

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 level-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.

Reference Page

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

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Remuneration of Directors and Audit & Supervisory Board members (FY2016)

Director category	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)				Applicable directors (people)
		Basic remuneration	Stock options	Bonus	Retirement benefits	
Directors (excluding Outside Directors)	692	419	75	197	—	10
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	59	59	—	—	—	2
Outside Directors and Outside Audit & Supervisory Board Members	52	52	—	—	—	4

Directors Receiving Total Remuneration of ¥100 Million or More (FY2016)

Name	Director category	Remuneration by type (Million yen)				Total remuneration (Million yen)
		Basic remuneration	Stock option	Bonus	Retirement benefits	
Eiji Hamamoto	Director	59	13	35	—	107
Taku Oshima	Director	68	13	41	—	123