

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2016 [Japanese GAAP]

July 28, 2016

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 Stock Exchange Listings : Tokyo and Nagoya
 Listing Code : 5333
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Date of the Filing of Securities Report "Shihanki Hokokusho" (Scheduled) : August 5, 2016
 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, 2016 (From April 1, 2016 to June 30, 2016)

(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, 2016	98,975	(5.3)	19,151	(3.9)	18,500	(7.1)	12,646	(8.7)
Three months ended June 30, 2015	104,535	27.2	19,937	35.4	19,906	43.4	13,845	22.1

(Note) Comprehensive Income : Three months ended June 30, 2016 (11,935) million yen —%
 : Three months ended June 30, 2015 24,722 million yen 102.1%

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended June 30, 2016	38.87	38.81
Three months ended June 30, 2015	42.40	42.32

(2) Consolidated financial position

	Total assets	Total net assets	Ratio of net worth to total assets
	Millions of yen	Millions of yen	%
June 30, 2016	669,594	388,308	56.4
March 31, 2016	711,897	417,972	57.1

(Reference) Net worth : As of June 30, 2016, 377,530 million yen
 : As of March 31, 2016, 406,743 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, 2016	-	18.00	-	20.00	38.00
Year ending March 31, 2017	-				
Year ending March 31, 2017 (forecast)		20.00	-	20.00	40.00

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

3. Forecasts of consolidated financial results for the fiscal year ending March 31, 2017

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Profit per share Yen
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Six months ending September 30, 2016	200,000	(5.0)	33,000	(20.2)	32,000	(20.5)	22,000	(20.0)	68.42
Year ending March 31, 2017	410,000	(5.9)	60,000	(25.8)	63,000	(22.7)	44,000	(17.5)	136.84

(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, 2016	327,560,196 shares	March 31, 2016	327,560,196 shares
ii. Number of treasury stocks at period end	June 30, 2016	5,972,976 shares	March 31, 2016	981,389 shares
iii. Average number of shares outstanding over period	June 30, 2016	325,332,733 shares	June 30, 2015	326,524,763 shares

* Presentation regarding the implementation status of review procedures

These financial statements are outside the scope of review procedures in accordance with the Financial Instruments and Exchange Law of Japan. At the time of disclosure of this report, the review procedures of the consolidated financial statements in accordance with the Financial Instruments and Exchange Law of Japan are in progress.

* Explanation of appropriate use of results forecasts and other notes

This document contains forward-looking statements that are based on information and certain assumption the Company has acquired and deemed reasonable as of the time of the release and the Company 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 three months ended June 30, 2016, the Japanese economy remained on a moderate recovery course underpinned by improvements in the employment and income environment, despite some signs of weakness. Overseas economies were robust in developed economies, such as the U.S. and Europe, while China and emerging countries experienced a slowdown in economic growth.

The NGK Group saw sluggish performance in the Power Business Segment due to a lack of large shipments of NAS® (sodium-sulfur) batteries. In the Ceramics Business Segment, demand increased for automotive ceramics due to factors including strong sales of passenger cars in the U.S. and European market and increase of small passenger car sales owing to tax reduction measures in China. The Electronics Business Segment showed sluggish performance as the recovery of demand for ceramic packages delayed, while there was a delay in the recovery of demand for ceramic packages.

As a result of the above, combined with the impact of the strong yen, consolidated net sales for the three months ended June 30, 2016 decreased by 5.3% year on year to ¥98,975 million. In terms of earnings, as a result of decreased net sales among other factors, operating income decreased by 3.9% year on year to ¥19,151 million, ordinary income decreased by 7.1% to ¥18,500 million and profit attributable to owners of the parent decreased by 8.7% to ¥12,646 million.

By segment, the Power Business Segment posted ¥13,367 million in net sales, a decrease of 25.2% year on year, and an operating loss of ¥1,428 million, compared to an operating income of ¥87 million in the same period of the previous year. In the Ceramics Business Segment, net sales increased by 1.9% year on year to ¥60,255 million and operating income increased by 14.9% year on year to ¥19,300 million. In the Electronics Business Segment, net sales decreased by 8.1% year on year to ¥25,367 million and operating income decreased by 58.1% year on year to ¥1,279 million.

