

Last Update: October 11, 2024**NGK INSULATORS, LTD.**

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

The corporate governance of NGK INSULATORS, LTD. (“NGK”) is described below.

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

1. Basic Views

NGK’s basic policy on corporate governance is to ensure legality in business activities and transparency in management. NGK 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, ESG Management Committee, Risk Management 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 the Corporate Governance Code

[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, among which are the appointment of foreign nationals and mid-career hires to managerial positions.

<Promotion of Foreign Nationals to Managerial Positions>

At NGK, around 12,000 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 approximately 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 career hires (our term for mid-career hires). We also base decision on promotion to managerial positions on competence, suitability, and other factors, without differentiating between new and career hires and will continue this policy in the future. We therefore recognize that conditions do not require implementing measures specifically designed to promote career hires to managerial positions.

For other disclosures based on Supplementary Principle 2-4-1, please refer to “Disclosure Based on the Principles of the Corporate Governance Code.”

Disclosure Based on the Principles of the Corporate Governance Code **Update**

[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 NGK. We disclose the main content of such transactions in business reports and annual securities reports. Transactions with Audit & Supervisory Board members and major shareholders that do not pose conflicts of interest under laws and regulations are also designated as matters requiring the same approval from the Board of Directors and are also disclosed in the same manner.

[Supplementary Principle 2-4-1]

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

<Promotion of Women to Managerial Positions>

To promote the advancement of women, we have set numerical targets for the percentage of female new graduates hired (40% or higher for sales/administrative-related, and 20% or higher for engineering-related), 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 NGK and expanding areas of participation. In June 2020, NGK appointed the first female corporate officer to be promoted internally. These series of initiatives earned Stage 3 Eruboshi certification and Platinum Kurumin certification. In fiscal 2023, NGK was selected as a “Next Nadeshiko: Companies Supporting Dual-career and Co-parenting” in recognition of our outstanding efforts in “Supporting dual-career and co-parenting.”

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 3.7% in 2023, we intend to increase this to around 10% by 2030 and more than 20% by 2050.

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

In June 2023, NGK disclosed its policies on human resource development and establishment of the internal environment as follows.

“Human Resource Development Policy”

The NGK Group develops personnel with the following abilities and mindset required to realize the Five Transformations.

- Cultivate advanced knowledge, skills, abilities or their combination, and proactively approach to problems
- Demonstrate teamwork and persistently lead to results
- Autonomously grow and continuously change oneself and the NGK Group

“Workplace Development Policy”

The NGK Group develops the following workplace environment where each personnel can perform at full potential.

- Diverse and Inclusive Workplace
A workplace where everyone is acknowledged and respected, regardless of external attributes such as race, nationality, gender, and age, as well as internal attributes such as religion, beliefs, experiences, and values.
- Enriched and Lively Workplace
A workplace where diverse personnel can feel rewarded, stay healthy both physically and mentally, have colleagues we respect and enjoy working with, and maintain a good work-life balance.
- Open Workplace that encourages challenges
A workplace with open communication and psychological safety, that embraces courageous challenges for growth.

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-skills.html>

(Work-Life Balance)

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

(Health Management)

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

(Human Resources Management)

<https://www.ngk-insulators.com/en/sustainability/society-hr-management.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 NGK.

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 NGK (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 NGK 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 unique 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 NGK’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 158th 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 158th 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 inside Audit & Supervisory Board member in the term of office are as follows.

Nobumitsu Saji

Since joining NGK, 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 NGK.

Naoya Yagi

Since joining NGK, Naoya Yagi has accumulated experience in a diverse range of operations, including the Finance and Accounting Department, overseas subsidiaries, and the Corporate Planning Department, in addition to business experience at a financial institution. He also served as general manager of the Auditing Department, is highly knowledgeable in the practical aspects of finance and accounting and business audits, including such functions overseas, and possesses considerable knowledge of finance and accounting. We nominated Mr. Yagi 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 experience to audit overall management of NGK.

[Supplementary Principle 3-1-3]

<Initiatives in Sustainability>

NGK's Board of Directors formulated the NGK Group's approach to sustainability as the Basic Sustainability Policy in April 2023. (Basic approach)

By providing new value through our unique ceramic technologies under the NGK Group Philosophy of "Enriching Human Life by Adding New Value to Society," NGK Insulators, Ltd. and its Group companies (hereinafter, the "NGK group") hope to contribute to the achievement of a sustainable society and earn the trust of society by meeting its expectations toward us. Setting this as the NGK Group's basic approach to sustainability and keeping Environment, Society, and Governance (ESG) and the Sustainable Development Goals (SDGs) at the forefront, we aim to contribute to the achievement of carbon-neutrality and a digital society as we continuously enhance our corporate value.

(Identification of material issues (Materiality) and promotion of initiatives)

For the realization of the NGK Group Philosophy and for the sustainable advancement of society and the NGK Group, we will identify material issues faced by the NGK Group and our stakeholders as Materiality, and will address these in accordance with the NGK Group Code of Conduct as a guideline for our actions.

(Responsibilities of the Board of Directors)

The Board of Directors seeks to correctly recognize the ESG factors and other sustainability issues of the NGK Group and to connect these to the enhancement of our medium- to long-term corporate value by appropriately supervising and addressing initiatives aimed at sustainability issues. The Board of Directors also engages in appropriate disclosure of information and, based on insights gained through valuable dialogue with diverse stakeholders, strives to improve our management and to live up to the trust and expectations of society.

Based on our Basic Sustainability Policy, the NGK Group identified its Materiality in April 2023. We have identified these as issues that are important to both our Group and the stakeholders and as social issues on which our Group should particularly place focus. By efficiently and effectively utilizing our limited management resources to address these material issues, our Group seeks to maximize value creation for both the Group and our stakeholders. We believe that doing so will lead to the realization of our NGK Group Vision.

See the NGK corporate website for more information on initiatives.

(Basic Sustainability Policy)

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

(ESG Action Framework)

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

(ESG Activities)

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

(Respect for Human Rights)

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

(Human Resources Management)

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

(Supply Chain)

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

(Risk Management)

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

<Investment in Human Capital>

In June 2023, NGK disclosed its approach to investment in human capital as follows.

[NGK Group Human Capital Management Policy]

The NGK Group defines “People who embrace challenges and teamwork” as one of Our Values of NGK Group Philosophy, and we are committed to realize Our Mission: Enriching Human Life by Adding New Value to Society.

The NGK Group is committed to drive the Five Transformations to realize the NGK Group Vision, and we believe that the active engagement of each personnel is crucial for accomplishing the Five Transformations.

