

June 27, 2022
 NGK INSULATORS, LTD.
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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 a 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, encouraged men to take childcare leave, 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 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, around 13,000 of the approximately 20,000 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 locations 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

[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]

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(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 and 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 156th 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 156th 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 overseas, then served as the director in charge of legal and compliance-related divisions. He possesses extensive knowledge and experience in business management in the NGK Group and compliance and is qualified as a Certified Fraud Examiner. 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.

In April 2022, we established the ESG Management Committee chaired by the president as part of the executive function to strengthen NGK initiatives targeting sustainability issues and supervision by the Board of Directors. The ESG Management Committee established expert subcommittees to grapple with cross-divisional sustainability issues. It also looks at issues that other committees are grappling with from a panoramic perspective on sustainability and works with these committees. The ESG Management Committee fully deliberates issues in meetings and reports to the Board of Directors.

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

<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

<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 understand the need to use the Task Force on Climate-Related Financial Disclosures (TCFD) framework to solve problems such as the effect that risks and opportunities presented by climate change have on Group management and disclose necessary information on them. We therefore endorsed the recommendations of TCFD in February 2020, launched internal projects, and have been examining risks and opportunities. In April 2020, we disclosed information related to scenario-based analysis in the categories of governance, strategy, risk management, and metrics and targets recommended by TCFD on our website. NGK continues to analyze these issues in greater depth, disclose more information, and engage in dialog with stakeholders. We also continue to strive for sustained growth of our business by clarifying the impact of climate change-related issues on business and taking strategic action in response.

(Information Disclosure Based on TCFD Recommendations)

<https://www.ngk.co.jp/sustainability/environment-effort07.html>

[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 a 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. One outside Audit & Supervisory Board member attends committee meetings as an observer to ensure the appropriateness of the deliberation process.

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]

The Articles of Incorporation specify a maximum of 15 directors on the NGK Board of Directors. NGK does not discriminate on the basis of gender, age, nationality, and race. Based on this policy, NGK strives to achieve diversity in both gender and internationality of the Board of Directors by electing women directors and directors who possess experience in the management of overseas subsidiaries. NGK also strives to ensure independence of the Board of Directors by specifying that one-third or more of directors be independent directors.

NGK deems the following director skills necessary: Practical experience and demonstration of leadership in areas in which the NGK Group operates its business; professional expertise in finance, legal affairs, human resources and labor, information and communications, and other areas. We also think it is necessary to have highly independent outside directors who possess a high degree of expertise in legal affairs or corporate finance, or who possess knowledge of international affairs, trends in technology, and corporate management. The current skill matrix for NGK directors can be viewed on page 15 of the “Convocation notice of the 156th annual shareholders’ meeting.”

https://www.ngk-insulators.com/en/resource/pdf/ir/meeting/156_call_en.pdf

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 2021 (ended March 31, 2022) 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 9, 2022.

The external evaluation of the survey results and the effectiveness of the Board of Directors was high overall, and stated that the Board of Directors is operating appropriately.

NGK made progress on the following initiatives and improvements concerning items

identified as issues in the evaluation for the previous fiscal year:

- Discussed important medium to long-term and strategic themes in expanded strategy meetings attended by outside officers in addition to the main business executives in charge, and freely debated and reported on such themes in Board of Directors meetings.
- Reported the status of allocation, treatment, and development of top management candidates and shared information in Corporate Council meetings attended by outside officers. Also partially revised the succession plans for the chief executive and approved the plans in a Board of Directors meeting.

We also recognized the need for ongoing discussion to improve effectiveness and achieve the NGK Group vision, as seen in the following items from the evaluation for the current fiscal year:

- More in-depth discussion in Board of Directors meetings
- Supervision of the business portfolio
- Follow-up on the NGK Group Vision

The Company continues to implement initiatives to strengthen and secure effectiveness of the Board of Directors.

<Overall comments by the external organization>

The NGK Board of Directors has maintained the elements that form the foundation necessary as a Board of Directors since the previous evaluation, including the commitment and leadership of each member and a healthy culture. Evaluation of corporate strategy and policy decisions, risk management, and the composition of the Board of Directors has also improved.

We can see the positive impacts of the structural change to one-third outside directors and discussion on formulating the vision. As can be seen from the increase in the overall score, we think the Board of Directors continues to be effective due to the specification of problems and concrete steps the Board of Directors has taken to achieve improvement.

