

**Summary of Consolidated Financial Results
for the Nine Months Ended December 31, 2020
[Japanese GAAP]**

January 29, 2021

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 5, 2021
 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, 2020 (from April 1, 2020 to December 31, 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	%
Nine months ended December 31, 2020	318,805	(3.1)	33,447	(25.6)	35,991	(17.7)	26,132	(16.5)
Nine months ended December 31, 2019	328,906	(4.0)	44,926	(14.9)	43,736	(15.2)	31,283	(11.5)

(Note) Comprehensive income : Nine months ended December 31, 2020 35,553 million yen 43.8 %
 : Nine months ended December 31, 2019 24,730 million yen (16.4) %

	Profit per share		Diluted profit per share	
	Yen	Yen	Yen	Yen
Nine months ended December 31, 2020	82.55		82.43	
Nine months ended December 31, 2019	97.37		97.21	

(2) Consolidated Financial Position

	Total assets	Total net assets	Ratio of net worth to total assets
	Millions of yen	Millions of yen	%
December 31, 2020	869,378	493,633	55.5
March 31, 2020	833,085	469,118	55.0

(Reference) Net worth : As of December 31, 2020 482,875 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	445,000	0.7	46,000	(16.4)	49,000	(5.7)	34,000	25.3	107.40

(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	December 31, 2020	322,211,996 shares	March 31, 2020	322,211,996 shares
ii. Number of treasury stocks at period end	December 31, 2020	5,638,286 shares	March 31, 2020	5,668,060 shares
iii. Average number of shares outstanding over period	December 31, 2020	316,561,953 shares	December 31, 2019	321,299,716 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 nine months of the fiscal year under review, while the Japanese economy showed signs of recovery due to the recovery of economic activities in overseas and measures taken to prevent the spread of COVID-19, the government declared state of emergency due the spread of COVID-19 got worse toward the year-end, the condition continues to be severe. Overseas, while notably the Chinese economy rapidly recovered, the economy in the United States and Europe is weakened due to restraints on economic activities, 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 at faster pace mainly in the Chinese market, shipments of automobile-related products decreased significantly due to a decline in automobile sales comparing with the same period of the previous year. 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 vibrant demand for semiconductor.

As a result, consolidated net sales in the nine months ended December 31, 2020 decreased 3.1% year-on-year to ¥318,805 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 25.6 % year on year to ¥33,447 million, and ordinary income was down 17.7% to ¥35,991 million. Profit attributable to owners of the parent decreased 16.5% to ¥26,132 million.

By segment, the Energy Infrastructure Business Segment posted net sales of ¥30,744 million, a decrease of 3.9% year on year, and an operating loss of ¥2,581 million (operating loss of ¥3,524 million in the same period of the previous year). In the Ceramics Business Segment, net sales decreased 10.7% year on year to ¥170,221 million and operating income decreased 44.9% year on year to ¥24,343 million. In the Electronics Business Segment, net sales decreased 2.0% year on year to ¥41,354 million and operating income increased 570.7% year on year to ¥1,849 million. In the Process Technology Business Segment, net sales increased 18.7% year on year to ¥78,484 million and operating income surged 147.8% year on year to ¥9,822 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 December 31, 2020, total assets were ¥869,378 million, an increase of ¥36,293 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, securities and inventories.

Total liabilities increased by ¥11,778 million from the previous fiscal year-end to ¥375,745 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 ¥493,633 million, or ¥24,514 million higher than the previous fiscal year-end, due to increases in retained earnings 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, net sales will increase as demand for automotive-related products is expected to exceed the previous forecast due to the recovery in the global automobile market although there remains the effect of the spread of COVID-19. In terms of profits, operating income, ordinary income and profit attributable to owners of parent will all exceed the previous forecast due to an increase in net sales, cost reductions, an improvement in non-operating income and expenses including foreign exchange gain and loss and an increase in extraordinary income in gain on sales of investment securities.

