

December 24, 2021  
 NGK INSULATORS, LTD.  
 President: Shigeru Kobayashi  
 Contact: 052-872-7210  
 Securities Code: 5333  
<https://www.ngk-insulators.com/en/>

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

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

### 1. **Basic Views on Corporate Governance**

NGK’s basic policy on corporate governance is to ensure legality in business activities and transparency in management. The Company has established a structure that can respond swiftly to changes in the business environment and built and maintains shareholder-focused system to ensure fair management.

To put this policy into practice, NGK has chosen the governance structure of a company with an Audit & Supervisory Board. We have established a corporate governance structure that increases the effectiveness of corporate governance through debate and deliberation on important matters. This was accomplished by establishing the Executive Committee and various other committees to support the president in making decisions, in addition to the General Meeting of Shareholders, Board of Directors, and Audit & Supervisory Board.

NGK recognizes the need for swift, optimal decision-making and execution to respond to changes in the business environment. We have therefore introduced an corporate officer system to segregate the management decision-making and supervisory function from the business execution function to clearly define the roles of and strengthen each function.

To strengthen the supervisory and oversight function of the Board of Directors, we have mandated reporting to Board of Directors from the key committees among committees that handle various risks surrounding NGK. To ensure that the objectives of the Corporate Governance Code are thoroughly implemented, we established the Nomination and Compensation Advisory Committee, Corporate Council, Conference of Outside Directors and Outside Audit & Supervisory Board Members, the Business Ethics Committee, and other committees. See section II.-2. “Matters Concerning Functions of Business Execution, Audit and Supervision, Nomination, Determination of Compensation, etc.” in this report for more information.

NGK will continue to strive for a better corporate governance system.

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

Based on Corporate Governance Code after revision in June, 2021

#### **[Principle 1-4. Cross-shareholdings]**

NGK holds shares in listed companies that contribute the long-term business development of the NGK Group as cross-shareholdings, primarily to maintain and strengthen transactional relationships. We also hold shares in each company in the Morimura Group, which shares a common founder. We hold these shares to mutually enhance management quality because the Morimura Group brand is part of NGK’s corporate value through its philosophy and history.

As part of our asset portfolio, all cross-shareholdings are positioned as assets to supplement the liquidity considered necessary for our business plans. We always keep shrinking the size of cross-shareholdings in mind from the perspective of asset efficiency, and the size of cross-shareholdings may change due to changes in overall business trends and risks, financial conditions, the transactional relationship with each company whose shares we hold, and other such factors.

The Board of Directors regularly reviews NGK’s capital policy and whether it is appropriate to continue holdings these shares based on certain indicators in addition to significance of holding shares from the perspective of the transactional relationship. Such indicators include the credit rating and other indicators of the safety in holding shares, and the dividend yield and other indicators of efficiency. However shares are not the only factor evaluated in relation to NGK’s cost of capital. We also manage the return on invested capital

(NGK version ROIC) for each business, which have different risks and anticipated rates of return, and evaluate cross-shareholdings as part of the balance sheets for each business.

When exercising voting rights on cross-shareholdings, we focus on whether the business is being managed with an emphasis on enhancement of corporate value, shareholder return, in addition to evaluation from the perspective of the content of resolutions and whether they will adversely affect shareholder return.

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

Below, we describe our views on ensuring diversity in the promotion of core human resources and other areas, our goals, and progress on those goals. We also describe our policies on human resource development and establishment of the internal environment, and the status of implementation of these policies.

<Promotion of Women to Managerial Positions>

To promote the advancement of women, we have set numerical targets for the percentage of female new graduates hired (40% or higher for humanities, and 20% or higher for science), and are expanding the areas of employment by assigning and transferring women to divisions that have not had many women in the past. We have also introduced telecommuting, expanded the childcare leave system for men, and provided educational activities to increase understanding of work-life balance to establish an environment that makes it easy for women to participate actively.

NGK is also increasing the number of female employees in overseas assignments, divisions and department heads, and other core positions of responsibility in the company and expanding areas of participation. The series of initiatives earned Stage 3 Eruboshi certification. In June 2020, NGK appointed the first female corporate officer to be promoted internally.

We will continue to implement measures to create an environment that encourages the advancement of women and supports their self-directed growth. Although the percentage of women in managerial positions in the head office is currently only 3% in 2021, we intend to increase this to around 9% by 2030 and more than 20% by 2050.

<Promotion of Foreign Nationals to Managerial Positions>

At NGK, 12,400 of 19,700 Group employees are stationed overseas. We believe the advancement of local human resources is essential for making the appropriate decisions for Group management rapidly, based on the circumstances, culture, and practices in each location. We have expanded our overseas business based on active promotion of local human resources to core management positions.

Local personnel comprise 70% of current division head-level management at overseas subsidiaries of NGK. One foreign national corporate officer affiliated with an overseas subsidiary has also been promoted to corporate officer in the head office. We therefore recognize that conditions do not require implementing measures specifically designed to promote foreign nationals to managerial positions.

<Promotion of Mid-career Hires to Managerial Positions>

NGK has long cast a wide net in searching for human resources based on experience, competence, and other qualities, whether they are hired as new graduates or mid-career hires. We also base decision on promotion to managerial positions on competence, suitability, and other factors, without differentiating between new and mid-career hires and will continue this policy in the future. We therefore recognize that conditions do not require implementing measures specifically designed to promote mid-career hires to managerial positions.

<Human Resource Development Policy, Policy on Establishing an Internal Environment, and Status of Efforts to Ensure Diversity>

NGK works to ensure diversity by promoting diverse human resources according to our basic policy on stable, equal opportunity employment regardless of ethnicity, nationality, gender, age, religion, creed, or disability, both in hiring new graduates and mid-career personnel. We take other steps to establish an internal environment to ensure diversity, mainly by systematically developing human resources, promoting work-life balance, and reducing long working hours.

See NGK's corporate website for more information on developing human resources and establishing an internal environment to ensure diversity.  
(Human Resource Development)

<https://www.ngk-insulators.com/en/sustainability/society-employee03.html>

(Work-Life Balance)

<https://www.ngk-insulators.com/en/sustainability/society-employee07.html>

(Employees)

<https://www.ngk-insulators.com/en/sustainability/society-employee01.html>

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

Based on Corporate Governance Code after revision in June, 2021

This includes content for the Prime Market in Supplementary Principle 4-10-1.

#### **[Principle 1-7. Related Party Transactions]**

NGK designates transactions with directors and corporate officers as matters requiring approval from the Board of Directors in accordance with the procedures for conflicts of interest specified in a laws and regulations. Such transactions are discussed and decided from the perspectives of whether the content and terms of the transaction are appropriate, and whether it could harm the Company. We disclose the main content of such transactions in business reports and annual securities reports. Transactions with Audit & Supervisory Board members and major shareholders that do not pose conflicts of interest under laws and regulations are also designated as matters requiring the same approval from the Board of Directors and are also disclosed in the same manner.

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

Below, we describe our views on ensuring diversity in the promotion of core human resources and other areas, our goals, and progress on those goals. We also describe our policies on human resource development and establishment of the internal environment, and the status of implementation of these policies.

##### <Promotion of Women to Managerial Positions>

To promote the advancement of women, we have set numerical targets for the percentage of female new graduates hired (40% or higher for humanities, and 20% or higher for science), and are expanding the areas of employment by assigning and transferring women to divisions that have not had many women in the past. We have also introduced telecommuting, expanded the childcare leave system for men, and provided educational activities to increase understanding of work-life balance to establish an environment that makes it easy for women to participate actively.

NGK is also increasing the number of female employees in overseas assignments, divisions and department heads, and other core positions of responsibility in the company and expanding areas of participation. The series of initiatives earned Stage 3 Eruboshi certification. In June 2020, NGK appointed the first female corporate officer to be promoted internally.

We will continue to implement measures to create an environment that encourages the advancement of women and supports their self-directed growth. Although the percentage of women in managerial positions in the head office is currently only 3% in 2021, we intend to increase this to around 9% by 2030 and more than 20% by 2050.

##### <Promotion of Foreign Nationals to Managerial Positions>

At NGK, 12,400 of 19,700 Group employees are stationed overseas. We believe the advancement of local human resources is essential for making the appropriate decisions for Group management rapidly, based on the circumstances, culture, and practices in each location. We have expanded our overseas business based on active promotion of local human resources to core management positions.

Local personnel comprise 70% of current division head-level management at overseas subsidiaries of NGK. One foreign national corporate officer affiliated with an overseas subsidiary has also been promoted to corporate officer in the head office. We therefore recognize that conditions do not require implementing measures specifically designed to promote foreign nationals to managerial positions.

##### <Promotion of Mid-career Hires to Managerial Positions>

NGK has long cast a wide net in searching for human resources based on experience, competence, and other qualities, whether they are hired as new graduates or mid-career hires. We also base decision on promotion to managerial positions on competence, suitability, and other factors, without differentiating between new and mid-career hires and will continue this policy in the future. We therefore recognize that conditions do not require implementing measures specifically designed to promote mid-career hires to managerial positions.

<Human Resource Development Policy, Policy on Establishing an Internal Environment, and Status of Efforts to Ensure Diversity>

NGK works to ensure diversity by promoting diverse human resources according to our basic policy on stable, equal opportunity employment regardless of ethnicity, nationality, gender, age, religion, creed, or disability, both in hiring new graduates and mid-career personnel. We take other steps to establish an internal environment to ensure diversity, mainly by systematically developing human resources, promoting work-life balance, and reducing long working hours.

See NGK's corporate website for more information on developing human resources and establishing an internal environment to ensure diversity.

(Human Resource Development)

<https://www.ngk-insulators.com/en/sustainability/society-employee03.html>

(Work-Life Balance)

<https://www.ngk-insulators.com/en/sustainability/society-employee07.html>

(Employees)

<https://www.ngk-insulators.com/en/sustainability/society-employee01.html>

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

In April 2020, NGK switch management of its defined benefit pension plan from a fund-type system managed by an independent company to a rules-based system managed directly by the Company.

To ensure that pension benefits are paid to beneficiaries in the future, we have established a Secretariat in the Human Resources Department and have assigned properly qualified personnel to the Secretariat. This Secretariat manages the funds while seeking advice from external neutral consulting firms that are not affiliated with specific asset management institutions.

NGK has established a Corporate Pension Operating Committee consisting of delegates chosen by the Company (properly qualified personnel from the Human Resources Department and Finance & Accounting Department) and delegates chosen by the labor union to represent beneficiaries. The committee makes investment decisions through a process of checking appropriateness on conflicts of interest between the Company and beneficiaries and discussing matters concerning operation and management of the pension system and assets.

#### **[Principle 3-1. Full Disclosure]**

1. Company philosophy (on management, etc.), business strategy and business plans  
NGK's philosophy:

NGK Group Philosophy

Our Mission

Enriching Human Life by Adding New Value to Society.

Our Values

Quality of People

Embrace challenges and teamwork.

Quality of Product

Exceed expectations.

Quality of Management

Social trust is our foundation.

NGK formulated the NGK Group Vision in April 2021.

To capitalize on rapid advancement in the major trends of achieving carbon neutrality and becoming a digital society as opportunities for development with our sight set on the future society in 2050, NGK is pursuing the Five Transformations of 1) ESG as a foundation of management, 2) Profitability improvement, 3) Focus on R&D, 4) Focus on commercialization, and 5) Digital transformation (DX). Under the slogan of "Surprising Ceramics," we will utilize NGK's proprietary

ceramic technologies to transform our business structure in preparation for the “Third Foundation.”

See the NGK corporate website for more information on the NGK Group Vision.  
(NGK Group Vision) <https://www.ngk-insulators.com/en/info/vision/>

2. Basic Views and Basic Policy on Corporate Governance

See Section I-1. “Basic Views on Corporate Governance” for a description of our basic views on corporate governance. Our basic policy on corporate governance is as follows:

(1) Ensuring shareholder rights and impartiality

NGK follows appropriate procedures relating the exercise of shareholder rights to ensure the effective exercise of voting rights by shareholders in the General Meeting of Shareholders and other rights. We provide sufficient explanation to shareholders in both quantity and quality, through appropriate disclosure in a timely manner.

