

Corporate Governance

NGK is conducting measures to expand and strengthen its corporate governance to increase corporate value with the intent of becoming a company trusted by all its stakeholders.

Reference
URL

Corporate Governance Report

https://www.ngk-insulators.com/en/resource/pdf/sustainability/governance_en_201807.pdf

Basic Policies

Guidelines for Corporate Behavior and Thorough Observance of Behavioral Guidelines

To ensure appropriate operations and transparent management, NGK has set its sights on establishing and maintaining an organization capable of swiftly responding to changes in the business environment, and a fair and open management system emphasizing the interests of shareholders. These components make up NGK's basic approach to corporate governance.

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

In recognition of needs to execute swift and optimal decision making and respond promptly to changes in the operating environment, NGK introduced an executive officer system, thus separating the management decision-making and supervision functions from business execution functions, and clearly defining the responsibilities of both.

Furthermore, to strengthen the supervision and monitoring functions of the Board of Directors, major committees among those tasked with mitigating the various risks surrounding NGK are obligated to report to the Board of Directors. NGK has also established a committee scheme, including a Nomination and Compensation Advisory Committee, a Corporate Council, a Conference of Outside Directors and Outside Audit & Supervisory Board Members, and a Business Ethics Committee to ensure the effectiveness of the Corporate Governance Code.

NGK will continue working toward developing a more comprehensive corporate governance scheme.

Corporate Governance Enhancement

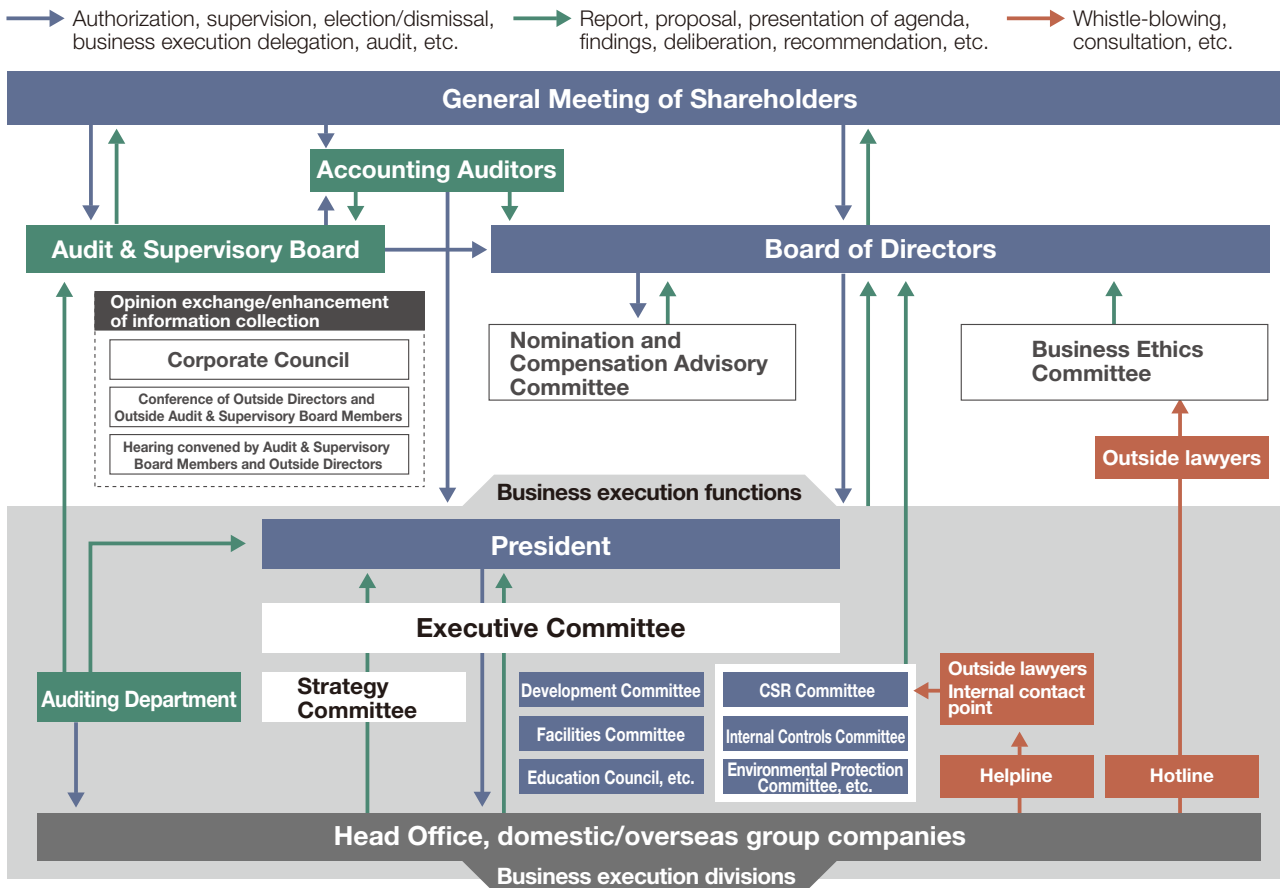
Ongoing structural enhancements aimed at strengthening corporate governance include the introduction of an executive officer system and an outside director system to improve the management supervision and monitoring functions and facilitate recommendations with respect to overall management.

April 1999	Formulated Guidelines for Corporate Behavior
April 2003	Revised NGK Group Guidelines for Corporate Behavior
June 2005	Introduced an executive officer system
	Introduced a stock option
	Introduced an outside director system
July 2005	Established the CSR Committee
April 2007	Established the CSR Office

June 2010	Appointed independent directors
July 2011	Major revision to NGK Group Guidelines for Corporate Behavior
April 2015	Signed on to UN Global Compact
June 2015	Established the Global Compliance Office
December 2015	Established committees for corporate governance
June 2017	Appointed one additional outside director

Corporate Governance Structure Scheme

To ensure lawful business activities and management transparency, respond quickly to changes in the management environment, and create and maintain a fair management system from the shareholder's perspective, NGK has created the following systems.



Committees on Corporate Governance

NGK has further strengthened and enhanced its corporate governance structures by establishing committees to bolster the supervision and monitoring functions of the Board of Directors.

Board of Directors

The Board of Directors deliberates matters prescribed in the Companies Act, as well as other important management issues, providing oversight for the execution of duties by directors. The Board of Directors includes three outside directors to create a system enabling management monitoring based on professional knowledge and decision-making from a wider perspective. As of June 26, 2018, the current Board of Directors comprises 12 members (11 men and one woman).

