

Corporate Governance

Board of Directors, Audit & Supervisory Board, Executive Officers



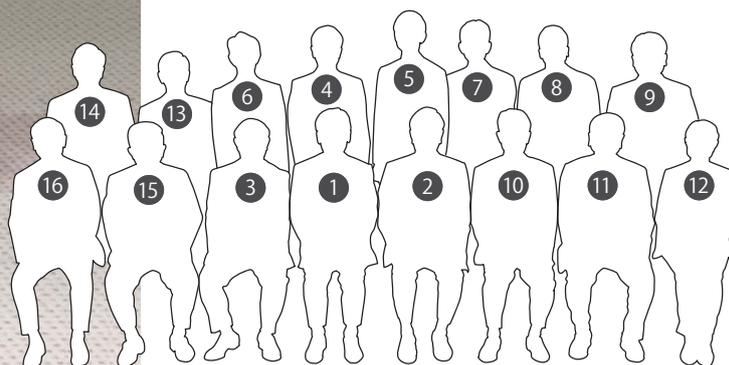
Board of Directors

- 1 **Taku Oshima**
President
- 2 **Yukihisa Takeuchi**
Executive Vice President
Group Executive, Corporate R&D; Development Committee Chair
- 3 **Hiroshi Kanie**
Executive Vice President
Responsible for Corporate Planning Office, New Business Planning Office, Secretarial Office, Corporate Communications Dept., Human Resources Dept., General Affairs Dept., and Power Business Group; Senior Officer in Charge of Group Companies; General Manager, Osaka Branch; in charge of overall personal information management, privacy protection, and Construction Business Act compliance
- 4 **Susumu Sakabe**
Director and Senior Vice President
Responsible for Finance Dept. and Purchasing Dept.; General Manager, Tokyo Main Office
- 5 **Ryohei Iwasaki**
Director and Senior Vice President
Group Executive, Process Technology Business Group; in charge of management affairs
- 6 **Chiaki Niwa**
Director and Senior Vice President
Group Executive, Corporate Manufacturing Engineering; responsible for Quality Management Dept., Environmental Management Dept., and Safety and Health Management Dept.; Chair of Facilities Committee, Quality Committee, Environmental Protection Committee, and Safety and Health Committee

- 7 **Shuhei Ishikawa**
Director and Senior Vice President
Group Executive, Electronics Business Group; General Manager, Electronic Components Div., Electronics Business Group
- 8 **Nobumitsu Saji**
Director and Senior Vice President
Responsible for Auditing Dept., Group Compliance Dept., Legal Dept., and Intellectual Property Dept.; Chair of CSR Committee and Internal Controls Committee; in charge of company-wide Competition Law compliance; Data Protection Officer
- 9 **Atsushi Matsuda**
Director and Senior Vice President
Group Executive, Ceramic Products Business Group; General Manager, Nagoya Site
- 10 **Hiroyuki Kamano**
Outside Director
- 11 **Toshio Nakamura**
Outside Director
- 12 **Emiko Hamada**
Outside Director

Audit & Supervisory Board

- 13 **Takeyuki Mizuno**
Audit & Supervisory Board Member
- 14 **Ken Sugiyama**
Audit & Supervisory Board Member
- 15 **Setsuo Tanaka**
Audit & Supervisory Board Member, Outside
- 16 **Junichi Itoh**
Audit & Supervisory Board Member, Outside



Executive Officers



Shigeru Kobayashi
Senior Vice President
Group Executive,
Power Business Group;
General Manager,
Komaki Site



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



Takaya Teshima
Senior Vice President
Group Vice Executive,
Process Technology
Business Group;
General Manager,
Chita Site



Hiroto Matsuda
Senior Vice President
General Manager,
Manufacturing Div.,
Ceramic Products
Business Group



Hiroyuki Tsuji
Vice President
Chief Technical Officer,
Electronics Business
Group (in charge of
technology/new product
promotion projects)



Tomohiro Yamada
Vice President
President, NGK
Electronics Devices Inc.



