

Summary of Consolidated Financial Results for the Year Ended March 31, 2018 [Japanese GAAP]

April 27, 2018

Company Name : NGK INSULATORS, LTD.
 Stock Exchange Listings : Tokyo and Nagoya
 Listing Code : 5333
 URL : <https://www.ngk-insulators.com/en/>
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Date of the Annual Shareholders' Meeting (Scheduled) : June 26, 2018
 Date of the Filing of Securities Report "Yuka Shoken Hokokusho" (Scheduled) : June 26, 2018
 Date of Year-End Dividend Payment (Scheduled) : June 27, 2018
 Availability of Supplementary Explanatory Materials Prepared for Financial Results : Available
 Briefing Session on Financial Results to be held : Yes (for securities analysts and institutional investors)

(All yen amounts are rounded down to the nearest million.)

1. Consolidated Financial Results for the Year Ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(1) Consolidated Operating Results

(Percentage figures represent increase (decrease) from previous period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	451,125	12.4	70,026	10.8	70,615	9.4	45,814	25.9
Year ended March 31, 2017	401,266	(7.9)	63,212	(21.9)	64,557	(20.8)	36,379	(31.8)

(Note) Comprehensive income : Year ended March 31, 2018 58,154 million yen 71.2%
 : Year ended March 31, 2017 33,978 million yen 36.4%

	Profit per share	Diluted profit per share	Ratio of profit to net worth	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	142.42	142.18	10.4	8.9	15.5
Year ended March 31, 2017	112.71	112.51	8.8	8.8	15.8

(Reference) Equity in earnings of unconsolidated subsidiaries and associated companies : Year ended March 31, 2018 1,279 million yen
 : Year ended March 31, 2017 1,791 million yen

(2) Consolidated Financial Position

	Total assets	Total net assets	Ratio of net worth to total assets	Net worth per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2018	836,335	472,863	55.1	1,432.67
March 31, 2017	759,434	427,593	54.9	1,295.66

(Reference) Net worth : As of March 31, 2018 460,983 million yen, As of March 31, 2017 416,740 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & cash equivalents, end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	50,554	(49,413)	22,546	169,918
Year ended March 31, 2017	80,172	(56,452)	(13,013)	144,692

2. Dividend Payment

	Cash dividends per share					Total amounts of dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to net worth (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total (Full-year)			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	-	20.00	-	20.00	40.00	12,865	35.5	3.1
Year ended March 31, 2018	-	21.00	-	23.00	44.00	14,156	30.9	3.2
Year ending March 31, 2019 (forecast)	-	25.00	-	25.00	50.00		30.9	

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

(Percentage figures represent increase (decrease) from previous period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2018	240,000	9.2	35,000	(2.4)	33,000	(3.5)	20,000	1.1	62.16
Year ending March 31, 2019	500,000	10.8	77,000	10.0	76,500	8.3	52,000	13.5	161.61

Notes

(1) Significant changes in subsidiaries during this period (changes in specified subsidiaries, "tokutei kogaisha" defined in the "Cabinet Office Ordinance on Disclosure of Corporate Information, etc.", involving a change of the scope of consolidation during this period) : None
New — company (), Exclusion — company ()

(2) Changes in accounting policies, accounting estimates or retrospective restatements

- i. Changes due to revisions of accounting standards : None
- ii. Changes in accounting policies other than the above (i) : None
- iii. Changes in accounting estimates : None
- iv. Retrospective restatement : None

(3) Number of shares outstanding (Common Shares)

- i. Number of shares outstanding at period end including treasury stocks
- ii. Number of treasury stocks at period end
- iii. Average number of shares outstanding over period

March 31, 2018	327,560,196 shares	March 31, 2017	327,560,196 shares
March 31, 2018	5,794,181 shares	March 31, 2017	5,915,570 shares
March 31, 2018	321,694,271 shares	March 31, 2017	322,760,831 shares

(Reference)

Overview of Non-Consolidated Financial Results for the Year Ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Non-Consolidated Operating Results

(Percentage figures represent increase (decrease) from previous period.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	240,885	12.4	32,393	29.9	58,713	24.2	46,161	75.3
Year ended March 31, 2017	214,319	(11.4)	24,934	(35.7)	47,285	(15.9)	26,329	(26.4)

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2018	143.49	143.25
Year ended March 31, 2017	81.57	81.43

(2) Non-Consolidated Financial Position

	Total assets	Total net assets	Ratio of net worth to total assets	Net worth per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2018	549,947	295,234	53.5	914.88
March 31, 2017	518,983	260,873	50.1	808.27

(Reference) Net worth : As of March 31, 2018 294,376 million yen, As of March 31, 2017 259,974 million yen

* These financial statements are not subject to the audit procedure of certified public accountant or audit firm.

* Explanation of appropriate use of results forecasts and other notes

This document contains forward-looking statements that are based on information and certain assumption NGK INSULATORS, LTD. ("NGK") has acquired and deemed reasonable as of the time of the release and NGK does not guarantee the achievement of them. Actual future results and trends may differ materially from those in the forecasts due to a variety of factors.

