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Summary of Consolidated Financial Results for the Year Ended March 31, 2024 [Japanese GAAP]

April 26, 2024

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

Stock Exchange Listings : Tokyo and Nagoya

Listing 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 Annual Shareholders' Meeting : June 26, 2024

Scheduled date of the filing of Securities Report : June 26, 2024

Scheduled date of Year-End Dividend Payment : June 27, 2024

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 Year Ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results

% represents increase (decrease) from the previous period

Fiscal Year ended	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	%
March 31, 2024	578,913	3.5	66,397	(0.5)	63,042	(4.3)	40,562	(26.3)
March 31, 2023	559,240	9.6	66,761	(20.1)	65,887	(23.6)	55,048	(22.3)

(Note) Comprehensive income : FY 2023 ¥105,076 million 27.0%
: FY 2022 ¥82,753 million (16.1%)

Fiscal Year Ended	Net income per share	Diluted net income per share	Ratio of net income to equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
March 31, 2024	133.65	133.42	6.1	5.8	11.5
March 31, 2023	177.47	177.17	9.0	6.5	11.9

(Reference) Share of profit of entities accounted for using equity method : FY 2023 ¥1,567 million
: FY 2022 ¥1,522 million

(2) Consolidated Financial Position

Fiscal Year Ended	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2024	1,127,576	703,225	61.7	2,334.21
March 31, 2023	1,029,168	642,446	61.7	2,074.66

(Reference) Equity : As of March 31, 2024 ¥695,425 million
: As of March 31, 2023 ¥635,447 million

(3) Consolidated Cash Flows

Fiscal Year Ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	99,159	(68,593)	(36,123)	171,432
March 31, 2023	97,949	(52,006)	(34,568)	168,863

2. Dividend Payments

	Dividend per share					Total amount of dividends	Dividend payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal Year Ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2023	—	33.00	—	33.00	66.00	20,396	37.2	3.3
March 31, 2024	—	25.00	—	25.00	50.00	15,108	37.4	2.3
Fiscal Year Ending March 31, 2025 (forecast)	—	30.00	—	30.00	60.00		33.7	

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025

% 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, 2024	295,000	4.3	30,000	(7.7)	28,000	(3.2)	21,000	15.5	70.49
Fiscal Year Ending March 31, 2025	620,000	7.1	75,000	13.0	71,000	12.6	53,000	30.7	177.90

Notes

(1) Significant changes in subsidiaries during this period: None

(2) Changes in accounting policies, accounting estimates and 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

(3) Number of shares outstanding (Common Shares)

(i) Number of shares outstanding at period end including treasury stocks	March 31, 2024	311,956,996 shares	March 31, 2023	311,829,996 shares
(ii) Number of treasury stocks at period end	March 31, 2024	14,029,396 shares	March 31, 2023	5,539,120 shares
(iii) Average number of shares outstanding over period	March 31, 2024	303,510,212 shares	March 31, 2023	310,189,352 shares

(Reference) Overview of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Year Ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-Consolidated Operating Results

% represents increase (decrease) from the previous period

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year Ended March 31, 2024	307,527	3.6	34,113	7.4	42,427	(5.1)	31,856	(33.0)
March 31, 2023	296,750	(1.6)	31,770	(37.0)	44,723	(39.8)	47,544	(28.8)

	Net income per share	Diluted net income per share
Fiscal Year Ended	Yen	Yen
March 31, 2024	104.96	104.79
March 31, 2023	153.28	153.02

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
Fiscal Year Ended	Millions of yen	Millions of yen	%	Yen
March 31, 2024	697,892	380,965	54.5	1,275.86
March 31, 2023	634,823	360,118	56.6	1,172.86

(Reference) Equity: As of March 31, 2024 ¥380,112 million
As of March 31, 2023 ¥359,236 million

* **The Summary of Consolidated Financial Results is not subject to audit by 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. ("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. Overview of Business Results and Others, (4) Future Outlook".

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1. Overview of Business Results and Others

(1) Overview of Business Results for the Fiscal Year Ended March 31, 2024

During the fiscal year under review, the global economy saw a sluggish recovery due to the following reasons: Although the United States remained firm, centered on personal consumption and the employment and income environment, China continued to experience a gradual slowdown due to weakness in the real estate market and external demand, and Europe was also affected by monetary tightening and the slowdown of the Chinese economy. As for Japan, although it was affected by overseas economies, it recovered moderately supported by high levels of corporate profits, and the employment and income environment also improved.

Under these circumstances, the Environment Business expanded shipments of automotive-related products due to strong global passenger car sales, despite weak truck sales resulting from the slowdown in the Chinese economy. In the Digital Society Business, shipments of components for semiconductor manufacturing equipment and piezoceramic actuators for HDDs and others, declined primarily due to the continued reduction in investments in semiconductors and data centers. In the Energy & Industry Business, shipment of insulators increased in the U.S., Taiwan, Australia, and other countries due to the investment in infrastructure.

As a result, net sales for the current fiscal year increased 3.5% year on year to ¥578,913 million due to an increase in the volume of automobile-related products and the positive effect of the weaker yen, despite a decrease in the volume of products for semiconductor manufacturing equipment. In terms of profits, operating income decreased 0.5% year on year to ¥66,397 million due to the effects of the weaker yen, soaring raw material and fuel prices, and increased R&D expenses. Ordinary income decreased 4.3% year on year to ¥63,042 million yen due to a decrease in operating income and foreign exchange losses, and net income attributable to owners of the parent company decreased 26.3% year on year to ¥40,562 million by recording of an impairment loss on assets for the package business whose profit and loss deteriorated due to a decrease in demand.

The results of the business segments are as follows.

[Environment Business Segment]

Sales in this segment were ¥361,944 million, up 12.8% from the previous fiscal year.

Sales increased due to a recovery in automobile production due to an improvement in the shortage of components such as semiconductors, an increase in shipments of automotive-related products due to stricter regulations on exhaust emissions, and the positive effects of the depreciation of the yen.

Operating income increased 25.3% year on year to ¥63,564 million, reflecting the positive effects of increased demand and the depreciation of the yen, as well as cost reductions.

[Digital Society Business Segment]

Sales in this segment were ¥138,174 million, down 15.3% from the previous fiscal year.

Sales in this segment decreased due to a decline in shipments of components for semiconductor manufacturing equipment, piezoceramic actuators for HDDs and others mainly resulting from the restraint on investments in semiconductors and data centers despite the positive effect of the weak yen.

Operating income decreased 87.0% year-on-year to ¥2,284 million primarily due to a decrease in shipment volume and an increase of depreciation despite the positive effect of the weak yen.

[Energy & Industry Business Segment]

Sales in this segment were ¥80,842 million, up 4.0% from the previous fiscal year.

