[Provisional Translation Only]

This English translation of the original Japanese document is provided solely for information purposes.

Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

Corporate Governance Report

Last Update: 20 December 2018

Nippon Sheet Glass Company, Limited

Shigeki Mori

Representative Executive Officer, President and CEO

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http://www.nsg.co.jp

The corporate governance of Nippon Sheet Glass Company, Limited (the "Company") is described below.

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

1. Basic Views [updated]

The NSG Group (the "Group") has adopted the "NSG Group Corporate Governance Guidelines" below as constituting our basic views on the matter of corporate governance.

http://www.nsg.com/~/media/NSG/Site Content/sustainability/Downloads attached to pages in sustainability section/CorporateGovernanceGuideline2018_12_E.pdf

The Group considers achievement of an advanced level of corporate governance a key management objective and will implement the following.

(1) Organizational structure

a) The Group's ultimate parent company, Nippon Sheet Glass Company, Limited will adopt a Company with Three-Committee structure and the Company hence will establish and maintain the Board of Directors (the "Board"), the Nomination Committee, the Audit Committee, the Compensation Committee (individually referred to as the "Committee") and office of Executive Officers.

b) The Board will authorize the Executive Officers to make decisions on the execution of businesses for the Company within the scope as permitted by law, thereby facilitating separation between business execution and oversight, enhancing the transparency of the management processes and strengthening the Board supervisory function over the executive management.

c) The Company will establish and maintain an internal control system operating on a Group-wide basis including in relation to financial reporting (J-SOX).

(2) Stakeholders Communication

a) The Group will establish and maintain good relationships with our stakeholders.

b) The Group will disclose corporate information in a timely and appropriate manner to ensure transparency of the management of the Group.

(3) Code of Conduct

The Group will, in order to materialize those values, create the Group Code of Ethics whichall entities and employees etc of the Group must comply with and will be regularly reviewed in light of the status of implementation/embedding within the Group and the contents.

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

【Principle 4.11 Preconditions for Board and Kansayaku Board Effectiveness】

We have been working on global projects focused on inclusions & diversity since 2017 and are working on promoting diversity at our corporate body including the Board of Directors. As we have not found female candidates that we believe are suitable at this time, female directors are not included in the Board of Directors. We continue to focus on promoting diversity including from this aspect.

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

【Principle 1.4 Cross-Shareholdings】

The Company and its material subsidiaries do not own politically held listed shares as a matter of principle except where such shareholding is or becomes necessary for the purpose of enhancing our sustainable enterprise value and serving the important business purposes such as strategic business alliance, the intent of which is provided for as “Policy on nil ownership of politically held listed shares” disclosed in our website.

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Principle 1.7 Related Party Transactions】

The Group has established strict procedure concerning the Related Party Transactions in order not to harm the common interest of the Company's shareholders according to the relevant laws and regulations such as Companies Act and its internal policies.

Visit our website for details.

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/Principle_1_7_1812_E.pdf

【Principle 2.6 Roles of Corporate Pension Funds as Asset Owners】

According to the revision of asset management guidelines for defined benefit plans of Japan, we have revised the pension management policy in March 2018 and newly organized the asset management committee . We also have placed the staff in charge of the matter in Treasury and HR and have been conducting pension asset management while appropriately educating those in charge of asset management and operation in order for them to acquire necessary expertise in the area. In relation to the stewardship activities we use the opportunities of quarterly reports made by each fund manager by monitoring their activities in such respects. No conflict of interest will arise in regard to exercise of the voting rights as such exercise vests in the sole discretion of the fund managers insofar as the managed assets are concerned.

We continue to seek, with the aid of external support as well as expertise accumulated internally within the Group, enhancing the expert quality of the asset managing process and thus strengthening the function of the pension scheme as asset owners.

【Principle 3.1 Full Disclosure】

(i) Business principles, business strategies and business plans

The Group has formulated the management principles "Our Vision", Long-term Strategic Visions and Medium-term Plan respectively and made them publicly available in our website and various publications etc.

Management Principles "Our Vision"

Mission

Changing our surroundings, improving our world

Aspiration

Through innovation, becoming the most trusted partner in all industries we work in

Core Values

- Respect others and unleash their potential.
- Exemplify trust and integrity.
- Ensure efforts to serve society.
- Take the initiative.
- Embrace challenges and learn from failure.
- Follow through to get results.

The NSG Group's "Our Vision":
http://www.nsg.com/en/about-nsg/our-vision
The NSG Group's Long-term Strategic Visions and Medium-term Plan (MTP) (from April 2017 to March 2020):
http://www.nsg.com/en/investors/sustainable-investment/management-strategy

(ii) Basic views and guidelines on corporate governance (NSG Group Corporate Governance Guidelines)

The Company has crystallized its basic views and guidelines on corporate governance in the form of NSG Group Corporate Governance Guidelines and uploaded it in our website.
http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

(iii) Policies and procedures in determining the compensation for the senior management and Directors

The Compensation Committee determines the policy of, and individual contents of, compensation payable to Executive Officers and Directors.
Please see below "Compensation for Directors and Executive Officers (Shikkoyaku), Disclosure of Policy on Determining Compensation Amounts and Calculation Methods" in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management".

(Principles of Compensation for Directors and Executive officers)
http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

(iv) (v) Policies and procedures in the appointment and the dismissal of the senior management and the nomination of Director candidates

The Company will decide the candidate for director at the Nomination Committee and

submit the details to the ordinary general meeting of shareholders as a proposal. In addition, the Board of Directors will, on the basis of recommendation rendered by the Nomination Committee in advance, appoint or dismiss senior executive managers including Executive Officers. These decisions will be carried in accordance with "General Criteria to Select Candidates for Directors" or "Policy and Procedure on Appointment and Dismissal of Executive Management", which details are accessible in our website.

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Supplementary Principles 4.1.1 A brief summary of the scope of authority delegated to the management】

It is the purview of the Board that makes decisions on the defined material matters including the adoption of a fundamental management policy for the Group such as business and financial strategy and medium to long-term business plan and election of Executive Officers as well as those actions otherwise required to be determined by laws or the Articles of Incorporation of the Company. The Board authorizes the Executive Officer(s) to decide on all other matters as matter of principle in order to enable nimble and flexible decision-making by the executive management as well as enhance effectiveness of supervision by the Board.

An overview of the scope of such delegation is described on Article 10.1(2) of the NSG Group Corporate Governance Guidelines.

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Supplementary Principles 4.1.3 Roles and Responsibilities of the Board (1)】

The Nomination Committee, constituted by having all of four Independent External Directors as its members, has clarified the qualifications as top managing officer and required personality or character as a part of the Chief Executive Officer's succession plan. Further, the Company has also established and has been operating training programs or leadership development plans for management development needs. In addition to such plan for CEO, the Company has also created and maintained AND regularly reviewed and thus ensured validity of the succession plans for certain specified senior mamagers of the Group. In case the incumbent CEO is appointed as a member of Nomination Committee, he/she will not be involved in any decision or discussion as to his/ her own succession plan, except only where he/she expresses his/her opinion in response to specific request if any from the Nomination Committee asking for the same.As relevant, the Terms of Reference of

Nomination Committee is uploaded in our website.
http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Supplementary Principle 4.2.1 Roles and Responsibilities of the Board (2)】

The Compensation Committee, constituted by having all of four Independent External Directors as its members, has designed and been operating the executive remuneration system and determines the remuneration amounts based on "Principles of Compensation for Directors, and Executive Officers". This is also referred to in Article 16 of the CG Guidelines.
http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Supplementary Principle 4.3.2 Roles and Responsibilities of the Board (3)】

The Nomination Committee, constituted by having all of four Independent External Directors as its members, clarifies, pursuant to the Policy and Procedure on Appointment and Dismissal of Executive Mnagement, the necessary qualifications for CEO and its procedure for appointment on the basis of which the Nomination Committee makes recommendation on CEO candidate for the Board of Directors and then Board of Directors decides such appointment with such recommendation. In case the incumbent CEO is appointed as a member of Nomination Committee, he/she will not be involved in any decision or discussion as to such recoomendation on appointment of CEO, except only where he/she expresses his/her opinion in response to specific request if any from the Nomination Committee asking for the same.