Audit & Supervisory Board

The Audit & Supervisory Board consists of four members, each of whom attends Board of Directors meetings and conducts other activities to audit the execution of duties by directors. The Audit & Supervisory Board includes two external members, each possessing significant business experience and extensive insight. The Audit & Supervisory Board members, including these highly independent outside members, conduct audits on the execution of duties by directors, business operations, and the company's financial position.

Executive Committee

Comprising the president, directors, Audit & Supervisory Board members, and executive officers and division heads designated by the president, this body deliberates the matters necessary to help the president with decision-making. As of June 26, 2018, the current Executive Committee comprises 16 members (15 men and one woman).

Business Ethics Committee

Comprised of outside directors and one internal director responsible for compliance, this committee monitors for fraud or illegalities involving senior management, as well as for compliance with the Competition Law and the Foreign Corrupt Practices Act, and reports directly to the Board of Directors. As a mechanism to prevent fraud or legal violations, in addition to the Helpline, an internal reporting system (Hotline) linked directly to outside lawyers was established with the aim of strengthening NGK's compliance structure.

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Internal Reporting System (Hotline)

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Corporate Council

The meeting enables outside directors to exchange opinions with representative directors and others when proactive recommendations for senior management are sought from outside directors regarding various management-related issues.

Conference of Outside Directors and Outside Audit & Supervisory Board Members

Comprised exclusively of outside directors, these meetings facilitate an exchange of opinions regarding NGK management issues, with the intent of proactively contributing to discussions at Board of Directors meetings.

Hearing convened by Audit & Supervisory Board Members and Outside Directors

Comprised of Audit & Supervisory Board members and outside directors, these hearings gather information from internal sources regarding the business environment and issues surrounding NGK.

Nomination and Compensation Advisory Committee

Comprised a majority of outside directors (total of 8, three outside directors, two outside audit & supervisory board members, and three internal directors), this committee attempts to ensure fairness and increase transparency related to determining the appointment and remuneration of board members and officers by deliberating matters related to the appointment and remuneration of board members and executive officers, Chief Executive Officer succession planning, and other matters, the results of which are reported to the Board of Directors.

Bodies Concerning Observance of Laws, Regulations, and Corporate Ethics

Internal Controls Committee	<p>This body deliberates matters necessary to help the president and Internal Controls Committee Chair with decision-making regarding internal controls system assessment and reporting related to financial reporting based on the Financial Instruments and Exchange Act.</p> <ol style="list-style-type: none"> 1. Determines the scope of reporting for each fiscal year, assessment and reporting schedules, standards to assess internal controls, and other basic matters 2. Summarizes internal controls assessment and drafts internal controls report
CSR Committee	<p>This body assists the president and CSR Committee Chair with decision-making by deliberating matters necessary for the observance of laws, regulations, and corporate ethics.</p> <p>Observance of Laws, Regulations, and Corporate Ethics</p> <ol style="list-style-type: none"> 1. Determination and revision or abolition of basic policies related to the observance of laws, regulations, and corporate ethics, including the NGK Group Guidelines for Corporate Behavior 2. Determination of systems, structures, and strict observance of important activities pertaining to laws, regulations, and corporate ethics company-wide 3. Determination, revision, or abolition of risk management structures pertaining to laws, regulations, and corporate ethics. <p>Additionally, responses to items determined to pose a significant threat to the company among other matters, incidents or accidents related to laws, regulations or corporate ethics, as well as consideration and evaluation of the projects promoted by each subcommittee and other CSR-related items identified as important by the CSR Committee Chair, are also deliberated.</p>
Environmental Protection Committee	<p>This body formulates and deliberates the planning of matters necessary to help the president and the Environmental Protection Committee Chair with decision-making regarding the realization of our Core Policy on the Environment to promote business activities in harmony with the environment.</p>
Quality Committee	<p>Aiming to increase customer satisfaction and trust by realizing even higher-quality products and services, this body deliberates the matters necessary to help the president and the Quality Committee Chair with decision-making regarding the following items.</p> <ol style="list-style-type: none"> 1. Determination and revision or abolition of Quality Policy and Objectives 2. Items pertaining to the prevention of serious quality defects in the market and technological responses after occurrence 3. Other quality-related matters determined to be important
Safety and Health Committee	<p>This body deliberates important issues on safety and health to assist the decision-making of the president and Safety and Health Committee Chair regarding the establishment of basic policies and priority targets pertaining to safety and health and the confirmation of labor accidents and priority activities.</p>
Development Committee	<p>This body deliberates items necessary to assist the decision-making of the president and Development Committee Chair regarding policies, evaluations, budgets, major individual planning, and commercialization projects related to development.</p>
Facilities Committee	<p>This body deliberates items necessary to assist the decision-making of the president and Facilities Committee Chair regarding the examination and evaluation of policies, budgets, performance, and major individual planning related to capital expenditure and information systems.</p>
Education Council	<p>This body deliberates items necessary to assist the president's decision-making regarding policies, systems, structures, and major promotion programs related to human resource development.</p>
BCP Countermeasures Headquarters	<p>Aimed at ensuring business continuity in times of emergency, this body executes the operation and maintenance of business continuity planning (BCP) in normal times as well as gives instructions on and support to restoration systems, and prioritizes restoration orders when BCP is in effect.</p>
Central Disaster Prevention and Control Headquarters	<p>This body executes requisite duties under commands from the Head and deliberates items necessary to assist the decision-making of the president and Head of this body regarding items related to earthquakes, storm and flood damage, fires, and explosions that threaten or significantly impact the company.</p>
Security Export Control/ Specified Export and Customs Clearance Control Committee	<p>This body deliberates and determines items necessary for guidance for subsidiaries and affiliates, legal compliance and the improvement of other internal systems with respect to security export controls, specified export declaration systems, and the management of customs clearance operations.</p>

Business Execution Status

Regarding business execution based on the Board of Directors resolutions, the president presides over company business as the chief executive of business execution. The Executive Committee holds discussions to assist the president's decision-making with respect to important matters regarding business execution. In addition, the Board of Directors is asked for proactive recommendations for management by outside directors pertaining to management-related issues at the Corporate Council, which facilitates an exchange of opinions between outside directors and representative directors.

Monitoring Status

In line with audit policies and plans defined by the Audit & Supervisory Board, Audit & Supervisory Board members make an effort to collect information through hearings convened by Audit & Supervisory Board members and outside directors, in an attempt to communicate with directors and employees while monitoring director business execution by attending Board of Directors and Executive Committee meetings. At Audit & Supervisory Board meetings attended by outside Audit & Supervisory Board members, the members exchange information with accounting auditors and the Internal Auditing Department in an attempt to facilitate mutual cooperation.

