

Corporate Governance

The NGK Group 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.

Basic Policies

To ensure appropriate operations and transparent management, the NGK Group 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 system 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

A Audit & Supervisory Board

Constituent members: 4

Number of meetings in fiscal 2019: 14

The Audit & Supervisory Board is comprised of members from both within and outside of NGK who attend Board of Directors meetings and other important meetings. At those meetings they are able to audit the directors' decision-making process and execution of duties, confirm the status and operation of the company's internal control system, and review the appropriateness of accounting auditors' auditing methods and results.

B Corporate Council

Constituent members: 8

Number of meetings in fiscal 2019: 3

The Corporate Council is comprised of outside directors, the president, and executive vice presidents. It serves as a vehicle for outside directors to offer advice to senior management on a variety of management-related issues.

C Conference of Outside Directors and Outside Audit & Supervisory Board Members

Constituent members: 5

Number of meetings in fiscal 2019: 2

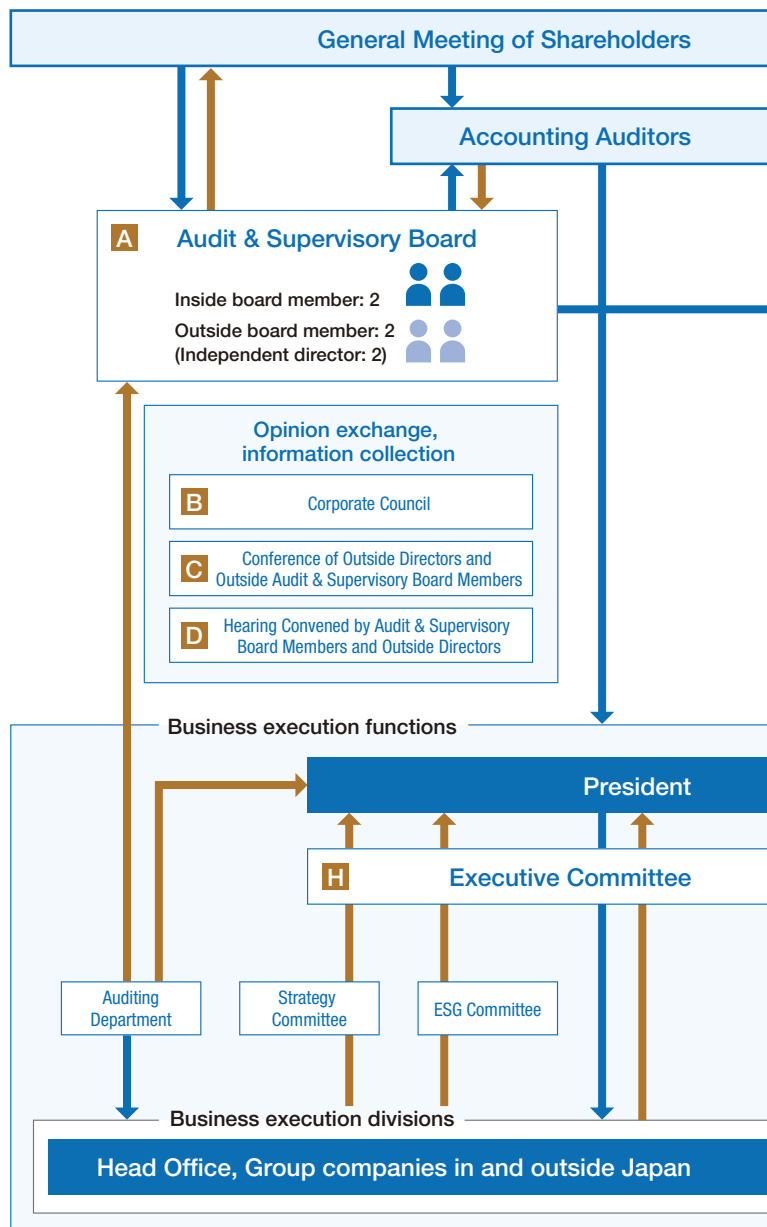
This conference is comprised of outside directors who exchange opinions concerning managerial issues and other matters, aiming to actively contribute to discussions at the Board of Directors' meetings.

D Hearing Convened by Audit & Supervisory Board Members and Outside Directors

Constituent members: 7

Number of meetings in fiscal 2019: 7

This hearing is comprised of Audit & Supervisory Board members and outside directors. Information is collected from the personnel in charge within each division regarding the business environment and issues of NGK.



Conference of Outside Directors and Outside Audit & Supervisory Board Members, and a Business Ethics Committee to ensure the effectiveness of the Corporate Governance Code.

