) of the Companies Act up to the sum total of the amounts listed in the items of Article 425(1) of the Companies Act (“the Limitation of Liability Contract for Outside Director”). Provided that Ms. Reiko Urade is reappointed as Outside Director, she and the Company will continue the Limitation of Liability Agreement for Outside Director.
  5. Matters related to the candidate for Outside Director Mr. Hiroyuki Ito are as follows:
    - (1) Mr. Hiroyuki Ito is a candidate for Outside Director.
    - (2) Mr. Hiroyuki Ito is currently an Outside Director of the Company, and his term of office will be two years at the close of this Ordinary General Meeting of Shareholders.
    - (3) Outline of limited liability agreement:  
Mr. Hiroyuki Ito 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 Companies Act up to the sum total of the amounts listed in the items of Article 425(1) of the Companies Act (“the Limitation of Liability Contract for Outside Director”). Provided that Hiroyuki Ito is reappointed as Outside Director, he and the Company will continue the Limitation of Liability Agreement for Outside Director.
  6. Matters related to the candidate for Outside Director Mr. Yoshio Ito are as follows:
    - (1) Mr. Yoshio Ito is a candidate for Outside Director.
    - (2) The Company Group has an ongoing business relationship with Panasonic Corporation, where Mr. Yoshio Ito served as a representative director (the transaction value with Panasonic Corporation amounted to 0.7% of the Company’s consolidated net sales in the fiscal year under review). The Company believes that there are no problems as regards this relationship between the two companies and Mr. Ito’s independence because the above transactions ratio is insignificant, and two years has passed since his retirement from Panasonic Corporation.
    - (3) Outline of limited liability agreement:  
Provided that Mr. Yoshio Ito is appointed as Outside Director, he and the Company will execute 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

## TRANSLATION FOR REFERENCE ONLY

pursuant to Article 423(1) of the Companies Act up to the sum total of the amounts listed in the items of Article 425(1) of the Companies Act.

7. Mr. Shuichi Mori, Ms. Reiko Urade, Mr. Hiroyuki Ito and Mr. Yoshio Ito are the candidates for the Independent Directors pursuant to the provisions of Tokyo Stock Exchange Inc.
8. Having entered into a liability insurance policy for corporate officers, etc. pursuant to Article 430-3(1) of the Companies Act with an insurance company, the Company intends to renew the policy in April 2022. The insurance policy covers damages that may arise as a result of insured parties including Directors of the Company for execution of their professional duties, or as a result of such insured parties becoming subject to a legal claim pursuing such liability. If the election of the candidates for Director is approved, they will be included in the insured parties of this insurance policy.

## (Reference) Composition of the Board of Directors

If Proposal No. 3 is approved, the composition of the Board of Directors will be as follows.

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

(Note) The position in the Company and status of chairperson or member of the Nomination and Remuneration Advisory Committee are those after this Ordinary General Meeting of Shareholders (scheduled for election at a Board of Directors meeting to be held after the close of this Ordinary General Meeting of Shareholders).

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

The terms of office for Corporate Auditor Mr. Katsuhiro Matsui will expire as of the close of this Ordinary General Meeting of Shareholders. Therefore, we would like you to approve appointment of one (1) corporate Auditor.

The Board of Corporate Auditors has already approved this proposal.

The candidate for Corporate Auditor is as follows:

| Name<br>(Date of birth)  | Brief personal profile, position<br>and significant concurrent positions   | Number of<br>the<br>Company<br>shares held |
|--|--|--|
| Yukihiro Yagura<br>(May 9, 1964)<br><br>(New)<br>(Outside)<br>(Independent)  | Oct. 1992: Joined Tohmatsu Audit Corporation (currently<br>Deloitte Touche Tohmatsu LLC)<br>Apr. 1996: Registered as a Certified Public Accountant<br>Jun. 2020: Left Deloitte Touche Tohmatsu LLC<br>Jul. 2020: Established Yagura-jicpa (incumbent)<br>Aug 2020: Registered as a Certified Public Tax<br>Accountant<br>[Significant Concurrent Position]<br>Representative, Yagura-jicpa | None                                       |
| [Reasons for selection as substitute Outside Corporate Auditor candidate]<br>Mr. Yukihiro Yagura has expertise and extensive experience as a Certified Public Accountant and a Certified Public Tax Accountant. The Company proposes that Mr. Yagura be elected as the 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; 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 Outside Corporate Auditor are as follows:
- (1) Mr. Yukihiro Yagura is a candidate for Outside Corporate Auditor.
  - (2) Outline of limited liability agreement:  
If the election of Mr. Yukihiro Yagura 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 Companies Act. This agreement shall limit his liability for damages to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.
3. Mr. Yukihiro Yagura fulfills the requirements for the Independent Corporate Auditor pursuant to the provisions of Tokyo Stock Exchange Inc.
4. Having entered into a liability insurance policy for corporate officers, etc. pursuant to Article 430-3(1) of the Companies Act with an insurance company, the Company intends to renew the policy in April 2022. The insurance policy in conjunction with special provisions thereof covers damages that may arise as a result of a corporate auditor, etc. who is an insured party assuming liability for execution of his or her professional duties, or as a result of such officer, etc. becoming subject to a legal claim pursuing such liability. If the election of Mr. Yukihiro Yagura for Corporate Auditor is approved, he will be included in the insured parties of this insurance policy.

**Proposal 5: 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<br>(Date of birth)   | Brief personal profile, position<br>and significant concurrent positions   | Number of<br>the Company<br>shares held |
|---|--|---|
| Toru Watanabe<br>(February 2, 1966)   | <p>Apr. 1993: Registered as an Attorney at Law<br/>Joined Kitahama Law Office (Currently<br/>Kitahama Partners - Foreign Law Joint<br/>Enterprise, Kitahama Partners L.P.C.)</p> <p>Jan. 1998: Partner, Kitahama Partners - Foreign Law<br/>Joint Enterprise (Incumbent)</p> <p>[Significant Concurrent Position]<br/>Partner, Kitahama Partners - Foreign Law Joint Enterprise<br/>Representative Partner, Kitahama Partners L.P.C.<br/>Outside Director, SHOBIDO Corporation (Audit &amp;<br/>Supervisory Committee Member)<br/>Outside Director, AOYAMA TRADING Co., Ltd.<br/>Outside Director, O-WELL CORPORATION (Audit &amp;<br/>Supervisory Committee Member)</p> | None                                    |
| <p>[Reasons for selection as substitute Outside Corporate Auditor candidate]</p> <p>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.</p> |  |   |

- 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 a 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 Companies Act. This agreement shall limit his liability for damages to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.
3. Mr. Toru Watanabe fulfills the requirements for the Independent Corporate Auditor pursuant to the provisions of Tokyo Stock Exchange Inc. If he assumes the office of Outside Corporate Auditor, the Company plans to submit notification to the aforementioned Exchange concerning his appointment as an Independent Auditor.
4. Having entered into a liability insurance policy for corporate officers, etc. pursuant to Article 430-3(1) of the Companies Act with an insurance company, the Company intends to renew the policy in April 2022. The insurance policy in conjunction with special provisions thereof covers damages that may arise as a result of a corporate auditor, etc. who is an insured party assuming liability for execution of his or her professional duties, or as a result of such officer, etc. becoming subject to a legal claim pursuing such liability. Mr. Toru Watanabe shall become an insured party if he assumes the office of Outside Corporate Auditor.



**Proposal 6: Payment of Bonuses to Directors**

The Company proposes that it pay Directors' bonuses totaling ¥90 million to six (6) Directors, excluding Outside Directors, as of the end of the fiscal year under review, in comprehensive consideration of their individual duties, responsibilities and performances, as well as earnings during the fiscal year under review and the business environment of the Company, while taking into account the level of other companies based on objective market research data on remuneration by an external specialized organization.

We consider that this proposal is in accordance with the Company's policy on determination of content of remuneration, etc. for individual Directors, and that it is appropriate. Furthermore, the policy is as described in the Business Report "3. Matters related to Directors and Corporate Auditors of the Company, (2) Remunerations for Directors and Corporate Auditors, 1) Matters related to the policy on determination of content of remuneration, etc. for individual Directors." In addition, the total amount of Directors' bonuses has been determined by consulting with the Nomination and Remuneration Advisory Committee, which is chaired by an Outside Director and is made up of a majority of Outside Directors, and decided by the Board of Directors. It is now being submitted to the Ordinary General Meeting of Shareholders for approval.

