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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

July 31, 2023

Company name: **NGK INSULATORS, LTD.**

Stock exchange listings: Tokyo and Nagoya

Stock code: 5333

URL: <https://www.ngk-insulators.com/en/>

Representative: (Title) President (Name) Shigeru Kobayashi

Contact: (Title) General Manager, Finance & Accounting Department. (Name) Hideaki Tsukui (TEL) +81-52-872-7230

Scheduled date of the filing quarterly report: August 7, 2023

Scheduled date of commencing of dividend payments: —

Availability of supplementary explanatory materials prepared for financial results: None

Briefing session on financial results to be held: None

(All yen amounts are rounded down to the nearest million)

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (from April 1, 2023, to June 30, 2023)

(1) Consolidated Operating Results

% represents increase (decrease) from the previous period

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ended								
June 30, 2023	141,331	7.9	18,561	(10.1)	16,124	(22.0)	12,005	(33.2)
June 30, 2022	131,000	1.7	20,635	(12.7)	20,669	(10.6)	17,963	11.1

(Note) Comprehensive income: Three months ended June 30, 2023 ¥39,689 million (0.9) %
: Three months ended June 30, 2022 ¥40,058 million 117.6 %

	Net income per share	Diluted net income per share
Fiscal Year ended	Yen	Yen
June 30, 2023	39.20	39.13
June 30, 2022	57.64	57.54

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2023	1,059,172	672,027	62.7
March 31, 2023	1,029,168	642,446	61.7

(Reference) Equity: As of June 30, 2023 ¥664,422 million
: As of March 31, 2023 ¥635,447 million

2. Dividend Payments

	Cash dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 31, 2023	—	33.00	—	33.00	66.00
Fiscal Year ending March 31, 2024	—				
Fiscal Year ending March 31, 2024 (forecast)		25.00	—	25.00	50.00

(Note) Revision of dividend forecasts during this period: None

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024

% represents increase (decrease) from the previous period

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	265,000	(3.5)	25,000	(35.6)	23,000	(33.4)	16,000	(39.6)	52.23
Fiscal Year ending March 31, 2024	565,000	1.0	56,000	(16.1)	53,000	(19.6)	38,500	(30.1)	125.67

(Note) Revision of forecasts of consolidated financial results during this period: None

Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2023: None

(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 in accounting policies due to revisions of accounting standards : None
- (ii) Changes in accounting policies other than the above (i) : None
- (iii) Changes in accounting estimates : None
- (iv) Retrospective restatement : None

(4) Number of shares outstanding (Common Shares)

(i) Number of shares outstanding at period end including treasury stocks	June 30, 2023	311,829,996 shares	March 31, 2023	311,829,996 shares
(ii) Number of treasury stocks at period end	June 30, 2023	5,539,642 shares	March 31, 2023	5,539,120 shares
(iii) Average number of shares outstanding over period	June 30, 2023	306,290,654 shares	June 30, 2022	311,644,100 shares

*** The report of the quarterly financial results is not subject to the quarterly review by certified public accountant or audit firm**

*** Explanation about the appropriate use of the business forecasts and other notes**

This document contains forward-looking statements that are based on information and certain assumptions that NGK INSULATORS, LTD. (hereinafter referred to as "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. For the basis of presumption of the business forecast and the notes on its use, please refer to "1. Qualitative Information on Quarterly Financial Statements, (3) Explanation of Future Statements including Forecasts for Consolidated Financial Statements" on page 2 of the Appendix.

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1. Qualitative Information on Quarterly Financial Statements

(1) Explanation of Business Results

In the three months ended June 30, 2023, the Japanese economy showed signs of recovery due to the normalization of economic and social activities due to the reclassification of COVID-19 to Class 5. Although the economic recovery in Europe was stagnant in some districts, other countries like the U.S. and China showed signs of recovery of the consumption expenditures and the global economy gradually recovered. However, the outlook remains uncertainty due to concerns about the economic downturn caused by the prolonged monetary tightening against price rising.

Under these circumstances, shipments of automotive-related products mainly increased in China in the Environment Business due to the recovery of the automotive volume against the normalization of semiconductor supply. In the Digital Society Business, shipments of components for semiconductor manufacturing equipment and electronic components, declined primarily due to reduced investments in semiconductors and data centers. In the Energy & Industry Business, shipments of power distribution products to in Japan and insulators in U.S. increased.

As a result, net sales in the three months ended June 30, 2023, increased 7.9% year-on-year to ¥141,331 million, due to the positive effect of the depreciation of the yen and an increase in sales of the automotive-related products, despite a decrease shipment of components for semiconductor manufacturing equipment. With regard to profits, operating income decreased 10.1% year on year to ¥18,561 million due to a decrease shipment of components for semiconductor manufacturing equipment and the impact of rising labor costs and others despite increase shipments of the automotive-related products. Ordinary income decreased 22.0% year on year to ¥16,124 million due to a decline in operating income and recorded the foreign exchange losses in overseas related companies. Quarterly net income attributable to owners of the parent decreased 33.2% year on year to ¥12,005 million, due to recorded the income taxes for prior periods in the same period of the previous fiscal year and a decline in ordinary income.