(2) Explanation of Financial Position

As of June 30, 2016, total assets were ¥669,594 million, a decrease of ¥42,303 million from the previous fiscal year-end. This was mainly due to a decrease in the balance of securities and decreases in accounts receivable, tangible assets, etc. , reflecting a decrease in the yen conversion amount of the assets of overseas subsidiaries accompanying the impact of the strong yen.

Total liabilities decreased by ¥12,638 million from the previous fiscal year-end to ¥281,285 million.

Total net assets stood at ¥388,308 million, or ¥29,664 million lower than the previous fiscal year-end, due to the repurchase of treasury stock and a decrease in foreign currency translation adjustments.

(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, 2017, no revisions have been made to those announced on April 28, 2016 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

(1) Consolidated Balance Sheet

(Millions of yen)

	As of June 30, 2016	As of March 31, 2016
Assets		
Current assets		
Cash and bank deposits	107,065	97,481
Notes and accounts receivable trade	92,831	102,575
Securities	47,258	72,503
Inventories	108,098	108,945
Other	27,360	31,654
Allowance for doubtful accounts	(734)	(826)
Total current assets	381,879	412,333
Non-current assets		
Tangible assets		
Buildings and structures	61,364	62,252
Machinery and vehicles	85,568	86,606
Other	51,318	56,135
Total tangible assets	198,252	204,993
Intangible assets	3,000	3,019
Investments and other assets		
Investment securities	73,432	78,675
Other	13,198	13,049
Allowance for doubtful accounts	(169)	(174)
Total investments and other assets	86,462	91,550
Total non-current assets	287,715	299,563
Total assets	669,594	711,897

(Millions of yen)

	As of June 30, 2016	As of March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable trade	33,181	36,052
Short-term borrowings	5,490	4,549
Current portion of long-term borrowings	22,649	20,242
Income taxes payable	1,430	7,137
Provision for NAS battery safety measures	4,797	5,405
Provision for loss related to competition law	5,369	4,307
Other	34,005	34,767
Total current liabilities	106,924	112,463
Long-term liabilities		
Long-term borrowings	135,135	139,180
Net defined benefit liability	21,032	21,418
Other	18,192	20,861
Total long-term liabilities	174,360	181,461
Total liabilities	281,285	293,924
Net assets		
Shareholders' equity		
Common stock	69,849	69,849
Capital surplus	72,091	72,092
Retained earnings	272,696	266,580
Treasury stock	(12,528)	(1,363)
Total shareholders' equity	402,108	407,158
Accumulated other comprehensive income		
Unrealized gain on available -for-sale securities	18,542	20,832
Deffered gain on derivatives under hedge accounting	(105)	-
Foreign currency translation adjustments	(28,432)	(5,888)
Remeasurements of defined benefits plans	(14,582)	(15,358)
Total accumulated other comprehensive income	(24,578)	(414)
Stock acquisition rights	862	875
Non-controlling interests	9,915	10,352
Total net assets	388,308	417,972
Total liabilities and net assets	669,594	711,897

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

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2015
Net sales	98,975	104,535
Cost of sales	63,734	68,516
Gross profit	35,240	36,018
Selling, general and administrative expenses	16,088	16,080
Operating income	19,151	19,937
Non-operating income		
Interest income	106	189
Dividend income	638	781
Foreign Exchange gain	-	266
Equity in earnings of unconsolidated subsidiaries and associated companies	16	-
Gain on valuation of derivatives	1,159	-
Other	314	226
Total non-operating income	2,235	1,463
Non-operating expenses		
Interest expense	490	500
Foreign Exchange loss	2,285	-
Equity in loss of unconsolidated subsidiaries and associated companies	-	571
Loss on valuation of derivatives	-	316
Other	111	106
Total non-operating expense	2,887	1,494
Ordinary income	18,500	19,906
Extraordinary income		
Gain on sales of fixed assets	8	17
Gain on sales of investment securities	2	-
Total extraordinary income	11	17
Extraordinary loss		
Loss on sales and disposals of fixed assets	57	55
Impairment loss	1,157	-
Provision of reserve for loss related to competition law	1,062	-
Total extraordinary loss	2,277	55
Income before income taxes and non controlling interests	16,233	19,868
Income taxes -current	2,213	3,035
Income taxes -deferred	1,382	2,882
Income taxes - total	3,596	5,918
Profit	12,637	13,949
Profit (Loss) attributable to non-controlling interests	(9)	104
Profit attributable to owners of parent	12,646	13,845