(2) Appropriate collaboration with stakeholders other than shareholders

NGK actively promotes appropriate collaboration with employees, customers, business partners, creditors, local communities and other stakeholders to generate sustained growth and create corporate value over the medium and long term, based on our corporate philosophy.

(3) Ensuring appropriate information disclosure and transparency

NGK recognizes that appropriate disclosure of information ensures transparency in corporate management and, in turn, contributes to improving corporate governance. We actively communicate information on business strategy and management issues, risk, corporate governance, and other non-financial information in addition to information on the Company’s financial condition, business results, and other financial information.

(4) Responsibilities of the Board of Directors, etc.

NGK maximizes the use of various committees related to the execution of business and advisory committees consisting mainly of outside officers to enable the Board of Directors to fulfill its responsibilities, based on the recognition that the main responsibilities of the Board of Directors are to present the basic management policy and supervise and oversee the performance of duties by directors.

(5) Dialog with shareholders

NGK recognizes that constructive dialog with shareholders is important to achieve sustained growth and enhance medium and long-term corporate value. We therefore respond sincerely to requests from shareholders for dialog and work together with the relevant divisions as necessary, and strive to provide effective feedback to management on the opinions and concerns of shareholders.

3. Policy and Procedures of the Board of Directors in Determining the Compensation of Executive Management and Directors

See Subsection 1. “Disclosure of Policy on Determining Compensation Amount or Calculation Method” in Section II. “Director Compensation” in this report for the policy on determining compensation.

See Section II-2. “Matters Concerning Functions of Business Execution, Audit and Supervision, Nomination, Determination of Compensation, etc.” in this report for the procedures for determining compensation.

4. Policies and Procedures of the Board of Directors in Appointing and Dismissing Executive Management and Nominating Candidates for Director and Audit & Supervisory Board Member

See Section II-2. “Matters Concerning Functions of Business Execution, Audit and Supervision, Nomination, Determination of Compensation, etc.” in this report.

5. Explanations Regarding Individual Appointments, Dismissals, and Nominations in Appointing and Dismissing Executive Management, and Nominating Candidates for Director and Audit & Supervisory Board Member by the Board of Directors

See the “Convocation Notice of the 155<sup>th</sup> Annual Shareholder’s Meeting” provided on NGK’s website (<https://www.ngk-insulators.com/en/ir/>) for the reasons for nominating the directors elected at the 155<sup>th</sup> Annual Shareholders’ Meeting. See Section II. “Directors,” Subsection “Relationship with NGK (2)” and Section II. “Audit & Supervisory Board

Members,” Subsection “Relationship with NGK (2)” for the reasons for nominating outside directors and outside Audit & Supervisory Board members.

The reasons for nominating the outside directors are as follows:

**Nobumitsu Saji**

Since joining the Company, Nobumitsu Saji gained experience in multiple business divisions and then served as the director in charge of legal and compliance-related divisions. He possesses extensive knowledge and experience in business management and compliance in the NGK Group. We nominated Mr. Saji for the position of internal Audit & Supervisory Board member because we deemed him to be capable of contributing to the enhancement of NGK’s corporate value by utilizing his knowledge and experience to audit overall management of the Company.

**Takeshi Shimazaki**

Since joining the Company, Takeshi Shimazaki has worked in finance divisions for many years and served as the specialist manager of the Finance & Accounting Department. He also has experience as the general manager of the Auditing Department and is highly knowledgeable in the practical administration of finance, accounting, and operating audits in the NGK Group, including overseas operations.

[Supplementary Principle 3-1-3]

<Initiatives in Sustainability>

NGK wants to contribute to the realization of a sustainable society and meet the needs and earn the trust of the public. We will accomplish this by providing new value through unique technologies, with the sustainable development goals (SDGs) adopted by the United Nations in mind. This is NGK’s basic view on sustainability. We formulated the NGK Group Vision as roadmap to 2050 based on the NGK Group Mission of “enriching human life by adding new value to society.” We will transform our business through the “5 Transformations” and strive achieve our vision of contributing to the realization of carbon neutrality and a digital society through our unique ceramic technologies. ESG management is positioned as one of the 5 Transformations. For the environment (E) component that forms the foundation of ESG, we formulated the NGK Group Environmental Vision along with the NGK Group Vision, and revised our Core Policy on the Environment to achieve our vision. For the Society (S) component, we established the NGK Group Human Rights Policy based on the United Nations Guiding Principles on Business and Human Rights and will pursue initiatives in respecting human rights. With these perspectives in mind, we established the NGK Group Code of Conduct to provide organized guidelines for engaging in honest business activities in the NGK Group. This code of conduct applies to all employees who work in the NGK Group and to the entire domestic and overseas supply chains associated with our business activities. The code specifies the conduct expected in executing business. We will earn the trust of society and enhance corporate value over the medium and long term by ensuring that everyone in the NGK Group acts in accordance with these policies and guidelines.

See the NGK corporate website for more information on initiatives.

(ESG Action Framework)

<https://www.ngk-insulators.com/en/sustainability/management01.html>

(ESG Activities)

<https://www.ngk-insulators.com/en/sustainability/environment-management01.html>

(Respect for Human Rights)

<https://www.ngk-insulators.com/en/sustainability/society-employee02.html>

(Employees)

<https://www.ngk-insulators.com/en/sustainability/society-employee01.html>

(Supply Chain)

<https://www.ngk-insulators.com/en/sustainability/supply-chain02.html>

(Risk Management)

[https://www.ngk-insulators.com/en/sustainability/compl\\_riskmanagement01.html](https://www.ngk-insulators.com/en/sustainability/compl_riskmanagement01.html)

<Investment in Human Capital>

We have positioned “Embrace challenges and teamwork” as the top value in Our Values and “Enriching human life by adding new value to society” as our Mission in the NGK Group Philosophy. It is our human resources who will drive the 5 Transformations to achieve the vision described in the NGK Group Vision. We have specified three areas of education in human



resource development: 1) “Human Skills” needed to tenaciously pursue results through teamwork, 2) “Professional Competence” needed to cultivate a distinctive skill set and a proactive approach to problems, and 3) “Compliance Requirements in Job Performance” needed to recognize and act upon responsibilities as a member of society. NGK is working with the relevant departments to systematically provide such education in every job category. In addition to providing educational programs, we also work with superiors and create a workplace environment that enables employees to take the initiative in their own growth aimed at contributing to the business in the environment in which they work.

See the NGK corporate website for more information.

(Human Resource Development)

<https://www.ngk-insulators.com/en/sustainability/society-employee03.html>

<Investment in Intellectual Property>

NGK has positioned intellectual property as an extremely important management resource. The acquisition and use of patents, utility models, designs, trademarks, and other intellectual property rights have contributed to NGK’s business and development thus far. The relevant departments will continue to collaborate more closely with the Intellectual Property Department to build and utilize a strategic intellectual property network aimed at realizing the NGK Group Vision.

See the NGK corporate website for more information.

(Intellectual Property)

[https://www.ngk-insulators.com/en/sustainability/compl\\_riskmanagement03.html](https://www.ngk-insulators.com/en/sustainability/compl_riskmanagement03.html)

<Impact of Climate Change-related Risks and Opportunities on NGK’s Business Activities, Profitability, etc.>

NGK recognizes that response to climate change is one of the most important issues concerning sustainability of the earth. We aim to achieve carbon neutrality through our business activities by 2050, based on the NGK Group Environmental Vision. We view analysis and disclosure of the risks and opportunities presented by climate change as an effective way to solve problems and endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in February 2020. We continue to launch internal projects, analyze scenarios, and take other steps to arrange disclosure of information in accordance with the TCFD recommendations.

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

In NGK, the Board of Directors makes decisions and approves resolutions on matters that must be decided by the Board of Directors under laws and regulations, as well as matters of corresponding importance deemed appropriate for the Board of Directors to decide, based on their importance, nature, and other factors. The Board of Directors discusses formulation of business strategy and business plans to implement the NGK Group philosophy and realize the NGK Group Vision, and delegates decisions on business execution to management, based on such direction.

Matters to be decided and approved by the Board of Directors are specified in detail in the Company’s Articles of Incorporation and the Rules for the Board of Directors. The main matters include the overall budget for the Company, strategic plans such as company dissolutions, mergers, and alliances, rules on handling of shares, decisions to convene a General Meeting of Shareholders, election and dismissal of a representative director, approval of financial statements, business reports, etc., disposition and transfer of material assets (securities for long-term investment, land, equipment, etc.), appointment and dismissal of key employees, and establishment and changes to important organizations.

NGK has introduced an corporate officer system and strives to speed up decision-making by segregating management decision-making from business execution. Matters other than those noted above are decided by management, based on the separately stipulated administrative authority matrix.

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

To designate a director as independent of the Company (hereafter, “independent director”), the director must fulfill the requirements for outside director specified in the Companies Act and for independent director, by the Tokyo Stock Exchange and must not fall under any one of the following provisions. However, the Company may make an exception and deem a person independent in light of his or her character, knowledge, and other attributes, as long as the person

meets the requirements of the Companies Act and Tokyo Stock Exchange and the Company provides an external explanation of why he or she is deemed independent.

In these standards for determining independence, a business executive refers to an executive director, corporate officer, corporate officer or other employee, and the NGK Group refers to NGK and its subsidiaries or affiliates.

1. A major shareholder who holds 10% or more of current voting rights in NGK, or who was a business executive of the corporation if the major shareholder is a corporation during the last three fiscal years, including the most recent fiscal year.
2. A current business executive of a business partner of the Company which has engaged in transactions with the NGK Group totaling 2% or more of consolidated net sales for either party in any of the last three fiscal years, including the most recent fiscal year.
3. A person who was a business executive in a corporation that is a financial institution or other major creditor which is absolutely essential in financing the NGK Group and for which no alternatives exist, in the past three fiscal years, including the most recent fiscal year.
4. A current director or officer of an organization that has received donations or grants totaling 10 million yen/year or 30% of total average annual expenses of the organization, whichever is greater, from the NGK Group in any of the past three fiscal years, including the most recent fiscal year.
5. A certified public accountant (CPA) or tax accountant, or a current employee of an accounting auditor or tax accounting firm who served as an accounting auditor or accounting advisor of the NGK Group in the past three years, including the most recent fiscal year.
6. An attorney, certified public accountant, tax accountant, or other consultant who does not correspond to any of the individuals mentioned above in 5, who received 10 million yen/year or more in cash and other assets in addition to officer compensation in any of the past three years, including the most recent fiscal year, or who is a current employee, etc. of a law firm, accounting auditor, tax accounting firm, consulting firm, or other organization that provides expert advice and that organization has received payments from the NGK Group totaling 2% or more of total consolidated net sales in any of the past three fiscal years, including the most recent fiscal year.
7. A person who was a business executive in a company in which NGK is currently a major shareholder, in the past three fiscal years, including the most recent fiscal year.
8. A spouse or relative within the second degree of kinship of a person mentioned above in 1 through 7.

**[Supplementary Principle 4-10-1]**

NGK has established a Nomination and Compensation Advisory Committee to ensure fairness and improve transparency in decisions on personnel matters concerning and compensation of officers. A majority of committee members are independent directors. The committee deliberates personnel matters concerning directors and Audit & Supervisory Board members, matters concerning compensation of directors and corporate officers, proposals for the total compensation limit for the Audit & Supervisory Board as a whole, and chief executive succession plans, and reports the results to the Board of Directors. The Board of Directors appoints the committee chairperson and committee members. An independent director serves as the committee chairperson and obtains appropriate participation and advice from independent directors during deliberations.