Contents of Appendix

1. Overview of Business Results and Others	2
(1) Overview of Business Results for the Fiscal Year Ended March 31, 2018.....	2
(2) Summary of Financial Position for the Fiscal Year Ended March 31, 2018.....	3
(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2018	3
(4) Forecast for the Next Fiscal Years	4
(5) Basic Policy for Profit Sharing and Dividends for the Current and Next Fiscal Years.....	4
2. Management Policies	5
(1) Basic Management Policies of the Company	5
(2) Targeted Management Indicators	5
(3) Capital Policy	5
(4) Medium- to Long-Term Management Strategies and Issues to Be Addressed	5
3. Basic Policies Concerning Selection of Accounting Standards	7
4. Consolidated Financial Statements and Notes Thereto	8
(1) Consolidated Balance Sheet	8
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income ..	10
Consolidated Statement of Income	10
Consolidated Statement of Comprehensive Income	11
(3) Consolidated Statement of Changes in Equity	12
(4) Consolidated Statement of Cash Flows	14
(5) Notes to Consolidated Financial Statements	16
(Note on the Assumption as a Going Concern)	16
(Significant Items Underlying the Preparation of Consolidated Financial Statements)	16
(Changes in Accounting Policy)	16
(Additional Information)	16
(Consolidated Balance Sheet)	17
(Consolidated Statement of Income)	18
(Segment Information)	18
(Per Share Information)	20
(Significant Subsequent Events)	21

1. Overview of Business Results and Others

(1) Overview of Business Results for the Fiscal Year Ended March 31, 2018

During the fiscal year ended March 31, 2018, the Japanese economy remained on a moderate recovery, underpinned by improvements in the employment and income environment. Among overseas economies, developed economies, such as the U.S. and Europe, continued on a moderate recovery, and China and emerging countries were also robust with a sign of pick up.

The NGK Group saw sluggish shipments of both insulators and NAS® (sodium-sulfur) batteries in the Power Business Segment. In the Ceramics Business Segment, the volume of automotive ceramics increased mainly due to an increase in sales of trucks in the Chinese market and tighter emissions regulations in Europe. In the Electronics Business Segment, whereas the quantity of ceramics packages for mobile phone base stations in China fell, the quantities of beryllium copper products and components for semiconductor manufacturing equipment rose. As a result of the above, the total consolidated net sales for the fiscal year ended March 2018 increased by 12.4% on year to ¥451,125 million.

In terms of earnings, despite increases in costs for depreciation, research and development, etc., operating income increased by 10.8% year on year to ¥70,026 million and ordinary income increased by 9.4% to ¥70,615 million as a result of increased consolidated net sales and weaken yen, etc. . With respects to extraordinary income and loss, while posting impairment loss totaling ¥3,768 million and a ¥2,145 million provision for loss related to competition law under extraordinary loss, a gain on sale of investment securities of ¥1,286 million was recorded as extraordinary income. In addition to them, in the previous period the fiscal year ended March 31, 2017, ¥11,213 million was posted for income taxes for prior periods. As a result of the above, profit attributable to owners of parent increased by 25.9% to total ¥45,814 million.

Financial results by segment are as follows.

[Power Business Segment]

Net sales of the Power Business Segment increased by 3.1% year on year to ¥54,451 million.

Although demand for power distribution equipment contracted in light of domestic electric power companies reducing capital investments mainly to cope with sluggish demand for electricity, shipments for China and the Middle East increased. As a result, sales of insulators increased. Sales of NAS® batteries were sluggish due to a lack of large shipments.

In terms of earnings, operating income recovered from a loss of ¥6,622 million in the previous fiscal year to a loss of ¥4,714 million.

[Ceramics Business Segment]

Net sales of the Ceramics Business Segment increased by 9.2% year on year to ¥267,831 million.

Sales volumes of automobile ceramics, such as ceramic substrates for catalytic conversion (large-size HONEYCERAM), rose due to an increase in truck sales in the Chinese market. In addition, the quantity of sensors increased as the number of applied units per vehicle grew, accompanying tighter emissions regulations in Europe and China. Revenues from industrial process apparatuses, especially industrial heating systems, were up due to increasing capital investments related to automotive lithium ion batteries by Chinese customers.

In terms of operating income, although volumes of automotive ceramics and industrial process apparatus rose, costs for launching equipment for production expansion increased in addition to increases in depreciation and development costs. As a result, operating income fell by 10.1% year on year to ¥58,076 million.

million.

[Electronics Business Segment]

Net sales of the Electronics Business Segment increased by 24.6% year on year to ¥128,954 million.

Sales volumes of components for semiconductor manufacturing equipment grew for semiconductor manufacturing equipment as capital investments of semiconductor manufacturers remained high in response to the trend toward multi-layered and microfabrication of semiconductor. The shipments of metals, such as beryllium copper products, rose primarily for industrial equipment in the Chinese market. The sales volumes of electronic components, such as composite wafers and piezoceramic actuators for HDD, increased whereas demand for ceramic packages declined. Soshin Electric Co., Ltd., our consolidated subsidiary, marked sales growth due to vibrant demand for components for industrial equipment.

Operating income surged by 217.2% year on year to ¥16,656 million primarily due to a sales increase in components for semiconductor manufacturing equipment.

(2) Summary of Financial Position for the Fiscal Year Ended March 31, 2018

As of March 31, 2018, total assets were increased by 10.1% from the previous fiscal year-end to ¥836,335 million.

Current assets increased by 7.8% from the previous fiscal year-end to ¥472,472 million, mainly reflecting increases in cash and bank deposits, notes and accounts receivable trade, and inventories, etc., despite a decrease in securities. Non-current assets were increased by 13.3% from the previous fiscal year-end to ¥363,862 million, mainly due to an increase in tangible assets.