**Proposal 7: Partial Revision 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 concurrently serving as employees). Moreover, separately from this remuneration limit, at the 100th Ordinary General Meeting of Shareholders held on March 28, 2019, it was approved that the total amount of monetary remuneration claims paid for the purpose of granting restricted stock to Directors of the Company (excluding Outside Directors, hereinafter the “Eligible Directors”) in accordance with the restricted share-based remuneration plan (the “Plan”) be not more than ¥100 million per year, and that the total number of common shares to be issued or disposed of under the Plan be not more than 50,000 shares per year. With a view to diversifying the methods of granting the restricted stock under the Plan, the Company requests approval for the following revisions to the Plan.

The granting of restricted stock under the Plan shall be conducted by any of the following methods in accordance with a resolution of the Board of Directors.

- (i) A method whereby the Company’s common shares are issued or disposed of without requiring monetary payment or property contributed in kind as remuneration, etc., of Eligible Directors.
- (ii) A method whereby the Company’s common shares are issued or disposed of after paying monetary remuneration claims as remuneration, etc. to Eligible Directors and having them pay all of the monetary remuneration claims as property contributed in kind.

The total number of common shares of the Company to be issued or disposed of under the Plan shall be not more than 50,000 shares per year as before, and the total amount of remuneration shall be not more than ¥100 million per year as before, separate from the current limit for monetary remuneration (not more than ¥28 million per month). However, if the Company’s total number of issued shares should increase or decrease due to a share split (including allotment of shares without contribution) or share consolidation, the upper limit for the total number of shares shall be adjusted proportionately.

In the method of ii) above, the amount to be paid in per share shall be determined by the Board of Directors of the Company within a range that is not particularly advantageous to the Eligible Directors. Furthermore, the specific allocation for each Eligible Director will also be determined by the Board of Directors of the Company.

Moreover, currently there are six Eligible Directors, and if Proposal No. 3 is approved as proposed, the number of Eligible Directors will continue to be six.

The Company has resolved at the Board of Directors Meeting held on February 18, 2022 to make partial amendments to the policy on determination of content of remuneration, etc. for individual Directors, on the condition that this proposal is approved as proposed. We consider that this proposal is in accordance with the policy, and that it is appropriate. The policy is as described in the Business Report “3. Matters related to Directors and Corporate Auditors of the Company, (2) Remunerations for Directors and Corporate Auditors, 1) Matters relating to the policy on determination of content of remuneration, etc. for individual Directors.” In addition, the revision of the Plan has been determined by consulting with the Nomination and Remuneration Advisory Committee, which is chaired by an Outside Director and is made up of a majority of Outside Directors, and decided by the Board of Directors. It is now being submitted to the Ordinary General Meeting of Shareholders for approval.

In granting restricted shares 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 accordance with the provisions in (3) above.
  - (5) In a case where a violation of laws or regulations, violation of the Allotment Agreement, or other reason that is deemed by the Board of Directors that justifies the acquisition of the Allotted Shares without contribution applies to the Eligible Director, the Company shall acquire the Allotted Shares without contribution.
  - (6) 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.
  - (7) In the cases specified in (6) 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 (6) above.

## Business Report for the 103rd Fiscal Year

Period from January 1, 2021 to December 31, 2021

### 1. Status of Corporate Group

#### (1) Progress and results of operations

##### Overall trend

In this fiscal year, the global economy is on a recovery track, supported by economic measures undertaken by governments in every country and progress on vaccination, although the spread of the novel coronavirus disease (hereinafter called “COVID-19”) has had an impact on corporate activities. In the domestic economy, corporate production activities and capital investment continued to show signs of recovery as the global economy recovered.

##### Consolidated results of operations for the fiscal year under review

|  | 102nd Fiscal Year<br>(January 2020 to<br>December 2020) | 103rd Fiscal Year<br>(January 2021 to<br>December 2021) | Change |
|--|---|---|--------|
|  | Millions of yen   | Millions of yen   | %      |
| Net sales                                  | 242,886   | 292,033   | 20.2   |
| Operating profit                           | 17,660  | 32,779  | 85.6   |
| Ordinary profit                            | 19,109  | 44,979  | 135.4  |
| Profit attributable to<br>owners of parent | 15,252  | 27,904  | 83.0   |

In this fiscal year, net sales for the fiscal year ended December 31, 2021 (from January 1 to December 31, 2021) exceeded those of the previous fiscal year (from January 1 to December 31, 2020) due to an increase in shipments of our mainstay products, glass for flat panel displays (FPDs) and glass fiber, against a backdrop of strong demand throughout the year in the display market and the market for high-performance resin used in auto parts, and also due to firm shipments of glass tubing for pharmaceutical and medical use and other products.

In terms of profit/loss, operating profit exceeded that of the previous fiscal year by a wide margin, while ordinary profit, and profit attributable to owners of parent also significantly exceeded respective results in the previous fiscal year.

Sales by business category are as follows:

| Category          |  | 102nd Fiscal Year<br>(January 2020 to<br>December 2020) |           | 103rd Fiscal Year<br>(January 2021 to<br>December 2021) |           | Change             |            |
|-------------------|--|---|-----------|---|-----------|--------------------|------------|
|                   |  | Net sales   | Breakdown | Net sales   | Breakdown | Amount             | Percentage |
| Glass<br>Business | Electronics and<br>Information<br>Technology | Millions<br>of yen                                      | %         | Millions<br>of yen                                      | %         | Millions<br>of yen | %          |
|                   |  | 136,197   | 56.1      | 154,556   | 52.9      | 18,359             | 13.5       |
|                   | Performance<br>Materials and<br>Others       | 106,689   | 43.9      | 137,476   | 47.1      | 30,787             | 28.9       |
| Total             |  | 242,886   | 100       | 292,033   | 100       | 49,147             | 20.2       |

##### Electronics and Information Technology:

Sales of glass for FPDs exceeded those of the previous fiscal year due to brisk production amid continuing strong demand and the start of full-scale shipments of 10.5 generation size glass from the fiscal year under review. Sales of glass for optical and electronic devices increased compared to the previous fiscal year due to strong demand in applications for home appliances, semiconductors, and auto parts.

As a result, net sales of Electronics and Information Technology amounted to ¥154,556 million, a year-on-year increase of 13.5%.

**Performance Materials and Others:**

Sales of glass fiber increased compared to the previous fiscal year due to strong demand mainly for high-performance resin used in auto parts. Sales of glass tubing for pharmaceutical and medical use increased compared to the previous fiscal year due to the additional demand for COVID-19 vaccine containers amid continuing strong global demand. Sales of heat-resistant glass increased compared to the previous fiscal year, and glass for building materials also remained steady.

As a result, net sales of Performance Materials and Others amounted to ¥137,476 million, a year-on-year increase of 28.9%.

**(2) Capital investment**

The Company Group's capital investment amounted to ¥44,894 million in the fiscal year under review.

In Electronics and Information Technology, we invested primarily in bringing about significant productivity improvement with respect to glass for FPDs and also made investment related to facilities support looking toward increasing sales. In Performance Materials and Others, we undertook investment mainly for improving productivity of glass fiber and heat-resistant glass.

**(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, issuing bonds 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, 2021)**

| Lender                              | Borrowing Amount |
|-------------------------------------|------------------|
| Sumitomo Mitsui Banking Corporation | ¥8.5 billion     |
| Sumitomo Mitsui Trust Bank, Limited | ¥7.2 billion     |
| The Bank of Kyoto, Ltd.             | ¥6.4 billion     |

**(5) Issues to be addressed**

[Company's 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: Everything is based on accurate understanding and complete satisfaction of customers' requirements.
- Get the job done: We are dedicated to completing every task properly.
- Broad minds and open communication: We think beyond existing norms and encourage frank communication among all departments and generations.
- High ethical standards: We are bound to act ethically and in good faith practices in all situations.
- Consideration for the environment: We are constantly aware of the need to be considerate of the environment, and strive to reduce our footprint.

