

## CORPORATE GOVERNANCE

Please note that this document is an English translation from the Japanese original. In case of any discrepancy between the translation and the original, the latter shall prevail.

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The following is an overview of corporate governance at NGK INSULATORS, LTD. (“NGK”).

### **I. Basic Policy Concerning Corporate Governance and Basic Information on Capital Structure, Corporate Attributes, and Other Matters**

#### **1. Basic Policy**

NGK’s basic approach to corporate governance is to establish and maintain an organization capable of swiftly responding to changes in the business environment while ensuring the legality of business activities and the transparency of management and a fair and open management system emphasizing the interests of shareholders.

To put this approach into practice, NGK has chosen a governance structure anchored by the Audit & Supervisory Board. In addition to the General Meeting of Shareholders, the Board of Directors, and the Audit & Supervisory Board, the corporate governance system at NGK includes the Executive Committee and several other committees established to assist the President in management decision-making. These bodies help to enhance governance efficacy by deliberating and reviewing important matters.

Considering the importance of swift and optimal decision-making and its execution for responding promptly to changes in the operating environment, NGK introduced a corporate officer system, thereby separating the management decision-making and supervision function from the business execution function, and clearly defining the responsibilities of both as well as strengthening their functions.

Furthermore, to strengthen the supervision and monitoring functions of the Board of Directors, NGK has mandated the main committees, among the committees that handle the respective risks surrounding NGK, to make reports to the Board of Directors. In addition, NGK ensures that the intent of the Corporate Governance Code is thoroughly implemented by establishing meeting structures, such as the Nomination and Compensation Advisory Committee, Corporate Council, Conference of Outside Directors and Outside Audit & Supervisory Board Members, and Business Ethics Committee. For specific details, please refer to II.-2. “Matters Concerning Functions of Business Execution, Audit and Supervision, Nomination, Determination of Remuneration, etc.” of this Report.

[Reasons for Non-compliance with the Principles of the Japan’s Corporate Governance Code]

[Principle 1-4. Cross-Shareholdings]

NGK holds shares of listed companies which contribute to the NGK Group’s long-term business development as cross-shareholdings, primarily in order to maintain and strengthen business relationships. In addition, NGK holds the shares of each company in the Morimura Group, which was established by the same founders of NGK, for the mutual benefit of enhancing management quality, as the Morimura Group brand forms a part of NGK’s corporate value through its philosophy and heritage.

As all cross-shareholdings are a part of the asset portfolio, they are positioned as assets to supplement the amount of liquidity considered necessary in the business plan. NGK constantly strives to reduce the scale of cross-shareholdings from the perspective of capital efficiency. Furthermore, the scale of cross-shareholdings may fluctuate due to factors including changes in overall business trends and risks, financial conditions, and the status of NGK’s business relationship with each business partner.

Regarding the specific stocks held, at its Board of Directors’ meeting, NGK regularly reviews the

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appropriateness of the continuous holding of shares as cross-shareholdings along with the capital policy, by determining the significance of holding from the business relationship, the safety of ratings and so forth, and the efficiency of dividend yields and so forth. On the other hand, when comparing cross-shareholdings to NGK's cost of capital, evaluations based solely on shares are not conducted. Instead, ROIC management is conducted for each business with differing risks and expected returns, and cross-shareholdings are evaluated after being included in each business's balance sheet.

For voting rights pertaining to cross-shareholdings, NGK exercises voting rights focusing on factors including whether the content of proposals adversely affect the interest of shareholders and whether the investee company implements management that emphasizes the enhancement of corporate value and the interest of shareholders.

[Disclosure Based on the Principles of the Japan's Corporate Governance Code] (Updated)

[Principle 1-7. Framework of Procedures for Related Party Transactions]

At NGK, transactions with directors and corporate officers are designated as matters to be approved by the Board of Directors in accordance with the procedures pertaining to conflict of interest transactions prescribed in laws and regulations. NGK deliberates and makes a resolution of said transactions, at its Board of Directors' meeting, in terms of whether or not the content and conditions of transactions are appropriate and do not impair NGK, and discloses the major content of transactions in its business reports and annual securities reports. Transactions with audit & supervisory board members and major shareholders that do not pose a conflict of interest prescribed in laws and regulations are also designated as matters to be approved at the Board of Directors' meeting, as well as disclosed as above.

[Principle 2-6. Roles of Corporate Pension Funds as Asset Owners]

In April 2020, NGK changed the type of its defined benefit corporate pension plan from a fund-type plan, which is operated by a fund, an independent entity, to an entrepreneur-type plan, which is directly operated by the company.

To ensure that pension benefits are paid to beneficiaries in the future, NGK has the secretariat of the plan in the Human Resources Department and has assigned qualified persons to the secretariat to manage the fund. NGK manages the assets of the corporate pension fund while receiving advice from external pension fund consulting firms, which are neutral parties that do not belong to any specific asset management institution group.

Furthermore, NGK has a Corporate Pension Operating Committee, consisting of members selected by NGK (qualified persons from the human resources and finance & accounting divisions) and members selected by the labor union that represents the beneficiaries. The said Committee checks the appropriateness regarding conflicts of interest between pension fund beneficiaries and NGK, and makes decisions by deliberating matters regarding the operation and management of the pension system and asset management.

[Principle 3-1. Full Disclosure]

(1) Company objectives (management philosophy, etc.), management strategies, and management plans

Our philosophy is as follows:

### NGK Group Philosophy

#### Our Mission

Enriching Human Life by Adding New Value to Society

#### Our Values

Quality of People

Embrace challenges and teamwork.

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Quality of Product	Exceed expectations.
Quality of Management	Social trust is our foundation.

Management strategies and management plans are disclosed in the financial results and on the NGK website.

- (2) Basic approach and basic policies on corporate governance  
For the basic approach and basic policies on corporate governance, please refer to I.-1. “Basic Policy” of this Report. The basic policies on NGK’s corporate governance code are as follows:
- 1) Securing the rights and equality of shareholders  
To effectively secure shareholders’ rights including voting rights at a General Meeting of Shareholders, NGK complies with appropriate procedures pertaining to the exercise of voting rights by shareholders, and provides information that sufficiently explains to shareholders in both quality and quantity through timely and appropriate information disclosure.
  - 2) Appropriate cooperation with stakeholders other than shareholders  
Based on its corporate philosophy, NGK endeavors to ensure sustainable growth and create medium- to long-term corporate value by actively promoting appropriate cooperation with various stakeholders, including employees, customers, business partners, creditors, and local communities.
  - 3) Ensuring appropriate information disclosure and transparency  
Recognizing that appropriate disclosure of information contributes to ensuring the transparency of corporate management as well as improving corporate governance, NGK actively provides not only financial information, such as financial conditions and operating results of NGK, but also non-financial information, such as information related to business strategies and business issues, risks, and corporate governance.
  - 4) Responsibilities of the Board of Directors, etc.  
Based on recognition that the major responsibilities of the Board of Directors are to present the basic policy on management as well as supervision and monitoring of the performance of duties by directors, NGK will leverage the various committees pertaining to business execution and advisory committees that consist mainly of outside directors/audit & supervisory board members so that the Board of Directors can adequately fulfill their responsibilities.
  - 5) Dialogue with shareholders  
Based on recognition that constructive dialogue with shareholders is important for the sustainable growth and the enhancement of medium- to long-term corporate value, NGK sincerely responds to dialogue requested by shareholders in cooperation with the relevant divisions as necessary, and works to provide the management with effective feedback on opinions and concerns of shareholders.
- (3) Policies and procedures of the Board of Directors in determining the remuneration of senior management and directors  
For policies for determining remuneration, please refer to II.-1. “Disclosure of Policies for Determining the Amount or Calculation Method of Remuneration” of “Remuneration of Directors” of this Report.  
For procedures for determining remuneration, please refer to II.-2. “Matters Concerning Functions of Business Execution, Audit and Supervision, Nomination, Determination of Remuneration, etc.” of this Report.
- (4) Policies and procedures of the Board of Directors in appointing and dismissing senior

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management and nominating the candidates for directors and audit & supervisory board members Please refer to II.-2. “Matters Concerning Functions of Business Execution, Audit and Supervision, Nomination, Determination of Remuneration, etc.” of this Report.

- (5) Explanations regarding individual appointments, dismissals, and nominations in appointing and dismissing senior management and nominating candidates for directors and audit & supervisory board members by the Board of Directors

For the reasons for the nomination of directors elected at the 154th Annual Shareholders’ Meeting, please refer to the “Convocation Notice of the 154th Annual Shareholders’ Meeting,” which is provided on NGK’s website (<https://www.ngk-insulators.com/en/ir/index.html>). In addition, the reasons for the nomination of outside directors and outside Audit & Supervisory Board Members are described in II. [Directors] Relationship with NGK (2) and [Audit & Supervisory Board Members] Relationship with NGK (2) of this Report.

### Ken Sugiyama

Since he joined the Company, Mr. Ken Sugiyama has garnered years of experience in the finance divisions through serving as general manager of the Finance & Accounting Department. He has also engaged in the business operations of overseas subsidiaries, and served as general manager of the Auditing Department. As he possesses abundant knowledge and experience regarding both domestic and overseas finance, accounting and operating audit activities of the NGK Group, acquired through the above experiences, the Company has nominated him as an internal Audit & Supervisory Board Member.

### Takeshi Shimazaki

Since he joined the Company, Mr. Takeshi Shimazaki has engaged in the finance divisions for many years, serving as specialist manager of the Finance & Accounting Department. He also has experience serving as general manager of the Auditing Department. As he is well-versed in the actual operations of both domestic and overseas finance, accounting and operating audit activities of the NGK Group, the Company has nominated him as an internal Audit & Supervisory Board Member.