Current liabilities decreased by 1.2% from the previous fiscal year-end to ¥126,905 million. This was mainly due to decreases in provision for loss related to competition law and income taxes payable. Long-term liabilities increased by 16.3% from the previous fiscal year-end to ¥236,566 million, mainly due to increases in long-term borrowings and issuance of bonds payable.

Total net assets stood at ¥472,863 million, up 10.6% year on year, due to increases in retained earnings and foreign currency translation adjustments.

As a result, the ratio of net worth to total assets as of March 31, 2018 was 55.1% (compared with 54.9% at the previous fiscal year-end), with net worth per share standing at ¥1,432.67, up ¥137.01 from the previous fiscal year-end.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2018

There was a net increase ¥25,225 million in cash and cash equivalents from the previous fiscal year-end to ¥169,918 million. This reflected ¥50,554 million in net cash provided by operating activities, ¥49,413 million in net cash used in investing activities, and ¥22,546 million in net cash provided by financing activities.

[Cash flows from operating activities]

Net cash provided by operating activities was total ¥50,554 million. This was mainly attributable to posting an income before income taxes and non-controlling interests of ¥65,772 million and depreciation and amortization, despite cash outflows mainly due to increases in income taxes paid, inventories and notes and account receivable trade. In comparison with the previous fiscal year, net cash provided by operating activities decreased by ¥29,618 million.

[Cash flows from investing activities]

Net cash used in investing activities was total ¥49,413 million. This was mainly due to purchases of property, plant and equipment and marketable securities, despite cash inflows due to proceeds from sales and redemption of marketable securities. In comparison with the previous fiscal year, net cash used in investing

activities decreased by ¥7,039 million.

[Cash flows from financing activities]

Net cash provided by financing activities was total ¥22,546 million. This was mainly due to proceeds from long-term borrowings and issuance of bonds payable, despite cash outflows due to cash dividends paid and repayment of long-term borrowings. In comparison with the previous fiscal year, net cash provided by financing activities increased by ¥35,559 million.

(4) Forecast for the Next Fiscal Years

With regard to the outlook for the future economy, although there remain concerns over trade policies of major countries and trends in economic conditions in China and other emerging countries, as well as geopolitical risks, etc., the economy is expected to recover moderately as conditions for employment and income improve.

Under such circumstances, the NGK Group expects a year-on-year sales increase on the strength of demand expansions for automotive ceramics and components for semiconductor manufacturing equipment. In terms of earnings, although depreciation and development costs will rise for boosting production inputs to meet growing demand, earnings are forecast to grow year on year due to enhanced productivity and other factors.

With regard to the forecast for consolidated financial results for the fiscal year ending March 31, 2019, NGK aims to achieve net sales of ¥500.0 billion (up 10.8% year on year), operating income at ¥77.0 billion (up 10.0%), ordinary income at ¥76.5 billion (up 8.3%), and profit attributable to owners to owners of parent at ¥52.0 billion (up 13.5%), assuming that the yen trades at ¥105 to the dollar and ¥125 to the euro.

(5) Basic Policy for Profit Sharing and Dividends for the Current and Next Fiscal Years

NGK views the return of profits to shareholders as one of its most important management policies.

As a basic policy, we strive for shareholder-oriented management that emphasizes return on equity (ROE), and distribute the benefits of successful management with a medium-term target consolidated payout ratio of approximately 30% after consideration of a comprehensive range of factors, including business performance, financial position, and future business development.

NGK plans to pay a year-end dividend of ¥23 per share for the fiscal year ended March 31, 2018. This and the interim dividend of ¥21, which has already been paid, will bring the total annual dividend per share to ¥44.

Taking forecast of increases both in sales and earnings into consideration, NGK expects to raise both of the interim and the fiscal year-end dividend per share to ¥25 respectively for the fiscal year ending March 31, 2019. The total annual dividend per share will result in ¥50.

Meanwhile, NGK plans to utilize retained funds primarily to extend its existing core business and capital investments in new business projects, with a view to enhancing its corporate value.

2. Management Policies

(1) Basic Management Policies of the Company

The NGK Group's corporate mission is to provide value to its customers, shareholders, employees-as well as society as a whole-at all times. Through efforts firmly grounded in its unique ceramic technologies, the NGK Group is active in its "Triple-E" primary business domains of energy, ecology, and electronics.

The NGK Group's fundamental policies for fulfilling its corporate mission are outlined below.

First, through selective concentration of resources and investment, the NGK Group will establish new technologies surpassing those of its competitors, to create new businesses and new products that will secure the top positions in their respective fields ("Strategic Growth").

Next, the NGK Group will seek to enhance its corporate value by implementing efficient management that makes the most of each company's capacity for dynamism and individuality, all based on consolidated group business management ("A Highly Efficient Organization").

Furthermore, the NGK Group will disclose information to shareholders and investors in a timely and proactive manner. In addition, while communicating information broadly to society at large through its public relations activities, the NGK Group will bear its social responsibilities in mind, contributing to society through means such as providing support for foreign-exchange students ("Being a Good Corporate Citizen").

(2) Targeted Management Indicators

The NGK Group seeks to apply a brand of management that focuses on its shareholders, with return on equity (ROE) as the key management indicator. While focusing on an ROE level of 10% or more from the medium- to long-term perspective through efficient investment of business resources to expand core current businesses, launch new businesses, and in other ways improve its earning capacity, the NGK Group will seek to achieve further improvements in capital efficiency.

(3) Capital Policy

The NGK Group implements its capital policy from the perspective of contributing to sustained enhancement of its corporate value based on communication with its shareholders and investors.