## [Target management indexes]

The Company Group considers that continuous research and development, capital 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]

## &lt;The Company Group's management strategy&gt;

## ○ Business Model

Glass is a unique material that can be customized into different shapes with a wide variety of functions by modifying its composition and altering the various forming and processing methods used. By combining its glass technologies accumulated over many years with original ideas, the Company delivers a variety of high-performance glass products matching societies' needs. The Company's strengths are to be found in its creativity, technical expertise, strengths of human resources, and organizational structure, which together enable this "creative manufacturing."\*

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.

|                              |   |
|------------------------------|---|
| Creativity                   | The Company creates new value with glass that has a variety of forms and functions, including substrate, tube, sphere, fiber, powder, molded products, and hybrid products that combine thin films, plastics, and metals, etc.  |
| Technical Expertise          | The Company conducts basic research including material design and evaluation, process design and development, and commercialization research, as well as computational science (including data analysis using ICT, AI and so forth). These are combined with applied research such as precision forming and processing and ultra-thin substrate forming, to develop new products. |
| Strengths of Human Resources | Through human resource development programs that promote multifaceted skill improvement, the Company is developing "personnel capable of world-class performance in every challenge."   |
| Organizational Structure     | The Research & Development Group, Process Development & Engineering Group, and Business Group form a unified development framework and corporate strategy, and with assistance from the Marketing Division they respond rapidly to seeds and needs.   |

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

To meet society's needs, the Company carries out research and development based on cutting-edge technology, creates top-notch products, and supplies its products sufficiently to the market through the highest quality standards and efficient production. The Company then uses

feedback from the market for further research and development. This cycle represents the approach to “creative manufacturing” to which the Company aspires.

- Markets in which the Company is Developing
  - Automotive : Lightweight materials, lighting, displays, autonomous driving (cameras and sensors, etc.), various types of electronic equipment
  - Energy : Secondary batteries, renewable energy systems
  - Medical Care : Advanced pharmaceutical containers, cutting-edge medical equipment and devices
  - Semiconductors : Next-generation semiconductor materials (small-sized, high precision, high-functioning), semiconductor manufacturing processes
  - Displays : High-functioning displays (high-definition, thin and lightweight, flexible)
  - Information Technology : Optical communication devices (for next-generation high speed telecommunications)
  - 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>

- Previous medium-term business plan “EGP2021”  
 The Company has worked on its medium-term business plan “EGP2021” for three years from fiscal 2019, focusing on making its corporate structure stronger by growing human resources, technology base, and development capabilities, while achieving robust growth in its business performance.  
 During this period, the Company has made progress in developing products to support the future, including all-solid-state Na-ion secondary batteries, and at the same time, developed innovative manufacturing process technologies that not only improve quality and productivity, but also contribute to carbon neutrality, thereby improving the profitability of the display business. In addition, the Company actively invested in the display and medical fields and others to strengthen its business in growth markets. Performance of glass fiber struggled in terms of profit and loss at sites in Europe and the US, but the Company made steady progress in reforming its production system and organization and was able to lay the foundation for growth. As a result of these efforts, the Company achieved the target level of net sales, exceeded the target in terms of profits, and steadily strengthened its corporate structure, despite the continuing severe business environment, including rapid changes in the international situation and the spread of the novel coronavirus infection (COVID-19).

(Management targets and actual results of “EGP2021”)

|                  | Fiscal year ended December 31, 2021 |                   |
|------------------|-------------------------------------|-------------------|
|                  | (Targets)                           | (Actual results)  |
| Net sales        | 300.0 billion yen                   | 292.0 billion yen |
| Operating profit | 25.0 billion yen                    | 32.7 billion yen  |
| Operating margin | 8%                                  | 11.2%             |

<<The new medium-term business plan “EGP2026”>>>

(Slogan)

“Strong Growth” – Completing all work by changing ourselves and speeding up

(Basic policy)

We aim to become the world’s leading manufacturer of special glass by strengthening our corporate

## TRANSLATION FOR REFERENCE ONLY

structure and manufacturing the world's most environmentally friendly glass.

(Period)

January 1, 2022 to December 31, 2026 (5 years)

(Management targets)

|                         |                   |  |
|-------------------------|-------------------|--|
| Net sales               | 400.0 billion yen | 〔 Electronics and Information Technology: 210.0 billion yen, Performance Materials and Others: 190.0 billion yen 〕 |
| Operating profit        | 45.0 billion yen  |  |
| Operating margin        | 11%               |  |
| Year to achieve targets | Fiscal 2026       |  |

In each business field, steadily implementing strategies for growth to achieve targets.

(Priority measures for growth)

(1) Strengthen the business platform

- Establishment of a strong supply chain
- Reinforcement of plants
- Continuation of basic research and development

(2) Flexible investment

- Swift investment in response to market growth and customer needs
- Promotion of DX and realization of smart factories
- Proactive efforts for M&As

(3) Promote new businesses

- Commercialization of new products such as all-solid-state Na-ion secondary batteries
- Expansion of substrate glass, cover glass and LTCC material businesses in the semiconductor field
- Proactive use of cooperation and alliances with other companies, etc.

(4) Promote carbon neutrality

- Promote the electrification of all processes, aiming to achieve a balance with an improvement in competitiveness
- Invest in and procure renewable energy
- Develop technologies for CO<sub>2</sub>-free energy (hydrogen, etc.)

(5) Human resource strategy

- Recruitment and training of personnel with advanced knowledge and skills
- Appointment and promotion of diverse human resources
- Creation of a comfortable and motivating workplace

(Financial policy)

- Achieve operating margin of more than 10%
- Maintain a strong balance sheet
- Improve efficiency in the use of assets by streamlining total assets
- Management from the perspective of cash flows

(Profit distribution policy)

- Continued and stable payment of dividends (maintain dividends on equity ratio (DOE) of 2% and upwards)
- Expansion of dividends based on business performance, financial conditions, etc.
- Flexible acquisition of treasury shares



# << Efforts Toward Carbon Neutrality >>

The Company upholds the belief that “the key to achieving the world’s most environmentally friendly manufacturing is to achieve the world’s most efficient manufacturing.” Accordingly, we have been working to save energy and reduce CO<sub>2</sub> emissions by improving quality and yield.

Committed to continually pursuing sustainable manufacturing to contribute to the prevention of global warming, the Company is striving to reduce CO<sub>2</sub> emissions (Scope 1+2) by 36% and production intensity (Scope 1+2) by 60% by 2030 compared to 2018. We will also aim to achieve carbon neutrality by 2050. To achieve these goals, we will promote ambitious initiatives that incorporate the company-wide horizontal deployment of electric melting, switching to energy-saving equipment, accelerating the renewal of utility facilities, developing technologies for hydrogen and other CO<sub>2</sub>-free fuels, and investing in and procuring renewable energy.

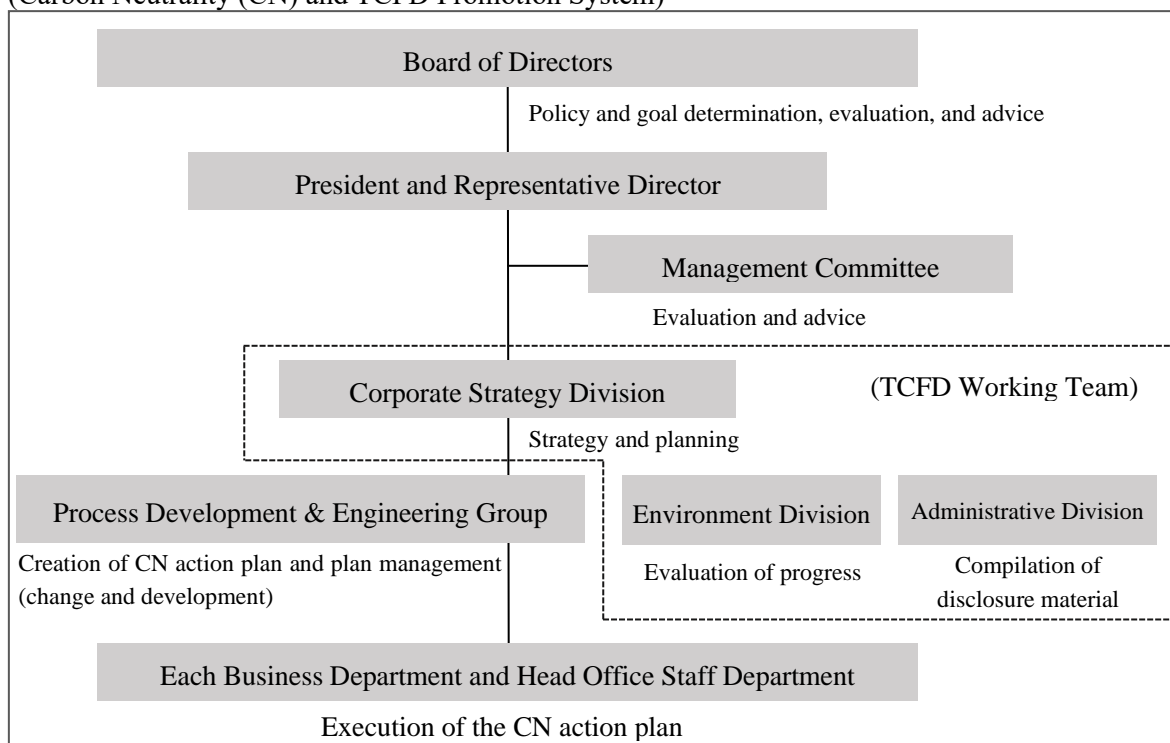
## (Progress to date)