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



Akira Kato
Vice President
General Manager, New
Metals Div., Electronics
Business Group



Tsutomu Nanataki
Vice President
Group Vice Executive,
Corporate R&D; Project
Leader, Functional
Materials Development
Project, Corporate R&D



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



Hiroharu Kato
Vice President
General Manager,
Worldwide Sales &
Marketing Div., Ceramic
Products Business Group;
President, NGK Europe
GmbH



Atsushi Miyajima
Vice President
General Manager,
Manufacturing
Engineering Div.,
Corporate Manufacturing
Engineering Group



Hideaki Shindo
Vice President
General Manager,
Finance Dept.



Hiroyuki Kamano

Outside Director

April 1971	Joins Ministry of Foreign Affairs
April 1981	Becomes registered attorney
October 1988	Becomes representative attorney of Kamano Sogo Law Offices (present position)
June 2007	Appointed as Outside Auditor of Komatsu Ltd.
July 2007	Appointed as Outside Director of Sumitomo Life Insurance Company
April 2009	Appointed as Vice President of Tokyo Bar Association
June 2011	Appointed as Director of NGK (present position)
June 2015	Appointed as Outside Auditor of House Foods Group Inc. (present position)

Three lines of defense to ensure more thorough compliance

For NGK, strict compliance is an essential business creed, and President Oshima is in the vanguard promoting awareness of it. Systems are in place to ensure that accidents or problems, even at overseas plants, are reported to top management immediately, as well as to the Board of Directors. I view this as compliance-minded business operation.

And yet an incident involving a delivery test discrepancy occurred recently. This unfortunately shows that a gap yet remains with regard to compliance-mindedness between top management and those on-site. Having said that, however, in a large organization, gaps in awareness are inevitable and preventing such incidents will require preventive systems be put in place in addition to awareness-raising efforts. In the case of delivery tests, we are separating the inspection department from the business division; however, the construction of this sort of system is the responsibility of management. Also, I feel that improving the awareness gap that exists between management and those on-site will require further personnel exchange and interaction between business divisions within Japan and overseas.

In addition, there are three lines of defense that are essential to ensuring strict compliance within a company whose operation is becoming increasingly globalized. The first line is the compliance activities undertaken on-site; the second is the support system comprised of the legal department, finance department, quality control department, and other functional departments working together across borders; and the third is internal auditing performed by the auditing department. A single mistake in compliance can be all that is needed to upend the management of a company. If you are not strict about compliance, it will end up costing you a lot more than if you were. I believe the issue of how to efficiently maintain the three lines of defense while finding ways of further raising on-site awareness is a challenge for management to address and the Board of Directors to verify.



Toshio Nakamura

Outside Director

April 1970	Joins Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry)
June 1998	Appointed as Director for Policy Coordination of Minister's Secretariat
June 2000	Appointed as Director-General of Small and Medium Enterprise Agency
November 2007	Appointed as President of Japan Chamber of Commerce and Industry, and Tokyo Chamber of Commerce and Industry
June 2011	Appointed as Director of NGK (present position)

Concentrating on robust communication and improved decision-making

This is my seventh term as Outside Director, and over that time I have developed a strong understanding of NGK's operations and business practices and have brought an outside viewpoint to meetings of the Board of Directors to ensure more robust discussion. Following every meeting of the Board of Directors, I talk with representatives from each division to hear their opinions as well as offer my own.

The larger an organization becomes, the greater the need for internal and external communication. When the divisions and departments within a company do not communicate with one another about what challenges exist, how company policies are working, etc., they will become insular and cut off from one another. It is not uncommon to find that the seeds* of new business, as well as possibilities for technologies that employees have, are to be found outside of a given business division's immediate domain. New awareness and perspectives gained from sharing experiences often leads to great leaps in business. I, too, endeavor to use the opportunity which the Board of Directors' meeting affords me to pursue more robust communication with those inside NGK.

What is also important, from the standpoint of corporate administration, is paying attention to the discussions and decision-making that take place prior to big decisions, as this makes it possible to perform reviews and verification after the fact.

*Technologies and know-how that can lead to the development of new business and products.