The NGK Group will work to realize both financial soundness and securing of profitability that surpasses capital cost, while actively returning profits to shareholders from the medium- to long-term perspective. With ROE, dividend payout ratio, dividend on equity ratio, etc. as important indicators, the NGK Group will aim to maintain profit margin, capital turnover, and financial leverage at sound levels in accordance with business strategies.

(4) Medium- to Long-Term Management Strategies and Issues to Be Addressed

Business opportunities are expected to grow in the NGK Group's business domains of energy, ecology, and electronics backed by the need for public / environmental solutions and technological innovations including IoT, AI, and 5G. That is why over the next three consecutive years the NGK Group plans to make capital investment of over ¥300 billion in order to increase production of automotive ceramics and components for semiconductor manufacturing equipment, as well as mass production of other new products. The NGK Group will focus on building the foundations for growth and launching new businesses as key priorities, while working on the following initiatives.

1) Enhancing the competitiveness of existing businesses: New/reformed manufacturing structures

The NGK Group, as part of new/reformed manufacturing structures, is working to improve product value based on advanced technologies and enhance productivity through innovative manufacturing processes. The NGK Group focuses on improving the efficiency of equipment, and also makes prioritized, carefully-selected new

capital investments, among others, to ensure the achievement of results with the return on capital invested (ROIC) in mind.

Along with promoting the development of automotive ceramics, the NGK Group aims to achieve sustainable growth in our businesses by building a cutting-edge, highly-efficient global production system in response to the reinforcement of emission regulations in various countries and globally increased demand due to the growing sales of automobiles. The NGK Group will move ahead steadily with the launch of new equipment with the main focus on the Thailand Plant (HONEYCERAM), Poland Plant / Ishikawa Plant (Sensor) and second plant in China (GPF: Gasoline Particulate Filters).

Furthermore, the NGK Group launched the "Process Technology Business Group" April 1, 2018 by integrating the HPC (Components for semiconductor manufacturing equipment) Business with the high value-added product series, and the Industrial Process Business, which deploys various businesses with its core ceramic technologies, for the further growth of both businesses. In particular, in response to strong demand for ceramic components for semiconductor manufacturing equipment, the NGK Group will bring forward the launch of production at the new plant to be constructed in Tajimi, Gifu, in addition to investment for enhanced production at Chita Site and Komaki Site, to establish a supply system corresponding to demand. The NGK Group also aims to enhance its competitive advantage to further grow its share through the development of high-performance products, taking the increasing demand for technologies and performance into account.

2) Creating new products and new businesses: "Keep up 30"

The NGK Group established the "2017 Challenge 30" aiming at 30% or more of sales generated by new products five years ago and has been working on it since then, accomplishing it in 2017, its final year. The NGK Group, under the goal of "Keep up 30" to maintain the sales ratio of new products at 30% or more in the next fiscal year and beyond, aims to launch mass-production of a micro-lens for ultraviolet LED and gallium nitride (GaN) wafer, both of which were decided to be commercialized, and accelerate their contribution to revenues. Furthermore, the NGK Group will develop the chip-type ceramic secondary batteries, solid oxide fuel cell (SOFC) and zinc secondary batteries, as well as working on new themes including all-solid state batteries, in order to create next new products / commercialized products.

3) Enhancing global management

The NGK Group operates 46 affiliates in 20 countries outside of Japan. Of those affiliates, 23 engage in manufacturing.

As the NGK Group increasingly expands its operations overseas, in an effort to enhance transparency and autonomy of management, it has been promoting the creation of an environment in which all members of the NGK Group can act in accordance with a fair set of values and evaluation criteria of an international level.

Regarding environmental management, the NGK Group will take the initiative to reduce its environmental impact at all its business bases and throughout all processes to help the preservation of the global environment.

Working to prevent the recurrence of past violations of competition laws, the NGK Group has established an internal system that implements the Competition Law Compliance Program in accordance with international standards. The system works to ensure that directors and employees of the NGK Group throughout the world comply with laws and regulations by providing senior management messages on an ongoing basis and through the use of the Competition Law Compliance Handbook. The NGK Group has also established a whistle-blowing system, the Hotline, to further strengthen the compliance system. Designed to prevent wrongdoing by directors and violations of competition laws, the Foreign Corrupt Practices Act, and other related laws, the Hotline enables the NGK Group's senior management and employees to report directly to the Business Ethics Committee through outside legal counsel.

4) Active participation by a diverse range of human resources and work style reforms

The NGK Group has set the retirement age at 65 to provide employees with job security after they reach the age of 60. During the fiscal year ended March 31, 2018, the NGK Group enhanced working arrangements, including the introduction of short working hours and three-day work weeks, for employees who either must provide childcare or home health care for family members or have serious health conditions, in an effort to provide a choice of flexible work styles and thus support work-life balance. It has also improved its economic support system including a lump sum payment for nursing care support. In recognition of these efforts, the NGK Group received the “Family Friendly Company Award” from the Aichi Prefectural Government as well as the “Minister of Health, Labor and Welfare Excellence Award.” Furthermore, the NGK Group was selected by the Aichi Prefectural Government as a leading company among companies certified as Aichi Josei Kagayaki Companies (Companies Supporting Aichi Women's Career Success) , an award given to model companies which take constructive steps to promote women's participation in the workplace. In the next fiscal year, the NGK Group will continuously work on offering opportunities for active participation by a diverse range of human resources and creating systems and environment that enable build long career, including the promotion of further use of work-at-home system and ICT (information and communication technology) and the enhancement of career training programs for female employees.

