

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 each 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 each 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 management 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 each company, nation, and region.

Reference URL	Corporate Philosophy and Guidelines for Corporate Behavior https://www.ngk-insulators.com/en/info/governance/index.html
Reference Page	CSR Talk Live P98

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.



Establishment of the Global Compliance System

With the aim of building a group-wide foundation for an effective compliance scheme at the global level, the Group Compliance Department conducts education on compliance at bases in and outside Japan.

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 actively provides compliance training
- As for overseas Group companies in particular, ensures effective compliance for our globalized operations by obtaining the most up-to-date information regarding applicable laws and social demands in each region

Promoting Compliance Education

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 to introduce case studies.

As new initiatives undertaken in fiscal 2017, we provided competition laws and anti-bribery regulations online seminars aimed primarily at management and sales staff, while at Group companies, compliance training (general) was provided to executives and managers.

Also, like the previous fiscal year, seminars were provided on competition laws, anti-bribery regulations, and general compliance to overseas Group companies.



Compliance seminar held at NGK Automotive Ceramics USA

Compliance Education Conducted in Fiscal 2017 (Overall)

Title	Target	Content	Number of sessions
Career Education	New hires	Compliance basics, competition laws, anti-bribery regulations	2
	Promoted or career-changed employees	Compliance basics	3
	Experienced recruits	Compliance basics, competition laws, anti-bribery regulations	1
	Newly appointed supervisors	Compliance, competition laws, anti-bribery regulations	1
	Newly appointed managers	Compliance, competition laws, anti-bribery regulations	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	1
Compliance education	Overseas Group company managers and sales staff	General compliance, competition laws, anti-bribery regulations, data security, hotlines, etc.	22
	Japanese Group company executives	Compliance	5 (18 companies)
	Japanese Group company managers	Compliance	10 (9 companies)
Laws and Compliance Seminars	Managers and other targets depending on content	(1) Self-Defense for Overseas Business Trips and Postings (2) Contract Basics Lecturer: Internal lecturer / 556 participants in total (1) Contacting the Fire Brigade During a Fire (2) Preventing Power Harassment and Bullying Lecturer: Consulting attorney / 591 participants in total Competition Laws Compliance Lectures Lecturer: Outside attorney / 659 participants in total Subcontract Act Basics Lecturer: Internal lecturer / 731 participants in total Latest Trends in Insider Trading Regulations Lecturer: Internal lecturer / 514 participants in total Fair Disclosure Rules—Focusing on General Meeting of Shareholders Lecturer: Internal lecturer / 207 participants in total	6
Other training	Divisions and Japanese Group companies	Subcontract Act explanatory meeting	3

Competition Laws Education Conducted in Fiscal 2017

Title	Target	Content	Number of sessions
Competition Laws Compliance Lectures	All corporate officers, all managers, and salespeople of NGK and its Group companies in Japan	Lectures provided by attorneys and DVD-based training	8
Overseas Group Company Compliance Training	Overseas Group company managers and sales staff	Lectures provided by attorneys and paper materials-based in-house training on compliance (data security, hotlines, etc.), competition laws, and anti-bribery regulations	25 (including 4 in-house training sessions)
On-demand training on competition laws by internal lecturer	Targets depending on content	On-demand training upon divisions' request	2
Training on competition laws for Japanese Group companies	Japanese Group companies	Explanation of specific regulations and behavior for competition laws compliance at Soshin Electric	1

Anti-Bribery Training Conducted in Fiscal 2017

Title	Target	Content	Number of sessions
Training on anti-bribery regulations for overseas Group companies	Overseas Group company managers and sales staff	Lectures provided by attorneys and paper materials-based in-house training	25 (including 4 in-house training sessions)

Other Dissemination Programs



Themes Covered in the Compliance Newsletter in Fiscal 2017

April	Information security
May	Intermingling of public and private affairs
June	Concealment of on-the-job accidents
July	Power harassment
August	Copyright
September	Shame reduction

October	Corporate ethics month
November	Safety management
December	Human rights week
January	Drinking alcohol
February	Quality inspection
March	Social media

In fiscal 2017 as well, we posted the Compliance Newsletter on the company's intranet once a month. The Newsletter features a four-frame cartoon that explores familiar themes followed by detailed explanations.

Corruption Prevention Structure

The NGK Group implements anti-bribery measures in order to ensure fair and transparent transactions. In fiscal 2015, we instituted anti-bribery rules for dealing with foreign public officials in order to ensure compliance with anti-bribery laws as well as ethical standards for business conduct. Further, in fiscal 2017 our Auditing Department performed a review of overseas money transfers and entertainment expenses.