### [Supplementary Principle 4-1-1. Outline of the Scope of Matters Delegated to the Management]

At NGK, matters prescribed by laws and regulations to be resolved at the Board of Directors, and corresponding matters deemed necessary to be resolved at the Board of Directors in light of their significance and characteristics, etc., are decided and resolved at the Board of Directors. The Board of Directors deliberates on the formulation of management strategies and management plans to provide a strategic direction for the achievement of NGK’s management philosophies, and delegates decisions on business execution to NGK’s management based on such direction.

Matters to be judged and determined by the Board of Directors are specifically prescribed in the Articles of Incorporation and the Board of Directors’ Regulations of NGK, which primarily include company-wide unified budgeting, strategic planning such as dissolution, mergers, and alliances of the company, share-handling regulations, determination to call a General Meeting of Shareholders, appointing and removing representative directors, approval of financial statements, business reports, etc., the disposal and acceptance of transfer of important assets (long-term holding securities, land, equipment, etc.), the appointment and dismissal of an important employee, and the establishment and change of important organizations.

NGK has introduced a corporate officer system, thus separating management decision-making and business execution to expedite decision-making, and matters other than the above are decided by the management pursuant to the administrative authority table prescribed separately.

### [Principle 4-9. Independence Standards for Independent Outside Directors]

In addition to the requirements for an outside director under the Companies Act and for an independent director specified by the Tokyo Stock Exchange, NGK may not designate a person who falls under any of the following items as an outside director with independence (hereinafter referred to as the

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“Independent Outside Director”); provided, however, that if NGK considers that such person, who falls under any of the items, is appropriate as the Independent Outside Director of NGK in light of such person’s personality, insight, etc., NGK may designate said person as an Independent Outside Director on the condition that said person satisfies the requirements for an outside director under the Companies Act and for an independent director specified by the Tokyo Stock Exchange as well as on the condition that NGK externally explains the reason why such person is appropriate as the Independent Outside Director of NGK.

In these independence standards, a person who executes business refers to an executive director, executive officer, corporate officer, manager, or other employee, and NGK Group refers to NGK or NGK’s subsidiaries or affiliated companies.

1. A major shareholder who holds 10% or more of the current voting rights of NGK. If such major shareholder is a corporation, a person who has executed the business of said corporation during the last three fiscal years including the most recent fiscal year.
2. A person who currently executes the business of a business partner where the amount of transactions between NGK Group in any of the last three fiscal years including the most recent fiscal year is 2% or more of the consolidated sales of either said business partner or NGK Group.
3. A person who has executed the business of a financial institution or other corporation that is a major creditor, which is indispensable for NGK Group’s fundraising and on which NGK Group depends to the extent that it is irreplaceable, in the past three fiscal years including the most recent fiscal year.
4. An incumbent director or officer of an organization that receives a donation or grant from NGK Group in the amount exceeding ¥10 million per year or 30% of average annual total expenses of such organization, whichever the greater, in any of the last three fiscal years including the most recent fiscal year.
5. A certified public accountant, tax accountant or an incumbent employee of an auditing firm or tax accounting firm who served as an accounting auditor or accounting advisor of NGK Group in the past three fiscal years including the most recent fiscal year.
6. A person who is a lawyer, certified public accountant, tax accountant, or other consultant who does not correspond to any of the individuals mentioned in 5. above and who, in addition to his/her remuneration as an officer, has received cash and other property benefits of ¥10 million or more per year from the NGK Group in the past three fiscal years including the most recent fiscal year, or an incumbent employee, etc., of a law firm, auditing firm, tax accounting firm, consulting firm, or other advisory firm that does not correspond to any of the firms mentioned in 5. above, which received a payment of more than 2% of its annual consolidated gross sales from NGK Group in any of the last three fiscal years including the most recent fiscal year.
7. A person who has executed the business of a company, of which NGK is currently a major shareholder, in the last three fiscal years including the most recent fiscal year.
8. Relatives within the second degree of kinship to a person who falls under the items 1 to 7 above.

[Supplementary Principle 4-11-1. Views on the Balance Between Knowledge, Experience, and Skills of the Board of Directors as a Whole, and Diversity and Size of the Board]

At NGK, the Board of Directors is comprised of persons who have practical experience in business operations in various business fields of the NGK Group, such as manufacturing technology, research and development, sales, and planning as well as leadership, persons who have knowledge of finance, legal affairs, and labor affairs, highly independent external personnel who have a high level of expertise in legal affairs, corporate finance, etc., and knowledge, etc., of international affairs, social and economic trends, technology trends, and corporate management.

Within the limits stipulated by the Articles of Incorporation of NGK (the number of directors shall not exceed fifteen), under the policy of appointing Directors irrespective of gender, race or ethnicity, NGK shall aim to strike a balance between achieving diversity, including in the contexts of gender and nationality, and having a Board of Directors with an appropriate size, through the appointment of female Directors and Directors who have experience in managing overseas subsidiaries.

As for policies and procedures relating to the appointment of directors, please refer to II.-2. “Matters Concerning Functions of Business Execution, Audit and Supervision, Nomination, Determination of

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Remuneration, etc.” of this Report.

[Supplementary Principle 4-11-2. Status of Directors and Audit & Supervisory Board Members Who Also Serve as Officers at Other Listed Companies]

With regard to the status of directors and audit & supervisory board members who also serve as directors and audit & supervisory board members at other companies, NGK discloses such status each year in its convocation notice of the General Meeting of Shareholders, annual securities reports, and report on corporate governance.

[Supplementary Principle 4-11-3. A Summary of the Results of Analyses and Evaluation on the Effectiveness of the Board of Directors]

The operation of meetings of NGK’s Board of Directors has been conducted appropriately in accordance with the applicable laws and regulations, the Articles of Incorporation, and internal regulations, and discussions have been held actively in the meetings. With regard to its effectiveness, the Board of Directors issues a survey at the end of every fiscal year to directors and Audit & Supervisory Board Members. The results are reported at the Board of Directors’ meeting, after the analysis and evaluation by an external organization, and NGK implements specific initiatives to enhance the effectiveness of the Board of Directors based on issues identified in the results of this evaluation.

Regarding the evaluation of the Board of Directors conducted in fiscal 2019, a survey with a total of 50 questions and an open-ended section was conducted at the beginning of April 2020, and the results thereof were reported at a meeting of the Board of Directors held on June 11. Regarding the overall evaluation, we received the following comments from the external organization.

- The foundational elements required of the Board of Directors have been maintained, such as leadership, commitment, and its sound culture and operation. The Board of Directors also raised additional issues in order to make improvements.
- Owing to the above, the external organization considers that the Board of Director possesses continuous effectiveness.
- On top of issues previously identified, including the understanding of risks for important, large-scale projects, and the analysis of past management decisions, new issues were identified regarding the functions and composition of the Board of Directors, as well as the necessity of a medium- to long-term strategy.
- More in-depth discussions on the ideal functions and composition of the Board of Directors are expected to contribute to further improvements in the effectiveness of the Board of Directors.

Based on the results of this evaluation, NGK will continue endeavoring to maintain and strengthen the effectiveness of the Board of Directors, including implementing specific measures suited to actual circumstances at the Company.

[Supplementary Principle 4-14-2. Training Policies for Directors and Audit & Supervisory Board Members]

Taking into account that directors and audit & supervisory board members assume the duty of care of a good manager as a fiduciary of NGK, NGK has established training policies to provide the following opportunities to improve their skills and knowledge so that they can adequately fulfil their respective responsibilities as an expert in management or as a supervisor of business execution.

1. Training for internal officers relating to the Companies Act, Financial Instruments and Exchange Act, competition laws, and corporate governance and compliance
2. The provision of individual explanations from the relevant divisions to outside directors/audit & supervisory board members mainly relating to the items brought up at the Board of Directors’ meetings as well as the periodical provision of information to and opportunities to exchange opinions with outside directors/audit & supervisory board members on the business environment and issues.

[Principle 5-1. Policy for Measures and Organizational Structures Aimed at Promoting Constructive Dialogue with Shareholders]

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NGK strives to provide accurate and prompt explanations concerning business conditions and operational policies and to maximize its corporate value through mutual communication between shareholders and investors.

With regard to the requests of meetings, questions at the General Meeting of Shareholders, and inquiries through NGK's website from shareholders and investors, both NGK's Finance & Accounting Department and General Affairs Department, under the direction of directors responsible for these departments, sincerely respond to shareholders and investors in close cooperation with the Corporate Planning Office, Corporate Communications Department, Legal Department, and other departments where appropriate, thereby working to promote constructive dialogue with shareholders.

NGK also places emphasis on opportunities to conduct direct dialogue with institutional investors, and holds financial results briefings (twice each year) and overseas IR (twice each year) and others with the senior managements.

NGK provides feedback to its management by regularly reporting the results of such dialogue to the Board of Directors, thereby leading to the improvement of the efficiency and transparency of management.

NGK conducts dialogue with shareholders and investors for the purpose of improving corporate value and capital efficiency as well as the promotion of sustainable growth, and given that the disclosure of unpublished material facts in the dialogue will impair the equality among shareholders, NGK, in principle, has no intention to disclose unpublished material facts.

### 2. Capital Structure

Ratio of Shares Held by Foreign Shareholders From 20% to under 30%

[Major Shareholders] (Updated)

Name	Number of Shares Held (Shares)	Ratio to Total (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,287,900	13.35
Japan Trustee Services Bank, Ltd. (Trust Account)	30,746,200	9.71
Meiji Yasuda Life Insurance Company	21,695,140	6.85
The Dai-ichi Life Insurance Company, Limited	21,457,926	6.77
MUFG Bank, Ltd.	7,204,443	2.27
National Mutual Insurance Federation of Agricultural Cooperatives	7,029,000	2.22
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,965,700	1.56
Japan Trustee Services Bank, Ltd. (Trust Account 7)	4,759,600	1.50
JPMorgan Chase Bank 385151	4,602,730	1.45
Aioi Nissay Dowa Insurance Co., Ltd.	4,387,600	1.38

Names of Controlling Shareholders	—
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Name of Parent Company	None
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Supplementary Information (Updated)

The status of major shareholders described above is based on the register of shareholders as of

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March 31, 2020. The change report regarding the report on possession of a large volume of shares, which was made available for public inspection on May 14, 2019, stated that the total number of shares held by MUFG Bank, Ltd. and three companies that are joint holders, as of May 7, 2019, was 29,399 thousand shares (holding ratio of share certificates, etc.: 8.98%). However, since NGK could not confirm the actual number of shares held as of March 31, 2020, the status of major shareholders described above is based on the number of shares recorded in the register of shareholders.