Election of Board Members, Executive Officers, and Audit & Supervisory Board Members

With respect to the nomination of candidates for the Board of Directors and Audit & Supervisory Board, all representative directors discuss matters related to each candidate. The Nomination and Compensation Advisory Committee, of which external directors make up a majority, then deliberates matters related to each candidate, and reports the results to the Board of Directors. As for candidates for the Audit & Supervisory Board, approval is obtained from the Audit & Supervisory Board in order to secure the independence of Audit & Supervisory Board members. With consideration given to the report made by the Nomination and Compensation Advisory Committee, candidates for the Board of Directors and Audit & Supervisory Board are determined by resolution of the Board of Directors and their confirmation is set as an agenda item for the General Meeting of Shareholders. Members of the Board of Directors and Audit & Supervisory Board are then appointed by resolution of the General Meeting of Shareholders. Also, to further clarify the directors' mission and responsibilities, the term of office for directors is one year.

Training Policies for Executives

Newly appointed directors and executive officers are provided with training conducted by attorneys practicing in the United States and Japan related to the Companies Act and the Competition Law, conducted at the time of their appointment. In addition, each year lectures are held, targeting all directors and executive officers, related to compliance with the Competition Law, focused on the expanding scope of Competition Law enforcement and practical business risks. In addition, with regard to outside directors, we provide regular opportunities for the provision of individual explanations by personnel from relevant business divisions concerning mainly proposals presented to the Board of Directors meeting as well as information and exchange of opinions pertaining to business environment and related issues.

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Policies on Training

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Board of Directors, Audit & Supervisory Board, Executive Officers



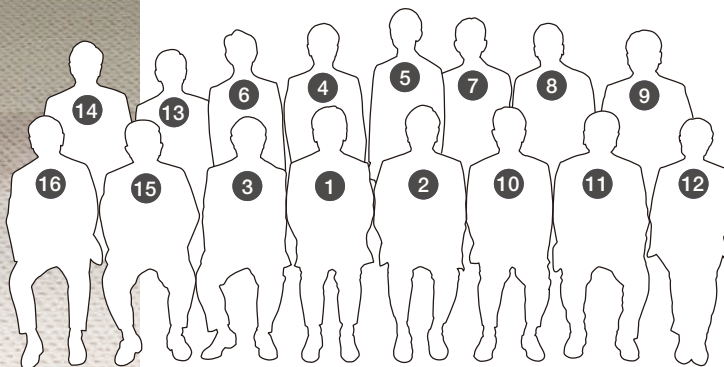
Board of Directors

- 1 **Taku Oshima**
President
- 2 **Yukihisa Takeuchi**
Executive Vice President
Group Executive, Corporate R&D; Development Committee Chair
- 3 **Hiroshi Kanie**
Executive Vice President
Responsible for Corporate Planning Office, New Business Planning Office, Secretarial Office, Corporate Communications Dept., Human Resources Dept., General Affairs Dept., and Power Business Group; Senior Officer in Charge of Group Companies; General Manager, Osaka Branch; in charge of overall personal information management, privacy protection, and Construction Business Act compliance
- 4 **Susumu Sakabe**
Director and Senior Vice President
Responsible for Finance Dept. and Purchasing Dept.; General Manager, Tokyo Main Office
- 5 **Ryohei Iwasaki**
Director and Senior Vice President
Group Executive, Process Technology Business Group; in charge of management affairs
- 6 **Chiaki Niwa**
Director and Senior Vice President
Group Executive, Corporate Manufacturing Engineering; responsible for Quality Management Dept., Environmental Management Dept., and Safety and Health Management Dept.; Chair of Facilities Committee, Quality Committee, Environmental Protection Committee, and Safety and Health Committee

- 7 **Shuhei Ishikawa**
Director and Senior Vice President
Group Executive, Electronics Business Group; General Manager, Electronic Components Div., Electronics Business Group
- 8 **Nobumitsu Saji**
Director and Senior Vice President
Responsible for Auditing Dept., Group Compliance Dept., Legal Dept., and Intellectual Property Dept.; Chair of CSR Committee and Internal Controls Committee; in charge of company-wide Competition Law compliance; Data Protection Officer
- 9 **Atsushi Matsuda**
Director and Senior Vice President
Group Executive, Ceramic Products Business Group; General Manager, Nagoya Site
- 10 **Hiroyuki Kamano**
Outside Director
- 11 **Toshio Nakamura**
Outside Director
- 12 **Emiko Hamada**
Outside Director

Audit & Supervisory Board

- 13 **Takeyuki Mizuno**
Audit & Supervisory Board Member
- 14 **Ken Sugiyama**
Audit & Supervisory Board Member
- 15 **Setsuo Tanaka**
Audit & Supervisory Board Member, Outside
- 16 **Junichi Itoh**
Audit & Supervisory Board Member, Outside



Executive Officers



Shigeru Kobayashi
Senior Vice President
Group Executive,
Power Business Group;
General Manager,
Komaki Site



Hiroshi Kurachi
Senior Vice President
General Manager,
Engineering Div.; General
Manager, Sensor Div.;
Ceramic Products
Business Group



Takaya Teshima
Senior Vice President
Group Vice Executive,
Process Technology
Business Group;
General Manager,
Chita Site



Hiroto Matsuda
Senior Vice President
General Manager,
Manufacturing Div.,
Ceramic Products
Business Group



Hiroyuki Tsuji
Vice President
Chief Technical Officer,
Electronics Business
Group (in charge of
technology/new product
promotion projects)



Tomohiro Yamada
Vice President
President, NGK
Electronics Devices Inc.



Tadaaki Yamada
Vice President
General Manager,
Human Resources
Dept.; in charge of
General Affairs Dept.



Akira Kato
Vice President
General Manager, New
Metals Div., Electronics
Business Group



Tsutomu Nanataki
Vice President
Group Vice Executive,
Corporate R&D; Project
Leader, Functional
Materials Development
Project, Corporate R&D



Masanobu Inoue
Vice President
General Manager,
Industrial Process Div.,
Process Technology
Business Group



Hiroharu Kato
Vice President
General Manager,
Worldwide Sales &
Marketing Div., Ceramic
Products Business Group;
President, NGK Europe
GmbH



Atsushi Miyajima
Vice President
General Manager,
Manufacturing
Engineering Div.,
Corporate Manufacturing
Engineering Group



Hideaki Shindo
Vice President
General Manager,
Finance Dept.

