

Thorough Enforcement of Compliance

For the NGK Group, compliance is seen as the most important means of improving trustworthiness, and concrete systems are in place within the Group to inculcate this view among employees and ensure our business activities are conducted in an ethical, honest, and responsible manner.

NGK Group Code of Conduct

The NGK Group Code of Conduct has been compiled as a guideline for everyone who works within the NGK Group so that they are aware of what is expected of them in terms of work-related compliance in order to ensure honesty and reliability in our business activities. All NGK Group employees will act according to this code as they fulfill their social responsibilities and build trust in NGK.

In fiscal 2019, a guidebook was created and distributed to all NGK executives and employees within Japan to help them better understand and implement the Code of Conduct. Another way in which awareness has been promoted has been with educational posters put up in workplaces.

Awareness and understanding of the Code of Conduct is also facilitated with training given to all recent graduate and mid-career hires upon their joining the company, as well as with refresher training given to employees upon their promotion.



NGK Group Code of Conduct awareness-raising poster

Realization of a Sustainable Society



1. We will create new value through the provision of products and services that contribute to society, protect the world environment, and strive to realize a sustainable society.

- By providing high quality products and services in which safety is properly considered and which comply with environmental rules, we can respond to the trust of customers and society.
- We will sincerely consider new needs and the desire for improvements from customers and society and undertake product and service development and upgrades.

Respect for Human Rights



2. We will strictly comply with international standards of human rights and respect the diversity of all people.

- We will respect human rights and undertake business activities without the use of forced labor or child labor.
- We will respect the individuality and independence of each employee and not engage in discrimination on the basis of race, citizenship, gender, age, religion, belief, existence of handicaps, sexual diversity, or any other aspect.
- We will prevent the occurrence of harassment in the workplace and take prompt and appropriate action in the case where it occurs.

Provide a Safe and Enjoyable Work Environment



3. We will provide a safe and enjoyable work environment that is comfortable for everyone to work in for all.

- We will strictly comply with laws and regulations of each country and region relating to labor, safety, and sanitation.
- We will aim to harmonize work and life, and support a variety of working styles.
- We will build up a relationship of trust through sincere debate and discussion with employees.
- We will give educational opportunities to employees and provide opportunities to stretch their motivation and abilities.

Honest Business Activities



4. We will undertake fair and transparent business activities with integrity and strictly comply to international standards, laws and regulations of each country and region.

- We will undertake business activities with common sense and based on strict compliance and ethics.
- We will ensure performance of contracts and agreements with customers and counterparties.
- We will strictly comply with competition laws.
- We will never in any manner undertake bribery
- We will strictly manage personal data and confidential information.
- We will respect the intellectual property rights of other persons.
- We will set up and actively manage our import/export system.
- We will not have any involvement with organized crime and other anti-social forces.
- We will manage business risks and make efforts to prevent the occurrence of problems and promptly respond when they arise.
- In order to deter and correct improper acts, we will appropriately prepare and put into practice a whistleblowing system.

Disclosure of Company Information and Accountability



5. We will increase healthy and transparent management by active disclosure of information and discussion with stakeholders.

- We will accurately and promptly disclose information required by society.
- We will take seriously the voices of our stakeholders and fulfill our obligation of accountability.

Permeate Social Responsibility into Our Supply Chain



6. We will promote a structure that fulfills societal responsibilities to our trade counterparts and the supply chain overall.

- We will respect our trade counterparts as equal partners and work to build a trusting relationship for mutual development.
- Through realization of green procurement and CSR, we will contribute to the growth of the region and society.
- We will demand respect for human rights and compliance with laws and regulations from our supply chain.

Preservation of Environment



7. We will work to preserve and resolve the problems of the world environment.

- We will provide products and services that contribute to preservation of the world environment.
- We will directly address the burden of business activities on the environment.
- We will work for preservation of biological diversity and sustainability.
- We will strictly comply with laws and regulations relating to the environment of each country and region.