The change report regarding the report on possession of a large volume of shares, which was made available for public inspection on February 6, 2020, stated that the total number of shares held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and one company that is a joint holder, as of January 31, 2020, was 20,334 thousand shares (holding ratio of share certificates, etc.: 6.21%). However, since NGK could not confirm the actual number of shares held as of March 31, 2020, the status of major shareholders described above is based on the number of shares recorded in the register of shareholders.

The change report regarding the report on possession of a large volume of shares, which was made available for public inspection on March 18, 2020, stated that the total number of shares held by Nomura Asset Management Co., Ltd., as of March 13, 2020, was 25,940 thousand shares (holding ratio of share certificates, etc.: 8.05%). However, since NGK could not confirm the actual number of shares held as of March 31, 2020, the status of major shareholders described above is based on the number of shares recorded in the register of shareholders.

### 3. Corporate Attributes

Stock Exchange Listings and Market Classification	Tokyo, First Section; Nagoya, First Section
Fiscal Year-end	March
Category of Business	Glass and ceramic products
Number of Employees at the End of the Previous Fiscal Year (Consolidated)	1,000 or more persons
Net Sales at the End of the Previous Fiscal Year (Consolidated)	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries at the End of the Previous Fiscal Year	50 or more and less than 100 companies

### 4. Guidelines for Measures to Protect Minority Shareholders When Making Transactions with Controlling Shareholders

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### 5. Other Special Circumstances that May Have a Material Impact on Corporate Governance (Updated)

Recognizing that operating subsidiaries is an important step to achieve successful business execution, NGK manages itself and its subsidiaries in an integrated manner, by having its subsidiaries, as a general rule, adopt the same approval standards as those of NGK.

NGK has a subsidiary listed on the stock exchange, SOSHIN ELECTRIC CO., LTD. In the communications market, for which future growth can be expected, the said company manufactures and sells a product family that supplements NGK's products, and strives to create new products from a medium- to long-term perspective. In order to maximize the NGK Group's corporate value, NGK believes that owning the said company has great significance.

With a view to protecting its minority shareholders and securing its independence as a listed company, NGK has excluded the said company from the scope of its integrated management, and the said company does not adopt the same approval standards as those of NGK. Specifically, when NGK receives a report from the said company on its business activities, NGK provides advice, etc.



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as required, with a policy of not exerting excessive control. NGK believes that this policy will contribute to ensuring the effectiveness of the said company's governance system.

### **II. Overview of Corporate Management Organization Concerning Managerial Decision-Making, Execution and Supervision, and Other Corporate Governance System**

#### **1. Matters Related to Organizational Structure and Operations, etc.**

Form of Organization Company with Audit & Supervisory Board

[Directors] (Updated)

Number of Directors Stipulated in the Articles of Incorporation	15 persons
Terms of Office of Directors Stipulated in the Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of Directors	13 persons
Election of Outside Directors	Elected
Number of Outside Directors	3 persons
Number of Outside Directors Designated as Independent Directors	3 persons

#### Relationship with NGK (1)

Name	Attributes	Relationship with NGK (*)										
		a	b	c	d	e	f	g	h	i	j	k
Hiroyuki Kamano	Lawyer											
Emiko Hamada	Academic								○			
Kazuo Furukawa	From other companies								△			

\* Selection criteria regarding relationship with NGK

\* “○” indicates that the item is currently applicable or was recently applicable to the individual. “△” indicates that the item was applicable to the individual in the past.

\* “●” indicates that the item is currently applicable or was recently applicable to a close relative of the individual. “▲” indicates that the item was applicable to a close relative of the individual in the past.

a. A person who executes business of NGK or its subsidiary

b. A person who executes business or a non-executive director of the parent company of NGK

c. A person who executes business of a fellow subsidiary of NGK

d. A person/entity for which NGK is a major client or a person who executes business for such person/entity

e. A major client of NGK or a person who executes business for such client

f. A consultant, accounting professional, or legal professional who receives a large amount of money or other asset other than remuneration for directorship from NGK

g. A major shareholder of NGK (if the major shareholder is a corporation, a person who executes business of such corporation)

h. A person who executes business of NGK's client (which does not fall under any of d, e, and f above) (This applies to the individual only.)

i. A person who executes business of a company which has a relationship of mutual appointment of outside directors/outside audit & supervisory board members with NGK (This applies to the individual only.)

j. A person who executes business of an entity to whom NGK makes donations (This applies to the individual only.)

k. Other

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## Relationship with NGK (2) (Updated)

Name	Independent Director	Supplementary Information on Applicable Items	Reasons for Appointment
Hiroyuki Kamano	○	Not applicable	<p>Having long engaged in legal practice as an attorney-at-law, Mr. Hiroyuki Kamano possesses a wealth of experience and achievements in the legal community, including his service as Vice-President of Tokyo Bar Association. He has been utilizing his expertise, abundant experience and wide range of insights and appropriately fulfilling his duties as an outside director of NGK, by giving his opinion mainly on the level of permeation of the NGK Group Philosophy, strengthening the compliance structure and defining the grounds for business judgments, as well as offering suggestions to NGK's business operation and properly overseeing the management of NGK. Therefore, NGK appointed him as outside director.</p> <p>Because Mr. Hiroyuki Kamano meets the criteria for independent directors and NGK has judged that he may not cause conflicts of interest with general shareholders, NGK has filed him as an independent director.</p>
Emiko Hamada	○	<p>NGK pays research expenses, etc. to National University Corporation Nagoya Institute of Technology, where Ms. Emiko Hamada is currently serving as a part-time lecturer. However, the amount of such payment in the previous fiscal year was less than 0.1% of NGK's consolidated operating expenses.</p> <p>NGK sells products for</p>	<p>Ms. Emiko Hamada has made remarkable achievements such as leading the invention and the world's first commercialization of the CD-R (recordable CD) while working for TAIYO YUDEN CO., LTD. Since then, she has been engaged in research activities mainly through industry-academia-government collaborations as Professor at Nagoya Institute of Technology and Visiting Professor at Nagoya University. By utilizing the insights she has</p>

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		<p>electronics industry, etc. and pays research expenses, etc. to National University Corporation Nagoya University, where Ms. Emiko Hamada served as Visiting Professor. However, the amounts of such sales and payment in the previous fiscal year were less than 0.1% of NGK's consolidated net sales and less than 0.1% of NGK's operating expenses, respectively.</p>	<p>developed through her career, she has been appropriately fulfilling her duties as an outside director of NGK by giving her opinion mainly on strengthening technical capabilities and the current state of quality management, as well as offering suggestions to NGK's business operation and overseeing the management of NGK. Therefore, NGK appointed her as outside director. Because Ms. Emiko Hamada meets the criteria for independent directors and NGK has judged that she may not cause conflicts of interest with general shareholders, NGK has filed her as an independent director.</p>
<p>Kazuo Furukawa</p>	<p>○</p>	<p>NGK sells ceramic products, etc. and pays for the purchase of equipment, etc. to Hitachi Ltd., where Mr. Kazuo Furukawa served as Director and President. However, the amounts of such sales and payment in the previous fiscal year were less than 0.1% of NGK's consolidated net sales and less than 1% of NGK's consolidated operating expenses, respectively. NGK receives research expenses for commissioned, sponsored and subsidized projects from and makes payments for the purchase of facilities, etc. to the New Energy and Industrial Technology Development Organization, where Mr. Kazuo Furukawa served as Chairman. However, the amounts of such sales and payment in the previous fiscal year were</p>	<p>Mr. Kazuo Furukawa has extensive knowledge of technical fields including information and telecommunications, as well as experience leading large organizations, through his work in important positions at Hitachi Ltd. such as President &amp; Chief Executive Officer of the Information &amp; Telecommunication Systems Group and subsequently President, as well as Chairman of the New Energy and Industrial Technology Development Organization. He has been utilizing his knowledge and experience and appropriately fulfilling his duties as an outside director of NGK, by giving his opinion on a wide range of topics regarding all aspects of NGK's business activities, as well as offering suggestions to NGK's business operation and overseeing the management of NGK. Therefore, NGK appointed him as outside director. Because Mr. Kazuo Furukawa meets the criteria for</p>

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		less than 0.1% of NGK's consolidated net sales and less than 0.1% of NGK's consolidated operating expenses, respectively.	independent directors and NGK has judged that he may not cause conflicts of interest with general shareholders, NGK has filed him as an independent director.
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Existence of an Optional Committee Equivalent to a Nominating Committee or Compensation Committee **Yes**

Establishment of an Optional Committee, Composition of the Committee, and Attributes of Chairperson

### Committee Corresponding to Nominating Committee

Committee's Name			Nomination and Compensation Advisory Committee			
Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Others	Chairperson
8	0	3	3	0	2	Inside director

### Committee Corresponding to Compensation Committee

Committee's Name			Nomination and Compensation Advisory Committee			
Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Others	Chairperson
8	0	3	3	0	2	Inside director

### Supplementary Information

The Nomination and Compensation Advisory Committee, of which the majority is composed of outside directors/audit & supervisory board members (a total of 8: 3 outside directors, 2 outside audit & supervisory board members, and 3 inside directors), engages in deliberating on matters relating to personnel matters and remuneration of directors and corporate officers, a succession plan for the chief executive, and other matters, reporting its results to the Board of Directors, and thereby ensuring the fairness and enhancing transparency in the determination of the personnel matters and remuneration of officers.

