

Thorough Enforcement of Compliance

Viewing compliance as the foundation of CSR, the NGK Group positions enhancing trustworthiness as the most important initiative and strives to create specific systems to inculcate this view among employees, prevent corruption and comply with laws and regulations.

NGK Group Guidelines for Corporate Behavior

To realize and protect the NGK Group corporate philosophy of creating new value by providing products and technologies that contribute to a better social environment, we established the NGK Group Guidelines for Corporate Behavior and thoroughly promote awareness.

In the spirit of the NGK Group Guidelines for Corporate Behavior, overseas Group companies establish policies according to the characteristics of a company, nation, and region.

Guidelines for Corporate Behavior and Thorough Dissemination of Behavioral Guidelines

We, the NGK Group, thoroughly ensure that every employee knows the NGK Group Guidelines for Corporate Behavior and Behavioral Guidelines, which individual is expected to follow. We have created awareness handbooks and distributed them to all employees, including contract manufacturing employees and temporary employees, at NGK and all Group companies in Japan. In addition, we hand out a paper on awareness in April every year. Efforts are also made to ensure a thorough understanding among NGK employees through training for new graduates and experienced recruits upon joining the company. We further explain the Guidelines repeatedly at promotion-related training.

Top managements also explain themselves the significance and purpose of the Guidelines for Corporate Behavior and Behavioral Guidelines at CSR Talk Live events, which the NGK Group holds.

In light of the Guidelines for Corporate Behavior, overseas Group companies establish policies according to the characteristics of a company, nation and region.

Reference URL

> Corporate Philosophy and Guidelines for Corporate Behavior
<http://www.ngk.co.jp/info/governance/index.html>

Reference Page

> CSR Talk Live

P126

Compliance Promotion Structure

We established the Compliance Subcommittee under the CSR Committee to ensure strict observance of laws, regulations and corporate ethics within the Group. Furthermore, we established the Security Subcommittee to respond to incidents and accidents with the potential to significantly impact the Company.



Establishment of the Global Compliance System

In June 2015, we established the Global Compliance Office (currently, Group Compliance Department) with the aim of building a group-wide foundation for an effective compliance scheme at a global level.

Mission of the Group Compliance Department

- Works to establish and develop compliance as a corporate culture of the entire NGK Group
- Supports Group companies inside and outside Japan in strengthening and operating their compliance systems, and provides compliance training actively
- As for overseas Group companies in particular, ensures effective compliance for our globalized operation by obtaining the most up-to-date situation regarding applicable laws and social demands in each region.

Compliance Training for Employees

Compliance training and awareness among corporate officers and employees is driven primarily by the Group Compliance Department and the Legal Department. In addition to career training and training for employees to be posted overseas, we provide Laws and Compliance Seminars to explain laws and regulations and introduce case studies. In fiscal 2016, we strengthened compliance training in Asia in particular. All Asian Group companies held seminars for competition laws and anti-bribery regulations given by lawyers. We have also increased the number of educational opportunities for expanding experienced recruits and employees scheduled for postings abroad.



Compliance training conducted at NGK Technologies India

Compliance Education Conducted in Fiscal 2016 (Overall)

Title	Target	Content	Number of Conducted
Career Education	New hires	Compliance basics, competition laws, anti-bribery regulations	3
	Promoted or caree changed employees	Compliance basics, competition laws, anti-bribery regulations	2
	Experienced recruits	Compliance basics, competition laws, anti-bribery regulations	6
	Newly appointed supervisors	Compliance, competition laws, anti-bribery regulations, security export control	1
	Newly appointed managers	Compliance, competition laws, anti-bribery regulations, security export control	1
	Managers promoted second grade	Compliance	1
Training for employees scheduled for postings abroad. (global training)	Employees scheduled for postings abroad	Competition laws, anti-bribery regulations, security export control	5
Laws and Compliance Seminars	Managers and other targets depending on content	How to Protect Ourselves from Everyday Crimes Lecturer: Internal lecturer / 320 participants in total Strict Adherence to the Subcontract Act Lecturer: Internal lecturer / 522 participants in total Ensuring Adequate Usage of Software Lecturer: Internal lecturer / 554 participants in total Latest Trend of Insider Trading Regulation Lecturer: Internal lecturer / 395 participants in total Anti-harassment Workplace and Risk Management Lecturer: Daigoro Shiraki, Corporate Risk Research Institute / 430 participants in total Business and Human Rights Lecturer: Mizue Unno, Representative Director, So-Tech Consulting Inc. / 460 participants in total	6 (Total of 2681 participants at 3 domestic sites attended)
Other training	Purchasing persons in charge	Subcontract Act explanatory meeting	4

