

**Summary of Consolidated Financial Results
for the Six Months Ended September 30, 2021
[Japanese GAAP]**

October 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) : November 5, 2021
 Date of Dividend Payment (Scheduled) : December 3, 2021
 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, 2021 (from April 1, 2021 to September 30, 2021)

(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, 2021	250,159	28.3	45,925	296.8	43,905	259.3	31,950	339.7
Six months ended September 30, 2020	194,942	(11.3)	11,573	(63.4)	12,218	(58.8)	7,267	(65.8)

(Note) Comprehensive income : Six months ended September 30, 2021 35,059 million yen 183.7 %
 : Six months ended September 30, 2020 12,357 million yen 107.1 %

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended September 30, 2021	101.86	101.69
Six months ended September 30, 2020	22.96	22.92

(2) Consolidated Financial Position

	Total assets	Total net assets	Ratio of net worth to total assets
	Millions of yen	Millions of yen	%
As of September 30, 2021	901,005	535,345	58.7
March 31, 2021	908,967	517,892	56.3

(Reference) Net worth : As of September 30, 2021 529,132 million yen
 : As of March 31, 2021 512,003 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, 2021	—	10.00	—	20.00	30.00
Year ending March 31, 2022	—	30.00			
Year ending March 31, 2022 (forecast)			—	30.00	60.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022

(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, 2022	515,000	13.9	83,000	63.3	82,000	54.7	60,000	55.9	191.86

(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 and Notes (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, 2021	317,211,996 shares	March 31, 2021	322,211,996 shares
ii. Number of treasury stocks at period end	September 30, 2021	5,602,939 shares	March 31, 2021	5,639,001 shares
iii. Average number of shares outstanding over period	September 30, 2021	313,674,975 shares	September 30, 2020	316,557,312 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 six months of the fiscal year under review, Japan's economy showed signs of recovery due to progress of vaccination, while there were growing concerns about a delay in economic recovery due to reissuance of the declaration of state of emergency. Overseas, in Europe and the United States in which vaccination were relatively proceeded, economy remained moderate as resumption of economic activities. However, world economic outlook still remains unclear due to the concerns over global semiconductor shortage, rising cost of raw material and energy, economic slowdown in China and spread of COVID-19 variant.

Under such circumstances, Sales of Insulators in the Energy Infrastructure Business increased due to the improvement of sales prices despite continued sluggish demand in Japan. In the Ceramics Business, shipments of automobile-related products increased significantly due to a recovery in the global automobile market. In the Electronics Business, although the demand for beryllium copper wrought materials and piezoelectric elements for HDDs increased, overall sales decreased due to the exclusion of Soshin Electric Co., Ltd. and its consolidated subsidiaries from the scope of consolidation. In the Process Technology Business, shipments of products for semiconductor manufacturing equipment increased, supported by favorable semiconductor market conditions.

As a result, consolidated net sales in the six months ended September 30, 2021 increased 28.3% year-on-year to ¥250,159 million. In terms of earnings, due to the increase in sales of Ceramics Business and depreciation of the yen operating income increased 296.8% year on year to ¥45,925 million, and ordinary income was up 259.3% to ¥43,905 million. Profit attributable to owners of the parent increased 339.7% to ¥31,950 million.

By segment, the Energy Infrastructure Business Segment posted net sales of ¥20,239 million, an increase of 4.1% year on year, and an operating loss of ¥930 million (operating loss of ¥2,280 million in the same period of the previous year). In the Ceramics Business Segment, net sales increased 50.1% year on year to ¥147,564 million and operating income increased 453.6% year on year to ¥36,777 million. In the Electronics Business Segment, net sales decreased 4.1% year on year to ¥25,701 million and operating income increased 365.1% year on year to ¥3,005 million. In the Process Technology Business Segment, net sales increased 12.1% year on year to ¥58,160 million and operating income increased 7.9% year on year to ¥7,069 million.

(2) Explanation of Financial Position

As of September 30, 2021, total assets were ¥901,005 million, a decrease of ¥7,962 million from the previous fiscal year-end. This was mainly due to decreases other current assets and tangible assets despite an increase in inventories.

Total liabilities decreased by ¥25,414 million from the previous fiscal year-end to ¥365,659 million. This was mainly due to increases in short-term borrowings and long-term borrowings despite increases in current portion of long-term borrowings and income taxes payable.

Total net assets stood at ¥535,345 million, or ¥17,452 million higher than the previous fiscal year-end, due to an increase in retained earnings.

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

For the full-year forecast for the fiscal year ending March 31, 2022, profits are estimated to beat the previous forecast as a result of following factors including a weaker yen compared to the previous assumption (¥107 to the U.S. dollar and ¥127 to the euro), further progress of digitalization and an increase in demand of products for semiconductor manufacturing equipment.