### [Audit & Supervisory Board Members]

Establishment of the Audit & Supervisory Board	Yes
Number of Audit & Supervisory Board Members Stipulated in the Articles of Incorporation	5 persons
Number of Audit & Supervisory Board Members	4 persons

### Status of Collaboration among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Division

Audits by audit & supervisory board members, accounting audits and internal audits are conducted independently. However, to increase the effectiveness and efficiency of audits, audit & supervisory board members (the Audit & Supervisory Board), accounting auditors and the Auditing Department regularly exchange information regarding the policy, plan, and results of audits.

Election of Outside Audit & Supervisory Board Members	Elected
Number of Outside Audit & Supervisory Board Members	2 persons
Number of Outside Audit & Supervisory Board Members	2 persons

## CORPORATE GOVERNANCE

### Designated as Independent Auditors

#### Relationship with NGK (1) (Updated)

Name	Attributes	Relationship with NGK (*)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Junichi Itoh	From other companies											△			
Masayoshi Sakaguchi	From other companies											△			

\* Selection criteria regarding relationship with NGK

\* “○” indicates that the item is currently applicable or was recently applicable to the individual. “△” indicates that the item was applicable to the individual in the past.

\* “●” indicates that the item is currently applicable or was recently applicable to a close relative of the individual. “▲” indicates that the item was applicable to a close relative of the individual in the past.

a. A person who executes business of NGK or its subsidiary

b. A non-executive director or accounting advisor of NGK or its subsidiary

c. A person who executes business or a non-executive director of the parent company of NGK

d. An audit & supervisory board member of the parent company of NGK

e. A person who executes business of a fellow subsidiary of NGK

f. A person/entity for which NGK is a major client or a person who executes business for such person/entity

g. A major client of NGK or a person who executes business for such client

h. A consultant, accounting professional, or legal professional who receives a large amount of money or other asset other than remuneration for auditorship from NGK

i. A major shareholder of NGK (if the major shareholder is a corporation, a person who executes business of such corporation)

j. A person who executes business of NGK's client (which does not fall under any of f, g, and h above) (This applies to the individual only.)

k. A person who executes business of a company which has a relationship of mutual appointment of outside directors/outside audit & supervisory board members with NGK (This applies to the individual only.)

l. A person who executes business of an entity to whom NGK makes donations (This applies to the individual only.)

m. Other

## CORPORATE GOVERNANCE

## Relationship with NGK (2) (Updated)

Name	Independent Auditor	Supplementary Information on Applicable Items	Reasons for Appointment
Junichi Itoh	○	<p>NGK conducts financial-related transactions including borrowings with MUFG Bank, Ltd., where Mr. Junichi Itoh had served as Senior Managing Director. However, as NGK conducts transactions with multiple financial institutions, the dependence of NGK on the said bank is not to the extent where the said bank is irreplaceable in terms of fundraising.</p> <p>NGK sells ceramic products, etc. to NIKON CORPORATION, where Mr. Junichi Itoh had served as Representative Director of the Board, Executive Vice President and CFO. However, the amount of such sales in the previous fiscal year was less than 0.1% of NGK's consolidated net sales.</p>	<p>Mr. Junichi Itoh has long been involved in corporate management, having held the positions including Senior Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (now MUFG Bank, Ltd.) and Representative Director of the Board, Executive Vice President and CFO of NIKON CORPORATION. NGK appointed him as Outside Audit &amp; Supervisory Board Member in the expectation that he would fulfill an appropriate role in strengthening NGK's corporate governance, by utilizing his insights accumulated through abundant experience and career as a specialist in corporate management.</p> <p>Because Mr. Junichi Itoh meets the criteria for independent auditors and NGK has judged that he may not cause conflicts of interest with general shareholders, NGK has filed him as an independent auditor.</p>
Masayoshi Sakaguchi	○	<p>NGK borrows funds from Nippon Life Insurance Company, where Mr. Masayoshi Sakaguchi served as Senior Advisor. However, as NGK conducts transactions with multiple financial institutions, the dependence of NGK on the said company is not to the extent where the said company is irreplaceable in terms of fundraising.</p>	<p>Mr. Masayoshi Sakaguchi has abundant experience in the administration and leadership of large organizations, gained through his work in important positions including Chief of Osaka Prefectural Police Headquarters, Commissioner-General's Secretariat and subsequently Commissioner-General of the National Police Agency. NGK considers that he will be able to contribute to the enhancement of NGK's corporate value by utilizing this experience to oversee NGK's overall management from the perspectives of legal compliance and risk management. Therefore, NGK</p>

## CORPORATE GOVERNANCE

Name	Independent Auditor	Supplementary Information on Applicable Items	Reasons for Appointment
			appointed him as an outside Audit & Supervisory Board Member. Because Mr. Masayoshi Sakaguchi meets the criteria for independent auditors and NGK has judged that he may not cause conflicts of interest with general shareholders, NGK has filed him as an independent auditor.

### [Independent Directors/Auditors]

Number of Independent Directors/Auditors 5 persons

### Other Matters Relating to Independent Directors/Auditors

All outside directors and outside audit & supervisory board members who qualify as independent directors/auditors have been designated as independent directors/auditors.

Mr. Hiroyuki Kamano attended all of 14 Board of Directors' meetings held in fiscal 2019 and provided his opinions mainly on the level of permeation of the NGK Group Philosophy, strengthening the compliance structure and defining the grounds for business judgments, utilizing his expertise, abundant experience and wide range of insights as an attorney-at-law.

Ms. Emiko Hamada attended all of 14 Board of Directors' meetings held in fiscal 2019 and provided her opinions mainly on strengthening technical capabilities and the current state of quality management, utilizing her experience from engaging in business development and extensive knowledge concerning research and development. Ms. Emiko Hamada's name on the family register is Emiko Kato.

Mr. Kazuo Furukawa attended all of 11 Board of Directors' meetings held from June 21, 2019, when he assumed office as director, until the last day of fiscal 2019, and provided his opinions on a wide range of topics regarding all aspects of NGK's business activities, utilizing his extensive knowledge of technical fields including information and telecommunications, as well as his experience in leading large organizations.

Mr. Junichi Itoh attended all of 14 Board of Directors' meetings and all of 14 Audit & Supervisory Board meetings held in fiscal 2019 and provided his opinions mainly on medium- to long-term business development and risk management, utilizing his experience and extensive knowledge as a manager at The Bank of Tokyo-Mitsubishi UFJ, Ltd. (now MUFG Bank, Ltd.) and NIKON CORPORATION.

Mr. Masayoshi Sakaguchi attended all of 11 Board of Directors' meetings and all of 10 Audit & Supervisory Board meetings held from June 21, 2019, when he assumed office as Audit & Supervisory Board Member, until the last day of fiscal 2019, and provided his opinions mainly on international affairs and the impact of domestic and overseas regulations on NGK's business, utilizing his abundant experience and achievements in public administration and police administration.

### [Incentives]

Status of Implementation of Measures to Grant Incentives to Directors Adoption of performance-linked compensation system and stock option system

### Supplementary Information Regarding Applicable Item (Updated)

For performance-linked bonuses paid as annual bonuses, 1. comparisons of net sales, operating

## CORPORATE GOVERNANCE

income, and net income attributable to owner of parent company (Net income amounts, hereinafter, the same applies) announced at the start of the period and during the period with amounts at the end of the period, and 2. comparisons of net sales, operating income, and net income in the previous fiscal year with those in the fiscal year under review are used as short-term indicators, while 1. the level of achievement in each fiscal year in terms of important issues spanning multiple fiscal years established by NGK, and 2. operating income and net income, on which ROE is based, are used as medium-term indicators (these indicators are all based on the consolidated business performance of the NGK Group; hereinafter, the same applies). NGK prioritizes comparisons with business performance figures announced at the start of the period and during the period, and comparisons with business performance figures in the previous fiscal year, based on the perspective that the achievement of business performance targets announced by NGK and the achievement of steady growth each fiscal year are important to shareholders and investors. Among measures of business performance, NGK uses net sales, operating income, net income, and ROE as indicators, as these figures are a clear measure of actual capabilities. The calculation of these amounts is determined by the following method:

- A basic bonus amount to be used as the basis of the calculation is established for each position.
- The basic bonus amount is distributed between each item in 1. comparisons of net sales, operating income, and net income amounts announced at the start of the period and during the period with amounts at the end of the period, and 2. comparisons of net sales, operating income, and net income in the previous fiscal year with those in the fiscal year under review, from a short-term perspective, and 1. the level of achievement in each fiscal year in terms of important issues spanning multiple fiscal years established by NGK, and 2. operating income and net income, on which ROE is based, from a medium-term perspective.
- The result for each item is calculated, within a range from 0% to 200%, and the amount allocated to each item is calculated.
- The allocated amounts are totaled and the amount of performance-linked bonus is calculated.
- For directors who are not representative directors, the amounts of performance-linked bonuses are adjusted based on representative directors' assessment of individual performance.
- As a result the actual amount of performance-linked bonus paid fluctuates within a range of 0% to 200% of the basic amount.

Targets for the main indicators related to performance-linked bonuses and the actual results are as follows:

Business performance amounts announced at the beginning of the period: net sales of ¥490.0 billion, operating income of ¥70.0 billion, and net income of ¥47.0 billion

Business performance amounts announced during the period: net sales of ¥450.0 billion, operating income of ¥60.0 billion, and net income of ¥42.0 billion

Business performance amounts in the previous fiscal year: net sales of ¥463.5 billion, operating income of ¥64.7 billion, net income of ¥35.5 billion, and ROE of 7.6%

Business performance amounts in the fiscal year under review: net sales of ¥441.9 billion, operating income of ¥55.0 billion, net income of ¥27.1 billion, and ROE of 5.8%

With regard to stock-related remuneration, NGK grants stock compensation-type stock options as a long-term incentive. The exercise price of the stock option is ¥1 per share, and NGK determines the number of stock options according to the respective managerial positions. As terms and conditions of the exercises of rights, the director shall, in principal, exercise his/her rights within five years after the lapse of one year from the date of retirement from the office of officer.