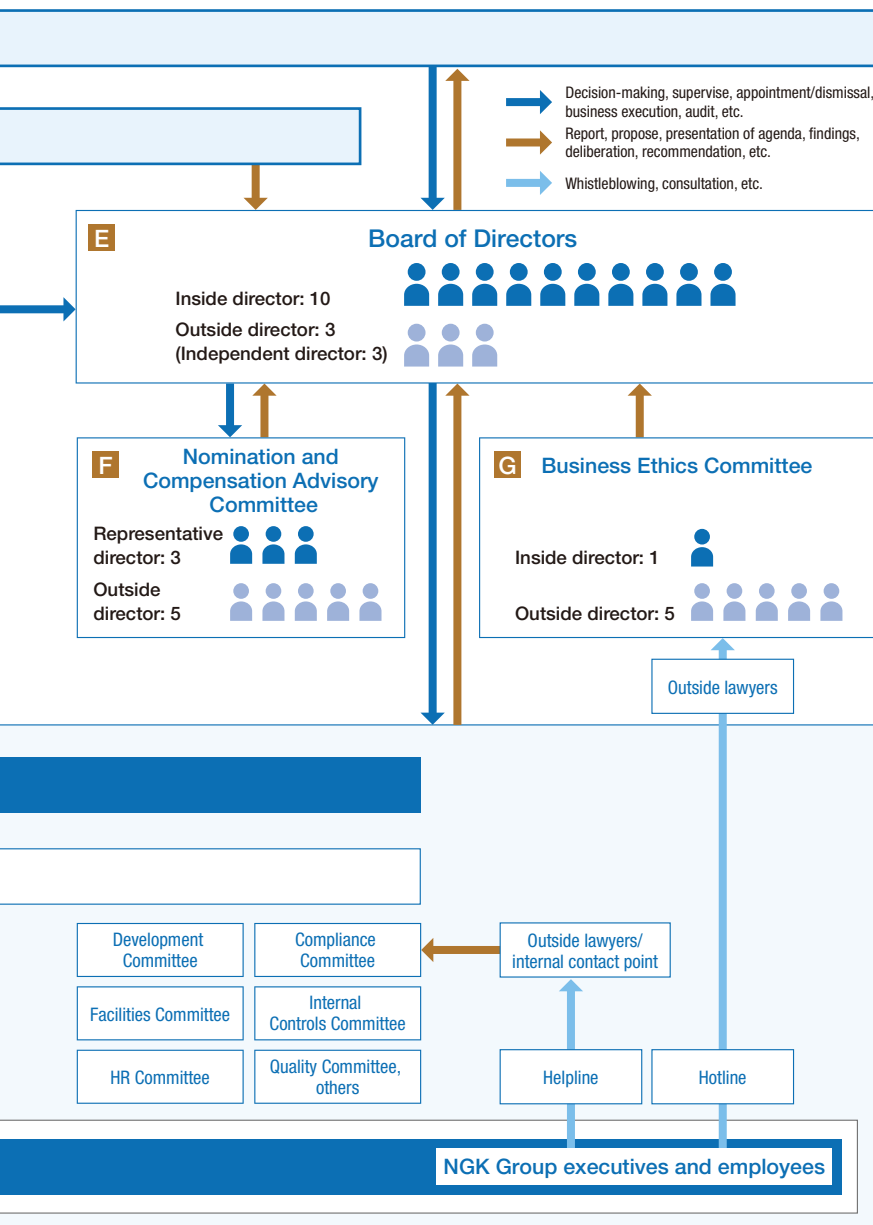
In addition, we have formulated the NGK Group Code of Conduct to stipulate how everyone working for the NGK Group should execute their jobs so that they abide by society's laws and the company's articles of incorporation and comply with corporate

ethics. All executives and employees are well versed in the code and are obligated to abide by it. To reflect changes in society since the previous revision, in January 2019 the NGK Group Code of Conduct was revised with an emphasis on respect for human rights, thorough compliance, and the realization of a sustainable society through business activities.

Corporate Governance System

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.



E Board of Directors

Constituent members: 13

Number of meetings in fiscal 2019: 14

The directors who make up the Board of Directors deliberate and decide upon matters prescribed under the Companies Act, NGK's articles of incorporation, and other such authoritative sources, as well as upon important management-related matters. The Board also monitors the job performance of all company directors.

F Nomination and Compensation Advisory Committee

Constituent members: 8

Number of meetings in fiscal 2019: 2

Comprising outside directors and representative directors, this committee deliberates on matters related to the appointment of directors and Audit & Supervisory Board members, remuneration of directors, executive officers, and Audit & Supervisory Board members, and Chief Executive Officer succession planning.

G Business Ethics Committee

Constituent members: 6

Number of meetings in fiscal 2019: 5

This committee is comprised of outside directors and an inside director in charge of compliance. Its members look for fraud or illegalities involving officers and others of NGK, as well as monitor compliance with competition laws and the Foreign Corrupt Practices Act.

H Executive Committee

Constituent members: 18

Number of meetings in fiscal 2019: 21

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.

Corporate Governance

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 the NGK Code of Conduct
April 2003	Revised guidelines into the NGK Group Code of Conduct
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	Revised the NGK Group Code of Conduct

April 2015	Signed on to the UN Global Compact
June 2015	Established the Global Compliance Office
December 2015	Established the Nomination and Compensation Advisory Committee, Corporate Council, Conference of Outside Directors and Outside Audit & Supervisory Board Members, and Business Ethics Committee
June 2017	Appointed one additional outside director
October 2018	Appointed a chief compliance officer
January 2019	Revised the NGK Group Code of Conduct
April 2019	Established the ESG Committee
April 2020	Established the Compliance Committee Established the HR Committee

Reference
URL

Corporate Governance Report

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



Key Focuses of the Board of Directors

The Board of Directors focuses primarily on deliberating and deciding matters (such as company-wide unified budgeting; strategic planning such as dissolution, mergers, and alliances of the company; appointing and removing representative directors; approval of financial statements, business reports, etc.); the

disposal and acceptance of transfer of important assets; and the appointment and dismissal of an important employee) prescribed under the Companies Act, NGK's articles of incorporation, and the governing rules of the Board of Directors. The Board also monitors the job performance of all company directors.

The following are key matters the Board of Directors deliberated and voted on in fiscal 2019.

(Voting matters)

- Budgeting and account settlement
- Establishment, dissolution, and liquidation of Group companies; investment in joint ventures
- Capital investment in production facilities and equipment
- Sale of cross-shareholdings

(Deliberation matters)

- Vision formulation procedures
- Activity status of new/reformed manufacturing structures
- Status and challenges of Group information systems
- Various committee reports (CSR Committee, Internal Controls Committee, Environmental Protection Committee, Quality Committee, Safety and Health Committee, etc.)

Evaluation on the Effectiveness of the Board of Directors

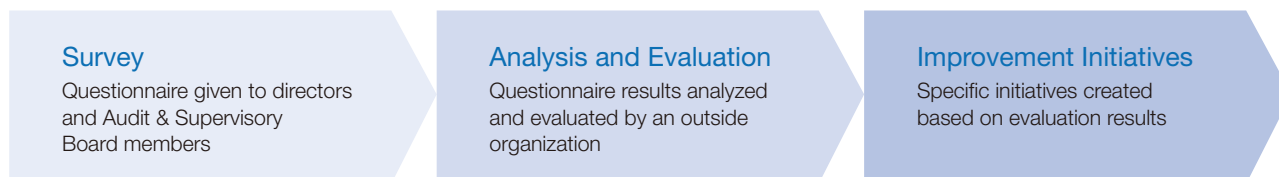
With regard to its effectiveness, the Board of Directors issues a survey at the end of every fiscal year to directors and Audit & Supervisory Board members. The results are reported at the Board of Directors' meeting, after the analysis and evaluation by an external organization, and NGK implements specific initiatives to enhance the effectiveness of the Board of Directors based on issues identified in the results of this evaluation.