We define the core of the Group’s human capital management as hiring and developing personnel to enrich team members dedicated to the Five Transformations, and establishing an environment where each personnel can perform at full potential.

Building upon this core belief, we establish the “Human Resource Development Policy” and “Workplace Development Policy” as follows.

“Human Resource Development Policy”

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- Open Workplace that encourages challenges
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See the NGK corporate website for more information.

(Human Resource Development)

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

<Investment in Intellectual Property>

The NGK Group positions intellectual property (IP) as a critical management resource. Thus far, we have supported business through IP activities focused on securing global patent rights. Recent years have seen an increase in the importance of investing in and utilizing intangible assets. In addition to conventional IP protection efforts, we also recognize the need to conduct activities focused on IP utilization. This includes investing in intellectual property that is aligned with our management strategy. These activities will contribute to new business creation, help us secure a competitive advantage in the future, and contribute to the realization of the NGK Group Vision. To this end, we outline the following as what we aim for in 2030:

- 1) Three-point integrated promotion of business strategy / development strategy / IP strategy
- 2) Utilize tools such as IP landscape® to promote activities focused on IP utilization

and initiatives aimed at supporting these activities.

See the NGK corporate website for more information.

(Intellectual Property)

<https://www.ngk-insulators.com/en/sustainability/governance-property.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, and in May 2023, we also disclosed the quantitative financial impact of material risks and opportunities. 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-insulators.com/en/sustainability/environment-tcf.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 NGK Group Articles of Incorporation and the Rules for the Board of Directors. The main matters include the overall budget for the NGK Group, 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 NGK (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, NGK 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 NGK 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, executive 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 NGK Group 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 as an advisory body to the Board of Directors 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, in consultation with the Board of Directors, deliberates personnel matters concerning directors and Audit & Supervisory Board members, matters concerning compensation of directors and corporate officers, maximum total amount of compensation, etc., for directors and the Audit & Supervisory Board as a whole, and chief executive succession plans, etc., 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 enhance 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 the “Convocation notice of the 158th annual shareholders’ meeting.

https://www.ngk-insulators.com/en/meeting/158_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]

NGK 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. NGK 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.

1. Policies and Main Initiatives in Fiscal 2023 in Light of the Effectiveness Evaluation Covering Fiscal 2022

(1) Policies for initiatives of the Board of Directors

- To realize the NGK Group Vision, the following items shall be regularly reported to and monitored by the Board of Directors.
 - Status of business portfolio revision
 - Progress on the New Value 1000 (aiming for sales of 100 billion yen from new commercialized products by 2030)
 - Progress on various committee activities and company-wide projects
 - Progress on human resources strategy
 - Status of company-wide risk management

[Main initiatives]

Multiple reporting dates were specified for each of the items listed above as year-long issues.

For company-wide risk management in particular, the Risk Management Committee was established as a management committee that has reported directly to the president from fiscal 2023. The committee deliberated on formulation of policies, building the structure, and monitoring execution of risk management, among other topics, and reported these deliberations to the Board of Directors.

- More in-depth discussion on business strategy

[Main initiatives]

We continued the fiscal 2022 practice of holding expanded strategy meetings which outside officers also attend. Two such meetings were held and energy storage business strategy was prioritized for discussion.

- Enhancement of opportunities for dialog between senior management and outside officers

[Main initiatives]

Informal gatherings of senior management and outside officers were held once a month.

Senior management also attended hearings convened by Audit & Supervisory Board members and outside directors, and provided an overview of the business and reported on other matters.

- Emphasis on dialog with shareholders and investors through IR activities

[Main initiatives]

The status of SR activities was reported regularly to the Board of Directors, in addition to the status of IR activities.

Questions and answers from financial results announcements and presentations were also shared with Board of Directors meeting attendees.

(2) Policies for initiatives of the Nomination and Compensation Advisory Committee

- Further sharing of the status of discussions from the committee to the Board of Directors

[Main initiatives]

Committee meeting materials on the status of discussions, details of deliberations, etc. were conscientiously shared with the Board of Directors.

- Further enhancement of information provided to the committee on compensation and nomination

[Main initiatives]

Internal directors who were committee members and the committee secretariat provided more detailed data on the career history, skills, and roles expected of candidates for new director positions.

2-1. Methods of Effectiveness Evaluation for Fiscal 2023

- (1) A survey comprising a total of 30 questions was conducted of all directors (9 members) and all Audit & Supervisory Board members (4 members) at the beginning of April 2024. The survey included six questions on policies for fiscal 2023 initiatives and two free-response questions. The analysis and evaluation of the responses were entrusted to an external organization. The survey questions are regularly revised in light of recent changes in the environment.
- (2) As part of the effectiveness evaluation of the Board of Directors, the Nomination and Compensation Advisory Committee also conducted a survey of its members (chairperson, members, and observers), and entrusted the analysis and evaluation of the responses to an external organization.

2-2. Summary of Evaluation Results for Fiscal 2023

- (1) A summary of the evaluation results was reported to the Board of Directors at its meeting on June 5, 2024.
- (2) Based on the results of the survey, the external evaluation of the effectiveness of the Board of Directors (including the Nomination and Compensation Advisory Committee) was high overall, and stated that the Board of Directors is operating appropriately.
- (3) Overall comments from the external organization are as follows:
 - The NGK Board of Directors has properly maintained the elements that form the foundation necessary to support Board of Directors functions, including the commitment of each member and a healthy Board culture. Based on the results of effectiveness evaluations from the past several years, we can state that the Board of Directors continues to maintain this foundation as a strength.
 - The “Policies for initiatives of the Board of Directors for fiscal 2023” outlined based on the results of the effectiveness evaluation in the past fiscal year are appropriately reflected in the operation of the Board of Directors and the Nomination and Compensation Advisory Committee in the fiscal year under review. We observed that these policies are contributing to reinforcing effectiveness.
 - On the other hand, we could see that Board is aware of issues related to discussion of long-term policies and strategies to optimize the business portfolio, monitoring human capital, intellectual capital, and other management resources, and ascertaining and discussing successor plans as well as development of senior management, performance, and other factors, to further improve effectiveness. In order to appropriately address these issues, we expect the Board to make continuous efforts to clearly identify and narrow down the agenda for sufficient discussion of important priorities, engage in more in-depth discussions, and find ways to improve reporting.

3. Policies for Initiatives in Fiscal 2024 to Further Improve Effectiveness

Based on the results of the evaluation in fiscal 2023 and discussion with the Board of Directors, we have formulated the following policies for initiatives for fiscal 2024. We will strive to reinforce the effectiveness of the Board of Directors and the Nomination and Compensation Advisory Committee through continuous efforts.

