

**Summary of Consolidated Financial Results
for the Six Months Ended September 30, 2020
[Japanese GAAP]**

October 30, 2020

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) : November 6, 2020
 Date of Dividend Payment (Scheduled) : December 4, 2020
 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 Six Months Ended September 30, 2020 (from April 1, 2020 to September 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	%
Six months ended September 30, 2020	194,942	(11.3)	11,573	(63.4)	12,218	(58.8)	7,267	(65.8)
Six months ended September 30, 2019	219,766	(3.7)	31,643	(11.4)	29,679	(13.3)	21,244	(14.0)

(Note) Comprehensive income : Six months ended September 30, 2020 12,357 million yen (107.1) %
 : Six months ended September 30, 2019 5,967 million yen (81.4) %

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended September 30, 2020	22.96	22.92
Six months ended September 30, 2019	66.02	65.91

(2) Consolidated Financial Position

	Total assets	Total net assets	Ratio of net worth to total assets
	Millions of yen	Millions of yen	%
September 30, 2020	852,136	473,622	54.4
March 31, 2020	833,085	469,118	55.0

(Reference) Net worth : As of September 30, 2020 463,136 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	—	10.00			
Year ending March 31, 2021 (forecast)			—	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
Year ending March 31, 2021	435,000	(1.6)	42,000	(23.6)	43,000	(17.2)	28,000	3.2	88.45

(Note) Revision of forecasts of consolidated financial results during this period: Yes

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	September 30, 2020	322,211,996 shares	March 31, 2020	322,211,996 shares
ii. Number of treasury stocks at period end	September 30, 2020	5,639,512 shares	March 31, 2020	5,668,060 shares
iii. Average number of shares outstanding over period	September 30, 2020	316,557,312 shares	September 30, 2019	321,807,345 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 first six months of the fiscal year under review, the Japanese economy showed signs of recovery after bottoming out in the first quarter due to the gradual resumption of economic activities while measures were taken to prevent the spread of COVID-19. Overseas, while conditions were severe in the United States and Europe due to restraints on economic activities, the global economy showed signs of gradual recovery, supported by the fiscal and monetary policies in each country. Currently, while the Chinese economy continues to recover, the virus is spreading again in Europe, and the outlook for the global economy remains uncertain.

In the NGK Group, the Energy Infrastructure Business was sluggish especially for power distribution products due to curbs on capital investment by domestic electric power companies. In the Ceramics Business, although automobile sales and production are recovering mainly in the Chinese market, shipments of automobile-related products decreased significantly due to a decline in automobile sales worldwide owing to COVID-19. In the Electronics Business, demand for composite wafers for SAW filters and piezoelectric elements for HDDs increased as digitization progressed, but demand for ceramic packages declined on the back of stagnant investment in mobile base stations in China. Sales of products for semiconductor manufacturing equipment in the Process Technology Business increased due to an increased investment for 3D NAND.

As a result, consolidated net sales in the six months ended September 30, 2020 decreased 11.3% year-on-year to ¥194,942 million. In terms of earnings, an increase in depreciation costs in addition to a decrease in net sales in the Ceramics Business Segment, causing operating income to fall 63.4 % year on year to 11,573 million, and ordinary income was down 58.8% to ¥ 12,218 million. Profit attributable to owners of the parent decreased 65.8% to 7,267 million.

By segment, the Energy Infrastructure Business Segment posted net sales of ¥19,440 million, a decrease of 5.8% year on year, and an operating loss of ¥2,280 million (operating loss of ¥2,418 million in the same period of the previous year). In the Ceramics Business Segment, net sales decreased 23.3% year on year to ¥98,290 million and operating income decreased 78.5% year on year to ¥6,643 million. In the Electronics Business Segment, net sales decreased 5.2% year on year to ¥26,807 million and operating income increased 53.5% year on year to ¥646 million. In the Process Technology Business Segment, net sales increased 17.6% year on year to ¥51,865 million and operating income surged 142.8% year on year to ¥6,554 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 September 30, 2020, total assets were ¥852,136 million, an increase of ¥19,050 million from the previous fiscal year-end. This was mainly due to increases cash and bank deposits and tangible assets despite decreases in other current assets and inventories.

