

**Summary of Consolidated Financial Results  
for the Nine Months Ended December 31, 2019  
[Japanese GAAP]**

January 31, 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) : February 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 Nine Months Ended December 31, 2019 (from April 1, 2019 to December 31, 2019)**

**(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, 2019 | 328,906         | (4.0) | 44,926           | (14.9) | 43,736          | (15.2) | 31,283                                  | (11.5) |
| Nine months ended December 31, 2018 | 342,721         | 3.1   | 52,788           | (3.9)  | 51,590          | (3.0)  | 35,334                                  | 5.3    |

(Note) Comprehensive income : Nine months ended December 31, 2019 24,730 million yen (16.4) %  
 : Nine months ended December 31, 2018 29,574 million yen (51.4) %

|                                     | Profit per share | Diluted profit per share |
|-------------------------------------|------------------|--------------------------|
|                                     | Yen              | Yen                      |
| Nine months ended December 31, 2019 | 97.37            | 97.21                    |
| Nine months ended December 31, 2018 | 109.81           | 109.64                   |

**(2) Consolidated Financial Position**

|                   | Total assets    | Total net assets | Ratio of net worth to total assets |
|-------------------|-----------------|------------------|------------------------------------|
|                   | Millions of yen | Millions of yen  | %                                  |
| December 31, 2019 | 854,054         | 491,675          | 56.3                               |
| March 31, 2019    | 863,636         | 489,245          | 55.3                               |

(Reference) Net worth : As of December 31, 2019 480,457 million yen  
 : As of March 31, 2019 477,516 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, 2019             | —                        | 25.00              | —                 | 25.00    | 50.00             |
| Year ending March 31, 2020            | —                        | 25.00              | —                 |          |                   |
| Year ending March 31, 2020 (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, 2020

(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, 2020 | 450,000         | (2.9) | 60,000           | (7.3) | 60,000          | (6.8) | 42,000                                  | 18.3 | 131.28           |

(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 : 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, 2019 | 327,560,196 shares | March 31, 2019    | 327,560,196 shares |
| ii. Number of treasury stocks at period end                             | December 31, 2019 | 9,087,001 shares   | March 31, 2019    | 5,779,637 shares   |
| iii. Average number of shares outstanding over period                   | December 31, 2019 | 321,299,716 shares | December 31, 2018 | 321,770,936 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, 2019, the Japanese economy continued to recover gradually due to improvements in the employment and income environments. The overseas economies, notably the U.S. economy, continued on a recovery path, while the Chinese economy decelerated as reflected in its slower rate of growth.

In the Power Business Segment, the NGK Group saw a drop in demand for insulators against a backdrop of reduced capital investment by domestic electric power companies and increased competition overseas. In addition, shipment volumes of NAS batteries were poor. In the Ceramics Business Segment, while shipments of ceramic substrates for automotive catalytic converters (HONEYCERAM) dropped due to a decline in global passenger car sales, the distribution volume of gasoline particulate filters (GPF) for gasoline-fueled vehicles increased with tightened regulation of emissions in Europe and China. In the Electronics Business Segment, the volume of beryllium copper alloy products and noise filters used in industrial equipment declined due to a delay in the recovery of market conditions caused by China–United States trade war. In the Process Technology Business Segment, capital investment by semiconductor manufacturers trends to recover whereas the distribution volume of products for semiconductor manufacturing equipment declined compared to the same period of the previous year. In addition, sales of industrial heating systems declined due to reduced capital investment by electronics material manufacturers and increased competition for kilns for cathode materials used in lithium-ion batteries.

As a result of the above, consolidated net sales for the nine months ended December 31, 2019 decreased by 4.0% year on year to ¥328,906 million. In terms of earnings, an increase in depreciation costs in addition to a decrease in net sales, causing operating income to fall 14.9% year on year to ¥44,926 million, and ordinary income was down 15.2% to ¥43,736 million. Profit attributable to owners of the parent decreased 11.5% to ¥31,283 million due to a decrease in income before income taxes and non-controlling interests despite the recording of refund of income taxes.