The assumed exchange rates from January onward are ¥100 to the U.S. dollar and ¥120 to the euro. (Average exchange rates during the period: ¥105 to the U.S. dollar and ¥122 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)	435,000	42,000	43,000	28,000	(yen) 88.45
Revised forecast (B)	445,000	46,000	49,000	34,000	107.40
Change (B-A)	10,000	4,000	6,000	6,000	—
Change (%)	2.3%	9.5%	14.0%	21.4%	—
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 December 31, 2020	As of March 31, 2020
Assets		
Current assets		
Cash and bank deposits	116,929	80,160
Notes and accounts receivable trade	108,010	101,377
Securities	25,879	31,016
Inventories	153,554	157,389
Other	20,706	28,583
Allowance for doubtful accounts	(121)	(153)
Total current assets	424,959	398,374
Non-current assets		
Tangible assets		
Buildings and structures	118,173	106,886
Machinery and vehicles	175,991	168,550
Other	76,471	83,970
Total tangible assets	370,635	359,407
Intangible assets	4,338	3,460
Investments and other assets		
Investment securities	54,824	49,996
Other	14,885	22,485
Allowance for doubtful accounts	(264)	(639)
Total investments and other assets	69,445	71,842
Total non-current assets	444,419	434,710
Total assets	869,378	833,085

(Millions of yen)

	As of December 31, 2020	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable trade	36,184	43,241
Short-term borrowings	18,080	6,407
Current portion of long-term borrowings	22,078	9,218
Income taxes payable	※ 1 5,646	※ 1 12,225
Provision for NAS battery safety measures	1,500	1,657
Provision for loss related to competition law	36	1,145
Other	38,289	40,393
Total current liabilities	121,816	114,289
Long-term liabilities		
Bonds payable	25,900	25,000
Long-term borrowings	198,090	193,773
Net defined benefit liability	21,328	21,012
Other	8,609	9,891
Total long-term liabilities	253,928	249,677
Total liabilities	375,745	363,966
Net assets		
Shareholders' equity		
Common stock	69,849	69,849
Capital surplus	70,199	70,199
Retained earnings	360,717	345,688
Treasury stock	(11,204)	(11,264)
Total shareholders' equity	489,561	474,473
Accumulated other comprehensive income (loss)		
Unrealized gain on available-for-sale securities	16,137	11,336
Deferred gain (loss) on derivatives under hedge accounting	(65)	(461)
Foreign currency translation adjustments	(17,426)	(21,390)
Defined retirement benefit plans	(5,331)	(5,406)
Total accumulated other comprehensive income (loss)	(6,686)	(15,921)
Stock acquisition rights	872	828
Non-controlling interests	9,886	9,737
Total net assets	493,633	469,118
Total liabilities and net assets	869,378	833,085

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

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Net sales	318,805	328,906
Cost of sales	233,969	228,935
Gross profit	84,836	99,971
Selling, general and administrative expenses	51,388	55,044
Operating income	33,447	44,926
Non-operating income		
Interest income	226	391
Dividend income	1,032	1,289
Foreign exchange gain	1,539	590
Gain on valuation of derivatives	329	—
Other	3,092	1,726
Total non-operating income	6,220	3,997
Non-operating expenses		
Interest expense	2,563	2,263
Equity in loss of unconsolidated subsidiaries and associated companies	196	645
Loss on valuation of derivatives	—	493
Other	917	1,785
Total non-operating expense	3,676	5,188
Ordinary income	35,991	43,736
Extraordinary income		
Gain on sales of fixed assets	215	222
Gain on sales of investment securities	1,119	2,665
Subsidy income	555	—
Total extraordinary income	1,891	2,888
Extraordinary loss		
Loss on sales and disposals of fixed assets	128	349
Impairment loss	1,546	1,353
Loss on sales of investment securities	107	49
Total extraordinary loss	1,782	1,752
Income before income taxes and non-controlling interests	36,100	44,872
Income taxes-current	6,444	11,985
Refund of income taxes	—	(425)
Income taxes-deferred	3,510	2,378
Income taxes-total	9,954	13,938
Profit	26,146	30,934
Profit (loss) attributable to non-controlling interests	13	(349)
Profit attributable to owners of parent	26,132	31,283