Outside Directors and Outside Audit & Supervisory Board Members

NGK appoints individuals who possess outstanding achievements and a wealth of experience from a variety of industries to monitor director business execution in an attempt to realize stronger, more efficient management. Additionally, in terms of outside director independence, overall determinations are made with consideration for the Tokyo Stock Exchange “Guidelines for Listing” to avoid conflicts of interest with general shareholders. Our three outside directors are professionals able to make objective, rational decisions, while our two outside Audit & Supervisory Board members provide opinions mainly from social and financial perspectives.

Activities of Outside Directors and Outside Audit & Supervisory Board Members (fiscal 2017)

	Name	Attendance at Board of Directors meetings	Main activities
Outside Directors	Hiroyuki Kamano	Attended 15 out of the 15 meetings held.	Mr. Kamano provides opinions regarding compliance structure enhancement and management approaches for management planning, utilizing his substantial experience and specialization as an attorney.
	Toshio Nakamura	Attended 15 out of the 15 meetings held.	Mr. Nakamura provides opinions that clarify the foundation of business decisions, utilizing his wide-ranging experience and achievements in economic and industrial administration.
	Emiko Hamada	Attended 11 out of the 15 meetings held. Attended all 11 Board of Directors meetings held from when she assumed office as Director until the last day of the previous fiscal year.	Ms. Hamada provides opinions on strengthening technological capabilities, product development, and product commercialization, utilizing her experience from engaging in business development and extensive knowledge concerning research and development.

	Name	Attendance at Board of Directors meetings	Attendance at Audit & Supervisory Board meetings	Main activities
Outside Audit & Supervisory Board Members	Setsuo Tanaka	Attended 14 out of the 15 meetings held.	Attended 14 out of the 14 meetings held.	Mr. Tanaka provides opinions on practical responses and strengthening measures concerning the risk management system, utilizing his experience and achievements in police administration.
	Ichiro Terato	Attended 15 out of the 15 meetings held.	Attended 14 out of the 14 meetings held.	Mr. Terato provides opinions on financial policies, utilizing his experience and wide-ranging knowledge gained in management positions with The Bank of Tokyo-Mitsubishi, Ltd. (now MUFG Bank, Ltd.) and Nikon Corporation.

Current Independent Directors and Reasons for Appointment (fiscal 2018)

	Reasons for appointment
Outside Director Hiroyuki Kamano	Having long engaged in legal practice as an attorney-at-law, Mr. Kumano possesses a wealth of experience and achievements in the legal community, including his service as Vice-President of the Tokyo Bar Association. Drawing on this experience, he has been fulfilling his duties as an outside director of the company by sharing opinions regarding the management strategy and strengthening of the compliance structure, as well as offering suggestions in connection with the company's business operation and properly overseeing the management of the company. We have therefore elected him to the position of outside director.
Outside Director Toshio Nakamura	Having served as Director for the Trade Bureau of the Ministry of International Trade and Industry (former name of the Ministry of Economy, Trade and Industry), Director-General of the Small and Medium Enterprise Agency, and President of the Japan Chamber of Commerce and Industry, Mr. Nakamura has long been playing a vital role in the promotion of commerce and industry. By leveraging his knowledge and abundant experience cultivated over the course of his career, he has been appropriately fulfilling his duties as an outside director of the company by sharing his opinions on the importance of clarifying the basis for business decisions, as well as offering suggestions in connection with the company's business operation and overseeing the management of the company. We have therefore elected him to the position of outside director.
Outside Director Emiko Hamada	Ms. Hamada has made remarkable achievements, such as leading the invention and world-first commercialization of the CD-R (recordable CD) while working at Taiyo Yuden Co., Ltd. Since then, she has been engaged in research activities mainly based on industry-academia-government collaboration as Professor at the Nagoya Institute of Technology and Visiting Professor at Nagoya University. In her role as outside director she draws upon the insights which she has cultivated over the course of her career to offer recommendations about the management of corporate affairs, particularly from a technological capacity strengthening and product development and commercialization standpoint, and to provide appropriate administrative oversight. We have therefore elected her to the position of outside director.
Outside Audit & Supervisory Board Member Setsuo Tanaka	Mr. Tanaka has cultivated a wealth of experience and achievements over his career in government, which has spanned a variety of important posts within the National Police Agency prior to his current position as Commissioner General of the National Police Agency. Mr. Tanaka is able to leverage this experience to provide compliance and risk management-related recommendations regarding overall NGK operations. Based upon this demonstrated competency and capability, he has been selected as an outside audit and supervisory board member.
Outside Audit & Supervisory Board Member Junichi Ito	Mr. Ito has been involved with corporate management for many years, including as Senior Management Executive Officer for the Bank of Tokyo-Mitsubishi UFJ, Ltd. (now MUFG Bank, Ltd.) and Representative Director, Senior Executive Vice President and CFO for Nikon Corporation. As an expert in corporate management, Mr. Ito is able to leverage the wealth of experience and the insights he has cultivated over his long career to provide appropriate advice and oversight aimed at strengthening NGK's corporate governance. Based upon this demonstrated competency and capability, he has been selected as an outside audit and supervisory board member.

Remuneration of Directors and Audit & Supervisory Board Members

Policies for Determining Remuneration, etc. of Directors and Audit & Supervisory Board Members

With the aim of incentivizing the realization of NGK's corporate philosophy and management policies, as well as to heighten the transparency, fairness, and clarity of their responsibilities, the remuneration of NGK directors is comprised of three components:

1. A position-based, fixed annual salary as basic remuneration,
2. An annual performance-based bonus to heighten the link with the company's performance and further clarify the fulfillment of responsibilities of each director, and
3. Stock-related remuneration designed to boost motivation and morale toward enhancing corporate value over the medium- to long-term through sound company management by having them share with shareholders the risk of stock price decline as well as the rewards of stock price increases and increasing their sensitivity to NGK's share prices.

In terms of the ratio of fixed annual remuneration to variable remuneration, from the perspective of emphasis on maintaining and improving performance over the medium- to long-term, NGK sets the performance-based variable remuneration at an appropriate level.

For the purpose of ensuring fairness and increasing transparency during the process of determining remuneration, the Nomination and Compensation Advisory Committee comprising a majority of outside directors deliberates matters related to the policies for determining remuneration, proposals on the total amount of remuneration for directors and Audit & Supervisory Board members, and proposals on the amount of remuneration for individual directors and executive officers, the results of which are reported to the Board of Directors.

Outside directors and Audit & Supervisory Board members receive only basic remuneration based on their supervision of management from an independent perspective and role as monitors.