Demand for insulators increased in the U.S., Taiwan, Australia, and other countries due to power grid reinforcement and investment in renewable energy, while shipments of NAS[®] batteries and industrial equipment-related products continued at the

same level as the previous fiscal year. Combined with the positive effect of the weaker yen, overall sales increased.

In terms of profit and loss, the operating loss of ¥1,536 million in the previous fiscal year turned to an operating income of ¥532 million due to increased demand for insulators and the positive effects of the weak yen.

(2) Summary of Financial Position for the Fiscal Year Ended March 31, 2024

Total assets at the end of the fiscal year under review increased 9.6% from the end of the previous fiscal year to ¥1,127,576 million.

Current assets grew 11.9% year-on-year to ¥642,151 million due to increases in cash and deposits, and inventories. Non-current assets grew 6.6% year-on-year to ¥485,425 million.

Current liabilities increased 17.6% year-on-year to ¥175,803 million due to increases in current portion of long-term borrowings and contract liabilities. Non-current liabilities rose 4.8% year-on-year to ¥248,547 million due to increases bonds payable and deferred tax liabilities despite a decrease in long-term borrowings.

Net assets rose 9.5% year-on-year to ¥703,225 million mainly due to increases in retained earnings and valuation difference on available-for-sale securities and in foreign currency translation adjustments.

As a result, the equity ratio at the end of the fiscal year under review was 61.7% (61.7% at the end of the previous fiscal year), and net assets per share were ¥2,334.21, up ¥259.55 from the previous fiscal year.

(3) Summary of Cash Flows for the Fiscal Year Ended March 31, 2024

Cash and cash equivalents at the end of the fiscal year under review increased by ¥2,568 million year-on-year to ¥171,432 million. This was because proceeds from operating activities were ¥99,159 million, and there was a payment of ¥68,593 million from investing activities, and payment of ¥36,123 million from financing activities.

[Cash flows from operating activities]

Net cash provided by operating activities for the fiscal year under review totaled ¥99,159million. This includes income before income taxes of ¥56,175 million and depreciation, although there was an increase in inventories. Compared with the previous fiscal year, net cash provided increased by ¥1,209 million.

[Cash flows from investing activities]

Net cash used in investing activities for the fiscal year under review amounted to ¥68,593 million. This was the result of capital expenditures mainly for automotive related products and components for semiconductor manufacturing equipment, in addition to purchase of securities and increase in time deposits. Compared with the previous fiscal year, net cash used in increased by ¥16,586 million.

[Cash flows from financing activities]

Net cash used in financing activities for the fiscal year under review amounted to ¥36,123 million. This was mainly because long-term borrowings and dividends were repaid and acquisition of own shares, although long-term borrowings and issuance of bonds were taken out to secure funds for future capital investment and carbon neutral activities. Compared with the previous fiscal year, net cash used in increased by ¥1,554 million.

(4) Future Outlook

With regard to the outlook for the economy, although there are concerns such as the prolonged situation in Ukraine and the slowdown in the Chinese economy, the global recovery is expected to continue moderately, partly due to the resilience of the U.S. economy and the growth of emerging economies.

Under these circumstances, the NGK Group expects some volume reductions in automobile-related products as EV adoption progresses, but also anticipates that demand for products for semiconductor manufacturing equipment and electronic components will gradually pick up. We are planning to ship a large-scale project for NAS[®] batteries, resulting in an overall increase in sales. In terms of profits, operating income, ordinary income, and net income attributable to owners of the parent are expected to increase compared to the previous fiscal year due to an increase in revenue from a recovery in demand in the Digital Society Business.

Based on the exchange rates of ¥145 to U.S. dollar and ¥155 to euro, the Company is targeting net sales of ¥620,000 million (+7.1% y/y), operating income of ¥75,000 million (+13.0%y/y), ordinary income of ¥71,000 million (+12.6%y/y), and net income attributable to owners of the parent of ¥53,000 million (+30.7%y/y).

(5) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ended March 31, 2024, and the Fiscal Year Ending March 31, 2025

The Company places a high value on the interests of shareholders and considers continuous enhancement of corporate value and the return of profits to be among the most important management policies.

As one of the major management indicators, the Company considers return on equity (ROE) which exceeds capital costs to be an essential medium- to long-term goal. For this purpose, the Company is working to improve return on equity by using the NGK version of ROIC (calculated by operating income, trade receivable, inventory, and equipment), which each department can manage.

The Company intends to pay dividends by taking into account the management of net assets in line with changes in business risks and a link to operating performance (ROE) over a period of three years or so. The Company will do this while targeting a dividend on equity ratio of 3% and a consolidated dividend payout ratio of approximately 30% over the medium term and considering the outlook for cash flows among other things.

The Company proposes to pay a year-end dividend for the fiscal year ended March 31, 2024 of ¥25 per share, and together with the interim dividend of ¥25 already paid, the total dividend for the fiscal year will be ¥50 per share.

The Company plans to pay an interim dividend of ¥30, a year-end dividend of ¥30, and an annual dividend of ¥60 for the next fiscal year ending March 31, 2025 in consideration of the dividend payout ratio and the dividend on equity ratio.

The Company will use retained earnings to increase corporate value by expanding existing core businesses and investing in new businesses.

2. Management Policies

(1) Basic Management Policies of the Company

The NGK Group Philosophy and NGK Group Vision: "Road to 2050" that we adhere to are as follows:

<NGK Group Philosophy>

Our Mission

"Enriching Human Life by Adding New Value to Society."

Our Values

"Quality of People: Embrace challenges and teamwork"

"Quality of Products: Exceed expectations"

"Quality of Management: Social trust is our foundation"

<NGK Group Vision: "Road to 2050">

We look ahead to a future society in 2050, taking the major trend towards carbon neutrality and the explosive evolution into a digital society as an opportunity for further development. We will work on driving Five Transformations: [1] Promotion of ESG management, [2] Profitability improvement, [3] Focus on R&D, [4] Focus on commercialization, and [5] Digital transformation (DX). With "Surprising Ceramics" as the slogan for our unique ceramic technologies, we intend to convert our business structure toward the "Third Foundation."

(2) Targeted Management Indicators and Capital Policy

The NGK Group is pursuing management that prioritizes capital efficiency based on return on equity (ROE) as one of our key management indicators. We employ return on invested capital (the NGK version of ROIC), which is closely linked to ROE, as a management indicator, and use business assets (accounts receivable, inventories and fixed assets) in lieu of invested capital, and operating income in lieu of after-tax operating income, to allow our business divisions to proactively take control of their targets. In addition to improving the profitability of our existing business, we aim to achieve profit growth by maintaining and improving the sales growth rate by focusing on R&D and marketing with the goal of "New Value 1000", which is to achieve sales of new commercialized products of at least 100 billion yen by 2030. Aiming to achieve a minimum medium-to long-term target ROE of 10%, we will implement a capital policy that is conducive to the sustained enhancement of corporate value by accommodating changes in business risks. We will strive to reduce capital costs through communication with shareholders and investors, as well as conducting the decision-making process for business planning and capital investment, to secure earnings exceeding capital costs. We will also work on active shareholder returns, reviewing our payout ratio and dividend on equity (DOE) ratio. Through these efforts, we aim to maintain sound levels of profitability, capital turnover, and financial leverage, which are components of ROE, consistent with our business strategy while maintaining financial health of the Company.

