

July 31, 2014

Summary of Consolidated Financial Results for the Three Months ended June 30, 2014

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 Stock Exchange Listings: Tokyo and Nagoya
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Notice 1: At the time of disclosure of this report, the review of quarterly financial statements in accordance with the Financial Instruments and Exchange Law of Japan is in progress.

2: This document contains forward-looking statements that are based on management's expectations, estimates, projections and assumptions that were available and reasonable at the time of release. Actual future results and trends may differ materially from those in the forecasts due to a variety of factors.

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

1. Consolidated financial results for the three months ended June 30, 2014

(From April 1, 2014 to June 30, 2014)

(1) Consolidated operating results	(Millions of yen, except per share data and percentage)				
	Three months ended June 30,	2014		2013	
	Amount	Change (%)	Amount	Change (%)	
Net Sales	82,206	20.1	68,468	10.3	
Operating Income	14,720	71.7	8,572	15.5	
Ordinary Income	13,879	53.7	9,030	58.3	
Net Income	11,340	87.7	6,043	47.1	
Comprehensive Income	12,234	(26.1)	16,555	903.9	
Net Income per share (Yen)	34.73		18.51		
Diluted net income per share (Yen)	34.67		18.47		

Notes: Percentage figures in "Change" represent increase (decrease) from previous period.

(2) Consolidated financial position	(Millions of yen, except percentage)	
	June 30, 2014	March 31, 2014
Total assets	623,089	614,219
Total net assets	355,782	344,453
Ratio of net worth to total assets (%)	55.3	54.3

Notes 1: Net worth used for the calculation is Total net assets excluding both Stock acquisition rights and Minority interests.
 2: The net worth were ¥344,664 million and ¥333,502 million as of June 30, 2014 and March 31, 2014, respectively.

2. Dividend payment

Year ended March 31,	2015	2014
Cash dividends per share (Yen)		
Interim	13.0 (forecast)	10.0
Year-end	13.0 (forecast)	12.0
Total (Full-year)	26.0 (forecast)	22.0

Notes: Revision of cash dividend forecast during this period - Yes.

3. Forecasts of consolidated financial results for the year ending March 31, 2015

(Millions of yen, except per share data and percentage)

	Six months ending September 30, 2014		Year ending March 31, 2015	
	Amount	Change (%)	Amount	Change (%)
Net Sales	165,000	16.4	350,000	13.4
Operating Income	27,500	39.9	56,000	26.5
Ordinary Income	26,500	35.3	58,000	26.6
Net Income	18,500	46.5	39,000	44.2
Net Income per share (Yen)	56.65		119.43	

Notes: Revision of forecasts of consolidated financial results during this period - Yes.

4. Others

- (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
- (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

(Change in accounting policy)

Effective from the first quarter of the fiscal 2014, the Company adopted the provisions set forth in Article 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (" ASBJ ") Statement No. 26, May 17, 2012, hereinafter, " Accounting Standard ") and the provisions set forth in Article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter, " Guidance on Retirement Benefits "). Accordingly, the Company revised the method of calculating retirement benefit obligations and prior service costs and changed its method of attributing estimated retirement benefits from the straight-line basis to the benefit formula basis. At the same time, the Company changed its method of determining the discount rate from the method in which the discount rate is determined by reference to the yield of bonds whose remaining maturities approximate the average remaining years of service of the employees to the method in which a single weighted average discount rate is used that reflects the estimated period for retirement benefit payments and the amount of retirement benefit payments for each estimated payment period. The application of the Accounting Standard, etc. is subject to the tentative treatment provided for in Article 37 of the Accounting Standard.

Consequently, the impact of the change in the method of calculating retirement benefit obligations and prior service costs has been recognized as increases or decreases to retained earnings as of the beginning of the first quarter of the fiscal 2014.

As a result, as of the beginning of the first quarter of the fiscal 2014, net defined benefit asset has increased by ¥4,598 million, net defined benefit liability has decreased by ¥717 million and retained earnings have increased by ¥2,964 million. The impact of this change on the profit or loss of the three months ended June 30, 2014 is minimal.

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

	June 30, 2014	March 31, 2014
Number of shares outstanding at period end including treasury stocks :	327,560,196	327,560,196
Number of treasury stocks at period end :	1,007,700	1,019,920
Three months ended June 30,	2014	2013
Average number of shares outstanding over period :	326,546,985	326,556,739

5. Qualitative Information on Quarterly Financial Statements

(1) Explanation of Results of Operations

During the three months ended June 30, 2014, the Japanese economy remained strong as a result of improvements in corporate earnings and the employment and income environment, despite the impact of a reactionary decline to the last minute demand prior to the consumption tax hike. Overseas economies also continued on the path towards recovery, primarily in the developed countries, as indicated by such factors as the moderate recovery trend in the U.S. as well as improvements in the European economy.