By segment, the Power Business Segment posted ¥31,984 million in net sales, a decrease of 12.3% year on year, and an operating loss of ¥3,524 million, compared to an operating loss of ¥4,703 million in the same period of the previous year. In the Ceramics Business Segment, net sales increased by 3.1% year on year to ¥190,607 million and operating income increased by 3.0% year on year to ¥44,219 million. In the Electronics Business Segment, net sales decreased by 6.0% year on year to ¥42,198 million and operating income decreased by 15.2% year on year to ¥275 million. In the Process Technology Business Segment, net sales decreased by 15.8% year on year to ¥66,142 million and operating income decreased by 72.2% year on year to ¥3,964 million.

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

As of December 31, 2019, total assets were ¥854,054 million, a decrease of ¥9,582 million from the previous fiscal year-end. This was mainly due to decreases in securities, investment securities and cash and bank deposits despite an increase in tangible assets.

Total liabilities decreased by ¥12,012 million from the previous fiscal year-end to ¥362,378 million. This was mainly due to decreases in current portion of long-term borrowings, notes and accounts payable trade and other current liabilities despite an increase in long-term borrowings.

Total net assets stood at ¥491,675 million, or ¥2,430 million higher than the previous fiscal year-end, due to an increase in retained earnings despite decreases in treasury stocks and 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, 2020, no revisions have been made to those announced on October 31, 2019 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<br>December 31, 2019 | As of<br>March 31, 2019 |
|-------------------------------------|----------------------------|-------------------------|
| <b>Assets</b>                       |                            |                         |
| Current assets                      |                            |                         |
| Cash and bank deposits              | 88,054                     | 97,133                  |
| Notes and accounts receivable trade | 101,285                    | 106,413                 |
| Securities                          | 25,871                     | 67,029                  |
| Inventories                         | 164,902                    | 148,031                 |
| Other                               | 24,995                     | 24,886                  |
| Allowance for doubtful accounts     | (124)                      | (124)                   |
| Total current assets                | 404,984                    | 443,370                 |
| Non-current assets                  |                            |                         |
| Tangible assets                     |                            |                         |
| Buildings and structures            | 108,231                    | 94,934                  |
| Machinery and vehicles              | 170,107                    | 135,880                 |
| Other                               | 89,182                     | 95,247                  |
| Total tangible assets               | 367,521                    | 326,061                 |
| Intangible assets                   | 3,517                      | 3,700                   |
| Investments and other assets        |                            |                         |
| Investment securities               | 59,596                     | 69,860                  |
| Other                               | 18,769                     | 20,790                  |
| Allowance for doubtful accounts     | (335)                      | (147)                   |
| Total investments and other assets  | 78,030                     | 90,503                  |
| Total non-current assets            | 449,069                    | 420,265                 |
| <b>Total assets</b>                 | <b>854,054</b>             | <b>863,636</b>          |

(Millions of yen)