(1) Policies for initiatives of the Board of Directors

- To realize the NGK Group Vision, the following items shall be regularly reported to and monitored by the Board of Directors:
 - Status of business portfolio revision
 - Progress on the New Value 1000 (aiming for sales of 100 billion yen from new commercialized products by 2030)
 - Progress on various committee activities and company-wide projects
 - Progress on human resources strategy
 - Status of company-wide risk management
 - IR and SR activities
- Clearly identify issues to prioritize for discussion and engage in more in-depth discussion of long-term management plans and business strategies (including Group companies).
- Continue to enhance opportunities for dialog between senior management and outside officers while engaging in more in-depth discussion of successor plans and development of senior management.

- Further enhance the provision of information to outside officers.
- (2) Policies for initiatives of the Nomination and Compensation Advisory Committee
- Continue to further share the status of discussions from the committee to the Board of Directors.
 - Continue to further enhance information provided to the committee on compensation and nomination.

[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. NGK 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 Laws), 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, focusing on communication regarding the market environment, initiatives to improve profitability, and the prospects for each of our businesses, with the aim of enhancing 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.

<Status of dialog with shareholders, etc.>

We disclose the status of dialog with shareholders on our corporate website. Consult the following URL for more information.
https://www.ngk-insulators.com/en/resource/pdf/ir/dialog/dialog_en.pdf

[Principle 5-2. Formulation and Publication of Management Strategies and Plans]

<Release of Our Management Strategies and Management Plan>

NGK discloses the Group's management strategy, capital policy, business portfolio policy, business outlook and prospects by segment, as well as capital investment, R&D, and other information in its annual securities reports, financial statements, supplementary data, and business reports for shareholders, etc. Furthermore, NGK discloses its cost of capital and efforts to improve return on capital such as ROE and NGK's version of ROIC, as well as its "Environmental," "Social," and "Governance" efforts to improve non-financial value in addition to its financial value, such as R&D and new business creation to ensure growth potential. In enhancing non-financial value, NGK manages to balance the pursuit of profit with investment in human capital and intellectual capital, which will be the source of future corporate value. At the same time, in order to comprehensively evaluate our sustainability initiatives, including efforts to reduce environmental impact and respect for human rights, we have introduced NGK Value-added, a management indicator that considers CO2 emission costs, labor costs, R&D costs, and the rate of achievement of ESG targets, as a measure of operating income, and we have publicly announced our efforts to enhance corporate value.

<Actions to achieve management with an awareness of stock price and cost of capital>

NGK advances three initiatives of enhancement of return on capital, securing of growth potential, and enhancement of non-financial value to improve the cost of capital and the stock price.

With regard to return on capital, we aim to achieve medium- to long-term ROE of 10% or higher to exceed shareholders' cost of capital. Internally, we are working to improve profit by using the NGK version of ROIC, which closely correlates to ROE, as a management indicator.

Concerning securing of growth potential, in addition to management of our business portfolio and examination of investment priorities, we are reinforcing our research and development and are undertaking New Value 1000, our plan to achieve at least 100

billion yen in net sales of newly commercialized products by 2030.

As for enhancement of non-financial value, we have introduced NGK Value-added as a management indicator and are undertaking efforts in areas including respect for human rights and reduction of environmental impacts.

Details of management policies, management indicators, our targets for 2030, and other matters are disclosed on page 13 of the presentation materials of the "FY2023 Financial Results Briefing for Institutional Investors." See the URL below.

https://www.ngk-insulators.com/en/ir/news/icsFiles/afieldfile/2024/04/26/20240426_presen_en.pdf

[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

Foreign Shareholding Ratio

20% or more and less than 30%

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	51,987,300	17.44
Meiji Yasuda Life Insurance Company	21,695,140	7.28
The Dai-ichi Life Insurance Company, Limited	21,457,926	7.20
Custody Bank of Japan, Ltd. (Trust account)	18,730,100	6.28
MUFG Bank, Ltd.	7,204,443	2.41
National Mutual Insurance Federation of Agricultural Cooperatives	7,029,000	2.35
Aioi Nissay Dowa Insurance Co., Ltd.	4,387,600	1.47
BNYM AS AGT/CLTS 10 PERCENT	3,737,138	1.25
JP MORGAN CHASE BANK 385781	3,384,952	1.13

JPMorgan Securities Japan Co., Ltd.	3,347,759	1.12
Name of Controlling Shareholder, if applicable (excluding Parent Company)	—	
Name of Parent Company, if applicable	None	

Supplementary Explanation

The status of major shareholders detailed above is based on the register of shareholders current on March 31, 2024. The following report stating changes in large shareholdings in NGK shares was provided for public inspection. However, NGK was unable to confirm the actual number of shares held as of March 31, 2024 so the Major Shareholders table above is based on the number of shares held in the register of shareholders.

Holder: Sumitomo Mitsui Trust Asset Management Co., Ltd. and one joint corporate holder

Date submitted: July 6, 2023

Mandated reporting date: June 30, 2023

Number of share certificates, etc. (percentage of shares held): 15,550,000 shares (4.99%)

Holder: MUFG Bank, Ltd. and three joint corporates holder

Date submitted: October 16, 2023

Mandated reporting date: October 9, 2024

Number of share certificates, etc. (percentage of shares held): 20,463,000 shares (6.56%)

Holder: BlackRock Japan Co., Ltd and seven joint corporates holder

Date submitted: December 5, 2023

Mandated reporting date: November 30, 2023

Number of share certificates, etc. (percentage of shares held): 12,612,000 shares (4.04%)

Holder: Nomura Securities Co., Ltd. and two joint corporates holder

Date submitted: April 4, 2024

Mandated reporting date: March 29, 2024

Number of share certificates, etc. (percentage of shares held): 18,822,000 shares (6.03%)

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Prime Market Nagoya Stock Exchange, Premier Market
Fiscal Year-End	March 31
Business Sector	Glass and ceramic products
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more and fewer than 50

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

—

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

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit & supervisory Board*
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*Referred to in the Corporate Governance Code reference translation as "Company with *Kansayaku* Board"

Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairperson
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the NGK Group (1)

Name	Attributes	Relationship with the NGK Group*										
		a	b	c	d	e	f	g	h	i	j	k
Emiko Hamada	Academic								△		△	
Hiroshi Sakuma	From other company								△			
Noriko Kawakami	From other company											
Kengo Miyamoto	Attorney											

*Categories for "Relationship with NGK".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the NGK Group or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which NGK is a major client or a person who executes business for such person/entity
- Major client of NGK or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit & supervisory Board Member compensation from NGK
- Major shareholder of NGK (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of NGK (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with NGK (applies to self only)
- Person who executes business for an entity receiving contributions from the NGK (applies to self only)
- Other