As relevant, both of the Terms of Reference of Nomination Committee and the Policy and Procedure on Appointment and Dismissal of Executive Mnagement are uploaded it in our website.
http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Supplementary Principle 4.3.3 Roles and Responsibilities of the Board (3)】

In case any early dismissal of CEO is contemplated (including the case where unepxepcted failure to renew the term is contemplated for the purpose of this subject-matter) the Nomination Committee, which consists of four Independent External Directors and a CEO, first conducts deliberation of the matter and then renders recommendation on the outcome of such deliberation for the Board of Directors. The Board of Directors then makes its ultimate decision for the matter with such recommendation. In case the incumbent CEO is

appointed as a member of Nomination Committee, he/she will not be involved in any decision or discussion as to such recommendation relation to his/her dismissal, except only where he or she expresses his/her opinion in response to specific request if any from the Nomination Committee asking for the same.

As relevant, both of the Terms of Reference of Nomination Committee and the Policy and Procedure on Appointment and Dismissal of Executive Mnagement are uploaded it in our website.

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Principle 4.8　Effective Use of Independent Directors】

The Company currently has four Independent External Directors, so the majority of directors are independent external directors. Further, the Chairman of the Board as well as chairpersons of all three Committee are all appointed from among the Independent External Directors.

Please see Articles 9.2 and 13 of the NSG Group Corporate Governance Guidelines for detail on the significance and role of those Independent External Directors.

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Principle 4.9　Independence Criteria and Qualification of Independent Directors】

The Company, when considering qualification for independence with regard to external directors, has established and applies its own independence criteria duly taking account of their relationships with the Group, the Executive Officers as well as major shareholders, further to the requirements had by TSE in relation to such independence standards.

Its detail is as described in, “Matters relating to Independent Directors” in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” and disclosed in the website.

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Principle 4.11 Preconditions for Board and Kansayaku Board Effectiveness】

At least one member of the Audit Committee will be elected from among those who have specializes knowledge on finance and accounting to a respectable degree and the purpose of that is prescribed in Article 9 of the CG Guidelines. In the present composition of Directors, Mr. Toshiyuki Yamasaki, Director, is elected as such an auditing committee.

In addition, the Group analyze and evaluate the effectiveness of the Board of Directors on a fiscal year basis, disclose the results, action plans, etc. The purpose of this is also prescribed in Article 22 of the CG Guidelines. The CG guidelines are also disclosed on our website

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Supplementary Principle 4.11.1 Views on the appropriate balance of knowledge, experiences and competence of the Board of Directors as a whole, its diversity and appropriate size, and the policy and the procedure for nominating Director candidates】

The Group values the principle and wisdom of creating and maintaining diversity in the composition of the Board given specifically the development of and commitment to the businesses conducted globally. The Group aims to ensure that the Board will be composed of member that have a diverse background including in terms of professional skills, expertise or experience, and at the same time its size will be maintained so that the Board can discharge its function effectively and efficiently.

Its detail is described on Article 9 of the NSG Group Corporate Governance Guidelines.

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Supplementary principle 4.11.2 Concurrent positions held by Directors】

Concurrent positions held by Directors are disclosed in our Website and described in the notice of convening the ordinary General Meeting of Shareholders and Financial Results Reports.

The notice of convening the ordinary General Meeting of Shareholders:

http://www.nsg.com/en/investors/ir-library/shareholders-meeting

Financial Results Reports (YUHO):

http://www.nsg.com/en/investors/ir-library/financial-reports

【Supplementary principle 4.11.3 Analysis and evaluation of the Effectiveness of the Board of Directors as a whole, and an outline of the results】

The Company has made it an internal practice to implement an independent effectiveness review of the Board and Committees on an annual basis in order to enhance effectiveness further and constantly. The purpose of this is also prescribed in Article 22 of the CG Guidelines. The CG Guidelines are also disclosed on our website.

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

In this process whilst the Board confirms the status of progress of the ongoing action plan as relates to the issues previously identified, it also creates an additional action plan addressing the issues newly found and then combine and integrate all of them into one integrated action plan for the purpose of regular monitoring whereby we aim to continuously aim for enhancement of the effectiveness of the Board as a whole.

The overall summary of the results from this round of such evaluations is as follows:

[Our Effectiveness Review Process]

The Board confirmed itself as to the status of progress of the action plans effective from prior years for improvement made during FY March ended 2018. Then in relation to the said FY March ended 2018 itself, the effectiveness review of the Board and Committees was conducted with reference to feedbacks and views taken from each Director in terms of composition, status of meeting management, agenda setting and direction in the role of each such organization. The entire process for such review was led and supervised by the Independent External Directors under the leadership of the Chairman of the Board to ensure sufficient adequacy and independence.

[Evaluation Summary]

The effectiveness review for this year resulted in a positive evaluation that mandated effectiveness characteristics had further improved across any of the Board and the Committees and were deemed to be properly and soundly operated to ensure the effectiveness of all of them. On the other hand, it is deemed necessary that the Board should conduct further in-depth deliberation of the matters of strategic direction or more robust risk management of the Group to seek further enhancement although we have seen steady progress of improvement in these aspects; This is agreed as action plan of the Group. Please visit our website for details.

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/PrincipleofReplenishment_4_11_3_1812_E.pdf

【Supplementary principle 4.14.2 The training policy for Directors and etc.】

The Company, upon their election and afterwards on as-needed basis, provides each Director of the Company with such information and explanation about related laws like Companies Act, corporate governance and material management issues, by having reference to familiarity and experience of each.

In addition to these, especially for external directors, the Company provides them with explanation about the basic information (business, history, financial, organization, and main

regulations, etc.) on the Group and its business, and opportunities to visit the site, do interviews with business executives occasionally.

Its detail is described on Article 12.5 of the NSG Group Corporate Governance Guidelines

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

【Principle 5.1　The policy for constructive dialogue with shareholders】

The Company considers open, constructive, and effective dialogue with shareholders is quite crucial. The Company aims to engage effectively with shareholders and investors by making the most of a number of avenues and opportunities available to us including through regular communications, investor relation activities and the General Meeting of Shareholders, whilst simultaneously ensuring adherence to any applicable laws. Its detail is described on Article 2 of the NSG Group Corporate Governance Guidelines.

http://www.nsg.com/~/media/NSG/Site_Content/sustainability/Downloads_attached_to_pages_in_sustainability_section/CorporateGovernanceGuideline2018_12_E.pdf

Also, IR activities are as described “2 Investor Relations activities” in “III. Implementation of Measures for Shareholders and Other Stakeholders”.

【Principle 5.2　Establishing and Disclosing Business Strategies and Business Plan】

In order to increase the shareholder value over the medium to long term, the Group will take into consideration the costs of capital fully and produce the basic policies for earnings plan and capital policy whilst based on the situations the Group is then facing we intend to present the targets for earnings power and capital efficiency etc. adequately linked to its then important management agenda, along with making of appropriate and logical explanation about business portfolio review as necessary or useful or allocation of management recourses etc. for delivery of those targets.

In our medium-term management plan currently in effect, in order to achieve and for the part of “Establishing Financial Sustainability”, we have shown “ND/EBITDA≦3” and “ROS≧8%”, among other things, as our financial targets for FY3/2020 and alluded to “ROE≧10%” as projected outcome in terms of capital efficiency indicator when delivered.

When it comes to a business portfolio review, we have developed and rolled out the "VA No. 1 strategy" that focuses on the areas that can be expected to grow in the mid-term plan period, and has made it a basic policy to “establish the growth drivers" creating the driving force for early profit growth through selection and concentration. We have made the status of such progress publicly available through Yuho etc.