By segment, net sales increased 22.3% year on year in the Environment Business to ¥89,658 million, and operating income increased 13.8% year on year to ¥16,131 million. In the Digital Society Business, net sales decreased 22.7% year on year to ¥33,496 million. Operating income decreased 87.2% year on year to ¥918 million. In the Energy & Industry Business, net sales increased 24.1% year on year to ¥18,624 million and operating income was ¥1,504 million (operating loss of ¥710 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

As of June 30, 2023, total assets were ¥1,059,172 million, an increase of ¥30,004 million from the previous fiscal year-end. This was mainly due to increases in tangible assets, inventories, cash and deposits, despite decreases in securities.

Total liabilities increased by ¥422 million from the previous fiscal year-end to ¥387,144 million. This was mainly due to increases Deferred tax assets included in Other Non-current liabilities despite a decrease in long-term borrowings.

Total net assets stood at ¥672,027 million, or ¥29,581 million higher than the previous fiscal year-end, due to increases in foreign currency translation adjustment.

(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, 2024 no revisions have been made to those announced on April 28, 2023 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. Actual results may differ significantly from those in the forecasts due to various factors.

2. Consolidated Financial Statements and Notes
(1) Consolidated Balance Sheets

(Millions of yen)

	June 30, 2023	March 31, 2023
Assets		
Current assets		
Cash and deposits	175,564	168,447
Notes and accounts receivable-trade, and contract assets	126,134	120,118
Securities	40,865	46,260
Inventories	224,026	214,423
Other	18,143	24,632
Allowance for doubtful accounts	(161)	(162)
Total current assets	584,572	573,718
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	129,493	126,436
Machinery and vehicles, net	177,342	172,418
Other, net	72,791	67,592
Total property, plant and equipment	379,627	366,446
Intangible assets	6,544	6,414
Investments and other assets		
Investment securities	63,057	58,223
Other	25,674	24,668
Allowance for doubtful accounts	(304)	(303)
Total investments and other assets	88,427	82,588
Total non-current assets	474,599	455,449
Total assets	1,059,172	1,029,168

(Millions of yen)

	June 30, 2023	March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	44,898	44,872
Short-term borrowings	11,377	11,143
Current portion of long-term borrowings	36,758	34,860
Income taxes payable	1,855	4,164
Other	55,359	54,466
Total current liabilities	150,249	149,507
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	161,692	167,353
Retirement benefit liability	20,675	20,283
Other	14,527	9,576
Total non-current liabilities	236,895	237,214
Total liabilities	387,144	386,721
Net assets		
Shareholders' equity		
Share capital	69,955	69,955
Capital surplus	70,305	70,305
Retained earnings	442,427	440,530
Treasury shares	(10,295)	(10,294)
Total shareholders' equity	572,393	570,496
Accumulated other comprehensive income		
Valuation difference on available -for-sale securities	20,390	17,101
Deferred gains or losses on hedges	1	(9)
Foreign currency translation adjustment	66,553	42,849
Remeasurements of defined benefit plans	5,083	5,009
Total accumulated other comprehensive income	92,028	64,951
Share acquisition rights	882	882
Non-controlling interests	6,723	6,116
Total net assets	672,027	642,446
Total liabilities and net assets	1,059,172	1,029,168

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

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2022
Net sales	141,331	131,000
Cost of sales	101,467	89,253
Gross profit	39,864	41,747
Selling, general and administrative expenses	21,303	21,112
Operating income	18,561	20,635
Non-operating income		
Interest income	316	116
Dividend income	669	636
Foreign exchange gains	—	1,891
Other	173	163
Total non-operating income	1,159	2,808
Non-operating expenses		
Interest expense	967	906
Share of loss of associates accounted for using equity method	384	207
Foreign exchange losses	69	—
Loss on valuation of derivatives	1,862	1,340
Other	313	319
Total non-operating expense	3,596	2,774
Ordinary income	16,124	20,669
Extraordinary income		
Gain on sales of non-current assets	33	32
Gain on sales of investment securities	19	205
Subsidies income	169	234
Total extraordinary income	222	471
Extraordinary losses		
Loss on disposals of non-current assets	68	24
Impairment loss	—	834
Total extraordinary losses	68	859
Income before income taxes	16,278	20,281
Income taxes-current	2,521	4,048
Income taxes for prior periods	—	*1 (4,100)
Income taxes-deferred	1,650	2,345
Total income taxes	4,172	2,294
Net income	12,105	17,986
Net income attributable to non-controlling interests	100	22
Net income attributable to owners of the parent	12,005	17,963

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2022
Net income	12,105	17,986
Other comprehensive income		
Valuation difference on available-for-sale securities	3,286	(359)
Deferred gain or loss on hedges	12	(288)
Foreign currency translation adjustment	24,258	22,418
Defined retirement benefit plans	9	163
Share of other comprehensive income of entities accounted for using equity method	17	137
Total other comprehensive income	27,583	22,071
Comprehensive income	39,689	40,058
Comprehensive income attributable to:		
Owners of the parent	39,082	39,706
Non-controlling interests	607	351

(3) Notes to Consolidated Financial Statements**(Note on the Assumption as a Going Concern)**

Not applicable

(Significant Changes in Stockholder's Equity)

Not applicable

(Other Notes)**(Consolidated Balance Sheet)****Contingent liabilities**

(Lawsuit filed against the Company)

On July 6, 2021, a lawsuit was filed against the Company in Nagoya District court and the Company 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 the Company for compensation for damages of US\$151,392,337.48 (¥16,828,772,234) and the amount of the relevant delay charges. Thereafter, the plaintiffs issued petition for amendment of claim on January 11, 2022, the amount of the claim increased by US\$41.36 (¥4,796) to US\$151,392,378.84 (¥16,828,777,030) and 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 the Company for damages and relevant delay charges based on alleged product liability and torts.

