

**Summary of Consolidated Financial Results
for the Nine Months Ended December 31, 2018
[Japanese GAAP]**

January 31, 2019

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 Filing of Securities Report "Shihanki Hokokusho" (Scheduled) : February 8, 2019
 Date of Dividend Payment (Scheduled) : —
 Availability of supplementary explanatory materials prepared for financial results : None
 Briefing session on financial results to be held : None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2018 (from April 1, 2018 to December 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	%
Nine months ended December 31, 2018	342,721	3.1	52,788	(3.9)	51,590	(3.0)	35,334	5.3
Nine months ended December 31, 2017	332,394	13.3	54,934	10.2	53,187	7.4	33,560	(3.4)

(Note) Comprehensive income : Nine months ended December 31, 2018 29,574 million yen (51.4)%
 : Nine months ended December 31, 2017 60,801 million yen 52.0%

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended December 31, 2018	109.81	109.64
Nine months ended December 31, 2017	104.33	104.15

(2) Consolidated Financial Position

	Total assets	Total net assets	Ratio of net worth to total assets
	Millions of yen	Millions of yen	%
December 31, 2018	857,930	487,664	55.5
March 31, 2018	826,243	472,863	55.8

(Reference) Net worth : As of December 31, 2018 475,768 million yen
 : As of March 31, 2018 460,983 million yen

2. Dividend Payment

	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total (Full-year)
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	21.00	—	23.00	44.00
Year ending March 31, 2019	—	25.00	—		
Year ending March 31, 2019 (forecast)				25.00	50.00

(Note) Revision of cash dividend forecast during this period: None

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
Year ending March 31, 2019	470,000	4.2	70,000	(0.0)	68,000	(3.7)	44,000	(4.0)	136.74

(Note) Revision of forecasts of consolidated financial results during this period: None

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) : Yes
New — company (), Exclusion 1 company (NGK INSULATORS SUZHOU CO., LTD.)

(2) Application of special accounting methods for preparing quarterly consolidated financial statements : None

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

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

(Note) For details, please refer to "2. Consolidated Financial Statements and Notes (3) Notes to Consolidated Financial Statements (Changes in Accounting Policy)" on page 7 of the Appendix.

(4) Number of shares outstanding (Common Shares)

i. Number of shares outstanding at period end including treasury stocks	December 31, 2018	327,560,196 shares	March 31, 2018	327,560,196 shares
ii. Number of treasury stocks at period end	December 31, 2018	5,785,101 shares	March 31, 2018	5,794,181 shares
iii. Average number of shares outstanding over period	December 31, 2018	321,770,936 shares	December 31, 2017	321,677,848 shares

* These quarterly financial statements are not subject to the quarterly review 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.

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1. Qualitative Information on Quarterly Financial Statements

(1) Explanation of Business Results

During the nine months ended December 31, 2018, the Japanese economy continued to recover moderately due to improvements in the employment and income environments. Overseas, the economies of the U.S., European states and other developed countries continued to recover while the Chinese economy decelerated as reflected in its slower pace of growth.

The NGK Group experienced weak shipments of insulators to Chinese, North American and Middle Eastern markets in the Power Business Segment on top of a decline in domestic demand. In the Ceramics Business Segment, shipments of ceramic substrates for catalytic conversion (HONEYCERAM) and SiC-based diesel particulate filters (DPF) dropped in conjunction with a slowdown in passenger car sales in the Chinese market and the lower ratio of diesel passenger cars in Europe. On the other hand, the distribution volumes of gasoline particulate filters (GPF) for passenger cars and sensors increased, due to the tightening of emission regulations in Europe. In the Electronics Business Segment, demand for bonded wafers for SAW filters and piezoceramics actuators for HDD increased. Meanwhile, demand for package products was sluggish on the backdrop of stagnant capital investments for mobile phone base stations in China. In the Process Technology Business Segment, the distribution volume of products for semiconductor manufacturing equipment heightened in response to the trend toward multi-layered semiconductors and their microfabrication.

As a result of the above, consolidated net sales for the nine months ended December 31, 2018 increased 3.1% year on year to ¥342,721 million. In terms of earnings, despite increased net sales, R&D and depreciation costs among others increased, causing operating income to decrease 3.9% year on year to ¥52,788 million, ordinary income decreased 3.0% year on year to ¥51,590 million. Profit attributable to owners of the parent increased 5.3% year on year to ¥35,334 million since the tax burden was reduced in connection with the completion of liquidation of an overseas subsidiary resolved in the year ended March 2014.