As the organization expands in step with the growth of its operations, all of us at the NGK Group will work on the underlying elements of its operations—“Safety”, “Quality”, “the Environment”, and “CSR”—while acting proactively with a high degree of autonomy and accomplishing challenges with our best possible performance in order to be a global company accepted all over the world.

Through the implementation of the above initiatives in order to further strengthen the operating foundations, the NGK Group will continue to pursue sustainable growth and the realization of higher corporate value as it operates its businesses by placing importance on capital efficiency and shareholders.

3. Basic Policies Concerning Selection of Accounting Standards

The NGK Group applies Japanese GAAP, on the other hand, the NGK Group has already unified its accounting standards for accounting period and depreciation and amortization methods, etc. to standards which are same as those of IFRS, in order to make a financial report more appropriate.

4. Consolidated Financial Statements and Notes Thereto

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Assets		
Current assets		
Cash and bank deposits	133,928	119,145
Notes and accounts receivable trade	104,029	92,181
Securities	68,428	71,659
Inventories	※1 130,816	※1 119,081
Deferred tax assets	16,538	19,691
Other	18,855	17,371
Allowance for doubtful accounts	(123)	(867)
Total current assets	472,472	438,263
Non-current assets		
Tangible assets		
Buildings and structures	76,331	66,293
Machinery and vehicles	123,162	97,018
Tools and equipment	6,410	6,063
Land	27,474	27,003
Construction in progress	36,722	32,728
Total tangible assets	270,100	229,107
Intangible assets		
Software	2,496	2,224
Other	1,163	737
Total intangible assets	3,659	2,962
Investments and other assets		
Investment securities	74,649	72,526
Deferred tax assets	4,573	6,545
Net defined benefit asset	7,815	6,924
Other	3,208	3,253
Allowance for doubtful accounts	(145)	(148)
Total investments and other assets	90,102	89,101
Total non-current assets	363,862	321,170
Total assets	836,335	759,434

(Millions of yen)

	As of March 31, 2018	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable trade	46,551	38,898
Short-term borrowings	5,969	6,016
Current portion of long-term borrowings	10,572	6,973
Accounts payable others	17,376	21,834
Accrued expenses	17,167	14,895
Income taxes payable	※2 16,509	※2 21,056
Provision for NAS battery safety measures	2,561	3,650
Provision for loss related to competition law	1,174	9,167
Other	9,022	5,946
Total current liabilities	126,905	128,439
Long-term liabilities		
Bonds payable	10,000	—
Long-term borrowings	185,032	161,160
Deferred tax liabilities	11,655	15,200
Provision for product warranties	2,836	1,654
Net defined benefit liability	20,909	20,926
Other	6,132	4,459
Total long-term liabilities	236,566	203,401
Total liabilities	363,472	331,841
Net assets		
Shareholders' equity		
Common stock	69,849	69,849
Capital surplus	71,948	72,055
Retained earnings	322,622	289,996
Treasury stock	(12,153)	(12,407)
Total shareholders' equity	452,266	419,492
Accumulated other comprehensive income		
Unrealized gain on available -for-sale securities	24,659	23,458
Deferred loss on derivatives under hedge accounting	(31)	(20)
Foreign currency translation adjustments	(7,990)	(15,475)
Defined retirement benefit plans	(7,919)	(10,713)
Total accumulated other comprehensive income	8,717	(2,751)
Stock acquisition rights	857	898
Non-controlling interests	11,021	9,953
Total net assets	472,863	427,593
Total liabilities and net assets	836,335	759,434

**(2) Consolidated Statement of Income
and Consolidated Statement of Comprehensive Income**

Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2017
Net sales	451,125	401,266
Cost of sales	312,107	272,434
Gross profit	139,018	128,832
Selling, general and administrative expenses	※1 68,991	※1 65,619
Operating income	70,026	63,212
Non-operating income		
Interest income	638	438
Dividend income	1,584	1,303
Equity in earnings of unconsolidated subsidiaries and associated companies	1,279	1,791
Reversal of allowance for doubtful accounts	750	27
Other	3,140	998
Total non-operating income	7,393	4,559
Non-operating expenses		
Interest expense	2,418	2,051
Foreign exchange loss	2,070	698
Loss on liquidation of subsidiaries and affiliates	1,804	—
Other	511	464
Total non-operating expense	6,804	3,214
Ordinary income	70,615	64,557
Extraordinary income		
Gain on sales of fixed assets	480	195
Gain on sales of investment securities	1,286	5,248
Subsidy income	103	166
Total extraordinary income	1,869	5,610
Extraordinary loss		
Loss on sales and disposals of fixed assets	799	397
Impairment loss	3,768	4,161
Provision of reserve for loss related to competition law	2,145	6,313
Loss on abolishment of retirement benefit plan of subsidiaries and associates	—	1,773
Total extraordinary loss	6,713	12,646
Income before income taxes and non controlling interests	65,772	57,521
Income taxes -current	※2 18,773	※2 18,012
Income taxes for prior periods	—	11,213
Income taxes -deferred	664	(8,067)
Income taxes - total	19,437	21,157
Profit	46,335	36,364
Profit (loss) attributable to non-controlling interests	520	(15)
Profit attributable to owners of parent	45,814	36,379