March 2016	Appointed as Chairman of National Association of Trade Promotion for Small and Medium Enterprises (present position)
May 2016	Appointed as Outside Director of Aoki Super Co., Ltd. (present position)
June 2016	Appointed as Outside Director of SMK Corporation (present position)

By ensuring that the points of discussion, and the arguments made surrounding those points, are recorded in a manner which allows them to be explained later, they can be reviewed to see whether something was forgotten or unanticipated or whether the risk decisions made were appropriate. The results of this review can then be applied to the benefit of future decisions. Amidst increasing uncertainty about the future, performing reviews and verification after the fact is essential for improving the quality of decision-making, and within NGK and elsewhere people are becoming increasingly accountability-conscious. As for myself, I see my role as providing ongoing input and feedback to ensure the thoroughness of this process.



Emiko Hamada

Outside Director

April 1984	Joins Taiyo Yuden Co., Ltd.
December 2001	Appointed as General Manager, Quality Assurance Control R Technology Division, Engineering Group, Taiyo Yuden
September 2003	Appointed as Chief Engineer, Basic Research Division, General Research Laboratory, Engineering Group, Taiyo Yuden
November 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 (present position)
July 2016	Appointed as Part-time Lecturer, NITech (present position)
August 2016	Appointed as Visiting Professor, Nagoya University (present position)
June 2017	Appointed as Director of NGK (present position)

Expectations for further growth in NGK technology

New products are not created in a year or two. They are the cumulative result of many years of research trial and error. It is from that perspective that I am quite impressed with the achievement in this financial period of the Challenge 30 initiative, as well as the road map for steady roll-out of new products in the coming financial periods.

Still, though, I feel that NGK's material development strengths could be showcased even better. While it is good that NGK maintains a serious and professional corporate culture, I feel it still has challenges to overcome in terms of communicating its appeal. By making changes in how it communicates information, in particular changing how it presents itself so as to increase outside interest, NGK can facilitate more open innovation, through which the potential value of NGK technology can surely be enhanced even further. At present, all of the innate potential of NGK's technology is not being utilized. More proactive efforts to communicate this information is needed.

During Board of Director meetings and new product briefings, I make sure to draw on the B2C experience I have accumulated to allow me to steer discussion around to what the appeal of a new product is from a customer's perspective. I also make a point of asking whether the components and technology of the product can be put to use in even broader applications that meet customer needs, and whether this can be developed into an entire business package rather than just parts supply.

All of this has an impact on the future of NGK's business portfolio. NGK's high profitability is due to a lack of competition and an extremely good market position. I believe that action is needed for the future which will increase the range of products NGK offers in order to build up its business portfolio, and I intend to keep having this discussion with the Board of Directors.

NGK 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

Guidelines for corporate behavior and thorough observance of behavioral guidelines

To ensure appropriate operations and transparent management, NGK 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 structure 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 Conference of Outside Directors and Outside Audit & Supervisory Board Members, and a Business Ethics Committee to ensure the effectiveness of the Corporate Governance Code.