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Policies and Procedures for Determining Remuneration of Senior Management and Directors by the Board of Directors P114

Remuneration of Directors and Audit & Supervisory Board Members (fiscal 2017)

Director category	Total remuneration (million yen)	Total remuneration by type (million yen)				Applicable directors (people)
		Basic remuneration	Stock options	Bonus	Retirement benefits	
Directors (excluding Outside Directors)	676	428	65	182	–	10
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	61	61	–	–	–	2
Outside Directors and Outside Audit & Supervisory Board Members	62	62	–	–	–	5

Directors Receiving Total Remuneration of ¥100 Million or More

Name	Director category	Total remuneration by type (million yen)				Total remuneration (million yen)
		Basic remuneration	Stock options	Bonus	Retirement benefits	
Taku Oshima	Director	68	11	47	–	127

Comments from Outside Directors



Hiroyuki Kamano

Outside Director

April 1971	Joins Ministry of Foreign Affairs
April 1981	Becomes registered attorney
October 1988	Becomes representative attorney of Kamano Sogo Law Offices (present position)
June 2007	Appointed as Outside Auditor of Komatsu Ltd.
July 2007	Appointed as Outside Director of Sumitomo Life Insurance Company
April 2009	Appointed as Vice President of Tokyo Bar Association
June 2011	Appointed as Director of NGK (present position)
June 2015	Appointed as Outside Auditor of House Foods Group Inc. (present position)

Three lines of defense to ensure more thorough compliance

For NGK, strict compliance is an essential business creed, and President Oshima is in the vanguard promoting awareness of it. Systems are in place to ensure that accidents or problems, even at overseas plants, are reported to top management immediately, as well as to the Board of Directors. I view this as compliance-minded business operation.

And yet an incident involving a delivery test discrepancy occurred recently. This unfortunately shows that a gap yet remains with regard to compliance-mindedness between top management and those on-site. Having said that, however, in a large organization, gaps in awareness are inevitable and preventing such incidents will require preventive systems be put in place in addition to awareness-raising efforts. In the case of delivery tests, we are separating the inspection department from the business division; however, the construction of this sort of system is the responsibility of management. Also, I feel that improving the awareness gap that exists between management and those on-site will require further personnel exchange and interaction between business divisions within Japan and overseas.

In addition, there are three lines of defense that are essential to ensuring strict compliance within a company whose operation is becoming increasingly globalized. The first line is the compliance activities undertaken on-site; the second is the support system comprised of the legal department, finance department, quality control department, and other functional departments working together across borders; and the third is internal auditing performed by the auditing department. A single mistake in compliance can be all that is needed to upend the management of a company. If you are not strict about compliance, it will end up costing you a lot more than if you were. I believe the issue of how to efficiently maintain the three lines of defense while finding ways of further raising on-site awareness is a challenge for management to address and the Board of Directors to verify.



Toshio Nakamura

Outside Director

April 1970	Joins Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry)
June 1998	Appointed as Director for Policy Coordination of Minister's Secretariat
June 2000	Appointed as Director-General of Small and Medium Enterprise Agency
November 2007	Appointed as President of Japan Chamber of Commerce and Industry, and Tokyo Chamber of Commerce and Industry
June 2011	Appointed as Director of NGK (present position)
March 2016	Appointed as Chairman of National Association of Trade Promotion for Small and Medium Enterprises (present position)
May 2016	Appointed as Outside Director of Aoki Super Co., Ltd. (present position)
June 2016	Appointed as Outside Director of SMK Corporation (present position)

Concentrating on robust communication and improved decision-making

This is my seventh term as Outside Director, and over that time I have developed a strong understanding of NGK's operations and business practices and have brought an outside viewpoint to meetings of the Board of Directors to ensure more robust discussion. Following every meeting of the Board of Directors, I talk with representatives from each division to hear their opinions as well as offer my own.

The larger an organization becomes, the greater the need for internal and external communication. When the divisions and departments within a company do not communicate with one another about what challenges exist, how company policies are working, etc., they will become insular and cut off from one another. It is not uncommon to find that the seeds* of new business, as well as possibilities for technologies that employees have, are to be found outside of a given business division's immediate domain. New awareness and perspectives gained from sharing experiences often leads to great leaps in business. I, too, endeavor to use the opportunity which the Board of Directors' meeting affords me to pursue more robust communication with those inside NGK.

What is also important, from the standpoint of corporate administration, is paying attention to the discussions and decision-making that take place prior to big decisions, as this makes it possible to perform reviews and verification after the fact. By ensuring that the points of discussion, and the arguments made surrounding those points, are recorded in a manner which allows them to be explained later, they can be reviewed to see whether something was forgotten or unanticipated or whether the risk decisions made were appropriate. The results of this review can then be applied to the benefit of future decisions. Amidst increasing uncertainty about the future, performing reviews and verification after the fact is essential for improving the quality of decision-making, and within NGK and elsewhere people are becoming increasingly accountability-conscious. As for myself, I see my role as providing ongoing input and feedback to ensure the thoroughness of this process.

*Technologies and know-how that can lead to the development of new business and products.



Emiko Hamada

Outside Director

April 1984	Joins Taiyo Yuden Co., Ltd.
December 2001	Appointed as General Manager, Quality Assurance Control R Technology Division, Engineering Group, Taiyo Yuden
September 2003	Appointed as Chief Engineer, Basic Research Division, General Research Laboratory, Engineering Group, Taiyo Yuden
November 2008	Appointed as Associate Professor, Center for Social Contribution and Collaboration, Nagoya Institute of Technology (NITech)
April 2011	Appointed as Professor, Center for Social Contribution and Collaboration, NITech, and Professor for Master of Techno-Business Administration, NITech Graduate School
April 2012	Appointed as Professor, Center for Research on Assistive Technology for Building a New Community, NITech
May 2015	Appointed as Third-Area Program Officer, A-STEP (Adaptable and Seamless Technology Transfer Program through Target-driven R&D), Japan Science and Technology Agency (present position)
July 2016	Appointed as Part-time Lecturer, NITech (present position)
August 2016	Appointed as Visiting Professor, Nagoya University (present position)
June 2017	Appointed as Director of NGK (present position)

Expectations for further growth in NGK technology

New products are not created in a year or two. They are the cumulative result of many years of research trial and error. It is from that perspective that I am quite impressed with the achievement in this financial period of the Challenge 30 initiative, as well as the road map for steady roll-out of new products in the coming financial periods.

Still, though, I feel that NGK's material development strengths could be showcased even better. While it is good that NGK maintains a serious and professional corporate culture, I feel it still has challenges to overcome in terms of communicating its appeal. By making changes in how it communicates information, in particular changing how it presents itself so as to increase outside interest, NGK can facilitate more open innovation, through which the potential value of NGK technology can surely be enhanced even further. At present, all of the innate potential of NGK's technology is not being utilized. More proactive efforts to communicate this information is needed.