Furthermore, as a management indicator that contributes to improving our corporate value, we use NGK Value-added, which takes into account CO₂ emission costs, labor costs, R&D expenses, and ESG target achievement rate in operating income. In addition to fulfilling a wide range of social responsibilities, including efforts to reduce environmental load and respect human rights, we will actively invest in human capital and R&D, the sources of our future competitiveness, while striving to increase added value so that we can steadily realize profit growth.

(3) Medium-to Long-Term Management Strategies and Issues to Be Addressed

The environment surrounding the NGK Group is expected to remain uncertain, with the Chinese economy slowing by the sluggish real estate market, Russia's invasion of Ukraine and conflicts in the Middle East prolonging, and 2024 being a global election year. On the other hand, from a medium- to long-term perspective, efforts to achieve carbon neutrality in order to realize a decarbonized society are expanding as the effects of the progress of global warming, which is expressed as "global boiling," are in a critical situation. Furthermore, with the arrival of the era of generative AI (artificial intelligence), we expect that information and communications will

become more sophisticated and the development of a digital society will accelerate. With the aim of becoming a corporation that adds new value to society, the Group has set “A Company to contribute to carbon neutrality and a digital society with our unique ceramic technologies” as what it wants to be in the NGK Group Vision. Accordingly, the Group is pushing forward with the “Five Transformations” to bring the vision into being. Although there is concern that automotive-related products, the Group’s core business, will shrink as electrification advances, the Group will work on “Advancement of ESG management” and “Improving the earning capability of existing businesses and creating new businesses” in the attempt to expand the lineup of products related to carbon neutrality and a digital society for a future society of 2050 and transform its business structure.

The NGK Group’s initiatives for key issues are as follows:

[1] Advancement of ESG management

The Group has placed ESG at the center of its corporate management to drive sustainable growth and transformation into what it wants to be in the future. Based on the NGK Group philosophy of “Enriching Human Life by Adding New Value to Society”, we will contribute to the realization of a sustainable society by providing new value through our unique ceramic technology, thereby meeting the expectations of society and gaining the trust of society. This is the NGK Group’s basic approach to sustainability. To realize the NGK Group philosophy, we aim to contribute to carbon neutrality and the realization of a digital society, while bearing in mind ESG (Environment, Society and Corporate Governance) and SDGs (Sustainable Development Goals), and to achieve sustainable corporate value.

In addition, the NGK Group has 36 Group companies (including 18 manufacturing companies) operating in 19 countries overseas. In order to achieve these goals and enhance management transparency and autonomy, we are working to improve the environment so that all group employees can act in accordance with fair values and international standards of judgment. As part of these efforts, the “NGK Group Code of Conduct” was established to lay out a path for executives and employees to follow, following the revision of the “NGK Group Corporate Business Principles”, which indicates the company’s stance toward fulfilling its social responsibility with a high ethical standard while complying with relevant laws and regulations, international rules, and their spirits inside and outside the country.

Under the ESG Management committee chaired by the President, the Board of Directors will appropriately supervise initiatives for the NGK Group’s sustainability issues, including ESG elements, with the aim of earning the trust of all stakeholders.

[Environment (E)]

Holding up the goal of achieving net zero CO₂ emissions by 2050, the Group has formulated the “NGK Group Environmental Vision,” which is formed around making a contribution to carbon neutrality, a recycling-oriented society and harmony with nature. Based on it, the Group has compiled the “Carbon Neutrality Strategic Roadmap” and the “Five-year environmental plan” as concrete action plans and is striving to fulfill the goals therein. In fiscal 2025, the final year of the 5 year plan, we expect to achieve our target of 550,000 tons of CO emissions in Scope 1 and Scope 2 (a 25% reduction from fiscal 2013 levels). We also aim to achieve our milestone of 370,000 tons of emissions in fiscal 2030 (a 50% reduction from the same level) by switching all electricity used at overseas sites to renewable energy sources and installing solar power generation facilities with a total capacity of 32 megawatts at domestic and overseas manufacturing sites by fiscal 2025. In addition, in order to achieve the target ahead of schedule, we are developing technologies for firing ceramics with carbon-neutral fuels such as hydrogen and ammonia, gas separation membranes and DAC (Direct Air Capture) to directly capture CO₂ in the atmosphere as technologies related to CO₂ capture, utilization, and storage, and we are conducting demonstration tests for CO₂ recycling and methanation. We are also promoting demonstration tests of methanation, which is a process to recycle CO₂, and will continue to develop carbon-neutral-related products and services in addition to promoting demonstration and application within the NGK Group. In November 2023, we issued green bonds (unsecured corporate bond) for the third consecutive year. We will accelerate our efforts to provide environmentally effective products and services and to achieve carbon neutrality in our business and production activities.

Moreover, we are disclosing information on the Task Force on Climate-related Financial Disclosures (TCFD) on our website, etc., and expressed our support as an early adopter of the Task Force on Nature-related Financial Disclosures (TNFD) regarding our efforts to coexist with nature. We will continue to expand the disclosure of related information without lagging behind social demands.

[Society (S)]

The NGK Group will expand initiatives to respect human rights in its companies and supply chains, thereby contributing to the creation of a society in which the human rights of all people affected by business activities will not be violated. Not only did the Group establish the “NGK Group Human Rights Policy” based on the “United Nations’ Guiding Principles on Business and Human Rights” but it also disclosed a statement on the UK Modern Slavery Act. Furthermore, the Group endorses “Children’s Rights and Business Principles” and has declared that the Group will respect children’s rights in business activities and engage in social contribution activities and others for the promotion of children’s rights.

