

Corporate Governance*1

***1 Corporate Governance**
Refers to the process or systems to oversee that a company is managed by the business operator in an optimal and sound manner.

***2 Internal Control Report System**
In 2006, the former Securities and Exchange Act was revised and renamed the Financial Instruments and Exchange Act. Under the revised act, listed companies are required to submit internal control reports every fiscal year, to be subject to audits by certified public accountants or auditing firms, in order to improve the trustworthiness of financial reporting.

Basic Philosophy

We believe that it is our foundational and important managerial task to establish and maintain a fair and efficient management system, while securing soundness and transparency in management, in order to enhance corporate value by fulfilling our corporate social responsibilities.

Management Organization

The Board of Directors deliberates and makes decisions on matters stipulated by laws or bylaws and management-related matters of importance, and supervises the state of business execution by each director. To swiftly understand situations and respond to environmental changes, we have set up the Managing Director Committee and Group Manager Committee, to provide venues for active discussions among directors. At the meetings of these committees, discussions are held regarding subjects that are clearly classified into items to be decided, consulted, and reported.

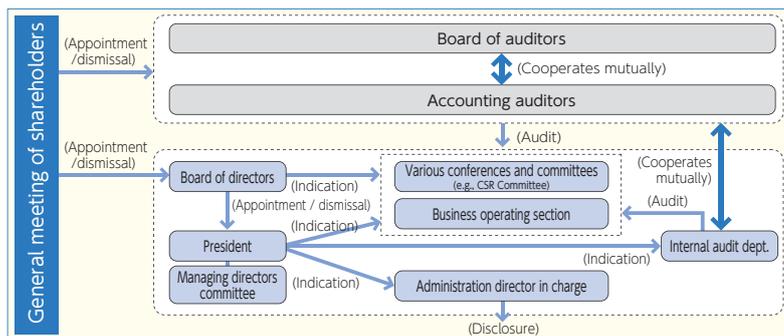
Management Oversight Functions

Our Board of Auditors consists of four auditors (two of whom are external auditors). These auditors attend the meetings of the Board of Directors and, if necessary, various committee meetings, to grasp the state of important issues. They also supervise directors' execution of duties, through audits of major offices and subsidiaries.

Internal Audits

The internal audit division reports to the management the results of inspections through business auditing of NGK Spark Plug Co., Ltd. and its affiliates, and if necessary, makes proposals on how to correct its problems and improve its business operations. In accordance with requirements for the internal control report system*2 under the Financial Instruments and Exchange Act, the department assesses the validity of internal control regarding financial reporting, to secure the reliability of the Group's financial statements, thereby maintaining and improving our internal control.

■ Corporate Governance System



Risk Management*3

***3 Risk Management**
Activities to systematically manage various risks related to business in corporate management. Specifically, activities to prevent risk occurrence, or reduce the damage incurred when a risk arises.

***4 BCP**
Stands for Business Continuity Plan. A plan of action to be taken by a company when a risk arises, to ensure business continuity and minimize impact on customers and suppliers. Activities to continuously improve and manage this plan are called "Business Continuity Management (BCM)."

Basic Philosophy

In operating business, we face many risks including natural disasters, accidents, terrorism, and the spread of new infectious diseases. If an unforeseen incident occurs, we will act giving top priority to the protection of human life. We have also made contingency plans so that we can smoothly continue our business operation even under such circumstances.

Review of Business Continuity Plan (BCP)*4

Drawing lessons from the Great East Japan Earthquake, we swiftly reviewed and reaffirmed our business continuity plan (BCP). We work to further strengthen coordination within the Group and with our suppliers, to ensure that, in the event of an emergency, we can resume major businesses and important activities to restore operations to the normal level within the target period.

Risk Management Policy

We are prepared to deal with various possible risks, such as natural disasters, accidents and spread of new infectious diseases. If such a risk should arise, we will act to minimize the impact on our stakeholders. We also work to restore and continue smooth business operations, thereby maintaining trust from our stakeholders.

[Action Guidelines]

- We strive to prevent factors that could affect business continuity.
- We conduct our activities with top priority on the protection of human life.
- We minimize impact on related parties.
- We strive for rapid restoration of business operations and stable supply of products and services.
- We take measures to prevent the recurrence of risks.

Risk Management

Response to New Infectious Diseases

On April 2011, the influenza virus (A/H1N1) that emerged in 2009 was reclassified as a seasonal flu virus. However, as part of our efforts to protect the good health of our employees, we will continue measures to prevent general flu infections and endemic spread of the flu. We also place importance on sharing correct knowledge about influenza and its latest trends among all employees, so that effective countermeasures can be taken in the flu season.

This year, we are preparing countermeasures taking into account the emergence of novel forms of flu viruses, such as H5N1 avian flu.

Voice

We aim to be able to take appropriate action even against the emergence of a new variant of the H5N1 avian flu virus, which is said to be the strongest of its kind. We have compiled a set of information on endemic diseases in developing countries and tropical regions, to help ensure the good health of expatriate employees and their families, as well as other employees who will travel or be temporarily transferred to such countries. The endemic disease information has been disseminated across the Group, including to overseas business sites. We hope that Group employees will find the information useful.

Influenza Team
Healthcare Support Section
Personnel Department



Compliance*1

Basic Philosophy

We work to increase awareness among employees regarding compliance to act in a socially sensible manner, helping them to bear in mind that our enterprise is a member of society.

Compliance Promotion System

The Compliance Working Group has been established to raise compliance awareness among executives and employees and thereby reducing relevant risks. We will encourage education and awareness about corporate ethics and promote full compliance with laws and ordinances, social rules and company regulations.