Corporate governance enhancement

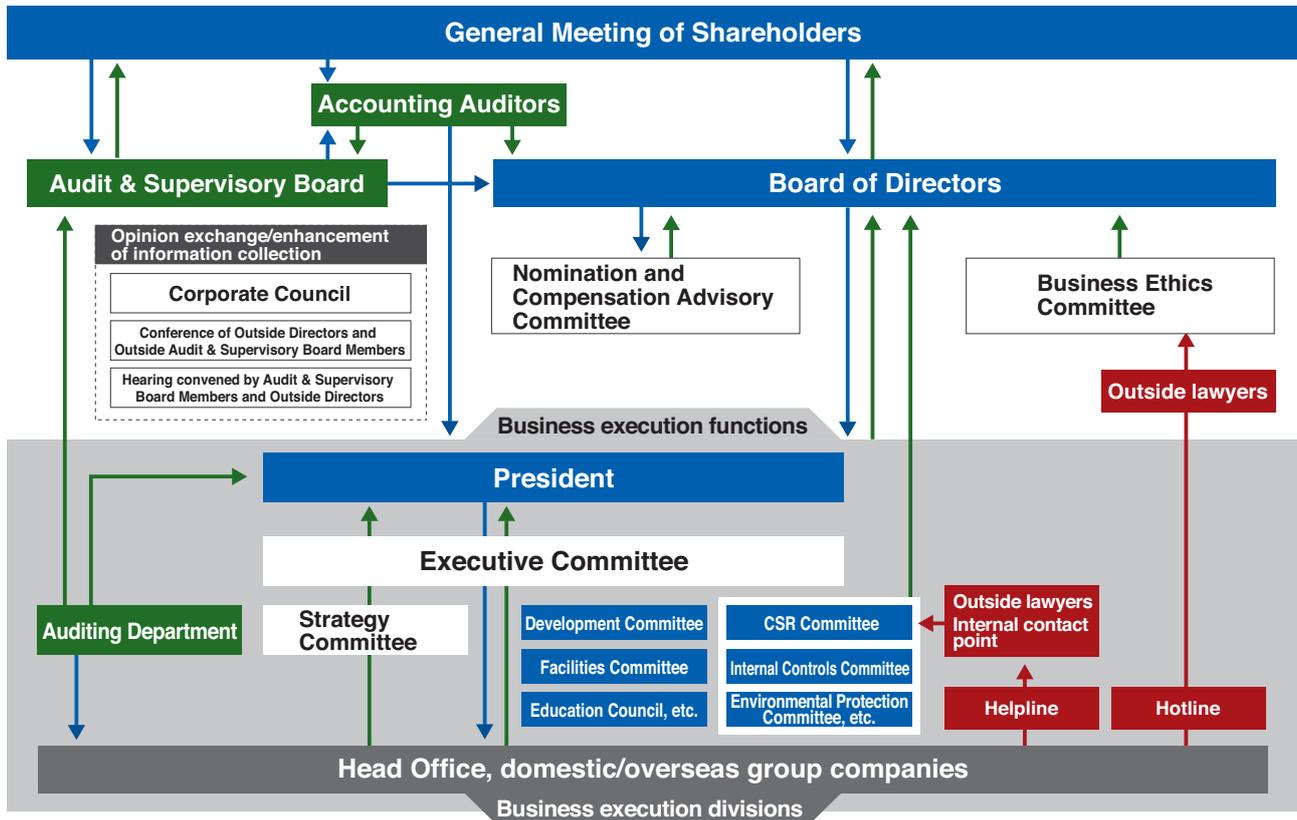
Ongoing structural enhancements aimed at strengthening corporate governance include the introduction of an executive officer system and an outside director system to improve the management supervision and monitoring functions and facilitate recommendations with respect to overall management.

April 1999	Formulated Guidelines for Corporate Behavior	June 2010	Appointed independent directors
April 2003	Revised NGK Group Guidelines for Corporate Behavior	July 2011	Major revision to NGK Group Guidelines for Corporate Behavior
June 2005	Introduced an executive officer system	April 2015	Signed on to UN Global Compact
	Introduced a stock option	June 2015	Established the Global Compliance Office
	Introduced an outside director system	December 2015	Established committees for corporate governance
July 2005	Established the CSR Committee	June 2017	Appointed one additional outside director
April 2007	Established the CSR Office		

Corporate Governance Structure Scheme

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. NGK implements all of the individual principles of Corporate Governance Code.

→ Authorization, supervision, election/dismissal, business execution delegation, audit, etc.
 → Report, proposal, presentation of agenda, findings, deliberation, recommendation, etc.
 → Whistle-blowing, consultation, etc.



Main Committees

NGK has further strengthened and enhanced its corporate governance structures by establishing committees to bolster the supervision and monitoring functions of the Board of Directors.

Board of Directors

The Board of Directors, comprising 12 members, deliberates matters prescribed in the Companies Act, as well as other important management issues, providing oversight for the execution of duties by directors. The Board of Directors includes three outside directors to create a system enabling management monitoring based on professional knowledge and decision-making from a wider perspective. As of June 26, 2018, the current Board of Directors comprises 12 members (11 men and one woman).