Outside Directors' Relationship with NGK (2) Update

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Emiko Hamada	○	<p>NGK sells products for the electronics industry to and pays donations and research and other expenses to the Nagoya Institute of Technology, where Ms. Hamada served as a Professor. However, the amount for each was less than 0.1% of NGK's consolidated net sales and consolidated operating expenses.</p> <p>NGK sells products for the electronics industry and other products and provides 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 in the past fiscal year.</p>	<p>Ms. Emiko Hamada has made remarkable achievements such as leading the invention and the world's first commercialization of the CD-R (recordable CD) while working for Taiyo Yuden Co., Ltd. Since then, she has been engaged in research activities mainly through industry-academia-government collaborations as Professor at Nagoya Institute of Technology and Visiting Professor at Nagoya University. NGK expects her to oversee the management of NGK from an independent, objective standpoint based mainly on the perspective of research, development, and product commercialization, by utilizing the insights she has developed through her career. In addition, she has been appropriately fulfilling her duties as an Outside Director of NGK by giving her opinion in terms of ways to proceed with product development and new business and also on intellectual property strategies, as well as offering suggestions to NGK's business operation and overseeing the management of NGK, therefore, NGK has 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 NGK has designated her as an independent officer.</p>
Hiroshi Sakuma	○	<p>NGK sells ceramic and other products to Mitsubishi Corporation where Mr. Sakuma served at as an executive vice president. However, the sales amount was less than 0.1% of NGK's consolidated net sales during the past fiscal year.</p>	<p>Mr. Hiroshi Sakuma has extensive knowledge of energy fields including carbon neutrality, as well as experience leading large organizations, through his work in important positions at Mitsubishi Corporation such as Division COO of New Energy & Power Generation Div. and subsequently Executive Vice President, Group CEO of Global Environmental & Infrastructure Business Group, as well as Member of the Management Board and Chief Cooperation & International Officer of N.V. Eneco(*). NGK expects him to oversee the management of NGK as an Outside Director and a management specialist from an independent, objective standpoint, by utilizing those insights and experience. Therefore, NGK has elected him as an Outside Director.</p> <p>Mr. Sakuma 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 NGK has designated him as an independent officer.</p> <p>(*) A comprehensive energy company that engages in business in Europe and that was acquired by Mitsubishi Corporation and Chubu Electric Power Co., Inc. through Diamond Chubu Europe B.V., which was jointly established by them.</p>
Noriko Kawakami	○	Not applicable	<p>Ms. Noriko Kawakami has long engaged in product development in the power electronics field at Tokyo Shibaura Electric Co., Ltd. (currently Toshiba Corporation) and Toshiba Mitsubishi-Electric Industrial Systems Corporation (currently TMEIC Corporation) and possesses extensive knowledge and ample work experience in the energy and digital fields, such as leading the development and commercialization of large-capacity power converters applied to power grids and infrastructure facilities that use renewable energy and so forth. She was awarded the title of fellow from the IEEE(*) for her contributions to the development and commercialization of this technology. NGK expects her to offer suggestions to NGK's business operation from a practical perspective and oversee the management of NGK from an independent, objective standpoint as an Outside Director, by utilizing those insights and experience. Therefore, NGK has elected her as an Outside Director.</p> <p>Ms. Kawakami 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 NGK has designated her as an independent officer.</p>

			(*) The Institute of Electrical and Electronics Engineers, Inc. (IEEE) headquartered in the U.S., the IEEE is the world's leading association for electrical and electronic engineering technologies. It has over 400,000 members in more than 190 countries around the world.
Kengo Miyamoto	○	Not applicable	<p>Having long engaged in legal practice domestically and internationally as an attorney-at-law, Mr. Kengo Miyamoto possesses a wealth of work experience and specialized knowledge, including providing a wide range of advice to a number of Japanese and international companies in various fields such as manufacturing, service, transportation, and IT. NGK expects him to oversee the management of NGK as an Outside Director from an independent, objective standpoint based mainly on the perspective of compliance, by utilizing those insights and experience. Therefore, NGK has elected him as an Outside Director.</p> <p>Mr. Miyamoto 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 NGK has designated him as an independent officer.</p>

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Compensation Advisory Committee	6	0	2	4	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Compensation Advisory Committee	6	0	2	4	0	0	Outside Director

Supplementary Explanation

The Nomination and Compensation Advisory Committee was established as an advisory body to Board of Directors to ensure fairness and improve transparency in decisions on personnel matters concerning and compensation of officers. At the request of the Board of Directors, the committee deliberates on personnel matters concerning directors and Audit & Supervisory Board members, compensation and other matters concerning directors and corporate officers, the maximum limit on the total amount of compensation, etc. for all directors and Audit & Supervisory Board members, succession plans for the chief executive, and other pertinent matters. The results of such deliberations are reported to the Board of Directors. The committee is comprised of a majority of independent outside directors and the committee chairperson is elected from among the independent outside directors. One outside Audit & Supervisory Board member also attends meetings as an observer to confirm the appropriateness of the deliberation process.

Audit & supervisory Board Member*

*Referred to in Corporate Governance Code reference translation as "kansayaku"

Establishment of Audit & supervisory Board

Established

Number of Audit & supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & supervisory Board Members	4

Cooperation among Audit & supervisory Board Members, Accounting Auditors and Internal Audit Departments

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.

Appointment of Outside Audit & supervisory Board Members	Appointed
Number of Outside Audit & supervisory Board Members	2
Number of Independent Audit & supervisory Board Members	2

Outside Audit & supervisory Board Members' Relationship with NGK (1)

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

*Categories for "Relationship with NGK".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of NGK or a subsidiary
- A non-executive director or an accounting advisor of the NGK Group or its subsidiaries
- Person who executes business or a non-executive director of a parent company
- An Audit & supervisory Board Member of a parent company of NGK
- Person who executes business of a fellow subsidiary
- Person/entity for which NGK is a major client or a person who executes business for such person/entity
- Major client of NGK or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit & supervisory Board Member compensation from NGK
- Major shareholder of NGK (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of NGK (excluding persons categorized as any of f, g, or h above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with NGK (applies to self only)
- Person who executes business for an entity receiving contributions from NGK (applies to self only)
- Other

Outside Audit & supervisory Board Members' Relationship with NGK (2)

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Masayoshi Sakaguchi	○	NGK engages in borrowing from Nippon Life Insurance Company, where Mr. Sakaguchi served as a Senior Advisor. However, NGK	Masayoshi Sakaguchi possesses extensive experience in administration and in managing large organizations, gained through serving in important positions as

		<p>engages in transactions with numerous financial institutions and does not rely on Nippon Life Insurance Company to the extent that it is an irreplaceable source of financing. NGK also pays commissions to NGK 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>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 contributing to enhancing NGK's corporate value by utilizing his broad experience to audit overall management of NGK from the perspectives of the legality of operations and risk management. Therefore, NGK have 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 NGK Group 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 contributing to enhancing the NGK's corporate value by utilizing his broad experience to audit overall management of NGK. Therefore, NGK have 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 NGK Group has designated him as an independent officer.</p>

Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

Number of Independent Directors and Independent Audit & supervisory Board Members **Update**

6

Other Matters Concerning Independent Directors and Independent Audit & supervisory Board Members

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

Please refer to NGK corporate website for the independence criteria and policies for outside directors and outside Audit & Supervisory Board members.

