

## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]

July 31, 2020

Company Name : NGK INSULATORS, LTD.  
 Stock Exchange Listings : Tokyo and Nagoya  
 Listing Code : 5333  
 URL : <https://www.ngk-insulators.com/en/>  
 Representative : President Taku Oshima  
 Contact : Vice President, General Manager Finance & Accounting Department Hideaki Shindo (TEL) +81-52-872-7230  
 Date of the Filing of Securities Report "Shihanki Hokokusho" (Scheduled) : August 7, 2020  
 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 Three Months Ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(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	%
Three months ended June 30, 2020	83,030	(23.5)	(283)	—	189	(98.7)	(244)	—
Three months ended June 30, 2019	108,510	(5.8)	16,200	(15.2)	15,040	(17.1)	11,413	(3.4)

(Note) Comprehensive income : Three months ended June 30, 2020 1,523 million yen (38.7) %  
 : Three months ended June 30, 2019 2,486 million yen (79.8) %

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended June 30, 2020	(0.77)	—
Three months ended June 30, 2019	35.47	35.41

### (2) Consolidated Financial Position

	Total assets	Total net assets	Ratio of net worth to total assets
	Millions of yen	Millions of yen	%
June 30, 2020	832,560	462,709	54.3
March 31, 2020	833,085	469,118	55.0

(Reference) Net worth : As of June 30, 2020 452,381 million yen  
 : As of March 31, 2020 458,551 million yen

### 2. Dividend Payment

	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total (Full-year)
Year ended March 31, 2020	Yen —	Yen 25.00	Yen —	Yen 25.00	Yen 50.00
Year ending March 31, 2021	—	—	—	—	—
Year ending March 31, 2021 (forecast)	—	10.00	—	20.00	30.00

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

### 3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2021

(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, 2020	190,000	(13.5)	3,000	(90.5)	1,500	(94.9)	1,000	(95.3)	3.16
Year ending March 31, 2021	420,000	(5.0)	30,000	(45.5)	29,000	(44.2)	17,000	(37.4)	53.71

(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): None

New — company ( ), Exclusion — company ( )

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

- (4) Number of shares outstanding (Common Shares)

i. Number of shares outstanding at period end including treasury stocks	June 30, 2020	322,211,996 shares	March 31, 2020	322,211,996 shares
ii. Number of treasury stocks at period end	June 30, 2020	5,658,321 shares	March 31, 2020	5,668,060 shares
iii. Average number of shares outstanding over period	June 30, 2020	316,546,860 shares	June 30, 2019	321,792,662 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.

**Contents of Appendix**

<b>1. Qualitative Information on Quarterly Financial Statements</b> .....	<b>2</b>
(1) Explanation of Business Results .....	2
(2) Explanation of Financial Position .....	2
(3) Explanation of Forward-looking Statements including Forecasts for Consolidated Financial Statements .....	2
<b>2. Consolidated Financial Statements and Notes</b> .....	<b>3</b>
(1) Consolidated Balance Sheet .....	3
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income .....	5
Consolidated Statement of Income .....	5
Consolidated Statement of Comprehensive Income .....	6
(3) Notes to Consolidated Financial Statements .....	7
(Note on the Assumption as a Going Concern) .....	7
(Significant Changes in Stockholder's Equity) .....	7
(Additional Information) .....	7
(Other Notes) .....	7
(Segment Information) .....	8

## **1. Qualitative Information on Quarterly Financial Statements**

### **(1) Explanation of Business Results**

During the first three months ended June 30, 2020 the Japanese economy recorded negative growth as a decrease in personal consumption expenditures and deterioration of corporate performance due to the spread of the new coronavirus infection (COVID-19). Overseas, while the restrictions placed on economic activities as lockdown measures taken in Europe and United States seriously affected the economies of many countries, the Chinese economy began to pick up as the country resumed economic activities on a full-scale basis.

Under these circumstances, the NGK Group's Energy Infrastructure Business experienced a decline in demand for insulators due to restrained capital investment by domestic electric power companies. In the Ceramics Business Segment, shipments of automobile-related products decreased significantly due to the slump in the number of passenger cars sold worldwide caused by the impact of COVID-19. In the Electronics Business Segment, shipments of beryllium copper products and ceramic packages decreased due to a deterioration in the market. In the Process Technology Business Segment, shipments of products for semiconductor manufacturing equipment increased on the back of higher capital investments by semiconductor manufacturers.

As a result, consolidated net sales in the three months ended June 30, 2020 decreased 23.5% year-on-year to ¥83,030 million. In terms of earnings, the NGK Group recorded an operating loss of ¥283 million (operating income of ¥16,200 million in the same period of the previous year), due to an adverse impact of the worsening performance in the Ceramics Business Segment. Ordinary income fell 98.7% year on year to ¥189 million. The Group recorded a loss attributable to owners of parent of ¥244 million (profit attributable to owners of parent of ¥11,413 million in the same period of the previous year).