Cooperation with the Region and Society



8. We will contribute to the expansion of the region and society as a good corporate citizen.

- As one member of the region and society we will actively undertake activities that contribute to society.
- We will actively support activities that contribute to society in which employees voluntarily participate.

Compliance Promotion Structure

In order to ensure strict observance of laws, regulations, and corporate ethics within the Group, we have established the Compliance Committee, and under this we have established the Compliance Committee Secretariat Council to serve as the committee body that ensures the proper implementation of the Compliance Committee's decisions.

Establishment of the Global Compliance System

With the aim of building a group-wide foundation for an effective compliance scheme, the Group Compliance Department conducts education on compliance at each NGK base.

Compliance Promotion Structure



Mission of the Group Compliance Department

Works to establish and develop compliance as a corporate culture of the entire NGK Group

Supports Group companies in and outside Japan in strengthening and operating their compliance systems, and actively provides compliance training

As for Group companies outside Japan 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

Mission Achievement-focused Initiatives of Fiscal 2019



Whistleblowing 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 Code of Conduct and to facilitate the quick resolution when issues occur. Each Group company outside Japan has its own helpline.

Number of Helpline Consultation Cases (at NGK)

FY2016	FY2017	FY2018	FY2019
17	43	75	55

Hotline

We have established a hotline as a whistleblowing system for responding to fraud and legal infractions committed by senior management of NGK, and competition law and anti-corruption law-related violations. The hotline is operated by outside lawyers, with issues handled by the Business Ethics Committee, composed mainly of outside directors, who report directly to the Board of Directors.

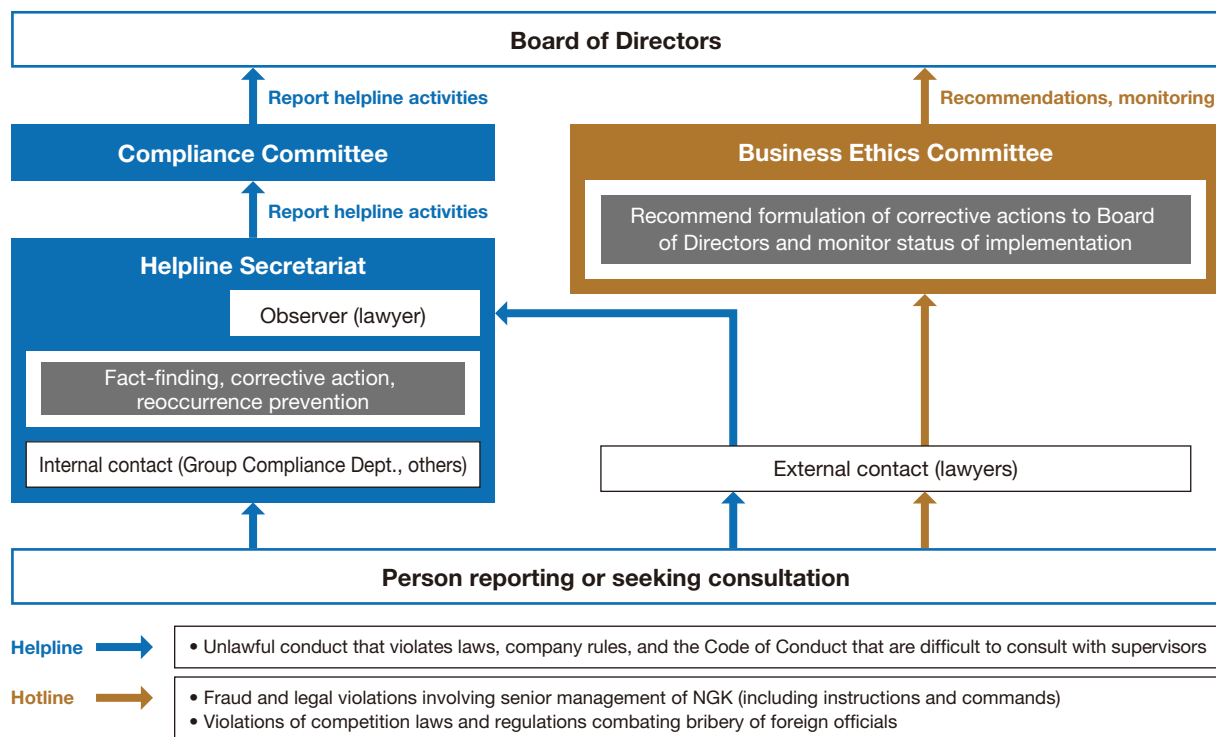
We have been pushing forward with the establishment of the hotline at Group companies outside Japan in light of the circumstances in each country. We have, however, established contact points at all Group companies outside Japan for reporting competition law and anti-corruption law-related violations.