(<https://www.ngk-insulators.com/en/sustainability/governance-compensation.html>)

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduced a performance-linked compensation system, Other
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Supplementary Explanation for Applicable Items

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.

Persons Eligible for Stock Options	—
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Supplementary Explanation for Applicable Items

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Director Remuneration

Status of Disclosure of Individual Directors’ Remuneration	Individual compensation is only disclosed for some directors
--	--

Supplementary Explanation for Applicable Items

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, 2024, two people received total consolidated compensation of ¥100 million yen or more (The position indicated is the position as of March 31, 2024):

Total amount of compensation for Taku Oshima, Representative Director and Chairman: ¥122 million (fixed compensation: ¥67 million; performance-linked compensation: ¥37 million; stock-based compensation: ¥17 million)

Total amount of compensation for Shigeru Kobayashi, Representative Director and President: ¥122 million (fixed compensation: ¥67 million; performance-linked compensation: ¥37 million; stock-based compensation: ¥17 million)

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof	Established
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Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

① Disclosure of Policy on Determining Compensation Amount or Calculation Method

At the request of the Board of Directors, the Nomination and Compensation Advisory Committee, chaired by an independent outside director and consisting of a majority of members who are independent outside directors, deliberates on the Policies on Determining the Details of Compensation for Directors and Others. The Board of Directors approves the policy based on the report by the committee. The details of the policy are 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. NGK 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 NGK 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, NGK 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, NGK 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. NGK 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

With regard to the details of compensation, etc. for each individual director for the fiscal 2023, the Nomination and Compensation Advisory Committee, chaired by an independent outside director and consisting of a majority of members who are independent outside directors, deliberated on matters including the consistency between the policy and the method of determining the amount of compensation, etc., and the reasonableness of the method of calculating the amount of compensation, etc. The Board of Directors made its decision after confirming the contents of the committee's deliberations and report, and therefore considers the decision to be in line with the policy.

The names of members of the Nomination and Compensation Advisory Committee of fiscal 2023 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.

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

Please refer to Reference Material 3 in V.2 for the resolutions and details of the General Meeting of Shareholders regarding officers' compensation, etc.

③ 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 2023 are as follows:

- (1) Consolidated results for fiscal year ended March 31, 2023:
Net sales: ¥559.2 billion; Operating income: ¥66.7 billion; Net income: ¥55.0 billion
- (2) Indicator disclosed at the beginning of the fiscal year:
ROIC: 9.3%
- (3) Consolidated results for fiscal year ended March 31, 2024:
Net sales: ¥578.9 billion; Operating income: ¥66.3 billion; Net income: ¥40.5 billion; ROIC: 9.8%
- (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: ¥66.3 billion)
- (5) Creation of new products and new businesses—Keep Up 30:
Sales ratio of new products (as defined by NGK) was not achieved
- (6) Initiatives to reduce CO2 emissions:
CO2 reduction achieved: Reduction in CO2 emissions intensity per base unit* (energy conservation and others)
Achieved the consolidated target of a 560,000-ton reduction in CO2 emissions in fiscal 2023
* CO2 emissions intensity per base unit: $\text{CO2 emissions volume} \div \text{Base unit of production volume}$

④ Non-monetary compensation etc.

1. Non-monetary compensation

NGK grants restricted share compensation to directors (excluding outside directors) and executive officers (excluding executive officers who reside outside Japan on an other-than-temporary basis) in order to increase their sensitivity to stock price, to further share with shareholders the benefits and risks associated with stock price fluctuations, and to motivate them to improve corporate value over the medium to long-term. Since stock price fluctuations are directly related to its value, the amount of restricted shares is not fixed, but the number of shares granted is fixed in accordance with the position.

2. Claw back clause

NGK has a provision to acquire all of the accumulated allotted stocks without compensation in the event that the allottee of the restricted shares violates laws and regulations during the period of the transfer restriction, or in the event that certain other conditions stipulated in the allotment agreement are met.

3. Stock Holding Guideline for Directors and Executive officers

In order to foster a sense of shared value between directors and executive officers and shareholders, and to contribute to the sustainable growth of the NGK Group and the enhancement of its corporate value over the medium to long-term, NGK has established guidelines for holding its own stock, etc.* and in principle, within three years of assuming office, directors and executive officers shall endeavor to hold company stock, etc. equivalent to the following values.

*Includes stock compensation-type stock options that have not yet reached the exercise commencement date.

- Directors (chairman and president): 150% or more of basic compensation (annual amount)
- Directors (Note 1) and executive officers (Note 2): 100% or more of basic compensation (annual amount)

(Note) 1. Excluding chairman, president, and outside directors

2. Excluding executive officers who reside abroad on an other-than-temporary basis

Support System for Outside Directors and/or Outside Audit & supervisory Board Members

The Board of Directors Secretariat sends materials on agenda items to outside directors and outside Audit & Supervisory Board members before meetings and provides advance explanations as necessary to promote constructive debate and exchange of opinions in Board of Directors meetings. The Secretariat is also increasing opportunities to send materials and provide information for Executive Committee meetings, strategy meetings, and various committees.

