

May 23, 2018

Company Name: NGK INSULATORS, LTD.
Listing Code: 5333
Stock Exchange Listings: Tokyo and Nagoya
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Non-Conformity in Testing Procedure

NGK Insulators, Ltd. (“NGK”) has discovered that there were instances where insulators and related products of the Power Business Group shipped by NGK did not undergo tests required by customers upon their acceptance (“Delivery Tests”)¹ in accordance with the agreements between customers and NGK. These products had passed all pre-shipment tests conducted in accordance with NGK’s internal rules, but the Delivery Tests that were required to be conducted in accordance with agreements with customers were not conducted appropriately.

NGK sincerely regrets the great trouble and concern we have caused to our customers and all related parties.

Based on the results of verification of our manufacturing processes and quality control systems, we have not found quality issues with the products involved. We started to report such fact to our customers who are using the products involved in sequence.

In order to prevent a similar incident from occurring in future, we will work to further strengthen our quality control systems.

NGK positions safety, quality, the environment, and CSR as its business fundamentals, is engaged in company-wide initiatives to improve these fundamentals, and at its own initiative has been conducting quality-related inspections of all products throughout the group since October 2017. Consequently, the management confirmed on January 16, 2018 that, in some cases, insulators and related products shipped by the Power Business Group of NGK did not undergo Delivery Tests in accordance with the specifications set forth in agreements between customers and NGK.

NGK immediately began to take corrective steps and confirm product quality after the issue was confirmed. At this stage we have completed implementing a new system for Delivery Tests in accordance with the agreements with customers. We have confirmed that our products delivered since then pass Delivery Tests in accordance with specifications, as well as confirming that products delivered before the new system had passed the Delivery Tests and products that

¹ Delivery Tests are known as “sample tests” under the IEC standards and as “quality conformance tests” under the ANSI standards.

were retested pass the Delivery Tests.

NGK has also made the necessary reports to the relevant authorities, and we are currently investigating the facts by means including interviews by outside legal counsel of the persons involved, and NGK's directors responsible for quality and compliance are working together with outside counsel to discover the causes of the issue and to undertake a wide range of appropriate remedial measures to prevent the issue from reoccurring.

In addition, on March 22, 2018, NGK established with respect to our internal investigation a verification and evaluation committee (the "Committee") comprising Outside Directors and Outside Audit & Supervisory Board Members.

An outside expert knowledgeable about insulators commissioned by the Committee also confirmed that the results of product quality verification were proper.

The Committee assessed the investigation, including internal verification of quality and the confirmation by the expert, as having been conducted in a valid manner.

NGK will continue to strive to ensure that the issue is thoroughly investigated in an appropriate manner.

We deeply regret that the issue at hand has arisen, and will continue initiatives to prevent reoccurrence and to re-earn the confidence of our stakeholders, including review of the business process, to ensure that such an issue does not occur again in the future.

At this stage, we believe that the impact of this issue on our financial results will be minor, but we will make timely disclosure in the event that it becomes necessary to revise our results forecasts.

End