The assumed exchange rates for the second half of the fiscal year are ¥110 to the U.S. dollar and ¥130 to the euro.

(Average exchange rates for the year: ¥110 to the U.S. dollar and ¥131 to the euro)

Consolidated financial results forecasts for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit per share
Previous forecast (A)	515,000	80,000	79,000	58,000	(yen) 185.47
Revised forecast (B)	515,000	83,000	82,000	60,000	191.86
Change (B-A)	—	3,000	3,000	2,000	—
Change (%)	—	3.8	3.8	3.4	—
For Reference: Results from the previous year (the fiscal year ended March 31, 2021)	452,043	50,823	53,006	38,496	121.61

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 September 30, 2021	As of March 31, 2021
Assets		
Current assets		
Cash and bank deposits	127,489	131,359
Notes and accounts receivable trade	—	114,496
Notes and accounts receivable trade, and contract assets	112,682	—
Securities	38,089	35,003
Inventories	164,293	150,471
Other	16,407	26,739
Allowance for doubtful accounts	(120)	(130)
Total current assets	458,842	457,940
Non-current assets		
Tangible assets		
Buildings and structures	117,629	118,820
Machinery and vehicles	179,199	185,433
Other	67,777	67,957
Total tangible assets	364,606	372,210
Intangible assets	5,478	5,065
Investments and other assets		
Investment securities	58,318	61,160
Other	14,088	12,861
Allowance for doubtful accounts	(329)	(271)
Total investments and other assets	72,077	73,751
Total non-current assets	442,162	451,027
Total assets	901,005	908,967

(Millions of yen)

	As of September 30, 2021	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable trade	38,698	42,438
Short-term borrowings	7,412	18,046
Current portion of long-term borrowings	26,919	21,927
Income taxes payable	※ 1 14,746	※ 1 9,098
Provision for NAS battery safety measures	1,042	1,465
Other	45,102	43,017
Total current liabilities	133,922	135,992
Long-term liabilities		
Bonds payable	25,000	25,000
Long-term borrowings	178,441	199,271
Net defined benefit liability	22,103	21,758
Other	6,191	9,052
Total long-term liabilities	231,737	255,082
Total liabilities	365,659	391,074
Net assets		
Shareholders' equity		
Common stock	69,849	69,849
Capital surplus	70,199	70,199
Retained earnings	386,666	372,640
Treasury stock	(11,007)	(11,205)
Total shareholders' equity	515,707	501,483
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	18,178	19,257
Deferred (loss) on derivatives under hedge accounting	(469)	(186)
Foreign currency translation adjustments	(1,256)	(4,918)
Defined retirement benefit plans	(3,027)	(3,632)
Total accumulated other comprehensive income	13,425	10,520
Stock acquisition rights	991	872
Non-controlling interests	5,221	5,017
Total net assets	535,345	517,892
Total liabilities and net assets	901,005	908,967

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Net sales	250,159	194,942
Cost of sales	166,340	150,641
Gross profit	83,819	44,301
Selling, general and administrative expenses	37,893	32,727
Operating income	45,925	11,573
Non-operating income		
Interest income	204	119
Dividend income	515	587
Foreign exchange gains	—	636
Gain on valuation of derivatives	—	200
Insurance claim income	666	374
Other	678	1,736
Total non-operating income	2,065	3,654
Non-operating expenses		
Interest expense	1,771	1,689
Equity in loss of unconsolidated subsidiaries and associated companies	443	609
Foreign exchange losses	943	—
Loss on valuation of derivatives	326	—
Other	600	710
Total non-operating expense	4,086	3,009
Ordinary income	43,905	12,218
Extraordinary income		
Gain on sales of fixed assets	37	203
Gain on sales of investment securities	951	332
Subsidy income	450	325
Total extraordinary income	1,439	861
Extraordinary loss		
Loss on sales and disposals of fixed assets	204	89
Impairment loss	15	874
Total extraordinary loss	220	964
Income before income taxes and non-controlling interests	45,125	12,114
Income taxes-current	13,673	3,601
Income taxes-deferred	(690)	1,461
Income taxes-total	12,982	5,062
Profit	32,142	7,052
Profit (loss) attributable to non-controlling interests	192	(214)
Profit attributable to owners of parent	31,950	7,267

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2020
Profit	32,142	7,052
Other comprehensive income		
Unrealized (loss) gain on available-for-sale securities	(1,079)	1,990
Deferred (loss) gain on derivatives under hedge accounting	(283)	118
Foreign currency translation adjustments	3,461	2,544
Defined retirement benefit plans	566	496
Share of other comprehensive income of associates accounted for by using the equity method	252	154
Total other comprehensive income	2,917	5,305
Comprehensive income	35,059	12,357
Comprehensive income (loss) attributable to:		
Owners of parent	34,855	12,464
Non-controlling interests	204	(107)

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

(Significant Changes in Stockholder's Equity)

NGK acquired 5,000,000 shares of its own shares from April 30, 2021 to July 9, 2021 based on the resolution at the meeting of the Board of Directors held on April 28, 2021. As a result, treasury stocks increased by ¥9,696 million.