Competition Laws Education Conducted in Fiscal 2016

Title	Target	Content	Number of Conducted
Competition laws training for newly appointed directors	Newly appointed executive officers	Companies Act, Competition laws	1
Competition laws compliance lectures	All corporate officers, all managers and salespeople, etc. of NGK and its Group companies in Japan	Antitrust seminar with a focus on cartels	13 (4 live seminars and 9 DVD seminars in respective areas)
Training on competition laws for Japanese Group companies	Directors and employees of Japanese Group companies	Training on competition laws and anti-bribery at NGK Electronics Devices, Inc. for directors and employees Training using original DVDs, distributed by NGK, for targets in all Group companies in Japan	3 As needed
On-demand training on competition laws by internal lecturer	Targets depending on content	On-demand training upon divisions' request Explanation of outline of competition laws, internal regulations and actions to comply with competition laws	3
Competition laws training for overseas Group companies	Salespeople and managers of overseas Group companies; and NGK temporarily assigned staff, etc.	Lectures by lawyers: 9 companies in the U.S.; 3 companies in the EU; and 9 companies in Asia (Presentation of lectures via original DVDs: 1 company) Training via TV conference, etc.: 1 company; Training using original paper-based materials: 5 companies (28 companies in total)	28 companies (including 7 companies which used DVDs, TV conference and paper materials for training)

Anti-bribery Training Conducted in Fiscal 2016

Title	Target	Content	Conducted
Training on anti-bribery regulations for overseas Group companies	Directors, managers and salespeople of overseas Group companies; NGK temporarily assigned staff, etc.	Lectures by lawyers: 9 companies in the U.S.; 2 companies in the EU; and 9 companies in Asia Presentation of lectures via original DVDs: 1 company Training via TV conference: 1 company (22 companies in total)	23 companies (including 2 companies which used DVDs and TV conference for training)

23 companies (including 2 companies which used DVDs and TV conference for training)

Other Dissemination Programs



A list of themes covered in the Compliance Newsletter in fiscal 2016

June	Whistle-blowing system	November	Overtime work
July	Traffic safety during commutation	December	Human rights
August	Intellectual property	January	Subcontract Act
September	Workplace bullying	February	Anti-bribery regulations
October	Cartels	March	Quality

Starting in fiscal 2016, the Compliance Newsletter has been posted on the company's intranet once a month. The Newsletter features a four-frame cartoon that explores familiar themes followed by detailed explanations.

* Provided by "Compro Custom"

Corruption Prevention Structure

The NGK Group has been taking anti-bribery measures in order to ensure fair and transparent transactions. We enacted the internal anti-bribery rules for dealing with foreign public officials in fiscal 2015 by stipulating the observance of anti-bribery laws and regulations as well as ethical standards to be observed for business transaction, which became effective in fiscal 2016. Moreover, 19 Group companies in the U.S., Asia and Australia as well established the internal anti-bribery rules in fiscal 2016, and we are planning to push forward for establishing the rules in other regions further.

Conducting Anti-Bribery Training

In fiscal 2016, we continued to offer anti-bribery seminars featuring lectures by lawyers. In Asia, we expanded the scope to include India, Thailand and Indonesia in addition to China and South Korea, offering seminars at all Group companies in Asia. In the U.S., continuing on from fiscal 2015, we offered the seminars at all Group companies. In Europe, we conducted the seminars in Poland in addition to those conducted in Germany in the previous fiscal year.

The NGK Group strictly complies with competition laws (Antimonopoly Act), the Subcontract Act and other laws and regulations pertaining to business transactions. The thorough observance of internal rules as well as laws and regulations, including the NGK Group Guidelines for Corporate Behavior and Behavioral Guidelines that mandate the observance of the Antimonopoly Act, and initiatives in Japan and overseas aimed at strengthening employee awareness of the Competition Laws Compliance Rules revised to meet global standards enable us to refrain from improper conducts or transactions and engage in the creation and maintenance of fair and equal business relationships with suppliers. To promote the use and thorough dissemination of the Competition Laws Compliance Rules and Competition Laws Compliance Handbook, we held meetings to explain the Rules and the Handbook. At overseas Group companies, training sessions were led by lawyers well versed in competition laws or conducted by using original DVDs.