However, opinions in the free-comment section were divided on whether or not the recent reforms increased the effectiveness of the Board of Directors. A certain number of comments demanded concrete efforts to further improve actual effectiveness, rather than in form only. In particular, some think the Board needs to devise ways to separate execution from supervision, clearly distinguish between reporting items and discussion items according to this separation of functions, and reduce the number of items elevated to the Board of Directors, among other improvements.

Although the overall evaluation of discussion on formulating the vision was high, some desired continued discussion on strengthening the PDCA cycle, better follow-up, supervision of the business portfolio, effective use of assets, and other topics.

Some think there is a need to share and perform the checks to the level expected in regard to the Nomination and Compensation Advisory Committee, succession plans, and evaluations of executive management.

[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 them 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, using the internal carbon pricing (ICP) we introduced in fiscal 2022.

<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%
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[Major Shareholders] Updated

Name	Number of Shares Held (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	57,566,700	18.47
Custody Bank of Japan, Ltd. (Trust account)	21,709,600	6.96
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
State Street Bank West Client – Treaty 505234	4,325,568	1.38
Custody Bank of Japan, Ltd. (Securities trust account)	3,383,700	1.08
JP Morgan Chase Bank 385781	3,310,018	1.06

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

The status of major shareholders detailed above is based on the register of shareholders current on March 31, 2022. The report stating changes in large shareholdings provided for public inspection on March 18, 2022 stated that NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. held 19,495,000 shares (shareholding ratio of 6.15%) as of March 31, 2022. However, NGK was unable to confirm the actual number of shares held as of March 31, 2022 so the Major Shareholders table above is based on the number of shares held in the register of shareholders. The report stating changes in large shareholdings provided for public inspection on March 22, 2022 stated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. held 19,307,000 shares (shareholding ratio of 6.09%) as of March 15, 2022. However, NGK was unable to confirm the actual number of shares held as of March 31, 2022 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 Update	Tokyo Stock Exchange, Prime Market; Nagoya Stock Exchange, Premier Market
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

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

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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
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[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) **Update**

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 business development, 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, donates, and 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 (formerly a national university corporation, now a national university corporation in the Tokai National Higher Education and Research System). 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&D and product commercialization. As an outside director of NGK, Ms. Hamada is actually stating her opinions on product development, how to proceed on new businesses, 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 transactions in the</p>	<p>After serving as President & CEO of the Information and Telecommunication Systems Group at Hitachi, Ltd., Kazuo Furukawa served as Director, Representative Executive Officer, President of the company. He also served as Chairperson of NEDO (formerly an Independent Administrative Institution, now a National Research and Development Agency) and possesses knowledge and experience in managing large organizations in information &</p>

		<p>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>telecommunications and other 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 management decisions and all business activities, 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>
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Establishment of a Discretionary Committee Corresponding to a Nominating Committee or a Compensation Committee	Established
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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) Update

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

Name	Independent Auditor	Supplementary Explanation on Applicable Item(s)	Reasons for Appointment as an Outside Audit & Supervisory Board Member
Masayoshi Sakaguchi	○	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	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 considers Mr. Sakaguchi capable of utilizing his

		<p>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>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 & 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>
Takashi Kimura	○	<p>NGK engages in borrowing from MUFG Bank, Ltd., where Mr. Kimura served as a Managing Executive Officer. However, 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>Takashi Kimura possesses many years of experience in managing companies through his service as a Managing Executive Officer at The Bank of Tokyo-Mitsubishi UFJ, Ltd. (now, MUFG Bank, Ltd.), as President and Representative Director of Mitsubishi Research Institute DCS Co., Ltd., and other companies. In addition to his experience and knowledge in finance and corporate governance gained throughout his career, Mr. Kimura also serves as a full-time Audit & Supervisory Board member of MITSUBISHI GAS CHEMICAL COMPANY, INC. and possesses extensive experience and expertise as an auditor of listed companies. NGK considers Mr. Kimura capable of utilizing his broad experience to contribute to enhancing the corporate value of NGK by auditing NGK's overall management, and has therefore elected him as an outside Audit & Supervisory Board member.</p> <p>Mr. Kimura 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) **Update**

Number of Independent Directors/Auditors	5
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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 13 Board of Directors meetings held in fiscal 2021, 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, business development, and other areas. He has also confirmed whether business is being executed appropriately by asking questions about the grounds for business decisions. As a member of the Nomination and Compensation Committee, Mr. Kamano attended all four of the committee meetings held in fiscal 2021, and has overseen management by contributing to decisions on compensation of management from an independent, objective perspective, especially by leading deliberations on personnel matters concerning and compensation of officers since he began serving as the chairperson of the Nomination and Compensation Committee.