The Company is a distributor of the bushing (manufactured in 2010) incorporated in the Transformer. The Company 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.

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

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

The number in yen terms for the damage compensation in the text is the amount stated in the complaint and is converted into yen at a different exchange rate from that used by the Company to prepare the consolidated financial statements.

(Consolidated Statement of Income)***1. Income taxes for prior periods**

Three months ended June 30, 2022 (from April 1, 2022, to June 30, 2022)

In June 2017, as the Company received a notice of reassessment based on transfer pricing taxation regarding transactions between the Company and its Polish subsidiary, the Company had recorded the estimated tax for each consolidated fiscal year from the fiscal year ended March 2016 as income taxes payable. However, as a result of the completion of tax audits for the fiscal year ended March 2016 and thereafter, the Company reversed the estimated amount that had been recorded.

(Segment Information)

(1) Three months ended June 30, 2023 (from April 1, 2023, to June 30, 2023)

(Millions of yen)

	Business Segment				Adjustment	Consolidated
	Environment	Digital Society	Energy & Industry	Total		
Net sales						
Sales to customers	89,658	33,486	18,186	141,331	—	141,331
Intersegment sales	—	10	438	448	(448)	—
Total	89,658	33,496	18,624	141,780	(448)	141,331
Operating income	16,131	918	1,504	18,555	6	18,561

(Note) The adjustment of ¥6 million to operating income comprises of intersegment transactions.

(2) Three months ended June 30, 2022 (from April 1, 2022, to June 30, 2022)

(Millions of yen)

	Business Segment				Adjustment	Consolidated
	Environment	Digital Society	Energy & Industry	Total		
Net sales						
Sales to customers	73,293	43,310	14,396	131,000	—	131,000
Intersegment sales	0	2	607	610	(610)	—
Total	73,293	43,312	15,004	131,611	(610)	131,000
Operating income	14,173	7,157	(710)	20,621	14	20,635

(Note) The adjustment of ¥14 million to operating income comprises of intersegment transactions.

(Revenue Recognition)

Disaggregated revenue recognized from contracts with customers

Three months ended June 30, 2023 (from April 1, 2023, to June 30, 2023)

(Millions of yen)

	Business Segment			Total
	Environment	Digital Society	Energy & Industry	
Major geographical regions				
Japan	7,183	11,455	11,741	30,380
North America	17,547	10,856	3,032	31,436
Europe	34,900	1,012	115	36,028
Asia	28,532	10,149	2,102	40,784
Others	1,494	13	1,194	2,702
Total	89,658	33,486	18,186	141,331
Major product lines				
Automotive ceramics for exhaust gas purification	71,678	—	—	71,678
Sensors	17,980	—	—	17,980
SPE related (Component for semiconductor production equipment)	—	20,909	—	20,909
Electronics components	—	5,933	—	5,933
Metal related	—	6,644	—	6,644
Energy storage	—	—	468	468
Insulators	—	—	11,643	11,643
Industrial processes	—	—	6,074	6,074
Total	89,658	33,486	18,186	141,331
Timing of revenue recognition				
Goods and services transferred at a point in time	89,658	33,486	16,511	139,657
Goods and services transferred over time	—	—	1,674	1,674
Total	89,658	33,486	18,186	141,331

Three months ended June 30, 2022 (from April 1, 2022, to June 30, 2022)

(Millions of yen)

	Business Segment			Total
	Environment	Digital Society	Energy & Industry	
Major geographical regions				
Japan	6,351	13,292	10,271	29,916
North America	17,070	15,568	1,878	34,517
Europe	29,621	1,032	54	30,709
Asia	19,378	13,402	1,430	34,210
Others	871	13	761	1,647
Total	73,293	43,310	14,396	131,000
Major product lines				
Automotive ceramics for exhaust gas purification	58,311	—	—	58,311
Sensors	14,982	—	—	14,982
SPE related (Components for semiconductor production equipment)	—	28,613	—	28,613
Electronics components	—	8,382	—	8,382
Metal related	—	6,313	—	6,313
Energy storage	—	—	331	331
Insulators	—	—	8,794	8,794
Industrial processes	—	—	5,270	5,270
Total	73,293	43,310	14,396	131,000
Timing of revenue recognition				
Goods and services transferred at a point in time	73,293	43,310	11,912	128,516
Goods and services transferred over time	—	—	2,484	2,484
Total	73,293	43,310	14,396	131,000