See “<Nomination and Compensation Advisory Committee>” under “[Details of Corporate Organs]” in Section II-2 for more information on committee composition.

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

NGK does not discriminate on the basis of gender, age, nationality, and race. The NGK Board of Directors is comprised of individuals who possess practical experience and demonstrate leadership in areas in which the NGK Group operates its business, including manufacturing technology, R&D, sales, planning, and overseas business; individuals are knowledgeable in finance, legal affairs, labor, information and communications, and other areas; or highly independent outside individuals who possess a high degree of expertise in legal affairs or corporate finance, or who possess knowledge of international affairs, social and economic trends, trends in technology, corporate management, and other areas.

The composition of the Board of Directors is designed to achieve both diversity and an appropriate number of directors to contribute to sustained growth of the NGK Group and enhance medium and long-term corporate value by putting the NGK Group philosophy into practice and



realizing the NGK Group Vision. The Articles of Incorporation specify a maximum of 15 directors, with one-third or more of directors satisfying the Company's specified requirements for designation as an independent director. See the NGK corporate website (<https://www.ngk-insulators.com/en/sustainability/governance05.html>) for the current skill matrix for each director.

See Section II-2 "Matters Concerning Functions of Business Execution, Audit and Supervision, Nomination, Determination of Compensation, etc." in this report concerning the policy and procedures for election of directors.

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

The Company discloses information on directors and Audit & Supervisory Board members who serve in concurrent positions at other companies in the convocation notice for the annual General Meeting of Shareholders, the annual securities report, and the Corporate Governance Report, on an annual basis.

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

NGK's Board of Directors conducts a survey of directors and Audit & Supervisory Board members at the close of each fiscal year to evaluate the effectiveness of Board of Directors meetings. The Board entrusts analysis and evaluation of the responses to an external organization, which reports the results to the Board of Directors. The Company continually strives to improve effectiveness through such means as considering the importance and necessity of each issue identified and reinforcing efforts in Board of Directors meetings during the next fiscal year.

A survey conducted to evaluate Board of Directors meetings in fiscal 2020 (ended March 31, 2021) in April of this year was comprised of 50 questions and free-response entry. The results were reported at the Board of Directors meeting held on June 10, 2021.

We received the following comments from the external organization concerning the overall evaluation:

- The NGK Board of Directors is maintaining leadership and commitment, a health culture and operations, and other foundational elements demanded of a Board of Directors. The Board also raises further issues for improvement.
- Based on these results, the NGK Board of Directors can be considered to possess ongoing effectiveness.
- We were able to identify additional issues involving medium to long-term business strategy and optimal utilization of funds, enhancing risk management, and other issues that would further increase effectiveness. These issues have been added to the continuing issues previously identified, such as risk assessment of important, large projects and analysis of past management decisions.
- In particular, the internal operating aspects such as the composition of the Board of Directors and agenda setting are increasingly being seen as issues. Conducting ongoing reviews of the composition and functions of the Board of Directors and focusing on discussions concerning medium to long-term strategy and risk management can therefore be expected to contribute to even greater effectiveness.

The Company will implement initiatives aimed at solving the issues identified from this evaluation and thereby strengthen and secure continued effectiveness of the Board of Directors.

**[Supplementary Principle 4-14-2]**

Directors and Audit & Supervisory Board members have been tasked with the responsibility of exercising the due care of a good manager. The Company therefore has established a training policy of providing the following types of opportunities to sharpen skills and knowledge so that they can fully execute their duties as experts in various kinds of management or as supervisors of business execution.

1. For internal officers: Training on the Companies Act, the Financial Instruments and Exchange Act, the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (nicknamed, Competition Law), and other aspects of corporate governance and compliance
2. For outside officers: Mainly providing separate explanations from the division in charge concerning items on the agenda of the Board of Directors and regularly providing information on the business environment and issues as well as opportunities for exchanging opinions

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

NGK strives to explain management conditions and management policy accurately and swiftly

and maximize corporate value through two-way communication with shareholders and investors.

Both NGK's Finance & Accounting Department and General Affairs Department endeavor to respond sincerely to questions at the General Meeting of Shareholders, and inquiries received through our corporate website, based on guidance from the director in charge of each department. When necessary, the two departments work closely with the relevant departments (Corporate Planning Office, ESG Management Dept., Legal Dept., etc.) to respond sincerely and promote constructive dialog.

We also place importance on opportunities for direct dialog with institutional investors and involve management (president, director in charge of the Finance & Accounting Dept., etc.) in various meetings such as financial results briefings and overseas investor relations (IR).

The results of such meetings are regularly reported to the Board of Directors to provide feedback for management, improve management efficiency, and increase management transparency.

We engage in dialog with shareholders and investors to enhance corporate value, improve capital efficiency, and promote sustained growth. We do not disclose non-public material information during such dialogs, in principle, because this would harm impartial treatment among all shareholders.

[Supplementary Principle 5-2-1]

<Basic Policy on the Business Portfolio>

NGK wants to be a company that provides new value to society through our unique ceramic technologies.

When considering our business portfolio, we carefully examine growth potential from the two perspectives of profitability measured using NGK version ROIC and the net sales growth rate through our work in formulating the budget every six months for the annual and medium-term business plans of each business. The NGK version ROIC uses business assets (accounts receivable, inventories, and fixed assets) instead of invested capital, and operating income instead of after-tax operating income. The purpose of this is to tie these numbers directly to the performance of business departments and enable business departments to manage their own targets.

NGK focuses on maintaining a high level of competitiveness in the global market that other competitors cannot easily surpass when creating new products and new businesses. We accomplish this through the uniqueness of our materials technology, production technology, and other technologies. It takes a relatively long time to develop a new product, launch it on the market, and earn a profit. Moreover, NGK's business is in an industry with highly capital intensive processes. While profitability is high, the asset turnover rate tends to be low.

In addition to considering investment of management resources in core businesses and business groups where future growth is anticipated, we evaluate the quantitative aspects of businesses in the low-growth, low-profit categories based on the annual and medium-term business plans to determine whether to continue such businesses in the future. Growth potential profitability and other aspects of individual businesses are discussed from the long-term perspective in Strategy Committee and the Board of Directors supervises it as important management matters. We also base decisions on investment in key areas of R&D and development of individual categories on the NGK Group Vision. Decisions on capital investments are based on the time it will take to recover the individual investment, NGK version ROIC, and the value added from an ESG perspective.

<Status of the Review of Business Portfolio >

The Board of Directors regularly receives reports on evaluations from the two perspectives of profitability based on the NGK version ROIC and the net sales growth rate. The long-term growth potential and profitability of businesses in the low-growth and low-profit categories are discussed in Strategy Committee and in other settings.

## 2. Capital Structure

Percentage of shares held by foreign shareholders	From 20% to less than 30%
---	---------------------------

[Major Shareholders] Updated

Name	Number of Shares Held (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust)	53,413,400	17.14

account)		
Custody Bank of Japan, Ltd. (Trust account)	25,265,400	8.10
Meiji Yasuda Life Insurance Company	21,695,140	6.96
The Dai-ichi Life Insurance Company, Limited	21,457,926	6.88
MUFG Bank, Ltd.	7,204,443	2.31
National Mutual Insurance Federation of Agricultural Cooperatives	7,029,000	2.25
Aioi Nissay Dowa Insurance Co., Ltd.	4,387,600	1.40
Custody Bank of Japan, Ltd. (Trust account 7)	4,261,600	1.36
State Street Bank West Client – Treaty 505234	4,038,168	1.29
JPMorgan Chase Bank 385781	3,287,918	1.05

Names of Controlling Shareholders	—
-----------------------------------	---

Name of Parent Company	None
------------------------	------

#### Supplementary Information **Updated**

The status of major shareholders detailed above is based on the register of shareholders current on September 30, 2021. The report stating changes in large shareholdings provided for public inspection on October 6, 2021 stated that Nomura Asset Management Co., Ltd. held 22,603,600 shares (shareholding ratio of 7.13%) as of September 30, 2021. However, NGK was unable to confirm the actual number of shares held as of September 30, 2021 so the Major Shareholders table above is based on the number of shares held in the register of shareholders.

### 3. Corporate Attributes

Stock Exchange Listings and Market Classification	Tokyo Stock Exchange, First Section; Nagoya Stock Exchange, First Section
Fiscal Year-end	March 31
Business Category	Glass and ceramic products
Number of Employees at the End of the Previous Fiscal Year (Consolidated)	1,000 or more
Net Sales at the End of the Previous Fiscal Year (Consolidated)	¥100 billion up to, but not including, ¥1 trillion
Number of Consolidated Subsidiaries at the End of the Previous Fiscal Year	10 companies up to, but not including 50 companies

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

—

### 5. Other Special Circumstances That May Have a Material Impact on Corporate Governance

—

## II. Overview of Corporate Management Organization Concerning Managerial Decision-making, Execution and Supervision, and Other Aspects of the Corporate Governance System

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

Organizational Structure	Company with an Audit & Supervisory Board
--------------------------	---

[Directors]

Number of Directors Specified in the Articles of Incorporation	15
Director Term Length Specified in the Articles of Incorporation	1 year
Chairman of the Board of Directors	Chairman
Number of Directors	9
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Outside Directors Designated as Independent Directors	3

Relationship with NGK (1)

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

\* Selection criteria regarding relationship with NGK

\* A circle (○) indicates the item is currently or was recently applicable to the individual. A triangle (△) indicates the item was applicable in the past.

\* A dark circle (●) indicates the item is currently or was recently applicable to a close relative of the individual. A dark triangle (▲) indicates the item was applicable to a close relative in the past.

- A business executive of the listed company (NGK) or the subsidiary of NGK
- A business executive or a non-executive director of the parent company of NGK
- A business executive of a fellow subsidiary of NGK
- A person having NGK as a major client or a business executive of an entity having NGK as a major client
- A major client of NGK or a business executive thereof
- A consultant, accounting professional, or legal professional who receives a large sum of money and/or other assets from NGK in addition to compensation as an officer
- A major shareholder of NGK (if the major shareholder concerned is a corporation, a business executive of the corporate entity concerned)
- A business executive of a client of NGK (one that does not fall under d, e, or f) (applies only to the individual)
- A business executive of a company that has a relationship with NGK through mutually appointed outside officers (outside directors and outside Audit & Supervisory Board members) (applies only to the individual)
- A business executive of an entity that receives donations from NGK (applies to the individual only)
- Other

Relationship with NGK (2) Updated

Name	Independent Director	Supplementary Explanation on Applicable Item(s)	Reasons for Appointment as an Outside Director
Hiroyuki Kamano	○	Not applicable	Hiroyuki Kamano has practiced law for many years. He possesses extensive experience and achievements in the legal community, including serving as Vice President of the Tokyo Bar Association. The Company expects Mr. Kamano to utilize his