Emiko Hamada attended all 13 Board of Directors meetings held in fiscal 2021, and utilized her experience in business development and broad insights into R&D to state her opinions on product development, how to proceed with new businesses, and other matters. She also asked questions concerning the superiority of R&D to confirm whether NGK is engaging in R&D that will enhance corporate value. As a member of the Nomination and Compensation Committee, Ms. Hamada attended all four committee meetings held in fiscal 2021. She has overseen management through involvement in deliberation personnel matters concerning 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 13 Board of Directors meetings held in fiscal 2021. 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 decisions and all business activities. He also asked questions concerning medium and long-term business development to confirm whether NGK is formulating business strategies that will promote sustained growth of the Company. As a member of the Nomination and Compensation Committee, Mr. Furukawa attended all four committee meetings held in fiscal 2021. He has overseen management through involvement in deliberation of personnel matters concerning and compensation of officers, thereby contributing to decisions on compensation of management from an independent, objective perspective.

Masayoshi Sakaguchi attended all 13 Board of Directors meetings and all 14 Audit & Supervisory Board meetings held in fiscal 2021. He utilized his extensive experience in public administration and achievements in management of large organizations to state his opinions on the impact of international affairs and domestic and international regulations on business, establishment of the organizational environment, and other matters.

Takashi Kimura was elected as a new Audit & Supervisory Board member at the Annual Shareholders' Meeting held on June 27, 2022.

[Incentives] **Update**

Implementation of Measures Granting Incentives to Directors	Introduced a performance-linked compensation system, Other
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Supplementary Information Regarding Applicable Items **Update**

Other: Restricted Share Compensation Plan
See Subsection 1. "Disclosure of Policy on Determining Compensation Amount or Calculation Method" in Section II. "Director Compensation" for more information.

Update

Persons eligible for stock options	—
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Supplementary Information Regarding Eligible Recipients **Update**

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[Director Compensation]

Disclosure of individual compensation	Individual compensation is only disclosed for some directors
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Supplementary Information Regarding Disclosure **Update**

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 ended March 31, 2022, four people received total consolidated compensation of ¥100 million yen or more (The position indicated is the position as of March 31, 2022):

Total amount of compensation for Taku Oshima, Representative Director and Chairman: ¥152 million (fixed compensation: ¥68 million; performance-linked compensation: ¥69 million; stock-based compensation: ¥14 million)

Total amount of compensation for Shigeru Kobayashi, Representative Director and President: ¥151 million (fixed compensation: ¥68 million; performance-linked compensation: ¥69 million; stock-based compensation: ¥13 million)

Total compensation for Hiroshi Kanie, Representative Director and Executive Vice President: ¥101 million (fixed compensation: ¥45 million; performance-linked compensation: ¥45 million; stock-based compensation: ¥10 million)

Total compensation for Chiaki Niwa, Representative Director and Executive Vice President: ¥101 million (fixed compensation: ¥45 million; performance-linked compensation: ¥45 million; stock-based compensation: ¥10 million)

Establishment of Policy on Determining Compensation Amount or Calculation Method	Established
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Disclosure of Policy on Determining Compensation Amount or Calculation Method **Update**

① Disclosure of Policy on Determining Compensation Amount or Calculation Method

NGK approved a resolution to revise its policy on determining the details of compensation for directors and others at the Board of Directors meeting held on April 28, 2022, provided that the policy was approved as stated in the original proposal, "Proposal 6: Determination of Remuneration for the Purpose of Granting Restricted Shares to Directors (excluding Outside Directors)," presented at the 156th Annual Shareholders' Meeting. A summary is provided below.

1. 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.

2. 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.

3. Composition of Compensation

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

We have established the following compensation structure from the perspectives of promoting healthy risk-taking to improve performance, increase officer incentive, have officers share value with shareholders, 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: Restricted shares linked to enhancement of corporate value over the medium and long-term through the stock price

(However, we may employ an alternative method to compensate officers who are residing

overseas for longer than a temporary basis when compensation with restricted shares is not appropriate.)