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2015
Profit	12,637	13,949
Other comprehensive income		
Unrealized gain on available-for-sale securities	(2,294)	3,571
Deferred losses on hedges	(111)	(2)
Foreign currency translation adjustments	(23,045)	7,105
Remeasurements of defined benefit plans	752	72
Share of other comprehensive income of associates accounted for by using the equity method	125	24
Total other comprehensive income	(24,573)	10,772
Comprehensive Income	(11,935)	24,722
Comprehensive Income attributable to:		
Owners of parent	(11,516)	24,457
Non-controlling interests	(418)	264

(3) Notes to Consolidated Financial Statements

(Changes in accounting policy)

Not applicable

(Additional information)

(Adoption of “Implementation Guidance on Recoverability of Deferred Tax Assets”)

Effective from the first quarter of fiscal 2016, the Company adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

(Receipt of the written verdict from the National Tax Tribunal regarding transfer pricing taxation)

On June 24, 2016, the Company received a written verdict from the Nagoya National Tax Tribunal in response to the following a request for re-examination of a correction submitted by the Company.

With respect to the transactions between the Company and its two overseas subsidiaries from the fiscal year ended March 31, 2006 through the fiscal year ended March 31, 2010, the Company received a correction based on transfer pricing taxation issued by the Nagoya Regional Taxation Bureau in March 2012, and the Company made payment of approximately ¥7.9 billion in tax penalties including local taxes, while filing a complaint. With respect to approximately ¥1.7 billion of the aforementioned tax penalties concerning the transactions with a U.S. subsidiary, the Company received approximately ¥1.4 billion refund in total in Japan and the U.S. upon agreement under a Japan-U.S. Mutual Agreement, which has been reflected in the financial results for the year ended March 31, 2014. On the other hand, with respect to the remaining approximately ¥6.2 billion tax penalty concerning the transactions with a Polish subsidiary, the Company requested the cancellation of it and had submitted a request for re-examination of a correction to the Nagoya National Tax Tribunal in August 2014. This decision partially rescinds these corrections, and it is expected that approximately ¥ 0.1 billion will be refunded to the Company as corporation taxes, local taxes, etc.

Considering the content of the written verdict, the Company still believes its claim is flawless and reasonable, and is considering of taking measures to reclaim the rest of the tax penalty paid. In the meantime, there is a risk of receiving certain correction from the tax authorities for the fiscal years subsequent to April 1, 2010.

(Note on the assumption as a going concern)

Not applicable

(Significant changes in stockholder's equity)

The Company acquired 5,000,000 shares of treasury stock based on the resolution at the meeting of the board of directors held on April 28, 2016. As a result, treasury stock increased ¥11,175 million in the three months ended June 30, 2016, and treasury stock as of June 30, 2016 amounted to ¥12,528 million.

(Consolidated Balance Sheet)
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 Insulators, LTD. (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 the fiscal year ended March 31, 2016, 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, 2016 (from April 1, 2016 to June 30, 2016)

(Millions of yen)

	Business Segment				Elimination or Adjustment	Consolidated
	Power	Ceramics	Electronics	Total		
Sales						
Sales to customers	13,365	60,241	25,367	98,975	-	98,975
Intersegment sales	2	13	-	15	(15)	-
Total sales	13,367	60,255	25,367	98,991	(15)	98,975
Operating income (loss)	(1,428)	19,300	1,279	19,151	-	19,151

(2) Three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)

(Millions of yen)

	Business Segment				Elimination or Adjustment	Consolidated
	Power	Ceramics	Electronics	Total		
Sales						
Sales to customers	17,866	59,077	27,590	104,535	-	104,535
Intersegment sales	6	26	-	33	(33)	-
Total sales	17,872	59,104	27,590	104,568	(33)	104,535
Operating income	87	16,794	3,055	19,937	-	19,937

2. Main products by business segment

Business Segment	Main products
Power	Insulators, hardware for insulator assemblies, current limiting arching horns, 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 analyzers, industrial heating systems, refractory products and radioactive waste treatment systems
Electronics	Ceramic components for semiconductor manufacturing equipment, ceramic components for electronics, beryllium copper wrought products, and molds