Grantees of Stock Options

Inside directors and others

Supplementary Information Regarding Applicable Item

“Others” in the grantees of stock options above indicate corporate officers.

The purpose of the compensation system is to enhance motivation and morale of the inside directors and corporate officers to raise the stock value and improve consolidated business performance through appropriate corporate management.



## CORPORATE GOVERNANCE

### [Remuneration of Directors]

Status of Disclosure (of the Remuneration of Individual Directors)	The remuneration of individual directors is not disclosed.
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### Supplementary Information Regarding Applicable Item

The remuneration of individual directors who receive a total of 100 million yen or more for remuneration on a consolidated basis, etc. is disclosed in the annual securities reports.

Existence of Policies for Determining the Amount or Calculation Method of Remuneration	Yes
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### Disclosure of Policies for Determining the Amount or Calculation Method of Remuneration

The remuneration of directors (excluding outside directors) and corporate officers consists of the following three components: (1) basic remuneration as fixed annual remuneration according to respective positions; (2) a performance-linked bonus, which is based on the business performance each year; and (3) stock-related remuneration to enhance the motivation, etc. of directors to improve the medium- to long-term corporate value through appropriate corporate management by increasing sensitivity toward the NGK stock price and sharing with shareholders both advantages and risks generated by ups and downs of the stock price. NGK does not pay any performance-linked bonus or stock-related remuneration to outside directors and Audit & Supervisory Board Members and only pays basic remuneration since they assume roles in supervising and auditing management from an independent standpoint.

In NGK's view, bonuses linked to short-term performance and stock compensation-type stock options, which are aimed at increasing the stock price by increasing directors' motivation and morale to improve medium- to long-term corporate value, are variable components of remuneration linked to business performance. With regard to the ratio between this variable remuneration and fixed annual remuneration, the ratio of basic remuneration, performance-linked bonuses, and stock-related remuneration is set from a perspective of putting priority on the stability and enhancement of medium- to long-term performance, based on the fact that NGK's businesses are in materials industries that provide many products contributing to industry and the social foundations of peoples' lives, and the fact that, when creating new products and businesses, NGK prioritizes technology developed proprietarily, including materials technology and production technology, and it requires a relatively long time to develop this technology and bring new products to market, and for these products to contribute to earnings. The total amount of remuneration, including basic remuneration, is determined in accordance with officers' positions, taking into consideration remuneration levels according to the size of companies and other factors, using data from reliable external research institutions.

By the resolutions at the General Meetings of Shareholders held in June 2007 and June 2017, NGK has set the maximum amount of remuneration, etc., excluding stock options, or stock-related remuneration of directors at ¥800 million per year, which includes the amount of ¥60 million per year for outside directors. It was also resolved that the maximum amount of remuneration, etc., concerning stock options to be allocated to directors (excluding outside directors) to be set at ¥200 million per year, and the maximum amount of remuneration, etc. of Audit & Supervisory Board Members at ¥100 million per year. Furthermore, in terms of the number of officers that these resolutions apply to, Articles 20 and 31 of the Articles of Incorporation of NGK stipulate that the prescribed number of directors shall not exceed fifteen and the prescribed number of Audit & Supervisory Board Members shall not exceed five. In addition, NGK discontinued the retirement bonus system for officers at the conclusion of the 139th Annual General Meeting of Shareholders held in June 2005.

[Support System for Outside Directors (Outside Audit & Supervisory Board Members)]

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With respect to important management matters, NGK sends materials to outside directors and outside audit & supervisory board members and provides explanation as necessary.

## CORPORATE GOVERNANCE

[Status of Presidents, etc. who have Retired from Office]

- Names, etc. of consultants, advisors, etc. who were former Presidents, etc.

Name	Titles and Positions	Description of responsibilities	Type and conditions of employment (Full-time/part-time, whether remuneration is received)	Date of retirement from office as President	Term of office
Masaharu Shibata	Executive Adviser	Activities regarding economic associations, regional contribution activities, etc. (Non-participation in management)	Part-time Receives remuneration	March 31, 2010	Updated each year
Taro Kato	Counselor	Providing advice on technology trends, etc. (Non-participation in management)	Part-time Receives remuneration	June 27, 2014	Maximum term: Until September 2023
Eiji Hamamoto	Adviser to the Board	Activities regarding economic associations, regional contribution activities, etc. (Non-participation in management)	Part-time Receives remuneration	June 26, 2018	Maximum term: Until June 2023

- Total number of consultants, advisors, etc. who were former Presidents, etc.: 3
- Other notes:

At NGK, the assumption of office of former Presidents, etc. as consultants, advisors, etc. is resolved at a Board of Directors' meeting, and their employment conditions, including remuneration, are determined according to internal regulations stipulated through an agreement among the representative directors. Their responsibilities mainly include activities regarding economic associations which are important to the NGK Group and providing advice for specific fields, and they do not participate in the decision-making process of management.

## 2. Matters Concerning Functions of Business Execution, Audit and Supervision, Nomination, Determination of Remuneration, etc. (Outline of the Current Corporate Governance System) (Updated)

[Status of Business Execution]

With regard to the business execution pursuant to the resolution by the Board of Directors, the President is responsible for supervising the business operations of NGK as a chief executive. To assist the President in decision making, the Executive Committee deliberates important matters

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related to business execution.

To strengthen the supervision and monitoring functions of the Board of Directors, NGK has mandated the main committees, among the committees that handle the respective risks surrounding NGK, to make reports to the Board of Directors. In addition, NGK ensures that the intent of the Corporate Governance Code is thoroughly implemented by establishing meeting structures, such as the Nomination and Compensation Advisory Committee, Corporate Council, Conference of Outside Directors and Outside Audit & Supervisory Board Members, and Business Ethics Committee.

### <Executive Committee>

The Executive Committee is a body that deliberates necessary matters to assist the President in decision making, and consists of the President, directors, audit & supervisory board members, senior fellows, as well as corporate officers, chairpersons, general managers and division heads designated by the President, of which 17 are male and one is female as of the submission date of this Report. The names, etc. of the members of the Executive Committee are as follows:

Chairperson: Taku Oshima (President)

Directors: Hiroshi Kanie, Chiaki Niwa, Susumu Sakabe, Ryohei Iwasaki, Shuhei Ishikawa, Nobumitsu Saji, Atsushi Matsuda, Shigeru Kobayashi, and Tsutomu Nanataki

Audit & Supervisory Board Members: Ken Sugiyama and Takeshi Shimazaki

Senior Fellow: Yukihiisa Takeuchi

Corporate officers and division heads designated by the President: Tadaaki Yamada, Atsushi Miyajima, Hideaki Shindo, Hiroyuki Shinohara, and Mayumi Inagaki

### <Nomination and Compensation Advisory Committee>

The Nomination and Compensation Advisory Committee was established in order to ensure fairness and enhance transparency in officers' personnel matters, the determination of remuneration, and other matters. The majority of the Committee is composed of outside directors/Audit & Supervisory Board Members, who deliberate personnel matters for directors and corporate officers, matters relating to remuneration to directors, corporate officers, and Audit & Supervisory Board Members, and a succession plan for the chief executive, and reports its results to the Board of Directors. The names, etc. of the members of the Nomination and Compensation Advisory Committee are as follows:

Chairperson: Taku Oshima (President)

Members: Outside directors: Hiroyuki Kamano, Emiko Hamada, and Kazuo Furukawa

Outside Audit & Supervisory Board Members: Junichi Itoh and Masayoshi Sakaguchi

Representative directors: Hiroshi Kanie and Chiaki Niwa

### < Corporate Council >

The Corporate Council is a council where outside directors/Audit & Supervisory Board Members, representative directors, and other participants exchange opinions, and an opportunity where management seeks for advice from the outside directors/Audit & Supervisory Board Members concerning various issues on management. The names, etc. of the members of the Corporate Council are as follows:

Outside directors: Hiroyuki Kamano, Emiko Hamada, and Kazuo Furukawa

Outside Audit & Supervisory Board Members: Junichi Itoh and Masayoshi Sakaguchi

Representative directors: Taku Oshima, Hiroshi Kanie, and Chiaki Niwa

### <Conference of Outside Directors and Outside Audit & Supervisory Board Members >

The Conference of Outside Directors and Outside Audit & Supervisory Board Members consists solely of outside directors/Audit & Supervisory Board Members, and exchanges opinions concerning managerial issues and other matters aiming to actively contribute to discussions at the Board of Directors' meetings. The names, etc. of the members of the Conference of Outside Directors and Outside Audit & Supervisory Board Members are as follows:

Outside directors: Hiroyuki Kamano, Emiko Hamada, and Kazuo Furukawa

Outside Audit & Supervisory Board Members: Junichi Itoh and Masayoshi Sakaguchi

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### <Hearing Convened by Audit & Supervisory Board Members and Outside Directors>

Comprised of audit & supervisory board members and outside directors, information is collected from internal persons regarding the business environment and issues of NGK. The names, etc. of the members of the Hearing Convened by Audit & Supervisory Board Members and Outside Directors are as follows:

Standing Audit & Supervisory Board Members: Ken Sugiyama and Takeshi Shimazaki

Outside Audit & Supervisory Board Members: Junichi Itoh and Masayoshi Sakaguchi

Outside directors: Hiroyuki Kamano, Emiko Hamada, and Kazuo Furukawa

### <Business Ethics Committee >

The Committee, comprised of outside directors/audit & supervisory board members and one inside director in charge of compliance, conducts investigations as necessary into fraudulent acts or violations of laws and regulations in which the officers and others of NGK were involved and makes recommendations on measures to prevent reoccurrence, etc. to the Board of Directors, in addition to considering the creation of compliance systems and compliance activities aimed at compliance with competition laws and the Foreign Corrupt Practices Act, and reporting the results thereof to the Board of Directors. The Committee strives to strengthen the compliance system by establishing, in addition to the current Helpline System, a whistle-blowing system (hotline), which is directly linked to the Business Ethics Committee, as a mechanism to prevent any such fraudulent act or violation of laws and regulations. The names, etc. of the members of the Business Ethics Committee are as follows:

Chairperson: Hiroyuki Kamano(Outside directors)

Members: Outside directors: Emiko Hamada, and Kazuo Furukawa

Outside Audit & Supervisory Board Members: Junichi Itoh and Masayoshi Sakaguchi

Director: Nobumitsu Saji

### [Status of Audits]

The respective audit & supervisory board members audit the execution of duties by directors through means such as collecting information through effective communication with directors and employees and attending the Board of Directors' meetings and the Executive Committee meetings in accordance with the audit policy and audit plan set forth by the Audit & Supervisory Board. In addition, efforts are made to enhance mutual cooperation between the accounting auditors and the internal audit division by exchanging information on the status of audits and other matters as necessary at the Audit & Supervisory Board meetings, where outside audit & supervisory board members (independent auditors) attend, and conduct evaluation of accounting auditors based on "Appointment and Evaluation Standards for External Accounting Auditors."