By segment, the Energy Infrastructure Business Segment posted net sales of ¥9,284 million, a decrease of 1.9% year on year, and an operating loss of ¥1,114 million (operating loss of ¥1,285 million in the same period of the previous year). In the Ceramics Business Segment, net sales decreased 42.0% year on year to ¥37,346 million and operating loss was ¥2,687 million (operating income of ¥15,760 million in the same period of the previous year). In the Electronics Business Segment, net sales decreased 10.0% year on year to ¥12,727 million and operating income fell 65.9% year on year to ¥84 million. In the Process Technology Business Segment, net sales increased 15.5% year on year to ¥24,325 million and operating income surged 132.6% year on year to ¥3,429 million.

Please note that from the first quarter under review, the Power Business has been called the Energy Infrastructure Business.

### **(2) Explanation of Financial Position**

As of June 30, 2020, total assets were ¥832,560 million, a decrease of ¥525 million from the previous fiscal year-end. This was mainly due to decreases in notes and accounts receivable trade and securities despite increases in cash and bank deposits and inventories.

Total liabilities increased by ¥5,884 million from the previous fiscal year-end to ¥369,851 million. This was mainly due to an increase in long-term borrowings despite decreases in income taxes payable and notes and accounts payable trade.

Total net assets stood at ¥462,709 million, or ¥6,409 million lower than the previous fiscal year-end, due to a decrease in retained earnings.

### **(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, 2021 no revisions have been made to those announced on June 11, 2020 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 June 30, 2020	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and bank deposits	98,916	80,160
Notes and accounts receivable trade	84,138	101,377
Securities	23,797	31,016
Inventories	165,957	157,389
Other	20,617	28,583
Allowance for doubtful accounts	(148)	(153)
Total current assets	393,278	398,374
Non-current assets		
Tangible assets		
Buildings and structures	108,379	106,886
Machinery and vehicles	173,113	168,550
Other	82,623	83,970
Total tangible assets	364,116	359,407
Intangible assets	3,951	3,460
Investments and other assets		
Investment securities	50,815	49,996
Other	21,036	22,485
Allowance for doubtful accounts	(637)	(639)
Total investments and other assets	71,215	71,842
Total non-current assets	439,282	434,710
<b>Total assets</b>	<b>832,560</b>	<b>833,085</b>

(Millions of yen)

	As of June 30, 2020	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable trade	38,740	43,241
Short-term borrowings	7,802	6,407
Current portion of long-term borrowings	10,608	9,218
Income taxes payable	※ 1 5,341	※ 1 12,225
Provision for NAS battery safety measures	1,553	1,657
Provision for loss related to competition law	58	1,145
Other	37,256	40,393
<b>Total current liabilities</b>	<b>101,361</b>	<b>114,289</b>
Long-term liabilities		
Bonds payable	25,900	25,000
Long-term borrowings	212,205	193,773
Net defined benefit liability	21,107	21,012
Other	9,276	9,891
<b>Total long-term liabilities</b>	<b>268,489</b>	<b>249,677</b>
<b>Total liabilities</b>	<b>369,851</b>	<b>363,966</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	69,849	69,849
Capital surplus	70,194	70,199
Retained earnings	337,530	345,688
Treasury stock	(11,244)	(11,264)
<b>Total shareholders' equity</b>	<b>466,330</b>	<b>474,473</b>
Accumulated other comprehensive income (loss)		
Unrealized gain on available-for-sale securities	12,654	11,336
Deferred gain (loss) on derivatives under hedge accounting	(253)	(461)
Foreign currency translation adjustments	(21,322)	(21,390)
Defined retirement benefit plans	(5,027)	(5,406)
<b>Total accumulated other comprehensive income (loss)</b>	<b>(13,948)</b>	<b>(15,921)</b>
Stock acquisition rights	813	828
Non-controlling interests	9,514	9,737
<b>Total net assets</b>	<b>462,709</b>	<b>469,118</b>
<b>Total liabilities and net assets</b>	<b>832,560</b>	<b>833,085</b>