Total liabilities increased by ¥14,546 million from the previous fiscal year-end to ¥378,513 million. This was mainly due to increases in current portion of long-term borrowings, short-term borrowings and long-term borrowings despite decreases in notes and accounts payable trade and income taxes payable.

Total net assets stood at ¥473,622 million, or ¥4,503 million higher than the previous fiscal year-end, due to increases in foreign currency translation adjustments and unrealized gain on available-for-sale securities.

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

For the full year ending March 31, 2021, the automobile market, including China, is predicted to recover at a faster-than-expected pace although concern remains about a second wave of the COVID-19 pandemic. As such the year-on-year rate of decline is expected to be shorter than the previous forecast. Demand for our automotive-related products is expected to exceed the previous forecast as we believe the automobile industry will maintain its supply chain recovery in the second half as well.

For the full-year forecast for the fiscal year ending March 31, 2021, both corporate sales and profits are estimated to beat the previous forecast due to the effect of corporate-wide cost reductions, increased sales in the Ceramics Business and improved capacity utilization.

The assumed exchange rates for the second half of the fiscal year are ¥105 to the U.S. dollar and ¥115 to the euro.

(Average exchange rates for the year: ¥106 to the U.S. dollar and ¥118 to the euro)

Consolidated financial results forecasts for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit per share
Previous forecast (A)	420,000	33,000	34,000	21,000	(yen) 66.35
Revised forecast (B)	435,000	42,000	43,000	28,000	88.45
Change (B-A)	15,000	9,000	9,000	7,000	—
Change (%)	3.6%	27.3%	26.5%	33.3%	—
For Reference: Results from the previous year (the fiscal year ended March 31, 2020)	441,956	55,000	51,952	27,135	84.73

Financial results forecasts are based on information available at the time of the release, but are subject to many uncertainties. Actual results therefore may vary from forecasts due to changes in business conditions and other factors. Your understanding is appreciated.

2. Consolidated Financial Statements and Notes
(1) Consolidated Balance Sheet

(Millions of yen)

	As of September 30, 2020	As of March 31, 2020
Assets		
Current assets		
Cash and bank deposits	101,794	80,160
Notes and accounts receivable trade	100,565	101,377
Securities	30,682	31,016
Inventories	156,026	157,389
Other	20,342	28,583
Allowance for doubtful accounts	(124)	(153)
Total current assets	409,287	398,374
Non-current assets		
Tangible assets		
Buildings and structures	117,041	106,886
Machinery and vehicles	173,716	168,550
Other	77,271	83,970
Total tangible assets	368,029	359,407
Intangible assets	4,243	3,460
Investments and other assets		
Investment securities	51,622	49,996
Other	19,572	22,485
Allowance for doubtful accounts	(619)	(639)
Total investments and other assets	70,575	71,842
Total non-current assets	442,848	434,710
Total assets	852,136	833,085

(Millions of yen)

