

## Basic Views on Internal Controls System and Status of Development

The NGK Board of Directors has established the following systems to ensure that directors comply with laws and regulations and NGK's Articles of Incorporation in the execution of their duties. This includes the systems deemed necessary to ensure the appropriateness of NGK's business operations as well as the operations of the NGK Group consisting of NGK and its subsidiaries. The business execution organizational bodies that report to the president are responsible for operating these systems.

### 1. System to ensure that directors execute their duties in compliance with laws and regulations and the Articles of Incorporation

1) The Board of Directors has formulated guidelines for corporate conduct (hereafter, "the NGK Group Corporate Business Principles and NGK Group Code of Conduct") that also apply to NGK Group companies. The Board also provides rules and standards of conduct for directors to comply with in executing their duties based on laws and regulations and the Articles of Incorporation, and in accordance with corporate ethics, and directors shall comply with these guidelines.

2) NGK has established the Compliance Committee to deliberate on compliance activities concerning laws and regulations and corporate ethics, response to events that require special crisis management, and other activities, based on the Basic Guidelines for NGK Group Compliance Activities. The Compliance Committee has established a subcommittee comprised of personnel responsible for practical administration of compliance in each department to ensure that daily operations are performed in compliance with laws, regulations, and internal company rules.

The committee also established the Helpline System as an external consultation and reporting route for people to use when they discover circumstances that violate laws, regulations, and internal company rules, or otherwise violate the intent of the NGK Group Corporate Business Principles and NGK Group Code of Conduct. The Helpline is operated according to the Helpline System Operation Rules.

3) NGK has established the Internal Controls Committee to deliberate on assessments and reports on the internal controls system for financial reporting, based on the Financial Instruments and Exchange Act.

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

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

4) NGK has established a Business Ethics Committee consisting mainly of outside officers. This committee responds to fraudulent acts and violations of laws and regulations involving corporate officers and employees and to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade ("Competition Laws") and the Foreign Corrupt Practices Act (FCPA) (hereafter, "such events"). A Hotline System has been established, which is separate from the Helpline System, and it is used for internal whistleblowing related to such events. In this Hotline System, an external attorney who has been designated in advance receives whistleblowing reports and reports them directly to the Business Ethics Committee. The committee has established a management system for reporting directly to the Board of Directors, and works to maintain and improve the compliance system.

5) Directors check the practical effectiveness of the compliance system described above on a routine basis. If they discover problems with the effectiveness, or detect legal violations or other compliance issues, they report these to the Board of Directors and Audit & Supervisory Board and take corrective steps.

6) Directors construct appropriate systems for compliance management in individual business domains as necessary and review them regularly while bearing in mind NGK's basic views on guidelines for compliance activities.

### 2. System for retention and management of information related to the execution of duties by directors of NGK

NGK stores and manages information pertaining the execution of duties by directors in an appropriate and highly searchable manner, and makes it available for directors and Audit & Supervisory Board Members to review at all times.

### 3. Rules and other systems related to managing loss risk for NGK

1) Regarding company risks, the Risk Management Committee shall handle the formulation of policies related to risk management, the establishment of systems, and the monitoring of the execution status of overall risk management, in accordance with the rules of the Risk Management Committee.

In addition, the handling of individual risk matters (including significant risks to be managed) shall be the primary responsibility of the department or committee concerned, under the responsibility of the chairperson of the department or the following committee that should manage and supervise such risk matters.

- Sustainability Management Committee: Matters relating to sustainability issues, including components of ESG and SDGs
- Development and Commercialization Committee: Matters relating to development and commercialization
- Capital Investments Committee: Matters relating to capital investment and information systems
- Quality Committee: Matters relating to product quality and other quality issues
- Environment, Industrial Safety & Health Committee: Matters relating to regulatory response and other aspects of environmental management, and safety, and health
- Compliance Committee: Matters relating to laws and regulations, and corporate ethics
- Internal Controls Committee: Matters regarding internal controls system assessment and reporting related to financial reporting
- HR Committee: Matters relating to human rights and personnel measures
- BCP Countermeasures Headquarters: Matters relating to business continuity
- Central Disaster Prevention and Control Headquarters: Matters relating to incidents, accidents, and disasters involving facilities, etc.