In the NGK Group Philosophy, the NGK Group positions “human resources that challenge and enhance each other” as one of our goals, and strives to realize our mission of “Enriching Human Life by Adding New Value to Society” and to work on “five reforms” toward realizing the NGK Group Vision. In order to achieve these goals, it is essential that each and every human resource plays an active role. In June 2023, we established the “NGK Group Human Capital Management Policy”, the “Human Resource Development Policy”, and the “Internal Environment Development Policy”, and will promote the enrichment of human resources who are engaged in five reforms through recruitment and training sessions, and the creation of an environment where such human resources can fully demonstrate their capabilities. We are providing diverse career paths that allow self-directed growth of each employee and also deploying various measures including creating an internal work environment through flexible work styles utilizing telecommuting and reduction of long working hours. In a bid to promote the advancement of women, we have set numerical targets for the percentage of female new college graduates hired and are expanding the scope of their responsibility in the organizations that they are assigned or transferred to. We have implemented a system to support early return from parental leave to encourage employees who took maternity and childcare leave to resume their careers early. In addition to systems such as providing training for employees returning from childcare leave and expansion and improvement of childcare leave for male employees, we have been working on creating an environment that allows women to thrive through organizing internal lectures that aim for deeper understanding of balancing work and family responsibilities. In respect of human resources overseas, approximately 60 percent of a total of about 20,000 employees of the Group are stationed overseas. We believe the advancement of local human resources is essential for prompt and appropriate decision-making based on the circumstances, culture and practices in each local community for management of the NGK Group. Therefore, we actively hire local human resources and assign them to senior management-level positions at overseas sites.

NGK has announced the “Declaration of Partnership Building” promoted by the Cabinet Office and the Small and Medium Enterprise Agency. In order to conduct fair and equitable transactions with the procurement partners that make up the supply chain in the NGK Group’s supply chain, as well as to achieve prosperity together, we have established the “NGK Group Procurement Policy” with “openness and fairness, partnership, and relationship with society” as the basic axes of procurement, taking into consideration global environmental conservation, respect for human rights, and the working environment. We also conduct detailed assessments of risks and CSR for sustainable procurement through visits to suppliers and surveys.

[Governance (G)]

With regard to corporate governance, in light of enhancing the functions of the Board of Directors, the Company appoints independent outside directors who can contribute to the Company’s sustainable growth and mid- to long-term improvement of corporate value. The number of independent outside directors is one-third or more of the total members of the Board of Directors. The Company also founded the Business Ethics Committee, whose primary members are outside directors, and it handles response to fraudulent acts or violations of laws and regulations where the officers and others of the Company have been involved and provides response, reports and advice to the Board of Directors. The committee strives to strengthen the compliance system by establishing a whistleblowing system (“Hotline”), which is directly linked to the Business Ethics Committee. This serves as a mechanism to prevent any such fraudulent act or violation of laws and regulations in addition to the existing Helpline System, which provides advice and receives reports from employees.

From the compliance perspective, the Company has established the NGK Group Code of Conduct as guidelines for all members of the NGK Group to conduct sound business activities based on a sense of ethics. Moreover, the “Basic Guidelines for NGK Group Compliance Activities” are in place with the aim of establishing a mechanism for evaluating and verifying its compliance activities, taken in various domains, in light of international norms and for continuous improvement based on shared understanding and values.

With regard to compliance with laws and regulations such as the Competition Law and the Foreign Corrupt Practices Law, the “NGK Group Anti-Corruption Policy” was newly established in April 2024. The NGK Group is also working to ensure thorough compliance by continuously sending messages from top management, providing compliance education to officers and employees of Group companies in Japan and overseas, implementing a Competition Laws Compliance Program in line with international standards, and utilizing the Competition Laws Compliance Handbook.

Regarding a quality compliance system, the Company has been working on improving corporate characteristics through enhancement of mechanisms such as quality control activities by the top management and direct guidance by the quality committee as well as ensuring thorough quality education for the management members and employees. In terms of safety of the working environment, the Company works on reducing work-related injuries by strengthening the control capability of each site across the NGK Group in addition to identifying significant accident risks and enhancing preventative measures through conducting risk assessment of the NGK Group companies in and outside Japan.

In respect of risk management, risks that are deemed significant from the management perspective are classified into categories of business environment, strategy and internal factors, and continuously reviewed. We have established various committees to manage individual risks, including sustainability issues within the NGK Group. As environmental changes are accelerating both in Japan and overseas, in order to establish an integrated risk management system from a company-wide perspective that connects across divisions to the Board of Directors, the Risk Management Committee was established in fiscal 2023 as a supervisory committee under the direct control of the President. And we started considering countermeasures for priority follow-up risks after obtaining approval from the Board of Directors.

[2] Improving earning capacity of existing businesses and creating new businesses

The Group has developed a business portfolio policy in order to enhance corporate value from a company-wide perspective and carefully examines businesses from two perspectives: profitability measured using the NGK version of ROIC and growth potential that employs a net sales growth rate. We consider investing management resources in core businesses and business groups where future growth is anticipated. In addition, we evaluate the quantitative aspects of businesses in the low-growth, low-profit categories based on the annual and medium-term business plans and discuss their growth potential and profitability at internal strategy meetings, etc., which will be supervised by the Board of Directors as important matters concerning the company management. To decide on capital investments, we take into account the payback time of individual investments and the NGK version of ROIC as well as evaluations from the perspective of ESG that uses the internal carbon prices (ICP) and that has been adopted since fiscal 2022. In order to balance further sustainable profit growth with investment in human capital and intellectual capital, which will be the source of future corporate value, and at the same time comprehensively evaluate sustainability initiatives such as efforts to reduce environmental impact and respect human rights, we have introduced NGK Value-added as a management indicator, which takes into account CO₂ emission costs, labor costs, R&D expenses, and ESG target achievement rate to operating income. We will connect this to the enhancement of corporate value by raising non-financial value, which is not presented in financial statements, in addition to financial value, such as short-term profitability and medium- to long-term growth potential.

In order to improve the profitability of each business, we will appropriately pass increased costs associated with global inflation on to selling prices, and at the same time, we are advancing the initiative of “manufacturing ∞ (chain) innovation” to further enhance our profitability. We are advancing the sophistication of manufacturing systems and global collaboration by utilizing digital technology, focusing on “production innovation activities” that bridge the gap between the ideal and the current situation in the manufacturing chain and “cost reduction activities”, which improve manufacturing costs by reducing losses at each factory. And, in response to soaring raw material and fuel costs and fluctuations in demand, we will lead to stronger profitability by further reducing costs, shortening lead times, and reducing inventory.

The entire NGK Group will accelerate DX promotion under the NGK Group Digital Vision. In addition to the manufacturing field, we will create value using data, such as materials informatics to develop new materials and shorten development lead time, and the use of the IP landscape in patent strategy. We will also promote thorough business efficiency and data collaboration in the head office and indirect divisions to reduce fixed costs and transform business performance and decision-making based on data.