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

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

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

Measures to Boost Effectiveness



Corporate Governance (Management System)

Board of Directors (as of June 30, 2020)



Taku Oshima
President

Attendance at Board of Directors meetings
100% (14/14)

March 1980 Joins NGK
June 2007 Appointed as vice president
June 2011 Appointed as senior vice president
June 2014 Appointed as president (incumbent)



Hiroshi Kanie
Executive Vice President

Attendance at Board of Directors meetings
100% (14/14)

March 1981 Joins NGK
June 2010 Appointed as vice president
June 2012 Appointed as senior vice president
June 2014 Appointed as director and senior vice president
June 2018 Appointed as executive vice president (incumbent)

Responsible for Corporate Planning Office, New Business Planning Dept., Secretarial Office, Corporate Communications Dept., Human Resources Dept., and General Affairs Dept.; Senior Officer in charge of Group Companies; HR Committee Chair; General Manager, Osaka Branch



Chiaki Niwa
Executive Vice President

Attendance at Board of Directors meetings
100% (14/14)

March 1984 Joins NGK
June 2013 Appointed as vice president
June 2015 Appointed as director and executive officer
June 2016 Appointed as director and senior vice president
June 2020 Appointed as executive vice president (incumbent)

Responsible for Corporate R&D Group, Corporate Manufacturing Engineering Dept., Quality Management Dept., Environmental Management Dept., Safety and Health Management Dept., and Information Systems Dept.; Chair of Quality Committee, Environmental Protection Committee, and Safety and Health Committee



Susumu Sakabe
Director and Senior Vice President

Attendance at Board of Directors meetings
100% (14/14)

March 1981 Joins NGK
June 2007 Appointed as vice president
June 2010 Appointed as director and executive officer
June 2011 Appointed as director and senior vice president (incumbent)

Responsible for Finance & Accounting Dept. and Purchasing Dept.; General Manager, Tokyo Main Office



Ryohei Iwasaki
Director and Senior Vice President

Attendance at Board of Directors meetings
100% (14/14)

March 1982 Joins NGK
June 2008 Appointed as vice president
June 2009 Appointed as director and executive officer
June 2012 Appointed as director and senior vice president (incumbent)

Group Executive, Process Technology Business Group



Shuhei Ishikawa
Director and Senior Vice President

Attendance at Board of Directors meetings
100% (14/14)

March 1984 Joins NGK
June 2010 Appointed as vice president
June 2014 Appointed as senior vice president
June 2015 Appointed as director and senior vice president (incumbent)

Group Executive, Electronics Business Group



Nobumitsu Saji
Director and Senior Vice President

Attendance at Board of Directors meetings
100% (14/14)

March 1984 Joins NGK
June 2013 Appointed as vice president
June 2014 Appointed as director and executive officer
June 2015 Appointed as director and senior vice president (incumbent)

Chief Compliance Officer; responsible for Auditing Dept., Group Compliance Dept., Legal Dept., and Intellectual Property Dept.; Chair of Compliance Committee and Internal Controls Committee



Atsushi Matsuda
Director and Senior Vice President

Attendance at Board of Directors meetings
100% (14/14)

March 1985 Joins NGK
June 2012 Appointed as vice president
June 2017 Appointed as senior vice president
June 2018 Appointed as director and senior vice president (incumbent)

Group Executive, Ceramic Products Business Group; General Manager, Global Sales & Marketing Div., Ceramic Products Business Group; General Manager, Nagoya Site



Shigeru Kobayashi
Director and Senior Vice President

Attendance at Board of Directors meetings
Newly appointed

March 1983 Joins NGK
June 2016 Appointed as vice president
June 2018 Appointed as senior vice president
June 2020 Appointed as director and senior vice president (incumbent)

Group Executive, Energy Infrastructure Business Group; General Manager, Komaki Site



Tsutomu Nanataki
Director and Senior Vice President

Attendance at Board of Directors meetings
Newly appointed

March 1986 Joins NGK
June 2016 Appointed as vice president
June 2019 Appointed as senior vice president
June 2020 Appointed as director and senior vice president (incumbent)

Group Executive, Corporate R&D; Development Committee Chair



Independent Director
Hiroyuki Kamano
Outside Director

Attendance at Board of Directors meetings
100% (14/14)

April 1971 Joins Ministry of Foreign Affairs
April 1979 Trains at Legal Training and Research Institute, Supreme Court of Japan
April 1981 Becomes registered attorney
Oct. 1988 Becomes representative attorney, Kamano Sogo Law Offices (incumbent)
June 2007 Appointed as outside Audit & Supervisory Board member, Komatsu Ltd.
July 2007 Appointed as outside director, Sumitomo Life Insurance Company
April 2009 Appointed as vice president, Tokyo Bar Association
June 2011 Appointed as director, NGK (incumbent)
June 2015 Appointed as outside audit & supervisory board member, House Foods Group Inc. (incumbent)
June 2020 Appointed as outside director, Spancrete Corporation (incumbent)



Independent Director
Emiko Hamada
Outside Director

Attendance at Board of Directors meetings
100% (14/14)

April 1984 Joins Taiyo Yuden Co., Ltd.
Dec. 2001 Appointed as general manager, Quality Assurance Control R Technology Div., Engineering Group, Taiyo Yuden
Sept. 2003 Appointed as chief engineer, Basic Research Div., General Research Laboratory, Engineering Group, Taiyo Yuden
Nov. 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 (incumbent)
July 2016 Appointed as part-time lecturer, NITech (incumbent)
Aug. 2016 Appointed as visiting professor, Nagoya University
June 2017 Appointed as director, NGK (incumbent)
June 2019 Appointed as outside director, Taiyo Yuden (incumbent)



Independent Director
Kazuo Furukawa
Outside Director

Attendance at Board of Directors meetings
100% (11/11)
Note: Attendance since assuming post on June 2019.