2. Capital Structure

Percentage of Foreign Shareholders [updated]	20% or greater but less than 30%

[Status of Major Shareholders] [updated]

Name / Company Name	Number of Shares Owned (shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	6,625,100	7.31
Japan Trustee Services Bank, Ltd. (trust account)	4,202,100	4.64
Japan Trustee Services Bank, Ltd. (trust account 5)	1,915,400	2.11
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS – UNITED KINGDOM	1,852,500	2.04
JUNIPER	1,671,200	1.84
Japan Trustee Services Bank, Ltd. (trust account 2)	1,416,300	1.56
Japan Trustee Services Bank, Ltd. (trust account 1)	1,415,800	1.56
JP MORGAN CHASE BANK 385151	1,318,503	1.45
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	1,283,913	1.41
NSG Client Stock Ownership	1,001,878	1.10

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation [updated]

① The status of major shareholders is as of September 30, 2018

② In the Large Shareholding Report (Change Report) that was used for public inspection on August 14, 2018, Although it stated that the two companies of Sumitomo Mitsui Trust Bank, Ltd. and its joint holders, as of August 8, 2018 owned a total of 11,778,900 shares, we are not

included in the above status of major shareholders because we can not confirm the number of real owned shares as of September 30, 2018.

③ In the Large Shareholding Report (Change Report) that was used for public inspection on July 5, 2018, Although it stated that the two companies of Nomura Securities Co., Ltd. and its joint holders, as of June 29, 2018 owned a total of 3,662,935 shares, we are not included in the above status of major shareholders because we can not confirm the number of real owned shares as of September 30, 2018.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Glass and Ceramics Products
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	¥100 billion or greater but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 or greater but fewer than 300

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

———

5. Other Special Circumstances which may have Material Impact on Corporate Governance

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

1. Organizational Composition and Operation

Organization Form	Company with Three Committees

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	No limit is defined.
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	Outside Director
Number of Directors	8

[Outside Directors]

Number of Outside Directors	5
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Günter Zorn	External								△			
Toshikuni Yamazaki	External											
Yasuyuki Kimoto	External					△			△			
Masatoshi Matsuzaki	External								△			
Yuji Takei	External											

* Categories for "Relationship with the Company"

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

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

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

Outside Directors' Relationship with the Company (2) **[updated]**

Name	Membership of Committees	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Günter Zorn	Nomination / Compensation/ Audit	○	Mr. Günter Zorn was the President of DHL Japan, Inc. from July 2005 to April 2009. While DHL and NSG have business relationships, such transactions account only for less than one percent of the total consolidated sales of each company.	Mr. Günter Zorn has the career and experiences of serving as management of major international companies and as Representative Director and President of their Japanese entities. In addition, he is a Representative Director and the President of his own consulting firm. We expect that he continues to contribute to the supervisory function of the Board and furthermore to enhancement of the enterprise value of the Company through overseeing performance of Executive Officers from an independent and objective standpoint as well as based upon his abundant international experiences and broad perspectives with regard to business management. Mr. Zorn has also been designated as Independent Director since

				he meets the independence standards of external directors as defined by TSE and the Company's own independence standards as established in its "Independent Directors", hence no threatening to give or cause material conflict of interest between his capacity as external director and general shareholders of the Company.
Toshikuni Yamazaki	Nomination / Compensation / Audit	○	———	Mr. Toshikuni Yamazaki has the career and experiences of serving as Representative Director, Executive Vice President (in charge of finance, investor relations and accounting) and full-time corporate auditor of the major international manufacturing company, and a member of the Investment Advisory Committee of the Government Pension Investment Fund, Japan (GPIF). We expect that he continues to contribute to the supervisory function of the Board and furthermore

				to enhancement of the enterprise value of the Company through overseeing performance of Executive Officers from an independent and objective standpoint as well as based upon his abundant experiences and broad perspectives with regard to business management and finance and accounting. Mr. Yamazaki has also been designated as Independent Director since he meets the independence standards of External Directors as defined by TSE and the Company's own independence standards as established in its "Independent Directors", hence no threatening to give or cause conflict of interest between his capacity as external director and general shareholders of the Company.
Yasuyuki Kimoto	Nomination / Compensation / Audit	○	Mr. Yasuyuki Kimoto joined The Sumitomo Bank, Limited (now, Sumitomo Mitsui Banking Corporation) in April 1971. Since he	Mr. Yasuyuki Kimoto has the career and experiences of serving as chairman of the Board of the major international manufacturing company, a

			was appointed as Director in June 1998, he served for top management until he retired as Senior Managing Director and Senior Managing Executive Officer in April 2006. The Bank is one of NSG's major creditors. He also served as Chairman of the Board of Directors, Olympus Corporation from April 2012 to June 2015. While Olympus and NSG have business relationships, such transactions account only for less than one percent of the total consolidated sales of each company.	majority of whose Board consisted of Independent External Directors, as well as leading the Board, involving several non-Japanese Independent External Directors, of the UK local entity of the major Japanese financial institution. We expect that he continues to contribute to the supervisory function of the Board and furthermore to enhancement of the enterprise value of the Company through overseeing performance of Executive Officers from an independent and objective standpoint as well as based upon his abundant international experiences and broad perspectives with regard to business management. Mr. Kimoto has also been designated as Independent Director since he meets the independence standards of External Directors as defined by TSE and the Company's own independence standards

				as established in its "Independent Directors", hence no threatening to give or cause material conflict of interest between his capacity as external director and general shareholders of the Company.
Masatoshi Matsuzaki	Nomination / Compensation / Audit	○	Masatoshi Matsuzaki joined Konishiroku Photo Industry Co., Ltd. (now, Konica Minolta Inc.) in April 1976. Since he was appointed as Executive Officer in April 2005, he served the top management including as Representative Executive Officer and President. Currently, he is the Chairman of the Board of Directors, Konica Minolta Inc. While Konica Minolta and NSG have business relationships, such transactions account only for less than one percent of the total consolidated sales of each company.	Mr. Masatoshi Matsuzaki has the career and experiences of serving as both Representative Executive Officer and subsequently Chairman of the Board of a major international manufacturing company, which adopts a governance system of "Company with Three Committees" like us. We expect that he continues to l contribute to the supervisory function of the Board and furthermore to enhancement of the enterprise value of the Company through overseeing performance of Executive Officers from an independent and objective standpoint as well as based upon his abundant experiences and broad perspectives with regard to even both sides of

				executive and supervisory functions of such company having the Committee system. Mr. Matsuzaki has also been designated as Independent Director since he meets the independence standards of External Directors as defined by TSE and the Company's own independence standards as established in its "Independent Directors", hence no threatening to give or cause material conflict of interest between his capacity as external director and general shareholders of the Company.
Yuji Takei			Mr. Yuji Takei concurrently serves as COO of Japan Industrial Solutions Co., Ltd. ("JIS") NSG has concluded an agreement on share subscription of Class A shares with JIS Fund II, of which JIS is an unlimited liability partner. 17,500 Class A shares have been allocated and issued to	Mr. Yuji Takei initially joined the Long-Term Credit Bank of Japan, ltd (now, Shinsei Bank, Limited) and then, moved to an international consulting firm and subsequently, worked as a partner in an investment fund among others. He has experiences of engaging in corporate management as an Outside Director in several companies. We expect that he

			JIS Fund II.	continues to contribute to the supervisory function of the Board and furthermore to enhancement of the enterprise value of the Company through overseeing performance of Executive Officers based upon his abundant experiences and broad perspectives with regard to business management.

[Committees]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	5	0	1	4	External Director
Compensation Committee	5	0	1	4	External Director
Audit Committee	4	0	0	4	External Director

[Executive Officers (Shikkoyaku)]

Number of Executive Officers (Shikkoyaku)	11

Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Shigeki Mori	Yes	Yes	○	○	No
Clemens Miller	Yes	Yes	×	×	No
Kenichi Morooka	Yes	Yes	×	×	No
Shirley Anderson	No	No	×	×	No
Tony Fradgley	No	No	×	×	No
Koichi Hiyoshi	No	No	×	×	No
Hiroshi Kishimoto	No	No	×	×	No
Jochen Settelmayer	No	No	×	×	No
Hiroshi Nishikawa	No	No	×	×	No
Phil Wilkinson	No	No	×	×	No
Satoshi Ishino	No	No	×	×	No

[Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Officers (Shikkoyaku)

The Audit Committee Office is set up to assist the Audit Committee and as many staff members as necessary are assigned to the Office. Assignment of such staffs is reported to the Audit Committee in advance for its members' consent. The head of the Audit Committee Office stays outside the executive management and follows only the Audit Committee's chain of command.

Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments

The Audit Committee holds a meeting with the Accounting Auditor and the Group Internal Audit regularly and as necessary to receive reports on audits, exchange opinions and gather information.

[Independent Directors]

Number of Independent Directors	4

Matters relating to Independent Directors

NSG has its own independency standards for external directors as follows.

<Criteria of Independency for External Director in NSG>

External Directors of NSG falling into any of the following categories are considered to lack independency as an external director.

(1) As to the External Director him/herself, where:-

a) He/she is, has become or once served as an executive Director, executive officer, corporate officer or employee of the NSG Group (hereinafter collectively referred to as "Executive/Employee");

b) i) He/she has a business relationship with the Company and received from the Company the following sum during any single financial year for him/her/(it) of those past three years most recently ended or (in case where the one having such business relationship is an organization such as legal entity, then he/she serves or served as Executive/Employee of the organization), or NSG Group is a Major Business Partner for him/her/it

- Aggregate payments equivalent to more than 1% of their consolidated sales during the subject year

; OR,

ii) he/she has a business relationship with the Company and paid the Company the following sum during the Company's any single financial year of those past three years most recently ended, or he/she is a Major Business partner of the NSG Group (or in case where the one having such business relationship is an organization such as legal entity, then he/she serves or served as Executive/Employee of the organization);

- Aggregate payments equivalent to more than 1% of the Company's consolidated sales during the subject year

Note: For the purpose of this criteria protocols, the expression "Major Business Partner(s)" means, as between the NSG Group and the group having business relationship with us, those persons which could be, in terms of magnitude of its business relationship, expected to exert the same degree of influence on the decision-making process of the other as would exist among parent-subsidiary relationship or affiliated group.

c) He/she is an Certified Public Accountant retained as Accounting Auditor for the Company (or in case the accounting firm is retained as Accounting Auditor then he/she serves as partner or employee of the firm) or he/she has engaged in any audit activities of the NSG Group businesses at any time during the past three years;

d) He/she is one of those consultants, accountants or lawyers who have received substantial amount of cash or other financial gains (equivalent to JPY 10 million or more per financial year of the Company) from the NSG Group (or in case where an organization such as consulting, accounting or law firm is the one having received such cash or gains, then he/she belongs to any such organization);

e) He/she has material business relationship with or material interest in the NSG Group (or in case where an organization such as legal entity has such relationship or interest, he/she is an Executive/Employee of the organization) (For this purpose, the fact of receipt of the sum in the form of donation or loans from the NSG Group equivalent to JPY 10 million or more on an average per annum for the immediate past three financial years of the Company is deemed to constitute such material interest in the NSG Group);

f) He/she holds cross-Directorships or has significant links with other Directors/Executive Officers of the Company through involvement in other companies/bodies;

g) He/she is a major beneficial shareholder who is entitled to 10% or more of the total voting rights of the Company (or in case where the organization such as legal entity falls into such a shareholder, then he/she currently is or was employed as an

Executive/Employee of the organization at any time during the past five years); or

h) any individual who has fallen under d), e) or f) above during the Company's any single financial year of those past three financial years most recently ended.

(2) As to the close relative(s) of the External Director (his or her spouse, or relative (s) within the second degree of kinship or who lives in the same residence), where:-

a) He/she is or was in the past five years an executive Director/officer or senior employee of the NSG Group (hereinafter collectively referred to as "Senior Manager");

b) i) He/she has a business relationship with the Company and received from the Company the following sum during any single financial year for him/her/(it) of those past three years most recently ended (in case where the organization such as legal entity has such business relationship, then he/she serves or served as a Senior Manager thereof), OR the NSG Group is a Major Business Partner for him/her/it

- Aggregate payments equivalent to more than 1% of their consolidated sales during the subject year

; OR

ii) He/she has a business relationship with the Company and paid the Company the following sum in any single financial year of the Company during its past three years most recently ended, or is a Major Business Partner of the NSG Group (in case where an organization such as legal entity has such business relationship, then he/she serves or served as a Senior Manager of the organization);

- Aggregate payments equivalent to more than 1% of the Company's consolidated sales during the subject year

c) He/she is a Certified Public Accountant retained as an Accounting Auditor (or in case the accounting firm is retained as Accounting Auditor then he/she is a partner or Senior Manager thereof) or has engaged in any audit activities of the NSG Group businesses at any time during the past three years;

d) He/she is one of those consultants, accountants or lawyers who have received substantial amount of cash or other financial gains (equivalent to JPY 10 million or more per financial year of the Company) from the NSG Group (in case where an organization such as consulting, accounting or law firm is the one having received such cash or gains, then he/she serves as partner, associate or Senior Manager of the organization);

e) He/she has material business relationship with or is materially interested in the NSG Group (in case where an organization such as legal entity has such relationship or interest, then he/she is a Senior Manager of the organization) (For this purpose, the

fact of receipt of the sum in the form of donation or loans from the NSG Group equivalent to JPY 10 million or more on an average per annum for the past three financial years of the Company most recently ended is deemed to constitute such material interest in the NSG Group.);

f) He/she is a major beneficial shareholder who is entitled to 10% or more of the total voting rights of the Company (in case where the organization such as legal entity falls into such a shareholder, then he/she currently serves as Senior Manager of the organization); or

g) He/she has fallen into either or both of d) and/or e) at any time during the past three financial years of the Company most recently ended.

The Company designates all external directors who meet the qualification as Independent Director as such.

[Incentives]

Incentive Policies for Directors and/or Executive Officers (Shikkoyaku)	Implementation of a performance-linked incentive scheme and a stock option system

Supplementary Explanation

For details of performance-linked compensation, please refer to the "The system of annual Performance-linked compensation (bonus) plan" and the "Long-term incentive plan" in the "Disclosure of Policy on Determining Compensation Amounts and Calculation Methods" below.

Recipients of Stock Options	Executive Officers and others

Supplementary Explanation

Executive Officers and Corporate Officers, who are retained or employed pursuant to the terms of appointment in place in Japan.

[Compensation for Directors and Executive Officers (Shikkoyaku)]

Disclosure of Individual Directors' Compensation	Partial disclosed
Disclosure of Individual Executive Officers' (Shikkoyaku) Compensation	Partial disclosed

Supplementary Explanation

【Disclosure status】
The Company discloses the total amount of compensation paid to Non-Executive Directors (External Directors) and Executive Officers including additional amounts paid by subsidiaries of the Company separately and by each category of compensation. The Company further discloses the amount of compensation individually for those who receive JPY 100 million or more in total in the Annual Securities Report.
【Amount of compensation】
Amount of compensation is disclosed in the Notice of Convening Ordinary General Meeting of Shareholders and the Annual Securities Report as well as in the Company's website below.
Notice of Convening Ordinary General Meeting of Shareholders
Financial Results Reports (YUHO):
http://www.nsg.com/en/investors/ir-library/financial-reports

Policy on Determining Compensation Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods **[updated]**

(1) Organization & Responsibilities pertaining to determining Compensation etc.

The Compensation Committee was established following the 142nd Ordinary General Meeting of Shareholders in June 2008. Its current membership consists of four External Directors of the NSG Group and one Director who concurrently serves as Representative Executive Officer. The incumbent Chairperson is Mr. Yasuyuki Kimoto, an External Director . No member of the Committee is allowed to be present when matters relating to his/her specific compensation are being discussed. The Committee is supported by a secretariat from the Human Resources and may use information from external specialists when necessary. In addition, certain member(s) of the Legal and Administration act as in-house legal adviser for any legal aspects or matters. During the financial year ending March 2018, the Committee met on four(4) occasions.

The Committee is responsible for determining:

- The policy on compensation and perquisites to be offered to the Directors and Executive Officers of the Company
- Individual compensation and perquisites to be offered to the Directors and Executive

Officers of the Company.

The Committee may also give recommendation or advice to the Representative Executive Officer, President and CEO on the policy and details with respect to compensations for the Group's senior management other than Directors and Executive Officers in consistent with the policy described in (2) below.