			<p>expertise, extensive experience, and broad insight to oversee management of the company from an independent objective standpoint, mainly from the perspective of compliance. As an outside director of NGK, Mr. Kamano is actually appropriately providing his opinions on matters such as strengthening the compliance structure and formulating a medium to long-term business strategy, making recommendations on business execution at NGK, and overseeing management. NGK has therefore elected him as an outside director.</p> <p>Mr. Kamano fulfills the requirements for designation as an independent officer and we have judged there to be no risk of conflicts of interest with general shareholders, so the Company has designated him as an independent officer.</p>
Emiko Hamada	○	<p>NGK pays research and other expenses to the Nagoya Institute of Technology, where Ms. Hamada served as a part-time lecturer. However, payments made in the previous fiscal year amounted to less than 0.1% of NGK's consolidated operating expenses.</p> <p>The Company sells products for the electronics industry and other products and pays research and other expenses to Nagoya University, where Ms. Hamada served as a visiting professor. However, such transactions in the previous fiscal year amounted to less than 0.1% of NGK's consolidated net sales and less than 0.1% of NGK's consolidated operating expenses.</p>	<p>Emiko Hamada has a record of remarkable achievements such as leading invention and world's first commercialization of CD-R (recordable CD) while working at TAIYO YUDEN CO., LTD. She subsequently has been engaged in research activities mainly through collaborative industry-academia-government projects as a professor at the Nagoya Institute of Technology and as a visiting professor at Nagoya University. The Company expects Ms. Hamada to utilize insights she has developed through her career to oversee the management of NGK from an independent, objective standpoint based mainly on the perspectives of R&amp;D and product commercialization. As an outside director of NGK, Ms. Hamada is actually stating her opinions on strengthening technological capabilities, the vision for new businesses, quality management, and other areas, making recommendations on business execution at NGK, and overseeing management. The Company has therefore elected her as an outside director.</p> <p>Ms. Hamada fulfills the requirements for designation as an independent officer and we have judged there to be no risk of conflicts of interest with general shareholders, so the Company has designated her as an independent officer.</p>
Kazuo Furukawa	○	<p>NGK sells ceramic products and other products to and purchases equipment from Hitachi, Ltd., where Mr. Furukawa served as Director and President. However, such</p>	<p>After serving as President &amp; CEO of the Information and Telecommunication Systems Group at Hitachi, Ltd., Kazuo Furukawa served as the Representative Corporate officer, President &amp; COO of the company. He also served as Chairperson of NEDO and possesses knowledge and experience in managing large organizations in information &amp; telecommunications and other</p>

	<p>transactions in the previous fiscal year accounted for less than 0.1% of NGK's consolidated net sales and less than 0.1% of NGK's consolidated operating expenses.</p> <p>NGK receives research grants for sponsored and subsidized projects from New Energy and Industrial Technology Development Organization (NEDO), where Mr. Furukawa served as Chairperson. However, the payments received in the previous fiscal year amounted to less than 0.1% of NGK's consolidated net sales.</p>	<p>areas of technology. NGK expects Mr. Furukawa to utilize his broad knowledge and experience to oversee the management of NGK from an independent, objective standpoint as a management expert. As an outside director of NGK, Mr. Furukawa is actually appropriately providing a wide range of opinions on business strategy and business development from the perspective of an investor, making recommendations on business execution at NGK, and overseeing management. The Company has therefore elected him as an outside director.</p> <p>Mr. Furukawa fulfills the requirements for designation as an independent officer and we have judged there to be no risk of conflicts of interest with general shareholders, so the Company has designated him as an independent officer.</p>
--	---	---

Establishment of a Discretionary Committee Corresponding to a Nominating Committee or a Compensation Committee	Established
--	-------------

Establishment of a Discretionary Committee, Committee Composition, and Attributes of Chairperson  
Committee Corresponding to Nominating Committee

Committee Name			Nomination and Compensation Advisory Committee			
Total No. of Members	Full-time Member	Internal Directors	Outside Directors	Outside Experts	Others	Chairperson
5	0	2	3	0	0	Outside director

Committee Corresponding to Compensation Committee

Committee Name			Nomination and Compensation Advisory Committee			
Total No. of Members	Full-time Member	Internal Directors	Outside Directors	Outside Experts	Others	Chairperson
5	0	2	3	0	0	Outside director

Supplementary Information

The Nomination and Compensation Advisory Committee is comprised of a majority of outside directors (5 committee members in total, consisting of 3 independent directors and 2 internal directors). The committee Chairperson and members are selected by the Board of Directors. An outside director is currently serving as the committee Chairperson. The committee deliberates on personnel matters and compensation of directors and corporate officers, succession plans for the chief executive, and other pertinent matters. The results of such deliberations are reported to the Board of Directors to ensure fairness and transparency in decisions on personnel matters concerning and compensation of officers.

[Audit & Supervisory Board Members]

Establishment of an Audit & Supervisory Board	Established
Number of Audit & Supervisory Board members specified in the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4



Status of Collaboration Among Audit & Supervisory Board Members, the Accounting Auditor, and the Internal Auditing Department

Audits by the Audit & Supervisory Board, accounting audits, and internal audits are each performed independently. However, Audit & Supervisory Board members (Audit & Supervisory Board), the accounting auditor, and the internal Auditing Department regularly exchange information on audit policies, plans, results, and other pertinent information to enhance the effectiveness and improve the efficiency of audits.

Election of Outside Audit & Supervisory Board Members	Elected
Number of Outside Audit & Supervisory Board Members	2
Number of Outside Audit & Supervisory Board Members Designated as Independent Auditors	2

Relationship with NGK (1)

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

\* Selection criteria regarding relationship with NGK

\* A circle (○) indicates the item is currently or was recently applicable to the individual. A triangle (△) indicates the item was applicable in the past.

\* A dark circle (●) indicates the item is currently or was recently applicable to a close relative of the individual. A dark triangle (▲) indicates the item was applicable to a close relative in the past.

- A business executive of NGK or a subsidiary of NGK
- A non-executive director or accounting advisor of NGK or a subsidiary of NGK
- A business executive or non-executive director of the parent company of NGK
- An Audit & Supervisory Board member of the parent of NGK
- A business executive of a fellow subsidiary of NGK
- A person having NGK as a major client or a business executive of an entity having NGK as a major client
- A major client of NGK or a business executive thereof
- A consultant, accounting professional, or legal professional who receives a large sum of money and/or other assets from NGK in addition to compensation as an officer
- A major shareholder of NGK (if the major shareholder concerned is a corporation, a business executive of the corporate entity concerned)
- A business executive of a client of NGK (one that does not fall under f, g, or h) (applies only to the individual)
- A business executive of a company that has a relationship with NGK through mutually appointed outside officers (outside directors and outside Audit & Supervisory Board members) (applies only to the individual)
- A business executive of an entity that receives donations from NGK (applies to the individual only)
- Other

Relationship with NGK (2)

Name	Independent Auditor	Supplementary Explanation on Applicable Item(s)	Reasons for Appointment as an Outside Audit & Supervisory Board Member
Junichi Itoh	○	NGK engages in borrowing and other finance-related activities with MUFG Bank, Ltd., where Mr. Itoh served as a Senior Managing Corporate officer. However,	Junichi Itoh has been involved in the management of companies for many years, including serving as a Senior Managing Corporate officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (now MUFG Bank, Ltd.) and as Representative Director, Executive Vice

		<p>NGK engages in transactions with numerous financial institutions and does not rely on MUFG Bank, Ltd. to the extent that it is an irreplaceable source of financing.</p> <p>NGK sells ceramic products and other products to Nikon Corporation, where Mr. Itoh served as Representative Director, Executive Vice President &amp; CFO. However, the amount received for such transactions in the previous fiscal year was less than 0.1% of NGK's consolidated net sales.</p>	<p>President &amp; CFO of Nikon Corporation. We expect him to utilize the insights he has developed through his extensive experience as an expert in the management of these companies to play an appropriate role in strengthening the corporate governance of NGK, and have therefore elected Mr. Itoh as an outside Audit &amp; Supervisory Board member.</p> <p>Mr. Itoh fulfills the requirements for designation as an independent officer and we have judged there to be no risk of conflicts of interest with general shareholders, so the Company has designated him as an independent officer.</p>
Masayoshi Sakaguchi	○	<p>NGK engages in borrowing from Nippon Life Insurance Company, where Mr. Sakaguchi served as a Senior Advisor. However, NGK engages in transactions with numerous financial institutions and does not rely on Nippon Life Insurance Company to the extent that it is an irreplaceable source of financing. NGK also pays commissions to the company for pension fund management, but such transactions amounted to less than 0.1% of NGK's consolidated operating expenses in the previous fiscal year.</p>	<p>Masayoshi Sakaguchi possesses extensive experience in administration and in managing large organizations, gained through serving in important positions as Chief of Osaka Prefectural Police Headquarters, the Commissioner-General's Secretariat, and subsequently as the Commissioner-General of the National Police Agency. NGK has judged Mr. Sakaguchi capable of utilizing his broad experience to contribute to enhancing the corporate value of NGK by auditing NGK's overall management, based on the perspectives of the appropriateness of operations and risk management., and has therefore elected him as an outside Audit &amp; Supervisory Board member.</p> <p>Mr. Sakaguchi fulfills the requirements for designation as an independent officer and we have judged there to be no risk of conflicts of interest with general shareholders, so the Company has designated him as an independent officer.</p>

[Independent Officers (Independent Directors & Audit & Supervisory Board Members)]

Number of Independent Directors/Auditors	5
--	---

Other Matters Relating to Independent Officers

All outside officers (outside directors and outside Audit & Supervisory Board members) who qualify as independent officers are designated as independent officers.

Hiroyuki Kamano attended all 14 Board of Directors meetings held in fiscal 2020, and has utilized his broad insights in addition to his expertise and extensive experience as an attorney to state his opinions on strengthening the compliance structure, formulating medium to long-term business strategy, and other areas. He has also stated his opinions on setting compensation that takes Company performance and other factors into consideration, and taken other action to confirm whether the compensation established will provide appropriate incentives. As a member of the

Nominating and Compensation Committee, Mr. Kamano attended all four of the committee meetings held in fiscal 2020, and has overseen management through involvement in deliberation of successors to the chief executive, personnel matters, and compensation of officers, thereby contributing to decisions on compensation of management from an independent, objective perspective.

Emiko Hamada attended all 14 Board of Directors meetings held in fiscal 2020, and utilized her experience in business development and broad insights into R&D to state her opinions on quality management and other matters. She also asked questions concerning the policy on new businesses and took other action to confirm whether NGK is engaging in business activities that are compatible and will enhance corporate value over the medium and long-term. As a member of the Nominating and Compensation Committee, Ms. Hamada attended all four committee meetings held in fiscal 2020. She has overseen management through involvement in deliberation of successors to the chief executive, personnel matters, and compensation of officers, thereby contributing to decisions on compensation of management from an independent, objective perspective. Emiko Hamada's name on her family register is Emiko Kato.

Kazuo Furukawa attended all 14 Board of Directors meetings held in fiscal 2020. He utilized his knowledge in information and telecommunications and other fields of technology as well as his experience in managing large organizations to state a broad range of opinions on business strategy and business development from the perspective of an investor. He also asked questions concerning the grounds for business decisions and took other action to confirm whether NGK has an appropriate system of business execution. As a member of the Nominating and Compensation Committee, Mr. Furukawa attended all four committee meetings held in fiscal 2020. He has overseen management through involvement in deliberation of successors to the chief executive, personnel matters, and compensation of officers, thereby contributing to decisions on compensation of management from an independent, objective perspective.

Junichi Itoh attended all 14 Board of Directors meetings and all 14 Audit & Supervisory Board meetings held in fiscal 2020. He utilized his experience and broad insights as a member of management at The Bank of Tokyo-Mitsubishi UFJ, Ltd. (now MUFG Bank, Ltd.) and Nikon Corporation to state his opinions on governance, financial management, and other topics. As a member of Nominating and Compensation Committee, Mr. Itoh attended all four committee meetings held in fiscal 2020. He has overseen management through involvement in deliberation of successors to the chief executive, personnel matters, and compensation of officers, thereby contributing to decisions on compensation of management from an independent, objective perspective.

Masayoshi Sakaguchi attended all 14 Board of Directors meetings and all 14 Audit & Supervisory Board meetings held in fiscal 2020. He utilized his extensive experience and achievements in public administration and administration of a police agency to state his opinions on the impact of international affairs on business activities, compliance initiatives, and other matters. As a member of the Nominating and Compensation Committee, Mr. Sakaguchi attended all four committee meetings held in fiscal 2020. He has overseen management through involvement in deliberation of successors to the chief executive, personnel matters, and compensation of officers, thereby contributing to decisions on compensation of management from an independent, objective perspective.