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2019
Profit	26,146	30,934
Other comprehensive income (loss)		
Unrealized gain(loss) on available-for-sale securities	4,798	(1,620)
Deferred gain on derivatives under hedge accounting	396	234
Foreign currency translation adjustments	4,154	(5,212)
Defined retirement benefit plans	129	389
Share of other comprehensive income(loss) of associates accounted for by using the equity method	(71)	5
Total other comprehensive income (loss)	9,407	(6,203)
Comprehensive income	35,553	24,730
Comprehensive income (loss) attributable to:		
Owners of parent	35,368	25,153
Non-controlling interests	185	(422)

(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)

In March 2012, NGK received the Correction, etc. based on transfer pricing taxation from the Nagoya Regional Taxation Bureau with respect to transactions with its subsidiary in Poland that took place during the period from the fiscal year ended March 31, 2007 to the fiscal year ended March 31, 2010. NGK paid approximately 6.2 billion yen in back taxes, including local taxes. Approximately 0.1 billion yen was refunded as decision of a request for examination with the Nagoya National Tax Tribunal. As NGK believed that the dispositions should be revoked in entirety, it filed an action with the Tokyo District Court in December 2016 for revocation of the Correction, etc., seeking a refund of the balance. After the subsequent proceedings, on November 26, 2020, the Tokyo District Court rendered a judgment that granted most of NGK's claims and revoked the Correction, etc. with respect to a total of approximately 5.8 billion yen in corporate and local taxes, etc. (hereinafter referred to as the "First Instance Judgment"). Dissatisfied with the First Instance Judgment described above, the national government filed an appeal with the Tokyo High Court on December 9 of the same year. In response, NGK filed an incidental appeal with respect to the portions of the First Instance Judgment that did not grant its claims on December 23, 2020.

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 December 31, 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) Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

(Millions of yen)

	Business Segment					Elimination or Adjustment	Consolidated
	Energy Infrastructure	Ceramics	Electronics	Process Technology	Total		
Sales							
Sales to customers	30,266	170,218	41,353	76,968	318,805	—	318,805
Intersegment sales	478	3	1	1,516	1,999	(1,999)	—
Total sales	30,744	170,221	41,354	78,484	320,805	(1,999)	318,805
Operating income (loss)	(2,581)	24,343	1,849	9,822	33,433	14	33,447

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

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

(Millions of yen)

	Business Segment					Elimination or Adjustment	Consolidated
	Energy Infrastructure	Ceramics	Electronics	Process 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.

(Significant Subsequent Event)

(Sale of significant subsidiaries' shares)

At the meeting of the Board of Directors held on November 26, 2020, NGK has resolved the subscription to the tender offer by Kamaya Electric Co., Ltd. ("Kamaya Electric") with regard to common stock of Soshin Electric Co., Ltd. ("Soshin Electric"), NGK's consolidated subsidiary. Subsequently, NGK concluded the agreement for the subscription for tender offer on November 30, 2020.

In accordance with the agreement, NGK subscribed to the tender offer with regard to 5,560,000 out of 6,346,000 shares of common stock of Soshin Electric it owned. The tender offer completed on January 4, 2021, and all the Soshin Electric shares for the subscription that NGK owned were purchased. NGK's shareholding ratio to the total number of outstanding shares excluding its treasury shares fell to 5.04%.

As a result of sale of the shares, Soshin Electric and its seven consolidated subsidiaries are to be unconsolidated from the fourth quarter.

1. Reasons for sale
NGK concluded the tender offer enhances the value of Soshin Electric.
2. Counterparty the shares sold to
Kamaya Electric Co., Ltd.
3. The date of sale
January 12, 2021
4. Details of subsidiary subject to be sold
Company name: Soshin Electric Co., Ltd.
Business: Development and manufacture of various filters, mica capacitors,
and measurement of electromagnetic noise
5. Number and value of shares sold
Total number of shares sold: 5,560,000 shares
Total value of shares sold: 2,557 million yen
6. Shareholding ratio after compilation of the sale
5.04% (Number of shares held 786,000 shares)
(Note) The shareholding ratio hereinabove is calculated based on the number of Soshin Electric's outstanding shares, 15,600,000 shares, excluding 1,519 shares of its treasury shares.