Standing audit & supervisory board members attend major internal meetings of the CSR Committee, Internal Controls Committee, Development Committee, Facilities Committee, etc., to receive reports on the status of execution of duties by directors, etc., and other matters, seek explanations as necessary, as well as provide opinions. In addition, standing audit & supervisory board members inspect important approval documents, etc., and examine the status of operations and assets of major business sites. Furthermore, they exchange information with and receive business reports from directors and audit & supervisory board members of subsidiaries, and provide opinions as necessary. Standing audit & supervisory board members report the details of these audit activities at the Audit & Supervisory Board meetings, where outside audit & supervisory board members are present, to share information among audit & supervisory board members and to exchange opinions with each other.

As of the submission date of this Report, certified public accountants who execute accounting audit activities of NGK are Mr. Keisuke Minakami and Mr. Akinori Masumi, who belong to Deloitte Touche Tohmatsu LLC.

As an internal audit division, NGK has established the Auditing Department which conducts audits of the status of business execution at each operating division and provides representative directors with information that contributes to corporate decision-making. The general manager of the Auditing Department is a member of the Internal Controls Committee and the CSR Committee.

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Audits by audit & supervisory board members, accounting audits, and internal audits are conducted independently. However, to increase the effectiveness and efficiency of audits, information regarding the policy, plan, and results of audits is exchanged regularly.

[Procedures for determination of remuneration]

With regard to the remuneration of officers, NGK will endeavor to ensure fairness and enhance transparency by deliberating on basic policies and procedures for determination of remuneration, the overall remuneration range of directors/audit & supervisory board members, and the amount of remuneration for individual directors/audit & supervisory board members at the Nomination and Compensation Advisory Committee, comprised mainly of outside directors/audit & supervisory board members and reporting the results thereof to the Board of Directors. The Board of Directors accepts the report from the Nomination and Compensation Advisory Committee and, while sufficiently taking it into consideration, once again delegates the determination of officers' remuneration to consultation between representative directors. Representative directors have the authority to determine basic remuneration, performance-linked bonuses, and stock-related remuneration in accordance with respective positions within the scope delegated to them by resolution of the Board of Directors, based on consultation between all representative directors, and the names of these representative directors are as follows:

Taku Oshima, Hiroshi Kanie, and Chiaki Niwa

The amount of remuneration, etc., of each audit & supervisory board member is determined through consultation between the audit & supervisory board members.

[Policies and procedures concerning the nomination of candidates for officers and the appointment and dismissal of senior management]

(Policies concerning nomination, appointment, and dismissal)

The NGK Group is mainly engaged in the manufacturing business supplying raw materials such as ceramics and related products to diverse business domains and a wide range of areas including overseas. NGK's senior management, which comprises representative directors and directors with special titles, as well as directors and corporate officers who assume business execution are required to make business judgments and decisions based on their respective profound knowledge in the business operations of each NGK Group business field, manufacturing technology, research and development as well as their knowledge of finance, legal affairs, and labor affairs, and standing audit & supervisory board members are also required to conduct audit based on their expert knowledge in finance and knowledge obtained through individual business experience. Therefore, in nominating candidates for directors and standing audit & supervisory board members, NGK places emphasis on practical business experience in manufacturing technology, research and development, sales, planning, etc., in each business field, leadership, as well as on whether or not they have expertise, such as in finance, legal affairs, and labor affairs. With regard to outside directors and outside audit & supervisory board members, NGK nominates candidates from among persons who have a high level of expertise in legal knowledge, corporate finance and others, as well as knowledge of international affairs, social and economic trends, technology trends, and corporate management. The Articles of Incorporation of NGK stipulate that the prescribed number of directors shall not exceed fifteen.

In appointing representative directors and directors with special titles, NGK places emphasis on the capabilities to discern and formulate countermeasures for issues faced by the NGK Group, and on leadership skills required to demonstrate the ideal state of the NGK Group and spur the organization into action. On the other hand, when representative directors or directors with special titles commit a grave violation of laws and regulations, the Articles of Incorporation of NGK or other regulations of the NGK Group, or when a situation arises that would seriously impede their execution of duties, they may be dismissed if the Nomination and Compensation Advisory Committee has deemed the dismissal as appropriate and the Board of Directors have made a resolution on the dismissal.

The above policy is deliberated at the Nomination and Compensation Advisory Committee, comprised mainly of outside directors/audit & supervisory board members, and results thereof are

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reported to the Board of Directors.

(Procedures concerning nomination, appointment, and dismissal)

With regard to the nomination of candidates for directors and audit & supervisory board members, all representative directors deliberate on each candidate, and obtain approval from the Audit & Supervisory Board regarding the candidates for audit & supervisory board members. In addition, the nomination of each of the candidates for directors and audit & supervisory board members, as well as the appointment and dismissal of representative directors and directors with special titles are deliberated at the Nomination and Compensation Advisory Committee, comprised mainly of outside directors/audit & supervisory board members. By having the Committee report the results thereof to the Board of Directors, NGK strives to ensure fairness, transparency and timeliness in the procedures concerning nomination, appointment, and dismissal. At the Board of Directors' meeting, candidates for directors and audit & supervisory board members are nominated, compliant to the reporting procedures of the Committee, as an agenda (proposal) for the General Meeting of Shareholders. After the directors are elected at the General Meeting of Shareholders, in consideration of reports of the Committee, the Board of Directors shall appoint the representative directors and directors with special titles.

[Conclusion of liability limitation agreement]

NGK has entered into an agreement with all the outside directors and outside audit & supervisory board members to limit the liability for damages provided for in Article 423, Paragraph 1 of the Companies Act to the amount set out in Article 425, Paragraph 1 of the Companies Act.

### 3. Reasons for Adopting the Current Corporate Governance System

NGK believes that corporate governance will function effectively by leveraging suggestions and advice from highly independent outside directors with abundant experience and extensive knowledge for making reasonable management decisions and ensuring the transparency and soundness of management as well as by conducting audits of the execution of duties by directors, business operations, and financial conditions by audit & supervisory board members including highly independent outside audit & supervisory board members with experience and extensive knowledge. Therefore, NGK has adopted the current corporate governance system.

## III. Implementation of Measures Related to Shareholders and Other Stakeholders

### 1. Measures to Revitalize the General Meeting of Shareholders and Facilitate Exercise of Voting Rights (Updated)

	Supplementary Information
Early Distribution of Convocation Notice of the General Meeting of Shareholders	NGK sends the convocation notice 16 days prior to the day before the General Meeting of Shareholders. Before sending, NGK discloses the convocation notice through the Tokyo Stock Exchange's Timely Disclosure network (TDnet) and on the NGK website.
Scheduling of General Meeting of Shareholders Avoiding the Peak Day	NGK recognizes that it is essential to provide accurate information to facilitate sufficient constructive dialogue with shareholders and, therefore, NGK appropriately sets the date of the General Meeting of

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	Shareholders and associated schedules taking into account the compliance of applicable laws and regulations and the period necessary for various administrative works.
Exercise of Voting Rights through Electromagnetic Means	The exercise of voting rights via the Internet is available.
Participation in an Electronic Voting Platform and Other Measures to Improve Environment for Exercise of Voting Rights by Institutional Investors	NGK participates in the electronic voting platform for institutional investors operated by ICJ, Inc. NGK develops an environment in which institutional investors in Japan and around the world may exercise their voting rights by introducing an electronic voting system as well as participating in the Tokyo Stock Exchange's electronic voting platform.
Provision of the Convocation Notice (Summary) in English	The English translated version of a part of the convocation notices is prepared.
Other	NGK submits an extraordinary report regarding resolutions at the General Meeting of Shareholders.