April 1971 Joins Hitachi, Ltd.
April 2005 Appointed as representative executive officer, executive vice president, and executive officer; general manager and CEO, Information & Telecommunications Group; general manager, Export Control Div.; Hitachi
April 2006 Appointed as representative executive officer and president, Hitachi
June 2006 Appointed as director, representative executive officer, and president, Hitachi
May 2007 Appointed as vice chair, Keidanren (Japan Business Federation)
April 2009 Appointed as director, representative executive officer, and vice chair, Hitachi
June 2009 Appointed as special advisor, Hitachi
June 2011 Appointed as president, Information Processing Society of Japan
Oct. 2011 Appointed as chair, New Energy and Industrial Technology Development Organization
June 2019 Appointed as director, NGK (incumbent)
Aug. 2019 Appointed as outside director (Audit & Supervisory Committee member), Pasona Group Inc. (incumbent)

Audit & Supervisory Board (as of June 30, 2020)



Ken Sugiyama
Audit & Supervisory Board Member

Attendance at Board of Directors meetings 100% (14/14)
Attendance at Audit & Supervisory Board meetings 100% (14/14)

March 1980 Joins NGK
July 2002 Appointed as general manager, Finance Dept.
April 2007 Appointed as general manager, Auditing Dept.
June 2015 Appointed as Audit & Supervisory Board member (incumbent)



Takeshi Shimazaki
Audit & Supervisory Board Member

Attendance at Board of Directors meetings 100% (11/11)
Attendance at Audit & Supervisory Board meetings 100% (10/10)
Note: Attendance since assuming post on June 2019.

March 1982 Joins NGK
April 2010 Appointed as manager, Finance Dept.
June 2015 Appointed as general manager, Auditing Dept.
June 2019 Appointed as Audit & Supervisory Board member (incumbent)



Independent Director
Junichi Ito
Audit & Supervisory Board Member, Outside

Attendance at Board of Directors meetings 100% (14/14)
Attendance at Audit & Supervisory Board meetings 100% (14/14)

April 1975 Joins The Mitsubishi Bank, Ltd. (now MUFG Bank, Ltd.)
June 2002 Appointed as executive officer, The Bank of Tokyo-Mitsubishi, Ltd. (now MUFG Bank)
May 2005 Appointed as managing executive officer, The Bank of Tokyo-Mitsubishi (now MUFG Bank)
June 2005 Appointed as managing director, The Bank of Tokyo-Mitsubishi (now MUFG Bank)
Jan. 2006 Appointed as managing director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (now MUFG Bank)
May 2009 Appointed as senior managing executive officer, The Bank of Tokyo-Mitsubishi UFJ (now MUFG Bank)
June 2011 Appointed as senior executive vice president, CFO and representative director, Nikon Corporation
June 2016 Appointed as counselor, Nikon Corporation (incumbent)
Appointed as outside Audit & Supervisory Board member, The Hyakujushi Bank, Ltd.
June 2017 Appointed as outside director (Audit and Supervisory Committee member), The Hyakujushi Bank (incumbent)
June 2018 Appointed as Audit & Supervisory Board member, NGK (incumbent)



Independent Director
Masayoshi Sakaguchi
Audit & Supervisory Board Member, Outside

Attendance at Board of Directors meetings 100% (11/11)
Attendance at Audit & Supervisory Board meetings 100% (10/10)
Note: Attendance since assuming post on June 2019.

April 1980 Joins the National Police Agency
Feb. 1999 Appointed as chief of First Area Headquarters, Metropolitan Police Department
Sept. 2001 Appointed as chief of Akita Prefectural Police Headquarters
Jan. 2003 Appointed as chief Criminal Investigations, Osaka Prefectural Police Headquarters
Oct. 2011 Appointed as chief of Osaka Prefectural Police Headquarters
Jan. 2013 Appointed as commissioner-general's secretariat, National Police Agency
Jan. 2015 Appointed as deputy commissioner-general, National Police Agency
Aug. 2016 Appointed as commissioner-general, National Police Agency
May 2018 Appointed as senior advisor, Nippon Life Insurance Company
June 2019 Appointed as Audit & Supervisory Board member, NGK (incumbent)
Appointed as vice president, Japan Automobile Federation (incumbent)

Executive Officers (as of June 30, 2020)

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

Hiroto Matsuda Senior Vice President
Group Vice Executive, Process Technology Business Group; General Manager, High Performance Ceramics Div.

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

Akira Katoh Senior Vice President
Group Vice Executive, Electronics Business Group; General Manager, New Metals Div.; General Manager, Chita Site

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

Hiroharu Kato Vice President
President, NGK EUROPE GmbH

Atsushi Miyajima Vice President
Group Executive, Corporate Manufacturing Engineering; Facilities Committee Chair

Hideaki Shindo Vice President
General Manager, Finance & Accounting Dept.

Jun Mori Vice President
General Manager, Manufacturing Div., Ceramic Products Business Group

Hiroyuki Shinohara Vice President
General Manager, Corporate Planning Office; in charge of New Business Planning Dept.

Iwao Ohwada Vice President
General Manager, Advanced Device Components Div., Electronics Business Group

Tatsumi Ichioka Vice President
General Manager, Energy Storage Div., Energy Infrastructure Business Group

Ryo Ishihara Vice President
General Manager, Secretarial Office; in charge of Corporate Communications Dept.

Mayumi Inagaki Vice President
General Manager, Legal Dept.