#### [Incentives]

Implementation of Measures Granting Incentives to Directors	Introduced a performance-linked compensation system and stock option-based compensation system
---	--

#### Supplementary Information Regarding Applicable Items

See Subsection 1. "Disclosure of Policy on Determining Compensation Amount or Calculation Method" in Section II. "Director Compensation" for information concerning the contents of NGK's performance-linked compensation system and stock option-based compensation system and the policy on determining payout ratios.

#### <Performance-linked compensation>

- (1) Details of management indicators chosen as the basis for calculating the amount of performance-linked compensation and reasons for selection

NGK pays performance-linked bonuses to directors (excluding outside directors) and corporate officers as performance-linked compensation. The indicators used to calculate the bonuses are listed below.

(Short-term perspective) (Note 1)

The following numerical indicators have been adopted to focus on achieving performance goals and

growth each fiscal year while also taking capital efficiency into account.

- Consolidated performance indicators for the fiscal year under review: Net sales, operating income, net income attributable to owners of the parent (hereafter, “net income”) and return on invested capital (ROIC)\*
- Consolidated performance indicators for the previous fiscal year: Net sales, operating income, and net income attributable to owners of the parent
  - \* NGK version ROIC is calculated based on operating income by product, fixed assets, inventories, and sales receivables.

(Medium-term perspective) (Note 2)

For fiscal 2021, NGK has adopted the degree of achievement of the targets for each fiscal year for the following key issues to focus on medium and long-term growth and from the perspective of achieving the NGK Group Vision and to focus on ESG.

- Medium and long-term performance targets established in the NGK Group Vision: Operating income
- Creation of new products and new businesses—Keep Up 30
- Initiatives to reduce CO<sub>2</sub> emissions

Notes:

1. For fiscal 2020, NGK adopted the following numerical performance indicators to focus on achieving the performance targets disclosed and on steady growth each fiscal year.
  - Fiscal 2020 consolidated performance indicators: Net sales, operating income, and net income attributable to owners of the parent
  - Fiscal 2020 consolidated indicators publicly disclosed at the beginning and during the fiscal year: Net sales, operating income, net income attributable to owners of the parent
  - Fiscal 2019 consolidated performance results: Net sales, operating income, and net income attributable to owners of the parent
2. For fiscal 2020, NGK adopted the degree of achievement of interim targets for each fiscal year as indicators for the following important issues established by NGK, which span multiple years.
  - Improving earning capacity in existing businesses: New and restructured manufacturing operations
  - Creation of new products and new businesses: Keep Up 30
  - Other company-wide projects, etc.
  - Return on equity (hereafter, “ROE”)

(2) Method of calculating performance-linked bonuses

The amount paid to each individual is determined according to the following methods.

- A basic bonus amount to be used as the basis of the calculation is established for each position.
  - The basic bonus amount is allocated among the various performance indicators. For directors who are not representative directors and corporate officers, incremental performance-linked bonus amounts are added based on the assessment of the representative director.
  - Each indicator with an allocated bonus amount is evaluated within the range of -100% to +100%, and the percentage is applied to each indicator to calculate the evaluated amount.
  - These amounts are added together to calculate the performance-linked bonus.
- This method of calculation results in the actual performance-linked bonuses paid ranging from -100% to +100% of the basic bonus amount.

(3) Actual results of performance indicators used in calculating the amount of performance-linked Compensation

Actual results for the main indicators used in calculating performance-linked bonuses in fiscal 2020 are as follows:

Consolidated performance indicators publicly disclosed at the beginning of the fiscal year (June 11, 2020): Net sales, ¥420 billion; operating income, ¥30 billion, net income attributable to owners of the parent, ¥17 billion

Consolidated performance indicators publicly disclosed during the fiscal year (October 30, 2020): Net sales, ¥435 billion; operating income, ¥42 billion; net income attributable to owners of the parent, ¥28 billion

Consolidated performance results for fiscal 2019: Net sales, ¥441.9 billion; operating income, ¥55 billion; net income attributable to owners of the parent, ¥27.1 billion; ROE, 5.8%  
 Consolidated performance results for fiscal 2020: Net sales, ¥452.0 billion; operating income, ¥50.8 billion; net income attributable to owners of the parent, ¥38.4 billion; ROE, 7.9%  
 Strengthening earning capacity in existing businesses – New and restructuring manufacturing operations: Achieved roughly 130% of the cost reduction target  
 Creation of new products and new businesses – Keep Up 30: Achieve 30% for new products (as defined by NGK) as a percentage of total sales

Persons eligible for stock options
------------------------------------

Internal directors and others
-------------------------------

#### Supplementary Information Regarding Eligible Recipients

The “others” listed as persons eligible for being awarded stock options are corporate officers.  
 Stock options are awarded to internal directors and corporate officers to increase their motivation and incentive to increase the stock price and improve consolidated performance through appropriate corporate management.

#### [Director Compensation]

Disclosure of individual compensation
---------------------------------------

Individual compensation is only disclosed for some directors
--

#### Supplementary Information Regarding Disclosure

NGK discloses the total amount of compensation for internal directors and outside directors by type of compensation in its annual securities report. We also disclose the total amount of consolidated compensation for individual directors who received consolidated compensation of ¥100 million yen or more.

In fiscal year ending March 31, 2021, one person who received total consolidated compensation of ¥100 million yen or more (The position indicated is the position as of March 31, 2021).

Total amount of compensation for Taku Oshima, Representative Director and President: ¥103 million (fixed compensation: ¥68 million yen; performance-linked compensation: ¥26 million yen; stock option-based compensation: ¥7 million yen).

Establishment of Policy on Determining Compensation Amount or Calculation Method
--

Established
-------------

#### Disclosure of Policy on Determining Compensation Amount or Calculation Method

NGK approved a resolution on its policy on determining the details of compensation for directors and others at the Board of Directors meeting held on June 28, 2021. A summary is provided below.

##### <Basic View>

NGK specifies the system of officer compensation to contribute to sustained growth of the NGK Group and medium and long-term improvement in corporate value by putting the NGK Group philosophy into practice and achieving the NGK Group Vision. We reassess whether the level and composition of compensation is appropriate in light of those objectives and revise it as appropriate. The Company also strives to ensure transparency and fairness in governance of compensation.

##### <Level of Compensation>

When determining the level of compensation, we start by considering social and economic conditions and the business environment the Company is in. We then reference aggregate data on officer compensation from a reliable external survey firm and, when necessary, take into consideration the level of compensation at corporate groups of similar size or in the human resources market in Japan and overseas.

##### <Composition of Compensation>

###### 1. Directors (excluding outside directors) and corporate officers

We have established the following compensation structure from the perspectives of promoting risk-taking to improve performance, increase employee incentive, and instill a mindset of enhancing future corporate value. We also set an allowance for representative directors and an allowance for directors as part of the cash compensation component.

- Cash compensation (1): Annual basic compensation  
 Cash compensation (2): Performance-linked bonus that fluctuates according to performance each fiscal year  
 Stock-based compensation: Stock options as stock-based compensation linked to enhancement of corporate value over the medium and long-term through the stock price

(However, we may employ an alternative method of compensation in cases where stock-based compensation through stock options is not appropriate due to tax-related issues from residing overseas, or other reasons.)

## 2. Outside directors and Auditor & Supervisory Board members

Outside directors and Audit & Supervisory Board members are responsible for the management supervisory function and the management audit function, respectively. Because the focus is on independence from management, they are only paid a basic compensation and are not paid a performance-linked bonus and granted stock options.

The compensation of individual Audit & Supervisory Board members is determined through discussion among the Audit & Supervisory Board.

### <Details of Compensation>

#### 1. Policy on determining the calculation method for basic compensation

After determining the total level of compensation and the variable compensation components described in 2 and 3, below, an appropriate annual fixed salary is set as basic compensation. That amount is determined according to position.

#### 2. Policy on determining the details and calculation method for performance-linked indicators related to performance-linked bonuses

Indicators include consolidated net sales, operating income, net income, capital efficiency, etc., as well as items designated by NGK as important medium-term management issues. The performance-linked bonus to be paid is calculated by comparing performance results for the fiscal year under review with the publicly disclosed performance targets and results for the previous fiscal year, and evaluating the degree to which medium-term management issues have been achieved in the fiscal year under review.

The objective in calculating the performance-linked bonuses in this manner is target-based. The basic bonus amount (hereafter, the “basic amount”) is set for directors (excluding outside directors) and corporate officers by position, then permit a certain amount of variation in relation to the basic amount.

#### 3. Policy on determining the details and calculation method of stock options as stock-based compensation

NGK grants stock options as stock-based compensation to directors (excluding outside directors) and corporate officers to increase their sensitivity to NGK’s stock price, enable them to share the advantages and risks from fluctuation in the stock price with shareholders, and increase their incentive to enhance corporate value over the medium and long term. The exercise price is set at one yen per share and conditions on exercising rights are that the stock options must be exercised within five years from the day on which one year has elapsed after the officer vacated the position. Because the value of the stock options varies directly with the fluctuation in the stock price, a fixed monetary amount is not established for stock options as stock-based compensation; NGK sets a fixed number of shares to grant, based on position.

#### 4. Policy on determining the relative proportions of basic compensation, performance-linked bonus, and stock options as stock-based compensation

NGK’s business is in a materials-based industry that handles many products which contribute to industrial and social infrastructure of people’s lives and we focus on material technologies, production technologies and other technologies that we have developed on our own when creating new products and new business. Because of this, it takes a relatively long time to develop and launch new products and bring them to the point where they contribute to earnings. The Company therefore focuses on stability and improvement in performance over the medium and long-term. NGK has designed the variable component of compensation so that the sum of the performance-linked bonus amount and the conversion value of the stock options as stock-based compensation comprises an appropriate percentage of total compensation.



## 5. Timing of payment or granting compensation

Annual fixed basic compensation is paid at the end of each month in 12 equal installments.

Performance-linked bonuses are paid at the end of June each year, in an amount reflecting the final results for the previous fiscal year.

Stock options as stock-based compensation are allocated by resolution of the Board of Directors as stock acquisition rights within one month after a director or corporate officer is elected.

## 6. General Meeting of Shareholders resolutions on officer compensation and the details of compensation

At the annual General Meeting of Shareholders held on June 28, 2007, a resolution was approved setting a maximum limit of 800 million yen a year on total director compensation, excluding stock options as stock-based compensation (including a maximum of 30 million yen a year for outside directors). The total amount of compensation for directors (excluding outside directors) relating to stock options as stock-based compensation was set at a maximum of 200 million yen a year. The total amount of Audit & Supervisory Board member compensation was set at a maximum of 100 million yen a year. There were 14 directors (including two outside directors) and four Audit & Supervisory Board members at the time this resolution was approved.

At the annual General Meeting of Shareholders held on June 29, 2017, a resolution was approved, increasing the total compensation of outside directors from 30 million yen a year to 60 million yen a year. There were 13 directors (including three outside directors) at the time this resolution was approved.

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

The Board of Directors Secretariat sends materials on agenda items to outside directors and outside Audit & Supervisory Board members before meetings and provides advance explanations as necessary to promote constructive debate and exchange of opinions in Board of Directors meetings.

## [Presidents, etc. Who Have Retired from Office]

○ Names, etc. of consultants, advisors, etc. who formerly served as President or in other capacities

Name	Title and Position	Responsibilities	Type and terms of employment (full-time, part-time, compensated/uncompensated, etc.)	Date of retirement from office as President, etc.	Term of office
Masaharu Shibata	Executive Advisor	Regional economic association and regional contribution activities, etc. (no involvement in management)	Part-time Compensated	March 31, 2010	Renewed annually
Taro Kato	Counselor	Advising on trends in technology, etc. (no involvement in management)	Part-time Compensated	June 27, 2014	Subject to mandatory retirement age
Eiji Hamamoto	Advisor to the Board	Regional economic association and regional contribution activities, etc. (no involvement in management)	Part-time Compensated	June 26, 2018	Subject to rules on maximum age

- Total number of consultants, advisors, etc. who were formerly president, etc.: 3

Other Matters

Appointment of a former president, etc. as a consultant, advisor, etc. is approved by resolution of the Board of Directors. Employment terms, including compensation are determined by internal rules agreed upon by the representative directors. Their responsibilities mainly involve important economic association activities and providing advice in specific areas, and they are not involved in management decision-making.