- In line with the recommendations of the Carbon Neutrality Project launched in April 2021, created an action plan with efforts to start in fiscal year 2022
- Announced our endorsement of the TCFD recommendations in November 2021. Analyzed initial scenario at time of endorsement.  
Carbon tax and increased energy costs perceived as significant risks
- Promoted marketing and development of environmentally friendly products  
Examples: Glass fiber (for wind turbine blades for wind power generation, etc.), all-solid-state Na-ion secondary batteries, etc.

## (Endorsement of TCFD recommendations)

In November last year, we announced our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) so that we can analyze the risks and opportunities posed by climate change to our business and communicate to everyone the financial implications and our response to them. We will continue to conduct such analysis based on the TCFD recommendations and disclose information as appropriate.

## (Carbon Neutrality (CN) and TCFD Promotion System)



**(6) Changes in assets and profit/loss**

(Yen)

| Item                                       | 100th Fiscal Year<br>(January 2018 to<br>December 2018) | 101st Fiscal Year<br>(January 2019 to<br>December 2019) | 102nd Fiscal Year<br>(January 2020 to<br>December 2020) | 103rd Fiscal Year<br>(January 2021 to<br>December 2021) |
|--|---|---|---|---|
| Net sales                                  | 300,326 million   | 257,511 million   | 242,886 million   | 292,033 million   |
| Operating profit                           | 24,865 million  | 16,258 million  | 17,660 million  | 32,779 million  |
| Ordinary profit                            | 19,832 million  | 15,373 million  | 19,109 million  | 44,979 million  |
| Profit attributable to<br>owners of parent | 15,199 million  | (33,669 million)  | 15,252 million  | 27,904 million  |
| Earnings (loss) per<br>share               | 154.26  | (348.50)  | 157.84  | 290.98  |
| Total assets                               | 725,320 million   | 664,800 million   | 658,139 million   | 698,129 million   |
| Net assets                                 | 521,547 million   | 477,154 million   | 476,920 million   | 499,742 million   |
| Net assets per share                       | 5,346.03  | 4,885.50  | 4,886.10  | 5,321.77  |

Notes: The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the 101st fiscal year. Accordingly, total assets for the 100th fiscal year reflect the retroactive application of this standard.

**(7) Status of important subsidiaries (as of December 31, 2021)**

| Subsidiary name                               | Capital stock       | Investment stake of the<br>Company | Main business   |
|---|---------------------|------------------------------------|---|
| Nippon Electric Glass<br>(Malaysia) Sdn. Bhd. | MYR 1,303 million   | 100%                               | Production and sale of glass in<br>the field of Electronics and<br>Information Technology, and<br>Performance Materials and<br>Others |
| Paju Electric Glass Co., Ltd.                 | KRW 84,120 million  | 60%                                | Processing and sale of glass in<br>the field of Electronics and<br>Information Technology   |
| Electric Glass (Korea) Co., Ltd.              | KRW 167,117 million | 100%                               | Production and sale of glass in<br>the field of Electronics and<br>Information Technology   |
| Electric Glass (Xiamen)<br>Co., Ltd.          | CNY 2,455 million   | 100%                               | Production and sale of glass in<br>the field of Electronics and<br>Information Technology   |
| Electric Glass Fiber America,<br>LLC          | USD 100             | 100%                               | Production and sale of glass in<br>the field of Performance<br>Materials and Others   |

Notes: 1. Electric Glass (Xiamen) Co., Ltd. increased its capital by CNY 380 million during the fiscal year under review.

2. The Company's equity stake in Electric Glass Fiber America, LLC is an indirect holding through the Company's US subsidiary.

3. The number of consolidated subsidiaries, including the five important subsidiaries above, is now 25 as of the end of the fiscal year under review.

**(8) Description of main businesses (as of December 31, 2020)**

The Company Group mainly produces and sells special glass products, 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)<br>Glass for Organic Light-Emitting Diode (OLED) Displays   |
|  | Glass for Chemical Strengthening                  | “Dinorex” Specialty Glass for Chemical Strengthening  |
|  | Glass for Optical Devices                         | Capillary and Ferrule for Optical Communication Devices<br>Lens for Optical Communication Devices<br>Micro Prism  |
|  | Glass for Electronic Devices                      | Functional Powdered Glass<br>Sheet Glass for Image Sensors<br>Glass Tube for Small Electronic Products<br>“Lumiphous” Phosphor-Glass Composites   |
| Performance Materials and Others       | Glass Fiber                                       | Chopped Strands for Function Plastic Reinforcement<br>Wet Chopped Strands for Building Materials<br>Roving for Plastics Reinforcement<br>Chopped-Strand Mats for Automobiles<br>Alkali-Resistant Glass Fiber for Cement Reinforcement |
|  | Glass for Building Materials                      | Glass Blocks<br>“Neoparies” Glass Ceramics Building Materials<br>“FireLite” Fire Rated Glass<br>“Lamion” Ultra-thin Glass Laminated on Resin<br>“Invisible glass” Ultra-Low Reflection Glass  |
|  | Heat-Resistant Glass                              | “Neoceram” Super Heat-Resistant Glass Ceramic<br>Super Heat-Resistant Glass-ceramics for Cooking Appliance Top Plates<br>“StellaShine”  |
|  | Glass for Lighting Use                            |   |
|  | Glass for Pharmaceutical and Medical Applications | Glass tubing for Pharmaceutical and Medical Use<br>“LX Premium” Radiation-Shielding Glass   |
|  | Glass Making Machinery                            |   |
|  |   |   |

**(9) Main sales offices and factories (as of December 31, 2021)**

## 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 |

## Status of employees (as of December 31, 2020)

| Number of employees | Change from previous fiscal year |
|---------------------|----------------------------------|
| 6,251               | Increase of 94                   |

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

2. The number of employees of the Company is 1,682 (increase of 20 compared with the previous fiscal year).

**2. Matters related to shares of the Company (as of December 31, 2021)****(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 6,495,982 shares of treasury stock.

**(3) Number of shareholders:** 30,718**(4) Major shareholders (Top 10 shareholders)**

| Name   | Number of shares held<br>(Thousands of shares) | Ratio of<br>shareholding |
|--|--|--------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 15,399   | 16.6%                    |
| NIPRO CORPORATION                                    | 9,657  | 10.4%                    |
| Custody Bank of Japan, Ltd. (Trust Account)          | 4,839  | 5.2%                     |
| THE BANK OF NEW YORK MELLON 140051                   | 2,204  | 2.4%                     |
| THE SHIGA BANK, LTD.                                 | 1,617  | 1.7%                     |
| Keimitsu Kin   | 1,470  | 1.6%                     |
| STATE STREET BANK AND TRUST COMPANY 505001           | 1,384  | 1.5%                     |
| SMBC Nikko Securities Inc.                           | 1,374  | 1.5%                     |
| JPMorgan Securities Japan Co., Ltd.                  | 1,317  | 1.4%                     |
| Japan Security Finance Co., Ltd                      | 1,146  | 1.2%                     |

Notes: 1. The Company holds 6,495,982 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 Change Report of Nomura Securities Co., Ltd. (the Change Report pertaining to Report of Possession of Large Volume) made available for public inspection on October 22, 2020, it is mentioned that Nomura Asset Management Co., Ltd. held 6,551 thousand shares as of October 15, 2020. However, the status of the major shareholders described above is based on the number of shares recorded in the register of shareholders as the Company could not confirm the number of shares beneficially held by them as of the end of the fiscal year under review.

