

Risk Management

Fiscal 2011 Topics

- Business Continuity Plan (BCP) Working Group set up to review our BCP.

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.

Risk Management Promotion System

Many of NGK SPARK PLUG Group's operation sites are located in an area vulnerable to three potential major earthquakes — a Tokai Earthquake, a Tonankai Earthquake, and a Nankai Earthquake. Ahead of other risk management measures, we therefore set up the BCP Working Group, under the CSR Promotion Sub-Committee, to review the BCP. As for risks other than major disasters, relevant divisions take the lead in our efforts to mitigate the effects.

Reviews of the BCP

In reference to how local governments and companies responded to the Great East Japan Earthquake(March 11, 2011), we conduct reviews of our BCP including initial response to emergency. Meanwhile, we strive to increase the levels of employee recognition and understanding of the BCP, since they are vital for ensuring its effective functioning.

The establishment of a practical BCP will lead to enhanced transaction reliability in our future business activities. Each business division therefore works to review its BCP, which also covers our supply chain.

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.

Response to New Infectious Diseases

To protect employee health from the influenza that prevail every year, and thereby ensure the smooth continuation of our business, we work to prevent the spread of the infections. If there is a sign of group infection at a workplace, we take immediate and intensive measures to contain the epidemic. During the flu season, we issue weekly report so that all employees can share the information and take effective countermeasures.

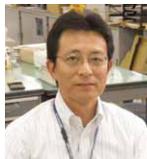
In addition, we are always attentive to the trending of the avian influenza H5N1, which is considered one candidate for the next pandemic influenza, and collect relevant information.

VOICE

The BCP Working Group promotes disaster-preparedness assuming the occurrence of possible earthquakes based on damage predictions by the Cabinet Office.

In fiscal 2012, we clarify the initial response to be taken in the event of earthquake, take in context and implement emergency drills. We also plan to perform business impact analysis (BIA), so as to devise measures focusing on important activities relating to our key products.

Yuki Aida
Supervisor
General Administration Dept.



VOICE

In April 2009, the novel influenza virus H1N1 broke out in Mexico and rapidly spread throughout the world. At that time, we were unclear about a way to address the problem, but it was a good experience. We aim to be prepared to take appropriate action, even if a new variant of the high pathogenic avian influenza such as H5N1, said to be the strongest ever of its kind, emerges and spreads from human to human in the future.

Shiko Abe
Health Care Promotion
Human Resources Dept.



Risk Management

Safety and Disaster Prevention

Each plant has established its own fire-prevention management system as part of our fire and disaster prevention efforts. As well, each plant has an in-house fire-fighting team, which always strives to improve its skills by conducting monthly disaster drills and participating in local skill competitions. These disaster drills, designed for general employees, adopt various scenarios; their programs include relief exercises and confirmation of evacuation areas, to be used in the event of tsunami.

In May 2011, a fire broke out in a room of the Komaki Plant. Due to periodic drills, however, employees immediately reported it to the firehouse and distinguished the fire at an early stage. Companywide inspections were carried out to eliminate the conceivable causes of the fire, so as to prevent the reoccurrence of a similar accident.



Relief exercise (Ise Plant)



Water-discharge exercise (Komaki Plant)

Corporate Governance

Fiscal 2011 Topics • We reviewed and redeveloped the corporate governance system in preparation for introducing the corporate officer system in April 2012.

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.

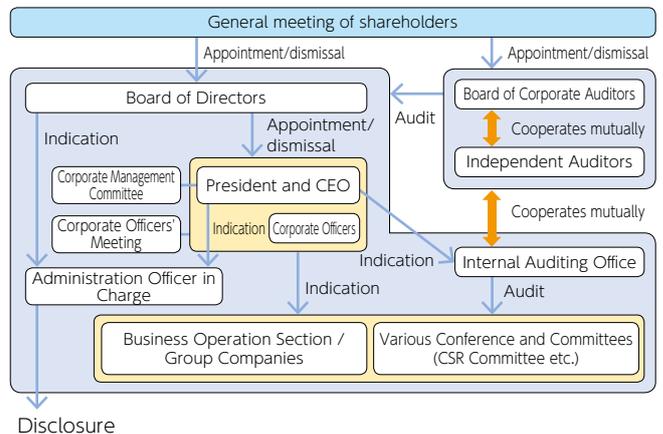
Management Organization

In April 2012 we introduced the corporate officer system and the system for determining officers' remuneration, based on assessment of their performance. These systems were introduced because we believe that, to achieve further development in the rapidly changing business climates and global economy, we need speedy decision-making and business execution. Moreover, decision-making rules were re-examined and revised to clarify where responsibility lies and to reduce decision-making time.

Management Oversight Functions

NGK SPARK PLUG CO., LTD. is a company with a Board of Corporate Auditors, which consists of two standing statutory auditors and two external auditors. These auditors attend the meetings of the Board of Directors and, if necessary, various committee meetings, to grasp the status of important issues. They also supervise directors' execution of duties, through audits of major offices and subsidiaries.

Corporate Governance System



Internal Audits

The Internal Auditing Office reports to the management the results of the business auditing of NGK SPARK PLUG CO., LTD. and its affiliates, and if necessary, makes proposals on how to correct any problems and improve business operations. In accordance with requirements for the internal control report system over Financial Reporting under the Financial Instruments and Exchange Law, the internal auditing office assesses the effectiveness of internal control over financial reporting, to ensure the reliability of the Group's financial statements, thereby maintaining and improving our internal control.