NGK cancelled 5,000,000 shares of treasury stock, effective September 10, 2021 based on the resolution at the meeting of the Board of directors held on April 28, 2021. Since the balance of other capital surplus turned to negative due to the cancellation of treasury stock, retained earnings were transferred to capital surplus.

As a result, during the six months of the fiscal year under review capital surplus and treasury stock decreased by ¥9,823 million.

(Changes in Accounting Policy)

(Application of accounting standards for revenue recognition)

NGK has adopted the "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter referred to as the "Revenue Recognition Accounting Standards") from the beginning of the first quarter consolidated accounting period and recognizes revenue in the amount expected to be received in exchange for the promised goods or services when the control of such goods or services is transferred to the customer. The main changes are as follows.

(1) Combination of contracts and identification of performance obligations

Previously, in some cases, NGK recognized revenues from sales of products upon their arrival or upon the completion of customer acceptance, and revenues from services such as installation and test runs upon the completion of NGK's work for such services. However, NGK changed the method to recognize revenues upon the completion of services, with sales of products and provision of accompanying services as a single performance obligation.

(2) Performance obligations satisfied over time

With respect to construction contracts, NGK previously used the percentage-of-completion method when the outcome of the construction activity was deemed certain; however, when the control of the goods or services is transferred to the customer over a certain period of time, NGK now recognizes revenues over a certain period of time as it satisfies the performance obligation to transfer the goods or services to the customer. Progress in satisfying performance obligations is measured based on the ratio of construction costs incurred by the end of each reporting period to the total estimated construction costs. In cases where it is not possible to reasonably estimate the progress of the satisfaction of performance obligations, but the recovery of costs incurred is expected, NGK recognizes revenues on a cost recovery basis. For construction contracts with a very short period from the transaction start date to the time when the performance obligation is expected to be fully satisfied, NGK applies alternative treatment and recognizes revenues when the obligation is fully satisfied instead of recognizing revenues over a certain period of time.

For application of the Revenue Recognition Accounting Standards, NGK follows the transitional treatment prescribed in the provisions of Paragraph 84 of the Standards, adds/deducts the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the first quarter consolidated accounting period to/from retained earnings at the beginning of the first quarter consolidated accounting period, and applies the new accounting policy from the beginning balance of the period.

As a result, the effect on the consolidated financial statements is immaterial.

As the Revenue Recognition Accounting Standards have been applied, "Notes and accounts receivable trade" under "Current assets" and "Contract assets" included in "Other" under "Current assets" in the consolidated balance sheet of the previous fiscal year have been included in "Notes and accounts receivable trade and contract assets" from the first quarter consolidated accounting period. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standards, NGK has not made reclassifications for the previous fiscal year based on the new presentation method. In addition, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), NGK has not included disaggregated information for revenue that has arisen from contracts with customers pertaining to the previous consolidated cumulative second quarter.

(Application of accounting standards for fair value measurement)

NGK has adopted the "Accounting Standards for fair value measurement" (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as the "Fair Value Measurement Accounting Standards") from the beginning of the first quarter consolidated accounting period. In accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standards and in Paragraph 44-2 of the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), NGK will apply the new accounting policies prescribed by the Fair Value Measurement Accounting Standards in the future. There was no impact on the quarterly consolidated financial statements.

(Additional Information)

(Regarding filing action for the revocation of correction based on transfer pricing taxation)

In March 2012, NGK received the correction based on transfer pricing taxation from the Nagoya Regional Taxation Bureau with respect to transactions with its subsidiary in Poland from the fiscal year ended March 31, 2007 to the fiscal year ended March 31, 2010. Although NGK paid an additional tax of approximately 6.2 billion yen, including local taxes, approximately 0.1 billion yen was refunded as decision of a request for re-examination with the Nagoya National Tax Tribunal, which NGK had filed an action with the Tokyo District Court for revocation of the correction in December 2016. In November 2020, after the subsequent proceedings, the Tokyo District Court rendered a judgment that granted most of NGK's claims and revoked the correction related to 5.8 billion yen in corporate and local taxes. ("First Instance Judgment"). Dissatisfied with the First Instance Judgment described above, the national government filed an appeal with the Tokyo High Court on December 2020. In response, NGK filed an incidental appeal with respect to the portions of the First Instance Judgment that did not grant its claims on the same month.