Audit & Supervisory Board

The Audit & Supervisory Board consists of four members, each of whom attends Board of Directors meetings and conducts other activities to audit the execution of duties by directors. The Audit & Supervisory Board includes two external members, each possessing significant business experience and extensive insight. The Audit & Supervisory Board members, including these highly independent outside members, conduct audits on the execution of duties by directors, business operations, and the company's financial position.

Executive Committee

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. As of June 26, 2018, the current Executive Committee comprises 16 members (15 men and one woman).

Business Ethics Committee

Comprised of outside directors and one internal director responsible for compliance, this committee monitors for fraud or illegalities involving senior management, as well as for compliance with the Competition Law and the Foreign Corrupt Practices Act, and reports directly to the Board of Directors. As a mechanism to prevent fraud or legal violations, in addition to the Helpline, an internal reporting system (Hotline) linked directly to outside lawyers was established with the aim of strengthening NGK's compliance structure.

Corporate Council

The meeting enables outside directors to exchange opinions with representative directors and others when proactive recommendations for senior management are sought from outside directors regarding various management-related issues.

Conference of Outside Directors and Outside Audit & Supervisory Board Members

Comprised exclusively of outside directors, these meetings facilitate an exchange of opinions regarding NGK management issues, with the intent of proactively contributing to discussions at Board of Directors meetings.

Hearing convened by Audit & Supervisory Board Members and Outside Directors

Comprised of Audit & Supervisory Board members and outside directors, these hearings gather information from internal sources regarding the business environment and issues surrounding NGK.

Nomination and Compensation Advisory Committee

Comprising a majority of outside directors, this committee attempts to ensure fairness and increase transparency related to determining the appointment and remuneration of board members and officers by deliberating matters related to the appointment and remuneration of board members and executive officers, Chief Executive Officer succession planning, and other matters, the results of which are reported to the Board of Directors.

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 Guidelines for Corporate Behavior were 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. The CSR Committee, under which the Compliance Subcommittee, Security Subcommittee, and Social Contribution Subcommittee are organized, is responsible for a range of activities that include formulating NGK Group Guidelines for Corporate Behavior, ensuring compliance with laws, regulations and corporate ethics is fully entrenched throughout the Group, and developing responses to incidents and accidents which it believes could significantly impact the Company. The Committee's actions are designed to maintain and improve the level of the Group's internal control system.

Please note that the "Resolution for the Development of Systems to Ensure the Appropriateness of Operations" was amended at a Board of Directors meeting held in March 2017.

Outside Directors and Outside Audit & Supervisory Board Members

NGK appoints individuals who possess outstanding achievements and a wealth of experience from a variety of industries to monitor director business execution in an attempt to realize stronger, more efficient management. Additionally, in terms of outside director independence, overall determinations are made with consideration for the Tokyo Stock Exchange "Guidelines for Listing" to avoid conflicts of interest with general shareholders. Our three outside directors are professionals able to make objective, rational decisions, while our two Outside Audit & Supervisory Board Members provide opinions mainly from social and financial perspectives.

Activities of Outside Directors and Outside Audit & Supervisory Board Members (fiscal 2017)

	Name	Attendance at Board of Directors meetings	Main activities
Outside Directors	Hiroyuki Kamano	Attended 15 out of the 15 meetings held.	Mr. Kamano provides opinions regarding compliance structure enhancement and management approaches for management planning, utilizing his substantial experience and specialization as an attorney.
	Toshio Nakamura	Attended 15 out of the 15 meetings held.	Mr. Nakamura provides opinions that clarify the foundation of business decisions, utilizing his wide-ranging experience and achievements in economic and industrial administration.
	Emiko Hamada	Attended 11 out of the 15 meetings held. Attended all 11 Board of Directors meetings held from when she assumed office as Director until the last day of the previous fiscal year.	Ms. Hamada provides opinions on strengthening technological capabilities, product development, and product commercialization, utilizing her experience from engaging in business development and extensive knowledge concerning research and development.