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

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2019
<b>Net sales</b>	<b>83,030</b>	<b>108,510</b>
Cost of sales	66,794	73,525
<b>Gross profit</b>	<b>16,235</b>	<b>34,985</b>
Selling, general and administrative expenses	16,519	18,785
<b>Operating income (loss)</b>	<b>(283)</b>	<b>16,200</b>
Non-operating income		
Interest income	54	134
Dividend income	557	674
Foreign exchange gain	1,160	—
Gain on valuation of derivatives	—	584
Other	410	327
Total non-operating income	2,182	1,721
Non-operating expenses		
Interest expense	826	724
Equity in loss of unconsolidated subsidiaries and associated companies	445	297
Foreign exchange loss	—	760
Loss on valuation of derivatives	150	—
Other	276	1,097
Total non-operating expense	1,709	2,880
<b>Ordinary income</b>	<b>189</b>	<b>15,040</b>
Extraordinary income		
Gain on sales of fixed assets	8	37
Gain on sales of investment securities	106	10
Subsidy income	315	—
Total extraordinary income	430	48
Extraordinary loss		
Loss on sales and disposals of fixed assets	46	173
Impairment loss	—	149
Total extraordinary loss	46	323
<b>Income before income taxes and non-controlling interests</b>	<b>574</b>	<b>14,766</b>
Income taxes-current	941	2,647
Refund of income taxes	—	(425)
Income taxes-deferred	107	1,248
Income taxes-total	1,049	3,470
<b>Profit (loss)</b>	<b>(475)</b>	<b>11,295</b>
Profit (loss) attributable to non-controlling interests	(231)	(117)
<b>Profit (loss) attributable to owners of parent</b>	<b>(244)</b>	<b>11,413</b>

**Consolidated Statement of Comprehensive Income**

(Millions of yen)

	Three months ended June 30 2020	Three months ended June 30, 2019
<b>Profit (loss)</b>	<b>(475)</b>	<b>11,295</b>
Other comprehensive income (loss)		
Unrealized gain(loss) on available-for-sale securities	1,319	(2,013)
Deferred gain on derivatives under hedge accounting	208	72
Foreign currency translation adjustments	98	(7,037)
Defined retirement benefit plans	245	96
Share of other comprehensive income of associates accounted for by using the equity method	126	72
Total other comprehensive income (loss)	1,999	(8,809)
<b>Comprehensive income</b>	<b>1,523</b>	<b>2,486</b>
Comprehensive income (loss) attributable to:		
Owners of parent	1,728	2,714
Non-controlling interests	(204)	(227)



**(3) Notes to Consolidated Financial Statements**  
**(Note on the Assumption as a Going Concern)**  
Not applicable

**(Significant Changes in Stockholder's Equity)**  
Not applicable

**(Additional Information)**

(Regarding filing action for the revocation of correction based on transfer pricing taxation)

With regard to the transactions between NGK and its subsidiary in Poland from the fiscal year ended March 31, 2007 through the fiscal year ended March 31, 2010, NGK received a correction (approximately 6.2 billion yen in tax penalties) based on transfer pricing taxation issued by the Nagoya Regional Taxation Bureau in March 2012. NGK filed an action with the Tokyo District Court for the revocation of correction in December 2016, and it is still under examination.

Following the correction abovementioned, also with regard to the transactions between NGK and its subsidiary in Poland from the fiscal year ended March 31, 2011 through the fiscal year ended March 31, 2015, NGK received a correction based on transfer pricing taxation from the Nagoya Regional Taxation Bureau in June 2017, and it made payment of approximately 8.5 billion yen in tax penalties, including local taxes. A request for re-examination was submitted to the Nagoya National Tax Tribunal in July 2018 as a request for cancellation of the correction, and NGK received a written verdict that partially rescinded the correction in July 2019. However, it went only so far as to refund approximately 0.4 billion yen of corporate taxes and local taxes, etc. at this stage. Because NGK takes the position that the entire amount should be rescinded, it filed an action with the Tokyo District Court for the revocation of correction in December 2019.

In light of the above, NGK estimated tax amounts for the said period based on the premise that it would be subject to the said correction for fiscal years subsequent to March 31, 2016 and recognized the amounts in the financial statements.

**(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 in June 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 31, 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 fiscal year ended June 30, 2020, 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.

**(Segment Information)**

(1) Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(Millions of yen)

	Business Segment					Elimination or Adjustment	Consolidated
	Energy Infrastructure	Ceramics	Electronics	Process Technology	Total		
Sales							
Sales to customers	9,151	37,345	12,727	23,805	83,030	—	83,030
Intersegment sales	132	0	—	519	652	(652)	—
Total sales	9,284	37,346	12,727	24,325	83,682	(652)	83,030
Operating income (loss)	(1,114)	(2,687)	84	3,429	(288)	4	(283)

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

From the first quarter under review, the NGK Group changed the name of a reportable segment from “Power Business” to “Energy Infrastructure Business.” This change is only a name change and does not affect segment information. Segment information for the same three-month period in the previous fiscal year is also presented under the new name.

(2) Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

(Millions of yen)

	Business Segment					Elimination or Adjustment	Consolidated
	Energy Infrastructure	Ceramics	Electronics	Process Technology	Total		
Sales							
Sales to customers	9,460	64,404	14,146	20,499	108,510	—	108,510
Intersegment sales	7	3	1	554	567	(567)	—
Total sales	9,468	64,408	14,147	21,053	109,078	(567)	108,510
Operating income (loss)	(1,285)	15,760	247	1,474	16,197	2	16,200

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