The NGK Group, thanks mainly to the strong sales for diesel engine-automobiles in the European market and large trucks in the U.S. market, saw an increase in demand for automotive ceramics in its Ceramics Business Segment. In the Electronics Business Segment as well, demand for ceramic components for semiconductor manufacturing equipment grew against the backdrop of growing demand for mobile devices. However, the Power Business Segment showed sluggish performance as domestic demand continued to weaken. As a result, consolidated net sales for the three months ended June 30, 2014, increased by 20.1% year on year to ¥82,206 million, reflecting the increased sales in the Ceramics Business Segment and Electronics Business Segment. In terms of earnings, as a result of increased net sales among other factors, operating income increased by 71.7% year on year to ¥14,720 million, ordinary income increased by 53.7% to ¥13,879 million and net income increased by 87.7% to ¥11,340 million.

By segment, the Power Business Segment posted ¥13,677 million in net sales, an increase of 1.8% year on year, and an operating loss of ¥631 million, compared to an operating loss of ¥366 million in the same period of the previous year. In the Ceramics Business Segment, net sales increased by 26.5% year on year to ¥52,128 million and operating income increased by 68.3% to ¥14,015 million. In the Electronics Business Segment, net sales increased by 18.2% year on year to ¥16,427 million and operating income increased by 121.4% to ¥1,327 million.

(2) Explanation of Financial Position

As of June 30, 2014, total assets were ¥623,089 million, an increase of ¥8,870 million from the previous fiscal year-end. This was mainly due to increases in cash and bank deposits and investment securities.

Total liabilities were ¥267,307 million, a decrease of ¥2,458 million from the previous fiscal year-end. This was mainly due to decreases in income taxes payable and provision for NAS Battery safety measures.

Total net assets stood at ¥355,782 million, or ¥11,329 million higher than the previous fiscal-year end, primarily due to an increase in retained earnings.

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

As for the consolidated financial results forecasts for the six months ending September 30, 2014, despite certain delays forecasted in the shipment of NAS® batteries in the Power Business Segment, due to the growing demand for automotive ceramics in the Ceramics Business Segment reflecting the strong sales of diesel engine-automobiles in the European market and large trucks in the U.S. market, the NGK Group predicts net sales, operating income, ordinary income and net income to exceed the forecasts announced in May 2014. The average exchange rates of ¥101/USD and ¥138/EUR were applied to this period.

In terms of the full year ending March 31, 2015, the forecasts of consolidated financial results have been revised in light of the upward revision of the forecasts for the six months ending September 30, 2014, reflecting the strong sales of automotive ceramics in the Ceramics Business Segment.

The forecasts for the second half of the fiscal year assume exchange rates of ¥100/USD and ¥135/EUR. (Average exchange rates for the year: ¥101/USD and ¥137/EUR)

Forecasts of consolidated financial results for the six month ending September 30, 2014

(Millions of yen)					
April 1, 2014 - September 30, 2014	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per share(Yen)
Previous Forecast(A)	160,000	22,000	21,000	14,500	44.40
Revised Forecast(B)	165,000	27,500	26,500	18,500	56.65
Increase or Decrease(B-A)	5,000	5,500	5,500	4,000	—
Percentage Charge	3.1%	25.0%	26.2%	27.6%	—
[Reference] Results from previous year (the six month ending of fiscal 2013)	141,763	19,660	19,592	12,629	38.67

Forecasts of consolidated financial results for the year ending March 31, 2015

(Millions of yen)					
April 1, 2014 - March 31, 2015	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per share(Yen)
Previous Forecast(A)	340,000	48,000	50,000	34,000	104.12
Revised Forecast(B)	350,000	56,000	58,000	39,000	119.43
Increase or Decrease(B-A)	10,000	8,000	8,000	5,000	—
Percentage Charge	2.9%	16.7%	16.0%	14.7%	—
[Reference] Results from previous year (the year ending March 31,2014)	308,671	44,252	45,819	27,045	82.82

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2014	As of March 31, 2014
Assets		
Current assets		
Cash and bank deposits	64,433	49,214
Notes and accounts receivable trade	67,394	72,167
Securities	92,004	100,653
Inventories	104,792	101,352
Other	27,194	29,318
Allowance for doubtful accounts	(112)	(117)
Total current assets	355,705	352,589
Non-current assets		
Tangible assets		
Buildings and structures	57,179	58,055
Machinery and vehicles	81,106	82,497
Other	34,522	35,770
Total tangible assets	172,808	176,323
Intangible assets		
	4,532	4,848
Investments and other assets		
Investment securities	68,650	64,903
Other	21,564	15,729
Allowance for doubtful accounts	(172)	(174)
Total investments and other assets	90,042	80,457
Total non-current assets	267,383	261,629
Total assets	623,089	614,219