	Name	Attendance at Board of Directors meetings	Attendance at Audit & Supervisory Board meetings	Main activities
Outside Audit & Supervisory Board Members	Setsuo Tanaka	Attended 14 out of the 15 meetings held.	Attended 14 out of the 14 meetings held.	Mr. Tanaka provides opinions on practical responses and strengthening measures concerning the risk management system, utilizing his experience and achievements in police administration.
	Ichiro Terato	Attended 15 out of the 15 meetings held.	Attended 14 out of the 14 meetings held.	Mr. Terato provides opinions on financial policies, utilizing his experience and wide-ranging knowledge gained in management positions with The Bank of Tokyo-Mitsubishi UFJ (now MUFG Bank, Ltd.) and Nikon Corporation.

Current Independent Directors and Reasons for Appointment (fiscal 2018)

	Reasons for appointment
Outside Director Hiroyuki Kamano	Having long engaged in legal practice as an attorney-at-law, Mr. Kamano possesses a wealth of experience and achievements in the legal community, including his service as Vice-President of the Tokyo Bar Association. Drawing on this experience, he has been fulfilling his duties as an outside director of the company by sharing opinions regarding the management strategy and strengthening of the compliance structure, as well as offering suggestions in connection with the company's business operation and properly overseeing the management of the company. We have therefore elected him to the position of outside director.
Outside Director Toshio Nakamura	Having served as Director for the Trade Bureau of the Ministry of International Trade and Industry (former name of the Ministry of Economy, Trade and Industry), Director-General of the Small and Medium Enterprise Agency, and President of the Japan Chamber of Commerce and Industry, Mr. Nakamura has long been playing a vital role in the promotion of commerce and industry. By leveraging his knowledge and abundant experience cultivated over the course of his career, he has been appropriately fulfilling his duties as an outside director of the company by sharing his opinions on the importance of clarifying the basis for business decisions, as well as offering suggestions in connection with the company's business operation and overseeing the management of the company. We have therefore elected him to the position of outside director.
Outside Director Emiko Hamada	Ms. Hamada has made remarkable achievements, such as leading the invention and world-first commercialization of the CD-R (recordable CD) while working at Taiyo Yuden Co., Ltd. Since then, she has been engaged in research activities mainly based on industry-academia-government collaboration as Professor at the Nagoya Institute of Technology and Visiting Professor at Nagoya University. In her role as outside director she draws upon the insights which she has cultivated over the course of her career to offer recommendations about the management of corporate affairs, particularly from a technological capacity strengthening and product development and commercialization standpoint, and to provide appropriate administrative oversight. We have therefore elected her to the position of outside director.
Outside Audit & Supervisory Board Member Setsuo Tanaka	Mr. Tanaka has cultivated a wealth of experience and achievements over his career in government, which has spanned a variety of important posts within the National Police Agency prior to his current position as Commissioner General of the National Police Agency. Mr. Tanaka is able to leverage this experience to provide compliance and risk management-related recommendations regarding overall NGK operations. Based upon this demonstrated competency and capability, he has been selected as an outside audit and supervisory board member.
Outside Audit & Supervisory Board Member Junichi Ito	Mr. Ito has been involved with corporate management for many years, including as Senior Management Executive Officer for the Bank of Tokyo-Mitsubishi UFJ, Ltd. (now MUFG Bank, Ltd.) and Representative Director, Senior Executive Vice President and CFO for Nikon Corporation. As an expert in corporate management, Mr. Ito is able to leverage the wealth of experience and the insights he has cultivated over his long career to provide appropriate advice and oversight aimed at strengthening NGK's corporate governance. Based upon this demonstrated competency and capability, he has been selected as an outside audit and supervisory board member.

Training Policies for Executives

Newly appointed directors and executive officers are provided with training conducted by attorneys practicing in the United States and Japan related to the Companies Act and the Competition Law, conducted at the time of their appointment. In addition, each year lectures are held, targeting all directors and executive officers, related to compliance with the Competition Law, focused on the expanding scope of Competition Law enforcement and practical business risks. In addition, with regard to outside directors, we provide regular opportunities for the provision of individual explanations by personnel from relevant business divisions concerning mainly proposals presented to the Board of Directors meeting as well as information and exchange of opinions pertaining to business environment and related issues.