As transforming the business structure requires the creation of new business, we have set up “New Value 1000” as the key measure

to boost net sales of newly commercialized products to a minimum of 100 billion yen in 2030. The three business groups of Corporate NV Creation, tasked mainly with the marketing function, Corporate R&D with the Group's unique differentiating technology and Corporate Manufacturing Engineering, responsible for manufacturing including prototyping and mass-production technology, coordinate to speed up the process from R&D to commercialization. We plan to invest 31 billion yen in R&D expenses in fiscal 2024, the same as in the previous year, which is the highest level ever, and we are proceeding at a pace that exceeds the NGK Group Vision, which calls for an investment of 130 billion yen over the five years starting in 2021. We will allocate 300 billion yen over 10 years from 2021 to 2030, 80% of which will be used for carbon neutrality and digital society, and will focus management resources on promising future themes that will help solve social issues. Additionally, in order to create more effective differentiating technologies while accelerating the speed of development, we will engage in concurrent development that involves Corporate Manufacturing Engineering at an early stage. Furthermore, we strive to actively push forward with the creation of new products and businesses that utilize alliances with external parties such as investment in venture capital funds and start-ups whereby the transformation of the business structure will be moved forward.

Priority issues by segment are as follows. For the main products that make up each reportable segment, please see "(Additional information) (Changes in segment classification)" on page 18.

[Environment Business]

Due to the recovery in global automobile production and the tightening of exhaust gas regulations in each country, we aim to maximize profits by improving productivity, optimizing the global production system, and building a stable supply system while responding to high demand for the time being. Although the internal combustion engines business will gradually decline in the future due to the spread of electric vehicles, in the short term we will accelerate the development of new gasoline sensors in order to comply with further tightening of regulations in Europe and other countries. In addition to starting preparations for potential demand for CO₂ sensors, we will continue to review prices to ensure appropriate profits in the medium- to long-term phase of demand contraction. In addition, for the carbon-neutral market, which is expected to expand globally, we incorporated the industrial process department into the Environment Business segment and established the CN Business Promotion Department to reorganize a part of the head office plant into a new product development base and strengthen the development system for the early commercialization of products and equipment that can contribute to society's environmental needs, such as DAC (Direct Air Capture), which directly captures CO₂ from the atmosphere, and CO₂ separation membrane, which separates CO₂, nitrogen and hydrogen at the molecular level. As a business that broadly encompasses environment-related matters, we will contribute by introducing high value-added products and technological innovation.

[Digital Society Business]

In business fields related to the digital society, as set forth in the NGK Group Vision, demand will be weak in the short term due to the slowing recovery of the global economy, but in the medium- to long-term, semiconductor-related and electronic component-related businesses will expand due to advances in IoT and 5G. Regarding products for semiconductor manufacturing equipment and electronic components, in addition to developing next-generation products and cultivating customers, we will continue to make capital investments with an eye on the medium to long term in order to accommodate growing demand. Further, we will steadily advance the development of new products such as composite wafers and DCB Circuit Substrate that contribute to the sophistication of the communications field and power modules, and aim to expand our product lineup that contributes to a digital society.

[Energy & Industry Business]

With the aim of achieving carbon neutrality by 2050, the importance of storage batteries is becoming even more important as the decarbonization movement around the world intensifies. In the Energy Storage Business related field, although it will take some time for demand for NAS[®] batteries to fully expand, we will continue to explore business opportunities that take advantage of their characteristics, such as large capacity, long life, and long charging/discharging times. In addition to the existing "selling of goods", we will focus on selling "products as services", which provides services and value, as a new business area. For example, we will launch VPP service, which uses NAS[®] batteries to control energy resources in an integrated manner using IoT technology to balance power

supply and demand. As capital investment by domestic electric power companies continues to be curbed, we will continue to improve the efficiency of our business in anticipation of medium- to long-term market changes.

Through these initiatives, the Group will work to further reinforce its management base and continue conducting corporate management with emphases placed on capital efficiency and shareholders, while aiming to become what it wants to be in the future through sustainable growth and enhancement of corporate value.

3. Basic Policies Concerning Selection of Accounting Standards

The Company applies Japanese GAAP, on the other hand, the Company has already unified its accounting standards for accounting period, depreciation and amortization methods, etc. to standards which are same as those of IFRS, in order to make a financial report more appropriate.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	March 31, 2024	March 31, 2023
Assets		
Current assets		
Cash and deposits	192,656	168,447
Notes receivable–trade	2,392	2,941
Accounts receivable–trade	115,370	108,132
Contract assets	16,499	9,044
Securities	50,015	46,260
Inventories	*1 239,063	*1 214,423
Other	26,319	24,632
Allowance for doubtful accounts	(165)	(162)
Total current assets	642,151	573,718
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	129,119	126,436
Machinery, equipment and vehicles, net	174,122	172,418
Tools, furniture and fixtures, net	9,073	9,836
Land	32,902	30,360
CO	23,297	25,393
Other, net	3,388	2,001
Total property, plant and equipment	371,903	366,446
Intangible assets		
Software	6,479	6,225
Other	180	188
Total intangible assets	6,659	6,414
Investments and other assets		
Investment securities	76,709	58,223
Deferred tax assets	9,935	7,522
Retirement benefit assets	16,319	12,887
Other	4,214	4,258
Allowance for doubtful accounts	(317)	(303)
Total investments and other assets	106,862	82,588
Total non-current assets	485,425	455,449
Total assets	1,127,576	1,029,168

(Millions of yen)

	March 31, 2024	March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	50,269	44,872
Short-term borrowings	11,342	11,143
Current portion of long-term borrowings	40,897	34,860
Accounts payable-other	14,972	15,482
Accrued expenses	24,756	22,245
Income taxes payable	6,734	4,164
Contract liabilities	12,687	6,079
Other	14,143	10,658
Total current liabilities	175,803	149,507
Non-current liabilities		
Bonds payable	52,000	40,000
Long-term borrowings	155,086	167,353
Deferred tax liabilities	13,464	4,077
Provision for product warranties	424	655
Retirement benefit liabilities	20,906	20,283
Other	6,664	4,843
Total non-current liabilities	248,547	237,214
Total liabilities	424,351	386,721
Net assets		
Shareholders' equity		
Share capital	70,064	69,955
Capital surplus	70,397	70,305
Retained earnings	451,550	440,530
Treasury shares	(25,155)	(10,294)
Total shareholders' equity	566,856	570,496
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,845	17,101
Deferred gains or losses on hedges	6	(9)
Foreign currency translation adjustment	82,250	42,849
Remeasurements of defined benefit plans	7,467	5,009
Total accumulated other comprehensive income	128,569	64,951
Share acquisition rights	852	882
Non-controlling interests	6,947	6,116
Total net assets	703,225	642,446
Total liabilities and net assets	1,127,576	1,029,168

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

(Millions of yen)