During Board of Director meetings and new product briefings, I make sure to draw on the B2C experience I have accumulated to allow me to steer discussion around to what the appeal of a new product is from a customer's perspective. I also make a point of asking whether the components and technology of the product can be put to use in even broader applications that meet customer needs, and whether this can be developed into an entire business package rather than just parts supply.

All of this has an impact on the future of NGK's business portfolio. NGK's high profitability is due to a lack of competition and an extremely good market position. I believe that action is needed for the future which will increase the range of products NGK offers in order to build up its business portfolio, and I intend to keep having this discussion with the Board of Directors.

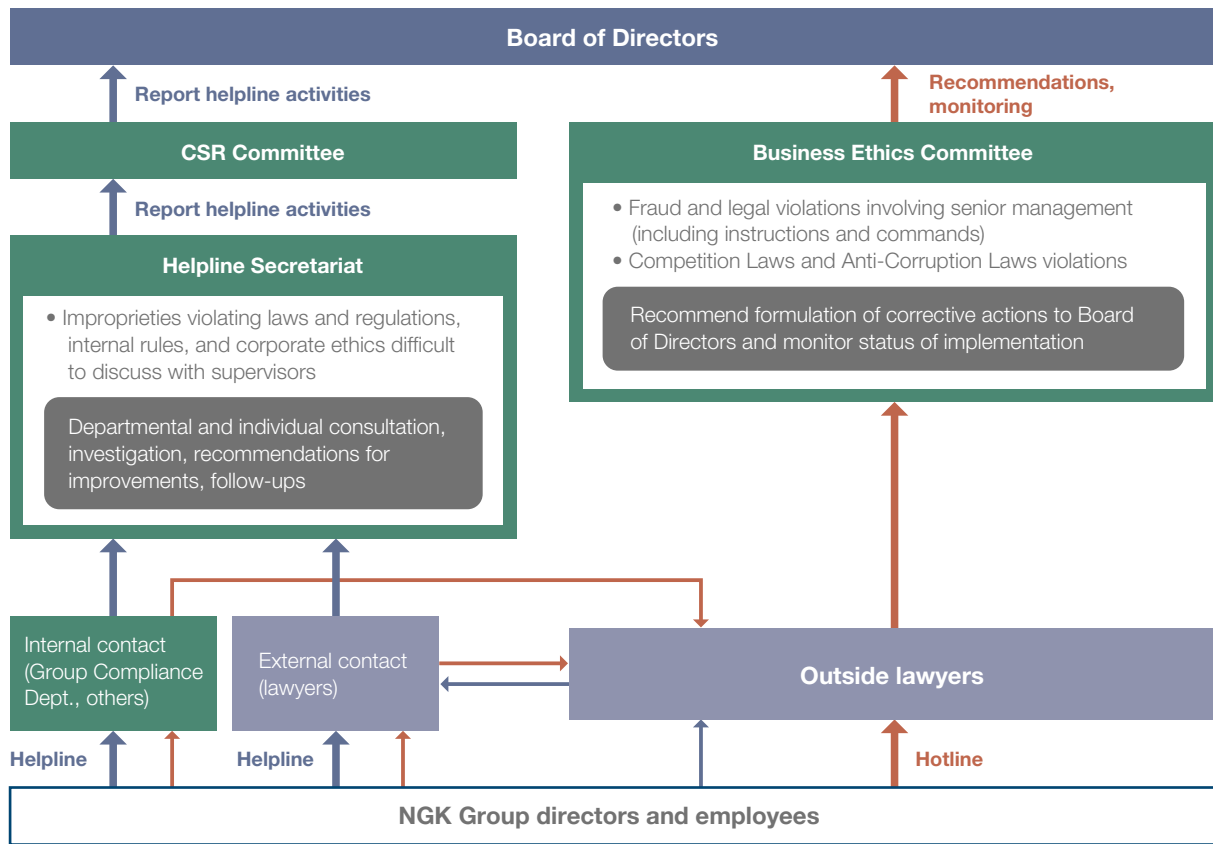
Whistle-Blowing System

Helpline

We have established a helpline to receive inquiries and reports from employees aimed at curtailing and preventing activities contrary to the spirit of the NGK Group Guidelines for Corporate Behavior and to facilitate the quick resolution when issues occur. Each overseas Group company has its own helpline. Those seeking advice or reporting issues are promised protection under corporate regulations. There were 43 consultation cases in fiscal 2017.

Hotline

We have established a hotline as an internal control system for responding to fraud and legal infractions committed by senior management, including Competition Laws and Anti-Corruption Laws violations. The hotline is operated by outside lawyers, with issues handled by the Business Ethics Committee, composed mainly of outside directors, who report directly to the Board of Directors. We have been pushing forward with the establishment of the hotline at overseas Group companies in light of the circumstances in each country.



Compliance Card

For thorough awareness of the whistle-blowing system, we created a carry-size Compliance Card and distributed it to all employees at NGK and all domestic Group companies.

コンプライアンスカード

NGKグループでは法令、社内規則、企業倫理に反する行為(コンプライアンス違反行為)を発見したり、被害されたり、自ら行ってしまった場合に相談・報告ができる窓口(ヘルプラインとホットライン)を設けています。

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- 相談・報告内容などの情報管理は徹底されています。
- 相談・報告者は、不利益を被ることの無いよう保護されます。

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- 相談・報告は匿名が可能なですが、事情が有利な場合でも構いません。
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- 相談・報告事項について、調査の依頼・状況・結果、取組・決意、措置・報告の可否とその対応の方向性・時期についても調査、相談・報告者に対してお知らせします。
- Note: メールを利用する場合、上記ヘルプライン設定をご覧ください。

2017年4月8日版

相談・報告内容と受理窓口

ホットライン対象事項は別のコンプライアンス記載またはそのおそれのある行為についての「相談・報告」を受け付けます。

※ 以下の状況は「社外窓口」(社外弁護士)が対応します。

- ・「サービス残業、不適切な経費処理、会社情報の漏洩」など

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052-872-4855	052-872-8768	ngk2@ngk.co.jp
052-872-8750	052-872-7837	ngk3@ngk.co.jp
052-232-6266	052-232-5287	ngk4@ngk.co.jp

※3-2016-01での「報告」も受け付け窓口です。

日本をメインとする海外出張先や海外に所在する不正・法律違反またはその恐れのある行為、顧客満足度向上を目的とした不正行為、顧客情報の漏洩またはその恐れのある行為、競争優位の確保と企業成長を目的とした不正行為の報告については「社外窓口」に報告・相談をすることを推奨しています。

TEL	E-mail
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Approaches to Observe the Corporate Governance Code

In accordance with the basic principles of the Corporate Governance Code mandated by the Tokyo Stock Exchange, NGK's implementation status is as follows: NGK implements all of the individual principles of Corporate Governance Code.