Hirofumi Sakamoto Vice President
General Manager, Engineering Div., Ceramic Products Business Group

Corporate Governance

Reasons for Appointment of Directors and Audit & Supervisory Board Members

(As of June 30, 2020)

Name	Age	Years in office	Reasons for appointment	Committee	
				Nomination and Compensation Advisory Committee	Business Ethics Committee
Taku Oshima	63	6	Has been serving as Representative Director and President since 2014 and has abundant experience at the Company and insights into business operations.	○	—
Hiroshi Kanie	62	6	Has served as Representative Director and Executive Vice President since 2018 and has ample experience at the Company and knowledge in business operations.	○	—
Chiaki Niwa	60	5	Has ample experience at the Company, as well as deep knowledge in project management and manufacturing technology.	○	—
Susumu Sakabe	61	10	Has abundant knowledge and experience in business operations at the Company.	—	—
Ryohei Iwasaki	60	11	Has ample experience at the Company and knowledge in business operations.	—	—
Shuhei Ishikawa	60	5	Has ample experience at the Company, as well as a wealth of knowledge and personal contacts gained in the Electronics Business Group.	—	—
Nobumitsu Saji	61	6	Has ample experience at the Company and global insight into the legal field.	—	○
Atsushi Matsuda	59	2	Has ample experience and expertise in business operations in the automobile field at the Company.	—	—
Shigeru Kobayashi	59	—	Has ample experience at the Company, as well as a wealth of knowledge and personal contacts gained in the Energy Infrastructure Business Group.	—	—
Tsutomu Nanataki	58	—	Has ample experience at the Company, as well as a wealth of knowledge in the research and development field.	—	—
Hiroyuki Kamano	74	9	Possesses a wealth of experience and achievements in the legal community, and has been offering suggestions to the Company's business operation and properly overseeing the management of the Company.	○	○
Emiko Hamada	61	3	By utilizing the insights she has developed through her career, has been appropriately offering suggestions to the Company's business operation and overseeing the management of the Company.	○	○
Kazuo Furukawa	73	1	With his insights and experience, has been offering suggestions to the Company's business operation and properly overseeing the management of the Company.	○	○
Ken Sugiyama	63	5	Has a wealth of financial, accounting, and auditing knowledge and experience and puts this to appropriate use in performing management-related audits as a member of NGK's Audit & Supervisory Board.	—	—
Takeshi Shimazaki	60	1	Recognized for his ability to apply his experience towards the performance of management-related auditing that contributes to increased corporate value for NGK.	—	—
Junichi Itoh	69	2	His wealth of experience and expertise as a corporate management specialist make him well-suited to a role in which he will contribute to stronger corporate governance at NGK.	○	○
Masayoshi Sakaguchi	62	1	Recognized for his ability to apply his experience towards management-related auditing, providing a legal compliance and risk management-focused perspective that contributes to increased corporate value for NGK.	○	○

Expertise of Directors (Excluding Outside Directors)

(As of June 30, 2020)

Name	Age	Business sector experience					Area of specialization				
		Energy infrastructure business	Ceramic products business	Electronics business		Process technology business	Finance	Law	HR/labor	Materials technology	Engineering
		Electricity/energy	Automobiles	ICT	Semiconductors	Chemical industry					
Taku Oshima	63	○							○	○	
Hiroshi Kanie	62	○	○					○			
Chiaki Niwa	60									○	
Susumu Sakabe	61			○			○	○	○		
Ryohei Iwasaki	60		○	○	○			○			
Shuhei Ishikawa	60			○	○					○	
Nobumitsu Saji	61	○		○	○		○	○	○		
Atsushi Matsuda	59		○							○	
Shigeru Kobayashi	59	○	○								
Tsutomu Nanataki	58		○	○	○					○	

*Age as of June 29, 2020

Note: Managerial experience: At time of appointment (June 29, 2020), has experience running large organizations (business group, general manager, head of multiple divisions) or has served in upper management of Group companies.

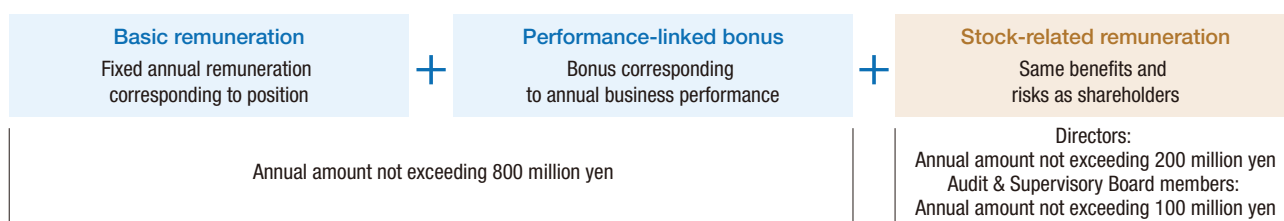
Policies for Determining Remuneration of Directors

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

only pays basic remuneration since they assume roles in supervising and auditing management from an independent standpoint.

With regard to the ratio between this variable remuneration and fixed annual remuneration, the ratio of basic remuneration, performance-linked bonuses, and stock-related remuneration is set from a perspective of putting priority on the stability and enhancement of medium- to long-term performance. The total amount of remuneration, including basic remuneration, is determined in accordance with officers' positions, taking into consideration remuneration levels according to the size of companies and other factors, using data from reliable external research institutions.

Policy for determination of remuneration



Performance-linked bonus calculation method

The degree of indicator achievement is quantified and a value determined from that.

Short-term focus	Comparison between the anticipated net sales, operating income, and net income announced at the beginning and middle of the financial term and the respective financial results for each Comparison between the previous and current financial term's net sales, operating income, and net income	✕ Assessed at between 0% and 200%
Medium-term focus	Year-on-year attainment of priority issues spanning multiple years designated by NGK Operating income and net income, on which ROE is based	

Overview of stock options

- Exercise price: 1 yen/share
- Amount granted corresponding to position
- Condition for exercise of rights: As a rule, must be exercised within five years from the date that marks one year since stepping down as an officer of NGK

Remuneration of Directors and Audit & Supervisory Board Members

(Fiscal 2019)

Director category	Total remuneration (million yen)	Total remuneration by type (million yen)				Applicable directors (people)
		Fixed remuneration	Performance-linked remuneration	Stock options	Retirement benefits	
Directors (excluding Outside Directors)	535	377	113	44	—	9
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	59	59	—	—	—	3
Outside Directors and Outside Audit & Supervisory Board Members	66	66	—	—	—	7

Directors Receiving Total Remuneration of ¥100 Million or More

(Fiscal 2019)

Name	Director category	Company category	Total remuneration by type (million yen)				Total remuneration (million yen)
			Fixed remuneration	Performance-linked remuneration	Stock options	Retirement benefits	
Taku Oshima	Director	Submitting companies	65	26	8	—	100

Corporate Governance

Management Succession Planning

In December 2018, the Board of Directors approved the NGK Group Chief Executive Officer Succession Plan, which establishes the required qualities, development policies, selection procedures, and other items for chief executive officer successors. Based on

this, the President provides the Nomination and Compensation Advisory Committee with a planning progress report each year, and its appropriateness is reviewed.