By segment, the Power Business Segment posted ¥36,457 million in net sales, a decrease of 10.9% year on year, and an operating loss of ¥4,703 million, compared to an operating loss of ¥2,501 million in the same period of the previous year. In the Ceramics Business Segment, net sales increased by 4.0% year on year to ¥184,911 million and operating income was ¥42,941 million, a decrease of ¥10 million from the same period of the previous year. In the Electronics Business Segment, net sales decreased by 0.9% year on year to ¥44,896 million, and an operating income was ¥325 million, a decrease of 61.4% from the same period of the previous year. In the Process Technology Business Segment, net sales increased by 11.5% year on year to ¥78,531 million and operating income increased by 4.4% year on year to ¥14,238 million.

From the beginning of fiscal year ending March 31, 2019, following organizational changes, the segment classification of the NGK Group has been changed from the "Power Business Segment," "Ceramics Business Segment," and "Electronics Business Segment" to the "Power Business Segment," "Ceramics Business Segment," "Electronics Business Segment," and "Process Technology Business Segment." Figures in each business segment for the previous fiscal year have been restated to reflect the change in segment classification to facilitate year-on-year comparisons of business performance.

(2) Explanation of Financial Position

As of December 31, 2018, total assets were ¥857,930 million, an increase of ¥31,687 million from the previous fiscal year-end. This was mainly due to increases in tangible assets and inventories despite decreases in cash and bank deposit and investment securities. Total liabilities increased by ¥16,886 million from the previous fiscal year-end to ¥370,266 million. This was mainly due to an increase in bonds payable. Total net assets stood at ¥487,664 million, or ¥14,801 million higher than the previous fiscal year-end, due to increase in retained earnings despite decreases in unrealized gain on available-for-sale securities and foreign currency translation adjustment.

(3) Explanation of Forward-looking Statements including Forecasts for Consolidated Financial Statements

With regard to the financial results forecasts for the full year ending March 31, 2019, no revisions have been made to those announced on October 30, 2018 and the previous forecasts remain unchanged. If there is any necessity to revise the full year forecasts, updated information will be disclosed immediately.

Financial results forecasts are based on information that are currently available and actual results may differ materially from those in the forecasts due to various factors.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2018	As of March 31, 2018
Assets		
Current assets		
Cash and bank deposits	112,040	133,928
Notes and accounts receivable trade	100,574	104,029
Securities	64,140	68,428
Inventories	151,099	130,816
Other	22,196	18,855
Allowance for doubtful accounts	(126)	(123)
Total current assets	449,925	455,934
Non-current assets		
Tangible assets		
Buildings and structures	87,565	76,331
Machinery and vehicles	134,118	123,162
Other	96,305	70,607
Total tangible assets	317,989	270,100
Intangible assets		
Investments and other assets	3,892	3,659
Investment securities	64,368	74,649
Other	21,902	22,044
Allowance for doubtful accounts	(147)	(145)
Total investments and other assets	86,123	96,548
Total non-current assets	408,005	370,308
Total assets	857,930	826,243

(Millions of yen)

	As of December 31, 2018	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable trade	45,482	46,551
Short-term borrowings	8,383	5,969
Current portion of long-term borrowings	28,838	10,572
Income taxes payable	※ 1 9,618	※ 1 16,509
Provision for NAS battery safety measures	2,123	2,561
Provision for loss related to competition law	1,564	1,174
Other	45,066	43,561
Total current liabilities	141,077	126,899
Long-term liabilities		
Bonds payable	25,000	10,000
Long-term borrowings	172,179	185,032
Net defined benefit liability	20,964	20,909
Other	11,044	10,538
Total long-term liabilities	229,188	226,480
Total liabilities	370,266	353,380
Net assets		
Shareholders' equity		
Common stock	69,849	69,849
Capital surplus	71,944	71,948
Retained earnings	343,151	322,622
Treasury stock	(12,133)	(12,153)
Total shareholders' equity	472,811	452,266
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	19,045	24,659
Deferred gain (loss) on derivatives under hedge accounting	(132)	(31)
Foreign currency translation adjustments	(10,299)	(7,990)
Defined retirement benefit plans	(5,655)	(7,919)
Total accumulated other comprehensive income	2,957	8,717
Stock acquisition rights	933	857
Non-controlling interests	10,961	11,021
Total net assets	487,664	472,863
Total liabilities and net assets	857,930	826,243