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

[Business Execution]

See Section I-1. "Basic Views on Corporate Governance" in this report.

[Details of Corporate Organs]

<Board of Directors>

The Board of Directors consists of nine directors (eight male and one female), one-third of whom are outside directors. It approves resolutions matters specified in the Companies Act, the NGK Articles of Incorporation, and Rules for the Board of Directors (including the overall budget for the Company, strategic plans such as company dissolutions, mergers, and alliances, election and dismissal of a representative director, approval of financial statements, business reports, etc., disposition and transfer of material assets, appointment and dismissal of important employees, etc.). The Board also supervises business execution by directors. The names of Board members are listed below.

Chairman: Taku Oshima (Representative Director and Chairman)

Directors: Shigeru Kobayashi, Hiroshi Kanie, Chiaki Niwa, Ryohei Iwasaki, and Hideaki Shindo

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

Full-time and outside Audit & Supervisory Board members also attend Board of Directors meetings, and state their opinions when necessary.

<Audit & Supervisory Board>

The Audit & Supervisory Board consists of four Audit & Supervisory Board members (four males). Each Audit & Supervisory Board member attends Board of Directors meetings and other important meetings, receives reports from directors, employees, and others. Each Audit & Supervisory Board Member also requests explanations when necessary to audit the decision-making process and business execution by directors and confirm the establishment and operation of the internal controls system. Audit & Supervisory Board members also confirm the appropriateness of the accounting auditor's auditing methods and results. The names of Audit & Supervisory Board members are listed below.

Chairperson: Nobumitsu Saji (Full-time auditor)

Full-time Audit & Supervisory Board member: Takeshi Shimazaki

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

<Executive Committee>

The Executive Committee is the body that deliberates necessary matters to assist the president in making decisions. It consists of the president, executive vice presidents, group executives of each business group, the group executive of Corporate R&D, the group executive of Corporate Manufacturing Engineering, corporate officers in charge of each department, senior fellows, and full-time Audit & Supervisory Board members, as well as corporate officers, chairpersons, general managers and department heads designated by the president. Fifteen committee members are male and one is female. The names of Executive Committee members are listed below.

Chairperson: Shigeru Kobayashi (Representative Director and President)

Executive Vice Presidents: Hiroshi Kanie and Chiaki Niwa

Group executives of each business group: Ryohei Iwasaki, Shuhei Ishikawa, Atsushi Matsuda, and Jun Mori

Group Executive of Corporate R&D: Tsutomu Nanataki

Group Executive of Corporate Manufacturing Engineering: Atsushi Miyajima

Corporate officers in charge of each department: Hideaki Shindo

Senior fellow: Yukihisa Takeuchi

Full-time Audit & Supervisory Board members: Nobumitsu Saji and Takeshi Shimazaki

Corporate officers designated by the president: Tadaaki Yamada, Hiroyuki Shinohara, and

Mayumi Inagaki

<Nomination and Compensation Advisory Committee>

The Nomination and Compensation Advisory Committee was established to ensure fairness and transparency in decisions on personnel matters concerning and compensation of officers. The committee deliberates on personnel matters concerning directors and Audit & Supervisory Board members, matters concerning compensation of directors and corporate officers, proposed total compensation of the Audit & Supervisory Board, and succession plans for the chief executive. The committee reports the results of such deliberations to the Board of Directors. The committee consists of a majority of independent directors and a committee chairperson who is selected from among the independent directors. Four committee members are male and one is female. The names of the committee members are listed below.

Chairperson: Hiroyuki Kamano (outside director)\*

Committee members:

Outside directors: Emiko Hamada\* and Kazuo Furukawa\*

Representative directors: Taku Oshima and Shigeru Kobayashi

\* The three outside directors are all independent directors.

<Corporate Council>

The Corporate Council is a council where outside officers (outside directors and outside Audit & Supervisory Board members), representative directors, and others can exchange opinions. It provides an opportunity for management to actively seek advice from outside officers on various issues concerning management. Nine committee members are male and one is female. The names of the committee members are listed below.

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

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

Representative directors: Taku Oshima, Shigeru Kobayashi, Hiroshi Kanie, and Chiaki Niwa  
Directors: Hideaki Shindo

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

The Outside Officers Conference consists only of outside officers, and is a conference where outside officers can exchange opinions concerning corporate management issues and other matters to actively contribute to discussions in Board of Directors meetings. Four committee members are male and one is female. The names of the committee members are listed below.

Outside directors: Hiroyuki Kamano, Emiko Hamada, Kazuo Furukawa

Outside Audit & Supervisory Board members: Junichi Itoh, Masayoshi Sakaguchi

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

Hearings consist of Audit & Supervisory Board members and outside directors. The purpose of hearings is to hear information from relevant internal personnel concerning the corporate business environment and issues. Six hearing members are male and one is female. The names of the hearing members are listed below.

Full-time Audit & Supervisory Board members: Nobumitsu Saji 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 Business Ethics Committee is comprised of outside officers and one internal director who is in charge of compliance. The committee conducts necessary investigations into fraudulent acts and violations of laws and regulations involving corporate officers and employees and reports measures to prevent recurrence to the Board of Directors. To ensure compliance with competition laws and anti-corruption laws, the committee makes recommendations to the Board of Directors on building a compliance system and considering compliance activities. An internal whistleblowing hotline that connects directly to the Business Ethics Committee has been established in addition the helpline system as a means of stopping fraudulent acts and legal violations and strengthen the compliance system. Five committee members are male and one is female. The names of the committee members are listed below.

Committee chairperson: Hiroyuki Kamano (outside director)

Committee members:

Outside directors: Emiko Hamada and Kazuo Furukawa

Outside Audit & Supervisory Board members: Junichi Itoh and Masayoshi Sakaguchi  
 Representative director: Hiroshi Kanie

[Audits]

Audit & Supervisory Board members attend Board of Directors meetings, audit the meeting procedures and the content of resolutions, and express their opinions where necessary, in accordance with the audit policy and audit plans established by the Audit & Supervisory Board. At hearings convened by Audit & Supervisory Board members and outside auditors, Audit & Supervisory Board members hear from group executives of each group and corporate officers in charge of each department concerning the budget details, business conditions, the status of risk management, the legal compliance system and other matters. They also exchange opinions with hearing members. When necessary, Audit & Supervisory Board members also conduct onsite audits and use other means to hear from and exchange opinions with directors and other officers and employees, as well as directors and others at subsidiaries regarding business conditions, the status of risk management, and legal compliance.

In addition to the above, the full-time Audit & Supervisory Board members have attended important meetings and committee meetings such as the Executive Committee, Compliance Committee, and Internal Controls Committee, to confirm the business execution decision-making process, status of management, and other factors. They have also met with the representative directors every six months to share audit results and exchange opinions. The full-time auditors have selected overseas subsidiaries for corporate group audits based on the importance of the subsidiaries and the approach on risks, and used Web conferencing systems to audit them remotely. Web conferences with the Audit & Supervisory Board members of large domestic subsidiaries were conducted twice during fiscal 2020. Two audit report Web conferences were also held during the year for the Audit & Supervisory Board members, auditors, and others responsible for audits at other domestic subsidiaries and subsidiaries in China and South Korea.

The full-time Audit & Supervisory Board members inspected important approval documents and other relevant documents, confirmed the results of internal audits by the Auditing Department, heard the audit findings from the accounting auditor concerning the internal controls audit of financial reports. They accompanied the accounting auditor to physical inventory checks to audit inventories. The full-time auditors also share the details of these auditing activities with outside Audit & Supervisory Board members as necessary, through Audit & Supervisory Board meetings and other means.

The certified public accounts who performed accounting audit activities relating to NGK were Mr. Keisuke Mizukami, Mr. Akinori Masumi, and Mr. Toru Mizukoshi from Deloitte Touche Tohmatsu LLC, as of the date on which this report was submitted.

The Auditing Department (15 members) was established as department which is responsible for the internal auditing function. The department audits the status of business execution in NGK and each domestic and overseas Group company based on audit plans approved by resolution of the Board of Directors, and provides information that will contribute to management decisions to the president and Board of Directors. The general manager of the Auditing Department is a member of the Internal Controls Committee. While internal audits are conducted independently of Audit & Supervisory Board audits and accounting audits, the Auditing Department regularly exchanges opinions on audit policy, plans, and results with Audit & Supervisory Board members and the accounting auditor to improve the effectiveness and efficiency of audits. Moreover, because audits in areas such as quality, environment, and health and safety require specialized knowledge, the secretariats of the committees responsible for each area perform internal group audits. The results of these audits are reported in each committee and the committee summaries are reported to the Board of Directors.

[Procedures for determining compensation]

NGK's policy on determining the details of compensation for directors, etc. was approved by resolution at the Board of Directors meeting held on June 28, 2021. A summary of the detailed procedures for determining compensation in the policy is provided below.

<Compensation Governance>

1. Authority of the Nomination and Compensation Advisory Committee concerning officer compensation

The Nomination and Compensation Advisory Committee, which has independent directors as a majority of its members, deliberates on inquiries received from the Board of Directors concerning matters relating to compensation of directors, corporate officers, and

Audit & Supervisory Board members, and reports back to the Board of Directors on its conclusions.

- Policy and procedures for determining compensation
- Proposals concerning the overall range of compensation for directors and Audit & Supervisory Board members
- Proposals concerning the details and amounts of individual compensation for directors and corporate officers

2. Delegation of authority to representative directors

After sufficient consideration of the conclusions of the Nomination and Compensation Advisory Committee, the Board of Directors has delegated determination of compensation for directors and corporate officers to the representative directors for discussion among themselves. The names, positions, and responsibilities of the representative directors to whom this is delegated are listed below.

Representative Director and Chairman: Taku Oshima

Representative Director and President: Shigeru Kobayashi

Representative Director and Executive Vice President: Hiroshi Kanie and Chiaki Niwa

The specific authorities delegated are as follows:

- Preparation of proposals on policy and procedures for determining individual compensation
- Preparation of proposals on the overall range of compensation for directors and Audit & Supervisory Board members
- Preparation of proposals on basic compensation according to position, basic amount of performance-linked bonuses, and the number of stock options to grant as stock-based compensation for directors and corporate officers
- Calculation of the actual individual performance-linked bonus amounts to be paid to directors (excluding outside directors) and corporate officers
- Determination of matters other than the proposal mentioned above, within the scope approved by resolution of the Board of Directors after considering the deliberations and conclusions of the Nomination and Compensation Advisory Committee.

[Policy and procedures concerning nomination of candidates for officer positions and the appointment and dismissal of executive management]

(Policy on nomination, appointment, and dismissal)

The NGK Group is mainly engaged in the business of manufacturing materials such as ceramics and related products for supply to a wide range of areas, including overseas. The executive management we hire without regard to gender, age, nationality, and race, including representative directors, directors with special titles, directors in charge of business execution, and corporate officers. They are required to make management decisions and other decisions based on their detailed knowledge of business in each NGK Group business area, specialized knowledge of manufacturing technology and R&D, and knowledge of finance, legal affairs, labor, and other areas. Full-time Audit & Supervisory Board members must also perform audit responsibilities based on professional expertise in finance and other areas, and knowledge gained from individual business experience. For these reasons, we focus on two kinds of expertise when nominating candidates for the positions of director and full-time Audit & Supervisory Board member. One is practical experience and leadership in manufacturing technology, R&D, sales, planning, overseas business, and other business areas.. The other is expertise in finance, legal affairs, labor, information and telecommunications, and other subjects. For outside directors and outside Audit & Supervisory Board members, we nominate candidates from among a pool of human resources who possess professional expertise in legal affairs, corporate finance, or other areas, or discernment into international affairs, social and economic trends, trends in technology, and corporate management.