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

Principle 1-4. Policy on Cross-Shareholdings and Standards for Exercise of Voting Rights Pertaining to Cross-Shareholdings

NGK continuously holds shares of listed companies, which contribute to long-term business development, as cross-shareholdings, primarily in order to maintain and strengthen business relationships.

NGK holds the shares of Morimura Group, which was established by the same founders of NGK, to enhance the brand value of NGK Group. NGK Group companies will mutually work on the improvement of management quality and each company will contribute to the development of the industry focusing on ceramics.

At its Board of Directors' meeting, NGK determines the necessity of the continuous holding of shares as cross-shareholdings by regularly reviewing the significance of holding, stock prices, dividend yields, ratings, and so forth, and NGK gives specific explanations on the purpose and rationality of holding of shares as cross-shareholdings in its annual securities reports.

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

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

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

Principle 3-1. Full Disclosure

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

NGK establishes the corporate philosophy "NGK products and technologies must create new value and contribute to the quality of life." Management strategies and management plans are disclosed in the financial results and on the NGK website.

2. Basic approach and basic policies on corporate governance

For the basic approach and basic policies on corporate governance, please refer to page 100 "Basic Policies" of this report. The basic policies on NGK's corporate governance code are as follows:

(1) Securing the rights and equality of shareholders

To effectively secure shareholders' rights including voting rights at a General Meeting of Shareholders, NGK complies with appropriate procedures pertaining to the exercise of voting rights by shareholders, and provides information that sufficiently explains to shareholders in both quality and quantity through timely and appropriate information disclosure.

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Basic Policies

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(2) Appropriate cooperation with stakeholders other than shareholders

Based on its corporate philosophy, NGK endeavors to ensure sustainable growth and create medium- to long-term corporate value by actively promoting appropriate cooperation with various stakeholders, including employees, customers, business partners, creditors, and local communities.

(3) Ensuring appropriate information disclosure and transparency

Recognizing that appropriate disclosure of information contributes to ensuring the transparency of corporate management as well as improving corporate governance, NGK actively provides not only financial information, such as financial conditions and operating results of NGK, but also non-financial information, such as information related to business strategies and business issues, risks, and corporate governance.

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

Based on recognition that the major responsibilities of the Board of Directors are to present the basic policy on management as well as supervision and monitoring of the performance of duties by directors, NGK will leverage the various committees pertaining to business execution and advisory committees that consist mainly of outside directors/audit & supervisory board members so that the Board of Directors can adequately fulfill their responsibilities.

(5) Dialogue with shareholders

Based on recognition that constructive dialogue with shareholders is important for the sustainable growth and the enhancement of medium- to long-term corporate value, NGK sincerely responds to dialogue requested by shareholders in cooperation with the relevant divisions as necessary, and works to provide the management with effective feedback on opinions and concerns of shareholders.

3. Disclosure of Policies for Determining the Amount or Calculation Method of Remuneration

Remuneration policies

The remuneration of directors (excluding outside directors) and corporate officers consists of the three components stated below in an aim to enhance motivation toward a realization of NGK's corporate philosophy and management policy, as well as to clarify the accountability of officers, and to increase fairness and transparency:

1. basic remuneration as fixed annual remuneration according to respective positions;
2. a performance-linked annual bonus that is linked more to the business performance so as to further clarify the accountability of each director; and
3. stock-related remuneration to enhance motivation and morale of directors to improve the medium- to long-term corporate value through appropriate corporate management by further increasing sensitivity toward the NGK stock price and sharing with shareholders both advantages and risks generated by ups and downs of the stock price.

With regard to the ratio between fixed annual remuneration and variable remuneration, the ratio of variable remuneration linked with performance is set so as not to be excessively higher than fixed remuneration from a perspective of putting priority on the stability and enhancement of medium- to long-term performance.

NGK does not pay any performance-linked bonus or stock-related remuneration to outside directors and audit & supervisory board members and only pays basic remuneration since they assume roles in supervising and auditing management from an independent standpoint.

By the resolutions at the General Meetings of Shareholders held in June 2007 and June 2017, NGK has set the maximum amount of remuneration, etc., excluding stock options, or stock-related remuneration of directors at ¥800 million per year, which includes the amount of ¥60 million per year for outside directors. It was also resolved that the maximum amount of remuneration, etc., concerning stock options to be allocated to directors (excluding outside directors) to be set at ¥200 million per year, and the maximum amount of remuneration, etc., of audit & supervisory board members at ¥100 million per year. Board members' remuneration, etc., was capped at 100 million yen per year.

Procedures for determination of remuneration

With regard to the remuneration of officers, NGK will endeavor to ensure fairness and enhance transparency by deliberating on basic policies and procedures for determination of remuneration, the overall remuneration range of directors/audit & supervisory board members, and the amount of remuneration for individual directors/audit & supervisory board members at the Nomination and Compensation Advisory Committee, comprised mainly of outside directors/audit & supervisory board members and reporting the results thereof to the Board of Directors. At the Board of Directors' meeting, matters relating to the remuneration of directors and executive officers will be resolved, compliant to the reporting procedures of the Committee, and the annual amounts of remuneration after the resolution, including bonuses stated in representative director contracts, will be determined. As specific procedures, NGK sets basic remuneration commensurate with managerial positions taking into account factors such as corporate performance and the remuneration levels of relevant industries. NGK determines the performance-linked bonus based on the results and changes of management indices, such as consolidated operating margin, consolidated net sales, and consolidated ROE for each fiscal year. With regard to stock-related remuneration, NGK grants stock compensation-type stock options as a long-term incentive. The exercise price of the stock option is ¥1 per share, and NGK determines the number of stock options according to the respective managerial positions. As terms and conditions of the exercise of rights, the director shall, in principle, exercise his/her rights within five years after the lapse of one year from the date of retirement from the office of officer. The amount of remuneration, etc., of each audit & supervisory board member is determined through consultation between the audit & supervisory board members.

