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NGK Group – UK Tax Strategy Statement

This UK tax strategy statement is published by NGK Insulators, Ltd (“NGK”) for the year ending 31 March 2018 in accordance with Schedule 19 (2) of the UK Finance Act 2016. This UK tax strategy applies to NGK Berylco UK Ltd. and NGK Europe GmbH (UK branch).

NGK is a Japanese headquartered group and was established in 1919 as a spin-off of Noritake’s Insulator Division. NGK is organized into three primary business segments: Power business, ceramic products business and electronics business.

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. This underpins our approach to UK taxation which is focused on meeting our obligations.

Compliance

In accordance with the NGK Group Guidelines for Corporate Behaviour, we will abide by the laws and rules of each country and area and will enforce our compliance thoroughly, respecting international arrangements that are applicable to us. Due to the size and nature of our UK business operations, tax compliance activities are outsourced to an external advisor. Compliance disclosures are subject to appropriate internal review prior to submission.

Tax governance

The Board of Directors of NGK delegates responsibility for overseeing accounting and finance activities of its overseas subsidiaries to the leaders of each primary business segment. Day-to-day accounting and finance activities are managed locally at each subsidiary by Financial Controllers with occasional involvement from the President of each subsidiary. Tax matters of significance are escalated to the business segment leaders and Board of Directors as deemed appropriate.

Risk management

The NGK Group regards compliance as a critical component of risk management. We maintain our low risk appetite by abiding by the applicable laws, regulations, and rules, international arrangements and commercial practices, as well as our internal regulations, etc., and will always act in good faith. We do not perform aggressive tax planning activities. In handling non-routine tax matters we also consult with external advisors to provide specialist advice as appropriate.

Approach to arranging our taxes

The NGK Group does not perform actions that may endanger our level of compliance. For example, we will not create artificial business structures with the objective of reducing our tax costs. However, we do consider tax efficiency among other factors in structuring our business operations. If confronted with options regarding our tax affairs, we favour those with a low tax risk. In addition, we will utilize available tax incentives provided that doing so is in accordance with their intended purpose and aligns to our business objectives. Transactions between NGK Group companies are conducted on an arm's length basis in accordance with OECD guidelines.

Relationship with HMRC

Although the interaction of our UK businesses with HMRC is generally limited to administrative queries, we will promptly respond to any information requests, acting transparently and on a good faith basis. Our underlying intention is to establish long term relationship with tax authorities based on mutual trust and respect.

31 March 2018