	Fiscal Year Ended March 31, 2024	Fiscal Year Ended March 31, 2023
Net sales	578,913	559,240
Cost of sales	423,059	405,463
Gross profit	155,854	153,776
Selling, general and administrative expenses	*1 89,456	*1 87,015
Operating income	66,397	66,761
Non-operating income		
Interest income	1,590	786
Dividend income	1,383	1,336
Share of profit of entities accounted for using equity method	1,567	1,522
Foreign exchange gains	—	694
Interest on refund of income taxes	—	*2 550
Other	1,374	1,124
Total non-operating income	5,915	6,015
Non-operating expenses		
Interest expense	4,015	3,861
Loss on valuation of derivatives	1,060	205
Foreign exchange loss	2,464	—
Depreciation	783	739
Loss on liquidation of subsidiary and associate	—	963
Other	947	1,119
Total non-operating expense	9,271	6,889
Ordinary income	63,042	65,887
Extraordinary income		
Gain on sales of non-current assets	432	231
Gain on sales of investment securities	946	1,312
Subsidies income	640	1,124
Total extraordinary income	2,019	2,669
Extraordinary losses		
Loss on disposals of non-current assets	592	550
Impairment loss	*3 6,959	9,952
Loss on valuation of investment securities	956	—
Loss on business of subsidiary	*4 376	532
Total extraordinary losses	8,886	11,034
Income before income taxes	56,175	57,522
Income taxes-current	17,998	15,254
Income taxes-refund	(2)	*2 (7,661)
Income taxes for prior periods	—	*5 (4,100)
Income taxes-deferred	(2,524)	(1,222)
Total income taxes	15,471	2,270
Net income	40,703	55,251
Net income attributable to non-controlling interests	140	202
Net income attributable to owners of the parent	40,562	55,048

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal Year Ended March 31, 2024	Fiscal Year Ended March 31, 2023
Net income	40,703	55,251
Other comprehensive income		
Valuation difference on available-for-sale securities	21,759	41
Deferred gain or (loss) on hedges	16	180
Foreign currency translation adjustment	40,525	21,206
Remeasurements of defined benefit plans, net of tax	2,134	5,680
Share of other comprehensive income of entities accounted for using equity method	(62)	391
Total other comprehensive income	64,373	27,501
Comprehensive income	105,076	82,753
Comprehensive income attributable to		
Owners of the parent	104,180	82,161
Non-controlling interests	896	591

(3) Consolidated Statement of Changes in Equity
Year Ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholder's equity
Balance at March 31, 2023	69,955	70,305	440,530	(10,294)	570,496
Changes during period					
Dividends of surplus			(17,768)		(17,768)
Net income attributable to owners of the parent			40,562		40,562
Purchase of treasury shares				(14,882)	(14,882)
Disposal of treasury shares		7		21	29
Restricted stock compensation	108	108			217
Change in scope of equity method			(11,774)		(11,774)
Change in ownership interest of parent due to transactions with non-controlling interests		(24)			(24)
Net changes in items other than shareholders' equity					—
Total changes during period	108	91	11,020	(14,860)	(3,640)
Balance at March 31, 2024	70,064	70,397	451,550	(25,155)	566,856

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2023	17,101	(9)	42,849	5,009	64,951	882	6,116	642,446
Changes during period								
Dividends of surplus								(17,768)
Net income attributable to owners of the parent								40,562
Purchase of treasury shares								(14,882)
Disposal of treasury shares								29
Restricted stock compensation								217
Change in scope of equity method								(11,774)
Change in ownership interest of parent due to transactions with non-controlling interests								(24)
Net changes in items other than shareholders' equity	21,743	15	39,400	2,458	63,617	(29)	831	64,419
Total changes during period	21,743	15	39,400	2,458	63,617	(29)	831	60,779
Balance at March 31, 2024	38,845	6	82,250	7,467	128,569	852	6,947	703,225

Year Ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholder's equity
Balance at March 31, 2022	69,849	70,199	416,205	(10,944)	545,308
Changes during period					
Dividends of surplus			(20,572)		(20,572)
Net income attributable to owners of the parent			55,048		55,048
Purchase of treasury shares				(9,635)	(9,635)
Disposal of treasury shares		(4)		63	59
Cancellation of treasury shares		(10,222)		10,222	—
Transfer from retained earnings to capital surplus		10,226	(10,226)		—
Restricted stock compensation	106	106			212
Change in scope of consolidation			74		74
Net changes in items other than shareholders' equity					—
Total changes during period	106	106	24,324	650	25,187
Balance at March 31, 2023	69,955	70,305	440,530	(10,294)	570,496

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2022	17,060	(199)	21,620	(642)	37,838	941	5,505	589,594
Changes during period								
Dividends of surplus								(20,572)
Net income attributable to owners of the parent								55,048
Purchase of treasury shares								(9,635)
Disposal of treasury shares								59
Cancellation of treasury shares								—
Transfer from retained earnings to capital surplus								—
Restricted stock compensation								212
Change in scope of consolidation								74
Net changes in items other than shareholders' equity	40	190	21,229	5,652	27,112	(59)	610	27,664
Total changes during period	40	190	21,229	5,652	27,112	(59)	610	52,852
Balance at March 31, 2023	17,101	(9)	42,849	5,009	64,951	882	6,116	642,446

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal Year Ended March 31, 2024	Fiscal Year Ended March 31, 2023
Cash flows from operating activities		
Income before income taxes	56,175	57,522
Depreciation	56,806	53,729
Impairment loss	6,959	9,952
Interest and dividend income	(2,974)	(2,123)
Interest expense	4,015	3,861
Share of profit of entities accounted for using equity method	(1,567)	(1,522)
Gain on sales of investment securities	(946)	(1,312)
Decrease (increase) in trade receivables	1,234	15,452
Decrease (increase) in contract assets	(6,968)	934
Increase in inventories	(10,091)	(19,613)
Decrease (increase) in other current assets	187	(1,337)
(Decrease) increase in trade payables	3,861	(497)
Increase (decrease) in other current liabilities	6,439	4,347
Other	2,538	258
Subtotal	115,671	119,651
Interest and dividends received	3,023	2,083
Dividends received from entities accounted for using equity method	401	424
Interest paid	(4,114)	(3,938)
Income taxes paid	(15,884)	(31,378)
Tax refunds and interest on tax refunds received	61	11,107
Net cash provided by operating activities	99,159	97,949
Cash flows from investing activities		
Purchase of securities	(73,899)	(69,638)
Proceeds from sales and redemption of securities	69,670	61,895
Purchase of property, plant and equipment	(42,811)	(40,257)
Proceeds from sale of property, plant and equipment	735	3,168
Purchase of intangible assets	(2,324)	(2,896)
Purchase of short-term and long-term investment securities	(3,228)	(382)
Proceeds from sales and redemption of investment securities	2,226	3,954
Net increase in time deposits	(18,566)	(7,319)
Other	(394)	(532)
Net cash used in investing activities	(68,593)	(52,006)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(782)	4,523
Proceeds from long-term borrowings	23,250	20,125
Repayments of long-term borrowings	(36,376)	(32,812)
Proceeds from issuance of bonds	12,000	5,000
Purchase of treasury shares	(14,882)	(9,635)
Dividends paid	(17,768)	(20,572)
Other	(1,564)	(1,197)
Net cash used in financing activities	(36,123)	(34,568)
Effect of exchange rate changes on cash and cash equivalents	8,125	2,560
Net increase in cash and cash equivalents	2,568	13,935
Cash and cash equivalents at beginning of period	168,863	154,855
Increase in cash and cash equivalents resulting from change in scope of consolidation	—	73
Cash and cash equivalents at end of period	171,432	168,863

(5) Notes to Consolidated Financial Statements

(Note on the Assumption as a Going Concern)

Not applicable

(Significant Items Underlying the Preparation of Consolidated Financial Statements)

Accounting standards

Accounting standards for significant allowances

Provision for product warranties

The Company and some consolidated subsidiaries estimate and accrue the costs of warranty repair for products sold in reserve for future expenses.