(Millions of yen)

	As of June 30, 2014	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable trade	25,104	25,728
Short-term borrowings	4,312	4,995
Current portion of long-term bonds payable	20,000	20,000
Income taxes payable	1,121	2,854
Provision for NAS Battery safety measures	9,406	10,891
Other	35,635	36,950
Total current liabilities	95,579	101,419
Long-term liabilities		
Long-term borrowings	141,762	142,158
Net defined benefit liability	16,094	16,678
Other	13,871	9,510
Total long-term liabilities	171,728	168,346
Total liabilities	267,307	269,766
Net assets		
Shareholders' equity		
Common stock	69,849	69,849
Capital surplus	72,094	72,092
Retained earnings	198,216	187,733
Treasury stock	(1,335)	(1,347)
Total shareholders' equity	338,825	328,328
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	20,986	17,491
Deferred gain on derivatives under hedge accounting	14	18
Foreign currency translation adjustments	(4,275)	(1,189)
Remeasurements of defined benefit plans	(10,886)	(11,147)
Total accumulated other comprehensive income	5,839	5,174
Stock acquisition rights	753	778
Minority interests	10,364	10,172
Total net assets	355,782	344,453
Total liabilities and net assets	623,089	614,219

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2013
Net sales	82,206	68,468
Cost of sales	52,649	46,307
Gross profit	29,556	22,160
Selling, general and administrative expenses	14,835	13,588
Operating income	14,720	8,572
Non-operating income	1,085	2,309
Interest income	164	170
Dividend income	574	533
Foreign Exchange gain	-	1,149
Other	346	456
Non-operating expenses	1,926	1,851
Interest expense	542	501
Foreign exchange loss	493	-
Equity in loss of unconsolidated subsidiaries and associated companies	700	706
Other	190	643
Ordinary income	13,879	9,030
Extraordinary income	546	363
Gain on sales of fixed assets	546	363
Extraordinary loss	40	42
Loss on sales and disposals of fixed assets	40	42
Income before income taxes and minority interests	14,385	9,351
Income taxes - total	2,848	3,259
Income taxes -current	1,993	1,373
Income taxes -deferred	855	1,885
Income before minority interests	11,536	6,092
Minority interests in earnings of consolidated subsidiaries	196	49
Net income	11,340	6,043

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2013
Income before minority interests	11,536	6,092
Other comprehensive income		
Unrealized gains on available-for-sale securities	3,501	3,297
Deferred gains (losses) on hedges	(4)	(4)
Foreign currency translation adjustments	(3,127)	7,273
Remeasurements of defined benefit plans	292	(102)
Share of other comprehensive income of associates accounted for by using the equity method	36	(0)
Total other comprehensive income	698	10,463
Comprehensive Income	12,234	16,555
Comprehensive Income attributable to:		
Owners of the parent company	12,005	16,382
Minority interests	229	173

7. Note on the Assumption as a Going Concern

Not applicable

8. Segment Information

Three months ended June 30, 2014

(Millions of yen)

	Power	Ceramics	Electronics	Total	Elimination or Adjustment	Consolidated
Sales						
Sales to customers	13,668	52,110	16,427	82,206	-	82,206
Intersegment sales	8	18	-	27	(27)	-
Total sales	13,677	52,128	16,427	82,233	(27)	82,206
Operating income (loss)	(631)	14,015	1,327	14,710	10	14,720

Notes:

Main products by business segment

<i>Business Segment</i>	<i>Main products</i>
<i>Power</i>	<i>Insulators, hardware for insulator assemblies, current limiting arching horn, bushing shells, fuse cut-outs, APM, line arrester and NAS® (sodium-sulfur) batteries</i>
<i>Ceramics</i>	<i>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</i>
<i>Electronics</i>	<i>Beryllium copper wrought products, molds and ceramic components for electronics and semiconductor manufacturing equipment</i>

Three months ended June 30, 2013

(Millions of yen)

	Power	Ceramics	Electronics	Total	Elimination or Adjustment	Consolidated
Sales						
Sales to customers	13,426	41,139	13,902	68,468	-	68,468
Intersegment sales	3	72	-	75	(75)	-
Total sales	13,430	41,211	13,902	68,543	(75)	68,468
Operating income (loss)	(366)	8,325	599	8,558	13	8,572

9. Significant changes in stockholder's equity

Not applicable