(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 fixed basic compensation and are not paid a performance-linked bonus and granted restricted shares.

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

4. 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 attributable to owners of the parent (hereafter, "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 restricted shares

NGK grants restricted shares to directors (excluding outside directors) and corporate officers to increase their sensitivity to NGK's stock price, enable them to share more of the benefits and risks from fluctuation in the stock price with shareholders, and increase their incentive to enhance corporate value over the medium and long term. Once restricted shares are granted, they must be held during the term of office, in principle. The transfer restrictions will be released when the person resigns from an officer or employee position predetermined by the NGK Board of Directors. However, when the holder of restricted shares resigns for reasons other than an official reason, the Company may make reasonable accommodations on the number of shares to be released from transfer restrictions and the timing of release, as necessary. Immediately upon release of restricted shares, the Company will naturally acquire the shares that remain restricted, at no consideration. Because the value of the restricted shares varies directly with the fluctuation in the stock price, a fixed monetary amount is not established for restricted shares; 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 restricted shares

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 restricted shares 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.

Restricted shares are allocated to directors (excluding outside directors) and corporate officers by resolution of the Board of Directors within one month of election to office, in principle. All of the monetary compensation claims paid to each eligible individual based on the resolution are paid in as in-kind investment assets on the specified pay-in date within one month after the Board of Directors resolution and NGK common stock is granted for these assets.

5. 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
- Maximum limit on total overall compensation for directors and Audit & Supervisory Board members
- The basic compensation amount, basic amount used as the basis for calculating performance-linked bonuses, and the number of restricted shares granted (the level of monetary claims for payment as compensation for granting restricted shares) according to the position of each director and corporate officer
- Performance-linked bonus amounts paid to individual directors

The Nomination and Compensation Advisory Committee also reviews inquiries from the Board of Directors on the performance-linked bonus amounts paid to individual corporate officers and reports its conclusions to the Board of Directors.

(2) Decisions by resolution of the Board of Directors

After sufficient consideration of the conclusions of the Nomination and Compensation Advisory Committee, the Board of Directors passes a resolution determining the basic compensation amount, basic amount used as the basis calculating performance-linked bonuses, and number of restricted shares to grant (the level of monetary claims to pay as compensation for granting restricted shares) according to the position of each director and corporate officer, as well as the amount of the performance-linked bonus to pay each individual director.

6. Reason for the Board of Directors determination that the details of individual director compensation follow the policy

In fiscal 2021, the Nomination and Compensation Advisory Committee met a total of four times, and the committee deliberated on compensation of directors and others at two of those meetings. After deliberating on the policy on determining the details of compensation of directors and others, the consistency of the method for determining compensation, the reasonableness of the method for calculating compensation amounts, and other matters, the Nomination and Compensation Advisory Committee reported its conclusions on the details of compensation of directors and others in fiscal 2021 to the Board of Directors. The Board of Directors reviewed the details of the Nomination and Compensation Advisory Committee's deliberations and conclusions, and left the decision on the details of individual compensation of directors in fiscal 2021 to discussion among the representative directors. The Nomination and Compensation Advisory Committee confirmed that the details of individual director compensation determined through discussion among the representative directors were in line with the policy and reported this to the Board of Directors, and the Board of Directors has determined that the compensation is appropriate.

② General Meeting of Shareholders resolutions on officer compensation and the details of compensation

At the Annual Shareholders' Meeting held on June 28, 2007 and the Annual Shareholders' Meeting held on June 28, 2021, resolutions were approved setting a maximum limit of 800 million yen a year on total director compensation, excluding stock compensation-type stock options (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 compensation-type stock options 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 Shareholders' Meeting held on June 28, 2007. There were nine directors (including three outside directors) and four Audit & Supervisory Board members at the time this resolution was approved at the Annual Shareholders' Meeting held on June 28, 2021.

At the Annual Shareholders' Meeting 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.

At the Annual Shareholders' Meeting held on June 27, 2022, NGK proposed approval of a resolution to abolish the system of stock options as stock-based compensation, excluding those already granted, and set a maximum limit of 200 million yen a year in monetary claims for payment as compensation for restricted shares granted, separate from the limit mentioned above. There are nine directors (including three outside directors) on the resolution date.

③ Delegation of decisions on the details of individual director compensation

No longer applicable from July 2022.