Training Policies for Executives

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 fulfill their respective responsibilities as experts in management or as supervisors 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 periodic provision of information to, and opportunities to exchange opinions with, outside directors/Audit & Supervisory Board members on the business environment and other issues.

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 Code of Conduct (revised in January 2019) was 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 task of ensuring Group-wide compliance with the NGK Group Code of Conduct,

along with laws, regulations and corporate ethics, is the responsibility of the Compliance Committee Secretariat Council, which was established by the Compliance Committee and comprises managers from NGK divisions. The Business Ethics Committee handles matters of improper acts and legal violations involving NGK executives, and the ensuring of compliance with competition laws and overseas anti-corruption laws.

Please note that at a Board of Directors meeting in April 2020, members adopted an amendment to the "Resolution for the Development of Systems to Ensure the Appropriateness of Operations."

Audit Structure

At NGK, we conduct separate Audit & Supervisory Board audits, accounting audits, and internal audits. Each of the main groups overseeing these audits—Audit & Supervisory Board members, accounting auditors, and internal auditing department members—engages in regular information exchange related to auditing policy, planning, results, and other areas pertinent to improving auditing effectiveness and efficiency.

NGK's Audit & Supervisory Board is comprised of two full-time members and two outside members. They are supplemented by one dedicated staff member who possesses the appropriate knowledge, skills, and experience to assist them.

Approval of the Audit & Supervisory Board is obtained with regard to staff reassignment, evaluations, and other decisions in

order to more fully ensure that such decisions are independent of directors and that the instructions of the Audit & Supervisory Board carry more force.

Internal auditing is carried out by the 17 members of the Auditing Department. The general manager of the Auditing Department is also a member of the Internal Controls Committee. Quality, environmental, and health and safety-related auditing is performed on an as-needed basis within the NGK Group by departments with specialized knowledge in these areas.

Accounting audits are overseen by two certified public accountants from Deloitte Touche Tohmatsu LLC. They are accompanied by 12 other certified public accountants and 20 assistants.

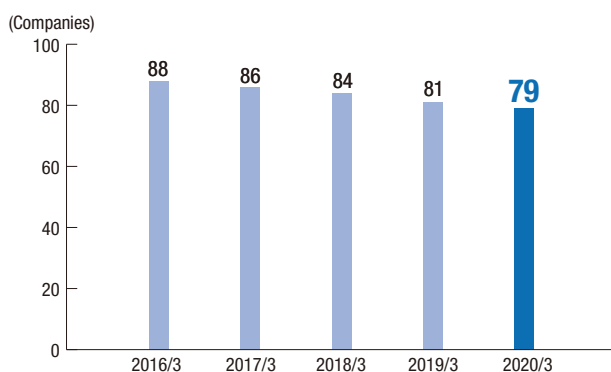
Policy on Cross-Shareholdings

NGK holds shares of listed companies that contribute to the NGK Group's long-term business development as cross-shareholdings, primarily in order to maintain and strengthen business relationships. In addition, NGK holds the shares of each company in the Morimura Group, which was established by the same founders of NGK, for the mutual benefit of enhancing management quality, as the Morimura Group brand forms a part of NGK's corporate value through its philosophy and heritage. As all cross-shareholdings are a part of the asset portfolio, they are positioned as assets to supplement the amount of liquidity considered necessary in the business plan. NGK constantly strives to reduce the scale of cross-shareholdings from the perspective of capital efficiency. Furthermore, the scale of cross-shareholdings may fluctuate due to factors including changes in overall business trends and risks, financial conditions, and the status of NGK's business relationship with each business

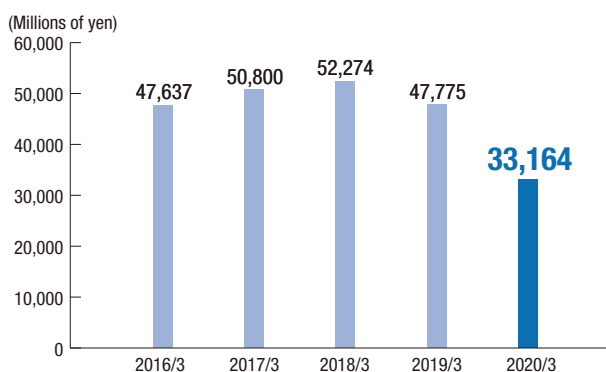
partner. Regarding the specific stocks held, at its Board of Directors' meeting, NGK regularly reviews the appropriateness of the continuous holding of shares as cross-shareholdings along with the capital policy, by determining the significance of holding from the business relationship, the safety of ratings and so forth, and the efficiency of dividend yields and so forth. On the other hand, when comparing cross-shareholdings to NGK's cost of capital, evaluations based solely on shares are not conducted. Instead, ROIC management is conducted for each business with differing risks and expected returns, and cross-shareholdings are evaluated after being included in each business's balance sheet. After verification, in fiscal 2019, four specified equity securities held for investment purposes were sold for a total of 4.353 billion yen.

Status of Cross-Shareholding

Number of Cross-Shareholding Companies



Reported Cross-Shareholdings Balance



Corporate Governance

Comments from Outside Directors

Topic: Improving corporate value



Hiroyuki Kamano
Outside Director

Our role is to check managerial balance

Given that companies exist as part of society, they cannot survive if they ignore the environmental and social impacts of their actions. Thus, I believe that the social value that a company provides, such as through hiring and contributing to the environment, is just as foundational to its existence as its economic value, such as profitability and growth potential.

Also, in the post-COVID-19 era and beyond, the importance of the relationship between companies and the environment looks to only grow stronger. An important issue facing society is humanity's coexistence with the environment, and this is an area where society is increasingly recognizing the lasting value of positively contributing companies.