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2017
Profit	46,335	36,364
Other comprehensive income		
Unrealized gain on available-for-sale securities	1,195	2,646
Deferred loss on derivatives under hedges accounting	(12)	(22)
Foreign currency translation adjustments	7,731	(9,827)
Defined retirement benefits plans	2,808	4,436
Share of other comprehensive income of associates accounted for by using the equity method	97	381
Total other comprehensive income (loss)	11,819	(2,385)
Comprehensive income	58,154	33,978
Comprehensive income attributable to:		
Owners of parent	57,283	34,041
Non-controlling interests	871	(63)

(3) Consolidated Statement of Changes in Equity
Year Ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of the year	69,849	72,055	289,996	(12,407)	419,492
Changes during the period					
Cash dividends			(13,188)		(13,188)
Profit attributable to owners of parent			45,814		45,814
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		(106)		258	151
Net changes other than shareholders' equity					
Total changes during the period	—	(106)	32,625	254	32,773
Balance at the end of the year	69,849	71,948	322,622	(12,153)	452,266

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	23,458	(20)	(15,475)	(10,713)	(2,751)	898	9,953	427,593
Changes during the period								
Cash dividends								(13,188)
Profit attributable to owners of parent								45,814
Purchase of treasury stock								(3)
Disposal of treasury stock								151
Net changes other than shareholders' equity	1,200	(10)	7,484	2,794	11,469	(41)	1,068	12,495
Total changes during the period	1,200	(10)	7,484	2,794	11,469	(41)	1,068	45,269
Balance at the end of the year	24,659	(31)	(7,990)	(7,919)	8,717	857	11,021	472,863

Year Ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of the year	69,849	72,092	266,580	(1,363)	407,158
Changes during the period					
Cash dividends			(12,963)		(12,963)
Profit attributable to owners of parent			36,379		36,379
Purchase of treasury stock				(11,182)	(11,182)
Disposal of treasury stock		(36)		137	100
Net changes other than shareholders' equity					
Total changes during the period	—	(36)	23,415	(11,044)	12,334
Balance at the end of the year	69,849	72,055	289,996	(12,407)	419,492

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the year	20,832	—	(5,888)	(15,358)	(414)	875	10,352	417,972
Changes during the period								
Cash dividends								(12,963)
Profit attributable to owners of parent								36,379
Purchase of treasury stock								(11,182)
Disposal of treasury stock								100
Net changes other than shareholders' equity	2,625	(20)	(9,586)	4,644	(2,337)	23	(399)	(2,713)
Total changes during the period	2,625	(20)	(9,586)	4,644	(2,337)	23	(399)	9,620
Balance at the end of the year	23,458	(20)	(15,475)	(10,713)	(2,751)	898	9,953	427,593

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes and non-controlling interests	65,772	57,521
Depreciation and amortization	30,316	26,615
Impairment loss	3,768	4,161
Decrease (increase) in net defined benefit asset	2,691	2,319
Increase (decrease) of provision for NAS battery safety measures	(1,088)	(1,755)
Increase (decrease) of provision for loss related to competition law	(7,993)	4,860
Interest and dividend income	(2,223)	(1,742)
Interest expenses	2,418	2,051
Equity in earnings of unconsolidated subsidiaries and associated companies	(1,279)	(1,791)
Gain on sales of investment securities	(1,236)	(5,248)
Decrease (increase) in notes and accounts receivable - trade	(10,196)	8,623
Decrease (increase) in inventories	(10,342)	(12,192)
Decrease (increase) in other current assets	(426)	(2,664)
Increase (decrease) in notes and accounts payable - trade	7,317	3,242
Increase(decrease) in other current liabilities	(2,856)	9,621
Other, net	(826)	1,650
Sub-total	73,814	95,271
Interest and dividends received	2,157	1,760
Dividends received from associated companies	435	435
Interest paid	(2,546)	(2,060)
Income taxes paid	(23,306)	(15,234)
Net cash provided by operating activities	50,554	80,172
Cash flows from investing activities		
Purchases of marketable securities	(57,399)	(46,300)
Proceeds from sales and redemption of marketable securities	55,804	38,765
Purchases of property, plant and equipment	(67,061)	(59,361)
Proceeds from sales and redemption of investment securities	12,181	6,919
Net decrease (increase) in time deposits	6,480	2,786
Proceeds from withdrawal of restricted deposits	—	2,141
Other, net	580	(1,404)
Net cash used in investing activities	(49,413)	(56,452)

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	13	1,602
Proceeds from long-term borrowings	32,443	30,121
Repayment of long-term borrowings	(6,824)	(19,239)
Proceeds from issuance of bonds	10,000	—
Purchase of treasury stock	(3)	(11,182)
Cash dividends paid	(13,188)	(12,963)
Other, net	105	(1,352)
Net cash provided by (used in) financing activities	22,546	(13,013)
Foreign currency translation adjustments on cash and cash equivalents	1,538	(2,079)
Net increase in cash and cash equivalents	25,225	8,627
Cash and cash equivalents, beginning of the year	144,692	136,065
Cash and cash equivalents, end of the year	169,918	144,692

(5) Notes to Consolidated Financial Statements**(Note on the Assumption as a Going Concern)**

Not applicable

(Significant Items Underlying the Preparation of Consolidated Financial Statements)

Accounting standards

Accounting standards for significant allowances

1) Provision for NAS battery safety measures

In response to the fire involving NGK-manufactured NAS® batteries that occurred in September 2011, NGK reserved an allowance as "Provision for NAS battery safety measures" to cover anticipated future expenses on safety measures necessary to expand the NAS battery business.

2) Provision for loss related to competition law

NGK estimated and recorded an allowance for potential losses related to competition law.