|  | As of<br>December 31, 2019 | As of<br>March 31, 2019 |
|--|----------------------------|-------------------------|
| <b>Liabilities</b>   |                            |                         |
| Current liabilities  |                            |                         |
| Notes and accounts payable trade                           | 43,523                     | 51,353                  |
| Short-term borrowings                                      | 6,382                      | 4,230                   |
| Current portion of long-term borrowings                    | 8,469                      | 29,198                  |
| Income taxes payable                                       | ※ 1 9,124                  | ※ 1 11,731              |
| Provision for NAS battery safety measures                  | 1,735                      | 2,029                   |
| Provision for loss related to competition law              | 1,172                      | 1,177                   |
| Other  | 42,306                     | 48,065                  |
| <b>Total current liabilities</b>                           | <b>112,713</b>             | <b>147,786</b>          |
| Long-term liabilities                                      |                            |                         |
| Bonds payable  | 25,000                     | 25,000                  |
| Long-term borrowings                                       | 193,868                    | 170,994                 |
| Net defined benefit liability                              | 21,315                     | 20,934                  |
| Other  | 9,480                      | 9,675                   |
| <b>Total long-term liabilities</b>                         | <b>249,664</b>             | <b>226,604</b>          |
| <b>Total liabilities</b>                                   | <b>362,378</b>             | <b>374,391</b>          |
| <b>Net assets</b>  |                            |                         |
| Shareholders' equity                                       |                            |                         |
| Common stock   | 69,849                     | 69,849                  |
| Capital surplus  | 71,945                     | 71,978                  |
| Retained earnings  | 358,517                    | 343,323                 |
| Treasury stock   | (18,210)                   | (12,122)                |
| <b>Total shareholders' equity</b>                          | <b>482,100</b>             | <b>473,029</b>          |
| Accumulated other comprehensive income                     |                            |                         |
| Unrealized gain on available-for-sale securities           | 19,632                     | 21,260                  |
| Deferred gain (loss) on derivatives under hedge accounting | 86                         | (136)                   |
| Foreign currency translation adjustments                   | (16,276)                   | (11,056)                |
| Defined retirement benefit plans                           | (5,086)                    | (5,580)                 |
| <b>Total accumulated other comprehensive income</b>        | <b>(1,643)</b>             | <b>4,486</b>            |
| Stock acquisition rights                                   | 891                        | 923                     |
| Non-controlling interests                                  | 10,327                     | 10,805                  |
| <b>Total net assets</b>                                    | <b>491,675</b>             | <b>489,245</b>          |
| <b>Total liabilities and net assets</b>                    | <b>854,054</b>             | <b>863,636</b>          |

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

(Millions of yen)

|   | Nine months<br>ended<br>December 31, 2019 | Nine months<br>ended<br>December 31, 2018 |
|---|---|---|
| <b>Net sales</b>  | <b>328,906</b>                            | <b>342,721</b>                            |
| Cost of sales   | 228,935                                   | 235,208                                   |
| <b>Gross profit</b>   | <b>99,971</b>                             | <b>107,512</b>                            |
| Selling, general and administrative expenses                                  | 55,044                                    | 54,724                                    |
| <b>Operating income</b>   | <b>44,926</b>                             | <b>52,788</b>                             |
| Non-operating income  |   |   |
| Interest income   | 391                                       | 535                                       |
| Dividend income   | 1,289                                     | 1,236                                     |
| Foreign exchange gain   | 590                                       | —   |
| Gain on valuation of derivatives  | —   | 262                                       |
| Other   | 1,726                                     | 1,361                                     |
| Total non-operating income  | 3,997                                     | 3,395                                     |
| Non-operating expenses  |   |   |
| Interest expense  | 2,263                                     | 2,092                                     |
| Equity in loss of unconsolidated subsidiaries and associated companies        | 645                                       | 697                                       |
| Foreign exchange loss   | —   | 1,057                                     |
| Loss on valuation of derivatives  | 493                                       | —   |
| Other   | 1,785                                     | 745                                       |
| Total non-operating expense   | 5,188                                     | 4,593                                     |
| <b>Ordinary income</b>  | <b>43,736</b>                             | <b>51,590</b>                             |
| Extraordinary income  |   |   |
| Gain on sales of fixed assets   | 222                                       | 158                                       |
| Gain on sales of investment securities  | 2,665                                     | 39  |
| Total extraordinary income  | 2,888                                     | 197                                       |
| Extraordinary loss  |   |   |
| Loss on sales and disposals of fixed assets                                   | 349                                       | 305                                       |
| Impairment loss   | 1,353                                     | 1,497                                     |
| Loss on sales of investment securities  | 49  | —   |
| Loss on abolishment of retirement benefit plan of subsidiaries and associates | —   | 1,374                                     |
| Loss on business of subsidiaries and associates                               | —   | 576                                       |
| Provision of reserve for loss related to competition law                      | —   | 389                                       |
| Total extraordinary loss  | 1,752                                     | 4,143                                     |
| <b>Income before income taxes and non-controlling interests</b>               | <b>44,872</b>                             | <b>47,644</b>                             |
| Income taxes-current  | 11,985                                    | 9,407                                     |
| Refund of income taxes  | ※ 1 (425)                                 | —   |
| Income taxes-deferred   | 2,378                                     | 2,841                                     |
| Income taxes-total  | 13,938                                    | 12,249                                    |
| <b>Profit</b>   | <b>30,934</b>                             | <b>35,395</b>                             |
| Profit (loss) attributable to non-controlling interests                       | (349)                                     | 61  |
| <b>Profit attributable to owners of parent</b>                                | <b>31,283</b>                             | <b>35,334</b>                             |