Statuses of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Masaharu Shibata	Executive Advisor	Regional economic association and regional contribution activities, etc. (no involvement in management)	Part-time Compensated	March 31, 2010	Renewed annually
Eiji Hamamoto	Executive Advisor	Regional economic association and regional contribution activities, etc. (no involvement in management)	Part-time Compensated	June 26, 2018	Renewed annually

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.)
After Retiring as Representative Director and President, etc. 2

Other Related 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. They 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, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

[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 10 directors (seven male and three female), one-third or more 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 NGK, 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, Hideaki Shindo and Mayumi Inagaki
Outside Directors: Emiko Hamada, Hiroshi Sakuma, Noriko Kawakami and Kengo Miyamoto
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: Naoya Yagi
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, directors 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: Hiroto Matsuda, Jun Mori, Hiroyuki Shinohara
Group Executive of Corporate R&D: Takao Onishi
Group Executive of Corporate Manufacturing Engineering: Atsushi Miyajima
Directors in charge of each department: Hideaki Shindo and Mayumi Inagaki
Full-time Audit & Supervisory Board members: Nobumitsu Saji and Naoya Yagi
Corporate officers and department heads designated by the president: Ryo Ishihara, Masato Nozaki, Hiroki Fujita and Hideaki Tsukui

<Nomination and Compensation Advisory Committee>

The Nomination and Compensation Advisory Committee was established as an advisory committee to the Board of Directors to ensure fairness and transparency in decisions on personnel matters concerning and compensation of officers. The committee, in consultation with the Board of Directors, deliberates on personnel matters concerning directors and Audit & Supervisory Board members, matters concerning compensation of directors and corporate officers, the maximum total amount of compensation, etc. for directors and the Audit & Supervisory Board as a whole, and succession plans, etc. 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 two 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 Emiko Hamada*
Committee members: Outside directors Hiroshi Sakuma*, Noriko Kawakami* and Kengo Miyamoto*
Representative directors: Taku Oshima and Shigeru Kobayashi
Outside Audit & Supervisory Board member as observer: Masayoshi Sakaguchi*

* The four 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. nine committee members are male and three are female. The names of the committee members are listed below.

Outside directors: Emiko Hamada, Hiroshi Sakuma, Noriko Kawakami and Kengo Miyamoto
Outside Audit & Supervisory Board members: Masayoshi Sakaguchi and Takashi Kimura
Internal directors: Taku Oshima, Shigeru Kobayashi, Chiaki Niwa, Ryohei Iwasaki, Hideaki Shindo and Mayumi Inagaki

< 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 two are female. The names of the committee members are listed below.

Outside directors: Emiko Hamada, Hiroshi Sakuma, Noriko Kawakami and Kengo Miyamoto

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 two are female. The names of the hearing members are listed below.

Full-time Audit & Supervisory Board members: Nobumitsu Saji and Naoya Yagi

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

Outside directors: Emiko Hamada, Hiroshi Sakuma, Noriko Kawakami and Kengo Miyamoto

<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. Four committee members are male and three are female. The names of the committee members are listed below.

Committee chairperson Outside director Emiko Hamada

Committee members Outside directors: Hiroshi Sakuma, Noriko Kawakami and Kengo Miyamoto

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

Internal director: Mayumi Inagaki

[Activities of the Board of Directors, Nomination and Compensation Advisory Committee, and Audit & Supervisory Board]

< Activities of the Board of Directors >

NGK held 15 meetings of the Board of Directors in fiscal 2023, and the attendance of individual directors is shown below.

Director Category	Name	Attendance
Representative Director and Chairman	*Taku Oshima	15/15(100%) *Chairperson
Representative Director and President	Shigeru Kobayashi	15/15(100%)
Representative Director and Executive Vice President	Chiaki Niwa	15/15(100%)
Representative Director and Executive Vice President	Ryohei Iwasaki	15/15 (100%)
Director and Senior Vice President	Tadaaki Yamada	15/15(100%)
Director and Senior Vice President	Hideaki Shindo	15/15(100%)
Outside Director	Hiroyuki Kamano	15/15(100%)
Outside Director	Emiko Hamada	15/15(100%)
Outside Director	Kazuo Furukawa	15/15(100%)

The Board of Directors resolves on matters stipulated in the Companies Act, NGK's Articles of Incorporation, and Board of Directors Regulations (e.g., company-wide comprehensive budget, strategic plans for a company's dissolution, merger, alliance, etc., selection and dismissal of representative directors, approval of financial statements and business reports, disposal and transfer of important assets, selection and dismissal of important employees, etc.), and also supervises the execution of duties by directors.

See V. 2, Reference Material 4 for the main agenda items and time allocated by category in fiscal 2023.

< Activities of Nomination and Remuneration Advisory Committee >

NGK held four meetings of the Nomination and Compensation Advisory Committee in fiscal 2023, and the attendance of the individual members and observers of the committee are shown below.

Director Category	Name	Attendance
Outside Director	*Hiroyuki Kamano	4/4(100%) *Chairperson
Outside Director	Emiko Hamada	4/4(100%)
Outside Director	Kazuo Furukawa	4/4(100%)
Representative Director and Chairman	Taku Oshima	4/4(100%)
Representative Director and President	Shigeru Kobayashi	4/4(100%)
Audit & Supervisory Board Member, Outside	**Masayoshi Sakaguchi	4/4(100%) **Observer

The Nomination and Compensation Advisory Committee deliberates on matters that the directors consult with it and reports the results of its deliberations to the Board of Directors. The following is a summary of the major matters discussed by the committee

in fiscal 2023.

- Personnel matters of directors, representative directors, and directors with special titles
- Compensation (cash and stock-related compensation) commensurate with the position of each individual director and executive officers
- Amount of performance-linked bonuses to be paid to each individual director in fiscal 2023
- Status on development of successors to the chief executive officer

< Activities of Audit & Supervisory Board >

Audit & Supervisory Board members meet monthly around the Board of Directors meetings, as well as on an as-needed basis. In fiscal year 2023, meetings were held a total of 14 times, with each meeting taking approximately 1.25 hours. The attendance rate of Audit & Supervisory Board members is as follows.

Director Category	Name	Attendance
Audit & Supervisory Board Member	*Nobumitsu Saji	14/14(100%) *Chairperson
Audit & Supervisory Board Member	Naoya Yagi	10/10(100%) (Note)
Audit & Supervisory Board Member, Outside	Masayoshi Sakaguchi	14/14(100%)
Audit & Supervisory Board Member, Outside	Takashi Kimura	14/14(100%)

(Note) Attendance of Mr. Naoya Yagi covers the Audit & Supervisory Board meetings held after his appointment on June 26, 2023. The following resolutions and reports were made throughout the year.

16 resolutions: The Audit & Supervisory Board members' audit policy and audit plan, Consent to the proposal for the appointment of Audit & Supervisory Board members, Audit reports of the Audit & Supervisory Board, Consent to the compensation of the financial auditor, Confirmation of proposals and documents to be submitted to the General Meeting of Shareholders, and Consent to a pre-agreement process for non-assurance services provided by the auditing firm to which the financial auditor belongs and its network firm, etc.

33 reports: Report on audit activities by full-time Audit & Supervisory Board members, Audit plan by financial auditors, financial audit report by financial auditors, Report on the results of internal audit by the Auditing Department, Confirmation of documents stating matters concerning electronic provision measures, etc.