Whistleblowing System

A whistleblowing system is in place, which everyone who works for NGK and its Group companies (including executives, employees, employees temporarily assigned to outside companies, advisors, contract employees, temporary employees hired on a worker dispatch agreement, and subcontractor local employees) can utilize.

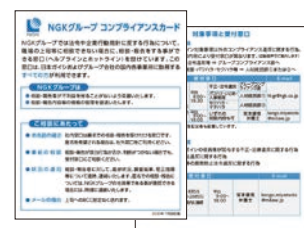
As a rule, actual names are used for consultations and reports, but outside contact points can be utilized for anonymous consultations. Those seeking advice or reporting issues are promised protection under corporate rules.

Organization of Whistleblowing System



Compliance Card

For thorough awareness of the whistleblowing system, we created a carry-size Compliance Card and distributed it to all employees at NGK and all Group companies in Japan.



Promoting Compliance Education

Compliance Education 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.

Since fiscal 2018, we have included quality compliance and contract observance as part of our career education courses.

Compliance Education Conducted in Fiscal 2019 (Overall)

Name	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
	Mid-career hires	Compliance basics, competition laws, anti-bribery regulations	1
	Newly appointed supervisors	General compliance, competition laws, anti-bribery regulations, quality compliance, contract observance, security export control	1
	Newly appointed managers	General compliance, competition laws, anti-bribery regulations, quality compliance, contract observance, security export control	1
	Managers promoted second grade	Compliance (including quality compliance)	1
Training for employees scheduled for postings abroad (global training)	Employees scheduled for postings abroad	Competition laws, anti-bribery regulations, security export control	2
Compliance education	Managers and sales staff of Group companies outside Japan	Lectures provided by attorneys and paper materials-based in-house training	22
	General employees of NGK and Group companies in Japan	Compliance, harassment prevention, whistleblowing system	31
Laws and compliance seminars	Managers and other targets depending on content	Corporate structure, centered on the General Meeting of Shareholders and Board of Directors Internal lecturer; 409 participants in total Suspicious email awareness training results Outside lecturer; 582 participants in total Latest trends in insider trading regulations Internal lecturer; 497 participants in total Adapting to the amended Civil Code Internal lecturer; 331 participants in total International trends in anti-corruption practices Outside lecturer; 536 participants in total	5
Other training	All directors and managers, and others connected to training content	Quality compliance seminar Outside attorney, internal lecturer	2
	Divisions and Group companies in Japan	Subcontract Act explanatory meeting	3
	Training to support new presidents of Group companies in Japan	Compliance, harassment prevention, whistleblowing system, etc.	1

Competition Law Education Conducted in Fiscal 2019

Name	Target	Content	Number of sessions
Training for newly appointed directors	Newly appointed directors and executive officers	Outside attorney-led seminar	1
Competition law compliance lectures	All directors and managers, and sales staff of NGK and its Group companies in Japan	Streamed video of outside attorney-led seminar	1
Compliance training for Group companies outside Japan	Managers and sales staff of Group companies outside Japan	Attorney-led, live seminar; seminar conducted via video conferencing; conducted by an internal lecturer; conducted using paper-based resources	22
On-demand training on competition laws by internal lecturer	Targets depending on content	On-demand training upon divisions' request	1