When selecting candidates for the positions of representative director and director with a special title, we focus on candidates who possess insight into NGK Group issues and the ability to formulate corrective measures, and who possess the leadership to express the vision of the NGK Group and move the organization. When a member of executive management has committed a serious violation of local/national laws and regulations, the Articles of Incorporation, and other NGK Group rules, or has engaged in acts that seriously affect business execution, NGK will dismiss that individual upon receiving a recommendation that dismissal is appropriate from the Nomination and Compensation Advisory Committee and obtaining approval by resolution of the Board of Directors.

The Nomination and Compensation Advisory Committee, which has independent directors as a

majority of its members, deliberates and on this policy and reports its conclusions to the Board of Directors.

(Procedures for nomination, election/appointment, and dismissal)

When nominating candidates for the positions of director and Audit & Supervisory Board member, all representative directors discuss each candidate and obtain consent from the Audit & Supervisory Board for Audit & Supervisory Board member candidates. In addition to this, NGK strives to ensure fairness, transparency, and timeliness in the process of nomination, election/appointment, and dismissal. This is accomplished through deliberation of the nomination of each candidate for director and Audit & Supervisory Board member, and appointment and dismissal of representative directors and directors with special titles by the Nomination and Compensation Advisory Committee, which has independent directors as a majority of its members. The committee then reports its detailed conclusions to the Board of Directors. After the Board of Directors has sufficiently considered the conclusions of the committee, the Board nominates candidates for the positions of director and Audit & Supervisory Board member, and approves this as an agenda item (resolution) for the General Meeting of Shareholders. After directors are elected by the General Meeting of Shareholders, the Board of Directors appoints representative directors and directors with special titles, based on the report by the Nomination and Compensation Advisory Committee.

[Conclusions of limited liability agreements]

NGK concludes limited liability agreements with all outside directors and outside Audit & Supervisory Board members pursuant to Article 423, Paragraph 1 of the Companies Act, and sets the maximum limit on liability for damages as the limit specified in Article 425, Paragraph 1 of the same Act.

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

NGK has established the current corporate governance system to ensure effective corporate governance. We believe that corporate governance functions effectively when the Company receives advice from highly independent outside directors who possess extensive experience and a high level of insight, utilizes such advice in making reasonable management decisions, and ensures sound, transparent management. The Company also believes that corporate governance functions effectively when Audit & Supervisory Board members, including highly independent outside Audit & Supervisory Board members, who likewise possess extensive experience and a high level of insight, audit business execution by directors, business operations, and financial conditions.



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

#### 1. Initiatives Aimed at Stimulating the General Meeting of Shareholders and Facilitating Exercise of Voting Rights **Updated**

	Supplementary Information
Early Distribution of the Convocation Notice for the General Meeting of Shareholders	The convocation notice is sent 20 days prior to the day before the day on which the General Meeting of Shareholders is held. It is disclosed on the Tokyo Stock Exchange's Timely Disclosure network (TDnet) and on NGK's corporate website before it is distributed.
Avoiding Peak Days When Scheduling a General Meeting of Shareholders	NGK believes that providing accurate information is essential to enhance constructive dialog with shareholders. NGK sets an appropriate date for the General Meeting of Shareholders and the schedule of related events based on compliance with the relevant laws and regulations, and the time needed for processing the various administrative work involved.
Exercise of Voting Rights Through Electronic Means	Exercise of voting rights via the Internet is available.
Participation in an Electronic Voting Platform and Measures to Facilitate the Exercise of Voting Rights by Institutional Investors	NGK participates in the electronic platform for exercising voting rights operated by ICJ, Inc. NGK has introduced an electronic voting system and participates in the electronic voting platform operated by the Tokyo Stock Exchange to facilitate the exercise of voting rights by institutional investors in Japan and overseas.
Provision of the Convocation Notice in English (Summary)	A partial translation of the convocation notice is provided in English.
Other	NGK submits an extraordinary report (in Japanese) on the results for resolutions voted on at the General Meeting of Shareholders. The report for fiscal 2020 (in Japanese) was submitted after the General Meeting of Shareholders.

#### 2. IR Activities

	Supplementary Information	Explanation Provided by Representative
Regular Briefings Held for Analysts and Institutional Investors	NGK holds financial results briefings in Japan after financial results are announced.	Yes
Regular Briefings Held for Foreign Investors	NGK participates in conferences sponsored by securities firms and provides explanations of the business environment, business results, etc.	Yes
Exhibition at IR Events for Individual Investors	NGK exhibited at Nomura IR Fair 2021, an IR event held for individual investors by the IR firm in January 2021.	No
IR Materials Posted on the Corporate Website	NGK provides financial results, materials requiring timely disclosure other than financial reports, annual securities reports, NGK Reports, materials for the General Meeting of Shareholders, and other materials on the corporate website. (URL: <a href="https://www.ngk-insulators.com/en/ir/">https://www.ngk-insulators.com/en/ir/</a> )	
IR-related Division (Contact) Established	Finance & Accounting Department, Corporate Communications Department	

#### 3. Initiatives in Respecting the Rights of Stakeholders **Updated**

	Supplementary Information
Internal Rules, etc. on Respecting the	NGK established the NGK Group Code of Conduct to earn the trust of society by creating new value. Based on the code, we accomplish this by engaging in dialog with all stakeholders to enable them to better understand

Position of Stakeholders Provided	the NGK Group, sincerely reviewing the opinions, needs and desires for improvement received from stakeholders, and providing products and services that contribute to society.
Environmental Conservation Activities, CSR Activities, etc. Implemented	<p>NGK formulated its Core Policy on the Environment to promote corporate activities in harmony with the environment because we recognize that environmental conservation is a material issue shared by all of humanity. We are pursuing initiatives that will form the framework for contributing to achievement of carbon neutrality, a recycling-oriented society, and co-existence with nature based on the NGK Group Environmental Vision announced in April 2021. We are focusing on developing and providing products and services that contribute to realizing a carbon neutral society while also applying this policy to our Group business activities so that we can achieve our 2050 target of net zero CO<sub>2</sub> emissions ahead of schedule. We are also striving to reduce the negative impact of business activities on the environment and will continue to develop products and technologies that contribute to environmental conservation. NGK established the Environment, Industrial Safety and Health Committee to promote environmental activities and formulated the Five-Year Environmental Action Plan. We are pursuing activities in line with the the priority activities in the plan.</p> <p>To achieve our goal of becoming a corporate citizen that is trusted by local communities, NGK is undertaking company-wide social contribution activities based on the needs of local communities, having the common themes of “people and education,” “environment,” and “relationship with the community.” Group subsidiaries in Japan and overseas are also engaging in social contribution activities rooted in their respective local communities and employees are working as volunteers to serve their communities in cooperation with local residents.</p>
Policies, etc. on Provision of Information to Stakeholders Established	NGK discloses financial information such as the company’s financial condition and business results, and non-financial information such as business strategy, business issues, risks, and information related to corporate governance in business reports, annual securities reports, appropriately and in a timely manner. We also actively post information in NGK Reports, on NGK’s corporate website, in newspapers, and other media.

#### **IV. Matters Concerning the Internal Control System, etc.**

##### **1. Basic Views On and Establishment of an Internal Control System**

NGK has established the following systems to ensure that directors comply with laws and regulations and NGK's Articles of Incorporation in the execution of their duties. This includes the systems deemed necessary to ensure the appropriateness of NGK's business operations as well as the operations of the NGK Group consisting of NGK and its subsidiaries, based on the Companies Act and the Ordinance for Enforcement of the Companies Act.

1. System to ensure that directors execute their duties in compliance with laws and regulations and the Articles of Incorporation
  - 1) The Board of Directors has formulated guidelines for corporate conduct (hereafter, "NGK Group Code of Conduct") that also apply to subsidiaries. The Board also provides rules and standards of conduct for directors to comply with in executing their duties based on laws and regulations and the Articles of Incorporation, and in accordance with corporate ethics, and directors shall comply with these guidelines.
  - 2) The Board of Directors and executive bodies overseen by the president have established and operate an internal control system. They established the Auditing Department as a department that specializes in performing internal audits of the status of business execution by each department, and the Compliance Committee to establish, maintain, and improve the internal control system. They also established the Internal Controls Committee, which deliberates matters concerning assessment and reporting on internal controls for financial reporting, based on the Financial Instruments and Exchange Act.
  - 3) The Compliance Committee has established a subcommittee comprised of personnel responsible for practical administration of compliance in each department to ensure that daily operations are performed in compliance with laws, regulations, and internal company rules. The committee also established the Helpline System as an external consultation and reporting route for people to use when they discover circumstances that violate laws, regulations, and internal company rules, or otherwise violate the intent of the NGK Group Code of Conduct. The Helpline is operated according to the Helpline System Operation Rules.
  - 4) NGK has established a Business Ethics Committee consisting mainly of outside officers. This committee responds to fraudulent acts and violations of laws and regulations involving corporate officers and employees and to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade ("Competition Law") and the Foreign Corrupt Practices Act (FCPA) (hereafter, "such events"). A Hotline System has been established, which is separate from the Helpline System, and it is used for internal whistleblowing related to such events. In this Hotline System, an external attorney who has been designated in advance receives whistleblowing reports and reports them directly to the Business Ethics Committee. The committee has established a management system for reporting directly to the Board of Directors, and works to maintain and improve the compliance system.
  - 5) NGK has established the ESG Committee as the body responsible for reviewing important issues relating to ESG (E: Environment, S: Social, G: Governance), and sharing information and exchanges opinions with the president and relevant directors and others.
  - 6) Directors check the practical effectiveness of the compliance system described above on a routine basis. If they discover problems with the effectiveness, or detect legal violations or other compliance issues, they report these to the Board of Directors and Audit & Supervisory Board and take corrective steps.
  - 7) Directors construct appropriate systems for compliance management in individual business domains as necessary and review them regularly while bearing in mind NGK's basic views on guidelines for compliance activities.
2. System for retention and management of information related to the execution of duties by directors of NGK
 

NGK stores and manages information pertaining the execution of duties by directors in an appropriate and highly searchable manner, and makes it available for directors and Audit & Supervisory Board Members to review at all times.
3. Rules and other systems related to managing loss risk for NGK
  - 1) Risk associated with business operations are routinely managed by each relevant organization, and NGK prevents and avoids materialization of such risks by

- comprehensively examining and analyzing risks in the implementation and decision-making processes of budget formulation, capital investment, R&D, etc., and in the Strategy Committee.
- 2) Company-wide risks are routinely managed by the relevant organizations according to the Basic Rules on Risk Management, and major risks are managed through the activities of the various committees listed below, which work to avoid and prevent risks relating to each committee.
    - (1) Compliance Committee: Matters relating to laws and regulations, and corporate ethics
    - (2) HR Committee: Matters relating to human rights and personnel measures
    - (3) Environment, Industrial Safety & Health Committee: Matters relating to the environment, safety, and health
    - (4) Central Disaster Prevention and Control Headquarters: Matters relating to incidents, accidents, and disasters involving facilities, etc.
    - (5) Quality Committee: Matters relating to product quality and other quality issues
    - (6) BCP Countermeasures Headquarters: Matters relating to business continuity
    - (7) Security Export Control/Specified Export and Customs Clearance Control Committee: Matters relating to export control, etc.
    - (8) Business Ethics Committee: Such incidents specified above in 1.-(4)