(2) Compensation Policy for Executive Officers

NSG Group is a global business, operating in around 30 countries worldwide. The objectives of the compensation policy are to ensure that packages of employment terms and conditions are market competitive and designed in such a way as to attract, retain and motivate Executive Officers of the highest world-class caliber in an international business. The policy aims to ensure that each individual's basic salary and incentives are aligned with the performance of the Group and the interests of shareholders as well as reflecting the commitment and achievements of the individuals concerned. While some elements of the packages of the Executive Officers may vary depending on the market conditions in the countries in which they are directly employed, annual bonus and long-term incentive plans follow a global policy and are structured, designed and coordinated at the Group level.

Salary and benefit packages are set at market competitive levels and annual performance-linked payments are assessed against the achievement of key targets, which are mainly financial.

The salaries of Executive Officers are subject to annual review. The policy is to broadly align salaries with market medians for a global business. In determining what constitute the appropriate market rates, such factors as turnover, market capitalization and the complexity and breadth of internationalization are taken into consideration. In reviewing salaries, we look into the scope of the individual's role and responsibilities, performance, the progress the Company is making against its targets and plans, and salary increases planned for other managers.

Each Executive Officer participates in an annual performance-based incentive scheme. The Committee establishes the performance criteria and sets the appropriate bonus parameters. An incentive plan incorporates aggressive financial performance targets in light of an annual budget approved by the Board. The financial performance targets are clearly aligned to the Medium-term Plan of the Group.

Performance indicators for the FY2019 annual incentive plan for Executive Officers include the following:

Indicators	Weight (%)	
	CEO, COO and CFO	Other Executive Officers
Group Management Operating Profit	50	25
Group Free Cash Flow	50	25
Global SBU* Management Operating Profit	—	25
Global SBU* Cash from Operations	—	25

* SBU means each “Strategic Business Unit” of the Group.

No bonus is paid to Executive Officers if they fail to exceed a minimum target, which is set and approved by the Committee to ensure that the Group’s business activities have met the minimum level of financial performance. The annual bonus potential payment levels for Executive Officers range between 0 and 125% of each individual’s basic salary dependent upon the management grade.

Each Executive Officer may be invited to participate in a Long Term Incentive Plan (LTIP). This plan is designed to reward the achievement of the Group’s longer term objectives over a three-year period. An LTIP may be issued annually. Therefore, at any point in time, there may be up to three concurrent plans in operation. The performance criteria for these plans are defined by key financial indicators.

The performance indicator used in the plans that started in FY2017 and FY2018 is an Aggregate Earnings per Share. The performance indicator used in the plans that started in FY2019 is an Aggregate Earnings per Share and Return on Sales. No payment is made for underperformance. Payments from these plans are in cash. In order to align the interests of Executive Officers with those of shareholders, cash payments earned from these plans are made to fluctuate with the share price movement over the three-year period of each plan. The LTIP’s payment levels for Executive Officers range between 0 and 150% of each individual’s base salary dependent upon the management grade.

Since FY2017, Malus (reduction after allotment of the right but before such right is finalized) and Claw-back (return after the right is finalized) provisions have been introduced into the entire LTIP (Long Term Incentive Plan). When one of triggering conditions takes place, the Group may exercise these provisions. Such triggering conditions may include false or misrepresentation of financial results based on which an incentive amount is calculated, considerable extent of illegal activity, or material infringement of the Group’s Code of Ethics.

The Long Term Incentive Plan starting from 2014 requires Executive Officers and other

eligible participants to invest 50% of LTIP proceeds to purchase ordinary NSG shares. The mandatory investment leads to further alignment of Executive Officers with shareholders, allowing Executive Officers to benefit from the share ownership and continue to be motivated to further enhance the shareholder value. The mandatory investment in shares applies to all eligible participants in the Plans including Executive Officers who are non-resident in Japan.

Share retention and alignment with shareholders are further promoted by the introduction of shareholding targets. Shareholding targets are set for each Executive Officer in terms of a percentage of basic salary. Executive Officers are expected to build up their shareholding to meet the targets over a period of several years under the LTIP. Progress towards the shareholding targets will be assessed annually. The shareholding target for Executive Officers is currently between 50 and 100% of basic salary dependent upon the management grade. The target levels will continue to be reviewed by the Compensation Committee in line with market practice.

(3) Compensation Policy for Independent External Directors

The role of Independent External Directors is to supervise all Group business from their independent and objective standpoint as well as to engage in the material decision-makings as members of the Board of Directors. In order for them to fulfill this role adequately and effectively, and for the Group to retain individuals with the capability and experience required, the appropriate compensation level of Independent External Director is set based on comparisons with other companies using benchmark data provided by external specialists.

Independent External Directors receive compensation for the performance of their duties. They are not eligible for performance-linked bonuses or awards under long-term incentive plans.

Independent External Directors receive additional reward if they act as Chair at either the Board or one of the Committees.

Meanwhile in the case that a non-Independent External Director is elected, such Non Independent External Director will receive the level of compensation adequate for hi/her duties in a way commensurate with the duties discharged by Independent External Directors including in terms of whether or not to be appointed as a member of any of three Committees. Also a non-Independent External Director is not eligible for performance-linked incentive and a stock option as is the case with Independent External Director.

[Supporting System for Outside Directors]

Secretariats are in place for the Board of Directors and the three Committees of Nomination, Audit and Compensation respectively to support External Directors. Each of such secretarial staff is tasked to deliver papers or give a brief on the matters in advance and also assist in other activities of the Directors, with a view towards facilitating the External Directors to participate in discussion of the Board and each of three Committees in an effective and active manner.

【Status of those who retired from the President and Representative Director】

Name of the senior adviser/executive adviser etc who are former representative director and president etc

Name	Position	Business content	Work style / condition	Date of retirement	Term of office
Yozo Izuhara	Honorary advisor	External activities such as business activities including participation in industry groups (not involved in management)	Work style : Part time Presence of compensation : Yes	29 June,2010	1 year , judge necessity of renewal every year
Katsuji Fujimoto	Honorary advisor	External activities such as business activities including participation in industry groups (not involved in management)	Work style : Part time Presence of compensation : Yes	27 June,2013	1 year , judge necessity of renewal every year

Total number of the senior adviser/executive adviser etc who are former representative director and president etc	2

Other matters

Based on the request of the CEO, Honorary advisor engages in external activities such as business activities including participation in industry groups. They do not attend conference bodies related to business execution , they are not granted access authority to information related to management, nor do they participate in any management decisions.

In 2018, the NSG Group abolished the senior advisory system and revised the honor advisory system. In the future, We may make the president / chairman experienced as honorary advisor only when CEO judges it is nessesary. In addition, Outside directors are involved in the election and compensation of honorary advisor, the overall scheme.

The total compensation to the honorary advisor is 16.8 million yen per year.

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

1. The Company's governance structure

【Outline of the governance structure】

On 27 June 2008, the NSG Group changed its governance structure from a Company with Statutory Auditors to a Company with Committees (currently a Company with three Committees) consisting of the Board of Directors; the Nomination Committee, the Audit Committee and the Compensation Committee with a majority of each Committee comprising Independent External Directors; Executive Officers; the Management Committee mainly consisting of Executive Officers; and the Group Sustainability Committee and the Strategic Risk Committee.

【The Board of Directors】

The Board of Directors is composed of eight (8) Directors of who four (4) are Independent External Directors). The Board is responsible for deciding the basic policies for business management and internal control, segregation of duties among Executive Officers and other important management decisions, and supervising execution of duties by Executive Officers. The Chairperson of the Board is Mr. Günter Zorn, Independent External Director. The Legal Function serves as a secretariat to support the Board of Directors from the legal viewpoint. The Board meeting was held ten(10) times in the fiscal year ending March 2018.

【Business executive structure】

Eleven(11) Executive Officers are responsible for the business execution. Three (3) of them are Representative Executive Officers performing the duties of CEO, COO and CFO

respectively. The Management Committee mainly consisting of the Executive Officers lead the Company's business operation and oversees the execution of businesses in order to realize the policies and targets set forth by the Board of Directors efficiently and appropriately. The Corporate Planning serves as a secretariat for the Management Committee.