- Security Export Control/Specified Export and Customs Clearance Control Committee : Matters relating to export control, etc.
- Business Ethics Committee: Such incidents specified above in 1.-4)

2) In the event of a disaster, accident, or other risks, the departments and committees specified in the basic rules for crisis management shall respond in accordance with said rules. Among such risks, for clearly serious material cases, the officer in charge of the Sustainability Management Department shall exercise personal judgement in regard to convening a Crisis Response Meeting attended by the president, to determine the response.

3) The day-to-day risks associated with individual business operations are routinely managed by each relevant organization, and NGK prevents and avoids materialization of such risks by comprehensively examining and analyzing risks in the decision-making processes of budget formulation, capital investment, R&D, etc.

#### 4. System to ensure efficient execution of duties by directors of NGK

1) The president supervises all business operations of NGK as the chief corporate officer responsible for business execution based on decisions made by the Board of Directors. The following committees have been established to assist the president in making decisions: Executive Committee, Strategy Committee, Sustainability Management Committee, Risk Management Committee, Development and Commercialization Committee, Capital Investments Committee, Quality Committee, the Environment, Industrial Safety & Health Committee, Compliance Committee, Internal Controls Committee, the HR Committee, and other committees. These committees engage in comprehensive deliberation and coordination.

2) Directors shall strive for efficiency in the execution of daily duties by delegating authority to the heads of divisions and others by providing clearly defined responsibilities and execution procedures for a specific scope of duties to specific people, as described in the administrative authority matrix, Rules for Division of Duties, and rules for various approval procedures.

#### 5. System to ensure that employees of NGK execute their duties in compliance with laws, regulations, and the Articles of Incorporation

1) The Board of Directors formulated the NGK Group Corporate Business Principles and NGK Group Code of Conduct and provide rules and standards of conduct for employees to observe in executing their duties in compliance with laws and regulations, the Articles of Incorporation, and in accordance with corporate ethics. The Board of Directors has also established a compliance system in which the Compliance Committee provides compliance training for employees and operates the Helpline System and Hotline System.

2) If an employee discovers a violation of laws and regulations or other compliance issue, the employee shall immediately report it to the direct superior, the director in charge of the department concerned, or report it to the internal department in charge.

3) The Auditing Department performs internal audits of the status of business execution in each department and ensures that systems are established and operated to provide appropriate control. The departments serving as the secretariats for the Quality Committee and the Environment, Industrial Safety & Health Committee perform audits specialized audits. When necessary, the Compliance Committee chairperson participates in conducting specialized audits.

#### 6. System to ensure the appropriateness of business operations of the NGK Group consisting of NGK and its subsidiaries

##### 1) System for reporting matters concerning the execution of duties by directors of subsidiaries to NGK

(1) Departments in charge of supervising subsidiaries shall have supervised subsidiaries report trends and changes in subsidiary operation (management system, labor management, compliance, etc.) as needed. When a supervising department has received a report from a subsidiary, the department shall 1) report it to the Corporate Planning Office which is the secretariat in charge of group companies, as needed 2) strive to centralize information by reporting it to the corporate officer in charge of group companies, and 3) report it to the relevant Head Office departments. If a compliance issue, incident or event occurs at a subsidiary, the supervising department shall immediately report it to the Compliance Committee chairperson, in addition to the reports submitted as described above.

(2) If a subsidiary finds that NGK's business management and management guidance violates laws and regulations or causes a compliance issue, the subsidiary shall report it to the NGK Compliance Committee.

##### 2) Rules and other systems related to controlling the risk of loss at subsidiaries

NGK controls the risk of loss at subsidiaries by specifying the method by which the subsidiary must obtain approval for disposal and transfer of material assets, capital investment, borrowing, lending and guarantee of obligations, disposal of trade receivables, and other such transactions in the administrative authority matrix. Depending on the details and scale, these methods shall include approval from the supervising department of NGK, approval by the president after deliberation by the Executive Committee, or approval by resolution of the Board of Directors.

##### 3) System to ensure execution of duties by directors of subsidiaries

(1) Departments in charge of supervising subsidiaries shall have the subsidiaries formulate business policies and have them approved by the Board of Directors. Supervising departments delegate execution of policies already approved by the Board of Directors to the president of the subsidiary as the best person for supervising execution in subsidiary operations.

(2) NGK shall have directors of subsidiaries improve daily business execution by having them formulate rules relating to administrative authorities, division of duties, and approval procedures. Directors of subsidiaries shall delegate duties by specifying the person responsible for each duty and specifying each person's responsibilities and execution procedures in detail, in these rules.