[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 directors 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 to promote cooperation with outside directors. In fiscal 2023, Audit & Supervisory Board members and outside directors convened hearings 13 times. When necessary, Audit & Supervisory Board members also conduct onsite audits and use other means to hear from and exchange opinions with directors, executive officers and persons in charge of each department, as well as directors and others at subsidiaries regarding business conditions, the status of risk management, and legal compliance. Furthermore, outside Audit & Supervisory Board members attended Business Ethics Committee meetings and participated in reports and deliberations regarding the prevention of misconduct and legal violations by the officers, etc. of NGK, compliance with Competition Laws and Foreign Corrupt Practices Act, and the operation of the Hotline. In addition, an outside Audit & Supervisory Board member, Mr. Masayoshi Sakaguchi, attended the Nomination and Compensation Advisory Committee meetings as an observer and confirmed that the deliberations regarding personnel matters for directors and Audit & Supervisory Board members, as well as compensation and other matters for directors and executive officers, were properly carried out.

In addition to the above, the full-time Audit & Supervisory Board members have attended important meetings and committee meetings such as the Executive Committee, ESG Management Committee, Risk Management Committee, Compliance Committee, and Internal Controls Committee, and confirmed 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 each representative directors every six months to share audit results and exchange opinions. In addition to this, the full-time Audit & Supervisory Board members selected overseas subsidiaries for corporate group audits based on the importance and the approach on risks and conducted on-site inspections of 12 overseas subsidiaries. Moreover, the conferences with the Audit & Supervisory Board members of major domestic subsidiaries were conducted twice during fiscal 2023 and on-site audits of two domestic subsidiaries were conducted. Two audit report conferences were also held during the year with the participation of 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.

In the fiscal year 2023, the certified public accountants who performed accounting audit activities relating to NGK were Mr. Satoshi Kawashima, and Mr. Toru Mizukoshi from Deloitte Touche Tohmatsu LLC.

The Auditing Department (19members) was established as department which is responsible for the internal auditing function, and the General Manager of the Auditing Department is a member of Internal Controls Committee. The Auditing 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 reports on the audit results to the president, Board of Directors, and the Audit & Supervisory Board. 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. In addition, the results of individual audits are summarized and reported to the President and full-time Audit & Supervisory Board members as necessary. 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 Adoption of 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 NGK 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. NGK 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 for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	The convocation notice is sent 19 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.
Scheduling of the General Shareholders Meeting During Non-Peak Days	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.
Electronic Exercise of Voting Rights	Exercise of voting rights via the Internet is available.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	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 Notice (or Summary of Notice) of the General Shareholders Meeting in English	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 2023 was submitted after the General Meeting of Shareholders.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	NGK formulated the NGK Group Disclosure Policy and has posted it on the corporate website.	
Regular Investor Briefings held for Individual Investors	NGK participated in two events for individual investors in fiscal 2023 and explained the business environment, operating results, etc.	Not Held
Regular Investor Briefings held for Analysts and Institutional Investors	NGK holds financial results briefings in Japan twice a year after financial results are announced.	Held
Regular Investor Briefings held for Overseas Investors	In addition to participating in conferences sponsored by securities firms, NGK holds overseas IR meetings twice a year to provide explanations of the business environment and business results, etc.	Held
Online Disclosure of IR Information	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/)	
Establishment of Department and/or Placement of a Manager in Charge of IR	Finance & Accounting Department, Corporate Communications Department	
Other	—	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	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.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<p>NGK formulated the NGK Group Environmental Policy 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 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>
Formulation of Policies, etc. on Provision of Information to Stakeholders	NGK discloses financial information such as the NGK Group’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.
Other	—

IV. Matters Concerning the Internal Controls System

1. Basic Views on Internal Controls System and Status of Development

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, "the NGK Group Corporate Business Principles and 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 Corporate Business Principles and 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 controls 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 NGK Group 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 Laws") 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) Regarding company risks, the Risk Management Committee shall handle the formulation of policies related to risk management, the establishment of systems, and the monitoring of the execution status of overall risk management, in accordance with the rules of the Risk Management Committee.
In addition, the handling of individual risk matters (including significant risks to be managed) shall be the primary responsibility of the department or committee concerned, under the responsibility of the chairperson of the department or the following committee that should manage and supervise such risk matters.

- ESG Management Committee: Matters relating to sustainability issues, including components of ESG and SDGs
- Development and Commercialization Committee: Matters relating to development and commercialization
- Capital Investments Committee: Matters relating to capital investment and information systems
- Quality Committee: Matters relating to product quality and other quality issues
- Environment, Industrial Safety & Health Committee: Matters relating to regulatory response and other aspects of environmental management, and safety, and health
- Compliance Committee: Matters relating to laws and regulations, and corporate ethics

- Internal Controls Committee: Matters regarding internal controls system assessment and reporting related to financial reporting
 - HR Committee: Matters relating to human rights and personnel measures
 - BCP Countermeasures Headquarters: Matters relating to business continuity
 - Central Disaster Prevention and Control Headquarters: Matters relating to incidents, accidents, and disasters involving facilities, etc.
 - Security Export Control/Specified Export and Customs Clearance Control Committee : Matters relating to export control, etc.
 - Business Ethics Committee: Such incidents specified above in 1.-(4)
- 2) In the event of a disaster, accident, or other risks, the departments and committees specified in the basic rules for crisis management shall respond in accordance with said rules. Among such risks, for clearly serious material cases, 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.
 - 3) The day-to-day 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 decision-making processes of budget formulation, capital investment, R&D, etc.
4. System to ensure efficient execution of duties by directors of NGK
 - 1) The president supervises all business operations of NGK 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, Risk Management Committee, Development and Commercialization Committee, Capital Investments 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 Corporate Business Principles and 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 Corporate Business Principles and NGK Group Code of Conduct, which applies to both NGK and its subsidiaries. NGK 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 Views on Measures for Eliminating Anti-Social Forces and Status of Development