(Additional Information)

(Changes in Business Segment)

The Company decided to change the categories of its business segment at the meeting of the directors of the company held on January 31, 2024. The change of organization effective on April 1, 2024, the Industrial Process Business which included in the "Energy & Industry" has been changed to the "Environment" from the fiscal year ending March 31, 2025.

Listed below are main products of the respective new business segments.

Business Segment	Main products
Environment	Automotive ceramics for exhaust gas purification and sensors, corrosion-resistant ceramic apparatuses, for chemical industries, gas analyzer, industrial heating systems, refractory products and radioactive waste treatment systems
Digital Society	Components for semiconductor manufacturing equipment, electronics components, beryllium copper products, and molds
Energy & Industry	NAS® (sodium-sulfur) batteries, Insulators, hardware for insulator assemblies, current limiting arching horn, bushing shells, fuse cut-outs, APM, line arrester

Amounts of net sales, and income or loss by business segment and disaggregated revenue recognized from contracts with customers for Year ended March 31, 2024 accordance with the new business segments are as below.

(1) Net sales and income or loss by business segment

Year ended March 31, 2024 (from April 1, 2023, to March 31, 2024)

(Millions of yen)

	Business segment				Adjustment	Consolidated
	Environment	Digital Society	Energy & Industry	Total		
Net sales						
Sales to customers	390,745	138,150	50,018	578,913	—	578,913
Intersegment sales	200	24	777	1,002	(1,002)	—
Total	390,945	138,174	50,795	579,916	(1,002)	578,913
Operating income	64,595	2,284	(479)	66,401	(3)	66,397

(Notes) The adjustment of ¥ (3) million to operating income comprises of intersegment transactions.

(2) Disaggregated revenue recognized from contracts with customers
Year ended March 31, 2024 (from April 1, 2023, to March 31, 2024)

(Millions of yen)

	Business Segment			
	Environment	Digital Society	Energy & Industry	Total
Major geographical regions				
Japan	55,977	44,516	32,104	132,598
North America	73,458	39,087	11,013	122,559
Europe	136,152	3,969	296	140,417
Asia	117,539	50,429	3,048	171,017
Others	7,618	147	3,555	11,321
Total	390,745	138,150	50,018	578,913
Major product lines				
Automotive ceramics for exhaust gas purification	297,299	—	—	297,299
Sensors	64,637	—	—	64,637
Industrial processes	28,808	—	—	28,808
SPE related (Component for semiconductor production equipment)	—	86,455	—	86,455
Electronics components	—	26,129	—	26,129
Metal related	—	25,565	—	25,565
Energy storage	—	—	2,089	2,089
Insulators	—	—	47,928	47,928
Total	390,745	138,150	50,018	578,913
Timing of revenue recognition				
Goods and services transferred at a point in time	384,166	138,150	41,236	563,553
Goods and services transferred over time	6,578	—	8,781	15,360
Total	390,745	138,150	50,018	578,913

(Consolidated Balance Sheets)

*1. The breakdown of inventories is as follows:

	March 31, 2024	March 31, 2023
Finished goods and merchandise	112,547 million yen	97,744 million yen
Cost of contracts in progress	6,347	1,004
Work in process	20,821	22,462
Raw materials and supplies	99,346	93,210

2. 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. The major items and their amounts of selling, general and administrative expenses are as follows:

	Fiscal Year Ended March 31, 2024	Fiscal Year Ended March 31, 2023
Salaries, wages, and bonuses	24,707 million yen	23,737 million yen
Freight-out	8,165	12,970
Research and development expenses	16,467	12,511
Retirement benefit expenses	1,009	1,475

*2. Interest on refund of income taxes and income taxes-refund

Year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

In December 2019, the Company filed an appeal with the Tokyo District Court contesting a transfer pricing correction (the “Correction”) made in June 2017 by the Nagoya Regional Taxation Bureau in relation to transactions the Company conducted with its Polish subsidiary from the fiscal year ended March 31, 2011, to the fiscal year ended March 31, 2015. In October 2022, the Company received a notice of correction from the Nagoya Regional Taxation Bureau stating to reduce the amount of the Correction. Accordingly, the Company recorded the income taxes-refund relating corporate, local and other taxes already paid in the past of ¥7,661 million and the relating interest on refund of income taxes of ¥550 million as non-operating income.

*3. Impairment loss

Year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

The Company recognized impairment loss as follows:

Groups	Asset category	Location	Millions of yen
Package Business	Machinery, equipment and vehicles, Construction in progress	Japan and Malaysia	4,876
Industrial processes Business	Machinery, equipment and vehicles, Construction in progress	Japan	940

The Company performs asset grouping in accordance with business segments adopted for the purpose of internal management, and idle assets, etc. are grouped individually by property unit.

The Company recognized impairment loss mainly in the assets of the business segment and idle assets which deteriorated in profitability as extraordinary losses, and the carrying amounts of the relevant assets were written down to the memorandum value or so. The Company recognized impairment loss as ¥457 million in buildings and structures, ¥2,909 million in machinery, equipment and vehicles, ¥2,575 million in construction in progress and ¥1,017 million in other. The recoverable amount of those assets were measured at their net sale value and others. The net sale value is calculated based on the valuation value reasonably calculated by a third party.

*4. Loss on business of subsidiary

Year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

This is a loss resulting from the decision in March 2024 to dissolve consolidated subsidiary NGK CERAMICS SOUTH AFRICA (PTY) LTD.

*5. Income taxes for prior periods

Year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

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, etc.)

[Segment Information]

1. Overview of reportable business segments

The Company's reportable business segments are components of the Company about which separate financial information is available that is evaluated regularly by the Company's management in deciding how to allocate resources and in assessing performance.

The Company develops and conducts its operations under three business segments: Environment Business, Digital Society Business, and Energy & Industry Business, while planning a comprehensive strategy for domestic and overseas markets. Consequently, the Company defines those three business segments as its reportable business segments.