In that sense, we can say that the NGK Group is extremely well-positioned. This is because the very business in which the NGK Group engages, such as developing environmentally beneficial products for automotive-related business, helps to reduce humanity's environmental footprint. If the NGK Group can capitalize on its expertise in ceramic technology to facilitate progress towards achieving the SDGs, it would be abundantly possible to turn the COVID-19 recession into a growth opportunity.

Company management cannot remain static in the face of tremendous societal upheaval. In order to achieve corporate growth, it must embrace significant innovation reflective of society's needs. Management tends to act conservatively out of a sense of obligation to responsibly handle the important assets of shareholders. However, the act of management entails a certain adventurousness that must be continually acted upon in order to grow.

The key, then, is balance: keeping management oriented in the direction of innovation while also keeping it within an acceptable range of risk. Management should not be being overly adventurous. Risk should be adequately calculated. A balance should be struck between risk and reward. Keeping check of all this is, I believe, the role that we must play as outside directors.

We will continue to provide the Board of Directors with recommendations so that the NGK Group can anticipate future values and head in the direction of change and innovation. Our wish is for young employees to look forward to realizing their dreams and that the NGK Group will continue to exist well into the future.



Emiko Hamada
Outside Director

**Transformation and growth
for the post-COVID-19 era**

Improving corporate value all depends on how well a company is meeting the essential expectations of society. This will require companies to be providing society with new value. This is exactly expressed in the mission of the NGK Group, as stated in its Group Philosophy: “Enriching Human Life by Adding New Value to Society.”

And, given its history of product development derived from the application of cumulative expertise in the difficult area of ceramic technology, this is a strong suit of the NGK Group. However, the NGK Group must avoid simply continuing to create better versions of its already outstanding products and services; rather, it is important that it focus on delivering products and services tailored to the changing times.

Ceramic materials offer superior durability and versatility, which suits them to an extremely broad range of applications. I think this durability and versatility can also be capitalized upon to great effect as part of the infectious disease measures within the medical and healthcare fields. With its expertise in ceramic technology, the NGK Group is capable of providing the new technologies and products demanded by our times.

In a post-COVID-19 era, things that we thought were still a way off in the future are suddenly becoming reality, and it is the companies delivering new ideas to meet this reality who will be building the era to come. I would like to see the NGK Group being a pioneer in the coming era through its technological innovation in new areas. That, I believe, is the transformation and growth for which the NGK Group must aim.

And in order to achieve sustainable growth as a company, it is important to recognize the value, as well as draw out the full potential, of each and every employee. Specifically, this means listening to the input of Group employees throughout the world and engaging in discussion, which incorporates a multitude of viewpoints. In other words, it means embracing diversity. The NGK Group already has a foundation of diversity in place; so, the next stage is to find ways of capitalizing on all of the diverse input that this foundation provides.



Kazuo Furukawa
Outside Director

**Improving corporate value by working
as a group to speed up all operations**

It has been a year since I was appointed as an outside director for the NGK Group. In that time, my impression of the NGK Group overall is that it is a well-functioning manufacturer, which is thorough in its operation of key committees and bodies, such as meetings of the Board of Directors, in its distribution of authority between Group companies, in its execution of global governance, and in much else. However, in order to further improve corporate value, it is important that the NGK Group be more proactive as a global company, working together as a group to speed up all operations.

Given the extremely rapid rate at which the market is changing, along with the ongoing spread of COVID-19, it is difficult to make any predictions in the current era. Moreover, with new technologies like AI, IoT, and quantum computers appearing one after another, the world is in the midst of significant and ongoing change. It is within this context that the NGK Group needs to capitalize on its expertise in ceramic technology by finding ways to combine it with cutting-edge technology to create unprecedentedly innovative products. NGK’s 100th anniversary slogan, “Surprising Ceramics.,” is finding concrete expression through the ongoing creation of next-generation products, such as the EnerCera® battery and zinc rechargeable batteries. I would like to not only see this trend accelerated by an increase in the speed of product development, I would also like to see the mass production system undergo a rapid reorganization from a global perspective. By enabling the NGK Group to plan, develop, and manufacture on a global basis, I think it will be possible to launch products and services simultaneously worldwide.

In addition, if all core ideas and expression adopt a global perspective, this will likewise affect not only products but also the way in which a business continuity plan (BCP) is performed. In the face of the COVID-19 pandemic, the smoothness with which measures such as transitioning to remote work arrangements has been handled is laudable. However, we are now in an era that requires readjusting supply chains and production bases, reforming the operations of indirect departments, and improving job satisfaction on a global basis and then quickly implementing ideas, quickly obtaining results, and providing feedback to each plant and office. It is my hope that the next 100 years will see the NGK Group achieve even greater growth as a global company.

Corporate Governance

Compliance

Viewing compliance as the foundation of CSR, the NGK Group positions enhancing trustworthiness as the most important initiative, and takes concrete measures to disseminate compliance awareness among employees and ensure that we abide by

international norms and the laws and regulations of all countries and regions. In line with business expansion, the NGK Group is also engaged in minimizing risks related to globalization and diversification while augmenting our risk management structure.

Compliance Promotion Structure

In order to ensure strict observance of laws, regulations, and corporate ethics within the Group, we have established the Compliance Committee, and under this we have established the Compliance Committee Secretariat Council to serve as the committee body that ensures the proper implementation of the Compliance Committee's decisions.

■ Establishment of the global compliance system

With the aim of building a group-wide foundation for an effective compliance scheme, the Group Compliance Department conducts education on compliance at each NGK site.

Observing Competition Laws and Other Laws and Regulations Pertaining to Business Transactions

In addition to mandating compliance with competition laws in the NGK Group Code of Conduct, we have established the Competition Laws Compliance Rules, set forth to comply with international standards, which are strictly enforced by the NGK Group both in Japan and its overseas locations. We have established these policies and procedures in order to eradicate unfair business practices and maintain fair and equitable business relationships with our business partners.