3) Provision for product warranties

NGK and some consolidated subsidiaries estimate and accrue the costs of warranty repair for products sold in reserve for future expenses.

(Changes in Accounting Policy)

Not applicable

(Additional Information)

With respect to transactions between NGK and its Polish subsidiary from the fiscal year ended March 31, 2007 through the fiscal year ended March 31, 2010, NGK received a correction based on transfer pricing taxation issued by the Nagoya Regional Taxation Bureau in March 2012. While NGK made a payment of approximately ¥6.2 billion in tax penalties including local taxes, it filed a complaint. NGK later requested the Nagoya National Tax Tribunal to carry out an administrative review, and on June 24, 2016, received a written verdict, which partially rescinded the correction. However, it went only so far as to refund approximately ¥0.1 billion of corporation taxes and local taxes, etc. Believing that cancellation should be made in the full amount, NGK filed an action for revocation of the correction with the Tokyo District Court on December 20, 2016.

While NGK believes that it could still take a considerable amount of time before judgment is passed on the claim, on June 23, 2017 NGK received a correction notice based on transfer pricing taxation for the fiscal year ended March 31, 2011 through the fiscal year ended March 31, 2015. Accordingly, based on the premise that NGK would be subject to the said correction for the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017 as well, ¥8.5 billion in tax penalties for fiscal years from March 31, 2011 through March 31, 2015, and estimated tax amounts for the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017 were added and factored into the financial statements for the fiscal year ended March 31, 2017. In addition, estimated tax amounts for the fiscal year ended March 31, 2018 were recognized under "Income taxes - current" for the fiscal year ended March 31, 2018.

(Consolidated Balance Sheet)

※1. The breakdown of inventories is as follows:

	As of March 31, 2018	As of March 31, 2017
Finished products	52,442 million yen	46,762 million yen
Cost of contracts in progress	805	588
Work in process	14,630	13,169
Raw materials and supplies	62,937	58,561

※2. Income taxes payable

With respect to transactions between NGK and its Polish subsidiary, NGK received a correction notice based on transfer pricing taxation on June 23, 2017. Therefore, the each amount includes estimated tax amounts based on the premise that NGK would be subject to the said correction at the end of each period.

3. Contingent liabilities

The NGK Group is subject to an international investigation on the situation of competition.

Since the receiving of a subpoena by a U.S. subsidiary of NGK from the U.S. Department of Justice (DOJ) in 2011, NGK has cooperated in the investigation concerning ceramic substrates for catalytic converters including establishing the Independent Committee in 2012. In September, 2015, NGK entered into a Plea Agreement with DOJ, agreeing to pay a fine of US\$65.3 million based on charges that it violated U.S. laws including the antitrust law in connection with some transactions for ceramic substrates for catalytic converters, and paid the total amount in November 2015. We have entered into negotiations for compensation for damages with the relevant customers. In addition to some customers requiring monetary compensation, civil lawsuits (class action) have also been filed.

In consideration of such progresses, the NGK Group made an estimate of potential losses, and recognized the estimated amount as of the fiscal year ended March 31, 2018, as “provision for loss related to competition law,” however, additional losses may arise with the emergence of new facts.

Overall details of the investigation and negotiations are not disclosed because they may put the NGK Group at a disadvantage.

(Consolidated Statement of Income)

※1. The major items and their amounts of selling, general and administrative expenses are as follows:

	Year ended March 31, 2018	Year ended March 31, 2017
Salaries, wages, and bonuses	19,968 million yen	19,096 million yen
Freight outward	7,078	6,517
Research and development expenses	8,371	7,341

※2. Income taxes - current

With respect to transactions between NGK and its Polish subsidiary, NGK received a correction notice based on transfer pricing taxation on June 23, 2017. Therefore, the each amount includes estimated tax amounts for the each period based on the premise that NGK would be subject to the said correction.

(Segment Information)
1. Overview of business segments

The NGK Group's business segments are components of the NGK Group for which separate financial information is available and the Board of Directors conducts a regular review in order to determine the allocation of management resources and to assess performance.

The NGK Group plans comprehensive domestic and overseas strategies and conducts business activities under the system of three business divisions, namely Power Business Division, Ceramics Products Business Division and Electronics Business Division; therefore, Power, Ceramics and Electronics constitute the business segments.

Listed below are main products of the respective business segments.

Business segment	Main products
Power	Insulators, hardware for insulator assemblies, current limiting arching horn, bushing shells, fuse cut-outs, APM, line arrester and NAS® (sodium-sulfur) batteries
Ceramics	Automotive ceramics for exhaust gas purification, corrosion-resistant ceramic apparatuses, for chemical industries, gas analyzer, industrial heating systems, refractory products and radioactive waste treatment systems
Electronics	Components for semiconductor manufacturing equipment, ceramic components for electronics, beryllium copper products, and molds

2. Methods of calculating sales, income or loss, assets, liabilities, and other items by business segment

The accounting methods applied to the reported business segments are generally the same as those listed in "Significant items underlying the preparation of consolidated financial statements" in the NGK's most recent securities report "Yuka Shoken Hokokusho" filed on June 29, 2017.

Business segment income is based on operating income. Intersegment sales is based on market prices.