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

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Net sales	342,721	332,394
Cost of sales	235,208	226,994
Gross profit	107,512	105,399
Selling, general and administrative expenses	54,724	50,464
Operating income	52,788	54,934
Non-operating income		
Interest income	535	455
Dividend income	1,236	1,502
Gain on valuation of derivatives	262	—
Other	1,361	2,141
Total non-operating income	3,395	4,099
Non-operating expenses		
Interest expense	2,092	1,833
Equity in loss of unconsolidated subsidiaries and associated companies	697	920
Foreign exchange loss	1,057	671
Loss on valuation of derivatives	—	273
Loss on liquidation of subsidiaries and affiliates	455	1,847
Other	289	300
Total non-operating expense	4,593	5,846
Ordinary income	51,590	53,187
Extraordinary income		
Gain on sales of fixed assets	158	52
Gain on sales of investment securities	39	818
Total extraordinary income	197	871
Extraordinary loss		
Loss on sales and disposals of fixed assets	305	647
Impairment loss	1,497	2,462
Loss on abolishment of retirement benefit plan of subsidiaries and associates	※ 1 1,374	—
Loss on business of subsidiaries and associates	576	—
Provision of reserve for loss related to competition law	389	2,145
Total extraordinary loss	4,143	5,255
Income before income taxes and non-controlling interests	47,644	48,802
Income taxes - current	9,407	12,176
Income taxes - deferred	2,841	2,680
Income taxes - total	12,249	14,856
Profit	35,395	33,946
Profit attributable to non-controlling interests	61	385
Profit attributable to owners of parent	35,334	33,560

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Profit	35,395	33,946
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(5,652)	7,457
Deferred gain (loss) on derivatives under hedge accounting	(105)	(22)
Foreign currency translation adjustments	(2,312)	17,705
Defined retirement benefit plans	2,202	1,726
Share of other comprehensive income (loss) of associates accounted for by using the equity method	47	(10)
Total other comprehensive income (loss)	(5,821)	26,855
Comprehensive income	29,574	60,801
Comprehensive income attributable to:		
Owners of parent	29,574	59,931
Non-controlling interests	(0)	870

(3) Notes to Consolidated Financial Statements

(Note on the Assumption as a Going Concern)

Not applicable

(Significant Changes in Stockholder's Equity)

Not applicable

(Changes in Accounting Policy)

The NGK Group's subsidiaries reporting under IFRS have applied IFRS 15 "Revenue from Contracts with Customers" from the beginning of fiscal year ending March 31, 2019.

The impact of this change on profit or loss for the nine months ended December 31, 2018 is insignificant.

The Group has adopted the approach of recognizing the cumulative effect of applying this standard at the date of initial application as permitted by transitional method of IFRS 15.

(Additional Information)

(Adoption of "ASBJ Guidance No. 28 Implementation Guidance on Tax Effect Accounting")

Effective from the beginning of fiscal year ending March 31, 2019, NGK adopted the "ASBJ Guidance No. 28 Implementation Guidance on Tax Effect Accounting". Accordingly, deferred tax assets were classified as Investments and other assets and deferred tax liabilities were classified as Long-term liabilities.

(Action filed for the revocation of correction and correction for the subsequent fiscal years based on transfer pricing taxation)

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 years subsequent to March, 2018 were recognized to the financial statement as necessary.

(Other Notes)

(Consolidated Balance Sheet)

※1. 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 amount includes estimated tax amounts based on the premise that NGK would be subject to the said correction for the fiscal years subsequent to March, 2016.

2. 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 end of nine months ended December 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. Loss on abolishment of retirement benefit plan of subsidiaries and associates

This loss relates to the partial abolishment of retirement benefit plans at our consolidated subsidiary in the U.S..

(Segment Information)

(1) Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

(Millions of yen)

	Business Segment					Elimination or Adjustment	Consolidated
	Power	Ceramics	Electronics	Process Technology	Total		
Sales							
Sales to customers	36,414	184,904	44,896	76,507	342,721	—	342,721
Intersegment sales	43	7	—	2,024	2,074	(2,074)	—
Total sales	36,457	184,911	44,896	78,531	344,795	(2,074)	342,721
Operating income (loss)	(4,703)	42,941	325	14,238	52,801	(12)	52,788

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

(2) Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

(Millions of yen)

	Business Segment					Elimination or Adjustment	Consolidated
	Power	Ceramics	Electronics	Process Technology	Total		
Sales							
Sales to customers	40,887	177,866	45,319	68,320	332,394	—	332,394
Intersegment sales	37	5	—	2,142	2,185	(2,185)	—
Total sales	40,925	177,872	45,319	70,462	334,580	(2,185)	332,394
Operating income (loss)	(2,501)	42,951	843	13,635	54,928	5	54,934

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

(3) Changes in Segments

From the beginning of fiscal year ending March 31, 2019, following organizational changes, the segment classification of the NGK Group has been changed from the "Power Business Segment," "Ceramics Business Segment," and "Electronics Business Segment" to the "Power Business Segment," "Ceramics Business Segment," "Electronics Business Segment," and "Process Technology Business Segment." Figures in each business segment for the previous fiscal year have been restated to reflect the change in segment classification to facilitate year-on-year comparisons of business performance.