Sustainability Committee builds the sustainability strategies, presides over all of the Group's sustainability related activities, and ensures effective communication with various Stakeholders. Group Sustainability Committee is chaired by CEO or a person who is nominated by CEO and composed of CEO, COO, CFO, Group Sustainability Director, the Heads of each Strategic Business Unit, the Head of Business Inovation Center,Chief Human Resources Officer (CHRO), Chief Legal Officer (CLO), Chief Corporate Planning Officer (CCPO), Chief Communication Officer (CCO) and the Heads of relevant Group Functions.

Strategic Risk Committee periodically reviews policies, strategies and frameworks concerning risk management throughout the Group, and appropriately take into account the results of such review in forming the organization strategy and goals, in order to promote efficiency of the Group's business management and to improve the medium and long-term corporate value.

Strategic Risk Committee is chaired by CEO or a person who is nominated by CEO and composed of CEO, COO, CFO, Chief Risk Officer(CRO),the Heads of each Group Function, and the Heads of each Strategic Business Unit.

【Nomination Committee】

The Nomination Committee is in charge of deciding the details of proposals concerning appointment or removal of Directors to be submitted to the General Meeting of Shareholders, and also provide recommendation or advice with regard to candidates for Executive Officers. The Nomination Committee is chaired by Mr. Masatoshi Matsuzaki, Independent External Director, and composed of five (5) Directors including the Chairperson, four (4) of whom are Independent External Directors. The HR Function serves as its secretariat providing support as necessary. In addition, members of the Legal & Administration who are approved by the Nomination Committee, serve as internal legal advisers. The Committee gathered five (5) times in the fiscal year ending March 2018.

【Audit Committee】

The Audit Committee is responsible for auditing the execution of duties by Directors and Executive Officers, preparing audit reports, and deciding details of proposals concerning appointment, removal or not reappointing the Accounting Auditor. The Audit Committee is

chaired by Mr. Toshikuni Yamazaki, Independent External Director and comprises four (4) Independent External Directors including the Chairperson. Mr. Yamazaki has the career and experiences of serving as Representative Director and Executive Vice President in charge of finance, investor relations and accounting of the major international manufacturing company equipped with abundant experiences and broad knowledge in the fields of financing and accounting. The Audit Committee Office is in place for the purpose of providing support to the Committee. The Audit Committee met on eleven (11) occasions in the fiscal year ending March 2018.

【Compensation Committee】

The Compensation Committee is in charge of deciding the compensation policy for Directors and the Executive Officers as well as compensation details of individual Directors and Executive Officers. The Committee is chaired by Mr. Yasuyuki Kimoto, Independent External Director and is composed of five (5) Directors including the Chairperson, four (4) of whom are Independent External Directors. The HR Function serves as the Committee's secretariat providing support as necessary. In addition, members of the Legal and Administration, as agreed by the Compensation Committee, serve as internal legal advisers for legal matters. The Committee held a meeting four(4) times in the fiscal year ending 2018.

2. Audit system

【Internal Control, Internal Audit】

The NSG Group Internal Audit (GIA) performs internal audit on a group basis with nineteen(19) full-time staffs. GIA conducts a group-wide internal audit through site visits in coordination with the Audit Committee and the Accounting Auditor by having meetings with them regularly according to an annual audit plan based on the resolution of the Company's Board of Directors on matters listed in the Article 416, Paragraph 1, Item 1, Subsection (b) and (e) of the Companies Act and under the internal control system established by the resolution. The Departments responsible for internal control on top of GIA also hold meetings with the Audit Committee regularly and as necessary to exchange opinions and cooperate with each other and Improve the effectiveness of audits.

【Audit by the Audit Committee】

The Audit Committee, composed of four Independent External Directors, supervises and validates the status of the internal control system and its operation, and in accordance with the audit policy and the audit plan established by the Committee, holds interviews with the

Executive Officers; attends important internal meetings including the Management Committee and investigates the business activities as well as assets of the Company and its major subsidiaries, etc. The Audit Committee holds meetings with the Accounting Auditor and GIA regularly and as necessary to receive update on the audit implementation, exchange opinions and gather information.

【Accounting Audit】

The Company has signed an audit contract with Ernst& Young ShinNihon LLC and is subject to its accounting audit. Certified public accountants who have carried out the Company's accounting audit work during the current consolidated fiscal year 2018 are Mr. Koki Ito, Mr. Takayuki Ando and Mr. Ryuichiro Umano. The aforementioned audit firm takes measures so that the same person does not take charge of the Company's accounting audit beyond a certain period of time. The said two auditors satisfy the legal requirement pertaining to the number of years of continuous audit for the Company. There are 19 Certified Public Accountants and 27 other staffs helping the said two auditors perform the work.

3. Risk Management

Regarding risk management, the NSG Group have established the Strategic Risk Committee. The committee is responsible for establishing a companywide risk management framework and promoting and coordinating the group's risk management process. Specifically, the committee prepare policies and procedures related to risk management, and decide the policy of identifying, evaluating and responding to risks including strategically critical risks that hinder the group's goals. The SBU and the group function are responsible for executing them, and the committee also monitors the implementation status, thereby striving to improve the effectiveness of risk management. The NSG Group Internal Audit (GIA) audits the risk management policies, frameworks and processes formulated by the Strategic Risk Committee independently from the standpoint and points out any deficiencies and carries out assurance for impro ving its effectiveness.

In addition, the Audit Committee cooperates with GIA to monitor the effectiveness of Group-wide risk management, including the activities of the Strategic Risk Committee, from the perspective of sustainable growth of the Group over the medium to long term.

In this series of risk management processes, the Chief Risk Officer (CRO) is appointed to ensure that the duties of the Strategic Risk Committee are properly implemented.

4. Ethics and Compliance

The Company appoints the Chief Ethics and Compliance Officer responsible for ensuring compliance throughout the Group. Under the above system, the Chief Ethics and Compliance Officer will formulate, implement, and manage the comprehensive ethics and compliance policy in the Group, and be obliged to report directly to the Audit Committee about important matters.

5. Matters pertaining to External Directors

【Independence from the Company】

Four (4) out of five (5) External Directors are designated as Independent Directors as stipulated by the Tokyo Stock Exchange (TSE) and reported to that effect to TSE. In addition to the independence standards of External Directors as defined by TSE, the Company has established its own independence standards also factoring in the relationships with the Group, the Group's Executive Officers as well as major shareholders, as described in [Independent Directors]. All of the four External Directors meet the relevant standards of independence.

【Supervision by External Directors and collaboration with other audits】

The secretariats of the Board of Directors and the three Committees of Nomination, Audit, and Compensation assist External Directors and provide them with necessary information. As mentioned above, the External Directors who serve as the Audit Committee members gather information through the Audit Committee by having meetings with the Accounting Auditor, the Group Internal Control and the Group Internal Audit. Based on the information gathered this way, the External Directors supervise the execution of duties by the Executive Officers and Directors through the Board of Directors.

【Outline of an Agreement on Liability Limitation】

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation, an agreement is concluded between the Company and each of the External Directors pertaining to the liability for damages under Article 423, Paragraph 1 of the same Act to the effect that the liability of each of the External Directors in performing their duties in good faith and without gross negligence be limited to the amount as stipulated in each item of Article 425, Paragraph 1 of the same Act.

3. Reasons for Adoption of Current Corporate Governance System

【Reasons for adopting the Company with Three-Committee structure】

We adopt the Company with Three-Committee structure to promote separation of the executive and the supervisory functions, enhance management transparency, improve the level of corporate governance and thereby to become a company trusted by our shareholders.

【Roles and Functions of External Directors in the Company】

We expect that an Independent External Director, MR. Günter Zorn, who is the Chairperson of the Board of Directors and a member of the Committees of Nomination, Audit and Compensation, will contribute to the management of the Group from an independent standpoint as well as based upon his abundant experiences and broad knowledge with regard to business management through the Board of Directors and each Committee.

We expect that an Independent External Director, MR.Toshikuni Yamazaki, who is the Chairperson of the Audit Committee and a member of the Nomination and Compensation Committees, will contribute to the management of the Group from an independent standpoint as well as based upon his abundant experiences and broad knowledge with regard to business management through the Board of Directors and each Committee.