For clearly serious material risks, the officer in charge of the Corporate Planning Office shall exercise personal judgement in regard to convening a Crisis Response Meeting attended by the president, to determine the response.
  4. System to ensure efficient execution of duties by directors of NGK
    - 1) As the chief executive officer responsible for business execution based on decisions made by the Board of Directors, the president supervises all business operations of the Company. The following committees have been established to assist the president in making decisions: Executive Committee, Strategy Committee, ESG Committee, Development Committee, Facilities Committee, Quality Committee, the Environment, Industrial Safety & Health Committee, Compliance Committee, Internal Controls Committee, and the HR Committee. These committees engage in comprehensive deliberation and coordination.
    - 2) Directors shall strive for efficiency in the execution of daily duties by delegating authority to specific people, providing clearly defined responsibilities and execution procedures in the administrative authority matrix, Rules for Division of Duties, and rules for various approval procedures.
  5. System to ensure that employees of NGK execute their duties in compliance with laws, regulations, and the Articles of Incorporation
    - 1) The Board of Directors formulated the NGK Group Code of Conduct and provide rules and standards of conduct for employees to observe in executing their duties in compliance with laws and regulations, and the Articles of Incorporation, and in accordance with corporate ethics. The Board of Directors has also established a compliance system in which the Compliance Committee provides compliance training for employees and operates the Helpline System and Hotline System.
    - 2) If an employee discovers a violation of laws and regulations or other compliance issue, the employee shall immediately report it to the direct superior, the director in charge of the department concerned, or report it to the internal department in charge.
    - 3) The Auditing Division performs internal audits of the status of business execution in each department, and ensures that appropriate control systems are established and operated. The departments serving as the secretariats for the Quality Committee and the Environment, Industrial Safety & Health Committee perform audits within their respective groups (hereafter, "specialized audits") in a format customized for such specialized areas. When necessary, the Compliance Committee chairperson participates in conducting specialized audits.
  6. System to ensure the appropriateness of business operations of the NGK Group consisting of NGK and its subsidiaries
    - 1) System for reporting matters concerning the execution of duties by directors of subsidiaries to NGK
      - (1) Departments in charge of supervising subsidiaries shall have supervised subsidiaries report trends and changes in subsidiary operation (management system, labor management, compliance, etc.) as needed. When a supervising

- department has received a report from a subsidiary, the department shall 1) report it to the Corporate Planning Office which is the secretariat in charge of group companies, 2) strive to centralize information by reporting it to the corporate officer in charge of group companies, and 3) report it to the relevant Head Office departments. If a compliance issue, incident or event occurs at a subsidiary, the supervising department shall immediately report it to the Compliance Committee chairperson, in addition to the reports submitted as described above.
- (2) If a subsidiary finds that NGK's business management and management guidance violates laws and regulations or causes a compliance issue, the subsidiary shall report it to the NGK Compliance Committee.
  - 2) Rules and other systems related to controlling the risk of loss at subsidiaries  
NGK controls the risk of loss at subsidiaries by specifying the method by which the subsidiary must obtain approval for disposal and transfer of material assets, capital investment, borrowing, lending and guarantee of obligations, disposal of trade receivables, and other such transactions in the administrative authority matrix. Depending on the details and scale, these methods shall include approval from the supervising department of NGK, approval by the president after deliberation by the Executive Committee, or approval by resolution of the Board of Directors.
  - 3) System to ensure execution of duties by directors of subsidiaries
    - (1) Departments in charge of supervising subsidiaries shall have the subsidiaries formulate business policies and have them approved by the Board of Directors. Supervising departments delegate execution of policies already approved by the Board of Directors to the president of the subsidiary as the best person for supervising execution in subsidiary operations.
    - (2) NGK shall have directors of subsidiaries improve daily business execution by having them formulate rules relating to administrative authorities, division of duties, and approval procedures. Directors of subsidiaries shall delegate duties by specifying the person responsible for each duty and specifying each person's responsibilities and execution procedures in detail, in these rules.
  - 4) System to ensure that the execution of duties by directors and employees of subsidiaries complies with laws and regulations, and the Articles of Incorporation  
NGK has formulated the NGK Group Code of Conduct, which applies to both NGK and its subsidiaries. The Company fosters awareness of unified legal compliance among all directors and employees of NGK and its subsidiaries, and has established an appropriate system of business execution. NGK maintains a risk management and legal compliance structure that includes dispatching Audit & Supervisory Board members to subsidiaries and conducting internal audits and specialized audits performed the NGK's Auditing Department. Officers and employees of subsidiaries must also be allowed to use NGK's Helpline System and Hotline System. NGK has established Helplines or supplementary and alternative systems in overseas subsidiaries, depending on the conditions in the country, the culture, and the social mores.
  7. Matters concerning personnel who support Audit & Supervisory Board members in performing their duties when Audit & Supervisory Board members request appointment of such employees  
When Audit & Supervisory Board members request support personnel to assist them in performing their duties, the representative directors shall discuss this with the Audit & Supervisory Board member(s) requesting this and respond appropriately.
  8. Matters concerning the independence of support personnel from directors of NGK  
When support personnel are assigned to assist Audit & Supervisory Board members in performing their duties, approval of the Audit & Supervisory Board is required for personnel transfers, personnel evaluations, and disciplinary action relating to such personnel.
  9. Matters related to ensuring the effectiveness of instructions provided by Audit & Supervisory Board members to support personnel  
Audit & Supervisory Board members may provide instructions to such personnel at any time, and the support personnel concerned must prioritize his or her execution of duties according to the instructions received.
  10. System concerning reports to Audit & Supervisory Board members
    - 1) System for directors and employees of NGK to report to an Audit & Supervisory Board member
      - (1) Directors must immediately report to an Audit & Supervisory Board member when

they discover any matter that will or may cause significant damage to NGK, in addition to the instances described in 1), above.

- (2) Employees must immediately report to their superior, the director in charge of the relevant department, or the internal department in charge when they discover any matter that will or could cause significant damage to NGK, in addition to the instances described in 5, above. The superior, director in charge of the relevant department, or internal department in charge that has received the report shall immediately report it to an Audit & Supervisory Board member.
  - (3) Each division in charge shall report on the operational status of the compliance system, the Helpline System, internal audit results, and other matters that an Audit & Supervisory Board member has deemed necessary to receive a report on in performing his or her duties.
- 2) System for directors, Audit & Supervisory Board members, and employees of subsidiaries (hereafter, "officers and employees") and any person who received a report from officers and employees to report to the Audit & Supervisory Board members of NGK
- (1) Officers and employees of subsidiaries and supervising departments must immediately report to an Audit & Supervisory Board member when they receive a report from a subsidiary as described in 6-1)-(1), above, or discover a legal violation, other compliance issue, or a matter that will or could cause significant damage to NGK.
  - (2) NGK Audit & Supervisory Board members must meet regularly with the Audit & Supervisory Board members and auditors of subsidiaries, and require them to report on their subsidiary's operating status.
  - (3) Officers and employees of subsidiaries are allowed to use the Helpline System. The administrative secretariat of this system must report incidents at subsidiaries and other Helpline operating results at Compliance Committee Meetings also attended by NGK Audit & Supervisory Board members and report to NGK Audit & Supervisory Board members when necessary.
11. System to ensure that officers and employees of NGK and its subsidiaries who reported as stated in 10, above, are not retaliated against because they submitted a report  
Officers and employees of NGK and its subsidiaries who have reported to an NGK Audit & Supervisory Board member shall not be retaliated against in any way, including dismissal, demotion, reduction in pay, and reassignment, as a result of having submitted the report concerned.
12. Matters concerning procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Audit & Supervisory Board members of NGK and the policy for treatment of obligations and expenses incurred in the execution of their duties  
NGK must secure a budget for expenses relating to the performance of duties by Audit & Supervisory Board members, based on the details prepared by the Audit & Supervisory Board. NGK must also allow advance payment or reimbursement of expenses that are not included in the budget.
13. Other system to ensure effective audits by Audit & Supervisory Board members of NGK  
Audit & Supervisory Board members may request reports from directors and employees at any time, as necessary. Audit & Supervisory Board members shall also engage in regular exchanges of opinions with the representative directors and the accounting auditor.

## **2. Basic Policy on Eliminating Antisocial Forces and Establishment of Measures**

The NGK Group Code of Conduct specifies that NGK and its subsidiaries shall take resolute action against unfair demands by antisocial forces based on laws and regulations and eliminate all relationships with such antisocial forces.

**V. Other****1. Adoption of Takeover Defense Measures**

Takeover Defense Measures Adopted	None
-----------------------------------	------

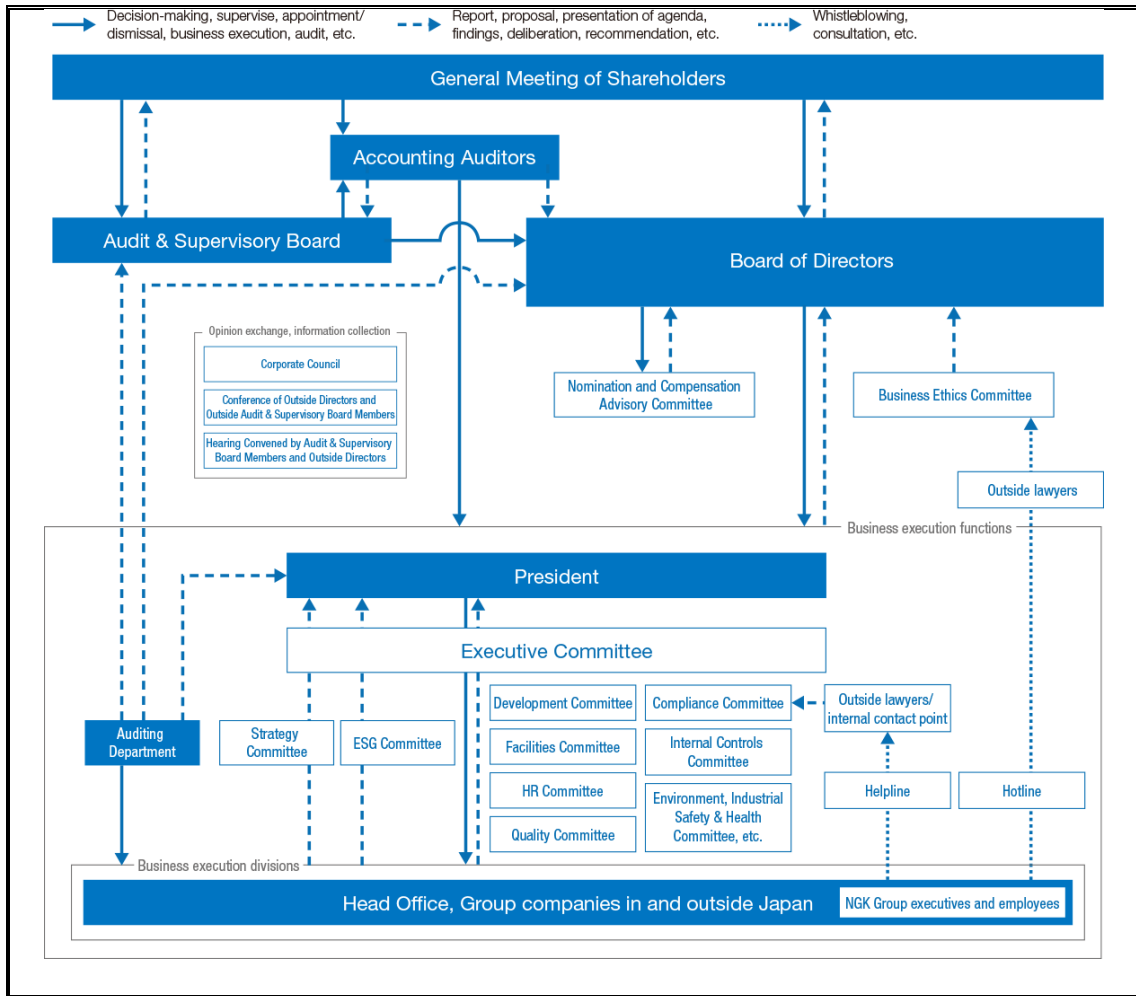
Supplementary Information Regarding Takeover Defense Measures

—

**2. Other Matters Concerning the Corporate Governance System**

—

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





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

