

Third-Party Opinion

VOICE



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1. Features of NGK Report 2020

The NGK Group, which has been bolstering the economy of Japan with its ceramic technology, celebrated its 100th anniversary of company foundation last year in May. I would like to express my respect for supplying high-quality products for so many years and maintaining steady business growth. I will introduce some of the information in this report that gave me strong impression of the company's sustainability.

The first is that the company addresses many social issues through its main business. President Taku Oshima stated in his message that "coexistence between environment and humanity" is an important perspective in forming a new business vision, and he is encouraging active R&D of ceramic products with the aim of resolving social issues. For example, the company is developing large ceramic membranes, which are used for separation and collection of CO₂ discharged from factories, and zinc rechargeable batteries, which store electricity during off-peak hours and supply the stored electricity during the daytime peak hours. As the public is closely watching corporations' efforts towards the realization of a low-carbon society, I believe that NGK's products will receive strong public support.

The second point is that the report describes extensively about corporate governance. The report spares 14 pages for the description of corporate governance including the messages from outside directors. This indicates that discussions were held freely and openly in the board meetings. President Oshima mentions that he is promoting discussions on the formulation of a new business vision with the outside directors. Involvement of the outside directors, who have specialized knowledge of value creating processes and experience of managing a company, is very important. I think NGK practices corporate governance far more strictly than other advanced companies.

The third point is the thoroughness of risk management. While business risks are becoming increasingly diverse due to global business expansion, NGK has established a system to prevent the manifestation of risks and to minimize their impacts. The ratios of overseas sales are high in the NGK Group, so foreign laws that impose large fines or penalty payments can be considered as a significant risk. This report introduces NGK's sincere efforts in that regard, together with the detailed description of "observing competition laws and other laws and regulations pertaining to business transactions" and "corruption prevention structure."

I am pleased to know that this year's annual report shows that the NGK Group's ESG management is further developing.

2. Expectations for further development

The COVID-19 pandemic has become a serious social issue. This report uses two pages to introduce crisis-response activities. I would like to mention what I would expect from the NGK Group in the "new normal" era after the pandemic comes to an end.

The first is the initiatives to further enhance resilience. I would like to express my respect for preventing the spread of infection and maintaining the continuity of business at the same time without stopping the operation of most factories amid the COVID-19 pandemic. I look forward to the company's efforts to further enhance resilience based on the verification of measures against COVID-19 and the review and improvement of the business continuity plan (BCP).

The second is the initiatives to improve job satisfaction. Teleworking as a countermeasure against COVID-19 has increased the work style options for employees, so I think it can contribute to the reforms of work styles to improve job satisfaction. However, it is said that maintaining organizational efficiency requires a transformation to "job-based" management in which employees are assigned to jobs and employees are evaluated based on work results. I hope that NGK seeks systems and management styles that achieve a good balance between organizational efficiency and job satisfaction.

The third point is the continuous execution of the risk management process. Major risks were extracted and then discussed by the ESG Committee last year for the first time. This report introduces in detail the processes of taking measures against those risks. Since company growth and changes in society can create new major risks, I would like NGK to continue the efforts year after year.

Lastly, I look forward to the announcement of a new business vision aimed at achieving coexistence between environment and humanity and the completion of products presently under development. Armed with advanced ceramic technology, the NGK Group is capable of resolving social issues based on its main business. I sincerely hope that the NGK Group will continue growing as a corporate group needed by society.