④ 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.

The following short-term numerical indicators for consolidated performance have been adopted to focus on achieving performance goals and growth each fiscal year while also taking capital efficiency into account.

- (1) Consolidated performance results for the fiscal year under review: Net sales, operating income, net income, and return on invested capital (target established at the beginning of the fiscal year or during the fiscal year and actual results)*
- (2) Consolidated performance results for the previous fiscal year: Net sales, operating income, and net income

* NGK version ROIC is calculated based on operating income, account receivables, inventories, and fixed assets.

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

- (1) Medium and long-term performance targets established in the NGK Group Vision: Operating income
- (2) Creation of new products and new businesses – Keep Up 30
- (3) Initiatives to reduce CO₂ emissions

2. Method of calculating performance-linked compensation

The performance-linked bonus amount paid to each individual is determined according to the following methods.

- (1) A basic bonus amount to be used as the basis of the calculation is established for each position.
- (2) The basic bonus amount is allocated among the various performance indicators. The allocation is weighted more toward medium and long-term performance indicators than short-term 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 directors.
- (3) 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.
- (4) 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 2021 are as follows:

- (1) Indicator disclosed at the beginning of the fiscal year:
ROIC: 11.8%
- (2) Consolidated results for fiscal year ended March 31, 2021:
Net sales: ¥452 billion; Operating income: ¥50.8 billion; Net income: ¥38.4 billion
- (3) Consolidated results for fiscal year ended March 31, 2022:
Net sales: ¥510.4 billion; Operating income: ¥83.5 billion; Net income: ¥70.8 billion; ROIC: 13.3%
- (4) Medium and long-term performance targets established in the NGK Group Vision:
Operating income
Past progress toward achieving the 2025 target, by year (actual: ¥83.5 billion)
- (5) Creation of new products and new businesses – Keep Up 30:
Achieved roughly 30% of net sales from new products (as defined by NGK)
- (6) Initiatives to reduce CO₂ emissions:
CO₂ reduction achieved: Reduction in CO₂ emissions intensity per base unit* (energy conservation)
Achieved the consolidated target of a 700,000-ton reduction in CO₂ emissions in fiscal 2021 by introducing renewable energy and others
* CO₂ emissions intensity per base unit: CO₂ emissions volume ÷ Base unit of production volume

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

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. The Secretariat is also increasing opportunities to send materials and provide information for Executive Committee meetings, strategy meetings, etc.

[Presidents, etc. Who Have Retired from Office]

o 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
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- 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.

Chairperson: Taku Oshima (Representative Director and Chairman)

Internal directors: Shigeru Kobayashi, Chiaki Niwa, Ryohei Iwasaki, Tadaaki Yamada, 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: Masayoshi Sakaguchi, and Takashi Kimura

<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 NV Creation Development, 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 (President)

Executive Vice Presidents: Chiaki Niwa and Ryohei Iwasaki (concurrently serving as the Group executive in charge of Corporate NV Creation Development)

Group executives of each business group: Shuhei Ishikawa, Hiroto Matsuda, 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: Tadaaki Yamada and Hideaki Shindo

Senior fellow: Yukihiisa Takeuchi

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

Corporate officers and department heads designated by the president: Hiroyuki Shinohara, Mayumi Inagaki, and Hideaki Tsukui

<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. One outside Audit & Supervisory Board member attends committee meetings as an observer to confirm the appropriateness of the deliberation process.

Chairperson: Outside director Hiroyuki Kamano*

Committee members:

Outside directors: Emiko Hamada* and Kazuo Furukawa*

Representative directors: Taku Oshima and Shigeru Kobayashi

Outside Audit & Supervisory Board member as observer: Masayoshi Sakaguchi*

* The three outside directors and one outside Audit & Supervisory Board member are all independent officers.