Anti-Bribery Training Conducted in Fiscal 2019

Name	Target	Content	Number of sessions
Training for sales staff	Sales staff in Japan Heads of Group companies outside Japan (some)	Outside attorney-led seminar; small-group case study discussion	5
Training on anti-bribery regulations for Group companies outside Japan	Managers and sales staff at Group companies outside Japan	Attorney-led, live seminar; seminar conducted via video conferencing; conducted by an internal lecturer; conducted using paper-based resources	22

Other Dissemination Activities

We post 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 of what we can learn from these examples.

In fiscal 2017, we began making October the annual compliance strengthening month, during which we do things such as put up educational posters and through employees of whistleblowing system.

Themes Covered in the Compliance Newsletter in FY2019

April	Being a good citizen	October	Corporate ethics month
May	Human rights	November	Harassment
June	Reliably executing agreements with customers	December	Human rights week
July	Sexual harassment	January	Contract compliance
August	Unlawful conduct	February	Compliance first
September	Preventing falling accidents	March	Unpaid overtime

Compliance Newsletter



Note: Provided by "Compro Custom" compliance training tools service

Compliance Awareness Surveys

We conduct a compliance awareness and business risk-related Corporate Risk Survey (CRS)* within the NGK Group once every two years.

The compliance awareness-related portion of the CRS conducted in October 2019 focused on the degree and scope of awareness among Group personnel, whether they were aware of compliance violations, and what the atmosphere in their workplace was like. There was an increase in the number of responses indicative of compliance awareness among divisions compared with the previous CRS conducted in 2017. Among those responses stating that a compliance violation had occurred or was suspected, harassment was the violation most commonly given. Also, 70% of respondents stated that their workplace atmosphere was conducive or mostly conducive to openly exposing violations.

Based on the responses we have received, we will continue to work towards greater and more widespread compliance awareness, violation prevention, and improvement in workplace atmosphere.

*CRS target respondents

- 1) Compliance awareness survey – Japan: All directors and employees (including temporary employees) / Overseas: Employees dispatched overseas
- 2) Business risks – Japan: Group S* and higher

*Assistant manager and supervisor class

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 began a review of overseas money transfers and entertainment expenses.

Conducting Anti-Bribery Training

In fiscal 2019, we not only had our in-house lecturers provide job grade-specific training to NGK employees, we also invited outside lawyers to run small-group, interactive training sessions. In addition, we also arranged for attorney-led seminars and other training at all Group companies.

Political Contributions

The NGK Group conforms to all applicable laws with regard to political contributions; this includes abiding by legal prohibitions against political contributions to individual politicians and ensuring that contributions to specific political organizations and parties do not exceed legally stipulated limits.

In fiscal 2019, the NGK Group had no political contribution expenditures.