4. Policies and procedures of the Board of Directors in appointing senior management and nominating the candidates for directors and audit & supervisory board members

Policies concerning nomination

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

Procedures concerning nomination

With regard to the nomination of candidates for directors and audit & supervisory board members, all representative directors deliberate on each candidate, and to secure the independence of the candidates for audit & supervisory board members, all representative directors obtain approval from the Audit & Supervisory Board. In addition, to ensure fairness and transparency in the nomination process, each candidate is deliberated at the Nomination and Compensation Advisory Committee, and results thereof are reported to the Board of Directors. At the Board of Directors' meeting, candidates for directors and audit & supervisory board members are determined, compliant to the reporting procedures of the Committee, as an agenda (proposal) for the General Meeting of Shareholders.

5. Explanations regarding individual appointments and nominations in appointing senior management and nominating candidates for directors and audit & supervisory board members by the Board of Directors

Reasons for nominating candidates for directors selected at the 152nd General Meeting of Shareholders are described in "Convocation Notice of the 152nd Annual Shareholders' Meeting" posted on the NGK website (<https://www.ngk-insulators.com/en/ir/>) for reference. Reasons for selecting candidates for audit & supervisory board members (excluding outside audit & supervisory board members) whose re-elections are not due at the 152nd General Meeting of Shareholders are as follows:

Reference URL	NGK website https://www.ngk-insulators.com/en/ir/
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Mr. Takeyuki Mizuno:

After accumulating experience in technology development in the ceramic products business division, Mr. Takeyuki Mizuno has experienced business operations focused on manufacturing, such as engaging in the start-up of the ceramic products division for semiconductor manufacturing equipment. He also served as the manager of the manufacturing engineering division as well as the chairman of the Quality Committee and the Environmental Protection Committee. NGK has appointed him as a candidate for audit & supervisory board member as NGK believes that his knowledge based on such experience is beneficial to the audits of NGK.

Mr. Ken Sugiyama:

After joining NGK, Mr. Ken Sugiyama had long served in the finance & accounting division and has served as general manager of the Finance & Accounting Department. In addition to engaging in the business operations of overseas subsidiaries, he also served as the general manager of the Auditing Department. NGK has appointed him as a candidate for audit & supervisory board member as NGK believes that his abundant knowledge and experience relating to financial accounting and business audits based on such experience is beneficial to the audits of NGK.

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

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

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

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

Principle 4-9. Independence Standards for Independent Outside Directors

In addition to the requirements for an outside director under the Companies Act and for an independent director specified by the Tokyo Stock Exchange, NGK may not designate a person who falls under any of the following items as an outside director with independence (hereinafter referred to as the "Independent Outside Director"); provided, however, that if NGK considers that such person, who falls under any of the items, is appropriate as the Independent Outside Director of NGK in light of such person's personality, insight, etc., NGK may designate said person as an Independent Outside Director on the condition that said person satisfies the requirements for an outside director under the Companies Act and for an independent director specified by the Tokyo Stock Exchange as well as on the condition that NGK externally explains the reason why such person is appropriate as the Independent Outside Director of NGK.

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

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

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

At NGK, the Board of Directors is comprised of persons who have practical experience in business operations in various business fields, such as manufacturing technology, research and development, sales, and planning as well as leadership, persons who have knowledge of finance, legal affairs, and labor affairs, highly independent external personnel who have a high level of expertise in legal affairs, corporate finance, etc., and knowledge, etc., of international affairs, social and economic trends, and the Articles of Incorporation of NGK stipulate that the number of directors shall not exceed fifteen. NGK recognizes that the appointment of young as well as foreign persons is a priority issue for ongoing consideration in terms of necessity associated with future business expansion.

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

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

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

The operation of meetings of NGK's Board of Directors has been conducted appropriately in accordance with the applicable laws and regulations, the Articles of Incorporation, and internal regulations, and discussions have been held actively in the meetings. With regard to its effectiveness, the Board of Directors issues a survey at the end of every fiscal year to directors and audit & supervisory board members. The results are reported at the Board of Directors' meeting, after the analysis and evaluation by an external organization. Based on the results of the Board of Directors evaluation conducted in fiscal 2016, the secretariat of the Board of Directors conducted initiatives in fiscal 2017 to improve the effectiveness of the Board of Directors. Such initiatives included interviewing directors and audit & supervisory board members individually, getting opinions on specific measures that can improve the effectiveness of the Board of Directors, and based on results of the interview, enriching discussions regarding themes related to long-term strategies. As a result, in the Board of Directors evaluation conducted in fiscal 2017, the Board of Directors was evaluated as effective, with its strength in how, under the leadership of the Chairman of the Board of Directors, each Director participates to conduct sound and transparent discussions while complying with governance requirements. We were evaluated by the external organization as having continued to retain this strength from the previous fiscal year. On the other hand, the following were raised as issues that needed to be further examined for their status or to be further discussed at Board of Directors' meetings: a succession plan for the chief executive officer, cultivation of senior management, and understanding of risks for important, large-scale projects. Based on these results, NGK will work to continue to maintain and strengthen the effectiveness of the Board of Directors.

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

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

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

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

NGK strives to provide accurate and prompt explanations concerning business conditions and operational policies and to maximize its corporate value through mutual communication between shareholders and investors. With regard to the requests of meetings, questions at the General Meeting of Shareholders, and inquiries through NGK's website from shareholders and investors, both NGK's Finance & Accounting Department and General Affairs Department, under the direction of directors responsible for these departments, sincerely respond to shareholders and investors in close cooperation with the Corporate Strategy Office, Corporate Communications Department, Legal Department, and other departments where appropriate, thereby working to promote constructive dialogue with shareholders.

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

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

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

Internal Control Systems

The Board of Directors and the executive bodies overseen by the president are responsible for establishing and operating NGK's internal control system. The Auditing Department, a specialized internal audit body, is responsible for assessing the status of business execution at each operating division. Moreover, NGK has established the Internal Controls Committee to manage its reporting system for internal controls pursuant to Japan's Financial Instruments and Exchange Act.

The NGK Group Guidelines for Corporate Behavior were formulated as a policy embodying the Group's corporate philosophy. These guidelines specify the Group's fundamental stance with respect to business activities and corporate behavior to ensure it remains a company that is beneficial to society, even in the pursuit of its economic goals. The CSR Committee, under which the Compliance Subcommittee, Security Subcommittee, and Social Contribution Subcommittee are organized, is responsible for a range of activities that include formulating NGK Group Guidelines for Corporate Behavior, ensuring compliance with laws, regulations and corporate ethics is fully entrenched throughout the Group, and developing responses to incidents and accidents which it believes could significantly impact the Company. The Committee's actions are designed to maintain and improve the level of the Group's internal control system.

Please note that the "Resolution for the Development of Systems to Ensure the Appropriateness of Operations" was amended at a Board of Director meeting held in March 2017.