We expect that an Independent External Director, MR. Yasuyuki Kimoto, who is the Chairperson of the Compensation Committee and a member of the Nomination and Audit Committees, will contribute to the management of the Group from an independent standpoint as well as based upon his abundant experiences and broad knowledge with regard to business management through the Board and each Committee.

We expect that an Independent External Director, MR. Masatoshi Matsuzaki, who is the Chairperson of the Nomination Committee and a member of the Audit and Compensation Committees, will contribute to the management of the Group from an independent standpoint as well as based upon his abundant experiences and broad knowledge with regard to business management through the Board and each Committee.

We believe that the presence of these External Directors, who are independent of the Group, and their roles as the Chairperson of each Committee will contribute to further enhancement of management transparency and therefore corporate governance.

In addition, Mr. Yuji Takei has been elected as an External Director based on recommendation by an allottee of class-A shares issued on 31 March 2017 and through discussion at the Nomination Committee of the Company. Although he is not an Independent Director since he does not fully satisfy the independence standards established by the Company, and is not in charge of each Committee, taking into account his career and

	experiences in engaging in corporate management as an External Director of multiple companies, we have selected him as an External Director expecting that he will contribute to the supervisory function of the Board through overseeing performance of Executive Officers.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Group usually sends the notice 3 weeks prior to the day of the Ordinary General Meeting of Shareholders. The Group also publicizes the notice 4 weeks prior to the day of the Ordinary General Meeting of Shareholders by filing it onto the Tokyo Stock Exchange and the electronic platform operated by ICJ as well as in our website.
Allowing Electronic Exercise of Voting Rights	To allow shareholders to submit their votes via the Internet, the Group takes part in electronic voting platform that permits the use of voting websites.
Participation in Electronic Voting Platform	The Group takes part in electronic platform operated by ICJ for institutional investors.
Providing Convocation Notice in English	The Group publicizes the English notice (with Business Report and Consolidated Financial Statements in full sentence excluding Audit Report) by filing it onto the Tokyo Stock Exchange and the afore-mentioned platform as well as on our website Shareholders' Meeting 4 weeks prior to the day of the Ordinary Shareholders' Meeting.
Other	The Shareholders' Meeting resolutions and voting rights result (Japanese and English) are posted in our website in addition to extraordinary reports (Japanese only) submitted via EDINET.

2. Investor relations (IR) Activities[updared]

	Supplementary Explanations	Presentation by President
Preparation and Publication of Disclosure Policy	The Group's disclosure policy can be found in our website. (FYI) http://www.nsg.com/en/investors/strategy-and-policy/ir-basic-policy	
Regular Investor Briefings for Individual Investors	The Group does not hold any regular briefing. Instead, our website timely shows our quarterly financials and presentations for	No

	results announcement on the day of results disclosure.	
Regular Investor Briefings for Analysts and Institutional Investors	The Group, in principle, holds a regular briefing for analysts and institutional investors after a second quarter (October or November) and an annual closing (May) attracting dozens of participants every time. A telephone conference is organized for every quarterly result in July or August and January or February. The Group also hosts briefings for institutional investors and analysts on business strategies and individual businesses separately from those above.	Yes
Regular Investor Briefings for Overseas Investors	The Group, in principle, has regular briefings for overseas investors in Europe, North America and Asia (Hong Kong, Singapore) etc., two to three times a year.	Yes
Posting of IR Materials on Website	The Group website posts financial results information, timely disclosure matters' materials (other than financial information), Securities Report, Quarterly Report, Quarterly Results materials, Business Report ("To our shareholders"), Notice of Convening Ordinary General Meeting of Shareholders/ voting results, corporate governance update, Integrated Report (including Finance Date and Sustainability Date Book), Corporate Profile for Investors("Introduction to NSG") http://www.nsg.com/en/investors/ir-library/annual-reports	
Establishment of Department and/or Manager in Charge of IR	Our IR Department (the Head is Sachiyo Nishie) is responsible for IR.	
Other	The Group shows our profile, IR schedule, stock price and other information for individual investors in our website. "IR news mail alert service" is also available on	

	demand basis.	

3. Measures to Ensure Due Respect for Stakeholders[updared]

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	NSG Group's Corporate Governance Guidelines define how to build good relationship with diverse stakeholders such as employees, customers, suppliers, business partners and local communities. Furthermore, other internal rules including Sustainability Policy under these guidelines refer to more specific relationship.
Implementation of Environmental Activities, CSR Activities etc.	The Company has adopted, among others, NSG Group's Code of Ethics and Sustainability Policy and proactively performed the actions for environment preservation and other sustainability agenda under such framework. The Sustainability Committee chaired by CEO or a person who is nominated by CEO, adjusts and monitors those activities for promotion of sustainability. The Board has defined clear and unambiguous goals of the Group to be reached by 2018 in the areas such as environment, safety, health, energy, reduction of CO2, sustainable highly value adding product development, procurement and transportation responsibility and employees. The status of the progress vis-à-vis such goals from time to time is disclosed in our Integrated Report (invluding Finance Date and Sustainability Date Book)and our website.
Development of Policies on Information Provision to Stakeholders	NSG Group has established Corporate Governance Guidelines, Policy on Constructive Dialogue with Shareholders, Sustainability Policy, Investor Relations Communication Policies which are disclosed in our website.
Other	【Employees diversity】 The Group is a global corporate group. We have multinational managements. Over 80% of employees work outside Japan. Our Group's recruiting activities accommodate diversity since the Company believes a wide range of nationality, skill-set, qualification and experience will yield enormous benefit to our businesses. Our Group's female manager ratio stands at approximately 12.6%.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development[updared]

(1) The Group stands on the following principles to ensure that our Executive Officers and employees as well as Executive Officers, Audit Officers and employees of the subsidiaries (hereinafter collectively called "The Group's executive officers and employees") execute duties in a manner compliant to regulations and Articles of Incorporation:

- On the basis of "NSG Group Our Vision" the Group aims to ensure high levels of corporate ethics and compliance throughout the Group, proactively fulfilling its social responsibilities for the sustainable growth
- Under the "NSG Group Our Vision" the Group establishes the "NSG Group Code of Ethics" providing business ethics and compliance with laws/ regulations/ internal policies and procedures, and uses its internal communication network to continually disseminate and provide educational activities about the contents of the Code of Ethics for the Group employees, together with other important internal provisions of the Group (e.g. Group policies, procedures or manuals).
- Divisions responsible for laws, regulations and internal rules together with the Group Internal Audit identify compliance to them and report to the Audit Committee.
- The Group establishes Ethics and Compliance Function who builds and maintains ethic and compliance mechanism throughout the Group.
- The Ethics and Compliance Function will, throughout the Group:
  - ◆ work closely with a regional team in charge of ethics and compliance matters to promote and ensure compliance by adhering to strict standards and to promote ethics and compliance awareness through communication and training programs; and
  - ◆ conduct audits in cooperation with Internal Audit Function and other Internal Control Functions as it may deem necessary
- The Ethics and Compliance Function shall also report to the Audit Committee.
- The Group establishes a global reporting of concerns hotline not subject to usual reporting structure for execution of the businesses ("hotline"), which enables the Group employees to voice any ethics and compliance related issues through an independent external institution as points of contact; whereby the Group ensures the framework under which it is able to promptly detect and address any such issues.
- Ethics and Compliance Function shall, periodically or as appropriately, update the Audit Committee on the status of the implementation and operation of the hotline as well as on the issues brought from the hotline.

- The Group employees can make a report via the hotline with anonymity to the extent legally permitted and the Group explicitly guarantees that no retaliation or unfavorable personnel treatment will be taken against the Group employees in question for reason of the report.