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

**(5) Status of shares granted to Directors of the Company as consideration for the performance of duties during the fiscal year under review**

|   | Number of shares | Number of recipients |
|---|------------------|----------------------|
| Directors (excluding Outside Directors) | 16,600 shares    | 6                    |

(Note) Details of the Company's share-based remuneration are described in "(2) Total amounts, etc. of remunerations for the fiscal year under review" under "(2) Remunerations for Directors and Corporate Auditors," in "3. Matters related to Directors and Corporate Auditors of the Company."

**3. Matters related to Directors and Corporate Auditors of the Company****(1) Names, etc. of Directors and Corporate Auditors (as of December 31, 2021)**

| Name               | Position in the Company                            | Assignment of work and significant concurrent positions  |
|--------------------|--|--|
| Masayuki Arioka    | Chairman of the Board<br>(Representative Director) |  |
| Motoharu Matsumoto | President<br>(Representative Director)             | CEO<br>[In charge of Auditing]   |
| Hirokazu Takeuchi  | Director   | Executive Vice President<br>[Supervising: Research & Development, Process Development & Engineering and Electronic Products Business]  |
| Koichi Tsuda       | Director   | Senior Vice President<br>[Supervising: Administration, Human Resources, Accounting, Purchasing, Corporate Strategy, Information Systems and Sales Management]<br>[In charge of Tokyo Branch Office and Security Trade Control]   |
| Hiroki Yamazaki    | Director   | Senior Vice President<br>[In charge of Fundamental Technology, Intellectual Property, Environmental Management, Quality Auditing, Product Safety Management and Cooperation in Research & Technology]  |
| Tomonori Kano *    | Director   | Senior Vice President<br>[Supervising: Display Glass Business]<br>[In charge of Thin Film Business]<br>Chairman, Board of Directors, Electric Glass (Xiamen) Co., Ltd.<br>Chairman, Board of Directors, Electric Glass (Shanghai) Co., Ltd.<br>Representative Director, Dong Yang Electronic Glass Co., Ltd. |
| Shuichi Mori       | Outside Independent Director                       | Outside Director, TOKAI Cable Network Corporation  |
| Reiko Urade        | Outside Independent Director                       | Emeritus Professor, Kyoto University<br>Research Professor, Institute for Integrated Radiation and Nuclear Science, Kyoto University   |
| Hiroyuki Ito       | Outside Independent Director                       | Emeritus Professor, Shiga University<br>Professor, Faculty of Business Administration, Osaka University of Economics   |
| Masahiko Ohji      | Full-time Corporate Auditor                        |  |
| Yoshihisa Hayashi  | Full-time Corporate Auditor                        |  |
| Katsuhiro Matsui   | Outside Independent Corporate Auditor              | Certified Public Accountant and Certified Public Tax Accountant<br>Representative, Matsui-jicpa<br>Representative Partner, Sakura Horwath LLC  |
| Tsukasa Takahashi  | Outside Independent Corporate Auditor              | Attorney at Law<br>Representative, Katsube Takahashi Law Office<br>Outside Corporate Auditor, Aeon Delight Co., Ltd.<br>Outside Corporate Auditor, NIPPON SHOKUBAI CO., LTD.   |

TRANSLATION FOR REFERENCE ONLY

- Notes: 1. Director Mr. Tomonori Kano with asterisks (\*) was newly elected at the 102nd Ordinary General Meeting of Shareholders held on March 30, 2021 and accordingly assumed its position.
2. Directors Mr. Shuichi Mori, Ms. Reiko Urade and Mr. Hiroyuki Ito are Outside Directors and Independent Directors filed at Tokyo Stock Exchange Inc. pursuant to the provisions set forth by that company.
3. Corporate Auditors Mr. Katsuhiko Matsui and Mr. Tsukasa Takahashi 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 Company has entered into a directors and officers liability insurance policy with an insurance company, under which the insured are Directors, Corporate Auditors and Vice Presidents of the Company and Directors and Corporate Auditors of its subsidiaries (except for Techneglass LLC, Electric Glass Fiber UK, Ltd., Electric Glass Fiber NL, B.V., and Electric Glass Fiber America, LLC), and Directors and Corporate Auditors dispatched from the Company to associated companies. The insured are covered by the policy against damages arising from assuming responsibility in relation to the execution of their duties or from claims received in relation to the pursuit of these responsibilities (however, excluding damages corresponding to exemption clauses defined by the policy). Premiums for the policy are paid by the Company, and the insured do not pay the premiums.
6. The following is the name of Director 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                |
|---------------|----------------------------|---|
| Akihisa Saeki | Director                   | March 30, 2021 (expiration of the term of office) |

7. 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, 2022 are as follows. Executive Officers marked with asterisks (\*) are those who concurrently serve as Directors.

| Name                | Assignment of work   |
|---------------------|--|
| Motoharu Matsumoto* | CEO<br>[In charge of Auditing]   |
| Hirokazu Takeuchi*  | Executive Vice President<br>[Supervising: Research & Development, Process Development & Engineering and Electronic Products Business]  |
| Hiroki Yamazaki*    | Senior Vice President<br>[In charge of Fundamental Technology, Intellectual Property, Environment, Quality Auditing, Product Safety Management and Cooperation in Research & Technology] |
| Tomonori Kano*      | Senior Vice President<br>[Supervising: Display Glass Business]<br>[In charge of Thing Film Business]<br>Group General Manager, Display Glass Group                                       |
| Akira Kishimoto     | Senior Vice President<br>[In charge of Consumer Glass Products Business]<br>Group General Manager, Consumer Glass Products Group   |
| Norio Nakamura      | Senior Vice President<br>[In charge of Glass Fiber Business]<br>Group General Manager, Glass Fiber Group   |

## TRANSLATION FOR REFERENCE ONLY

| Name               | Assignment of work   |
|--------------------|--|
| Haruki Matsumiya   | Senior Vice President<br>[In charge of Process Development & Engineering]<br>Group General Manager, Process Development & Engineering Group  |
| Masaaki Kadomi     | Senior Vice President<br>[In charge of Research & Development]<br>Group General Manager, Research & Development Group  |
| Mamoru Morii       | Senior Vice President<br>[Supervising: Administration, Human Resources, Purchasing, Information Systems and Sales Management]<br>[In charge of Accounting, Corporate Strategy, Marketing, Tokyo Branch Office and Security Trade Control ] |
| Masahiro Kobayashi | Senior Vice President<br>[In charge of Electronic Products Business]<br>Group General Manager, Electronic Products Group   |
| Hiroaki Nomura     | Vice President<br>[In charge of Glass Fiber Business, Sales and Electric Glass Fiber America, LLC]<br>President, Electric Glass Fiber America, LLC   |
| Takuo Horiuchi     | Vice President<br>[In charge of Display Glass Business, Sales]<br>General Manager, Display Glass Division, Sales, Display Glass Group  |
| Hitoshi Kanaya     | Vice President<br>[In charge of Process Development & Engineering]<br>Deputy Group General Manager, Process Development & Engineering Group  |
| Toshiyuki Nakajima | Vice President<br>[In charge of Administration and Human Resources]<br>General Manager, Human Resources Division   |
| Hidetaka Oda       | Vice President<br>[In charge of Display Glass Business, Production]<br>General Manager, Display Glass Division, Production, Display Glass Group  |
| Yoshiyuki Tamamura | Vice President<br>[In charge of Purchasing, Information Systems]<br>General Manager, Purchasing Division   |
| Ken Hamajima       | Vice President<br>[In charge of Glass Fiber Business, Production]<br>General Manager, Glass Fiber Division, Production, Glass Fiber Group  |
| Takuji Oka         | Vice President<br>[In charge of Electronic Products Business, Production]<br>General Manager, Electronic Products Division, Production, Electronic Products Group  |
| Masanori Wada      | Vice President<br>[In charge of Consumer Glass Products Business (Production)]<br>General Manager, Consumer Glass Products Division, Production, Consumer Glass Products Group   |



(2) Remunerations for Directors and Corporate Auditors

1) Matters related to the policy on determination of content of remuneration, etc. for individual Directors

The Company resolved a policy on determination of content of remuneration, etc. for individual Directors at a Board of Directors meeting held on February 18, 2021. In making the resolution, the Board of Directors consulted with the Nomination and Remuneration Advisory Committee regarding a summary of the content that was to be resolved, and received its opinion.