We also provide education and training aimed at ensuring widespread awareness and thorough compliance with the Competition Laws Compliance Rules and the Competition Laws Compliance Handbook. Furthermore, since fiscal 2015, we have contracted PwC Advisory LLC (hereinafter, "PwC") as our

Compliance Promotion Structure



independent compliance professional. PwC is engaged to annually review the implementation status of the NGK Group's competition law compliance program per the Competition Laws Compliance Rules as well as assessing the overall oversight and reporting structures in place for NGK Group companies, both in Japan and overseas locations. On top of this, starting in fiscal 2017, PwC has also conducted interviews with the directors overseeing NGK's various business groups in order to: 1) assess the tone of each director's approach toward competition law compliance; and 2) to further enhance their awareness of these efforts. The results of these reviews are being leveraged for a variety of purposes, such as operating and improving the competition law compliance program.

Anti-Harassment Measures

Our measures to combat harassment in the workplace include providing anti-harassment training to all executives and employees in NGK and NGK Group companies in Japan (including contract employees and dispatch employees).

Since fiscal 2017, we have held anti-harassment training sessions aimed at managers of Group companies in Japan, and

we have maintained a schedule that seeks to ensure the rest of the employees receive anti-harassment training within four years. In fiscal 2019, we held 31 sessions with a total attendance of 2,314. The aim of training is to contribute to a better workplace environment by providing both managers and employees with a proper understanding of what harassment is and how to prevent it.

Corruption Prevention Structure

The NGK Group implements anti-bribery measures in order to ensure fair and transparent transactions. In fiscal 2015, we instituted anti-bribery rules for dealing with foreign public officials in order to ensure compliance with anti-bribery laws as well as

ethical standards for business conduct. Further, in fiscal 2017 our Auditing Department began a review of overseas money transfers and entertainment expenses.

Conducting Anti-Bribery Training

In fiscal 2019, we not only had our in-house lecturers provide job grade-specific training to NGK employees, we also invited outside lawyers to run small-group, interactive training sessions. In

addition, we also arranged for attorney-led seminars and other training at all Group companies outside Japan.

Quality Compliance

Based on the lessons we learned from dealing with issues of non-conformity in the testing procedures of insulators and related products in 2018, we are strengthening ongoing top management-led quality compliance activities, Quality Committee

direct guidance, and other initiatives. We are also working to improve corporate culture through a variety of efforts, including ensuring senior management and employees receive thorough quality-related training.

Whistleblowing 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 Code of Conduct and to facilitate the quick resolution when issues occur. Each Group company outside Japan has its own helpline. Our company rules guarantee protection of those seeking advice or reporting issues.

Number of Helpline Consultation Cases (in Japan)

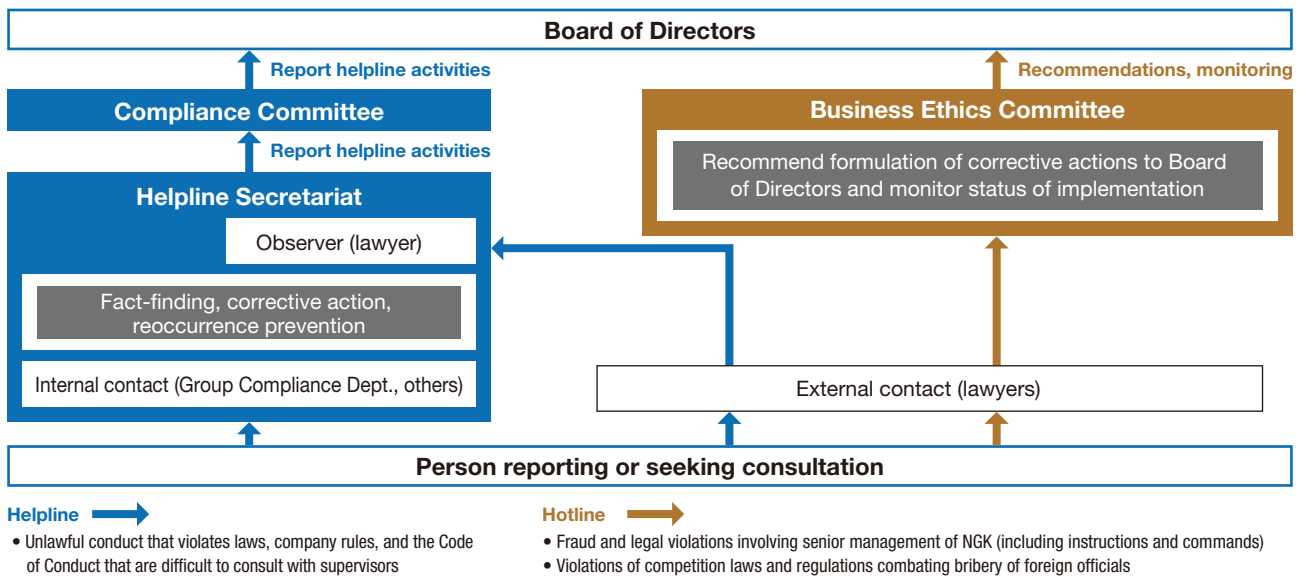
FY2017	FY2018	FY2019
43	75	55

■ Hotline

We have established a hotline as a whistleblowing system for responding to fraud and legal infractions committed by senior management of NGK, and competition law and anti-corruption law-related 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 Group companies outside Japan in light of the circumstances in each country.

Organization of Whistleblowing System



Information Security Policy and Structure

Within the NGK Group, proper management and operation of information assets is a collaborative effort carried out by the General Affairs and Information Technology Departments, in conjunction with other relevant administrative divisions and in line with the Basic NGK Group Information Security Policy.

Every year, personnel of NGK's Information Technology Department visit several Group companies to conduct on-site checks and provide guidance on their implementation of IT security measures.

Privacy Policy and Organization for Personal Information Protection

The NGK Group has established internal rules in an effort to ensure strict handling and management of personal information obtained from customers. In fiscal 2015, NGK formulated and published our Basic Policy on the Proper Handling of Specific Personal Information in

response to the enforcement of the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures. Moreover, our policies are in full compliance with the revised Act on the Protection of Personal Information, which came into effect on May 30, 2017.

Reference URL [Protection of Personal Information](https://www.ngk-insulators.com/en/utpolicy/)
<https://www.ngk-insulators.com/en/utpolicy/>



Reference URL [Basic NGK Group Information Security Policy](https://www.ngk-insulators.com/en/info/policies/)
<https://www.ngk-insulators.com/en/info/policies/>

