

## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2015 [Japanese GAAP]

October 30, 2015

Company Name : NGK INSULATORS, LTD.  
 Stock Exchange Listings : Tokyo and Nagoya  
 Listing Code : 5333  
 URL : <http://www.ngk.co.jp/english/>  
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Date of the Filing of Securities Report "Shihanki Hokokusho" (Scheduled) : November 6, 2015  
 Date of Dividend Payment (Scheduled) : December 4, 2015  
 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, 2015 (From April 1, 2015 to September 30, 2015)

#### (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, 2015	210,582	25.3	41,331	43.7	40,261	49.8	27,488	36.8
Six months ended September 30, 2014	168,013	18.5	28,764	46.3	26,874	37.2	20,097	59.1

(Note) Comprehensive Income : Six months ended September 30, 2015 23,407million yen (25.3)%  
 : Six months ended September 30, 2014 31,314 million yen 13.5%

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended September 30, 2015	84.18	84.03
Six months ended September 30, 2014	61.55	61.44

#### (2) Consolidated financial position

	Total assets	Total net assets	Ratio of net worth to total assets
	Millions of yen	Millions of yen	%
September 30, 2015	725,533	422,663	56.6
March 31, 2015	702,234	404,001	55.8

(Reference) Net worth : As of September 30, 2015, 410,409million yen  
 : As of March 31, 2015, 392,054 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, 2015	-	13.00	-	15.00	28.00
Year ending March 31, 2016	-	18.00			
Year ending March 31, 2016 (forecast)			-	18.00	36.00

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

### 3. Forecasts of consolidated financial results for the fiscal year ending March 31, 2016

(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, 2016	430,000	13.6	72,000	16.9	74,500	22.0	51,000	22.9	156.18

(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 : 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 (3) Notes to Consolidated Financial Statements (Changes in accounting policy)" on page 8 of the Appendix.

(4) Number of shares outstanding (Common Shares)

i. Number of shares outstanding at period end including treasury stocks	September 30, 2015	327,560,196 shares	March 31, 2015	327,560,196 shares
ii. Number of treasury stocks at period end	September 30, 2015	1,015,579 shares	March 31, 2015	1,033,304 shares
iii. Average number of shares outstanding over period	September 30, 2015	326,532,728 shares	September 30, 2014	326,545,462 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 Six months ended September 30, 2015, the Japanese economy remained on a moderate recovery course underpinned by improving corporate earnings and the employment and income environment. Overseas economies also continued on a path of moderate recovery, primarily in the developed economies, as indicated by such factors as the U.S. and European economic recovery, despite the weakness observed mainly in developing countries in Asia.

The NGK Group, thanks mainly to strong sales for passenger cars in the U.S. and European market and trucks in the U.S. market, saw solid demand for automotive ceramics in its Ceramics Business Segment. In the Electronics Business Segment, demand for ceramic components for semiconductor manufacturing equipment grew, on the back of the expansion of capital investment for further multi-layering and miniaturization by semiconductor manufacturers. In addition, NGK Electronics Devices, Inc., which became a consolidated subsidiary in January 2015, contributed to the Group's results. Furthermore, in the Power Business Segment, a large order of NAS® (sodium-sulfur) batteries for overseas was shipped.

As a result of the above, consolidated net sales for the Six months ended September 30, 2015 increased by 25.3% year on year to ¥210,582 million. In terms of earnings, as a result of increased net sales and the effect of the weak yen, among other factors, operating income increased by 43.7% year on year to ¥41,331 million, ordinary income increased by 49.8% to ¥40,261 million and profit attributable to owners of the parent increased by 36.8% to ¥27,488 million.

By segment, the Power Business Segment posted ¥33,811 million in net sales, an increase of 19.9% year on year, and an operating income of ¥390 million, compared to an operating loss of ¥1,593 million in the same period of the previous year. In the Ceramics Business Segment, net sales increased by 15.2% year on year to ¥122,771 million and operating income increased by 26.5% year on year to ¥34,979 million. In the Electronics Business Segment, net sales increased by 62.5% year on year to ¥54,063 million and operating income increased by 122.5% year on year to ¥5,962 million.

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

As of September 30, 2015, total assets were ¥725,533 million, an increase of ¥23,298 million from the previous fiscal year-end. This was mainly due to increases in cash and bank deposits and inventories, despite a decrease in securities.

Total liabilities were ¥302,870 million, an increase of ¥4,637 million from the previous fiscal year-end. This was mainly due to increases in current portion of long-term borrowings and others, despite a decrease in provision for loss related to competition law and long-term borrowings.

Total net assets stood at ¥422,663 million, or ¥18,661 million higher than the previous fiscal year-end, due to increases in retained earnings.