<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. 10 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: Masayoshi Sakaguchi and Takashi Kimura

Internal directors: Taku Oshima, Shigeru Kobayashi, Chiaki Niwa, Ryohei Iwasaki, Tadaaki Yamada, and 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: Masayoshi Sakaguchi and Takashi Kimura

<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: Masayoshi Sakaguchi and Takashi Kimura

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: Outside director Hiroyuki Kamano

Committee members:

Outside directors: Emiko Hamada and Kazuo Furukawa

Outside Audit & Supervisory Board members: Masayoshi Sakaguchi and Takashi Kimura

Internal director: Tadaaki Yamada

[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 also held a meeting with the chairperson of the Nomination and Compensation Advisory Committee to hear about, verify, and confirm the appropriateness of the process and procedures for determining the policy on making detailed decisions on individual director compensation for the current fiscal year. They have also held meetings with the representative directors every six months to share audit results and exchange opinions. In addition to this, the full-time Audit & Supervisory Board members have selected overseas subsidiaries for corporate group audits based on the importance and the approach on risks, and used Web conferencing systems to audit them remotely. Web and in-person conferences with the Audit & Supervisory Board members of major domestic subsidiaries were conducted twice during fiscal 2021. Two audit report Web and in-person 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, obtained information from divisions in charge of separate audits in the areas of safety, environment, and quality, and 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 investigate the status of property. 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 accountants 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 (14 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.

[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 2021 was submitted after the General Meeting of Shareholders.

2. IR Activities **Update**

	Supplementary Information	Explanation Provided by Representative
Formulation and Disclosure of a Disclosure Policy	NGK formulated the NGK Group Disclosure Policy and has posted it on the corporate website.	
Exhibition at IR Events for Individual Investors	NGK exhibited at Nomura IR Fair 2022, an IR event held for individual investors by the IR firm in January 2022.	No
Regular Briefings Held for Analysts and Institutional Investors	NGK holdings 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
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: https://www.ngk-insulators.com/en/ir/)	
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 Position of Stakeholders Provided	<p>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 the NGK Group, sincerely reviewing the opinions, needs and desires for improvement received from stakeholders, and providing products and services that contribute to society.</p>
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 CO₂ 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	<p>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 (integrated reports) on NGK’s corporate website, in newspapers, and other media.</p>

IV. Matters Related the Internal Control System, etc.

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

NGK made the following decisions on establishing a system to ensure appropriate business operations in the Board of Directors meeting held on March 23, 2022. These decisions were made to reflect the restructuring of committees on April 1, 2022.

The NGK Board of Directors 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. The business execution organizational bodies that report to the president are responsible for operating these systems.

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 NGK Group companies. 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) NGK has established the Compliance Committee to deliberate on compliance activities concerning laws and regulations and corporate ethics, response to events that require special crisis management, and other activities, based on the Basic Guidelines for NGK Group Compliance Activities. 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.
- 3) NGK has established the Internal Controls Committee to deliberate on assessments and reports on the internal control system for financial reporting, based on the Financial Instruments and Exchange Act.

NGK has established the Auditing Department to conduct internal audits on the execution of business in each division as the department specializing in internal audits. The Auditing Department also builds and ensure operation of the system for appropriate implementation of governance.

The Company has established the Quality Committee and the Environment, Industrial Safety & Health Committee. The divisions that serve as the secretariats of these committees perform internal group audits in areas of specialization (hereafter, "specialized audits"). The Compliance Committee chairperson participates in conducting specialized audits as necessary.

- 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) 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.
- 6) 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) 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) ESG Management Committee: Matters relating to sustainability issues, including components of ESG and SDGs
 - (2) Compliance Committee: Matters relating to laws and regulations, and corporate ethics
 - (3) HR Committee: Matters relating to human rights and personnel measures
 - (4) Environment, Industrial Safety & Health Committee: Matters relating to regulatory response and other aspects of environmental management, and safety, and health
 - (5) Central Disaster Prevention and Control Headquarters: Matters relating to incidents, accidents, and disasters involving facilities, etc.
 - (6) Quality Committee: Matters relating to product quality and other quality issues
 - (7) BCP Countermeasures Headquarters: Matters relating to business continuity
 - (8) Security Export Control/Specified Export and Customs Clearance Control Committee: Matters relating to export control, etc.
 - (9) 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.
 - 2) Risks associated with individual 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.
4. System to ensure efficient execution of duties by directors of NGK
 - 1) The president supervises all business operations of the Company as the chief corporate officer responsible for business execution based on decisions made by the Board of Directors. The following committees have been established to assist the president in making decisions: Executive Committee, Strategy Committee, ESG Management Committee, Development and Commercialization Committee, Facilities Committee, Quality Committee, the Environment, Industrial Safety & Health Committee, Compliance Committee, Internal Controls Committee, the HR Committee, and other committees. These committees engage in comprehensive deliberation and coordination.
 - 2) Directors shall strive for efficiency in the execution of daily duties by delegating authority to the heads of divisions and others by providing clearly defined responsibilities and execution procedures for a specific scope of duties to specific people, as described 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, 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 Department performs internal audits of the status of business execution in each department and ensures that systems are established and operated to provide

appropriate control. The departments serving as the secretariats for the Quality Committee and the Environment, Industrial Safety & Health Committee perform audits specialized audits. 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, as needed 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, and matters concerning securing the independences of such personnel from NGK directors and ensuring the effectiveness of instructions issued by such Audit & Supervisory Board members to such personnel
 - (1) 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.