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

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

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

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

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

Non-monetary remuneration, etc. shall be allocated at a certain time each year in the form of restricted stock to Directors, excluding Outside Directors. First, in accordance with the resolution of the 100th Ordinary General Meeting of Shareholders held on March 28, 2019, monetary remuneration claims are paid to Eligible Directors for granting restricted stock. The Eligible Directors shall pay in all of the monetary remuneration claims as property contributed in kind in accordance with the resolution of the Board of Directors of the Company, and receive the issuance or disposal of the common shares of the Company within the scope of the total number resolved by the General Meeting of Shareholders. Furthermore, the amount of payment, which is the standard for calculation of the number of restricted shares to be allotted, shall be determined based on the individual duties, responsibilities, and share price, within the scope of the total amount resolved by the General Meeting of Shareholders.

iii Policy on determination of proportion of monetary remuneration amount, performance-linked remuneration amount, or non-monetary remuneration amount by individual director remuneration amount

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

iv Policy on determination of timing and conditions for paying remuneration, etc.

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

v Matters related to determination of content of remuneration, etc., by individual Director

The evaluation and allocation of the amount of individual monthly retainer (fixed) and bonuses (excluding Outside Directors) for Directors of the Company is determined as follows. Based on

the consultation of the Board of Directors, the specific content of the remuneration is deliberated by the Nomination and Remuneration Advisory Committee, which is chaired by an Outside Director and is made up of the Chairman of the Board of Directors, the President, and all Outside Directors, with Outside Directors making up a majority. Except in cases where the opinions of the committee members are equally divided, a response to the Board of Directors is not required, and the decision of the committee is deemed to be a resolution of the Board of Directors. The specific allocation of restricted stock to Directors excluding Outside Directors shall be determined by the Board of Directors.

(Note) The Company resolved at a Board of Directors meeting held on February 18, 2022 that the underlined section in the above determination policy ii shall be deleted if Proposal No. 7 of the 103rd Ordinary General Meeting of Shareholders scheduled to be held on March 30, 2022, “Partial Revision of Remuneration for Grant of Restricted Stock to Directors (excluding Outside Directors)” is approved as proposed.

## 2) Total amounts, etc. of remunerations for the fiscal year under review

| Category                               | Total amount of remunerations (million yen) | Total amount of remunerations by type |                                 |                    |         | Number of eligible Directors and Corporate Auditors |
|--|---|---------------------------------------|---------------------------------|--------------------|---------|---|
|  |   | Performance-linked remuneration, etc. | Non-monetary remuneration, etc. | Other remuneration |         |   |
|  |   |                                       |                                 | Fixed remuneration | Bonuses |   |
| Directors (of which, outside officers) | 385 (24)                                    | - (-)                                 | 40 (-)                          | 255 (24)           | 90 (-)  | 10 (3)  |
| Auditors (of which, outside officers)  | 54 (12)                                     | - (-)                                 | - (-)                           | 54 (12)            | - (-)   | 4 (2)   |
| total (of which, outside officers)     | 440 (37)                                    | - (-)                                 | 40 (-)                          | 309 (37)           | 90 (-)  | 14 (5)  |

Note: 1. The total amount of remunerations for Directors includes bonuses to Directors of ¥90 million, which is to be resolved at the 103rd Ordinary General Meeting of Shareholders scheduled to be held on March 30, 2022 and restricted stock compensation of ¥40 million, expensed during the fiscal year under review.

2. The content of non-monetary remuneration, etc. is shares of the Company, with the conditions of allocation as described in “1) Matters related to the policy on determination of content of remuneration, etc. for individual Directors.” (Note) The status of granting of shares for the fiscal year under review is described in “(5) Status of shares granted to Directors of the Company as consideration for the performance of duties during the fiscal year under review” under “2. Matters related to shares of the Company.”
3. The resolution of the general meeting of shareholders regarding the maximum amount of monthly remuneration for Directors was made at the 81st Ordinary General Meeting of Shareholders held on June 29, 2000, and set at a monthly remuneration of not more than ¥28 million per month for Director remuneration. As of the close of that Ordinary General Meeting of Shareholders, there were twenty (20) Directors. Moreover, at the 100th Ordinary General Meeting of Shareholders held on March 28, 2019, it was resolved to introduce a restricted share-based remuneration plan, separate from the above remuneration allowance above, to provide incentives to sustainably increase the Company’s corporate value and to further promote shared value with shareholders, and that the total amount of monetary remuneration paid for the granting of restricted stock would be not more than ¥100 million per year. As of the close of that Ordinary General Meeting of Shareholders, there were six

- (6) Directors (excluding Outside Directors).
4. The resolution of the general meeting of shareholders regarding the amount of monthly remuneration for Corporate Auditors was made at the 91st Ordinary General Meeting of Shareholders held on June 29, 2010, and set at a monthly remuneration of not more than ¥6 million per month for Corporate Auditor remuneration. As of the close of that Ordinary General Meeting of Shareholders, there were four (4) Corporate Auditors.
5. As described in “3. Matters related to Directors and Corporate Auditors of the Company,” the evaluation and allocation of the amount of individual monthly retainer (fixed) and bonuses (excluding Outside Directors) with respect to this fiscal year is deliberated in detail by the Nomination and Remuneration Advisory Committee, which is chaired by Outside Director Shuichi Mori, and whose members are Chairman of the Board Masayuki Arioka, President Motoharu Matsumoto, and Outside Directors Reiko Urade and Hiroyuki Ito, based on the consultation of the Board of Directors. Except in cases where the opinions of the committee members are equally divided, a response to the Board of Directors is not required, and the decision of the committee is deemed to be a resolution of the Board of Directors. The reason that the Board of Directors has effectively delegated the above authority to the Nomination and Remuneration Advisory Committee is to ensure the transparency and objectivity of the determination process for Director remuneration.

**(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, 2021)

| Category          | Name              | Significant concurrent positions   |
|-------------------|-------------------|--|
| Director          | Shuichi Mori      | Outside Director, TOKAI Cable Network Corporation  |
| Director          | Reiko Urade       | Emeritus Professor, Kyoto University<br>Research Professor, Institute for Integrated Radiation and Nuclear Science, Kyoto University   |
| Director          | Hiroyuki Ito      | Emeritus Professor, Shiga University<br>Professor, Faculty of Business Administration, Osaka University of Economics   |
| Corporate Auditor | Katsuhiro Matsui  | Certified Public Accountant and Certified Public Tax Accountant<br>Representative, Matsui-jicpa<br>Representative Partner, Sakura Horwath LLC                                |
| Corporate Auditor | Tsukasa Takahashi | Attorney at Law<br>Representative, Katsube Takahashi Law Office<br>Outside Corporate Auditor, Aeon Delight Co., Ltd.<br>Outside Corporate Auditor, NIPPON SHOKUBAI CO., LTD. |

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          | Shuichi Mori     | Mr. Shuichi Mori attended all 14 of the Board of Directors meetings held during the fiscal year under review. He made inquiries and expressed opinions where appropriate based on his knowledge and abundant experience of corporate management, having been involved for many years in the management of SUMITOMO CORPORATION and Jupiter Telecommunications Co., Ltd. (Currently JCOM Co., Ltd.) He has also played a role in supervising and advising Directors' execution of their duties. Moreover, he serves as chairman of the Nomination and Remuneration Advisory Committee, in which capacity he has been involved from an independent standpoint in the election and dismissal of Representative Directors and the determination of Directors' remuneration, etc. |
| Director          | Reiko Urade      | Ms. Reiko Urade attended all 14 of the Board of Directors meetings held during the fiscal year under review. She made inquiries and expressed opinions where appropriate based on her expert knowledge and abundant experience as a science researcher with a background in agriculture. She has also played a role in supervising and advising Directors' execution of their duties. Moreover, she serves as member of the Nomination and Remuneration Advisory Committee, in which capacity she has been involved from an independent standpoint in the election and dismissal of Representative Directors and the determination of Directors' remuneration, etc.  |
| Director          | Hiroyuki Ito     | Mr. Hiroyuki Ito attended all 14 of the Board of Directors meetings held during the fiscal year under review. He made inquiries and expressed opinions where appropriate based on his expert knowledge and abundant experience in research on corporate management as a scholar of business administration. He has also played a role in supervising and advising Directors' execution of their duties. Moreover, she serves as member of the Nomination and Remuneration Advisory Committee, in which capacity she has been involved from an independent standpoint in the election and dismissal of Representative Directors and the determination of Directors' remuneration, etc.  |
| Corporate Auditor | Katsuhiro Matsui | Mr. Katsuhiro Matsui attended all 14 Board of Directors Meetings and all 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 a Certified Public Accountant and a Certified Public Tax Accountant.  |