Education and Awareness-raising

We deliver on-site seminars regarding business and legal affairs, according to the requests of each workplace. Through such seminars, employees can become aware of the importance of business and legal affairs and take an interest in them. This will result in reducing not only risks to individual employees, but also risks to our company.

We also hold compliance lectures during level-specific training programs, in which familiar examples are used to foster trainees' better understanding.

Compliance Policy

We acknowledge that our company is a member of society. In the light of this, we enhance corporate ethics, comply with laws and ordinances, international rules, and company regulations, striving to become a company trusted by the international community.

[Action Guidelines]

- We comply with all relevant laws and ordinances, the Corporate Code of Conduct, and company regulations.
- We regularly educate and raise the awareness of all our employees to impart a high-level of ethics and correct knowledge, with which they can act voluntarily to prevent compliance problems.
- Should a problem occur, we will promptly deal with the problem and fulfill our accountability, and will strive to identify the causes and prevent recurrence.

*1

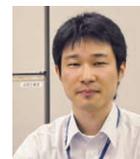
Compliance

In general, the term compliance means to act in accordance with laws and regulations. However, in a broad sense it can also mean to act in accordance with the corporate philosophy and common sense.

Voice

We deliver on-site seminars tailored to the needs and convenience of trainees, according to the requests of each division. Since there are many different fields and areas of law, naturally we cannot cover all legal affairs within a few hours. However, I hope that the on-site seminar we deliver at each workplace will help trainees deepen their understanding of and interest in the field of law.

Yuichi Shimizu
General Administration Department



Corporate Ethics Helpline

We have set up an internal reporting system called the "Corporate Ethics Helpline," to prevent illegal activities and to swiftly resolve problems related to corporate ethics.

We set up reporting and consultation channels within and outside the company. These channels can be used

by employees and other informers who have discovered an illegal act or a possible illegal act, in order to provide information and seek consultation. We strive to create an environment from the informer's viewpoint in which it is easy for them to consult, by clearly announcing that the confidentiality of all informers is protected.

Export Controls

To maintain international peace and security, Japan has imposed legal regulations on trade that may assist the occurrence or expansion of conflicts. NGK Spark Plug Co., Ltd. has stipulated its Export Management Regulations to ensure thorough compliance with export restrictions, and has established a system that can flexibly deal with regulation revisions. In June 2008, we were approved as an authorized exporter under the Authorized Exporters' Program*1, in recognition of our efforts in establishing security management and compliance systems.

We continue to promote export controls and trade-related business in compliance with laws and regulations

and to improve trade efficiency, while fulfilling our responsibility as an enterprise with a high export ratio.

***1
Authorized Exporters' Program**

Under this system, customs approves exporters who are excellent in legal compliance as authorized exporters, and give them preferential treatment. This system is intended to speed up customs clearance procedures and strengthen security measures. Since the approved enterprises can proceed through customs clearance procedures more speedily and reliably, they can also expect shorter lead-times and reduced logistical costs.

***2
Unfair Competition Prevention Act**

This law is intended to ensure fair competition among business operators. Under this law, operators' business reputations and confidentiality are protected. The law prohibits the acts of illegally acquiring, using or disclosing trade secrets.

***3
Act on the Protection of Personal Information**

The objective of this law is to protect the rights and interests of individuals while taking into consideration the usefulness of personal information. This law prohibits such acts as using personal information about a person for purposes other than the intended purpose, without the person's consent.

Security Control / Information Security



Recent years have seen the development of legal systems, such as the Unfair Competition Prevention Act*2 and the Act on the Protection of Personal Information*3, which strongly require companies to properly manage confidential information.

To sustain and develop our business in a sound manner, we established the Confidentiality Management Regulations, as part of our endeavors to appropriately manage the private information of our company, customers and suppliers, and to meet the need of an information-oriented society. Our Privacy Policy is available on our website.

Privacy Policy
<http://www.ngkntk.co.jp/english/privacy.html>

Intellectual Properties

To protect its existing and newly developed products, NGK Spark Plug Co., Ltd. takes measures to actively acquire intellectual property rights. We investigate and confirm third party intellectual property rights in all production processes from the early stages of development to mass production, to avoid the risk of infringing the intellectual property rights of third parties or violating laws and ordinances. Furthermore, level-specific training programs on intellectual property rights are held, mainly for engineers and technicians of our company, in order to raise employees' awareness.

Voice

For a company with a high export ratio, appropriate export management is indeed a matter of vital importance. With this in mind, we are always earnestly engaged in export management activities. As a secretariat member, I strive to provide detailed explanations to the employees of each workplace about the importance and necessity of export management, so as to obtain their understanding and cooperation.



Hiroki Inui
General Administration Department

Information Security Policy

We regard our own information assets as one of our management resources. Through the protection and effective use of our information assets, we pursue healthy maintenance and development of our business.

[Action Guidelines]

- We establish information security regulations that clearly define the system and responsibilities to protect all the information assets we keep for our customers, our information assets as information resources, and personal data.
- We comply with laws, ordinances, and regulations regarding information security.
- We educate all executives and employees who handle information assets about the importance of information security, and about specific items to be observed.
- We continuously implement measures necessary to improve the management system and to protect our information assets, keeping pace with a rapidly-changing information society.
- If a problem with the information security system is predicted to occur due to unforeseen circumstances, we will promptly take action to prevent an accident associated with the problem. Should the accident occur, we will strive to minimize the damage and take preventive measures against reoccurrence.