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### 2. Investor Relations Activities (Updated)

	Supplementary Information	Explanation by Representative
Holding of Regular Briefings for Analysts and Institutional Investors	NGK holds briefings in Japan after the announcement of financial results.	Yes
Holding of Regular Briefings for Foreign Investors	NGK holds overseas investor relations sessions every year.	Yes
Exhibiting IR Fair for Individual Investors	NGK exhibited at Nomura IR Fair 2019, an IR event held by a securities company for individual investors in December 2019.	No
Posting of Investor Relations Materials on NGK website	On its website, NGK provides financial results, timely disclosure materials other than financial results, annual securities reports, NGK Reports, materials for the General Meeting of Shareholders and other information. (URL of NGK website: <a href="https://www.ngk-insulators.com">https://www.ngk-insulators.com</a> )	
Establishment of a Section (Post) for Investor Relations	Finance & Accounting Department, Corporate Communication Department	

### 3. Measures to Respect the Position of Stakeholders (Updated)

	Supplementary Information
Provision of Internal Rules, etc. to Respect the Position of Stakeholders	NGK sets forth in the “NGK Group Code of Conduct” that through communications with all of our stakeholders, we will expand their understanding of NGK Group companies, review corporate activities based on comments and needs forwarded to us, sincerely listen to their requests for improvements, and via the creation of new value through the provision of products and services that contribute to society, reciprocate the trust that society has put in us.
Implementation of Environmental Conservation Activities, CSR Activities, etc.	Recognizing that global environmental protection is a common material issue for all humanity, NGK formulated its Core Policy on the Environment in order to promote its corporate activities in harmony with the environment. Under this core policy, NGK works to reduce the environmental burden of business activities, and actively strives to contribute to the protection of the global environment through developing products and technologies that contribute to environmental protection. To promote environmental

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	<p>activities, NGK has established the Environmental Protection Committee that formulates an environmental action plan, promoting initiatives in line with the priority activities of the plan.</p> <p>NGK has also established the CSR Committee to engage in activities that contribute to society and satisfy the needs of local communities, in order to become a corporate citizen that can be trusted by local communities and centered on “people and education,” “environment,” and “relationship with the community.” In addition, NGK Group companies in Japan and around the world conduct various social contribution activities rooted in their local communities and employee volunteers are engaged in activities in cooperation with local communities in their respective regions.</p>
<p>Establishment of Policies, etc. Concerning Provision of Information to Stakeholders</p>	<p>NGK discloses financial information, such as financial conditions and operating results, and non-financial information, such as information related to business strategies, business issues, risks, and corporate governance in its business reports and annual securities reports. In addition, NGK actively provides information in NGK Reports, the NGK website, newspapers, and other media.</p>
<p>Other</p>	<p>Engaged in the creation of a friendly environment for female employees, NGK prepared an action plan in January 2016 based on the Women’s Participation Promotion Act. As specific measures, NGK has established a numerical target for the proportion of women in new graduate hires, which will lead to increasing female candidates for management positions, and is also expanding the business areas of female employees and opportunities for women to participate in the workplace by increasing the allocation of women to departments where there were formerly few female employees. In addition, NGK has enhanced work-from-home systems and introduced childcare leave systems for men, in order to provide paternity leave and support after childbirth, as it strives to enhance internal understanding regarding the balance between career development and childcare.</p> <p>For the employment of people with disabilities, the NGK Group established a special-purpose subsidiary, and is engaged in initiatives to expand employment of people with disabilities. In April 2020, NGK newly established the Diversity &amp; Inclusion Department in the Human Resources Department. Centering</p>

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around the said division, NGK aims to further promote flexible ways of working that respect the diversity of its employees.

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### **IV. Matters Related to Internal Control System, etc.**

#### **1. Basic Policy and Status of Implementation of Internal Control System (Updated)**

In accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act, NGK establishes a system to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation and other systems that are deemed necessary to ensure the appropriateness of business operations of NGK as well as the NGK Group consisting of NGK and its subsidiaries.

- 1) System to ensure that the directors of NGK execute their duties in compliance with laws and regulations and the Article of Incorporation
  - i. The Board of Directors shall formulate the guidelines for corporate behavior (hereinafter the “NGK Group Code of Conduct”) applicable to the subsidiaries as well, and provide rules and behavior standards for directors to execute their duties pursuant to laws and regulations and the Articles of Incorporation and in accordance with corporate ethics, and the directors shall observe such guidelines.
  - ii. The Board of Directors and the executive bodies overseen by the President shall be responsible for establishing and operating the internal control system. NGK shall establish the Auditing Department, a specialized internal audit body that conducts audits of the status of business execution at each operating division and the Compliance Committee that is responsible for establishing, maintaining, and improving the internal control system. Moreover, NGK shall establish the Internal Controls Committee that deliberates issues concerning “Assessment and Report on Internal Control Over Financial Reporting” pursuant to the Financial Instruments and Exchange Act.
  - iii. The Compliance Committee shall establish the secretariat comprising persons responsible for ensuring the compliance of actual operations in each division, to ensure daily operations are in compliance with laws and regulations, as well as internal rules. In addition, NGK shall establish the Helpline System as a consultation and reporting route outside the normal reporting line in the event that any violation of laws and regulations or internal rules and any fact that is contrary to the objectives of the NGK Group Code of Conduct are discovered. The System is operated pursuant to the Helpline System Operation Rules.
  - iv. NGK shall establish the Business Ethics Committee, comprised mainly of outside directors/audit & supervisory board members, for responding to the fraudulent acts or violation of laws and regulations in which the officers and others of NGK were involved as well as competition laws and the Foreign Corrupt Practices Act (hereinafter the “Events”). With regard to whistle blowing pertaining to the Events, NGK shall encourage to use the “Hotline System,” separately established from the Helpline System. In regard to the Hotline System, an external lawyer designated in advance shall receive the whistle blowing report and report it directly to the Committee. As to the Events, NGK shall establish a management system under which the Committee reports directly to the Board of Directors, thereby maintaining and enhancing the compliance system.
  - v. NGK shall establish the ESG Committee as a review body for the purpose of sharing information, exchanging of views and discussing policies with regard to the Environmental, Social and Corporate Governance important issues among the President and the directors of the relevant division.
  - vi. Directors shall check the effectiveness of the above compliance system regularly. If a director finds any problem on the effectiveness thereof, violation of laws and regulations, or other problems on compliance, such director shall report to the Board of Directors and the Audit & Supervisory Board and shall take necessary measures.
- 2) System for storage and management of information related to the execution of duties by directors of NGK  
Information related to the execution of duties by directors shall be stored and managed in an appropriate and searchable manner pursuant to the document management rules, etc., and the

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directors and audit & supervisory board members may access such information at any time.

- 3) Rules and other systems related to the control of the risk of loss for NGK
    - i. Risks associated with business operations shall be controlled at each relevant organization on a daily basis, while NGK shall avoid and prevent these risks by comprehensively examining and analyzing them in the course of budgeting, approving the implementation of capital investment, research and development, etc. and at the Strategy Committee.
    - ii. With regard to company-wide risks, each relevant organization shall perform risk management on a daily basis pursuant to the Basic Rules on Risk Management. In addition, with regard to material risks, through the activities of each of the following committees, NGK shall avoid and prevent the occurrence of risks in each category.
      - a. Compliance Committee: Matters relating to laws and regulations, and corporate ethics
      - b. HR Committee: Matters relating to human rights and measures for personnel
      - c. Safety and Health Committee: Matters relating to safety and health
      - d. Central Disaster Prevention and Control Headquarters: Matters relating to incidents, accidents, disasters concerning facilities, etc.
      - e. Quality Committee: Matters relating to problems with quality of products, etc.
      - f. Environmental Protection Committee: Matters relating to the environment
      - g. BCP Countermeasures Headquarters: Matters relating to business continuity
      - h. Security Export Control/Specified Export and Customs Clearance Control Committee: Matters relating to export control
      - i. Business Ethics Committee: Matters stipulated in 1. (4) above
- With regard to significantly material risks, based on the judgment of the corporate officers in charge of supervising the Corporate Planning Office, a Countermeasures Meeting that the President participates in may be convened, and appropriate responses shall be made.

- 4) System to ensure efficient execution of duties by directors of NGK
  - i. With regard to the business execution pursuant to the resolution by the Board of Directors, the President is responsible for supervising the business operations of NGK as a chief executive. To assist the President in decision-making, the Executive Committee, Strategy Committee, ESG Committee, Development Committee, Facilities Committee, Quality Committee, Environmental Protection Committee, Safety and Health Committee, Compliance Committee, Internal Controls Committee, and HR Committee shall be established for comprehensive deliberation and coordination.
  - ii. With regard to the daily business execution by directors, the authorities are delegated by defining responsible persons, their responsibilities and details of execution procedures in the administrative authority table, Rules for Division of Duties and various rules for approval procedures to ensure efficient business execution.
- 5) System to ensure that the employees of NGK execute their duties in compliance with laws and regulations and the Articles of Incorporation
  - i. The Board of Directors shall formulate the NGK Group Code of Conduct and provide rules and behavior standards for employees to execute their duties pursuant to laws and regulations and the Articles of Incorporation and in accordance with corporate ethics. In addition, the Board of Directors shall develop the compliance system through the implementation of compliance education for employees by the Compliance Committee and the operation of the Helpline System and Hotline System.
  - ii. In the event that an employee finds any violation of laws and regulations or other compliance issues, such employee shall immediately report to his/her supervisor, the director of the relevant division, or the internal division in charge.
  - iii. The Auditing Department shall conduct internal audits to inspect the status of business execution at each division, and ensure that each division establishes and operates the system of appropriate internal control. In addition, each section that serves as the secretariats of the Quality Committee, the Environmental Protection Committee and the Safety and Health

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Committee shall conduct audits within the NGK Group in a manner focusing on their specialized fields (hereinafter known as “specialized audits”). As required, specialized audits shall be conducted with the involvement of the Chairperson of the Compliance.