	As of September 30, 2020	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable trade	35,156	43,241
Short-term borrowings	17,661	6,407
Current portion of long-term borrowings	21,564	9,218
Income taxes payable	※ 1 5,584	※ 1 12,225
Provision for NAS battery safety measures	1,527	1,657
Provision for loss related to competition law	58	1,145
Other	40,185	40,393
Total current liabilities	121,738	114,289
Long-term liabilities		
Bonds payable	25,900	25,000
Long-term borrowings	200,507	193,773
Net defined benefit liability	21,202	21,012
Other	9,164	9,891
Total long-term liabilities	256,774	249,677
Total liabilities	378,513	363,966
Net assets		
Shareholders' equity		
Common stock	69,849	69,849
Capital surplus	70,176	70,199
Retained earnings	345,042	345,688
Treasury stock	(11,207)	(11,264)
Total shareholders' equity	473,860	474,473
Accumulated other comprehensive income (loss)		
Unrealized gain on available-for-sale securities	13,329	11,336
Deferred gain (loss) on derivatives under hedge accounting	(343)	(461)
Foreign currency translation adjustments	(18,952)	(21,390)
Defined retirement benefit plans	(4,757)	(5,406)
Total accumulated other comprehensive income (loss)	(10,723)	(15,921)
Stock acquisition rights	874	828
Non-controlling interests	9,611	9,737
Total net assets	473,622	469,118
Total liabilities and net assets	852,136	833,085

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

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2019
Net sales	194,942	219,766
Cost of sales	150,641	151,539
Gross profit	44,301	68,227
Selling, general and administrative expenses	32,727	36,583
Operating income	11,573	31,643
Non-operating income		
Interest income	119	267
Dividend income	587	706
Foreign exchange gain	636	—
Gain on valuation of derivatives	200	103
Other	2,110	576
Total non-operating income	3,654	1,653
Non-operating expenses		
Interest expense	1,689	1,473
Equity in loss of unconsolidated subsidiaries and associated companies	609	558
Foreign exchange loss	—	394
Other	710	1,191
Total non-operating expense	3,009	3,617
Ordinary income	12,218	29,679
Extraordinary income		
Gain on sales of fixed assets	203	193
Gain on sales of investment securities	332	311
Subsidy income	325	—
Total extraordinary income	861	505
Extraordinary loss		
Loss on sales and disposals of fixed assets	89	277
Impairment loss	874	1,353
Total extraordinary loss	964	1,631
Income before income taxes and non-controlling interests	12,114	28,553
Income taxes-current	3,601	8,013
Refund of income taxes	—	(425)
Income taxes-deferred	1,461	80
Income taxes-total	5,062	7,668
Profit	7,052	20,885
Profit (loss) attributable to non-controlling interests	(214)	(359)
Profit attributable to owners of parent	7,267	21,244

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September, 2020	Six months ended September, 2019
Profit	7,052	20,885
Other comprehensive income (loss)		
Unrealized gain(loss) on available-for-sale securities	1,990	(2,931)
Deferred gain on derivatives under hedge accounting	118	129
Foreign currency translation adjustments	2,544	(12,354)
Defined retirement benefit plans	496	224
Share of other comprehensive income of associates accounted for by using the equity method	154	14
Total other comprehensive income (loss)	5,305	(14,917)
Comprehensive income	12,357	5,967
Comprehensive income (loss) attributable to:		
Owners of parent	12,464	6,575
Non-controlling interests	(107)	(607)

(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 September 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) Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(Millions of yen)

	Business Segment					Elimination or Adjustment	Consolidated
	Energy Infrastructure	Ceramics	Electronics	Process Technology	Total		
Sales							
Sales to customers	19,115	98,287	26,805	50,732	194,942	—	194,942
Intersegment sales	324	3	1	1,132	1,461	(1,461)	—
Total sales	19,440	98,290	26,807	51,865	196,403	(1,461)	194,942
Operating income (loss)	(2,280)	6,643	646	6,554	11,563	9	11,573

(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 six-month period in the previous fiscal year is also presented under the new name.

(2) Six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

(Millions of yen)

	Business Segment					Elimination or Adjustment	Consolidated
	Energy Infrastructure	Ceramics	Electronics	Process Technology	Total		
Sales							
Sales to customers	20,595	128,176	28,271	42,723	219,766	—	219,766
Intersegment sales	35	8	1	1,375	1,420	(1,420)	—
Total sales	20,631	128,185	28,272	44,098	221,187	(1,420)	219,766
Operating income (loss)	(2,418)	30,932	421	2,699	31,634	9	31,643

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