## TRANSLATION FOR REFERENCE ONLY

| Category          | Name              | Status of main activities  |
|-------------------|-------------------|--|
| Corporate Auditor | Tsukasa Takahashi | Mr. Tsukasa Takahashi attended all 14 of the Board of Directors Meetings and 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. |

## 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 Companies Act, 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 Companies Act, the relevant liability for damages shall be limited to the minimum liability for damages as stipulated in Article 425, Paragraph 1 of the Companies Act, provided that said person executes 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                 | ¥66 million             |

Notes: 1. In the auditing contract between the Company and the Independent Auditor, the amount of remuneration for auditing under the Companies Act 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 and to draft a comfort letter following a corporate bond issuance 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 Companies Act, 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 Companies Act, 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 of Corporate Auditors’ request to appoint 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 costs 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 meeting was held on a monthly basis in principle, 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, Vice Presidents, subsidiaries' Directors and so forth.

Corporate Auditors also met as needed with Independent Auditor, the Internal Auditing Department (the Auditing Division), and subsidiaries' Corporate Auditors 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.

The Company also introduced the Internal Reporting System to include domestic and overseas companies of the Company Group.

In this fiscal year under the review, the Company carried out risk surveys. Based on the result of the survey, the Company has been organizing and evaluating the result, and considering countermeasures.

**(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



TRANSLATION FOR REFERENCE ONLY

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, 2021)

(Millions of yen)

| Item  | Amount  | Item  | Amount   |
|---|---------|---|----------|
| (Assets)  |         | (Liabilities)   |          |
| <u>Current assets</u>                               | 264,512 | Current liabilities                                   | 117,934  |
| Cash and deposits                                   | 134,974 | Notes and accounts payable - trade                    | 42,539   |
| Notes and accounts receivable - trade               | 59,579  | Short-term loans payable                              | 24,910   |
| Electronically recorded monetary claims - operating | 1,033   | Current portion of bond                               | 10,000   |
| Merchandise and finished goods                      | 32,045  | Income taxes payable                                  | 8,704    |
| Work in process                                     | 1,340   | Provision for business restructuring                  | 129      |
| Raw materials and supplies                          | 28,714  | Provision for loss on closing plants                  | 14       |
| Other   | 7,001   | Other provision                                       | 138      |
| Allowance for doubtful accounts                     | (177)   | Other   | 31,498   |
| <u>Non-current assets</u>                           | 433,617 | Non-current liabilities                               | 80,451   |
| <u>Property, plant and equipment</u>                | 380,280 | Bonds payable   | 20,000   |
| Buildings and structures                            | 78,152  | Long-term loans payable                               | 39,911   |
| Machinery, equipment and vehicles                   | 261,119 | Deferred tax liabilities                              | 7,575    |
| Land  | 11,581  | Provision for special repairs                         | 8,670    |
| Construction in progress                            | 25,260  | Provision for loss on closing plants                  | 294      |
| Other   | 4,166   | Other provision                                       | 18       |
| <u>Intangible assets</u>                            | 4,958   | Net defined benefit liability                         | 1,213    |
| <u>Investments and other assets</u>                 | 48,377  | Other   | 2,767    |
| Investment securities                               | 44,957  | Total liabilities                                     | 198,386  |
| Deferred tax assets                                 | 1,895   | (Net assets)  |          |
| Other   | 1,541   | <u>Shareholders' equity</u>                           | 475,684  |
| Allowance for doubtful accounts                     | (17)    | Capital stock   | 32,155   |
|   |         | Capital surplus                                       | 34,294   |
|   |         | Retained earnings                                     | 429,354  |
|   |         | Treasury shares                                       | (20,120) |
|   |         | <u>Accumulated other comprehensive income</u>         | 19,385   |
|   |         | Valuation difference on available-for-sale securities | 17,104   |
|   |         | Deferred gains or losses on hedges                    | 172      |
|   |         | Foreign currency translation adjustment               | 2,108    |
|   |         | <u>Non-controlling interests</u>                      | 4,672    |
|   |         | Total net assets                                      | 499,742  |
| Total assets  | 698,129 | Total liabilities and net assets                      | 698,129  |

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

**Consolidated statement of income**  
(From January 1, 2021 to December 31, 2021)

(Millions of yen)

| Item   | Amount  |        |
|--|---------|--------|
| Net sales  | 292,033 |        |
| Cost of sales                                    | 209,781 |        |
| Gross profit                                     | 82,252  |        |
| Selling, general and administrative expenses     | 49,472  |        |
| Operating profit                                 | 32,779  |        |
| Non-operating income                             |         |        |
| Interest income                                  | 831     |        |
| Dividend income                                  | 1,178   |        |
| Foreign exchange gains                           | 9,338   |        |
| Other  | 3,218   | 14,567 |
| Non-operating expenses                           |         |        |
| Interest expenses                                | 504     |        |
| Depreciation of inactive non-current assets      | 357     |        |
| Loss on retirement of non-current assets         | 973     |        |
| Other  | 533     | 2,368  |
| Ordinary profit                                  | 44,979  |        |
| Extraordinary income                             |         |        |
| Gain on sales of investment securities           | 1,994   |        |
| Insurance Income                                 | 1,422   | 3,416  |
| Extraordinary losses                             |         |        |
| Loss on accident                                 | 6,998   |        |
| Impairment loss                                  | 1,131   |        |
| Loss on sales of non-current assets              | 1,126   | 9,256  |
| Profit before income taxes                       | 39,139  |        |
| Income taxes - current                           | 12,203  |        |
| Income taxes - deferred                          | (1,298) | 10,904 |
| Profit   | 28,234  |        |
| Profit attributable to non-controlling interests | 329     |        |
| Profit attributable to owners of parent          | 27,904  |        |

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

**Consolidated statement of changes in equity**

(From January 1, 2021 to December 31, 2021)

(Millions of yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 32,155               | 34,310          | 411,137           | (10,178)        | 467,425                    |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (9,664)           |                 | (9,664)                    |
| Profit attributable to owners of parent              |                      |                 | 27,904            |                 | 27,904                     |
| Purchase of treasury shares                          |                      |                 |                   | (10,001)        | (10,001)                   |
| Disposal of treasury shares                          |                      | (16)            |                   | 58              | 42                         |
| Other  |                      |                 | (22)              |                 | (22)                       |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | -                    | (16)            | 18,217            | (9,942)         | 8,258                      |
| Balance at end of current period                     | 32,155               | 34,294          | 429,354           | (20,120)        | 475,684                    |

|  | 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 | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of current period               | 18,775  | 98                                 | (14,101)                                | 4,773  | 4,721                     | 476,920          |
| Changes of items during period                       |   |                                    |   |  |                           |                  |
| Dividends of surplus                                 |   |                                    |   |  |                           | (9,664)          |
| Profit attributable to owners of parent              |   |                                    |   |  |                           | 27,904           |
| Purchase of treasury shares                          |   |                                    |   |  |                           | (10,001)         |
| Disposal of treasury shares                          |   |                                    |   |  |                           | 42               |
| Other  |   |                                    |   |  |                           | (22)             |
| Net changes of items other than shareholders' equity | (1,671)   | 74                                 | 16,209                                  | 14,612                                       | (49)                      | 14,563           |
| Total changes of items during period                 | (1,671)   | 74                                 | 16,209                                  | 14,612                                       | (49)                      | 22,822           |
| Balance at end of current period                     | 17,104  | 172                                | 2,108                                   | 19,385                                       | 4,672                     | 499,742          |

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

**Non-consolidated balance sheet**

(As of December 31, 2021)