- 6) System to ensure the appropriateness of business operations of the NGK Group consisting of NGK and its subsidiaries
  - i. System for reporting to NGK pertaining to the execution of duties by directors of subsidiaries
    - a. The divisions in charge of supervising subsidiaries shall have the subsidiaries under their supervision report the trends and changes in the operations of the subsidiaries (management system, labor management, compliance, etc.) as needed. The division in charge that received a report from the subsidiary shall report to the Corporate Planning Office, the controlling secretariat of the NGK Group companies, for centralizing information to report to the corporate officers responsible for supervising the NGK Group companies and shall also report to the relevant divisions in the Head Office. In the event of the occurrence of any compliance issue or incident/accident related to compliance at a subsidiary, the division in charge shall report to the Compliance Committee Chairperson in addition to the above without delay.
    - b. If a subsidiary finds that the corporate management or guidance by NGK violates laws and regulations or causes any compliance issue, such subsidiary shall report to the Compliance Committee of NGK.
  - ii. Rules and other systems related to the control of the risk of loss for subsidiaries  
With regard to the disposal and acquisition of material property, capital investment, borrowing of funds, loans and guarantees of obligations, disposal of trade receivables, etc. in the subsidiaries, NGK shall provide in the “administrative authority table” to the effect that the subsidiaries shall obtain approval, depending on the contents and scale thereof, from the supervising divisions of NGK, the President based on the deliberation at the Executive Committee, or the Board of Directors based on its resolution, and thereby NGK shall manage the risk of loss for the subsidiaries.
  - iii. System to ensure efficient execution of duties by directors of subsidiaries
    - a. The divisions in charge of supervising subsidiaries shall, under their guidance, have the subsidiaries draw up their business policies and reflect them to the resolution of their Board of Directors. With regard to the business execution of subsidiaries pursuant to the resolution of the Board of Directors, NGK delegates the supervision of the business execution to the respective presidents of subsidiaries as chief executives.
    - b. With regard to the daily business execution by directors of the subsidiaries, NGK shall have the respective subsidiaries formulate rules relating to the administrative authorities, division of duties and approval procedures, in which responsible persons, their responsibilities and details of execution procedures are defined and delegate the authorities to ensure efficient business execution.
  - iv. System to ensure that the execution of duties by directors and employees of subsidiaries complies with laws and regulations and the Article of Incorporation  
NGK shall formulate the NGK Group Code of Conduct common to NGK and its subsidiaries and foster the awareness of legal compliance among directors and employees of NGK and its subsidiaries as a whole, and thereby improve the system to ensure appropriate business execution. NGK shall make an effort to maintain the risk management system and compliance system through means such as dispatching audit & supervisory board members of NGK to the subsidiaries, as well as implementing internal audits and specialized audits conducted by the Auditing Department of NGK. While the Helpline System and Hotline System of NGK shall be available for the officers and employees of the subsidiaries, listed subsidiaries shall furnish their own helpline systems. Overseas subsidiaries shall develop their own helpline systems or systems supplement or alternative to the helpline system taking into consideration the situation, culture and social climate, etc. of their countries.
- 7) Matters concerning employees who assist the duties of audit & supervisory board members

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when the audit & supervisory board members request appointment of such employees  
When audit & supervisory board members request appointment of employees who assist their duties, representative directors shall deal with the matter appropriately through consultation with the audit & supervisory board members.

- 8) Matters concerning the independence of said employees from directors of NGK  
When employees who assist the duties of audit & supervisory board members are appointed, transfer, evaluation and disciplinary action of such employees shall be conducted after obtaining the consent of the Audit & Supervisory Board.
- 9) Matters related to ensuring the effectiveness of instructions given by the audit & supervisory board members to said employees  
Audit & supervisory board members may give instructions to said employees at any time as necessary, and the employees shall perform their duties giving priority on such instructions.
- 10) System concerning reports to audit & supervisory board members
  - i. System for directors and employees of NGK to report to audit & supervisory board members
    - a. In addition to the cases set forth in 1) above, when a director finds any matter that may cause significant damage to NGK, such director shall immediately report to audit & supervisory board members.
    - b. In addition to the cases set forth in 5) above, when an employee finds any matter that may cause significant damage to NGK, such employee shall immediately report to his/her supervisor, the director of the relevant division, or the internal division in charge. The supervisor, the director of the relevant division, or the internal division in charge that received the report shall immediately report to audit & supervisory board members.
    - c. Each division in charge shall report to audit & supervisory board members the operation status of the compliance system, the operation status of the Helpline System, the results of internal audits, and matters that audit & supervisory board members deem necessary to be reported for executing their duties.
  - ii. System for directors, audit & supervisory board members and employees of subsidiaries (hereinafter “officers and employees”) and any person who received a report from officers and employees to make reports to the audit & supervisory board members of NGK
    - a. When an officer or employee of the subsidiaries or the division in charge of supervising subsidiaries, which received a report from the subsidiary pursuant to the provisions in 6), i., a. above, finds any violation of laws and regulations, any compliance issue or any matter that may cause significant damage to NGK, such individual or the supervising division shall immediately report to the audit & supervisory board members of NGK.
    - b. The audit & supervisory board members of NGK shall regularly hold liaison meetings with audit & supervisory board members of or persons responsible for auditing at the subsidiaries and have them report the operation status of the subsidiaries.
    - c. The administrative secretariat of the Helpline System, which is also available for the officers and employees of the subsidiaries, shall report the operation results of the Helpline System including cases from the subsidiaries at the Compliance Committee meeting where the audit & supervisory board members of NGK are present, and report, as necessary, to the audit & supervisory board members of NGK.
- 11) System to ensure that officers and employees of NGK and its subsidiaries who made a report as stated in 10) above shall not receive disadvantageous treatment on the basis of making such report  
Officers and employees of NGK and its subsidiaries who made a report to the audit & supervisory board members of NGK shall not receive any disadvantageous treatment, including dismissal, demotion, salary reduction, transfer, etc., on the basis of making such report.
- 12) Matters concerning procedures for advance payment or reimbursement of expenses incurred in

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the execution of duties by audit & supervisory board members of NGK and the policy for treatment of expenses or liabilities incurred in the execution of such duties

NGK shall secure budget for expenses relating to the execution of duties by audit & supervisory board members based on the details prepared by the Audit & Supervisory Board. When off-budget expenses arise, NGK shall also allow the advance payment or the reimbursement of the expenses therefor.

- 13) Other systems to ensure effective audits by audit & supervisory board members of NGK  
Audit & supervisory board members may request reporting from directors and employees at any time as necessary. In addition, audit & supervisory board members shall regularly exchange opinions with representative directors and accounting auditors, respectively.

### **2. Basic Policy and Status of Implementation of Efforts towards Elimination of Antisocial Forces (Updated)**

The “NGK Group Code of Conduct” stipulate that NGK and its subsidiaries shall take resolute action pursuant to laws and regulations against any undue claims by antisocial forces and eliminate any relationship with them.



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## V. Other

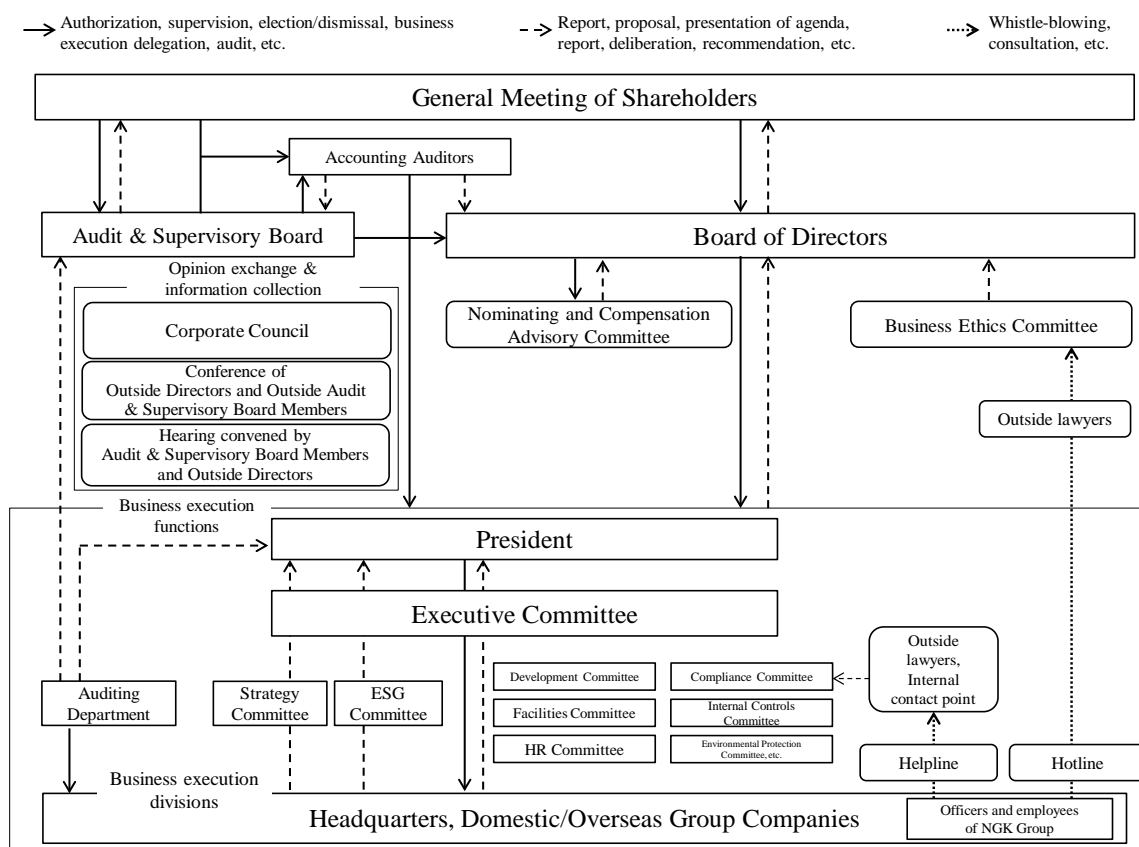
### 1. Adoption of Takeover Defense Measures

Adoption of Takeover Defense Measures No

Supplementary Information Regarding Applicable Item

### 2. Other Matters Concerning Corporate Governance System

[Reference Material 1: NGK's Corporate Governance System]



\* Of systems mentioned above, with regards to the Management Council, Outside Directors/Outside Audit & Supervisory Board Members' Meeting, Hearing from Audit & Supervisory Board Members and Outside Directors, Nominating and Compensation Advisory Committee, Management Ethics Committee, and hotline, NGK has resolved, at its Board of Directors' Meeting held on October 30, 2015, the establishment policy and framework of each meeting structures. However, the actual establishment is scheduled to start from January 2016.

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[Reference Material 2: Overview of NGK's Timely Disclosure System]