(2) Rules and systems relating to the management of the risk of loss concerning the Group

- The Group establishes internal policies and procedures to adequately address risks arising from its business activities and comprehensively identify and manage all risks that it could be exposed to.
- The Group establishes internal policies and procedures that define how to treat specific risks associated with ethics and compliance, environment, safety, disaster management, product quality, information security, funding, raw material procurement, research and development and credit management and others, while each SBU and function shall manage such risks in respective areas of responsibility accordingly.
- Ethics and Compliance Function manages and controls significant ethics and compliance related risks including by preparation of adequate internal policies and procedures, in cooperation with Internal Control Functions such as Legal and Internal Audit.
- Risk control measures will be managed and taken, as necessary, including risk diversification and insurance on a group basis. Especially for the Group's insurance coverage, the Group maintains internal regulations and works on global insurance coverage. The Group endeavors to ensure the transfer of important risks of the Group by updating this every year.
- The Group develops and has in place policies and procedures for risk management purposes to prepare against and deal with major incidents that may occur globally or regionally.
- The Group establishes a control system to ensure the integrity of its financial reporting as well as the appropriateness and timeliness of other corporate disclosures.

(3) System for retaining/managing information on Executive Officers' execution of duties.

- Documents, records and any other information regarding Executive Officers' execu tion of duties shall be properly retained and managed in accordance with the ap plicable laws and internal rules

(4) System for ensuring effective and efficient execution of duties by the Group's Execu tive Officers and Employees

- The Group clarifies its annual target across the Group based on its medium to long term

business plans formulated by the Board to exercise coherent policy management.

- The Board authorizes the Executive Officers to make decisions on the business execution within the remit permitted by law.
- The Group establishes the Management Committee comprising the Executive Officers as its members. Discussions and deliberations at the meetings thereof will be of assistance for the Executive Officers to make bold and prompt decisions on the Group businesses in an effective and efficient way, under the Group's basic policies and goals set by the Board.
- The Group clearly defines the area of duties and responsibilities assigned to respective Executive Officers and other Group employees pursuant to the resolutions by the Board and those internal policies and procedures providing for segregation of roles/duties and authorities.
- The Group prepares internal policies and procedures in relation to internal meeting or conference structures within the Group including those in relation to Management Committee and ensures that all business decisions for the Group be made in a manner complied with the standards and process for deliberation provided in such policies and procedures.
- The Group develops and maintains information systems that improve efficiency of business operation by leveraging IT technologies.

(5) Reporting-line in the Group

- The reporting-line structure will be built up and maintained within the Group for each and every SBU and function formed on a group-wide basis.
- The Group formulates an internal policy with respect to the management of the Company's subsidiaries which ensures each key subsidiary to notify the Company regularly of the matters relevant to it regarding: internal audit, finance, treasury, taxation, human resources, labor relations, pensions, health and safety, legal, ethics and compliance, environment and any other areas related to the matters and the risks associated with.
- Internal audit will be conducted on a group basis.

(6) Systems to ensure effectiveness of audits conducted by the Audit Committee

- The Audit Committee, as a part of oversight function of the Board, is tasked to audit execution of duties by Directors and Executive Officers, on the basis of this Key principle on Internal Control System, from a viewpoint of whether:-
  - ◆ an internal control system is established, maintained and implemented by the

Executive Officers in an appropriate manner;

- ◆ this Key principle itself is valid or requires no improvement.

- For the purpose of ensuring the effectiveness of such audit:-
  - ◆ the Audit Committee may have its members attend Management Committee meetings and other important meetings of the Group. When other forms of decision making processes are used in lieu of discussion at a meeting, the Audit Committee reserves the right of access to any information related to or used in such decision-making processes;
  - ◆ the Audit Committee may, as it deems necessary, interview any of those Group employees in a senior positions who run the Group's SBU or Function and other Officers over their execution of duties;
  - ◆ the Audit Committee receives regular reporting about the current risk exposures of the Group with respect to the followings from departments and functions responsible thereof:-
    - ・ internal audit, finance, treasury, taxation, human resources, labor relations, pensions, health and safety, investor relations, legal, ethics and compliance and environment, etc.
  - ◆ the Audit Committee reserves the right of access to papers used for Management Committee meetings, internal approval documents and any other material corporate document;
  - ◆ the Audit Committee receives explanation from the responsible Executive Officer on the Group's quarterly and full-year financial statements before they are presented to the Board for reporting or approval;
  - ◆ the Audit Committee meets with Internal Audit function and Accounting Auditor on a regular basis to obtain necessary information.
  - ◆ Members of the Audit Committee may conduct onsite inspections of the Group's main sites to monitor the status of the business and assets when it deems additionally needed to do so in light of the purpose of the audit prescribed at the beginning of this section.

(7) Systems for reporting to the Audit Committee by the Group's Employees or others

- Directors and Executive Officers shall report the followings to the Audit Committee immediately upon:-
  - ◆ detecting any fact that could pose a substantially harm to the Group
  - ◆ any actual or conceivably potential act against regulations or the Articles of Incorporation, committed by the Group's executive officers and employees

- Without prejudice to generality of the foregoing section, the Audit Committee may request any of the Group executive officers and employees to prepare and submit such reporting as it deems necessary for audit
- The Group explicitly guarantees that no retaliation or unfavorable personnel action in any manner should be taken against those who report to the Audit Committee on the ground of such reporting

(8) Matters relating to Directors and/or Employees who support the execution of duties by the Audit Committee

- The Group installs Audit Committee Office to assist the Audit Committee's duties and assigns required number of staff ("Staff to Audit Committee").
- Staff to the Audit Committee, under the direction of Audit Committee or Audit Committee members,
  - ◆ investigate, analyze or report audit matters either by themselves or in tande m with pertinent divisions and
  - ◆ assist on-site investigation by Audit Committee on present state of business and assets in key sites of the Group both in Japan and abroad if necessary.

(9) Matters concerning independence of the aforementioned Directors and employees from our Executive Officers as well as matters for ensuring effectiveness of direction to such Directors and employees

- Any HR matters related to the Staff to Audit Committee are subject to prior reporting to the Audit Committee and its consent.
- Head of the Staff to Audit Committee shall never double with any position involved in our Group's business execution and solely follow the chain of command of the Audit Committee.

(10) Matters on policies related to procedures for prepayment or reimbursement of cost arising from execution of duty among Audit Committee members (limited to those pertinent to execution of duty of Audit Committee) and policies on processing other costs and debt arising from execution of such duties.

- When an Audit Committee member make a claim to the Group for a prepayment of any cost arising from execution of their duties or other claims stipulated in items in Clause 4 of Article 404, it shall not reject such claims unless the Group proves that any cost or debt related to the claims is not required for execution of duties of the member.

2. Basic Views on Eliminating Anti-Social Forces

The NSG Group articulates in its Code of Ethics that the Group shall consistently act ethically and comply with laws applicable in nations wherever the Group has its business footprint.
We deal with the anti-social forces in accordance with Japanese regulations based on our Code of Ethics. Our compliance manuals describe our philosophy of uncompromised resolve against the anti-social forces which do harm to a social order and safety and our firm attitude to the anti-social forces. We get such a spirit across to our employees through our in-house compliance training. Also, Group Internal Audit and Legal and Administration Department carry out monitoring on our effort in compliance including exclusion of anti-social forces and maintaining collaborative liaison with lawyers and law enforcement authorities, we collect and manage information on anti-social forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation
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2. Other Matters Concerning to Corporate Governance System

Our internal mechanism pertinent to timely corporate information disclosure goes as below;

(1) Disclosure of information on important decision

Any important decision subject to the timely disclosure is firstly initiated and escalated by a Division involved under our internal policy, then is assigned particular decision making unit by a Representative Executive Officer or in the Board followed by an immediate disclosure by IR under the direction of representative in charge of information disclosure.

Any decision on critical issues is disclosed in a timely manner under the structure where IR and relevant divisions such as the Secretariat of the Board or Management Committee work together in order to avoid any incomplete disclosure by checking interactively.

Initiated by Division →Decision making unit assigned→ IR or relevant division → timely disclosure

(2) Disclosure of information on results information

Information on business results drafted firstly by the Finance is resolved or finalized by the Board. It is disclosed by IR under the direction of representative in charge of information disclosure immediately after the decision.

Finance →Decision making unit assigned→ IR → timely disclosure

(3) Disclosure of information on material facts

Any material fact subject to timely disclosure is reported promptly by Divisions upon its occurrence to IR, who, under the direction of representative in charge of information disclosure, carries out timely disclosure.

Initiated by division incurred → IR → timely disclosure