In addition, continuing from the previous year, we retained PwC Advisory LLC (renamed from Pricewaterhouse Coopers Co., Ltd. in March 2016), an unbiased compliance specialist, to provide an independent assessment of the implementation status of the Competition Laws compliance rules and the Competition Laws compliance program as well as of the centralized supervision and reporting structures across the NGK Group including group companies in Japan and overseas.

Reference URL

> **Plea Agreement with U.S. Department of Justice concerning ceramic substrates for catalytic converters**
<http://www.ngk.co.jp/english/news/2015/0904.html>

Strengthening Our Compliance System Related to Competition Laws

Year conducted	Regulation Development	Creation of Internal Systems	Training
FY1997	<ul style="list-style-type: none"> Formulated guidebook and briefing document for the Anti-Monopoly Act 	<ul style="list-style-type: none"> Required each business group to submit a Compliance Status Report on the Anti-Monopoly Act 	<ul style="list-style-type: none"> Lectures on the Anti-Monopoly Act by outside instructors (attorneys) (subsequently held annually)
FY2011	<ul style="list-style-type: none"> Formulated Competition Laws Compliance Rules 		
FY2012	<ul style="list-style-type: none"> Created and distributed the Competition Laws Compliance Handbook Created and distributed an Appendix to the Competition Laws Compliance Handbook 	<ul style="list-style-type: none"> Established an independent committee 	<ul style="list-style-type: none"> In-house training led by legal department staff Lectures by local attorneys held at overseas subsidiaries
FY2013			<ul style="list-style-type: none"> Conducted briefing on the Competition Laws Compliance Handbook Invited U.S. attorneys to lecture on
FY2014	<ul style="list-style-type: none"> Revised Competition Laws Compliance Rules Launched operation of a database for advanced notifications and participation reports pertaining to meetings Launched operation of an e-mail monitoring system Revised Competition Laws Compliance Rules at North American sales subsidiaries 	<ul style="list-style-type: none"> Introduced company-wide centralized supervision and reporting structures led by the Board of Directors (independent of the President) Appointed company-wide Competition Laws supervisory managers Enhanced the helpline 	<ul style="list-style-type: none"> Conducted study meetings for newly appointed directors on Competition Laws and the Companies Act by Japanese and U.S. attorneys (subsequently held annually) Conducted study meetings on Competition Laws at overseas Group companies (corresponding to laws and regulations in each country)
FY2015	<ul style="list-style-type: none"> Competition Law Compliance Rules of all NGK Group companies in and outside Japan were revised to ensure that the NGK Group's compliance system meets global standards. The Compliance Laws Compliance Handbook was revised. Review of compliance status by third parties 	<ul style="list-style-type: none"> The Competition Laws Compliance Program was resolved by the Board of Directors Established the Global Compliance Office 	<ul style="list-style-type: none"> Conducted study meetings on Competition Laws for new employees Distributed a Competition Laws related DVD to domestic group companies Upgraded training on compliance with competition laws provided inside and outside Japan
FY2016	<ul style="list-style-type: none"> The U.S. version and Chinese version of the Competition Laws Compliance Handbook were created and distributed to Group companies in the U.S. and China, respectively. 	<ul style="list-style-type: none"> Progress status of the Competition Laws Compliance Program was quarterly reported to the Business Ethics Committee, which is composed mainly of external directors. The Program was promoted based on suggestions received from the Committee. Retained PwC to assess the status of competition law compliance 	<ul style="list-style-type: none"> Expanded seminars led by lawyers in Asia Seminars on the Companies Act and competition laws were held for newly appointed executive officers Promoted preparation of online based training aimed at realizing broader training programs (to be implemented in Japan in fiscal 2017)

TOPIC

Holding Companies Act and Competition Laws Seminars for Newly Appointed Executive Officers

Holding the Companies Act and Competition Laws Seminars for Newly Appointed Executive Officers On August 19, 2016, we held a seminar on the companies act and competition laws for NGK's newly appointed executive officers.

The seminar was led by lawyers, and the purpose was enhancement of governance and developing a global compliance system. The participants learned about the authorities of executive officers, key points of the companies act that management should know, current conditions of cartel regulations which have been tightened in recent years, and risk countermeasures.



Strict Adherence to Laws and Regulations Relating to Export Management

As part of its thorough compliance efforts, NGK is engaged in the strict adherence to laws and regulations relating to export management. Behavioral Guidelines within the NGK Group Guidelines for Corporate Behavior establish the observance of security export control-related regulations, while management and training is conducted based on internal rules and the Export/Import Handbook.