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

The consolidated financial results forecasts for the full year ending March 31, 2016 have been revised because, in the Power Business Segment, the NGK Group received a large order of NAS® batteries for Kyushu Electric Power and its shipment is scheduled during the current fiscal year, in addition to the solid demand for automotive ceramics in the Ceramics Business Segment. The consolidated financial results forecasts for the second half of the fiscal year assume that the yen trades at ¥115 to the U.S. dollar and ¥130 to the euro.

(Average exchange rates during the period: ¥119 to the U.S. dollar and ¥132 to the euro)

Forecasts of consolidated financial results for the fiscal year ending March 31, 2016 (Millions of yen)

April 1, 2015 - March 31, 2016	Net sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Profit per share (yen)
Previous forecast (A)	420,000	68,000	69,000	48,000	147.00
<b>Revised forecast (B)</b>	<b>430,000</b>	<b>72,000</b>	<b>74,500</b>	<b>51,000</b>	<b>156.18</b>
Change (B-A)	10,000	4,000	5,500	3,000	—
Change (%)	2.4%	5.9%	8.0%	6.3%	—
For Reference :					
Results from previous year (the year ended March 31, 2015)	378,665	61,577	61,068	41,504	127.11

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Millions of yen)

	As of September 30, 2015	As of March 31, 2015
<b>Assets</b>		
Current assets		
Cash and bank deposits	91,806	69,958
Notes and accounts receivable trade	85,532	88,979
Securities	87,038	98,104
Inventories	122,123	111,498
Other	31,624	29,841
Allowance for doubtful accounts	(1,339)	(1,220)
Total current assets	416,785	397,160
Non-current assets		
Tangible assets		
Buildings and structures	63,517	63,621
Machinery and vehicles	91,524	89,258
Other	49,768	46,380
Total tangible assets	204,810	199,259
Intangible assets	3,664	4,185
Investments and other assets		
Investment securities	75,529	78,856
Other	24,906	22,935
Allowance for doubtful accounts	(163)	(162)
Total investments and other assets	100,272	101,629
Total non-current assets	308,747	305,074
<b>Total assets</b>	<b>725,533</b>	<b>702,234</b>

(Millions of yen)

	As of September 30, 2015	As of March 31, 2015
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable trade	34,794	36,057
Short-term borrowings	5,110	4,320
Current portion of long-term borrowings	26,903	6,345
Income taxes payable	5,900	3,480
Provision for NAS battery safety measures	6,540	7,342
Provision for loss related to competition law	—	9,300
Other	44,790	40,279
<b>Total current liabilities</b>	<b>124,040</b>	<b>107,126</b>
Long-term liabilities		
Long-term borrowings	132,195	145,537
Net defined benefit liability	20,336	20,222
Other	26,297	25,345
<b>Total long-term liabilities</b>	<b>178,829</b>	<b>191,106</b>
<b>Total liabilities</b>	<b>302,870</b>	<b>298,232</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	69,849	69,849
Capital surplus	72,086	72,099
Retained earnings	246,630	224,040
Treasury stock	(1,402)	(1,403)
<b>Total shareholders' equity</b>	<b>387,164</b>	<b>364,585</b>
Accumulated other comprehensive income		
Unrealized gain on available -for-sale securities	22,998	26,394
Deffered gain on derivatives under hedge accounting	4	7
Foreign currency translation adjustments	6,796	7,983
Remeasurements of defined benefits plans	(6,556)	(6,915)
<b>Total accumulated other comprehensive income</b>	<b>23,244</b>	<b>27,469</b>
Stock acquisition rights	968	886
Non-controlling interests	11,285	11,060
<b>Total net assets</b>	<b>422,663</b>	<b>404,001</b>
<b>Total liabilities and net assets</b>	<b>725,533</b>	<b>702,234</b>

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

**Consolidated Statement of Income**

(Millions of yen)

	Six months ended September 30,2015	Six months ended September 30,2014
<b>Net sales</b>	<b>210,582</b>	<b>168,013</b>
Cost of sales	136,837	109,869
<b>Gross profit</b>	<b>73,744</b>	<b>58,143</b>
Selling, general and administrative expenses	32,412	29,379
<b>Operating income</b>	<b>41,331</b>	<b>28,764</b>
Non-operating income		
Interest income	351	331
Dividend income	813	645
Foreign Exchange gain	—	736
Reversal of Provision for loss related to competition law	※1 1,151	—
Other	758	617
Total non-operating income	3,075	2,330
Non-operating expenses		
Interest expense	993	1,055
Equity in loss of unconsolidated subsidiaries and associated companies	1,047	1,196
Foreign Exchange loss	1,857	—
Loss on compensation	—	1,100
Other	247	867
Total non-operating expense	4,146	4,219
<b>Ordinary income</b>	<b>40,261</b>	<b>26,874</b>
Extraordinary income		
Gain on sales of fixed assets	27	549
Gain on sales of investment securities	224	357
Subsidy income	153	—
Total extraordinary income	405	906
Extraordinary loss		
Loss on sales and disposals of fixed assets	137	167
Total extraordinary loss	137	167
<b>Income before income taxes and non controlling interests</b>	<b>40,529</b>	<b>27,613</b>
Income taxes -current	8,808	4,563
Income taxes -deferred	4,037	2,542
<b>Income taxes - total</b>	<b>12,845</b>	<b>7,105</b>
<b>Profit</b>	<b>27,683</b>	<b>20,507</b>
<b>Profit attributable to non-controlling interests</b>	<b>195</b>	<b>409</b>
<b>Profit attributable to owners of parent</b>	<b>27,488</b>	<b>20,097</b>