Policies for Determining Remuneration of Directors

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 position-based, fixed annual salary as basic remuneration, (2) a performance-based bonus to 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 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 emphasizing performance over the medium- to long-term, NGK sets the performance-based variable remuneration at an appropriate level.

The Nomination and Compensation Advisory Committee comprising a majority of outside directors decides on 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.

Remuneration of Directors and Audit & Supervisory Board members (fiscal 2017)

Director category	Total remuneration (million yen)	Total remuneration by type (million yen)				Applicable directors (people)
		Basic remuneration	Stock options	Bonus	Retirement benefits	
Directors (excluding Outside Directors)	676	428	65	182	–	10
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	61	61	–	–	–	2
Outside Directors and Outside Audit & Supervisory Board Members	62	62	–	–	–	5

Directors Receiving Total Remuneration of ¥100 Million or More

Name	Director category	Total remuneration by type (million yen)				Total remuneration (million yen)
		Basic remuneration	Stock options	Bonus	Retirement benefits	
Taku Oshima	Director	68	11	47	–	127

Evaluation on the Effectiveness of the Board of Directors

With regard to its effectiveness, the Board of Directors issued a survey on the fiscal year ended March 31, 2018 to all directors and audit & supervisory board members. The results were reported at the Board of Directors meeting, after an analysis and evaluation by an external organization. In addition, the secretariat of the Board of Directors conducted initiatives in fiscal 2017 to improve the effectiveness of the Board of Directors. Such initiatives included interviewing directors and audit & supervisory board members individually, getting opinions on specific measures that can improve the effectiveness of the Board of Directors, and based on results of the interview, enriching discussions regarding themes related to long-term strategies. As a result, the Board of Directors was evaluated as effective, with its strength in how, under the leadership of the Chairman of the Board of Directors, each Director participates to conduct sound and transparent discussions while complying with governance requirements. We were evaluated by the external organization as having continued to retain this strength from the previous fiscal year. On the other hand, the following were raised as issues that needed to be further examined for their status or to be further discussed at Board of Directors meetings: a succession plan for the chief executive officer, cultivation of senior management, and understanding of risks for important, large-scale projects. Based on these results, NGK will work to continue to maintain and strengthen the effectiveness of the Board of Directors.

Policy on Cross-Shareholdings

NGK continuously holds shares of listed companies, which contribute to long-term business development, as cross-shareholdings, primarily in order to maintain and strengthen business relationships. NGK holds the shares of Morimura Group, which was established by the same founders of NGK, to enhance the brand value of the NGK Group. At its Board of Directors meeting, NGK determines the necessity of the continuous holding of shares as cross-shareholdings by regularly reviewing the significance of holding, stock prices, dividend yields, ratings, and so forth, and NGK gives specific explanations on the purpose and rationality of holding of shares as cross-shareholdings in its annual securities reports.

For voting rights pertaining to cross-shareholdings, NGK exercises voting rights focusing on factors including whether the content of proposals adversely affects the interest of shareholders and, from a medium- to long-term perspective, whether the investee company implements management that emphasizes the enhancement of corporate value and the interest of shareholders.

Compliance and Risk Management

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. 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

We established the Compliance Subcommittee under the CSR Committee to ensure strict observance of laws, regulations, and corporate ethics within the Group. The Security Subcommittee has also been established to ensure accident prevention measures are in place, widely known, and strictly practiced.

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

In addition to mandating compliance with the Antimonopoly Act in the NGK Group Guidelines for Corporate Behavior, we have established Competition Laws Compliance Rules, set forth to comply with international standards, which are strictly enforced by NGK 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 (renamed from Pricewaterhouse Coopers Co., Ltd. in March 2016) as our independent compliance professional to annually review the implementation status of the NGK Group's Competition Law compliance program per the Competition Law 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 to assess the tone of each director's approach toward competition law compliance as well as to further enhance their awareness of these efforts. The results of these reviews are being leveraged for a variety of purposes, such as improving the Competition Law compliance program.