Using Databases to Conduct Comprehensive Inspections and Customs Management

In response to the Foreign Exchange and Foreign Trade Act and other export control-related laws and regulations, NGK screens exports scrutinizes whether export licenses are required, and records screening results in a security export control database. Furthermore, export management with respect to the export of certain products is conducted using Authorized Exporter's Program.

NGK commenced use of an export cargo management ledger in May 2015 in addition to the import cargo management ledger. Each department conducts voluntary inspections based on the export-import cargo management ledgers by verifying the consistency and status of retention of import-related documents. In fiscal 2016, 58 departments carried out voluntary inspections on imports. Voluntary inspections of authorized exports take place at the beginning of each year.

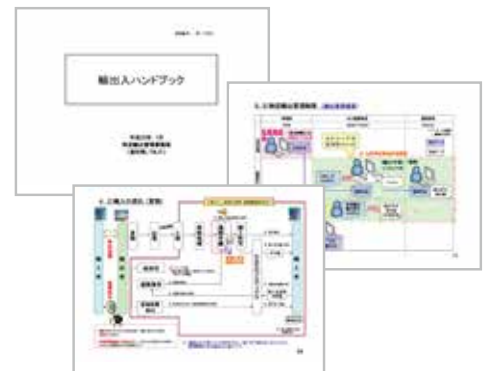
In addition, we use NACCS data (Automated Cargo And Port Consolidated System) to verify the completeness of export-import cargo management ledgers. We have achieved nearly 100% completeness for imports and 90 to 95% for exports. We will strive to enhance the completeness by continuing to provide education and awareness-raising activities in each department.

We also conduct surveys of domestic Group companies to verify the status of customs clearance management.

Familiarization with the Export/Import Handbook

NGK also made efforts toward thorough compliance with the Export/Import Handbook, which was published in fiscal 2012 and summarizes items for the observance of export/import customs clearance regulations. In addition to publishing this handbook on the company intranet where it can be viewed throughout the entire company, we provide training to spread awareness of the spirit of handbook through study meetings related to export/import management conducted internally in each business division.

Export/import management study meetings are held one or more times per year targeting relevant staff in divisions responsible for export and import activities. In fiscal 2016, these meetings were held 9 times, with about 199 employees in attendance.



The Export/Import Handbook

Privacy Policy and Structure

The NGK Group has established internal rules for privacy policy management in an effort to handle, manage and protect personal information provided by customers.

In fiscal 2015, NGK formulated and made public our Basic Policy on 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 fully 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**
<http://www.ngk.co.jp/english/utpolicy/index.html>
- > **Basic Policy on Specific Personal Information**
<http://www.ngk.co.jp/mynumber/>

Information Security Training

The NGK Group CSR Committee's Security Subcommittee takes responsibility for supervising overall information security, and supports the General Affairs and Information Systems divisions based on the Basic NGK Group Information Security Policy, in an attempt to properly manage and operate information assets.

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. In fiscal 2016, seven overseas Group companies received such inspections.

Reference URL

> Basic NGK Group Information Security Policy

<http://www.ngk.co.jp/english/about/governance/policy.html>

Formulation of Basic NGK Group IT Security Standards

The rapid advance in information communication technologies and devices has made the quest for consistent IT security on a Group-wide level an urgent concern, thus in 2010 we formulated the NGK Group IT Security Standards with the goal of developing an IT security structure based on commonly shared Group standards and enhancing IT security.

Every year, each Group company drafts action plans for the enactment of countermeasures in an attempt to systematically strengthen security. Through these countermeasure action plans, NGK confirms initiatives at each Group company and provides guidance as necessary.

Information Security Training

Training sessions listed on the right are conducted throughout the year to ensure strict adherence to information security among all employees.

Training for newly hired employees and newly promoted supervisors and managers are offered to NGK employees while e-Learnings are offered to NGK employees and employees of some Group companies in Japan.

Training for newly hired employees	Number of participants: 157 (participation rate: 99%)
Training for newly promoted supervisors	Number of participants: 116 (participation rate: 100%)
Training for newly promoted key personnel	Number of participants: 48 (participation rate: 100%)
e-Learnings	Number of participants: 4,292 (participation rate: 100%)

Excluding employees who were away on maternity leave, childcare leave, long-term business trip, etc.

Status of Law and Regulations Violations

There were no violations of laws or regulations in fiscal 2016.