- (2) 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.
 - (3) 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.
8. 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.
 - (4) Audit & Supervisory Board members attend Board of Directors meetings, Executive Committee meetings, and other important meetings and obtain information in a timely manner.
 - 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.
 9. System to ensure that officers and employees of NGK and its subsidiaries who reported as stated in 8, 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.
 10. 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.
 11. 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
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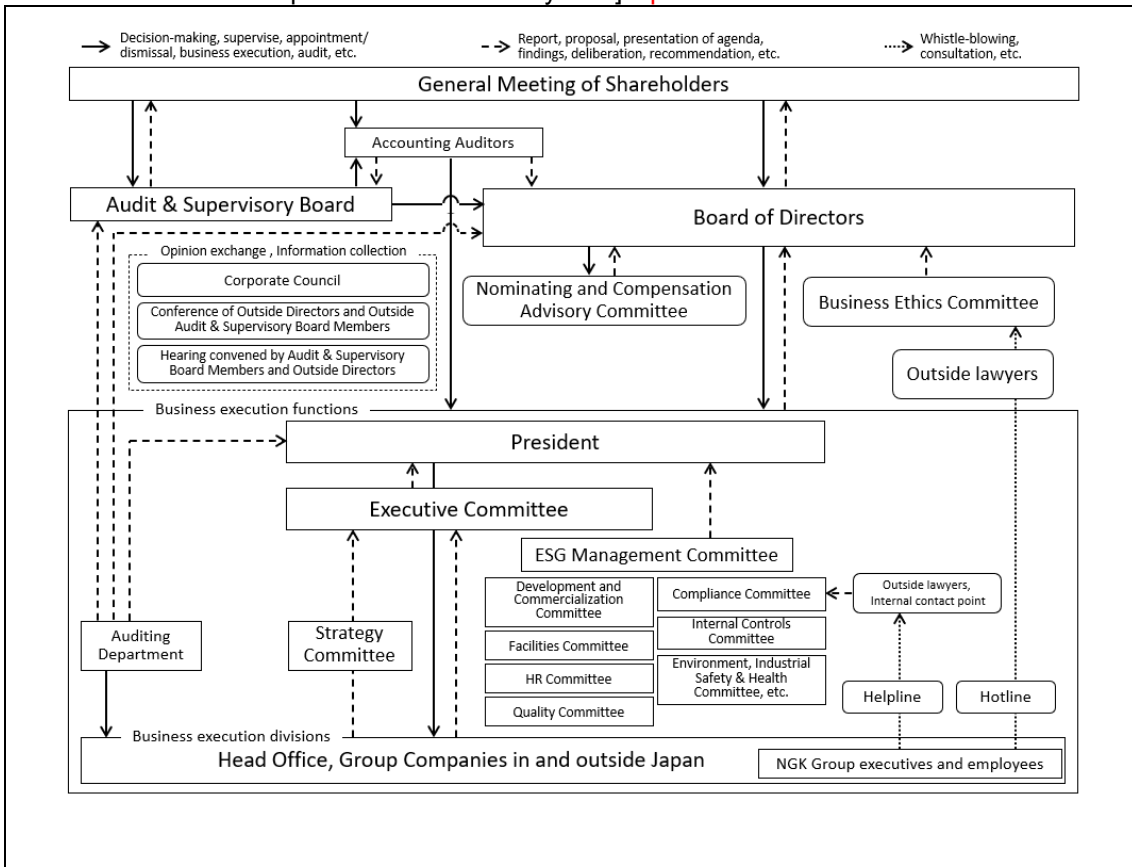
Supplementary Information Regarding Takeover Defense Measures

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2. Other Matters Concerning the Corporate Governance System

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Reference 1: NGK's Corporate Governance System] Updated



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