Conducting Anti-Bribery Training

In fiscal 2017, our in-house lecturers provided job grade-specific training to NGK employees. In addition, we also arranged for attorney-led seminars and other training at all overseas Group companies.

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.

Reference
URL

Plea Agreement with U.S. Department of Justice concerning ceramic substrates for catalytic converters

https://www.ngk-insulators.com/en/news/20150904_9235.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 competition laws
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 Revised the Compliance Laws Compliance Handbook 	<ul style="list-style-type: none"> The Competition Laws Compliance Program was resolved by the Board of Directors Established the Global Compliance Office Contracted Pricewaterhouse Coopers to review the implementation status of the NGK Group's Competition Law compliance program and assess the overall oversight and reporting structures in place for NGK Group companies 	<ul style="list-style-type: none"> Conducted study meetings on competition laws for new employees Distributed a DVD on competition laws 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 Advisory to assess the status of competition law compliance 	<ul style="list-style-type: none"> Expanded seminars led by attorneys in Asia Seminars on the Companies Act and competition laws were held for newly appointed executive officers Prepared online-based training aimed at realizing broader training programs
FY2017	<ul style="list-style-type: none"> Operating manual for database used to document competition laws compliance underwent maintenance and updating 	<ul style="list-style-type: none"> Competition laws compliance awareness-raising implemented among all top management at headquarters, business groups, and Group companies at the start of the fiscal year 	<ul style="list-style-type: none"> Online seminars provided to 861 employees in Japan

Strict Adherence to Laws and Regulations Relating to Export Management

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.

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 has screened exports to determine whether export licenses are required and has recorded screening results in a security export control database. However, since October 16, 2017, we have moved to a security export control system (TPP) and are performing management via this new system. Furthermore, export management with respect to the export of certain products is conducted using a specified export declaration system.

We have used an export/import cargo management ledger to fulfill our obligations to track and record imports and exports; however, since our switch to a security export control system (TPP), we have been using the system's shipment ledger to track and record exports. We continue to use an import cargo control ledger for imports. Each department performs voluntary inspections of imports and specified exports at the start of the fiscal year.

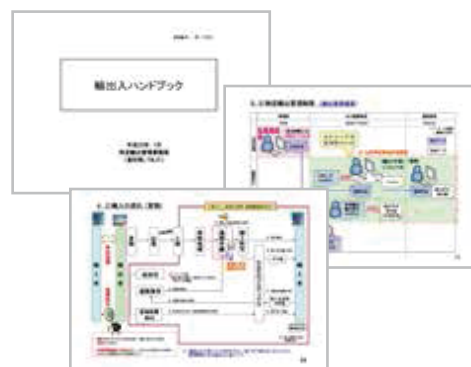
In addition, we use NACCS data (Nippon Automated Cargo and Port Consolidated System) to verify the completeness of export/import cargo management ledgers and shipment ledgers. We have achieved nearly 100% completeness for both imports and exports.

Familiarization with the Export/Import Handbook

NGK also makes 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 content of the handbook through study meetings related to export/import management conducted 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 2017, these meetings were held 23 times, with 496 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 ensure strict handling, management, and protection of 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 in full compliance with the revised Act on the Protection of Personal Information, which came into effect on May 30, 2017. In fiscal 2017, we amended our privacy policy to clarify our policy on shared usage of personal information among Group companies in Japan.

Additionally, we are updating the rules and regulations for our EU-based affiliates in order to comply with the EU's General Data Protection Regulation that went into effect on May 25, 2018.

Reference
URL

Protection of personal information
<https://www.ngk-insulators.com/en/utpolicy/index.html>
Basic Policy on Specific Personal Information
<https://www.ngk.co.jp/mynumber/index.html>

Information Security Policy and 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. In fiscal 2017, 15 overseas Group companies received such inspections.

Reference
URL

Basic NGK Group Information Security Policy
<https://www.ngk-insulators.com/en/info/governance/index.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 fiscal 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 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-learning is offered to NGK employees and employees of some Group companies in Japan.

Training for newly hired employees	Number of participants: 111 (participation rate: 100%)
Training for newly promoted supervisors	Number of participants: 102 (participation rate: 100%)
Training for newly promoted key personnel	Number of participants: 44 (participation rate: 100%)
E-learning	Number of participants: 4,321 (participation rate: 100%)

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

Status of Law and Regulation Violations

There were no violations of laws or regulations in fiscal 2017.