**Consolidated Statement of Comprehensive Income**

(Millions of yen)

	Six months ended September 30,2015	Six months ended September 30,2014
Profit	27,683	20,507
Other comprehensive income		
Unrealized gain on available-for-sale securities	(3,416)	5,592
Deferred losses on hedges	(2)	(4)
Foreign currency translation adjustments	(1,204)	4,891
Remeasurements of defined benefit plans	298	252
Share of other comprehensive income of associates accounted for by using the equity method	48	75
Total other comprehensive income	(4,276)	10,806
Comprehensive Income	23,407	31,314
Comprehensive Income attributable to:		
Owners of parent	23,263	30,856
Non-controlling interests	143	457

### **(3) Notes to Consolidated Financial Statements**

#### **(Changes in accounting policy)**

Effective from the first quarter of fiscal 2015, the Company adopted the Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013, hereinafter, “Business Combinations Standard”), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter, “Consolidated Financial Statements Standard”) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter, “Business Divestitures Standard”) and others. Accordingly, the Company’s accounting policies have been changed; the difference arising from a change in the Company’s ownership interest in a subsidiary over which the Company continues to have control is recorded as capital surplus and acquisition-related costs are expensed in the consolidated fiscal year when they are incurred. In addition, for business combinations to be performed at and after the beginning of the first quarter of fiscal 2015, a method was changed to recognize an adjustment to the provisional amount arising from the finalization of the tentative accounting treatment relating to the allocation of acquisition cost in the consolidated financial statements for the quarter where the date of business combination belongs. In addition, the Company has changed the presentation of net income and other related items, and the presentation of “minority interests” to “non-controlling interests.” To reflect this change in presentation, the reclassification of accounts has been made to the consolidated financial statements for the six months ended September 30, 2014 and the fiscal year ended March 31, 2015.

The Business Combinations Standard and others were adopted in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard and Paragraph 57-4 (4) of the Business Divestitures Standard, and they have been prospectively adopted from the beginning of the first quarter of the fiscal 2015.

These changes have no impact on the consolidated financial statements for the six months ended September 30, 2015.

#### **(Note on the assumption as a going concern)**

Not applicable

#### **(Significant changes in stockholder's equity)**

Not applicable

#### **(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. On September 3, 2015 (U.S. time), 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.

Subsequently, NGK has started negotiations with some of its customers regarding the compensation related to matters including violation of the U.S. antitrust law mentioned above. Although financial burdens such as indemnity may arise in future, at the present, it is difficult to reasonably estimate the amount of such impact on our consolidated financial statements.

**(Consolidated Statement of Income)**
**※ 1. Reversal of provision for loss related to competition law**

On September 3, 2015 (U.S. time), NGK entered into a Plea Agreement with the U.S. Department of Justice (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.

The difference between the amount of this fine and provision for loss related to competition law of ¥9.3 billion recorded in the previous fiscal year is recorded as “reversal of provision for loss related to competition law” under non-operating income.

**(Segment information)**

(1) Six months ended September 30, 2015 ( from April 1, 2015 to September 30, 2015 ) (Millions of yen)

	Business Segment				Elimination or Adjustment	Consolidated
	Power	Ceramics	Electronics	Total		
Sales						
Sales to customers	33,795	122,723	54,063	210,582	—	210,582
Intersegment sales	16	48	—	64	(64)	—
Total sales	33,811	122,771	54,063	210,647	(64)	210,582
Operating income	390	34,979	5,962	41,331	—	41,331

(2) Six months ended September 30, 2014 ( from April 1, 2014 to September 30, 2014 ) (Millions of yen)

	Business Segment				Elimination or Adjustment	Consolidated
	Power	Ceramics	Electronics	Total		
Sales						
Sales to customers	28,174	106,561	33,277	168,013	—	168,013
Intersegment sales	18	44	—	62	(62)	—
Total sales	28,193	106,605	33,277	168,076	(62)	168,013
Operating income (loss)	(1,593)	27,657	2,679	28,743	20	28,764

(Notes) 1. Elimination or adjustment of operating income (loss) is an adjustment of intersegment transactions.

2. Main products by business segment

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