**Consolidated Statement of Comprehensive Income**

(Millions of yen)

|   | Nine months<br>ended<br>December 31 2019 | Nine months<br>ended<br>December 31, 2018 |
|---|--|---|
| <b>Profit</b>   | <b>30,934</b>                            | <b>35,395</b>                             |
| Other comprehensive income  |  |   |
| Unrealized gain(loss) on available-for-sale securities  | (1,620)                                  | (5,652)                                   |
| Deferred gain(loss) on derivatives under hedge accounting                                     | 234                                      | (105)                                     |
| Foreign currency translation adjustments  | (5,212)                                  | (2,312)                                   |
| Defined retirement benefit plans  | 389                                      | 2,202                                     |
| Share of other comprehensive income of associates accounted for by using<br>the equity method | 5  | 47  |
| Total other comprehensive income  | (6,203)                                  | (5,821)                                   |
| <b>Comprehensive income</b>   | <b>24,730</b>                            | <b>29,574</b>                             |
| Comprehensive income attributable to:   |  |   |
| Owners of parent  | 25,153                                   | 29,574                                    |
| Non-controlling interests   | (422)                                    | (0)                                       |



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

**(Significant Changes in Stockholder's Equity)**

NGK acquired 3,368,600 shares of its own shares based on the resolution at the meeting of the Board of Directors held on October 31, 2019. As a result, during the nine months ended December 31, 2019, treasury stocks increased by ¥6,217 million, and as of December 31, 2019, treasury stocks stood at ¥18,210 million.

**(Changes in Accounting Policy)**

The NGK Group's subsidiaries reporting under IFRS have applied IFRS 16 "Leases" from the three months ended June 30, 2019. Accordingly, lessees in principal recognize all leases as assets and liabilities on the balance sheet. The NGK group applies this standard in accordance with transitional treatment of IFRS 16. The impact of this change on the consolidated financial statements for the nine months ended December 31, 2019 is insignificant.

**(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 on December 25, 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 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 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 end of nine months ended December 31, 2019, 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. Refund of income taxes**

Year ended December 31, 2019 (From April 1, 2019 to December 31, 2019)

The amount of tax refunded following the receipt of a written verdict, which partially rescinded the correction based on transfer pricing taxation on tax penalties paid by NGK with respect to transactions between NGK and its Polish subsidiary, issued by the Nagoya National Tax Tribunal on July 5, 2019.

**(Segment Information)**

(1) Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(Millions of yen)

|                        | Business Segment |          |             |                       |         | Elimination<br>or<br>Adjustment | Consolidated |
|------------------------|------------------|----------|-------------|-----------------------|---------|---------------------------------|--------------|
|                        | Power            | Ceramics | Electronics | Process<br>Technology | Total   |                                 |              |
| Sales                  |                  |          |             |                       |         |                                 |              |
| Sales to customers     | 31,922           | 190,599  | 42,196      | 64,188                | 328,906 | —                               | 328,906      |
| Intersegment sales     | 62               | 8        | 1           | 1,954                 | 2,027   | (2,027)                         | —            |
| Total sales            | 31,984           | 190,607  | 42,198      | 66,142                | 330,933 | (2,027)                         | 328,906      |
| Operating income(loss) | (3,524)          | 44,219   | 275         | 3,964                 | 44,934  | (7)                             | 44,926       |

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

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

(Millions of yen)

|                        | Business Segment |          |             |                       |         | Elimination<br>or<br>Adjustment | Consolidated |
|------------------------|------------------|----------|-------------|-----------------------|---------|---------------------------------|--------------|
|                        | Power            | Ceramics | Electronics | Process<br>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)          | 42,942   | 325         | 14,238                | 52,801  | (12)                            | 52,788       |

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