3. Sales, income or loss, assets, liabilities, and other items by business segment

Year ended March 31, 2018

(Millions of yen)

	Business segment				Elimination or Adjustment	Consolidated
	Power	Ceramics	Electronics	Total		
Sales						
Sales to customers	54,408	267,762	128,954	451,125	—	451,125
Intersegment sales	43	69	—	113	(113)	—
Total sales	54,451	267,831	128,954	451,238	(113)	451,125
Operating income (loss)	(4,714)	58,076	16,656	70,018	8	70,026
Total assets	80,902	411,238	122,722	614,863	221,471	836,335
Other						
Depreciation	2,544	21,071	6,700	30,316	—	30,316
Impairment loss	1,283	106	2,378	3,768	—	3,768
Capital expenditures	3,566	46,037	16,137	65,740	5,972	71,713

- (Notes)
1. Elimination or adjustment of operating income (loss) is an adjustment of intersegment transactions.
 2. Corporate assets within total assets that are included in elimination or adjustment are ¥244,956 million, consisting mainly of surplus funds managed by NGK (cash and securities), long-term investment funds (investment securities) and assets related to administrative divisions.
 3. Elimination or adjustment of capital expenditures is an increase at head office divisions.

Year ended March 31, 2017

(Millions of yen)

	Business segment				Elimination or Adjustment	Consolidated
	Power	Ceramics	Electronics	Total		
Sales						
Sales to customers	52,799	244,959	103,507	401,266	—	401,266
Intersegment sales	25	262	—	288	(288)	—
Total sales	52,825	245,221	103,507	401,554	(288)	401,266
Operating income (loss)	(6,622)	64,635	5,250	63,263	(50)	63,212
Total assets	86,144	362,734	105,414	554,293	205,140	759,434
Other						
Depreciation	2,554	18,003	6,057	26,615	—	26,615
Impairment loss	2,906	—	1,254	4,161	—	4,161
Capital expenditures	4,293	44,741	9,389	58,424	1,676	60,101

- (Notes)
1. Elimination or adjustment of operating income (loss) is an adjustment of intersegment transactions.
 2. Corporate assets within total assets that are included in elimination or adjustment are ¥241,063 million, consisting mainly of surplus funds managed by NGK (cash and securities), long-term investment funds (investment securities) and assets related to administrative divisions.
 3. Elimination or adjustment of capital expenditures is an increase at head office divisions.

【Related information】

Year ended March 31, 2018
Information about geographical areas
Sales

(Millions of yen)

Sales to customers	Japan	North America			Europe			Asia			Others	Total
		Total	USA	Others	Total	Germany	Others	Total	China	Others		
	123,831	109,347	101,250	8,096	95,668	41,627	54,040	106,900	49,276	57,624	15,377	451,125

(Note) Sales are attributed to countries based on the location of the customers.

Year ended March 31, 2017
Information about geographical areas
Sales

(Millions of yen)

Sales to customers	Japan	North America			Europe			Asia			Others	Total
		Total	USA	Others	Total	Germany	Others	Total	China	Others		
	113,130	93,027	86,418	6,609	87,270	41,148	46,121	96,318	44,900	51,417	11,519	401,266

(Note) Sales are attributed to countries based on the location of the customers.

(Per Share Information)

	Year ended March 31, 2018	Year ended March 31, 2017
Net worth per share	1,432.67 yen	1,295.66 yen
Profit per share	142.42 yen	112.71 yen
Diluted profit per share	142.18 yen	112.51 yen

(Note) The basis for calculation of profit per share and diluted profit per share is as follows:

	Year ended March 31, 2018	Year ended March 31, 2017
Profit per share		
Profit attributable to owners of parent (Millions of yen)	45,814	36,379
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit on common stock (Millions of yen)	45,814	36,379
Average number of shares of common stock over the period (Thousand shares)	321,694	322,760
Diluted profit per share		
Adjustment to profit (Millions of yen)	–	–
Increase in common shares (Thousand shares)	542	572
(Stock options in the form of stock acquisition rights)	(542)	(572)
Summary of potentially dilutive shares not included in the calculation of diluted profit per share due to their anti- dilutive effect	–	–

(Significant Subsequent Events)

(Changes in Segments)

In the fiscal year ended March 31, 2018, the business segments consisted of "Power," "Ceramics," and "Electronics." However, along with the change of organization effective on April 1, 2018, the business segments have been changed to "Power," "Ceramics," "Electronics" and "Process Technology" from the fiscal year ending March 31, 2019.

Listed below are main products of the respective new business segments.

Business Segment	Main products
Power	Insulators, hardware for insulator assemblies, current limiting arching horn, bushing shells, fuse cut-outs, APM, line arrester and NAS® (sodium-sulfur) batteries
Ceramics	Automotive ceramics for exhaust gas purification,
Electronics	Ceramic components for electronics, beryllium copper products, and molds
Process Technology	Components for semiconductor manufacturing equipment, corrosion-resistant ceramic apparatuses, for chemical industries, gas analyzer, industrial heating systems, refractory products and radioactive waste treatment systems

Amounts of net sales, and income (loss) for the fiscal year ended March 31, 2018 in accordance with the new business segments are as below.

Year ended March 31, 2018

(Millions of yen)

	Business segment					Elimination or Adjustment	Consolidated
	Power	Ceramics	Electronics	Process Technology	Total		
Sales							
Sales to customers	54,408	240,659	61,315	94,741	451,125	–	451,125
Intersegment sales	43	10	4	2,720	2,779	(2,779)	–
Total sales	54,451	240,670	61,320	97,461	453,904	(2,779)	451,125
Operating income (loss)	(4,714)	56,719	916	17,096	70,018	8	70,026

(Note) Elimination or adjustment of operating income (loss) is an adjustment of intersegment transactions.