Business segment	Main products
Environment	Automotive ceramics for exhaust gas purification and sensors
Digital Society	Components for semiconductor manufacturing equipment, electronics components, beryllium copper products, and molds
Energy & Industry	NAS [®] (sodium-sulfur) batteries, Insulators, hardware for insulator assemblies, current limiting arching horn, bushing shells, fuse cut-outs, APM, line arrester, corrosion-resistant ceramic apparatuses, for chemical industries, gas analyzer, industrial heating systems, refractory products and radioactive waste treatment systems

2. Methods of calculating sales, income or loss, assets, liabilities, and other items by business segment

The accounting methods applied to the reported business segments are the same as those of consolidated financial statements.

Business segment income is based on operating income. Intersegment sales is based on market prices.

3. Sales, income or loss, assets, liabilities, and other items by business segment
Year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Business segment				Adjustment	Consolidated
	Environment	Digital Society	Energy & Industry	Total		
Net Sales						
Sales to customers	361,937	138,150	78,826	578,913	—	578,913
Intersegment sales	7	24	2,016	2,048	(2,048)	—
Total sales	361,944	138,174	80,842	580,961	(2,048)	578,913
Operating income	63,564	2,284	532	66,382	15	66,397
Total assets	497,933	209,411	110,578	817,923	309,653	1,127,576
Other						
Depreciation	39,198	15,160	2,447	56,806	—	56,806
Impairment loss	22	5,362	1,574	6,959	—	6,959
Capital expenditures	15,464	17,656	3,251	36,373	10,923	47,296

- (Notes)
1. The adjustment of ¥15 million to operating income comprises of intersegment transactions.
 2. Corporate assets within total assets that are included in adjustment are ¥318,307 million, consisting mainly of surplus funds managed by the Company (cash and securities), long-term investment funds (investment securities) and assets related to administrative divisions.
 3. Adjustment of capital expenditures is an increase at head office divisions.

Year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Business segment				Adjustment	Consolidated
	Environment	Digital Society	Energy & Industry	Total		
Net Sales						
Sales to customers	320,783	163,164	75,292	559,240	—	559,240
Intersegment sales	4	28	2,476	2,508	(2,508)	—
Total sales	320,787	163,192	77,768	561,749	(2,508)	559,240
Operating income	50,728	17,557	(1,536)	66,749	11	66,761
Total assets	478,675	199,077	92,741	770,494	258,673	1,029,168
Other						
Depreciation	37,238	13,665	2,825	53,729	—	53,729
Impairment loss	6,285	—	3,332	9,617	334	9,952
Capital expenditures	18,358	16,234	1,973	36,566	7,127	43,694

- (Notes)
1. The adjustment of ¥11 million to operating income comprises of intersegment transactions.
 2. Corporate assets within total assets that are included in adjustment are ¥265,525 million, consisting mainly of surplus funds managed by the Company (cash and securities), long-term investment funds (investment securities) and assets related to administrative divisions.
 3. Adjustment of capital expenditures is an increase at head office divisions.

[Related information]

Year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Information about geographical areas

Net Sales

(Millions of yen)

Sales to customers	Japan	North America			Europe			Asia			Others	Total
		Total	USA	Others	Total	Germany	Others	Total	China	Others		
	132,598	123,559	113,690	9,869	140,417	51,810	88,607	171,017	104,233	66,783	11,321	578,913

(Note) Net sales are attributed to countries based on the location of the customers.

Year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

Information about geographical areas

Net Sales

(Millions of yen)

Sales to customers	Japan	North America			Europe			Asia			Others	Total
		Total	USA	Others	Total	Germany	Others	Total	China	Others		
	129,586	136,357	128,285	8,071	125,793	50,445	75,347	156,520	82,428	74,091	10,982	559,240

(Note) Net sales are attributed to countries based on the location of the customers.

(Revenue Recognition)

Disaggregated revenue recognized from contracts with customers

Year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Business Segment			
	Environment	Digital Society	Energy & Industry	Total
Major geographical regions				
Japan	28,982	44,516	59,099	132,598
North America	71,878	39,087	12,593	123,559
Europe	136,055	3,969	393	140,417
Asia	117,477	50,429	3,110	171,017
Others	7,543	147	3,629	11,321
Total	361,937	138,150	78,826	578,913
Major product lines				
Automotive ceramics for exhaust gas purification	297,299	—	—	297,299
Sensors	64,637	—	—	64,637
SPE related (Components for semiconductor production equipment)	—	86,455	—	86,455
Electronics components	—	26,129	—	26,129
Metal related	—	25,565	—	25,565
Energy storage	—	—	2,089	2,089
Insulators	—	—	47,928	47,928
Industrial processes	—	—	28,808	28,808
Total	361,937	138,150	78,826	578,913
Timing of revenue recognition				
Goods and services transferred at a point in time	361,937	138,150	63,465	563,553
Goods and services transferred over time	—	—	15,360	15,360
Total	361,937	138,150	78,826	578,913

Year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Business Segment			
	Environment	Digital Society	Energy & Industry	Total
Major geographical regions				
Japan	28,276	49,087	52,222	129,586
North America	65,890	61,179	9,287	136,357
Europe	121,633	3,629	530	125,793
Asia	98,289	49,170	9,060	156,520
Others	6,693	98	4,190	10,982
Total	320,783	163,164	75,292	559,240
Major product lines				
Automotive ceramics for exhaust gas purification	262,043	—	—	262,043
Sensors	58,739	—	—	58,739
SPE related (Components for semiconductor production equipment)	—	106,966	—	106,966
Electronics components	—	28,562	—	28,562
Metal related	—	27,635	—	27,635
Energy storage	—	—	2,747	2,747
Insulators	—	—	44,212	44,212
Industrial processes	—	—	28,332	28,332
Total	320,783	163,164	75,292	559,240
Timing of revenue recognition				
Goods and services transferred at a point in time	320,783	163,164	61,621	545,569
Goods and services transferred over time	—	—	13,670	13,670
Total	320,783	163,164	75,292	559,240

(Per Share Information)

	Fiscal Year Ended March 31, 2024	Fiscal Year Ended March 31, 2023
Net assets per share	2,334.21 yen	2,074.66 yen
Net income per share	133.65 yen	177.47 yen
Diluted net income per share	133.42 yen	177.17 yen

(Note) The basis for calculation of net income per share and diluted net income per share is as follows

	Fiscal Year Ended March 31, 2024	Fiscal Year Ended March 31, 2023
Net income per share		
Net income attributable to owners of the parent (Millions of yen)	40,562	55,048
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income on common stock (Millions of yen)	40,562	55,048
Average number of shares of common stock outstanding over the period (Thousand shares)	303,510	310,189
Diluted net income per share		
Adjustment to net income (Millions of yen)	—	—
Increase in common shares (Thousand shares)	502	525
(Stock options in the form of stock acquisition rights)	(502)	(525)
Summary of potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	—	—

(Significant Subsequent Event)

Not applicable