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

In addition to mandating compliance with competition laws in the NGK Group Code of Conduct, we have established the Competition Laws Compliance Rules, set forth to comply with international standards, which are strictly enforced by the NGK Group 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 (hereinafter, "PwC") as our independent compliance professional. PwC is engaged to annually review the implementation status of the NGK Group's competition law compliance program per the Competition Laws 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 in order to: 1) assess the tone of each director's approach toward competition law compliance; and 2) to further enhance their awareness of these efforts. The results of these reviews are being leveraged for a variety of purposes, such as operating and 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 Group companies outside Japan
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 Group companies outside Japan (corresponding to laws and regulations in each country)
FY2015	<ul style="list-style-type: none"> Competition Laws 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 Competition 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 Group companies in Japan Upgraded training on compliance with competition laws provided in 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 law 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 Held seminars on the Companies Act and competition laws for newly appointed executive officers Prepared online-based training aimed at realizing broader training programs (Implemented in fiscal 2017 in Japan)
FY2017	<ul style="list-style-type: none"> Operating manual for database used to document competition law compliance underwent maintenance and updating 	<ul style="list-style-type: none"> Top management of headquarters, business groups, and Group companies provided notifications about compliance with competition laws at beginning of term 	<ul style="list-style-type: none"> Online seminars provided to 861 employees in Japan
FY2018	<ul style="list-style-type: none"> Clarified items that should be reported to the hotline when there were violations or fear of violation of competition laws, and revised Competition Laws Compliance Rules Created a working manual for compliance with competition laws 	<ul style="list-style-type: none"> Top management of headquarters, business groups, and Group companies provided notifications about compliance with competition laws at beginning of term 	<ul style="list-style-type: none"> Held seminars on the Companies Act and competition laws for newly appointed directors and executive officers Held competition law compliance lectures. All executives and managers attended.
FY2019	<ul style="list-style-type: none"> Revised Competition Laws Compliance Rules at NGK Electronics Devices, Inc. to strengthen that subsidiary's competition laws compliance system 	<ul style="list-style-type: none"> Top management of headquarters, business groups, and Group companies provided notifications about compliance with competition laws at beginning of term 	<ul style="list-style-type: none"> Held seminars on the Companies Act and competition laws for newly appointed executive officers Held competition law compliance lectures. All managers and those designated by competition law compliance managers attended. Information session provided regarding the Competition Laws Compliance Handbook's key points (on competitor information when creating email and documentation)

Strict Adherence to Laws and Regulations Relating to Export Management

As part of its full compliance efforts, NGK is engaged in strictly observing and enforcing laws and regulations related to import and export control. Based on the NGK Group Code of Conduct, we stipulate abidance with laws and regulations related to secure export control, and we carry out export control and employee training in accordance with 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 under the Japanese government's AEO (authorized economic operator) Program.

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 exports under the AEO Program at the start of the fiscal year.

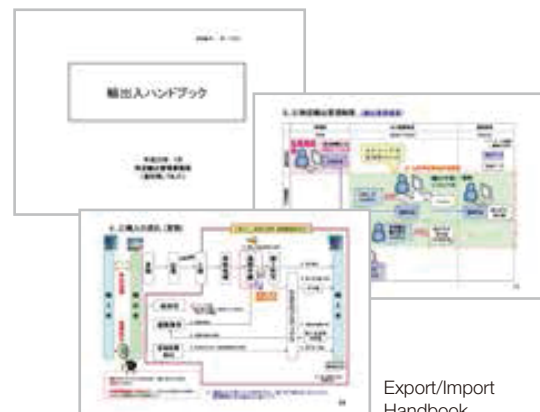
In addition, we use NACCS data (Nippon Automated Cargo and Port Consolidated System) to verify the completeness of export/import cargo management ledgers and shipment ledgers. We have achieved nearly 100% completeness for both imports and exports.

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.

Study meetings on the AEO Program and export/import management are held one or more times per year targeting relevant staff in divisions responsible for export and import activities. In fiscal 2019, these meetings were held 31 times, with 568 employees in attendance.



Export/Import Handbook

Privacy Policy and Organization for Personal Information Protection

The NGK Group has established internal rules in an effort to ensure strict handling and management of personal information obtained from customers. In fiscal 2015, NGK formulated and published our Basic Policy on the Proper Handling of 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.

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

Information Security Policy and Structure

Within the NGK Group, proper management and operation of information assets is a collaborative effort carried out by the General Affairs and Information Technology Departments, in conjunction with other relevant administrative divisions and in line with the Basic NGK Group Information Security Policy.

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 2019, eleven Group companies outside Japan and one Group company in Japan received such inspections.

Reference
URL

Basic NGK Group Information Security Policy
<https://www.ngk-insulators.com/en/info/policies/>

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 at 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: 143 (participation rate: 100%)
Training for newly promoted supervisors	Number of participants: 115 (participation rate: 100%)
Training for newly promoted managers	Number of participants: 50 (participation rate: 100%)
E-learning	Number of participants: 5,215 (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 material violations of laws or regulations within the NGK Group in fiscal 2019.