(Millions of yen)

| Item  | Amount  | Item  | Amount   |
|---|---------|---|----------|
| <u>Current assets</u>                               |         | <u>(Liabilities)</u>                                  |          |
| Cash and deposits                                   | 159,134 | <u>Current liabilities</u>                            | 93,338   |
| Cash and deposits                                   | 58,133  | Accounts payable – trade                              | 34,434   |
| Notes   | 679     | Short-term loans payable                              | 17,184   |
| Electronically recorded monetary claims - operating | 962     | Current portion of bond                               | 10,000   |
| Accounts receivable - trade                         | 55,301  | Accounts payable – other                              | 6,786    |
| Merchandise and finished goods                      | 13,161  | Accrued expenses                                      | 7,483    |
| Work in process                                     | 3,358   | Income taxes payable                                  | 7,560    |
| Raw materials and supplies                          | 14,380  | Advances received                                     | 4,437    |
| Other   | 13,334  | Provision for loss on closing plants                  | 14       |
| Allowance for doubtful                              | (176)   | Other provision                                       | 202      |
| <u>Non-current assets</u>                           | 418,570 | Other   | 5,237    |
| <u>Property, plant and equipment</u>                | 179,978 | <u>Non-current liabilities</u>                        | 61,113   |
| Buildings and structures                            | 28,751  | Bonds payable   | 20,000   |
| Machinery and equipment                             | 139,768 | Long-term loans payable                               | 27,968   |
| Vehicles and tools                                  | 1,703   | Deferred tax liabilities                              | 2,573    |
| Land  | 6,035   | Provision for special repairs                         | 8,670    |
| Construction in progress                            | 3,718   | Provision for loss on closing plants                  | 294      |
| Other   | 0       | Provision for loss on guarantees                      | 1,314    |
| <u>Intangible assets</u>                            | 1,128   | Other provision                                       | 26       |
| <u>Investments and other assets</u>                 | 237,463 | Other   | 266      |
| Investment securities                               | 40,518  | <u>Total liabilities</u>                              | 154,452  |
| Shares of subsidiaries and associates               | 112,943 | <u>(Net assets)</u>                                   |          |
| Investments in capital of subsidiaries              | 51,447  | <u>Shareholders' equity</u>                           | 406,241  |
| Long-term loans receivable                          | 35,206  | Capital stock   | 32,155   |
| Other   | 495     | Capital surplus                                       | 34,278   |
| Allowance for doubtful accounts                     | (3,149) | Legal capital surplus                                 | 33,885   |
|   |         | Other capital surplus                                 | 393      |
|   |         | Retained earnings                                     | 359,927  |
|   |         | Legal retained earnings                               | 2,988    |
|   |         | Other retained earnings                               | 356,939  |
|   |         | General reserve                                       | 205,770  |
|   |         | Retained earnings brought forward                     | 151,169  |
|   |         | Treasury shares                                       | (20,120) |
|   |         | <u>Valuation and translation adjustments</u>          | 17,011   |
|   |         | Valuation difference on available-for-sale securities | 17,104   |
|   |         | Deferred gains or losses on hedges                    | (93)     |
|   |         | <u>Total net assets</u>                               | 423,252  |
| <u>Total assets</u>                                 | 577,704 | <u>Total liabilities and net assets</u>               | 577,704  |

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

**Non-consolidated statement of income**  
(From January 1, 2021 to December 31, 2021)

(Millions of yen)

| Item   | Amount  |         |
|--|---------|---------|
| Net sales  |         | 154,144 |
| Cost of sales  |         | 109,502 |
| Gross profit   |         | 44,641  |
| Selling, general and administrative expenses               |         | 19,135  |
| Operating profit   |         | 25,505  |
| Non-operating income                                       |         |         |
| Interest and dividend income                               | 6,502   |         |
| Foreign exchange gains                                     | 2,345   |         |
| Other  | 2,959   | 11,808  |
| Non-operating expenses                                     |         |         |
| Interest expenses  | 194     |         |
| Depreciation of inactive non-current assets                | 332     |         |
| Loss on retirement of non-current assets                   | 365     |         |
| Other  | 378     | 1,271   |
| Ordinary profit  |         | 36,042  |
| Extraordinary income                                       |         |         |
| Gain on sales of non-current assets                        | 3,572   |         |
| Gain on sales of investment securities                     | 1,994   |         |
| Reversal of provision for loss on guarantees               | 1,272   |         |
| Insurance income   | 1,208   | 8,047   |
| Extraordinary losses                                       |         |         |
| Loss on valuation of shares of subsidiaries and associates | 8,658   |         |
| Loss on accident   | 6,308   |         |
| Other  | 1,855   | 16,822  |
| Profit before income taxes                                 |         | 27,266  |
| Income taxes - current                                     | 8,500   |         |
| Income taxes - deferred                                    | (1,680) | 6,819   |
| Profit   |         | 20,447  |

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

**Non-consolidated statement of changes in equity**  
(From January 1, 2021 to December 31, 2020)

(Millions of yen)

(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 |                 |                            |
|  |                      |                       |                       |                       |                         | General reserve         | Retained earnings brought forward |                         |                 |                            |
| Balance at beginning of current period               | 32,155               | 33,885                | 409                   | 34,295                | 2,988                   | 205,770                 | 140,386                           | 349,144                 | (10,178)        | 405,417                    |
| Changes of items during period                       |                      |                       |                       |                       |                         |                         |                                   |                         |                 |                            |
| Dividends of surplus                                 |                      |                       |                       |                       |                         |                         | (9,664)                           | (9,664)                 |                 | (9,664)                    |
| Profit   |                      |                       |                       |                       |                         |                         | 20,447                            | 20,447                  |                 | 20,447                     |
| Purchase of treasury shares                          |                      |                       |                       |                       |                         |                         |                                   |                         | (10,001)        | (10,001)                   |
| Disposal of treasury shares                          |                      |                       | (16)                  | (16)                  |                         |                         |                                   |                         | 58              | 42                         |
| Net changes of items other than shareholders' equity |                      |                       |                       |                       |                         |                         |                                   |                         |                 |                            |
| Total changes of items during period                 | -                    | -                     | (16)                  | (16)                  | -                       | -                       | 10,782                            | 10,782                  | (9,942)         | 823                        |
| Balance at end of current period                     | 32,155               | 33,885                | 393                   | 34,278                | 2,988                   | 205,770                 | 151,169                           | 359,927                 | (20,120)        | 406,241                    |

|  | 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               | 18,775  | (8)                                | 18,767                                      | 424,184          |
| Changes of items during period                       |   |                                    |   |                  |
| Dividends of surplus                                 |   |                                    |   | (9,664)          |
| Profit   |   |                                    |   | 20,447           |
| Purchase of treasury shares                          |   |                                    |   | (10,001)         |
| Disposal of treasury shares                          |   |                                    |   | 42               |
| Net changes of items other than shareholders' equity | (1,671)   | (84)                               | (1,755)                                     | (1,755)          |
| Total changes of items during period                 | (1,671)   | (84)                               | (1,755)                                     | (931)            |
| Balance at end of current period                     | 17,104  | (93)                               | 17,011                                      | 423,252          |

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

(Reference)

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

(From January 1, 2021 to December 31, 2021)

(Millions of yen)

| Item  | Amount   |
|---|----------|
| Net cash provided by (used in) operating activities         | 69,881   |
| Profit before income taxes                                  | 39,139   |
| Depreciation  | 26,721   |
| Impairment loss   | 1,131    |
| Gain on sale of investment securities                       | (1,994)  |
| Foreign exchange gains                                      | (7,580)  |
| Decrease in notes and accounts receivable – trade           | 4,730    |
| Decrease in inventories                                     | 1,324    |
| Increase in notes and accounts payable - trade              | 13,333   |
| Income taxes paid   | (5,067)  |
| Other, net  | (1,856)  |
| Net cash provided by (used in) investing activities         | (31,754) |
| Proceeds from sales of investment securities                | 2,877    |
| Purchases of non-current assets                             | (35,058) |
| Other, net  | 425      |
| Net cash provided by (used in) financing activities         | (29,178) |
| Net decrease in long- and short-term loans payable          | (18,069) |
| Proceed from issuance of bonds                              | 10,000   |
| Purchase of treasury shares                                 | (10,001) |
| Cash dividends paid   | (9,662)  |
| Other, net  | (1,444)  |
| Effect of exchange rate change on cash and cash equivalents | 4,559    |
| Net increase in cash and cash equivalents                   | 13,507   |
| Cash and cash equivalents at beginning of period            | 121,215  |
| Cash and cash equivalents at end of period                  | 134,723  |

Note: Amounts less than ¥1 million are rounded down