##### 4) System to ensure that the execution of duties by directors and employees of subsidiaries complies with laws and regulations, and the Articles of Incorporation

NGK has formulated the NGK Corporate Business Principles and NGK Group Code of Conduct, which applies to both NGK and its subsidiaries. NGK fosters awareness of unified legal compliance among all directors and employees of NGK and its subsidiaries, and has established an appropriate system of business execution. NGK maintains a risk

management and legal compliance structure that includes dispatching Audit & Supervisory Board members to subsidiaries and conducting internal audits and specialized audits performed the NGK's Auditing Department. Officers and employees of subsidiaries must also be allowed to use NGK's Helpline System and Hotline System. NGK has established Helplines or supplementary and alternative systems in overseas subsidiaries, depending on the conditions in the country, the culture, and the social mores.

7. Matters concerning personnel who support Audit & Supervisory Board members in performing their duties when Audit & Supervisory Board members request appointment of such employees, and matters concerning securing the independences of such personnel from NGK directors and ensuring the effectiveness of instructions issued by such Audit & Supervisory Board members to such personnel

1) When Audit & Supervisory Board members request support personnel to assist them in performing their duties, the representative directors shall discuss this with the Audit & Supervisory Board member(s) requesting this and respond appropriately.

2) When support personnel are assigned to assist Audit & Supervisory Board members in performing their duties, approval of the Audit & Supervisory Board is required for personnel transfers, personnel evaluations, and disciplinary action relating to such personnel.

3) Audit & Supervisory Board members may provide instructions to such personnel at any time, and the support personnel concerned must prioritize his or her execution of duties according to the instructions received.

8. System concerning reports to Audit & Supervisory Board members

1) System for directors and employees of NGK to report to an Audit & Supervisory Board member

(1) Directors must immediately report to an Audit & Supervisory Board member when they discover any matter that will or may cause significant damage to NGK, in addition to the instances described in 1), above.

(2) Employees must immediately report to their superior, the director in charge of the relevant department, or the internal department in charge when they discover any matter that will or could cause significant damage to NGK, in addition to the instances described in 5, above. The superior, director in charge of the relevant department, or internal department in charge that has received the report shall immediately report it to an Audit & Supervisory Board member.

(3) Each division in charge shall report on the operational status of the compliance system, the Helpline System, internal audit results, and other matters that an Audit & Supervisory Board member has deemed necessary to receive a report on in performing his or her duties.

(4) Audit & Supervisory Board members attend Board of Directors meetings, Executive Committee meetings, and other important meetings and obtain information in a timely manner.

2) System for directors, Audit & Supervisory Board members, and employees of subsidiaries (hereafter, "officers and employees") and any person who received a report from officers and employees to report to the Audit & Supervisory Board members of NGK

(1) Officers and employees of subsidiaries and supervising departments must immediately report to an Audit & Supervisory Board member when they receive a report from a subsidiary as described in 6-1)-(1), above, or discover a legal violation, other compliance issue, or a matter that will or could cause significant damage to NGK.

(2) NGK Audit & Supervisory Board members must meet regularly with the Audit & Supervisory Board members and auditors of subsidiaries, and require them to report on their subsidiary's operating status.

(3) Officers and employees of subsidiaries are allowed to use the Helpline System. The administrative secretariat of this system must report incidents at subsidiaries and other Helpline operating results at Compliance Committee Meetings also attended by NGK Audit & Supervisory Board members and report to NGK Audit & Supervisory Board members when necessary.

9. System to ensure that officers and employees of NGK and its subsidiaries who reported as stated in 8, above, are not retaliated against because they submitted a report

Officers and employees of NGK and its subsidiaries who have reported to an NGK Audit & Supervisory Board member shall not be retaliated against in any way, including dismissal, demotion, reduction in pay, and reassignment, as a result of having submitted the report concerned.

10. Matters concerning procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Audit & Supervisory Board members of NGK and the policy for treatment of obligations and expenses incurred in the execution of their duties

NGK must secure a budget for expenses relating to the performance of duties by Audit & Supervisory Board members, based on the details prepared by the Audit & Supervisory Board. NGK must also allow advance payment or reimbursement of expenses that are not included in the budget.

11. Other system to ensure effective audits by Audit & Supervisory Board members of NGK

Audit & Supervisory Board members may request reports from directors and employees at any time, as necessary. Audit & Supervisory Board members shall also engage in regular exchanges of opinions with the representative directors and the accounting auditor.