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 Anti-Takeover Measures

Adoption of Anti-Takeover Measures

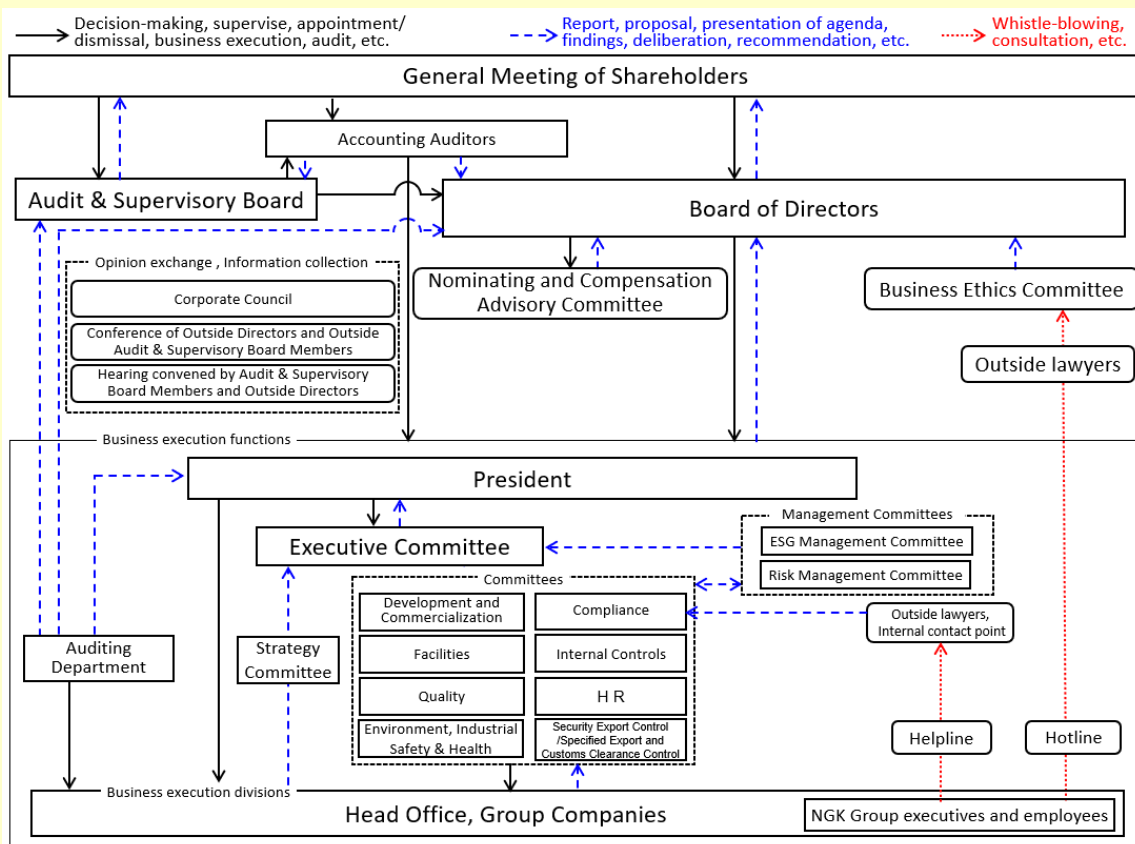
Not Adopted

Supplementary Explanation for Applicable Items

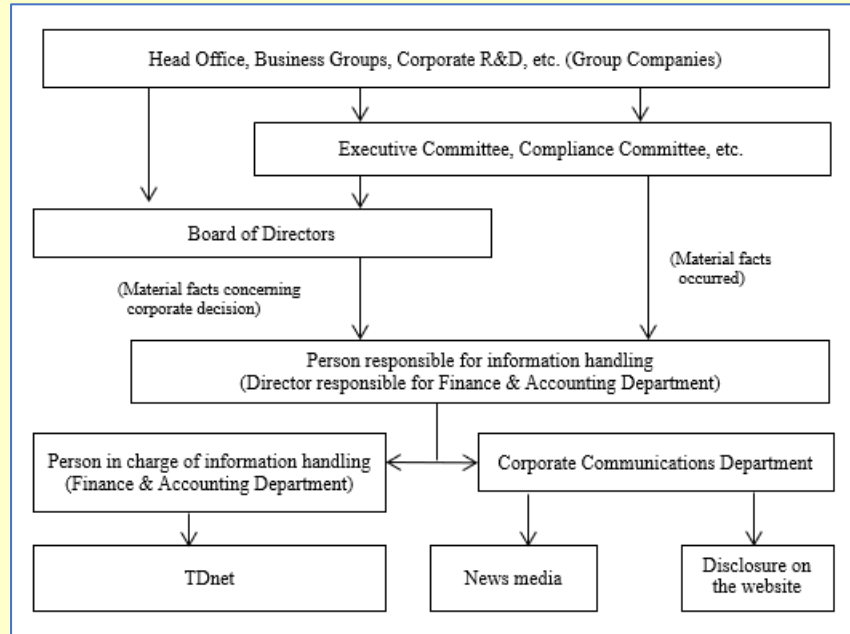
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2. Other Matters Concerning the Corporate Governance System

[Reference 1: NGK's Corporate Governance System]



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



[Reference Material 3: (2) General Meeting of Shareholders' Resolutions on Officer Compensation and the Details of Compensation]

Persons Eligible for Payment	Date and Details of the Resolution	Number of Persons Eligible for Payment at the Time of Resolution	(Reference) Type of Compensation
Directors	June 28, 2007 Amount of compensation, etc.: 800 million yen or less in annual amount	14 (including 2 outside directors)	Basic compensation and performance-linked bonus (excluding outside directors)
	June 29, 2017 Of the above, the amount of compensation limit for outside directors was revised from 30 million yen or less to 60 million yen or less in annual amount	13 (including 3 outside directors)	
Directors (Excluding Outside Directors)	June 27, 2022 Total amount of monetary claims to be paid as compensation for the grant of restricted shares: 200 million yen or less in annual amount	6	Restricted share compensation
Audit & Supervisory Board Members	June 26, 2023 Amount of compensation, etc.: 150 million yen or less in annual amount	4	Basic compensation

[Reference Material 4: the main agenda items and time allocated by category in fiscal 2023]

Category	Main Issues	Time Allocated
Medium to long-term issues and Group Vision	<ul style="list-style-type: none"> • Identification of materiality • Initiatives in new business creation (progress report on New Value 1000) • Initiatives relating to the business portfolio • Intellectual property strategy 	25%
Financial results, budget, and financing	<ul style="list-style-type: none"> • Budget and financial results • Sale of long-term shareholdings • Report on IR and SR activities 	26%
ESG	<ul style="list-style-type: none"> • Formulation of NGK Group Basic Sustainability Policy • Progress report on 5th Five-Year Environmental Action Plan • Information disclosure based on TCFD recommendations • Formulation of a competition law compliance program 	21%
Committee reports	<ul style="list-style-type: none"> • Report on main committee activities 	15%
Personnel matters and human resources	<ul style="list-style-type: none"> • Organization and personnel matters • Formulation of NGK Group Human Capital Management Policy 	6%
Individual matters	<ul style="list-style-type: none"> • Investment in production facilities, R&D, etc. • Revision of company rules 	7%

END