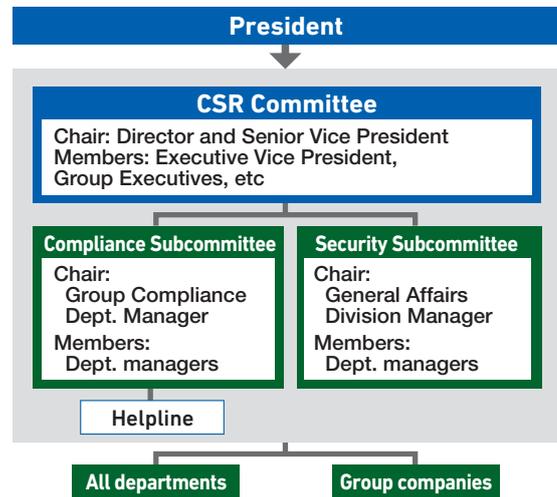
Anti-Corruption Activities In order to ensure compliance with anti-bribery laws as well as ethical standards for business conduct, we have instituted anti-bribery rules for dealing with foreign public officials. Moreover, we have also progressively enacted the same sort of anti-bribery rules at all of our overseas group companies, and in fiscal 2017, our Auditing Department performed a review of overseas money transfers and entertainment expenses.

Import and Export Control As part of its full compliance efforts, NGK is engaged in strictly observing laws and regulations related to import and export control. NGK establishes the observance of security export control-related regulations as part of Behavioral Guidelines within the NGK Group Guidelines for Corporate Behavior, and makes sure to control import and export operations by training its employees based on internal rules and the Export/Import Handbook.

Risk Management System

Risk Analysis and Response There are six types of risk which are viewed as common to all companies within the NGK Group, including compliance, information, and employment/labor. We make an effort to avoid and prevent these risks through deliberation of budgets and plans and overall examination and analysis in the course of execution and settlement processes at Strategy Committee and Executive Committee meetings.

Business continuity planning (BCP) was formulated to ensure the continuation of critical business functions in the event of large-scale natural disasters including wind and flood damage and earthquakes, massive transportation accidents or other emergency situations, which will be addressed by the Central Disaster Prevention and Control Headquarters and BCP Countermeasures Headquarters.



Business Continuity Planning (BCP) Initiatives

The NGK Group is developing company-wide business continuity planning (BCP) through the establishment of the BCP Headquarters, an organization for leading business continuity and quick recovery in the event of a large-scale natural disaster, led by the President. Countermeasure initiatives include the establishment of multiple manufacturing bases and procurement sources, damage mitigation measures related to buildings and equipment, and employee safety assurance. We conduct emergency drills assuming a natural disaster as a field exercise of the BCP. In the drill, participants are instructed to take real actions faithfully according to the plan, through which we identify in detail issues related to each process and procedure and use the findings to improve the BCP.

Information Security Structure

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.

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 compliant with the revised Act on the Protection of Personal Information, which came into effect on May 30, 2017.

As for Europe's General Data Protection Regulation (GDPR), which came into effect on May 25, 2018, NGK's affiliated companies in Europe have formulated internal rules in response.

Reference URL

Protection of personal information
<https://www.ngk-insulators.com/en/utpolicy/>

Basic policy on specific personal information (Japanese)
<https://www.ngk.co.jp/mynumber/>

Whistle-Blowing 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 Guidelines for Corporate Behavior and to facilitate the quick resolution when issues occur. Each overseas Group company has its own helpline. Those seeking advice or reporting issues are promised protection under corporate regulations. There were 43 consultation cases in fiscal 2017.

Hotline

We have established a hotline as an internal control system for responding to fraud and legal infractions committed by senior management, including Competition Laws and Anti-Corruption Laws violations. The hotline is operated by outside lawyers, who report directly to the Board of Directors. We have been pushing forward with the establishment of the hotline at overseas Group companies in light of the circumstances in each country.