In June 2017, NGK received another correction based on transfer pricing taxation from the Nagoya Regional Taxation Bureau regarding 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 based on transfer pricing taxation and NGK paid an additional tax of approximately 8.5 billion yen including local taxes. A request for re-examination was submitted to the Nagoya National Tax Tribunal in July 2018 requesting for cancellation of the correction, and NGK received a written verdict that partially rescinded the correction in July 2019. However, it only provided refund of 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.

Based on above, NGK estimated tax amounts based on the premise that it would be subject to the corrections mentioned above for fiscal years subsequent to March 31, 2016 and recognized the amounts in the consolidated 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.

(Segment Information)

(1) Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(Millions of yen)

	Business Segment					Elimination or Adjustment	Consolidated
	Energy Infrastructure	Ceramics	Electronics	Process Technology	Total		
Sales							
Sales to customers	19,917	147,558	25,701	56,981	250,159	—	250,159
Intersegment sales	322	5	0	1,178	1,506	(1,506)	—
Total sales	20,239	147,564	25,701	58,160	251,666	(1,506)	250,159
Operating income (loss)	(930)	36,777	3,005	7,069	45,921	3	45,925

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

As stated in Changes in Accounting Policies, NGK has adopted the Revenue Recognition Accounting Standards from the beginning of the first quarter consolidated accounting period and changed the accounting method for revenue recognition. NGK has therefore changed the method of calculating the income and loss of business segments as well.

The effect of this change on the net sales and segment income for each business segment is immaterial.

(2) Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(Millions of yen)

	Business Segment					Elimination or Adjustment	Consolidated
	Energy Infrastructure	Ceramics	Electronics	Process Technology	Total		
Sales							
Sales to customers	19,115	98,287	26,805	50,732	194,942	—	194,942
Intersegment sales	324	3	1	1,132	1,461	(1,461)	—
Total sales	19,440	98,290	26,807	51,865	196,403	(1,461)	194,942
Operating income (loss)	(2,280)	6,643	646	6,554	11,563	9	11,573

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

(Revenue Recognition)

Disaggregated revenue recognized from contracts with customers
Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(Millions of yen)

	Business Segment				Total
	Energy Infrastructure	Ceramics	Electronics	Process Technology	
Major geographical regions					
Japan	14,336	14,209	12,406	18,785	59,738
North America	2,440	26,169	2,183	22,808	53,557
Europe	209	52,823	1,289	52	54,374
Asia	1,598	48,937	9,834	15,273	75,643
Others	1,332	5,419	33	61	6,845
Total	19,917	147,558	25,701	56,981	250,159
Major product lines					
Insulators	19,113	—	—	—	19,113
Energy storage	803	—	—	—	803
Automotive ceramics for exhaust gas purification	—	115,487	—	—	115,487
Sensor	—	32,071	—	—	32,071
Special metals and molds	—	—	11,699	—	11,699
Electronics components	—	—	14,002	—	14,002
Components for semiconductor manufacturing equipment	—	—	—	45,838	45,838
Industrial processes	—	—	—	11,143	11,143
Total	19,917	147,558	25,701	56,981	250,159
Timing of revenue recognition					
Goods and services transferred at a point in time	19,713	147,558	25,701	52,542	245,516
Goods and services transferred over time	204	—	—	4,439	4,643
Total	19,917	147,558	25,701	56,981	250,159

(Significant subsequent event)
(Lawsuit filed against NGK)

On July 6, 2021, a lawsuit was filed against NGK in Nagoya District court and NGK received the complaint on October 29, 2021 that P.T.Paiton Energy ("Paiton"), its insurance companies and their reinsurer companies ("the plaintiffs") filed a claim against NGK for compensation for damages of US\$151,392,337.48 (¥16,828,772,234) and the amount of the relevant delay charges.

In January 2018, a fire incident allegedly occurred in a transformer ("Transformer") installed in a thermal power plant ("Power Plant") in Indonesia operated by Paiton. In connection with this accident, the plaintiffs filed a claim against NGK for damages and relevant delay charges based on alleged product liability and torts.

NGK is a distributor of the bushing (manufactured in 2010) incorporated in the Transformer. NGK delivered the bushing to a third-party transformer manufacturer that incorporated the same into the Transformer. The Transformer was then delivered to the Power Plant through a plant engineering manufacturer.

NGK believes that it is not liable for the incident described above. Therefore, NGK will take necessary actions in response to the claim to demonstrate the quality of the bushings and the adequacy of NGK's operations.

NGK will make timely disclosures in relation to this lawsuit upon the occurrence of any incident that may have a material impact on NGK's financial results.